
As filed with the Securities and Exchange Commission on March 18, 2016

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-15170

GlaxoSmithKline plc
(Exact name of Registrant as specified in its charter)

England
(Jurisdiction of incorporation or organization)

980 Great West Road, Brentford, Middlesex TW8 9GS England
(Address of principal executive offices)

**Victoria Whyte
Company Secretary
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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| <u>Title of Each Class</u> | <u>Name of Each Exchange On Which Registered</u> |
|--|--|
| American Depositary Shares, each representing 2 Ordinary Shares, Par value 25 pence | |
| 0.700% Notes due 2016 | New York Stock Exchange |
| 1.500% Notes due 2017 | New York Stock Exchange |
| 5.650% Notes due 2018 | New York Stock Exchange |
| 2.850% Notes due 2022 | New York Stock Exchange |
| 2.800% Notes due 2023 | New York Stock Exchange |
| 5.375% Notes due 2034 | London Stock Exchange |
| 6.375% Notes due 2038 | New York Stock Exchange |
| 4.200% Notes due 2043 | New York Stock Exchange |

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares of Par value 25 pence each

5,361,307,647

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every

Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer” and “large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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Pursuant to Rule 12b-23(a) of the Securities Exchange Act of 1934, as amended, the information for the 2015 Form 20-F of GlaxoSmithKline plc set out below is being incorporated by reference from the “GSK Annual Report 2015” included as exhibit 15.2 to this Form 20-F dated and submitted on March 18, 2016 (the “GSK Annual Report 2015”).

All references in this Form 20-F to “GlaxoSmithKline,” the “Group,” “GSK,” “we” or “our” mean GlaxoSmithKline plc and its subsidiaries; the “company” means GlaxoSmithKline plc.

References below to major headings include all information under such major headings, including subheadings, unless such reference is a reference to a subheading, in which case such reference includes only the information contained under such subheading.

In addition to the information set out below, the information set forth under the headings “Cautionary statement” on page 1 and the inside back cover, “Directors’ Report” on page 101, “Directors’ statement of responsibilities” on page 130, “Directors’ statement of responsibilities in relation to the company’s financial statements” on page 211, “Share capital and control” on pages 241 to 242, “Financial calendar”, “Results announcements”; “Financial reports” and “Annual General Meeting 2016” on page 243, “Registrar” on page 246, “ADR Depository”, “Glaxo Wellcome and SmithKline Beecham Corporate PEPs”, “Donating shares to Save the Children”, “Contacts”, “Share scam alert” and “Responsible Business Supplement” on page 247, “Section 13(r) of the US Securities Exchange Act” on page 249 and “Glossary of terms” on page 259 in each case of the GSK Annual Report 2015 is incorporated by reference.

Notice regarding limitations on Director Liability under English Law

Under the UK Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from certain portions of the GSK Annual Report 2015 incorporated by reference herein, namely the “Directors’ Report” (for which see page 101 thereof), the “Strategic Report” (pages 2 to 72 thereof, portions of which are incorporated by reference as described below) and the “Remuneration Report” (pages 102 to 126, portions of which are incorporated by reference as described below). These reports have been drawn up and presented in accordance with, and in reliance upon, English company law. Under English law, the Directors would be liable to the company, but not to any third party, if these sections of the GSK Annual Report 2015 contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Portions of the GSK Annual Report 2015 incorporated by reference herein contain references to our website. Information on our website or any other website referenced in the GSK Annual Report 2015 is not incorporated into this Form 20-F and should not be considered to be part of this Form 20-F. We have included any website as an inactive textual reference only.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

3.A Selected financial data

The information set forth under the heading:

- “Five year record” on pages 222 to 224; and
- “Dividends” on page 243

of the GSK Annual Report 2015 is incorporated herein by reference.

3.B Capitalization and indebtedness

Not applicable.

3.C Reasons for the offer and use of proceeds

Not applicable.

3.D Risk factors

Principal risks and uncertainties

The principal risks discussed below are the risks and uncertainties relevant to our business, financial condition and results of operations that may affect our performance and ability to achieve our objectives. The factors below are those that we believe could cause our actual results to differ materially from expected and historical results.

We must adapt to and comply with a broad range of laws and regulations. These requirements apply to research and development, manufacturing, testing, approval, distribution, sales and marketing of Pharmaceutical, Vaccine and Consumer Healthcare products, and affect not only the cost of product development but also the time required to reach the market and the likelihood of doing so successfully.

Moreover, as rules and regulations change, and governmental interpretation of those rules and regulations evolves, the nature of a particular risk may change. Changes to certain regulatory regimes may be substantial. Any change in, and any failure to comply with, applicable law and regulation could materially and adversely affect our financial results.

Similarly, our business exposes us to litigation and government investigations, including but not limited to product liability litigation, patent and antitrust litigation and sales and marketing litigation. Litigation and government investigations, including related provisions we may make for unfavourable outcomes and increases in related costs such as insurance premiums, could materially and adversely affect our financial results.

More detail on the status and various uncertainties involved in our significant unresolved disputes and potential litigation is set out in Note 45, "Legal proceedings", on pages 206 to 210 of the GSK Annual Report 2015.

Patient safety

Risk definition

Failure to appropriately collect, review, follow up, or report adverse events from all potential sources, and to act on any relevant findings in a timely manner.

Risk impact

The impact of this risk is potentially to compromise our ability to conduct robust safety signal detection and interpretation and to ensure that appropriate decisions are taken with respect to the risk/benefit profile of our products, including the completeness and accuracy of product labels and the pursuit of additional studies/analyses, as appropriate. This could lead to potential harm to patients, reputational damage, product liability claims or other litigation, governmental investigation, regulatory action such as fines, penalties or loss of product authorisation.

Context

Pre-clinical and clinical trials are conducted during the development of investigational Pharmaceutical, Vaccine and Consumer Healthcare Products to determine the safety and efficacy of the products for use by humans. Notwithstanding the efforts we make to determine the safety of our products through appropriate pre-clinical and clinical trials, unanticipated side effects may become evident only when products are widely introduced into the marketplace. Questions may be raised not only by our ongoing safety surveillance and post-marketing studies but also by governmental agencies and third-parties that may analyse publicly available clinical trial results.

The Group is currently a defendant in a number of product liability lawsuits, including class actions, that involve significant claims for damages related to our products. Litigation, particularly in the US, is inherently unpredictable. Class actions that seek to sweep together all persons who were prescribed our products increase the potential liability. Claims for pain and suffering and punitive damages are frequently asserted in product liability actions and, if allowed, can represent potentially open-ended exposure and thus, could materially and adversely affect the Group's financial results.

Intellectual property

Risk definition

Failure to appropriately secure and protect intellectual property rights.

Risk impact

Any failure to obtain or subsequent loss of patent protection, including reducing the availability or scope of patent rights or compulsory licensing (in which a government forces a manufacturer to license its patents for specific products to a competitor), could materially and adversely affect our financial results in those markets. Absence of adequate patent or data exclusivity protection could limit the opportunity to rely on such markets for future sales growth for our products, which could also materially and adversely affect our financial results.

Context

As an innovative Pharmaceutical, Vaccine and Consumer Healthcare Products company, we seek to obtain appropriate intellectual property protection for our products. Our ability to obtain and enforce patents and other proprietary rights with regard to our products is critical to our business strategy and success. Pharmaceutical and Vaccine products are usually only protected from being copied by generic manufacturers during the period of exclusivity provided by an issued patent or related intellectual property rights such as Regulatory Data Protection or Orphan Drug status. Following expiration of certain intellectual property rights, a generic manufacturer may lawfully produce a generic version of the product.

We operate in markets where intellectual property laws and patent offices are still developing and where governments may be unwilling to grant or enforce intellectual property rights in a fashion similar to more developed regions such as the EU, Japan and the US. Some developing countries have limited, or threatened to limit, effective patent protection for pharmaceutical products in order to facilitate early competition within their markets from generic manufacturers.

We face competition from manufacturers of proprietary and generic pharmaceutical products in all of our major markets. Introduction of generic products, particularly in the US where we have our highest turnover and margins, typically leads to a rapid and dramatic loss of sales and reduces our revenues and margins for our proprietary products.

We depend on certain key products for a significant portion of our sales. One such product is our respiratory pharmaceutical product *Seretide/Advair* which accounts for significant Group sales worldwide. The timing and impact of entry in the US for a generic product containing the same combination of active substances as *Seretide/Advair* is uncertain. The US patent for compositions containing the combination of active substances in *Seretide/Advair* expired during 2010 although the US patent on a component of the *Advair* Diskus device continues until August 2016. Generic products containing the same combination of active substances as *Seretide/Advair* (in both metered dose inhalers and dry powder inhalers) have been launched by several manufacturers in a number of European markets. The timing and impact of entry in the US and major markets in Europe for a 'follow-on' product to *Seretide/Advair* is uncertain.

Generic drug manufacturers have also exhibited a readiness to market generic versions of many of our most important products prior to the expiration of our patents. Their efforts may involve challenges to the validity or enforceability of a patent or assertions that their generic product does not infringe our patents. As a result, we are and may continue to be involved in legal proceedings involving patent challenges, which may materially and adversely affect our financial results. Moreover, in the US, it has become increasingly common for patent infringement actions to prompt claims that anti-trust laws have been violated during the prosecution of the patent or during litigation involving the defence of that patent. Such claims by direct and indirect purchasers and other payers are typically filed as class actions. The relief sought may include treble damages and restitution claims. Similarly, anti-trust claims may be brought by government entities or private parties following settlement of patent litigation, alleging that such settlements are anti-competitive and in violation of anti-trust laws. A successful anti-trust claim by a private party or government entity could materially and adversely affect our financial results.

The expiration dates for patents for our major products which may affect the dates on which generic versions of our products may be introduced are set out on pages 228 to 229 of the GSK Annual Report 2015. Legal proceedings involving patent challenges are set out in Note 45 to the financial statements, "Legal proceedings" on pages 206 to 210 of the GSK Annual Report 2015.

Product quality*Risk definition*

Failure to comply with current Good Manufacturing Practices (cGMP) or inadequate controls and governance of quality in the supply chain covering supplier standards, manufacturing and distribution of products.

Risk impact

A failure to ensure product quality could have far reaching implications in terms of patient and consumer safety resulting in product launch delays, supply interruptions and product recalls which would have the potential to do damage to our reputation. Associated regulatory, legal, and financial consequences could materially and adversely affect our reputation and financial results.

Context

Patients, consumers and healthcare professionals trust the quality of our products. A failure to ensure product quality is an enterprise risk which is applicable across all of our business activities. Product quality may be influenced by many factors including product and process understanding, consistency of manufacturing components, compliance with GMP, accuracy of labelling, reliability of the external supply chain, and the embodiment of an overarching quality culture. The internal and external environment continues to evolve as new products, new markets and new legislation are introduced, with increasing scrutiny of supply continuity, a focus on improved distribution practice and the introduction of novel cell and gene based therapies. Review of inspections conducted across the industry by national regulatory authorities during 2015 highlighted an ongoing focus on data integrity, contamination prevention and the rigour of quality investigations including the robustness of decision making and the timely escalation of pertinent issues to regulatory authorities.

Financial control and reporting

Risk definition

Failure to comply with current tax law or incurring significant losses due to treasury activities; failure to report accurate financial information in compliance with accounting standards and applicable legislation; failure to maintain adequate governance and oversight over third-party relationships.

Risk impact

Non-compliance with existing or new financial reporting and disclosure requirements, or changes to the recognition of income and expenses, could expose us to litigation and regulatory action and could materially and adversely affect our financial results. Changes in tax laws or in their application with respect to matters such as transfer pricing, foreign dividends, controlled companies, R&D tax credits, taxation of intellectual property or a restriction in tax relief allowed on the interest on intra-group debt, could impact our effective tax rate. Significant losses may arise from inconsistent application of treasury policies, transactional or settlement errors, or counterparty defaults. Any changes in the substance or application of the governing tax laws, failure to comply with such tax laws or significant losses due to treasury activities could materially and adversely affect our financial results.

Failure to adequately manage third-party relationships could result in business interruption and exposure to risk ranging from sub-optimal contractual terms and conditions, to severe business sanctions and/or significant reputational damage. Any of these consequences could materially and adversely affect our business operations and financial results.

Context

The Group is required by the laws of various jurisdictions to disclose publicly its financial results and events that could materially affect the financial results of the Group. Regulators routinely review the financial statements of listed companies for compliance with new, revised or existing accounting and regulatory requirements. The Group believes that it complies with the appropriate regulatory requirements concerning our financial statements and disclosure of material information including any transactions relating to business restructuring such as acquisitions and divestitures. However, should we be subject to an investigation into potential non-compliance with accounting and disclosure requirements, this may lead to restatements of previously reported results and significant penalties.

Our Treasury group deals in high value transactions, mostly foreign exchange and cash management transactions, on a daily basis.

The Group's effective tax rate reflects rates of tax in the jurisdictions in which the Group operates that are both higher and lower than the UK rate and take into account regimes that encourage innovation and investment in science by providing tax incentives which, if changed, could affect the Group's tax rate.

The tax charge included in our financial statements is our best estimate of tax liability pending audits by tax authorities. The worldwide nature of our operations and cross-border supply routes can be complex and can lead to questions on tax audit.

There continues to be a significant international focus on tax reform, including the OECD's 'BEPS' project and European Commission initiatives such as the proposed 'anti-BEPS' Directive and the increased use of fiscal state aid investigations. Together with domestic initiatives around the world, these may result in significant changes to established tax principals and an increase in tax authority disputes. These, regardless of their merit or outcomes, can be costly, divert management attention and may adversely impact our reputation.

Third parties are critical to our business delivery and are an integral part of the solution to improve our productivity,

quality, service and innovation. We rely on third-parties, including suppliers, distributors, individual contractors, licensees, and other pharmaceutical and biotechnology collaboration partners for discovery, manufacture, and marketing of our products and important business processes.

Third party business relationships present a material risk. For example, we share critical and sensitive information such as marketing plans, clinical data, and employee data with specific third parties who are conducting the relevant outsourced business operations. Inadequate protection or misuse of this information by third parties could have significant business impact. Similarly, we use distributors and agents in a range of activities such as promotion and tendering which have inherent risks such as inappropriate promotion or corruption. Insufficient internal compliance and controls by the distributors could affect our reputation. These risks are further increased by the complexities of working with large numbers of third parties.

Anti-Bribery and Corruption (“ABAC”)

Risk definition

Failure to prevent GSK employees and third parties not complying with our ABAC principles and standards, as well as with all applicable legislation.

Risk impact

Failure to mitigate this risk could expose the Group and associated persons to governmental investigation, regulatory action and civil and criminal liability, as well as damage the Group’s reputation, shareholder value, and our licence to operate in particular jurisdictions, all of which could materially and adversely affect our financial results.

Context

We are exposed to bribery and corruption risk through our global business operations. In some markets, the government structure and the rule of law are less developed, and this has a bearing on our bribery and corruption risk exposure. In addition to the global nature of our business, the healthcare sector is highly competitive and subject to regulation. This increases the instances where we are exposed to activities and interactions with bribery and corruption risk.

The US and UK authorities are leading extra-territorial ABAC enquiries into certain of the Group’s operations. These investigations are discussed further in Note 45 ‘Legal proceedings’ on pages 206 to 210 of the GSK Annual Report 2015.

Commercialisation

Risk definition

Failure to execute business strategies, or manage competitive opportunities or threats effectively and in accordance with the letter and spirit of legal, industry or company requirements.

Risk impact

Failure to manage risks related to commercialisation could materially and adversely affect our ability to grow a diversified global business and deliver more products of value.

Failure to comply with applicable laws, rules and regulations may result in governmental investigation, regulatory action and legal proceedings brought against the Group by governmental and private plaintiffs. Failure to provide accurate and complete information related to our products may result in incomplete awareness of the benefit:risk profile of our products and possibly suboptimal treatment of patients and consumers. Any of these consequences could materially and adversely affect the Group. Any practices that are found to be misaligned with our values could also result in reputational damage and dilute trust established with key stakeholders.

Context

We operate on a global basis in an industry that is both highly competitive and highly regulated. Our competitors may make significant product innovations and technical advances and may intensify price competition. In light of this competitive environment, continued development of commercially viable new products and the development of additional uses for existing products are critical to achieve our strategic objectives.

Developing new pharmaceutical, vaccine and consumer healthcare products is a costly, lengthy and uncertain process, however, and a product candidate may fail at any stage, including after significant Group economic and human resources have been invested. Our competitors’ products or pricing strategies or any failure on our part to develop commercially successful products, or to develop additional uses for existing products, could materially and adversely affect our ability to achieve our strategic objectives.

We are committed to the ethical and responsible commercialisation of our products to support our mission to improve the quality of human life by enabling people to do more, feel better, and live longer. To accomplish this mission, we engage the healthcare community in various ways to provide important information about our medicines.

Promotion of approved products seeks to ensure that Healthcare Professionals (“HCPs”) globally have access to information they need, that patients and consumers have access to the products they need and that products are prescribed, recommended or used in a manner that provides the maximum healthcare benefit to patients and consumers. We are committed to communicating information related to our approved products in a responsible, legal, and ethical manner.

At times, researchers, HCPs, healthcare organisations (HCOs) and other external experts that we engage may be compensated for services and expertise provided. However, payments must not be excessive and must never be or be perceived to be an inducement or reward for prescribing or recommending our products. Consistent with our ABAC policies, they also must comply with a market's ABAC laws if the recipient of any payment is a government official.

In 2012, we paid \$3 billion (£1.9 billion) to resolve government investigations in the US focused in large part on promotional practices and in 2014 we paid RMB 3 billion (£301 million), to resolve a government investigation in China focused on offering money or property to non-government personnel in order to obtain improper commercial gains.

Research practices

Risk definition

Failure adequately to conduct ethical and sound preclinical and clinical research. In addition, failure to engage in scientific activities that are consistent with the letter and spirit of the law, industry, or the Group's requirements.

Risk impact

The impacts of the risk include harm to patients, reputational damage, failure to obtain the necessary regulatory approvals for our products, governmental investigation, legal proceedings brought against the Group by governmental and private plaintiffs (product liability suits and claims for damages), and regulatory action such as fines, penalties or loss of product authorisation. Any of these consequences could materially and adversely affect our financial results.

Context

Research relating to animals can raise ethical concerns. While we attempt to proactively address this, animal studies remain a vital part of our research. In many cases, they are the only method that can be used to investigate the effects of a potential new medicine in a living body before it is tested in humans, and they are generally mandated by regulators and ethically imperative. Animal research can provide critical information about the causes of diseases and how they develop. Some countries require additional animal testing even when medicines have been approved for use elsewhere.

Clinical trials in healthy volunteers and patients are used to assess and demonstrate an investigational product's efficacy and safety or further evaluate the product once it has been approved for marketing. We also work with human biological samples. These samples are fundamental to the discovery, development and safety monitoring of our products.

The integrity of our data is essential to success in all stages of the research data lifecycle: design, generation, recording and management, analysis, reporting and storage and retrieval. Our research data is governed by legislation and regulatory requirements.

Research data and supporting documents are core components at various stages of pipeline progression decision-making and also form the content of regulatory submissions. Poor data integrity can compromise our research efforts.

There are innate complexities and interdependencies required for regulatory filings, particularly given our global research and development footprint. Rapid changes in submission requirements in developing countries continue to increase the complexity of worldwide product registration.

Scientific Engagement (SE) is an essential part of scientific discourse defined as the interaction and exchange of information between GSK and external communities in order to advance scientific and medical understanding, including the appropriate development and use of our products. Such non-promotional engagement with external stakeholder groups is vital to GSK's mission and necessary for scientific and medical advance.

The scope of SE activities includes: advisory boards; scientific consultancies; pre-planned informal discussions with HCPs; sharing medical information; publications (including abstracts to congresses); scientific interactions with payers, patients, governments and the media; and support for Independent Medical Education. Non-independent educational activities are covered by Commercial Practices (CP).

SE activities are essential but present legal, regulatory, and reputational risk if the sharing of data, invited media coverage or payments for service providers has, or is perceived to have, inappropriate promotional intent. The risks are particularly high where HCP engagement and associated Financial and/or Transfer of Value disclosures are required by GSK.

Environment, health and safety and sustainability ("EHSS")

Risk definition

Failure to manage EHSS risks in line with our objectives and policies and with relevant laws and regulations.

Risk impact

Failure to manage EHSS risks could lead to significant harm to people, the environment and communities in which we operate, fines, failure to meet stakeholder expectations and regulatory requirements, litigation or regulatory action, and damage to the Group's reputation and could materially and adversely affect our financial results.

Context

The Group is subject to health, safety and environmental laws of various jurisdictions. These laws impose duties to protect people, the environment and the communities in which we operate as well as potential obligations to remediate contaminated sites. We have also been identified as a potentially responsible party under the US Comprehensive Environmental Response Compensation and Liability Act at a number of sites for remediation costs relating to our use or ownership of such sites. Failure to manage these environmental risks properly could result in litigation, regulatory action and additional remedial costs that may materially and adversely affect our financial results. See Note 45 to the financial statements, "Legal proceedings" on pages 206 to 210 of the GSK Annual report 2015, for a discussion of the environmental related proceedings in which we are involved. We routinely accrue amounts related to our liabilities for such matters.

Information protection

Risk definition

Failure to protect and maintain access to critical or sensitive computer systems or information.

Risk impact

Failure to adequately protect critical and sensitive systems and information may result in loss of commercial or strategic advantage, damage to our reputation, litigation, or other business disruption including regulatory sanction, which could materially and adversely affect our financial results.

Context

We rely on critical and sensitive systems and data, such as corporate strategic plans, sensitive personally identifiable information, intellectual property, manufacturing systems and trade secrets. There is the potential that malicious or careless actions expose our computer systems or information to misuse or unauthorised disclosure.

Several GSK employees were indicted for theft of GSK research information. While the charges against the individuals are concerning, based on what we know, we do not believe this breach has had any material impact on the company's R&D activity or ongoing business. GSK is conducting a full internal review into what occurred, and planning to continue to enhance the multiple layers of data protection that we already have in place.

Crisis and continuity management

Risk definition

Failure to deliver a continuous supply of compliant finished product; inability to recover and sustain critical operations, including key supply chains, following a disruption, or to respond to a crisis incident, in a timely manner.

Risk impact

We recognise that failure to supply of our products can adversely impact consumers and patients who rely on them. A material interruption of supply or exclusion from healthcare programmes could expose us to litigation or regulatory action, incurring of fines or disgorgement and materially and adversely affect the Group's financial results. The Group's international operations, and those of its partners, maintain a vast global footprint also expose our workforce, facilities, operations and information technology to potential disruption resulting from a natural event (e.g. storm or earthquake), a man-made event (e.g. civil unrest, terrorism), or a global emergency (e.g. Ebola outbreak, Flu pandemic). It is important for GSK to have robust crisis management and recovery plans in place to manage such events.

Context

Our supply chain operations are subject to review and approval by various regulatory agencies that effectively

provide our licence to operate. Failure by our manufacturing and distribution facilities or by suppliers of key services and materials could lead to litigation or regulatory action such as product recalls and seizures, interruption of supply, delays in the approval of new products, and suspension of manufacturing operations pending resolution of manufacturing or logistics issues.

Materials and services provided by third-party suppliers are necessary for the commercial production of our products, including active pharmaceutical ingredients (API), antigens, intermediates, commodities and components necessary for the manufacture and packaging of many of our Pharmaceutical, Vaccine and Consumer Healthcare products. Some of the third-party services procured, such as services provided by contract manufacturing organisations and clinical research organisations to support development of key products, are important to ensure continuous operation

of our businesses. Although we undertake business continuity planning, single sourcing of certain components, bulk API, finished products, and services creates a risk of failure of supply in the event of regulatory non-compliance or physical disruption at the manufacturing sites or logistics system.

The failure of a small number of single-source, third-party suppliers or service providers to fulfil their contractual obligations in a timely manner or as a result of regulatory non-compliance or physical disruption of logistics and manufacturing sites may result in delays or service interruptions.

Through effective crisis management and business continuity planning we are committed to providing for the health and safety of our people, minimising damage and impact to the Group, and maintaining functional operations following a natural or man-made disaster, or a public health emergency.

Item 4. **Information on the Company**

4.A History and development of the company

The information set forth under the heading:

- “About GSK” on the inside back cover;
- “Head Office and Registered Office” on the outside back cover; and
- “Note 38 – Acquisitions and disposals” on pages 185 to 189

of the GSK Annual Report 2015 is incorporated herein by reference.

4.B Business overview

- See Item 3D “Risk factors” above;

In addition, the information set forth under the headings:

- “Our investor proposition” on pages 2 to 3;
- “Our business” on pages 4 to 5;
- “Chairman’s statement” on page 6;
- “CEO’s statement” on page 7 (excluding (i) the graphic under the heading “2015 highlights” and (ii) the pro-forma figures in the parentheses in the first and the fourth paragraphs under the subheading “Trading performance”);
- “Our global marketplace” on pages 8 to 10;
- “Our business model” on page 11;
- “Our strategic priorities” on pages 12 to 13;
- “Pharmaceuticals” on pages 20 to 25 (excluding (i) the graphic under the heading “2015 performance summary” on page 20 and (ii) the second sentence in the second paragraph under the subheading “Grow” on page 22);
- “Vaccines” on pages 28 to 31 (excluding (i) the graphic under the heading “2015 performance summary” on page 28; (ii) the second, third and fifth sentence in the first paragraph under the subheading “Grow” on page 28; (iii) the graphic under the heading “Our strategy in action” on page 28; and (iv) the third sentence in the first paragraph under the subheading “Simplify” on page 31);
- “Consumer Healthcare” on pages 34 to 37 (excluding (i) the graphic under the heading “2015 performance summary” on page 34; (ii) the first sentence in the first paragraph and the second sentence in the second paragraph under the subheading “Grow” on page 36; and (iii) the second sentence in the second paragraph under the subheading “Simplify” on page 37);
- “Responsible business” on pages 40 to 49;
- “Note 6 – Segment information” on pages 149 to 152;
- “Note 38 – Acquisitions and disposals” on pages 185 to 189;
- “Pharmaceutical products, competition and intellectual property” on pages 228 to 229;
- “Vaccines products, competition and intellectual property” on page 229; and

- “Consumer Healthcare products and competition” on page 230 of the GSK Annual Report 2015 is incorporated herein by reference.

4.C

Organizational structure

The information set forth under the heading:

- “Note 44 – Principal Group companies” on page 205; and
- “Group Companies” on pages 250 to 258

of the GSK Annual Report 2015 is incorporated herein by reference.

4.D Property, plant and equipment

The information set forth under the headings:

- “Property, plant and equipment” within “Group financial review” on page 66;
- “Note 6 – Segment information” on pages 149 to 152; and
- “Note 17 – Property, plant and equipment” on pages 161 to 162

of the GSK Annual Report 2015 is incorporated herein by reference.

Item 4A. **Unresolved Staff Comments**

Not applicable.

Item 5. **Operating and Financial Review and Prospects**

5.A Operating results

The information set forth under the headings:

- “Pricing and market access” on pages 8 and 10;
- “Regulatory environment” on page 10;
- “Intellectual Property and patent protection developments” on page 10;
- “Grow” within “Pharmaceuticals” on page 22 (excluding the second sentence in the second paragraph under the subheading “Grow”);
- “Grow” within “Vaccines” on page 28 (excluding (i) the graphic under the heading “2015 performance summary”, (ii) the second, third and fifth sentences in the first paragraph under the subheading “Grow” and (iii) the graphic under the heading “Our strategy in action”);
- “Grow” within “Consumer Healthcare” on page 36 (excluding the first sentence in the first paragraph and the second sentence in the second paragraph under the subheading “Grow”);
- “Cash generation and conversion” on page 65;
- “Financial position and resources” on pages 66 to 69;
- “Non-controlling interests in Viiv Healthcare” on page 70;
- “Critical accounting policies” on pages 70 to 71;
- “Treasury policies” on page 72; and
- “Strategic report” on page 72

of the GSK Annual Report 2015 is incorporated herein by reference.

The following tables reconcile total results to core results. References in the GSK Annual Report 2015 to the reconciliations on page 62 of that report should be read to refer to the information in these tables.

Core results reconciliation – 31 December 2015

| | Total results £m | Intangible asset amortisation £m | Intangible asset impairment £m | Major restructuring £m | Legal charges £m | Acquisition accounting £m | Disposals and other £m | Core results £m |
|---|---------------------|--|--------------------------------------|---------------------------|---------------------|------------------------------|---------------------------|--------------------|
| Gross profit | 15,070 | 522 | 147 | 563 | | 89 | 12 | 16,403 |
| Operating profit | 10,322 | 563 | 206 | 1,891 | 221 | 2,238 | (9,712) | 5,729 |
| Profit before taxation | 10,526 | 563 | 206 | 1,896 | 221 | 2,238 | (10,559) | 5,091 |
| Profit after taxation | 8,372 | 402 | 156 | 1,455 | 200 | 1,886 | (8,373) | 4,098 |
| Earnings per share | 174.3p | 8.3p | 3.2p | 30.1p | 4.1p | 28.8p | (173.1)p | 75.7p |
| Weighted average number of shares (millions) | 4,831 | | | | | | | 4,831 |
| The following adjustments are made in arriving at core gross profit | | | | | | | | |
| Cost of sales | (8,853) | 522 | 147 | 563 | | 89 | 12 | (7,520) |
| The following adjustments are made in arriving at core operating profit | | | | | | | | |
| Selling, general and administration | (9,232) | | 7 | 1,009 | 221 | 88 | | (7,907) |
| Research and development | (3,560) | 41 | 52 | 319 | | | 52 | (3,096) |
| Other operating income | 7,715 | | | | | 2,061 | (9,776) | — |
| The following adjustments are made in arriving at core profit before tax | | | | | | | | |
| Net finance costs | (653) | | | 5 | | | 12 | (636) |
| Profit on disposal of associates | 843 | | | | | | (843) | — |
| Share of after tax profits/(losses) of associates and joint ventures | 14 | | | | | | (16) | (2) |
| The following adjustments are made in arriving at core profit after tax | | | | | | | | |
| Taxation | (2,154) | (161) | (50) | (441) | (21) | (352) | 2,186 | (993) |

Core results reconciliation – 31 December 2014

| | Total results £m | Intangible asset amortisation £m | Intangible asset impairment £m | Major restructuring £m | Legal charges £m | Acquisition accounting £m | Disposals and other £m | Core results £m |
|---|---------------------|--|--------------------------------------|---------------------------|---------------------|------------------------------|---------------------------|--------------------|
| Gross profit | 15,683 | 503 | 78 | 204 | | | 3 | 16,471 |
| Operating profit | 3,597 | 575 | 150 | 750 | 548 | 843 | 131 | 6,594 |
| Profit before taxation | 2,968 | 575 | 150 | 755 | 548 | 843 | 139 | 5,978 |
| Profit after taxation | 2,831 | 366 | 121 | 540 | 522 | 709 | (283) | 4,806 |
| Earnings per share | 57.3p | 7.6p | 2.5p | 11.3p | 10.9p | 11.7p | (5.9)p | 95.4p |
| Weighted average number of shares (millions) | 4,808 | | | | | | | 4,808 |
| The following adjustments are made in arriving at core gross profit | | | | | | | | |
| Cost of sales | (7,323) | 503 | 78 | 204 | | | 3 | (6,535) |
| The following adjustments are made in arriving at core operating profit | | | | | | | | |
| Selling, general and administration | (8,246) | | | 430 | 548 | 75 | 119 | (7,074) |
| Research and development | (3,450) | 72 | 72 | 116 | | | 77 | (3,113) |
| Other operating income | (700) | | | | | 768 | (68) | — |
| The following adjustments are made in arriving at core profit before tax | | | | | | | | |
| Net finance costs | (659) | | | 5 | | | 8 | (646) |
| The following adjustments are made in arriving at core profit after tax | | | | | | | | |
| Taxation | (137) | (209) | (29) | (215) | (26) | (134) | (422) | (1,172) |

Core results reconciliation – 31 December 2013

| | Total results £m | Intangible asset amortisation £m | Intangible asset impairment £m | Major restructuring £m | Legal charges £m | Acquisition accounting £m | Core results £m | Divestments £m | Core results excluding divestments £m |
|---|---------------------|--|--------------------------------------|---------------------------|---------------------|------------------------------|--------------------|-------------------|---|
| Gross profit | 17,920 | 450 | 408 | 178 | | | 18,956 | (429) | 18,527 |
| Operating profit | 7,028 | 547 | 739 | 517 | 252 | (1,068) | 8,015 | (244) | 7,771 |
| Profit before taxation | 6,647 | 547 | 739 | 523 | 252 | (1,342) | 7,366 | (244) | 7,122 |
| Profit after taxation | 5,628 | 398 | 513 | 378 | 243 | (1,489) | 5,671 | (184) | 5,487 |
| Earnings per share | 112.5p | 8.2p | 10.7p | 7.8p | 5.0p | (32.0)p | 112.2p | (3.8)p | 108.4p |
| Weighted average number of shares (millions) | 4,831 | | | | | | 4,831 | | |
| The following adjustments are made in arriving at core gross profit | | | | | | | | | |
| Turnover | 26,505 | | | | | | 26,505 | (903) | 25,602 |
| Cost of sales | (8,585) | 450 | 408 | 178 | | | (7,549) | 474 | (7,075) |
| The following adjustments are made in arriving at core operating profit | | | | | | | | | |
| Selling, general and administration | (8,480) | | | 300 | 252 | | (7,928) | 179 | (7,749) |
| Research and development | (3,923) | 97 | 331 | 39 | | 56 | (3,400) | 6 | (3,394) |
| Other operating income | 1,124 | | | | | (1,124) | — | | |
| The following adjustments are made in arriving at core profit before tax | | | | | | | | | |
| Net finance costs | (706) | | | 6 | | 8 | (692) | | (692) |
| Profit on disposal of associates | 282 | | | | | (282) | — | | — |
| The following adjustments are made in arriving at core profit after tax | | | | | | | | | |
| Taxation | (1,019) | (149) | (226) | (145) | (9) | (147) | (1,695) | 60 | (1,635) |

Financial Review 2015

Group financial review

2015 highlights

In 2015, we made significant progress against our strategy including closing the Novartis transaction and accelerating the delivery of our restructuring and integration programmes. This allowed us to release £1 billion of incremental savings across the Group, ahead of our original targets by some £200 million. Importantly, we also created additional flexibility to invest behind both the R&D pipeline and new product launches, helping to build momentum in each of our three businesses.

The Group is now better positioned to drive sustainable growth and, given the significant restructuring and reshaping of our cost base, is better placed to deliver against our Financial architecture and drive growth in earnings per share ahead of sales, while improving cash generation to support the dividend over the longer term.

The current level of dividend exceeds the cash flows generated by the business. Our strategy is designed to rebuild that capacity through the transition of the Group's business away from its previous reliance on *Seretide/Advair* to more broadly based and growing cash flows, driven by new products in Pharmaceuticals, the expansion of our Vaccines and Consumer Healthcare businesses, operating cost savings arising from our integration and restructuring programme and a reduction in the level of restructuring spending as the programme comes to an end.

During this period of transition, we have said that we intend to prioritise available cash, whether from operational cash flows or disposals, for the return of ordinary dividends to shareholders and to accelerate investment behind our restructuring and integration programmes to support more rapid delivery of the synergy benefits and other new growth opportunities we have identified across the Group.

In line with this prioritisation, the Board has declared an ordinary dividend of 80 pence per share for 2015 and has also said that it expects to pay an ordinary dividend of 80 pence per share for 2016 and 2017 as we transition the Group's businesses.

To deliver on this expectation and ensure sufficient financial flexibility to continue to invest behind the synergy benefits and other growth opportunities as well as respond to the potential exercise of put options by our partners in ViiV Healthcare and the Consumer Healthcare Joint Venture, we have retained all but £1 billion of the net proceeds received from Novartis and a number of other non-strategic asset disposals. £1 billion is being returned to shareholders in the form of a special dividend of 20 pence per share to be paid in April 2016.

Retention of disposal proceeds and our continued focus on cash flow management and the protection of our credit profile has meant that during the year we were able to fund the restructuring and integration programmes, declare an ordinary dividend of 80 pence per share and reduce net debt by £3.7 billion, securing the flexibility we need to complete the transition of our business and deliver on our strategic objectives.

Financial architecture

Our financial architecture is designed to support the consistent execution of our strategy and to enhance the returns we deliver to shareholders.

It is focused on delivering more sustainable sales growth across the company, improving operating leverage, or profitability, and enhancing our financial efficiency. This is in order to drive growth in EPS ahead of our sales performance and then convert more of those earnings into cash that can be used to invest in the business or return to shareholders, wherever we see the most attractive returns.

This clear set of priorities ensures consistency in how capital is allocated across and between the different businesses within GSK with relative returns from each business benchmarked to relevant external comparatives using a Cash Flow Return on Investment (CFROI) based framework of metrics. Specific capital investments are also benchmarked in a similar way.

Turnover growth

The Group's turnover performance in 2015 reflected further progress in delivery against our strategic objective of building a more balanced set of growth drivers across our business. We continued to launch new products in our Pharmaceuticals business and we expanded our Vaccines and Consumer Healthcare businesses through the Novartis transaction. These new sources of growth more than offset the decline of *Seretide/Advair* and some of our other older products and we delivered overall turnover growth of 6% CER in the year.

Sales of New Pharmaceutical and Vaccines products of £2 billion in the year were a key driver but Consumer Healthcare also made a significant contribution, with new products, including the recent *Flonase* OTC switch, driving growth.

Operating leverage

Our ability to deliver improved profitability is heavily impacted by the overall trend in our sales, but it can also be affected by changes in the mix of business, regional and product contributions to growth in operating profit. 2015 saw a significant change in the mix of the Group following the Novartis transaction, which helped create industry-leading Vaccines and Consumer Healthcare businesses alongside the divestment of our marketed Oncology products.

At the time of divestment, the Oncology business had a much higher operating margin than the acquired Vaccines and Consumer Healthcare businesses, particularly given the heavy investment and cost structure inherited from Novartis. While the integration plans are addressing that cost structure directly and we have set targets for significant margin improvement in both of the acquired businesses, our core operating margin in the short-term has been affected materially by the transaction, and this represented the majority of the decline in the core operating margin of 4.1 percentage points to 23.9%. In addition the decline reflected the impact of the benefit in 2014 to the operating margin of a structural credit in SG&A of £219 million which was not repeated in 2015.

This reflected the delivery of around £1 billion of incremental cost savings from our integration and restructuring programmes. The savings contributed to offset price pressures in older parts of the portfolio and also added to the cost flexibility we have been building in recent years.

This provided greater opportunities to reallocate resources across the Group, including reinvestment to support new launches and our R&D pipeline, but also improvements to our manufacturing capabilities and capacity.

Our integration and restructuring programme is ahead of schedule. By the end of 2015, the programme had delivered approximately £1.6 billion of annual savings and it remains on track to deliver £3 billion of annual savings in total by the end of 2017.

Financial efficiency

We continue to focus on improving our financial efficiency and overall funding costs while protecting our credit profile and, in particular, our short-term target credit ratings.

Earnings per share (EPS)

Total EPS in 2015 saw a significant increase to 174.3p, primarily driven by the profit on the disposal of our Oncology business. Core EPS declined 15%, mainly reflecting the short-term dilution of the Novartis transaction but also the impact of the continuing transition of our Pharmaceuticals business, particularly in Respiratory.

Free cash flow

Free cash flow generation in 2015 has been impacted by the ongoing transition of our pharmaceutical portfolio, particularly the decline in *Seretide/Advair* but also the short-term impact of the Novartis transaction and, in particular, the inherited levels of cost and investment that are being addressed as part of our synergy and integration plans.

The restructuring costs of these plans and other costs of the Novartis transaction are being funded from the proceeds of the disposal of the Oncology business and other non-strategic assets, consistent with our general approach to funding the costs of restructuring.

Excluding the cash restructuring charges incurred during the year of £1.1 billion and the initial tax payments due on the Oncology disposal, as well as legal payments, free cash flow generated in 2015 was £2.5 billion compared with £3.9 billion in 2014, when adjusted on a comparable basis.

In addition to rebuilding our cash generation capacity, we continue to focus on improving the efficiency of capital investment and our use of working capital to reduce internal cash requirements. This is expected to allow us to build operating cash flows more quickly while maintaining the dividend, returning the Group to growth and protecting our credit profile.

Returns to shareholders

The Board approved an ordinary dividend of 80 pence for 2015, together with a special 20 pence dividend to be paid from the net proceeds of the Oncology business and other asset disposals. This will be distributed in April 2016 alongside the regular fourth quarter dividend for 2015. We also expect to pay annual dividends of 80 pence for 2016 and 2017.

A fuller review of the financial results is set out below.

Simon Dingemans
Chief Financial Officer

Financial review 2015

Results reporting

Our Group financial review discusses the operating and financial performance of the Group, cash flows and our financial position and resources. We compare the results for each year primarily with the results of the preceding year. This review discusses the total results of the Group and also core results.

We also use a number of adjusted measures to report the performance of our business. These measures are used by management for planning and reporting purposes and in discussions with and presentations to investment analysts and rating agencies and are defined below. These measures are not defined in IFRS and may not be comparable with similarly described measures used by other companies.

CER growth

In order to illustrate underlying performance, it is our practice to discuss the 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 previous year. CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates.

All growth rates included in this Report are at CER unless otherwise stated.

Core results reporting

Total reported results represent the Group's overall performance. However, these results can contain material unusual or non-operational items that may obscure the key trends and factors determining the Group's operational performance. As a result, we also report core results.

Core results exclude the following items from total results: amortisation and impairment of intangible assets (excluding computer software) and goodwill; major restructuring costs, including those costs following material acquisitions; legal charges (net of insurance recoveries) and expenses on the settlement of litigation and government investigations, and acquisition accounting adjustments for material acquisitions, disposals of associates, products and businesses, other operating income other than royalty income, and other items, together with the tax effects of all of these items.

Core results reporting is utilised as one of the bases for internal performance reporting alongside Total results, cash flow generation and a number other metrics. Core results are presented and discussed in this Group financial review as we believe that core results are more representative of the performance of the Group's operations and allow the key trends and factors driving that performance to be more easily and clearly identified by shareholders. The definition of core results, as set out above, also aligns the Group's results with the majority of our peer companies and how they report earnings.

Reconciliations between total and core results, including detailed breakdowns of the key non-core items, are set out on page 11, and are provided to shareholders to ensure full visibility and transparency as they assess the Group's performance.

Segment reporting

The Novartis transaction completed on 2 March 2015 and so our reported year to date results include ten month's turnover of the former Novartis Vaccines and Consumer Healthcare products and also exclude sales of the former GSK Oncology business from 2 March. Following the completion of the transaction with Novartis, we have reorganised the Group to reflect the greater balance between the Pharmaceuticals, Vaccines and Consumer Healthcare businesses and responsibilities for some parts of these respective businesses have been realigned. We are reporting these three businesses separately with corporate costs reallocated to each accordingly so that the profitability of each business is reflected more accurately. We have restated our segment information consistent with this realignment.

Free cash flow

Free cash flow is the net cash inflow from operating activities less capital expenditure, interest and dividends paid to non-controlling interests plus proceeds from the sale of property, plant and equipment and dividends received from joint ventures and associated undertakings. Free cash flow growth is calculated on a Sterling basis. A reconciliation is presented on page 65 of the GSK Annual Report 2015.

Adjusted free cash flow

Adjusted free cash flow excludes payments made to settle legal disputes.

Working capital conversion cycle

The working capital conversion cycle is calculated as the number of days sales outstanding plus days inventory outstanding, less days purchases outstanding.

R&D internal rate of return

The calculation for 2015 included products launched from 1 January 2013 to 31 December 2015 and compounds in phases IIb and III of the development process. The calculation was based on actual sales from 2013 to 2015, and forecast sales up to 2036, adjusted to reflect expected failure rates, which are broadly in line with standard industry failure rates. The cost base used in this calculation comprises an estimate of attributable R&D costs and actual and projected milestone payments where appropriate.

This IRR estimate factored in applicable components of the Novartis transaction, including the acquisition costs and forecast cash flows of *Bexsero* and Men ABCWY, as well as cash flows for the relevant oncology assets divested (i.e. products launched since 2013 and AKT inhibitor). The oncology cash flows included estimated attributable R&D costs and an estimated proportion of the after-tax sale proceeds. Proceeds for products launched before 2013 are excluded for consistency with our overall methodology. The net impact of the acquisitions and disposals on the estimated IRR is not material.

Group turnover

| | 2015 £m | 2014 (restated) £m | Growth CER% | Growth £% |
|--|------------|--------------------------|----------------|--------------|
| Global Pharmaceuticals | 11,844 | 13,950 | (14) | (15) |
| HIV | 2,322 | 1,498 | 54 | 55 |
| Pharmaceuticals | 14,166 | 15,448 | (7) | (8) |
| Vaccines | 3,657 | 3,159 | 19 | 16 |
| Consumer Healthcare | 6,028 | 4,312 | 44 | 40 |
| Segment turnover | 23,851 | 22,919 | 6 | 4 |
| Corporate and other unallocated turnover | 72 | 87 | (9) | (17) |
| Group turnover | 23,923 | 23,006 | 6 | 4 |

CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates. HIV turnover represents the sales of ViiV Healthcare.

Group turnover for 2015 increased 6% to £23,923 million, with Pharmaceuticals down 7%, Vaccines up 19% and Consumer Healthcare up 44%, reflecting the impact of the Novartis transaction. Sales of New Pharmaceutical and Vaccine products were £1,988 million in the year.

The Corporate and unallocated turnover of £72 million represented sales of several Vaccines and Consumer Healthcare products, which were being held for sale in a number of markets. We were required to dispose of these products in specific markets in order to meet the requirements of the anti-trust approvals for the Novartis transaction. The disposals were completed in August and September 2015.

Group turnover by geographic region

| | 2015 £m | 2014 (restated) £m | Growth CER% | Growth £% |
|---------------|------------|--------------------------|----------------|--------------|
| US | 8,222 | 7,409 | 3 | 11 |
| Europe | 6,450 | 6,292 | 11 | 3 |
| International | 9,251 | 9,305 | 5 | (1) |
| | 23,923 | 23,006 | 6 | 4 |

Group turnover outside of the US and Europe represented 39% of total Group turnover in 2015 (2014: 40%).

Sales from new Pharmaceutical and Vaccine products

| | 2015 £m | 2014 £m | Growth CER% | Growth £% |
|----------------------------|------------|------------|----------------|--------------|
| Respiratory: | | | | |
| <i>Relvar/Breo Ellipta</i> | 257 | 67 | >100 | >100 |
| <i>Anoro Ellipta</i> | 79 | 17 | >100 | >100 |
| <i>Arnuity Ellipta</i> | 3 | — | — | — |
| <i>Incruse Ellipta</i> | 14 | — | — | — |
| <i>Nucala</i> | 1 | — | — | — |
| CVMU: | | | | |
| <i>Eperzan/Tanzeum</i> | 41 | 6 | >100 | >100 |
| Global Pharmaceuticals | 395 | 90 | >100 | >100 |
| HIV: | | | | |
| <i>Tivicay</i> | 588 | 282 | >100 | >100 |
| <i>Triumeq</i> | 730 | 57 | >100 | >100 |
| Pharmaceuticals | 1,713 | 429 | >100 | >100 |
| <i>Bexsero</i> | 115 | — | — | — |
| <i>Menveo</i> | 160 | — | — | — |
| Vaccines | 275 | — | — | — |
| | 1,988 | 429 | >100 | >100 |

At our Investor Day on 6 May 2015, we identified a series of New Pharmaceutical and Vaccine products that were expected to deliver at least £6 billion of revenues per annum on a CER basis by 2020. Those products, plus current clinical pipeline asset, *Shingrix*, are as set out above and, as a group are defined as New Pharmaceutical and Vaccine products. Sales of the New Pharmaceutical Vaccine products are now expected to reach £6 billion of revenues per annum on a CER basis up to two years earlier (2018).

Sales of New Pharmaceutical and Vaccine products were £1,988 million and represented approximately 11% of Pharmaceuticals and Vaccines turnover in the year.

Pharmaceuticals

Pharmaceuticals turnover was £14,166 million, down 7%, primarily reflecting the disposal of the Oncology business. There was also a 7% decline in Respiratory sales and a 15% decline in sales of Established Products, largely offset by growth in other New Pharmaceuticals products, particularly HIV products *Tivicay* and *Triumeq*.

Sales of New Pharmaceutical products were £1,713 million, an increase of £1,284 million, which more than offset the decline in *Seretide/Advair* sales of £548 million. Global *Seretide/Advair* sales were £3.7 billion, down approximately 30% from their peak in 2013.

Global Pharmaceuticals

Global Pharmaceuticals turnover

| | 2015 £m | 2014 (restated) £m | Growth CER% | Growth £% |
|---------------------------------------|---------------|--------------------------|----------------|--------------|
| Respiratory | 5,741 | 6,168 | (7) | (7) |
| Cardiovascular, metabolic and urology | 858 | 965 | (9) | (11) |
| Immuno-inflammation | 263 | 214 | 16 | 23 |
| Oncology | 255 | 1,202 | (79) | (79) |
| Other pharmaceuticals | 2,199 | 2,390 | (4) | (8) |
| Established Products | 2,528 | 3,011 | (15) | (16) |
| | <u>11,844</u> | <u>13,950</u> | <u>(14)</u> | <u>(15)</u> |

Global Pharmaceuticals turnover was £11,844 million, down 14%, primarily reflecting the disposal of the Oncology business. There was also a 7% decline in Respiratory sales and a 15% decline in sales of Established Products. Sales of New Global Pharmaceutical products were £395 million, an increase of £305 million.

In the US, Global Pharmaceuticals reported turnover of £4,233 million, a decline of 20% in the year, primarily reflecting the Oncology disposal. In addition, the decline reflected a 10% fall in Respiratory sales and a 30% fall in Established Products sales. Within Respiratory, *Advair* sales were down 13% to £1,865 million (4% volume decline and a 9% negative impact of price and mix) and *Flovent* sales down 19% to £379 million. These declines were partly offset by sales of the new Respiratory products, *Breo Ellipta*, *Anoro Ellipta*, *Incruse Ellipta* and *Arnuity Ellipta*, with combined sales of £177 million in the year.

The primary driver of the decline in Established Products was *Lovaza*, which was down 64% to £93 million following the launch of generic competition in April 2014. *Avodart* declined 41% to £166 million reflecting the launch of generic competition in October 2015. *Relenza* sales more than doubled to £69 million, partly reflecting US CDC orders, while *Benlysta* continued its strong growth with sales of £209 million, up 24%.

In Europe, Global Pharmaceuticals turnover declined 16% to £2,849 million, primarily reflecting the impact of the Oncology disposal. In addition, Respiratory sales declined 9% to £1,415 million with an 18% decline in *Seretide* due to increased generic competition and the ongoing transition to the new *Ellipta* products, which reported total sales of £99 million in the year. Established Products sales were down 11% to £493 million, reflecting increased generic competition and some capacity constraints to supply of a number of products.

International Global Pharmaceuticals sales of £4,762 million were down 7%. Sales in Emerging Markets of £2,963 million declined 9%. Emerging Market Respiratory sales declined 1%, with *Seretide* down 5%, impacted by increased generic competition and price pressure, offset by *Flovent* up 5%, *Ventolin*, up 1%, and *Avamys*, up 8%, as well as £13 million of *Relvar Ellipta* and *Anoro Ellipta* sales. Established Products were down 14%, and Dermatology products were down 15%, both partly impacted by supply constraints.

Within Emerging Markets, China was down 18%, with Respiratory flat and Established Products down 21%, primarily reflecting significantly increased pricing pressures and the ongoing reshaping of the business, including a number of product disposals. In Japan, Global Pharmaceutical sales were down 5% to £1,213 million, primarily reflecting the Oncology disposal. In addition, there was a 5% increase in Respiratory sales, primarily driven by *Relvar Ellipta*, partly offset by lower sales of *Relenza*, reflecting a weaker and earlier flu season than in 2014, and continued competitive pressures to a number of Established Products.

Respiratory

Respiratory sales in the year declined 7% to £5,741 million. *Seretide/Advair* sales were down 13% to £3,681 million, *Flixotide/Flovent* sales decreased 12% to £623 million and *Ventolin* sales fell 7% to £620 million. The combined total of all *Ellipta* product sales was £353 million.

In the US, Respiratory sales declined 10% to £2,750 million in the year (4% volume growth and a 14% negative impact of price and mix). Sales of *Advair* were £1,865 million, down 13% (4% volume decline and a 9% negative impact of price and mix, including the benefit of positive adjustments to payer rebates provisions in the fourth quarter). *Flovent* sales were down 19% to £379 million and *Ventolin* sales fell 15% to £304 million primarily as a result of net negative movements in payer rebates provisions. The new *Ellipta* products recorded sales of £177 million in the year.

European Respiratory sales were down 9% to £1,415 million, with *Seretide* sales down 18% to £1,014 million (11% volume decline and a 7% negative impact of price and mix), reflecting the expected pressures of increased competition from generics and the transition of the Respiratory portfolio to newer products. *Relvar Ellipta* recorded sales of £80 million in the year, while *Anoro Ellipta* recorded sales of £16 million.

Respiratory sales in the International region were flat at £1,576 million with Emerging Markets down 1% and Japan up 5%. In Emerging Markets, sales of *Seretide* declined 5% to £460 million, while *Ventolin* grew 1% to £182 million. In Japan, sales of *Relvar Ellipta* of £56 million, together with strong *Avamys* and *Xyzal* sales growth, more than offset a 13% decline in *Adoair* sales.

Cardiovascular, metabolic and urology

Sales in the category declined 9% to £858 million in the year. The *Avodart* franchise fell 15% to £657 million, with 1% growth in sales of *Duodart/Jalyn* more than offset by a 21% decline in sales of *Avodart* reflecting the patent expiry in the US in October 2015. Sales of *Prolia* were up 12% to £43 million. In December 2015, Amgen re-acquired the rights to *Prolia* from GSK.

Immuno-inflammation

Immuno-inflammation sales grew 16% to £263 million. *Benlysta* sales in the year were £230 million, up 25%. In the US, *Benlysta* sales were £209 million, up 24%.

Oncology

Sales of oncology products were £255 million in the year (2014 – £1,202 million) following the disposal of the Oncology business to Novartis on 2 March 2015.

Other pharmaceuticals

Sales in other therapy areas fell 4% to £2,199 million in the year. *Augmentin* sales were down 2% at £528 million and Dermatology sales declined 9% to £412 million, in part adversely affected by supply constraints. *Relenza* sales were up 22% to £109 million driven by US CDC orders.

Sales of products for Rare diseases declined 6% to £371 million, primarily as a result of generic competition to *Mepron* in the US.

Established Products

Established Products turnover fell 15% to £2,528 million in the year. Sales in the US were down 30% to £647 million, primarily reflecting a 64% fall in sales of *Lovaza* to £93 million.

Europe was down 11% to £493 million, reflecting increased generic competition to a number of products and some supply constraints. *Seroxat* sales fell 12% to £35 million.

International was down 8% to £1,388 million, primarily reflecting lower sales of *Seroxat/Paxil*, down 10% to £143 million, due to generic competition in Japan, and of *Zeffix*, down 23% to £125 million. This was partly offset by increased *Valtrex* sales, up 30% to £121 million, following the regaining of exclusivity in Canada from late 2014 until October 2015. Sales in China fell 21% to £249 million, primarily reflecting significantly increased pricing pressures, together with supply constraints on *Zeffix*.

HIV

HIV turnover

| | 2015 £m | 2014 £m | Growth CER% | Growth £% |
|-----------------------|--------------|--------------|----------------|--------------|
| <i>Combivir</i> | 34 | 59 | (42) | (42) |
| <i>Epzicom/Kivexa</i> | 698 | 768 | (7) | (9) |
| <i>Lexiva/Telzir</i> | 65 | 87 | (25) | (25) |
| <i>Selzentry</i> | 124 | 136 | (8) | (9) |
| <i>Tivicay</i> | 588 | 282 | >100 | >100 |
| <i>Triumeq</i> | 730 | 57 | >100 | >100 |
| <i>Trizivir</i> | 26 | 36 | (28) | (28) |
| Other | 57 | 73 | (19) | (22) |
| | <u>2,322</u> | <u>1,498</u> | <u>54</u> | <u>55</u> |

Worldwide HIV sales increased 54% to £2,322 million, with the US up 77%, Europe up 46% and International up 15%. The growth in all three regions was driven primarily by the strong performances of both *Triumeq* and *Tivicay*, with sales of £730 million and £588 million respectively in the year.

Epzicom/Kivexa sales declined 7% to £698 million and *Selzentry* declined 8% to £124 million. *Combivir* and *Lexiva* sales fell 42% and 25%, respectively.

Vaccines

Vaccines turnover

| | 2015 £m | 2014 £m | Growth CER% | Growth £% |
|---------------------------|--------------|--------------|----------------|--------------|
| <i>Bexsero</i> | 115 | — | — | — |
| <i>Infanrix, Pediarix</i> | 733 | 828 | (9) | (11) |
| <i>Boostrix</i> | 358 | 317 | 12 | 13 |
| <i>Fluarix, FluLaval</i> | 268 | 215 | 21 | 25 |
| Hepatitis | 540 | 558 | (4) | (3) |
| <i>Menveo</i> | 160 | — | — | — |
| <i>Rotarix</i> | 417 | 376 | 14 | 11 |
| <i>Synflorix</i> | 381 | 398 | 5 | (4) |
| Other | 685 | 467 | 57 | 46 |
| | <u>3,657</u> | <u>3,159</u> | <u>19</u> | <u>16</u> |

Vaccines sales grew 19% to £3,657 million with the US up 24%, Europe up 23% and International up 12%. The business benefited from sales of the newly acquired products, primarily the Meningitis portfolio, in Europe and the US. Growth also reflected strong *Rotarix*, *Fluarix/FluLaval*, and *Boostrix* sales in the US. The growth was partly offset by a decline in *Infanrix/Pediarix* sales due to the return of a competitor to the market in the US, increased competitor activity in Europe and supply constraints in International. Hepatitis A vaccines sales declined due to supply constraints and International was impacted by higher trade inventory of newly acquired vaccines. *Cervarix* sales declined following the introduction of a new competitor vaccine.

In the US, sales grew 24% to £1,258 million, primarily reflecting the benefit from the newly acquired products. There were strong performances from *Fluarix/FluLaval*, as a result of the conversion to the Quadrivalent formulation, *Rotarix*, benefiting from CDC stockpile replenishments, *Boostrix*, due to market share gains, and the Meningitis portfolio driven primarily by the launch of *Bexsero*. This growth was partly offset by an *Infanrix/Pediarix* sales decline of 17%, primarily as a result of the return to the market of a competitor vaccine during 2014 combined with lower CDC stockpile purchases than in 2014.

In Europe, sales grew 23% to £1,097 million. The growth primarily reflected the benefit of the newly acquired Meningitis portfolio with *Bexsero* performing strongly in several private markets including Italy, Spain, Germany and Portugal as well as in the UK following its inclusion in the NHS immunisation programme. *Menveo* also delivered a strong sales performance as a result of tender awards in the UK and Italy. Growth was partly offset by sales declines in *Infanrix/Pediarix* due to supply constraints and increased competitor activity, Hepatitis A vaccines due to supply constraints, and *Cervarix* following the introduction of a new competitor vaccine. Germany grew strongly with the MMRV portfolio, *Boostrix* and *Infanrix/Pediarix*, all up due to better supply and competitor supply shortages.

In International, sales grew by 12% to £1,302 million. The benefit from the newly acquired products was partly offset by declines in the existing products, including lower tender volumes in Latin America, particularly for *Synflorix*, partly offset by increased market access and demand for *Synflorix* in Africa and Bangladesh. *Cervarix* sales decreased in Mexico and South Africa due to lower demand. *Infanrix/Pediarix* and Hepatitis A vaccines sales were down, reflecting supply constraints. The sales performance of the newly acquired vaccines was adversely impacted by the phasing of shipments and higher trade inventory levels inherited as part of the acquisition.

Consumer Healthcare

Consumer Healthcare turnover

| | 2015 £m | 2014 (restated) £m | Growth CER% | Growth £% |
|-------------|--------------|--------------------------|----------------|--------------|
| Wellness | 2,970 | 1,565 | 95 | 90 |
| Oral health | 1,866 | 1,797 | 8 | 4 |
| Nutrition | 684 | 633 | 7 | 8 |
| Skin health | 508 | 317 | 67 | 60 |
| | <u>6,028</u> | <u>4,312</u> | <u>44</u> | <u>40</u> |

| | 2015 £m | 2014 (restated) £m | Growth CER% | Growth £% |
|---------------|--------------|--------------------------|----------------|--------------|
| US | 1,430 | 851 | 56 | 68 |
| Europe | 1,788 | 1,138 | 70 | 57 |
| International | <u>2,810</u> | <u>2,323</u> | <u>27</u> | <u>21</u> |
| | <u>6,028</u> | <u>4,312</u> | <u>44</u> | <u>40</u> |

The Consumer Healthcare business represents the Consumer Healthcare Joint Venture with Novartis together with the GSK Consumer Healthcare listed businesses in India and Nigeria, which are excluded from the Joint Venture.

Turnover grew 44% to £6,028 million, benefiting significantly from the sales of the newly-acquired products included in the Joint Venture. There was strong growth in the US following the launch of OTC *Flonase*, buoyant sales in India driven by *Horlicks* as well as global specialist Oral health growth, partly due to a recovery from supply disruptions in 2014. Other key 2015 launches included *Sensodyne Repair and Protect Whitening* in the US and Germany, *Voltaren 12 hour* and the roll-out of *Sensodyne* mouthwash.

US sales grew 56% to £1,430 million, primarily reflecting the benefit of the newly acquired products. In addition, *Flonase* was a principal growth driver. Oral health sales continued to be driven by *Sensodyne*, up 13%, with the launch of *Sensodyne Repair and Protect Whitening*, supply recovery and distribution gains for *Sensodyne Pronamel*. A strong

performance from *Excedrin* reflected the launch of the gel tablet format combined with momentum in the tension headache variant. *Theraflu* also performed well following its re-launch, benefiting from the new warming syrups format and price increases. *Nicorette* lozenges, *Nicorette Mini* lozenges and *alli* returned to the market but *Tums* was impacted by supply constraints and increased competitive pressure during the year.

Sales in Europe grew 70% on a reported basis to £1,788 million, primarily reflecting the benefit of the newly acquired products. Growth in the existing portfolio reflected strong performances in Oral health from both *Sensodyne* and Gum health products following an improved supply position compared with 2014, new advertising in key markets, and the roll out of new *Sensodyne* variants across the region. In Wellness, pain relief recorded a strong performance, driven by *Voltaren* which also benefited from new marketing campaigns. The brand recorded its highest market shares in many of the major European markets, including Germany, Italy, Poland and France.

International sales of £2,810 million grew 27%, primarily reflecting the benefit of the newly acquired products. Oral health sales grew strongly across the region with double-digit growth on *Sensodyne* and Denture care products. In Wellness, sales growth was held back by the impact of the excess channel inventories in parts of the acquired consumer businesses, most notably China, Russia and Middle East, together with generic competition which impacted *Panadol Osteo* in Australia, and economic and political uncertainties in Venezuela. India led the growth amongst the priority markets, reporting double-digit performances from *Eno*, *Sensodyne* and *Horlicks*, driven by distribution gains and new marketing campaigns and the re-launch of the improved chocolate flavoured *Horlicks*. Sales growth in Brazil was held back as the business transitioned to new product formulations in the sun care business.

Total results

The total results of the Group are set out below.

| | 2015 | | 2014 | | Growth | |
|---|---------|---------------|---------|---------------|--------|------|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Turnover | 23,923 | 100 | 23,006 | 100 | 6 | 4 |
| Cost of sales | (8,853) | (37.0) | (7,323) | (31.8) | 24 | 21 |
| Selling, general and administration | (9,232) | (38.6) | (8,246) | (35.8) | 13 | 12 |
| Research and development | (3,560) | (14.9) | (3,450) | (15.0) | 2 | 3 |
| Royalty income | 329 | 1.4 | 310 | 1.3 | 8 | 6 |
| Other operating income | 7,715 | 32.2 | (700) | (3.1) | >100 | >100 |
| Operating profit | 10,322 | 43.1 | 3,597 | 15.6 | >100 | >100 |
| Net finance costs | (653) | | (659) | | | |
| Profit on disposal of interest in associates | 843 | | — | | | |
| Share of after tax profits of associates and joint ventures | 14 | | 30 | | | |
| Profit before taxation | 10,526 | | 2,968 | | >100 | >100 |
| Taxation | (2,154) | | (137) | | | |
| Total profit after taxation for the year | 8,372 | | 2,831 | | >100 | >100 |
| Total profit attributable to shareholders | 8,422 | | 2,756 | | | |
| Earnings per share (p) | 174.3 | | 57.3 | | >100 | >100 |
| Earnings per ADS (US\$) | 5.33 | | 1.89 | | | |

Cost of sales

Cost of sales as a percentage of turnover was 37.0%, 5.2 percentage points higher than in 2014 and 5.4 percentage points higher on a CER basis. The increase reflected the disposal of our higher margin Oncology business and the acquisition of the lower margin Vaccines and Consumer Healthcare businesses from Novartis. In addition, there were adverse price movements, particularly in US Pharmaceuticals, and increased investments in Vaccines to improve the reliability and capacity of the supply chain, together with increased intangible asset amortisation and impairment charges and higher integration and restructuring costs. This was partly offset by an improved product mix, particularly as a result of the growth in HIV sales, and the benefits of the Group's ongoing cost reduction programmes.

Selling, general and administration

SG&A costs as a percentage of sales were 38.6%, 2.8 percentage points higher than in 2014 and 2.3 percentage points higher on a CER basis. This increase primarily reflected the impacts of the Novartis transaction in 2015 and the £219 million credit in SG&A in 2014 from a release of reserves following simplification of our entity structure, together with higher integration and restructuring costs and increased promotional product support, particularly for new launches in Respiratory, Consumer Healthcare, Vaccines and HIV. This was partly offset by the benefits of the Pharmaceuticals cost reduction programme, synergies in Vaccines and Consumer Healthcare and lower legal charges.

Research and development

R&D expenditure increased 2% CER to £3,560 million (14.9% of turnover) compared with £3,450 million (15.0% of turnover) in 2014. The benefits of the cost reduction programmes in Pharmaceuticals, Vaccines and Consumer Healthcare R&D were more than offset by higher integration and restructuring costs.

Other operating income

Net other operating income of £7,715 million (2014 – £700 million expense) included the profits on the disposals of the Oncology business of £9,228 million and ofatumumab of £200 million. This was partly offset by a further increase in the liability for the contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture of £1,874 million (2014 – £768 million) following the improved sales performance of *Tivicay* and *Triumeq*. The liability of £3,409 million at 31 December 2015 represents the present value of expected future payments to Shionogi.

Operating profit

Total operating profit was £10,322 million compared with £3,597 million in 2014. The increase primarily reflected the profits on disposal of the Oncology business to Novartis and several equity investment and other asset disposals. This was partly offset by increased integration and restructuring costs, the adverse impact on margins of the disposal of the higher margin Oncology business and acquisition of the lower margin Vaccines and Consumer Healthcare businesses from Novartis and the increase in the contingent consideration liability payable on the acquisition of the former Shionogi-ViiV Healthcare joint venture.

Intangible asset amortisation decreased to £563 million from £575 million in 2014. Intangible asset impairments of £206 million (2014: £150 million) included impairments of several R&D and commercial assets. Both of these charges were non-cash items.

Major restructuring charges accrued in the year were £1,891 million (2014 – £750 million) and reflected the acceleration of a number of integration projects following completion of the Novartis transaction, as well as further charges as part of the Pharmaceuticals restructuring programme. Cash payments made in the year were £1,131 million (2014 – £566 million). The programme has delivered approximately £1 billion of incremental benefits in 2015 compared with 2014.

Charges to date for the combined restructuring and integration programme are £2.7 billion. The total cash charges of the combined programme are expected to be approximately £3.65 billion and the non-cash charges up to £1.35 billion. By the end of 2015, the programme had delivered approximately £1.6 billion of annual savings and remained on track to deliver £3 billion of annual savings in total. The programme is expected to be largely complete by the end of 2017.

Legal charges of £221 million (2014 – £548 million) included the settlement of a number of existing matters and litigation costs. The charge in 2014 included the £301 million fine payable to the Chinese government. Cash payments were £420 million (2014 – £702 million).

Acquisition-related adjustments resulted in a net charge of £2,238 million (2014 – £843 million). This included remeasurements of the liability and the unwinding of the discounting effects on the contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture of £1,874 million (2014 – £768 million); the contingent consideration related to the acquisition of the former Novartis Vaccines business of £91 million, net of hedging gains (2014 – £nil); and the Consumer Healthcare Joint Venture put option of £83 million (2014 – £nil).

Disposals and other items resulted in a net credit of £9,712 million (2014 – £131 million charge). This included the profit on disposal of the Oncology business to Novartis of £9,228 million and the profit on disposal of ofatumumab, together with equity investment and other asset disposals, equity investment impairments reflecting current market valuations, one-off required regulatory charges in R&D and certain other adjusting items.

Net finance costs

| | 2015 | 2014 |
|---|--------------|--------------|
| | £m | £m |
| <u>Finance income</u> | | |
| Interest and other finance income | 99 | 66 |
| Fair value movements | 5 | 2 |
| | <u>104</u> | <u>68</u> |
| <u>Finance expense</u> | | |
| Interest expense | (719) | (688) |
| Unwinding of discounts on liabilities | (16) | (15) |
| Remeasurements and fair value movements | (8) | (10) |
| Other finance expense | (14) | (14) |
| | <u>(757)</u> | <u>(727)</u> |

Profit on disposal of interest in associates

The profit on disposal of associates was £843 million (2014 – £nil). This arose from the disposal of half of our investment in Aspen Pharmacare and the remeasurement of the remaining holding to market value on its reclassification to other investments.

Share of after tax profits of associates and joint ventures

The share of profits of associates and joint ventures was £14 million (2014 – £30 million profit), including a £16 million gain, being our share of the profit on a disposal of an investment recognised by one of the associates. In 2014, the share of profits of associates principally arose on our holding in Aspen Pharmacare.

Profit before taxation

Taking account of net finance costs, the profit on disposal of interest in associates and the share of profits of associates, profit before taxation was £10,526 million compared with £2,968 million in 2014.

Taxation

| | 2015 £m | 2014 £m |
|------------------------------------|------------|------------|
| UK current year charge | 156 | 221 |
| Rest of world current year charge | 2,924 | 1,092 |
| Charge in respect of prior periods | (508) | (571) |
| Total current taxation | 2,572 | 742 |
| Total deferred taxation | (418) | (605) |
| Taxation on total profits | 2,154 | 137 |

The charge for taxation on total profits amounted to £2,154 million and represented a total effective tax rate of 20.5% (2014 – 4.6%). In 2015 GSK made payments of £111 million in UK Corporation tax. In January 2016 GSK made further payments of £100 million in relation to UK Corporation tax. These amounts are for Corporation tax only and do not include various other business taxes borne by GSK each year. See ‘Taxation’ on page 158 of the GSK Annual Report 2015 for further details.

Earnings per share

Total EPS was 174.3p, compared with 57.3p in 2014, the increase primarily reflecting the profits on disposal of the Oncology business and the Aspen Pharmacare shares, partly offset by the increase in the liability for the contingent consideration due on the acquisition of the former Shionogi-ViiV Healthcare joint venture and accelerated charges for major restructuring expenditure.

Dividends

The Board declared four interim dividends resulting in a total dividend for the year of 80 pence, in line with the dividend for 2014. In addition, the Board has declared a special dividend of 20 pence to be paid out of the proceeds of the disposals of the Oncology business and other assets. See Note 16 to the Financial statements, ‘Dividends’.

Core results

We use core results, among other metrics including Total results and cash flow generation, to manage the performance of the Group. The definition of core results is set out on page 16 and reconciliations of total results to core results are presented on page 11.

Cost of sales

| | 2015 | | 2014 | | Growth | |
|---------------|---------|---------------|---------|---------------|--------|----|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Cost of sales | (7,520) | (31.4) | (6,535) | (28.4) | 18 | 15 |

Cost of sales as a percentage of turnover was 31.4%, 3.0 percentage points higher than in 2014, primarily reflecting the impact of the Novartis transaction. In addition, this reflected adverse price movements, particularly in US Pharmaceuticals, and increased investments in Vaccines to improve the reliability and capacity of the supply chain. This was partly offset by an improved product mix, particularly as a result of the growth in HIV sales, and the benefits of our ongoing cost reduction programmes.

Selling, general and administration

| | 2015 | | 2014 | | Growth | |
|-------------------------------------|---------|---------------|---------|---------------|--------|----|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Selling, general and administration | (7,907) | (33.1) | (7,074) | (30.7) | 12 | 12 |

SG&A costs as a percentage of sales were 33.1%, 2.4 percentage points higher than in 2014 and 2.0 percentage points higher on a CER basis, primarily reflecting the impact of the Novartis transaction. In addition, the increase reflected the impact of the £219 million credit in SG&A in 2014 from a release of reserves following simplification of our entity structure. Declines in SG&A costs in Global Pharmaceuticals, including the benefits of the Pharmaceuticals cost reduction programme, and synergies in Vaccines and Consumer Healthcare, were largely offset by promotional product support, particularly for new launches in Respiratory, Consumer Healthcare, Vaccines and HIV.

Research and development

| | 2015 | | 2014 | | Growth | |
|--------------------------|---------|---------------|---------|---------------|--------|-----|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Research and development | (3,096) | (12.9) | (3,113) | (13.5) | (2) | (1) |

R&D expenditure declined 2% CER to £3,096 million (12.9% of turnover) compared with £3,113 million (13.5% of turnover) in 2014, reflecting the benefit of cost reduction programmes in Pharmaceuticals, Vaccines and Consumer Healthcare R&D.

The operations of Pharmaceuticals R&D are broadly split into Discovery activities (up to the completion of phase IIa trials) and Development work (from phase IIb onwards) each supported by specific and common infrastructure and other shared services where appropriate. Phase IV costs and other administrative expenses are reported in SG&A and are not included in the table below.

The table below analyses core R&D expenditure by these categories:

| | 2015 £m | 2014 £m |
|--|------------|------------|
| Discovery | 744 | 739 |
| Development | 1,136 | 1,317 |
| Facilities and central support functions | 433 | 455 |
| Pharmaceuticals R&D | 2,313 | 2,511 |
| Vaccines R&D | 525 | 443 |
| Consumer Healthcare R&D | 258 | 159 |
| Research and development | 3,096 | 3,113 |

The proportion of Pharmaceuticals R&D investment made in the late-stage portfolio decreased from 52% of Pharmaceuticals R&D costs in 2014 to 49% in 2015, reflecting the completion of a number of late-stage programmes.

Royalty income

Royalty income was £329 million (2014 – £310 million).

Core operating profit by business

| | 2015 | | 2014 (restated) | | Growth | |
|-------------------------------------|---------|----------|--------------------|----------|--------|------|
| | £m | Margin % | £m | Margin % | CER% | £% |
| Global Pharmaceuticals | 4,733 | 40.0 | 6,388 | 45.8 | (24) | (26) |
| HIV | 1,686 | 72.6 | 977 | 65.2 | 72 | 73 |
| Pharmaceuticals R&D | (2,168) | | (2,326) | | (10) | (7) |
| Pharmaceuticals | 4,251 | 30.0 | 5,039 | 32.6 | (12) | (16) |
| Vaccines | 966 | 26.4 | 997 | 31.6 | (9) | (3) |
| Consumer Healthcare | 680 | 11.3 | 491 | 11.4 | 66 | 38 |
| | 5,897 | 24.7 | 6,527 | 28.5 | (6) | (10) |
| Corporate & other unallocated costs | (168) | | 67 | | >(100) | >100 |
| Core operating profit | 5,729 | 23.9 | 6,594 | 28.7 | (9) | (13) |

Core operating profit was £5,729 million, 9% lower than in 2014 in CER terms on a turnover increase of 6%. The core operating margin of 23.9% was 4.8 percentage points lower than in 2014. Excluding the adverse impact of currency movements, particularly from the Euro and Emerging Markets currencies, the core operating margin was 4.1 percentage points lower on a CER basis. This decline primarily reflected the impact of the Novartis transaction, resulting from the disposal of the higher margin Oncology business and the acquisition of the lower margin and different cost structures of the Vaccines and Consumer Healthcare businesses from Novartis.

This decline also included a 0.9 percentage point impact from the adverse comparison with 2014 which included a £219 million credit in SG&A from a release of reserves following simplification of the Group's entity structure and its trading arrangements. The remaining margin decline reflected the balance between the continued impact of the decline in sales of *Seretide/Advair*, including contracting and other price reductions, lower sales of Established Products, as well as the investments required behind multiple new launches in Pharmaceuticals, Vaccines and Consumer Healthcare, as we transition our product portfolio, offset by the savings released by our restructuring and integration programmes and the benefits of an improved product mix, particularly from the growth in HIV sales.

Pharmaceuticals

Pharmaceuticals operating profit was £4,251 million, 12% lower than in 2014 in CER terms on a turnover decrease of 7%. The core operating margin of 30.0% was 2.6 percentage points lower than in 2014 and 1.8 percentage points lower on a CER basis. This reflected the impact of the Novartis transaction, together with adverse price movements in Global Pharmaceuticals, particularly in the US for Respiratory products, the increased promotional and manufacturing investments behind new product launches in Respiratory and HIV as well as targeted investments in manufacturing capacity and stability elsewhere in the portfolio, partly offset by a more favourable product mix, primarily driven by the growth in HIV sales, and the benefits of the Group's cost reduction programmes. The core operating margin for Global Pharmaceuticals was 40.0% (2014 – 45.8%) and for HIV was 72.6% (2014 – 65.2%).

Vaccines

Vaccines operating profit was £966 million, 9% lower than in 2014 in CER terms on a turnover increase of 19%. The core operating margin of 26.4% was 5.2 percentage points lower than 2014 and 7.6 percentage points lower on a CER basis, primarily driven by the inclusion of the cost base of the former Novartis Vaccines business. In addition there was an increase in cost of sales as a percentage of turnover due to additional supply chain investments and the benefit to cost of sales in 2014 of a number of inventory adjustments, offset by reductions in SG&A and R&D from restructuring and integration benefits.

Consumer Healthcare

Consumer Healthcare operating profit was £680 million, 66% higher than in 2014 in CER terms on a turnover increase of 44%. The core operating margin of 11.3% was 0.1 percentage points lower than in 2014, but improved 1.7 percentage points on a CER basis. This was primarily driven by a reduction in cost of sales as a percentage of turnover, reflecting benefits from improved supply and pricing, as well as the delivery of integration synergies which together more than offset additional investment behind the growth of target power brands, particularly in Oral health and Wellness.

Net finance costs

| | 2015 | 2014 |
|----------------|------|------|
| | £m | £m |
| Finance income | | |

| | | |
|---|--------------|--------------|
| Interest and other income | 99 | 66 |
| Fair value movements | 5 | 2 |
| | <u>104</u> | <u>68</u> |
| Finance expense | | |
| Interest expense | (719) | (688) |
| Unwinding of discounts on liabilities | 1 | (2) |
| Remeasurements and fair value movements | (8) | (10) |
| Other finance expense | (14) | (14) |
| | <u>(740)</u> | <u>(714)</u> |

Net finance expense was £636 million compared with £646 million in 2014.

Share of after tax losses of associates and joint ventures

The share of losses of associates and joint ventures was £2 million (2014 – £30 million profit). In March 2015, we reduced our shareholding in our significant associate, Aspen Pharmacare Holdings Limited, from 12.4% to 6.2% of the issued share capital. As a result, we no longer account for Aspen as an associate.

Core profit before taxation

| | 2015 | | 2014 | | Growth | |
|------------------------|-------|---------------|-------|---------------|--------|------|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Core profit before tax | 5,091 | 21.3 | 5,978 | 26.0 | (10) | (15) |

Taxation

Tax on core profit amounted to £993 million and represented an effective core tax rate of 19.5% (2014 –19.6%), reflecting the resolution of a number of items that benefited the year.

Non-controlling interests

The allocation of earnings to non-controlling interests amounted to £440 million (2014 – £222 million), including the non-controlling interest allocations of Consumer Healthcare segment profits of £205 million (2014 – £60 million) and the allocation of ViiV Healthcare profits, which increased to £224 million (2014 – £132 million).

Core earnings per share

Core EPS of 75.7p declined 15% in CER terms compared with a 9% decline in operating profit, primarily reflecting the greater contributions to growth from businesses in which there are significant non-controlling interests.

Financial review 2014

Group performance

Our Group financial review discusses the operating and financial performance of the Group, the cash flows and our financial position and financial resources. We compare the results for each year primarily with results of the preceding year.

We also use a number of adjusted measures to report the performance of our business. These measures are used by management for planning and reporting purposes and in discussions with and presentations to investment analysts and rating agencies and are defined below. These measures are not defined in IFRS and may not be comparable with similarly described measures used by other companies.

CER growth

In order to illustrate underlying performance, it is our practice to discuss the 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 previous year. CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates.

All growth rates included in this review are at constant exchange rates (CER) unless otherwise stated.

Core results reporting

Total reported results represent the Group's overall performance. However, these results can contain material unusual or nonoperational items that may obscure the key trends and factors determining the Group's operational performance. As a result, we also report core results.

Core results exclude the following items from total results: amortisation and impairment of intangible assets (excluding computer software) and goodwill; major restructuring costs, including those costs following material acquisitions; legal charges (net of insurance recoveries) and expenses on the settlement of litigation and government investigations, and acquisition accounting adjustments for material acquisitions, disposals of associates, products and businesses, other operating income other than royalty income, and other items, together with the tax effects of all of these items.

Core results reporting is utilised as one of the bases for internal performance reporting alongside Total results, cash flow generation and a number other metrics. Core results are presented and discussed in this Group financial review as we believe that core results are more representative of the performance of the Group's operations and allow the key trends and factors driving that performance to be more easily and clearly identified by shareholders. The definition of core results, as set out above, also aligns the Group's results with the majority of our peer companies and how they report earnings.

During 2014, we have reported core results performance measured against 2013 core results excluding divestments completed during 2013. Growth rates are calculated excluding divestments completed during 2013 unless otherwise stated.

Segment information

As a result of the impact of the Novartis transaction, we changed our operating segments in 2015. Since January 1, 2015, our results have been reported under five segments: Global Pharmaceuticals, HIV, Pharmaceuticals R&D, Vaccines and Consumer Healthcare. Comparative information has been restated accordingly and the segment information in this financial review is presented on a comparable basis.

Group turnover by segment

| | 2014 (restated) £m | 2013 (restated) £m | CER% | £% |
|--|--------------------------|--------------------------|------|------|
| Global Pharmaceuticals | 13,950 | 15,983 | (6) | (13) |
| HIV | 1,498 | 1,386 | 15 | 8 |
| Pharmaceuticals | 15,448 | 17,369 | (5) | (11) |
| Vaccines | 3,159 | 3,384 | (1) | (7) |
| Consumer Healthcare | 4,312 | 4,703 | (1) | (8) |
| | 22,919 | 25,456 | | |
| Corporate and other unallocated turnover | 87 | 146 | | |
| | 23,006 | 25,602 | (3) | (10) |
| Divestments | — | 903 | — | — |
| | 23,006 | 26,505 | (7) | (13) |

CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates.

Total Group turnover for 2014, including divestments completed during 2013 was down 7%, but excluding those divestments, turnover declined 3% to £23,006 million.

Pharmaceuticals turnover declined 5% as growth in Emerging Markets and Japan was more than offset by lower sales in the US and Europe. Vaccines turnover declined 1%, as a positive performance in Emerging Markets was more than offset by lower reported sales in Europe and Japan. US Vaccines sales were flat. Consumer Healthcare turnover was £4,312 million in the year, down 1% compared with 2013.

Group turnover by geographic region

| | 2014 (restated) £m | 2013 (restated) £m | Growth CER% | Growth £% |
|---------------|--------------------------|--------------------------|----------------|--------------|
| US | 7,409 | 8,695 | (11) | (15) |
| Europe | 6,292 | 6,681 | (1) | (6) |
| International | 9,305 | 10,226 | 1 | (9) |
| | 23,006 | 25,602 | (3) | (10) |
| Divestments | — | 903 | — | — |
| | 23,006 | 26,505 | (7) | (13) |

Group sales outside the US and Europe accounted for 40% of total turnover in 2014 and reported growth of 1%, adversely impacted by a sales decline in Japan and weaker market conditions and some supply constraints in Emerging Markets.

Global Pharmaceuticals turnover

| | 2014 (restated) £m | 2013 (restated) £m | Growth CER% | Growth £% |
|---------------------------------------|--------------------------|--------------------------|----------------|--------------|
| Respiratory | 6,168 | 7,259 | (9) | (15) |
| Cardiovascular, metabolic and urology | 965 | 1,073 | (3) | (10) |
| Immuno-inflammation | 214 | 161 | 40 | 33 |
| Oncology | 1,202 | 969 | 33 | 24 |
| Other pharmaceuticals | 2,390 | 2,652 | (2) | (10) |
| Established Products | 3,011 | 3,869 | (16) | (22) |
| | 13,950 | 15,983 | (6) | (13) |

In the US, Global Pharmaceuticals turnover declined 16%, impacted by continued price and contracting pressures, primarily affecting respiratory sales, which were down 18% (11% volume decline and a 7% negative impact of price and mix).

Oncology products in the US contributed strongly in the year, with sales up 41% to £512 million, benefiting from strong performances from *Votrient* and *Promacta*, and the recent launches of *Tafinlar* and *Mekinist*. *Benlysta* sales grew 22% to £156 million. Generic competition in the US continued to impact sales of Dermatology products, which declined 56% to £49 million and *Mepron*, which declined 49% to £40 million.

Europe Global Pharmaceuticals turnover was declined 2% to £3,656 million, as strong growth in Oncology and the *Avodart* franchise, up 8% to £280 million, was more than offset by a 3% decline in Respiratory sales and a 13% decline in Established Products. The newly launched *Relvar Ellipta* recorded sales of £18 million in the year but these were more than offset by lower sales of *Seretide*, down 5% to £1,330 million (1% volume decline and a 4% negative impact of price), reflecting increasing competitive pressures and the transition of the Respiratory portfolio to the newer products, particularly in the latter part of the year. Oncology sales were up 29% to £417 million, led by *Votrient*, *Promacta* and the newly launched *Tafinlar*.

International Global Pharmaceuticals turnover grew 1% to £5,357 million. Emerging Markets sales grew 7%, with notable performances from Brazil, up 12% to £380 million, and the rest of Latin America, up 9% to £593 million. Sales in China fell 1%, reflecting the effects of the government investigation during the year. In Japan, sales grew 2% benefiting from strong growth in *Avodart*, up 14%, and Oncology products, up 17%, partially offset by lower sales in the Respiratory portfolio, down 2%.

Respiratory

Respiratory sales in 2014 declined 9% to £6,168 million. *Seretide/Advair* sales were down 15% to £4,229 million, *Flixotide/Flovent* sales decreased 6% to £702 million and *Ventolin* sales grew 11% to £665 million. *Xyzal* sales, almost exclusively made in Japan, grew 7% to £130 million.

In the US, Respiratory sales declined 18% (11% volume decline and a 7% negative impact of price and mix), primarily reflecting the continued price and contracting pressures in the market. Sales of *Advair* were down 25% to £1,987 million (14% decline in volume and an 11% decline of price and mix). *Flovent* sales were down 5% while *Ventolin* sales were up 18%, primarily reflecting the impact of net favourable adjustments to previous accruals for returns and discounts. *Breo Ellipta* recorded sales of £29 million and *Anoro Ellipta* sold £14 million in the year.

European Respiratory sales were down 3%, primarily reflecting increasing competition. *Seretide* sales declined 5% to £1,330 million (1% decline in volume and a 4% negative impact of price), reflecting increasing competitive pressures and the transition of the Respiratory portfolio to the newer products in the latter part of the year. *Relvar Ellipta* recorded sales of £18 million in the year.

Respiratory sales in International grew 1% to £1,665 million. In Emerging Markets, *Seretide* grew 3% to £400 million, helped by an improved performance in China. Sales growth of *Ventolin*, up 8% to £165 million, and *Veramyst*, up 15% to £73 million, was offset by a 33% decline in *Flixonase*, which was largely driven by lower sales in China. In Japan, Respiratory sales fell 2% to £475 million. Sales of the newly launched *Relvar Ellipta* of £17 million offset the impact of increasing competitor action on *Adair*, which fell 6% to £228 million.

Oncology

Oncology sales in 2014 grew 33% to £1,202 million. *Votrient* sales grew 33% to £410 million and *Promacta* sales grew 34% to £231 million. *Arzerra* sales fell 24% to £54 million and *Tykerb/Tyverb* sales fell 11% to £171 million. Generic competition to both *Hycamtin* and *Argatroban* was more than offset by new launches, as *Tafinlar* and *Mekinist* recorded sales of £135 million and £68 million, respectively.

In the US, Oncology grew 41% to £512 million. *Votrient* sales grew 32% to £182 million and sales of *Promacta* grew 32% to £93 million. *Tafinlar* and *Mekinist* sales were £58 million and £67 million, respectively.

In Europe, Oncology grew 29% to £417 million, led by sales of *Votrient*, which increased by 23% to £153 million in the year. *Promacta* grew 36% to £71 million and sales of *Tafinlar* were £67 million.

In International, Oncology sales in the year grew 26% to £273 million.

Cardiovascular, metabolic and urology

Sales in the category fell 3% to £965 million. The *Avodart* franchise grew 1% to £805 million, with 17% growth in sales of *Duodart/Jalyn* and a 4% decline in sales of *Avodart*. *Levitra* fell 28% to £100 million in the year. Sales of *Prolia* fell 10% to £41 million due to the agreement in Q2 2014 with Amgen to terminate the joint commercialisation in a number of European markets, Mexico and Russia.

On a regional basis, the decline in the US of 16% to £366 million, was partly offset by growth in International of 12% to £306 million. Europe was flat at £293 million.

Immuno-inflammation

Immuno-inflammation sales grew 40% to £214 million. *Benlysta* turnover in the year was £173 million, up 25%. In the US, *Benlysta* sales were £156 million, up 22%.

Other pharmaceuticals

Other therapy areas were down 2% at £2,390 million, principally reflecting generic competition to Dermatology products, which primarily affected sales of *Soriatane* in the US, and by a decline in sales of *Meproton* in the Rare diseases category. These declines were partly offset by growth in *Relenza* sales of 39%, primarily in the US, and the inclusion of Theravance milestone income of £57 million (2013 – £78 million).

Established Products

Established Products turnover fell 16% to £3,011 million. Sales in the US were down 31% to £860 million, Europe was down 13% to £601 million, and International was down 7% to £1,550 million.

Generic competition to *Lovaza*, down 57% to £240 million, *Seroxat/Paxil*, down 19% to £210 million and *Valtrex*, down 24% to £154 million, all contributed to the decline in the category.

HIV turnover

Worldwide HIV sales increased 15% to £1,498 million, with the US up 27%, Europe up 6% and International up 9%. *Tivicay* recorded sales of £282 million, *Epzicom/Kivexa* sales increased 8% to £768 million but *Selzentry* sales were flat at £136 million. The newly-launched *Triumeq* recorded sales of £57 million in the year. This growth was partly offset by declines in the mature portfolio, mainly driven by generic competition to both *Combivir*, down 46% to £59 million, and *Trizivir*, down 61% to £36 million.

Vaccines turnover

| | 2014 (restated) £m | 2013 (restated) £m | Growth CER% | Growth £% |
|---------------------------|--------------------------|--------------------------|----------------|--------------|
| <i>Boostrix</i> | 317 | 288 | 16 | 10 |
| <i>Cervarix</i> | 118 | 172 | (26) | (31) |
| <i>Fluarix, FluLaval</i> | 215 | 251 | (9) | (14) |
| Hepatitis | 558 | 629 | (6) | (11) |
| <i>Infanrix, Pediarix</i> | 828 | 862 | 2 | (4) |
| <i>Rotarix</i> | 376 | 375 | 7 | — |
| <i>Synflorix</i> | 398 | 405 | 4 | (2) |
| Other | 349 | 402 | (7) | (13) |
| Vaccines sales | 3,159 | 3,384 | (1) | (7) |

Vaccines sales fell 1% to £3,159 million reflecting the decline in Europe, down 2%. The US and International were both flat.

Infanrix/Pediarix grew 2% to £828 million. Growth in the US benefited from a favourable comparison with 2013, which was impacted by a withdrawal from the CDC stockpile. This offset declines in Europe and International.

Boostrix sales increased 16% to £317 million, reflecting growth in all regions except the US. US sales fell 6% reflecting the return of a competitor during the year and some supply constraints.

Cervarix sales declined 26% to £118 million in 2014, largely reflecting declines in International and increasing competitive pressures, particularly in the tender market.

Fluarix and *FluLaval* sales declined 9% to £215 million due to lower production levels for 2014 and the impact of increased competitive pressures.

Sales of hepatitis vaccines fell 6% to £558 million, in part reflecting supply constraints that impacted the US and International.

Rotarix sales were up 7% to £376 million, with growth driven by tender shipments in Europe and International, partly offset by a decline in the US, which was impacted by a CDC stockpile withdrawal in Q4 2014.

Synflorix sales grew 4% to £398 million, primarily reflecting a strong tender performance in International.

Consumer Healthcare turnover

| | 2014 (restated) £m | 2013 (restated) £m | Growth CER% | Growth £% |
|-------------|--------------------------|--------------------------|----------------|--------------|
| Wellness | 1,565 | 1,807 | (6) | (13) |
| Oral health | 1,797 | 1,884 | 4 | (5) |
| Nutrition | 633 | 627 | 10 | 1 |
| Skin health | 317 | 385 | (11) | (18) |
| | 4,312 | 4,703 | (1) | (8) |

| | 2014 (restated) £m | 2013 (restated) £m | Growth CER% | Growth £% |
|---------------|--------------------------|--------------------------|----------------|--------------|
| USA | 851 | 968 | (8) | (12) |
| Europe | 1,138 | 1,239 | (2) | (11) |
| International | 2,323 | 2,496 | 4 | (6) |
| | 4,312 | 4,703 | (1) | (8) |

Consumer Healthcare turnover was down 1% in 2014, reflecting the impact of supply issues, comparison with a strong cold and flu season in early 2013 and slowing markets in the Rest of World. Estimated global market growth was approximately 3%.

Wellness

Wellness sales were £1,565 million, down 6%, primarily due to the supply issues and product recalls that significantly impacted sales of products for Smokers Health, down 29%, and *alli*.

Oral health

Oral health sales grew 4% to £1,797 million. The continued growth of *Sensodyne*, up 11%, was partly offset by a 10% decline in sales of *Aquafresh* which was impacted by supply issues in both Europe and the US, together with increased competition.

Nutrition

Nutrition sales grew 10% to £633 million. Horlicks was up 11%, reflecting continued growth in India, and Boost was up 9%.

Skin health

Sales of products for Skin health were down 11% to £317 million, primarily due to lower sales of Bactroban in China.

Regional performance

Sales in the US and Europe were down 8% and 2%, respectively, reflecting both supply issues and product recalls, primarily affecting products for Smokers Health and *alli*. Growth in International markets of 4% was restricted by a slower economic environment but did reflect some growth across most markets, partly offset by a 5% reduction of sales in China and a 52% decline in sales of Smokers Health products, both primarily due to supply issues.

Total results

The Group's total results are set out below. Reconciliations of total results to core results are presented on page 12.

| | 2014 | | 2013 | | Growth | |
|---|---------|---------------|---------|---------------|--------|--------|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Turnover | 23,006 | 100 | 26,505 | 100 | (7) | (13) |
| Cost of sales | (7,323) | (31.8) | (8,585) | (32.4) | (11) | (15) |
| Selling, general and administration | (8,246) | (35.8) | (8,480) | (32.0) | 4 | (3) |
| Research and development | (3,450) | (15.0) | (3,923) | (14.8) | (8) | (12) |
| Royalty income | 310 | 1.3 | 387 | 1.5 | (18) | (20) |
| Other operating income | (700) | (3.1) | 1,124 | 4.2 | >(100) | >(100) |
| Operating profit | 3,597 | 15.6 | 7,028 | 26.5 | (40) | (49) |
| Net finance costs | (659) | | (706) | | | |
| Profit on disposal of interest in associates | — | | 282 | | | |
| Share of after tax profits of associates and joint ventures | 30 | | 43 | | | |
| Profit before taxation | 2,968 | | 6,647 | | (46) | (55) |
| Taxation | (137) | | (1,019) | | | |
| Total profit after taxation for the year | 2,831 | | 5,628 | | (41) | (50) |
| Total profit attributable to shareholders | 2,756 | | 5,436 | | | |
| Earnings per share (p) | 57.3 | | 112.5 | | (40) | (49) |
| Earnings per ADS (US\$) | 1.89 | | 3.53 | | | |

Cost of sales

Cost of sales as a percentage of turnover was 31.8% compared with 32.4% in 2013. Net of adverse currency translation effects, the cost of sales percentage decreased 1.3 percentage points. This reflected adverse price and mix movements, particularly the decline in Pharmaceuticals sales in the US, the costs of supply remediation activities and continuing investments in new launch capacity and future manufacturing technology, more than offset by lower intangible write-offs and the benefit of our ongoing cost reduction programmes and lower intangible impairments.

Selling, general and administration

SG&A costs as a percentage of sales were 35.8%, 3.8 percentage points higher than in 2013. Excluding currency effects, the SG&A percentage increased 3.7 percentage points, as SG&A increased 4% on a turnover decline of 7%. The increase in SG&A reflected continued investments in our multiple new product launches, higher legal costs, restructuring costs and a charge of £114 million for an additional, catch-up year of the US Branded Prescription Drug fee in accordance with the final regulations issued by the IRS in Q3 2014, partly offset by the benefits of our restructuring programmes and ongoing cost management efforts.

Advertising and promotion decreased 11% reflecting reduced activity in the Established Products category and ongoing cost management efforts which were partly offset by new product launches. Selling and distribution decreased 4% as investments in product launches were offset by savings in Established Products. General and administration expenses increased 20% due to higher phase IV expenditure, legal and restructuring costs, partly offset by restructuring benefits.

Research and development

R&D expenditure declined 8% to £3,450 million (15.0% of turnover) compared with £3,923 million (14.8% of turnover) in 2013. Excluding currency effects, the R&D percentage declined 0.2 percentage points, reflecting lower intangible write-offs, the phasing of ongoing project spending as well as the completion of a number of programmes and continuing cost management benefits and lower intangible impairments.

Other operating income

Net other operating expenses of £700 million (2013 – £1,124 million income) included, following the improved sales performance of *Tivicay* and *Triumeq*, an increase in the liability for the contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture which has increased to £1.7 billion, resulting in a charge for the year of £768 million (2013 – £253 million). The liability represents the present value of expected future payments to Shionogi. These will be paid over a number of years and will vary in line with sales of products that contain dolutegravir. The income in 2013 included profits from the disposals of the *Lucozade* and *Ribena* business and certain anti-coagulant products, which in aggregate were £1,331 million.

Following announcement of the proposed Novartis transaction, GSK entered into a number of forward exchange contracts to protect the Sterling value of the net US Dollar proceeds due to the Group on completion of the transaction. At 31 December 2014 these contracts were in a loss position and resulted in the recognition of an unrealised loss in 2014 of £299 million which has been included in net other operating expense.

Operating profit

Total operating profit was £3,597 million compared with £7,028 million in 2013. The non-core items resulted in a net charge of £2,997 million (2013 – £987 million, excluding trading profits on products divested in 2013). The 2013 net charge included the profits on the disposals of *Lucozade* and *Ribena* business and the anti-coagulant products, which in aggregate were £1,331 million.

The intangible asset amortisation increased to £575 million (2013 – £547 million), reflecting the accelerated amortisation of *Lovaza*. Intangible asset impairments of £150 million (2013 – £739 million) included write-offs of several R&D and commercial assets.

Major restructuring charges of £750 million (2013 – £517 million) included £101 million under the Operational Excellence programme, £334 million under the Major Change programme and £243 million under the new Pharmaceuticals restructuring programme.

The Operational Excellence programme initiated on 2007 and expanded in 2009, 2010 and 2011 was substantially complete at the end of 2014 at a total cost of £4.7 billion and delivered annual pre-tax savings of approximately £2.9 billion. The Major Change programme, announced in 2013, focuses on opportunities to simplify our supply chain processes, build the Group's capabilities in manufacturing and R&D, and restructure our European Pharmaceuticals business. It has delivered approximately £0.6 billion of annual savings.

The new Pharmaceuticals restructuring programme, announced in October 2014, will rescale commercial operations, global support functions and the relevant R&D/manufacturing operations across Pharmaceuticals.

Legal charges of £548 million (2013 – £252 million) included a £301 million fine paid to the Chinese government, settlement of existing anti-trust matters and higher litigation costs.

Acquisition accounting, disposals and other adjustments resulted in a net charge of £974 million (2013 – income of £1,068 million) and included the increase in the liability for the contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture of £768 million (2013 – £253 million). The net credit in 2013 included profits on the disposal of the *Lucozade* and *Ribena* business and the anti-coagulant products, which in aggregate were £1,331 million. Other items also included charges related to major acquisitions, equity investment and asset disposals, one-off required regulatory charges in R&D and certain other adjusting items.

Net finance costs

| | 2014 £m | 2013 £m |
|--|--------------|--------------|
| Net finance income | | |
| Interest and other finance income | 66 | 59 |
| Fair value movements | 2 | 2 |
| | <u>68</u> | <u>61</u> |
| Finance expense | | |
| Interest expense | (688) | (726) |
| Unwinding of discounts on liabilities | (15) | (14) |
| Remeasurement and fair value movements | (10) | (5) |
| Other finance expense | (14) | (22) |
| | <u>(727)</u> | <u>(767)</u> |

Profit on disposal of interest in associates

The pre-tax profit on disposals of associates was nil (2013 – £282 million). The 2013 profit reflected the disposal of 28.2 million ordinary shares in Aspen Pharmacare for £429 million.

Share of after tax profits of associates and joint ventures

The share of after tax profits of associates of £30 million (2013 – £43 million) principally arose from the Group's holdings in Aspen Pharmacare.

Profit before taxation

Taking account of net finance costs, the profit on disposal of interest in associates and the share of profit in associates, profit before taxation was £2,968 million compared with £6,647 million in 2013, a 46% CER decrease and a 55% decrease in sterling terms.

Taxation

| | 2014 £m | 2013 £m |
|---------------------------|------------|--------------|
| UK current taxation | (251) | 265 |
| Overseas current taxation | 993 | 1,284 |
| Total current taxation | 742 | 1,549 |
| Total deferred taxation | (605) | (530) |
| Taxation on total profits | <u>137</u> | <u>1,019</u> |

The charge for taxation on total profits amounted to £137 million and represented a total effective tax rate of 4.6% (2013 – 15.3%), reflecting the differing tax effects of the various non-core items, including a number of non-recurring tax only items.

Tax relating to acquisition accounting and other adjustments included deferred tax on the increased liability for the expected future payments to Shionogi; recognition of a deferred tax asset in respect of tax losses expected to be used on completion of the Novartis transaction, and tax credits arising on the resolution of a number of tax matters with tax authorities, including matters related to prior year acquisitions or disposals.

The UK current tax credit includes a benefit from resolution of a number of tax matters and other prior year adjustments.

Earnings per share

Total EPS was 57.3p, compared with 112.5p in 2013 which included 33.8p arising from gains on equity investment and asset disposals. Of the remaining difference, 10.4p was due to currency.

Dividend

The Board declared four interim dividends resulting in a dividend for the year of 80 pence, a 2 pence increase on the dividend for 2013. See “Note 16 — Dividends” on page 160 of the GSK Annual Report 2015.

Core results

We use core results, among other metrics, to manage the performance of the Group. The definition of core results is set out on page 64.

Cost of sales

| | £m | 2014 % of turnover | £m | 2013 % of turnover | Growth | |
|---------------|---------|--------------------------|---------|--------------------------|--------|-----|
| | | | | | CER% | £% |
| Cost of sales | (6,535) | (28.4) | (7,075) | (27.6) | (3) | (8) |

Core cost of sales as a percentage of turnover was 28.4% compared with 27.6% in 2013. Net of adverse currency translation effects, the cost of sales percentage increased 0.2 percentage points. This reflected adverse price and mix movements, particularly the decline in Pharmaceuticals sales in the US, the costs of supply remediation activities and continuing investments in new launch capacity and future manufacturing technology, partly offset by the benefit of our ongoing cost reduction programmes.

Selling, general and administration

| | £m | 2014 % of turnover | £m | 2013 % of turnover | Growth | |
|-------------------------------------|---------|--------------------------|---------|--------------------------|--------|-----|
| | | | | | CER% | £% |
| Selling, general and administration | (7,074) | (30.7) | (7,749) | (30.3) | (2) | (9) |

Core SG&A costs as a percentage of sales were 30.7%, 0.4 percentage points higher than in 2013. Excluding currency effects, the SG&A percentage increased 0.5 percentage points, as SG&A declined 2% on a turnover decline of 3%. The reduction in SG&A reflected continued investments in our multiple new product launches partly offset by the benefits of our restructuring programmes and ongoing cost management efforts.

Advertising and promotion decreased 8% primarily reflecting reduced activity in the Established Products category and ongoing cost management efforts which were partly offset by new product launches. Selling and distribution decreased 2% as investments in product launches were offset by savings in from our ongoing cost reduction programmes. General and administration expenses increased 1% primarily due to higher phase IV expenditure, partly offset by benefits from the restructuring programmes.

Research and development

| | £m | 2014 % of turnover | £m | 2013 % of turnover | Growth | |
|--------------------------|---------|--------------------------|---------|--------------------------|--------|-----|
| | | | | | CER% | £% |
| Research and development | (3,113) | (13.5) | (3,394) | (13.3) | (4) | (8) |

Core R&D expenditure declined 4% to £3,113 million (13.5% of turnover) compared with £3,394 million (13.3% of turnover) in 2013. Excluding currency effects, the R&D percentage declined 0.1 percentage points, reflecting the phasing of ongoing project spending as well as the completion of a number of programmes and continuing cost management benefits.

The operations of Pharmaceuticals R&D are broadly split into Discovery activities (up to the completion of phase IIa trials) and Development work (from phase IIb onwards) each supported by specific and common infrastructure and other shared services where appropriate. Phase IV costs and other administrative expenses are reported in SG&A and are not included in the table below.

The table below analyses core R&D expenditure by these categories:

| | 2014 £m | 2013 £m |
|--|--------------|--------------|
| Discovery | 739 | 742 |
| Development | 1,317 | 1,535 |
| Facilities and central support functions | 455 | 449 |
| Pharmaceuticals R&D | 2,511 | 2,726 |
| Vaccines R&D | 443 | 496 |
| Consumer Healthcare | 159 | 172 |
| Research and Development | <u>3,113</u> | <u>3,394</u> |

The proportion of Pharmaceuticals R&D investment made in the late-stage portfolio decreased from 56% of Pharmaceuticals R&D costs in 2013 to 52% in 2014, reflecting the completion of a number of late-stage programmes.

Royalty income

Royalty income was £310 million (2013 - £387 million) reflecting the conclusion of a number of royalty agreements. 2013 also included a prior year catch-up adjustment.

Core operating profit

| | 2014 | | 2013 | | Growth | |
|-----------------------|-------|---------------|-------|---------------|--------|------|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Core operating profit | 6,594 | 28.7 | 7,771 | 30.4 | (6) | (15) |

Core operating profit was £6,594 million, 6% lower than in 2013 in CER terms on a turnover decline of 3%. The core operating margin of 28.7% was 1.7 percentage points lower than in 2013. Excluding currency effects, the margin decreased 0.8 percentage points. This primarily reflected an increase in SG&A as a percentage of sales and lower royalty income. SG&A costs declined 2% driven by targeted cost management and the benefit of ongoing restructuring programmes. SG&A also included the credit reported in Q3 2014 of £219 million from a release of reserves following simplification of the Group's entity structure and our trading arrangements. Structural savings of approximately £280 million were realised in 2013.

Net finance costs

| | 2014 £m | 2013 £m |
|--|--------------|--------------|
| Net finance costs | | |
| Interest and other income | 66 | 59 |
| Fair value movements | 2 | 2 |
| | <u>68</u> | <u>61</u> |
| Finance expense | | |
| Interest expense | (688) | (726) |
| Unwinding of discounts on liabilities | (2) | — |
| Remeasurement and fair value movements | (10) | (5) |
| Other finance expense | (14) | (22) |
| | <u>(714)</u> | <u>(753)</u> |

Core net finance expense was £646 million compared with £692 million in 2013, reflecting GSK's strategy to improve the funding profile of the Group, despite average net debt in 2014 being marginally higher than in 2013.

Share of after tax profits of associates and joint ventures

The share of profits of associates and joint ventures was £30 million (2013 – £43 million), reflecting the reduced shareholding in the Aspen group, currency movements and a number of one-off adjustments.

| | 2014 | | 2013 | | Growth | |
|------------------------|-------|---------------|-------|---------------|--------|------|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Core profit before tax | 5,978 | 26.0 | 7,122 | 27.8 | (6) | (16) |

Taxation

Tax on core profit amounted to £1,172 million and reflected an effective core tax rate of 19.6% (2013 – 23.0%). The reduction in the effective rate included the resolution of a number of matters that benefited the year, and an increase in the benefit of intellectual property incentives.

Core earnings per share

Core EPS of 95.4p decreased 1% in CER terms compared with a 6% decline in the operating profit as a result of financial efficiencies.

Financial position and resources

Property, plant and equipment

Our business is science-based, technology-intensive and highly regulated by governmental authorities. We allocate significant financial resources to the renewal and maintenance of our property, plant and equipment to minimise risks of interruption of production and to achieve compliance with regulatory standards. A number of our processes use chemicals and hazardous materials.

The total cost of our property, plant and equipment at 31 December 2014 was £19,355 million, with a net book value of £9,052 million. Of this, land and buildings represented £4,007 million, plant and equipment £2,740 million and assets in construction £2,305 million. In 2014, we invested £1,261 million in new and renewal property, plant and equipment. This was mainly related to a large number of projects for the renewal, improvement and expansion of facilities at various worldwide sites. Property is mainly held freehold. New investment is financed from our liquid resources. At 31 December 2014, we had contractual commitments for future capital expenditure of £459 million and operating lease commitments of £701 million. We believe that our facilities are adequate for our current needs.

We observe stringent procedures and use specialist skills to manage environmental risks from our activities. Environmental issues, sometimes dating from operations now modified or discontinued, are reported under 'Our Planet' on page 46 and in Note 45 to the financial statements, 'Legal proceedings'.

Goodwill

Goodwill decreased during the year to £3,724 million at December 2014, from £4,205 million. The decrease reflected the goodwill allocated to the oncology business and transferred to assets held for sale following the decision to sell the business to Novartis.

Other intangible assets

Other intangible assets include the cost of intangibles acquired from third parties and computer software. The net book value of other intangible assets as at 31 December 2014 was £8,320 million (2013 – £9,283 million). The decrease in 2014 reflected a transfer of £506 million to assets held for sale to reflect the proposed Novartis transaction, capitalised development costs of £242 million and the amortisation and impairment of existing intangibles of £704 million and £157 million, respectively.

Investments

We held investments, including associates and joint ventures, with a carrying value at 31 December 2014 of £1,454 million (2013 – £1,525 million). The market value at 31 December 2014 was £2,502 million (2013 – £2,212 million). The largest of these investments were in an associate, Aspen Pharmicare Holdings Limited, which had a book value at

31 December 2014 of £274 million (2013 – £229 million) and investments in Theravance, Inc. and Theravance Biopharma, Inc. which have a book value at 31 December 2014 of £367 million (2013 – £644 million). The investments included equity stakes in companies with which we have research collaborations, which provide access to biotechnology developments of potential interest and interests in companies that arise from business divestments.

Derivative financial instruments: assets

We had both non-current and current derivative financial instruments held at fair value of £146 million (2013 – £156 million). The majority of this amount related to interest rate swaps and foreign exchange contracts both designated and non-designated (inter-company loans and deposits) as accounting hedges.

Inventories

Inventory of £4,231 million increased by £331 million during the year. The increase primarily reflected the impact of stock building for new product launches and remediation of the Consumer Healthcare supply chain, partly offset by a favourable exchange impact.

Trade and other receivables

Trade and other receivables of £4,600 million decreased from 2013 reflecting the receipt of the deferred receivable from Aspen in respect of the inventory and a manufacturing site which formed part of the disposal of the anti-coagulants products business in 2013, together with improved recoveries of receivables in various markets and favourable exchange impacts.

Derivative financial instruments: liabilities

We held both non-current and current derivative financial instruments at fair value of £413 million (2013 – £130 million). This primarily related to foreign exchange contracts both designated and non-designated (inter-company loans and deposits, acquisitions and disposals, external debt and legal provisions) as accounting hedges.

Trade and other payables

Trade and other payables amounting to £7,958 million decreased from £8,317 million in 2013, reflecting the effect of the increased shareholding in the Group's Indian Pharmaceutical subsidiary accrued in 2013 partly offset by the effect of an increase in the returns and rebates accrual together with a favourable exchange impact.

Provisions

We carried deferred tax provisions and other short-term and non-current provisions of £2,035 million at 31 December 2014 (2013 – £2,237 million) in respect of estimated future liabilities, of which £520 million (2013 – £646 million) related to legal and other disputes. Provision has been made for legal and other disputes, indemnified disposal liabilities, employee related liabilities and the costs of restructuring programmes to the extent that at the balance sheet date a legal or constructive obligation existed and could be reliably estimated.

Pensions and other post-employment benefits

We account for pension and other post-employment arrangements in accordance with IAS 19. The deficits, net of surpluses before allowing for deferred taxation were £1,689 million (2013 – £613 million) on pension arrangements and £1,397 million (2013 – £1,246 million) on unfunded post-employment liabilities. The increases in the deficits were predominantly driven by lower discount rates that we used to discount the value of the liabilities.

In December 2010, the UK scheme purchased an insurance contract that will guarantee payment of specified pensioner liabilities. This contract was valued at £803 million at 31 December 2014.

Other non-current liabilities

Other non-current liabilities of £2,401 million at 31 December 2014 (2013 – £1,704 million) included £1,619 million (2013 – £958 million) of contingent consideration payable, primarily in respect of the acquisition in 2012 of the former Shionogi-ViiV Healthcare joint venture.

Net debt

Net debt increased by £1,732 million and reflected the aggregate consideration of £650 million paid to increase the shareholding in the Group's Indian pharmaceutical subsidiary from 50.7% to 75% and the acquisition of the remaining 30% of the Group's Indonesian Consumer Healthcare business held by a third party, together with a reduction in cash generated from operations.

The Group's cash generation and liquidity enabled the payment of ordinary dividends of £3,843 million and share repurchases of £238 million.

Total equity

At 31 December 2014, total equity had decreased from £7,812 million at 31 December 2013 to £4,936 million. The decrease arose principally from an increase in the pension deficit of £1,076 million and the impact of dividends paid out in the year.

Cash generation and conversion

The net cash inflow from operating activities for the year was £5,176 million (2013 – £7,222 million). The decrease primarily reflected the impact of the strength of Sterling on profits and lower profits, including the impact of divestments.

Capital expenditure and financial investment

Cash payments for tangible and intangible fixed assets amounted to £1,751 million (2013 – £1,701 million) and disposals realised £594 million (2013 – £2,033 million). Cash payments to acquire equity investments of £83 million (2013 – £133 million) were made in the year and sales of equity investment realised £205 million (2013 – £59 million).

5.B Liquidity and capital resources

The information set forth under the headings:

- “Cash generation and conversion” on page 65;
- “Financial position and resources” on pages 66 to 69; and
- “Treasury policies” on page 72

of the GSK Annual Report 2015 is incorporated herein by reference.

5.C Research and development, patents and licenses, etc.

The information set forth under the headings:

- “Intellectual property and patent protection developments” on page 10;
- “Competition” on page 10;
- “Deliver” within “Pharmaceuticals” on pages 22 to 25, “Vaccines” on pages 29 to 30 and “Consumer Healthcare” on page 36;
- “Pharmaceuticals and Vaccines product development pipeline” on pages 225 to 227;
- “Pharmaceutical products, competition and intellectual property” on pages 228 to 229;
- “Vaccines products, competition and intellectual property” on page 229; and
- “Consumer Healthcare products and competition” on page 230

of the GSK Annual Report 2015 is incorporated herein by reference.

The information set forth under the headings:

- “Financial Review 2014 – Core results – Research and development”; and
- “Financial Review 2014 – Total results – Research and development”

of item 5.A hereof is incorporated herein by reference.

5.D Trend information

The information set forth under the heading “2015 Financial Review” in Item 5.A of this annual report on Form 20-F is incorporated herein by reference.

5.E Off-balance sheet arrangements

Not applicable.

5.F Tabular disclosure of contractual obligations
 The information set forth under the heading:

- “Contractual obligations and commitments” on page 69

of the GSK Annual Report 2015 is incorporated herein by reference.

Item 6. **Directors, Senior Management and Employees**

6.A Directors and senior management
 The information set forth under the headings:

- “Our Board” on pages 74 to 77; and
- “Our Corporate Executive Team” on pages 78 to 79

of the GSK Annual Report 2015 is incorporated herein by reference.

6.B Compensation
 The information set forth under the heading:

- “Remuneration report” on pages 102 to 126 (excluding (i) the phrase “and 1% CER on a pro forma basis” in the first sentence in the first row, (ii) the phrase “and up 3% on a pro-forma basis in 2015” in the first sentence in the second row and (iii) the second, fourth and sixth sentences in the second row in the “Financial performance table” under the heading “Pay for performance (audited)” on page 107); and
- “2014 Remuneration policy summary” on pages 127-128

of the GSK Annual Report 2015 is incorporated herein by reference.

6.C Board practices
 The information set forth under the heading:

- “Corporate governance” on pages 80 to 101;
- “Governance” on page 116; and
- “Donations to political organisations and political expenditure” on page 249

of the GSK Annual Report 2015 is incorporated herein by reference.

- Termination of Employment:
 - Loss of office payment policy:
 The following table sets out the contractual framework for Executive Directors. The terms specifically relating to termination are set out in more detail below.

Policy

| | |
|-----------------------|--|
| Duration of contracts | The company does not have a policy of fixed term contracts. Generally, contracts for new appointments will expire in line with the applicable policy on retirement age, which since 2009 has been 65. Contracts for existing Executive Directors will expire on the dates shown on page 114 of the GSK Annual Report 2015. |
| Notice period | Notice period on termination by employing company or Executive Director is 12 calendar months. |
| Mitigation | The ability to impose a 12-month non-compete period (and a non-solicitation restriction) on an Executive Director is considered important by the company to have the ability to protect the Group’s intellectual property and staff. In light of this, the Remuneration Committee believes that it would not be appropriate to provide for mitigation in the contracts. |

- Termination of employment
 In the event that an Executive Director’s employment with the company terminates, the following policies and payments will apply.

| <u>Element of Remuneration</u> | <u>Loss of office payment policy</u> |
|--------------------------------|--|
| Termination payment | <p>Termination by notice: 12 months annual salary payable on termination by the company (pro-rated where part of the notice period is worked). No termination payment is made in respect of any part of a notice period that extends beyond the contract expiry date.</p> <p>A bonus element is not normally included in the termination payment. However, the terms of the contracts seek to balance commercial imperatives and best practice. If the company enforces the non-compete clause for the current CEO and Chairman, Global R&D and Vaccines, up to 12 months on-target bonus will be payable.</p> <p>Redundancy: As above, for termination by notice. In the UK, only statutory redundancy pay will apply. In the US, general severance policy does not apply.</p> <p>Retirement, death and ill-health, injury or disability: No termination payment.</p> |
| Long-term incentive awards | <p>Performance Share Plan (“PSP”) and Deferred Annual Bonus Plan (“DABP”) matching awards are governed by the Plan Rules as approved by shareholders.</p> <p>Termination by notice: Unvested awards lapse.</p> <p>Redundancy and retirement: Generally, awards vest over the original timescales, subject to the original performance conditions. Awards made in the last 12 months are forfeited.</p> <p>Death and ill-health, injury or disability: Generally, awards will vest following the end of the financial year, normally taking into account performance to that date. Awards may be pro-rated for time.</p> <p>In the event of a change of control, PSP and DABP matching awards will vest, taking into account performance to date and normally taking into account the proportion of the performance period that has elapsed. Alternatively, the awards may be exchanged for new awards.</p> |
| Annual bonus | <p>Termination by notice by individual: If an individual serves notice and the termination date falls before 31 December, the bonus is forfeited.</p> <p>Termination by notice by the company, redundancy, retirement, death and ill-health, injury or disability: If the termination date falls during the financial year, eligible for pro-rated on-target bonus (if employed on 31 December, bonus payable based on actual results).</p> |
| DABP deferred bonus awards | <p>Termination by notice: Deferred shares vest in full on the date of termination.</p> <p>Redundancy, retirement, death and ill-health, injury or disability: Generally, deferred shares vest in full at the end of the financial year in which the termination date falls.</p> |
| Benefits | <p>Generally, benefits will continue to apply until the termination date.</p> <p>Termination by notice by the company and retirement (US executives): In line with the policy applicable to US senior executives, the Chairman, Global R&D & Vaccines may become eligible, at a future date, to receive continuing medical and dental insurance after termination/retirement.</p> |

Termination by mutual agreement: In certain circumstances it can be in the best interests of the company for the Board to manage proactively succession planning and the development of the senior talent pipeline. In such circumstances, the Board may therefore agree that an executive’s departure will be by mutual agreement. In order for this to apply, the Remuneration Committee will need to be satisfied that the executive has demonstrated performance in line with expectations, where required they should have contributed to an orderly succession, and they should have completed at least 20 years’ service with the Group on the termination date. In the case of an Executive Director, they would then be treated as a ‘good leaver’ for the purposes of GSK’s long-term incentive plans. If the termination date falls during the financial year, they would be eligible for a pro-rated on-target bonus and if they are employed on 31 December, the bonus payable would be based on actual results. In the case of the CEO, as a member of the UK defined benefit pension scheme, his pension would then be payable from the later of his termination date and age 55 without actuarial reduction.

The Remuneration Committee does not anticipate the exercise of discretion provided by the PSP and DABP plan rules in respect of termination payments. However, there may be unforeseen circumstances where this is in the best interests of the company and its shareholders. Where it is necessary to exercise discretion, explanations will be provided.

Where an Executive Director leaves the company, the Remuneration Committee will carry out an assessment of the individual's performance and conduct over the time in role. If it is determined that the individual's performance or conduct was contrary to the legitimate expectations of the company, the Remuneration Committee reserves the right to apply appropriate mechanisms such as 'clawback' (see page 113 of the GSK Annual Report 2015), or reduction or lapsing of outstanding incentive awards ('malus'), to ensure that any termination payments are in the best interests of the company and its shareholders.

In the case of termination for cause, all payments and unvested awards are forfeited except shares deferred under the DABP (which vest in full on the date of termination) and accrued salary and expenses.

6.D Employees

The information set forth under the headings:

- "Performance and engagement" on page 46;
- "Note 9 – Employee costs" on page 155;
- "Note 28 – Pensions and other post-employment benefits" on pages 169 to 176; and
- "Five year record, Number of employees" on page 224

of the GSK Annual Report 2015 is incorporated herein by reference.

6.E Share ownership

The information set forth under the headings:

- "Note 42 – Employee share schemes" on pages 202 to 204;
- "Total remuneration for 2015" on pages 104 to 105;
- "Value earned from Long Term Incentive awards" on page 109;
- "Update on performance of ongoing awards" on page 110; and
- "Directors' interests in shares" on pages 119 to 125

of the GSK Annual Report 2015 is incorporated herein by reference.

Item 7. **Major Shareholders and Related Party Transactions**

7.A Major shareholders

The information set forth under the headings:

- "Change of control and essential contracts" on page 100;
- "Share capital and control" on page 241; and
- "Analysis of shareholdings at 31 December 2015" on page 242

of the GSK Annual Report 2015 is incorporated herein by reference.

7.B Related party transactions

The information set forth under the heading:

- "Note 35 – Related party transactions" on page 183

of the GSK Annual Report 2015 is incorporated herein by reference.

7.C Interests of experts and counsel

Not applicable.

Item 8. **Financial Information**

8.A Consolidated Statements and Other Financial Information:

See item 18 below.

In addition, the information set forth under the headings:

- “Note 45 – Legal proceedings” on pages 206 to 210; and
- “Dividends” on page 243

of the GSK Annual Report 2015 is incorporated herein by reference.

8.B Significant Changes

The information set forth under the heading “Note 43 – Post balance sheet events” on page 204 and “Note 45 – Legal proceedings” on pages 206 to 210 of the GSK Annual Report 2015 is incorporated herein by reference.

Item 9. **The Offer and Listing**

9.A Offer and listing details

The information set forth under the headings:

- “Market capitalisation” on page 241;
- “Share price” on page 241; and
- “Nature of trading market” on page 242

of the GSK Annual Report 2015 is incorporated herein by reference.

9.B Plan of distribution

Not applicable.

9.C Markets

The information set forth under the headings:

- “Nature of trading market” on page 242

of the GSK Annual Report 2015 is incorporated herein by reference.

9.D Selling shareholders

Not applicable.

9.E Dilution

Not applicable.

9.F Expenses of the issue

Not applicable.

Item 10. **Additional Information**

10.A Share Capital

Not applicable.

10.B Memorandum and articles of association Articles of Association of GlaxoSmithKline plc

The following is a summary of the principal provisions of the company’s Articles of Association (the “Articles”). Shareholders should not rely on this summary, but should instead refer to the current Articles which are filed with the Registrar of Companies in the UK and can be viewed on the company’s website. The Articles contain the fundamental provisions of the company’s constitution, and the rules for the internal management and control of the company. The company has no statement of objects in its Articles of Association and accordingly its objects are unrestricted in accordance with the provisions of the Companies Act 2006.

Articles of Association

(a) Voting

All resolutions put to the vote at general meetings will be decided by poll. On a poll, every shareholder who is present in person or by proxy shall have one vote for every Ordinary Share of which he or she is the holder. In the case of

joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names stand on the register. Unless the Directors otherwise decide, the right to attend a general meeting and voting rights may not be exercised by a shareholder who has not paid to the company all calls and other sums then payable by him or her in respect of his or her Ordinary Shares. The right to attend a general meeting and voting rights may not be exercised by a shareholder who is subject to an order under Section 794 of the Companies Act 2006 because he or she has failed to provide the company with information concerning his or her interests in Ordinary Shares within the prescribed period, as required by Section 793 of the Companies Act 2006.

(b) Transfer of Ordinary Shares

Any shareholder may transfer his or her Ordinary Shares which are in certificated form by an instrument of transfer in any usual form or in any other form which the Directors may approve. Such instrument must be properly signed and stamped or certified (or otherwise shown to the satisfaction of the Directors as being exempt from stamp duty) and lodged with the company together with the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Any member may transfer title to his or her uncertificated Ordinary Shares by means of a relevant system, such as CREST.

The transferor of a share is deemed to remain the holder until the transferee's name is entered on the register. The Directors may decline to register any transfer of any Ordinary Share which is not fully paid.

Registration of a transfer of uncertificated Ordinary Shares may be refused in the circumstances set out in the uncertificated securities rules, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated Ordinary Share is to be transferred exceeds four.

The Articles contain no other restrictions on the transfer of fully paid certificated Ordinary Shares provided: (i) the instrument of transfer is duly stamped or certified or otherwise shown to the satisfaction of the Directors to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Directors may reasonably require; (ii) the transfer, if to joint transferees, is in favour of not more than four transferees; (iii) the instrument of transfer is in respect of only one class of shares; and (iv) the holder of the Ordinary Shares is not subject to an order under Section 794 of the Companies Act 2006. Notice of refusal to register a transfer must be sent to the transferee within two months of the instrument of transfer being lodged. The Directors may decline to register a transfer of Ordinary Shares by a person holding 0.25 per cent. or more of the existing Ordinary Shares if such person is subject to an order under Section 794 Companies Act 2006, after failure to provide the company with information concerning interests in those Ordinary Shares required to be provided under Section 793 of the Companies Act 2006, unless the transfer is carried out pursuant to an arm's length sale.

Provisions in the Articles will not apply to uncertificated Ordinary Shares to the extent that they are inconsistent with:

- (i) the holding of Ordinary Shares in uncertificated form;
- (ii) the transfer of title to Ordinary Shares by means of a system such as CREST; and
- (iii) any provisions of the relevant regulations.

(c) Dividends and distribution of assets on liquidation

The profits of the company which are available for distribution and permitted by law to be distributed and which the company may by ordinary resolution from time to time declare, upon the recommendation of the Directors to distribute by way of dividend, in respect of any accounting reference period shall be distributed by way of dividend among holders of Ordinary Shares.

If in their opinion the company's financial position justifies such payments, the Directors may, as far as any applicable legislation allows, pay interim dividends on shares of any class of such amounts and in respect of such periods as they think fit. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends will be declared, apportioned and paid pro rata according to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid. As the company has only one class of Ordinary Shares, the holders of such Ordinary Shares will be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings.

(d) Variation of rights and changes in capital

Subject to the provisions of any statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the company (the "Companies Acts"), the rights attached to any class of shares may be varied with the written consent of the holders of three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the

sanction of a special resolution passed at a separate meeting of the holders of shares of that class. At every such separate meeting, the provisions of the Articles relating to general meetings shall apply, except the necessary quorum shall be at least two persons holding or representing as proxy at least one-third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares) (but provided that at any adjourned meeting any holder of shares of the relevant class present in person or by proxy shall be a quorum).

The rights conferred upon the holders of any Ordinary Shares shall not, unless otherwise expressly provided in the rights attaching to those Ordinary Shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

(e) Unclaimed dividends

All dividends or other sums payable on or in respect of any Ordinary Shares which remain unclaimed may be invested or otherwise made use of by the Directors for the benefit of the company until claimed. Unless the Directors decide otherwise, any dividend or other sums payable on or in respect of any Ordinary Shares unclaimed after a period of 12 years from the date when declared or became due for payment will be forfeited and revert to the company. The company may stop sending dividend cheques or warrants by post, or employ such other means of payment in respect of any Ordinary Shares, if at least two consecutive payments have remained uncashed or are returned undelivered or if one payment has remained uncashed or is returned undelivered and the company cannot establish a new address for the holder after making reasonable enquiries; however, in either case, the company must resume sending cheques or warrants or employ such other means of payment if the holder or any person entitled to the Ordinary Shares by transmission requests the resumption in writing.

(f) Untraced shareholders

The company may sell any certificated Shares in the company after advertising its intention and waiting for three months if the Ordinary Shares have been in issue for at least ten years and during that period at least three dividends have become payable on them and have not been claimed and, so far as any Director is aware, the company has not received any communication from the holder of the Ordinary Shares or any person entitled to them by transmission. Upon any such sale, the company will become indebted to the former holder of the Ordinary Shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale unless forfeited.

(g) Limitations on rights of non-resident or foreign shareholders

There are no limitations imposed by the Articles on the rights of non-resident or foreign shareholders except that there is no requirement for the company to serve notices on shareholders outside the United Kingdom and the United States, if no postal address in the United States or United Kingdom has been provided to the company.

(h) General meetings of shareholders

The Articles rely on the Companies Act 2006 provisions dealing with the calling of general meeting. The company is required by the Companies Act 2006 to hold an annual general meeting each year. General meetings of shareholders may be called as necessary by the Directors and must be called promptly upon receipt of a requisition from shareholders. Under the Companies Act 2006, an annual general meeting must be called by notice of at least 21 clear days. A general meeting other than an annual general meeting may be called on not less than 14 clear days' notice provided a special resolution reducing the notice period to 14 clear days has been passed at the immediately preceding annual general meeting or a general meeting held since that annual general meeting.

(i) Conflicts of interest

The Directors may, subject to the provisions of the Articles, authorise any matter which would otherwise involve a Director breaching his or her duty under the Companies Acts to avoid conflicts of interest (each a "Conflict"). A Director seeking authorisation in respect of a Conflict shall declare to the other Directors the nature and extent of his or her Conflict as soon as is reasonably practicable and shall provide the other Directors with such details of the matter as are necessary to decide how to address the Conflict. The board may resolve to authorise the relevant Director in relation to any matter the subject of a Conflict, save that the relevant Director and any other Director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority, and, if the other Directors so decide, shall be excluded from any meeting of the Directors while the Conflict is under consideration.

(j) Other Conflicts of Interest

Subject to the provisions of the Companies Acts, and provided the nature and extent of a Director's interest has been declared to the Directors, a Director may:

- (i) be party to, or otherwise interested in, any contract with the company, or in which the company has a direct or indirect interest;

- (ii) hold any other office or place of profit with the company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including remuneration, as the Directors may decide;
- (iii) act by himself or through a firm with which he is associated in a professional capacity for the company or any other company in which the company may be interested (otherwise than as auditor);
- (iv) be or become a director of, or employed by, or otherwise be interested in any holding company or subsidiary company of the company or any other company in which the company may be interested; and
- (v) be or become a director of any other company in which the company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as director of that other company.

No contract in which a Director is interested shall be liable to be avoided, and any Director who is so interested is not liable to account to the company or its shareholders for any benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established. However, no Director may vote on, or be counted in the quorum, in relation to any resolution of the board relating specifically to his or her own appointment (including remuneration) or the terms of his or her termination of appointment or relating to any contract in which he or she has an interest (subject to certain exceptions).

Subject to the Companies Acts, the company may by ordinary resolution suspend or relax to any extent the provisions relating to directors' interests or restrictions on voting or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(k) Directors' remuneration

Each of the Directors will be paid a fee at such rate as may from time to time be determined by the Directors, but the total fees paid to all of the directors for acting as directors (including amounts paid to any director who acts as chairman or is chairman of, or serves on any committee of the board of directors but excluding any amounts paid under any other provision of the Articles) shall not exceed the higher of:

- (i) £3 million a year; and
- (ii) any higher amount as the company may by ordinary resolution decide. Such fees may be satisfied in cash or in shares or any other non-cash form. Any Director who is appointed to any executive office, acts as Chairman, acts as senior independent director, acts as a scientific/medical expert on the board, is Chairman of, or serves on any committee of the Directors or performs any other services which the Directors consider to extend beyond the ordinary services of a Director shall be entitled to receive such remuneration (whether by way of salary, commission or otherwise) as the Directors may decide. Each Director may be paid reasonable travelling, hotel and other incidental expenses he or she incurs in attending and returning from meetings of the Directors or committees of the Directors, or general meetings of the company, or otherwise incurred in connection with the performance of his or her duties for the company.

(l) Pensions and gratuities for Directors

The Directors or any committee authorised by the Directors may provide benefits by the payment of gratuities, pensions or insurance or in any other manner for any Director or former Director or their relations, connected persons or dependants, but no benefits (except those provided for by the Articles) may be granted to or in respect of a Director or former Director who has not been employed by or held an executive office or place of profit under the company or any of its subsidiary undertakings or their respective predecessors in business without the approval of an ordinary resolution of the company.

(m) Borrowing powers

Subject to the provisions of the Companies Act 2006, the Directors may exercise all the company's powers to borrow money; to mortgage or charge all or any of the company's undertaking, property (present and future), and uncalled capital; to issue debentures and other securities; and to give security either outright or as collateral security for any debt, liability or obligation of the company or of any third party.

(n) Retirement and removal of Directors

A Director is subject to re-election at every annual general meeting of the company if he or she:

- (i) held office at the time of the two previous annual general meetings and did not retire by rotation at either of them;

- (ii) has held office, other than employment or executive office, for a continuous period of nine years or more; or
- (iii) he or she has been appointed by the Directors since the last annual general meeting.

In addition to any power of removal conferred by the Companies Acts the company may by special resolution remove any Director before the expiration of his or her period of office. No Director is required to retire by reason of his or her age, nor do any special formalities apply to the appointment or re-election of any Director who is over any age limit. No shareholding qualification for Directors shall be required.

(o) Vacation of office

The office of a director shall be vacated if:

- (i) he resigns or offers to resign and the board resolves to accept such offer;
- (ii) his resignation is requested by all of the other directors and all of the other directors are not less than three in number;
- (iii) he is or has been suffering from mental or physical ill health and the board resolves that his office be vacated;
- (iv) he is absent without permission of the board from meetings of the board (whether or not an alternate director appointed by him attends) for six consecutive months and the board resolves that his office is vacated;
- (v) he becomes bankrupt or compounds with his creditors generally;
- (vi) he is prohibited by law from being a director; or
- (vii) he is removed from office pursuant to the Articles or the Companies Acts.

(p) Share rights

Subject to any rights attached to existing shares, shares may be issued with such rights and restrictions as the company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the board may decide. Such rights and restrictions shall apply as if they were set out in the Articles. Redeemable shares may be issued, subject to any rights attached to existing shares. The board may determine the terms, conditions and manner of redemption of any redeemable share so issued. Such terms and conditions shall apply to the relevant shares as if they were set out in the Articles. Subject to the articles, any resolution passed by the shareholders and other shareholders' rights, the Board may decide how to deal with any shares in the company.

10.C

Material contracts

On April 22, 2014, GSK and Novartis AG ("Novartis") entered into a three-part, inter-conditional transaction (the "Transaction"), pursuant to which they executed an implementation agreement (as subsequently amended, the "Implementation Agreement"), a contribution agreement relating to a consumer healthcare joint venture (as subsequently amended, the "Contribution Agreement"), a share and business sale agreement relating to the vaccines business of Novartis (as subsequently amended, the "Vaccines SAPA"), a sale and purchase agreement relating to the oncology business of GSK (as subsequently amended, the "Oncology SAPA"), a put option deed relating to the influenza vaccines business of Novartis (as subsequently amended, the "Put Option Deed") and a shareholders' agreement (the "Shareholders' Agreement," and, together with the Implementation Agreement, the Contribution Agreement, the Vaccines SAPA, the Oncology SAPA and the Put Option Deed, the "Transaction Contracts").

Under the Vaccines SAPA, GSK purchased Novartis' vaccines business (excluding Novartis' influenza vaccines business). The purchase price for the business is up to US\$7,055,000,000 plus royalties. The US\$7,055,000,000 consists of US\$5,255,000,000 upfront and up to US\$1,800,000,000 in milestone payments.

Under the Oncology SAPA, GSK sold or licensed, and Novartis purchased or licensed, certain assets, rights and liabilities relating to GSK's oncology business. Novartis acquired GSK's oncology products for an aggregate cash consideration of US\$16,000,000,000. Under the terms of the transaction, Novartis also has preferred partner rights over GSK's current and future oncology research and development pipeline, excluding oncology vaccines, for a period of 12.5 years following the closing of the Transaction.

Under the Put Option Deed, Novartis has the right to unilaterally require GSK to acquire from Novartis its entire influenza vaccines business for US\$250,000,000, or certain parts of the influenza vaccines business for a pro rata portion thereof (subject to certain customary purchase price adjustments) if the divestment of this business to a certain third party does not complete (the "Influenza Put Option"). The Influenza Put Option is exercisable during an 18-month period. Any divestment to GSK under the Influenza Put Option (if exercised) would be subject to applicable antitrust clearances and

satisfaction of certain other conditions. On 3 August 2015, Novartis announced that it had completed effective 31 July 2015 the sale of its influenza vaccines unit to CSL Limited for \$275 million. Accordingly, GSK does not expect any material rights or obligations to remain under the Put Option Deed.

Under the Contribution Agreement, GSK contributed its consumer healthcare business and Novartis contributed its over-the-counter business into a newly-created joint venture company, which operates under the “GSK Consumer Healthcare” name. GSK owns a 63.5% share of the joint venture. Pursuant to the Shareholders’ Agreement entered into by GSK and Novartis at the closing of the Transaction, GSK has seven of eleven seats on the joint venture’s board of directors, and Novartis has customary minority rights and exit rights at a pre-defined, market-based pricing mechanism.

GSK’s shareholders approved the Transaction on December 18, 2014. The Transaction closed on March 2, 2015.

10.D Exchange controls

The information set forth under the heading:

- “Exchange controls and other limitations affecting security holders” on page 241

of the GSK Annual Report 2015 is incorporated herein by reference.

10.E Taxation

The information set forth under the heading:

- “Tax information for shareholders” on pages 244 to 245

of the GSK Annual Report 2015 is incorporated herein by reference.

10.F Dividends and paying agents

Not applicable.

10.G Statement by experts

Not applicable.

10.H Documents on display

The information set forth under the heading:

- “Documents on display” on page 243

of the GSK Annual Report 2015 is incorporated herein by reference.

10.I Subsidiary information

Not applicable.

Item 11. **Quantitative and Qualitative Disclosures About Market Risk**

The information set forth under the headings:

- “Treasury policies” on page 72; and
- “Note 41 – Financial instruments and related disclosures” on pages 192 to 202

of the GSK Annual Report 2015 is incorporated herein by reference.

Item 12. **Description of Securities Other than Equity Securities**

12.A Debt Securities

Not applicable.

12.B Warrants and Rights

Not applicable.

12.C Other Securities

Not applicable.

12.D American Depositary Shares

Fees and charges payable by ADR holders

The Bank of New York serves as the depositary (the “Depositary”) for GSK’s American Depositary Receipt (“ADR”) programme. On April 6, 2015, GSK and the Depositary amended and restated the deposit agreement (the “Deposit Agreement”) between GSK, the Depositary and owners and holders of ADRs. Pursuant to the Deposit Agreement, ADR holders may be required to pay various fees to the Depositary, and the Depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid. In particular, the Depositary, under the terms of the Deposit Agreement, shall charge (i) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery and surrender of American Depositary Shares, (ii) a fee of \$0.05 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to this Deposit Agreement, (iii) a fee for the distribution of securities other than cash or shares and (iv) a fee of \$0.05 or less per American Depositary Share (or portion thereof) per annum for depositary services. In addition, the following charges shall be incurred by any party depositing or withdrawing Shares or surrendering ADRs or to whom American Depositary Shares are issued: (i) taxes and other governmental charges, (ii) such registration fees as may from time to time be in effect, (iii) certain cable, telex and facsimile transmission expenses, (iv) such expenses as are incurred by the Depositary in the conversion of foreign currency and (v) any other charges payable by the Depositary.

The Depositary may (i) withhold dividends or other distributions or sell any or all of the shares underlying the ADRs in order to satisfy any tax or governmental charge, (ii) deduct from any cash distribution any tax payable thereon or the cost of any currency conversion and (iii) collect any of its fees or charges by deduction from any cash distribution payable to ADR holders that are obligated to pay those fees or charges.

Direct and indirect payments by the Depositary

The Depositary has agreed to pay GSK, on an annual basis, (i) 50% of the issuance and cancellation fees collected by the depositary, net of custody fees, (ii) 100% of any cash dividend fee, net of the Depositary’s charges for fees, service and expenses and (iii) 90% of certain special dividend fees, net of the Depositary’s charges for fees, service and expenses. In 2015 the Depositary made payments to GSK of approximately \$3.3 million, of which approximately \$2.3 million were related to expenses reimbursed in connection with services provided in 2014.

Under certain circumstances, including removal of the Depositary or termination of the ADR programme by GSK, GSK is required to repay certain amounts paid to GSK and to compensate the Depositary for payments made or services provided on behalf of GSK.

PART II

Item 13. **Defaults, Dividend Arrearages and Delinquencies**

Not applicable.

Item 14. **Material Modifications to the Rights of Security Holders and Use of Proceeds**

Not applicable.

Item 15. **Controls and Procedures**

The information set forth under the heading:

- “Accountability” on pages 85 to 86

of the GSK Annual Report 2015 is incorporated herein by reference.

US law and regulation

A number of provisions of US law and regulation apply to the company because our shares are quoted on the New York Stock Exchange (the “NYSE”) in the form of American Depositary Shares.

NYSE rules

In general, the NYSE rules permit the company to follow UK corporate governance practices instead of those applied in the USA, provided that we explain any significant variations. This explanation is contained in Item 16.G of this Form 20-F. NYSE rules that came into effect in 2005 require us to file annual and interim written affirmations concerning the Audit & Risk Committee and our statement on significant differences in corporate governance.

Sarbanes-Oxley Act of 2002

Following a number of corporate and accounting scandals in the USA, Congress passed the Sarbanes-Oxley Act of 2002. Sarbanes-Oxley is a wide ranging piece of legislation concerned largely with financial reporting and corporate governance.

As recommended by the SEC, the company has established a Disclosure Committee. The Committee reports to the CEO, the CFO and to the Audit & Risk Committee. It is chaired by the Company Secretary and the members consist of senior managers from finance, legal, corporate communications and investor relations.

External legal counsel, the external auditors and internal experts are invited to attend its meetings periodically. It has responsibility for considering the materiality of information and, on a timely basis, determining the disclosure of that information. It has responsibility for the timely filing of reports with the SEC and the formal review of the GSK Annual Report 2015 and Form 20-F. In 2015 the Committee met 14 times.

Sarbanes-Oxley requires that this annual report on Form 20-F contain a statement as to whether a member of our Audit & Risk Committee (“ARC”) is an audit committee financial expert as defined by Sarbanes-Oxley. For a summary regarding the Board’s judgment on this matter, please refer to Item 16.A below and to pages 89 and 248 of the GSK Annual Report 2015. Additional disclosure requirements arise under section 302 and section 404 of Sarbanes-Oxley in respect of disclosure controls and procedures and internal control over financial reporting.

Section 302: Corporate responsibility for financial reports

Sarbanes-Oxley also introduced a requirement for the CEO and the CFO to complete formal certifications, confirming that:

- they have each reviewed the GSK Annual Report 2015 and Form 20-F;
- based on their knowledge, the GSK Annual Report 2015 and Form 20-F contain no material misstatements or omissions;
- based on their knowledge, the financial statements and other financial information fairly present, in all material respects, the financial condition, results of operations and cash flows as of the dates, and for the periods, presented in the GSK Annual Report 2015 and Form 20-F;
- they are responsible for establishing and maintaining disclosure controls and procedures that ensure that material information is made known to them, and have evaluated the effectiveness of these controls and procedures as at the year-end, the results of such evaluation being contained in the GSK Annual Report 2015 and Form 20-F;
- they are responsible for establishing and maintaining internal control over financial reporting that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- they have disclosed in the GSK Annual Report 2015 and Form 20-F any changes in internal controls over financial reporting during the period covered by the GSK Annual Report 2015 and Form 20-F that have materially affected, or are reasonably likely to affect materially, the company’s internal control over financial reporting; and
- they have disclosed, based on their most recent evaluation of internal control over financial reporting, to the external auditors and the ARC, all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to affect adversely the company’s ability to record, process, summarise and report financial information, and any fraud (regardless of materiality) involving persons that have a significant role in the company’s internal control over financial reporting.

The Group has carried out an evaluation under the supervision and with the participation of its management, including the CEO and CFO, of the effectiveness of the design and operation of the Group’s disclosure controls and procedures as at 31 December 2015.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on the Group's evaluation, the CEO and CFO have concluded that, as at December 31, 2015, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that the Group files and submits under the US Securities Exchange Act of 1934, as amended, is recorded, processed, summarised and reported as and when required and that it is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding disclosure.

The CEO and CFO completed these certifications on March 18, 2016.

Section 404: Management's annual report on internal control over financial reporting.

In accordance with the requirements of section 404 of Sarbanes-Oxley, the following report is provided by management in respect of the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the US Securities Exchange Act of 1934):

- management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS;
- management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission;
- management has assessed the effectiveness of internal control over financial reporting, as at 31 December 2015 and has concluded that such internal control over financial reporting was effective. In addition, there have been no changes in the Group's internal control over financial reporting during 2015 that have materially affected, or are reasonably likely to affect materially, the Group's internal control over financial reporting; and
- PricewaterhouseCoopers LLP, which has audited the consolidated financial statements of the Group for the year ended December 31, 2015, has also assessed the effectiveness of the Group's internal control over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States). Their audit report can be found in Item 18 below.

Item 16. **[Reserved]**

Item 16.A **Audit committee financial expert**

The information set forth under the heading:

- "Membership and attendance", within the "Audit & Risk Committee Report", on page 89; and
- "Sarbanes-Oxley Act of 2002" on page 248

of the GSK Annual Report 2015 is incorporated herein by reference.

Item 16.B **Code of Ethics**

The information set forth under the heading:

- "Code of Conduct and reporting lines" on page 94

of the GSK Annual Report 2015 is incorporated herein by reference.

No waivers were granted from a provision of our code of ethics to an officer or person described in Item 16B(a) that relates to one or more of the items set forth in Item 16B(b) in 2015.

Item 16.C **Principal Accountant Fees and Services**

The information set forth under the heading:

- “Non-audit services” on page 94; and
- “Note 8 – Operating profit” on page 154

of the GSK Annual Report 2015 is incorporated herein by reference.

Item 16.D Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16.E Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16.F Change in Registrant’s Certifying Accountant

Not applicable.

Item 16.G Corporate Governance

Comparison of New York Stock Exchange Corporate Governance Standards and GlaxoSmithKline plc’s corporate governance practice.

On November 4, 2003, the New York Stock Exchange (the “NYSE”) adopted new corporate governance standards. The application of the NYSE’s standards is restricted for foreign companies, recognising that they have to comply with domestic requirements. As a foreign private issuer, GlaxoSmithKline plc (“GlaxoSmithKline” or the “Company”) must comply with the following NYSE standards:

1. the Company must satisfy the audit committee requirements of the Securities and Exchange Commission (the “SEC”);
2. the Chief Executive Officer (the “CEO”) must promptly notify the NYSE in writing after any executive officer of the Company becomes aware of any non-compliance with any applicable provisions of the NYSE’s corporate governance standards;
3. the Company must submit an annual affirmation to the NYSE affirming GlaxoSmithKline’s compliance with applicable NYSE corporate governance standards, and submit interim affirmations to the NYSE notifying it of specified changes to the audit committee or a change to the status of the Company as a foreign private issuer; and
4. the Company must provide a brief description of any significant differences between its corporate governance practices and those followed by US companies under the NYSE listing standards.

As a Company listed on the London Stock Exchange, GlaxoSmithKline is required to comply with the UK Listing Authority’s Listing Rules (the “Listing Rules”) and to report non-compliance with the UK Corporate Governance Code (the “UK Code”).

The table below discloses differences between GlaxoSmithKline’s current domestic corporate governance practices, which are based on the UK Code, and the NYSE corporate governance standards, applicable to US companies.

| <u>NYSE Corporate Governance Standards</u> | <u>Description of differences between GlaxoSmithKline’s governance practice and the NYSE Corporate Governance Standards</u> |
|---|--|
| <p>Director Independence</p> <p>1. Listed companies must have a majority of independent directors (as defined in Exchange Act Rule 10A-3).</p> | <p>GlaxoSmithKline complies with the equivalent domestic requirements contained in the UK Code which was issued in September 2014.</p> <p>The UK Code provides that the board of directors of GlaxoSmithKline (the “Board”) and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively (B.1). The Board should include an appropriate combination of Executive and</p> |

NYSE Independence Tests

2. In order to tighten the definition of “independent director” for purposes of these standards:
- (a) (i) No director qualifies as “independent” unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company).
- (ii) In addition, in affirmatively determining the independence of any director who will serve on the compensation committee of the listed company’s board of directors, the board of directors must consider all factors specifically relevant to determining whether a director has a relationship to the listed company which is material to that director’s ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to:
- (A) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the listed company to such director; and
- (B) whether such director is affiliated with the listed company, a subsidiary of the listed company or an affiliate of a subsidiary of the listed company.
- (b) In addition, a director is not independent if:
- (i) The director is, or has been within the last three years, an employee of the listed company, or an immediate family member is, or has been within the last three years, an executive officer, of the listed company.

Non-Executive Directors (and, in particular, independent Non-Executive Directors) such that no individual or small group of individuals can dominate the Board’s decision taking (B.1). At least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent (B.1.2). The roles of Chairman and Chief Executive should not be exercised by the same individual. The division of responsibilities between the Chairman and Chief Executive should be clearly established, set out in writing and agreed by the Board (A.2.1).

The Board considers that Professor Sir Roy Anderson, Vindi Banga, Dr Stephanie Burns, Stacey Cartwright, Lynn Elsenhans, Dr Jesse Goodman, Judy Lewent, Sir Deryck Maughan, Dr Daniel Podolsky, Urs Rohner, and Hans Wijers are “independent” for the purpose of the UK Code.

A majority of the Board members are “independent” Non-Executive Directors and, in accordance with the recommendations of the UK Code, the Board has appointed one of the “independent” Non-Executive Directors as Senior Independent Director to provide a sounding board for the Chairman and act as an intermediary for other Directors where necessary (A.4.1). In January 2012 the Board adopted a formal written role specification for the Senior Independent Director.

GlaxoSmithKline complies with the corresponding domestic requirements contained in the UK Code, which sets out the principles for the Company to determine whether a director is “independent”.

The Board is required to determine and state its reasons for the determination of whether directors are independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could affect, the directors’ judgment. In undertaking this process, the Board is required, amongst other factors, to consider if the director:

- (a) has been an employee of GlaxoSmithKline within the last five years;
- (b) has, or has had within the last three years, a material business relationship with the Company either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Company;
- (c) has received or receives additional remuneration from the Company apart from a director’s fee, participates in the Company’s share option or a performance-related pay scheme, or is a member of the Company’s pension scheme;
- (d) has close family ties with any of the Company’s advisers, directors or senior employees;
- (e) holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- (f) represents a significant shareholder; or
- (g) has served on the Board for more than nine years from the date of his or her first election (B.1.1).

- (ii) The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the listed company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
- (iii) (A) The director is a current partner or employee of a firm that is the listed company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the listed company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the listed company's audit within that time.
- (iv) The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the listed company's present executive officers at the same time serves or served on that company's compensation committee.
- (v) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the listed company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues.

(For the purposes of these standards "executive officer" is defined to have the meaning specified for the term "officer" in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended, the "Exchange Act").

Executive Sessions

3. To empower non-management directors to serve as a more effective check on management, the non-management directors of each listed company must meet at regularly scheduled executive sessions without management.

The Board considers all its Non-Executive Directors to be independent in character and judgment and has concluded that all its Non-Executive Directors are "independent" within the meaning of the UK Code. The Chairman satisfied the independence criteria on appointment in accordance with the UK Code (A.3.1).

GlaxoSmithKline complied with the UK Code requirement that all Directors should be subject to annual election or re-election by shareholders (B.7) at its Annual General Meeting in 2015, and intends to comply with this requirement at its 2016 Annual General Meeting.

The UK Code also provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors (B.6). Evaluation of the Board should consider the balance of skills, experience, independence and knowledge of the Company on the Board, its diversity, including gender, how the board works together as a unit, and other factors relevant to its effectiveness (B.6). GlaxoSmithKline has complied with this requirement. In addition, the evaluation of the Board should be externally facilitated at least every three years and a statement should be made available of whether an external facilitator has any other connection with the Company and the external facilitator should be identified in the annual report (B.6.2). The Company conducted an externally facilitated evaluation in 2014, an internally facilitated evaluation in 2015 and expects to conduct another internally facilitated evaluation in 2016.

The UK Code provides that all Directors should receive an induction on joining the Board (B.4). The Chairman should regularly review and agree with each Director their training and development needs (B.4.2).

Meetings

GlaxoSmithKline complies with the equivalent domestic requirements set out in the UK Code, which requires that the Chairman of GlaxoSmithKline should hold meetings with the Non-Executive Directors without executives present. The Non-Executive Directors, led by the Senior Independent Director, also meet at least annually without the Chairman present to appraise the Chairman's performance (A.4.2).

The UK Code provides that the Chairman should promote a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors (A.3) and, in particular, ensuring constructive relations between Executive and Non-Executive Directors (A.3). In addition, the Chairman is responsible for ensuring that all Directors are made aware of shareholders' concerns (E.1).

Nominating / Corporate Governance Committee

4. (a) Listed companies must have a nominating/corporate governance committee composed entirely of independent directors.
- (b) The nominating/corporate governance committee must have a written charter that addresses:
- (i) the committee's purpose and responsibilities – which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance guidelines applicable to the corporation; and oversee the evaluation of the board and management; and an annual performance evaluation of the committee.

Compensation Committee

5. (a) Listed companies must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements specific to compensation committee membership set forth in Section 2(a)(ii) in the Section titled "Independence Tests" above.

Nominations Committee

GlaxoSmithKline complies with the corresponding domestic requirements set out in the UK Code, which requires that GlaxoSmithKline should have a Nominations Committee that is comprised of a majority of independent Non-Executive Directors (B.2.1).

GlaxoSmithKline's Nominations Committee has written terms of reference in accordance with the UK Code. The terms of reference are available on the Company's website and explain the Nominations Committee's role and the authority delegated to it by the Board (B.2.1). The Nominations Committee reviews the structure, size, diversity (including gender diversity), and composition of the Board and leads the process for the appointment of members to the Board and the Corporate Executive Team (the "CET"), and makes recommendations to the Board as appropriate. The Committee also monitors the planning of succession for the Board and Senior Management.

In compliance with the UK Code, the terms and conditions of appointment of Non-Executive Directors are available for inspection (B.3.2).

The UK Code requires that a separate section in the Company's Annual Report describe the work of the Nominations Committee in discharging its duties, including the process it has used in relation to Board appointments (B.2.4). An explanation should be given if neither an external search consultancy nor open advertising has been used in the appointment of a chairman or a non-executive director. Where an external search consultancy has been used, it should be identified in the report and a statement should be made as to whether it has any other connection with the company (B.2.4). This section should include a description of the board's policy on diversity, including gender, any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives (B.2.4). GlaxoSmithKline has complied with this requirement.

As described above, there is an annual Board evaluation exercise, which also includes evaluation of the Board's committees (B.6).

The Board is responsible for regularly reviewing its corporate governance standards and practices. The Company Secretary oversees corporate governance matters for the Group. The Company Secretary is responsible for advising the Board through the Chairman on all corporate governance matters. Domestic requirements do not mandate that GlaxoSmithKline establish a distinct corporate governance committee.

Remuneration Committee

GlaxoSmithKline complies with the equivalent domestic requirements set out in the UK Code, which requires that GlaxoSmithKline should have a Remuneration Committee that is comprised of at least three "independent" Non-Executive Directors (D.2.1).

- (b) The compensation committee must have a written charter that addresses:
- (i) the committee's purpose and responsibilities – which, at a minimum, must be to have direct responsibility to:
 - (A) review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and, either as a committee or together with the other independent directors (as directed by the board), determine and approve the CEO's compensation level based on this evaluation;
 - (B) make recommendations to the board with respect to non-CEO executive officer compensation, and incentive-compensation and equity-based plans that are subject to board approval; and
 - (C) prepare the disclosure required by item 407(e)(5) or Regulation S-K under the Exchange Act;
 - (ii) an annual performance evaluation of the compensation committee.
 - (iii) The rights and responsibilities of the compensation committee set forth in Section 303A.05(c).
- (c)
- (i) The compensation committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser.
 - (ii) The compensation committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, independent legal counsel or other adviser retained by the compensation committee.
 - (iii) The listed company must provide for appropriate funding, as determined by the compensation committee, for payment of reasonable compensation to a compensation consultant, independent legal counsel or any other adviser retained by the compensation committee.
 - (iv) The compensation committee may select a compensation consultant, legal counsel or other adviser to the compensation committee only after taking into consideration, all factors relevant to that person's independence from management, including the following:
 - (A) The provision of other services to the listed company by the person that employs the compensation consultant, legal counsel or other adviser;
 - (B) The amount of fees received from the listed company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;

GlaxoSmithKline's Remuneration Committee has written terms of reference in accordance with the UK Code. The terms of reference are available on the Company's website and explain the Remuneration's Committee's role and the authority delegated to it by the Board (D.2.1). The Remuneration Committee determines the terms of service and remuneration of the Executive Directors and members of the CET and, with the assistance of external independent advisers, it evaluates and makes recommendations to the Board on overall executive remuneration policy (the Chairman and the CEO are responsible for evaluating and making recommendations to the Board on the remuneration of Non-Executive Directors). Where remuneration consultants are appointed, they should be identified in the annual report and a statement should be made as to whether they have any other connection with the company (D.2.1).

The UK Code provides that the Remuneration Committee:

- (a) should take care to recognise and manage conflicts of interest when receiving views from Executive Directors or senior management, or consulting the Chief Executive about its proposals (D.2) and should have delegated responsibility for setting remuneration for all Executive Directors and the Chairman, including pension rights and any compensation payments (D.2.2);
- (b) should recommend and monitor the level and structure of remuneration for senior management (D.2.2);
- (c) should consider what compensation commitments (including pension contributions and all other elements) the directors' terms of appointment would entail in the event of early termination (D.1.4.);
- (d) should invite shareholders specifically to approve all new long-term incentive schemes and significant changes to existing schemes (D.2.4.);
- (e) should judge where to position the Company relative to other companies and should be sensitive to pay and employment conditions elsewhere in the group, especially when determining annual salary increases (D.1); and
- (f) should determine an appropriate balance between fixed and performance-related immediate and deferred remuneration bearing in mind that performance-related elements of Executive Directors' remuneration should be designed to promote the long-term success of the Company and be transparent, stretching and rigorously applied (D.1, D.1.1 and Schedule A). Incentive schemes should include provisions that would enable the Company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so (D.1.1).

The UK Code requires that payouts under incentive schemes should be subject to challenging performance criteria, including non-financial performance criteria where appropriate and remuneration incentives should be compatible with the Company's risk policies and systems (Schedule A). In

(C) The policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;

addition, remuneration of Non-Executive Directors should not include share options or other performance-related elements (D.1.3).

As described above, there is an annual Board evaluation exercise, which also includes evaluation of the Board's committees (B.6).

- (D) Any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the compensation committee;
- (E) Any stock of the listed company owned by the compensation consultant, legal counsel or other adviser; and
- (F) Any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the listed company.

Audit Committee

6. Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.

Audit & Risk Committee

GlaxoSmithKline complies with equivalent domestic requirements set out in the UK Code, which requires that GlaxoSmithKline has an Audit & Risk Committee that is comprised of at least three “independent” Non-Executive Directors (C.3.1). The Company considers all members of the Audit & Risk Committee are “independent”. The Board has also satisfied itself, in line with the UK Code, that at least one member of the Audit & Risk Committee has recent and relevant financial experience.

The UK Code requires the Audit & Risk Committee to:

- (a) monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company’s financial performance, reviewing significant financial reporting judgments contained in them (C.3.2);
- (b) review the Company’s internal financial controls and internal control and risk management systems (C.3.2);
- (c) monitor and review the effectiveness of the Company’s internal audit function (C.3.2);
- (d) make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor (C.3.2);
- (e) review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements (C.3.2);
- (f) develop and implement policy on the engagement of external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken (C.3.2);
- (g) report to the Board on how it has discharged its responsibilities;
- (h) review arrangements by which the staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters (C.3.5).

GlaxoSmithKline's Audit & Risk Committee meets the requirements of Rule 10A-3 in that:

- each member of the Audit & Risk Committee is deemed to be "independent" in accordance with the Securities Exchange Act of 1934, as amended, and applicable NYSE and UK requirements;
- the Audit & Risk Committee, amongst other things, is responsible for recommending the appointment, compensation, maintenance of independence and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and each such accounting firm must report directly to the Audit & Risk Committee;
- the Audit & Risk Committee has established a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- the Audit & Risk Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- GlaxoSmithKline must provide appropriate funding for the Audit & Risk Committee.

The Board has determined that Judy Lewent and Stacey Cartwright both have the appropriate qualifications and background to be an "Audit Committee Financial Expert" as defined in rules promulgated by the SEC under the Exchange Act.

GlaxoSmithKline complies with the equivalent domestic requirements set out in the UK Code, which requires that the Audit & Risk Committee should be comprised of a minimum of three "independent" Non-Executive Directors.

GlaxoSmithKline's Audit & Risk Committee has written terms of reference in accordance with the UK Code. The terms of reference are available on the Company's website and explain the Audit & Risk Committee's role and the authority delegated to it by the Board (C.3.3). The Committee's main responsibilities include monitoring and reviewing the financial reporting process, the system of internal control and risk management, overseeing the identification and management of risks, the external and internal process and for monitoring compliance with laws, regulations and ethical codes of practice, including review throughout the year of integrated assurance reports comprising business unit and associated consolidated internal audit reports. Where requested by the board, the audit committee should provide advice on:

- whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy (C.3.4); and

7. (a) The audit committee must have a minimum of three members. All audit committee members must satisfy the requirements for independence set out in Section 303A.02 and, in the absence of an applicable exemption, Rule 10A-3(b)(1) under the Exchange Act.
- (b) The audit committee must have a written charter that addresses:
- (i) the committee's purpose – which, at minimum, must be to:
- (A) assist board oversight of (1) the integrity of the listed company's financial statements, (2) the listed company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the listed company's internal audit function and independent auditors (if the listed company does not yet have an internal audit function because it is availing itself of a transition period pursuant to Section 303A.00, the charter must provide that the committee will assist board oversight of the design and implementation of the internal audit function); and

- (B) prepare disclosure regarding the audit committee's review and discussion of financial statements and certain other audit matters with management and auditors
- (ii) the committee's responsibility to conduct an annual performance evaluation of the audit committee; and
- (iii) the duties and responsibilities of the audit committee – which, at a minimum, must include those set out in Rule 10A-3(b)(2), (3), (4) and (5) of the Exchange Act as well as to:
 - (A) at least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the listed company;
 - (B) meet to review and discuss the listed company's annual audited financial statements and quarterly financial statements with management and the independent auditor, including reviewing the listed company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations";
 - (C) discuss the listed company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
 - (D) discuss policies with respect to risk assessment and risk management;
 - (E) meet separately, periodically, with management, with internal auditors (or other personnel responsible for the internal audit function) and with independent auditors;
 - (F) review with the independent auditor any audit problems or difficulties and management's response;
 - (G) set clear hiring policies for employees or former employees of the independent auditors; and
 - (H) report regularly to the board of directors.
- (c) Each listed company must have an internal audit function.

- when taking into account the company's position and principal risks, how the prospects of the company have been assessed, over what period and why the period is regarded as appropriate. The Audit & Risk Committee should also advise whether there is a reasonable expectation that the company will be able to continue in operation and meet its liabilities when falling due over the said period, drawing attention to any qualifications or assumptions as necessary prior to the directors making their statement in the annual report (C.2.2)

The UK Code requires that a separate section of the annual report should describe the work of the Committee in discharging its responsibilities (C.3.8).

The report should include:

- the significant issues that the committee considered in relation to the financial statements, and how these issues were addressed (C.3.8);
- an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted (C.3.8); and
- if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded (C.3.8).

Please see section 6 above for a description of the main role and responsibilities of the Audit & Risk Committee.

In accordance with the UK Code (C.3.6), GlaxoSmithKline has an internal audit function.

Shareholder Approval of Equity Compensation Plans

8. Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans.

GlaxoSmithKline complies with corresponding domestic requirements in the Listing Rules, which mandate that the Company must seek shareholder approval for employee share schemes (D.2.4 and Listing Rule 9.4). Please see section 5(d) above.

Corporate Governance Guidelines

9. Listed companies must adopt and disclose corporate governance guidelines.

GlaxoSmithKline complies with corresponding domestic requirements in the Listing Rules and the UK Code, which require that GlaxoSmithKline include an explanation in its Annual Report of how it complies with the principles of the UK Code and that it confirm that it complies with the UK Code's provisions or, where it does not, provide an explanation of how and why it does not comply (Listing Rule 9.8.6). In addition, GlaxoSmithKline is required to make certain mandatory corporate governance statements in the Directors' Report in accordance with the UK Listing Authority's Disclosure and Transparency Rules, DTR 7, which was issued by the UK Financial Conduct Authority to implement the eighth Company Law Directive; GlaxoSmithKline has complied with these requirements in its 2015 Annual Report.

Code of Business Conduct and Ethics

10. Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

Code of Conduct

GlaxoSmithKline's Code of Conduct for all employees, including the CEO, CFO and other senior financial officers, is available on the Company's website.

Description of Significant Differences

11. Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listing standards.

Listed foreign private issuers are required to provide this disclosure in the English language and in their annual reports filed on Form 20-F.

GlaxoSmithKline fulfils this requirement by publishing this document.

GlaxoSmithKline fulfils this requirement by including this disclosure in its annual report on Form 20-F.

12. **Certification Requirements**

Each listed company and its CEO must file certain annual and interim certifications regarding compliance with the corporate governance requirements and certain other matters (although foreign private issuers are only required to comply with a subset of these requirements).

GlaxoSmithKline fulfils this requirement by filing the required certifications each year.

Item 16H **Mine Safety Disclosure**

Not applicable.

PART III

Item 17 **Financial Statements**

Not applicable.

Item 18

Financial Statements

The information set forth under the headings:

- “Consolidated income statement” on page 138;
- “Consolidated statement of comprehensive income” on page 138;
- “Consolidated balance sheet” on page 139;
- “Consolidated statement of changes in equity” on page 140;
- “Consolidated cash flow statement” on page 141; and
- “Notes to the financial statements” on pages 142 to 210

of the GSK Annual Report 2015 is incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of GlaxoSmithKline plc

In our opinion, the accompanying consolidated balance sheets and the related consolidated income statements, consolidated cash flow statements, consolidated statements of comprehensive income and consolidated statements of changes in equity (as referred to in item 18 above) present fairly, in all material respects, the financial position of GlaxoSmithKline plc and its subsidiaries at 31 December 2015 and 31 December 2014 and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2015 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at 31 December 2015, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in "Management's annual report on internal control over financial reporting" included in item 15 of this 20-F. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

London, United Kingdom
18 March 2016

Item 19 **Exhibits**

- 1.1 Memorandum and Articles of Association of the Registrant as in effect on the date hereof.
- 2.1 Amended and Restated Deposit Agreement among the Registrant and The Bank of New York Mellon, as Depositary, and the owners and holders from time to time of the American Depositary Shares issued thereunder, including the form of American Depositary Receipt, is incorporated by reference to the post-effective amendment to the Registration Statement on Form F-6 (No. 333-148017) filed with the Commission on March 30, 2015.
- 4.1 Service Agreement between SmithKline Beecham Corporation and Moncef Slaoui is incorporated by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 20-F filed with the Commission on February 29, 2008.
- 4.2 Amended and Restated Service Agreement between GlaxoSmithKline LLC (formerly known as SmithKline Beecham Corporation) and Moncef Slaoui dated December 21, 2010 is incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 4, 2011.
- 4.3 UK Service Agreement between GlaxoSmithKline Services Unlimited and Sir Andrew Witty is incorporated by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 20-F filed with the Commission on February 29, 2008.
- 4.4 UK Service Agreement between GlaxoSmithKline Services Unlimited and Sir Andrew Witty dated June 18, 2008 is incorporated by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 4, 2009.
- 4.5 Amendment to UK Service Agreement between GlaxoSmithKline Services Unlimited and Sir Andrew Witty dated February 4, 2010 is incorporated by reference to Exhibit 4.5 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 1, 2010.
- 4.6 UK Service Agreement between GlaxoSmithKline Services Unlimited and Simon Dingemans dated September 8, 2010 is incorporated by reference to Exhibit 4.7 to the Registrant's Annual Report on Form 20-F filed with the Commission on March 4, 2011.
- 4.7 Implementation Agreement made on April 22, 2014, as amended and restated on May 29, 2014, between GlaxoSmithKline plc and Novartis AG is incorporated by reference to Exhibit 4.7 of the Registrant's Annual Report on Form 20-F filed with the Commission on February 27, 2015.
- 4.8 Contribution Agreement relating to the Consumer Healthcare Joint Venture made on April 22, 2014, as amended and restated on May 29, 2014 and as further amended and restated on March 1, 2015, between Novartis AG, GlaxoSmithKline plc and GlaxoSmithKline Consumer Healthcare Holdings Limited (formerly known as Leo Constellation Limited). Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.
- 4.9 Share and Business Sale Agreement relating to the Vaccines Group made on April 22, 2014, as amended and restated on May 29, 2014, as amended on October 9, 2014, and as further amended and restated on March 1, 2015, between Novartis AG and GlaxoSmithKline plc. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.
- 4.10 Sale and Purchase Agreement relating to the Oncology Business made on April 22, 2014, as amended and restated on May 29, 2014, and as further amended and restated on November 21, 2014 and March 1, 2015, between GlaxoSmithKline plc and Novartis AG. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.
- 4.11 Put Option Deed relating to all or part of the Influenza Business of the Novartis Group made on April 22, 2014, as amended and restated on May 29, 2014, between Novartis AG and GlaxoSmithKline plc is incorporated by reference to Exhibit 4.11 of the Registrant's Annual Report on Form 20-F filed with the Commission on February 27, 2015. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.
- 4.12 Shareholders' Agreement relating to GlaxoSmithKline Consumer Healthcare Holdings Limited made on March 2, 2015, among Setfirst Limited, Novartis Holding AG, Novartis Finance Corporation, GlaxoSmithKline plc, Novartis AG and GlaxoSmithKline Consumer Healthcare Holdings Limited. Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment and filed separately with the SEC.
- 8.1 A list of the Registrant's principal subsidiaries is incorporated by reference to the information set forth under "Group Companies" on pages 250 to 258 of the GSK Annual Report 2015 included as Exhibit 15.2.
- 12.1 Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 – Sir Andrew Witty.
- 12.2 Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 – Simon Dingemans.

- 13.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code).
- 15.1 Consent of PricewaterhouseCoopers LLP.
- 15.2* GSK Annual Report 2015.

* Certain of the information included within Exhibit 15.2, which is provided pursuant to Rule 12b-23(a)(3) of the Securities Exchange Act of 1934, as amended, is incorporated by reference in this Form 20-F, as specified elsewhere in this Form 20-F. With the exception of the items and pages so specified, the GSK Annual Report 2015 is not deemed to be filed as part of this Form 20-F.

Signature

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

March 18, 2016

GlaxoSmithKline plc

By: /s/ Simon Dingemans
Simon Dingemans
Chief Financial Officer

Exhibit 1.1



Company No. 3888792

ARTICLES OF ASSOCIATION

**(As adopted by Special Resolution passed on 6 May 2010 and amended by Special Resolutions passed on 5 May 2011,
3 May 2012, 1 May 2013, 7 May 2014 and 7 May 2015)**

OF

GlaxoSmithKline plc

Company No. 3888792

The Companies Acts 1948 to 2006

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTIONS

GlaxoSmithKline plc

Passed: 6 May 2010

At the TENTH ANNUAL GENERAL MEETING of the Company held on Thursday 6th May 2010, the following resolutions were duly passed as SPECIAL RESOLUTIONS:-

12 Disapplication of pre-emption rights (Special resolution)

THAT subject to Resolution 11 being passed, the Directors be and are hereby empowered to allot equity securities (as defined in the Act) for cash pursuant to the authority conferred on the Directors by Resolution 11 and/or where such allotment constitutes an allotment of equity securities under section 560(3) of the Act, free of the restrictions in section 561(1) of the Act, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with an offer or issue of equity securities (but in the case of the authority granted under paragraph (b) of Resolution 11, by way of a rights issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities or as the Board otherwise considers necessary,

but so that the Directors may impose any limits or make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems under the laws of, or the requirements of any relevant regulatory body or stock exchange, in any territory, or any matter whatsoever; and

(b) in the case of the authority granted under paragraph (a) of Resolution 11 and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under section 560(3) of the Act, to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £64,893,333.

and shall expire at the end of the next Annual General Meeting of the company to be held in 2011 (or, if earlier, at the close of business on 30th June 2011) save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

13 Purchase of own shares by the company (Special resolution)

THAT the company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its own Ordinary shares of 25p each provided that:

- (a) the maximum number of Ordinary shares hereby authorised to be purchased is 519,146,669;
- (b) the minimum price which may be paid for each Ordinary share is 25p;
- (c) the maximum price which may be paid for each Ordinary share shall be the higher of (i) an amount equal to 5% above the average market value for the company's Ordinary shares for the five business days immediately preceding the day on which the Ordinary share is contracted to be purchased and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out; and
- (d) the authority conferred by this resolution shall, unless renewed prior to such time, expire at the end of the next Annual General Meeting of the company to be held in 2011 or, if earlier, on 30th June 2011 (provided that the company may enter into a contract for the purchase of Ordinary shares before the expiry of this authority which would or might be completed wholly or partly after such expiry and the company may purchase Ordinary shares pursuant to any such contract under this authority).

15 Reduced notice of a general meeting other than an Annual General Meeting (Special resolution)

THAT a general meeting of the company other than an Annual General Meeting may be called on not less than 14 clear days' notice.

16 Adopt new Articles of Association (Special resolution)

THAT:

- (a) the Articles of Association of the company be amended by deleting all the provisions of the company's Memorandum of Association which, by virtue of section 28 of the Act, are to be treated as provisions of the company's Articles of Association; and
- (b) the Articles of Association produced to the meeting, and initialled by the Chairman for the purpose of identification, be adopted as the Articles of Association of the company in substitution for, and to the exclusion of, all existing Articles of Association of the company.

Company No. 3888792

The Companies Acts 1948 to 2006

COMPANY LIMITED BY SHARES

SPECIAL RESOLUTIONS

GlaxoSmithKline plc

Passed: 5 May 2011

At the ELEVENTH ANNUAL GENERAL MEETING of the Company held on Thursday 5th May 2011, the following resolutions were duly passed as SPECIAL RESOLUTIONS:-

22 Disapplication of pre-emption rights (Special resolution)

THAT subject to Resolution 21 being passed, in substitution for all subsisting authorities, the Directors be and are hereby empowered to allot equity securities (as defined in the Act) for cash pursuant to the authority conferred on the Directors by Resolution 21 and/or where such allotment constitutes an allotment of equity securities under section 560(3) of the Act, free of the restrictions in section 561(1) of the Act, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with an offer or issue of equity securities:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities or as the Board otherwise considers necessary,

but so that the Directors may impose any limits or make such exclusions or other arrangements as they consider expedient in relation to treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems under the laws of, or the requirements of any relevant regulatory body or stock exchange, in any territory, or any matter whatsoever; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £64,845,990.

and shall expire at the end of the next Annual General Meeting of the company to be held in 2012 (or, if earlier, at the close of business on 30th June 2012) save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

23 Purchase of own shares by the company (Special resolution)

THAT the company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its own Ordinary shares of 25 pence each provided that:

- (a) the maximum number of Ordinary shares hereby authorised to be purchased is 518,767,924;
- (b) the minimum price which may be paid for each Ordinary share is 25 pence;
- (c) the maximum price, exclusive of expenses, which may be paid for each Ordinary share shall be the higher of (i) an amount equal to 5% above the average market value for the company's Ordinary shares for the five business days immediately preceding the day on which the Ordinary share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out; and
- (d) the authority conferred by this resolution shall, unless renewed prior to such time, expire at the end of the next Annual General Meeting of the company to be held in 2012 or, if earlier, on 30th June 2012 (provided that the company may, before such expiry, enter into a contract for the purchase of Ordinary shares, which would or might be completed wholly or partly after such expiry and the company may purchase Ordinary shares pursuant to any such contract under this authority).

25 Reduced notice of a general meeting other than an Annual General Meeting (Special resolution)

THAT a general meeting of the company other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Company No. 3888792

The Companies Acts 1948 to 2006

COMPANY LIMITED BY SHARES

RESOLUTIONS

GlaxoSmithKline plc

Passed: 3 May 2012

At the TWELFTH ANNUAL GENERAL MEETING of the Company held on Thursday 3 May 2012, the following resolutions were duly passed as SPECIAL RESOLUTIONS:-

21 Disapplication of pre-emption rights (special resolution)

THAT subject to resolution 20 being passed, in substitution for all subsisting authorities, the Directors be and are hereby empowered to allot equity securities (as defined in the Act) for cash pursuant to the authority conferred on the Directors by resolution 20 and/or where such allotment constitutes an allotment of equity securities under section 560(3) of the Act, free of the restrictions in section 561(1) of the Act, provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with an offer or issue of equity securities to:
- (i) Ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) holders of other equity securities, as required by the rights of those securities or as the Board otherwise considers necessary, but so that the Directors may impose any limits or make such exclusions or other arrangements as they consider expedient in relation to Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems under the laws of, or the requirements of, any relevant regulatory body or stock exchange, in any territory, or any matter whatsoever; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £63,109,370.

and shall expire at the end of the next AGM of the company to be held in 2013 or, if earlier, at the close of business on 28 June 2013, save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

22 Purchase of own shares by the company (special resolution)

THAT the company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its own Ordinary Shares of 25 pence each provided that the:

- (a) maximum number of Ordinary Shares hereby authorised to be purchased is 504,874,967;
- (b) minimum price, exclusive of expenses, which may be paid for each Ordinary Share is 25 pence;
- (c) maximum price, exclusive of expenses, which may be paid for each Ordinary Share shall be the higher of (i) an amount equal to 5% above the average market value for the company's Ordinary Shares for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out; and
- (d) authority conferred by this resolution shall, unless renewed prior to such time, expire at the end of the next AGM of the company to be held in 2013 or, if earlier, at the close of business on 28 June 2013, save that the company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which would or might be completed wholly or partly after such expiry and the company may purchase Ordinary Shares pursuant to any such contract as if this authority had not expired.

24 Reduced notice of a general meeting other than an Annual General Meeting (special resolution)

THAT a general meeting of the company other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Company No. 3888792

The Companies Acts 1948 to 2006

COMPANY LIMITED BY SHARES

RESOLUTIONS

GlaxoSmithKline plc

Passed: 1 May 2013

At the THIRTEENTH ANNUAL GENERAL MEETING of the Company held on Wednesday 1 May 2013, the following resolutions were duly passed as SPECIAL RESOLUTIONS:-

22 Disapplication of pre-emption rights (special resolution)

THAT subject to resolution 21 being passed, in substitution for all subsisting authorities, the Directors be and are hereby empowered to allot equity securities (as defined in the Act) for cash pursuant to the authority conferred on the Directors by resolution 21 and/or where such allotment constitutes an allotment of equity securities under section 560(3) of the Act, free of the restrictions in section 561(1) of the Act, provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with an offer or issue of equity securities to:
 - (i) Ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) holders of other equity securities, as required by the rights of those securities or as the Board otherwise considers necessary, but so that the Directors may impose any limits or make such exclusions or other arrangements as they consider expedient in relation to Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems under the laws of, or the requirements of, any relevant regulatory body or stock exchange, in any territory, or any matter whatsoever; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £61,330,345.

and shall expire at the end of the next AGM of the company to be held in 2014 or, if earlier, at the close of business on 30 June 2014, save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

23 Purchase of own shares by the company (special resolution)

THAT the company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its own Ordinary Shares of 25 pence each provided that the:

- (a) maximum number of Ordinary Shares hereby authorised to be purchased is 490,642,760;
- (b) minimum price, exclusive of expenses, which may be paid for each Ordinary Share is 25 pence;
- (c) maximum price, exclusive of expenses, which may be paid for each Ordinary Share shall be the higher of (i) an amount equal to 5% above the average market value for the company's Ordinary Shares for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out; and
- (d) authority conferred by this resolution shall, unless renewed prior to such time, expire at the end of the next AGM of the company to be held in 2014 or, if earlier, at the close of business on 30 June 2014, save that the company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which would or might be completed wholly or partly after such expiry and the company may purchase Ordinary Shares pursuant to any such contract as if this authority had not expired.

25 Reduced notice of a general meeting other than an Annual General Meeting (special resolution)

THAT a general meeting of the company other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Company No. 3888792

The Companies Acts 1948 to 2006

COMPANY LIMITED BY SHARES

RESOLUTIONS

GlaxoSmithKline plc

Passed: 7 May 2014

At the FOURTEENTH ANNUAL GENERAL MEETING of the Company held on Wednesday 7 May 2014, the following special resolutions were duly passed under special business:-

22 Disapplication of pre-emption rights (special resolution)

THAT subject to resolution 21 being passed, in substitution for all subsisting authorities, the Directors be and are hereby empowered to allot equity securities (as defined in the Act) for cash pursuant to the authority conferred on the Directors by resolution 21 and/or where such allotment constitutes an allotment of equity securities under section 560(3) of the Act, free of the restrictions in section 561(1) of the Act, provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with an offer or issue of equity securities to:
- (i) Ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) holders of other equity securities, as required by the rights of those securities or as the Board otherwise considers necessary, but so that the Directors may impose any limits or make such exclusions or other arrangements as they consider expedient in relation to Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems under the laws of, or the requirements of, any relevant regulatory body or stock exchange, in any territory, or any matter whatsoever; and
- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £60,728,484,
- and shall expire at the end of the next AGM of the company to be held in 2015 or, if earlier, at the close of business on 30 June 2015, save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

23 Purchase of own shares by the company (special resolution)

THAT the company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its own Ordinary Shares of 25 pence each provided that the:

- (a) maximum number of Ordinary Shares hereby authorised to be purchased is 485,827,872;
- (b) minimum price, exclusive of expenses, which may be paid for each Ordinary Share is 25 pence;
- (c) maximum price, exclusive of expenses, which may be paid for each Ordinary Share shall be the higher of (i) an amount equal to 5% above the average market value for the company's Ordinary Shares for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out; and
- (d) authority conferred by this resolution shall, unless renewed prior to such time, expire at the end of the next AGM of the company to be held in 2015 or, if earlier, at the close of business on 30 June 2015, save that the company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which would or might be completed wholly or partly after such expiry and the company may purchase Ordinary Shares pursuant to any such contract as if this authority had not expired.

25 Reduced notice of a general meeting other than an Annual General Meeting (special resolution)

THAT a general meeting of the company other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Company No. 3888792

The Companies Acts 1948 to 2006

COMPANY LIMITED BY SHARES

RESOLUTIONS

GlaxoSmithKline plc

Passed: 7 May 2015

At the FIFTEENTH ANNUAL GENERAL MEETING of the Company held on Thursday 7 May 2015, the following resolutions were duly passed under special business:-

18 Donations to political organisations and political expenditure (ordinary resolution)

THAT, in accordance with sections 366 and 367 of the Companies Act 2006 (the Act) the company is, and all companies that are, at any time during the period for which this resolution has effect, subsidiaries of the company as defined in the Act, are authorised in aggregate to:

- (a) make political donations, as defined in section 364 of the Act, to political parties and/or independent electoral candidates, as defined in section 363 of the Act, not exceeding £50,000 in total;
- (b) make political donations to political organisations other than political parties, as defined in section 363 of the Act, not exceeding £50,000 in total; and
- (c) incur political expenditure, as defined in section 365 of the Act, not exceeding £50,000 in total,

in each case during the period beginning with the date of passing this resolution and ending at the end of the next AGM of the company to be held in 2016 or, if earlier, at the close of business on 30 June 2016. In any event, the aggregate amount of political donations and political expenditure made or incurred under this authority shall not exceed £100,000.

19 Authority to allot shares (ordinary resolution)

THAT the Directors be and are hereby generally and unconditionally authorised, in accordance with section 551 of the Act, in substitution for all subsisting authorities, to exercise all powers of the company to allot shares in the company and to grant rights to subscribe for or convert any security into shares in the company up to an aggregate nominal amount of £405,360,976 which authority shall expire at the end of the next AGM of the company to be held in 2016 or, if earlier, at the close of business on 30 June 2016 (unless previously revoked or varied by the company in general meeting) save that under such authority the company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert any security into shares in pursuance of such an offer or agreement as if the relevant authority conferred hereby had not expired.

20 Disapplication of pre-emption rights (special resolution)

THAT subject to resolution 19 being passed, in substitution for all subsisting authorities, the Directors be and are hereby empowered to allot equity securities (as defined in the Act) for cash pursuant to the authority conferred on the Directors by resolution 19 and/or where such allotment constitutes an allotment of equity securities under section 560(3) of the Act, free of the restrictions in section 561(1) of the Act, provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with an offer or issue of equity securities to:
 - (i) Ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) holders of other equity securities, as required by the rights of those securities or as the Board otherwise considers necessary,

but so that the Directors may impose any limits or make such exclusions or other arrangements as they consider expedient in relation to Treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems under the laws of, or the requirements of, any relevant regulatory body or stock exchange, in any territory, or any matter whatsoever; and

- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £60,810,227, and shall expire at the end of the next AGM of the company to be held in 2016 or, if earlier, at the close of business on 30 June 2016, save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the relevant authority conferred hereby had not expired.

21 Purchase of own shares by the company (special resolution)

THAT the company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its own Ordinary Shares of 25 pence each provided that the:

- (a) maximum number of Ordinary Shares hereby authorised to be purchased is 486,481,816;
- (b) minimum price, exclusive of expenses, which may be paid for each Ordinary Share is 25 pence;
- (c) maximum price, exclusive of expenses, which may be paid for each Ordinary Share shall be the higher of (i) an amount equal to 5% above the average market value for the company's Ordinary Shares for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out; and
- (d) authority conferred by this resolution shall, unless renewed prior to such time, expire at the end of the next AGM of the company to be held in 2016 or, if earlier, at the close of business on 30 June 2016, save that the company may, before such expiry, enter into a contract for the purchase of Ordinary Shares which would or might be completed wholly or partly after such expiry and the company may purchase Ordinary Shares pursuant to any such contract as if this authority had not expired.

22 Exemption from statement of the name of the senior statutory auditor in published copies of the auditors' reports (ordinary resolution)

(a) THAT:

in accordance with section 506 of the Act, the name of the person who signs the auditors' reports to the company's members on the annual accounts and auditable reports of the company for the year ending 31 December 2015 as senior statutory auditor (as defined in section 504 of the Act) for and on behalf of the company's auditors, should not be stated in published copies of the reports (such publication being as defined in section 505 of the Act) and the copy of the reports to be delivered to the Registrar of Companies under Chapter 10 of Part 15 of the Act; and

(b) the company considers on reasonable grounds that statement of the name of the senior statutory auditor would create or be likely to create a serious risk that the senior statutory auditor, or any other person, would be subject to violence or intimidation.

23 Reduced notice of a general meeting other than an AGM (special resolution)

THAT a general meeting of the company other than an AGM may be called on not less than 14 clear days' notice.

24 Approval of the adoption of the GlaxoSmithKline Share Value Plan (ordinary resolution)

THAT the adoption of the GlaxoSmithKline Share Value Plan (the "Plan"), the principal features of which are summarised in the explanatory notes to this Notice and the rules of which have been signed for the purposes of identification by the Chairman, be and is hereby approved, and the Directors are hereby authorised to:

(a) do whatever may be necessary or expedient to carry the Plan into effect, including making such modifications to the Plan as they may consider appropriate to take account of the requirements of the Financial Conduct Authority and best practice; and

(b) establish further plans for the benefit of employees outside the UK, based on the Plan but modified to take account of local tax, exchange control or securities laws provided that any Ordinary Shares of the company made available under such further plans are treated as counting against the limits on individual participation, and overall participation contained in the Plan.

Company No. 3888792

ARTICLES OF ASSOCIATION

**(As adopted by Special Resolution passed on 6 May 2010 and amended by Special Resolutions passed on 5 May 2011,
3 May 2012, 1 May 2013, 7 May 2014 and 7 May 2015)**

OF

GLAXOSMITHKLINE PLC

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ARTICLES OF ASSOCIATION

of

GLAXOSMITHKLINE PLC

(adopted by Special Resolution passed on 6 May 2010)

Interpretation

1. Exclusion of Model Articles

No articles set out in any statute, or in any statutory instrument or other subordinate legislation made under any statute, concerning companies shall apply as the articles of the company.

2. Definitions

In these articles unless the context otherwise requires:

“**address**” includes a number or address used for the purposes of sending or receiving documents or information by electronic means;

“**these articles**” means these articles of association as altered from time to time and the expression “**this article**” shall be construed accordingly;

“**associated company**” means any company (i) which is the company’s holding company or (ii) in which the company or its holding company or any of the predecessors of the company or of such holding company has any interest whether direct or indirect or (iii) which is in any way allied to or associated with the company or its holding company or any of the predecessors of the company or of such holding company, or (iv) which is a subsidiary undertaking or any other associated company;

“**the auditors**” means the auditors from time to time of the company or, in the case of joint auditors, any one of them;

“**the Bank of England base rate**” means the base lending rate most recently set by the Monetary Policy Committee of the Bank of England in connection with its responsibilities under Part 2 of the Bank of England Act 1998;

“**the board**” means the board of directors from time to time of the company or the directors present at a meeting of the directors at which a quorum is present;

“**certificated share**” means a share which is not an uncertificated share and references in these articles to a share being held in certificated form shall be construed accordingly;

“**clear days**” in relation to the period of a notice means that period excluding the day when the notice is served or deemed to be served and the day for which it is given or on which it is to take effect;

“**the Companies Acts**” means every statute (including any orders, regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the company;

“**the holder**” in relation to any shares means the person whose name is entered in the register as the holder of those shares;

“**the office**” means the registered office from time to time of the company;

“**paid up**” means paid up or credited as paid up;

“**participating class**” means a class of shares title to which is permitted by an Operator to be transferred by means of a relevant system;

“**person entitled by transmission**” means a person whose entitlement to a share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law has been noted in the register;

“**the register**” means the register of members of the company;

“**seal**” means any common or official seal that the company may be permitted to have under the Companies Acts;

“**the secretary**” means the secretary, or (if there are joint secretaries) any one of the joint secretaries, of the company and includes an assistant or deputy secretary and any person appointed by the board to perform any of the duties of the secretary;

“**the uncertificated securities rules**” means any provision of the Companies Acts relating to the holding, evidencing of title to, or transfer of uncertificated shares and any legislation, rules or other arrangements made under or by virtue of such provision;

“**uncertificated share**” means a share of a class which is at the relevant time a participating class, title to which is recorded on the register as being held in uncertificated form and references in these articles to a share being held in uncertificated form shall be construed accordingly;

“**United Kingdom**” means Great Britain and Northern Ireland;

references to a document being **signed** or to **signature** include references to its being executed under hand or under seal or by any other method and, in the case of a communication in electronic form, such references are to its being authenticated as specified by the Companies Acts;

references to **writing** include references to any method of representing or reproducing words in a legible and non-transitory form whether sent or supplied in electronic form or otherwise;

words or expressions to which a particular meaning is given by the Companies Acts in force when these articles or any part of these articles are adopted bear (if not inconsistent with the subject matter or context) the same meaning in these articles or that part (as the case may be) save that the word "**company**" shall include any body corporate; and

references to a **meeting** shall not be taken as requiring more than one person to be present if any quorum requirement can be satisfied by one person.

Headings are included only for convenience and shall not affect meaning.

3. Limited Liability

The liability of members of the company is limited to the amount, if any, unpaid on the shares in the company held by them.

4. Change of Name

The company may change its name by resolution of the board.

Share Capital

5. Rights Attached to Shares

Subject to any rights attached to existing shares, any share may be issued with or have attached to it such rights and restrictions as the company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the board may decide. Such rights and restrictions shall apply to the relevant shares as if the same were set out in these articles.

6. Redeemable Shares

Subject to any rights attached to existing shares, any share may be issued which is to be redeemed, or is liable to be redeemed at the option of the company or the holder. The board may determine the terms, conditions and manner of redemption of any redeemable share so issued. Such terms and conditions shall apply to the relevant shares as if the same were set out in these articles.

7. Variation of Rights

Subject to the provisions of the Companies Acts, all or any of the rights attached to any existing class of shares may from time to time (whether or not the company is being wound up) be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. All the provisions of these articles as to general meetings of the company shall, with any necessary modifications,

apply to any such separate general meeting, but so that the necessary quorum shall be two persons entitled to vote and holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), (but so that at any adjourned meeting one holder entitled to vote and present in person or by proxy (whatever the number of shares held by him) shall be a quorum). The foregoing provisions of this article shall apply to the variation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class and their special rights were to be varied.

8. Pari Passu Issues

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

9. Shares

Subject to the provisions of these articles and to any resolution passed by the company and without prejudice to any rights attached to existing shares, the board may offer, allot, grant options over or otherwise deal with or dispose of shares in the company to such persons, at such times and for such consideration and upon such terms as the board may decide.

10. Payment of Commission

The company may in connection with the issue of any shares or the sale for cash of treasury shares exercise all powers of paying commission and brokerage conferred or permitted by the Companies Acts. Any such commission or brokerage may be satisfied by the payment of cash or by the allotment of fully or partly-paid shares or other securities or partly in one way and partly in the other.

11. Trusts Not Recognised

Except as ordered by a court of competent jurisdiction or as required by law, no person shall be recognised by the company as holding any share upon any trust and the company shall not be bound by or required in any way to recognise (even when having notice of it) any interest in any share or (except only as by these articles or by law otherwise provided) any other right in respect of any share other than an absolute right to the whole of the share in the holder.

12. Suspension of Rights Where Non-Disclosure of Interest

(A) Where the holder of any shares in the company, or any other person appearing to be interested in those shares, fails to comply within the relevant period with any statutory notice in respect of those shares or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, the company may give the holder of those shares a further notice (a “**restriction notice**”) to the effect that from the service of the restriction notice those shares will be subject to some or all of the relevant restrictions, and from service of the

restriction notice those shares shall, notwithstanding any other provision of these articles, be subject to those relevant restrictions accordingly. For the purpose of enforcing the relevant restriction referred to in sub-paragraph (iii) of the definition of “relevant restrictions”, the board may give notice to the relevant member requiring the member to change the relevant shares held in uncertificated form to certificated form by the time stated in the notice and to keep them in certificated form for as long as the board requires. The notice may also state that the member may not change any of the relevant shares held in certificated form to uncertificated form. If the member does not comply with the notice, the board may authorise any person to instruct the Operator to change the relevant shares held in uncertificated form to certificated form.

- (B) If after the service of a restriction notice in respect of any shares the board is satisfied that all information required by any statutory notice relating to those shares or any of them from their holder or any other person appearing to be interested in the shares the subject of the restriction notice has been supplied, the company shall, within seven days, cancel the restriction notice. The company may at any time at its discretion cancel any restriction notice or exclude any shares from it. The company shall cancel a restriction notice within seven days after receipt of a notice in writing that the relevant shares have been transferred pursuant to an arm’s length sale.
- (C) Where any restriction notice is cancelled or ceases to have effect in relation to any shares, any moneys relating to those shares which were withheld by reason of that notice shall be paid without interest to the person who would but for the notice have been entitled to them or as he may direct.
- (D) Any new shares in the company issued in right of any shares subject to a restriction notice shall also be subject to the restriction notice, and the board may make any right to an allotment of the new shares subject to restrictions corresponding to those which will apply to those shares by reason of the restriction notice when such shares are issued.
- (E) Any holder of shares on whom a restriction notice has been served may at any time request the company to give in writing the reason why the restriction notice has been served, or why it remains uncancelled, and within 14 days of receipt of such a notice the company shall give that information accordingly.
- (F) Where a person appearing to be interested in shares has been served with a statutory notice and the shares in which he appears to be interested are held by an Approved Depositary, this article applies only to those shares which are held by the Approved Depositary in which that person appears to be interested and not (so far as that person’s apparent interest is concerned) to any other shares held by the Approved Depositary.
- (G) Where a member who is an Approved Depositary has been served with a statutory notice, the obligations of that member will be limited to disclosing to the company information relating to any person who appears to be interested in the shares held by it which has been recorded by it in accordance with the arrangement under which it was appointed as an Approved Depositary.

- (H) If a statutory notice is given by the company to a person appearing to be interested in any share, a copy shall at the same time be given to the holder, but the failure or omission to do so or the non-receipt of the copy by the holder shall not invalidate such notice.
- (I) This article is in addition to, and shall not in any way prejudice or affect, the statutory rights of the company arising from any failure by any person to give any information required by a statutory notice within the time specified in it. For the purpose of this article a statutory notice need not specify the relevant period, and may require any information to be given before the expiry of the relevant period.
- (J) In this article:

a sale is an “**arm’s length sale**” if the board is satisfied that it is a bona fide sale of the whole of the beneficial ownership of the shares to a party unconnected with the holder or with any person appearing to be interested in such shares and shall include a sale made by way of or in pursuance of acceptance of a takeover offer and a sale made through a recognised investment exchange or any other stock exchange outside the United Kingdom. For this purpose an associate (within the definition of that expression in any statute relating to insolvency in force at the date of adoption of this article) shall be included amongst the persons who are connected with the holder or any person appearing to be interested in such shares;

“**person appearing to be interested**” in any shares shall mean any person named in a response to a statutory notice or otherwise notified to the company by a member as being so interested or shown in any register or record kept by the company under the Companies Acts as so interested or, taking into account a response or failure to respond in the light of the response to any other statutory notice and any other relevant information in the possession of the company, any person whom the company knows or has reasonable cause to believe is or may be so interested;

“**person with a 0.25 per cent. interest**” means a person who holds, or is shown in any register or record kept by the company under the Companies Acts as having an interest in, shares in the company which comprise in total at least 0.25 per cent. in number or nominal value of the shares of the company (calculated exclusive of any shares held as treasury shares), or of any class of such shares (calculated exclusive of any shares of that class held as treasury shares), in issue at the date of service of the restriction notice;

“**relevant period**” means a period of 14 days following service of a statutory notice;

“**relevant restrictions**” mean in the case of a restriction notice served on a person with a 0.25 per cent. interest that:

- (i) the shares shall not confer on the holder any right to attend or vote either personally or by proxy at any general meeting of the company or at any separate general meeting of the holders of any class of shares in the company or to exercise any other right conferred by membership in relation to general meetings;

- (ii) the board may withhold payment of all or any part of any dividends or other moneys payable in respect of the shares and the holder shall not be entitled to receive shares in lieu of dividend;
- (iii) the board may decline to register a transfer of any of the shares which are certificated shares, unless such a transfer is pursuant to an arm's length sale,

and in any other case mean only the restriction specified in sub-paragraph (i) of this definition; and

“**statutory notice**” means a notice served by the company under the Companies Acts requiring particulars of interests in shares or of the identity of persons interested in shares.

13. Uncertificated Shares

- (A) Pursuant and subject to the uncertificated securities rules, the board may permit title to shares of any class to be evidenced otherwise than by a certificate and title to shares of such a class to be transferred by means of a relevant system and may make arrangements for a class of shares (if all shares of that class are in all respects identical) to become a participating class. Title to shares of a particular class may only be evidenced otherwise than by a certificate where that class of shares is at the relevant time a participating class. The board may also, subject to compliance with the uncertificated securities rules, determine at any time that title to any class of shares may from a date specified by the board no longer be evidenced otherwise than by a certificate or that title to such a class shall cease to be transferred by means of any particular relevant system.
- (B) In relation to a class of shares which is a participating class and for so long as it remains a participating class, no provision of these articles shall apply or have effect to the extent that it is inconsistent in any respect with:
 - (i) the holding of shares of that class in uncertificated form;
 - (ii) the transfer of title to shares of that class by means of a relevant system; and
 - (iii) any provision of the uncertificated securities rules,

and, without prejudice to the generality of this article, no provision of these articles shall apply or have effect to the extent that it is in any respect inconsistent with the maintenance, keeping or entering up by the Operator, so long as that is permitted or required by the uncertificated securities rules, of an Operator register of securities in respect of that class of shares in uncertificated form.

- (C) Shares of a class which is at the relevant time a participating class may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the uncertificated securities rules.

- (D) If, under these articles or the Companies Acts, the company is entitled to sell, transfer or otherwise dispose of, forfeit, re-allot, accept the surrender of or otherwise enforce a lien over an uncertificated share, then, subject to these articles and the Companies Acts, such entitlement shall include the right of the board to:
 - (i) require the holder of that uncertificated share by notice in writing to change that share from uncertificated to certificated form within such period as may be specified in the notice and keep it as a certificated share for as long as the board requires;
 - (ii) appoint any person to take such other steps, by instruction given by means of a relevant system or otherwise, in the name of the holder of such share as may be required to effect the transfer of such share and such steps shall be as effective as they had been taken by the registered holder of that share; and
 - (iii) take such other action that the board considers appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of that share or otherwise to enforce a lien in respect of that share.
- (E) Unless the board otherwise determines, shares which a member holds in uncertificated form shall be treated as separate holdings from any shares which that member holds in certificated form. However shares held in uncertificated form shall not be treated as forming a class which is separate from certificated shares with the same rights.
- (F) Unless the board otherwise determines or the uncertificated securities rules otherwise require, any shares issued or created out of or in respect of any uncertificated shares shall be uncertificated shares and any shares issued or created out of or in respect of any certificated shares shall be certificated shares.
- (G) The company shall be entitled to assume that the entries on any record of securities maintained by it in accordance with the uncertificated securities rules and regularly reconciled with the relevant Operator register of securities are a complete and accurate reproduction of the particulars entered in the Operator register of securities and shall accordingly not be liable in respect of any act or thing done or omitted to be done by or on behalf of the company in reliance on such assumption; in particular, any provision of these articles which requires or envisages that action will be taken in reliance on information contained in the register shall be construed to permit that action to be taken in reliance on information contained in any relevant record of securities (as so maintained and reconciled).

14. Right to Share Certificates

Every person (except a person to whom the company is not by law required to issue a certificate) whose name is entered in the register as a holder of any certificated shares shall be entitled, without payment, to receive within the time limits prescribed by the Companies Acts (or, if earlier, within any prescribed time limit or within a time specified when the shares were issued) one certificate for all those shares of any one class. In the case of a certificated share held jointly by several persons, the company shall not be

bound to issue more than one certificate and delivery of a certificate to one of several joint holders shall be sufficient delivery to all. A member who transfers some but not all of the shares comprised in a certificate shall be entitled to a certificate for the balance without charge to the extent the balance is to be held in certificated form.

15. Replacement of Share Certificates

If a share certificate is defaced, worn out, lost or destroyed, it may be replaced on such terms (if any) as to evidence and indemnity as the board may decide and, where it is defaced or worn out, after delivery of the old certificate to the company. Any two or more certificates representing shares of any one class held by any member shall at his request be cancelled and a single new certificate for such shares issued in lieu. Any certificate representing shares of any one class held by any member may at his request be cancelled and two or more certificates for such shares may be issued instead. The board may require the payment of any exceptional out-of-pocket expenses of the company incurred in connection with the issue of any certificates under this article. Any one of two or more joint holders may request replacement certificates under this article.

16. Share Certificates Sent at Holder's Risk

Every share certificate sent in accordance with these articles will be sent at the risk of the member or other person entitled to the certificate. The company will not be responsible for any share certificate lost or delayed in the course of delivery.

17. Execution of Share Certificates

Every share certificate shall be executed under a seal or in such other manner as the board, having regard to the terms of issue and any listing requirements, may authorise and shall specify the number and class of the shares to which it relates and the amount or respective amounts paid up on the shares. The board may by resolution decide, either generally or in any particular case or cases, that any signatures on any share certificates need not be autographic but may be applied to the certificates by some mechanical or other means or may be printed on them or that the certificates need not be signed by any person.

Lien

18. Company's Lien on Shares Not Fully Paid

The company shall have a first and paramount lien on every share (not being a fully paid share) for all amounts payable to the company (whether presently or not) in respect of that share. The company's lien on a share shall extend to every amount payable in respect of it. The board may at any time either generally or in any particular case waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this article.

19. Enforcing Lien by Sale

The company may sell, in such manner as the board may decide, any share on which the company has a lien if a sum in respect of which the lien exists is presently payable and is

not paid within 14 clear days after a notice has been served on the holder of the share or the person who is entitled by transmission to the share, demanding payment and stating that if the notice is not complied with the share may be sold. For giving effect to the sale the board may authorise some person to sign an instrument of transfer of the share sold to or in accordance with the directions of the purchaser. The transferee shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in relation to the sale.

20. Application of Proceeds of Sale

The net proceeds, after payment of the costs, of the sale by the company of any share on which it has a lien shall be applied in or towards payment or discharge of the debt or liability in respect of which the lien exists so far as it is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale and upon surrender, if required by the company, for cancellation of the certificate for the share sold) be paid to the person who was entitled to the share at the time of the sale.

Calls on Shares

21. Calls

Subject to the terms of issue, the board may from time to time make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not payable on a date fixed by or in accordance with the terms of issue, and each member shall (subject to the company serving upon him at least 14 clear days' notice specifying when and where payment is to be made) pay to the company as required by the notice the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed, in whole or in part, as the board may decide. A person upon whom a call is made shall remain liable jointly and severally with the successors in title to his shares for all calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made.

22. Timing of Calls

A call shall be deemed to have been made at the time when the resolution of the board authorising the call was passed.

23. Liability of Joint Holders

The joint holders of a share shall be jointly and severally liable to pay all calls in respect of the share.

24. Interest Due on Non-Payment

If a call remains unpaid after it has become due and payable, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it is due and payable to the time of actual payment at such rate (not exceeding the Bank of England base rate by more than five percentage points) as the board may decide, and all expenses

that have been incurred by the company by reason of such non-payment, but the board shall be at liberty in any case or cases to waive payment of the interest or expenses wholly or in part.

25. Sums Due on Allotment Treated as Calls

Any amount which becomes payable in respect of a share on allotment or on any other date fixed by or in accordance with the terms of issue, whether in respect of the nominal amount of the share or by way of premium or as an instalment of a call, shall be deemed to be a call and, if it is not paid, all the provisions of these articles shall apply as if the sum had become due and payable by virtue of a call.

26. Power to Differentiate

The board may on or before the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

27. Payment of Calls in Advance

The board may, if it thinks fit, receive from any member who is willing to advance them all or any part of the moneys uncalled and unpaid upon any shares held by him and on all or any of the moneys so advanced may (until they would, but for the advance, become presently payable) pay interest at such rate (not exceeding the Bank of England base rate by more than five percentage points, unless the company by ordinary resolution shall otherwise direct) as the board may decide.

Forfeiture of Shares

28. Notice if Call or Instalment Not Paid

If any call or instalment of a call remains unpaid on any share after the day appointed for payment, the board may at any time serve a notice on the holder requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and any expenses incurred by the company by reason of such non-payment.

29. Form of Notice

The notice shall name a further day (not being less than 14 clear days from the date of the notice) on or before which, and the place where, the payment required by the notice is to be made and shall state that in the event of non-payment on or before the day and at the place appointed, the shares in respect of which the call has been made or instalment is payable will be liable to be forfeited.

30. Forfeiture for Non-Compliance with Notice

If the notice is not complied with, any share in respect of which it was given may, at any time before payment of all calls or instalments and interest and expenses due in respect of it have been made, be forfeited by a resolution of the board to that effect and the forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited shares and not paid before the forfeiture. The board may accept the surrender of any

share liable to be forfeited and, in that event, references in these articles to forfeiture shall include surrender.

31. Notice after Forfeiture

When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share but no forfeiture shall be invalidated by any omission or neglect to give notice.

32. Sale of Forfeited Shares

Until cancelled in accordance with the requirements of the Companies Acts, a forfeited share shall be deemed to be the property of the company and may be sold or otherwise disposed of either to the person who was, before forfeiture, the holder or to any other person upon such terms and in such manner as the board shall decide. The board may for the purposes of the disposal authorise some person to sign an instrument of transfer to the designated transferee. The company may receive the consideration (if any) given for the share on its disposal. At any time before a sale or disposition the forfeiture may be cancelled by the board on such terms as the board may decide.

33. Arrears to be Paid Notwithstanding Forfeiture

A person whose shares have been forfeited shall cease to be a member in respect of them and shall surrender to the company for cancellation the certificate for the forfeited shares but shall remain liable to pay to the company all moneys which at the date of the forfeiture were payable by him to the company in respect of those shares with interest thereon at such rate (not exceeding the Bank of England base rate by more than five percentage points) as the board may decide from the date of forfeiture until payment, and the company may enforce payment without being under any obligation to make any allowance for the value of the shares forfeited or for any consideration received on their disposal.

34. Statutory Declaration as to Forfeiture

A statutory declaration that the declarant is a director of the company or the secretary and that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share. The declaration shall (subject to the signing of an instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is sold or otherwise disposed of shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, sale or disposal.

Transfer of Shares

35. Transfer

(A) Subject to such of the restrictions of these articles as may be applicable:

- (i) any member may transfer all or any of his uncertificated shares by means of a relevant system in such manner provided for, and subject as provided in,

the uncertificated securities rules, and accordingly no provision of these articles shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the share to be transferred; and

- (ii) any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the board may approve.
- (B) The transferor of a share shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register in respect of it.

36. Signing of Transfer

The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee. All instruments of transfer, when registered, may be retained by the company.

37. Rights to Decline Registration of Partly Paid Shares

The board can decline to register any transfer of any share which is not a fully paid share.

38. Other Rights to Decline Registration

- (A) Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.
- (B) The board may decline to register any transfer of a certificated share unless:
 - (i) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the board to be exempt from stamp duty and is left at the office or such other place as the board may from time to time determine accompanied (save in the case of a transfer by a person to whom the company is not required by law to issue a certificate and to whom a certificate has not been issued) by the certificate for the share to which it relates and such other evidence as the board may reasonably require to show the right of the person signing the instrument of transfer to make the transfer and, if the instrument of transfer is signed by some other person on his behalf, the authority of that person so to do;
 - (ii) the instrument of transfer is in respect of only one class of share; and
 - (iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.
- (C) For all purposes of these articles relating to the registration of transfers of shares, the renunciation of the allotment of any shares by the allottee in favour of some

other person shall be deemed to be a transfer and the board shall have the same powers of refusing to give effect to such a renunciation as if it were a transfer.

39. No Fee for Registration

No fee shall be charged by the company for registering any transfer, document or instruction relating to or affecting the title to any share or for making any other entry in the register.

40. Untraced Shareholders

- (A) The company may sell any certificated shares in the company on behalf of the holder of, or person entitled by transmission to, the shares at the best price reasonably obtainable at the time of sale if:
- (i) the shares have been in issue either in certificated or uncertificated form throughout the qualifying period and at least three cash dividends have become payable on the shares during the qualifying period;
 - (ii) no cash dividend payable on the shares has either been claimed by presentation to the paying bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of, or person entitled by transmission to, the shares or by the transfer of funds by means of a relevant system at any time during the relevant period;
 - (iii) so far as any director of the company at the end of the relevant period is then aware, the company has not at any time during the relevant period received any communication from the holder of, or person entitled by transmission to, the shares; and
 - (iv) the company has caused two advertisements to be published, one in a newspaper with a national circulation and the other in a newspaper circulating in the area in which the last known postal address of the holder of, or person entitled by transmission to, the shares or the postal address at which service of notices may be effected under these articles is located, giving notice of its intention to sell the shares and a period of three months has elapsed from the date of publication of the advertisements or of the last of the two advertisements to be published if they are published on different dates.
- (B) The company shall also be entitled to sell at the best price reasonably obtainable at the time of sale any additional certificated shares in the company issued either in certificated or uncertificated form during the qualifying period in right of any share to which paragraph (A) of this article applies (or in right of any share so issued), if the criteria in paragraph (A)(i) to (iv) are satisfied in relation to the additional shares.
- (C) To give effect to any sale of shares pursuant to this article the board may authorise some person to transfer the shares in question and an instrument of transfer signed by that person shall be as effective as if it had been signed by the holder of, or person entitled by transmission to, the shares. The purchaser shall not be bound to

see to the application of the purchase moneys nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of sale shall belong to the company and, upon their receipt, the company shall become indebted to the former holder of, or person entitled by transmission to, the shares for an amount equal to the net proceeds unless and until forfeited under this article. No trust shall be created in respect of the debt and no interest shall be payable in respect of it and the company shall not be required to account for any moneys earned from the net proceeds which may be employed in the business of the company or as it thinks fit. If no valid claim for the money has been received by the company during a period of six years from the date on which the relevant shares were sold by the company under this article, the money will be forfeited and will belong to the company.

(D) For the purpose of this article:

“**the qualifying period**” means the period of 10 years immediately preceding the date of publication of the advertisements referred to in paragraph (A)(iv) above or of the first of the two advertisements to be published if they are published on different dates; and

“**the relevant period**” means the period beginning at the commencement of the qualifying period and ending on the date when all the requirements of paragraphs (A)(i) to (iv) above have been satisfied.

Transmission of Shares

41. Transmission on Death

If a member dies, the survivor or survivors, where he was a joint holder, and his personal representatives, where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the company as having any title to his shares; but nothing contained in these articles shall release the estate of a deceased holder from any liability in respect of any share held by him solely or jointly with other persons.

42. Entry of Transmission in Register

Where the entitlement of a person to a certificated share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law is proved to the satisfaction of the board, the board shall within two months after proof cause the entitlement of that person to be noted in the register.

43. Election of Person Entitled by Transmission

Any person entitled by transmission to a share may, subject as provided elsewhere in these articles, elect either to become the holder of the share or to have some person nominated by him registered as the holder. If he elects to be registered himself he shall give notice to the company to that effect. If he elects to have another person registered and the share is a certificated share, he shall sign an instrument of transfer of the share to that person. If he elects to have himself or another person registered and the share is an uncertificated share, he shall take any action the board may require (including, without

limitation, the signing of any document and the giving of any instruction by means of a relevant system) to enable himself or that person to be registered as the holder of the share. The board may at any time require the person to elect either to be registered himself or to transfer the share and if the requirements are not complied with within 60 days of being issued the board may withhold payment of all dividends and other moneys payable in respect of the share until the requirements have been complied with. All the provisions of these articles relating to the transfer of, and registration of transfers of, shares shall apply to the notice or transfer as if the death or bankruptcy of the member or other event giving rise to the transmission had not occurred and the notice or transfer was given or signed by the member.

44. Rights of Person Entitled by Transmission

Where a person becomes entitled by transmission to a share, the rights of the holder in relation to that share shall cease, but the person entitled by transmission to the share may give a good discharge for any dividends or other moneys payable in respect of it and shall have the same rights in relation to the share as he would have had if he were the holder of it save that, until he becomes the holder, he shall not be entitled in respect of the share (except with the authority of the board) to receive notice of, or to attend or vote at, any general meeting of the company or at any separate general meeting of the holders of any class of shares in the company or to exercise any other right conferred by membership in relation to general meetings.

Alteration of Share Capital

45. Sub-division

Any resolution authorising the company to sub-divide its shares or any of them may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared with the others.

46. Fractions

Whenever as a result of a consolidation, consolidation and sub-division or sub-division of shares any holders would become entitled to fractions of a share, the board may deal with the fractions as it thinks fit including by ignoring fractions altogether or by aggregating and selling them or by dealing with them in some other way. For the purposes of effecting any such sale, the board may arrange for the shares representing the fractions to be entered in the register as certificated shares. The board may sell shares representing fractions to any person, including the company and may authorise some person to transfer or deliver the shares to, or in accordance with the directions of, the purchaser. The person to whom any shares are transferred or delivered shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

Notice of General Meetings

47. Omission or Non-Receipt of Notice

- (A) The accidental omission to give any notice of a meeting or the accidental omission to send or supply any document or other information relating to any meeting to, or the non-receipt (even if the company becomes aware of such non-receipt) of any such notice, document or other information by, any person entitled to receive the notice, document or other information shall not invalidate the proceedings at that meeting.
- (B) A member present in person or by proxy at a meeting shall be deemed to have received proper notice of that meeting and, where applicable, of the purpose of that meeting.

48. Postponement of General Meetings

If the board, in its absolute discretion, considers that it is impractical or undesirable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting, it may postpone or move the general meeting to another date, time and/or place. The board shall take reasonable steps to ensure that notice of the date, time and place of the rearranged meeting is given to any member trying to attend the meeting at the original time and place. Notice of the date, time and place of the rearranged meeting shall, if practicable, also be placed in: (i) at least two national newspapers in the United Kingdom, and (ii) The Wall Street Journal and/or such other newspaper published in the United States as the directors consider to be appropriate. Notice of the business to be transacted at such rearranged meeting shall not be required. If a meeting is rearranged in this way, the appointment of a proxy will be valid if it is received as required by these articles not less than 48 hours before the time appointed for holding the rearranged meeting. The board may also postpone or move the rearranged meeting under this article.

49. Resolutions of members at Annual General Meetings

- (A) If, on or before, 31st January in any year any members shall, in accordance with the Companies Acts, require the company, in relation to the Annual General Meeting to be held in that year, to give notice of a resolution which may properly be moved or require the company to circulate a statement in acceptable form, the company shall circulate that resolution or statement with the notice of the Annual General Meeting without cost to the requisitionists.
- (B) If any such requisition is made in accordance with the Companies Acts after 31st January in any year and prior to the Annual General Meeting to be held in that year, the company shall require that the requisitionists deposit or tender a sum sufficient to meet the Company's reasonable expenses in complying with such requisition in accordance with the Companies Acts.

Proceedings at General Meetings

50. Quorum

- (A) No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting which shall not be treated as part of the business of the meeting. Save as otherwise provided by these articles, two members present in person or by proxy and entitled to vote shall be a quorum for all purposes. A shareholder which is a company is to be considered present if it is represented by a duly authorised representative.
- (B) If the directors so determine, any or all members (or their proxies) may participate in a general meeting by means of a conference telephone, video teleconference equipment or any communication equipment which allows all persons participating in the meeting to speak to and hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. A meeting which takes place by conference telephone, video teleconference or other such communication equipment will be treated as taking place at the place where the chairman is.

51. Procedure if Quorum Not Present

If within five minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) after the time appointed for the commencement of the meeting a quorum is not present, or if during the meeting a quorum ceases to be present, the meeting:

- (i) if convened by or upon the requisition of members, shall be dissolved; and
- (ii) in any other case, it shall stand adjourned to such other day (being not less than ten days later, excluding the day on which the meeting is adjourned and the day for which it is reconvened) and at such other time or place as the chairman of the meeting may decide. At any adjourned meeting one member present in person or by proxy and entitled to vote (whatever the number of shares held by him) shall be a quorum and any notice of an adjourned meeting shall state that one member present in person or by proxy and entitled to vote (whatever the number of shares held by him) shall be a quorum.

52. Security Arrangements

- (A) The directors or the secretary may take any action and may put in place any arrangements both before and during any meeting that they/he consider appropriate for:
 - (i) the safety of people attending a meeting;
 - (ii) proper and orderly conduct of a meeting; or
 - (iii) the meeting to reflect the wishes of the majority.

- (B) This includes the power to refuse entry to, or eject from meetings, any person who fails to comply with any arrangements made or any person who in the opinion of the directors or the secretary is acting in a manner that threatens the safety of people attending the meeting and/or the proper and orderly conduct at a meeting.
- (C) The board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions (including, without limitation, a requirement that such persons refrain from taking electronic equipment into a general meeting) as the board shall consider appropriate in the circumstances and the board shall be entitled in its absolute discretion to, or to authorise some one or more persons who shall include a director or the secretary or the chairman of the meeting to, refuse entry to, or to eject from, such general meeting any person who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

53. Confidential Information

No shareholder at any general meeting is entitled to require disclosure of or any information about any detail of the company's trading, or any matter that is or may be in the nature of a trade secret, commercial secret or secret process, or that may relate to the conduct of the business of the company, if the directors decide it would be inexpedient in the interests of the company to make that information public.

54. Chairman of General Meeting

The chairman (if any) of the board or, in his absence, the deputy chairman (if any) shall preside as chairman at every general meeting. If more than one deputy chairman is present they shall agree amongst themselves who is to take the chair or, if they cannot agree, the deputy chairman who has been in office as a director longest shall take the chair. If there is no chairman or deputy chairman, or if at any meeting neither the chairman nor any deputy chairman is present within five minutes after the time appointed for the commencement of the meeting, or if neither the chairman nor any deputy chairman is willing to act as chairman, the directors present shall choose one of their number to act, or if one director only is present he shall preside as chairman of the meeting if willing to act. If no director is present, or if each of the directors present declines to take the chair, the persons present and entitled to vote shall appoint one of their number to be chairman of the meeting. Nothing in these articles shall restrict or exclude any of the powers or rights of a chairman of a meeting which are given by law.

55. Orderly Conduct

- (A) The chairman of the meeting shall take such action or give directions for such action to be taken as he thinks fit to promote the orderly conduct of the business of the meeting. The chairman's decision on points of order, matters of procedure or arising incidentally from the business of the meeting shall be final as shall be his determination as to whether any point or matter is of such a nature.
- (B) The directors may arrange for any people who they consider cannot be seated in the main meeting room, where the chairman will be, to attend and take part in a general meeting in an overflow room or rooms. Any overflow room will have a live

video link from the main room, and a two-way sound link. The notice of the meeting does not have to give details of any arrangements under this Article. The directors may decide how to divide people between the main room and any overflow room. If any overflow room is used, the meeting will be treated as being held, and taking place, in the main room.

56. Entitlement to Attend and Speak

Each director shall be entitled to attend and speak at any general meeting of the company. The chairman of the meeting may invite any person to attend and speak at any general meeting of the company where he considers that this will assist in the deliberations of the meeting.

57. Adjournments

The chairman of the meeting may at any time without the consent of the meeting adjourn any meeting (whether or not it has commenced or a quorum is present) either sine die or to another time or place where it appears to him that (a) the members entitled to vote and wishing to attend cannot be conveniently accommodated in the place appointed for the meeting (b) the conduct of persons present prevents or is likely to prevent the orderly continuation of business or (c) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted. In addition, the chairman of the meeting may at any time with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting either sine die or to another time or place. When a meeting is adjourned sine die the time and place for the adjourned meeting shall be fixed by the board. No business shall be transacted at any adjourned meeting except business which might properly have been transacted at the meeting had the adjournment not taken place. Any meeting may be adjourned more than once.

58. Notice of Adjournment

If the continuation of an adjourned meeting is to take place three months or more after it was adjourned or if business is to be transacted at an adjourned meeting the general nature of which was not stated in the notice of the original meeting, notice of the adjourned meeting shall be given as in the case of an original meeting. Except as provided in this article, it shall not be necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting.

Amendments

59. Amendments to Resolutions

In the case of a resolution duly proposed as a special resolution no amendment thereto (other than an amendment to correct a patent error) may be considered or voted upon and in the case of a resolution duly proposed as an ordinary resolution no amendment thereto (other than an amendment to correct a patent error) may be considered or voted upon unless either at least two working days prior to the date appointed for holding the meeting or adjourned meeting at which such ordinary resolution is to be proposed notice in writing of the terms of the amendment and intention to move the same has been received by the company at its office or the chairman of the meeting in his absolute discretion decides that

it may be considered or voted upon. With the consent of the chairman of the meeting, an amendment may be withdrawn by its proposer before it is put to the vote.

60. Amendments Ruled Out of Order

If an amendment shall be proposed to any resolution under consideration but shall be ruled out of order by the chairman of the meeting the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

Voting

61. Votes of Members

Subject to any special terms as to voting upon which any shares may be issued or may at the relevant time be held and to any other provisions of these articles, members shall be entitled to vote at a general meeting as provided in the Companies Acts.

62. Method of Voting

At any general meeting a resolution put to the vote of the meeting shall be decided on a poll, which shall be taken in such manner as the chairman of the meeting shall direct, including by means of electronic vote casters. The result of the vote shall be deemed to be the resolution of the meeting at which the vote was demanded. A vote to elect the chairman of the meeting or to adjourn the meeting must be taken immediately at the meeting. Any other vote may be taken at any other time (within 30 days of the meeting) and place determined by the chairman. The chairman can appoint scrutineers (who need not be shareholders) and set a day, time and place for the result of the poll to be declared.

63. Votes of Joint Holders

In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

64. Voting on Behalf of Incapable Member

A member in respect of whom an order has been made by any competent court or official on the ground that he is or may be suffering from a mental disorder or is otherwise incapable of managing his affairs may vote at any general meeting of the company and may exercise any other right conferred by membership in relation to general meetings by or through any person authorised in such circumstances to do so on his behalf (and that person may vote by proxy), provided that evidence to the satisfaction of the board of the authority of the person claiming to exercise the right to vote or such other right has been received by the company not later than the last time at which appointments of proxy should have been received in order to be valid for use at that meeting or on the holding of that poll.

65. No Right to Vote where Sums Overdue on Shares

No member shall, unless the board otherwise decides, be entitled in respect of any share held by him to attend or vote (either personally or by proxy) at any general meeting of the company or to exercise any other right conferred by membership in relation to general meetings unless all calls or other sums presently payable by him in respect of that share have been paid.

66. Objections or Errors in Voting

If:

- (i) any objection shall be raised to the qualification of any voter, or
- (ii) any votes have been counted which ought not to have been counted or which might have been rejected, or
- (iii) any votes are not counted which ought to have been counted,

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless it is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be conclusive.

Approved Depositaries

67. Meaning of Approved Depositary

- (A) In these articles, unless the context otherwise requires, “**Approved Depositary**” means a person approved by the board and appointed:
 - (i) to hold the company’s shares or any rights or interests in any of the company’s shares; and
 - (ii) to issue securities, documents of title or other documents which evidence that the holder of them owns or is entitled to receive the shares, rights or interests held by the Approved Depositary,and shall include a nominee acting for a person appointed to do these things.
- (B) The trustees of any scheme or arrangements for or principally for the benefit of employees of the company and its associated companies will be deemed to be an Approved Depositary for the purposes of these articles unless the board resolves otherwise.

- (C) References in these articles to an Approved Depositary or to shares held by it refer only to an Approved Depositary and to its shares held in its capacity as an Approved Depositary.

68. Appointment of Approved Depositaries

Subject to these articles and to applicable law, an Approved Depositary may appoint as its proxy or proxies in relation to any ordinary shares which it holds, anyone it thinks fit and may determine the manner and terms of any such appointment. Each appointment must state the number and class of shares to which it relates and the total number of shares of each class in respect of which appointments exist at any one time, which must not exceed the total number of shares of each such class registered in the name of the Approved Depositary or its nominee (the “**Depositary Shares**”) at that time.

69. Register of Approved Depositaries

The Approved Depositary must keep a register (the “**Proxy Register**”) of each person it has appointed as a proxy under Article 71 (an “**Appointed Proxy**”) and the number of Depositary Shares (his “**Appointed Number**”) to which the appointment relates. The directors will determine the requisite information to be recorded in the Proxy Register relating to each Appointed Proxy.

Any person authorised by the company may inspect the Proxy Register during usual business hours and the Approved Depositary will give such person any information which he requests as to the contents of the Proxy Register.

70. Approved Depositaries’ Attendance at General Meetings

- (A) An Appointed Proxy may only attend a general meeting if he provides the company with written evidence of his appointment as such. This must be in a form agreed between the directors and the Approved Depositary.
- (B) Subject to applicable law and to these articles, and so long as the Approved Depositary or a nominee of the Approved Depositary holds at least his Appointed Number of shares, an Appointed Proxy is entitled to attend a general meeting which holders of that class of shares are entitled to attend, and he is entitled to the same rights, and subject to the same obligations, in relation to his Appointed Number of Depositary Shares as if he had been validly appointed in accordance with Articles 73 to 77 by the registered holder of these shares as its proxy in relation to those shares.

71. Proxies of Appointed Depositaries

An Appointed Proxy may appoint another person as his proxy for his Appointed Number of Depositary Shares, provided the appointment is made and deposited in accordance with Articles 73 to 77. These articles apply to that appointment and to the person so appointed as though those Depositary Shares were registered in the name of the Appointed Proxy and the appointment was made by him in that capacity. The directors may require such evidence as they think appropriate to decide that such appointment is effective.

72. Identifying Appointed Proxies

- (A) For the purposes of determining who is entitled as an Appointed Proxy to exercise the rights conferred by Articles 70 and 71 and the number of Depositary Shares in respect of which a person is to be treated as having been appointed as an Appointed Proxy for these purposes, the Approved Depositary may decide that the Appointed Proxies who are so entitled are the persons entered in the Proxy Register at a time and on a date (a “**Record Time**”) agreed between the Approved Depositary and the company.
- (B) When a Record Date is decided for a particular purpose:
 - (i) an Appointed Proxy is to be treated as having been appointed for that purpose for the number and class of shares appearing against his name in the Proxy Register as at the Record Time; and
 - (ii) changes to entries in the Proxy Register after the Record Time will be ignored for this purpose.
- (C) Except for recognising the rights given in relation to General Meetings by appointments made by Appointed Proxies pursuant to Article 71, the company is entitled to treat any person entered in the Proxy Register as an Appointed Proxy as the only person (other than the Approved Depositary) who has any interest in the Depositary Shares in respect of which the Appointed Proxy has been appointed.
- (D) At a general meeting the chairman has the final decision as to whether any person has the right to vote or exercise any other right relating to any Depositary Shares. In any other situation, the directors have the final decision as to whether any person has the right to exercise any right relating to any Depositary Shares.

Proxies

73. Appointment of Proxies

The appointment of a proxy shall be in writing signed by the appointor or his duly authorised attorney or, if the appointor is a corporation, shall either be executed under its seal or signed by an officer, attorney or other person authorised to sign it. If a member appoints more than one proxy and the proxy forms appointing those proxies would give those proxies the apparent right to exercise votes on behalf of the member in a general meeting over more shares than are held by the member, then each of those proxy forms will be invalid and none of the proxies so appointed will be entitled to attend, speak or vote at the relevant general meeting.

74. Receipt of Proxies

- (A) The appointment of a proxy must:
 - (i) in the case of an appointment made in hard copy form, be received at the office (or such other place in the United Kingdom or in the United States as may be specified by the company for the receipt of appointments of proxy in

hard copy form) not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote together with (if required by the board) any authority under which it is made or a copy of the authority, certified notarially or in accordance with the Powers of Attorney Act 1971 or in some other manner approved by the board;

- (ii) in the case of an appointment made by electronic means, be received at the address specified by the company for the receipt of appointments of proxy by electronic means not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote. Any authority pursuant to which such an appointment is made or a copy of the authority, certified notarially or in accordance with the Powers of Attorney Act 1971 or in some other manner approved by the board, must, if required by the board, be received at such address or at the office (or such other place in the United Kingdom as may be specified by the company for the receipt of such documents) not less than 48 hours (or such shorter time as the board may determine) before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote;
- (iii) in the case of an appointment delivered by an Approved Depositary (except in respect of a proxy appointed in accordance with [Article 68](#)) be delivered to the appropriate place referred to in (i) or (ii) above, as appropriate, depending on whether the appointment is made in hard copy or electronic form;
- (iv) in the case of a vote taken more than 48 hours subsequently to the date of the meeting or adjourned meeting, be received as aforesaid not less than 24 hours (or such shorter time as the board may determine) before the time appointed for the taking of the vote; and
- (v) in the case of a vote taken not more than 48 hours subsequently to the date of the meeting or adjourned meeting, be received as aforesaid by the time at which the vote was demanded (or at such later time as the board may determine),

and an appointment of a proxy which is not, or in respect of which the authority or copy thereof is not, received in a manner so permitted shall be invalid. When two or more valid but differing appointments of a proxy are received in respect of the same share for use at the same meeting or poll, the one which is last received (regardless of its date or of the date of its signature) shall be treated as replacing and revoking the others as regards that share; if the company is unable to determine which was last received, none of them shall be treated as valid in respect of that share. The appointment of a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned. The proceedings at a general meeting shall not be invalidated where an appointment of a proxy in

respect of that meeting is sent in electronic form as provided in these articles, but because of a technical problem it cannot be read by the recipient.

- (B) The board may at its discretion determine that in calculating the periods mentioned in this article no account shall be taken of any part of a day that is not a working day.

75. Maximum Validity of Proxy

No appointment of a proxy shall be valid after 12 months have elapsed from the date of its receipt save that, unless the contrary is stated in it, an appointment of a proxy shall be valid for use at an adjourned meeting or vote after a meeting or an adjourned meeting even after 12 months, if it was valid for the original meeting.

76. Form of Proxy

The appointment of a proxy shall be in any usual form or in such other form as the board may approve. The appointment of a proxy shall be deemed to confer authority to vote on any amendment of a resolution put to, or any other business which may properly come before, the meeting for which it is given as the proxy thinks fit. The appointment of a proxy shall, unless the contrary is stated in it, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

77. Cancellation of Proxy's Authority

A vote given by a proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous determination of the authority of the person voting, unless notice in writing of the determination was received by the company at the office (or such other place or address as was specified by the company for the receipt of appointments of proxy) not later than the last time at which an appointment of a proxy should have been received in order to be valid for use at the meeting at which the vote was given.

Class Meetings

78. Separate General Meetings

The provisions of these articles relating to general meetings shall apply, with any necessary modifications to any separate general meeting of the holders of shares of a class convened otherwise than in connection with the variation or abrogation of the rights attached to the shares of that class. For this purpose, a general meeting at which no holder of a share other than an ordinary share may, in his capacity as a member, attend or vote shall also constitute a separate general meeting of the holders of the ordinary shares.

Appointment, Retirement and Removal of Directors

79. Number of Directors

Unless otherwise determined by ordinary resolution of the company, the directors (disregarding alternate directors) shall be not less than two nor more than 24 in number.

80. Directors' Shareholding Qualification

No shareholding qualification for directors shall be required.

81. Power of Company to Appoint Directors

Subject to the provisions of these articles, the company may by ordinary resolution elect any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these articles.

82. Power of Board to Appoint Directors

Subject to the provisions of these articles, the board may appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these articles. Any director so appointed shall retire at the next annual general meeting and shall then be eligible for re-appointment.

83. Retirement of Directors by Rotation

At every annual general meeting any director:

- (i) who has been appointed by the board since the last annual general meeting, or
- (ii) who held office at the time of the two preceding annual general meetings and who did not retire at either of them, or
- (iii) who has held office with the company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting,

shall retire from office and may offer himself for re-appointment by the members.

84. Filling Vacancies

Subject to the provisions of these articles, at the meeting at which a director retires the company can pass an ordinary resolution to re-appoint the director or to elect some other eligible person in his place.

85. Power of Removal by Special Resolution

In addition to any power of removal conferred by the Companies Acts, the company may by special resolution remove any director before the expiration of his period of office and may (subject to these articles) by ordinary resolution appoint another person who is willing to act to be a director in his place.

86. Persons Eligible as Directors

No person other than a director retiring at the meeting shall be appointed or re-appointed a director at any general meeting unless:

- (i) he is recommended by the board; or
- (ii) not less than seven nor more than 42 days before the day appointed for the meeting, notice in writing by a member qualified to vote at the meeting (not being the person to be proposed) has been given to the secretary of the intention to propose that person for appointment or re-appointment together with confirmation in writing by that person of his willingness to be appointed or re-appointed.

87. Position of Retiring Directors

A director who retires at an annual general meeting may, if willing to continue to act, be re-appointed. If he is re-appointed he is treated as continuing in office throughout. If he is not re-appointed, he shall retain office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place or when a resolution to re-appoint the director is put to the meeting and lost.

88. Vacation of Office by Directors

Without prejudice to the provisions for retirement contained in these articles, the office of a director shall be vacated if:

- (i) he resigns his office by notice in writing sent to or received at the office or at an address specified by the company for the purposes of communication by electronic means or tendered at a meeting of the board; or
- (ii) by notice in writing sent to or received at the office or at an address specified by the company for the purposes of communication by electronic means or tendered at a meeting of the board, he offers to resign and the board resolves to accept such offer; or
- (iii) by notice in writing sent to or received at the office or at an address specified by the company for the purposes of communication by electronic means or tendered at a meeting of the board, his resignation is requested by all of the other directors and all of the other directors are not less than three in number; or
- (iv) he is or has been suffering from mental or physical ill health and the board resolves that his office is vacated; or
- (v) he is absent without the permission of the board from meetings of the board (whether or not an alternate director appointed by him attends) for six consecutive months and the board resolves that his office is vacated; or
- (vi) he becomes bankrupt or compounds with his creditors generally; or
- (vii) he is prohibited by law from being a director; or
- (viii) he ceases to be a director by virtue of the Companies Acts or is removed from office pursuant to these articles.

If the office of a director is vacated for any reason, he shall cease to be a member of any committee or sub-committee of the board.

89. Alternate Directors

- (A) Each director may appoint any person to be his alternate and may at his discretion remove an alternate director so appointed. If the alternate director is not already a director, the appointment, unless previously approved by the board, shall have effect only upon and subject to its being so approved. Any appointment or removal of an alternate director shall be effected by notice in writing signed by the appointor and sent to or received at the office or at an address specified by the company for the purpose of communication by electronic means or tendered at a meeting of the board, or in any other manner approved by the board. An alternate director shall be entitled to receive notice of all meetings of the board or of committees of the board of which his appointor is a member. He shall also be entitled to attend and vote as a director at any such meeting at which the director appointing him is not personally present and at such meeting to exercise and discharge all the functions, powers, rights and duties of his appointor as a director and for the purposes of the proceedings at such meeting the provisions of these articles shall apply as if he were a director.
- (B) Every person acting as an alternate director shall (except as regards power to appoint an alternate and remuneration) be subject in all respects to the provisions of these articles relating to directors and shall during his appointment be an officer of the company. An alternate director shall alone be responsible to the company for his acts and defaults and shall not be deemed to be the agent of or for the director appointing him. An alternate director may be paid expenses and shall be entitled to be indemnified by the company to the same extent as if he were a director. An alternate director shall not be entitled to receive from the company any fee in his capacity as an alternate director but the company shall, if so requested in writing by the appointor, pay to the alternate director any part of the fees or remuneration otherwise due to the appointor.
- (C) A director or any other person may act as an alternate director to represent more than one director. Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate, in addition to his own vote if he is also a director but he shall count as only one for the purposes of determining whether a quorum is present. Signature by an alternate director of any resolution in writing of the board or a committee of the board shall, unless the notice of his appointment provides to the contrary, be as effective as signature by his appointor.
- (D) An alternate director shall cease to be an alternate director:
 - (i) if his appointor ceases for any reason to be a director except that, if at any meeting any director retires but is re-appointed at the same meeting, any appointment made by him pursuant to this article which was in force immediately before his retirement shall remain in force as though he had not retired; or

- (ii) on the happening of any event which if he were a director would cause him to vacate his office as director; or
- (iii) if he resigns his office by notice in writing to the company.

90. Executive Directors

The board or any committee authorised by the board may from time to time appoint one or more directors to hold any employment or executive office with the company for such period and upon such other terms as the board or any committee authorised by the board may in its discretion decide and may revoke or terminate any appointment so made. Any revocation or termination of the appointment shall be without prejudice to any claim for damages that the director may have against the company or the company may have against the director for any breach of any contract of service between him and the company which may be involved in the revocation or termination. A director so appointed shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board or any committee authorised by the board may decide, and either in addition to or in lieu of his remuneration as a director.

Fees, Remuneration, Expenses and Pensions

91. Directors' Fees

(A) The directors can decide on the amount, timing and manner of payment of fees to be paid by the company to the directors for acting as directors, but the total fees paid to all of the directors for acting as directors (including amounts paid under Article 92(ii) to 92(v) but excluding any amounts paid under any other provision of these articles) shall not exceed the higher of:

- (i) £3 million a year; and
- (ii) any higher amount as the company may by ordinary resolution decide.

These fees can be satisfied in cash or in any other form.

(B) If the directors decide to satisfy any of these fees in shares or in any other non-cash form, the value of the shares or other assets to be counted towards this limit will be their value at the time the entitlement to them is first allocated, or provisionally allocated, to the director. This value will be taken into account for the purpose of the limit in the year in which the entitlement is first allocated, or provisionally allocated, and not in any later year when the fees, shares or other assets are actually paid or delivered to the director. This paragraph applies even if:

- (i) the director's entitlement to the fees, or to receive the assets, is subject to conditions which will, or may, be fulfilled at a later time;
- (ii) the fees, shares or other assets are to be, or may be, paid or delivered to the director at a later time or the director elects, agrees or is required to receive the cash equivalent of the shares or other assets as determined by reference to their value at such later time;

- (iii) the company has not paid for the relevant shares or other assets at the time the director first becomes, or becomes provisionally, entitled to them, and their value subsequently changes.
- (C) Unless an ordinary resolution is passed saying otherwise, the fees will be divided between some or all of the directors in the way that they decide. If they fail to decide, the fees will be shared equally by the directors, except that any director holding office as a director for only part of the period covered by the fee is only entitled to a pro rata share covering that part period.

92. Additional Remuneration

The directors can award special pay to any director who:

- (i) holds any executive post;
- (ii) acts as chairman;
- (iii) acts as senior independent director;
- (iv) acts as a scientific/medical expert on the board;
- (v) is chairman of, or serves on, any committee of the directors; or
- (vi) performs any other services which the directors consider to extend beyond the ordinary duties of a director.

Special pay can take the form of salary, commission or other benefits or can be paid in some other way. This is decided on by the directors.

93. Expenses

- (A) Each director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the board or committees of the board or general meetings of the company or any other meeting which as a director he is entitled to attend and shall be paid all other costs and expenses properly and reasonably incurred by him in the conduct of the company's business or in the discharge of his duties as a director. The company may also fund a director's or former director's expenditure for the purposes permitted under the Companies Acts and may do anything to enable a director or former director of the company to avoid incurring such expenditure as provided in the Companies Acts.
- (B) The directors can award extra pay to any director who, at the request of the directors, performs special services or goes or lives abroad for any purposes of the company.

94. Pensions and Gratuities for Directors

The board or any committee authorised by the board may exercise all the powers of the company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any director or former director or the relations, or dependants of, or persons connected to, any director or former director, provided that no benefits (except such as may be provided for by any other article) may be granted to or in respect of a director or former director who has not been employed by, or held an executive office or place of profit under, the company or any body corporate which is or has been its subsidiary undertaking or any predecessor in business of the company or any such body corporate without the approval of an ordinary resolution of the company. No director or former director shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a director of the company.

Directors' Interests

95. Conflicts of interest requiring board authorisation

- (A) The board may, subject to the quorum and voting requirements set out in this article, authorise any matter which would otherwise involve a director breaching his duty under the Companies Acts to avoid conflicts of interest ("**Conflict**").
- (B) A director seeking authorisation in respect of a Conflict shall declare to the board the nature and extent of his interest in a Conflict as soon as is reasonably practicable. The director shall provide the board with such details of the relevant matter as are necessary for the board to decide how to address the Conflict together with such additional information as may be requested by the board.
- (C) Any director (including the relevant director) may propose that the relevant director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the board shall be effected in the same way that any other matter may be proposed to and resolved upon by the board under the provisions of these articles save that:
 - (i) the relevant director and any other director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority; and
 - (ii) the relevant director and any other director with a similar interest may, if the other members of the board so decide, be excluded from any board meeting while the Conflict is under consideration.
- (D) Where the board gives authority in relation to a Conflict, or where any of the situations described in Article 96(B) apply in relation to a director ("**Relevant Situation**"):
 - (i) the board may (whether at the relevant time or subsequently) (a) require that the relevant director is excluded from the receipt of information, the

participation in discussion and/or the making of decisions (whether at meetings of the board or otherwise) related to the Conflict or Relevant Situation; and (b) impose upon the relevant director such other terms for the purpose of dealing with the Conflict or Relevant Situation as it may determine;

- (ii) the relevant director will be obliged to conduct himself in accordance with any terms imposed by the board in relation to the Conflict or Relevant Situation;
- (iii) the board may provide that where the relevant director obtains (otherwise than through his position as a director of the company) information that is confidential to a third party, the director will not be obliged to disclose that information to the company, or to use or apply the information in relation to the company's affairs, where to do so would amount to a breach of that confidence;
- (iv) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
- (v) the board may revoke or vary such authority at any time but this will not affect anything done by the relevant director prior to such revocation in accordance with the terms of such authority.

96. Other conflicts of interest

- (A) If a director is in any way directly or indirectly interested in a proposed contract with the company or a contract that has been entered into by the company, he must declare the nature and extent of that interest to the directors in accordance with the Companies Acts.
- (B) Provided he has declared his interest in accordance with paragraph (A), a director may:
 - (i) be party to, or otherwise interested in, any contract with the company or in which the company has a direct or indirect interest;
 - (ii) hold any other office or place of profit with the company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the board may decide;
 - (iii) act by himself or through a firm with which he is associated in a professional capacity for the company or any other company in which the company may be interested (otherwise than as auditor);
 - (iv) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the company or any other company in which the company may be interested; and

- (v) be or become a director of any other company in which the company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

97. Benefits

A director shall not, by reason of his office or of the fiduciary relationship thereby established, be liable to account to the company or the members for any remuneration, profit or other benefit realised by reason of his having any type of interest authorised under Article 95(A) or permitted under Article 96(B) and no contract shall be liable to be avoided on the grounds of a director having any type of interest authorised under Article 95(A) or permitted under Article 96(B).

98. Quorum and voting requirements

- (A) A director shall not vote on or be counted in the quorum in relation to any resolution of the board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the company or any other company in which the company is interested.
- (B) Where proposals are under consideration concerning the appointment, or the settlement or variation of the terms or the termination of the appointment, of two or more directors to offices or places of profit with the company or any other company in which the company is interested, a separate resolution may be put in relation to each director and in that case each of the directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution unless it concerns his own appointment or the settlement or variation of the terms or the termination of his own appointment or the appointment of another director to an office or place of profit with a company in which the company is interested and the director seeking to vote or be counted in the quorum has a Relevant Interest in it.
- (C) A director shall not vote on, or be counted in the quorum in relation to, any resolution of the board in respect of any contract in which he has an interest and, if he shall do so, his vote shall not be counted, but this prohibition shall not apply to any resolution where that interest cannot reasonably be regarded as likely to give rise to a conflict of interest or where that interest arises only from one or more of the following matters:
 - (i) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him or by any other person at the request of or for the benefit of the company or any of its subsidiary undertakings;
 - (ii) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- (iii) the giving to him of any other indemnity where all other directors are also being offered indemnities on substantially the same terms;
 - (iv) the funding by the company of his expenditure on defending proceedings or the doing by the company of anything to enable him to avoid incurring such expenditure where all other directors are being offered substantially the same arrangements;
 - (v) where the company or any of its subsidiary undertakings is offering securities in which offer the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;
 - (vi) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the company or by reason of any other interest in or through the company;
 - (vii) any contract concerning any other company (not being a company in which the director has a Relevant Interest) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
 - (viii) any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which relates both to directors and employees of the company or of any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
 - (ix) any contract for the benefit of employees of the company or of any of its subsidiary undertakings under which he benefits in a similar manner to the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom the contract relates; and
 - (x) any contract for the purchase or maintenance of insurance against any liability for, or for the benefit of, any director or directors or for, or for the benefit of, persons who include directors.
- (D) A company shall be deemed to be one in which a director has a Relevant Interest if and so long as (but only if and so long as) he is to his knowledge (either directly or indirectly) the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of that company (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights available to members of that company. In relation to an alternate director, an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

- (E) Where a company in which a director has a Relevant Interest is interested in a contract, he also shall be deemed interested in that contract.
- (F) If any question shall arise at any meeting of the board as to the interest of a director (other than the chairman of the meeting) in a contract and whether it is likely to give rise to a conflict of interest or as to the entitlement of any director (other than the chairman of the meeting) to vote or be counted in the quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question shall be referred to the chairman of the meeting and his ruling in relation to the director concerned shall be conclusive except in a case where the nature or extent of the director's interest (so far as it is known to him) has not been fairly disclosed to the board. If any question shall arise in respect of the chairman of the meeting, the question shall be decided by a resolution of the board (for which purpose the chairman of the meeting shall be counted in the quorum but shall not vote on the matter) and the resolution shall be conclusive except in a case where the nature or extent of the interest of the chairman of the meeting (so far as it is known to him) has not been fairly disclosed to the board.
- (G) Subject to these articles, the board may also cause any voting power conferred by the shares in any other company held or owned by the company or any power of appointment to be exercised in such manner in all respects as it thinks fit, including the exercise of the voting power or power of appointment in favour of the appointment of the directors or any of them as directors or officers of the other company, or in favour of the payment of remuneration to the directors or officers of the other company. Subject to these articles, a director may also vote on and be counted in the quorum in relation to any of such matters.

99. General

- (A) References in Articles 95 to 98 to:
 - (i) a contract include references to any proposed contract and to any transaction or arrangement or proposed transaction or arrangement whether or not constituting a contract; and
 - (ii) a conflict of interest include a conflict of interest and duty and a conflict of duties.
- (B) The company may by ordinary resolution suspend or relax the provisions of Articles 95 to 98 to any extent or ratify any contract not properly authorised by reason of a contravention of any of the provisions of Articles 95 to 98.

Powers and Duties of the Board

100. General Powers of Company Vested in Board

Subject to the these articles and to any directions given by the company in general meeting by special resolution, the business of the company shall be managed by the board which may exercise all the powers of the company whether relating to the management of the business of the company or not. No alteration of these articles and no

special resolution shall invalidate any prior act of the board which would have been valid if that alteration had not been made or that resolution had not been passed. The powers given by this article shall not be limited by any special power given to the board by any other article.

101. Borrowing Powers

Subject to the provisions of the Companies Acts, the directors may exercise all the powers of the company:

- (i) to borrow money;
- (ii) to mortgage or charge all or any of the company's undertaking, property (present and future) and uncalled capital;
- (iii) to issue debentures and other securities; and
- (iv) to give security either outright or as collateral security for any debt, liability or obligation of the company or of any third party.

102. Agents

- (A) The board can appoint anyone as the company's attorney by granting a power of attorney or by authorising them in some other way. Attorneys can either be appointed directly by the board or the board can give someone else the power to select attorneys. The board or the persons who are authorised by it to select attorneys can decide on the purposes, powers, authorities and discretions of attorneys. But they cannot give an attorney any power, authority or discretion which the board does not have under these articles.
- (B) The board can decide how long a power of attorney will last for and attach any conditions to it. The power of attorney can include any provisions which the board decides on for the protection and convenience of anybody dealing with the attorney. The power of attorney can allow the attorney to grant any or all of his power, authority or discretion to any other person.
- (C) The board can:
 - (i) delegate any of its authority, powers or discretions to any manager or agent of the company;
 - (ii) allow managers or agents to delegate to another person;
 - (iii) remove any people it has appointed in any of these ways; and
 - (iv) cancel or change anything that it has delegated, although this will not affect anybody who acts in good faith who has not had any notice of any cancellation or change.

- (D) Any appointment or delegation by the board which is referred to in this article can be on any conditions decided on by the board.
- (E) The ability of the board to delegate under this article applies to all its powers and is not limited because certain articles refer to powers being exercised by the board or by a committee authorised by the board while other articles do not.

103. Delegation to Individual Directors

The board may entrust to and confer upon any director any of its powers, authorities and discretions (with power to sub-delegate) upon such terms and conditions and with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, authorities and discretions and may from time to time revoke or vary all or any of them but no person dealing in good faith and without notice of the revocation or variation shall be affected by it. The power to delegate contained in this article shall be effective in relation to the powers, authorities and discretions of the board generally and shall not be limited by the fact that in certain articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

104. Registers

The company may keep an overseas or local or other register in any place and the board may make and vary such regulations as it may think fit respecting the keeping of the register.

105. Provision for Employees

The board may exercise any power conferred by the Companies Acts to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

Proceedings of the Board

106. Board Meetings

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. A director at any time may, and the secretary on the requisition of a director at any time shall, summon a board meeting.

107. Notice of Board Meetings

Notice of a board meeting shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the company for this purpose. A director may waive his entitlement to notice of any meeting either prospectively or retrospectively and any retrospective waiver shall not affect the validity of the meeting or of any business conducted at the meeting.

108. Quorum

The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, shall be two. Subject to the provisions of these articles, any director who ceases to be a director at a board meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the board meeting if no other director objects and if otherwise a quorum of directors would not be present.

109. Directors below Minimum through Vacancies

The continuing directors or a sole continuing director may act notwithstanding any vacancy in their number but, if and so long as the number of directors is reduced below the minimum number fixed by or in accordance with these articles or is below the number fixed by or in accordance with these articles as the quorum or there is only one continuing director, the continuing directors or director may act for the purpose of filling vacancies or of summoning general meetings of the company but not for any other purpose. If there are no directors or director able or willing to act, then any two members (excluding any member holding shares as treasury shares) may summon a general meeting for the purpose of appointing directors.

110. Appointment of Chairman

The board may appoint a director to be the chairman or a deputy chairman of the board, and may at any time remove him from that office. The chairman of the board or failing him a deputy chairman shall act as chairman at every meeting of the board. If more than one deputy chairman is present they shall agree amongst themselves who is to take the chair or, if they cannot agree, the deputy chairman who has been in office as a director longest shall take the chair. But if no chairman of the board or deputy chairman is appointed, or if at any meeting neither the chairman nor any deputy chairman is present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be chairman of the meeting. References in these articles to a deputy chairman include, if no one has been appointed to that title, a person appointed to a position with another title which the board designates as equivalent to the position of deputy chairman.

111. Competence of Meetings

A meeting of the board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions vested in or exercisable by the board.

112. Voting

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

113. Delegation to Committees

(A) The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee, consisting of such person or persons (whether a

member or members of its body or not) as it thinks fit, provided that the majority of persons on any committee or sub-committee must be directors. References in these articles to committees include sub-committees permitted under this article.

- (B) Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the board. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these articles for regulating the meetings and proceedings of the board so far as the same are applicable and are not superseded by any regulations imposed by the board.
- (C) The power to delegate contained in this article shall be effective in relation to the powers, authorities and discretions of the board generally and shall not be limited by the fact that in certain articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

114. Participation in Meetings

All or any of the members of the board may participate in a meeting of the board by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to speak to and hear each other or by a series of telephone calls from the chairman of the meeting. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly. Any such meeting will be treated as taking place where the chairman is located.

115. Resolution in Writing

A resolution in writing signed by all the directors who are at the relevant time entitled to receive notice of a meeting of the board and who would be entitled to vote on the resolution at a meeting of the board (if that number is sufficient to constitute a quorum) shall be as valid and effectual as a resolution passed at a meeting of the board properly called and constituted. The resolution may be contained in one document or in several documents in like form each signed by one or more of the directors concerned.

116. Validity of Acts of Board or Committee

All acts done by the board or by any committee or by any person acting as a director or member of a committee shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the board or committee or person so acting or that they or any of them were disqualified from holding office or had vacated office or were not entitled to vote, be as valid as if each such member or person had been properly appointed and was qualified and had continued to be a director or member of the committee and had been entitled to vote.

Seals

117. Use of Seals

The board shall provide for the custody of every seal of the company. A seal shall only be used by the authority of the board or of a committee of the board authorised by the board in that behalf. Subject as otherwise provided in these articles, and to any resolution of the board or committee of the board dispensing with the requirement for any counter-signature on any occasion, any instrument to which the common seal is applied shall be signed by at least one director and the secretary, or by at least two directors or by one director in the presence of a witness who attests the signature or by such other person or persons as the board may approve. Any instrument to which an official seal is applied need not, unless the board otherwise decides or the law otherwise requires, be signed by any person.

Dividends and Other Payments

118. Declaration of Dividends by Company

The company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the board.

119. Payment of Interim and Fixed Dividends by Board

The board may pay such interim dividends as appear to the board to be justified by the financial position of the company and may also pay any dividend payable at a fixed rate at intervals settled by the board whenever the financial position of the company, in the opinion of the board, justifies its payment. If the board acts in good faith, it shall not incur any liability to the holders of any shares for any loss they may suffer in consequence of the payment of an interim or fixed dividend on any other class of shares ranking pari passu with or after those shares.

120. Calculation and Currency of Dividends

- (A) Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:
- (i) all dividends shall be declared and paid according to the amounts paid up on the share in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this article as paid up on the share;
 - (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the share during any portion or portions of the period in respect of which the dividend is paid; and
 - (iii) dividends may be declared or paid in any currency.
- (B) The board may decide the basis of conversion for any currency conversions that may be required and how any costs involved are to be met.

- (C) The board may also decide that a particular Approved Depositary should be able to receive dividends in a currency other than the currency in which it is declared and may make arrangements accordingly. In particular, if an Approved Depositary has chosen or agreed to receive dividends in another currency, the directors may make arrangements with that Approved Depositary for payment to be made to them for value on the date on which the relevant dividend is paid, or a later date decided on by the directors.

121. Amounts Due on Shares may be Deducted from Dividends

The board may deduct from any dividend or other moneys payable to a member by the company on or in respect of any shares all sums of money (if any) presently payable by him to the company on account of calls or otherwise in respect of shares of the company. Sums so deducted can be used to pay amounts owing to the company in respect of the shares.

122. No Interest on Dividends

Subject to the rights attaching to, or the terms of issue of, any shares, no dividend or other moneys payable by the company on or in respect of any share shall bear interest against the company.

123. Payment Procedure

Any dividend or other sum payable in cash by the company in respect of a share may be paid by cheque, warrant or similar financial instrument sent by post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the register in respect of the shares at his address as appearing in the register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every cheque, warrant or similar financial instrument shall, unless the holder or joint holders otherwise direct, be made payable to the holder or, in the case of joint holders, to the holder whose name stands first on the register in respect of the shares, and shall be sent at his or their risk and payment of the cheque, warrant or similar financial instrument by the financial institution on which it is drawn shall constitute a good discharge to the company. In addition, any such dividend or other sum may be paid by any bank or other funds transfer system or such other means including, in respect of uncertificated shares, by means of the facilities and requirements of a relevant system and to or through such person as the holder or joint holders may in writing direct and the company may agree, and the making of such payment shall be a good discharge to the company and the company shall have no responsibility for any sums lost or delayed in the course of payment by any such system or other means or where it has acted on any such directions and accordingly, payment by any such system or other means shall constitute a good discharge to the company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable on or in respect of the shares held by them. Where a person is entitled by transmission to a share, any dividend or other sum payable by the company in respect of the share may be paid as if he were a holder of the share and his address noted in the register were his registered address and where two or more persons are so entitled, any one of them may give effectual receipts for any dividends or other moneys payable or property distributable on or in respect of the shares.

124. Uncashed Dividends

The company may cease to send any cheque, warrant or similar financial instrument through the post or to employ any other means of payment, including payment by means of a relevant system, for any dividend payable on any shares in the company which is normally paid in that manner on those shares if in respect of at least two consecutive dividends payable on those shares the cheques, warrants or similar financial instruments have been returned undelivered or remain uncashed during or at the end of the period for which the same are valid or that means of payment has failed. In addition, the company may cease to send any cheque, warrant or similar financial instrument through the post or may cease to employ any other means of payment if, in respect of one dividend payable on those shares, the cheque, warrant or similar financial instrument has been returned undelivered or remains uncashed during or at the end of the period for which the same is valid or that means of payment has failed and reasonable enquiries have failed to establish any new postal address or account of the holder. Subject to the provisions of these articles, the company must recommence sending cheques, warrants or similar financial instruments or employing such other means in respect of dividends payable on those shares if the holder or person entitled by transmission requests such recommencement in writing.

125. Forfeiture of Unclaimed Dividends

All dividends or other sums payable on or in respect of any shares which remain unclaimed may be invested or otherwise made use of by the board for the benefit of the company until claimed. Any dividend or other sum unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and shall revert to the company unless the board decides otherwise and the payment by the board of any unclaimed dividend or other sum payable on or in respect of a share into a separate account shall not constitute the company a trustee in respect of it.

126. Dividends Not in Cash

Any general meeting declaring a dividend may, upon the recommendation of the board, by ordinary resolution direct, and the board may in relation to any interim dividend direct, that it shall be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, and where any difficulty arises in regard to the distribution the board may settle it as it thinks expedient, and in particular may authorise any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution purposes of any assets or any part thereof to be distributed and may determine that cash shall be paid to any members upon the footing of the value so fixed in order to secure equality of distribution and may vest any assets to be distributed in trustees as may seem expedient to the board.

127. Scrip Dividends and Dividend Plans Generally

The board may, if authorised by an ordinary resolution of the company, offer any holders of ordinary shares (excluding any member holding shares as treasury shares) the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the board) of any dividend specified by the ordinary resolution. The following provisions shall apply:

- (i) an ordinary resolution may specify some or all of a particular dividend (whether or not already declared) or may specify some or all of any dividends declared or paid within a specified period, but such period may not end later than the fifth anniversary of the date of the meeting at which the ordinary resolution is passed;
- (ii) the entitlement of each holder of ordinary shares to new ordinary shares shall be such that the relevant value of the entitlement shall be as nearly as possible equal to (but not greater than) the cash amount (disregarding any tax credit) of the dividend that such holder elects to forgo. For this purpose “**relevant value**” shall be calculated by reference to the average of the middle market quotations for the company’s ordinary shares on the London Stock Exchange as derived from the Daily Official List (or any other publication of a recognised investment exchange showing quotations for the company’s ordinary shares) on such five consecutive dealing days as the board shall determine provided that the first of such days shall be on or after the day on which the ordinary shares are first quoted “ex” the relevant dividend or in such other manner as may be determined by or in accordance with the ordinary resolution. A certificate or report by the auditors as to the amount of the relevant value in respect of any dividend shall be conclusive evidence of that amount and in giving such a certificate or report the auditors may rely on advice or information from brokers or other sources of information as they think fit;
- (iii) no fraction of any ordinary share shall be allotted. The board may make such provisions as it thinks fit for any fractional entitlements including provisions whereby, in whole or in part, the benefit thereof accrues to the company and/or under which fractional entitlements are accrued and/or retained without interest and in each case accumulated on behalf of any holder of ordinary shares and such accruals or retentions are applied to the allotment by way of bonus to or cash subscription on behalf of such holder of fully paid ordinary shares and/or provisions whereby cash payments may be made to such holders in respect of their fractional entitlements;
- (iv) the board, if it intends to offer an election in respect of any dividend, shall give notice to the holders of ordinary shares of the right of election offered to them, and specify the procedure to be followed which, for the avoidance of doubt, may include an election by means of a relevant system and the place at which, and the latest time by which, elections must be lodged in order for elections to be effective; no such notice need be given to holders of ordinary shares who have previously given election mandates in accordance with this article and whose mandates have not been revoked; the accidental omission to give notice of any right of election to, or the non receipt (even if the company becomes aware of such non-receipt) of any such notice by, any holder of ordinary shares entitled to the same shall neither invalidate any offer of an election nor give rise to any claim, suit or action;
- (v) the board shall not proceed with any election unless the company has sufficient reserves or funds that may be capitalised, and the board has authority to allot sufficient shares, to give effect to it after the basis of allotment is determined;
- (vi) the board may exclude or restrict from any offer any shareholder who is an Approved Depositary or a nominee for an Approved Depositary if the offer or exercise of the right to or by the persons on whose behalf the Approved Depositary

holds the shares would suffer legal or practical problems of the kind mentioned in Article 127(vii). If other shareholders (other than those excluded under Article 127(vii)) have the right to opt for new shares, the directors must be satisfied that an appropriate dividend reinvestment plan or similar arrangement is available to a substantial majority of the people on whose behalf the Approved Depository holds shares or that such arrangement will be available promptly and the first sentence of this Article 127(vi) does not apply until the directors are satisfied of this;

- (vii) the board may exclude from any offer or make other arrangement in relation to any holders of ordinary shares where the board believes that such exclusion or arrangement is necessary or expedient in relation to legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory, or the board believes that for any other reason the offer should not be made to them;
- (viii) the dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable on ordinary shares in respect of which an election has been made (for the purposes of this article “**the elected ordinary shares**”) and instead additional ordinary shares shall be allotted to the holders of the elected ordinary shares on the basis of allotment calculated as stated. For such purpose the board shall capitalise, out of any amount standing to the credit of any reserve or fund (including the retained earnings) at the relevant time whether or not the same is available for distribution as the board may determine, a sum equal to the aggregate nominal amount of the additional ordinary shares to be allotted on that basis and apply it in paying up in full the appropriate number of ordinary shares for allotment and distribution to the holders of the elected ordinary shares on that basis. The board may do all acts and things considered necessary or expedient to give effect to any such capitalisation;
- (ix) the additional ordinary shares when allotted shall rank pari passu in all respects with the fully-paid ordinary shares then in issue except that they will not be entitled to participation in the relevant dividend;
- (x) unless the board otherwise determines, or unless the uncertificated securities rules otherwise require, the new ordinary share or shares which a member has elected to receive instead of cash in respect of the whole (or some part) of the specified dividend declared or paid in respect of his elected ordinary shares shall be in uncertificated form (in respect of the member’s elected ordinary shares which were in uncertificated form on the date of the member’s election) and in certificated form (in respect of the member’s elected ordinary shares which were in certificated form on the date of the member’s election);
- (xi) the board may also from time to time establish or vary a procedure for election mandates, which, for the avoidance of doubt, may include an election by means of a relevant system, under which a holder of ordinary shares may elect in respect of future rights of election offered to that holder under this article until the election mandate is revoked or deemed to be revoked in accordance with the procedure;

- (xii) the board may decide how any costs relating to making new shares available in place of a cash dividend will be met, including deciding to deduct an amount from the entitlement of a shareholder under this article; and
- (xiii) at any time before new ordinary shares are allotted instead of cash in respect of any part of a dividend, the board may determine that such new ordinary shares will not be allotted. Any such determination may be made before or after any election has been made by holders of ordinary shares in respect of the relevant dividend.

Capitalisation of Reserves

128. Power to Capitalise Reserves and Funds

The company may, upon the recommendation of the board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount standing to the credit of any reserve or fund (including retained earnings) at the relevant time whether or not the same is available for distribution and accordingly that the amount to be capitalised be set free for distribution among the members or any class of members who would be entitled to it if it were distributed by way of dividend and in the same proportions, on the footing that it is applied either in or towards paying up the amounts unpaid at the relevant time on any shares in the company held by those members respectively or in paying up in full shares, debentures or other obligations of the company to be allotted and distributed credited as fully paid up among those members, or partly in one way and partly in the other, but so that, for the purposes of this article: (i) a share premium account and a capital redemption reserve, and any reserve or fund representing unrealised profits, may be applied only in paying up in full shares of the company that are to be allotted and distributed as fully paid up; and (ii) where the amount capitalised is applied in paying up in full shares that are to be allotted and distributed as fully paid up, the company will also be entitled to participate in the relevant distribution in relation to any shares of the relevant class held by it as treasury shares and the proportionate entitlement of the relevant class of members to the distribution will be calculated accordingly. The board may authorise any person to enter into an agreement with the company on behalf of the persons entitled to participate in the distribution and the agreement shall be binding on those persons.

129. Settlement of Difficulties in Distribution

Where any difficulty arises in regard to any distribution of any capitalised reserve or fund the board may settle the matter as it thinks expedient and in particular may authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any members in order to adjust the rights of all parties, as may seem expedient to the board.

Record Dates

130. Power to Choose Any Record Date

Notwithstanding any other provision of these articles, the company or the board may fix any date as the record date for any dividend, distribution, allotment or issue and such

record date may be on or at any time before or after any date on which the dividend, distribution, allotment or issue is declared, paid or made. The power to fix any such record date shall include the power to fix a time on the chosen date.

Records and Summary Financial Statements

131. Inspection of Records

No member in his capacity as such shall have any right of inspecting any accounting record or book or document of the company except as conferred by law, ordered by a court of competent jurisdiction or authorised by the board or by ordinary resolution of the company.

132. Summary Financial Statements

The company may send or supply summary financial statements to members of the company instead of copies of its full accounts and reports.

Service of Notices, Documents and Other Information

133. Method of Service

- (A) Any notice, document (including a share certificate) or other information may be served on or sent or supplied to any member by the company:
- (i) personally;
 - (ii) by sending it through the post addressed to the member at his registered address or by leaving it at that address addressed to the member;
 - (iii) by means of a relevant system;
 - (iv) where appropriate, by sending or supplying it in electronic form to an address notified by the member to the company for that purpose;
 - (v) where appropriate, by making it available on a website and notifying the member of its availability in accordance with this article; or
 - (vi) by any other means authorised in writing by the member.

In the case of joint holders of a share, service, sending or supply of any notice, document or other information on or to one of the joint holders shall for all purposes be deemed a sufficient service on or sending or supplying to all the joint holders.

- (B) In the case of joint holders of a share, anything to be agreed or specified in relation to any notice, document or other information to be served on or sent or supplied to them may be agreed or specified by any one of the joint holders and the agreement or specification of the senior shall be accepted to the exclusion of that of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

- (C) If any member, including any joint holder, who is without a United Kingdom or United States postal address provides the company with such postal address is entitled to have notice or documents served or supplied to him at that address. If such a member fails to provide the company with a United Kingdom or United States postal address he may be ignored for the purposes of sufficient service or supply of any notice or documents.
- (D) If on three consecutive occasions any notice, document or other information served on or sent or supplied to a member has been returned undelivered, such member shall not thereafter be entitled to receive notices, documents or other information from the company until he shall have communicated with the company and supplied to the company (or its agent) a new registered address, or a postal address within the United Kingdom or the United States for the service of notices and the despatch or supply of documents and other information, or shall have informed the company of an address for the service of notices and the despatch or supply of documents and other information in electronic form. For these purposes, any notice, document or other information sent by post shall be treated as returned undelivered if the notice, document or other information is served, sent or supplied back to the company (or its agents) and a notice, document or other information served, sent or supplied in electronic form shall be treated as returned undelivered if the company (or its agents) receives notification that the notice, document or other information was not delivered to the address to which it was sent.
- (E) The company may at any time and in its sole discretion choose to serve, send or supply notices, documents or other information in hard copy form alone to some or all members.

134. Record Date for Service

Any notice, document or other information may be served, sent or supplied by the company by reference to the register as it stands at any time not more than 15 days before the date of service, sending or supply. No change in the register after that time shall invalidate that service, sending or supply. Where any notice, document or other information is served on or sent or supplied to any person in respect of a share in accordance with these articles, no person deriving any title or interest in that share shall be entitled to any further service, sending or supply of that notice, document or other information.

135. Members Resident Abroad or on Branch Registers

- (A) Any member whose registered address is not within the United Kingdom or the United States and who gives to the company a postal address within the United Kingdom or the United States at which notices, documents or other information may be served upon, or sent or supplied to, him shall be entitled to have notices, documents or other information served on or sent or supplied to him at that address or, where applicable, by making them available on a website and notifying the holder at that address. Any member whose registered address is not within the United Kingdom or the United States and who gives to the company an address for the purposes of communications by electronic means may, subject to these articles, have notices, documents or other information served on or sent or supplied to him

at that address or, where applicable, by making them available on a website and notifying the holder at that address. Otherwise, a member whose registered address is not within the United Kingdom or the United States shall not be entitled to receive any notice, document or other information from the company.

- (B) For a member registered on a branch register, notices, documents or other information can be posted or despatched in the United Kingdom, the United States or in the country where the branch register is kept.

136. Service of Notice on Person Entitled by Transmission

A person who is entitled by transmission to a share, upon supplying the company with a postal address within the United Kingdom or the United States for the service of notices and the despatch or supply of documents and other information shall be entitled to have served upon or sent or supplied to him at such address any notice, document or other information to which he would have been entitled if he were the holder of that share or, where applicable, to be notified at that address of the availability of the notice, document or other information on a website. A person who is entitled by transmission to a share, upon supplying the company with an address for the purposes of communications by electronic means for the service of notices and the despatch or supply of documents and other information may have served on, sent or supplied to him at such address any notice, document or other information to which he would have been entitled if he were the holder of that share or, where applicable, may be notified at that address of the availability of the notice, document or other information on a website. In either case, such service, sending or supply shall for all purposes be deemed a sufficient service, sending or supply of such notice, document or other information on all persons interested (whether jointly with or as claimants through or under him) in the share. Otherwise, any notice, document or other information served on or sent or supplied to any member pursuant to these articles shall, notwithstanding that the member is then dead or bankrupt or that any other event giving rise to the transmission of the share by operation of law has occurred and whether or not the company has notice of the death, bankruptcy or other event, be deemed to have been properly served, sent or supplied in respect of any share registered in the name of that member as sole or joint holder.

137. Deemed Delivery

- (A) Any notice, document or other information, if served, sent or supplied by the company by post, shall be deemed to have been received on the day following that on which it was posted if first class post was used or 48 hours after it was posted if first class post was not used and, in proving that a notice, document or other information was served, sent or supplied, it shall be sufficient to prove that the notice, document or other information was properly addressed, prepaid and put in the post.
- (B) Any notice, document or other information not served, sent or supplied by post but left by the company at a registered address or at an address (other than an address for the purposes of communications by electronic means) notified to the company in accordance with these articles by a person who is entitled by transmission to a share shall be deemed to have been received on the day it was so left.

- (C) Any notice, document or other information served, sent or supplied by the company by means of a relevant system shall be deemed to have been received when the company or any sponsoring system-participant acting on its behalf sends the issuer-instruction relating to the notice, document or other information.
- (D) Any notice, document or other information served, sent or supplied by the company using electronic means shall be deemed to have been received on the day on which it was sent notwithstanding that the company subsequently sends a hard copy of such notice, document or information by post. Any notice, document or other information made available on a website shall be deemed to have been received on the day on which the notice, document or other information was first made available on the website or, if later, when a notice of availability is received or deemed to have been received pursuant to this article. In proving that a notice, document or other information served, sent or supplied by electronic means was served, sent or supplied, it shall be sufficient to prove that it was properly addressed.
- (E) Any notice, document or other information served, sent or supplied by the company by any other means authorised in writing by the member concerned shall be deemed to have been received when the company has carried out the action it has been authorised to take for that purpose.

138. Notice When Post Not Available

If there is a suspension or curtailment of postal services within the United Kingdom, the United States or some part of either the United Kingdom or the United States, the company need only give notice of a general meeting to those members with whom the company can communicate by electronic means and who have provided the company with an address for this purpose. The company shall also advertise the notice in at least one newspaper with a national circulation and make it available on its website from the date of such advertisement until the conclusion of the meeting or any adjournment thereof. If at least six clear days prior to the meeting the sending or supply of notices by post in hard copy form has again become generally possible, the company shall send or supply confirmatory copies of the notice by post to those members who would otherwise receive the notice in hard copy form.

Destruction of Documents

139. Presumptions Where Documents Destroyed

If the company destroys or deletes:

- (i) any share certificate which has been cancelled at any time after a period of one year has elapsed from the date of cancellation, or
- (ii) any instruction concerning the payment of dividends or other moneys in respect of any share or any notification of change of name or address at any time after a

period of two years has elapsed from the date the instruction or notification was recorded by the company, or

- (iii) any instrument of transfer of shares or Operator-instruction for the transfer of shares which has been registered by the company at any time after a period of six years has elapsed from the date of registration, or
- (iv) any instrument of proxy which has been used for the purpose of a poll at any time after a period of one year has elapsed from the date of use, or
- (v) any instrument of proxy which has not been used for the purpose of a poll at any time after a period of one month has elapsed from the end of the meeting to which the instrument of proxy relates, or
- (vi) any other document on the basis of which any entry is made in the register at any time after a period of six years has elapsed from the date the entry was first made in the register in respect of it,

and the company destroys or deletes the document or instruction in good faith and without express notice that its preservation was relevant to a claim, it shall be presumed irrebuttably in favour of the company that every share certificate so destroyed was a valid certificate and was properly cancelled, that every instrument of transfer or Operator-instruction so destroyed or deleted was a valid and effective instrument of transfer or instruction and was properly registered and that every other document so destroyed was a valid and effective document and that any particulars of it which are recorded in the books or records of the company were correctly recorded. If the documents relate to uncertificated shares, the company must comply with any requirements of the uncertificated securities rules which limit its ability to destroy these documents. Nothing contained in this article shall be construed as imposing upon the company any liability which, but for this article, would not exist or by reason only of the destruction of any document of the kind mentioned above before the relevant period mentioned in this article has elapsed or of the fact that any other condition precedent to its destruction mentioned above has not been fulfilled. References in this article to the destruction of any document include references to its disposal in any manner.

Indemnity and Insurance

140. Indemnity of Directors

- (A) To the extent permitted by the Companies Acts, every director or former director or other officer of the company or of any associated company shall be indemnified by the company out of its own funds against all costs, charges, losses, expenses and liabilities incurred by him in performing his duties and/or in exercising his powers and/or in supposedly doing these things and/or otherwise in relation to or in connection with his duties, powers or office.
- (B) To the extent permitted by the Companies Acts, every director or former director or other officer of the company or of any associated company is exempted from any liability to the company where that liability would be covered by the indemnity in Article 140(A).

- (C) Without prejudice to Article 140(A), the company may purchase and maintain insurance against any liability for any persons who are or were at any time directors, officers or employees of the company or of any associated company or trustees of any pension fund or employee share scheme in which employees of any such company are interested.
- (D) No director or former director of the company or of any associated company shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify the person from being or becoming a director of the company.
- (E) For the purposes of this article, no person appointed or employed by the company or an associated company as an auditor is an officer.

CONFIDENTIAL TREATMENT REQUESTED

EXECUTION VERSION

1 March 2015

NOVARTIS AG

and

GLAXOSMITHKLINE PLC

and

GLAXOSMITHKLINE CONSUMER
HEALTHCARE HOLDINGS LIMITED

DEED OF AMENDMENT AND RESTATEMENT

relating to the

CONTRIBUTION AGREEMENT
relating to the Consumer Healthcare Joint Venture,
dated 22 April 2014 (as amended)

This Deed (the “**Deed**”) is made on 1 March 2015 **between**:

- (1) **NOVARTIS AG**, a corporation (*Aktiengesellschaft*) incorporated in Switzerland whose registered office is at Lichtstrasse 35, 4056 Basel, Switzerland (“**Novartis**”);
- (2) **GLAXOSMITHKLINE PLC**, a public limited company incorporated in England and Wales whose registered office is at 980 Great West Road, Brentford, Middlesex, TW8 9GS, United Kingdom (“**GSK**”); and
- (3) **GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED (formerly LEO CONSTELLATION LIMITED)**, a private limited company incorporated in England and Wales whose registered office is at 980 Great West Road, Brentford, Middlesex, TW8 9GS, United Kingdom (the “**Purchaser**”),

each a “**party**” and together the “**parties**”.

Whereas:

- (A) The parties entered into the Contribution Agreement relating to the Consumer Healthcare Joint Venture on 22 April 2014 (the “**CA**”).
- (B) The CA was subsequently amended and restated on 29 May 2014 (the “**Original Agreement**”).
- (C) The parties now wish to further amend and restate the Original Agreement, in the form of the Amended Agreement (as defined below).

It is agreed as follows:

1. DEFINITIONS AND INTERPRETATION

In this Deed, unless the context otherwise requires, the provisions of this clause 1 apply.

1.1 Incorporation of defined terms

Unless otherwise stated, terms defined in the Original Agreement shall have the same meaning in this Deed.

1.2 Definitions

“**Amended Agreement**” means the Original Agreement, as amended and restated in the form set out in the Schedule to this Deed; and

“**Signing Date**” means 22 April 2014.

1.3 Interpretation clauses

1.3.1 The principles of interpretation set out in Clause 1 of the Original Agreement shall have effect as if set out in this Deed, save that references to “this Agreement” shall be construed as references to “this Deed”.

1.3.2 References to this Deed include the Schedule.

2. AMENDMENT

2.1 In accordance with Clauses 15.5.3 and 15.6.1 of the Original Agreement, the parties agree that the Original Agreement shall be amended and restated as set out in the Schedule to this Deed.

2.2 The amendment and restatement of the Original Agreement pursuant to clause 2.1 shall take effect from the Signing Date, as if the Amended Agreement had been entered into on the Signing Date.

2.3 Upon this Deed being entered into, the Amended Agreement shall supersede the Original Agreement in its entirety.

3. MISCELLANEOUS

3.1 Each party represents and warrants that it has full power and authority to enter into this Deed and to perform its obligations under it.

3.2 The provisions of Clauses 12, 15.3 to 15.6 and 15.14 to 15.18 of the Amended Agreement shall apply to this Deed as if set out in full in this Deed and as if references in those Clauses to “this Agreement” are references to this Deed and references to “party” or “parties” are references to parties to this Deed.

In witness whereof this Deed has been delivered on the date first stated above.

Executed as a **DEED** by)
GLAXOSMITHKLINE PLC acting by)
its duly appointed attorney) /s/ Edgar B. Cale
) (Signature of attorney)
)

In the presence of:

Witness' signature: /s/ Claire Jackson
Name (print): Claire Jackson
Occupation: Solicitor
Address: One Bunhill Row, London

In witness whereof this Deed has been delivered on the date first stated above.

Executed as a **DEED** by)
)
Jing Zhao as Attorney and) /s/ Jing Zhao
)
Jonathan Emery As Attorney)
) /s/ Jonathan Emery
on behalf of **NOVARTIS AG**)

In witness whereof this Deed has been delivered on the date first stated above.

Executed as a **DEED** by)
GLAXOSMITHKLINE CONSUMER)
HEALTHCARE HOLDINGS LIMITED) /s/ Edgar B. Cale
acting by its duly appointed attorney) (Signature of attorney)
)

In the presence of:

Witness' signature: /s/ Claire Jackson
Name (print): Claire Jackson
Occupation: Solicitor
Address: One Bunhill Row, London

SCHEDULE
Amended Agreement

EXECUTION VERSION

Dated 22 April 2014
as amended and restated on 29 May 2014, and further amended and restated on 1 March 2015

GLAXOSMITHKLINE PLC

and

NOVARTIS AG

and

GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED

CONTRIBUTION AGREEMENT
relating to the Consumer Healthcare Joint Venture

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Contribution Agreement

This Agreement is made on 22 April 2014, amended and restated on 29 May 2014, and as further amended and restated on 1 March 2015

between:

- (1) **Novartis AG**, a corporation (Aktiengesellschaft) registered in the Commercial Register of the Canton of Basel-Stadt, Switzerland under number CHE-103.867.266 and whose registered office is at Basel Switzerland and whose address is Lichtstrasse 35, 4056 Basel (“**Novartis**”);
- (2) **GlaxoSmithKline Plc**, a company registered in England under number 03888792 and whose registered office is at 980 Great West Road, Brentford, Middlesex TW8 9GS (“**GlaxoSmithKline**”, with each of Novartis and GlaxoSmithKline being, a “**Seller**” and together, the “**Sellers**”); and
- (3) **GlaxoSmithKline Consumer Healthcare Holdings Limited**, a company registered in England under number 08998608 whose registered office is at 980 Great West Road, Brentford, Middlesex TW8 9GS (the “**Purchaser**”),

each a “**party**” and together the “**parties**”.

Whereas:

- (A) Each Seller and certain of its Affiliates (as defined below), including that Seller’s Target Group Companies (as defined below), are engaged in that Seller’s Contributed Business (as defined below).
- (B) As of the date of this Agreement, each Seller and certain of its Affiliates directly or indirectly own shares or other equity interests in that Seller’s Target Group Companies.
- (C) Each Seller has agreed to sell (or procure the sale of) its Target Group (as defined below) and to assume the obligations imposed on it as a Seller under this Agreement, in each case, on the terms and subject to the conditions of this Agreement.
- (D) The Purchaser has agreed to purchase (or procure the purchase of) the Target Groups and to assume the obligations imposed on the Purchaser under this Agreement, in each case, on the terms and subject to the conditions of this Agreement.
- (E) In connection with the transactions contemplated by this Agreement, the Purchaser and GlaxoSmithKline and/or Novartis, and/or certain of their respective Affiliates, have entered into or will enter into the Ancillary Agreements (as defined below).

It is agreed as follows:

1. INTERPRETATION

In this Agreement, unless the context otherwise requires, the provisions in this Clause 1 apply:

1.1 Definitions

“**2012 Accounts**” means, for each Target Group Company, the audited financial statements of that Target Group Company, prepared in accordance with legislation as in force and applicable to that Target Group Company for the accounting reference period

ended on the 2012 Accounts Date, comprising the balance sheet, the profit and loss account and the notes to the accounts;

“**2012 Accounts Date**” means 31 December 2012;

“**2013 Operating Income**” means the operating income for 2013 annexed to the Disclosure Letter at Annex B.

“**A Shares**” means the A ordinary shares in the capital of the Purchaser, having the rights and restrictions set out in the articles of association of the Purchaser as at Closing, and which, immediately following Closing, will represent 63.5 per cent. of the ordinary share capital of the Purchaser;

“**Action**” means the taking of any steps by any Governmental Entity to seek a Judgment which would have the effect of preventing the consummation of the transactions contemplated by this Agreement by the Purchaser;

“**Additional 2015 Products**” means

- (i) products reported in the Allergy and Dermatology Business Unit in China, being Flixonase, Avamys, Beconase, Valtrex, Drapolene, Cutivate, Physiogel and Spectraban;
- (ii) Flonase / Flixonase Prescription Products in Denmark, Sweden, Finland, Singapore, Malaysia;
- (iii) Stieprox in BMA, Azerbaijan, Georgia, Ukraine, Russia, Brazil, Korea, Hong Kong, Malaysia, Singapore and Philippines;
- (iv) Darrier in Mexico; and
- (v) any Consumer Healthcare Products in Israel.

“**Affiliate**” means:

- (i) with respect to the parties, any other person that is Controlled by such person; or
- (ii) with respect to any other person, any other person that Controls, is Controlled by or is under common Control with such person, and “**Affiliates**” shall be interpreted accordingly,

provided that any Delayed Target Group Company shall not constitute an “Affiliate” of the Purchaser unless, and until, the relevant Delayed Closing Date in respect of such Delayed Target Group Company;

“Affiliate Contract” means:

- (i) in respect of GlaxoSmithKline, any Contract between or among any member of GlaxoSmithKline’s Group (other than its Target Group Company) on the one hand, and its Target Group Company on the other hand, to the extent that it relates to any services that will be and, as at Closing are, provided under the Ancillary Agreements, but excluding, for the avoidance of doubt: (i) any Ancillary Agreement; and (ii) any Contract comprising or related to any Intra-Group Trading Payables or Intra-Group Trading Receivables; or
- (ii) in respect of Novartis, any Contract between or among any member of Novartis’s Group (other than its Target Group Company) on the one hand, and its Target Group Company on the other hand, but excluding:
 - (a) any Ancillary Agreement;
 - (b) any Contract comprising or related to any Intra-Group Trading Payables or Intra-Group Trading Receivables;
 - (c) any Novartis Services Contract;
 - (d) any Novartis Distribution and Sales Products Contract;
 - (e) the Algerian Distribution Contracts; and
 - (f) the Saudi Distribution Contracts.

“Agreed Terms” means, in relation to a document, such document in the terms agreed between GlaxoSmithKline and Novartis and initialled for identification purposes by GlaxoSmithKline’s Lawyers and Novartis’s Lawyers, with such alterations as may be agreed in writing between the parties from time to time;

“Agreed UK Restructuring Arrangement” means the pension augmentation (or cash in lieu of augmentation) policy applying on redundancy to UK employees of the GlaxoSmithKline Group who joined service prior to 1 April 2005 as disclosed to Novartis prior to the date of this Agreement via a document which was signed on 22 April 2014 by Eleanor Hart of Slaughter and May and Andrew Murphy of Freshfields Bruckhaus Deringer LLP for identification purposes;

“Agreement” means this contribution agreement as it may have been amended or restated from time to time;

“Algerian Distribution Contracts” means any contracts entered into between Novartis Consumer Health SA and Sandoz SPA and any other contracts entered into by any Novartis Target Group Company in relation to the Novartis OTC Business in Algeria as Novartis and the Purchaser may agree from time to time;

“Alliance Market Businesses” means the GlaxoSmithKline Alliance Market Businesses and the Novartis Alliance Market Businesses;

“**Alliance Market Distribution Agreement**” has the meaning given in the Shareholders’ Agreement;

“**Alliance Market Local Transfer Agreements**” means the local transfer agreements listed in Appendix 1;

“**Alliance Market Territories**” means Austria, Chile, Dominican Republic, Ecuador, Egypt, El Salvador, Guatemala, Honduras, Israel, Jamaica, Morocco, Peru, Trinidad and Tobago, Uruguay and Venezuela;

“**Ancillary Agreement Liabilities**” means, in respect of a Seller, the Liabilities of any member of that Seller’s Group to any member of the Purchaser’s Group and the Liabilities of any member of the Purchaser’s Group to any member of that Seller’s Group, in each case arising under any Ancillary Agreement;

“**Ancillary Agreements**” means the Implementation Agreement, the Local Transfer Documents, the Disclosure Letters, the Tax Indemnity, the France Offer Letters, the France SAPAs, the Netherlands Offer Letter, the Netherlands SAPA, the Transitional Services Agreement, the Manufacturing and Supply Agreements, the Transitional Distribution Services Agreements, the Purchaser Trademark Licence Agreements, the Purchaser Patent and Know-How Licence Agreements, the Intellectual Property Assignment Agreements, the Pharmacovigilance Agreement, the Support Services Agreement, the Shareholders’ Agreement and the Claims Management Agreement;

“**Animal Health Term Sheet**” has the meaning given to it in Clause 5.2.3(i);

“**Anti-Bribery Law**” means any Applicable Law that relates to bribery or corruption, including the US Foreign Corrupt Practices Act of 1977 and the UK Bribery Act 2010, in each case, as amended, re-enacted or replaced from time to time;

“**Applicable Law**” means any supra-national, federal, national, state, municipal or local statute, law, ordinance, regulation, rule, code, order (whether executive, legislative, judicial or otherwise), judgment, injunction, notice, decree or other requirement or rule of law or legal process (including common law), or any other order of, or agreement issued, promulgated or entered into by, any Governmental Entity or any rule or requirement of any national securities exchange, including all Healthcare Laws, and GCP, GLP, and GMP, each as may be amended, re-enacted or replaced from time to time;

“**Appointment Notice**” has the meaning given to it in paragraph 1.4 of Schedule 12;

“**Articles of Association**” means the articles of association of the Purchaser in the Agreed Terms, as amended from time to time in accordance with the provisions of the Shareholders’ Agreement;

“**Associated Person**” means, in relation to a Seller’s Group, a person (including any director, officer, employee, agent or other intermediary) who performs services for or on behalf of any member of that Seller’s Group or who holds shares of capital stock, partnership interests, limited liability company membership interests or units, shares,

interests or other participations in any member of that Seller's Group (in each case, when performing such services or acting in such capacity);

"Assumed Liabilities" means all Liabilities relating to the Target Group Businesses (including, for the avoidance of doubt, any Delayed Target Group Businesses and any Alliance Market Businesses) other than: (i) the Excluded Liabilities; (ii) any Assumed Pension and Employment Liabilities; (iii) any Liabilities in respect of Tax (other than Tax which has been provided for or reflected in the Closing Statement and Tax which has been assumed by a member of the Purchaser's Group under an express provision of this Agreement); and (iv) any Ancillary Agreement Liabilities;

"Assumed Pension and Employment Liabilities" means (i) any Liabilities assumed by the Purchaser or a member of the Purchaser's Group as contemplated by Schedule 7; and (ii) any Transferred Employee Benefit Liabilities (as defined in Schedule 8) which the Purchaser agrees to assume in accordance with Schedule 8;

"B Shares" means the B ordinary shares in the capital of the Purchaser, having the rights and restrictions set out in the articles of association of the Purchaser as at Closing, and which, immediately following Closing, will represent 36.5 per cent. of the ordinary share capital of the Purchaser;

"Base Working Capital Range" means, in respect of a Seller, the range between its Minimum Working Capital Amount and its Maximum Working Capital Amount;

"Baxter" means Baxter Healthcare Corporation;

"Baxter Excluded Contract" means the supply and distribution agreement entered into between Novartis Consumer Health Inc. and Baxter dated 1 January 2003;

"Benefit Plans" means the US Benefit Plans and the Non-US Benefit Plans;

"Brand" means the primary name of a Product;

"Business Day" means a day which is not a Saturday, a Sunday or a public holiday in the canton of Basel-Stadt (Switzerland) or London (United Kingdom);

"Business Information" means, in respect of a Seller: (i) Commercial Information; (ii) Medical Information; and (iii) any other information Predominantly Related to its Contributed Business;

"Business Sellers" means, in respect of a Seller, the members of that Seller's Group (other than its Target Group Companies) that own assets of or otherwise conduct any of its Target Group Businesses;

"Call for New Tender" means, in respect of a Seller, any calls for a tender (including any tender for a basket of products), whether a new tender or the renewal of an existing tender, which includes its Products and which is published after Closing of which that Seller and/or any of its Affiliates become aware and which relates in whole or in part to the sale of its Products;

“**Cash Balances**” means cash in hand or credited to any account with a financial institution and securities which are readily convertible into cash;

“**Cash Pooling Arrangements**” means, in respect of a Seller, the cash pooling arrangements of that Seller’s Group in which any of its Target Group Companies participate;

“**Cash Portion**” means, in respect of GlaxoSmithKline, £190,500,000 and, in respect of Novartis, £109,500,000;

“**Certificate**” means, in the case of a Seller, a certificate signed by a director, officer or an authorised signatory of that Seller in the form set out in Schedule 5 to be provided to the Purchaser immediately prior to Closing;

“**CFIUS**” means the Committee on Foreign Investment in the United States;

“**CFIUS Approval**” means written notice from CFIUS that any review or investigation of the Transaction under Section 721 of the Defense Production Act of 1950 of the United States, as amended (50 U.S.C. App. Section 2170), has been concluded and there are no unresolved national security concerns with respect to the Transaction or the President shall have determined not to take action with respect to the Transaction;

“**CFIUS Filing**” has the meaning given to it in Clause 4.2.3(ii);

“**Chinese JV Contracts**” means the joint venture contract between Tianjin Pharmaceutical Corporation and SmithKline Beckman Corporation dated April 1984, as amended from time to time, and any other ancillary agreements thereto;

“**Chinese JV Interests**” means all of the shares or other equity interests held by SmithKline Beckman Corporation in The Sino-American Tianjin Smith Kline & French Laboratories, Ltd, a joint venture company governed by the Chinese JV Contracts;

“**Claims Management Agreement**” means the agreement between each of the Sellers and the Purchaser, to be negotiated in good faith between the parties and entered into at Closing, in respect of the management of claims or investigations by or against third parties (including by any Governmental Agency), including those which constitute or may constitute an Assumed Liability or Excluded Liability;

“**Clinical Trials/Data Liability**” means any Liability arising out of, relating to or resulting from any breach of Applicable Law in connection with the conduct of, or reporting or data in relation to, clinical studies or trials (including post-approval studies) sponsored or supported by or in relation to a Target Group or otherwise recommended by a Governmental Entity;

“**Closing**” means the completion of the sale of (i) the Shares and (ii) the Target Group Businesses in respect of each of GlaxoSmithKline and Novartis, in each case, pursuant to this Agreement and any Ancillary Agreement, and Closing shall be deemed to have taken place even if some of the Shares in relation to the Joint Venture Entities only or other elements of the Contributed Businesses have not transferred to the Purchaser

pursuant to Schedule 6, Schedule 22 (*Delayed Businesses*) and Clause 2.6 (*Alliance Market Businesses*) to which the provisions of Schedule 6, Schedule 22 and Clause 2.6 respectively shall then apply;

“**Closing Date**” means the date on which Closing takes place in accordance with Clause 6.1;

“**Closing Statement**” means, in respect of a Seller, the statement setting out the Working Capital, the Working Capital Adjustment, the Target Group Companies’ Cash Balances, the Intra-Group Non-Trade Receivables, the Third Party Indebtedness, the Intra-Group Non-Trade Payables and the Tax Adjustment, to be prepared by that Seller and agreed or determined in accordance with Clause 7 and Schedule 12;

“**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985 of the United States, as amended, section 4980B of the Code, Title I Part 6 of ERISA and any similar US state group health plan continuation law, together with its implementing regulations;

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended, together with its implementing regulations;

“**Commercial Information**” means, in respect of a Seller, information that is, as of the Closing Date, or, in respect of any Delayed Business, the Delayed Closing Date, as applicable, owned by that Seller and/or its Affiliates and Predominantly Related to that Seller’s Contributed Business;

“**Commercial Practices Liability**” means any Liability arising out of, relating to or resulting from any breach of Applicable Law in connection with Commercialisation;

“**Commercialise**” means to promote, market, distribute, sell and/or otherwise commercialise a product and

“**Commercialising**” and “**Commercialisation**” shall be construed accordingly;

“**Company Lease**” has the meaning given to it in paragraph 1.1 of Part 3 of Schedule 2;

“**Company Leased Properties**” has the meaning given to it in paragraph 1.1 of Part 3 of Schedule 2;

“**Company Owned Properties**” has the meaning given to it in paragraph 1.1 of Part 3 of Schedule 2;

“**Company Properties**” means the Company Owned Properties and the Company Leased Properties, and “**Company Property**” means any one of them;

“**Consumer Healthcare Product**” means, in respect of any jurisdiction, any oral care, nutritional care, skin care or other cosmetic or healthcare product or device of any kind, in each case, for the treatment of, or use by, human beings which is available without, or both with and without, a prescription, but excluding any such product or device that is

subject to the same regulatory classification and/or regulatory treatment (including in relation to advertising) as a product or device that is available only with a prescription;

“**Contract**” means any binding contract, agreement, instrument, lease, licence or commitment, excluding: (i) any lease or other related or similar agreements, undertakings and arrangements with respect to the leasing or ownership of the Properties (to which the provisions set out in Schedule 2 shall apply); and (ii) any contract with any Employee;

“**Contracts Liabilities**” means Liabilities relating to: (i) the Transferred Contracts; (ii) the Transferred Intellectual Property Contracts; and (iii) all other contracts (or any part thereof) transferred, assigned, novated or assumed by the Purchaser pursuant to this Agreement or to which a Target Group Company is or was a party or under which a Target Group Company has any Liability, and “**Contracts Liability**” shall be construed accordingly;

“**Contributed Business**” means, in respect of GlaxoSmithKline, the GlaxoSmithKline Consumer Business and, in respect of Novartis, the Novartis OTC Business;

“**Control**” means the power to direct the management and policies of a person (directly or indirectly), whether through ownership of voting securities, by Contract or otherwise (and the term “**Controlled**” shall be interpreted accordingly);

“**Controlled Business Instruction**” has the meaning given in Schedule 22 (*Delayed Businesses*);

“**Controlled Delayed Business**” has the meaning given in Schedule 22 (*Delayed Businesses*);

“**Co-Owned Target Group Intellectual Property Rights**” means any Target Group Intellectual Property Right that is owned in part by a third party;

“**Copyright**” means any works of authorship, copyrights, database rights, mask work rights and registrations and applications thereof;

“**December Presentation**” means, in the case of GlaxoSmithKline, the GlaxoSmithKline December 2013 Presentation and, in the case of Novartis, the Novartis December 2013 Presentation;

“**Decision**” means the issuing of any decision by a competition, antitrust, foreign investment, national, local, supranational or supervisory or other government, governmental, quasi-governmental, trade, or regulatory body, agency, branch, subdivision, department, commission, official or authority, including any Tax Authority and any governmental department and any court or other tribunal, that would have the effect of prohibiting the acquisition of the Target Groups by the Purchaser;

“**Deferred Employee**” means, in respect of GlaxoSmithKline, any GlaxoSmithKline Deferred Employee and, in respect of Novartis, any Novartis Deferred Employee;

“**Delayed Assets**” has the meaning given in Schedule 22 (*Delayed Businesses*);

“**Delayed Businesses**” has the meaning given in Schedule 22 (*Delayed Businesses*);

“**Delayed Business Employees**” has the meaning given in Schedule 7 (*Employees*);

“**Delayed Business Representatives**” has the meaning given in Schedule 22 (*Delayed Businesses*);

“**Delayed Closing**” has the meaning given in Schedule 22 (*Delayed Businesses*);

“**Delayed Closing Date**” has the meaning given in Schedule 22 (*Delayed Businesses*);

“**Delayed Company Employees**” has the meaning given in Schedule 7 (*Employees*);

“**Delayed Employees**” has the meaning given in Schedule 7 (*Employees*);

“**Delayed Local Payment Amount**” has the meaning given to it in Clause 6.5.3;

“**Delayed Payment Date**” has the meaning given to it in Clause 6.5.4;

“**Delayed Target Group Business**” has the meaning given in Schedule 22 (*Delayed Businesses*);

“**Delayed Target Group Company**” has the meaning given in Schedule 22 (*Delayed Businesses*);

“**Disclosure Letter**” means, in respect of GlaxoSmithKline, the letter dated on the same date as this Agreement from GlaxoSmithKline to the Purchaser and, in respect of Novartis, the letter dated on the same date as this Agreement from Novartis to the Purchaser;

“**Distribution Contract**” has the meaning given in paragraph 4.6.2 of Schedule 6;

“**Distribution Transfer Date**” has the meaning given to it in the Transitional Distribution Services Agreement;

“**Draft Closing Statement**” has the meaning given to it in Clause 7.1.1;

“**Effective Time**” means 11.59 p.m. (local time in the relevant location) on the Closing Date or, if the Closing Date is not the last day of a month but the first Business Day of a month, 11.59 p.m. on the last day of the immediately preceding month;

“**Election Date**” has the meaning given to it in Clause 4.2.3(ii);

“**Employee Benefit Indemnification Amount**” has the meaning given to it in Schedule 8;

“**Employee Benefits**” has the meaning given to it in Schedule 8;

“**Employees**” means, in respect of GlaxoSmithKline, the GlaxoSmithKline Employees and, in respect of Novartis, the Novartis Employees;

“**Encumbrance**” means any claim, charge, mortgage, lien, option, equitable right, power of sale, pledge, hypothecation, usufruct, retention of title, right of pre-emption, right of first refusal or other security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing, and for the avoidance of doubt, shall exclude any licences of, or claims of infringement in relation to, Intellectual Property Rights;

“**Endo**” means Endo Pharmaceuticals Inc.;

“**Endo Excluded Contract**” means the license and supply agreement between Novartis, Novartis Consumer Health, Inc. and Endo dated 4 March 2008, in relation to, among other things, a license to Commercialise Voltaren Gel as a Prescription Product;

“**Environmental Laws**” means any and all Applicable Law regulating or imposing Liability or standards of conduct concerning pollution or protection of the environment (including surface water, groundwater or soil);

“**Environmental Liabilities**” means any Liability arising out of, relating to or resulting from any Environmental Law or environmental, health or safety matter or condition, including natural resources, but excluding any Product Liability;

“**Environmental Permit**” means any permit, licence, consent or authorisation required by Environmental Laws issued by any relevant competent authority and used in relation to the operation or conduct of Manufacturing at any Property;

“**ERISA**” means the Employee Retirement Income Security Act of 1974 of the United States, as amended, together with its implementing regulations;

“**Estimated Employee Benefit Adjustment**” means, in respect of a Seller, that Seller’s reasonable estimate (in so far as practicable), made in good faith after consulting with the other Seller, of 95 per cent of the anticipated aggregate of its Employee Benefit Indemnification Amounts, to be notified by that Seller to the Purchaser pursuant to Clause 6.4. However, GlaxoSmithKline and Novartis may agree in writing to apply a different mechanism to determine and calculate the Estimated Employee Benefit Adjustment of each Seller;

“**Estimated Intra-Group Non-Trade Payables**” means, in respect of a Seller, that Seller’s reasonable estimate of its Intra-Group Non-Trade Payables, to be notified by that Seller to the Purchaser pursuant to Clause 6.4;

“**Estimated Intra-Group Non-Trade Receivables**” means, in respect of a Seller, that Seller’s reasonable estimate of its Intra-Group Non-Trade Receivables, to be notified by that Seller to the Purchaser pursuant to Clause 6.4;

“**Estimated Intra-Group Trade Balances**” means, in respect of a Seller, that Seller’s reasonable estimate of its Intra-Group Trade Balances, to be notified by that Seller to the Purchaser pursuant to Clause 6.4;

“Estimated Intra-Group Trade Payables” means, in respect of a Seller, that Seller’s reasonable estimate of its Intra-Group Trade Payables, to be notified by that Seller to the Purchaser pursuant to Clause 6.4;

“Estimated Intra-Group Trade Receivables” means, in respect of a Seller, that Seller’s reasonable estimate of its Intra-Group Trade Receivables, to be notified by that Seller to the Purchaser pursuant to Clause 6.4;

“Estimated Target Group Companies’ Cash Balances” means, in respect of a Seller, that Seller’s reasonable estimate of its Target Group Companies’ Cash Balances, to be notified by that Seller to the Purchaser pursuant to Clause 6.4;

“Estimated Tax Adjustment” means, in respect of a Seller, that Seller’s reasonable estimate of its Tax Adjustment, to be notified by that Seller to the Purchaser pursuant to Clause 6.4;

“Estimated Third Party Indebtedness” means, in respect of a Seller, that Seller’s reasonable estimate of its Third Party Indebtedness, to be notified by that Seller to the Purchaser pursuant to Clause 6.4;

“Estimated Transferred Accounts Payables” means, in respect of a Seller, that Seller’s reasonable estimate of its Transferred Accounts Payables, to be notified by that Seller to the Purchaser pursuant to Clause 6.4;

“Estimated Transferred Accounts Receivables” means, in respect of a Seller, that Seller’s reasonable estimate of its Transferred Accounts Receivables, to be notified by that Seller to the Purchaser pursuant to Clause 6.4;

“Estimated Working Capital” means, in respect of a Seller, that Seller’s reasonable estimate of its Working Capital, to be notified by that Seller to the Purchaser pursuant to Clause 6.4;

“Estimated Working Capital Adjustment” means, in respect of a Seller:

- (i) if its Estimated Working Capital is no less than its Minimum Working Capital Amount and no greater than its Maximum Working Capital Amount, zero;
- (ii) if its Estimated Working Capital is less than its Minimum Working Capital Amount, the amount by which its Estimated Working Capital is less than its Minimum Working Capital Amount, such amount being treated as a negative amount; or
- (iii) if its Estimated Working Capital is greater than its Maximum Working Capital Amount, the amount by which its Estimated Working Capital exceeds its Maximum Working Capital Amount, such amount being treated as a positive amount;

“Excluded Assets” means, in respect of GlaxoSmithKline, the GlaxoSmithKline Excluded Assets and, in respect of Novartis, the Novartis Excluded Assets;

“**Excluded Contracts**” means, in respect of a Seller, each Contract that is not Exclusively Related to that Seller’s Contributed Business;

“**Excluded Employees**” means, in respect of GlaxoSmithKline, GlaxoSmithKline Excluded Employees and, in respect of Novartis, the Novartis Excluded Employees;

“**Excluded Liabilities**” means, in respect of a Seller:

(i) all Liabilities:

(a) relating to that Seller’s Target Group Businesses (including, for the avoidance of doubt, any Delayed Target Group Businesses and any Alliance Market Businesses); and

(b) of that Seller’s Target Group Companies (other than Liabilities in respect of Tax),

in either case, to the extent that they have arisen or arise (whether before or after the applicable Liability Cut-off Time for that Liability) as a result of, or otherwise relate to, any act, omission, fact, matter, circumstance or event undertaken, occurring, in existence or arising before the applicable Liability Cut-off Time for that Liability, and in either case, other than:

(a) any Assumed Pension and Employment Liabilities,

(b) any Liabilities to the extent taken into account, provided for or reflected in the Closing Statement (including in respect of Tax),

(c) any Intra-Group Trade Payables,

(d) Transferred Accounts Payables between any member of that Seller’s Group (other than a Target Group Company) and a Business Seller of that Seller’s Group; and

(e) any Ancillary Agreement Liability; and

(ii) all Liabilities relating to its Seller’s Retained Business;

“**Exclusively Related to**” means, in respect of a Seller’s Contributed Businesses, exclusively related to, or used or held for use exclusively in connection with, that Contributed Business;

“**FCA**” means the Financial Conduct Authority;

“**FDA**” means the United States Food and Drug Administration (or its successor);

“**Final Payment Date**” means five Business Days after the date on which the process described in Part 1 of Schedule 12 for the preparation of its Closing Statement is complete;

“**France Assumed Liabilities**” means, in respect of a Seller, the Assumed Liabilities to the extent they relate to that Seller’s France Business;

“**France Business**” means, in respect of Novartis, that part of its Contributed Business that is conducted in France, including Novartis Santé Familiale S.A.S, its France Assumed Liabilities and its France Employees and, in respect of GlaxoSmithKline, that part of its Contributed Business that is conducted in France, its France Assumed Liabilities and its France Employees;

“**France Closing**” has, in respect of a Seller, the meaning given to it in that Seller’s France SAPA;

“**France Employees**” means, in respect of Novartis, the Employees employed by Novartis Santé Familiale S.A.S. and, in respect of GlaxoSmithKline, those of the GlaxoSmithKline Employees who are employed in France;

“**France Offer Letter**” means, in respect of a Seller, the letter from the Purchaser to that Seller in respect of the binding offer from the Purchaser to acquire that Seller’s France Business dated on the date hereof;

“**France Put Option Exercise**” means, in respect of a Seller, the meaning given to it in that Seller’s France Offer Letter;

“**France SAPA**” means, in respect of a Seller, the meaning given to it in that Seller’s France Offer Letter;

“**FSMA**” means the Financial Services and Markets Act 2000;

“**Full Disclosure**” means disclosure by the relevant Seller to the Purchaser of the material terms, including financial terms, of a Relevant Part of a Shared Business Contract;

“**Full Title Guarantee**” means, in respect of a Seller on the basis that the covenants implied under Part 1 of the Law of Property (Miscellaneous Provisions) Act 1994 where a disposition is expressed to be made with full title guarantee are deemed to be given by that Seller (on behalf of its relevant Share Seller or Business Seller) on Closing;

“**GlaxoSmithKline Alliance Market Businesses**” means the GlaxoSmithKline Consumer Group Businesses in the Alliance Market Territories;

“**GlaxoSmithKline’s Articles of Association**” means the articles of association of GlaxoSmithKline in force and effect from time to time;

“**GlaxoSmithKline Bangladesh**” means GlaxoSmithKline Bangladesh Limited, a company incorporated in Bangladesh and listed on the Dhakar Stock Exchange;

“**GlaxoSmithKline Bangladesh Business**” means that part of the GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline Bangladesh or any person Controlled by GlaxoSmithKline Bangladesh from time to time;

“GlaxoSmithKline Business Employees” means the employees of any member of GlaxoSmithKline’s Group who work wholly or substantially in the GlaxoSmithKline Consumer Business from time to time including, for the avoidance of any doubt, the GlaxoSmithKline International Assignees other than the GlaxoSmithKline Company Employees and the GlaxoSmithKline Excluded Employees and provided that, in relation to the Seller’s Warranties only, the words “from time to time” shall be deemed to be replaced by “at the date of this Agreement”, and **“GlaxoSmithKline Business Employee”** means any one of them;

[***]

“GlaxoSmithKline Company Employees” means the employees from time to time of any of the GlaxoSmithKline Consumer Group Companies other than the GlaxoSmithKline Excluded Employees, and provided that, in relation to the Seller’s Warranties only, the words “from time to time” shall be deemed to be replaced by “at the date of this Agreement”, and **“GlaxoSmithKline Company Employee”** means any one of them;

“GlaxoSmithKline Consumer Business” means:

- (i) the business of researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise Commercialising the GlaxoSmithKline Products in the GlaxoSmithKline Territories;
- (ii) the business of researching and developing the GlaxoSmithKline Pipeline Products;
- (iii) all rights, title and interest in relation to researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise Commercialising GlaxoSmithKline’s In-Scope Switch Product, in any jurisdiction, as a Consumer Healthcare Product only;
- (iv) the business of manufacturing, distributing, marketing, selling, promoting and/or otherwise Commercialising the Prescription Products which are managed by and reported for financial purposes in the GlaxoSmithKline Consumer Healthcare Division for, or since, the year ended December 2013 and, in respect of any such Prescription Product, in the territories in which sales are reported for such Prescription Product for financial purposes in the GlaxoSmithKline Consumer Healthcare Division for, or since, the year ended December 2013; and
- (v) any royalty streams in respect of any products received by and reported for financial purposes in the GlaxoSmithKline Consumer Healthcare Division for, or since, the year ended 31 December 2013,

in each case, conducted by GlaxoSmithKline’s Group, but excluding the GlaxoSmithKline Excluded Assets;

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

“GlaxoSmithKline Consumer Group” means the GlaxoSmithKline Consumer Group Companies and the GlaxoSmithKline Consumer Group Businesses;

“GlaxoSmithKline Consumer Group Businesses” means the businesses of the GlaxoSmithKline Consumer Business (but excluding the businesses carried on by the GlaxoSmithKline Consumer Group Companies) as set out in Clause 2.3.1, but subject always to Clause 2.3.2, and **“GlaxoSmithKline Consumer Group Business”** means any of them;

“GlaxoSmithKline Consumer Group Companies” means:

- (i) those members of GlaxoSmithKline’s Group whose operations, assets and/or businesses are Exclusively Related to the GlaxoSmithKline Consumer Business, an indicative list of which are set out in the table in Part A of Part 1 of Schedule 1, including any Intermediate Holdco as defined in Schedule 17 (*Reorganisations*), but excluding any such members whose operations, assets and/or businesses form any part of the GlaxoSmithKline Excluded Assets; and
- (ii) any member of GlaxoSmithKline’s Group whose operations, assets and/or businesses are not Exclusively Related to the GlaxoSmithKline Consumer Business only by virtue of owning an Rx Spin-out Business,

and **“GlaxoSmithKline Consumer Group Company”** shall mean any one of them;

“GlaxoSmithKline December 2013 Presentation” means the management presentation entitled Project Constellation Consumer Healthcare and dated 3 December 2013 and attached to this Agreement as Attachment 1;

“GlaxoSmithKline Deferred Employee” means any person to whom GlaxoSmithKline, any GlaxoSmithKline Consumer Group Company or any other member of GlaxoSmithKline’s Group has made an offer of employment for a role in the GlaxoSmithKline Consumer Business in compliance with Clause 5 and who has accepted such offer in writing and whose employment in the GlaxoSmithKline Consumer Business will take effect on a date following the Closing Date, save that no person shall become a GlaxoSmithKline Deferred Employee unless and until GlaxoSmithKline has provided to Novartis a copy of the offer letter setting out the agreed principal terms of employment and/or employment agreement (if executed) applicable to such person;

“GlaxoSmithKline Employees” means the GlaxoSmithKline Business Employees and the GlaxoSmithKline Company Employees, and **“GlaxoSmithKline Employee”** means any one of them;

“GlaxoSmithKline Excluded Assets” means the property, rights, businesses and assets referred to in Clause 2.3.2 in respect of the GlaxoSmithKline Consumer Group Businesses and the assets and businesses set out in Part 1 of Schedule 3;

“GlaxoSmithKline Excluded Businesses” means:

- (i) the business(es) (from time to time) of or reported for financial purposes in the business(es) of GlaxoSmithKline Consumer Healthcare Limited, an Indian listed company, and its successors and assigns and any person Controlled by GlaxoSmithKline Consumer Healthcare Limited from time to time;
- (ii) the business(es) (from time to time) of or reported for financial purposes in the business(es) of GlaxoSmithKline Consumer Nigeria plc, a Nigerian listed company, and its successor and assigns and any person Controlled by GlaxoSmithKline Consumer Nigeria plc from time to time;
- (iii) the business(es) (from time to time) of the GlaxoSmithKline Pharmaceutical Division, including the business of researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise Commercialising any Consumer Healthcare Products which are managed by and reported for financial purposes in the GlaxoSmithKline Pharmaceutical Division on or prior to the date of this Agreement (including any development of such products);
- (iv) any business(es) (from time to time) of or reported for financial purposes in the business(es) of:
 - (i) Asia Private Limited, a private limited company incorporated in India; and/or
 - (ii) its successors and assigns and any person Controlled by Asia Private Limited from time to time, in each case, to the extent that such business(es) are part of the business(es) conducted by the business(es) referred to in paragraph (i) of this definition; and
- (v) any assets or liabilities that are deemed to constitute GlaxoSmithKline Excluded Assets pursuant to paragraph 11 of Schedule 6,

but shall not include the business(es) (from time to time) of researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise Commercialising the Additional 2015 Products;

“GlaxoSmithKline Excluded Employees” means the employees of any member of GlaxoSmithKline’s Group (including the GlaxoSmithKline Consumer Group Companies) as identified as GlaxoSmithKline Excluded Employees in the GlaxoSmithKline Excluded Employee list provided to the Purchaser on 26 February 2015, subject to such further changes as GlaxoSmithKline and the Purchaser may agree. It being agreed that inclusion in such list of any specific employee or category of employee does not denote agreement by the parties that such employee or category of employee would otherwise have been considered to be working wholly or substantially in the GlaxoSmithKline Consumer Business;

“GlaxoSmithKline’s Group” means GlaxoSmithKline and its Affiliates from time to time, provided that, for the purposes of this Agreement, the Purchaser and any person Controlled by the Purchaser (whether directly or indirectly) from time to time shall not be included in GlaxoSmithKline’s Group;

“GlaxoSmithKline International Assignees” means the employees of any member of GlaxoSmithKline’s Group (including the GlaxoSmithKline Consumer Group Companies) as may be identified as International Assignees in the International Assignee List

provided to the Purchaser on 26 February 2015, subject to such further changes as GlaxoSmithKline and the Purchaser may agree;

“**GlaxoSmithKline Joint Venture Entities**” means all entities in which GlaxoSmithKline’s Group holds equity interests of less than 100 per cent. but whose operations, assets and/or businesses are Exclusively Related to the GlaxoSmithKline Consumer Business, an indicative list of which are set out in the relevant part of the table in Part B of Part 1 of Schedule 1, excluding any such entity whose operations, assets and/or businesses form part of the GlaxoSmithKline Excluded Assets;

“**GlaxoSmithKline JV Funding Loan**” means all outstanding loans or other financing liabilities or obligations (including, for the avoidance of doubt, interest accrued, dividends declared or payable but not paid) owed by JV Treasury Co to GSK Finance plc as at the Effective Time;

“**GlaxoSmithKline Key Personnel**” means the GlaxoSmithKline Employees listed in Part 1 of Schedule 16;

“**GlaxoSmithKline’s Lawyers**” means Slaughter and May of One Bunhill Row, London EC1Y 8YY;

“**GlaxoSmithKline Material Employee Jurisdictions**” means Brazil, China, Germany, the United Kingdom and the United States of America;

“**GlaxoSmithKline Pakistan**” means GlaxoSmithKline Pakistan Limited, a company incorporated in Pakistan as a limited liability company and listed on the Karachi and Lahore Stock Exchanges;

“**GlaxoSmithKline Pakistan Business**” means that part of the GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline Pakistan or any person Controlled by GlaxoSmithKline Pakistan from time to time;

“**GlaxoSmithKline Pakistan Consent**” has the meaning given in paragraph 9.1 of Schedule 6;

“**GlaxoSmithKline Pipeline Products**” means each product that the GlaxoSmithKline Consumer Healthcare Division is researching and developing;

“**GlaxoSmithKline Products**” means, in respect of any territory, any Consumer Healthcare Products which are managed by and reported for financial purposes in the GlaxoSmithKline Consumer Healthcare Division in that territory for the year ended 31 December 2013 or since, an indicative list of which is set out in Part 1 of Schedule 9, and including the Additional 2015 Products;

“**GlaxoSmithKline Shareholder Meeting**” has the meaning given to it in Clause 4.1.6;

“**GlaxoSmithKline Shareholder Resolution**” has the meaning given to it in Clause 4.1.6;

“**GlaxoSmithKline Shareholders**” means the holders of ordinary shares in the capital of GlaxoSmithKline from time to time;

“**GlaxoSmithKline Shares**” means the shares and other ownership interests in the capital of: (i) the GlaxoSmithKline Consumer Group Companies; and (ii) the GlaxoSmithKline Joint Venture Entities that are owned by any member of GlaxoSmithKline’s Group;

“**GlaxoSmithKline Statement of Net Assets**” has the meaning given to it in Part 1 of Schedule 18;

“**GlaxoSmithKline Territories**” means, in respect of any GlaxoSmithKline Product, each of the territories in which sales are reported for such GlaxoSmithKline Product for financial purposes in the GlaxoSmithKline Consumer Healthcare Division for the year ended 31 December 2013 or since;

“**Good Clinical Practices**” or “**GCP**” means the then-current standards, practices and procedures promulgated or endorsed by: (i) the ICH Harmonised Tripartite Guidelines for Good Clinical Practice (CPMP/ICH/135/95) and any other guidelines for good clinical practices for trials on medicinal products in the European Union; (ii) the FDA as set forth in the guidelines entitled “Guidance for Industry E6 Good Clinical Practice: Consolidated Guidance,” including related regulatory requirements imposed by the FDA; and (iii) the equivalent Applicable Law in any relevant country;

“**Good Laboratory Practices**” or “**GLP**” means the then-current standards, practices and procedures promulgated or endorsed by: (i) the European Commission Directive 2004/10/EC relating to the application of the principles of good laboratory practices as well as “The rules governing medicinal products in the European Union,” Volume 3, Scientific guidelines for medicinal products for human use (ex - OECD principles of GLP); (ii) the then-current standards, practices and procedures promulgated or endorsed by the FDA as defined in 21 C.F.R. Part 58; and (iii) the equivalent Applicable Law in any relevant country;

“**Good Manufacturing Practices**” or “**GMP**” means the then-current standards, practices and procedures promulgated or endorsed by: (i) the European Commission Directive 91/356/EEC, as amended by Directives 2003/94/EC and 91/412/EEC respectively, as well as “The rules governing medicinal products in the European Union,” Volume 4, Guidelines for good manufacturing practices for medicinal products for human and veterinary use; (ii) the FDA and the provisions of 21 C.F.R. Parts 210 and 211; (iii) the principles detailed in the ICH Q7A guidelines; and (iv) all Applicable Law with respect to each of (i) through (iii);

“**Governmental Entity**” means any supra-national, federal, national, state, county, local, municipal or other governmental, regulatory or administrative authority, agency, commission or other instrumentality, any court, tribunal or arbitral body with competent jurisdiction, or any national securities exchange or automated quotation service, including any governmental regulatory authority or agency responsible for the grant, approval, clearance, qualification, licensing or permitting of any aspect of the research, development, manufacture, marketing, distribution, promotion, sale or other

commercialisation of the relevant Products including the FDA, the European Medicines Agency, or any successor agency thereto;

“**Governmental Liability**” means any Liability arising out of, relating to or resulting from any claim, demand, action, suit, proceedings or investigation by a Governmental Entity (other than a Tax Authority) brought or undertaken in connection with products sold or developed by, or operations or practices of, the relevant Target Group prior to Closing;

“**Gross Negligence**” has the meaning given in paragraph 2.16 of Schedule 22;

“**GSK Finance Cash Balances**” means the amounts held on deposit by GSK Finance plc on behalf of any GlaxoSmithKline Target Group Companies as part of GlaxoSmithKline’s Cash Pooling Arrangement to the extent that such amounts are immediately accessible on demand and constitute Readily Available Cash for the purposes of the Shareholders’ Agreement;

“**Hazardous Substance**” means any gasoline or petroleum products, polychlorinated biphenyls, urea-formaldehyde insulation, hazardous wastes, toxic substances, asbestos, pollutants, or contaminants defined as such in or regulated under any applicable Environmental Law;

“**Healthcare Laws**” means the federal Anti-kickback Statute (42 U.S.C. § 1320a-7b(b)); the Anti-Inducement Law (42 U.S.C. § 1320a-7a (a)(5)); the civil False Claims Act (31 U.S.C. §§ 3729 et seq.); the administrative False Claims Law (42 U.S.C. § 1320a-7b(a)); the Exclusion Laws (42 U.S.C. § 1320a-7); the Medicare statute (Title XVIII of the Social Security Act), including Social Security Act §§ 1860D-1 to 1860D-43 (relating to Medicare Part D and the Medicare Part D Coverage Gap Program); the Medicaid statute (Title XIX of the Social Security Act); the Physician Payment Sunshine Act (42 U.S.C. § 1320a-7h) and any analogous state laws; the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. § 1320d et seq.), as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and any other similar law, including the price reporting requirements and the requirements relating to the processing of any applicable rebate, chargeback or adjustment, under applicable rules and regulations relating to the Medicaid Drug Rebate Program (42 U.S.C. § 1396r-8), any state supplemental rebate program, Medicare average sales price reporting (42 U.S.C. § 1395w-3a); the Public Health Service Act (42 U.S.C. § 256b); the Veterans Health Care Act (38 U.S.C. § 8126), regulatory requirements applicable to sales on the Federal Supply Schedule or under any state pharmaceutical assistance program or United States Department of Veterans Affairs agreement, all legal requirements relating to the billing or submission of claims, collection of accounts receivable, underwriting the cost of, or provision of management or administrative services in connection with, any and all of the foregoing, by the relevant Seller’s Group and any successor government programmes, and all foreign equivalents of the foregoing;

“**HSR Act**” means the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended, together with its implementing regulations;

“**IFRS**” means International Financial Reporting Standards, comprising the accounting standards and interpretations issued, adopted and/or approved by the International Accounting Standards Board;

“**Implementation Agreement**” means the implementation agreement dated the date of this Agreement between Novartis and GlaxoSmithKline relating to, amongst other things, the implementation of the Transaction;

“**In-Market Inventory**” means, in respect of a Seller, all inventory of the Products for Commercialisation that, at any particular time: (i) is beneficially owned by a member of that Seller’s Group; (ii) is in finished packed form and released for Commercialisation; and (iii) is located: (a) in (or in transit to) the relevant market; or (b) in (or in transit to) a multi-market warehouse owned or operated by a member of that Seller’s Group or by a third party; or (c) at a Property pending despatch following release by the relevant qualified person to the relevant market or multi-market warehouse;

“**In-Scope Switch Product**” means, in respect of GlaxoSmithKline, Flonase /Flixonase and, in respect of Novartis, Voltaren, but, in each case, only to the extent relating to the rights to research and develop, manufacture, distribute, market, sell, promote and/or otherwise Commercialise the same as a Consumer Healthcare Product, and

“**GlaxoSmithKline’s In-Scope Switch Product**” and “**Novartis’s In-Scope Switch Product**” shall be construed accordingly;

“**Indebtedness**” means all loans and other financing liabilities and obligations in the nature of borrowed moneys and overdrafts, but excluding trade debt and liabilities arising in the ordinary course of business;

“**Information Technology**” means computer hardware, software and network;

“**Intellectual Property Assignment Agreements**” means the assignments between a Seller and/or one or more of its Affiliates and the Purchaser and/or one or more of its Affiliates on terms consistent with the Agreed Terms, to be entered into at Closing, in respect of the transfer of certain Intellectual Property Rights in each of the relevant jurisdictions;

“**Intellectual Property Rights**” means all (i) Patents; (ii) Know-How; (iii) Trademarks; (iv) internet domain names; (v) Copyrights; (vi) rights in designs; (vii) database rights; and (viii) all rights or forms of protection, anywhere in the world, having equivalent or similar effect to the rights referred to in paragraphs (i) to (vii) above, in each case, whether registered or unregistered and including applications for registration of any such thing;

“**International Assignees**” means, in respect of GlaxoSmithKline, the GlaxoSmithKline International Assignees and, in respect of Novartis, the Novartis International Assignees;

“**Intra-Group Non-Trade Payables**” means, in respect of a Seller, all outstanding loans or other financing liabilities or obligations (including, for the avoidance of doubt, interest accrued, dividends declared or payable but not paid) owed by its Target Group

Company to a member of that Seller's Group (other than its Target Group Company) as at the Effective Time as derived from the Closing Statement and the GlaxoSmithKline JV Funding Loan, but excluding: (i) Intra-Group Trade Payables and Intra-Group Trade Receivables; (ii) any item which falls to be included in calculating the Target Group Companies' Cash Balances or the Third Party Indebtedness; and (iii) the Novartis Transferred Intra-Group Non-Trade Payables;

"Intra-Group Non-Trade Receivables" means, in respect of a Seller, all outstanding loans or other financing liabilities or obligations (including, for the avoidance of doubt, interest accrued, dividends declared or payable but not paid) owed by a member of that Seller's Group (other than its Target Group Company) to its Target Group Company as at the Effective Time as derived from the Closing Statement, but excluding: (i) Intra-Group Trade Payables and Intra-Group Trade Receivables; (ii) any item which falls to be included in calculating the Target Group Companies' Cash Balances (including, for the avoidance of doubt, the GSK Finance Cash Balances) or the Third Party Indebtedness; and (iii) the Novartis Transferred Intra-Group Non-Trade Receivables;

"Intra-Group Trade Payables" means, in respect of a Seller, all trade accounts and notes payable to any member of any Seller's Group (excluding a Target Group Company) on the one hand, by any Target Group Company, on the other hand, in each case, to the extent related to its Target Group, arising in the ordinary course, together with any unpaid financing charges accrued thereon;

"Intra-Group Trade Receivables" means, in respect of a Seller, all trade accounts and notes receivable from any member of any Seller's Group (excluding a Target Group Company) on the one hand, to any Target Group Company, on the other hand, in each case, to the extent related to its Target Group, arising in the ordinary course, together with any unpaid financing charges accrued thereon;

"Intra-Group Trading Balances" means, in respect of a Seller, the aggregate of its Intra-Group Trade Payables and its Transferred Accounts Payables payable to any member of that Seller's Group (other than a Target Group Company) by a Business Seller of that Seller's Group less the aggregate of its Intra-Group Trade Receivables and its Transferred Accounts Receivables payable by any member of that Seller's Group (other than a Target Group Company) to a Business Seller of that Seller's Group;

"IP Liability" means any Liability arising out of, relating to or resulting from any actual or alleged infringement, misappropriation or other violation of Intellectual Property Rights of third parties;

"Joint Venture Entities" means, in respect of GlaxoSmithKline, the GlaxoSmithKline Joint Venture Entities and, in respect of Novartis, the Novartis Joint Venture Entities;

"Judgment" means any order, writ, judgment, injunction, decree, decision, stipulation, determination or award entered by or with any Governmental Entity of competent jurisdiction;

"JV Treasury Co" means GlaxoSmithKline Consumer Healthcare (UK) Finance Limited;

“**Key Personnel**” means, in respect of GlaxoSmithKline, the GlaxoSmithKline Key Personnel and, in respect of Novartis, the Novartis Key Personnel;

“**Know-How**” means all existing and available technical information, know-how and data, including inventions (whether patentable or not), discoveries, trade secrets, specifications, instructions, processes and formulae, including all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical, safety, quality control, preclinical and clinical data;

“**Lease**” has the meaning given to it in paragraph 1.1 of Part 4 of Schedule 2;

“**Liabilities**” means all liabilities, claims, damages, proceedings, demands, orders, suits, costs, losses and expenses, in each case, of every description, whether deriving from contract, common law, statute or otherwise, whether present or future, actual or contingent, ascertained or unascertained or disputed and whether owed or incurred severally or jointly or as principal or surety;

“**Liability Cut-off Time**” means (i) Closing in respect of any Liability that is a Clinical Trials/Data Liability, Commercial Practices Liability, Environmental Liability, Governmental Liability, IP Liability, Manufacturing Liability or Product Liability; (ii) Delayed Closing in respect of any Liability that relates to a Non-Controlled Delayed Business and is a Clinical Trials/Data Liability, Commercial Practices Liability, Environmental Liability, Governmental Liability, IP Liability, Manufacturing Liability or Product Liability (but, in respect of any such Environmental Liability, IP Liability or Product Liability that arises as a result of, or otherwise relates to, any act, omission, fact, matter or circumstance or event undertaken, occurring, in existence or arising between Closing and Delayed Closing, only to the extent that such Liability arises due to the wilful default or Gross Negligence of the relevant Seller or any of its Associated Persons); or (iii) the Effective Time in respect of any other Liability;

“**LIBOR**” means the London interbank offered rate, being the interest rate offered in the London inter-bank market for three month US dollar deposits as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen at 11 a.m. (London) on the second Business Day prior to the Closing Date;

“**Licensed Intellectual Property Contract**” means any Target Group Intellectual Property Contract constituting or containing a licence of Intellectual Property Rights in respect of the Contributed Business or Products;

“**Listing Rules**” means the listing rules made by the FCA under section 73A of FSMA;

“**Local Payment Amount**” has the meaning given to it in Clause 6.5.1;

“**Local Transfer Document**” has the meaning given to it in Clause 2.8.1;

“**Long Stop Date**” has the meaning given to it in Clause 4.3;

“**Losses**” means all losses, liabilities, costs (including legal costs and experts’ and consultants’ fees), charges, expenses, actions, proceedings, claims and demands;

“**MA Costs**” has the meaning given to it in paragraph 4 of Part 2 of Schedule 4;

“**MA Documentation**” has the meaning given to it in paragraph 1.6 of Part 2 of Schedule 4;

“**Manufacture**” or “**Manufacturing**” or “**Manufactured**” means, as applicable, the planning, purchasing of materials for, production, processing, compounding, storage, filling, packaging, labelling, leafleting, warehousing, quality control testing, waste disposal, quality release, sample retention and stability testing of any products of the relevant Seller’s Contributed Business;

“**Manufacturing Inventory**” means, in respect of a Seller, any packed inventory of Products for Commercialisation that is: (i) in finished form (save for any secondary packaging undertaken outside of a primary manufacturing site); (ii) beneficially owned by any member of that Seller’s Group; (iii) held at a primary manufacturing site; and (iv) not yet released by the qualified person at a primary manufacturing site, and excluding in each case, for the avoidance of doubt, any In-Market Inventory and Manufacturing Stocks;

“**Manufacturing Liability**” means any Liability arising out of, relating to or resulting from any breach of Applicable Law in connection with the Manufacturing of products of the relevant Seller’s Contributed Business;

“**Manufacturing Licences**” means any certificates, permits, licences, consents and approvals issued by any Governmental Entity, used in the operation or conduct of Manufacturing at each relevant Property, and “**Manufacturing Licence**” shall be construed accordingly;

“**Manufacturing Stocks**” means, in respect of a Seller, all stocks of raw materials, active pharmaceutical ingredients, ingredients, adjuvants, drug substances, intermediates, packaging materials, components, devices and other production and pre-production consumables and work-in-progress that are beneficially owned by any member of that Seller’s Group for use in the Manufacture of Products or Pipeline Products, respectively, and held at a primary manufacturing Property;

“**Manufacturing and Supply Agreement**” means, in respect of a Seller, each manufacturing and supply agreement expected to be entered into between that Seller (or its Affiliate) and the Purchaser (or its Affiliate) at Closing on terms consistent with the Agreed Terms;

“**Marketing Authorisation Data**” means, in respect of a Seller, the existing and available dossiers containing the relevant Know-How used by that Seller and/or its Affiliates to obtain and maintain the Marketing Authorisations;

“**Marketing Authorisation Holder**” means the holder of a Marketing Authorisation;

“**Marketing Authorisation Re-Registration**” has the meaning given to it in paragraph 1.1(ii) of Part 2 of Schedule 4;

“**Marketing Authorisation Re-Registration Date**” means the date on which the Governmental Entity approves, or is deemed to approve, the Marketing Authorisation Re-Registration;

“**Marketing Authorisation Transfer**” has the meaning given to it in paragraph 1.1(i) of Part 2 of Schedule 4;

“**Marketing Authorisation Transfer Date**” means the date on which the Governmental Entity approves, or is deemed to approve, the Marketing Authorisation Transfer;

“**Marketing Authorisation Transferee**” means the member of the Purchaser’s Group or, where no member of the Purchaser’s Group satisfies the requirements under Applicable Law to be transferred the relevant Marketing Authorisation, such third party as is nominated by the Purchaser, in either case, to whom the relevant Marketing Authorisation is to be transferred;

“**Marketing Authorisations**” means, in respect of a Seller, the marketing authorisations issued or applications for marketing authorisations with respect to its Products, and all supplements, amendments and revisions thereto;

“**Markets**” means, in respect of a Seller, the markets in which its Products are marketed and sold under the relevant Marketing Authorisation and “**Market**” shall be construed accordingly;

“**Material Adverse Effect**” means, in respect of a Seller, any matter, change, event or circumstance arising or discovered on or after the date of this Agreement and prior to Closing (including a breach of that Seller’s obligations under Clause 5 or Clause 9.1) (a “**Relevant Matter**”) that, individually or in aggregate with other Relevant Matters, if known to the Purchaser prior to the date of this Agreement, could reasonably have been expected to have resulted in the Purchaser reducing the number of A Shares or B Shares (as the case may be) to be issued by 30 per cent. or more, and, in determining such reduction regard shall be had to the actual basis on which the number of A Shares to be issued or the number of B Shares to be issued (as the case may be) was calculated. A Relevant Matter shall not constitute or count towards a

“**Material Adverse Effect**” to the extent resulting or arising from:

- (i) any change that is generally applicable to, or generally affects, the industries or markets in which the relevant Seller’s Target Group operates (including changes arising as a result of usual seasonal variations) or arises from or relates to changes in Applicable Law or accounting rules or changes in any authoritative interpretation of any Applicable Law by any Governmental Entity;
- (ii) any change in financial, securities or currency markets or general economic or political conditions or changes in prevailing interest rates or exchange rates;
- (iii) the execution of this Agreement, the public announcement thereof or the pendency or consummation of the transactions contemplated hereby (including any cancellations of or delays in customer orders or other decreases in

customer demand, any reduction in revenues and any disruption in supplier, distributor, customer or similar relationships); or

- (iv) the taking of any action expressly required by this Agreement or by any Ancillary Agreement or otherwise taken with the advance written consent of the Purchaser,

except, in relation to either paragraph (i) or paragraph (ii) above, if that change adversely affects that Seller's Target Group in a disproportionate manner relative to other comparable businesses operating in the same industry and geographic markets as that Seller's Target Group (in which case it may constitute or count towards a "Material Adverse Effect");

"Material Employee Jurisdictions" means, in respect of GlaxoSmithKline, the GlaxoSmithKline Material Employee Jurisdictions and, in respect of Novartis, the Novartis Material Employee Jurisdictions;

"Maximum Working Capital Amount" means, in respect of GlaxoSmithKline, £600,000,000 and, in respect of Novartis, US\$600,000,000;

"Medical Information" means, in respect of each Seller, information Predominantly Related to its Contributed Business which is available to or used by it and/or its Affiliates as of the Closing Date, or, in respect of any Delayed Business, the Delayed Closing Date, as applicable, relating to clinical and technical matters, such as therapeutic uses for the approved indications, drug-disease information, and other product characteristics;

"Minimum Working Capital Amount" means, in respect of GlaxoSmithKline, £500,000,000 and, in respect of Novartis, US\$500,000,000;

"Minority Notification" has the meaning given in clause 4.2.10;

"Netherlands Assumed Liabilities" means the Assumed Liabilities to the extent that they relate to the Netherlands Business;

"Netherlands Business" means that part of GlaxoSmithKline's Contributed Business that is conducted in the Netherlands, the Netherlands Assumed Liabilities and the Netherlands Employees;

"Netherlands Closing" has the meaning given to it in the Netherlands SAPA;

"Netherlands Employees" means those of the GlaxoSmithKline Employees who are employed in the Netherlands;

"Netherlands Offer Letter" means the letter from the Purchaser to the Seller in respect of the binding offer from the Purchaser to acquire the Netherlands Business dated on or around the date hereof;

“**Netherlands Put Option Exercise**” has the meaning given to it in the Netherlands Offer Letter;

“**Netherlands SAPA**” has the meaning given in the Netherlands Offer Letter;

“**Non-Controlled Delayed Business**” has the meaning given in Schedule 22 (*Delayed Businesses*);

“**Non-US Benefit Plans**” has the meaning given to it in paragraph 17.3.1 of Schedule 13;

“**Notice**” has the meaning given to it in Clause 15.14.1;

“**Notifier**” has the meaning given in paragraph 1.1 of Schedule 17;

“**Novartis Alliance Market Businesses**” means the Novartis OTC Group Businesses in the Alliance Market Territories;

“**Novartis Animal Health Business**” means the business conducted by any member of Novartis’s Group of researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise Commercialising the Novartis Animal Health Products;

“**Novartis Animal Health Products**” means any products which are managed by the Novartis Animal Health Division and reported in the Animal Health reporting segment of Novartis’s Consumer Health Division;

“**Novartis Business Employees**” means the employees of any member of Novartis’s Group who work wholly or substantially in the Novartis OTC Business from time to time including, for the avoidance of any doubt, the Novartis International Assignees other than the Novartis Company Employees and the Novartis Excluded Employees and provided that, in relation to the Seller’s Warranties only, the words “from time to time” shall be deemed to be replaced by “at the date of this Agreement”, and “**Novartis Business Employee**” means any one of them;

“**Novartis Company Employees**” means the employees from time to time of any of the Novartis OTC Group Companies other than the Novartis Excluded Employees, and provided that, in relation to the Seller’s Warranties only, the words “from time to time” shall be deemed to be replaced by “at the date of this Agreement”, and “**Novartis Company Employee**” means any one of them;

“**Novartis December 2013 Presentation**” mean the management presentation entitled “Gazelle Management Presentation: NOTC” and dated December 2013 and attached to this Agreement as Attachment 2;

“**Novartis Deferred Employee**” means any person to whom Novartis, any Novartis OTC Group Company or any other member of Novartis’s Group has made an offer of employment for a role within the Novartis OTC Business in compliance with clause 5 and who has accepted such offer in writing and whose employment within the Novartis

OTC Business will take effect on a date following the Closing Date, save that no person shall become an Novartis Deferred Employee unless and until Novartis has provided to GlaxoSmithKline a copy of the offer letter setting out the agreed principal terms of employment and/or employment agreement (if executed) applicable to such person;

“**Novartis Distribution and Sales Products Contracts**” means any contract between a member of Novartis’s Group (other than a Novartis OTC Group Company) on the one hand, and any Novartis OTC Group Company on the other hand, relating to the distribution and sale by the Novartis OTC Business of products owned, managed and reported by the Seller’s Retained Business;

“**Novartis Employees**” means the Novartis Business Employees and the Novartis Company Employees, and “**Novartis Employee**” means any one of them;

“**Novartis Excluded Assets**” means the property, rights, businesses and assets referred to in Clause 2.3.2 in respect of the Novartis OTC Group Businesses and the assets and businesses set out in Part 2 of Schedule 3;

“**Novartis Excluded Businesses**” means:

- (i) the Novartis Animal Health Business;
- (ii) the Novartis US NRT Business;
- (iii) the Novartis Pharmaceutical Division’s business of researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise Commercialising any Consumer Healthcare Products which are managed by and reported for financial purposes in the Novartis Pharmaceutical Division on or prior to the date of this Agreement (including any development of such products);
- (iv) the business(es) (as conducted from time to time) owned or managed by, or reported for financial purposes in, Novartis’s:
 - (a) Alcon division (including for the avoidance of doubt, Ciba-Giegy); or
 - (b) Sandoz division (excluding, for the avoidance of doubt, Sandocal and Calcium Sandoz, which are included within the definition of the Novartis OTC Business); and
- (v) any assets or liabilities that are deemed to constitute Novartis Excluded Assets pursuant to paragraph 11 of Schedule 6;

“**Novartis Excluded Employees**” means the employees of any member of Novartis’s Group (including the Novartis OTC Group Companies) who are referred to in Schedule 26;

“**Novartis’s Group**” means Novartis and its Affiliates from time to time, provided that, for the purposes of this Agreement, the Purchaser and any person Controlled by the

Purchaser (whether directly or indirectly) from time to time shall not be included in Novartis's Group;

“**Novartis IndiaCo**” means Novartis India Ltd, an Indian listed company;

“**Novartis Indian Business**” means that part of the Novartis OTC Business conducted by Novartis IndiaCo or any person Controlled by Novartis IndiaCo from time to time;

“**Novartis International Assignees**” means the employees of any member of Novartis's Group (including the Novartis OTC Group Companies) who are referred to in Schedule 19;

“**Novartis Joint Venture Entities**” means an entity in which Novartis's Group holds equity interests of less than 100 per cent. but whose operations, assets and/or businesses are Exclusively Related to the Novartis OTC Business, an indicative list of which are set out in Part B of Part 2 of Schedule 1, excluding any such entity whose operations, assets and/or businesses form part of the Novartis Excluded Assets;

“**Novartis Key Personnel**” means the Novartis Employees listed in Part 2 of Schedule 16;

“**Novartis's Lawyers**” means Freshfields Bruckhaus Deringer LLP of 65 Fleet Street, London EC4Y 1HS;

“**Novartis Material Employee Jurisdictions**” means United States, Switzerland, Russia, China and India;

“**Novartis OTC Business**” means:

- (i) the business of researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise Commercialising the Novartis Products in the Novartis Territories;
- (ii) the business of researching and developing any Novartis Pipeline Products;
- (iii) all rights, title and interest in relation to researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise Commercialising Novartis's In-Scope Switch Product, in any jurisdiction, as a Consumer Healthcare Product only;
- (iv) the business of manufacturing, marketing, distributing, selling, promoting and/or otherwise Commercialising the Prescription Products which are managed by the Novartis OTC Division and which have been reported for financial purposes in the OTC reporting segment of the Novartis Consumer Health Division for, or since, the year ended 31 December 2013 and, in respect of any such Prescription Product, in the territories in which sales are reported for such Prescription Product in the OTC reporting segment of the Novartis Consumer Health Division for the year ended 31 December 2013 or since; and

- (v) any royalty streams in respect of any products received by and reported for financial purposes in the OTC reporting segment of the Novartis Consumer Healthcare Division for, or since, the year ended 31 December 2013,

in each case, conducted by Novartis's Group, but excluding the Novartis Excluded Assets;

"Novartis OTC Group" means the Novartis OTC Group Companies and the Novartis OTC Group Businesses, taken as a whole;

"Novartis OTC Group Businesses" means the businesses of the Novartis OTC Business (but excluding the businesses carried on by the Novartis OTC Group Companies) as set out in Clause 2.3.1, but subject always to Clause 2.3.2, and

"Novartis OTC Group Business" means any of them;

"Novartis OTC Group Companies" means the members of Novartis's Group whose operations, assets and/or businesses are Exclusively Related to the Novartis OTC Business, a non-exhaustive list of which are set out in Part A of Part 2 of Schedule 1, but excluding any such members whose operations, assets and/or businesses form part of the Novartis Excluded Assets, and **"Novartis OTC Group Company"** means any one of them;

"Novartis Pipeline Product" means each product that the Novartis OTC Division is researching and developing, with the intention of that product becoming a Consumer Healthcare Product (but excluding, in any event, Diovan), an indicative list of which is set out in Schedule 9, Part 3;

"Novartis Products" means, in respect of any territory, any Consumer Healthcare Products which are managed by the Novartis OTC Division and which have been reported for financial purposes in the OTC reporting segment of the Novartis Consumer Health Division in that territory for the year ended 31 December 2013 or since, an indicative list of which is set out in Schedule 9, Part 2;

"Novartis Services Contracts" means any Contract between or among any member of Novartis's Group (other than its Target Group Company and its Business Seller) on the one hand, and its Target Group Company or Business Seller on the other hand which, in addition to the Ancillary Agreements and any other assets to be transferred pursuant to this Agreement, is necessary to enable the Purchaser and/or any other member of the Purchaser's Group to carry on Novartis's Contributed Business (or the relevant part thereof) in substantially the same manner as it has been during the twelve months prior to the date of this Agreement;

"Novartis Shares" means the shares and other equity, partnership or similar interests in the capital of: (i) the Novartis OTC Group Companies; and (ii) the Novartis Joint Venture Entities that are owned by any member of Novartis's Group;

"Novartis Statement of Net Assets" has the meaning given to it in Part 2 of Schedule 18;

“**Novartis Territories**” means, in respect of any Novartis Product, each of the Territories in which sales are reported for such Novartis Product in the OTC reporting segment of the Novartis Consumer Healthcare Division for the year ended 31 December 2013 or since;

“**Novartis Transferred Intra-Group Non-Trade Payables**” means the outstanding loans or other financial liabilities or obligations (including, for the avoidance of doubt, interest accrued, dividends declared or payable but not paid) owed by any Novartis Target Group Company to Novartis Holding AG as at the Effective Time;

“**Novartis Transferred Intra-Group Non-Trade Receivables**” means the outstanding loans or other financial liabilities or obligations (including, for the avoidance of doubt, interest accrued, dividends declared or payable but not paid) owed by Novartis Holding AG to any Novartis Target Group Company as at the Effective Time;

“**Novartis US NRT Business**” means the business of researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise Commercialising any nicotine related products of any nature whatsoever in the United States of America, conducted by Novartis’s Group, including those commercialised under the Habitrol brand and any other private label nicotine related products;

“**Novartis US RX Business**” has the meaning given to it in paragraph 11.2 of Schedule 6;

“**Novartis US RX Management**” has the meaning given to it in paragraph 11.5 of Schedule 6;

[***]

“**Novartis US RX Product Disposal**” has the meaning given to it in paragraph 11.14 of Schedule 6;

“**Novartis US RX Products**” means [***];

“**Novartis US RX Territory**” has the meaning given to it in paragraph 11.2 of Schedule 6;

“**Novartis US RX Transfer**” has the meaning given to it in paragraph 11.6 of Schedule 6;

“**Novartis US RX Transfer Date**” has the meaning given to it in paragraph 11.6 of Schedule 6;

“**Novartis US RX Transition Plan**” has the meaning given to it in paragraph 11.9 of Schedule 6;

[***]

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

“**Oncology Sale and Purchase Agreement**” means the sale and purchase agreement dated the date of this agreement between GlaxoSmithKline and Novartis relating to the sale and purchase of certain oncology products;

“**Ongoing Clinical Trials**” means, in respect of a Seller, the ongoing clinical studies sponsored or supported by that Seller’s Group (including post-approval studies) or otherwise recommended by a Governmental Entity in respect of the relevant Products;

“**Owned Information Technology**” means, in respect of a Seller, the Information Technology Exclusively Related to its Contributed Business and owned by any of its Target Group Companies;

“**Owned Intellectual Property Contracts**” means, in respect of a Seller, the Contracts Exclusively Related to its Contributed Business which relate to Intellectual Property Rights and that are held by any of its Target Group Companies;

“**Owned Intellectual Property Rights**” means, in respect of a Seller, the Intellectual Property Rights Exclusively Related to its Contributed Business and owned by any of its Target Group Companies;

“**PA Transfer Date**” means, in relation to a Product or Product Application, the date upon which the relevant Governmental Entity approves and notifies such Product Approval or Product Application (as applicable) naming the Purchaser or the relevant Affiliate of the Purchaser (or designee thereof) as the holder of such Product Approval or Product Application in the relevant country or territory covered by that Product Approval or Product Application;

“**Patents**” means patents, design patents, patent applications, and any reissues, re-examinations, divisionals, continuations, continuations-in-part, provisionals, and extensions thereof or any counterparts to any of the foregoing (including rights resulting from any post-grant proceedings relating to any of the foregoing);

“**Payables and Receivables Plan**” has the meaning given in Clause 8.6.1;

“**Payment**” has the meaning given to it in Clause 1.9;

“**Payee**” has the meaning given in Clause 15.11.1;

“**Payer**” has the meaning given in Clause 15.11.1;

“**Permit**” has the meaning given to it in paragraph 10.2 of Schedule 13;

“**Permitted Encumbrance**” means, in respect of a Seller:

- (i) Encumbrances imposed by Applicable Law;
- (ii) Encumbrances imposed in the ordinary course of business which are not yet due and payable or which are being contested in good faith;

- (iii) pledges or deposits to secure obligations under Applicable Law relating to workers' compensation, unemployment insurance or to secure public or statutory obligations; and
- (iv) liens, title retention arrangements or deposits to secure the performance of bids, trade contracts (other than for borrowed money), conditional sales contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of its Contributed Business;

"Pharmacovigilance Agreement" means the agreement between each of the Sellers and the Purchaser, to be entered into at Closing, in respect of pharmacovigilance and regulatory matters;

"Pipeline Product Approvals" means, in respect of a Seller, the approvals in relation to its Pipeline Products;

"Pipeline Products" means the GlaxoSmithKline Pipeline Products and the Novartis Pipeline Products;

"Predominantly Related to" means, in respect of a Seller's Contributed Business, exclusively or predominantly related to, or used or held for use predominantly in connection with, that Seller's Contributed Business;

"Prescription Product" means, in respect of any jurisdiction, any oral care, nutritional care, skin care or other cosmetic or healthcare product or device of any kind, in each case, for the treatment of, or use by, human beings, which is (i) only available with a prescription, or (ii) available without, or both with and without, a prescription but is subject to the same regulatory classification and/or regulatory treatment (including in relation to advertising) as a product or device that is only available with a prescription;

"Proceedings" means any legal actions, proceedings, suits, litigations, prosecutions, investigations, enquiries, mediations or arbitrations;

"Product Applications" means, in respect of a Seller, all applications for Product Approval filed with respect to the relevant Products Under Registration, with each individual application being a **"Product Application"**;

"Product Approvals" means, in respect of a Seller, all permits, licences, certificates, registrations or other authorisations or consents issued by any Governmental Entity to that Seller or one of its Affiliates with respect to its Products or the use, research, development, marketing, distribution or sale thereof, including the Marketing Authorisations;

"Product Filings" means, in respect of any Seller, all filings, written representations, declarations, listings, registrations, reports or submissions with or to any Governmental Entity, including adverse event reports and all submitted data relating to each relevant Product;

“Product Liabilities” means any Liability arising out of, relating to or resulting from actual or alleged harm, injury, damage or death to persons in connection with the use of any product (including in any clinical trial or study);

“Product Partners” means, in respect of a Seller, any third parties which, pursuant to a Contract with that Seller or any of its Affiliates, co-develop, co-promote, co-market, or otherwise have a licence or other right to research, develop, manufacture, promote, distribute, market, or sell any Product, including all manufacturers and suppliers of that Product;

“Products” means, in respect of GlaxoSmithKline, the GlaxoSmithKline Products and, in respect of Novartis, the Novartis Products;

“Products Under Registration” means, in respect of a Seller, the Products of that Seller which are pending Product Approval as of the date hereof;

“Properties” means the Company Properties and the Transferred Properties, and **“Property”** means any one of them;

“Proprietary Information” means, in respect of a Seller, all confidential and proprietary information of that Seller or its Affiliates that is Predominantly Related to its Contributed Business, including relevant confidential Medical Information, confidential Know-How and confidential Commercial Information;

“Purchase Consideration” has the meaning given to it in Clause 3.1.1;

“Purchaser’s Bank Account” means the account notified by the Purchaser to each of the Sellers no later than two Business Days prior to the Closing Date;

“Purchaser’s Disagreement Notice” has the meaning given to it in paragraph 1.4 of Schedule 12;

“Purchaser’s Group” means the Purchaser and its Affiliates from time to time, excluding any member of GlaxoSmithKline’s Group or Novartis’s Group;

“Purchaser Patent and Know-How Licence Agreement” means an agreement between a Seller and/or one or more of its Affiliates and the Purchaser and/or one or more of its Affiliates on terms consistent with the Agreed Terms, to be entered into at Closing, in respect of the grant of licence from that Seller to the Purchaser of certain Intellectual Property Rights not licensed under a Purchaser Trademark Licence Agreement;

“Purchaser Trademark Licence Agreement” means an agreement between a Seller and/or one or more of its Affiliates and the Purchaser and/or one or more of its Affiliates on terms consistent with the Agreed Terms, to be entered into at Closing, in respect of the grant of licences from that Seller to the Purchaser of certain Trademarks, internet domain names and rights in designs;

“Recipient” has the meaning given in paragraph 1.1 of Schedule 17;

“**Registered Intellectual Property Rights**” means all Intellectual Property Rights that are registered, issued, filed, or applied for under the authority of any Governmental Entity;

“**Registered Target Group Intellectual Property Rights**” means all Target Group Intellectual Property Rights that are Registered Intellectual Property Rights;

“**Regulation**” has the meaning given to it in Clause 4.1.1;

“**Relevant Employees**” means, in respect of GlaxoSmithKline, the Relevant GlaxoSmithKline Employees and, in respect of Novartis, the Relevant Novartis Employees;

“**Relevant Employers**” means, in respect of each Seller, the Business Seller’s and such other members of that Seller’s Group that employ that Seller’s Relevant Employees;

“**Relevant GlaxoSmithKline Business Employees**” means the GlaxoSmithKline Business Employees immediately prior to the Closing Date, and “**Relevant GlaxoSmithKline Business Employee**” means any one of them;

“**Relevant GlaxoSmithKline Company Employees**” means the GlaxoSmithKline Company Employees immediately prior to the Closing Date (excluding any who do not work wholly or substantially in the GlaxoSmithKline Consumer Business), and “**Relevant GlaxoSmithKline Company Employee**” means any one of them;

“**Relevant GlaxoSmithKline Employees**” means the Relevant GlaxoSmithKline Business Employees and the Relevant GlaxoSmithKline Company Employees, and “**Relevant GlaxoSmithKline Employee**” means any one of them;

“**Relevant Novartis Business Employees**” means the Novartis Business Employees immediately prior to the Closing Date, and “**Relevant Novartis Business Employee**” means any one of them;

“**Relevant Novartis Company Employees**” means the Novartis Company Employees immediately prior to the Closing Date (excluding any who do not work wholly or substantially in the Novartis OTC Business), and “**Relevant Novartis Company Employee**” means any one of them;

“**Relevant Novartis Employees**” means the Relevant Novartis Business Employees and the Relevant Novartis Company Employees, and “**Relevant Novartis Employee**” means any one of them;

“**Relevant Part**” means, in respect of a Shared Business Contract, the part of it which Exclusively Relates to the relevant Contributed Business (or the part of the relevant Contributed Business that is transferred to the Purchaser at Closing);

“**Relevant Period**” means the period of two years prior to the date of this Agreement;

“**Relevant Persons**” has the meaning given to it in Clause 8.2.2(vi);

“Relevant Target Business Employees” means, in respect of GlaxoSmithKline, the Relevant GlaxoSmithKline Business Employees and, in respect of Novartis, the Relevant Novartis Business Employees, and **“Relevant Target Business Employee”** means any one of them;

“Relevant Target Company Employees” means, in respect of GlaxoSmithKline, the Relevant GlaxoSmithKline Company Employees and, in respect of Novartis, the Relevant Novartis Company Employees, and **“Relevant Target Company Employee”** means any one of them;

“Relevant Tax Deduction” has the meaning given in Clause 15.11.2;

“Relevant Working Day” means a normal working day in the relevant jurisdiction and excludes a Saturday or Sunday or a public holiday in the relevant jurisdiction;

“Reorganisation” has the meaning given to it in Clause 2.3.5;

“Representatives” means, in relation to any party, any of its and/or any member of the Purchaser’s Group’s or a Seller’s Group’s directors, officers, employees, agents, representatives, bankers, auditors, accountants, financial advisers, legal advisers and any other professional advisers;

“Reporting Accountants” means the London office of Ernst & Young or, if that firm is unable or unwilling to act in any matter referred to them under this Agreement, the London office of Deloitte or, if that firm is also unable or unwilling to act in any matter referred to them under this Agreement, an internationally recognised and independent firm of accountants who does not act as auditor to the relevant Seller or the Purchaser, to be agreed by the Seller and the Purchaser within seven days of a notice by one to the other requiring such agreement or, failing such agreement, to be nominated on the application of either of them by or on behalf of the Institute of Chartered Accountants of England and Wales;

“Required Notifications” has the meaning given to it in Clause 4.2.1;

“Restricted Target Group Employee” means, in respect of a Seller, any Transferred Employee of that Seller or the other Seller who is at or above grade GG5 or GJFA3 (or in either case the Purchaser’s equivalent from time to time);

“Restricted GSK Employee” means any employee of a member of GlaxoSmithKline’s Group who is grade GG5 or above and who works primarily in the business of the Target Group;

“Retained Inventory” has the meaning given in Clause 2.9.1;

“Rx Spin-out Businesses” means GlaxoSmithKline’s business of researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise Commercialising Prescription Products in Kenya, Costa Rica, Malaysia, Panama, China, Sri Lanka and Denmark, but only to the extent that such business constitutes a GlaxoSmithKline Excluded Business;

“**Sanctions Law**” has the meaning given to it in paragraph 10.5 of Schedule 13;

“**Sandoz**” means Sandoz Inc., a corporation having a principal place of business at 100 College Road West, Princeton, New Jersey 08540;

“**Saudi Distribution Contracts**” any contracts entered into between Novartis Consumer Health SA and Saudi Pharmaceutical Distribution Co. Ltd. and any other contracts entered into by any Novartis Target Group Company in relation to the Novartis OTC Business in Saudi Arabia as Novartis and the Purchaser may agree from time to time;

“**Select Equity Plans**” means the Novartis Restricted Stock Plan of 1 November 2007 (Rest of the World), the Novartis Restricted Stock Plan of 1 November 2007 (Switzerland), the Novartis Restricted Stock Unit Plan of November 2007 (Rest of the World and Switzerland), the Novartis Stock Option Plan of September 2003 (Rest of the World), the Novartis Stock Option Plan of February 2005 (Switzerland) and the Novartis Corporation 2011 Stock Incentive Plan for North American Employees effective 1 January 2011, and a “**Select Equity Plan**” means any one of them;

“**Seller Marks**” means:

- (i) with respect to GlaxoSmithKline, any Trademark of GlaxoSmithKline containing the mark “GlaxoSmithKline”, and any other mark listed in Part 1 of Schedule 21, or any variants of the foregoing; and
- (ii) with respect to Novartis, any Trademark of Novartis containing the mark including the names “Novartis”, “Sandoz”, “Alcon” or “Ciba Vision” or any of the variants of the foregoing;

“**Seller Partner**” means, in respect of a Seller, any counterparty to a development, contract research, commercialisation, manufacturing, distribution, sales, marketing, supply, consulting or other collaboration contract with that Seller or any of its Affiliates;

“**Seller’s Bank Account**” means, in respect of a Seller, the account notified by such Seller to the Purchaser no later than two Business Days prior to the Closing Date;

“**Seller’s Disagreement Notice**” has the meaning given to it in paragraph 1.5 of Schedule 12;

“**Seller’s Group**” means, in respect of a Seller, that Seller and its Affiliates from time to time, provided that, for the purposes of this Agreement, the Purchaser and any person Controlled by the Purchaser (whether directly or indirectly) from time to time shall not be included in any Seller’s Group;

“**Seller’s Group Insurance Policy**” means, in respect of a Seller, all insurance policies (whether under policies maintained with third party insurers or any member of that Seller’s Group), other than the Target Group Insurance Policies, maintained by that Seller or any member of that Seller’s Group in relation to its Contributed Business or under which, immediately prior to Closing, any of that Seller’s Target Group Companies

or that Seller or member of that Seller's Group in relation to its Contributed Business is entitled to any benefit, and "Seller's Group Insurance Policy" means any one of them;

"**Seller's Knowledge**" has the meaning given to it in Clause 9.1.4;

"**Seller's Retained Business**" means, in respect of a Seller, all businesses of that Seller's Group from time to time, including its Excluded Assets, but excluding its Contributed Business;

"**Seller's Warranties**" means, in respect of a Seller, the warranties given by that Seller pursuant to Clause 9 and Schedule 13, and "**Seller's Warranty**" means any one of them;

"**Service Provider**" means an Associated Person who is a legal person;

"**Share Sellers**" means, in respect of a Seller, the members of that Seller's Group (other than its Target Group Companies and Joint Venture Entities) that own shares or other equity interests in any of that Seller's Target Group Companies or Joint Venture Entities, an indicative list of which is set out in column (1) of Schedule 1, Part A (in respect of GlaxoSmithKline) or Part B (in respect of Novartis);

"**Shared Business Contracts**" means, in respect of a Seller, any Contract which relates both:

- (i) to its Contributed Business; and
- (ii) to any other business of its Group, any part of its Contributed Business which is not transferred to the Purchaser at Closing (until it is so transferred), or any of its Excluded Assets,

and to which a member of the Seller's Group is a party or in respect of which a member of the Seller's Group has any right, liability or obligation at Closing, and "**Shared Business Contract**" shall mean any of them;

"**Shareholders' Agreement**" means the shareholders' agreement to be entered into by the parties and certain of the Sellers' Affiliates on Closing in the Agreed Terms;

"**Shares**" means, together, the GlaxoSmithKline Shares and the Novartis Shares;

"**Statement of Net Assets**" means, in respect of GlaxoSmithKline, the GlaxoSmithKline Statement of Net Assets and, in respect of Novartis, the Novartis Statement of Net Assets;

"**Support Services Agreement**" means the support services agreement expected to be entered into between GlaxoSmithKline and the Purchaser (or its Affiliate) at Closing on terms consistent with the Agreed Terms;

"**Statement of Net Assets Date**" means 31 December 2013;

“**Statement of Net Asset Rules**” means, for each Seller, the rules in accordance with which its Statement of Net Assets was prepared, as set out in Part 1 (in the case of GlaxoSmithKline) or Part 2 (in respect of Novartis) of Schedule 18;

“**Target Asset Agreement**” has the meaning given in the Implementation Agreement;

“**Target Business Employees**” means, in respect of GlaxoSmithKline, the GlaxoSmithKline Business Employees and, in respect of Novartis, the Novartis Business Employees, and “**Target Business Employee**” means any of them;

“**Target Company Employees**” means, in respect of GlaxoSmithKline, the GlaxoSmithKline Company Employees and, in respect of Novartis, the Novartis Company Employees, and “**Target Company Employee**” means any one of them;

“**Target Group**” means, in respect of GlaxoSmithKline, the GlaxoSmithKline Consumer Group Companies and the GlaxoSmithKline Consumer Group Businesses, and, in respect of Novartis, the Novartis OTC Group Companies and the Novartis OTC Group Businesses, in each case, taken as a whole, and “**Target Groups**” shall mean both of them;

“**Target Group Businesses**” means, in respect of GlaxoSmithKline, the GlaxoSmithKline Consumer Group Businesses and, in respect of Novartis, Novartis OTC Group Businesses, and “**Target Group Business**” means any one of them;

“**Target Group Companies**” means, in respect of GlaxoSmithKline, the GlaxoSmithKline Consumer Group Companies, and, in respect of Novartis, the Novartis OTC Group Companies, and “**Target Group Company**” means any one of them;

“**Target Group Companies’ Cash Balances**” means, in respect of a Seller, an amount equal to the sum of the aggregate amount of Cash Balances (including the GSK Finance Cash Balances) held by or on behalf of the Target Group Companies within that Seller’s Group at the Effective Time, as derived from the Closing Statement, excluding in respect of GlaxoSmithKline any Cash Balances held by a Target Group Company (other than GlaxoSmithKline Panama S.A.) for the purposes of satisfying a payment obligation under a Local Transfer Document on Closing;

“**Target Group Goodwill**” means all goodwill of the Target Group Businesses, but excluding any Trademark goodwill;

“**Target Group Information Technology**” means the Transferred Information Technology and the Owned Information Technology;

“**Target Group Insurance Policies**” means all insurance policies held exclusively by and for the benefit of the relevant Target Group Companies, and “**Target Group Insurance Policy**” means any one of them;

“**Target Group Intellectual Property Contracts**” means the Transferred Intellectual Property Contracts and the Owned Intellectual Property Contracts;

“**Target Group Intellectual Property Rights**” means the Transferred Intellectual Property Rights and the Owned Intellectual Property Rights;

“**Taxation**” or “**Tax**” has the meaning given to it in the Tax Indemnity;

“**Tax Adjustment**” means, in respect of a Seller, the amount by which:

- (i) the aggregate amount of the income taxes and sales taxes payable by the Target Group Companies, as at the Effective Time, as derived from the Closing Statement;

exceeds or is less than

- (ii) the aggregate amount of the current income tax and sales tax receivables of the Target Group Companies, as at the Effective Time, as derived from the Closing Statement,

and any such excess amount shall be treated as a positive number and any shortfall shall be treated as a negative amount;

“**Tax Authority**” has the meaning given to it in the Tax Indemnity;

“**Tax Group**” has the meaning given to it in the Tax Indemnity;

“**Tax Indemnity**” means the deed of covenant against taxation, on terms consistent with the Agreed Terms, to be entered into on the Closing Date between each Seller and the Purchaser;

“**Tax Return**” has the meaning given to it in the Tax Indemnity;

“**Tax Warranties**” means, in respect of a Seller, the Seller’s Warranties set out in paragraph 14 of Schedule 13;

[***];

[***];

“**Third Party Claim**” has the meaning given to it in Clause 11.4;

“**Third Party Consents**” means all consents, licences, approvals, permits, authorisations or waivers required from third parties, and “**Third Party Consent**” means any one of them;

“**Third Party Indebtedness**” means the aggregate amount as at the Effective Time of all outstanding Indebtedness owed by the Target Group Companies to any third party less any Indebtedness owed by any third party to any Target Group Company as derived from the Closing Statement (but excluding any item included in respect of any Target Group Companies’ Cash Balances or Intra-Group Non-Trade Payables), and, for the purposes of this definition, third party shall exclude any member of either Seller’s Group;

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

“Time-Limited Excluded Liability” means an Excluded Liability which is:

- (i) a Contracts Liability;
- (ii) an Environmental Liability;
- (iii) a Manufacturing Liability; or
- (iv) a Commercial Practices Liability,

but excludes an IP Liability;

“Trademarks” means trademarks, service marks, trade names, certification marks, service names, industrial designs, brand names, brand marks, trade dress rights, identifying symbols, logos, emblems, and signs or insignia and all goodwill of the business in relation to which any of the foregoing are used (but no other or greater goodwill);

“Transaction” has the meaning given to it in Clause 4.1.1;

“Transfer Regulations” means the relevant national measure by which the employment of a Relevant Target Business Employee automatically transfers to the Purchaser or a relevant member of the Purchaser’s Group;

“Transferred Accounts Payables” means, in respect of a Seller, all trade accounts and notes payable of that Seller’s Group (other than its Target Group Companies) to the extent related to its Contributed Business, and outstanding at the Effective Time, arising in the ordinary course, together with any unpaid financing charges accrued thereon;

“Transferred Accounts Receivables” means, in respect of a Seller, all trade accounts and notes receivable of that Seller’s Group (other than its Target Group Companies) to the extent related to its Contributed Business, and outstanding at the Effective Time, arising in the ordinary course, together with any unpaid financing charges accrued thereon;

“Transferred Books and Records” means, in respect of a Seller, all books, ledgers, files, reports, plans, records, manuals and other materials (in any form or medium) to the extent of, or maintained predominantly for, that Seller’s Contributed Business by that Seller’s Group (excluding its Target Group Companies) (other than emails), but excluding:

- (i) any such items to the extent that: (A) they are related to any Excluded Assets or Excluded Liabilities; (B) they are related to any corporate, Tax, human resources or stockholder matters of that Seller or its Affiliates (other than its Target Group Companies); (C) any Applicable Law prohibits their transfer; (D) any transfer thereof otherwise would subject that Seller or any of its Affiliates to any material liability; or (E) they are retained by the Seller’s Group pursuant to Clause 8.18;

- (ii) any laboratory notebooks to the extent containing research and development information unrelated to its Contributed Business; and
- (iii) any books and records (including but not limited to the content of any personnel files) kept by the Seller's Group relating to the employment of the Transferred Employees with the Seller's Group;

"Transferred Contracts" means: (i) in respect of a Seller, the Contracts, other than its Transferred Intellectual Property Contracts, that are Exclusively Related to that Seller's Contributed Business between a Business Seller of that Seller's Group, on the one hand, and any third party, on the other hand (other than this Agreement and any Ancillary Agreement); and (ii) in the case of Novartis, the Novartis Distribution and Sales Products Contracts and the Novartis Services Contracts; and (iii) in the case of GlaxoSmithKline, any Contracts between a member of its Group (other than its Target Group Company and its Business Seller) on the one hand and its Business Seller, on the other hand, that are Exclusively Related to GlaxoSmithKline's Contributed Business, other than any contracts that relate to any services that will be and, as at Closing are, provided under the Ancillary Agreements;

"Transferred Employees" means, in relation to a Seller: (i) any Target Business Employees of that Seller to whom the Purchaser (or a member of the Purchaser's Group) offers employment and who accept such employment and become employed by the Purchaser (or a member of the Purchaser's Group) in accordance with Schedule 7; (ii) any Relevant Target Business Employees of that Seller who transfer to the Purchaser (or a member of the Purchaser's Group) by operation of the Transfer Regulations and do not object to such transfer (to the extent permitted by the Transfer Regulations) in accordance with Schedule 7; and (iii) the Relevant Target Company Employees of that Seller, and **"Transferred Target Business Employees"** means the employees in (i) and (ii), **"Transferred Target Company Employees"** means the employees in (iii), and **"Transferred Employee"**, **"Transferred Target Business Employee"** and **"Transferred Target Company Employee"** respectively means any one of them;

"Transferred Information Technology" means, in respect of a Seller, all Information Technology of any member of that Seller's Group (other than its Target Group Company) to the extent Exclusively Related to that Seller's Contributed Business;

"Transferred Intellectual Property Contracts" means, in respect of a Seller, Contracts Exclusively Related to its Contributed Business which relate to Intellectual Property Rights (but excluding the rights under any such Contracts that are held by its Target Group Companies);

"Transferred Intellectual Property Rights" means, in respect of a Seller, the Intellectual Property Rights of any member of that Seller's Group (other than a Target Group Company) Exclusively Related to its Contributed Business. For the avoidance of doubt, whether a Trademark is Exclusively Related to a Contributed Business will be assessed on a Brand basis rather than a country by country basis, so that a Brand (and the Trademarks used or registered for use with a Product to which that Brand is associated) shall be deemed not to be Exclusively Related to a Contributed Business

where, as at the date of this Agreement, a Brand is Commercialised by a Seller or its Affiliates in relation to both (i) a Product and (ii) a product of that Seller's Retained Business, in any part of the world;

"Transferred Inventory" means, in respect of a Seller, all inventories (including its Manufacturing Inventory, Manufacturing Stocks and In-Market Inventory), wherever located, including all raw materials, work in progress, finished GlaxoSmithKline Products or Novartis Products (as the case may be), and packaging and labelling material in respect of the GlaxoSmithKline Products or Novartis Products (as the case may be) and otherwise, in each case, that are, Predominantly Related to its Contributed Business (but excluding any such items held by its Target Group Companies), whether held at any location or facility of a member of that Seller's Group or in transit to a member of that Seller's Group, in each case, as of the Effective Time;

"Transferred Leased Properties" has the meaning given to it in paragraph 1.1 of Part 4 of Schedule 2;

"Transferred Owned Properties" has the meaning given to it in paragraph 1.1 of Part 4 of Schedule 2;

"Transferred Plant and Equipment" means, in respect of a Seller:

- (i) its Transferred Information Technology; and
- (ii) all plant, furniture, furnishings, vehicles, equipment, tools and other tangible personal property (other than its Transferred Inventory or its Transferred Information Technology) of that Seller's Group that are Predominantly Related to its Contributed Business (but excluding any such items owned by its Target Group Companies);

"Transferred Properties" means, in respect of a Seller:

- (i) its Transferred Owned Properties;
- (ii) its Transferred Leased Properties;
- (iii) all other freehold, leasehold or other immovable property comprising research and development, production or manufacturing facilities Exclusively Related to its Contributed Business, other than any freehold, leasehold or other immovable property within the definition of "Excluded Assets"; and
- (iv) all other freehold, leasehold or other immovable property comprising warehousing, distribution or office facilities Predominantly Related to its Contributed Business, other than any freehold, leasehold or other immovable property within the definition of "Excluded Assets",

and **"Transferred Property"** means any one of them;

“**Transitional Distribution Services Agreement**” means, in respect of a Seller, the transitional distribution services agreement expected to be entered into between it (or its Affiliate) and the Purchaser (or its Affiliate) at Closing (and each local agreement entered pursuant to such transitional distribution services agreement) on terms consistent with the Agreed Terms;

“**Transitional Services Agreement**” means the transitional services agreement expected to be entered into between Novartis (or its Affiliate) and the Purchaser (or its Affiliate) at Closing (and each local agreement entered pursuant to such transitional services agreement) on terms consistent with the Agreed Terms;

“**US Benefit Plans**” means all United States “employee benefit plans” (within the meaning of section 3(3) of ERISA), severance, change in control or employment, vacation, incentive, bonus, stock option, stock purchase, or restricted stock plans, programmes, agreements or policies benefiting the relevant Target Business Employees;

“**Vaccines Sale and Purchase Agreement**” means the sale and purchase agreement dated the date of this agreement between Novartis and GlaxoSmithKline relating to the sale and purchase of Novartis’s vaccines business (excluding Novartis’s Influenza vaccines business);

“**VAT**” means, within the European Union, such Taxation as may be levied in accordance with (but subject to derogations from) Council Directive 2006/112/EC and, outside the European Union, any Taxation levied by reference to added value or sales;

[***]

[***]

“**WARN Act**” means the Worker Adjustment and Retraining Notification Act of 1988 of the United States;

“**Wholly-Owned Subsidiary**” means, in respect of GlaxoSmithKline, any body corporate that is a 100 per cent. owned and controlled subsidiary of GlaxoSmithKline and, in respect of Novartis, any body corporate that is a 100 per cent. owned and controlled subsidiary of Novartis (where “**subsidiary**” has the meaning given in section 1159 of the Companies Act 2006);

“**Working Capital**” means, in respect of a Seller, the aggregate amount of the working capital items of its Target Group falling into the categories set out in Part A of Part 4 of Schedule 12 (in respect of Novartis) or Part B of Part 4 of Schedule 12 (in respect of GlaxoSmithKline) as set out in its Closing Statement (which shall not include any amount in respect of Tax), at the Effective Time, as derived from its Closing Statement;

“**Working Capital Adjustment**” means, in respect of a Seller:

- (i) if its Working Capital is no less than its Minimum Working Capital Amount and no greater than its Maximum Working Capital Amount, zero;

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

- (ii) if its Working Capital is less than its Minimum Working Capital Amount, the amount by which its Working Capital is less than its Minimum Working Capital Amount, such amount being treated as a negative amount; or
- (iii) if its Working Capital is greater than its Maximum Working Capital Amount, the amount by which its Working Capital exceeds its Maximum Working Capital Amount, such amount being treated as a positive amount;

“**Withholding Seller**” has the meaning given in Clause 15.11.2; and

“**Workstream Lead**” has the meaning given to it in the Implementation Agreement.

1.2 **Shares**

References to shares shall include, where relevant, quotas.

1.3 **Singular, plural, gender**

References to one gender include all genders and references to the singular include the plural and vice versa.

1.4 **References to persons and companies**

References to:

1.4.1 a person include any individual, company, partnership or unincorporated association (whether or not having separate legal personality); and

1.4.2 a company include any company, corporation or any body corporate, wherever incorporated.

1.5 **Schedules etc.**

References to this Agreement shall include any Recitals and Schedules to it and references to Clauses and Schedules are to Clauses of, and Schedules to, this Agreement. References to paragraphs and Parts are to paragraphs and Parts of the Schedules.

1.6 **Reference to documents**

References to any document (including this Agreement), or to a provision in a document, shall be construed as a reference to such document or provision as amended, supplemented, modified, restated or novated from time to time.

1.7 **References to enactments**

Except as otherwise expressly provided in this Agreement, any express reference to an enactment (which includes any legislation in any jurisdiction) includes references: (i) to that enactment as amended, consolidated or re-enacted by or under any other

enactment before or after the date of this Agreement; (ii) any enactment which that enactment re-enacts (with or without modification); and (iii) any subordinate legislation (including regulations) made before or after the date of this Agreement under that enactment as amended, consolidated or re-enacted as described in paragraph (i) or paragraph (ii) above, except to the extent that any of the matters referred to in paragraph (i) to paragraph (iii) (inclusive) above occurs after the date of this Agreement and increases or alters the liability of a Seller or the Purchaser under this Agreement.

1.8 **Information**

References to books, records or other information mean books, records or other information in any form including paper, electronically stored data, magnetic media, film and microfilm.

1.9 **References to “indemnify”**

Unless specified to the contrary, references to “indemnify” and “indemnifying” any person against any circumstance include indemnifying and holding that person harmless on an after-Tax basis and:

- 1.9.1 references to the Purchaser indemnifying each member of a Seller’s Group shall constitute undertakings by the Purchaser to that Seller for itself and on behalf of each other member of that Seller’s Group;
- 1.9.2 references to the relevant Seller indemnifying each member of the Purchaser’s Group shall constitute undertakings by that Seller to the Purchaser for itself and on behalf of each other member of the Purchaser’s Group;
- 1.9.3 to the extent that the obligation to indemnify relates to any Shares (including any Target Group Companies) or other assets or liabilities transferred by a Share Seller or Business Seller (as the case may be) to a member of the Purchaser’s Group pursuant to this Agreement, references to the Seller indemnifying the Purchaser and references to the Seller indemnifying the Purchaser or any member of the Purchaser’s Group shall constitute undertakings by the Seller to indemnify or procure the indemnification of the relevant purchaser of the Shares transferred or to be transferred by that Share Seller or the relevant purchaser of the assets or liabilities transferred or to be transferred by that Business Seller (as the case may be), and references to the Purchaser indemnifying the Seller and references to the Purchaser indemnifying the Seller and each member of the Seller’s Group shall constitute undertakings by the Purchaser to indemnify or procure the indemnification of the relevant member of the Seller’s Group; and
- 1.9.4 where under the terms of this Agreement one party is liable to indemnify or reimburse another party in respect of any costs, charges or expenses, the payment shall include an amount equal to any VAT thereon not otherwise recoverable by the other party or any member of any group or

consolidation of which it forms part for VAT purposes, subject to that party using reasonable endeavours to recover or to procure recovery of such amount of VAT as may be practicable.

For the purposes of this Clause 1.9, indemnifying and holding harmless a person on an “after-Tax basis” means that the amount payable pursuant to the indemnity (the “**Payment**”) shall be calculated in such a manner as will ensure that, after taking into account:

- (i) any Tax required to be deducted or withheld from the Payment and any additional amounts required to be paid by the payer of the Payment in consequence of such withholding;
- (ii) the amount and timing of any additional Tax which becomes (or would, but for the use of any credit or other relief which would otherwise have been available to reduce the Tax liabilities of any member of a Seller’s Group or of the Purchaser’s Group, as the case may be, have become) payable by the recipient of the Payment (or a member of a Seller’s Group or the Purchaser’s Group, as the case may be) as a result of the Payment’s being subject to Tax in the hands of that person; and
- (iii) the amount and timing of any Tax benefit which is obtained by the recipient of the Payment (or a member of a Seller’s Group or the Purchaser’s Group, as the case may be) to the extent that such Tax benefit is attributable to the matter giving rise to the indemnity payment or to the receipt of the Payment,

which amount and timing is to be determined by the auditors of the recipient at the shared expense of both relevant parties and is to be certified as such to the party making the Payment, the recipient of the Payment is in no better and no worse after Tax position as that in which it would have been if the matter giving rise to the indemnity payment had not occurred, provided that if any party to this Agreement shall have assigned or novated the benefit of this Agreement in whole or in part or shall, after the date of this Agreement, have changed its Tax residence or the permanent establishment to which the rights under this Agreement are allocated then no Payment to that party shall be increased by reason of the operation of paragraphs (i) to (iii) above to any greater extent than would have been the case had no such assignment, novation or change taken place.

1.10 **References to wholly or substantially in the Contributed Business**

References to any employee employed by a member of a Seller’s Group working “wholly or substantially” in a Contributed Business (whether the GlaxoSmithKline Consumer Business or the Novartis OTC Business, as the case may be) means that such employee spends more than 70 per cent. of their time working in the Contributed Business at the relevant time.

1.11 **Legal terms**

References to any English legal term shall, in respect of any jurisdiction other than England and Wales, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction.

1.12 **Non-limiting effect of words**

The words “including”, “include”, “in particular” and words of similar effect shall not be deemed to limit the general effect of the words that precede them.

1.13 **Currency conversion**

1.13.1 Subject to Clause 1.13.2 and Clause 6.5, any amount to be converted from one currency into another currency for the purposes of this Agreement shall be converted into an equivalent amount at the Conversion Rate prevailing at the Relevant Date. For the purposes of this Clause 1.13:

“**Conversion Rate**” means the spot reference rate for a transaction between the two currencies in question as quoted by the European Central Bank on the Business Day immediately preceding the Relevant Date or, if no such rate is quoted on that date, on the preceding date on which such rates are quoted;

“**Relevant Date**” means, save as otherwise provided in this Agreement, the date on which a payment or an assessment is to be made, save that, for the following purposes, the date shall mean:

- (i) for the purposes of Clause 5, the date of this Agreement;
- (ii) for the purposes of Clause 7 and Schedule 12 and Schedule 18, the Closing Date; or
- (iii) for the purposes of Clause 10, the date of this Agreement; and
- (iv) for the purposes of the monetary amounts set out in Schedule 13, the date of this Agreement.

1.13.2 For the purposes of Schedule 12, the conversion of an amount from one currency into another shall be carried out in accordance with the accounting policies and practices of the Purchaser’s Group in operation from time to time.

2. SALE AND PURCHASE OF THE TARGET GROUPS

2.1 Sale and Purchase of the Target Groups

On and subject to the terms of this Agreement and the Local Transfer Documents:

- 2.1.1 GlaxoSmithKline undertakes to Novartis and the Purchaser to procure that its Share Sellers and Business Sellers shall sell the GlaxoSmithKline Target Group;
- 2.1.2 Novartis undertakes to GlaxoSmithKline and the Purchaser to procure that its Share Sellers and Business Sellers shall sell the Novartis Target Group; and
- 2.1.3 the Purchaser undertakes to GlaxoSmithKline and Novartis to purchase (or procure the purchase by a member (s) of the Purchaser's Group of) each of the Target Groups,

in each case, as a going concern.

2.2 Sale of the Shares

- 2.2.1 GlaxoSmithKline shall procure that its Share Sellers shall sell the GlaxoSmithKline Shares, and Novartis shall procure that its Share Sellers shall sell the Novartis Shares, and the Purchaser shall purchase (or procure the purchase of) the Shares, in each case, with Full Title Guarantee free from Encumbrances (other than any rights of first refusal that exist as at the date of this Agreement in relation to any Shares in any Joint Venture Entities) and together with all rights and advantages attaching to them as at Closing (including the right to receive all dividends or distributions declared, made or paid on or after the Effective Time), subject to and in accordance with the provisions of Schedule 6.
- 2.2.2 GlaxoSmithKline shall procure that, on or prior to Closing, any and all rights of pre-emption over the GlaxoSmithKline Shares (other than such rights of pre-emption that exist at the date of this Agreement in respect of its Joint Venture Entities) and Novartis shall procure that, on or prior to Closing, any and all rights of pre-emption over the Novartis Shares (other than in respect of its Joint Venture Entities), in each case, are waived irrevocably by the persons entitled thereto.

2.3 Sale of the Target Group Businesses

- 2.3.1 Each Seller shall sell (or procure the sale of) the assets comprising its Target Group Businesses and the Purchaser shall purchase (or procure the purchase of), each Seller's Target Group Businesses, in each case, under this Agreement or, where relevant, the Local Transfer Documents. Each of those assets shall be sold by that Seller or Business Seller (as the case may be) with Full Title Guarantee (save in respect of the Transferred

Intellectual Property Rights) and free from Encumbrances other than Permitted Encumbrances (save for the Transferred Properties, which shall be sold free from Encumbrances other than as provided in paragraph 1.9 of Part 4 of Schedule 2) and shall comprise, in respect of each Target Group Business of each Seller (unless otherwise expressly provided below):

- (i) the Transferred Properties;
- (ii) the Transferred Plant and Equipment;
- (iii) the Transferred Inventory;
- (iv) the Transferred Accounts Receivables;
- (v) the Transferred Books and Records;
- (vi) subject to and in accordance with Schedule 6, the Transferred Intellectual Property Rights;
- (vii) subject to and in accordance with Schedule 6, the Transferred Intellectual Property Contracts;
- (viii) the Transferred Information Technology;
- (ix) subject to and in accordance with Schedule 6, its Transferred Contracts and the Relevant Part of the Shared Business Contracts;
- (x) subject to and in accordance with Clause 6.2 and Schedule 4, all Product Approvals and all Product Applications and all other permits, licences, certificates, registrations, marketing or other authorisations or consents issued by a Governmental Entity Predominantly Related to that Seller's Contributed Business and not held by its Target Group Companies;
- (xi) subject to and in accordance with Schedule 4, all Marketing Authorisation Data not held by its Target Group Companies;
- (xii) all Business Information not held at Closing by its Target Group Companies;
- (xiii) all rights of the Purchaser, its Affiliates and its Target Group Companies as contemplated by Schedule 7 and Schedule 8;
- (xiv) the Target Group Goodwill;
- (xv) all other property, rights and assets owned or held by that Seller's Group (other than its Target Group Companies) and Predominantly Related to that Seller's Contributed Business at Closing (other than any

property, rights and assets of that Seller's Target Group expressly excluded from the sale under this Agreement); and

(xvi) Novartis Holding AG's rights under the Novartis Transferred Intra-Group Non-Trade Receivables.

2.3.2 There shall be excluded from the sale of each Target Group Business by a Seller under this Agreement and the Local Transfer Documents the following:

- (i) the Seller's Retained Business;
- (ii) any Intellectual Property Right that is not a Target Group Intellectual Property Right;
- (iii) any Information Technology other than the Target Group Information Technology;
- (iv) the Seller Marks;
- (v) any product and any permits, licences, certificates, registrations, marketing or other authorisations or consents issued by any Governmental Entity in respect of any products, or any applications therefor, other than: (a) products to the extent included in the relevant Seller's Contributed Business (including the Products), Product Approvals, Products Under Registration and Pipeline Product Approvals; and (b) Permits Predominantly Related to that Seller's Contributed Business;
- (vi) all cash, marketable securities and negotiable instruments, and all other cash equivalents, of that Seller's Group (other than its Target Group Companies);
- (vii) the land and buildings of Novartis's Group at 4560 Horton Street, Emeryville CA, United States of America, together with all fixtures and improvements erected thereon;
- (viii) the land and buildings of the Novartis's Group at Jaboatão dos Guarapas, State of Pernambuco, Brazil, together with all fixtures and improvements erected thereon and any other assets, rights and Contracts related thereto;
- (ix) all real property and any leases therefor and interests therein other than the Properties;
- (x) the company seal, minute books, charter documents, stock or equity record books and such other books and records pertaining to that Seller or its Affiliates (other than the Target Group Companies and the Transferred Books and Records), as well as any other records or

- material relating to that Seller or its Affiliates (other than its Target Group Companies) generally and not involving or related to that Seller's Target Group;
- (xi) any right of that Seller or its Affiliates to be indemnified in respect of Assumed Liabilities;
 - (xii) all Tax assets (including Tax refunds and prepayments), other than Tax assets of any Target Group Company;
 - (xiii) all Tax Returns of that Seller's Group (other than its Target Group Companies) and all Tax Returns relating to Tax Groups of which persons other than Target Group Companies are members and, in each case, all books and records (including working papers) related thereto;
 - (xiv) any rights in respect of any insurance policies of that Seller's Group as provided in and subject to Clause 13;
 - (xv) all artwork, paintings, drawings, sculptures, prints, photographs, lithographs and other artistic works of that Seller's Group that are not embodiments of the Target Group Intellectual Property Rights;
 - (xvi) any rights of that Seller's Group (other than its Target Group Companies) under any of its Intra-Group Non-Trade Payables or Intra-Group Non-Trade Receivables (excluding its Transferred Accounts Receivables), with the exception of the Novartis Transferred Intra-Group Non-Trade Receivables;
 - (xvii) any rights of that Seller or its Affiliates (other than its Target Group Companies) contemplated by Schedule 7 and Schedule 8;
 - (xviii) any equity interest in any person other than a Target Group Company or the Joint Venture Entities;
 - (xix) the Excluded Contracts, but, subject to paragraph 11.8 of Schedule 6, including the Endo Excluded Contract and the Baxter Excluded Contract;
 - (xx) all rights of that Seller's Group under this Agreement and the Ancillary Agreements;
 - (xxi) the Seller's Bank Account;
 - (xxii) in the case of GlaxoSmithKline only, those items, assets and businesses set out in Part 1 of Schedule 3; and
 - (xxiii) in the case of Novartis only, those items, assets and businesses set out in Part 2 of Schedule 3.

- 2.3.3 Each Seller agrees to procure the transfer of (to the extent it is able so to do) and the Purchaser agrees to accept or procure the acceptance by another member of the Purchaser's Group of the transfer of, and to assume, duly and punctually pay, satisfy, discharge, perform or fulfil or procure that another member of the Purchaser's Group will assume, duly and punctually pay, satisfy, discharge, perform or fulfil, the Assumed Liabilities relating to that Seller's Contributed Business, with effect from Closing.
- 2.3.4 Clause 2.3.3 shall not apply to, and the Purchaser shall not be obliged to accept (or procure the acceptance by another member of the Purchaser's Group of), the transfer of or to assume, duly and punctually pay, satisfy, discharge, perform or fulfil (or procure that another member of the Purchaser's Group will assume, duly and punctually pay, satisfy, discharge, perform or fulfil):
- (i) any Excluded Liability; or
 - (ii) any Liability to the extent it relates to an Excluded Asset.
- 2.3.5 Each Seller shall comply with its obligations in Schedule 17 (Reorganisations) in respect of any reorganisation of that Seller's Group carried out prior to Closing involving its Target Group (including assigning or otherwise transferring assets, liabilities and (only where in compliance with Clause 5 other than Clause 5.2.5) employees between members of that Seller's Group and including, without limitation, transferring all or part of its Target Group into or (directly or indirectly) beneath, as the case may be, a single newly incorporated company or holding company, as the case may be, with the intention of that new company being transferred to the Purchaser on Closing) (each a "**Reorganisation**"). In the event that a Seller carries out a Reorganisation such that the structure of the Target Group has been altered, the provisions of this Agreement shall apply to such altered structure *mutatis mutandis*.
- 2.3.6 Promptly after the date of this Agreement:
- (i) the project manager of each of GlaxoSmithKline and Novartis shall appoint a Workstream Lead who shall be generally responsible for the implementation of this Agreement; and
 - (ii) GlaxoSmithKline, Novartis and each Workstream Lead appointed in accordance with Clause 2.3.6 (i) shall use their reasonable endeavours to further identify the assets and liabilities comprising GlaxoSmithKline's and Novartis's respective Target Group and make any amendments or updates to Schedule 1, Schedule 2, Schedule 3, Schedule 6, Schedule 9, Schedule 16, Schedule 19 and Schedule 21 as may be necessary to

ensure that such Schedules accurately reflect the scope of each of GlaxoSmithKline's and Novartis's respective Target Group,

provided that nothing in this Clause 2.3.6 shall be construed as a right or obligation to amend or update the scope of each of GlaxoSmithKline's and Novartis's respective Target Group as defined in this Agreement.

2.4 **Employees and Employee Benefits**

2.4.1 The provisions of Schedule 7 shall apply in respect of the Employees.

2.4.2 The provisions of Schedule 8 shall apply in respect of Employee Benefits.

2.5 **Properties**

The provisions of Schedule 2 shall apply in respect of the Properties.

2.6 **Alliance Market Businesses**

2.6.1 The parties agree that the Alliance Market Businesses shall not be transferred by the relevant Seller to the Purchaser on Closing but shall be governed by this Clause 2.6.

2.6.2 On and with effect from Closing, the GlaxoSmithKline Alliance Market Businesses shall be retained by the relevant entity in GlaxoSmithKline's Group or (where applicable) transferred to the relevant entity in the Purchaser's Group listed opposite the Alliance Market Territory in Appendix 1.

2.6.3 At Closing, the Novartis Alliance Market Businesses shall be transferred to the relevant member of GlaxoSmithKline's Group or the Purchaser's Group listed opposite the Alliance Market Territory in Appendix 1.

2.6.4 At Closing, GlaxoSmithKline shall procure that the relevant entity in GlaxoSmithKline's Group listed in Appendix 1 shall, GlaxoSmithKline and the Purchaser shall procure that the relevant entity in the Purchasers' Group listed in Appendix 1 shall and Novartis shall procure that the relevant entity in Novartis's Group listed Appendix 1 shall, in each case, enter into the relevant Alliance Market Local Transfer Agreements listed therein.

2.7 **Rx Spin-out Businesses**

2.7.1 Notwithstanding Clause 2.3.2, GlaxoSmithKline shall be permitted to transfer its Rx Spin-out Businesses to the Purchaser's Group (including by virtue of such businesses being owned by a Target Group Company), provided that GlaxoSmithKline shall, and shall procure that members of GlaxoSmithKline's Group shall, use all reasonable endeavours to procure that each Rx Spin-out Business is transferred from the Purchaser's Group

to an entity in GlaxoSmithKline's Group as soon as reasonably practicable following Closing (in each case, an "Rx Spin-out").

- 2.7.2 From Closing until the relevant Rx Spin-out completes, Part 3 of Schedule 22 (*Economic Benefit Transfer*) shall apply to the Rx Spin-out Businesses, such that the Purchaser's Group and GlaxoSmithKline's Group are put in the same net economic position as they would have been in had the relevant Rx Spin-out Business not transferred to the Purchaser's Group on Closing.
- 2.7.3 The parties acknowledge that the purchaser of any Rx Spin-out Business may wish to enter into transitional supply, service or distribution arrangements with the Purchaser (or its Affiliates). The Purchaser and GlaxoSmithKline shall negotiate in good faith whether, and, if so, the terms on which, such transitional supply, service or distribution arrangements will be entered into, which terms shall be based on the terms of any Ancillary Agreement that would have applied in respect of that Rx Spin-out Business, if it had been a member of GlaxoSmithKline's Group at Closing.

2.8 Local Transfer Documents

- 2.8.1 On Closing or at such other time as agreed between the parties, each Seller shall procure that its Share Sellers and Business Sellers execute, and the Purchaser shall execute (or procure the execution by one or more other members of the Purchaser's Group of), such agreements, transfers, conveyances and other documents, as may be required pursuant to the relevant local law and otherwise as may be agreed between such Seller and the Purchaser to implement the transfer of (i) the Shares held by such Share Sellers and (ii) the Target Group Businesses held by such Business Sellers, in each case on Closing subject to the provisions of Schedule 6, Schedule 22 (*Delayed Businesses*) and Clause 2.6 (*Alliance Market Businesses*) (the "Local Transfer Documents" and each, a "Local Transfer Document"). The parties do not intend this Agreement to transfer title to any of the Shares. Title shall be transferred by the applicable Local Transfer Document.
- 2.8.2 To the extent that the provisions of a Local Transfer Document are inconsistent with or (except to the extent they implement a transfer in accordance with this Agreement) additional to the provisions of this Agreement:
- (i) the provisions of this Agreement shall prevail; and
 - (ii) so far as permissible under the laws of the relevant jurisdiction, the relevant Seller and the Purchaser shall procure that the provisions of the relevant Local Transfer Document are adjusted, to the extent necessary to give effect to the provisions of this Agreement or, to the extent this is not permissible, that Seller shall indemnify the Purchaser against all Liabilities suffered by the Purchaser or its Affiliates or, as the

case may be, the Purchaser shall indemnify that Seller against all Liabilities suffered by that Seller or its Affiliates, in either case, through or arising from the inconsistency between the Local Transfer Document and this Agreement or the additional provisions (except to the extent they implement a transfer in accordance with this Agreement).

- 2.8.3 If there is an adjustment to the Purchase Consideration under Clause 7.3 which relates to a part of the Target Group which is the subject of a Local Transfer Document, then, if required to implement the adjustment and so far as permissible under Applicable Law, the Purchaser shall (or shall procure that the relevant member of the Purchaser's Group will), and the relevant Seller shall procure that its relevant Affiliate shall, enter into a supplemental agreement reflecting such adjustment and the allocation of such adjustment.
- 2.8.4 Neither Seller shall, and each Seller shall procure that none of its Affiliates shall, bring any claim against the Purchaser or any member of the Purchaser's Group (including any Target Group Company) in respect of or based upon the Local Transfer Documents save to the extent necessary to implement any transfer of the Shares or Target Group Businesses as contemplated by this Agreement. To the extent that any Seller or a member of that Seller's Group does bring a claim in breach of this Clause, that Seller shall indemnify the Purchaser and each member of the Purchaser's Group (including any Target Group Company) against all Liabilities which the Purchaser or that member of the Purchaser's Group (including any Target Group Company) may suffer through or arising from the bringing of such a claim.
- 2.8.5 The Purchaser shall not, and shall procure that none of its Affiliates shall, bring any claim against any Seller or any member of any Seller's Group in respect of or based upon the Local Transfer Documents save to the extent necessary to implement any transfer of the Shares or the Target Group Businesses as contemplated by this Agreement. To the extent that the Purchaser or a member of the Purchaser's Group does bring a claim in breach of this Clause, the Purchaser shall indemnify the relevant Seller and each member of that Seller's Group against all Liabilities which that Seller or any member of that Seller's Group may suffer through or arising from the bringing of such a claim.

2.9 **Inventory**

- 2.9.1 The parties agree that neither this Agreement nor the applicable Local Transfer Agreement shall transfer legal title to any Transferred Inventory held by the relevant Seller's Target Group Business in the jurisdictions set out in Schedule 25 (*Global TDSA Model Jurisdictions*) (the "**Retained Inventory**") on Closing.
- 2.9.2 Legal title to all In-Market Inventory that is Retained Inventory shall be transferred to the relevant member of the Purchaser's Group in

accordance with Article XVII of the Transitional Distribution Services Agreement.

- 2.9.3 In respect of the relevant Target Group Business in each jurisdiction set out in Schedule 25 the relevant Seller shall, by no later than 5 Business Days after the date on which it or the relevant member of that Seller's Group receives payment under section 17.01(b) of the Transitional Distribution Services Agreement for In-Market Inventory in respect of the relevant Target Group Business, contribute to the Purchaser (in accordance with Clause 15.7) an amount equal to the value of the Retained Inventory recorded in the Closing Statement in respect of the relevant Target Group Business.
- 2.9.4 If, following Closing, any Manufacturing Inventory or Manufacturing Stock is found to have formed part of the Retained Inventory, the relevant Seller shall procure that such Manufacturing Inventory and/or Manufacturing Stock is transferred from the relevant member of that Seller's Group to the member of the Purchaser's Group nominated by the Purchaser as soon as practicable following Closing at no cost to the Purchaser.
- 2.9.5 Clause 3.4 shall apply to payments or other contributions under this Clause 2.9 as if such payments or other contributions were made or procured in respect of an indemnity under this Agreement.

3. CONSIDERATION

3.1 Amount

- 3.1.1 The aggregate consideration for the purchase of each of the GlaxoSmithKline Consumer Group and the Novartis OTC Group under this Agreement and the Local Transfer Documents (together with any payment required to be made pursuant to clause 3.1.3, the "**Purchase Consideration**") shall be:
 - (i) in the case of the GlaxoSmithKline Consumer Group, the allotment and issue by the Purchaser to GlaxoSmithKline (and/or such other of its Affiliates as are Wholly-Owned Subsidiaries as GlaxoSmithKline may direct prior to Closing, provided that no more than two members of GlaxoSmithKline's Group shall be issued A Shares at Closing) of the A Shares in accordance with the provisions of this Agreement; and
 - (ii) in the case of the Novartis OTC Group, the allotment and issue by the Purchaser to Novartis (and/or such other of its Affiliates as are Wholly-Owned Subsidiaries as Novartis may direct prior to Closing, provided that no more than two members of Novartis's Group shall be issued B Shares at Closing of the B Shares in accordance with the provisions of this Agreement).

3.1.2 The Sellers and the Purchaser acknowledge and agree that the Purchase Consideration has been determined on the basis of the Base Working Capital Range, with the intention that for each of the Target Groups, the sum of the amounts set out in Clause 3.1.3(i) to 3.1.3(vii) will equal zero.

3.1.3 If, in respect of the GlaxoSmithKline Consumer Group or the Novartis OTC Group, the sum of the following:

(i) the Target Group Companies' Cash Balances and the Intra-Group Non-Trade Receivables;

minus

(ii) the Third Party Indebtedness

minus

(iii) the Intra-Group Non-Trade Payables;

minus

(iv) any Employee Benefit Indemnification Amount paid in accordance with Schedule 8;

minus

(v) the excess over US\$20,000,000, if any, of the Intra-Group Trading Balances;

minus

(vi) the Tax Adjustment; and

plus (if it is zero or a positive amount) or minus (if it is a negative amount)

(vii) the Working Capital Adjustment,

does not equal zero, balancing payments shall be made between GlaxoSmithKline and the Purchaser (in the case of the GlaxoSmithKline Consumer Group) or Novartis and the Purchaser (in the case of the Novartis OTC Group) in accordance with Clauses 6.3 and 7.3 to 7.6 (inclusive).

3.1.4 For the avoidance of doubt, the amounts set out in Clause 3.1.3 in each case include all such amounts payable in respect of the Delayed Businesses and the Alliance Market Businesses.

3.2 **Satisfaction of Purchase Consideration**

- 3.2.1 The Purchaser shall allot and issue the A Shares and the B Shares credited as fully paid. The amount payable under Clause 3.1.3 shall be paid in cash to the relevant Seller's Bank Account(s) or the Purchaser's Bank Account, as the case may be, pursuant to Clauses 6.3 and 7.6.
- 3.2.2 Any cash payment required to be made by the Purchaser pursuant to Clauses 3.1.3, 3.2.1, 6.3 and/or 7.3 to 7.6 (inclusive), shall be funded through Shareholder Loans (as defined in the Shareholders' Agreement), made pro rata to each Seller's Group's shareholding in the Purchaser (and each Seller shall procure its relevant Affiliates make such Shareholder Loans required by this Clause 3.2.2).
- 3.2.3 Any cash payment required to be made or procured by the Purchaser under Clause 3.3 shall be funded from the cash reserves of the Purchaser's Group. For the avoidance of doubt, this Clause 3.2.3 is without prejudice to the rights and obligations of the Company under Clause 12 of the Shareholders' Agreement.

3.3 **VAT**

- 3.3.1 The provisions of Schedule 10 shall apply in respect of VAT.
- 3.3.2 Each Seller and the Purchaser agree that the consideration given under this Agreement in respect of the sale of the Target Group Businesses and the Shares is exclusive of any VAT.
- 3.3.3 To the extent that VAT is chargeable in respect of that sale or any part thereof, the Purchaser shall, against delivery of a valid VAT invoice (or equivalent, if any), in addition to any other amount expressed in this Agreement to be payable by the Purchaser, pay or procure the payment to the relevant Seller (on behalf of its relevant Business Seller or Share Seller as applicable) any amount of any VAT so chargeable for which that Seller (or the relevant member of that Seller's Group, as the case may be) is liable to account, in accordance with Schedule 10.

3.4 Treatment of Payments

If any payment is made or procured (i) by a Seller or a member of that Seller's Group to the Purchaser or relevant member of the Purchaser's Group, or (ii) by a Purchaser or member of the Purchaser's Group to the Seller or relevant member of a Seller's Group, in either case, in respect of any claim under or for any breach of this Agreement or pursuant to an indemnity (or equivalent covenant to pay) under this Agreement, the payment shall be treated, so far as possible, as an adjustment of the Purchase Consideration paid by the relevant member of the Purchaser's Group for the particular part of the Target Group to which the payment and/or claim relates under this Agreement and the Purchase Consideration shall be deemed to be increased or reduced (as applicable) by the amount of such payment,

PROVIDED THAT this Clause 3.4 shall not require any amount to be treated as an amount in respect of the Purchase Consideration for the purposes of Clause 15.11 (Grossing-up) if it would not otherwise have been so treated.

4. CONDITIONS

4.1 Conditions Precedent

The sale and purchase of each Target Group is conditional upon satisfaction of the following conditions, or their satisfaction subject only to Closing:

- 4.1.1 to the extent that the proposed transaction contemplated under this agreement (the "**Transaction**") either constitutes (or is deemed to constitute under Article 4(5) or Article 5(2)) a concentration with a Community dimension within the meaning of Council Regulation (EC) 139/2004 (as amended) (the "**Regulation**") or is to be examined by the European Commission as a result of a decision under Article 22(3) of the Regulation:
- (i) the European Commission taking a decision (or being deemed to have taken a decision) under Article 6(1)(b) or, if the Commission has initiated proceedings pursuant to Article 6(1)(c), under Article 8(1) or 8(2) of the Regulation declaring the Transaction compatible with the common market; or
 - (ii) the European Commission taking a decision (or being deemed to have taken a decision) to refer the whole or part of the Transaction to the competent authorities of one or more Member States under Article 4(4) or 9(3) of the Regulation; and
 - (a) each such authority taking a decision with equivalent effect to Clause 4.1.1(i) with respect to those parts of the Transaction referred to it; and

- (b) the European Commission taking any of the decisions under Clause 4.1.1(i) with respect to any part of the Transaction retained by it;
- 4.1.2 any waiting period (and any extension thereof) under the HSR Act applicable to the Transaction having expired;
- 4.1.3 to the extent required or otherwise agreed between the parties as appropriate to permit the parties to consummate the Transaction in the jurisdictions listed in Schedule 20, any additional clearances, approvals, waivers, no-action letters and consents having been obtained and any additional waiting periods having expired under applicable antitrust, merger control or foreign investment rules set forth in Schedule 20;
- 4.1.4 receipt of CFIUS Approval if CFIUS has initiated a review of the transactions contemplated by this Agreement, whether pursuant to Clause 4.2.3 or otherwise;
- 4.1.5 no Governmental Entity having enacted, issued, promulgated, enforced or entered any Applicable Law or Judgment (whether temporary, preliminary or permanent) that is in effect at the Closing Date and that has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting the consummation of such transactions;
- 4.1.6 the passing at a duly convened and held general meeting of GlaxoSmithKline's Shareholders (as defined in the Implementation Agreement) of an ordinary resolution validly approving the sale and purchase under each of the Target Asset Agreements and any sale and purchase under the Put Option Agreement (as defined in the Implementation Agreement) in accordance with GlaxoSmithKline's Articles of Association, the Listing Rules (as defined in the Implementation Agreement) and all other Applicable Law and regulation (such resolution being the "**GlaxoSmithKline Shareholder Resolution**" and such meeting being the "**GlaxoSmithKline Shareholder Meeting**");
- 4.1.7 Novartis not delivering, in accordance with Clause 3 of the Implementation Agreement, a Novartis Board Certificate (as defined in the Implementation Agreement) prior to the conclusion of the vote on the GlaxoSmithKline Shareholder Resolution at the GlaxoSmithKline Shareholder Meeting; and
- 4.1.8 each of the other Target Asset Agreements having become unconditional in accordance with its terms (save for any condition in those agreements relating to this Agreement or the other of those agreements having become unconditional).

4.2 **Responsibility for Satisfaction**

- 4.2.1 The Sellers shall prepare and file the notifications necessary for the fulfilment of the conditions in Clauses 4.1.1 to 4.1.3 (the "**Required**

Notifications) as soon as reasonably practicable (with notifications under the HSR Act to be filed by 29 May 2014). Notwithstanding anything to the contrary contained in this Agreement, GlaxoSmithKline shall have primary responsibility for obtaining all consents, approvals or actions of any Governmental Entity which are required in connection with the Required Notifications (with the exception of the Minority Notifications addressed in Clause 4.2.10, for which Novartis shall have such responsibility).

4.2.2 GlaxoSmithKline shall be responsible for payment of all filing and other fees and expenses in connection with the Required Notifications and the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3, (with the exception of the Minority Notifications addressed in Clause 4.2.10, for which Novartis shall have such responsibility).

4.2.3 CFIUS:

- (i) The Sellers and the Purchaser shall consult, cooperate and keep each other reasonably informed regarding communications with, and requests for additional information from, CFIUS with respect to the Transaction. The Sellers and the Purchaser shall use their respective reasonable best efforts to provide promptly all information that is pursuant to a request by CFIUS.
- (ii) Within 30 calendar days after the execution of this Agreement, any party wishing to submit a formal joint voluntary notice to CFIUS pursuant to 31 C.F.R. Section 800.401, et. seq. ("**CFIUS Filing**") shall provide the other parties with written notice of its intent to make a CFIUS Filing ("**Election Date**"). Prior to making its election to submit a CFIUS Filing, the party wishing to make a CFIUS Filing shall consult in good faith with senior executives of the other parties. If neither of the Sellers nor the Purchaser provide notice to submit a formal joint voluntary notice to CFIUS, a CFIUS Filing will not be made unless requested by CFIUS.
- (iii) If any one or more of the parties elects to make a CFIUS Filing following the procedures and consultations in Clause 4.2.3(ii) or if CFIUS requires a filing, then:
 - (a) the Sellers and the Purchaser shall use their respective reasonable best efforts to submit a draft CFIUS Filing no later than 15 Business Days following the Election Date, and a final CFIUS Filing the earlier of (1) five Business Days after submitting the draft CFIUS filing or (2) five calendar days after the receipt of any comments from CFIUS staff regarding the draft CFIUS Filing;
 - (b) the Sellers and the Purchaser will provide each other with the reasonable opportunity to review and comment on any information provided to CFIUS to the extent permitted by Applicable Law, with the exception of personal identifier

information required under Section 800.402(c)(6)(vi)(B) of the CFIUS regulations, 31 C.F.R. competitively sensitive information, or information not related to the transactions contemplated by this Agreement, may be restricted to each party's external counsel to the extent reasonably considered necessary or advisable by the providing party;

- (c) the Sellers and the Purchaser shall each have an opportunity to approve and mutually agree on the joint contents of the CFIUS Filing and shall be jointly responsible for the accuracy of such contents. The Sellers and the Purchaser respectively, shall each be responsible for the accuracy of contents of the CFIUS Filing that exclusively relate to itself, its business, and any subsidiaries, parents or other related parties; and
- (d) the Sellers and the Purchaser shall use their respective reasonable best efforts to obtain CFIUS Approval as promptly as practicable and shall consult with each other on strategic matters related to obtaining such CFIUS Approval, provided that the Purchaser shall have no obligation to agree to any mitigation or other restrictive provision that could reasonably be considered to have a substantial impact on either of the Contributed Business or the Purchaser.

4.2.4 Notwithstanding any other provision of this Agreement to the contrary, GlaxoSmithKline shall and, shall cause its subsidiaries and affiliates to:

- (i) propose, negotiate, offer to commit and effect (and if such offer is accepted, commit to and effect), by consent decree, undertaking, hold separate order, or otherwise, the sale, divestiture, licence or disposition of such combination of assets or businesses of: (i) the GlaxoSmithKline Target Group; (ii) GlaxoSmithKline's other assets, businesses, subsidiaries or affiliates; and (ii) the Novartis Target Group; and/or
- (ii) otherwise offer to take or offer to commit to take any action (including any action that limits its freedom of action, ownership or control with respect to, or its ability to retain or hold, any of the businesses, assets, product lines, properties or services of: the GlaxoSmithKline Target Group; GlaxoSmithKline's other assets, businesses, subsidiaries or affiliates; or the Novartis Target Group) and, if the offer is accepted, take or commit to take such action; and/or
- (iii) use its best efforts to defend through litigation on the merits any claim asserted in court by any party in order to avoid entry of, or to have vacated or terminated, any decree, order or Judgment (whether temporary, preliminary or permanent) that would restrain, prevent, or delay the Closing,

in each case, as may be required or desirable in order to procure the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3 as soon as reasonably possible (and, in any event, not later than the Longstop Date) or to avoid the commencement of any Action or the issuing of any Decision to prohibit the Transaction, or if such Action is already commenced, to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order in any Action so as to enable the Closing to occur as soon as reasonably possible (and, in any event, not later than the Longstop Date).

- 4.2.5 GlaxoSmithKline, after reasonably and in good faith consulting with Novartis and considering Novartis's views, shall make all decisions, lead all discussions, negotiations and other proceedings, and coordinate all activities and any requests that may be made by, or any actions, consents, undertakings, approvals, waivers or authorizations that may be sought by or from, any Governmental Entity, including determining the strategy and manner in which to contest or otherwise respond, by litigation or otherwise, to objections to, or proceedings or other actions challenging, the consummation of the Transaction.
- 4.2.6 At GlaxoSmithKline's request, Novartis shall, and shall cause the Novartis Target Group to take all reasonable actions GlaxoSmithKline deems prudent in order to reasonably assist GlaxoSmithKline in obtaining any actions, consents, undertakings, approvals, waivers or authorizations by or from any Governmental Entity for or in connection with consummating the Transaction including, inter alia:
- (i) providing to GlaxoSmithKline such information with respect to the Novartis Target Group as GlaxoSmithKline may reasonably require in connection with satisfaction of its obligations under this Clause;
 - (ii) effecting the sale, divestiture, licence or disposition of such assets or businesses of the Novartis Target Group or any of its subsidiaries or affiliates as may be reasonably necessary to consummate the Transaction;
 - (iii) reasonably assisting GlaxoSmithKline in litigating or otherwise contesting any objections to or proceedings or other actions challenging, the consummation of the Transaction; and/or
 - (iv) assisting to ensure that any proposal or offer made (or intended to be made) by GlaxoSmithKline to a Governmental Entity pursuant to Clause 4.2.4 can also be proposed or offered to a Governmental Entity which examines the transaction pursuant to a Minority Notification.
- 4.2.7 GlaxoSmithKline will, to the extent practicable and subject to Applicable Law: (i) consult with Novartis in advance of participating in any substantive meeting or discussion with any Governmental Entity with respect to any filings, investigation or inquiry concerning the Transaction and, to the extent permitted by such Governmental Entity, give Novartis the

opportunity to attend and participate in any such meeting or discussion; (ii) discuss with and permit Novartis to review in advance, and consider in good faith Novartis's reasonable comments in connection with, any proposed filing or communication to any Governmental Entity concerning the Transaction, or relating to any investigation, inquiry or other proceeding in connection with the Transaction; and (iii) furnish Novartis with copies of all written correspondence and communications between GlaxoSmithKline and its Affiliates and their respective representatives on the one hand, and any Governmental Entity or members of their respective staffs on the other hand, with respect to the Transaction.

- 4.2.8 Novartis shall not participate in or permit any of its representatives to participate in any meeting with any Governmental Entity in respect of any filings, investigation, proceeding or other matters relating to the Transaction unless Novartis consults with GlaxoSmithKline in advance and, to the extent permitted by such Governmental Entity, gives GlaxoSmithKline the opportunity to attend and lead the discussions at such meeting.
- 4.2.9 Novartis shall (i) discuss with and permit GlaxoSmithKline to review in advance, and consider in good faith GlaxoSmithKline's reasonable comments in connection with, any proposed filing or communication to any Governmental Entity concerning the Transaction, or relating to any investigation, inquiry or other proceeding in connection with the Transaction; and (ii) furnish GlaxoSmithKline with copies of all written correspondence and communications between Novartis and its Affiliates and their respective representatives on the one hand, and any Governmental Entity or members of their respective staffs on the other hand, with respect to the Transaction.
- 4.2.10 In respect of any filings or notifications to Governmental Entities that are related solely to Novartis's non-controlling minority stake in the Purchaser (the "**Minority Notifications**"), Novartis shall be responsible for all filing fees and other fees and expenses and responsible for obtaining any necessary clearances, approvals, waivers, no action letters, consents or waiting period expirations.
- 4.2.11 Clauses 4.2.5 to 4.2.10 (inclusive) shall not apply in respect of dealings with any Tax Authority in connection with any Tax matter.
- 4.2.12 The party responsible for satisfaction of each condition pursuant to this Clause 4.2 shall give notice to the other parties of the satisfaction of the relevant condition within one Business Day of becoming aware of the same.
- 4.2.13 The Sellers shall cooperate to confirm, within 15 Business Days from signing of this Agreement, any additional merger notification requirements reasonably required or advisable in respect of the Transaction in jurisdictions beyond those listed in Schedule 20, and shall cooperate with each other, in accordance with the other provisions of this Clause 4, in

achieving any additional clearances, approvals, waivers, no action letters, consents or waiting period expirations in such jurisdictions. For the avoidance of doubt, Closing shall not be conditional upon such additional clearances, approvals and consents or waiting period expirations.

- 4.2.14 The Sellers shall cooperate, in accordance with the other provisions of this Clause 4, and use reasonable endeavours to ensure that no Governmental Entity shall enact, issue, promulgate, enforce or enter any Applicable Law or Judgment as contemplated under Clause 4.1.5. In the event that any Governmental Entity enacts, issues, promulgates, enforces or enters any Applicable Law or Judgment as contemplated under Clause 4.1.5, the parties shall cooperate and use reasonable endeavours to put in place arrangements that would allow the Transaction to complete to the greatest possible extent in compliance with the relevant Applicable Law or Judgment.

4.3 **Non-Satisfaction by the Long Stop Date**

If the conditions in Clause 4.1 are not satisfied as of 22 October 2015 (the “**Long Stop Date**”), any party may, in its sole discretion, terminate this Agreement (other than Clauses 1, 12 and 15.1 to 15.17) and no party shall have any claim against any other under it, save for any claim arising from breach of any obligation contained in such Clauses or Clause 4.2. Neither of the Sellers nor the Purchaser may terminate this Agreement after satisfaction of the conditions in Clause 4.1, except in accordance with this Agreement.

4.4 **Termination**

4.4.1 This Agreement may be terminated at any time prior to Closing:

- (i) by written consent of the parties;
- (ii) by any of the parties by notice to the other parties in the event that any Judgment restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement shall have become final and non-appealable, provided that the party seeking to terminate this Agreement pursuant to this Clause 4.4 has complied with the terms of the Implementation Agreement and this Agreement in connection with having such Judgment vacated or denied; or
- (iii) by the Purchaser by notice to the Sellers if:
 - (a) a Material Adverse Effect occurs in relation to any Seller prior to Closing (which shall include any breach or breaches of Clause 9.1 which alone or together constitute a Material Adverse Effect); or
 - (b) any Seller fails to provide a Certificate immediately prior to Closing; or

- (iv) in accordance with the terms of the Implementation Agreement.
- 4.4.2 This Agreement shall terminate automatically at any time prior to Closing if:
 - (i) any other Target Asset Agreement terminates or is terminated in accordance with its terms; or
 - (ii) the GSK Break Fee or the Novartis Break Fee (each as defined in the Implementation Agreement) becomes payable in accordance with clause 5.1 or clause 5.8, respectively, of the Implementation Agreement.
- 4.4.3 Save as provided in this Clause 4, no party shall be entitled to terminate or rescind this Agreement, whether before or after Closing. If this Agreement is terminated pursuant to this Clause 4.4, this Agreement shall be of no further force and effect and there shall be no further liability under this Agreement or any of the Ancillary Agreements on the part of any party, except that Clauses 1, 12 and 15.1 to 15.17, in each case, to the extent applicable, shall survive any termination.
- 4.4.4 Nothing in this Clause 4.4 shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement prior to termination of this Agreement.

5. PRE-CLOSING

5.1 The Sellers' Obligations in Relation to the Conduct of Business

- 5.1.1 Each Seller undertakes to procure that between the date of this Agreement and Closing, it and the relevant members of that Seller's Group shall, so far as permitted by Applicable Law, carry on its Contributed Business as a going concern in the ordinary course as carried on immediately prior to the date of this Agreement save in so far as agreed in writing by the other Seller (such consent not to be unreasonably withheld or delayed).
- 5.1.2 Without prejudice to the generality of Clause 5.1.1 and subject to Clause 5.2, each Seller undertakes to procure that, with respect to its Contributed Business, between the date of this Agreement and Closing, no member of that Seller's Group shall, except as may be required to comply with this Agreement, without the prior written consent of the other Seller (such consent not to be unreasonably withheld or delayed) take any of the actions listed in Part 1 of Schedule 15.
- 5.1.3 Without prejudice to the generality of Clause 5.1.1, each Seller shall, in each case with respect to its Contributed Business only: (i) undertake to procure the satisfaction of its obligations listed in paragraph 1, Part 2 of Schedule 15; and (ii) procure that that Seller's Group shall, between the date of this Agreement and Closing, comply with the requirements of paragraph 2, Part 2 of Schedule 15.

5.2 Exceptions to Sellers' Obligations in Relation to the Conduct of Business

Clause 5.1 shall not operate so as to prevent or restrict:

- 5.2.1 the disposal or transfer by one or more members of Novartis's Group of any or all or part of the Novartis US NRT Business in accordance with Schedule 6;
- 5.2.2 any US RX Product Disposal in accordance with Schedule 6;
- 5.2.3 the entry by Novartis or its Target Group Companies into any arm's length transitional arrangements, contracts or agreements (including any transitional services agreement, manufacturing and supply agreement, distribution or other similar agreement) in relation to the disposal to a third party purchaser of any of its Seller's Retained Business (including its Novartis Animal Health Business, and/or any of the Novartis US RX Products) with such a purchaser, any other member of the Seller's Group that owns, or any successor in title to, any part of the Seller's Retained Business being disposed of, provided that:
 - (i) prior to entering into any such transitional arrangements, contracts or agreements, Novartis shall:
 - (a) provide GlaxoSmithKline with a copy of the substantially final draft of the written agreement (s) in relation to the same;
 - (b) give GlaxoSmithKline a reasonable period of time to review the terms of such arrangements, contracts or agreements and provide any comments thereon; and
 - (c) take into account (acting reasonably and in good faith) any reasonable (in the context of, to the extent applicable, the terms of the term sheet agreed between Novartis and the purchaser of the Novartis Animal Health Business upon entry into the sale agreement in respect of the Novartis Animal Health Business (the "**Animal Health Term Sheet**") and the services to be provided thereunder) comments of GlaxoSmithKline in relation to such transitional arrangements, contracts or agreements provided within that period of time;
 - (ii) without prejudice to the above and other than in relation to any manufacturing and supply agreement or any arrangements to which Clause 5.2.3(iii) below applies, any such transitional arrangement, contract or agreement terminates or is terminable by the relevant Target Group Company or the Business Seller (as the case may be) without any costs, losses, liabilities, expenses or penalties being incurred or payable within a period of 12 months following closing of the relevant transaction; and
 - (iii) the transitional services to be provided to the Novartis Animal Health Business pursuant to the terms of the Animal Health Term Sheet shall not be required to be provided by the relevant Target Group Company or the Business Seller (as the case may be) for any longer term than the relevant service period as set out in the Animal Health Term Sheet

and, in any event, not more than 24 months following the closing of the sale and purchase of the Novartis Animal Health Business (subject to any extension that may be agreed by the relevant member of the Purchaser's Group and the counterparty thereto);

- 5.2.4 the disposal or transfer by a Seller of any Seller's Retained Business;
- 5.2.5 any matter undertaken by any member of the relevant Seller's Group to facilitate or implement a Reorganisation in accordance with Clause 2.3.5;
- 5.2.6 any action to the extent it is required to be undertaken to comply with Applicable Law;
- 5.2.7 any matter reasonably undertaken by any member of the relevant Seller's Group in an emergency or disaster situation with the intention of minimising any adverse effect of such situation in relation to that Seller's Group and where any delay arising by virtue of having to give notice to the other Seller and await consent would materially prejudice that Seller's Group; or
- 5.2.8 Third Party Indebtedness entered into by the relevant member of GlaxoSmithKline's Group for the purpose of funding the acquisition by the relevant member of Purchaser's Group of the Contributed Business in Indonesia, provided that the relevant Seller shall, other than in respect of any action taken or proposed to be taken as described in Clause 5.2.5 (to which the provisions of Clause 2.3.5 and Schedule 17 (Reorganisations) shall apply), notify the other Seller as soon as reasonably practicable of any action taken or proposed to be taken as described in this Clause 5.2, shall provide to the other Seller all such information as the other Seller may reasonably request in respect of any such action and shall use reasonable endeavours to consult with the Purchaser in respect of any such action.

5.3 **The Sellers' Obligations in relation to Cash, Intra-Group Payables and Receivables and Third Party Indebtedness**

- 5.3.1 Prior to Closing, each Seller shall seek to minimise the amounts which would, but for this Clause 5.3, otherwise fall to be treated as its:
 - (i) Intra-Group Non-Trade Payables;
 - (ii) Intra-Group Non-Trade Receivables;
 - (iii) Target Group Companies Cash Balances; and
 - (iv) Third Party Indebtedness,in each case: (i) including any such items which arise in connection with any Reorganisation; and (ii) to the extent reasonably possible, taking into account the consequences of any such reduction for the Seller's Group. In addition,

each Seller shall use reasonable endeavours to minimise any adjustment payable by it in accordance with Clause 7.3.7.

- 5.3.2 Prior to Closing, GlaxoSmithKline shall use all reasonable endeavours to ensure that all of its existing Intra-Group Non-Trade Payables shall become owed by its Target Group Companies directly to JV Treasury Co (such that they shall not be Intra-Group Non-Trade Payables) and that, in respect of GlaxoSmithKline, the only Intra-Group Non-Trade Payable shall be the GSK JV Funding Loan.

5.4 **Other Sellers' Obligations Prior to Closing**

- 5.4.1 Prior to Closing each Seller shall, and shall procure that its Target Group Companies and that Seller's Affiliates shall, allow the other Seller and its respective agents, upon reasonable notice, reasonable access to, and to take copies of, the books, records and documents of or relating in whole or in part to its Target Group, provided that the obligations of each Seller under this Clause shall not extend to allowing access to information which is (i) reasonably regarded as confidential to the activities of that Seller and that Seller's Group otherwise than in relation to its Target Group or (ii) commercially sensitive or other information of its Target Group if such information cannot be shared with the other Seller prior to Closing in compliance with Applicable Law (though the Seller sharing the books, records and/or documents shall seek to share such information with the other Seller to the extent and in such a manner as would comply with Applicable Law).

- 5.4.2 The parties shall comply with their respective obligations under Schedule 6.

5.5 **Affiliate Contracts**

Other than as provided in and without prejudice to the provisions of the Ancillary Agreements, each Seller and the Purchaser shall procure that:

- 5.5.1 the Cash Pooling Arrangements excluding the GSK Finance Cash Balances; and
5.5.2 each Affiliate Contract in force immediately prior to Closing,

shall terminate prior to Closing and each counterparty thereto shall, effective as of Closing, settle all outstanding financial obligations arising out of any such Affiliate Contract and unconditionally release and irrevocably discharge each other party thereto from (i) any and all further obligations to perform or any further performance of the various covenants, undertakings, warranties and other obligations contained in such Affiliate Contract and (ii) any and all claims and Liabilities whatsoever arising out of, in any way connected with, as a result of or in respect of such Affiliate Contract.

5.6 **Tax Groups**

- 5.6.1 Each Seller shall take all reasonable steps to procure that any Tax Group existing between any member of that Seller's Group and any GlaxoSmithKline Consumer Group Company or the Novartis OTC Group Company (as the case may be) is terminated on or before Closing, so far as permitted by Applicable Law, or otherwise on the earliest date on which such termination is permitted under Applicable Law, and that Seller and the Purchaser shall take such action as is necessary to procure or effect this, including timely submitting any necessary Tax documents.
- 5.6.2 Pending the taking effect of the action referred to in Clause 5.6.1, and for so long thereafter as may be necessary, the Purchaser shall (subject to the provisions of the Tax Indemnity) procure that such information is provided to each Seller as may reasonably be required to enable any relevant member of that Seller's Group to make all Tax Returns and other filings required of it in respect of the Tax Group.
- 5.6.3 Each Seller shall take, and shall procure that each member of that Seller's Group takes, all reasonable procedural or administrative steps (including the making of elections and filings with any relevant Tax Authority) which are reasonably necessary to procure the minimisation of the extent to which Tax liabilities of members of that Seller's Group (other than the GlaxoSmithKline Consumer Group Companies or Novartis OTC Group Companies (as the case may be)) can be assessed on the Purchaser or members of the Purchaser's Group or on the relevant Target Group Companies by reason of having been members of a Tax Group.

5.7 **US tax classification**

Between the date of this Agreement and Closing, the Purchaser shall not file any election to be treated as a partnership or disregarded entity for US federal income tax purposes.

5.8 **Insurance**

Without prejudice to the generality of this Clause 5, between the date of this Agreement and Closing or, in the case of Delayed Target Group Companies, Delayed Closing, each Seller shall and shall procure that the relevant member of that Seller's Group shall maintain in force all its Target Group Insurance Policies and all Seller's Group Insurance Policies for the benefit of its Target Group.

6. **CLOSING**

6.1 **Date and Place**

Save where otherwise provided in this Agreement (including in Parts 7 to 14 (inclusive) of Schedule 6 (*Shared Business Contracts, Transferred Contracts and Certain Other Businesses*), Schedule 22 (*Delayed Businesses*) and Clause 2.6 (*Alliance Market*

Businesses)), Closing shall take place simultaneously with closing under the other Target Asset Agreements at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London, EC4Y 1HS (other than in respect of any Local Transfer Documents agreed between the parties to be executed in another jurisdiction) on the last Business Day of the month in which fulfilment of the condition(s) set out in Clause 4.1 takes place, except that:

- 6.1.1 where the last day of such month is not a Business Day, the Closing shall instead take place on the first Business Day of the following month; and
- 6.1.2 where less than five Business Days remain between such fulfilment and the last Business Day of the month, Closing shall take place:
 - (i) on the last Business Day of the following month;
 - (ii) where the last day of such month is not a Business Day, the Closing shall instead take place on the first Business Day of the month following the month referred to in Clause 6.1.2(i); or
 - (iii) at such other location, time or date as may be agreed between the Sellers,

provided that:

- (a) Closing shall not take place and shall not be effective in any circumstances unless closing also takes place simultaneously under and in accordance with the terms of the other Target Asset Agreements; and
- (b) in determining the date on which the last of the conditions set out in Clause 4.1 is fulfilled or waived, the date shall be the date on which the last of the conditions set out in Clauses 4.1.1, 4.1.2, 4.1.3, 4.1.4, 4.1.6, 4.1.7, and 4.1.8 is fulfilled or waived unless the condition set out in Clauses 4.1.5 is not fulfilled or waived on that date, in which case the date shall then be the first following date on which the condition set out in Clauses 4.1.5 is fulfilled or waived.

6.2 Closing Events

- 6.2.1 On Closing, the parties shall comply with their respective obligations specified in Schedule 11. GlaxoSmithKline may waive some or all of the obligations of Novartis and/or of the Purchaser insofar as they relate to GlaxoSmithKline or its Affiliates as set out in Schedule 11 and Novartis may waive some or all of the obligations of GlaxoSmithKline and/or the Purchaser insofar as they relate to Novartis or its Affiliates as set out in Schedule 11.

6.2.2 The parties acknowledge that the transfer of Product Approvals and Product Applications in respect of Target Group Businesses to the Purchaser or other members of the Purchaser's Group may be subject to the approval of applicable Governmental Entities, and that, notwithstanding anything in this Agreement to the contrary, each Product Approval and Product Application in respect of a Target Group Business shall continue to be held by the relevant member of the relevant Seller's Group from the Closing Date until the relevant PA Transfer Date.

6.2.3 The parties shall perform their respective obligations with respect to:

- (i) the transfer of the Product Approvals, Product Applications and Pipeline Product Approvals as set out in Schedule 4;
- (ii) the transfer of Contracts (other than Product Approvals, Product Applications and Pipeline Product Approvals) and the Transferred Intellectual Property Contracts as set out in Schedule 6;
- (iii) to the extent the Purchaser has elected to have the Relevant Part of a Shared Business Contract transferred to it, the separation and treatment of each Shared Business Contract as set out in Schedule 6;
- (iv) the Chinese JV Interests and the Chinese JV Contracts, the Novartis US NRT Business as set out in Schedule 6;
- (v) Novartis Consumer Health-Gebro GmbH, if Novartis does not hold its Shares in Novartis Consumer Health-Gebro GmbH through a Novartis Group Company at Closing, as set out in Schedule 6;
- (vi) Delayed Businesses as set out in Schedule 22 (*Delayed Businesses*);
- (vii) Alliance Market Businesses as set out in 2.6 (*Alliance Market Businesses*).

6.3 **Payment on Closing**

6.3.1 On Closing the Purchaser shall pay (for itself and on behalf of each relevant member of the Purchaser's Group) to a Seller (if such amount is positive) or that Seller (for itself and on behalf of each other relevant member of that Seller's Group) shall pay to the Purchaser (if such amount is negative), in each case, in accordance with Clause 15.7, an amount in cleared funds, to that Seller or the Purchaser (as the case may be) to that Seller's Bank Account or the Purchaser's Bank Account (as the case may be), which is equal to the sum of the following, in respect of that Seller:

- (i) the Estimated Target Group Companies' Cash Balances and the Estimated Intra-Group Non-Trade Receivables;

minus

- (ii) the Estimated Third Party Indebtedness;
minus
- (iii) the Estimated Intra-Group Non-Trade Payables;
minus
- (iv) any Estimated Employee Benefit Adjustment;
minus
- (v) the Estimated Tax Adjustment; and
plus (if it is zero or a positive amount) or minus (if it is a negative amount)
- (vi) the Estimated Working Capital Adjustment.

6.3.2 The amounts payable in accordance with Clause 6.3.1 shall, in each case, include all such amounts payable in respect of the Delayed Businesses and the Alliance Market Businesses.

6.3.3 On Closing each Seller shall pay to the Purchaser an amount equal to its Cash Portion in cleared funds to the Purchaser's Bank Account. In the event that the amount set out in Clause 6.3.1 is a positive amount in respect of any Seller, that Seller and the Purchaser may (but shall not be obliged to) agree to net off any or all of the amount owed by the Purchaser to that Seller under Clause 6.3.1 against any or all of the Cash Portion owned by that Seller to the Purchaser under this Clause 6.3.2. The parties' current intention is that the Cash Portion will be used to fund the short-term working capital requirements of the Purchaser's Group.

6.4 **Notifications to determine payments on Closing**

6.4.1 Five Business Days prior to Closing, each Seller shall notify the Purchaser of:

- (i) the Estimated Target Group Companies' Cash Balances;
- (ii) the Estimated Third Party Indebtedness;
- (iii) the Estimated Intra-Group Non-Trade Receivables;
- (iv) the Estimated Intra-Group Non-Trade Payables;
- (v) any Estimated Employee Benefit Adjustment;
- (vi) the Estimated Tax Adjustment;

- (vii) the Estimated Working Capital;
- (viii) the Estimated Working Capital Adjustment; and
- (ix) the Estimated Intra-Group Trading Balances,

and shall at the same time provide to the Purchaser reasonable supporting calculations and information to enable the Purchaser to review the basis on which the estimates have been prepared. Each Seller shall also provide the Purchaser with reasonable details (including the relevant debtor and creditor) in relation to the Intra-Group Trading Balances.

6.4.2 Each Seller's notification pursuant to Clause 6.4.1 shall specify the relevant debtor and creditor for each Estimated Intra-Group Non-Trade Payable, Estimated Intra-Group Non-Trade Receivable, Estimated Intra-Group Trade Payable, Estimated Intra-Group Trade Receivable, and Estimated Transferred Accounts Payable or Estimated Transferred Accounts Receivable included within the Estimated Intra-Group Trading Balances.

6.4.3 Immediately following Closing:

- (i) the Purchaser shall procure that each Target Group Company repays to the relevant member of each Seller's Group the amount of any Estimated Intra-Group Non-Trade Payables and shall acknowledge on behalf of each Target Group Company the payment of the Estimated Intra-Group Non-Trade Receivables in accordance with Clause 6.4.3(ii); and
- (ii) each Seller shall procure that each relevant member of that Seller's Group repays to the relevant Target Group Company the amount of any relevant Estimated Intra-Group Non-Trade Receivables and shall acknowledge on behalf of each relevant member of that Seller's Group the payment of the relevant Estimated Intra-Group Non-Trade Payables in accordance with Clause 6.4.3(i).

6.4.4 The repayments made pursuant to Clause 6.4.3 shall be adjusted in accordance with Clauses 7.3 and 7.4 when the Closing Statement becomes final and binding in accordance with Clause 7.2.1.

6.5 **Local Payments**

Local payments to be funded on Closing

6.5.1 On or before Closing each Seller shall contribute to the Purchaser the aggregate of the amounts set out against its name in column 4 of the table in Part A of Schedule 24 (each a "**Local Payment Amount**") in cleared funds to the Purchaser's Bank Account in exchange for the allotment and issue to the relevant Seller of A Shares or B Shares, as applicable.

- 6.5.2 The Purchaser shall procure that each member of the Purchaser's Group (or, in the case of Novartis Alliance Market Businesses, the Purchaser and GlaxoSmithKline shall procure that the relevant member of GlaxoSmithKline's Group) set out in column 2 of the table in Part A of Schedule 24 shall pay to the relevant member of the relevant Seller's Group set out in column 3 an amount equal to the relevant Local Payment Amount converted into the relevant local currency set out in the relevant Local Transfer Document as at the Closing Date, on:
- (i) the date falling 7 days after the Closing Date; or
 - (ii) if this is not possible, the date falling 14 days after the Closing Date; or
 - (iii) if this is not possible, the date falling 21 days after the Closing Date, or
 - (iv) if this is not possible, the date falling 28 days after the Closing Date, or
- provided that, in any event, all such payments shall be made by no later than the date falling 28 days (or, in the case of the local payments in respect of South Africa, 42 days) after the Closing Date.

Local payments to be funded post-Closing

- 6.5.3 In respect of each Delayed Business, within 20 Business Days of satisfaction of the relevant Delay Milestone (or on such other date as the Sellers may agree), the relevant Seller shall pay to the Purchaser the amounts set out in column 4 of the table in Part B of Schedule 24 in respect of that Delayed Business (or such alternative amount as may be agreed between the parties) or, where no amount is set out in column 4 of the table in Part B of Schedule 24, such amount as may be agreed between the parties on a basis consistent with the calculation of equivalent amounts (each a "**Delayed Local Payment Amount**").
- 6.5.4 The Purchaser shall procure that each member of the Purchaser's Group set out in column 3 of the table in Part B of Schedule 24 shall pay to the relevant member of the relevant Seller's Group set out in column 2 an amount equal to the relevant Delayed Local Payment Amount converted into the relevant currency as set out in the relevant Local Transfer Document at the date on which the Seller pays the Purchaser the relevant Delayed Local Payment Amount pursuant to paragraph 6.5.3 above (the "**Delayed Payment Date**"), as soon as reasonably practicable following the Delayed Payment Date and, in any event, within 10 Business Days following the Delayed Payment Date, in accordance with the terms of the relevant Local Transfer Document.

Australia

- 6.5.5 The Purchaser shall procure that in accordance with the terms of the Local Transfer Document entered into between GlaxoSmithKline Australia Pty

Ltd. (the “**Australian Seller**”) and GSK Cx Healthcare Pty Ltd (the “**Australian Purchaser**”) (the “**Australia LTA**”), as soon as reasonably practicable after the date on which the Deferred Sale (as defined in the Australian LTA) completes and, in any event, within 28 days, the Australian Purchaser shall pay the Deferred Transferring Assets Consideration (as defined in the Australian LTA) to the Australian Seller (the “**Australian Delayed Payment**”).

- 6.5.6 As soon as reasonably practicable after receipt by the Australian Seller of the Australian Delayed Payment, the Seller shall pay to the Purchaser an amount equal to the amount of the Australian Delayed Payment, converted into US Dollars calculated on the basis of the Euro foreign exchange reference rate for (i) a transaction between Australian Dollars and Euros; and (ii) between Euros and Pounds Sterling, in each case quoted by the European Central Bank on the date on which the Australian Purchaser pays the Australian Seller the Australian Delayed Payment.

Panama

- 6.5.1 The Purchaser shall procure that in accordance with the terms of the Local Transfer Document entered into between Novartis Pharma (Logistics), Inc. (the “**Panama Seller**”) and GlaxoSmithKline Panama S.A. (the “**Panama Purchaser**”) (the “**Panama LTA**”), as soon as reasonably practicable after Closing and, in any event, within 28 days, the Panama Purchaser shall pay to the Panama Seller [***].
- 6.5.2 As soon as reasonably practicable after receipt by the Panama Seller of the Panama Local Payment, the Seller shall pay to the Purchaser [***].

China

- 6.5.3 As soon as reasonably practicable following Closing, the parties shall (acting reasonably) agree the structure and funding requirements for the local payment in respect of the Delayed Businesses in China, taking into account the Tax implications of such funding, which shall, as far as reasonably practicable, be consistent with the provisions of the rest of this Clause 6.5, including that the Delayed Local Payment Amount shall be converted into local currency on the Delayed Local Payment Date.
- 6.5.4 Clause 3.4 shall apply to payments under this Clause 6.5 as if such payments were made or procured in respect of an indemnity under this Agreement.

JV Treasury Co

- 6.5.5 GlaxoSmithKline warrants to the Purchaser, as at the Closing Date, that JV Treasury Co is a member of the Purchaser’s Group.

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

6.6 **Breach of Closing Obligations**

Subject to Clause 6.2.1, if any party fails to comply with any material obligation in Clauses 6.2, 6.3 and 6.4, and Schedule 11 in relation to Closing, GlaxoSmithKline, in the case of non-compliance by Novartis, or Novartis, in the case of non-compliance by GlaxoSmithKline or the Purchaser, shall be entitled (in addition to and without prejudice to all other rights or remedies available) by written notice to Novartis or GlaxoSmithKline (as the case may be) to fix a new date for Closing (which, except as agreed by the parties, shall be the last day of the month next ending or, if that day is not a Business Day, the first Business Day falling after that day) in which case the provisions of Schedule 11 shall apply to Closing as so deferred, but provided such deferral may only occur once. In all circumstances Closing shall only occur simultaneously with closing under the other Target Asset Agreements.

7. **POST-CLOSING ADJUSTMENTS**

7.1 **Closing Statements**

- 7.1.1 Each Seller shall procure that as soon as practicable following Closing there shall be drawn up a draft of its Closing Statement (the “**Draft Closing Statement**”) in accordance with Schedule 12 in relation to its Target Group, on a combined basis.
- 7.1.2 The Closing Statements shall be drawn up as at the Effective Time and shall in each case include the Delayed Businesses and the Alliance Market Businesses which, for the purposes of this Clause 7 shall be deemed to have transferred to the Purchaser with effect from the Effective Time.

7.2 **Determination of Closing Statement**

- 7.2.1 Any Draft Closing Statement as agreed or determined pursuant to paragraph 1 of Part 1 of Schedule 12:
 - (i) shall constitute the Closing Statement as between the relevant Seller and the Purchaser for the purposes of this Agreement; and
 - (ii) shall be final and binding on that Seller and the Purchaser.
- 7.2.2 The Working Capital, the Target Group Companies’ Cash Balances, the Third Party Indebtedness, the Intra-Group Non-Trade Receivables, the Intra-Group Non-Trade Payables, the Employee Benefit Adjustment and the Tax Adjustment in respect of a Seller shall each be derived from its Closing Statement.

7.3 **Adjustments to Consideration**

- 7.3.1 Target Group Companies’ Cash Balances:

- (i) in respect of each Seller, if the Target Group Companies' Cash Balances are less than the Estimated Target Group Companies' Cash Balances, that Seller shall repay to the Purchaser an amount equal to the deficiency; or
 - (ii) in respect of each Seller, if the Target Group Companies' Cash Balances are greater than the Estimated Target Group Companies' Cash Balances, the Purchaser shall pay to that Seller an additional amount equal to the excess.
- 7.3.2 Intra-Group Non-Trade Receivables:
 - (i) in respect of each Seller, if the Intra-Group Non-Trade Receivables are less than the Estimated Intra-Group Non-Trade Receivables, that Seller shall repay to the Purchaser an amount equal to the deficiency; or
 - (ii) in respect of each Seller, if the Intra-Group Non-Trade Receivables are greater than the Estimated Intra-Group Non-Trade Receivables, the Purchaser shall pay to that Seller an additional amount equal to the excess.
- 7.3.3 Third Party Indebtedness:
 - (i) in respect of each Seller, if the Third Party Indebtedness is less than the Estimated Third Party Indebtedness, the Purchaser shall repay to that Seller an amount equal to the deficiency; or
 - (ii) in respect of each Seller, if the Third Party Indebtedness is greater than the Estimated Third Party Indebtedness, that Seller shall pay to the Purchaser an additional amount equal to the excess.
- 7.3.4 Intra-Group Non-Trade Payables:
 - (i) in respect of each Seller, if the Intra-Group Non-Trade Payables are greater than the Estimated Intra-Group Non-Trade Payables, that Seller shall repay to the Purchaser an amount equal to the excess; or
 - (ii) in respect of each Seller, if the Intra-Group Non-Trade Payables are less than the Estimated Intra-Group Non-Trade Payables, the Purchaser shall pay to that Seller an additional amount equal to the deficiency.
- 7.3.5 Tax Adjustment
 - (i) in respect of each Seller, if the Tax Adjustment is greater than the Estimated Tax Adjustment, that Seller shall repay to the Purchaser an amount equal to the difference; or

- (ii) in respect of each Seller, if the Tax Adjustment is less than the Estimated Tax Adjustment, the Purchaser shall pay to that Seller an additional amount equal to the difference.

7.3.6 Working Capital:

- (i) in respect of each Seller, if the Working Capital Adjustment is less than the Estimated Working Capital Adjustment, that Seller shall repay to the Purchaser an amount equal to the deficiency; or
- (ii) in respect of each Seller, if the Working Capital Adjustment exceeds the Estimated Working Capital Adjustment, the Purchaser shall pay to that Seller an additional amount equal to the excess.

7.3.7 Intra-Group Trading Balances: in respect of each Seller, if the amount of that Seller's Intra-Group Trading Balances is greater than US\$20,000,000, that Seller shall pay to the Purchaser the amount of the excess.

7.4 **Adjustments to repayment of Intra-Group Non-Trade Payables and Intra-Group Non-Trade Receivables**

Following the determination of any Closing Statement pursuant to Clause 7.2 and paragraph 1 of Part 1 of Schedule 12, if the amount of any Intra-Group Non-Trade Payable and/or any Intra-Group Non-Trade Receivable contained in that Closing Statement is greater or less than the amount of the corresponding Estimated Intra-Group Non-Trade Payable or Estimated Intra-Group Non-Trade Receivable, then the relevant Seller and the Purchaser shall procure that such adjustments to the repayments pursuant to Clause 6.4.3 are made as are necessary to ensure that (taking into account such adjustments) the actual amount of each Intra-Group Non-Trade Payable and each Intra-Group Non-Trade Receivable has been repaid by each Target Group Company to the relevant member of that Seller's Group or by the relevant member of that Seller's Group to the relevant Target Group Company, as the case may be.

7.5 **Interest**

Any payment to be made in accordance with Clause 7.3 shall include interest thereon calculated from the Effective Time to the date of payment at a rate per annum of LIBOR.

7.6 **Payment**

7.6.1 Any payments pursuant to Clause 7.3 or 7.4, and any interest payable pursuant to Clause 7.5, shall be made on or before the Final Payment Date.

7.6.2 Where any payment is required to be made pursuant to Clause 7.3 or Clause 7.5 (in relation to a payment pursuant to Clause 7.3) the payment made pursuant to clause 3.1.3 on account of the Purchase Consideration shall be reduced or increased accordingly.

8. POST-CLOSING OBLIGATIONS

8.1 Indemnities

8.1.1 Indemnity by Purchaser against Assumed Liabilities

The Purchaser hereby undertakes to each Seller (for itself and on behalf of each other member of such Seller's Group (excluding any Delayed Target Group Companies) and their respective directors, officers, employees and agents) that, with effect from Closing, the Purchaser will indemnify on demand and hold harmless each member of that Seller's Group (excluding any Delayed Target Group Companies) and their respective directors, officers, employees and agents against and in respect of any and all Assumed Liabilities.

8.1.2 Indemnity by Sellers

Subject to Clause 8.1.3, each Seller hereby undertakes to the Purchaser (for itself and on behalf of each other member of the Purchaser's Group (including any Delayed Target Group Companies) and their respective directors, officers, employees and agents) that, with effect from Closing, such Seller will indemnify on demand and hold harmless each member of the Purchaser's Group (including any Delayed Target Group Companies) and their respective directors, officers, employees and agents against and in respect of any and all:

- (i) Excluded Liabilities; and
- (ii) Liabilities, including legal fees, to the extent they have arisen or arise (whether before or after Closing) as a result of or otherwise relate to any act, omission, fact, matter, circumstance or event undertaken, occurring or in existence or arising before Closing so far as related to: (a) any anti-bribery warranty set out in this Agreement, including without limitation those set forth in paragraph 10 of Schedule 13, not being true and correct when made; (b) any governmental inquiries or investigations involving that Seller, its Affiliates or its Associated Persons; (c) save to the extent in existence as at the date of this Agreement, any limitation, restriction or other reduction in drug registrations, regulatory licenses, listings or market approvals, governmental pricing or reimbursement rates relating to any products of the relevant Seller's Contributed Business and affecting their future profits as a result of any such limitation, restriction or reduction; or (d) any other claim, litigation, investigation or proceeding to the extent related to any of the foregoing (a) to (c), including but not limited to costs of investigation and defence and legal fees.

8.1.3 **Limitations on Indemnities**

Subject to Clause 8.1.4, no Seller shall be liable under Clause 8.1.2 in respect of:

- (i) any Time-Limited Excluded Liability unless a notice of a claim in respect of the matter giving rise to such Liability is given by the Purchaser to that Seller within ten years of Closing, provided that this Clause 8.1.3(i) shall not apply in respect of any claim by the Purchaser which relates to:
 - (a) a Product Liability;
 - (b) a Governmental Liability;
 - (c) a Clinical Trials/Data Liability; or
 - (d) an Excluded Asset;
- (ii) any claim if and to the extent that the relevant Liability is included in the Closing Statement; or
- (iii) any individual claim (or a series of claims arising from similar or identical facts or circumstances) where the Liability (disregarding the provisions of this Clause 8.1.3(iii)) in respect of any such claim or series of claims does not exceed US\$10 million, provided that, for the avoidance of doubt, where the Liability in respect of any such claim or series of claims exceeds US\$10 million, the Liability of such Seller shall be for the whole amount of such claim(s) and not just the excess.

8.1.4 **Disapplication of limitations**

- (i) None of the limitations contained in Clause 8.1.3 shall apply to any claim to the extent that such claim arises or is increased as the consequence of, or which is delayed as a result of, fraud by any member of the relevant Seller's Group or any director, officer or employee of any member of the relevant Seller's Group.
- (ii) The limitation contained in Clause 8.1.3(iii) shall not apply to any claim which relates to any Liabilities of GlaxoSmithKline Landholding Company, Inc. in relation to any premises used by the GlaxoSmithKline Pharmaceutical Division, including the sale of any such premises.

8.2

Conduct of Claims

8.2.1 Assumed Liabilities

- (i) If the Seller becomes aware after Closing of any claim by a third party which constitutes or may constitute an Assumed Liability, the Seller shall as soon as reasonably practicable:
 - (a) give written notice thereof to the Purchaser and the other Seller setting out such information as is available to the Seller as is reasonably necessary to enable the Purchaser and the other Seller to assess the merits of the potential claim;
 - (b) take all appropriate actions to preserve evidence; and
 - (c) provide the Purchaser and the other Seller with periodic updates on the status of the claim upon request and shall not admit, compromise, settle, discharge or otherwise deal with such claim without the prior written agreement of the Purchaser and the other Seller (such agreement not to be unreasonably withheld or delayed).
- (ii) Each Seller shall, and shall procure that each of its Share Sellers and Business Sellers shall, take such action as the Purchaser may reasonably request to avoid, dispute, resist, appeal, compromise, defend or mitigate any claim which constitutes or may constitute an Assumed Liability subject to that Seller and each of its Share Sellers and Business Sellers being indemnified and secured to their reasonable satisfaction by the Purchaser against all Liabilities which may thereby be incurred. In connection therewith, that Seller shall make or procure to be made available to the Purchaser or its duly authorised agents on reasonable notice during normal business hours all relevant books of account, records and correspondence relating to its Target Group Businesses which have been retained by that Seller's Group (and shall permit the Purchaser to take copies thereof at its expense) for the purposes of enabling the Purchaser to ascertain or extract any information relevant to the claim.

8.2.2 Liabilities Indemnified by a Seller

- (i) If the Purchaser becomes aware after Closing of any claim by a third party which constitutes or may constitute an a Liability covered by Clause 8.1.2 or relates to a Liability or any investigations related thereto, regardless of whether the Purchaser believes that such claim would be made against a member of the Purchaser's Group or a member of a Seller's Group, the Purchaser shall as soon as reasonably practicable:

- (a) give written notice thereof to the relevant Seller, setting out such information as is available to the Purchaser as is reasonably necessary to enable that Seller to assess the merits of the potential claim;
 - (b) take all appropriate actions to preserve evidence; and
 - (c) provide the relevant Seller with periodic updates on the status upon request and shall not admit, compromise, settle, discharge or otherwise deal with such claim without the prior written agreement of that Seller (such agreement not to be unreasonably withheld or delayed).
- (ii) The Purchaser shall take such action as the relevant Seller may reasonably request to avoid, dispute, resist, appeal, compromise, defend or mitigate any claim which constitutes or may constitute a Liability covered by Clause 8.1.2 subject to the Purchaser being indemnified and secured to its reasonable satisfaction by the relevant Seller against all Liabilities which may thereby be incurred by it or any member of the Purchaser's Group (including for this purpose any Delayed Target Group Companies).
- (iii) In addition, where any such claim or investigation involves a Governmental Entity, the Purchaser shall, subject to Applicable Law, the requirements of any relevant Governmental Entity and the relevant Seller providing an appropriate confidentiality undertaking in favour of the Purchaser's Group, provide to that Seller, at least five Business Days in advance (or, where not possible, as soon as reasonably possible), any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals they or their agents make or submit to a Governmental Entity. Without limiting the foregoing, the parties agree, subject to Applicable Law and the requirements of the relevant Governmental Entity and the Seller providing an appropriate confidentiality undertaking in favour of the Purchaser's Group to:
- (a) give that Seller reasonable advance notice of all meetings with any Governmental Entity;
 - (b) give that Seller an opportunity to participate in each of such meetings;
 - (c) to the extent practicable, give that Seller reasonable advance notice of all substantive oral communications with any Governmental Entity;
 - (d) if any Governmental Entity initiates a substantive oral communication, promptly notify that Seller of the substance of such communication;

- (e) provide that Seller with a reasonable advance opportunity to review and comment upon all substantive written communications (including any substantive correspondence, analyses, presentations, memoranda, briefs, arguments, opinions and proposals) that the Purchaser or its agents intend to make or submit to a Governmental Entity in connection with such claim;
- (f) provide that Seller with copies of all substantive written communications to or from any Governmental Entity; and
- (g) not advance arguments with the Governmental Entity without prior agreement of that Seller that would reasonably be likely to have a significant adverse impact on the Seller,

provided however, that the Purchaser shall not be required to comply with paragraph (b) above to the extent that the Governmental Entity objects to the participation of a party, or with paragraph (e) or (f) above to the extent that such disclosure may raise regulatory concerns (in which case, the disclosure may be made on an outside counsel basis).

- (iv) Other than in respect of any claim to the extent it relates to an IP Liability, a Commercial Practices Liability, or a Governmental Liability (other than in respect of any Liability arising solely by virtue of a breach of Contract with any Governmental Entity which breach does not also constitute a breach of Applicable Law), the relevant Seller shall be entitled at its own expense and in its absolute discretion, by notice in writing to the Purchaser, to take such action as it shall deem necessary to avoid, dispute, deny, defend, resist, appeal, compromise or contest any such claim (including making counterclaims or other claims against third parties) in the name of and on behalf of the Purchaser or other member of the Purchaser's Group concerned and to have the conduct of any related proceedings, negotiations or appeals. In taking action on behalf of any member of the Purchaser's Group as permitted by this Clause 8.2, the relevant Seller shall, in good faith, take into account and have due regard to any reputational matters or issues arising out of the claim for any member of the Purchaser's Group or any of their respective directors, officers, employees or agents which are brought to its attention by the Purchaser or a member of the Purchaser's Group.
- (v) The Purchaser shall make or procure to be made available to the relevant Seller or its duly authorised agents on reasonable notice during normal business hours full and free access to all relevant books of account, records and correspondence relating to its Target Group which are in the possession or control of the Purchaser or any member of the Purchaser's Group (and shall permit the relevant Seller to take copies thereof) for the purposes of enabling that Seller to ascertain or extract any information relevant to the claim.

- (vi) The Purchaser shall, and shall procure that each other member of the Purchaser's Group shall, on reasonable notice from the relevant Seller, give such assistance to that Seller as it may reasonably require in relation to the claim including providing the relevant Seller or any member of that Seller's Group and its representative and advisers with access to and assistance from directors, officers, managers, employees, advisers, agents or consultants of the Purchaser and/or of each other member of the Purchaser's Group (including, to the extent it has the power to do so, any Delayed Target Group Company) (collectively, the "**Relevant Persons**") and the Purchaser will use its reasonable endeavours to procure that such Relevant Persons comply with any reasonable requests from that Seller and generally co-operate with and assist that Seller and other members of that Seller's Group.
- (vii) When seeking assistance under Clauses 8.2.2(v) and 8.2.2(vi), the relevant Seller, or any other relevant member of that Seller's Group, shall use reasonable endeavours to minimise interference with the Purchaser and the Purchaser's Group's conduct of the relevant business or the performance by the Relevant Persons of their employment duties.

8.3 Release of Guarantees

- 8.3.1 The Purchaser shall use reasonable endeavours to procure as soon as reasonably practicable after Closing, the release of each Seller or any member of that Seller's Group from any securities, guarantees or indemnities given by or binding upon that Seller or any member of that Seller's Group in respect of any Assumed Liabilities or in connection with a liability of any of the relevant Target Group Companies (other than an Excluded Liability). Pending such release, the Purchaser shall indemnify that Seller and any member of that Seller's Group against all amounts paid by any of them (acting reasonably) pursuant to any such securities, guarantees or indemnities in respect of such Assumed Liabilities or such liability of the relevant Target Group Companies (other than an Excluded Liability).
- 8.3.2 Each Seller shall use reasonable endeavours to procure by Closing or, to the extent not done by Closing, as soon as reasonably practicable thereafter, the release of its Target Group Companies from any securities, guarantees or indemnities given by or binding upon those Target Group Companies in respect of any liability of that Seller or any member of that Seller's Group (other than those Target Group Companies). Pending such release, that Seller shall pay to the Purchaser an amount equal to the sum that would have been payable to the Target Group Companies had that Seller indemnified the relevant Target Group Companies against all amounts paid by any of them (acting reasonably) pursuant to any such securities, guarantees or indemnities in respect of such liability of that Seller which arises after Closing.

8.4 Transferred Accounts Payable

If at any time after Closing, a Seller or any of its Affiliates (but, in relation to any Delayed Business, only with effect from the relevant Delayed Closing Date) pays any monies in respect of any Transferred Accounts Payable, then the Purchaser shall pay or procure payment to that Seller (for the relevant Business Seller), as soon as reasonably practicable the amount paid, plus any Taxation suffered or incurred by that Seller's Group which would not have arisen but for the payment and receipt of such monies.

8.5 Transferred Accounts Receivable

If at any time after Closing, a Business Seller receives any monies in respect of any Transferred Accounts Receivables, then that Business Seller shall pay or procure payment to the Purchaser, as soon as reasonably practicable the amount recovered, less any Taxation suffered or incurred by the relevant Seller's Group which would not have arisen but for the receipt and payment of such monies.

8.6 Payables and Receivables Plan

8.6.1 Without prejudice to the provisions of Clauses 8.4 and 8.5, the parties shall cooperate in good faith to agree, as soon as reasonably practicable after the Closing Date and in any event within one month of the Closing Date, a written plan in respect of each Market detailing: (i) the process for the collection of Transferred Accounts Receivables by each Seller (or its Affiliates) and the process and periodic timing of payment of monies received in respect of Transferred Accounts Receivable to the Purchaser; and (ii) the process for the settlement of Transferred Accounts Payable by each Seller (or its Affiliates) and the payment of monies by the Purchaser to the relevant Seller in respect thereof (together, the "Payables and Receivables Plan"). In agreeing the Payables and Receivables Plan, the parties shall take into account the comments of the parties' respective accounting and tax teams.

8.6.2 If the parties fail to agree the Payables and Receivables Plan by the date specified in Clause 8.6.1, the matter shall be referred to and discussed by the Purchaser's and relevant Seller's chief financial officers who shall aim to resolve the matter within 10 Business Days.

8.7 Intra-Group Trading Balances

Any Intra-Group Trade Payables, any Intra-Group Trade Receivables and any Transferred Accounts Payables and Transferred Accounts Receivables, in each case, between a member of the Seller's Group (other than a Target Group Company) and a Business Seller of that Seller's Group, shall be settled after Closing in the ordinary course of business and, in any event, within 60 days of Closing.

8.8 **Wrong Pockets Obligations**

- 8.8.1 Except as provided in Schedule 2, Schedule 4, Schedule 6, Schedule 7, or Schedule 8 and Schedule 25, if any property, right or asset forming part of a Target Group (other than any property, right or asset expressly excluded from the sale under this Agreement) has not and should have been transferred to the Purchaser, or to another member of the Purchaser's Group, pursuant to this Agreement, the relevant Seller shall procure that such property, right or asset (and any related liability which is an Assumed Liability) is transferred to the Purchaser (or another member of the Purchaser's Group as the Purchaser may nominate reasonably acceptable to the Seller) as soon as practicable and at no cost to the Purchaser.
- 8.8.2 If, following Closing (or, in respect of Delayed Businesses, Delayed Closing) any property, right or asset not forming part of a Target Group (other than any property, right or asset expressly included in the sale under this Agreement) is found to have and should not have been transferred to the Purchaser or another member of the Purchaser's Group pursuant to this Agreement, the Purchaser shall transfer (or procure the transfer of) such property, right or asset as soon as practicable to the transferor or another member of the relevant Seller's Group nominated by the relevant Seller reasonably acceptable to the Purchaser at no cost to the Seller.

8.9 **Covenant not to sue**

- 8.9.1 Each Seller hereby undertakes not to enforce any Intellectual Property Rights against the Purchaser or its Affiliates which qualify to be transferred pursuant to Clause 8.8.1 in relation to the period from Closing to the completion of the transfer under that Clause.
- 8.9.2 The Purchaser hereby undertakes not to enforce any Intellectual Property Rights against a Seller or its Affiliates which qualify to be transferred pursuant to Clause 8.8.2 in relation to the period from Closing to the completion of the transfer under that Clause.

8.10 **The Purchaser's Continuing Obligations**

- 8.10.1 Except as provided in the GlaxoSmithKline Seller Intellectual Property Trademark Licence, or if the Purchaser is unable to obtain the necessary third party consent to do so in relation to a Joint Venture Entity, the Purchaser shall procure that as soon as practicable after Closing (or, in respect of any Delayed Business, the relevant Delayed Closing Date), each of the Target Group Companies and Joint Venture Entities shall change its name so that it does not contain the Seller Marks or any name which is likely to be confused with the same and shall provide the relevant Seller with appropriate evidence of such change of name.
- 8.10.2 Except as provided in the Ancillary Agreements, the Purchaser shall not, and shall procure that no member of the Purchaser's Group shall, after

Closing (or, in respect of any Delayed Business, the relevant Delayed Closing Date), use the Seller Marks or any confusingly similar name or mark, any extensions thereof or developments thereto in any business which competes with the Seller's business, or any other business of a Seller or any member of a Seller's Group in which the Seller Marks are used for a minimum period of five years following Closing and thereafter for so long as any member of a Seller's Group continues to retain an interest in the relevant Seller Marks.

- 8.10.3 During the 90 calendar days following the Closing Date, the Purchaser shall provide and cause to be provided to each Seller the information reasonably required to enable that Seller to prepare and audit the standard monthly reporting forms of the Seller's Group, to the extent that such financial reporting relates to the Contributed Business, in respect of the period prior to the Closing and in respect of the calendar month in which the Closing occurs. The Purchaser shall provide such financial reporting in respect of the calendar month in which Closing occurs to each Seller within six Business Days of the last day of the relevant month.

8.11 **The Sellers' Continuing Obligations**

Each Seller shall retain and not dispose of or destroy and make or procure to be made available to the Purchaser or their duly authorised agents and/or professional advisers on reasonable notice during normal business hours:

- 8.11.1 in each case for a period of one (1) year from Closing (or from the relevant Delayed Closing Date in respect of e-mails relating to a Delayed Business) all emails relating to that Seller's Contributed Business (and shall permit the Purchaser to take copies thereof);
- 8.11.2 in each case for a period of 10 years from Closing (and, upon notice from the Purchaser between 9 and 10 years from Closing, for a further period of 5 years), all relevant books, accounts, other records and correspondence (except, in each case, emails) relating to that Seller's Contributed Business which have not been, or to the extent they have not been, transferred to the Purchaser's Group under this Agreement (and shall permit the Purchaser to take copies thereof), save as otherwise agreed by the parties in relation to any books and records (including but not limited to the content of any personnel files) relating to the employment of the Transferred Employees;
- 8.11.3 in each case for a period of 10 years from Closing (and, upon notice from the Purchaser between 9 and 10 years from Closing, for a further period of 5 years), reasonable access to employees of the relevant Seller's Group who have knowledge relating to that Seller's Contributed Business (including any inventor of the Products) for the purposes of the defence, prosecution or enforcement of any Intellectual Property Rights, or as required by Applicable Law or a Governmental Entity, provided that the Purchaser shall promptly reimburse the relevant Seller in relation to the

provision of such access for (i) out of pocket expenses reasonably incurred by that Seller; and (ii) for the time of that employee of that Seller's Group if it exceeds 25 man hours in aggregate per annum; and

8.11.4 in each case for a period of 3 years from Closing, each Seller shall make or procure to be made available to the Purchaser or their duly authorised agents on reasonable notice during normal business hours reasonable access to any employees of the relevant Seller's Group who have knowledge relating to that Seller's Contributed Business (including, for the avoidance of doubt and without limitation, any background information relating to the legal position of that Seller's Contributed Business), to the extent that such employees are retained by the relevant Seller after Closing, to answer any questions other than those covered by clause 8.13.3 that the Purchaser may reasonably ask in relation to that Seller's Contributed Business, provided that:

- (i) the Purchaser shall promptly reimburse the relevant Seller in relation to the provision of such access for the time of that employee of that Seller's Group if it exceeds 25 man hours in aggregate per annum;
- (ii) a Seller shall have no obligations under this Clause where such access to employees of that Seller's Group is prohibited under Applicable Law;
- (iii) the Purchaser shall have no access rights under this Clause to employees of the relevant Seller's Group to the extent such access is prohibited by applicable anti-trust rules or any undertakings, contractual arrangements, or guidelines entered into or provided, with the aim of reasonably ensuring compliance with applicable anti-trust rules; and
- (iv) without prejudice to any indemnity provided by the relevant Seller to the Purchaser under this Agreement, no member of that Seller's Group shall have any Liability to any member of the Purchaser's Group in connection with the provision of any information by employees of that Seller's Group pursuant to this Clause.

8.12 **Ancillary Agreements**

If any of the Purchaser Trademark Licence Agreements or Purchaser Patent and Know-How Licence Agreements have not been entered into at Closing, the provisions of the licences in the Agreed Terms shall be binding on the relevant Seller (and its Affiliates) and the Purchaser (and its Affiliates) until the earlier of: (i) the date of which the relevant licence is entered into; or, if applicable, (ii) the date on which the relevant licence expires or terminates (if applicable) in accordance with its Agreed Terms.

8.13 **Transitional Services Agreement**

If the Transitional Services Agreement has not been entered into at Closing, the provision of the heads of terms in the Agreed Terms shall be binding on Novartis (and its Affiliates) and the Purchaser (and its Affiliates) until the earlier of:
(i) the date on which

the Transitional Services Agreement is entered into; or (ii) the date on which that Novartis (or its Affiliates) no longer provides the relevant transitional services to the Purchaser (or its Affiliates) and the Purchaser (or its Affiliates) no longer provides the relevant transitional services to Novartis (or its Affiliates).

8.14 Manufacturing and Supply Agreement

In respect of each Seller, if the Manufacturing and Supply Agreement has not been entered into at Closing, the provisions of the heads of terms in the Agreed Terms shall be binding on that Seller (and its Affiliates) and the Purchaser (and its Affiliates) until the earlier of: (i) the date on which the Manufacturing and Supply Agreement is entered into; or (ii) the date on which the Seller (and its Affiliates) or the Purchaser (and its Affiliates) (as applicable) no longer manufactures and supplies Products to the other party to that agreement.

8.15 Transitional Distribution Services Agreement

In respect of each Seller, if the relevant Transitional Distribution Services Agreements have not been entered into at Closing, the provision of the heads of terms in the Agreed Terms shall be binding on that Seller (and its Affiliates) and the Purchaser (and its Affiliates) until the earlier of: (i) the date on which the relevant Transitional Distribution Services Agreement is entered into; or (ii) the date on which that Seller (and its Affiliates) or the Purchaser (and its Affiliates) (as applicable) no longer provides such transitional distribution services to the Purchaser.

8.16 Support Services Agreement

In respect of GlaxoSmithKline, if the Support Services Agreement has not been entered into at Closing, the provisions of the heads of terms in the Agreed Terms shall be binding on GlaxoSmithKline (and its Affiliates) and the Purchaser (and its Affiliates) until the earlier of: (i) the date on which the Support Services Agreement is entered into; or (ii) the date on which GlaxoSmithKline (and its Affiliates) no longer provides the relevant services to the Purchaser (or its Affiliates).

8.17 Transfer of Marketing Authorisations and Tenders

8.17.1 The transfer of the Marketing Authorisations following Closing shall take place in accordance with Part 2 of Schedule 4 and the terms of the Transitional Distribution Services Agreements.

8.17.2 Between the Closing Date and the Marketing Authorisation Transfer Date, the Seller agrees to assist the Purchaser in accordance with Part 3 of Schedule 4 in respect of any tenders relating to the Products.

8.18 Retention of Books and Records

To the extent and for so long as required by, or to the extent and for so long as required in order to perform any obligations under, any Ancillary Agreement or Applicable Law, or where otherwise agreed between the Parties, each Seller shall be entitled to retain the

original or a copy of any book, ledger, file, report, plan, record, manual or other material (in any form or medium) which would otherwise transfer to the Purchaser under this Agreement, provided that:

- 8.18.1 any copy or original retained is treated as strictly confidential in accordance with Clause 12.2;
- 8.18.2 in the case of retained originals, a copy of such book, ledger, file, report, plan, record, manual or other material is provided to the Purchaser;
- 8.18.3 upon reasonable notice by the Purchaser, such Seller shall provide access to such retained book, ledger, file, report, plan, record, manual or other material in accordance with Clause 8.11.2; and
- 8.18.4 upon expiry of the relevant obligation under the applicable Ancillary Agreement, such Seller is entitled to retain a copy of any such book, ledger, file, report, plan, record, manual or other material to comply with Applicable Law but shall transfer the original to the Purchaser.

8.19 **Sanctions**

- 8.19.1 For the purposes of Clauses 8.19.2 to 8.19.7 only, the terms below shall have the following meanings:
 - “**Assignor**” means an assignor under any Intellectual Property Assignment Agreement or any relevant member of the Seller’s Group’s (other than a Target Group Company);
 - “**Assignee**” means an assignee under any Intellectual Property Assignment Agreement or a Target Group Company; and
 - “**Further Assurance Obligations**” means any obligation to be performed by an Assignor under clause 3 (Recordals and Further Assurance) of any Intellectual Property Assignment Agreement or Clause 15.1 of this Agreement in relation to any Target Group Intellectual Property Rights;
- 8.19.2 The parties agree that to the extent that Target Group Intellectual Property Rights which are the subject of a transfer pursuant to the Intellectual Property Assignment Agreement are registered (or are the subject of an application to register) in Iran, Iraq, Democratic People’s Republic of Korea or Syria, the Assignor’s Further Assurance Obligations shall be modified as set out in Clauses 8.19.3 to 8.19.7 below.

- 8.19.3 If an Assignor is prevented from complying with its Further Assurance Obligations, with the effect that the recordal of assignment of legal title from the Assignor to the Assignee under the Intellectual Property Assignment Agreement cannot be completed for any Target Group Intellectual Property Rights by reason of:
- (i) Applicable Law;
 - (ii) other factors beyond the reasonable control of the Assignor; or
 - (iii) application of the Assignor's:
 - (a) internal sanctions and export control policy (or equivalent); or
 - (b) anti-bribery and corruption policy,

in each case in force from time to time, provided that such policy applies to all Affiliates of the Assignor and the policy is applied in the same way it would apply if the Assignee were an Affiliate of the Assignor, each such Target Group Intellectual Property Right (being an "**Affected Right**" and each of (i) to (iv) being a "**Restriction**" and in the plural the "**Restrictions**"), Clauses 8.19.4 to 8.19.7 shall apply.

- 8.19.4 The relevant Assignor shall notify the Assignee as soon as reasonably practicable after Closing of:
- (i) each Affected Right and the country in which it is registered (or is the subject of an application to register); and
 - (ii) the relevant Restriction.
- 8.19.5 As soon as reasonably practicable and, in any event within three months after the date that Assignor notifies the Assignee of an Affected Right under Clause 8.19.4 above the parties shall discuss in good faith the means by which the Assignee may be able to achieve protection in the relevant country which is equivalent or similar to the protection provided by the Affected Right. Such means may include, without limitation:
- (i) the Assignee filing a new trade mark application and the Assignor providing to the Assignee the consent of the Assignor to the new application to endeavour to overcome any objection raised by the relevant intellectual property registry on relative grounds based on the Affected Right; or
 - (ii) the Assignor filing a WIPO trade mark application in the name of the Assignor, which shall be assigned by the Assignor to the Assignee on grant of registration or earlier if possible. The reasonable costs incurred by the Assignor in filing and prosecuting that registration to grant to be met by the Assignee; or
 - (iii) the Assignor withdrawing or cancelling any Affected Right subject to the written consent of the Assignee.

The parties will agree such means as are possible in light of the limitations imposed by the Restrictions and both parties will use reasonable efforts to achieve the agreed means. Neither party shall be obliged to take any action agreed pursuant to this Clause 8.19.5 to the extent that such party is prevented from doing so by a Restriction.

The reasonable costs incurred by either party in fulfilling any such actions shall be met by the Assignee.

8.19.6 The relevant Assignor undertakes (at the cost of the Assignee), during the current registration period up to the next renewal date of the Affected Right:

- (i) to take any action to comply with its Further Assurance Obligations to the extent it is able to do so given the Restrictions;
- (ii) to comply with its Further Assurance Obligations as soon as reasonably practicable if and to the extent that such obligations are no longer prevented by the Restrictions; and
- (iii) not to take any other action in connection with an Affected Right without the consent of the Assignee.

8.19.7 The parties acknowledge that in relation to Target Group Intellectual Property Rights that are Trademarks, there is nothing in this Agreement to preclude the Assignee from taking action to revoke or cancel an Affected Right and the Assignor hereby undertakes not to defend any such action.

8.20 **Anti-bribery and corruption**

The provisions of Schedule 27 shall apply in respect of the parties' compliance with anti-bribery and corruption laws.

8.21 [***]

[***]:

8.21.1 [***] and

8.21.2 [***].

9. **WARRANTIES**

9.1 **The Sellers' Warranties**

9.1.1 Subject to Clause 9.2, each Seller warrants (on behalf of the relevant Business Sellers or Share Sellers, as applicable) to the Purchaser and each member of the Purchaser's Group to which shares or assets are transferred pursuant to this Agreement or any Local Transfer Document, that the statements set out in Schedule 13 (save for paragraph 2.4.2 in the

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

case of GlaxoSmithKline and 2.4.1 in the case of Novartis) are true and accurate as of the date of this Agreement.

- 9.1.2 Each of the Seller's Warranties shall be separate and independent and shall not be limited by reference to any other paragraph of Schedule 13 or by anything in this Agreement or any Local Transfer Document or in the Tax Indemnity.
- 9.1.3 Neither of the Sellers gives or makes any warranty as to the accuracy of the forecasts, estimates, projections, statements of intent or statements of opinion provided to the Purchaser or any of its directors, officers, employees, agents or advisers on or prior to the date of this Agreement.
- 9.1.4 Any Seller's Warranty qualified by the expression "so far as the Seller is aware" or to the "Seller's Knowledge" or any similar expression shall, unless otherwise stated, be deemed to refer to the knowledge of:
- (i) in the case of GlaxoSmithKline, the following persons: [***] and
 - (ii) in the case of Novartis, the following persons: [***],
- in each case having made due and reasonable enquiry.
- 9.1.5 Each of the Seller's Warranties shall be deemed to be repeated immediately before Closing by reference to the facts, circumstances and knowledge then existing as if references in the Seller's Warranties to the date of this Agreement were references to the Closing Date. Without prejudice to the provisions of Clause 4.4, no Seller shall have any liability for any breach of any Seller's Warranty given by it where such Seller's Warranty was true as at the date of this Agreement unless (i) the fact, event or circumstances giving rise to the breach (i) constitutes a Material Adverse Effect and (ii) was not the result of an act or omission expressly permitted by the terms of this Agreement or any other Ancillary Agreement. No Seller shall have any liability under this Clause 9.1.5 if the Purchaser has exercised its termination right in accordance with Clause 4.4.1(iii).

9.2 Sellers' Disclosures

- 9.2.1 Each Seller's Warranties are subject to all matters which are fairly disclosed in this Agreement or in the Disclosure Letter.
- 9.2.2 References in a Disclosure Letter to paragraph numbers shall be to the paragraphs in Schedule 13 to which the disclosure is most likely to relate. Such references are given for convenience only and, shall not limit the effect of any of the disclosures, all of which are made against the Seller's Warranties as a whole.

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

9.3 **The Purchaser's Warranties**

The Purchaser warrants to each Seller that the statements set out in Schedule 14 are true and accurate as of the date of this Agreement.

10. LIMITATION OF LIABILITY

10.1 **Application**

10.1.1 In respect of the Tax Indemnity, the provisions of this Clause 10 shall operate to limit the liability of a Seller only in so far as any provision in this Clause 10 is expressed to be applicable to the Tax Indemnity, and the provisions of the Tax Indemnity shall further operate to limit the liability of the Sellers in respect of any claims thereunder.

10.1.2 References to the Seller's Warranties in Clauses 10.2 to 10.5 (inclusive), 10.7, 10.8 and 10.10 shall not include the Tax Warranties and the provisions of clauses 3 and 9 of the Tax Indemnity shall operate to limit the liability of the Sellers and to govern the claims procedure in respect of any claim under the Tax Warranties in respect of a liability for Tax as if such claim had been a claim in respect of a Tax Liability (as defined in the Tax Indemnity) under the Tax Indemnity.

10.2 **Time Limitation for Claims**

No Seller shall be liable under this Agreement or any Local Transfer Document for breach of any Seller's Warranty, any Tax Warranty or under the Tax Indemnity in respect of any claim unless a notice of the claim is given by the Purchaser to such Seller specifying the matters set out in Clause 11.2:

10.2.1 in the case of a claim under any of paragraphs 1, 2.1, 2.2.1, 2.2.3 or 2.5 of Schedule 13, within the applicable statutory limitation period;

10.2.2 in respect of claims under the Tax Warranties or the Tax Indemnity, before the date falling six months after the expiry of the period specified by statute during which an assessment of the relevant liability to Tax may be issued by the relevant Tax Authority; and

10.2.3 in the case of any other claim, before the date falling two years following Closing.

10.3 **Minimum Claims**

10.3.1 No Seller shall be liable under:

- (i) this Agreement or any Local Transfer Document for breach of any Seller's Warranty in respect of any individual claim (or a series of claims arising from similar or identical facts or circumstances) where the liability agreed or determined (disregarding the provisions of this

Clause 10.3) in respect of any such claim or series of claims does not exceed, in the case of Novartis, US\$10.95 million, or, in the case of GlaxoSmithKline, US\$19.05 million; or

- (ii) this Agreement for breach of any Tax Warranty or under the Tax Indemnity in respect of any individual claim (or a series of claims arising from similar or identical facts or circumstances) where the liability agreed or determined (disregarding the provisions of this Clause 10.3) in respect of any such claim or series of claims does not exceed US\$1 million.

10.3.2 Where the liability agreed or determined in respect of any such claim or series of claims exceeds, in the case of claims falling within Clause 10.3.1(i), US\$10.95 million (in the case of Novartis) or US\$19.05 million (in the case of GlaxoSmithKline) or, in the case of claims falling within Clause 10.3.1(ii), US\$1 million, the liability of the relevant Seller shall be for the whole amount of such claim(s) and not just the excess.

10.4 **Aggregate Minimum Claims**

10.4.1 No Seller shall be liable under this Agreement or any Local Transfer Document for breach of any Seller's Warranty in respect of any claim unless the aggregate amount of all claims for which such Seller would otherwise be liable under this Agreement or any Local Transfer Document for breach of any Seller's Warranty (disregarding the provisions of this Clause 10.4) exceeds, in the case of Novartis, US\$109.5 million, or, in the case of GlaxoSmithKline, US\$190.5 million, in which case the relevant Seller shall be liable for the aggregate amount of all claims as agreed or determined and not just the excess.

10.4.2 Where the liability agreed or determined in respect of all claims exceeds US\$109.5 million (in the case of Novartis) or US\$190.5 million (in the case of GlaxoSmithKline) such Seller shall be liable for the aggregate amount of all claims as agreed or determined and not just the excess.

10.4.3 For the avoidance of doubt, the Purchaser may give notice of any single claim in accordance with and for the purposes of Clause 10.2, irrespective of whether, at the time the notice is given, the amount set out in Clause 10.4.2 has been exceeded.

10.5 **Maximum Liability**

The aggregate liability of a Seller in respect of:

- 10.5.1 any breaches of the Seller's Warranties (other than the Seller's Warranties contained in paragraphs 1, 2.1, 2.2.1, 2.2.3 or 2.5 of Schedule 13) shall not exceed an amount equal to, in the case of Novartis, US\$3.285 billion, or, in the case of GlaxoSmithKline, US\$5.715 billion; and

10.5.2 any breaches of such Seller's Warranties contained in paragraphs 1, 2.1, 2.2.1, 2.2.3 or 2.5 of Schedule 13 shall not exceed, in the case of Novartis, US\$10.95 billion, or, in the case of GlaxoSmithKline, US\$19.05 billion.

10.6 Contingent Liabilities

No Seller shall be liable under this Agreement or any Local Transfer Document for breach of any such Seller's Warranties in respect of which the liability is contingent, unless and until such contingent liability becomes an actual liability and is due and payable (but the Purchaser has the right under Clause 11.1 to give notice of such claim before such time). For the avoidance of doubt, the fact that the liability may not have become an actual liability by the relevant date provided in Clause 10.2 shall not exonerate such Seller in respect of any claim properly notified before that date.

10.7 Provisions

No Seller shall be liable under this Agreement or any Local Transfer Document in either case in respect of any claim for breach of any Seller's Warranty in respect of any claim if and to the extent that any allowance, provision or reserve has been properly made in the Closing Statement applicable to that Seller for the matter giving rise to the claim and such Seller can demonstrate that the allowance, provision or reserve so made was in respect of such matter.

10.8 Matters Arising Subsequent to this Agreement

Subject to Clause 8.1.2, no Seller shall be liable under this Agreement or any Local Transfer Document in either case in respect of any claim for breach of any Seller's Warranty in respect of any matter, act, omission or circumstance (or any combination thereof), to the extent that the same would not have occurred but for:

10.8.1 Agreed matters

any matter or thing done or omitted to be done by such Seller or any member of such Seller's Group before Closing pursuant to and in compliance with this Agreement or any Local Transfer Document or otherwise at the request in writing of the Purchaser; or

10.8.2 Changes in legislation

the passing of, or any change in, after the Closing Date, any Applicable Law or administrative practice of any government, governmental department, agency or regulatory body having the force of the law including (without prejudice to the generality of the foregoing) any increase in the rates of Taxation or any imposition of Taxation or any withdrawal of relief from Taxation not in force at the Closing Date.

10.9 **Insurance**

Without prejudice to Clause 13, any Seller's Liability under this Agreement for breach of any Seller's Warranty shall be reduced by an amount equal to any loss or damage to which such claim related which has actually been recovered under a policy of insurance held by the Purchaser or a Target Group Company (after deducting any reasonable costs incurred in making such recovery including the amount of any excess or deductible).

10.10 **Purchaser's Right to Recover**

If any Seller has paid an amount in discharge of any claim under this Agreement for breach of any Seller's Warranty and subsequently the Purchaser recovers (whether by payment, discount, credit, relief, insurance or otherwise) from a third party a sum which indemnifies or compensates the Purchaser (in whole or in part) in respect of the loss or liability which is the subject matter of the claim, the Purchaser shall pay to such Seller as soon as practicable after receipt an amount equal to (i) the sum recovered from the third party less any costs and expenses incurred in obtaining such recovery and any Tax on any amounts recovered (or Tax that would have been payable on such amounts but for the availability of any Tax relief), or if less (ii) the amount previously paid by such Seller to the Purchaser. Any payment made by the Purchaser to such Seller under this Clause shall be made or procured by way of further adjustment of the Purchase Consideration.

10.11 **No Double Recovery and no Double Counting**

A party shall be entitled to make more than one claim under this Agreement arising out of the same subject matter, fact, event or circumstance but shall not be entitled to recover under this Agreement or any relevant Local Transfer Document or the Tax Indemnity or otherwise more than once in respect of the same Losses suffered or amount for which the party is otherwise entitled to claim (or part of such Losses or amount), regardless of whether more than one claim arises in respect of it. No amount (including any relief) (or part of any amount) shall be taken into account, set off or credited more than once under this Agreement or any relevant Local Transfer Document or the Tax Indemnity or otherwise, with the intent that there will be no double counting under this Agreement or any Local Transfer Document or the Tax Indemnity or otherwise.

10.12 **Fraud**

None of the limitations contained in this Clause 10 shall apply to any claim to the extent that such claim arises or is increased as the consequence of, or which is delayed as a result of, fraud by any director or officer of any member of a Seller's Group.

11. CLAIMS

11.1 Notification of Potential Claims

Without prejudice to the obligations of the Purchaser under Clause 11.2, if the Purchaser becomes aware of any fact, matter or circumstance that may give rise to a claim against any Seller under this Agreement or any Local Transfer Document for breach of any Seller's Warranty other than a Tax Warranty (ignoring for these purposes the application of Clause 11.2 or 11.3), the Purchaser shall as soon as reasonably practicable give a notice in writing to that Seller of such facts, matters or circumstances as are then available regarding the potential claim. Failure to give notice within such period shall not affect the rights of the Purchaser to make a relevant claim under this Agreement or any Local Transfer Document for breach of any Seller's Warranty, except that the failure shall be taken into account in determining the liability of that Seller for such claim to the extent that Seller establishes that the amount of it is increased, or is not reduced, as a result of such failure.

11.2 Notification of Claims under this Agreement

Notices of claims under this Agreement or any relevant Local Transfer Document for breach of any Seller's Warranty (other than a Tax Warranty) shall be given by the Purchaser to the relevant Seller within the time limits specified in Clause 10.2 and shall specify information (giving reasonable detail) in relation to the basis of the claim and setting out the Purchaser's estimate of the amount of Losses which are, or are to be, the subject of the claim.

11.3 Commencement of Proceedings

Any claim notified pursuant to Clause 11.2 shall (if it has not been previously satisfied, settled or withdrawn) be deemed to be irrevocably withdrawn 9 months after the relevant time limit set out in Clause 10.2 unless, at the relevant time, legal proceedings in respect of the relevant claim have been commenced by being both issued and served except:

- 11.3.1 where the claim relates to a contingent liability, in which case it shall be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by being both issued and served with 9 months of it having become an actual liability; or
- 11.3.2 where the claim is a claim for breach of any Seller's Warranty of which notice is given for the purposes of Clause 11.2 at a time when the amount set out in Clause 10.4.1 has not been exceeded, in which case it shall be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by being both issued and served within 9 months of the date of any subsequent notification to that Seller pursuant to Clause 11.1 of one or more claims which result(s) in the total amount claimed in all claims notified to that Seller pursuant to Clause 11.2 exceeding the amount set out in Clause 10.4.1 for the first time.

11.4 **Conduct of Third Party Claims**

11.4.1 If the matter or circumstance that may give rise to a claim against a Seller under this Agreement or any relevant Local Transfer Document for breach of any Seller's Warranty (other than a Tax Warranty) is a result of or in connection with a claim by a third party (a "**Third Party Claim**") then:

- (i) the Purchaser shall as soon as reasonably practicable give written notice thereof to that Seller and thereafter shall provide that Seller with periodic updates upon reasonable request and shall consult with that Seller so far as reasonably practicable in relation to the conduct of the Third Party Claim and shall take reasonable account of the views of that Seller in relation to the Third Party Claim;
- (ii) the Third Party Claim shall not be admitted, compromised, disposed of or settled without the written consent of that Seller (such consent not to be unreasonably withheld or delayed); and
- (iii) subject to that Seller indemnifying the Purchaser or other member of the Purchaser's Group (including any Delayed Target Group Company) concerned against all reasonable costs and expenses (including legal and professional costs and expenses) that may be incurred thereby, the Purchaser shall, or the Purchaser shall procure that any other members of the Purchaser's Group shall, take such action as that Seller may reasonably request to avoid, dispute, deny, defend, resist, appeal, compromise or contest the Third Party Claim, provided that this Clause 11.4.1(iii) shall not apply where the claim by the third party relates to matters or circumstances referred to in paragraph 4 or paragraph 9 of Schedule 13 and the Purchaser shall then have the right to conduct the claim at its discretion (subject to Clauses 11.4.1(i) and 11.4.1(ii)),

provided that failure to give notice in accordance with Clause 11.4.1(i)(i) shall not affect the rights of the Purchaser to make a relevant claim under this Agreement for breach of any Seller's Warranty, except that the failure shall be taken into account in determining the liability of that Seller for such claim to the extent that Seller establishes that the amount of it is increased, or is not reduced, as a result of that failure.

11.4.2 Notwithstanding the provisions of Clause 11.4.1, if a Third Party Claim may also give rise to an indemnity claim under Clause 8.1.2, the provisions of Clause 8.2.2 shall apply instead of the provisions of Clause 11.4.1.

12. **CONFIDENTIALITY**

12.1 **Announcements**

No announcement, communication or circular concerning the existence or the subject matter of this Agreement shall be made or issued by or on behalf of any member of any Seller's Group or the Purchaser's Group without the prior written approval of the parties (such consent not to be unreasonably withheld or delayed). This shall not affect any

announcement, communication or circular required by law or any governmental or regulatory body or the rules of any stock exchange on which the shares of any party (or its holding company) are listed but the party with an obligation to make an announcement or communication or issue a circular (or whose holding company has such an obligation) shall consult with the other parties (or shall procure that its holding company consults with the other parties) insofar as is reasonably practicable before complying with such an obligation.

12.2 Confidentiality

12.2.1 Subject to Clause 12.1 and Clause 12.2.2, each of the parties shall treat as strictly confidential and not disclose or use any information received or obtained as a result of entering into this Agreement, any Ancillary Agreement (or any other agreement entered into pursuant to this Agreement, including the Ancillary Agreements) which relates to:

- (i) the existence and provisions of this Agreement, the Ancillary Agreements, or any other agreement entered into pursuant to this Agreement, including the Ancillary Agreements;
- (ii) the negotiations relating to this Agreement, the Ancillary Agreements, or any other agreement entered into pursuant to this Agreement;
- (iii) (in the case of a Seller) any information relating to its Target Group Companies and Target Group Businesses following Closing and any other information relating to the business, financial or other affairs (including future plans and targets) of the Purchaser's Group; or
- (iv) (in the case of the Purchaser) any information relating to the business, financial or other affairs (including future plans and targets) of any Seller's Group including, prior to Closing, the Target Group Companies and Target Group Businesses, and, for the avoidance of doubt, the Purchaser shall not disclose any such information relating to a Seller Group to the other Seller Group.

12.2.2 Clause 12.2.1 shall not prohibit disclosure or use of any information if and to the extent:

- (i) the disclosure or use is required by law, any governmental or regulatory body or any stock exchange on which the shares of any party (or its holding company) are listed;
- (ii) the disclosure or use is required to vest the full benefit of this Agreement or the Ancillary Agreements in any party;
- (iii) the disclosure or use is required for the purpose of any arbitral or judicial proceedings arising out of this Agreement, the Ancillary Agreements, or any other agreement entered into under or pursuant to

this Agreement or to enable a determination to be made by the Reporting Accountants under this Agreement;

- (iv) the disclosure is made to a Tax Authority in connection with the Tax affairs of the disclosing party;
- (v) the disclosure is made on a confidential basis to a ratings agency in connection with the affairs of the disclosing party;
- (vi) the disclosure is made by the Purchaser to any of its Representatives, any member of the Purchaser's Groups and/or any of their Representatives, or by a Seller to any of its Representatives, any member of that Seller's Group and/or any of their Representatives, in each case on a "need-to-know" basis and provided they have a duty (contractual or otherwise) to keep such information confidential;
- (vii) the information was lawfully in the possession of that party without any obligation of secrecy prior to its being received or held, in either case as evidenced by written records;
- (viii) the information is or becomes publicly available (other than by breach of this Agreement);
- (ix) the other party(ies) in respect of whom the information relates has given prior written approval to the disclosure or use; or
- (x) the information is independently developed,

provided that prior to disclosure or use of any information pursuant to Clause 12.2.2(i), (ii) or (iii), the party concerned shall, where not prohibited by law, promptly notify the other parties of such requirement with a view to providing the other parties with the opportunity to contest such disclosure or use or otherwise to agree the timing and content of such disclosure or use.

12.3 **Non-solicit**

- 12.3.1 Neither Seller will, and each Seller undertakes to procure that no member of its Group will, for a period of two years after the Closing Date, solicit or induce any Restricted Target Group Employee to become employed or engaged whether as employee, consultant or otherwise by any member of that Seller's Group.
- 12.3.2 Novartis will not, and undertakes to procure that no member of Novartis's Group will, for a period of two years after the Closing Date, solicit or induce any Restricted GSK Employee to become employed or engaged whether as employee, consultant or otherwise by any member of Novartis's Group.

12.4 **Exceptions to the non-solicit**

- 12.4.1 The restrictions in Clauses 12.3.1 and 12.3.2 may be relaxed or additional exceptions allowed by written approval of the Purchaser's Head of HR, and shall in any event not apply to the solicitation, inducement or recruitment of any person:
- (i) through the placing of advertisements of posts available to the public generally;
 - (ii) through an employment agency, provided that no member of the relevant Seller's Group encourages or advises such agency to approach any such person;
 - (iii) who is no longer employed by the Target Group (or a member of GlaxoSmithKline's Group in the case of 12.3.2); or
 - (iv) who is under formal notice of termination from his employer, provided that this exception only applies if the employment or engagement by the member of the relevant Seller's Group is offered with a start date which is no earlier than the day after the last scheduled date of the person's employment with the Target or the GlaxoSmithKline Group.

13. **INSURANCE**

13.1 **No cover under any Seller's Group Insurance Policies from Closing**

Subject to the provisions of the Support Services Agreement, the Purchaser acknowledges and agrees that following Closing:

- 13.1.1 neither the Purchaser nor any Target Group Company (but, in relation to any Delayed Business, only with effect from the relevant Delayed Closing Date) shall have or be entitled to the benefit of any Seller's Group Insurance Policy in respect of any event, act or omission that takes place after Closing and it shall be the sole responsibility of the Purchaser to ensure that adequate insurances are put in place for the Target Group Companies (but, in relation to any Delayed Business, only with effect from the relevant Delayed Closing Date) and the Target Group Businesses (but, in relation to any Delayed Business, only with effect from the relevant Delayed Closing Date) with effect from Closing;
- 13.1.2 except in respect of any Delayed Target Group Company or Delayed Target Group Business until the relevant Delayed Closing Date, no Seller nor any member of its Group shall be required to maintain any Seller's Group Insurance Policy for the benefit of the relevant Target Group; and
- 13.1.3 no Target Group Company shall make or shall be entitled to make or notify a claim under any Seller's Group Insurance Policy in respect of any event, act or omission that occurred prior to the Closing Date or, in respect of a Delayed Target Group Company, prior to the relevant Delayed Closing Date.

13.2 **Existing claims under any Seller's Group Insurance Policies**

With respect to any claim made under any Seller's Group Insurance Policy (i) before the Closing Date by or on behalf of any Target Group Company or in relation to any Target Group Business (ii) before the relevant Delayed Closing Date in respect of any claim made by or on behalf of any Delayed Target Group Company or Delayed Target Group Business, to the extent that:

13.2.1 neither the Purchaser nor the Target Group Companies have been indemnified by a Seller prior to the Closing Date in respect of the matter in respect of which the claim was made; or

13.2.2 the Liability in respect of which the claim was made has not been properly provided for in the Closing Statement and reduced the Working Capital accordingly,

that Seller shall use reasonable endeavours after Closing to recover all monies due from insurers and shall pay any monies received (after taking into account any deductible under such Seller's Group Insurance Policies and less any Taxation suffered on the proceeds and any reasonable out of pocket expenses suffered or incurred by such Seller or any member of such Seller's Group in connection with the claim) to the Purchaser or, at the Purchaser's written direction, the relevant Target Group Company as soon as practicable after receipt.

13.3 GlaxoSmithKline and the Purchaser shall co-operate together after the date of this Agreement with a view to determining the most effective way of insuring the Purchaser's Group following Closing, taking into account the fact that the Purchaser's Group will be consolidated with GlaxoSmithKline's Group following Closing. In the event that they determine that it is preferable for GlaxoSmithKline's Group's existing insurance arrangements to remain in place following Closing and for the Purchaser's Group to be included within them, the provisions in this Cause 13.3 shall not apply to the extent they are no longer relevant and the parties shall seek to agree the details in relation to such insurance arrangements to be included in the Support Services Agreement.

14. FRANCE BUSINESS AND THE NETHERLANDS BUSINESS

14.1 **France Business**

Notwithstanding any other provision of this Agreement, this Agreement shall not constitute a binding agreement by a Seller to sell or purchase its France Business, provided that:

14.1.1 in the event that a France Put Option Exercise occurs before Closing, this Clause 14.1 (other than this Clause 14.1.1) shall terminate and shall cease to have effect, and the sale and purchase of the relevant France Business shall be subject to the terms of this Agreement as if it had been with effect from the date of this Agreement;

- 14.1.2 in the event that a France Put Option Exercise does not occur before Closing:
- (i) the provisions of Clauses 2, 6 and 9 (the “**Disapplied Provisions**”) shall not apply to the relevant France Business;
 - (ii) prior to the relevant France Closing, the provisions of Schedule 7 and Schedule 8 (the “**Suspended Provisions**”) shall not apply to the relevant France Business; and
 - (iii) in respect of the Disapplied Provisions and, prior to the relevant France Closing, the Suspended Provisions only:
 - (a) the term “Contributed Business” shall be deemed to exclude the relevant France Business;
 - (b) the term “Target Group Companies” shall be deemed to exclude, in the case of Novartis, Novartis Santé Familiale S.A.S. and, in the case of GlaxoSmithKline, any Target Group Companies that relate to its France Business;
 - (c) Target Group Businesses shall be deemed to exclude, in the case of GlaxoSmithKline only, its France Business;
 - (d) the term “Assumed Liabilities” shall be deemed to exclude the relevant France Assumed Liabilities; and
 - (e) the term “Employees” shall be deemed to exclude the relevant France Employees;
- 14.1.3 with effect from a France Closing, the Suspended Provisions shall apply to the France Business *mutatis mutandis* save that in respect of the Suspended Provisions only (A) the term “Closing” shall be deemed to refer to that France Closing and (B) the term “Closing Date” shall be deemed to refer to the date of that France Closing;
- 14.1.4 the parties shall negotiate in good faith to agree any amendments to this Agreement and any Ancillary Agreements as are required in order to give effect to the principles set forth in this Clause 14.1 for the purposes of complying with the information and consultation requirements in respect of the relevant works council(s) in respect of GlaxoSmithKline’s France Business (in the case of GlaxoSmithKline) and the Délégation Unique du Personnel (being the relevant works council in respect of Novartis France Business) (in the case of Novartis); and

14.1.5 the provisions of Clause 8 shall apply to the relevant France Business as if the remaining provisions of this Clause 14.1 did not have any force or effect.

14.2 Netherlands Business

Notwithstanding any other provision of this Agreement, this Agreement shall not constitute a binding agreement to sell or purchase the Netherlands Business, provided that:

14.2.1 in the event that the Netherlands Put Option Exercise occurs before Closing, this Clause 14.2 (other than this Clause 14.2.1) shall terminate and shall cease to have effect, and the sale and purchase of the Netherlands Business shall be subject to the terms of this Agreement as if it had been with effect from the date of this Agreement;

14.2.2 in the event that the Netherlands Put Option Exercise does not occur before Closing:

- (i) the Disapplied Provisions shall not apply to the Netherlands Business;
- (ii) prior to the Netherlands Closing, the Suspended Provisions shall not apply to the Netherlands Business; and
- (iii) in respect of the Disapplied Provisions and, prior to the Netherlands Closing, the Suspended Provisions only:
 - (a) the term “Contributed Business” (when used in respect of GlaxoSmithKline) shall be deemed to exclude the Netherlands Business;
 - (b) the term “GlaxoSmithKline Consumer Group Businesses” shall be deemed to exclude the Netherlands Business;
 - (c) the term “Assumed Liabilities” (when used in respect of GlaxoSmithKline) shall be deemed to exclude the Netherlands Assumed Liabilities; and
 - (d) the term “Employees” (when used in respect of GlaxoSmithKline) shall be deemed to exclude the Netherlands Employees;

14.2.3 with effect from the Netherlands Closing, the Suspended Provisions shall apply to the Netherlands Business *mutatis mutandis* save that in respect of the Suspended Provisions only (A) the term “Closing” shall be deemed to refer to the Netherlands Closing and (B) the term “Closing Date” shall be deemed to refer to the date of the Netherlands Closing;

- 14.2.4 the parties shall negotiate in good faith to agree any amendments to this Agreement and any Ancillary Agreements as are required in order to give effect to the principles set forth in this Clause 14.2 for the purposes of complying with such information and consultation requirements (if any) required under Applicable Law with the relevant works council or employee representative body (if any) in respect of GlaxoSmithKline's Netherlands Business; and
- 14.2.5 the provisions of Clause 8 shall apply to the Netherlands Business as if the remaining provisions of this Clause 14.2 did not have any force or effect.

15. OTHER PROVISIONS

15.1 Further Assurances

Without prejudice to any restriction or limitation on the extent of any party's obligations under this Agreement, each of the parties shall from time to time, so far as each is reasonably able, do or procure the doing of all such acts and/or execute or procure the execution of all such documents in a form reasonably satisfactory to the party concerned as it may reasonably consider necessary to transfer the relevant Contributed Business to the Purchaser or otherwise to give the other parties the full benefit of this Agreement.

15.2 Ancillary Agreements

The parties shall negotiate in good faith to agree definitive and legally binding documentation in respect of each of the Ancillary Agreements for which heads of terms are in Agreed Terms on the date of this Agreement, and shall duly execute and deliver such definitive and legally binding documentation in respect of the Ancillary Agreements at Closing. Following Closing, the parties shall continue to negotiate in good faith to agree definitive and legally binding documentation in respect of any Ancillary Agreements that are not executed at Closing, and such documentation shall supersede the heads of terms in the Agreed Terms.

15.3 Whole Agreement

- 15.3.1 This Agreement and the Ancillary Agreements contain the whole agreement between the parties relating to the subject matter of this Agreement at the date hereof to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the parties in relation to the matters dealt with in this Agreement.
- 15.3.2 The Purchaser acknowledges that, in entering into this Agreement, it is not relying on any representation, warranty or undertaking not expressly incorporated into it.
- 15.3.3 Each of the parties agrees and acknowledges that its only right and remedy in relation to any representation, warranty or undertaking made or

given in connection with this Agreement shall be for breach of the terms of this Agreement and each of the parties waives all other rights and remedies (including those in tort or arising under statute) in relation to any such representation, warranty or undertaking.

15.3.4 In Clauses 15.3.1 to 15.3.3, “this Agreement” includes the Ancillary Agreements and all documents entered into pursuant to this Agreement.

15.3.5 Nothing in this Clause 15.3 excludes or limits any liability for fraud.

15.4 **No Assignment**

No party may, without the prior written consent of the other parties, assign, grant any security interest over, hold on trust or otherwise transfer the benefit of the whole or any part of this Agreement.

15.5 **Third Party Rights**

15.5.1 Subject to Clause 15.5.2, the parties do not intend that any term of this Agreement should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.

15.5.2 Certain provisions of this Agreement confer benefits on the Affiliates of the Purchaser and the Affiliates of any Seller (each such Affiliate being, for the purposes of this Clause 15.5, a “**Third Party**”) and, subject to Clause 15.5.3, are intended to be enforceable by each Third Party by virtue of the Contracts (Rights of Third Parties) Act 1999.

15.5.3 Notwithstanding Clause 15.5.2, this Agreement may be varied in any way and at any time without the consent of any Third Party.

15.6 **Variation or waiver**

15.6.1 No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the parties.

15.6.2 No failure or delay by a party in exercising any right or remedy provided by Applicable Law or under this Agreement or any Ancillary Agreement shall impair such right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

15.7 **Method of Payment and set off**

15.7.1 Except as set out in Clause 15.7.2, payments (including payments pursuant to an indemnity, compensation or reimbursement provision) made or expressed to be made by the Purchaser or the Sellers pursuant to

this Agreement or any claim for breach of this Agreement shall, insofar as the payment or claim relates to or affects any Shares (including the underlying Target Group Companies transferred (directly or indirectly) by reason of the transfer of those Shares), assets or liabilities, transferred pursuant to this Agreement and the Local Transfer Documents, be made or received (as the case may be) by:

- (i) the relevant Seller, for itself or on behalf of its Share Seller or Business Seller (each in respect of the Shares and/or assets and liabilities to be transferred by it pursuant to this Agreement and the relevant Local Transfer Documents); and
 - (ii) the Purchaser, for itself and on behalf of the relevant members of the Purchaser's Group (each in respect of the Shares and/or the assets and liabilities to be transferred by it pursuant to this Agreement and the relevant Local Transfer Documents).
- 15.7.2 The repayment of the Estimated Intra-Group Non-Trade Receivables and the Estimated Intra-Group Non-Trade Payables pursuant to Clause 6.4.3 and any adjustments to such repayment pursuant to Clause 7.4 shall be settled by payments between the Seller, for itself and on behalf of the relevant members of the Seller's Group, and the Purchaser, for itself and on behalf of the relevant Target Group Companies.
- 15.7.3 Without prejudice to Clause 6.3.2, any payments pursuant to this Agreement shall be made in full, without any set-off, counterclaim, restriction or condition and without any deduction or withholding (save as may be required by law or as otherwise agreed), except that payments due between any Seller and the Purchaser:
- (i) in relation to repayments of the Estimated Intra-Group Non-Trade Payables and Estimated Intra-Group Non-Trade Receivables pursuant to Clause 6.4.3; or
 - (ii) in relation to adjustments to those repayments pursuant to Clause 7.4,
- respectively, shall be discharged to the fullest extent possible by way of set-off against each other.
- 15.7.4 Any payments pursuant to this Agreement shall be effected by crediting for same day value the account specified by each Seller or the Purchaser (as the case may be) on behalf of the party entitled to the payment (reasonably in advance and in sufficient detail to enable payment by telegraphic or other electronic means to be effected) on or before the due date for payment.
- 15.7.5 Payment of a sum in accordance with this Clause 15.7 shall constitute a payment in full of the sum payable and shall be a good discharge to the payer (and those on whose behalf such payment is made) of the payer's

obligation to make such payment and the payer (and those on whose behalf such payment is made) shall not be obliged to see to the application of the payment as between those on whose behalf the payment is received.

15.8 **Costs**

- 15.8.1 Subject to Clause 15.9, each Seller shall bear all costs incurred by it and its Affiliates in connection with the preparation and negotiation of, and the entry into, this Agreement the relevant Ancillary Agreements and the sale of its Target Group.
- 15.8.2 The Purchaser shall bear all such costs incurred by it and its Affiliates in connection with the preparation and negotiation of, and the entry into, this Agreement the relevant Ancillary Agreements and the purchase of Target Groups.

15.9 **Notarial Fees, Registration, Stamp and Transfer Taxes and Duties**

Each Seller shall bear the cost of all notarial fees and all registration, stamp and transfer taxes and duties or their equivalents in all jurisdictions where such fees, taxes and duties are payable as a result of that Seller's sale of its Target Group to the Purchaser pursuant to this Agreement.

15.10 **Interest**

If any party defaults in the payment when due of any sum payable under this Agreement, the Local Transfer Documents or the Tax Indemnity the liability of that party shall be increased to include interest on such sum from the date when such payment is due until the date of actual payment (as well after as before judgment) at a rate per annum of two per cent. above LIBOR. Such interest shall accrue from day to day.

15.11 **Grossing-up**

- 15.11.1 All sums payable under this Agreement, the Local Transfer Documents and the Tax Indemnity shall be paid free and clear of all deductions, withholdings, set-offs or counterclaims whatsoever save only as may be permitted by Clause 15.7.3 or required by law. Subject to 15.11.2 to 15.11.7 (inclusive), if any deductions or withholdings are required by law, the party making the payment (the "Payer") shall (except in the case of any interest payable under this Agreement) be obliged to pay to the party to whom the payment is being made (the "Payee") such sum as will after such deduction or withholding has been made leave the Payee with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding, provided that if the Payee shall have assigned or novated the benefit in whole or in part of this Agreement or shall, after the date of this Agreement, have changed its tax residence or the permanent establishment to which the rights under this Agreement are allocated then the liability of the Payer under this Clause

- 15.11.1 shall be limited to that (if any) which it would have been had no such assignment, novation or change taken place.
- 15.11.2 If either Seller is or becomes aware of any facts making it reasonably likely that the Purchaser will be required to deduct or withhold any amount in respect of the Purchase Consideration (a “**Relevant Tax Deduction**”) payable to a Seller (the “**Withholding Seller**”), then that Seller shall, as soon as reasonably practicable, give notice to the other Seller and the Purchaser (including details of the relevant facts and, so far as possible, details of the rate and basis of such withholding).
- 15.11.3 The Sellers and the Purchaser shall, and shall procure that the members of their respective groups shall (at the Withholding Seller’s cost), co-operate with each other in good faith and use all reasonable efforts to reduce or mitigate any Relevant Tax Deduction (or its amount) and /or to enable the Withholding Seller or the relevant Share Seller or Business Seller to obtain any available credit or refund in respect of such Relevant Tax Deduction, including, without limitation, making any available claim under an applicable double taxation treaty.
- 15.11.4 Without prejudice to the generality of Clause 15.11.3, the Sellers and the Purchaser shall co-operate in good faith to establish or agree the amount or basis of calculation of any Relevant Tax Deduction prior to Closing (and in this regard the Purchaser shall consider reasonably any relevant information or evidence provided or obtained by the Sellers) including, if requested by the Withholding Seller and at the Withholding Seller’s expense, by seeking to obtain a ruling or confirmation from a relevant Tax Authority, or obtaining an opinion from reputable local tax counsel or a firm of accountants of international standing satisfactory to the Purchaser (acting reasonably) and instructed jointly by the Withholding Seller and the Purchaser.
- 15.11.5 The Purchaser shall make any Relevant Tax Deduction in the minimum amount required by applicable law, provided that:
- (i) if a double taxation treaty between the jurisdiction under the laws of which the Relevant Tax Deduction is required and the jurisdiction of residence of the Withholding Seller or the relevant Share Seller or Business Seller is in force, the Purchaser shall (and shall procure that any relevant member of the Purchaser’s Group shall) make any Relevant Tax Deduction in an amount not exceeding the rate specified in such double taxation treaty (which may be nil), provided that the Withholding Seller has provided the Purchaser with such evidence as is required under applicable law to establish the entitlement of the Withholding Seller (or relevant Share Seller or Business Seller) to the benefit of the applicable treaty; and
 - (ii) if an opinion from reputable local counsel or a firm of accountants of international standing has been obtained at the request of the

Withholding Seller as envisaged by Clause 15.11.4, the Purchaser shall (and shall procure that any relevant member of the Purchaser Group shall) make such Relevant Tax Deduction in an amount or on a basis which is consistent with that opinion (which may result in no withholding or deduction), provided that the Withholding Seller has indemnified the Purchaser and any relevant member of the Purchaser's Group, to the Purchaser's reasonable satisfaction, against any Liabilities arising (including any interest and penalties) should such opinion be wholly or partly incorrect.

- 15.11.6 The Purchaser shall promptly provide the Withholding Seller with evidence reasonably satisfactory to the Withholding Seller that a Relevant Tax Deduction has been made and an appropriate amount paid to the relevant Tax Authority.
- 15.11.7 If any Relevant Tax Deduction is required an additional sum shall be payable in accordance with Clause 15.11.1 only if and to the extent that such deduction or withholding would not have been required had the Purchaser been resident for Tax purposes only in the United Kingdom.

15.12 **Structure of indemnity payments**

Where it is agreed or determined that an amount is payable by either Seller to the Purchaser or to another member of the Purchaser's Group pursuant to any indemnity or covenant to pay in this Agreement, or as damages in respect of a breach of this Agreement, then both Sellers and the Purchaser shall consult in good faith for a period of not less than ten Business Days (or such longer or shorter period as the parties may agree) with a view to agreeing an acceptable arrangement for satisfying that obligation to pay the amount so claimed in an efficient manner that does not prejudice the interests of the Purchaser's Group (which may involve, by way of example only, a subscription for deferred shares in the Purchaser or making an additional contribution to the Purchaser in respect of existing shares in the Purchaser). If both Sellers and the Purchaser fail to agree on any particular manner of payment during the course of such consultations (but not before), the Seller which is liable to make the payment under or in respect of this Agreement shall make that payment in cash to the person entitled to it.

15.13 **Changes to share rights**

- 15.13.1 GlaxoSmithKline shall be entitled, by written notice to Novartis and the Purchaser not less than 20 Business Days before the Closing Date, to stipulate that, subject to the parties implementing the changes agreed pursuant to the final sentence of this clause 15.13.1, the A Shares which shall be issued to members of GlaxoSmithKline's Group under this Agreement shall be split, before Closing, into two classes of Shares, referred to as "A1" and "A2" shares. To the extent permitted by Applicable Law, GlaxoSmithKline shall be entitled to specify the rights attaching to each of these classes of shares, provided that the rights attaching to the A1 and A2 shares, in aggregate, may not in any respect exceed the rights attaching to the A Shares as set out in the Agreed Terms Shareholders'

Agreement. If GlaxoSmithKline gives notice of the same, the parties shall promptly agree and implement such changes to the Agreed Terms Shareholders' Agreement as are necessary to give effect to the division of the A Shares into "A1" and "A2" shares and to ensure that both Sellers will be in the same relative economic and governance position as they would have been in had the A Shares not been divided into two classes.

- 15.13.2 Novartis shall be entitled, by written notice to GlaxoSmithKline and the Purchaser not less than 20 Business Days before the Closing Date, to stipulate that, subject to the parties implementing the changes agreed pursuant to the final sentence of this clause 15.13.2, the B Shares which shall be issued to members of Novartis's Group under this Agreement shall be split, before Closing, into two classes of Shares, referred to as "B1" and "B2" shares. To the extent permitted by Applicable Law, Novartis shall be entitled to specify the rights attaching to each of these classes of shares, provided that the rights attaching to the B1 and B2 shares, in aggregate, may not in any respect exceed the rights attaching to the B Shares as set out in the Agreed Terms Shareholders' Agreement. If Novartis gives notice of the same, the parties shall promptly agree and implement such changes to the Agreed Terms Shareholders' Agreement as are necessary to give effect to the division of the B Shares into "B1" and "B2" shares and to ensure that both Sellers will be in the same relative economic and governance position as they would have been in had the B Shares not been divided into two classes.
- 15.13.3 GlaxoSmithKline shall be entitled, by written notice to Novartis and the Purchaser not less than 20 Business Days before the Closing Date, to stipulate that it will only have one shareholder in the Purchaser as at Closing. If GlaxoSmithKline gives notice of the same, the parties shall promptly agree such changes to the Agreed Terms Shareholders' Agreement and Agreed Terms Articles of Association as are necessary to give effect to the fact that the A Shares will be held by just one shareholder as at Closing.
- 15.13.4 Novartis shall be entitled, by written notice to GlaxoSmithKline and the Purchaser not less than 20 Business Days before the Closing Date, to stipulate that it will only have one shareholder in the Purchaser as at Closing. If Novartis gives notice of the same, the parties shall promptly consult each other in good faith with a view to agreeing such changes to the Agreed Terms Shareholders' Agreement and Agreed Terms Articles of Association as are necessary to give effect to the fact that the B Shares will be held by just one shareholder as at Closing

15.14 Notices

- 15.14.1 Any notice or other communication in connection with this Agreement (each, a "Notice") shall be:
- (i) in writing in English;

- (ii) delivered by hand, fax, or by courier using an internationally recognised courier company.
- 15.14.2 A Notice to GlaxoSmithKline shall be sent to such party at the following address, or such other person or address as GlaxoSmithKline may notify to the Purchaser from time to time:
- GlaxoSmithKline
980 Great West Road
Brentford
Middlesex TW8 9GS
United Kingdom
Fax: +44 (0)208 0476904
Attention: Company Secretary and General Counsel of Consumer Healthcare
with a copy to the GlaxoSmithKline's Lawyers, marked for the urgent attention of Richard Smith (delivery of such copy shall not in itself constitute valid notice).
- 15.14.3 A Notice to Novartis shall be sent to such party at the following address, or such other person or address as Novartis may notify to the Purchaser from time to time:
- Novartis
c/o Novartis International AG
Postfach
CH-4002 Basel
Switzerland
Fax: +41 613244300
Attention: Head of Legal M&A, Novartis International AG
with a copy to Novartis's Lawyers, marked for the urgent attention of Jennifer Bethlehem (delivery of such copy shall not in itself constitute valid notice).
- 15.14.4 A Notice to the Purchaser shall, prior to Closing, be sent to each Seller at the addresses specified above, and, with effect from Closing, be sent to such party at the following address, or such other person or address as the Purchaser may notify to the Sellers from time to time:
- The Purchaser
980 Great West Road
Brentford

Middlesex TW8 9GS
United Kingdom
Fax: +44 (0)208 0476904

Attention: Company Secretary and General Counsel of Consumer Healthcare

with a copy to GlaxoSmithKline's Lawyers, marked for the urgent attention of Richard Smith, and to Novartis's Lawyers, marked for the urgent attention of Jennifer Bethlehem (delivery of such copy shall not in itself constitute valid notice).

15.14.5 A Notice shall be effective upon receipt and shall be deemed to have been received:

- (i) at the time of delivery, if delivered by hand or courier; or
- (ii) at the time of transmission in legible form, if delivered by fax.

15.15 **Invalidity or Conflict**

15.15.1 If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, the provision shall apply with whatever deletion or modification is necessary so that the provision is legal, valid and enforceable and gives effect to the commercial intention of the parties.

15.15.2 To the extent it is not possible to delete or modify the provision, in whole or in part, under Clause 15.15.1, then such provision or part of it shall, to the extent that it is illegal, invalid or unenforceable, be deemed not to form part of this Agreement and the legality, validity and enforceability of the remainder of this Agreement shall, subject to any deletion or modification made under Clause 15.15.1, not be affected.

15.15.3 If there is any conflict between the terms of this Agreement and any of the Ancillary Agreements this Agreement shall prevail (as between the parties between this Agreement and as between any member of the relevant Seller's Group and any member of the Purchaser's Group) unless (i) such Ancillary Agreement expressly states that it overrides this Agreement in the relevant respect and (ii) that Seller and the Purchaser are either also parties to that Ancillary Agreement or otherwise expressly agree in writing that such Ancillary Agreement shall override this Agreement in that respect.

15.15.4 For the avoidance of doubt, nothing in this Agreement is intended to limit or exclude the Liabilities of any party under any Ancillary Agreement (other than, to the extent expressly stated, the Tax Indemnity).

15.16 **Counterparts**

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any party may enter into this Agreement by executing any such counterpart. Delivery of a counterpart of this Agreement by email attachment shall be an effective mode of delivery.

15.17 **Governing Law and Submission to Jurisdiction**

15.17.1 This Agreement and the documents to be entered into pursuant to it, save as expressly referred to therein, and any non-contractual obligations arising out of or in connection with the Agreement and such documents shall be governed by and construed in accordance with English law.

15.17.2 Each of the parties irrevocably agrees that the courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Agreement and the documents to be entered into pursuant to it, save as expressly referred to therein, and that accordingly any proceedings arising out of or in connection with this Agreement and the documents to be entered into pursuant to it, save as expressly referred to therein, shall be brought in such courts. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

15.18 **Appointment of Process Agent**

15.18.1 Novartis hereby irrevocably appoints Hackwood Secretaries Limited of One Silk Street, London EC2Y 8HQ as its agent to accept service of process in England and Wales in any legal action or proceedings arising out of this Agreement, service upon whom shall be deemed completed whether or not forwarded to or received by Novartis.

15.18.2 Novartis agrees to inform the Purchaser in writing of any change of address of such process agent within 28 days of such change.

15.18.3 If such process agent ceases to be able to act as such or to have an address in England and Wales, Novartis irrevocably agrees to appoint a new process agent in England and Wales and to deliver to the Purchaser within 14 days a copy of a written acceptance of appointment by the process agent.

15.18.4 Nothing in this Agreement shall affect the right to serve process in any other manner permitted by law.

This Agreement has been entered into on the date stated at the beginning.

GLAXOSMITHKLINE PLC

Name:

Function:

NOVARTIS AG

Name:

Function: Attorney

**GLAXOSMITHKLINE CONSUMER
HEALTHCARE HOLDINGS LIMITED**

Name:

Function:

Name:

Function: Attorney

**Schedule 1
Details of the Share Sellers, Shares etc.**

**Part 1
GlaxoSmithKline Shares**

Part A

| <u>(1)</u> Name of Share Seller | <u>(2)</u> Name of Target Group Company | <u>(3)</u> Shares |
|---|---|--------------------------|
| Glaxo Group Limited | GlaxoSmithKline Argentina S.A. | 84.2% |
| Setfirst Limited | | 15.8% |
| Wellcome Limited (UK) | GlaxoSmithKline Consumer Healthcare S.A. | 100% |
| SmithKline Beecham Limited | GlaxoSmithKline Consumer Healthcare Inc. (Canada) | 100% (common shares) |
| GlaxoSmithKline Inc. | | 100% (preference shares) |
| Setfirst Limited | GlaxoSmithKline Consumer Healthcare A/S | 100% |
| Groupe GlaxoSmithKline SAS (France) | GlaxoSmithKline Sante Grand Public SAS | 100% |
| GlaxoSmithKline Beteiligungs GmbH (Germany) | GlaxoSmithKline GmbH & Co. KG | 100% |
| GlaxoSmithKline GmbH & Co. KG | GlaxoSmithKline Healthcare GmbH | 100% |
| GlaxoSmithKline Healthcare GmbH | GlaxoSmithKline Consumer Healthcare GmbH & Co. KG | 88.89% |
| GlaxoSmithKline Consumer Holding B.V. | | 11.11% |

| <u>(1)</u> Name of Share Seller | <u>(2)</u> Name of Target Group Company | <u>(3)</u> Shares |
|---|---|----------------------------|
| GlaxoSmithKline Consumer Healthcare GmbH & Co. KG | Panadol GmbH | 100% |
| GlaxoSmithKline Consumer Healthcare GmbH & Co. KG | Fink GmbH | 100% |
| Fink GmbH | Lingner-Produktion GmbH | 100% (DM 2,500,000 shares) |
| Panadol GmbH | | 100% (DM 1,600,000 shares) |
| Panadol GmbH | | 100% (DM 1,500,000 shares) |
| Setfirst Limited | | 100% (DM 80,000 shares) |
| Setfirst Limited | | 100% (DM 40,000 shares) |
| Setfirst Limited | | 100% (DM 20,000 shares) |
| Fink GmbH | Fink Naturarznei GmbH | 100% |
| GlaxoSmithKline Consumer Healthcare GmbH & Co. KG | Abtei Pharma Vertriebs GmbH | 100% |
| Setfirst Limited | GlaxoSmithKline Dungarvan Limited | 100% |
| Setfirst Limited | GlaxoSmithKline Consumer Healthcare (Ireland) Limited | 100% |

| <u>(1)</u> Name of Share Seller | <u>(2)</u> Name of Target Group Company | <u>(3)</u> Shares |
|---------------------------------------|---|----------------------|
| Glaxo Group Limited | Stafford-Miller (Ireland) Limited | 100% |
| Glaxo Group Limited | GlaxoSmithKline Consumer Healthcare Investments (Ireland) Limited | 100% |
| Setfirst Limited | GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No.2) | 100% |
| SmithKline Beecham Limited (UK) | GlaxoSmithKline Consumer Healthcare SpA | 100% |
| Beecham Group plc (UK) | GlaxoSmithKline Consumer Healthcare Sdn. Bhd. | 100% |
| S.R. One International B.V. | GlaxoSmithKline Consumer Holding B.V. | 100% |
| S.R. One International B.V. | GlaxoSmithKline Consumer Healthcare B.V. | 100% |
| Setfirst Limited | GlaxoSmithKline Consumer Healthcare S.p.z.o.o. | 100% |
| Glaxo Group Limited | GlaxoSmithKline Consumer Healthcare SRL | 100% |
| Glaxo Group Limited | GlaxoSmithKline Consumer Healthcare Pte. Limited | 100% |
| Glaxo Group Limited | GlaxoSmithKline South Africa (Pty) Limited | 100% |

| <u>(1)</u> Name of Share Seller | <u>(2)</u> Name of Target Group Company | <u>(3)</u> Shares |
|---------------------------------------|--|--|
| Setfirst Limited | GlaxoSmithKline Consumer Healthcare S.A. | 100% |
| Setfirst Limited | GlaxoSmithKline Consumer Healthcare A.B. | 100% |
| Setfirst Limited | GlaxoSmithKline Consumer Healthcare AG | 100% |
| Setfirst Limited | GlaxoSmithKline Consumer Trading Services Limited (UK) | 100% |
| The Wellcome Foundation Limited (UK) | Wellcome Consumer Products Limited | 100% |
| The Wellcome Foundation Limited (UK) | Wellcome Consumer Healthcare Limited (UK) | 100% |
| GlaxoSmithKline LLC | Block Drug Company Inc. | 100% |
| Block Drug Company Inc. | Block Drug Corporation | 100% |
| Block Drug Company Inc. | Stafford-Miller Limited (UK) | 100% (common shares) |
| Wellcome Limited | | 100% (non-cumulative non-redeemable preference shares) |
| GlaxoSmithKline LLC | GlaxoSmithKline Consumer Healthcare LLC | 100% |

| <u>(1)</u> Name of Share Seller | <u>(2)</u> Name of Target Group Company | <u>(3)</u> Shares |
|---------------------------------------|---|----------------------|
| Block Drug Company Inc. | Stafford-Miller Limited (UK) branches | 100% |

Part B

| <u>(1)</u> Name of Share Seller | <u>(2)</u> Name of Joint Venture Entity | <u>(3)</u> Shares |
|--|---|----------------------|
| GlaxoSmithKline Consumer Healthcare LLC | GlaxoSmithKline Consumer Healthcare L.P. | 0.4% |
| GlaxoSmithKline LLC | | 87.6% |
| Sanofi-Aventis US | | 12.0% |
| GSK (China) Investment Co. Limited | The Sino-American Tianjin Smith Kline & French Laboratories Limited | 55% |
| Tianjin Pharmaceutical Group Co. Limited | | 20% |
| Tianjin Zhong Xin Pharmaceutical Group Corporation Limited | | 25% |
| Setfirst Limited | GlaxoSmithKline Algérie SPA | 99% |
| Nominees / private individuals | | 1% |
| Interpharma Dienstleistungen GmbH | Laboratoire Pharmaceutique Algérien LPA Production SPA | 99% |
| Private individuals | | 1% |

| <u>(1)</u> Name of Share Seller | <u>(2)</u> Name of Joint Venture Entity | <u>(3)</u> Shares |
|---|---|----------------------|
| Laboratoire Pharmaceutique Algérien LPA Production SPA | Laboratoire Pharmaceutique Algérien SPA | 66% |
| GlaxoSmithKline SAS | | 33% |
| Nominees / private individuals | | 1% |

**Part 2
Novartis Shares**

Part A

| <u>(1)</u> Name of Share Seller | <u>(2)</u> Name of Company | <u>(3)</u> Shares |
|---------------------------------------|--|----------------------|
| Novartis AG | Novartis Consumer Health Australasia Pty Ltd | 100% |
| Novartis AG | Novartis Consumer Health S.A. | 100% |
| Novartis AG | Novartis Consumer Health Schweiz AG | 100% |
| Novartis Consumer Health S.A. | N.V. Novartis Consumer Health S.A. | 99.33% |
| Various minority shareholders | | 0.67% |
| Novartis Deutschland GmbH | Novartis Consumer Health GmbH | 51% |
| Novartis Consumer Health S.A. | | 49% |
| Novartis Farma SpA | Novartis Consumer Health SpA | 100% |
| Novartis Farmacéutica S.A. | Novartis Consumer Health S.A. | 100% |
| Novartis Finance Corporation | Novartis Consumer Health, | 80% |
| Novartis Consumer Health S.A. | Inc. | 20% |

| <u>(1)</u> Name of Share Seller | <u>(2)</u> Name of Company | <u>(3)</u> Shares |
|---------------------------------------|---|----------------------|
| Novartis Groupe France S.A. | Novartis Santé Familiale SAS | 100% |
| Novartis Holding AG | Ex-Lax, Inc. | 100% |
| Novartis Pharma AG | Novartis Consumer Health Canada | 100% |
| Novartis Portugal SGPS Lda | Novartis Consumer Health - Produtos Farmacêuticos | 100% |
| Novartis UK Limited | Novartis Consumer Health UK Limited | 100% |

Part B

| <u>(1)</u> Name of Share Seller | <u>(2)</u> Name of Joint Venture Entity | <u>(3)</u> Shares |
|---------------------------------------|---|----------------------|
| Novartis Consumer Health S.A. | Novartis Consumer Health-Gebro GmbH | 60% |
| Gebro Pharma GmbH | | 40% |

**Schedule 2
The Properties**

**Part 1
GlaxoSmithKline Properties**

Manufacturing and production facilities:

[***]

Research and development facilities:

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Part 2
Novartis Properties

Manufacturing and production facilities:

1. [***]
2. [***]
3. [***]
4. [***]

Research and development facilities:

1. [***]
2. [***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Part 3
Terms Relating to the Company Properties

1. GENERAL PROVISIONS RELATING TO THE COMPANY PROPERTIES

1.1 Interpretation

The following further definitions apply in this Part 3 of Schedule 2:

“**Company Landlord**” means the person for the time being entitled to the reversion immediately expectant on the termination of the term granted by a Company Lease;

“**Company Leased Properties**” means the properties identified in Parts 1 and 2 of this Schedule 2 which, as at Closing, are held by a Target Group Company under a lease, licence or tenancy agreement, and “**Company Leased Property**” means any one of them;

“**Company Leases**” means the leases, licence documents or tenancy agreements under which the Company Leased Properties are held, including all documents supplemental to them, and “**Company Lease**” means any one of them;

“**Company Owned Properties**” means the properties identified in Parts 1 and 2 of this Schedule 2 in which the freehold estate (or nearest local law equivalent) is owned by a Target Group Company as at Closing, together (subject to Clause 2.3.2) with all buildings, structures, fixed plant, fixed machinery and fixed equipment thereon (except as excluded in Clause 2.3.2, and “**Company Owned Property**” means any one of them;

“**Company Property Longstop Date**” means the date on which a court of competent jurisdiction finally determines that a Company Third Party Consent has been lawfully refused or cannot be obtained and/or that the Purchaser may not acquire (directly or indirectly, acting through a subsidiary) the relevant Company Property; and

“**Company Third Party Consents**” means all consents, licences, approvals, permits, authorisations or waivers required from any Company Landlord, superior landlord and/or other third party, including any consents, licences, approvals, permits, authorisations or waivers required by any legislation or regulation or by any statutory, governmental, state, provincial or municipal bodies or authorities which are required under a Company Lease or otherwise in relation to any change of control, shareholders or directors of the relevant Target Group Company, and “**Company Third Party Consent**” means any one of them.

1.2 Company Third Party Consents

1.2.1 This paragraph 1.2.1 applies to those Company Properties in relation to which a Company Third Party Consent is required, and if such Company Third Party Consent remains to be obtained as at the Closing Date this paragraph 1.2.1 shall continue to apply until the relevant Company Third

Party Consent shall have been obtained or until the Company Property Longstop Date. If any Company Third Party Consents are required:

- (i) the Seller in relation to the Target Group Company which owns the Company Property in question shall make an application for, and shall use all reasonable endeavours to obtain each Company Third Party Consent as soon as reasonably practicable following the date of this Agreement and shall at all times keep the Purchaser informed of progress in obtaining such Company Third Party Consents;
- (ii) the Purchaser and each Seller shall supply such information and references as may reasonably be required by a Company Landlord, any superior landlord or other relevant third party in connection with a Company Third Party Consent;
- (iii) the Purchaser shall be responsible for and undertake to pay, or procure the giving of undertakings to pay the professional and other fees of any Company Landlord, any superior landlord or other relevant person (including any Tax or disbursements in respect of such fees but excluding any Tax on the actual net income, profit or gains of the Company Landlord, any superior landlord or any other relevant person) properly incurred in connection with any application for Company Third Party Consents, whether or not such Company Third Party Consents are given; and
- (iv) in respect of the period after Closing only, the Purchaser shall enter into such covenants for the payment of the rent under the Company Lease and for the observance and performance of the covenants and conditions contained in the Company Lease as may reasonably be required by the Company Landlord, any superior landlord or other relevant third party.

1.2.2 Each Seller shall give written notice to the other Seller as soon as reasonably practicable after obtaining any Company Third Party Consents which shall be accompanied by a copy of such consent.

1.2.3 Save as set out in paragraph 1.2.1(iii) of this Part 3 of Schedule 2, the Seller in relation to the Target Group Company which owns the Company Property in question shall pay any moneys or provide or procure the giving of any guarantees or other security, in each case as may be lawfully required by a Company Landlord, superior landlord or other relevant third party in connection with the obtaining of the Company Third Party Consents, provided that the Purchaser shall indemnify and keep indemnified that Seller in an amount equal to:

- (i) any moneys required to be paid by that Seller pursuant to this paragraph; and
- (ii) any Liabilities under any guarantees or other security given or procured by that Seller pursuant to this paragraph 1.2.3 and arising out of, or in

connection with, an act or omission on the part of the Purchaser or (following Closing) the relevant Target Group Company,

and where the Company Landlord, superior landlord or other relevant third party lawfully requires any guarantees or other security to be given by the person who is acquiring a membership interest in respect of the relevant Target Group Company, the Purchaser shall provide or procure the giving of any such guarantees or security.

1.3 **Company Third Party Consent not Obtained**

- 1.3.1 If a Company Third Party Consent has been refused or otherwise not obtained within 12 months following the Closing Date, the Sellers may (acting reasonably) agree that an application is to be made to a court of competent jurisdiction that the relevant Company Third Party Consent has been unreasonably withheld or delayed.
- 1.3.2 If an application is to be made to a court of competent jurisdiction pursuant to paragraph 1.3.1 of this Part 3 of Schedule 2:
- (i) the proceedings shall be brought by, and prosecuted at the expense of the Purchaser;
 - (ii) the Sellers shall provide all such assistance in connection with such proceedings as the Purchaser (acting reasonably) may require in the interests of obtaining the Company Third Party Consent; and
 - (iii) provided that the Seller has complied with its obligation under paragraph 1.2.1(i) of this Part 3 of Schedule 2, the Purchaser shall indemnify and keep indemnified the Seller for any costs and expenses properly incurred in connection with any such assistance provided by the Seller.
- 1.3.3 If a Company Third Party Consent has not been obtained by the Company Property Longstop Date then the relevant Seller in relation to the Target Group Company which owns the Company Property in question shall indemnify and keep indemnified the Purchaser against all Losses arising out of or in connection with the failure to obtain such Company Third Party Consent.

Part 4
Terms Relating to the Transferred Properties

1. GENERAL PROVISIONS RELATING TO THE TRANSFERRED PROPERTIES

1.1 Interpretation

The following further definitions apply in this Part 4 of Schedule 2:

“**Expert**” has the meaning given to it in paragraph 1.3.2(i) of this Part 4 of Schedule 2;

“**Landlord**” means the person for the time being entitled to the reversion immediately expectant on the termination of the term granted by a Lease;

“**Leases**” means the leases, licences or tenancy agreements under which the Transferred Leased Properties are held by the relevant member of the Seller’s Group, including all documents supplemental to them, and “**Lease**” means any one of them;

“**Letting Document**” means any lease, licence or tenancy agreement to which a Transferred Property is subject;

“**Licence**” means a right in favour of the Purchaser and all persons authorised by it to occupy the Licensed Premises during the Licence Period pursuant to this Part 4 of Schedule 2;

“**Licence Fee**” means the payments to be made by the Purchaser to the Seller’s Group pursuant to paragraph 1.4.4 of this Part 4 of Schedule 2;

“**Licence Period**” means a period, which may be different for each of the Licensed Premises, commencing on the Closing Date and ending on the earliest of the following dates:

- (i) the date on which this Agreement is terminated by whatever means whether in whole or in relation to the relevant Licensed Premises;
- (ii) the date immediately preceding the date on which the term of the relevant Lease ends by whatever means;
- (iii) the date of Property Transfer Completion in relation to the relevant Transferred Property; and
- (iv) the Property Longstop Date;

“**Licensed Premises**” means any of the Transferred Properties for which all relevant Property Third Party Consents have not been obtained prior to, or at, the Closing Date;

“**President**” has the meaning given to it in paragraph 1.3.2(ii) of this Part 4 of Schedule 2;

“**Property Agreed Terms**” means a transfer in the terms agreed between the Sellers, the Purchaser and any relevant third party or determined pursuant to paragraph 1.3.2 of this Part 4 of Schedule 2 and signed for identification by or on behalf of the Sellers and by or on behalf of the Purchaser from time to time before or after the date of this Agreement, with such alterations as may be agreed from time to time in writing between the Sellers, the Purchaser and any relevant third party;

“**Property Longstop Date**” means the date on which a court of competent jurisdiction finally determines that a Property Third Party Consent has been lawfully refused;

“**Property Third Party Consents**” means all consents, licences, approvals, permits, authorisations or waivers required from any Landlord, superior landlord and/or other third party, including any consents, licences, approvals, permits, authorisations or waivers required by any legislation or regulation or by any statutory, governmental, state, provincial or municipal bodies or authorities for or in connection with the transfer of a Transferred Property by the relevant member of the Seller’s Group to the Purchaser and includes (where the context so admits) Sublease Consents;

“**Property Transfer Completion**” means the completion of the transfer of a Transferred Property under this Agreement, where such completion does not take place on the Closing Date because any relevant Property Third Party Consents have not been obtained on or prior to such date;

“**Property Transfer Completion Date**” means the date of Property Transfer Completion in accordance with paragraph 1.7 of this Part 4 of Schedule 2;

“**Registered Title**” means the registered title relating to a Transferred Property;

“**Sublease Consent**” has the meaning given to it in paragraph 1.11.2 of this Part 4 of Schedule 2;

“**transfer**”, for the purposes of this Part 4 of Schedule 2 only, means in respect of a Transferred Leased Property, the transfer or assignment of the relevant Lease or Leases, and in the case of a Transferred Owned Property the transfer thereof, and “**a transfer**” means and includes any instruments, deeds or agreements effecting such transfer;

“**Transferred Leased Properties**” means the leasehold properties identified in Parts 1 and 2 of this Schedule 2 which are not owned by a Target Group Company as at Closing, and “**Transferred Leased Property**” means any one of them; and

“**Transferred Owned Properties**” means the properties identified in Parts 1 and 2 of this Schedule 2 in which the freehold estate (or nearest local law equivalent) is not owned by a Target Group Company as at Closing, together (subject to Clause 2.3.2) with all buildings, structures, fixed plant, fixed machinery and fixed equipment thereon (except as excluded in Clause 2.3.2), and “**Transferred Owned Property**” mean any one of them.

1.2 Each of the Transferred Properties and/or the Leases thereof shall be transferred subject to the terms set out in this Part 4 of Schedule 2 and all other applicable terms of this Agreement.

1.3 **Pre-Closing**

1.3.1 Prior to Closing, the Business Sellers and the Purchaser shall agree (acting reasonably) the form of all documents on Property Agreed Terms necessary for the transfer of each of the Transferred Properties pursuant to the terms set out in this Part 4 of Schedule 2 and all other applicable terms of this Agreement.

1.3.2 Any dispute arising out of or connected with paragraph 1.3.1 of this Part 4 of Schedule 2 which is not resolved by agreement between the parties within nine months of such dispute arising shall be referred for and resolved by expert determination as follows:

- (i) either Seller may initiate an expert reference under this provision by proposing to the other Seller the appointment of an expert (the “**Expert**”);
- (ii) the Expert shall either be the nearest equivalent to a chartered surveyor in the relevant jurisdiction or (in relation to legal issues) a single QC (or equivalent), in each case with no less than 15 years’ post-qualification experience in commercial real estate in the relevant jurisdiction chosen by agreement between the Sellers or, failing agreement within 14 days of the initiation of the reference, by the President for the time being of the relevant professional body to which the Expert belongs (the “**President**”) on the application of either Seller;
- (iii) the Sellers shall request that the Expert determines the referred dispute within ten days of receiving the reference;
- (iv) if the Expert has been appointed but is unable or unwilling to complete the reference, another Expert shall be appointed by agreement between the Sellers or, failing agreement within 7 days of the parties being notified that the Expert is unable or unwilling to complete the reference, by the President on the application of either party;
- (v) the Expert shall act as an expert and not as an arbitrator;
- (vi) the Sellers shall have the right to make representations and submissions to the Expert, but there will be no formal hearing;
- (vii) the Sellers shall make all relevant documents and information within their control available to the Expert;
- (viii) the costs of the Expert shall be borne by the Sellers in equal shares; and

- (ix) the decision of the Expert shall, in the absence of fraud or manifest error, be final and binding on the parties.

1.3.3 This paragraph 1.3.3 applies to those Transferred Properties in relation to which a Property Third Party Consent is required and if such Property Third Party Consent remains to be obtained as at the Closing Date this paragraph 1.3.3 shall continue to apply until the relevant Property Third Party Consent shall have been obtained or until the Property Longstop Date. If any Property Third Party Consents are required:

- (i) the Seller in relation to the Transferred Property in question shall make an application for, and shall use all reasonable endeavours to obtain each Property Third Party Consent as soon as reasonably practicable following the date of this Agreement for the transfer of the Transferred Property and shall, at all times, keep the Purchaser and the other Seller informed of progress in obtaining such Property Third Party Consents;
- (ii) the Purchaser and each Seller shall supply such information and references as may reasonably be required by a Landlord, any superior landlord or other relevant third party in connection with a Property Third Party Consent;
- (iii) in respect of the period after Closing only, the Purchaser shall enter into such covenants for the payment of the rent in respect of the Transferred Leased Properties and for the observance and performance of the covenants and conditions on the part of the lessee contained in any Lease as may reasonably be required by the Landlord, any superior landlord or other relevant third party;
- (iv) if reasonably required by a Landlord, any superior landlord or any other relevant third party, the Purchaser shall provide a rent deposit or the Purchaser shall procure that a surety acceptable to such person guarantees the Purchaser's obligations under the Lease following the transfer of the relevant Transferred Leased Property; and
- (v) the Purchaser shall be responsible for and undertake to pay, or procure the giving of undertakings to pay the professional and other fees of any Landlord, any superior landlord or other relevant person (including any Tax or disbursements in respect of such fees but excluding any Tax on the actual net income, profit or gains of the Landlord, any superior landlord or any other relevant person) properly in connection with any application for Property Third Party Consents, whether or not such Property Third Party Consents are given.

1.3.4 Each Seller shall give written notice to each other Seller as soon as reasonably practicable after obtaining any Property Third Party Consents which shall be accompanied by a copy of such consent.

1.3.5 Subject to the Purchaser complying with its obligations under paragraphs 1.3.3(iii) to (v) of this Part 4 of this Schedule 2, the Seller in relation to the Transferred Property in question shall pay, or shall procure that a member of the Seller's Group pays, any moneys or provide or procure the giving of any guarantees or other security, in each case as may be lawfully required by a Landlord, superior landlord or other relevant third party in connection with the obtaining of the Property Third Party Consents, provided that the Purchaser shall indemnify and keep indemnified such Seller in an amount equal to:

- (i) any moneys required to be paid or procured to be paid by the Seller pursuant to this paragraph; and
- (ii) any Liabilities under any guarantees or other security given or procured by the Seller pursuant to this paragraph and arising out of, or in connection with, an act or omission on the part of the Purchaser.

1.4 Licence

1.4.1 In the event that any Property Third Party Consents are not obtained on or before the Closing Date, notwithstanding the terms of the Leases, the Seller shall procure that the owner of the Transferred Property in question allows the Purchaser to occupy the Licensed Premises for the Licence Period relating to the relevant Licensed Premises on the terms set out in this paragraph 1.4.

1.4.2 The Purchaser acknowledges that the grant of each Licence may amount to a breach of the terms of the relevant Lease.

1.4.3 The Licence of each Licensed Premises is granted:

- (i) subject to all of the matters to which the relevant Leases relating to the Transferred Leased Property are subject;
- (ii) subject to the matters referred to in the Registered Title and the Letting Documents;
- (iii) out of whatever right, title and interest that the owner of the Transferred Property has in the Licensed Premises and/or under the relevant Lease;
- (iv) in such state of repair and condition as the Licensed Premises may be in as at the date on which the relevant Licence is granted; and
- (v) without making any statement or representation that the owner of the Transferred Property is entitled to grant it.

1.4.4 From Closing and pending Property Transfer Completion, the Purchaser shall pay to the owner of the Transferred Property in question a "**Licence Fee**" equivalent to:

- (i) all rents and other charges (including VAT due thereon under the relevant Lease where payable at the date of this Agreement by the relevant owner) payable in respect of the Licensed Premises; and
- (ii) all outgoings (including VAT due thereon under the relevant Lease) (including, but not limited to, rates, service charges, management charges, levies, air-conditioning charges, insurance, heating, electricity, gas, telecommunications and other services and the cost of complying with fire and other statutory regulations) payable by the relevant owner in respect of the Licensed Premises or charged upon the owner or occupier of the Licensed Premises,

such payments to be made not less than ten Business Days before any such sum falls due subject to the Seller in relation to the Transferred Property in question giving the Purchaser not less than ten Business Days' prior written notice to that effect. To the extent that there has been a prepayment at the Closing Date of the amounts in paragraphs 1.4.4(i) and (ii) of this Part 4 of Schedule 2 by the owner of the Transferred Property which is not otherwise accounted for in the Closing Statement, the Purchaser shall pay to such owner within ten Business Days of written demand an amount equal to the amount of such prepayment in respect of any period after the Closing Date.

1.4.5 Throughout the Licence Period, the Purchaser shall, in respect of the Licensed Premises only:

- (i) keep the Licensed Premises in no worse a state of repair than they are in at the Closing Date, fair wear and tear excepted;
- (ii) observe and perform the covenants and conditions on the part of the lessee in the relevant Lease under which the Licensed Premises are held (other than in relation to the payment of rent and other charges paid as part of the Licence Fee and subject to paragraph 1.4.5(i) of this Part 4 of Schedule 2); and
- (iii) use the Licensed Premises only in accordance with the terms of the Lease of the relevant Licensed Premises and in compliance with the law and regulations where the relevant Licensed Premises is located (save for any such law or regulation that prohibits the use of the Licensed Premises without a Property Third Party Consent having been obtained).

1.4.6 The Purchaser and each Seller agrees that:

- (i) the Licence is personal to the Purchaser and may only be exercised by the Purchaser and those authorised by it;
- (ii) (subject to paragraph 1.4.5 of this Part 4 of Schedule 2) the Purchaser and all persons authorised by it are permitted to have the unrestricted use and occupation of the Licensed Premises; and

(iii) no relationship of landlord and tenant is created as a result of the Licence.

- 1.4.7 If a Landlord or any other relevant third party commences proceedings, raises any lawful objection or takes any other action in connection with the Purchaser's occupation or use of any of the Licensed Premises pending the obtaining of the relevant Property Third Party Consents, the Purchaser and the Sellers shall meet and negotiate in good faith in order to determine which steps should be taken in respect of the relevant Transferred Property.
- 1.4.8 Throughout the Licence Period, the Purchaser shall, in respect of the Licensed Premises only, indemnify and keep indemnified the owner of the Transferred Property in question from and against any Licence Fee, any Losses arising from the Licence and/or as a result of the occupation of the Licensed Premises by the Purchaser.
- 1.4.9 The Purchaser and the Sellers shall each inform each other forthwith of any notice received by any of them in relation to any of the Licensed Premises from the Landlord or any other third party.

1.5 Determination of Licence

- 1.5.1 The Licence in relation to any one or more of the Licensed Premises shall determine:
- (i) immediately if the Property Longstop Date occurs;
 - (ii) by the Seller in relation to the Transferred Property in question giving at least three months' prior written notice to the Purchaser if the Purchaser fails to make the payment of the Licence Fee for a period of one month or is otherwise in material breach of the provisions of the Licence for a continuous period of one month following written notification by such Seller to the Purchaser of the same, and in either case the Purchaser has failed to remedy the relevant failure to pay or to remedy the breach prior to the expiry of the three month notice period or, if the breach is not capable of remedy within such three month period, the Purchaser has failed to commence to remedy the breach within that period and thereafter failed diligently to continue with such remedy; or
 - (iii) if the relevant Landlord in relation to a Transferred Leased Property prosecutes forfeiture proceedings (or the nearest local law equivalent) as a result of the occupation by the Purchaser of the Licensed Premises then the parties shall either:
 - (a) agree that the Licence shall determine on a date to be agreed between the parties (acting reasonably); or

- (b) in the absence of such agreement, either party may require a QC (or equivalent) with no less than 15 years' post-qualification experience in commercial real estate in the relevant jurisdiction to be appointed (such appointment to be by agreement between the Sellers or, failing agreement, within 14 days, by the President (as defined in paragraph 1.3.2(ii) of this Part 4 of Schedule 2)). Should the QC determine that there is more than a 50% chance of the proceedings in question resulting in the Lease in question being forfeited (or equivalent), then the Licence shall determine on a date to be agreed between the Sellers (acting reasonably) in order to afford the relevant Seller the opportunity to apply for relief from forfeiture or otherwise challenge the proceedings in question on the basis that any breach resulting from the grant of the Licence has been cured,

provided that this paragraph 1.5.1(iii) shall at all times operate without prejudice to paragraphs 1.4.7, 1.5.1(i) and 1.12.

- 1.5.2 If, for whatever reason, the Licence Period comes to an end in relation to any of the Licensed Premises then:
- (i) the Licence insofar as it relates to the relevant Licensed Premises shall be severable from the remainder of this Agreement and this Agreement shall otherwise remain in full force and effect;
 - (ii) the Purchaser shall be entitled to a refund in respect of any Licence Fee prior to the termination of the Licence for the Licensed Premises and which relates to the period following termination of the Licence;
 - (iii) it shall not prejudice or affect any claim in respect of any prior breach of this Agreement by the Purchaser in respect of that Licensed Premises; and
 - (iv) unless the Licence Period comes to an end due to Property Transfer Completion in respect of the relevant Licensed Premises taking place, the Purchaser shall:
 - (a) vacate the Licensed Premises forthwith;
 - (b) remove from the Licensed Premises all items belonging to it;
 - (c) leave the Licensed Premises in a clean and tidy condition; and
 - (d) at the request of the Seller in relation to the Transferred Property in question, reinstate the Licensed Premises or any part or parts thereof to at least as good a state of repair or condition as at Closing, fair wear and tear excepted.

1.6 **Closing**

- 1.6.1 The transfer of the Transferred Property shall only take place on Closing to the extent that all necessary Property Third Party Consents in respect of the relevant transfer have been obtained prior to the Closing Date.
- 1.6.2 Completion of the transfer of the Transferred Property shall take place at such place (or places) as the parties may agree.

1.7 **Property Transfer Completion**

Property Transfer Completion in respect of a Transferred Property shall take place on the date falling 15 Business Days following the grant of all relevant Property Third Party Consents for such Transferred Property or on such other date as the parties shall agree acting reasonably (but not before the Closing Date).

1.8 **General Transfer Provisions**

- 1.8.1 Each Seller shall procure that each member of that Seller's Group shall transfer the Transferred Property to the Purchaser subject to the terms set out in this Part 4 of Schedule 2 and all other applicable terms of this Agreement on the Closing Date or (if later) Property Transfer Completion.
- 1.8.2 The Transferred Property is sold subject to the Letting Documents (if any) but otherwise with vacant possession together with all buildings, structures, fixed plant, fixed machinery and fixed equipment thereon except as excluded in Clause 2.3.2.
- 1.8.3 The transfer of each Transferred Property shall contain covenants with the relevant transferor by the Purchaser to comply with the:
- (i) obligations arising from the matters mentioned in the Registered Title; and
 - (ii) obligations on the part of the landlord arising under the Letting Documents (if any),
- insofar as the relevant transferor may remain liable directly or indirectly for them after the Closing Date or Property Transfer Completion (as the case may be) and to indemnify and keep indemnified the relevant transferor against any non-compliance, and a further covenant by the Purchaser to indemnify the relevant transferor against any liability arising under an authorised guarantee agreement (or equivalent) entered into by the relevant transferor.
- 1.8.4 The transfer of each Transferred Property shall be on the nearest equivalent terms that exist under local (national) law to a transfer of real property in England and Wales made with full title guarantee save that where it is a Transferred Leased Property the covenant set out in Section 4(2)(b) of the Law of Property (Miscellaneous Provisions) Act 1994 shall

not extend to the imposition on the transferor of liability for any subsisting breach of obligation relating to the physical state of the Transferred Leased Property.

1.8.5 On the Closing Date or Property Transfer Completion (as the case may be) in respect of each of the Transferred Properties:

- (i) each Seller shall procure that each relevant transferor delivers to the Purchaser a duly executed transfer in respect of the relevant Transferred Property on Property Agreed Terms; and
- (ii) the Purchaser shall deliver to the Seller a duly executed transfer in respect of the relevant Transferred Property on Property Agreed Terms.

1.8.6 The Purchaser shall procure that all transfers are duly stamped, filed or registered at the relevant registries on a timely basis and within the statutory period (if any) and the Seller in relation to the Transferred Property in question shall promptly assist the Purchaser with any requisitions or enquiries raised in relation thereto. Any notarial fees and registration, stamp and transfer taxes and duties (or their equivalents in any jurisdiction) in connection with such transfers shall be borne as provided in Clause 15.8.

1.9 Subjections

Notwithstanding anything contained in this Agreement:

1.9.1 Each of the Transferred Properties is transferred subject to and (where appropriate) with the benefit of the following matters (to the extent applicable under the laws of the relevant jurisdiction):

- (i) any unregistered interest which overrides first registration under Schedule 1 of the Land Registration Act 2002 (the "2002 Act") and any interest which fall within Section 11(4)(c) of the 2002 Act and any unregistered interests which override registered dispositions under Schedule 3 of the 2002 Act or their local jurisdiction equivalent (if any);
- (ii) such unregistered interests as may affect that Transferred Property to the extent and for so long as they are preserved by the transitional provisions of Schedule 12 of the 2002 Act or its local jurisdiction equivalent (if any);
- (iii) all matters contained or referred to in the Letting Documents;
- (iv) all matters contained or referred to in the Property, Proprietorship and Charges registers (or equivalent entries and registers) of the Registered Title relating to that Transferred Property (except fixed and floating charges securing money or liabilities);

- (v) all exceptions, reservations, rights, easements, quasi-easements, wayleaves, rent charges, covenants, conditions, declarations, leases, tenancies (including statutory tenancies), licences and agreements affecting the same;
 - (vi) (in the case of a leasehold property) the rents, covenants and conditions reserved by or contained in the Lease under which the same is respectively held;
 - (vii) all local land charges (whether or not registered before the date of this Agreement) and all matters capable of registration as local land charges (whether or not actually registered) or their local jurisdiction equivalent (if any);
 - (viii) all notices served and orders, demands, proposals, or requirements made by any local or other public or competent authority;
 - (ix) all actual or proposed orders, directions, plans, notices, instruments, charges, restrictions, conditions, agreements or other matters arising under any statute relating to town and country planning and any laws and regulations intended to control or regulate the construction, demolition, alteration or change of use of land or buildings or to preserve or protect the environment; and
 - (x) matters which are fairly disclosed by the Disclosure Letter.
- 1.9.2 The Purchaser is deemed to acquire with full knowledge of the matters referred to in paragraph 1.9.1 of this Part 4 of Schedule 2.
- 1.9.3 Each Seller shall procure that any and all financial charges affecting the Transferred Properties will be discharged on or before the date on which such Transferred Property is to be transferred to the Purchaser, and shall provide to the Purchaser and the other Seller such evidence as the Purchaser or the other Seller may reasonably require in order to satisfy itself that such discharge has been effected and to remove any notices or entries in respect of such charges from any relevant register.
- 1.9.4 The Sellers do not give any warranty as to the use or area of any of the Transferred Properties and shall not be required to define the boundaries of any of the Transferred Properties. The transfer of the Transferred Properties shall not be annulled, nor shall any compensation be allowed or payable, in respect of any error in respect of any such matters.
- 1.9.5 On the date on which the transfer of each Transferred Property is completed, the Seller in relation to the Transferred Property in question shall deliver to the Purchaser (or such other third party as the Purchaser may reasonably direct) all of the original documents in the possession of the Seller or the transferor of the Transferred Property in question in respect of each of the Transferred Properties.

- 1.9.6 The Purchaser shall not raise any requisition on matters arising after the date of this Agreement, except where the subject matter of the requisition is registered at the Land Registry (or equivalent local registry) after the date of this Agreement and does not relate to any matter referred to in paragraph 1.9.1 of this Part 4 of Schedule 2.
- 1.9.7 To the extent that deposit guarantees have been given by a Seller or any member of a Seller's Group in respect of any Transferred Property and/or insofar as a Seller or any member of a Seller's Group retains any residual or ongoing liabilities or obligations including performance guarantees in connection with the Transferred Property, the Purchaser shall use all reasonable endeavours to procure that the Seller or the relevant member of the Seller's Group is released from all deposit guarantees and all other residual or ongoing liabilities or obligations and, insofar as the counterparties thereto shall properly and lawfully refuse to give any such release, the Purchaser shall indemnify and keep indemnified that Seller (or the member of that Seller's Group) in an amount equal to any Liabilities under any such residual or ongoing liabilities or obligations arising out of, or in connection with, an act or omission on the part of the Purchaser.

1.10 **Insurance**

The Sellers shall procure that any existing insurance (if any) on the Transferred Properties shall be maintained and that any such insurance will be cancelled with effect from the Closing Date or, if later, the date of Property Transfer Completion (as the case may be) unless agreed otherwise with the Purchaser.

1.11 **Grant of Sublease**

If a Seller is unable to obtain a Property Third Party Consent from a Landlord for the transfer of a Transferred Leased Property the provisions of this paragraph 1.11 of Part 4 of Schedule 2 shall apply:

- 1.11.1 where a Lease permits a sublease to be granted without the requirement for any Property Third Party Consent from the Landlord, the Seller shall procure that the owner of the Transferred Property in question shall grant to the Purchaser a sublease of the Transferred Leased Property on the same rent and other terms and conditions as the Lease of the Transferred Leased Property with such changes as are appropriate and agreed between the Seller in relation to the Transferred Leased Property in question and the Purchaser acting reasonably and the term of the sublease shall be the term of such Lease less one day; and
- 1.11.2 where the Transferred Leased Property is held from a Landlord on terms which require the consent of the Landlord to:
- (i) the grant of a sublease; or
 - (ii) the terms on which a sublease is granted,

the Seller in relation to the Transferred Leased Property in question shall use all reasonable endeavours to obtain such consent (“**Sublease Consent**”) from such Landlord. Where the Seller is able to obtain the appropriate Sublease Consent (or, where applicable, the court of competent jurisdiction referred to in paragraph 1.12.1 of this Part 4 of Schedule 2 declares that the Sublease Consent has been unreasonably withheld or delayed), the Seller shall procure that the owner of the Transferred Property in question shall grant to the Purchaser a sublease of the Transferred Leased Property on the same rent and other terms and conditions as the Lease of the Transferred Leased Property with such changes as are appropriate and agreed between the Seller and the Purchaser acting reasonably and the term of the sublease shall be the term of such Lease less one day.

1.12 **Property Third Party Consent not Obtained**

- 1.12.1 If a Property Third Party Consent (and, where applicable, a Sublease Consent) has been refused or otherwise not obtained within 12 months following the Closing Date, the Sellers may (acting reasonably) agree that an application is to be made to a court of competent jurisdiction that the relevant Property Third Party Consent has been unreasonably withheld or delayed.
- 1.12.2 If an application is to be made to a court of competent jurisdiction pursuant to paragraph 1.12.1 of this Part 4 of Schedule 2:
- (i) the proceedings shall be brought by, and prosecuted by the relevant Seller;
 - (ii) the Purchaser and the other Seller shall provide all such assistance in connection with such proceedings as the relevant Seller (acting reasonably) may require in the interests of obtaining the Property Third Party Consent; and
 - (iii) provided that the Seller has complied with its obligations under paragraphs 1.3.3(i) and 1.11.2 of this Part 4 of this Schedule 2, the Purchaser shall indemnify and keep indemnified the Sellers for any costs and expenses properly incurred in connection with any such assistance provided by them and in bringing and prosecuting proceedings under this paragraph.
- 1.12.3 If a Property Third Party Consent has not been obtained by the Property Longstop Date then the relevant Seller in relation to the Transferred Property in question shall indemnify and keep indemnified the Purchaser against all Losses arising out of or in connection with the failure to obtain such Property Third Party Consent.

Part 5 Site Separation

1.1 Interpretation

The following further definition applies in this Part 5 of Schedule 2:

“**Separation Properties**” means any Property or part of a Property which, as at the date of this Agreement, forms part of a wider building or site that is used by both the Target Group and a Seller’s retained business.

1.2 Separation

- 1.2.1 As soon as reasonably practicable following the date of this Agreement, and in any event prior to Closing, the Sellers and the Purchaser will agree the form of transfers, leases, facilities services arrangements or other agreements (the “**Separation Documents**”) to reflect the arrangements described in this Part 5 of Schedule 2.
- 1.2.2 Without prejudice to the principles as to the preservation of arrangements existing at the date of this Agreement set out in the remainder of this paragraph, all Separation Documents are to be negotiated between the parties in good faith, on an arm’s length basis and on reasonable commercial terms.
- 1.2.3 The Separation Documents will enable the owner of the Separation Property and the relevant Seller’s retained business to continue to use the Property and the adjoining or neighbouring property of that Seller’s retained business respectively in the same manner (including as to terms of use/occupation and costs) as they are used at the date of this Agreement and will incorporate such other provisions (including as to site security or physical site separation) as the Sellers may agree are fair and reasonable in all the circumstances.
- 1.2.4 Each Separation Document will grant and reserve rights to continue to use all roads, access ways and conduits used and enjoyed by the relevant Separation Property (or the adjoining or neighbouring property of the relevant Seller’s retained business, as the case may be) at the date of this Agreement on terms reflecting as closely as possible their use at the date of this Agreement.
- 1.2.5 Each Separation Document is to be in a form appropriate to the jurisdiction in which the relevant Separation Property is situated and will comply with all formalities and other requirements in the relevant jurisdiction.
- 1.2.6 The Separation Documents which are underleases will follow the form of the relevant headlease (other than in respect of the amount of rent and the length of term) insofar as is reasonably appropriate.

- 1.2.7 In the event of any disagreement under or in respect of this paragraph 1.2, the matter may be referred by either Seller to the person (or persons) within each Seller with ultimate responsibility (on a national level) for property matters within the jurisdiction in question, and in the event that the matter is not resolved by agreement between the parties within three months, may be referred by either party to an independent lawyer in the relevant jurisdiction, being a partner in a reputable law firm with not less than ten years' post-qualification experience in dealing with commercial property transactions (the "Independent Lawyer"). In the absence of agreement between the Sellers, the Independent Lawyer is to be appointed by the President of the Law Society (or other body responsible for regulation of the legal profession in the relevant jurisdiction) on the application of either party.
- 1.2.8 The Independent Lawyer will act as an expert and not as an arbitrator and his decision will be binding on the parties.
- 1.2.9 The Independent Lawyer may obtain any additional professional advice in order to reach a decision as he may deem necessary or desirable.
- 1.2.10 The cost of the determination by the Independent Lawyer will be met by the Sellers in equal shares.

1.3 **Preservation of Rights**

- 1.3.1 If following Closing the Purchaser or either Seller shall be of the view that a Separation Document omits the grant or reservation of any rights (including any rights of access, rights to use facilities and/or rights in respect of any item of apparatus or equipment) which is required for the purposes of the business carried out at a Separation Property or the adjoining or neighbouring property of the relevant Seller's retained business (each such right being an "Omitted Right or Easement"), it shall give the notice referred to in paragraph 1.3.2 and the Sellers (acting reasonably and in the utmost good faith) will meet and attempt to reach agreement with regard to any amendments needed to the relevant Separation Document, or any additional document or documents that are necessary.
- 1.3.2 If any party identifies any Omitted Rights or Easements, that party shall give written notice thereof to the other parties as soon as reasonably practicable and in any event within two years of the Closing Date (time to be of the essence).
- 1.3.3 Any dispute or difference as to Omitted Rights or Easements shall be resolved in the manner set out in paragraph 1.2.7, and as soon as practicable following agreement or determination as to any Omitted Rights or Easements (and in any case within two months of such agreement or determination) the Purchaser and the Sellers will procure to be executed any deeds or other documents required in order to give effect to the agreed or determined position.

2. GENERAL

2.1 The Purchaser and each of the Sellers acknowledge and undertake to each other that:

- 2.1.1 notwithstanding that certain of the arrangements provided for or envisaged by this Part 5 of Schedule 2 (including the reference to the grant or reservation of rights in paragraph 1.3.1) may not be capable of being directly or appropriately applied in jurisdictions other than England and Wales (“Other Jurisdictions”) under the laws, established law practices and procedures of those jurisdictions, the commercial principles underlying the provisions and intentions of this Part 5 of Schedule 2 shall be applied as closely as possible in the Other Jurisdictions to produce as nearly as possible the same commercial results (taking into account any Applicable Law) as would be achieved in England and Wales on the application of those arrangements;
- 2.1.2 to the extent necessary in order to achieve in Other Jurisdictions the commercial results intended by this Schedule, Clause 15.1 will apply; and
- 2.1.3 to the extent required to give effect to these provisions each party agrees to ensure that any relevant local registration, filing or other requirement is complied with as soon as practicable, and in any event within the requisite time period for such registration, filing or other requirement to be submitted, carried out or otherwise completed (as the case may be).

Schedule 3
Excluded Assets

Part 1
GlaxoSmithKline Excluded Assets

- 1 The GlaxoSmithKline Excluded Businesses and the shares in the companies mentioned in the definition of GlaxoSmithKline Excluded Businesses.
- 2 Any shares in, and assets of, Horlicks Limited, a private limited company incorporated in the UK, and its successors and assigns and any person Controlled by Horlicks Limited from time to time, including any rights which relate to the Horlicks product in India, Nepal and/or Bhutan.
- 3 The shares that any member of GlaxoSmithKline's Group holds in Aspen Pharmacare Holdings Limited.
- 4 The manufacturing and production facilities at:
- (i) Buenos Aires, Argentina;
 - (ii) Jacarepagua, Brazil; and
 - (iii) Pulogadung, Indonesia.

Part 2
Novartis Excluded Assets

- 1 The Novartis Excluded Businesses.
- 2 The land and buildings of Novartis's Seller's Group at:
- (i) Plot Number (*Parzelle*) 329, Route de L'Etraz No 6, Switzerland;
 - (ii) Plot Number (*Parzelle*) 330, Chemin du Coutelet No10, Switzerland;
 - (iii) Plot Number (*Parzelle*) 331, Route de L'Etraz No 8, Switzerland;
 - (iv) Plot Number (*Parzelle*) 332, Le Coutelet, Switzerland; and
 - (v) Plot Number (*Parzelle*) 333, Le Coutelet Sur la CroixRoute de L'Etraz No 6, Switzerland.
- 3 Subject to paragraph 11.8 of Schedule 6, the Endo Excluded Contract.

- 4 That part of the Novartis OTC Business conducted by Sandoz SPA (or persons Controlled by Sandoz SPA) in Algeria, except, for the avoidance of doubt, the Algerian Distribution Contracts
- 5 That part of the Novartis OTC Business conducted by Saudi Pharmaceutical Distribution Co. Ltd. (or persons Controlled by Saudi Pharmaceutical Distribution Co. Ltd.) in Saudi Arabia, except, for the avoidance of doubt, the Saudi Distribution Contracts.
- 6 Any assets of Novartis Pharma Logistics Inc. (including Vehicles) physically situated in Costa Rica.

Schedule 4
Product Approvals etc.

Part 1
Terms Relating to the Product Approvals and Product Applications

1. GENERAL PROVISIONS

- 1.1 The Purchaser shall do all things necessary to effect the transfer of each Product Approval and Product Application, including complying with requirements and requests of Governmental Entities with respect to the transfer of each Product Approval and Product Application.
- 1.2 The Marketing Authorisations shall be transferred in accordance with Part 2 of this Schedule 4.

2. PRODUCT APPLICATIONS

- 2.1 The Purchaser shall file or cause to be filed applications for the transfer of each Product Application in each country or territory in which such transfer is required to be submitted as soon as possible after the Closing Date.
- 2.2 Pending the transfer of each Product Application each Seller shall, and shall cause the relevant members of its Group to:
- 2.2.1 upon reasonable request from the Purchaser and at the Purchaser's expense, reasonably cooperate and coordinate with the Purchaser in relation to the transfer of the Product Applications, including by providing the Purchaser with regulatory documentation concerning the Products owned or controlled by that Seller or any of its Affiliates;
 - 2.2.2 perform such acts and services as may be requested by the Purchaser that are reasonably necessary or required by any Governmental Entity to maintain or renew any Product Application or are reasonably necessary for the Purchaser to pursue the regulatory approval for any Product Application, including conducting any studies, including clinical and stability studies, concerning the Products; and
 - 2.2.3 notify the Purchaser as soon as is reasonably practicable of any written communication received by such Seller or any member of its Group with respect to any Product Application and shall consult with the Purchaser with respect to such communication and take into account the Purchaser's views as to the form and content of any communication with any Governmental Entity concerning such Product Application.

3. FEES AND EXPENSES

From and after the Closing Date, the Purchaser shall promptly reimburse the relevant members of each Seller's Group for all maintenance and renewal fees and similar fees paid, and all out of pocket expenses reasonably incurred in connection with the satisfaction of any commitments or obligations by such members of such Seller's Group with respect to each Product Approval and each Product Application.

4. NOTIFICATION

As soon as a Seller or the Purchaser or any of their respective Affiliates receives notification, if any, of impending approval or approval of the transfer of a Product Application from a Governmental Entity, the notified party or the party whose Affiliate was notified shall inform the other parties of the expected date of appointment or transfer and actual date of appointment or transfer of that Product Application.

5. RESPONSIBILITY FOR TRANSFER

Notwithstanding any other provision of this Agreement, no Seller nor any of its Affiliates shall have any Liability to the Purchaser in the event that the transfer of any Product Application alone results in any further obligations, commitments or Liabilities in relation to such Product Application.

Part 2 Marketing Authorisations Transfer Provisions

1. Transfer Of Marketing Authorisations

Marketing Authorisation Transfer and Marketing Authorisation Re-Registration

- 1.1 Subject to paragraphs 1.2 and 1.3, each Seller and the Purchaser hereby agree they will each use, and will procure that their respective Affiliates will use, all reasonable endeavours to ensure that, as soon as reasonably practicable after the Closing Date:
- (i) subject to paragraph 1.1(ii), each Marketing Authorisation shall be transferred in accordance with Applicable Law by the Marketing Authorisation Holder to the Marketing Authorisation Transferee (“**Marketing Authorisation Transfer**”); and
 - (ii) where Applicable Law does not permit Marketing Authorisation Transfer, a new marketing authorisation shall be registered in the name of the Marketing Authorisation Transferee to replace the existing Marketing Authorisation (“**Marketing Authorisation Re-Registration**”) and such Seller shall procure that the relevant Marketing Authorisation Holder takes all necessary steps to withdraw, abandon, cancel or allow to lapse the superseded Marketing Authorisation as soon as practicable after the Marketing Authorisation Re-Registration Date.
- 1.2 The parties agree that the Marketing Authorisations relating to the GlaxoSmithKline Alliance Market Businesses shall be retained by the Marketing Authorisation Holder on Closing, provided that (whether pursuant to the Alliance Market Distribution Agreement or otherwise), in the event that the Purchaser determines that any Alliance Market Territory shall cease to be operated as an Alliance Market Territory by GlaxoSmithKline, GlaxoSmithKline shall procure that the relevant Marketing Authorisation Holder shall transfer the relevant Marketing Authorisations to the Purchaser for nil consideration.

- 1.3 The parties agree that the transfer of any Marketing Authorisation from the Marketing Authorisation Holder to the Marketing Authorisation Transferee in respect of any Delayed Businesses shall not complete until on or after the relevant Delayed Closing Date.
- 1.4 Any Marketing Authorisation Transfer or Marketing Authorisation Re-Registration (as applicable) shall each be effected on a Market-by-Market basis (such that there shall not be any staggered Marketing Authorisation Transfer or Marketing Authorisation Re-Registration (as the case may be) on a Product-by-Product basis in any Market), unless otherwise agreed between the relevant Seller and the Purchaser.
- 1.5 With effect from the Closing Date until the Marketing Authorisation Transfer Date or the Marketing Authorisation Re-Registration Date (as applicable), each Seller shall procure that each Marketing Authorisation Holder shall hold the Marketing Authorisation(s) in its name but for the account, risk and benefit of the relevant Marketing Authorisation Transferee.

Submission of MA Documentation

- 1.6 Without prejudice to paragraph 1.7 below, the Purchaser shall be responsible for preparing and submitting, or for procuring that there is prepared and submitted (in any such case at the Purchaser's cost and expense), all notices, applications, submissions, reports and any other instruments, documents, correspondence or filings necessary to complete Marketing Authorisation Transfer or Marketing Authorisation Re-Registration (as applicable) (the "**MA Documentation**"). The MA Documentation shall be prepared in accordance with Applicable Law as soon as reasonably practicable.
- 1.7 At a Seller's election, the Purchaser shall procure that advanced drafts of the MA Documentation are submitted to that Seller so as to allow that Seller and/or the Marketing Authorisation Holder a reasonable opportunity to provide comments on such MA Documentation before it is submitted to the relevant Governmental Entity. The Purchaser shall incorporate all comments on such drafts as may reasonably be made by that Seller and/or the Marketing Authorisation Holder PROVIDED THAT the Purchaser shall not be obliged to incorporate any comments if the Purchaser considers, acting reasonably that to do so would materially delay Marketing Authorisation Transfer or Marketing Authorisation Re-Registration (as applicable).
- 1.8 Where under Applicable Law the MA Documentation is required to be submitted to the relevant Governmental Entity:
 - (i) by the Marketing Authorisation Holder, the Purchaser shall procure that the finalised MA Documentation is provided to the relevant Seller after such MA Documentation is finalised in accordance with paragraph 1.7 above and that Seller shall, in turn, procure that the Marketing Authorisation Holder submits such MA Documentation to the relevant Governmental Entity (the timing and date of such submission to be agreed with the Purchaser) and that Seller shall

promptly thereafter advise the Purchaser of such submission and provide a copy of the relevant MA Documentation (in the form submitted) to the Purchaser; and

- (ii) by the Marketing Authorisation Transferee, the Purchaser shall procure that the relevant Marketing Authorisation Transferee submits the finalised MA Documentation to the relevant Governmental Entity as soon as reasonably after such MA Documentation is finalised in accordance with paragraph 1.7 above and the Purchaser shall promptly thereafter advise the relevant Seller of such submission and provide a copy of the relevant MA Documentation (in the form submitted) to that Seller.

1.9 From the Closing Date, each Seller shall procure that the relevant Marketing Authorisation Holder shall, as soon as reasonably practicable, sign any notices, applications, submissions, reports and other instruments, documents, correspondence or filings presented to it by the Purchaser or the relevant Marketing Authorisation Transferee that are necessary to effect Marketing Authorisation Transfer or Marketing Authorisation Re-Registration (as applicable). The Marketing Authorisation Holder shall:

- (i) provide notice of its consent to a Marketing Authorisation Transfer or Marketing Authorisation Re-Registration if required by any Governmental Entity; and
- (ii) provide to the Purchaser or the relevant Marketing Authorisation Transferee any information or other data or technical or other information in its possession that relates to the relevant Marketing Authorisation and that is required by a relevant Governmental Entity or otherwise reasonably required by the Purchaser or the relevant Marketing Authorisation Transferee to assist the Purchaser or the relevant Marketing Authorisation Transferee to effect the relevant Marketing Authorisation Transfer or Marketing Authorisation Re-Registration; and
- (iii) in the event of any request for information or any query from any relevant Governmental Entity in respect of Marketing Authorisation Transfer or the Marketing Authorisation Re-Registration (as applicable), the relevant party receiving such request or query shall provide copies of any such request or query to that Seller or, as the case may be, to the Purchaser. The Purchaser shall be responsible for preparing, or shall be responsible for procuring that there is prepared, (at the Purchaser's cost and expense) any response to such a request or query with the intention that such request or query shall be dealt with as promptly and efficiently as possible. In advance of finalising any such response, the Purchaser shall procure that the relevant response is submitted to that Seller so as to allow that Seller and/or the relevant Marketing Authorisation Holder a reasonable opportunity to provide comments on such response before it is submitted to the Governmental Entity. The Purchaser shall procure that relevant Marketing Authorisation Transferee (i) shall submit the response to the relevant Governmental Entity as soon as reasonably practicable after the same has been finalised in accordance with this paragraph 1.9(C) and (ii) shall provide a copy of the relevant response (in the form submitted) to such Seller.

2. OBLIGATIONS PENDING MARKETING AUTHORISATION TRANSFER OR MARKETING AUTHORISATION RE-REGISTRATION

2.1 Unless otherwise required by Applicable Law or a relevant Governmental Entity (or unless otherwise agreed in writing by a Seller and the Purchaser), from the Closing Date until the applicable Marketing Authorisation Transfer Date or Marketing Authorisation Re-Registration Date:

- (i) each Seller shall:
 - (A) maintain in force (or procure that there is maintained in force) each Marketing Authorisation, and shall not voluntarily amend, cancel or surrender any Marketing Authorisation unless requested to do so in writing by the Purchaser or required to do so by any Applicable Law or any Governmental Entity;
 - (B) with the Purchaser's consent (not to be unreasonably withheld or delayed) progress (or procure that there is progressed) any registrations, variations or renewals to Marketing Authorisations initiated by such Seller (or any other member of such Seller's Group) prior to the Closing Date or withdraw them upon the request of the Purchaser;
 - (C) procure that each Marketing Authorisation Holder shall comply with the terms of any Marketing Authorisation and shall notify the Purchaser as soon as reasonably practicable of the details of any variations or renewals initiated following the Closing Date;
 - (D) inform the Purchaser of any impending renewals of Marketing Authorisations as at the Closing Date and the parties shall discuss in good faith to what extent any such renewal will be pursued or withdrawn (it being agreed that the Purchaser shall have the final decision in any such matter);
 - (E) not without the consent of the Purchaser, initiate any additional variations or amendments to the Marketing Authorisations, except to the extent required by any Governmental Entity or where failure to do so would breach Applicable Law; and
 - (F) consider in good faith any request by the Purchaser to apply for a new marketing authorisation in respect of a Product PROVIDED THAT if such Seller agrees to submit such application, any costs or expenses incurred by such Seller in making such application shall be for the Purchaser's account and shall constitute MA Costs;
- (ii) without prejudice to the generality of the foregoing paragraph 2.1(i)(c), the Purchaser acknowledges and agrees that each Marketing Authorisation Holder shall be entitled to do (or to procure that there is done) any or all of the following (and the Purchaser acknowledges that, where the relevant Marketing Authorisation Holder so chooses and unless otherwise agreed, responsibility for

each of the following activities shall rest with the relevant Marketing Authorisation Holder):

- (A) pharmacovigilance activities related to the Marketing Authorisations, which activities shall be conducted in accordance with the Applicable Law, the Pharmacovigilance Agreement, and the standards, policies and procedures of the relevant Seller's Group from time to time in force; and
 - (B) conducting any and all communications with a Governmental Entity in respect of a Marketing Authorisation (including, without limitation to the generality of the foregoing, attending any meetings with relevant Governmental Entities and filing and submitting all reports and other documents which it reasonably considers necessary to be submitted in order to comply with Applicable Law or its obligations under this Agreement), PROVIDED THAT responsibility for (a) the costs of preparation of any such documents, reports and/or filings shall be borne by the Purchaser (or the relevant Marketing Authorisation Transferee) to the extent such costs are reasonably necessary, and (b) the submission of MA Documentation shall be the responsibility of the Purchaser in accordance with paragraph 1.6 above, PROVIDED THAT the Seller shall ensure that the Purchaser is kept fully and promptly informed of any such communications or submissions in advance, to the extent reasonably practicable;
- (iii) each Seller shall procure that each Marketing Authorisation Holder shall act in accordance with the reasonable instructions of the Purchaser or the Marketing Authorisation Transferee in respect of each Marketing Authorisation in respect of which such Marketing Authorisation Holder is the holder, PROVIDED THAT no Marketing Authorisation Holder shall be obliged to comply with such instructions to the extent the same: (i) infringe the terms of the relevant Marketing Authorisation(s); or (ii) are otherwise inconsistent with the provisions of the Pharmacovigilance Agreement relating to that Seller;
 - (iv) the Purchaser shall only request artwork changes to the extent such changes are required in order to comply with Applicable Law;
 - (v) the Purchaser shall submit to the relevant Seller (or shall procure that there is submitted) written details (in such form and with such supporting materials as such Seller may reasonably request) of any new, amended or proposed advertising and promotional activity or training materials in respect of any Product Commercialised pursuant to any Marketing Authorisation (including (without limitation) any material reasonably requested by such Seller in order to validate new and/or amended promotional or training materials), and the Purchaser acknowledges and agrees that no such advertising, promotional or training activity shall be implemented, undertaken or otherwise commenced without the prior written consent of that Seller (for itself and on behalf of the relevant Marketing Authorisation Holder), such consent not to be unreasonably withheld. The Purchaser further agrees and acknowledges that, if it so

chooses, the Seller shall be entitled to assume responsibility for obtaining (or procuring that there is obtained) the consent(s) and approval(s) of any relevant Governmental Entity required for such new, amended or proposed advertising and promotional activity or training activity; and

- (vi) to the extent permitted by the terms of the relevant Marketing Authorisation, the Purchaser or any other member of the Purchaser's Group shall Commercialise the Product(s) which are the subject of such Marketing Authorisation (notwithstanding that such Marketing Authorisation is held in the name of the relevant Marketing Authorisation Holder and, for the avoidance of doubt, the proceeds of any such Commercialisation shall be for the benefit of the Purchaser's Group) and the Purchaser shall:
 - (A) indemnify each member of the Seller's Group against any and all actions, claims, demands, investigations, judgments, proceedings, liabilities, loss, damages, payments, costs and expenses arising in relation to the Commercialisation of the Product(s) by the Purchaser or any other member of the Purchaser's Group under this paragraph 2.1(vi); and
 - (B) procure that such Product(s) are Commercialised in compliance with the terms of the relevant Marketing Authorisation and/or the requirements of the relevant Governmental Entity.

3. NEW AND PENDING MARKETING AUTHORISATIONS IN RESPECT OF THE PRODUCTS

3.1 If, at any time prior to Closing, any member of any Seller's Group is granted or otherwise comes to hold any marketing authorisation which relates exclusively to one or more Products (a "**New Marketing Authorisation**") then:

- (i) that Seller undertakes to the Purchaser to notify the Purchaser as soon as reasonably practicable following the date on which the relevant member of that Seller's Group is granted, or becomes entitled to, the New Marketing Authorisation; and
- (ii) the provisions of paragraphs 1 and 2 above shall apply to that new Marketing Authorisation.

3.2 Where a member of a Seller's Group has submitted to any Governmental Entity any application relating to the grant of a new marketing authorisation in respect of its Contributed Business which is pending or in process as at the date of this Agreement (a "**Pending Marketing Authorisation**"):

- (i) that Seller shall continue to be responsible for preparation and submission of all documents required to register such Pending Marketing Authorisation but, following Closing, it shall do so at the Purchaser's cost and shall pass responsibility for such Pending Marketing Authorisation to the Purchaser (or

such member of the Purchaser's Group as the Purchaser may nominate) as soon reasonably possible after Closing, subject to Applicable Law; and

- (ii) from the Closing Date, the provisions of paragraph 1 shall apply *mutatis mutandis* to any registration process for any Pending Marketing Approval.

4. MA COSTS

From the Closing Date, the Purchaser shall be responsible for all necessary costs of preparation and submission of MA Documentation and, save as expressly provided in this Agreement, any other necessary costs incurred by any Seller or a member of such Seller's Group in connection with the maintenance and any variations, amendments and renewals of the Marketing Authorisations relating to the Products or for any matter requested by the Purchaser pursuant to this Part 2 of Schedule 4 and for all fees and costs reasonably incurred by the relevant member of the Seller's Group in complying with its obligations in respect of a Marketing Authorisation Transfer or Marketing Authorisation Re-Registration ("MA Costs").

5. OBLIGATIONS FOLLOWING MARKETING AUTHORISATION TRANSFER OR MARKETING AUTHORISATION RE-REGISTRATION

5.1 On and from the relevant Marketing Authorisation Transfer Date or Marketing Authorisation Re-Registration Date (as applicable), the Purchaser shall procure that each Marketing Authorisation Transferee shall assume and be solely responsible for:

- (i) all obligations as the holder of such Marketing Authorisation including (subject to the terms of the Pharmacovigilance Agreement) pharmacovigilance activities related to such Marketing Authorisation;
- (ii) all activities and actions required by Applicable Law in connection with such Marketing Authorisation; and
- (iii) any and all outstanding commitments and obligations to the relevant Governmental Entities with respect to the relevant Marketing Authorisation, save for any such commitments or obligations arising from a breach of this Agreement by the relevant Seller.

5.2 In the event that, following Marketing Authorisation Transfer or Marketing Authorisation Re-Registration in respect of any Product, any Seller wishes to apply for a Marketing Authorisation in respect of a retained product, the Purchaser shall (and shall procure that the relevant Marketing Authorisation Transferee shall) co-operate with and provide all reasonable assistance to that Seller (or the relevant member of the Seller's Group) at that Seller's costs as may be reasonably required for the purposes of applying for such New Marketing Authorisation, including (without limitation) providing that Seller (or the relevant member of the Seller's Group) and/or any Governmental Entity with such access to Marketing Authorisation Data or such other data or technical or other information as is reasonably requested by the relevant Governmental Entity or is otherwise reasonably required by that Seller or the relevant member of that Seller's Group.

Part 3
Tenders

- 1.1 From the Closing Date until the Marketing Authorisation Transfer Date in any Market, each Seller shall, and shall procure that each member of the Seller's Group and the relevant Marketing Authorisation Holder shall, to the extent permitted by Applicable Law:
- 1.1.1 inform the Purchaser in writing of any Call for New Tender as soon as reasonably practicable following receipt;
 - 1.1.2 co-operate with and provide reasonable assistance to the Purchaser (or the relevant member of the Purchaser's Group) for the purposes of responding to the Call for New Tender or otherwise applying for a new tender; and
 - 1.1.3 where Applicable Law requires such responses or applications to be made by the Marketing Authorisation Holder, the relevant Seller shall procure that the Marketing Authorisation Holder submits such responses or applications on behalf of the Purchaser PROVIDED THAT the Purchaser shall indemnify the relevant Seller and/or the relevant Marketing Authorisation Holder (as the case may be) for any and all costs, expenses and liabilities suffered or reasonably incurred by the relevant Seller and/or the Marketing Authorisation Holder in complying with or as a result of the provisions of this paragraph.

**Schedule 5
Certificate**

To: GlaxoSmithKline Consumer Healthcare Holdings Limited (the “**Purchaser**”)

[Date]

Certificate

This Certificate is issued in accordance with Clause 4.4.1(iii)(b) and paragraph 1.1.4 of Schedule 11 of the contribution agreement between GlaxoSmithKline Plc, Novartis AG and the Purchaser dated 22 April 2014 as amended and restated on 29 May 2014, and further amended and restated on [●] 2015 (the “**Agreement**”). Unless otherwise defined, capitalised words used in this Certificate shall have the meanings given to them in the Agreement.

We confirm that:

1. no Material Adverse Effect has occurred in relation to us between the date of the Agreement and the date of this Certificate;
2. having made due and careful enquiry, we are not aware of any breach or breaches of Clause 9.1 which alone or together give rise to a Material Adverse Effect having occurred in relation to us; and

[either]

3. having made due and careful enquiry, we are not aware of any breach or breaches of the Seller’s Warranties that would have occurred and that would, alone or together, have given rise to a Material Adverse Effect in relation to us had the Seller’s Warranties been repeated immediately before Closing by reference to the facts, circumstances and knowledge then existing as if references in the Seller’s Warranties to the date of this Agreement were references to the Closing Date.

[or]

3. having made due and careful enquiry, we are aware of the following material breaches of the Seller’s Warranties that would, alone or together, be material and have occurred had the Seller’s Warranties been repeated immediately before Closing by reference to the facts, circumstances and knowledge then existing as if references in the Seller’s Warranties to the date of this Agreement were references to the Closing Date.

[description of material breaches.]

Director

For an on behalf of [Novartis AG][GlaxoSmithKline Plc]

Schedule 6
Shared Business Contracts, Transferred Contracts and Certain Other Businesses

1. DELAYED TRANSFER OF CERTAIN TRANSFERRED CONTRACTS AND SHARED BUSINESS CONTRACTS

1.1 Subject to paragraph 4.6, the transfer of any Transferred Contract, Transferred Intellectual Property Contract or Shared Business Contract relating to a Delayed Business (“**Delayed Business Contracts**”) shall not be transferred to the relevant member of the Purchaser’s Group until the relevant Delayed Closing Date and references in this Schedule 6 to “Closing”, “Closing Date” or “Effective Time” shall be deemed to be to “Delayed Closing Date” insofar as they relate to such Delayed Business Contracts, except paragraphs 2, 3.1 and 4.1.

2. DISCLOSURE

From Closing, the Purchaser shall have the right to full disclosure of all Transferred Contracts and Full Disclosure of the Relevant Part of the Shared Business Contracts and each Seller shall use reasonable efforts to facilitate such disclosure as soon as reasonably practicable.

3. SEPARATION OF SHARED BUSINESS CONTRACTS

3.1 Prior to Closing, each Seller and the Purchaser shall discuss and agree in good faith a process to identify all material Shared Business Contracts.

3.2 Each Seller shall use its reasonable efforts to maintain relationships under its Shared Business Contracts and continue to operate the Shared Business Contracts, including without limitation fulfilling all its obligations under its Shared Business Contracts (excluding the Relevant Parts), in the same manner as it has for the 12 months prior to the date of this Agreement.

3.3 The Purchaser may, by notice to the relevant Seller:

3.3.1 in the case of Novartis, at any time prior to the later of:

- (i) the date falling 90 days after the Closing Date or, if the Seller has not provided Full Disclosure of a Shared Business Contract on or prior to Closing, the date falling 90 days after the date on which Full Disclosure of the relevant Shared Business Contract is made; and
- (ii) the Marketing Authorisation Transfer Date in respect of the relevant Product in the relevant territory; and

3.3.2 in the case of GlaxoSmithKline, at any time prior to the Marketing Authorisation Transfer Date in respect of the relevant Product in the relevant territory, (the “**Relevant Election Date**”),

elect to take the rights and obligations of the Relevant Part of any Shared Business Contract. For the purposes of paragraph 3.3.1(ii) only, if a Shared Business Contract is in relation to more than one Product and/or territory, the first Marketing Authorisation Transfer Date in respect of a Product covered by that Shared Business Contract shall be the relevant date.

- 3.4 If the Purchaser makes an election under paragraph 3.3 above, the relevant Seller and the Purchaser shall use all reasonable endeavours to procure that an arrangement is entered into with the relevant counterparty to each Shared Business Contract, the effect of which shall be that, with effect from whichever is the later of the Marketing Authorisation Transfer Date and the date of the relevant arrangement, the benefit and burden of the Relevant Part is severed from such Shared Business Contract and an agreement or arrangement equivalent to such Shared Business Contract is entered into between the relevant counterparty and a member of the Purchaser's Group (or the Relevant Part of the Shared Business Contract is sub-licensed to such Purchaser) (a "**Separation**"). For the avoidance of doubt, no part of any such Shared Business Contract shall be severed and transferred to the Purchaser in so far as it relates to the Seller's Retained Business, any product other than the products to the extent included in the relevant Seller's Contributed Business (including the Products) or any Excluded Asset.
- 3.5 If no election is made by the Purchaser under paragraph 3.3 above by the Relevant Election Date, the provisions of sub-paragraphs 5.2.1 and 5.2.2 of this Schedule shall apply in respect of the Relevant Part of such Shared Business Contract until the earlier of 9 months from the Relevant Election Date and the date on which the Purchaser notifies the relevant Seller that an alternative arrangement has been put in place; and in the case of any Shared Business Contract that is a development contract or which otherwise relates to any Ongoing Clinical Trials, the end of the period specified in the Transitional Services Agreement which in any event shall be no less than 9 months from Closing.
- 3.6 For the avoidance of doubt (i) paragraphs 3.3, 3.4 and 3.5 shall not apply in respect of any Shared Business Contract which terminates before the Relevant Election Date and (ii) paragraph 4.6 shall not apply in respect of Shared Business Contracts.
- 3.7 In addition, in relation to a Separation of a Shared Business Contract the Relevant Part of which contains any material non-compete provisions that, without obtaining a Third Party Consent, are reasonably likely to be breached on Closing as a result of the Target Groups both being transferred to the Purchaser's Group, the parties shall each use their reasonable endeavours to procure that any arrangement entered into with the relevant counterparty in respect of such Separation does not contain such material non-compete provisions or, if it does, that such material non-compete provisions are waived by the relevant counterparty.

4. OBLIGATION TO OBTAIN THIRD PARTY CONSENTS

- 4.1 In relation to any:

- 4.1.1 Transferred Contract or Transferred Intellectual Property Contract (excluding, for the purposes of this Schedule 6, any Product Approval or Product Application) or Co-Owned Target Group Intellectual Property Right which is not assignable without a Third Party Consent, or a Separation of a Shared Business Contract which is not separable without a Third Party Consent; or
- 4.1.2 Transferred Contract or Transferred Intellectual Property Contract (excluding, for the purposes of this Schedule 6 any Product Approval or Product Application) which contains any material non-compete or change of control provisions that, without obtaining a Third Party Consent, are reasonably likely to be breached or triggered (as relevant) on Closing as a result of the Target Groups both being transferred or the relevant Target Group being transferred (as relevant) to the Purchaser (and/or any member of the Purchaser's Group)

this Agreement shall not be construed as an assignment or an attempted assignment, a sub-licensing or an attempted sub-licensing, and the relevant Seller and the Purchaser shall each use reasonable endeavours both before and after Closing to obtain all necessary Third Party Consents as soon as possible and shall keep each other informed of progress in obtaining such Third Party Consents. The relevant Seller shall deliver to the Purchaser, on Closing or, if later, as soon as possible after receipt, any Third Party Consent.

- 4.2 In addition, in relation to any Contract (excluding, for the purposes of this Schedule 6, any Product Approval or Product Application) which is transferred to the Purchaser's Group as part of the Target Group Companies and which contains any non-compete or change of control provisions that, without obtaining a Third Party Consent, are reasonably likely to be breached or triggered (as relevant) on Closing as a result of the Target Groups both being transferred or the relevant Target Group being transferred (as relevant) to the Purchaser (and/or any other member of the Purchaser's Group), the parties shall each use reasonable endeavours both before and after Closing to obtain all such necessary Third Party Consents as soon as possible and shall keep each other informed of progress in obtaining such Third Party Consents. Each Seller shall deliver to the Purchaser, on Closing or, if later, as soon as possible after receipt, any such Third Party Consent.
- 4.3 In connection with the obtaining of any Third Party Consent referred to in paragraph 4.1 and 2.2, the Purchaser shall supply to the relevant Seller such information as may be reasonably requested by the relevant Seller or any relevant third party.
- 4.4 Save as otherwise provided in this Agreement, the cost of any fee demanded by the third party as consideration for giving the Third Party Consent shall be paid by the Purchaser provided that:
 - 4.4.1 the cost is agreed in advance by the Purchaser (such agreement not to be unreasonably withheld or delayed); and

4.4.2 no party shall be required to bear any internal or administrative costs of the other parties in relation to any Third Party Consent.

4.5 The parties agree that the provisions of any document entered into in connection with a Third Party Consent (including by way of novation) shall be without prejudice to the provisions of Clauses 8.1, 8.2 and 12 of this Agreement.

4.6 Without prejudice to the obligation in paragraph 4.1 for each Seller and the Purchaser to use their respective reasonable endeavours to obtain Third Party Consents as soon as possible, the transfer to the Purchaser (or any member of the Purchaser's Group or its third party nominee) of any Transferred Contract shall not occur on Closing or, if later, the date on which the relevant Third Party Consent is obtained (a "**Delayed Contract**"), in the following circumstances:

4.6.1 if the relevant member of a Seller's Group and the relevant member of the Purchaser's Group agree in writing in respect of a specific Market that the Delayed Contract shall transfer at a later agreed date (a "**Delayed Contract Transfer Date**") in which case such Delayed Contract shall transfer on the Delayed Contract Transfer Date (provided that GlaxoSmithKline and the Purchaser shall use reasonable efforts to agree the earliest Delayed Contract Transfer Date as is reasonably practicable);

4.6.2 if a Delayed Contract Transfer Date has not been agreed under sub-paragraph 4.6.1 and such Delayed Contract is required to facilitate the provision of services by the Seller's Group under the Transitional Distribution Services Agreement in any Market (a "**Distribution Contract**"), such Delayed Contract shall transfer in accordance with paragraph 4.7.

The parties agree that the provisions of this paragraph 4.6 shall not apply where a Contract is required under Applicable Law to transfer at a date earlier than the dates set out in sub-paragraphs 4.6.1, 4.6.2 and 4.7.

4.7 The parties agree that no Distribution Contracts shall transfer to the Purchaser (or a member of the Purchaser's Group) before the date falling 90 days after the Closing Date (the "**Moratorium Date**") (unless such Distribution Contract relates to distribution services provided in the USA). Following the Moratorium Date (or after the Closing Date if the Distribution Contract relates to distribution services in the USA), the Distribution Contracts shall transfer to the Purchaser (or a member of the Purchaser's Group) as soon as possible after any relevant Third Party Consent is obtained unless either party notifies the other by the date which is 15 Business Days prior to the Moratorium Date that it believes (acting reasonably) that the transfer of the relevant Distribution Contract prior to the Planned Distribution Transfer Date will result in one or more Identified Risks, in which case, the relevant Distribution Contract shall not transfer to the Purchaser (or a member of the Purchaser's Group) until the relevant Distribution Transfer Date unless any and all of the Identified Risks have been resolved to the reasonable satisfaction of the party that may be adversely affected by the relevant Identified Risks before such date.

4.8 From the Effective Time until the transfer of any Delayed Contract is effected in accordance with sub-paragraphs 4.6 or 4.7, the provisions of paragraph 5 of this Schedule shall apply to such Delayed Contracts. Nothing in this sub-paragraph 4.8 shall preclude the Purchaser or any member of the Purchaser's Group from informing the counterparty to any Delayed Contract of the transfer of the Business to it or from engaging with such counterparty with respect to any matter relating to such Delayed Contract.

5. OBLIGATIONS UNTIL THIRD PARTY CONSENTS ARE OBTAINED/WHERE THIRD PARTY CONSENTS ARE REFUSED

5.1 Subject to paragraph 5.2, and the relevant Seller's obligations under the Transitional Distribution Services Agreement, the Purchaser shall (or shall procure that the relevant member of the Purchaser's Group shall) assume, carry out, perform and discharge the relevant Seller's and the relevant Business Sellers' obligations arising under the Transferred Contracts, the Transferred Intellectual Property Contracts, the Co-Owned Target Group Intellectual Property Rights, and the Relevant Part of the Shared Business Contracts as from the Effective Time but only to the extent such obligations do not constitute Excluded Liabilities.

5.2 In respect of any Transferred Contract, Transferred Intellectual Property Contract, the Co-Owned Target Group Intellectual Property Rights or Relevant Part of any Shared Business Contract from the Effective Time until the relevant Third Party Consent has been obtained as contemplated by paragraph 4.1 or where the Third Party Consent has been refused:

5.2.1 the relevant Business Seller shall hold on trust to the extent it is lawfully able to do so or, where it is not lawfully able to do so or where holding on trust is not possible under local law, or otherwise impracticable the relevant Business Seller and the relevant member of the Purchaser's Group shall make such other arrangements between themselves to provide to the relevant member of the Purchaser's Group, the benefits of the Contract (other than amounts corresponding to any Tax payable by the relevant Business Seller in respect of amounts due under or in respect of the Transferred Contract or Transferred Intellectual Property Contract Co-Owned Target Group Intellectual Property Rights, or Relevant Part of the Shared Business Contract), including the enforcement at the cost and for the account of the relevant member of the Purchaser's Group of all rights of the relevant Business Seller against any other party thereto; and

5.2.2 to the extent that the Purchaser (or the relevant member of the Purchaser's Group) is lawfully able to do so and subject to the relevant Seller's obligations under the Transitional Distribution Services Agreement, the Purchaser shall (or shall procure that the relevant member of the Purchaser's Group shall) perform the relevant member of the Seller's Group's obligations under the Contract (but only to the extent such obligations do not constitute Excluded Liabilities) as agent or sub-contractor and shall indemnify the relevant Seller and the relevant member

of the Seller's Group if the Purchaser or the relevant member of the Purchaser's Group fails to do so;

- 5.2.3 to the extent that the Purchaser (or a member of the Purchaser's Group) is not lawfully able to perform such obligations, the relevant Seller shall procure that the relevant Business Seller shall (subject to being indemnified by the Purchaser for any Liabilities the relevant Seller or the relevant Business Seller may incur in connection therewith) do all such things as the Purchaser (or the relevant member of the Purchaser's Group) may direct or reasonably require to enable due performance of the Contract;
- 5.2.4 the Seller shall (or shall procure that the relevant Business Seller) shall act in accordance with any reasonable directions provided to it by the Purchaser (or the relevant member of the Purchaser's Group) in relation to the management of any Transferred Contract or Relevant Part of any Shared Business Contract (excluding, for the avoidance of doubt, any part of any Shared Business Contract which relates exclusively to the Seller Group's Excluded Business), and the Purchaser shall indemnify the relevant Business Seller in respect of any Losses that Business Seller may incur in connection therewith, provided that should a Seller (or a relevant member of that Seller's Group) believe (acting reasonably) that compliance with any instruction or direction given by the Purchaser (or a member of the Purchaser's Group) pursuant to this sub-paragraph 5.2.3 will result in a breach of Applicable Law (including a breach of the terms of the relevant Contract): (i) that Seller (or relevant member of its Group), shall inform the Purchaser (or the member of the Purchaser's Group) which gave the instruction and shall not be required to implement such instruction or direction; and (ii) the parties shall discuss the concerns of the relevant member of the Seller's Group in good faith, to determine whether an agreement can be reached such that the relevant instruction or direction can be implemented by the Seller (or the relevant Business Seller);
- 5.2.5 without prejudice to the provisions of paragraph 5.2.2, the relevant Seller shall provide (or procure that the relevant member of that Seller's Group shall provide) the Purchaser (or the relevant member of the Purchaser's Group) with such information and assistance as the Purchaser (or the relevant member of the Purchaser's Group) may reasonably require with respect to any Transferred Contract, Transferred Intellectual Property Contract, Co-Owned Transferred Product Intellectual Property Right, and the Relevant Part of the Shared Business Contract which is subject to the provisions of this paragraph 5; and
- 5.2.6 in respect of any Contract for the sale of any Product or Products, the amount of any profit arising from sales pursuant to any such Contract shall be calculated and remitted to the Purchaser in accordance with the relevant provisions of the Transitional Distribution Services Agreement.

6. FAILURE TO OBTAIN THIRD PARTY CONSENTS

- 6.1 If a Third Party Consent is refused or otherwise not obtained on terms reasonably acceptable to the Purchaser within 18 months of Closing, or in the case of a Separation, 18 months of the earliest Marketing Authorisation Transfer Date applicable to such Shared Business Contract:
- 6.1.1 the relevant Seller shall be entitled to procure the termination of the Transferred Contract, Transferred Intellectual Property Contract or Relevant Part of the Shared Business Contract or Co-Owned Transfer Product Intellectual Property Right and the obligations of the parties under this Agreement in relation to such Transferred Contract, Transferred Intellectual Property Contract, or the Relevant Part of the Shared Business Contract or Co-Owned Transferred Product Intellectual Property Right shall cease forthwith;
 - 6.1.2 references in this Agreement to the Transferred Contracts, Transferred Intellectual Property Contracts or Relevant Part of the Shared Business Contracts or Co-Owned Transferred Product Intellectual Property Right (other than in this paragraph 6) shall be construed as excluding such Transferred Contract, Transferred Intellectual Property Contract or the Relevant Part of such Shared Business Contract or Co-Owned Transferred Product Intellectual Property Right; and
 - 6.1.3 the relevant Seller and the Purchaser shall each use all reasonable efforts to put in place alternative arrangements so as to give the Purchaser equivalent benefits or rights as would have been enjoyed under the terminated Transferred Contract, Transferred Intellectual Property Contract, Co-Owned Target Group Intellectual Property Rights, or Relevant Part of the Shared Business Contract.

For the purposes of this Schedule, the following terms shall have the following meanings:

“**Separation Plan**” has the meaning given to it under the Transitional Distribution Services Agreement;

“**Identified Risk**” means a specifically identified adverse operational, legal or tax impact affecting either a Seller’s Group or the Purchaser’s Group (including an impact on the ability of the relevant Seller’s Group to perform its obligations under the Transitional Distribution Services Agreement) which would arise or which would increase (by more than a de minimis amount) solely by reason of the relevant Distribution Contract transferring to the Purchaser (or the relevant member of the Purchaser’s Group) on a date prior to the Planned Distribution Transfer Date; and

“**Planned Distribution Transfer Date**” means the Distribution Transfer Date for the applicable Market as set out in the Separation Plan.

7. CHINESE JOINT VENTURE

- 7.1 The parties acknowledge and agree that the Chinese JV Interests and the Chinese JV Contracts cannot be transferred to the Purchaser without the consent of Tianjin Pharmaceutical Holdings Co. Ltd and Tianjin Zhong Xin Pharmaceutical Group Corporation Limited (the “**Tianjin Consents**”) and that therefore this Agreement shall not be construed as a transfer or attempted transfer of the Chinese JV Interests or the Chinese JV Contracts without such consent.
- 7.2 All parties shall use reasonable endeavours both before and after Closing to obtain the Tianjin Consents as soon as possible and shall keep each other informed of progress in relation to the same. GlaxoSmithKline shall deliver to the Purchaser, on Closing or, if later, as soon as possible after receipt, the Tianjin Consents.
- 7.3 In connection with the obtaining of the Tianjin Consents, each of the parties shall supply to the other parties and any relevant third party such information as may be reasonably requested by such other parties or any relevant third party.
- 7.4 In the event that the Tianjin Consents have not been obtained by Closing, from Closing until the Tianjin Consents have been obtained, the Chinese JV Interests and Chinese JV Contracts shall be deemed to be a “Delayed Business” and the provisions of Schedule 22 (*Delayed Businesses*) shall apply.

8. NOVARTIS US NRT BUSINESS

- 8.1 The parties acknowledge and agree that the Novartis US NRT Business is a Novartis Excluded Asset and therefore shall not be transferred to the Purchaser at Closing or otherwise, except as agreed between the parties in writing.
- 8.2 Promptly following the date of this Agreement, Novartis shall commence the process in relation to the sale (which may include an out-licensing) of the Novartis US NRT Business to a third party unconnected to the parties and shall use reasonable endeavours to effect such sale (or out-licensing as relevant) prior to Closing.
- 8.3 The parties agree that the following provisions shall apply in respect of the sale (or out-licensing as relevant) process referred to above in relation to the Novartis US NRT Business (subject to Applicable Law):
- 8.3.1 Novartis shall inform the Purchaser of, and consult with the Purchaser in relation to, all material steps to be taken in respect of such sale and shall take reasonable account of any views of the Purchaser so expressed in connection with the same;
 - 8.3.2 prior to the first circulation of any material draft sale (or out-licensing as relevant) documentation in respect of such sale (or out-licensing as relevant), Novartis shall provide the Purchaser with a reasonable opportunity to review and comment on such documentation and shall take reasonable account of any views of the Purchaser so expressed in connection with the same;

- 8.3.3 with effect from Closing, and only if Closing occurs, all of the proceeds of any such sale shall (or out-licensing as relevant), unless such proceeds are received by a Novartis OTC Group Company, be paid to the Purchaser to such account as it may direct promptly following receipt of the same by Novartis (or any of its Affiliates); and
- 8.3.4 the Purchaser shall indemnify Novartis for any reasonable costs and expenses incurred in connection with such sale process (or out-licensing process, as relevant), excluding, for the avoidance of doubt, any costs and expenses arising out of, or in connection with the exercising of rights and/or obligations under any definitive documentation in respect of such sale (or out-licensing as relevant) (and the parties shall work together to seek to avoid any potential double taxation of the proceeds).

9. GLAXOSMITHKLINE PAKISTAN AND BANGLADESH

- 9.1 The parties acknowledge and agree that neither the GlaxoSmithKline Pakistan Business nor the GlaxoSmithKline Bangladesh Business can be transferred to the Purchaser without the requisite consent of the shareholders in GlaxoSmithKline Pakistan and GlaxoSmithKline Bangladesh respectively pursuant to and in accordance with Applicable Law (the “**GlaxoSmithKline Listed Company Consents**”) and that therefore this Agreement shall not be constructed as a transfer or attempted transfer of any such business without the applicable GlaxoSmithKline Listed Company Consent. To the extent that the relevant member of GlaxoSmithKline’s Group is not able to vote its shares in favour of the transfer of the GlaxoSmithKline Pakistan Business or the GlaxoSmithKline Bangladesh Business (as confirmed by GlaxoSmithKline’s legal advisers) or (if required) any approval of any Court or regulatory body is not granted, paragraph 8.3 below will apply.
- 9.2 GlaxoSmithKline agrees to use its reasonable endeavours to obtain the GlaxoSmithKline Listed Company Consents prior to Closing, and as soon as reasonably practicable following the date of this Agreement. Without prejudice to the generality of the foregoing, GlaxoSmithKline shall, promptly following the date of this Agreement:
 - 9.2.1 commence the process in relation to the obtaining of the GlaxoSmithKline Listed Company Consents; and
 - 9.2.2 give the Purchaser a reasonable opportunity to take part in the process of, and to review and comment on any material documentation in relation to (with GlaxoSmithKline to take reasonable account of any such comments), the obtaining of the GlaxoSmithKline Listed Company Consents.
- 9.3 In the event that any GlaxoSmithKline Listed Company Consent is not obtained prior to Closing, such that the GlaxoSmithKline Pakistan Business or the GlaxoSmithKline Bangladesh Business (as the case may be) cannot be transferred to the Purchaser upon Closing in accordance with the provisions of this Agreement:
 - 9.3.1 for a maximum of two years, the parties shall use reasonable endeavours to obtain the applicable GlaxoSmithKline Listed Company Consent and to

procure that the GlaxoSmithKline Pakistan Business and the GlaxoSmithKline Bangladesh Business (as the case may be) is transferred to the Purchaser as soon as reasonably practicable after Closing; and

- 9.3.2 from Closing until such transfer (if any) takes place, each of the GlaxoSmithKline Pakistan Business and the GlaxoSmithKline Bangladesh Business (as the case may be) shall be deemed to be a “Non-Controlled Delayed Business” and the provisions of Schedule 22 (*Delayed Businesses*) shall apply.

10. GEBRO PHARMA JOINT VENTURE

- 10.1 If, at Closing, (i) the relevant shares in Novartis Consumer Health-Gebro GmbH are not held by a Novartis OTC Group Company and (ii) consent or approval from Gebro Pharma GmbH to the transfer of shares in Novartis Consumer Health-Gebro GmbH has not been obtained, then this Agreement shall not be construed as a transfer or attempted transfer of the relevant shares in Novartis Consumer Health-Gebro GmbH without such consent and such shares shall be deemed to be a “Delayed Business” and the provisions of Schedule 22 (*Delayed Businesses*) shall apply.

11. NOVARTIS US RX PRODUCTS

- 11.1 The parties acknowledge and agree that they will effect Closing with respect to the Novartis US RX Products in a manner that ensures that the Purchaser, its Affiliates, and their respective businesses shall not be subject to or bound by the terms of the [***] and that there is no breach of the [***] as a result of the transfer of Novartis US RX Products at Closing.
- 11.2 To give effect to paragraph 11.1 above, the parties have agreed that the business of commercialising the Novartis US RX Products in the United States of America, its states, commonwealths, and territories (the “**Novartis US RX Territory**”) (the “**Novartis US RX Business**”) will not be transferred to the Purchaser at Closing, but will be dealt with in accordance with the following provisions of this paragraph 11. To the extent, and for so long as, any assets with respect to the Novartis US RX Products have not been transferred to the Purchaser in accordance with this paragraph 11, such assets shall be deemed to constitute Novartis Excluded Assets.
- 11.3 Novartis will procure that:
- 11.3.1 subject to paragraph 11.3.2 below, at Closing, the Novartis US RX Business will be transferred to Sandoz; and
- 11.3.2 at Closing, the Novartis US RX Contracts will be assigned to Sandoz,
- provided that, in each case, Novartis will give the Purchaser reasonable opportunity to comment in advance on the intended terms of such transfer and of any documentation in connection with such transfer and will (acting reasonably) take any such comments into consideration.

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

11.4 The parties agree that the transfer of the Novartis US RX Business and the assignment of the Novartis US RX Contracts are properly treated as occurring immediately after Closing for US income tax purposes only and will, so far as permitted by Applicable Law, treat, and cause their Affiliates to treat, such transfers in the manner described in section 1.1502-76(b) (1)(ii)(B) of the US Treasury Regulations and shall not take an inconsistent position for US income tax purposes unless otherwise required by Applicable Law.

11.5 Subject to paragraph 11.14 below, Novartis will procure that, from Closing until the date of a Novartis US RX Transfer pursuant to paragraph 11.6 below:

11.5.1 Novartis Pharma AG (or another member of Novartis's Group) shall use all reasonable endeavours to supply or procure the supply of Voltaren to Sandoz (or another member Novartis's Group) in order to enable Sandoz to fulfil its obligations under the Endo Excluded Contract;

11.5.2 Sandoz shall use reasonable endeavours to conduct the Novartis US RX Business (or relevant part thereof) in the ordinary course, and to the extent reasonably practicable, in all material respects as carried on by the Novartis Group immediately prior to the date of this Agreement unless otherwise agreed by the Purchaser, including (without limitation) the conduct of distribution, commercial and promotional activities and the management of the commercial relationships with Baxter and Endo on behalf of the Purchaser under the terms of the Novartis US RX Contracts;

11.5.3 Sandoz shall not terminate or materially amend the terms of the Novartis US RX Contracts without the prior written consent of the Purchaser; and

11.5.4 in the event that Baxter or Endo terminate the relevant Novartis US RX Contracts (other than a termination by Endo to which paragraph 11.12 below relates), Sandoz or another member of Novartis's Group shall use reasonable endeavours to put in place arrangements with an alternative third party customer on materially the same terms as those provided under the Novartis US RX Contracts,

(the "**Novartis US RX Management**").

11.6 Subject to paragraph 11.7 below, Novartis will procure that the Novartis US RX Business (or relevant part thereof) shall be transferred by Sandoz to either (i) Novartis Consumer Health Inc. or (ii) if Novartis and the Purchaser so agree, to the Purchaser or to another member of the Purchaser's Group (a "**Novartis US RX Transfer**"), by no later than one month after the earliest of the following occurs:

11.6.1 upon a switch of either Novartis US RX Product in the Novartis US RX Territory from being a Prescription Product to being a Consumer Healthcare Product;

11.6.2 31 December 2017, being the expiry date of the [***];

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11.6.3 any earlier date on which the Purchaser requests Novartis and Sandoz to effect a Novartis US RX Transfer; or

11.6.4 upon Novartis ceasing to own a direct or indirect interest in Novartis Consumer Health Inc., each such date being the “**Novartis US RX Transfer Date**”.

11.7 In the event that the Purchaser becomes aware that the term of the [***] may be extended or renewed beyond 31 December 2017, the Purchaser shall:

11.7.1 inform Novartis and Sandoz as soon as reasonably practicable of such proposed extension or renewal;

11.7.2 consult (acting reasonably and in good faith) with Novartis and Sandoz to determine whether, and on what basis, the Novartis US RX Business may be capable of transfer to (i) Novartis Consumer Health Inc. or (ii) if Novartis and the Purchaser so agree, to the Purchaser or another member of the Purchaser’s Group, without the transfer and the subsequent operation of the Novartis US RX Business resulting in the Purchaser or any of its Affiliates or their respective businesses being subject to or bound by the terms of [***], and without such transfer and operation resulting in a breach of the [***], such consultation being with a view to agreeing a proposal for such transfer and operation;

11.7.3 if a proposal for transfer is identified under paragraph 11.7.2 above, consult and negotiate with the [***] to determine whether the proposal can be implemented without the transfer and operation of the Novartis US RX Business in accordance with the proposal resulting in the Purchaser or any of its Affiliates or their respective businesses being subject to or bound by the terms of the [***] or resulting in any breach of the [***];

11.7.4 if such a proposal is agreed with the [***] under paragraph 11.7.3 above, implement such a proposal as soon as is reasonably practicable; and

11.7.5 if no proposal is agreed under paragraph 11.7.2 above, or if it appears that the proposal does not satisfy the [***] as set out in paragraph 11.7.3 above, negotiate (acting reasonably and in good faith) with Novartis and Sandoz to seek to agree whether or not, and on what basis, Sandoz will agree to carrying on the Novartis US RX Management for the period of the extended or renewed [***].

11.8 Subject to paragraphs 11.9 and 11.10 below, the parties agree that upon a Novartis US RX Transfer:

11.8.1 Novartis (and each other member of Novartis’s Group) shall cease to have any obligations under the other provisions of this paragraph 10 in respect of the Novartis US RX Business (or the part thereof that is the subject of the Novartis US RX Transfer) and the Novartis US RX Business (or that

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part) will cease to form part of the Novartis Excluded Assets and shall be deemed to be a part of the Novartis OTC Business; and

11.8.2 any documents or arrangements entered into by the Purchaser and Sandoz relating to the Novartis US RX Management will terminate with immediate effect.

11.9 The parties shall use reasonable endeavours to agree by no later than the Novartis US RX Transfer Date, a written plan for the transition of the Novartis US RX Business (or relevant part thereof) to the Purchaser's Group, which shall include (without limitation):

11.9.1 a plan for the transition of distribution, sales and marketing and promotional detailing activities to the Purchaser (or the relevant member of the Purchaser's Group) (including the transfer of the Novartis US RX Contracts);

11.9.2 the steps to be taken to transfer any distribution, supply or licensing arrangements required to operate the Novartis US RX Business from third party counterparties or the relevant members of Novartis's Group (including Pharma AG) to the relevant member of the Purchaser's Group

11.9.3 the steps to be taken in respect of any regulatory applications or filings required to effect the Novartis US RX Transfer;

11.9.4 the transfer of manufacturing stocks and inventory held by the members of Novartis's Group in connection with the Novartis US RX Business;

11.9.5 the transfer of commercial information relating to the Novartis US RX Business; and

11.9.6 the allocation of appropriate levels of resources to support such transition,

(the "**Novartis US RX Transition Plan**").

11.10 Upon a Novartis US RX Transfer, Novartis shall, and shall procure that Sandoz shall, and the Purchaser shall, use reasonable endeavours to effect the timely and effective transition of the Novartis US RX Business, including the assignment back of the Novartis US RX Contracts, to the Purchaser (or the relevant member of the Purchaser's Group) in accordance with the Novartis US RX Transition Plan subject to any necessary consents or agreement from any third party. The Purchaser shall indemnify Novartis (for itself and on behalf of each other member of Novartis's Group) in respect of any Liabilities arising connection with the Novartis US RX Transition Plan.

11.11 With effect from the Effective Time, until the date of any Novartis US RX Transfer or Novartis US RX Product Disposal, the provisions of Part 3 of Schedule 22 (Economic Benefit Transfer) shall apply mutatis mutandis in respect of the Novartis US RX Business as if the Novartis US RX Business were a Delayed Target Group Business.

- 11.12 If, following a switch of Novartis's In-Scope Switch Product in the Novartis US RX Territory from being a Prescription Product to being a Consumer Healthcare Product, the Endo Excluded Contract terminates, the Purchaser shall indemnify Novartis in respect of any Liabilities incurred by Novartis (or any of its Affiliates) in relation to the royalties payable under clause 9.2 of the Endo Excluded Contract as it is as at the date of this Agreement.
- 11.13 The Purchaser hereby undertakes to Novartis (for itself and on behalf of each other member of Novartis's Group) that:
- 11.13.1 the Purchaser will indemnify on demand and hold harmless each member of Novartis's Group and their respective directors, officers, employees and agents in respect of any and all Liabilities relating directly or indirectly to the Novartis US RX Management or a Novartis US RX Transfer, excluding any Liabilities that would otherwise have constituted Excluded Liabilities had the Novartis US RX Business been a Novartis OTC Business and transferred to the Purchaser on Closing and not been Novartis Excluded Assets; and
 - 11.13.2 no member of Novartis's Group shall have any liability whatsoever to any member of the Purchaser's Group and the Purchaser will not and will procure that no member of the Purchaser's Group will bring a claim against any member of Novartis's Group for breach of paragraph 11.5,
- in each case, other than to the extent such Liabilities arises as a result of the Gross Negligence (as defined in paragraph 2.16 of Schedule 22) of a member of Novartis's Group or their respective directors, officers, employees and agents.
- 11.14 Until the date of a Novartis US RX Transfer of the relevant part of the Novartis US RX Business, Novartis and its Affiliates shall be entitled to dispose of or out-licence, all or part of the Novartis US RX Business and/or the Novartis US RX Products at any time prior to or after Closing (a "**Novartis US RX Product Disposal**") provided that:
- 11.14.1 Novartis shall provide the Purchaser with reasonable notice of the intention to undertake a Novartis US RX Product Disposal and shall consult with the Purchaser and shall (acting reasonably and in good faith) take into account any views of the Purchaser prior to engaging with third parties in relation to such Novartis US RX Product Disposal;
 - 11.14.2 Novartis shall inform the Purchaser of, and consult with the Purchaser in relation to, all material steps to be taken in respect of such disposal or out-licensing and shall (acting reasonably and in good faith) take reasonable account of any views of the Purchaser so expressed in connection with the same;
 - 11.14.3 the disposal or out-licensing is on a reasonable arms' length basis as between a willing purchaser or licensee (as applicable) and a willing seller or licensor (as applicable);

- 11.14.4 prior to the first circulation of any material draft disposal documentation in respect of such disposal (or out-licensing as relevant), Novartis shall provide the Purchaser with a reasonable opportunity to review and comment on such documentation and shall (acting reasonably and in good faith) take reasonable account of any views of the Purchaser so expressed in connection with the same;
- 11.14.5 the Purchaser shall perform (or procure the performance of) all acts and things, and execute and deliver (or procure the execution and delivery of) all documents, that may be necessary or reasonably required by Novartis to give effect to such a disposal, including, but not limited to, the transfer by the Purchaser to Sandoz or the third party Purchaser of the Novartis US RX NDAs or any Intellectual Property Rights relating to the Novartis US RX Products;
- 11.14.6 Novartis shall procure that any proceeds of any such disposal or out-licensing are, unless such proceeds are received by a Target Group Company, paid to the Purchaser to such account as it may direct promptly following receipt of the same by Novartis or any of its Affiliates; and
- 11.14.7 the Purchaser shall indemnify Novartis (for itself and as trustee for each other member of its Group) for any reasonable costs and expenses incurred in connection with such disposal process (or out-licensing process, as relevant), excluding, for the avoidance of doubt, any costs and expenses arising out of, or in connection with the exercising of rights and/or obligations under any definitive documentation in respect of such disposal (or out-licensing, as relevant),

in each case subject to Applicable Law.

- 11.15 Upon a disposal or out-licensing under paragraph 11.14 above, Novartis (and each other member of Novartis's Group) shall cease to have any obligations under the other provisions of this paragraph 11 in respect of the Novartis US RX Business and/or the Novartis US RX Products (or, in each case, the part thereof) disposed of or out-licensed.
- 11.16 The parties acknowledge and agree that in exercising its rights under this paragraph 11, the Purchaser will be acting on behalf of Novartis Consumer Health Inc..

12. NOVARTIS ALGERIA BUSINESS

The parties acknowledge and agree that that part of the Novartis OTC Business conducted by Sandoz SPA (or persons Controlled by Sandoz SPA) in Algeria is an Excluded Asset and therefore shall not be transferred to the Purchaser at Closing or otherwise.

13. NOVARTIS CHINA BUSINESS

The parties acknowledge and agree that that part of the Novartis OTC Business conducted by Beijing Novartis Pharma Co., Ltd., Shanghai Novartis Trading Ltd., and Sandoz (China) Pharmaceutical Co., Ltd (or persons Controlled by them) in China shall be transferred to the Sino-American Tianjin Smith Kline & French Laboratories, Ltd, rather than the Purchaser. For the purposes of the Warranties deemed repeated by each Seller immediately before Closing pursuant to clause 9.1.5, ownership of the Novartis OTC Business conducted by Beijing Novartis Pharma Co., Ltd., Shanghai Novartis Trading Ltd., and Sandoz (China) Pharmaceutical Co., Ltd (or persons Controlled by them) in China shall be deemed to have transferred to the Purchaser rather than Tianjin Smith Kline & French Laboratories, Ltd.

14. NOVARTIS SAUDI ARABIA BUSINESS

The parties acknowledge and agree that that part of the Novartis OTC Business conducted by Saudi Pharmaceutical Distribution Co. Ltd. (or persons Controlled by Saudi Pharmaceutical Distribution Co. Ltd.) in Saudi Arabia is an Excluded Asset and therefore shall not be transferred to the Purchaser at Closing or otherwise.

Schedule 7
Employees

1. INFORMATION AND CONSULTATION

1.1 At such time as the parties agree to be appropriate following the public announcement of the matters contemplated by this Agreement, each Seller and the Purchaser or the relevant member of the Purchaser's Group shall jointly communicate to the Employees an agreed notice which shall (other than to the extent the parties agree otherwise):

1.1.1 inform the Employees that following Closing those Employees who continue to be employed in the Contributed Business would be employed by the Purchaser or relevant member of the Purchaser's Group; and

1.1.2 comply with the requirements of any applicable national law.

For the avoidance of doubt, the parties may agree to issue such notice to different Employees or categories of Employees at different times and in different forms.

1.2 Notwithstanding the operation of paragraph 1.1 above, each Seller and the Purchaser agree to comply with any more onerous notice requirements imposed by local laws.

1.3 Each Seller agrees that it shall be permitted to conduct its own information and consultation exercise in respect of the matters contemplated by this Agreement with its own Employees without interference from the other Seller. Each Seller agrees to co-operate with the other Seller in respect of that other Seller's information and consultation process to ensure as far as practicable that the communications of a Seller with the Employees of that Seller are aligned with the communications of the other Seller with the Employees of that other Seller.

1.4 The Purchaser (on its own behalf and on behalf of any relevant member of the Purchaser's Group) shall provide each Seller (for itself and any relevant member of such Seller's Group) with such information and assistance at such times as such Seller may reasonably request or as may be reasonably necessary for such Seller or any other member of such Seller's Group to comply with any formal or informal requirement to inform or consult with the Employees, a relevant trade union, a relevant works council, or any other employee representatives in connection with the matters contemplated by this Agreement (which formal or informal requirements the Seller hereby undertakes to comply or procure compliance with). Where reasonably necessary to ensure compliance with any formal or informal requirements or obligations to inform or consult with Employees, a relevant trade union, a relevant works council or any other employee representatives in connection with the matters contemplated by this Agreement, each Seller (for itself and for each member of its Group) and the Purchaser (for itself and for each member of its Group) agree that the Purchaser or relevant member of the Purchaser's Group shall cooperate with and participate in any information, negotiation and/or consultation process as reasonably required by that relevant Seller.

1.5 As soon as practicable following the date of this Agreement each Seller agrees to provide on a timely basis such information, in writing, in respect of its existing terms and conditions of employment as may reasonably be required by the other Seller so as to facilitate that other Seller's information and consultation exercise with its Employees in respect of the matters set out in this Agreement.

2. TARGET BUSINESS EMPLOYEES

2.1 General

- 2.1.1 The Purchaser shall (or shall procure that the relevant member of its Group shall) fulfil all its duties and obligations under Applicable Law in relation to the Target Business Employees. Where the provisions of local law do not provide for an automatic transfer of the employment of the Target Business Employees to the Purchaser or a relevant member of its Group with effect from (and including) the Closing Date, then paragraph 2.2 below shall apply. Where the provisions of local law do provide for an automatic transfer of employment of the Relevant Target Business Employees to the Purchaser or the relevant member of its Group with effect from (and including) the Closing Date, then paragraph 2.3 below shall apply.
- 2.1.2 Each Seller and the Purchaser acknowledge and agree that, in relation to Deferred Employees of a member of that Seller's Group:
- (i) any Deferred Employee shall be treated for all purposes under this Agreement as if such Deferred Employee were a Target Business Employee or a Target Company Employee (as appropriate);
 - (ii) the Purchaser's obligations under this Schedule 7 shall apply in respect of each Deferred Employee in the same way as they do to each Target Business Employee or Target Company Employee (as appropriate); and
 - (iii) if any Deferred Employee accepts an offer of employment made by the Purchaser under paragraph 2.2.1 below or becomes an employee of a Target Group Company after the Closing Date, such Deferred Employee shall further be treated for all purposes under this Agreement as a Transferred Employee.
- 2.1.3 For the avoidance of doubt, this paragraph 2 shall not apply to any Excluded Employee, who will remain employed by a Seller or the relevant member of that Seller's Group.
- 2.1.4 The parties agree that no provisions in this paragraph 2 shall require the Purchaser or another member of the Purchaser's Group (including any Target Group Company) to employ a Relevant Employee on and from the Closing Date until such time as such employee has the right (including, for the avoidance of doubt, under any grace period) or is otherwise permitted under Applicable Law to accept an offer to work for the Purchaser or relevant member of the Purchaser's Group and to commence working for

the Purchaser or relevant member of the Purchaser's Group. Any such employee will only be a "Transferred Employee" for the purposes of this Agreement from the time (the "**Transfer Date**") he becomes an employee of a member of the Purchaser's Group, and any provisions relating to Transferred Employees in this Agreement shall only apply to any such employee with effect on and from the Transfer Date and with the following amendments:

- (i) references to the "Closing Date" and the "Effective Time" in paragraphs 4.1, 4.3.1, 4.3.2 and 4.4 shall be replaced with references to the "Transfer Date";
- (ii) references to an "Employee" in paragraphs 4.2.1, 4.2.2 and 4.3.5 shall be extended to refer to such Transferred Employee, and to the extent required in respect of such Transferred Employee references to the "Closing Date" and the "Effective Time" shall be replaced with references to the "Transfer Date";
- (iii) the reference to "basic salary" in paragraph 5.1.1 shall mean the basic salary that applied to such Transferred Employee immediately prior to the Transfer Date;
- (iv) references to the "Closing Date" and the "Effective Time" in paragraph 6.2 shall be replaced with references to the "Transfer Date";
- (v) for the purposes of paragraphs 10.1 and 10.8, references to "Closing" and the "Closing Date" shall be construed as references to the "Transfer Date"; and
- (iv) such other amendments as the parties may agree, each acting in good faith.

2.2 **Where no Automatic Transfer of Employment**

- 2.2.1 In such timescale as each Seller and the Purchaser may agree, in order to comply with any Applicable Law, but in any event at least 15 days prior to the Closing Date, unless agreed otherwise by each Seller and the Purchaser (such agreement not to be unreasonably withheld by any such party), the Purchaser or relevant member of its Group shall make an offer to each Target Business Employee employed by that Seller or a member of its Group to employ him or her under a new contract of employment to commence with effect from (and including) the Closing Date provided that such employee continues to be a Target Business Employee until the Closing Date. Save as otherwise agreed with that Seller (such agreement not to be unreasonably withheld), the offer to be made will be on the same terms and conditions (including as to period of continuous employment) as were provided to that Target Business Employee immediately prior to the Closing Date. The Purchaser shall keep each Seller updated throughout the offer process on when offers are made and accepted or rejected.
- 2.2.2 If the Target Business Employee wishes to accept the offer of employment from the Purchaser or the relevant member of its Group, then the Seller who employs (whether directly or indirectly) that person shall (or shall

procure that the relevant member of its Group shall), insofar as it is permitted by Applicable Law, waive the requirement on the Target Business Employee concerned to give any period of notice of termination of his or her employment under the terms of his or her employment so as to allow the Target Business Employee to commence employment with the Purchaser or relevant member of its Group with effect from (and including) the Closing Date.

- 2.2.3 If, in relation to any Relevant Employee, the day prior to the Closing Date occurs on a day which is not a Relevant Working Day in the jurisdiction in which that Employee is employed, the parties may agree (such agreement not to be unreasonably withheld by any party), that such Relevant Employees (the “**Working Day Relevant Employees**”) shall remain employees of the relevant Seller or a member of that Seller’s Group until the first Relevant Working Day on or after the Closing Date (the “**Working Day Employee Termination Date**”). If so agreed, the parties agree that the transfer of employment of the Working Day Relevant Employees to the Purchaser or one of its Affiliates shall take effect on and from the day following the Working Day Employee Termination Date which applies to the relevant Working Day Relevant Employee. The Purchaser acknowledges that it will be responsible for the total amount actually paid by the relevant Seller or its Affiliate for compensation and benefits, including any withholding taxes and payroll taxes paid by that Seller’s Group, to or in respect of the Working Day Relevant Employees in relation to their ordinary course of employment for the period on and from the Effective Time to (and including) the Working Day Employee Termination Date which applies to the relevant Working Day Relevant Employee. For the purposes of any Brazil Employee (as defined in paragraph 11.4 below), references to the “Closing Date” shall be replaced with references to the “Brazil Transfer Date”.

2.3 **Where Automatic Transfer of Employment**

If the Transfer Regulations do not or are found not to or are alleged not to apply to any person who is a Relevant Target Business Employee, and to whom paragraph 2.2 does not apply, the Purchaser agrees that following Closing:

- 2.3.1 in consultation with the Seller who employs (whether directly or indirectly) that person, the Purchaser or relevant member of the Purchaser’s Group shall within ten Business Days of being so requested by that Seller (as long as the request is made no later than three months after Closing) (or if the Purchaser so chooses) make such Relevant Target Business Employee an offer in writing to employ him or her under a new contract of employment subject to, and to take effect upon, a date agreed between that Seller, the Purchaser and such employee; and
- 2.3.2 save as otherwise agreed with that Seller (such agreement not to be unreasonably withheld) the offer to be made will be on the same terms and conditions (including as to period of continuous employment) as were

provided to that Relevant Target Business Employee immediately prior to the Closing Date.

3. WRONG-POCKET ARRANGEMENTS FOR PERSONS OTHER THAN RELEVANT EMPLOYEES

3.1 If the contract of employment of any person other than a Relevant Employee is found or alleged to have effect upon Closing as if originally made with the Purchaser or another member of its Group (including any Target Group Company) as a consequence of this Agreement, or if any Target Group Company employs any person who does not work wholly or substantially in the relevant Contributed Business, or if any Target Group Company employs or becomes liable to employ on or after the Closing Date any person other than a Relevant Employee as a consequence of such person exercising a right of objection against the transfer of his employment relationship away from that Target Group Company or otherwise exercising a right to be re-hired by that Target Group Company (including without limitation in either such case pursuant to Section 631a para. 6 German Civil Code (BGB) and provided in either such case that the right arose in connection with Closing or matters arising prior to Closing), the Seller whose Group had previously employed (whether directly or indirectly) such person agrees that following Closing:

3.1.1 in consultation with the Purchaser, that Seller or relevant member of its Group may within ten Business Days of being so requested by the Purchaser (as long as the request is made no later than three months after Closing or, in the case of an objection or a right to be re-hired referred to above, no later than 3 months after that person exercises a right of objection or a right to be re-hired) (or if that Seller so chooses), make to that person an offer in writing to employ him or her under a new contract of employment subject to, and to take effect upon, the termination referred to below; and

3.1.2 the offer to be made will be on the same terms and conditions (including as to period of continuous employment) as were provided to that person immediately prior to the Closing Date.

3.2 After the expiry of the ten Business Days referred to at paragraph 3.1 above, and provided that the relevant member of the Purchaser's Group takes such steps as are legally possible to terminate the employment of the person concerned as soon as reasonably practicable after becoming aware of the finding, allegation, objection or re-hire referred to at paragraph 3.1 above (either by giving notice or transferring the person by agreement to be concluded between the relevant member of the Purchaser's Group, the person concerned and the relevant member of that Seller's Group), that Seller shall be responsible for and shall indemnify and keep indemnified the Purchaser (for itself and as trustee for any relevant member of its Group) against all Losses from time to time made, suffered or incurred by the Purchaser (or any other member of its Group) as a result of:

3.2.1 the actual or alleged transfer to (or continued employment with or right to be employed by) a member of the Purchaser's Group and (regardless of

- 3.2.2 whether there has been such a transfer) any employment liabilities relating to such person; employing such person on and from the Closing Date until such termination (up to the time reasonably expected to have achieved such termination in accordance with the terms of the contract of employment and Applicable Law but subject to a maximum period of six months unless prevented by the terms of the contract of employment or Applicable Law); and
- 3.2.3 such termination.
- 3.3 Each Seller and the Purchaser agree to co-operate in good faith to minimise the Losses which are subject to the indemnity referred to in paragraph 3.2 above.

4. EMPLOYMENT LIABILITIES

- 4.1 All wages, salaries, employer's liabilities in respect of associated Taxes and other periodic outgoings in respect of the Transferred Employees which relate to a period:
 - 4.1.1 on and after the Effective Time shall be borne or discharged by the Purchaser or relevant member of the Purchaser's Group; and
 - 4.1.2 before the Effective Time shall be borne or discharged by the Seller or relevant member of its Group to which they relate.
- 4.2 Subject to paragraph 4.1, each Seller shall (for itself and for each member of its Group) indemnify and keep indemnified the Purchaser (for itself and as trustee for each other member of its Group) against all Losses (ignoring any amount in respect of Employee Benefits, as to which see Schedule 8) in respect of:
 - 4.2.1 the employment of any Employee at any time prior to the Effective Time (excluding any Transferred Employee Benefit Liabilities (as defined in Schedule 8) of that Seller which the Purchaser agrees to assume in accordance with Schedule 8);
 - 4.2.2 any termination of the employment of any Employees prior to the Effective Time and any termination of the employment of any Employees on and after the Effective Time but prior to the Closing Date which are not otherwise covered by paragraph 4.3.2, including, but not limited to, all claims relating to severance, termination pay, pay in lieu of notice of termination and similar obligations (excluding any liability arising directly as a result of any breach of the commitments set out in paragraph 5 or 6 below by the Purchaser or a member of the Purchaser's Group and any act or omission by the Purchaser or any member of the Purchaser's Group in relation to any Employee before the Closing Date as a result of which that Employee treats his employment as having been terminated prior to the Closing Date);

- 4.2.3 any amount which becomes payable to any Employee or benefit to which any Employee becomes entitled by reason of this Agreement or the matters it contemplates, including any change of control or other payment or benefit (and including any enhancement of severance terms on a subsequent termination of employment but excluding any Losses relating to any share-based incentive schemes, as to which see paragraph 10 below);
- 4.2.4 any failure by such Seller or any other member of such Seller's Group to comply with any obligation to inform or consult with employee representatives in connection with the matters contemplated by this Agreement (other than as a result of any failure set out in paragraph 4.3.3 below); and
- 4.2.5 any breach by such Seller or any other member of such Seller's Group of paragraph 4.1.2 above or paragraph 4.4, 4.5 or 9 below.

Where this paragraph 4.2 refers to an 'Employee' this is a reference to an Employee employed prior to the Closing Date by the Seller giving the indemnity (or a member of that Seller's Group) and not to an Employee of the other Seller's Group prior to the Closing Date.

4.3 The Purchaser shall (for itself and for each member of the Purchaser's Group) indemnify and keep indemnified each Seller (for itself and as trustee for each other member of such Seller's Group) against all Losses (ignoring any amount in respect of Employee Benefits, as to which see Schedule 8) in respect of:

- 4.3.1 the employment of any of the Transferred Employees on and after the Effective Time (including, without limitation, any changes to terms and conditions of employment by the Purchaser or any other member of the Purchaser's Group);
- 4.3.2 any termination of the employment of any Transferred Employees on and after the Effective Time and any termination of the employment of any Employees by a member of the Seller's Group on and after the Effective Time but prior to the Closing Date who would, but for such termination of employment by a member of the Seller's Group, have been Transferred Employees (save in each case where such termination is in order to facilitate the transfer of any Relevant Employee pursuant to paragraph 2 of this Schedule 7 or is otherwise in connection with any rejection or objection to such transfer in circumstances where paragraph 4.3.5 does not apply) including, but not limited to, all claims relating to severance, termination pay, pay in lieu of notice of termination and similar obligations except as contemplated under paragraph 3.2 above;
- 4.3.3 any failure by the Purchaser or any other member of the Purchaser's Group to provide information and reasonable assistance to such Seller to enable such Seller or any other member of such Seller's Group to comply with any obligation to inform or consult with employee representatives in connection with the matters contemplated by this Agreement;

- 4.3.4 any breach by the Purchaser or any other member of the Purchaser's Group of paragraph 4.1.1 above or paragraphs 4.4 or 4.5 below; and
- 4.3.5 any act or omission by the Purchaser or any member of the Purchaser's Group in relation to any Employee before the Closing Date as a result of which that Employee treats his employment as having been terminated prior to the Closing Date.

4.4 Any amount payable to or in respect of any Transferred Employee on or after the Closing Date (including without limitation amounts paid under paragraph 4.5 below) which (ignoring vesting conditions and any amount payable in respect of Employee Benefits or otherwise in accordance with Schedule 8) is referable to the period prior to the Effective Time is payable by the Seller to whom such Transferred Employee relates (for itself or on behalf of the relevant Business Seller or relevant Share Seller). Responsibility for amounts payable which are only partly referable to the period prior to the Effective Time (again ignoring vesting conditions) is to be shared between the relevant Seller (for itself or on behalf of the relevant Business Seller or relevant Share Seller) and the Purchaser (for itself or on behalf of the relevant member of the Purchaser's Group) such that that Seller bears S per cent. of the cost and the Purchaser bears P per cent., where S is the percentage of the period by reference to which the amount was earned which fell before the Effective Time and P is the percentage of that period which falls on and after the Effective Time. Save for the payments described in paragraph 4.5 below, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, pay such amounts when due to the relevant Transferred Employees on or after the Closing Date and shall deduct and/or pay and account for any Tax payable or accountable for by the employer in respect of such amounts. Each Seller covenants to reimburse the Purchaser in respect of any such amount (or S per cent. of it where relevant), including any Tax due payable or accountable for by the employer in respect of such amount, within 30 days of receiving notification that it has been paid, to the extent such amounts are not reflected in the Closing Statement. Each Seller will provide the Purchaser with all information and documentation reasonably necessary to allow such payments to be made.

4.5 Following the Closing Date:

- 4.5.1 each Seller shall, or shall procure that a member of that Seller's Group shall, pay a pro-rated cash bonus for the current bonus year as at the Effective Time and any unpaid cash bonus for the bonus year which ended before the Effective Time to each Transferred Employee formerly employed by that Seller's Group and who participated in such annual cash bonus plan within 90 days following the Closing Date. For the avoidance of doubt, this paragraph 4.5.1 shall apply whether or not a member of that Seller's Group provides post-Closing payroll services to a Target Group Company; and
- 4.5.2 where the Seller to whom such Transferred Employee relates is able to determine performance, any such bonus payment made to such eligible employees will be based on that Seller's determination of performance to

- the Effective Time and (where applicable) pro-rated to the Effective Time; or
- 4.5.3 where that Seller is unable to determine performance (either business or individual), for example, because the Effective Time occurs near the start of the bonus year, that Seller shall calculate any such bonus payment based on a deemed achievement of performance conditions at target level pro-rated to the Effective Time; and
 - 4.5.4 as soon as reasonably practicable after the Closing Date, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, provide such information as that Seller requires in order for that Seller to calculate the Tax payable or accountable for by the employer in respect of such bonus payments; and
 - 4.5.5 if and to the extent permitted by Applicable Law, the Seller to whom such Transferred Employee relates shall, or shall procure that such other member of that Seller's Group shall, deduct and/or account for any Tax payable or accountable for by the employer in respect of such bonus payments; or
 - 4.5.6 if and to the extent paragraph 4.5.5 above is not permitted by Applicable Law, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, pay and/or account for any Tax payable or accountable for by the employer in respect of such bonus payments and the Seller to whom such Transferred Employee relates shall reimburse the Purchaser in respect of such amounts so paid and/or accounted for; and
 - 4.5.7 where any amount in respect of payments made by the Seller to whom such Transferred Employee relates or any other member of that Seller's Group pursuant to this paragraph 4.5 is reflected in the Closing Statement of that Seller, the Purchaser shall reimburse that Seller in respect of the amount so reflected. For the avoidance of doubt, no reimbursement by the Purchaser shall be due in respect of any such payment to the extent it is not reflected in that Closing Statement.
- 4.6 If any loan made by a member of a Seller's Group to a Transferred Employee who relates to that Seller (an "**Employee Loan**") remains outstanding at the Closing Date, then the parties shall co-operate in good faith to procure an outcome such that:
- 4.6.1 the Employee Loan shall be discharged in full within a reasonable period after the Closing Date and the relevant member of the relevant Seller's Group shall receive all outstanding amounts of principal and interest under the Employee Loan (either from the relevant Transferring Employee or from a member of the Purchaser's Group); and
 - 4.6.2 a loan in the same amount and on the same terms as to interest and repayment as the outstanding portion of the Employee Loan shall be made available by the Purchaser to the relevant Transferred Employee.

5. PROTECTION OF TERMS AND CONDITIONS AND TERMINATION RIGHTS POST-CLOSING

- 5.1 Without prejudice to paragraph 5.4 below, the Purchaser shall procure that for a period of 24 months following the Closing Date:
- 5.1.1 each Transferred Employee will (for so long as such Transferred Employee continues in the same role with any member of the Purchaser's Group save that the Purchaser shall not seek to demote any Transferred Employee to avoid the application of this provision) continue to receive at least the same basic salary;
 - 5.1.2 each Transferred Employee will continue to receive contractual benefits (but excluding Employee Benefits and any share-based incentive schemes or other long-term incentive plans) which the Purchaser reasonably considers to be substantially comparable, taken as a whole, to the contractual benefits (but excluding Employee Benefits and any share-based incentive schemes or other long-term incentive plans) of such Transferred Employee immediately prior to the Closing Date; and
 - 5.1.3 no Transferred Employee will suffer a change to his overall employment terms (whether contractual or otherwise) and including, without limitation, any related to length of service (but excluding Employee Benefits and any share-based incentive schemes or other long-term incentive plans) which, when taken as a whole viewed in the round (including to the extent relevant alongside any other changes being made at the same time to that Transferred Employee's employment terms), would in the Purchaser's reasonable opinion acting in good faith be regarded as materially detrimental.
- 5.2 The Purchaser confirms that, following the Closing Date and for so long as the Transferred Employees continue in the employment of any member of the Purchaser's Group, the Transferred Employees will be eligible to participate in those share-based incentive schemes or other long-term incentive plans that are operated by the Purchaser or relevant members of the Purchaser's Group from time to time for employees of equivalent status, subject always to the rules of such share-based incentive schemes or long-term incentive plans and any qualifying conditions.
- 5.3 Each Seller shall provide or shall cause to be provided to any member of the Purchaser's Group such information reasonably requested in writing by any member of the Purchaser's Group to enable the Purchaser to comply with its obligations in paragraph 5.1 above.
- 5.4 If the employment of any Transferred Employee is terminated by reason of redundancy within 24 months following the Closing Date, the Purchaser shall procure that there shall be provided to such Transferred Employee benefits which are equivalent to those provided under such redundancy and severance policies and benefits (whether contractual or otherwise and giving due credit to the Transferred Employees for any additional service or earnings from the Closing Date onwards) (but excluding Employee

Benefits other than the Agreed UK Restructuring Arrangement) as were applicable in respect of the particular Transferred Employee immediately prior to the Closing Date, to the extent that such policies and benefits are notified in writing to the Purchaser prior to the Closing Date. If, at any time during the 24 month period immediately following the Closing Date, the Purchaser places any Transferred Employee into a redundancy selection process, the Purchaser undertakes that, in determining such selection, it will or will procure that the relevant member of the Purchaser's Group will take no account of the costs of dismissal of any person within the relevant selection pool (including such Transferred Employee). For the avoidance of doubt, redundancy payments of the type described in this paragraph 5.4 (whether paid within 24 months of Closing or later) are not intended to be covered by the apportionment mechanism at paragraph 4.4 above.

5.5 For the avoidance of doubt, the provisions of this paragraph 5 are without prejudice to the operation of any rule of law in relation to the terms and conditions of employment of the Transferred Employees.

6. BENEFITS ARRANGEMENTS/SERVICE CONTINUITY

6.1 Each Transferred Employee shall have their service with the Seller's Group and their respective predecessors recognised under any employee benefit plans or arrangements of the Purchaser's Group for all purposes of eligibility, vesting and accrual of benefits to the extent past service was recognised for such Transferred Employee under a comparable plan or arrangement immediately prior to the Closing Date. Notwithstanding the foregoing, nothing in this paragraph 6.1 shall be construed to require recognition of service for the purposes of calculation of Employee Benefits or that would result in:

- 6.1.1 any additional liability being assumed by the Purchaser's Group in respect of Employee Benefits other than subject to and in accordance with the provisions of Schedule 8;
- 6.1.2 duplication of benefit;
- 6.1.3 recognition of service for any purposes under any plan or arrangement for which participation, service and/or benefits accrual is frozen or any post-retirement medical plan; or
- 6.1.4 recognition of service under a newly established plan or arrangement for which prior service is not taken into account for employees of the Purchaser's Group generally.

6.2 Without limiting the foregoing, with respect to the Transferred Employees, the Purchaser shall, or shall cause such other member of the Purchaser's Group to, be responsible for all paid time off benefits, including vacation pay, sick pay, banked leave, flexitime and other payments for time off of normal work hours accrued by the Transferred Employees up to the Closing Date provided that if the value of such matters (excluding normal accrued but untaken annual leave for the year current as at the Closing Date) would exceed US\$7.5 million if accrued for in a balance sheet in accordance with IFRS prior to the Effective time; then the Seller to whom such Transferred Employees relate shall compensate the Purchaser for such matters accrued prior to the Effective Time (again

excluding normal accrued but untaken annual leave for the year current as at the Closing Date) by paying the Purchaser an amount equal to that value, less any amount actually accrued and transferred to the Purchaser for such matters.

- 6.3 With respect to any welfare plan maintained by the Purchaser or any other member of the Purchaser's Group in which Transferred Employees are eligible to participate after the Closing Date, the Purchaser shall:
- 6.3.1 waive all limitations as to pre-existing conditions, exclusions, evidence of insurability provisions, waiting periods with respect to such participation and coverage requirements or similar provisions under the Purchaser's benefit plans that are welfare plans (as defined in section 3(1) of ERISA or any equivalent Applicable Law) applicable to such employees to the extent such conditions, exclusions and waiting periods or other provisions were satisfied or did not apply to such employees under welfare plans maintained by the Seller to whom such Transferred Employees relate or other members of its Group prior to the Closing Date; and
 - 6.3.2 provide each Transferred Employee with credit for any co-payments and deductibles paid prior to the Closing Date in satisfying any analogous deductible or out-of-pocket requirements to the extent applicable under any such plan in the year in which Closing occurs, to the extent credited under the welfare plans maintained by the Seller to whom such Transferred Employees relate or other members of its Group prior to the Closing Date.

7. US TRANSFERRED EMPLOYEES

With effect on and from the Closing Date, the Purchaser shall, or shall procure that such other members of the Purchaser's Group shall, assume the responsibility and obligation to provide COBRA continuation coverage to all Transferred Employees who are employed in the United States and/or covered by US Benefit Plans and whose employment is terminated after the Closing Date and their eligible dependents.

8. INTERNATIONAL ASSIGNEES

Where Applicable Law does not provide for the automatic transfer of employment of any International Assignee and/or the other terms governing their international assignment, the Purchaser shall assume and agree to be bound by the individual contract of employment and such other terms governing their international assignment including any tax equalisation agreement entered into between an International Assignee and a member of a Seller's Group provided that such employee becomes a Transferred Employee and each Seller has disclosed to the other Seller the template international assignment terms of that Seller's Group prior to the Closing Date.

9. LIABILITY FOR RETENTION ARRANGEMENTS

Each Seller or any other member of the Seller's Group has or will put in place certain retention arrangements (in the form of cash) to retain key employees in connection with the matters contemplated by this Agreement. To the extent that details of such retention

arrangements are disclosed to the other Seller prior to the Closing Date, and in respect of arrangements put in place after the date of this Agreement, with the agreement of that other Seller, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, make the cash retention payments when due to the relevant Transferred Employees on or after Closing and shall deduct and/or pay and account for any Tax payable or accountable for by the employer in respect of such cash payments. Each Seller covenants to reimburse the Purchaser in respect of any cash retention payments, whether or not disclosed (including any Tax payable or accountable for by the employer in respect of such payments), which are put in place prior to the Closing Date. Each Seller will provide the Purchaser with all information and documentation reasonably necessary to allow such payments to be made.

10. SHARE-BASED INCENTIVE SCHEMES

This paragraph 10 applies notwithstanding any other provision of this Agreement.

Outstanding share-based awards under Novartis's Group plans

10.1 Subject to paragraph 10.10, Novartis undertakes to use its best endeavours to ensure that share-based awards held by Transferred Employees pursuant to a share-based incentive scheme operated by Novartis or another member of Novartis's Group ("**Novartis Awards**") shall be treated in a manner consistent with the "good leaver treatment" in the share-based incentive schemes operated by the Purchaser, to the extent possible under the relevant plan rules and any applicable law. Where Novartis Awards are subject to performance (or other) conditions and it is not possible to determine whether or not such conditions have been met at the applicable early vesting date (or within a reasonable period thereafter), the Sellers agree that performance shall be deemed "on target".

For the avoidance of doubt:

- (i) where necessary and subject to (ii), Novartis shall rely on the exercise of existing discretions in the relevant plan rules and (provided the approval of Novartis's shareholders is not required) shall be expected to amend the relevant plan rules to achieve the "good leaver treatment";
- (ii) Novartis (or relevant member of Novartis's Group) shall not take any action which would require shareholder approval or which could trigger any significant legal, Tax or operational issues for the relevant Transferred Employee (including the loss of any Tax-favourable treatment), GlaxoSmithKline's Group, Novartis's Group or the Purchaser's Group.

For the purposes of this paragraph 10.1, the "good leaver treatment" shall be that:

- (iii) Novartis Awards shall not lapse or be forfeited as a result of Closing except to the extent that they do not vest in accordance with (iv) and/or (v) below;
- (iv) Novartis Awards shall vest early as a result of Closing and shall be time pro-rated to take account of the reduced period of time, as a proportion of the

original vesting period, that the relevant Transferred Employee worked within Novartis's Group (calculated on the basis of the number of years of service as at the Closing Date, where part years of service are rounded up); and

- (v) Novartis Awards that vest after the Closing Date shall remain subject to any relevant performance (or other) conditions, adjusted as necessary to take account of Closing and measured up to the applicable early vesting date.

- 10.2 For the purposes of this paragraph 10.2, "on target" performance shall not be construed as permitting share-based awards to vest in full.
- 10.3 Novartis agrees to indemnify the Purchaser (or relevant member of the Purchaser's Group) for any Liabilities borne by the Purchaser's Group in connection with the Novartis Awards, including any Tax. The Sellers agree to use their best endeavours to ensure that the Purchaser seeks any applicable Tax relief in respect of the Novartis Awards and indemnifies Novartis in respect of any Tax relief obtained, provided always that Novartis provides the Purchaser with any information that the Purchaser may reasonably request in this respect in a timely manner.
- 10.4 Subject to paragraph 10.5, Novartis undertakes to inform the Purchaser of the vesting or exercise (as applicable) of the Novartis Awards and to provide, in a timely manner, details of the Novartis Awards that so vest or are exercised so that the Purchaser's Group can make any applicable withholdings for Tax and pay any Tax for which the Purchaser's Group is liable in respect of the Novartis Awards to the relevant Tax Authority within any applicable timescale.
- 10.5 To the extent permitted under the relevant plan rules and any applicable law, Novartis undertakes to sell such number of the shares underlying the Novartis Awards as may be necessary for the sale proceeds to satisfy any applicable Tax withholdings and to pay such amounts to the Purchaser in sufficient time for the Purchaser to pay such Tax to the relevant Tax Authority within any applicable timescale, provided always that the Purchaser provides Novartis with any information that Novartis may reasonably request in this respect in a timely manner.
- 10.6 Novartis undertakes to pay any Tax for which Novartis's Group is liable in respect of the Novartis Awards to the relevant Tax Authority within any applicable timescale.
- 10.7 Novartis undertakes to complete any relevant Tax Return in respect of the Novartis Awards and to submit any such Tax Return to the relevant Tax Authority within any applicable timescale.
- 10.8 This paragraph shall apply where Novartis Awards lapse or are forfeited (or will lapse or be forfeited) either in whole or in part as a result of Closing. As soon as practicable following Closing with the intention being, where possible, to grant within 30 days of the Closing Date or the first date after the Closing Date when dealing restrictions do not apply (and, in any event, by the later of 90 days from the Closing Date and 90 days from the first date after the Closing Date when the granting of share-based awards is not prevented by dealing restrictions), subject in both cases to the relevant plan rules and any applicable law, GlaxoSmithKline (or member of GlaxoSmithKline's Group) shall

grant each relevant Transferred Employee a share-based award over shares in the capital of GlaxoSmithKline substantially equal in value (valued as at the date of grant) to the value of the portion of their Novartis Awards which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing (valued as at the Closing Date), where relevant, disregarding any loss (or expected loss) of Tax-favourable treatment (each a “**Compensation Award**”). To the extent that (i) it could reasonably have been expected that any related matching share award and/or free share award would have been granted to a Transferred Employee following Closing in connection with any Novartis Award which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing (each an “**Novartis Matching Award**”), and (ii) such Novartis Matching Award has not been granted (or will not be granted) as a result of Closing, on or around the date on which such Novartis Matching Award would, in the ordinary course of business, have been made by Novartis (or member of Novartis’s Group), GlaxoSmithKline (or member of GlaxoSmithKline’s Group) shall grant each relevant Transferred Employee a share-based award over shares in the capital of GlaxoSmithKline substantially equal in value (valued as at the date of grant) to the value of such Novartis Matching Award (valued as at the date of grant of the related Matching Award, defined below), where relevant, disregarding any loss (or expected loss) of Tax-favourable treatment (each a “**Matching Award**”), subject to the relevant plan rules and any applicable law.

Such Compensation Awards and Matching Awards shall be granted pursuant to the rules of whichever share-based incentive plan operated by GlaxoSmithKline’s Group at the time of grant GlaxoSmithKline considers most closely aligned to the share-based incentive plan operated by Novartis’s Group pursuant to which the related Novartis Award had been granted (or related Novartis Matching Award would have been granted) but will vest according to a vesting schedule substantially similar to the vesting schedule that would have otherwise applied to the related Novartis Award or related Novartis Matching Award if Closing had not occurred. In such cases:

- (i) the Sellers agree to use their best endeavours to ensure that the Purchaser seeks any applicable Tax relief in respect of the Compensation Awards and Matching Awards and indemnifies Novartis in respect of 50 per cent. of any Tax relief obtained, and GlaxoSmithKline undertakes to provide the Purchaser with any information that the Purchaser may reasonably request in this respect in a timely manner;
- (ii) where a Compensation Award or Matching Award is granted in the form of a restricted share award, the Sellers agree to use their reasonable endeavours to ensure that the Purchaser obtains a valid election pursuant to section 431 of the Income Tax (Earnings and Pensions) Act 2003 (or, as applicable, any similar Tax election that is available pursuant to any applicable law in another jurisdiction), provided that, if a Seller makes representations to the other Seller to waive this obligation in respect of certain Compensation Awards or certain Matching Awards and the other Seller consents to such waiver (such consent not to be unreasonably withheld), this paragraph (ii) shall not apply in respect of such Compensation Awards or Matching Awards; and
- (iii) Novartis agrees to indemnify GlaxoSmithKline (or relevant member of GlaxoSmithKline’s Group or the Purchaser’s Group) for 50 per cent. of any

Liabilities borne by GlaxoSmithKline's Group or the Purchaser's Group in connection with such Compensation Awards and Matching Awards, including any Tax, provided that:

- (A) Novartis shall not indemnify GlaxoSmithKline (or relevant member of GlaxoSmithKline's Group or the Purchaser's Group) to the extent that GlaxoSmithKline (or a member of GlaxoSmithKline's Group or the Purchaser's Group) compensates Transferred Employees for any loss (or expected loss) of Tax-favourable treatment in respect of Novartis Awards or for any Liabilities to Tax as contemplated in paragraph 10.9 below;
- (B) Novartis only agrees to indemnify GlaxoSmithKline (or member of GlaxoSmithKline's Group or the Purchaser's Group) to a maximum of 50 per cent. of the total of: (i) the value of the portion of such Novartis Awards that lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing, (ii) the value of Novartis Matching Awards, and (iii) any related Liabilities, including Tax; and
- (C) for the avoidance of doubt, Novartis shall not indemnify GlaxoSmithKline (or member of GlaxoSmithKline's Group or the Purchaser's Group) for any lapse or forfeiture (or expected lapse or forfeiture) due to a failure to meet any applicable performance (or other) conditions.

For these purposes, the compensation in respect of the portion of an Novartis Award which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing shall not exceed the difference between (i) the value of the Novartis Award which could reasonably have been expected to vest on the normal vesting date but for Closing (subject, where applicable, to performance (or other) conditions), and (ii) the value of the Novartis Award which actually vested (or will vest) as a result of Closing.

For the purposes of this paragraph 10.8:

- (i) the portion of an Novartis Award which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing shall be valued on the basis of the average price of an ordinary share in the capital of Novartis over the five trading days immediately prior to Closing;
- (ii) the value of a Compensation Award to be granted shall be valued on the basis of the average price of an ordinary share in the capital of GlaxoSmithKline over the five trading days immediately prior to the date of grant;
- (iii) the value of an Novartis Matching Award shall be valued on the basis of the average price of an ordinary share in the capital of Novartis over the five trading days immediately prior to the date of grant of the related Matching Award;

- (iv) the value of a Matching Award to be granted shall be valued on the basis of the average price of an ordinary share in the capital of GlaxoSmithKline over the five trading days immediately prior to the date of grant; and
 - (v) any currency conversion shall be made in accordance with Clause 1.13.1.
- 10.9 To the extent that any payment to a Transferred Employee (whether by Novartis's Group, GlaxoSmithKline's Group or by the Purchaser's Group) would trigger Liabilities to Tax under section 280G of the United States Internal Revenue Code ("**Section 280G**"), the relevant Transferred Employee shall be allowed to choose whether to accept the full payment (and pay any relevant Section 280G Tax) or to receive such lower payment as may be necessary in order to fall below the Section 280G threshold for Tax. To the extent that any similar Tax would arise pursuant to any applicable law in another jurisdiction, this paragraph 10.9 shall apply *mutatis mutandis*.
- 10.10 This paragraph shall apply if any member of Novartis's Group's corporate executive team (or similar body) is a Transferred Employee (each a "**CET Member**"). The treatment of share-based awards held by CET members shall be determined by the remuneration committee of the board of directors of Novartis (acting reasonably and in good faith and following informal consultation with GlaxoSmithKline), subject to the rules of any relevant share-based incentive scheme and any applicable law, and the provisions of paragraphs 10.8 and 10.16 shall apply.

Outstanding Share-Based Awards under GlaxoSmithKline's Group Plans

- 10.11 GlaxoSmithKline agrees to indemnify the Purchaser (or relevant member of the Purchaser's Group) for any Liabilities borne by the Purchaser's Group in connection with share-based awards held by Transferred Employees pursuant to a share-based incentive scheme operated by GlaxoSmithKline or another member of GlaxoSmithKline's Group and which were granted prior to Closing ("**GlaxoSmithKline Awards**"), including any Tax. The Sellers agree to use their best endeavours to ensure that the Purchaser seeks any applicable Tax relief in respect of the GlaxoSmithKline Awards and indemnifies GlaxoSmithKline in respect of any Tax relief obtained, provided always that GlaxoSmithKline provides the Purchaser with any information that the Purchaser may reasonably request in this respect in a timely manner.
- 10.12 Subject to paragraph 10.13, GlaxoSmithKline undertakes to inform the Purchaser of the vesting or exercise (as applicable) of the GlaxoSmithKline Awards and to provide, in a timely manner, details of the GlaxoSmithKline Awards that so vest or are exercised so that the Purchaser's Group can make any applicable withholdings for Tax and pay any Tax for which the Purchaser's Group is liable in respect of the GlaxoSmithKline Awards to the relevant Tax Authority within any applicable timescale.
- 10.13 To the extent permitted under the relevant plan rules and any applicable law, GlaxoSmithKline undertakes to sell such number of the shares underlying the GlaxoSmithKline Awards as may be necessary for the sale proceeds to satisfy any applicable Tax withholdings and to pay such amounts to the Purchaser in sufficient time for the Purchaser to pay such Tax to the relevant Tax Authority within any applicable timescale, provided always that the Purchaser provides GlaxoSmithKline with any

information that GlaxoSmithKline may reasonably request in this respect in a timely manner.

- 10.14 GlaxoSmithKline undertakes to pay any Tax for which GlaxoSmithKline's Group is liable in respect of the GlaxoSmithKline Awards to the relevant Tax Authority within any applicable timescale.
- 10.15 GlaxoSmithKline undertakes to complete any relevant Tax Return in respect of the GlaxoSmithKline Awards and to submit any such Tax Return to the relevant Tax Authority within any applicable timescale.

2014 Performance Awards

- 10.16 This paragraph 10.16 shall apply where: (i) a Transferred Employee would, in the ordinary course of business, have been granted a share-based award pursuant to a share-based incentive scheme operated by the relevant Seller or another member of the relevant Seller's Group on the basis of performance criteria linked to the relevant Seller's Group's 2014 financial year (which may, for the avoidance of doubt, be business and/or individual performance criteria and assessment) (each a "**2014 Performance Award**"), and (ii) Closing occurs prior to the grant of such 2014 Performance Award. As soon as practicable following Closing (and, in any event, by the later of 30 days from the Closing Date and 30 days from the date when the value of each 2014 Performance Award has been determined), the relevant Seller shall notify the Purchaser (and, where the relevant Seller is Novartis, shall also notify GlaxoSmithKline) in writing of the value of each 2014 Performance Award and under which share-based incentive plan operated by the relevant Seller's Group the related 2014 Performance Award would have been granted. As soon as practicable following the receipt of such notice (and, in any event, by the later of 30 days from the receipt of such notice and 30 days from the first date following the receipt of such notice when the granting of share-based awards is not prevented by dealing restrictions, subject in both cases to the relevant plan rules and any applicable law), GlaxoSmithKline (or member of GlaxoSmithKline's Group) shall grant each relevant Transferred Employee a share-based award over shares in the capital of GlaxoSmithKline substantially equal in value (valued as at the date of grant) to the value of the 2014 Performance Award which would have been granted but for the occurrence of Closing. Such 2014 Performance Awards shall be granted pursuant to the rules of whichever share-based incentive plan operated by GlaxoSmithKline's Group at the time of grant GlaxoSmithKline considers most closely aligned to the share-based incentive plan operated by the relevant Seller's Group pursuant to which the related 2014 Performance Award would have been granted. In such cases:
- (i) the Sellers agree to use their best endeavours to ensure that the Purchaser seeks any applicable Tax relief in respect of the 2014 Performance Awards and indemnifies the relevant Seller in respect of any Tax relief obtained, and GlaxoSmithKline undertakes to provide the Purchaser with any information that the Purchaser may reasonably request in this respect in a timely manner;
 - (ii) where a 2014 Performance Award is granted in the form of a restricted share award, the Sellers agree to use their reasonable endeavours to ensure that the

Purchaser obtains a valid election pursuant to section 431 of the Income Tax (Earnings and Pensions) Act 2003 (or, as applicable, any similar Tax election that is available pursuant to any applicable law in another jurisdiction), provided that, if a Seller makes representations to the other Seller to waive this obligation in respect of certain 2014 Performance Awards and the other Seller consents to such waiver (such consent not to be unreasonably withheld), this paragraph (ii) shall not apply in respect of such 2014 Performance Awards; and

- (iii) the relevant Seller agrees to indemnify GlaxoSmithKline (or relevant member of GlaxoSmithKline's Group or the Purchaser's Group) for any Liabilities borne by GlaxoSmithKline's Group or the Purchaser's Group in connection with such 2014 Performance Awards, including any Tax.

The grant of a 2014 Performance Award to a Transferred Employee shall be taken into account by the Purchaser when determining the extent to which that Transferred Employee shall participate in incentive arrangements (other than any Compensation Award or Matching Award) for employees of the Purchaser's Group following Closing.

For the purposes of this paragraph 10.16:

- (i) the value of a 2014 Performance Award to be granted shall: (i) be determined by the relevant Seller acting reasonably and in good faith, (ii) be consistent with both past practice and with the level of similar awards granted to employees (where Novartis is the relevant Seller) remaining in service within Novartis's Group or (where GlaxoSmithKline is the relevant Seller) remaining in service within GlaxoSmithKline's Group, (iii) take into account the relevant business and/or individual performance criteria linked to the Seller's Group's 2014 financial year, and (iv) if Closing occurs before 31 December 2014, be time pro-rated to take account of the reduced period of time, as a proportion of the relevant Seller's Group's 2014 financial year, that the relevant Transferred Employee worked within (where Novartis is the relevant Seller) Novartis's Group or (where GlaxoSmithKline is the relevant Seller) within GlaxoSmithKline's Group (calculated on the basis of the number of complete months of service as at the Closing Date);
- (ii) the number of shares to be placed under a 2014 Performance Award shall be valued on the basis of the average price of an ordinary share in the capital of GlaxoSmithKline over the five trading days immediately prior to the date of grant; and
- (iii) any currency conversion shall be made in accordance with Clause 1.13.1.

Future share-based incentives

- 10.17 The Sellers confirm that it is envisaged that any share-based incentives to be provided to employees of the Purchaser's Group following Closing will be granted pursuant to share-based incentives schemes operated by GlaxoSmithKline or a member of GlaxoSmithKline's Group (the "**JV Awards**"). Subject to paragraphs 10.8 and 10.16, the Sellers undertake to use their best endeavours to ensure that the Purchaser indemnifies

GlaxoSmithKline for any Liabilities borne by GlaxoSmithKline in connection with the JV Awards.

11. Delayed Employees

11.1 In this Schedule:

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|---|--|
| “Delayed Business Employees” | means, in respect of GlaxoSmithKline, the GlaxoSmithKline Delayed Business Employees and, in respect of Novartis, the Novartis Delayed Business Employees; |
| “Delayed Company Employees” | means, in respect of GlaxoSmithKline, the GlaxoSmithKline Delayed Company Employees and, in respect of Novartis, the Novartis Delayed Company Employees; |
| “Delayed Employees” | means, in respect of GlaxoSmithKline, the GlaxoSmithKline Delayed Employees and, in respect of Novartis, the Novartis Delayed Employees; |
| “GlaxoSmithKline Delayed Employees” | means the GlaxoSmithKline Delayed Business Employees and the GlaxoSmithKline Delayed Company Employees; |
| “GlaxoSmithKline Delayed Business Employees” | means (i) the Relevant GlaxoSmithKline Business Employees who immediately prior to the Closing Date work in any of the Delayed Target Group Businesses, and (ii) any employees of any member of GlaxoSmithKline’s Group who are appointed to their position (whether by internal or external hire) on or after the Closing Date in accordance with a Controlled Business Instruction or Seller Involvement Instruction to work wholly or substantially in the Target Group (other than the GlaxoSmithKline Delayed Company Employees), and in each case for so long as they are not assigned to work other than wholly or substantially in the Target Group; |
| “GlaxoSmithKline Delayed Company Employees” | means (i) the Relevant GlaxoSmithKline Company Employees who immediately prior to the Closing Date are employees of any of the Delayed Target Group Companies, and (ii) any employees of any of the Delayed Target Group Companies who are appointed to their position (whether by internal or external hire) on or after the Closing Date in accordance with a Controlled Business Instruction |

or Seller Involvement Instruction to work wholly or substantially in the Target Group, and in each case for so long as they are not assigned to work other than wholly or substantially in the Target Group;

“Inadvertent Novartis Employee”

means any individual who immediately before the Closing Date was employed by a member of Novartis’s Group but who is found or alleged to become or otherwise becomes employed by a member of GlaxoSmithKline’s Group (excluding the Purchaser’s Group) as a result of this Agreement or the transactions it contemplates. For the avoidance of doubt, Inadvertent Novartis Employee shall exclude any Novartis Alliance Market Employee;

“Novartis Delayed Employees”

means the Novartis Delayed Business Employees and the Novartis Delayed Company Employees;

“Novartis Delayed Business Employees”

means (i) the Relevant Novartis Business Employees who immediately prior to the Closing Date work in any of the Delayed Target Group Businesses, and (ii) any employees of any member of Novartis’s Group who are appointed to their position (whether by internal or external hire) on or after the Closing Date in accordance with a Controlled Business Instruction or Seller Involvement Instruction to work wholly or substantially in the Target Group (other than the Novartis Delayed Company Employees), and in each case for so long as they are not assigned to work other than wholly or substantially in the Target Group; and

“Novartis Delayed Company Employees”

means (i) the Relevant Novartis Company Employees who immediately prior to the Closing Date are employees of any of the Delayed Target Group Companies, and (ii) any employees of any of the Delayed Target Group Companies who are appointed to their position (whether by internal or external hire) on or after the Closing Date in accordance with a Controlled Business Instruction or Seller Involvement Instruction to work wholly or substantially in the Target Group, and in each case for so long as they are not assigned to work other than wholly or substantially in the Target Group.

“Controlled Business Instruction”, “Delayed Assets”, “Delayed Closing Date”, “Delayed Target Group Businesses”, “Seller Involvement Instruction” and “Delayed Target Group

Companies” each have the meanings given to them in Schedule 22. For the purposes of this Schedule, references to **“Delayed Target Group Businesses”** shall be extended to refer to Delayed Assets and references to **“Delayed Business Employees”** shall be extended to refer to Employees who work at any of the Delayed Assets.

11.2 The parties intend and agree that:

- 11.2.1 the employment of the Delayed Employees shall not be transferred by the relevant Seller or another member of its Group to a member of the Purchaser’s Group on and from the Closing Date but shall transfer on and from the Delayed Closing Date which relates to the Delayed Target Group Company or Delayed Target Group Business associated with that Delayed Employee;
- 11.2.2 notwithstanding the intention at paragraph 11.2.1 above, if the contract of employment of any Delayed Employee is found or alleged to have effect at any time prior to the Delayed Closing Date as if originally made with the Purchaser or another member of the Purchaser’s Group (including any Target Group Company) as a consequence of this Agreement, paragraph 3 shall not apply in relation to that Delayed Employee and as a result the parties shall in good faith seek to agree as soon as reasonably practicable how best to deal with such unintended transfer or allegation of transfer having regard to the reason why the individual’s transfer to the Purchaser or another member of the Purchaser’s Group (including any Target Group Company) was delayed but provided that, if the parties are unable to reach such agreement within a reasonable period and if it is agreed that such Delayed Employee’s contract of employment has so transferred, then such Delayed Employee shall be treated from the time he actually became so employed as a “Transferred Employee” (and no longer a Delayed Employee) for the purposes of this Agreement;
- 11.2.3 no provisions in paragraph 2 shall require the Purchaser or another member of the Purchaser’s Group (including any Target Group Company) to employ, or make an offer to employ, a Delayed Employee, on and from the Closing Date;
- 11.2.4 paragraph 2.2 shall be amended to the extent required so that it applies to Delayed Business Employees and, in respect of such Delayed Business Employees, references to the “Closing Date” shall be replaced with references to the “Delayed Closing Date which relates to the Delayed Target Group Business associated with that Delayed Employee”;
- 11.2.5 paragraph 2.3 shall be amended to the extent required so that it applies to Delayed Business Employees and, in respect of such Delayed Business Employees, references to the “Closing Date” or “Closing” shall be replaced with references to the “Delayed Closing Date which relates to the Delayed Target Group Business associated with that Delayed Employee”;
- 11.2.6 paragraph 3 shall be amended to the extent required so that it applies on each Delayed Closing Date in respect of any person who is not at that time a Delayed Business Employee or Delayed Company Employee and any references to the

“Closing Date” or “Closing” shall be replaced with references to that “Delayed Closing Date”;

- 11.2.7 in relation to any Inadvertent Novartis Employee who was immediately prior to the Closing Date working wholly or substantially in the Novartis OTC Business (“**Inadvertent In-Scope Novartis Employee**”), the parties shall co-operate to procure a transfer of his employment to a member of the Purchaser’s Group as soon as reasonably practicable, taking into account the timing of the transfer of employment of any GlaxoSmithKline Delayed Employee to a member of the Purchaser’s Group where such GlaxoSmithKline Delayed Employee is employed by the same member of GlaxoSmithKline’s Group as the Inadvertent In-scope Novartis Employee is employed; and
- 11.2.8 in relation to any Inadvertent Novartis Employee who was not immediately prior to the Closing Date working wholly or substantially in the Novartis OTC Business, the relevant member of GlaxoSmithKline’s Group shall on and after Closing have the same rights against Novartis in respect of the employee and in relation to the transfer of his employment as the Purchaser would have had under paragraph 3 if the transfer or alleged transfer had been to the Purchaser or another member of the Purchaser’s Group.

- 11.3 Notwithstanding the provisions of paragraph 11.2 above, the parties agree that each Delayed Employee and any Inadvertent In-Scope Novartis Employee shall, with effect from and including the Closing Date, be treated for economic purposes as if he is employed by a member of the Purchaser’s Group, and as a consequence will be deemed to be a “Transferred Employee” (meaning that the Purchaser will be economically responsible for all costs and liabilities relating to his employment on and from the Effective Time or termination of his employment on and from the Effective Time) provided that such treatment shall not result, in relation to any Delayed Employee, in any member of the Purchaser’s Group being liable for any costs and liabilities under this Schedule to the extent that any such costs and liabilities arise from (i) any failure by the relevant member of the Seller’s Group prior to a Delayed Employee’s Delayed Closing Date, without good reason, to comply with any Controlled Business Instruction or Seller Involvement Instruction in relation to that Delayed Employee; or (ii) any claim by a Delayed Employee as a result of any breach of contract or Applicable Law by the relevant member of that Seller’s Group (other than in express compliance with any Controlled Business Instruction or Seller Involvement Instruction or as otherwise expressly agreed in writing by the Purchaser) in respect of such Delayed Employee. Any amounts payable pursuant to this paragraph 11.3 shall be paid in accordance with paragraph 3 of Schedule 22. For the avoidance of doubt, no provision of this paragraph 11.3 shall entitle either Seller or any member of the relevant Seller’s Group to recover any amount in respect of any Delayed Employee if that would entitle that Seller or member of that Seller’s Group to recover more than once in respect of the same amount under this Agreement or any Ancillary Agreement. For the purposes of paragraphs 10.1 and 10.8 above, references to “Closing” and the “Closing Date” shall be construed as references to the relevant Closing, Closing Date or Delayed Closing Date that applies to each of the relevant Transferred Employees.

- 11.4 Notwithstanding any provision of this Agreement, the parties intend and agree that the employment of any Relevant Novartis Business Employees who works in Brazil (“**Brazil Employee**”) shall not be transferred by Novartis or another member of its Group to a member of the Purchaser’s Group on and from the Closing Date but shall instead transfer to GlaxoSmithKline or a member of its Group on and from 1 April 2015 (or such later date as the parties may agree) (the “**Brazil Transfer Date**”). For the avoidance of doubt, any such Brazil Employee shall be an “Inadvertent In-scope Novartis Employee” for the purposes of this Agreement from (and including) the Brazil Transfer Date.
- 11.5 The parties agree that where a Brazil Employee (a “**Brazil Leave Employee**”) is absent on maternity leave which will end on or after the Brazil Transfer Date or is pregnant (and has formally confirmed to a member of Novartis’s Group that she is pregnant prior to the Brazil Transfer Date), and would otherwise have been made an offer of employment to commence with effect from (and including) the Brazil Transfer Date by GlaxoSmithKline or relevant member of its Group in accordance with paragraph 11.4 above, such an offer shall be made, but employment pursuant to such offer shall commence only with effect from (and including) the date on which the Brazil Leave Employee returns to work at the end of such period of maternity leave or at the end of the period of maternity leave following the pregnancy referred to above, as applicable, provided always that the date of such return to work is no more than twelve months after the Brazil Transfer Date. Any such Brazil Leave Employee will only be an “Inadvertent In-scope Novartis Employee” for the purposes of this Agreement from (and including) the date when that Brazil Leave Employee returns to work on or after the Brazil Transfer Date. If any Brazil Leave Employee has not returned to work by the date falling twelve months after the Brazil Transfer Date, then such Brazil Leave Employee shall be treated for all purposes under this Agreement as an Excluded Employee.

12. Global Support Function

12.1 In this Schedule:

- | | |
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| <p>“Excluded GSF Employees”</p> | <p>means the employees of any member of GlaxoSmithKline’s Group who work wholly or substantially in the GlaxoSmithKline Consumer Business immediately prior to the Closing Date (other than the GlaxoSmithKline Company Employees) but who are part of GlaxoSmithKline’s Global Support Function; and</p> |
| <p>“Transferring Excluded GSF Employees”</p> | <p>means the employees of any GlaxoSmithKline Consumer Group Company who do not work wholly or substantially in the GlaxoSmithKline Consumer Business immediately prior to the Closing Date but who are either (i) part of GlaxoSmithKline’s Global Support Function or (ii) part of GlaxoSmithKline’s Pharmaceutical division in Costa Rica, Sri Lanka or such other countries as the parties may agree.</p> |

12.2 The parties intend and agree that:

- 12.2.1 the employment of the Excluded GSF Employees shall not be transferred by GlaxoSmithKline or another member of its Group to a member of the Purchaser's Group on and from the Closing Date or at any time as a consequence of this Agreement; and
- 12.2.2 notwithstanding the intention at paragraph 12.2.1 above, if the contract of employment of any Excluded GSF Employee is found or alleged to have effect upon Closing as if originally made with the Purchaser or another member of its Group (including any Target Group Company) as a consequence of this Agreement, paragraph 3 shall not apply in relation to that Excluded GSF Employee and as a result such Excluded GSF Employee shall be treated as a "Transferred Employee" for the purposes of this Agreement.
- 12.3 The Purchaser shall (for itself and for each member of the Purchaser's Group) indemnify and keep indemnified GlaxoSmithKline (for itself and as trustee for each other member of its Group) against all Losses (ignoring any amount in respect of Employee Benefits relating to the period prior to the Effective Time, as to which see Schedule 8) in respect of:
- 12.3.1 the employment of any of the Excluded GSF Employees on and after the Effective Time; and
- 12.3.2 any termination of the employment of any Excluded GSF Employees on and after the Effective Time including, but not limited to, all claims relating to severance, termination pay, pay in lieu of notice of termination and similar obligations (but excluding any costs of applying the Agreed UK Restructuring Arrangement to the extent that such costs, if they were to relate to a Transferred Employee, would not have been covered under paragraph 17 of Schedule 8),
- but in each case excluding (i) any Losses to the extent that any such Loss arises directly as a result of any failure by GlaxoSmithKline or any member of its Group to comply with its obligations or instructions under the Services Agreement or (ii) any Losses to the extent that they relate to any claim by an Excluded GSF Employee as a result of any breach of contract or Applicable Law by GlaxoSmithKline (other than in express compliance with any obligations or instructions under the Services Agreement or as otherwise expressly agreed in writing by the Purchaser) in respect of such Excluded GSF Employee. For the avoidance of doubt, no provision of this paragraph 12.3 shall entitle GlaxoSmithKline or any member of its Group to recover any amount in respect of any Excluded GSF Employee if that would entitle GlaxoSmithKline or any member of its Group to recover more than once in respect of the same amount under this Agreement or any Ancillary Agreement.
- 12.4 The parties intend and agree, notwithstanding that the Transferring Excluded GSF Employees will not work wholly or substantially in the GlaxoSmithKline Consumer Business immediately prior to the Closing Date, that:
- 12.4.1 the employment of the Transferring Excluded GSF Employees shall be transferred by GlaxoSmithKline or another member of its Group to a member of the Purchaser's Group on and from the Closing (or the Delayed Closing Date)

which relates to the Delayed Target Group Company associated with that Transferring Excluded GSF Employee); and

12.4.2 paragraph 3 shall not apply in relation to any Transferring Excluded GSF Employee.

For the avoidance of doubt, any such Transferring Excluded GSF Employee shall not be a “Transferred Employee” for the purposes of this Agreement.

12.5 GlaxoSmithKline shall (for itself and for each member of its Group) indemnify and keep indemnified the Purchaser (for itself and as trustee for each other member of its Group) against all Losses (ignoring any amount in respect of Employee Benefits relating to the period prior to the Effective Time, as to which see Schedule 8) in respect of:

12.5.1 the employment of any of the Transferring Excluded GSF Employees on and after the Effective Time; and

12.5.2 any termination of the employment of any Transferring Excluded GSF Employees on and after the Closing Date including, but not limited to, all claims relating to severance, termination pay, pay in lieu of notice of termination and similar obligations,

but in each case excluding (i) any Losses to the extent that any such Loss arises directly as a result of any failure by the Purchaser or any member of its Group to comply with its obligations or instructions under the Services Agreement (if applicable) or (ii) any Losses to the extent that they relate to any claim by a Transferring Excluded GSF Employee as a result of any breach of contract or Applicable Law by the Purchaser or any member of its Group (other than in express compliance with any obligations or instructions under the Services Agreement (if applicable) or as otherwise expressly agreed in writing by GlaxoSmithKline) in respect of such Transferring Excluded GSF Employee. For the avoidance of doubt, no provision of this paragraph 12.5 shall entitle the Purchaser or any member of its Group to recover any amount in respect of any Transferring Excluded GSF Employee if that would entitle the Purchaser or any member of its Group to recover more than once in respect of the same amount under this Agreement or any Ancillary Agreement.

13. Alliance Market Businesses

13.1 In this Schedule:

“**Export Market Territories**”

means, in relation to GlaxoSmithKline, GSK Export Market Territories and, in relation to Novartis, Novartis Export Market Territories;

“**GlaxoSmithKline Alliance Market Employees**”

means the employees of any member of GlaxoSmithKline’s Group who work wholly or substantially in the GlaxoSmithKline Consumer Business immediately prior to the Closing Date (other than the GlaxoSmithKline Company

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| | Employees) but who work in any of the GlaxoSmithKline Alliance Market Businesses; and |
| “GSK Export Market Territories” | means Armenia, Azerbaijan, Bahrain, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Estonia, Georgia, Ghana, Israel, Jordan, Kazakhstan, Kuwait, Latvia, Lebanon, Lithuania, Malta, Oman, Saudi Arabia, Serbia, Slovenia, Tanzania, Trinidad, UAE, Vietnam and Yemen; |
| “Novartis Alliance Market Employees” | means the employees of any member of Novartis’s Group who work wholly or substantially in the Novartis OTC Business immediately prior to the Closing Date (other than the Novartis Company Employees) but who work in any of the Novartis Alliance Market Businesses. |
| “Novartis Export Market Territories” | means Belarus, Jordan, Kazakhstan, Lebanon, Nigeria and Serbia. |

For the purposes of this Schedule, references to **“GlaxoSmithKline Alliance Market Employees”** shall be extended to refer to Employees who work in any of the GSK Export Market Territories and references to **“Novartis Alliance Market Employees”** shall be extended to refer to Employees who work in any of the Novartis Export Market Territories.

13.2 The parties intend and agree that:

- 13.2.1 the employment of the GlaxoSmithKline Alliance Market Employees shall not be transferred by GlaxoSmithKline or another member of its Group to a member of the Purchaser’s Group on and from the Closing Date or at any time as a consequence of this Agreement; and
- 13.2.2 notwithstanding the intention at paragraph 13.2.1 above, if the contract of employment of any GlaxoSmithKline Alliance Market Employee is found or alleged to have effect upon Closing as if originally made with the Purchaser or another member of its Group (including any Target Group Company) as a consequence of this Agreement, paragraph 3 shall not apply in relation to that GlaxoSmithKline Alliance Market Employee and as a result such GlaxoSmithKline Alliance Market Employee shall be treated as a **“Transferred Employee”** for the purposes of this Agreement.

13.3 The Purchaser shall (for itself and for each member of the Purchaser’s Group) indemnify and keep indemnified GlaxoSmithKline (for itself and as trustee for each other member of its Group) against all Losses (ignoring any amount in respect of Employee Benefits relating to the period prior to the Effective Time, as to which see Schedule 8) in respect of:

- 13.3.1 the employment of any of the GlaxoSmithKline Alliance Market Employees on and after the Effective Time; and

- 13.3.2 any termination of the employment of any GlaxoSmithKline Alliance Market Employees on and after the Effective Time including, but not limited to, all claims relating to severance, termination pay, pay in lieu of notice of termination and similar obligations,

but in each case excluding (i) any Losses to the extent that any such Loss arises directly as a result of any failure by GlaxoSmithKline or any member of its Group to comply with its obligations or instructions under the relevant Alliance Market Distribution Agreement for that Alliance Market Territory or, where there is no such agreement, the relevant distribution arrangements in place between a member of GlaxoSmithKline's Group and a member of the Purchaser's Group from time to time for that Alliance Market Territory or Export Market Territory (together the "**Distribution Arrangements**") or (ii) any Losses to the extent that they relate to any claim by a GlaxoSmithKline Alliance Market Employee as a result of any breach of contract or Applicable Law by GlaxoSmithKline (other than in express compliance with any obligations or instructions under the relevant Distribution Arrangements for that Alliance Market Territory or Export Market Territory or as otherwise expressly agreed in writing by the Purchaser) in respect of such GlaxoSmithKline Alliance Market Employee. For the avoidance of doubt, no provision of this paragraph 13.3 shall entitle GlaxoSmithKline or any member of its Group to recover any amount in respect of any GlaxoSmithKline Alliance Market Employee if that would entitle GlaxoSmithKline or any member of its Group to recover more than once in respect of the same amount under this Agreement or any Ancillary Agreement.

- 13.4 The parties intend and agree that:

- 13.4.1 the employment of the Novartis Alliance Market Employees shall not be transferred by Novartis or another member of its Group to a member of the Purchaser's Group on and from the Closing Date but shall instead transfer to GlaxoSmithKline or a member of its Group on and from the Closing Date;
- 13.4.2 no provisions in paragraph 2 shall require the Purchaser or another member of the Purchaser's Group (including any Target Group Company) to employ, or make an offer to employ, a Novartis Alliance Market Employee, on and from the Closing Date;
- 13.3.3 paragraph 2.2 shall be amended in respect of any Novartis Alliance Market Employees so that any references to the "Purchaser" shall be replaced with references to "GlaxoSmithKline";
- 13.4.4 paragraph 2.3 shall be amended in respect of any Novartis Alliance Market Employees so that any references to the "Purchaser" shall be replaced with references to "GlaxoSmithKline"; and
- 13.4.5 if the contract of employment of any person other than a Novartis Alliance Market Employee is found or alleged to have effect upon Closing as if originally made with GlaxoSmithKline or another member of its Group as a consequence of this Agreement, paragraph 3 shall apply in relation to that person but shall be

amended so that any references to the “Purchaser” shall be replaced with references to “GlaxoSmithKline”.

13.5 The parties acknowledge that any Novartis Alliance Market Employee shall not be a “Transferred Employee” for the purposes of this Agreement but agree that the protections of terms and conditions and termination rights post-Closing in paragraph 5 shall apply to the Novartis Alliance Market Employee (save that any references to the “Purchaser” shall be replaced with references to “GlaxoSmithKline”) and any other provisions in this Agreement as the parties may agree, each acting in good faith, should apply in relation to the Novartis Alliance Market Employees after appropriate amendments have been made.

13.6 The Purchaser shall (for itself and for each member of the Purchaser’s Group) indemnify and keep indemnified GlaxoSmithKline (for itself and as trustee for each other member of its Group) against all Losses (ignoring any amount in respect of Employee Benefits relating to the period prior to the Effective Time, as to which see Schedule 8) in respect of:

13.6.1 the employment of any of the Novartis Alliance Market Employees on and after the Effective Time; and

13.6.2 any termination of the employment of any Novartis Alliance Market Employee on and after the Closing Date including, but not limited to, all claims relating to severance, termination pay, pay in lieu of notice of termination and similar obligations,

but in each case excluding (i) any Losses to the extent that any such Loss arises directly as a result of any failure by GlaxoSmithKline or any member of its Group to comply with its obligations or instructions under the relevant Distribution Arrangements for that Alliance Market Territory or Export Market Territory or (ii) any Losses to the extent that they relate to any claim by a Novartis Alliance Market Employee as a result of any breach of the obligations under paragraph 13.5 above, breach of contract or Applicable Law by GlaxoSmithKline (other than in express compliance with any obligations or instructions under the relevant Distribution Arrangements for that Alliance Market Territory or Export Market Territory or as otherwise expressly agreed in writing by the Purchaser) in respect of such Novartis Alliance Market Employee. For the avoidance of doubt, no provision of this paragraph 13.6 shall entitle GlaxoSmithKline or any member of its Group to recover any amount in respect of any Novartis Alliance Market Employee if that would entitle GlaxoSmithKline or any member of its Group to recover more than once in respect of the same amount under this Agreement or any Ancillary Agreement.

Schedule 8

Employee Benefits

In this Schedule 8:

“**Delayed Business Employees**” has the meaning given to it in Schedule 7;

“**Delayed Company Employees**” has the meaning given to it in Schedule 7;

“**Delayed Employees**” has the meaning given to it in Schedule 7;

“**Employee Benefits**” means benefits to or in respect of any current or former employee, including without limitation, any pension, early retirement, disability, death benefit, long service awards, termination indemnity (such as Italian TFR) or post-retirement medical benefits or deferred compensation linked to retirement, disability or death benefits or old age part-time benefits (such as German ATZ) and jubilee payments;

“**Employee Benefit Liabilities**” means liabilities and obligations (whether funded or unfunded) in respect of any employee benefit promise, scheme, plan, fund, program, policy, practice or other individual or collective arrangement providing Employee Benefits;

“**Oncology Funding Assumptions**” means, in relation to any Transferred Employee Benefits which are similar or comparable to benefits in the same country which are Transferred Employee Benefits under the Oncology Sale and Purchase Agreement (the “**Equivalent Oncology Benefits**”), the method and assumptions used under the Oncology Sale and Purchase Agreement to value those Equivalent Oncology Benefits. For the avoidance of doubt, the Oncology Funding Assumptions are only available in respect of Transferred Employee Benefits for which there are Equivalent Oncology Benefits;

“**Other Party**” means (i) where GlaxoSmithKline is the Seller, Novartis and (ii) where Novartis is the Seller, GlaxoSmithKline;

“**Other Party Group**” means (i) where GlaxoSmithKline is the Other Party, GlaxoSmithKline’s Group and (ii) where Novartis is the Other Party, Novartis’s Group;

“**Other Party Funding Assumptions**” means, in relation to any Transferred Employee Benefits, where a member of the Other Party Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc.), and there is a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund those similar or comparable benefits to a funding target which is determined by reference to a method and assumptions other than IFRS (such as would, for example, be the case in relation to UK HMRC-registered defined benefit pension obligations), then that method and those assumptions as in force in relation to those similar or comparable benefits immediately prior to the date of this Agreement (so, taking the example of UK defined benefit obligations, this would be the method and assumptions used to determine the relevant plan’s technical provisions as at the date of this Agreement – regardless of whether the plan is in fact fully funded on that basis at any relevant time);

“Other Party IFRS Assumptions” means, in relation to any Transferred Employee Benefits, where a member of the Other Party Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc.), the method and assumptions used most recently prior to the date of this Agreement to value those similar or comparable benefits by the Other Party Group (or any relevant member thereof) for IFRS accounting purposes;

“Seller Funding Assumptions” means, in relation to any Transferred Employee Benefits, if there is a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund those Transferred Employee Benefits to a funding target which is determined by reference to a method and assumptions other than IFRS (such as would, for example, be the case in relation to UK HMRC-registered defined benefit pension obligations), then that method and those assumptions as in force in relation to those Transferred Employee Benefits immediately prior to the date of this Agreement (so, taking the example of UK defined benefit obligations, this would be the method and assumptions used to determine the relevant plan’s technical provisions as at the date of this Agreement – regardless of whether the plan is in fact fully funded on that basis at any relevant time);

“Seller IFRS Assumptions” means, in relation to any Transferred Employee Benefits, the method and assumptions used by the Seller’s Group (or the most relevant member thereof) most recently prior to the date of this Agreement to value those Transferred Employee Benefits for IFRS accounting purposes;

“Swiss Actuary” means an actuary: (a) who can reasonably be viewed: (i) as independent of both the Other Party and each Seller; and (ii) as familiar with Swiss pension issues; and (b) whom the Other Party and each Seller have agreed should be jointly appointed by them for the purposes of determining the Swiss Assumptions or who in default of such agreement has been appointed by the Swiss Association of Actuaries or other industry body of actuaries in Switzerland as agreed by each Seller and the Other Party;

“Swiss Assets” means cash with a value equal to the aggregate of:

- (i) the value of the vested benefits, as at the Effective Time, held by the Swiss Pension Providers on behalf of each Transferred Employee in Switzerland;

multiplied by

- (ii) the applicable coverage ratio as determined by the board of trustees of the Swiss Pension Providers in accordance with Article 44 BVV2 (Swiss Ordinance on Occupational Retirement, Survivors’ and Disability Pension Plans) under the partial liquidation regulations of each of Novartis Pensionskasse 1, Novartis Pensionskasse 2 and Kaderkasse Novartis on the assumption that the Swiss Assets were to transfer to the Purchaser’s replacement pension vehicle at the Effective Time;

“Swiss Assumptions” means, in relation to any Transferred Employee Benefits in Switzerland, Novartis’s Seller IFRS Assumptions adjusted:

- (i) by replacing – other than in so far as the Transferred Employee Benefits relate to any Swiss Potential Early Retirees – any assumed “cash balance” annuity conversion rate in Novartis’s Seller IFRS Assumptions with a conversion rate

which the Swiss Actuary certifies to GlaxoSmithKline and Novartis as representing a reasonable estimate of the likely effective overall blended conversion rate which will apply in relation to the Transferred Employee Benefits in question, having regard to the changes to the rate which can (having regard to longevity projections, legal and governance constraints around Swiss pension structures and such other matters as the Swiss Actuary considers relevant) in the Swiss Actuary's opinion reasonably be expected to occur during the expected service lives of the Transferred Employees to whom the Transferred Employee Benefits relate, and weighting the impact of those changes by reference to the ages of the relevant employees (and so the extent to which the changes will in fact operate to reduce the effective liability on GlaxoSmithKline); and

- (ii) by removing any reserve for death or disability benefits to the extent that the Swiss Actuary certifies to GlaxoSmithKline and Novartis that it constitutes a reserve for liabilities to and in respect of the relevant Transferred Employees which could reasonably be externally insured by the Purchaser's Group without introducing a new ongoing cost on the Purchaser's Group which was not reflected in Novartis's ongoing cost base prior to the date of this Agreement;

“Swiss EB Liabilities” means those of the Transferred Employee Benefit Liabilities that are attributable to the Transferred Employees in Switzerland;

“Swiss Employee Benefits” means the benefits to which the Swiss EB Liabilities relate;

“Swiss Pension Providers” means the provider(s) of Swiss Employee Benefits;

“Swiss Post-Closing Employers” means the Target Group Companies, and any relevant members of the Purchaser's Group which employ the Transferred Employees in Switzerland on and from Closing;

“Swiss Potential Early Retirees” means those Transferred Employees employed in Switzerland who have “grandfathered” entitlements to a wholly or partly unreduced early retirement pension under the old final salary scheme operated by Novartis in Switzerland which closed at the end of 2010;

“Temporary Participation Plan” means any plan or arrangement (whether funded or unfunded) for the provision of Employee Benefits in which Transferred Employees participate prior to Closing and continue (for any reason, whether by special arrangement as is the case for the Swiss Post-Closing Employers or because they are Delayed Business Employees or Delayed Company Employees, or otherwise) to participate for a temporary period after Closing;

“Temporary Participation Cessation Date” means, in relation to any Temporary Participation Plan, the date on which Transferred Employees cease to participate in the relevant plan or arrangement; and

“Vaccines Funding Assumptions” means, in relation to any Transferred Employee Benefits which are similar or comparable to benefits in the same country which are Transferred Employee Benefits under the Vaccines Sale and Purchase Agreement (the **“Equivalent Vaccines Benefits”**), the method and assumptions used under the Vaccines Sale and Purchase Agreement to value those Equivalent Vaccines Benefits. For the avoidance of doubt, the

Vaccines Funding Assumptions are only available in respect of Transferred Employee Benefits for which there are Equivalent Vaccines Benefits.

For the purposes of each of the Other Party Funding Assumptions, the Other Party IFRS Assumptions, the Seller Funding Assumptions, the Seller IFRS Assumptions, the Swiss Assumptions (and, for the avoidance of doubt, the Vaccines Funding Assumptions and the Oncology Funding Assumptions), any economic and financial assumptions which are based (whether expressly or implicitly) on yields, rates or indices shall be updated for the purposes of such definitions to take account of those yields, rates or indices as at the Effective Time (or the latest practicable time prior to the Effective Time).

1. Except to the extent otherwise requested by each Seller and expressly agreed by the Other Party before Closing (such Other Party agreement not to be unreasonably withheld to the extent that it is not reasonably possible for such Seller or its Affiliates to retain the relevant Employee Benefit Liabilities – for example, where a relevant Target Group Company operates its own standalone arrangement, liability for which cannot lawfully be assumed by another member of such Seller’s Group, or where liability unavoidably transfers by operation of law under European Council Directive 2001/23/EC or its local implementing legislation), any Employee Benefit Liabilities in respect of service in the relevant Target Group or with any member of such Seller’s Group (including any relevant Target Group Company) or in any plan or arrangement in which any member of such Seller’s Group (including any relevant Target Group Company) participates or has participated:

- (a) (in the case of a Transferred Employee) prior to Closing; or
- (b) (in the case of any other person) at any time,

(together, “**Pre-Closing EB Liabilities**”) will stay with or be assumed by such Seller or its Affiliates (excluding any relevant Target Group Company) and such Seller shall fully indemnify the Purchaser and its Affiliates and/or any relevant Target Group Company against any such Employee Benefit Liabilities and against any liabilities and obligations to or in respect of any plan or arrangement for the provision of Employee Benefits in which any member of such Seller’s Group (including any relevant Target Group Company) participates or participated prior to Closing. For the avoidance of doubt, the Other Party’s agreement under this paragraph 1 may, if the Other Party so determines, relate only to certain specified categories or tranches of relevant Pre-Closing EB Liabilities under a particular benefit programme (in other words, it does not need to be “all or nothing”), in which case it is only those specified Pre-Closing EB Liabilities which are excluded from the scope of the Purchaser’s indemnity entitlement hereunder.

2. Where and to the extent that the Other Party agrees under paragraph 1 that any Pre-Closing EB Liabilities may transfer to or remain with the Purchaser and/or its Affiliates and/or any relevant Target Group Company (such Pre-Closing EB Liabilities being the “**Transferred Employee Benefit Liabilities**” and the benefits to which they relate being the “**Transferred Employee Benefits**”), the Purchaser will be compensated in respect of such Transferred Employee Benefit Liabilities as set out in the rest of this Schedule 8. Subject to being so compensated but without prejudice to paragraphs 9 and 11, the Purchaser shall, or shall procure that its relevant Affiliate shall, assume, with a full

discharge for each Seller and its Affiliates, the Transferred Employee Benefit Liabilities. The Other Party acknowledges its agreement to the principle that the post-retirement medical healthcare plan to which it admits US Transferred Employees who immediately before Closing were members of such a plan will take account of periods of employment with the Seller's Group to the extent previously recognised under the equivalent Seller's Group plan for the purposes of determining eligibility, contributions, and vesting; again, therefore, subject to appropriate identification during the period before Closing of such liabilities and to the operation of the compensation mechanism set out in this Schedule 8, they will become Transferred Employee Benefit Liabilities.

2A. This paragraph 2A applies where there are Transferred Employee Benefits in a Temporary Participation Plan. In such a case, notwithstanding that the Transferred Employee Benefit Liabilities may (subject to the Purchaser's agreement as per paragraph 1 above) include liabilities in respect of service after the Effective Time, the Transferred Employee Benefit Liabilities which are included in the calculation of the Employee Benefit Indemnification Amount as per paragraph 3 below shall (unless each Seller and the Purchaser agree otherwise in any particular case) comprise only those liabilities attributable to service before the Effective Time. Conversely, although the Transferred Employee Benefit Liabilities will not for the purposes of paragraph 1 and 2 above include liabilities in respect of Transferred Employees or other individuals who leave employment or crystallise benefits before the Temporary Participation Cessation Date in relation to the relevant Temporary Participation Plan (unless each Seller and the Purchaser agree otherwise in any particular case and without prejudice to the Purchaser or its Affiliates' obligation to comply with any requirements in relation to such individuals before they leave employment or crystallise benefits), the parties agree that the calculation of the Employee Benefit Indemnification Amount under paragraph 3 below in relation to any Temporary Participation Plan shall be carried out on the basis of a conclusive presumption (regardless of any actual knowledge to the contrary) that:

2A.1 any individual who is a Delayed Employee on the day after the Closing Date is or will become a Transferred Employee, and

2A.2 no Contingent Individual will leave employment or crystallise benefits before the relevant Temporary Participation Cessation Date. For these purposes a "Contingent Individual" is a Transferred Employee or other individual who on the day after the Closing Date has not left employment or crystallised benefits and in respect of whom liabilities: (a) would become Transferred Employee Benefit Liabilities if he does not leave employment or crystallise benefits before the relevant Temporary Participation Cessation Date; but (b) would not otherwise become Transferred Employee Benefit Liabilities.

United Kingdom

For the avoidance of doubt, it is also agreed that, where the Seller is Novartis, no UK defined benefit pension liabilities are to be Transferred Employee Benefit Liabilities. Without limiting paragraph 1 but subject to paragraphs 22 to 24, this means that Novartis must prior to Closing procure that no Novartis OTC Group Company is a participating employer under the governing documents, or an 'employer' for the purposes of the Pensions Act 1995 and the Pensions Act 2004, in the Chiron UK

Pension Scheme or the Novartis UK Pension Scheme, and Novartis shall under paragraph 1 fully indemnify the Purchaser and its Affiliates (including any Target Group Company) against any liabilities and obligations to or in respect of either of those plans, including any debt under section 75 of the Pensions Act 1995, except to the extent such liabilities and obligations relate to the payment by or on behalf of Novartis Consumer Health UK Limited of contributions in respect of defined contribution benefits at the rates applicable to the relevant members and an appropriate share of administrative expenses, as referred in paragraphs (a) and (c) of the definition of “Ongoing Pension Costs” in the deed of interim participation and cessation to be entered into by Novartis Consumer Health UK Limited on or about the date of this Agreement (but subject to clause 3.6 of that deed), to the Novartis UK Pension Scheme in respect (in both cases) of the period from and including the Effective Time to and including the UK Temporary Period of Participation Cessation Date. For the avoidance of doubt, amounts payable to the Pensions Regulator or the Pension Protection Fund shall not be treated as administrative expenses for the purposes of this clause and any amounts payable to the Novartis UK Pension Scheme other than under paragraphs (a) and (c) of the definition of “Ongoing Pension Costs” referred to above (subject to clause 3.6 as referred to above) shall be covered by the indemnity set out in this clause.

Switzerland

For the avoidance of doubt, it is also agreed that the Purchaser shall procure that the Swiss Potential Early Retirees will as at Closing be provided with equivalent early retirement benefit provisions under the replacement pension plan to be provided by the Purchaser for and in respect of the Transferred Employees employed in Switzerland under the terms of this Agreement, provided that the Swiss Actuary confirms that such early retirement benefit provisions are allowed for in the Swiss Assumptions.

3. The value of the Transferred Employee Benefit Liabilities shall be determined on employee census data and plan provision as at the Effective Time (and making the conclusive presumptions at 2A.1 and 2A.2 above) on the Vaccines Funding Assumptions where available, failing which on the Oncology Funding Assumptions if those are available, failing which on:
- (i) in relation to any Transferred Employee Benefits in Switzerland, the Swiss Assumptions; and
 - (ii) in relation to any other Transferred Employee Benefits, the Seller IFRS Assumptions, PROVIDED that if any of the following values is available then that value will be used instead:
 - (A) if a member of the Other Party Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc.) and neither (B) nor (C) below is available, the value which is midway between the value based on the Seller IFRS Assumptions and the Other Party IFRS Assumptions;

- (B) if (C) below is not available but there is a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund the Transferred Employee Benefits to a funding target which would lead to a greater value being placed on the Transferred Employee Benefit Liabilities than the Seller IFRS Assumptions, the value derived using the Seller Funding Assumptions; and
- (C) if there is both: (i) a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund the Transferred Employee Benefits to a funding target which would lead to a greater value being placed on the Transferred Employee Benefit Liabilities than the Seller IFRS Assumptions; and (ii) a member of the Other Party Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc.), the value which is midway between the value based on the Seller Funding Assumptions and the Other Party Funding Assumptions.

Where there are any Transferred Employee Benefit Liabilities which prior to Closing were externally funded by assets held in a trust or other vehicle established for the purposes of meeting such Transferred Employee Benefit Liabilities, and the actuary chosen by the Seller and the actuary chosen by the Purchaser agree under paragraph 4 (or it is otherwise determined under paragraph 5) that, having regard to all relevant matters as they subsisted immediately after Closing, it would be reasonable to expect all or part of such assets to be or remain available to the Purchaser or its Affiliates to meet the cost of such Transferred Employee Benefit Liabilities (whether by transfer out to another vehicle or because a Target Group Company is expected to remain affiliated to the vehicle on more than a merely temporary basis), then the value as at the Effective Time of the assets which, ignoring matters arising after Closing, they would expect to be made or remain so available (the “**Available Assets**”) (including for the avoidance of doubt, in the case of Switzerland, the Swiss Assets to the extent that they are so agreed or determined) as agreed under paragraph 4 or determined under paragraph 5 will be deducted from the value of the Transferred Employee Benefit Liabilities, and the remaining value of the Transferred Employee Benefit Liabilities (if any) is the “**Employee Benefit Indemnification Amount**”. The determination of the Employee Benefit Indemnification Amounts shall be carried out on a country-by-country basis and, where necessary, on a plan-by-plan basis.

If any Employee Benefit Indemnification Amount is greater than the amount paid in respect of it via the Estimated Employee Benefit Adjustment (or, where no such estimate was made, greater than zero), the relevant Seller shall pay or procure payment, by way of a reduction in the Purchase Consideration paid for the particular part of the Target Group to which the payment relates, an amount equal to the difference (or, where no such estimate was made, such amount) to the Purchaser, or at the request of the Purchaser to an Affiliate of the Purchaser, as compensation for the Transferred Employee Benefit Liabilities. If any Employee Benefit Indemnification Amount is less than the amount paid in respect of it via the Estimated Employee Benefit Adjustment (if any), the Purchaser shall pay an amount equal to the difference to the relevant Seller.

4. Each Seller and its Affiliates shall, within 45 days after Closing, provide its actuary, the Swiss Actuary (if relevant) and the actuary chosen by the Purchaser with all relevant plan, asset, assumptions and employee census information needed to calculate the Employee Benefit Indemnification Amounts in respect of any Transferred Employees or Delayed Employees to the extent not otherwise within the control of the Purchaser or its Affiliates (including any Target Group Company). The actuary chosen by the Seller shall provide the actuary chosen by the Other Party with its calculation of the Employee Benefit Indemnification Amounts (including, but not limited to, any supporting documentation on which it relied as well as the methodologies it employed in calculating the Employee Benefit Indemnification Amounts), on a plan-by-plan basis, within 90 days following Closing. The actuary chosen by the Other Party shall review the calculation of the Employee Benefit Indemnification Amounts of the Seller's actuary within 120 days following Closing. The Employee Benefit Indemnification Amounts shall be determined, on a plan-by-plan basis, by mutual agreement between the Seller and the Other Party within 180 days following the Closing Date.
5. If such Seller and the Purchaser cannot agree on any Employee Benefit Indemnification Amount within the 180-day period referred to in paragraph 4, such parties shall appoint within five days an independent actuary acceptable to both parties, or such actuary shall be selected by the President of the Institute and Faculty of Actuaries in the UK if they cannot agree, and the independent actuary thus appointed shall review their calculations and, within 75 days after appointment, render a final and binding decision on the amount of that Employee Benefit Indemnification Amount, and, in making such decision, shall be limited to adopting the position taken by either one of that Seller or the Purchaser. The cost of any independent actuary shall be borne jointly by that Seller and the Purchaser.
6. In connection with the procedures referred to in this Schedule 8, each Seller and the Purchaser shall provide each other and the actuaries referred to in this Schedule 8 with access to the relevant business records and other relevant documents and information as may reasonably be requested. All documents, records and information provided for the purposes of this Schedule 8 must be accurate and complete in all material respects.
7. Each payment in respect of an Employee Benefit Indemnification Amount shall be made by the relevant Seller so far as possible (by way of a reduction in the Purchase Consideration paid for the particular part of the Target Group to which the payment relates) within 14 days following its final determination. Each Seller may make an accelerated or advance payment at its own discretion (which, for the avoidance of doubt, includes in relation to each Employee Benefit Indemnification Amount so much (if any) of the Estimated Employee Benefit Adjustment as the Seller notified pursuant to Clause 6.4 was intended to relate to that Employee Benefit Indemnification Amount). Each relevant Employee Benefit Indemnification Amount shall include interest calculated from the Effective Time to (and including) the date of payment at a rate per annum of LIBOR (but where amounts are prepaid or paid in stages or treated as paid via inclusion in the Estimated Employee Benefit Adjustment then the interest will cease to accrue on so much of such Employee Benefit Indemnification Amount as has been paid). Such interest shall accrue from day to day. Any such payment shall be made in US dollars (and any underlying values shall be expressed in US dollars) and any

currency other than US dollars shall be converted into US dollars at the exchange rates determined in accordance with Clause 1.13 of this Agreement on the Closing Date.

8. To the extent (if any) that there are any Transferred Employee Benefit Liabilities which prior to Closing were externally funded by assets held in a trust or other vehicle established for the purposes of meeting such Transferred Employee Benefit Liabilities, the Purchaser will, if requested by a Seller before Closing (or the relevant Temporary Participation Cessation Date) and unless it is not reasonably practicable to do so, establish or nominate a trust or other vehicle which is capable of receiving a transfer of assets from the pre-Closing trust or other vehicle to the extent that such assets relate to such Transferred Employee Benefit Liabilities.
9. If, within one year of Closing, a Seller or the Purchaser notifies the other that the membership or other benefit data (the “**Data**”) used for calculating any Employee Benefit Indemnification Amount may be inaccurate, other than by reason of an Excluded Matter, then a “**Data Dispute**” has arisen and the following provisions shall apply:
 - (a) On such notification, the Seller shall procure that its actuary and the Purchaser shall procure that its actuary consult each other with a view to agreeing whether the Data is inaccurate and if so, what the accurate Data should be. If that Seller’s actuary and the Purchaser’s actuary agree that the Data is inaccurate, they will jointly certify this to be the case and advise on what the accurate Data should be. The notification is deemed to have occurred on the date of the certification.
 - (b) If that Seller’s actuary and the Purchaser’s actuary fail to agree whether the Data is inaccurate within 60 days of the notification by one party to the other that the Data may be inaccurate, paragraph 5 shall apply *mutatis mutandis*. The notification is deemed to have occurred when the independent actuary advises that the Data is inaccurate and what the accurate Data should be.
 - (c) On the occurrence of the Data Dispute, such Seller and the Purchaser shall respectively procure that a valuation of the relevant Employee Benefit Indemnification Amount is carried out in accordance with paragraphs 3 and 4 (*mutatis mutandis*) but on the basis of the accurate Data as agreed under sub-paragraph (a) or determined under sub-paragraph (b).
 - (d) If as a consequence of sub-paragraph (c), such Seller has paid to the Purchaser an amount which on the basis of the further valuation is not payable, such amount (the “**Overpayment**”) shall be repaid within 21 days of the amount of the Overpayment being agreed or determined. Any such payment shall bear interest calculated from (and including) the date the Overpayment was made to (and including) the date the payment is made in full in accordance with this sub-paragraph (d) at a rate per annum of LIBOR. Such interest shall accrue from day to day.
 - (e) If as a consequence of sub-paragraph (c), such Seller has not paid to the Purchaser an amount which on the basis of the further valuation is payable, such amount (the “**Outstanding Amount**”) shall be paid within 21 days of the

amount of the Outstanding Amount being agreed or determined. Any such payment shall bear interest calculated from (and including) the Closing Date to (and including) the date the payment is made in full in accordance with this sub-paragraph (d) at a rate per annum of LIBOR. Such interest shall accrue from day to day.

For the purposes of this paragraph 9, the “**Excluded Matters**” are:

- (i) assets which were assumed to be Available Assets ultimately turning out not to be available to the Purchaser or its Affiliates to meet the cost of the Transferred Employee Benefit Liabilities to which they related, and
- (ii) liabilities in respect of individuals being assumed to be Transferred Employee Benefit Liabilities but turning out not to be because the individuals leave service or crystallise benefits before the date liabilities are transferred.

10. Except as otherwise agreed by each Seller, the Purchaser shall where a trust or other vehicle has been established under paragraph 8, procure that all of the assets transferred as envisaged by paragraph 8 are paid into such trust or other vehicle. If, after such payment or transfer, or after payment of an Employee Benefit Indemnification Amount or after making an Estimated Employee Benefit Adjustment, the Purchaser and/or its Affiliates achieves a reduction in its liability to any Tax in respect of or in connection with payment or transfer, the Purchaser shall pay to that Seller (for itself and on behalf of the relevant Share Seller or Business Seller, as applicable), within 30 days after the Purchaser would otherwise have been liable to pay the saved Tax, a sum equal to the amount of that Tax reduction so far as possible by way of an increase in the Purchase Consideration in respect of the particular part of the Target Group to which the payment relates. This paragraph 10 applies for a period of four years following the later of the date on which a transfer of assets is made, or payment of any Employee Benefit Indemnification Amount or Estimated Employee Benefit Adjustment is made to the Purchaser.
11. Each Seller covenants with the Purchaser to pay to the Purchaser an amount equal to any cost, claim or liability incurred by any member of the Purchaser’s Group which it is or becomes liable to make on or at any time after Closing by reason of any change or purported change made to the terms of any relevant Transferred Employee Benefits prior to Closing proving to be or have been legally ineffective or by reason of such terms and/or benefits failing to comply with any mandatory legal requirements (excluding any obligation to equalise guaranteed minimum pensions in the United Kingdom). The relevant Seller shall not be liable under this paragraph 11 in respect of any individual claim (or a series of claims arising from similar or identical facts or circumstances) unless the liability in respect of such claim or series of claims exceeds US\$100,000. If the Purchaser becomes aware of any fact, matter or circumstance that may give rise to a claim against the relevant Seller under this paragraph 11, the Purchaser shall as soon as reasonably practicable give notice in writing to the relevant Seller of such facts, matters or circumstances as are then available regarding the potential claim. Failure to give such notice within such period shall not affect the rights of the Purchaser to make a relevant claim under this paragraph 11, except that the relevant Seller shall not be liable for any increase in the amount of such claim arising from such failure. The latest date

on which the Purchaser may give notice of a claim under this paragraph 11 is the fourth anniversary of the Closing Date.

12. Notwithstanding any general provision to the contrary in Schedule 7 and subject to being compensated in accordance with this Schedule 8, the Purchaser shall admit Transferred Employees in the United States who participated in a post-retirement medical plan immediately prior to Closing to its own post-retirement medical plan. Subject to being compensated in accordance with this Schedule 8, periods of employment with the relevant Seller's Group (including, without limitation, any current or former Affiliate of the relevant Seller, to the extent previously recognised under the applicable benefit plan arrangement provided by the relevant Seller's Group), shall be taken into account for the purposes of determining, as applicable, the eligibility for participation, contributions, and vesting for any employee under such post-retirement medical plan.
13. Notwithstanding any general provision to the contrary in Schedule 7, the US Transferred Employees shall, as of the Closing Date, become eligible to participate in a US tax-qualified defined contribution plan to the extent such plan is sponsored by the Purchaser or a relevant member of the Purchaser's Group. The Purchaser agrees that it will use commercially reasonable efforts to cause such plan to accept rollovers of the account balances of the US Transferred Employees (including participant loan promissory notes) from the relevant employer's tax-qualified retirement plans; provided that (i) the Purchaser will not be required to accept any such rollovers that might result in material liability to the Purchaser or may otherwise cause the relevant plan to cease to qualify under Section 401(a) of the Code and (ii) the Purchaser will not be required to amend any plan to permit participant loans.
14. GlaxoSmithKline covenants to pay Novartis an amount equal to any payment Novartis or any member of Novartis's Group (excluding, for the avoidance of doubt, any Novartis OTC Group Companies – as to which, see paragraph 1 above) is or becomes liable to make on or at any time after Closing to or in respect of any post-retirement benefit plan or arrangement (whether funded or unfunded, including without limitation any occupational pension scheme and any arrangement with only one member) in which the Purchaser, the GlaxoSmithKline Consumer Group Companies or GlaxoSmithKline's Group participates or has at any time participated (each a "**GlaxoSmithKline Retirement Plan**"). This covenant does not apply to liabilities in respect of any arrangement in which Novartis or a member of Novartis's Group participates after Closing. If a financial support direction or contribution notice in respect of a pension scheme under the UK Pensions Act 2004 is received by Novartis or a member of Novartis's Group in respect of a GlaxoSmithKline Retirement Plan, Novartis shall, within five Business Days notify GlaxoSmithKline of the financial support direction, and will continue to pass on all related correspondence. Subject to that, however, Novartis will not be required to take any positive action in respect of the financial support direction (including entering into any discussion or negotiations with the UK Pensions Regulator or GlaxoSmithKline as to possible financial support arrangements) in order to benefit from the indemnity in respect of the direction or notice in this paragraph 14.
15. Novartis covenants to pay GlaxoSmithKline an amount equal to any payment GlaxoSmithKline or any member of GlaxoSmithKline's Group (excluding, for the

avoidance of doubt, any GlaxoSmithKline Consumer Group Companies – as to which see paragraph 1 above) is or becomes liable to make on or at any time after Closing to or in respect of any post-retirement benefit plan or arrangement (whether funded or unfunded, including without limitation any occupational pension scheme and any arrangement with only one member) in which the Purchaser, the Novartis OTC Group Companies or Novartis's Group participates or has at any time participated (each an “**Novartis Retirement Plan**”). This covenant does not apply to liabilities in respect of any arrangement in which GlaxoSmithKline or a member of GlaxoSmithKline's Group participates after Closing. If a financial support direction or contribution notice in respect of a pension scheme under the UK Pensions Act 2004 is received by GlaxoSmithKline or a member of GlaxoSmithKline's Group in respect of a Novartis Retirement Plan, GlaxoSmithKline shall, within five Business Days notify Novartis of the financial support direction, and will continue to pass on all related correspondence. Subject to that, however, GlaxoSmithKline will not be required to take any positive action in respect of the financial support direction (including entering into any discussion or negotiations with the UK Pensions Regulator or Novartis as to possible financial support arrangements) in order to benefit from the indemnity in respect of the direction or notice in this paragraph 15.

16. If, after Closing, the Purchaser or any member of the Purchaser's Group participates in a GlaxoSmithKline Retirement Plan (as defined in paragraph 14 above), unless otherwise agreed among GlaxoSmithKline, Novartis and the Purchaser, then the parties agree that the mechanism for giving effect to GlaxoSmithKline's commitment at paragraph 1 above to the Purchaser in relation to such plan will be for GlaxoSmithKline to procure that the only amounts (as certified by the actuary to the GlaxoSmithKline Retirement Plan) which the Purchaser or any member of the Purchaser's Group is required to contribute to that GlaxoSmithKline Retirement Plan will relate to the service of the employees of the Purchaser or any member of the Purchaser's Group from and after the Effective Date. The obligation in this paragraph 16 will continue to apply only for so long as Novartis retains a shareholding in the Purchaser.
17. By way of exception to the general principle at paragraph 1, where a Transferred Employee in the UK who had joined service with GlaxoSmithKline's Group before 1 April 2005 is made redundant within 24 months of Closing, then the Purchaser shall pay GlaxoSmithKline an amount equal to the cost of applying the Agreed UK Restructuring Arrangement to an employee of the employee's actual age at the date he is made redundant, but (unless the employee is prior to his redundancy still actively participating in a GlaxoSmithKline Retirement Plan) only to so much of the employee's benefits in a GlaxoSmithKline Retirement Plan as were accrued prior to Closing and provided further that the Purchaser's aggregate liability under this paragraph in respect of all such Transferred Employees in the UK who are so made redundant is capped at £1,000,000. This cost shall be calculated on a basis consistent with that which is used across the GlaxoSmithKline's Seller's Retained Business for internal cross-charging purposes in relation to the Agreed UK Restructuring Arrangement, and GlaxoSmithKline shall supply the Purchaser with such evidence as the Purchaser may reasonably require to verify that. Subject to receipt of such payment, GlaxoSmithKline shall apply the Agreed UK Restructuring Arrangement to the relevant employee's GlaxoSmithKline Retirement Plan benefits. GlaxoSmithKline's commitments under paragraphs 1 and 16 above shall be amended accordingly.

18. The parties agree that where any Transferred Employee has accrued defined contribution benefits prior to Closing in a Seller's Group arrangement then:
- (a) that Seller shall use commercially reasonable efforts to procure the vesting of those benefits (if they would otherwise lapse as a result of Closing);
 - (b) the parties shall, provided this will not impose unreasonable administrative burdens on the Purchaser's Group, co-operate in good faith to procure a transfer of the account balances of such Transferred Employee from that Seller's Group arrangement to a Purchaser's Group arrangement; and
 - (c) for the avoidance of doubt, the Purchaser will comply with the provisions of paragraph 6.1 of Schedule 7.

Switzerland: temporary period of participation

19. Novartis and the Purchaser shall use all reasonable endeavours to procure that, with effect from Closing, the Swiss Post-Closing Employers shall be admitted to participate in the relevant plans operated by the Swiss Pension Providers, to enable the Swiss Post-Closing Employers to continue to provide Swiss Employee Benefits to, and in respect of, the Transferred Employees in Switzerland for the period from Closing up to 31 December 2015 or such earlier date as the Swiss Pension Providers may permit under their temporary affiliation agreements with the Swiss Post-Closing Employers.
20. The Purchaser shall use all reasonable endeavours to procure that the Swiss Post-Closing Employers shall each enter into a temporary affiliation agreement with the board of trustees of the Swiss Pension Providers on such terms as the Seller and the Purchaser may have agreed prior to Closing.
21. The Sellers and the Purchaser agree that, if, during the period on and from the Effective Time up to and including the Temporary Participation Cessation Date in relation to the plans operated by the Swiss Pension Providers, there is underperformance in the investment returns achieved in respect of the assets held by the Swiss Pension Providers in respect of the Transferred Employees in Switzerland who are cash balance members (so that the assets are not sufficient to provide the mandatory 1.5% p.a interest rate accrual), then there may be payment due from the Swiss Post-Closing Employers to the Swiss Pension Providers in accordance with the terms of the relevant affiliation agreement. If such a payment is demanded by the Swiss Pension Providers, then Novartis undertakes to pay to the Purchaser 50% of the amount demanded from the Purchaser or any Affiliate (including without limitation a Swiss Post-Closing Employer) to the Swiss Pension Providers within 14 days of being notified of such demand. The Purchaser shall, as soon as reasonably practicable, pay (or procure that its Affiliate pays) any such amount received from Novartis to the Swiss Pension Providers, to the extent that the amount is still owed to the Swiss Pension Providers by the Purchaser or its Affiliate.

UK: temporary period of participation

22. Novartis and the Purchaser shall use all reasonable endeavours to procure that, with effect from Closing, Novartis Consumer Health UK Limited shall continue to participate

in the defined contribution section of the Novartis UK Pension Scheme, to enable Novartis Consumer Health UK Limited to continue to provide Employee Benefits to, and in respect of, the Transferred Employees in the UK for the period from Closing up to the UK Temporary Period of Participation Cessation Date.

23. Novartis and the Purchaser shall use all reasonable endeavours to procure that with effect on and from Closing Novartis Consumer Health UK Limited shall enter into a deed of interim participation and cessation with the Novartis UK Trustee on such terms as each Seller, the Purchaser and the Novartis UK Trustee may reasonably agree.

24. In these paragraphs 22 to 24 of this Schedule 8:

24.1 “**Novartis UK Trustee**” means Novartis UK Pension Trustees Limited as trustee of the Novartis UK Pension Scheme.

24.2 “**UK Temporary Period of Participation Cessation Date**” means close of business on the date of termination of the Transitional Services Agreement which is expected to be 1 March 2016, or such other date as Novartis Consumer Health UK Limited shall notify to the principal company of the Novartis UK Pension Scheme and the Novartis UK Trustee as being the date on which the Transferred Employees in the United Kingdom are to be transferred onto the payroll and benefits systems operated by or behalf of the Purchaser’s Group.

Other jurisdictions: temporary periods of participation

25. Each Seller and Purchaser may agree that an employing entity in the Purchaser’s Group shall be admitted to participate, for a temporary period with effect from Closing, in one or more Employee Benefit plans operated by a member of the Seller’s Group, or in which a member of the Seller’s Group participates.

26. In such event, the relevant Seller and Purchaser shall use all reasonable endeavours to enter into an agreement with the provider or board of trustees of the relevant Employee Benefit plan on such terms as the provider or board of trustees may reasonably require.

Specific assurance in relation to plans operated by Swiss Pension Providers

27. Novartis warrants to GlaxoSmithKline that, assuming the Temporary Participation Cessation Date is on or before 31 December 2015, the regulations governing the plans operated by the Swiss Pension Providers would oblige the Swiss Pension Providers to transfer to the replacement pension arrangement put in place for the Transferred Employees, in addition to amounts calculated as at Closing in respect of benefits accrued to that date, the contributions paid after the Effective Time in respect of the retirement accounts of the Transferred Employee by the employees or their employers. For the avoidance of doubt, Novartis gives no warranty as to whether the Swiss Pension Providers will comply with this obligation.

Liabilities relating to Inadvertent In-Scope Novartis Employees and Novartis Alliance Market Employees

28. Save to the extent they have become Transferred Employee Benefit Liabilities under paragraphs 1 and 2 above such that the Purchaser is compensated for them under this Schedule 8, Novartis covenants to pay to GlaxoSmithKline an amount equal to any

payment GlaxoSmithKline or any member of GlaxoSmithKline's Group is or becomes liable to make on or at any time after Closing in respect of the Employee Benefits of Inadvertent Novartis Employees (as defined in paragraph 11.1 of Schedule 7). To the extent that such Employee Benefits become Transferred Employee Benefit Liabilities, then the preceding sentence shall apply as if it were the Purchaser (and not Novartis) which made the covenant.

29. Novartis covenants to pay to GlaxoSmithKline an amount equal to any payment GlaxoSmithKline or any member of GlaxoSmithKline's Group is or becomes liable to make on or at any time after Closing in respect of the Employee Benefits of any Novartis Alliance Market Employees (as defined in paragraph 13.1 of Schedule 7). To the extent that such Employee Benefits become Transferred Employee Benefit Liabilities, then the preceding sentence shall apply as if it were the Purchaser (and not Novartis) which made the covenant.

Jubilee payments

30. For the purposes of calculating the amount of jubilee payments and long service awards falling within the definition of "Transferred Employee Benefit Liabilities" the following principles shall apply:
- 30.1 in relation to Transferred Target Company Employees, liabilities to make jubilee payments and grant long service awards will be treated as falling within Transferred Employee Benefit Liabilities and shall be calculated on the basis of the value of such liabilities determined in accordance with the preceding provisions of this Schedule;
- 30.2 in relation to Transferred Target Business Employees in respect of whom each of the following applies:
- (a) liabilities to make jubilee payments or grant long service awards transfer to a member of the Purchaser's Group by operation of law; and
 - (b) the relevant member of the Purchaser's Group replicates or will replicate the benefits which applied while they were employees of the relevant Seller's Group,
- liabilities to make jubilee payments or grant long service awards will be treated as falling within the Transferred Employee Benefit Liabilities and shall be calculated on the basis of the benefit scales which applied while the Transferred Target Business Employees were employees of the relevant Seller's Group;
- 30.3 in relation to Transferred Target Business Employees for whom either:
- (a) liabilities to make jubilee payments or grant long service awards do not transfer by operation of law but the relevant member of the Purchaser's Group provides or will provide replacement benefits which replicate the benefits provided by the relevant Seller's Group); or
 - (b) the relevant member of the Purchaser's Group provides or will provide replacement jubilee or long service benefits but does not or will not replicate the benefits which applied while they were employees of the relevant Seller's Group,

liabilities to make jubilee payments or grant long service awards will be treated as falling within the Transferred Employee Benefit Liabilities and shall be calculated on the basis of the benefit scales which applied while the Transferred Target Business Employees were employees of the relevant Seller's Group or, if less, the value of the actual benefit to be provided by the relevant members of the Purchaser's Group;

30.4 for the avoidance of doubt, no amount will be included within "Transferred Employee Benefit Liabilities" in respect of jubilee payments or long service awards in relation to Transferred Target Business Employees for whom liabilities to make such payments or grant such awards do not transfer by operation of law and no replacement benefits are provided by any member of the Purchaser's Group; and

30.5 the Purchaser and the Sellers will negotiate in good faith with a view to agreeing an appropriate and simple method in each jurisdiction for valuing jubilee payments and long service awards which are not disproportionate to the amounts of such payments but which is suitably even-handed as between the parties. Any such agreement will override the foregoing provisions of this paragraph 30 to the extent there is any inconsistency.

**Schedule 9
Products**

**Part 1
GlaxoSmithKline Products**

Piriton / Piriteze

Formigran

Cholinex

Fenbid

Panadeine

Panadol

Panadol Cold

Beechams Cold & Flu and Night/Day Nurse

Coldrex

Iodosan

Abreva

Eumovate

Hinds

Oilatum

Physiogel

Zovirax

Citrucel

ENO

Gaviscon

Tums

Maxinutrition (parent company of Maximuscle, Maxifuel, Maxitone and Maxiraw)

Committed Quitters

Nicorette

NiQuitin CQ/ Nicoderm CQ/ Nicabate

Boost
Horlicks
Maltova
Aquafresh
Astringosol
Binaca
Biotene
Chlorhexamed
Corega
Corsodyl
Dr. Best
Macleans
Odol
Odol-med3
Parodontax
Polident
Polident 5 minute
Poligrip
Poligrip Ultra
Sensodyne
Shumitect
Super Poligrip
Super Wernet's
Synthol
Breathe Right
Commit Lozenge
Flu
Cetebe

Medacalm
Oscal
Rutinoscorbin
Scott's Emulsion
Viva
alli

Part 2
Novartis Products

4-Way
Alca C
Ascriptin
Aseptal
Balsamo
Benefiber
Benuron
Bialcol
Black Forest
Bradoral
Buckley
Bufferin
Calcium
Calcium Sandoz
Calcium Vit. C
Calcium Vit. D3
Carreras/Zydermine
Cibalgina

Clearblue
Comtrex
Coramin Gluc
Cruex
Cuticura
C-Vit Brause
Degoran
Delsym
Denavir/Vectavir
Dermisone
Dermo H Infantil
Desenex
Detensor
Dlyanos
Doans
Do-Do
Doederlein
Doxiten
Dycholium
Dynamisan Tonic
Dynamisan Vms
Euceta
Eurax
Excedrin
Ex-Lax
Fenistil Systemic

Fenistil Topical
Flamigel
Florvis
Gas-X
Gaviscon
Glyvenol
Halibut
Halset
Hematin
Hemeran
Hermesetas
Hova
Idalprem
Importal
Iron
Kcl-Retard
Keri
Kpp
Lac-Hydrin
Lamisil Base
Lamisil Insoles
Lamisil Once
Lemocin
Lipactin
Locacorten Viofrom
Loratadine

Lypsil
Lyseen
Maalox
Macalvit
Magnesium
Magnogene
Mebucaine
Med-V
Merfen
Meteozym
Mineral Ice
Moisturel
Myoflex
Neda
Neo-Citran / Theraflu
Neo-Intestopan
Neotussan
Neril
Nicotinell Gum (excluding the US)
Nicotinell Lozenge (excluding the US) (excluding the US)
Nicotinell Patch (excluding the US)
Nitossil
Nodoz
Novafibra
Novapirin

Nupercainal
Omniflora
Optalidon
Optaliphen
Orofar
Osteomix
Otrivin
Pantoloc
Parsel
Pdolocyl
Perdiem
Peristaltin
Pilka
Prevacid
Private Label NRT Gum (excluding the US)
Private Label NRT Lozenge (excluding the US)
Private Label NRT Patch (excluding the US)
Privin
Procto-Glyvenol
Proflex
Prorhinel
Pulmex
Pursennid
Resoferon

Resyl
Rhinomer
Sancos
Sandocal
Savlon
Selenix
Senokot
Sinecod
Slow-Fe
Spasmo Canulase
Spasmo Cibalgin
Strepsil
Sweatosan
Sympavagol
Tavegyl / Tavist
Termalgin
Tessacof
Tessalon
Tixylix
Tonopan
Torres Munoz
Tossamin
Tranquital
Transderm Scop
Triaminic
Trimedil

Vagistat
Valverde
Varemoid
Venatural
Venoruton Systemic
Venoruton Topical
Verton / Venuton
Vibrocil
Vitaleyse
Voltaren Cataflam Systemic
Voltaren Cataflam Topical
Zaditen
Zolben
Zyma D2
Zymafluor

Part 3
Novartis Pipeline Products

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 10
VAT

1. VAT: RECORDS

- 1.1 Each Seller may, on or before the date of Closing, obtain a direction from the relevant Tax Authority for the retention and preservation by it of any VAT records relating to its period of ownership of the relevant part of the Target Group and, where any such direction is obtained, that Seller shall:
- 1.1.1 preserve the records to which that direction relates in such a manner and for such period as may be required by the direction or by Applicable Law; and
 - 1.1.2 allow the Purchaser, upon the Purchaser giving reasonable notice, reasonable access to and copies of such records where reasonably required by the Purchaser for its Tax purposes.
- 1.2 If no such direction as is referred to in paragraph 1.1 above is obtained on or before the date of Closing and any documents in the possession or control of a member of a Seller's Group are required by law to be preserved by the Purchaser, that Seller shall, as soon as reasonably practicable after Closing, deliver such documents to the Purchaser.

2. VAT: GOING CONCERN - EU MEMBER STATES

- 2.1 The Sellers and the Purchaser shall use reasonable endeavours (including, for the avoidance of doubt, the making of an election or application in respect of VAT to any Tax Authority or entering into a written agreement) to secure that, to the extent reasonably possible, the sale of all or any part of the Target Group Businesses, so far as carried on in the European Union, is treated as neither a supply of goods nor a supply of services for the purposes of the laws governing VAT in each relevant member state.
- 2.2 Each Business Seller shall have the right to seek a ruling from the relevant Tax Authority as to whether the sale of all or part of the Target Group Businesses, so far as carried on in the relevant member state, should be treated as neither a supply of goods nor a supply of services for the purposes of the laws governing VAT in that member state and to account for VAT (and accordingly to seek an additional payment from the Purchaser under Clause 3.3.3) in accordance with that ruling. The relevant Seller shall not be obliged to challenge (or to procure that any relevant Business Seller challenges) that ruling unless required to do so by the Purchaser. If the Purchaser wishes to challenge, or to require the relevant Business Seller to challenge, any such ruling it may do so, provided that it bears the full cost of, and agrees to indemnify the relevant Business Seller in respect of any loss arising from or in connection with, that challenge and that such challenge shall not affect the date on which VAT must be paid to the relevant Seller under paragraph 4 below.
- 2.3 Insofar as no ruling has been obtained from a relevant Tax Authority prior to Closing, each Seller shall determine in good faith if (or the extent to which) VAT is payable in respect of the sale of the Target Group Businesses carried on by a member of that Seller's Group and shall be entitled to charge (or not to charge) VAT to the Purchaser in accordance with such determination.

3. VAT: GOING CONCERN - NON-EU JURISDICTIONS

- 3.1 To the extent that any state outside the European Union provides for relief or exemption from VAT on the transfer of a business or a company or treats such a transaction as being non-taxable for VAT purposes, the Sellers and the Purchaser shall use reasonable endeavours (including, for the avoidance of doubt, the making of an election or application in respect of VAT to any Tax Authority or entering into a written agreement) to secure such relief, exemption or treatment, to the extent reasonably possible, as regards the sale of all or part of the Target Group Businesses (insofar as the business of the Target Group is carried on in the relevant state) under this Agreement.
- 3.2 The relevant Business Seller shall have the right to seek a ruling from the relevant Tax Authority as to whether the sale of all or part of the Target Group Businesses, so far as the business of the Target Group is carried on in the relevant state, is eligible for a relief or exemption or is otherwise eligible to be treated as non-taxable for the purposes of the laws governing VAT in that state and to account for VAT and accordingly seek an additional payment from the Purchaser under Clause 3.3.3) in accordance with that ruling. The relevant Seller shall not be obliged to challenge (or to procure then the relevant Business Seller challenges) that ruling unless required to do so by the Purchaser. If the Purchaser wishes to challenge, or to require the relevant Business Seller to challenge, any ruling it may do so, provided that it bears the full cost of, and agrees to indemnify the relevant Business Seller in respect of any loss arising from or in connection with, that challenge and that such challenge shall not affect the date on which VAT must be paid to the relevant Seller under paragraph 4 below. Insofar as no ruling has been obtained from a relevant Tax Authority prior to Closing, each Seller shall determine in good faith if (or the extent to which) VAT is payable in respect of the sale of the Target Group Businesses carried on by a member of that Seller's Group and shall be entitled to charge (or not to charge) VAT to the Purchaser in accordance with such determination.

4. VAT: TIME, MANNER AND CURRENCY OF PAYMENT

- 4.1 Any amounts which the Purchaser is obliged to pay to a Seller under this Agreement in respect of VAT shall be paid by the Purchaser, on its own account or on behalf of another member of the Purchaser's Group, to that Seller or to such member of that Seller's Group as that Seller may direct. Such amounts shall be paid in the currency in which the VAT in question must be accounted for to the relevant Tax Authority.
- 4.2 Subject to any provision or express agreement to the contrary, any amounts in respect of VAT payable in any jurisdiction in respect of the transfer at Closing of any of the Target Group Businesses or Shares shall be paid in accordance with paragraph 4.1 above at Closing against production of a valid VAT invoice (or equivalent, if any).
- 4.3 Notwithstanding any other provision of this Agreement, the Purchaser shall not be liable to account to a Seller or any member of a Seller's Group for or in respect of penalties or interest arising solely from the failure of that Seller or any other member of that Seller's Group to account promptly for VAT to the relevant Tax Authority following that Seller having been placed in the appropriate amount of funds for that purpose by the Purchaser.

Schedule 11
Closing Obligations

1. GENERAL OBLIGATIONS

1.1 The Sellers' Obligations

On Closing, each Seller shall deliver or make available to the Purchaser the following:

- 1.1.1 the Ancillary Agreements (other than the France SAPA and the Netherlands SAPA, and any other Ancillary Agreements that have not been agreed and are subject to any of Clauses 8.11, 8.12, 8.13 and 8.14) duly executed by the relevant members of that Seller's Group;
- 1.1.2 evidence reasonably satisfactory to the Purchaser that that Seller, and each of its relevant Affiliates, is authorised to execute this Agreement, the Ancillary Agreements and the Local Transfer Documents (including, where relevant, any notarial deeds referred to in this Schedule 11), in each case, to the extent that they are parties thereto;
- 1.1.3 the Certificate duly executed by that Seller; and
- 1.1.4 the statutory books of the Target Group Companies (which shall be written up to but not including the Closing Date), the certificate of incorporation (and certificate of incorporation on change of name, if any) and common seal (if any) of each Target Group Company and share certificates (or other documents of title) in respect of all the issued share capital of each Target Group Company.

1.2 **Novartis's Obligations**

In addition, Novartis shall, on or before Closing:

- 1.2.1 if requested by the Purchaser by notice in writing not less than five Business Days prior to the Closing Date:
 - (i) procure the present auditors of each Novartis OTC Group Company to resign their office as such, such resignations to take effect as at the Closing Date;
 - (ii) procure board meetings of the relevant Novartis OTC Group Companies are held, or written resolutions of the board are passed, at or by which it shall be resolved that each of the transfers relating to the relevant Shares shall, so far as possible, be approved for registration;
 - (iii) procure any then present directors and officers (if any) of each Novartis OTC Group Company that are not Novartis Employees resign their offices to take effect at the Closing Date as such and to relinquish any

rights which they may have under any contract of employment with any Novartis OTC Group Company or under any statutory provisions (including any right to damages or compensation for breach of contract, loss of office, redundancy or unfair dismissal or any other account whatsoever) and to confirm that no agreement or arrangement is outstanding under which any Novartis OTC Group Company has or could have any obligation to any of them including in respect of remuneration or expenses; and

- 1.2.2 procure that the First Novartis Shareholder and the Second Novartis Shareholder (as defined in the Shareholders' Agreement) carry out the actions they are required to do under clause 2.1 of the Shareholders' Agreement prior to Closing.

1.3 **GlaxoSmithKline's Obligations**

In addition, GlaxoSmithKline shall, on or before Closing, procure that:

- 1.3.1 a shareholder meeting of the Purchaser is held or a written resolution is passed at which it is resolved that:
- (i) the articles of association in the Agreed Terms are adopted; and
 - (ii) the directors of the Purchaser are authorised to allot the Consideration A Shares and B Shares; and
 - (iii) the name of the Purchaser is changed to GlaxoSmithKline Consumer Healthcare Holdings Limited;
- 1.3.2 the First GlaxoSmithKline Shareholder and the Second GlaxoSmithKline Shareholder (as defined in the Shareholders' Agreement) carry out the actions they are required to do under clause 2.1 of the Shareholders' Agreement prior to Closing,

and, if requested by the Purchaser by notice in writing not less than five Business Days prior to the Closing Date (it being the case that the Purchaser cannot issue a request of this nature to Novartis without making an equivalent request to GlaxoSmithKline, unless there are valid reasons for treating them differently):

- 1.3.3 procure board meetings of the relevant GlaxoSmithKline Consumer Group Companies are held, or written resolutions of the board are passed, at or by which it shall be resolved that each of the transfers relating to the relevant Shares shall, so far as possible, be approved for registration; and
- 1.3.4 procure any then present directors and officers (if any) of each GlaxoSmithKline Consumer Group Company that are not GlaxoSmithKline Employees resign their offices to take effect at the Closing Date as such and to relinquish any rights which they may have under any contract of employment with any GlaxoSmithKline Consumer Group Company or

under any statutory provisions (including any right to damages or compensation for breach of contract, loss of office, redundancy or unfair dismissal or any other account whatsoever) and to confirm that no agreement or arrangement is outstanding under which any GlaxoSmithKline Consumer Group Company has or could have any obligation to any of them including in respect of remuneration or expenses.

1.4 **The Purchaser's Obligations**

On Closing, the Purchaser shall deliver or make available to each Seller the following:

- 1.4.1 the Ancillary Agreements (other than the France SAPA and the Netherlands SAPA and, if they have not been agreed, the Transitional Services Agreements, the Manufacturing and Supply Agreements, the Transitional Distribution Services Agreements and the Support Services Agreement) duly executed by the relevant members of the Purchaser's Group; and
- 1.4.2 evidence reasonably satisfactory to the Seller that the Purchaser, and each of its relevant Affiliates, are authorised to execute this Agreement, the Ancillary Agreements and the Local Transfer Documents (including, where relevant, any notarial deeds referred to in this Schedule 11), in each case, to the extent that they are parties thereto.

In addition, subject to GlaxoSmithKline and Novartis having done or procured to be done those things set out in paragraphs 1.1, 1.2 and 1.3, as relevant, at Closing the Purchaser shall:

- 1.4.3 allot and issue the A Shares to GlaxoSmithKline (or such other of GlaxoSmithKline's Wholly-Owned Subsidiaries as GlaxoSmithKline may direct by notice in writing to the Purchaser at least five Business Days prior to the Closing Date, provided that no more than two members of GlaxoSmithKline's Group shall be issued A Shares at Closing); and
- 1.4.4 allot the B Shares to Novartis (or such other of Novartis's Wholly-Owned Subsidiaries as Novartis may direct by notice in writing to the Purchaser at least five Business Days prior to the Closing Date, provided that no more than two members of Novartis's Group shall be issued B Shares at Closing).

2. **TRANSFER OF THE SHARES AND TARGET GROUP BUSINESSES**

2.1 **General Transfer Obligations**

On Closing or such other date as agreed between the parties, each Seller shall procure that its Share Sellers and its Business Sellers shall, and the Purchaser shall, execute and/or deliver and/or make available Local Transfer Documents and take such steps as are required to transfer the Shares and relevant Target Group Businesses in accordance with this Agreement.

2.2 **Specific Transfer Obligations**

For the purposes of compliance with paragraph 2.1, each Seller and the Purchaser shall, between the date of this Agreement and Closing, negotiate in good faith any and all Local Transfer Documents and other such steps as are required to transfer the Shares and Target Group Businesses in accordance with this Agreement.

Schedule 12
Post Closing Adjustments

Part 1
Preparation of Closing Statement

1. PREPARATION

- 1.1 No later than 60 days following Closing, each Seller shall deliver to the Purchaser a Draft Closing Statement. Prior to such delivery, each Seller shall so far as is practicable consult with the Purchaser with a view to reducing the potential areas of disagreement.
- 1.2 In order to enable each Seller to prepare its Draft Closing Statement, the Purchaser shall keep up-to-date and, subject to reasonable notice, make available to that Seller's representatives and to that Seller's accountants all books and records relating to that Seller's Target Group during normal office hours and co-operate with them with regard to the preparation, review and agreement or determination of that Draft Closing Statement. The Purchaser agrees to make available the services of the employees of that Seller's Target Group to assist that Seller in the preparation, review and agreement or determination of that Draft Closing Statement.
- 1.3 In order to allow the Purchaser to review the Draft Closing Statements, each Seller shall, subject to reasonable notice, make available to the Purchaser's representatives and to the Purchaser's accountants all books and records relating to the preparation of the relevant Draft Closing Statement during normal office hours and co-operate with them with regard to their review of that Draft Closing Statement. Each Seller agrees to make available the services of its employees and its Affiliates to assist the Purchaser in its review of that Draft Closing Statement.
- 1.4 If the Purchaser does not within 60 days of presentation to it of a Draft Closing Statement give notice to the Seller that produced it that it disagrees with that Draft Closing Statement or any item thereof, such notice stating the reasons for the disagreement in reasonable detail and specifying the adjustments which, in the Purchaser's opinion, should be made to that Draft Closing Statement (the "**Purchaser's Disagreement Notice**"), that Draft Closing Statement shall be final and binding on that Seller and the Purchaser for all purposes. If the Purchaser gives a valid Purchaser's Disagreement Notice within such 60 days, that Seller and the Purchaser shall attempt in good faith to reach agreement in respect of that Draft Closing Statement and, if they are unable to do so within 30 days of such notification, that Seller or the Purchaser may by notice to the other require that that Draft Closing Statement be referred to the Reporting Accountants (an "**Appointment Notice**").
- 1.5 Within 30 days of the giving of an Appointment Notice, the relevant Seller may by notice to the Purchaser indicate that, in the light of the fact that the Purchaser has not accepted the Draft Closing Statement in its entirety, it wishes the Reporting Accountants to consider matters relating to the Draft Closing Statement in addition to those specified in the Purchaser's Disagreement Notice, provided that such matters as are related to the matters specified in the Purchaser's Disagreement Notice and that the notice states in reasonable detail the reasons why and in what respects that Seller believes that the Draft Closing Statement should be altered in respect of such matters (the "**Seller's Disagreement Notice**").

- 1.6 The Reporting Accountants shall be engaged jointly by that Seller and the Purchaser on the terms set out in this paragraph 1 and otherwise on such terms as shall be agreed; provided that neither that Seller nor the Purchaser shall unreasonably (having regard, inter alia, to the provisions of this paragraph 1) refuse its agreement to terms proposed by the Reporting Accountants or by the other party. If the terms of engagement of the Reporting Accountants have not been settled within 45 days of their identity having been determined (or such longer period as that Seller and the Purchaser may agree) then, unless that Seller or the Purchaser is unreasonably refusing its agreement to those terms, those accountants shall be deemed never to have become the Reporting Accountants and new Reporting Accountants shall be selected in accordance with the provisions of this Agreement.
- 1.7 Except to the extent that the relevant Seller and the Purchaser agree otherwise, the Reporting Accountants shall determine their own procedure but:
- 1.7.1 apart from procedural matters and as otherwise set out in this Agreement shall determine only:
- (i) whether any of the arguments for an alteration to the relevant Draft Closing Statement put forward in the Purchaser's Disagreement Notice or the Seller's Disagreement Notice is correct in whole or in part; and
 - (ii) if so, what alterations should be made to that Draft Closing Statement in order to correct the relevant inaccuracy in it;
- 1.7.2 shall apply the accounting principles, policies, procedures, practices and estimation techniques as set out in Part 2 of this Schedule 12;
- 1.7.3 shall make their determination pursuant to paragraph 1.7.1 as soon as is reasonably practicable; and
- 1.7.4 the procedure of the Reporting Accountants shall:
- (i) give that Seller and Purchaser a reasonable opportunity to make written and oral representations to them;
 - (ii) require that each party supply the other with a copy of any written representations at the same time as they are made to the Reporting Accountants;
 - (iii) permit that Seller and the Purchaser to be present while oral submissions are being made by the other party; and
 - (iv) for the avoidance of doubt, the Reporting Accountants shall not be entitled to determine the scope of their own jurisdiction.

- 1.8 The Reporting Accountants shall send that Seller and the Purchaser a copy of their determination pursuant to paragraph 1.7.1 within one month of their appointment. Such determination:
- 1.8.1 shall be made available to that Seller and the Purchaser in writing; and
 - 1.8.2 unless otherwise agreed by that Seller and the Purchaser, shall include reasons for each relevant determination.
- 1.9 The Reporting Accountants shall act as experts and not as arbitrators and their determination of any matter falling within their jurisdiction shall be final and binding on that Seller and the Purchaser save in the event of manifest error (when the relevant part of their determination shall be void and the matter shall be remitted to the Reporting Accountants for correction). In particular, their determination shall be deemed to be incorporated into the relevant Draft Closing Statement.
- 1.10 The expenses (including amounts in respect of VAT) of the Reporting Accountants shall be borne as they shall direct at the time they make any determination under paragraph 1.7.1(i) or, failing such direction, equally between the Purchaser and that Seller.
- 1.11 That Seller and the Purchaser shall co-operate with the Reporting Accountants and comply with their reasonable requests made in connection with the carrying out of their duties under this Agreement. In particular, each other party shall keep up-to-date and, subject to reasonable notice, make available to that Seller's representatives, that Seller's accountants and the Reporting Accountants all books and records relating to the relevant Target Group during normal office hours as that Seller or the Reporting Accountants may reasonably request during the period from the appointment of the Reporting Accountants down to the making of the relevant determination.
- 1.12 Nothing in this Schedule 12 shall entitle a party or the Reporting Accountants access to any information or document which is protected by legal professional or litigation privilege, provided that neither the relevant Seller nor the Purchaser shall be entitled to refuse to supply such part or parts of documents as contain only the facts on which the relevant claim or argument is based.
- 1.13 Each party and the Reporting Accountants shall, and shall procure that its accountants and other advisers shall, keep all information and documents provided to them pursuant to this paragraph 1 confidential and shall not use the same for any purpose, except for disclosure or use in connection with the preparation of the Draft Closing Statement, the proceedings of the Reporting Accountants or another matter arising out of this Agreement.

Part 2

Closing Statement Principles

This Part 2 of Schedule 12 comprises the specific rules, principles, policies and practices, without limitation, for preparing each Closing Statement.

Each Closing Statement sets out the Working Capital, the Working Capital Adjustment, the Target Group Companies' Cash Balances, the Intra-Group Non-Trade Receivables, the Third Party Indebtedness, the Intra-Group Non-Trade Payables, the Employee Benefits Adjustment and the Tax Adjustment for the relevant Seller, in each case, as prepared in accordance with the specific rules, principles, policies and practices set forth in this Part 2 of Schedule 12. Each Closing Statement shall be prepared in the form of the Illustrative Closing Statement in Part A (in the case of GlaxoSmithKline) or Part B (in the case of Novartis) of Part 3 of this Schedule 12.

For the avoidance of doubt, each Closing Statement as referred to in this Part 2 of Schedule 12 shall inclusively apply to each of the Draft Closing Statement and the Closing Statement for each Seller.

1. CLOSING STATEMENT RULES

1.1 Each Closing Statement shall be prepared as follows:

- 1.1.1 in accordance with the specific accounting treatments set out in paragraph 2 of this Part 2 of Schedule 12; and, subject thereto
- 1.1.2 adopting the same accounting principles, methods, procedures and practices utilized in preparing the Statement of Net Assets, as detailed in the Statement of Net Asset Rules, applied on a consistent basis using consistent estimation methodologies and judgments and with consistent classifications as were used to prepare the Statement of Net Assets; and subject thereto
- 1.1.3 in accordance with IFRS.

1.2 For the avoidance of doubt, paragraph 1.1.1 shall take precedence over paragraphs 1.1.2 and 1.1.3, and paragraph 1.1.2 shall take precedence over paragraph 1.1.3.

2. SPECIFIC REQUIREMENTS

2.1 Cut-off

Each Closing Statement (including each Draft Closing Statement) shall not take into account any additional events or any additional information that becomes available after the date that such Closing Statement is agreed or, if earlier, such time as the Purchaser serves a Purchaser's Disagreement Notice.

2.2 Change of Ownership

No Closing Statement shall be adjusted for any charges, provisions, reserves or write-offs in respect of any costs, liabilities or charges that may be incurred by the relevant Contributed Business prior to or after the Closing as a consequence of the change of ownership of the relevant Target Group or any changes in the management strategy, direction or priority or possible closure of any part of that Target Group by the Purchaser after Closing, whether or not resulting from the change in ownership.

2.3 **Deferred Tax**

The Closing Statement (including the Draft Closing Statement) shall not take into account or provide for deferred Tax.

2.4 **Other Taxes**

The Closing Statement (including the Draft Closing Statement) shall take account of or provide for all income taxes and sales taxes, to which, in the case of Novartis, lines BS14_120 Taxes other than income taxes (Liability account) and BS13_108 Value added tax receivable apply.

3. SUPPLEMENTARY WORKING CAPITAL RULES

3.1 This paragraph 3 comprises supplementary specific rules, principles, policies and practices applicable to the preparation of the Working Capital to be set forth in each Closing Statement. For the avoidance of doubt, each of the specific rules, principles, policies and practices set out in paragraph 1 and 2 shall be equally applicable to the Working Capital.

3.2 For each of the Sellers, the Working Capital of each of their Joint Venture Entities shall be included within the calculation of Working Capital only if such Joint Venture Entities are consolidated into the relevant Seller's Group accounts, and the amount of any such Joint Venture Entities Working Capital shall be calculated as if such Joint Venture Entity is wholly-owned by a member of that Seller's Group.

3.3 In relation to the France Business for each Seller and, in respect of GlaxoSmithKline only, the Netherlands Business, if one or, in respect of GlaxoSmithKline only, both business(es) is (are) not transferred to the Purchaser under the terms of this Agreement at Closing, the Working Capital relating to such business (or businesses) shall not be included in the determination of Working Capital at the Effective Time. If that France Business or, in respect of GlaxoSmithKline only, the Netherlands Business is (are) Transferred to the Purchaser after Closing, then a further adjustment shall be made to the Closing Statement on the assumption that the France Business and/or, in respect of GlaxoSmithKline only, the Netherlands Business were included in the Closing Statement taking the relevant items for the relevant business as of the date they transferred to the Purchaser. Any adjustment arising as a result of including the France Business or, in respect of GlaxoSmithKline only, the Netherlands Business in the Closing Statement after the date of Closing shall be agreed and paid on the same basis as the Closing Statement was agreed and payment in respect thereof made.

3.4 Part 3 of this Schedule 12 sets forth, for illustrative purposes only a computation of the Working Capital of Novartis's and GlaxoSmithKline's Working Capital as of the close of business on 31 December 2013.

Part 3
Illustrative Closing Statement

Part A - GlaxoSmithKline

| | |
|--|-----|
| Target Group Companies' Cash Balances (Cash & cash equivalents) | [] |
| Intra-Group Non-Trade Receivables (Total financing and loans to subsidiaries / JV), comprising: | [] |
| [•] | [] |
| Third Party Indebtedness , comprising: | |
| Financial Debt – long term | [] |
| Financial Debt – short term | [] |
| Intra-Group Non-Trade Payables | [] |
| Financing from subsidiaries / JV: | [] |
| [•] | [] |
| Loans from subsidiaries / JV: | [] |
| [•] | [] |
| Employee Benefit Indemnification Amount | |
| Tax Adjustment , comprising | [] |
| Current income tax receivables | [] |
| Income taxes payable | [] |
| VAT | [] |
| Intra-Group Trading Balances | |
| Intra-group Trade Receivables | [] |

| | |
|---|-----|
| Transferred Accounts Receivables ¹ | [] |
| Intra-group Trade Payables | [] |
| Transferred Accounts Payables ² | [] |
| Adjustment (if any) | [] |
| Net Working Capital (*) | [] |
| Inventory | [] |
| Trade Receivables | [] |
| Trade Payables | [] |
| Working Capital Adjustment | [] |
| Balancing payment required: | |

¹ That are payable by any member of GlaxoSmithKline's Group (other than a Target Group Company) by a Business Seller of GlaxoSmithKline's Group

² That are payable to any member of GlaxoSmithKline's Group (other than a Target Group Company) by a Business Seller of GlaxoSmithKline's Group

Part B - Novartis

| | |
|---|-----|
| Target Group Companies' Cash Balances (BS01_180 Cash & cash equivalents) | [] |
| Intra-Group Non-Trade Receivables (BS01_050 Total financing and loans to subsidiaries / JV), comprising: | [] |
| [***] | [] |
| [***] | [] |
| [***] | [] |
| [***] | [] |
| [***] | [] |
| [***] | [] |
| [***] | [] |
| Third Party Indebtedness , comprising: | [] |
| BS01_511 Financial Debt – long term | [] |
| BS01_651 Financial Debt – short term | [] |
| Intra-Group Non-Trade Payables | [] |
| BS01_516 Financing from subsidiaries / JV: | [] |
| [***] | [] |
| [***] | [] |
| [***] | [] |
| [***] | [] |
| [***] | [] |
| [***] | [] |
| [***] | [] |
| BS01_518 Loans from subsidiaries / JV: | [] |
| [***] | [] |
| Employee Benefit Indemnification Amount | [] |

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

| | |
|---|-----|
| Tax Adjustment , comprising | [] |
| BS13_190 Current income tax receivables | [] |
| BS01_660 Income taxes payable | [] |
| BS14_120 Taxes other than income taxes | [] |
| BS13_108 Value added tax receivable apply | [] |
| Intra-Group Trading Balances | [] |
| BS01_130 Receivables own BU – Corporate | [] |
| BS01_140 Receivables other BU's | [] |
| BS01_620 Payables own BU – Corporate | [] |
| BS01_630 Payables other BU's | [] |
| Adjustment (if any) | [] |
| Net Working Capital (*) | [] |
| BS01_110 Total inventories | [] |
| BS01_120 Trade receivables (3 rd parties and AC) | [] |
| BS01_610 Trade payables (3 rd parties and AC) | [] |
| Net Working Capital | [] |
| Working Capital Adjustment | [] |
| Balancing payment required: | [] |

Part 4
Illustrative Working Capital Statement

Part A – Novartis

All amounts in US\$ thousands

| | <u>Illustrative Net Working Capital as per Dec 31, 2013</u> |
|---|---|
| BS01_110 Total inventories | [***] |
| BS01_120 Trade receivables (3 rd parties and AC) | [***] |
| BS01_610 Trade payables (3 rd parties and AC) | [***] |
| Illustrative Net Working Capital | |

Part B – GlaxoSmithKline

All amounts in GBP millions

| | <u>Illustrative Net Working Capital as per Dec 31, 2013</u> |
|---|---|
| Inventory | [***] |
| Third Party Trade Receivables | [***] |
| Third Party Trade Payables | [(***)] |
| Illustrative Net Working Capital | [***] |

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 13
Warranties given under Clause 9.1

1 Authority and Capacity

1.1 Incorporation

The Seller and each Share Seller and Business Seller is validly existing and is a company duly incorporated and registered under the law of its jurisdiction of incorporation.

1.2 Authority to enter into Agreement

1.2.1 The Seller and each Share Seller and Business Seller has the legal right and full power and authority to enter into and perform this Agreement, any Ancillary Agreement to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Ancillary Agreement.

1.2.2 The documents referred to in paragraph 1.2.1 will, when executed, constitute valid and binding obligations on the Seller and each Share Seller and Business Seller within that Seller's Group in accordance with their respective terms.

1.2.3 Except as referred to in this Agreement, the Seller:

- (i) is not required to make any announcement, consultation, notice, report or filing; and
- (ii) does not require any consent, approval, registration, authorisation or permit,

in each case in connection with the performance of this Agreement or any other document referred to in paragraph 1.2.1.

1.2.4 The execution and delivery of the documents referred to in paragraph 1.2.1 and the performance by the Seller, each Share Seller and each Business Seller within that Seller's Group of their respective obligations under them, will not:

- (i) result in a breach of any provision of the memorandum or articles of association or by laws or equivalent constitutional document of the relevant member of the Seller's Group; or
- (ii) result in a breach of, or constitute a default under, any instrument or contract to which the relevant member of the Seller's Group is party or by which the relevant member of the Seller's Group is bound where such breach is material to their ability to perform their obligations under such documents;

- (iii) result in a breach of any existing order, judgment or decree of any court or Governmental Entity by which the relevant member of the Seller's Group is bound and where such breach is material to their ability to perform their obligations under such documents.

1.3 **Authorisation**

The Seller and each Share Seller and Business Seller within its Group has taken, or will have taken by Closing, all corporate action required by it to authorise it to enter into and to perform this Agreement, any Ancillary Agreement to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Ancillary Agreement.

2 **Target Group**

2.1 **Organisation and Standing of the Target Group Companies**

- 2.1.1 All of the equity interests in each of the Target Group Companies (other than the Joint Venture Entities) are held by the Seller or another member of the Seller's Group.
- 2.1.2 Each Target Group Company is duly incorporated, validly existing and in good standing, under the laws of its jurisdiction of organisation and has all necessary corporate power under its constitutional documents to conduct its portion of its Contributed Business as at the date of this Agreement.

2.2 **The Shares**

- 2.2.1 Either the Seller or one of its Affiliates is the legal and beneficial owner of the GlaxoSmithKline Shares or the Novartis Shares, as the case may be (the "**Relevant Shares**").
- 2.2.2 There is no option, right to acquire, mortgage, charge, pledge, lien or other form of security or Encumbrance or equity on, over or affecting the Relevant Shares or any of them and there is no agreement or commitment to give or create any.
- 2.2.3 All of the Relevant Shares have been duly authorised and validly issued and are fully paid and non-assessable. There are no options, warrants, rights, convertible, exercisable or exchangeable securities, "phantom" stock rights, stock appreciation rights, stock-based performance units, commitments, Contracts, arrangements or undertakings of any kind to which any of the Target Group Companies is a party or by which it is bound obligating any of the Target Group Companies to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other equity interests in, or any security convertible into, or exercisable or exchangeable for, any capital stock of, or other equity interest in, such Target Group Company.
- 2.2.4 There are no outstanding Contracts to which any of the Target Group Companies is a party or is otherwise bound to repurchase, redeem or otherwise acquire any shares, capital stock or other equity interest of such Target Group Company.

2.2.5 None of the Relevant Shares is subject to and was not issued in violation of any purchase option, call option, right of first refusal, pre-emptive right, subscription right or similar right or any provision of Applicable Law or the constitutional documents of its Target Group Companies.

2.3 **2012 Accounts**

The 2012 Accounts of each Target Group Company:

2.3.1 were prepared in accordance with accounting practices generally accepted in the jurisdiction of incorporation of that Target Group Company at the time they were audited; and

2.3.2 show in accordance with applicable legal requirements:

(i) the assets and liabilities of that Target Group Company at the 2012 Accounts Date; and

(ii) the profits and losses of the relevant Target Group Company for the accounting period ended on the 2012 Accounts Date.

2.4 **Financial Information**

2.4.1 The annual consolidated financial statements of GlaxoSmithKline plc for the year ended 31 December 2013 fairly present the operating profit for its Consumer Healthcare Division (including, for this purpose, the Excluded Assets and the Ribena and Lucozade businesses that have been subsequently sold) in 2013, being £0.9 billion.

2.4.2 The 2013 Operating Income (defined below) fairly presents the operating income of the Novartis OTC Group (which, for this purpose, includes the Novartis US NRT Business, the benefit of the Endo Excluded Contract, and any manufacturing, distributing, marketing, selling, promoting or otherwise Commercialising of Prescription Products in the United States of America carried out by the Novartis OTC Group Companies) for the year ended 31 December 2013.

“**2013 Operating Income**” means the operating income for 2013 annexed to the Disclosure Letter at Annex B.

2.5 **The Assets**

Save in relation to the Transferred Intellectual Property Rights, either the Seller or another member of the Seller’s Group has good and valid title to the assets listed in Clause 2.3.1 free and clear of all Encumbrances other than Permitted Encumbrances.

2.6 **Changes Since 31 December 2013**

Except as a result of the execution and delivery of this Agreement from 31 December 2013 to the date of this Agreement:

- 2.6.1 the Seller's Contributed Business has been conducted in all material respects in the ordinary and usual course;
- 2.6.2 the Seller's Contributed Business has not entered into any material contract or commitment outside the ordinary course of business as conducted prior to 31 December 2013; and
- 2.6.3 to the Seller's knowledge, there has been no event or circumstance arising which is reasonably likely to have had a Material Adverse Effect (as if reference in the definition of Material Adverse Effect to the date of this Agreement were to 31 December 2013).

3 **Third Party Indebtedness and Financial Instruments**

None of the Target Group Companies: (i) has any Third Party Indebtedness exceeding US\$1million; or (ii) is a party to any financial instruments (including any swaps or derivatives).

4 **Real Property**

4.1 **Company Properties**

- 4.1.1 The Company Properties are the only material freehold, leasehold or other immovable property in any part of the world owned, used or occupied by the Target Group Companies for the purpose of research and development, production or manufacturing facilities.
- 4.1.2 Each of the Company Properties is used and occupied for the purpose of the business of a Target Group Company.
- 4.1.3 A member of the Seller's Group is solely legally and beneficially entitled to such Company Property.
- 4.1.4 No person has or will have any right to possession, occupation or use of such Company Property in a manner that has or will have a material adverse effect on the use of, or operations at, such Company Property.
- 4.1.5 There are no mortgages or charges affecting any of the Company Properties other than those registered in the relevant Land Register.
- 4.1.6 There are no material outstanding disputes, actions, claims or demands in respect of any Company Property, nor has the Seller or any member of the Seller's Group received any notice threatening the same.

4.1.7 In respect of each Company Leased Property, all material covenants and conditions contained in the Company Lease have been observed and performed to date.

4.2 **Transferred Properties**

- 4.2.1 The Transferred Leased Properties and the Transferred Owned Properties are the only material freehold, leasehold or other immovable property in any part of the world owned or occupied by the Target Group Business for the purpose of research and development, production or manufacturing facilities.
- 4.2.2 Each of the Transferred Properties is used and occupied for the purposes of the Seller's Contributed Business.
- 4.2.3 A member of the Seller's Group is solely legally and beneficially entitled to such Transferred Property.
- 4.2.4 No person has or will have any right to possession, occupation or use of such Transferred Property in a manner that has or will have a material adverse effect on the use of, or operations at, such Transferred Property.
- 4.2.5 There are no mortgages or charges affecting any of the Transferred Properties other than those registered in the relevant Land Register.
- 4.2.6 There are no material outstanding disputes, actions, claims or demands in respect of any Transferred Property, nor has the Seller or any member of the Seller's Group received any notice threatening the same.
- 4.2.7 In respect of each Transferred Leased Property, all material covenants and conditions contained in the Lease have been observed and performed to date.

5 **Intellectual Property**

- 5.1 All renewal, application and other registry fees and steps required for the maintenance of the registrations of any of the Target Group Intellectual Property Rights that are Registered Intellectual Property Rights and relate to products that are material to the Seller's Contributed Business have been paid or taken.
- 5.2 Neither the Seller nor any of its Affiliates has given, or received, written notice to terminate any material Target Group Intellectual Property Contract, and neither the Seller nor any Affiliate of the Seller is in breach or default of any material Target Group Intellectual Property Contract, except for any such breach or default which would not be material to the Contributed Business. To the Seller's Knowledge, no third party is in breach or default under any Target Group Intellectual Property Contract, except for any such breach or default which would not be material to the Business.
- 5.3 The Seller and its Affiliates own all Registered Target Group Intellectual Property Rights free of all Encumbrances except Permitted Encumbrances. The Seller and its Affiliates have taken reasonable steps to protect the confidentiality of Proprietary Information.

- 5.4 To the Seller's Knowledge: (i) the conduct of its Contributed Business as currently conducted does not infringe or misappropriate the Intellectual Property Rights of any third party; and (ii) there is no material judicial, administrative or arbitral action, suit, hearing, inquiry, investigation or other proceeding (public or private) before any Governmental Entity pending against the Seller or any of its Affiliates in which it is alleged that the conduct of its Contributed Business as currently conducted by the Seller and its Affiliates infringes or misappropriates any Intellectual Property Rights of any third party.
- 5.5 To the Seller's Knowledge, no third party is infringing or misappropriating any Target Group Intellectual Property Rights or Proprietary Information.
- 5.6 To the Seller's Knowledge, the Target Group Intellectual Property Rights, the Intellectual Property Rights licensed under the Target Group Intellectual Property Contracts, and the Intellectual Property Rights licensed under the Purchaser Intellectual Property Licence Agreement constitute all the material Intellectual Property Rights used in the conduct of the Contributed Business as currently conducted by the Seller and its Affiliates; provided however, that the foregoing is not a representation of non-infringement, non-misappropriation, or any other non-violation of Intellectual Property Rights of any third party, which representation is solely set out in paragraph 5.4 above.
- 5.7 All Information Technology necessary for the Contributed Business to be conducted in all material respects as it is carried on at the date of this Agreement: (i) is Owned Information Technology; (ii) is Transferred Information Technology; or (iii) will be provided by the Seller and its Affiliates to the Purchaser and the Contributed Business under the Transitional Services Agreement.
- 5.8 The Seller's Contributed Business has not, in the 12 months prior to the date of this Agreement, experienced any material disruption in its operations as a result of any failure of its Information Technology.

6 Contracts

- 6.1 No Target Group Company or Business Seller is a party to or subject to any Contract, transaction, arrangement, understanding or obligation (other than in relation to any Property, lease, contract of employment, Information Technology or Intellectual Property Right) which is material to the Contributed Business and which:
- 6.1.1 is not in the ordinary course of business;
 - 6.1.2 is not on an arm's length basis;
 - 6.1.3 has an unexpired term or likely duration of five years or more;
 - 6.1.4 restricts its freedom to carry on its business in any part of the world in such manner as it thinks fit;
 - 6.1.5 involves an aggregate outstanding expenditure by it of more than US\$50 million, exclusive of VAT;

- 6.1.6 can be terminated in the event of a change of underlying ownership or control of a Target Group Company; or
- 6.1.7 involves the supply of goods and services, the aggregate sales value of which (exclusive of VAT) will be more than five per cent of turnover of the Contributed Business (exclusive of VAT) for the preceding financial year.
- 6.2 All material supply contracts of the Contributed Business relating to ingredients are either contracts to which a Target Group Company is a party or are Transferred Contracts.
- 6.3 Save in relation to any Target Group Intellectual Property Contract, no Target Group Company is in material default under any material Contract to which it is party and no third party is in material default under any material Contract to which a Target Group Company is party and, to the Seller's Knowledge, there are no circumstances in either case likely to give rise to such a material default.
- 6.4 Save in relation to any Target Group Intellectual Property Contract, no Business Seller is in material default under any material Contract to which it is a party and, to the Seller's knowledge, no third party is in material default under any material Contract to which a Business Seller is a party and, to the Seller's Knowledge, there are no circumstances in either case likely to give rise to such a material default.

7 Joint Ventures etc.

No Target Group Company or Business Seller is, or has agreed to become, a member of any joint venture, consortium, partnership or other unincorporated association (other than a recognised trade association in relation to which the Target Group Purchaser or Business Seller has no liability or obligation except for the payment of annual subscription or membership fees).

8 Agreements with Connected Parties

There are no existing contracts or arrangements material to the business of the Target Group between, on the one hand, any Business Seller or Target Group Company and, on the other hand, the Seller or any other member of the Seller's Group (other than any Business Seller or Target Group Company), other than on normal commercial terms in the ordinary course of business.

9 Sufficiency of Assets

- 9.1 Each of the assets listed in Clause 2.3.1 is owned both legally and beneficially by the Seller or its Affiliates and each of those assets capable of possession is, save where in the possession of third parties in the ordinary course of business, in the possession of the Seller or its Affiliates.
- 9.2 Save for Permitted Encumbrances, no option, right to acquire, mortgage, charge, pledge, lien or other form of security or Encumbrance (excluding licences of Intellectual Property or Know-How) or equity on, over or affecting the whole or any part of the

assets listed in Clause 2.3.1 is outstanding and, save in relation to Permitted Encumbrances, there is no agreement or commitment entered into by any member of the Seller's Group to give or create any and no claim has been made against any member of the Seller's Group by any person entitled to any.

9.3 The Target Group Businesses and the assets of the Target Group Companies, when taken together with the rights and services under the Ancillary Agreements and for the respective terms thereof:

- (i) comprise all of the assets required to carry on the Contributed Business in substantially the same manner as it has been during the 12 months prior to the date of this Agreement and as it was reported in its December Presentation, save in relation to the Excluded Assets; and
- (ii) are sufficient in all material respects to carry out the Contributed Business after the Closing in substantially the same manner as it has been conducted by the Seller and its Affiliates in the 12 months prior to the date of this Agreement and as it was reported in its December Presentation, save in relation to the Excluded Assets,

provided however, that the foregoing is not a warranty of non-infringement, non-misappropriation or any other non-violation of Intellectual Property Rights of any third party, which warranty is solely set out in paragraph 5.5.

10 Compliance with Laws, Permits and Anti-Bribery

10.1 None of the Seller or its Affiliates is in breach of any Applicable Law where such breach is reasonably likely to be material to the Target Group.

10.2 Neither the Seller nor any of its Affiliates has received any written notice from any Governmental Entity that it is not in compliance (or any warning letter that it may not be in compliance) with any Applicable Law or is not in possession of any permits, licences, certificates or other authorisations or consents of a Governmental Entity in each case as is necessary for the conduct of the Contributed Business in all material respects as presently conducted (each a "**Permit**" and, collectively, the "**Permits**"), except where such non-compliance or non-possession does not remain outstanding or uncured as of Closing or would not reasonably be expected to have a material effect on the Business.

10.3 With respect to its Contributed Business, since 1 January 2009, neither the Seller nor any of its Affiliates, nor any of their respective directors, officers or employees and, to the Seller's Knowledge, no Seller Partner has, directly or indirectly: (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity or to influence official action; (ii) made or offered to make any unlawful payment to any foreign or domestic government official or employee, or agent, political party or any official of such party, or political candidate from corporate funds; (iii) made or offered to make any bribe, rebate, payoff, influence payment, money laundering, kickback or other unlawful payment; or (iv) violated or is in violation of any provision of any applicable Anti-Bribery Law; and with respect to the Contributed Business, the Seller and its relevant Affiliates have instituted and maintain policies and procedures reasonably designed to ensure compliance with applicable Anti-Bribery Law.

- 10.4 With respect to its Contributed Business, neither the Seller nor any of its Affiliates, nor any of their respective directors, officers or employees and, to the Seller's Knowledge, no Seller Partner: (i) is currently the subject of, nor has been since 1 January 2009 the subject of, any action alleging a violation, or possible violation, of any Anti-Bribery Law, nor has been, since 1 January 2009, the recipient of a subpoena, letter of investigation or other document alleging a violation, or possible violation, of any Anti-Bribery Law, or (ii) has, since 1 January 2009, improperly or inaccurately recorded in any books and records (A) any payments, cash, contributions, gifts, hospitalities or entertainment to a foreign or domestic government official, employee of an enterprise owned or controlled in whole or in part by any foreign government, official of a foreign or domestic political party or campaign, or a foreign or domestic candidate for political office; or (B) other expenses related to political activity or lobbying.
- 10.5 With respect to its Contributed Business, since 1 January 2009, neither the Seller nor any of its Affiliates, nor any of their respective directors or officers, and, to the Seller's Knowledge, none of their respective employees has received notice that any such person is or has been alleged to be in violation of any sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or by the U.S. Department of State or equivalent measures of the United Kingdom, European Union, or the United Nations (the "**Sanctions Law**"). With respect to its Contributed Business, neither the Seller nor any of its Affiliates, nor any of their respective directors or officers, and, to the Seller's Knowledge, none of their respective employees has conducted any of their business activities whatsoever with, or for the benefit of, a government, national or legal entity to the extent such actions would violate any Sanctions Law. None of the execution, delivery and performance of this Agreement and the direct or indirect use of proceeds from any transaction contemplated hereby or the fulfilment of the terms hereof will result in a violation by any person of any Sanctions Law.
- 10.6 Each member of the Seller's Group, in connection with any products of the relevant Seller's Contributed Business, the Product Approvals, the Product Applications, the Transferred Contracts and the Transferred Intellectual Property Contracts requires its Service Providers to act in accordance with the requirements of applicable Anti-Bribery Law and uses all reasonable endeavours to procure that they do so.

11 Product Approvals

- 11.1 The Seller or one of its Affiliates is the registered holder of each of the Product Approvals. All material Product Approvals held by Seller or its Affiliates are in full force and effect. No material deficiencies have been asserted by any applicable Government Entity with respect to any Product Approval or Product Filing, nor, to the Seller's knowledge, are there any facts or circumstances that would be likely to lead to such assertions being made.
- 11.2 Each Product was and is being researched, developed, manufactured, marketed or sold in all material respects in accordance with the specifications and standards contained in the relevant Product Approval and the related Marketing Authorisation Data and in accordance with Applicable Law.

- 11.3 Neither the Seller or any of its Affiliates has received any written notice that any Governmental Entity with jurisdiction over the Products has commenced or will commence any action: (i) to withdraw the approval of any Product or otherwise revoke or materially amend any Product Approval or Marketing Authorisation Data; or (ii) enjoin production, marketing or sale of any Product and, to the Seller's Knowledge, no such action has been threatened.
- 11.4 All application and renewal fees due and payable with respect to all material Product Approvals have been paid.
- 11.5 All preclinical and clinical investigations with respect to the Products are being and have been conducted in compliance with Applicable Law in all material respects. The Seller and its Affiliates have not, and to the Seller's Knowledge, none of its Product Partners or any other third party under any Licensed Intellectual Property Contract has received since 1 January 2009, any written notices or other correspondence from any Governmental Entity with respect to any on-going clinical or pre-clinical studies or tests of any Product requiring the termination, suspension or material modification of such studies or tests.
- 11.6 None of the Seller or its Affiliates or, to the Seller's Knowledge, any Product Partner or any other third parties pursuant to any Licensed Intellectual Property Contract, has any knowledge of any adverse event, arising since the date three years prior to the date of this Agreement, reportable with respect to the safety or efficacy of any Product, which is reasonably expected to be material.

12 Product Liability

The Products sold by the Contributed Business during the Relevant Period have complied in all material respects with all applicable product specifications and have been Manufactured in all material respects in accordance with applicable requirements of then current GMP and Applicable Law, except for any such non-compliance that has not had, and would not reasonably be expected to have a materially adverse impact on any of the Seller's Products.

13 Product Recall

- 13.1 No Product (or any component thereof) has been recalled, suspended, withdrawn, seized, discontinued or the subject of a refusal to file, clinical hold, deficiency or similar action letter (including any correspondence questioning data integrity) as a result of any action by any Governmental Entity, by the Seller or any of its Affiliates; nor are any such actions pending or under consideration (or any facts, conditions, or circumstance known) by the Seller or any of its Affiliates, or, to the Seller's Knowledge, by any Governmental Entity. There is not, to the Seller's Knowledge, pending or threatened litigation anywhere in the world seeking the recall, withdrawal, suspension, seizure or discontinuance of any of the Products.

14 Taxes

- 14.1 Each Target Group Company and each Tax Group to which it belongs has, and every member of the Seller's Group with an interest in the Contributed Business has, in respect of the Contributed Business, duly, and within any appropriate time limits, filed all Tax Returns required to be filed and has maintained all records required to be maintained for Tax purposes in relation to the assets comprised in the Contributed Business; all such information was and remains complete and accurate in all material respects and all such Tax Returns were complete and accurate in all material respects and were made on the proper basis.
- 14.2 There are no Tax liens on any asset comprised in the Target Group Business (other than Permitted Encumbrances).
- 14.3 No Target Group Company and no Tax Group to which a Target Group Company belongs is currently under audit or examination by a Tax Authority that could result in the assessment of a material amount of Tax and neither the Seller nor any Target Group Company (nor any Tax Group to which a Target Group Company belongs) has received notice from a Tax Authority of any dispute or disagreement outstanding or contemplated at the date of this Agreement with any Tax Authority regarding liability or potential liability to any Tax recoverable from any Target Group Company or regarding the availability of any relief from Tax to any Target Group Company and, so far as the Seller is aware, there are no circumstances which make it likely that any such dispute or disagreement will commence.
- 14.5 No Target Group Company, and no Tax Group to which a Target Group Company belongs, has received or requested any extension of time to file a Tax Return that remains unfiled or has granted or requested a waiver or extension of a limitation on any period for audit and examination or assessment and collection of Tax for any taxable period as to which Tax could be assessed.
- 14.6 No member of the Seller's Group with an interest in the Contributed Business has received notice from a Tax Authority of, and so far as the Seller is aware, there is not any dispute or disagreement outstanding at the date of this Agreement with any Tax Authority regarding the proper method of computing the profits of the Contributed Business (or any part of it) for Tax purposes or the proper treatment for VAT purposes of any supplies of goods or services made (or treated as made) in the course of the Contributed Business and, so far as the Seller is aware, there are no circumstances which make it likely that any such dispute or disagreement will commence.
- 14.7 So far as the Seller is aware, no Target Group Company benefits from any preferential Tax regime, granted by law or by special authorisation issued by any Tax Authority or by any other authority, which would in whole or in part be withdrawn as a result of the signature of this Agreement.
- 14.8 So far as the Seller is aware, no Tax Authority has within the past three years operated or agreed to operate any special arrangement (being an arrangement which is not based on relevant legislation or any published practice) in relation to any assets comprised in the Contributed Business.

14.9 In respect of all documents which establish or are necessary to establish the title of the relevant member of the Seller's Group to each material asset comprised in the Contributed Business, or by virtue of which the relevant member of the Seller's Group has any right in respect of each such asset, all applicable stamp duties, transfer taxes, registration charges or similar duties or charges have been duly paid.

14.10 So far as the Seller is aware, other than any payments which are of a nature or type (such as expenditure on business entertainment or marketing) which are not deductible for Tax purposes by reason of a general restriction on deductibility applicable to payments of that nature or type under the laws of the jurisdiction in which the relevant Target Group Company is resident for Tax purposes or carries on its business, no Target Group Company is under any obligation to make any future payment which will not be deductible for Tax purposes in an amount which, if the payment were deductible for Tax purposes, would reduce the Tax liability of the relevant Target Group Company by an amount exceeding US\$5 million.

15 Environmental Matters

15.1 To the Seller's Knowledge, each Business Seller (with respect to its conduct of the Contributed Business and any Transferred Property) and Target Group Company is in compliance in all material respects with all Environmental Laws.

15.2 To the Seller's Knowledge, each Target Group Company and each Business Seller (with respect to its conduct of the Contributed Business and any Transferred Property) possesses all material Permits required under applicable Environmental Laws necessary to conduct its portion of the Contributed Business.

15.3 To the Seller's Knowledge, no Target Group Company nor any Business Seller (with respect to its conduct of the Contributed Business and any Transferred Property) has received any written notice alleging a material violation of any Environmental Laws, other than matters that have been resolved in all material respects.

15.4 To the Seller's Knowledge, no Target Group Company nor any Business Seller (with respect to its conduct of the Contributed Business and any Transferred Property) has received any written notice or claim alleging that it is or may be liable to any person in any material respect under any applicable Environmental Law as a result of a release or threatened release of any Hazardous Substance at any Transferred Property, other than matters that have been resolved in all material respects.

15.5 To the Seller's Knowledge, no Target Group Company nor any Business Seller (with respect to its conduct of the Contributed Business and any Transferred Property) is a party to any pending proceedings relating to any Environmental Laws, other than proceedings that would not reasonably be expected to have a relevant Material Adverse Effect.

16 Employees

16.1 The Disclosure Letter contains a true, complete and correct list of the following information in respect of each Target Business Employee and each Target Company

Employee as of 31 March 2014 (organised by country and, in relation to any Target Group Company, by legal employer): (A) employee identification details; (B) date of birth; (C) employment status (part-time or full-time); (D) employment start date; (E) base salary as at 1 January 2014; (F) target annual incentive for 2014 (and amounts and/or details of approach to the calculation of the 2013 bonus amounts); and (G) target long-term incentive for 2014 (and amounts and/or details of the approach to the calculations of the long-term incentive amounts for 2013).

- 16.2 In each of the Material Employee Jurisdictions except as would not be reasonably expected to have a Material Adverse Effect:
- 16.2.1 as of the date of this Agreement there is not, and in the two years prior to the date of this Agreement there has not been, nor to the Seller's Knowledge is there pending or threatened, any labour strike, dispute, work stoppage or lockout by any group of either Target Business Employees or Target Company Employees;
 - 16.2.2 no trade union or works council is recognised in any way for bargaining, information or consultation purposes in relation to any of the Target Business Employees or Target Company Employees and no collective bargaining negotiations, whether voluntary or mandatory, are currently taking place with respect to any of the Target Business Employees or Target Company Employees and, as of the date of this Agreement, no Target Group Company or Business Seller is a party to any agreement (whether legally binding or not) with any such trade union or works council affecting any Target Business Employee or Target Company Employee and there is no existing dispute with any such representative body (or, to the Seller's Knowledge, pending or threatened) in relation to the Target Group Business;
 - 16.2.3 there is no material litigation, claim or other dispute existing, nor to the Seller's Knowledge, pending or threatened by or in respect of any Employees (or any former employees of the Target Group Companies) in respect of their employment or any matter arising from their employment; and
 - 16.2.4 no Target Group Company or Business Seller has, within the two years prior to the date of this Agreement, closed any plant or facility, effectuated any layoffs of employees or implemented any early retirement, separation or similar programme in each case in violation of the WARN Act, nor has any Target Group Company or Business Seller announced any such action or programme for the future.
- 16.3 No Key Personnel has given notice terminating his or her contract of employment, nor is under notice of dismissal.
- 16.4 To the Seller's Knowledge, and subject to the next sentence, no Target Company Employee will, as a result of the entering into of this Agreement or Closing, be entitled to receive any payment or benefit which he would not otherwise be entitled to receive (including, without limitation, an enhanced severance package on a subsequent termination) or be entitled to treat either such event as amounting to a breach of his

terms and conditions of employment or to treat himself as redundant or dismissed or released from any obligation. This warranty shall not apply to any retention arrangements (in the form of cash or shares) put in place by the Seller or any member of the Seller's Group to retain key employees in connection with the matters contemplated by this Agreement as described in paragraphs 9 and 10 of Schedule 7 or any arrangement relating to the share-based incentive schemes of the Seller's Group pursuant to paragraph 10 of Schedule 7.

- 16.5 Since the Statement of Net Assets Date, no material change has been made, announced or proposed to the emoluments or other terms of employment of any Employee, and no such change, and no negotiation or request for such a change, is due or expected within 12 months from the date of this Agreement, and the employing company is under no obligation to make such a change (with or without retrospective operation) other than any arrangement relating to the share-based incentive schemes of the Seller's Group pursuant to paragraph 10 of Schedule 7.

17 Employee Benefits

- 17.1 The Disclosure Letter contains a true, complete and correct list of all bonus, staff incentives (including any share-based incentive schemes), redundancy or other benefits payable on termination of employment (whether voluntary or involuntary but excluding arrangements required in accordance with Applicable Law), ill-health, Employee Benefits or other benefits which are the material benefits available to the Target Business Employees and the Target Company Employees in the Material Employee Jurisdictions. To the Seller's Knowledge, other than any arrangement relating to the share-based incentive schemes of the Seller's Group pursuant to paragraph 10 of Schedule 7, no Target Group Company or Business Seller has made any promises or commitments to make available any additional benefits to the Target Business Employees and the Target Company Employees in the Material Employee Jurisdictions, or to modify or change in any material way any existing benefits in the Material Employee Jurisdictions, or to continue or maintain the level of any existing benefits generally for any period, which in each case could reasonably be expected to have a Material Adverse Effect.

- 17.2 The Disclosure Letter contains true and complete copies of all documents of any written benefit schemes, plans or arrangements referred to in paragraph 17.1 above applicable to either Target Business Employees or Target Company Employees in the Material Employee Jurisdictions containing material terms (including governing documents, and for benefit plans that are not share-based incentive schemes related trust agreements or other funding documents) and a true, complete and correct summary of the material terms of any unwritten benefit schemes, plans or arrangements referred to in paragraph 17.1 above.

17.3 Benefit Plans

- 17.3.1 In the Material Employee Jurisdictions all benefit and compensation schemes, plans, funds, contracts, policies, agreements or arrangements (other than the US Benefit Plans and any schemes, plans, funds, contracts, policies, agreements or arrangements operated by any Governmental Entity) (A)

operated by or on behalf of a Target Group Company or Business Seller, with respect to Target Company Employees or Target Business Employees or current or former employees or directors of a Target Group Company, (B) in respect of which any Target Group Company or Business Seller, with respect to Target Company Employees or Target Business Employees, the Seller or any member of the Seller's Group contributes or has contributed or (C) in respect of which any Target Group Company or Business Seller, with respect to Target Company Employees or Target Business Employees, has any liability (whether actual or contingent), including, but not limited to, plans providing Employee Benefits or during periods of sickness or disablement, or any deferred or incentive compensation, welfare, healthcare, medical, stock or stock-related award plans, including individual pension commitments, "jubilee" pension benefits and retirement and termination indemnity arrangements and, in relation to Switzerland, all plans, funds, contracts, policies, agreements or arrangements providing pension or other benefits on retirement (such schemes, plans, funds, contracts, policies, agreements and arrangements hereinafter being referred to, for each Seller, as "**Non-US Benefit Plans**") and the US Benefit Plans have been administered in accordance with their terms and are in compliance with Applicable Law, except for any failures to so administer or be in compliance that, individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect. All required filings for all Benefit Plans have been made on time and with the appropriate Governmental Entity, except for any failures to timely file that, individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect. As of the date of this Agreement, there is no existing, pending or, to the Seller's Knowledge, threatened material litigation, claim or other dispute relating to the Benefit Plans.

- 17.3.2 The Target Group Companies or Business Sellers, with respect to Target Company Employees or Target Business Employees in each Material Employee Jurisdiction: (A) are in material compliance with all Applicable Law respecting employment, employment practices, terms and conditions of employment, occupational health, safety, wages and hours; (B) have withheld all amounts required by Applicable Law, collective bargaining agreements or the Benefit Plans to be withheld from the wages, salaries or other payments to the Target Company Employees or the Target Business Employees and former employees of the Target Group Companies; (C) in respect of the Target Company Employees or Target Business Employees or former employees of the Target Group Companies, are not liable under any applicable provisions of the Benefit Plans and any Applicable Law for any arrears, wages, Taxes, other than payments not yet due, or any penalty for failure to comply with the foregoing; and (D) are not liable under any applicable provisions of the Benefit Plans and any Applicable Law for any payment to any trust or other fund or to any Governmental Entity with respect to unemployment compensation benefits, workers compensation, social security or other benefits for Target Company Employees or Target Business Employees or former employees of the Target Group Companies, other than payments not yet due, except, in each case, for any failures to comply, failures to withhold or liabilities that, individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

- 17.3.3 All material contributions that the Target Group Companies or Business Sellers, with respect to Target Business Employees or the Target Company Employees in a Material Employee Jurisdiction and Switzerland, are required to make to any Benefit Plan in respect of the period on or before the date of this Agreement have been fully and timely paid when due.

18 Litigation

- 18.1 No Target Group Company or Business Seller is involved whether as claimant or defendant or other party in any claim or Proceeding (other than as claimant in the collection of debts arising in the ordinary course of its business none of which exceeds US\$5 million) which is material to the Business.
- 18.2 To the Seller's Knowledge, no such claim or Proceeding of material importance is pending or threatened by or against any Target Group Company or Business Seller.

19 Insolvency

- 19.1 No order has been made and no resolution has been passed for the winding up of the Seller, any Share Seller or any Business Seller, or for the appointment of any administrator, receiver (including administrative receiver) or liquidator (provisional or otherwise) over the whole or any part of the property, assets and/or undertaking of the Seller, any Share Seller or any Business Seller.
- 19.2 No petition has been presented or meeting convened for the purpose of considering a resolution or resolution circulated for the winding up of the Seller, any Share Seller or any Business Seller, or for the appointment of any administrator, receiver (including administrative receiver) or liquidator (provisional or otherwise) over the whole or any part of the property, assets and/or undertaking of the Seller, any Share Seller or any Business Seller.
- 19.3 Neither the Seller, nor any Share Seller nor any Business Seller has stopped payment or suspended payment of its debts generally, is insolvent or deemed unable to pay its debts as they fall due.

20 Insurance

All material insurance policies relating to the Contributed Business are in full force and effect and, to the Seller's Knowledge, no notice of cancellation, termination or default has been received with respect to any such insurance policy. All premiums due and payable on such policies covering periods up to Closing have been paid in full or accrued.

21 Consents and Licences

21.1 All governmental and quasi-governmental licences, consents, permissions, waivers, exceptions and approvals required for carrying on the Contributed Business, the absence of which, individually or in the aggregate, would be material to the Contributed Business, are in force and, to the Seller's Knowledge, no written notice has been received by the Seller or any member of the Seller's Group which indicates that any such licence, consent, permission, waiver, exception or approval is likely to be revoked or which may confer a right of revocation.

22 Delinquent and Wrongful Acts

22.1 To the Seller's Knowledge, no member of the Seller's Group has, during the Relevant Period, committed any criminal or illegal act which relates to the Target Group Companies or the Target Group Businesses.

22.2 No member of the Seller's Group has, during the Relevant Period, received notification that any investigation or inquiry is being or has been conducted by any supranational, national or local authority or governmental agency specifically related to the Contributed Business, which is material in respect of the Contributed Business.

23 Compliance

23.1 No member of the Seller's Group has received in the Relevant Period any written notification or written claim (in each case, which remains outstanding) that it has conducted the Contributed Business with respect to the research, development, manufacturing, distribution and sale of any products of the relevant Seller's Contributed Business in a manner which does not in any respect comply with all Applicable Law, or which in any respect is defective or dangerous, where the pursuit of any such notification or claim is, or would reasonably be expected to be, material in respect of the Contributed Business.

23.2 So far as the Seller is aware, the Contributed Business has, and has during the Relevant Period been, operated in all material respects in compliance with all Applicable Law or standards and to the Seller's Knowledge there are no circumstances that could involve or lead to a material violation of any material Applicable Law or standards.

24 Pipeline Products

24.1 The Seller or one of its Affiliates is the registered holder of each of the Pipeline Product Approvals, and the benefit of each Pipeline Product Approval can be transferred to the Purchaser (or another member of the Purchaser's Group) regardless as to whether such transfer occurs directly (whether by way of transfer, reissuance or any other equivalent mechanism under Applicable Law of the relevant jurisdiction) or indirectly (through the transfer of the Target Group Companies).

24.2 All development activities in relation to the Pipeline Products have been conducted in the ordinary course and in accordance with all Applicable Law and standards and to the Seller's Knowledge there are no circumstances relating to the development of the Pipeline Products that could involve or lead to a material violation of any material Applicable Law or standards.

24.3 No material regulatory, clinical or safety event has occurred in relation to the Pipeline Products and no member of the Seller's Group has received any notification or claim from any person of any such event (or the possibility of any such event).

25 Manufacturing Licences and Manufacture

25.1 All Manufacturing Licences which are material to the Contributed Business, are in effect and are validly held by a member of the Seller's Group and during the Relevant Period, to the Seller's Knowledge, no member of the Seller's Group has received any written notice of any suit, action or proceeding regarding the revocation or modification of any such Manufacturing Licence.

25.2 No directive, order or notice has been given to the Seller or any member of the Seller's Group by any relevant regulatory authority to update, modify, amend, vary, supplement or delete any process and/or methodology relevant to the manufacture at the Properties of any product currently manufactured at the Properties and, so far as the Seller is aware, no such directive, order or notice is pending.

Schedule 14
Warranties given by the Purchaser under Clause 9.3

1. AUTHORITY AND CAPACITY

1.1 Incorporation

The Purchaser is validly existing and is a Purchaser duly incorporated and registered under the law of its jurisdiction of incorporation.

1.2 Authority to enter into Agreement

1.2.1 The Purchaser has the legal right and full power and authority to enter into and perform this Agreement, any Local Transfer Document to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Local Transfer Document.

1.2.2 The documents referred to in paragraph 1.2.1 will, when executed, constitute valid and binding obligations on the Purchaser in accordance with their respective terms.

1.2.3 Except as referred to in this Agreement, the Purchaser:

- (i) is not required to make any announcement, consultation, notice, report or filing; and
- (ii) does not require any consent, approval, registration, authorisation or permit,
- (iii) in each case in connection with the performance of this Agreement or any other document referred to in paragraph 1.2.1.

1.2.4 The execution and delivery of the documents referred to in paragraph 1.2.1 and the performance by the Purchaser and each member of the Purchaser's Group of their respective obligations under them, will not:

- (i) result in a breach of any provision of the memorandum or articles of association or by laws or equivalent constitutional document of the relevant member of the Purchaser's Group;
- (ii) result in a breach of, or constitute a default under, any instrument or contract to which the relevant member of the Purchaser's Group is party or by which the relevant member of the Purchaser's Group is bound where such breach is material to their ability to perform their obligations under such documents;
- (iii) result in a breach of any existing order, judgment or decree of any court, Governmental Entity by which the relevant member of the Purchaser's Group is bound and where such breach is material to their ability to perform their obligations under such documents.

1.3 **Authorisation**

The Purchaser has taken, or will have taken by Closing, all corporate action required by it to authorise it to enter into and to perform this Agreement, any Local Transfer Document to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Local Transfer Document.

Schedule 15
Pre-Closing Obligations

Part 1
Seller Restrictions

The actions for the purposes of Clause 5.1.2 are:

- 1.1 amend or otherwise modify the constitutional documents of any Target Group Company other than minor or administrative amendments or modifications which are not adverse to its Contributed Business, the other Seller, or to the Purchaser in respect of its rights and obligations under this Agreement and the Ancillary Agreements;
- 1.2 create, allot or issue, or grant an option or right to subscribe for or purchase, any share capital or other securities or loan capital of any Target Group Company;
- 1.3 repay, redeem or repurchase any share capital, or other securities of any Target Group Company;
- 1.4 make any acquisition or disposal which has a value in excess of US\$150 million, in the case of GlaxoSmithKline, or US\$85 million, in the case of Novartis, exclusive of VAT;
- 1.5 grant any guarantee or indemnity for the obligations of any person (other than any Target Group Company) which has a value in excess of US\$5 million (other than in the ordinary course of trading);
- 1.6 dispose of, or agree to dispose of, any material asset or material stock at below market value other than in the ordinary course of business;
- 1.7 acquire or agree to acquire any share, shares or other interest in any company, partnership or other venture, other than an investment of 5 per cent. or less of the total shares or interest in such company, partnership or venture;
- 1.8 enter into, extend, amend, give notice to terminate or vary in any material respect any lease of real property or change the existing use of such property which is material to its Contributed Business;
- 1.9 enter into any borrowing facility which constitutes Third Party Indebtedness which would not be repaid prior to Closing;
- 1.10 enter into any off-balance sheet finance arrangements;
- 1.11 sell, lease, license, transfer or dispose of, or create any Encumbrance over, any material assets of its Contributed Business other than (i) in the ordinary course of business (including any sale of inventory) or (ii) a Permitted Encumbrance;

- 1.12 amend, terminate or grant any waiver with respect to any Owned Intellectual Property Contract or Transferred Intellectual Property Contract other than in the ordinary course of business;
- 1.13 fail to comply in all material respects with all Applicable Law, Product Approvals, Marketing Authorisations applicable to the operation of its Contributed Business;
- 1.14 assign, licence or abandon any Owned Intellectual Property Rights or Transferred Intellectual Property Rights or rights in Proprietary Information, or cease to prosecute or otherwise dispose of, fail to maintain, defend or pursue applications for any of its registered Owned Intellectual Property Rights or registered Transferred Intellectual Property Rights material to any Product or Pipeline Product in each case other than in the ordinary course of business;
- 1.15 save where requested in writing by the other Seller or required by any applicable Governmental Entity, amend (other than in the ordinary course of business), cancel or surrender any applications, submissions or filings with respect to its registered Owned Intellectual Property Rights or registered Transferred Intellectual Property Rights;
- 1.16 instigate, cease, compromise or settle any litigation or arbitration proceedings related to its Contributed Business in relation to a claim for which the potential liability attaching thereto is in excess of US\$150 million, in the case of GlaxoSmithKline, or US\$85 million, in the case of Novartis;
- 1.17 make any material amendment to any Marketing Authorisation, Manufacturing Licence or Environmental Permit, in each case except to the extent required by: (a) Applicable Law; (b) any Governmental Entity, or (c) the standards, policies and procedures of the Seller's Group as then in force;
- 1.18 enter into, terminate, grant any waiver in respect of or amend in any material respect any Transferred Contract, or incur any commitment, which is not capable of being terminated without compensation at any time with twelve months' notice or less or which is not in the ordinary course of business, or which involves or may involve total annual expenditure in excess of US\$150 million, in the case of GlaxoSmithKline, or US\$85 million, in the case of Novartis, exclusive of VAT;
- 1.19 enter into any contract which would materially restrict the freedom of its Target Group to operate in any part of the world;
- 1.20 terminate (except for good cause) the employment of any Key Personnel;
- 1.21 take any steps to increase or reduce the proportion of time spent working in its Contributed Business by any employee of any member of its Group or to transfer the employment of any Employee to another member of its Group or to employ or offer to employ or engage any new persons in its Contributed Business other than in ordinary course of business consistent with past practice and subject to an aggregate increase of not more than 2.5 per cent. in total staff costs of its Contributed Business per annum, provided that this restriction shall not apply to the redeployment of any Target Group Company Employee who is not wholly or substantially engaged in its Contributed Business before the Closing Date to employment with another member of its Group;

- 1.22 make, or commit to make, any changes to the terms and conditions of employment (including pension fund commitments or any increase to remuneration) or to any employee benefit plan of any Employee, other than (a) those required by Applicable Law or (b) pursuant to normal annual pay reviews in the ordinary course of business consistent with past practice and subject to an aggregate increase of not more than 5 per cent. in total staff costs of the Contributed Business per annum or (c) retention arrangements (in the form of cash or shares) to retain key employees in connection with the matters contemplated by this Agreement as described in paragraphs 9 and 10 of Schedule 7 or (d) those changes to share-based incentive schemes made for the purpose of complying with paragraph 10 of Schedule 7;
- 1.23 make any promises or commitment to any Employees or employee representative body concerning the matters contemplated by this Agreement or offer or otherwise give any assurances to any Employees as to the possibility of continued employment with the Purchaser's Group after Closing;
- 1.24 make any change or commitment to make any change to the terms of any redundancy policy or practice applying to the Employees (including amounts payable on redundancy);
- 1.25 enter into (where there is no existing agreement) or materially amend any collective bargaining agreement or other contract with a labour organisation, works council or employee organisation to create new or additional obligations for any member of the Seller's Group, in each case in relation to the Contributed Business or any Target Group Company; and
- 1.26 undertake any recall or withdrawal of any Product (other than in the ordinary course of business or to comply with Applicable Law).

Part 2
Seller Obligations

1. OBLIGATIONS TO BE SATISFIED PRIOR TO THE CLOSING

- 1.1 At least five Business Days prior to the Closing Date, each Seller shall provide the other Seller with a list of any required actions that must be taken within three months after Closing with respect to the payment of any registration, maintenance, or renewal fees or the filing of any documents, applications or certificates in order to maintain any Transferred Intellectual Property Rights that are Registered Intellectual Property Rights in full force and effect. Upon the other Seller's reasonable request, the relevant Seller shall execute and deliver assignment agreements and other transfer documentation, including, where applicable, duly executed assignments of such Transferred Intellectual Property Rights for recording with the applicable Governmental Entity, and to take such further actions, in each case at the other Seller's reasonable cost and expense and as may be required, to give effect to the foregoing assignments.

2. OBLIGATIONS FROM THE DATE OF THE AGREEMENT TO THE CLOSING

The requirements for the purposes of Clause 5.1.3 are:

- 2.1 so far as permitted by Applicable Law, procure that each member of the Seller's Group informs the other Seller promptly if the Seller becomes aware of, or has reasonable grounds for suspecting any violation of Anti-Bribery Law which is reasonably likely to have an impact on the Target Group;
- 2.2 carry out capital expenditure in relation to any site operated by the Target Group where Products are manufactured in a manner materially consistent (and within a variance of 10 per cent. in aggregate) with the Seller's capital expenditure programme as at the date of this Agreement;
- 2.3 maintain and keep any Transferred Intellectual Property Rights and ensure that all filings and notifications required to be made in respect of the same are made in accordance with past practice;
- 2.4 progress, in accordance with past practice any applications, submissions, filings or other correspondence relating to the grant of new Transferred Intellectual Property Rights;
- 2.5 progress, in accordance with past practice during the Relevant Period, any applications, submissions, filings or other correspondence initiated by such member of the Seller's Group relating to the grant of new Manufacturing Licences and Environmental Permits in respect of the Contributed Business;
- 2.6 continue to Commercialise products of the relevant Seller's Contributed Business in accordance with past practice during the Relevant Period and do not materially accelerate or increase the quantity of such products distributed to the relevant distributors and/or wholesalers, in each case except in respect of a bona fide increase in demand for the relevant Product by the relevant distributor and/or wholesaler which has not been stimulated in any way by discounts, rebates, claw-backs or the like outside of the ordinary course of business or the grant of preferred terms offered by the Seller's Group outside of the ordinary course;
- 2.7 not discontinue or cease to operate or materially reduce the resources applied to any part of the Contributed Business;
- 2.8 maintain the level of Manufacturing Stocks and Manufacturing Inventory held for use in its Contributed Business materially in accordance with the Seller's Group's operating policies as applied to its Contributed Business from time to time in force;
- 2.9 maintain the level of In-Market Inventory held for use in its Contributed Business materially in accordance with the Seller's Group's operating policies as applied to its Contributed Business from time to time in force;
- 2.10 use all reasonable efforts to ensure that the manufacture of all products of the relevant Seller's Contributed Business by the Seller's Group comply with Applicable Law;

- 2.11 use all reasonable efforts to ensure that the products sold by its Contributed Business comply with Applicable Law;
- 2.12 continue to conduct the Ongoing Clinical Trials in accordance with GCP and the Seller Group's policies and procedures;
and
- 2.13 notify the other Seller in writing of any actual safety or quality issue in respect of any Product or the manufacture of any Product (as soon as reasonably practicable after becoming aware of the same) which issue the relevant member of the Seller's Group, acting reasonably and in good faith, considers material in the context of the manufacture or commercialisation of such Product.

**Schedule 16
Key Personnel**

[Part 1

[*]**

Part 2

[*]**

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 17
Reorganisations

1. Between signing of this Agreement and Closing, each Seller may carry out one or more Reorganisations, provided that:
 - 1.1 if a Seller proposes to carry out a Reorganisation, that Seller (the “**Notifier**”) shall notify the other Seller (the “**Recipient**”) no later than the end of 90 calendar days after the date of this Agreement (and at least three weeks in advance of the proposed Reorganisation being implemented) of its intention to carry out the proposed Reorganisation and the detailed steps proposed to be implemented to effect the Reorganisation and, in respect of each Target Group Company, the country of incorporation, the country or countries of residence for Tax purposes and the location of any permanent establishments of that Target Group Company;
 - 1.2 the Notifier shall provide the Recipient with copies of all relevant legal documentation required to implement the Reorganisation in draft a reasonable period prior to the Reorganisation being implemented and shall provide the Recipient with such other information as the Recipient may reasonably request regarding the implementation of the Reorganisation;
 - 1.3 the Notifier shall consult in good faith with, and take into account the views of, and any requests made by, the Recipient in relation to any Reorganisation steps; and
 - 1.4 without prejudice to Clause 15.9 of this Agreement, all fees, costs and expenses of implementing any Reorganisation (or any part thereof) are borne by GlaxoSmithKline’s Group in the case of a Reorganisation where GlaxoSmithKline is the Notifier of the Reorganisation and by Novartis’s Group in the case of a Reorganisation where Novartis is the Notifier of the Reorganisation.
2. GlaxoSmithKline undertakes to the Purchaser (for itself and as trustee for each GlaxoSmithKline Consumer Group Company) that, with effect from Closing, GlaxoSmithKline will indemnify on demand and hold harmless the relevant GlaxoSmithKline Consumer Group Company against and in respect of any and all Liabilities arising in connection with any Reorganisation (or part thereof) undertaken by GlaxoSmithKline, other than:
 - (A) any Liabilities of a GlaxoSmithKline Consumer Group Company in respect of Tax (which shall be dealt with under the Tax Indemnity); and
 - (B) any Liabilities in connection with any matter provided for or document entered into as provided by this Agreement (including the provisions of Clause 8.12, but excluding this Schedule 17) or any Ancillary Agreement.

3. Novartis undertakes to the Purchaser (for itself and as trustee for each Novartis OTC Group Company) that, with effect from Closing, Novartis will indemnify on demand and hold harmless the relevant Novartis OTC Group Company against and in respect of any and all Liabilities arising in connection with any Reorganisation (or part thereof) undertaken by Novartis, other than:
- (A) any Liabilities of any Novartis OTC Group Company in respect of Tax (which shall be dealt with under the Tax Indemnity); and
 - (B) any Liabilities in connection with any matter provided for or document entered into as provided by this Agreement (including the provisions of Clause 8.12, but excluding this Schedule 17) or any Ancillary Agreement.
4. In this paragraph 4 and in paragraph 5 below:
- (A) “**GlaxoSmithKline RoW Consumer Assets**” means the GlaxoSmithKline Consumer Group excluding the GlaxoSmithKline Consumer Group in the US and excluding the GlaxoSmithKline Transferring UK Companies; and
 - (B) “**GlaxoSmithKline Transferring UK Companies**” means the GlaxoSmithKline Consumer Group Companies incorporated in the UK which are held (directly or indirectly) by Glaxo Group Limited.
5. GlaxoSmithKline intends to carry out a Reorganisation (the “**GlaxoSmithKline Reorganisation**”) between signing of this Agreement and Closing involving the following high-level steps:
- 5.1 GlaxoSmithKline will procure that a Jersey incorporated but solely UK tax resident company is incorporated as a (direct or indirect) subsidiary of Glaxo Group Limited (the “**Intermediate Holdco**”);
GlaxoSmithKline Consumer Group in the US
 - 5.2 the GlaxoSmithKline Consumer Group in the US is currently primarily held (directly or indirectly) underneath GlaxoSmithKline Holdings Americas Inc and Stiefel Laboratories Inc;
 - 5.3 if GlaxoSmithKline concludes that the conditions of section 355 of the Code should be met in respect of the GlaxoSmithKline Reorganisation, the GlaxoSmithKline Consumer Group in the US will be distributed to GlaxoSmithKline Finance plc by way of a “qualifying spin-off” under section 355 of the Code prior to Closing. The GlaxoSmithKline Consumer Group in the US will then be transferred to the Intermediate Holdco prior to Closing;
 - 5.4 in any other case, the GlaxoSmithKline Consumer Group in the US will be transferred to the Purchaser on Closing in return for an issue of a portion of the A Shares to the Second GlaxoSmithKline Shareholder (as defined in the Shareholders’ Agreement);

GlaxoSmithKline Consumer Group outside the US

- 5.5 the GlaxoSmithKline RoW Consumer Assets are primarily held (directly or indirectly) underneath Glaxo Group Limited, Stiefel Laboratories Inc and Setfirst Limited;
 - 5.6 the GlaxoSmithKline RoW Consumer Assets will be transferred to the Intermediate Holdco (or a direct or indirect subsidiary of the Intermediate Holdco) prior to Closing; and
 - 5.7 on Closing, the Intermediate Holdco and the GlaxoSmithKline Transferring UK Companies will be contributed to the Purchaser in return for an issue of A Shares to the First GlaxoSmithKline Shareholder (as defined in the Shareholders' Agreement).
6. For the avoidance of doubt, the information set out in paragraph 5 shall not constitute notification by GlaxoSmithKline to Novartis of a Reorganisation in accordance with paragraph 1 above.
7. Novartis intends to achieve its contributions to the Purchaser through the following high-level steps:
- 7.1 shares in Novartis OTC Group Companies held from Switzerland would be contributed to the Purchaser in return for the issue shares;
 - 7.2 an 80 per cent. shareholding in Novartis Consumer Health, Inc. will be contributed to the Purchaser for the issue of shares to Novartis Finance Corporation;
 - 7.3 shares in Novartis OTC Group Companies held by non-Swiss holding companies will be transferred to the Purchaser for cash;
 - 7.4 Intellectual Property Rights may be transferred to the Purchaser for cash, either by way of sale or by way of fully paid-up licence; and
 - 7.5 cash required by the Purchaser as envisaged in paragraphs 7.3 and 7.5 would be provided by Novartis AG, and possibly also Novartis Finance Corporation, subscribing cash for shares in the Purchaser.
8. For the avoidance of doubt, the information set out in paragraph 7 shall not constitute notification by Novartis to GlaxoSmithKline of a Reorganisation in accordance with paragraph 1.
9. The parties agree that although a Reorganisation may result in a change in the ownership structure of the relevant Target Group, it shall not, under any circumstances, result in a change in scope of that Target Contributed Business as defined in this Agreement.

10. Between the date of this Agreement and Closing, the Purchaser shall be entitled to set up such wholly-owned (direct or indirect) subsidiary companies as it sees fit and, in accordance with Clauses 2.1, 2.2 and 2.3, may procure that such subsidiary companies purchase the relevant Shares and/or Target Group Businesses in accordance with such Clauses.
11. The parties agree that, notwithstanding the characterization of any transactions as sales, the transactions described in paragraphs 5 and 7 of this Schedule 17 relating to the transfer of assets to the Purchaser are intended to qualify for US federal income tax purposes as (i) a transfer to a controlled corporation within the meaning of section 351 of the Code and, in the case of any Novartis OTC Group Company organized under US law (ii) as a “reorganization” within the meaning of Section 368(a)(1)(B) of the Code, and further agree that the parties intend that this Agreement constitute a “plan of reorganization” for purposes of Sections 354, 361 and 368 of the Code. The parties and their Affiliates shall report the transactions contemplated by this Agreement for US income tax purposes in a manner consistent with this intended treatment and shall not take an inconsistent position for US income tax purposes unless required by Applicable Law.
12. Upon reasonable request by another party, each party and Share Seller that is not incorporated in the US or resident for Tax purposes in the US shall provide to such party an “ownership statement” meeting the requirements of section 1.367(a)-3(c)(5)(i) of the US Treasury Regulations.
13. If, during the period ending on the earlier of 31 December 2020 and the date on which all the B Shares cease to be held by a member of Novartis’s Group, the Purchaser intends to transfer either the shares or substantially all of the assets of a Novartis OTC Group Company that is incorporated in the US or resident for Tax purposes in the US in one, or a series of connected, transactions, it shall ensure that Novartis is made aware of any such intended transactions in a timely manner, provide Novartis with any information about such transactions reasonably requested by Novartis and provide Novartis with written notification of such transactions prior to the consummation of such transactions.

Schedule 18
Statement of Net Assets

Part 1
Statement of Net Assets Rules – GlaxoSmithKline

1. PREPARATION OF THE GLAXOSMITHKLINE STATEMENT OF NET ASSETS

1.1 Period

The Statements of Net Assets is prepared as of the close of business on the final day of the relevant calendar month.

1.2 Translation of Reporting Entity’s Statements of Net Assets

A reporting entity reports in local currency. All reports are translated into GBP by the Seller for reporting purposes. The GlaxoSmithKline Statement of Net Assets is translated at the period-end exchange rates which are the rates published on the Finance Community and are based on exchange rates published by Reuters and are published on the GlaxoSmithKline intranet.

1.3 GlaxoSmithKline UNISON Reporting System and Materiality:

- 1.3.1 Financial information has been obtained from GlaxoSmithKline’s UNISON reporting system and prepared in accordance with GlaxoSmithKline’s Finance Manual.
- 1.3.2 The GlaxoSmithKline Statement of Net Assets contains the business of GlaxoSmithKline Consumer division as included in GlaxoSmithKline’s segment reporting (column A- “Per Annual Report”). Excluded assets and liabilities related to GlaxoSmithKline’s business in India and Nigeria and related to Lucozade and Ribena (which products were sold on 31 December 2013) are shown in columns B and C (“Adjust out Nigeria and India” and Exclude Lucozade and Ribena”). A £5 million threshold was applied.
- 1.3.3 The GlaxoSmithKline Statement of Net Assets has been prepared as follows:
 - (i) in accordance with the specific accounting treatments set out below; and, subject thereto;
 - (ii) adopting the same accounting principles, methods, procedures and practices utilized in preparing the consolidated financial statements of GlaxoSmithKline plc as described in the GlaxoSmithKline Finance Manual applied on a consistent basis using consistent estimation methodologies and judgments and with consistent classifications and, subject thereto; and

(iii) in accordance with IFRS.

1.3.4 For the avoidance of doubt, paragraph 1.3.3(i) shall take precedence over paragraphs 1.3.3(ii) and 1.3.3(iii), and paragraph 1.3.3(ii) shall take precedence over paragraph 1.3.3(iii).

2. SPECIFIC POLICIES

The adjustment for exclusion of Lucozade and Ribena in the illustrative statement Net Assets represents an estimate based on balances at 31 December 2012 inflated by 2.8% for sales growth of the divested products. Other one-off adjustments relating to the divestment have also been excluded from other payables and receivables.

Part 2 Statement of Net Assets Rules – Novartis

Part 3 of this Schedule 18 sets forth, for illustrative purposes only, a computation of the statement of net assets as of the close of business on 31 December 2013 (the “**Novartis Statement of Net Assets**”).

1. PREPARATION OF THE NOVARTIS STATEMENT OF NET ASSETS

1.1 Period

The Novartis Statement of Net Assets is prepared as of the close of business on the final day of the relevant calendar month.

1.2 Translation of Reporting Entity’s Statements of Net Assets

A reporting entity reports in local currency. All reports are translated into US Dollars by the Seller for reporting purposes. The Novartis Statement of Net Assets is translated with the period-end exchange rates which are the rates provided by Novartis Group Treasury and are based on Bloomberg’s mid-morning CET exchange rates and are published in the Group Treasury section of the Novartis intranet.

1.3 Novartis Reporting System and Materiality:

1.3.1 Financial information is obtained from the Financial Consolidation & Reporting System of Novartis and the supporting general ledgers are prepared in accordance with Novartis’s Accounting Manual (the “**NAM**”). The Financial Consolidation & Reporting System is the system of record for Novartis external reporting. References in the Novartis Statement of Net Assets included as Part 2 of this Schedule 18 shown as “BS01 lines 010-671” relate to the groupings shown in Novartis’s monthly reporting form “BS01 – Balance sheet”.

1.3.2 For the Seller’s reporting purposes, the financial reporting of a legal entity is separated into a divisional part, which includes operating items and a corporate part, which mainly captures the amounts related to taxes, post-employment benefit obligations and most of the financial assets and

liabilities. The Novartis Statement of Net Assets contains the business of the OTC division as included in Novartis's segment reporting (column A- "OTC Divisional Reported Statement of Net Assets"), and items of the corporate Statement of Net Assets for the Novartis Group Companies (Column B – "OTC Statement of Net Assets of the Corporate part of the Novartis Group Companies" as well as adjustments for certain items which are either excluded from or added to the transaction (columns C - "Excluded items"). A US\$10 million threshold was applied.

- 1.3.3 The Novartis Statement of Net Assets has been prepared as follows:
- (i) in accordance with the specific accounting treatments set out below; and, subject thereto;
 - (ii) adopting the same accounting principles, methods, procedures and practices utilized in preparing the consolidated financial statements of Novartis AG as described in the Novartis Accounting Manual applied on a consistent basis using consistent estimation methodologies and judgments and with consistent classifications and, subject thereto; and
 - (iii) in accordance with IFRS.
- 1.3.4 For the avoidance of doubt, paragraph 1.3.3(i) shall take precedence over paragraphs 1.3.3(ii) and 1.3.3(iii), and paragraph 1.3.3(ii) shall take precedence over paragraph 1.3.3(iii).

2. SPECIFIC POLICIES

The following supplement the description in the NAM for certain items included in the Novartis Group Statement of Net Assets:

2.1 Non-Current assets

- 2.1.1 Property, plant and equipment (BS01_010)
An amount of US\$1.1m has been excluded as it relates to assets, which will be retained.
- 2.1.2 Financial assets &– subsidiaries/JV (BS01_040)
This line reflects equity investments that Novartis Group Companies hold in other Novartis Group Companies. These relationships have been eliminated in the Novartis Statement of Net Assets (as reflected in Column C). The equity investment in an entity which is not supposed to transfer in a share deal is maintained. Deferred tax assets (BS01_042).
- 2.1.3 Deferred tax assets (BS01_042)
This line represents deferred tax assets included in the corporate part of Transferred Subsidiaries. In the US deferred taxes are recognized in a member of the Seller's Group US corporate entity and have therefore been added (as reflected in column C) in the Novartis Statement of Net Assets.

2.2 **Current Assets:**

2.2.1 Receivables own BU (BS01_130)

Column B of the Novartis Statement of Net Assets represents receivables against other entities within the Novartis division, which are offset by an equivalent amount in the line Payables own BU. These amounts have been eliminated in Column C of the Novartis Statement of Net Assets.

2.2.2 Prepaid share-based payments (BS01_161)

An asset for prepaid share-based compensation is recognized to reflect Novartis's internal charge-out mechanism for its equity settled share-based compensation plans. For entities settling the charge for the shares at the beginning of the vesting period, it reflects the expense yet to be recognized for the unvested part of a share-based compensation plan. This asset has been excluded (as reflected in Column C) and is not reflected in the Novartis Statement of Net Assets.

2.3 **Long-term Liabilities:**

2.3.1 Deferred tax assets (BS01_535)

This line represents deferred tax liabilities included in the corporate part of Transferred Subsidiaries. In the US deferred taxes are recognized in a member of the Seller's Group US corporate entity and have therefore been added (as reflected in column C) in the Novartis Statement of Net Assets.

2.3.2 Other non-current liabilities (BS01_540)

Column C excludes net liabilities for post-employment benefits of US\$88 million included in the corporate part of the Novartis Group Companies as their treatment is addressed separately in Schedule 8.

2.4 **Current Liabilities:**

2.4.1 Accrued share-based payments (BS01_671)

A liability for share-based compensation is recognized to reflect Novartis's internal charge-out mechanism for its equity-settled share-based compensation plans. For entities settling the charge for the shares after the vesting period, it reflects the expense recognized for the vested part of a share based compensation plan. This liability has been excluded (as reflected in Column C) and is not reflected in the Novartis Statement of Net Assets.

Part 3
GlaxoSmithKline Statement of Net Assets

| GBP M | Per Annual Report | Adjust Out Nigeria and India | Exclude Lucozade & Ribena | TOTAL |
|-------------------------------|----------------------|---------------------------------|---------------------------------|-------|
| Fixed Assets | 2,964 | [***] | [***] | [***] |
| Goodwill | 333 | [***] | [***] | [***] |
| Computer Software | 15 | [***] | [***] | [***] |
| Other intangibles | 1,669 | [***] | [***] | [***] |
| Property, Plant and Equipment | 947 | [***] | [***] | [***] |
| Inventory | 441 | [***] | [***] | [***] |
| Receivables | 835 | [***] | [***] | [***] |
| Trade Receivables* | 673 | [***] | [***] | [***] |
| Other Receivables* | 162 | [***] | [***] | [***] |
| Payables | (1,363) | [***] | [***] | [***] |
| Trade Payables* | (556) | [***] | [***] | [***] |
| Other Payables* | (807) | [***] | [***] | [***] |
| Provisions | (21) | [***] | [***] | [***] |
| Net Operating Assets | 2,856 | [***] | [***] | [***] |

* Adjustment for Lucozade and Ribena sales represents an estimate based on 2012 inflated at 2.8% for sales growth of divested portfolio. Other one off adjustments relating to the divestment have also been excluded from other payables and receivables

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Part 4
Novartis Statement of Net Assets

| | OTC Divisional Reported Statement of Net Assets at Dec 31, 2013 | OTC Statement of Net Assets including Corporate part of the OTC Group Companies | Excluded items | OTC Group Statement of Net Assets Dec 31, 2013 |
|---|---|--|-------------------|---|
| BS01_010 Property, plant and equipment | 306,208 | [***] | [***] | [***] |
| BS01_020 Intangible assets | 585,066 | [***] | [***] | [***] |
| BS01_035 Financial assets - 3rd parties and loans to AC | 2,983 | [***] | [***] | [***] |
| BS01_040 Financial assets & subsidiaries//JV | | [***] | [***] | [***] |
| BS01_040 Financial assets & subsidiaries//JV | | [***] | [***] | [***] |
| BS01_042 Deferred tax assets | | [***] | [***] | [***] |
| BS01_044 Other non-current non-financial assets | 15,128 | [***] | [***] | [***] |
| BS01_050 Total financing and loans to subsidiaries / JV | | [***] | [***] | [***] |
| BS01_110 Total inventories | 343,177 | [***] | [***] | [***] |
| BS01_120 Trade receivables (3rd parties and AC) | 494,787 | [***] | [***] | [***] |
| BS01_130 Receivables own BU | 1 | [***] | [***] | [***] |
| BS01_130 Receivables own BU – Corporate | | [***] | [***] | [***] |

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

| | | | | |
|---|-------------------------|-----|-----|-----|
| BS01_140 Receivables other BU's | 13,319 | *** | *** | *** |
| BS01_160 Other current assets(3rd parties and AC) | 81,327 | *** | *** | *** |
| BS01_161 Prepaid share-based payments | 2,439 | *** | *** | *** |
| BS01_163 Marketable securities, Commodities and Derivative financial assets | | *** | *** | *** |
| BS01_180 Cash & cash equivalents | | *** | *** | *** |
| Total Assets | <u>1,844,435</u> | *** | *** | *** |
| BS01_511 Financial debt – long-term | | *** | *** | *** |
| BS01_516 Financing from subsidiaries / JV | | *** | *** | *** |
| BS01_518 Loans from subsidiaries / JV | | *** | *** | *** |
| BS01_535 Deferred tax liabilities | | *** | *** | *** |
| BS01_540 Other non-current liabilities (3rd parties and AC) | 30,675 | *** | *** | *** |
| BS01_610 Trade payables (3rd parties and AC) | 322,063 | *** | *** | *** |
| BS01_620 Payables own BU | | *** | *** | *** |
| BS01_620 Payables own BU – Corporate | | *** | *** | *** |
| BS01_630 Payables other BU's | 35,113 | *** | *** | *** |

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

| | | | | |
|---|------------------|-----|-----|-----|
| BS01_651 Financial debt – Short-term (3rd parties and AC) | | *** | *** | *** |
| BS01_660 Income taxes payable | | *** | *** | *** |
| BS01_670 Accrued and other current liabilities (3rd parties and AC) | 302,075 | *** | *** | *** |
| BS01_671 Accrued share-based payments | 25,814 | *** | *** | *** |
| Total Liabilities | 715,740 | *** | *** | *** |
| Net Assets | 1,128,695 | *** | *** | *** |

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 19
Novartis International Assignees

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 20
Clearances, Approvals etc.

Regulatory Approvals

The following table provides the additional jurisdictions and applicable antitrust, merger control, or foreign investment rules referenced in Clause 4.1.3 of the Agreement.

This list of jurisdictions and statutes is not meant to be indicative of a known filing or approval requirement in these jurisdictions. To the extent that clearances, approvals, waivers, no action letters or consents are not required to be obtained or not otherwise agreed by the parties to be appropriate and waiting periods are not required to have expired in these jurisdictions, prior to closing of the transactions contemplated by the Agreement, such clearances, approvals, waivers, no action letters, consents, and waiting period expirations will not be conditions precedent to closing of the transactions contemplated by the Agreement.

| <u>Country</u> | <u>Statute Under Which Filing/Approval Is Required</u> |
|----------------|---|
| Australia | The Competition and Consumer Act of 2010 |
| Austria | Part I, chapter 3 of the Austrian Cartel Act of 2005 |
| Brazil | Law No. 12,529 of November 30, 2011 |
| Canada | The Competition Act |
| China | The Chinese Anti-Monopoly Law |
| Germany | Chapter VII of the Act against Restraints of Competition of 1958 |
| India | The Competition Act of 2002, as amended by The Competition (Amendment) Act of 2007 |
| Israel | Restrictive Trade Practices Law, 5748-1988 |
| Japan | The Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade No. 54 of 1947 |
| Mexico | The Federal Law on Economic Competition |
| New Zealand | The Commerce Act of 1986 |
| Russia | Federal Law No. 135-FZ of July 16, 2006 on Protection of Competition |
| South Africa | The Competition Act 89 of 1998 |
| South Korea | The Monopoly Regulation and Fair Trade Act |
| Taiwan | The Fair Trade Law of 1991 |
| Turkey | The Law on Protection of Competition No. 4054 of 1994 |
| United Kingdom | The Enterprise Act of 2002 |

**Schedule 21
Seller Marks**

**Part 1
GlaxoSmithKline Seller Marks**

GLAXOSMITHKLINE

GLAXO

GSK

SMITHKLINE

SMITHKLINE BEECHAM

SB

STERLING

STIEFEL

WELLCOME

GLAXO WELLCOME

GSK Logo

GLAXOSMITHKLINE Logo

STIEFEL Logo

Schedule 22
Delayed Businesses

Part 1 – Delayed Businesses

1.

1.1 In this Schedule:

| | |
|--|--|
| “Audit Team” | has the meaning given in paragraph 3.3 of this Schedule; |
| “Accounting Standards” | means the most recent edition of the International Financial Reporting Standards as published by the International Accounting Standards Board at the time that any amount is to be calculated by reference to these standards; |
| “Controlled Business Instruction” | has the meaning given in paragraph 2.4.1 of this Schedule; |
| “Controlled Delayed Businesses” | means the Delayed Businesses other than the Non-Controlled Delayed Businesses; |
| “Delayed Assets” | means the assets listed in Appendix 3 to this Schedule; |
| “Delayed Businesses” | means the Delayed Target Group Companies, the Delayed Target Group Businesses, the Delayed Assets and the Delayed Liabilities; |
| “Delayed Business Employees” | has the meaning given in Schedule 7 (<i>Employees</i>); |
| “Delayed Business Representative” | has the meaning given in paragraph 2.3 of this Schedule; |
| “Delayed Closing” | means, in respect of a Delayed Business, completion of the transfer of legal ownership of that Delayed Business to the Purchaser in accordance with this Schedule; |
| “Delayed Closing Date” | has the meaning given in paragraph 1.4 of this Schedule; |
| “Delay Milestone” | means the milestone set out next to the relevant Delayed Business in Appendices 1 to 3 (inclusive) to this Schedule; |
| “Delayed Target Group Company” | means a Target Group Company listed in Appendix 1 to this Schedule; |
| “Delayed Target Group Business” | means a Target Group Business listed in Appendix 2 to this Schedule; |

| | |
|---|---|
| “Disputed Items” | has the meaning given in paragraph 3.9 of this Schedule; |
| “Dispute Notice” | has the meaning given in paragraph 3.3 of this Schedule; |
| “Draft Economic Benefit Statement” | has the meaning given in paragraph 3.12.2 of this Schedule; |
| “Economic Benefit Amount” | has the meaning given to it in paragraph 4.2. of this Schedule; |
| “Economic Benefit Expert” | has the meaning given in paragraph 3.12.2 of this Schedule; |
| “Economic Benefit Statement” | has the meaning given in paragraphs 11 or 12.1, as applicable, of this Schedule; |
| “Economic Benefit Payment” | has the meaning given in paragraph 3.15 of this Schedule; |
| [***] | [***] |
| “Non-Controlled Delayed Business” | means, in respect of GlaxoSmithKline, the GlaxoSmithKline Bangladesh Business and the GlaxoSmithKline Pakistan Business, and, in respect of Novartis, the Novartis Indian Business; |
| “Protected Information” | has the meaning given in paragraph 3.7 of this Schedule; |
| “Reviewing Party” | has the meaning given in paragraph 3.3 of this Schedule; and |
| “Seller Involvement Instruction” | has the meaning given in paragraph 2.10 of this Schedule. |

- 1.2 The parties agree that legal ownership of the Delayed Businesses shall not be transferred by the relevant Seller to the Purchaser at Closing but that the Delayed Businesses shall be operated by the relevant Seller and that the benefit and burden of such Delayed Business shall be for the Purchaser with effect from the Effective Time on the terms set out in this Schedule.
- 1.3 Each Seller and the Purchaser shall (and shall procure that their respective Affiliates shall) use all reasonable endeavours to procure the achievement of each Delay Milestone as soon as possible after the Closing Date.
- 1.4 Delayed Closing in respect of a Delayed Business shall occur on the date which is the last Business Day of the month in which the relevant Delay Milestone has been achieved, except that:

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

- 1.4.1 where the last day of such month is not a Business Day, the Delayed Closing shall instead take place on the first Business Day of the following month; and
- 1.4.2 where less than five (5) Business Days remain between achievement of the Delay Milestone and the last business day of the month, Delayed Closing shall take place:
- (i) on the last Business Day of the following month;
 - (ii) where the last day of such month is not a Business Day, the Delayed Closing shall instead take place on the first Business Day of the month following the month referred to in paragraph (i) above; or
 - (iii) on such other date as may be agreed between the relevant Seller and the Purchaser, such date (in each case) being the “**Delayed Closing Date**”.

Obligations on Delayed Closing Date

The Sellers’ Obligations

- 1.5 On each Delayed Closing Date, the relevant Seller shall deliver to the Purchaser the Ancillary Agreements relating to the Delayed Business (including, without limitation, the Local Transfer Documents) duly executed by the relevant member of that Seller’s Group.

The Purchaser’s Obligations

- 1.6 On each Delayed Closing Date, the Purchaser shall deliver to the relevant Seller the Ancillary Agreements relating to the Delayed Business (including, without limitation, the Local Transfer Documents) duly executed by the relevant member(s) of the Purchaser’s Group.
- 1.7 For the purposes of compliance with paragraphs 1.5 and 1.6, each Seller and the Purchaser shall, between the date of this Agreement and the Delayed Closing Date, negotiate in good faith any and all Ancillary Agreements relating to the Delayed Business (including, without limitation, the Local Transfer Documents) such that they are consistent with equivalent Ancillary Agreements executed at Closing, and shall take all such other steps as are required to transfer the Delayed Businesses in accordance with this Agreement and the Ancillary Agreements.

Tax Indemnity

- 1.8 References in paragraphs 1.5 to 1.7 above to Ancillary Agreements shall not include the Tax Indemnity, the execution and delivery of which shall be dealt with under Schedule 11.

- 1.9 This Schedule is without prejudice to the rights and obligations of the parties and their respective Groups under the Tax Indemnity.
- 1.10 The Purchaser shall use reasonable endeavours to procure that any Delayed Business Instructions are consistent with the rights and obligations of the parties and their respective Groups under the Tax Indemnity.
- 1.11 Nothing done or omitted to be done by a Seller in accordance with its rights and obligations under the Tax Indemnity shall constitute a breach by that Seller of Part 2 of this Schedule.

PART 2 – MANAGEMENT AND CONTROL OF DELAYED BUSINESSES

2.

- 2.1 To the maximum extent permissible by Applicable Law, and the terms of any Product Approvals and Product Applications, the parties intend that, pursuant to this Schedule, all management and control rights and powers that a Seller (or any member of the Seller's Group) has in relation to a Controlled Delayed Businesses shall transfer to the Purchaser with effect from Closing and, accordingly, that the Purchaser shall consolidate the Controlled Delayed Businesses into its accounts with effect therefrom in accordance with its accounting policies as applied from the Closing Date.
- 2.2 As soon as reasonably practicable after Closing, the Purchaser shall notify each Seller of the names of its personnel permitted to provide Controlled Business Instructions ("**Instructing Personnel**") and each Seller shall be entitled to rely on and act in accordance with Controlled Business Instructions from Instructing Personnel without further verification. Instructions provided by or on behalf of the Purchaser shall not be required to be in writing if they are provided by the Instructing Personnel. The Purchaser shall be free to change its Instructing Personnel from time to time by providing 10 Business Days' written notice to the Seller's Delayed Business Representative.
- 2.3 In order to cooperate in managing the implementation of the provisions set out in this Schedule, each Seller and the Purchaser shall notify each other of the identity of a senior member of management (the "**Delayed Business Representative**") who shall be the primary point of contact in the event that there is any issue in connection with the operation of the provisions in this Schedule. The parties shall notify each other in writing of the contact details for their respective Delayed Business Representatives from time to time.
- 2.4 From Closing until the relevant Delayed Closing Date, in respect of any Controlled Delayed Business each Seller shall:
- 2.4.1 subject to paragraph 2.11 and 2.12 and to the maximum extent permitted by Applicable Law and the terms of any relevant Product Approvals and Product Applications, act in accordance with any instructions provided to it by any of the Instructing Personnel in relation to any aspect of the management and operation of that Controlled Delayed Business or any part of it, whether in relation to sales, marketing, distribution,

manufacturing, research and development or any other activities of that Controlled Delayed Business, the making (or otherwise) of expenditure, investments, employee matters (including the hiring or dismissal of any Delayed Employee), determining operating or financial policies of that Controlled Delayed Business, or otherwise, including developing that Controlled Delayed Business into new areas and undertaking activities not previously undertaken in relation to that Controlled Delayed Business, and in each case with the effect that the Purchaser shall have, to the maximum extent permissible by Applicable Law, and the terms of any relevant Product Approvals and Product Applications, the same powers in relation to the relevant Controlled Delayed Business as it would have following the Delayed Closing Date of that Controlled Delayed Business (a “**Controlled Business Instruction**”);

- 2.4.2 comply with the provisions of Schedule 4 in relation to Product Approvals and Product Applications relating to the Controlled Delayed Business;
- 2.4.3 except to the extent otherwise instructed by the Purchaser’s Instructing Personnel in accordance with this paragraph 2 or as required by Schedule 4, ensure that the Controlled Delayed Business is carried on in the ordinary course of business consistent with past practice in relation to that Controlled Delayed Business; and
- 2.4.4 ensure that no Delayed Target Group Company shall, between the Closing Date and the relevant Delayed Closing Date for that Delayed Target Group Company:
 - (i) make any distribution, dividend or any return of value to any member of that Seller’s Group (whether in cash or in kind) or any return of capital (whether by reduction of capital or redemption or purchase of shares) other than dividends in the ordinary course of the business of GlaxoSmithKline Pakistan consistent with past practice; or
 - (ii) take any action which results in a reduction in its dividend capacity (other than the incurrance of trading losses in the ordinary course of business); or
 - (iii) make any payment to, or enter into any transaction with, any member of that Seller’s Group other than with the consent of the Purchaser or in accordance with the provisions of this Agreement or any of the Ancillary Agreements;
 - (iv) make any payment to, or enter into any transaction other than (in any case) on arm’s length terms in the ordinary course of business or otherwise in accordance with the provisions of this Agreement or any of the Ancillary Agreements;

- (v) permit any waiver, deferral or release by any Delayed Target Group Company of any amount or obligation owed or due to such Delayed Target Group Company; or
- (vi) permit any guarantee, indemnity or security to be provided by any Delayed Target Group Company in respect of the obligations or liabilities of any Seller or any of its Affiliates;

and provided that the Seller shall not be required, pursuant to any Controlled Business Instruction, to take any action (or omit to take any action) in relation to any of its business (or the business of that Seller's Group) that is not a Controlled Delayed Business.

- 2.5 Each Seller shall indemnify on demand and hold harmless the Purchaser against and in respect of any and all Liabilities of the Purchaser's Group and any Delayed Target Group Company arising directly or indirectly as a result of any breach of paragraph 2.4.4 above and, for the avoidance of doubt, any such Liability shall not constitute an Assumed Liability for the purposes of this Agreement.
- 2.6 For the avoidance of doubt, the provisions of Clause 5 and Schedule 15 shall not apply in respect of any Controlled Delayed Business following Closing.
- 2.7 The Purchaser shall (or shall procure that its Affiliates shall) supply such assistance and access (including the supply of products, the supply of services and access to Transferred Books and Records and Commercial Information, but excluding any access to Intellectual Property Rights except as referred to in paragraph 2.8 below) as shall be reasonably necessary to allow each Seller to operate each Controlled Delayed Business in accordance with this Schedule.
- 2.8 The Purchaser shall (or shall procure that its Affiliates shall) grant each Seller from Closing a non-exclusive, fully paid up, royalty free and sub-licensable licence or sub-licence (as applicable) to use, notwithstanding any other provision of this Agreement or any of the Ancillary Agreements, the Target Group Intellectual Property Rights and Intellectual Property Rights licensed to the Purchaser (and its Affiliates) under any Ancillary Agreement (except the Purchaser Trademark Licence Agreements or the Purchaser Patent and Know-How Licence Agreements) for the sole purpose of operating each Delayed Business in accordance with the provisions of this Schedule 22. This licence shall continue on a country by country basis, in relation to each Delayed Business, until the date on which that Delayed Business has been transferred by the Seller to the Purchaser in accordance with this Schedule.
- 2.9 Delayed Employees who are engaged in a Controlled Delayed Business shall report to the management of the Purchaser and shall be treated for such management and reporting purposes in the same way as any employee of the Purchaser's Group. Controlled Business Instructions may, accordingly, be given by the Instructing Personnel directly to any Delayed Employee engaged in a Controlled Delayed Business.

- 2.10 To the extent that the implementation of any Controlled Business Instruction requires an action or actions of a person employed by a Seller but who is not a Delayed Employee engaged in a Controlled Delayed Business (whether because Applicable Law prevents such Controlled Business Instruction from being given directly to a Delayed Employee or for any other reason) (a “**Seller Involvement Instruction**”), the Purchaser shall also provide the Controlled Business Instruction, in writing (which may include email), to that Seller’s Delayed Business Representative, specifying (i) that it is a Seller Involvement Instruction; (ii) the actions that are required to be taken by such person; and (iii) a reasonable time within which such actions are required to be taken.
- 2.11 Each Seller and the Purchaser acknowledges that each Seller’s Delayed Employees shall continue to be bound by, and shall comply with, the employment policies and procedures (including terms and conditions and disciplinary procedures) of the relevant Seller’s Group that apply to employees of such Seller’s Group.
- 2.12 Subject to paragraph 2.11, each Seller and the Purchaser acknowledges that each Seller’s Delayed Employees shall continue to be bound by, and shall comply with the policies of the relevant Seller’s Group, provided that:
- 2.12.1 from the date on which the relevant Delayed Employees are given notice of the relevant restrictions and Anti-bribery and Corruption policies, Delayed Employees engaged in the Delayed Business in China shall be bound by and shall comply with any additional restrictions imposed on commercial practices and Anti-bribery and Corruption policies that the GlaxoSmithKline Group implements and which apply to employees of the GlaxoSmithKline Group in China, including (but not limited to) its policy related to payments to health care providers and such other policies as may be required by Applicable Law from time to time;
 - 2.12.2 from the date on which the relevant Delayed Employees are given notice of the requirements, Delayed Employees engaged in the Delayed Business in the US shall be bound by and shall comply with the requirements of the [***];
 - 2.12.3 the Sellers shall provide the Purchaser with copies of its operational and other policies that apply in relation to Controlled Delayed Businesses. In respect of such policies, the Purchaser may give notice to a Seller that it wishes for a particular policy of the Purchaser’s Group to apply in respect of a Controlled Delayed Business and/or the applicable Delayed Employees in addition to the Seller’s equivalent policy. The Purchaser’s equivalent policy shall apply to the applicable Delayed Employees from the date on which such Delayed Employees are given reasonable notice of the relevant policy. If a policy of a Seller and a policy of the Purchaser apply at the same time, if and to the extent there is any inconsistency or conflict between the two policies, the policy which requires behaviour that is least likely to expose the parties to legal, regulatory and/or compliance risk shall prevail.

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

- 2.13 The Purchaser hereby undertakes to each Seller (for itself and on behalf of each other member of such Seller's Group (excluding, for the avoidance of doubt, the Delayed Target Group Companies) and their respective directors, officers, employees and agents (excluding any Delayed Employees) (the "**Delayed Indemnity Parties**") that, with effect from the Effective Time, the Purchaser will indemnify on demand and hold harmless each of the Delayed Indemnity Parties against and in respect of any and all Liabilities, other than Liabilities in respect of Tax that are taken into account in calculating any Economic Benefit Payment, resulting directly or indirectly from any Controlled Delayed Business and/or from any Controlled Business Instruction to the extent that (i) such Liabilities are not Assumed Liabilities and (ii) the Delayed Indemnity Parties concerned would not have incurred such Liabilities if the Controlled Delayed Business in question had been transferred to the relevant member of the Purchaser's Group at Closing ("**Incremental Delay Liabilities**"), but in any case excluding any such Liabilities to the extent they arise as a result of a breach of paragraph 2.16 of this Schedule.
- 2.14 If a Seller is of the opinion that any Controlled Business Instruction may result in any Liability that would fall to be indemnified pursuant to paragraph 2.13, the Seller shall use its reasonable endeavours to inform (and procure that the members of the Seller's Group shall inform) the Purchaser of that opinion and the reasons for it as soon as reasonably practicable after reaching that opinion. The indemnity set out in paragraph 2.13 shall not be affected or limited in any way by any failure of any member of the Seller's Group so to inform the Purchaser.
- 2.15 The Purchaser shall not be entitled to make any claim for damages against a Seller in respect of a breach of Part 2 of this Schedule 22 otherwise than pursuant to a claim brought under paragraph 2.16.
- 2.16 Each Seller shall procure that:
- (A) for Controlled Business Instructions that are not Seller Involvement Instructions, neither it nor any of its Associated Persons shall act (or fail to act) fraudulently or with Gross Negligence in connection with the implementation of any Controlled Business Instruction. "**Gross Negligence**" for these purposes means any act or failure to act by the Seller (or any of its Associated Persons that: (i) the Seller (or the relevant Associated Person) knew may create a risk of material harm to the relevant Controlled Delayed Business; (ii) was intended to cause such harm, or was done in reckless disregard of, or in wanton indifference to, such risk of harm; and (iii) in all the circumstances (having regard to both the probability and seriousness of such harm) was an unreasonable risk for the Seller (or the relevant Associated Person) to take; and
 - (B) for Seller Involvement Instructions, neither it nor any of its Associated Persons shall act (or fail to act) fraudulently or negligently or in wilful default in connection with the implementation of the Seller Involvement Instruction and shall take no step which is intended to prevent the implementation of a Seller Involvement Instruction,

but it shall not be a breach of this paragraph 2.16 (and shall accordingly not be acting with Gross Negligence or wilful default for the purposes of this paragraph) to carry out any act, or fail to act, if to do so is:

- (i) required to implement a Controlled Business Instruction;
- (ii) required to comply with Applicable Law
- (iii) required to implement or comply with the terms of this Agreement or any Ancillary Agreement; or
- (iv) taken to mitigate any other loss or damage to the Controlled Delayed Business which the Seller (or the relevant Associated Person) believes, acting reasonably and in good faith, could be material in the context of that Controlled Delayed Business.

In any event, no claim shall be made by the Purchaser (and the Purchaser shall ensure that no member of the Purchaser's Group shall make any claim) for any breach of any other provisions of this Agreement (or the provisions of any Ancillary Agreement) by a Seller (or any member of the Seller's Group) that occurs in order to comply with any Controlled Business Instruction.

- 2.17 Prior to the making of any claim under this Schedule 22, the parties shall use reasonable endeavours to escalate such matter first for consideration to the Delayed Business Representatives and then to Novartis' and GlaxoSmithKline's chief financial officers, for the purpose of seeking to resolve such matter within a period of 30 days following such escalation.
- 2.18 Subject, in each case, to Applicable Law, each Seller shall, in the period between Closing and the relevant Delayed Closing Date, promptly upon request by the Purchaser provide (or procure that any member of its Group shall provide) the Purchaser and its representatives with access:
- 2.18.1 to any books and records of the Seller's Group to the extent relating to any Controlled Delayed Business of that Seller, and
 - 2.18.2 to any personnel of the Seller for the purposes of any requests for information from such personnel in relation to the Controlled Delayed Business.

For the avoidance of doubt, the parties shall take all steps necessary to ensure that no information is provided to the Purchaser or any person on behalf of the Purchaser which relates to any business of the Seller or any member of the Seller's Group other than the Controlled Delayed Business.

- 2.19 For the purposes of the Warranties deemed repeated by each Seller immediately before Closing pursuant to clause 9.1.5, ownership of the Delayed Businesses shall be deemed to have transferred to the Purchaser at Closing.

- 2.20 During the period between the Closing Date and the Delayed Closing Date, funding for Delayed Businesses shall continue to be provided by the relevant Seller's Group, save that in the event that any Delayed Business requires funds (for the purposes of working capital, acquisitions, capital expenditure or otherwise) during such period in excess of US\$10 million and the Delayed Business does not have the required funding in place (including through any ordinary course cash pooling arrangements), then such funds shall promptly be provided by the Purchaser, on such terms as the relevant Seller and the Purchaser shall agree, acting reasonably, having regard to, amongst other things, the Tax effects of such funding.

NON-CONTROLLED DELAYED BUSINESSES

- 2.21 From Closing until the relevant Delayed Closing Date:
- 2.21.1 the provisions of Part 2 of this Schedule shall not apply in respect of the Non-Controlled Delayed Businesses, with the exception of paragraphs 2.4.4, 2.5 2.11, 2.19 and 2.20 which shall apply if and to the extent permitted by Applicable Law;
 - 2.21.2 subject to paragraph 2.22 of this Schedule, the provisions of Part 3 of this Schedule shall not apply in respect of the Non-Controlled Delayed Businesses; and
 - 2.21.3 if and to the extent permitted by Applicable Law, the provisions of Clause 5 and Schedule 15 will continue to apply to the Non-Controlled Delayed Businesses and each Seller shall exercise such interests, rights and powers that such Seller has in respect of that Non-Controlled Delayed Business to the maximum extent that it is able in order to procure that the Non-Controlled Business is operated in accordance with Clause 5 and Schedule 15.
- 2.22 With effect from the relevant Delayed Closing Date, the provisions of Part 3 of this Schedule shall apply in respect of the Non-Controlled Delayed Businesses, save that the first Half Yearly Accounting Period shall be extended so that it commences at the Effective Time and ends on the relevant Delayed Closing Date.
- 2.23 From Closing until 31 March 2015, Novartis shall provide the Purchaser with such assistance and information to which it does not otherwise have access as it reasonably requests in order for it to be able to calculate the necessary receivables to be recorded in respect of any payments that may be made under paragraph 2.22, including, such monthly profit and loss forecast information as already exists and is reasonably available to Novartis or its Affiliates in relation to the Non-Controlled Delayed Businesses for the period up to the estimated relevant Delayed Closing Date.

PART 3 – ECONOMIC BENEFIT TRANSFER

3. ECONOMIC BENEFIT

- 3.1 Each Seller shall comply with the provisions of this Part 3, in relation to any Delayed Business (other than in relation to a Delayed Target Group Company in respect of which only paragraph 3.2 of this Schedule will apply), for each Half-Yearly Accounting Period (as defined in the Shareholders' Agreement) in which such Delayed Business remains legally owned by it or any member of that Seller's Group. The first Half-Yearly Accounting Period for which the provisions of this Part 3 shall be extended so that it commences at the Effective Time and shall end on 31 December 2015.
- 3.2 Within 45 days of the relevant Delayed Closing Date for any Delayed Target Group Company, the relevant Seller shall provide the other Seller (with a copy to the Purchaser) with a cash flow statement (including opening and closing balances for cash and cash equivalents, and payables and receivables that would have fallen within the definitions of Intra-Group Non-Trade Receivables and Intra-Group Non-Trade Payables) for such Delayed Target Group Company for the period commencing at the Effective Time and ending on the Delayed Closing Date prepared using the Accounting Standards.
- 3.3 Within 1 month following the end of each Half-Yearly Accounting Period, each Seller shall produce and provide to the internal audit team (or, at the other's discretion, the external auditors) (the "**Audit Team**") of the other Seller (the "**Reviewing Party**") (with a copy to the Purchaser) a draft statement setting out, for each Delayed Business that had not transferred to the Purchaser by the start of that Half-Yearly Accounting Period, the Economic Benefit Amount in respect of such Delayed Business for such Half-Yearly Accounting Period (or, if applicable, such part of the Half-Yearly Accounting Period as falls prior to the Delayed Closing Date for such Delayed Business). If the Delayed Business held by one member of a Seller's Group carried on both Commercialisation and Manufacturing operations, such Seller may present separate calculations of the Economic Benefit Amount for each such operation provided that the amount of any cost may not be counted more than once in such calculations and the price at which Products are sold by one operation to another shall be identical in both calculations. Each such statement shall be a "**Draft Economic Benefit Statement**".
- 3.4 It is intended that the Economic Benefit Amount shown in each Economic Benefit Statement is the amount that is necessary to be paid to the Purchaser by the relevant Seller or by the relevant Seller to the Purchaser, in order to put the Purchaser's Group and the relevant Seller's Group in the same economic position as they would have been in, taking into account any arrangements that would have been in place in respect of the relevant Delayed Businesses pursuant to any Ancillary Agreement, had such Delayed Businesses been transferred to the Purchaser at Closing (or, where clause 2.7 applies, the relevant Rx Spin-Out Business had not been owned by the Purchaser) before taking account, in each case, of any Tax effect for the Purchaser or the relevant Seller in respect of such payment (the "**Economic Benefit Objective**").

- 3.5 In the period prior to 31 December 2015, the Sellers and the Purchaser shall meet together to consider in good faith whether there are any adjustments required to the provisions of Part 4 of this Schedule in order for the Economic Benefit Statements to achieve the Economic Benefit Objective and (acting reasonably and in good faith) seek to agree such adjustments.
- 3.6 The portion of the Economic Benefit Amount set out in the Draft Economic Benefit Statement in relation to each Delayed Business shall be calculated in the local currency for that Delayed Business but any Economic Benefit Payment shall be paid pursuant to paragraph 3.15 or 3.18 of this Schedule in pounds sterling, for which purpose each amount in a currency other than pounds sterling shall be converted into pounds sterling at the spot reference rate for those currencies as quoted by the European Central Bank (or if there is no such rate, as quoted by the nearest equivalent institution) on the Business Day immediately prior to the relevant payment date and the sum of such converted sterling amounts shall be the Economic Benefit Payment amount. The calculation of the Economic Benefit Amount set out in an Economic Benefit Statement shall only be converted into pounds sterling in accordance with this paragraph 3.6 and aggregated after the Economic Benefit Statement has been agreed or determined in accordance with this Part 3.
- 3.7 Each Seller shall, and shall procure that the members of that Seller's Group (and, if applicable, its external accountants) shall, provide to the Reviewing Party's Audit Team, without charge, such access to their personnel, books and records, calculations and working papers as the Audit Team may reasonably request in connection with its review of the Draft Economic Benefit Statement (and the parties acknowledge that local market information that is not contained on central consolidation systems will only be requested where material in the context of the Draft Economic Benefit Statement as a whole), subject (where applicable) to the Reviewing Party providing such undertakings as the relevant external accountants may reasonably request, and provided that each Seller hereby undertakes to the other that it shall procure that each member of its Audit Team shall (i) keep any such information which is commercially sensitive (the "**Protected Information**") confidential and shall only disclose such information to, and discuss such information with, other members of that Audit Team; (ii) be expressly prohibited from communicating (in any form) any Protected Information to any other employee, agent, adviser or consultant of any member of the Reviewing Party's Group; and (iii) be subject to the above requirements whilst employed or engaged by any member of that Reviewing Party's Group in any capacity (whether or not as a member of that Audit Team). The provisions of clause 12 (*Confidentiality*) of this Agreement shall apply mutatis mutandis to such information including, for the avoidance of doubt, to allow (where permitted by that clause) disclosure of information otherwise prohibited to be communicated to any agent, adviser or consultant of any party's Group.
- 3.8 No amendments shall be made to any Draft Economic Benefit Statement except in accordance with the provisions of paragraph 3.9 below.
- 3.9 A Reviewing Party's Audit Team may dispute a Draft Economic Benefit Statement by notice in writing (in this Schedule, a "**Dispute Notice**") delivered to the other party by or on behalf of that Audit Team in accordance with clause 15.14 (*Notices*) of this Agreement within 3 weeks following receipt of the Draft Economic Benefit Statement. Any Dispute Notice shall specify (i) which items of the Draft Economic Benefit Statement are disputed; (ii) the reasons therefor, making specific reference (where

relevant and reasonably possible) to the parts of this Schedule which the Audit Team asserts have not been complied with in preparing the relevant statement; and (iii) to the extent practicable, any adjustments that the Reviewing Party's Audit Team considers should be made to the Draft Economic Benefit Statement, and provided that a Dispute Notice may only be submitted if the aggregate impact of all disputed items comprised in that Economic Benefit Amount are greater than £500,000.

- 3.10 Any Dispute Notice shall be accompanied by all relevant supporting documentation and working papers on which the Reviewing Party's Audit Team wishes to rely, it being acknowledged by the Reviewing Party that it shall procure that its Audit Team shall provide further documentation to support its claims promptly on reasonable request by the other party or, where relevant, the Economic Benefit Expert. Only those items or amounts specified in a Dispute Notice shall be treated as being in dispute (the "**Disputed Items**") and no amendment may be made by any party, or any Economic Benefit Expert, to any items or amounts which are not Disputed Items.
- 3.11 If the Reviewing Party's Audit Team does not serve a Dispute Notice under and within the time period set out in paragraph 3.9 of this Part 3, the Draft Economic Benefit Statement shall constitute the "**Economic Benefit Statement**" for the relevant Seller (as applicable) in respect of the relevant Half-Yearly Accounting Period to which that Economic Benefit Statement relates.
- 3.12 If the Reviewing Party's Audit Team does serve a Dispute Notice under and within the time period set out in paragraph 3.9 of this Part 3, the Sellers shall use their reasonable endeavours to resolve the Disputed Items as soon as reasonably practicable (with the Reviewing Party acting through its Audit Team) and either:
- 3.12.1 if the Sellers reach agreement on the Disputed Items within 10 Business Days of the service of the relevant Dispute Notice (or such longer period as they may agree in writing), the Draft Economic Benefit Statement shall be amended to reflect such agreement and shall then constitute the "**Economic Benefit Statement**" for the relevant Seller (as applicable) in respect of the relevant Half-Yearly Accounting Period to which that Economic Benefit Statement relates; or
 - 3.12.2 (B) if the Sellers do not reach agreement in accordance with paragraph 3.12.1 above, either Seller may refer the dispute to such individual at an independent firm of chartered accountants of international repute as the Sellers may agree or, failing such agreement (including such firm and/or individual not accepting such appointment), within 2 Business Days of expiry of the period described in paragraph 3.12.1 above, to such independent firm of chartered accountants of international repute in London as the President of the Institute of Chartered Accountants in England and Wales may, on the application of either Seller, nominate (the "**Economic Benefit Expert**"), on the basis that the Economic Benefit Expert is to make a decision on the dispute and notify the Sellers of its decision within 3 weeks of receiving the reference or such longer reasonable period as the Economic Benefit Expert may determine.

- 3.13 The Purchaser shall bear the costs in relation to the preparation and certification of any Draft Economic Benefit Statement and in relation to the review of (and any dispute in relation to) any Draft Economic Benefit Statement.
- 3.14 In any reference to the Economic Benefit Expert in accordance with paragraph 3.12 above:
- 3.14.1 the Economic Benefit Expert shall act as expert and not as arbitrator and shall be directed to determine any dispute in accordance with the Accounting Standards and Part 4 of this Schedule and (if necessary) having regard to the Economic Benefit Objective;
 - 3.14.2 the decision of the Economic Benefit Expert shall, in the absence of fraud or manifest error, be final and binding on the Sellers and the Draft Economic Benefit Statement shall be amended as necessary to reflect the decision of the Economic Benefit Expert and, as amended, shall be the “**Economic Benefit Statement**” for the relevant Seller (as applicable) in respect of the relevant Half-Yearly Accounting Period to which that Economic Benefit Statement relates;
 - 3.14.3 the costs of the Economic Benefit Expert shall be paid by the Purchaser; and
 - 3.14.4 the Sellers shall respectively provide or procure the provision of the Economic Benefit Expert of all such information as the Economic Benefit Expert shall reasonably require including access to their respective advisers and their respective books, records and personnel.
- 3.15 As soon as reasonably practicable and in any event within 5 Business Days following the agreement or determination of its Economic Benefit Statement in respect of any Half-Yearly Accounting Period, each Seller shall procure the contribution of an amount equal to the Economic Benefit Amount as set out in its Economic Benefit Statement to the Purchaser in Readily Available Cash (as defined in the Shareholder’s Agreement), such payment being an “**Economic Benefit Payment**”. Clause 3.4 of this Agreement shall apply to any Economic Benefit Payment as if such payment were made pursuant to an indemnity under this Agreement.
- 3.16 If the Purchaser reasonably believes that an Economic Benefit Payment procured by GlaxoSmithKline to be made to the Purchaser in accordance with paragraph 3.15 will be subject to Tax in the Purchaser’s hands, the Purchaser may give GlaxoSmithKline written notice of such belief no later than 5 Business Days before the Economic Benefit Payment is due to be made. If such notice is given to GlaxoSmithKline, GlaxoSmithKline shall procure that the Economic Benefit Payment is made by way of a payment by one holder of the A Shares to subscribe for one deferred ordinary share (other than an A Share or B Share) in the capital of the Purchaser. On each occasion (if any) that a holder of A Shares is required to subscribe for one deferred ordinary share, immediately after such subscription, Novartis shall procure that one holder of the B Shares subscribes for one deferred ordinary share (other than an A Share or a B Share) in the capital of the Purchaser at nominal value.

- 3.17 If the Purchaser reasonably believes that an Economic Benefit Payment procured by Novartis to be made to the Purchaser in accordance with paragraph 3.15 will be subject to Tax in the Purchaser's hands, the Purchaser may give Novartis written notice of such belief no later than 5 Business Days before the Economic Benefit Payment is due to be made. If such notice is given to Novartis, Novartis shall procure that the Economic Benefit Payment is made by way of a payment by one holder of the B Shares to subscribe for one deferred ordinary share (other than an A Share or B Share) in the capital of the Purchaser. On each occasion (if any) that a holder of B Shares is required to subscribe for one deferred ordinary share, immediately after such subscription, GlaxoSmithKline shall procure that one holder of the A Shares subscribes for one deferred ordinary share (other than an A Share or a B Share) in the capital of the Purchaser at nominal value.
- 3.18 If an Economic Benefit Amount in respect of GlaxoSmithKline or Novartis (the "**Affected Party**") is a negative amount, the Purchaser shall (as soon as reasonably practicable and in any event within 5 Business Days following determination of the later of GlaxoSmithKline's Economic Benefit Statement and Novartis' Economic Benefit Statement (as the case may be)) procure the payment in cash to the Affected Party (or such member of the Affected Party's Group as it may direct) of an amount equal to the absolute value of such Economic Benefit Amount. Where any such amount is payable, the parties shall cooperate in good faith with a view to agreeing an appropriate arrangement for satisfying the obligation to make such payment in an efficient manner that does not prejudice the interests of any party (which may, by way of example only, involve the payment of a special dividend on the A Shares or the B Shares respectively).
- 3.19 If any amount due from GlaxoSmithKline to the Purchaser in accordance with paragraph 3.15 is, on an after-Tax basis (as defined in Clause 1.9), less than the relevant Economic Benefit Amount, then, if (and only if) and to the extent that such amount may be deducted or otherwise allowed under the Tax laws of any territory by GlaxoSmithKline or any member of GlaxoSmithKline's Group, the amount due from GlaxoSmithKline shall be increased by such amount as will, taking account of the amount and timing of any Tax benefit available by virtue of such deduction or allowance, leave GlaxoSmithKline's Group no worse and no better off than it would have been if no deduction or allowance had been available, provided that the amount of the payment on an after-Tax basis shall not exceed the relevant Economic Benefit Amount.
- 3.20 If any amount due from Novartis to the Purchaser in accordance with paragraph 3.15 is, on an after-Tax basis (as defined in Clause 1.9), less than the relevant Economic Benefit Amount, then, if (and only if) and to the extent that such amount may be deducted or otherwise allowed under the Tax laws of any territory by Novartis or any member of Novartis's Group, the amount due from Novartis shall be increased by such amount as will, taking account of the amount and timing of any Tax benefit available by virtue of such deduction or allowance, leave Novartis's Group no worse and no better off than it would have been if no deduction or allowance had been available, provided that the amount of the payment on an after-Tax basis shall not exceed the relevant Economic Benefit Amount.

3.21 If any amount due from the Purchaser to GlaxoSmithKline or Novartis under paragraph 3.18 above is, on an after-Tax basis (as defined in Clause 1.9), less than the absolute value of the relevant Economic Benefit Amount, then the amount due from the Purchaser shall be increased so that the amount of the payment on an after-Tax basis is equal to such absolute value.

Part 4 – Forms of Economic Benefit Statement and Delayed Business Accounting Statements

4.

Definitions

4.1 For the purposes of this Part 4:

- “Bad Debt”** has the meaning given in paragraph 4.2.9;
- “CHH Trading Partner Entity”** means an Affiliate of the Purchaser which acts as a principal trading company or trading partner, including GlaxoSmithKline Consumer Trading Services Limited;
- “Cost of Goods Sold”** means, in respect of products Manufactured by the Delayed Business, the fully-absorbed actual costs of that Manufacturing business as calculated in accordance with the Accounting Standards (as defined in paragraph 1.1 above) and the costing methodology employed by the Delayed Business, including (without limitation) the costs of materials, direct labour, ordinary course quality assurance costs, equipment maintenance costs, and other costs variable with production, including the cost of freight into the Delayed Business and related insurance, plus an allocation of the Delayed Business’ fixed overhead consistent with such costing methodology (including, but not limited to, depreciation of the assets of the relevant Delayed Business);
- “Customer”** means any person or entity that acquires and/or intends to acquire any of the Products or services provided by the Delayed Business (including any members of the relevant Seller’s Group or the Purchaser’s Group);
- “Deemed Sales to the Local Seller Entity”** means sales that, if the Delayed Business had transferred to the Purchaser’s Group at Closing, would have been made by the Delayed Business to the relevant Local Seller Entity, which shall be deemed to have been made at the pricing (including margin) that would have applied to such sales pursuant to a Relevant MSA (as defined in paragraph 1.1);

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| “Employee Costs” | means the FTE costs incurred by the Seller’s Group in connection with the employment of the Delayed Employees of the relevant Delayed Business by the Seller’s Group, as provided in paragraph 11.3 of Schedule 7, other than to the extent that such costs are incorporated in Cost of Goods Sold in the relevant period; |
| “Landed Cost” | means, in respect of each Product, any costs incurred by the relevant Local Seller Entity in relation to that Product in respect of freight, insurance, duty, import and transportation costs; |
| “Local Seller Entity” | means, in respect of a Delayed Business, the member of the relevant Seller’s Group that owns and operates such Delayed Business; |
| “MSA Price” | means, the applicable Supply Price (as that term is defined in the Relevant MSA) for such Products under the Relevant MSA; |
| “Net Sales” | <p>means (i) net sales received from the sale and distribution of Products or the provision of services, in each case, by the relevant Local Seller Entity to any Customer, plus (ii) Deemed Sales to the Local Seller Entity and plus (iii) any other revenue received in respect of the Delayed Business, but excluding (for the avoidance of doubt and in either (i), (ii) or (iii)) any amounts received by Seller, any other member of Seller’s Group or any sub-contractor in respect of Sales Tax for which any member of Seller’s Group is liable to account to any Tax Authority. For these purposes, net sales shall be determined in accordance with Accounting Standards. The deductions booked by a Seller to calculate the recorded net sales from gross sales shall include the following:</p> <ul style="list-style-type: none"> (a) normal trade, quantity and cash discounts; (b) Sales Taxes and other taxes levied from Customers in relation to the sale of Products to the extent included in the gross amount invoiced; (c) amounts repaid or credited by reasons of defects, rejections, recalls or returns, excluding amounts in respect of Sales Tax included in the amounts so repaid or credited, unless Seller or a member of Seller’s Group is unable (having used reasonable diligent commercial endeavours) to recover such amounts in respect of Sales Tax by way of repayment or credit; |

- (d) rebates and chargebacks to Customers and Third Parties (including, without limitation, Medicare, Medicaid, Managed Healthcare and similar types of rebates), excluding amounts in respect of Sales Tax included in such rebates and chargebacks, unless Seller or a member of Seller's Group is unable (having used reasonable diligent commercial endeavours) to recover such amounts in respect of Sales Tax by way of repayment or credit);
- (e) any amounts recorded in gross sales associated with goods provided to customers for free, with the exception of samples;
- (f) amounts provided or credited to customers through coupons, other discount programs and co-pay assistance programs;
- (g) delayed ship order credits, discounts or payments related to the impact of price increases between purchase and shipping dates; and
- (h) fees for service payments to customers for any non-separate services (including compensation for maintaining agreed inventory levels and providing information) and any associated Sales Tax to the extent Seller (or a member of Seller's Group) is unable (having used reasonable diligent commercial endeavours) to recover such amounts in respect of Sales Tax by way of repayment or credit,

and with respect to the calculation of Net Sales:

- (i) Net Sales shall only include the value charged or invoiced on the first sale to a Customer;
- (j) if a Product is delivered to the Customer before being invoiced (or is not invoiced), Net Sales will be calculated at the time all the revenue recognition criteria under Accounting Standards are met;
- (k) Net Sales of a Product by the Delayed Business to a member of the Seller's Group (other than another Delayed Business), shall be deemed to have been made at the pricing (including margin) that would have applied to such sales pursuant to a Relevant MSA (as defined in paragraph 1.1) if the Delayed Business had transferred to the Purchaser's Group at Closing; and

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| | (l) | revenue deduction adjustments which relate to any event prior to Closing shall be excluded. |
| “Product” | | means any of the products Manufactured or Commercialised by the relevant Delayed Business, and “Products” shall be construed accordingly; |
| “Purchaser Nyon Entity” | | means the Purchaser’s Affiliate which owns the Purchaser manufacturing site at Nyon, from time to time; |
| “Relevant MSA” | | means the manufacturing and supply agreement dated on or around the date of this Agreement between Seller (or one of its Affiliates) (as supplier) and Purchaser (or one of its Affiliates) (as purchaser); |
| “Sales Tax” | | means any turnover, value-added, sales, use, goods and services or similar Tax (excluding, for the avoidance of doubt, any capital gains or similar Tax); |
| “Third Party” | | means any person other than (i) Purchaser and members of Purchaser’s Group and (ii) Seller and members of Seller’s Group; |
| “Third Party Distributor” | | means a Third Party distributor of the Seller’s Group; |
| “Transfer Price” | | means: |
| | (a) | in respect of each Product supplied to the Local Seller Entity by the Purchaser Nyon Entity or the CHH Trading Partner Entity (as applicable) for distribution, any amount to be paid by the relevant Seller (or its Affiliate) for the Product, as agreed between the relevant Seller (or its Affiliate) and the Purchaser in writing from time to time; |
| | (b) | in respect of each Product supplied to the Local Seller Entity by the Seller Excluded Businesses for distribution, the MSA Price of such Product; and |
| | (c) | in respect of each Product provided to the Local Seller Entity by a Local Purchaser Entity for distribution, any amount paid by the Local Seller Entity for the Product, as agreed between the relevant Seller (or its Affiliate) and the Purchaser in writing from time to time; and |

- (d) in respect of each Product provided to the Local Seller Entity by a Third Party supplier for distribution, any amount paid by the Local Seller Entity for the Product to such Third Party; and
- (e) in respect of each Product manufactured by the relevant Delayed Business the Cost of Goods Sold for the Product;

“**Working Hours**” means 9 a.m. to 5 p.m. on a Business Day at the relevant working location.

4.2 The “**Economic Benefit Amount**” of a Delayed Business in respect of a given period shall be calculated as:

- 4.2.1 the Net Sales of the relevant Delayed Business in that period;
- 4.2.2 minus the Transfer Price (exclusive of Sales Taxes) paid in respect of the Products covered by those Net Sales;
- 4.2.3 minus the Landed Cost (exclusive of Sales Taxes) of the Products covered by those Net Sales;
- 4.2.4 minus the Employee Costs (exclusive of Sales Taxes);
- 4.2.5 minus any other costs (exclusive of Sales Taxes) incurred by the relevant Local Seller Entity in relation to the relevant Delayed Business other than the Employee Costs, Landed Costs and any costs of acquiring Products for sale (including, but not limited to, the Transfer Price);
- 4.2.6 minus, where the relevant Local Seller Entity carried out any action that would, after Delayed Closing, be provided to the Delayed Business under a Transitional Services Agreement or the Support Services Agreement, the amount payable for such services (exclusive of Sales Taxes) at the rates that will apply under such Transitional Services Agreement;
- 4.2.7 plus any foreign exchange gains and minus any foreign exchange losses arising in relation to the accounts receivable and accounts payable of the Delayed Business;
- 4.2.8 minus a sales and distribution charge of 2 per cent (2%) of Net Sales in the period (excluding any Sales Tax thereon);
- 4.2.9 minus any undisputed sum (exclusive of Sales Taxes) payable by any Third Party to the relevant Local Seller Entity in relation to any Products sold on or after the Closing Date which has not been paid by the earlier of sixty (60) days of the due date for such payment and the Delayed Closing Date for the relevant Delayed Business (“**Bad Debt**”); and

- 4.2.10 plus any Bad Debt (exclusive of Sales Taxes) deducted pursuant to paragraph 4.2.9 in any prior period to the extent that such Bad Debt is recovered in the relevant period;
- 4.2.11 minus the amount of:
 - (i) any expense of the relevant Local Seller Entity or a member of the relevant Local Seller Entity's Sales Tax group in connection with or as a result of the Delayed Business which consists of an amount in respect of Sales Tax in respect of the period for which neither the relevant Local Seller Entity nor a member of the relevant Local Seller Entity's Sales Tax group is entitled to credit or repayment; and
 - (ii) any Sales Tax in respect of the period for which the relevant Local Seller Entity or the relevant Local Seller Entity's Sales Tax group is liable to account to any Tax Authority in connection with or as a result of the Delayed Business;
 save, in each case, to the extent otherwise deducted or excluded in the calculation of the Economic Benefit Amount;
- 4.2.12 minus an amount equal to the product of (i) the amount resulting from the calculation at paragraphs 4.2.1 to 4.2.11 above, and (ii) the statutory local Tax rate applicable in respect of profits of the relevant Delayed Business, expressed as a percentage (the "**Headline Tax Rate**"), as at the last day of the relevant period,

PROVIDED THAT, if and to the extent that any costs incurred by a Local Seller Entity are subject to reimbursement under any indemnity or equivalent covenant to pay in this Agreement or in an Ancillary Agreement are included in any Economic Benefit Statement, such costs shall not also be recoverable under such indemnity or covenant to pay.

4.3 The Economic Benefit Statement for a Delayed Target Group Business will detail the following:

- 4.3.1 Net Sales (which will be reported in accordance with the relevant Seller's Group's group reporting system) for the relevant Half-Year by brand, which shall show:
 - (i) gross sales;
 - (ii) returns and allowances;
 - (iii) on-invoice discounts;

- (iv) off-invoice discounts;
- (v) any other deduction; and
- (vi) Net Sales; and

4.3.2 each line item forming part of the calculation of the Economic Benefit Amount in accordance with paragraph 4.2 above (and including, in respect of costs, the itemisation of those costs as between categories of costs),

and the relevant Seller will provide the Draft Economic Benefit Statement together with such supporting information as is reasonably required to enable the other Seller to review the Economic Benefit Statement, and prior to 31 December 2015, the Sellers shall meet together to agree the scope of such supporting information, including the information required to distinguish between Manufacturing and Commercialisation operations of any Delayed Business.

5. COMBINED COMMERCIALISATION AND MANUFACTURING BUSINESSES

Where any Delayed Business comprises both a Commercialisation business and a Manufacturing business, the Economic Benefit Statement shall be prepared such that there shall be no double counting of the components of the aggregate Economic Benefit Amount in respect of that Delayed Business.

6. RX SPIN-OUT BUSINESSES

The provisions of paragraphs 3, 4, 5 and 6 shall apply equally in respect of the calculation of any Economic Benefit Amount in respect of Rx Spin-out Businesses, mutatis mutandis, as if the Purchaser was the relevant Seller for the purposes of applying those paragraphs to the Rx Spin-out Businesses and shall be responsible for preparing the relevant Economic Benefit Statement and as if GlaxoSmithKline was the Purchaser for the purposes of applying those paragraphs to the Rx Spin-out Businesses. Any positive Economic Benefit Amount in respect of such Rx Spin-out Businesses shall be paid by the Purchaser to GlaxoSmithKline and any negative Economic Benefit Amount shall be paid by GlaxoSmithKline to the Purchaser, in each case in a manner consistent with the provisions of this Schedule.

Appendix 1
Delayed Target Group Companies

| <u>Territory</u> | <u>Delayed Target Group Company</u> | <u>Delay Milestone</u> |
|------------------|---|--|
| Germany | GSK Healthcare GmbH (DE18) GSK Consumer Healthcare GmbH & Co. KG (DE19) Panadol GmbH (DE25) | Receipt of the binding ruling requested by the GlaxoSmithKline Group from the German Tax Authorities confirming that transfer of the minority interests in Glaxo Wellcome GmbH & Co. KG (DE27) and GSK Services GmbH & Co. KG (DE12) can be undertaken at book value. |
| Kenya | GlaxoSmithKline Limited | Completion of the transfer of all business and operations other than the GlaxoSmithKline Consumer Healthcare Business to GlaxoSmithKline Pharmaceutical Kenya Limited or another member of GlaxoSmithKline's Group. |
| Panama | GlaxoSmithKline Panama S.A. | Completion of the transfer of all business and operations other than the GlaxoSmithKline Consumer Healthcare Business from GlaxoSmithKline Panama S.A. to another member of GlaxoSmithKline's Group. |
| Sri Lanka | SmithKline Beecham (Private) Limited | The incorporation of a Local Purchasing Entity, the receipt by such entity of all business licences and regulatory approvals required by Applicable Law and the operationalization of such entity to the minimum standard required to enable the transfer of the Contributed Business in Sri Lanka |
| | Glaxo Wellcome Ceylon Limited | The incorporation of a Local Purchasing Entity, the receipt by such entity of all business licences and regulatory approvals required by Applicable Law and the operationalization of such entity to the minimum standard required to enable the transfer of the Contributed Business in Sri Lanka |

Appendix 2
Delayed Target Group Businesses

| <u>Territory</u> | <u>Delayed Target Group Business</u> | <u>Delay Milestone</u> |
|------------------|--|--|
| Argentina | GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline Argentina SA | The receipt by GlaxoSmithKline Consumer Healthcare Argentina of all business licences required by Applicable Law in respect of the operation of the Contributed Business in Argentina. |
| | Novartis OTC Business conducted by Novartis Argentina SA | The receipt by GlaxoSmithKline Consumer Healthcare Argentina of all business licences required by Applicable Law in respect of the operation of the Contributed Business in Argentina. |
| Bangladesh | the GlaxoSmithKline Bangladesh Business | Completion of the de-merger of GlaxoSmithKline Bangladesh Limited. |
| Brazil | GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline Brazil Ltda | GlaxoSmithKline Brasil Produtos para Consumo e Saude Ltda being duly incorporated and satisfying the minimum operational requirements for the transfer of the Contributed Business and Transferred Employees. |
| | Novartis OTC Business conducted by Novartis Biociencias S.A. | GlaxoSmithKline Brasil Produtos para Consumo e Saude Ltda being duly incorporated and satisfying the minimum operational requirements for the transfer of the Contributed Business and Transferred Employees. |
| China | GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline (China) Investment Co Ltd | <ul style="list-style-type: none"> (i) the receipt by the parties of all necessary approvals, consents and filings required from or with the State Administration of Industry and Commerce in respect of the transfer of the Contributed Business in China; (ii) the incorporation of a Local Purchasing Entity; |

| | | |
|----------------|--|--|
| | | <ul style="list-style-type: none"> (iii) the receipt by such entity of all other business licences required by Applicable Law in respect of the Contributed Business in China; and (iv) operational readiness of such entity to the minimum standard required by Applicable Law. |
| | Novartis OTC Business in China | <ul style="list-style-type: none"> (i) the receipt by the parties of consent from [***] to acquire the Novartis OTC Business in China; and (ii) receipt by the parties of all necessary approvals, consents and filings required from or with the State Administration of Industry and Commerce in respect of the transfer of the Contributed Business in China. |
| Czech Republic | GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline s.r.o. | The payroll and compensation systems of GlaxoSmithKline Consumer Healthcare Czech Republic s.r.o. being operational to the minimum standard required by Applicable Law. |
| | Novartis OTC Business conducted by Novartis s.r.o. | The payroll and compensation systems of GlaxoSmithKline Consumer Healthcare Czech Republic s.r.o. being operational to the minimum standard required by Applicable Law |
| Greece | GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline A.E.B.E | The payroll and compensation systems of GlaxoSmithKline Consumer Healthcare A.E.B.E. being operational to the minimum standard required by Applicable Law. |
| | Novartis OTC Business conducted by Novartis (Hellas) S.A.C.I. | The payroll and compensation systems of GlaxoSmithKline Consumer Healthcare A.E.B.E. being operational to the minimum standard required by Applicable Law. |

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

| | | |
|----------|--|---|
| Hungary | GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline Medical and Healthcare Products Limited | The payroll and compensation systems of GlaxoSmithKline Consumer Kft being operational to the minimum standard required by Applicable Law. |
| | Novartis OTC Business conducted by Novartis Hungary Healthcare LLC | The payroll and compensation systems of GlaxoSmithKline Consumer Kft being operational to the minimum standard required by Applicable Law. |
| India | Novartis OTC Business conducted by Novartis Healthcare Private Limited | The receipt by the parties of all necessary approvals, consents and filings from or with the Indian Foreign Investment Promotion Board (“ FIPB ”) in respect of the transfer of the Novartis OTC Business in India and the related Commencement Certificate being issued by the FIPB. |
| | Novartis OTC Business conducted by Novartis India Limited | The receipt by the parties of all necessary approvals, consents and filings from or with the FIPB in respect of the transfer of the Contributed Business in India and the related Commencement Certificate being issued by the FIPB. |
| Mexico | GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline Mexico S A de C.V. | The GlaxoSmithKline employee payroll data being uploaded to the “GSK Workday” systems to the minimum standard required by Applicable Law. |
| | Novartis OTC Business conducted by Novartis Farmaceutica, S.A de C.V. | The Novartis employee payroll data being uploaded to the “GSK Workday” systems to the minimum standard required by Applicable Law. |
| Pakistan | the GlaxoSmithKline Pakistan Business | Completion of the de-merger of GlaxoSmithKline Pakistan Limited and required external approvals received. |
| | Novartis OTC Business conducted by Novartis (Pharma) Pakistan Limited | The incorporation of a Local Purchasing Entity in respect of the Novartis OTC Business conducted by Novartis (Pharma) Pakistan Limited and receipt by such entity of all business licences required by Applicable Law in respect of the operation of the Contributed Business in Pakistan and satisfying the minimum operational requirements for the transfer of the Contributed Business and Transferred Employees. |

| | | |
|-------------|---|---|
| Philippines | GlaxoSmithKline Landholding Company, Inc. | Completion of the disposal of premises used by the GlaxoSmithKline Pharmaceutical Division and extraction of the proceeds of such sale |
| Slovakia | GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline Slovakia s.r.o. | The receipt by GlaxoSmithKline of the expert valuation in respect of the GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline Slovakia s.r.o., as required by Applicable Law. |
| Thailand | GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline (Thailand) Limited | The receipt by GlaxoSmithKline Consumer Healthcare (Thailand) Limited of the business licences required by Applicable Law in connection with the operation of the Contributed Business in Thailand. |
| Thailand | Novartis OTC Business conducted by Novartis (Thailand) Limited | The receipt by GlaxoSmithKline Consumer Healthcare (Thailand) Limited of the business licences required by Applicable Law in connection with the operation of the Contributed Business in Thailand. |
| Turkey | GlaxoSmithKline Consumer Business conducted by GlaxoSmithKline İlaçları San. Ve Tic. A.Ş. | The GlaxoSmithKline employee payroll data being uploaded to “GSK Workday” systems to the minimum standard required by Applicable Law and GlaxoSmithKline İlaçları San. Ve Tic. A.Ş. being duly incorporated and satisfying the minimum operational requirements for the transfer of the Contributed Business and Transferred Employees. |
| | Novartis OTC Business conducted by Novartis Sağlık, Gıda ve Tarım Ürünleri Sanayi ve Ticaret A.Ş. | The Novartis employee payroll being uploaded to “GSK Workday” systems to the minimum standard required by Applicable Law and GlaxoSmithKline İlaçları San. Ve Tic. A.Ş. being duly incorporated and satisfying the minimum operational requirements for the transfer of the Contributed Business and Transferred Employees. |

Manufacturing Businesses

| | | |
|--------------|--|---|
| South Africa | GlaxoSmithKline's manufacturing business at Cape Town | Finalisation and implementation of agreed separation plan for asset transfer to ensure continuity of supply in all markets supplied by the manufacturing site including regulatory compliance, alignment to Product License transfer and distribution cutover plan and artwork change scheduling. |
| Mexico | GlaxoSmithKline's manufacturing business at Civac | Finalisation and implementation of agreed separation plan for asset transfer to ensure continuity of supply in all markets supplied by the manufacturing site including regulatory compliance, alignment to Product License transfer and distribution cutover plan and artwork change scheduling. |
| Australia | GlaxoSmithKline's manufacturing business at Ermington | Finalisation and implementation of agreed separation plan for asset transfer to ensure continuity of supply in all markets supplied by the manufacturing site including regulatory compliance, alignment to Product License transfer and distribution cutover plan and artwork change scheduling. |
| Ireland | GlaxoSmithKline's manufacturing business at Sligo | Finalisation and implementation of agreed separation plan for asset transfer to ensure continuity of supply in all markets supplied by the manufacturing site including regulatory compliance, alignment to Product License transfer and distribution cutover plan and artwork change scheduling. |
| UK | GlaxoSmithKline's manufacturing business at Maidenhead GlaxoSmithKline's manufacturing business at Slough (Excluding employees) | Finalisation and implementation of agreed separation plan for asset transfer to ensure continuity of supply in all markets supplied by the manufacturing site including regulatory compliance, alignment to Product License transfer and distribution cutover plan and artwork change scheduling. |

| | | |
|----|--|--|
| US | <p>GlaxoSmithKline's manufacturing business at Oak Hill</p> <p>GlaxoSmithKline's manufacturing business at St Louis</p> <p>GlaxoSmithKline's manufacturing business at Aiken (Excluding employees)</p> | <p>Finalisation and implementation of agreed separation plan for asset transfer to ensure continuity of supply in all markets supplied by the manufacturing site including regulatory compliance, alignment to Product License transfer and distribution cutover plan and artwork change scheduling.</p> |
|----|--|--|

**Appendix 3
Delayed Assets**

| <u>Territory</u> | <u>Delayed Asset</u> | <u>Delay Milestone</u> |
|---|---|---|
| <i>Interests in Shares</i> | | |
| China | the Chinese JV Interests | The receipt by the parties of all necessary approvals, consents and filings required from or with the State Administration of Industry and Commerce in respect of the transfer of the Chinese JV Interests. |
| <i>Delayed Employee Only Transfers</i> | | |
| Mexico | Delayed employee transfer from Estrategicos Darier, S. de R.L de C.V. and Novartis Corporativo SA de CV | The GlaxoSmithKline employee payroll data being uploaded to the “GSK Workday” systems to the minimum standard required by Applicable Law. |
| Ivory Coast | Delayed employee transfer from Novartis Pharma Services AG | Identification of an appropriate entity to transfer the employees to. |
| Ethiopia | Delayed employee transfer due to delay in GSK Kenya Ltd transfer | Completion of the transfer of all business and operations other than the GlaxoSmithKline Consumer Healthcare Business to GlaxoSmithKline Pharmaceutical Kenya Limited or another member of GlaxoSmithKline’s Group. |
| Mauritius | Delayed employee transfer due to delay in GSK Kenya Ltd transfer | Completion of the transfer of all business and operations other than the GlaxoSmithKline Consumer Healthcare Business to GlaxoSmithKline Pharmaceutical Kenya Limited or another member of GlaxoSmithKline’s Group. |
| Tanzania | Delayed employee transfer due to delay in GSK Kenya Ltd transfer | Completion of the transfer of all business and operations other than the GlaxoSmithKline Consumer Healthcare Business to GlaxoSmithKline Pharmaceutical Kenya Limited or another member of GlaxoSmithKline’s Group. |
| Uganda | Delayed employee transfer due to delay in GSK Kenya Ltd transfer | Completion of the transfer of all business and operations other than the GlaxoSmithKline Consumer Healthcare Business to GlaxoSmithKline Pharmaceutical Kenya Limited or another member of GlaxoSmithKline’s Group. |

Schedule 23
Ukraine Business

“Novartis Ukraine Business” means the Novartis OTC Business in Ukraine

1. Prior to Closing, Novartis shall procure that Novartis Consumer Health SA, Novartis Consumer Health Services SA and Novartis Holding AG shall enter into a business sale and purchase agreement in respect of the Novartis Ukraine Business, in the Agreed Form (the *Ukrainian SPA*).
2. If “Completion” occurs as defined under the Ukrainian SPA, then:
 - (i) with effect from such Completion, the Novartis’ Ukraine Business shall constitute a Novartis Excluded Business for the purposes of this Agreement;
 - (ii) Novartis and the Purchaser shall negotiate in good faith to put in place any transitional supply, service, manufacturing, distribution, supply or similar arrangements as may be reasonably necessary to allow the Purchaser (as defined in the Ukrainian SPA) to operate the Novartis Ukraine Business on a standalone basis on terms based, to the extent relevant, on the Ancillary Agreements.
3. From Closing, the Purchaser and each Seller shall ensure, to the extent each is legally able, that no competitively sensitive information in relation to the Novartis Ukraine Business shall be provided to anybody other than: (i) any Relevant Novartis Company Employees located in the Ukraine; and (ii) those Relevant Novartis Company Employees located outside of the Ukraine who strictly need access to such competitively sensitive information in order to operate the Novartis Ukraine Business.
4. The parties agree that from Closing until the date on which Antimonopoly Committee of Ukraine has approved the concentrations which are intended to be effected through (i) the acquisition by GlaxoSmithKline plc (through its wholly owned subsidiary GlaxoSmithKline Consumer Healthcare Holdings Limited of the shares and assets of Novartis AG’s subsidiaries related to the consumer healthcare business; and (ii) the acquisition by Novartis AG of shares in Consumer Healthcare JV, allowing Novartis AG to exceed 25% of votes in the highest management body of GlaxoSmithKline Consumer Healthcare Holdings Limited (such date, the **“Delayed Closing Date”** in respect of the Novartis Ukraine Business):
 - (i) the provisions of Part 2 Schedule 22 (Delayed Businesses) shall not apply in respect of the Novartis Ukraine Business;
 - (ii) the provisions of Part 3 of Schedule 22 (Delayed Businesses) shall not apply in respect of the Novartis Ukraine Business; and
 - (iii) if and to the extent permitted by Applicable Law the provisions of Clause 5 and paragraphs 1.4 to 1.6, 1.8, 1.11, 1.12, 1.14, 1.15, 1.16, 1.17, 1.18, 1.19, and 1.26 of Schedule 15 will continue to apply to the Novartis Ukraine Business.

5. For the avoidance of doubt, the parties agree that during the period from Closing until the Ukraine Clearance Date, Novartis shall not exercise any control over, or derive any economic benefit from, the GlaxoSmithKline Transferred Intellectual Property Rights or any Intellectual Property Rights licensed under the Purchaser Trademark Licence Agreement or the Purchaser Patent and Know-How Licence Agreement by GlaxoSmithKline or its Affiliates to the Purchaser or its Affiliates relating to the GlaxoSmithKline Consumer Business in Ukraine.

Schedule 25

Global TDSA Jurisdictions

Argentina
Brazil
China
Czech Republic
Dominican Republic
Ecuador
Egypt
Finland
Greece
Guatemala
Hong Kong
Hungary
Indonesia
Malaysia
Mexico
Morocco
Norway
Pakistan
Panama
Peru
Philippines
Poland
Slovakia
South Africa
South Korea
Thailand
Turkey
Venezuela

Schedule 26
Novartis Excluded Employees

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 27
Anti-bribery and corruption

1. Each of the parties requires compliance with the highest ethical standards and all anti-corruption laws applicable in the countries in which the Purchaser's Group or the relevant Seller's Group (as the case may be)(whether through a third party or otherwise) conducts business.
2. Each of the Purchaser and each Seller requires the members of the Purchaser's Group or the relevant Seller's Group (as the case may be), their employees and any third party acting for or on behalf of the party, its members or their employees to ensure that all dealings with third parties, both in the private and government sectors, are carried out in compliance with all Applicable Law and with the required standards of integrity. Each party values integrity and transparency and does not tolerate corrupt activities of any kind, whether committed by its employees, officers, or third-parties acting for or on its behalf.
3. In performing this Agreement or any of the Ancillary Agreements, each of the parties shall (and shall procure that each member of the Purchaser's Group or the relevant Seller's Group (as the case may be) shall):
 - (i) comply with all Applicable Law, including but not limited to applicable anti-corruption laws, of the territory in which the party or the relevant member of the Purchaser's Group or the relevant Seller's Group (as the case may be) conducts business with the other party or the relevant member of the Seller's Group or the Purchaser's Group (as the case may be);
 - (ii) covenant that it has not, and covenants that it will not, in connection with the performance of this Agreement or any of the Ancillary Agreements, directly or indirectly, promise, authorise, ratify or offer to make or make any Payments of Anything of Value to any individual (or at the request of any individual) including a Government Official for the improper purpose of influencing or inducing or as a reward for any act, omission or decision to secure an improper advantage or to improperly assist the relevant Seller's Group or the Purchaser's Group in obtaining or retaining business; and
 - (iii) covenant that it has not, and covenants and that it will not, in connection with the performance of this Agreement or any of the Ancillary Agreements, directly or indirectly, promise, authorise, ratify or offer to make or make any Facilitating Payments to any individual (or at the request of any individual) including a Government Official.

Attachment 1

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Attachment 2

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

CONFIDENTIAL TREATMENT REQUESTED

EXECUTION VERSION

1 March 2015

NOVARTIS AG

and

GLAXOSMITHKLINE PLC

DEED OF AMENDMENT AND RESTATEMENT

relating to the

SHARE AND BUSINESS SALE AGREEMENT

relating to the Vaccines Group,
dated 22 April 2014 (as amended)

This Deed (the “**Deed**”) is made on 1 March 2015 **between**:

- (1) **NOVARTIS AG**, a corporation (*Aktiengesellschaft*) incorporated in Switzerland whose registered office is at Lichtstrasse 35, 4056 Basel, Switzerland (the “**Seller**”); and
- (2) **GLAXOSMITHKLINE PLC**, a public limited company incorporated in England and Wales whose registered office is at 980 Great West Road, Brentford, Middlesex, TW8 9GS, United Kingdom (the “**Purchaser**”),

each a “**party**” and together the “**parties**”.

Whereas:

- (A) The Seller and the Purchaser entered into the Share and Business Sale Agreement relating to the Vaccines Group on 22 April 2014 (the “**SAPA**”).
- (B) The SAPA was subsequently amended and restated on 29 May 2014, and further amended on 9 October 2014 (the “**Original Agreement**”).
- (C) The Seller and the Purchaser now wish to further amend and restate the Original Agreement, in the form of the Amended Agreement (as defined below).

It is agreed as follows:

DEFINITIONS AND INTERPRETATION

In this Deed, unless the context otherwise requires, the provisions of this clause 1 apply.

Incorporation of defined terms

Unless otherwise stated, terms defined in the Original Agreement shall have the same meaning in this Deed.

Definitions

“**Amended Agreement**” means the Original Agreement, as amended and restated in the form set out in the Schedule to this Deed; and

“**Signing Date**” means 22 April 2014.

Interpretation clauses

The principles of interpretation set out in Clause 1 of the Original Agreement shall have effect as if set out in this Deed, save that references to “this Agreement” shall be construed as references to “this Deed”.

References to this Deed include the Schedule.

AMENDMENT

In accordance with Clauses 16.4.3 and 16.5.1 of the Original Agreement, the parties agree that the Original Agreement shall be amended and restated as set out in the Schedule to this Deed.

The amendment and restatement of the Original Agreement pursuant to clause 2.1 shall take effect from the Signing Date, as if the Amended Agreement had been entered into on the Signing Date.

Upon this Deed being entered into, the Amended Agreement shall supersede the Original Agreement in its entirety.

MISCELLANEOUS

Each party represents and warrants that it has full power and authority to enter into this Deed and to perform its obligations under it.

The provisions of Clauses 14, 17.2 to 17.5 and 17.11 to 17.15 of the Amended Agreement shall apply to this Deed as if set out in full in this Deed and as if references in those Clauses to “this Agreement” are references to this Deed and references to “party” or “parties” are references to parties to this Deed.

In witness whereof this Deed has been delivered on the date first stated above.

Executed as a **DEED** by)
GLAXOSMITHKLINE PLC acting by)
its duly appointed attorney) /s/ Edgar B. Cale
) (Signature of attorney)
)

In the presence of:

Witness' signature: /s/ Richard Hilton
Name (print): Richard Hilton
Occupation: Solicitor
Address: 1 Bunhill Row, EC1Y 8YY

In witness whereof this Deed has been delivered on the date first stated above.

| | | |
|-----------------------------------|---|------------------------|
| Executed as a DEED by |) | |
| |) | |
| Roy Papatheodorou As Attorney and |) | /s/ Roy Papatheodorou |
| |) | |
| Bernard Cornuejols As Attorney |) | |
| |) | /s/ Bernard Cornuejols |
| on behalf of NOVARTIS AG |) | |

SCHEDULE

Amended Agreement

EXECUTION VERSION

Dated 22 April 2014

as amended and restated on 29 May 2014, amended on 9 October 2014 and further
amended and restated on 1 March 2015

NOVARTIS AG

and

GLAXOSMITHKLINE PLC

SHARE AND BUSINESS SALE AGREEMENT

relating to the Vaccines Group

Linklaters

Linklaters LLP
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London EC2Y 8HQ
United Kingdom

Telephone (+44 20) 7456 2000
Facsimile (+44 20) 7456 2222

Ref L-220595

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*** Note: Confidential treatment has been requested with respect to the information contained within the *** marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Share and Business Sale Agreement

This Agreement is made on 22 April 2014, amended and restated on 29 May 2014, amended on 9 October 2014 and further amended and restated on 1 March 2015

between:

- (1) **NOVARTIS AG**, a corporation (*Aktiengesellschaft*) incorporated in Switzerland whose registered office is at Lichtstrasse 35, 4056 Basel, Switzerland (the “**Seller**”); and
- (2) **GLAXOSMITHKLINE PLC**, a public limited company incorporated in England and Wales whose registered office is at 980 Great West Road Brentford, Middlesex, TW8 9GS, United Kingdom (the “**Purchaser**”),

each a “**party**” and together the “**parties**”.

Whereas:

- (A) the Seller and certain of the Seller’s Affiliates, including the Vaccines Group Companies (as defined below), are engaged in the Business;
- (B) as of the date of this Agreement, the Seller and certain of the Seller’s Affiliates directly or indirectly own shares and other equity interests in the Vaccines Group Companies;
- (C) the Seller has agreed to sell (or procure the sale of) the Vaccines Group (as defined below) and to assume the obligations imposed on the Seller under this Agreement;
- (D) the Purchaser has agreed to purchase (or procure the purchase of) the Vaccines Group and to assume the obligations imposed on the Purchaser under this Agreement;
- (E) the Seller and certain of the Seller’s Affiliates are also engaged in the Influenza Business, and shall retain the Influenza Business following the date hereof (such Influenza Business not to be the subject of the transactions between the Seller and the Purchaser contemplated by this Agreement). The Seller may carry out a Re-organisation (as defined below) on or prior to Closing to facilitate separation of the business from the Influenza Business; and
- (F) in connection with the transactions contemplated by this Agreement, the Purchaser and the Seller, or certain of their respective Affiliates, have entered into or will enter into the Ancillary Agreements.

It is agreed as follows:

1 Interpretation

In this Agreement, unless the context otherwise requires, the provisions in this Clause 1 apply:

1.1 Definitions

“**2013 DCOGS**” means the highlighted sections of the COGS analysis in the Agreed Terms;

“**2013 Gross Profit**” means US\$274 million (being the difference between net sales (excluding other revenue) of US\$935 million and cost of goods sold of US\$661 million);

“**2013 Income Statement**” means the 2013 income statement of the Vaccines Group and the Influenza Business in the Agreed Terms;

“**Abandoned Patents**” means any Patent Exclusively Related to the Business abandoned by a member of the Seller’s Group before Closing from which a Vaccines Patent can claim priority, or from the priority chain of which a right to priority can be claimed in respect of a Vaccines Patent;

“**Accounts**” means, for each Vaccines Group Company, the audited financial statements of that Vaccines Group Company, prepared in accordance with legislation as in force and applicable to that Vaccines Group Company for the accounting reference period ended on the Accounts Date, comprising the balance sheet, the profit and loss account and the notes to the accounts;

“**Accounts Date**” means in respect of:

- (i) Chiron Behring Vaccines Private Limited, 31 March 2013; and
- (ii) each other Vaccines Group Company, 31 December 2012;

“**Action**” means the taking of any steps by any Governmental Entity to seek a Judgment which would have the effect of preventing the consummation of the transactions contemplated by this Agreement by the Purchaser;

“**Affiliate**” means:

- (i) with respect to any person (other than a party to this Agreement), any other person that Controls, is Controlled by or is under common Control with such person; or
- (ii) with respect to a party to this Agreement, any other person that is Controlled by such party,

provided that any Delayed Vaccines Group Company shall not constitute an “Affiliate” of the Purchaser unless, and until, the relevant Delayed Closing Date in respect of such Delayed Vaccines Group Company, and “**Affiliates**” shall be interpreted accordingly;

“**Affiliate Contract**” means a Contract between or among any member of the Seller’s Group (other than the Vaccines Group Companies) on the one hand, and any Vaccines Group Company on the other hand, but excluding:

- (i) any Ancillary Agreement;
- (ii) any Affiliate Quality Agreement;
- (iii) any Mixed Affiliate Quality Agreement; and
- (iv) those Contracts listed in Schedule 29;

“**Affiliate Quality Agreement**” means any quality agreement in respect of GMP, quality and safety matters relating to the Products in respect of the Vaccines Business between or among one or more members of the Seller’s Group, other than any such agreement exclusively between or among Vaccines Group Companies;

“**Agreed Terms**” means, in relation to a document, such document in the terms agreed between the Seller and the Purchaser and signed for identification purposes by the Seller’s Lawyers and the Purchaser’s Lawyers, with such alterations as may be agreed in writing between the Seller and the Purchaser from time to time;

“**Agreement**” means this share and business sale agreement;

“**Allocation**” has the meaning given to it in paragraph 1 of Schedule 13;

“**Allowance**” means any amount payable or repayable to customers in respect of a contractual allowance or discount due on the sales of products;

“**Ancillary Agreement Liabilities**” means the Liabilities of any member of the Seller’s Group to any member of the Purchaser’s Group and, the Liabilities of any member of the Purchaser’s Group to any member of the Seller’s Group, in each case arising under any Ancillary Agreement;

“**Ancillary Agreements**” means the Implementation Agreement, the Local Transfer Documents, the Disclosure Letter, the Tax Indemnity, the France Offer Letter, the France SPA, the Netherlands Offer Letter, the Netherlands APA, the Transitional Services Agreement, the Transitional Distribution Services Agreement, the Influenza Business Agreements, the Influenza Business Global Quality Agreement, the Influenza Business Pharmacovigilance Agreement, the Vaccines Business Manufacturing and Supply Agreements, the Vaccines Business Pharmacovigilance Agreement, the Purchaser Intellectual Property Licence Agreement, the Intellectual Property Assignment Agreements, the Claims Management Agreement and the Secondment Agreement;

“**Anti-Bribery Law**” means any Applicable Law that relates to bribery or corruption, including the US Foreign Corrupt Practices Act of 1977 and the UK Bribery Act 2010, in each case as amended, re-enacted or replaced from time to time;

“**Applicable Law**” means any supra-national, federal, national, state, municipal or local statute, law, ordinance, regulation, rule, code, order (whether executive, legislative, judicial or otherwise), judgment, injunction, notice, decree or other requirement or rule of law or legal process (including common law), or any other order of, or agreement issued, promulgated or entered into by, any Governmental Entity or any rule or requirement of any national securities exchange, including all Healthcare Laws, and GCP, GLP, and GMP, each as may be amended from time to time;

“**Appointment Notice**” has the meaning given to it in paragraph 1.3 of Schedule 16;

“**Associated Person**” means, in relation to the Seller’s Group, a person (including any director, officer, employee, agent or other intermediary) who performs services for or on behalf of any member of the Seller’s Group or who holds shares of capital stock, partnership interests, limited liability company membership interests and units, shares, interest and other participations in any member of the Seller’s Group (in each case when performing such services or acting in such capacity);

“**Assumed Liabilities**” means all Liabilities relating to the Vaccines Group Businesses (including, for the avoidance of doubt, any Delayed Vaccines Group Businesses) other than: (i) the Excluded Liabilities; (ii) any Relevant Pension and Employment Liability; (iii) any Liabilities in respect of Tax (other than Tax which has been provided for or reflected in the Closing Statement and Tax which has been assumed by the Purchaser’s Group under an express provision of this Agreement); (iv) any Ancillary Agreement Liabilities; and (v) any Liabilities relating to the Abandoned Patents;

“**Base Working Capital**” means, in respect of the Vaccines Group Companies and Vaccines Group Businesses, the amount shown in paragraph 4 of Part 2 of Schedule 16;

“**Benefit Plans**” means the US Benefit Plans and the Non-US Benefit Plans;

“**Beta Interferon Patent Rights**” means the Patents listed in Part 3 of Schedule 4 (the “**Beta Interferon Patents**”) together with the rights of Novartis Vaccines and Diagnostics, Inc. under the Merck 2012 Licence;

“**Business**” means the research, development, manufacture, sales, marketing and commercialisation of Vaccines for human use by the Seller’s Group as recorded and reported by the Seller’s Group from time to time under the “Vaccines and Diagnostics” segment as described in and consistent with the Novartis 2013 Annual Report and, with respect only to the Vaccines Institute for Global Health, through the Novartis Institutes for BioMedical Research, and including the fill-finish process undertaken at the Rosia Site and, to the extent relevant, the Siena Site, but excluding:

- (i) the Influenza Business;
- (ii) the Diagnostics Business; and
- (iii) any Non-strategic Assets if and to the extent disposed of or transferred otherwise than to the Purchaser or a member of the Purchaser’s Group in accordance with this Agreement;

“**Business Day**” means a day which is not a Saturday, a Sunday or a public holiday in the canton of Basel-Stadt (Switzerland) or London;

“**Business Information**” means: (i) Commercial Information; (ii) Medical Information; and (iii) any other information Predominantly Related to the Business;

“**Business Sellers**” means the members of the Seller’s Group (other than the Vaccines Group Companies) that own assets of or otherwise conduct any of the Vaccines Group Business;

“**Call for New Tender**” means any calls for a tender (including any tender for a basket of products), whether a new tender or the renewal of an existing tender, which includes the Products and which is published after Closing of which the Seller and/or any of the Seller’s Affiliates become aware and which relates in whole or in part to the sale of Products;

“**Cash Balances**” means cash in hand or credited to any account with a financial institution and securities which are readily convertible into cash;

“**Cash Pooling Arrangements**” means the cash pooling arrangements of members of the Seller’s Group in which the Vaccines Group Companies participate;

“**Cell-based Influenza Business**” means:

- (i) the business conducted by the Seller’s Group from time to time of research, development, manufacture, sales, distribution, marketing and commercialisation of:
 - (a) influenza Vaccines using cell-based technologies, including such business conducted at the Holly Springs Site;
 - (b) adjuvants conducted at the Holly Springs Site; and
 - (c) other Vaccines products to the extent that such business is conducted or contemplated to be conducted by the Seller’s Group at the Holly Springs Site in accordance with its obligations to, or as requested by, the US government or regulatory authorities; and

- (ii) technical development, manufacturing and supply of Enoxaparin, Copaxone or any other pharmaceutical or biological products (other than Vaccines) at the Holly Springs Site, including, but not limited to, pursuant to agreements or arrangements with Sandoz Inc. or its Affiliates;

“**Certificate**” means a certificate signed by a director, officer or an authorised signatory of the Seller in the form set out in Schedule 9, to be provided to the Purchaser immediately prior to Closing;

“**CFIUS**” means the Committee on Foreign Investment in the United States;

“**CFIUS Approval**” means written notice from CFIUS that any review or investigation of the Transaction under Section 721 of the Defense Production Act of 1950, as amended (50 U.S.C. App. Section 2170), has been concluded and there are no unresolved national security concerns with respect to the Transaction or the President shall have determined not to take action with respect to the Transaction;

“**Chinese JV Partner**” means Mr. Ding Xiaohang (丁晓航), a resident of [***], whose residential address is [***] and whose identity card number is [***], being the joint venture partner of the Tianyuan JV;

“**Claims Management Agreement**” means the agreement between the Seller and the Purchaser, to be negotiated in good faith between the parties and entered into at Closing, in respect of the management of claims or investigations by or against third parties (including by any Governmental Entity) which constitute or may constitute an Assumed Liability or an Excluded Liability;

“**Clinical Trials/Data Liability**” means any Liability arising out of, relating to or resulting from any breach of Applicable Law in connection with the conduct of, or reporting or data in relation to, clinical studies or trials (including post-approval studies) in relation to the Vaccines Group;

“**Closing**” means the completion of the sale of the Shares and the Vaccines Group Businesses pursuant to this Agreement, and Closing shall be deemed to have taken place notwithstanding that some of the Shares only or other parts of the Vaccines Group Businesses have not transferred to the Purchaser pursuant to Schedule 25, in each case which the provisions of Schedule 25 shall then apply in respect thereof;

“**Closing Date**” means the date on which Closing takes place;

“**Closing Statement**” means the statement setting out the Working Capital, the Working Capital Adjustment, the Vaccines Group Companies’ Cash Balances, the Intra-Group Non-Trade Receivables, the Third Party Indebtedness, the Intra-Group Non-Trade Payables and the Tax Adjustment, to be prepared by the Seller and agreed or determined in accordance with Clause 7 and Schedule 16;

“**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985 of the United States, as amended, section 4980B of the Code, Title I Part 6 of ERISA, and any similar US state group health plan continuation law, together with its implementing regulations;

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended, together with its implementing regulations;

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

“**Commercial Information**” means information that is, as of the Closing Date, or, in respect of any Delayed Business, the Delayed Closing Date as applicable, owned by the Seller and/or its Affiliates and relates predominantly to the Commercialisation of any Products;

“**Commercial Practices Liability**” means any Liability arising out of, relating to or resulting from any breach of Applicable Law in connection with the Commercialisation of any product;

“**Commercialise**” means to promote, market, distribute and/or sell a Product and “**Commercialising**” and “**Commercialisation**” shall be construed accordingly;

“**Companies**” means the companies, details of which are set out in paragraph 1 of Schedule 2, and “**Company**” means any one of them;

“**Company Lease**” has the meaning given to it in paragraph 1.1 of Part 3 of Schedule 3;

“**Company Leased Real Properties**” has the meaning given to it in paragraph 1.1 of Part 3 of Schedule 3;

“**Company Owned Real Properties**” has the meaning given to it in paragraph 1.1 of Part 3 of Schedule 3;

“**Company Real Properties**” means the Company Owned Real Properties and the Company Leased Real Properties, and “**Company Real Property**” means any one of them;

“**Composite**” has the meaning given to it in Clause 9.3.2(iv);

“**Consumer Contribution Agreement**” means the contribution agreement dated 22 April 2014, as amended from time to time, between Leo Constellation Limited, the Purchaser and the Seller, relating to the establishment of a joint venture between the Purchaser and the Seller;

“**Contract**” means any binding contract, agreement, instrument, lease, licence or commitment, excluding: (i) any lease or other related or similar agreements, undertakings and arrangements with respect to the leasing or ownership of the Properties (to which the provisions set out in Schedule 3 shall apply); and (ii) any contract with any Employee;

“**Contracts Liabilities**” means Liabilities relating to the: (i) Transferred Contracts; (ii) Transferred Intellectual Property Contracts; and (iii) all other contracts or parts thereof transferred, assigned, novated or assumed by the Purchaser pursuant to this Agreement or to which a Vaccines Group Company is or was a party or under which a Vaccines Group Company has any Liability, and a “**Contracts Liability**” shall mean any one of them;

“**Control**” means the power to direct the management and policies of a person (directly or indirectly), whether through ownership of voting securities, by Contract or otherwise (and the term “**Controlled**” shall be interpreted accordingly);

“**Co-Owned Vaccines Group Intellectual Property Right**” means any Vaccines Group Intellectual Property Right that is owned in part by a third party;

“**Copyright**” means any works of authorship, copyrights, database rights, mask work rights and registrations and applications therefor;

[***]

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“**Decision**” means the issuing of any decision by a competition, antitrust, foreign investment, national, local, supranational or supervisory or other government, governmental, quasi-governmental, trade, or regulatory body, agency, branch, subdivision, department, commission, official or authority, including any Tax Authority and any governmental department and any court or other tribunal, that would have the effect of prohibiting the acquisition of the Vaccines Group by the Purchaser;

“**Deferred Employee**” means any person to whom the Seller, any Vaccines Group Company or any other member of the Seller’s Group has made an offer of employment for a role in the Business (as carried on by the Vaccines Group) in compliance with Clause 5 and whose employment in the Business (as carried on by the Vaccines Group) will take effect on a date following the Closing Date, save that no person shall become a Deferred Employee unless and until the Seller has provided to the Purchaser a copy of the offer letter setting out the agreed principal terms of employment and/or employment agreement (if executed) applicable to such person;

“**Delayed Businesses**” has the meaning given in Schedule 25;

“**Delayed Closing**” has the meaning given to it in Schedule 25;

“**Delayed Closing Date**” has the meaning given in Schedule 25;

“**Delayed Contract**” has the meaning given to it in Schedule 10;

“**Delayed Contract Transfer Date**” has the meaning given to it in Schedule 10;

“**Delayed Local Payment Amount**” has the meaning given to it in Clause 6.6;

“**Delayed Vaccines Group Business**” has the meaning given in Schedule 25;

“**Delayed Vaccines Group Company**” has the meaning given in Schedule 25;

“**Designated Purchaser**” means an entity within the Purchaser’s Group acquiring part of the Business;

“**Diagnostics Business**” means the human blood and blood products diagnostics business (and certain related activities) sold by Novartis Vaccines and Diagnostics Inc. and its Affiliates to G-C Diagnostics Corp. pursuant to a share and asset purchase agreement dated 10 November 2013;

“**Diagnostics GESA**” means the Global Employee Services Agreement and Amendment No. 3 to Share and Asset Purchase Agreement dated as of 9 January 2014 by and between Novartis Vaccines and Diagnostics, Inc., Novartis Corporation, G-C Diagnostics Corp., and Grifols, S.A.;

“**Disclosure Letter**” means the letter dated 22 April 2014 from the Seller to the Purchaser disclosing information constituting exceptions to the Seller’s Warranties;

“**Distribution Contract**” has the meaning given to it in Schedule 10;

“**Distribution Transfer Date**” has the meaning given to it in the Transitional Distribution Services Agreement;

“**Draft Closing Statement**” has the meaning given to it in Clause 7.1.1;

“**Effective Time**” means 11.59 p.m. (local time in the relevant location) on the Closing Date or, if the Closing Date is not the last day of a month but the first Business Day of a month, 11.59 p.m. on the last day of the immediately preceding month;

“**Egg-based Influenza Business**” means the business conducted by the Seller’s Group from time to time of research, development, manufacture, sales, distribution, marketing and commercialisation of influenza Vaccines and other products using egg-based technologies and related adjuvant technologies;

“**Employee Adjustment Payment**” has the meaning given to it in Clause 3.1.1(ii);

“**Employee Benefit Indemnification Amount**” has the meaning given to it in paragraph 3 of Schedule 12;

“**Employee Benefits**” has the meaning given to it in Schedule 12;

“**Employees**” means the Vaccines Business Employees and the Vaccines Group Company Employees, and “**Employee**” means any one of them;

“**Encumbrance**” means any claim, charge, mortgage, lien, option, equitable right, power of sale, pledge, hypothecation, usufruct, retention of title, right of pre-emption, right of first refusal or other security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing, and for the avoidance of doubt, shall exclude any licences of or claims of infringement relating to, Intellectual Property Rights;

“**Environmental Laws**” means any and all Applicable Law regulating or imposing Liability or standards of conduct concerning pollution or protection of the environment (including surface water, groundwater or soil);

“**Environmental Liabilities**” means any Liability arising out of, relating to or resulting from any Environmental Law or environmental, health or safety matter or condition, including natural resources, but excluding any Product Liability;

“**Environmental Permit**” means any permit, licence, consent or authorisation required by Environmental Laws issued by any relevant competent authority and used in relation to the operation or conduct of Manufacturing at each Property, and

“**Environmental Permit**” shall be construed accordingly;

“**ERISA**” means the Employee Retirement Income Security Act of 1974 of the United States, as amended, together with its implementing regulations;

“**Estimated Employee Benefit Adjustment**” means the amount by which the Seller’s reasonable estimate (in so far as practicable), made in good faith after consulting with the Purchaser, of 95 per cent. of the anticipated aggregate of the Employee Benefit Indemnification Amounts exceeds US\$60,000,000, to be notified by the Seller to the Purchaser pursuant to Clause 6.4;

“**Estimated Intra-Group Non-Trade Payables**” means the Seller’s reasonable estimate of the Intra-Group Non-Trade Payables, to be notified by the Seller to the Purchaser pursuant to Clause 6.4;

“**Estimated Intra-Group Non-Trade Receivables**” means the Seller’s reasonable estimate of the Intra-Group Non-Trade Receivables, to be notified by the Seller to the Purchaser pursuant to Clause 6.4;

“**Estimated Tax Adjustment**” means the Seller’s reasonable estimate of the Tax Adjustment, to be notified by the Seller to the Purchaser pursuant to Clause 6.4;

“**Estimated Third Party Indebtedness**” means the Seller’s reasonable estimate of the Third Party Indebtedness, to be notified by the Seller to the Purchaser pursuant to Clause 6.4;

“**Estimated Vaccines Group Companies’ Cash Balances**” means the Seller’s reasonable estimate of the aggregate of the Vaccines Group Companies’ Cash Balances, to be notified by the Seller to the Purchaser pursuant to Clause 6.4;

“**Estimated Working Capital**” means the Seller’s reasonable estimate of the Working Capital, to be notified by the Seller to the Purchaser pursuant to Clause 6.4;

“**Estimated Working Capital Adjustment**” means the amount by which the Estimated Working Capital is greater or less than the Base Working Capital, any such excess amount being treated as a positive number and any shortfall being treated as a negative number;

“**Excluded Assets**” means the property, rights and assets referred to in Clause 2.3.2 or Schedule 5;

“**Excluded Contracts**” means, collectively, each Contract which is not Predominantly Related to the Business;

“**Excluded Employees**” means the employees of any member of the Seller’s Group (including the Vaccines Group Companies) (i) who are referred to in Schedule 5, and (ii) any Vaccines Group Company Employees who do not work wholly or substantially in the Business (as carried on by the Vaccines Group), save for those employees referred to in paragraph 2.1.2 of Schedule 11;

“**Excluded Liabilities**” means (in each case excluding any Ancillary Agreement Liability and any Liabilities relating to Abandoned Patents):

- (i) all Liabilities:
 - (a) relating to the Vaccines Group Businesses (including, for the avoidance of doubt, any Delayed Vaccines Group Businesses) other than to the extent taken into account in the Closing Statement;
 - (b) of the Vaccines Group Companies (including, for the avoidance of doubt, any Delayed Vaccines Group Companies) other than to the extent taken into account in the Closing Statement and other than Liabilities in respect of Tax,

in either case, to the extent that they have arisen or arise (whether before or after the applicable Liability Cut-off Time for that Liability) as a result of, or otherwise relate to, an act, omission, fact, matter, circumstance or event undertaken, occurring, in existence or arising before the applicable Liability Cut-off Time, and in each case, other than (a) any Relevant Pension and Employment Liability and (b) any Liabilities in respect of Tax provided for or reflected in the Closing Statement; and

- (ii) all Liabilities relating to the Seller’s Group Retained Business and the Excluded Assets; and
- (iii) any Seller Allowance Rebate and Royalty Amount;

“**Exclusively Related to the Business**” means exclusively related to, or exclusively used or held for use exclusively, in connection with the Business;

“**FCA**” means the Financial Conduct Authority;

“**FCC Vaccines**” means bulk influenza Vaccines produced using cell-based technologies;

“**FDA**” means the United States Food and Drug Administration (or its successor);

“**Final Allocation Schedule**” has the meaning given to it in paragraph 4 of Schedule 13;

“**Final Payment Date**” means five Business Days after the date on which the process described in Part 1 of Schedule 16 for the preparation of the Closing Statement is complete;

“**France Assumed Liabilities**” means the Assumed Liabilities to the extent they relate to the France Business;

“**France Business**” means that part of the Vaccines Group, comprising:

- (i) Novartis Vaccines and Diagnostics S.A.S. and the part of the Business conducted by Novartis Vaccines and Diagnostics S.A.S.;
- (ii) the France Assumed Liabilities;
- (iii) the France Employees; and
- (iv) any other assets that are exclusively related to the France Business;

“**France Closing**” has the meaning given to it in the France SPA;

“**France Employees**” means the Employees employed by Novartis Vaccines and Diagnostics S.A.S.;

“**France Offer Letter**” means the letter from the Purchaser to the Seller in respect of the binding offer from the Purchaser to acquire the France Business dated on or around the date hereof;

“**France Put Option Exercise**” has the meaning given to it in the France Offer Letter;

“**France SPA**” has the meaning given to it in the France Offer Letter;

“**FSMA**” means the Financial Services and Markets Act 2000;

“**Full Disclosure**” means disclosure by the Seller to the Purchaser of the material terms, including financial terms, of the Relevant Part of a Shared Business Contract;

“**Full Title Guarantee**” means on the basis that the covenants implied under Part 1 of the Law of Property (Miscellaneous Provisions) Act 1994 where a disposition is expressed to be made with full title guarantee are deemed to be given by the Seller (on behalf of the relevant Share Seller or Business Seller) on Closing;

“**German Influenza Operations**” means the operations for the manufacture of FCC Vaccines and MF59[®] adjuvant located at the Marburg Site;

“**Good Clinical Practices**” or “**GCP**” means the then-current standards, practices and procedures promulgated or endorsed by (i) the ICH Harmonised Tripartite Guidelines for Good Clinical Practice (CPMP/ICH/135/95) and any other guidelines for good clinical practices for trials on medicinal products in the European Union; (ii) the FDA as set forth in the guidelines entitled “Guidance for Industry E6 Good Clinical Practice: Consolidated Guidance,” including related regulatory requirements imposed by the FDA; and (iii) the equivalent Applicable Law in any relevant country;

“Good Laboratory Practices” or “GLP” means the then-current standards, practices and procedures promulgated or endorsed by: (i) the European Commission Directive 2004/10/EC relating to the application of the principles of good laboratory practices as well as “The rules governing medicinal products in the European Union,” Volume 3, Scientific guidelines for medicinal products for human use (ex - OECD principles of GLP); (ii) the then-current standards, practices and procedures promulgated or endorsed by the FDA as defined in 21 C.F.R. Part 58; and (iii) the equivalent Applicable Law in any relevant country;

“Good Manufacturing Practices” or “GMP” means the then-current standards, practices and procedures promulgated or endorsed by: (i) the European Commission Directive 91/356/EEC, as amended by Directive 2003/94/EC and 91/412/EEC respectively, as well as “The rules governing medicinal products in the European Union,” Volume 4, Guidelines for good manufacturing practices for medicinal products for human and veterinary use; (ii) the FDA and the provisions of 21 C.F.R. Parts 210 and 211; (iii) the principles detailed in the ICH Q7A guidelines; and (iv) all Applicable Law with respect to each of (i) through (iii);

“Governmental Entity” means any supra-national, federal, national, state, county, local, municipal or other governmental, regulatory or administrative authority, agency, commission or other instrumentality, any court, tribunal or arbitral body with competent jurisdiction, or any national securities exchange or automated quotation service including, any governmental regulatory authority or agency responsible for the grant approval, clearance, qualification, licensing or permitting of any aspect of the research, development, manufacture, marketing distribution or sale of the Products including the FDA, the European Medicines Agency, or any successor agency thereto;

“Governmental Liability” means any Liability arising out of, relating to or resulting from any claim, demand, action, suit, proceedings or investigation by a Governmental Entity (other than a Tax Authority) brought or undertaken in connection with products sold or developed by, or operations or practices of, the Vaccines Group prior to Closing;

“Gross Negligence” has the meaning given to it in paragraph 3.16 of Schedule 25;

“GSK Break Fee” has the meaning given to it in the Implementation Agreement;

“Hazardous Substance” means any gasoline or petroleum products, polychlorinated biphenyls, urea-formaldehyde insulation, hazardous wastes, toxic substances, asbestos, pollutants, or contaminants defined as such in or regulated under any applicable Environmental Law;

“Headline Price” has the meaning given to it in Clause 3.1.1(i);

“Healthcare Laws” means the federal Anti-kickback Statute (42 U.S.C. § 1320a-7b(b)); the Anti-Inducement Law (42 U.S.C. § 1320a-7a (a)(5)); the civil False Claims Act (31 U.S.C. §§ 3729 et seq.); the administrative False Claims Law (42 U.S.C. § 1320a-7b(a)); the Exclusion Laws (42 U.S.C. § 1320a-7); the Medicare statute (Title XVIII of the Social Security Act), including Social Security Act §§ 1860D-1 to 1860D-43 (relating to Medicare Part D and the Medicare Part D Coverage Gap Program); the Medicaid statute (Title XIX of the Social Security Act); the Physician Payment Sunshine Act (42 U.S.C. § 1320a-7h) and any analogous state laws; the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. § 1320d et seq.), as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and any other similar law, including the price reporting requirements and the requirements relating to the processing of any applicable

rebate, chargeback or adjustment, under applicable rules and regulations relating to the Medicaid Drug Rebate Program (42 U.S.C. § 1396r-8), any state supplemental rebate program, Medicare average sales price reporting (42 U.S.C. § 1395w-3a), the Public Health Service Act (42 U.S.C. § 256b), the Veterans Health Care Act (38 U.S.C. § 8126), regulatory requirements applicable to sales on the Federal Supply Schedule or under any state pharmaceutical assistance program or United States Department of Veterans Affairs agreement, all legal requirements relating to the billing or submission of claims, collection of accounts receivable, underwriting the cost of, or provision of management or administrative services in connection with, any and all of the foregoing, by the Seller's Group and any successor government programs, and all foreign equivalents of the foregoing;

“**Holly Springs Site**” means properties located in Holly Springs, North Carolina, United States of America at which the Influenza Business undertakes Manufacturing activities;

“**HSR Act**” means the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended, together with its implementing regulations;

“**IFRS**” means International Financial Reporting Standards, comprising the accounting standards and interpretations issued, adopted and/or approved by the International Accounting Standards Board;

“**Illustrative Working Capital Statement**” has the meaning given to it in Part 2 of Schedule 16;

“**Implementation Agreement**” means the implementation agreement dated 22 April 2014 between the Seller and the Purchaser relating to, amongst other things, the implementation of the Transaction;

“**In-Market Inventory**” means all inventory of Products for Commercialisation that, at any particular time: (i) is beneficially owned by a member of the Seller's Group; and (ii) is in finished packed form and released for Commercialisation; and (iii) is located: (a) in (or in transit to) the relevant Market; or (b) in (or in transit to) a multi-market warehouse owned or operated by a member of the Seller's Group or by a third party; or (c) at a Property pending despatch following release by the relevant qualified person to the relevant market or multi-market warehouse;

“**Indebtedness**” means all loans and other financing liabilities and obligations in the nature of borrowed moneys and overdrafts and moneys borrowed, but excluding trade debt and liabilities arising in the ordinary course of business;

“**Influenza Business**” means the Cell-based Influenza Business, the Egg-based Influenza Business and the German Influenza Operations, taken together;

“**Influenza Business Agreements**” means:

- (i) Influenza Business Manufacturing and Supply Agreement;
- (ii) Influenza Business Manufacturing, Supply and Distribution Agreement;
- (iii) Influenza Business Transitional Services Agreement;
- (iv) Marburg Support Services Agreement;
- (v) Influenza Business Global Quality Agreement;
- (vi) Influenza Business Pharmacovigilance Agreement; and

(vii) any local services agreements to be entered into pursuant to the agreements referred to in paragraphs (i) and (iii) above,

each as amended or restated from time to time;

“Influenza Business Global Quality Agreement” means the agreement to be entered into between the Seller and the Purchaser on Closing, pursuant to which the quality agreements applicable to the Influenza Business Manufacturing and Supply Agreement, Influenza Business Manufacturing, Supply and Distribution Agreement and Influenza Business Transitional Services Agreement are identified;

“Influenza Business Manufacturing and Supply Agreement” means the manufacturing and supply agreement in respect of the Influenza Business dated 23 October 2014 between the Seller and the Purchaser;

“Influenza Business Manufacturing, Supply and Distribution Agreement” means the manufacturing, supply and distribution agreement in respect of the Influenza Business dated 23 October 2014 between the Seller and the Purchaser;

“Influenza Business Pharmacovigilance Agreement” means the pharmacovigilance agreement between the Seller or a member of the Seller’s Group and the Purchaser or a member of the Purchaser’s Group, to be entered into at Closing, in respect of pharmacovigilance and regulatory matters relating to certain Influenza Business products;

“Influenza Business Transitional Services Agreement” means the transitional services agreement in respect of the Influenza Business dated 23 October 2014 between the Seller and the Purchaser;

“Information Technology” means computer, hardware, software and network;

“Intellectual Property Assignment Agreements” means the assignments between the Seller and/or one or more of its Affiliates and the Purchaser and/or one or more of its Affiliates on terms consistent with the Agreed Terms, to be entered into at Closing, in respect of the transfer of certain Intellectual Property Rights in each of the relevant jurisdictions;

“Intellectual Property Rights” means all: (i) Patents; (ii) Know-How; (iii) Trademarks; (iv) internet domain names; (v) Copyrights; (vi) rights in designs; (vii) database rights; and (viii) all rights or forms of protection, anywhere in the world, having equivalent or similar effect to the rights referred to in paragraphs (i) to (vii) above, in each case whether registered or unregistered and including applications for registration of any such thing;

“International Assignees” means the employees of any member of the Seller’s Group (including the Vaccines Group Companies) who are referred to in Schedule 6;

“Intra-Group Non-Trade Payables” means all outstanding loans or other financing liabilities or obligations (including, for the avoidance of doubt, interest accrued, dividends declared or payable but not paid) owed by a Vaccines Group Company to a member of the Seller’s Group (other than a Vaccines Group Company) as at the Effective Time as derived from the Closing Statement, but excluding: (i) Intra-Group Trading Balances; and (ii) any item which falls to be included in calculating the Vaccines Group Companies’ Cash Balances or the Third Party Indebtedness;

“Intra-Group Non-Trade Receivables” means all outstanding loans or other financing liabilities or obligations (including, for the avoidance of doubt, interest accrued, dividends

declared or payable but not paid) owed by a member of the Seller's Group (other than a Vaccines Group Company) to a Vaccines Group Company as at the Effective Time as derived from the Closing Statement, but excluding: (i) Intra-Group Trading Balances; and (ii) any item which falls to be included in calculating the Vaccines Group Companies' Cash Balances or the Third Party Indebtedness;

"Intra-Group Trading Balances" means all trade accounts and notes receivable or payable arising in the ordinary course between any two members of the Seller's Group, in each case to the extent related to the Vaccines Group, to which lines "BS01_630 Payables Other BU's", "BS01_140 Receivables Other BU's", "BS01_620 Payables Own BU" and "BS01_130 Receivables Own BU" of the Statement of Net Assets apply, together with any unpaid financing charges accrued thereon;

"IP Liability" means any Liability arising out of, relating to or resulting from any actual or alleged infringement, misappropriation or other violation of Intellectual Property Rights of third parties;

"Judgment" means any order, writ, judgment, injunction, decree, stipulation, determination, decision or award entered by or with any Governmental Entity of competent jurisdiction;

"Key Personnel" means the Employees listed in Schedule 21;

"Key Sites" means the Marburg Site, the Rosia Site and the Siena Site;

"Know-How" means all existing and available technical information, know-how and data, including inventions (whether patentable or not), discoveries, trade secrets, specifications, instructions, processes and formulae, including all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical, safety, quality control, preclinical and clinical data;

"Lease" has the meaning given to it in paragraph 1.1 of Part 4 of Schedule 3;

"Liabilities" means all liabilities, claims, damages, proceedings, demands, orders, suits, costs, losses and expenses of every description, whether deriving from contract, common law, statute or otherwise, whether present or future, actual or contingent, ascertained or unascertained or disputed and whether owed or incurred severally or jointly or as principal or surety;

"Liability Cut-off Time" means (i) Closing in respect of any Liability that is a Clinical Trials/Data Liability, Commercial Practices Liability, Environmental Liability, Governmental Liability, IP Liability, Manufacturing Liability or Product Liability; (ii) Delayed Closing in respect of any Liability that relates to a Non-Controlled Delayed Business and is a Clinical Trials/Data Liability, Commercial Practices Liability, Environmental Liability, Governmental Liability, IP Liability, Manufacturing Liability or Product Liability (but, in respect of any such Environmental Liability, IP Liability or Product Liability that arises as a result of, or otherwise relates to, any act, omission, fact, matter or circumstance or event undertaken, occurring, in existence or arising between Closing and Delayed Closing, only to the extent that such Liability arises due to the wilful default or Gross Negligence of the relevant Seller or any of its Associated Persons); or (iii) the Effective Time in respect of any other Liability;

"LIBOR" means the London interbank offered rate, being the interest rate offered in the London inter-bank market for three month US dollar deposits as displayed on pages

LIBOR01 or LIBOR02 of the Reuters screen at 11 a.m. (London) on the second Business Day prior to the Closing Date;

“**Licensed Intellectual Property Contract**” means any Vaccines Group Intellectual Property Contract constituting or containing a licence of Intellectual Property Rights in respect of the Business or Products;

“**Listing Rules**” means the listing rules made by the FCA under section 73A of FSMA;

“**Local Payment Amount**” has the meaning given to it in Clause 6.5;

“**Local Transfer Document**” has the meaning given to it in Clause 2.6.1;

“**Long Stop Date**” has the meaning given to it in Clause 4.3;

“**Long Stop Expiry Date**” has the meaning given to it in Clause 9.1.6;

“**Losses**” means all losses, liabilities, costs (including legal costs and experts’ and consultants’ fees), charges, expenses, actions, proceedings, claims and demands;

“**MA Costs**” has the meaning given to it in paragraph 4 of Part 2 of Schedule 8;

“**MA Documentation**” has the meaning given to it in paragraph 1.4 of Part 2 of Schedule 8;

“**Manufacture**”, “**Manufacturing**” or “**Manufactured**” means the planning, purchasing of materials for, production, processing, compounding, storage, filling, packaging, labelling, leafletting, warehousing, quality control testing, waste disposal, quality release, sample retention and stability testing of products;

“**Manufacturing Inventory**” means any packed inventory of Products and/or products for Commercialisation that is: (i) in finished form (save for any secondary packaging undertaken outside of a Property); (ii) beneficially owned by any member of the Seller’s Group; (iii) held at a Property; and (iv) not yet released by the qualified person at a Property; and excluding in each case, for the avoidance of doubt, any In-Market Inventory and Manufacturing Stocks;

“**Manufacturing Liability**” means any Liability arising out of, relating to or resulting from any breach of Applicable Law in connection with the manufacturing of products;

“**Manufacturing Licences**” means any certificates, permits, licences, consents and approvals issued by any Governmental Entity, used in the operation or conduct of Manufacturing at each Property, and “**Manufacturing Licence**” shall be construed accordingly;

“**Manufacturing Stocks**” means, as at Closing, all stocks of raw materials, active pharmaceutical ingredients, ingredients, adjuvants, drug substances, intermediates, packaging materials, components, devices and other production and pre-production consumables and work-in-progress that are beneficially owned by any member of the Seller’s Group for use in the Manufacture of Products or Pipeline Products and held at a Property;

“**Marburg Site**” means the Properties located in Marburg (Germany) at which the Vaccines Group undertakes Manufacturing activities;

“**Marburg Support Services Agreement**” means the Marburg support services agreement in respect of the Influenza Business dated 23 October 2014 between the Seller and the Purchaser;

“**Marketing Authorisation Data**” means the existing and available dossiers containing the relevant Know-How used by the Seller and/or its Affiliates to obtain and maintain the Marketing Authorisations;

“**Marketing Authorisation Holder**” means the holder of the relevant Marketing Authorisation;

“**Marketing Authorisation Re-registration**” has the meaning given to it in paragraph 1.1.2 of Part 2 of Schedule 8;

“**Marketing Authorisation Re-Registration Date**” means the date on which the relevant Governmental Entity approves, or is deemed to approve, the relevant Marketing Authorisation Re-registration;

“**Marketing Authorisation Transfer**” has the meaning given to it in paragraph 1.1.1 of Part 2 of Schedule 8;

“**Marketing Authorisation Transfer Date**” means the date on which the relevant Governmental Entity approves, or is deemed to approve, the relevant Marketing Authorisation Transfer;

“**Marketing Authorisation Transferee**” means the member of the Purchaser’s Group or, where no member of the Purchaser’s Group satisfies the requirements under Applicable Law to be transferred the relevant Marketing Authorisation, such Third Party as is nominated by the Purchaser, in either case to whom the relevant Marketing Authorisation is to be transferred;

“**Marketing Authorisations**” means the marketing authorisations issued or applications for marketing authorisations with respect to the Products and all supplements, amendments and revisions thereto;

“**Markets**” means the markets in which the Products are marketed and sold under the relevant Marketing Authorisation, and “**Market**” shall be construed accordingly;

“**Material Adverse Effect**” means any matter, change, event or circumstance arising or discovered on or after the date of this Agreement and prior to Closing (including a breach of the Seller’s obligations under Clause 5 or Clause 10.1) (a “**Relevant Matter**”) that, individually or in the aggregate with other Relevant Matters, if known to the Purchaser prior to the date of this Agreement, could reasonably have expected to have resulted in the Purchaser offering to acquire the Vaccines Group on the terms of this Agreement at a discount to the Headline Price of 30 per cent. or more and, in determining such reduction, regard shall be had to the actual basis on which the Purchaser determined the Headline Price. A Relevant Matter shall not constitute or count towards a “Material Adverse Effect” to the extent resulting or arising from:

- (i) any change that is generally applicable to, or generally affects, the industries or markets in which the Vaccines Group operates (including changes arising as a result of usual seasonal variations) or arises from or relates to changes in Applicable Law or accounting rules or changes in any authoritative interpretation of any Applicable Law by any Governmental Entity;

- (ii) any change in financial, securities or currency markets or general economic or political conditions or changes in prevailing interest rates or exchange rates;
- (iii) the execution of this Agreement, the public announcement thereof or the pendency or consummation of the transactions contemplated hereby (including any cancellations of or delays in customer orders or other decreases in customer demand, any reduction in revenues and any disruption in supplier, distributor, customer or similar relationships); or
- (iv) the taking of any action expressly required by this Agreement or by any Ancillary Agreement or otherwise taken with the advance written consent of the Purchaser,

except, in relation to either paragraph (i) or paragraph (ii) above, if that change adversely affects the Vaccines Group in a disproportionate manner relative to other comparable businesses operating in the same industry and geographic markets as the Vaccines Group (in which case it may constitute or count towards a “**Material Adverse Effect**”);

“**Material Employee Jurisdictions**” means China, Germany, India, Italy, the United Kingdom and the United States of America;

“**Medical Information**” means information relating to clinical and technical matters, such as therapeutic uses for the approved indications, drug-disease information, and other product characteristics Predominantly Related to the Business which is available to or used by the Seller and/or its Affiliates as of the Closing Date, or, in respect of any Delayed Business, the Delayed Closing Date, as applicable;

“**MenA Fill Finish Manufacturing and Supply Agreement**” means the manufacturing and supply agreement, and the quality agreement relating thereto, to be entered into between the Seller or a member of the Seller’s Group and the Purchaser or a member of the Purchaser’s Group on Closing, pursuant to which Novartis Pharma Stein AG will manufacture and supply certain products to the Vaccines Business in connection with Meningococcal serogroup A vaccines;

“**MenACWY Fill Finish Clinical Supply Agreement**” means the clinical supply agreement, and the quality agreement relating thereto, to be entered into between the Seller or a member of the Seller’s Group and the Purchaser or a member of the Purchaser’s Group on Closing, pursuant to which Novartis Pharma Stein AG will manufacture and supply certain products to the Vaccines Business in connection with clinical trials of quadrivalent Meningococcal vaccines;

“**MenB Manufacturing and Supply Agreement**” means the manufacturing and supply agreement, and the quality agreement relating thereto, to be entered into on or before Closing between Sandoz GmbH and Novartis Vaccines and Diagnostics S.r.l. with the written consent of the Purchaser, pursuant to which Sandoz GmbH will manufacture and supply certain products to the Vaccines Business in connection with Meningococcal serogroup B vaccines;

“**Merck 2012 Licence**” means the Settlement and Licence Agreement between Novartis Vaccines and Diagnostics Inc. and Merck KGaA and Ares Trading SA dated 14 November 2012;

“**Milestone Payments**” has the meaning given to it in paragraph 10 of Schedule 17;

“**Minority Interest Entities**” means the entities, details of which are set out in paragraph 3 of Schedule 2, and “**Minority Interest Entity**” means any one of them;

“**Mixed Affiliate Quality Agreement**” means any Affiliate Quality Agreement which relates both:

- (i) to the Business or any part of the Business to be transferred to the Purchaser at Closing; and
- (ii) to any part of the Seller’s Group Retained Business, any product other than the Products, or any Excluded Asset;

“**Mixed Contract**” means any Contract which relates both:

- (i) to the Business or any part of the Business to be transferred to the Purchaser at Closing; and
- (ii) to any part of the Seller’s Group Retained Business, any product other than the Products, or any Excluded Asset,

and which is either a Transferred Contract or a Contract to which a Vaccines Group Company is party;

“**Mixed Contracts Separation**” has the meaning given to it in Schedule 10;

“**MOFCOM**” means the Ministry of Commerce in the PRC or its local counterparts;

“**Moratorium Date**” has the meaning given to it in Schedule 10;

“**Multi-Basket Tender**” means any Tender other than a Products-Only Tender;

“**NDRC**” means the National Development and Reform Commission in the PRC or its local counterparts;

“**Netherlands APA**” has the meaning given to it in the Netherlands Offer Letter;

“**Netherlands Assumed Liabilities**” means the Assumed Liabilities to the extent they relate to the Netherlands Business;

“**Netherlands Business**” means that part of the Vaccines Group, comprising:

- (i) the Vaccines Group Businesses that relate predominantly to the part of the Business conducted in the Netherlands;
- (ii) the Netherlands Assumed Liabilities;
- (iii) the Netherlands Employees; and
- (iv) any other assets that are exclusively related to the Netherlands Business;

“**Netherlands Closing**” has the meaning given to it in the Netherlands APA;

“**Netherlands Employees**” means the Employees employed in the Netherlands;

“**Netherlands Offer Letter**” means the letter from the Purchaser to the Seller in respect of the binding offer from the Purchaser to acquire the Netherlands Business dated on or around the date hereof;

“**Netherlands Put Option Exercise**” has the meaning given to it in the Netherlands Offer Letter;

“**Non-Controlled Delayed Business**” has the meaning given to it in Schedule 25;

“**Non-strategic Assets**” means the assets of the Vaccines Group exclusively related to the Products Encepur and Ixiaro and any Liabilities relating to those Products;

“**Non-Transferring Tender**” means:

- (i) any Products-Only Tender which is subject to public procurement law and regulation in the relevant Market and cannot be transferred under Applicable Law; and
- (ii) any Multi-Basket Tender;

“**Non-US Benefit Plans**” has the meaning given to it in paragraph 16.3.1 of Schedule 18;

“**Notice**” has the meaning given to it in Clause 17.11.1;

“**Novartis 2013 Annual Report**” means the 2013 annual report of Novartis AG, including the consolidated financial statements of the Seller’s Group for the financial year ending on 31 December 2013;

“**Novartis Branded Inventory**” has the meaning given to it in Clause 9.1.1(iii);

“**Novartis Branded Literature**” has the meaning given to it in Clause 9.1.1(v);

“**Novartis Branded Products**” has the meaning given to it in Clause 9.1.1(iv);

“**Novartis Branded Websites**” has the meaning given to it in Clause 9.1.1(ii);

“**Novartis Break Fee**” has the meaning given in the Implementation Agreement;

“**NTT Multi-Basket Tender**” has the meaning given to it in Schedule 10;

“**NTT Products-Only Tender**” has the meaning given to it in Schedule 10;

“**Ongoing Clinical Trials**” means the ongoing clinical studies sponsored or supported by the Seller’s Group (including post-approval studies) or otherwise recommended by a Governmental Entity, and regulatory commitments in respect of the Products and the Pipeline Products, listed in Schedule 22 and “Ongoing Clinical Trial” shall mean any one of them;

“**Out-Licensing Programme**” means the out-licensing and enforcement of Intellectual Property Rights that are not used in or developed for the Business and generally relate to base technology useful in drug discovery and/or manufacturing processes, including any contracts or Intellectual Property Rights related thereto but excluding the Beta Interferon Patent Rights;

“**Out-Licensing Programme Intellectual Property Rights**” means the Intellectual Property Rights used in relation to the Out-Licensing Programme;

“**Out of Scope Patent**” means any Patent of the Seller’s Group at the Closing Date, but excluding (i) the Transferred Intellectual Property Rights; (ii) any Patents licensed under the Purchaser Intellectual Property Licence Agreement; (iii) Out-Licensing Programme Intellectual Property Rights; and (iii) any Patents in any Non-strategic Assets;

“**Owned Information Technology**” means:

- (i) in the case of Zhejiang Tianyuan Bio-Pharmaceutical Co., Ltd, all of the Information Technology owned by it;

- (ii) in the case of Novartis Vaccines and Diagnostics GmbH, the Site Specific Information Technology that is located in the datacentres at the building “H1” located at Emil-von-Behring-Straße 76, 35041 Marburg, Germany and the building “N310” located at Emil-von-Behring-Straße 200, 35041 Marburg, Germany;
- (iii) in the case of Chiron Behring Vaccines Private Limited, the Site Specific Information Technology that is located in the datacentre at Plot Nos. 3501/A, 3502 & 3503/A, Post Box No. 94, GIDC Estate, Ankleshwar – 393 002. Dist: Bharuch, Gujarat, India (First Floor of admin building); and
- (iv) in the case of Novartis Vaccines and Diagnostics S.r.l, the Site Specific Information Technology that is located in the datacentre at Building 15, Via Fiorentina,1, 53100 Siena Italy and Building 53, Località Bellaria Rosia, 53018 Sovicille (Si) Italy,

including the Information Technology set out in Part 2 of Schedule 27;

“**Owned Intellectual Property Contracts**” means the Contracts Exclusively Related to the Business which relate to Intellectual Property Rights and that are held by the Vaccines Group Companies, including any such Contracts set out in Part 2 of Schedule 4;

“**Owned Intellectual Property Rights**” means the Intellectual Property Rights of any Vaccines Group Company to the extent Exclusively Related to the Business, including the Intellectual Property Rights of any Vaccines Group Company set out in Part 1 of Schedule 4;

“**Patent Term Extensions**” means any and all extensions of a term of a Patent granted under the Patent laws or regulations of any country, the European Union (including any supplementary protection certificate), or any other Governmental Entity;

“**Patents**” means patents, design patents, patent applications, and any reissues, re-examinations, divisionals, continuations, continuations-in-part, provisionals, and extensions thereof or any counterparts to any of the foregoing (including rights resulting from any post-grant proceedings relating to any of the foregoing);

“**PA Transfer Date**” means, in relation to a Product or Product Application, the date upon which the relevant Governmental Entity approves and notifies the Product Approval or Product Application (as applicable) naming the Purchaser or the relevant Affiliate of the Purchaser (or designee thereof) as the holder of such Product Approval or Product Application in the relevant country or territory covered by that Product Approval or Product Application;

“**Payables and Receivables Plan**” has the meaning given to it in Clause 8.6;

“**Payment**” has the meaning given to it in Clause 1.9;

“**Permit**” has the meaning given to it in paragraph 9.2 of Schedule 18;

“**Permitted Encumbrance**” means:

- (i) Encumbrances imposed by Applicable Law;
- (ii) Encumbrances imposed in the ordinary course of business which are not yet due and payable or which are being contested in good faith;
- (iii) Encumbrances which are listed in Schedule 7;

- (iv) pledges or deposits to secure obligations under Applicable Law relating to workers' compensation, unemployment insurance or to secure public or statutory obligations; and
- (v) liens, title retention arrangements or deposits to secure the performance of bids, trade contracts (other than for borrowed money), conditional sales contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of the Business;

"Personal Property" means all tangible personal property legally and beneficially owned by the Seller's Group which is Predominantly Related to the Business and is located at a Property at Closing;

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[***]

"Pipeline Product" means:

- (i) each product in development by the Business set out under the heading "Pipeline Products" in Part 3 of Schedule 8; and
- (ii) any other product in development Exclusively Related to the Business;

"Pipeline Product Approvals" means the approvals in relation to the Pipeline Products;

"PRC" means the People's Republic of China which, for the purpose of this Agreement, shall exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;

"PRC Transfer Documents" means the Local Transfer Agreement in respect of the transfer of the Tianyuan Shares from the relevant Share Seller to the Purchaser, the amended joint venture contract and amended articles of association of Tianyuan JV, each to be submitted to the NDRC and MOFCOM in connection with the approval of (i) each of those documents and (ii) the sale and transfer of the Tianyuan Shares from the relevant Share Seller to the Purchaser;

"Predominantly Related to the Business" means exclusively or predominantly related to, or used or held for use exclusively or predominantly, in connection with the Business;

"Proceedings" means any legal actions, proceedings, suits, litigations, prosecutions, investigations, enquiries, mediations or arbitrations;

"Product Applications" means all applications for Product Approval filed with respect to Products Under Registration, with each individual application being a **"Product Application"**;

"Product Approvals" means all permits, licences, certificates, clearances, registrations or other authorisations or consents issued by any Governmental Entity to the Seller or one of its Affiliates with respect to the Products or the use, research, development, marketing, distribution or sale thereof, including the Marketing Authorisations;

"Product Filings" means all filings, written representations, declarations, listings, registrations, reports or submissions with or to any Governmental Entity, including adverse event reports and all submitted data relating to each Product;

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

“**Product Liabilities**” means any Liability arising out of, relating to or resulting from actual or alleged harm, injury, damage or death to persons in connection with the use of any product (including in any clinical trial or study);

“**Product Packaging**” means (i) the primary packaging in which the Novartis Branded Products and Novartis Branded Inventory are packaged (e.g., blister packs, bottles with labels); (ii) the secondary packaging in which Novartis Branded Products and Novartis Branded Inventory are packaged (e.g., boxes containing blister packs or bottles); and (iii) any leaflets contained inside the secondary packaging;

“**Product Partners**” means any third parties which pursuant to a Contract with the Seller or any Affiliate of the Seller co-develop, co-promote, co-market, or otherwise have a licence or other right to research, develop, manufacture, promote, distribute, market, or sell any Product, including all manufacturers and suppliers of any such Product;

“**Products**” means:

- (i) the products set out under the heading “Products” in Part 3 of Schedule 8; and
- (ii) any other products Exclusively Related to the Business;

“**Products-Only Tender**” means any Tender that relates solely to the Products;

“**Products Under Registration**” means:

- (i) the products set out under the heading “Products Under Registration” in Part 3 of Schedule 8, which are pending Product Approval as of the date hereof; and
- (ii) any other products under registration Exclusively Related to the Business;

“**Properties**” means the Company Real Properties and the Transferred Real Properties and “**Property**” means any one of them;

“**Proprietary Information**” means all confidential and proprietary information of the Seller or its Affiliates that is Predominantly Related to the Business, including confidential Medical Information, confidential Know How and confidential Commercial Information;

“**Purchase Price**” has the meaning given to it in Clause 3.1.1;

“**Purchase Price Bank Account**” means the account notified by the Seller to the Purchaser no later than two Business Days prior to the Closing Date;

“**Purchaser Articles of Association**” means the articles of association of the Purchaser in force and effect from time to time;

“**Purchaser Intellectual Property Licence Agreement**” means the agreement between the Seller and/or one or more of its Affiliates and the Purchaser and/or one or more of its Affiliates on terms consistent with the Agreed Terms, to be entered into at Closing, in respect of the grant of licences from the Seller to the Purchaser of certain Intellectual Property Rights;

“**Purchaser’s Disagreement Notice**” has the meaning given to it in paragraph 1.3 of Schedule 16;

“**Purchaser’s Group**” means the Purchaser and its Affiliates from time to time;

“**Purchaser’s Lawyers**” means Slaughter and May of One Bunhill Row, London EC1Y 8YY, United Kingdom;

“**Purchaser Shareholder Meeting**” has the meaning given to it in Clause 4.1.6;

“**Purchaser Shareholder Resolution**” has the meaning given to it in Clause 4.1.6;

“**Purchaser Shareholders**” means the holders of ordinary shares in the capital of the Purchaser from time to time;

“**Rebate**” means any amount payable or repayable to customers or Governmental Entities in respect of a contractual rebate or other rebate including under applicable Healthcare Laws (or under similar laws or regulations) due on sales of products;

“**Registered Intellectual Property Rights**” means Intellectual Property Rights that are registered, issued, filed, or applied for under the authority of any Governmental Entity;

“**Registered Transferred Intellectual Property Rights**” means all Transferred Intellectual Property Rights that are Registered Intellectual Property Rights;

“**Registered Vaccines Group Intellectual Property Rights**” means all Vaccines Group Intellectual Property Rights that are Registered Intellectual Property Rights;

“**Registration**” has the meaning given to it in Clause 9.3.2(ii);

“**Regulation**” has the meaning given to it in Clause 4.1.1;

“**Relevant Employees**” means the Relevant Vaccines Business Employees and the Relevant Vaccines Group Company Employees and “**Relevant Employee**” means any one of them;

“**Relevant Employers**” means the Business Sellers and such other members of the Seller’s Group who employ the Relevant Vaccines Business Employees;

“**Relevant Matter**” has the meaning given to it in the definition of Material Adverse Effect;

“**Relevant Part**” means:

- (i) with respect to any Shared Business Contracts or Mixed Affiliate Quality Agreement, the relevant part of such Shared Business Contract or Mixed Affiliate Quality Agreement (as the case may be) which relates exclusively to the Vaccines Group; and
- (ii) with respect to any Mixed Contract, the relevant part of such Mixed Contract which relates exclusively to the Seller’s Group Retained Business, any product other than the Products or any Excluded Asset;

“**Relevant Parties**” has the meaning given to it in paragraph 1.1.1 of Schedule 17;

“**Relevant Pension and Employment Liability**” means (i) any Liabilities assumed by the Purchaser or a member of the Purchaser’s Group as contemplated by Schedule 11; and (ii) any Transferred Employee Benefit Liabilities (as defined in Schedule 12) which the Purchaser agrees to assume in accordance with Schedule 12;

“**Relevant Period**” means the period of two years prior to the date of this Agreement;

“**Relevant Persons**” has the meaning given to it in Clause 8.2.2;

[***]

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“**Relevant Vaccines Business Employees**” means the Vaccines Business Employees immediately prior to the Closing Date and “**Relevant Vaccines Business Employee**” means any one of them;

“**Relevant Vaccines Group Company Employees**” means the Vaccines Group Company Employees immediately prior to the Closing Date (excluding any who do not work wholly or substantially in the Business (as carried on by the Vaccines Group)) and “**Relevant Vaccines Group Company Employee**” means any one of them;

“**Relevant Working Day**” means a normal working day in the relevant jurisdiction and excludes a Saturday or Sunday or public holiday in the relevant jurisdiction;

“**Reorganisation**” has the meaning given to it in Clause 2.3.5;

“**Reporting Accountants**” means the London office of Ernst & Young or, if that firm is unable or unwilling to act in any matter referred to them under this Agreement, the London office of Deloitte or, if that firm is also unable or unwilling to act in any matter referred to them under this Agreement, an internationally recognised and independent firm of accountants who does not act as auditor to the Seller or the Purchaser, to be agreed by the Seller and the Purchaser within seven days of a notice by one to the other requiring such agreement or, failing such agreement, to be nominated on the application of either of them by or on behalf of the Institute of Chartered Accountants of England and Wales;

“**Representatives**” means, in relation to any party, any of its and/or any other member of the Purchaser’s Group’s or Seller’s Group’s directors, officers, employees, agents, representatives, bankers, auditors, accountants, financial advisers, legal advisers and any other professional advisers;

“**Required Item**” has the meaning given to it in paragraph 2 of Schedule 13;

“**Required Notifications**” has the meaning given to it in Clause 4.2.1;

“**Restricted Vaccines Group Employee**” means any Transferred Employee who is at or above grade GG5 or GJFA3 (or, in either case, the Purchaser’s equivalent from time to time);

“**Retained Information Technology**” means all Information Technology of the Vaccines Group, excluding the Transferred Information Technology and the Owned Information Technology;

“**Retained Inventory**” has the meaning given to it in Clause 2.7.1;

“**Rosia Site**” means the Properties located in Rosia (Italy) at which the Vaccines Group undertakes Manufacturing activities;

“**Royalty**” means any royalty payable in respect of sales of Products;

“**Royalty Payments**” has the meaning given to it in paragraph 10 of Schedule 17;

“**Sanctions Laws**” has the meaning given to it in paragraph 9.5 of Schedule 18;

“**Secondment Agreement**” means the secondment agreement made between Novartis Vaccines and Diagnostics, Inc., Novartis Pharma AG and GlaxoSmithKline LLC dated on or about the Closing Date relating to the secondment of [***];

“**Seller Allowance Rebate and Royalty Amount**” means any Allowance, Rebate or Royalty payable after the Effective Time by the Purchaser or any member of the

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Purchaser's Group (including any Delayed Vaccines Group Company), to the extent it relates to the sales of any products made prior to the Effective Time;

"Seller Marks" means any of the marks (including in either or both logo and local script form) "Novartis", "Sandoz", "Alcon" and "Ciba Vision" used alone or in combination with other words or marks;

"Seller Restricted Marks" means any of the marks (including in either or both logo and local script form) "Novartis", "Sandoz", "Alcon" and "Ciba Vision";

"Seller Partner" means any counterparty to a development, contract research, commercialisation, manufacturing, distribution, sales, marketing, supply, consulting or other collaboration Contract with the Seller or any Affiliate of the Seller;

"Seller's Disagreement Notice" has the meaning given to it in paragraph 1.4 of Schedule 16;

"Seller's Group" means the Seller and its Affiliates from time to time;

"Seller's Group Insurance Policies" means all insurance policies (whether under policies maintained with third party insurers or any member of the Seller's Group), other than Vaccines Group Insurance Policies, maintained by the Seller or any member of the Seller's Group in relation to the Vaccines Group or under which, immediately prior to Closing, any Vaccines Group Company or the Seller or member of the Seller's Group in relation to the Vaccines Group Businesses is entitled to any benefit, and **"Seller's Group Insurance Policy"** means any one of them;

"Seller's Group Retained Business" means, from time to time, all businesses of the Seller's Group, including, the Influenza Business, but excluding the Business;

"Seller's Knowledge" has the meaning given to it in Clause 10.1.4;

"Seller's Lawyers" means Linklaters LLP of One Silk Street, London EC2Y 8HQ, United Kingdom;

"Seller's Warranties" means the warranties given by the Seller pursuant to Clause 9 and Schedule 18, and **"Seller's Warranty"** means any one of them;

"Separation" has the meaning given to it in paragraph 3.4 of Schedule 10;

"Service Provider" means an Associated Person who is a legal person;

"Share Seller" means, in relation to each of the Companies and Minority Interest Entities referred to in column (2) of Schedule 1, the company whose name is set out opposite that Company or Minority Interest Entity in column (1);

"Shared Business Contracts" means any Contract which:

- (i) is not a Transferred Contract; and
- (ii) relates both:
 - (A) to the Business or any part of the Business to be transferred to the Purchaser at Closing; and
 - (B) to any part of the Seller's Group Retained Business, any product other than the Products, or any Excluded Asset,

and to which a member of the Seller's Group (excluding any Vaccines Group Company) is a party or in respect of which a member of the Seller's Group (excluding any Vaccines Group Company) has any right, liability or obligation at Closing (including the Multi-Basket Tenders), and "**Shared Business Contract**" shall mean any of them;

"**Shared Employees**" means employees of any member of the Seller's Group who work wholly or substantially in the Business (as carried on by the Vaccines Group) pursuant to service level agreements with the Vaccines Group Companies and other members of the Seller's Group but excluding, for the avoidance of any doubt, any Vaccines Group Company Employee and any employees included on the list of employees provided pursuant to paragraph 15.2 of Schedule 18;

"**Shares**" means the shares in the capital of the Companies and the Minority Interest Entities specified in Schedule 1;

"**Siena Site**" means the Properties located in Siena (Italy) at which the Vaccines Group undertakes Manufacturing activities;

"**Site Specific Information Technology**" means Information Technology that is owned by a member of the Seller's Group and located at a Property which is used for research and development or Manufacturing activities conducted at that Property or the removal of which would compromise the research and development or manufacturing activities or the integrity of the local network and Information Technology operations at such Property, but shall exclude any devices or application based infrastructure;

"**Specified Excluded Businesses**" means the businesses and activities of: (i) Roche Holding AG which, for the avoidance of doubt, is not an Affiliate and (ii) Novartis Institutes for BioMedical Research (and other activities of a similar type to those currently conducted by Novartis Institutes for BioMedical Research);

"**Statement of Net Assets**" means the statement of net assets as at the Statement of Net Assets Date, as set out in Part 2 of Schedule 23;

"**Statement of Net Assets Date**" means 31 December 2013;

"**Statement of Net Assets Rules**" means the rules in accordance with which the Statement of Net Assets was prepared, as set out in Part 2 of Schedule 23;

"**Subsidiaries**" means the companies listed in paragraph 2 of Schedule 2 and "**Subsidiary**" means any one of them;

"**Target Asset Agreements**" has the meaning given to it in the Implementation Agreement;

"**Taxation**" or "**Tax**" means all supra-national, federal, state, county, local, municipal, foreign and other taxes, assessments, duties or similar charges of any kind whatsoever (other than deferred tax), including all corporate franchise, income, gross receipts, sales, use, ad valorem, receipts, value added, profits, licence, withholding, payroll, employment, excise, premium, property, net worth, capital gains, transfer, stamp, documentary, social security, alternative minimum, occupation, recapture and other taxes regardless as to whether any such taxes, assessments, duties or similar charges are chargeable directly or primarily against or attributable directly or primarily to a Vaccines Group Company or any other person, and including all interest, penalties and additions imposed with respect to such amounts by any Tax Authority or with respect to any failure to file any Tax Return;

"**Tax Adjustment**" means the amount by which:

(a) the aggregate amount of the income taxes and sales taxes payable by the Vaccines Group Companies, as at the Effective Time and as derived from the Closing Statement;

exceeds or is less than

(b) the aggregate amount of the current income tax and sales tax receivables of the Vaccines Group Companies as at the Effective Time as derived from the Closing Statement,

and any such excess amount shall be treated as a positive number and any shortfall shall be treated as a negative amount;

“**Tax Authority**” has the meaning ascribed to it in the Tax Indemnity;

“**Tax Consolidation**” has the meaning ascribed to it in the Tax Indemnity;

“**Tax Group**” has the meaning ascribed to it in the Tax Indemnity;

“**Tax Indemnity**” means the deed of covenant against taxation, in the Agreed Terms, to be entered into on the Closing Date between the Seller and the Purchaser;

“**Tax Return**” has the meaning ascribed to it in the Tax Indemnity;

“**Tax Warranties**” means the Seller’s Warranties set out in paragraph 13 of Schedule 18;

“**Tender**” means any Contract or arrangement to which a member of the Seller’s Group is a party (itself or through an agent) with a third party, entered into following a call for a tender by the relevant third party, for the supply by the Seller’s Group of products including the Products in a Market and pursuant to which Products may be sold after Closing;

“**Third Party**” has the meaning given to it in Clause 17.4.2;

“**Third Party Claim**” has the meaning given to it in Clause 12.4;

“**Third Party Consents**” means all consents, licences, approvals, permits, authorisations or waivers required from third parties for (i) the assignment or transfer to a member of the Purchaser’s Group of any of the Transferred Contracts, Transferred Intellectual Property Contracts or Shared Business Contracts or Co-Owned Vaccines Group Intellectual Property Rights or Transferred Plant and Equipment or Mixed Contracts (ii) the Mixed Contracts Separation of the Mixed Contracts and (iii) Separation, as the case may be, and “**Third Party Consent**” means any one of them;

“**Third Party Indebtedness**” means the aggregate amount as at the Effective Time of all outstanding Indebtedness owed by the Vaccines Group Companies to any third party less any Indebtedness owed by any third party to any Vaccines Group Company as derived from the Closing Statement (but excluding any item included in respect of any Vaccines Group Companies’ Cash Balances or Intra-Group Non-Trade Payables), and, for the purposes of this definition, third party shall exclude any member of the Seller’s Group;

“**Threshold Amount**” means, in the case of Ixiaro, US\$ 50 million, and in the case of Encepur, US\$ 200 million;

“**Tianyuan JV**” means Zhejiang Tianyuan Bio-Pharmaceutical Co., Ltd., whose particulars are specified in Paragraph 1 of Schedule 2;

[***]

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“**Tianyuan Shares**” means the 85 per cent. of the equity interests in Tianyuan JV which are specified in Schedule 1;

[***]

“**Time-Limited Excluded Liability**” means an Excluded Liability which is:

- (i) a Contracts Liability;
- (ii) an Environmental Liability;
- (iii) a Manufacturing Liability; or
- (iv) a Commercial Practices Liability;

“**Trademarks**” means trademarks, service marks, trade names, certification marks, service names, industrial designs, brand names, brand marks, trade dress rights, identifying symbols, logos, emblems, and signs or insignia and all goodwill of the business in relation to which any of the foregoing are used (but no other or greater goodwill);

“**Transaction**” has the meaning given to it in Clause 4.1.1;

“**Transfer Regulations**” means the relevant national measure by which the employment of a Relevant Vaccines Business Employee automatically transfers to the Purchaser or a relevant member of the Purchaser’s Group;

“**Transferred Accounts Payable**” means all trade accounts and notes payable arising in the ordinary course of the Seller’s Group (other than any Vaccines Group Company) to the extent related to the Business, and outstanding at the Effective Time, together with any unpaid financing charges accrued thereon;

“**Transferred Accounts Receivable**” means all trade accounts and notes receivable arising in the ordinary course of the Seller’s Group (other than any Vaccines Group Company) to the extent related to the Business, and outstanding at the Effective Time, together with any unpaid financing charges accrued thereon;

“**Transferred Affiliate Quality Agreement**” means:

- (i) any Affiliate Quality Agreement that is not a Mixed Affiliate Quality Agreement; and
- (ii) the Relevant Part of any Mixed Affiliate Quality Agreement;

“**Transferred Books and Records**” means all books, ledgers, files, reports, plans, records, manuals and other materials (in any form or medium) to the extent of, or maintained predominantly for, the Business by the Seller’s Group (excluding the Vaccines Group Companies) (other than emails), but excluding:

- (i) any such items to the extent that: (A) they are related to any Excluded Assets or Excluded Liabilities, (B) they are related to any corporate, Tax, human resources or stockholder matters of the Seller or its Affiliates (other than the Vaccines Group Companies), (C) any Applicable Law prohibits their transfer, (D) any transfer thereof otherwise would subject the Seller or any of its Affiliates to any material liability or (E) they are retained by the Seller in accordance with Clause 8.15;
- (ii) any laboratory notebooks to the extent containing research and development information unrelated to the Business; and

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- (iii) any books and records (including but not limited to the content of any personnel files) kept by the Seller's Group relating to the employment of the Transferred Employees with the Seller's Group;

"Transferred Contracts" means:

- (i) the Contracts, other than Transferred Intellectual Property Contracts, that are Predominantly Related to the Business between a member of the Seller's Group (excluding the Vaccines Group Companies), on the one hand, and any third party, on the other hand (other than this Agreement and any Ancillary Agreement), including, without limitation, Products-Only Tenders, but excluding any Excluded Contract;
- (ii) any Transferred Affiliate Quality Agreement; and
- (iii) subject to the Purchaser making an election under paragraph 1.3 of Schedule 10, the Relevant Part of the Shared Business Contracts;

"Transferred Employees" means (i) the Vaccines Business Employees to whom the Purchaser (or a member of the Purchaser's Group) offers employment and who accept such employment and become employed by the Purchaser (or a member of the Purchaser's Group) in accordance with Schedule 11; (ii) any Relevant Vaccines Business Employees who transfer to the Purchaser (or a member of the Purchaser's Group) by operation of the Transfer Regulations and do not object to such transfer (to the extent permitted by the Transfer Regulations) in accordance with Schedule 11; and (iii) the Relevant Vaccines Group Company Employees, and **"Transferred Vaccines Business Employees"** means the employees in (i) and (ii), **"Transferred Vaccines Group Company Employees"** means the employees in (iii) and **"Transferred Employee"**, **"Transferred Vaccines Business Employee"** and **"Transferred Vaccines Group Company Employee"** respectively means any one of them;

"Transferred Information Technology" means:

- (i) in the case of Shanghai Novartis Trading Limited, the Site Specific Information Technology; and
- (ii) in the case of Novartis Korea Ltd, the Site Specific Information Technology that is located in the datacentre at 17fl. Yonsei Bldg., Tongil-ro 10, Joong-gu, Seoul 100-753,

including the Information Technology set out in Part 1 of Schedule 27;

"Transferred Intellectual Property Contracts" means Contracts Exclusively Related to the Business which relate to Intellectual Property Rights (but excluding the rights under any such Contracts that are held by the Vaccines Group Companies), including any such Contracts set out in Part 2 of Schedule 4 and the Merck 2012 Licence;

"Transferred Intellectual Property Rights" means the Intellectual Property Rights of any member of the Seller's Group (other than a Vaccines Group Company) Exclusively Related to the Business, including the Intellectual Property Rights of any member of the Seller's Group (other than a Vaccines Group Company) set out in Parts 1 and 3 of Schedule 4;

"Transferred Inventory" means all inventories (including Manufacturing Inventory and Manufacturing Stocks and In-Market Inventory), wherever located, including all raw materials, work in progress, finished Products and packaging and labelling material in

respect of the Products and otherwise Predominantly Related to the Business (but excluding any such items held by the Vaccines Group Companies) whether held at any location or facility of a member of the Seller's Group or in transit to a member of the Seller's Group, in each case as of the Effective Time;

“**Transferred Leased Real Properties**” has the meaning given to it in paragraph 1.1 of Part 4 of Schedule 3;

“**Transferred Owned Real Properties**” has the meaning given to it in paragraph 1.1 of Part 4 of Schedule 3;

“**Transferred Plant and Equipment**” means:

- (i) the Transferred Information Technology; and
- (ii) all plant, furniture, furnishings, vehicles, equipment, tools and other tangible Personal Property (other than Transferred Inventory or Transferred Information Technology) of the Seller's Group that are Predominantly Related to the Business (but excluding any such items owned by the Vaccines Group Companies);

“**Transferred Real Properties**” means:

- (i) the Transferred Owned Real Properties;
- (ii) the Transferred Leased Real Properties; and
- (iii) all other freehold, leasehold or other immovable property Predominantly Related to the Business, other than any freehold, leasehold or other immovable property within the definition of “Excluded Assets”,

and “**Transferred Real Property**” means any one of them;

“**Transitional Distribution Services Agreement**” means the transitional distribution services agreement to be entered into between the Seller and the Purchaser at Closing, the quality agreement thereto and each local agreement entered pursuant to such transitional distribution services agreement on terms consistent with the Agreed Terms;

“**Transitional Services Agreement**” means the transitional services agreement to be entered into between the Seller and the Purchaser at Closing (and each local agreement entered pursuant to such transitional services agreement) on terms consistent with the heads of terms in the Agreed Terms, pursuant to which: (i) the Seller will provide or procure the provision of certain transitional services to the Purchaser; and (ii) the Purchaser will provide or procure the provision of certain transitional services to the Influenza Business;

“**Transitional Trademark Licence**” has the meaning given to it in Clause 9.1.1;

“**US Benefit Plans**” means all United States “employee benefit plans” (within the meaning of section 3(3) of ERISA), severance, change in control or employment, vacation, incentive, bonus, stock option, stock purchase, or restricted stock plans, programmes, agreements or policies benefiting the Vaccines Business Employees;

“**Vaccines**” means a preparation comprising (i) an antigen, (ii) an epitope of an antigen, or (iii) a polynucleotide encoding an antigen derived directly or indirectly from, or mimicking, an agent (including, but not limited to, a compound, a toxin, a microbe including a pathogen or component thereof), wherein such preparation may further comprise a composition capable of modulating an immune response, including preparations intended to improve a human's immune response to a microbe that has been linked to cancer,

wherein said preparation is intended for purposes of inducing an immune response in a human, including, but not limited to, a functional immune response or immunological memory to the particular or related antigen or agent, thereby causing or improving an immune response to a challenge by the particular or related agent. “Vaccines” shall not include preparations intended to improve a human’s immune response to or to treat other non-infectious conditions, whether or not related to pathogens, such as certain autoimmune diseases, Alzheimer’s disease and certain cancers, or non-antigen preparations comprising immune system components intended to function analogous to corresponding native components within the patient, such as antibodies or white blood cells (both unmodified or modified to better treat disease);

“**Vaccines Business Employees**” means the employees of any member of the Seller’s Group who work wholly or substantially in the Business (as carried on by the Vaccines Group) from time to time including, for the avoidance of any doubt, the International Assignees other than the Vaccines Group Company Employees, the Excluded Employees and the Shared Employees and provided that, in relation to the Seller’s Warranties only, the words “from time to time” shall be deemed to be replaced by “at the date of this Agreement” and “**Vaccines Business Employee**” means any one of them;

“**Vaccines Business Manufacturing and Supply Agreements**” means the MenA Fill Finish Manufacturing and Supply Agreement, the MenACWY Fill Finish Clinical Supply Agreement and the MenB Manufacturing and Supply Agreement;

“**Vaccines Business Pharmacovigilance Agreement**” means the pharmacovigilance agreement between the Seller or a member of the Seller’s Group and the Purchaser or a member of the Purchaser’s Group, to be entered into at Closing, in respect of pharmacovigilance and regulatory matters relating to certain Vaccines Business products;

“**Vaccines Group**” means the Vaccines Group Companies and the Vaccines Group Businesses, taken as a whole;

“**Vaccines Group Businesses**” means the businesses of the Business (but excluding the businesses of the Business carried on by the Vaccines Group Companies) as set out in Clause 2.3.1, but subject always to Clause 2.3.2, and “**Vaccines Group Business**” means any one of them;

“**Vaccines Group Companies**” means the Companies and the Subsidiaries, and “**Vaccines Group Company**” means any one of them;

“**Vaccines Group Companies’ Cash Balances**” means the aggregate amount of the Cash Balances held by or on behalf of the Vaccines Group Companies (excluding 50 per cent. of the Cash Balances held by Chiron Behring Vaccines Private Limited and Zhejiang Tianyuan Bio-Pharmaceutical Co., Ltd. above US\$1,000,000) at the Effective Time;

“**Vaccines Group Company Employees**” means the employees from time to time of any of the Vaccines Group Companies other than the Excluded Employees, and provided that, in relation to the Seller’s Warranties only, the words “from time to time” shall be deemed to be replaced by “at the date of this Agreement”, and “**Vaccines Group Company Employee**” means any one of them;

“**Vaccines Group Goodwill**” means all goodwill of the Vaccines Group Businesses, but excluding any Trademark goodwill;

“**Vaccines Group Information Technology**” means the Transferred Information Technology and the Owned Information Technology;

“**Vaccines Group Insurance Policies**” means all insurance policies held exclusively by and for the benefit of the Vaccines Group Companies and “**Vaccines Group Insurance Policy**” means any one of them;

“**Vaccines Group Intellectual Property Contracts**” means the Transferred Intellectual Property Contracts and the Owned Intellectual Property Contracts;

“**Vaccines Group Intellectual Property Rights**” means the Transferred Intellectual Property Rights and the Owned Intellectual Property Rights;

“**Vaccines Patent**” means any Vaccines Group Intellectual Property Right which is a Patent;

“**Variation**” has the meaning given to it in Clause 9.3.2(iii);

“**VAT**” means within the European Union such Taxation as may be levied in accordance with (but subject to derogations from) Council Directive 2006/112/EC and outside the European Union any Taxation levied by reference to added value or sales;

“**WARN Act**” means the Worker Adjustment and Retraining Notification Act of 1988 of the United States;

“**Working Capital**” means the aggregate amount of the working capital of the Vaccines Group Companies and Vaccines Group Businesses set out in the Closing Statement (which shall not include any amount in respect of Tax), at the Effective Time, as derived from the Closing Statement; and

“**Working Capital Adjustment**” means the amount by which the Working Capital exceeds or is less than the Base Working Capital, any such excess being treated as a positive amount and any such shortfall being treated as a negative amount.

1.2 Shares

References to shares shall include, where relevant, quotas.

1.3 Singular, plural, gender

References to one gender include all genders and references to the singular include the plural and vice versa.

1.4 References to persons and companies

References to:

1.4.1 a person include any individual, company, partnership or unincorporated association (whether or not having separate legal personality); and

1.4.2 a company include any company, corporation or any body corporate, wherever incorporated.

1.5 Schedules etc.

References to this Agreement shall include any Recitals and Schedules to it and references to Clauses and Schedules are to Clauses of, and Schedules to, this Agreement. References to paragraphs and Parts are to paragraphs and Parts of the Schedules.

1.6 Reference to documents

References to any document (including this Agreement), or to a provision in a document, shall be construed as a reference to such document or provision as amended, supplemented, modified, restated or novated from time to time.

1.7 References to enactments

Except as otherwise expressly provided in this Agreement, any express reference to an enactment (which includes any legislation in any jurisdiction) includes references (i) to that enactment as amended, consolidated or re-enacted by or under any other enactment before or after the date of this Agreement; (ii) any enactment which that enactment re-enacts (with or without modification); and (iii) any subordinate legislation (including regulations) made before or after the date of this Agreement under that enactment as amended, consolidated or re-enacted as described in paragraph (i) or (ii) above, except to the extent that any of the matters referred to in paragraphs (i) to (iii) above occurs after the date of this Agreement and increases or alters the liability of the Seller or Purchaser under this Agreement.

1.8 Information

References to books, records or other information mean books, records or other information in any form including paper, electronically stored data, magnetic media, film and microfilm.

1.9 References to “indemnify”

Unless specified to the contrary, references to “indemnify” and “indemnifying” any person against any circumstance include indemnifying and holding that person harmless on an after-Tax basis and:

- 1.9.1** references to the Purchaser indemnifying each member of the Seller’s Group shall constitute undertakings by the Purchaser to the Seller for itself and on behalf of each other member of the Seller’s Group;
- 1.9.2** references to the Seller indemnifying each member of the Purchaser’s Group shall constitute undertakings by the Seller to the Purchaser for itself and on behalf of each other member of the Purchaser’s Group;
- 1.9.3** to the extent that the obligation to indemnify relates to any Shares (including any Vaccines Group Companies) or other assets or liabilities transferred by a Share Seller or Business Seller (as the case may be) to a member of the Purchaser’s Group pursuant to this Agreement, references to the Seller indemnifying the Purchaser and references to the Seller indemnifying the Purchaser or any member of the Purchaser’s Group shall constitute undertakings by the Seller, to indemnify or procure the indemnification of the relevant purchaser of the Shares transferred or to be transferred by that Share Seller or the relevant purchaser of the assets or liabilities transferred or to be transferred by that Business Seller (as the case may be), and references to the Purchaser indemnifying the Seller and references to the Purchaser indemnifying the Seller and each member of the Seller’s Group shall constitute undertakings by the Purchaser to indemnify or procure the indemnification of the relevant member of the Seller’s Group; and

1.9.4 where under the terms of this Agreement one party is liable to indemnify or reimburse another party in respect of any costs, charges or expenses, the payment shall include an amount equal to any VAT thereon not otherwise recoverable by the other party or any member of any group or consolidation of which it forms part for VAT purposes, subject to that party using reasonable endeavours to recover or to procure recovery of such amount of VAT as may be practicable.

For the purposes of this Clause 1.9, indemnifying and holding harmless a person on an “after-Tax basis” means that the amount payable pursuant to the indemnity (the “**Payment**”) shall be calculated in such a manner as will ensure that, after taking into account:

- (i) any Tax required to be deducted or withheld from the Payment and any additional amounts required to be paid by the payer of the Payment in consequence of such withholding;
- (ii) the amount and timing of any additional Tax which becomes (or would, but for the use of any credit or other relief which would otherwise have been available to reduce the Tax liabilities of any member of the Seller’s Group, have become) payable by the recipient of the Payment (or a member of the Seller’s Group or the Purchaser’s Group, as the case may be) as a result of the Payments being subject to Tax in the hands of that person; and
- (iii) the amount and timing of any Tax benefit which is obtained by the recipient of the Payment (or a member of the Seller’s Group or the Purchaser’s Group, as the case may be) to the extent that such Tax benefit is attributable to the matter giving rise to the indemnity payment or to the receipt of the Payment,

which amount and timing is to be determined by the auditors of the recipient at the shared expense of both relevant parties and is to be certified as such to the party making the Payment, the recipient of the Payment is in no better and no worse after Tax position as that in which it would have been if the matter giving rise to the indemnity payment had not occurred, provided that if either party to this Agreement shall have assigned or novated the benefit of this Agreement in whole or in part or shall, after the date of this Agreement, have changed its Tax residence or the permanent establishment to which the rights under this Agreement are allocated then no Payment to that party shall be increased by reason of the operation of paragraphs (i) to (iii) above to any greater extent than would have been the case had no such assignment, novation or change taken place.

1.10 References to wholly or substantially in the Business (as carried on by the Vaccines Group)

References to “wholly or substantially in the Business (as carried on by the Vaccines Group)” in relation to any employee employed by a member of the Seller’s Group means that such employee spends more than 70 per cent. of their time working in the Business (as carried on by the Vaccines Group) at the relevant time.

1.11 Legal terms

References to any English legal term shall, in respect of any jurisdiction other than England and Wales, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction.

1.12 Non-limiting effect of words

The words “including”, “include”, “in particular” and words of similar effect shall not be deemed to limit the general effect of the words that precede them.

1.13 Currency conversion

1.13.1 Subject to Clause 1.13.2, any amount to be converted from one currency into another currency for the purposes of this Agreement shall be converted into an equivalent amount at the Conversion Rate prevailing at the Relevant Date. For the purposes of this Clause 1.13:

“**Conversion Rate**” means the spot reference rate for a transaction between the two currencies in question as quoted by the European Central Bank on the Business Day immediately preceding the Relevant Date or, if no such rate is quoted on that date, on the preceding date on which such rates are quoted;

“**Relevant Date**” means, save as otherwise provided in this Agreement, the date on which a payment or an assessment is to be made, save that, for the following purposes, the date shall mean:

- (i) for the purposes of Clause 5, the date of this Agreement;
- (ii) for the purposes of Clause 7 and Schedules 16 and 23, the Closing Date; or
- (iii) for the purposes of Clause 11, the date of this Agreement; and
- (iv) for the purposes of the monetary amounts set out in Schedule 18, the date of this Agreement.

1.13.2 The conversion of an amount from one currency into another as may be required in connection with the matters contemplated in Schedule 17 shall be carried out in accordance with the accounting policies and practices of the Purchaser’s Group in operation from time to time.

2 Sale and Purchase of the Vaccines Group

2.1 Sale and Purchase of the Vaccines Group

On and subject to the terms of this Agreement and the Local Transfer Documents:

2.1.1 the Seller shall procure that the Share Sellers and Business Sellers shall sell,
and

2.1.2 the Purchaser shall purchase or shall procure the purchase by one or more other members of the Purchaser’s Group of,

the Vaccines Group as a going concern.

2.2 Sale of the Shares

2.2.1 The Seller shall procure that the Share Sellers shall sell the Shares, which shall be sold with Full Title Guarantee free from Encumbrances and together with all rights and advantages attaching to them as at Closing (including the right to receive all dividends or distributions declared, made or paid on or after the Effective Time).

2.2.2 The Seller shall procure that, on or prior to Closing, any and all rights of pre-emption over the Shares and the Shares or equity interests in any subsidiaries are waived irrevocably by the persons entitled thereto.

2.3 Sale of the Vaccines Group Businesses

2.3.1 The Seller shall sell, or shall procure that the Business Sellers shall sell, the assets comprising the Vaccines Group Businesses, under this Agreement or, where relevant, the Local Transfer Documents with Full Title Guarantee (save in respect of the Transferred Intellectual Property Rights and the Abandoned Patent Applications) and free from Encumbrances other than Permitted Encumbrances (save for the Transferred Real Properties, which shall be sold free from Encumbrances other than as provided in paragraph 1.9 of Schedule 3), such assets being:

- (i) the Transferred Real Properties;
- (ii) the Transferred Plant and Equipment;
- (iii) the Transferred Inventory;
- (iv) the Transferred Accounts Receivable;
- (v) the Transferred Books and Records;
- (vi) subject to and in accordance with Schedule 10, the Transferred Intellectual Property Rights;
- (vii) subject to and in accordance with Schedule 10, the Transferred Intellectual Property Contracts;
- (viii) subject to and in accordance with Schedule 10, the Transferred Contracts;
- (ix) subject to and in accordance with Schedule 8, all Product Approvals and all Product Applications and all other permits, licences, certificates, registrations, marketing or other authorisations or consents issued by a Governmental Entity Predominantly Related to the Business and not held by the Vaccines Group Companies;
- (x) subject to and in accordance with Schedule 8, all Marketing Authorisation Data not held by the Vaccines Group Companies;
- (xi) all Business Information not held at Closing by the Vaccines Group Companies;
- (xii) all rights of the Purchaser, its Affiliates and the Vaccines Group Companies as contemplated by Schedule 11 and Schedule 12;
- (xiii) the Abandoned Patents;
- (xiv) the Vaccines Group Goodwill; and
- (xv) all other property, rights and assets owned or held by the Seller's Group (other than the Vaccines Group Companies) and Predominantly Related to the Business at Closing (other than any property, rights and assets of the Vaccines Group expressly excluded from the sale under this Agreement).

- 2.3.2** There shall be excluded from the sale of the Vaccines Group under this Agreement and the Local Transfer Documents the following:
- (i) the Seller's Group Retained Business, including the Influenza Business;
 - (ii) the Non-strategic Assets to the extent not transferred to the Purchaser or a member of the Purchaser's Group at Closing;
 - (iii) the Out-Licensing Programme;
 - (iv) any Intellectual Property Right that is not a Vaccines Group Intellectual Property Right (subject to the Purchaser Intellectual Property Licence Agreement and any Contract relating to Intellectual Property Rights that is not a Vaccines Group Intellectual Property Contract or the Relevant Part of a Shared Business Contract);
 - (v) the Retained Information Technology;
 - (vi) the Seller Marks;
 - (vii) any product and any permits, licences, certificates, registrations, marketing or other authorisations or consents issued by any Governmental Entity in respect of any products, or any applications therefor, other than (a) the Products, Product Approvals, Products Under Registration and Pipeline Product Approvals; and (b) Permits Predominantly Related to the Business;
 - (viii) all cash, marketable securities and negotiable instruments, and all other cash equivalents, of the Seller's Group (other than the Vaccines Group Companies);
 - (ix) all real property and any leases therefor and interests therein, other than the Properties;
 - (x) the land and buildings of the Seller's Group at 4560 Horton Street, Emeryville CA, United States of America;
 - (xi) the land and buildings of the Seller's Group at Jaboatão dos Guararapes, State of Pernambuco (Brazil), together with all buildings, fixtures, and improvements erected thereon, and any other assets, rights and Contracts related thereto;
 - (xii) the company seal, minute books, charter documents, stock or equity record books and such other books and records pertaining to the Seller or its Affiliates (other than the Vaccines Group Companies and the Transferred Books and Records), as well as any other records or material relating to the Seller or its Affiliates (other than Vaccines Group Companies) generally and not involving or related to the Vaccines Group;
 - (xiii) any right of the Seller or its Affiliates to be indemnified in respect of Assumed Liabilities;
 - (xiv) all Tax assets (including Tax refunds and prepayments), other than Tax Assets of any Vaccines Group Company);
 - (xv) all Tax Returns of the Seller's Group (other than the Vaccines Group Companies) and all Tax Returns relating to Tax Groups of which persons

other than Vaccines Group Companies are members and, in each case, all books and records (including working papers) related thereto;

- (xvi) any rights in respect of any insurance policies of the Seller's Group as provided in Clause 15;
- (xvii) all artwork, paintings, drawings, sculptures, prints, photographs, lithographs and other artistic works of the Seller's Group that are not embodiments of Vaccines Group Intellectual Property Rights;
- (xviii) any rights of the Seller's Group (other than the Vaccines Group Companies) under any Intra-Group Non-Trade Payables or Intra-Group Non-Trade Receivables (excluding Transferred Accounts Receivable);
- (xix) any rights of the Seller or its Affiliates (other than the Vaccines Group Companies) contemplated by Schedule 11 and Schedule 12;
- (xx) any equity interest in any person other than a Vaccines Group Company or a Minority Interest Entity;
- (xxi) the Excluded Contracts;
- (xxii) all rights of the Seller's Group under this Agreement and the Ancillary Agreements;
- (xxiii) the Purchase Price Bank Account;
- (xxiv) the Manufacturing, production and research activity carried on by the Seller's Group at the Holly Springs Site; and
- (xxv) the Diagnostics GESA.

2.3.3 The Seller agrees to procure the transfer (to the extent it is able so to do) and the Purchaser agrees to accept (or procure the acceptance by another member of the Purchaser's Group of) the transfer of, and to assume, pay, satisfy, discharge, perform or fulfil (or procure that another member of the Purchaser's Group will assume, pay, satisfy, discharge, perform or fulfil) the Assumed Liabilities with effect from Closing.

2.3.4 Clause 2.3.3 shall not apply to, and the Purchaser shall not be obliged to accept (or procure the acceptance by another member of the Purchaser's Group of), the transfer of or to assume, pay, satisfy, discharge, perform or fulfil, or procure that another member of the Purchaser's Group will assume, pay, satisfy, discharge, perform or fulfil:

- (i) any Excluded Liability; or
- (ii) any Liability to the extent it relates to an Excluded Asset.

2.3.5 Without prejudice to Clauses 2.1, 2.2, 2.3.1 to 2.3.4, 2.4 and 2.5 on or prior to Closing, the Seller may:

- (i) assign or otherwise transfer assets, liabilities and (only where in compliance with Clause 5 (other than Clause 5.2.2)) employees between members of the Seller's Group as may be reasonably required to facilitate separation of (A) the Business from the Influenza Business and (B) the Business from the Retained Information Technology; and

- (ii) otherwise, carry out or procure one or more reorganisations of the Seller's Group (including assigning or otherwise transferring assets and liabilities between members of the Seller's Group but excluding assigning or otherwise transferring assets or liabilities to Vaccines Group Companies) as may reasonably be required to facilitate the Transaction,

each, a “**Reorganisation**”.

2.3.6 In respect of any Reorganisation:

- (i) the Seller shall notify the Purchaser of any proposed Reorganisation, the steps proposed to be implemented and such other information as the Purchaser may reasonably request regarding the proposed Reorganisation in advance of it being implemented;
- (ii) the Seller shall, in good faith, consult with, and take into account the reasonable views of, and any reasonable requests made by, the Purchaser in relation to any Reorganisation before it is implemented, including any proposals to reduce or avoid Liability or cost being suffered or incurred by any member of the Purchaser's Group or any Vaccines Group Company;
- (iii) subject to the following sub-clause (iv) of this Clause 2.3.6, all fees, costs and expenses of implementing any Reorganisation (or any part thereof) shall be borne by the Seller's Group; and
- (iv) all out-of-pocket fees, costs and expenses which (x) are incurred by either party, whether before or after Closing, (y) specifically relate to the separation of the German Influenza Operations from the Vaccines Group, and (z) are incurred in respect of works council consultations (including court fees, notary fees and works council legal fees) or physical separation at the Marburg Site (including IT systems workarounds, costs of new access cards and construction works), but excluding the parties' own legal fees, shall, to the extent that such fees, costs and expenses arise solely as a result of such works council consultations or physical separation, be split equally between the Seller and the Purchaser. For the avoidance of doubt, this Clause 2.3.6(iv) shall not affect the cost allocation of wider measures necessary to effect the separation of the Business from the Influenza Business.

2.3.7 In respect of the separation of the Influenza Business from the Vaccines Group, the parties shall work together in good faith to facilitate such separation.

2.3.8 The Seller undertakes to the Purchaser (for itself and as trustee for each other member of the Purchaser's Group and each Vaccines Group Company) that, with effect from Closing, the Seller will indemnify on demand and hold harmless the relevant member of the Purchaser's Group (including each Vaccines Group Company) against and in respect of any and all Liabilities arising in connection with any Reorganisation (or part thereof) undertaken by the Seller, other than:

- (i) such Liabilities where the allocation has been, or is, otherwise agreed between the parties;
- (ii) any Liabilities of any Vaccines Group Company in respect of Tax (which shall be dealt with under the Tax Indemnity); and

- (iii) any Liabilities in connection with this Agreement or any document entered into as provided by this Agreement (including the provisions of Clause 8.14) or any Ancillary Agreement.

2.4 Employees and Employee Benefits

2.4.1 The provisions of Schedule 11 shall apply in respect of the Employees.

2.4.2 The provisions of Schedule 12 shall apply in respect of Employee Benefits.

2.5 Properties

The provisions of Schedule 3 shall apply in respect of the Properties.

2.6 Local Transfer Documents

2.6.1 On Closing or at such other time as agreed between the parties, the Seller shall procure that the Share Sellers and Business Sellers execute, and the Purchaser shall execute (or procure the execution by one or more other members of the Purchaser's Group of), such agreements, transfers, conveyances and other documents, as may be required pursuant to the relevant local law and otherwise as may be agreed between the Seller and the Purchaser to implement the transfer of (i) the Shares and (ii) the Vaccines Group Businesses, in each case on Closing, subject to the provisions of Schedule 25 (the "**Local Transfer Documents**" and each, a "**Local Transfer Document**"). The parties do not intend this Agreement to transfer title to any of the Shares, title to which shall be transferred by the applicable Local Transfer Document.

2.6.2 To the extent that the provisions of a Local Transfer Document are inconsistent with or (except to the extent they implement a transfer in accordance with this Agreement) additional to the provisions of this Agreement:

- (i) the provisions of this Agreement shall prevail; and
- (ii) so far as permissible under the laws of the relevant jurisdiction, the Seller and the Purchaser shall procure that the provisions of the relevant Local Transfer Document are adjusted, to the extent necessary to give effect to the provisions of this Agreement or, to the extent this is not permissible, the Seller shall indemnify the Purchaser against all Liabilities suffered by the Purchaser or its Affiliates or, as the case may be, the Purchaser shall indemnify the Seller against all Liabilities suffered by the Seller or its Affiliates, in either case through or arising from the inconsistency between the Local Transfer Document and this Agreement or the additional provisions (except to the extent they implement a transfer in accordance with this Agreement).

2.6.3 If there is an adjustment to the Purchase Price under Clause 7.3 which relates to a part of the Vaccines Group which is the subject of a Local Transfer Document, then, if required to implement the adjustment and so far as permissible under Applicable Law, the Purchaser shall (or shall procure that the relevant member of the Purchaser's Group will), and the Seller shall procure that its relevant Affiliate shall, enter into a supplemental agreement reflecting such adjustment and the allocation of such adjustment.

- 2.6.4** The Seller shall not, and shall procure that none of its Affiliates shall bring any claim against the Purchaser or any member of the Purchaser's Group (including any Vaccines Group Company) in respect of or based upon the Local Transfer Documents save to the extent necessary to implement any transfer of the Shares or Vaccines Group Businesses as contemplated by this Agreement. To the extent that the Seller or a member of the Seller's Group does bring a claim in breach of this Clause, the Seller shall indemnify the Purchaser and each member of the Purchaser's Group (including any Vaccines Group Company) against all Liabilities which the Purchaser or that member of the Purchaser's Group (including any Vaccines Group Company) may suffer through or arising from the bringing of such a claim.
- 2.6.5** The Purchaser shall not, and shall procure that none of its Affiliates shall, bring any claim against the Seller or any member of the Seller's Group in respect of or based upon the Local Transfer Documents save to the extent necessary to implement any transfer of the Shares or Vaccines Group Businesses as contemplated by this Agreement. To the extent that the Purchaser or a member of the Purchaser's Group does bring a claim in breach of this Clause, the Purchaser shall indemnify the Seller and each member of the Seller's Group against all Liabilities which the Seller or any member of the Seller's Group may suffer through or arising from the bringing of such a claim.

2.7 Inventory

- 2.7.1** The parties agree that neither this Agreement nor the applicable Local Transfer Agreement shall transfer legal title to any Transferred Inventory held by the relevant Vaccines Group Business in the jurisdictions set out in Schedule 28 (the "**Retained Inventory**") on Closing.
- 2.7.2** Legal title to In-Market Inventory shall be transferred to the relevant member of the Purchaser's Group in accordance with Article XVII of the Transitional Distribution Services Agreement.
- 2.7.3** In respect of the relevant Vaccines Group Business in each jurisdiction set out in Schedule 28, the Seller shall, by no later than 5 Business Days after the date on which the relevant member of the Seller's Group receives payment under Article XVII of the Transitional Distribution Services Agreement for In-Market Inventory in respect of the relevant Vaccines Group Business, pay to the Purchaser (in accordance with Clause 17.6) an amount equal to the value of the Retained Inventory in respect of the relevant Vaccines Group Business as recorded in the Closing Statement.
- 2.7.4** If, following Closing, any Manufacturing Inventory or Manufacturing Stock is found to have formed part of the Retained Inventory, the Seller shall procure that such Manufacturing Inventory and/or Manufacturing Stock is transferred from the relevant member of the Seller's Group to the member of the Purchaser's Group nominated by the Purchaser as soon as practicable following Closing at no cost to the Purchaser.

2.7.5 Clause 3.5 shall apply to payments or other contributions under this Clause 2.7 as if such payments or other contributions were made or procured in respect of an indemnity under this Agreement.

3 Consideration

3.1 Amount

3.1.1 The Seller and the Purchaser agree, for themselves and on behalf of the members of the Seller's Group and the Purchaser's Group (as the case may be), that the aggregate consideration for the purchase of the Vaccines Group under this Agreement and the Local Transfer Documents (the "**Purchase Price**") shall be an amount in US dollars equal to the sum of:

- (i) US\$5,255,000,000 (the "**Headline Price**");
minus
- (ii) US\$9,500,000 (the "**Employee Adjustment Payment**");
plus
- (iii) the Vaccines Group Companies' Cash Balances and the Intra-Group Non-Trade Receivables;
minus
- (iv) the Third Party Indebtedness;
minus
- (v) the Intra-Group Non-Trade Payables;
minus
- (vi) any Employee Benefit Indemnification Amount paid in accordance with Schedule 12;
minus
- (vii) the Tax Adjustment;
plus
- (viii) the Working Capital Adjustment;
plus
- (ix) the Milestone Payments and the Royalty Payments.

3.1.2 For the avoidance of doubt, the aggregate consideration provided for under Clause 3.1.1 includes the consideration payable in respect of the Delayed Businesses.

3.2 Payment of Purchase Price

The Purchase Price shall be satisfied:

3.2.1 other than in the case of the Milestone Payments and the Royalty Payments:

- (i) by the Purchaser making a cash payment for itself and on behalf of the members of the Purchaser's Group in accordance with Clauses 6.3 and 7.6; and
- (ii) by the Designated Purchasers making payments in accordance with Clauses 6.5 and 6.6 (at the procurement of the Purchaser); and

3.2.2 in the case of the Milestone Payments and the Royalty Payments, pursuant to and in accordance with Schedule 17.

3.3 Allocation of Purchase Price

The Purchase Price shall be allocated in accordance with Schedule 13.

3.4 VAT

3.4.1 The provisions of Schedule 14 shall apply in respect of VAT.

3.4.2 The Seller and the Purchaser agree that the consideration given under this Agreement in respect of the sale of the Vaccines Group Businesses and the Shares is exclusive of any VAT. To the extent that VAT is chargeable in respect of that sale or any part thereof, the Purchaser shall, against delivery of a valid VAT invoice (or equivalent, if any), in addition to any other amount expressed in this Agreement to be payable by the Purchaser, pay or procure the payment to the Seller (on behalf of the relevant Business Seller or Share Seller as applicable) any amount of any VAT so chargeable for which the Seller (or the relevant Share Seller or Business Seller, as the case may be) is liable to account, in accordance with Schedule 14.

3.5 Treatment of Payments

3.5.1 If any payment is made or procured (i) by the Seller or a member of the Seller's Group to the Purchaser or the relevant member of the Purchaser's Group, or (ii) by a Purchaser or a member of the Purchaser's Group to the Seller or the relevant member of the Seller's Group, in either case in respect of any claim under or for any breach of this Agreement or pursuant to an indemnity (or equivalent covenant to pay) under this Agreement, the payment shall be treated, so far as possible, as an adjustment of the consideration paid by the relevant member of the Purchaser's Group for the Shares or the particular part of the Vaccines Group to which the payment and/or claim relates under this Agreement and the consideration shall be deemed to be increased or reduced (as applicable) by the amount of such payment, provided that this Clause 3.5.1 shall not require any amount to be treated as an amount in respect of the Purchase Price for the purposes of Clause 17.10 if it would not otherwise have been so treated

3.5.2 If:

- (i) the payment and/or claim relates to the shares in more than one Vaccines Group Company or to more than one category of Vaccines Group Business, it shall be allocated in a manner which reflects the impact of the matter to which the payment and/or claim relates, failing which it shall be allocated rateably to the shares in the Vaccines Group Companies or Vaccines Group Businesses concerned by reference to the proportions in which the consideration is allocated in accordance with Schedule 13; or

- (ii) the payment and/or claim relates to no particular shares in any Vaccines Group Company or no particular category of Vaccines Group Business, it shall be allocated rateably to all the Shares and all the Vaccines Group Businesses by reference to the proportions in which the consideration is allocated in accordance with Schedule 13,

and in each case the consideration shall be deemed to have been reduced by the amount of such payment.

3.6 Non-strategic Assets

3.6.1 If, prior to Closing, any member of the Seller's Group completes the disposal of a Non-strategic Asset to a third party in accordance with Clause 5.2.1, the Seller shall pay to the Purchaser at Closing the greater of:

- (i) the relevant Threshold Amount; or
- (ii) an amount equal to the consideration (less any Taxes, costs and expenses incurred by any member of the Seller's Group in connection with such disposal) received for the relevant Non-strategic Asset.

Any payment obligation of the Seller arising pursuant to this Clause 3.6.1 shall be set-off against the Purchaser's payment obligation pursuant to Clause 6.3.1.

3.6.2 If, following Closing, any member of the Seller's Group receives consideration for the disposal of a Non-strategic Asset, the Seller shall pay to the Purchaser, within five Business Days of the date of receipt of the consideration, the greater of:

- (i) the Threshold Amount; or
- (ii) an amount equal to the consideration (less any Taxes, costs and expenses incurred by any member of the Seller's Group in connection with such disposal) received for the relevant Non-strategic Asset.

4 Conditions

4.1 Conditions Precedent

The sale and purchase of the Vaccines Group is conditional upon satisfaction or, where applicable, waiver of the following conditions, or their satisfaction subject only to Closing:

4.1.1 to the extent that the proposed acquisition of all or any of the Shares or Vaccines Group Businesses (the "**Transaction**") either constitutes (or is deemed to constitute under Article 4(5) or Article 5(2)) a concentration with a Community dimension within the meaning of Council Regulation (EC) 139/2004 (as amended) (the "**Regulation**") or is to be examined by the European Commission as a result of a decision under Article 22(3) of the Regulation:

- (i) the European Commission taking a decision (or being deemed to have taken a decision) under Article 6(1)(b) or, if the Commission has initiated proceedings pursuant to Article 6(1)(c), under Article 8(1) or 8(2) of the Regulation declaring the Transaction compatible with the common market; or
- (ii) the European Commission taking a decision (or being deemed to have taken a decision) to refer the whole or part of the Transaction to the

- competent authorities of one or more Member States under Articles 4(4) or 9(3) of the Regulation;
and
- (a) each such authority taking a decision with equivalent effect to Clause 4.1.1(i) with respect to those parts of the Transaction referred to it; and
 - (b) the European Commission taking any of the decisions under Clause 4.1.1(i) with respect to any part of the Transaction retained by it.
- 4.1.2** any waiting period (and any extension thereof) under the HSR Act applicable to the Transaction having expired;
- 4.1.3** to the extent required or otherwise agreed between the parties as appropriate to permit the parties to consummate the Transaction in the jurisdictions listed in Schedule 24, any additional clearances, approvals, waivers, no-action letters and consents having been obtained and any additional waiting periods having expired under applicable antitrust, merger control or foreign investment rules set forth in Schedule 24;
- 4.1.4** receipt of CFIUS Approval if CFIUS has initiated a review of the transactions contemplated by this Agreement, whether pursuant to Clause 4.2.3 or otherwise;
- 4.1.5** no Governmental Entity having enacted, issued, promulgated, enforced or entered any Applicable Law or Judgment (whether temporary, preliminary or permanent) that is in effect at the Closing Date and that has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting the consummation of such transactions;
- 4.1.6** the passing at a duly convened and held general meeting of the Purchaser Shareholders of an ordinary resolution validly approving the Target Asset Agreements (as defined in the Implementation Agreement) and any sale and purchase under the Put Option Agreement (as defined in the Implementation Agreement) in accordance with the Purchaser Articles of Association, the Listing Rules and all other Applicable Law (such resolution being the “**Purchaser Shareholder Resolution**” and such meeting being the “**Purchaser Shareholder Meeting**”);
- 4.1.7** the Seller not delivering a Novartis AG Board Certificate (as defined in the Implementation Agreement), in accordance with clause 3 of the Implementation Agreement, prior to the conclusion of the vote on the Purchaser Shareholder Resolution at the Purchaser Shareholder Meeting;
- 4.1.8** none of the Key Sites (each taken as a whole) being, or being reasonably likely to be, from or after Closing:
- (i) incapable of operation in whole or part by the Purchaser’s Group without a member of the Purchaser’s Group being in breach of any Applicable Law or any other material duty or obligation;
or
 - (ii) otherwise incapable of operation in whole or part by virtue of some other event, matter, or circumstance,

but only where the circumstances giving rise to the inability of the Purchaser's Group to operate a Key Site would, or would be reasonably likely to (whether alone or together with any other such circumstances), result in:

- (a) a Key Site being prohibited from, or otherwise being substantially incapable of, operation for a period of at least three consecutive or non-consecutive months in the 12 month period immediately following the Closing Date; and
- (b) the manufacturing output of that Key Site in the 12 month period following the Closing Date falling by 30 per cent. or more as compared to the manufacturing output at that Key Site in the 12 month period ending on the corresponding date in the immediately preceding year; and

4.1.9 the obtaining in form and substance satisfactory to the Purchaser of any consent, amendment, waiver or approval that the Purchaser, acting reasonably and in good faith, notifies to the Seller prior to 21 May 2014 that it wishes to obtain or be obtained for its benefit prior to Closing in relation to the [***]; and

4.1.10 each of the other Target Asset Agreements having become unconditional in accordance with its terms (save for any condition in those agreements relating to this Agreement or the other of those agreements having become unconditional).

4.2 Responsibility for Satisfaction

4.2.1 The Purchaser and the Seller shall prepare and file the notifications necessary for the fulfilment of the conditions in Clauses 4.1.1 to 4.1.3 (the "**Required Notifications**") as soon as reasonably practicable (with notifications under the HSR Act to be filed by 29 May 2014). Notwithstanding anything to the contrary contained in this Agreement, the Purchaser shall have primary responsibility for obtaining all consents, approvals or actions of any Governmental Entity which are required in connection with the Required Notifications.

4.2.2 The Purchaser shall be responsible for payment of all filing and other fees and expenses in connection with the Required Notifications and the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3.

4.2.3 CFIUS:

- (i) The Seller and the Purchaser shall consult, cooperate and keep each other reasonably informed regarding communications with, and requests for additional information from, CFIUS with respect to the Transaction. The Seller and the Purchaser shall use their respective reasonable best efforts to provide promptly all information that is pursuant to a request by CFIUS.
- (ii) Within 60 calendar days after the execution of this Agreement, any party wishing to submit a formal joint voluntary notice to CFIUS pursuant to 31 C.F.R. Section 800.401, et. seq. ("**CFIUS Filing**") shall provide the other party with written notice of its intent to make a CFIUS Filing ("**Election Date**"). Prior to making its election to submit a CFIUS Filing, the party wishing to make a CFIUS Filing shall consult in good faith with senior executives of the other party. If neither the Seller nor the Purchaser

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

provides notice to submit a formal joint voluntary notice to CFIUS, a CFIUS Filing will not be made unless requested by CFIUS.

- (iii) If either the Seller or the Purchaser elects to make a CFIUS Filing following the procedures and consultations in Clause 4.2.3(i) or if CFIUS requires a filing, then:
- (a) the Seller and the Purchaser shall use their respective reasonable best efforts to submit a draft CFIUS Filing no later than 15 Business Days following the Election Date, and a final CFIUS Filing the earlier of (1) five business days after submitting the draft CFIUS filing or (2) five calendar days after the receipt of any comments from CFIUS staff regarding the draft CFIUS Filing;
 - (b) the Seller and the Purchaser will provide each other with the reasonable opportunity to review and comment on any information provided to CFIUS to the extent permitted by Applicable Law, with the exception of personal identifier information required under Section 800.402(c)(6)(vi)(B) of the CFIUS regulations, 31 C.F.R.. Competitively sensitive information, or information not related to the transactions contemplated by this Agreement, may be restricted to each party's external counsel to the extent reasonably considered necessary or advisable by the providing party;
 - (c) the Seller and the Purchaser shall each have an opportunity to approve and mutually agree on the joint contents of the CFIUS Filing and shall be jointly responsible for the accuracy of such contents. The Seller and the Purchaser respectively, shall each be responsible for the accuracy of contents of the CFIUS Filing that exclusively relate to itself, its business, and any subsidiaries, parents or other related parties; and
 - (d) The Seller and the Purchaser shall use their respective reasonable best efforts to obtain CFIUS Approval as promptly as practicable and shall consult with each other on strategic matters related to obtaining such CFIUS Approval, provided that the Purchaser shall have no obligation to agree to any mitigation or other restrictive provision that could reasonably be considered to have a substantial impact on either the Business or the Purchaser.

4.2.4 The party responsible for satisfaction of each condition pursuant to this Clause 4.2 shall give notice to the other party of the satisfaction of the relevant condition within one Business Day of becoming aware of the same.

4.2.5 The parties shall cooperate with each other in connection with the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3. The parties will consult and cooperate reasonably with one another, consider in good faith the views of one another, and provide to the other party in advance any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals they or their agents make or submit to a Governmental Entity. Without limiting the foregoing, the parties agree to: (a) give each other reasonable advance notice of all meetings with any Governmental Entity; (b) give each other an opportunity to participate in each of such meetings; (c) to the extent practicable, give each other reasonable advance

notice of all substantive oral communications with any Governmental Entity; (d) if any Governmental Entity initiates a substantive oral communication, promptly notify the other party of the substance of such communication; (e) provide each other with a reasonable advance opportunity to review and comment upon all written communications (including any analyses, presentations, memoranda, briefs, arguments, opinions and proposals) with a Governmental Entity; (f) provide each other with copies of all written communications to or from any Governmental Entity; and (g) not advance arguments in connection with any regulatory review or litigation proceeding related to this Agreement (other than litigation between the parties) over the objection of the other party that would reasonably be likely to have a significant adverse impact on that other party, provided however, that neither party shall be required to comply with paragraph (b) above to the extent that the Governmental Entity objects to the participation of a party, or with paragraph (e) or (f) above to the extent that such disclosure may raise regulatory concerns (in which case, the disclosure may be made on an outside counsel basis).

- 4.2.6** The Purchaser shall, and shall cause its Affiliates to use reasonable endeavours to procure the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3 as soon as reasonably possible (and, in any event, not later than the Longstop Date). Notwithstanding any other provision of this Agreement to the contrary, the Purchaser shall and, shall cause its Affiliates to use best endeavours to propose, negotiate, offer to commit and effect (and if such offer is accepted, commit to and effect), by consent decree, undertaking, hold separate order, or otherwise, the sale, divestiture, licence or disposition of its Nimenrix and Mencevax products on a global basis (excluding existing manufacturing capabilities) as may be required or desirable in order to procure the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3 as soon as reasonably possible (and, in any event, not later than the Longstop Date) and to avoid the commencement of any Action or the issuing of any Decision to prohibit the acquisition or any other transaction contemplated by this Agreement or, if such Action is already commenced, to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order in any Action so as to enable the Closing to occur as soon as reasonably possible (and, in any event, not later than the Longstop Date):
- 4.2.7** The Seller shall, and shall cause the Vaccines Group to use reasonable endeavours to cooperate with the Purchaser in connection with procuring the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3 as soon as reasonably possible (and, in any event, not later than the Longstop Date), including providing to the Purchaser such information with respect to the Vaccines Group as the Purchaser may reasonably require in connection with satisfaction of its obligations under this Clause.
- 4.2.8** The Purchaser and Seller shall cooperate to confirm, within 21 Business Days from signing of this Agreement, any additional merger notification requirements reasonably required or advisable in respect of the Transaction in jurisdictions beyond those listed in Schedule 24, and shall cooperate with each other, within the meaning of Clause 4.2.6, in achieving any additional clearances, approvals and consents or waiting period expirations in such jurisdictions. For the avoidance of doubt, Closing shall not be conditional upon such additional clearances, approvals and consents or waiting period expirations.

- 4.2.9** The Purchaser and Seller shall cooperate, in the manner contemplated in Clause 4.2.6, and use reasonable endeavours to ensure that no Governmental Entity shall enact, issue, promulgate, enforce or enter any Applicable Law or Judgment as contemplated under Clause 4.1.5. In the event that any Governmental Entity enacts, issues, promulgates, enforces or enters any Applicable Law or Judgment as contemplated under Clause 4.1.5, the Seller and the Purchaser shall cooperate and use reasonable endeavours to put in place arrangements that would allow the Transaction to complete to the greatest possible extent in compliance with the relevant Applicable Law or Judgment.
- 4.2.10** Without prejudice to the provisions of Schedule 3, each of the Seller and the Purchaser shall, and shall procure that each of its respective Affiliates shall, cooperate with each other in relation to the satisfaction of the condition set out in Clause 4.1.8, and shall use its reasonable endeavours to ensure that the condition set out in Clause 4.1.8 is satisfied at Closing.
- 4.2.11** The Seller shall use best efforts to obtain the consents, amendments, waivers and approvals referred to in Clause 4.1.9 prior to the Closing Date. The cost of obtaining such consents, amendments, waivers and approvals shall be borne by the Seller, including any payment or other incentive that may (whether required to be offered or not) be offered to [***] and/or [***] or any of their respective Affiliates in order to obtain such consents, amendments, waivers and approvals. The Purchaser shall, and shall cause its Affiliates to cooperate with the Seller in connection with obtaining the consents, amendments, waivers and approvals referred to in Clause 4.1.9 and use its reasonable endeavours to ensure that such conditions are satisfied at Closing, including providing to the Seller such information as the Seller may reasonably require in connection with the satisfaction of its obligations under this Clause 4.2.11.

4.3 Non-Satisfaction by the Long Stop Date

- 4.3.1** The Purchaser may at any time waive in whole or in part (and conditionally or unconditionally) the conditions set out in Clause 4.1.8 or 4.1.9 by notice in writing to the Seller.
- 4.3.2** If the conditions in Clause 4.1 are not satisfied (or waived in accordance with Clause 4.3.1) as of 22 October 2015 (the “**Long Stop Date**”), the Purchaser or the Seller may, in its sole discretion, terminate this Agreement (other than Clauses 1, 14 and 17.2 to 17.14) and no party shall have any claim against the other under it, save for any claim arising from breach of any obligation contained in such Clauses or Clause 4.2. Neither the Seller nor the Purchaser may terminate this Agreement after satisfaction or waiver of the conditions in Clause 4.1, except in accordance with this Agreement.

4.4 Termination

- 4.4.1** This Agreement may be terminated at any time prior to Closing:
- (i) by written consent of the Seller and the Purchaser;
 - (ii) by either the Seller or the Purchaser by notice to the other party in the event that any Judgment restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement shall have become final and

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non-appealable, provided that the party seeking to terminate this Agreement pursuant to this Clause 4.4 has complied with the terms of the Implementation Agreement and this Agreement in connection with having such Judgment vacated or denied; or

- (iii) by the Purchaser by notice to the Seller if:
 - (a) a Material Adverse Effect occurs prior to Closing (which shall include any breach or breaches of Clause 10.1 which alone or together constitute a Material Adverse Effect); or
 - (b) the Seller fails to provide a Certificate immediately prior to Closing; or
- (iv) in accordance with the terms of the Implementation Agreement.

4.4.2 This Agreement shall terminate automatically at any time prior to Closing in the event that:

- (i) any other Target Asset Agreement terminates or is terminated in accordance with its terms; or
- (ii) the Novartis Break Fee and/or the GSK Break Fee becomes payable under clause 5.1 or clause 5.8 of the Implementation Agreement, respectively.

4.4.3 Save as provided in this Clause 4, neither party shall be entitled to terminate or rescind this Agreement (whether before or after Closing). If this Agreement is terminated pursuant to this Clause 4.4, this Agreement shall be of no further force and effect and there shall be no further liability under this Agreement or any of the Ancillary Agreements on the part of any party, except that Clauses 1, 14 and 17.2 to 17.14, in each case, to the extent applicable, shall survive any termination.

4.4.4 Nothing in this Clause 4.4 shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement prior to termination of this Agreement.

5 Pre-Closing

5.1 The Seller's Obligations in Relation to the Business

5.1.1 The Seller undertakes to procure that between the date of this Agreement and Closing, it and the relevant members of the Seller's Group shall, so far as permitted by Applicable Law, carry on the Business as carried on by the Vaccines Group as a going concern in the ordinary course as carried on immediately prior to the date of this Agreement save in so far as agreed in writing by the Purchaser (such consent not to be unreasonably withheld or delayed).

5.1.2 Without prejudice to the generality of Clause 5.1.1 and subject to Clause 5.2, the Seller undertakes to procure that, with respect to the Business as carried on by the Vaccines Group, between the date of this Agreement and Closing, no member of the Seller's Group shall, except as may be required to comply with this Agreement, without the prior written consent of the Purchaser (such consent not to be unreasonably withheld or delayed), take any of the actions listed in Part 1 of Schedule 20.

5.1.3 Without prejudice to the generality of Clause 5.1.1, the Seller shall, in each case with respect to the Business as carried on by the Vaccines Group only: (i) undertake to procure the satisfaction of its obligations listed in paragraph 1, Part 2 of Schedule 20; and (ii) procure that the Vaccines Group shall, between the date of this Agreement and Closing, comply with the requirements of paragraph 2, Part 2 of Schedule 20.

5.2 Exceptions to Seller's Obligations in Relation to the Conduct of Business

Clause 5.1 shall not operate so as to prevent or restrict:

- 5.2.1** the disposal or transfer by one or more members of the Seller's Group of any or all of the Non-strategic Assets;
- 5.2.2** any matter undertaken by any member of the Seller's Group to facilitate or implement a Reorganisation in accordance with Clause 2.3.5;
- 5.2.3** any matter undertaken by any member of the Vaccines Group that is set out in Part 3 of Schedule 20;
- 5.2.4** any action to the extent it is required to be undertaken to comply with Applicable Law; or
- 5.2.5** any matter reasonably undertaken by any member of the Seller's Group in an emergency or disaster situation with the intention of minimising any adverse effect of such situation in relation to the Vaccines Group and where any delay arising by virtue of having to give notice to the Purchaser and await consent would materially prejudice the Vaccines Group,

provided that the Seller shall notify the Purchaser as soon as reasonably practicable of any action taken or proposed to be taken as described in Clause 5.2.4, shall provide to the Purchaser all such information as the Purchaser may reasonably request and shall use reasonable endeavours to consult with the Purchaser in respect of any such action.

5.3 The Seller's obligations in relation to insurance

Without prejudice to the generality of this Clause 5, between the date of this Agreement and Closing or, in respect of Delayed Businesses, the relevant Delayed Closing Date, the Seller shall or shall procure that the relevant members of the Seller's Group shall maintain in force all Vaccines Group Insurance Policies and all Seller's Group Insurance Policies for the benefit of the Vaccines Group Businesses and Vaccines Group Companies.

5.4 The Seller's obligations in relation to cash, Intra-Group Non-Trade Payables and Receivables and Third Party Indebtedness

Prior to Closing, the Seller shall seek to minimise the amounts which would, but for this Clause 5.4, otherwise fall to be treated as:

- (i) Intra-Group Non-Trade Payables;
- (ii) Intra-Group Non-Trade Receivables;
- (iii) Vaccines Group Companies Cash Balances; and
- (iv) Third Party Indebtedness,

in each case to the extent reasonably possible, taking into account the consequences of any such reduction for the Seller's Group.

5.5 Other Seller's Obligations Prior to Closing

Without prejudice to the generality of this Clause 5, prior to Closing the Seller shall, and shall procure that the relevant Vaccines Group Companies, the Seller and the Seller's Affiliates shall allow the Purchaser and its respective agents, upon reasonable notice, reasonable access to, and to take copies of, the books, records and documents of or relating in whole or in part to the Vaccines Group, provided that the obligations of the Seller under this Clause shall not extend to allowing access to information which is (i) reasonably regarded as confidential to the activities of the Seller and the Seller's Group otherwise than in relation to the Vaccines Group or (ii) commercially sensitive; or (iii) other information of the Vaccines Group if such information cannot be shared with the Purchaser prior to Closing in compliance with Applicable Law (though the Seller shall seek to share such information with the Purchaser to the extent and in such a manner as would comply with Applicable Law).

5.6 Affiliate Contracts

5.6.1 Other than as provided in the Ancillary Agreements and subject to Clause 8.7 and Clause 8.9, the Seller and the Purchaser shall procure that:

- (i) the Cash Pooling Arrangements; and
- (ii) each Affiliate Contract in force immediately prior to Closing,

shall terminate prior to Closing and each counterparty thereto shall, effective as of Closing, settle all outstanding financial obligations arising out of such Affiliate Contracts and unconditionally release and irrevocably discharge each other party thereto from (i) any and all further obligations to perform or any further performance of the various covenants, undertakings, warranties and other obligations contained in such Affiliate Contract and (ii) any and all claims and Liabilities whatsoever arising out of, in any way connected with, as a result of or in respect of such Affiliate Contract.

5.6.2 As soon as practicable following the date of this Agreement, and in any event within one month of the date of this Agreement, the Seller shall provide a copy of each Affiliate Contract that is material to the Vaccines Group and is in writing to the Purchaser. Within two months of the date of this Agreement, the Purchaser shall notify the Seller of the services provided under the Affiliate Contracts from the Seller's Group which the Purchaser reasonably requires in order to operate the business of the Vaccines Group as it is carried on at the date of this Agreement to continue to receive on the same terms as contained in the relevant Affiliate Contract for a maximum period of 6 months following Closing provided that such services are not addressed by the Ancillary Agreements.

5.7 Tax Groups

5.7.1 The Seller shall take all reasonable steps to procure that any Tax Consolidation existing between any member of the Seller's Group Company and any Vaccines Group Company be terminated on or before Closing, so far as permitted by Applicable Law, or otherwise on the earliest date on which such termination is permitted under Applicable Law, and the Seller and the Purchaser shall take such

action as is necessary to procure or effect this, including timely submitting any necessary Tax documents.

- 5.7.2** Pending the taking effect of the action referred to in Clause 5.7.1, and for so long thereafter as may be necessary, the Purchaser shall (subject to the provisions of the Tax Indemnity) procure that such information is provided to the Seller as may reasonably be required to enable any relevant member of the Seller's Group to make all Tax Returns and other filings required of it in respect of the Tax Consolidation.
- 5.7.3** The Seller and the Purchaser shall cooperate in good faith to take, and procure that each member of the Seller's Group and the Purchaser's Group takes, all reasonable procedural or administrative steps (including the making of elections and filings with relevant Tax Authorities) which are reasonably necessary to procure the minimisation of the extent to which Tax liabilities of members of the Seller's Group (other than Vaccines Group Companies) can be assessed on members of the Purchaser's Group or on Vaccines Group Companies.
- 5.7.4** The Seller shall take all reasonable steps to procure that Chiron Panacea Vaccines Limited is finally liquidated and ceases to exist before Closing.

6 Closing

6.1 Date and Place

Save where otherwise provided in this Agreement (including Schedule 25), Closing shall take place simultaneously with closing under the other Target Asset Agreements at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS (other than in respect of any Local Transfer Documents agreed between the parties to be executed in another jurisdiction) on the last Business Day of the month in which fulfilment or waiver of the last of the condition(s) set out in Clause 4.1 to be fulfilled or waived takes place, except that:

- 6.1.1** where the last day of such month is not a Business Day, Closing shall instead take place on the first Business Day of the following month; and
- 6.1.2** where less than five Business Days remain between such fulfilment or waiver and the last Business Day of the month, Closing shall take place:
- (i) on the last Business Day of the following month;
 - (ii) where the last day of such month is not a Business Day, Closing shall instead take place on the first Business Day of the month following the month referred to in Clause 6.1.2(i); or
 - (iii) at such other location, time or date as may be agreed between the Purchaser and the Seller in writing.

provided that:

- (a) Closing shall not take place and shall not be effective in any circumstances unless closing also takes place under and in accordance with the terms of the other Target Asset Agreements at the same time; and
- (b) in determining the date on which the last of the conditions set out in Clause 4.1 is fulfilled or waived, the date shall be the date on which the last

of the conditions set out in Clauses 4.1.1, 4.1.2, 4.1.3, 4.1.4, 4.1.6, 4.1.7 and 4.1.9 is fulfilled or waived unless any of the conditions set out in Clauses 4.1.5 and 4.1.8 is not fulfilled or waived on that date, in which case the date shall then be the first following date on which all of the conditions set out in Clauses 4.1.5 and 4.1.8 are fulfilled or waived.

6.2 Closing Events

6.2.1 On Closing, the parties shall comply with their respective obligations specified in Schedule 15. The Seller may waive some or all of the obligations of the Purchaser as set out in Schedule 15 and the Purchaser may waive some or all of the obligations of the Seller as set out in Schedule 15.

6.2.2 The parties acknowledge that the transfer of Product Approvals and Product Applications in respect of Vaccines Group Businesses to the Purchaser or other members of the Purchaser's Group may be subject to the approval of applicable Governmental Entities, and that, notwithstanding anything in this Agreement to the contrary, each Product Approval and Product Application in respect of Vaccines Group Businesses shall continue to be held by the relevant member of the Seller's Group from the Closing Date until the relevant PA Transfer Date.

6.2.3 The parties shall perform their respective obligations with respect to:

- (i) the transfer of the Product Approvals, Product Applications and Pipeline Product Approvals as set out in Schedule 8;
- (ii) the transfer of Contracts (other than Product Approvals, Product Applications and Pipeline Product Approvals) and the Transferred Intellectual Property Contracts as set out in Schedule 10 and the treatment of Shared Business Contracts;
- (iii) to the extent the Purchaser has elected to have the Relevant Part of a Shared Business Contract transferred to it, the separation of each Shared Business Contract as set out in Schedule 10; and
- (iv) the Delayed Businesses as set out in Schedule 25.

6.3 Payment on Closing

6.3.1 On Closing the Purchaser shall pay (for itself and on behalf of each relevant member of the Purchaser's Group in accordance with Clause 17.6) an amount in cleared funds, to the Purchase Price Bank Account, which is equal to the sum of:

- (i) the Headline Price;
minus
- (ii) the Employee Adjustment Payment;
plus
- (iii) the Estimated Vaccines Group Companies' Cash Balances and the Estimated Intra-Group Non-Trade Receivables;
minus
- (iv) the Estimated Third Party Indebtedness;

- minus
- (v) the Estimated Intra-Group Non-Trade Payables;
minus
- (vi) any Estimated Employee Benefit Adjustment;
minus
- (vii) the Estimated Tax Adjustment;
plus
- (viii) the Estimated Working Capital Adjustment.

6.3.2 The amounts payable in accordance with Clause 6.3.1 shall, in each case, include all such amounts payable in respect of the Delayed Businesses.

6.4 Notifications to determine payments on Closing

6.4.1 Five Business Days prior to Closing, the Seller shall notify the Purchaser of:

- (i) the Estimated Vaccines Group Companies' Cash Balances;
- (ii) the Estimated Third Party Indebtedness;
- (iii) the Estimated Intra-Group Non-Trade Receivables;
- (iv) the Estimated Intra-Group Non-Trade Payables;
- (v) any Estimated Employee Benefit Adjustment;
- (vi) the Estimated Tax Adjustment;
- (vii) the Estimated Working Capital; and
- (viii) the Estimated Working Capital Adjustment,

and shall at the same time provide to the Purchaser reasonable supporting calculations and information to enable the Purchaser to review the basis on which the estimates have been prepared.

6.4.2 The Seller's notification pursuant to Clause 6.4.1 shall specify the relevant debtor and creditor for each Estimated Intra-Group Payable and Estimated Intra-Group Receivable.

6.4.3 The Seller shall notify the Purchaser prior to Closing of the estimate for each Employee Benefit Indemnification Amount used in the calculation of the Estimated Employee Benefit Adjustment on a country-by-country (or, where necessary, plan-by-plan) basis.

6.4.4 Immediately following Closing:

- (i) the Purchaser shall procure that each Vaccines Group Company repays to the relevant member of the Seller's Group the amount of any Estimated Intra-Group Non-Trade Payables and shall acknowledge on behalf of each Group Company the payment of the Estimated Intra-Group Non-Trade Receivables in accordance with Clause 6.4.4(ii); and

- (ii) the Seller shall procure that each relevant member of the Seller's Group repays to the relevant Vaccines Group Company the amount of any Estimated Intra-Group Non-Trade Receivables and shall acknowledge on behalf of each relevant member of the Seller's Group the payment of the Estimated Intra-Group Non-Trade Payables in accordance with Clause 6.4.4(i).

6.4.5 The repayments made pursuant to Clause 6.4.3 shall be adjusted in accordance with Clauses 7.3 and 7.4 when the Closing Statement becomes final and binding in accordance with Clause 7.2.1.

6.5 Local Payments

The Purchaser shall procure that each relevant Designated Purchaser set out in column 2 of the table in Part A of Schedule 26 shall, subject to the terms of the relevant Local Transfer Agreement (and, for the avoidance of doubt, in partial satisfaction of the Purchase Price) pay to the relevant Share Seller or Business Seller set out in column 3 the amount set out against its name in column 4 (each a "**Local Payment Amount**") converted into the relevant currency set out in the relevant Local Transfer Document as at the Closing Date, on:

- 6.5.1** the date falling 7 days after the Closing Date; or
- 6.5.2** if this is not possible, the date falling 14 days after the Closing Date; or
- 6.5.3** if this is not possible, the date falling 21 days after the Closing Date, or
- 6.5.4** if this is not possible, the date falling 28 days after the Closing Date, or

provided that, in any event, all such payments shall be made by no later than the date falling 28 days after the Closing Date.

6.6 Delayed Local Payments

In respect of each Delayed Business, the Purchaser shall procure that each relevant Designated Purchaser set out in column 2 of the table in Part B of Schedule 26 shall, subject to the terms of the relevant Local Transfer Agreement (and, for the avoidance of doubt, in partial satisfaction of the Purchase Price), pay to the relevant Share Seller or Business Seller set out in column 3 the amount set out against its name in column 4 in respect of that Delayed Business (each a "**Delayed Local Payment Amount**") converted into the relevant currency set out in the relevant Local Transfer Document as at the relevant Delayed Closing Date, as soon as reasonably practicable following the relevant Delayed Closing Date and, in any event, within 10 Business Days following the relevant Delayed Closing Date, in accordance with the terms of the relevant Local Transfer Document.

6.7 Repayment of Local Payments and Delayed Local Payments

Where a Local Payment Amount or Delayed Local Payment Amount is received by a member of the Seller's Group pursuant to Clause 6.5 or Clause 6.6, the Seller shall (on behalf of the relevant Share Seller or Business Seller, in accordance with Clause 17.6) pay to the Purchaser in US Dollars an amount equal to such Local Payment Amount or Delayed Local Payment Amount by way of repayment of all or part (as the case may be) of the amount paid by the Purchaser on behalf of the Designated Purchaser that paid the relevant Local Payment Amount or Delayed Local Payment Amount, so as to ensure that

the total amount received by members of the Seller's Group under Clauses 2.7, 6.3, 6.5 and 6.6 does not exceed the amount of the Purchase Price.

6.8 [***]

6.9 Breach of Closing Obligations

If any party fails to comply with any material obligation in Clauses 6.2, 6.3 or 6.4, or Schedule 15 in relation to Closing, the Purchaser, in the case of non-compliance by the Seller, or the Seller, in the case of non-compliance by the Purchaser, shall be entitled (in addition to and without prejudice to all other rights or remedies available) by written notice to the Seller or the Purchaser fix a new date for Closing which, except as agreed by the parties, shall be the last day of the month next ending or, if that day is not a Business Day, the first Business Day falling after that day, in which case the provisions of Schedule 15 shall apply to Closing as so deferred, but provided such deferral may only occur once. In all circumstances Closing shall only occur simultaneously with closing under the other Target Asset Agreements.

7 Post-Closing Adjustments

7.1 Closing Statements

7.1.1 The Seller shall procure that as soon as practicable following Closing there shall be drawn up a draft of the Closing Statement (the "**Draft Closing Statement**") in accordance with Schedule 16 in relation to the Vaccines Group Companies and Vaccines Group Businesses, on a combined basis.

7.1.2 The Closing Statement shall be drawn up as at the Effective Time and shall in each case include the Delayed Businesses which, for the purposes of this Clause 7, shall be deemed to have transferred to the Purchaser with effect from the Effective Time.

7.2 Determination of Closing Statement

7.2.1 The Draft Closing Statement as agreed or determined pursuant to paragraph 1 of Part 1 of Schedule 16:

- (i) shall constitute the Closing Statement for the purposes of this Agreement; and
- (ii) shall be final and binding on the parties.

7.2.2 The Working Capital, the Vaccines Group Companies' Cash Balances, the Third Party Indebtedness, the Intra-Group Non-Trade Receivables, the Intra-Group Non-Trade Payables and the Tax Adjustment shall be derived from the Closing Statement.

7.3 Adjustments to Purchase Price

7.3.1 Vaccines Group Companies' Cash Balances:

- (i) if the Vaccines Group Companies' Cash Balances are less than the Estimated Vaccines Group Companies' Cash Balances, the Seller shall repay to the Purchaser an amount equal to the deficiency; or

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- (ii) if the Vaccines Group Companies' Cash Balances are greater than the Estimated Vaccines Group Companies' Cash Balances, the Purchaser shall pay to the Seller an additional amount equal to the excess.

7.3.2 Intra-Group Non-Trade Receivables:

- (i) if the Intra-Group Non-Trade Receivables are less than the Estimated Intra-Group Non-Trade Receivables, the Seller shall repay to the Purchaser an amount equal to the deficiency; or
- (ii) if the Intra-Group Non-Trade Receivables are greater than the Estimated Intra-Group Non-Trade Receivables, the Purchaser shall pay to the Seller an additional amount equal to the excess.

7.3.3 Third Party Indebtedness:

- (i) if the Third Party Indebtedness is greater in magnitude than the Estimated Third Party Indebtedness, the Seller shall repay to the Purchaser an amount equal to the excess; or
- (ii) if the Third Party Indebtedness is less in magnitude than the Estimated Third Party Indebtedness, the Purchaser shall pay to the Seller an additional amount equal to the deficiency.

7.3.4 Intra-Group Non-Trade Payables:

- (i) if the Intra-Group Non-Trade Payables are greater in magnitude than the Estimated Intra-Group Non-Trade Payables, the Seller shall repay to the Purchaser an amount equal to the excess; or
- (ii) if the Intra-Group Non-Trade Payables are less in magnitude than the Estimated Intra-Group Non-Trade Payables, the Purchaser shall pay to the Seller an additional amount equal to the deficiency.

7.3.5 Tax Adjustment:

- (i) if the Tax Adjustment is greater than the Estimated Tax Adjustment, the Seller shall repay to the Purchaser an amount equal to the difference; or
- (ii) if the Tax Adjustment is less than the Estimated Tax Adjustment, the Purchaser shall pay to the Seller an additional amount equal to the difference.

7.3.6 Working Capital:

- (i) if the Working Capital Adjustment is less than the Estimated Working Capital Adjustment, the Seller shall repay to the Purchaser an amount equal to the deficiency; or
- (ii) if the Working Capital Adjustment exceeds the Estimated Working Capital Adjustment, the Purchaser shall pay to the Seller an additional amount equal to the excess.

7.4 Adjustments to repayment of Intra-Group Non-Trade Payables and Intra-Group Non-Trade Receivables

Following the determination of the Closing Statement pursuant to Clause 7.2 and paragraph 1 of Part 1 of Schedule 16, if the amount of any Intra-Group Non-Trade Payable

and/or any Intra-Group Non-Trade Receivable contained in the Closing Statement is greater or less than the amount of the corresponding Estimated Intra-Group Non-Trade Payable or Estimated Intra-Group Non-Trade Receivable, then the Seller and the Purchaser shall procure that such adjustments to the repayments pursuant to Clause 6.4.3 are made as are necessary to ensure that (taking into account such adjustments) the actual amount of each Intra-Group Non-Trade Payable and each Intra-Group Non-Trade Receivable has been repaid by each Group Company to the relevant member of the Seller's Group or by the relevant member of the Seller's Group to the relevant Group Company, as the case may be.

7.5 Interest

Any payment to be made in accordance with Clause 7.3 shall include interest thereon calculated from the Effective Time to the date of payment at a rate per annum of LIBOR.

7.6 Payment

7.6.1 Any payments pursuant to Clause 7.3 or 7.4, and any interest payable pursuant to Clause 7.5, shall be made on or before the Final Payment Date.

7.6.2 Where any payment is required to be made pursuant to Clause 7.3 or Clause 7.5 (in relation to a payment pursuant to Clause 7.3) the payment made on account of the Purchase Price shall be reduced or increased accordingly.

7.6.3 Where any payment is required to be made pursuant to Schedule 12, the payment made shall be deemed to be a reduction to the Purchase Price.

8 Post-Closing Obligations

8.1 Indemnities

8.1.1 Indemnity by the Purchaser against Assumed Liabilities

The Purchaser hereby undertakes to the Seller (for itself and on behalf of each other member of the Seller's Group (excluding any Delayed Vaccines Group Companies) and their respective directors, officers, employees and agents) that, with effect from Closing, the Purchaser will indemnify on demand and hold harmless each member of the Seller's Group (excluding any Delayed Vaccines Group Companies) and their respective directors, officers, employees and agents against and in respect of any and all Assumed Liabilities.

8.1.2 Indemnities by Seller

Subject to Clause 8.1.3, the Seller hereby undertakes to the Purchaser (for itself and on behalf of each other member of the Purchaser's Group (including any Delayed Vaccines Group Companies) and their respective directors, officers, employees and agents) that, with effect from Closing, the Seller will indemnify on demand and hold harmless each member of the Purchaser's Group (including any Delayed Vaccines Group Companies) and their respective directors, officers, employees and agents against and in respect of any and all:

- (i) Excluded Liabilities; and
- (ii) Liabilities, including legal fees, to the extent they have arisen or arise (whether before or after Closing) as a result of or otherwise relate to any

act, omission, fact, matter, circumstance or event undertaken, occurring or in existence or arising before Closing so far as related to: (A) any breach of any anti-bribery warranty, including without limitation those set forth in paragraphs 9.1 through 9.6 of Schedule 18, not being true and correct when made; (B) any government inquiries or investigations involving the Seller or its Affiliates or associated persons; (C) save to the extent in existence as at the date of this Agreement, any limitation, restriction or other reduction in drug registrations, licenses, listings or marketing approvals, government pricing or reimbursement rates relating to the Products including specifically the value of lost future profits as a result of any such limitation, restriction or reduction; or (D) any other claim, litigation, investigation or proceeding to the extent related to any of the foregoing (A) to (C), including but not limited to costs of investigation and defence and legal fees.

8.1.3 Limitations on Indemnities

Subject to Clause 8.1.4, the Seller shall not be liable under Clause 8.1.2 in respect of:

- (i) any Time-Limited Excluded Liability unless a notice of claim in respect of the matter giving rise to such Liability is given by the Purchaser to the Seller within ten years of Closing, provided that this sub-Clause (i) shall not apply in respect of any claim by the Purchaser which relates to:
 - (a) a Product Liability;
 - (b) a Governmental Liability;
 - (c) a Clinical Trials/Data Liability;
 - (d) an IP Liability; or
 - (e) an Excluded Asset;
- (ii) any claim if and to the extent that the relevant Liability is included in the Closing Statement; or
- (iii) any individual claim (or a series of claims arising from similar or identical facts or circumstances) where the Liability (disregarding the provisions of this Clause 8.1.3(iii)) in respect of any such claim or series of claims does not exceed US\$10 million, provided that, for the avoidance of doubt, where the Liability in respect of any such claim or series of claims exceeds US\$10 million, the Liability of the Seller shall be for the whole amount of such claim(s) and not just the excess.

8.1.4 Disapplication of limitations

None of the limitations contained in Clause 8.1.3 shall apply to any claim to the extent that such claim which arises or is increased, or to the extent to which it arises or is increased, as the consequence of, or which is delayed as a result of, fraud by any member of the Seller's Group or any director, officer or employee of any member of the Seller's Group.

8.2 Conduct of Claims

8.2.1 Assumed Liabilities

- (i) If the Seller becomes aware after Closing of any claim by a third party which constitutes or may constitute an Assumed Liability, the Seller shall as soon as reasonably practicable:
 - (a) give written notice thereof to the Purchaser, setting out such information as is available to the Seller as is reasonably necessary to enable the Purchaser to assess the merits of the potential claim;
 - (b) take all appropriate actions to preserve evidence; and
 - (c) provide the Purchaser with periodic updates on the status of the claim upon request and shall not admit, compromise, settle, discharge or otherwise deal with such claim without the prior written agreement of the Purchaser (such agreement not to be unreasonably withheld or delayed).
- (ii) The Seller shall, and shall procure that each Share Seller and Business Seller shall, take such action as the Purchaser may reasonably request to avoid, dispute, resist, appeal, compromise, defend or mitigate any claim which constitutes or may constitute an Assumed Liability subject to the Seller and each Share Seller and Business Seller being indemnified and secured to their reasonable satisfaction by the Purchaser against all Liabilities which may thereby be incurred. In connection therewith, the Seller shall make or procure to be made available to the Purchaser or their duly authorised agents on reasonable notice during normal business hours all relevant books of account, records and correspondence relating to the Vaccines Group Businesses which have been retained by the Seller's Group (and shall permit the Purchaser to take copies thereof at its expense) for the purposes of enabling the Purchaser to ascertain or extract any information relevant to the claim.

8.2.2 Liabilities Indemnified by the Seller

- (i) If the Purchaser becomes aware after Closing of any claim by a third party which constitutes or may constitute a Liability falling within Clause 8.1.2 or relates to a Liability or any investigations related thereto, regardless of whether the Purchaser believes that such claim would be made against a member of the Purchaser's Group or a member of the Seller's Group, the Purchaser shall as soon as reasonably practicable:
 - (a) give written notice thereof to the Seller, setting out such information as is available to the Purchaser as is reasonably necessary to enable the Seller to assess the merits of the potential claim;
 - (b) take all appropriate actions to preserve evidence; and
 - (c) provide the Seller with periodic updates on the status upon request and shall not admit, compromise, settle, discharge or otherwise deal with such claim without the prior written agreement of the Seller (such agreement not to be unreasonably withheld or delayed).

- (ii) The Purchaser shall take such action as the Seller may reasonably request to avoid, dispute, resist, appeal, compromise, defend or mitigate any claim which constitutes or may constitute a Liability falling within Clause 8.1.2 subject to the Purchaser being indemnified and secured to its reasonable satisfaction by the Seller against all Liabilities which may thereby be incurred by it or any member of the Purchaser's Group (including for this purpose any Delayed Vaccines Group Company).
- (iii) In addition, where any such claim or investigation involves a Governmental Entity, the Purchaser shall, subject to Applicable Law, the requirements of the Relevant Governmental Entity and the Seller providing an appropriate confidentiality undertaking in favour of the Purchaser's Group, provide to the Seller, at least five Business Days in advance (or, where not possible, as soon as reasonably possible), any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals they or their agents make or submit to a Governmental Entity. Without limiting the foregoing, the parties agree, subject to the Applicable Law, and the requirements of the relevant Governmental Entity, and the Seller providing an appropriate confidentiality undertaking in favour of the Purchaser's Group, to:
 - (a) give the Seller reasonable advance notice of all meetings with any Governmental Entity;
 - (b) give the Seller an opportunity to participate in each of such meetings;
 - (c) to the extent practicable, give the Seller reasonable advance notice of all substantive oral communications with any Governmental Entity;
 - (d) if any Governmental Entity initiates a substantive oral communication, promptly notify the Seller of the substance of such communication;
 - (e) provide the Seller with a reasonable advance opportunity to review and comment upon all substantive written communications (including any substantive correspondence, analyses, presentations, memoranda, briefs, arguments, opinions and proposals) that the Purchaser or its agents intend to make or submit to a Governmental Entity in connection with such claim;
 - (f) provide the Seller with copies of all substantive written communications to or from any Governmental Entity; and
 - (g) not advance arguments with the Governmental Entity without prior agreement of the Seller that would reasonably be likely to have a significant adverse impact on the Seller, provided however, that the Purchaser shall not be required to comply with paragraph (b) above to the extent that the Governmental Entity objects to the participation of a party, or with paragraph (e) or (f) above to the extent that such disclosure may raise regulatory concerns (in which case, the disclosure may be made on an outside counsel basis).
- (iv) Other than in respect of any claim to the extent it relates to an IP Liability, a Commercial Practices Liability or a Governmental Liability (other than in

respect of any Liability arising solely by virtue of a breach of any Contract with any Governmental Entity which breach does not also constitute a breach of Applicable Law), the Seller shall be entitled at its own expense and in its absolute discretion, by notice in writing to the Purchaser, to take such action as it shall deem necessary to avoid, dispute, deny, defend, resist, appeal, compromise or contest any such claim (including making counterclaims or other claims against third parties) in the name of and on behalf of the Purchaser or other member of the Purchaser's Group concerned and to have the conduct of any related proceedings, negotiations or appeals. In taking action on behalf of any member of the Purchaser's Group as permitted by this Clause 8.2, the Seller shall, in good faith, take into account and have due regard to any reputational matters or issues arising out of the claim for any member of the Purchaser's Group or any of their respective directors, officers, employees or agents which are brought to its attention by the Purchaser or a member of the Purchaser's Group.

- (v) Without limitation to the Seller's rights pursuant to Clause 8.12, the Purchaser shall make or procure to be made available to the Seller or its duly authorised agents on reasonable notice during normal business hours full and free access to all relevant books of account, records and correspondence relating to the Vaccines Group which are in the possession or control of the Purchaser or any member of the Purchaser's Group (and shall permit the Seller to take copies thereof) for the purposes of enabling the Seller to ascertain or extract any information relevant to the claim.
- (vi) The Purchaser shall, and shall procure that each other member of the Purchaser's Group shall, on reasonable notice from the Seller, give such assistance to the Seller as it may reasonably require in relation to the claim including providing the Seller or any member of the Seller's Group and its representative and advisers with access to and assistance from directors, officers, managers, employees, advisers, agents or consultants of the Purchaser and/or of each other member of the Purchaser's Group (collectively, the "**Relevant Persons**") and the Purchaser will use its reasonable endeavours to procure that such Relevant Persons comply with any reasonable requests from the Seller and generally co-operates with and assists the Seller and other members of the Seller's Group.
- (vii) When seeking assistance under Clauses 8.2.2(v) and (vi), the Seller, or any other relevant member of the Seller's Group, shall use reasonable endeavours to minimise interference with the Purchaser and the Purchaser's Group's conduct of the relevant business or the performance by the Relevant Persons of their employment duties.

8.3 Release of Guarantees

- 8.3.1** The Purchaser shall use reasonable endeavours to procure as soon as reasonably practicable after Closing, the release of the Seller or any member of the Seller's Group from any securities, guarantees or indemnities given by or binding upon the Seller or any member of the Seller's Group in respect of the Assumed Liabilities or in connection with a liability of any of the Vaccines Group Companies (other than an Excluded Liability). Pending such release, the Purchaser shall indemnify the

Seller and any member of the Seller's Group against all amounts paid by any of them (acting reasonably) pursuant to any such securities, guarantees or indemnities in respect of such Assumed Liabilities or such liability of the Vaccines Group Companies (other than an Excluded Liability).

- 8.3.2** The Seller shall use reasonable endeavours to procure by Closing or, to the extent not done by Closing, as soon as reasonably practicable after Closing, the release of the Vaccines Group Companies from any securities, guarantees or indemnities given by or binding upon the Vaccines Group Companies in respect of any liability of the Seller or any member of the Seller's Group. Pending such release, the Seller shall indemnify the Vaccines Group Companies against all amounts paid by any of them (acting reasonably) pursuant to any such securities, guarantees or indemnities in respect of such liability of the Seller which arises after Closing.

8.4 Transferred Accounts Payable

If at any time after Closing, the Seller or any of its Affiliates (but, in relation to any Delayed Business, only with effect from the relevant Delayed Closing Date) pays any monies in respect of any Transferred Accounts Payable, then the Purchaser shall pay or procure payment to the Seller (for the relevant Business Seller), as soon as reasonably practicable the amount paid, plus any Taxation suffered or incurred by the Seller's Group which would not have arisen but for the payment and receipt of such monies.

8.5 Transferred Accounts Receivable

If at any time after Closing, a Business Seller receives any monies in respect of any Transferred Accounts Receivable, then the Business Seller shall pay or procure payment to the Purchaser, as soon as reasonably practicable the amount recovered, less any Taxation suffered or incurred by the Seller's Group which would not have arisen but for the receipt and payment of such monies.

8.6 Payables and Receivables Plan

- 8.6.1** Without prejudice to the provisions of Clauses 8.4 and 8.5, the parties shall cooperate in good faith to agree, as soon as reasonably practicable after the Closing Date and in any event within one month of the Closing Date, a written plan in respect of each Market detailing: (i) the process for the collection of Transferred Accounts Receivables by the Seller (or its Affiliates) and the process and periodic timing of payment of monies received in respect of Transferred Accounts Receivable to the Purchaser; and (ii) the process for the settlement of Transferred Accounts Payable by the Seller (or its Affiliates) and the payment of monies by the Purchaser to the Seller in respect thereof (together, the "**Payables and Receivables Plan**"). In agreeing the Payables and Receivables Plan, the parties shall take into account the comments of the parties' respective accounting and tax teams.
- 8.6.2** If the parties fail to agree the Payables and Receivables Plan by the date specified in Clause 8.6.1, the matter shall be referred to and discussed by the Purchaser's and the Seller's chief financial officers who shall aim to resolve the matter within 10 Business Days.

8.7 Intra-Group Trading Balances

Any Intra-Group Trading Balances shall be settled after Closing in the ordinary course of business and, in any event, within 60 days of Closing.

8.8 Transfer of Marketing Authorisations

8.8.1 The transfer of the Marketing Authorisations following Closing shall take place in accordance with Part 2 of Schedule 8 and the terms of the Transitional Distribution Services Agreement.

8.8.2 Between the Closing Date and the Marketing Authorisation Transfer Date, the Seller agrees to assist the Purchaser in accordance with Part 4 of Schedule 8 in respect of any tenders relating to the Products.

8.9 Wrong Pockets Obligations

8.9.1 Except as provided in Schedules 3, 8, 10, 11, 12 and 25, if any property, right or asset forming part of the Vaccines Group (other than any property, right or asset expressly excluded from the sale under this Agreement) has not been transferred to the Purchaser or to another member of the Purchaser's Group and should have transferred pursuant to the terms of this Agreement, the Seller shall procure that such property, right or asset (and any related liability which is an Assumed Liability) is transferred to the Purchaser, or to such other member of the Purchaser's Group as the Purchaser may nominate reasonably acceptable to the Seller, as soon as practicable and at no cost to the Purchaser.

8.9.2 If, following Closing or, in respect of any Delayed Business, the relevant Delayed Closing, any property, right or asset not forming part of the Vaccines Group including, for the avoidance of doubt, any trade accounts and notes receivable or payable arising in the ordinary course between a member of the Seller's Retained Group and a Vaccines Group Company, in each case to the extent related to the Influenza Business (other than any property, right or asset expressly included in the sale under this Agreement) is found to have been transferred to the Purchaser (or another member of the Purchaser's Group) and should not have transferred pursuant to the terms of this Agreement, the Purchaser shall procure that such property, right or asset is transferred to the transferor or another member of the Seller's Group nominated by the Seller reasonably acceptable to the Purchaser as soon as practicable and at no cost to the Seller.

8.10 Information Technology

8.10.1 If, within six months from Closing or, in respect of any Delayed Business, the Delayed Closing Date, the Purchaser identifies any Site Specific Information Technology, the Purchaser shall notify the Seller in writing and the Seller shall procure that such Information Technology is transferred to the Purchaser or a company nominated by the Purchaser for nominal consideration as soon as practicable after receipt of the Purchaser's notification provided that any such Site Specific Information Technology shall be transferred by the Seller on an "as-is" basis and the Seller shall have no liability for not wiping or relocating such assets prior to such transfer and, to the extent that any third party consent is required for the transfer of such software, the Seller shall only be obliged to use reasonable endeavours to obtain such third party consent and the cost of any fee demanded

by the third party as consideration for giving such consent shall be borne by the Purchaser.

8.10.2 If and to the extent that the Purchaser no longer requires a member of the Seller's Group to perform its obligations under the Transitional Services Agreement (or any part thereof) as a result of the transfer of Site Specific Information Technology to the Purchaser pursuant to Clause 8.10.1:

- (i) no member of the Seller's Group shall be in breach of the Transitional Services Agreement or otherwise liable to the Purchaser as a result of such failure to perform and no member of the Purchaser's Group shall have any claim in respect of such failure; and
- (ii) no member of the Purchaser's Group shall be in breach of the payment obligations of the Transitional Services Agreement or otherwise liable to the Seller in respect of those obligations which are no longer required to be performed, and no member of the Seller's Group shall have any claim in respect of the Purchaser's failure to pay for the performance of such obligations.

8.11 Covenant not to sue

8.11.1 The Seller hereby undertakes not to enforce, at any time after Closing, any Out of Scope Patent against the Purchaser's Group in relation to the Purchaser's Group carrying on the Business as at the date of Closing.

8.11.2 The Purchaser hereby undertakes not to enforce, at any time after Closing, any Vaccines Patent against the Seller's Group in relation to the Seller's Group carrying on the Seller's Group Retained Business as at the date of Closing.

8.12 The Purchaser's Continuing Obligations

8.12.1 The Purchaser shall procure that as soon as practicable after Closing or, in respect of any Delayed Vaccines Group Company, the relevant Delayed Closing, each of the Vaccines Group Companies shall change its name so that it does not contain any of the Seller Restricted Marks or any name which is likely to be confused with the same and shall provide the Seller with appropriate evidence of such change of name.

8.12.2 Except as provided in the Ancillary Agreements, the Purchaser shall not, and shall procure that no member of the Purchaser's Group shall, after Closing or, in respect of any Delayed Vaccines Group Company, the relevant Delayed Closing, use the Seller Restricted Marks or any confusingly similar name or mark, any extensions thereof or developments thereto in any business which competes with the Seller's business, or any other business of the Seller or any member of the Seller's Group in which the Seller Restricted Marks are used for a minimum period of five (5) years following Closing and thereafter for so long as any member of the Seller's Group continues to retain an interest in the relevant Seller Restricted Marks.

8.12.3 The Purchaser shall, and shall procure that the relevant Vaccines Group Companies shall:

- (i) retain for a period of one (1) year from Closing, and not dispose of or destroy in that period, any emails of the Vaccines Group to the extent they

are created prior to Closing and shall, and shall procure that the relevant Vaccines Group Companies shall, if reasonably requested by the Seller, allow the Seller reasonable access in that period to such emails (including the right to take copies at the Seller's expense); and

- (ii) retain for a period of 10 years from Closing (and, upon notice from the Seller between 9 and 10 years from Closing, for a further period of 5 years), and not dispose of or destroy during that period, the other books, records and documents (except, in each case, emails) of the Vaccines Group to the extent they relate to the period prior to Closing and shall, and shall procure that the relevant Vaccines Group Companies shall, if reasonably requested by the Seller, allow the Seller reasonable access during that period to such books, records and documents (including the right to take copies at the Seller's expense) and to the employees of the Vaccines Group or former employees of the Vaccines Group who are employees of any member of the Purchaser's Group.

8.12.4 During the 90 days following the Closing Date, the Purchaser shall provide and cause to be provided to the Seller the information reasonably required to enable the Seller to prepare and audit the standard monthly reporting forms of the Seller's Group, to the extent that such financial reporting relates to the Vaccines Group, in respect of the period prior to the Closing and in respect of the calendar month in which the Closing occurs. The Purchaser shall provide such financial reporting in respect of the calendar month in which Closing occurs to the Seller within six Business Days of the last day of the relevant month.

8.13 The Seller's Continuing Obligations

The Seller shall retain and not dispose of or destroy and make or procure to be made available to the Purchaser or their duly authorised agents and/or professional advisers on reasonable notice during normal business hours:

- 8.13.1** in each case for a period of one (1) year from Closing (or from the relevant Delayed Closing Date in respect of emails relating to a Delayed Business), all emails relating to the Vaccines Group which have not been transferred to the Purchaser under this Agreement (and shall permit the Purchaser to take copies thereof);
- 8.13.2** in each case for a period of 10 years from Closing (and, upon notice from the Purchaser between 9 and 10 years from Closing, for a further period of 5 years), all relevant books, accounts, other records and correspondence (except, in each case, emails) relating to the Vaccines Group which have not been, or to the extent they have not been, transferred to the Purchaser under this Agreement (and shall permit the Purchaser to take copies thereof), save as otherwise agreed by the parties in relation to any books and records (including but not limited to the content of any personnel files) relating to the employment of the Transferred Employees;
- 8.13.3** in each case for a period of 10 years from Closing (and, upon notice from the Purchaser between 9 and 10 years from Closing, for a further period of 5 years), reasonable access to employees of the Seller's Group who have knowledge relating to any of the Products (including any inventor of the Products) for the purposes of the defence, prosecution or enforcement of any Vaccines Group Intellectual Property Rights, any actual or potential regulatory or safety

investigation involving any of the Products, or as required by Applicable Law or a Governmental Entity, provided that the Purchaser shall promptly reimburse the Seller in relation to the provision of such access for (i) out of pocket expenses reasonably incurred by the Seller; and (ii) for the time of that employee of the Seller's Group if it exceeds 25 man hours in aggregate per annum; and

8.13.4 in each case for a period of 3 years from Closing, the Seller shall make or procure to be made available to the Purchaser or their duly authorised agents on reasonable notice during normal business hours reasonable access to any employees of the Seller's Group who have knowledge relating to the Vaccines Group (including, for the avoidance of doubt and without limitation, any background information relating to the legal position of the Vaccines Group and the Products), to the extent that such employees are retained by the Seller after Closing, to answer any questions other than those covered by Clause 8.13.3 that the Purchaser may reasonably ask in relation to the Vaccines Group, provided that:

- (i) the Purchaser shall promptly reimburse the Seller in relation to the provision of such access for the time of that employee of the Seller's Group to the extent it exceeds 25 man hours in aggregate per annum;
- (ii) the Seller shall have no obligations under this Clause 8.13.4 where such access to employees of the Seller's Group is prohibited under Applicable Law;
- (iii) the Purchaser shall have no access rights under this Clause 8.13.4 to employees of the Seller's Group to the extent such access is prohibited by applicable anti-trust rules or any undertakings, contractual arrangements, or guidelines entered into or provided, with the aim of reasonably ensuring compliance with applicable anti-trust rules; and
- (iv) without prejudice to any indemnity provided by the Seller to the Purchaser under this Agreement, no member of the Seller's Group shall have any Liability to any member of the Purchaser's Group in connection with the provision of any information by employees of the Seller's Group pursuant to this Clause 8.13.4.

8.14 Influenza Business

8.14.1 General

- (i) Without prejudice to Clauses 2.1, 2.2, 2.3.1 to 2.3.4, 3 and 4, the parties shall, acting reasonably and as soon as practicable, enter into such arrangements as are required to enable the Influenza Business (or parts thereof) retained by the Seller, purchased by the Purchaser, or purchased by one or more third party purchasers (as applicable) to continue to operate the Influenza Business (or parts thereof) on substantially the same basis as it was operated by the Seller immediately prior to the date of this Agreement.
- (ii) Each party shall take all reasonable steps to cooperate with the other party to ensure that each relevant technology transfer takes place as soon as practicable.

- (iii) The Purchaser acknowledges that the Seller shall, at its option, be entitled to:
 - (a) assign or novate the burden and benefit of the Influenza Business Manufacturing and Supply Agreement and any of the arrangements referred to in Clause 8.14.1(i) to any purchaser(s) of the Influenza Business (or parts thereof) without the consent of the Purchaser; or
 - (b) require the Purchaser to enter into separate agreements with any purchaser(s) of the Influenza Business (or parts thereof) on the same terms as the Influenza Business Manufacturing and Supply Agreement and any of the arrangements referred to in Clause 8.14.1(i).

8.14.2 Influenza Business Manufacturing and Supply Agreement

If the Influenza Business Manufacturing and Supply Agreement has not been entered into on the earlier of: (i) Closing; or (ii) the closing of any sale to the purchaser(s) of the Influenza Business (or parts thereof), the provisions of the heads of terms in relation to the Influenza Business Manufacturing and Supply Agreement in the Agreed Terms shall be binding on the Seller and Purchaser until the earlier of: (i) the date on which the Influenza Business Manufacturing and Supply Agreement is entered into; and (ii) the date specified in the heads of terms.

8.14.3 Confidential information

In connection with the services to be provided pursuant to this Clause 8.14, where required by Applicable Law, the Seller and the Purchaser shall establish appropriate safe guards to maintain, and protect from improper disclosure, confidential information arising from the provision of such services.

8.14.4 Influenza defects indemnity

Notwithstanding the terms of any Influenza Business Agreement and except in respect of any loss of profit suffered by an indemnified person (other than any loss of profit included in the charges paid or payable under the Influenza Business Agreements), the Seller hereby undertakes to the Purchaser (for itself and on behalf of each other member of the Purchaser's Group (including the Delayed Vaccines Group Companies)) that, with effect from Closing, the Seller will indemnify on demand and hold harmless each member of the Purchaser's Group (including the Delayed Vaccines Group Companies) and their respective directors, officers, employees and agents (each an "indemnified person") against and in respect of any and all Losses suffered by an indemnified person and arising as a result of the failure or alleged failure by an indemnified person to perform or discharge all or part of its obligations under any provision of any Influenza Business Agreement or any other agreement required to be entered into by the Purchaser or any member of the Purchaser's Group pursuant to Clause 8.14.1(i):

- (i) to the extent that such Losses arise as a result of or otherwise relate to any act, omission, fact, matter, circumstance or event undertaken or occurring, in existence or arising in relation to the Vaccines Business or the Influenza Business prior to Closing ("**Inherited Defect**"); and

- (ii) to the extent that such Losses arise as a result of or otherwise relate to any failure by the Seller to transfer, or procure the transfer of, or provide to, or procure the provision to, the Purchaser or any member of the Purchaser's Group such assets, rights or information of or relating to the Influenza Business or the Vaccines Business (including any contracts, licences, authorisations and permits) as are reasonably required by the Purchaser's Group (including the Delayed Vaccines Group Companies) to fulfil such obligations as at Closing.

8.14.5 The Purchaser shall notify the Seller as soon as reasonably practicable after becoming aware of:

- (i) any such Inherited Defect; or
- (ii) any claim it may wish to make under Clause 8.14.4,

and the conduct of any claim notified to the Seller pursuant to (ii) above shall be dealt with pursuant to Clause 8.2.2 as if references in that Clause to "a Liability falling within Clause 8.1.2" were references to any liability to be indemnified under Clause 8.14.4.

8.14.6 The Purchaser shall take reasonable steps to mitigate any liability arising in respect of any Inherited Defects, including

- (i) taking reasonable steps in accordance with cGMP to identify and remediate any Inherited Defects; and
- (ii) by implementing reasonable corrective actions to prevent such failure in the performance of its obligations under the Influenza Business Agreements from recurring.

8.15 Retention of books and records

To the extent and for so long as required by, or to the extent and for so long as required in order to perform any obligations under, any Ancillary Agreement or Applicable Law, or where otherwise agreed between the parties, the Seller shall be entitled to retain the original or a copy of any book, ledger, file, report, plan record, manual or other material (in any form or medium) which would otherwise transfer to the Purchaser under this Agreement, provided that:

- 8.15.1** any copy or original retained is treated as strictly confidential in accordance with Clause 14.2;
- 8.15.2** in the case of retained originals, a copy of such book, ledger, file, report, plan, record, manual or other material is provided to the Purchaser;
- 8.15.3** upon reasonable notice by the Purchaser, the Seller shall provide access to such retained book, ledger, file, report, plan, record, manual or other material in accordance with Clause 8.13.2; and
- 8.15.4** upon expiry of the relevant obligation under the applicable Ancillary Agreement the Seller is entitled to retain a copy of any such book, ledger, file, report, plan, record, manual or other material to comply with Applicable Law but shall transfer the original to the Purchaser.

8.16 Abandoned Patents

Notwithstanding anything to the contrary contained in this Agreement or any of the Ancillary Agreements, no representations are made and no warranties are given (in each case, whether express or implied) by the Seller (or any member of the Seller's Group) in relation to the Abandoned Patents (or transfer of the same) by the Seller (or a member of the Seller's Group) to the Purchaser (or a member of the Purchaser's Group).

8.17 [***]

8.18 Anti-bribery and corruption

The provisions of Schedule 31 shall apply in respect of the parties' compliance with anti-bribery and corruption laws.

9 Transitional Trademark Use

9.1 Grant of Transitional Trademark Licence

9.1.1 Subject to the terms set out in this Clause 9, the Seller hereby grants, and shall procure that each member of the Seller's Group shall grant (as applicable), to the Purchaser, from Closing a non-exclusive, worldwide, royalty-free, non-assignable, licence without the right to sub-license (save with the prior written consent of the Seller which shall not be unreasonably withheld or delayed, or as otherwise permitted under Clause 9.1.7) to use the Seller Marks:

- (i) subject to Clause 9.1.3, on signage of the Properties, solely in the manner and to the extent such signage bears any Seller Marks as at the Closing Date, which licence shall, unless terminated earlier under Clause 9.6, continue in force on a country by country basis for the longer of:
(i) 6 months from the Closing Date; or (ii) for such period following the Closing Date as is required by Applicable Laws, provided that in either case the Purchaser shall, and shall procure that its sub-licensees shall, use all reasonable endeavours to cease such use of such Seller Marks as soon as reasonably practicable following the Closing Date;
- (ii) subject to Clause 9.1.3, on any websites (or related digital assets) which exclusively relate to any Product or Pipeline Product solely in the manner and to the extent such websites (or related digital assets) bear any Seller Marks as at the Closing Date, which licence shall, unless terminated earlier under Clause 9.6, continue in force on a country by country basis for the longer of: (i) 6 months from the Marketing Authorisation Transfer Date or Marketing Authorisation Re-registration Date, as applicable, in accordance with Schedule 8; or (ii) for such period following the Closing Date as is required by Applicable Laws, provided that in either case the Purchaser shall, and shall procure that its sub-licensees shall, use all reasonable endeavours to cease such use of such Seller Marks as soon as reasonably practicable following the Closing Date ("**Novartis Branded Websites**");
- (iii) on any Transferred Inventory, solely in the manner and to the extent that the Transferred Inventory bears any Seller Marks as at the Closing Date or as is otherwise required by Applicable Laws ("**Novartis Branded Inventory**");

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

- (iv) on any products intended to be sold by the Business as the result of the Vaccines Business Manufacturing and Supply Agreements or the Transitional Distribution Services Agreement solely in the manner and to the extent that those products bear any Seller Marks as at the Closing Date or as is otherwise required by Applicable Laws (“**Novartis Branded Products**”); and
- (v) on any stationery, sales literature, patient information leaflets or similar documentation used in the Business, solely in the manner and to the extent such materials: (i) bear any Seller Marks as at the Closing Date; and (ii) relate to the Novartis Branded Inventory or Novartis Branded Products (“**Novartis Branded Literature**”),

(the “**Transitional Trademark Licence**”).

9.1.2 Subject to Clauses 9.1.3, 9.1.4, 9.1.5 and 9.1.6, in each case in respect of Clauses 9.1.1(iii) to 9.1.1(v), such licence shall, unless terminated earlier under Clause 9.6, continue in force, on a country by country basis, in relation to each item of Novartis Branded Inventory or Novartis Branded Product (or any Novartis Branded Literature related to the same), as applicable, from the Closing Date for the longer of:

- (i) the period required by the Vaccines Business Manufacturing and Supply Agreements or the Transitional Distribution Services Agreement, where applicable;
- (ii) the period until the Marketing Authorisation Transfer Date or Marketing Authorisation Re-registration Date, as applicable, in accordance with Schedule 8; or
- (iii) such period as is required by Applicable Laws,

9.1.3 Subject always to Clause 9.1.6, the parties shall co-operate in the consideration of an extension of any licences granted under this Clause 9.1 in the event that it is reasonably necessary for any such licences to continue beyond the period contemplated in Clause 9.1, and the Seller shall not unreasonably withhold its agreement to any such extension.

9.1.4 The Purchaser shall, and shall procure that its sub-licensees shall:

- (i) use all reasonable endeavours to cease such use of the Seller Marks as soon as reasonably practicable following the Closing Date; and
- (ii) use the Seller Marks in accordance with Applicable Laws only.

9.1.5 Neither the Purchaser nor its sub-licensees shall have any rights under the licences granted in Clauses 9.1.1(iii) to 9.1.1(v) to use any of the Seller Marks in relation to any Novartis Branded Inventory or Novartis Branded Products whose “sell-by date” or shelf life, as applicable, has passed or expired.

9.1.6 The licences granted under Clauses 9.1.1(ii) to 9.1.1(v) shall expire after 24 months of the Closing Date (the “**Long Stop Expiry Date**”).

9.1.7 The Purchaser shall be entitled to sub-license its rights under the Transitional Trademark Licence to:

- (i) any member of the Purchaser's Group without the prior written consent of the Seller, provided that any act of the sub-licensee which would, if committed by the Purchaser be a breach of any of the terms applying to the Transitional Trademark Licence, shall be treated as an equivalent breach by the Purchaser of the terms of the Transitional Trademark Licence; and
- (ii) third party sub-contractors working with the Purchaser in relation to the Manufacture or Commercialisation of the Novartis Branded Inventory, Novartis Branded Products or Novartis Branded Literature, provided that:
 - (a) any act of the sub-licensee which would, if committed by the Purchaser be a breach of any of the terms applying to the Transitional Trademark Licence, shall be treated as an equivalent breach by the Purchaser of the terms of the Transitional Trademark Licence; and
 - (b) if the Seller or the Purchaser determines that any sub-licensee under Clause 9.1.7(ii) is using any Seller Marks outside the scope of a permitted sub-licence under this Clause 9.1, the Purchaser promptly will cause the sub-licensee to cease such unpermitted use and will notify such sub-licensee that it is in material breach of its sub-licence agreement. If the breach continues unremedied for a period of fifteen (15) calendar days after the Purchaser provides notice to such sub-licensee describing the nature of the breach, the Purchaser will, upon the Seller's request, terminate the applicable sub-licence and will cooperate with the Seller to enforce the Seller's rights against such former sub-licensee as the Seller directs.

9.2 Reservation of Rights

The Seller reserves all rights in and to the Seller Marks. The Purchaser acknowledges and agrees that as between the Seller (or the relevant member of the Seller's Group) and the Purchaser, the Seller (or the relevant member of the Seller's Group) is the sole and exclusive owner of all right, title and interest in and to the Seller Marks, including all goodwill of the business connected with the use of, or symbolised by, the Seller Marks. All goodwill generated from the use of the Seller Marks by the Purchaser or its sub-licensees shall inure solely to the benefit of the Seller (or the relevant member of the Seller's Group). Nothing in this Clause 9 grants the Purchaser or its sub-licensees any ownership or other proprietary interest in any Seller Marks.

9.3 Restrictions on Use

- 9.3.1** The Purchaser shall have no right pursuant to this Clause 9 to use or permit any other person to use, any of the Seller Marks as part of a corporate or trading name or to hold itself out or otherwise represent itself to be a member of, or to be associated or connected with, any member or business venture of the Seller's Group, or permit any other person to do that same.
- 9.3.2** Without limiting the generality of Clause 9.2 of this Agreement, the Purchaser will not, nor attempt to, nor permit, enable, or request any other person to:
 - (i) use any Seller Marks in any manner, or engage in any other act or omission, that would impair the right of the Seller (or the relevant member

of the Seller's Group) in and to the Seller Marks, including any act or omission that would invalidate or cause the cancellation or abandonment of any Seller Marks;

- (ii) file, acquire or otherwise obtain any registration for or application to register any Trademark or domain name, or acquire, create or otherwise obtain any social media account that consists of, incorporates, uses, or is confusingly similar to any Seller Marks; whether with any Governmental Entity, internet domain name registrar, social media platform or otherwise (each, a "**Registration**");
- (iii) adopt or use any variation, derivation or acronym of the Seller Marks or any word, symbol or Trademark that is confusingly similar to the Seller Marks (each, a "**Variation**");
- (iv) use any Seller Marks with any other word, symbol or Trademark (other than a Trademark assigned or otherwise expressly transferred to the Purchaser pursuant to this Agreement) so as to form a composite Trademark (each, a "**Composite**");
- (v) represent to any other person that it, any sub-licensee, or any other person (other than the Seller (or the relevant member of the Seller's Group) or its or their successors in interest to the Seller Marks) has or will have any ownership interest in any Seller Marks; or
- (vi) grant or attempt to grant a security interest in or lien on, record any security interest or lien against, or otherwise encumber, any Seller Marks.

9.4 Transfer of Rights

If the Purchaser or any of its sub-licensees has or acquires any rights in or to the Seller Marks, or any Registrations, Composites or Variations, the Purchaser hereby irrevocably assigns, and will cause its sub-licensees to assign irrevocably, all such rights to the Seller. At the request of the Seller, the Purchaser will, and will procure that its sub-licensees will, execute any document, and perform any act reasonably necessary to obtain, or confirm the Seller's or its designee's exclusive ownership interest in and to the Seller Marks and Registrations, in each applicable jurisdiction, including executing and delivering applications, oaths, declarations, affidavits, waivers, assignments and other documents.

9.5 Quality Control

- 9.5.1** The Purchaser will use, and cause its sub-licensees to use, the Seller Marks under the terms of this Clause 9 solely in a manner consistent with the operation of the Business immediately prior to the Closing Date.
- 9.5.2** The Purchaser will comply, and will cause its sub-licensees to comply, with any specifications, standards and directions that the Seller may provide in writing from time to time relating to the use of the Seller Marks under this Clause 9.
- 9.5.3** Concerning any Novartis Branded Products and Novartis Branded Inventory manufactured by the Seller or its Affiliates, or by any third party in privity of contract with the Seller or its Affiliates, the Purchaser will not tamper, modify or otherwise take any action, and will procure that its sub-licensees will not tamper, modify or

otherwise take any action, to affect the quality of such Novartis Branded Products and Novartis Branded Inventory.

9.5.4 Concerning any Novartis Branded Products and Novartis Branded Inventory manufactured by the Purchaser or its sub-licensees, or by any third party in privity of contract with the Purchaser or its sub-licensees, the Purchaser will ensure that such Novartis Branded Products and Novartis Branded Inventory at all times meet or exceed (i) the quality and manufacturing standards of similar products in the Novartis Branded Products and Novartis Branded Inventory' industry; (ii) the Good Manufacturing Practices applicable to such Novartis Branded Products and Novartis Branded Inventory, as updated from time to time; (iii) any other standards imposed by the applicable Governmental Entities; and (iv) any specifications and quality provisions set forth in any agreement entered into by the parties in connection with this Agreement. The Purchaser will notify the Seller in the event that any Product does not meet such standards.

9.5.5 Except where Product Packaging or Novartis Branded Literature originate with the Seller or the Seller's Affiliates, the Purchaser will, to the extent physically practicable, include, and will procure that its sub-licensees will include, on all Product Packaging, Novartis Branded Literature and Novartis Branded Websites that bear the Seller Marks: (i) a statement that the Seller Marks used thereon is a Trademark of the Seller and used under license (or any similar statement required by the Seller concerning the status of the Seller Marks), and (ii) the symbols "®", "™" or other notice required by the applicable Governmental Entity in proximity to each prominent use of the Seller Marks, all in line with the current practices applied by the Seller or its Affiliates prior to the Closing Date.

9.6 Termination of the Transitional Trademark Licence

9.6.1 The Seller may terminate the Transitional Trademark Licence and the rights granted to the Purchaser under the same at any time by providing notice of termination to the Purchaser if:

- (i) the Purchaser commits a material breach of this Clause 9 and the material breach continues unremedied for two months after the Seller provides notice to the Purchaser describing the nature of the material breach; or
- (ii) the Purchaser contests, challenges or otherwise makes any claim or takes any action adverse to the Seller's (or the relevant member of the Seller's Group) ownership of or interest in, or the validity of, the Seller Marks, including in any proceeding before any Governmental Entity.

10 Warranties

10.1 The Seller's Warranties

10.1.1 Subject to Clause 10.2, the Seller warrants (on behalf of the relevant Business Sellers or Share Sellers as applicable) to the Purchaser and each member of the Purchaser's Group to which Shares or other assets are transferred pursuant to this Agreement or any Local Transfer Document, that the statements set out in Schedule 18 are true and accurate as of the date of this Agreement.

- 10.1.2** Each of the Seller's Warranties shall be separate and independent and shall not be limited by reference to any other paragraph of Schedule 18 or by anything in this Agreement or any Local Transfer Document or in the Tax Indemnity.
- 10.1.3** The Seller does not give or make any warranty as to the accuracy of the forecasts, estimates, projections, statements of intent or statements of opinion provided to the Purchaser or any of its directors, officers, employees, agents or advisers on or prior to the date of this Agreement.
- 10.1.4** Any Seller's Warranty qualified by the expression "so far as the Seller is aware" or to the "Seller's Knowledge" or any similar expression shall, unless otherwise stated, be deemed to refer to the knowledge of the following persons: [***], [***], [***], [***], [***], [***], [***], [***], [***], [***] and [***], such persons having made due and reasonable enquiry.
- 10.1.5** The Seller's Warranties shall be deemed to be repeated immediately before Closing by reference to the facts, circumstances and knowledge then existing as if references in the Seller's Warranties to the date of this Agreement were references to the Closing Date. Without prejudice to the provisions of Clause 11, the Seller shall have no liability for any breach of any Seller's Warranty where such Seller's Warranty was true as at the date of this Agreement unless the fact, event or circumstances giving rise to the breach constitutes a Material Adverse Effect. The Seller shall have no liability under this Clause 10.1.5 if the Purchaser has exercised its termination right in accordance with Clause 4.4.1(iv).
- 10.1.6** Save insofar as they are specifically referred to in paragraphs 4.4 and 4.5 of Schedule 18, none of the Seller's Warranties shall apply to any of the Beta Interferon Patent Rights.

10.2 Seller's Disclosures

- 10.2.1** The Seller's Warranties are subject to all matters which are fairly disclosed in this Agreement or in the Disclosure Letter.
- 10.2.2** References in the Disclosure Letter to paragraph numbers shall be to the paragraphs in Schedule 18 to which the disclosure is most likely to relate. Such references are given for convenience only and, shall not limit the effect of any of the disclosures, all of which are made against the Seller's Warranties as a whole.

10.3 The Purchaser's Warranties

The Purchaser warrants to the Seller that the statements set out in Schedule 19 are true and accurate as of the date of this Agreement.

11 Limitation of Liability

11.1 Application

- 11.1.1** In respect of the Tax Indemnity, the provisions of this Clause 11 shall operate to limit the liability of the Seller only in so far as any provision in this Clause 11 is expressed to be applicable to the Tax Indemnity, and the provisions of the Tax Indemnity shall further operate to limit the liability of the Seller in respect of any claims thereunder.

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

11.1.2 References to the Seller's Warranties in Clauses 11.2 to 11.5 and 11.7 to 11.9 shall not include the Tax Warranties and the provisions of clause 3 of the Tax Indemnity shall operate to limit the liability of the Seller and to govern the claims procedure in respect of any claim under the Tax Warranties in respect of a liability for Tax as if such claim had been a claim in respect of a Tax Liability (as defined in the Tax Indemnity) under the Tax Indemnity.

11.2 Time Limitation for Claims

The Seller shall not be liable under this Agreement or any Local Transfer Document for breach of any Seller's Warranty or under the Tax Indemnity in respect of any claim unless a notice of the claim is given by the Purchaser to the Seller specifying the matters set out in Clause 12.2:

11.2.1 in the case of a claim under paragraph 1, 2.1, 2.2.1, 2.2.3 or 2.3 of Schedule 18, within the applicable statutory limitation period;

11.2.2 in the case of any claim under paragraphs 4.1 to 4.11 of Schedule 18, within 6 years of Closing;

11.2.3 in respect of claims under the Tax Warranties or the Tax Indemnity, before the date falling six months after the expiry of the period specified by statute during which an assessment of the relevant liability to Tax may be issued by the relevant Tax Authority; and

11.2.4 in the case of any other claim, within two years of Closing.

11.3 Minimum Claims

11.3.1 The Seller shall not be liable under:

- (i) this Agreement or any Local Transfer Document for breach of any Seller's Warranty in respect of any individual claim (or a series of claims arising from similar or identical facts or circumstances) where the liability agreed or determined (disregarding the provisions of this Clause 11.3) in respect of any such claim or series of claims does not exceed 0.1 per cent. of the Headline Price; or
- (ii) this Agreement for breach of any Tax Warranty or under the Tax Indemnity in respect of any individual claim (or series of claims arising from similar or identical facts or circumstances) where the liability agreed or determined (disregarding the provisions of this Clause 11.3) in respect of any such claim or series of claims does not exceed US\$1 million;

11.3.2 Where the liability agreed or determined in respect of any such claim or series of claims exceeds (in the case of claims falling within Clause 11.3.1(i)) 0.1 per cent. of the Headline Price or, in the case of claims falling within Clause 11.3.1(ii)) US\$1 million, the liability of the Seller shall be for the whole amount of such claim (s) and not just the excess.

11.4 Aggregate Minimum Claims

11.4.1 The Seller shall not be liable under this Agreement or any Local Transfer Document for breach of any Seller's Warranty in respect of any claim unless the aggregate amount of all claims for which the Seller would otherwise be liable under

this Agreement or any Local Transfer Document for breach of any Seller's Warranty (disregarding the provisions of this Clause 11.4) exceeds one per cent. of the Headline Price.

11.4.2 Where the liability agreed or determined in respect of all claims exceeds one per cent. of the Headline Price, the Seller shall be liable for the aggregate amount of all claims as agreed or determined and not just the excess.

11.4.3 For the avoidance of doubt, the Purchaser may give notice of any single claim in accordance with and for the purposes of Clause 11.2, irrespective of whether, at the time the notice is given, the amount set out in Clause 11.4.2 has been exceeded.

11.5 Maximum Liability

The aggregate liability of the Seller in respect of:

11.5.1 any breaches of the Seller's Warranties (other than the Seller's Warranties contained in paragraphs 1, 2.1, 2.2.1, 2.2.3, 2.3 or 4.1 to 4.10 of Schedule 18) shall not exceed an amount equal to 30 per cent. of the Headline Price;

11.5.2 any breaches of the Seller's Warranties contained in paragraphs 4.1 to 4.10 of Schedule 18 shall not exceed an amount equal to 60 per cent. of the Headline Price; and

11.5.3 any breaches of the Seller's Warranties contained in paragraphs 1, 2.1, 2.2.1, 2.2.3, or 2.3 of Schedule 18 shall not exceed the Headline Price.

11.6 Contingent Liabilities

The Seller shall not be liable under this Agreement or any Local Transfer Document for breach of any Seller's Warranties in respect of which the liability is contingent, unless and until such contingent liability becomes an actual liability and is due and payable (but the Purchaser has the right under Clause 12.1 to give notice of such claim before such time). For the avoidance of doubt, the fact that the liability may not have become an actual liability by the relevant date provided in Clause 11.2 shall not exonerate the Seller in respect of any claim properly notified before that date.

11.7 Provisions

The Seller shall not be liable under this Agreement or any Local Transfer Document, in either case, in respect of any claim for breach of any Seller's Warranty, if and to the extent that any allowance, provision or reserve has been properly made in the Closing Statement or Statement of Net Assets for the matter giving rise to the claim and the Seller can demonstrate that the allowance, provision or reserve so made was in respect of such matter.

11.8 Matters Arising Subsequent to this Agreement

Subject to Clause 8.1.2, the Seller shall not be liable under this Agreement or any Local Transfer Document in either case in respect of any claim for breach of any Seller's Warranty in respect of any matter, act, omission or circumstance (or any combination thereof), to the extent that the same would not have occurred but for:

11.8.1 Agreed matters

any matter or thing done or omitted to be done by the Seller or any member of the Seller's Group before Closing pursuant to and in compliance with this Agreement or any Local Transfer Document or otherwise at the request in writing of the Purchaser; or

11.8.2 Changes in legislation

the passing of, or any change in, after the Closing Date, any Applicable Law or administrative practice of any government, governmental department, agency or regulatory body having the force of the law including (without prejudice to the generality of the foregoing) any increase in the rates of Taxation or any imposition of Taxation or any withdrawal of relief from Taxation not in force at the Closing Date.

11.9 Insurance

Without prejudice to Clause 15, the Seller's Liability under this Agreement for breach of any Seller's Warranty shall be reduced by an amount equal to any loss or damage to which such claim related which has actually been recovered under a policy of insurance held by the Purchaser or a Vaccines Group Company (after deducting any reasonable costs incurred in making such recovery including the amount of any excess or deductible).

11.10 Purchaser's Right to Recover

If the Seller has paid an amount in discharge of any claim under this Agreement for breach of any Seller's Warranty and subsequently the Purchaser recovers (whether by payment, discount, credit, relief, insurance or otherwise) from a third party a sum which indemnifies or compensates the Purchaser (in whole or in part) in respect of the loss or liability which is the subject matter of the claim, the Purchaser shall pay to the Seller as soon as practicable after receipt an amount equal to (i) the sum recovered from the third party less any costs and expenses incurred in obtaining such recovery and any Tax on any amounts recovered (or Tax that would have been payable on such amounts but for the availability of any Tax relief), or if less (ii) the amount previously paid by the Seller to the Purchaser. Any payment made by the Purchaser to the Seller under this Clause shall be made or procured by way of further adjustment of the consideration paid by the Purchaser and the provisions of Clause 3.3 shall apply *mutatis mutandis*.

11.11 No Double Recovery and no Double Counting

A party shall be entitled to make more than one claim under this Agreement arising out of the same subject matter, fact, event or circumstance but shall not be entitled to recover under this Agreement or any Local Transfer Document or the Tax Indemnity or otherwise more than once in respect of the same Losses suffered or amount for which the party is otherwise entitled to claim (or part of such Losses or amount), regardless of whether more than one claim arises in respect of it. No amount (including any relief) (or part of any amount) shall be taken into account, set off or credited more than once under this Agreement or any Local Transfer Document or the Tax Indemnity or otherwise, with the intent that there will be no double counting under this Agreement or any Local Transfer Document and the Tax Indemnity or otherwise.

11.12 Fraud

None of the limitations contained in this Clause 11 shall apply to any claim to the extent that such claim arises or is increased as the consequence of, or which is delayed as a result of, fraud by any director or officer of any member of the Seller's Group.

12 Claims

12.1 Notification of Potential Claims

Without prejudice to the obligations of the Purchaser under Clause 12.2, if the Purchaser becomes aware of any fact, matter or circumstance that may give rise to a claim against the Seller under this Agreement or any Local Transfer Document for breach of any Seller's Warranty other than a Tax Warranty (ignoring for these purposes the application of Clause 12.2 or 12.3), the Purchaser shall as soon as reasonably practicable give a notice in writing to the Seller of such facts, matters or circumstances as are then available regarding the potential claim. Failure to give notice within such period shall not affect the rights of the Purchaser to make a relevant claim under this Agreement or any Local Transfer Document for breach of any Seller's Warranty, except that the failure shall be taken into account in determining the liability of the Seller for such claim to the extent the Seller establishes that the amount of it is increased, or is not reduced, as a result of such failure.

12.2 Notification of Claims under this Agreement

Notices of claims under this Agreement or any Local Transfer Document for breach of any Seller's Warranty (other than a Tax Warranty) shall be given by the Purchaser to the Seller within the time limits specified in Clause 11.2 and shall specify information (giving reasonable detail) in relation to the basis of the claim and setting out the Purchaser's estimate of the amount of Losses which are, or are to be, the subject of the claim.

12.3 Commencement of Proceedings

Any claim notified pursuant to Clause 12.2 shall (if it has not been previously satisfied, settled or withdrawn) be deemed to be irrevocably withdrawn 9 months after the relevant time limit set out in Clause 11.2 unless, at the relevant time, legal proceedings in respect of the relevant claim have been commenced by being both issued and served except:

- 12.3.1** where the claim relates to a contingent liability, in which case it shall be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by being both issued and served with 9 months of it having become an actual liability; or
- 12.3.2** where the claim is a claim for breach of a Seller's Warranty of which notice is given for the purposes of Clause 11.2 at a time when the amount set out in Clause 11.4.2 has not been exceeded, in which case it shall be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by being both issued and served within 9 months of the date of any subsequent notification to the Seller pursuant to Clause 12.1 of one or more claims which result(s) in the total amount claimed in all claims notified to the Seller pursuant to Clause 11.2 exceeding the amount set out in Clause 11.4.2 for the first time.

12.4 Conduct of Third Party Claims

12.4.1 If the matter or circumstance that may give rise to a claim against the Seller under this Agreement or any Local Transfer Document for breach of any Seller's Warranty (other than a Tax Warranty) is a result of or in connection with a claim by a third party (a "**Third Party Claim**") then:

- (i) the Purchaser shall as soon as reasonably practicable give written notice thereof to the Seller and thereafter shall provide the Seller with periodic updates upon reasonable request and shall consult with the Seller so far as reasonably practicable in relation to the conduct of the Third Party Claim and shall take reasonable account of the views of the Seller in relation to the Third Party Claim;
- (ii) the Third Party Claim shall not be admitted, compromised, disposed of or settled without the written consent of the Seller (such consent not to be unreasonably withheld or delayed); and
- (iii) subject to the Seller indemnifying the Purchaser or other member of the Purchaser's Group (including any Delayed Vaccines Group Company) concerned against all reasonable costs and expenses (including legal and professional costs and expenses) that may be incurred thereby, the Purchaser shall, or the Purchaser shall procure that any other members of the Purchaser's Group shall, take such action as the Seller may reasonably request to avoid, dispute, deny, defend, resist, appeal, compromise or contest the Third Party Claim, provided that this Clause 12.4.1(iii) shall not apply where the claim by the third party relates to matters or circumstances referred to in paragraph 4 or 9 of Schedule 18 and the Purchaser shall then have the right to conduct the claim at its discretion (subject to Clauses 12.4.1(i) and 12.4.1(ii)),

provided that failure to give notice in accordance with Clause 12.4.1(i) shall not affect the rights of the Purchaser to make a relevant claim under this Agreement for breach of any Seller's Warranty, except that the failure shall be taken into account in determining the liability of the Seller for such claim to the extent the Seller establishes that the amount of it is increased, or is not reduced, as a result of such failure.

12.4.2 Notwithstanding the provisions of this Clause 12.4, if a Third Party Claim may give rise to a claim against the Seller under Clause 8.1.2, the conduct of any such Third Party Claim shall be dealt with pursuant to Clause 8.2.2 and Clause 12.4.1 shall not apply.

13 Restrictive Covenants

13.1 Non-compete

The Seller will not, and undertakes to procure that each member of the Seller's Group will not, for the period from Closing until three years after the Closing Date:

13.1.1 be engaged (directly or indirectly) in any business which competes with the Business as it is carried on at the Closing Date (the "**Restricted Business**"), provided that commercial transactions outside the Restricted Business with a client, customer, supplier, licensor or distributor that is not a member of the Seller's

Group shall not be deemed to indirectly violate this Clause 13.1.1 by reason of such person being engaged in the Restricted Business or taking any other action prohibited hereunder; or

- 13.1.2** solicit the custom of any person to whom goods or services have been sold by any member of the Vaccines Group in the course of its business during the two years before the Closing Date, in each case only to the extent that such solicitation is in competition with the Business of the Vaccines Group as it is carried on at the Closing Date.

13.2 Exceptions to the non-compete

13.2.1 The restrictions in Clause 13.1 shall not apply to:

- (i) any Delayed Business in the period between Closing and the relevant Delayed Closing Date;
- (ii) the Specified Excluded Businesses;
- (iii) the Influenza Business;
- (iv) any activities of any nature undertaken or developed by the Seller's Group (other than the Vaccines Group) in relation to oncology;
- (v) any activities of any nature (or any assets related thereto) contributed by the Seller's Group pursuant to the Consumer Contribution Agreement;
- (vi) any supply agreements between the Seller's Group (other than the Vaccines Group) and the Business, the Influenza Business or Leo Constellation Limited (or its Affiliates);
- (vii) any person at such time as it is no longer a member of the Seller's Group, and any person that purchases assets, operations, subsidiaries or businesses from the Seller's Group if such Person is not a member of the Seller's Group after such transaction is consummated;
- (viii) any Affiliate of Seller in which a person who is not a member of the Seller's Group holds equity interests and with respect to whom a member of the Seller's Group has existing contractual or legal obligations limiting its discretion to impose non-competition obligations;
- (ix) the holding of shares in a company or other entity for investment purposes provided the Seller does not exercise, directly or indirectly, Control over that company or entity;
- (x) any business activity that would otherwise violate Clause 13.1 that is acquired in connection with an acquisition so long as the relevant member of the Seller's Group divests all or substantially all of the business activity that would otherwise violate Clause 13.1 or otherwise terminates or disposes of such business activity, product line or assets of such acquired business that would otherwise violate Clause 13.1 within nine months after the consummation of the relevant acquisition, or such longer period as may reasonably be necessary to comply with Applicable Law (provided that in those circumstances the Seller shall procure that the Restricted Business is disposed of as soon as reasonably practicable);

- (xi) passive investments by a pension or employee benefit plan or trust for present or former employees;
- (xii) financial investments by the Novartis Venture Funds;
- (xiii) investments by the Novartis Foundation for Sustainable Development, or a similar non-profit-based organization;
- (xiv) performance of any obligation of the Seller's Group under the Ancillary Agreements, as amended from time to time in accordance with its terms; or
- (xv) provision of data or other content to or in connection with business conducted by any person, in each case as required by Applicable Law.

13.3 Non-solicit

The Seller will not, and undertakes to procure that each member of the Seller's Group will not, for a period of two years after the Closing Date, solicit or induce any Restricted Vaccines Group Employee to become employed or engaged whether as employee, consultant or otherwise by any member of the Seller's Group.

13.4 Exceptions to the non-solicit

The restrictions in Clause 13.3 may be relaxed or additional exceptions allowed by written approval of the Purchaser's Division Head of HR and shall in any event not apply to the solicitation, inducement or recruitment of any person:

- 13.4.1** through the placing of advertisements of posts available to the public generally;
- 13.4.2** through an employment agency, provided that no member of the Seller's Group encourages or advises such agency to approach any such person;
- 13.4.3** who is no longer employed by the Purchaser's Group; or
- 13.4.4** who is under formal notice of termination from his employer, provided that this exception only applies if the employment or engagement by the member of the Seller's Group is offered with a start date which is no earlier than the day after the last scheduled date of the person's employment with the Purchaser's Group.

13.5 Reasonableness of Restrictions

Each undertaking contained in this Clause 13 shall be construed as a separate undertaking and if one or more of the undertakings is held to be against the public interest or unlawful or in any way an unreasonable restraint of trade, the remaining undertakings shall continue to bind the Seller.

14 Confidentiality

14.1 Announcements

No announcement, communication or circular concerning the existence or the subject matter of this Agreement shall be made or issued by or on behalf of any member of the Seller's Group or the Purchaser's Group without the prior written approval of the Seller and the Purchaser (such consent not to be unreasonably withheld or delayed). This shall not affect any announcement, communication or circular required by law or any governmental

or regulatory body or the rules of any stock exchange on which the shares of any party (or its holding company) are listed but the party with an obligation to make an announcement or communication or issue a circular (or whose holding company has such an obligation) shall consult with the other parties (or shall procure that its holding company consults with the other parties) insofar as is reasonably practicable before complying with such an obligation.

14.2 Confidentiality

14.2.1 Subject to Clause 14.1 and Clause 14.2.2, each of the parties shall treat as strictly confidential and not disclose or use any information received or obtained as a result of entering into this Agreement, the Ancillary Agreements or any agreement entered into pursuant to this Agreement which relates to:

- (i) the existence and provisions of this Agreement, the Ancillary Agreements and of any other agreement entered into pursuant to this Agreement;
- (ii) the negotiations relating to this Agreement, the Ancillary Agreements and any such other agreement;
- (iii) (in the case of the Seller) any information relating to the Vaccines Group Companies and Vaccines Group Businesses following Closing and any other information relating to the business, financial or other affairs (including future plans and targets) of the Purchaser's Group, provided that nothing in this Clause 14.2.1(iii) shall prohibit the use or disclosure by the Seller for or to the Influenza Business or any purchaser(s) of the Influenza Business (or parts thereof) of any information (as redacted to the extent required to comply with Applicable Law) to the extent it is exclusively related to the Influenza Business or reasonably necessary for the commercialization of the Influenza Business (including, but not limited to, any books, records and documents related to the SAM platform technology or other shared vaccines platforms, information or technologies); or
- (iv) (in the case of the Purchaser) any information relating to the business, financial or other affairs (including future plans and targets) of the Seller's Group including, prior to Closing, the Vaccines Group Companies and Vaccines Group Businesses.

14.2.2 Clause 14.2.1 shall not prohibit disclosure or use of any information if and to the extent:

- (i) the disclosure or use is required by law, any governmental or regulatory body or any stock exchange on which the shares of any party (or its holding company) are listed;
- (ii) the disclosure or use is required to vest the full benefit of this Agreement or the Ancillary Agreements in any party;
- (iii) the disclosure or use is required for the purpose of any arbitral or judicial proceedings arising out of this Agreement, the Ancillary Agreements or any other agreement entered into under or pursuant to this Agreement or to enable a determination to be made by the Reporting Accountants under this Agreement;

- (iv) the disclosure is made to a Tax Authority in connection with the Tax affairs of the disclosing party;
- (v) the disclosure is made to a ratings agency on a confidential basis in connection with the affairs of the disclosing party;
- (vi) the disclosure is made by the Purchaser to any of its Representatives, any member of the Purchaser's Group and/or any of their respective Representatives, or by the Seller to any of its Representatives, any member of the Seller's Group and/or any of their respective Representatives, in each case on a "need-to-know" basis and provided they have a duty (contractual or otherwise) to keep such information confidential;
- (vii) the information was lawfully in the possession of that party without any obligation of secrecy prior to its being received or held, in either case as evidenced by written records;
- (viii) the information is or becomes publicly available (other than by breach of this Agreement);
- (ix) the other party has given prior written approval to the disclosure or use; or
- (x) the information is independently developed,

provided that prior to disclosure or use of any information pursuant to Clause 14.2.2(i), (ii) or (iii), the party concerned shall, where not prohibited by law, promptly notify the other parties of such requirement with a view to providing the other parties with the opportunity to contest such disclosure or use or otherwise to agree the timing and content of such disclosure or use.

15 Insurance

15.1 No cover under Seller's Group Insurance Policies from Closing

The Purchaser acknowledges and agrees that following Closing:

- 15.1.1** neither the Purchaser nor any Vaccines Group Company (but, in relation to any Delayed Business, only with effect from the relevant Delayed Closing Date) shall have or be entitled to the benefit of any Seller's Group Insurance Policy in respect of any event, act or omission that takes place after Closing and it shall be the sole responsibility of the Purchaser to ensure that adequate insurances are put in place for those Vaccines Group Companies (but, in relation to any Delayed Business, only with effect from the relevant Delayed Closing Date) and Vaccines Group Businesses (but, in relation to any Delayed Business, only with effect from the relevant Delayed Closing Date) with effect from Closing;
- 15.1.2** except in respect of any Delayed Vaccines Group Company or Delayed Vaccines Group Business until the relevant Delayed Closing Date, neither the Seller nor any member of the Seller's Group shall be required to maintain any Seller's Group Insurance Policy for the benefit of the Vaccines Group;
- 15.1.3** no Vaccines Group Company shall make or shall be entitled to make or notify a claim under any Seller's Group Insurance Policy in respect of any event, act or

omission that occurred prior to the Closing Date or, in respect of a Delayed Vaccines Group Company, prior to the relevant Delayed Closing Date.

15.2 Existing claims under Seller's Group Insurance Policies

With respect to any claim made before the Closing Date under any Seller's Group Insurance Policy by or on behalf of any Vaccines Group Company or in respect of any Vaccines Group Business, or to any claim made before the relevant Delayed Closing Date under any Seller's Group Insurance Policy by or on behalf of any Delayed Vaccines Group Company or in respect of any Delayed Vaccines Group Business, to the extent that:

15.2.1 neither the Purchaser nor the Vaccines Group Companies have been indemnified by the Seller prior to the Closing Date in respect of the matter in respect of which the claim was made; or

15.2.2 the Liability in respect of which the claim was made has not been properly provided for in the Closing Statement and reduced the Working Capital accordingly,

the Seller shall use reasonable endeavours after Closing to recover all monies due from insurers and shall pay any monies received (after taking into account any deductible under the Seller's Group Insurance Policies and less any Taxation suffered on the proceeds and any reasonable out of pocket expenses suffered or incurred by the Seller or any member of the Seller's Group in connection with the claim) to the Purchaser or, at the Purchaser's written direction, the relevant Vaccines Group Company as soon as practicable after receipt.

16 France Business and Netherlands Business

16.1 France Business

Notwithstanding any other provision of this Agreement, this Agreement shall not constitute a binding agreement to sell or purchase the France Business, provided that:

16.1.1 in the event that the France Put Option Exercise occurs before Closing, this Clause 16.1 (other than this Clause 16.1.1) shall terminate and shall cease to have effect, and the sale of the France Business shall be subject to the provisions of this Agreement as if it were part of the Business to be sold as and from the date of this Agreement;

16.1.2 in the event that the France Put Option Exercise does not occur before Closing:

- (i) the provisions of Clauses 2 and 6 (the "**Disapplied Provisions**") shall not apply to the France Business;
- (ii) prior to the France Closing, the provisions of Clause 13 and Schedules 11 and 12 (the "**Suspended Provisions**") shall not apply to the France Business; and
- (iii) in respect of the Disapplied Provisions and, prior to the France Closing, the Suspended Provisions only:
 - (a) the term "Business" shall be deemed to exclude the France Business;

- (b) the term “Companies” shall be deemed to exclude Novartis Vaccines and Diagnostics S.A.S.;
- (c) the term “Assumed Liabilities” shall be deemed to exclude the France Assumed Liabilities; and
- (d) the term “Employees” shall be deemed to exclude the France Employees;

16.1.3 with effect from the France Closing, the Suspended Provisions shall apply to the France Business *mutatis mutandis* save that in respect of the Suspended Provisions only (A) the term “Closing” shall be deemed to refer to the France Closing and (B) the term “Closing Date” shall be deemed to refer to the date of the France Closing; and

16.1.4 the parties shall negotiate in good faith to agree any amendments to this Agreement and any of the Ancillary Agreements as are required in order to give effect to the principles set forth in this Clause 16.1 for the purposes of complying with the information and consultation requirements in respect of the Comité d’entreprise de Novartis Vaccines and Diagnostics SAS (being the relevant works council in respect of the France Business); and

16.1.5 the provisions of Clause 11 shall apply to the France Business as if the remaining provisions of this Clause 16.1 did not have any force or effect.

16.2 Netherlands Business

Notwithstanding any other provision of this Agreement, this Agreement shall not constitute a binding agreement to sell or purchase the Netherlands Business, provided that:

16.2.1 in the event that the Netherlands Put Option Exercise occurs before Closing, this Clause 16.2 (other than this Clause 16.2.1) shall terminate and shall cease to have effect, and the sale of the Netherlands Business shall be subject to the provisions of this Agreement as if it were part of the Business to be sold as and from the date of this Agreement;

16.2.2 in the event that the Netherlands Put Option Exercise does not occur before Closing:

- (i) the Disapplied Provisions shall not apply to the Netherlands Business;
- (ii) prior to the Netherlands Closing, the Suspended Provisions shall not apply to the Netherlands Business; and
- (iii) in respect of the Disapplied Provisions and, prior to the Netherlands Closing, the Suspended Provisions only:
 - (a) the term “Business” shall be deemed to exclude the Netherlands Business;
 - (b) the term “Vaccines Group Businesses” shall be deemed to exclude the Netherlands Business;
 - (c) the term “Assumed Liabilities” shall be deemed to exclude the Netherlands Assumed Liabilities; and

- (d) the term “Employees” shall be deemed to exclude the Netherlands Employees;
- 16.2.3** with effect from the Netherlands Closing, the Suspended Provisions shall apply to the Netherlands Business *mutatis mutandis* save that in respect of the Suspended Provisions only (A) the term “Closing” shall be deemed to refer to the Netherlands Closing and (B) the term “Closing Date” shall be deemed to refer to the date of the Netherlands Closing; and
- 16.2.4** the parties shall negotiate in good faith to agree any amendments to the Ancillary Agreements as are required in order to give effect to the principles set forth in this Clause 16.2 for the purposes of complying with the information and consultation requirements in respect of Onderdeelcommissie NV (being the relevant works council in respect of the Netherlands Business); and
- 16.2.5** the provisions of Clause 11 shall apply to the Netherlands Business as if the remaining provisions of this Clause 16.2 did not have any force or effect.

17 Other Provisions

17.1 Further Assurances and IP Recordals

- 17.1.1** Without prejudice to any restriction or limitation on the extent of any party’s obligations under this Agreement, each of the parties shall from time to time, so far as each is reasonably able, do or procure the doing of all such acts and/or execute or procure the execution of all such documents in a form reasonably satisfactory to the party concerned as they may reasonably consider necessary to transfer the Vaccines Group to the Purchaser or otherwise to give the other party the full benefit of this Agreement.
- 17.1.2** Subject to Clause 17.1.3, the parties shall negotiate in good faith to agree definitive and legally binding documentation in respect of each of the Ancillary Agreements for which heads of terms are in the Agreed Terms on the date of this Agreement, and shall duly execute and deliver such definitive and legally binding documentation in respect of the Ancillary Agreements at Closing.
- 17.1.3** In the event that the parties are unable to agree definitive and legally binding documentation in respect of an Ancillary Agreement referred to in Clause 17.1.2 by Closing, the parties shall be subject to and shall adhere to the heads of terms in the Agreed Terms for that Ancillary Agreement, which terms shall be legally binding on the parties. Following Closing, the parties shall continue to negotiate in good faith to agree definitive and legally binding documentation in respect of each of the Ancillary Agreements which remains to be agreed and, once definitive and legally binding documentation has been agreed, such documentation shall supersede the heads of terms in the Agreed Terms.
- 17.1.4** For the purposes of Clauses 17.1.4 to 17.1.9, the terms “Assignor” and “Assignee” shall have the meanings given to them in the Intellectual Property Assignment Agreement.
- 17.1.5** The Purchaser and its Affiliates shall be responsible for preparing and filing any documentation necessary for the recordal with any relevant intellectual property office of the transfer of ownership of all of the Registered Transferred Intellectual Property Rights from the Assignor to the Assignee under the Intellectual Property

Assignment Agreement. The Purchaser (or such of its Affiliates as it nominates) shall be responsible for all out-of-pocket filing fees and other costs and expenses associated with those recordals.

17.1.6 Subject to Clause 17.1.8 and Clauses 17.1.11 to 17.1.16, the Seller shall procure that each relevant member of the Seller's Group shall, at the request and cost of any member of the Purchaser's Group, execute and deliver any further documents that may be reasonably necessary to secure the vesting in the Assignee under the Intellectual Property Assignment Agreement of all the Registered Transferred Intellectual Property Rights.

17.1.7 Subject to Clauses 17.1.11 to 17.1.16, the Seller shall procure that each relevant member of the Seller's Group shall, at the request and cost of any member of the Purchaser's Group, (i) request that the applicable registrar for each of the Assigned Domain Names (as defined in the Intellectual Property Assignment Agreement), and any other domain name registration authorities that exercise authority over the Assigned Domain Names, facilitate the transfer of the Assigned Domain Names from the relevant Assignor to the Assignee; and (ii) execute all such documentation and take all such further acts as are reasonably necessary to effect such transfer. Within ten (10) Business Days of a date to be agreed by the parties, the Seller shall procure that each relevant member of the Seller's Group shall (a) unlock the Assigned Domain Names; and (b) provide the Assignee with authorisation codes for any Assigned Domain Names that have authorisation codes.

17.1.8 To the extent that any transfers of Registered Vaccines Group Intellectual Property Rights to an Assignor or a Vaccines Group Company have not been recorded prior to the Closing Date (including any transfers of such Registered Vaccines Group Intellectual Property Rights prior to the transfer of the same to the Assignor or a Vaccines Group Company), and to the extent that such separate recordal is necessary to effect:

- (i) the recordal referred to in Clause 17.1.5; or
- (ii) the recordal of any transfer of Owned Intellectual Property Rights that constitute Registered Intellectual Property Rights to a Vaccines Group Company (or its predecessor in title),

the Purchaser and its Affiliates shall be responsible for preparing and filing any documentation necessary for the recordal with any relevant intellectual property office of the transfer of ownership to such Assignor or Vaccines Group Company (as applicable). Subject to Clauses 17.1.11 to 17.1.16, the Seller shall or shall procure that such Assignor shall provide to the Purchaser or a relevant Affiliate of the Purchaser any documentation or information that is reasonably necessary to record such transfer in the name of the Assignor or Vaccines Group Company (as applicable) as soon as reasonably possible after receipt of a request for the same from the Purchaser or one of its Affiliates for the purposes of such recordal. The Seller (or such of its Affiliates as it nominates) shall be responsible for all out-of-pocket filing fees and other costs and expenses associated with the recordal of any such transfer to the Assignor or to the Vaccines Group Company (as applicable).

Abandoned Patent Applications

- 17.1.9** Subject to Clauses 17.1.10 to 17.1.16, in respect of any Abandoned Patents, the Seller shall, on reasonable request from the Purchaser's Group for assistance from any member of the Seller's Group, use reasonable endeavours to execute a document confirming the transfer of such rights as any member of the Seller's Group has (if any) in such Abandoned Patent, to the extent not prohibited under Applicable Law in the relevant country of any such Abandoned Patent, to the Assignee under each Intellectual Property Assignment, provided that:
- (i) if the Seller provides such assistance the Purchaser shall promptly reimburse the Seller for its reasonable costs; and
 - (ii) a request from the Purchaser's Group for assistance will be deemed to be not reasonable if:
 - (a) the Assignee or any other member of the Purchaser's Group is able to prove common ownership of (i) the Abandoned Patent and (ii) the relevant Patent(s) that constitute Vaccines Patent(s) to the satisfaction of any relevant intellectual property office, court or tribunal without such assistance from any member of the Seller's Group (provided further that in no event shall the Purchaser's Group be required to narrow the scope of protection of the claims of a Patent that constitutes a Vaccine Patent in order to avoid its request being unreasonable);
 - (b) any member of the Seller's Group is asked to take any steps to achieve an outcome that is the same or equivalent to an outcome the Assignee or any other member of the Purchaser's Group could achieve without such assistance from any member of the Seller's Group (provided that the Seller's Group shall not be required to narrow a Patent that constitutes a Vaccine Patent in order to avoid its request being unreasonable); or
 - (c) it requires any member of the Seller's Group to state that an Abandoned Patent was abandoned inadvertently or unavoidably when this was not the case.

Sanctions - Restrictions

- 17.1.10** For the purposes of Clauses 17.1.10 to 17.1.16 only, the terms below shall have the following meanings:
- “**Assignor**” means an assignor under the Intellectual Property Assignment Agreement or any relevant member of the Seller's Group's (other than a Vaccines Group Company);
- “**Assignee**” means an assignee under the Intellectual Property Assignment Agreement or a Vaccines Group Company; and
- “**Further Assurance Obligations**” means any obligation to be performed by an Assignor under Clauses 17.1.1 to 17.1.9;
- 17.1.11** The parties agree that to the extent that Vaccines Group Intellectual Property Rights which are the subject of a transfer pursuant to the Intellectual Property

Assignment Agreement are registered (or are the subject of an application to register) in Iran, Iraq, Democratic People's Republic of Korea or Syria, the Assignor's Further Assurance Obligations shall be modified as set out in Clauses 17.1.12 to 17.1.16 below.

- 17.1.12** If an Assignor is prevented from complying with its Further Assurance Obligations, with the effect that the recordal of assignment of legal title from the Assignor to the Assignee under the Intellectual Property Assignment Agreement (or to effect a transfer which is the subject of Clause 17.1.8) cannot be completed for any Vaccines Group Intellectual Property Rights by reason of:
- (i) Applicable Law;
 - (ii) other factors beyond the reasonable control of the Assignor; or
 - (iii) application of the Assignor's:
 - (a) internal sanctions and export control policy (or equivalent); or
 - (b) anti-bribery and corruption policy,in each case in force from time to time, provided that such policy applies to all Affiliates of the Assignor and the policy is applied in the same way it would apply if the Assignee were an Affiliate of the Assignor,
- each such Vaccines Group Intellectual Property Right (being an "**Affected Right**" and each of (i) to (iii) being a "**Restriction**" and in the plural the "**Restrictions**"), Clauses 17.1.13 to 17.1.16 shall apply.
- 17.1.13** The relevant Assignor shall notify the Assignee as soon as reasonably practicable after Closing of:
- (i) each Affected Right and the country in which it is registered (or is the subject of an application to register); and
 - (ii) the relevant Restriction.
- 17.1.14** As soon as reasonably practicable and, in any event within three months after the date that Assignor notifies the Assignee of an Affected Right under Clause 17.1.13 above the parties shall discuss in good faith the means by which the Assignee may be able to achieve protection in the relevant country which is equivalent or similar to the protection provided by the Affected Right. Such means may include, without limitation:
- (i) the Assignee filing a new trade mark application and the Assignor providing to the Assignee the consent of the Assignor to the new application to endeavour to overcome any objection raised by the relevant intellectual property registry on relative grounds based on the Affected Right; or
 - (ii) the Assignor filing a WIPO trade mark application in the name of the Assignor, which shall be assigned by the Assignor to the Assignee on grant of registration or earlier if possible. The reasonable costs incurred by the Assignor in filing and prosecuting that registration to grant to be met by the Assignee; or
 - (iii) the Assignor withdrawing or cancelling any Affected Right subject to the written consent of the Assignee.

The parties will agree such means as are possible in light of the limitations imposed by the Restrictions and both parties will use reasonable efforts to achieve the agreed means. Neither party shall be obliged to take any action agreed pursuant to this Clause 17.1.14 to the extent that such party is prevented from doing so by a Restriction.

The reasonable costs incurred by either party in fulfilling any such actions shall be met by the Assignee.

- 17.1.15** The relevant Assignor undertakes (at the cost of the Assignee), during the current registration period up to the next renewal date of the Affected Right:
- (i) to take any action to comply with its Further Assurance Obligations to the extent it is able to do so given the Restrictions;
 - (ii) to comply with its Further Assurance Obligations as soon as reasonably practicable if and to the extent that such obligations are no longer prevented by the Restrictions; and
 - (iii) not to take any other action in connection with an Affected Right without the consent of the Assignee.
- 17.1.16** The parties acknowledge that in relation to Vaccines Group Intellectual Property Rights that are Trademarks, there is nothing in this Agreement to preclude the Assignee from taking action to revoke or cancel an Affected Right and the Assignor hereby undertakes not to defend any such action.

17.2 Whole Agreement

- 17.2.1** This Agreement and the Ancillary Agreements contain the whole agreement between the parties relating to the subject matter of this Agreement at the date hereof to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the parties in relation to the matters dealt with in this Agreement.
- 17.2.2** The Purchaser acknowledges that, in entering into this Agreement, it is not relying on any representation, warranty or undertaking not expressly incorporated into it.
- 17.2.3** Each of the parties agrees and acknowledges that its only right and remedy in relation to any representation, warranty or undertaking made or given in connection with this Agreement shall be for breach of the terms of this Agreement and each of the parties waives all other rights and remedies (including those in tort or arising under statute) in relation to any such representation, warranty or undertaking.
- 17.2.4** In Clauses 17.2.1 to 17.2.3, “**this Agreement**” includes the Ancillary Agreements and all other documents entered into pursuant to this Agreement.
- 17.2.5** Nothing in this Clause 17.2 excludes or limits any liability for fraud.

17.3 No Assignment

No party may without the prior written consent of the other parties, assign, grant any security interest over, hold on trust or otherwise transfer the benefit of the whole or any part of this Agreement.

17.4 Third Party Rights

- 17.4.1** Subject to Clause 17.4.2, the parties to this Agreement do not intend that any term of this Agreement should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.
- 17.4.2** Certain provisions of this Agreement confer benefits on the Affiliates of the Purchaser and the Affiliates of the Seller (each such Affiliate being, for the purposes of this Clause 17.4, a “**Third Party**”) and, subject to Clause 17.4.3, are intended to be enforceable by each Third Party by virtue of the Contracts (Rights of Third Parties) Act 1999.
- 17.4.3** Notwithstanding Clause 17.4.2, this Agreement may be varied in any way and at any time without the consent of any Third Party.

17.5 Variation or waiver

- 17.5.1** No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the parties.
- 17.5.2** No failure or delay by a party in exercising any right or remedy provided by Applicable Law or under this Agreement or any Ancillary Agreement shall impair such right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

17.6 Method of Payment and set off

- 17.6.1** Except as set out in Clause 17.6.2, payments (including payments pursuant to an indemnity, compensation or reimbursement provision) made or expressed to be made by the Purchaser and the Seller pursuant to this Agreement or any claim for breach of this Agreement shall, insofar as the payment or claim relates to or affects any Shares (including the underlying Vaccines Group Companies transferred (directly or indirectly) by reason of the transfer of those Shares), assets or liabilities, transferred pursuant to this Agreement and the Local Transfer Documents, be made or received (as the case may be) by:
- (i) the Seller, for itself or as agent on behalf of the relevant Share Seller or the Business Seller (each in respect of the Shares and/or assets and liabilities to be transferred by it pursuant to this Agreement and the Local Transfer Documents); and
 - (ii) the Purchaser, for itself or as agent on behalf of the relevant members of the Purchaser’s Group (each in respect of Shares and/or the assets and liabilities to be transferred by it pursuant to this Agreement and the Local Transfer Documents).
- 17.6.2** The repayment of the Estimated Intra-Group Non-Trade Receivables and the Estimated Intra-Group Non-Trade Payables pursuant to Clause 6.4.3 and any adjustments to such repayment pursuant to Clause 7.4 shall be settled by payments between the Seller, on behalf of the relevant members of the Seller’s Group, and the Purchaser, on behalf of the relevant Group Companies.

17.6.3 Any payments pursuant to this Agreement shall be made in full, without any set-off, counterclaim, restriction or condition and without any deduction or withholding (save as may be required by law or as otherwise agreed), except that payments due between the Seller and the Purchaser:

(i) in relation to repayments of the Estimated Intra-Group Non-Trade Payables and Estimated Intra-Group Non-Trade Receivables pursuant to Clause 6.4.3; or

(ii) in relation to adjustments to those repayments pursuant to Clause 7.4,

respectively, shall be discharged to the fullest extent possible by way of set-off against each other.

17.6.4 Any payments pursuant to this Agreement shall be effected by crediting for same day value the account specified by the Seller or the Purchaser (as the case may be) on behalf of the party entitled to the payment (reasonably in advance and in sufficient detail to enable payment by telegraphic or other electronic means to be effected) on or before the due date for payment.

17.6.5 Payment of a sum in accordance with this Clause 17.6 shall constitute a payment in full of the sum payable and shall be a good discharge to the payer (and those on whose behalf such payment is made) of the payer's obligation to make such payment and the payer (and those on whose behalf such payment is made) shall not be obliged to see to the application of the payment as between those on whose behalf the payment is received.

17.7 Costs

17.7.1 Subject to Clauses 17.1 and 17.8, the Seller shall bear all costs incurred by it and its Affiliates in connection with the preparation and negotiation of, and the entry into, this Agreement, the Local Transfer Documents, the Tax Indemnity and the sale of the Vaccines Group.

17.7.2 Subject to Clause 17.1, the Purchaser shall bear all such costs incurred by it and its Affiliates in connection with the preparation and negotiation of, and the entry into, this Agreement, the Local Transfer Documents, the Tax Indemnity and the purchase of the Vaccines Group.

17.8 Notarial Fees, Registration, Stamp and Transfer Taxes and Duties

17.8.1 Subject to Clauses 2.3.5, 2.3.6, 17.1 and 17.8.2, the Purchaser or the relevant member of the Purchaser's Group:

(i) shall bear the cost half of all notarial fees and all registration, stamp and transfer taxes and duties or their equivalents (which fees, taxes, duties or equivalents shall not include, for the avoidance of doubt, the \$0.75 per antigen excise tax imposed by 26 United States Code section 4131 on the sale of certain vaccines products) in all jurisdictions where such fees, taxes and duties are payable as a result of the transactions contemplated by this Agreement the other half of such cost to be borne by the Seller;

(ii) shall be responsible for arranging the payment of all such fees, taxes and duties, including fulfilling any administrative or reporting obligation imposed by the jurisdiction in question in connection with such payment; and

- (iii) shall indemnify the Sellers or any other member of the Seller's Group against any Losses suffered by that Seller or member of the Seller's Group as a result of the Purchaser failing to comply with its obligations under this Clause 17.8.

17.8.2 The Purchaser and the Seller shall make or procure the making of such payments to each other (and to each other's Affiliates) as are necessary to ensure the sharing of cost provided for under Clause 17.8.1.

17.9 Interest

If any party defaults in the payment when due of any sum payable under this Agreement, the Local Transfer Documents or the Tax Indemnity the liability of that party shall be increased to include interest on such sum from the date when such payment is due until the date of actual payment (as well after as before judgment) at a rate per annum of two per cent. above LIBOR. Such interest shall accrue from day to day.

17.10 Grossing-up

17.10.1 All sums payable under this Agreement, the Local Transfer Documents and the Tax Indemnity shall be paid free and clear of all deductions, withholdings, set-offs or counterclaims whatsoever save only as may be permitted by Clause 17.6.3 or required by law. Subject to Clauses 17.10.3 to 17.10.7 if any deductions or withholdings are required by law the party making the payment shall (except in the case of (i) any interest payable under Clause 7.5 or 17.9 (ii) or any amount payable under Schedule 17 which would not have been the subject of a deduction or withholding had it been paid to a company resident in Switzerland for the purposes of the double taxation treaty between Belgium and Switzerland which was beneficially entitled to the payments and was not party to a conduit arrangement in respect of them) be obliged to pay to the other party such sum as will after such deduction or withholding has been made leave the other party with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding, provided that if either party to this Agreement shall have assigned or novated the benefit in whole or in part of this Agreement or shall, after the date of this Agreement, have changed its tax residence or the permanent establishment to which the rights under this Agreement are allocated then the liability of the other party under this Clause 17.10.1 shall be limited to that (if any) which it would have been had no such assignment, novation or change taken place.

17.10.2 If either party is or becomes aware of any facts making it reasonably likely that the Purchaser, or any relevant member of the Purchaser's Group, will be required to deduct or withhold any amount in respect of the Purchase Price (excluding any amount payable under Schedule 17) (a "**Relevant Tax Deduction**"), then that party shall, as soon as reasonably practicable, give notice to the other party (including details of the relevant facts and, so far as possible, details of the rate and basis of such withholding) provided that for purposes of this Clause 17.10.2, the Seller may assume that the Purchase Price will be paid by (and for) a company resident for Tax purposes only in Belgium.

17.10.3 The Seller and the Purchaser shall, and shall procure that the members of their respective groups shall (at the Seller's cost), co-operate with each other in good

faith and use all reasonable efforts to reduce or mitigate any Relevant Tax Deduction (or its amount) and/or to enable the Seller or the relevant Share Seller or Business Seller to obtain any available credit or refund in respect of such Relevant Tax Deduction, including, without limitation, making any available claim under an applicable double taxation treaty.

- 17.10.4** Without prejudice to the generality of Clause 17.10.3, the Seller and the Purchaser shall co-operate in good faith to establish or agree the amount or basis of calculation of any Relevant Tax Deduction prior to Closing (and in this regard the Purchaser shall consider reasonably any relevant information or evidence provided or obtained by the Seller) including, if requested by the Seller and at the Seller's expense, by seeking to obtain a ruling or confirmation from a relevant Tax Authority, or obtaining an opinion from reputable local tax counsel or a firm of accountants of international standing satisfactory to the Purchaser (acting reasonably) and instructed jointly by the Seller and the Purchaser.
- 17.10.5** The Purchaser shall, or shall procure that the relevant member of the Purchaser's Group shall, make any Relevant Tax Deduction in the minimum amount required by Applicable Law, provided that:
- (i) if a double taxation treaty between the jurisdiction under the laws of which the Relevant Tax Deduction is required and the jurisdiction of residence of the Seller or the relevant Share Seller or Business Seller is in force, the Purchaser shall (and shall procure that any relevant member of the Purchaser's Group shall) make any Relevant Tax Deduction in an amount not exceeding the rate specified in such double taxation treaty (which may be nil), provided that the Seller has provided the Purchaser with such evidence as is required under Applicable Law to establish the entitlement of the Seller (or relevant Share Seller or Business Seller) to the benefit of the applicable treaty; and
 - (ii) if an opinion from reputable local counsel or a firm of accountants of international standing has been obtained at the request of the Seller as envisaged by Clause 17.10.4, the Purchaser shall (and shall procure that any relevant member of the Purchaser Group shall) make such Relevant Tax Deduction in an amount or on a basis which is consistent with that opinion (which may result in no withholding or deduction), provided that the Seller has indemnified the Purchaser and any relevant member of the Purchaser's Group, to the Purchaser's reasonable satisfaction, against any Liabilities arising (including any interest and penalties) should such opinion be wholly or partly incorrect.
- 17.10.6** The Purchaser shall promptly provide the Seller with evidence reasonably satisfactory to the Seller that a Relevant Tax Deduction has been made and an appropriate amount paid to the relevant Tax Authority.
- 17.10.7** If any Relevant Tax Deduction is required an additional sum shall be payable in accordance with Clause 17.10.1 only if and to the extent that such deduction or withholding would not have been required had the Purchaser and each member of the Purchaser's Group making such payment or to which such payment relates been resident for Tax purposes only in Belgium.

17.11 Notices

17.11.1 Any notice or other communication in connection with this Agreement (each, a “**Notice**”) shall be:

- (i) in writing in English; and
- (ii) delivered by hand, fax, or by courier using an internationally recognised courier company.

17.11.2 A Notice to the Seller shall be sent to such party at the following address, or such other person or address as the Seller may notify to the Purchaser from time to time:

Novartis AG

Postfach
CH-4002 Basel
Switzerland

Fax: +41 613244300

Attention: Head of M&A Legal, Novartis International AG

with a copy to the Seller’s Lawyers, marked for the urgent attention of James Inglis (delivery of such copy shall not in itself constitute valid notice).

17.11.3 A Notice to the Purchaser shall be sent to such party at the following address, or such other person or address as the Purchaser may notify to the Seller from time to time:

GlaxoSmithKline plc

980 Great West Road
Brentford
Middlesex TW8 9GS
United Kingdom

Fax: +44 (0)208 0476904

Attention: The Company Secretary

with a copy to the Purchaser’s Lawyers, marked for the urgent attention of Simon Nicholls (delivery of such copy shall not in itself constitute valid notice).

17.11.4 A Notice shall be effective upon receipt and shall be deemed to have been received:

- (i) at the time of delivery, if delivered by hand or courier;
- (ii) at the time of transmission in legible form, if delivered by fax.

17.12 Invalidity or Conflict

17.12.1 If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, the provision shall apply with whatever deletion or modification is necessary so that the provision is legal, valid and enforceable and gives effect to the commercial intention of the parties.

- 17.12.2** To the extent it is not possible to delete or modify the provision, in whole or in part, under Clause 17.12.1, then such provision or part of it shall, to the extent that it is illegal, invalid or unenforceable, be deemed not to form part of this Agreement and the legality, validity and enforceability of the remainder of this Agreement shall, subject to any deletion or modification made under Clause 17.12.1, not be affected.
- 17.12.3** If there is any conflict between the terms of this Agreement and any of the Ancillary Agreements this Agreement shall prevail (as between the parties between this Agreement and as between any member of the Seller Group and any member of the Purchaser Group) unless (i) such Ancillary Agreement expressly states that it overrides this Agreement in the relevant respect and (ii) the Seller and the Purchaser are either also parties to that Ancillary Agreement or otherwise expressly agree in writing that such Ancillary Agreement shall override this Agreement in that respect.
- 17.12.4** For the avoidance of doubt, nothing in this Agreement is intended to limit the Liabilities of any party under any Ancillary Agreement (other than, to the extent expressly stated, the Tax Indemnity).

17.13 Counterparts

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any party may enter into this Agreement by executing any such counterpart. Delivery of a counterpart of this Agreement by email attachment shall be an effective mode of delivery.

17.14 Governing Law and Submission to Jurisdiction

- 17.14.1** This Agreement and the documents to be entered into pursuant to it, save as expressly referred to therein, and any non-contractual obligations arising out of or in connection with the Agreement and such documents shall be governed by and construed in accordance with English law.
- 17.14.2** Each of the parties irrevocably agrees that the courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Agreement and the documents to be entered into pursuant to it, save as expressly referred to therein, and that accordingly any proceedings arising out of or in connection with this Agreement and the documents to be entered into pursuant to it shall be brought in such courts. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

17.15 Appointment of Process Agent

- 17.15.1** The Seller hereby irrevocably appoints Hackwood Secretaries Limited of One Silk Street, London EC2Y 8HQ as its agent to accept service of process in England and Wales in any legal action or proceedings arising out of this Agreement, service upon whom shall be deemed completed whether or not forwarded to or received by the Seller.
- 17.15.2** The Seller agrees to inform the Purchaser in writing of any change of address of such process agent within 28 days of such change.

- 17.15.3** If such process agent ceases to be able to act as such or to have an address in England and Wales, the Seller irrevocably agrees to appoint a new process agent in England and Wales and to deliver to the Purchaser within 14 days a copy of a written acceptance of appointment by the process agent.
- 17.15.4** Nothing in this Agreement shall affect the right to serve process in any other manner permitted by law.

This Agreement has been entered into on the date stated at the beginning.

SIGNED by

AND

for and on behalf of
NOVARTIS AG:

SIGNED by

for and on behalf of
GLAXOSMITHKLINE PLC:

}

}

}

Schedule 1
Details of the Share Sellers, Shares etc.
(Clause 2.1)

| (1) Name of Share Seller | (2) Name of Company/Minority Interest Entity | (3) Shares |
|--|---|---|
| Novartis Deutschland GmbH | Novartis Vaccines and Diagnostics GmbH | 2 shares (100%) |
| Novartis Pharma AG | Novartis Vaccines and Diagnostics S.A.S | 93,750 shares (100%) |
| Novartis Farmaceutica S.A | Novartis Vaccines and Diagnostics S.L | 150,100 shares (100%) |
| Novartis Pharma AG | Novartis Vaccines and Diagnostics AG | 1,600 shares (100%) |
| Novartis Pharma AG | Novartis Vaccines and Diagnostics S.r.l. | 1 quota of entire share capital (as defined under Italian law) (100%) |
| Novartis Pharma AG | Novartis Vaccines and Diagnostics Pty Ltd | 1,024,921 shares (100%) |
| (A) Novartis Pharma AG (B) Novartis Vaccines and Diagnostics Inc. | Chiron Behring Vaccines Private Limited | (A) 4,900,000 shares (49%) (B) 5,100,000 shares (51%) TOTAL: 10,000,000 shares |
| Novartis Overseas Investments AG | Zhejiang Tianyuan Bio-Pharmaceutical Co., Ltd | 85% |
| Novartis Pharma AG | Novartis Vaccines Institute for Global Health S.r.l. | 1 quota of entire share capital (as defined under Italian law) (100%) |
| (A) Novartis Pharma AG | Valneva SE | (A) 3,788,048 (6.63%) |
| (B) Novartis Vaccines and Diagnostics Inc. | | (B) 1,560,000 (2.73%) |

Schedule 2
Companies, Subsidiaries and Minority Interest Entities

1 Particulars of the Companies

| | | |
|----------------------------------|--|-------------------|
| Name of Company: | Novartis Vaccines and Diagnostics GmbH | |
| Registered Number: | HRB 5629 | |
| Registered Office: | Emil-von-Behring-Str. 76, 35041 Marburg, Germany | |
| Date and place of incorporation: | | |
| Issued share capital: | EUR 5,000,000.00 divided into 2 shares of 1 EUR and EUR 4,999,999 each | |
| Shareholders and shares held: | Novartis Deutschland GmbH | 2 (100%) |
| Name of Company: | Novartis Vaccines and Diagnostics SAS | |
| Registered Number: | 423 697 168 | |
| Registered Office: | 10, rue Chevreul, 92150 Suresnes, France | |
| Date and place of incorporation: | 22 July 1999, Nanterre | |
| Issued share capital: | EUR 1,500,000 divided into 93,750 shares of EUR 16 each | |
| Shareholders and shares held: | Novartis Pharma AG | 93,750 (100%) |
| Name of Company: | Novartis Vaccines and Diagnostics S.L. | |
| Registered Number: | B58564808 | |
| Registered Office: | Gran Via de les Corts Catalanes, 764. 08013 Barcelona, Spain | |
| Date and place of incorporation: | 19 September 1988, Barcelona | |
| Issued share capital: | EUR 675,450 divided into 150,100 shares of EUR 4.50 each | |
| Shareholders and shares held: | Novartis Farmaceutica S.A | 150,100 (100%) |

Name of Company: **Novartis Vaccines and Diagnostics AG**
Registered Number: CHE-103.264.079
Registered Office: Basel, Switzerland
Date and place of incorporation: 28 September 1953, Avenches
Issued share capital: CHF 800,000.00 divided into 1,600 shares of CHF 500 each
Shareholders and shares held: Novartis Pharma AG 1,600 shares (100%)

Name of Company: **Novartis Vaccines and Diagnostics S.r.l.**
Registered Number: 01392770465
Registered Office: Via Fiorentina 1, 53100, Siena, Italy
Date and place of incorporation: 18 September 1990, Barga (LU)
Issued share capital: EUR 41,610,809.00 comprising 1 quota of entire share capital
Shareholders and shares held: Novartis Pharma AG 1 (100%)

Name of Company: **Novartis Vaccines and Diagnostics Pty Limited**
ABN / ACN: ABN 60 089 509 544; ACN 089 509 544
Registered Office: 54 Waterloo Road, North Ryde NSW 2113, Australia
Date and place of incorporation: 10 September 1999, Victoria
Issued share capital: ASD 1,024,921 divided into 1,024,921 shares of ASD 1 each
Shareholders and shares held: Novartis Pharma AG 1,024,921 (100%)

Name of Company: **Chiron Behring Vaccines Private Limited**
Registered Number: U24230MH1997PTC111122
Registered Office: 501 Shree Amba Shanti Chambers, Kurla Road, Andheri, Mumbai 400059, India
Date and place of incorporation: 7 October 1997, Mumbai

| | | |
|----------------------------------|---|--------------------|
| Name of Company: | Chiron Behring Vaccines Private Limited | |
| Issued share capital: | INR 100,000,000 divided into 10,000,000 shares of INR 10 each | |
| Shareholders and shares held: | Novartis Pharma AG | 4,900,000 (49%) |
| | Novartis Vaccines and Diagnostics Inc. | 5,100,000 (51%) |
| Name of Company: | Zhejiang Tianyuan Bio-Pharmaceutical Co., Ltd. (浙江天元生物药业有限公司) | |
| Registered Number: | 330000000015616 | |
| Registered/Principal Office: | No.56 Tian He Road, Yuhang Economic Development Zone, Hangzhou, Zhejiang Province, PRC. | |
| Date and place of incorporation: | | |
| Registered capital: | RMB 46,800,000 | |
| Paid-in capital: | RMB 46,800,000 | |
| Total investment amount: | RMB 117,000,000 | |
| Shareholder and shares held: | Novartis Overseas Investments AG | 85% |
| Name of Company: | Novartis Vaccines Institute for Global Health S.r.l. | |
| Registered Number: | 01204770521 | |
| Registered/Principal Office: | Via Fiorentina 1, 53100, Siena, Italy | |
| Date and place of incorporation: | 2 February 2007, Siena, Italy | |
| Issued share capital: | EUR 500,000.00 comprising 1 quota of entire share capital | |
| Shareholder and shares held: | Novartis Pharma AG | 1 (100%) |

2 Particulars of the Subsidiaries

| | |
|----------------------------|---|
| Name of Subsidiary: | Novartis Vaccines Vertriebs GmbH |
| Registered Number: | HRB 193621 |
| | 107 |

| | |
|----------------------------------|--|
| Name of Subsidiary: | Novartis Vaccines Vertriebs GmbH |
| Registered Office: | Rudolf-Diesel-Ring 27, 83607 Holzkirchen, Germany |
| Date and place of incorporation: | |
| Issued share capital: | EUR 26,000.00 divided into 2 shares of EUR 25,600 and EUR 400 each |
| Shareholders and shares held: | Novartis Vaccines and Diagnostics GmbH 2 (100%) |

3 Particulars of the Minority Interest Entities

| | |
|----------------------------------|--|
| Name of Company: | Valneva SE |
| Registered Number: | 422 497 560 RCS Lyon |
| Registered Office: | 70 Rue Saint Jean de Dieu, 69007 Lyon, France |
| Date and place of incorporation: | Initially incorporated on 26 January 2011, Commercial Court (<i>greffe du Tribunal de Commerce</i>) of Roussay, France Incorporated with the Commercial Court (<i>greffe du Tribunal de Commerce</i>) of Lyon, France since change of registered office on 28 May 2013. |
| Issued share capital: | €8,390,317.14, divided into 54,746,333 ordinary shares of €0.15 each and 17,836,719 preferred shares with a nominal value of €0.01 each |
| Shareholders and shares held: | Novartis Vaccines & Diagnostics Inc. 1,560,000 Novartis Pharma AG 3,788,048 |

| | |
|----------------------------------|--|
| Name of Company: | Chiron Panacea Vaccines Private Limited |
| Registered Number: | U24230MH2004PTC147790 |
| Registered Office: | 7th Floor, A Wing, Sagar Tech Plaza Sakinaka, Mumbai 400072, Maharashtra, India |
| Date and place of incorporation: | 13 July 2004, Mumbai, India |

| | |
|-------------------------------|--|
| Name of Company: | Chiron Panacea Vaccines Private Limited |
| Issued share capital: | INR 45,918,200 (4,591,820 shares of INR 10 each) |
| Shareholders and shares held: | Novartis Vaccines & Diagnostic S.r.l. 2,295,910 (50%) |

Schedule 3
The Properties
Part 1
(Company Real Property)

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 3
The Properties
Part 2
(Transferred Real Property)

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Part B
Transferred Leased Real Property

- 1 BUSINESS SELLER:** **Shanghai Novartis Trading Ltd.**
- 1.1** Property Description: Units 01-02 (inclusive), 6th Floor, China World Office 1, Beijing, PRC
- Date and parties to Lease: Lease starting from 1 January 2014
- (1) China World Trade Centre Co., Ltd
 - (2) Shanghai Novartis Trading Ltd
- 1.2** Property Description: Unit. 1, Floor 22, No. 139, Central Ke Hua Road, Wu Hou District, Si Chuan Province, PRC
- Date and parties to Lease: Effective from 16 April 2013
- (1) Fu Qiang
 - (2) Shanghai Novartis Trading Ltd.
- 1.3** Property Description: Unit 2203, South Securities Plaza, East Ti Yu Road, Tian He District, Guang Zhou, Guang Dong Province, PRC
- Date and parties to Lease: Effective from 9 May 2013
- (1) Shi Hua
 - (2) Shanghai Novartis Trading Ltd.
- 1.4** Property Description: Unit 18 F, Bai Ma Plaza, Mi Du Qiao Road, Gong Shu District, Hangzhou, Zhe Jiang Province, PRC
- Date and parties to Lease: Lease starting from 1 May 2014
- (1) Ni Yu Dan and Zhou Ai Xian
 - (2) Shanghai Novartis Trading Ltd.
- 1.5** Property Description: C1310, Wan Da Plaza, Jing Si Road, Jinan, Shan Dong Province, PRC
- Date and parties to Lease: Effective from 23 April 2013
- (1) Liu Wenbo
 - (2) Shanghai Novartis Trading Ltd.

- 1.6** Property Description: Units 01-02 (inclusive), 26th Floor, International Plaza, No. 1788 West Nan Jing Road, Shanghai, PRC
- Date and parties to Lease: Effective from 17 October 2013
- (1) Shanghai Century Jing An Real Estate Development Co., Ltd
- (2) Shanghai Novartis Trading Ltd.
- 2 BUSINESS SELLER: Novartis Vaccines and Diagnostics, Inc.**
- 2.1** Property Description: Approximately 109,835 rentable feet in the buildings located at 45 Sidney Street and 75 Sidney Street, Cambridge, Massachusetts (plus 137 parking passes), US
- Date and parties to Lease: 27 August 2007
- (1) FC 45/75 Sidney, Inc.
- (2) Novartis Vaccines and Diagnostics, Inc.
- 2.2** Property Description: 24,833 rentable square feet, representing the entire second floor, and approximately 7,257 rentable square feet on the third floor of the building located at 350 Massachusetts Avenue, Cambridge Massachusetts (plus 48 parking passes for the 55 Franklin Street Garage), US
- Date and parties to Lease: 19 March 2007
- (1) University Park Phase II Limited Partnership
- (2) Novartis Vaccines and Diagnostics, Inc.
- 2.3** Property Description: Residential Apartment at 100 Landsdowne Street, Apartment 1608, Cambridge, MA 02139
- Date and parties to Lease: 12 October 2013
- (1) Forest City Residential Management, Inc.
- (2) Novartis Vaccines and Diagnostics, Inc.
- 2.4** Property Description: 40,884 rentable square feet in building located at 7030 Kit Creek Road, Research Triangle Park, North Carolina, US
- Real Estate ID Number: 0206337, Wake County Tax Office

| | |
|----------------------------------|---|
| Date and parties to Lease: | 1 August 2013 |
| | (1) ARE-7030 Kit Creek, LLC |
| | (2) Novartis Vaccines and Diagnostics, Inc. |
| 3 BUSINESS SELLER: | Novartis Pharma B.V. |
| 3.1 Property Description: | Real property located on Hullenbergweg 81-135 (1011 CL), in Amsterdam, the Netherlands consisting of the ground floor (499 square meters), first floor (651 sq m), second floor (710 sq m), third floor (812 sq m) and fourth floor (147 sq) in building A and 43 parking spaces. |
| Date and parties to Lease: | 23 September 2004 |
| | (1) Dutch Property Company Rembrandt 6 B.V. as successor of IFH geschlossener Immobilienfonds für Holland GmbH & Co KG as original landlord in 2007. |
| | (2) Versatel Nederland B.V. as original tenant. |
| | (3) Novartis Pharma B.V. as successor of Chiron B.V. as original subtenant. |
| 4 BUSINESS SELLER: | Novartis Healthcare Private Limited Novartis Vaccines & Diagnostics BU |
| 4.1 Property Description: | Fourth Floor, Shree Amba Shanti Chambers, Andheri - Kurla Road, Opp. Hotel Leela, andheri (East), Mumbai -- 400 059, India |
| Date and parties to Agreement: | 26 September 2012 as renewed from time to time |
| | (1) Dhaval Atul Barot. |
| | (2) Novartis Healthcare Private Limited. |
| | (3) Novartis Vaccines & Diagnostics BU. |
| 4.2 Property Description: | Fifth Floor, Shree Amba Shanti Chambers, Andheri - Kurla Road, Opp. Hotel Leela, andheri (East), Mumbai - 400 059, India |
| Date and parties to Agreement: | 16 May 2012 |
| | (1) Rekha Atul Barot |
| | (2) Novartis Healthcare Private Limited |
| | (3) Novartis Vaccines & Diagnostics BU |

- 5 BUSINESS SELLER: Novartis Healthcare Philippines, Inc.**
- 5.1** Property Description: Fifth Floor of the Republic Glass Building, 196 Salcedo St., Legaspi Village, Makati City, consisting of an aggregate area of 618 sqm.
- Date and parties to Lease: Initial lease dated 10 January 2012 as renewed on 18 December 2014
- (1) Metropolitan Management Corporation
- (2) Novartis Healthcare Philippines, Inc.
- 5.2** Property Description: Two parking spaces at the Republic Glass Building Republic Glass Building, 196 Salcedo St., Legaspi Village, Makati City,
- Date and parties to Lease: Initial lease dated 12 November 2013 and further renewed on 18 December 2014
- (1) Metropolitan Management Corporation
- (2) Novartis Healthcare Philippines, Inc.
- 6 BUSINESS SELLER: Novartis Poland sp. z o.o.**
- 6.1** Property Description: ul. Rzymowskiego 34, PL-02-697, Warsaw, Poland
- Date and parties to Lease: 29 October 2013
- (1) BTA Office Building Sp. z o.o.
- (2) Novartis Poland sp. z o.o.
- 7 BUSINESS SELLER: Novartis s.r.o.**
- 7.1** Property Description: A building located at Domažlická 1161/5, 130 00 Prague 3, Czech Republic, located on plot of land No. 1995, in the real estate registration area of Žižkov.
- Date and parties to Lease: 7 May 2009
- (1) Rocco a.s.
- (2) Novartis s.r.o.

Schedule 3
The Properties
Part 3
Terms relating to the Company Real Property

1 General Provisions relating to the Company Real Property

1.1 Interpretation

The following further definitions apply in this Part 3 of Schedule 3:

“**Company Landlord**” means the person for the time being entitled to the reversion immediately expectant on the termination of the term granted by a Company Lease;

“**Company Leased Real Properties**” means the leasehold properties identified in Part B of Part 1 of this Schedule 3, and “**Company Leased Real Property**” means any one of them;

“**Company Leases**” means the leases, licence documents or tenancy agreements under which the Company Leased Real Properties are held, including all documents supplemental to them, and “**Company Lease**” means any one of them;

“**Company Owned Real Properties**” means the owned properties as identified in Part A of Part 1 of this Schedule 3 together with all buildings, structures, fixed plant, fixed machinery and fixed equipment thereon (except as excluded in Clause 2.3.2), and “**Company Owned Real Property**” means any one of them;

“**Company Real Property Longstop Date**” means the date on which a court of competent jurisdiction finally determines that a Company Third Party Consent has been lawfully refused or cannot be obtained and/or that the Purchaser may not acquire (directly or indirectly, acting through a subsidiary) the relevant Company Real Property;

“**Company Third Party Consents**” means all consents, licences, approvals, permits, authorisations or waivers required from any Company Landlord, superior landlord and/or other third party, including any consents, licences, approvals, permits, authorisations or waivers required by any legislation or regulation or by any statutory, governmental, state, provincial or municipal bodies or authorities which are required under a Company Lease or otherwise in relation to any change of control, shareholders or directors of the Vaccines Group Companies, and “**Company Third Party Consent**” means any one of them;

“**German Carve-out Leases**” means the leases of the Company Leased Real Properties referred to at paragraphs 3.2 and 3.3 of Part B of Part 1 of Schedule 3 and any other lease(s) of the Company Leased Real Properties at the Marburg Site where the premises demised by such lease(s) are occupied by both the Business and the German Influenza Operations;

“**German Influenza Lease(s)**” has the meaning set out in paragraph 2.1 of this Part 3 of Schedule 3; and

“**German Vaccines Lease(s)**” has the meaning set out in paragraph 2.1 of this Part 3 of Schedule 3.

1.2 Company Third Party Consents

1.2.1 This paragraph 1.2.1 of Part 3 of Schedule 3 applies to those Company Real Properties in relation to which a Company Third Party Consent is required and if such Company Third Party Consent remains to be obtained as at the Closing Date this paragraph 1.2.1 of Part 3 of Schedule 3 shall continue to apply until the relevant Company Third Party Consent shall have been obtained or until the Company Real Property Longstop Date. If any Company Third Party Consents are required:

- (i) the Seller shall make an application for, and shall use all reasonable endeavours to obtain each Company Third Party Consent as soon as reasonably practicable following the date of this Agreement and shall at all times keep the Purchaser informed of progress in obtaining such Company Third Party Consents;
- (ii) the Purchaser shall supply such information and references as may reasonably be required by a Company Landlord, any superior landlord or other relevant third party in connection with a Company Third Party Consent;
- (iii) the Purchaser shall be responsible for and undertake to pay, or procure the giving of undertakings to pay the professional and other fees of any Company Landlord, any superior landlord or other relevant person (including any Tax or disbursements in respect of such fees but excluding any Tax on the actual net income, profit or gains of the Company Landlord, any superior landlord or any other relevant person) properly incurred in connection with any application for Company Third Party Consents, whether or not such Company Third Party Consents are given; and
- (iv) in respect of the period after Closing only, the Purchaser shall enter into such covenants for the payment of the rent under the Company Lease and for the observance and performance of the covenants and conditions contained in the Company Lease as may reasonably be required by the Company Landlord, any superior landlord or other relevant third party.

1.2.2 Each party shall give written notice to the other party as soon as reasonably practicable after obtaining any Company Third Party Consents which shall be accompanied by a copy of such consent.

1.2.3 Save as set out in paragraph 1.2.1(iii) of this Part 3 of Schedule 3, the Seller shall pay any moneys or provide or procure the giving of any guarantees or other security, in each case as may be lawfully required by a Company Landlord, superior landlord or other relevant third party in connection with the obtaining of the Company Third Party Consents, provided that the Purchaser shall indemnify and keep indemnified the Seller in an amount equal to:

- (i) any moneys required to be paid by the Seller pursuant to this paragraph; and
- (ii) any Liabilities under any guarantees or other security given or procured by the Seller pursuant to this paragraph and arising out of, or in connection with, an act or omission on the part of the Purchaser or (following Closing) the relevant Vaccines Group Company,

and where the Company Landlord, superior landlord or other relevant third party lawfully requires any guarantees or other security to be given by the person who is acquiring a membership interest in respect of the relevant Vaccines Group Company, the Purchaser shall provide or procure the giving of any such guarantees or security.

Company Third Party Consent not obtained

- 1.2.4** If a Company Third Party Consent has been refused or otherwise not obtained within twelve months following the Closing Date, the Seller and the Purchaser may (acting reasonably) agree that an application is to be made to a court of competent jurisdiction that the relevant Company Third Party Consent has been unreasonably withheld or delayed.
- 1.2.5** If an application is to be made to a court of competent jurisdiction pursuant to paragraph 1.2.4 of this Part 3 of Schedule 3:
- (i) the proceedings shall be brought by, and prosecuted at the expense of, the Purchaser;
 - (ii) the Seller shall provide all such assistance in connection with such proceedings as the Purchaser (acting reasonably) may require in the interests of obtaining the Company Third Party Consent; and
 - (iii) provided that the Seller has complied with its obligation under paragraph 1.2.1(i) of this Part 3 of Schedule 3, the Purchaser shall indemnify and keep indemnified the Seller for any costs and expenses properly incurred in connection with any such assistance provided by the Seller.
- 1.2.6** If a Company Third Party Consent has not been obtained by the Company Real Property Longstop Date then the Seller and the Purchaser shall each bear fifty per cent. of any Losses of the Seller and the Purchaser arising out of or in connection with the failure to obtain such Company Third Party Consent.

2 Specific provisions relating to the Marburg Site

- 2.1** The Seller agrees to procure that Novartis Vaccines and Diagnostics GmbH shall use reasonable efforts to procure the contemporaneous surrender of the German Carve-out Leases and the grant of replacement leases, certain of which shall relate to those parts of the premises demised by the German Carve-out Leases which are used by the Business (the “**German Vaccines Lease(s)**”), and certain other of which shall relate to the balance of the premises demised by the German Carve-out Leases (the “**German Influenza Lease(s)**”).
- 2.2** If Novartis Vaccines and Diagnostics GmbH is able to procure the surrender of the German Carve-out Leases and the grant of the German Vaccines Lease(s) and the German Influenza Lease(s) prior to Closing, it is acknowledged that:
- 2.2.1** the German Influenza Lease(s) shall be entered into by, or assigned prior to Closing to, an entity in the Seller’s Group Retained Business;
 - 2.2.2** the German Influenza Lease(s) shall not constitute lease(s) of Company Leased Real Property; and
 - 2.2.3** the demise of the relevant Company Leased Real Property set out in Part B of Part 1 of this Schedule 3 shall be deemed amended to exclude the premises demised

by the German Carve-out Leases and the German Influenza Lease(s) and to include reference to the premises demised by the German Vaccines Lease(s).

- 2.3** If Novartis Vaccines and Diagnostics GmbH is not able to procure the surrender of the German Carve-out Leases and the grant of the German Vaccines Lease(s) and the German Influenza Lease(s) prior to Closing, the Seller and the Purchaser shall use reasonable efforts to give practical effect to the above-described separation following Closing, and shall consider (without limitation):
- 2.3.1** continued negotiations with the relevant Company Landlords to achieve a separation of each German Carve-out Lease into a German Vaccines Lease and a German Influenza Lease, the latter of which shall be entered into by, or immediately assigned to, an entity in the Seller's Group Retained Business; or
 - 2.3.2** if a separation pursuant to paragraph 2.3.1 of this Part 3 of Schedule 3 is not achievable, a sub-lease of those parts of the premises demised by the German Carve-out Leases which are used by the German Influenza Operations to an entity in the Seller's Group Retained Business.
- 2.4** The Seller agrees to procure that Novartis Vaccines and Diagnostics GmbH shall not agree to any terms of any German Vaccines Lease(s) which are not substantially similar to the equivalent terms of the relevant underlying German Carve-out Lease without the consent of the Purchaser (not to be unreasonably withheld or delayed), and shall not agree to any terms of any German Influenza Lease(s) which are not substantially similar to the equivalent terms of the relevant underlying German Carve-out Lease without the consent of the Seller (not to be unreasonably withheld or delayed).
- 2.5** In connection with the implementation of the arrangements set out in this paragraph 2 of Part 3 of Schedule 3, the parties agree to work together prior to Closing (or, where paragraph 2.3 of this Part 3 of Schedule 3 applies, after Closing) to agree the provision of any site engineering services reasonably required by the other in order to operate those premises demised by the German Vaccines Lease(s) or the German Influenza Lease(s), as applicable, in substantially the same manner as operated immediately prior to Closing. Such services may include, but are not limited to, supply of water, gas and electricity, the operation of clean utility systems (water for injection, clean steam, clean gases, etc.), facility services contract management and administration, preventive and corrective maintenance, and shutdown coordination.

Schedule 3
The Properties
Part 4
Terms relating to the Transferred Real Property

1 General Provisions Relating to the Transferred Real Property

1.1 Interpretation

The following further definitions apply in this Part 4 of Schedule 3:

“**Landlord**” means the person for the time being entitled to the reversion immediately expectant on the termination of the term granted by a Lease;

“**Leases**” means the leases, licences or tenancy agreements under which the Transferred Leased Real Properties are held by the relevant member of the Seller’s Group, including all documents supplemental to them, and “**Lease**” means any one of them;

“**Letting Document**” means any lease, licence or tenancy agreement to which a Transferred Real Property is subject;

“**Licence**” means a right in favour of the Purchaser and all persons authorised by it to occupy the Licensed Premises during the Licence Period pursuant to this Part 4 of Schedule 3;

“**Licence Fee**” means the payments to be made by the Purchaser to the Seller’s Group pursuant to paragraph 1.4.4 of this Part 4 of Schedule 3;

“**Licence Period**” means a period, which may be different for each of the Licensed Premises, commencing on the Closing Date and ending on the earliest of the following dates:

- (i) the date on which this Agreement is terminated by whatever means whether in whole or in relation to the relevant Licensed Premises;
- (ii) the date immediately preceding the date on which the term of the relevant Lease ends by whatever means;
- (iii) the date of Property Transfer Completion in relation to the relevant Transferred Real Property; and
- (iv) the Property Longstop Date;

“**Licensed Premises**” means any of the Transferred Real Properties for which all relevant Property Third Party Consents have not been obtained prior to, or at, the Closing Date;

“**Property Agreed Terms**” means a transfer in the terms agreed between the relevant Business Seller, the Purchaser and any relevant third party or determined pursuant to paragraph 1.3.2 of this Part 4 of Schedule 3 and signed for identification by or on behalf of the Business Sellers and by or on behalf of the Purchaser from time to time before or after the date of this Agreement, with such alterations as may be agreed from time to time in writing between the relevant Business Seller, the Purchaser and any relevant third party;

“**Property Longstop Date**” means the date on which a court of competent jurisdiction finally determines that a Property Third Party Consent has been lawfully refused;

“**Property Third Party Consents**” means all consents, licences, approvals, permits, authorisations or waivers required from any Landlord, superior landlord and/or other third party, including any consents, licences, approvals, permits, authorisations or waivers required by any legislation or regulation or by any statutory, governmental, state, provincial or municipal bodies or authorities for or in connection with the transfer of a Transferred Real Property by the Business Sellers to the Purchaser and includes (where the context so admits) Sublease Consents;

“**Property Transfer Completion**” means the completion of the transfer of a Transferred Real Property under this Agreement, where such completion does not take place on the Closing Date because any relevant Property Third Party Consents have not been obtained on or prior to such date;

“**Property Transfer Completion Date**” means the date of Property Transfer Completion in accordance with paragraph 1.7 of this Part 4 of Schedule 3;

“**Registered Title**” means the registered title relating to a Transferred Real Property;

“**Sublease Consent**” has the meaning given to it in paragraph 1.11.2 of this Part 4 of Schedule 3;

“**transfer**”, for the purposes of this Part 4 of Schedule 3 only, means in respect of a Transferred Leased Real Property, the transfer or assignment of the relevant Lease or Leases, and in the case of a Transferred Owned Real Property the transfer thereof, and “**a transfer**” means and includes any instruments, deeds or agreements effecting such transfer;

“**Transferred Leased Real Properties**” means the leasehold properties held by a Business Seller and identified in Part B of Part 2 of this Schedule 3 and “**Transferred Leased Real Property**” means any one of them; and

“**Transferred Owned Real Properties**” means the owned properties identified in Part A of Part 2 of this Schedule 3 together with all buildings, structures, fixed plant, fixed machinery and fixed equipment thereon (except as excluded in Clause 2.3.2), and “**Transferred Owned Real Property**” means any one of them.

1.2 Each of the Transferred Real Properties and/or the Leases thereof shall be transferred subject to the terms set out in this Part 4 of Schedule 3 and all other applicable terms of this Agreement.

1.3 Pre-Closing

1.3.1 Prior to Closing, the Business Sellers and the Purchaser shall agree (acting reasonably) the form of all documents on Property Agreed Terms necessary for the transfer of each of the Transferred Real Properties pursuant to the terms set out in this Part 4 of Schedule 3 and all other applicable terms of this Agreement.

1.3.2 Any dispute arising out of or connected with paragraph 1.3.1 of this Part 4 of Schedule 3 which is not resolved by agreement between the parties within nine months of such dispute arising shall be referred for and resolved by expert determination as follows:

- (i) either the relevant Business Seller or the Purchaser may initiate an expert reference under this provision by proposing to the other party the appointment of an expert (the “**Expert**”);

- (ii) the Expert shall either be the nearest equivalent to a chartered surveyor in the relevant jurisdiction or (in relation to legal issues) a single QC (or equivalent), in each case with no less than 15 years' post-qualification experience in commercial real estate in the relevant jurisdiction chosen by agreement between the relevant Business Seller and the Purchaser or, failing agreement within 14 days of the initiation of the reference, by the President for the time being of the relevant professional body to which the Expert belongs (the "**President**") on the application of either the relevant Business Seller or the Purchaser;
- (iii) the relevant Business Seller and the Purchaser shall request that the Expert determines the referred dispute within 10 days of receiving the reference;
- (iv) if the Expert has been appointed but is unable or unwilling to complete the reference, another Expert shall be appointed by agreement between the relevant Business Seller and the Purchaser or, failing agreement within 7 days of the parties being notified that the Expert is unable or unwilling to complete the reference, by the President on the application of either party;
- (v) the Expert shall act as an expert and not as an arbitrator;
- (vi) the relevant Business Seller and the Purchaser shall have the right to make representations and submissions to the Expert, but there will be no formal hearing;
- (vii) the relevant Business Seller and the Purchaser shall make all relevant documents and information within their control available to the Expert;
- (viii) the costs of the Expert shall be borne equally by the relevant Business Seller and the Purchaser; and
- (ix) the decision of the Expert shall, in the absence of fraud or manifest error, be final and binding on the parties.

1.3.3

This paragraph 1.3.3 of Part 4 of Schedule 3 applies to those Transferred Real Properties in relation to which a Property Third Party Consent is required and if such Property Third Party Consent remains to be obtained as at the Closing Date this paragraph 1.3.3 of Part 4 of Schedule 3 shall continue to apply until the relevant Property Third Party Consent shall have been obtained or until the Property Longstop Date. If any Property Third Party Consents are required:

- (i) the Seller or relevant Business Seller shall make an application for, and shall use all reasonable endeavours to obtain each Property Third Party Consent as soon as reasonably practicable following the date of this Agreement for the transfer of the Transferred Real Property and shall, at all times, keep the Purchaser informed of progress in obtaining such Property Third Party Consents;
- (ii) the Purchaser shall:
 - (a) supply such information and references as may reasonably be required by a Landlord, any superior landlord or other relevant third party in connection with a Property Third Party Consent;

- (b) in respect of the period after Closing only, enter into such covenants for the payment of the rent in respect of the Transferred Leased Real Properties and for the observance and performance of the covenants and conditions on the part of the lessee contained in any Lease as may reasonably be required by the Landlord, any superior landlord or other relevant third party;
- (c) if reasonably required by the Landlord, any superior landlord or other relevant third party, provide a rent deposit or procure that a surety acceptable to such person guarantees the Purchaser's obligations under the Lease following the transfer of the relevant Transferred Leased Real Property; and
- (d) be responsible for and undertake to pay, or procure the giving of undertakings to pay the professional and other fees of any Landlord, any superior landlord or other relevant person (including any Tax or disbursements in respect of such fees but excluding any Tax on the actual net income, profit or gains of the Landlord, any superior landlord or any other relevant person) properly in connection with any application for Property Third Party Consents, whether or not such Property Third Party Consents are given.

1.3.4 Each party shall give written notice to the other party as soon as reasonably practicable after obtaining any Property Third Party Consents which shall be accompanied by a copy of such consent.

1.3.5 Subject to the Purchaser complying with its obligations under paragraphs 1.3.3(ii)(b) to (d) of this Part 4 of Schedule 3, the Seller shall pay, or shall procure that a member of the Seller's Group pays, any moneys or provide or procure the giving of any guarantees or other security, in each case as may be lawfully required by a Landlord, superior landlord or other relevant third party in connection with the obtaining of the Property Third Party Consents, provided that the Purchaser shall indemnify and keep indemnified the Seller in an amount equal to:

- (i) any moneys required to be paid or procured to be paid by the Seller pursuant to this paragraph; and
- (ii) any Liabilities under any guarantees or other security given or procured by the Seller pursuant to this paragraph and arising out of, or in connection with, an act or omission on the part of the Purchaser.

1.4 Licence

1.4.1 In the event that any Property Third Party Consents are not obtained on or before the Closing Date, notwithstanding the terms of the Leases, the Seller shall procure that the relevant Business Seller allows the Purchaser to occupy the Licensed Premises for the Licence Period relating to the relevant Licensed Premises on the terms set out in this paragraph 1.4 of Part 4 of Schedule 3.

1.4.2 The Purchaser acknowledges that the grant of each Licence may amount to a breach of the terms of the relevant Lease.

1.4.3 The Licence of each Licensed Premises is granted:

- (i) subject to all of the matters to which the relevant Leases relating to the Transferred Leased Real Property are subject;
- (ii) subject to the matters referred to in the Registered Title and the Letting Documents;
- (iii) out of whatever right, title and interest that the relevant Business Seller has in the Licensed Premises and/or under the Leases;
- (iv) in such state of repair and condition as the Licensed Premises may be in as at the date on which the relevant Licence is granted; and
- (v) without making any statement or representation that the relevant Business Seller is entitled to grant it.

1.4.4 From Closing and pending Property Transfer Completion, the Purchaser shall pay to the relevant Business Seller a “**Licence Fee**” equivalent to:

- (i) all rents and other charges (including VAT due thereon under the relevant Lease where payable at the date of this Agreement by the relevant Business Seller) payable in respect of the Licensed Premises; and
- (ii) all outgoings (including VAT due thereon under the relevant Lease) (including, but not limited to, rates, service charges, management charges, levies, air-conditioning charges, insurance, heating, electricity, gas, telecommunications and other services and the cost of complying with fire and other statutory regulations) payable by the relevant Business Seller in respect of the Licensed Premises or charged upon the owner or occupier of the Licensed Premises,

such payments to be made not less than 10 Business Days before any such sum falls due subject to the relevant Business Seller giving the Purchaser not less than 10 Business Days’ prior written notice to that effect. To the extent that there has been a prepayment at the Closing Date of the amounts in paragraphs 1.4.4(i) and (ii) of this Part 4 of Schedule 3 by the Seller’s Group which is not otherwise accounted for in the Closing Statement, the Purchaser shall pay to the relevant member of the Seller’s Group within 10 Business Days of written demand an amount equal to the amount of such prepayment in respect of any period after the Closing Date.

1.4.5 Throughout the Licence Period, the Purchaser shall, in respect of the Licensed Premises only:

- (i) keep the Licensed Premises in no worse a state of repair than they are in at the Closing Date, fair wear and tear excepted;
- (ii) observe and perform the covenants and conditions on the part of the lessee in the relevant Lease under which the relevant Business Seller holds the Licensed Premises (other than in relation to the payment of rent and other charges paid to the relevant Business Seller as part of the Licence Fee and subject to paragraph 1.4.5(i) of this Part 4 of Schedule 3); and
- (iii) use the Licensed Premises only in accordance with the terms of the Lease of the relevant Licensed Premises and in compliance with the law and

regulations where the relevant Licensed Premises is located (save for any such law or regulation that prohibits the use of the Licensed Premises without a Property Third Party Consent having been obtained).

- 1.4.6** The Purchaser and each Business Seller agree that:
- (i) the Licence is personal to the Purchaser and may only be exercised by the Purchaser and those authorised by it;
 - (ii) (subject to paragraph 1.4.5 of this Part 4 of Schedule 3) the Purchaser and all persons authorised by it are permitted to have the unrestricted use and occupation of the Licensed Premises; and
 - (iii) no relationship of landlord and tenant is created as a result of the Licence.
- 1.4.7** If a Landlord or any other relevant third party commences proceedings, raises any lawful objection or takes any other action in connection with the Purchaser's occupation or use of any of the Licensed Premises pending the obtaining of the relevant Property Third Party Consents, the Purchaser and the relevant Business Seller shall meet and negotiate in good faith in order to determine which steps should be taken in respect of the relevant Transferred Real Property.
- 1.4.8** Throughout the Licence Period, the Purchaser shall, in respect of the Licensed Premises only, indemnify and keep indemnified each member of the Seller's Group from and against any Licence Fee and any Losses arising from the Licence and/or as a result of the occupation of the Licensed Premises by the Purchaser.
- 1.4.9** The Purchaser and the Business Sellers shall each inform the other forthwith of any notice received by it in relation to any of the Licensed Premises from the Landlord or any other third party.

1.5 Determination of Licence

- 1.5.1** The Licence in relation to any one or more of the Licensed Premises shall determine:
- (i) immediately if the Property Longstop Date occurs; or
 - (ii) by the relevant Business Seller giving at least three months' prior written notice to the Purchaser if the Purchaser fails to make the payment of the Licence Fee for a period of one month or is otherwise in material breach of the provisions of the Licence for a continuous period of one month following written notification by the relevant Business Seller to the Purchaser of the same, and in either case the Purchaser has failed to remedy the relevant failure to pay or to remedy the breach prior to the expiry of the three month notice period (or, if the breach is not capable of remedy within such three month period, the Purchaser has failed to commence to remedy the breach within that period and thereafter failed diligently to continue with such remedy); or
 - (iii) if the relevant Landlord in relation to a Transferred Leased Real Property prosecutes forfeiture proceedings (or the nearest local law equivalent) as a result of the occupation by the Purchaser of the Licensed Premises then the parties shall either:

agree that the Licence shall determine on a date to be agreed between the parties (acting reasonably); or

in the absence of such agreement, either party may require a QC (or equivalent) with no less than 15 years' post-qualification experience in commercial real estate in the relevant jurisdiction to be appointed (such appointment to be by agreement between the Seller and the Purchaser or, failing agreement, within 14 days, by the President (as defined in paragraph 1.3.2(ii) of this Part 4 of Schedule 3)). Should the QC determine that there is more than a 50% chance of the proceedings in question resulting in the Lease in question being forfeited (or equivalent), then the Licence shall determine on a date to be agreed between the parties (acting reasonably) in order to afford the Seller the opportunity to apply for relief from forfeiture or otherwise challenge the proceedings in question on the basis that any breach resulting from the grant of the Licence has been cured,

provided that this paragraph 1.5.1(iii) shall at all times operate without prejudice to paragraphs 1.4.7, 1.5.1(i) and 1.12.

1.5.2 If, for whatever reason, the Licence Period comes to an end in relation to any of the Licensed Premises then:

- (i) the Licence insofar as it relates to the relevant Licensed Premises shall be severable from the remainder of this Agreement and this Agreement shall otherwise remain in full force and effect;
- (ii) the Purchaser shall not be entitled to any refund, abatement or reduction of the Purchase Price but shall be entitled to a refund in respect of any Licence Fee prior to the termination of the Licence for the Licensed Premises and which relates to the period following termination of the Licence;
- (iii) it shall not prejudice or affect any claim by any relevant Business Seller in respect of any prior breach of this Agreement by the Purchaser in respect of that Licensed Premises; and
- (iv) unless the Licence Period comes to an end due to Property Transfer Completion in respect of the relevant Licensed Premises taking place, the Purchaser shall:
 - vacate the Licensed Premises forthwith;
 - remove from the Licensed Premises all items belonging to it;
 - leave the Licensed Premises in a clean and tidy condition; and
 - at the request of the relevant Business Seller, reinstate the Licensed Premises or any part or parts thereof to at least as good a state of repair or condition as at Closing, fair wear and tear excepted.

1.6 Closing

1.6.1 The transfer of the Transferred Real Property shall only take place on Closing to the extent that all necessary Property Third Party Consents in respect of the relevant transfer have been obtained prior to the Closing Date.

- 1.6.2** Without prejudice to Clause 4.1.8, the Purchase Price shall be paid on the Closing Date in accordance with this Agreement even if any necessary Property Third Party Consents have not then been obtained and not all the Transferred Real Property is transferred on the Closing Date.
- 1.6.3** Completion of the transfer of the Transferred Real Property shall take place at such place (or places) as the parties may agree.

1.7 Property Transfer Completion

Property Transfer Completion in respect of a Transferred Real Property shall take place on the date falling 15 Business Days following the grant of all relevant Property Third Party Consents for such Transferred Real Property or on such other date as the parties shall agree acting reasonably (but not before the Closing Date).

1.8 General Transfer Provisions

- 1.8.1** The Seller shall procure that the relevant members of the Seller's Group shall transfer the Transferred Real Property to the Purchaser subject to the terms set out in this Part 4 of Schedule 3 and all other applicable terms of this Agreement on the Closing Date or (if later) Property Transfer Completion.
- 1.8.2** The Transferred Real Property is sold subject to the Letting Documents (if any) but otherwise with vacant possession together with all buildings, structures, fixed plant, fixed machinery and fixed equipment thereon except as excluded in Clause 2.3.2.
- 1.8.3** The transfer of each Transferred Real Property shall contain covenants with the relevant Business Seller by the Purchaser to comply with:
- (i) the obligations arising from the matters mentioned in the Registered Title; and
 - (ii) obligations on the part of the landlord arising under the Letting Documents (if any),
- insofar as the relevant Business Seller may remain liable directly or indirectly for them after the Closing Date or Property Transfer Completion (as the case may be) and to indemnify the relevant member of the Seller's Group against any non-compliance and a further covenant by the Purchaser to indemnify the relevant Business Seller against any liability arising under an authorised guarantee agreement (or equivalent) entered into by the relevant member of the Seller's Group.
- 1.8.4** The transfer of each Transferred Real Property shall be on the nearest equivalent terms that exist under local (national) law to a transfer of real property in England and Wales made with full title guarantee save that where it is a Transferred Leased Real Property the covenant set out in Section 4(2)(b) of the Law of Property (Miscellaneous Provisions) Act 1994 shall not extend to the imposition on the transferor of liability for any subsisting breach of obligation relating to the physical state of the Transferred Leased Real Property.
- 1.8.5** On the Closing Date or Property Transfer Completion (as the case may be) in respect of each of the Transferred Real Properties:

- (i) the Seller shall procure that the relevant Business Seller delivers to the Purchaser a duly executed transfer in respect of the relevant Transferred Real Property on Property Agreed Terms; and
- (ii) the Purchaser shall deliver to the Seller a duly executed transfer in respect of the relevant Transferred Real Property on Property Agreed Terms.

1.8.6 The Purchaser shall, at its own cost and expense, procure that all transfers are duly stamped, filed or registered at the relevant registries on a timely basis and within the statutory period (if any) and the relevant Business Seller shall promptly assist the Purchaser with any requisitions or enquiries raised in relation thereto.

1.9 Subjections

Notwithstanding anything contained in this Agreement:

1.9.1 Each of the Transferred Real Properties is transferred subject to and (where appropriate) with the benefit of the following matters (to the extent applicable under the laws of the relevant jurisdiction):

- (i) any unregistered interest which overrides first registration under Schedule 1 of the Land Registration Act 2002 (the “**2002 Act**”) and any interest which fall within Section 11(4)(c) of the 2002 Act and any unregistered interests which override registered dispositions under Schedule 3 of the 2002 Act or their local jurisdiction equivalent (if any);
- (ii) such unregistered interests as may affect that Transferred Real Property to the extent and for so long as they are preserved by the transitional provisions of Schedule 12 of the 2002 Act or its local jurisdiction equivalent (if any);
- (iii) all matters contained or referred to in the Letting Documents;
- (iv) all matters contained or referred to in the Property, Proprietorship and Charges registers (or equivalent entries and registers) of the Registered Title relating to that Transferred Real Property (except fixed and floating charges securing money or liabilities);
- (v) all exceptions, reservations, rights, easements, quasi-easements, wayleaves, rent charges, covenants, conditions, declarations, leases, tenancies (including statutory tenancies), licences and agreements affecting the same;
- (vi) (in the case of a leasehold property) the rents, covenants and conditions reserved by or contained in the Lease under which the same is respectively held;
- (vii) all local land charges (whether or not registered before the date of this Agreement) and all matters capable of registration as local land charges (whether or not actually registered) or their local jurisdiction equivalent (if any);
- (viii) all notices served and orders, demands, proposals, or requirements made by any local or other public or competent authority;

- (ix) all actual or proposed orders, directions, plans, notices, instruments, charges, restrictions, conditions, agreements or other matters arising under any statute relating to town and country planning and any laws and regulations intended to control or regulate the construction, demolition, alteration or change of use of land or buildings or to preserve or protect the environment; and
 - (x) matters which are fairly disclosed by the Disclosure Letter.
- 1.9.2** The Purchaser is deemed to acquire with full knowledge of the matters referred to in paragraph 1.9.1 of this Part 4 of Schedule 3.
- 1.9.3** The Business Sellers shall procure that any and all financial charges affecting the Transferred Real Properties will be discharged on or before the date on which such Transferred Real Property is to be transferred to the Purchaser, and shall provide to the Purchaser such evidence as the Purchaser may reasonably require in order to satisfy itself that such discharge has been effected and to remove any notices or entries in respect of such charges from any relevant register.
- 1.9.4** The Business Sellers do not give any warranty as to the use or area of any of the Transferred Real Properties and shall not be required to define the boundaries of any of the Transferred Real Properties. The transfer of the Transferred Real Properties shall not be annulled, nor shall any compensation be allowed or payable, in respect of any error in respect of any such matters.
- 1.9.5** On the date on which the transfer of each Transferred Real Property is completed, the Seller shall deliver, to the Purchaser (or such other third party as the Purchaser may reasonably direct) all of the original documents in the possession of the Business Sellers or relevant member of the Seller's Group in respect of each of the Transferred Real Properties.
- 1.9.6** The Purchaser shall not raise any requisition on matters arising after the date of this Agreement, except where the subject matter of the requisition is registered at the Land Registry (or equivalent local registry) after the date of this Agreement and does not relate to any matter referred to in paragraph 1.9.1 of this Part 4 of Schedule 3.
- 1.9.7** To the extent that deposit guarantees have been given by the Seller's Group in respect of any Transferred Real Property and/or insofar as the Seller's Group retains any residual or ongoing liabilities or obligations (including performance guarantees) in connection with the Transferred Real Property, the Purchaser shall use all reasonable endeavours procure that the Seller's Group is released from all deposit guarantees and all other residual or ongoing liabilities or obligations and, insofar as the counterparties thereto shall properly and lawfully refuse to give any such release, the Purchaser shall indemnify and keep indemnified the Seller (or the relevant member of the Seller's Group) in an amount equal to any Liabilities under any such residual or ongoing liabilities or obligations arising out of, or in connection with, an act or omission on the part of the Purchaser.

1.10 Insurance

The Business Sellers shall maintain their existing insurance (if any) on the Transferred Real Properties and shall cancel such insurance with effect from the Closing Date or, if

later, the date of Property Transfer Completion (as the case may be) unless agreed otherwise with the Purchaser.

1.11 Grant of Sublease

If a Business Seller is unable to obtain a Property Third Party Consent from a Landlord for the transfer of a Transferred Leased Real Property the provisions of this paragraph 1.11 of Part 4 of Schedule 3 shall apply:

1.11.1 where a Lease permits a sublease to be granted without the requirement for any Property Third Party Consent from the Landlord, the relevant Business Seller shall grant to the Purchaser a sublease of the Transferred Leased Real Property on the same rent and other terms and conditions as the Lease of the Transferred Leased Real Property with such changes as are appropriate and agreed between the relevant Business Seller and the Purchaser acting reasonably and the term of the sublease shall be the term of such Lease less one day; and

1.11.2 where the Transferred Leased Real Property is held by the relevant Business Seller from a Landlord on terms which require the consent of the Landlord to:

- (i) the grant of a sublease; or
- (ii) the terms on which a sublease is granted,

the Seller or the relevant Business Seller shall use all reasonable endeavours to obtain such consent (“**Sublease Consent**”) from such Landlord. Where the relevant Business Seller is able to obtain the appropriate Sublease Consent (or, where applicable, the court of competent jurisdiction referred to in paragraph 1.12.1 of this Part 4 of Schedule 3 declares that the Sublease Consent has been unreasonably withheld or delayed), the relevant Business Seller shall grant to the Purchaser a sublease of the Transferred Leased Real Property on the same rent and other terms and conditions as the Lease of the Transferred Leased Real Property with such changes as are appropriate and agreed between the relevant Business Seller and the Purchaser acting reasonably and the term of the sublease shall be the term of such Lease less one day.

1.12 Property Third Party Consent not obtained

1.12.1 If a Property Third Party Consent (and, where applicable, a Sublease Consent) has been refused or otherwise not obtained within twelve months following the Closing Date, the Seller and the Purchaser may (acting reasonably) agree that an application is to be made to a court of competent jurisdiction that the relevant Property Third Party Consent has been unreasonably withheld or delayed.

1.12.2 If an application is to be made to a court of competent jurisdiction pursuant to paragraph 1.12.1 of this Part 4 of Schedule 3:

- (i) the proceedings shall be brought and prosecuted by the Seller; and
- (ii) the Purchaser shall provide all such assistance in connection with such proceedings as the Seller (acting reasonably) may require in the interests of obtaining the Property Third Party Consent; and
- (iii) provided that the Seller has complied with its obligations under paragraphs 1.3.3(i) and 1.11.2 of this Part 4 of Schedule 3, the Purchaser shall indemnify and keep indemnified the Seller for any costs and expenses

properly incurred by the Seller in bringing and prosecuting proceedings under this paragraph.

- 1.12.3** If a Property Third Party Consent has not been obtained by the Property Longstop Date then the Seller and the Purchaser shall each bear fifty per cent. of any Losses of the Seller and the Purchaser arising out of or in connection with the failure to obtain such Property Third Party Consent.

1.13 Obligations on the Business Sellers

In this Part 4 of Schedule 3, any reference to an obligation on the part of the Business Sellers (or any of them, as the case may be) shall be read as if it were an obligation on the part of the Seller to procure performance of such obligation by the Business Seller or Business Sellers in question.

1.14 Amsterdam Lease

- 1.14.1** The Seller shall keep the Purchaser fully informed of any discussions or negotiations with the Landlord in respect of the lease of premises at Hullenbergweg 81-135 (1011 CL), Amsterdam, The Netherlands (the “Amsterdam Lease”), or any notices received by the Seller (or any member of the Seller’s Group) from the Landlord in respect of the Amsterdam Lease relating to the determination thereof or the yielding up of the premises demised thereunder.
- 1.14.2** The Seller shall not, and shall procure that no member of the Seller’s Group shall, act independently of the Purchaser in relation to any discussions or negotiations relating to the extension or renewal of the Amsterdam Lease, and shall not enter into any document or deed extending or renewing the term of the Amsterdam Lease without the prior written approval of the Purchaser (not to be unreasonably delayed).
- 1.14.3** The Seller shall, and shall procure that any relevant member of the Seller’s Group shall, take such action as the Purchaser may reasonably request in connection with the Amsterdam Lease, including taking steps to extend or renew the same.
- 1.14.4** The Purchaser shall indemnify and keep indemnified the Seller against all costs properly incurred by the Seller (or any member of the Seller’s Group) arising out of or in connection with paragraph 1.14.3 of this Part 4 of Schedule 3.
- 1.14.5** If the Amsterdam Lease is extended or renewed, the leasehold property as extended or renewed shall be a “Transferred Real Property” for the purposes of this Agreement and the provisions of this Part 4 of Schedule 3 shall apply to such lease as extended or renewed.

Schedule 4
Vaccines Group Intellectual Property Rights and Vaccines Group Intellectual
Property Contracts
(Clause 2.3)

Part 1

Vaccines Group Intellectual Property Rights

Part 2

Vaccines Group Intellectual Property Contracts

Part 3

Beta Interferon Patents

Schedule 5
Excluded Employees
(Clause 1.1)

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 6
International Assignees
(Clause 1.1)

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 7
Permitted Encumbrances
(Clause 1.1)

1. Co-owned Vaccines Group Intellectual Property Rights.

Schedule 8
Product Approvals and Product Applications
Part 1
Terms relating to the Product Approvals and Product Applications

1 General Provisions

- 1.1** The Purchaser shall do all things necessary to effect the transfer of each Product Approval and Product Application, including complying with requirements and requests of Governmental Entities with respect to the transfer of each Product Approval and Product Application.
- 1.2** The Marketing Authorisations shall be transferred in accordance with Part 2 of this Schedule 8.

2 Product Applications

- 2.1** The Purchaser shall file or cause to be filed applications for the transfer of each Product Application in each country or territory in which such transfer is required to be submitted as soon as possible after the Closing Date.
- 2.2** Pending the transfer of each Product Application each Seller shall, and shall cause the relevant members of its Group to:
- 2.2.1** upon reasonable request from the Purchaser and at the Purchaser's expense, reasonably cooperate and coordinate with the Purchaser in relation to the transfer of the Product Applications, including by providing the Purchaser with regulatory documentation concerning the Products owned or controlled by that Seller or any of its Affiliates;
- 2.2.2** perform such acts and services as may be requested by the Purchaser that are reasonably necessary or required by any Governmental Entity to maintain or renew any Product Application or are reasonably necessary for the Purchaser to pursue the regulatory approval for any Product Application, including conducting any studies, including clinical and stability studies, concerning the Products; and
- 2.2.3** notify the Purchaser as soon as is reasonably practicable of any written communication received by such Seller or any member of its Group with respect to any Product Application and shall consult with the Purchaser with respect to such communication and take into account the Purchaser's views as to the form and content of any communication with any Governmental Entity concerning such Product Application.

3 Fees and expenses

From and after the Closing Date, the Purchaser shall promptly reimburse the relevant members of the Seller's Group for all maintenance and renewal fees and similar fees paid, and all out of pocket expenses reasonably incurred in connection with the satisfaction of any commitments or obligations by such member of the Seller's Group with respect to each Product Approval and each Product Application.

4 Notification

As soon as a Seller or the Purchaser or any of their respective Affiliates receives notification, if any, of impending approval or approval of the transfer of a Product

Application from a Governmental Entity, the notified party or the party whose Affiliate was notified shall inform the other party of the expected date of appointment or transfer and actual date of appointment or transfer of that Product Application.

5 Responsibility for transfer

Notwithstanding any other provision of this Agreement, no Seller nor any of its Affiliates shall have any Liability to the Purchaser in the event that the transfer of any Product Application alone results in any further obligations, commitments or Liabilities in relation to such Product Application.

Schedule 8
Product Approvals and Product Applications
Part 2
Transfer of Marketing Authorisations

1 Marketing Authorisation Transfer and Marketing Authorisation Re-registration

- 1.1** The Seller and the Purchaser hereby agree they will each use, and will procure that their respective Affiliates will use, all reasonable endeavours to ensure that, as soon as reasonably practicable after the Closing Date:
- 1.1.1** subject to paragraphs 1.1.2 and 1.1.3, each Marketing Authorisation shall be transferred in accordance with Applicable Law by the Marketing Authorisation Holder to the Marketing Authorisation Transferee (“**Marketing Authorisation Transfer**”); and
- 1.1.2** where Applicable Law does not permit Marketing Authorisation Transfer, a new marketing authorisation shall be registered in the name of the Marketing Authorisation Transferee to replace the existing Marketing Authorisation (“**Marketing Authorisation Re-registration**”) and the Seller shall procure that the relevant Marketing Authorisation Holder takes all necessary steps to withdraw, abandon, cancel or allow to lapse the superseded Marketing Authorisation as soon as practicable after the Marketing Authorisation Re-registration Date; and
- 1.1.3** good faith discussions are held between the Seller and the Purchaser (or their respective Affiliates) to determine whether a structure may be implemented such that the Marketing Authorisation Transfers in Brazil may be effected without the need for a Marketing Authorisation Re-registration, such as by means of a spin-off structure under Applicable Law.
- 1.2** The parties agree that the transfer of any Marketing Authorisation from the Marketing Authorisation Holder to the Marketing Authorisation Transferee in respect of any Delayed Businesses shall not complete until on or after the relevant Delayed Closing Date.
- 1.3** Any Marketing Authorisation Transfer or Marketing Authorisation Re-registration (as applicable) shall each be effected on a Market-by-Market basis (such that there shall not be any staggered Marketing Authorisation Transfer or Marketing Authorisation Re-registration (as the case may be) on a Product-by-Product basis in any Market), unless otherwise agreed between the Seller and the Purchaser.
- 1.4** With effect from the Closing Date until the Marketing Authorisation Transfer Date or the Marketing Authorisation Re-registration Date (as applicable), the Seller shall procure that each Marketing Authorisation Holder shall hold the Marketing Authorisation(s) in its name but for the account, risk and benefit of the relevant Marketing Authorisation Transferee.

Submission of MA Documentation

- 1.5** Without prejudice to paragraph 1.5, the Purchaser shall be responsible for preparing and submitting, or for procuring that there is prepared and submitted (in any such case at the Purchaser’s cost and expense), all notices, applications, submissions, reports and any other instruments, documents, correspondence or filings necessary to complete Marketing Authorisation Transfer or Marketing Authorisation Re-registration (as applicable) (the “**MA**

Documentation”). The MA Documentation shall be prepared in accordance with Applicable Law as soon as reasonably practicable.

- 1.6** At the Seller’s election, the Purchaser shall procure that advanced drafts of the MA Documentation are submitted to the Seller so as to allow the Seller and/or the Marketing Authorisation Holder a reasonable opportunity to provide comments on such MA Documentation before it is submitted to the relevant Governmental Entity. The Purchaser shall incorporate all comments on such drafts as may reasonably be made by the Seller and/or the Marketing Authorisation Holder PROVIDED THAT the Purchaser shall not be obliged to incorporate any comments if the Purchaser considers, acting reasonably that to do so would materially delay Marketing Authorisation Transfer or Marketing Authorisation Re-registration (as applicable).
- 1.7** Where under Applicable Law the MA Documentation is required to be submitted to the relevant Governmental Entity:
- 1.7.1** by the Marketing Authorisation Holder, the Purchaser shall procure that the finalised MA Documentation is provided to the Seller after such MA Documentation is finalised in accordance with paragraph 1.5 above and the Seller shall, in turn, procure that the Marketing Authorisation Holder submits such MA Documentation to the relevant Governmental Entity (the timing and date of such submission to be agreed with the Purchaser) and the Seller shall promptly thereafter advise the Purchaser of such submission and provide a copy of the relevant MA Documentation (in the form submitted) to the Purchaser; and
- 1.7.2** by the Marketing Authorisation Transferee, the Purchaser shall procure that the relevant Marketing Authorisation Transferee submits the finalised MA Documentation to the relevant Governmental Entity as soon as reasonably after such MA Documentation is finalised in accordance with paragraph 1.5 above and the Purchaser shall promptly thereafter advise the Seller of such submission and provide a copy of the relevant MA Documentation (in the form submitted) to the Seller.
- 1.8** From the Closing Date, the Seller shall procure that the relevant Marketing Authorisation Holder shall, as soon as reasonably practicable, sign any notices, applications, submissions, reports and other instruments, documents, correspondence or filings presented to it by the Purchaser or the relevant Marketing Authorisation Transferee that are necessary to effect Marketing Authorisation Transfer or Marketing Authorisation Re-registration (as applicable). The Marketing Authorisation Holder shall:
- 1.8.1** provide notice of its consent to a Marketing Authorisation Transfer or Marketing Authorisation Re-registration if required by any Governmental Entity; and
- 1.8.2** provide to the Purchaser or the relevant Marketing Authorisation Transferee any information or other data or technical or other information in its possession that relates to the relevant Marketing Authorisation and that is required by a relevant Governmental Entity or otherwise reasonably required by the Purchaser or the relevant Marketing Authorisation Transferee to assist the Purchaser or the relevant Marketing Authorisation Transferee to effect the relevant Marketing Authorisation Transfer or Marketing Authorisation Re-registration;
- 1.8.3** in the event of any request for information or any query from any relevant Governmental Entity in respect of Marketing Authorisation Transfer or the

Marketing Authorisation Re-registration (as applicable), the relevant party receiving such request or query shall provide copies of any such request or query to the Seller or, as the case may be, to the Purchaser. The Purchaser shall be responsible for preparing, or shall be responsible for procuring that there is prepared, (at the Purchaser's cost and expense) any response to such a request or query with the intention that such request or query shall be dealt with as promptly and efficiently as possible. In advance of finalising any such response, the Purchaser shall procure that the relevant response is submitted to the Seller so as to allow the Seller and/or the relevant Marketing Authorisation Holder a reasonable opportunity to provide comments on such response before it is submitted to the Governmental Entity. The Purchaser shall procure that relevant Marketing Authorisation Transferee (i) shall submit the response to the relevant Governmental Entity as soon as reasonably practicable after the same has been finalised in accordance with this paragraph 1.7.3 and (ii) shall provide a copy of the relevant response (in the form submitted) to the Seller.

2 Obligations Pending Marketing Authorisation Transfer or Marketing Authorisation Re-Registration

2.1 Unless otherwise required by Applicable Law or a relevant Governmental Entity (or unless otherwise agreed in writing by the Seller and the Purchaser), from the Closing Date until the applicable Marketing Authorisation Transfer Date or Marketing Authorisation Re-registration Date:

2.1.1 the Seller shall:

- (i) maintain in force (or procure that there is maintained in force) each Marketing Authorisation, and shall not voluntarily amend, cancel or surrender any Marketing Authorisation unless requested to do so in writing by the Purchaser or required to do so by any Applicable Law or any Governmental Entity;
- (ii) with the Purchaser's consent (not to be unreasonably withheld or delayed) progress (or procure that there is progressed) any registrations, variations or renewals to Marketing Authorisations initiated by the Seller (or any other member of the Seller's Group) prior to the Closing Date or withdraw them upon the request of the Purchaser;
- (iii) procure that each Marketing Authorisation Holder shall comply with the terms of any Marketing Authorisation and shall notify the Purchaser as soon as reasonably practicable of the details of any variations or renewals initiated following the Closing Date;
- (iv) inform the Purchaser of any impending renewals of Marketing Authorisations as at the Closing Date and the parties shall discuss in good faith to what extent any such renewal will be pursued or withdrawn (it being agreed that the Purchaser shall have the final decision in any such matter);
- (v) not without the consent of the Purchaser, initiate any additional variations or amendments to the Marketing Authorisations, except to the extent required by any Governmental Entity or where failure to do so would breach Applicable Law; and

- (vi) consider in good faith any request by the Purchaser to apply for a new marketing authorisation in respect of a Product PROVIDED THAT if the Seller agrees to submit such application, any costs or expenses incurred by the Seller in making such application shall be for the Purchaser's account and shall constitute MA Costs;
- 2.1.2** without prejudice to the generality of the foregoing paragraph 2.1.1(iii), the Purchaser acknowledges and agrees that each Marketing Authorisation Holder shall be entitled to do (or to procure that there is done) any or all of the following (and the Purchaser acknowledges that, where the relevant Marketing Authorisation Holder so chooses and unless otherwise agreed, responsibility for each of the following activities shall rest with the relevant Marketing Authorisation Holder):
- (i) pharmacovigilance activities related to the Marketing Authorisations, which activities shall be conducted in accordance with Applicable Law, the Vaccines Business Pharmacovigilance Agreement, and the standards, policies and procedures of the Seller's Group from time to time in force; and
 - (ii) conducting any and all communications with a Governmental Entity in respect of a Marketing Authorisation (including, without limitation to the generality of the foregoing, attending any meetings with relevant Governmental Entities and filing and submitting all reports and other documents which it reasonably considers necessary to be submitted in order to comply with Applicable Law or its obligations under this Agreement), PROVIDED THAT responsibility for (a) the costs of preparation of any such documents, reports and/or filings shall be borne by the Purchaser (or the relevant Marketing Authorisation Transferee) to the extent such costs are reasonably necessary, and (b) the submission of MA Documentation shall be the responsibility of the Purchaser in accordance with paragraph 1.4 above, PROVIDED THAT the Seller shall ensure that the Purchaser is kept fully and promptly informed of any such communications or submissions in advance, to the extent reasonably practicable; and
- 2.1.3** the Seller shall procure that each Marketing Authorisation Holder shall act in accordance with the reasonable instructions of the Purchaser or the Marketing Authorisation Transferee in respect of each Marketing Authorisation in respect of which such Marketing Authorisation Holder is the holder, PROVIDED THAT no Marketing Authorisation Holder shall be obliged to comply with such instructions to the extent the same: (i) infringe the terms of the relevant Marketing Authorisation(s); or (iii) are otherwise inconsistent with the provisions of the Vaccines Business Pharmacovigilance Agreement relating to the Seller;
- 2.1.4** the Purchaser shall only request artwork changes to the extent such changes are required in order to comply with Applicable Law;
- 2.1.5** the Purchaser shall submit to the Seller (or shall procure that there is submitted) written details (in such form and with such supporting materials as the Seller may reasonably request) of any new, amended or proposed advertising and promotional activity or training materials in respect of any Product Commercialised pursuant to any Marketing Authorisation (including (without limitation) any material reasonably

requested by the Seller in order to validate new and/or amended promotional or training materials), and the Purchaser acknowledges and agrees that no such advertising, promotional or training activity shall be implemented, undertaken or otherwise commenced without the prior written consent of the Seller (for itself and on behalf of the relevant Marketing Authorisation Holder), such consent not to be unreasonably withheld. The Purchaser further agrees and acknowledges that, if it so chooses, the Seller shall be entitled to assume responsibility for obtaining (or procuring that there is obtained) the consent(s) and approval(s) of any relevant Governmental Entity required for such new, amended or proposed advertising and promotional activity or training activity; and

- 2.1.6** to the extent permitted by the terms of the relevant Marketing Authorisation, the Purchaser or any other member of the Purchaser's Group shall Commercialise the Product(s) which are the subject of such Marketing Authorisation (notwithstanding that such Marketing Authorisation is held in the name of the relevant Marketing Authorisation Holder and, for the avoidance of doubt, the proceeds of any such Commercialisation shall be for the benefit of the Purchaser's Group) and the Purchaser shall:
- (i) indemnify each member of the Seller's Group against any and all actions, claims, demands, investigations, judgments, proceedings, liabilities, loss, damages, payments, costs and expenses arising in relation to the Commercialisation of the Products by the Purchaser or any other member of the Purchaser's Group under this paragraph (i); and
 - (ii) procure that such Product(s) are Commercialised in compliance with the terms of the relevant Marketing Authorisation and/or the requirements of the relevant Governmental Entity.

2.2 Unless otherwise required by Applicable Law or a relevant Governmental Entity, from the Closing Date until the applicable Marketing Authorisation Transfer Date or Marketing Authorisation Re-registration Date, where any Market Authorisation Holder is required by Applicable Law to consult with a Governmental Entity in order to negotiate the discounts, rebates or other pricing mechanisms (including reimbursement) (the "**Pricing**") applicable to the Commercialisation of the Products in the relevant Market (a "**Pricing Negotiation**"):

- 2.2.1** the Seller shall (or shall procure that the Marketing Authorisation Holder shall) notify the Purchaser as soon as reasonably practicable after the Marketing Authorisation Holder becomes aware of any opportunity or requirement to enter into a Pricing Negotiation;
- 2.2.2** the Purchaser shall be responsible for preparing or procuring that there is prepared (at the Purchaser's cost) all notices, submissions and reports, and any other documents or correspondence necessary for the purposes of the Pricing Negotiation (the "**Pricing Negotiation Documentation**");
- 2.2.3** the Seller shall (or shall procure that the Marketing Authorisation Holder shall) co-operate with the Purchaser and provide the Purchaser with such data and information as the Purchaser may reasonably request for the purposes of preparing the Pricing Negotiation Documentation;
- 2.2.4** the Purchaser shall procure that the Pricing Negotiation Documentation is provided to the Seller and/or Marketing Authorisation Holder prior to the intended date of

submission to the relevant Governmental Entity with such advance notice as is reasonably sufficient for the Seller and/or the Marketing Authorisation Holder to determine whether any of the information or any proposal included in the Pricing Negotiation Documentation would constitute or result in a breach of Applicable Law by the Marketing Authorisation Holder or any other member of the Seller's Group;

- 2.2.5** if the Seller and/or the Marketing Authorisation Holder believes (acting reasonably) that any of the information or any proposal included in the Pricing Negotiation Documentation prepared by the Purchaser (or a member of the Purchaser's Group) would constitute or result in a breach of Applicable Law by the Marketing Authorisation Holder, then it shall submit to the Purchaser (or relevant member of the Purchaser's Group) within 10 Business Days of the date of receipt of the Pricing Negotiation Documentation from the Purchaser pursuant to paragraph 2.2.4, a written legal opinion specifying why any of the information or any proposal included in the Pricing Negotiation Documentation would constitute or result in a breach of Applicable Law. Following receipt of the legal opinion by the Purchaser (or relevant member of the Purchaser's Group), the parties shall consult with each other, in good faith, in order to agree amendments to the Pricing Negotiation Documentation that are reasonably required in order to ensure compliance with Applicable Law and the Seller (or the relevant Marketing Authorisation Holder) shall submit the revised Pricing Negotiation Documentation to the relevant Governmental Entity as soon as possible thereafter;
- 2.2.6** if the Seller and/or Marketing Authorisation Holder believes (acting reasonably) that neither the information nor any proposal included in the Pricing Negotiation Documentation would constitute or result in a breach of Applicable Law by the Marketing Authorisation Holder or any other member of the Seller's Group, then the relevant member of the Purchaser's Group shall submit such Pricing Negotiation Documentation directly to the Governmental Entity unless prohibited by Applicable Law or by the Governmental Entity, in which case, the Seller shall procure that the Marketing Authorisation Holder makes the submission to the Governmental Entity as soon as reasonably practicable after it is received from the Purchaser (or relevant member of the Purchaser's Group);
- 2.2.7** the Purchaser (or a member of the Purchaser's Group) shall be entitled to correspond with and attend all meetings with the Governmental Entity in relation to the Pricing Negotiation and, to the extent that the Marketing Authorisation Holder is required to be present at any such meetings under Applicable Law or by the Governmental Entity, the Seller shall procure that the Marketing Authorisation Holder shall jointly attend any such meetings with the relevant member of the Purchaser's Group;
- 2.2.8** the Purchaser (or a member of the Purchaser's Group) shall be entitled to conduct the Pricing Negotiation unless prohibited under Applicable Law or by the Governmental Entity, in which case, the Seller shall procure that the Marketing Authorisation Holder shall conduct the Pricing Negotiation and in any event enter into any related agreement with the Governmental Entity in accordance with the reasonable instructions of the Purchaser (or a member of the Purchaser's Group); and
- 2.2.9** the Seller undertakes (and shall procure that the Marketing Authorisation Holder undertakes) to ensure that the Pricing Negotiation Documentation and any

information received in connection with or as part of the Pricing Negotiation: (i) is kept confidential and is only disclosed to employees of the Seller's Group on a need to know and confidential basis; and (ii) is used by the Seller, the Marketing Authorisation Holder and/or employees of the Seller's Group for the sole purpose of making a determination under sub-paragraph 2.2.4 above.

- 2.3** Subject to paragraph 2.4 below, the parties agree that nothing in paragraph 2.2 above shall preclude the Seller and/or Marketing Authorisation Holder from: (i) preparing and submitting to any Governmental Entity any notices, submissions and reports, and any other documents or correspondence, (ii) attending meetings with any Governmental Entity, (iii) making representations to any Governmental Entity, and (iv) taking any and all steps as the Seller and/or Marketing Authorisation Holder shall consider necessary or desirable, in each case in relation to the negotiation of Pricing applicable to the products that form part of the Seller's Group Retained Business (and, for the avoidance of doubt, excluding the Products).
- 2.4** Where Applicable Law does not permit the Purchaser to participate in a Pricing Negotiation as contemplated by paragraph 2.2 above or the Seller's interest in respect of the outcome of a Pricing Negotiation conflicts or is reasonably likely to conflict with the interests of the Purchaser in the outcome of the Pricing Negotiation, the Seller shall (or shall procure that the relevant Marketing Authorisation Holder shall):
- 2.4.1** notify the Purchaser of such conflict of interest as soon as reasonably practicable after becoming aware of it; and
- 2.4.2** afford the Purchaser to the fullest extent permissible under Applicable Law, the rights it has under paragraph 2.2 above.

Following notification of a conflict of interest the parties shall, to the extent permitted by Applicable Law, consult together to agree the approach to be taken by the Seller (or the relevant Marketing Authorisation Holder) to minimise the impact of the conflict of interest on the Purchaser's interests and if the Parties cannot agree on the approach to be taken, the matter shall be escalated at the Purchaser's request to chief financial officers or their nominees of each party for resolution.

3 New and Pending Marketing Authorisations in Respect of the Products

- 3.1** If, at any time prior to Closing, any member of the Seller's Group is granted or otherwise comes to hold any marketing authorisation which relates exclusively to one or more Products (a "**New Marketing Authorisation**") then:
- 3.1.1** the Seller undertakes to the Purchaser to notify the Purchaser as soon as reasonably practicable following the date on which the relevant member of the Seller's Group is granted, or becomes entitled to, the New Marketing Authorisation; and
- 3.1.2** the provisions of paragraphs 1 and 2 above shall apply to that new Marketing Authorisation.
- 3.2** Where a member of the Seller's Group has submitted to any Governmental Entity any application relating to the grant of a new marketing authorisation in respect of the Vaccines Group which is pending or in process as at the date of this Agreement (a "**Pending Marketing Authorisation**"):

- 3.2.1** the Seller shall continue to be responsible for preparation and submission of all documents required to register such Pending Marketing Authorisation but, following Closing, it shall do so at the Purchaser's cost and shall pass responsibility for such Pending Marketing Authorisation to the Purchaser (or such member of the Purchaser's Group as the Purchaser may nominate) as soon reasonably possible after Closing, subject to Applicable Law;
- 3.2.2** from the Closing Date, the provisions of paragraph 1 shall apply *mutatis mutandis* to any registration process for any Pending Marketing Approval.

4 MA Costs

From the Closing Date, the Purchaser shall be responsible for all necessary costs of preparation and submission of MA Documentation and, save as expressly provided in this Agreement, any other necessary costs incurred by the Seller or a member of the Seller's Group in connection with the maintenance and any variations, amendments and renewals of the Marketing Authorisations relating to the Products or for any matter requested by the Purchaser pursuant to this Part 2 of Schedule 8 and for all fees and costs reasonably incurred by the relevant member of the Seller's Group in complying with its obligations in respect of a Marketing Authorisation Transfer or Marketing Authorisation Re-registration ("MA Costs").

5 Obligations following Marketing Authorisation Transfer or Marketing Authorisation Re-Registration

- 5.1** On and from the relevant Marketing Authorisation Transfer Date or Marketing Authorisation Re-registration Date (as applicable), the Purchaser shall procure that each Marketing Authorisation Transferee shall assume and be solely responsible for:
- 5.1.1** all obligations as the holder of such Marketing Authorisation including (subject to the terms of the Vaccines Business Pharmacovigilance Agreement) pharmacovigilance activities related to such Marketing Authorisation;
- 5.1.2** all activities and actions required by Applicable Law in connection with such Marketing Authorisation; and
- 5.1.3** any and all outstanding commitments and obligations to the relevant Governmental Entities with respect to the relevant Marketing Authorisation, save for any such commitments or obligations arising from a breach of this Agreement by the Seller.
- 5.2** In the event that, following Marketing Authorisation Transfer or Marketing Authorisation Re-registration in respect of any Product, the Seller wishes to apply for a marketing authorisation in respect of a retained product, the Purchaser shall (and shall procure that the relevant Marketing Authorisation Transferee shall) co-operate with and provide all reasonable assistance to the Seller (or the relevant member of the Seller's Group) at the Seller's costs as may be reasonably required for the purposes of applying for such new marketing authorisation, including (without limitation) providing the Seller (or the relevant member of the Seller's Group) and/or any Governmental Entity with such access to Marketing Authorisation Data or such other data or technical or other information as is reasonably requested by the relevant Governmental Entity or is otherwise reasonably required by the Seller or the relevant member of the Seller's Group.

Schedule 8
Product Approvals and Product Applications
Part 3
List of Products, Products Under Registration and Pipeline Products

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 8
Product Approvals and Product Applications
Part 4
Tenders

1. Call for New Tender

From Closing until the Marketing Authorisation Transfer Date in any Market, the Seller shall, and shall procure that each member of the Seller's Group and the relevant Marketing Authorisation Holder shall, to the extent permitted by Applicable Law:

- (a) inform the Purchaser in writing of any Call for New Tender as soon as reasonably practicable following receipt; and
- (b) co-operate with and provide reasonable assistance to the Purchaser (or the relevant member of the Purchaser's Group) for the purposes of responding to the Call for New Tender or otherwise applying for a new tender; and
- (c) where Applicable Law requires such responses or applications to be made by the Marketing Authorisation Holder, the Seller shall procure that the Marketing Authorisation Holder submits such responses or applications on behalf of the Purchaser PROVIDED THAT the Purchaser shall indemnify the Seller and/or the relevant Marketing Authorisation Holder (as the case may be) for any and all costs, expenses and liabilities suffered or reasonably incurred by the Seller and/or the Marketing Authorisation Holder in complying with or as a result of the provisions of this paragraph.

2. Ongoing calls for tender

If, prior to Closing, the Seller or any member of the Seller's Group (other than a Vaccines Group Company) has submitted a bid in any Market in response to any call for a tender (whether a new tender or the renewal of an existing tender) which includes the Products (the "**Bid**"), then, following Closing:

- (a) to the extent that the Purchaser (or any member of the Purchaser's Group) is prohibited from progressing the Bid in place of the relevant member of the Seller's Group under Applicable Law, the Seller shall (or shall procure that the relevant member of the Seller's Group shall) take all steps as may be reasonably required in order to progress the Bid, including responding to all questions raised by the relevant third party and the Purchaser shall provide all assistance (including access to the Purchaser's employees) reasonably requested by the Seller to enable it to progress the Bid; and
- (b) if the Bid is successful, then either:
 - (i) if permitted by Applicable Law and the relevant third party consents, the Purchaser (or any member of the Purchaser's Group as the Purchaser shall nominate) shall enter into any contracts or other arrangements as are required to give effect to the tender with the relevant third party and no member of the Seller's Group shall be obliged to enter into any such contracts or arrangements; or
 - (ii) if paragraph 2(b)(i) does not apply, the Seller (or any member of the Seller's Group as the Seller shall nominate) shall enter into any contracts or other arrangements as are required to give effect to the tender with the relevant third party and the tender shall be deemed to be a Transferred Contract, Shared Business Contract and/or a Non-Transferring Tender (as the case may be) and the provisions of Schedule 10 shall apply accordingly.

**Schedule 9
Certificate
(Clause 1.1)**

To: GlaxoSmithKline plc

[Date]

Certificate

This Certificate is issued in accordance with clause 4.4.1(iii)(b) and paragraph 1.1.4 of Schedule 15 of the sale and purchase agreement between Novartis AG and GlaxoSmithKline plc dated 22 April 2014, as amended (the “**Agreement**”). Unless otherwise defined, capitalised words used in this Certificate shall have the meanings given to them in the Agreement.

We confirm that:

1. no Material Adverse Effect has occurred between the date of the Agreement and the date of this Certificate;
2. having made due and careful enquiry, we are not aware of any breach or breaches of Clause 9.1 which alone or together give rise to a Material Adverse Effect; and

[*either*]

3. having made due and careful enquiry, we are not aware of any breach or breaches of the Seller’s Warranties that would have occurred and that would, alone or together, have given rise to a Material Adverse Effect had the Seller’s Warranties been repeated immediately before Closing by reference to the facts, circumstances and knowledge then existing as if references in the Seller’s Warranties to the date of this Agreement were references to the Closing Date.

[*or*]

3. having made due and careful enquiry, we are aware of the following material breaches of the Seller’s Warranties that would, alone or together, be material and have occurred had the Seller’s Warranties been repeated immediately before Closing by reference to the facts, circumstances and knowledge then existing as if references in the Seller’s Warranties to the date of this Agreement were references to the Closing Date.

[*description of material breaches.*]

For an on behalf of Novartis AG

Schedule 10
Shared Business Contracts, Mixed Contracts and Transferred Contracts

1 Delayed transfer of certain Transferred Contracts and Shared Business Contracts

Subject to paragraph 5.6, any Transferred Contract, Transferred Intellectual Property Contract, or Shared Business Contract relating to a Delayed Business (“**Delayed Business Contracts**”) shall not be transferred to the relevant member of the Purchaser’s Group until the relevant Delayed Closing Date and references in this Schedule 10 to “Closing”, “Closing Date” or “Effective Time” shall be deemed to be to “Delayed Closing Date” insofar as they relate to such Delayed Business Contracts, except paragraphs 2, 3.1 and 5.1.

2 Disclosure

From Closing the Purchaser shall have the right to full disclosure of all Transferred Contracts and Full Disclosure of the Relevant Part of the Shared Business Contracts (other than the Relevant Part of any Mixed Contracts) and the Seller shall use reasonable efforts to facilitate such disclosure as soon as reasonably practicable.

3 Separation of Shared Business Contracts

3.1 Prior to Closing, the Seller and the Purchaser shall discuss and agree in good faith a process to identify all material Shared Business Contracts.

3.2 The Seller shall use its reasonable efforts to maintain relationships under the Shared Business Contracts and continue to operate the Shared Business Contracts, including without limitation fulfilling all its obligations under the Shared Business Contracts (excluding the Relevant Parts), in the same manner as it has for the twelve months prior to the date of this Agreement.

3.3 The Purchaser may, by notice to the Seller at any time prior to the date falling 90 days after the Closing Date or, if the Seller has not provided Full Disclosure of the Relevant Part of a Shared Business Contract on or prior to Closing, the date falling 90 days after the date on which Full Disclosure of the Relevant Part of the relevant Shared Business Contract is made (the “**Relevant Election Date**”), elect to take the rights and obligations of the Relevant Part of any Shared Business Contract.

3.4 If the Purchaser makes an election under paragraph 3.3 above, the Seller and the Purchaser shall use their respective reasonable endeavours to procure that an arrangement is entered into with the relevant counterparty to each Shared Business Contract, the effect of which shall be that, with effect from the date of the relevant arrangement, the benefit and burden of the Relevant Part is severed from such Shared Business Contract and an agreement or arrangement equivalent to such Shared Business Contract is entered into between the relevant counterparty and a member of the Purchaser’s Group (or the Relevant Part of the Shared Business Contract is sub-licensed to such Purchaser) (a “**Separation**”). For the avoidance of doubt, no part of any such Shared Business Contract shall be severed and transferred to the Purchaser in so far as it relates to the Seller’s Group Retained Business, any product other than the Products or any Excluded Asset.

- 3.5 If no election is made by the Purchaser under paragraph 3.3 above by the Relevant Election Date, the provisions of paragraphs 6.2 of this Schedule shall apply in respect of the Relevant Part of such Shared Business Contract until the earlier of 9 months from the Relevant Election Date and the date on which the Purchaser notifies the Seller that an alternative arrangement has been put in place.
- 3.6 For the avoidance of doubt, (i) paragraphs 3.3, 3.4 and 3.5 shall not apply in respect of any Shared Business Contract which terminates before the Relevant Election Date and (ii) paragraph 5.6 shall not apply in respect of Shared Business Contracts or Mixed Contracts.

4 Separation of Mixed Contracts

- 4.1 Prior to Closing, the Seller and the Purchaser shall discuss and agree in good faith a process to identify all material Mixed Contracts.
- 4.2 From Closing, the Purchaser shall use all reasonable efforts to maintain relationships under the Mixed Contracts and continue to operate the Mixed Contracts, including without limitation fulfilling all its obligations under the Mixed Contracts (excluding the Relevant Parts), substantially in the same manner in which they had been operated for the twelve months prior to the date of this Agreement.
- 4.3 The Seller and the Purchaser shall use their respective reasonable endeavours to procure that an arrangement is entered into with the relevant counterparty to each Mixed Contract (save for those Mixed Contracts which the Seller and Purchaser otherwise agree and subject to such Mixed Contracts not containing any competitively sensitive information of the Influenza Business), the effect of which shall be that, with effect from the date of the relevant arrangement, the benefit and burden of the Relevant Part is severed from such Mixed Contract and an agreement or arrangement equivalent to such Mixed Contract is entered into between the relevant counterparty and a member of the Seller's Group (or the Relevant Part of the Mixed Contract is sub-licensed to such Seller) (a "**Mixed Contracts Separation**").
- 4.4 The Seller and the Purchaser shall, and shall procure that each other member of its Group shall, take all reasonable steps to install appropriate firewalls and other proportionate safeguards against the sharing of competitively sensitive information of the Influenza Business with those employees of the Purchaser's Group engaged in the business of influenza vaccines. To the extent it is necessary to redact any Mixed Contracts pending a Mixed Contracts Separation, the Seller shall pay the costs of such redaction exercise.

5 Obligation to obtain Third Party Consents

- 5.1 Subject to paragraph 3, in relation to any Transferred Contract (excluding, for the purposes of this Schedule 10, any Product Approval or Product Application) or Transferred Intellectual Property Contract or Co-Owned Vaccines Group Intellectual Property Right or Transferred Plant and Equipment which is not assignable or sub-licensable without a Third Party Consent or a Separation of a Shared Business Contract or a Mixed Contracts Separation of a Mixed Contract which is not separable without a Third Party Consent, this Agreement shall not be construed as an assignment, an attempted assignment, a sub-licensing or an attempted sub-licensing and the Seller and the Purchaser shall each use their respective reasonable endeavours both before and after Closing to obtain all necessary Third Party Consents as soon as possible and shall keep the other informed of progress in obtaining such Third Party Consents. The Seller shall deliver to the Purchaser, on Closing or, if later, as soon as possible after receipt, any Third Party Consent.

- 5.2 In connection with the obtaining of any Third Party Consent referred to in paragraph 5.1, the Purchaser shall supply to the Seller such information as may be reasonably requested by the Seller or any relevant third party.
- 5.3 Save as otherwise provided in this Agreement and save where related to the Mixed Contracts Separation of a Mixed Contract, the cost of any fee demanded by the third party as consideration for giving the Third Party Consent shall be borne by the Purchaser, provided that:
- 5.3.1 the cost is agreed in advance by the Purchaser (such agreement not to be unreasonably withheld or delayed); and
 - 5.3.2 no party shall be required to bear any internal or administrative costs of the other party in relation to any Third Party Consent.
- 5.4 Save as otherwise provided in this Agreement, the cost of any fee demanded by the third party as consideration for consenting to a Mixed Contracts Separation of a Mixed Contract and all administrative and all reasonable fully burdened internal costs of the Purchaser's Group (including any Delayed Vaccines Group Company) shall be borne by the Seller, provided that the cost of any fee demanded by the third party is agreed in advance by the Seller (such agreement not to be unreasonably withheld or delayed).
- 5.5 The parties agree that the provisions of any document entered into in connection with a Third Party Consent (including by way of novation) shall be without prejudice to the provisions of Clauses 8.1, 8.2 and 14 of this Agreement.
- 5.6 Without prejudice to the obligation in paragraph 5.1 for the Seller and the Purchaser to use their respective reasonable endeavours to obtain Third Party Consents as soon as possible, the transfer to the Purchaser (or any member of the Purchaser's Group or its third party nominee) of any Transferred Contract shall not occur on Closing or, if later, the date on which the relevant Third Party Consent is obtained (a "**Delayed Contract**"), in the following circumstances:
- 5.6.1 if the Seller or the relevant Business Seller and a member of the Purchaser's Group agree in writing in respect of a specific Market that the Delayed Contract shall transfer at a later agreed date (a "**Delayed Contract Transfer Date**"), in which case such Delayed Contract shall transfer on the Delayed Contract Transfer Date; or
 - 5.6.2 if a Delayed Contract Transfer Date has not been agreed under sub-paragraph 5.6.1 and such Delayed Contract relates to an Ongoing Clinical Trial (a "**Clinical Trial Agreement**"), the Clinical Trial Agreement shall not transfer before 1 May 2015 and shall transfer after that date but only to the extent permitted by Applicable Law; or
 - 5.6.3 if a Delayed Contract Transfer Date has not been agreed under sub-paragraph 5.6.1 and such Delayed Contract is required to facilitate the provision of services by the Seller's Group under the Transitional Distribution Services Agreement in any Market (a "**Distribution Contract**"), such Delayed Contract shall transfer in accordance with paragraph 5.7.

The parties agree that the provisions of this paragraph 5.6 shall not apply where a Contract is required under Applicable Law to transfer at a date that is earlier than the dates set out in sub paragraphs 5.6.1 to 5.6.3 and paragraph 5.7.

- 5.7 The parties agree that no Distribution Contracts shall transfer to the Purchaser (or a member of the Purchaser's Group) before the date falling 90 days after the Closing Date (the "**Moratorium Date**") (unless such Distribution Contract relates to distribution services provided in the USA). Following the Moratorium Date (or after the Closing Date if the Distribution Contract relates to distribution services in the USA), the Distribution Contracts shall transfer to the Purchaser (or a member of the Purchaser's Group) as soon as possible after any relevant Third Party Consent is obtained unless either party notifies the other by the date which is 15 Business Days prior to the Moratorium Date that it believes (acting reasonably) that the transfer of the relevant Distribution Contract prior to the Planned Distribution Transfer Date will result in one or more Identified Risks, in which case, the relevant Distribution Contract shall not transfer to the Purchaser (or a member of the Purchaser's Group) until the relevant Distribution Transfer Date unless any and all of the Identified Risks have been resolved to the reasonable satisfaction of the party that may be adversely affected by the relevant Identified Risks before such date.
- 5.8 From the Effective Time until the transfer of any Delayed Contract is effected in accordance with sub-paragraphs 5.6 or 5.7, the provisions of paragraph 6 of this Schedule shall apply to such Delayed Contracts. Nothing in this paragraph 5.8 shall preclude the Purchaser or any member of the Purchaser's Group from informing the counterparty to any Delayed Contract of the transfer of the Business to it or from engaging with such counterparty with respect to any matter relating to such Delayed Contract.
- 5.9 The provisions of paragraphs 3.3 to 3.5 (inclusive), paragraphs 5.1 to 5.8 (inclusive) and the entirety of paragraph 5 of this Schedule 10 shall not apply to Non-Transferring Tenders. The parties agree that each Non-Transferring Tender shall remain with the relevant member of the Seller's Group that is the contracting party to the Non-Transferring Tender as at the date of this Agreement and no Third Party Consents shall be sought in respect of any Non-Transferring Tenders.
- 6 Obligations until Third Party Consents are obtained/where Third Party Consents are refused and with respect to Non-Transferring Tenders**
- 6.1 Subject to paragraph 5.2 and paragraph 5.3 and the Seller's obligations under the Transitional Distribution Services Agreement, the Purchaser shall assume, carry out, perform and discharge the Seller's and the Business Seller's obligations arising under the Transferred Contracts (excluding the Relevant Part of any Mixed Contracts), Transferred Intellectual Property Contracts, Co-Owned Vaccines Group Intellectual Property Rights, Transferred Plant and Equipment, and the Relevant Part of the Shared Business Contracts as from the Effective Time but only to the extent such obligations do not constitute Excluded Liabilities.
- 6.2 In respect of any Transferred Contract (excluding the Relevant Part of any Mixed Contract), Transferred Intellectual Property Contract, Transferred Plant and Equipment, Relevant Part of Shared Business Contract (other than a Non-Transferring Tender) or Co-Owned Vaccines Group Intellectual Property Right, from the Effective Time until the relevant Third Party Consent has been obtained as contemplated by paragraph 5.1 or where the Third Party Consent has been refused and in respect of the Non-Transferring Tenders:
- 6.2.1 the relevant Business Seller shall hold on trust to the extent it is lawfully able to do so or, where it is not lawfully able to do so or where holding on trust is not possible under local law or otherwise impracticable, the relevant Business Seller and the

Purchaser shall make such other arrangements between themselves to provide to the Purchaser the benefits of the Contract (other than amounts corresponding to any Tax Liability by the relevant Business Seller in respect of amounts due under or in respect of the Transferred Contract (excluding the Relevant Part of any Mixed Contracts), Transferred Intellectual Property Contract, Relevant Part of Shared Business Contract, Transferred Plant and Equipment or Co-Owned Vaccines Group Intellectual Property Right or any Non-Transferring Tender) including the enforcement at the cost and for the account of the Purchaser of all rights of the relevant Business Seller against any other party thereto;

- 6.2.2** to the extent that the Purchaser (or the relevant member of the Purchaser's Group) is lawfully able to do so and subject to the Seller's obligations under the Transitional Distribution Services Agreement, the Purchaser shall (or shall procure that the relevant member of the Purchaser's Group shall) perform the relevant Business Seller's obligations under the Contract (but only to the extent such obligations do not constitute Excluded Liabilities) as agent or sub-contractor and shall indemnify the Seller and the relevant Business Seller if the Purchaser or the relevant member of the Purchaser's Group fails to do so;
- 6.2.3** to the extent that the Purchaser (or a member of the Purchaser's Group) is not lawfully able to perform such obligations, the Seller shall procure that the relevant Business Seller shall, (subject to being indemnified by the Purchaser for any Losses the Seller or the relevant Business Seller may incur in connection therewith) do all such things as the Purchaser (or the relevant member of the Purchaser's Group) may direct or reasonably require to enable due performance of the Contract;
- 6.2.4** the Seller shall (or shall procure that the relevant Business Seller shall) act in accordance with any reasonable instructions or directions provided to it by the Purchaser (or a relevant member of the Purchaser's Group) in relation to the management and operation of any Transferred Contract, Transferred Intellectual Property Contract or Relevant Part of any Shared Business Contract (excluding, for the avoidance of doubt, any part of any Shared Business Contract which relates exclusively to the Seller Group's Retained Business), and the Purchaser shall indemnify the relevant Business Seller for any Losses that the Business Seller may incur in connection therewith, provided that should the Seller (or relevant Business Seller) believe (acting reasonably) that compliance with any instruction or direction given by the Purchaser (or a member of the Purchaser's Group) pursuant to this sub-paragraph 6.2.4 will result in a breach of Applicable Law (including a breach of the terms of the relevant Contract), (i) the Seller (or relevant member of the Seller's Group), shall inform the Purchaser (or the member of the Purchaser's Group which gave the instruction) and shall not be required to implement such instruction or direction; and (ii) the parties shall discuss the concerns of the relevant member of the Seller's Group in good faith, to determine whether an agreement can be reached such that the relevant instruction or direction can be implemented by the Seller (or the relevant Business Seller);
- 6.2.5** without prejudice to the provisions of paragraph 6.2.2 and subject to Applicable Law, the Seller shall provide (or procure that the relevant Business Seller shall provide) the Purchaser (or the relevant member of the Purchaser's Group) (with access to such documents, facilities, information and assistance as the Purchaser

(or the relevant member of the Purchaser's Group) may reasonably require with respect to any Transferred Contract, the Transferred Intellectual Property Contract, the Co-Owned Transferred Product Intellectual Property Right, and the Relevant Part of the Shared Business Contract which is subject to the provisions of this paragraph 6; and

6.2.6 in respect of any Contract for the sale of any Product or Products and any Non-Transferring Tender, the amount of any profit arising from sales pursuant to any such Contract shall be calculated and remitted to the Purchaser in accordance with the relevant provisions of the Transitional Distribution Services Agreement.

6.3 The Seller shall (or shall procure that the relevant Business Seller shall) retain, carry out, perform and discharge the Seller's and the Business Seller's obligations under the Relevant Part of the Mixed Contracts which are Transferred Contracts, and subject to paragraph 6.4, the Seller shall assume, carry out, perform and discharge the Purchaser's Group and the Vaccines Group Companies' obligations arising under the Relevant Part of the Mixed Contracts held by a Vaccines Group Company as from Closing.

6.4 In respect of the Relevant Part of each Mixed Contract held by a Vaccines Group Company from Closing until the relevant Mixed Contracts Separation:

6.4.1 the relevant Vaccines Group Company shall hold on trust to the extent it is lawfully able to do so or, where it is not lawfully able to do so or where holding on trust is not possible under local law or otherwise impracticable, the Seller and the Purchaser shall make such other arrangements between themselves to provide to the Seller the benefits of the Contract (other than amounts corresponding to any Tax Liability by the relevant Vaccines Group Company in respect of amounts due under or in respect of the Relevant Part of such Mixed Contract) including the enforcement at the cost and for the account of the Seller of all rights of the relevant Vaccines Group Company against any other party thereto;

6.4.2 to the extent that the Seller (or the relevant member of the Seller's Group) is lawfully able to do so, the Seller shall perform (or procure that a member of the Seller's Group performs) the relevant obligations of the relevant Vaccines Group Company under the Contract as agent or sub-contractor and shall indemnify the Purchaser and relevant Vaccines Group Company if the Seller fails to do so; and

6.4.3 to the extent that the Seller (or a member of the Seller's Group) is not lawfully able to perform, or procure performance of, such obligations, the Purchaser shall procure that the relevant Vaccines Group Company shall, (subject to being indemnified by the Seller for any Losses the relevant Vaccines Group Company may incur in connection therewith) act in accordance with any reasonable instructions or directions provided to it by the Seller (or a relevant member of the Seller's Group) in relation to the management and operation of any Relevant Part of any Mixed Contract, and the Seller shall indemnify the Purchaser and the relevant member of the Purchaser's Group in respect thereof, provided that should the Purchaser or the relevant member of the Purchaser's Group believe that compliance with any instruction or direction given by the Seller (or a member of the Seller's Group) pursuant to this sub-paragraph 6.4.3 will result in a breach of Applicable Law (including a breach of the terms of the relevant Contract), the Purchaser (or relevant member of the Purchaser's Group), shall inform the Seller

(or the member of the Seller's Group which gave the instruction and shall not be required to implement such instruction or direction.

7 Failure to Obtain Third Party Consents

- 7.1** If a Third Party Consent is refused or otherwise not obtained on terms reasonably acceptable to the Purchaser within 18 months of Closing, or in the case of a Separation or a Mixed Contracts Separation, 18 months of the Relevant Election Date or Closing (respectively):
- 7.1.1** the Seller shall be entitled to procure the termination of the Transferred Contract, Transferred Plant and Equipment, Transferred Intellectual Property Contract or Relevant Part of the Shared Business Contract and the obligations of the parties under this Agreement in relation to such Transferred Contract, Transferred Intellectual Property Contract or Relevant Part of the Shared Business Contract shall cease forthwith;
 - 7.1.2** the Seller may request termination of the Relevant Part of the Mixed Contract and the obligations of the parties under this Agreement in relation to such Relevant Part of the Mixed Contract shall cease forthwith;
 - 7.1.3** references in this Agreement to the Transferred Contracts, Transferred Intellectual Property Contracts, Transferred Plant and Equipment or Relevant Part of the Shared Business Contract and the Vaccines Group Businesses (other than in this paragraph 7) shall be construed as excluding such Transferred Contract, Transferred Intellectual Property Contract, Transferred Plant and Equipment or Relevant Part of the Shared Business Contract; and
 - 7.1.4** the Seller and the Purchaser shall use all reasonable efforts to put in place alternative arrangements so as to give the Purchaser or the Seller (as the case may be) equivalent benefits or rights as would have been enjoyed under the terminated Transferred Contract, Transferred Intellectual Property Contract, Relevant Part of the Shared Business Contract, Co-Owned Vaccines Group Intellectual Property Right or Relevant Part of the Mixed Contract.
- 7.2** Notwithstanding the above, the Purchaser and the Seller may agree at any time after Closing not to seek the Separation of a Shared Business Contract or the Mixed Contracts Separation of a Mixed Contract (to the extent only that the Seller and the Purchaser agree that such Mixed Contract does not contain any competitively sensitive information).

8 Non-Transferring Tenders

- 8.1** Subject to the termination of any Non-Transferring Tender (or any Relevant Part thereof) pursuant to paragraphs 8.2 and 8.3 below, the provisions of paragraph 6.2 of this Schedule 10 shall continue to apply in respect of a Non-Transferring Tender for the term of the relevant Non-Transferring Tender.
- 8.2** The Purchaser may serve written notice on the Seller requesting it at its absolute discretion to (i) terminate (or to procure the termination of) any Non-Transferring Tender which is a Products-Only Tender (an “**NTT Products-Only Tender**”) or (ii) amend or to procure the amendment of any Non-Transferring Tender which is a Multi-Basket Tender (a “**NTT Multi-Basket Tender**”) such that the Relevant Part thereof shall be terminated.

- 8.3** Upon receipt of such notice, the Seller shall as soon as reasonably practicable thereafter (i) take such steps as are reasonably necessary to terminate the relevant NTT Products-Only Tender and (ii) use its reasonable endeavours to procure an amendment of the relevant NTT Multi-Basket Tender. Where the Purchaser serves such a request:
- 8.3.1** any and all actions, claims, demands, proceedings, judgments, liabilities, loss, damages, payments, costs and expenses arising in connection with such termination or amendment (including in respect of any early termination or similar fee or payment and all liabilities costs, expenses and payments suffered or reasonably incurred by the Business Seller in procuring such termination or amendment (as applicable)) shall be for the account of the Purchaser and the Purchaser shall indemnify the relevant Business Seller in respect thereof; and
- 8.3.2** the Purchaser shall be solely responsible for putting in place its own arrangements in respect of the matters the subject of such terminated NTT Products-Only Tender or amended NTT Multi-Basket Tender (as the case may be) and no member of the Seller's Group shall have any responsibility for putting in place any such arrangements.
- 8.4** For the avoidance of doubt, if any NTT Products-Only Tender is terminated (or, in the case of a NTT Multi-Basket Tender, amended such that the Relevant Part thereof is terminated) by the relevant Business Seller pursuant to paragraph 8.2 then no member of the Seller's Group shall be liable to make any payment to the Purchaser or any other member of the Purchaser's Group in respect of any consideration payable or allocation made under this or any other Ancillary Agreement.

For the purposes of this Schedule, the following terms shall have the following meanings:

“**Separation Plan**” has the meaning given to it under the Transitional Distribution Services Agreement;

“**Identified Risk**” means a specifically identified adverse operational, legal or tax impact affecting either the Seller's Group or the Purchaser's Group (including an impact on the ability of the Seller's Group to perform its obligations under the Transitional Distribution Services Agreement) which would arise or which would increase (by more than a de minimis amount) solely by reason of the relevant Distribution Contract transferring to the Purchaser (or the relevant member of the Purchaser's Group) on a date prior to the Planned Distribution Transfer Date; and

“**Planned Distribution Transfer Date**” means the Distribution Transfer Date for the applicable Market as set out in the Separation Plan.

Schedule 11
Employees
(Clause 2.4.1)

1 Information and consultation

1.1 At such time as the parties agree to be appropriate following the public announcement of the matters contemplated by this Agreement, the Seller and the Purchaser or the relevant member of the Purchaser's Group shall jointly communicate to the Employees an agreed notice which shall, other than to the extent the parties agree otherwise:

1.1.1 inform the Employees that following Closing those Employees who continue to be employed in the Business (as carried on by the Vaccines Group) would be employed by the Purchaser or relevant member of the Purchaser's Group; and

1.1.2 comply with the requirements of any applicable national law.

For the avoidance of doubt the parties may agree to issue such notice to different Employees or categories of Employees at different times and in different forms.

1.2 Notwithstanding the operation of paragraph 1.1 above, the Seller and the Purchaser agree to comply with any more onerous notice requirements imposed by local laws.

1.3 The Purchaser (on its own behalf and on behalf of any relevant member of the Purchaser's Group) shall provide the Seller (for itself and any relevant member of the Seller's Group) with such information and assistance at such times as the Seller may reasonably request or as may be reasonably necessary for the Seller or any other member of the Seller's Group to comply with any formal or informal requirement to inform or consult with the Employees, a relevant trade union, a relevant works council, or any other employee representatives in connection with the matters contemplated by this Agreement (which formal or informal requirements the Seller hereby undertakes to comply or procure compliance with). Where reasonably necessary to ensure compliance with any formal or informal requirements or obligations to inform or consult with Employees, a relevant trade union, a relevant works council or any other employee representatives in connection with the matters contemplated by this Agreement, the Seller (for itself and for each member of the Seller's Group) and the Purchaser (for itself and for each member of the Purchaser's Group) agree that the Purchaser or relevant member of the Purchaser's Group shall cooperate with and participate in any information, negotiation and/or consultation process as reasonably required by the Seller.

1.4 As soon as practicable following the date of this Agreement, the Purchaser agrees to provide on a timely basis such information, in writing, in respect of its existing terms and conditions of employment as may reasonably be required by the Seller so as to facilitate the Seller's information and consultation exercise with its Employees in respect of the matters set out in this Agreement.

2 Vaccines Business Employees

2.1 General

2.1.1 The Purchaser shall (or shall procure that the relevant member of the Purchaser's Group shall) fulfil all its duties and obligations under Applicable Law in relation to the Vaccines Business Employees. Where the provisions of local law do not provide for an automatic transfer of the employment of the Vaccines Business

Employees to the Purchaser or a relevant member of the Purchaser's Group with effect from (and including) the Closing Date, then paragraph 2.2 below shall apply. Where the provisions of local law do provide for an automatic transfer of employment of the Relevant Vaccines Business Employees to the Purchaser or the relevant member of the Purchaser's Group with effect from (and including) the Closing Date, then paragraph 2.3 below shall apply.

- 2.1.2** Notwithstanding that the employees referred to in the document attached to the email from [***] of Linklaters LLP and received by [***] of Slaughter and May on 25 February 2015 at 15:30 (GMT) may not in fact be working wholly or substantially in the Business (as carried on by the Vaccines Group), the parties hereby acknowledge and agree to treat them as if they are so working for the purposes of this Agreement.
- 2.1.3** The parties acknowledge and agree that:
- (i) any Deferred Employee shall be treated for all purposes under this Agreement as if such Deferred Employee were a Vaccines Business Employee or a Vaccines Group Company Employee (as appropriate); and
 - (ii) the Purchaser's obligations under this Schedule 11 shall apply in respect of each Deferred Employee in the same way as they do to each Vaccines Business Employee or Vaccines Group Company Employee (as appropriate); and
 - (iii) if any Deferred Employee accepts an offer of employment made by the Purchaser under paragraph 2.2.1 below or becomes an employee of a Vaccines Group Company after the Closing Date, such Deferred Employee shall further be treated for all purposes under this Agreement as a Transferred Employee.
- 2.1.4** For the avoidance of doubt, this paragraph 2 shall not apply to any Excluded Employee, who will remain employed by the Seller or the relevant member of the Seller's Group.
- 2.1.5** The parties agree that no provisions in this paragraph 2 shall require the Purchaser or another member of the Purchaser's Group (including any Vaccines Group Company) to employ a Relevant Employee on and from the Closing Date until such time as such employee has the right (including, for the avoidance of any doubt, under any grace period) or is otherwise permitted under Applicable Law to accept an offer to work for the Purchaser or relevant member of the Purchaser's Group and to commence working for the Purchaser or relevant member of the Purchaser's Group. Any such employee will only be a "Transferred Employee" for the purposes of this Agreement from the time (the "**Transfer Date**") he becomes an employee of a member of the Purchaser's Group, and any provisions relating to Transferred Employees in this Agreement shall only apply to any such employee with effect on and from the Transfer Date and with the following amendments:
- (i) references to the "Closing Date" and the "Effective Time" in paragraphs 4.1, 4.3.1, 4.3.2 and 4.4 shall be replaced with references to the "Transfer Date";
 - (ii) references to an "Employee" in paragraphs 4.2.1, 4.2.2 and 4.3.5 shall be extended to refer to such Transferred Employee, and to the extent required

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

in respect of such Transferred Employee references to the “Closing Date” and the “Effective Time” shall be replaced with references to the “Transfer Date;

- (iii) the reference to “basic salary” in paragraph 5.1.1 shall mean the basic salary that applied to such Transferred Employee immediately prior to the Transfer Date;
- (iv) references to the “Closing Date” and the “Effective Time” in paragraph 6.2 shall be replaced with references to the “Transfer Date”;
- (v) for the purposes of paragraphs 11.2 and 11.8 references to “Closing” and the “Closing Date” shall be construed as references to the Transfer Date; and
- (vi) such other amendments as the parties may agree, each acting in good faith.

2.2 Where no automatic transfer of employment

- 2.2.1** In such timescale as the parties may agree in order to comply with any Applicable Law, but in any event at least 15 days prior to the Closing Date, unless agreed otherwise by the parties (such agreement not to be unreasonably withheld by any party), the Purchaser or relevant member of the Purchaser’s Group shall make an offer to each Vaccines Business Employee employed by the Seller or a member of the Seller’s Group to employ him or her under a new contract of employment to commence with effect from (and including) the Closing Date provided that such employee continues to be a Vaccines Business Employee until the Closing Date. Save as otherwise agreed with the Seller (such agreement not to be unreasonably withheld), the offer to be made will be on the same terms and conditions (including as to period of continuous employment) as were provided to that Vaccines Business Employee immediately prior to the Closing Date. The Purchaser shall keep the Seller updated throughout the offer process on when offers are made and accepted or rejected.
- 2.2.2** If the Vaccines Business Employee wishes to accept the offer of employment from the Purchaser or the relevant member of the Purchaser’s Group, then the Seller shall (or shall procure that the relevant member of the Seller’s Group shall), insofar as it is permitted by Applicable Law, waive the requirement on the Vaccines Business Employee concerned to give any period of notice of termination of his or her employment under the terms of his or her employment so as to allow the Vaccines Business Employee to commence employment with the Purchaser or relevant member of the Purchaser’s Group with effect from (and including) the Closing Date.
- 2.2.3** The parties agree that where a Relevant Employee (a “**Leave Employee**”) in the United States is absent on short term disability (including, without limitation, maternity) leave or military leave which will end on or after the Closing Date, and would otherwise have been made an offer of employment to commence with effect from (and including) the Closing Date by the Purchaser or relevant member of the Purchaser’s Group, such an offer shall be made, but employment pursuant to such offer shall commence only with effect from (and including) the date on which the Leave Employee returns to work at the end of such period of short term disability (including, without limitation, maternity) or military leave, provided always that the

date of such return to work is no more than six months after the date on which such short term leave began. Any such employee will only be a “Transferred Employee” for the purposes of this Agreement from the time (the “**Transfer Date**”) he becomes an employee of a member of the Purchaser’s Group, and any provisions relating to Transferred Employees in this Agreement shall only apply to any such employee with effect on and from the Transfer Date and with the following amendments:

- (i) references to the “Closing Date” and the “Effective Time” in paragraphs 4.1, 4.3.1, 4.3.2 and 4.4 shall be replaced with references to the “Transfer Date”;
- (ii) references to an “Employee” in paragraphs 4.2.1, 4.2.2 and 4.3.5 shall be extended to refer to such Transferred Employee, and to the extent required in respect of such Transferred Employee references to the “Closing Date” and the “Effective Time” shall be replaced with references to the “Transfer Date”;
- (iii) the reference to “basic salary” in paragraph 5.1.1 shall mean the basic salary that applied to such Transferred Employee immediately prior to the Transfer Date;
- (iv) references to the “Closing Date” and the “Effective Time” in paragraph 6.2 shall be replaced with references to the “Transfer Date”;
- (v) for the purposes of paragraphs 11.2 and 11.8 references to “Closing” and the “Closing Date” shall be construed as references to the “Transfer Date”; and
- (vi) such other amendments as the parties may agree, each acting in good faith.

2.2.4 If any Leave Employee has not returned to work by the date falling six months after the date on which such short term leave began then such Leave Employee shall be treated for all purposes under this Agreement as an Excluded Employee.

2.2.5 If in relation to any Relevant Employee, the day prior to the Closing Date occurs on a day which is not a Relevant Working Day in the jurisdiction in which that Employee is employed, the parties may agree (such agreement not to be unreasonably withheld by any party), that such Relevant Employees (the “**Working Day Relevant Employees**”) shall remain employees of the Seller or a member of the Seller’s Group until the first Relevant Working Day on or after the Closing Date (the “**Working Day Employee Termination Date**”). If so agreed, the parties agree that the transfer of employment of the Working Day Relevant Employees to the Purchaser or one of its Affiliates shall take effect on and from the day following the Working Day Employee Termination Date which applies to the relevant Working Day Relevant Employee. The Purchaser acknowledges that it will be responsible for the total amount actually paid by the Seller or its Affiliate for compensation and benefits, including any withholding taxes and payroll taxes paid by the Seller’s Group, to or in respect of the Working Day Relevant Employees in relation to their ordinary course of employment for the period on and from the Effective Time to (and including) the Working Day Employee Termination Date which applies to the relevant Working Day Relevant Employee.

2.3 Where automatic transfer of employment

If the Transfer Regulations do not or are found not to or are alleged not to apply to any person who is a Relevant Vaccines Business Employee and to whom paragraph 2.2 does not apply, the Purchaser agrees that following Closing:

- 2.3.1** in consultation with the Seller, the Purchaser or relevant member of the Purchaser's Group shall within 10 Business Days of being so requested by the Seller (as long as the request is made no later than 3 months after Closing) (or if the Purchaser so chooses), make such Relevant Vaccines Business Employee an offer in writing to employ him or her under a new contract of employment subject to, and to take effect upon, a date agreed between the parties and such employee; and
- 2.3.2** save as otherwise agreed with the Seller (such agreement not to be unreasonably withheld) the offer to be made will be on the same terms and conditions (including as to period of continuous employment) as were provided to that Relevant Vaccines Business Employee immediately prior to the Closing Date.

3 Wrong-pocket arrangements for persons other than Relevant Employees

3.1 If the contract of employment of any person other than a Relevant Employee is found or alleged to have effect upon Closing as if originally made with the Purchaser or another member of the Purchaser's Group (including any Vaccines Group Company) as a consequence of this Agreement, or if any Vaccines Group Company employs any person who at Closing does not work wholly or substantially in the Business (as carried on by the Vaccines Group), or if any Vaccines Group Company employs or becomes liable to employ on or after the Closing Date any person other than a Relevant Employee as a consequence of such person exercising a right of objection against the transfer of his employment relationship (including without limitation pursuant to Section 613a para. 6 German Civil Code (BGB)) which results in his continuing employment relationship with that Vaccines Group Company or otherwise exercising a right to be re-hired by that Vaccines Group Company and provided in either case that the right arose in connection with Closing or matters arising prior to Closing, the Seller agrees that following Closing:

- 3.1.1** in consultation with the Purchaser, the Seller or relevant member of the Seller's Group may within 10 Business Days of being so requested by the Purchaser (as long as the request is made no later than 3 months after Closing or, in the case of an objection or a right to be re-hired referred to above, no later than 3 months after that person exercises a right of objection or a right to be re-hired) (or if the Seller so chooses), make to that person an offer in writing to employ him or her under a new contract of employment subject to, and to take effect upon, the termination referred to below; and
- 3.1.2** the offer to be made will be on the same terms and conditions (including as to period of continuous employment) as were provided to that person immediately prior to the Closing Date.

3.2 After the expiry of the 10 Business Days referred to at paragraph 3.1 above, and provided that the relevant member of the Purchaser's Group takes such steps as are legally possible to terminate the employment of the person concerned as soon as reasonably practicable after becoming aware of the finding, allegation, objection or re-hire referred to at paragraph 3.1 above (either by giving notice or transferring the person by agreement to

be concluded between the relevant member of the Purchaser's Group, the person concerned and the relevant member of the Seller's Group), the Seller shall be responsible for and shall indemnify and keep indemnified the Purchaser (for itself and as trustee for any relevant member of the Purchaser's Group) against all Losses from time to time made, suffered or incurred by the Purchaser (or any other member of the Purchaser's Group) as a result of:

- 3.2.1 the actual or alleged transfer to (or continued employment with or right to be employed by) a member of the Purchaser's Group and (regardless of whether there has been such a transfer) any employment liabilities relating to such person;
- 3.2.2 employing such person on and from the Closing Date until such termination (up to the time reasonably expected to have achieved such termination in accordance with the terms of the contract of employment and Applicable Law) but subject to a maximum period of 6 months unless prevented by the terms of the contract of employment or Applicable Law; and
- 3.2.3 such termination.

3.3 The parties agree to co-operate in good faith to minimise the Losses which are subject to the indemnity referred to in paragraph 3.2 above.

3.4 Save as set out in paragraph 3.5 below, the provisions of this paragraph 3 shall not apply in relation to any of the people listed in Schedule 5 under the heading "Marburg 35".

3.5 As soon as any 18 people listed in Schedule 5 under the heading "Marburg 35" have exercised a right of objection or a right to be re-hired referred to at paragraph 3.1 above, then the provisions of this paragraph 3 shall apply in relation to the remaining 17 people listed under the heading "Marburg 35".

4 Employment liabilities

4.1 All wages, salaries, employer's liabilities in respect of associated Taxes and other periodic outgoings in respect of the Transferred Employees which relate to a period:

- 4.1.1 on and after the Effective Time shall be borne or discharged by the Purchaser or relevant member of the Purchaser's Group; and
- 4.1.2 before the Effective Time shall be borne or discharged by the Seller or relevant member of the Seller's Group.

4.2 Subject to paragraph 4.1, the Seller shall (for itself and for each member of the Seller's Group) indemnify and keep indemnified the Purchaser (for itself and as trustee for each other member of the Purchaser's Group) against all Losses (ignoring any amount in respect of Employee Benefits, as to which see Schedule 12) in respect of:

- 4.2.1 the employment of any Employee at any time prior to the Effective Time (excluding any Transferred Employee Benefit Liabilities (as defined in Schedule 12) which the Purchaser agrees to assume in accordance with Schedule 12);
- 4.2.2 any termination of the employment of any Employees prior to the Effective Time and any termination of the employment of any Employees on and after the Effective Time but prior to the Closing Date which are not otherwise covered by paragraph 4.3.2 including, but not limited to, all claims relating to severance, termination pay, pay in lieu of notice of termination and similar obligations (excluding any liability arising directly as a result of any breach of the commitments

set out in paragraph 5 or 6 below by the Purchaser or a member of the Purchaser's Group and any act or omission by the Purchaser or any member of the Purchaser's Group in relation to any Employee before the Closing Date as a result of which that Employee treats his employment as having been terminated prior to the Closing Date);

- 4.2.3 any amount which becomes payable to any Employee or benefit to which any Employee becomes entitled by reason of this Agreement or the matters it contemplates, including any change of control or other payment or benefit (and including any enhancement of severance terms on a subsequent termination of employment but excluding any Losses relating to any share-based incentive schemes, as to which see paragraph 11 below);
- 4.2.4 any failure by the Seller or any other member of the Seller's Group to comply with any obligation to inform or consult with employee representatives in connection with the matters contemplated by this Agreement (other than as a result of any failure set out in paragraph 4.3.3 below); and
- 4.2.5 any breach by the Seller or any other member of the Seller's Group of paragraph 4.1.2 above or paragraph 4.4, 4.5 or 10 below.

4.3 The Purchaser shall (for itself and for each member of the Purchaser's Group) indemnify and keep indemnified the Seller (for itself and as trustee for each other member of the Seller's Group) against all Losses (ignoring any amount in respect of Employee Benefits, as to which see Schedule 12) in respect of:

- 4.3.1 the employment of any of the Transferred Employees on and after the Effective Time (including, without limitation, any changes to terms and conditions of employment by the Purchaser or any other member of the Purchaser's Group);
- 4.3.2 any termination of the employment of any Transferred Employees on and after the Effective Time and any termination of the employment of any Employees by a member of the Seller's Group on and after the Effective Time but prior to the Closing Date who would, but for such termination of employment by a member of the Seller's Group, have been Transferred Employees (save in each case where such termination is in order to facilitate the transfer of any Relevant Employees pursuant to paragraph 2 of this Schedule 11 or is otherwise in connection with any rejection or objection to such transfer in circumstances where paragraph 4.3.5 does not apply) including, but not limited to, all claims relating to severance, termination pay, pay in lieu of notice of termination and similar obligations except as contemplated under paragraph 3.2 above;
- 4.3.3 any failure by the Purchaser or any other member of the Purchaser's Group to provide information and reasonable assistance to the Seller to enable the Seller or any other member of the Seller's Group to comply with any obligation to inform or consult with employee representatives in connection with the matters contemplated by this Agreement;
- 4.3.4 any breach by the Purchaser or any other member of the Purchaser's Group of paragraph 4.1.1 above or paragraph 4.4 or 4.5 below; and
- 4.3.5 any act or omission by the Purchaser or any member of the Purchaser's Group in relation to any Employee before the Closing Date as a result of which that

Employee treats his employment as having been terminated prior to the Closing Date.

- 4.4** Any amount payable to or in respect of any Transferred Employee on or after the Closing Date (including without limitation amounts paid under paragraph 4.5 below) which (ignoring vesting conditions and any amount payable in respect of Employee Benefits or otherwise in accordance with Schedule 12) is referable to the period prior to the Effective Time is payable by the Seller (for itself or on behalf of the relevant Share Seller or Business Seller). Responsibility for amounts payable which are only partly referable to the period prior to the Effective Time (again ignoring vesting conditions) is to be shared between the Seller (for itself or on behalf of the relevant Share Seller or Business Seller) and the Purchaser (for itself or on behalf of the relevant member of the Purchaser's Group) such that the Seller bears S per cent. of the cost and the Purchaser bears P per cent., where S is the percentage of the period by reference to which the amount was earned which fell before the Effective Time and P is the percentage of that period which falls on and after the Effective Time. Save for the payments described in paragraph 4.5 below, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, pay such amounts when due to the relevant Transferred Employees on or after the Closing Date and shall deduct and/or pay and account for any Tax payable or accountable for by the employer in respect of such amounts. The Seller covenants to reimburse the Purchaser in respect of any such amount (or S per cent. of it where relevant), including any Tax payable or accountable for by the employer in respect of such amount, within 30 days of receiving notification that it has been paid to the extent such amounts are not reflected in the Closing Statement. The Seller will provide the Purchaser with all information and documentation reasonably necessary to allow such payments to be made.
- 4.5** Following the Closing Date:
- 4.5.1** the Seller shall, or shall procure that a member of the Seller's Group shall, pay a pro-rated cash bonus for the current bonus year as at the Effective Time and any unpaid cash bonus for the bonus year which ended before the Effective Time to each Transferred Employee who participated in such annual cash bonus plan within 90 days following the Closing Date. For the avoidance of doubt, this paragraph 4.5.1 shall apply whether or not a member of the Seller's Group provides post-Closing payroll services to a Vaccines Group Company; and
- 4.5.2** where the Seller is able to determine performance, any such bonus payment made to such eligible employees will be based on the Seller's determination of performance to the Effective Time and (where applicable) pro-rated to the Effective Time; or
- 4.5.3** where the Seller is unable to determine performance (either business or individual), for example, because the Effective Time occurs near the start of the bonus year, the Seller shall calculate any such bonus payment based on a deemed achievement of performance conditions at target level pro-rated to the Effective Time; and
- 4.5.4** as soon as reasonably practicable after the Closing Date, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, provide such information as the Seller requires in order for the Seller to calculate the Tax payable or accountable for by the employer in respect of such bonus payments; and

- 4.5.5 if and to the extent permitted by Applicable Law, the Seller shall, or shall procure that such other member of the Seller's Group shall, deduct and/or account for any Tax payable or accountable for by the employer in respect of such bonus payments; or
 - 4.5.6 if and to the extent paragraph 4.5.5 above is not permitted by Applicable Law, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, pay and/or account for any Tax payable or accountable for by the employer in respect of such bonus payments and the Seller shall reimburse the Purchaser in respect of such amounts so paid and/or accounted for; and
 - 4.5.7 where any amount in respect of payments made by the Seller or any other member of the Seller's Group pursuant to this paragraph 4.5 is reflected in the Closing Statement, the Purchaser shall reimburse the Seller in respect of the amount so reflected. For the avoidance of doubt, no reimbursement by the Purchaser shall be due in respect of any such payment to the extent it is not reflected in the Closing Statement.
- 4.6 If any loan made by a member of the Seller's Group to a Transferred Employee (an "**Employee Loan**") remains outstanding at the Closing Date, then the parties shall co-operate in good faith to procure an outcome such that:
- 4.6.1 the Employee Loan shall be discharged in full within a reasonable period after the Closing Date and the relevant member of the Seller's Group shall receive all outstanding amounts of principal and interest under the Employee Loan (either from the relevant Transferring Employee or from a member of the Purchaser's Group); and
 - 4.6.2 a loan in the same amount and on the same terms as to interest and repayment as the outstanding portion of the Employee Loan shall be made available by the Purchaser to the relevant Transferred Employee.

5 **Protection of terms and conditions and termination rights post-Closing**

- 5.1 Without prejudice to paragraph 5.4 below, the Purchaser shall procure that for a period of 24 months following the Closing Date:
- 5.1.1 each Transferred Employee will (for so long as such Transferred Employee continues in the same role with any member of the Purchaser's Group save that the Purchaser shall not seek to demote any Transferred Employee to avoid the application of this provision) continue to receive at least the same basic salary; and
 - 5.1.2 each Transferred Employee will continue to receive contractual benefits (but excluding Employee Benefits and any share-based incentive schemes or other long-term incentive plans) which the Purchaser reasonably considers to be substantially comparable, taken as a whole, to the contractual benefits (but excluding Employee Benefits and any share-based incentive schemes or other long-term incentive plans) of such Transferred Employee immediately prior to the Closing Date; and
 - 5.1.3 no Transferred Employee will suffer a change to his overall employment terms (whether contractual or otherwise) and including, without limitation, any related to length of service (but excluding Employee Benefits and any share-based incentive schemes or other long-term incentive plans), which, when taken as a whole viewed

in the round (including to the extent relevant alongside any other changes being made at the same time to that Transferred Employee's employment terms), would in the Purchaser's reasonable opinion acting in good faith, be regarded as materially detrimental.

- 5.2** The Purchaser confirms that, following the Closing Date and for so long as the Transferred Employees continue in the employment of any member of the Purchaser's Group, the Transferred Employees will be eligible to participate in those share-based incentive schemes or other long-term incentive plans that are operated by the Purchaser or relevant members of the Purchaser's Group from time to time for employees of equivalent status, subject always to the rules of such share-based incentive schemes or long-term incentive plans and any qualifying conditions.
- 5.3** The Seller shall provide or shall cause to be provided to any member of the Purchaser's Group such information reasonably requested in writing by any member of the Purchaser's Group to enable the Purchaser to comply with its obligations in paragraph 5.1 above.
- 5.4** If the employment of any Transferred Employee is terminated by reason of redundancy within 24 months following the Closing Date, the Purchaser shall procure that there shall be provided to such Transferred Employee benefits which are equivalent to those provided under such redundancy and severance policies and benefits (whether contractual or otherwise and giving due credit to the Transferred Employees for any additional service or earnings from the Closing Date onwards) (but excluding Employee Benefits) as were applicable in respect of the particular Transferred Employee immediately prior to the Closing Date, to the extent that such policies and benefits are notified in writing to the Purchaser prior to the Closing Date. If, at any time during the 24 month period immediately following the Closing Date, the Purchaser places any Transferred Employee into a redundancy selection process, the Purchaser undertakes that, in determining such selection, it will or will procure that the relevant member of the Purchaser's Group will take no account of the costs of dismissal of any person within the relevant selection pool (including such Transferred Employee). For the avoidance of doubt, redundancy payments of the type described in this paragraph 5.4 (whether paid within 24 months of Closing or later) are not intended to be covered by the apportionment mechanism at paragraph 4.4 above.
- 5.5** For the avoidance of doubt, the provisions of this paragraph 5 are without prejudice to the operation of any rule of law in relation to the terms and conditions of employment of the Transferred Employees.

6 Benefits arrangements/service continuity

- 6.1** Each Transferred Employee shall have their service with the Seller's Group and their respective predecessors recognised under any employee benefit plans or arrangements of the Purchaser's Group for all purposes of eligibility, vesting and accrual of benefits to the extent past service was recognised for such Transferred Employee under a comparable plan or arrangement immediately prior to the Closing Date. Notwithstanding the foregoing, nothing in this paragraph 6.1 shall be construed to require recognition of service for the purposes of calculation of Employee Benefits or that would result in:
- 6.1.1** any additional liability being assumed by the Purchaser's Group in respect of Employee Benefits other than subject to and in accordance with the provisions of Schedule 12;

- 6.1.2 duplication of benefit;
 - 6.1.3 recognition of service for any purposes under any plan or arrangement for which participation, service and/or benefits accrual is frozen or any post-retirement medical plan; or
 - 6.1.4 recognition of service under a newly established plan or arrangement for which prior service is not taken into account for employees of the Purchaser's Group generally.
- 6.2 Without limiting the foregoing, with respect to the Transferred Employees, the Purchaser shall, or shall cause such other member of the Purchaser's Group to, be responsible for all paid time off benefits, including vacation pay, sick pay, banked leave, flexitime and other payments for time off of normal work hours accrued by the Transferred Employees up to the Closing Date, provided that, if the value of such matters (excluding normal accrued but untaken annual leave for the year current as at the Closing Date) would exceed US\$7.5 million if accrued for in a balance sheet in accordance with IFRS prior to the Effective Time, then the Seller shall compensate the Purchaser for such matters accrued prior to the Effective Time (again excluding normal accrued but untaken annual leave for the year current as at the Closing Date) by paying the Purchaser an amount equal to that value, less any amount actually accrued and transferred to the Purchaser for such matters.
- 6.3 With respect to any welfare plan maintained by the Purchaser or any other member of the Purchaser's Group in which Transferred Employees are eligible to participate after the Closing Date, the Purchaser shall:
- 6.3.1 waive all limitations as to pre-existing conditions, exclusions, evidence of insurability provisions, waiting periods with respect to such participation and coverage requirements or similar provisions under a Purchaser's benefit plans that are welfare plans (as defined in section 3(1) of ERISA or any equivalent Applicable Law) applicable to such employees to the extent such conditions, exclusions and waiting periods or other provisions were satisfied or did not apply to such employees under welfare plans maintained by the Seller or other members of the Seller's Group prior to the Closing Date; and
 - 6.3.2 provide each Transferred Employee with credit for any co-payments and deductibles paid prior to the Closing Date in satisfying any analogous deductible or out-of-pocket requirements to the extent applicable under any such plan in the year in which Closing occurs, to the extent credited under the welfare plans maintained by the Seller or other members of the Seller's Group prior to the Closing Date.

7 US Transferred Employees

With effect on and from the Closing Date, the Purchaser shall, or shall procure that such other members of the Purchaser's Group shall, assume the responsibility and obligation to provide COBRA continuation coverage to all Transferred Employees who are employed in the United States and/or covered by US Benefit Plans and whose employment is terminated after the Closing Date and their eligible dependents.

8 Shared Employees

After the date of this Agreement, the Seller shall identify any Shared Employees who work wholly or substantially in the Business (as carried on by the Vaccines Group) but who are not Vaccines Group Company Employees or Vaccines Business Employees. In

consultation with the Purchaser, the Seller will procure that a Vaccines Group Company will offer employment to any such employee before the Closing Date, to take effect from immediately before the Closing Date (provided that such employee continues to work wholly or substantially in the Business (as carried on by the Vaccines Group) until the Closing Date) or, where that is not reasonably practicable or there is no Vaccines Group Company in the country in which the employee works, the Purchaser shall treat such employee as if he or she were a Vaccines Business Employee (provided that such employee continues to work wholly or substantially in the Business (as carried on by the Vaccines Group) until the Closing Date) and the provisions of this Schedule 11 will apply to him or her and further provided, however, that these arrangements will apply to no more than 10 full time equivalent employees.

9 International Assignees

Where Applicable Law does not provide for the automatic transfer of employment of any International Assignee and/or the other terms governing their international assignment, the Purchaser shall assume and agree to be bound by the individual contract of employment and such other terms governing their international assignment including any tax equalisation agreement entered into between an International Assignee and a member of the Seller's Group provided that such employee becomes a Transferred Employee and the Seller has disclosed to the Purchaser the template international assignment terms of the Seller's Group prior to the Closing Date.

10 Liability for retention arrangements

The Seller or any other member of the Seller's Group has or will put in place certain retention arrangements (in the form of cash) to retain key employees in connection with the matters contemplated by this Agreement. To the extent that details of such retention arrangements are disclosed to the Purchaser prior to the Closing Date, and in respect of arrangements put in place after the date of this Agreement, with the agreement of the Purchaser, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, make the cash retention payments when due to the relevant Transferred Employees on or after Closing and shall deduct and/or pay and account for any Tax payable or accountable for by the employer in respect of such cash payments. The Seller covenants to reimburse the Purchaser in respect of any cash retention payments, whether or not disclosed (including any Tax payable or accountable for by the employer in respect of such payments), which are put in place prior to the Closing Date. The Seller acknowledges that the Purchaser may ask the Seller to put in place more generous retention arrangements than those proposed by the Seller (including, where practicable, putting in place retention arrangements which last for a period of at least six months following Closing) and will not unreasonably withhold consent to such arrangements provided that any incremental cost of such arrangements over and above the cost of the Seller's own proposals will be for the Purchaser's account. The Seller will provide the Purchaser with all information and documentation reasonably necessary to allow such payments to be made.

11 Share-based incentive schemes

11.1 This paragraph 11 applies notwithstanding any other provision of this Agreement.

11.2 Subject to paragraph 11.11, the Seller undertakes to use its best endeavours to ensure that share-based awards held by Transferred Employees pursuant to a share-based incentive scheme operated by the Seller or another member of the Seller's Group ("**Relevant Awards**") shall be treated in a manner consistent with the "good leaver treatment" in the share-based incentive schemes operated by the Purchaser, to the extent possible under the relevant plan rules and any Applicable Law. Where Relevant Awards are subject to performance (or other) conditions and it is not possible to determine whether or not such conditions have been met at the applicable early vesting date (or within a reasonable period thereafter), the Seller and Purchaser agree that performance shall be deemed "on target".

For the avoidance of doubt:

- (a) where necessary and subject to (b), the Seller shall rely on the exercise of existing discretions in the relevant plan rules and (provided the approval of the Seller's shareholders is not required) shall be expected to amend the relevant plan rules to achieve the "good leaver treatment";
- (b) the Seller (or relevant member of the Seller's Group) shall not take any action which would require shareholder approval or which could trigger any significant legal, Tax or operational issues for the relevant Transferred Employee (including the loss of any Tax-favourable treatment), the Seller's Group or the Purchaser's Group.

For the purposes of this paragraph 11.2, the "good leaver treatment" shall be that:

- (c) Relevant Awards shall not lapse or be forfeited as a result of Closing except to the extent that they do not vest in accordance with (D) and/or (E) below;
- (d) Relevant Awards shall vest early as a result of Closing and shall be time pro-rated to take account of the reduced period of time, as a proportion of the original vesting period, that the relevant Transferred Employee worked within the Seller's Group (calculated on the basis of the number of years of service as at the Closing Date, where part years of service are rounded up); and
- (e) Relevant Awards that vest after the Closing Date shall remain subject to any relevant performance (or other) conditions, adjusted as necessary to take account of Closing and measured up to the applicable early vesting date.

For the purposes of this paragraph 11.2, "on target" performance shall not be construed as permitting share-based awards to vest in full.

11.3 The Seller agrees to indemnify the Purchaser (or relevant member of the Purchaser's Group) for any Liabilities borne by the Purchaser's Group in connection with the Relevant Awards, including any Tax. The Purchaser agrees to use its best endeavours to seek any applicable Tax relief in respect of the Relevant Awards and to indemnify the Seller in respect of any Tax relief obtained, provided always that the Seller provides the Purchaser with any information that the Purchaser may reasonably request in this respect in a timely manner.

11.4 Subject to paragraph 11.5, the Seller undertakes to inform the Purchaser of the vesting or exercise (as applicable) of the Relevant Awards and to provide, in a timely manner, details of the Relevant Awards that so vest or are exercised so that the Purchaser's Group can make any applicable withholdings for Tax and pay any Tax for which the Purchaser's

Group is liable in respect of the Relevant Awards to the relevant Tax Authority within any applicable timescale.

- 11.5** To the extent permitted under the relevant plan rules and any Applicable Law, the Seller undertakes to sell such number of the shares underlying the Relevant Awards as may be necessary for the sale proceeds to satisfy any applicable Tax withholdings and to pay such amounts to the Purchaser in sufficient time for the Purchaser to pay such Tax to the relevant Tax Authority within any applicable timescale, provided always that the Purchaser provides the Seller with any information that the Seller may reasonably request in this respect in a timely manner.
- 11.6** The Seller undertakes to procure that each relevant member of the Seller's Group will pay any Tax for which such member is liable in respect of the Relevant Awards to the relevant Tax Authority within any applicable timescale.
- 11.7** The Seller undertakes to procure the completion of any relevant Tax Return in respect of the Relevant Awards and to procure the submission of any such Tax Return to the relevant Tax Authority within any applicable timescale.
- 11.8** This paragraph shall apply where Relevant Awards lapse or are forfeited (or will lapse or be forfeited) either in whole or in part as a result of Closing. As soon as practicable following Closing with the intention being, where possible, to grant within 30 days of the Closing Date or the first date after the Closing Date when dealing restrictions do not apply (and, in any event, by the later of 90 days from the Closing Date and 90 days from the first date after the Closing Date when the granting of share-based awards is not prevented by dealing restrictions) subject in both cases to the relevant plan rules and any Applicable Law, the Purchaser (or member of the Purchaser's Group) shall grant each relevant Transferred Employee a share-based award over shares in the capital of the Purchaser substantially equal in value (valued as at the date of grant) to the value of the portion of their Relevant Awards which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing (valued as at the Closing Date), where relevant, disregarding any loss (or expected loss) of Tax-favourable treatment (each a "**Compensation Award**"). To the extent that (i) it could reasonably have been expected that any related matching share award and/or free share award would have been granted to a Transferred Employee following Closing in connection with any Relevant Award which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing (each a "**Relevant Matching Award**"), and (ii) such Relevant Matching Award has not been granted (or will not be granted) as a result of Closing, on or around the date on which such Relevant Matching Award would, in the ordinary course of business, have been made by the Seller (or member of the Seller's Group), the Purchaser (or member of the Purchaser's Group) shall grant each relevant Transferred Employee a share-based award over shares in the capital of the Purchaser substantially equal in value (valued as at the date of grant) to the value of such Relevant Matching Award (valued as at the date of grant of the related Matching Award, defined below), where relevant, disregarding any loss (or expected loss) of Tax-favourable treatment (each a "**Matching Award**"), subject to the relevant plan rules and any Applicable Law.

Such Compensation Awards and Matching Awards shall be granted pursuant to the rules of whichever share-based incentive plan operated by the Purchaser's Group at the time of grant the Purchaser considers most closely aligned to the share-based incentive plan operated by the Seller's Group pursuant to which the related Relevant Award had been granted (or related Relevant Matching Award would have been granted) but will vest

according to a vesting schedule substantially similar to the vesting schedule that would have otherwise applied to the related Relevant Award or related Relevant Matching Award if Closing had not occurred. In such cases:

- (a) the Purchaser undertakes to seek any applicable Tax relief in respect of the Compensation Awards and Matching Awards and to indemnify the Seller in respect of 50 per cent of any Tax relief obtained, provided always that the Seller provides the Purchaser with any information that the Purchaser may reasonably request in this respect in a timely manner;
- (b) where a Compensation Award or Matching Award is granted in the form of a restricted share award, the Purchaser undertakes to obtain a valid election pursuant to section 431 of the Income Tax (Earnings and Pensions) Act 2003 (or, as applicable, any similar Tax election that is available pursuant to any Applicable Law in another jurisdiction), provided that, if either party makes representations to the other party to waive this obligation in respect of certain Compensation Awards or certain Matching Awards and the other party consents to such waiver (such consent not to be unreasonably withheld), this paragraph (B) shall not apply in respect of such Compensation Awards or Matching Awards; and
- (c) the Seller agrees to indemnify the Purchaser (or relevant member of the Purchaser's Group) for 50 per cent. of any Liabilities borne by the Purchaser's Group in connection with such Compensation Awards and Matching Awards, including any Tax, provided that:
 - (i) the Seller shall not indemnify the Purchaser (or relevant member of the Purchaser's Group) to the extent that the Purchaser (or member of the Purchaser's Group) compensates Transferred Employees for any loss (or expected loss) of Tax-favourable treatment in respect of Relevant Awards or for any Liabilities to Tax as contemplated in paragraph 11.9 below;
 - (ii) the Seller only agrees to indemnify the Purchaser (or member of the Purchaser's Group) to a maximum of 50 per cent of the total of (i) the value of the portion of such Relevant Awards that lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing, (ii) the value of the Relevant Matching Awards, and (iii) any related Liabilities, including any Tax; and
 - (iii) for the avoidance of doubt, the Seller shall not indemnify the Purchaser (or member of the Purchaser's Group) for any lapse or forfeiture (or expected lapse or forfeiture) due to a failure to meet any applicable performance (or other) conditions.

For these purposes, the compensation in respect of the portion of a Relevant Award which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing shall not exceed the difference between (i) the value of the Relevant Award which could reasonably have been expected to vest on the normal vesting date but for Closing (subject, where applicable, to performance (or other) conditions), and (ii) the value of the Relevant Award which actually vested (or will vest) as a result of Closing.

For the purposes of this paragraph 11.8:

- (a) the portion of a Relevant Award which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing shall be valued on the basis of the average price of

an ordinary share in the capital of the Seller over the five trading days immediately prior to Closing;

- (b) the value of a Compensation Award to be granted shall be valued on the basis of the average price of an ordinary share in the capital of the Purchaser over the five trading days immediately prior to the date of grant;
- (c) the value of a Relevant Matching Award shall be valued on the basis of the average price of an ordinary share in the capital of the Seller over the five trading days immediately prior to the date of grant of the related Matching Award;
- (d) the value of a Matching Award to be granted shall be valued on the basis of the average price of an ordinary share in the capital of the Purchaser over the five trading days immediately prior to the date of grant; and
- (e) any currency conversion shall be made in accordance with Clause 1.13.1 of this Agreement.

11.9 To the extent that any payment to a Transferred Employee (whether by the Seller's Group or by the Purchaser's Group) would trigger Liabilities to Tax under section 280G of the United States Internal Revenue Code ("**Section 280G**"), the relevant Transferred Employee shall be allowed to choose whether to accept the full payment (and pay any relevant Section 280G Tax) or to receive such lower payment as may be necessary in order to fall below the Section 280G threshold for Tax. To the extent that any similar Tax would arise pursuant to any Applicable Law in another jurisdiction, this paragraph 11.9 shall apply mutatis mutandis.

11.10 This paragraph shall apply where: (i) a Transferred Employee would, in the ordinary course of business, have been granted a share-based award pursuant to a share-based incentive scheme operated by the Seller or another member of the Seller's Group on the basis of performance criteria linked to the Seller's Group's 2014 financial year (which may, for the avoidance of doubt, be business and/or individual performance criteria and assessment) (each a "**2014 Performance Award**"), and (ii) Closing occurs prior to the grant of such 2014 Performance Award. As soon as practicable following Closing (and, in any event, by the later of 30 days from the Closing Date and 30 days from the date when the value of each 2014 Performance Award has been determined), the Seller shall notify the Purchaser in writing of the value of each 2014 Performance Award and under which share-based incentive plan operated by the Seller's Group the related 2014 Performance Award would have been granted. As soon as practicable following the receipt of such notice (and, in any event, by the later of 30 days from the receipt of such notice and 30 days from the first date following the receipt of such notice when the granting of share-based awards is not prevented by dealing restrictions, subject in both cases to the relevant plan rules and any Applicable Law), the Purchaser (or member of the Purchaser's Group) shall grant each relevant Transferred Employee a share-based award over shares in the capital of the Purchaser substantially equal in value (valued as at the date of grant) to the value of the 2014 Performance Award which would have been granted but for the occurrence of Closing. Such 2014 Performance Awards shall be granted pursuant to the rules of whichever share-based incentive plan operated by the Purchaser's Group at the time of grant the Purchaser considers most closely aligned to the share-based incentive plan operated by the Seller's Group pursuant to which the related 2014 Performance Award would have been granted. In such cases:

- (a) the Purchaser undertakes to seek any applicable Tax relief in respect of the 2014 Performance Awards and to indemnify the Seller in respect of any Tax relief obtained, provided always that the Seller provides the Purchaser with any information that the Purchaser may reasonably request in this respect in a timely manner;
- (b) where a 2014 Performance Award is granted in the form of a restricted share award, the Purchaser undertakes to obtain a valid election pursuant to section 431 of the Income Tax (Earnings and Pensions) Act 2003 (or, as applicable, any similar Tax election that is available pursuant to any Applicable Law in another jurisdiction), provided that, if either party makes representations to the other party to waive this obligation in respect of certain 2014 Performance Awards and the other party consents to such waiver (such consent not to be unreasonably withheld), this paragraph (b) shall not apply in respect of such 2014 Performance Awards; and
- (c) the Seller agrees to indemnify the Purchaser (or relevant member of the Purchaser's Group) for any Liabilities borne by the Purchaser's Group in connection with such 2014 Performance Awards, including any Tax.

The grant of a 2014 Performance Award to a Transferred Employee shall be taken into account by the Purchaser when determining the extent to which that Transferred Employee shall participate in incentive arrangements (other than any Compensation Award or Matching Award) operated by the Purchaser's Group following Closing.

For the purposes of this paragraph 11.10:

- (d) the value of a 2014 Performance Award to be granted shall: (i) be determined by the Seller acting reasonably and in good faith, (ii) be consistent with past practice and with the level of similar awards granted to employees remaining in service within the Seller's Group, (iii) take into account the relevant business and/or individual performance criteria linked to the Seller's Group's 2014 financial year, and (iv) if Closing occurs before 31 December 2014, be time pro-rated to take account of the reduced period of time, as a proportion of the Seller's Group's 2014 financial year, that the relevant Transferred Employee worked within the Seller's Group (calculated on the basis of the number of complete months of service as at the Closing Date);
- (e) the number of shares to be placed under a 2014 Performance Award shall be valued on the basis of the average price of an ordinary share in the capital of the Purchaser over the five trading days immediately prior to the date of grant; and
- (f) any currency conversion shall be made in accordance with Clause 1.13.1 of this Agreement.

11.11 This paragraph shall apply if any member of the Seller's Group's corporate executive team (or similar body) is a Transferred Employee (each a "**CET Member**"). The treatment of share-based awards held by CET members shall be determined by the remuneration committee of the board of directors of the Seller (acting reasonably and in good faith and following informal consultation with the Purchaser), subject to the rules of any relevant share-based incentive scheme and any Applicable Law, and the provisions of paragraphs 11.8 and 11.10 shall apply.

12 Delayed Employees

12.1 In this Schedule:

“**Controlled Business Instruction**” has the meaning given to it in Schedule 25;

“**Delayed Business Employees**” means (i) the Relevant Vaccines Business Employees who immediately prior to the Closing Date work in any of the Delayed Vaccines Group Businesses, and (ii) any employees of any member of the Seller’s Group who are appointed to their position (whether by internal or external hire) on or after the Closing Date in accordance with a Controlled Business Instruction or Seller Involvement Instruction to work wholly or substantially in the Business (as carried on by the Vaccines Group) (other than the Delayed Company Employees), and in each case for so long as they are not assigned to work other than wholly or substantially in the Business (as carried on by the Vaccines Group);

“**Delayed Closing Date**” has the meaning given to it in Schedule 25;

“**Delayed Company Employees**” means (i) the Relevant Vaccines Company Employees who immediately prior to the Closing Date are employees of any of the Delayed Vaccines Group Companies, and (ii) any employees of any of the Delayed Vaccines Group Companies who are appointed to their position (whether by internal or external hire) on or after the Closing Date to work wholly or substantially in the Business (as carried on by the Vaccines Group) in accordance with a Controlled Business Instruction or Seller Involvement Instruction, and in each case for so long as they are not assigned to work other than wholly or substantially in the Business (as carried on by the Vaccines Group);

“**Delayed Employees**” means the Delayed Business Employees and the Delayed Company Employees;

“**Delayed Vaccines Group Business**” has the meaning given to it in Schedule 25;

“**Delayed Vaccines Group Company**” has the meaning given to it in Schedule 25; and

“**Seller Involvement Instruction**” has the meaning given to it in Schedule 25.

12.2 The parties intend and agree that:

12.2.1 the employment of the Delayed Employees shall not be transferred by the Seller or another member of the Seller’s Group to a member of the Purchaser’s Group on and from the Closing Date but shall transfer on and from the Delayed Closing Date which relates to the Delayed Vaccines Group Company or Delayed Vaccines Group Business associated with that Delayed Employee;

12.2.2 notwithstanding the intention at paragraph 12.2.1 above, if the contract of employment of any Delayed Employee is found or alleged to have effect at any time prior to the Delayed Closing Date as if originally made with the Purchaser or another member of the Purchaser’s Group (including any Vaccines Group Company) as a consequence of this Agreement, paragraph 3 shall not apply in relation to that Delayed Employee and as a result the parties shall in good faith seek to agree as soon as reasonably practicable how best to deal with such unintended transfer or allegation of transfer having regard to the reason why the individual’s transfer to the Purchaser or another member of the Purchaser’s Group (including any Vaccines Group Company) was delayed but provided that, if the parties are unable to reach such agreement within a reasonable period and if it is

agreed that such Delayed Employee's contract of employment has so transferred, then such Delayed Employee shall be treated from the time he actually became so employed as a "Transferred Employee" (and no longer a Delayed Employee) for the purposes of this Agreement;

- 12.2.3** no provisions in paragraph 2 shall require the Purchaser or another member of the Purchaser's Group (including any Vaccines Group Company) to employ, or make an offer to employ, a Delayed Employee, on and from the Closing Date;
- 12.2.4** paragraph 2.2 shall be amended to the extent required so that it applies to Delayed Business Employees and, in respect of such Delayed Business Employees, references to the "Closing Date" shall be replaced with references to the "Delayed Closing Date which relates to the Delayed Vaccines Group Business associated with that Delayed Employee";
- 12.2.5** paragraph 2.3 shall be amended to the extent required so that it applies to Delayed Business Employees and, in respect of such Delayed Business Employees, references to the "Closing Date" or "Closing" shall be replaced with references to the "Delayed Closing Date which relates to the Delayed Vaccines Group Business associated with that Delayed Employee"; and
- 12.2.6** paragraph 3 shall be amended to the extent required so that it applies on each Delayed Closing Date in respect of any person who is not at that time a Delayed Business Employee or Delayed Company Employee and any references to the "Closing Date" or "Closing" shall be replaced with references to that "Delayed Closing Date".

12.3 Notwithstanding the provisions of paragraph 12.2 above, the parties agree that each Delayed Employee shall, with effect from and including the Closing Date, be treated for economic purposes as if he is employed by a member of the Purchaser's Group, and as a consequence will be deemed to be a "Transferred Employee" (meaning that the Purchaser will be economically responsible for all costs and liabilities relating to his employment on and from the Effective Time or termination of his employment on and from the Effective Time) provided that such treatment shall not result, in relation to any Delayed Employee, in any member of the Purchaser's Group being liable for any costs and liabilities under this Schedule to the extent that any such costs and liabilities arise from (i) any failure by the relevant member of the Seller's Group prior to a Delayed Employee's Delayed Closing Date, without good reason, to comply with any Controlled Business Instruction or Seller Involvement Instruction in relation to that Delayed Employee; or (ii) any claim by a Delayed Employee as a result of any breach of contract or Applicable Law by the relevant member of the Seller's Group (other than in express compliance with any Controlled Business Instruction or Seller Involvement Instruction or as otherwise expressly agreed in writing by the Purchaser) in respect of such Delayed Employee. Any amount payable pursuant to this paragraph 12.3 shall be paid in accordance with Part 4 of Schedule 25. For the avoidance of doubt, no provision of this paragraph 12.3 shall entitle the Seller or any member of the Seller's Group to recover any amount in respect of any Delayed Employee if that would entitle that Seller or member of the Seller's Group to recover more than once in respect of the same amount under this Agreement or any Ancillary Agreement.

12.4 For the purposes of paragraphs 11.2 and 11.8 above, references to "Closing" and the "Closing Date" shall be construed as references to the relevant Closing, Closing Date or Delayed Closing Date which applies to each of the relevant Transferred Employees.

Schedule 12
Employee Benefits
(Clause 2.4.2)

In this Schedule 12:

“**Delayed Business Employees**” has the meaning given to it in Schedule 11;

“**Delayed Company Employees**” has the meaning given to it in Schedule 11;

“**Delayed Employees**” has the meaning given to it in Schedule 11;

“**Employee Benefits**” means benefits to or in respect of any current or former employee, including without limitation, any pension, early retirement, disability, death benefit, long service awards, termination indemnity (such as Italian TFR) or post-retirement medical benefits or deferred compensation linked to retirement, disability or death benefits or old age part-time benefits (such as German ATZ) and jubilee payments;

“**Employee Benefit Liabilities**” means liabilities and obligations (whether funded or unfunded) in respect of any employee benefit promise, scheme, plan, fund, program, policy, practice or other individual or collective arrangement providing Employee Benefits;

“**Purchaser Funding Assumptions**” means, in relation to any Transferred Employee Benefits, where a member of the Purchaser’s Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc), and there is a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund those similar or comparable benefits to a funding target which is determined by reference to a method and assumptions other than IFRS (such as would, for example, be the case in relation to UK HMRC-registered defined benefit pension obligations), then that method and those assumptions as in force in relation to those similar or comparable benefits immediately prior to the date of this Agreement (so, taking the example of UK defined benefit obligations, this would be the method and assumptions used to determine the relevant plan’s technical provisions as at the date of this Agreement – regardless of whether the plan is in fact fully funded on that basis at any relevant time);

“**Purchaser IFRS Assumptions**” means, in relation to any Transferred Employee Benefits, where a member of the Purchaser’s Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc), the method and assumptions used most recently prior to the date of this Agreement to value those similar or comparable benefits by the Purchaser’s Group (or any relevant member thereof) for IFRS accounting purposes;

“**Seller Funding Assumptions**” means, in relation to any Transferred Employee Benefits, if there is a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund those Transferred Employee Benefits to a funding target which is determined by reference to a method and assumptions other than IFRS (such as would, for example, be the case in relation to UK HMRC-registered defined benefit pension obligations), then that method and those assumptions as in force in relation to those Transferred Employee Benefits immediately prior to the date of this Agreement (so, taking the example of UK defined benefit obligations, this would be the method and assumptions used to determine the relevant plan’s technical provisions as at the date of this Agreement – regardless of whether the plan is in fact fully funded on that basis at any relevant time);

“Seller IFRS Assumptions” means, in relation to any Transferred Employee Benefits, the method and assumptions used by the Seller’s Group (or the most relevant member thereof) most recently prior to the date of this Agreement to value those Transferred Employee Benefits for IFRS accounting purposes;

“Swiss Actuary” means an actuary: (a) who can reasonably be viewed: (i) as independent of both the Purchaser and the Seller; and (ii) as familiar with Swiss pension issues; and (b) whom the Purchaser and Seller have agreed should be jointly appointed by them for the purposes of determining the Swiss Assumptions or who in default of such agreement has been appointed by the Swiss Association of Actuaries or other industry body of actuaries in Switzerland as agreed by the Seller and the Purchaser;

“Swiss Assets” means cash with a value equal to the aggregate of:

- (i) the value of the vested benefits, as at the Effective Time, held by the Swiss Pension Providers on behalf of each Transferred Employee in Switzerland;

multiplied by

- (ii) the applicable coverage ratio as determined by the board of trustees of the Swiss Pension Providers in accordance with Article 44 BVV2 (Swiss Ordinance on Occupational Retirement, Survivors’ and Disability Pension Plans) under the partial liquidation regulations of each of Novartis Pensionskasse 1, Novartis Pensionskasse 2 and Kaderkasse Novartis on the assumption that the Swiss Assets were to transfer to the Purchaser’s replacement pension vehicle at the Effective Time;

“Swiss Assumptions” means, in relation to any Transferred Employee Benefits in Switzerland, the Seller IFRS Assumptions adjusted:

- (a) by replacing any assumed “cash balance” annuity conversion rate in the Seller IFRS Assumptions with a conversion rate which the Swiss Actuary certifies to the Purchaser and the Seller as representing a reasonable estimate of the likely effective overall blended conversion rate which will apply in relation to the Transferred Employee Benefits in question, having regard to the changes to the rate which can (having regard to longevity projections, legal and governance constraints around Swiss pension structures and such other matters as the Swiss Actuary considers relevant) in the Swiss Actuary’s opinion reasonably be expected to occur during the expected service lives of the Transferred Employees to whom the Transferred Employee Benefits relate, and weighting the impact of those changes by reference to the ages of the relevant employees (and so the extent to which the changes will in fact operate to reduce the effective liability on the Purchaser); and
- (b) by removing any reserve for death or disability benefits to the extent that the Swiss Actuary certifies to the Purchaser and the Seller that it constitutes a reserve for liabilities to and in respect of the relevant Transferred Employees which could reasonably be externally insured by the Purchaser without introducing a new ongoing cost on the Purchaser which was not reflected in the Accounts;

“Swiss EB Liabilities” means those of the Transferred Employee Benefit Liabilities that are attributable to the Transferred Employees in Switzerland;

“Swiss Employee Benefits” means the benefits to which the Swiss EB Liabilities relate;

“Swiss Pension Providers” means the provider(s) of Swiss Employee Benefits;

“**Swiss Post-Closing Employers**” means the Vaccines Group Companies, and any relevant members of the Purchaser’s Group which employ the Transferred Employees in Switzerland on and from Closing;

“**Temporary Participation Plan**” means any plan or arrangement (whether funded or unfunded) for the provision of Employee Benefits in which Transferred Employees participate prior to Closing and continue (for any reason, whether by special arrangement as is the case for the Swiss Post-Closing Employers or because they are Delayed Business Employees or Delayed Company Employees, or otherwise) to participate for a temporary period after Closing; and

“**Temporary Participation Cessation Date**” means, in relation to any Temporary Participation Plan, the date on which Transferred Employees cease to participate in the relevant plan or arrangement.

For the purposes of each of the Purchaser Funding Assumptions, the Purchaser IFRS Assumptions, the Seller Funding Assumptions, the Seller IFRS Assumptions and the Swiss Assumptions, any economic and financial assumptions which are based (whether expressly or implicitly) on yields, rates or indices shall be updated for the purposes of such definitions to take account of those yields, rates or indices as at the Effective Time (or the latest practicable time prior to the Effective Time).

1 Except to the extent otherwise requested by the Seller and expressly agreed by the Purchaser before Closing (such Purchaser agreement not to be unreasonably withheld to the extent that it is not reasonably possible for the Seller or its Affiliates to retain the relevant Employee Benefit Liabilities – for example, where a Vaccines Group Company operates its own standalone arrangement, liability for which cannot lawfully be assumed by another member of the Seller’s Group, or where liability unavoidably transfers by operation of law under European Council Directive 2001/23/EC or its local implementing legislation), any Employee Benefit Liabilities in respect of service in the Vaccines Group or with any member of the Seller’s Group (including any Vaccines Group Company) or in any plan or arrangement in which any member of the Seller’s Group (including any Vaccines Group Company) participates or has participated:

- (a) (in the case of a Transferred Employee) prior to Closing; or
- (b) (in the case of any other person) at any time,

(together, “**Pre-Closing EB Liabilities**”) will stay with or be assumed by the Seller or its Affiliates (excluding any Vaccines Group Company) and the Seller shall fully indemnify the Purchaser and its Affiliates and/or any Vaccines Group Company) against any such Employee Benefit Liabilities and against any liabilities and obligations to or in respect of any plan or arrangement for the provision of Employee Benefits in which any member of the Seller’s Group (including any Vaccines Group Company) participates or participated prior to Closing. For the avoidance of doubt, the Purchaser’s agreement under this paragraph 1 may, if the Purchaser so determines, relate only to certain specified categories or tranches of Pre-Closing EB Liabilities under a particular benefit programme (in other words, it does not need to be “all or nothing”), in which case it is only those specified Pre-Closing EB Liabilities which are excluded from the scope of the Purchaser’s indemnity entitlement hereunder.

2 Where and to the extent that the Purchaser agrees under paragraph 1 that any Pre-Closing EB Liabilities may transfer to or remain with the Purchaser and/or its Affiliates and/or any Vaccines Group Company (such Pre-Closing EB Liabilities being the

“**Transferred Employee Benefit Liabilities**” and the benefits to which they relate being the “**Transferred Employee Benefits**”), the Purchaser will be compensated in respect of such Transferred Employee Benefit Liabilities as set out in the rest of this Schedule 12. Subject to being so compensated but without prejudice to paragraphs 9 and 11, the Purchaser shall, or shall procure that its relevant Affiliate shall, assume, with a full discharge for the Seller and its Affiliates, the Transferred Employee Benefit Liabilities. The Purchaser acknowledges its agreement to the principle that the post-retirement medical healthcare plan to which it admits US Transferred Employees who immediately before Closing were members of such a plan will take account of periods of employment with the Seller’s Group to the extent previously recognised under the equivalent Seller’s Group plan for the purposes of determining eligibility, contributions, and vesting; again, therefore, subject to appropriate identification during the period before Closing of such liabilities and to the operation of the compensation mechanism set out in this Schedule 12, they will become Transferred Employee Benefit Liabilities.

2A This paragraph 2A applies where there are Transferred Employee Benefits in a Temporary Participation Plan. In such a case, notwithstanding that the Transferred Employee Benefit Liabilities may (subject to the Purchaser’s agreement as per 1 above) include liabilities in respect of service after the Effective Time, the Transferred Employee Benefit Liabilities which are included in the calculation of the Employee Benefit Indemnification Amount as per paragraph 3 below shall (unless the Seller and the Purchaser agree otherwise in any particular case) comprise only those liabilities attributable to service before the Effective Time. Conversely, although the Transferred Employee Benefit Liabilities will not for the purposes of paragraph 1 and 2 above include liabilities in respect of Transferred Employees or other individuals who leave employment or crystallise benefits before the Temporary Participation Cessation Date in relation to the relevant Temporary Participation Plan (unless the Seller and the Purchaser agree otherwise in any particular case and without prejudice to the Purchaser or its Affiliates’ obligation to comply with any requirements in relation to such individuals before they leave employment or crystallise benefits), the parties agree that the calculation of the Employee Benefit Indemnification Amount under paragraph 3 below in relation to any Temporary Participation Plan shall be carried out on the basis of a conclusive presumption (regardless of any actual knowledge to the contrary) that:

- 2A.1** any individual who is a Delayed Employee on the day after the Closing Date is or will become a Transferred Employee, and
- 2A.2** no Contingent Individual will leave employment or crystallise benefits before the relevant Temporary Participation Cessation Date. For these purposes a “**Contingent Individual**” is a Transferred Employee or other individual who on the day after the Closing Date has not left employment or crystallised benefits and in respect of whom liabilities: (a) would become Transferred Employee Benefit Liabilities if he does not leave employment or crystallise benefits before the relevant Temporary Participation Cessation Date; but (b) would not otherwise become Transferred Employee Benefit Liabilities.

United Kingdom

For the avoidance of doubt, it is also agreed that no UK defined benefit pension liabilities are to be Transferred Employee Benefit Liabilities.

- 3 The value of the Transferred Employee Benefit Liabilities shall be determined on employee census data and plan provision as at the Effective Time (and making the conclusive presumptions at 2A.1 and 2A.2 above) on:
- 3.1 in relation to any Transferred Employee Benefits in Switzerland, the Swiss Assumptions; and
- 3.2 in relation to any other Transferred Employee Benefits, the Seller IFRS Assumptions, PROVIDED that if any of the following values is available and is greater than the value derived using the Seller IFRS Assumptions then that value will be used instead (and if more than one of these values is available then the one which would place the greatest value on the relevant Transferred Employee Benefit Liabilities will be used):
- 3.2.1 if a member of the Purchaser's Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc), the value which is midway between the value based on the Seller IFRS Assumptions and the Purchaser IFRS Assumptions;
- 3.2.2 if there is a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund the Transferred Employee Benefits to a funding target which is determined by reference to a method and assumptions other than IFRS, the value derived using the Seller Funding Assumptions; and
- 3.2.3 if there is both: (i) a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund the Transferred Employee Benefits to a funding target which is determined by reference to a method and assumptions other than IFRS; and (ii) a member of the Purchaser's Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc), the value which is midway between the value based on the Seller Funding Assumptions and the Purchaser Funding Assumptions.

Where there are any Transferred Employee Benefit Liabilities which prior to Closing were externally funded by assets held in a trust or other vehicle established for the purposes of meeting such Transferred Employee Benefit Liabilities, and the actuary chosen by the Seller and the actuary chosen by the Purchaser agree under paragraph 4 (or it is otherwise determined under paragraph 5) that, having regard to all relevant matters as they subsisted immediately after Closing, it would be reasonable to expect all or part of such assets to be or remain available to the Purchaser or its Affiliates to meet the cost of such Transferred Employee Benefit Liabilities (whether by transfer out to another vehicle or because a Vaccines Group Company is expected to remain affiliated to the vehicle on more than a merely temporary basis), then the value as at the Effective Time of the assets which, ignoring matters arising after Closing, the actuaries would expect to be made or remain so available (the "**Available Assets**") (including for the avoidance of doubt, in the case of Switzerland, the Swiss Assets to the extent that they are so agreed or determined) as agreed under paragraph 4 or determined under paragraph 5 will be deducted from the value of the Transferred Employee Benefit Liabilities, and the remaining value of the Transferred Employee Benefit Liabilities (if any) is the "**Employee Benefit Indemnification Amount**". The determination of the Employee Benefit Indemnification Amounts shall be carried out on a country-by-country basis and, where necessary, on a plan-by-plan basis.

If the Employee Benefit Indemnification Amount for any country (or plan, where applicable) is greater than 95% of the estimate of the Employee Benefit Indemnification Amount for that country (or plan) set out in the Seller's notification pursuant to Clause 6.4.3 (or, where no such estimate was made, greater than zero), then the Seller shall pay or procure payment, by way of a reduction in the Purchase Price attributable to the relevant Shares or the particular part of the Vaccines Group to which the payment relates, an amount equal to the difference (or, where no such estimate was made, the full Employee Benefit Indemnification Amount for that country (or plan)) to the Purchaser, or at the request of the Purchaser to an Affiliate of the Purchaser, as compensation for the Transferred Employee Benefit Liabilities. If the Employee Benefit Indemnification Amount for any country (or plan, where applicable) is less than 95% of the estimate of the Employee Benefit Indemnification Amount for that country (or plan) set out in the Seller's notification pursuant to Clause 6.4.3 (if any), the Purchaser shall pay an amount equal to the difference to the Seller.

- 4** The Seller and its Affiliates shall, within 45 days after Closing, provide its actuary, the Swiss Actuary (if relevant) and the actuary chosen by the Purchaser with all relevant plan, asset, assumptions and employee census information needed to calculate the Employee Benefit Indemnification Amounts in respect of any Transferred Employees or Delayed Employees to the extent not otherwise within the control of the Purchaser or its Affiliates (including any Vaccines Group Company). The actuary chosen by the Seller shall provide the actuary chosen by the Purchaser with its calculation of the Employee Benefit Indemnification Amounts (including, but not limited to, any supporting documentation on which it relied as well as the methodologies it employed in calculating the Employee Benefit Indemnification Amounts), on a plan-by-plan basis, within 90 days following Closing. The actuary chosen by the Purchaser shall review the calculation of the Employee Benefit Indemnification Amounts of the Seller's actuary within 120 days following Closing. The Employee Benefit Indemnification Amounts shall be determined, on a plan-by-plan basis, by mutual agreement between the parties within 180 days following the Closing Date.
- 5** If the parties cannot agree on any Employee Benefit Indemnification Amount within the 180-day period referred to in paragraph 4, the parties shall appoint within 5 days an independent actuary acceptable to both parties, or such actuary shall be selected by the President of the Institute and Faculty of Actuaries in the UK if they cannot agree, and the independent actuary thus appointed shall review their calculations and, within 75 days after appointment, render a final and binding decision on the amount of that Employee Benefit Indemnification Amount, and, in making such decision, shall be limited to adopting the position taken by either one of the parties. The cost of any independent actuary shall be borne jointly by the parties.
- 6** In connection with the procedures referred to in this Schedule 12, the parties shall provide each other and the actuaries referred to in this Schedule 12 with access to the relevant business records and other relevant documents and information as may reasonably be requested. All documents, records and information provided for the purposes of this Schedule 12 must be accurate and complete in all material respects.
- 7** Each payment in respect of an Employee Benefit Indemnification Amount shall be made by the Seller (by way of a reduction in the Purchase Price attributable to the relevant Shares or the particular part of the Vaccines Group to which the payment relates) within 14 days following its final determination. The Seller may make an accelerated or advance payment at its own discretion (which, for the avoidance of doubt, includes in relation to each

Employee Benefit Indemnification Amount so much (if any) of the Estimated Employee Benefit Adjustment as the Seller notified pursuant to Clause 6.4 was intended to relate to that Employee Benefit Indemnification Amount). Each Employee Benefit Indemnification Amount shall include interest calculated from the Effective Time to (and including) the date of payment at a rate per annum of LIBOR (but where amounts are prepaid or paid in stages or treated as paid via inclusion in the Estimated Employee Benefit Adjustment then the interest will cease to accrue on so much of the Employee Benefit Indemnification Amount as has been paid). Such interest shall accrue from day to day. Any such payment shall be made in US dollars (and any underlying values shall be expressed in US dollars) and any currency other than US dollars shall be converted into US dollars at the exchange rates determined in accordance with Clause 1.13 of this Agreement on the Closing Date.

- 8** To the extent (if any) that there are any Transferred Employee Benefit Liabilities which prior to Closing were externally funded by assets held in a trust or other vehicle established for the purposes of meeting such Transferred Employee Benefit Liabilities, the Purchaser will, if requested by the Seller before Closing (or the relevant Temporary Participation Cessation Date) and unless it is not reasonably practicable to do so, establish or nominate a trust or other vehicle which is capable of receiving a transfer of assets from the pre-Closing trust or other vehicle to the extent that such assets relate to the Transferred Employee Benefit Liabilities.
- 9** If, within one year of Closing, the Seller or the Purchaser notifies the other that the membership or other benefit data (the “**Data**”) used for calculating any Employee Benefit Indemnification Amount may be inaccurate, other than by reason of an Excluded Matter, then a “**Data Dispute**” has arisen and the following provisions shall apply:
- 9.1** On such notification, the Seller shall procure that its actuary and the Purchaser shall procure that its actuary consult each other with a view to agreeing whether the Data is inaccurate and if so, what the accurate Data should be. If the Seller’s actuary and the Purchaser’s actuary agree that the Data is inaccurate, they will jointly certify this to be the case and advise on what the accurate Data should be. The notification is deemed to have occurred on the date of the certification.
- 9.2** If the Seller’s actuary and the Purchaser’s actuary fail to agree whether the Data is inaccurate within 60 days of the notification by one party to the other that the Data may be inaccurate, paragraph 5 shall apply mutatis mutandis. The notification is deemed to have occurred when the independent actuary advises that the Data is inaccurate and what the accurate Data should be.
- 9.3** On the occurrence of the Data Dispute, the Seller and the Purchaser shall respectively procure that a valuation of the relevant Employee Benefit Indemnification Amount is carried out in accordance with paragraphs 3 and 4 (mutatis mutandis) but on the basis of the accurate Data as agreed under paragraph 9.1 or determined under paragraph 9.2.
- 9.4** If as a consequence of paragraph 9.3, the Seller has paid to the Purchaser an amount which on the basis of the further valuation is not payable, such amount (the “**Overpayment**”) shall be repaid within 21 days of the amount of the Overpayment being agreed or determined. Any such payment shall bear interest calculated from (and including) the date the Overpayment was made to (and including) the date the payment is made in full in accordance with this paragraph 9.4 at a rate per annum of LIBOR. Such interest shall accrue from day to day.

9.5 If as a consequence of paragraph 9.3, the Seller has not paid to the Purchaser an amount which on the basis of the further valuation is payable, such amount (the “**Outstanding Amount**”) shall be paid within 21 days of the amount of the Outstanding Amount being agreed or determined. Any such payment shall bear interest calculated from (and including) the Closing Date to (and including) the date the payment is made in full in accordance with this paragraph 9.5 at a rate per annum of LIBOR. Such interest shall accrue from day to day.

For the purposes of this paragraph 9, the “**Excluded Matters**” are:

- (i) assets which were assumed to be Available Assets ultimately turning out not to be available to the Purchaser or its Affiliates to meet the cost of the Transferred Employee Benefit Liabilities to which they related, and
- (ii) liabilities in respect of individuals being assumed to be Transferred Employee Benefit Liabilities but turning out not to be because the individuals leave service or crystallise benefits before the date liabilities are transferred.

10 Except as otherwise agreed by the Seller, the Purchaser shall where a trust or other vehicle has been established under paragraph 8, procure that all of the assets transferred as envisaged by paragraph 8 are paid into such trust or other vehicle. If, after such payment or transfer, or after payment of an Employee Benefit Indemnification Amount or after making an Estimated Employee Benefit Adjustment, the Purchaser and/or its Affiliates achieves a reduction in its liability to any Tax in respect of or in connection with the payment or transfer, the Purchaser shall pay to Seller (for itself or on behalf of the relevant Share Seller or Business Seller as applicable), within 30 days after the Purchaser would otherwise have been liable to pay the saved Tax, a sum equal to the amount of that Tax reduction by way of an increase in the Purchase Price in respect of the relevant Shares or the particular part of the Vaccines Group. This paragraph 10 applies for a period of four years following the later of the date on which a transfer of assets is made, or payment of any Employee Benefit Indemnification Amount or Estimated Employee Benefit Adjustment is made to the Purchaser.

11 The Seller covenants with the Purchaser to pay to the Purchaser an amount equal to any cost, claim or liability incurred by any member of the Purchaser’s Group which it is or becomes liable to make on or at any time after Closing by reason of any change or purported change made to the terms of any Transferred Employee Benefits prior to Closing proving to be or have been legally ineffective or by reason of such terms and/or benefits failing to comply with any mandatory legal requirements (excluding any obligation to equalise guaranteed minimum pensions in the United Kingdom). The Seller shall not be liable under this paragraph 11 in respect of any individual claim (or a series of claims arising from similar or identical facts or circumstances) unless the liability in respect of such claim or series of claims exceeds US\$100,000. If the Purchaser becomes aware of any fact, matter or circumstance that may give rise to a claim against the Seller under this paragraph 11, the Purchaser shall as soon as reasonably practicable give notice in writing to the Seller of such facts, matters or circumstances as are then available regarding the potential claim. Failure to give such notice within such period shall not affect the rights of the Purchaser to make a relevant claim under this paragraph 11, except that the Seller shall not be liable for any increase in the amount of such claim arising from such failure. The latest date on which the Purchaser may give notice of a claim under this paragraph 11 is the fourth anniversary of the Closing Date.

- 12** Notwithstanding any general provision to the contrary in Schedule 11 and subject to being compensated in accordance with this Schedule 12, the Purchaser shall admit Transferred Employees in the United States who participated in a post-retirement medical plan immediately prior to Closing to its own post-retirement medical plan. Subject to being compensated in accordance with this Schedule 12, periods of employment with the Seller's Group (including, without limitation, any current or former Affiliate of the Seller, to the extent previously recognised under the applicable benefit plan arrangement provided by the Seller's Group), shall be taken into account for the purposes of determining, as applicable, the eligibility for participation, contributions, and vesting for any employee under such post-retirement medical plan.
- 13** Notwithstanding any general provision to the contrary in Schedule 11, the US Transferred Employees shall, as of the Closing Date, become eligible to participate in a US tax-qualified defined contribution plan to the extent such plan is sponsored by the Purchaser or a relevant member of the Purchaser's Group. The Purchaser agrees that it will use commercially reasonable efforts to cause such plan to accept rollovers of the account balances of the US Transferred Employees (including participant loan promissory notes) from the relevant employer's tax-qualified retirement plans; provided that (i) the Purchaser will not be required to accept any such rollovers that might result in material liability to the Purchaser or may otherwise cause the relevant plan to cease to qualify under Section 401(a) of the Code and (ii) the Purchaser will not be required to amend any plan to permit participant loans.
- 14** The parties agree that where any Transferred Employee has accrued defined contribution benefits prior to Closing in a Seller's Group arrangement then:
- 14.1** the Seller shall use commercially reasonable efforts to procure the vesting of those benefits (if they would otherwise lapse as a result of Closing);
- 14.2** the parties shall, provided this will not impose unreasonable administrative burdens on the Purchaser's Group, co-operate in good faith to procure a transfer of the account balances of such Transferred Employee from the Seller's Group arrangement to a Purchaser's Group arrangement; and
- 14.3** for the avoidance of doubt, the Purchaser will comply with the provisions of paragraph 6.1 of Schedule 11.

Switzerland: temporary period of participation

- 15** The Seller and Purchaser shall use all reasonable endeavours to procure that, with effect from Closing, the Swiss Post-Closing Employers shall be admitted to participate in the relevant plans operated by the Swiss Pension Providers, to enable the Swiss Post-Closing Employers to continue to provide Swiss Employee Benefits to, and in respect of, the Transferred Employees in Switzerland for the period from Closing up to 31 December 2015 or such earlier date as the Swiss Pension Providers may permit under their temporary affiliation agreements with the Swiss Post-Closing Employers.
- 16** The Purchaser shall use all reasonable endeavours to procure that the Swiss Post-Closing Employers shall each enter into a temporary affiliation agreement with the board of trustees of the Swiss Pension Providers on such terms as the Seller and the Purchaser may have agreed prior to Closing.

- 17 The Seller and the Purchaser agree that, if, during the period on and from the Effective Time up to and including the Temporary Participation Cessation Date in relation to the plans operated by the Swiss Pension Providers, there is underperformance in the investment returns achieved in respect of the assets held by the Swiss Pension Providers in respect of the Transferred Employees in Switzerland who are cash balance members (so that the assets are not sufficient to provide the mandatory 1.5% p.a interest rate accrual), then there may be payment due from the Swiss Post-Closing Employers to the Swiss Pension Providers in accordance with the terms of the relevant affiliation agreement. If such a payment is demanded by the Swiss Pension Providers, then the Seller undertakes to pay to the Purchaser 50% of the amount demanded from the Purchaser or any Affiliate (including without limitation a Swiss Post-Closing Employer) to the Swiss Pension Providers within 14 days of being notified of such demand. The Purchaser shall, as soon as reasonably practicable, pay (or procure that its Affiliate pays) any such amount received from the Seller to the Swiss Pension Providers, to the extent that the amount is still owed to the Swiss Pension Providers by the Purchaser or its Affiliate.

Other jurisdictions: temporary periods of participation

- 18 The Seller and Purchaser may agree that an employing entity in the Purchaser's Group shall be admitted to participate, for a temporary period with effect from Closing, in one or more Employee Benefit plans operated by a member of the Seller's Group, or in which a member of the Seller's Group participates.
- 19 In such event, the Seller and Purchaser shall use all reasonable endeavours to enter into an agreement with the provider or board of trustees of the relevant Employee Benefit plan on such terms as the provider or board of trustees may reasonably require.

Specific assurance in relation to plans operated by Swiss Pension Providers

- 20 The Seller warrants to the Purchaser that, assuming the Temporary Participation Cessation Date is on or before 31 December 2015, the regulations governing the plans operated by the Swiss Pension Providers would oblige the Swiss Pension Providers to transfer to the replacement pension arrangement put in place for the Transferred Employees, in addition to amounts calculated as at Closing in respect of benefits accrued to that date, the contributions paid after the Effective Time in respect of the retirement accounts of the Transferred Employee by the employees or their employers. For the avoidance of doubt, the Seller gives no warranty as to whether the Swiss Pension Providers will comply with this obligation.

Jubilee payments

- 21 For the purposes of calculating the amount of jubilee payments and long service awards falling within the definition of "Transferred Employee Benefit Liabilities" the following principles shall apply:
- 21.1 in relation to Vaccines Group Company Employees, liabilities to make jubilee payments and grant long service awards will be treated as falling within Transferred Employee Benefit Liabilities and shall be calculated on the basis of the value of such liabilities determined in accordance with the preceding provisions of this Schedule;
- 21.2 in relation to Vaccines Business Employees in respect of whom each of the following applies:

21.2.1 liabilities to make jubilee payments or grant long service awards transfer to a member of the Purchaser's Group by operation of law; and

21.2.2 the relevant member of the Purchaser's Group replicates or will replicate the benefits which applied while they were employees of the Seller's Group,

liabilities to make jubilee payments or grant long service awards will be treated as falling within the Transferred Employee Benefit Liabilities and shall be calculated on the basis of the benefit scales which applied while the Vaccines Business Employees were employees of the Seller's Group;

21.3 in relation to Vaccines Business Employees for whom either:

21.3.1 liabilities to make jubilee payments or grant long service awards do not transfer by operation of law but the relevant member of the Purchaser's Group provides or will provide replacement benefits which replicate the benefits provided by the Seller's Group); or

21.3.2 the relevant member of the Purchaser's Group provides or will provide replacement jubilee or long service benefits but does not or will not replicate the benefits which applied while they were employees of the Seller's Group,

liabilities to make jubilee payments or grant long service awards will be treated as falling within the Transferred Employee Benefit Liabilities and shall be calculated on the basis of the benefit scales which applied while the Vaccines Business Employees were employees of the Seller's Group or, if less, the value of the actual benefit to be provided by the relevant members of the Purchaser's Group.

21.4 for the avoidance of doubt, no amount will be included within "**Transferred Employee Benefit Liabilities**" in respect of jubilee payments or long service awards in relation to Vaccines Business Employees for whom liabilities to make such payments or grant such awards do not transfer by operation of law and no replacement benefits are provided by any member of the Purchaser's Group;

21.5 the Purchaser and the Seller will negotiate in good faith with a view to agreeing an appropriate and simple method in each jurisdiction for valuing jubilee payments and long service awards which are not disproportionate to the amounts of such payments but which is suitably even-handed as between the parties. Any such agreement will override the foregoing provisions of this paragraph 21 to the extent there is any inconsistency.

Schedule 13
Allocation of Purchase Price
(Clauses 3.3 and 7.6)

- 1** The Seller and the Purchaser agree that the Purchase Price (and any adjustments thereto) and the Assumed Liabilities shall be allocated for Tax purposes among the Shares and the Vaccines Group Businesses in accordance with Applicable Law (the “**Allocation**”).
- 1** Prior to the Closing Date and subject always to paragraph 1, the Seller and the Purchaser shall negotiate in good faith to reach an agreement as to the Allocation of the Purchase Price and the Assumed Liabilities including by ascribing a value to that part of the Vaccines Group comprising the Products Encepur and Ixiaro (which, if disposed of by the Seller’s Group prior to the Closing Date shall be the amount payable by the Seller to the Purchaser pursuant to Clause 3.6.1) to the Shares, and to any Vaccines Group Businesses that are subject to transfer Taxes or VAT, or where a valuation of a particular Vaccines Group Business prior to Closing is otherwise required by Applicable Law (each a “**Required Item**”).
- 2** Failing agreement between the parties on the Allocation in respect of any Required Item in accordance with this Schedule 13, the Allocation shall be determined by the Reporting Accountants on the application of the Seller or the Purchaser. Paragraphs 1.6 to 1.12 of Part 1 of Schedule 16 shall apply *mutatis mutandis* to the engagement and determination of the Reporting Accountants pursuant to this paragraph 2.
- 3** The Seller and the Purchaser shall negotiate in good faith to further allocate the Purchase Price and Assumed Liabilities among the Vaccines Group Businesses for which an allocation was not agreed prior to Closing within 90 calendar days after the Closing Date. If the Seller and the Purchaser reach written agreement within such 90 day period, the Allocation, as so amended, shall become binding upon the Seller and the Purchaser as the “**Final Allocation Schedule**”.
- 4** The Seller and the Purchaser shall, and shall procure that each of their Affiliates will, file all Tax Returns in a manner consistent with the Final Allocation Schedule, unless otherwise required by Applicable Law, and shall take no position inconsistent with the Final Allocation Schedule in any proceedings before any Governmental Entity or otherwise.
- 5** If the Seller and the Purchaser are unable to agree to an Allocation pursuant to paragraph 4, the matter shall be determined by the Reporting Accountants on the application of the Seller or the Purchaser. Paragraphs 1.6 to 1.12 of Part 1 of Schedule 16 shall apply *mutatis mutandis* to the engagement and determination of the Reporting Accountants pursuant to this paragraph 5.

Schedule 14
VAT
(Clause 3.4)

1 VAT: Records

- 1.1** The Seller may, on or before the date of Closing, obtain a direction from the relevant Tax Authority for the retention and preservation by it of any VAT records relating to its period of ownership of the relevant part of the Vaccines Group and, where any such direction is obtained, the Seller shall:
- 1.1.1** preserve the records to which that direction relates in such a manner and for such period as may be required by the direction or by Applicable Law; and
 - 1.1.2** allow the Purchaser, upon the Purchaser giving reasonable notice, reasonable access to and copies of such records where reasonably required by the Purchaser for its Tax purposes.
- 1.2** If no such direction as is referred to in paragraph 1.1 above is obtained or before the date of Closing and any documents in the possession or control of a member of the Seller's Group are required by law to be preserved by the Purchaser, the Seller shall, as soon as reasonably practicable after Closing, deliver such documents to the Purchaser.

2 VAT: Going Concern - EU Member States

- 2.1** The Seller and the Purchaser shall use reasonable endeavours (including, for the avoidance of doubt, the making of an election or application in respect of VAT to any Tax Authority or entering into a written agreement) to secure that, to the extent reasonably possible, the sale of all or any part of the Vaccines Group Businesses, so far as carried on in the European Union, is treated as neither a supply of goods nor a supply of services for the purposes of the laws governing VAT in each relevant member state.
- 2.2** Each Business Seller shall have the right to seek a ruling from the relevant Tax Authority as to whether the sale of all or part of the Vaccines Group Businesses, so far as carried on in the relevant member state, should be treated as neither a supply of goods nor a supply of services for the purposes of the laws governing VAT in that member state and to account for VAT (and accordingly to seek an additional payment from the Purchaser under Clause 3.4.2) in accordance with that ruling. The Seller shall not be obliged to challenge (or to procure that any relevant Business Seller challenges) that ruling unless required to do so by the Purchaser. If the Purchaser wishes to challenge, or to require the relevant Business Seller to challenge, any such ruling it may do so, provided that it bears the full cost of, and agrees to indemnify the relevant Business Seller in respect of any loss arising from or in connection with, that challenge and that such challenge shall not affect the date on which VAT must be paid to the Seller under paragraph 4 below.
- 2.3** Insofar as no ruling has been obtained from a relevant Tax Authority prior to Closing, the Seller shall determine in good faith if (or the extent to which) VAT is payable in respect of the sale of the Vaccines Group Businesses and shall be entitled to charge (or not to charge) VAT to the Purchaser in accordance with such determination.

3 VAT: Going Concern - non-EU Jurisdictions

- 3.1** To the extent that any state outside the European Union provides for relief or exemption from VAT on the transfer of a business or a company or treats such a transaction as being non-taxable for VAT purposes, the Seller and the Purchaser shall, use reasonable endeavours (including, for the avoidance of doubt, the making of an election or application in respect of VAT to any Tax Authority or entering into a written agreement) to secure such relief, exemption or treatment, to the extent reasonably possible, as regards the sale of all or part of the Vaccines Group Businesses (insofar as the business of the Vaccines Group is carried on in the relevant state) under this Agreement.
- 3.2** The relevant Business Seller shall have the right to seek a ruling from the relevant Tax Authority as to whether the sale of all or part of the Vaccines Group Businesses, so far as the business of the Vaccines Group is carried on in the relevant state, is eligible for a relief or exemption or is otherwise eligible to be treated as non-taxable for the purposes of the laws governing VAT in that state and to account for VAT and accordingly seek an additional payment from the Purchaser under Clause 3.4.2) in accordance with that ruling. The Seller shall not be obliged to challenge (or to procure then the relevant Business Seller challenges) that ruling unless required to do so by the Purchaser. If the Purchaser wishes to challenge, or to require the relevant Business Purchaser to challenge, any ruling it may do so, provided that it bears the full cost of, and agrees to indemnify the relevant Business Seller in respect of any loss arising from or in connection with, that challenge and that such challenge shall not affect the date on which VAT must be paid to the Seller under paragraph 4 below. Insofar as no ruling has been obtained from a relevant Tax Authority prior to Closing, the Seller shall determine in good faith if (or the extent to which) VAT is payable in respect of the sale of the Vaccines Group Businesses and shall be entitled to charge (or not to charge) VAT to the Purchaser in accordance with such determination.

4 VAT: Time, Manner and Currency of Payment

- 4.1** Any amounts which the Purchaser is obliged to pay to the Seller under this Agreement in respect of VAT shall be paid by the Purchaser, on its own account or on behalf of another member of the Purchaser's Group, to the Seller or to such member of the Seller's Group as the Seller may direct. Such amounts shall be paid in the currency in which the VAT in question must be accounted for to the relevant Tax Authority.
- 4.2** Subject to any provision or express agreement to the contrary (including the terms of any Ancillary Agreements or other agreements entered into between members of the Seller's Group and members of the Purchaser's Group in respect of the provision of transitional services dealing with payments of amounts in respect of VAT arising in connection with the supply of goods or services to members of the Purchaser's Group at Closing), any amounts in respect of VAT payable in any jurisdiction in respect of the transfer at Closing of any of the Vaccines Group Businesses or Shares shall be paid in accordance with paragraph 4.1 above at Closing against production of a valid VAT invoice (or equivalent, if any).
- 4.3** Notwithstanding any other provision of this Agreement, the Purchaser shall not be liable to account to the Seller or any member of the Seller's Group for or in respect of penalties or interest arising solely from the failure of the Seller or any other member of the Seller's Group to account promptly for VAT to the relevant Tax Authority following the Seller having been placed in the appropriate amount of funds for that purpose by the Purchaser.

Schedule 15
Closing Obligations
(Clause 6)

1 General Obligations

1.1 The Seller's Obligations

On Closing, the Seller shall deliver or make available to the Purchaser the following:

- 1.1.1** the Ancillary Agreements (other than the France SPA and the Netherlands APA and, if they have not been agreed, the Transitional Services Agreement, the Transitional Distribution Services Agreement and the Influenza Business Manufacturing and Supply Agreement) duly executed by the relevant members of the Seller's Group;
- 1.1.2** a valid power of attorney or such other evidence reasonably satisfactory to the Purchaser that the Seller, and each of its relevant Affiliates, are authorised to execute this Agreement, the Ancillary Agreements and the Local Transfer Documents (including, where relevant, any notarial deeds referred to in this Schedule 15), in each case to the extent that they are parties thereto;
- 1.1.3** the Certificate duly executed by the Seller;
- 1.1.4** the statutory books of the Vaccines Group Companies (which shall be written up to but not including the Closing Date), the certificate of incorporation (and certificate of incorporation on change of name) and common seal (if any) of each Vaccines Group Company and share certificates (or other documents of title) in respect of all the issued share capital of each Vaccines Group Company;
- 1.1.5** In addition, the Seller shall, if requested by the Purchaser by notice in writing not less than five Business Days prior to the Closing Date:
- (i) procure any then present directors and officers (if any) of each Vaccines Group Company that are not Transferred Employees resign their offices to take effect at the Closing Date as such and to relinquish any rights which they may have under any contract of employment with any Vaccines Group Company or under any statutory provisions (including any right to damages or compensation for breach of contract, loss of office, redundancy or unfair dismissal or on any other account whatsoever) and to confirm that no agreement or arrangement is outstanding under which any Vaccines Group Company has or could have any obligation to any of them including in respect of remuneration or expenses;
 - (ii) procure the present auditors of each Vaccines Group Company to resign their office as such, such resignations to take effect as at the Closing Date; and
 - (iii) procure board meetings of the relevant Vaccines Group Companies are held, or written resolutions of the board are passed, at or by which:

it shall be resolved that each of the transfers relating to the Shares shall, so far as possible, be approved for registration and

any person nominated by the Purchaser shall be appointed director, such appointments to take effect on the Closing Date.

1.2 The Purchaser's Obligations

On Closing, the Purchaser shall deliver or make available to the Seller the following:

- 1.2.1** the Ancillary Agreements (other than the France SPA and the Netherlands APA and, if they have not been agreed, the Transitional Services Agreement, the Transitional Distribution Services Agreement and the Influenza Business Manufacturing and Supply Agreement) duly executed by the relevant members of the Purchaser's Group;
- 1.2.2** evidence reasonably satisfactory to the Seller that the Purchaser, and each of its relevant Affiliates, are authorised to execute this Agreement, the Ancillary Agreements and the Local Transfer Documents (including, where relevant, any notarial deeds referred to in this Schedule 15), in each case to the extent that they are parties thereto.

2 Transfer of the Shares and Vaccines Group Businesses

2.1 General Transfer Obligations

On Closing or such other date as agreed between the parties, the Seller shall procure that the Share Sellers and Business Sellers shall, and the Purchaser shall, execute and/or deliver and/or make available Local Transfer Documents and take such steps as are required to transfer the Shares and Vaccines Group Businesses in accordance with this Agreement.

2.2 Specific Transfer Obligations

For the purposes of compliance with paragraph 2.1, the Seller and the Purchaser shall, between the date of this Agreement and Closing, negotiate in good faith any and all Local Transfer Documents and other such steps as are required to transfer the Shares and Vaccines Group Businesses in accordance with this Agreement.

Schedule 16
Post Closing Adjustments
(Clause 7)

Part 1
Preparation of Closing Statement

1 Preparation

1.1 No later than 60 days following Closing, the Seller shall deliver to the Purchaser the Draft Closing Statement. Prior to such delivery, the Seller shall so far as is practicable consult with the Purchaser with a view to reducing the potential areas of disagreement.

1.2 In order to enable the Seller to prepare the Draft Closing Statement, the Purchaser shall keep up-to-date and, subject to reasonable notice, make available to the Seller's representatives and to the Seller's accountants all books and records relating to the Vaccines Group during normal office hours and co-operate with them with regard to the preparation, review and agreement or determination of the Draft Closing Statement. The Purchaser agrees to make available the services of the employees of the Vaccines Group to assist the Seller in the preparation, review and agreement or determination of the Draft Closing Statement.

In order to allow the Purchaser to review the Draft Closing Statement, the Seller shall, subject to reasonable notice, make available to the Purchaser's representatives and to the Purchaser's accountants all books and records relating to the Vaccines Group during normal office hours and co-operate with them with regard to their review of the Draft Closing Statement. The Seller agrees to make available the services of the employees of the Seller and its Affiliates to assist the Purchaser in its review of the Draft Closing Statement.

1.3 If the Purchaser does not within 60 days of presentation to it of the Draft Closing Statement give notice to the Seller that it disagrees with the Draft Closing Statement or any item thereof, such notice stating the reasons for the disagreement in reasonable detail and specifying the adjustments which, in the Purchaser's opinion should be made to the Draft Closing Statement (the "**Purchaser's Disagreement Notice**"), the Draft Closing Statement shall be final and binding on the parties for all purposes. If the Purchaser gives a valid Purchaser's Disagreement Notice within such 60 days, the Seller and the Purchaser shall attempt in good faith to reach agreement in respect of the Draft Closing Statement and, if they are unable to do so within 30 days of such notification, the Seller or the Purchaser may by notice to the other require that the Draft Closing Statement be referred to the Reporting Accountants (an "**Appointment Notice**").

1.4 Within 30 days of the giving of an Appointment Notice, the Seller may by notice to the Purchaser indicate that, in the light of the fact that the Purchaser has not accepted the Draft Closing Statement in its entirety, it wishes the Reporting Accountants to consider matters relating to the Draft Closing Statement in addition to those specified in the Purchaser's Disagreement Notice, provided that such matters as are related to the matters specified in the Purchaser's Disagreement Notice and that the notice states in reasonable detail the reasons why and in what respects the Seller believes that the Draft Closing Statement should be altered in respect of such matters (the "**Seller's Disagreement Notice**").

- 1.5** The Reporting Accountants shall be engaged jointly by the Seller and the Purchaser on the terms set out in this paragraph 1 and otherwise on such terms as shall be agreed; provided that neither the Seller nor the Purchaser shall unreasonably (having regard, inter alia, to the provisions of this paragraph 1) refuse its agreement to terms proposed by the Reporting Accountants or by the other party. If the terms of engagement of the Reporting Accountants have not been settled within 45 days of their identity having been determined (or such longer period as the Seller and the Purchaser may agree) then, unless the Seller or the Purchaser is unreasonably refusing its agreement to those terms, those accountants shall be deemed never to have become the Reporting Accountants and new Reporting Accountants shall be selected in accordance with the provisions of this Agreement.
- 1.6** Except to the extent that the Seller and the Purchaser agree otherwise, the Reporting Accountants shall determine their own procedure but:
- 1.6.1** apart from procedural matters and as otherwise set out in this Agreement shall determine only:
- (i) whether any of the arguments for an alteration to the Draft Closing Statement put forward in the Purchaser's Disagreement Notice or the Seller's Disagreement Notice is correct in whole or in part; and
 - (ii) if so, what alterations should be made to the Draft Closing Statement in order to correct the relevant inaccuracy in it;
- 1.6.2** shall apply the accounting principles, policies, procedures, practices and estimation techniques as set out in Part 2 of this Schedule;
- 1.6.3** shall make their determination pursuant to paragraph 1.6.1 as soon as is reasonably practicable;
- 1.6.4** the procedure of the Reporting Accountants shall:
- (i) give the Seller and Purchaser a reasonable opportunity to make written and oral representations to them;
 - (ii) require that each party supply the other with a copy of any written representations at the same time as they are made to the Reporting Accountants;
 - (iii) permit each party to be present while oral submissions are being made by the other party; and
 - (iv) for the avoidance of doubt, the Reporting Accountants shall not be entitled to determine the scope of their own jurisdiction.
- 1.7** The Reporting Accountants shall send the Seller and the Purchaser a copy of their determination pursuant to paragraph 1.6.1 within one month of their appointment. Such determination:
- 1.7.1** shall be made available to the Seller and the Purchaser in writing; and
- 1.7.2** unless otherwise agreed by the Seller and the Purchaser, shall include reasons for each relevant determination.
- 1.8** The Reporting Accountants shall act as experts and not as arbitrators and their determination of any matter falling within their jurisdiction shall be final and binding on the Seller and the Purchaser save in the event of manifest error (when the relevant part of their

determination shall be void and the matter shall be remitted to the Reporting Accountants for correction). In particular, their determination shall be deemed to be incorporated into the Draft Closing Statement.

- 1.9** The expenses (including amounts in respect of VAT) of the Reporting Accountants shall be borne as they shall direct at the time they make any determination under paragraph 1.6.1(i) or, failing such direction, equally between the Purchaser and the Seller.
- 1.10** The Seller and the Purchaser shall co-operate with the Reporting Accountants and comply with their reasonable requests made in connection with the carrying out of their duties under this Agreement. In particular, the Purchaser shall keep up-to-date and, subject to reasonable notice, make available to the Seller's representatives, the Seller's accountants and the Reporting Accountants all books and records relating to the Vaccines Group during normal office hours as the Seller or the Reporting Accountants may reasonably request during the period from the appointment of the Reporting Accountants down to the making of the relevant determination.
- 1.11** Nothing in this Schedule 16 shall entitle a party or the Reporting Accountants access to any information or document which is protected by legal professional or litigation privilege, provided that neither the Seller nor the Purchaser shall be entitled to refuse to supply such part or parts of documents as contain only the facts on which the relevant claim or argument is based.
- 1.12** Each party and the Reporting Accountants shall, and shall procure that its accountants and other advisers shall, keep all information and documents provided to them pursuant to this paragraph 1 confidential and shall not use the same for any purpose, except for disclosure or use in connection with the preparation of the Draft Closing Statement, the proceedings of the Reporting Accountants or another matter arising out of this Agreement.

Part 2

Closing Statement Principles

This Part 2 of Schedule 16 comprises the specific rules, principles, policies and practices, without limitation, for preparing the Closing Statement.

The Closing Statement sets out the Working Capital, the Working Capital Adjustment, the Vaccines Group Companies' Cash Balances, the Intra-Group Non-Trade Receivables, the Third Party Indebtedness, the Intra-Group Non-Trade Payables and the Tax Adjustment, in each case as prepared in accordance with the specific rules, principles, policies and practices set forth in this Part 2 of Schedule 16. The Closing Statement shall be prepared in the form of the Illustrative Closing Statement in Part 3 of this Schedule 16 which also sets forth, for illustrative purposes only, a computation of each of the components of the Closing Statement as of the close of business on 31 December 2013.

For the avoidance of doubt, the Closing Statement as referred to in this Part 2 of Schedule 16 shall inclusively apply to each of the Draft Closing Statement and the Closing Statement.

1 Closing Statement Rules

1.1 The Closing Statement shall be prepared as follows:

1.1.1 in accordance with the specific accounting treatments set out in paragraph 2 of this Part 2 of Schedule 16; and, subject thereto

1.1.2 adopting the same accounting principles, methods, procedures and practices utilized in preparing the Statement of Net Assets, as detailed in the Statement of Net Asset Rules, applied on a consistent basis using consistent estimation methodologies and judgments and with consistent classifications as were used to prepare the Statement of Net Assets; and subject thereto

1.1.3 in accordance with IFRS.

1.2 For the avoidance of doubt, paragraph 1.1.1 shall take precedence over paragraphs 1.1.2 and 1.1.3, and paragraph 1.1.2 shall take precedence over paragraph 1.1.3.

2 Specific requirements

2.1 Cut-off

The Closing Statement (including the Draft Closing Statement) shall not take into account any additional events and any additional information that becomes available after the Statement time up to the date that such Closing Statement is prepared.

2.2 Change of Ownership

The Closing Statement shall not be adjusted for any charges, provisions, reserves or write-offs in respect of any costs, liabilities or charges that may be incurred by the Vaccines Group prior to or after the Closing as a consequence of the change of ownership of the Vaccines Group or any changes in the management strategy, direction or priority or possible closure of any part of the Vaccines Group by the Purchaser after Closing, whether or not resulting from the change in ownership.

2.3 Deferred Tax

The Closing Statement (including the Draft Closing Statement) shall not take into account or provide for deferred Tax.

2.4 Other Taxes

The Closing Statement (including the Draft Closing Statement) shall take account of or provide for all income taxes and sales taxes, to which lines BS14_120 Taxes other than income taxes (Liability account) and BS13_108 Value added tax receivable apply.

3 Illustrative Working Capital Statement

3.1 Part 4 of this Schedule 16 sets forth, for illustrative purposes only a computation of the Working Capital as of the close of business on 31 December 2013 (the “Illustrative Working Capital Statement”).

4 Base Working Capital

4.1 Base Working Capital is US\$575 million to US\$700 million and references in this Agreement to amounts being in excess of, greater than or less than Base Working Capital shall mean less than US\$575 million and greater than or in excess of US\$700 million.

4.2 In relation to the France Business and the Netherlands Business, if one or both businesses is not transferred to the Purchaser under the terms of this Agreement at Closing, the Working Capital relating to such business (or businesses) shall not be included in the determination of the Working Capital at the Effective Time. If one or both of the France Business or the Netherlands Business are transferred to the Purchaser after Closing, then a further adjustment shall be made to the Closing Statement on the assumption that the France Business and/or the Netherlands Business were included in the Closing Statement taking the relevant items for the relevant business as of the date they are transferred to the Purchaser. Any adjustment arising as a result of including the France Business or the Netherlands Business in the Closing Statement after the date of this Agreement shall be agreed and paid on the same basis as the Closing Statement was agreed and paid in respect thereof made.

Part 3
Illustrative Closing Statement

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Part 4
Illustrative Working Capital Statement

All amounts in USD thousands

| | Vaccines Group (excl. Influenza business) Illustrative Net Working Capital as per December 31, 2013 |
|---|--|
| BS01_110 Total inventories | 400,663 |
| BS01_120 Trade receivables (3rd parties and AC) | 335,387 |
| BS01_130 Receivables own BU | 22,683 |
| BS01_140 Receivables other BU's | 20,419 |
| BS01_610 Trade payables (3rd parties and AC) | (176,115) |
| BS01_620 Payables own BU | (18,295) |
| BS01_630 Payables other BU's | (40,675) |
| Illustrative Net Working Capital | 544,067 |

Schedule 17
Milestone and Royalty Payments

1 Milestone Payments

1.1 MenABCWY Single Milestone Payment

1.1.1 The Purchaser shall promptly pay, or cause to be paid, to the Seller (or one of its Affiliates as designated by the Seller) a milestone payment in cash of US\$450 million (the “**MenABCWY Milestone Payment**”) upon issuance to the Purchaser or any of its Affiliates or their respective authorised sub-licensees or assignees (the “**Relevant Parties**”) on or before 31 December 2018 of a letter of approval of a Biologics License Application or supplemental Biologics License Application (a “**BLA**”) issued by the FDA for any meningococcal vaccine (groups A, B, C, W-135 and Y) whether adjuvanted, combined or otherwise (the “**MenABCWY Product**”) for use in, at a minimum, Adolescents.

1.1.2 The Purchaser shall not be obliged to make the MenABCWY Milestone Payment more than once under this paragraph 1.1 and its maximum aggregate liability under this paragraph 1.1 shall not exceed the amount of the MenABCWY Milestone Payment.

1.2 Bexsero Single Milestone Payment

1.2.1 The Purchaser shall promptly pay, or cause to be paid, to the Seller (or one of its Affiliates as designated by the Seller) a milestone payment in cash of US\$450 million (the “**Bexsero Milestone Payment**”) following the first Calendar Year during which Net Sales of Bexsero worldwide excluding the US in excess of [***] are achieved.

1.2.2 The Purchaser shall not be obliged to make the Bexsero Milestone Payment more than once under this paragraph 1.2 and its maximum aggregate liability under this paragraph 1.2 shall not exceed the amount of the Bexsero Milestone Payment.

1.3 ACIP Category A Single Milestone Payment

1.3.1 The Purchaser shall promptly pay, or cause to be paid, to the Seller (or one of its Affiliates as designated by the Seller) a milestone payment in cash of US\$450 million (the “**ACIP Category A Milestone Payment**”) upon any positive Category A recommendation by the Advisory Committee on Immunization Practices to the U.S. Centers for Disease Control and Prevention (or its successor) (“**ACIP**”), before 31 December 2019, regardless of the population, sub-population, age group or risk-factor-based group to which the recommendation pertains, with respect to either (i) the MenABCWY Product; or (ii) Bexsero (whichever is earlier, and provided such milestone is paid only once).

1.3.2 The Purchaser shall not be obliged to make the ACIP Category A Milestone Payment more than once under this paragraph 1.3 and its maximum aggregate liability under this paragraph 1.3 shall not exceed the amount of the ACIP Category A Milestone Payment.

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1.4 GBS Single Milestone Payment

- 1.4.1** The Purchaser shall promptly pay, or cause to be paid, to the Seller (or one of its Affiliates as designated by the Seller) a milestone payment in cash of US\$450 million (the “**GBS Milestone Payment**”) upon any positive Category A or Category B recommendation by ACIP, regardless of the population, sub-population, age group or riskfactor-based group to which the recommendation pertains, with respect to any Group B streptococcus vaccine, whether adjuvanted, combined or otherwise (the “**GBS Product**”).
- 1.4.2** The Purchaser shall not be obliged to make the GBS Milestone Payment more than once under this paragraph 1.4 and its maximum aggregate liability under this paragraph 1.4 shall not exceed the amount of the GBS Milestone Payment.

2 Notification and Settlement of Milestone Payments

- 2.1** As promptly as practicable, but in any event within five days, the Purchaser shall notify the Seller in writing of any Milestone Payment becoming due.
- 2.2** The Purchaser shall pay each Milestone Payment within 30 days of achievement of the relevant Milestone.
- 2.3** All Milestone Payments due from the Purchaser to the Seller shall be made to the Seller or to an entity designated by the Seller by wire transfer of immediately available funds in US dollars to the credit of such bank account or accounts as may be designated by the Seller from time to time.

3 Royalty Payments

3.1 GBS Worldwide Royalty Payments

Subject to paragraph 3.5, the Purchaser shall pay, or cause to be paid, royalty payments to the Seller (or one of its Affiliates as designated by the Seller) on the aggregate Net Sales of the GBS Product and any adjuvanted or combined versions thereof, in the world in each Calendar Year, at the rate of 10% of such Net Sales in the world (the “**GBS Royalty Payments**”).

3.2 MenABCWY US Royalty Payments

Subject to paragraph 3.5, the Purchaser shall pay, or cause to be paid, royalty payments to the Seller (or one of its Affiliates as designated by the Seller) on the aggregate Net Sales of the MenABCWY Product and any adjuvanted or combined versions thereof, in the US in each Calendar Year, at the rate of 10% of such Net Sales in the US (the “**MenABCWY US Royalty Payments**”).

3.3 US Royalty Payments

Subject to paragraph 3.5, the Purchaser shall pay, or cause to be paid, royalty payments to the Seller (or one of its Affiliates as designated by the Seller) on the aggregate Net Sales of Bexsero and any adjuvanted or combined versions (excluding, for the avoidance of doubt, MenABCWY) thereof, in the US in each Calendar Year, at the rate of 10% of such Net Sales in the US (the “**Bexsero US Royalty Payments**”).

3.4 Bexsero Ex-US Royalty Payments

Subject to paragraph 3.5, the Purchaser shall pay, or cause to be paid, royalty payments to the Seller (or one of its Affiliates as designated by the Seller) on the aggregate Net Sales of Bexsero and any adjuvanted or combined versions (excluding, for the avoidance of doubt, MenABCWY) thereof, in the world (excluding the US) in each Calendar Year, at the rate of 10% of such Net Sales in the world (excluding the US) in excess of [***] in such Calendar Year (the “**Bexsero Ex-US Royalty Payments**”).

3.5 Combinations

If the GBS Product, the MenABCWY Product or Bexsero is sold as part of the combination (each a “**Combination Product**”) then, for the purposes of paragraph 3.1, 3.2, 3.3 or 3.4 (as applicable), the figure of Net Sales of the relevant Combination Product shall be calculated by multiplying the total amount of Net Sales of that Combination product by the fraction $A/(A+B)$, where A is the invoice price of the GBS Product, the MenABCWY Product or Bexsero (as applicable) sold separately and B is the invoice price of the other active ingredients and/or active antigens and/or adjuvants in the Combination Product.

4 Settlement of Royalty Payments

4.1 Each Royalty Payment shall be an independent obligation of the Purchaser (not linked to any Royalty Payment in respect of another Applicable Product or Calendar Year) and shall continue to be due and payable indefinitely in accordance with the terms of this Agreement.

4.2 Each Royalty Payment shall be payable on a Calendar Quarter basis in accordance with paragraph 5.

4.3 In respect of any period between the Closing Date and the start of the next Calendar Quarter (the “**Stub Period**”), the amount of any Royalty Payments due in respect of the Stub Period shall be adjusted on a pro rata basis to reflect the number of days in the Stub Period as a proportion of the number of days in the Calendar Quarter in which Closing occurs.

5 Reporting of Royalty Payments

5.1 Within 10 Business Days of the end of:

5.1.1 each Calendar Quarter, the Purchaser shall provide to the Seller a Sales & Royalties Report; and

5.1.2 each Calendar Year, the Purchaser shall provide to the Seller an Annual Reconciliation Report.

5.2 The Seller shall submit an invoice to the Purchaser in a form agreed by the Seller and the Purchaser from time to time with respect to any Royalty Payment and/or Estimated Quarterly Bexsero Ex-US Royalty Payment shown as due in a Sales & Royalties Report.

5.3 The Purchaser shall pay each Royalty Payment and/or Estimated Quarterly Bexsero Ex-US Royalty Payment due within 30 days of receipt of an invoice in respect of the same pursuant to paragraph 5.2.

5.4 All Royalty Payments due from the Purchaser to the Seller shall be made to the Seller or to an entity designated by the Seller by wire transfer of immediately available funds in US

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dollars to the credit of such bank account or accounts as may be designated by the Seller from time to time.

6 Reconciliation of Bexsero Ex-US Royalty Payments

6.1 Following agreement or determination of the amount of the Bexsero Ex-US Royalty Payment due in respect of each Calendar Year (a “**Final Bexsero Ex-US Royalty Payment**”) either as set out in any Annual Reconciliation Report or as subsequently agreed or determined in accordance with paragraphs 7 and 8:

6.1.1 if the Paid Bexsero Ex-US Royalty Payment is greater than the Final Bexsero Ex-US Royalty Payment, the Seller shall repay to the Purchaser an amount equal to the excess; or

6.1.2 if the Paid Bexsero Ex-US Royalty Payment is less than the Final Bexsero Ex-US Royalty Payment, the Purchaser shall pay to the Seller an additional amount equal to the deficiency.

6.2 The Seller or the Purchaser (as applicable) shall pay any amount due under paragraph 6.1 within 30 days of the agreement or determination of the Final Bexsero Ex-US Royalty Payment due in respect of such Calendar Year.

6.3 Any payment to be made in accordance with paragraph 6.2 shall include interest thereon calculated from the date on which the amount would have been due for payment (had the Estimated Bexsero Ex-US Royalty Payments for the Calendar Year been equal to the Bexsero Ex-US Royalty Payment for such Calendar Year) to the date of payment at a rate per annum of two per cent. above LIBOR. Such interest shall accrue from day to day.

7 Records and Audit

7.1 The Purchaser shall, and, so far as it is able to do so, shall cause the Relevant Parties to, keep in all material respects complete, true and accurate books and records in accordance with its Accounting Standards in relation to this Agreement including in relation to Net Sales and Royalty Payments. The Purchaser shall, and, so far as it is able to do so, shall cause the Relevant Parties to, keep such books and records for at least five years following the Calendar Year to which they pertain.

7.2 The Seller shall have the right, for a period of five years after receiving each Report, to audit such Report, whether by itself or through its Affiliates and/or to appoint an internationally-recognised independent accounting firm to audit (whether the Seller, its Affiliates, or the accounting firm, the “**Auditor**”) such Report, and to inspect the relevant records of the Relevant Parties to verify such Report and the underlying statements, records or books of accounts, as applicable. Where the Auditor is not the Seller, the Auditor shall have the right to disclose to the Seller and/or other Affiliates its conclusions regarding any payments owed hereunder to the Seller.

7.3 The Purchaser shall, and shall cause the other Relevant Parties to, make their records available for inspection by the Auditor during regular business hours at such place or places where such records are customarily kept upon receipt of reasonable advance notice from the Auditor to verify the accuracy of each Report and compliance with this Schedule 17.

7.4 The Seller shall bear the cost of any audit pursuant to this paragraph 7, as well as its own costs, fees and expenses associated with enforcing its rights with respect to any payments hereunder, except that, if it is determined by the Auditor that the amounts set out in the Sales & Royalties Report for any Calendar Quarter are more than three per cent. below the amounts actually due pursuant to this Schedule 17, the reasonable costs, fees and expenses charged or incurred by the Auditor shall be paid or reimbursed by the Purchaser.

7.5 In the event that the final result of the inspection reveals an undisputed underpayment or overpayment by the Purchaser, the underpaid or overpaid amount, as applicable, shall be settled promptly by the Seller or the Purchaser (as applicable).

8 Disputes

In the event of any dispute between the parties in respect of whether a Milestone Payment or a Royalty Payment is due, or the amount of any such payment due, in accordance with this Schedule 17, the dispute shall be determined by the Reporting Accountants on the application of the Seller or the Purchaser. Paragraphs 1.6 to 1.12 of Part 1 of Schedule 16 shall apply *mutatis mutandis* to the engagement and determination of the Reporting Accountants pursuant to this paragraph 8.

9 Covenants

9.1 The Purchaser agrees to procure that, following Closing, the Purchaser's Group uses its commercially reasonable endeavours to satisfy each of the Milestones.

9.2 The Purchaser agrees that it will not, and it shall procure that no member of the Purchaser's Group will, take any action or omit to take any action, in either case which is intended to frustrate the achievement of any of the Milestones, or which is intended to reduce the amount of any Milestone Payment or Royalty Payment due pursuant to this Schedule 17.

10 Definitions

The following further definitions apply in this Schedule 17:

“**Accounting Standards**” means, with respect to a Relevant Party, IFRS as generally and consistently applied by the Relevant Party's Group. The Purchaser shall promptly notify the Seller in writing in the event that it or its Group changes the Accounting Standards pursuant to which its records are maintained, it being understood that the Purchaser and its Group may only use internationally recognised accounting principles;

“**Adolescents**” means individuals aged anywhere between 11 and 18 years old;

“**Annual Reconciliation Report**” means a written report or reports in a form to be agreed by the Seller and the Purchaser from time to time showing a reconciliation of the amount of the Estimated Bexsero Ex-US Royalty Payment to the amount of the Bexsero Ex-US Royalty Payment due in respect of such Calendar Year;

“**Applicable Product(s)**” means the GBS Product, the MenABCWY Product and Bexsero;

“**Calendar Quarter**” means each of the four periods of 3 consecutive calendar months, starting on 1 January, 1 April, 1 July and 1 October;

“**Calendar Year**” means each period of 12 consecutive calendar months starting on 1 January and ending on 31 December;

“**Estimated Bexsero Ex-US Royalty Payment**” means the Purchaser’s reasonable estimate of the Bexsero Ex-US Royalty Payment that will be payable pursuant to paragraph 3.4 in respect of the current Calendar Year;

“**Estimated Quarterly Bexsero Ex-US Royalty Payment**” means one quarter of the Estimated Bexsero Ex-US Royalty Payment;

“**Milestone Payments**” means the MenABCWY Milestone Payment, the Net Sales Milestone Payment, the ACIP Category A Milestone Payment and the GBS Milestone Payment, and “**Milestone Payment**” means any one of them;

“**Milestones**” means the facts, matters and circumstances giving rise to the requirement for the Purchaser to make the Milestone Payments;

“**Net Sales**” means, in respect of an Applicable Product, the net sales by the Relevant Parties for the Applicable Product(s) sold to Third Parties other than sublicensees or assignees, as determined in accordance with Accounting Standards consistently applied by the Purchaser. The deductions booked by the Relevant Parties to calculate the recorded net sales from gross sales shall include the following:

- (i) normal trade, quantity and cash discounts;
- (ii) sales taxes, value added taxes and other taxes directly linked to the sale of Products to the extent included in the gross amount invoiced;
- (iii) amounts repaid or credited by reasons of defects, rejections, recalls or returns;
- (iv) rebates, commissions and chargebacks to customers and Third Parties;
- (v) any amounts recorded in gross revenue associated with goods provided to customers for free, with the exception of samples;
- (vi) amounts provided or credited to customers through coupons, other discount programs and co-pay assistance programs;
- (vii) delayed ship order credits, discounts or payments related to the impact of price increases between purchase and shipping dates; and
- (viii) fees for service payments to customers for any non-separate services (including compensation for maintaining agreed inventory levels and providing information),

and with respect to the calculation of Net Sales:

- (a) Net Sales only include the value charged or invoiced on the first sale to a Third Party and sales between or among Respective Parties shall be disregarded for purposes of calculating Net Sales;
- (b) if a Product is delivered to the Third Party before being invoiced (or is not invoiced), Net Sales will be calculated at the time all the revenue recognition criteria under Accounting Standards are met; and
- (c) distributors shall not be considered as sublicensees/assignees;

“**Paid Bexsero Ex-US Royalty Payment**” means the aggregate of all Estimated Quarterly Bexsero Ex-US Royalty Payments paid by the Purchaser in each Calendar Year;

“**Report**” means any Annual Reconciliation Report or Sales & Royalties Report;

“**Royalty Payments**” means the GBS Royalty Payments, the MenABCWY US Royalty Payments, the Bexsero US Royalty Payments and the Bexsero Ex-US Royalty Payments, and “**Royalty Payment**” means any one of them;

“**Sales & Royalties Report**” means a written report or reports in a form to be agreed by the Seller and the Purchaser from time to time showing, on an Applicable Product-by-Applicable Product basis:

- (i) each of (a) gross sales; (b) Net Sales; and (c) Royalty Payments (other than the Bexsero Ex-US Royalty Payments) payable, for each such Applicable Product in respect of the relevant Calendar Quarter;
- (ii) the Purchaser’s reasonable estimate of gross sales and Net Sales of the Bexsero Product in the world (excluding the US) in the current Calendar Year;
- (iii) the Estimated Quarterly Bexsero Ex-US Royalty Payment; and
- (iv) the information in paragraphs (i) to (iii) for (a) the equivalent Calendar Quarter in the prior Calendar Year; and (b) the cumulative totals for the current Calendar Year;

“**Third Party**” means any person other than a party or an Affiliate of a party; and

“**US**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia; and “possessions” include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

Schedule 18
Warranties given under Clause 10.1

1 Authority and Capacity

1.1 Incorporation

The Seller and each Share Seller and Business Seller is validly existing and is a company duly incorporated and registered under the law of its jurisdiction of incorporation.

1.2 Authority to enter into Agreement

1.2.1 The Seller and each Share Seller and Business Seller has the legal right and full power and authority to enter into and perform this Agreement, any Ancillary Agreement to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Ancillary Agreement.

1.2.2 The documents referred to in paragraph 1.2.1 will, when executed, constitute valid and binding obligations on the Seller and each Share Seller and Business Seller in accordance with their respective terms.

1.2.3 Except as referred to in this Agreement, the Seller:

- (i) is not required to make any announcement, consultation, notice, report or filing; and
- (ii) does not require any consent, approval, registration, authorisation or permit,

in each case in connection with the performance of this Agreement or any other document referred to in paragraph 1.2.1.

1.2.4 The execution and delivery of the documents referred to in paragraph 1.2.1 and the performance by the Seller, each Share Seller and each Business Seller of their respective obligations under them, will not:

- (i) result in a breach of any provision of the memorandum or articles of association or by laws or equivalent constitutional document of the relevant member of the Seller's Group;
- (ii) result in a breach of, or constitute a default under, any instrument or contract to which the relevant member of the Seller's Group is party or by which the relevant member of the Seller's Group is bound where such breach is material to their ability to perform their obligations under such documents;
- (iii) result in a breach of any existing order, judgment or decree of any court, Governmental Entity by which the relevant member of the Seller's Group is bound and where such breach is material to their ability to perform their obligations under such documents.

1.3 Authorisation

The Seller and each Share Seller and Business Seller has taken, or will have taken by Closing, all corporate action required by it to authorise it to enter into and to perform this Agreement, any Ancillary Agreement to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Ancillary Agreement.

2 Vaccines Group

2.1 Organisation and Standing of the Vaccines Group Companies

- 2.1.1** Schedule 2 sets out a complete and accurate list of each of the Vaccines Group Companies, together with its jurisdiction of organisation, its authorised and outstanding capital stock or other equity interests, all of which equity interests are held by the Seller or an Affiliate of the Seller unless otherwise stated in Schedule 2.
- 2.1.2** Each Vaccines Group Company is duly incorporated, validly existing and in good standing, under the laws of its jurisdiction of organisation and has all necessary corporate power under its constitutional documents to conduct its portion of the Business as at the date of this Agreement.

2.2 The Shares

- 2.2.1** Either the Seller or one of its Affiliates is the legal and beneficial owner of the Shares.
- 2.2.2** There is no option, right to acquire, mortgage, charge, pledge, lien or other form of security or Encumbrance or equity on, over or affecting the Shares or the shares, capital stock or other equity interests in the Subsidiaries or any of them and there is no agreement or commitment to give or create any.
- 2.2.3** All of the Shares and all of the shares, capital stock or other equity interests in the Subsidiaries have been duly authorised and validly issued and are fully paid and non-assessable. There are no options, warrants, rights, convertible, exercisable or exchangeable securities, “phantom” stock rights, stock appreciation rights, stock-based performance units, commitments, Contracts, arrangements or undertakings of any kind to which any of the Vaccines Group Companies is a party or by which it is bound obligating any of the Vaccines Group Companies to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other equity interests in, or any security convertible into, or exercisable or exchangeable for, any capital stock of, or other equity interest in, such Vaccines Group Company.
- 2.2.4** There are no outstanding Contracts to which any of the Vaccines Group Companies is a party or is otherwise bound to repurchase, redeem or otherwise acquire any shares, capital stock or other equity interest of such Vaccines Group Company.
- 2.2.5** None of the Shares, and the shares, capital stock and other equity interests in the Subsidiaries and Minority Interest Entities is subject to and was not issued in violation of any purchase option, call option, right of first refusal, pre-emptive right, subscription right or similar right or any provision of Applicable Law or the constitutional documents of the Vaccines Group Companies.

2.3 The Assets

Save in relation to the Transferred Intellectual Property Rights, either the Seller or another member of the Seller’s Group has good and valid title to the assets listed in Clause 2.3.1 free and clear of all Encumbrances other than Permitted Encumbrances.

2.4 Accounts

The Accounts of each Vaccines Group Company:

- 2.4.1** were prepared in accordance with accounting practices generally accepted in the jurisdiction of incorporation of the relevant Vaccines Group Company at the time they were audited; and
- 2.4.2** show in accordance with applicable legal requirements:
 - (i) the assets and liabilities of the relevant Vaccines Group Company at the Accounts Date; and
 - (ii) of the profits or losses of the relevant Vaccines Group Company for the accounting period ended on the Accounts Date.

2.5 Income Statements

- 2.5.1** The 2013 Income Statement:
 - (i) is based on information properly extracted from the Seller's Group accounting records without adjustment; and
 - (ii) presents fairly in all material respects the results of operations of the Vaccines and Diagnostics division of the Seller's Group as reported in the "Vaccines and Diagnostics" segment in the Novartis 2013 Annual Report for the period from and including 1 January 2013 up to and including 31 December 2013 excluding the Diagnostics Business but including the Influenza Business and the Out-Licensing Programme.

2.6 Statement of Net Assets

- 2.6.1** Schedule 23 sets out the Statement of Net Assets.
- 2.6.2** The Statement of Net Assets was prepared, in all material respects, in accordance with the Statement of Net Assets Rules, and on that basis fairly presents, in all material respects, the financial position of the Vaccines Group as of the date thereof, subject to year-end audit adjustments and the absence of footnote discussions and similar presentation items therein.

2.7 Changes Since 31 December 2013

Except as a result of the execution and delivery of this Agreement and, other than as contemplated by Clause 2.3.5 or Clause 5, from 31 December 2013 to the date of this Agreement:

- 2.7.1** the Business of the Vaccines Group has been conducted in all material respects in the ordinary and usual course;
- 2.7.2** the Vaccines Group has not entered into any material contract or commitment outside the ordinary course of business as conducted prior to 31 December 2013; and
- 2.7.3** to the Seller's knowledge, there has been no event or circumstance arising which is reasonably likely to have had a Material Adverse Effect (as if reference in the definition of "Material Adverse Effect" to the date of this Agreement were to 31 December 2013).

2.8 Third Party Indebtedness and financial instruments

None of the Vaccines Group Companies: (i) has any Third Party Indebtedness exceeding \$1 million (other than short-term bank borrowings in the ordinary course of business) or (ii) is a party to any financial instruments (including any swaps or derivatives)

2.9 Gross Profit and DCOGS

2.9.1 So far as the Seller is aware, based on management allocations and adjustments, and having regard to the purpose for which it was prepared, the 2013 Gross Profit does not materially misstate the gross profit of the Vaccines Group for the period from and including 1 January 2013 up to and including 31 December 2013.

2.9.2 So far as the Seller is aware, the 2013 DCOGS:

- (i) is derived from information extracted from the Seller's Group reporting systems with reasonable care and attention; and
- (ii) having regard to the purpose for which the 2013 DCOGS was prepared, does not materially misstate the direct cost of goods of each of the Products identified in the 2013 DCOGS for the period from and including 1 January 2013 up to and including 31 December 2013.

3 Real Property and Key Sites

3.1 Company Real Properties

3.1.1 The Company Real Properties are the only material freehold, leasehold or other immovable property in any part of the world owned, used or occupied by the Vaccines Group Companies or in respect of which any Vaccines Group Company has any estate, or any material interest, right or liability.

3.1.2 Each of the Company Real Properties is used and occupied for the purpose of the business of a member of a Vaccines Group Company.

3.1.3 A member of the Seller's Group is solely legally and beneficially entitled to such Company Real Property.

3.1.4 No person has or will have any right to possession, occupation or use of such Company Real Property in a manner that has or will have a material adverse effect on the use of, or operations at, such Company Real Property.

3.1.5 There are no mortgages or charges affecting any of the Company Real Properties other than those registered in the relevant Land Register.

3.1.6 There are no material outstanding disputes, actions, claims or demands in respect of any Company Real Property, nor has the Seller or any member of the Seller's Group received any notice threatening the same.

3.1.7 In respect of each Company Leased Real Property, all material covenants and conditions contained in the Company Lease have been observed and performed to date.

3.2 Transferred Real Properties

3.2.1 The Transferred Real Properties are the only material freehold, leasehold or other immovable property in any part of the world owned or occupied by the Vaccines

Group Businesses or in respect of which any Vaccines Group Business has any estate, or any material interest, right or liability.

- 3.2.2 Each of the Transferred Real Properties is used and occupied for the purpose of the business of the Vaccines Group Business.
- 3.2.3 A member of the Seller's Group is solely legally and beneficially entitled to such Transferred Real Property.
- 3.2.4 No person has or will have any right to possession, occupation or use of such Transferred Real Property in a manner that has or will have a material adverse effect on the use of, or operations at, such Transferred Real Property.
- 3.2.5 There are no mortgages or charges affecting any of the Transferred Real Properties other than those registered in the relevant Land Register.
- 3.2.6 There are no material outstanding disputes, actions, claims or demands in respect of any Transferred Real Property, nor has the Seller or any member of the Seller's Group received any notice threatening the same.
- 3.2.7 In respect of each Transferred Leased Real Property, all material covenants and conditions contained in the Lease have been observed and performed to date.

3.3 Key Sites

- 3.3.1 The Key Sites are the only properties used or occupied by the Seller's Group for the purpose of Manufacturing in respect of the Business.
- 3.3.2 No consents, licences, approvals, permits, authorisations or waivers are required from any Landlord, superior landlord or other third party to transfer any Key Site to the Purchaser (or any other member of the Purchaser's Group) indirectly (through the transfer of the Vaccines Group Companies).
- 3.3.3 There is no circumstance which would entitle any third party to exercise a right of power of entry or to take possession which would materially adversely restrict the continued possession, enjoyment or existing use of each Key Site and there are no material restrictive conditions of servitude or public easements attaching to each Key Site.
- 3.3.4 No member of the Seller's Group has had any notice from any competent authority to make any alteration, repair or addition to any Key Site, including with regards to the disposal of effluent or the state of buildings or the number of legally required parking spaces which is presently outstanding.

4 Intellectual Property and Information Technology

- 4.1 Schedule 4 sets out, as of the date of this Agreement, complete and accurate details of Registered Vaccines Group Intellectual Property Rights, including for each such item, as applicable, (i) the identity of the record owner, (ii) the registration or application number, and (iii) the jurisdiction of issuance or registration.
- 4.2 In relation to Products or Pipeline Products which are material to the Business, all documents and instruments necessary to maintain and preserve any extension of patent terms including Patent Term Extensions and patent term adjustments in relation to: the (i) Registered Vaccines Group Intellectual Property Rights; and (ii) any Registered Intellectual Property Rights licensed under any Vaccines Group Intellectual Property Contracts for

which the Seller controls the prosecution and maintenance; and in each case, where such applications have a reasonable prospect of success, have been validly executed, delivered and filed in a timely manner with the appropriate Governmental Entity.

- 4.3** Each of the Patents: (i) included within the Registered Vaccines Group Intellectual Property Rights for the Products or Pipeline Products which are material to the Business; and (ii) to the Seller's Knowledge, included within the Registered Intellectual Property Rights licensed under the Vaccines Group Intellectual Property Contracts for Products or Pipeline Products material to the Business, in each case, correctly identifies by name each inventor thereof as determined in accordance with the Applicable Law of each jurisdiction in which such Patent issued and/or is pending.
- 4.4** To the Seller's Knowledge, the Patents forming part of (i) the Registered Vaccines Group Intellectual Property Rights, and (ii) the Registered Intellectual Property Rights licensed under the Vaccines Group Intellectual Property Contracts in each case for the Products or Pipeline Products which are material to the Business are subsisting, valid and enforceable and have not lapsed or been abandoned.
- 4.5** All renewal, application and other registry fees required for the maintenance, prosecution and enforcement of the Registered Vaccines Group Intellectual Property Rights relating to Products or Pipeline Products that are material to the Business have been paid.
- 4.6** Schedule 4 sets out, a complete and accurate list of each material Vaccines Group Intellectual Property Contract. Neither the Seller nor any of its Affiliates has given, or received, written notice to terminate any material Vaccines Group Intellectual Property Contract or the Merck 2012 Licence, and neither the Seller nor any Affiliate of the Seller is in default of any material Vaccines Group Intellectual Property Contract or the Merck 2012 Licence. To the Seller's Knowledge, no third party is in default under any material Vaccines Group Intellectual Property Contract or the Merck 2012 Licence.
- 4.7** The Seller and its Affiliates between them own all Registered Vaccines Group Intellectual Property Rights and the Beta Interferon Patent Rights free of all Encumbrances except Permitted Encumbrances. The Seller and its Affiliates have taken reasonable steps to protect the confidentiality of Proprietary Information and Know-How relating to the Products.
- 4.8** To the Seller's Knowledge: (i) the conduct of the Business as currently conducted does not infringe or misappropriate the Intellectual Property Rights of any third party; and (ii) there is no material judicial, administrative or arbitral action, suit, hearing, inquiry, investigation or other proceeding (public or private) before any Governmental Entity pending against the Seller or any of its Affiliates in which it is alleged that the conduct of the Business as currently conducted by the Seller and its Affiliates infringes or misappropriates any Intellectual Property Rights of any third party. Neither the Seller nor any of its Affiliates has received any written notice of such infringement or misappropriation.
- 4.9** To the Seller's Knowledge, no third party is infringing or misappropriating any Vaccines Group Intellectual Property Rights or Proprietary Information and neither the Seller nor its Affiliates have made any such claims against any such persons, nor, to the Seller's knowledge is there any basis for such a claim.
- 4.10** The Vaccines Group Intellectual Property Rights, the Intellectual Property Rights licensed under the Vaccines Group Intellectual Property Contracts, and the Intellectual Property Rights licensed under the Purchaser Intellectual Property Licence Agreement constitute all

the material Intellectual Property Rights used in the conduct of the Business as currently conducted by the Seller and its Affiliates on a worldwide basis; provided however, that the foregoing is not a representation of non-infringement, non-misappropriation, or any other non-violation of Intellectual Property Rights of any third party, which representation is solely set out in paragraph 4.8 above.

- 4.11** No entity within the Seller's Group (excluding the Vaccines Group Companies) which is not an Assignor (as that term is defined in the Intellectual Property Assignment Agreement) under the Intellectual Property Assignment Agreement holds any right, title or interest in or to the Vaccines Group Intellectual Property Rights, with the exception of any right, title or interest that is held under any agreement or other arrangement (whether written or unwritten) which will terminate immediately after (i) the date upon which the Vaccines Group Intellectual Property Rights that are registered in, or held exclusively for use in relation to, Ukraine transfer to a member of the Purchaser's Group pursuant to the terms of the Intellectual Property Assignment Agreement; or (ii) Closing in respect of all other Vaccines Group Intellectual Property Rights.
- 4.12** The Business has not, in the 12 months prior to the date of this Agreement, experienced any material disruption in its operations as a result of any failure of its Information Technology.

5 Contracts

- 5.1** No Vaccines Group Company or Business Seller is a party to or subject to any Contract, transaction, arrangement, understanding or obligation (other than in relation to any Property, lease or contract of employment, Information Technology or Intellectual Property Right) which is material to the business of the Vaccines Group and which:
- 5.1.1** is not in the ordinary course of business or is unduly onerous;
 - 5.1.2** is not on an arm's length basis;
 - 5.1.3** has an unexpired term or likely duration of 10 years or more;
 - 5.1.4** restricts its freedom to carry on its business in any part of the world in such manner as it thinks fit;
 - 5.1.5** involves an aggregate outstanding expenditure by it of more than US\$50 million, exclusive of VAT;
 - 5.1.6** can be terminated in the event of a change of underlying ownership or control of a Vaccines Group Company; or
 - 5.1.7** involves the supply of goods and services, the aggregate sales value of which (exclusive of VAT) will be more than 5 per cent of turnover of the Vaccines Group (exclusive of VAT) for the preceding financial year.
- 5.2** Save in relation to any Vaccines Group Intellectual Property Contract, no Vaccines Group Company is in material default under any material Contract to which it is party and no third party is in material default under any material Contract to which a Vaccines Group Company is party and, to the Seller's knowledge, there are no circumstances in either case likely to give rise to such a material default.
- 5.3** Save in relation to any Vaccines Group Intellectual Property Contract, no Business Seller is in material default under any material Contract to which it is party and no third party is in material default under any material Contract to which a Business Seller is party and, to the

Seller's knowledge, there are no circumstances in either case likely to give rise to such a material default.

6 Joint Ventures etc.

No Vaccines Group Company or Business Seller is, or has agreed to become, a member of any joint venture, consortium, partnership or other unincorporated association (other than a recognised trade association in relation to which the Vaccines Group Company or Business Seller has no liability or obligation except for the payment of annual subscription or membership fees).

7 Agreements with Connected Parties

7.1 There are no existing contracts or arrangements material to the business of the Vaccines Group between, on the one hand, any Business Seller or Vaccines Group Company and, on the other hand, the Seller, any Relevant Seller other than on normal commercial terms in the ordinary course of business.

7.2 No Affiliate Contract is required to run the Business and the termination of any Affiliate Contract will not, when taken together with the rights and services under the Ancillary Agreements and for the respective terms thereof, have a material effect on the Business.

7.3 The Vaccines Group Companies do not currently carry on any Seller's Group Retained Business (other than the Influenza Business).

8 Sufficiency of Vaccines Group

8.1 Each of the assets listed in Clause 2.3.1 is owned both legally and beneficially by the Seller or its Affiliates and each of those assets capable of possession is, save where in the possession of third parties in the ordinary course of business, in the possession of the Seller or its Affiliates.

8.2 Save for Permitted Encumbrances, no option, right to acquire, mortgage, charge, pledge, line or other form of security or Encumbrance (excluding licences of Intellectual Property or Know-How) or equity on, over or affecting the whole or any part of the assets listed in Clause 2.3.1 is outstanding and, save in relation to Permitted Encumbrances, there is no agreement or commitment entered into by any member of the Seller's Group to give or create any and no claim has been made against any member of the Seller's Group by any person entitled to any.

8.3 The Vaccines Group Businesses, assets of the Vaccines Group Companies and the assets of the Minority Interest Entities, when taken together with the rights and services under the Ancillary Agreements and for the respective terms thereof:

- (i) comprise all of the assets required to carry out the Business of the Vaccines Group in substantially the same manner as it has been during the twelve months prior to the date of this Agreement; and
- (ii) are sufficient in all material respects to carry out the Business of the Vaccines Group after the Closing substantially as conducted by the Seller and its Affiliates as of the date of this Agreement,

provided however, that the foregoing is not a warranty of non-infringement, non-misappropriation or any other non-violation of Intellectual Property Rights of any third party, which warranty is solely set out in paragraph 4.8.

8.4 The Vaccines Group Businesses, assets of the Vaccines Group Companies and the assets of the Minority Interest Entities, when taken together with the rights and services under the Ancillary Agreements and for the respective terms thereof, are sufficient in all material respects to carry out the Purchaser's obligations under the Influenza Business Transitional Services Agreement and under any other arrangements the Purchaser is required to enter into pursuant to Clause 8.14.1(i), substantially as conducted by the Seller and its Affiliates as of 22 April 2014, provided however, that the foregoing is not a warranty of non-infringement, non-misappropriation or any other non-violation of Intellectual Property Rights of any third party, which warranty is solely set out in paragraph 4.8.

9 Compliance with Laws, Permits and Anti-Bribery

9.1 None of the Seller or its Affiliates is in breach of any Applicable Law where such breach is reasonably likely to be material to the Vaccines Group.

9.2 Neither the Seller nor any of its Affiliates has received any written notice from any Governmental Entity that it is not in compliance (or any warning letter that it may not be in compliance) with any Applicable Law or is not in possession of any permits, licences, certificates or other authorisations or consents of a Governmental Entity in each case as is necessary for the conduct of the Business of the Vaccines Group in all material respects as presently conducted (each a "**Permit**" and, collectively, the "**Permits**"), except where such non-compliance or non-possession does not remain outstanding or uncured as of Closing or would not reasonably be expected to have a material effect on the Business.

9.3 With respect to the Vaccines Group, since 1 January 2009, neither the Seller nor any of its Affiliates, nor any of their respective directors, officers or employees and, to the Seller's Knowledge, no Seller Partner has, directly or indirectly: (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity or to influence official action; (ii) made or offered to make any unlawful payment to any foreign or domestic government official or employee, or agent, political party or any official of such party, or political candidate from corporate funds; (iii) made or offered to make any bribe, rebate, payoff, influence payment, money laundering, kickback or other unlawful payment; or (iv) violated or is in violation of any provision of any applicable Anti-Bribery Law; and with respect to the Vaccines Group, the Seller and its relevant Affiliates have instituted and maintain policies and procedures reasonably designed to ensure compliance with applicable Anti-Bribery Law.

9.4 With respect to the Vaccines Group, neither the Seller nor any of its Affiliates, nor any of their respective directors, officers or employees and, to the Seller's Knowledge, no Seller Partner: (i) is currently the subject of, nor has it been since 1 January 2009, the subject of, any action alleging a violation, or possible violation, of any Anti-Bribery Law, or been since 1 January 2009, the recipient of a subpoena, letter of investigation or other document alleging a violation, or possible violation, of any Anti-Bribery Law, or (ii) has, since 1 January 2009, improperly or inaccurately recorded in any books and records (A) any payments, cash, contributions, gifts, hospitalities or entertainment to a foreign or domestic government official, employee of an enterprise owned or controlled in whole or in part by any foreign government, official of a foreign or domestic political party or campaign, or a foreign or domestic candidate for political office; or (B) other expenses related to political activity or lobbying.

9.5 With respect to the Vaccines Group, since 1 January 2009, neither the Seller nor any of its Affiliates, nor any of their respective directors or officers, and, to the Seller's Knowledge,

none of their respective employees has received notice that any such person is or has been alleged to be in violation of any sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or by the U.S. Department of State or equivalent measures of the United Kingdom, European Union, or the United Nations (the “**Sanctions Law**”). With respect to the Vaccines Group, neither the Seller nor any of its Affiliates, nor any of their respective directors or officers, and, to the Seller’s Knowledge, none of their respective employees has conducted any of their business activities whatsoever with, or for the benefit of, a government, national or legal entity to the extent such actions would violate any Sanctions Law. None of the execution, delivery and performance of this Agreement and the direct or indirect use of proceeds from any transaction contemplated hereby or the fulfilment of the terms hereof will result in a violation by any person of any Sanctions Law.

9.6 Each member of the Seller’s Group, in connection with the Products, the Product Approvals, the Product Applications, the Transferred Contracts and the Transferred Intellectual Property Contracts requires its Service Providers to act in accordance with the requirements of applicable Anti-Bribery Law and uses all reasonable endeavours to procure that they do so. Each such Service Provider has in place policies, systems, controls and procedures designed to prevent, and which are reasonably expected to continue to prevent, it and its Associated Persons from violating applicable Anti-Bribery Law.

10 Product Approvals

10.1 The Seller or one of its Affiliates is the registered holder of each of the Product Approvals. All material Product Approvals held by Seller or its Affiliates are in full force and effect. No material deficiencies have been asserted by any applicable Government Entity with respect to any Product Approval or Product Filing, nor, to the Seller’s knowledge, are there any facts or circumstances that would be likely to lead to such assertions being made.

10.2 Each Product was and is being researched, developed, manufactured, marketed or sold in all material respects in accordance with the specifications and standards contained in the relevant Product Approval and the related Marketing Authorisation Data and in accordance with Applicable Law.

10.3 Neither the Seller or any of its Affiliates has received any written notice that any Governmental Entity with jurisdiction over the Products has commenced or will commence any action: (i) to withdraw the approval of any Product or otherwise revoke or materially amend any Product Approval or Marketing Authorisation Data; or (ii) enjoin production, marketing or sale of any Product and, to the Seller’s knowledge, no such action has been threatened.

10.4 All application and renewal fees due and payable with respect to all material Product Approvals have been paid.

10.5 All preclinical and clinical investigations with respect to the Products are being and have been conducted in compliance with Applicable Law in all material respects. The Seller and its Affiliates have not, and to the Seller’s Knowledge, none of its Product Partners or any other third party under any Licensed Intellectual Property Contract has received since 1 January 2009, any written notices or other correspondence from any Governmental Entity with respect to any on-going clinical or pre-clinical studies or tests of any Product requiring the termination, suspension or material modification of such studies or tests.

10.6 None of the Seller or its Affiliates or, to the Seller's Knowledge, any Product Partner or any other third parties pursuant to any Licensed Intellectual Property Contract, has any knowledge of any adverse event, arising since the date three years prior to the date of this Agreement, reportable with respect to the safety or efficacy of any Product which is expected to be material.

11 Product Recall

11.1 No Product (or any component thereof) has been recalled, suspended, withdrawn, seized, discontinued or the subject of a refusal to file, clinical hold, deficiency or similar action letter (including any correspondence questioning data integrity) as a result of any action by any Governmental Entity, by the Seller or any of its Affiliates; nor are any such actions pending or under consideration (or any facts, conditions, or circumstance known) by the Seller or any of its Affiliates, or, to the Seller's Knowledge, by any Governmental Entity. There is not, to the Seller's Knowledge, pending or threatened litigation anywhere in the world seeking the recall, withdrawal, suspension, seizure or discontinuance of any of the Products.

12 Product Liability

The Products sold by the Business during the Relevant Period have complied in all material respects with all applicable product specifications and have been Manufactured in all material respects in accordance with applicable requirements of then current GMP and any Applicable Law, except for any such non-compliance that has not had, and would not reasonably be expected to have, a materially adverse impact on the relevant Product.

13 Taxes

13.1 Each Vaccines Group Company and each Tax Group to which it belongs has, and every member of the Seller's Group with an interest in the Vaccines Group has in respect of the Vaccines Group, duly, and within any appropriate time limits, filed all Tax Returns required to be filed and has maintained all records required to be maintained for tax purposes in relation to the assets comprised in the Vaccines Group; all such information was and remains complete and accurate in all material respects and all such Tax Returns were complete and accurate in all material respects and were made on the proper basis.

13.2 There are no Tax liens on any asset comprised in the Vaccines Group Businesses (other than Permitted Encumbrances).

13.3 No Vaccines Group Company and no Tax Group to which a Vaccines Group Company belongs is currently under audit or examination by a Tax Authority that could result in the assessment of a material amount of Tax and neither the Seller nor any Vaccines Group Company (nor any Tax Group to which a Vaccines Group Company belongs) has received notice from a Tax Authority of any dispute or disagreement outstanding or contemplated at the date of this Agreement with any Tax Authority regarding liability or potential liability to any Tax recoverable from any Vaccines Group Company or regarding the availability of any relief from Tax to any Vaccines Group Company and, so far as the Seller is aware, there are no circumstances which make it likely that any such dispute or disagreement will commence.

13.4 The Disclosure Letter lists every written agreement that a Vaccines Group Company has entered into, in each case, which is currently in force, to have its Tax affairs dealt with on a consolidated basis and for any Tax sharing arrangement (including without limitation any arrangement under which Tax losses or Tax reliefs are surrendered or agreed to be

surrendered or claimed) in respect of the profits, gains or losses of that Vaccines Group Company with any company not being another Vaccines Group Company.

- 13.5** No Vaccines Group Company, and no Tax Group to which a Vaccines Group Company belongs, has received or requested any extension of time to file a Tax Return that remains unfiled or has granted or requested a waiver or extension of a limitation on any period for audit and examination or assessment and collection of Tax for any taxable period as to which Tax could be assessed.
- 13.6** No member of the Seller's Group with an interest in the Vaccines Group has received notice from a Tax Authority of, and so far as the Seller is aware, there is not any dispute or disagreement outstanding at the date of this Agreement with any Tax Authority regarding the proper method of computing the profits of the Vaccines Group (or any part of it) for Tax purposes or the proper treatment for VAT purposes of any supplies of goods or services made (or treated as made) in the course of the Vaccines Group and, so far as the Seller is aware, there are no circumstances which make it likely that any such dispute or disagreement will commence.
- 13.7** So far as the Seller is aware, no Vaccines Group Company benefits from any preferential Tax regime, granted by law or by special authorisation issued by any Tax Authority or by any other authority, which would in whole or in part be withdrawn as a result of the signature of this Agreement.
- 13.8** So far as the Seller is aware, no Tax Authority has within the past three years operated or agreed to operate any special arrangement (being an arrangement which is not based on relevant legislation or any published practice) in relation to any assets comprised in the Vaccines Group.
- 13.9** In respect of all documents which establish or are necessary to establish the title of the relevant member of the Seller's Group to each material asset comprised in the Vaccines Group, or by virtue of which the relevant member of the Seller's Group has any right in respect of each such asset, all applicable stamp duties, transfer taxes, registration charges or similar duties or charges have been duly paid.
- 13.10** So far as the Seller is aware, other than any payments which are of a nature or type (such as expenditure on business entertainment or marketing) which are not deductible for Tax purposes by reason of a general restriction on deductibility applicable to payments of that nature or type under the laws of the jurisdiction in which the relevant Vaccines Group Company is resident for Tax purposes or carries on its business, no Vaccines Group Company is under any obligation to make any future payment which will not be deductible for Tax purposes in an amount which, if the payment were deductible for Tax purposes, would reduce the Tax liability of the relevant Vaccines Group Company by an amount exceeding US\$5 million.
- 13.11** The country of incorporation which is given in Schedule 2 for each Vaccines Group Company is also the Tax residence of each Vaccines Group Company, and is the only country whose Tax Authorities seek to charge Tax on the worldwide profits or gains of that Vaccines Group Company and no Vaccines Group Company has, within the past three years, carried on the Business of the Vaccines Group through a permanent establishment in any other country.

14 Environmental Matters

- 14.1** To the Seller's Knowledge, each Business Seller (with respect to its conduct of the Business and any Transferred Real Property) and Vaccines Group Company is in compliance in all material respects with all Environmental Laws.
- 14.2** To the Seller's Knowledge, each Vaccines Group Company and each Business Seller (with respect to its conduct of the Business and any Transferred Real Property) possesses all material Permits required under applicable Environmental Laws necessary to conduct its portion of the Business.
- 14.3** To the Seller's Knowledge, no Vaccines Group Company nor any Business Seller (with respect to its conduct of the Business and any Transferred Real Property) has received any written notice alleging a material violation of any Environmental Laws, other than matters that have been resolved in all material respects.
- 14.4** To the Seller's Knowledge, no Vaccines Group Company nor any Business Seller (with respect to its conduct of the Business and any Transferred Real Property) has received any written notice or claim alleging that it is or may be liable to any person in any material respect under any applicable Environmental Law as a result of a release or threatened release of any Hazardous Substance at any Transferred Real Property, other than matters that have been resolved in all material respects.
- 14.5** To the Seller's Knowledge, no Vaccines Group Company nor any Business Seller (with respect to its conduct of the Business and any Transferred Real Property) is a party to any pending proceedings relating to any Environmental Laws, other than proceedings that would not reasonably be expected to have a Material Adverse Effect.

15 Employees

- 15.1** The Employees are all employed by a Vaccines Group Company or a Business Seller and work wholly or substantially in the Business (as carried on by the Vaccines Group).
- 15.2** The Disclosure Letter contains a true, complete and correct list of the following information in respect of each Vaccines Business Employee and each Vaccines Group Company Employee as of 17 April 2014 (organised by country and, in relation to any Vaccines Group Company, by legal employer): (A) employee identification details; (B) date of birth; (C) employment status (part-time or full-time); (D) employment start date; (E) base salary; (F) target annual incentive for 2014 (and actual bonus for 2013); and (G) target long-term incentive for 2014 (and actual long-term incentive for 2013).
- 15.3** In each of the Material Employee Jurisdictions except as would not be reasonably expected to have a Material Adverse Effect:
- 15.3.1** as of the date of this Agreement there is not, and in the two years prior to the date of this Agreement there has not been, nor to the Seller's Knowledge is there pending or threatened, any labour strike, dispute, work stoppage or lockout by any group of either Vaccines Business Employees or Vaccines Group Company Employees;
- 15.3.2** no trade union or works council is recognised in any way for bargaining, information or consultation purposes in relation to any of the Vaccines Business Employees or Vaccines Group Company Employees and no collective bargaining negotiations, whether voluntary or mandatory, are currently taking place with respect to any of the Vaccines Business Employees or Vaccines Group Company

Employees and, as of the date of this Agreement, no Vaccines Group Company or Business Seller is a party to any agreement (whether legally binding or not) with any trade union or works council affecting any Vaccines Business Employee or Vaccines Group Company Employee and there is no existing dispute with any such representative body (or, to the Seller's Knowledge, pending or threatened) in relation to the Business (as carried on by the Vaccines Group);

15.3.3 there is no material litigation, claim or other dispute existing, nor to the Seller's Knowledge, pending or threatened by or in respect of any Employees (or any former employees of the Vaccines Group Companies) in respect of their employment or any matter arising from their employment; and

15.3.4 no Vaccines Group Company or Business Seller has, within the 2 years prior to the date of this Agreement, closed any plant or facility, effectuated any layoffs of employees or implemented any early retirement, separation or similar programme in each case in violation of the WARN Act, nor has any Vaccines Group Company or Business Seller announced any such action or programme for the future.

15.4 No Key Personnel has given notice terminating his or her contract of employment, nor is under notice of dismissal.

15.5 To the Seller's Knowledge, and subject to the next sentence, no Vaccines Group Company Employee will, as a result of the entering into of this Agreement or Closing, be entitled to receive any payment or benefit which he would not otherwise be entitled to receive (including, without limitation, an enhanced severance package on a subsequent termination) or be entitled to treat either such event as amounting to a breach of his terms and conditions of employment or to treat himself as redundant or dismissed or released from any obligation. This warranty shall not apply to any retention arrangements (in the form of cash or shares) put in place by the Seller or any member of the Seller's Group to retain key employees in connection with the matters contemplated by this Agreement as described in paragraphs 10 and 11 of Schedule 11, or any arrangement relating to the share-based incentive schemes of the Seller's Group pursuant to paragraph 11 of Schedule 11.

15.6 Since the Statement of Net Assets Date, no material change has been made, announced or proposed to the emoluments or other terms of employment of any Employee, and no such change, and no negotiation or request for such a change, is due or expected within 12 months from the date of this Agreement, and the employing company is under no obligation to make such a change (with or without retrospective operation) other than any arrangement relating to the share-based incentive schemes of the Seller's Group pursuant to paragraph 11 of Schedule 11.

15.7 All the employees needed to carry on the Business (as carried on by the Vaccines Group) at the date of this Agreement at the Key Sites are employed by a Vaccines Group Company and, to the Seller's Knowledge (other than insofar as would not reasonably be expected to have a Material Adverse Effect) have not resigned and are not expected to resign their employment as a result of this Agreement or the transactions it contemplates.

16 Employee Benefits

16.1 The Disclosure Letter contains a true, complete and correct list of all bonus, staff incentives (including any share-based incentive schemes), redundancy or other benefits payable on termination of employment (whether voluntary or involuntary but excluding

arrangements required in accordance with Applicable Law), ill-health, Employee Benefits or other benefits which are the material benefits available to the Vaccines Business Employees and the Vaccines Group Company Employees in the Material Employee Jurisdictions. To the Seller's Knowledge, other than any arrangement relating to the share-based incentive schemes of the Seller's Group pursuant to paragraph 11 of Schedule 11, no Vaccines Group Company or Business Seller has made any promises or commitments to make available any additional benefits to the Vaccines Business Employees and the Vaccines Group Company Employees in the Material Employee Jurisdictions, or to modify or change in any material way any existing benefits in the Material Employee Jurisdictions, or to continue or maintain the level of any existing benefits generally for any period, which in each case could reasonably be expected to have a Material Adverse Effect.

16.2 The Disclosure Letter contains true and complete copies of all documents of any written benefit schemes, plans or arrangements referred to in paragraph 16.1 above applicable to either Vaccines Business Employees or Vaccines Group Company Employees in the Material Employee Jurisdictions containing material terms (including governing documents, and for benefit plans that are not share-based incentive schemes, related trust agreements or other funding documents) and a true, complete and correct summary of the material terms of any unwritten benefit schemes, plans or arrangements referred to in paragraph 16.1 above.

16.3 Benefit Plans

16.3.1 In the Material Employee Jurisdictions all benefit and compensation schemes, plans, funds, contracts, policies, agreements or arrangements (other than the US Benefit Plans and any schemes, plans, funds, contracts, policies, agreements or arrangements operated by any Governmental Entity) (A) operated by or on behalf of a Vaccines Group Company or Business Seller, with respect to Vaccines Group Company Employees or Vaccines Business Employees or current or former employees or directors of a Vaccines Group Company, (B) in respect of which any Vaccines Group Company or Business Seller, with respect to Vaccines Group Company Employees or Vaccines Business Employees, the Seller or any member of the Seller's Group contributes or has contributed or (C) in respect of which any Vaccines Group Company or Business Seller, with respect to Vaccines Group Company Employees or Vaccines Business Employees, has any liability (whether actual or contingent), including, but not limited to, plans providing Employee Benefits or during periods of sickness or disablement, or any deferred or incentive compensation, welfare, healthcare, medical, stock or stock-related award plans, including individual pension commitments, "jubilee" pension benefits and retirement and termination indemnity arrangements, and in relation to Switzerland, all plans, funds, contracts, policies, agreements or arrangements providing pension or other benefits on retirement (such schemes, plans, funds, contracts, policies, agreements and arrangements hereinafter being referred to as "**Non-US Benefit Plans**") and the US Benefit Plans have been administered in accordance with their terms and are in compliance with Applicable Law, except for any failures to so administer or be in compliance that, individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect. All required filings for all Benefit Plans have been made on time and with the appropriate Governmental Entity, except for any failures to timely file that, individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect. As of the date

of this Agreement, there is no existing, pending or, to the Seller's Knowledge, threatened material litigation, claim or other dispute relating to Benefit Plans.

- 16.3.2** The Vaccines Group Companies or Business Sellers, with respect to Vaccines Group Company Employees or Vaccines Business Employees in each Material Employee Jurisdiction, (A) are in material compliance with all Applicable Law respecting employment, employment practices, terms and conditions of employment, occupational health, safety, wages and hours, (B) have withheld all amounts required by Applicable Law, collective bargaining agreements or the Benefit Plans to be withheld from the wages, salaries or other payments to the Vaccines Group Company Employees or the Vaccines Business Employees and former employees of the Vaccines Group Companies, (C) in respect of the Vaccines Group Company Employees or Vaccines Business Employees or former employees of the Vaccines Group Companies, are not liable under any applicable provisions of the Benefit Plans and any Applicable Law for any arrears, wages, Taxes, other than payments not yet due, or any penalty for failure to comply with the foregoing and (D) are not liable under any applicable provisions of the Benefit Plans and any Applicable Law for any payment to any trust or other fund or to any Governmental Entity with respect to unemployment compensation benefits, workers compensation, social security or other benefits for Vaccines Group Company Employees or Vaccines Business Employees or former employees of the Vaccines Group Companies, other than payments not yet due, except, in each case, for any failures to comply, failures to withhold or liabilities that, individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect.
- 16.3.3** All material contributions that the Vaccines Group Companies or Business Sellers, with respect to Vaccines Business Employees or the Vaccines Group Company Employees in a Material Employee Jurisdiction and Switzerland, are required to make to any Benefit Plan in respect of the period on or before the date of this Agreement have been fully and timely paid when due.

17 Litigation

- 17.1** No Vaccines Group Company or Business Seller is involved whether as claimant or defendant or other party in any claim or Proceeding (other than as claimant in the collection of debts arising in the ordinary course of its business none of which exceeds US\$5 million) which is material to the Business.
- 17.2** To the Seller's Knowledge, no such claim or Proceeding of material importance is pending or threatened by or against any Vaccines Group Company or Business Seller.

18 Insolvency

- 18.1** No order has been made and no resolution has been passed for the winding up of any Share Seller or any Business Seller, or for the appointment of any administrator, receiver (including administrative receiver) or liquidator (provisional or otherwise) over the whole or any part of the property, assets and/or undertaking of any Share Seller or any Business Seller.
- 18.2** No petition has been presented or meeting convened for the purpose of considering a resolution or resolution circulated for the winding up of any Share Seller or any Business Seller, or for the appointment of any administrator, receiver (including administrative

receiver) or liquidator (provisional or otherwise) over the whole or any part of the property, assets and/or undertaking of any Share Seller or any Business Seller.

- 18.3** Neither any Share Seller nor any Business Seller has stopped payment or suspended payment of its debts generally, is insolvent or deemed unable to pay its debts as they fall due.

19 Insurance

All material insurance policies relating to the Vaccines Group are in full force and effect and, to the Seller's Knowledge, no notice of cancellation, termination or default has been received with respect to any such insurance policy. All premiums due and payable on such policies covering periods up to Closing have been paid in full or accrued.

20 Consents and Licences

- 20.1** All governmental and quasi-governmental licences, consents, permissions, waivers, exceptions and approvals required for carrying on the Business of the Vaccines Group, the absence of which, individually or in the aggregate, would be material to the Vaccines Group, are in force and, to the Seller's Knowledge, no written notice has been received by the Seller or any member of the Seller's Group which indicates that any such licence, consent, permission, waiver, exception or approval is likely to be revoked or which may confer a right of revocation.

21 Delinquent and Wrongful Acts

- 21.1** To the Seller's Knowledge, no member of the Seller's Group has, during the Relevant Period, committed any criminal or illegal act which relates to the Vaccines Group Companies or the Vaccines Group Businesses.
- 21.2** No member of the Seller's Group has, during the Relevant Period, received notification that any investigation or inquiry is being or has been conducted by any supranational, national or local authority or governmental agency specifically related to the Vaccines Group, which is material in respect of the Vaccines Group.

22 Compliance

- 22.1** No member of the Seller's Group has received in the Relevant Period any written notification or written claim (in each case, which remains outstanding) that it has conducted the Business of the Vaccines Group with respect to the research, development, manufacturing, distribution and sale of the Products in a manner which does not in any respect comply with all Applicable Law, or which in any respect is defective or dangerous, where the pursuit of any such notification or claim is, or would reasonably be expected to be, material in respect of the Vaccines Group.
- 22.2** So far as the Seller is aware, the Vaccines Group has, and has during the Relevant Period been, operated in all material respects in compliance with all Applicable Law or standards and to the Seller's Knowledge there are no circumstances that could involve or lead to a material violation of any material Applicable Law or standards.

23 Pipeline Products

- 23.1** The Seller or one of its Affiliates is the registered holder of each of the Pipeline Product Approvals, and the benefit of each Pipeline Product Approval can be transferred to the Purchaser (or another member of the Purchaser's Group) regardless as to whether such

transfer occurs directly (whether by way of transfer, reissuance or any other equivalent mechanism under Applicable Law of the relevant jurisdiction) or indirectly (through the transfer of the Vaccines Group Companies).

- 23.2** All development activities in relation to the Pipeline Products have been conducted in the ordinary course and in accordance with all Applicable Law and standards and to the Seller's Knowledge there are no circumstances relating to the development of the Pipeline Products that could involve or lead to a material violation of any material Applicable Law or standards.
- 23.3** No material regulatory, clinical or safety event has occurred in relation to the Pipeline Products and no member of the Seller's Group has received any notification or claim from any person of any such event (or the possibility of any such event).

24 Manufacturing Licences and Manufacture

- 24.1** All Manufacturing Licences which are material to the Vaccines Group, are in effect and are validly held by a member of the Seller's Group and during the Relevant Period, to the Seller's Knowledge, no member of the Seller's Group has received any written notice of any suit, action or proceeding regarding the revocation or modification of any such Manufacturing Licence.
- 24.2** No directive, order or notice has been given to the Seller or any member of the Seller's Group by any relevant regulatory authority to update, modify, amend, vary, supplement or delete any process and/or methodology relevant to the manufacture at the Sites of any Product currently manufactured at the Sites and, so far as the Seller is aware, no such directive, order or notice is pending.

25 No Industrial Action

To the Seller's Knowledge, there is no industrial action currently taking place, threatened or expected which is, or is expected to be, material to the Business.

26 Ongoing Clinical Trials

Schedule 22 contains a complete list of all Ongoing Clinical Trails.

Schedule 19
Warranties given by the Purchaser under Clause 10.3

1 Authority and Capacity

1.1 Incorporation

The Purchaser is validly existing and is a company duly incorporated and registered under the law of its jurisdiction of incorporation.

1.2 Authority to enter into Agreement

1.2.1 The Purchaser and each member of its Group has the legal right and full power and authority to enter into and perform this Agreement, any Ancillary Agreement to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Ancillary Agreement.

1.2.2 The documents referred to in paragraph 1.2.1 will, when executed, constitute valid and binding obligations on the Purchaser and each member of its Group in accordance with their respective terms.

1.2.3 Except as referred to in this Agreement, the Purchaser:

- (i) is not required to make any announcement, consultation, notice, report or filing; and
- (ii) does not require any consent, approval, registration, authorisation or permit,

in each case in connection with the performance of this Agreement or any other document referred to in paragraph 1.2.1.

1.2.4 The execution and delivery of the documents referred to in paragraph 1.2.1 and the performance by the Purchaser and each member of its Group of their respective obligations under them, will not:

- (i) result in a breach of any provision of the memorandum or articles of association or by laws or equivalent constitutional document of the relevant member of the Purchaser's Group;
- (ii) result in a breach of, or constitute a default under, any instrument or contract to which the relevant member of the Purchaser's Group is party or by which the relevant member of the Purchaser's Group is bound where such breach is material to their ability to perform their obligations under such documents;
- (iii) result in a breach of any existing order, judgment or decree of any court, Governmental Entity by which the relevant member of the Purchaser's Group is bound and where such breach is material to their ability to perform their obligations under such documents.

1.3 Authorisation

The Purchaser has taken, or will have taken by Closing, all corporate action required by it to authorise it to enter into and to perform this Agreement, any Ancillary Agreement to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Ancillary Agreement.

Schedule 20
Pre-Closing Obligations
(Clause 5.2)

Part 1
Seller Restrictions

The actions for the purposes of Clause 5.1.2 are:

- 1** amend or otherwise modify the constitutional documents of any Vaccines Group Company other than minor or administrative amendments or modifications which are not adverse to the Business or to the Purchaser of any member of the Purchaser's Group;
- 2** create, allot or issue, or grant an option or right to subscribe for or purchase, any share capital or other securities or loan capital of any Vaccines Group Company;
- 3** repay, redeem or repurchase any share capital, or other securities of any Vaccines Group Company;
- 4** make any acquisition or disposal which has a value in excess of US\$10 million, exclusive of VAT;
- 5** grant any guarantee or indemnity for the obligations of any person which has a value in excess of US\$5 million (other than in the ordinary course of trading);
- 6** dispose of, or agree to dispose of, any material asset or material stock at below market value other than in the ordinary course of business;
- 7** acquire or agree to acquire any share, shares or other interest in any company, partnership or other venture, other than an investment of 5 per cent or less of the total shares or interest in such company, partnership or venture and provided the investment is not more than US\$5 million;
- 8** enter into, extend, amend, give notice to terminate or vary in any material respect any lease of real property or change the existing use of such property which is material to the Vaccines Group;
- 9** cease, compromise or settle any dispute including litigation, arbitration or administrative proceedings in relation to (or otherwise compromise or settle) any claim by Pfizer which relates to any form of meningococcal vaccine (Group B) whether adjuvanted, combined or otherwise (or any similar product) of Pfizer or enter into any licensing arrangements with Pfizer in relation to such products or Intellectual Property Rights relevant to them;
- 10** enter into any borrowing facility which has a value in excess of US\$10 million;
- 11** enter into any off-balance sheet finance arrangements;
- 12** sell, lease, license, transfer or dispose of, or create any Encumbrance over, any material assets of the Vaccines Group other than (i) in the ordinary course of business (including any sale of inventory); or (ii) any Permitted Encumbrance;
- 13** (a) terminate, materially amend (or amend in any respect in relation to a Product or Pipeline Product which is material to the Business) or grant any material waiver under (or any waiver in relation to a Product or Pipeline Product which is material to the Business)

any Vaccines Group Intellectual Property Contract or the Merck 2012 Licence or (b) terminate any Transferred Contract other than in the ordinary course of business or terminate any Contract held by the Vaccines Group Companies other than in the ordinary course of business;

- 14 fail to comply in all material respects with all Applicable Law, Product Approvals, Pipeline Product Approvals and Marketing Authorisations applicable to the operation of the Business;
- 15 assign, dispose of, license (save in respect of non-exclusive licences relating to the Seller's research, development or Commercialisation of the Products) abandon any material Vaccines Group Intellectual Property Rights (or any Vaccines Group Intellectual Property Rights in respect of a Product or Pipeline Product which is material to the Business), or cease to prosecute or otherwise dispose of, fail to maintain, defend or pursue applications for any material Registered Vaccines Group Intellectual Property Rights (or any Registered Vaccines Group Intellectual Property Rights in respect of a Product or Pipeline Product which is material to the Business). Notwithstanding the foregoing, the parties agree that the restrictions set out in this paragraph will not apply in respect of the Abandoned Patents abandoned prior to 22 April 2014;
- 16 save where requested in writing by the Purchaser or required by any applicable Governmental Entity, cancel, surrender or materially amend (or amend in any respect in relation to a Product or Pipeline Product which is material to the Business) any applications, submissions or filings with respect to Registered Vaccines Group Intellectual Property Rights;
- 17 instigate, cease, compromise or settle any litigation or arbitration proceedings related to the Vaccines Group in relation to a claim for which the potential liability attaching thereto is in excess of US\$5 million;
- 18 make any material amendment to any Marketing Authorisation, Manufacturing Licence or Environmental Permit, in each case except to the extent required by: (a) Applicable Law; (b) any Governmental Entity, or (c) the standards, policies and procedures of the Seller's Group as then in force;
- 19 enter into or amend in any material respect any Transferred Contract, or incur any commitment, which is not capable of being terminated without compensation at any time with twelve months' notice or less or which is not in the ordinary course of business, or which involves or may involve total annual expenditure in excess of US\$10 million, exclusive of VAT;
- 20 enter into any contract which would materially restrict the freedom of the Vaccines Group to operate in any part of the world;
- 21 terminate (except for good cause) the employment of any Key Personnel;
- 22 take any steps to increase or reduce the proportion of time spent working in the Business (as carried on by the Vaccines Group) by any employee of any member of the Seller's Group or to transfer the employment of any Employee to another member of the Seller's Group or to employ or offer to employ or engage any new persons in the Business (as carried on by the Vaccines Group) other than in the ordinary course of business consistent with past practice and subject to an aggregate increase of not more than 2.5 per cent. in total staff costs of the Business (as carried on by the Vaccines Group) per annum,

provided that this restriction shall not apply to the redeployment of any Vaccines Group Company Employee who is not wholly or substantially engaged in the Business (as carried on by the Vaccines Group) before the Closing Date to employment with another member of the Seller's Group;

- 23** make, or commit to make, any changes to the terms and conditions of employment (including pension fund commitments or any increase to remuneration) or to any employee benefit plan of any Employee, other than (a) those required by Applicable Law or (b) pursuant to normal annual pay reviews in the ordinary course of business consistent with past practice and subject to an aggregate increase of not more than five per cent. in total staff costs of the Business (as carried on by the Vaccines Group) per annum or (c) retention arrangements in the form of cash or shares to retain key employees in connection with the matters contemplated by this Agreement as described in paragraphs 10 and 11 of Schedule 11, or (d) those changes to the share-based incentive schemes made for the purpose of complying with paragraph 11 of Schedule 11;
- 24** make any promises or commitment to any Employees or employee representative body concerning the matters contemplated by this Agreement or offer or otherwise give any assurances to any Employees as to the possibility of continued employment with the Purchaser's Group after Closing;
- 25** make any change or commitment to make any change to the terms of any redundancy policy or practice applying to the Employees (including amounts payable on redundancy);
- 26** enter into (where there is no existing agreement) or materially amend any collective bargaining agreement or other contract with a labour organisation, works council or employee organisation to create new or additional obligations for any member of the Seller's Group, in each case in relation to the Business (as carried on by the Vaccines Group); and
- 27** undertake any recall or withdrawal of any Product (other than in the ordinary course of business or to comply with Applicable Law).

Part 2
Seller Obligations

1 Obligations Prior to be Satisfied prior to the Closing Date

At least five Business Days prior to the Closing Date, the Seller shall provide the Purchaser with a list of any required actions that must be taken within three (3) months after Closing with respect to the payment of any registration, maintenance, or renewal fees or the filing of any documents, applications or certificates in order to maintain any Registered Vaccines Group Intellectual Property Rights in full force and effect. Upon the Purchaser's reasonable request, the Seller shall execute and deliver assignment agreements and other transfer documentation, including, where applicable, duly executed assignments of such Registered Vaccines Group Intellectual Property Rights for recording with the applicable Governmental Entity, and to take such further actions, in each case at the Purchaser's reasonable cost and expense and as may be required, to give effect to the foregoing assignments.

2 Obligations from the Date of the Agreement to the Closing Date

The requirements for the purposes of Clause 5.1.3 are:

- 2.1** so far as permitted by Applicable Law, the Seller shall procure that each member of the Seller's Group informs the Purchaser promptly if the Seller becomes aware of, or has reasonable grounds for suspecting any violation of Anti-Bribery Law which is reasonably likely to have an impact on the Vaccines Group, and
- 2.2** carry out capital expenditure in relation to any site operated by the Vaccines Group where the Products are manufactured in a manner materially consistent (and within a variance of 10 per cent. in aggregate) with the Seller's capital expenditure programme for the Business as at the date of this Agreement;
- 2.3** maintain and keep any Registered Vaccines Group Intellectual Property Rights and ensure that all filings and notifications required to be made in respect of the same are made in accordance with past practice;
- 2.4** progress, in accordance with past practice any applications, submissions, filings or other correspondence relating to the grant of new Registered Vaccines Group Intellectual Property Rights;
- 2.5** progress, in accordance with past practice during the Relevant Period, any applications, submissions, filings or other correspondence initiated by such member of the Seller's Group relating to the grant of new Manufacturing Licences and Environmental Permits in respect of the Vaccines Group;
- 2.6** continue to promote, market and Commercialise the Products in accordance with past practice during the Relevant Period and do not materially accelerate or increase the quantity of Products distributed to the relevant distributors and/or wholesalers, in each case except in respect of a bona fide increase in demand for the relevant Product by the relevant distributor and/or wholesaler which has not been stimulated in any way by discounts, rebates, claw-backs or the like outside of the ordinary course of business or the grant of preferred terms offered by the Seller's Group outside of the ordinary course;
- 2.7** not discontinue or cease to operate or materially reduce the resources applied to any part of the Business;

- 2.8** maintain the level of Manufacturing Stocks and Manufacturing Inventory held for use in the Business materially in accordance with the Seller's Group's operating policies as applied to the Vaccines Group from time to time in force;
- 2.9** maintain the level of In-Market Inventory held for use in the Business materially in accordance with the Seller's Group's operating policies as applied to the Vaccines Group from time to time in force;
- 2.10** use all reasonable endeavours to ensure that the manufacture of the Products by the Seller's Group comply with Applicable Law;
- 2.11** use all reasonable endeavours to ensure that the Products sold by the Business comply with Applicable Law;
- 2.12** continue to conduct the Ongoing Clinical Trials in accordance with GCP and the Seller Group's policies and procedures; and
- 2.13** notify the Purchaser in writing of any actual safety or quality issue in respect of any Product or the manufacture of any Product (as soon as reasonably practicable after becoming aware of the same) which issue the relevant member of the Seller's Group, acting reasonably and in good faith, considers material in the context of the manufacture or commercialisation of such Product.
- 2.14** so far as permitted by Applicable Law, report periodically to the Purchaser concerning the status of the Business, including delivering to the Purchaser as soon as reasonably practicable each month:
- 2.14.1** an update on material commercial developments in relation to the Business and the Products during the previous month;
- 2.14.2** the gross profit for each Product in respect of the previous month; and
- 2.15** a report on the month-end in-trade inventory in respect of each Product for the previous month prepared in the ordinary course of business consistent with past practice, together with a comparison against the comparable period of trading for the prior year;
- 2.16** use all reasonable endeavours to obtain a waiver in relation to the Transaction from the joint venture partner in Zhejiang Tianyuan Bio-Pharmaceutical Co. Ltd in respect of the joint venture partner's rights of first refusal; and
- 2.17** shall or shall procure that each member of the Seller's Group continues to respond to any Calls For Tender in accordance with past practices in the relevant market.

Part 3
Exceptions

Clause 5.1 shall not operate so as to prevent or restrict the declaration, making or payment of any dividend or other distribution to shareholders.

Schedule 21
Key Employees
(Clause 1.1)

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 22
Ongoing Clinical Trials
(Clause 1.1)

1 [***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 23
Statement of Net Assets
(Clause 1.1)

Part 1
Statement of Net Assets Rules

Part 1 of Schedule 23 comprises the Statement of Net Assets Rules.

Part 2 of Schedule 23 sets forth, for illustrative purposes only, a computation of the Statement of Net Assets as of the close of business on 31 December 2013 (the “**Statement of Net Assets**”).

1 Preparation of the Statement of Net Assets

1.1 **Period**

The Statements of Net Assets is prepared as of the close of business on the final day of the relevant calendar month.

1.2 **Translation of Reporting Entity’s Statements of Net Assets**

A reporting entity reports in local currency. All reports are translated into US dollars by the Seller for reporting purposes. The Statement of Net Assets is translated with the period-end exchange rates which are the rates provided by Novartis Group Treasury and are based on Bloomberg’s mid-morning CET exchange rates and are published in the Group Treasury section of the Novartis intranet.

1.3 **Novartis Reporting System and Materiality:**

1.3.1 Financial information is obtained from the Financial Consolidation & Reporting System of Novartis and the supporting general ledgers are prepared in accordance with Novartis’ Accounting Manual (the “**NAM**”). The Financial Consolidation & Reporting System is the system of record for Novartis external reporting. References in the Statement of Net Assets included as part 2 of this Schedule 23 shown as “BS01 lines 010-671” relate to the groupings shown in Novartis’ monthly reporting form “BS01 – Balance sheet”.

1.3.2 For the Seller’s reporting purposes, the financial reporting of a legal entity is separated into a divisional part, which includes operating items and a corporate part, which mainly captures the amounts related to taxes, post-employment benefit obligations and most of the financial assets and liabilities. The Statement of Net Assets contains the business of the Vaccines division (including the Influenza Business) as included in Novartis’ segment reporting (column C - “Vaccines Divisional Reported Statement of Net Assets”), and items of the corporate Statement of Net Assets for the Vaccines Group Companies (Column D – “Vaccines Statement of Net Assets of the Corporate part of the Vaccines Group Companies” and items related to the Statement of Net Assets for the Novartis Vaccines Institute for Global Health (column E – “Statement of Net Assets of the part of Novartis Vaccines Institute for Global Health”) as well as adjustments for certain items which are either excluded from or added to the transaction (columns F -“Excluded items”). A US\$10 million threshold was applied. Column H shows the impact of the Influenza Business which is excluded from the transaction. For the purpose of the carve out of the Influenza Business allocations have been made

based on management's best estimate of the contribution of the Influenza Business. For Receivables own BU (BS01_130) and Payables own BU (BS01_620) items related to the entity in Liverpool, which will not transfer have been added back into the statement of net assets. For other entities amounts related to the Influenza Business have not been added back in as they are offsetting each other. Payables and Receivables to Other BU's related to the Influenza Business have been left in the statement of net assets as they are not expected to be material on a net basis. A materiality threshold of US\$ 50million applies to the Influenza Business.

1.3.3 The Statement of Net Assets has been prepared as follows:

- (i) in accordance with the specific accounting treatments set out below; and, subject thereto,
- (ii) adopting the same accounting principles, methods, procedures and practices utilized in preparing the consolidated financial statements of Novartis AG as described in the Novartis Accounting Manual applied on a consistent basis using consistent estimation methodologies and judgments and with consistent classifications and, subject thereto,
- (iii) in accordance with IFRS.

1.3.4 For the avoidance of doubt, paragraph 1.3.3(i) shall take precedence over paragraphs 1.3.3(ii) and 1.3.3(iii), and paragraph 1.3.3(ii) shall take precedence over paragraph 1.3.3(iii).

2 Specific Policies

The following supplement the description in the NAM for certain items included in the Vaccines Group Statement of Net Assets:

2.1 Non-Current assets

2.1.1 Property, plant and equipment (BS01_010)

For the purpose of the Vaccines Divisional Statement of Net Assets an amount of US\$122 million is included for assets which are not dedicated to the Vaccines Group and will not transfer to the Purchaser (as reflected in Column F). These assets comprise all property, plant and equipment located in Emeryville, California and in Pernambuco, Brazil.

2.1.2 Financial assets &– subsidiaries/JV (BS01_040)

This line reflects equity investments that Vaccines Group Companies hold in other Vaccines Group Companies. These relationships have been eliminated in the Statement of Net Assets (as reflected in Column F).

2.1.3 Total financing and loans to subsidiaries/JV (BS01_050)

This line represents financing owed by any member of the Seller's Group to a Transferred Subsidiary. For the purpose of the Statement of Net Assets balances within the Vaccines Group have been excluded (as reflected in Column F).

2.2 Current Assets:

2.2.1 Trade receivables (BS01_120)

An amount of US\$51 million of trade receivables is excluded from this Statement of Net Assets (as reflected in Column F) as it relates to non-Vaccines business activity such as licence fee receivables related to HCV and HIV patents.

2.2.2 Receivables own BU (BS01_130)

Column C of the Statement of Net Assets represents receivables against other entities within the Vaccines division, which are offset by an equivalent amount in the line Payables own BU. These amounts have been eliminated in Column F of the Statement of Net Assets.

2.2.3 Receivables own BU – Corporate and Institute for Global Health (BS01_130)

Columns D and E of the Statement of Net Assets represent receivables against other members of the Seller's Group as well as other Vaccines Group Companies. The receivables against other Vaccines Group Companies have been eliminated in Column F of the Statement of Net Assets.

2.2.4 Receivables other BU's (BS01_140)

Receivables recognized on this line are due from members of the Seller's Group operating in the Pharmaceuticals and Sandoz segments which are selling vaccines in markets where the Vaccines Group is not represented. The receivable of the Vaccines Institute for Global Health relates to a Transferred Subsidiary and has therefore been eliminated.

2.2.5 Other current assets (BS01_160)

An amount of US\$5 million is related to current assets of the divested Diagnostics business, which did not transfer to the purchaser of the Diagnostics business. They are excluded from the Statement of Net Assets as they do not relate to the activities of the Vaccines Group (as reflected in Column F). Furthermore, an amount of US\$1 million is related to assets of the plant in Pernambuco, Brazil which will not be transferred and has therefore been excluded (as reflected in Column F) from the Statement of Net Assets.

2.2.6 Prepaid share-based payments (BS01_161)

An asset for prepaid share-based compensation is recognized to reflect Novartis' internal charge-out mechanism for its equity settled share-based compensation plans. For entities settling the charge for the shares at the beginning of the vesting period, it reflects the expense yet to be recognized for the unvested part of a share-based compensation plan. This asset has been excluded (as reflected in Column F) and is not reflected in the Statement of Net Assets.

2.3 Long-term Liabilities:

2.3.1 Total financing and loans from subsidiaries/JV (BS01_520)

This line represents financing received from any member of the Seller's Group. For the purpose of the Statement of Net Assets, balances within the Vaccines Group have been excluded (as reflected in Column F).

2.3.2 Other non-current liabilities (BS01_540)

Column F excludes net liabilities for post-employment benefits of US\$90 million included in the corporate part of the Vaccines Group Companies as their treatment is addressed separately in Schedule 12.

2.4 Current Liabilities:

2.4.1 Trade payables (BS01_610)

An amount of US\$11 million included in this line relates to the construction of the plant in Pernambuco, Brazil which will not be transferred and has therefore been excluded (as reflected in Column F) from the Statement of Net Assets.

2.4.2 Payables own BU (BS01_620)

Column C of the Statement of Net Assets represents payables against other entities within the Vaccines division, which are offset by an equivalent amount in the line Receivables own BU. These amounts have been eliminated in the Statement of Net Assets.

2.4.3 Payables own BU – Corporate (BS01_620)

Column D of the Statement of Net Assets represents payables against other Vaccines Group Companies as well as payables against other members of the Seller's Group. The corporate payables against Vaccines Group Companies have been eliminated in Column F of the Statement of Net Assets.

2.4.4 Payables other BU's (BS01_630)

Payables recognized on this line are due to members of the Sellers' Group, except for a payable recognized by the Vaccines Institute for Global Health, which is owed to a Vaccines Group Company and has therefore been eliminated.

2.4.5 Accrued and other current liabilities (BS01_670)

An amount of US\$35 million is related to short term liabilities of the divested Diagnostics business, which did not transfer to the purchaser of this Diagnostics business. They are excluded from the Statement of Net Assets (as reflected in Column F) as they do not relate to the activities of the Vaccines Group. Furthermore, an amount of US\$3 million relates to the construction of the plant in Pernambuco, Brazil, which will not be transferred and has therefore also been excluded (as reflected in Column F) from the Statement of Net Assets. An amount of US\$1 million relates to legal fees for litigation not related to the Vaccines Group.

2.4.6 Accrued share-based payments (BS01_671)

A liability for share-based compensation is recognized to reflect Novartis' internal charge-out mechanism for its equity-settled share-based compensation plans. For entities settling the charge for the shares after the vesting period, it reflects the expense recognized for the vested part of a share based compensation plan. This liability has been excluded (as reflected in Column F) and is not reflected in the Statement of Net Assets.

Part 2
Statement of Net Assets

All amounts in \$ thousands

| | <u>Column A</u> | <u>Column B</u> | <u>Column C</u> | <u>Column D</u> | <u>Column E</u> | <u>Column F</u> | <u>Column G</u> | <u>Column H</u> | <u>Column I</u> |
|--|---|-----------------|---|---|--|-------------------|---|-----------------------|---|
| | Vaccines Dataroom balance sheet Dec 31, 2013 | Adjustments* | Vaccines Divisional Reported Statement of Net Assets at Dec 31, 2013 | Vaccines Statement of Net Assets of the Corporate part of the Vaccines Group Companies | Statement of Net Assets of the part of Novartis Vaccines Institute for Global Health | Excluded items | Vaccines Group Statement of Net Assets Dec 31, 2013 | Influenza business | Vaccines Group (excl. Influenza business) Statement of Net Assets Dec 31, 2013 |
| BS01_010 Property, plant and equipment | *** | *** | *** | *** | *** | *** | *** | *** | 729,492 |
| BS01_020 Intangible assets | *** | | *** | | | | *** | *** | 1,853,635 |
| BS01_034 Financial assets_ associated companies | *** | | *** | | | | *** | *** | 777 |
| BS01_035 Financial assets - 3rd parties and loans to AC | *** | | *** | *** | | | *** | *** | 17,981 |
| BS01_040 Financial assets & subsidiaries//JV | | | | *** | | *** | *** | | 0 |
| BS01_042 Deferred tax assets | | | | *** | *** | | *** | *** | 78,951 |
| BS01_044 Other non- current non- financial assets | *** | | *** | | | | *** | | 23,129 |
| BS01_050 Total financing and loans to subsidiaries / JV | | | | *** | *** | *** | *** | | 58,563 |
| BS01_110 Total inventories | *** | | *** | | | | *** | *** | 400,663 |
| BS01_120 Trade receivables (3rd parties and AC) | *** | | *** | | | *** | *** | *** | 335,387 |
| BS01_130 Receivables own BU | *** | | *** | | | *** | *** | *** | 21,818 |
| BS01_130 Receivables own BU – Corporate and Institute for Global Health | | | | *** | *** | *** | *** | | 865 |

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

| | <u>Column A</u> | <u>Column B</u> | <u>Column C</u> | <u>Column D</u> | <u>Column E</u> | <u>Column F</u> | <u>Column G</u> | <u>Column H</u> | <u>Column I</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| BS01_140 Receivables other BU's | *** | | *** | | *** | *** | *** | *** | 20,419 |
| BS01_160 Other current assets (3rd parties and AC) | *** | *** | *** | *** | *** | *** | *** | *** | 70,207 |
| BS01_161 Prepaid share- based payments | *** | | *** | | *** | *** | *** | | 0 |
| BS01_180 Cash & cash equivalents | | | | *** | *** | | *** | | 4,393 |
| Total Assets | *** | *** | *** | *** | *** | *** | *** | *** | 3,616,280 |
| BS01_511 Financial debt – long-term | | | | *** | | | *** | | 8 |
| BS01_520 Total financing and loans from subsidiaries// JV | | | | *** | | *** | *** | *** | 680,633 |
| BS01_535 Deferred tax liabilities | | | | *** | *** | | *** | *** | 92,072 |
| BS01_540 Other non- current liabilities (3rd parties and AC) | *** | | *** | *** | *** | *** | *** | *** | 54,071 |
| BS01_610 Trade payables (3rd parties and AC) | *** | *** | *** | *** | *** | *** | *** | *** | 176,115 |
| BS01_620 Payables own BU | *** | *** | *** | | | *** | *** | *** | 15,056 |
| BS01_620 Payables own BU – Corporate | | | | *** | | *** | *** | | 3,239 |
| BS01_630 Payables other BU's | *** | | *** | *** | *** | *** | *** | *** | 40,675 |
| BS01_651 Financial debt – Short-term (3rd parties and AC) | | | | *** | | | *** | *** | 1,395 |
| BS01_660 Income taxes payable | | | | *** | *** | | *** | *** | 55,060 |
| BS01_670 Accrued and other current liabilities (3rd parties and AC) | *** | *** | *** | *** | *** | *** | *** | *** | 238,671 |
| BS01_671 Accrued share- based payments | *** | | *** | | *** | *** | *** | | 0 |

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

| | <u>Column A</u> | <u>Column B</u> | <u>Column C</u> | <u>Column D</u> | <u>Column E</u> | <u>Column F</u> | <u>Column G</u> | <u>Column H</u> | <u>Column I</u> |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Total Liabilities | [***] | [***] | [***] | [***] | [***] | [***] | [***] | [***] | 1,356,995 |
| Net Assets | [***] | [***] | [***] | [***] | [***] | [***] | [***] | [***] | 2,259,285 |

* The difference for BS01_010 Property, plant and equipment relates to the plant built in Pernambuco Brazil, which had been excluded in the dataroom balance sheet.

The difference for BS01_160 Other current assets is composed of other current assets related to the Diagnostics Business, but which have not been transferred to Grifols; these were excluded in the dataroom balance sheet.

Line BS01_620 and Line BS01_630 have been combined into the line Intercompany payable in the dataroom balance sheet and items related to Pernambuco have been excluded.

The difference for BS01_670 Accrued and other current liabilities is composed of items related to the Diagnostics business, which have not been transferred to Grifols and were therefore excluded in the dataroom balance and items related to the Plant in Pernambuco, which have also been excluded in the dataroom balance sheet.

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Schedule 24
Regulatory Approvals

The following table provides the additional jurisdictions and applicable antitrust, merger control, or foreign investment rules referenced in Clause 4.1.3.

This list of jurisdictions and statutes is not meant to be indicative of a known filing or approval requirement in these jurisdictions. To the extent that clearances, approvals, waivers, no action letters or consents are not required to be obtained or not otherwise agreed by the parties to be appropriate, and waiting periods are not required to have expired in these jurisdictions, prior to Closing, such clearances, approvals, waivers, no action letters, consents, and waiting period expirations will not be conditions precedent to Closing

| Country | Statute Under Which Filing/Approval is Required |
|----------------|---|
| Australia | The Competition and Consumer Act of 2010 |
| Brazil | Law No. 12,529 of November 30, 2011 |
| Canada | The Competition Act |
| China | The Chinese Anti-Monopoly Law |
| India | The Competition Act of 2002, as amended by The Competition (Amendment) Act of 2007 |
| Israel | The Restrictive Trade Practices Law, 5748-1988 |
| Japan | The Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade No. 54 of 1947 |
| Mexico | The Federal Law on Economic Competition |
| New Zealand | The Commerce Act of 1986 |
| Russia | Federal Law No. 135-FZ of July 16, 2006 on Protection of Competition |
| South Africa | The Competition Act 89 of 1998 |
| South Korea | The Monopoly Regulation and Fair Trade Act |
| Taiwan | The Fair Trade Law of 1991 |
| Turkey | The Law on Protection of Competition No. 4054 of 1994 |

Schedule 25
Delayed Jurisdictions

1 Definitions used in this Schedule

1.1 In this Schedule:

“**Accounting Standards**” means the most recent edition of the International Financial Reporting Standards as published by the International Accounting Standards Board at the time that any amount is to be calculated by reference to these standards;

“**Audit Team**” has the meaning given in paragraph 4.3 of this Schedule;

“**Controlled Business Instruction**” has the meaning given in paragraph 3.4.1 of this Schedule;

“**Controlled Delayed Businesses**” means the Delayed Businesses other than the Non-Controlled Delayed Businesses;

“**Delay Milestone**” means the milestone set out next to the relevant Delayed Business in Appendices 1 and 2 to this Schedule;

“**Delayed Business Employees**” has the meaning given to it in Schedule 11;

“**Delayed Business Representative**” has the meaning given in paragraph 3.3 of this Schedule;

“**Delayed Businesses**” means the Delayed Vaccines Group Companies and the Delayed Vaccines Group Businesses;

“**Delayed Closing**” means, in respect of a Delayed Business, completion of the transfer of legal ownership of that Delayed Business to the Purchaser in accordance with this Schedule;

“**Delayed Closing Date**” has the meaning given to it in paragraph 1.4 of this Schedule;

“**Delayed Employees**” has the meaning given to it in Schedule 11;

“**Delayed Liabilities**” means the liabilities listed in Appendix 3 to this Schedule;

“**Delayed Vaccines Group Business**” means a Vaccines Group Business listed in Appendix 2 to this Schedule;

“**Delayed Vaccines Group Company**” means a Vaccines Group Company listed in Appendix 1 to this Schedule;

“**Disputed Items**” has the meaning given in paragraph 4.10 of this Schedule;

“**Dispute Notice**” has the meaning given in paragraph 4.9 of this Schedule;

“**Draft Economic Benefit Statement**” has the meaning given in paragraph 4.3 of this Schedule;

“**Economic Benefit Amount**” has the meaning given to it in paragraph 4.12.2 of this Schedule;

“**Economic Benefit Expert**” has the meaning given in paragraph 4.12.2 of this Schedule;

“**Economic Benefit Objective**” has the meaning given to it in paragraph 4.4 of this Schedule;

“**Economic Benefit Statement**” has the meaning given in paragraph 4.14.2 of this Schedule;

“**Economic Benefit Payment**” has the meaning given in paragraph 4.15.1 of this Schedule;

[***]

“**Half-Yearly Accounting Period**” means (i) the period commencing on 1 January in any year and ending on 30 June in the same year and (ii) the period commencing on 1 July in any year and ending on 31 December in the same year;

“**Non-Controlled Delayed Business**” means:

- (i) the Businesses conducted by Novartis (Bangladesh) Limited, Novartis (Thailand) Limited and Novartis Healthcare Private Limited; and
- (ii) Chiron Behring Vaccines Private Limited; and

“**Protected Information**” has the meaning given in paragraph 4.7 of this Schedule; and

“**Reverse Payment**” the meaning given in paragraph 4.15.2 of this Schedule; and

“**Seller Involvement Instruction**” has the meaning given in paragraph 3.10 of this Schedule.

- 1.2 The parties agree that legal ownership of the Delayed Businesses shall not be transferred by the Seller to the Purchaser at Closing but that the Delayed Businesses shall be operated by Seller and that the benefit and burden of such Delayed Business shall be for the Purchaser with effect from the Effective Time on the terms set out in this Schedule.
- 1.3 The Seller and the Purchaser shall (and shall procure that their respective Affiliates shall) use all reasonable endeavours to procure the achievement of each Delay Milestone as soon as possible after the Closing Date.
- 1.4 Delayed Closing in respect of a Delayed Business shall occur on the date which is the last Business Day of the month in which the relevant Delay Milestone has been achieved except that:
 - 1.4.1 where the last day of such month is not a Business Day, the Delayed Closing shall instead take place on the first Business Day of the following month; and
 - 1.4.2 where less than five (5) Business Days remain between achievement of the Delay Milestone and the last Business Day of the month, Delayed Closing shall take place:
 - (i) on the last Business Day of the following month;
 - (ii) where the last day of such month is not a Business Day, the Delayed Closing shall instead take place on the first Business Day of the month following the month referred to in paragraph 1.4.2(i); or
 - (iii) on such other date as may be agreed between the Purchaser and the Seller,such date (in each case) being the “**Delayed Closing Date**”.

2 **Obligations on Delayed Closing Date**

The Sellers’ Obligations

- 2.1 On each Delayed Closing Date, the Seller shall deliver to the Purchaser the Ancillary Agreements relating to the Delayed Business (including, without limitation, the Local Transfer Documents) duly executed by the relevant member(s) of the Seller’s Group.

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

The Purchaser's Obligations

- 2.2 On each Delayed Closing Date, the Purchaser shall deliver to the Seller the Ancillary Agreements relating to the Delayed Business (including, without limitation, the Local Transfer Documents) duly executed by the relevant member(s) of the Purchaser's Group.
- 2.3 For the purposes of compliance with paragraphs 2.1 and 2.2 of this Schedule, the Seller and the Purchaser shall, between the date of this Agreement and the Delayed Closing Date, negotiate in good faith any and all Ancillary Agreements relating to the Delayed Business (including, without limitation, the Local Transfer Documents) such that they are consistent with equivalent Ancillary Agreements executed at Closing, and shall take all such other steps as are required to transfer the Delayed Businesses in accordance with this Agreement and the Ancillary Agreements.

Tax Indemnity

- 2.4 References in paragraphs 2.1 to 2.3 above to Ancillary Agreements shall not include the Tax Indemnity, the execution and delivery of which shall be dealt with under Schedule 15.
- 2.5 This Schedule is without prejudice to the rights and obligations of the parties and their respective Groups under the Tax Indemnity.
- 2.6 The Purchaser shall use reasonable endeavours to procure that any Controlled Business Instructions are consistent with the rights and obligations of the parties and their respective Groups under the Tax Indemnity.
- 2.7 Nothing done or procured (or omitted to be done or procured) by or on behalf of the Seller in accordance with the Seller's rights under the Tax Indemnity shall constitute a breach by the Seller of its obligations under paragraphs 3.4 and 3.10 of this Schedule.

3 Management and Control of Delayed Businesses

Management and control

- 3.1 To the maximum extent permissible by Applicable Law, and the terms of any Product Approvals and Product Applications, the parties intend that, pursuant to this Schedule, all management and control rights and powers that the Seller (or any member of the Seller's Group) has in relation to a Controlled Delayed Business shall transfer to the Purchaser with effect from Closing and, accordingly, that the Purchaser shall consolidate the Controlled Delayed Businesses into its accounts with effect therefrom in accordance with its accounting policies as applied from the Closing Date.
- 3.2 As soon as reasonably practicable after Closing, the Purchaser shall notify the Seller of the names of its personnel permitted to provide Controlled Business Instructions ("**Instructing Personnel**") and the Seller shall be entitled to rely on and act in accordance with Controlled Business Instructions from Instructing Personnel without further verification. Instructions provided by or on behalf of the Purchaser shall not be required to be in writing if they are provided by the Instructing Personnel. The Purchaser shall be free to change its Instructing Personnel from time to time by providing 10 Business Days' written notice to the Seller's Delayed Business Representative.
- 3.3 In order to cooperate in managing the implementation of the provisions set out in this Schedule, the Seller and the Purchaser shall notify each other of the identity of a senior member of management (the "**Delayed Business Representative**") who shall be the primary point of contact in the event that there is any issue in connection with the operation of the provisions in this Schedule. The parties shall notify each other in writing of the contact details for their respective Delayed Business Representatives from time to time.

- 3.4 From Closing until the relevant Delayed Closing Date, in respect of any Controlled Delayed Business, the Seller shall:
- 3.4.1 subject to paragraph 3.11 and to the maximum extent permitted by Applicable Law, and the terms of any relevant Product Approvals and Product Applications, act in accordance with any instructions provided to it by any of the Instructing Personnel in relation to any aspect of the management and operation of that Controlled Delayed Business or any part of it, whether in relation to sales, marketing, distribution, manufacturing, research and development or any other activities of that Controlled Delayed Business, the making (or otherwise) of expenditure, investments, employee matters (including the hiring or dismissal of any Delayed Employee), determining operating or financial policies of that Controlled Delayed Business, or otherwise, including developing that Controlled Delayed Business into new areas and undertaking activities not previously undertaken in relation to that Controlled Delayed Business, and in each case with the effect that the Purchaser shall have, to the maximum extent permissible by Applicable Law, and the terms of any relevant Product Approvals and Product Applications, the same powers in relation to the relevant Controlled Delayed Business as it would have following the Delayed Closing Date of that Controlled Delayed Business (a “**Controlled Business Instruction**”);
 - 3.4.2 comply with the provisions of Schedule 8 in relation to Product Approvals and Product Applications relating to the Controlled Delayed Business;
 - 3.4.3 except to the extent otherwise instructed by the Purchaser’s Instructing Personnel in accordance with this paragraph 3.4 or as required by Schedule 8, ensure that the Controlled Delayed Business is carried on in the ordinary course of business consistent with past practice in relation to that Controlled Delayed Business; and
 - 3.4.4 ensure (but in respect of the Tianyuan JV, only to the maximum extent that it is able through the exercise of such interests, rights and powers that the Seller has in the Tianyuan JV), that any Delayed Vaccines Group Company shall, between the Closing Date and the relevant Delayed Closing Date for that Delayed Vaccines Group Company:
 - (i) make any distribution, dividend or any return of value to any member of the Seller’s Group (whether in cash or in kind) or any return of capital (whether by reduction of capital or redemption or purchase of shares) other than dividends in the ordinary course of the business consistent with past practice; or
 - (ii) take any action which results in a reduction in its dividend capacity (other than the incurrence of trading losses in the ordinary course of business); or
 - (iii) make or incur any Liability to make any payment to, or enter into any transaction with, any member of the Seller’s Group other than with the consent of the Purchaser or in accordance with the provisions of this Agreement or any of the Ancillary Agreements; or
 - (iv) make or incur any Liability to make any payment to, or enter into any transaction other than (in any case) on arm’s length terms in the ordinary course of business or otherwise in accordance with the provisions of this Agreement or any of the Ancillary Agreements;

- (v) permit any waiver, deferral or release by any Delayed Vaccines Group Company of any amount or obligation owed or due to such Delayed Vaccines Group Company; or
- (vi) permit any guarantee, indemnity or security to be provided by any Delayed Vaccines Group Company in respect of the obligations or liabilities of the Seller or any of its Affiliates,

and provided that the Seller shall not be required, pursuant to any Controlled Business Instruction, to take any action (or omit to take any action) in relation to any of its business (or the business of the Seller's Group) that is not a Controlled Delayed Business.

- 3.5 The Seller shall indemnify on demand and hold harmless the Purchaser against and in respect of any and all Liabilities of the Purchaser's Group and any Delayed Vaccines Group Company arising directly or indirectly as a result of any breach of paragraph 3.4.4 above and, for the avoidance of doubt, any such liability shall not constitute an Assumed Liability for the purposes of this Agreement.
- 3.6 The provisions of Clause 5 and Schedule 20 shall not apply in respect of any Controlled Delayed Business following Closing and the provisions of Clause 13.1 shall not apply in respect of any Delayed Business following Closing.
- 3.7 The Purchaser shall (or shall procure that its Affiliates shall) supply such assistance and access (including the supply of products, the supply of services and access to Transferred Books and Records and Commercial Information, but excluding any access to Intellectual Property Rights except as referred to in paragraph 3.8 below) as shall be reasonably necessary to allow the Seller to operate each Controlled Delayed Business in accordance with this Schedule.
- 3.8 The Purchaser shall (or shall procure that its Affiliates shall) grant the Seller from Closing a non-exclusive, fully paid up, royalty free and sub-licensable licence or sub-licence (as applicable) to use, notwithstanding any other provision of this Agreement or any of the Ancillary Agreements, the Vaccines Group Intellectual Property Rights and Intellectual Property Rights licensed to the Purchaser (and its Affiliates) under any Ancillary Agreement (except the Purchaser Intellectual Property Licence Agreement) for the sole purpose of operating each Delayed Business in accordance with the provisions of this Schedule 25. This licence shall continue on a country by country basis, in relation to each Delayed Business, until the date on which that Delayed Business has been transferred by the Seller to the Purchaser in accordance with this Schedule.
- 3.9 Delayed Employees who are engaged in a Controlled Delayed Business shall report to the management of the Purchaser and shall be treated for such management and reporting purposes in the same way as any employee of the Purchaser's Group. Controlled Business Instructions may, accordingly, be given by the Instructing Personnel directly to any Delayed Employee engaged in a Controlled Delayed Business.
- 3.10 To the extent that the implementation of any Controlled Business Instruction requires an action or actions of a person employed by the Seller but who is not a Delayed Employee (whether because Applicable Law prevents such Controlled Business Instruction from being given directly to a Delayed Employee or for any other reason) (a "**Seller Involvement Instruction**"), the Seller shall also provide the Controlled Business Instruction, in writing (which may include email), to the Seller's Delayed Business Representative specifying (i) that it is a Seller Involvement Instruction; (ii) the actions that are required to be taken by such person; and (iii) a reasonable time within which such actions are required to be taken.

- 3.11** The Seller and the Purchaser acknowledge that the Delayed Employees shall continue to be bound by, and shall comply with, the employment policies and procedures (including terms and conditions and disciplinary procedures) of the Seller's Group that apply to employees of the Seller's Group.
- 3.12** Subject to paragraph 3.11, the Seller and the Purchaser acknowledge that Delayed Employees shall continue to be bound by and shall comply with the policies of the Seller's Group provided that:
- 3.12.1** from the date on which the relevant Delayed Employees are given reasonable notice of the relevant restrictions and anti-bribery and corruption policies, Delayed Employees engaged the Delayed Business in China shall be bound by and shall comply with any additional restrictions imposed on commercial practices and anti-bribery and corruption policies that the Purchaser's Group implements and which apply to employees of the Purchaser's Group in China including (but not limited to) its policy related to payments to health care providers and such other policies as may be required by Applicable Law from time to time;
- 3.12.2** [***]
- 3.12.3** the Seller shall provide the Purchaser with copies of its operational and other policies that apply in relation to Controlled Delayed Businesses. In respect of such policies, the Purchaser may give notice to the Seller that it wishes a particular policy of the Purchaser's Group to apply in respect of a Controlled Delayed Business and/or the relevant Delayed Employees in place of the equivalent Seller's policy. The Purchaser's equivalent policy shall apply to the relevant Delayed Employees from the date on which such Delayed Employees are given reasonable notice of the relevant policy. If the Seller's and the Purchaser's policies apply at the same time, if and to the extent that there is any inconsistency or conflict between the two policies, the policy which requires behaviour that is likely to expose the parties to the smallest amount of legal, regulatory and/or compliance risk shall prevail.
- 3.13** The Purchaser hereby undertakes to the Seller (for itself and on behalf of each other member of the Seller's Group (excluding, for the avoidance of doubt, the Delayed Vaccines Group Companies) and their respective directors, officers, employees and agents (excluding any Delayed Employees) (the "**Delayed Indemnity Parties**") that, with effect from the Effective Time, the Purchaser will indemnify on demand and hold harmless each of the Delayed Indemnity Parties against and in respect of any and all Liabilities, other than Liabilities in respect of Tax that are taken into account in calculating any Profit Payment resulting directly or indirectly from any Controlled Delayed Business and/or from any Controlled Business Instruction to the extent that (i) such Liabilities are not Assumed Liabilities and (ii) the Controlled Delayed Indemnity Parties concerned would not have incurred such Liabilities if the Controlled Delayed Business in question had been transferred to the relevant member of the Purchaser's Group at Closing ("**Incremental Delay Liabilities**"), but in any case excluding any such Liabilities to the extent they arise from a breach by the Seller under paragraph 3.16.

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

3.14 If the Seller is of the opinion that any Controlled Business Instruction may result in any Liability that would fall to be indemnified pursuant to paragraph 3.13 above, the Seller shall use its reasonable endeavours to inform (and procure that the members of the Seller's Group shall inform) the Purchaser of that opinion and the reasons for it as soon as reasonably practicable after reaching that opinion. The indemnity set out in paragraph 3.13 above shall not be affected or limited in any way by any failure of any member of the Seller's Group to so inform the Purchaser.

3.15 The Purchaser shall not be entitled to make any claim for damages against the Seller in respect of a breach of paragraph 3.4 otherwise than pursuant to a claim brought under paragraph 3.16.

3.16 Each Seller shall procure that:

3.16.1 in respect of Controlled Business Instructions that are not Seller Involvement Instructions, neither it nor any of its Associated Persons shall act (or fail to act) fraudulently or with Gross Negligence in connection with the implementation of any Controlled Business Instruction. "**Gross Negligence**" for these purposes means any act or failure to act by the Seller (or any of its Associated Persons that: (i) the Seller (or the relevant Associated Person) knew may create a risk of material harm to the relevant Delayed Business; (ii) was intended to cause such harm, or was done in reckless disregard of, or in wanton indifference to, such risk of harm; and (iii) in all the circumstances (having regard to both the probability and seriousness of such harm) was an unreasonable risk for the Seller (or the relevant Associated Person) to take; and

3.16.2 in respect of Seller Involvement Instructions, neither it nor any of its Associated Persons shall act (or fail to act) fraudulently or negligently or in wilful default in connection with the implementation of the Seller Involvement Instruction and shall take no steps which are intended to have the effect of preventing this implementation of a Seller Involvement Instruction,

provided that it shall not be a breach of this paragraph 3.16 (and shall accordingly not be acting with Gross Negligence or wilful default for the purposes of this paragraph) to carry out any act, or fail to act, if to do so is:

3.16.3 required to implement a Controlled Business Instruction;

3.16.4 required to comply with any Applicable Law;

3.16.5 required to implement or comply with the terms of this Agreement or any Ancillary Agreement; or

3.16.6 taken to mitigate any other loss or damage to the Controlled Delayed Business which the Seller (or the relevant Associated Person) believes, acting reasonably and in good faith, could be material in the context of that Controlled Delayed Business.

In any event, no claim shall be made by the Purchaser (and the Purchaser shall ensure that no member of the Purchaser's Group shall make any claim) for any breach of any other provisions of this Agreement (or the provisions of any Ancillary Agreement) by the Seller (or any member of the Seller's Group) that occurs in order to comply with any Controlled Business Instruction.

3.17 Prior to the making of any claim under this Schedule 25 in respect of any matter, the parties shall use reasonable endeavours to escalate such matter first for consideration to the Delayed

Business Representatives and then to the Purchaser's and the Seller's chief financial officers, for the purpose of seeking to resolve such matter within a period of 30 days following such escalation.

3.18 Subject in each case to Applicable Law, the Seller shall, in the period between Closing and the relevant Delayed Closing Date, promptly upon request by the Purchaser provide (or procure that any member of its Group shall provide) the Purchaser and its representatives with access to:

3.18.1 any books and records of the Seller's Group to the extent relating to any Controlled Delayed Business of the Seller; and

3.18.2 any personnel of the Seller for the purposes of any requests for information from such personnel in relation to the Controlled Delayed Business.

For the avoidance of doubt, the parties shall take all steps necessary to ensure that no information is provided to the Purchaser or any person on behalf of the Purchaser which relates to any business of the Seller or any member of the Seller's Group other than the Controlled Delayed Business.

3.19 For the purposes of the Warranties deemed repeated by the Seller immediately before Closing pursuant to Clause 10.1.5, ownership of the Delayed Businesses shall be deemed to have transferred to the Purchaser at Closing.

3.20 During the period between the Closing Date and the Delayed Closing Date, funding for Delayed Businesses shall continue to be provided by the Seller's Group, save that in the event that any Delayed Business requires funds (for the purposes of working capital, acquisitions, capital expenditure or otherwise) during such period, in excess of US\$10 million and the Delayed Business does not have the required funding in place (including through any cash pooling arrangements), then such funds shall promptly be provided by the Purchaser, on such terms as the Seller and the Purchaser shall agree, acting reasonably, having regard to, amongst other things, the Tax effects of such funding.

Non-Controlled Delayed Businesses

3.21 From Closing until the relevant Delayed Closing Date:

3.21.1 the provisions of paragraph 3 of this Schedule shall not apply in respect of the Non-Controlled Delayed Businesses, with the exception of paragraphs 3.4.4, 3.5, 3.11, 3.18, 3.19 and 3.20 which shall apply if and to the extent permitted by Applicable Law;

3.21.2 subject to paragraph 3.22, the provisions of paragraph 4 of this Schedule shall not apply in respect of the Non-Controlled Delayed Businesses; and

3.21.3 if and to the extent permitted by Applicable Law, the provisions of Clause 5 and Schedule 20 will continue to apply to the Non-Controlled Delayed Businesses and each Seller shall exercise such interests, rights and powers that such Seller has in respect of that Non-Controlled Delayed Business to the maximum extent that it is able in order to procure that the Non-Controlled Business is operated in accordance with Clause 5 and Schedule 20.

3.22 With effect from the relevant Delayed Closing Date, the provisions of paragraph 4 of this Schedule shall apply in respect of the Non-Controlled Delayed Businesses, save that the first Half Yearly Accounting Period shall be extended so that it commences at the Effective Time and ends on the relevant Delayed Closing Date.

3.23 From Closing until 31 March 2015, the Seller shall provide the Purchaser with such assistance and information to which it does not otherwise have access as it reasonably requests in order for it to be able to calculate the necessary receivables to be recorded in respect of any payments that may be made under paragraph 3.23, including, such monthly profit and loss forecast information as already exists and is reasonably available to the Seller or its Affiliates in relation to the Non-Controlled Delayed Businesses for the period up to the estimated relevant Delayed Closing Date.

4 Economic Benefit Transfer

Economic benefit

- 4.1** The Seller shall comply with the provisions of this Part 4, in relation to any Delayed Business (other than in relation to a Delayed Vaccines Group Company in respect of which only paragraph 4.2 of this Schedule will apply), for each Half-Yearly Accounting Period in which such Delayed Business remains legally owned by it or any member of the Seller's Group. The first Half-Yearly Accounting Period for which the provisions of this Part 4 shall be extended so that it commences at the Effective Time and shall end on 31 December 2015.
- 4.2** Within 45 days of the relevant Delayed Closing Date for any Delayed Vaccines Group Company, the Seller shall provide the Purchaser with a cash flow statement (including opening and closing balances for cash and cash equivalents, and payables and receivables that would have fallen within the definitions of Intra-Group Non-Trade Receivables and Intra-Group Non-Trade Payables) for such Delayed Vaccines Group Company for the period commencing at the Effective Time and ending on the Delayed Closing Date prepared using the Accounting Standards.
- 4.3** Within one month following the end of each Half-Yearly Accounting Period, the Seller shall produce and provide to the internal audit team of the Purchaser (or, at the Purchaser's discretion, the external auditors) (the "**Audit Team**") a draft statement setting out, for each Delayed Business that had not transferred to the Purchaser by the start of that Half-Yearly Accounting Period, the Economic Benefit Amount in respect of such Delayed Business for such Half-Yearly Accounting Period (or, if applicable, such part of the Half-Yearly Accounting Period as falls prior to the Delayed Closing Date for such Delayed Business). Each such statement shall be a "**Draft Economic Benefit Statement**".
- 4.4** It is intended that the Economic Benefit Amount shown in each Economic Benefit Statement is the amount that is necessary to be paid to the Purchaser by the Seller or by the Seller to the Purchaser, in order to put the Purchaser's Group and the Seller's Group in the same economic position as they would have been in, taking into account any arrangements that would have been in place in respect of the relevant Delayed Businesses pursuant to any Ancillary Agreement, had such Delayed Businesses been transferred to the Purchaser at Closing before taking account, in each case, of any Tax effect for the Purchaser or the Seller in respect of such payment (the "**Economic Benefit Objective**").
- 4.5** In the period prior to 31 December 2015, the Seller and the Purchaser shall meet together to consider in good faith whether there are any adjustments required to the provisions of Part 5 of this Schedule in order for the Economic Benefit Statements to achieve the Economic Benefit Objective and (acting reasonably and in good faith) seek to agree such adjustments.
- 4.6** The portion of the Economic Benefit Amount set out in the Draft Economic Benefit Statement in relation to each Delayed Business shall be calculated in the local currency for that Delayed Business but any Economic Benefit Payment shall be paid pursuant to paragraph 4.15 or 4.16 of this Schedule in pounds sterling, for which purpose each amount in a currency other than

pounds sterling shall be converted into pounds sterling at the spot reference rate for those currencies as quoted by the European Central Bank (or if there is no such rate, as quoted by the nearest equivalent institution) on the Business Day immediately prior to the relevant payment date and the sum of such converted sterling amounts shall be the Economic Benefit Payment amount. The calculation of the Economic Benefit Amount set out in an Economic Benefit Statement shall only be converted into pounds sterling in accordance with this paragraph 4.6 and aggregated after the Economic Benefit Statement has been agreed or determined in accordance with this Part 4.

- 4.7** The Seller shall, and shall procure that the members of the Seller's Group (and, if applicable, its external accountants) shall, provide to the Audit Team, without charge, such access to their personnel, books and records, calculations and working papers as the Audit Team may reasonably request in connection with its review of the Draft Economic Benefit Statement (and the parties acknowledge that local market information that is not contained on central consolidation systems will only be requested where material in the context of the Draft Economic Benefit Statement as a whole), subject (where applicable) to the Purchaser providing such undertakings as the relevant external accountants may reasonably request, and provided that the Seller hereby undertakes to the Purchaser that it shall procure that each member of its Audit Team shall (i) keep any such information which is commercially sensitive (the "**Protected Information**") confidential and shall only disclose such information to, and discuss such information with, other members of that Audit Team; (ii) be expressly prohibited from communicating (in any form) any Protected Information to any other employee, agent, adviser or consultant of any member of the Purchaser's Group; and (iii) be subject to the above requirements whilst employed or engaged by any member of the Purchaser's Group in any capacity (whether or not as a member of that Audit Team). The provisions of Clause 14 (Confidentiality) of this Agreement shall apply mutatis mutandis to such information including, for the avoidance of doubt, to allow (where permitted by that clause) disclosure of information otherwise prohibited to be communicated to any agent, adviser or consultant of any party's Group.
- 4.8** No amendments shall be made to any Draft Economic Benefit Statement except in accordance with the provisions of paragraph 4.9 below.
- 4.9** The Audit Team may dispute a Draft Economic Benefit Statement by notice in writing (in this Schedule, a "**Dispute Notice**") delivered to the Seller by or on behalf of that Audit Team in accordance with Clause 17.11 (Notices) of this Agreement within 3 weeks following receipt of the Draft Economic Benefit Statement. Any Dispute Notice shall specify (i) which items of the Draft Economic Benefit Statement are disputed; (ii) the reasons therefor, making specific reference (where relevant and reasonably possible) to the parts of this Schedule which the Audit Team asserts have not been complied with in preparing the relevant statement; and (iii) to the extent practicable, any adjustments that the Audit Team considers should be made to the Draft Economic Benefit Statement, and provided that a Dispute Notice may only be submitted if the aggregate impact of all disputed items comprised in that Economic Benefit Amount are greater than £500,000.
- 4.10** Any Dispute Notice shall be accompanied by all relevant supporting documentation and working papers on which the Audit Team wishes to rely, it being acknowledged by the Purchaser that it shall procure that its Audit Team shall provide further documentation to support its claims promptly on reasonable request by the Seller or, where relevant, the Economic Benefit Expert. Only those items or amounts specified in a Dispute Notice shall be treated as being in dispute (the "**Disputed Items**") and no amendment may be made by any party, or any Economic Benefit Expert, to any items or amounts which are not Disputed Items.

- 4.11 If the Audit Team does not serve a Dispute Notice under and within the time period set out in paragraph 4.9 of this Part 4, the Draft Economic Benefit Statement shall constitute the “Economic Benefit Statement” for the Seller in respect of the relevant Half-Yearly Accounting Period to which that Economic Benefit Statement relates.
- 4.12 If the Audit Team does serve a Dispute Notice under and within the time period set out in paragraph 4.9 of this Part 4, the Seller shall use its reasonable endeavours to resolve the Disputed Items as soon as reasonably practicable (with the Purchaser acting through its Audit Team) and either:
- 4.12.1 if the parties reach agreement on the Disputed Items within 10 Business Days of the service of the relevant Dispute Notice (or such longer period as they may agree in writing), the Draft Economic Benefit Statement shall be amended to reflect such agreement and shall then constitute the “**Economic Benefit Statement**” in respect of the relevant Half-Yearly Accounting Period to which that Economic Benefit Statement relates; or
- 4.12.2 if the parties do not reach agreement in accordance with paragraph 4.12.1 above, either party may refer the dispute to such individual at an independent firm of chartered accountants of international repute as the parties may agree or, failing such agreement (including such firm and/or individual not accepting such appointment), within 2 Business Days of expiry of the period described in paragraph 4.12.1 above, to such independent firm of chartered accountants of international repute in London as the President of the Institute of Chartered Accountants in England and Wales may, on the application of either party, nominate (the “**Economic Benefit Expert**”), on the basis that the Economic Benefit Expert is to make a decision on the dispute and notify the parties of its decision within 3 weeks of receiving the reference or such longer reasonable period as the Economic Benefit Expert may determine.
- 4.13 The Purchaser shall bear the costs in relation to the preparation and certification of any Draft Economic Benefit Statement and in relation to the review of (and any dispute in relation to) any Draft Economic Benefit Statement.
- 4.14 In any reference to the Economic Benefit Expert in accordance with paragraph 4.12 above:
- 4.14.1 the Economic Benefit Expert shall act as expert and not as arbitrator and shall be directed to determine any dispute in accordance with the Accounting Standards and Part 5 of this Schedule and (if necessary) having regard to the Economic Benefit Objective;
- 4.14.2 the decision of the Economic Benefit Expert shall, in the absence of fraud or manifest error, be final and binding on the parties and the Draft Economic Benefit Statement shall be amended as necessary to reflect the decision of the Economic Benefit Expert and, as amended, shall be the “**Economic Benefit Statement**” in respect of the relevant Half-Yearly Accounting Period to which that Economic Benefit Statement relates;
- 4.14.3 the costs of the Economic Benefit Expert shall be paid by the Purchaser; and
- 4.14.4 the parties shall respectively provide or procure the provision of the Economic Benefit Expert of all such information as the Economic Benefit Expert shall reasonably require including access to their respective advisers and their respective books, records and personnel.

- 4.15** As soon as reasonably practicable and in any event within 5 Business Days following the agreement or determination of the Economic Benefit Statement in respect of any Half-Yearly Accounting Period:
- 4.15.1** the Seller shall, if the Economic Benefit Amount set out in the Economic Benefit Statement is a positive number, pay the Purchaser, or procure the payment to the Purchaser of, an amount in cleared funds equal to that Economic Benefit Amount, such payment being an “**Economic Benefit Payment**”. Clause 3.5 of this Agreement shall apply to any Economic Benefit Payment as if such payment were made pursuant to an indemnity under this Agreement; and
- 4.15.2** the Purchaser shall, if the Economic Benefit Amount set out in the Economic Benefit Statement is a negative number, pay to the Seller, or procure the payment to the Seller of, an amount in cleared funds equal to that Economic Benefit Amount expressed as a positive number, such payment being a “**Reverse Payment**”.
- 4.16** If:
- 4.16.1** the amount of an Economic Benefit Payment is, on an after-Tax basis (as defined in Clause 1.9 of this Agreement), less than the relevant Economic Benefit Amount, the amount due shall be increased so that the amount of the payment on an after-Tax basis is equal to the relevant Economic Benefit Amount; or
- 4.16.2** the amount of a Reverse Payment is, on an after-Tax basis (as defined in Clause 1.9 of this Agreement), less than the absolute value of the relevant Economic Benefit Amount, the amount due shall be increased so that the amount of the payment on an after-Tax basis is equal to such absolute value.
- 4.17** If the Purchaser reasonably believes that an Economic Benefit Payment made or procured by the Seller to the Purchaser in accordance with paragraph 4.15.1 will be subject to Tax in the hands of the Purchaser or any member of the Purchaser’s Group:
- 4.17.1** the Purchaser shall as soon as reasonably practicable give the Seller written notice of such belief; and
- 4.17.2** following the giving of such notice, the Seller and the Purchaser shall, and shall procure that the members of their respective Groups will (at the Seller’s cost) co-operate with each other in good faith and use all commercially reasonable efforts to reduce or mitigate the amount of any additional payment required to be made pursuant to paragraph 4.16 without prejudicing the interests of the Purchaser.
- 4.18** If the Seller reasonably believes that a Reverse Payment made or procured by the Purchaser to the Seller in accordance with paragraph 4.15.2 will be subject to Tax in the hands of the Seller or any member of the Seller’s Group:
- 4.18.1** the Seller shall as soon as reasonably practicable give the Purchaser written notice of such belief; and
- 4.18.2** following the giving of such notice, the Seller and the Purchaser shall, and shall procure that the members of their respective Groups will (at the Purchaser’s cost) co-operate with each other in good faith and use all commercially reasonable efforts to reduce or mitigate the amount of any additional payment required to be made pursuant to paragraph 4.16 without prejudicing the interests of the Seller.

5 Preparation of Economic Benefit Statements

5.1 For the purposes of this paragraph 5:

- “Bad Debt”** has the meaning given in paragraph 5.2.9;
- “Customer”** means any person or entity that acquires and/or intends to acquire any of the Products or services provided by the Delayed Business (including any members of the Seller’s Group or the Purchaser’s Group);
- “Employee Costs”** means the FTE costs incurred by the Seller’s Group in connection with the employment of the Delayed Employees of the relevant Delayed Business by the Seller’s Group, as provided in paragraph 12.3 of Schedule 11;
- “Landed Cost”** means, in respect of each Product, any costs incurred by the relevant Local Seller Entity in relation to that Product in respect of freight, insurance, duty, import and transportation costs;
- “Local Seller Entity”** means, in respect of a Delayed Business, the member of the Seller’s Group that owns and operates such Delayed Business;
- “Net Sales”** means net sales received from the sale and distribution of Products or the provision of services, in each case, by the relevant Local Seller Entity to any Customer plus any other revenue received in respect of the Delayed Business, but excluding (for the avoidance of doubt) any amounts received by the Seller, any other member of Seller’s Group or any sub-contractor in respect of Sales Tax for which any member of the Seller’s Group is liable to account to any Tax Authority. For these purposes, net sales shall be determined in accordance with Accounting Standards. The deductions booked by the Seller to calculate the recorded net sales from gross sales shall include the following:
- (a) normal trade, quantity and cash discounts;
 - (b) Sales Taxes and other taxes levied from Customers in relation to the sale of Products to the extent included in the gross amount invoiced;
 - (c) amounts repaid or credited by reasons of defects, rejections, recalls or returns, excluding amounts in respect of Sales Tax included in the amounts so repaid or credited, unless the Seller or a member of the Seller’s Group is unable (having used reasonable diligent commercial endeavours) to recover such amounts in respect of Sales Tax by way of repayment or credit;
 - (d) rebates and chargebacks to Customers and Third Parties (including, without limitation, Medicare, Medicaid, Managed Healthcare and similar types of rebates), excluding amounts in respect of Sales Tax included in such rebates and chargebacks, unless the Seller or a member of the Seller’s Group is unable (having used reasonable diligent commercial endeavours) to recover such amounts in respect of Sales Tax by way of repayment or credit);

- (e) any amounts recorded in gross sales associated with goods provided to customers for free, with the exception of samples;
- (f) amounts provided or credited to customers through coupons, other discount programs and co-pay assistance programs;
- (g) delayed ship order credits, discounts or payments related to the impact of price increases between purchase and shipping dates; and
- (h) fees for service payments to customers for any non-separate services (including compensation for maintaining agreed inventory levels and providing information) and any associated Sales Tax to the extent the Seller (or a member of the Seller's Group) is unable (having used reasonable diligent commercial endeavours) to recover such amounts in respect of Sales Tax by way of repayment or credit,

and with respect to the calculation of Net Sales:

- (i) Net Sales shall only include the value charged or invoiced on the first sale to a Customer;
- (j) if a Product is delivered to the Customer before being invoiced (or is not invoiced), Net Sales will be calculated at the time all the revenue recognition criteria under Accounting Standards are met; and
- (k) revenue deduction adjustments which relate to any event prior to Closing shall be excluded;

“Product” means any of the products Commercialised by the relevant Delayed Business, and **“Products”** shall be construed accordingly;

“Sales Tax” means any turnover, value-added, sales, use, goods and services or similar Tax (excluding, for the avoidance of doubt, any capital gains or similar Tax);

“Third Party” means any person other than (i) the Purchaser and members of the Purchaser's Group and (ii) the Seller and members of the Seller's Group;

“Third Party Distributor” means a Third Party distributor of the Seller's Group;

“Transfer Price” means:

- (a) in respect of each Product supplied to the Local Seller Entity by a member of the Purchaser's Group for distribution, any amount to be paid by the Seller (or its Affiliate) for the Product, as agreed between the Seller (or its Affiliate) and the Purchaser in writing from time to time;
- (b) in respect of each Product provided to the Local Seller Entity by a Local Purchaser Entity for distribution, any amount paid by the Local Seller Entity for the Product, as agreed between the Seller (or its Affiliate) and the Purchaser in writing from time to time; and
- (c) in respect of each Product provided to the Local Seller Entity by a Third Party supplier for distribution, any amount paid by the Local Seller Entity for the Product to such Third Party; and

“**Working Hours**” means 9 a.m. to 5 p.m. on a Business Day at the relevant working location.

5.2 The “**Economic Benefit Amount**” of a Delayed Business in respect of a given period shall be calculated as:

- 5.2.1 the Net Sales of the relevant Delayed Business in that period;
- 5.2.2 minus the Transfer Price (exclusive of Sales Taxes) paid in respect of the Products covered by those Net Sales;
- 5.2.3 minus the Landed Cost (exclusive of Sales Taxes) of the Products covered by those Net Sales;
- 5.2.4 minus the Employee Costs (exclusive of Sales Taxes);
- 5.2.5 minus any other costs (exclusive of Sales Taxes) incurred by the relevant Local Seller Entity in relation to the relevant Delayed Business other than the Employee Costs, Landed Costs and any costs of acquiring Products for sale (including, but not limited to, the Transfer Price);
- 5.2.6 minus, where the relevant Local Seller Entity carried out any action that would, after Delayed Closing, be provided to the Delayed Business under a Transitional Services Agreement, the amount payable for such services (exclusive of Sales Taxes) at the rates that will apply under such Transitional Services Agreement;
- 5.2.7 plus any foreign exchange gains and minus any foreign exchange losses arising in relation to the accounts receivable and accounts payable of the Delayed Business;
- 5.2.8 minus a sales and distribution charge of 2 per cent (2%) of Net Sales in the period (excluding any Sales Tax thereon);
- 5.2.9 minus any undisputed sum (exclusive of Sales Taxes) payable by any Third Party to the relevant Local Seller Entity in relation to any Products sold on or after the Closing Date which has not been paid by the earlier of sixty (60) days of the due date for such payment and the Delayed Closing Date for the relevant Delayed Business (“**Bad Debt**”); and
- 5.2.10 plus any Bad Debt (exclusive of Sales Taxes) deducted pursuant to paragraph 5.2.9 in any prior period to the extent that such Bad Debt is recovered in the relevant period;
- 5.2.11 minus the amount of:
 - (i) any expense of the relevant Local Seller Entity or a member of the relevant Local Seller Entity’s Sales Tax group in connection with or as a result of the Delayed Business which consists of an amount in respect of Sales Tax in respect of the period for which neither the relevant Local Seller Entity nor a member of the relevant Local Seller Entity’s Sales Tax group is entitled to credit or repayment; and
 - (ii) any Sales Tax in respect of the period for which the relevant Local Seller Entity or the relevant Local Seller Entity’s Sales Tax group is liable to account to any Tax Authority in connection with or as a result of the Delayed Business;

save, in each case, to the extent otherwise deducted or excluded in the calculation of the Economic Benefit Amount;

5.2.12 minus an amount equal to the product of (i) the amount resulting from the calculation at paragraphs 5.2.1 to 5.2.11 above, and (ii) the statutory local Tax rate applicable in respect of profits of the relevant Delayed Business, expressed as a percentage (the “**Headline Tax Rate**”), as at the last day of the relevant period,

provided that, if and to the extent that any costs incurred by a Local Seller Entity are subject to reimbursement under any indemnity or equivalent covenant to pay in this Agreement or in an Ancillary Agreement are included in any Economic Benefit Statement, such costs shall not also be recoverable under such indemnity or covenant to pay.

5.3 The Economic Benefit Statement for a Delayed Vaccines Group Business will detail the following:

5.3.1 Net Sales (which will be reported in accordance with the Seller’s Group’s group reporting system) for the relevant Half-Year by brand, which shall show:

- (i) gross sales;
- (ii) returns and allowances;
- (iii) on-invoice discounts;
- (iv) off-invoice discounts;
- (v) any other deduction; and
- (vi) Net Sales; and

5.3.2 each line item forming part of the calculation of the Economic Benefit Amount in accordance with paragraph 5.2 above (and including, in respect of costs, the itemisation of those costs as between categories of costs),

and the Seller will provide the Draft Economic Benefit Statement together with such supporting information as is reasonably required to enable the Purchaser to review the Economic Benefit Statement, and prior to 31 December 2015, the Seller and the Purchaser shall meet together to agree the scope of such supporting information.

Appendix 1
Delayed Vaccines Group Companies

| <u>Jurisdiction</u> | <u>Delayed Vaccines Group Company</u> | <u>Delay Milestone</u> |
|---------------------|---|---|
| China | Zhejiang Tianyuan Bio-Pharmaceutical Co., Ltd | The receipt by the parties of all necessary approvals, consents and filings from or with the NDRC and MOFCOM, in each case in respect of the sale and transfer of the Tianyuan Shares and the PRC Transfer Documents. |
| India | Chiron Behring Vaccines Private Limited | The receipt by the parties of all necessary approvals, consents and filings from or with the Indian Foreign Investment Promotion Board (“ FIPB ”) in respect of the sale and transfer of 100 per cent. of the shares in Chiron Behring Vaccines Private Limited and the related Commencement Certificate being issued by the FIPB. |

Appendix 2
Delayed Vaccines Group Businesses

| <u>Jurisdiction</u> | <u>Delayed Vaccines Group Business</u> | <u>Delay Milestone</u> |
|---------------------|--|--|
| Bangladesh | Novartis (Bangladesh) Limited | The passing of a resolution of the shareholders of Novartis (Bangladesh) Limited validly approving the transfer of the Bangladesh Business to the Purchaser and the entry into of the Bangladesh Transfer Documents. |
| India | Novartis Healthcare Private Limited | The receipt by the parties of all necessary approvals, consents and filings from or with the Indian Foreign Investment Promotion Board in respect of the sale and transfer of the India Business and the India Transfer Documents. |
| Thailand | Novartis (Thailand) Limited | The receipt by the relevant members of the Seller’s Group of a Foreign Business Licence in respect of transitional services and/or transitional distribution services to be provided to the Purchaser in Thailand. |

In this Appendix 2:

“**Bangladesh Business**” means the assets and liabilities transferring from Novartis (Bangladesh) Limited to the Purchaser in accordance with this Agreement and the relevant Local Transfer Agreement;

“**Bangladesh Transfer Documents**” means Local Transfer Agreement in respect of the transfer of the Bangladesh Business to the Purchaser;

“**Foreign Business Licence**” means a foreign business certificate or a foreign business licence from the Thailand Ministry of Commerce to provide transitional services and/or transitional distribution services in Thailand;

“**India Business**” means the assets and liabilities transferring from Novartis Healthcare Private Limited to the Purchaser in accordance with this Agreement and the relevant Local Transfer Agreement; and

“**India Transfer Documents**” means Local Transfer Agreement in respect of the transfer of the India Business to the Purchaser.

**Schedule 26
Local Payments**

Part A: Local payments

| (1) Jurisdiction | (2) Designated Purchaser | (3) Share Seller or Business Seller | (4) Local Payment Amount |
|---------------------|-----------------------------|---|--------------------------------|
| *** | *** | *** | *** |
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*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Part B: Local payments post-Closing

| (1) Delayed Jurisdiction | (2) Designated Purchaser(s) | (3) Share Seller(s) or Business Seller | (4) Local Payment Amount |
|--------------------------------|--------------------------------|--|--------------------------------|
| *** | *** | *** | *** |
| *** | *** | *** | *** |
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*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 27
Vaccines Group Information Technology

Part 1:
Transferred Information Technology

Shanghai Novartis Trading Ltd

| <u>No.</u> | <u>Asset</u> | <u>SNo</u> | <u>Asset description</u> |
|------------|--------------|-------------------|------------------------------------|
| 1. | Z130-67 | CISCO SWITCH 3560 | Cisco Switch 3560 |
| 2. | Z130-69 | PRINTER HP 2015DN | HP printer HP P2015D |
| 3. | Z130-220 | | Switch for JN office-济南采购交换机及机柜 |
| 4. | Z130-222 | | Switch for GZoffice-广州采购交换机及机柜 |
| 5. | Z130-223 | | Switch for CD office-成都采购交换机及机柜 |
| 6. | Z161-112 | EMP-1710 | HP1213NF for Yeyan-代叶艳购惠普一体机 |
| 7. | Z161-118 | CANON L140 FAX | Canon L140 Fax-上海办购佳能L140传真机 |
| 8. | Z161-346 | | Printer for E2 --Hangzhou 东2区打印一体机 |
| 9. | Z130-399 | | 杭州办Engine网络设备 |
| 10. | Z130-482 | V1HM679 | Monitor V1HM679 |
| 11. | Z130-483 | V1HM677 | Monitor V1HM677 |

Novartis Korea Ltd

| <u>No.</u> | <u>Asset</u> | <u>SNo</u> | <u>Asset description</u> |
|------------|--------------|------------|---|
| 1. | 13102612 | 0 | HP Laserjet Enterprise 500 Color M551dn Printer |
| 2. | 16100530 | 0 | Roto-Shake Genie Shaker, 230V-Vaccines BU |
| 3. | 16100531 | 0 | Particles Size Analyzer machine (Vaccines BU) |
| 4. | 16100544 | 0 | Details |

Part 2 :
Owned Information Technology

Zhe Jiang Tianyuan Bio-Pharmaceuticals Co., Ltd

| <u>No.</u> | <u>Asset</u> | <u>SNo</u> | <u>Asset description</u> |
|------------|--------------|-------------------------|--------------------------|
| 1. | 1401020066 | 扬天T2908V | Lenovo Desktop |
| 2. | 1401020087 | E5200/1G/DVD | Desktop |
| 3. | 1401020089 | | Computer |
| 4. | 1401020090 | | Computer |
| 5. | 1401020094 | | Computer |
| 6. | 1401020095 | HP 1215 | Color Laser Printer |
| 7. | 1401020100 | | Computer |
| 8. | 1401020106 | | Computer |
| 9. | 1401020109 | E8400 | Computer |
| 10. | 1401020110 | | Desktop |
| 11. | 1401020111 | M58P 6137E64+19寸 | Desktop |
| 12. | 1401020112 | M6100T M58P 6137E64+19寸 | Desktop |
| 13. | 1401020113 | T410 2537E85 | Laptop |
| 14. | 1401020115 | M58P 6137E64+19寸 | Desktop |
| 15. | 1401020116 | T410 2537E85 | Laptop |
| 16. | 1401020117 | T420 T4102537E85 | Laptop |

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|-----|------------|---------------------------------|------------------------|
| 17. | 1401020121 | T410 | Computer |
| 18. | 1401020122 | M58P 6137E64 | Desktop |
| 19. | 1401020123 | M58P 6137E64 | Desktop |
| 20. | 1401020124 | M58P 6137E64 | Desktop |
| 21. | 1401020125 | M58P 6137E64 | Desktop |
| 22. | 1401020126 | M58P 6137E64 | Desktop |
| 23. | 1401020127 | M58P 6137E64 | Desktop |
| 24. | 1401020128 | M58P 6137E64 | Desktop |
| 25. | 1401020129 | M58P 6137E64 | Desktop |
| 26. | 1401020130 | 58P 6137E64 | Desktop |
| 27. | 1401020131 | M58P 6137E64 | Desktop |
| 28. | 1401020132 | M58P 6137E64 | Desktop |
| 29. | 1401020133 | M58P 6137E64 | Desktop |
| 30. | 1401020134 | T410 2537E85 | Laptop |
| 31. | 1401020135 | T410 2537E85 | Laptop |
| 32. | 1401020136 | T410 2537E85 | Laptop |
| 33. | 1401020137 | T410 2537E85 | Laptop |
| 34. | 1401020138 | T410 2537E85 | Laptop |
| 35. | 1401020140 | T410 2537E85 | Laptop |
| 36. | 1401020141 | M6100T台式机+三星E1920NW19寸宽屏LCD | Computer |
| 37. | 1401020142 | HP1213 | Printer |
| 38. | 1401020143 | 16906DN | Printer |
| 39. | 1401020144 | 1606D | Printer |
| 40. | 1401020186 | T420 4236GF7 14寸 | Laptop |
| 41. | 1401020187 | T4204236GF7 14寸 | Laptop |
| 42. | 1401020188 | T420 4236GF7 14寸 | Laptop |
| 43. | 1401020189 | 富士 DC3007CPSF | Copy machine |
| 44. | 1401020190 | HP 5035X | Copy machine |
| 45. | 1401020191 | HP 1606DN | Laser printer |
| 46. | 1401020193 | T420 4236GF7 14寸 | Laptop |
| 47. | 1401020194 | T420 4236GF7 14寸 | Laptop |
| 48. | 1401020195 | ASA5510-SEC-BUN-K9 | Firewall |
| 49. | 1401020196 | M1536DNF | multi-function printer |
| 50. | 1401020197 | M1536DNF | multi-function printer |
| 51. | 1401020198 | X220 4291LL1 12寸 | Laptop |
| 52. | 1401020200 | T420 4236GF7 14寸 | Laptop |
| 53. | 1401020203 | M58P 6137E64主机+L1951P 2448HB6液晶 | Desktop |
| 54. | 1401020204 | M58P 6137E64主机+L1951P 2448HB6液晶 | Desktop |
| 55. | 1401020205 | M58P 6137E64主机+L1951P 2448HB6液晶 | Desktop |
| 56. | 1401020206 | M58P 6137E64主机+L1951P 2448HB6液晶 | Desktop |
| 57. | 1401020207 | T420 4236GF7 14寸 | Laptop |
| 58. | 1401020208 | T420 4236GF7 14寸 | Laptop |
| 59. | 1401020209 | T420 4236GF7 14寸 | Laptop |
| 60. | 1401020210 | T420 4236GF7 14寸 | Laptop |
| 61. | 1401020212 | T420 4236GF7 14寸 | Laptop |
| 62. | 1401020213 | HP E5620 | Server |
| 63. | 1401020214 | M58P 6137E64主机+L1951P 2448HB6液晶 | Desktop |
| 64. | 1401020216 | T420 4236GF7 14寸 | Laptop |

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| 65. | 1401020217 | T420 4236GF7 14寸 | Laptop |
| 66. | 1401020218 | SBXN-100-1 | Firewall |
| 67. | 1401020219 | T410 MINI底座 | docking station |
| 68. | 1401020220 | WS-C2960G-8TC-L | Check Point |
| 69. | 1401020221 | M6100T | Desktop |
| 70. | 1401020222 | M6100T | Desktop |
| 71. | 1401020223 | M58P 6137E64主机+L1951P 2448HB6液晶 | Desktop |
| 72. | 1401020224 | T420 4236GF7 14寸 | Laptop |
| 73. | 1401020225 | | Bar code printer |
| 74. | 1401020226 | M58P | Desktop |
| 75. | 1401020227 | M58P | Desktop |
| 76. | 1401020228 | M58P | Desktop |
| 77. | 1401020229 | M58P | Desktop |
| 78. | 1401020230 | M58P | Desktop |
| 79. | 1401020231 | M58P | Desktop |
| 80. | 1401020232 | M58P | Desktop |
| 81. | 1401020233 | M58P | Desktop |
| 82. | 1401020234 | M58P | Desktop |
| 83. | 1401020235 | M58P | Desktop |
| 84. | 1401020236 | M58P | Desktop |
| 85. | 1401020237 | M58P | Desktop |
| 86. | 1401020238 | M58P | Desktop |
| 87. | 1401020239 | M58P | Desktop |
| 88. | 1401020240 | M58P | Desktop |
| 89. | 1401020241 | M58P | Desktop |
| 90. | 1401020242 | M58P | Desktop |
| 91. | 1401020243 | M58P | Desktop |
| 92. | 1401020244 | M58P | Desktop |
| 93. | 1401020245 | M58P | Desktop |
| 94. | 1401020246 | M58P | Desktop |
| 95. | 1401020247 | M58P | Desktop |
| 96. | 1401020248 | M58P | Desktop |
| 97. | 1401020249 | M6100T M58P | Desktop |
| 98. | 1401020250 | M58P | Desktop |
| 99. | 1401020251 | T410 T420 4236GF7 | Laptop |
| 100. | 1401020252 | T420 4236GF7 14寸 | Laptop |
| 101. | 1401020253 | T420 4236GF7 14寸 | Laptop |
| 102. | 1401020254 | T420 4236GF7 14寸 | Laptop |
| 103. | 1401020255 | T420 4236GF7 14寸 | Laptop |
| 104. | 1401020256 | T420 4236GF7 14寸 | Laptop |
| 105. | 1401020257 | T420 4236GF7 14寸 | Laptop |
| 106. | 1401020258 | T420 4236GF 14寸 | Laptop |
| 107. | 1401020259 | T420 4236GF 14寸 | Laptop |
| 108. | 1401020260 | T420 4236GF7 14寸 | Laptop |
| 109. | 1401020261 | T420 4236GF7 14寸 | Laptop |
| 110. | 1401020262 | T420 4236GF7 14寸 | Laptop |
| 111. | 1401020263 | T420 4236GF7 14寸 | Laptop |
| 112. | 1401020264 | T420 4236GF7 14寸 | Laptop |

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| 113. | 1401020265 | T420 4236GF7 14寸 | Laptop |
| 114. | 1401020 | T420 4236GF7 14寸 | Laptop |
| 115. | 1401020267 | X220 T410 2537E85 | Laptop |
| 116. | 1401020268 | T420 4236GF7 14寸 | Laptop |
| 117. | 1401020270 | WS-C2960-48TT-L | Cisco Switcher |
| 118. | 1401020271 | HP 1606DN | Printer |
| 119. | 1401020272 | HP 1606DN | Printer |
| 120. | 1401020273 | TEC B-SA4TP | Printer |
| 121. | 1401020275 | HP M1213NF HP M1213NF | Printer |
| 122. | 1401020276 | M6100T | Desktop |
| 123. | 1401020277 | M6100T | Desktop |
| 124. | 1401020278 | M6100T | Desktop |
| 125. | 1401020279 | M6100T | Desktop |
| 126. | 1401020280 | M6100T | Desktop |
| 127. | 1401020281 | HP E5620 | Server |
| 128. | 1401020282 | HP E5620 | Server |
| 129. | 1401020283 | HP E5620 | Server |
| 130. | 1401020284 | HP-E5620 | Server |
| 131. | 1401020285 | HP-E5620 | Server |
| 132. | 1401020287 | T420 4236GF7 14寸 | Laptop |
| 133. | 1401020289 | T420 4236GF7 14寸 | Laptop |
| 134. | 1401020290 | M6100T | Desktop |
| 135. | 1401020291 | M58P 6137E64主机+L1951P 2448HB6液晶 | Desktop |
| 136. | 1401020292 | M6100T | Desktop |
| 137. | 1401020293 | M6100T | Desktop |
| 138. | 1401020294 | M6100T | Desktop |
| 139. | 1401020295 | M6100T | Desktop |
| 140. | 1401020296 | M6100T | Desktop |
| 141. | 1401020297 | M6100T | Desktop |
| 142. | 1401020298 | M6100T | Desktop |
| 143. | 1401020299 | M6100T | Desktop |
| 144. | 1401020300 | M6100T | Desktop |
| 145. | 1401020301 | | Blackberry |
| 146. | 1401020302 | | Blackberry |
| 147. | 1401020303 | LS4278 | Scanner |
| 148. | 1401020304 | LS4278 | Scanner |
| 149. | 1401020305 | PT-2730 | Label printer |
| 150. | 1401020306 | M6100T | Desktop |
| 151. | 1401020307 | M6100T | Desktop |
| 152. | 1401020308 | HP16060DN | Printer |
| 153. | 1401020309 | HP 1213 | Printer |
| 154. | 1401020310 | HP CM1415 | Printer |
| 155. | 1401020312 | | Laptop |
| 156. | 1401020313 | | Laptop |
| 157. | 1401020314 | | Laptop |
| 158. | 1401020315 | | Laptop |
| 159. | 1401020316 | | Laptop |
| 160. | 1401020317 | | Desktop |

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| 161. | 1401020318 | | Desktop |
| 162. | 1401020319 | | Desktop |
| 163. | 1401020320 | | Desktop |
| 164. | 1401020321 | | Desktop |
| 165. | 1401020322 | | Desktop |
| 166. | 1401020323 | | Desktop |
| 167. | 1401020324 | | Printer |
| 168. | 1401020325 | | Desktop |
| 169. | 1401020326 | | Desktop |
| 170. | 1401020327 | | Desktop |
| 171. | 1401020328 | | Desktop |
| 172. | 1401020329 | | Desktop |
| 173. | 1401020330 | | Desktop |
| 174. | 1401020331 | | Laptop |
| 175. | 1401020332 | | Laptop |
| 176. | 1401020333 | | Laptop |
| 177. | 1401020336 | ZM600(203DPI) | Zebra Printer |
| 178. | 1401020337 | ZM600(203DPI) | Zebra Printer |
| 179. | 1401020338 | ZM600(203DPI) | Zebra Printer |
| 180. | 1401020339 | M6100T | Desktop M6100T |
| 181. | 1401020340 | M6100T | Desktop M6100T |
| 182. | 1401020341 | M6100T | Desktop M6100T |
| 183. | 1401020342 | M6100T | Desktop M6100T |
| 184. | 1401020343 | M6100T | Desktop M6100T |
| 185. | 1401020345 | HP4525DN | HP-4525DN |
| 186. | 1401020346 | HP 1606CN | HP Printer 1606DN |
| 187. | 1401020348 | HP1606DN | HP Printer 1606DN |
| 188. | 1401020349 | M6100T | Desktop M6100T |
| 189. | 1401020350 | HP1606DN | HP Printer 1606DN |
| 190. | 1401020351 | M6100T | Desktop M6100T |
| 191. | 1401020354 | USB-P25 | Printer USB-P25 |
| 192. | 1401020355 | USB-P25 | Printer USB-P25 |
| 193. | 1401020356 | USB-P25 | Printer USB-P25 |
| 194. | 1401020357 | USB-P25 | Printer USB-P25 |
| 195. | 1401020358 | USB-P25 | Printer USB-P25 |
| 196. | 1401020359 | RS-P26 | Printer RS-P26 |
| 197. | 1401020360 | RS-P26 | Printer RS-P26 |
| 198. | 1401020361 | RS-P26 | Printer RS-P26 |
| 199. | 1401020362 | M6100T | Desktop M6100T |
| 200. | 1401020363 | HPM1213NF | HP Printer |
| 201. | 1401020364 | HP CP1025 | HP color printer |
| 202. | 1401020365 | PT-2730 | Label printer |
| 203. | 1401020366 | PT-2730 | Label printer |
| 204. | 1401020367 | | Screen monitor X220 |
| 205. | 1401020368 | HP M1213NF | HP printer |
| 206. | 1401020370 | X220 | Laptop X220 |
| 207. | 1401020372 | M6100T | Desktop M6100T |
| 208. | 1401020373 | 7034 M6100T | Desktop M6100T |

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| 209. | 1401020374 | M6100T | Desktop M6100T |
| 210. | 1401020375 | M6100T | Desktop M6100T |
| 211. | 1401020376 | HP M1213NF | HP printer |
| 212. | 1401020377 | HP M1213NF | HP printer |
| 213. | 1401020378 | photo ex3 | Ink Jet printer |
| 214. | 1401020379 | HP M1415NF HP M1213NF | Color Printer |
| 215. | 1401020380 | HP M1213NF | HP printer |
| 216. | 1401020381 | LQ-690K | Dot printer |
| 217. | 1401020383 | T420 | Laptop |
| 218. | 1401020384 | T420 | Laptop |
| 219. | 1401020387 | M6100T | Lenovo Desktop |
| 220. | 1401020388 | M6100T | Lenovo Desktop |
| 221. | 1401020389 | M6100T | Lenovo Desktop |
| 222. | 1401020390 | M6100T | Lenovo Desktop |
| 223. | 1401020391 | M6100T | Lenovo Desktop |
| 224. | 1401020393 | X220 | Laptop |
| 225. | 1401020394 | T420 | Laptop |
| 226. | 1401020395 | T420 | Laptop |
| 227. | 1401020396 | T420 | Laptop |
| 228. | 1401020397 | T420 | Laptop |
| 229. | 1401020398 | T420 | Laptop |
| 230. | 1401020400 | T420 | Laptop |
| 231. | 1401020401 | T420 | Laptop |
| 232. | 1401020402 | T420 | Laptop |
| 233. | 1401020403 | T420 | Laptop |
| 234. | 1401020404 | T420 | Laptop |
| 235. | 1401020405 | T420 | Laptop |
| 236. | 1401020406 | T420 | Laptop |
| 237. | 1401020407 | T420 | Laptop |
| 238. | 1401020408 | T420 | Laptop |
| 239. | 1401020409 | T420 | Laptop |
| 240. | 1401020410 | T420 | Laptop |
| 241. | 1401020411 | T420 | Laptop |
| 242. | 1401020413 | T420 | Laptop |
| 243. | 1401020439 | F558 | Lenovo Desktop |
| 244. | 1401020440 | pt-2730 | Label printer |
| 245. | 1401020441 | pt-2730 | Label printer |
| 246. | 1401020442 | pt-2730 | Label printer |
| 247. | 1401020444 | ZM600 (200DPI) | Zebra Bar Code printer |
| 248. | 1401020445 | ZM600 (200DPI) | Zebra Bar Code printer |
| 249. | 1401020446 | ZM600 (200DPI) | Zebra Bar Code printer |
| 250. | 1401010008 | WS-C3750X-24S-S SN:FDO1613Z00R | Cisco Switcher |
| 251. | 1401010009 | WS-C3750X-24S-S SN:FDO1613Z03W | Cisco Switcher |
| 252. | 1401010010 | WS-C3750X-12S-S SN:FDO1612Z1PJ | Cisco Switcher |
| 253. | 1401010011 | WS-C3750X-12S-S SN:FDO1612Z1PC | Cisco Switcher |
| 254. | 1401010012 | WS-C2960S-24TS-S SN:FOC1611Z1MP | Cisco Switcher |
| 255. | 1401010013 | WS-C2960S-24TS-S SN:FOC1611X2A6 | Cisco Switcher |
| 256. | 1401010014 | WS-C2960S-24TS-S SN:FOC1611X29D | Cisco Switcher |

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| 257. | 1401010015 | WS-C2960S-24TS-S SN:FOC1611X2A3 | Cisco Switcher |
| 258. | 1401010016 | WS-C2960S-24TS-S SN:FOC1611Y180 | Cisco Switcher |
| 259. | 1401010017 | WS-C2960S-48TS-S SN:FOC1612Y18G | Cisco Switcher |
| 260. | 1401010018 | WS-C2960S-48TS-S SN:FOC1612Y17Q | Cisco Switcher |
| 261. | 1401010019 | WS-C2960S-48TS-S SN:FOC1612Y18B | Cisco Switcher |
| 262. | 1401010020 | WS-C2960S-48LPS-L SN:FOC1611W0YP | Cisco Switcher |
| 263. | 1401010021 | WS-C2960S-48LPS-L SN:FOC1611W101 | Cisco Switcher |
| 264. | 1401010022 | WS-C2960S-48LPS-L SN:FOC1611W0YH | Cisco Switcher |
| 265. | 1401010023 | AIR-CT5508-25-K9 SN:FCW1607L0FX | Cisco wireless internet equipment |
| 266. | 1401020447 | 7034/PBHFEBP | Lenovo Desktop |
| 267. | 1401020448 | 7034/PBHFEBN | Lenovo Desktop |
| 268. | 1401020449 | 7034/PBCEPLV | Lenovo Desktop |
| 269. | 1401020458 | T420/P16Y541 | Laptop T420 |
| 270. | 1401020459 | T420/P16Y540 | Laptop T420 |
| 271. | 1401020466 | V8-AY819 | Screen monitor 22" |
| 272. | 1401020467 | V8-AY819 | Screen monitor 22" |
| 273. | 1401020469 | S24B240BL | Samsung screen monitor |
| 274. | 1401020470 | CM1415FN | HP Printer |
| 275. | 1401020471 | CM1415FN | HP Printer |
| 276. | 1401020473 | 7034/PBNLNRN | Lenovo Desktop |
| 277. | 1401020474 | 7034/PBNLNRL | Lenovo Desktop |
| 278. | 1401020475 | 7034/PBNLPAK | Lenovo Desktop |
| 279. | 1401020476 | 7034/PBNLNZP | Lenovo Desktop |
| 280. | 1401020477 | 7034/PBNLPAL | Lenovo Desktop |
| 281. | 1401020483 | T430/PBYKKDF | Laptop T430 |
| 282. | 1401020484 | T430/PBYKKDP | Laptop T430 |
| 283. | 1401020486 | T430/PBYKKDZ | Laptop T430 |
| 284. | 1401020492 | M92P/PBXNMTZ | Lenovo Desktop |
| 285. | 1401020493 | M92P/PBXNMVA | Lenovo Desktop |
| 286. | 1401020494 | CM1415fn | HP Printer |
| 287. | 1401020496 | HP1213 | HP Printer |
| 288. | 1401020497 | HP1213 | HP Printer |
| 289. | 1401020498 | HP1213 | HP Printer |
| 290. | 1401020499 | 兄弟PT-2730 | HP Printer |
| 291. | 1401020500 | M276N | HP color printer |
| 292. | 1401020502 | PB86KBX | Lenovo Laptop T430 |
| 293. | 1401020503 | PB644DH | Lenovo Desktop |
| 294. | 1401020504 | P886KBN | Lenovo Laptop T430 |
| 295. | 1401020505 | LQ300K Epson/G89H714213 | Dot printer |
| 296. | 1401020506 | HP1213 | HP Printer |
| 297. | 1401020507 | HP1213 | HP Printer |
| 298. | 1401020508 | HP1213 | HP Printer |
| 299. | 1401020509 | HP1213 | HP Printer |
| 300. | 1401020520 | TEC B-SA4TP | label printer |
| 301. | 1401020521 | LS4278 | Scanner |
| 302. | 1401020522 | LS4278 | Scanner |
| 303. | 1401020523 | PB1XT7Y | Laptop T430 |
| 304. | 1401020524 | PB1XT7Z | Laptop T430 |

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| 305. | 1401020525 | PB2PY6H | Laptop T430 |
| 306. | 1401020529 | R9YWE6K | Laptop X230 |
| 307. | 1401020530 | R9YWE71 | Laptop X230 |
| 308. | 1401020531 | R9YWE89 | Laptop X230 |
| 309. | 1401020532 | PB5HHN7 | Laptop T430 |
| 310. | 1401020533 | PB5HHR0 | Laptop T430 |
| 311. | 1401020534 | PB5HHN9 | Laptop T430 |
| 312. | 1401020535 | PB5HHR2 | Laptop T430 |
| 313. | 1401020536 | PB5HHP7 | Laptop T430 |
| 314. | 1401020538 | 电脑1组+扫描枪 | Returned goods destruction monitor system |
| 315. | 1401020539 | S/N PK00LG5 | Laptop X230 |
| 316. | 1401020540 | S/N PK00LFG | Laptop X230 |
| 317. | 1401020541 | S/N PK00LFP | Laptop X230 |
| 318. | 1401020542 | S/N PK019WG | Laptop X230 |
| 319. | 1401020543 | S/N PK00LG7 | Laptop X230 |
| 320. | 1401020544 | S/N PK019X8 | Laptop X230 |
| 321. | 1401020545 | S/N PK00LG3 | Laptop X230 |
| 322. | 1401020546 | TYPE 2325C58 S/N PK1GR28 | Laptop X230 |
| 323. | 1401020547 | LT2252PW | Screen monitor |
| 324. | 1401010024 | | tape library |
| 325. | 1401020548 | IPhone 5S | iPhone |
| 326. | 1401020549 | IPhone 5S | iPhone |
| 327. | 1401020550 | IPhone 5S | iPhone |
| 328. | 1401020551 | IPhone 5S | iPhone |
| 329. | 1401020552 | 22寸 | Screen monitor |
| 330. | 1401020553 | 22寸 | Screen monitor |
| 331. | 1401020554 | | Screen monitor X230 |
| 332. | 1401020555 | | Screen monitor X230 |
| 333. | 1401020556 | | Screen monitor X230 |
| 334. | 1401020557 | | Screen monitor X230 |
| 335. | 1401020558 | | Screen monitor X230 |
| 336. | 1401020559 | | iPhone 5S |
| 337. | 1401020560 | | iPhone 5S |
| 338. | 1401020561 | PBPV14L/MTM3228-AB2 | Lenovo Desktop |
| 339. | 1401020562 | PB00XCDZ / 20AWS0H11J | Laptop T440 |

Novartis Vaccines and Diagnostics GmbH

| No. | Asset | SNo | Asset description |
|-----|-------|-----|--|
| 1. | 4691 | 0 | APC Smart-USV 1000 VA Line-Interactive |
| 2. | 4692 | 0 | APC Smart-USV 1000 VA Line-Interactive |
| 3. | 7071 | 0 | Klimagerät für Serverraum |
| 4. | 7072 | 0 | Klimagerät für Serverraum |
| 5. | 9940 | 0 | APC USV (Unterbrechungsfreie Stromversorger) |
| 6. | 9941 | 0 | HP Console Switch 8 Port |
| 7. | 10330 | 0 | APC USV 3000VA mit 8-Port-Erweiterung |
| 8. | 10331 | 0 | APC USV 3000VA mit 8-Port-Erweiterung |
| 9. | 11281 | 0 | Klimaanlage f.Serverraum 602 |

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| 10. | 12682 | 0 | HP J 1474 A 8Port Konsolen Switch |
| 11. | 13023 | 0 | HP J 1474 A 8Port Konsolen Switch |
| 12. | 13255 | 0 | HP J1474A 8 Port Konsolen Switch |
| 13. | 13508 | 0 | Beamer LG XG324 m. Deckenhalterung / Konferenzraum |
| 14. | 15836 | 0 | Server / Netzwerkschrank, H1 |
| 15. | 15837 | 0 | Server / Netzwerkschrank, H1 |
| 16. | 15838 | 0 | Server / Netzwerkschrank, H1 |
| 17. | 15900 | 0 | 12 MS Windows Standard 2003 Server englisch Lizenz |
| 18. | 16657 | 0 | HP Console Switch Box 8-Port, CAT 5, H1, R. 209 |
| 19. | 17720 | 0 | Mc Data Sphereon 4500 Fabric Switch |
| 20. | 17721 | 0 | Mc Data Sphereon 4500 Fabric Switch |
| 21. | 17811 | 0 | Netzwerk- / Server-Schrank, R. 213 |
| 22. | 17812 | 0 | USV APC 3000 mit 8 Port Erweiterung, R. 213 |
| 23. | 17813 | 0 | USV APC 3000 m. 8 Port Erweiterung, R. 213 |
| 24. | 18413 | 0 | Server / Netzwerkschrank, H1 R. 141.1 |
| 25. | 18958 | 0 | USV APC Smart 3000VA |
| 26. | 18969 | 0 | HP Console Switch 336045-B21 |
| 27. | 18970 | 0 | Mc Data Switch (Erweiterung) |
| 28. | 20667 | 0 | APC Environmental Managment System |
| 29. | 20668 | 0 | APC Environmental Managment System |
| 30. | 20669 | 0 | APC Environmental Managment System |
| 31. | 21872 | 0 | Shavlik NetChk Protect 50 Seats |
| 32. | 22526 | 0 | 3 Datenschränke f.M7 |
| 33. | 24515 | 0 | Rittal Netzwerkschrank, H1 Keller |
| 34. | 24516 | 0 | Rittal Netzwerkschrank, H1 Keller |
| 35. | 25025 | 0 | 2 Datenschränke für H1 Rack |
| 36. | 25059 | 0 | Rack Console Belkin OmniView 17 Zoll |
| 37. | 25060 | 0 | Rack Console Belkin OmniView 17 Zoll |
| 38. | 25937 | 0 | Split-Klimagerät RKL 470 mobil |
| 39. | 27022 | 0 | Verkleidung Rechnerraum H1 |
| 40. | 27023 | 0 | Netzwerkschrank Server Rittal TS8 |
| 41. | 27024 | 0 | Netzwerkschrank Server Rittal TS8 |
| 42. | 27025 | 0 | Netzwerkschrank Server Rittal TS8 |
| 43. | 29868 | 0 | Mobiles Klimagerät Airwell Aelia 10 f. Serverraum |
| 44. | 32087 | 0 | Data Center Infrastructure |
| 45. | 32088 | 0 | Netzwerkerweiterung HP Engine Business Small Data |
| 46. | 36311 | 0 | Avocent KVM Konsole N310 DC |
| 47. | 41214 | 0 | Erweiterung Datenschrank |
| 48. | 4258 | 0 | HP-LASERJET 5 / Fr. Monika Oberlies |
| 49. | 4319 | 0 | HP Laser Jet 4 Plus |
| 50. | 4436 | 0 | HP Tintenstrahldrucker HP-C3540A |
| 51. | 4633 | 0 | HP-C3166A Laserjet 5 SI |
| 52. | 4645 | 0 | HP Laserjet 5 |
| 53. | 4646 | 0 | HP Laserjet 5 |
| 54. | 4647 | 0 | HP Laserjet 5 |
| 55. | 4649 | 0 | HP Laserjet 5 |
| 56. | 4651 | 0 | HP Laserjet 5 |
| 57. | 4652 | 0 | HP Laserjet 5 |

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| 58. | 4653 | 0 | HP Laserjet 5 |
| 59. | 4689 | 0 | HP Laserjet 5L |
| 60. | 4698 | 0 | HP LaserJet 5M PS |
| 61. | 4713 | 0 | HP Laserjet 5, Greinert/Schnabel |
| 62. | 4913 | 0 | HP Laserjet / R.Lemke |
| 63. | 4994 | 0 | HP LaserJet |
| 64. | 5095 | 0 | HP Laserjet 5 |
| 65. | 5267 | 0 | HP Scanjet 6100 |
| 66. | 5270 | 0 | HP Scanjet 6100 C |
| 67. | 5271 | 0 | HP Scanjet 6100 C |
| 68. | 6071 | 0 | HP Laserjet 6P, R. 536 Hr. v. Tesmar |
| 69. | 8790 | 0 | Laserscanner 5400 / Hr.Richter (LIMS-Projekt) |
| 70. | 11387 | 0 | HP Laser Jet 3P |
| 71. | 12742 | 0 | Mobiler Laserscanner F7400 / Hr. Merle |
| 72. | 12838 | 0 | HP Color LaserJet 8550N |
| 73. | 14381 | 0 | Beamer NEC LT157 (Datenprojektor) |
| 74. | 15950 | 0 | Softwareerstellung für Probenverteilung, |
| 75. | 18176 | 0 | Mobiler Laserscanner F7400, 8 MB |
| 76. | 23485 | 0 | HP AO Designjet C7770B R.715 |
| 77. | 40389 | 0 | Design & Engineering Services 1 |
| 78. | 40392 | 0 | Design & Engineering Services 2 |
| 79. | 40395 | 0 | Design & Engineering Services 3 |
| 80. | 42094 | 0 | Design & Engineering Services 4 |
| 81. | 42869 | 0 | Design & Engineering Services 5 |
| 82. | 43044 | 0 | Design & Engineering Services 6 |
| 83. | 43199 | 0 | Design & Engineering Services 7 |
| 84. | 43882 | 0 | Design & Engineering Services 8 |
| 85. | 44279 | 0 | Design & Engineering Services 1 |
| 86. | 44282 | 0 | Design & Engineering Services 2 |
| 87. | 44285 | 0 | Design & Engineering Services 3 |
| 88. | 10328 | 0 | HP Racksystem/E41 U mit Front-u.Hintertür |
| 89. | 10329 | 0 | HP Racksystem/E41 U mit Front-u.Hintertür |
| 90. | 10332 | 0 | HP Rackmount Kit für HP Flachbildschirm + Tastatur |
| 91. | 11846 | 0 | Server Switching Module Gigabit/Anbindung Forum |
| 92. | 12846 | 0 | Klimagerät für Fenstereinbau |
| 93. | 13081 | 0 | Cisco VPN 3005 Concentrator |
| 94. | 14151 | 0 | LAN Management 2.1 |
| 95. | 14333 | 0 | Netzwerkkomponente bestehend aus: Catalyst 4506 |
| 96. | 14334 | 0 | Netzwerkkomponente bestehend aus: Catalyst 4506 |
| 97. | 14335 | 0 | Netzwerkkomponente bestehend aus: Catalyst 4506 |
| 98. | 14690 | 0 | Redundant Power Suppla f.Cisco Catalyst |
| 99. | 15077 | 0 | PIX-Firewall 525UR+Zubehör |
| 100. | 15127 | 0 | PIX-Firewall Failover +Zubehör |
| 101. | 15652 | 0 | Pix 506 E-BUN-K9 (Fireball), R. 208 |
| 102. | 15653 | 0 | Pix 506 E-BUN-K9, (Fireball; Netzwerkkomp.) |
| 103. | 25938 | 0 | Switch für WAN Anbindung |
| 104. | 25939 | 0 | Switch für WAN Anbindung |
| 105. | 26976 | 0 | Cicso 4400 WLC 4402 |

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| 106. | 26977 | 0 | LAN Edge Switch 2960-48TC |
| 107. | 26978 | 0 | LAN Edge Switch 2960-48TC |
| 108. | 26979 | 0 | LAN Edge Switch 2960-48TC |
| 109. | 26980 | 0 | LAN Edge Switch 2960-48TC |
| 110. | 26981 | 0 | LAN Edge Switch 2960-48TC |
| 111. | 26982 | 0 | LAN Edge Switch 2960-48TC |
| 112. | 26983 | 0 | LAN Edge Switch 2960-48TC |
| 113. | 26984 | 0 | LAN Edge Switch 2960-48TC |
| 114. | 26985 | 0 | LAN Edge Switch 2960-48TC |
| 115. | 26986 | 0 | LAN Edge Switch 2960-48TC |
| 116. | 26987 | 0 | LAN Edge Switch 2960-24TC |
| 117. | 26989 | 0 | LAN Edge Switch 2960-24TC |
| 118. | 26990 | 0 | LAN Edge Switch 2960-24TC |
| 119. | 26991 | 0 | LAN Edge Switch 2960-24TC |
| 120. | 26992 | 0 | LAN Edge Switch 2960-24TC |
| 121. | 26993 | 0 | LAN Edge Switch 2960-24TC |
| 122. | 26994 | 0 | LAN Edge Switch 2960-24TC |
| 123. | 26995 | 0 | LAN Edge Switch 2960-24TC |
| 124. | 26996 | 0 | LAN Edge Switch 2960-24TC |
| 125. | 26997 | 0 | LAN Edge Switch 2960-24TC |
| 126. | 26998 | 0 | LAN Edge Switch 2960-24TC |
| 127. | 27031 | 0 | Cisco WS-C2960G-48TC-L |
| 128. | 30472 | 0 | Cisco Catalyst 3750 |
| 129. | 30473 | 0 | Cisco Catalyst 3750 |
| 130. | 30474 | 0 | Cisco Catalyst 3750 |
| 131. | 30475 | 0 | Cisco Catalyst 3750 |
| 132. | 30476 | 0 | Cisco Catalyst 3750 |
| 133. | 30477 | 0 | Cisco Catalyst 3750 |
| 134. | 30478 | 0 | Cisco Catalyst 3750 |
| 135. | 30479 | 0 | Cisco Catalyst 3750 |
| 136. | 30480 | 0 | Cisco Catalyst 3750 |
| 137. | 30481 | 0 | Cisco Catalyst 3750 |
| 138. | 32089 | 0 | InNominate Firewall MGuard smart |
| 139. | 37382 | 0 | Video-Konferenzsystem Forum |
| 140. | 37383 | 0 | Video-Konferenzsystem H1 |
| 141. | 24946 | 0 | Beamer IBM / LeNovo M500 |
| 142. | 44962 | 0 | Firewall AIR CT55808-250-K9 |
| 143. | 39923 | 0 | GWG-130030 2012 (150-1000E) |
| 144. | 42773 | 0 | Erweiterung Glasfasernetz N100,N200,N310 |
| 145. | 44446 | 0 | Cooling System |
| 146. | 44449 | 0 | Server Racks |
| 147. | 44452 | 0 | Server Racks |
| 148. | 44455 | 0 | USV |
| 149. | 44458 | 0 | Network |
| 150. | 44906 | 0 | W-Lan Access Point |
| 151. | 44940 | 0 | Elektroverteilung Handheld Projekt |
| 152. | 44950 | 0 | Access Points Handheld Project |
| 153. | 44960 | 0 | Firewall ASA 5585-S10-K9 |

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| 154. | 44961 | 0 | Firewall ASA 5585-S10-K9 |
| 155. | 44963 | 0 | Cisco Port Switch Handheld Projekt |
| 156. | 44964 | 0 | Cisco Port Switch Handheld Projekt |
| 157. | 44965 | 0 | Cisco Port Switch Handheld Projekt |
| 158. | 44966 | 0 | Cisco Port Switch Handheld Projekt |
| 159. | 44967 | 0 | Cisco Port Switch Handheld Projekt |
| 160. | 44968 | 0 | Cisco Port Switch Handheld Projekt |
| 161. | 44969 | 0 | Motorola MC75A0-HC Handheld |
| 162. | 44970 | 0 | Motorola MC75A0-HC Handheld |
| 163. | 44971 | 0 | Motorola MC75A0-HC Handheld |
| 164. | 44972 | 0 | Motorola MC75A0-HC Handheld |
| 165. | 44973 | 0 | Motorola MC75A0-HC Handheld |
| 166. | 45046 | 0 | Tablet PC Motion C5 |
| 167. | 45047 | 0 | Tablet PC Motion C5 |
| 168. | 45048 | 0 | Tablet PC Motion C5 |
| 169. | 45049 | 0 | Tablet PC Motion C5 |
| 170. | 45050 | 0 | Tablet PC Motion C5 |
| 171. | 45120 | 0 | Zebra Drucker / Label Printer Handheld Projekt |
| 172. | 45121 | 0 | Zebra Drucker / Label Printer Handheld Projekt |
| 173. | 45122 | 0 | Zebra Drucker / Label Printer Handheld Projekt |
| 174. | 45123 | 0 | Zebra Drucker / Label Printer Handheld Projekt |
| 175. | 45983 | 0 | Network Environment |
| 176. | 46430 | 0 | HP compaq 6300 Mini Tower |
| 177. | 46431 | 0 | HP compaq 6300 Mini Tower |
| 178. | 46432 | 0 | HP compaq 6300 Mini Tower |
| 179. | 46433 | 0 | HP compaq 6300 Mini Tower |
| 180. | 46434 | 0 | HP compaq 6300 Mini Tower |
| 181. | 46435 | 0 | HP compaq 6300 Mini Tower |
| 182. | 46436 | 0 | HP compaq 6300 Mini Tower |
| 183. | 46437 | 0 | HP compaq 6300 Mini Tower |
| 184. | 46438 | 0 | HP compaq 6300 Mini Tower |
| 185. | 46439 | 0 | HP compaq 6300 Mini Tower |
| 186. | 46440 | 0 | HP compaq 6300 Mini Tower |
| 187. | 46441 | 0 | HP compaq 6300 Mini Tower |
| 188. | 46442 | 0 | HP compaq 6300 Mini Tower |
| 189. | 46443 | 0 | HP compaq 6300 Mini Tower |
| 190. | 46444 | 0 | HP compaq 6300 Mini Tower |
| 191. | 46445 | 0 | HP compaq 6300 Mini Tower |
| 192. | 46446 | 0 | HP compaq 6300 Mini Tower |
| 193. | 46447 | 0 | HP compaq 6300 Mini Tower |
| 194. | 46448 | 0 | HP compaq 6300 Mini Tower |
| 195. | 46449 | 0 | HP compaq 6300 Mini Tower |
| 196. | 46450 | 0 | HP compaq 6300 Mini Tower |
| 197. | 46451 | 0 | HP compaq 6300 Mini Tower |
| 198. | 46452 | 0 | HP compaq 6300 Mini Tower |
| 199. | 46453 | 0 | HP compaq 6300 Mini Tower |
| 200. | 46454 | 0 | HP compaq 6300 Mini Tower |
| 201. | 46455 | 0 | HP compaq 6300 Mini Tower |

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| 202. | 46456 | 0 | HP compaq 6300 Mini Tower |
| 203. | 46457 | 0 | HP compaq 6300 Mini Tower |
| 204. | 46458 | 0 | HP compaq 6300 Mini Tower |
| 205. | 46459 | 0 | HP compaq 6300 Mini Tower |
| 206. | 46460 | 0 | HP compaq 6300 Mini Tower |
| 207. | 46461 | 0 | HP compaq 6300 Mini Tower |
| 208. | 46462 | 0 | HP compaq 6300 Mini Tower |
| 209. | 46463 | 0 | HP compaq 6300 Mini Tower |
| 210. | 46464 | 0 | HP compaq 6300 Mini Tower |
| 211. | 17438 | 0 | Telefonkonferenzanlage |
| 212. | 19552 | 0 | Microsoft Windows Server 2003 Enterprise |
| 213. | 27313 | 0 | Aktenvernichter 2503 |
| 214. | 30097 | 0 | Networks |
| 215. | 31050 | 0 | Microsoft Roundtable 360 Grad Kamera |
| 216. | 31051 | 0 | Microsoft Roundtable 360 Grad Kamera |
| 217. | 31538 | 0 | Deckenbeamer Optima Ultra High Performance |
| 218. | 31917 | 0 | Barcodescanner Software |
| 219. | 11412 | 0 | DSB Supporter / Hr. Tesmar |
| 220. | 20050 | 0 | Polycom Soundstation2 f.R.516 |
| 221. | 25863 | 0 | Beamer IBM LeNovo M50 Hr. v.Tesmar |
| 222. | 39661 | 0 | Cisco Switch 2960 |
| 223. | 26014 | 0 | Symbol MC7090 Scanner |
| 224. | 26420 | 0 | Symbol MC7090 Scanner |
| 225. | 38414 | 0 | Datalogger Motorola MC75 |

Chiron Behring Vaccines Private Limited

| <u>No.</u> | <u>Asset</u> | <u>SNo</u> | <u>Asset description</u> |
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| 1. | 2114 | 0 | RAck Mount Ecllosure - VALRACK make |
| 2. | 2115 | 0 | Router CISCO make 1750-2V with IP+Voice IOS SW |
| 3. | 2116 | 0 | WAN Comp.-CAB V.35 FC - Serial Cable DTE Male |
| 4. | 2127 | 0 | Fibre optic cabling for LAN Connection/Business Li |
| 5. | 2128 | 2 | FIREWALL Watchguard X500 MK MS Ex. Windows Server |
| 6. | 2129 | 0 | Fibre 6Core Cable/Patch Cord/GI Pipes for Lan/Busi |
| 7. | 2130 | 0 | IP Based VPN Connectivity with Huwaie Router/Lease |
| 8. | 2130 | 1 | E Port Voice Box Wellgate 3502 for Lease Line/Ank |
| 9. | 2133 | 0 | Firewall Cyberoam CR50iA UTM |
| 10. | 2136 | 0 | Passive LAN |
| 11. | 2318 | 0 | Data Networking System-LAN in Admin Buldg |
| 12. | 2323 | 0 | Data Networking System-LAN in Admin Buldg Extn |
| 13. | 2328 | 0 | D Link 802.119 Wireless Access Point DWL 3200AP |
| 14. | 2571 | 0 | Modem - 56 KBPS D-Link make |
| 15. | 2573 | 0 | Passive Comp.-AMP E-CAT 5 UTP Cable |
| 16. | 2574 | 0 | Passive Comp.-AMP - 24 Port Jack Panel |
| 17. | 2575 | 0 | Passive Comp.-AMP-Surface Mount Box & Info. Outlet |
| 18. | 2576 | 0 | Passive Comp.-AMP E-CAT -5 Mounting Chords 7 feet |
| 19. | 2577 | 0 | Modem ASM20 64KBPS with V.35 & G.703 Interfaces |
| 20. | 2581 | 0 | Domain Name Registration+10MB Space with on POP AC |
| 21. | 2582 | 0 | Active Components D Link mk/DEC-1024R 24Port/16Hub |

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| 22. | 2591 | 1 | FIREWALL Watch Guard mk X500 MS Ex Windows Server |
| 23. | 2591 | 4 | Windows Backup Software VERITAS/Ex Windows Server |
| 24. | 2514 | 0 | Watch Guard firewall - HO |
| 25. | 534 | 0 | Computer/HP Brio/PIII 550MHZ/64MB/8.4GB/No 5-EggIn |
| 26. | 534 | 1 | SAMSUNG 15" TFT Monitor for Media Section Computer |
| 27. | 535 | 0 | Printer HP 810C/ No 5 - Egg Incubation |
| 28. | 536 | 0 | Printer Epson LQ-1070+ /No.6 |
| 29. | 537 | 0 | Printer Epson Dot Matrix LX 300 80Column/No.6 |
| 30. | 538 | 0 | HP Deskjet 5160 Inkjet Printer with USB Port/Inact |
| 31. | 539 | 0 | HP Deskjet 5160 Inkjet Printer with USB Port/Media |
| 32. | 540 | 0 | Printer Epson LX-300 80column DMP For CIP Syst/VP |
| 33. | 541 | 0 | Printer Epson LX-300 80column DMP For SIP System/ |
| 34. | 542 | 0 | EPSON Dot Matrix Printer LX-300 for Media Autoclav |
| 35. | 543 | 0 | Computer IBM A50 Thinkcentre PIV/CD Writer/Digraj |
| 36. | 544 | 0 | Computer IBM Thinkcentre A51 PIV/RPS |
| 37. | 545 | 0 | Laptop IBM Lenovo Notebook R52 PIV 40GB HDD/MYD |
| 38. | 546 | 0 | Labtop IBM Thinkpad R 52(1860-A42)/Nadkarni/Creati |
| 39. | 547 | 0 | Epson LX 300+ Printer & USB to Parallel Port/Virus |
| 40. | 548 | 0 | Printer Epson TMU 220 for pH Meter Eutech/Virus Pr |
| 41. | 549 | 0 | Printer Epson TMU 220 for pH Meter Eutech/Virus Pr |
| 42. | 550 | 0 | LAPTOP HP 520 Business Notbook with DVD RW |
| 43. | 551 | 0 | HP 520 Business Notebook |
| 44. | 552 | 0 | HP 520 Business Notebook |
| 45. | 553 | 0 | HP 520 Business Notebook-Snehal Patel |
| 46. | 554 | 0 | D-Link Access point for office in production area |
| 47. | 555 | 0 | Laptop - HP make - Salunke |
| 48. | 556 | 0 | Dell Desktop - Virus Office |
| 49. | 557 | 0 | Dell Desktop - Concentration. |
| 50. | 558 | 0 | Dell Desktop - Inashu |
| 51. | 560 | 0 | HP Laser Jet P1106 Printer-Concent |
| 52. | 561 | 0 | HP Laser Jet P1106 Printer-Enginrg |
| 53. | 562 | 0 | HP Laser Jet P1106 Printer-Vir.Prod |
| 54. | 1341 | 1 | SAMSUNG 15" TFT Monitor for Media Section Computer |
| 55. | 2322 | 1 | 15" TFT Monitor for PC/NO.33/VPA |
| 56. | 559 | 0 | Old Inactivation SCADA-Software |
| 57. | 846 | 0 | UPS System 2.0KVA Tata Libert make 15minute backup |
| 58. | 847 | 0 | Computer/Compaq Despro SB/Cel566/64MB/10GB/No 21 |
| 59. | 848 | 0 | Laptop/COMPAQ Armada M300/PII333/64MB/6.4GB/No 25 |
| 60. | 849 | 0 | Computer -Siemens133MHZ/8MB RAM/2.1GB HDD/No.11 |
| 61. | 850 | 0 | Printer Epson Dot Matrix LX 300 80Column/No.11 |
| 62. | 851 | 0 | Tata Libert UPS Model PB3000 30Min Bkup For FD C |
| 63. | 852 | 0 | IBM Thinkcentre A30 PIV Computer For FD C/3yrs War |
| 64. | 854 | 0 | HP Deskjet Printer 5160 For FD C/Statart |
| 65. | 855 | 0 | Data Networking Cable D Link Cat 5 2Roll/Phase II |
| 66. | 856 | 0 | HP Inkjet Colour Printer For BMS For HVAC Phase II |
| 67. | 858 | 0 | Communication Devices for BMS For HVAC Phase II |
| 68. | 859 | 0 | Computer IBM Thinkcentre A51 PIV 15" TFT Modul/VAK |
| 69. | 860 | 0 | Computer IBM Thinkcentre A51 PIV/PDO |

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| 70. | 861 | 0 | Computer IBM Thinkcentre A51 PIV/PDO |
| 71. | 862 | 0 | Epson Printer TM-U-220 for Mettler Balance/Filling |
| 72. | 863 | 0 | HP 520 Business Notebook - Prasad Oak |
| 73. | 866 | 0 | HP Laser jet P1020 Printer |
| 74. | 853 | 0 | MS Windows 2000 Professional Software for FD C |
| 75. | 857 | 0 | Graphical Visualisation Software of BMS/HVAC Ph-II |
| 76. | 864 | 0 | Prosess Visulisation software for freez dryer |
| 77. | 864 | 1 | Prosess Visulisation hardware for freez dryer |
| 78. | 1044 | 0 | Computer/HP Brio/Cel466/64MB/8.4GB/No 7 |
| 79. | 1045 | 0 | Compaq IPAQ DeskPro PIII733/128MB/No.29 |
| 80. | 1046 | 0 | Printer HP 670C /No.10 |
| 81. | 1047 | 0 | Computer Compaq D220 & Intel PIV Processor/Packing |
| 82. | 1047 | 1 | 15" TFT Monitor for PC For NDG |
| 83. | 1048 | 0 | EPSON Dot Matrix Printer LX-300 for Packing Automa |
| 84. | 1049 | 0 | Barcode/Label Printer Datamax W-8306 & Rewinder |
| 85. | 1050 | 0 | Laserjet colour Printer/HP/model 1020 for NDG/Pack |
| 86. | 1051 | 0 | Computer PIV IBM Think Centre Santosh Kaushal |
| 87. | 1052 | 0 | 1 TB USB Hard Disk Drive |
| 88. | 1053 | 0 | Citizen Thermal Transfer Printer CLP 621 |
| 89. | 1054 | 0 | 2D Scanner packing |
| 90. | 1055 | 0 | Mini Laptop 10.1" Display Screen |
| 91. | 1056 | 0 | 2D Barcode System for Pkg. Line |
| 92. | 1056 | 1 | Markem Imaje Printer - Packaging |
| 93. | 1057 | 0 | Dell Desktop - Vinod Patela |
| 94. | 1058 | 0 | Rack 14U with Accessories |
| 95. | 1059 | 0 | Server for 2D system (Window & Global) |
| 96. | 1060 | 0 | Deskjet Printer for packing section |
| 97. | 1799 | 0 | Printer HP DJ 670C/No.8 |
| 98. | 1800 | 0 | UPS Supernova |
| 99. | 1801 | 0 | UPS SuperNova |
| 100. | 1802 | 0 | Printer HP 710C/No.20 |
| 101. | 1803 | 0 | Printer HP 810C /No.3 |
| 102. | 1804 | 0 | UPS Tata Libert make 2KVA |
| 103. | 1805 | 0 | Data Networking in New Bio-Analytics Building |
| 104. | 1807 | 0 | UPS Mod PB3000 Tata Libert 3KVA 1/2Hrs BKUP/Akshin |
| 105. | 1808 | 0 | UPS Mod PB3000 Tata Libert 3KVA 1/2Hrs BKUP/Akshin |
| 106. | 1809 | 0 | Computer Compaq DeskPro P4 1.6Ghz/128MB RAM/No.8 |
| 107. | 1810 | 0 | HP Deskjet 5550 Printer /No.34 |
| 108. | 1811 | 0 | Compaq DeskPro EVO 380mx PIV 1.8Ghz/128MBRAM/NO.34 |
| 109. | 1813 | 0 | Port Print Server for Parellel Part Printer WEP Mk |
| 110. | 1814 | 0 | Computer PIV Compaq EVO D320m 1.9Ghz 40GB HDD/No37 |
| 111. | 1815 | 0 | Computer Compaq PIV 1.9GHz K Chammy |
| 112. | 1817 | 0 | HP Deskjet 5160 Printer for MYD's Office/Statart |
| 113. | 1819 | 0 | Computer IBM A50 Thinkcentre PIV & CD Writer/QC BM |
| 114. | 1820 | 0 | Computer IBM A50 Thinkcentre PIV & CD Writer/QC AH |
| 115. | 1821 | 0 | Computer IBM A50 Thinkcentre PIV & CD Writer/ELISA |
| 116. | 1822 | 0 | Computer IBM A50 Thinkcentre PIV & CD Writer/ELISA |
| 117. | 1824 | 0 | Computer IBM Thinkcentre A51 PIV & CD Writer/AJN |

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| 118. | 1825 | 0 | Dotmatrix Printer/Epson Lx 300+ for QC/Creative |
| 119. | 1826 | 0 | DATAMAX E-4203 Label Barcode Printer for QC/Stalli |
| 120. | 1827 | 0 | LAN Cable D-Link Cat5 100mt/Switch/Cable Manager |
| 121. | 1828 | 0 | LAPTOP IBM ThinkPad R52 1860-A42 Kamlesh Thakkar |
| 122. | 1829 | 0 | LAPTOP IBM Thinkpad R52 Centrino P-M/Chaubal |
| 123. | 1832 | 0 | Computer HP Compaq DX2300 Desktop PIV/QC |
| 124. | 1833 | 0 | Printer HP K5300 Officejet Endotoxin Plate Read/QC |
| 125. | 1834 | 0 | Computer HP Compaq DX2280 w.o. Monitor |
| 126. | 1835 | 0 | HP K5300 Office Jet Printer - Particle Counter |
| 127. | 1836 | 0 | HP DX2480 Desktop & HP 1008 printer for GC |
| 128. | 1837 | 0 | CCTV Monitoring & Recording System for QC |
| 129. | 1838 | 0 | Desktop for UV microscope |
| 130. | 1839 | 0 | Dell Desk Top with 18.5" LCD Monitor for QC Lab-2 |
| 131. | 1806 | 0 | Software Port ALL on CD-ROM for Particle Counter |
| 132. | 1812 | 0 | Adobe Acrobat Software Version 5.0 full/QC/No.28 |
| 133. | 1816 | 0 | Software for PC Operation for Incubator for Analys |
| 134. | 1818 | 0 | PICASO Software for Calibration of Pipettes/Inproc |
| 135. | 1823 | 0 | Adobe ACROBAT Professional (Writer) Version 6.0 |
| 136. | 1830 | 0 | CA PC MACLAN Software for BEP-III/Eliza Processer |
| 137. | 1830 | 1 | Microwin 2000 Software for BEP-III/Eliza Processer |
| 138. | 1831 | 0 | Endoscan-V Software for Endotoxin Measurement/QC |
| 139. | 1840 | 0 | Sample site Pharma software 21 CFR Liquid Particle |
| 140. | 1841 | 0 | Spectra Manager software 21 CFR UV spectrometer |
| 141. | 2847 | 0 | Tiamo SoftwareMetrohm |
| 142. | 2010 | 0 | Printer HP DeskJet 640C/No.42 |
| 143. | 2011 | 0 | Laptop Compaq Presarion 2800 Raju Kuril |
| 144. | 2012 | 0 | Compter Compaq EVD P-IV With Internal CD Writer/42 |
| 145. | 2012 | 1 | 15" TFT Monitor for PC/NO.40/AKC |
| 146. | 2013 | 0 | Computer PIV IBM Netvista/128MB RAM/40GB/Dr Kulkar |
| 147. | 2014 | 0 | IBM Thinkcentre QAP PC P4 2.2GHz 40GB HDD/QA |
| 148. | 2015 | 0 | Laserjet Printer HP 1010 USB Interface for QA/Crea |
| 149. | 2016 | 0 | Computer Lenovo Thinkcentre PIV Intel Pentium/QA |
| 150. | 2017 | 0 | Printer HP LaserJet 1020 for QA/Creative |
| 151. | 2018 | 0 | Scanner Scanjet HP 4370/Creative Infotec/AKC |
| 152. | 2019 | 0 | HP Laserjet Printer 1160 For QA/Creative |
| 153. | 2020 | 0 | HP Scanjet 8350 Scanner for QA |
| 154. | 2021 | 0 | HP Compaq D290 Desktop System Pentium IV/QA |
| 155. | 2022 | 0 | HP 520 Business Notebook |
| 156. | 2023 | 0 | HP 520 Notebook for Ravi Patel |
| 157. | 2024 | 0 | Epson Printer 2 Nos |
| 158. | 2025 | 0 | HP Desktop CPU Amit Prajapati |
| 159. | 2026 | 0 | PC, Scanner & Hard Disc(500 GB) for QA |
| 160. | 2027 | 0 | Laptop - HP make - H.P.Jain |
| 161. | 2028 | 0 | Laptop - HP make - Prabhakar |
| 162. | 2029 | 0 | Laptop - HP make - Harishh |
| 163. | 2031 | 0 | Sartorius Data Printer |
| 164. | 2038 | 0 | Dell Desktop - Gauri |
| 165. | 2030 | 0 | Supply & Installation of Software for Artwork |

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| 166. | 2041 | 0 | Auto CAD LT for 2012 software |
| 167. | 1093 | 0 | External CD Writer with USB Interface HP8230/No.29 |
| 168. | 1094 | 0 | Digital Camera/Sony/VKS045 DSC-P9 Sr No. 908912 |
| 169. | 1096 | 0 | IBM Think Pad T43/Creative Infotec/For GSD/ED's of |
| 170. | 1097 | 0 | Printer HP Officejet 6500 for Site Head Office |
| 171. | 1341 | 2 | Pen Drive (32MB) For PIII Computer of GSD |
| 172. | 2013 | 1 | 17" TFT Monitor for PC/NO.40/MUD |
| 173. | 1211 | 0 | Software for Load Manager for Power Control Centre |
| 174. | 1210 | 0 | HP Deskjet 845C Printer for Waghmare/Statart/No.7 |
| 175. | 1212 | 0 | Computer IBM A50 Thinkcentre PIV & CD Writer/S stn |
| 176. | 1340 | 0 | Printer Dot Matrix Printer/Wipro LX 800/No 19 |
| 177. | 1341 | 0 | Compaq DeskPro EXM PIII 933/128MB/20GB/No.28 |
| 178. | 1342 | 0 | Printer Model 1125C HP Deskjet/No.35 |
| 179. | 1343 | 0 | Laptop Toshiba Satellite 2430 PIV 30GB HDD/No.35 |
| 180. | 1345 | 0 | Computer PIV/Compaq EVO/40GB HDD/Statart/No.41 |
| 181. | 1346 | 0 | EPSON Dot Matrix Printer LX-300 for Engg |
| 182. | 1347 | 0 | Computer Pentium III 10.2GB For BMS For HVAC Ph-II |
| 183. | 1348 | 0 | Computer IBM Thinkcentre A51 PIV 15" TFT Modul/JSK |
| 184. | 1349 | 0 | HP-DJ-670 COLOUR PRINTER |
| 185. | 1350 | 0 | LAPTOP HP 520 Business Notebook with DVD RW |
| 186. | 1351 | 0 | Computer HP Compaq DX2280 PIV w.o.Monitor/MSM |
| 187. | 1352 | 0 | HP Laserjet 1020 Printer for Engg Office |
| 188. | 1353 | 0 | HP 520 Business Notebook - S R Tathe |
| 189. | 1354 | 0 | HP 520 Notebook for Mr Awati |
| 190. | 1355 | 0 | Printer Laser Jet CP2025DN - Site Engg Office |
| 191. | 1357 | 0 | Laptop - HP make - Khambhati |
| 192. | 1358 | 0 | Laptop - HP make - Mansuri |
| 193. | 1359 | 0 | Dell Desktop - Autocad PC |
| 194. | 1360 | 0 | HP Laser Jet P1106 Printer-Media |
| 195. | 2120 | 1 | Laptop Leather Carry Case for JSK Laptop/Statart T |
| 196. | 1344 | 0 | Computerised Maintenance Management System TECCMMS |
| 197. | 1344 | 1 | CMMS System Source Code Purchase from Tectona |
| 198. | 1356 | 0 | Software for BMS system |
| 199. | 1361 | 0 | BMS Software - Siemens |
| 200. | 1386 | 0 | Dot Matrix Printer EPSON LQ 1150 For Accounts |
| 201. | 1984 | 0 | Computer/HP Brio/PIII 550/64MB/8.4GB/No 3 |
| 202. | 1985 | 0 | Monitor/Samtron 15" SVGA Colour/No 14 |
| 203. | 1986 | 0 | Printer Epson LQ-1070+ /No 1 |
| 204. | 1987 | 0 | Dot Matrix Printer LX 800 DX For Purchase Dept |
| 205. | 1990 | 0 | Axis Camera system for warehouse- Software |
| 206. | 1990 | 1 | Axis Camera system for warehouse- Hardware |
| 207. | 2052 | 0 | HP Notebook - IQP |
| 208. | 2099 | 0 | LAPTOP HP 520 Business Notebook with DVD RW |
| 209. | 2112 | 0 | External Data 3 Com 56K Modem 3/No.32/Server |
| 210. | 2120 | 0 | Laptop/COMPAQ Armada M300/PII333/64MB/6.4GB/No 27 |
| 211. | 2126 | 0 | Motorola Canopy Wireless Subscriber Module/Bandwid |
| 212. | 2128 | 0 | IBM MS Exchange Windows Server with Exchange & Cal |
| 213. | 2128 | 1 | Memory Upgrade X205/IBM MS Exchange Windows Server |

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| 214. | 2128 | 3 | Windows Backup Software VERITAS/Ex Windows Server |
| 215. | 2132 | 0 | Back-Up Tape Drive for Sever - H/W |
| 216. | 2132 | 1 | Back-Up Tape Drive for Sever - H/W |
| 217. | 2139 | 0 | Printer - Q.C. |
| 218. | 2140 | 0 | Printer - Q.A. |
| 219. | 2134 | 0 | MS Project Software Prjct 2010 /Autocad 2011 LT So |
| 220. | 2319 | 0 | 10 KVA UPS Model S-410 Tata Libert make/Akshini Sy |
| 221. | 2320 | 0 | Battery Exide make (for 1 Hour) 42AH 26Nos/Akshini |
| 222. | 2321 | 0 | Printer/HP Deskjet BJC 1000 Replacement of 640C/21 |
| 223. | 2322 | 0 | Computer Compaq ENL PIII 800/64MB RAM/10GB/NO.33 |
| 224. | 2324 | 0 | Computer PIV Compaq EVO D320m 1.9Ghz 40GB HDD/No36 |
| 225. | 2325 | 0 | Printer HP Business Ink Jet BIJ1100D For HR Fuctio |
| 226. | 2327 | 0 | LCD Multimedia Projector SONY Mk Model VPL ES2/Vin |
| 227. | 2329 | 0 | HP 520 Business Notebook - Bhavesh Panchal |
| 228. | 2332 | 0 | Laptop - HP make - Madhuri |
| 229. | 2336 | 0 | Time track System & Access readers-Abacus |
| 230. | 2337 | 0 | Printer cum scanner for HR |
| 231. | 2333 | 0 | Attendance Systems for HR |
| 232. | 2680 | 0 | Printer Epson LQ-1070+ /No 1 |
| 233. | 2485 | 0 | Visual X-PORT Software - Export documents |
| 234. | 2508 | 0 | Sukam 1140W Invertor 7014/00/ for conf Rm/Busi Lnk |
| 235. | 2511 | 0 | Hitachi Projector for HO |
| 236. | 2588 | 0 | 2 KVA UPS/ APC Mk /Mod SU2200UXI/Server/ Bus LNK |
| 237. | 2591 | 0 | IBM MS Exchange Windows Server with Exchange & Cal |
| 238. | 2592 | 0 | IP Based VPN Connectivity with Huwaie Router/Lease |
| 239. | 2704 | 0 | UPS 500VA APC-APC with 15 Minutes Battery Backup |
| 240. | 2704 | 1 | UPS 500VA APC-APC with 15 Minutes Battery Backup |
| 241. | 2704 | 2 | UPS 500VA APC-APC with 15 Minutes Battery Backup |
| 242. | 2667 | 0 | Network Switch WS-C3750X-24T-S |
| 243. | 2668 | 0 | Network Switch WS-C3560CG-8TC-S |
| 244. | 2669 | 0 | Network Switch WS-C2960S-48TS-L |
| 245. | 2670 | 0 | Network Switch WS-C2960S-24TS-L |
| 246. | 2671 | 0 | Network Switch WS-C2960S-48TS-L |
| 247. | 2672 | 0 | Network Switch WS-C2960S-24TS-L |
| 248. | 2673 | 0 | Network Switch WS-C3750X-24S-E |
| 249. | 2673 | 1 | Network Switch WS-C3750X-24S-E |
| 250. | 2674 | 0 | WIFI AIR-CT2504-5-K9 50X-24T-S |
| 251. | 2677 | 0 | LAN Kit from BT for Security Gate LAN connection |

Novartis Vaccines and Diagnostics S.r.l.

| <u>No.</u> | <u>Asset</u> | <u>SNo</u> | <u>Asset description</u> |
|------------|--------------|------------|---|
| 1. | 35862 | | N.1 CISCO 3750+N.2 GLC+PWR675 LOTTO8ED1 |
| 2. | 35863 | | N.1 CISCO 3750+N.2 GLC LOTTO1 ED.5 |
| 3. | 34900 | | TELEFONO VIVA VOCE (MICROSOFT ROUNDTABLE) |
| 4. | 36456 | | TELEFONO VIVA VOCE (MICROSOFT ROUNDTABLE) |
| 5. | 46012 | | IMPIANTI ELETTRICI COMPUTER ROOM |
| 6. | 48727 | | IMPIANTO RILEVAMENTO E SPEGNIMENTO INCENDIO |
| 7. | 25932 | | ARMADIO TD |

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| 8. | 35836 | ARMADIO DI RETE (RACK) MAGAZZINO 17 |
| 9. | 35840 | CABLAGGIO COLLEGAMENTO RETE MAG.17 |
| 10. | 35841 | SWITCH ROSIA ED.17 LOTTO 4+ACCESSOR |
| 11. | 25933 | ARMADIO TD |
| 12. | 25934 | ARMADIO TD |
| 13. | 35864 | N.1 CISCO 3560+N.2 GLC LOTTO4ED20WIRELE |
| 14. | 35865 | N.1 CISCO 3750+N.2 GLC+PWR675 LOTTO3ED20 |
| 15. | 6923 | GRUPPO DI CONTINUITA' POT.3000VA PER SERVER ROSIA |
| 16. | 17215 | ARMADIO DI RETE RITTAL DK |
| 17. | 17215 | PATCHPANEL R&M 24 PORTE CATEGORIA 6 |
| 18. | 21236 | SIST. STATICO DI CONTINUITA' SERIE SINTHESIS TWIN |
| 19. | 25935 | ARMADIO TD |
| 20. | 25936 | ARMADIO TD |
| 21. | 25937 | ARMADIO TD |
| 22. | 25945 | 7204VXR VPN BUNDLE NPE-225 I/O 2FE,VAM, |
| 23. | 25945 | CISCO 7200 REDUNDANT AC POWER SUPPLY |
| 24. | 27944 | CATALYST 3750 WS-C3750-48TS-S CON ACCESS. |
| 25. | 27950 | CABLAGGIO FIBRE OTTICHE |
| 26. | 27951 | CATALYST 2950, 48 10/100 WITH 2 GBIC |
| 27. | 27952 | CATALYST 3750-48 10/100 POE+4SFP |
| 28. | 27953 | CATALYST 3750-48 10/100 POE+4SFP |
| 29. | 27954 | 675W REDUNDANT POWER SUPPLY |
| 30. | 27955 | RACK IBM PER ROSIA (ARMADIO) |
| 31. | 27957 | PROIETTORE M400 - ITALIA |
| 32. | 35005 | RACK HP UNIVERSAL 10642 G2+ACCESSORI |
| 33. | 35834 | SAN SWITCH IBM TOTALSTORAGE SAN16B-2+ACCESSORI |
| 34. | 35835 | SAN SWITCH IBM TOTALSTORAGE SAN16B-2+ACCESSORI |
| 35. | 35842 | CABLAGGIO COLLEGAMENTO RETE ED.22 |
| 36. | 35845 | N.1 CISCO 3750+N.2 GLC+PWR675 LOTTO5ED22 |
| 37. | 35846 | N.1 CISCO 3750+N.2 GLC+PWR675 LOTTO7ED22 |
| 38. | 35848 | CORE SWITCH ROSIA ED.22 LOTTO 1+ACCESSOR |
| 39. | 35871 | WS-X6724+N.28 GLC-LH-SM LOTTO14 |
| 40. | 35873 | CISCO 3750+N.2 GLC+PWR675 LOTTO3MENB |
| 41. | 35874 | CISCO 3750+N.2 GLC+PWR675 LOTTO3MENB |
| 42. | 35875 | CISCO AIR-AP1242AG-E-K9+ACCESSORI |
| 43. | 35876 | CISCO AIR-AP1242AG-E-K9+ACCESSORI |
| 44. | 35877 | CISCO AIR-AP1242AG-E-K9+ACCESSORI |
| 45. | 35878 | CISCO AIR-AP1242AG-E-K9+ACCESSORI |
| 46. | 42751 | FIBRA OTTICA EDIFICIO 22 ROSIA |
| 47. | 48463 | CLIMATIZZATORE DAIKIN FAQ100B-I/RZQSC |
| 48. | 48746 | IMPIANTO CONDIZIONAMENTO SALA SERVER GIS |
| 49. | 52950 | N.3 SWITCHES + INSTALLATION |
| 50. | 25938 | ARMADIO TD |
| 51. | 35866 | N.1 CISCO 3560+N.2 GLC+PWR675 LOTTO9ED35 |
| 52. | 35850 | CABLAGGIO COLLEGAMENTO RETE MAG.17 |
| 53. | 27946 | CATALYST 3750 WS-C3750-48TS-S CON ACCESS. |
| 54. | 27947 | CATALYST 3750 WS-C3750-48TS-S CON ACCESS. |
| 55. | 27948 | CATALYST 3750 WS-C3750-48TS-S CON ACCESS. |

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| 56. | 27949 | REDUNDANT POWER SUPPLY PWR675-AC-RPS-N1 |
| 57. | 35839 | ARMADIO DI RETE (RACK) ED.40 MENB |
| 58. | 35853 | CABLAGGIO COLLEGAMENTO RETE |
| 59. | 27945 | CATALYST 3750 WS-C3750-48TS-S CON ACCESS. |
| 60. | 35358 | ARMADIO IGNIFUGO LAMPERTZ DATA SAFE S13 |
| 61. | 35837 | ARMADIO DI RETE (RACK) FILL FINISH PIANO UFFICI |
| 62. | 35838 | ARMADIO DI RETE (RACK) FILL FINISH PIANO TERRA |
| 63. | 35843 | CORE SWITCH ROSIA FILL-FINISH RACK 1 |
| 64. | 35844 | CORE SWITCH ROSIA FILL-FINISH RACK 1 |
| 65. | 35851 | CABLAGGIO COLLEGAMENTO RETE MAG.17 |
| 66. | 35868 | N.1 CISCO 3750 + ACCESS. LOTTO 1 ED. 42 |
| 67. | 35869 | N.1 CISCO 3750 + ACCESS. LOTTO 1 ED. 42 |
| 68. | 46274 | CONSOLE GESTIONE REMOTA BRIDGE VIDEO |
| 69. | 46515 | SISTEMA VIDEOCONFERENZA HDX 9002 BLD.42 |
| 70. | 30129 | PROIETTORE BENQ CP220 |
| 71. | 35852 | CABLAGGIO COLLEGAMENTO RETE MAG.17 |
| 72. | 35856 | N.1 CISCO 4506+ACCESS. NEW QC P0A-LOTTO1 |
| 73. | 35857 | N.1 CISCO 4506+ACCESS. NEW QC P0B-LOTTO1 |
| 74. | 35858 | N.1 CISCO XENPAK 10GB NEW QC-LOTTO6 |
| 75. | 35859 | N.1 CISCO 3750+ACCESS. NEW QC P0-LOTTO3 |
| 76. | 35860 | N.1 CISCO 3750+ACCESS. NEW QC P1-LOTTO4 |
| 77. | 35861 | N.1 CISCO 3750+ACCESS. NEW QC P2-LOTTO5 |
| 78. | 35854 | CABLAGGIO COLLEGAMENTO RETE |
| 79. | 35849 | CORE SWITCH ROSIA ED.22 LOTTO 2+ACCESSOR |
| 80. | 35872 | WS-X6724+N.28 GLC-LH-SM LOTTO14 |
| 81. | 47849 | LAVORI CIVILI PER NUOVO IT DATA CENTER ROSIA |
| 82. | 47849 | LAVORI CIVILI PER NUOVO IT DATA CENTER ROSIA |
| 83. | 50153 | IMPIANTO CONTROLLO ACCESSI DATACENTER BDG.53 |
| 84. | 50830 | RACK - ARMADIO DI RETE |
| 85. | 50830 | CABLAGGIO RACK - ARMADIO DI RETE |
| 86. | 50830 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 87. | 50831 | RACK - ARMADIO DI RETE |
| 88. | 50831 | CABLAGGIO RACK - ARMADIO DI RETE |
| 89. | 50831 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 90. | 50832 | RACK - ARMADIO DI RETE |
| 91. | 50832 | CABLAGGIO RACK - ARMADIO DI RETE |
| 92. | 50832 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 93. | 50833 | RACK - ARMADIO DI RETE |
| 94. | 50833 | CABLAGGIO RACK - ARMADIO DI RETE |
| 95. | 50833 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 96. | 50834 | RACK - ARMADIO DI RETE |
| 97. | 50834 | CABLAGGIO RACK - ARMADIO DI RETE |
| 98. | 50834 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 99. | 50835 | RACK - ARMADIO DI RETE |
| 100. | 50835 | CABLAGGIO RACK - ARMADIO DI RETE |
| 101. | 50835 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 102. | 50836 | RACK - ARMADIO DI RETE |
| 103. | 50836 | CABLAGGIO RACK - ARMADIO DI RETE |

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| 104. | 50836 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 105. | 50837 | RACK - ARMADIO DI RETE |
| 106. | 50837 | CABLAGGIO RACK - ARMADIO DI RETE |
| 107. | 50837 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 108. | 50838 | RACK - ARMADIO DI RETE |
| 109. | 50838 | CABLAGGIO RACK - ARMADIO DI RETE |
| 110. | 50838 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 111. | 50839 | RACK - ARMADIO DI RETE |
| 112. | 50839 | CABLAGGIO RACK - ARMADIO DI RETE |
| 113. | 50839 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 114. | 50840 | RACK - ARMADIO DI RETE |
| 115. | 50840 | CABLAGGIO RACK - ARMADIO DI RETE |
| 116. | 50840 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 117. | 50841 | RACK - ARMADIO DI RETE |
| 118. | 50841 | CABLAGGIO RACK - ARMADIO DI RETE |
| 119. | 50841 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 120. | 50842 | RACK - ARMADIO DI RETE |
| 121. | 50842 | CABLAGGIO RACK - ARMADIO DI RETE |
| 122. | 50842 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 123. | 50843 | RACK - ARMADIO DI RETE |
| 124. | 50843 | CABLAGGIO RACK - ARMADIO DI RETE |
| 125. | 50843 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 126. | 50844 | RACK - ARMADIO DI RETE |
| 127. | 50844 | CABLAGGIO RACK - ARMADIO DI RETE |
| 128. | 50844 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 129. | 50845 | RACK - ARMADIO DI RETE |
| 130. | 50845 | CABLAGGIO RACK - ARMADIO DI RETE |
| 131. | 50845 | CABLAGGI E CONNETTORIZZAZ.X INST.SAN |
| 132. | 50846 | IMPIANTO ELETTRICO, UPS-STX PER IT DATA CENTRE |
| 133. | 50846 | IMPIANTO ELETTRICO, UPS-STX PER IT DATA CENTRE |
| 134. | 50847 | IMP. RAFFREDDAMENTO E CLIMATIZZ. X IT DATA CENTRE |
| 135. | 50847 | IMP. RAFFREDDAMENTO E CLIMATIZZ. X IT DATA CENTRE |
| 136. | 50848 | IMPIANTO ANTINCENDIO PER IT DATA CENTRE |
| 137. | 50848 | IMPIANTO ANTINCENDIO PER IT DATA CENTRE |
| 138. | 50849 | TRASMISSIONE DATI DA IT DATA CTR A ALTRI EDIFICI |
| 139. | 50849 | TRASMISSIONE DATI DA IT DATA CTR A ALTRI EDIFICI |
| 140. | 52737 | CORE SWITCH |
| 141. | 52738 | RACK - ARMADIO DI RETE |
| 142. | 55475 | NETWORK |
| 143. | 17221 | SISTEMA DI CALL ACCOUNTING TABS + ACCESS. |
| 144. | 29505 | ACC. POINT 802.11G+ACC.LOTTO 2 ED. 1 SIENA |
| 145. | 29506 | ACC. POINT 802.11G+ACC.LOTTO 2 ED. 1 SIENA |
| 146. | 29510 | CISCOSTACK 3750-48 ED.1 ACC. LOTTO 3 SIENA |
| 147. | 29511 | CISCOSTACK 3750-48 ED.1 ACC. LOTTO 3 SIENA |
| 148. | 29512 | CISCOSTACK 3750-48 ED.1 ACC. LOTTO 3 SIENA |
| 149. | 29513 | CISCOSTACK 3750-48 ED.1 ACC. LOTTO 3 SIENA |
| 150. | 29514 | CISCOSTACK 3750-48 ED.1 ACC. LOTTO 3 SIENA |
| 151. | 29515 | CISCOSTACK 3750-48 ED.1 ACC. LOTTO 3 SIENA |

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| 152. | 29516 | CISCOSTACK 3750-48 ED.1 ACC. LOTTO 3 SIENA |
| 153. | 46508 | PROIETTORE E SCHERMO SALA MONTALCINI BLD.1 |
| 154. | 46513 | CONFERENCE HALL PROIETTORE BLD.35 |
| 155. | 49026 | ARMADIO 42 UNITA' |
| 156. | 19645 | CATALYST 6009 LAYER 3 |
| 157. | 19645 | WS-X6416-GBIC CATALYST 6000 16 PORT |
| 158. | 19645 | UPGR. CATALYST 6009 TO 6509 LOT. 9 SIENA |
| 159. | 23834 | FORNITURA AAPPARECCHIATURE DI RETE CISCO |
| 160. | 25939 | CATALYST 3550-12T 12 PORT 10/100/1000 TX |
| 161. | 25943 | CATALYST 6000 16-PORT 1000TXGE MOD.RJ-45 |
| 162. | 28629 | CATALYST 3750 48 10/100 WS-C3750-48TS-S |
| 163. | 28630 | CATALYST 3750 48 10/100 WS-C3750-48TS-S |
| 164. | 28631 | CATALYST 3750 48 10/100 WS-C3750-48TS-S |
| 165. | 29503 | VPN3020 CHASSIS 3FE,SEP-E+VPN3020SW |
| 166. | 29521 | CISCOSTACK 3750-48 ED.28 +ACC.LOT. 5 SIENA |
| 167. | 30752 | ARMADIO IGNIFUGO LAMPERTZ SAFE S14 |
| 168. | 35011 | N 2 CISCO 3750-48PS+ACCES. ED.7P0 LOTTO4 |
| 169. | 35847 | SWITCH ROSIA FILL-FINISH RACK 3 E 4 |
| 170. | 35847 | UPGRADE SWITCH ROSIA FILL-FINISH RACK 3 E 4 |
| 171. | 35867 | N.1 CISCO 3560+N.2 GLC+PWR675LOTTO10ED35 |
| 172. | 36705 | SWITCH DI RETE CATALYST 3750 48 PORTE |
| 173. | 36706 | SWITCH DI RETE CATALYST 3750 48 PORTE |
| 174. | 36707 | SWITCH DI RETE CATALYST 3750 48 PORTE |
| 175. | 36708 | SWITCH DI RETE CATALYST 3750 48 PORTE |
| 176. | 27703 | ARMADIO DI RETE ED. 5 SIENA |
| 177. | 29517 | CISCOSTACK 3750-48 ED.5+ACC. LOT.4 SIENA |
| 178. | 29518 | CISCOSTACK 3750-48 ED.5+ACC. LOT.4 SIENA |
| 179. | 29508 | ACC. POINT 802.11G+ACC.LOTTO 2 ED. 1 SIENA |
| 180. | 35008 | N 1 CISCO 3750-48TS+ACCES. ED. 6 LOTTO1 |
| 181. | 35019 | RACK RETE ED. 6 SIENA |
| 182. | 46173 | HALO SYSTEM |
| 183. | 46173 | HALO SYSTEM |
| 184. | 46173 | UPGRADE HALO SYSTEM |
| 185. | 46507 | ARMADIO DI RETE PER HALO ROOM |
| 186. | 26352 | ETICHETTATRICE PORTATILE BROTHER PT-2480 |
| 187. | 29507 | ACC. POINT 802.11G+ACC.LOTTO 2 ED. 1 SIENA |
| 188. | 35009 | N 3 CISCO 3750-48PS+ACCES. ED.7P2 LOTTO2 |
| 189. | 35010 | N 3 CISCO 3750-48PS+ACCES. ED.7P1 LOTTO3 |
| 190. | 35020 | RACK RET ED.7 P.T. SIENA |
| 191. | 46516 | SISTEMA VIDEOCONFERENZA HDX 9002 BLD.7 |
| 192. | 35012 | N 2 CISCO 3750-48TS+ACCES. ED.8 LOTTO5 |
| 193. | 34626 | SWITCH CISCO CATALYST 3750 CON ACCESSORI |
| 194. | 35018 | IMPIANTO DATI ED.10 |
| 195. | 6034 | CONDIZIONATORE MITSUBISHI ELEC.MATR.7XI00010 |
| 196. | 6035 | CONDIZIONATORE MITSUBISHI ELEC.MATR.7XI00010 |
| 197. | 17299 | SISTEMA AUDIOCONFERENZA 3M |
| 198. | 17332 | SOFTWARE DI AGGIORNAMENTO |
| 199. | 17593 | STRUMENTO FLUKE NET TOOL IN LINE PER TEST RETE |

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| 200. | 19133 | CONDIZIONATORE MONOSPLI A PARETE MS-07RV |
| 201. | 19522 | ARMADIO IN METALLO PER SERVER (RISCATTO NOLEGGIO) |
| 202. | 19645 | N.2 CATALYST 6500 128MB DRAM C-MEM-S1-128MB |
| 203. | 22636 | PROIETTORE BENQ SL 705X |
| 204. | 22787 | SCAFFALATURA IN METALLO 100X50 A 5 RIPIANI |
| 205. | 22788 | SCAFFALATURA IN METALLO MOD.L1L23 |
| 206. | 23835 | ARMADIO RETE |
| 207. | 25585 | VIDEOPROIETTORE BENQ PB2220 |
| 208. | 25699 | RACK RISCATTO LEASING |
| 209. | 25700 | RACK RISCATTO LEASING |
| 210. | 25944 | 7204VXR VPN BUNDLE NPE-225 I/O 2FE,VAM, |
| 211. | 25944 | CISCO 7200 REDUNDANT AC POWER SUPPLY |
| 212. | 25946 | PORT FAST ETHERNET 100BASE TX PORT |
| 213. | 25947 | PORT FAST ETHERNET 100BASE TX PORT |
| 214. | 28627 | WS-C3750-24TS-S CATALYST 3750 24 PORTE |
| 215. | 28628 | WS-C3750-24TS-S CATALYST 3750 24 PORTE |
| 216. | 28632 | ACCESS POINT 802.11G CON ANTENNE 4941 |
| 217. | 28633 | CISCO ROUTER 2821 |
| 218. | 28634 | CISCO ROUTER 2821 |
| 219. | 28635 | INST. FIBRA OTTICA TRA ED. 15 E ED. 23 |
| 220. | 29356 | RACK IBM COMPLETO DI ACCESSORI |
| 221. | 29438 | DISTRUGGIDOCUMENTI SB85C |
| 222. | 29439 | POLYCOM SOUNDSTATION2 (CONFERENCE PHONE) |
| 223. | 29533 | 4250 SENSOR |
| 224. | 29533 | UPGRADE SOFTWARE SONDE IDS 4250 E PIATTAFORMA VMS |
| 225. | 29826 | CISCO SWITCH WS-C3560G-24PS-S+CONNETTORE |
| 226. | 29827 | CISCO SWITCH WS-C3560G-24PS-S+CONNETTORE |
| 227. | 30127 | PROIETTORE BENQ CP220 |
| 228. | 31351 | N. 2 SWITCH 19" KVM 4 PC PER GESTIONE ALLARMI |
| 229. | 33404 | PROIETTORE MULTIMEDIALE BENQ CP120 |
| 230. | 34750 | PROIETTORE BENQ |
| 231. | 35013 | N 3 CISCO 3750-48PS+ACCES.ED.11IM LOTTO6 |
| 232. | 35014 | N 2 CISCO 3750-48TS+ACCES.ED11CC LOTTO7 |
| 233. | 35823 | CAT6500 48-PORT 10/100/1000 GE |
| 234. | 35870 | CISCO SUPERVISOR 720 FABRIC MSFC3 PFC3B |
| 235. | 35879 | INSTALL. 8 PUNTI RETE SALA MACCHINE + ACCESS POINT |
| 236. | 35946 | SCHEDA 4 PORTE 10GBPS CAT.65XX + ACCESSO |
| 237. | 36300 | TELEFONO POLYCOM VOICESTATION 300 |
| 238. | 36996 | VALIGIA IMATION DATAGUARD PER NASTRI MAGNETICI |
| 239. | 36997 | VALIGIA IMATION DATAGUARD PER NASTRI MAGNETICI |
| 240. | 36998 | VALIGIA IMATION DATAGUARD PER NASTRI MAGNETICI |
| 241. | 36999 | VALIGIA IMATION DATAGUARD PER NASTRI MAGNETICI |
| 242. | 37000 | VALIGIA IMATION DATAGUARD PER NASTRI MAGNETICI |
| 243. | 37001 | VALIGIA IMATION DATAGUARD PER NASTRI MAGNETICI |
| 244. | 44627 | SISTEMA DI AUDIOCONFERENZA CONVERGE 590 CLEAR ONE |
| 245. | 46796 | TV TFT 32 POLLICI LCD |
| 246. | 48976 | DISPOSITIVO DI RETE CATALYST 3750E 48 PORTE |
| 247. | 49227 | KVM SWITCH + ACCESSORI |

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| 248. | 49228 | KVM SWITCH + ACCESSORI |
| 249. | 35015 | N 2 CISCO 3750-48PS+ACCES.ED.13 LOTTO8 |
| 250. | 35021 | RACK RETE ED. 13 SIENA |
| 251. | 30128 | PROIETTORE BENQ CP220 |
| 252. | 35016 | N 1 CISCO 3750-48PS+ACCES.ED.15DP LOTTO9 |
| 253. | 43361 | INSTALLAZIONE CABLAGGIO NUOVI LOCALI ED.15 |
| 254. | 29509 | ACC. POINT 802.11G+ACC.LOTTO 2 ED. 1 SIENA |
| 255. | 29519 | CISCOSTACK 3750-48 ED.23+ACC. LOT.4 SIENA |
| 256. | 29520 | CISCOSTACK 3750-48 ED.23+ACC. LOT.4 SIENA |
| 257. | 26554 | NUOVO ARMADIO RETE ED. 28 P.1 |
| 258. | 29522 | CISCOSTACK 3750-48 ED.28 +ACC.LOT. 5 SIENA |
| 259. | 29523 | CISCOSTACK 3750-48 ED.28 +ACC.LOT. 5 SIENA |
| 260. | 29524 | CISCOSTACK 3750-48 ED.28 +ACC.LOT. 5 SIENA |
| 261. | 29525 | CISCOSTACK 3750-48 ED.28 +ACC.LOT. 5 SIENA |
| 262. | 29526 | CISCOSTACK 3750-48 ED.28 +ACC.LOT. 5 SIENA |
| 263. | 36710 | SWITCH DI RETE CATALYST 3750 24 PORTE |
| 264. | 35017 | N 2 CISCO 3750-48TS+ACCES.ED.30 LOTTO10 |
| 265. | 46509 | SISTEMA VIDEOCONFERENZA HDX 9002 BLD.31 |
| 266. | 46510 | ARMADIO PER SISTEMA VIDEOCONFERENZA BLD.31 |
| 267. | 46511 | SIST.VIDEOCONFER. HDX POLYC.XSALA POLTR.ROSSE B31 |
| 268. | 36709 | SWITCH DI RETE CATALYST 3750 48 PORTE |
| 269. | 36712 | SWITCH DI RETE CATALYST 3750 48 PORTE |
| 270. | 36713 | SWITCH DI RETE CATALYST 3750 48 PORTE |
| 271. | 37135 | SWITCH DI RETE CATALYST 3750 48 PORTE |
| 272. | 37136 | SWITCH DI RETE CATALYST 3750 48 PORTE |
| 273. | 37137 | SWITCH DI RETE CATALYST 3750 48 PORTE |
| 274. | 46263 | ARMADIO DI RETE ED.35 |
| 275. | 46264 | ARMADIO DI RETE ED.35 |
| 276. | 46512 | SIST.VIDEOCONFER. HDX POLYCOM BLD.35 |
| 277. | 46514 | AUDIOCONFERENZA POLYCOM SOUND STATION BLD.35 |
| 278. | 53138 | DISTRIBUTION SWITCH CENTRO RICERCHE |
| 279. | 53834 | EPSON VIDEOPROIETTORE PROFESSIONALE |
| 280. | 53838 | AMPLIAMENTO SISTEMA AUDITORIUM |
| 281. | 36711 | SWITCH DI RETE CATALYST 3750 24 PORTE |
| 282. | 46517 | SIST.VIDEOCONFER.HDX POLYCOM SALA SABIN VILLA GORI |
| 283. | 46518 | ARMADIO PER SISTEMA VIDEOCONFERENZA SALA SABIN |
| 284. | 46519 | SISTEMA AUDIOCONFERENZA SALA TORRETTA VILLA GORI |
| 285. | 35855 | N. 1 CISCO SWITCH 3750-48PS-S BLD 48 |
| 286. | 58634 | LAN REFRESH SITO SIENA |

Schedule 28
Global TDSA Jurisdictions

Argentina
Australia
Bangladesh
Belgium
Brazil
Canada
Chile
China
Ecuador
Egypt
Greece
Hong Kong
Hungary
Indonesia
Malaysia
Mexico
Morocco
Pakistan
Philippines
Portugal
Russia
Singapore
Slovenia
South Korea
Switzerland (Sandoz AG only)
Taiwan
Turkey
Venezuela

Schedule 29
Surviving Affiliate Contracts

- 1 The quality agreement dated 19 June 2012 between Novartis Vaccines and Diagnostics Ltd. on the one hand and Novartis Vaccines and Diagnostics AG, Novartis Vaccines and Diagnostics GmbH and Novartis Vaccines and Diagnostics S.r.l. on the other;
- 2 the quality agreement dated 28 February 2013 between Novartis Vaccines and Diagnostics, Inc. and Novartis Vaccines and Diagnostics GmbH;
- 3 the quality agreement dated 12 May 2013 between Novartis Vaccines and Diagnostics Ltd. and Novartis Vaccines and Diagnostics S.r.l.;
- 4 the quality agreement dated 12 August 2013 between Novartis Vaccines and Diagnostics Ltd. and Novartis Vaccines and Diagnostics S.r.l.;
- 5 the quality agreement dated 14 February 2014 between Novartis Vaccines and Diagnostics Ltd. and Novartis Vaccines and Diagnostics GmbH;
- 6 the quality agreement dated 16 May 2014 between Novartis Influenza Vaccines Marburg GmbH and Novartis Vaccines and Diagnostics S.r.l.;
- 7 the quality agreement dated 28 November 2014 between Novartis Vaccines and Diagnostics Ltd. on the one hand and Novartis Vaccines and Diagnostics S.r.l., Novartis Vaccines and Diagnostics GmbH and Novartis Vaccines and Diagnostics AG on the other;
- 8 the quality agreement dated 12 December 2014 between Novartis Influenza Vaccines Marburg GmbH and Novartis Vaccines and Diagnostics GmbH;
- 9 the quality agreement dated 15 December 2014 between Novartis Influenza Vaccines Marburg GmbH and Novartis Vaccines and Diagnostics S.r.l.;
- 10 the quality agreement dated 20 February 2015 between Novartis Vaccines and Diagnostics Ltd. and Novartis Vaccines and Diagnostics GmbH;
- 11 the quality agreement dated 21 February 2015 between Novartis Vaccines and Diagnostics, Inc. and Novartis Vaccines and Diagnostics AG;
- 12 the quality agreement dated 22 February 2015 between Novartis Vaccines and Diagnostics Ltd. and Novartis Vaccines and Diagnostics AG;
- 13 the quality agreement dated 23 February 2015 between Novartis Vaccines and Diagnostics, Inc. and Novartis Vaccines and Diagnostics AG; and
- 14 the quality agreement dated 23 February 2015 between Novartis Vaccines and Diagnostics Ltd. and Novartis Vaccines and Diagnostics AG.

Schedule 30

[***]

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 31
Anti-bribery and corruption

- 1** Each of the Purchaser and the Seller requires compliance with the highest ethical standards and all anti-corruption laws applicable in the countries in which the Purchaser's Group or the Seller's Group (as the case may be)(whether through a third party or otherwise) conducts business.
- 2** Each of the Purchaser and the Seller requires the members of the Purchaser's Group or the Seller's Group (as the case may be), their employees and any third party acting for or on behalf of the party, its members or their employees to ensure that all dealings with third parties, both in the private and government sectors, are carried out in compliance with all Applicable Laws and with the required standards of integrity. Each party values integrity and transparency and does not tolerate corrupt activities of any kind, whether committed by its employees, officers, or third-parties acting for or on its behalf.
- 3** In performing this Agreement or any of the Ancillary Agreements, each of the Purchaser and the Seller shall (and shall procure that each member of the Purchaser's Group or the Seller's Group (as the case may be) shall):
- 3.1** comply with all Applicable Laws, including but not limited to applicable anti-corruption laws, of the territory in which the party or the relevant member of Purchaser's Group or the Seller's Group (as the case may be) conducts business with the other party or the relevant member of the Seller's Group or the Purchaser's Group (as the case may be);
- 3.2** covenant that it has not, and covenants that it will not, in connection with the performance of this Agreement or any of the Ancillary Agreements, directly or indirectly, promise, authorise, ratify or offer to make or make any Payments of Anything of Value to any individual (or at the request of any individual) including a Government Official for the improper purpose of influencing or inducing or as a reward for any act, omission or decision to secure an improper advantage or to improperly assist the Seller's Group or the Purchaser's Group in obtaining or retaining business; and
- 3.3** covenant that it has not, and covenants and that it will not, in connection with the performance of this Agreement or any of the Ancillary Agreements, directly or indirectly, promise, authorise, ratify or offer to make or make any Facilitating Payments to any individual (or at the request of any individual) including a Government Official.

In this Schedule:

“**Anything of Value**” includes cash or cash equivalents, gifts, services, employment offers, loans, travel expenses, entertainment, political contributions, charitable donations, subsidies, per diem payments, sponsorships, honoraria or provision of any other asset, even if nominal in value;

“**Facilitating Payments**” (otherwise known as “greasing payments”) means any payment to an individual to secure or expedite the performance of a routine government action by government officials.

“**Government Official**” means: (i) any officer or employee of a government or any department, agency or instrument of a government; (ii) any person acting in an official capacity for or on behalf of a government or any department, agency, or instrument of a government; (iii) any officer or employee of a company or business owned in whole or part by a government; (iv) any officer or employee of a public international organisation such as the World Bank or United Nations; (v) any officer or employee of a political party or any person acting in an official capacity on behalf of a political party; and/or (vi) any candidate for political office.

“Payments” includes any direct or indirect offers to pay, promises to pay, authorisations of or payments of anything of value.

The terms defined in this Schedule should be construed broadly to give effect to the letter and spirit of each party’s ethical standards.

CONFIDENTIAL TREATMENT REQUESTED

EXECUTION VERSION

1 March 2015

GLAXOSMITHKLINE PLC

and

NOVARTIS AG

DEED OF AMENDMENT AND RESTATEMENT

relating to the

SALE AND PURCHASE AGREEMENT

relating to the Seller's oncology business,
dated 22 April 2014 (as amended)



Freshfields Bruckhaus Deringer

This Deed (the “**Deed**”) is made on 1 March 2015 **between**:

- (1) **GLAXOSMITHKLINE PLC**, a public limited company incorporated in England and Wales whose registered office is at 980 Great West Road, Brentford, Middlesex, TW8 9GS, United Kingdom (the “**Seller**”); and
- (2) **NOVARTIS AG**, a corporation (*Aktiengesellschaft*) incorporated in Switzerland whose registered office is at Lichtstrasse 35, 4056 Basel, Switzerland (the “**Purchaser**”),

each a “**party**” and together the “**parties**”.

Whereas:

- (A) The Seller and the Purchaser entered into the sale and purchase agreement relating to the Seller’s oncology business on 22 April 2014 (the “**SAPA**”).
- (B) The SAPA was subsequently amended and restated on 29 May 2014 and further amended and restated on 21 November 2014 (the “**Original Agreement**”).
- (B) The Seller and the Purchaser now wish to further amend and restate the Original Agreement, in the form of the Amended Agreement (as defined below).

It is agreed as follows:

DEFINITIONS AND INTERPRETATION

In this Deed, unless the context otherwise requires, the provisions of this clause 1 apply.

Incorporation of defined terms

Unless otherwise stated, terms defined in the Original Agreement shall have the same meaning in this Deed.

Definitions

“**Amended Agreement**” means the Original Agreement, as amended and restated in the form set out in the Schedule to this Deed; and

“**Signing Date**” means 22 April 2014.

Interpretation clauses

The principles of interpretation set out in Clause 1 of the Original Agreement shall have effect as if set out in this Deed, save that references to “this Agreement” shall be construed as references to “this Deed”.

References to this Deed include the Schedule.

AMENDMENT

In accordance with Clauses 16.4.3 and 16.5.1 of the Original Agreement, the parties agree that the Original Agreement shall be amended and restated as set out in the Schedule to this Deed.

The amendment and restatement of the Original Agreement pursuant to clause 2.1 shall take effect from the Signing Date, as if the Amended Agreement had been entered into on the Signing Date.

Upon this Deed being entered into, the Amended Agreement shall supersede the Original Agreement in its entirety.

MISCELLANEOUS

Each party represents and warrants that it has full power and authority to enter into this Deed and to perform its obligations under it.

The provisions of Clauses 13, 16.2 to 16.5 and 16.11 to 16.15 of the Amended Agreement shall apply to this Deed as if set out in full in this Deed and as if references in those Clauses to “this Agreement” are references to this Deed and references to “party” or “parties” are references to parties to this Deed.

In witness whereof this Deed has been delivered on the date first stated above.

Executed as a **DEED** by)
GLAXOSMITHKLINE PLC acting by)
its duly appointed attorney) /s/ Edgar B. Cale
) (Signature of attorney)
)

In the presence of:

Witness' signature: /s/ Maria Ledeneva

Name (print): Maria Ledeneva

Occupation: Trainee Solicitor

Address: 65 Fleet Street, London

In witness whereof this Deed has been delivered on the date first stated above.

Executed as a **DEED** by)
)
Jonathan Emery As Attorney and) /s/ Jonathan Emery
)
Sunny Jongsaritwang As Attorney)
) /s/ Sunny Jongsaritwang
on behalf of **NOVARTIS AG**)

SCHEDULE
Amended Agreement

EXECUTION VERSION

Dated 22 April 2014

**As amended and restated on 29 May 2014, and as further amended and restated on
21 November 2014 and on 1 March 2015**

GLAXOSMITHKLINE PLC

and

NOVARTIS AG

SALE AND PURCHASE AGREEMENT

in relation to the Oncology Business

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Sale and Purchase Agreement

This Agreement is made on 22 April 2014, as amended and restated on 29 May 2014, and as further amended and restated on 21 November 2014 and on 1 March 2015.

Between:

- (1) **GLAXOSMITHKLINE PLC**, a public limited company incorporated in England and Wales whose registered office is at 980 Great West Road, Brentford TW8 9GS, United Kingdom (the “**Seller**”); and
- (2) **NOVARTIS AG**, a corporation (*Aktiengesellschaft*) incorporated in Switzerland whose registered office is at Lichtstrasse 35, 4056 Basel, Switzerland (the “**Purchaser**”),

each a “**party**” and together the “**parties**”.

Whereas:

- (A) As of the date of this Agreement, the Seller and certain of the Seller’s Affiliates own or license certain assets and other rights relating to the Products and are engaged in the Business;
- (B) The Seller has agreed, *inter alia*, to procure the sale of the Share and to sell or license (or cause the sale or licence of) certain assets and other rights relating to the Products together with the Assumed Liabilities comprising the Business, and to assume the obligations imposed on the Seller under this Agreement;
- (C) The Purchaser has agreed, *inter alia*, to purchase or procure the purchase of the Share and to purchase or license certain assets and other rights relating to the Products, together with the Assumed Liabilities comprising the Business, and to assume the obligations imposed on the Purchaser under this Agreement;
- (D) In connection with the transactions contemplated by this Agreement, the Purchaser and the Seller, or certain of their respective Affiliates, will enter into the Ancillary Agreements; and
- (E) The Seller has notified the Purchaser of its intention to carry out the Pre-Closing Product Reorganisation and accordingly this Agreement has been amended to give effect to it.

It is agreed as follows:

1. Interpretation

In this Agreement, unless the context otherwise requires, the provisions in this Clause 1 apply:

1.1 Definitions

“**Abandoned Patent(s)**” means any Patent Exclusively Related to the Business abandoned by a member of the Seller’s Group before Closing from which a Patent that constitutes a Business Product Intellectual Property Right can claim priority, or from the priority chain of which a right to priority can be claimed in respect of a Patent that constitutes a Business Product Intellectual Property Right;

“**Action**” means the taking of any steps by any Governmental Entity to seek a Judgment which would have the effect of preventing the consummation of the transactions contemplated by this Agreement by the Purchaser;

“**Affiliate**” means:

- (i) with respect to any person (other than a party to this Agreement), any other person that Controls, is Controlled by or is under common Control with such person; or
 - (ii) with respect to a party to this Agreement, any other person that is Controlled by such party,
- and “**Affiliates**” shall be interpreted accordingly;

“**Agreed Terms**” means, in relation to a document, such document in the terms agreed between the Seller and the Purchaser and signed for identification purposes by the Seller’s Lawyers and the Purchaser’s Lawyers, with such alterations as may be agreed in writing between the Seller and the Purchaser from time to time;

“**Agreed UK Restructuring Arrangement**” means the pension augmentation (or cash in lieu of augmentation) policy applying on redundancy to UK employees of the Seller’s Group who joined service prior to 1 April 2005 as disclosed to the Purchaser prior to the date of this Agreement via a document which was signed on 22 April 2014 by Eleanor Hart of Slaughter and May and Andrew Murphy of Freshfields Bruckhaus Deringer LLP for identification purposes;

“**Agreement**” means this sale and purchase agreement;

“**Allocation Statement**” means a statement prepared in accordance with Schedule 10 allocating whole number percentages to each of the Products so that the aggregate of those percentages equals 100 per cent.;

“**Allowance**” means any amount payable or repayable to customers in respect of a contractual allowance or discount due on the sales of the Products or any other contractually permitted deductions from revenue arising from sales of the Products;

“**Ancillary Agreements**” means the Implementation Agreement, the Company Tax Indemnity, the Direct Indemnity, the Disclosure Letter, the Manufacturing and Supply Agreement, the Transitional Distribution Services Agreement, the France Offer Letter, the France SPA, the Netherlands Offer Letter, the Netherlands APA, the Purchaser Tax Indemnity, the Transitional Services Agreement, the Ofatumumab Intellectual Property Licence Agreement, the Oncology Intellectual Property Licence Agreement, the Intellectual Property Assignment, the Claims Management Agreement, the Quality Agreement, the Pharmacovigilance Agreement, and the Oncology Development and Clinical Supply Agreement;

“**Ancillary Agreement Liabilities**” means the Liabilities of any member of the Seller’s Group to any member of the Purchaser’s Group and the Liabilities of any member of the Purchaser’s Group to any member of the Seller’s Group, in each case arising under any Ancillary Agreement;

“**Anti-Bribery Law**” means any Applicable Law that relates to bribery or corruption, including the US Foreign Corrupt Practices Act of 1977 and the UK Bribery Act 2010, in each case as amended, re-enacted or replaced from time to time;

“**Applicable Law**” means any supra-national, federal, national, state, municipal or local statute, law, ordinance, regulation, rule, code, order (whether executive, legislative, judicial or otherwise), judgment, injunction, notice, decree or other requirement or rule of law or legal process (including common law), or any other order of, or agreement issued, promulgated or entered into by, any Governmental Entity or any rule or requirement of any national securities exchange, including all Healthcare Laws, and GCP, GLP, and GMP, each as may be amended from time to time;

“**Aspen Agreements**” means: (i) the Amended and Restated Sale and Purchase Agreement dated 14 August 2012 and amended and restated on 30 November 2012, between Glaxo Group Limited and Aspen Global Incorporated; and (ii) the Principal Manufacturing and Supply Agreement dated 14 August 2002, between GlaxoSmithKline Trading Services Limited and Aspen Global Incorporated;

“**Assets**” means the property, rights and assets referred to in Clause 2.3.1, in each case excluding the Excluded Assets;

“**Associated Person**” means, in relation to the Seller’s Group, a person (including any director, officer, employee, agent or other intermediary) who performs services for or on behalf of any member of the Seller’s Group or who holds shares of capital stock, partnership interests, limited liability company membership interests and units, shares, interest and other participations in any member of the Seller’s Group (in each case when performing such services or acting in such capacity);

“**Assumed Liabilities**” means the Liabilities of the Business (including, for the avoidance of doubt, any Delayed Business) other than: (i) the Excluded Liabilities; (ii) any Relevant Pension and Employment Liability; (iii) any Liabilities in respect of Tax; (iv) any Ancillary Agreement Liabilities; (v) Liabilities in respect of the Ofatumumab Autoimmune Business; and (vi) any Liabilities relating to the Abandoned Patents;

“**Benefit Plans**” means the US Benefit Plans and the Non-US Benefit Plans;

“**Business**” means the business of the Seller’s Group (including the Company) of research and development (including any studies or trials (whether or not undertaken with third parties)) relating to the Products and the Commercialisation of the Products but excluding (i) the Manufacturing of the Products and (ii) the Seller Pipeline;

“**Business Consideration**” has the meaning set forth in Clause 3.1.1;

“**Business Day**” means a day which is not a Saturday, a Sunday or a public holiday in the canton of Basel-Stadt (Switzerland) or London;

“**Business Goodwill**” means the goodwill of the Business;

“**Business Product Intellectual Property Rights**” means the Owned Product Intellectual Property Rights and the Transferred Product Intellectual Property Rights and including, for the avoidance of doubt, the OBM Intellectual Property Rights;

“**Business Sellers**” means the members of the Seller’s Group that own assets of or otherwise conduct any of the Business immediately prior to Closing, or for the purposes of the Seller’s Warranties, at the date of this Agreement;

“**Cabilly Agreement**” means the licence and settlement agreement dated 26 March 2012 between:

- (i) Genentech Inc.;
- (ii) City of Hope;
- (iii) Glaxo Group Limited;
- (iv) Lonza Biologics Inc.; and
- (v) Lonza Biologics plc;

“**Call for New Tender**” means any calls for a tender (including any tender for a basket of products), whether a new tender or the renewal of an existing tender, which includes the Products and which is published after Closing of which the Seller and/or any of the Seller’s Affiliates become aware and which relates in whole or in part to the sale of Products;

“**Certificate**” means a certificate signed by a director, officer or an authorised signatory of the Seller in the form set out in Schedule 16, to be provided to the Purchaser immediately prior to Closing;

“**CFIUS**” means the Committee on Foreign Investment in the United States;

“**CFIUS Approval**” means written notice from CFIUS that any review or investigation of the Transaction under Section 721 of the Defense Production Act of 1950, as amended (50 U.S.C. App. Section 2170), has been concluded and there are no unresolved national security concerns with respect to the Transaction or the President of CFIUS shall have determined not to take action with respect to the Transaction;

“**CFIUS Filing**” has the meaning set forth in Clause 4.2.3;

“**China**” means the People’s Republic of China excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan;

“**China Contracts**” means the [***] and all other Contracts exclusively related to the Commercialisation of the China Products in China;

“**China Marketing Authorisations**” means the Marketing Authorisations held by a Marketing Authorisation Holder in respect of China for the China Products and the Marketing Authorisation Data to the extent exclusively related to such Marketing Authorisations and a “**China Marketing Authorisation**” means any one of them;

“**China Products**” means Tykerb, Hycamtin and Zofran, and a “**China Product**” shall mean any one of them;

“**Claims Management Agreement**” means the agreement between the Seller and the Purchaser, to be negotiated in good faith between the parties and entered into at

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Closing, in respect of the management of claims or investigations by or against third parties (including by any Governmental Entity) which constitute or may constitute an Assumed Liability or an Excluded Liability;

“**Clinical Employee Transfer Date**” means 1 May 2015 or such later date as the parties may agree;

“**Clinical Employees**” means the Relevant Employees (other than those Relevant Employees who are employed in France or Italy) who immediately prior to the Closing Date work wholly or substantially in clinical development activities in relation to the Products or the Business, provided that such Relevant Employees shall only constitute Clinical Employees for so long as they are assigned to provide services within the Transitional Services Agreement;

“**Clinical Trial Agreement**” has the meaning given to it in paragraph 4.6.2 of Schedule 7;

“**Clinical Trials/Data Liability**” means any Liability arising out of, relating to or resulting from any breach of Applicable Law in connection with the conduct of, or reporting or data in relation to, clinical studies or trials (including post-approval studies) in relation to the Products or the Business;

“**Closing**” means the completion of the sale of the Share and the Business pursuant to this Agreement, and Closing shall be deemed to have taken place notwithstanding that some of the Business has not transferred to the Purchaser pursuant to Schedule 25 in which case the provisions of Schedule 25 shall then apply in respect thereof;

“**Closing Date**” means the date on which Closing takes place;

“**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985 of the United States, as amended, section 4980B of the Code, Title I Part 6 of ERISA, and any similar US state group health plan continuation law, together with its implementing regulations;

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended, together with its implementing regulations;

“**Commercial Information**” means information that is, as of the Closing Date, or, in respect of any Delayed Business, the Delayed Closing Date, as applicable, owned by the Seller and/or its Affiliates and relates exclusively to the Commercialisation of any Product;

“**Commercial Practices Liability**” means any Liability arising out of, relating to or resulting from any breach of Applicable Law in connection with the Commercialisation of any products;

“**Commercialise**” means to promote, market, distribute and/or sell a Product and “**Commercialising**” and

“**Commercialisation**” shall be construed accordingly;

“**Commercially Reasonable Litigation Efforts**” mean, with respect to the efforts to be expended by the Purchaser in relation to undertaking litigation in accordance with Schedule 26, those reasonable, diligent commercial efforts in respect to such

litigation that a person with operations of a similar scale and standing in the pharmaceutical industry would normally use when conducting litigation for its own benefit under similar circumstances;

“**Company**” has the meaning given to it in Schedule 18;

“**Company Intra-Group Debt**” means all sums owed by the Company to GlaxoSmithKline Finance plc at the Closing Date (immediately prior to Closing) as shall be notified by the Seller to the Purchaser in accordance with Clause 6.3.2;

“**Company Tax Indemnity**” has the meaning given to it in Schedule 18;

“**Competing Product**” has the meaning given to it in Clause 12.1;

“**Contract**” means any binding contract, agreement, instrument, lease, licence or commitment, excluding any contract with any Employee;

“**Contracts Liabilities**” means Liabilities relating to the: (i) Transferred Contracts; (ii) Transferred Intellectual Property Contracts (but excluding until the OBM Transfer Date, any OBM Intellectual Property Contracts); and (iii) all other contracts or parts thereof transferred, assigned, novated or assumed by the Purchaser pursuant to this Agreement, and a “**Contracts Liability**” shall mean any one of them;

“**Control**” means the power to direct the management and policies of a person (directly or indirectly), whether through ownership of voting securities, by Contract or otherwise (and the term “**Controlled**” shall be interpreted accordingly);

“**Controlled Business Instruction**” has the meaning given to it in sub-paragraph 3.4.1 of Schedule 25;

“**Co-Owned Business Product Intellectual Property Right**” means any Business Product Intellectual Property Right that is owned in part by a third party;

“**Co-Owned Transferred Product Intellectual Property Right**” means any Transferred Product Intellectual Property Right that is owned in part by a third party;

“**Copyright**” means any works of authorship, copyrights, database rights, mask work rights and registrations and applications therefor;

“**Cork FDA Matter**” means the deficiencies in GMP noted in the observations made by the FDA in a Form FDA 483 following an inspection of the Cork Site between 18 and 23 October 2013 which are the subject of the Warning Letter dated 18 March 2014 issued by the FDA to a member of the Seller’s Group;

“**Data Room**” means the electronic data room containing documents and information relating to the Business made available by Intralinks on behalf of the Seller, the contents of which are listed in the Disclosure Letter;

“**Decision**” means the issuing of any decision by a competition, antitrust, foreign investment, national, local, supranational or supervisory or other government, governmental, quasi-governmental, trade, or regulatory body, agency, branch, subdivision, department, commission, official or authority, including any Tax Authority

and any governmental department and any court or other tribunal, that would have the effect of prohibiting the acquisition of the Business by the Purchaser;

“**Deferred Employee**” means any person to whom the Seller or any other member of the Seller’s Group has made an offer of employment for a role within the Business in compliance with Clause 5 and whose employment in the Business will take effect on a date following the Closing Date, save that no person shall become a Deferred Employee unless and until the Seller has provided to the Purchaser a copy of the offer letter setting out the agreed principal terms of employment and/or employment agreement (if executed) applicable to such person;

“**Delayed Business**” means the Bangladesh Business, the India Business, the Saudi Business, the Thailand Business and the Ukraine Business, each as defined in Schedule 25;

“**Delayed Closing**” means, in respect of a Delayed Business, completion of the transfer of legal ownership of that Delayed Business to the relevant Designated Purchaser in accordance with Schedule 25;

“**Delayed Closing Date**” has the meaning given to it in paragraph 1.4 of Schedule 25;

“**Delayed Contract**” has the meaning given to it in Schedule 7;

“**Delayed Contract Transfer Date**” has the meaning given to it in Schedule 7;

“**Delayed Employee Costs**” has the meaning given to it in Schedule 25;

“**Delayed Employees**” means (i) the Relevant Employees who immediately prior to the Closing Date work in any of the Delayed Businesses, and (ii) any employees of any member of the Seller’s Group who are appointed to their position (whether by internal or external hire) on or after the Closing Date to work wholly or substantially in the Business in accordance with a Controlled Business Instruction or Seller Involvement Instruction, and in each case for so long as they are not assigned to work other than wholly or substantially in the Business;

“**Delayed Local Payment Amount**” has the meaning given to it in Clause 6.5;

“**Designated Purchaser**” means any entity within the Purchaser’s Group acquiring part of the Business;

“**Development Plan**” means the development plans and study protocols, including the target product profile, development designs, timelines and costs of the studies and trials being undertaken by the Seller’s Group (whether or not approved by any Governmental Entity) in respect of each Product Expansion as at the date of this Agreement, including the Key Study Plans;

“**Direct Indemnity**” has the meaning given to it in Schedule 18;

“**Disclosure Letter**” means the letter dated on the same date as this Agreement from the Seller to the Purchaser disclosing information constituting exceptions to the Seller’s Warranties;

“**Distribution Contract**” has the meaning given to it in Schedule 7;

“**Distribution Transfer Date**” has the meaning given to it in the Transitional Distribution Services Agreement;

“**Divested Zofran Product**” means Zofran (Ondansetron) in Australia, following the divestment by the Seller or its Affiliates of its rights to Commercialise it in Australia only to Aspen Global Incorporated;

[***]

“**Effective Time**” means 11.59 p.m. (local time in the relevant location) on the Closing Date or, if the Closing Date is not the last day of a month but the first Business Day of a month, 11.59 p.m. on the last day of the immediately preceding month;

“**Election Date**” has the meaning set forth in Clause 4.2.3;

“**Employee Benefit Indemnification Amount**” has the meaning given to it in Schedule 9;

“**Employee Benefits**” has the meaning given to it in Schedule 9;

“**Employees**” means, other than Excluded Employees, the employees of any member of the Seller’s Group who work wholly or substantially in the Business from time to time including the International Assignees and provided that, in relation to the Seller’s Warranties only, the words “from time to time” shall be deemed to be replaced by “at the date of this Agreement”, and “**Employee**” means any one of them;

“**Encumbrance**” means any claim, charge, mortgage, lien, option, equitable right, power of sale, pledge, hypothecation, usufruct, retention of title, right of pre-emption, right of first refusal or other security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing, and for the avoidance of doubt, shall exclude any licences of, or claims of infringement relating to, Intellectual Property Rights;

“**ERISA**” means the Employee Retirement Income Security Act of 1974 of the United States, as amended, together with its implementing regulations;

“**Estimated Employee Benefit Adjustment**” means the Seller’s reasonable estimate (in so far as practicable), made in good faith after consulting with the Purchaser, of 95 per cent. of the anticipated aggregate of the Employee Benefit Indemnification Amounts, to be notified by the Seller to the Purchaser pursuant to Clause 6.3.9. However, the Seller and the Purchaser may agree in writing to apply a different mechanism to determine and calculate the Estimated Employee Benefit Adjustment;

“**Estimated Business Consideration**” means the Seller’s reasonable estimate of the Business Consideration, to be notified by the Seller to the Purchaser pursuant to Clause 6.3.9;

“**Estimated Company Intra-Group Debt**” means the Seller’s reasonable estimate of the Company Intra-Group Debt, to be notified by the Seller to the Purchaser pursuant to Clause 6.3.9;

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“Estimated Share Consideration” means an amount equal to the product of:

- (x) the Headline Amount less the aggregate of the Estimated Business Consideration, the amount of the Estimated Company Intra-Group Debt and any Estimated Employee Benefit Adjustment; and
- (y) 100 divided by 100.5,

to be notified by the Seller to the Purchaser pursuant to Clause 6.3.9;

“Estimated Stamp Duty Amount” means an amount equal to 0.5% of the Estimated Share Consideration, to be notified by the Seller to the Purchaser pursuant to Clause 6.3.9;

“Excluded Assets” means the property, rights and assets referred to in Clause 2.3.2 or Part 1 of Schedule 3;

“Excluded Contracts” means, collectively, each Contract: (i) which is not Exclusively Related to the Business; or (ii) which is listed in Part 2 of Schedule 3, and including, for the avoidance of doubt, until the OBM Transfer Date, any OBM Intellectual Property Contract;

“Excluded Employees” means: (i) the employees of any member of the Seller’s Group who work in the Discovery organisation as operated by the Seller’s Group and (ii) the employees of any member of the Seller’s Group who are referred to in Schedule 29;

“Excluded Liabilities” means all Liabilities, other than Ancillary Agreement Liabilities and any Liabilities relating to the Abandoned Patents, relating to:

- (i) the Business to the extent they have arisen or arise (whether before or after the applicable Liability Cut-off Time for that Liability) as a result of, or otherwise relate to, an act, omission, fact, matter, circumstance or event undertaken, occurring, in existence or arising before the applicable Liability Cut-off Time for that Liability, other than any Relevant Pension and Employment Liability;
- (ii) the Seller Group Retained Business; and
- (iii) any Seller Allowance, Rebate and Royalty Amount;

“Exclusively Related to the Business” means exclusively related to, or exclusively used or held for use exclusively in connection with, the Business;

“Exploitation Arrangements” has the meaning given to it in Schedule 18;

“FCA” means the Financial Conduct Authority;

“FDA” means the United States Food and Drug Administration (or its successor);

“France Assumed Liabilities” means the Assumed Liabilities to the extent they relate to the France Business;

“**France Business**” means that part of the Business, comprising the activities of the France Employees;

“**France Closing**” has the meaning given to it in the France SPA;

“**France Employees**” means those of the Employees who are employed in France;

“**France Offer Letter**” means the letter from the Purchaser to the Seller in respect of the binding offer from the Purchaser to acquire the France Business dated on or around the date hereof;

“**France Put Option Exercise**” has the meaning given to it in the France Offer Letter;

“**France SPA**” OR “**France APA**” has the meaning given to it in the France Offer Letter;

“**FSMA**” means the Financial Services and Markets Act 2000;

“**Full Disclosure**” means disclosure by the Seller to the Purchaser of the material terms, including financial terms, of a Relevant Part of a Shared Business Contract;

“**Full Title Guarantee**” means on the basis that the covenants implied under Part 1 of the Law of Property (Miscellaneous Provisions) Act 1994 where a disposition is expressed to be made with full title guarantee are deemed to be given by the Seller (on behalf of the relevant Share Seller or Business Seller) on Closing;

“**Genmab**” means Genmab A/S, a Danish corporation having its principal office at Toldbodgade 33, DK-1253 Copenhagen K, Denmark;

“**Genmab Agreement**” means the co-development and collaboration agreement between Genmab and Glaxo Group Limited dated 19 December 2006 (as amended from time to time) relating to the development, manufacturing and commercialisation of pharmaceutical products containing Ofatumumab;

“**Good Clinical Practices**” or “**GCP**” means the then-current standards, practices and procedures promulgated or endorsed by (i) the ICH Harmonised Tripartite Guidelines for Good Clinical Practice (CPMP/ICH/135/95) and any other guidelines for good clinical practices for trials on medicinal products in the European Union; (ii) the FDA as set forth in the guidelines entitled “Guidance for Industry E6 Good Clinical Practice: Consolidated Guidance,” including related regulatory requirements imposed by the FDA; and (iii) the equivalent Applicable Law in any relevant country;

“**Good Laboratory Practices**” or “**GLP**” means the then-current standards, practices and procedures promulgated or endorsed by: (i) the European Commission Directive 2004/10/EC relating to the application of the principles of good laboratory practices as well as “The rules governing medicinal products in the European Union,” Volume 3, Scientific guidelines for medicinal products for human use (ex-OECD principles of GLP); (ii) the then-current standards, practices and procedures promulgated or endorsed by the FDA as defined in 21 C.F.R. Part 58; and (iii) the equivalent Applicable Law in any relevant country;

“**Good Manufacturing Practices**” or “**GMP**” means the then-current standards, practices and procedures promulgated or endorsed by: (i) the European Commission

Directive 91/356/EEC, as amended by Directive 2003/94/EC and 91/412/EEC respectively, as well as “The rules governing medicinal products in the European Union,” Volume 4, Guidelines for good manufacturing practices for medicinal products for human and veterinary use; (ii) the FDA and the provisions of 21 C.F.R. Parts 210 and 211; (iii) the principles detailed in the ICH Q7A guidelines; and (iv) all Applicable Law with respect to each of (i) through (iii);

“**Governmental Entity**” means any supra-national, federal, national, state, county, local, municipal or other governmental, regulatory or administrative authority, agency, commission or other instrumentality, any court, tribunal or arbitral body with competent jurisdiction, or any national securities exchange or automated quotation service including, any governmental regulatory authority or agency responsible for the grant approval, clearance, qualification, licensing or permitting of any aspect of the research, development, manufacture, marketing, distribution or sale of the Products including the FDA, the European Medicines Agency, or any successor agency thereto;

“**Governmental Liability**” means any Liability arising out of, relating to or resulting from any claim, demand, action, suit, proceedings or investigation by a Governmental Entity (other than a Tax Authority) brought or undertaken in connection with products sold or developed by, or operations or practices of, the Seller’s Group prior to Closing;

“**Gross Negligence**” has the meaning given to it in Schedule 25;

“**GSK Break Fee**” has the meaning given to it in the Implementation Agreement;

“**Headline Amount**” has the meaning given to it in Clause 3.1.1;

“**Healthcare Laws**” means the federal Anti-kickback Statute (42 U.S.C. § 1320a-7b(b)); the Anti-Inducement Law (42 U.S.C. § 1320a-7a (a)(5)); the civil False Claims Act (31 U.S.C. §§ 3729 et seq.); the administrative False Claims Law (42 U.S.C. § 1320a-7b(a)); the Exclusion Laws (42 U.S.C. § 1320a-7); the Medicare statute (Title XVIII of the Social Security Act), including Social Security Act §§ 1860D-1 to 1860D-43 (relating to Medicare Part D and the Medicare Part D Coverage Gap Program); the Medicaid statute (Title XIX of the Social Security Act); the Physician Payment Sunshine Act (42 U.S.C. § 1320a-7h) and any analogous state laws; the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. § 1320d et seq.), as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and any other similar Law, including the price reporting requirements and the requirements relating to the processing of any applicable rebate, chargeback or adjustment, under applicable rules and regulations relating to the Medicaid Drug Rebate Program (42 U.S.C. § 1396r-8), any state supplemental rebate program, Medicare average sales price reporting (42 U.S.C. § 1395w-3a), the Public Health Service Act (42 U.S.C. § 256b), the Veterans Health Care Act (38 U.S.C. § 8126), regulatory requirements applicable to sales on the Federal Supply Schedule or under any state pharmaceutical assistance program or United States Department of Veterans Affairs agreement, all legal requirements relating to the billing or submission of claims, collection of accounts receivable, underwriting the cost of, or provision of

management or administrative services in connection with, any and all of the foregoing, by the Seller's Group and any successor government programs, and all foreign equivalents of the foregoing;

“**HSR Act**” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, together with its implementing regulations;

“**Implementation Agreement**” means the implementation agreement dated the date of this Agreement between the Seller, and the Purchaser relating to, amongst other things, the implementation of the Transaction;

“**Import Drug Licence**” means any import drug licence held by a member of the Seller's Group in respect of the importation of the China Products in China;

“**In-Market Inventory**” means all inventory of Products for Commercialisation that, at any particular time: (i) is beneficially owned by a member of the Seller's Group; and (ii) is in finished packed form and released for Commercialisation; and (iii) is located: (a) in (or in transit to) the relevant Market; or (b) in (or in transit to) a multi-market warehouse owned or operated by a member of the Seller's Group or by a third party; or (c) at a primary or secondary manufacturing site pending despatch following release by the relevant qualified person to the relevant market or multi-market warehouse;

“**Information Technology**” means computer, hardware, software and network;

“**Intellectual Property Assignment**” means, collectively, (i) the intellectual property assignment agreements that may be entered into between the Seller, the Purchaser or their respective Affiliates at Closing; and (ii) the intellectual property assignment agreement that may be entered into between the Seller (and/or its Affiliates) and the Company at Closing, in each case on terms consistent with the Agreed Terms;

“**Intellectual Property Rights**” means all: (i) Patents; (ii) Know-How; (iii) Trademarks; (iv) internet domain names; (v) Copyrights; (vi) rights in designs; (vii) database rights; and (viii) all rights or forms of protection, anywhere in the world, having equivalent or similar effect to the rights referred to in paragraphs (i) to (vii) above, in each case whether registered or unregistered and including applications for registration of any such thing;

“**International Assignees**” means the employees of any member of the Seller's Group as may be identified as International Assignees in the International Assignee list provided to the Purchaser on 27 February 2015, subject to such further changes as the parties may agree;

“**IP Liability**” means any Liability arising out of, relating to or resulting from any actual or alleged infringement, misappropriation or other violation of Intellectual Property Rights of third parties;

“**JTI**” means Japan Tobacco Inc., a Japanese corporation having its principal office at 2-1 Toranomon, 2-chome, Minato-ku, Tokyo 105-8422, Japan;

“**JTI Agreement**” means the licence agreement between JTI and SmithKline Beecham Corporation (doing business as GSK) dated 18 April 2006 (as amended from time to time);

“**Judgment**” means any order, writ, judgment, injunction, decree, stipulation, determination, decision or award entered by or with any Governmental Entity of competent jurisdiction;

“**Key Financial Information**” means: (i) the gross profit (being net sales less standard costs, less third party royalties) for each of the Key Products in respect of the financial year ended 31 December 2013; and (ii) the net sales for the Key Products in respect of the financial years ended 31 December 2012 and 31 December 2011, as set out in an annex to the Disclosure Letter;

“**Key Personnel**” means the Employees listed in Schedule 20;

“**Key Products**” means Tykerb, Promacta, Votrient, Arzerra, Tafinlar and Mekinist;

“**Key Study Plans**” means the plans relating to certain combination studies involving the Products appended to this Agreement at Schedule 17;

“**Know-How**” means all existing and available technical information, know-how and data, including inventions (whether patentable or not), discoveries, trade secrets, specifications, instructions, processes and formulae, including all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical, safety, quality control, preclinical and clinical data;

“**Liabilities**” means all liabilities, claims, damages, proceedings, demands, orders, suits, costs, losses and expenses of every description, whether deriving from contract, common law, statute or otherwise, whether present or future, actual or contingent, ascertained or unascertained or disputed and whether owed or incurred severally or jointly or as principal or surety;

“**Liability Cut-off Time**” means (i) Closing in respect of any Liability that is a Clinical Trials/Data Liability, Commercial Practices Liability, Governmental Liability, IP Liability, or Product Liability; (ii) Delayed Closing in respect of any Liability that relates to a Non-Controlled Delayed Business and is a Clinical Trials/Data Liability, Commercial Practices Liabilities, Governmental Liability, IP Liability, or Product Liability (but, in respect of any such IP Liability or Product Liability that arises as a result of or otherwise relates to, any act, omission, fact, matter or circumstance or event undertaken, occurring, in existence, or arising between Closing and Delayed Closing, only to the extent that such Liability arises due to the wilful default or Gross Negligence of the relevant Seller or any of its Associated Persons); or (iii) the Effective Time in respect of any other Liability;

[***]

“**LIBOR**” means the London interbank offered rate, being the interest rate offered in the London inter-bank market for three month US dollar deposits as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen at 11 a.m. (London) on the second Business Day prior to the Closing Date;

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“**Licensed Intellectual Property Contract**” means any Contract under which Product Intellectual Property Rights have been licensed by a third party to the Seller or any Affiliate thereof or to a third party by the Seller or any Affiliate thereof, including any OBM Intellectual Property Contract;

“**Licensed Product Intellectual Property Rights**” means all Intellectual Property Rights licensed to the Seller or its Affiliates under any Transferred Intellectual Property Contract;

“**Listing Rules**” means the listing rules made by the FCA under section 73A of FSMA;

“**Local Payment Amount**” has the meaning given to it in Clause 6.4;

“**Local Transfer Document**” has the meaning given to it in Clause 2.5;

“**Long Stop Date**” has the meaning given to it in Clause 4.3;

“**Losses**” means all losses, liabilities, costs (including legal costs and experts’ and consultants’ fees), charges, expenses, actions, proceedings, claims and demands;

“**MA Costs**” has the meaning given to it in paragraph 4.1 of Part 2 of Schedule 6;

“**MA Documentation**” has the meaning given to it in paragraph 1.6 of Part 2 of Schedule 6;

“**Manufacture**” or “**Manufacturing**” or “**Manufactured**” means planning, purchasing of materials for, production, processing, compounding, storage, filling, packaging, labelling, leafleting, warehousing, quality control testing, waste disposal, quality release, sample retention and stability testing of products;

“**Manufacturing and Supply Agreement**” means the manufacturing and supply agreement to be entered into between an Affiliate of the Seller and an Affiliate of the Purchaser at Closing on terms consistent with the heads of terms in the Agreed Terms;

“**Manufacturing Licences**” means any certificates, permits, licences, consents and approvals issued by any Governmental Entity, used in the operation or conduct of Manufacturing any Product, and “**Manufacturing Licence**” shall be construed accordingly;

“**Marketing Authorisation Data**” means the existing and available dossiers containing the relevant Know-How used by the Seller and/or its Affiliates to obtain and maintain the Marketing Authorisations including with respect to any Product Expansion Application;

“**Marketing Authorisation Holder**” means the holder of the relevant Marketing Authorisation;

“**Marketing Authorisation Re-registration**” has the meaning given to it in paragraph 1.1.2 of Part 2 of Schedule 6;

“**Marketing Authorisation Re-Registration Date**” means the date on which the relevant Governmental Entity approves, or is deemed to approve, the relevant Marketing Authorisation Re-registration;

“**Marketing Authorisation Transfer**” has the meaning given to it in paragraph 1.1.1 of Part 2 of Schedule 6;

“**Marketing Authorisation Transfer Date**” means the date on which the relevant Governmental Entity approves, or is deemed to approve, the relevant Marketing Authorisation Transfer;

“**Marketing Authorisation Transferee**” means the member of the Purchaser’s Group or, where no member of the Purchaser’s Group satisfies the requirements under Applicable Law to be transferred the relevant Marketing Authorisation, such Third Party as is nominated by the Purchaser, in either case to whom the relevant Marketing Authorisation is to be transferred;

“**Marketing Authorisations**” means the marketing authorisations issued or applications for marketing authorisations with respect to the Products and all supplements, amendments and revisions thereto including any pending Product Expansion Application;

“**Markets**” means the markets in which the Products are marketed and sold under the relevant Marketing Authorisation, and “**Market**” shall be construed accordingly;

“**Material Adverse Effect**” means any matter, change, event or circumstance arising or discovered on or after the date of this Agreement and prior to Closing (including a breach of the Seller’s obligations under Clause 5 or Clause 9.1) (a “**Relevant Matter**”) that, individually or in the aggregate with other Relevant Matters, if known to the Purchaser prior to the date of this Agreement, could reasonably have expected to have resulted in the Purchaser offering to acquire the Business on the terms of this Agreement at a discount to the Headline Amount of 30 per cent. or more, and, in determining such reduction, regard shall be had to the actual basis on which the Purchaser determined the Headline Amount. A Relevant Matter shall not constitute or count towards a “Material Adverse Effect” to the extent resulting or arising from:

- (i) any change that is generally applicable to, or generally affects, the industries or markets in which the Business operates (including changes arising as a result of usual seasonal variations) or arises from or relates to changes in Applicable Law or accounting rules or changes in any authoritative interpretation of any Applicable Law by any Governmental Entity;
- (ii) any change in financial, securities or currency markets or general economic or political conditions or changes in prevailing interest rates or exchange rates;
- (iii) the execution of this Agreement, the public announcement thereof or the pendency or consummation of the transactions contemplated hereby (including any cancellations of or delays in customer orders or other decreases in customer demand, any reduction in revenues and any disruption in supplier, distributor, customer or similar relationships); or

(iv) the taking of any action expressly required by this Agreement or by any Ancillary Agreement or otherwise taken with the advance written consent of the Purchaser,

except, in relation to either paragraph (i) or paragraph (ii) above, if that change adversely affects the Business in a disproportionate manner relative to other comparable businesses operating in the same industry and geographic markets as the Business (in which case it may constitute or count towards a “Material Adverse Effect”);

“**Material Employee Jurisdictions**” means France, Germany, Japan, the United Kingdom and the United States of America;

“**Medical Information**” means information relating to clinical and technical matters, such as therapeutic uses for the approved indications, drug-disease information, and other product characteristics Exclusively Related to the Business which is available to or used by the Seller and/or its Affiliates;

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“**Moratorium Date**” has the meaning given to it in Schedule 7;

“**Multi-Basket Tender**” means any Tender other than a Products-Only Tender;

“**Netherlands APA**” has the meaning given to it in the Netherlands Offer Letter;

“**Netherlands Assumed Liabilities**” means the Assumed Liabilities to the extent they relate to the Netherlands Business;

“**Netherlands Business**” means that part of the Business, comprising the activities of Netherlands Employees;

“**Netherlands Closing**” has the meaning given to it in the Netherlands APA;

“**Netherlands Employees**” means those of the Employees who are employed in the Netherlands;

“**Netherlands Offer Letter**” means the letter from the Purchaser to the Seller in respect of the binding offer from the Purchaser to acquire the Netherlands Business dated on or around the date hereof;

“**Netherlands Put Option Exercise**” has the meaning given to it in the Netherlands Offer Letter;

“**New Marketing Authorisation**” has the meaning given to it in paragraph 3.1 of Part 2 of Schedule 6;

“**Non-Controlled Delayed Business**” has the meaning given to it in Schedule 25;

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“**Non-Transferring Tender**” means:

- (i) any Products-Only Tender which is subject to public procurement law and regulation in the relevant Market and cannot be transferred under Applicable Law; and
- (ii) any Multi-Basket Tender;

“**Non-US Benefit Plans**” has the meaning given to it in paragraph 13.3.1 of Schedule 14;

“**Notice**” has the meaning given to it in Clause 16.11.1;

“**Novartis Break Fee**” has the meaning given in the Implementation Agreement;

“**OBM Transferred Rights**” mean the OBM Intellectual Property Contracts, OBM Intellectual Property Rights, and the Seller OBM Rights;

“**OBM Transfer Date**” means the date at which possession of the Ofatumumab Biological Materials is divided between the Seller (or any member of its Group) and the Purchaser (or any member of its Group) in accordance with Annex 1 of the Manufacturing and Supply Agreement;

“**OBM Intellectual Property Contracts**” mean any Contract pursuant to which Intellectual Property Rights exclusively related to, exclusively used in, or exclusively held for use in connection with Ofatumumab Biological Materials are licensed to the Seller (or any member of the Seller’s Group) from a Third Party as at the Closing Date;

“**OBM Intellectual Property Rights**” mean any Intellectual Property Rights (i) owned by the Seller (or any member of the Seller’s Group); and (ii) exclusively related to, exclusively used in, or exclusively held for use in connection with the Ofatumumab Biological Materials as at the Closing Date;

“**Ofatumumab Autoimmune Business**” means the business of the Seller’s Group of research, development, Manufacture and Commercialisation of the Ofatumumab Compound, as carried out by or on behalf of the Seller’s Group pursuant to the Ofatumumab Intellectual Property Licence Agreement;

“**Ofatumumab Agreements**” means the Transferred Contracts and the Transferred Intellectual Property Contracts (excluding the OBM Intellectual Property Contracts) that relate to the Ofatumumab Compound, including but not limited to (i) the Genmab Agreement, (ii) the side letter to the Genmab Agreement dated 8 June 2012, and (iii) the Cabilly Agreement;

“**Ofatumumab Biological Materials**” mean all tangible biological materials, cells, reference standards, assays and media that (i) are exclusively related to, exclusively used in, or exclusively held for use in connection with, the Arzerra Product or the Ofatumumab Compound; and (ii) are not commercially available to the Purchaser on commercially standard terms, including (without limitation) the Ofatumumab Cell Line, Ofatumumab MCB, Ofatumumab WCB and the cell line provided by American Type Culture Collection;

“**Ofatumumab Cell Line**” means the cell line(s) that express the Ofatumumab Compound, including any derivatives, progeny or modifications thereof;

“**Ofatumumab Compound**” means the compound Ofatumumab;

“**Ofatumumab Indications**” means: (i) multiple sclerosis; (ii) rheumatoid arthritis; (iii) pemphigus; and (iv) neuromyelitis optica;

“**Ofatumumab Indications Data**” means any data or other information owned by any member of the Seller’s Group as at the Closing Date relating exclusively to the use of the Ofatumumab Compound for the Ofatumumab Indications;

“**Ofatumumab Intellectual Property Licence Agreement**” means the intellectual property licence agreement to be entered into between members of the Seller’s Group and the Purchaser’s Affiliate at Closing in respect of the grant of a licence from the Purchaser’s Affiliate to the Seller’s Affiliate of certain Intellectual Property Rights related to the Ofatumumab Compound;

“**Ofatumumab MCB**” means the reference deposit or collection of vials of the Ofatumumab Cell Line, from which the Ofatumumab WCB is derived;

“**Ofatumumab WCB**” means a vial collection of serially subcultivated cells that is derived from the Ofatumumab MCB, and used to establish seed cultures of the Ofatumumab Cell Line;”

“**OIG**” has the meaning given to it in Clause 4.1.12;

“**Oncology Development and Clinical Supply Agreement**” means the development and clinical supply agreement dated the date of this Agreement between the Seller and Novartis Pharma AG, pursuant to which the Seller will manufacture and supply certain development materials to Novartis Pharma AG;

“**Oncology Intellectual Property Licence Agreement**” means the intellectual property licence agreement to be entered into between Affiliates of the Seller and an Affiliate of the Purchaser at Closing in respect of the grant of licences from the Seller’s Affiliate to the Purchaser’s Affiliate of certain Intellectual Property Rights;

“**Ongoing Clinical Trials**” means the ongoing clinical studies sponsored or supported by the Seller Group (including post-approval studies) or otherwise recommended by a Governmental Entity, and regulatory commitments in respect of the Products, and “**Ongoing Clinical Trial**” shall mean any one of them;

“**Out of Scope Patent**” means any Patent of the Seller’s Group at the Closing Date, but excluding: (i) the Business Product Intellectual Property Rights; and (ii) any Patents licensed under the Oncology Intellectual Property Licence Agreement;

“**Owned Product Intellectual Property Rights**” means the Intellectual Property Rights listed at Part 1 of Schedule 2 and all other Intellectual Property Rights Exclusively Related to the Business that, in each case, are owned by the Company, including the Registered Owned Product Intellectual Property Rights and, for the avoidance of doubt, excluding any Intellectual Property Rights in Seller Combination Compounds;

“PA Transfer Date” means, in relation to a Product, the date upon which the relevant Governmental Entity approves and notifies the Product Approval (as applicable) naming the Purchaser or the relevant Affiliate of the Purchaser (or designee thereof) as the holder of such Product Approval in the relevant country or territory covered by that Product Approval;

“Patents” means, patents, design patents, patent applications, and any reissues, re-examinations, divisionals, continuations, continuations-in-part, provisionals, and extensions thereof or any counterparts to any of the foregoing (including rights resulting from any post-grant proceedings relating to any of the foregoing);

“Patent Term Extensions” means any and all extension of the term of a Patent granted under the Patent laws or regulations of any country, the European Union (including any supplementary protection certificate), or any other Governmental Entity;

“Pending Marketing Authorisation” has the meaning given to it in paragraph 3.2 of Part 2 of Schedule 6;

“Permitted Cash Receivable” means a debt owed to the Company by a member of the Seller’s Group other than GlaxoSmithKline Finance plc, payable on demand to the Company or as the Company directs, not exceeding £5 million multiplied by the number of months from and including 29 September 2014 to Closing;

“Permitted Encumbrance” means:

- (i) Encumbrances imposed by Applicable Law otherwise than in respect of Tax;
- (ii) Encumbrances imposed in the ordinary course of business which are not yet due and payable or which are being contested in good faith;
- (iii) Encumbrances which are listed in Schedule 5; and
- (iv) liens, title retention arrangements or deposits to secure the performance of bids, trade contracts (other than for borrowed money), conditional sales contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of the Business;

“Pharmacovigilance Agreement” means the agreement between the Seller and the Purchaser, to be entered into at Closing, in respect of pharmacovigilance and regulatory matters relating to the Products;

“Pre-Closing Product Reorganisation” means the steps described in Part 1 of Schedule 18 as may be amended from time to time in accordance with Part 3 of Schedule 18;

“Pre-Closing Receivables” means all outstanding payments due to the Seller or any of its Affiliates related to the period prior to the Effective Time (whether such payments have arisen or arise before or after the Effective Time) for goods or services supplied or rights licensed by it or on its behalf in the ordinary and usual course of carrying on the Business other than the Permitted Cash Receivable;

“**Proceedings**” means any legal actions, proceedings, suits, litigations, prosecutions, investigations, enquiries, mediations or arbitrations;

“**Product Approvals**” means all permits, licences, certificates, clearances, registrations or other authorisations or consents issued by any Governmental Entity to the Seller or one of its Affiliates with respect to the Products or the Product Expansions, or the manufacture, use, research, development, marketing, distribution or sale thereof, including the Marketing Authorisations;

“**Product Expansion Applications**” means all of the applications or planned applications for Product Expansions set out in Schedule 1 including those listed in the column “Product Expansion Applications” in Part 1 of Schedule 1, with each individual application being a “**Product Expansion Application**”;

“**Product Expansion**” means in relation to any Product:

- (i) the expansion of the indications or formulations for such Product for use as monotherapy; and
- (ii) the expansion of the indications or formulations for such Product for use in combination with any other compound including without limitation those set out in Part 2 of Schedule 1 but excluding any Seller Combination Compounds;

“**Product Filings**” means all filings, written representations, declarations, listings, registrations, reports or submissions with or to any Governmental Entity, including adverse event reports and all submitted data relating to each Product;

“**Product Intellectual Property Rights**” means all Intellectual Property Rights related to, or used, or held for use in connection with the Products or the manufacture, use, research, development, marketing, distribution or sale thereof, including for the avoidance of doubt, the OBM Intellectual Property Rights;

“**Product Liabilities**” means any Liability arising out of, relating to or resulting from actual or alleged harm, injury, damage or death to persons in connection with the use of any product (including in any clinical trial or study);

“**Product Partners**” means any third parties which pursuant to a Contract with the Seller or any Affiliate of the Seller co-develop, co-promote, co-market, or otherwise have a licence or other right to research, develop, manufacture, promote, distribute, market, or sell any Product, including all manufacturers and suppliers of any such Product;

“**Products**” means the products set out under the heading “Products” in Part 1 of Schedule 1 (but excluding the Divested Zofran Product);

“**Products-Only Tender**” means any Tender that relates solely to the Products;

“Proprietary Information” means all confidential and proprietary information of the Seller or its Affiliates that is Exclusively Related to the Business, including confidential Medical Information confidential Know-How and confidential Commercial Information;

“Purchaser’s Group” means the Purchaser and its Affiliates from time to time, and includes the Company with effect from Closing;

“Purchaser’s Lawyers” means Freshfields Bruckhaus Deringer LLP of 65 Fleet Street, London EC4Y 1HS, United Kingdom;

“Purchaser Tax Indemnity” has the meaning given to it in Schedule 18;

“Quality Agreement” means the agreement between the Seller and the Purchaser, to be entered into at Closing, in respect of regulatory compliance and product safety and quality with respect to the manufacture of the Products;

“Rebate” means any amount payable or repayable to customers or Governmental Entities in respect of a contractual rebate or other rebate including under applicable Healthcare Laws (or under similar laws or regulations) due on sales of the Products;

“Reduction Amount” has the meaning given to it in Clause 6.3;

“Registered Business Product Intellectual Property Rights” means all Business Product Intellectual Property Rights that are Registered Intellectual Property Rights, including those set out at Part 1 of Schedule 2;

“Registered Intellectual Property Product Rights” means all Registered Business Product Intellectual Property Rights, Registered Licensed Product Intellectual Property Rights and Registered Shared Product Intellectual Property Rights;

“Registered Intellectual Property Rights” means Intellectual Property Rights that are registered, issued, filed, or applied for under the authority of any Governmental Entity;

“Registered Licensed Product Intellectual Property Rights” means all Licensed Product Intellectual Property Rights that are Registered Intellectual Property Rights;

“Registered Owned Product Intellectual Property Rights” means all Owned Product Intellectual Property Rights that are Registered Intellectual Property Rights, including those set out at Part 1 of Schedule 2;

“Registered Shared Product Intellectual Property Rights” means all Shared Product Intellectual Property Rights that are Registered Intellectual Property Rights;

“Registered Transferred Product Intellectual Property Rights” means all Transferred Product Intellectual Property Rights that are Registered Intellectual Property Rights, including those set out at Part 1 of Schedule 2;

“Regulation” has the meaning given to it in Clause 4.1.1;

“Relevant Development Product” has the meaning given to it in Clause 8.12;

“**Relevant Employees**” means the Employees immediately prior to the Closing Date and “**Relevant Employee**” means any one of them;

“**Relevant Employers**” means the Sellers and such other members of the Seller’s Group who employ the Relevant Employees;

“**Relevant Part**” means the relevant part of the Shared Business Contracts which relates exclusively to the Business (or the relevant part of the Business that is transferred to the Purchaser at Closing);

“**Relevant Pension and Employment Liability**” means (i) any Liabilities assumed by the Purchaser or a member of the Purchaser’s Group as contemplated by Schedule 8; and (ii) any Transferred Employee Benefit Liabilities (as defined in Schedule 9) which the Purchaser agrees to assume in accordance with Schedule 9;

“**Relevant Period**” means the period of two years prior to the date of this Agreement;

“**Relevant Purchaser Business**” has the meaning given to it in Clause 4.1.12;

“**Relevant Working Day**” means a normal working day in the relevant jurisdiction and excludes a Saturday or Sunday or a public holiday in the relevant jurisdiction;

“**Reporting Accountants**” means the London office of Ernst & Young or, if that firm is unable or unwilling to act in any matter referred to them under this Agreement, the London office of Deloitte or, if that firm is also unable or unwilling to act in any matter referred to them under this Agreement, an internationally recognised and independent firm of accountants who does not act as auditor to the Seller or the Purchaser, to be agreed by the Seller and the Purchaser within seven days of a notice by one to the other requiring such agreement or, failing such agreement, to be nominated on the application of either of them by or on behalf of the Institute of Chartered Accountants of England and Wales;

“**Representatives**” means, in relation to any party, any of its and/or any other member of the Purchaser’s Group’s or Seller’s Group’s directors, officers, employees, agents, representatives, bankers, auditors, accountants, financial advisers, legal advisers and any other professional advisers;

“**Required Notifications**” has the meaning given to it in Clause 4.2.1;

“**Restricted Group Employee**” means any Transferred Employee who is at or above grade GG5 or GJFA3 (or in either case the Purchaser’s equivalent from time to time);

“**Royalty**” means any royalty payable in respect of sales of the Products;

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“**Sanctions Law**” has the meaning given to it in paragraph 7 of Schedule 14;

“**Seller Allowance, Rebate and Royalty Amount**” means any Allowance, Rebate or Royalty payable after the Effective Time by the Purchaser or any member of the Purchaser’s Group, to the extent it relates to the sales of any Products made prior to the Effective Time;

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“**Seller Articles of Association**” means the articles of association of the Seller in force and effect from time to time;

“**Seller Combination Compounds**” means any compounds owned by the Seller or a member of the Seller’s Group (other than a Product) which are used in combination with the Products;

“**Seller Marks**” means any Trademark of the Seller containing the marks listed in Schedule 23;

“**Seller OBM Rights**” has the meaning given to it in Clause 2.3.1(x);

“**Seller Pipeline**” means:

- (i) any research and development activities relating to any compound (other than the Products) at any stage of development by or on behalf of the Seller that is not yet approved for marketing for use in humans and all assets, rights and contracts relating to those activities (except where those assets, rights and contracts relate to the Products, save in relation to (ii) below); and
- (ii) subject to Clause 8.5.3, assets, rights and contracts relating to pre-clinical research which do not relate exclusively to the Products;

“**Seller Partner**” shall mean any counterparty to a development, contract research, commercialisation, manufacturing, distribution, sales, marketing, supply, consulting or other collaboration Contract with the Seller or any Affiliate of the Seller;

“**Seller Shareholder Meeting**” has the meaning given to it in Clause 4.1.8;

“**Seller Shareholder Resolution**” has the meaning given to it in Clause 4.1.8;

“**Seller Shareholders**” means the holders of ordinary shares in the capital of the Seller from time to time;

“**Seller’s Group**” means the Seller and its Affiliates from time to time but excluding from Closing, the Company;

“**Seller’s Group Insurance Policies**” means all insurance policies (whether under policies maintained with third party insurers or any member of the Seller’s Group) maintained by the Seller or any member of the Seller’s Group in relation to the Business or under which, immediately prior to Closing, the Seller or any member of the Seller’s Group in relation to the Business is entitled to any benefit, and “**Seller’s Group Insurance Policy**” means any one of them;

“**Seller’s Group Retained Business**” means all businesses of the Seller’s Group, including the manufacture and/or supply of the Divested Zofran Product pursuant to the Aspen Agreements, but excluding the Business;

“**Seller’s Indian Business**” means that part of the Business conducted by any member of the Seller’s Group in the Republic of India;

“**Seller’s Intra-Group Licence Agreement**” means the:

- (i) licence agreement, effective from 31 December 2012, between GlaxoSmithKline LLC and GlaxoSmithKline Intellectual Property (No. 2) Limited relating to the Group 4 Sold ROW Entrepreneurial Rights (as defined in such Seller's Intra-Group Licence Agreement);
- (ii) licence agreement, effective from 31 December 2012, between GlaxoSmithKline LLC, GlaxoSmithKline Intellectual Property Holdings Limited and GlaxoSmithKline Intellectual Property (No. 2) Limited relating to the Group 4 Contributed Entrepreneurial Rights (as defined in such Seller's Intra-Group Licence Agreement);
- (iii) licence agreement, effective from 31 December 2012, between GlaxoSmithKline LLC, GlaxoSmithKline Intellectual Property Holdings Limited and GlaxoSmithKline Intellectual Property (No. 2) Limited relating to the Group 4 Licensed ROW Entrepreneurial Rights (as defined in such Seller's Intra-Group Licence Agreement);
- (iv) licence agreement, effective from 31 December 2012, between Glaxo Group Limited and GlaxoSmithKline Intellectual Property Management Limited relating to the Group 2 Entrepreneurial Rights (as defined in such Seller's Intra-Group Licence Agreement);
- (v) licence agreement between SmithKline Beecham Corporation (now known as GlaxoSmithKline LLC) and SmithKline Beecham (Cork) Limited (which assigned its rights to GlaxoSmithKline Consumer Healthcare Ireland IP Limited, effective from 26 January 2015) with an effective date of 1 January 1997 relating to Hycamtin; and
- (vi) licence agreement, effective from 31 December 2012, between Glaxo Group Limited and GlaxoSmithKline Intellectual Property Limited relating to the Non-Partnership Asset Entrepreneurial Rights (as defined in such Seller's Intra-Group Licence Agreement)

and "**Seller's Intra-Group Licence Agreements**" in the plural;

"**Seller's Knowledge**" has the meaning given to it in Clause 9.1.4;

"**Seller's Lawyers**" means Slaughter and May of One Bunhill Row, London EC1Y 8YY;

"**Seller's Warranties**" means the warranties given by the Seller pursuant to Clause 9.1 and Schedule 14, and "**Seller's Warranty**" means any one of them;

"**Separation**" has the meaning given to it in paragraph 3.4 of Schedule 7;

"**Service Provider**" means an Associated Person who is a legal person;

"**Share**" means the entire issued share capital of the Company;

"**Share Consideration**" means an amount equal to the product of:

(x) the Headline Amount less the aggregate of the Business Consideration, the amount of the Company Intra-Group Debt and any Employee Benefit Indemnification Amount; and

(y) 100 divided by 100.5;

“**Share Seller**” means Glaxo Group Limited, a company incorporated in England and Wales with registered number 00305979;

“**Shared Business Contracts**” means any Contract which relates both:

- (i) to the Business or any part of the Business to be transferred to the Purchaser at Closing; and
- (ii) to any part of the Seller’s Group Retained Business, any product other than the Products, or any Excluded Asset,

and to which a member of the Seller’s Group is a party or in respect of which a member of the Seller’s Group has any right, liability or obligation at Closing (including, for the avoidance of doubt, the Zofran Trade Mark and Domain Name Licence and the Multi Basket Tenders) and “**Shared Business Contract**” shall mean any of them;

“**Shared Product Intellectual Property Rights**” means all Intellectual Property Rights which shall be licensed to the Purchaser pursuant to the Oncology Intellectual Property Licence Agreement;

“**Six-Month LIBOR**” means the London interbank offered rate, being the interest rate offered in the London inter-bank market for six month US dollar deposits as displayed on page LIBOR01 of the Reuters screen at 11 a.m. (London) on the second Business Day prior to the date on which the Reduction Amount becomes payable;

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“**Stamp Duty Amount**” means an amount equal to 0.5% of the Share Consideration;

“**Target Asset Agreements**” has the meaning given to it in the Implementation Agreement;

“**Taxation**” or “**Tax**” has the meaning given to it in the Company Tax Indemnity;

“**Tax Authority**” means any taxing or other authority competent to impose any liability in respect of Taxation or responsible for the administration and/or collection of Taxation or enforcement of any law in relation to Taxation;

“**Tax Group**” has the meaning given to it in the Company Tax Indemnity;

“**Tax Return**” has the meaning given to it in the Company Tax Indemnity;

“**Tax Warranties**” means the Seller’s Warranties set out in paragraph 11 of Schedule 14;

“**Tenders**” means any Contracts or arrangements to which a member of the Seller’s Group is a party (itself or through an agent) with a third party, entered into following a call for a tender by the relevant third party, for the supply by the Seller’s Group of

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products, including the Products in a Market pursuant to which Products may be sold after Closing;

“**Third Party Claim**” has the meaning given to it in Clause 11.4;

“**Third Party Consents**” means all consents, licences, approvals, permits, authorisations or waivers required from third parties:

- (i) in connection with any step of the Pre-Closing Products Reorganisation; and
- (ii) for the assignment or transfer to the Purchaser or any member of the Purchaser’s Group of any of the Transferred Contracts, Transferred Intellectual Property Contracts (but excluding until the OBM Transfer Date, the OBM Intellectual Property Contracts), Co-Owned Transferred Product Intellectual Property Rights, or Shared Business Contracts,

and “**Third Party Consent**” means any one of them;

“**Time-Limited Excluded Liability**” means an Excluded Liability which is:

- (i) a Contracts Liability; or
- (ii) a Commercial Practices Liability;

“**Trademarks**” means trademarks, service marks, trade names, certification marks, service names, industrial designs, brand names, brand marks, trade dress rights, identifying symbols, logos, emblems, and signs or insignia;

“**Transaction**” has the meaning given to it in Clause 4.1.1;

“**Transfer Regulations**” means the relevant national measure by which the employment of a Relevant Employee automatically transfers to the Purchaser or a relevant member of the Purchaser’s Group;

“**Transferred Books and Records**” means all books, ledgers, files, reports, plans, records, manuals and other materials (in any form or medium) to the extent of, or maintained predominantly for, the Business by the Seller’s Group (other than emails), including (without limitation) all books, records and other materials relating to the research, development and pre-clinical trials for each of the Products and the Product Expansions but excluding:

- (i) any such items to the extent that: (A) they are related to any Excluded Assets or Excluded Liabilities, (B) they are related to any corporate, Tax, human resources or stockholder matters of the Seller or its Affiliates, (C) any Applicable Law prohibits their transfer, (D) any transfer thereof otherwise would subject the Seller or any of its Affiliates to any material liability or (E) they are retained by the Seller in accordance with Clause 8.8.2;
- (ii) any laboratory notebooks to the extent containing research and development information unrelated to the Business;
- (iii) in relation to Products other than the Key Products, any books and records that are more than 5 years old containing, in whole or in part, research and

development information (other than any laboratory notebooks, books or records described in this paragraph (iii) that are maintained for the Business by the Seller's Group); and

- (iv) any books and records (including but not limited to the content of any personnel files) kept by the Seller's Group relating to the employment of the Transferred Employees with the Seller's Group;

"Transferred Contracts" means Contracts (other than the Transferred Intellectual Property Contracts) that (i) are listed in Part 2 of Schedule 2 or (ii) are between the Seller or a member of the Seller's Group on the one hand and any third party on the other hand and are Exclusively Related to the Business (including, without limitation, Products-Only Tenders), but excluding the Excluded Contracts, this Agreement and any Ancillary Agreement;

"Transferred Employees" means (i) the Relevant Employees to whom the Purchaser (or a member of the Purchaser's Group) offers employment and who accept such employment and become employed by the Purchaser (or a member of the Purchaser's Group) in accordance with Schedule 8; and (ii) any Relevant Employees who transfer to the Purchaser (or a member of the Purchaser's Group) by operation of the Transfer Regulations and do not object to such transfer (to the extent permitted by the Transfer Regulations) in accordance with Schedule 8; and **"Transferred Employee"** means any one of them;

"Transferred Intellectual Property Contracts" means Contracts relating to Intellectual Property Rights Exclusively Related to the Business that are between the Seller or a member of the Seller's Group on the one hand and any third party on the other hand including any such Contracts set out in Part 2 of Schedule 2 and including, for the avoidance of doubt, the OBM Intellectual Property Contracts;

"Transferred Product Intellectual Property Rights" means the Intellectual Property Rights listed at Part 1A of Schedule 2 (except where such Intellectual Property Rights are Owned Product Intellectual Property Rights) and all other Intellectual Property Rights Exclusively Related to the Business and owned by any member of the Seller's Group (other than the Company), including the Registered Transferred Product Intellectual Property Rights, the OBM Intellectual Property Rights, and, for the avoidance of doubt, excluding any Intellectual Property Rights in Seller Combination Compounds;

"Transitional Services Agreement" means the transitional services agreement to be entered into between the Seller or its Affiliate and the Purchaser or its Affiliate at Closing (and each local agreement entered into pursuant to such transitional services agreement) on terms consistent with the heads of terms in the Agreed Terms;

"Transitional Distribution Services Agreement" means the transitional distribution services agreement to be entered into between the Seller or its Affiliate and the Purchaser or its Affiliate at Closing (and each local agreement entered into pursuant to such transitional distribution services agreement) on terms consistent with the heads of terms in the Agreed Terms;

“**Ukraine Business**” has the meaning given to it in Schedule 25;

“**US Benefit Plans**” means all United States “employee benefit plans” (within the meaning of section 3(3) of ERISA), severance, change in control or employment, vacation, incentive, bonus, stock option, stock purchase, or restricted stock plans, programmes, agreements or policies benefiting the Employees;

“**Vaccines Sale and Purchase Agreement**” means the sale and purchase agreement dated the date of this Agreement (as amended) between the Purchaser and the Seller relating to the sale and purchase of the Purchaser’s vaccines business;

“**VAT**” means within the European Union such Taxation as may be levied in accordance with (but subject to derogations from) Council Directive 2006/112/EC and outside the European Union any Taxation levied by reference to added value or sales;

“**WARN Act**” means the Worker Adjustment and Retraining Notification Act of 1988 of the United States; and

“**Zofran Trade Mark and Domain Name Licence**” means the trade mark and domain name licence agreement dated 30 November 2012 (as amended from time to time) between (i) Glaxo Group Limited; (ii) SmithKline Beecham (Australia) Pty Limited; (iii) GlaxoSmithKline Australia Pty Limited (together, as licensors); (iv) GlaxoSmithKline Intellectual Property Management Limited and (v) Aspen Global Incorporated (as licensee), relating to the licensing of certain Intellectual Property Rights in Australia.

1.2 Singular, plural, gender

References to one gender include all genders and references to the singular include the plural and vice versa.

1.3 References to persons and companies

References to:

1.3.1 a person include any individual, company, partnership or unincorporated association (whether or not having separate legal personality); and

1.3.2 a company include any company, corporation or any body corporate, wherever incorporated.

1.4 Schedules etc.

References to this Agreement shall include any Recitals and Schedules to it and references to Clauses and Schedules are to Clauses of, and Schedules to, this Agreement. References to paragraphs and Parts are to paragraphs and Parts of the Schedules.

1.5 Reference to documents

References to any document (including this Agreement), or to a provision in a document, shall be construed as a reference to such document or provision as amended, supplemented, modified, restated or novated from time to time.

1.6 References to enactments

Except as otherwise expressly provided in this Agreement, any express reference to an enactment (which includes any legislation in any jurisdiction) includes references (i) to that enactment as amended, consolidated or re-enacted by or under any other enactment before or after the date of this Agreement; (ii) any enactment which that enactment re-enacts (with or without modification); and (iii) any subordinate legislation (including regulations) made before or after the date of this Agreement under that enactment as amended, consolidated or re-enacted as described in paragraph (i) or (ii) above, except to the extent that any of the matters referred to in paragraphs (i) to (iii) occurs after the date of this Agreement and increases or alters the liability of the Seller or Purchaser under this Agreement.

1.7 Information

References to books, records or other information mean books, records or other information in any form including paper, electronically stored data, magnetic media, film and microfilm.

1.8 References to “indemnify”

Unless specified to the contrary, references to “indemnify” and “indemnifying” any person against any circumstance include indemnifying and holding that person harmless on an after-Tax basis and:

- 1.8.1** references to the Purchaser indemnifying each member of the Seller’s Group shall constitute undertakings by the Purchaser to the Seller for itself and on behalf of each other member of the Seller’s Group;
- 1.8.2** references to the Seller indemnifying each member of the Purchaser’s Group shall constitute undertakings by the Seller to the Purchaser for itself and on behalf of each other member of the Purchaser’s Group;
- 1.8.3** to the extent that the obligation to indemnify relates to the Share, the Company or any assets or liabilities transferred by a Business Seller or the Share Seller (as the case may be) to a member of the Purchaser’s Group pursuant to this Agreement, references to the Seller indemnifying the Purchaser and references to the Seller indemnifying the Purchaser or any member of the Purchaser’s Group shall constitute undertakings by the Seller to indemnify or procure indemnification of the relevant purchaser of the assets or liabilities or the Share transferred or to be transferred by that Business Seller or the Share Seller or the Company, and references to the Purchaser indemnifying the Seller and references to the Purchaser indemnifying the Seller and each member of the Seller’s Group shall constitute undertakings by the Purchaser to indemnify or procure the indemnification of the relevant member of the Seller’s Group; and

1.8.4 where under the terms of this Agreement one party is liable to indemnify or reimburse another party in respect of any costs, charges or expenses, the payment shall include an amount equal to any VAT thereon not otherwise recoverable by the other party or any member of any group or consolidation of which it forms part for VAT purposes, subject to that party using reasonable endeavours to recover or procure recovery of such amount of VAT as may be practicable.

For the purposes of this Clause, indemnifying and holding harmless a person on an “after-Tax basis” means that the amount payable pursuant to the indemnity (the “Payment”) shall be calculated in such a manner as will ensure that, after taking into account:

- (i) any Tax required to be deducted or withheld from the Payment and any additional amounts required to be paid by the payer of the Payment in consequence of such withholding;
- (ii) the amount and timing of any additional Tax which becomes (or would, but for the use of any credit or other relief which would otherwise have been available to reduce the Tax liabilities of any member of the Seller’s Group (or a member of the Purchaser’s Group, as the case may be), have become) payable by the recipient of the Payment (or a member of the Seller’s Group or the Purchaser’s Group, as the case may be) as a result of the Payments being subject to Tax in the hands of that person; and
- (iii) the amount and timing of any Tax benefit which is obtained by the recipient of the Payment (or a member of the Seller’s Group or the Purchaser’s Group, as the case may be) to the extent that such Tax benefit is attributable to the matter giving rise to the indemnity payment or to the receipt of the Payment,

which amount and timing is to be determined by the auditors of the recipient at the shared expense of both relevant parties and is to be certified as such to the party making the Payment, the recipient of the Payment is in no better and no worse after Tax position as that in which it would have been if the matter giving rise to the indemnity payment had not occurred, provided that if either party to this Agreement shall have assigned or novated the benefit of this Agreement in whole or in part or shall, after the date of this Agreement, have changed its Tax residence or the permanent establishment to which the rights under this Agreement are allocated then no Payment to that party shall be increased by reason of the operation of paragraphs (i) to (iii) above to any greater extent than would have been the case had no such assignment, novation or change taken place.

1.9 References to wholly or substantially in the Business

References to “wholly or substantially in the Business” in relation to any employee employed by a member of the Seller’s Group means that such employee spends more than 70 per cent. of their time working in the Business at the relevant time.

1.10 Legal terms

References to any English legal term shall, in respect of any jurisdiction other than England and Wales, be construed as references to the term or concept which most nearly corresponds to it in that jurisdiction.

1.11 Non-limiting effect of words

The words “including”, “include”, “in particular” and words of similar effect shall not be deemed to limit the general effect of the words that precede them.

1.12 Currency conversion

Other than in relation to conversion of the Company Intra-Group Debt, where the provisions of Clause 1.13 shall apply, any amount to be converted from one currency into another currency for the purposes of this Agreement shall be converted into an equivalent amount at the Conversion Rate prevailing at the Relevant Date. For the purposes of this Clause:

“**Conversion Rate**” means the spot reference rate for a transaction between the two currencies in question as quoted by the European Central Bank on the Business Day immediately preceding the Relevant Date or, if no such rate is quoted on that date, on the preceding date on which such rates are quoted;

“**Relevant Date**” means, save as otherwise provided in this Agreement, the date on which a payment or an assessment is to be made, save that, for the following purposes, the date shall mean:

- (i) for the purposes of Clause 5, the date of this Agreement;
- (ii) for the purposes of Clause 10, the date of this Agreement; and
- (iii) for the purposes of the monetary amounts set out in Schedule 14, the date of this Agreement.

1.13 US\$ Spot Rate

1.13.1 For the purposes of Clause 6.3.2, the amount of the Company Intra-Group Debt shall be converted from sterling to US\$ at the spot rate of exchange for sterling into US\$ available as soon as possible after 04:00 am GMT on the Closing Date on the Bloomberg screen (the Intraday Chart) or where no such US\$ rate is available for such date, at the rate quoted by Barclays Bank on such date.

1.13.2 For the purposes of Clause 6.3.9, the estimate of the amount of the Company Intra-Group Debt shall be converted from sterling to US\$ at the spot rate of exchange for sterling into US\$ available as soon as possible after 04:00 am GMT on the date on which such estimate is to be given on the Bloomberg screen (the Intraday Chart) or where no such US\$ rate is available for such date, at the rate quoted by Barclays Bank on such date.

2. Sale and Purchase of the Business

2.1 Sale and Purchase of the Business

On and subject to the terms of this Agreement:

- 2.1.1** the Seller shall procure that the Business Sellers shall sell and assign that part of the Business which is not carried on by the Company immediately before Closing; and
- 2.1.2** the Seller shall procure that the Share Seller shall sell the Share in accordance with Clause 2.2;
- 2.1.3** the Purchaser shall purchase and accept, or procure the purchase and acceptance by one or more other members of the Purchaser's Group of that part of the Business which is not carried on by the Company immediately before Closing; and
- 2.1.4** the Purchaser shall purchase and accept, or procure the purchase and acceptance by another member of the Purchaser's Group of, the Share,

such that the Seller shall directly or indirectly relinquish and the Purchaser shall directly or indirectly acquire the Business as a going concern.

2.2 Sale of the Share

2.2.1 The Seller shall procure that:

- (i) the Share Seller shall sell the Share with Full Title Guarantee free from Encumbrances and together with all rights and advantages attaching to it as at Closing (including the right to receive all dividends or distributions declared, made or paid on or after Closing); and
- (ii) on or prior to Closing, any and all rights of pre-emption over the Share and the equity interests in any subsidiaries are waived irrevocably by the person entitled thereto.

2.2.2 If the Seller notifies the Purchaser under paragraph 4, Part 1 of Schedule 18 that it no longer wishes to proceed with the Pre-Closing Product Reorganisation, then:

- (i) the provisions of sub-Clauses 2.1.2, 2.1.4 and 2.2.1 shall cease to have effect; and
- (ii) the parties acknowledge that amendments to this Agreement will be required to give effect to that notice such that, subject to any other amendments that may be agreed by the parties that are not required to implement the Pre-Closing Product Reorganisation, the provisions of this Agreement will be the same as they were after it was amended and restated on 29 May 2014.

2.3 The Business, the Excluded Assets, the Assumed Liabilities and the Excluded Liabilities

- 2.3.1** The Assets to be sold under this Agreement, which shall be sold with Full Title Guarantee (save in respect of the Abandoned Patents and the Transferred Product Intellectual Property Rights) and free from Encumbrances other than Permitted Encumbrances shall be:
- (i) the Transferred Books and Records;
 - (ii) the Transferred Product Intellectual Property Rights (but excluding, until the OBM Transfer Date, the OBM Intellectual Property Rights);
 - (iii) subject to and in accordance with Schedule 7, the Transferred Contracts, the Transferred Intellectual Property Contracts (but excluding, until the OBM Transfer Date, the OBM Intellectual Property Contracts Rights), Co-Owned Transferred Product Intellectual Property Rights and if elected by the Purchaser in accordance with paragraph 3 of Schedule 7, the Relevant Parts of any Shared Business Contracts;
 - (iv) subject to and in accordance with Schedule 6, all Product Approvals (other than those relating to manufacturing), Product Expansions and all other permits, licences, certificates, registrations, marketing or other authorisations or consents issued by a Governmental Entity Exclusively Related to the Business;
 - (v) subject to and in accordance with Schedule 6, all Marketing Authorisation Data;
 - (vi) all Commercial Information;
 - (vii) all Medical Information;
 - (viii) all rights of the Purchaser or a member of the Purchaser's Group as contemplated by Schedule 8 and Schedule 9;
 - (ix) the Business Goodwill;
 - (x) with effect from the OBM Transfer Date, the rights of the Seller (or any member of the Seller's Group) in the Ofatumumab Biological Materials (the "**Seller OBM Rights**"); and
 - (xi) all other property, rights and assets owned or held by any member of the Seller's Group and Exclusively Related to the Business at Closing (other than any property, rights and assets of the Business Sellers or the Company expressly excluded from the sale under this Agreement).
- 2.3.2** There shall be excluded from the sale of the Business under this Agreement the following:

- (i) the Seller's Group Retained Business, including the Seller Pipeline, any Manufacturing, and any equipment, machinery, spare parts, tools and other tangible property used by the Seller's Group for Manufacturing products or in connection with the research and development of the Products or the Product Expansions and any rights or property related to the Seller Combination Compounds (save for, until the OBM Transfer Date, the Ofatumumab Biological Materials);
- (ii) any Intellectual Property Right that is not a Business Product Intellectual Property Right, and any Contract relating to Intellectual Property Rights that is not a Transferred Intellectual Property Contract or the Relevant Part of a Shared Business Contract;
- (iii) the Seller Marks;
- (iv) any product and any permits, licences, certificates, registrations, marketing or other authorisations or consents issued by any Governmental Entity in respect of any products, or any applications therefor, other than the Products, Product Approvals and Product Expansion Applications;
- (v) the In-Market Inventory;
- (vi) any Information Technology;
- (vii) all cash, marketable securities and negotiable instruments, and all other cash equivalents, of the Seller and its Affiliates, other than the Share and the Permitted Cash Receivable;
- (viii) all real property and any leases therefor and interests therein, together with all buildings, fixtures, and improvements erected thereon;
- (ix) the company seal, minute books, charter documents, stock or equity record books and such other books and records pertaining to the Seller or its Affiliates other than the Company, as well as any other records or material relating to the Seller or its Affiliates generally and not involving or related to the Business;
- (x) any right of the Seller or its Affiliates to be indemnified in respect of Assumed Liabilities;
- (xi) all Tax assets (including Tax refunds and prepayments) other than those of the Company;
- (xii) all Tax Returns of the Seller's Group other than the Company and all books and records (including working papers) related thereto;
- (xiii) any rights in respect of any insurance policies of the Seller's Group as provided in Clause 14;
- (xiv) any rights in respect of Pre-Closing Receivables;

- (xv) any equity interest in any person other than the Company;
- (xvi) the Excluded Contracts;
- (xvii) the China Marketing Authorisations; and
- (xviii) all rights of the Seller's Group under this Agreement and the Ancillary Agreements.

2.3.3 The Seller agrees to procure the transfer (to the extent it is able so to do) and the Purchaser agrees to accept (or procure the acceptance by another member of the Purchaser's Group of) the transfer of, and to assume, duly and punctually pay, satisfy, discharge, perform or fulfil (or procure that another member of the Purchaser's Group will assume, duly and punctually pay, satisfy, discharge, perform or fulfil) the Assumed Liabilities with effect from Closing.

2.3.4 Clause 2.3.3 shall not apply to, and the Purchaser shall not be obliged to accept or procure the acceptance by another member of the Purchaser's Group of the transfer of or to assume, pay, satisfy, discharge, perform or fulfil, or procure that another member of the Purchaser's Group will assume, duly and punctually pay, satisfy, discharge, perform or fulfil:

- (i) any Excluded Liability; or
- (ii) any Liability to the extent it relates to an Excluded Asset.

2.3.5 The parties acknowledge that the Seller has notified the Purchaser of its intention to carry out the Pre-Closing Product Reorganisation and that the Seller may, at its discretion, carry out the Pre-Closing Product Reorganisation provided that:

- (i) the Seller shall, in good faith, consult with, and take into account the reasonable views of, and any reasonable requests made by the Purchaser in relation to the Pre-Closing Product Reorganisation steps and documents, including any proposals to reduce or avoid Liability or cost being suffered or incurred by any member of the Purchaser's Group;
- (ii) all fees, costs and expenses of implementing the Pre-Closing Product Reorganisation (or any part thereof) shall be borne by the Seller's Group (other than the Company); and
- (iii) any modification or amendment of the steps set out in Part 1 of Schedule 18 shall require the prior written consent of the Purchaser, not to be unreasonably withheld or delayed. Without prejudice to any other exercise of a discretion whether or not to give consent, the Purchaser shall not be acting unreasonably if it withholds or delays its consent because it believes in good faith that the modification or amendment would result in exposure of any member of the Purchaser's Group to any additional cost, loss of benefit or Liability; and

- (iv) for the avoidance of doubt, nothing done or agreed to by the Purchaser to comply with the provisions of this Clause 2.3.5, Clause 2.3.6 and Schedule 18 shall in any respect reduce or restrict any rights the Purchaser or any member of the Purchaser's Group may have to make a claim against the Seller under Clause 2.3.6, the Company Tax Indemnity or the Purchaser Tax Indemnity.

2.3.6 The Seller undertakes to the Purchaser (for itself and as trustee for each other member of the Purchaser's Group) that, with effect from Closing, the Seller will indemnify on demand and hold harmless each member of the Purchaser's Group against and in respect of the loss of any benefit (other than benefits in respect of Tax) and any and all Liabilities (other than Liabilities in respect of Tax), including any and all Liabilities (other than Liabilities in respect of Tax) of any company whose shares are transferred to the Purchaser or a member of the Purchaser's Group in connection with the Pre-Closing Product Reorganisation, arising in connection with any Pre-Closing Product Reorganisation (or part thereof) including any such loss or Liability that would not have been suffered or incurred had such Pre-Closing Product Reorganisation (or part thereof) not been undertaken.

2.4 Employees and Employee Benefits

2.4.1 The provisions of Schedule 8 shall apply in respect of the Employees.

2.4.2 The provisions of Schedule 9 shall apply in respect of Employee Benefits.

2.5 Local Transfer Documents

2.5.1 On Closing or at such other time as agreed between the parties, the Seller shall procure that the Business Sellers or the Share Seller execute, and the Purchaser shall execute (or procure the execution by one or more other members of the Purchaser's Group of), such agreements, transfers, conveyances and other documents, as may be required pursuant to the relevant local law and otherwise as may be agreed between the Seller and the Purchaser to implement the transfer of the Business or the Share on Closing subject to the provisions of Schedule 25 (the "**Local Transfer Documents**" and each, a "**Local Transfer Document**"). Title shall be transferred by the applicable Local Transfer Document.

2.5.2 To the extent that the provisions of a Local Transfer Document are inconsistent with or (except to the extent they implement a transfer in accordance with this Agreement) additional to the provisions of this Agreement:

- (i) the provisions of this Agreement shall prevail; and
- (ii) so far as permissible under the laws of the relevant jurisdiction, the Seller and the Purchaser shall procure that the provisions of the relevant Local Transfer Document are adjusted, to the extent necessary to give effect to the provisions of this Agreement or, to the

extent this is not permissible, the Seller shall indemnify the Purchaser against all Liabilities suffered by the Purchaser or its Affiliates or, as the case may be, the Purchaser shall indemnify the Seller against all Liabilities suffered by the Seller or its Affiliates, in either case through or arising from the inconsistency between the Local Transfer Document and this Agreement or the additional provisions (except to the extent they implement a transfer in accordance with this Agreement).

2.5.3 The Seller shall not, and shall procure that none of its Affiliates shall bring any claim against the Purchaser or any member of the Purchaser's Group in respect of or based upon the Local Transfer Documents save to the extent necessary to implement any transfer of the Business as contemplated by this Agreement. To the extent that the Seller or a member of the Seller's Group does bring a claim in breach of this Clause, the Seller shall indemnify the Purchaser and each member of the Purchaser's Group against all Liabilities which the Purchaser or that member of the Purchaser's Group may suffer through or arising from the bringing of such a claim.

2.5.4 The Purchaser shall not, and shall procure that none of its Affiliates shall, bring any claim against the Seller or any member of the Seller's Group in respect of or based upon the Local Transfer Documents save to the extent necessary to implement any transfer of the Business as contemplated by this Agreement. To the extent that the Purchaser or a member of the Purchaser's Group does bring a claim in breach of this Clause, the Purchaser shall indemnify the Seller and each member of the Seller's Group against all Liabilities which the Seller or any member of the Seller's Group may suffer through or arising from the bringing of such a claim.

3. Amounts Payable

3.1 Consideration

3.1.1 Subject to Clause 3.4.1, the consideration for the purchase of the Business (including the Share) under this Agreement shall be an amount equal to US\$16,000,000,000 (the "**Headline Amount**") less the Stamp Duty Amount and, if applicable, any Employee Benefit Indemnification Amount paid in accordance with Schedule 9 and any Reduction Amount, and shall include:

- (i) the consideration for the purchase of the Share under this Agreement, being the Share Consideration;
- (ii) the "**Business Consideration**", being the consideration for the purchase of that part of the Business not owned directly by the Company as at Closing, as notified by the Seller to the Purchaser 5 Business Days prior to the Closing Date, and for the undertaking given by the Seller in Clause 12.1, and which is subject to Clause 6.3.3; and
- (iii) the amount of the Company Intra-Group Debt.

3.1.2 For the avoidance of doubt, the consideration provided for under Clause 3.1.1 includes the consideration payable in respect of the Delayed Businesses.

3.2 Allocation

The provisions of Schedule 10 shall apply.

3.3 VAT

3.3.1 The provisions of Schedule 11 shall apply.

3.3.2 The Seller and the Purchaser agree that the amount payable in respect of the sales and purchases described in Clause 2.1 above is exclusive of any VAT.

3.3.3 To the extent that VAT is chargeable in respect of those sales and purchases or any part thereof, the Purchaser shall, against delivery of a valid VAT invoice (or equivalent, if any), in addition to any other amount expressed in the Agreement to be payable by the Purchaser, pay or procure the payment to the Seller (on behalf of the relevant Business Seller or the Share Seller as applicable) any amount of any VAT so chargeable for which the Seller (or the relevant member of the Seller's Group, as the case may be) is liable to account, in accordance with Schedule 11.

3.3.4 The Seller shall indemnify each member of the Purchaser's Group against any VAT chargeable in connection with the transfer of the Share under this Agreement.

3.4 Treatment of Payments

3.4.1 If any payment is made by a member of the Seller's Group to a member of the Purchaser's Group or by a member of the Purchaser's Group to a member of the Seller's Group, in either case in respect of any claim under, or for any breach of this Agreement or pursuant to an indemnity (or equivalent covenant to pay) under this Agreement, the payment shall be treated, so far as possible, as an adjustment of the consideration paid by the Purchaser for the Share, the Owned Product Intellectual Property Rights or the Assets to which the payment and/or claim relates under this Agreement and the consideration shall be deemed to be increased or reduced (as applicable) by the amount of such payment.

PROVIDED THAT this Clause 3.4.1 shall not require any amount to be treated as an amount in respect of the Share Consideration or the Business Consideration for the purposes of Clause 16.10 if it would not otherwise have been so treated.

3.4.2 If:

- (i) the payment and/or claim relates to: (A) more than one of the Assets, the Owned Product Intellectual Property Rights and the Share; and/or (B) to more than one Asset or to more than one Owned Product Intellectual Property Right, it shall be allocated in a manner which

reflects the impact of the matter to which the payment and/or claim relates, failing which it shall be allocated rateably to the Products concerned by reference to the percentages in which amounts are to be allocated between the Products in accordance with Schedule 10; or

- (ii) the payment and/or claim relates to neither the Share nor any particular Assets or Owned Product Intellectual Property Rights, it shall be allocated rateably to the Products by reference to the percentages in which amounts are to be allocated between the Products in accordance with Schedule 10,

and in each case the consideration shall be deemed to have been reduced by the amount of such payment.

4. Conditions

4.1 Conditions Precedent

The sale and purchase of the Business, including the sale and purchase of the Share, is conditional upon satisfaction or, where applicable, waiver of the following conditions, or their satisfaction subject only to Closing:

4.1.1 to the extent that the proposed acquisition of all or any of the Business (the “**Transaction**”) either constitutes (or is deemed to constitute under Article 4(5) or Article 5(2)) a concentration with a Community dimension within the meaning of Council Regulation (EC) 139/2004 (as amended) (the “**Regulation**”) or is to be examined by the European Commission as a result of a decision under Article 22(3) of the Regulation:

- (i) the European Commission taking a decision (or being deemed to have taken a decision) under Article 6(1)(b) or, if the Commission has initiated proceedings pursuant to Article 6(1)(c), under Article 8(1) or 8(2) of the Regulation declaring the Transaction compatible with the common market; or
- (ii) the European Commission taking a decision (or being deemed to have taken a decision) to refer the whole or part of the Transaction to the competent authorities of one or more Member States under Articles 4(4) or 9(3) of the Regulation; and
 - (a) each such authority taking a decision with equivalent effect to Clause 4.1.1(i) with respect to those parts of the Transaction referred to it; and
 - (b) the European Commission taking any of the decisions under Clause 4.1.1(i) with respect to any part of the Transaction retained by it;

4.1.2 any waiting period (and any extension thereof) under the HSR Act applicable to the Transaction having expired;

- 4.1.3** to the extent required or otherwise agreed between the parties as appropriate to permit the parties to consummate the Transaction in the jurisdictions listed in Schedule 21, any additional clearances, approvals, waivers, no-action letters and consents having been obtained and any additional waiting periods having expired under applicable antitrust, merger control or foreign investment rules set forth in Schedule 21;
- 4.1.4** receipt of CFIUS Approval if CFIUS has initiated a review of the transactions contemplated by this Agreement, whether pursuant to Clause 4.2.3 or otherwise;
- 4.1.5** the unconditional consent of JTI to the assignment to the Purchaser of the rights and obligations of the relevant member of the Seller's Group under the JTI Agreement having been obtained;
- 4.1.6** the unconditional consent of Genmab to:
- (i) the assignment to the Purchaser of the rights and obligations of the relevant member of the Seller's Group under the Genmab Agreement having been obtained; and
 - (ii) a waiver of all non-compete provisions in the Genmab Agreement that would otherwise prevent the Purchaser and any member of the Purchaser's Group from [***] having been obtained;
- 4.1.7** no Governmental Entity having enacted, issued, promulgated, enforced or entered any Applicable Law or Judgment (whether temporary, preliminary or permanent) that is in effect at the Closing Date and that has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting the consummation of such transactions;
- 4.1.8** the passing at a duly convened and held general meeting of the Seller Shareholders of an ordinary resolution validly approving the Target Asset Agreements (as defined in the Implementation Agreement) and any sale and purchase under the Put Option Agreement (as defined in the Implementation Agreement) in accordance with the Seller Articles of Association, the Listing Rules and all other Applicable Law (such resolution being the "**Seller Shareholder Resolution**" and such meeting being the "**Seller Shareholder Meeting**");
- 4.1.9** the Purchaser not delivering a Novartis AG Board Certificate (as defined in the Implementation Agreement), in accordance with clause 3 of the Implementation Agreement, prior to the conclusion of the vote on the Seller Shareholder Resolution at the Seller Shareholder Meeting;
- 4.1.10** there having been no disruption in the Seller Group's supply chain, for any reason, which has caused a stock out at any of the Seller Group's relevant distribution centres in a manner which had, or would be reasonably likely to have, a Material Adverse Effect;
- 4.1.11** each of the other Target Asset Agreements having become unconditional in accordance with its terms (save for any condition in those agreements relating to this Agreement or the other of those agreements having become unconditional); and

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

4.1.12 the Office of Inspector General of the U.S. Department of Health and Human Services (“**OIG**”) not requiring that:

- (i) the full terms and conditions of the Corporate Integrity Agreement between **OIG** and GlaxoSmithKline LLC dated on or around 28 June 2012 (the “**GSK CIA**”); or
- (ii) significant provisions of the **GSK CIA** which (a) are terms that are not currently applicable to the Relevant Purchaser Business under Novartis Pharmaceutical Corporation’s own Corporate Integrity Agreement with the **OIG**, and (b) when applied to the Relevant Purchaser Business, would, in the aggregate, reasonably be expected to have an adverse effect on it,

shall, by reason of the sale under this Agreement, bind or apply in respect of the Relevant Purchaser Business. In this Clause 4.1.12, the “**Relevant Purchaser Business**” means the entire (NPC) business and operations in the United States of the pharmaceuticals division of the Purchaser.

4.2 Responsibility for Satisfaction

4.2.1 The Purchaser and the Seller shall prepare and file the notifications necessary for the fulfilment of the conditions in Clauses 4.1.1 to 4.1.3 (the “**Required Notifications**”) as soon as reasonably practicable (with notifications under the HSR Act to be filed by 29 May 2014). Notwithstanding anything to the contrary contained in this Agreement, the Purchaser shall have primary responsibility for obtaining all consents, approvals or actions of any Governmental Entity which are required in connection with the Required Notifications.

4.2.2 The Purchaser shall be responsible for payment of all filing and other fees and expenses in connection with the Required Notifications and the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3.

4.2.3 CFIUS

- (i) The Seller and the Purchaser shall consult, cooperate and keep each other reasonably informed regarding communications with, and requests for additional information from, CFIUS with respect to the Transaction. The Seller and the Purchaser shall use their respective reasonable best efforts to provide promptly all information that is pursuant to a request by CFIUS.
- (ii) Within 30 calendar days after the execution of this Agreement, any party wishing to submit a formal joint voluntary notice to CFIUS pursuant to 31 C.F.R. Section 800.401, et. seq. (“**CFIUS Filing**”) shall provide the other party with written notice of its intent to make a

CFIUS Filing (“**Election Date**”). Prior to making its election to submit a CFIUS Filing, the party wishing to make a CFIUS Filing shall consult in good faith with senior executives of the other party. If neither the Seller nor the Purchaser provides notice to submit a formal joint voluntary notice to CFIUS, a CFIUS Filing will not be made unless requested by CFIUS.

- (iii) If either the Seller or the Purchaser elects to make a CFIUS Filing following the procedures and consultations in Clause 4.2.3(ii) or if CFIUS requires a filing, then:
- (a) the Seller and the Purchaser shall use their respective reasonable best efforts to submit a draft CFIUS Filing no later than 15 Business Days following the Election Date, and a final CFIUS Filing the earlier of (1) five business days after submitting the draft CFIUS filing or (2) five calendar days after the receipt of any comments from CFIUS staff regarding the draft CFIUS Filing.
 - (b) the Seller and the Purchaser will provide each other with the reasonable opportunity to review and comment on any information provided to CFIUS to the extent permitted by Applicable Law, with the exception of personal identifier information required under Section 800.402(c)(6)(vi)(B) of the CFIUS regulations, 31 C.F.R.. Competitively sensitive information, or information not related to the transactions contemplated by this Agreement, may be restricted to each party’s external counsel to the extent reasonably considered necessary or advisable by the providing party;
 - (c) the Seller and the Purchaser shall each have an opportunity to approve and mutually agree on the joint contents of the CFIUS Filing and shall be jointly responsible for the accuracy of such contents. The Seller and the Purchaser respectively, shall each be responsible for the accuracy of contents of the CFIUS Filing that exclusively relate to itself, its business, and any subsidiaries, parents or other related parties; and
 - (d) the Seller and the Purchaser shall use their respective reasonable best efforts to obtain CFIUS Approval as promptly as practicable and shall consult with each other on strategic matters related to obtaining such CFIUS Approval, provided that the Purchaser shall have no obligation to agree to any mitigation or other restrictive provision that could reasonably be considered to have a substantial impact on either the Business or the Purchaser.

4.2.4 The party responsible for satisfaction of each condition pursuant to this Clause 4.2 shall give notice to the other party of the satisfaction of the relevant condition within one Business Day of becoming aware of the same.

4.2.5 The parties shall cooperate with each other in connection with the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3. The parties will consult and cooperate reasonably with one another, consider in good faith the views of one another, and provide to the other party in advance any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals they or their agents make or submit to a Governmental Entity. Without limiting the foregoing, the parties agree to (a) give each other reasonable advance notice of all meetings with any Governmental Entity, (b) give each other an opportunity to participate in each of such meetings, (c) to the extent practicable, give each other reasonable advance notice of all substantive oral communications with any Governmental Entity, (d) if any Governmental Entity initiates a substantive oral communication promptly notify the other party of the substance of such communication, (e) provide each other with a reasonable advance opportunity to review and comment upon all written communications (including any analyses, presentations, memoranda, briefs, arguments, opinions and proposals) with a Governmental Entity, (f) provide each other with copies of all written communications to or from any Governmental Entity, and (g) not advance arguments in connection with any regulatory review or litigation proceeding related to this Agreement (other than litigation between the parties) over the objection of the other party that would reasonably be likely to have a significant adverse impact on that other party, provided however, that neither party shall be required to comply with subsection (b) to the extent that the Governmental Entity objects to the participation of a party, or with subsections (e) or (f) to the extent that such disclosure may raise regulatory concerns (in which case, the disclosure may be made on an outside counsel basis).

4.2.6 Subject to sub-Clause 4.2.7 and Applicable Law:

- (i) the parties shall cooperate with each other in connection with the satisfaction of the condition in Clause 4.1.12;
- (ii) the parties will consult and cooperate reasonably with one another, consider in good faith the views of one another, and provide to the other party in advance any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals they or their agents make or submit to the OIG; and
- (iii) without limiting paragraphs (i) and (ii) of this Clause 4.2.6, the parties agree to (a) give each other reasonable advance notice of all meetings with the OIG, (b) consult to determine if it is in the parties' mutual interest for both parties give each other an opportunity to participate in each of such meetings, (c) to the extent practicable, give each other reasonable advance notice of all substantive oral communications with the OIG, (d) if the OIG initiates a substantive oral communication promptly notify the other party of the substance of such communication, (e) provide each other with a reasonable advance opportunity to review and comment upon all written communications (including any analyses, presentations, memoranda,

briefs, arguments, opinions and proposals) with the OIG, (f) provide each other with copies of all written communications to or from the OIG, (g) not advance arguments in connection with any regulatory review or litigation proceeding related to this Agreement (other than litigation between the parties) over the objection of the other party that would reasonably be likely to have a significant adverse impact on that other party, and (h) provide each other with such information, documents and data as may be reasonably requested in preparation for any communications (including any analyses, presentations, memoranda, briefs, arguments, opinions and proposals) with the OIG, provided however, that neither party shall be required to permit the participation of the other party in a meeting with the OIG following the consultation required to comply with subsection (b) to the extent that the parties fail to agree to such mutual participation or the OIG objects to the participation of a party, to comply with subsections (e), (f) or (g) to the extent that such disclosure may raise regulatory concerns (in which case, the disclosure may be made on an outside counsel basis), or permit the disclosure or use of information, documents and data provided under subsection (h) in any communications with the OIG if the providing party reasonably determines that the information is confidential or proprietary and disclosure or use would be reasonably likely to have a significant adverse impact on that party.

- 4.2.7** The Seller shall not, and shall procure that no member of the Seller's Group (including but not limited to GlaxoSmithKline LLC) or their directors, officers, employees, agents or advisors shall, make any material or substantive communication or notification to the OIG regarding the Transaction without consulting and taking into account the views of the Purchaser.
- 4.2.8** The Purchaser shall and, shall cause its Affiliates to, use its reasonable endeavours to procure the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3 as soon as reasonably possible (and, in any event, not later than the Long Stop Date). Notwithstanding any other provision of this Agreement to the contrary, the Purchaser shall and, shall cause its Affiliates to use best endeavours to propose, negotiate, offer to commit and effect (and if such offer is accepted, commit to and effect), by consent decree, undertaking, hold separate order, or otherwise, the sale, divestiture, licence or disposition of its LGX818 and MEK162 products in development on a global basis (excluding existing manufacturing capabilities) as may be required or desirable in order to procure the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3 as soon as reasonably possible (and, in any event, not later than the Long Stop Date) and to avoid the commencement of any Action or the issuing of any Decision to prohibit the acquisition or any other transaction contemplated by this Agreement or, if such Action is already commenced, to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other order in any Action so as to enable the Closing to occur as soon as reasonably possible (and, in any event, not later than the Long Stop Date). Nothing in this Clause shall require the Purchaser to divest any currently

marketed product indicated for use in renal cell carcinoma or any currently marketed Product indicated for use in melanoma, including but not limited to Mekinist, Tafinlar, Votrient and/or Afinitor.

- 4.2.9** The Seller shall, and shall cause the Seller's Group, to use its reasonable endeavours to cooperate with the Purchaser in connection with procuring the satisfaction of the conditions in Clauses 4.1.1 to 4.1.3 as soon as reasonably possible (and, in any event, not later than the Long Stop Date), including providing to the Purchaser such information with respect to the Business and the Products as the Purchaser may reasonably require in connection with satisfaction of its obligations under this Clause.
- 4.2.10** The Purchaser and Seller shall cooperate to confirm, within 21 Business Days from signing of this Agreement, any additional merger notification requirements reasonably required or advisable in respect of the Transaction in jurisdictions beyond those listed in Schedule 21, and shall cooperate with each other, within the meaning of Clause 4.2.5, in achieving any additional clearances, approvals, consents, waivers, no-action letters or waiting period expirations in such jurisdictions. For the avoidance of doubt, Closing shall not be conditional upon such additional clearances, approvals and consents or waiting period expirations.
- 4.2.11** The Purchaser and Seller shall cooperate, within the meaning of Clause 4.2.5, and use reasonable endeavours to ensure that no Governmental Entity shall enact, issue, promulgate, enforce or enter any Applicable Law or Judgment as contemplated under Clause 4.1.7. In the event that any Governmental Entity enacts, issues, promulgates, enforces or enters any Applicable Law or Judgment as contemplated under Clause 4.1.7, the Seller and the Purchaser shall cooperate and use reasonable endeavours to put in place arrangements that would allow the Transaction to complete to the greatest possible extent in compliance with the relevant Applicable Law or Judgment.
- 4.2.12** The Seller shall use best efforts to obtain the consents referred to in Clauses 4.1.5 and 4.1.6 prior to the Closing Date. The cost of obtaining such consents shall be borne by the Seller, including any payment or other incentive that may (whether required to be offered or not) be offered to JTI and/or Genmab or any of their respective Affiliates in order to obtain such consents. The Purchaser shall, and shall cause its Affiliates to cooperate with the Seller in connection with obtaining the consents, referred to in Clauses 4.1.5 and 4.1.6 and use its reasonable endeavours to ensure that such conditions are satisfied at Closing, including providing to the Seller such information as the Seller may reasonably require in connection with the satisfaction of its obligations under this Clause 4.2.12.
- 4.2.13** The Purchaser may at any time waive in whole or in part (and conditionally or unconditionally) the conditions set out in Clauses 4.1.5, 4.1.6, 4.1.10 and 4.1.12 by notice in writing to the Seller.

4.3 Non-Satisfaction by the Long Stop Date

If the conditions in Clause 4.1 are not satisfied (or waived in accordance with Clause 4.2.13) as of 22 October 2015 (the “**Long Stop Date**”), the Purchaser or the Seller may, in its sole discretion, terminate this Agreement (other than Clauses 1, 13 and 16.2 to 16.15) and no party shall have any claim against the other under it, save for any claim arising from breach of any obligation contained in such Clauses or Clause 4.2. Neither the Seller nor the Purchaser may terminate this Agreement after satisfaction or waiver of the conditions in Clause 4.1, except in accordance with this Agreement.

4.4 Termination

4.4.1 This Agreement may be terminated at any time prior to Closing:

- (i) by written consent of the Seller and the Purchaser;
- (ii) by either the Seller or the Purchaser by notice to the other party in the event that any Judgment restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement shall have become final and non-appealable, provided that the party seeking to terminate this Agreement pursuant to this Clause 4.4 has complied with the terms of the Implementation Agreement and this Agreement in connection with having such Judgment vacated or denied; or
- (iii) by the Purchaser by notice to the Seller if:
 - (a) a Material Adverse Effect occurs prior to Closing (which shall include any breach or breaches of Clause 9.1 which alone or together constitute a Material Adverse Effect); or
 - (b) the Seller fails to provide a Certificate immediately prior to Closing; or
- (iv) in accordance with the terms of the Implementation Agreement.

4.4.2 This Agreement shall terminate automatically at any time prior to Closing in the event that:

- (i) any other Target Asset Agreement terminates or is terminated in accordance with its terms; or
- (ii) the Novartis Break Fee and/or the GSK Break Fee becomes payable under clause 5.1 or clause 5.8 of the Implementation Agreement, respectively.

4.4.3 Save as provided in this Clause 4, neither party shall be entitled to terminate or rescind this Agreement (whether before or after Closing). If this Agreement is terminated pursuant to this Clause 4.4, this Agreement shall be of no further force and effect and there shall be no further liability under this Agreement or any of the Ancillary Agreements on the part of any party,

except that Clauses 1, 13, and 16.2 to 16.15, in each case, to the extent applicable, shall survive any termination.

- 4.4.4** Nothing in this Clause 4.4 shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement prior to termination of this Agreement.

5. Pre-Closing

5.1 The Seller's Obligations in Relation to the Business

- 5.1.1** The Seller undertakes to procure that between the date of this Agreement and Closing, the relevant members of the Seller's Group shall, so far as permitted by Applicable Law, carry on the Business as carried on by the Seller Group as a going concern in the ordinary course as carried on immediately prior to the date of this Agreement save in so far as agreed in writing by the Purchaser (such consent not to be unreasonably withheld or delayed).
- 5.1.2** Without prejudice to the generality of Clause 5.1.1 and subject to Clause 5.2, the Seller shall not, in each case with respect to the Business only, between the date of this Agreement and Closing, and shall procure that each member of the Seller's Group shall not, except as may be required to comply with this Agreement, without the prior written consent of the Purchaser (such consent not to be unreasonably withheld or delayed), take any of the actions listed in Part 1 of Schedule 19.
- 5.1.3** Without prejudice to the generality of Clause 5.1.1, the Seller shall, in each case with respect to the Business only: (i) undertake to procure the satisfaction of its obligations listed in paragraph 1, Part 2 of Schedule 19; and (ii) shall, and shall procure that each member of the Seller's Group shall, between the date of this Agreement and Closing, comply with the requirements of paragraph 2, Part 2 of Schedule 19.

5.2 Exceptions to Seller's Obligations in Relation to the Conduct of Business

Clause 5.1 shall not operate so as to prevent or restrict:

- 5.2.1** any matter undertaken by any member of the Seller's Group to implement any Pre-Closing Product Reorganisation in accordance with Clauses 2.3.5 and 2.3.6;
- 5.2.2** any action to the extent it is required to be undertaken to comply with Applicable Law; or
- 5.2.3** any matter reasonably undertaken by any member of the Seller's Group in an emergency or disaster situation with the intention of minimising any adverse effect of such situation in relation to the Business and where any delay arising by virtue of having to give notice to the Purchaser and await consent would materially prejudice the Business,

provided that the Seller shall notify the Purchaser as soon as reasonably practicable of any action taken or proposed to be taken as described in Clause 5.2.3, shall provide to the Purchaser all such information as the Purchaser may reasonably request and shall use reasonable endeavours to consult with the Purchaser in respect of any such action.

5.3 Seller and Purchaser's Rights and Obligations

- 5.3.1** Subject to Clause 5.3.2, the parties shall negotiate in good faith to agree definitive and legally binding documentation in respect of each of the Ancillary Agreements for which the heads of terms are in the Agreed Terms, including the Manufacturing and Supply Agreement, on the date of this Agreement, and shall duly execute and deliver such definitive and legally binding documentation in respect of the Ancillary Agreements at Closing.
- 5.3.2** In the event that the parties are unable to agree definitive and legally binding documentation in respect of an Ancillary Agreement referred to in Clause 5.3.1 by Closing, the parties shall be subject to and shall adhere to the heads of terms in the Agreed Terms for that Ancillary Agreement, which terms shall be legally binding on the parties.
- 5.3.3** If required by the Seller, the Purchaser shall co-operate with the Seller and the relevant counterparty to procure the grant of a sub-licence or partial assignment of certain rights under the Ofatumumab Agreements to the Seller for use in relation to the Ofatumumab Compound in the Ofatumumab Indications and in the field of autoimmune diseases under the Ofatumumab Intellectual Property Licence or another agreement between the parties, effective from Closing.
- 5.3.4** If, at any time prior to Closing, the [***] determines that the terms and conditions of the [***] shall not bind or apply (in full or with respect to significant provisions thereof) to the Relevant Purchaser Business, but does determine that they shall bind or apply in any respect to either all or part of the Business or the Employees, then, at any time prior to the date falling 5 Business Days prior to the Closing Date, notwithstanding any provision in this Agreement to the contrary, the Purchaser shall be entitled not to make an offer of employment to any Employee who:
- (i) is not expected to transfer by operation of law to the Purchaser or any member of the Purchaser's Group on Closing; and
 - (ii) is or would reasonably be expected to be a "Covered Person" (as defined in the [***]) or is otherwise subject to or bound by any material obligation or term of the [***] as applied to the Purchaser or any member of the Purchaser's Group following Closing,
- and, where no offer of employment with the Purchaser or any member of the Purchaser's Group is made in accordance with this Clause 5.3.4, such Employee shall remain employed by the Seller or the relevant member of the Seller's Group on and following Closing.

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

5.3.5 At any time prior to the date falling 18 months after the Closing Date, each relevant member of the Purchaser's Group shall be entitled to terminate the employment of any Employee:

- (i) whose employment has transferred to the Purchaser or any member of the Purchaser's Group either by operation of law or by way of offer and acceptance; and
- (ii) who is or would reasonably be expected to be a "Covered Person" (as defined in the [***], as applied to the Purchaser's Group) or is otherwise subject to or bound by any material obligation or term of the [***] as applied to the Purchaser or any member of the Purchaser's Group following Closing,

if the [***] has determined or determines that the terms and conditions of the [***] shall apply or be binding (in whole or in part) to the Relevant Purchaser Business. The relevant member of the Purchaser's Group may effect such termination either by giving notice or transferring the Employee to a member of the Seller's Group by agreement to be concluded between the relevant member of the Purchaser's Group, the Employee concerned and the relevant member of the Seller's Group. The Seller shall be responsible for and shall indemnify and keep indemnified the Purchaser (for itself and as trustee for any relevant member of the Purchaser's Group) against all Liabilities from time to time made, suffered or incurred by the Purchaser (or any other member of the Purchaser's Group) as a result of:

- (iii) the transfer of employment of such Employee to the Purchaser or any member of the Purchaser's Group and the employment of such Employee from the Closing Date until the termination of employment of such Employee as referred to in this Clause 5.3.5(iii) (or any other employment liabilities relating to such person); and
- (iv) the termination of such Employee's employment.

5.3.6 Prior to Closing, the Seller shall be entitled to take and retain a full set of copies of the Ofatumumab Indications Data for use in accordance with the Ofatumumab Intellectual Property Licence Agreement. For the avoidance of doubt, the Ofatumumab Indications Data constitutes part of the Ofatumumab Licensed IP Rights for the purposes of the Ofatumumab Intellectual Property Licence Agreement (as such term is defined in the Ofatumumab Intellectual Property Licence Agreement).

6. Closing

6.1 Date and Place

Save as otherwise provided in this Agreement (including Schedule 25), Closing shall take place simultaneously with closing under the other Target Asset Agreements at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS (other than in respect of any Local Transfer Documents agreed between the parties to be executed in another jurisdiction) on the last

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Business Day of the month in which fulfilment or waiver of the last of the condition(s) set out in Clause 4.1 to be fulfilled or waived takes place, except that:

- 6.1.1** where the last day of such month is not a Business Day, Closing shall instead take place on the first Business Day of the following month; and
- 6.1.2** where less than five Business Days remain between such fulfilment or waiver and the last Business Day of the month, Closing shall take place:
 - (i) on the last Business Day of the following month;
 - (ii) where the last day of such month is not a Business Day, Closing shall instead take place on the first Business Day of the month following the month referred to in Clause 6.1.2(i); or
 - (iii) at such other location, time or date as may be agreed between the Purchaser and the Seller in writing, provided that:
 - (a) Closing shall not take place and shall not be effective in any circumstances unless closing also takes place under and in accordance with the terms of the other Target Asset Agreements at the same time; and
 - (b) in determining the date on which the last of the conditions set out in Clause 4.1 is fulfilled or waived, the date shall be the date on which the last of the conditions set out in Clauses 4.1.1, 4.1.2, 4.1.3, 4.1.4, 4.1.5, 4.1.6, 4.1.8, 4.1.9 and 4.1.11 is fulfilled or waived unless any of the conditions set out in Clauses 4.1.7, 4.1.10 and 4.1.12 is not fulfilled or waived on that date, in which case the date shall then be the first following date on which all of the conditions set out in Clauses 4.1.7, 4.1.10 and 4.1.12 are fulfilled or waived.

6.2 Closing Events

- 6.2.1** On Closing, but subject to the provisions of Schedule 25, the parties shall comply with their respective obligations specified in Schedule 12. The Seller may waive some or all of the obligations of the Purchaser as set out in Schedule 12 and the Purchaser may waive some or all of the obligations of the Seller as set out in Schedule 12.
- 6.2.2** The parties acknowledge that the transfer of Product Approvals to the Purchaser or other members of the Purchaser's Group may be subject to the approval of applicable Governmental Entities, and that, notwithstanding anything in this Agreement to the contrary, each Product Approval shall continue to be held by the relevant member of the Seller's Group from the Closing Date until the relevant PA Transfer Date.
- 6.2.3** The parties shall perform their respective obligations with respect to:
 - (i) the transfer of the Product Approvals as set out in Schedule 6;

- (ii) the transfer of Contracts (other than Product Approvals) and the Transferred Intellectual Property Contracts as set out in Schedule 7;
- (iii) to the extent the Purchaser has elected to have the Relevant Part of a Shared Business Contract transferred to it, the separation of each Shared Business Contract as set out in Schedule 7; and
- (iv) the Delayed Businesses as set out in Schedule 25.

6.3 Payment on Closing and the Reduction Amount

6.3.1 Subject to the remainder of this Clause 6.3, on Closing the Purchaser shall pay (for itself and on behalf of each relevant member of the Purchaser's Group, and in accordance with Clause 16.6):

- (i) an amount in cleared funds to the Seller which is equal to the Headline Amount less the sum of:
 - (a) the amount of the Company Intra-Group Debt; and
 - (b) any Estimated Employee Benefit Adjustment; and
 - (c) any amount to be deducted pursuant to Clause 6.3.6; and
 - (d) the Estimated Stamp Duty Amount; and
- (ii) a further amount in cleared funds to the Seller which is equal to the amount of the Company Intra-Group Debt and which shall be applied as provided in paragraph 1.4 of Schedule 12,

such that the total amount to be paid to the Seller and other members of the Seller's Group on Closing shall be the Headline Amount less the sum of the Estimated Stamp Duty Amount and, if applicable, any Estimated Employee Benefit Adjustment and, if applicable, any amount to be deducted under Clause 6.3.6.

6.3.2 On the Closing Date, as soon as possible after 04:00 a.m. (GMT) on the Closing Date when the US\$ Spot Rate becomes available, the Seller shall deliver a written statement to the Purchaser in the form of Schedule 24 setting out the amount of the Company Intra-Group Debt determined using the US\$ Spot Rate, provided that such amount shall be no greater than the Headline Amount less the aggregate of the Business Consideration, the Stamp Duty Amount and, if applicable, any Employee Benefit Indemnification Amount (the "**Maximum Company Intra-Group Debt Amount**"). If, after Closing, it is determined that the amount paid by the Purchaser pursuant to Clause 6.3.1(ii) exceeded the Maximum Company Intra-Group Debt Amount, the Seller shall pay the Purchaser an amount equal to the difference on demand.

- 6.3.3** The amount of the Business Consideration shall be subject to the following:
- (i) in the event that, by the CombiD Outcome Longstop Date, neither the Category A Outcome nor the Category B Outcome is achieved, the Business Consideration shall be reduced by \$1.5 billion; and
 - (ii) in the event that, by the CombiD Outcome Longstop Date, the Category A Outcome is not achieved but the Category B Outcome is achieved, the Business Consideration shall be reduced by \$1.0 billion,

the amount of any such applicable reduction being the “**Reduction Amount**”. Clauses 6.3.5 and 6.3.6 below shall apply in respect of any Reduction Amount.

- 6.3.4** For the avoidance of doubt, in the event that, by the CombiD Outcome Longstop Date, the Category A Outcome is achieved, then (whether or not the Category B Outcome is also achieved) no reduction or adjustment shall be made to the Business Consideration.

- 6.3.5** In the event that a reduction to the Business Consideration applies under Clause 6.3.3 above and the cause of such reduction occurs at or following 5 Business Days prior to Closing, the Seller shall (against the Purchaser having paid the full amount of the Business Consideration at Closing) repay to the Purchaser:

- (i) an amount equal to the applicable Reduction Amount; and
- (ii) interest on the Reduction Amount at the rate of Six-Month LIBOR, such interest accruing on a daily basis from the Closing Date to (and including) the date of payment of the Reduction Amount by the Seller to the Purchaser.

Any repayment to be made pursuant to this Clause 6.3.5 shall be made within 5 Business Days of the CombiD Outcome Longstop Date, provided that, in circumstances where Conclusion of the CombiD Study has occurred and either or both of (a) the condition in Clause 6.3.7(i)(a) of the Category A Outcome, and (b) the condition in Clause 6.3.7(ii)(a)(A) of the Category B Outcome are no longer capable of satisfaction, any resulting applicable reduction to the Business Consideration shall apply and take effect at (and any payment in respect thereof made within the 5 Business Days following) the time at which the relevant condition or conditions are no longer capable of satisfaction.

- 6.3.6** In the event that a reduction applies under Clause 6.3.3 above and the cause of such reduction occurs prior to 5 Business Days prior to Closing, the Purchaser shall be entitled to deduct an amount equal to the applicable Reduction Amount from the Business Consideration otherwise payable to the Seller at Closing.

- 6.3.7** The following terms used in this Clause 6.3 shall have the meaning ascribed below:

- (i) **“Category A Outcome”** means, in relation to the CombiD Study, all of the following:
 - (a) that Statistical Significance is achieved for the Overall Survival Endpoint;
 - (b) that the FDA accepts or agrees that Statistical Significance has been achieved for the Overall Survival Endpoint; and
 - (c) the absence of a New Material Safety Signal;
- (ii) **“Category B Outcome”** means both of the following:
 - (a) in relation to the CombiD Study, both:
 - (A) achievement of a point estimate for the Hazard Ratio (HR) on the Overall Survival Endpoint that is [***] or better (that is, lower than [***]); and
 - (B) the absence of a New Material Safety Signal; and
 - (b) the FDA not disallowing, within 12 months of Conclusion of the CombiD Study, continued use in the product insert of the claim that the Combination is more efficacious than the constituent mono-therapies;
- (iii) **“CombiD Outcome Longstop Date”** means the later of (i) the date that is 12 months after Conclusion of the CombiD Study, and (ii) 31 December 2015;
- (iv) **“CombiD Study”** means the Phase III, randomized, double-blinded study comparing the combination of the BRAF inhibitor, dabrafenib and the MEK inhibitor, trametinib to dabrafenib and placebo as first-line therapy in subjects with unresectable (Stage IIIC) or metastatic (Stage IV) BRAF V600E/K mutation-positive cutaneous melanoma (the **“Combination”**);
- (v) **“Conclusion”** means when the Overall Survival Endpoint is analysed and the CombiD Study is closed;
- (vi) **“New Material Safety Signal”** means a Safety Signal:
 - (a) which is identified in the results of the CombiD Study;
 - (b) which was not described in the approval of the Combination by the FDA or the respective approvals of the BRAF and MEK components of the Combination; and
 - (c) in respect of which, within 12 months of the Conclusion of the CombiD Study, the FDA requires inclusion of a “black box” on the product insert for the Combination, the BRAF inhibitor and the MEK inhibitor;

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- (vii) **“Overall Survival Endpoint”** means, as defined in the study protocol for the CombiD Study and the statistical analysis plan agreed with the FDA in respect thereof, the time from randomization until death due to any cause, where:
 - (a) all-cause mortality is used and censoring is performed using the date of the last known contact for those who were alive at the time of analysis; and
 - (b) overall survival is summarized using the Kaplan-Meier method and treatment comparisons are made using a stratified log rank test (stratified by LDH status and mutation status);
- (viii) **“Safety Signal”** means information that arises from one or multiple sources that suggests a new, potentially causal association, or a new aspect of a known association, between an intervention and event or set of related events, which is adverse; and
- (ix) **“Statistical Significance”** means a one-sided p-value less than [***].

6.3.8 Notwithstanding any other provision in this Agreement or any Ancillary Agreement, the parties agree that the CombiD Study shall remain under the control of the Seller until its Conclusion.

6.3.9 By no later than 5 Business Days prior to Closing, the Seller shall notify the Purchaser of:

- (i) any Estimated Employee Benefit Adjustment;
- (ii) the Estimated Business Consideration;
- (iii) the Estimated Company Intra-Group Debt;
- (iv) the Estimated Share Consideration; and
- (v) the Estimated Stamp Duty Amount,

and at the same time provide to the Purchaser reasonable supporting calculations and information to enable the Purchaser to review the basis on which each such amount has been determined.

The Estimated Stamp Duty Amount and the Estimated Employee Benefit Adjustment shall be used for the purposes of calculating the payment to be made pursuant to Clause 6.3.1 such that the total amount to be paid to the Seller and other members of the Seller’s Group on Closing shall be the Headline Amount less the sum of the Estimated Stamp Duty Amount and, if applicable, any Estimated Employee Benefit Adjustment and, if applicable, any amount to be deducted under Clause 6.3.6.

6.3.10 If the Estimated Stamp Duty Amount exceeds the Stamp Duty Amount, the Purchaser shall, as soon as reasonable practicable (and in any event within 5 Business Days) after the date on which the Stamp Duty Amount can be

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

determined, pay to the Seller (by way of payment of consideration due under Clause 3.1.1) an amount equal to the excess. If the Estimated Stamp Duty Amount is less than the Stamp Duty Amount, the provisions of Clause 16.8 shall apply.

6.3.11 The amounts payable in accordance with Clause 6.3.1 shall, in each case, include all amounts payable in respect of the Delayed Businesses.

6.4 Local Payments

The Purchaser shall procure that each relevant Designated Purchaser set out in column 2 of the table in Part 1 of Schedule 28 shall, subject to the terms of the relevant Local Transfer Document (and, for the avoidance of doubt, in partial satisfaction of the amounts payable under Clause 3.1.1), pay to the relevant Business Seller the amount set out against its name in column 4 (each a “**Local Payment Amount**”) converted into the relevant currency set out in the relevant Local Transfer Document as at the Closing Date, on:

- (i) the date falling 7 days after the Closing Date; or
- (ii) if this is not possible, the date falling 14 days after the Closing Date; or
- (iii) if this is not possible, the date falling 21 days after the Closing Date, or
- (iv) if this is not possible, the date falling 28 days after the Closing Date, or

provided that, in any event, all such payments shall be made by no later than the date falling 28 days after the Closing Date.

6.5 Delayed Local Payments

In respect of each Delayed Business, the Purchaser shall procure that each relevant Designated Purchaser set out in column 2 of the table in Part 2 of Schedule 28 shall, subject to the terms of the relevant Local Transfer Document (and, for the avoidance of doubt, in partial satisfaction of the amounts payable under Clause 3.1.1), pay to the relevant Business Seller set out in column 3 the amount set out against its name in column 4 in respect of that Delayed Business (each a “**Delayed Local Payment Amount**”) converted into the relevant currency set out in the relevant Local Transfer Document as at the relevant Delayed Closing Date, as soon as reasonably practicable following the relevant Delayed Closing Date and, in any event, within 10 Business Days following the relevant Delayed Closing Date, in accordance with the terms of the relevant Local Transfer Document.

6.6 Repayment of Local Payments and Delayed Local Payments

Where a Local Payment Amount or Delayed Local Payment Amount is received by a member of the Seller’s Group pursuant to Clause 6.4 or Clause 6.5, the Seller shall (on behalf of the relevant Business Seller, in accordance with Clause 16.6) pay to the Purchaser in US Dollars an amount equal to such Local Payment Amount or Delayed

Local Payment Amount by way of repayment of all or part (as the case may be) of the amount paid by the Purchaser on behalf of the Designated Purchaser that paid the relevant Local Payment Amount or Delayed Local Payment Amount, so as to ensure that the total amount received by members of the Seller's Group under Clauses 6.3, 6.4 and 6.5 does not exceed the amount payable under Clause 3.1.1.

6.7 Breach of Closing Obligations

If any party fails to comply with any material obligation in Clause 6.2 or 6.3 or Schedule 12 in relation to Closing, the Purchaser, in the case of non-compliance by the Seller, or the Seller, in the case of non-compliance by the Purchaser, shall be entitled (in addition to and without prejudice to all other rights or remedies available) by written notice to the Seller or the Purchaser to fix a new date for Closing which, except as agreed by the parties, shall be the last day of the month next ending or, if that day is not a Business Day, the first Business Day falling after that day, in which case the provisions of Schedule 12 shall apply to Closing as so deferred, but provided such deferral may only occur once. In all circumstances Closing shall only occur simultaneously with closing under the other Target Asset Agreements.

7. Development Plans

7.1 As at the date of this Agreement, the Seller or the relevant member of the Seller's Group intends to implement the studies of the Products set out in the Key Study Plans in accordance with the Key Study Plans. Prior to Closing, the Seller (or the relevant member(s) of the Seller Group) shall continue to implement the Development Plans in the same manner and to the same standards as it has done so prior to the date of this Agreement.

7.2 The Seller shall (and shall ensure that the relevant member(s) of the Seller Group), maintain and preserve the laboratory notebooks and other records detailing the experiments and studies (including of any clinical trials) conducted pursuant to the Development Plans (the "**Development Plan Records**") and shall require any sub-contractors to similarly maintain and preserve Development Plan Records of their respective activities.

7.3 So far as permitted by Applicable Law and at the Purchaser's risk:

7.3.1 the Seller shall provide the Purchaser with such information about the progress of the Development Plans as the Purchaser may reasonably request and shall provide the Purchaser with copies of substantive correspondence with any Governmental Entity with respect to any Product Expansion Application.

7.3.2 the Seller shall provide to the Purchaser monthly an update in relation to each Product Expansion with sufficient detail for the Purchaser to be able to assess the progress of each Product Expansion against the relevant Development Plan and highlighting any areas, whether scientific, clinical or regulatory, which may have a material impact on the future development of the Product Expansion. The form of update shall be agreed by the Seller and the Purchaser acting reasonably and in good faith. The Seller shall discuss matters relevant to the Product Expansion with representatives of the

Purchaser and consult the Purchaser on the progress of the Product Expansion and any material proposed amendments to the relevant Development Plan with respect to the particular Product Expansion; and

- 7.3.3** the Seller shall promptly inform the Purchaser of any material unforeseen results, problems or difficulties with regards to any Product Expansion including with respect to any communication from any Governmental Entity which indicates that the Development Plan in relation to such Product Expansion requires material amendment in order for the Product Expansion to be approved. The Seller shall consult with the Purchaser with respect to any such matters and shall take account of the views of the Purchaser for resolving any such unforeseen results, problems or difficulties.

8. Post-Closing Obligations

8.1 Indemnities

8.1.1 Indemnity by the Purchaser against Assumed Liabilities

The Purchaser hereby undertakes to the Seller (for itself and on behalf of each other member of the Seller's Group, and their respective directors, officers, employees and agents) that with effect from Closing, the Purchaser will indemnify on demand and hold harmless each member of the Seller's Group and their respective directors, officers, employees and agents against and in respect of any and all Assumed Liabilities.

8.1.2 Indemnities by the Seller

- (i) Subject to Clause 8.1.3, the Seller hereby undertakes to the Purchaser (for itself and on behalf of each other member of the Purchaser's Group and their respective directors, officers, employees and agents) that, with effect from Closing, the Seller will indemnify on demand and hold harmless each member of the Purchaser's Group and their respective directors, officers, employees and agents against and in respect of any and all:
- (a) Excluded Liabilities; and
 - (b) Liabilities, including legal fees, to the extent they have arisen or arise (whether before or after Closing) as a result of or otherwise relate to any act, omission, fact, matter, circumstance or event undertaken, occurring or in existence or arising before Closing so far as related to: (A) any anti-bribery warranty, including without limitation those set forth in paragraphs 7.1 through 7.6 of Schedule 14, not being true and correct when made; (B) any government inquiries or investigations involving the Seller, its Affiliates or their respective Associated Persons; (C) save to the extent in existence as at the date of this Agreement, any limitation, restriction or other reduction in drug registrations, licences, listings or marketing approvals, government pricing or

reimbursement rates relating to the Products including specifically the value of lost future profits as a result of any such limitation, restriction or reduction; or (D) any other claim, litigation, investigation or proceeding to the extent related to any of the foregoing (A) to (C), including but not limited to costs of investigation and defence and legal fees.

- (ii) The Seller hereby undertakes to the Purchaser (for itself and on behalf of each other member of the Purchaser's Group and their respective directors, officers, employees and agents) that, with effect from Closing, the Seller will indemnify on demand and hold harmless each member of the Purchaser's Group and their respective directors, officers, employees and agents against and in respect of any and all Liabilities, including lost profits, arising from or in connection with any failure by the Seller or its Affiliates to Manufacture and supply Products in accordance with the terms of the Manufacturing and Supply Agreement or Transitional Distribution Services Agreement, as applicable, to the extent such failure results from the Cork FDA Matter.

8.1.3 Limitations on Indemnities

Subject to Clause 8.1.4, the Seller shall not be liable under Clause 8.1.2(i) in respect of:

- (i) any Time-Limited Excluded Liability unless a notice of claim in respect of the matter giving rise to such Liability is given by the Purchaser to the Seller within ten years of Closing, provided that this sub-Clause (i) shall not apply in respect of any claim by the Purchaser which relates to:
 - (a) a Product Liability;
 - (b) a Governmental Liability;
 - (c) a Clinical Trials/Data Liability;
 - (d) an Excluded Asset; or
 - (e) an IP Liability; and
- (ii) any individual claim (or a series of claims arising from similar or identical facts or circumstances) where the Liability (disregarding the provisions of this Clause 8.1.3(ii)) in respect of any such claim or series of claims does not exceed US\$10 million, provided that, for the avoidance of doubt, where the Liability in respect of any such claim or series of claims exceeds US\$10 million, the Liability of the Seller shall be for the whole amount of such claim(s) and not just the excess.

8.1.4 Disapplication of limitations

None of the limitations contained in Clause 8.1.3 shall apply to any claim to the extent that such claim which arises or is increased, or to the extent to which it arises or is increased, as the consequence of, or which is delayed as a result of, fraud by any member of the Seller's Group or any director, officer or employee of any member of the Seller's Group.

8.2 Conduct of Claims

8.2.1 Assumed Liabilities

- (i) If the Seller becomes aware after Closing of any claim by a third party which constitutes or may constitute an Assumed Liability, the Seller shall as soon as reasonably practicable:
 - (a) give written notice thereof to the Purchaser setting out such information as is available to the Seller as is reasonably necessary to enable the Purchaser to assess the merits of the potential claim;
 - (b) take all appropriate actions to preserve evidence; and
 - (c) provide the Purchaser with periodic updates on the status of the claim upon request and shall not admit, compromise, settle, discharge or otherwise deal with such claim without the prior written agreement of the Purchaser (such agreement not to be unreasonably withheld or delayed).
- (ii) The Seller shall, and shall procure that each Business Seller and the Share Seller shall, take such action as the Purchaser may reasonably request to avoid, dispute, resist, appeal, compromise, defend or mitigate any claim which constitutes or may constitute an Assumed Liability subject to the Seller, the Share Seller and each Business Seller being indemnified and secured to their reasonable satisfaction by the Purchaser against all Liabilities which may thereby be incurred. In connection therewith, the Seller shall make or procure to be made available to the Purchaser or their duly authorised agents on reasonable notice during normal business hours all relevant books of account, records and correspondence relating to the Business which have been retained by the Seller's Group (and shall permit the Purchaser to take copies thereof at its expense) for the purposes of enabling the Purchaser to ascertain or extract any information relevant to the claim.

8.2.2 Liabilities Indemnified by the Seller

- (i) If the Purchaser becomes aware after Closing of any claim by a third party which constitutes or may constitute a Liability covered by Clause 8.1.2 or relates to a Liability or any investigations related thereto, regardless of whether the Purchaser believes that such claim would be made against a member of the Purchaser's Group or a

member of the Seller's Group, the Purchaser shall as soon as reasonably practicable:

- (a) give written notice thereof to the Seller, setting out such information as is available to the Purchaser as is reasonably necessary to enable the Seller to assess the merits of the potential claim;
 - (b) take all appropriate actions to preserve evidence; and
 - (c) provide the Seller with periodic updates on the status upon request and shall not admit, compromise, settle, discharge or otherwise deal with such claim without the prior written agreement of the Seller (such agreement not to be unreasonably withheld or delayed).
- (ii) The Purchaser shall take such action as the Seller may reasonably request to avoid, dispute, resist, appeal, compromise, defend or mitigate any claim which constitutes or may constitute a Liability covered by Clause 8.1.2 subject to the Purchaser being indemnified and secured to its reasonable satisfaction by the Seller against all Liabilities which may thereby be incurred.
- (iii) In addition, where any such claim or investigation involves a Governmental Entity, the Purchaser shall, subject to Applicable Law, the requirements of the relevant Governmental Entity and the Seller providing an appropriate confidentiality undertaking in favour of the Purchaser's Group, provide to the Seller, at least five Business Days in advance (or, where not possible, as soon as reasonably possible), any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals they or their agents make or submit to a Governmental Entity. Without limiting the foregoing, the parties agree, subject to the Applicable Law and the requirements of the relevant Governmental Entity and the Seller providing an appropriate confidentiality undertaking in favour of the Purchaser's Group to:
- (a) give the Seller reasonable advance notice of all meetings with any Governmental Entity;
 - (b) give the Seller an opportunity to participate in each of such meetings;
 - (c) to the extent practicable, give the Seller reasonable advance notice of all substantive oral communications with any Governmental Entity;
 - (d) if any Governmental Entity initiates a substantive oral communication, promptly notify the Seller of the substance of such communication;

- (e) provide the Seller with a reasonable advance opportunity to review and comment upon all substantive written communications (including any substantive correspondence, analyses, presentations, memoranda, briefs, arguments, opinions and proposals) that the Purchaser or its agents intend to make or submit to a Governmental Entity in connection with such claim;
 - (f) provide the Seller with copies of all substantive written communications to or from any Governmental Entity; and
 - (g) not advance arguments with the Governmental Entity without prior agreement of the Seller that would reasonably be likely to have a significant adverse impact on the Seller, provided however, that the Purchaser shall not be required to comply with paragraph (b) above to the extent that the Governmental Entity objects to the participation of a party, or with paragraph (e) or (f) above to the extent that such disclosure may raise regulatory concerns (in which case, the disclosure may be made on an outside counsel basis).
- (iv) Other than in respect of any claim to the extent it relates to an IP Liability, a Commercial Practices Liability or a Governmental Liability (other than in respect of any Liability arising solely by virtue of a breach of any Contract with any Governmental Entity which breach does not also constitute a breach of Applicable Law), the Seller shall be entitled at its own expense and in its absolute discretion, by notice in writing to the Purchaser, to take such action as it shall deem necessary to avoid, dispute, deny, defend, resist, appeal, compromise or contest any such claim (including making counterclaims or other claims against third parties) in the name of and on behalf of the Purchaser or other member of the Purchaser's Group concerned and to have the conduct of any related proceedings, negotiations or appeals. In taking action on behalf of any member of the Purchaser's Group as permitted by this Clause 8.2, the Seller shall, in good faith, take into account and have due regard to any reputational matter or issue arising out of the claim for any member of the Purchaser's Group or any of their respective directors, officers, employees or agents which are brought to its attention by the Purchaser or a member of the Purchaser's Group.
- (v) Without limitation to the Seller's rights pursuant to Clause 8.7.2, the Purchaser shall make or procure to be made available to the Seller or its duly authorised agents on reasonable notice during normal business hours full and free access to all relevant books of account, records and correspondence relating to the Business which are in the possession or control of the Purchaser or any member of the Purchaser's Group (and shall permit the Seller to take copies thereof) for the purposes of enabling the Seller to ascertain or extract any information relevant to the claim.

- (vi) The Purchaser shall, and shall procure that each other member of the Purchaser's Group shall, on reasonable notice from the Seller, give such assistance to the Seller as it may reasonably require in relation to the claim including providing the Seller or any member of the Seller's Group and its representative and advisers with access to and assistance from directors, officers, managers, employees, advisers, agents or consultants of the Purchaser and/or of each other member of the Purchaser's Group (collectively, the "**Relevant Persons**") and the Purchaser will use its reasonable endeavours to procure that such Relevant Persons comply with any reasonable requests from the Seller and generally co-operates with and assists the Seller and other members of the Seller's Group.
- (vii) When seeking assistance under Clauses 8.2.2(v) and (vi), the Seller, or any other relevant member of the Seller's Group, shall use reasonable endeavours to minimise interference with the Purchaser and the Purchaser's Group's conduct of the relevant business or the performance by the Relevant Persons of their employment duties.

8.3 Release of Guarantees

- 8.3.1** The Purchaser shall use reasonable endeavours to procure as soon as reasonably practicable after Closing, the release of the Sellers or any member of the Seller's Group from any securities, guarantees or indemnities given by or binding upon the Seller or any member of the Seller's Group in respect of the Assumed Liabilities. Pending such release the Purchaser shall indemnify the Seller and any member of the Seller's Group against all amounts paid by any of them (acting reasonably) pursuant to any such securities, guarantees or indemnities in respect of such Assumed Liabilities.
- 8.3.2** The Seller shall use reasonable endeavours to procure by Closing or, to the extent not done by Closing, as soon as reasonably practicable after Closing, the release of the Assets, the Owned Product Intellectual Property Rights and the Company from any securities, guaranties or indemnities given by or binding upon the Assets, the Owned Product Intellectual Property Rights and the Company in respect of any liability of the Seller or any member of the Seller's Group. Pending such release, the Seller shall indemnify the Purchaser and any member of the Purchaser's Group against all amounts paid by any of them (acting reasonably) pursuant to any such securities, guarantees and indemnities in respect of such liability of the Seller which arises after Closing.

8.4 Pre-Closing Receivables

- 8.4.1** The Purchaser shall not acquire the Pre-Closing Receivables, and accordingly the Seller or, as the case may be, the other relevant members of the Seller's Group (as applicable) shall remain entitled to the Pre-Closing Receivables in accordance with the terms of Clauses 8.4.2 and 8.4.3.

- 8.4.2** The Purchaser agrees that the Seller (or such other member(s) of the Seller's Group as the Seller may nominate) (each, a "**Collecting Seller**") shall be responsible for the collection of any of the Pre-Closing Receivables and that:
- (i) each Collecting Seller shall be entitled to take such steps as it may think fit (having regard for maintaining good relationships with third parties from whom Pre-Closing Receivables are being collected) to recover any Pre-Closing Receivables;
 - (ii) the Purchaser shall not take, and shall procure that no other member of the Purchaser's Group takes, any step to collect any of the Pre-Closing Receivables (unless agreed in writing with the Seller or relevant Collecting Seller), and shall not do anything to hinder their collection by any Collecting Seller; and
 - (iii) if the Purchaser or any other member of the Purchaser's Group should receive any written communication or payment in respect of any Pre-Closing Receivable, the Purchaser shall use reasonable efforts to give, or procure that there are given, written details of any such written communication or payment to the Seller as soon as reasonably practicable following receipt thereof.

- 8.4.3** In the event that, notwithstanding Clauses 8.4.1 and 8.4.2 above, a member of the Purchaser's Group receives any monies in respect of any Pre-Closing Receivables, then the Purchaser shall procure that those monies are paid by the recipient to the Seller or, as directed, its Affiliate, as soon as reasonably practicable after the amount is received.

8.5 Wrong Pockets Obligations and Pre-Clinical Research Licence

- 8.5.1** Except as provided in Schedule 6, Schedule 7, Schedule 8, Schedule 9 and Schedule 25, if any property, right or asset forming part of the Business (other than any property, right or asset expressly excluded from the sale under this Agreement) has not been transferred to the Purchaser, or to another member of the Purchaser's Group and should have transferred pursuant to the terms of this Agreement, the Seller shall procure that such property, right or asset (and any related liability which is an Assumed Liability) is transferred to the Purchaser, or to such other member of the Purchaser's Group as the Purchaser may nominate reasonably acceptable to the Seller, as soon as practicable and at no cost to the Purchaser. For the avoidance of doubt, this Clause 8.5.1 shall not take effect in respect of the OBM Transferred Rights until the OBM Transfer Date.
- 8.5.2** If, following Closing or, in respect of a Delayed Business, the relevant Delayed Closing, any property, right or asset not forming part of the Business (other than any property, right or asset expressly included in the sale under this Agreement and the Permitted Cash Receivable) is found to have been transferred to the Purchaser or to another member of the Purchaser's Group and should not have transferred pursuant to the terms of this Agreement, the Purchaser shall procure that such property, right or asset is transferred to the transferor or another member of the Seller's Group nominated by the Seller

reasonably acceptable to the Purchaser as soon as practicable and at no cost to the Seller (save that if such property, right or asset is or has been owned by the Company, the cost of transferring such property, right or asset to a member of the Seller's Group shall be borne by the Seller, provided that the consideration paid for any such transfer shall, unless otherwise required by Applicable Law, be of a nominal amount).

- 8.5.3** The Seller shall, with effect from Closing, grant (and shall procure the grant by members of the Seller's Group) to the extent it has the right to grant or procure the grant to the Purchaser of a non-exclusive, irrevocable, royalty-free licence for use solely in relation to the Products of all Intellectual Property Rights (excluding for the avoidance of doubt any Intellectual Property Rights to the extent relating to new chemical entities owned by or licensed to the Seller which are not Products) owned by or licensed to the Seller's Group as at Closing relating to pre-clinical research which relate to (but do not exclusively relate to) the Products and which are necessary or reasonably useful to research, develop, manufacture or Commercialise the Products, which licence shall be (a) sub-licensable by the Purchaser (i) to members of its Group and (ii) to third parties working with it on the development of the Products; and (b) sub-licensable and assignable to other third parties solely in connection with the license, sub-license or assignment of all of the rights of the Purchaser in the relevant Product.

8.6 Covenant not to sue

- 8.6.1** The Seller hereby undertakes not to enforce, at any time after Closing, any Out of Scope Patent against the Purchaser's Group in relation to the Purchaser's Group carrying on the Business as at the date of Closing.
- 8.6.2** The Purchaser hereby undertakes not to enforce, at any time after Closing, any Patents constituting Business Product Intellectual Property Rights against the Seller's Group in relation to the Seller's Group carrying on the Seller's Group Retained Business as at the date of Closing.

8.7 The Purchaser's Continuing Obligations

- 8.7.1** Except as provided in the Ancillary Agreements and Schedule 27, the Purchaser shall not, and shall procure that no member of the Purchaser's Group shall, after Closing, use any of the Seller Marks or any confusingly similar name or mark, any extensions thereof or developments thereto in any business which competes with the Seller's business or any other business of the Seller or any member of the Seller's Group in which the Seller Marks are used for (i) a minimum period of five years following Closing; and (ii) thereafter for so long as any member of the Seller's Group continues to retain an interest in the relevant Seller Marks.
- 8.7.2** The Purchaser shall, and shall procure that any relevant member of the Purchaser's Group shall, retain for a period of 10 years from Closing (and, upon notice from the Seller between 9 and 10 years from Closing, for a further period of 5 years), and not dispose of or destroy during that period, the books, records and documents of the Business to the extent they relate to

the period prior to Closing and shall, and shall procure that any relevant member of the Purchaser's Group shall, if reasonably requested by the Seller, allow the Seller reasonable access during that period to such books, records and documents (including the right to take copies at the Seller's expense) and to the employees of the Business.

8.8 The Seller's Continuing Obligations

8.8.1 The Seller shall retain and not dispose of or destroy and make or procure to be made available to the Purchaser or their duly authorised agents and/or professional advisers on reasonable notice during normal business hours:

- (i) in each case for a period of one year from Closing (or from the relevant Delayed Closing Date in respect of emails relating to a Delayed Business), all emails relating to the Business (and shall permit the Purchaser to take copies thereof);
- (ii) in each case for a period of 10 years from Closing (and, upon notice from the Purchaser between 9 and 10 years from Closing, for a further period of 5 years), all relevant books, accounts, other records and correspondence (except, in each case, emails) Exclusively Relating to the Business which have not been, or to the extent they have not been, transferred to the Purchaser's Group under this Agreement (and shall permit the Purchaser to take copies thereof), save as otherwise agreed by the parties in relation to any books and records (including but not limited to the content of any personnel files) relating to the employment of the Transferred Employees;
- (iii) in each case for a period of 10 years from Closing (and, upon notice from the Purchaser between 9 and 10 years from Closing, for a further period of 5 years), reasonable access to employees of the Seller's Group who have knowledge relating to any of the Products (including any inventor of the Products) for the purposes of the defence, prosecution or enforcement of any Business Product Intellectual Property Rights or Licensed Product Intellectual Property Rights, any actual or potential regulatory or safety investigation involving any of the Products, or as required by Applicable Law or a Governmental Entity, provided that the Purchaser shall promptly reimburse the Seller in relation to the provision of such access for (i) out of pocket expenses reasonably incurred by the Seller; and (ii) for the time of that employee of the Seller's Group if it exceeds 25 man hours in aggregate per annum; and
- (iv) in each case for a period of 3 years from Closing, the Seller shall make or procure to be made available to the Purchaser or their duly authorised agents on reasonable notice during normal business hours reasonable access to any employees of the Seller's Group who have knowledge relating to the Business (including, for the avoidance of doubt and without limitation, any background information relating to the legal position of the Products), to the

extent that such employees are retained by the Seller after Closing, to answer any questions other than those covered by Clause (iii) that the Purchaser may reasonably ask in relation to the Business, provided that:

- (a) the Purchaser shall promptly reimburse the Seller in relation to the provision of such access for the time of that employee of the Seller's Group to the extent it exceeds 25 man hours in aggregate per annum;
- (b) the Seller shall have no obligations under this Clause 8.8.1(iv) where such access to employees of the Seller's Group is prohibited under Applicable Law;
- (c) the Purchaser shall have no access rights under this Clause 8.8.1(iv) to employees of the Seller's Group to the extent that such access is prohibited by applicable antitrust rules or any undertakings, contractual arrangements or guidelines entered into or provided with the aim of reasonably ensuring compliance with applicable antitrust rules; and
- (d) without prejudice to any indemnity provided by the Seller to the Purchaser under this Agreement, no member of the Seller's Group shall have any Liability to any member of the Purchaser's Group in connection with the provision of any information by employees of the Seller's Group pursuant to this Clause 8.8.1(iv).

8.8.2 to the extent and for so long as required by, or to the extent and for so long as required in order to perform any obligations under, any Ancillary Agreement or Applicable Law, or where otherwise agreed between the parties, the Seller shall be entitled to retain the original or a copy of any book, ledger, file, report, plan record, manual or other material (in any form or medium) which would otherwise transfer to the Purchaser under this Agreement, provided that:

- (i) any copy or original retained is treated as strictly confidential in accordance with Clause 13.2;
- (ii) in the case of retained originals, a copy of such book, ledger, file, report, plan, record, manual or other material is provided to the Purchaser;
- (iii) upon reasonable notice by the Purchaser, the Seller shall provide access to such retained book, ledger, file, report, plan, record, manual or other material in accordance with Clause 8.8.1(ii); and
- (iv) upon expiry of the relevant obligation under the applicable Ancillary Agreement the Seller is entitled to retain a copy of any such book, ledger, file, report, plan, record, manual or other material to comply with Applicable Law but shall transfer the original to the Purchaser.

8.9 Transfer of Marketing Authorisations and Tenders

8.9.1 The transfer of the Marketing Authorisations following Closing shall take place in accordance with Part 2 of Schedule 6 and the terms of the Transitional Distribution Services Agreement.

8.9.2 Between the Closing Date and the Marketing Authorisation Transfer Date, the Seller agrees to assist the Purchaser in accordance with Part 3 of Schedule 6 in respect of any tenders relating to the Products.

8.10 Joint tax election

If, following Closing, the Seller so requests in writing to the Purchaser, the Purchaser and the Seller shall, each acting reasonably and in good faith, discuss the making of a joint election under subsection 56.4(7) of the Income Tax Act (Canada) and the corresponding provisions of any applicable Canadian provincial statute. Any such election shall be made using the applicable prescribed form, if any, or otherwise filed in a manner acceptable to the Canada Revenue Agency or the applicable Canadian provincial Tax Authorities, as the case may be.

8.11 Clinical Trials and Safety Database

Arrangements in relation to the Ongoing Clinical Trials and the safety database shall take place in accordance with the terms of the Transitional Services Agreement.

8.12 Ongoing collaboration

8.12.1 The Seller hereby grants to the Purchaser, as its preferred partner, with effect from Closing, the rights set out in Schedule 22 in relation to the co-development and commercialisation of Relevant Development Products.

“**Relevant Development Products**” means products in development for the treatment, palliation, diagnosis or prevention of any and all cancers, including without limitation immunology, epigenetics and treatment of solid or hematologic tumours (but excluding in all cases vaccines).

8.12.2 In the event that the Seller elects to assign or sub-license the Ofatumumab Intellectual Property Licence Agreement in a transaction of the type described in paragraph 1.1.1 of Schedule 22, then the provisions of Schedule 22 will apply to such assignment or sub-license (except where such assignment or sub-license is to a member of the Seller’s Group). For the avoidance of doubt, the Seller shall be free at all times to pursue the co-development and commercialisation of the Ofatumumab Compound for use in relation to autoimmune diseases (including the Ofatumumab Indications), on its own or with third parties provided that if such co-development or commercialisation falls within the activities described in paragraph 1.1.1 of Schedule 22, that schedule shall apply.

8.13 IP recordals

8.13.1 For the purposes of this Clause 8.13, the terms “**Assignor**” and “**Assignee**” shall have the meanings given to them in the relevant Intellectual Property Assignment.

8.13.2 The Purchaser and its Affiliates shall be responsible for preparing and filing any documentation necessary for the recordal with any relevant intellectual property office of the transfer of ownership of all of the Registered Transferred Intellectual Property Rights from the Assignor to the Assignee under each Intellectual Property Assignment. The Purchaser (or such of its Affiliates as it nominates) shall be responsible for all out-of-pocket filing fees and other costs and expenses associated with those recordals.

8.13.3 Subject to Clauses 8.13.5 and 8.17, the Seller shall procure that each relevant member of the Seller's Group shall, at the request and cost of any member of the Purchaser's Group, execute and deliver any further documents that may be reasonably necessary to secure the vesting in the Assignee under each Intellectual Property Assignment of all the Registered Transferred Intellectual Property Rights.

8.13.4 Subject to Clause 8.17, the Seller shall procure that each relevant member of the Seller's Group shall, at the request and cost of any member of the Purchaser's Group, (i) request that the applicable registrar for each of the Assigned Domain Names (as defined in the Intellectual Property Assignment), and any other domain name registration authorities that exercise authority over the Assigned Domain Names, facilitate the transfer of the Assigned Domain Names from the relevant Assignor to the Assignee; and (ii) execute all such documentation and take all such further acts as are reasonably necessary to effect such transfer. Within ten (10) Business Days of a date to be agreed by the parties, the Seller shall procure that each relevant member of the Seller's Group shall (a) unlock the Assigned Domain Names; and (b) provide the Assignee with authorisation codes for any Assigned Domain Names that have authorisation codes.

8.13.5 To the extent that any transfers of Registered Business Product Intellectual Property Rights to an Assignor or the Company have not been recorded prior to the date of Closing (including any transfers of such Registered Business Product Intellectual Property Rights prior to the transfer of the same to the Assignor or the Company), and to the extent that such separate recordal is necessary to effect:

- (i) the recordal referred to in Clause 8.13.2; or
- (ii) the recordal of any transfer of Owned Product Intellectual Property Rights that constitute Registered Intellectual Property Rights to the Company (or its predecessor in title),

the Purchaser and its Affiliates shall be responsible for preparing and filing any documentation necessary for the recordal with any relevant intellectual property office of the transfer of ownership to such Assignor or the Company (as applicable).

Subject to Clause 8.17, the Seller shall or shall procure that such Assignor shall provide to the Purchaser or a relevant Affiliate of the Purchaser any documentation or information that is reasonably necessary to record such transfer in the name of the Assignor or the Company (as applicable) as soon

as reasonably possible after receipt of a request for the same from the Purchaser or one of its Affiliates for the purposes of such recordal. The Seller (or such of its Affiliates as it nominates) shall be responsible for all out-of-pocket filing fees and other costs and expenses associated with the recordal of any such transfer to the Assignor or to the Company (as applicable).

8.14 China Products

The parties shall perform their respective obligations with respect to the China Products and the China Contracts as set out in Schedule 26.

8.15 Transitional Trademark Licence

The provisions of Schedule 27 shall apply to any use of the Seller Marks for a transitional period from Closing.

8.16 Abandoned Patent Applications

8.16.1 For the purposes of this Clause 8.16, the terms “Assignor” and “Assignee” shall have the meanings given to them in the relevant Intellectual Property Assignment.

8.16.2 Subject to Clause 8.17, in respect of any Abandoned Patents, the Seller shall, on reasonable request from the Purchaser’s Group for assistance from any member of the Seller’s Group, use reasonable endeavours to execute a document confirming the transfer of such rights as any member of the Seller’s Group has (if any) in such Abandoned Patent, to the extent not prohibited under Applicable Law in the relevant country of any such Abandoned Patent, to the Assignee under each Intellectual Property Assignment, provided that:

- (i) if the Seller provides such assistance the Purchaser shall promptly reimburse the Seller for its reasonable costs; and
- (iii) a request from the Purchaser’s Group for assistance will be deemed to be not reasonable if:
 - (a) the Assignee or any other member of the Purchaser’s Group is able to prove common ownership of (i) the Abandoned Patent and (ii) the relevant Patent(s) that constitute Business Product Intellectual Property Rights(s) to the satisfaction of any relevant intellectual property office, court or tribunal without such assistance from any member of the Seller’s Group (provided further that in no event shall the Purchaser’s Group be required to narrow the scope of protection of the claims of a Patent that constitutes a Business Product Intellectual Property Right in order to avoid its request being unreasonable);
 - (b) any member of the Seller’s Group is asked to take any steps to achieve an outcome that is the same or equivalent to an outcome the Assignee or any other member of the

Purchaser's Group could achieve without such assistance from any member of the Seller's Group (provided that the Seller's Group shall not be required to narrow a Patent that constitutes a Transferred Product Intellectual Property Right in order to avoid its request being unreasonable); or

- (c) it requires any member of the Seller's Group to state that an Abandoned Patent was abandoned inadvertently or unavoidably when this was not the case.

8.16.3 Notwithstanding anything to the contrary contained in this Agreement or any of the Ancillary Agreements, no representations are made and no warranties are given (in each case, whether express or implied) by the Seller (or any member of the Seller's Group) in relation to the Abandoned Patents (or transfer of the same) by the Seller (or a member of the Seller's Group) to the Purchaser (or a member of the Purchaser's Group).

8.17 Sanctions

8.17.1 For the purposes of Clause 8.17 only, the terms below shall have the following meanings:

- (i) "**Assignor**" means an assignor under any Intellectual Property Assignment or any relevant member of the Seller's Group's (other than the Company);
- (iv) "**Assignee**" means an assignee under any Intellectual Property Assignment or the Company;
- (v) "**Further Assurance Obligations**" means any obligation to be performed by an Assignor under Clause 8.13 (IP Recordals), 8.16 (Abandoned Patents) and 16.1.1 (Further Assurances); and

8.17.2 The parties agree that to the extent that Business Product Intellectual Property Rights which are the subject of a transfer pursuant to an Intellectual Property Assignment are registered (or are the subject of an application to register) in Iran, Iraq, Democratic People's Republic of Korea or Syria, the Assignor's Further Assurance Obligations shall be modified as set out in Clauses 8.17.3 to 8.17.7 below.

8.17.3 If an Assignor is prevented from complying with its Further Assurance Obligations, with the effect that the recordal of assignment of legal title from the Assignor to the Assignee under the Intellectual Property Assignment (or to effect a transfer which is the subject of Clause 8.13.5) cannot be completed for any Business Product Intellectual Property Rights by reason of:

- (i) Applicable Law;
- (vi) other factors beyond the reasonable control of the Assignor; or
- (vii) application of the Assignor's
 - (a) internal sanctions and export control policy (or equivalent); or

(b) anti-bribery and corruption policy,

in each case in force from time to time, provided that such policy applies to all Affiliates of the Assignor and the policy is applied in the same way it would apply if the Assignee were an Affiliate of the Assignor,

each such Business Product Intellectual Property Right being an “**Affected Right**” and each of (i), (ii) and (iii) being a “**Restriction**” and in the plural the “**Restrictions**”), Clauses 8.17.4 to 8.17.7 shall apply.

8.17.4 The relevant Assignor shall notify the Assignee as soon as reasonably practicable after Closing of:

- (i) each Affected Right and the country in which it is registered (or is the subject of an application to register); and
- (ii) the relevant Restriction.

8.17.5 As soon as reasonably practicable and, in any event within three months after the date that Assignor notifies the Assignee of an Affected Right under Clause 8.17.4 above the parties shall discuss in good faith the means by which the Assignee may be able to achieve protection in the relevant country which is equivalent or similar to the protection provided by the Affected Right. Such means may include, without limitation:

- (i) the Assignee filing a new trade mark application and the Assignor providing to the Assignee the consent of the Assignor to the new application to endeavour to overcome any objection raised by the relevant intellectual property registry on relative grounds based on the Affected Right; or
- (ii) the Assignor filing a WIPO trade mark application in the name of the Assignor, which shall be assigned by the Assignor to the Assignee on grant of registration or earlier if possible. The reasonable costs incurred by the Assignor in filing and prosecuting that registration to grant to be met by the Assignee; or
- (iii) the Assignor withdrawing or cancelling any Affected Right subject to the written consent of the Assignee.

The parties will agree such means as are possible in light of the limitations imposed by the Restrictions and both parties will use reasonable efforts to achieve the agreed means. Neither party shall be obliged to take any action agreed pursuant to this Clause 8.17.5 to the extent that such party is prevented from doing so by a Restriction.

The reasonable costs incurred by either party in fulfilling any such actions shall be met by the Assignee.

8.17.6 The relevant Assignor undertakes (at the cost of the Assignee), during the current registration period up to the next renewal date of the Affected Right:

- (i) to take any action to comply with its Further Assurance Obligations to the extent it is able to do so given the Restrictions;
- (ii) to comply with its Further Assurance Obligations as soon as reasonably practicable if and to the extent that such obligations are no longer prevented by the Restrictions; and
- (iii) not to take any other action in connection with an Affected Right without the consent of the Assignee.

8.17.7 The parties acknowledge that in relation to Business Product Intellectual Property Rights that are Trademarks, there is nothing in this Agreement to preclude the Assignee from taking action to revoke or cancel an Affected Right and the Assignor hereby undertakes not to defend any such action.

8.18 Anti-bribery and corruption

The provisions of Schedule 31 shall apply in respect of the parties' compliance with anti-bribery and corruption laws

9. Warranties

9.1 The Seller's Warranties

9.1.1 Subject to Clause 9.2, the Seller warrants (on behalf of the relevant Business Sellers or the Share Seller as applicable) to the Purchaser and each member of the Purchaser's Group to which Assets, the Owned Product Intellectual Property Rights or the Share are transferred pursuant to this Agreement (whether directly or indirectly) that the statements set out in Schedule 14 are true and accurate as of the date of this Agreement.

9.1.2 Each of the Seller's Warranties shall be separate and independent and shall not be limited by reference to any other paragraph of Schedule 14 or by anything in this Agreement.

9.1.3 The Seller does not give or make any warranty as to the accuracy of the forecasts, estimates, projections, statements of intent or statements of opinion provided to the Purchaser or any of its directors, officers, employees, agents or advisers on or prior to the date of this Agreement.

9.1.4 Any Seller's Warranty qualified by the expression "**so far as the Seller is aware**" or to the "**Seller's Knowledge**" or any similar expression shall, unless otherwise stated, be deemed to refer to the knowledge of the following persons: [***], [***], [***], [***], [***], [***], [***], [***], [***], [***], [***], [***], [***] and [***], such persons having made due and reasonable enquiry.

9.1.5 The Seller's Warranties shall be deemed to be repeated immediately before Closing by reference to the facts, circumstances and knowledge then existing as if references in the Seller's Warranties to the date of this Agreement were references to the Closing Date. Without prejudice to the provisions of Clause 10, the Seller shall have no liability for any breach of any Seller's Warranty where the Seller's Warranty was true as at the date of this

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Agreement unless the fact, event or circumstances giving rise to the breach constitutes a Material Adverse Effect. The Seller shall have no liability under this Clause 9.1.5 if the Purchaser has exercised its termination right in accordance with Clause 4.4.1(iii).

9.2 Seller's Disclosures

9.2.1 The Seller's Warranties are subject to all matters which are fairly disclosed in this Agreement or in the Disclosure Letter.

9.2.2 References in the Disclosure Letter to paragraph numbers shall be to the paragraphs in Schedule 14 to which the disclosure is most likely to relate. Such references are given for convenience only and, shall not limit the effect of any of the disclosures, all of which are made against the Seller's Warranties as a whole.

9.3 The Purchaser's Warranties

The Purchaser warrants to the Seller that the statements set out in Schedule 15 are true and accurate as of the date of this Agreement.

10. Limitation of Liability

10.1 Time Limitation for Claims

The Seller shall not be liable under this Agreement for breach of any Seller's Warranty in respect of any claim unless a notice of the claim is given by the Purchaser to the Seller specifying the matters set out in Clause 11.2:

10.1.1 in the case of a claim under paragraphs 1 and 2.2 of Schedule 14, within the applicable statutory limitations period;

10.1.2 in the case of a claim under paragraph 3 of Schedule 14, within 6 years of the Closing Date;

10.1.3 in respect of claims under the Tax Warranties, before the date falling six months after the expiry of the period specified by statute during which an assessment of the relevant liability to Tax may be issued by the relevant Tax Authority; and

10.1.4 in the case of any other claim, within two years of the Closing Date.

10.2 Minimum Claims

10.2.1 The Seller shall not be liable under this Agreement for breach of any Seller's Warranty in respect of any individual claim (or a series of claims arising from similar or identical facts or circumstances) where the liability agreed or determined (disregarding the provisions of this Clause 10.2) in respect of any such claim or series of claims does not exceed 0.1 per cent of the Headline Amount.

10.2.2 Where the liability agreed or determined in respect of any such claim or series of claims exceeds 0.1 per cent of the Headline Amount, the liability of

the Seller shall be for the whole amount of such claim(s) and not just the excess.

10.3 Aggregate Minimum Claims

- 10.3.1** The Seller shall not be liable under this Agreement for breach of any Seller's Warranty (other than any Tax Warranty) in respect of any claim unless the aggregate amount of all claims for which the Seller would otherwise be liable under this Agreement for breach of any Seller's Warranty (disregarding the provisions of this Clause 10.3) exceeds 1 per cent of the Headline Amount.
- 10.3.2** Where the liability agreed or determined in respect of all claims exceeds 1 per cent of the Headline Amount, the Seller shall be liable for the aggregate amount of all claims as agreed or determined and not just the excess.
- 10.3.3** For the avoidance of doubt, the Purchaser may give notice of any single claim in accordance with and for the purposes of Clause 10.1 above, irrespective of whether, at the time the notice is given, the amount set out in Clause 10.3.1 has been exceeded.

10.4 Maximum Liability

The aggregate liability of the Seller in respect of any breaches:

- 10.4.1** of the Seller's Warranties (other than Tax Warranties and the Seller's Warranties contained in paragraphs 1, 2.2 or 3 of Schedule 14) shall not exceed an amount equal to 30 per cent. of the Headline Amount;
- 10.4.2** of the Seller's Warranties contained in paragraph 3 of Schedule 14 shall not exceed an amount equal to 60 per cent. of the Headline Amount; and
- 10.4.3** of the Seller's Warranties contained in paragraphs 1 or 2.2 of Schedule 14 shall not exceed the Headline Amount.

10.5 Contingent Liabilities

The Seller shall not be liable under this Agreement for breach of any Seller's Warranties in respect of which the liability is contingent, unless and until such contingent liability becomes an actual liability and is due and payable (but the Purchaser has the right under Clause 11.1 to give notice of such claim before such time). For the avoidance of doubt, the fact that the liability may not have become an actual liability by the relevant date provided in Clause 10.1 shall not exonerate the Seller in respect of any claim properly notified before that date.

10.6 Matters Arising Subsequent to this Agreement

The Seller shall not be liable under this Agreement for breach of any Seller's Warranty in respect of any matter, act, omission or circumstance (or any combination thereof) to the extent that the same would not have occurred but for:

- 10.6.1 Agreed matters**

any matter or thing done or omitted to be done by the Seller or any member of the Seller's Group before Closing pursuant to and in compliance with this Agreement or otherwise at the request in writing of the Purchaser; or

10.6.2 Changes in legislation

the passing of, or any change in, after the Closing Date, any Applicable Law or administrative practice of any government, governmental department, agency or regulatory body having the force of the law including (without prejudice to the generality of the foregoing) any increase in the rates of Taxation or any imposition of Taxation or any withdrawal of relief from Taxation not in force at the Closing Date.

10.7 Insurance

Without prejudice to Clause 14, the Seller's Liability under this Agreement for breach of any Seller's Warranty shall be reduced by an amount equal to any loss or damage to which such claim related which has actually been recovered under a policy of insurance held by the Purchaser (after deducting any reasonable costs incurred in making such recovery including the amount of any excess or deductible).

10.8 Purchaser's Right to Recover

If the Seller has paid an amount in discharge of any claim under this Agreement for breach of any Seller's Warranty and subsequently the Purchaser recovers (whether by payment, discount, credit, relief, insurance or otherwise) from a third party a sum which indemnifies or compensates the Purchaser (in whole or in part) in respect of the loss or liability which is the subject matter of the claim, the Purchaser shall pay to the Seller as soon as practicable after receipt an amount equal to (i) the sum recovered from the third party less any costs and expenses incurred in obtaining such recovery and any Tax on any amounts recovered (or Tax that would have been payable on such amounts but for the availability of any Tax relief), or if less (ii) the amount previously paid by the Seller to the Purchaser. Any payment made by the Purchaser to the Seller under this Clause shall be made or procured by way of further adjustment of the consideration paid by the Purchaser and the provisions of Clause 3.3 to 3.4 shall apply mutatis mutandis.

10.9 No Double Recovery and no Double Counting

A party shall be entitled to make more than one claim under this Agreement arising out of the same subject matter, fact, event or circumstance but shall not be entitled to recover under this Agreement or otherwise more than once in respect of the same Losses suffered or amount for which the party is otherwise entitled to claim (or part of such Losses or amount), regardless of whether more than one claim arises in respect of it. No amount (including any relief) (or part of any amount) shall be taken into account, set off or credited more than once under this Agreement or otherwise, with the intent that there will be no double counting under this Agreement or otherwise.

10.10 Fraud

None of the limitations contained in this Clause 10 shall apply to any claim to the extent that such claim which arises or is increased, or to the extent to which it arises

or is increased, as the consequence of, or which is delayed as a result of, fraud by any director or officer of any member of the Seller's Group.

11. Claims

11.1 Notification of Potential Claims

Without prejudice to the obligations of the Purchaser under Clause 11.2, if the Purchaser becomes aware of any fact, matter or circumstance that may give rise to a claim against the Seller under this Agreement for breach of any Seller's Warranty (ignoring for these purposes the application of Clauses 11.2 or 11.3), the Purchaser shall as soon as reasonably practicable give a notice in writing to the Seller of such facts, matters or circumstances as are then available regarding the potential claim. Failure to give notice within such period shall not affect the rights of the Purchaser to make a relevant claim under this Agreement for breach of any Seller's Warranty, except that the failure shall be taken into account in determining the liability of the Seller for such claim to the extent the Seller establishes that the amount of it is increased, or is not reduced as a result of such failure.

11.2 Notification of Claims under this Agreement

Notices of claims under this Agreement for breach of Seller's Warranty shall be given by the Purchaser to the Seller within the time limits specified in Clause 10.1 and shall specify information (giving reasonable detail) in relation to the basis of the claim and setting out the Purchaser's estimate of the amount of Losses which are, or are to be, the subject of the claim.

11.3 Commencement of Proceedings

Any claim notified pursuant to Clause 11.2 shall (if it has not been previously satisfied, settled or withdrawn) be deemed to be irrevocably withdrawn 9 months after the relevant time limit set out in Clause 10.1 unless, at the relevant time, legal proceedings in respect of the relevant claim have been commenced by being both issued and served except:

- 11.3.1** where the claim relates to a contingent liability, in which case it shall be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by being both issued and served with 9 months of it having become an actual liability; or
- 11.3.2** where the claim is a claim for breach of a Seller's Warranty of which notice is given for the purposes of Clause 10.1 at a time when the amount set out in Clause 10.3.1 has not been exceeded, in which case it shall be deemed to have been withdrawn unless legal proceedings in respect of it have been commenced by being both issued and served within 9 months of the date of any subsequent notification to the Seller pursuant to Clause 11.1 above of one or more claims which result(s) in the total amount claimed in all claims notified to the Seller pursuant to Clause 10.1 exceeding the amount set out in Clause 10.3.1 for the first time.

11.4 Conduct of Third Party Claims

11.4.1 If the matter or circumstance that may give rise to a claim against the Seller under this Agreement for breach of any Seller's Warranty is a result of or in connection with a claim by a third party (a "**Third Party Claim**") then:

- (i) the Purchaser shall as soon as reasonably practicable give written notice thereof to the Seller and thereafter shall provide the Seller with periodic updates upon reasonable request and shall consult with the Seller so far as reasonably practicable in relation to the conduct of the Third Party Claim and shall take reasonable account of the views of the Seller in relation to the Third Party Claim;
- (ii) the Third Party Claim shall not be admitted, compromised, disposed of or settled without the written consent of the Seller (such consent not to be unreasonably withheld or delayed); and
- (iii) subject to the Seller indemnifying the Purchaser or other member of the Purchaser's Group concerned against all reasonable costs and expenses (including legal and professional costs and expenses) that may be incurred thereby, the Purchaser shall, or the Purchaser shall procure that any other members of the Purchaser's Group shall, take such action as the Seller may reasonably request to avoid, dispute, deny, defend, resist, appeal, compromise or contest the Third Party Claim, provided that this Clause 11.4.1(iii) shall not apply where the claim by the third party relates to matters or circumstances referred to in paragraphs 3 or 7 of Schedule 14 and the Purchaser shall then have the right to conduct the claim at its discretion (subject to Clauses 11.4.1 (i) and (ii)),

provided that failure to give notice in accordance with Clause 11.4.1(i) shall not affect the rights of the Purchaser to make a relevant claim under this Agreement for breach of any Seller's Warranty, except that the failure shall be taken into account in determining the liability of the Seller for such claim to the extent the Seller establishes that the amount of it is increased, or is not reduced as a result of such failure.

11.4.2 Notwithstanding the provisions of Clause 11.4.1, if a Third Party Claim may also give rise to an indemnity claim under Clause 8.1.2, the provisions of Clause 8.2.2 shall apply instead of the provisions of Clause 11.4.1.

11.5 Clinical Employees

During the period between the Closing Date and the Clinical Employee Transfer Date:

11.5.1 the Seller shall retain operational and management control over the Clinical Employees; and

11.5.2 the Seller shall procure that the Seller's Oncology Unit leader (being a Clinical Employee) will:

- (i) liaise with the Purchaser's Head of Development OGD & GMA regarding the strategic direction of the clinical development activities in relation to the Products or the Business;
- (ii) supervise the services provided by the Clinical Employees; and
- (iii) ensure the execution of such services in accordance with the strategic direction given by the Purchaser.

12. Restrictive Covenants

12.1 Non-Compete

In consideration of the payment by the Purchaser of \$1,600,000,000, the Seller will not, and undertakes to procure that each member of the Seller's Group will not, do any of the following things:

- 12.1.1** for three years from the Closing Date, manufacture, sell, commercialise, market or licence (whether as a result of M&A activity or otherwise) any oncology product which has or is proposed to have (i) the same mechanism of action as any Product; and/or (ii) the same indication as any Product or any Product Expansion (a "**Competing Product**"); or
- 12.1.2** for three years from the Closing Date, solicit the custom of any person to whom goods or services have been sold by any Business Seller in the course of the Business during the two years before the Closing Date, in each case only to the extent that such solicitation is in respect of products referred to in Clause 12.1.1.

12.2 Exceptions to the non-compete

The restrictions in Clause 12.1 shall not apply to:

- 12.2.1** any activities of any nature undertaken or developed by the Seller's Group in relation to vaccines;
- 12.2.2** any Affiliate of Seller in which a person who is not a member of the Seller's Group holds equity interests and with respect to whom a member of the Seller's Group has existing contractual or legal obligations limiting its discretion to impose non-competition obligations;
- 12.2.3** the holding of shares in a company or other entity for investment purposes provided the Seller does not exercise, directly or indirectly, Control over that company or entity;
- 12.2.4** any business activity that would otherwise violate Clause 12.1 that is acquired in connection with an acquisition so long as the relevant member of the Seller's Group divests all or substantially all of the business activity that would otherwise violate Clause 12.1 or otherwise terminates or disposes of such business activity, product line or assets of such acquired business that would otherwise violate Clause 12.1 within nine months after the consummation of the relevant acquisition, or such longer period as may

reasonably be necessary to comply with Applicable Law (provided that in those circumstances the Seller shall procure that the such competing business activity is disposed of as soon as reasonably practicable);

- 12.2.5 passive investments by a pension or employee benefit plan or trust for present or former employees;
- 12.2.6 performance of any obligation of the Seller's Group under this Agreement or any of the Ancillary Agreements, as amended from time to time in accordance with their terms;
- 12.2.7 any manufacturing of products that are not Competing Products by any member of the Seller's Group for the Seller's Group or any third party;
- 12.2.8 any manufacturing and supply of the Divested Zofran Product by any member of the Seller's Group exclusively for or to the order of Aspen Global Incorporated and its Affiliates for sale in Australia to the extent required under the Aspen Agreements;
- 12.2.9 performance of any obligation of the Seller's Group under the [***], as amended to the extent permitted by this Agreement from time to time;
- 12.2.10 provision of data or other content to or in connection with business conducted by any person, in each case as required by Applicable Law.

12.3 Non-solicit

The Seller will not, and undertakes to procure that each member of the Seller's Group will not, for a period of two years after the Closing Date, solicit or induce any Restricted Group Employee to become employed or engaged whether as employee, consultant or otherwise by any member of the Seller's Group.

12.4 Exceptions to the non-solicit

The restrictions in Clause 12.3 may be relaxed or additional exceptions allowed by written approval of the Purchaser's Division Head of HR and shall in any event not apply to the solicitation, inducement or recruitment of any person:

- 12.4.1 through the placing of advertisements of posts available to the public generally;
- 12.4.2 through an employment agency, provided that no member of the Seller's Group encourages or advises such agency to approach any such person;
- 12.4.3 who is no longer employed by the Purchaser's Group; or
- 12.4.4 who is under formal notice of termination from his employer, provided that this exception only applies if the employment or engagement by the member of the Seller's Group is offered with a start date which is no earlier than the day after the last scheduled date of the person's employment with the Purchaser's Group.

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

12.5 Reasonableness of Restrictions

Each undertaking contained in this Clause 12 shall be construed as a separate undertaking and if one or more of the undertakings is held to be against the public interest or unlawful or in any way an unreasonable restraint of trade, the remaining undertakings shall continue to bind the Seller.

13. Confidentiality

13.1 Announcements

No announcement, communication or circular concerning the existence or the subject matter of this Agreement shall be made or issued by or on behalf of any member of the Seller's Group or the Purchaser's Group without the prior written approval of the Seller and the Purchaser (such consent not to be unreasonably withheld or delayed). This shall not affect any announcement, communication or circular required by law or any governmental or regulatory body or the rules of any stock exchange on which the shares of any party (or its holding company) are listed but the party with an obligation to make an announcement or communication or issue a circular (or whose holding company has such an obligation) shall consult with the other parties (or shall procure that its holding company consults with the other parties) insofar as is reasonably practicable before complying with such an obligation.

13.2 Confidentiality

13.2.1 Subject to Clause 13.1 and Clause 13.2.2, each of the parties shall treat as strictly confidential and not disclose or use any information received or obtained as a result of entering into this Agreement, the Ancillary Agreements (or any other agreement entered into pursuant to this Agreement) which relates to:

- (i) the existence and provisions of this Agreement, the Ancillary Agreements and of any other agreement entered into pursuant to this Agreement;
- (ii) the negotiations relating to this Agreement, the Ancillary Agreements and any such other agreement;
- (iii) (in the case of the Seller) any information relating to the Business following Closing and any other information relating to the business, financial or other affairs (including future plans and targets) of the Purchaser's Group; or
- (iv) (in the case of the Purchaser) any information relating to the business, financial or other affairs (including future plans and targets) of the Seller's Group including, prior to Closing, any information relating to the Business.

13.2.2 Clause 13.2.1 shall not prohibit disclosure or use of any information if and to the extent:

- (i) the disclosure or use is required by law, any governmental or regulatory body or any stock exchange on which the shares of any party (or its holding company) are listed;
- (ii) the disclosure or use is required to vest the full benefit of this Agreement or the Ancillary Agreements in any party;
- (iii) the disclosure or use is required for the purpose of any arbitral or judicial proceedings arising out of this Agreement, the Ancillary Agreements or any other agreement entered into under or pursuant to this Agreement;
- (iv) the disclosure is made to a Tax Authority in connection with the Tax affairs of the disclosing party;
- (v) the disclosure is made to a ratings agency on a confidential basis in connection with the affairs of the disclosing party;
- (vi) the disclosure is made by the Purchaser to any of its Representatives, any member of the Purchaser's Group and/or any of their respective Representatives, or by the Seller to any of its Representatives, any member of the Seller's Group and/or any of their respective Representatives, in each case on a "need-to-know" basis and provided they have a duty (contractual or otherwise) to keep such information confidential;
- (vii) the information was lawfully in the possession of that party without any obligation of secrecy prior to its being received or held, in either case as evidenced by written records;
- (viii) the information is or becomes publicly available (other than by breach of this Agreement);
- (ix) the other party has given prior written approval to the disclosure or use; or
- (x) the information is independently developed,

provided that prior to disclosure or use of any information pursuant to Clause 13.2.2(i), (ii) or (iii), the party concerned shall, where not prohibited by law, promptly notify the other parties of such requirement with a view to providing the other parties with the opportunity to contest such disclosure or use or otherwise to agree the timing and content of such disclosure or use.

14. Insurance

14.1 No cover under Seller's Group Insurance Policies from Closing

The Purchaser acknowledges and agrees that following Closing:

- 14.1.1** the Purchaser shall not have or be entitled to the benefit of any Seller's Group Insurance Policy in respect of any event, act or omission that takes place after Closing and it shall be the sole responsibility of the Purchaser to

ensure that adequate insurances are put in place in relation to the Business with effect from Closing;

- 14.1.2 except in respect of any Delayed Business until the appropriate Delayed Closing Date, neither the Seller nor any member of the Seller's Group shall be required to maintain any Seller's Group Insurance Policy in relation to the Business; and
- 14.1.3 the Purchaser shall not be entitled to make or notify a claim under any Seller's Group Insurance Policy in respect of any event, act or omission that occurred prior to the Closing Date.

15. France Business and Netherlands Business

15.1 France Business

Notwithstanding any other provision of this Agreement, this Agreement shall not constitute a binding agreement to sell or purchase the France Business, provided that:

- 15.1.1 in the event that the France Put Option Exercise occurs before Closing, this Clause 15.1 (other than this Clause 15.1.1) shall terminate and shall cease to have effect and the sale of the France Business shall be subject to the provisions of this Agreement as if it were part of the Business to be sold as and from the date of this Agreement;
- 15.1.2 in the event that the France Put Option Exercise does not occur before Closing:
 - (i) the provisions of Clauses 2 and 6 (the "**Disapplied Provisions**") shall not apply to the France Business;
 - (ii) prior to the France Closing, the provisions of Clause 12, Schedule 8 and Schedule 9 (the "**Suspended Provisions**") shall not apply to the France Business; and
 - (iii) in respect of the Disapplied Provisions and, prior to the France Closing, the Suspended Provisions only:
 - (a) the term "**Business**" shall be deemed to exclude the France Business;
 - (b) the term "**Assumed Liabilities**" shall be deemed to exclude the France Assumed Liabilities; and
 - (c) the term "**Employees**" shall be deemed to exclude the France Employees;
- 15.1.3 with effect from the France Closing, the Suspended Provisions shall apply to the France Business mutatis mutandis save that in respect of the Suspended Provisions only (A) the term "**Closing**" shall be deemed to refer to the France Closing and (B) the term "**Closing Date**" shall be deemed to refer to the date of the France Closing; and

- 15.1.4 the parties shall negotiate in good faith to agree any amendments to this Agreement and any of the Ancillary Agreements as are required in order to give effect to the principles set forth in this Clause 15.1 for the purposes of complying with the information and consultation requirements in respect of the relevant works council in respect of the France Business; and
- 15.1.5 the provisions of Clause 10 shall apply to the France Business as if the remaining provisions of this Clause 15.1 did not have any force or effect.

15.2 Netherlands Business

Notwithstanding any other provision of this Agreement, this Agreement shall not constitute a binding agreement to sell or purchase the Netherlands Business, provided that:

- 15.2.1 in the event that the Netherlands Put Option Exercise occurs before Closing, this Clause 15.2 (other than this Clause 15.2.1) shall terminate and shall cease to have effect and the sale of the Netherlands Business shall be subject to the provisions of this Agreement as if it were part of the Business to be sold as and from the date of this Agreement;
- 15.2.2 in the event that the Netherlands Put Option Exercise does not occur before Closing:
- (i) the Disapplied Provisions shall not apply to the Netherlands Business;
 - (ii) prior to the Netherlands Closing, the Suspended Provisions shall not apply to the Netherlands Business; and
 - (iii) in respect of the Disapplied Provisions and, prior to the Netherlands Closing, the Suspended Provisions only:
 - (a) the term “**Business**” shall be deemed to exclude the Netherlands Business;
 - (b) the term “**Assumed Liabilities**” shall be deemed to exclude the Netherlands Assumed Liabilities; and
 - (c) the term “**Employees**” shall be deemed to exclude the Netherlands Employees;
- 15.2.3 with effect from the Netherlands Closing, the Suspended Provisions shall apply to the Netherlands Business mutatis mutandis save that in respect of the Suspended Provisions only (A) the term “**Closing**” shall be deemed to refer to the Netherlands Closing and (B) the term “**Closing Date**” shall be deemed to refer to the date of the Netherlands Closing; and
- 15.2.4 the parties shall negotiate in good faith to agree any amendments to this Agreement and any of the Ancillary Agreements as are required in order to give effect to the principles set forth in this Clause 15.2 for the purposes of complying with the information and consultation requirements in respect of the relevant works council in respect of the Netherlands Business; and

15.2.5 the provisions of Clause 10 shall apply to the Netherlands Business as if the remaining provisions of this Clause 15.2 did not have any force or effect.

16. Other Provisions

16.1 Further Assurances

16.1.1 Without prejudice to any restriction or limitation on the extent of any party's obligations under this Agreement, each of the parties shall from time to time, so far as each is reasonably able, do or procure the doing of all such acts and/or execute or procure the execution of all such documents in a form reasonably satisfactory to the party concerned as they consider necessary to transfer the Business to the Purchaser or otherwise to give the other party the full benefit of this Agreement.

16.1.2 If the parties determine at any time after Closing that, in respect of any country in which Assets are required to transfer under this Agreement, the transfer of certain such Assets is prohibited or restricted in such country under Applicable Law, the parties agree that such country shall be treated as a Delayed Business and the provisions of Schedule 25 shall apply to the transfer of Assets and/or Employees (as applicable) in such country.

16.2 Whole Agreement

16.2.1 This Agreement and the Ancillary Agreements contain the whole agreement between the parties relating to the subject matter of this Agreement at the date hereof to the exclusion of any terms implied by law which may be excluded by contract and supersedes any previous written or oral agreement between the parties in relation to the matters dealt with in this Agreement.

16.2.2 The Purchaser acknowledges that, in entering into this Agreement, it is not relying on any representation, warranty or undertaking not expressly incorporated into it.

16.2.3 Each of the parties agrees and acknowledges that its only right and remedy in relation to any representation, warranty or undertaking made or given in connection with this Agreement shall be for breach of the terms of this Agreement and each of the parties waives all other rights and remedies (including those in tort or arising under statute) in relation to any such representation, warranty or undertaking.

16.2.4 In Clauses 16.2.1 to 16.2.3, "this Agreement" includes the Ancillary Agreements and all other documents entered into pursuant to this Agreement.

16.2.5 Nothing in this Clause 16.2 excludes or limits any liability for fraud.

16.3 No Assignment

No party may without the prior written consent of the other parties, assign, grant any security interest over, hold on trust or otherwise transfer the benefit of the whole or any part of this Agreement.

16.4 Third Party Rights

16.4.1 Subject to Clause 16.4.2, the parties to this Agreement do not intend that any term of this Agreement should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Agreement.

16.4.2 Certain provisions of this Agreement confer benefits on the Affiliates of the Purchaser and the Affiliates of the Seller (each such Affiliate being, for the purposes of this Clause 16.4, a “**Third Party**”) and, subject to Clause 16.4.3, are intended to be enforceable by each Third Party by virtue of the Contracts (Rights of Third Parties) Act 1999.

16.4.3 Notwithstanding Clause 16.4.2, this Agreement may be varied in any way and at any time without the consent of any Third Party.

16.5 Variation or waiver

16.5.1 No variation of this Agreement shall be effective unless in writing and signed by or on behalf of each of the parties.

16.5.2 No failure or delay by a party in exercising any right or remedy provided by Applicable Law or under this Agreement or any Ancillary Agreement shall impair such right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

16.6 Method of Payment and set off

16.6.1 Payments (including payments pursuant to an indemnity, compensation or reimbursement provision) made or expressed to be made by the Purchaser or the Seller pursuant to this Agreement or any claim for breach of this Agreement shall, insofar as the payment or claim relates to or affects the Share (including the Company by reason of the transfer of the Share) or any assets or liabilities transferred pursuant to this Agreement, be made or received (as the case may be) by:

- (i) the Seller, for itself or as agent on behalf of the relevant Business Seller or the Share Seller (each in respect of the assets and liabilities to be transferred by it pursuant to this Agreement including, in the case of the Share Seller, the Share); and
- (ii) the Purchaser, for itself or as agent on behalf of the relevant members of the Purchaser’s Group (each in respect of the assets

and liabilities to be transferred to it pursuant to this Agreement, including the Share).

- 16.6.2** Payments pursuant to this Agreement shall be settled by payments between the Seller, on behalf of the relevant members of the Seller's Group, and the Purchaser, on behalf of the relevant members of the Purchaser's Group.
- 16.6.3** Any payments pursuant to this Agreement shall be made in full, without any set-off, counterclaim, restriction or condition and without any deduction or withholding (save as may be required by law or as otherwise agreed).
- 16.6.4** Any payments pursuant to this Agreement shall be effected by crediting for same day value the account specified by the Seller or the Purchaser (as the case may be) on behalf of the party entitled to the payment (reasonably in advance and in sufficient detail to enable payment by telegraphic or other electronic means to be effected) on or before the due date for payment.
- 16.6.5** Payment of a sum in accordance with this Clause 16.6 shall constitute a payment in full of the sum payable and shall be a good discharge to the payer (and those on whose behalf such payment is made) of the payer's obligation to make such payment and the payer (and those on whose behalf such payment is made) shall not be obliged to see to the application of the payment as between those on whose behalf the payment is received.

16.7 Costs

- 16.7.1** Except as otherwise expressly provided for in this Agreement, the Seller shall bear all costs incurred by it and its Affiliates in connection with the preparation and negotiation of, and the entry into, this Agreement, any Ancillary Agreement and the sale of the Business.
- 16.7.2** Except as otherwise expressly provided for in this Agreement, the Purchaser shall bear all such costs incurred by it and its Affiliates in connection with the preparation and negotiation of, and the entry into, this Agreement, any Ancillary Agreement and the purchase of the Business.

16.8 Notarial Fees, Registration, Stamp and Transfer Taxes and Duties

Subject to Clause 8.13, the Seller shall bear the cost of all notarial fees and all registration, stamp and transfer taxes and duties (including, for the avoidance of doubt, stamp duty reserve tax) or their equivalents ("**Transfer Taxes**") in all jurisdictions where such fees, taxes and duties are payable as a result of the transactions contemplated by this Agreement. The Purchaser shall be responsible for arranging the payment of all Transfer Taxes payable as a result of transactions taking place at or after Closing, including fulfilling any administrative or reporting obligation imposed by the jurisdiction in question in connection with such payment. The Seller shall indemnify the Purchaser or any other member of the Purchaser's Group against any Transfer Taxes payable as a result of the transactions contemplated by this Agreement to the extent that such amounts have not already been deducted from the amount payable by the Purchaser at Closing under Clause 6.3.1(i)(d).

16.9 Interest

If any party defaults in the payment when due of any sum payable under this Agreement, the liability of that party shall be increased to include interest on such sum from the date when such payment is due until the date of actual payment (as well after as before judgment) at a rate per annum of two per cent. above LIBOR. Such interest shall accrue from day to day.

16.10 Grossing-up

- 16.10.1** All sums payable under this Agreement and the Local Transfer Documents shall be paid free and clear of all deductions, withholdings, set-offs or counterclaims whatsoever save only as required by Applicable Law or as may be otherwise agreed. Subject to Clauses 16.10.2 to 16.10.7 if any deductions or withholdings are required by law the party making the payment shall (except in the case of any interest payable under Clause 16.9) be obliged to pay to the other party such sum as will after such deduction or withholding has been made leave the other party with the same amount as it would have been entitled to receive in the absence of any such requirement to make a deduction or withholding, provided that if either party to this Agreement shall have assigned or novated the benefit in whole or in part of this Agreement or shall, after the date of this Agreement, have changed its tax residence or the permanent establishment to which the rights under this Agreement are allocated then the liability of the other party under this Clause 16.10.1 shall be limited to that (if any) which it would have been had no such assignment, novation or change taken place.
- 16.10.2** If either party is or becomes aware of any facts making it reasonably likely that the Purchaser, or any relevant member of the Purchaser's Group, will be required to deduct or withhold any amount in respect of the Business Consideration and/or the Share Consideration (a "**Relevant Tax Deduction**"), then that party shall, as soon as reasonably practicable, give notice to the other party (including details of the relevant facts and, so far as possible, details of the rate and basis of such withholding).
- 16.10.3** The Seller and the Purchaser shall, and shall procure that the members of their respective groups shall (at the Seller's cost), co-operate with each other in good faith and use all reasonable efforts to reduce or mitigate any Relevant Tax Deduction (or its amount) and/or to enable the Seller or the relevant Business Seller or Share Seller to obtain any available credit or refund in respect of such Relevant Tax Deduction, including, without limitation, making any available claim under an applicable double taxation treaty.
- 16.10.4** Without prejudice to the generality of Clause 16.10.3, the Seller and the Purchaser shall co-operate in good faith to establish or agree the amount or basis of calculation of any Relevant Tax Deduction prior to Closing (and in this regard the Purchaser shall consider reasonably any relevant information or evidence provided or obtained by the Seller) including, if requested by the Seller and at the Seller's expense, by seeking to obtain a ruling or

confirmation from a relevant Tax Authority, or obtaining an opinion from reputable local tax counsel or a firm of accountants of international standing satisfactory to the Purchaser (acting reasonably) and instructed jointly by the Seller and the Purchaser.

- 16.10.5** The Purchaser shall, or shall procure that the relevant member of the Purchaser's Group shall, make any Relevant Tax Deduction in the minimum amount required by Applicable Law, provided that:
- (i) if a double taxation treaty between the jurisdiction under the laws of which the Relevant Tax Deduction is required and the jurisdiction of residence of the Seller or the relevant Share Seller or Business Seller is in force, the Purchaser shall (and shall procure that any relevant member of the Purchaser's Group shall) make any Relevant Tax Deduction in an amount not exceeding the rate specified in such double taxation treaty (which may be nil), provided that the Seller has provided the Purchaser with such evidence as is required under Applicable Law to establish the entitlement of the Seller (or relevant Share Seller or Business Seller) to the benefit of the applicable treaty; and
 - (ii) if an opinion from reputable local counsel or a firm of accountants of international standing has been obtained as envisaged by Clause 16.10.4, the Purchaser shall (and shall procure that any relevant member of the Purchaser Group shall) make such Relevant Tax Deduction in an amount or on a basis which is consistent with that opinion (which may result in no withholding or deduction), provided that the Seller has indemnified the Purchaser and any relevant member of the Purchaser's Group, to the Purchaser's reasonable satisfaction, against any Liabilities arising (including any interest and penalties) should such opinion be wholly or partly incorrect.
- 16.10.6** The Purchaser shall promptly provide the Seller with evidence reasonably satisfactory to the Seller that a Relevant Tax Deduction has been made and an appropriate amount paid to the relevant Tax Authority.
- 16.10.7** If any Relevant Tax Deduction is required, an additional sum shall be payable in accordance with Clause 16.10.1 only if and to the extent that such deduction or withholding would not have been required had the Purchaser and each member of the Purchaser's Group making such payment or to which such payment relates been resident for Tax purposes only in Switzerland.

16.11 Notices

- 16.11.1** Any notice or other communication in connection with this Agreement (each, a "Notice") shall be:
- (i) in writing in English; and

(ii) delivered by hand, fax, or by courier using an internationally recognised courier company.

16.11.2 A Notice to the Seller shall be sent to such party at the following address, or such other person or address as the Seller may notify to the Purchaser from time to time:

GlaxoSmithKline plc
980 Great West Road
Brentford
Middlesex TW8 9GS

Fax: +44 (0)208 0476904

Attention: Company Secretary

with a copy to the Seller's Lawyers, marked for the urgent attention of Simon Nicholls (delivery of such copy shall not itself constitute valid notice).

16.11.3 A Notice to the Purchaser shall be sent to such party at the following address, or such other person or address as the Purchaser may notify to the Seller from time to time:

Novartis AG
Postfach
CH-4002 Basel
Switzerland

Fax: +41 613244300

Attention: Head Legal M&A, Novartis International AG

with a copy to the Purchaser's Lawyers, marked for the urgent attention of Jennifer Bethlehem (delivery of such copy shall not itself constitute valid notice).

16.11.4 A Notice shall be effective upon receipt and shall be deemed to have been received:

(i) at the time of delivery, if delivered by hand or courier;

(ii) at the time of transmission in legible form, if delivered by fax.

16.12 Invalidation or Conflict

16.12.1 If any provision in this Agreement shall be held to be illegal, invalid or unenforceable, in whole or in part, the provision shall apply with whatever deletion or modification is necessary so that the provision is legal, valid and enforceable and gives effect to the commercial intention of the parties.

16.12.2 To the extent it is not possible to delete or modify the provision, in whole or in part, under Clause 16.12.1, then such provision or part of it shall, to the extent that it is illegal, invalid or unenforceable, be deemed not to form part of this Agreement and the legality, validity and enforceability of

the remainder of this Agreement shall, subject to any deletion or modification made under Clause 16.12.1, not be affected.

16.12.3 If there is any conflict between the terms of this Agreement and any of the Ancillary Agreements this Agreement shall prevail (as between the parties between this Agreement and as between any member of the Seller's Group and any member of the Purchaser's Group) unless (i) such Ancillary Agreement expressly states that it overrides this Agreement in the relevant respect and (ii) the Seller and the Purchaser are either also parties to that Ancillary Agreement or otherwise expressly agree in writing that such Ancillary Agreement shall override this Agreement in that respect.

16.12.4 For the avoidance of doubt, nothing in this Agreement is intended to limit or exclude the Liabilities of any party under any Ancillary Agreement.

16.13 Counterparts

This Agreement may be entered into in any number of counterparts, all of which taken together shall constitute one and the same instrument. Any party may enter into this Agreement by executing any such counterpart. Delivery of a counterpart of this Agreement by email attachment shall be an effective mode of delivery.

16.14 Governing Law and Submission to Jurisdiction

16.14.1 This Agreement and the documents to be entered into pursuant to it, save as expressly referred to therein, and any non-contractual obligations arising out of or in connection with the Agreement and such documents shall be governed by and construed in accordance with English law.

16.14.2 Each of the parties irrevocably agrees that the courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Agreement and the documents to be entered into pursuant to it, save as expressly referred to therein, and that accordingly any proceedings arising out of or in connection with this Agreement and the documents to be entered into pursuant to it shall be brought in such courts. Each of the parties irrevocably submits to the jurisdiction of such courts and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

16.15 Appointment of Process Agent

16.15.1 The Purchaser hereby irrevocably appoints Hackwood Secretaries Limited of One Silk Street, London EC2Y 8HQ as its agent to accept service of process in England and Wales in any legal action or proceedings arising out of this Agreement, service upon whom shall be deemed completed whether or not forwarded to or received by the Purchaser.

16.15.2 The Purchaser agrees to inform the Seller in writing of any change of address of such process agent within 28 days of such change.

16.15.3 If such process agent ceases to be able to act as such or to have an address in England and Wales, the Purchaser irrevocably agrees to appoint a new process agent in England and Wales and to deliver to the Seller within 14 days a copy of a written acceptance of appointment by the process agent.

16.15.4 Nothing in this Agreement shall affect the right to serve process in any other manner permitted by law.

This Agreement has been entered into on the date stated at the beginning.

SIGNED by

And

For and on behalf of
NOVARTIS AG

SIGNED by

For and on behalf of
GLAXOSMITHKLINE PLC

CONTENTS

CLAUSE

PAGE

**Schedule 1
Products**

**Part 1
Products**

| No | Brand name | Active Ingredient | Product Description | Marketing Authorisation details (includes all countries that have product approval; NOTE: for products with multiple indications, some countries may not have yet have approval for all indications) | Product Expansion Applications (includes only those submitted or currently under regulatory review) | ATC Code | Dosage |
|----|------------|-------------------|--|---|--|---|---|
| 1 | Tafinlar | Dabrafenib | Dabrafenib mesylate is a kinase inhibitor. The chemical name for dabrafenib mesylate is N-{3-[5-(2-Amino-4-pyrimidinyl)-2-(1,1-dimethylethyl)-1,3-thiazol-4-yl]-2-fluorophenyl}-2,6-difluorobenzene sulfonamide, methanesulfonate salt. It has the molecular formula C ₂₃ H ₂₀ F ₃ N ₅ O ₂ S ₂ •CH ₄ O ₃ S and a molecular weight of 615.68. | Australia, Austria, Belgium, Bulgaria, Canada, Chile, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States | <u>Combination w/ MEK (regulatory reviews ongoing in certain markets, i.e. Switzerland): proposed indication below:</u> TAFINLAR in combination with trametinib is indicated for the treatment of patients with unresectable or metastatic melanoma with BRAF V600E or V600K mutations. | Antineoplastic agents, protein kinase inhibitor L01XE23 | The recommended dose of TAFINLAR is 150 mg orally twice daily as a single agent or in combination with trametinib 2 mg orally once daily. |
| 2 | Mekinist | Trametinib | Trametinib dimethyl sulfoxide is a kinase inhibitor. The chemical name is acetamide, N-[3-[3-cyclopropyl-5-(2-fluoro-4-iodophenyl) amino]-3,4,6,7-tetrahydro-6,8-dimethyl-2,4,7- | Australia, Canada, Switzerland, United States | EU opinion for Mekinist monotherapy on track for April CHMP meeting: Trametinib is indicated in monotherapy for the treatment of adult | Antineoplastic agents, protein kinase inhibitor L01XE23 | The recommended dosage regimens of MEKINIST are 2 mg orally once daily as a single agent or in combination with dabrafenib 150 mg orally |

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|---|--|---|--|--|---|--|
| | <p>trioxopyrido[4,3-d]pyrimidin-1(2H)-yl]phenyl]-, compound with 1,1'-sulfanylbis[methane] (1:1). It has a molecular formula $C_{26}H_{23}FIN_5O_4 \cdot C_2H_6OS$ with a molecular mass of 693.53.</p> | | <p>patients with unresectable or metastatic melanoma with a BRAF V600 mutation</p> | | <p>twice daily</p> | |
| 3 | <p>Votrient Pazopanib</p> | <p>VOTRIENT (pazopanib) is a tyrosine kinase inhibitor (TKI). Pazopanib is presented as the hydrochloride salt, with the chemical name 5-[[4-[(2,3-dimethyl-2H-indazol-6-yl)methylamino]-2-pyrimidinyl]amino]-2-methylbenzenesulfonamide monohydrochloride. It has the molecular formula $C_{21}H_{23}N_7O_2S \cdot HCl$ and a molecular weight of 473.99.</p> | <p>Albania, Argentina, Aruba, Australia, Austria, Bahrain, Bangladesh, Belarus, Belgium, Bosnia and Herzegovina, Brazil, Brunei Darussalam, Bulgaria, Canada, Chile, Colombia, Costa Rica, Croatia, Cuba, Curacao, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Finland, France, Germany, Greece, Guatemala, Guyana, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Kazakhstan, Korea, Republic of, Kuwait, Latvia, Lebanon, Lithuania, Luxembourg, Macao, Macedonia, Malaysia, Malta, Mexico, Morocco, Netherlands, New Zealand, Nicaragua, Norway, Oman, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Saudi Arabia, Serbia, Singapore, Slovakia, Slovenia, Spain, Suriname, Sweden, Switzerland, Syrian Arab Republic, Taiwan, Thailand, Turkey, Ukraine,</p> | <p>EU withdrawal of maintenance treatment of women with FIGO stage II-IV epithelial ovarian, fallopian tube or primary peritoneal cancer who had not progressed after receiving first-line chemotherapy.</p> | <p>Antineoplastic agents, other antineoplastic agents, protein-kinase inhibitors, ATC code: L01XE11</p> | <p>The recommended dose of pazopanib for the treatment of RCC or STS is 800 mg once daily.</p> |

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|---------------------|-----------|--|---|--|--|
| | | | United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela, Yemen | | |
| 4 Tykerb/ Tyverb | Lapatinib | Lapatinib is a small molecule and a member of the 4-anilinoquinazoline class of kinase inhibitors. It is present as the monohydrate of the ditosylate salt, with | Albania, Argentina, Aruba, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Belgium, Brazil, Bulgaria, Cambodia, Chile, Colombia, Croatia, Cyprus, Czech Republic, Denmark, Ecuador, Egypt, Finland, France, Germany, Greece, Guatemala, Guyana, Honduras, Hungary, Iceland, Indonesia, | Awaiting results of ALTTO to support submission along with NeoALTTO. | Antineoplastic agent, other antineoplastic agents, protein kinase inhibitor, ATC code: <u>Tyverb / capecitabine combination:</u> The recommended dose of Tyverb is 1250 mg (i.e. five tablets) once daily continuously. The recommended dose of capecitabine is 2000 |

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| <p>chemical name N-(3-chloro-4-[[3-fluorophenyl)methyl]oxy}phenyl)-6-[5-({2(methylsulfonyl)ethyl}amino)methyl]-2-furanyl]-4-quinazolinamine bis(4-methylbenzenesulfonate) monohydrate. It has the molecular formula C₂₉H₂₆ClFN₄O₄S (C₇H₈O₃S)₂ H₂O and a molecular weight of 943.5.</p> | <p>Ireland, Israel, Italy, Kazakhstan, Korea, Republic of, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Moldova, Morocco, Netherlands, Norway, Oman, Pakistan, Paraguay, Peru, Poland, Portugal, Romania, Russian Federation, Serbia, Singapore, Slovakia, Slovenia, Spain, Sri Lanka, Sweden, Switzerland, Syrian Arab Republic, Turkey, Ukraine, United Kingdom, United States, Yemen, Algeria, Armenia, Belarus, Bosnia and Herzegovina, Canada, China, Costa Rica, Curacao, Dominican Republic, El Salvador, Georgia, Hong Kong, India, Jamaica, Japan, Jordan, Kuwait, Lebanon, Macao, Macedonia, New Zealand, Nicaragua, Panama, Qatar, Saudi Arabia, South Africa, Suriname, Taiwan, Thailand, Trinidad and Tobago, United Arab Emirates, Uruguay, Venezuela</p> | <p>L01XE07</p> | <p>mg/m²/day taken in 2 doses 12 hours apart on days 1-14 in a 21 day cycle</p> <p><u>Tyverb / trastuzumab combination:</u></p> <p>The recommended dose of Tyverb is 1000 mg (i.e. four tablets) once daily continuously. The recommended dose of trastuzumab is 4 mg/kg administered as an intravenous (IV) loading dose, followed by 2 mg/kg IV weekly</p> <p><u>Tyverb / aromatase inhibitor combination:</u></p> <p>The recommended dose of Tyverb is 1500 mg (i.e. six tablets) once daily continuously.</p> <p>U.S. FDA Label:</p> <p><u>HER2-Positive Metastatic Breast Cancer:</u> The recommended dose of TYKERB is 1,250 mg given orally once daily on Days 1-21 continuously in combination with capecitabine 2,000 mg/m²/day (administered orally in 2 doses approximately 12 hours apart) on Days 1-14 in a repeating 21-day cycle.</p> <p><u>Hormone Receptor-Positive, HER2-Positive Metastatic Breast Cancer:</u> The recommended dose of TYKERB is 1,500 mg given orally once daily continuously in combination with letrozole.</p> |
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| 5 Promacta/ Revolade | Eltrombopag olamine is a biphenyl hydrazone. The chemical name for eltrombopag olamine is 3'- {(2Z)-2-[1-(3,4- dimethylphenyl)- 3-methyl-5-oxo- 1,5-dihydro-4H- pyrazol-4-ylidene] hydrazino}-2'- hydroxy-3- biphenylcarboxylic acid - 2- aminoethanol (1:2). It has the molecular formula C ₂₅ H ₂₂ N ₄ O ₄ •2 (C ₂ H ₇ NO). The molecular weight is 564.65 for eltrombopag olamine and 442.5 for eltrombopag free acid. | Albania, Argentina, Aruba, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Belarus, Belgium, Bosnia and Herzegovina, Brazil, Brunei Darussalam, Bulgaria, Canada, Chile, Colombia, Costa Rica, Croatia, Curacao, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Finland, France, Georgia, Germany, Greece, Guatemala, Guyana, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Jamaica, Jordan, Kazakhstan, Korea Republic of, Kuwait, Latvia, Lebanon, Lithuania, Luxembourg, Macao, Macedonia, Malaysia, Malta, Mexico, Moldova, Morocco, Myanmar, Netherlands, New Zealand, Nicaragua, Norway, Oman, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Saudi Arabia, Serbia, Singapore, Slovakia, Slovenia, Spain, Sudan (North part), Suriname, Sweden, Switzerland, Syrian Arab Republic, Taiwan, Thailand, Trinidad and Tobago, Turkey, | <u>sNDA filed 27 Feb 2014: Proposed Indication below:</u> PROMACTA is indicated for the treatment of cytopenias in patients with severe aplastic anemia who have had an insufficient response to immunosuppressive therapy | Antihemorrhagics, other systemic hemostatics. ATC code: B02BX 05 | When coadministered with TYKERB, the recommended dose of letrozole is 2.5 mg once daily. US FDA Label: Promacta has four FDA approved dosages: 12.5 mg, 25 mg, 50 mg, 75 mg, and 100 mg tablets. |
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| | | | United Arab Emirates, United Kingdom, United States, Uruguay, Yemen | | | | |
| 6 | Arzerra | Ofatumumab | ARZERRA (ofatumumab) is an IgG1 κ human monoclonal antibody with a molecular weight of approximately 149 kDa. The antibody was generated via transgenic mouse and hybridoma technology and is produced in a recombinant murine cell line (NS0) using standard | Argentina, Australia, Austria, Bahrain, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Kazakhstan, Kuwait, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Panama, Poland, Portugal, Qatar, Romania, Russian Federation, | Arzerra in combination with alkylator (e.g. chlorambucil) is indicated for the treatment of chronic lymphocytic leukaemia (CLL) in previously untreated patients PDUFA date (4/18) | monoclonal antibodies, ATC code: L01XC10 | The recommended dose is 300 mg ofatumumab for the first infusion and 2,000 mg ofatumumab for all subsequent infusions. The infusion schedule is 8 consecutive weekly infusions, followed 4-5 weeks later by 4 consecutive monthly (i.e. every 4 weeks) infusions. |

mammalian cell cultivation and purification technologies. Slovakia, Slovenia, Spain, Sweden, Switzerland, United Arab Emirates, United Kingdom, United States

U.S. FDA Label:

Previously Untreated CLL:

The recommended dosage and schedule is:

- 300 mg on Day 1 followed 1 week later by 1,000 mg on Day 8 (Cycle 1) followed by
- 1,000 mg on Day 1 of subsequent 28-day cycles for a minimum of 3 cycles until best response or a maximum of 12 cycles.

Refractory CLL:

The recommended dosage and schedule is 12 doses administered as follows:

- 300 mg initial dose (Dose 1), followed 1 week later by
- 2,000 mg weekly for 7 doses (Doses 2 through 8), followed 4 weeks later by
- 2,000 mg every 4 weeks for 4 doses (Doses 9 through 12).

7 Hycamtin Topotecan HYCAMTIN (topotecan hydrochloride) is a semi-synthetic derivative of camptothecin and is an anti-tumor drug with topoisomerase I-inhibitory activity. HYCAMTIN for Injection is supplied as a sterile lyophilized, buffered, light Albania, Argentina, Aruba, Australia, Austria, Bahrain, Belarus, Belgium, Bosnia and Herzegovina, Brazil, Brunei Darussalam, Bulgaria, Canada, Chile, China, Colombia, Costa Rica, Croatia, Curacao, Cyprus, Denmark, Dominican Republic, Ecuador, Egypt, El

Other antineoplastic agents: ATC code: L01XX17

Hycamtin IV infusion Ovarian & Small Cell Lung Cancer:

The recommended dose of topotecan is 1.5 mg/m² body surface area/day administered by intravenous 2 infusion over 30 minutes daily for five consecutive days with a three week interval

yellow to greenish powder available in single-dose vials. Each vial contains topotecan hydrochloride equivalent to 4 mg of topotecan as free base. The chemical name for

Salvador, Estonia, Finland, France, Gabon, Germany, Greece, Guatemala, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Korea, Republic of Kuwait, Latvia, Lebanon, Lithuania, Luxembourg, Macedonia, Madagascar,

between the start of each course.

Cervical Carcinoma: The recommended dose of topotecan is 0.75 mg/m²/day administered as 30 minute intravenous infusion daily on

topotecan hydrochloride is (*S*)-10-[(dimethylamino)methyl]-4-ethyl-4,9-dihydroxy-1*H*-pyrano[3',4':6,7]indolizino[1,2-*b*]quinoline-3, 14-(4*H*,12*H*)-dione monohydrochloride. It has the molecular formula $C_{23}H_{23}N_3O_5 \cdot HCl$ and a molecular weight of 457.9.

Malaysia, Maldives, Malta, Moldova, Morocco, Namibia, Netherlands, New Zealand, Nicaragua, Niger, Norway, Oman, Pakistan, Palestine, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russian Federation, Saudi Arabia, Serbia, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Syrian Arab Republic, Taiwan, Thailand, Trinidad and Tobago, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay

days 1, 2 and 3. Cisplatin is administered as an intravenous infusion on day 1 at a dose of 50 mg/m²/day and following the topotecan dose.

Hycamtin Capsules (per US FDA label)

The recommended dose of HYCAMTIN capsules is 2.3 mg/m² /day once daily for 5 consecutive days repeated every 21 days. Round the calculated oral daily dose to the nearest 0.25 mg, and prescribe the minimum number of 1 mg and 0.25 mg capsules. The same number of capsules should be prescribed for each of the 5 dosing days.

8 Argatroban Argatroban Argatroban is a synthetic direct thrombin inhibitor derived from L-arginine. The chemical name for Argatroban is 1-[5-[(aminoiminomethyl)amino]-1-oxo-2-[[[(1,2,3,4-tetrahydro-3-methyl-8quinolinyl)sulfonyl]amino]pentyl]-4-methyl-2-piperidinecarboxylic acid, monohydrate. Argatroban has 4 asymmetric carbons. One of the asymmetric carbons has an *R* configuration (stereoisomer Type I) and an *S* configuration (stereoisomer Type II). Argatroban consists of a mixture of *R* and *S*

None

B01AE03

Heparin-Induced Thrombocytopenia (HIT/HITTS):
Initial Dosage:
 Before administering Argatroban, discontinue heparin therapy and obtain a baseline aPTT. The recommended initial dose of Argatroban for adult patients without hepatic impairment is 2 mcg/kg/min, administered as a continuous infusion
Percutaneous Coronary Interventions (PCI) in HIT/HITTS Patients: Initial Dosage: An infusion of Argatroban should be started

stereoisomers at a ratio of approximately 65:35. The molecular formula of Argatroban is $C_{23}H_{36}N_6O_5S \cdot H_2O$. Its molecular weight is 526.66.

at 25 mcg/kg/min and a bolus of 350 mcg/kg administered via a large bore intravenous (IV) line over 3 to 5 minutes (see Table 9). Activated clotting time (ACT) should be checked 5 to 10 minutes after the bolus dose is completed. The procedure may proceed if the ACT is greater than 300 seconds.

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| 9 Zofran | Ondansetron | <p>The active ingredient in ZOFRAN Injection is ondansetron hydrochloride (HCl), the racemic form of ondansetron and a selective blocking agent of the serotonin 5-HT₃ receptor type. Chemically it is (±) 1, 2, 3, 9-tetrahydro-9-methyl-3-[(2-methyl-1H-imidazol-1-yl)methyl]-4Hc o e o u</p> <p>The empirical formula is $C_{18}H_{19}N_3O \cdot HCl \cdot 2H_2O$, representing a molecular weight of 365.9.</p> | None | A04AA01 | <p>Prevention of Chemotherapy-Induced Nausea and Vomiting: Adult Dosing: The recommended I.V. dosage of ZOFRAN for adults is a single 32-mg dose or three 0.15-mg/kg doses. A single 32-mg dose is infused over 15 minutes beginning 30 minutes before the start of emetogenic chemotherapy. The recommended infusion rate should not be exceeded (see OVERDOSAGE). With the three-dose (0.15-mg/kg) regimen, the first dose is infused over 15 minutes beginning 30 minutes before the start of emetogenic chemotherapy. Subsequent doses (0.15 mg/kg) are administered 4 and 8 hours after the first dose of ZOFRAN.</p> <p>Prevention of Postoperative Nausea and Vomiting: Adult Dosing:</p> |
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| | | | | | | The recommended I.V. dosage of ZOFRAN for adults is 4 mg undiluted administered intravenously in not less than 30 seconds, preferably over 2 to 5 minutes, immediately before induction of anesthesia, or postoperatively if the patient experiences nausea and/or vomiting occurring shortly after surgery. |
| 10 Arranon/ Atriance | Nelarabine | ARRANON (nelarabine) is a pro-drug of the cytotoxic deoxyguanosine analogue, 9-β-D-250 arabinofuranosylguanine (ara-G). The chemical name for nelarabine is 2-amino-9-β-D-arabinofuranosyl-6-methoxy-9H-purine. It has the molecular formula C ₁₁ H ₁₅ N ₅ O ₅ and a molecular weight of 297.27. | None | None | Antineoplastic agents, antimetabolites, purine analogues, ATC code: L01B B 07 | <u>Adults and adolescents (aged 16 years and older):</u> The recommended dose of nelarabine for adults is 1,500 mg/m ² administered intravenously over two hours on days 1, 3 and 5 and repeated every 21 days. <u>Paediatric population:</u> <u>Children and adolescents (aged 21 years and younger):</u> The recommended dose of nelarabine for children and adolescents is 650 mg/m ² administered intravenously over one hour daily for 5 consecutive days, repeated every 21 days. |
| 11 AKT - GSK2141 795 | | An orally bioavailable inhibitor of the serine/threonine protein kinase Akt (protein kinase B) with potential antineoplastic activity. Akt inhibitor GSK2141795 binds to and inhibits the activity of Akt, | None | None | Antineoplastic agents, protein kinase inhibitor | n/a |

which may result in inhibition of the PI3K/Akt signaling pathway and tumor cell proliferation and the induction of tumor cell apoptosis. Activation of the PI3K/Akt signaling pathway is frequently associated with tumorigenesis and dysregulated PI3K/Akt signaling may contribute to tumor resistance to a variety of antineoplastic agents

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|--------------------------|--|------|------|---|
| 12 GSK2110 183 | <p>Afuresertib An orally bioavailable inhibitor of the serine/threonine protein kinase Akt (protein kinase B) with potential antineoplastic activity. Afuresertib binds to and inhibits the activity of Akt, which may result in inhibition of the PI3K/Akt signaling pathway and tumor cell proliferation and the induction of tumor cell apoptosis. Activation of the PI3K/Akt signaling pathway is frequently associated with tumorigenesis and dysregulated PI3K/Akt signaling may contribute to tumor resistance to a variety of antineoplastic agents.</p> | None | None | Antineoplastic agents, n/a protein kinase inhibitor |
| 13 LGD4665 also known by | | | | |

the GSK
reference
number
GSK22
85921

Schedule 1
Part 2
Product Expansions – Combos

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

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*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

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Product Approvals (Clause 6.2.2)

Part 1 Terms relating to the Product Approvals

1. General Provisions

- 1.1** The Purchaser shall do all things necessary to effect the transfer of each Product Approval, including complying with requirements and requests of Governmental Entities with respect to the transfer of each Product Approval.
- 1.2** The Marketing Authorisations shall be transferred in accordance with Part 2 of this Schedule 6.

2. Fees and expenses

From and after the Closing Date, the Purchaser shall promptly reimburse the relevant members of the Seller's Group for all maintenance and renewal fees and similar fees paid, and all out of pocket expenses reasonably incurred in connection with the satisfaction of any commitments or obligations by such member of the Seller's Group with respect to each Product Approval.

3. Product Expansion Applications

- 3.1** The Purchaser shall file or cause to be filed applications for the transfer of each Product Expansion Application in each country or territory in which such transfer is required to be submitted as soon as possible after the Closing Date.
- 3.2** Pending the transfer of each Product Expansion Application the Seller shall, and shall cause the relevant members of the Seller's Group to:
- 3.2.1** upon reasonable request from the Purchaser and at the Purchaser's expense, reasonably cooperate and coordinate with the Purchaser in relation to the transfer of the Product Expansion Applications, including by providing the Purchaser with regulatory documentation concerning the Products owned or controlled by Seller or its Affiliates;
- 3.2.2** perform such acts and services as may be requested by the Purchaser that are reasonably necessary or required by any Governmental Entity to maintain or renew any Product Expansion Application or are reasonably necessary for the Purchaser to pursue the regulatory approval for any Product Expansion Application, including conducting any studies, including clinical and stability studies, concerning the Products and the Product Expansions; and
- 3.2.3** notify the Purchaser as soon as is reasonably practicable of any written communication received by the Seller or any member of the Seller's Group with respect to any Product Expansion Application and shall consult with the Purchaser with respect to such communication and take into account the Purchaser's views as to the form and content of any communication with any Governmental Entity concerning such Product Expansion Application.

Part 2 Marketing Authorisation Transfer Provisions

1. Transfer of Marketing Authorisations

Marketing Authorisation Transfer and Marketing Authorisation Re-registration

- 1.1** The Seller and the Purchaser hereby agree they will each use, and will procure that their respective Affiliates will use, all reasonable endeavours to ensure that, as soon as reasonably practicable after the Closing Date:
- 1.1.1** subject to paragraphs 1.1.2 and 1.1.3, each Marketing Authorisation shall be transferred in accordance with Applicable Law by the Marketing Authorisation Holder to the Marketing Authorisation Transferee (“**Marketing Authorisation Transfer**”);
 - 1.1.2** where Applicable Law does not permit Marketing Authorisation Transfer, a new marketing authorisation shall be registered in the name of the Marketing Authorisation Transferee to replace the existing Marketing Authorisation (“**Marketing Authorisation Re-registration**”) and the Seller shall procure that the relevant Marketing Authorisation Holder takes all necessary steps to withdraw, abandon, cancel or allow to lapse the superseded Marketing Authorisation as soon as practicable after the Marketing Authorisation Re-registration Date; and
 - 1.1.3** good faith discussions are held between the Seller and the Purchaser (or their respective Affiliates) to determine whether a structure may be implemented such that the Marketing Authorisation Transfers in Brazil may be effected without the need for a Marketing Authorisation Re-registration, such as by means of a spin-off structure under Applicable Law (the “**Brazilian Spin-off**”). For the avoidance of doubt, nothing in this sub-paragraph 1.1.3 shall oblige the Seller or the Purchaser to carry out any Brazilian Spin-off.
- 1.2** Without prejudice to any rights the Purchaser may have under the terms of this Agreement, to the extent that, before Closing, and in the event that, at Closing, the Marketing Authorisation Holder of the Marketing Authorisation for Argatroban in the United States and Canada (the “**Argatroban MA**”) is not the Seller or a member of the Seller’s Group, the Seller shall use all reasonable endeavours to procure or assist the Purchaser to procure the transfer of (i) the Argatroban MA and (ii) all data relevant to Argatroban held in the safety database of the Marketing Authorisation Holder of the Argatroban MA (or any of its Affiliates) (the “**Argatroban Safety Data**”) to the Marketing Authorisation Transferee as soon as reasonably practicable. The Seller shall use all reasonable endeavours to procure that the Marketing Authorisation Holder of the Argatroban MA shall continue to support the Argatroban MA for pharmacovigilance activities until the Argatroban Safety Data has transferred to a member of the Purchaser’s Group.
- 1.3** The parties agree that the transfer of any Marketing Authorisation from the Marketing Authorisation Holder to the Marketing Authorisation Transferee in respect of any Delayed Business shall not complete until on or after the relevant Delayed Closing Date.

- 1.4** Any Marketing Authorisation Transfer or Marketing Authorisation Re-registration (as applicable) shall each be effected on a Market-by-Market basis (such that there shall not be any staggered Marketing Authorisation Transfer or Marketing Authorisation Re-registration (as the case may be) on a Product-by-Product basis in any Market), unless otherwise agreed between the Seller and the Purchaser.
- 1.5** With effect from the Closing Date until the Marketing Authorisation Transfer Date or the Marketing Authorisation Re-registration Date (as applicable), the Seller shall procure that each Marketing Authorisation Holder shall hold the Marketing Authorisation(s) in its name but for the account, risk and benefit of the relevant Marketing Authorisation Transferee.

Submission of MA Documentation

- 1.6** Without prejudice to paragraph 1.7, the Purchaser shall be responsible for preparing and submitting, or for procuring that there is prepared and submitted (in any such case at the Purchaser's cost and expense), all notices, applications, submissions, reports and any other instruments, documents, correspondence or filings necessary to complete Marketing Authorisation Transfer or Marketing Authorisation Re-registration (as applicable) (the "**MA Documentation**"). The MA Documentation shall be prepared in accordance with Applicable Law as soon as reasonably practicable.
- 1.7** At the Seller's election, the Purchaser shall procure that advanced drafts of the MA Documentation are submitted to the Seller so as to allow the Seller and/or the Marketing Authorisation Holder a reasonable opportunity to provide comments on such MA Documentation before it is submitted to the relevant Governmental Entity. The Purchaser shall incorporate all comments on such drafts as may reasonably be made by the Seller and/or the Marketing Authorisation Holder PROVIDED THAT the Purchaser shall not be obliged to incorporate any comments if the Purchaser considers, acting reasonably that to do so would materially delay Marketing Authorisation Transfer or Marketing Authorisation Re-registration (as applicable).
- 1.8** Where under Applicable Law the MA Documentation is required to be submitted to the relevant Governmental Entity:
- 1.8.1** by the Marketing Authorisation Holder, the Purchaser shall procure that the finalised MA Documentation is provided to the Seller after such MA Documentation is finalised in accordance with paragraph 1.7 above and the Seller shall, in turn, procure that the Marketing Authorisation Holder submits such MA Documentation to the relevant Governmental Entity (the timing and date of such submission to be agreed with the Purchaser) and the Seller shall promptly thereafter advise the Purchaser of such submission and provide a copy of the relevant MA Documentation (in the form submitted) to the Purchaser; and
- 1.8.2** by the Marketing Authorisation Transferee, the Purchaser shall procure that the relevant Marketing Authorisation Transferee submits the finalised MA Documentation to the relevant Governmental Entity as soon as reasonably practicable after such MA Documentation is finalised in accordance with paragraph 1.7 above and the Purchaser shall promptly thereafter advise the

Seller of such submission and provide a copy of the relevant MA Documentation (in the form submitted) to the Seller.

1.8.3 From the Closing Date, the Seller shall procure that the relevant Marketing Authorisation Holder shall, as soon as reasonably practicable, sign any notices, applications, submissions, reports and other instruments, documents, correspondence or filings presented to it by the Purchaser or the relevant Marketing Authorisation Transferee that are necessary to effect Marketing Authorisation Transfer or Marketing Authorisation Re-registration (as applicable). The Marketing Authorisation Holder shall:

- (i) provide notice of its consent to a Marketing Authorisation Transfer or Marketing Authorisation Re-registration if required by any Governmental Entity; and
- (ii) provide to the Purchaser or the relevant Marketing Authorisation Transferee any information or other data or technical or other information in its possession that relates to the relevant Marketing Authorisation and that is required by a relevant Governmental Entity or otherwise reasonably required by the Purchaser or the relevant Marketing Authorisation Transferee to assist the Purchaser or the relevant Marketing Authorisation Transferee to effect the relevant Marketing Authorisation Transfer or Marketing Authorisation Re-registration;
- (iii) in the event of any request for information or any query from any relevant Governmental Entity in respect of Marketing Authorisation Transfer or the Marketing Authorisation Re-registration (as applicable), the relevant party receiving such request or query shall provide copies of any such request or query to the Seller or, as the case may be, to the Purchaser. The Purchaser shall be responsible for preparing, or shall be responsible for procuring that there is prepared, (at the Purchaser's cost and expense) any response to such a request or query with the intention that such request or query shall be dealt with as promptly and efficiently as possible. In advance of finalising any such response, the Purchaser shall procure that the relevant response is submitted to the Seller so as to allow the Seller and/or the relevant Marketing Authorisation Holder a reasonable opportunity to provide comments on such response before it is submitted to the Governmental Entity. The Purchaser shall procure that relevant Marketing Authorisation Transferee (i) shall submit the response to the relevant Governmental Entity as soon as reasonably practicable after the same has been finalised in accordance with this paragraph 1.8.3(iii) and (ii) shall provide a copy of the relevant response (in the form submitted) to the Seller.

2. Obligations Pending Marketing Authorisation Transfer or Marketing Authorisation Re-Registration

2.1 Unless otherwise required by Applicable Law or a relevant Governmental Entity (or unless otherwise agreed in writing by the Seller and the Purchaser), from the Closing Date until the applicable Marketing Authorisation Transfer Date or Marketing Authorisation Re-registration Date:

2.1.1 the Seller shall:

- (i) maintain in force (or procure that there is maintained in force) each Marketing Authorisation, and shall not voluntarily amend, cancel or surrender any Marketing Authorisation unless requested to do so in writing by the Purchaser or required to do so by any Applicable Law or any Governmental Entity;
- (ii) with the Purchaser's consent (not to be unreasonably withheld or delayed) progress (or procure that there is progressed) any registrations, variations or renewals to Marketing Authorisations initiated by the Seller (or any other member of the Seller's Group) prior to the Closing Date or withdraw them upon the request of the Purchaser;
- (iii) procure that each Marketing Authorisation Holder shall comply with the terms of any Marketing Authorisation and shall notify the Purchaser as soon as reasonably practicable of the details of any variations or renewals initiated following the Closing Date;
- (iv) inform the Purchaser of any impending renewals of Marketing Authorisations as at the Closing Date and the parties shall discuss in good faith to what extent any such renewal will be pursued or withdrawn (it being agreed that the Purchaser shall have the final decision in any such matter);
- (v) not without the consent of the Purchaser, initiate any additional variations or amendments to the Marketing Authorisations, except to the extent required by any Governmental Entity or where failure to do so would breach Applicable Law; and
- (vi) consider in good faith any request by the Purchaser to apply for a new marketing authorisation in respect of a Product PROVIDED THAT if the Seller agrees to submit such application, any costs or expenses incurred by the Seller in making such application shall be for the Purchaser's account and shall constitute MA Costs;

2.1.2 without prejudice to the generality of the foregoing paragraph 2.1.1(iii), the Purchaser acknowledges and agrees that each Marketing Authorisation Holder shall be entitled to do (or to procure that there is done) any or all of the following (and the Purchaser acknowledges that, where the relevant Marketing Authorisation Holder so chooses and unless otherwise agreed,

responsibility for each of the following activities shall rest with the relevant Marketing Authorisation Holder):

- (i) pharmacovigilance activities related to the Marketing Authorisations, which activities shall be conducted in accordance with the Applicable Law, the Pharmacovigilance Agreement, and the standards, policies and procedures of the Seller's Group from time to time in force; and
- (ii) conducting any and all communications with a Governmental Entity in respect of a Marketing Authorisation (including, without limitation to the generality of the foregoing, attending any meetings with relevant Governmental Entities and filing and submitting all reports and other documents which it reasonably considers necessary to be submitted in order to comply with Applicable Law or its obligations under this Agreement), PROVIDED THAT responsibility for (a) the costs of preparation of any such documents, reports and/or filings shall be borne by the Purchaser (or the relevant Marketing Authorisation Transferee) to the extent such costs are reasonably necessary, and (b) the submission of MA Documentation shall be the responsibility of the Purchaser in accordance with paragraph 1.6 above, PROVIDED THAT the Seller shall ensure that the Purchaser is kept fully and promptly informed of any such communications or submissions in advance, to the extent reasonably practicable; and

- 2.1.3** the Seller shall procure that each Marketing Authorisation Holder shall act in accordance with the reasonable instructions of the Purchaser or the Marketing Authorisation Transferee in respect of each Marketing Authorisation in respect of which such Marketing Authorisation Holder is the holder, PROVIDED THAT no Marketing Authorisation Holder shall be obliged to comply with such instructions to the extent the same: (i) infringe the terms of the relevant Marketing Authorisation(s); or (ii) are otherwise inconsistent with the provisions of the Pharmacovigilance Agreement relating to the Seller;
- 2.1.4** the Purchaser shall only request artwork changes to the extent such changes are required in order to comply with Applicable Law; and
- 2.1.5** the Purchaser shall submit to the Seller (or shall procure that there is submitted) written details (in such form and with such supporting materials as the Seller may reasonably request) of any new, amended or proposed advertising and promotional activity or training materials in respect of any Product Commercialised pursuant to any Marketing Authorisation (including (without limitation) any material reasonably requested by the Seller in order to validate new and/or amended promotional or training materials), and the Purchaser acknowledges and agrees that no such advertising, promotional or training activity shall be implemented, undertaken or otherwise commenced without the prior written consent of the Seller (for itself and on behalf of the relevant Marketing Authorisation Holder), such consent not to be unreasonably withheld. The Purchaser further agrees and acknowledges that, if it so chooses, the Seller shall be entitled to assume responsibility for

obtaining (or procuring that there is obtained) the consent(s) and approval(s) of any relevant Governmental Entity required for such new, amended or proposed advertising and promotional activity or training activity; and

2.1.6 to the extent permitted by the terms of the relevant Marketing Authorisation and provided for in the Transitional Distribution Services Agreement, the Purchaser or any other member of the Purchaser's Group shall Commercialise the Product(s) which are the subject of such Marketing Authorisation (notwithstanding that such Marketing Authorisation is held in the name of the relevant Marketing Authorisation Holder and, for the avoidance of doubt, the proceeds of any such Commercialisation shall be for the benefit of the Purchaser's Group) and the Purchaser shall:

- (i) indemnify each member of the Seller's Group against any and all actions, claims, demands, investigations, judgments, proceedings, liabilities, loss, damages, payments, costs and expenses arising in relation to the Commercialisation of the Product(s) by the Purchaser or any other member of the Purchaser's Group under this paragraph 2.1.6; and
- (ii) procure that such Product(s) are Commercialised in compliance with the terms of the relevant Marketing Authorisation and/or the requirements of the relevant Governmental Entity.

2.2 Unless otherwise required by Applicable Law or a relevant Governmental Entity, from the Closing Date until the applicable Marketing Authorisation Transfer Date or Marketing Authorisation Re-registration Date, where any Market Authorisation Holder is required by Applicable Law to consult with a Governmental Entity in order to negotiate the discounts, rebates or other pricing mechanisms (including reimbursement) (the "**Pricing**") applicable to the Commercialisation of the Products in the relevant Market (a "**Pricing Negotiation**"):

- 2.2.1** the Seller shall (or shall procure that the Marketing Authorisation Holder shall) notify the Purchaser as soon as reasonably practicable after the Marketing Authorisation Holder becomes aware of any opportunity or requirement to enter into a Pricing Negotiation;
- 2.2.2** the Purchaser shall be responsible for preparing or procuring that there is prepared (at the Purchaser's cost) all notices, submissions and reports, and any other documents or correspondence necessary for the purposes of the Pricing Negotiation (the "**Pricing Negotiation Documentation**");
- 2.2.3** the Seller shall (or shall procure that the Marketing Authorisation Holder shall) co-operate with the Purchaser and provide the Purchaser with such data and information as the Purchaser may reasonably request for the purposes of preparing the Pricing Negotiation Documentation;
- 2.2.4** the Purchaser shall procure that the Pricing Negotiation Documentation is provided to the Seller and/or Marketing Authorisation Holder prior to the intended date of submission to the relevant Governmental Entity with such advance notice as is reasonably sufficient for the Seller and/or the Marketing

Authorisation Holder to determine whether any of the information or any proposal included in the Pricing Negotiation Documentation would constitute or result in a breach of Applicable Law by the Marketing Authorisation Holder or any other member of the Seller's Group;

- 2.2.5** if the Seller and/or the Marketing Authorisation Holder believes (acting reasonably) that any of the information or any proposal included in the Pricing Negotiation Documentation prepared by the Purchaser (or a member of the Purchaser's Group) would constitute or result in a breach of Applicable Law by the Marketing Authorisation Holder, then it shall submit to the Purchaser (or relevant member of the Purchaser's Group) within 10 Business Days of the date of receipt of the Pricing Negotiation Documentation from the Purchaser pursuant to paragraph 2.2.4, a written legal opinion specifying why any of the information or any proposal included in the Pricing Negotiation Documentation would constitute or result in a breach of Applicable Law. Following receipt of the legal opinion by the Purchaser (or relevant member of the Purchaser's Group), the parties shall consult with each other, in good faith, in order to agree amendments to the Pricing Negotiation Documentation that are reasonably required in order to ensure compliance with Applicable Law and the Seller (or the relevant Marketing Authorisation Holder) shall submit the revised Pricing Negotiation Documentation to the relevant Governmental Entity as soon as possible thereafter;
- 2.2.6** if the Seller and/or Marketing Authorisation Holder believes (acting reasonably) that neither the information nor any proposal included in the Pricing Negotiation Documentation would constitute or result in a breach of Applicable Law by the Marketing Authorisation Holder or any other member of the Seller's Group, then the relevant member of the Purchaser's Group shall submit such Pricing Negotiation Documentation directly to the Governmental Entity unless prohibited by Applicable Law or by the Governmental Entity, in which case, the Seller shall procure that the Marketing Authorisation Holder makes the submission to the Governmental Entity as soon as reasonably practicable after it is received from the Purchaser (or relevant member of the Purchaser's Group);
- 2.2.7** the Purchaser (or a member of the Purchaser's Group) shall be entitled to correspond with and attend all meetings with the Governmental Entity in relation to the Pricing Negotiation and, to the extent that the Marketing Authorisation Holder is required to be present at any such meetings under Applicable Law or by the Governmental Entity, the Seller shall procure that the Marketing Authorisation Holder shall jointly attend any such meetings with the relevant member of the Purchaser's Group;
- 2.2.8** the Purchaser (or a member of the Purchaser's Group) shall be entitled to conduct the Pricing Negotiation unless prohibited under Applicable Law or by the Governmental Entity, in which case, the Seller shall procure that the Marketing Authorisation Holder shall conduct the Pricing Negotiation and in any event enter into any related agreement with the Governmental Entity in

accordance with the reasonable instructions of the Purchaser (or a member of the Purchaser's Group); and

2.2.9 the Seller undertakes (and shall procure that the Marketing Authorisation Holder undertakes) to ensure that the Pricing Negotiation Documentation and any information received in connection with or as part of the Pricing Negotiation: (i) is kept confidential and is only disclosed to employees of the Seller's Group on a need to know and confidential basis; and (ii) is used by the Seller, the Marketing Authorisation Holder and/or employees of the Seller's Group for the sole purpose of making a determination under sub-paragraph 2.2.4 above.

2.3 Subject to paragraph 2.4, the parties agree that nothing in paragraph 2.2 above shall preclude the Seller and/or Marketing Authorisation Holder from: (i) preparing and submitting to any Governmental Entity any notices, submissions and reports, and any other documents or correspondence, (ii) attending meetings with any Governmental Entity, (iii) making representations to any Governmental Entity, and (iv) taking any and all steps as the Seller and/or Marketing Authorisation Holder shall consider necessary or desirable, in each case in relation to the negotiation of Pricing applicable to the products that form part of the Seller's Group Retained Business (and, for the avoidance of doubt, excluding the Products).

2.4 Where Applicable Law does not permit the Purchaser to participate in a Pricing Negotiation as contemplated by paragraph 2.2 above or the Seller's interest in respect of the outcome of a Pricing Negotiation conflicts or is reasonably likely to conflict with the interests of the Purchaser in the outcome of the Pricing Negotiation, the Seller shall (or shall procure that the relevant Marketing Authorisation Holder shall):

2.4.1 notify the Purchaser of such conflict of interest as soon as reasonably practicable after becoming aware of it; and

2.4.2 afford the Purchaser to the fullest extent permissible under Applicable Law, the rights it has under paragraph 2.2 above.

Following notification of a conflict of interest the parties shall, to the extent permitted by Applicable Law, consult together to agree the approach to be taken by the Seller (or the relevant Marketing Authorisation Holder) to minimise the impact of the conflict of interest on the Purchaser's interests and if the parties cannot agree on the approach to be taken, the matter shall be escalated at the Purchaser's request to the chief financial officers of each party, or their nominees, for resolution.

3. New and Pending Marketing Authorisations in Respect of the Products

3.1 If, at any time prior to Closing, any member of the Seller's Group is granted or otherwise comes to hold any marketing authorisation which relates exclusively to one or more Products (a "**New Marketing Authorisation**") then:

3.1.1 the Seller undertakes to the Purchaser to notify the Purchaser as soon as reasonably practicable following the date on which the relevant member of

the Seller's Group is granted, or becomes entitled to, the New Marketing Authorisation; and

3.1.2 the provisions of paragraphs 1 and 2 above shall apply to that new Marketing Authorisation.

3.2 Where a member of the Seller's Group has submitted to any Governmental Entity any application relating to the grant of a new marketing authorisation in respect of the Business which is pending or in process as at the date of this Agreement (a "**Pending Marketing Authorisation**"):

3.2.1 the Seller shall continue to be responsible for preparation and submission of all documents required to register such Pending Marketing Authorisation but, following Closing, it shall do so at the Purchaser's cost and shall pass responsibility for such Pending Marketing Authorisation to the Purchaser (or such member of the Purchaser's Group as the Purchaser may nominate) as soon reasonably possible after Closing, subject to Applicable Law;

3.2.2 from the Closing Date, the provisions of paragraph 1 shall apply mutatis mutandis to any registration process for any Pending Marketing Approval.

4. MA Costs

4.1 From the Closing Date, the Purchaser shall be responsible for all necessary costs of preparation and submission of MA Documentation and, save as expressly provided in this Agreement, any other necessary costs incurred by the Seller or a member of the Seller's Group in connection with the maintenance and any variations, amendments and renewals of the Marketing Authorisations relating to the Products or for any matter requested by the Purchaser pursuant to this Part 2 of Schedule 6 and for all fees and costs reasonably incurred by the relevant member of the Seller's Group in complying with its obligations in respect of a Marketing Authorisation Transfer or Marketing Authorisation Re-registration ("**MA Costs**").

5. Obligations following Marketing Authorisation Transfer or Marketing Authorisation Re-Registration

5.1 On and from the relevant Marketing Authorisation Transfer Date or Marketing Authorisation Re-registration Date (as applicable), the Purchaser shall procure that each Marketing Authorisation Transferee shall assume and be solely responsible for:

5.1.1 all obligations as the holder of such Marketing Authorisation including (subject to the terms of the Pharmacovigilance Agreement) pharmacovigilance activities related to such Marketing Authorisation;

5.1.2 all activities and actions required by Applicable Law in connection with such Marketing Authorisation; and

5.1.3 any and all outstanding commitments and obligations to the relevant Governmental Entities with respect to the relevant Marketing Authorisation, save for any such commitments or obligations arising from a breach of this Agreement by the Seller.

- 5.2** In the event that, following Marketing Authorisation Transfer or Marketing Authorisation Re-registration in respect of any Product, the Seller wishes to apply for a marketing authorisation in respect of a retained product, the Purchaser shall (and shall procure that the relevant Marketing Authorisation Transferee shall) co-operate with and provide all reasonable assistance to the Seller (or the relevant member of the Seller's Group) at the Seller's costs as may be reasonably required for the purposes of applying for such new marketing authorisation, including (without limitation) providing the Seller (or the relevant member of the Seller's Group) and/or any Governmental Entity with such access to Marketing Authorisation Data or such other data or technical or other information as is reasonably requested by the relevant Governmental Entity or is otherwise reasonably required by the Seller or the relevant member of the Seller's Group.
- 5.3** Except to the extent provided for in the Ofatumumab Intellectual Property Licence Agreement, nothing in paragraph 5.2 above shall require the Purchaser to consent to or assist the Seller or any member of the Seller's Group to apply for a marketing authorisation for any product which contains the same compound as any Product.

Part 3 Tenders

- 1.1** From Closing until the Marketing Authorisation Transfer Date in any Market, the Seller shall, and shall procure that each member of the Seller's Group and the relevant Marketing Authorisation Holder shall, to the extent permitted by Applicable Law:
- 1.1.1** inform the Purchaser in writing of any Call for New Tender as soon as reasonably practicable following receipt; and
 - 1.1.2** co-operate with and provide reasonable assistance to the Purchaser (or the relevant member of the Purchaser's Group) for the purposes of responding to the Call for New Tender or otherwise applying for a new tender; and
 - 1.1.3** where Applicable Law requires such responses or applications to be made by the Marketing Authorisation Holder, the Seller shall procure that the Marketing Authorisation Holder submits such responses or applications on behalf of the Purchaser PROVIDED THAT the Purchaser shall indemnify the Seller and/or the relevant Marketing Authorisation Holder (as the case may be) for any and all costs, expenses and liabilities suffered or reasonably incurred by the Seller and/or the Marketing Authorisation Holder in complying with or as a result of the provisions of this paragraph.
- 1.2** If, prior to Closing, the Seller or any member of the Seller's Group has submitted a bid in any Market in response to any call for a tender (whether a new tender or the renewal of an existing tender) which includes the Products (the "**Bid**"), then, following Closing:
- 1.2.1** to the extent that the Purchaser (or any member of the Purchaser's Group) is prohibited from progressing the Bid in place of the relevant member of the Seller's Group under Applicable Law, the Seller shall (or shall procure that the relevant member of the Seller's Group shall) take all steps as may be reasonably required in order to progress the Bid, including responding to all

questions raised by the relevant third party and the Purchaser shall provide all assistance (including access to the Purchaser's employees) reasonably requested by the Seller to enable it to progress the Bid; and

1.2.2 if the Bid is successful, then either:

- (i) if permitted by Applicable Law and the relevant third party consents, the Purchaser (or any member of the Purchaser's Group as the Purchaser shall nominate) shall enter into any contracts or other arrangements as are required to give effect to the tender with the relevant third party and no member of the Seller's Group shall be obliged to enter into any such contracts or arrangements; or
- (ii) if paragraph (i) does not apply, the Seller (or any member of the Seller's Group as the Seller shall nominate) shall enter into any contracts or other arrangements as are required to give effect to the tender with the relevant third party and the tender shall be deemed to be a Transferred Contract, Shared Business Contract and/or a Non-Transferring Tender (as the case may be) and the provisions of Schedule 7 shall apply accordingly.

Schedule 7
Transferred Contracts, Transferred Intellectual Property Contracts, Co-Owned
Transferred Product Intellectual Property Rights, and
Shared Business Contracts
(Clause 2.3.1)

1. Delayed Transfer of Certain Transferred Contracts and Shared Business Contracts

1.1 Subject to paragraph 4.6, any Transferred Contract, Transferred Intellectual Property Contract or Shared Business Contract relating to a Delayed Business (“**Delayed Business Contracts**”) shall not be transferred to the relevant member of the Purchaser’s Group until the relevant Delayed Closing Date and references in this Schedule 7 to “Closing”, “Closing Date” or “Effective Time” shall be deemed to be to “Delayed Closing Date” insofar as they relate to such Delayed Business Contracts except, in paragraphs 2, 3.1, 3.2, and 4.1 (in relation to Delayed Businesses that are not Non-Controlled Delayed Businesses).

2. Disclosure

From Closing, the Purchaser shall have the right to full disclosure of all Transferred Contracts and Full Disclosure of the Relevant Part of the Shared Business Contracts and the Seller shall use reasonable efforts to facilitate such disclosure as soon as reasonably practicable.

3. Separation of Shared Business Contracts

3.1 Prior to Closing, the Seller and the Purchaser shall discuss and agree in good faith a process to identify all material Shared Business Contracts.

3.2 The Seller shall use its reasonable efforts to maintain relationships under the Shared Business Contracts and continue to operate the Shared Business Contracts, including without limitation fulfilling all its obligations under the Shared Business Contracts (excluding the Relevant Parts), in the same manner as it has for the twelve months prior to the date of this Agreement.

3.3 The Purchaser may, by notice to the Seller at any time prior to the later of:

3.3.1 the date falling 90 days after the Closing Date or, if the Seller has not provided Full Disclosure of a Shared Business Contract on or prior to Closing, the date falling 90 days after the date on which Full Disclosure of the relevant Shared Business Contract is made; and

3.3.2 the Marketing Authorisation Transfer Date in respect of the relevant Product in the relevant territory (the “**Relevant Election Date**”),

elect to take the rights and obligations of the Relevant Part of any Shared Business Contract. For the purposes of paragraph 3.3.2 above only, if a Shared Business Contract is in relation to more than one Product and/or territory, the first Marketing

Authorisation Transfer Date in respect of a Product covered by that Shared Business Contract shall be the relevant date.

- 3.4** If the Purchaser makes an election under paragraph 3.3 above:
- 3.4.1** the Seller and the Purchaser shall use their respective reasonable endeavours to procure that an arrangement is entered into with the relevant counterparty to each Shared Business Contract, the effect of which shall be that, with effect from whichever is the later of the Marketing Authorisation Transfer Date and the date of the relevant arrangement, the benefit and burden of the Relevant Part is severed from such Shared Business Contract and an agreement or arrangement equivalent to such Shared Business Contract is entered into between the relevant counterparty and a member of the Purchaser's Group (or the Relevant Part of the Shared Business Contract is sub-licensed to such Purchaser) (a "**Separation**"). For the avoidance of doubt, no part of any such Shared Business Contract shall be severed and transferred to any member of the Purchaser's Group in so far as it relates to the Seller's Group Retained Business, any product other than the Products or any Excluded Asset; and
- 3.4.2** in the event that the Marketing Authorisation Transfer Date occurs before the effective date of a Separation, the provisions of sub-paragraphs 5.2.1, 5.2.2 and 6.1 of this Schedule shall apply in respect of such Shared Business Contracts.
- 3.5** If no election is made by the Purchaser under paragraph 3.3 above by the Relevant Election Date, the provisions of sub-paragraphs 5.2.1 and 5.2.2 of this Schedule shall apply in respect of the Relevant Part of such Shared Business Contract until:
- 3.5.1** in the case of any Shared Business Contract that is not a development contract or otherwise related to any Ongoing Clinical Trials, the earlier of 9 months from the Relevant Election Date and the date on which the Purchaser notifies the Seller that an alternative arrangement has been put in place; and
- 3.5.2** in the case of any Shared Business Contract that is a development contract or which otherwise relates to any Ongoing Clinical Trials, the end of the period specified in the Transitional Services Agreement which in any event shall be no less than 9 months from Closing.
- 3.6** For the avoidance of doubt, (i) paragraphs 3.3, 3.4 and 3.5 shall not apply in respect of any Shared Business Contract which terminates before the Relevant Election Date, and (ii) paragraph 4.6 shall not apply in respect of Shared Business Contracts.
- 3.7** The parties acknowledge that the Purchaser has elected to take the rights and obligations of the Zofran Trade Mark and Domain Name Licence from Closing in so far as such agreement relates to Business Product Intellectual Property Rights.
- 4. Obligation to obtain Third Party Consents**
- 4.1** Subject to paragraphs 3.4 and 4.4, in relation to any Transferred Contract (excluding, for the purposes of this Schedule, any Product Approval) or Transferred Intellectual

Property Contract or rights in a Co-Owned Transferred Product Intellectual Property Right which is not assignable or sub-licensable without a Third Party Consent or a Separation of a Shared Business Contract which is not separable without a Third Party Consent, this Agreement shall not be construed as an assignment, an attempted assignment, a sub-licensing or an attempted sub-licensing and the Seller and the Purchaser shall each use their respective reasonable endeavours both before and after Closing (or, in the case of OBM Intellectual Property Contracts, before and after the OBM Transfer Date) to obtain all necessary Third Party Consents as soon as possible and shall keep the other informed of progress in obtaining such Third Party Consents. The Seller shall deliver to the Purchaser, on Closing or, if later, as soon as possible after receipt, any Third Party Consent.

- 4.2** In connection with the obtaining of any Third Party Consent referred to in paragraph 4.1, the Purchaser shall supply to the Seller such information as may be reasonably requested by the Seller or any relevant third party.
- 4.3** Subject to paragraph 4.4, and save as otherwise provided in this Agreement, the cost of any fee demanded by the third party as consideration for giving the Third Party Consent shall be borne by the Purchaser, provided that:
- 4.3.1** the cost is agreed in advance by the Purchaser (such agreement not to be unreasonably withheld or delayed); and
- 4.3.2** no party shall be required to bear any internal or administrative costs of the other party in relation to any Third Party Consent.
- 4.4** In relation to any rights in a Co-Owned Transferred Product Intellectual Property Right for which a Third Party Consent is required for the satisfaction of any step of the Pre-Closing Products Reorganisation, the following shall apply:
- 4.4.1** the Seller shall use reasonable endeavours to obtain all necessary Third Party Consents required for:
- (i) the satisfaction of any step of the Pre-Closing Products Reorganisation that takes place prior to the Closing Date; and
 - (ii) the assignment or transfer to the Purchaser or any member of the Purchaser's Group of the Co-Owned Transferred Product Intellectual Property Rights after the Closing Date;
- 4.4.2** If the Seller has not, prior to the date on which Step 5 of the Pre-Closing Products Reorganisation takes effect, obtained all of the Third Party Consents referred to in paragraphs 4.4.1(i) and (ii) above which are required for the transfer of any Co-Owned Transferred Product Intellectual Property Rights:
- (i) the legal title in that Co-Owned Transferred Product Intellectual Property Right shall not be transferred to the Company pursuant to Schedule 18; and
 - (ii) the terms of paragraphs 5 and 6 shall apply to that Co-Owned Transferred Product Intellectual Property Right; and

- 4.4.3** the cost of any fee demanded by the third party as consideration for giving any Third Party Consent in connection with paragraph 4.4.1 shall be paid by the Seller and shall be allocated between the Seller and Purchaser as follows:
- (i) the Seller shall meet the cost of any fee demanded by the third party as consideration for giving any Third Party Consent in connection with 4.4.1(i);
 - (ii) the Purchaser shall meet the cost of any fee demanded by the third party as consideration for giving any Third Party Consent in connection with 4.4.1(ii) provided that:
 - (a) the cost is agreed in advance by the Purchaser (such agreement not to be unreasonably withheld or delayed); and
 - (b) the Purchaser shall not be required to bear any internal or administrative costs of the other party in relation to any Third Party Consent; and
 - (iii) if the cost of any fee demanded by the third party as consideration for giving any Third Party Consent does not distinguish between consent provided for the purposes of paragraph 4.4.1(i) and 4.4.1(ii), the Seller and Purchaser shall discuss in good faith the allocation of the fee that should be payable by each in connection with any Third Party Consent. If the Seller and Purchaser are unable to agree on the allocation within a period of 14 calendar days the allocation of the fee payable by each of the Seller and Purchaser shall be split equally.
- 4.5** The parties agree that the provisions of any document entered into in connection with a Third Party Consent (including by way of novation) shall be without prejudice to the provisions of Clauses 8.1, 8.2 and 13 of this Agreement.
- 4.6** Without prejudice to the obligation in paragraph 4.1 for the Seller and the Purchaser to use their respective reasonable endeavours to obtain Third Party Consents as soon as possible, the transfer to the Purchaser (or any member of the Purchaser's Group or its third party nominee) of any Transferred Contract shall not occur on Closing or, if later, the date on which the relevant Third Party Consent is obtained (a "**Delayed Contract**"), in the following circumstances:
- 4.6.1** if the Seller or the relevant Business Seller and a member of the Purchaser's Group agree in writing in respect of a specific Market that the Delayed Contract shall transfer at a later agreed date (a "**Delayed Contract Transfer Date**") in which case such Delayed Contract shall transfer on the Delayed Contract Transfer Date;
 - 4.6.2** if a Delayed Contract Transfer Date has not been agreed under sub-paragraph 4.6.1 and such Delayed Contract relates to an Ongoing Clinical Trial (a "**Clinical Trial Agreement**"), the Clinical Trial Agreement shall not

transfer before 1 May 2015 and shall transfer after that date but only to the extent permitted by Applicable Law; or

- 4.6.3** if a Delayed Contract Transfer Date has not been agreed under sub-paragraph 4.6.1 and such Delayed Contract is required to facilitate the provision of services by the Seller's Group under the Transitional Distribution Services Agreement in any Market (a "**Distribution Contract**"), such Delayed Contract shall transfer in accordance with paragraph 4.7.

The Parties agree that the provisions of this paragraph 4.6 shall not apply where a Contract is required under Applicable Law to transfer at a date earlier than the dates set out in sub-paragraphs 4.6.1 to 4.6.3 and paragraph 4.7.

- 4.7** The parties agree that no Distribution Contracts shall transfer to the Purchaser (or a member of the Purchaser's Group) before the date falling 90 days after the Closing Date (the "**Moratorium Date**") (unless such Distribution Contract relates to distribution services provided in the USA). Following the Moratorium Date (or after the Closing Date if the Distribution Contract relates to distribution services in the USA), the Distribution Contracts shall transfer to the Purchaser (or a member of the Purchaser's Group) as soon as possible after any relevant Third Party Consent is obtained unless either party notifies the other by the date which is 15 Business Days prior to the Moratorium Date that it believes (acting reasonably) that the transfer of the relevant Distribution Contract prior to the Planned Distribution Transfer Date will result in one or more Identified Risks, in which case, the relevant Distribution Contract shall not transfer to the Purchaser (or a member of the Purchaser's Group) until the relevant Distribution Transfer Date unless any and all of the Identified Risks have been resolved to the reasonable satisfaction of the party that may be adversely affected by the relevant Identified Risks before such date.
- 4.8** From the Effective Time until the transfer of any Delayed Contract is effected in accordance with sub-paragraphs 4.6 or 4.7, the provisions of paragraph 5 of this Schedule shall apply to such Delayed Contracts. Nothing in this sub-paragraph 4.8 shall preclude the Purchaser or any member of the Purchaser's Group from informing the counterparty to any Delayed Contract of the transfer of the Business to it or from engaging with such counterparty with respect to any matter relating to such Delayed Contract.
- 4.9** The provisions of sub-paragraphs 3.3 to 3.6 (inclusive), sub-paragraphs 4.1 to 4.8 (inclusive) and the entirety of paragraph 6 of this Schedule 7 shall not apply to Non-Transferring Tenders. The parties agree that each Non-Transferring Tender shall remain with the relevant member of the Seller's Group that is the contracting party to the Non-Transferring Tender as at the date of this Agreement and no Third Party Consents shall be sought in respect of any Non-Transferring Tenders.
- 5. Obligations until Third Party Consents are obtained/where Third Party Consents are refused and with respect to Non-Transferring Tenders**
- 5.1** Subject to paragraph 5.2 and the Seller's obligations under the Transitional Distribution Services Agreement, the Purchaser shall (or shall procure that the relevant member of the Purchaser's Group shall) assume, carry out, perform and

discharge the Seller's and the Business Sellers' obligations arising under the Transferred Contracts, the Transferred Intellectual Property Contracts, the Co-Owned Transferred Product Intellectual Property Right, and the Relevant Part of the Shared Business Contracts as from the Effective Time (or, in the case of OBM Intellectual Property Contracts, as from the OBM Transfer Date) but only to the extent such obligations do not constitute Excluded Liabilities.

- 5.2** In respect of any Transferred Contract (other than a Products-Only Tender that is a Non-Transferring Tender) or Transferred Intellectual Property Contract, Relevant Part of any Shared Business Contract (other than a Non-Transferring Tender) or Co-Owned Transferred Product Intellectual Property Right from the Effective Time (or, in the case of OBM Intellectual Property Contract, as from the OBM Transfer Date) until the relevant Third Party Consent has been obtained as contemplated by paragraphs 4.1 or 4.4 or where the Third Party Consent has been refused and in respect of the Non-Transferring Tenders:
- 5.2.1** the relevant Business Seller shall hold on trust to the extent it is lawfully able to do so or, where it is not lawfully able to do so or where holding on trust is not possible under local law or otherwise impracticable, the relevant Business Seller and the relevant member of the Purchaser's Group shall make such other arrangements between themselves to provide to the relevant member of the Purchaser's Group the benefits of the Contract (other than (i) amounts corresponding to any Tax payable by the relevant Business Seller in respect of amounts due under the Transferred Contract or Transferred Intellectual Property Contract or Relevant Part of the Shared Business Contract or Co-Owned Transferred Product Intellectual Property Right or any Non-Transferring Tender and (ii) any Pre-Closing Receivables), including the enforcement at the cost and for the account of the relevant member of the Purchaser's Group of all rights of the relevant Business Seller against any other party thereto;
- 5.2.2** to the extent that the Purchaser (or the relevant member of the Purchaser's Group) is lawfully able to do so and subject to the Seller's obligations under the Transitional Distribution Services Agreement, the Purchaser shall (or shall procure that the relevant member of the Purchaser's Group shall) perform the relevant Business Seller's obligations under the Contract (but only to the extent such obligations do not constitute Excluded Liabilities) as agent or sub-contractor and shall indemnify the Seller and the relevant Business Seller if the Purchaser or the relevant member of the Purchaser's Group fails to do so;
- 5.2.3** to the extent that the Purchaser (or a member of the Purchaser's Group) is not lawfully able to perform such obligations, the Seller shall procure that relevant Business Seller shall, (subject to being indemnified by the Purchaser for any Losses the Seller or the relevant Business Seller may incur in connection therewith) do all such things as the Purchaser (or the relevant member of the Purchaser's Group) may direct or reasonably require to enable due performance of the Contract;

- 5.2.4** the Seller shall (or shall procure that the relevant Business Seller shall) act in accordance with any reasonable instructions or directions provided to it by the Purchaser (or a relevant member of the Purchaser's Group) in relation to the management and operation of any Transferred Contract or Relevant Part of any Shared Business Contract (excluding, for the avoidance of doubt, any part of any Shared Business Contract which relates exclusively to the Seller Group's Retained Business), and the Purchaser shall indemnify the relevant Business Seller in respect of any Losses that Business Seller may incur in connection therewith, provided that should the Seller (or relevant Business Seller) believe (acting reasonably) that compliance with any instruction or direction given by the Purchaser (or a member of the Purchaser's Group) pursuant to this sub-paragraph 5.2.4 will result in a breach of Applicable Law (including a breach of the terms of the relevant Contract): (i) the Seller (or relevant member of the Seller's Group), shall inform the Purchaser (or the member of the Purchaser's Group which gave the instruction) and shall not be required to implement such instruction or direction; and (ii) the parties shall discuss the concerns of the relevant member of the Seller's Group in good faith, to determine whether an agreement can be reached such that the relevant instruction or direction can be implemented by the Seller (or the relevant Business Seller).
- 5.2.5** without prejudice to the provisions of paragraph 5.2.2, the Seller shall provide (or procure that the relevant Business Seller shall provide) the Purchaser (or the relevant member of the Purchaser's Group) with such information and assistance as the Purchaser (or the relevant member of the Purchaser's Group) may reasonably require (including licensing the relevant member of the Purchaser's Group any relevant Intellectual Property Rights owned by, or licensed to, the Seller's Group) with respect to any Transferred Contract, the Transferred Intellectual Property Contract, the Co-Owned Transferred Product Intellectual Property Right, and the Relevant Part of the Shared Business Contract which is subject to the provisions of this paragraph 5;
- 5.2.6** in respect of any Contract for the sale of any Product or Products and any Non-Transferring Tender, the amount of any profit arising from sales pursuant to any such Contract shall be calculated and remitted to the Purchaser in accordance with the relevant provisions of the Transitional Distribution Services Agreement.

6. Failure to Obtain Third Party Consents

- 6.1** If a Third Party Consent is refused or otherwise not obtained on terms reasonably acceptable to the Purchaser within 18 months of Closing (or in the case of OBM Intellectual Property Contracts, within 18 months of the OBM Transfer Date), or in the case of a Separation, 18 months of the Relevant Election Date applicable to such Shared Business Contract:
- 6.1.1** the Seller shall be entitled to procure the termination of the Transferred Contract, Transferred Intellectual Property Contract or the Relevant Part of the Shared Business Contract or Co-Owned Transferred Product Intellectual Property Right and the obligations of the parties under this Agreement in

relation to such Transferred Contract, Transferred Intellectual Property Contract or Relevant Part of the Shared Business Contract or Co-Owned Transferred Product Intellectual Property Right shall cease forthwith;

- 6.1.2 references in this Agreement to the Transferred Contracts, Transferred Intellectual Property Contracts or Relevant Part of the Shared Business Contract or Co-Owned Transferred Product Intellectual Property Right (other than in this paragraph 6) shall be construed as excluding such Transferred Contract, Transferred Intellectual Property Contract or the Relevant Part of the Shared Business Contract or Co-Owned Transferred Product Intellectual Property Right; and
- 6.1.3 the Seller and the Purchaser shall each use all reasonable efforts to put in place alternative arrangements so as to give the Purchaser equivalent benefits or rights as would have been enjoyed under the terminated Transferred Contract, Transferred Intellectual Property Contract or the Relevant Part of the Shared Business Contract or Co-Owned Transferred Product Intellectual Property Right.

7. Non-Transferring Tenders

- 7.1 Subject to the termination of any Non-Transferring Tender (or any Relevant Part thereof) pursuant to sub-paragraphs 7.2 and 7.3 below, the provisions of sub-paragraph 5.2 of this Schedule 7 shall continue to apply in respect of a Non-Transferring Tender for the term of the relevant Non-Transferring Tender.
- 7.2 The Purchaser may serve written notice on the Seller requesting it at its absolute discretion to (i) terminate (or to procure the termination of) any Non-Transferring Tender which is a Product-Only Tender (an “**NTT Products-Only Tender**”) or (ii) amend or to procure the amendment of any Non-Transferring Tender which is a Multi-Basket Tender (a “**NTT Multi-Basket Tender**”) such that the Relevant Part thereof shall be terminated.
- 7.3 Upon receipt of such notice, the Seller shall as soon as reasonably practicable thereafter (i) take such steps as are reasonably necessary to terminate the relevant NTT Products-Only Tender and (ii) use its reasonable endeavours to procure an amendment of the relevant NTT Multi-Basket Tender. Where the Purchaser serves such a request:
 - 7.3.1 any and all actions, claims, demands, proceedings, judgments, liabilities, loss, damages, payments, costs and expenses arising in connection with such termination or amendment (including in respect of any early termination or similar fee or payment and all liabilities costs, expenses and payments suffered or reasonably incurred by the Business Seller in procuring such termination or amendment (as applicable)) shall be for the account of the Purchaser and the Purchaser shall indemnify the relevant Business Seller in respect thereof; and
 - 7.3.2 the Purchaser shall be solely responsible for putting in place its own arrangements in respect of the matters the subject of such terminated NTT Products-Only Tender or amended NTT Multi-Basket Tender (as the case

may be) and no member of the Seller's Group shall have any responsibility for putting in place any such arrangements.

7.4 For the avoidance of doubt, if any NTT Products-Only Tender is terminated (or, in the case of a NTT Multi-Basket Tender, amended such that the Relevant Part thereof is terminated) by the relevant Business Seller pursuant to sub-paragraph 7.2 then no member of the Seller's Group shall be liable to make any payment to the Purchaser or any other member of the Purchaser's Group in respect of any consideration payable or allocation made under this or any other Ancillary Agreement.

8. [***]

9. For the purposes of this Schedule, the following terms shall have the following meanings:

“**Separation Plan**” has the meaning given to it under the Transitional Distribution Services Agreement;

“**Identified Risk**” means a specifically identified adverse operational, legal or tax impact affecting either the Seller's Group or the Purchaser's Group (including an impact on the ability of the Seller's Group to perform its obligations under the Transitional Distribution Services Agreement) which would arise or which would increase (by more than a de minimis amount) solely by reason of the relevant Distribution Contract transferring to the Purchaser (or the relevant member of the Purchaser's Group) on a date prior to the Planned Distribution Transfer Date; and

“**Planned Distribution Transfer Date**” means the Distribution Transfer Date for the applicable Market as set out in the Separation Plan.

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 8
Employees
(Clause 2.4.1)

1. Information and consultation

1.1 At such time as the parties agree to be appropriate following the public announcement of the matters contemplated by this Agreement, the Seller and the Purchaser or the relevant member of the Purchaser's Group shall jointly communicate to the Employees an agreed notice which shall (other than to the extent the parties agree otherwise):

1.1.1 inform the Employees that following Closing those Employees who continue to be employed in the Business would be employed by the Purchaser or relevant member of the Purchaser's Group; and

1.1.2 comply with the requirements of any applicable national law.

For the avoidance of doubt, the parties may agree to issue such notice to different Employees or categories of Employees at different times and in different forms.

1.2 Notwithstanding the operation of paragraph 1.1 above, the Seller and the Purchaser agree to comply with any more onerous notice requirements imposed by local laws.

1.3 The Purchaser (on its own behalf and on behalf of any relevant member of the Purchaser's Group) shall provide the Seller (for itself and any relevant member of the Seller's Group) with such information and assistance at such times as the Seller may reasonably request or as may be reasonably necessary for the Seller or any other member of the Seller's Group to comply with any formal or informal requirement to inform or consult with the Employees, a relevant trade union, a relevant works council, or any other employee representatives in connection with the matters contemplated by this Agreement (which formal or informal requirements the Seller hereby undertakes to comply or procure compliance with). Where reasonably necessary to ensure compliance with any formal or informal requirements or obligations to inform or consult with Employees, a relevant trade union, a relevant works council or any other employee representatives in connection with the matters contemplated by this Agreement, the Seller (for itself and for each member of the Seller's Group) and the Purchaser (for itself and for each member of the Purchaser's Group) agree that the Purchaser or relevant member of the Purchaser's Group shall cooperate with and participate in any information, negotiation and/or consultation process as reasonably required by the Seller.

1.4 As soon as practicable following the date of this Agreement, the Purchaser agrees to provide on a timely basis such information, in writing, in respect of its existing terms and conditions of employment as may reasonably be required by the Seller so as to facilitate the Seller's information and consultation exercise with its Employees in respect of the matters set out in this Agreement.

2. Employees

2.1 General

- 2.1.1** The Purchaser shall (or shall procure that the relevant member of the Purchaser's Group shall) fulfil all its duties and obligations under Applicable Law in relation to the Employees. Where the provisions of local law do not provide for an automatic transfer of the employment of the Employees to the Purchaser or a relevant member of the Purchaser's Group with effect from (and including) the Closing Date, then paragraph 2.2 below shall apply. Where the provisions of local law do provide for an automatic transfer of employment of the Relevant Employees to the Purchaser or the relevant member of the Purchaser's Group with effect from (and including) the Closing Date, then paragraph 2.3 below shall apply.
- 2.1.2** The parties acknowledge and agree that:
- (i) any Deferred Employee shall be treated for all purposes under this Agreement as if such Deferred Employee were an Employee; and
 - (ii) the Purchaser's obligations under this Schedule 8 shall apply in respect of each Deferred Employee in the same way as they do to each Employee; and
 - (iii) if any Deferred Employee accepts an offer of employment made by the Purchaser under paragraph 2.2.1 below, such Deferred Employee shall further be treated for all purposes under this Agreement as a Transferred Employee.
- 2.1.3** For the avoidance of doubt, this paragraph 2 shall not apply to any Excluded Employee, who will remain employed by the Seller or the relevant member of the Seller's Group.
- 2.1.4** The parties agree that no provisions in this paragraph 2 shall require the Purchaser or another member of the Purchaser's Group to employ a Relevant Employee on and from the Closing Date until such time as such employee has the right (including, for the avoidance of any doubt, under any grace period) or is otherwise permitted under Applicable Law to accept an offer to work for the Purchaser or relevant member of the Purchaser's Group and to commence working for the Purchaser or relevant member of the Purchaser's Group. Any such employee will only be a "Transferred Employee" for the purposes of this Agreement from the time (the "**Transfer Date**") he becomes an employee of a member of the Purchaser's Group, and any provisions relating to Transferred Employees in this Agreement shall only apply to any such employee with effect on and from the Transfer Date and with the following amendments:
- (i) references to the "Closing Date" and the "Effective Time" in paragraphs 4.1, 4.3.1, 4.3.2 and 4.4 shall be replaced with references to the "Transfer Date";
 - (ii) references to an "Employee" in paragraphs 4.2.1, 4.2.2 and 4.3.5 shall be extended to refer to such Transferred Employee, and to the extent required in respect of such Transferred Employee references

- to the “Closing Date” and “Effective Time” shall be replaced with references to the “Transfer Date”;
- (iii) the reference to “basic salary” in paragraph 5.1.1 shall mean the basic salary that applied to such Transferred Employee immediately prior to the Transfer Date;
- (iv) references to the “Closing Date” and the “Effective Time” in paragraph 6.2 shall be replaced with references to the “Transfer Date”;
- (v) for the purposes of paragraphs 10.2 and 10.8, references to “Closing” and the “Closing Date” shall be construed as references to the “Transfer Date”; and
- (vi) such other amendments as the parties may agree, each acting in good faith.

2.1.5 Notwithstanding any other provisions of this Agreement the parties agree that a Relevant Employee who works in France and is an employee representative (a “**French Employee**”) shall not transfer to the Purchaser’s Group until such time as the French Labour Inspectorate has authorised such French Employee to transfer to and commence working for the Purchaser or relevant member of the Purchaser’s Group. Any such French Employee will only be a “Transferred Employee” for the purposes of this Agreement from the time (the “**French Transfer Date**”) he becomes an employee of a member of the Purchaser’s Group, and any provisions relating to Transferred Employees in this Agreement shall only apply to any French Employee with effect on and from the French Transfer Date and with the following amendments:

- (i) references to the “Closing Date” and the “Effective Time” in paragraphs 4.1, 4.3.1, 4.3.2 and 4.4 shall be replaced with references to the “French Transfer Date”;
- (ii) references to an “Employee” in paragraphs 4.2.1, 4.2.2 and 4.3.5 shall be extended to refer to such French Employee, and to the extent required in respect of such French Employee references to the “Closing Date” and the “Effective Time” shall be replaced with references to the “French Transfer Date”;
- (iii) the reference to “basic salary” in paragraph 5.1.1 shall mean the basic salary that applied to such French Employee immediately prior to the French Transfer Date;
- (iv) references to the “Closing Date” and “Effective Time” in paragraph 6.2 shall be replaced with references to the “French Transfer Date”;
- (v) for the purposes of paragraphs 10.2 and 10.8, references to “Closing” and the “Closing Date” shall be construed as references to the “French Transfer Date”; and

(vi) such other amendments as the parties may agree, each acting in good faith.

2.2 Where no automatic transfer of employment

- 2.2.1 In such timescale as the parties may agree, in order to comply with Applicable Law, but in any event at least 15 days prior to the Closing Date, unless agreed otherwise by the parties (such agreement not to be unreasonably withheld by any party), the Purchaser or relevant member of the Purchaser's Group shall make an offer to each Employee employed by the Seller or a member of the Seller's Group to employ him or her under a new contract of employment to commence with effect from (and including) the Closing Date provided that such employee continues to be an Employee until the Closing Date. Save as otherwise agreed with the Seller (such agreement not to be unreasonably withheld), the offer to be made will be on the same terms and conditions (including as to period of continuous employment) as were provided to that Employee immediately prior to the Closing Date. The Purchaser shall keep the Seller updated throughout the offer process on when offers are made and accepted or rejected.
- 2.2.2 If the Employee wishes to accept the offer of employment from the Purchaser or the relevant member of the Purchaser's Group, then the Seller shall (or shall procure that the relevant member of Seller's Group shall), insofar as it is permitted by Applicable Law, waive the requirement on the Employee concerned to give any period of notice of termination of his or her employment under the terms of his or her employment so as to allow the Employee to commence employment with the Purchaser or relevant member of the Purchaser's Group with effect from (and including) the Closing Date.
- 2.2.3 The parties agree that where: (i) a Relevant Employee in the United States is absent on short term disability (including, without limitation, maternity) leave or military leave; (ii) a Relevant Employee in Russia is on maternity leave; or (iii) such other Relevant Employee, as the parties may agree in writing prior to the Closing Date, is on leave (each being a "**Leave Employee**") in each case where such leave will end on or after the Closing Date, and where such Leave Employee would otherwise have been made an offer of employment to commence with effect from (and including) the Closing Date by the Purchaser or relevant member of the Purchaser's Group, such an offer shall be made, but employment pursuant to such offer shall commence only with effect from (and including) the date on which such Leave Employee returns to work at the end of such period of such leave, provided always that the date of such return to work is no more than six months after the date on which such leave began or such later date as may be agreed by the parties. Any such employee will only be a "Transferred Employee" for the purposes of this Agreement from the time (the "**Transfer Date**") he becomes an employee of a member of the Purchaser's Group, and any provisions relating to Transferred Employees in this Agreement shall only apply to any such employee with effect on and from the Transfer Date and with the following amendments:

- (i) references to the “Closing Date” and the “Effective Time” in paragraphs 4.1, 4.3.1, 4.3.2 and 4.4 shall be replaced with references to the “Transfer Date”;
- (ii) references to an “Employee” in paragraphs 4.2.1, 4.2.2 and 4.3.5 shall be extended to refer to such Transferred Employee, and to the extent required in respect of such Transferred Employee references to the “Closing Date” and the “Effective Time” shall be replaced with references to the “Transfer Date”;
- (iii) the reference to “basic salary” in paragraph 5.1.1 shall mean the basic salary that applied to such Transferred Employee immediately prior to the Transfer Date;
- (iv) references to the “Closing Date” and the “Effective Time” in paragraph 6.2 shall be replaced with references to the “Transfer Date”;
- (v) for the purposes of paragraphs 10.2 and 10.8, references to “Closing” and the “Closing Date” shall be construed as references to the “Transfer Date”; and
- (vi) such other amendments as the parties may agree, each acting in good faith.

2.2.4 If any Leave Employee has not returned to work by the date falling six months after the date on which such leave began or such later date as may be agreed between the parties, then such Leave Employee shall be treated for all purposes under this Agreement as an Excluded Employee.

2.2.5 Transfer of Relevant Employees on a Relevant Working Day

If in relation to any Relevant Employee, the day prior to the Closing Date occurs on a day which is not a Relevant Working Day in the jurisdiction in which that Employee is employed, the parties may agree (such agreement not to be unreasonably withheld by any party), that such Relevant Employees (the “**Working Day Relevant Employees**”) shall remain employees of the Seller or a member of the Seller’s Group until the first Relevant Working Day on or after the Closing Date (the “**Working Day Employee Termination Date**”). If so agreed, the parties agree that the transfer of employment of the Working Day Relevant Employees to the Purchaser or one of its Affiliates shall take effect on and from the day following the Working Day Employee Termination Date which applies to the relevant Working Day Relevant Employee. The Purchaser acknowledges that it will be responsible for the total amount actually paid by the Seller or its Affiliate for compensation and benefits, including any withholding taxes and payroll taxes paid by the Seller’s Group, to or in respect of the Working Day Relevant Employees in relation to their ordinary course of employment for the period on and from the Effective Time to (and including) the Working Day Employee Termination Date which applies to the relevant Working Day Relevant Employee.

2.3 Where automatic transfer of employment

If the Transfer Regulations do not or are found not to or are alleged not to apply to any person who is a Relevant Employee, and to whom paragraph 2.2 does not apply, the Purchaser agrees that following Closing:

- 2.3.1** in consultation with the Seller, the Purchaser or relevant member of the Purchaser's Group shall within 10 Business Days of being so requested by the Seller (as long as the request is made no later than 3 months after Closing) (or if the Purchaser so chooses), make such Relevant Employee an offer in writing to employ him or her under a new contract of employment subject to, and to take effect upon, a date agreed between the parties and such employee; and
- 2.3.2** save as otherwise agreed with the Seller (such agreement not to be unreasonably withheld), the offer to be made will be on the same terms and conditions (including as to period of continuous employment) as were provided to that Relevant Employee immediately prior to the Closing Date.

3. Wrong-pocket arrangements for persons other than Relevant Employees

3.1 If the contract of employment of any person other than a Relevant Employee is found or alleged to have effect upon Closing as if originally made with the Purchaser or another member of the Purchaser's Group as a consequence of this Agreement, the Seller agrees that following Closing:

- 3.1.1** in consultation with the Purchaser, the Seller or relevant member of the Seller's Group may within 10 Business Days of being so requested by the Purchaser (as long as the request is made no later than 3 months after Closing) (or if the Seller so chooses), make to that person an offer in writing to employ him or her under a new contract of employment subject to, and to take effect upon, the termination referred to below; and
- 3.1.2** the offer to be made will be on the same terms and conditions (including as to period of continuous employment) as were provided to that person immediately prior to the Closing Date.

3.2 After the expiry of the 10 Business Days referred to at paragraph 3.1 above, and provided that the relevant member of the Purchaser's Group takes such steps as are legally possible to terminate the employment of the person concerned as soon as reasonably practicable after becoming aware of the finding or allegation referred to at paragraph 3.1 above (either by giving notice or transferring the person by agreement to be concluded between the relevant member of the Purchaser's Group, the person concerned and the relevant member of the Seller's Group), the Seller shall be responsible for and shall indemnify and keep indemnified the Purchaser (for itself and as trustee for any relevant member of the Purchaser's Group) against all Losses from time to time made, suffered or incurred by the Purchaser (or any other member of the Purchaser's Group) as a result of:

- 3.2.1 the actual or alleged transfer to a member of the Purchaser's Group and (regardless of whether there has been such a transfer) any employment liabilities relating to such person;
 - 3.2.2 employing such person on and from the Closing Date until such termination (up to the time reasonably expected to have achieved such termination in accordance with the terms of the contract of employment and Applicable Law) but subject to a maximum period of 6 months unless prevented by the terms of the contract of employment or Applicable Law; and
 - 3.2.3 such termination.
- 3.3 The parties agree to co-operate in good faith to minimise the Losses which are subject to the indemnity referred to in paragraph 3.2 above.
- 4. Employment liabilities**
- 4.1 All wages, salaries, employer's liabilities in respect of associated Taxes and other periodic outgoings in respect of the Transferred Employees which relate to a period:
- 4.1.1 on and after the Effective Time shall be borne or discharged by the Purchaser or relevant member of the Purchaser's Group; and
 - 4.1.2 before the Effective Time shall be borne or discharged by the Seller or relevant member of the Seller's Group.
- 4.2 Subject to paragraph 4.1, the Seller shall (for itself and for each member of the Seller's Group) indemnify and keep indemnified the Purchaser (for itself and as trustee for each other member of the Purchaser's Group) against all Losses (ignoring any amount in respect of Employee Benefits, as to which see Schedule 9) in respect of:
- 4.2.1 the employment of any Employee at any time prior to the Effective Time (excluding any Transferred Employee Benefit Liabilities (as defined in Schedule 9) which the Purchaser agrees to assume in accordance with Schedule 9);
 - 4.2.2 any termination of the employment of any Employees prior to the Effective Time and any termination of the employment of any Employees on and after the Effective Time but prior to the Closing Date which are not otherwise covered by paragraph 4.3.2 including, but not limited to, all claims relating to severance, termination pay, pay in lieu of notice of termination and similar obligations (excluding any liability arising directly as a result of any breach of the commitments set out in paragraph 5 or 6 below by the Purchaser or a member of the Purchaser's Group and any act or omission by the Purchaser or any member of the Purchaser's Group in relation to any Employee before the Closing Date as a result of which that Employee treats his employment as having been terminated prior to the Closing Date);
 - 4.2.3 any amount which becomes payable to any Employee or benefit to which any Employee becomes entitled by reason of this Agreement or the matters it contemplates, including any change of control or other payment or benefit

(and including any enhancement of severance terms on a subsequent termination of employment but excluding any Losses relating to any share-based incentive schemes, as to which see paragraph 10 below);

- 4.2.4** any failure by the Seller or any other member of the Seller's Group to comply with any obligation to inform or consult with employee representatives in connection with the matters contemplated by this Agreement (other than as a result of any failure set out in paragraph 4.3.3 below); and
 - 4.2.5** any breach by the Seller or any other member of the Seller's Group of paragraph 4.1.2 above or paragraph 4.4, 4.5 or 9 below.
- 4.3** The Purchaser shall (for itself and for each member of the Purchaser's Group) indemnify and keep indemnified the Seller (for itself and as trustee for each other member of the Seller's Group) against all Losses (ignoring any amount in respect of Employee Benefits, as to which see Schedule 9) in respect of:
- 4.3.1** the employment of any of the Transferred Employees on and after the Effective Time (including, without limitation, any changes to terms and conditions of employment by the Purchaser or any other member of the Purchaser's Group);
 - 4.3.2** any termination of the employment of any Transferred Employees on and after the Effective Time and any termination of the employment of any Employees by a member of the Seller's Group on and after the Effective Time but prior to the Closing Date who would, but for such termination of employment by a member of the Seller's Group, have been Transferred Employees (save in each case where such termination is in order to facilitate the transfer of any Relevant Employee pursuant to paragraph 2 of this Schedule 8 or is otherwise in connection with any rejection or objection to such transfer in circumstances where paragraph 4.3.5 does not apply) including, but not limited to, all claims relating to severance, termination pay, pay in lieu of notice of termination and similar obligations except as contemplated under paragraph 3.2 above;
 - 4.3.3** any failure by the Purchaser or any other member of the Purchaser's Group to provide information and reasonable assistance to the Seller to enable the Seller or any other member of the Seller's Group to comply with any obligation to inform or consult with employee representatives in connection with the matters contemplated by this Agreement;
 - 4.3.4** any breach by the Purchaser or any other member of the Purchaser's Group of paragraph 4.1.1 above or paragraph 4.4 or 4.5 below; and
 - 4.3.5** any act or omission by the Purchaser or any member of the Purchaser's Group in relation to any Employee before the Closing Date as a result of which that Employee treats his employment as having been terminated prior to the Closing Date.
- 4.4** Any amount payable to or in respect of any Transferred Employee on or after the Closing Date (including without limitation amounts paid under paragraph 4.5 below)

which (ignoring vesting conditions and any amount payable in respect of Employee Benefits or otherwise in accordance with Schedule 9) is referable to the period prior to the Effective Time is payable by the Seller (for itself or on behalf of the relevant Business Seller). Responsibility for amounts payable which are only partly referable to the period prior to the Effective Time (again ignoring vesting conditions) is to be shared between the Seller (for itself or on behalf of the relevant Business Seller) and the Purchaser (for itself or on behalf of the relevant member of the Purchaser's Group) such that the Seller bears S per cent. of the cost and the Purchaser bears P per cent., where S is the percentage of the period by reference to which the amount was earned which fell before the Effective Time and P is the percentage of that period which falls on and after the Effective Time. Save for the payments described in paragraph 4.5 below, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, pay such amounts when due to the relevant Transferred Employees on or after the Closing Date and shall deduct and/or pay and account for any Tax payable or accountable for by the employer in respect of such amounts. The Seller covenants to reimburse the Purchaser in respect of any such amount (or S per cent. of it where relevant), including any Tax payable or accountable for by the employer in respect of such amount, within 30 days of receiving notification that it has been paid. The Seller will provide the Purchaser with all information and documentation reasonably necessary to allow such payments to be made.

4.5 Following the Closing Date:

- 4.5.1** the Seller shall, or shall procure that a member of the Seller's Group shall, pay a pro-rated cash bonus for the current bonus year as at the Effective Time and any unpaid cash bonus for the bonus year which ended before the Effective Time to each Transferred Employee who participated in such annual cash bonus plan within 90 days following the Closing Date; and
- 4.5.2** where the Seller is able to determine performance, any such bonus payment made to such eligible employees will be based on the Seller's determination of performance to the Effective Time and (where applicable) pro-rated to the Effective Time; or
- 4.5.3** where the Seller is unable to determine performance (either business or individual), for example, because the Effective Time occurs near the start of the bonus year, the Seller shall calculate any such bonus payment based on a deemed achievement of performance conditions at target level pro-rated to the Effective Time; and
- 4.5.4** as soon as reasonably practicable after the Closing Date, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, provide such information as the Seller requires in order for the Seller to calculate the Tax payable or accountable for by the employer in respect of such bonus payments;
- 4.5.5** if and to the extent permitted by Applicable Law, the Seller shall, or shall procure that such other member of the Seller's Group shall, deduct and/or account for any Tax payable or accountable for by the employer in respect of such bonus payments; or

- 4.5.6 if and to the extent paragraph 4.5.5 above is not permitted by Applicable Law, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, pay and/or account for any Tax payable or accountable for by the employer in respect of such bonus payments and the Seller shall reimburse the Purchaser in respect of such amounts so paid and/or accounted for; and
 - 4.5.7 where any amount in respect of payments made by the Seller or any other member of the Seller's Group pursuant to this paragraph 4.5 is reflected in the Closing Statement, the Purchaser shall reimburse the Seller in respect of the amount so reflected. For the avoidance of doubt, no reimbursement by the Purchaser shall be due in respect of any such payment to the extent it is not reflected in the Closing Statement.
- 4.6 If any loan made by a member of the Seller's Group to a Transferred Employee (an "**Employee Loan**") remains outstanding at the Closing Date, then the parties shall co-operate in good faith to procure an outcome such that:
- 4.6.1 the Employee Loan shall be discharged in full within a reasonable period after the Closing Date and the relevant member of the Seller's Group shall receive all outstanding amounts of principal and interest under the Employee Loan either from the relevant Transferring Employee or from a member of the Purchaser's Group; and
 - 4.6.2 a loan in the same amount and on the same terms as to interest and repayment as the outstanding portion of the Employee Loan shall be made available by the Purchaser to the relevant Transferred Employee.

5. Protection of terms and conditions and termination rights post-Closing

- 5.1 Without prejudice to paragraph 5.4 below, the Purchaser shall procure that for a period of 24 months following the Closing Date:
- 5.1.1 each Transferred Employee will (for so long as such Transferred Employee continues in the same role with any member of the Purchaser's Group save that the Purchaser shall not seek to demote any Transferred Employee to avoid the application of this provision) continue to receive at least the same basic salary; and
 - 5.1.2 each Transferred Employee will continue to receive contractual benefits (but excluding Employee Benefits and any share-based incentive schemes or other long-term incentive plans) which the Purchaser reasonably considers to be substantially comparable, taken as a whole, to the contractual benefits (but excluding Employee Benefits and any share-based incentive schemes or other long-term incentive plans) of such Transferred Employee immediately prior to the Closing Date; and
 - 5.1.3 no Transferred Employee will suffer a change to his overall employment terms (whether contractual or otherwise) and including, without limitation, any related to length of service (but excluding Employee Benefits and any share-based incentive schemes or other long-term incentive plans), which, when

taken as a whole viewed in the round (including to the extent relevant alongside any other changes being made at the same time to that Transferred Employee's employment terms), would in the Purchaser's reasonable opinion acting in good faith be regarded as materially detrimental.

- 5.2** The Purchaser confirms that, following the Closing Date and for so long as the Transferred Employees continue in the employment of any member of the Purchaser's Group, the Transferred Employees will be eligible to participate in those share-based incentive schemes or other long-term incentive plans that are operated by the Purchaser or relevant members of the Purchaser's Group from time to time for employees of equivalent status, subject always to the rules of such share-based incentive schemes or long-term incentive plans and any qualifying conditions.
- 5.3** The Seller shall provide or shall cause to be provided to any member of the Purchaser's Group such information reasonably requested in writing by any member of the Purchaser's Group to enable the Purchaser to comply with its obligations in paragraph 5.1 above.
- 5.4** If the employment of any Transferred Employee is terminated by reason of redundancy within 24 months following the Closing Date, the Purchaser shall procure that there shall be provided to such Transferred Employee benefits which are equivalent to those provided under such redundancy and severance policies and benefits (whether contractual or otherwise and giving due credit to the Transferred Employees for any additional service or earnings from the Closing Date onwards) (but excluding Employee Benefits other than the Agreed UK Restructuring Arrangement) as were applicable in respect of the particular Transferred Employee immediately prior to the Closing Date, to the extent that such policies and benefits are notified in writing to the Purchaser prior to the Closing Date. If, at any time during the 24 month period immediately following the Closing Date, the Purchaser places any Transferred Employee into a redundancy selection process, the Purchaser undertakes that, in determining such selection, it will or will procure that the relevant member of the Purchaser's Group will take no account of the costs of dismissal of any person within the relevant selection pool (including such Transferred Employee). For the avoidance of doubt, redundancy payments of the type described in this paragraph 5.4 (whether paid within 24 months of Closing or later) are not intended to be covered by the apportionment mechanism at paragraph 4.4 above.
- 5.5** For the avoidance of doubt, the provisions of this paragraph 5 are without prejudice to the operation of any rule of law in relation to the terms and conditions of employment of the Transferred Employees.

6. Benefits arrangements/service continuity

- 6.1** Each Transferred Employee shall have their service with the Seller's Group and their respective predecessors recognised under any employee benefit plans or arrangements of the Purchaser's Group for all purposes of eligibility, vesting and accrual of benefits to the extent past service was recognised for such Transferred Employee under a comparable plan or arrangement immediately prior to the Closing Date. Notwithstanding the foregoing, nothing in this paragraph 6.1 shall be construed

to require recognition of service for the purposes of calculation of Employee Benefits or that would result in:

- 6.1.1** any additional liability being assumed by the Purchaser's Group in respect of Employee Benefits other than subject to and in accordance with the provisions of Schedule 9;
 - 6.1.2** duplication of benefit;
 - 6.1.3** recognition of service for any purposes under any plan or arrangement for which participation, service and/or benefits accrual is frozen or any post-retirement medical plan; or
 - 6.1.4** recognition of service under a newly established plan or arrangement for which prior service is not taken into account for employees of the Purchaser's Group generally.
- 6.2** Without limiting the foregoing, with respect to the Transferred Employees, the Purchaser shall, or shall cause such other member of the Purchaser's Group to, be responsible for all paid time off benefits, including vacation pay, sick pay, banked leave, flexitime and other payments for time off of normal work hours accrued by the Transferred Employees up to the Closing Date provided that if the value of such matters (excluding normal accrued but untaken annual leave for the year current as at the Closing Date) would exceed US\$7.5 million if accrued for in a balance sheet in accordance with IFRS prior to the Effective Time then the Seller shall compensate the Purchaser for such matters accrued prior to the Effective Time (again excluding normal accrued but untaken annual leave for the year current as at the Closing Date) by paying the Purchaser an amount equal to that value, less any amount actually accrued and transferred to the Purchaser for such matters.
- 6.3** With respect to any welfare plan maintained by the Purchaser or any other member of the Purchaser's Group in which Transferred Employees are eligible to participate after the Closing Date, the Purchaser shall:
- 6.3.1** waive all limitations as to pre-existing conditions, exclusions, evidence of insurability provisions, waiting periods with respect to such participation and coverage requirements or similar provisions under a Purchaser's benefit plans that are welfare plans (as defined in section 3(1) of ERISA or any equivalent Applicable Law) applicable to such employees to the extent such conditions, exclusions and waiting periods or other provisions were satisfied or did not apply to such employees under welfare plans maintained by the Seller or other members of the Seller's Group prior to the Closing Date; and
 - 6.3.2** provide each Transferred Employee with credit for any co-payments and deductibles paid prior to the Closing Date in satisfying any analogous deductible or out-of-pocket requirements to the extent applicable under any such plan in the year in which Closing occurs, to the extent credited under the welfare plans maintained by the Seller or other members of the Seller's Group prior to the Closing Date.

7. US Transferred Employees

With effect on and from the Closing Date, the Purchaser shall, or shall procure that such other members of the Purchaser's Group shall, assume the responsibility and obligation to provide COBRA continuation coverage to all Transferred Employees who are employed in the United States and/or covered by US Benefit Plans and whose employment is terminated after the Closing Date and their eligible dependents.

8. International Assignees

Where Applicable Law does not provide for the automatic transfer of employment of any International Assignee and/or the other terms governing their international assignment, the Purchaser shall assume and agree to be bound by the individual contract of employment and such other terms governing their international assignment including any tax equalisation agreement entered into between an International Assignee and a member of the Seller's Group provided that such employee becomes a Transferred Employee and the Seller has disclosed to the Purchaser the template international assignment terms of the Seller's Group prior to the Closing Date.

9. Liability for retention arrangements

The Seller or any other member of the Seller's Group has or will put in place certain retention arrangements (in the form of cash) to retain key employees in connection with the matters contemplated by this Agreement. To the extent that details of such retention arrangements are disclosed to the Purchaser prior to the Closing Date, and in respect of arrangements put in place after the date of this Agreement, with the agreement of the Purchaser, the Purchaser shall, or shall procure that such other member of the Purchaser's Group shall, make the cash retention payments when due to the relevant Transferred Employees on or after Closing and shall deduct and/or pay and account for any Tax payable or accountable for by the employer in respect of such cash payments. The Seller covenants to reimburse the Purchaser in respect of any cash retention payments, whether or not disclosed (including any Tax payable or accountable for by the employer in respect of such payments), which are put in place prior to the Closing Date. The Seller acknowledges that the Purchaser may ask the Seller to put in place more generous retention arrangements than those proposed by the Seller (including, where practicable, putting in place retention arrangements which last for a period of at least six months following Closing) and will not unreasonably withhold consent to such arrangements provided that any incremental cost of such arrangements over and above the cost of the Seller's own proposals will be for the Purchaser's account. The Seller will provide the Purchaser with all information and documentation reasonably necessary to allow such payments to be made.

10. Share-based incentive schemes

10.1 This paragraph 10 applies notwithstanding any other provision of this Agreement.

10.2 The Seller undertakes that share-based awards held by Transferred Employees pursuant to a share-based incentive scheme operated by the Seller or another member of the Seller's Group ("**Relevant Awards**") shall be treated in a manner

consistent with the “good leaver treatment” pursuant to the default position under those share-based incentive schemes. Where Relevant Awards are subject to performance (or other) conditions and it is not possible to determine whether or not such conditions have been met at the applicable early vesting date (or within a reasonable period thereafter), the Seller and Purchaser agree that performance shall be deemed “on target”.

For the avoidance of doubt, such “good leaver treatment” provides that:

- 10.2.1** Relevant Awards shall not lapse or be forfeited as a result of Closing except to the extent that they do not vest in accordance with paragraphs 10.2.2 and/or 10.2.3 below;
- 10.2.2** Relevant Awards shall vest early as a result of Closing and shall be time pro-rated to take account of the reduced period of time, as a proportion of the original vesting period, that the relevant Transferred Employee worked within the Seller’s Group (calculated on the basis of the number of years of service as at the Closing Date, where part years of service are rounded up); and
- 10.2.3** Relevant Awards that vest after the Closing Date shall remain subject to any relevant performance (or other) conditions, adjusted as necessary to take account of Closing and measured up to the applicable early vesting date.

For the purposes of this paragraph 10.2, “on target” performance shall not be construed as permitting share-based awards to vest in full.

- 10.3** The Seller agrees to indemnify the Purchaser (or relevant member of the Purchaser’s Group) for any Liabilities borne by the Purchaser’s Group in connection with the Relevant Awards, including any Tax. The Purchaser agrees to use its best endeavours to seek any applicable Tax relief in respect of the Relevant Awards and to indemnify the Seller in respect of any Tax relief obtained, provided always that the Seller provides the Purchaser with any information that the Purchaser may reasonably request in this respect in a timely manner.
- 10.4** Subject to paragraph 10.5, the Seller undertakes to inform the Purchaser of the vesting or exercise (as applicable) of the Relevant Awards and to provide, in a timely manner, details of the Relevant Awards that so vest or are exercised so that the Purchaser’s Group can make any applicable withholdings for Tax and pay any Tax for which the Purchaser’s Group is liable in respect of the Relevant Awards to the relevant Tax Authority within any applicable timescale.
- 10.5** To the extent permitted under the relevant plan rules and any Applicable Law, the Seller undertakes to sell such number of the shares underlying the Relevant Awards as may be necessary for the sale proceeds to satisfy any applicable Tax withholdings and to pay such amounts to the Purchaser in sufficient time for the Purchaser to pay such Tax to the relevant Tax Authority within any applicable timescale, provided always that the Purchaser provides the Seller with any information that the Seller may reasonably request in this respect in a timely manner.

- 10.6** The Seller undertakes to procure that each relevant member of the Seller's Group will pay any Tax for which each member is liable in respect of the Relevant Awards to the relevant Tax Authority within any applicable timescale.
- 10.7** The Seller undertakes to complete any relevant Tax Return in respect of the Relevant Awards and to submit any such Tax Return to the relevant Tax Authority within any applicable timescale.
- 10.8** This paragraph shall apply where Relevant Awards lapse or are forfeited (or will lapse or be forfeited) either in whole or in part as a result of Closing. As soon as practicable following Closing with the intention being, where possible, to grant within 30 days of the Closing Date or the first date after the Closing Date when dealing restrictions do not apply (and, in any event, by the later of 90 days from the Closing Date and 90 days from the first date after the Closing Date when the granting of share-based awards is not prevented by dealing restrictions), subject in both cases to the relevant plan rules and any Applicable Law, the Purchaser (or member of the Purchaser's Group) shall grant each relevant Transferred Employee a share-based award over shares in the capital of the Purchaser substantially equal in value (valued as at the date of grant) to the value of the portion of their Relevant Awards which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing (valued as at the Closing Date), where relevant disregarding any loss (or expected loss) of Tax-favourable treatment (each a "**Compensation Award**"). To the extent that (i) it could reasonably have been expected that any related matching share award and/or free share award would have been granted to a Transferred Employee following Closing in connection with any Relevant Award which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing (each a "**Relevant Matching Award**"), and (ii) such Relevant Matching Award has not been granted (or will not be granted) as a result of Closing, on or around the date on which such Relevant Matching Award would, in the ordinary course of business, have been made by the Seller (or member of the Seller's Group), the Purchaser (or member of the Purchaser's Group) shall grant each relevant Transferred Employee a share-based award over shares in the capital of the Purchaser substantially equal in value (valued as at the date of grant) to the value of such Relevant Matching Award (valued as at the date of grant of the related Matching Award, defined below), where relevant, disregarding any loss (or expected loss) of Tax-favourable treatment (each a "**Matching Award**"), subject to the relevant plan rules and any Applicable Law.

Such Compensation Awards and Matching Awards shall be granted pursuant to the rules of whichever share-based incentive plan operated by the Purchaser's Group at the time of grant the Purchaser considers most closely aligned to the share-based incentive plan operated by the Seller's Group pursuant to which the related Relevant Award had been granted (or related Relevant Matching Award would have been granted) but will vest according to a vesting schedule substantially similar to the vesting schedule that would have otherwise applied to the related Relevant Award or related Relevant Matching Award if Closing had not occurred. In such cases:

- 10.8.1** the Purchaser undertakes to seek any applicable Tax relief in respect of the Compensation Awards and Matching Awards and to indemnify the Seller in respect of 50 per cent. of any Tax relief obtained, provided always that the

Seller provides the Purchaser with any information that the Purchaser may reasonably request in this respect in a timely manner;

- 10.8.2** where a Compensation Award or Matching Award is granted in the form of a restricted share award, the Purchaser undertakes to obtain a valid election pursuant to section 431 of the Income Tax (Earnings and Pensions) Act 2003 (or, as applicable, any similar Tax election that is available pursuant to any Applicable Law in another jurisdiction), provided that, if either party makes representations to the other party to waive this obligation in respect of certain Compensation Awards or certain Matching Awards and the other party consents to such waiver (such consent not to be unreasonably withheld), this paragraph 10.8.2 shall not apply in respect of such Compensation Awards or Matching Awards; and
- 10.8.3** the Seller agrees to indemnify the Purchaser (or relevant member of the Purchaser's Group) for 50 per cent. of any Liabilities borne by the Purchaser's Group in connection with such Compensation Awards and Matching Awards, including any Tax, provided that:
- (i) the Seller shall not indemnify the Purchaser (or relevant member of the Purchaser's Group) to the extent that the Purchaser (or member of the Purchaser's Group) compensates Transferred Employees for any loss (or expected loss) of Tax-favourable treatment in respect of Relevant Awards or for any Liabilities to Tax as contemplated in paragraph 10.9 below;
 - (ii) the Seller only agrees to indemnify the Purchaser (or member of the Purchaser's Group) to a maximum of 50 per cent. of the total of: (i) the value of the portion of such Relevant Awards that lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing, (ii) the value of the Relevant Matching Awards, and (iii) any related Liabilities, including any Tax; and
 - (iii) for the avoidance of doubt, the Seller shall not indemnify the Purchaser (or member of the Purchaser's Group) for any lapse or forfeiture (or expected lapse or forfeiture) due to a failure to meet any applicable performance (or other) conditions.

For these purposes, the compensation in respect of the portion of a Relevant Award which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing shall not exceed the difference between (i) the value of the Relevant Award which could reasonably have been expected to vest on the normal vesting date but for Closing (subject, where applicable, to performance (or other) conditions), and (ii) the value of the Relevant Award which actually vested (or will vest) as a result of Closing.

For the purposes of this paragraph 10.8:

- 10.8.4** the portion of a Relevant Award which lapsed or was forfeited (or will lapse or be forfeited) as a result of Closing shall be valued on the basis of the average price of an ordinary share in the capital of the Seller over the five trading days immediately prior to Closing;

- 10.8.5** the value of a Compensation Award to be granted shall be valued on the basis of the average price of an ordinary share in the capital of the Purchaser over the five trading days immediately prior to the date of grant;
- 10.8.6** the value of a Relevant Matching Award shall be valued on the basis of the average price of an ordinary share in the capital of the Seller over the five trading days immediately prior to the date of grant of the related Matching Award;
- 10.8.7** the value of a Matching Award to be granted shall be valued on the basis of the average price of an ordinary share in the capital of the Purchaser over the five trading days immediately prior to the date of grant; and
- 10.8.8** any currency conversion shall be made in accordance with Clause 1.12 of this Agreement.
- 10.9** To the extent that any payment to a Transferred Employee (whether by the Seller's Group or by the Purchaser's Group) would trigger Liabilities to Tax under section 280G of the United States Internal Revenue Code ("**Section 280G**"), the relevant Transferred Employee shall be allowed to choose whether to accept the full payment (and pay any relevant Section 280G Tax) or to receive such lower payment as may be necessary in order to fall below the Section 280G threshold for Tax. To the extent that any similar Tax would arise pursuant to any Applicable Law in another jurisdiction, this paragraph 10.9 shall apply mutatis mutandis.
- 10.10** This paragraph shall apply where: (i) a Transferred Employee would, in the ordinary course of business, have been granted a share-based award pursuant to a share-based incentive scheme operated by the Seller or another member of the Seller's Group on the basis of performance criteria linked to the Seller's Group's 2014 financial year (which may, for the avoidance of doubt, be business and/or individual performance criteria and assessment) (each a "**2014 Performance Award**"), and (ii) Closing occurs prior to the grant of such 2014 Performance Award. As soon as practicable following Closing (and, in any event, by the later of 30 days from the Closing Date and 30 days from the date when the value of each 2014 Performance Award has been determined), the Seller shall notify the Purchaser in writing of the value of each 2014 Performance Award and under which share-based incentive plan operated by the Seller's Group the related 2014 Performance Award would have been granted. As soon as practicable following the receipt of such notice (and, in any event, by the later of 30 days from the receipt of such notice and 30 days from the first date following the receipt of such notice when the granting of share-based awards is not prevented by dealing restrictions, subject in both cases to the relevant plan rules and any Applicable Law), the Purchaser (or member of the Purchaser's Group) shall grant each relevant Transferred Employee a share-based award over shares in the capital of the Purchaser substantially equal in value (valued as at the date of grant) to the value of the 2014 Performance Award which would have been granted but for the occurrence of Closing. Such 2014 Performance Awards shall be granted pursuant to the rules of whichever share-based incentive plan operated by the Purchaser's Group at the time of grant the Purchaser considers most closely aligned to the share-based incentive plan operated by the Seller's Group pursuant to which the related 2014 Performance Award would have been granted. In such cases:

- 10.10.1** the Purchaser undertakes to seek any applicable Tax relief in respect of the 2014 Performance Awards and to indemnify the Seller in respect of any Tax relief obtained, provided always that the Seller provides the Purchaser with any information that the Purchaser may reasonably request in this respect in a timely manner;
- 10.10.2** where a 2014 Performance Award is granted in the form of a restricted share award, the Purchaser undertakes to obtain a valid election pursuant to section 431 of the Income Tax (Earnings and Pensions) Act 2003 (or, as applicable, any similar Tax election that is available pursuant to any Applicable Law in another jurisdiction), provided that, if either party makes representations to the other party to waive this obligation in respect of certain 2014 Performance Awards and the other party consents to such waiver (such consent not to be unreasonably withheld), this paragraph 10.10.2 shall not apply in respect of such 2014 Performance Awards; and
- 10.10.3** the Seller agrees to indemnify the Purchaser (or relevant member of the Purchaser's Group) for any Liabilities borne by the Purchaser's Group in connection with such 2014 Performance Awards, including any Tax.

The grant of a 2014 Performance Award to a Transferred Employee shall be taken into account by the Purchaser when determining the extent to which that Transferred Employee shall participate in incentive arrangements (other than any Compensation Award or Matching Award) operated by the Purchaser's Group following Closing.

For the purposes of this paragraph 10.10:

- 10.10.4** the value of a 2014 Performance Award to be granted shall: (i) be determined by the Seller acting reasonably and in good faith, (ii) be consistent with past practice, (iii) take into account the relevant business and/or individual performance criteria linked to the Seller's Group's 2014 financial year, and (iv) if Closing occurs before 31 December 2014, be time pro-rated to take account of the reduced period of time, as a proportion of the Seller's Group's 2014 financial year, that the relevant Transferred Employee worked within the Seller's Group (calculated on the basis of the number of complete months of service as at the Closing Date);
- 10.10.5** the number of shares to be placed under a 2014 Performance Award shall be valued on the basis of the average price of an ordinary share in the capital of the Purchaser over the five trading days immediately prior to the date of grant; and
- 10.10.6** any currency conversion shall be made in accordance with Clause 1.12 of this Agreement.

11. Clinical Employees

11.1 The parties intend and agree that:

- 11.1.1** the employment of the Clinical Employees shall not be transferred by the Seller or another member of the Seller's Group to a member of the

Purchaser's Group on and from the Closing Date but shall transfer on and from the Clinical Employee Transfer Date;

- 11.1.2** notwithstanding the intention at paragraph 11.1.1 above, if the contract of employment of any Clinical Employee is found or alleged to have effect at any time prior to the Clinical Employee Transfer Date as if originally made with the Purchaser or another member of the Purchaser's Group as a consequence of this Agreement, paragraph 3 shall not apply in relation to that Clinical Employee and as a result the parties shall in good faith seek to agree as soon as reasonably practicable how best to deal with such unintended transfer or allegation of transfer provided that, if the parties are unable to reach such agreement within a reasonable period and if it is agreed that such Clinical Employee's contract of employment has so transferred, then such Clinical Employee shall be treated from the time he actually became so employed as a "Transferred Employee" (and no longer a Clinical Employee) for the purposes of this Agreement;
 - 11.1.3** no provisions in paragraph 2 shall require the Purchaser or another member of the Purchaser's Group to employ, or make an offer to employ, a Clinical Employee, on and from the Closing Date;
 - 11.1.4** paragraph 2.2 shall be amended to the extent required so that it applies to Clinical Employees and, in respect of such Clinical Employees, references to the "Closing Date" shall be replaced with references to the "Clinical Employee Transfer Date";
 - 11.1.5** paragraph 2.3 shall be amended to the extent required so that it applies to Clinical Employees and, in respect of such Clinical Employees, references to the "Closing Date" or "Closing" shall be replaced with references to the "Clinical Employee Transfer Date"; and
 - 11.1.6** paragraph 3 shall be amended to the extent required so that it applies on the Clinical Employee Transfer Date in respect of any person who is not at that time a Clinical Employee and any references to the "Closing Date" or "Closing" shall be replaced with references to the "Clinical Employee Transfer Date".
- 11.2** Notwithstanding the provisions of paragraph 11.1 above, the parties agree that each Clinical Employee shall, with effect from and including the Closing Date, be treated for economic purposes as if he is employed by a member of the Purchaser's Group, and as a consequence will be deemed to be a "Transferred Employee" (meaning that the Purchaser will be economically responsible for all costs and liabilities relating to his employment on and from the Effective Time or termination of his employment on and from the Effective Time) provided that such treatment shall not result, in relation to any Clinical Employee, in any member of the Purchaser's Group being liable for any costs and liabilities under this Schedule to the extent that any such costs and liabilities arise from:
- 11.2.1** any failure by the relevant member of the Seller's Group prior to the Clinical Employee Transfer Date, without good reason, to comply with any instruction

from the Purchaser or a member of the Purchaser's Group in relation to that Clinical Employee; or

- 11.2.2** any failure by the relevant member of the Seller's Group prior to the Clinical Employee Transfer Date to supervise the Clinical Employees in accordance with standard industry practice; or
- 11.2.3** any claim by a Clinical Employee as a result of any breach of contract or Applicable Law by the Seller (other than in express compliance with any instruction from the Purchaser or a member of the Purchaser's Group or as otherwise expressly agreed in writing by the Purchaser) in respect of such Clinical Employee.

For the avoidance of doubt, no provision of this paragraph 11.2 shall entitle any member of the Seller's Group to recover any amount in respect of any Clinical Employee if that would entitle the Seller's Group to recover more than once in respect of the same amount under this Agreement or any Ancillary Agreement.

- 11.3** For the purposes of paragraphs 10.2 and 10.8 above, in relation to Clinical Employees only, references to "Closing" and the "Closing Date" shall be construed as references to the Clinical Employee Transfer Date.
- 11.4** The parties intend and agree that, if any Relevant Employee is at Closing determined to be both a Clinical Employee and a Delayed Employee (as defined in paragraph 12 below):
 - 11.4.1** such Relevant Employee shall be treated for the purposes of this Agreement as a Clinical Employee until such time immediately prior to the Clinical Employee Transfer Date and thereafter as a Delayed Employee in accordance with the terms of paragraph 12 below; and
 - 11.4.2** the employment of such Relevant Employee shall not be transferred by the Seller or another member of the Seller's Group to a member of the Purchaser's Group on and from the Clinical Employee Transfer Date but shall transfer in accordance with the terms of paragraph 12 below.

12. Delayed Employees

- 12.1** The parties intend and agree that:
 - 12.1.1** the employment of the Delayed Employees shall not be transferred by the Seller or another member of the Seller's Group to a member of the Purchaser's Group on and from the Closing Date but shall transfer on and from the Delayed Closing Date which relates to the Delayed Business associated with that Delayed Employee;
 - 12.1.2** notwithstanding the intention at paragraph 12.1.1 above, if the contract of employment of any Delayed Employee is found or alleged to have effect at any time prior to the Delayed Closing Date as if originally made with the Purchaser or another member of the Purchaser's Group as a consequence of this Agreement, paragraph 3 shall not apply in relation to that Delayed Employee and as a result the parties shall in good faith seek to agree as

soon as reasonably practicable how best to deal with such unintended transfer or allegation of transfer having regard to the reason why the individual's transfer to the Purchaser or another member of the Purchaser's Group was delayed but provided that, if the parties are unable to reach such agreement within a reasonable period and if it is agreed that such Delayed Employee's contract of employment has so transferred, then such Delayed Employee shall be treated from the time he actually became so employed as a "Transferred Employee" (and no longer a Delayed Employee) for the purposes of this Agreement;

- 12.1.3** no provisions in paragraph 2 shall require the Purchaser or another member of the Purchaser's Group to employ, or make an offer to employ, a Delayed Employee, on and from the Closing Date;
- 12.1.4** paragraph 2.2 shall be amended to the extent required so that it applies to Delayed Employees and, in respect of such Delayed Employees, references to the "Closing Date" shall be replaced with references to the "Delayed Closing Date which relates to the Delayed Business associated with that Delayed Employee";
- 12.1.5** paragraph 2.3 shall be amended to the extent required so that it applies to Delayed Employees and, in respect of such Delayed Employees, references to the "Closing Date" or "Closing" shall be replaced with references to the "Delayed Closing Date which relates to the Delayed Business associated with that Delayed Employee"; and
- 12.1.6** paragraph 3 shall be amended to the extent required so that it applies on each Delayed Closing Date in respect of any person who is not at that time a Delayed Employee and any references to the "Closing Date" or "Closing" shall be replaced with references to that "Delayed Closing Date".

- 12.2** Notwithstanding the provisions of paragraph 12.1 above, the parties agree that each Delayed Employee shall, with effect from and including the Closing Date, be treated for economic purposes as if he is employed by a member of the Purchaser's Group, and as a consequence will be deemed to be a "Transferred Employee" (meaning that the Purchaser will be economically responsible for all costs and liabilities relating to his employment on and from the Effective Time or termination of his employment on and from the Effective Time) provided that such treatment shall not result, in relation to any Delayed Employee, in any member of the Purchaser's Group being liable for any costs and liabilities under this Schedule to the extent that any such costs and liabilities arise from: (i) any failure by the relevant member of the Seller's Group prior to a Delayed Employee's Delayed Closing Date, without good reason, to comply with any Controlled Business Instruction or Seller Involvement Instruction in relation to that Delayed Employee; or (ii) any claim by a Delayed Employee as a result of any breach of contract or Applicable Law by the relevant member of the Seller's Group (other than in express compliance with any Controlled Business Instruction or Seller Involvement Instruction or as otherwise expressly agreed in writing by the Purchaser) in respect of such Delayed Employee. Any amounts payable pursuant to this paragraph 12.2 shall be paid in accordance with paragraph 4 of Schedule 25. For the avoidance of doubt, no provision of this

paragraph 12.2 shall entitle the Seller or any member of the Seller's Group to recover any amount in respect of any Delayed Employee if that would entitle the Seller or member of the Seller's Group to recover more than once in respect of the same amount under this Agreement or any Ancillary Agreement.

12.3 For the purposes of paragraphs 10.2 and 10.8 above, references to "Closing" and the "Closing Date" shall be construed as references to the relevant Closing, Closing Date or Delayed Closing Date which applies to each of the relevant Transferred Employees.

Schedule 9
Employee Benefits
(Clause 2.4.2)

In this Schedule 9:

“**Delayed Employees**” has the meaning given in Schedule 8;

“**Employee Benefits**” means benefits to or in respect of any current or former employee, including without limitation, any pension, early retirement, disability, death benefit, long service awards, termination indemnity (such as Italian TFR) or post-retirement medical benefits or deferred compensation linked to retirement, disability or death benefits or old age part-time benefits (such as German ATZ) and jubilee payments;

“**Employee Benefit Liabilities**” means liabilities and obligations (whether funded or unfunded) in respect of any employee benefit promise, scheme, plan, fund, program, policy, practice or other individual or collective arrangement providing Employee Benefits;

“**Purchaser Funding Assumptions**” means, in relation to any Transferred Employee Benefits, where a member of the Purchaser’s Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc), and there is a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund those similar or comparable benefits to a funding target which is determined by reference to a method and assumptions other than IFRS (such as would, for example, be the case in relation to UK HMRC-registered defined benefit pension obligations), then that method and those assumptions as in force in relation to those similar or comparable benefits immediately prior to the date of this Agreement (so, taking the example of UK defined benefit obligations, this would be the method and assumptions used to determine the relevant plan’s technical provisions as at the date of this Agreement – regardless of whether the plan is in fact fully funded on that basis at any relevant time);

“**Purchaser IFRS Assumptions**” means, in relation to any Transferred Employee Benefits, where a member of the Purchaser’s Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc), the method and assumptions used most recently prior to the date of this Agreement to value those similar or comparable benefits by the Purchaser’s Group (or any relevant member thereof) for IFRS accounting purposes;

“**Seller Funding Assumptions**” means, in relation to any Transferred Employee Benefits, if there is a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund those Transferred Employee Benefits to a funding target which is determined by reference to a method and assumptions other than IFRS (such as would, for example, be the case in relation to UK HMRC-registered defined benefit pension obligations), then that method and those assumptions as in force in relation to those Transferred Employee Benefits immediately prior to the date of this Agreement (so, taking the example of UK defined benefit obligations, this would be the method and assumptions used to determine the relevant plan’s technical provisions as at the date of this Agreement – regardless of whether the plan is in fact fully funded on that basis at any relevant time);

“**Seller IFRS Assumptions**” means, in relation to any Transferred Employee Benefits, the method and assumptions used by the Seller’s Group (or the most relevant member thereof) most recently prior to the date of this Agreement to value those Transferred Employee Benefits for IFRS accounting purposes;

“**Swiss Actuary**” means an actuary: (a) who can reasonably be viewed: (i) as independent of both the Purchaser and the Seller; and (ii) as familiar with Swiss pension issues; and (b) whom the Purchaser and the Seller have agreed should be jointly appointed by them for the purposes of determining the Swiss Assumptions or who in default of such agreement has been appointed by the Swiss Association of Actuaries or other industry body of actuaries in Switzerland as agreed by the Seller and the Purchaser;

“**Swiss Assumptions**” means, in relation to any Transferred Employee Benefits in Switzerland, the Seller IFRS Assumptions adjusted:

- (a) by replacing any assumed “cash balance” annuity conversion rate in the Seller IFRS Assumptions with a conversion rate which the Swiss Actuary certifies to the Purchaser and the Seller as representing a reasonable estimate of the likely effective overall blended conversion rate which will apply in relation to the Transferred Employee Benefits in question, having regard to the changes to the rate which can (having regard to longevity projections, legal and governance constraints around Swiss pension structures and such other matters as the Swiss Actuary considers relevant) in the Swiss Actuary’s opinion reasonably be expected to occur during the expected service lives of the Transferred Employees to whom the Transferred Employee Benefits relate, and weighting the impact of those changes by reference to the ages of the relevant employees (and so the extent to which the changes will in fact operate to reduce the effective liability on the Purchaser); and
- (b) by removing any reserve for death or disability benefits to the extent that the Swiss Actuary certifies to the Purchaser and the Seller that it constitutes a reserve for liabilities to and in respect of the relevant Transferred Employees which could reasonably be externally insured by the Purchaser without introducing a new ongoing cost on the Purchaser which was not reflected in the Seller’s ongoing cost base prior to the date of this Agreement;

“**Temporary Participation Plan**” means any plan or arrangement (whether funded or unfunded) for the provision of Employee Benefits in which Transferred Employees participate prior to Closing and continue (for any reason, whether by special arrangement or because they are Delayed Employees, or otherwise) to participate for a temporary period after Closing;

“**Temporary Participation Cessation Date**” means, in relation to any Temporary Participation Plan, the date on which Transferred Employees cease to participate in the relevant plan or arrangement; and

“**Vaccines Funding Assumptions**” means in relation to any Transferred Employee Benefits which are similar or comparable to benefits in the same country which are Transferred Employee Benefits under the Vaccines Sale and Purchase Agreement (the “**Equivalent Vaccines Benefits**”), the method and assumptions used under the Vaccines Sale and Purchase Agreement to value those Equivalent Vaccines Benefits. For avoidance of doubt, the Vaccines Funding Assumptions are only available in respect of Transferred Employee Benefits for which there are Equivalent Vaccines Benefits.

For the purposes of each of the Purchaser Funding Assumptions, the Purchaser IFRS Assumptions, the Seller Funding Assumptions, the Seller IFRS Assumptions, the Swiss Assumptions (and, for the avoidance of doubt, the Vaccines Funding Assumptions), any economic and financial assumptions which are based (whether expressly or implicitly) on yields, rates or indices shall be updated for the purposes of such definitions to take account of those yields, rates or indices as at the Effective Time (or the latest practicable time prior to the Effective Time).

1. Except to the extent otherwise requested by the Seller and expressly agreed by the Purchaser before Closing (such Purchaser agreement not to be unreasonably withheld to the extent that it is not reasonably possible for the Seller or its Affiliates to retain the relevant Employee Benefit Liabilities – for example, where liability unavoidably transfers by operation of law under European Council Directive 2001/23/EC or its local implementing legislation), any Employee Benefit Liabilities in respect of service in the Business or with any member of the Seller’s Group or in any plan or arrangement in which any member of the Seller’s Group participates or has participated:

- (a) (in the case of a Transferred Employee) prior to Closing; or
- (b) (in the case of any other person) at any time,

(together, “**Pre-Closing EB Liabilities**”) will stay with or be assumed by the Seller or its Affiliates and the Seller shall fully indemnify the Purchaser and its Affiliates against any such Employee Benefit Liabilities and against any liabilities and obligations to or in respect of any plan or arrangement for the provision of Employee Benefits in which any member of the Seller’s Group participates or participated prior to Closing. For the avoidance of doubt, the Purchaser’s agreement under this paragraph 1 may, if the Purchaser so determines, relate only to certain specified categories or tranches of Pre-Closing EB Liabilities under a particular benefit programme (in other words, it does not need to be “all or nothing”), in which case it is only those specified Pre-Closing EB Liabilities which are excluded from the scope of the Purchaser’s indemnity entitlement hereunder.

2. Where and to the extent that the Purchaser agrees under paragraph 1 that any Pre-Closing EB Liabilities may transfer to or remain with the Purchaser and/or its Affiliates (such Pre-Closing EB Liabilities being the “**Transferred Employee Benefit Liabilities**” and the benefits to which they relate being the “**Transferred Employee Benefits**”), the Purchaser will be compensated in respect of such Transferred Employee Benefit Liabilities as set out in the rest of this Schedule 9. Subject to being so compensated but without prejudice to paragraphs 9 and 11, the Purchaser shall, or shall procure that its relevant Affiliate shall, assume, with a full discharge for the Seller and its Affiliates, the Transferred Employee Benefit Liabilities. The Purchaser acknowledges its agreement to the principle that the post-retirement medical healthcare plan to which it admits US Transferred Employees who immediately before Closing were members of such a plan will take account of periods of employment with the Seller’s Group to the extent previously recognised under the equivalent Seller’s Group plan for the purposes of determining eligibility, contributions, and vesting; again, therefore, subject to appropriate identification during the period before Closing of such liabilities and to the operation of the compensation mechanism set out in this Schedule 9, they will become Transferred Employee Benefit Liabilities.

- 2A This paragraph 2A applies where there are Transferred Employee Benefits in a Temporary Participation Plan. In such a case, notwithstanding that the Transferred Employee Benefit Liabilities may (subject to the Purchaser's agreement as per 1 above) include liabilities in respect of service after the Effective Time, the Transferred Employee Benefit Liabilities which are included in the calculation of the Employee Benefit Indemnification Amount as per paragraph 3 below shall (unless the Seller and the Purchaser agree otherwise in any particular case) comprise only those liabilities attributable to service before the Effective Time. Conversely, although the Transferred Employee Benefit Liabilities will not for the purposes of paragraphs 1 and 2 above include Liabilities in respect of Transferred Employees or other individuals who leave employment or crystallise benefits before the Temporary Participation Cessation Date in relation to the relevant Temporary Participation Plan (unless the Seller and the Purchaser agree otherwise in any particular case and without prejudice to the Purchaser or its Affiliates' obligation to comply with any requirements in relation to such individuals before they leave employment or crystallise benefits), the parties agree that the calculation of the Employee Benefit Indemnification Amount under paragraph 3 below in relation to any Temporary Participation Plan shall be carried out on the basis of a conclusive presumption (regardless of any actual knowledge to the contrary) that:
- 2A.1 any individual who is a Delayed Employee on the day after the Closing Date is or will become a Transferred Employee, and
- 2A.2 no Contingent Individual will leave employment or crystallise benefits before the relevant Temporary Participation Cessation Date. For these purposes a "**Contingent Individual**" is a Transferred Employee or other individual who on the day after the Closing Date has not left employment or crystallised benefits and in respect of whom liabilities: (a) would become Transferred Employee Benefit Liabilities if he does not leave employment or crystallise benefits before the relevant Temporary Participation Cessation Date; but (b) would not otherwise become Transferred Employee Benefit Liabilities.
3. The value of the Transferred Employee Benefit Liabilities shall be determined on employee census data and plan provision as at the Effective Time (and making the conclusive presumptions at 2A.1 and 2A.2 above) on the Vaccines Funding Assumptions if available, but if not available then on:
- 3.1 in relation to any Transferred Employee Benefits in Switzerland, the Swiss Assumptions; and
- 3.2 in relation to any other Transferred Employee Benefits, the Seller IFRS Assumptions, PROVIDED that if any of the following values is available and is greater than the value derived using the Seller IFRS Assumptions then that value will be used instead (and if more than one of these values is available then the one which would place the greatest value on the relevant Transferred Employee Benefit Liabilities will be used):
- 3.2.1 if a member of the Purchaser's Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc), the value which is midway between the value based on the Seller IFRS Assumptions and the Purchaser IFRS Assumptions;

- 3.2.2 if there is a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund the Transferred Employee Benefits to a funding target which is determined by reference to a method and assumptions other than IFRS, the value derived using the Seller Funding Assumptions; and
- 3.2.3 if there is both: (i) a local obligation or practice prior to the date of this Agreement to pre-fund or externally fund the Transferred Employee Benefits to a funding target which is determined by reference to a method and assumptions other than IFRS; and (ii) a member of the Purchaser's Group provides, in the same country, a similar or comparable benefit programme to the programme to which the Transferred Employee Benefits relate (regardless of differences in the terms of entitlement of accrual etc), the value which is midway between the value based on the Seller Funding Assumptions and the Purchaser Funding Assumptions.

Where there are any Transferred Employee Benefit Liabilities which prior to Closing were externally funded by assets held in a trust or other vehicle established for the purposes of meeting such Transferred Employee Benefit Liabilities, and the actuary chosen by the Seller and the actuary chosen by the Purchaser agree under paragraph 4 (or it is otherwise determined under paragraph 5) that having regard to all relevant matters as they subsisted immediately after Closing it would be reasonable to expect all or part of such assets to be or remain available to the Purchaser or its Affiliates to meet the cost of such Transferred Employee Benefit Liabilities (whether by transfer out to another vehicle or because the Purchaser and/or any Affiliate is expected to remain affiliated to the vehicle on more than a merely temporary basis), then the value as at the Effective Time of the assets which ignoring matters arising after Closing they would expect to be made or remain so available (the “**Available Assets**”) (including for the avoidance of doubt, in the case of Switzerland, the Swiss Assets to the extent that they are so agreed or determined) as agreed under paragraph 4 or determined under paragraph 5 will be deducted from the value of the Transferred Employee Benefit Liabilities, and the remaining value of the Transferred Employee Benefit Liabilities (if any) is the “**Employee Benefit Indemnification Amount**”. The determination of the Employee Benefit Indemnification Amounts shall be carried out on a country-by-country basis and, where necessary, on a plan-by-plan basis. If any Employee Benefit Indemnification Amount is greater than the amount paid in respect of it via the Estimated Employee Benefit Adjustment (or, where no such estimate was made, greater than zero), the Seller shall pay or procure payment, by way of a reduction in the Share Consideration, an amount equal to the difference (or, where no such payment was made, such amount) to the Purchaser, or at the request of the Purchaser to an Affiliate of the Purchaser, as compensation for the Transferred Employee Benefit Liabilities. If any Employee Benefit Indemnification Amount is less than the amount paid in respect of it via the Estimated Employee Benefit Adjustment (if any), the Purchaser shall pay an amount equal to the difference to the Seller.

4. The Seller and its Affiliates shall, within 45 days after Closing, provide its actuary, the Swiss Actuary (if relevant) and the actuary chosen by the Purchaser with all relevant plan, asset, assumptions and employee census information needed to calculate the Employee Benefit Indemnification Amounts in respect of any Transferred Employees or Delayed Employees to the extent not otherwise within the control of the Purchaser or its Affiliates. The actuary chosen by the Seller shall provide the actuary chosen by

the Purchaser with its calculation of the Employee Benefit Indemnification Amounts (including, but not limited to, any supporting documentation on which it relied as well as the methodologies it employed in calculating the Employee Benefit Indemnification Amounts), on a plan-by-plan basis, within 90 days following Closing. The actuary chosen by the Purchaser shall review the calculation of the Employee Benefit Indemnification Amounts of the Seller's actuary within 120 days following Closing. The Employee Benefit Indemnification Amounts shall be determined, on a plan-by-plan basis, by mutual agreement between the parties within 180 days following the Closing Date.

5. If the parties cannot agree on any Employee Benefit Indemnification Amount within the 180-day period referred to in paragraph 4, the parties shall appoint within 5 days an independent actuary acceptable to both parties, or such actuary shall be selected by the President of the Institute and Faculty of Actuaries in the UK if they cannot agree, and the independent actuary thus appointed shall review their calculations and, within 75 days after appointment, render a final and binding decision on the amount of that Employee Benefit Indemnification Amount, and, in making such decision, shall be limited to adopting the position taken by either one of the parties. The cost of any independent actuary shall be borne jointly by the parties.
6. In connection with the procedures referred to in this Schedule 9, the parties shall provide each other and the actuaries referred to in this Schedule 9 with access to the relevant business records and other relevant documents and information as may reasonably be requested. All documents, records and information provided for the purposes of this Schedule 9 must be accurate and complete in all material respects.
7. Each payment in respect of an Employee Benefit Indemnification Amount shall be made by the Seller (by way of a reduction in the Share Consideration) within 14 days following its final determination. The Seller may make an accelerated or advance payment at its own discretion (which, for the avoidance of doubt, includes in relation to each Employee Benefit Indemnification Amount so much (if any) of the Estimated Employee Benefit Adjustment as the Seller notified pursuant to Clause 6.4 was intended to relate to that Employee Benefit Indemnification Amount). Each Employee Benefit Indemnification Amount shall include interest calculated from the Effective Time to (and including) the date of payment at a rate per annum of LIBOR (but where amounts are prepaid or paid in stages or treated as paid via inclusion in the Estimated Employee Benefit Adjustment then the interest will cease to accrue on so much of the Employee Benefit Indemnification Amount as has been paid). Such interest shall accrue from day to day. Any such payment shall be made in US dollars (and any underlying values shall be expressed in US dollars) and any currency other than US dollars shall be converted into US dollars at the exchange rates determined in accordance with Clause 1.13 of this Agreement on the Closing Date.
8. To the extent (if any) that there are any Transferred Employee Benefit Liabilities which prior to Closing were externally funded by assets held in a trust or other vehicle established for the purposes of meeting such Transferred Employee Benefit Liabilities, the Purchaser will, if requested by the Seller before Closing (or the relevant Temporary Participation Cessation Date) and unless it is not reasonably practicable to do so, establish or nominate a trust or other vehicle which is capable of receiving a transfer of assets from the pre-Closing trust or other vehicle to the extent that such assets relate to the Transferred Employee Benefit Liabilities.

9. If, within one year of Closing, the Seller or the Purchaser notifies the other that the membership or other benefit data (the “**Data**”) used for calculating any Employee Benefit Indemnification Amount may be inaccurate, other than by reason of an Excluded Matter, then a “**Data Dispute**” has arisen and the following provisions shall apply:
- 9.1 On such notification, the Seller shall procure that its actuary and the Purchaser shall procure that its actuary consult each other with a view to agreeing whether the Data is inaccurate and if so, what the accurate Data should be. If the Seller’s actuary and the Purchaser’s actuary agree that the Data is inaccurate, they will jointly certify this to be the case and advise on what the accurate Data should be. The notification is deemed to have occurred on the date of the certification.
- 9.2 If the Seller’s actuary and the Purchaser’s actuary fail to agree whether the Data is inaccurate within 60 days of the notification by one party to the other that the Data may be inaccurate, paragraph 5 shall apply mutatis mutandis. The notification is deemed to have occurred when the independent actuary advises that the Data is inaccurate and what the accurate Data should be.
- 9.3 On the occurrence of the Data Dispute, the Seller and the Purchaser shall respectively procure that a valuation of the relevant Employee Benefit Indemnification Amount is carried out in accordance with paragraphs 3 and 4 (mutatis mutandis) but on the basis of the accurate Data as agreed under paragraph 9.1 or determined under paragraph 9.2.
- 9.4 If as a consequence of paragraph 9.3, the Seller has paid to the Purchaser an amount which on the basis of the further valuation is not payable, such amount (the “**Overpayment**”) shall be repaid within 21 days of the amount of the Overpayment being agreed or determined. Any such payment shall bear interest calculated from (and including) the date the Overpayment was made to (and including) the date the payment is made in full in accordance with this paragraph 9.4 at a rate per annum of LIBOR. Such interest shall accrue from day to day.
- 9.5 If as a consequence of paragraph 9.3, the Seller has not paid to the Purchaser an amount which on the basis of the further valuation is payable, such amount (the “**Outstanding Amount**”) shall be paid within 21 days of the amount of the Outstanding Amount being agreed or determined. Any such payment shall bear interest calculated from (and including) the Closing Date to (and including) the date the payment is made in full in accordance with this paragraph 9.5 at a rate per annum of LIBOR. Such interest shall accrue from day to day.

For the purposes of this paragraph 9, the “**Excluded Matters**” are:

- assets which were assumed to be Available Assets ultimately turning out not to be available to the Purchaser or its Affiliates to meet the cost of the Transferred Employee Benefit Liabilities to which they related, and
- liabilities in respect of individuals being assumed to be Transferred Employee Benefit Liabilities but turning out not to be because the individuals leave service or crystallise benefits before the date liabilities are transferred.

10. Except as otherwise agreed by the Seller, the Purchaser shall where a trust or other vehicle has been established under paragraph 8, procure that all of the assets

transferred as envisaged by paragraph 8 are paid into such trust or other vehicle. If, after such payment or transfer, or after payment of an Employee Benefit Indemnification Amount or after making an Estimated Employee Benefit Adjustment, the Purchaser and/or its Affiliates achieves a reduction in its liability to any Tax in respect of or in connection with the payment or transfer, the Purchaser shall pay to Seller (for itself or on behalf of the relevant Share Seller or Business Seller as applicable), within 30 days after the Purchaser would otherwise have been liable to pay the saved Tax, a sum equal to the amount of that Tax reduction by way of an increase in the Share Consideration. This paragraph 10 applies for a period of four years following the later of the date on which a transfer of assets is made, or payment of any Employee Benefit Indemnification Amount or Estimated Employee Benefit Adjustment is made to the Purchaser.

11. The Seller covenants with the Purchaser to pay to the Purchaser an amount equal to any cost, claim or liability incurred by any member of the Purchaser's Group which it is or becomes liable to make on or at any time after Closing by reason of any change or purported change made to the terms of any Transferred Employee Benefits prior to Closing proving to be or have been legally ineffective or by reason of such terms and/or benefits failing to comply with any mandatory legal requirements (excluding any obligation to equalise guaranteed minimum pensions in the United Kingdom). The Seller shall not be liable under this paragraph 11 in respect of any individual claim (or a series of claims arising from similar or identical facts or circumstances) unless the liability in respect of such claim or series of claims exceeds US\$100,000. If the Purchaser becomes aware of any fact, matter or circumstance that may give rise to a claim against the Seller under this paragraph 11, the Purchaser shall as soon as reasonably practicable give notice in writing to the Seller of such facts, matters or circumstances as are then available regarding the potential claim. Failure to give such notice within such period shall not affect the rights of the Purchaser to make a relevant claim under this paragraph 11, except that the Seller shall not be liable for any increase in the amount of such claim arising from such failure. The latest date on which the Purchaser may give notice of a claim under this paragraph 11 is the fourth anniversary of the Closing Date.
12. Notwithstanding any general provision to the contrary in Schedule 8 and subject to being compensated in accordance with this Schedule 9, the Purchaser shall admit Transferred Employees in the United States who participated in a post-retirement medical plan immediately prior to Closing to its own post-retirement medical plan. Subject to being compensated in accordance with this Schedule 9, periods of employment with the Seller's Group (including, without limitation, any current or former Affiliate of the Seller, to the extent previously recognised under the applicable benefit plan arrangement provided by the Seller's Group), shall be taken into account for the purposes of determining, as applicable, the eligibility for participation, contributions, and vesting for any employee under such post-retirement medical plan.
13. Notwithstanding any general provision to the contrary in Schedule 8, the US Transferred Employees shall, as of the Closing Date, become eligible to participate in a US tax-qualified defined contribution plan to the extent such plan is sponsored by the Purchaser or a relevant member of the Purchaser's Group. The Purchaser agrees that it will use commercially reasonable efforts to cause such plan to accept rollovers of the account balances of the US Transferred Employees (including participant loan

promissory notes) from the relevant employer's tax-qualified retirement plans; provided that (i) the Purchaser will not be required to accept any such rollovers that might result in material liability to the Purchaser or may otherwise cause the relevant plan to cease to qualify under Section 401(a) of the Code and (ii) the Purchaser will not be required to amend any plan to permit participant loans.

14. By way of exception to the general principle at paragraph 1, where a UK Transferred Employee who had joined service with the Seller's Group before 1 April 2005 is made redundant within 24 months of Closing, then the Purchaser shall pay the Seller an amount equal to the cost of applying the Agreed UK Restructuring Arrangement to an employee of the employee's actual age at the date he is made redundant, but only to so much of the employee's benefits in a Seller's Group plan as were accrued prior to Closing; and provided further that the Purchaser's aggregate liability under this paragraph in respect of all such UK Transferred Employees who are so made redundant is capped at £1 million. This cost shall be calculated on a basis consistent with that which is used across the Seller's Group retained business for internal cost-charging purposes in relation to the Agreed UK Restructuring Arrangement, and the Seller shall supply the Purchaser with such evidence as the Purchaser may reasonably require to verify that. Subject to receipt of such payment, the Seller shall apply the Agreed UK Restructuring Arrangement to the relevant employee's Seller's Group plan benefits. This provision shall cease to apply 24 months after Closing, whereafter the Purchaser shall procure that neither it nor its Affiliates offers or indicates the availability of the Agreed UK Restructuring Arrangement to any Transferred Employee.
15. The parties agree that where any Transferred Employee has accrued defined contribution benefits prior to Closing in a Seller's Group arrangement then:
 - 15.1 the Seller shall use commercially reasonable efforts to procure the vesting of those benefits (if they would otherwise lapse as a result of Closing);
 - 15.2 the parties shall, provided this will not impose unreasonable administrative burdens on the Purchaser's Group, co-operate in good faith to procure a transfer of the account balances of such Transferred Employee from the Seller's Group arrangement to a Purchaser's Group arrangement; and
 - 15.3 for the avoidance of doubt, the Purchaser will comply with the provisions of paragraph 6.1 of Schedule 8.

Temporary periods of participation

16. The Seller and Purchaser may agree that an employing entity in the Purchaser's Group shall be admitted to participate, for a temporary period with effect from Closing, in one or more Employee Benefit plans operated by a member of the Seller's Group, or in which a member of the Seller's Group participates.
17. In such event, the Seller and Purchaser shall use all reasonable endeavours to enter into an agreement with the provider or board of trustees of the relevant Employee Benefit plan on such terms as the provider or board of trustees may reasonably require.

Jubilee payments

18. For the purposes of calculating the amount of jubilee payments and long service awards falling within the definition of “Transferred Employee Benefit Liabilities” the following principles shall apply:
- 18.1 in relation to Employees in respect of whom each of the following applies:
- (a) liabilities to make jubilee payments or grant long service awards transfer to a member of the Purchaser’s Group by operation of law; and
 - (b) the relevant member of the Purchaser’s Group replicates or will replicate the benefits which applied while they were employees of the Seller’s Group,
- liabilities to make jubilee payments or grant long service awards will be treated as falling within the Transferred Employee Benefit Liabilities and shall be calculated on the basis of the benefit scales which applied while the Employees were employees of the Seller’s Group;
- 18.2 in relation to Employees for whom either:
- (i) liabilities to make jubilee payments or grant long service awards do not transfer by operation of law but the relevant member of the Purchaser’s Group provides or will provide replacement benefits which replicate the benefits provided by the Seller’s Group); or
 - (ii) the relevant member of the Purchaser’s Group provides or will provide replacement jubilee or long service benefits but does not or will not replicate the benefits which applied while they were employees of the Seller’s Group,
- liabilities to make jubilee payments or grant long service awards will be treated as falling within the Transferred Employee Benefit Liabilities and shall be calculated on the basis of the benefit scales which applied while the Employees were employees of the Seller’s Group or, if less, the value of the actual benefit to be provided by the relevant members of the Purchaser’s Group.
- 18.3 for the avoidance of doubt, no amount will be included within “Transferred Employee Benefit Liabilities” in respect of jubilee payments or long service awards in relation to Employees for whom liabilities to make such payments or grant such awards do not transfer by operation of law and no replacement benefits are provided by any member of the Purchaser’s Group;
- 18.4 the Purchaser and the Seller will negotiate in good faith with a view to agreeing an appropriate and simple method in each jurisdiction for valuing jubilee payments and long service awards which are not disproportionate to the amounts of such payments but which is suitably even-handed as between the parties. Any such agreement will override the foregoing provisions of this paragraph 18 to the extent there is any inconsistency.

Schedule 10
Allocation
(Clause 3.2)

1. The Seller and the Purchaser agree that to the extent it is necessary for Tax purposes to allocate any amount as between:
 - 1.1 all of the Products, such amount shall be allocated for those Tax purposes as between the Products in proportions reflected as whole number percentages, to be agreed in accordance with the remaining paragraphs of this Schedule 10; or
 - 1.2 some but not all of the Products, such amount shall be allocated for those Tax purposes as between those particular Products in accordance with the relative proportions reflected in the whole number percentages agreed in accordance with the remaining paragraphs of this Schedule 10.
2. The Seller shall prepare, or procure the preparation of, a draft of the Allocation Statement, which shall be delivered to the Purchaser within 105 Business Days of the date of this Agreement (the “**Draft Allocation Statement**”).
3. The Purchaser shall have a period of 20 Business Days (the “**Review Period**”) after the delivery to it of the Draft Allocation Statement to review the Draft Allocation Statement and may at any time during the Review Period request (in writing to the Seller) an adjustment to be made to any amount set out therein (an “**Adjustment Request**”).
4. If no Adjustment Request is presented to the Seller within the Review Period, the Draft Allocation Statement shall be deemed to have been agreed and approved by the Seller and the Purchaser, shall be final and binding upon them and shall constitute the “Allocation Statement” for the purposes of this Agreement.
5. If an Adjustment Request is presented to the Seller within the Review Period:
 - 5.1 the Purchaser and the Seller shall attempt to resolve the matter in dispute between them in good faith negotiations and before the date falling 20 Business Days before Closing; and
 - 5.2 in the event that the Purchaser and the Seller fail to agree the matter in dispute between them within 10 Business Days following delivery to the Seller of the Adjustment Request, and unless the Seller and the Purchaser agree in writing to extend the period in which they may agree such allocation (subject to such extension not falling past Closing), the matter will be referred to the Reporting Accountants, to be instructed jointly by the Purchaser and the Seller to determine the relevant allocation as soon as practicable and in any case before the date falling five Business Days before Closing.

6. If following agreement or determination of the Allocation Statement in accordance with paragraphs 4 and 5, the consideration payable by the Purchaser under this Agreement is adjusted in accordance with any provision of this Agreement or any Ancillary Agreement:
 - 6.1 if the adjustment of the consideration payable by the Purchaser relates specifically to one or more, but not all, of the Products, or relates to all of the Products but to some more than others, the Purchaser and the Seller shall discuss in good faith the extent to which the percentage proportion allocated to the Products shall be adjusted and the Allocation Statement shall be amended to reflect the outcome of those discussions (unless no agreement is reached, in which case paragraph 5.2 shall apply *mutatis mutandis*).
7. The agreed or determined allocation set out in the Allocation Statement (as adjusted, where applicable) at Closing shall be binding on the parties and the Purchaser and the Seller, or as the case may be, the Company, the Share Seller, the relevant Business Seller and the Purchaser, shall:
 - 7.1 not in any Tax Return, or other document or filing, or in any Tax proceeding, take a position in relation to any of the allocation set out therein which is inconsistent with the agreed or determined allocation; and
 - 7.2 where reasonably necessary, make joint elections or otherwise cooperate in good faith to have the agreed or determined allocation respected for applicable Tax purposes by any relevant Tax Authority.
8. For the avoidance of doubt, it is understood and agreed by the parties that any valuation of the Products used in order to determine the allocation pursuant to this Schedule 10 is not intended to be, and shall not be interpreted as, any assurance by any party as to the value of the Products (including the related assets and liabilities) being transferred.

Schedule 11
VAT

1. VAT: Records

1.1 The Seller, the Share Seller or any Business Seller may, on or before the Closing Date, obtain a direction from the relevant Tax Authority for the retention and preservation by it of any VAT records relating to its period of ownership of the Business or the Share (as the case may be) and, where any such direction is obtained, the Seller undertakes to, or to procure that the relevant Business Seller or the Share Seller (as the case may be) will:

1.1.1 preserve the records to which that direction relates in such a manner and for such period as may be required by the direction or by Applicable Law; and

1.1.2 allow the Purchaser, upon the Purchaser giving reasonable notice, reasonable access to and copies of such records where reasonably required by the Purchaser for its Tax purposes.

1.2 If no such direction as is referred to in paragraph 1.1 above is obtained before the Closing Date and any documents in the possession or control of a member of the Seller's Group are required by law to be preserved by the Purchaser, the Seller shall, as soon as reasonably practicable after Closing, deliver such documents to the Purchaser.

2. VAT: Going Concern - EU Member States

2.1 The Seller and the Purchaser shall use reasonable endeavours (including, for the avoidance of doubt, the making of an election or application in respect of VAT to any Tax Authority or entering into a written agreement) to secure that, to the extent reasonably possible, the sale of all or any part of the Business, so far as carried on in the European Union, is treated as neither a supply of goods nor a supply of services for the purposes of the laws governing VAT in each relevant member state.

2.2 Each Business Seller shall have the right to seek a ruling from the relevant Tax Authority as to whether the sale of all or part of the Business, so far as carried on in the relevant member state, should be treated as neither a supply of goods nor a supply of services for the purposes of the laws governing VAT in that member state and to account for VAT (and accordingly to seek an additional payment from the Purchaser under Clause 3.3.3) in accordance with that ruling. The Seller shall not be obliged to challenge (or to procure that any relevant Business Seller challenges) that ruling unless required to do so by the Purchaser. If the Purchaser wishes to challenge, or to require the relevant Business Seller to challenge, any such ruling it may do so, provided that it bears the full cost of, and agrees to indemnify the relevant Business Seller in respect of any loss arising from or in connection with, that challenge and that such challenge shall not affect the date on which VAT must be paid to the Seller under paragraph 4 below.

2.3 Insofar as no ruling has been obtained from a relevant Tax Authority prior to Closing, the Seller shall determine in good faith if (or the extent to which) VAT is payable in

respect of the sale of the Business and shall be entitled to charge (or not to charge) VAT to the Purchaser in accordance with such determination.

3. VAT: Going Concern - non-EU Jurisdictions

3.1 To the extent that any state outside the European Union provides for relief or exemption from VAT on the transfer of a business or a company or treats such a transaction as being non-taxable for VAT purposes, the Seller and the Purchaser shall use reasonable endeavours (including, for the avoidance of doubt, the making of an election or application in respect of VAT to any Tax Authority or entering into a written agreement) to secure such relief, exemption or treatment, to the extent reasonably possible, as regards the sale of all or part of the Business (insofar as carried on in the relevant state) under this Agreement.

3.2 The relevant Business Seller shall have the right to seek a ruling from the relevant Tax Authority as to whether the sale of all or part of the Business, so far as carried on in the relevant state, is eligible for a relief or exemption or is otherwise eligible to be treated as non-taxable for the purposes of the laws governing VAT in that state and to account for VAT (and accordingly seek an additional payment from the Purchaser under Clause 3.3.3 in accordance with that ruling). The Seller shall not be obliged to challenge (or to procure then the relevant Business Seller challenges) that ruling unless required to do so by the Purchaser. If the Purchaser wishes to challenge, or to require the relevant Business Seller to challenge, any ruling it may do so, provided that it bears the full cost of, and agrees to indemnify the relevant Business Seller in respect of any loss arising from or in connection with, that challenge and that such challenge shall not affect the date on which VAT must be paid to the Seller under paragraph 4 below. Insofar as no ruling has been obtained from a relevant Tax Authority prior to Closing, the Seller shall determine in good faith if (or the extent to which) VAT is payable in respect of the sale of the Business and shall be entitled to charge (or not to charge) VAT to the Purchaser in accordance with such determination.

4. VAT: Time, Manner and Currency of Payment

4.1 Any amounts which the Purchaser is obliged to pay to the Seller under this Agreement in respect of VAT shall be paid by the Purchaser, on its own account or on behalf of another member of the Purchaser's Group, to the Seller or to such member of the Seller's Group as the Seller may direct. Such amounts shall be paid in the currency in which the VAT in question must be accounted for to the relevant Tax Authority.

4.2 Subject to any provision or express agreement to the contrary, any amounts in respect of VAT payable in any jurisdiction in respect of the transfer at Closing of any of the Business shall be paid in accordance with paragraph 4.1 above at Closing against production of a valid VAT invoice (or equivalent, if any).

4.3 Notwithstanding any other provision of this Agreement, the Purchaser shall not be liable to account to the Seller or any member of the Seller's Group for or in respect of penalties or interest arising solely from the failure of the Seller or any other member of the Seller's Group to account promptly for VAT to the relevant Tax Authority following the Seller having been placed in the appropriate amount of funds for that purpose by the Purchaser.

Schedule 12
Closing Obligations

1. General Obligations

1.1 The Seller's Obligations

On Closing, the Seller shall deliver or make available to the Purchaser the following:

- 1.1.1** the Ancillary Agreements (other than the France SPA and the Netherlands APA and any other Ancillary Agreements that have not been agreed and are subject to Clause 5.3.2) duly executed by the relevant members of the Seller's Group;
- 1.1.2** a valid power of attorney or such other evidence reasonably satisfactory to the Purchaser that the Seller, and each of its relevant Affiliates, are authorised to execute this Agreement, the Ancillary Agreements and the Local Transfer Documents (including, where relevant, any notarial deeds referred to in this Schedule 12), in each case to the extent that they are parties thereto;
- 1.1.3** the Certificate duly executed by the Seller;
- 1.1.4** a duly executed transfer in respect of the Share in favour of the Purchaser (or its Affiliate or its nominee);
- 1.1.5** a (i) power of attorney in the terms agreed between the Seller and the Purchaser to allow the Purchaser (or its Affiliate or its nominee) to vote the Share and (ii) letter of direction in the terms agreed between the Seller and the Purchaser to allow the Purchaser (or its Affiliate or nominee) to receive all dividends, distributions and other benefits attaching to the Share from Closing;
- 1.1.6** the statutory books of the Company (which shall be written up to but not including the Closing Date), the certificate of incorporation of the Company and share certificate in respect of all the issued share capital of the Company; and
- 1.1.7** the interim accounts of the Company as at the Closing Date (immediately prior to Closing) which reflect the Company Intra-Group Debt.

1.2 In addition, the Seller shall procure:

- 1.2.1** any then present directors and officers (if any) of the Company resign their offices to take effect at Closing as such and to relinquish any rights which they may have under any contract with the Company or under any statutory provisions (including any right to damages or compensation for breach of contract, loss of office, redundancy or unfair dismissal or on any other account whatsoever) and to confirm that no agreement or arrangement is outstanding under which the Company has or could have any obligation to any of them including in respect of remuneration or expenses; and

- 1.2.2** a board meeting of the Company is held, or written resolutions of the board are passed, at or by which:
- (i) it shall be resolved that the transfer relating to the Share shall, so far as possible, be approved for registration; and
 - (ii) any person nominated by the Purchaser shall be appointed director, such appointments to take effect on Closing.

1.3 The Purchaser's Obligations

On Closing, the Purchaser shall deliver or make available to the Seller the following:

- 1.3.1** the Ancillary Agreements (other than the France SPA and the Netherlands APA and any other Ancillary Agreements that have not been agreed and are subject to Clause 5.3.2) duly executed by the relevant members of the Purchaser's Group; and
- 1.3.2** a valid power of attorney or such other evidence reasonably satisfactory to the Seller that the Purchaser, and each of its relevant Affiliates, are authorised to execute this Agreement and the Ancillary Agreements (as appropriate), in each case to the extent that they are parties thereto.

1.4 Discharge of the Company Intra-Group Debt

Immediately following the above, the amount held by the Seller as a result of the payment by the Purchaser pursuant to Clause 6.3.1(ii) shall be applied to the settlement by the Purchaser (as agent for the Company) of the Company Intra-Group Debt.

2. Transfer of the Assets

2.1 General Transfer Obligations

On Closing or such other date as agreed between the parties, the Seller shall procure that the Business Sellers shall, and the Purchaser shall, take such steps as are required to transfer the Assets (save for the OBM Transferred Rights) and Assumed Liabilities not held by the Company in accordance with this Agreement. The Seller shall procure that the Business Sellers shall, and the Purchaser shall, take such steps as are required to transfer the OBM Transferred Rights at the OBM Transfer Date, provided that nothing in this Agreement shall affect each Party's right to possess a share of the Ofatumumab Biological Materials in accordance with the terms of the Manufacturing and Supply Agreement.

Schedule 13
Not Used

Schedule 14
Warranties given under Clause 9.1

1. Authority and Capacity

1.1 Incorporation

- 1.1.1** The Seller and each Business Seller is validly existing and is a company duly incorporated and registered under the law of its jurisdiction of incorporation.
- 1.1.2** The Company is duly incorporated, validly existing and in good standing, under the laws of its jurisdiction of organisation.

1.2 Authority to enter into Agreement

- 1.2.1** The Seller has the legal right and full power and authority to enter into and perform this Agreement and the Seller, the Share Seller, each Business Seller and the Company has the legal right and full power and authority to enter into and perform any other documents to be executed by it pursuant to or in connection with this Agreement.
- 1.2.2** The documents referred to in paragraph 1.2.1 will, when executed, constitute valid and binding obligations on the Seller, the Share Seller, each Business Seller and the Company in accordance with their respective terms.
- 1.2.3** Except as referred to in this Agreement the Seller:
- (i) is not required to make any announcement, consultation, notice, report or filing; and
 - (ii) does not require any consent, approval, registration, authorisation or permit, in each case in connection with the performance of this Agreement or any other document referred to in paragraph 1.2.1.
- 1.2.4** The execution and delivery of the documents referred to in paragraph 1.2.1 and the performance by the Seller, the Share Seller, each Business Seller and the Company of their respective obligations under them, will not:
- (i) result in a breach of any provision of the memorandum or articles of association or by laws or equivalent constitutional document of the relevant member of the Seller's Group;
 - (ii) result in a breach of, or constitute a default under, any instrument or contract to which the relevant member of the Seller's Group is party or by which the relevant member of the Seller's Group is bound where such breach is material to their ability to perform their obligations under such documents;
 - (iii) result in a breach of any existing order, judgment or decree of any court, Governmental Entity by which the relevant member of the Seller's Group is bound and where such breach is material to their ability to perform their obligations under such documents.

1.3 Authorisation

The Seller, the Share Seller, each Business Seller and the Company has taken, or will have taken by Closing, all corporate action required by it to authorise it to enter into and to perform this Agreement, any Ancillary Agreement to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Ancillary Agreement.

2. Warranties relating to the Business

2.1 Organisation and Standing of the Assets

2.1.1 Schedule 1 sets out a complete and accurate list of each of the Products, together with details of each Product Expansion which is a combination study and which is the subject of a phase II or later clinical trial.

2.1.2 The summary details relating to the Products set out in Schedule 1 are true and accurate.

2.2 The Assets and the Share

2.2.1 Save in relation to the Transferred Product Intellectual Property Rights either the Seller or one of the Business Sellers has good and valid title to the Assets, free and clear of all Encumbrances other than Permitted Encumbrances.

2.2.2 GGL is the legal and beneficial owner of the Share.

2.2.3 There is no option, right to acquire, mortgage, charge, pledge, lien or other form of security or Encumbrance or equity on, over or affecting the Share and there is no agreement or commitment to give or create any.

2.2.4 The Share has been duly authorised and validly issued and is fully paid and non-assessable. There are no options, warrants, rights, convertible, exercisable or exchangeable securities, “phantom” stock rights, stock appreciation rights, stock-based performance units, commitments, Contracts, arrangements or undertakings of any kind to which any member of the Seller Group is a party or by which it is bound obligating any member of the Seller Group to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other equity interests in, or any security convertible into, or exercisable or exchangeable for, any capital stock of, or other equity interest in, the Company.

2.2.5 There are no outstanding Contracts to which any member of the Seller Group is a party or is otherwise bound to repurchase, redeem or otherwise acquire any shares, capital stock or other equity interest of the Company.

2.2.6 The Share is not subject to and was not issued in violation of any purchase option, call option, right of first refusal, pre-emptive right, subscription right or similar right or any provision of Applicable Law or the constitutional documents of the Company.

2.3 Key Financial Information

2.3.1 The Key Financial Information has been prepared by the Seller:

- (i) in good faith and with all due care and attention;
- (ii) in a manner applying the accounting policies and practices of the Seller's Group on a consistent basis;
- (iii) in accordance with International Financial Reporting Standards as adopted by the European Union;
- (iv) is based on information properly extracted from the Seller's Group accounting records without adjustment; and
- (v) having regard to the purpose for which they were prepared, the Key Financial Information presents fairly, in all material respects, the gross profit and revenue in respect of each of the Key Products.

2.4 Changes Since 31 December 2013

Except as a result of the execution and delivery of this Agreement from 31 December 2013 to the date of this Agreement:

2.4.1 the Business has been conducted in all material respects in the ordinary and usual course;

2.4.2 no member of the Seller's Group has entered into any material contract or commitment outside the ordinary course of business in respect of the Business as conducted prior to 31 December 2013; and

2.4.3 to the Seller's knowledge, there has been no event or circumstance arising which is reasonably likely to have had a Material Adverse Effect (as if reference in the definition of "Material Adverse Effect" to the date of this Agreement were to 31 December 2013).

3. Intellectual Property

3.1 Part 1 of Schedule 2 sets out a complete and accurate list of each item of Registered Business Product Intellectual Property Rights, including for each such item, as applicable, (i) the identity of the record owner, (ii) the registration or application number, and (iii) the jurisdiction of issuance or registration. To the Seller's Knowledge, all Patents forming part of Registered Business Product Intellectual Property Rights for the Key Products and all Patents forming part of Registered Licensed Product Intellectual Property Rights for the Key Products are subsisting, valid and enforceable and have not lapsed or been abandoned.

3.2 All documents and instruments necessary to maintain and preserve any extension of patent terms (including any Patent Term Extensions and Patent Term Adjustments) in relation to (i) Registered Business Product Intellectual Property Rights with respect to the Key Products; and (ii) Registered Licensed Product Intellectual Property Rights with respect to the Key Products where the Seller or its Affiliates controls prosecution and maintenance; and in each case, where such applications have a reasonable

prospect of success, have been validly executed, delivered, and filed in a timely manner with the appropriate Governmental Entity. For the purposes of this warranty, the Patent Term Extension application relating to patent number US7378423 shall be deemed to have a reasonable prospect of success.

- 3.3** Each of the patents and patent applications included in the Registered Business Product Intellectual Property Rights for the Key Products and, to the Seller's Knowledge, in the Registered Licensed Product Intellectual Property Rights for the Key Products, correctly identifies by name each inventor thereof as determined in accordance with the Applicable Law of each jurisdiction in which such patent issued and/or patent application is pending.
- 3.4** All renewal, application and registry fees required for the maintenance, prosecution and enforcement of the Business Product Intellectual Property Rights relating to the Key Products have been paid.
- 3.5** Part 2 of Schedule 2 sets out a complete and accurate list of each material Transferred Intellectual Property Contract (excluding the OBM Intellectual Property Contracts). No member of the Seller's Group is in default under any such Transferred Intellectual Property Contract and, to the Seller's Knowledge, no third party is in default under any such material Transferred Intellectual Property Contract nor has the Seller nor any of its Affiliates given, or received, written notice to terminate any such Transferred Intellectual Property Contract.
- 3.6** The Seller and its Affiliates between them own all Business Product Intellectual Property Rights free of all Encumbrances except Permitted Encumbrances.
- 3.7** To the Seller's Knowledge, the manufacture, use, research, development, marketing, distribution, and sale of the Products does not infringe or misappropriate any Intellectual Property Rights of any third party and neither the Seller nor any of its Affiliates is a party to any Proceeding (public or private) in relation to such infringement or misappropriation under which the same is alleged. Neither the Seller nor any of its Affiliates has received any written notice of such infringement or misappropriation.
- 3.8** To the Seller's Knowledge, no person (including any employees and former employees of the Seller or its Affiliates) is infringing or misappropriating any Business Product Intellectual Property Rights, Registered Licensed Product Intellectual Property Rights under the Genmab Agreement, Registered Licensed Product Intellectual Property Rights under the JTI Agreement or Proprietary Information, and neither Seller nor any of its Affiliates have made any such claims against any such person nor, to the Seller's Knowledge, is there any basis for such a claim.
- 3.9** The Business Product Intellectual Property Rights, the Shared Product Intellectual Property Rights and the Licensed Product Intellectual Property Rights constitute all the material Intellectual Property Rights used in the manufacture, use, research, development, marketing, distribution and sale of the Products as currently conducted by the Seller and its Affiliates on a worldwide basis, provided however that the foregoing is not a representation of non-infringement, non-misappropriation or any

other non-violation of Intellectual Property Rights of any third party, which representation is solely set out in paragraph 3.7 above.

- 3.10** Each of the Seller and its Affiliates has taken reasonable steps to protect the confidentiality of Proprietary Information and Know-How relating to the Products.
- 3.11** Except to the extent the Seller is prohibited from doing so under Applicable Law, all material information relating to the COMBI-D trial has been disclosed to the Purchaser and there are no material omissions or inaccuracies in such material.
- 3.12** In relation to each Seller's Intra-Group Licence Agreement being assigned under an Intellectual Property Assignment (if any), each relevant Assignor hereby represents and warrants that immediately following:
 - 3.12.1** the Delayed Closing Date in respect of the Ukraine Business, all sub-licences of the rights granted by the licensee(s) under any such Seller's Intra-Group Licence Agreement in respect of any Transferred Product Intellectual Property Rights that are registered or held exclusively for use in Ukraine ("Ukrainian IP Rights" for the purposes of this paragraph 3.12) shall terminate insofar as they relate to such Ukrainian IP Rights; and
 - 3.12.2** Closing, all sub-licences of the rights granted by the licensee(s) under any such Seller's Intra-Group Licence Agreement in respect of any Transferred Product Intellectual Property Rights other than Ukrainian IP Rights shall terminate insofar as they relate to such Transferred Product Intellectual Property Rights.

4. Contracts

- 4.1** No Business Seller nor the Company is a party to or subject to any contract, transaction, arrangement, understanding or obligation (other than in relation to any property, lease, contract of employment, Information Technology or Intellectual Property Right) which is material to the manufacture, use, research, development, marketing, distribution and sale of the Products and which:
 - 4.1.1** is not in the ordinary course of business or is unduly onerous;
 - 4.1.2** is not on an arm's length basis;
 - 4.1.3** has an unexpired term or likely duration of 5 years or more;
 - 4.1.4** restricts its freedom to carry on its business in any part of the world in such manner as it thinks fit;
 - 4.1.5** involves an aggregate outstanding expenditure by it of more than US\$50 million, exclusive of VAT; or
 - 4.1.6** involves the sale of goods and services, the aggregate sales value of which (exclusive of VAT) will be more than 5 per cent of turnover of the Business (exclusive of VAT) for the preceding financial year.
- 4.2** Save in relation to a Transferred Intellectual Property Contract, no member of the Seller's Group is in material default under any material Contract which is relevant to

the Business and to which it is party, and no third party is in material default under any material Contract which is relevant to the Business to which a member of the Seller's Group is a party, and to the Seller's Knowledge, there are no circumstances in either case likely to give rise to such a default.

- 4.3** Other than the Contracts entered into by the Company pursuant to the Pre-Closing Product Reorganisation, Transferred Contracts, Transferred Intellectual Property Contracts and Shared Business Contracts there are no other Contracts which are material to the Business.

5. Agreements with Connected Parties

- 5.1** There are no existing contracts or arrangements material to the Business between, on the one hand, any Business Seller or the Company and, on the other hand, the Seller or any member of the Seller's Group other than on normal commercial terms in the ordinary course of business.

6. Sufficiency of Assets

- 6.1** Each of the Assets and the Owned Product Intellectual Property Rights is owned both legally and beneficially by a Business Seller or the Company and each of those Assets and the Owned Product Intellectual Property Rights capable of possession is, save where in the possession of third parties in the ordinary course of business, in the possession of a Business Seller or the Company.

- 6.2** Save for Permitted Encumbrances, no option, right to acquire, mortgage, charge, pledge, lien or other form of security or Encumbrance (excluding licences of Intellectual Property or Know-How) or equity on, over or affecting the whole or any part of the Assets or the Owned Product Intellectual Property Rights is outstanding and, save in relation to Permitted Encumbrances, there is no agreement or commitment entered into by any member of the Seller's Group to give or create any and no claim has been made against any member of the Seller's Group by any person entitled to any.

- 6.3** The Assets and the Owned Product Intellectual Property Rights, when taken together with the rights and services under the Ancillary Agreements and for the respective terms thereof:

6.3.1 comprise all of the assets required to carry out the Business in substantially the same manner as it has been during the twelve months prior to the date of this Agreement; and

6.3.2 are sufficient in all material respects to carry out the Business after Closing substantially as conducted by the Seller and its Affiliates as of the date of this Agreement,

provided however, that the foregoing is not a warranty of non-infringement, non-misappropriation or any other non-violation of Intellectual Property Rights of any third party, which warranty is solely set out in paragraph 3.7.

7. Compliance with Laws, Permits and Anti-Bribery

- 7.1** Neither the Seller nor any of its Affiliates is in breach of any Applicable Law where such breach is reasonably likely to be material to the Business.
- 7.2** Neither the Seller nor any of its Affiliates has received any written notice from any Governmental Entity that it is not in compliance (or any warning letter that it may not be in compliance) with any Applicable Law or is not in possession of any permits, licences, certificates or other authorisations or consents of a Governmental Entity in each case as is necessary for the conduct of the Business in all material respects as presently conducted (each a “**Permit**” and, collectively, the “**Permits**”), except where such non-compliance or non-possession does not remain outstanding or uncured as of Closing or would not reasonably be expected to have a material effect on the Business.
- 7.3** With respect to the Business, since 1 January 2009, neither the Seller nor any of its Affiliates, nor any of their respective directors, officers or employees and, to the Seller’s Knowledge, no Seller Partner has, directly or indirectly: (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity or to influence official action; (ii) made or offered to make any unlawful payment to any foreign or domestic government official or employee, or agent, political party or any official of such party, or political candidate from corporate funds; (iii) made or offered to make any bribe, rebate, payoff, influence payment, money laundering, kickback or other unlawful payment; or (iv) violated or is in violation of any provision of any applicable Anti-Bribery Law; and with respect to the Business, the Seller and its relevant Affiliates have instituted and maintain policies and procedures reasonably designed to ensure compliance with applicable Anti-Bribery Law.
- 7.4** With respect to the Business, neither the Seller nor any of its Affiliates, nor any of their respective directors, officers or employees and, to the Seller’s Knowledge, no Seller Partner: (i) is currently the subject of, nor has it been since 1 January 2009, the subject of, any action alleging a violation, or possible violation, of any Anti-Bribery Law, or been since 1 January 2009, the recipient of a subpoena, letter of investigation or other document alleging a violation, or possible violation, of any Anti-Bribery Law, or (ii) has, since 1 January 2009, improperly or inaccurately recorded in any books and records (A) any payments, cash, contributions, gifts, hospitalities or entertainment to a foreign or domestic government official, employee of an enterprise owned or controlled in whole or in part by any foreign government, official of a foreign or domestic political party or campaign, or a foreign or domestic candidate for political office; or (B) other expenses related to political activity or lobbying.
- 7.5** With respect to the Business, since 1 January 2009, neither the Seller nor any of its Affiliates, nor any of their respective directors or officers, and, to the Seller’s Knowledge, none of their respective employees has received notice that any such person is or has been alleged to be in violation of any sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or by the U.S. Department of State or equivalent measures of the United Kingdom, European Union, or the United Nations (the “**Sanctions Law**”). With respect to the Business, neither the Seller nor any of its Affiliates, nor any of their respective directors or

officers, and, to the Seller's Knowledge, none of their respective employees has conducted any of their business activities whatsoever with, or for the benefit of, a government, national or legal entity to the extent such actions would violate any Sanctions Law. None of the execution, delivery and performance of this Agreement and the direct or indirect use of proceeds from any transaction contemplated hereby or the fulfilment of the terms hereof will result in a violation by any person of any Sanctions Law.

7.6 Each member of the Seller's Group, in connection with the Products, the Product Approvals, the Transferred Contracts, the Shared Business Contracts and the Transferred Intellectual Property Contracts requires its Service Providers to act in accordance with the requirements of applicable Anti-Bribery Law and uses all reasonable endeavours to procure that they do so. Each such Service Provider has in place policies, systems, controls and procedures designed to prevent, and which are reasonably expected to continue to prevent, it and its Associated Persons from violating applicable Anti-Bribery Law.

8. Product Approvals

8.1 The Seller or one of its Affiliates is the registered holder of each of the Product Approvals. All material Product Approvals held by Seller or its Affiliates are in full force and effect. No material deficiencies have been asserted by any applicable Government Entity with respect to any Product Approval or Product Filing, nor, to the Seller's knowledge, are there any facts or circumstances that would be likely to lead to such assertions being made.

8.2 Each Product was and is being researched, developed, manufactured, marketed or sold in all material respects in accordance with the specifications and standards contained in the relevant Product Approval and the related Marketing Authorisation Data and in accordance with Applicable Law.

8.3 Neither the Seller or any of its Affiliates has received any written notice that any Governmental Entity with jurisdiction over the Products has commenced or will commence any action: (i) to withdraw the approval of any Product or otherwise revoke or materially amend any Product Approval or Marketing Authorisation Data or (ii) enjoin production, marketing or sale of any Product and, to the Seller's knowledge, no such action has been threatened.

8.4 All application and renewal fees due and payable with respect to all material Product Approvals have been paid.

8.5 All preclinical and clinical investigations with respect to the Products are being and have been conducted in compliance with Applicable Law in all material respects. The Seller and its Affiliates have not, and to the Seller's Knowledge, none of its Product Partners or any other third party under any Licensed Intellectual Property Contract has received since 1 January 2009, any written notices or other correspondence from any Governmental Entity with respect to any on-going clinical or pre-clinical studies or tests of any Product requiring the termination, suspension or material modification of such studies or tests.

8.6 None of the Seller or its Affiliates or, to the Seller's Knowledge, any Product Partner or any other third parties pursuant to any Licensed Intellectual Property Contract, has any knowledge of any adverse event, arising since the date three years prior to the date of this Agreement, reportable with respect to the safety or efficacy of any Product which is or would reasonably be expected to be material.

9. Product Recall

No Product (or any component thereof) has been recalled, suspended, withdrawn, seized, discontinued or the subject of a refusal to file, clinical hold, deficiency or similar action letter (including any correspondence questioning data integrity) as a result of any action by any Governmental Entity, by the Seller or any of its Affiliates; nor are any such actions pending or under consideration (or any facts, conditions, or circumstance known) by the Seller or any of its Affiliates, or, to the Seller's Knowledge, by any Governmental Entity. There is not, to the Seller's Knowledge, pending or threatened litigation anywhere in the world seeking the recall, withdrawal, suspension, seizure or discontinuance of any of the Products.

10. Product Liability

The Products sold by the Business during the Relevant Period have complied in all material respects with all applicable product specifications and have been Manufactured in all material respects in accordance with applicable requirements of then current GMP and any Applicable Law, except for any such non-compliance that is not, and would not reasonably be expected to have, a materially adverse impact on the relevant Product.

11. Taxes

11.1 The Company, each Business Seller and (in either case) each Tax Group to which it belongs has, and every member of the Seller's Group with an interest in the Business has in respect of the Business, duly, and within any appropriate time limits, filed all Tax Returns required to be filed and has maintained all records required to be maintained for tax purposes in relation to the assets comprised in the Business; all such information was and remains complete and accurate in all material respects and all such Tax Returns were complete and accurate in all material respects and were made on the proper basis.

11.2 There are no Tax liens on the Share, any Asset or any Owned Product Intellectual Property Rights comprised in the Business (other than Permitted Encumbrances).

11.3 No member of the Seller's Group with an interest in the Business (including the Company) has received notice from a Tax Authority of, and so far as the Seller is aware, there is not any dispute or disagreement outstanding at the date of this Agreement with any Tax Authority regarding the proper method of computing the profits of the Business (or any part of it) or of the Company for Tax purposes or the proper treatment for VAT purposes of any supplies of goods or services made (or treated as made) in the course of the Business or by the Company and, so far as the Seller is aware, there are no circumstances which make it likely that any such dispute or disagreement will commence.

- 11.4** So far as the Seller is aware, no Tax Authority has within the past three years operated or agreed to operate any special arrangement (being an arrangement which is not based on relevant legislation or any published practice) in relation to any Assets or Owned Product Intellectual Property Rights comprised in the Business or in relation to the Company or the Share.
- 11.5** In respect of all documents which establish or are necessary to establish the title of the relevant member of the Seller's Group to the Share and to each material asset comprised in the Business, or by virtue of which the relevant member of the Seller's Group has any right in respect of each such asset, all applicable stamp duties, transfer taxes, registration charges or similar duties or charges have been duly paid.
- 12. Employees**
- 12.1** The Disclosure Letter contains a true, complete and correct list of the following information in respect of each Employee as of 31 March 2014 (organised by country): (A) employee identification details; (B) date of birth; (C) employment status (part-time or full-time); (D) employment start date; (E) base salary; (F) target annual incentive for 2014 (and actual bonus for 2013); and (G) target long-term incentive for 2014 (and actual long-term incentive for 2013).
- 12.2** In each of the Material Employee Jurisdictions except as would not be reasonably expected to have a Material Adverse Effect:
- 12.2.1** as of the date of this Agreement there is not, and in the two years prior to the date of this Agreement there has not been, nor to the Seller's Knowledge is there pending or threatened, any labour strike, dispute, work stoppage or lockout by any group of Employees;
- 12.2.2** no trade union or works council is recognised in any way for bargaining, information or consultation purposes in relation to any of the Employees and no collective bargaining negotiations, whether voluntary or mandatory, are currently taking place with respect to any of the Employees and, as of the date of this Agreement, no Business Seller is a party to any agreement (whether legally binding or not) with any trade union or works council affecting any Employee and there is no existing dispute with any such representative body (or, to the Seller's Knowledge, pending or threatened) in relation to the Business;
- 12.2.3** there is no material litigation, claim or other dispute existing, nor, to the Seller's Knowledge, pending or threatened by or in respect of any Employees in respect of their employment or any matter arising from their employment; and
- 12.2.4** no Business Seller has, within the 2 years prior to the date of this Agreement, closed any plant or facility, effectuated any layoffs of employees or implemented any early retirement, separation or similar programme in each case in violation of the WARN Act, nor has any Business Seller announced any such action or programme for the future.

- 12.3** No Key Personnel has given notice terminating his or her contract of employment, nor is under notice of dismissal.
- 12.4** The severance costs disclosed in the Data Room at document 2.2.1.11 represent the Seller's estimation, calculated in good faith, of the indicative severance cost for a full-time employee at middle-management level in each of the countries listed therein.
- 12.5** Since 31 December 2013, no material change has been made, announced or proposed to the emoluments or other terms of employment of any Employee, and no such change, and no negotiation or request for such a change, is due or expected within 12 months from the date of this Agreement, and the employing company is under no obligation to make such a change (with or without retrospective operation) other than any arrangement relating to the share-based incentive schemes of the Seller's Group pursuant to paragraph 10 of Schedule 8.
- 12.6** The Company has no employees and has never had any, and nor has it ever entered into any service contract or similar arrangements (whether formal or otherwise) with any person.
- 13. Employee Benefits**
- 13.1** The Disclosure Letter contains a true, complete and correct list of all bonus, staff incentives (including any share-based incentive schemes), redundancy or other benefits payable on termination of employment (whether voluntary or involuntary but excluding arrangements required in accordance with Applicable Law), ill-health, Employee Benefits or other benefits which are the material benefits available to the Employees in the Material Employee Jurisdictions. To the Seller's Knowledge, other than any arrangement relating to the share-based incentive schemes of the Seller's Group pursuant to paragraph 10 of Schedule 8, no Business Seller has made any promises or commitments to make available any additional benefits to the Employees in the Material Employee Jurisdictions, or to modify or change in any material way any existing benefits in the Material Employee Jurisdictions, or to continue or maintain the level of any existing benefits generally for any period, which in each case could reasonably be expected to have a Material Adverse Effect.
- 13.2** The Disclosure Letter contains true and complete copies of all documents of any written benefit schemes, plans or arrangements referred to in paragraph 13.1 above applicable to Employees in the Material Employee Jurisdictions containing material terms (including governing documents, and for benefit plans that are not share-based incentive schemes, related trust agreements or other funding documents) and a true, complete and correct summary of the material terms of any unwritten benefit schemes, plans or arrangements referred to in paragraph 13.1 above.
- 13.3 Benefit Plans**
- 13.3.1** In the Material Employee Jurisdictions, all benefit and compensation schemes, plans, funds, contracts, policies, agreements or arrangements (other than the US Benefit Plans and any schemes, plans, funds, contracts, policies, agreements or arrangements operated by any Governmental Entity) (A) operated by or on behalf of a Business Seller, with respect to Employees, (B) in respect of which any Business Seller, with respect to Employees, the

Seller or any member of the Seller's Group contributes or has contributed or (C) in respect of which any Business Seller, with respect to Employees, has any liability (whether actual or contingent), including, but not limited to, plans providing Employee Benefits or during periods of sickness or disablement, or any deferred or incentive compensation, welfare, healthcare, medical, stock or stock-related award plans, including individual pension commitments, "jubilee" pension benefits and retirement and termination indemnity arrangements, and in relation to Switzerland, all plans, funds, contracts, policies, agreements or arrangements providing pension or other benefits on retirement (such schemes, plans, funds, contracts, policies, agreements and arrangements hereinafter being referred to as "**Non-US Benefit Plans**") and the US Benefit Plans have been administered in accordance with their terms and are in compliance with Applicable Law, except for any failures to so administer or be in compliance that, individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect. All required filings for all Benefit Plans have been made on time and with the appropriate Governmental Entity, except for any failures to timely file that, individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect. As of the date of this Agreement there is no existing, pending or, to the Seller's Knowledge, threatened material litigation, claim or other dispute relating to Benefit Plans.

13.3.2 The Business Sellers, with respect to Employees in each Material Employee Jurisdiction, (A) are in material compliance with all Applicable Law respecting employment, employment practices, terms and conditions of employment, occupational health, safety, wages and hours, (B) have withheld all amounts required by Applicable Law, collective bargaining agreements or the Benefit Plans to be withheld from the wages, salaries or other payments to the Employees, (C) in respect of the Employees, are not liable under any applicable provisions of the Benefit Plans and any Applicable Law for any arrears, wages, Taxes, other than payments not yet due, or any penalty for failure to comply with the foregoing and (D) are not liable under any applicable provisions of the Benefit Plans and any Applicable Law for any payment to any trust or other fund or to any Governmental Entity with respect to unemployment compensation benefits, workers compensation, social security or other benefits for Employees, other than payments not yet due, except, in each case, for any failures to comply, failures to withhold or liabilities that, individually and in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

13.3.3 All material contributions that the Business Sellers, with respect to Employees in a Material Employee Jurisdiction, and Switzerland, are required to make to any Benefit Plan in respect of the period on or before the date of this Agreement have been fully and timely paid when due.

13.4 The Company has never established, sponsored, participated in or contributed to any arrangement or agreed to do so for providing pensions or other benefits on, or in anticipation of, the retirement, death, accident or sickness of any current or former director or employee of any company.

14. Litigation

14.1 No Business Seller nor the Company is involved whether as claimant or defendant or other party in any claim or Proceeding (other than as claimant in the collection of debts arising in the ordinary course of its business none of which exceeds US\$5 million) which is material to the Business or a Key Product.

14.2 To the Seller's Knowledge, no such claim or Proceeding of material importance is pending or threatened by or against any Business Seller or the Company.

15. Insolvency

15.1 No order has been made and no resolution has been passed for the winding up of any Business Seller, the Share Seller or the Company or for the appointment of any administrator, receiver (including administrative receiver) or liquidator (provisional or otherwise) over the whole or any part of the property, assets and/or undertaking of any Business Seller, the Share Seller or the Company.

15.2 No petition has been presented or meeting convened for the purpose of considering a resolution or resolution circulated for the winding up of any Business Seller, the Share Seller or the Company, or for the appointment of any administrator, receiver (including administrative receiver) or liquidator (provisional or otherwise) over the whole or any part of the property, assets and/or undertaking of any Business Seller, the Share Seller or the Company.

15.3 Each of the Business Sellers, the Share Seller and the Company has not stopped payment or suspended payment of its debts generally, is not insolvent or deemed unable to pay its debts as they fall due.

16. Insurance

All material insurance policies relating to the Business are in full force and effect and, to the Seller's Knowledge, no notice of cancellation, termination or default has been received with respect to any such insurance policy. All premiums due and payable on such policies covering periods up to Closing have been paid in full or accrued.

17. Consents and Licences

17.1 All governmental and quasi-governmental licences, consents, permissions, waivers, exceptions and approvals required for carrying on the Business, the absence of which, individually or in the aggregate, would be material to the Business, are in force and, to the Seller's Knowledge, no written notice has been received by the Seller or any member of the Seller's Group which indicates that any such licence, consent, permission, waiver, exception or approval is likely to be revoked or which may confer a right of revocation.

18. Delinquent and Wrongful Acts

18.1 To the Seller's Knowledge, no member of the Seller's Group has, during the Relevant Period, committed any criminal or illegal act which relates to the Business.

18.2 No member of the Seller's Group has, during the Relevant Period, received notification that any investigation or inquiry is being or has been conducted by any supranational, national or local authority or governmental agency specifically related to the Business, which is material in respect of the Business.

19. Compliance

19.1 No member of the Seller's Group has received in the Relevant Period any written notification or written claim (in each case, which remains outstanding) that it has conducted the Business with respect to the research, development, manufacturing, distribution and sale of the Products in a manner which does not in any respect comply with all Applicable Law, or which in any respect is defective or dangerous, where the pursuit of any such notification or claim is, or would reasonably be expected to be, material in respect of the Business or any of the Key Products.

19.2 So far as the Seller is aware, the Business has, and has during the Relevant Period been, operated in all material respects in compliance with all Applicable Law or standards and to the Seller's Knowledge there are no circumstances that could involve or lead to a material violation of any material Applicable Laws or standards.

20. Pipeline Products

20.1 The information set out in Schedule 1 with respect to the Product Expansions is true and accurate.

20.2 The Seller or one of its Affiliates is the registered holder of each of the Product Expansion Applications, and each Product Expansion Application can be transferred to the Purchaser (or another member of the Purchaser's Group) regardless as to whether such transfer occurs directly (whether by way of transfer, reissuance or any other equivalent mechanism under Applicable Law of the relevant jurisdiction) or indirectly (through the transfer to a member of the Purchaser Group).

20.3 All development activities in relation to the Product Expansions have been conducted in the ordinary course and in accordance with Applicable Law and standards and to the Seller's Knowledge there are no circumstances relating to the development of the Product Expansions that could involve or lead to a material violation of any material Applicable Law or standards.

20.4 No material regulatory, clinical or safety event has occurred in relation to the Products and no member of the Seller's Group has received any notification or claim from any person of any such event (or the possibility of any such event).

21. Manufacturing Licences and Manufacture

21.1 All Manufacturing Licences which are material to the manufacture of the Products, are in effect and are validly held by a member of the Seller's Group and during the Relevant Period, to the Seller's Knowledge, no member of the Seller's Group has received any written notice of any suit, action or proceeding regarding the revocation or modification of any such Manufacturing Licence.

21.2 No directive, order or notice has been given to the Seller or any member of the Seller's Group by any relevant regulatory authority to update, modify, amend, vary, supplement or delete any process and/or methodology relevant to the manufacture of any Product and, so far as the Seller is aware, no such directive, order or notice is pending.

22. The Company

22.1 The Company does not have outstanding any borrowing or indebtedness with any person who is not a member of the Seller's Group.

22.2 The Company does not have any derivative, hedging or swap arrangements or contracts or anything similar in nature to such documentation.

Schedule 15
Warranties given by the Purchaser under Clause 9.3

1. Authority and Capacity

1.1 Incorporation

The Purchaser is validly existing and is a company duly incorporated and registered under the law of its jurisdiction of incorporation.

1.2 Authority to enter into Agreement

1.2.1 The Purchaser has the legal right and full power and authority to enter into and perform this Agreement and any other documents to be executed by it pursuant to or in connection with this Agreement.

1.2.2 The documents referred to in paragraph 1.2.1 will, when executed, constitute valid and binding obligations on the Purchaser in accordance with their respective terms.

1.2.3 Except as referred to in this Agreement, the Purchaser:

- (i) is not required to make any announcement, consultation, notice, report or filing; and
- (ii) does not require any consent, approval, registration, authorisation or permit,

in each case in connection with the performance of this Agreement or any other document referred to in paragraph 1.2.1.

1.2.4 The execution and delivery of the documents referred to in paragraph 1.2.1 and the performance by the Purchaser and each member of its Group of their respective obligations under them, will not:

- (i) result in a breach of any provision of the memorandum or articles of association or by laws or equivalent constitutional document of the relevant member of the Purchaser's Group;
- (ii) result in a breach of, or constitute a default under, any instrument or contract to which the relevant member of the Purchaser's Group is party or by which the relevant member of the Purchaser's Group is bound where such breach is material to their ability to perform their obligations under such documents;
- (iii) result in a breach of any existing order, judgment or decree of any court, Governmental Entity by which the relevant member of the Purchaser's Group is bound and where such breach is material to their ability to perform their obligations under such documents.

1.3 Authorisation

The Purchaser has taken, or will have taken by Closing, all corporate action required by it to authorise it to enter into and to perform this Agreement, any Ancillary Agreement to which it is a party and any other documents to be executed by it pursuant to or in connection with this Agreement or any Ancillary Agreement.

**Schedule 16
Certificate
(Clause 4.4)**

To: Novartis AG

[Date]

Certificate

This Certificate is issued in accordance with Clause 4.4.1(iii)(b) and paragraph 1.1.3 of Schedule 12 of the sale and purchase agreement between Novartis AG and GlaxoSmithKline plc dated 22 April 2014 (as amended) (the “**Agreement**”). Unless otherwise defined, capitalised words used in this Certificate shall have the meanings given to them in the Agreement.

We confirm that:

1. no Material Adverse Effect has occurred between the date of the Agreement and the date of this Certificate;
2. having made due and careful enquiry, we are not aware of any breach or breaches of Clause 9.1 which alone or together give rise to a Material Adverse Effect; and

[either]

3. having made due and careful enquiry, we are not aware of any breach or breaches of the Seller’s Warranties that would have occurred and that would, alone or together, have given rise to a Material Adverse Effect had the Seller’s Warranties been repeated immediately before Closing by reference to the facts, circumstances and knowledge then existing as if references in the Seller’s Warranties to the date of this Agreement were references to the Closing Date.

[or]

3. having made due and careful enquiry, we are aware of the following material breaches of the Seller’s Warranties that would, alone or together, be material and have occurred had the Seller’s Warranties been repeated immediately before Closing by reference to the facts, circumstances and knowledge then existing as if references in the Seller’s Warranties to the date of this Agreement were references to the Closing Date.

[description of material breaches.]

For and on behalf of GlaxoSmithKline plc

Schedule 17
Key Study Plans

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 18
Pre-Closing Product Reorganisation

Part 1 Description of the Pre-Closing Product Reorganisation

1. For the purposes of this Schedule:

“**Category 1A Assets**” means:

- (i) all the Transferred Product Intellectual Property Rights which are owned directly by GIPL and relate to Votrient (including the right to call for full legal title to such Transferred Product Intellectual Property Rights for no consideration), other than legal title to such Transferred Intellectual Property Rights; and
- (ii) for so long as the Votrient LLC Licence remains in force, the licensed interest in all Transferred Product Intellectual Property Rights licensed under the Votrient LLC Licence,

and which for the avoidance of doubt shall not include any Transferred Intellectual Property Contracts but shall, for the purposes of steps 9 to 12, include any Category 2 Assets which have merged by operation of law with those Transferred Product Intellectual Property Rights following Step 6;

“**Category 1B Assets**” means:

- (i) all the Transferred Product Intellectual Property Rights which are owned directly by SB Cork and relate to Tykerb (including the right to call for full legal title to such Transferred Product Intellectual Property Rights for no consideration), other than legal title to such Transferred Product Intellectual Property Rights; and
- (ii) for so long as the Tykerb LLC Licence remains in force, the licensed interest in all the Transferred Product Intellectual Property Rights licensed under the Tykerb LLC Licence,

and which for the avoidance of doubt shall not include any Transferred Intellectual Property Contracts but shall, for the purposes of steps 9 to 12, include any Category 2 Assets which have merged by operation of law with those Transferred Product Intellectual Property Rights following Step 6;

“**Category 2 Assets**” means full legal and beneficial economic ownership of all the Transferred Product Intellectual Property Rights, other than the Category 1A Assets and Category 1B Assets, that relate to Votrient or Tykerb and are owned by GSK LLC, SB Cork, GIPL, GlaxoSmithKline Inc, GlaxoSmithKline K.K, SmithKline Beecham Limited, GlaxoSmithKline GMBH & CO. KG, GlaxoSmithKline BRASIL LIMITADA, GlaxoSmithKline Korea Limited, GlaxoSmithKline EOOD, GlaxoSmithKline D.O.O., GlaxoSmithKline OY, Groupe GlaxoSmithKline S.A.S., GlaxoSmithKline Medical And Healthcare Products Limited, GlaxoSmithKline S.P.A., GlaxoSmithKline Slovakia S.R.O., GlaxoSmithKline Holding AS or GGL and which for the avoidance of doubt shall not include any Transferred Intellectual Property Contracts;

“**Company**” means Leo Osprey Limited, a company incorporated in England and Wales on 16 April 2014 under company number 9000270, whose registered office is 980 Great West Road, Brentford, TW8 9GS, United Kingdom, which has an issued share capital of one share of £1 and whose sole shareholder is Glaxo Group Limited;

“**Company Intra-Group Debt**” means all sums owed by the Company to GlaxoSmithKline Finance plc at the Closing Date (immediately prior to Closing) as shall be notified by the Seller to the Purchaser in accordance with Clause 6.3.2;

“**Company Tax Indemnity**” means the deed of tax covenant relating to the Company, in the Agreed Terms;

“**Direct Indemnity**” means the deed of covenant directly in favour of the Company in the form of Clause 2.3.6 of this Agreement and of the Company Tax Indemnity, mutatis mutandis, in the Agreed Terms;

“**GFplc**” means GlaxoSmithKline Finance plc;

“**GGL**” means Glaxo Group Limited;

“**GIPL**” means GlaxoSmithKline Intellectual Property Limited;

“**GIPL B Share**” means one share in GIPL carrying a right to a preferential special dividend by GIPL of the Category 1A Assets, whereupon the GIPL B Share shall convert into a deferred share having no voting rights and economic rights typical of deferred shares created in a B share scheme implemented by an English public limited company;

“**GIPL Estimated Value**” means £2,934,000,000;

“**GSKHIL**” means GlaxoSmithKline Holdings (Ireland) Limited;

“**GSKHIL B Share**” means one share in GSKHIL carrying a right to a preferential dividend by GSKHIL of the Category 1B Assets, whereupon the GSKHIL B Share shall convert into a deferred share having no voting rights and economic rights typical of deferred shares created in a B share scheme implemented by an English public limited company;

“**GSKHIL Estimated Value**” means £147,000,000;

“**GSK LLC**” means GlaxoSmithKline LLC;

“**Purchaser Tax Indemnity**” means the deed of tax covenant relating to the Purchaser’s Group, in the Agreed Terms;

“**SB Cork**” means SmithKline Beecham (Cork) Limited;

“**Setfirst**” means Setfirst Limited;

“**Share**” means the entire issued share capital of the Company;

“**Tykerb LLC Licence**” means the licence agreement dated 1 January 2004 between GSK LLC and SB Cork relating to Tykerb (as amended from time to time); and

“**Votrient LLC Licence**” means the licence agreement dated 1 July 2008 between GSK LLC and GIPL relating to Votrient (as amended from time to time).

2. Subject to paragraphs 3 and 4 below, and to Part 4 of this Schedule, the Pre-Closing Product Reorganisation shall consist of all of the following steps.

2.1 The Seller shall procure that the following steps are taken in the order set out below.

Preliminary step(s)

(A) Any steps necessary to procure that GGL has full legal and beneficial ownership of the Share.

Step 1

(B) The Company shall receive funding sufficient to carry out Step 3 and Step 3A in the form of (i) an intra-group interest-bearing loan from GFplc on terms standard within the Seller’s Group, and (ii) a subscription for ordinary shares by GGL.

(C) GFplc shall provide the Company with an interest-bearing on demand loan facility (which shall terminate at Closing) on terms standard within the Seller’s Group, under which the Company can draw down any further funds it requires to pay any purchase price adjustment on the GIPL B Share or the GSKHIL B Share, as required under paragraph (F)(ii) or (I)(ii) below.

The loans referred to in paragraphs (B)(i) and (C) shall take the form of a single facility.

Step 2

(D) GIPL shall reclassify one ordinary share in its capital, held by GGL, as the GIPL B Share.

Step 3

(E) Promptly after completion of Step 2, the Company shall purchase the GIPL B Share from GGL for consideration reflecting the percentage allocated to Votrient in accordance with Schedule 10 less the fair market value of (i) all the royalty rights in respect of Votrient which are held by members of the Seller’s Group other than the Company and (ii) any Transferred Intellectual Property Contracts to the extent relating to Votrient, as at Closing (the “**GIPL Agreed Value**”).

(F) The sale terms in respect of the sale and purchase of the GIPL B Share shall provide that:

- (i) the GIPL B Share shall be transferred to the Company for the GIPL Estimated Value; and
- (ii) as soon as reasonably practicable after the GIPL Agreed Value has been agreed or determined pursuant to Schedule 10, the Company or GGL shall pay the other an amount equal to the difference

between the GIPL Agreed Value and the GIPL Estimated Value, as appropriate, to ensure that the total amount paid for the GIPL B Share is equal to the GIPL Agreed Value.

- (G) The Seller shall procure that, at the Seller's cost (such that, if any such costs are paid by the Purchaser, the Seller shall reimburse the Purchaser for the amount of such costs): (i) all steps are taken which are necessary to pay any stamp duty and/or stamp duty reserve tax in respect of the sale of the GIPL B Share under this Step 3, and (ii) the GIPL B Share is registered in the name of the Company.

The Company shall subsequently (but before Step 4) enter into arrangements with another member of the Seller's Group for the exploitation and management of any intellectual property that it may come to hold (the "**Exploitation Arrangements**"). The material terms of the Exploitation Arrangements will be provided to the Purchaser in advance in the form of summaries.

Step 3A

- (H) Promptly after completion of Step 2, the Company shall purchase the GSKHIL B Share from Setfirst for consideration reflecting the percentage allocated to Tykerb in accordance with Schedule 10 less the fair market value of (i) all the royalty rights in respect of Tykerb which are held by members of the Seller's Group other than the Company and (ii) any Transferred Intellectual Property Contracts to the extent relating to Tykerb, as at Closing (the "**GSKHIL Agreed Value**"). At the time at which the Company acquires the GSKHIL B Share, a wholly-owned subsidiary of GSKHIL will hold all of the Category 1B Assets. Full beneficial and economic ownership of the Category 1B Assets will be transferred to GSKHIL by its wholly-owned subsidiary by way of dividend.
- (I) The sale terms in respect of the sale and purchase of the GSKHIL B Share shall provide that:
- (iii) the GSKHIL B Share shall be transferred to the Company for the GSKHIL Estimated Value; and
 - (iv) as soon as reasonably practicable after the GSKHIL Agreed Value has been agreed or determined pursuant to Schedule 10, the Company or GSKHIL shall pay the other an amount equal to the difference between the GSKHIL Agreed Value and the GSKHIL Estimated Value, as appropriate, to ensure that the total amount paid for the GSKHIL B Share is equal to the GSKHIL Agreed Value.
- (J) The Seller shall procure that, at the Seller's cost (such that, if any such costs are paid by the Purchaser, the Seller shall reimburse the Purchaser for the amount of such costs): (i) all steps are taken which are necessary to pay any stamp duty and/or stamp duty reserve tax in respect of the sale of the GSKHIL B Share under this Step 3, and (ii) the GSKHIL B Share is registered in the name of the Company.

Step 4

- (K) After completion of Step 3, GIPL shall declare a special dividend of the Category 1A Assets on the GIPL B Share and full beneficial and economic ownership of the Category 1A Assets shall be assigned to the Company (the “**GIPL Distribution**”). GIPL shall not carry out a capital reduction in connection with such special dividend. The assignment of the Category 1A Assets will become effective at exactly the same time as the assignment of the Category 1B Assets under Step 4A.

Step 4A

- (L) On 29 August 2014, GSKHIL shall become resident solely in the UK for UK Tax purposes and shall thereafter remain solely resident in the UK for UK Tax purposes until at least Closing.

- (M) After having become resident in the UK for Tax purposes in accordance with paragraph (L) above, GSKHIL shall:

- (i) carry out a reduction of capital in order to create distributable reserves; and
- (ii) declare a special dividend of the Category 1B Assets on the GSKHIL B Share, to be paid solely out of profits available for distribution at the time the dividend is paid that arose on or after the Company’s acquisition of the GSKHIL B Share,

and full beneficial and economic ownership of the Category 1B Assets shall be assigned to the Company (the “**GSKHIL Distribution**”). The assignment of the Category 1B Assets will become effective at exactly the same time as the assignment of the Category 1A Assets under Step 4.

- 2.2** After Step 4 and Step 4A and on or before the Business Day before Closing, the Seller shall procure that the following steps are taken.

Step 5

- (A) The Company shall sell the GIPL B Share for a nominal amount to a company that is UK resident for UK Tax purposes and is in the same group (within the meaning of section 170 of the Taxation of Chargeable Gains Act 1992) as the Company.
- (B) The Company shall exercise its rights under the Transferred Product Intellectual Property Rights falling with limb (i) of the definition of “Category 1A Assets” to procure that registered legal title to the Category 1A Assets is transferred to the Company for no consideration. If all Third Party Consents relevant to any particular Category 1A Asset are not obtained, that Category 1A Asset shall be treated in accordance with paragraph 2.5 below.

Step 5A

- (C) The Company shall sell the GSKHIL B Share for a nominal amount to a company that is UK resident for UK Tax purposes and is in the same group

(within the meaning of section 170 of the Taxation of Chargeable Gains Act 1992) as the Company.

- (D) The Company shall exercise its rights under the Transferred Product Intellectual Property Rights falling with limb (i) of the definition of “Category 1B Assets” to procure that registered legal title to the Category 1B Assets is transferred to the Company for no consideration. If all Third Party Consents relevant to any particular Category 1B Asset are not obtained, that Category 1B Asset shall be treated in accordance with paragraph 2.5 below.

2.3 After completion of Step 5 and Step 5A and before the Closing Date the Seller shall procure the following actions are taken:

Step 6A

- (A) The Company shall transfer full beneficial and economic ownership of the Category 1A Assets and the Category 1B Assets, insofar as each of them relate to Ukraine, to GGL.

2.4 After completion of Step 6A and on or before 00:01 (GMT) on the Closing Date the Seller shall procure the following actions are taken.

Step 6B

- (A) The Company shall acquire the Category 2 Assets, except insofar as such Category 2 Assets relate to the Ukraine, from the relevant members of the Seller’s Group, either: (i) for consideration in cash reflecting, in respect of each Category 2 Asset, the percentage allocated to the Product to which that Category 2 Asset is attributable in accordance with Schedule 10 less that part attributable to that Product other than that Category 2 Asset; or (ii) to the extent that particular Category 2 Asset represents bare legal title and carries no rights to royalties, for no consideration. If all Third Party Consents relevant to any particular Category 2 Asset are not obtained, that Category 2 Asset shall be treated in accordance with paragraph 2.5 below.
- (B) In order to acquire the Category 2 Assets, the Company shall be funded in the form of (i) an intra-group interest-bearing loan from GFplc on terms standard within the Seller’s Group, (ii) an ordinary share subscription from GGL, or (iii) a combination of both.
- (C) GSK LLC shall transfer its rights in the Category 2 Assets, insofar as they relate to Ukraine, to GGL.

2.5 If a Third Party Consent has not been obtained in respect of any Category 1A Asset, Category 1B Asset or Category 2 Asset before the date on which Step 5 takes effect:

- (A) the legal title in the relevant Category 1A Asset, Category 1B Asset or Category 2 Asset affected by the Third Party Consent shall not be transferred to the Company pursuant to Step 5, Step 5A or Step 6; and

(B) the relevant Category 1A Asset, Category 1B Asset or Category 2 Asset affected by the Third Party Consent will be dealt with in accordance with paragraphs 4 to 6 of Schedule 7.

2.6 After completion of Step 6, the Votrient LLC Licence and the Tykerb LLC Licence shall terminate in so far as such licences relate to Business Product Intellectual Property Rights owned by or transferred to the Company. In the event that such termination does not terminate the Tykerb LLC Licence and the Votrient LLC Licence entirely, the licensee interest in the Votrient LLC Licence and the licensee interest in the Tykerb LLC Licence shall then be assigned by the Company to another member of the Seller's Group.

Step 7

(A) The Company shall:

- (i) pay to GFplc an amount equal to the sum of any after-Tax profits generated in respect of the Category 1A Assets since the GIPL Distribution and any after-Tax profits generated in respect of the Category 1B Assets since the GSKHIL Distribution to partly discharge the debt owed by the Company to GFplc; and
- (ii) sell to another member of the Seller's Group any rights to receive future adjustment payments under the Exploitation Arrangements in respect of the use of its assets prior to Closing, in consideration of the payment of £1 and the assumption of any obligations to make payments in respect of the use of such assets prior to Closing.

2.7 On:

- (A) the day before Closing, the Seller shall procure that the then current accounting period of the Company is terminated on that day; and
- (B) the Closing Date but prior to Closing, the Company Intra-Group Debt shall be refinanced into interest-free debts denominated in US dollars in accordance with Clause 6.3.2.

Step 8(a)

2.8 On Closing:

- (A) the Seller shall procure that GGL will sell; and
- (B) the Purchaser shall purchase, or shall procure that a member of the Purchaser Group, will purchase, the Share in accordance with the terms of this Agreement (and whichever member of the Purchaser's Group acquires the Share shall be the "**Novartis Purchaser**" for the purposes of this Schedule).

2.9 On Closing, the Purchaser shall procure that the Company will discharge the Company Intra-Group Debt.

Step 8(b)

- 2.10** For the purpose of discharging the Company Intra-Group Debt in paragraph 2.9, the Company shall receive funding in the form of: (i) a loan from a member of the Purchaser's Group; (ii) a subscription for ordinary shares in the Company by the Novartis Purchaser; or (iii) a combination of both. Subject to those constraints, the Purchaser shall be free to decide the form in which this funding is provided to the Company at Closing.

Step 9

- 2.11** Within four weeks after Closing, the relevant member of the Purchaser's Group shall waive or convert into ordinary shares in the Company any loan provided to the Company under paragraph 2.10, which step may be preceded by a transfer of such loan within the Purchaser's Group. The loan may be converted into ordinary shares (rather than being waived) only if the Novartis Purchaser is the creditor under the loan at the time of such conversion.

Step 10

- 2.12** By the later of (a) four weeks after Closing and (b) two weeks after the Seller provides any material which it is required to provide under paragraph 3, the Company shall effect a reduction of share capital using the method prescribed in sections 642-644 of the Companies Act 2006 (reduction of share capital supported by solvency statement) to create an amount of additional distributable reserves at least sufficient for it to distribute the Category 1A Assets and the Category 1B Assets. Prior to Closing, the Seller shall enter into the Direct Indemnity.

Step 11

- 2.13** By the later of (a) four weeks after Closing and (b) two weeks after the Seller provides any material which it is required to provide under paragraph 3, the Company shall declare a distribution in specie of the Category 1A Assets and the Category 1B Assets and accordingly transfer the Category 1A Assets and the Category 1B Assets to the Novartis Purchaser.

Step 12

- 2.14** By the later of (a) six weeks after Closing and (b) four weeks after the Seller provides any material which it is required to provide under paragraph 3, and to the extent only that the Category 2 Assets continue to have an existence separate to that of the Category 1A Assets and the Category 1B Assets following Step 6, the Company shall either:
- (A) sell the Category 2 Assets to the Novartis Purchaser for consideration in cash or one or more debt instruments reflecting, in respect of each Category 2 Asset, the percentage allocated to that Category 2 Asset in accordance with Schedule 10; or
 - (B) declare a distribution in specie of the Category 2 Assets and transfer the Category 2 Assets to the Novartis Purchaser.

Step 13

At the Delayed Closing Date in respect of the Ukraine Business, GGL shall transfer its rights in the Category 1A Assets and the Category 1B Assets, insofar as they relate to Ukraine, to Novartis Pharma AG or its designee for nominal consideration.

3. The parties shall co-operate in good faith, and the Seller shall provide any assistance reasonably requested by the Purchaser, in connection with the implementation of any of Steps 9 to 12. In particular, the parties shall consult before Closing on whether any interim accounts or other material are required to support the reduction of capital at Step 10 and/or the distribution in specie at Step 11. If the Purchaser considers (acting reasonably and in good faith) that any such material is required, and notifies the Seller of this, then the Seller shall, at its own cost, procure the preparation of this material, with the input and cooperation of the Purchaser, by the later of (a) thirty Business Days after receipt of such notice and (b) ten Business Days before Closing.
4. The Seller may notify the Purchaser in writing, at any time up to five Business Days before Closing, that the Seller no longer wishes to proceed with the Pre-Closing Product Reorganisation set out in this Schedule. If the Seller notifies the Purchaser to this effect, then:
 - (A) the Seller shall not be entitled to sell the Share to the Purchaser at Closing; and
 - (B) the Seller shall reimburse the whole of any reasonable out of pocket costs and expenses incurred by the Purchaser and/or any other member of the Purchaser's Group in connection with their assessment of the Pre-Closing Product Reorganisation or with any preparation undertaken for Steps 8 to 12 (to the extent that those costs and expenses would not have been incurred had the sale and purchase of the Category 1A Assets, the Category 1B Assets and the Category 2 Assets always been structured as a direct sale of those assets from a member of the Seller's Group to a member of the Purchaser's Group).
5. The Seller acknowledges that any decision to proceed with Steps 9 to 12 shall be a matter for the Purchaser and for the then directors of the Company, and that neither the Purchaser nor the Company shall be under any obligation to implement all or any of those steps.

Part 2 Seller undertakings

1. The Seller undertakes to procure that, between the date of this Agreement and Closing:
 - (A) the Company will not acquire any assets which are not the Category 1A Assets, Category 1B Assets, Category 2 Assets or assets arising under or pursuant to the Exploitation Arrangements;
 - (B) the Company will not carry on any business or other activities, other than the acquisition, management and exploitation of the Category 1A Assets, the Category 1B Assets and Category 2 Assets;

- (C) the Company will not have any employees;
- (D) any agreements which the Company enters into in connection with the management and exploitation of the Category 1A Assets, the Category 1B Assets and Category 2 Assets shall be terminated, with immediate effect, by the Company immediately before Closing; and
- (E) the Company will not be a member of any VAT group, party to any group payment arrangement or otherwise party to any Tax allocation, contribution, indemnification or sharing arrangement, Tax consolidation or fiscal unity,

except as may be required in connection with the provisions listed in Part 1 of this Schedule or as agreed by the parties.

2. The Seller undertakes that the Company will have no Third Party Indebtedness at Closing, except as agreed by the parties.
3. The Seller shall procure that on Closing the Company will have no debts (other than the Company Intra-Group Debt).
4. For the avoidance of doubt, the Seller acknowledges that the indemnity in Clause 2.3.6 of this Agreement shall apply to the Pre-Closing Product Reorganisation set out in this Schedule.
5. The Seller shall procure that, at Closing, the Company will have a Permitted Cash Receivable equal to the amount for which the Seller would be liable under clause 2 of the Company Tax Indemnity in the absence of clause 3.1(A) of the Company Tax Indemnity.

Part 3 Co-operation between the parties; modifications

1. At any time, the parties shall, on the request of the Seller and at the Seller's expense, cooperate in good faith to identify and, subject to paragraph 4 below, to implement any reasonable steps which can be taken to mitigate or remove any risk in relation to Swiss Tax which will result in a liability or potential liability for the Seller under clause 2 of the Purchaser Tax Indemnity. For the avoidance of doubt, a step shall not be considered "reasonable" for the purposes of this Part 3 of this Schedule if it may have the effect on increasing an unindemnified Liability of the Purchaser's Group.
2. Subject to paragraph 4 below, such reasonable steps may include:
 - (A) the Purchaser seeking a ruling from the Swiss Tax authorities, with both parties having input into the drafting of any ruling application and subsequent correspondence, and with the Seller being consulted in good faith on the approach which should be taken at any discussion, meetings or negotiations with the Swiss Tax authorities to discuss the ruling application, so far as permitted under Swiss law and being informed within a reasonable time thereafter of the outcome of any such discussion, meeting or negotiation (but without giving the Seller any rights to attend); and
 - (B) amending the steps set out in Part 1 of this Schedule (at the Seller's sole expense and risk) if, pursuant to their good faith cooperation under

paragraph 1 of this Part 3, the parties identify any alternative or additional reasonable steps for implementing the Pre-Closing Product Reorganisation set out in this Schedule in a way which reduces or removes any risk indemnified under the Purchaser Tax Indemnity.

3. The parties shall co-operate in good faith in relation to the Company's affairs with a view to minimising the Company's balance sheet assets and liabilities, and winding the Company up as soon as commercially practicable, in each case following completion of Step 8 and, if undertaken, Steps 9 to 12 and any agreed modifications to any of those Steps.
4. Any modification or amendment of (including any addition to) the steps set out in Part 1 of this Schedule (other than the Seller electing at any time not to proceed with the Pre-Closing Product Reorganisation) shall require the prior written consent of the Purchaser, not to be unreasonably withheld or delayed. Without prejudice to any other exercise of a discretion whether or not to give consent, the Purchaser shall not be acting unreasonably if:
 - (A) it withholds or delays its consent because it believes in good faith that the modification or amendment would result in exposure of any member of the Purchaser's Group to cost, loss of benefit or Liability; and
 - (B) the relevant member or members of the Purchaser's Group would not be indemnified (and the Seller does not agree to indemnify them), in each case to the Purchaser's reasonable satisfaction, in respect of that cost, loss of benefit or Liability.
5. The parties agree that the Company's accounts shall record both (i) the redenomination of the Company Intra-Group Debt pursuant to Clause 6.3.2, and (ii) the discharge of the Company Intra-Group Debt on Closing at Step 8(a), using the US\$ Spot Rate (as defined in Clause 1.13) as the appropriate spot exchange rate.
6. Nothing done by or at the request of the Seller pursuant to this Part 3 of this Schedule shall in any respect reduce or restrict any rights the Purchaser may have to make a claim against the Seller under the Company Tax Indemnity or the Purchaser Tax Indemnity.

Part 4 Definitions

1. In this Schedule, the following expressions shall have the following meanings:
 - “**Indebtedness**” means all loans and other financing liabilities and obligations in the nature of borrowed moneys and overdrafts and moneys borrowed, but excluding trade debt and liabilities arising in the ordinary course of business;
 - “**Third Party Indebtedness**” means any Indebtedness owed by the Company to any third party and, for the purposes of this definition, third party shall exclude any member of the Seller's Group;

Part 5 Details of the Company

| | |
|----------------------------------|--|
| Name of Company: | Leo Osprey Limited (the “Company”) |
| Registered Number: | 9000270 |
| Registered Office: | 980 Great West Road, Brentford, TW8 9GS United Kingdom |
| Date and place of incorporation: | 16 April 2014, United Kingdom |
| Issued share capital: | one share of £1 |
| Shareholders and shares held: | Glaxo Group Limited 1 (100%) |

Schedule 19
Pre-Closing Obligations

(Clause 5)

Part 1 Seller's Group Restrictions

The actions for the purposes of Clause 5.1.2 are:

- 1.1** (a) terminate, materially amend (or amend in any respect in relation to a Key Product) or grant any material waiver under (or any waiver in relation to a Key Product) any Transferred Intellectual Property Contract, or (b) terminate any Transferred Contract other than in the ordinary course of business;
- 1.2** fail to comply in all material respects with all Applicable Law, Product Approvals and Marketing Authorisations applicable to the operation of the Business;
- 1.3** assign, dispose of, license (save in respect of non-exclusive licences relating to the Seller's research, development or Commercialisation of the Products or in respect of any transfers to Glaxo Group Limited as a preliminary step before their sale by Glaxo Group Limited to the Purchaser pursuant to this Agreement) or abandon any material Business Product Intellectual Property Rights (or any Business Product Intellectual Property Rights in respect of a Key Product) or cease to prosecute or fail to maintain, defend, or pursue applications for any material Business Product Intellectual Property Rights (or any Business Product Intellectual Property Rights in respect of a Key Product). Notwithstanding the foregoing, the parties agree that the restrictions set out in this paragraph 1.3 will not apply in respect of the Abandoned Patents abandoned prior to 22 April 2014;
- 1.4** save where requested in writing by the Purchaser or required by any applicable Governmental Entity, cancel, surrender or materially amend (or amend in any respect in relation to a Key Product) any applications, submissions or filings with respect to Registered Business Product Intellectual Property Rights;
- 1.5** take any further steps to abandon US patent with publication number 2012/0202822;
- 1.6** terminate (except for good cause) the employment of any Key Personnel;
- 1.7** take any steps to increase or reduce the proportion of time spent working in the Business by any employee of any member of the Seller's Group or to transfer the employment of any Employee to another member of the Seller's Group or to employ or offer to employ or engage any new persons in the Business other than in the ordinary course of business consistent with past practice and subject to an aggregate increase of not more than 2.5 per cent. in total staff costs of the Business per annum;
- 1.8** make, or commit to make, any changes to the terms and conditions of employment (including pension fund commitments or any increase to remuneration) or to any employee benefit plan of any Employee, other than (a) those required by Applicable Law or (b) pursuant to normal annual pay reviews in the ordinary course of business consistent with past practice and subject to an aggregate increase of not more than 5 per cent. in total staff costs of the Business per annum or (c) retention arrangements (in the form of cash or shares) to retain key employees in connection with the matters

contemplated by this Agreement as described in paragraphs 9 and 10 of Schedule 8 or (d) those changes to share-based incentive schemes made for the purpose of complying with paragraph 10 of Schedule 8;

- 1.9** make any promises or commitment to any Employees or employee representative body concerning the matters contemplated by this Agreement or offer or otherwise give any assurances to any Employees as to the possibility of continued employment with the Purchaser's Group after Closing;
- 1.10** make any change or commitment to make any change to the terms of any redundancy policy or practice applying to the Employees (including amounts payable on redundancy);
- 1.11** enter into (where there is no existing agreement) or materially amend any collective bargaining agreement or other contract with a labour organisation, works council or employee organisation to create new or additional obligations for any member of the Seller's Group, in each case in relation to the Business;
- 1.12** instigate, cease, compromise or settle any litigation or arbitration proceedings related to the Business or the Company in relation to a claim for which the potential liability attaching thereto is in excess of US\$5 million;
- 1.13** make any material amendment to any Marketing Authorisation, except to the extent required by: (a) Applicable Law; (b) any Governmental Entity, or (c) the standards, policies and procedures of the Seller's Group as then in force;
- 1.14** enter into or amend in any material respect any Transferred Contract, or incur any commitment, which is not capable of being terminated without compensation at any time with twelve months' notice or less or which is not in the ordinary course of business, or which involves or may involve total annual expenditure in excess of US\$10 million, exclusive of VAT;
- 1.15** enter into any contract which would materially restrict the freedom of the Business to operate in any part of the world;
- 1.16** save in respect of Intellectual Property Rights, sell, lease, license, transfer or dispose of, or create any Encumbrance (other than a Permitted Encumbrance) over, any material assets (other than any Excluded Asset) of the Business;
- 1.17** undertake any recall or withdrawal of any Product (other than in the ordinary course of business or to comply with Applicable Law);
- 1.18** amend or otherwise modify the constitutional documents of the Company other than minor or administrative amendments or modifications which are not adverse to the Business or to the Purchaser or any member of the Purchaser's Group;
- 1.19** create, allot or issue, or grant an option or right to subscribe for or purchase, any share capital or other securities or loan capital of the Company;
- 1.20** repay, redeem or repurchase any share capital, or other securities of the Company; and

1.21 cause or permit the Company to be subject to Tax in any jurisdiction other than in the United Kingdom.

Part 2 Seller's Group Obligations

1. Obligations to be satisfied prior to the Closing Date

1.1 The Seller shall procure that the relevant member of the Seller Group shall notify, Pharmicare Limited in writing, in relation to:

1.1.1 the distribution agreement dated 27 November 2009 between Pharmicare Limited and Glaxo South Africa (Proprietary) Limited (the "**SA Distribution Agreement**"); and

1.1.2 the SSA Collaboration Agreement dated 27 November 2009 between Pharmicare Limited, Glaxo Export Limited (the "**SSA Collaboration Agreement**"),

of the withdrawal of the Products to the extent relevant from the agreements set out in the SA Distribution Agreement and the SSA Collaboration Agreement, in each case with effect from Closing.

1.2 The Seller shall procure that the relevant member(s) of the Seller's Group shall use best efforts to:

1.2.1 obtain the unconditional consent of [***] to the assignment to the Purchaser of the rights and obligations of the relevant member of the Seller's Group under each of the [***] (at the Seller's cost); and

1.2.2 obtain the unconditional consent of [***] to the assignment to the Purchaser of the rights and obligations of the relevant member of the Seller's Group under the [***] (at the Seller's cost).

1.3 At least 5 Business Days prior to the Closing Date, the Seller shall provide the Purchaser with a list of any required actions that must be taken by the Purchaser within three (3) months after Closing with respect to the payment of any registration, maintenance, or renewal fees or the filing of any documents, applications or certificates in order to maintain Registered Intellectual Property Product Rights in full force and effect.

2. Obligations from the date of the Agreement to the Closing Date

The requirements for the purposes of Clause 5.1.3 are:

2.1 so far as permitted by Applicable Law, inform the Purchaser promptly if it becomes aware of, or has reasonable grounds for suspecting any violation of Anti-Bribery Law which is reasonably likely to have an impact on the Business;

2.2 maintain in force all Seller's Group Insurance Policies for the benefit of the Business;

2.3 allow the Purchaser and its respective agents, upon reasonable notice, reasonable access to personnel, and such information as the Seller considers reasonable, provided that the obligations of the Seller under this Clause shall not extend to

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

allowing access to information which is (i) reasonably regarded as confidential to the activities of the Seller and the Seller's Group otherwise than in relation to the Business or (ii) commercially sensitive or other information which is related to the Business if such information cannot be shared with the Purchaser prior to Closing in compliance with Applicable Law;

- 2.4** in so far as it relates to the Business, continue to take such steps as are currently planned by the Seller's Group in relation to the remediation of the manufacturing site operated by the Seller's Group in Cork, Ireland;
- 2.5** maintain and keep any Business Product Intellectual Property Rights and ensure that all filings and notifications required to be made in respect of the same are made in accordance with past practice;
- 2.6** progress, in accordance with past practice, any applications, submissions, filings or other correspondence relating to the grant of new Business Product Intellectual Property Rights;
- 2.7** continue to conduct the Ongoing Clinical Trials in accordance with GCP and the Seller Group's policies and procedures;
- 2.8** notify the Purchaser in writing of any actual safety or quality issue in respect of any Product or the manufacture of any Product (as soon as reasonably practicable after becoming aware of the same) which issue the relevant member of the Seller's Group, acting reasonably and in good faith, considers material in the context of the manufacture or commercialisation of such Product;
- 2.9** so far as permitted by Applicable Law, report periodically to the Purchaser concerning the status of the Business, including delivering to the Purchaser as soon as reasonably practicable each month:
 - 2.9.1** an update on material commercial developments in relation to the Business and the Products during the previous month;
 - 2.9.2** the gross profit for each Product in respect of the previous month; and
 - 2.9.3** a report on the month-end in-trade inventory in respect of each Product for the previous month prepared in the ordinary course of business consistent with past practice, together with a comparison against the comparable period of trading for the prior year;
- 2.10** not discontinue or cease to operate or materially reduce the resources applied to any part of the Business related to the Products or the Product Expansions;
- 2.11** continue to promote, market and Commercialise the Products in a manner consistent with past practice;
- 2.12** maintain levels of in-trade inventory in accordance with past practice and not materially accelerate or increase the quantity of the Products distributed to the relevant distributors and/or wholesalers, except in respect of a bona fide increase in demand for the relevant Product by the relevant distributor and/or wholesaler which has not been stimulated in any way by discounts, rebates, claw-backs or the like

outside of the ordinary course or the grant of preferred terms offered by the Seller's Group outside of the ordinary course;
and

2.13 continue to respond to any Call For New Tender in accordance with past practices in the relevant market.

Schedule 20
Key Personnel

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 21
Regulatory Approvals

1. The following table provides the additional jurisdictions and applicable antitrust, merger control, or foreign investment rules referenced in Clause 4.1.3 of the Agreement.
2. This list of jurisdictions and statutes is not meant to be indicative of a known filing or approval requirement in these jurisdictions. To the extent that clearances, approvals, waivers, no action letters or consents are not required to be obtained or not otherwise agreed by the parties to be appropriate and waiting periods are not required to have expired in these jurisdictions prior to closing of the transactions contemplated by the Agreement, such clearances, approvals, waivers, no action letters, consents, and waiting period expirations will not be conditions precedent to closing of the transactions contemplated by the Agreement.

| <u>Country</u> | <u>Statute Under Which Filing/Approval Is Required</u> |
|----------------|---|
| Australia | The Competition and Consumer Act of 2010 |
| Brazil | Law No. 12,529 of November 30, 2011 |
| Canada | The Competition Act |
| China | The Chinese Anti-Monopoly Law |
| India | The Competition Act of 2002, as amended by The Competition (Amendment) Act of 2007 |
| Israel | The Restrictive Trade Practices Law, 5748-1988 |
| Japan | The Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade No. 54 of 1947 |
| Mexico | The Federal Law on Economic Competition |
| New Zealand | The Commerce Act of 1986 |
| Russia | Federal Law No. 135-FZ of July 16, 2006 on Protection of Competition |
| South Africa | The Competition Act 89 of 1998 |
| South Korea | The Monopoly Regulation and Fair Trade Act |
| Taiwan | The Fair Trade Law of 1991 |
| Turkey | The Law on Protection of Competition No. 4054 of 1994 |

Schedule 22
Ongoing Collaboration

1. Subject to paragraph 4 below, in the event that:

1.1.1 any member of the Seller’s Group decides in its applicable governance committee (and in any event before approaching any third party) to seek a third party partner for global or major market (that is, pan-EU, Spain, Italy, UK, Germany, France, US, a group of emerging markets, Switzerland, Japan, Canada or China) co-development or commercialisation of, or to whom to divest rights to, any Relevant Development Product (the “**In-scope Relevant Development Product**”); or

1.1.2 any member of the Seller’s Group proposes to seek a marketing authorisation in a major market (that is, EU, US, Switzerland, Japan, Canada or China) for an In-Scope Relevant Development Product,

the Seller shall (prior to (in the case of paragraph 1.1.1 above) entering into any such discussions with any third party or (in the case of paragraph 1.1.2 above) filing an application for any such marketing authorisation) first notify the Purchaser of the same, including in such notification details of the geographic markets in which it would intend to explore opportunities with the third party. The Purchaser shall then have a period of 30 days to confirm whether or not it is in principle interested in pursuing discussions regarding the co-development and commercialisation or acquisition of the In-scope Relevant Development Product, and shall specify to the Seller the geographic markets in which it is interested in the opportunity (which need not be limited to the markets specified by the Seller and may be worldwide). If the Purchaser declines the same or confirms in writing that it is not interested, then the provisions of this Schedule shall cease to apply with respect to such In-scope Relevant Development Product for the following 24 months.

2. If the Purchaser confirms its interest in pursuing discussions, then, during the 6 month period from the date of such notification (the “Negotiation Period”):

2.1 the Seller shall not (and shall procure that no other member of its Group shall) enter into any discussions or negotiations with any third party in relation to possible co-development and commercialisation arrangements in respect of or the divestment of the In-scope Relevant Development Product in all territories specified by the Seller and/or the Purchaser in the foregoing notifications;

2.2 the Seller shall make available to the Purchaser, subject to reasonable obligations and appropriate arrangements of confidence and compliance, all information reasonably necessary for the Purchaser to assess the opportunity, including information regarding project budgets and costs, timelines and relevant clinical plans and data; and

2.3 the Seller and the Purchaser (or the relevant members of their respective Groups) shall negotiate in good faith, the terms and conditions of a co-development and commercialisation arrangement for or divestment of the In-Scope Relevant Development Product, including (without limitation) financial terms, allocation of costs

and responsibilities, project governance arrangements and appropriate intellectual property licences, which terms and conditions shall include (without limitation), exclusive commercialization rights in favour of the Purchaser with respect to the In-Scope Relevant Development Product and otherwise be reasonable and customary (for similarly situated products).

3. In the event that the Negotiation Period expires and the Seller and the Purchaser (or the relevant members of their respective Groups) have not entered into a binding agreement in relation to the co-development or commercialisation or acquisition of the In-scope Relevant Development Product, then the Seller (or the relevant member of its Group) shall be free:
- 3.1.1 to pursue the continued internal development and commercialisation of such In-scope Relevant Development Product; or
 - 3.1.2 at any time thereafter, to enter into discussions and/or negotiations with a third party in relation to the same, provided that for a period of 18 months after such expiration, the Seller shall not enter into an agreement with a third party involving any such co-development and/or commercialisation arrangement for or divestment of the In-scope Relevant Development Product on terms that are more favourable to the third party than those last offered by the Seller to the Purchaser without first notifying the Purchaser of the material terms thereof and offering the Purchaser the right to match the offer by entering into an agreement on such terms (or substantially similar terms if any of such terms are unique to the third party). In the event that such an offer is made by the Seller, the Purchaser shall have a period of 30 days to accept it. If the Purchaser does not do so within such period, then the Seller shall be free to proceed with the agreement with the third party on substantially such terms without further restrictions hereunder; provided, that, in the spirit of partnership, the Seller will in any event notify the Purchaser at least 5 days prior to entering into an agreement with a third party regarding such an arrangement or divestment, including (where not restricted by law or contract from doing so) the material terms thereof (it being understood that, other than as provided above, no match right will apply),

and, save as provided in paragraph 3.1.2 above, the provisions of this Schedule shall cease to apply with respect to such In-scope Relevant Development Product.

4. The provisions of this Schedule:

- 4.1 shall expire 12 years and six months after Closing unless renewed by mutual agreement;
- 4.2 shall apply subject to the Seller's existing written agreements with third parties, provided that the Seller represents and warrants that neither it nor any member of its Group is party to any agreement or arrangement with a third party which would materially impact the expected benefit to the Purchaser of the arrangement set out in this Schedule;

- 4.3** shall apply notwithstanding Clause 12.1 (Non-compete) and, subject to the provisions of this Schedule, shall not restrict any activities of the Seller's Group in relation to the research and development (including manufacturing for development) of or relating to Relevant Development Products;
- 4.4** shall not apply to situations where the Seller is seeking a third party partner for the co-development or commercialisation of a broad portfolio of products where the majority of such portfolio is not comprised of Relevant Development Products; and
- 4.5** for the avoidance of doubt, shall not apply to situations where the Seller is seeking a third party contractor to provide research or development services.

**Schedule 23
Seller Marks**

GLAXOSMITHKLINE

GLAXO

GSK

SMITHKLINE

SMITHKLINE BEECHAM

SB

STERLING

STIEFEL

WELLCOME

GLAXO WELLCOME

GSK Logo

GLAXOSMITHKLINE Logo

STIEFEL Logo

Schedule 24
Statement of Company Intra-Group Debt

Amount of the Company Intra-Group Debt in US\$, as determined by the Seller using the US\$ Spot Rate:

US\$ _____

Agreed and accepted:

For and on behalf of the Seller

For and on behalf of the Purchaser

For and on behalf of the Purchaser

Schedule 25
Delayed Jurisdictions

1. Definitions used in this Schedule

1.1 In this Schedule:

“**Bangladesh Business**” means the assets and liabilities transferring from GlaxoSmithKline Bangladesh Limited to the Designated Purchaser in accordance with this Agreement and the relevant Local Transfer Document;

“**Bangladesh Transfer Documents**” means the Local Transfer Document in respect of the transfer of the Bangladesh Business to the Designated Purchaser;

“**Contract Amount**” means the revenues minus the costs derived from the operation of a Contract in respect of a Delayed Business which, if Closing had occurred in respect of the relevant Delayed Business, would be a Transferred Contract, a Transferred Intellectual Property Contract, the Relevant Part of a Shared Business Contract or a Non-transferring Tender, but excluding any amounts taken into consideration in paragraph 4.2 of this Schedule 25;

“**Controlled Delayed Business**” means a Delayed Business other than a Non-Controlled Delayed Business;

“**Delayed Business Representative**” has the meaning given to in paragraph 3.3 of this Schedule 25;

“**Delayed Employee Costs**” means the FTE costs incurred by the Seller’s Group in connection with the employment of the Delayed Employees by the Seller’s Group as provided in paragraph 12.2 of Schedule 8;

“**Delayed Indemnity Parties**” has the meaning given to it in paragraph 3.12 of this Schedule 25;

“**Delay Milestone**” means the milestone set out next to the relevant Delayed Business in the Appendix to this Schedule;

“**Delay Period**” has the meaning given to it in paragraph 4.1 of this Schedule 25;

“**Foreign Business Licence**” means a foreign business certificate or a foreign business licence from the Thailand Ministry of Commerce to provide transitional services and/or transitional distribution services in Thailand;

“**Incremental Delay Liabilities**” has the meaning given to it in paragraph 3.12 of this Schedule 25;

“**India Business**” means the assets and liabilities transferring from GlaxoSmithKline Pharmaceuticals Limited to the Designated Purchaser in accordance with this Agreement and the relevant Local Transfer Document;

“**India Transfer Documents**” means the Local Transfer Document in respect of the transfer of the India Business to the Designated Purchaser; and

“**Non-Controlled Delayed Business**” means each of the Bangladesh Business, the India Business and the Ukraine Business;

“**Profit**” means the profit or loss deriving from sales of the Products by a Delayed Business in the relevant period calculated in accordance with clause 4.1 of the Transitional Distribution Services Agreement;

“**Provider Costs**” means those costs set out in clause 4.3(E) to (G) (inclusive) of the Transitional Distribution Services Agreement;

“**R&D Costs**” mean the research and development costs which do not arise under or relate to a Clinical Trial Agreement incurred by any member of the Seller’s group in relation to Ongoing Clinical Trials undertaken directly by the Seller’s Group but excluding any Delayed Employee Costs; and

“**Saudi Business**” means the assets and liabilities transferring from Glaxo Saudi Arabia Limited to the Designated Purchaser in accordance with this Agreement and the relevant Local Transfer Document;

“**Saudi Transfer Documents**” means the Local Transfer Document in respect of the transfer of the Saudi Business to the Designated Purchaser;

“**Seller Involvement Instruction**” has the meaning given to it in paragraph 3.9 of this Schedule 25;

“**Thailand Business**” means the assets and liabilities transferring from GlaxoSmithKline (Thailand) Limited to the Designated Purchaser in accordance with this Agreement and the relevant Local Transfer Document;

“**Thailand Transfer Documents**” means the Local Transfer Document in respect of the transfer of the Thailand Business to the Designated Purchaser;

“**Ukraine Business**” means the assets and liabilities transferring from GlaxoSmithKline Pharmaceuticals Ukraine LLC to the Purchaser in accordance with this Agreement and the relevant Local Transfer Document; and

“**Ukraine Transfer Document**” means the Local Transfer Document in respect of the transfer of the Ukraine Business to the Designated Purchaser.

- 1.2 The parties agree that legal ownership of the Delayed Businesses shall not be transferred by the Seller to the Purchaser at Closing but that the Delayed Businesses shall be operated by Seller and that the benefit and burden of such Delayed Business shall be for the Purchaser with effect from the Effective Time on the terms set out in this Schedule.
- 1.3 The Seller and the Purchaser shall (and shall procure that their respective Affiliates shall) use all reasonable endeavours to procure the achievement of each Delay Milestone as soon as possible after the Closing Date.
- 1.4 Delayed Closing in respect of a Delayed Business shall occur on the date which is the last Business Day of the month in which the relevant Delay Milestone has been achieved except that:
 - 1.4.1 where the last day of such month is not a Business Day, the Delayed Closing shall take place on the first Business Day of the following month; and

- 1.4.2 where less than five (5) Business Days remain between achievement of the Delay Milestone and the last Business Day of the month, Delayed Closing shall take place:
- (i) on the last Business Day of the following month;
 - (ii) where the last day of such month is not a Business Day, the Delayed Closing shall take place on the first Business Day of the month following the month referred to in paragraph 1.4.2(i) of this Schedule 25; or
 - (iii) on such other date as may be agreed between the Purchaser and the Seller, (the “**Delayed Closing Date**”).

2. Obligations on Delayed Closing Date

2.1 The Sellers’ Obligations

On each Delayed Closing Date, the Seller shall deliver to the Purchaser any relevant Ancillary Agreements relating to the Delayed Business (including, without limitation, any Local Transfer Documents) duly executed by the relevant member of the Seller’s Group.

2.2 The Purchaser’s Obligations

2.2.1 On each Delayed Closing Date, the Purchaser shall deliver to the Seller any relevant Ancillary Agreements relating to the Delayed Business (including, without limitation, the Local Transfer Documents) duly executed by the relevant member of the Purchaser’s Group.

2.2.2 For the purposes of compliance with paragraphs 2.1 and 2.2.1 of this Schedule 25, the Seller and the Purchaser shall, between the date of this Agreement and the Delayed Closing Date, negotiate in good faith any and all Ancillary Agreements relating to the Delayed Business (including, without limitation, if required, any Local Transfer Documents) such that they are consistent with the equivalent Ancillary Agreements executed at Closing and shall take all such steps as are required to transfer the Delayed Businesses in accordance with this Agreement and the other Ancillary Agreements.

2.3 Tax Indemnity

References in paragraphs 2.1 to 2.2 above to Ancillary Agreements shall not include the Company Tax Indemnity, the Direct Indemnity or the Purchaser Tax Indemnity.

3. Management and Control of Delayed Business

3.1 To the maximum extent permissible by Applicable Law and the terms of the Product Approvals and Product Expansion Applications, the parties intend that, pursuant to this Schedule 25, all management and control rights and powers that the Seller (or any member of the Seller’s Group) has in relation to a Controlled Delayed Business shall transfer to the Purchaser with effect from Closing.

3.2 As soon as reasonably practicable after Closing, the Purchaser shall notify the Seller of the names of its personnel permitted to provide Controlled Business Instructions (“**Instructing Personnel**”) and the Seller shall be entitled to rely on and act in accordance with Controlled Business Instructions from Instructing Personnel without further verification. Instructions

provided by or on behalf of the Purchaser shall not be required to be in writing if they are provided by the Instructing Personnel. The Purchaser shall be free to change its Instructing Personnel from time to time by providing 10 Business Days' written notice to the Seller's Delayed Business Representative.

- 3.3 In order to cooperate in managing the implementation of the provisions of this Schedule, the Seller and the Purchaser shall each notify the other of the identity of a senior member of management (the “**Delayed Business Representative**”) who shall be the primary point of contact in the event that there is any issue in connection with the operation of the provisions in this Schedule. The parties shall notify each other in writing of the contact details for their respective Delayed Business Representatives from time to time.
- 3.4 From Closing until the relevant Delayed Closing Date, in respect of any Controlled Delayed Business, the Seller (or relevant member of the Seller's Group) shall:
- 3.4.1 subject to paragraph 3.10 of this Schedule 25 and to the maximum extent permitted by Applicable Law and the terms of any relevant Product Approvals and Product Expansion Applications, act in accordance with any instructions provided to it by any of the Instructing Personnel in relation to any aspect of the management and operation of that Controlled Delayed Business or any part of it, whether in relation to sales, marketing, distribution, research and development or any other activities of that Controlled Delayed Business, the making (or otherwise) of expenditure, investments, employee matters (including the hiring or dismissal of any Delayed Employee), and in each case with the effect that the Purchaser shall have, to the maximum extent permissible by Applicable Law and the terms of any relevant Product Approvals or Production Expansion Applications, the same powers in relation to the relevant Controlled Delayed Business as it would have following the Delayed Closing Date of that Controlled Delayed Business (in each case, a “**Controlled Business Instruction**”);
- 3.4.2 comply with the provisions of Schedule 6 in relation to Product Approvals and Product Expansion Applications relating to the Controlled Delayed Businesses; and
- 3.4.3 except to the extent otherwise instructed by the Purchaser's Instructing Personnel in accordance with this paragraph 3.4 or as required by Schedule 6, ensure that the Controlled Delayed Business is carried on in the ordinary course of business consistent with past practice in relation to that Controlled Delayed Business, and provided that the Seller shall not be required pursuant to a Controlled Business Instruction to take any action (or omit to take any action) in relation to any of its business (or the business of the Seller's Group) that is not a Delayed Business.
- 3.5 The provisions of Clause 5 and Schedule 19 shall not apply in respect of any Controlled Delayed Business following Closing and the provisions of Clause 12.1 shall not apply in respect of any Delayed Business from Closing.
- 3.6 The Purchaser shall (or shall procure that its Affiliates shall) supply such assistance and access (including the supply of products, the supply of services and access to Transferred Books and Records and Commercial Information, but excluding any access to Intellectual Property Rights except as referred to in paragraph 3.7 below) as shall be reasonably necessary to allow the Seller to operate each Delayed Business in accordance with this Schedule.

- 3.7 The Purchaser shall (or shall procure that its Affiliates shall) grant the Seller from Closing a non-exclusive, fully paid up, royalty free and sub-licensable licence or sub-licence (as applicable) to use, notwithstanding any other provision of this Agreement or any of the Ancillary Agreements, the Transferred Intellectual Property Rights and Intellectual Property Rights licensed to the Purchaser under any Ancillary Agreement for the sole purpose of (i) operating each Delayed Business in accordance with the provisions of this Schedule 25; and (ii) exercising the Seller's rights to research, Develop, Manufacture, and Commercialise the Ofatumumab Product in the Field solely in accordance with the Permitted Uses (as defined in the Ofatumumab Intellectual Property Licence Agreement). This licence shall continue on a country by country basis, in relation to each Delayed Business until the date on which that Delayed Business has been transferred by the Seller to the Purchaser in accordance with this Schedule.
- 3.8 Delayed Employees who are engaged in a Controlled Delayed Business shall report to the management of the Purchaser and shall be treated for such management and reporting purposes in the same way as any employee of the Purchaser's Group. Controlled Business Instructions may, accordingly, be given by the Instructing Personnel directly to any Delayed Employee engaged in a Controlled Delayed Business.
- 3.9 To the extent that the implementation of any Controlled Business Instruction requires an action or actions of a person employed by the Seller's Group who is not a Delayed Employee engaged in a Controlled Delayed Business (whether because Applicable Law prevents such Controlled Business Instruction from being made directly to a Delayed Employee or for any other reason) (a "**Seller Involvement Instruction**"), the Purchaser (or relevant member of the Purchaser's Group) shall also provide the Controlled Business Instruction, in writing (which may include email) to that Seller's Delayed Business Representative, specifying (i) that it is a Seller Involvement Instruction; (ii) the actions that are required to be taken by such person; and (iii) a reasonable time within which such actions are required to be taken.
- 3.10 The Seller and the Purchaser each acknowledges that the Seller's Delayed Employees shall continue to be bound by, and shall comply with, the employment policies and procedures (including terms and conditions and disciplinary procedures) of the Seller's Group that apply to employees of such Seller's Group.
- 3.11 Subject to paragraph 3.10 of this Schedule 25, the Seller and the Purchaser acknowledge that the Seller's Delayed Employees shall continue to be bound by, and shall comply with the policies of the Seller's Group provided that the Seller shall provide the Purchaser with copies of its operational and other policies that apply in relation to Controlled Delayed Businesses. In respect of such policies, the Purchaser may give notice to the Seller that it wishes a particular policy of the Purchaser's Group to apply in respect of a Controlled Delayed Business and/or the applicable Delayed Employees in addition to the Seller's equivalent policy. The Purchaser's equivalent policy shall apply to the applicable Delayed Employees from the date on which such Delayed Employees are given notice of the relevant policy. If a policy of the Seller and a policy of the Purchaser apply at the same time, if and to the extent there is any inconsistency or conflict between the two policies, the policy which requires behaviour that is least likely to expose the parties to legal, regulatory and/or compliance risk shall prevail.

- 3.12 The Purchaser hereby undertakes to the Seller (for itself and on behalf of each other member of such Seller's Group) and their respective directors, officers, employees and agents (excluding any Delayed Employees) (the "**Delayed Indemnity Parties**") that, with effect from the Effective Time, the Purchaser will indemnify on demand and hold harmless each of the Delayed Indemnity Parties against and in respect of any and all Liabilities, other than Liabilities in respect of Tax that are taken into account in calculating any amount pursuant to paragraph 4.2 of this Schedule 25, resulting directly or indirectly from any Controlled Delayed Business and/or from any Controlled Business Instruction to the extent that (i) such Liabilities are not Assumed Liabilities and (ii) the Delayed Indemnity Parties concerned would not have incurred such Liabilities if the Controlled Delayed Business in question had been transferred to the relevant member of the Purchaser's Group at Closing ("**Incremental Delay Liabilities**") but in any case excluding any such Liabilities to the extent that such Liabilities arise as a result of a breach of paragraph 3.15 of this Schedule 25.
- 3.13 If a Seller is of the opinion that any Controlled Business Instruction may result in any Liability that would fall to be indemnified pursuant to paragraph 3.12 of this Schedule 25, the Seller shall use its reasonable endeavours to inform (and procure that the members of the Seller's Group shall inform) the Purchaser of that opinion and the reasons for it as soon as reasonably practicable after reaching that opinion. The indemnity set out in paragraph 3.12 shall not be affected or limited in any way by any failure of any member of the Seller's Group so to inform the Purchaser.
- 3.14 The Purchaser shall not be entitled to make any claim for damages against a Seller in respect of a breach of a provision of this Schedule 25 otherwise than pursuant to a claim brought under paragraph 3.15 of this Schedule 25.
- 3.15 The Seller shall procure that:
- 3.15.1 for Controlled Business Instructions that are not Seller Involvement Instructions, neither it nor any of its Associated Persons shall act (or fail to act) fraudulently or with Gross Negligence in connection with the implementation of any Controlled Delayed Business or Controlled Business Instruction. "**Gross Negligence**" for these purposes means any act or failure to act by the Seller (or any of its Associated Persons that: (i) the Seller (or the relevant Associated Person) knew may create a risk of material harm to the relevant Controlled Delayed Business; (ii) was intended to cause such harm, or was done in reckless disregard of, or in wanton indifference to, such risk of harm; and (iii) in all the circumstances (having regard to both the probability and seriousness of such harm) was an unreasonable risk for the Seller (or the relevant Associated Person) to take; and
- 3.15.2 for Seller Involvement Instructions, neither it nor any of its Associated Persons shall act (or fail to act) fraudulently or negligently or in wilful default in connection with the implementation of the Seller Involvement Instruction and shall take no step which is intended to prevent the implementation of a Seller Involvement Instruction,
- but it shall not be a breach of this paragraph 3.15 (and shall accordingly not be acting with Gross Negligence for the purposes of this paragraph) to carry out any act, or fail to act, if to do so is:
- (i) required in connection with a Controlled Business Instruction;
 - (ii) required to comply with Applicable Law;

- (iii) required to implement or comply with the terms of this Agreement or any Ancillary Agreement; or
- (iv) taken to mitigate any other loss or damage to the Controlled Delayed Business which the Seller (or the relevant Associated Person) believes, acting reasonably and in good faith, could be material in the context of that Controlled Delayed Business.

In any event, no claim shall be made by the Purchaser (and the Purchaser shall ensure that no member of the Purchaser's Group shall make any claim) for any breach of any other provisions of this Agreement (or the provisions of any Ancillary Agreement) by a Seller (or any member of the Seller's Group) that occurs in order to comply with any Controlled Business Instruction.

- 3.16 Prior to the making of any claim under this Schedule 25, the parties shall use reasonable endeavours to escalate such matter first for consideration to the Delayed Business Representatives and then to the Purchaser's and the Seller's chief financial officers, for the purposes of seeking to resolve such matter within a period of 30 days following such escalation.
- 3.17 Subject to Applicable Law, the Seller shall, in the period between Closing and the relevant Delayed Closing Date, promptly upon request by the Purchaser provide (or procure that any member of its Group shall provide) the Purchaser and its representatives with access to:
 - 3.17.1 any books and records of the Seller's Group to the extent relating to any Delayed Business of the Seller; and
 - 3.17.2 any personnel of the Seller for the purposes of any requests for information from such personnel in relation to the Delayed Business.

For the avoidance of doubt, the parties shall take all steps necessary to ensure that no information is provided to the Purchaser or any person on behalf of the Purchaser which relates to any business of the Seller or any member of the Seller's Group other than the Controlled Delayed Business.

- 3.18 For the purposes of the Warranties deemed repeated by the Seller (on behalf of the relevant Business Seller) immediately before Closing pursuant to Clause 9.1.5, ownership of the Delayed Businesses shall be deemed to have transferred to the Purchaser at Closing.

Schedule 1 Non-Controlled Delayed Businesses

- 3.19 From Closing until the relevant Delayed Closing Date:
 - 3.19.1 the other provisions of paragraph 3 of this Schedule 25 shall not apply in respect of the Non-Controlled Delayed Businesses, with the exception of paragraphs 3.6, 3.7, 3.10, 3.17 and 3.18 which shall apply to the extent permitted by Applicable Law; and
 - 3.19.2 to the extent permitted by Applicable Law, the provisions of Clause 5 and Schedule 19 will continue to apply to the Non-Controlled Delayed Businesses and the Seller shall exercise such interests, rights and powers that the Seller has in respect of that Non-Controlled Business to the maximum extent that it is able in order to procure that the Non-Controlled Business is operated in accordance with Clause 5 and Schedule 19.

Schedule 2 Saudi Business

- 3.20 The Seller and the Purchaser agree that the Saudi Business need not transfer to the Purchaser (or a member of the Purchaser's Group) on a single date and the Purchaser and the Seller agree to cooperate to ensure that the relevant Assets and Employees shall transfer to the Purchaser (or a member of the Purchaser's Group or its designee) as soon as this is permitted by Applicable Law.
- 4. Economic transfer**
- 4.1 The economic benefit and burden of the Delayed Business which shall be for the account of the Purchaser in respect of each Delayed Business for the period from the Effective Time to the relevant Delayed Closing Date (the "**Delay Period**"), shall be calculated and paid in accordance with this paragraph 4.
- 4.2 The economic benefit or burden attributable to each Delayed Business during the Delay Period shall be calculated by the Seller on a monthly basis and shall be:
- 4.2.1 the Profit derived from sales of the Products by the relevant Delayed Business in the relevant month;
minus
- 4.2.2 the sum of the Provider Costs, the Delayed Employee Costs and the R&D Costs incurred by the relevant Delayed Business in the relevant month,
- provided that any cost which falls within more than one of the categories listed in sub-paragraph 4.2.2 shall not be counted more than once.
- 4.3 The provisions of clause 4 of the Transitional Distribution Services Agreement shall apply for the relevant Delay Period in respect of each Delayed Business as if such Delayed Business were subject to the provisions of clause 4 of that agreement from the Effective Time such that:
- 4.3.1 net sales received from the sale and distribution of the Products by each Delayed Business shall be calculated in accordance with clause 4.1(A) of the Transitional Distribution Services Agreement and be included in the relevant "Sales Report" provided to the Purchaser pursuant to clause 4.3 of the Transitional Distribution Services Agreement; but
- 4.3.2 the amount payable under any "Invoice" pursuant to clause 4.6 of the Transitional Distribution Agreement in respect of each Delayed Business shall be calculated in accordance with paragraph 4.2 above so as to include the relevant Provider Costs, Delayed Employee Costs and R&D Costs and shall be subject to paragraphs 4.4 to 4.6 (inclusive) below.
- 4.4 To the extent that the amount resulting from the calculation set out in paragraph 4.2 above results in a profit (an amount greater than zero) then, if the relevant Delayed Business is a Controlled Delayed Business, such amount shall be added to the amount to be remitted to the Purchaser (or the relevant member of the Purchaser's Group) in accordance with clause 4 of the Transitional Distribution Services Agreement.

- 4.5 To the extent that the amount resulting from the calculation set out in paragraph 4.2 above results in a loss (an amount less than zero) then, if the relevant Delayed Business is a Controlled Delayed Business, such amount shall be deducted from the amount to be remitted to the Purchaser (or the relevant member of the Purchaser's Group) in accordance with clause 4 of the Transitional Distribution Services Agreement.
- 4.6 In respect of each Non-Controlled Delayed Business, the accrued profit or loss (as calculated in accordance with paragraph 4.2 above) made by such Non-Controlled Delayed Business in the Delay Period, shall be added or deducted (as applicable) to the amount to be remitted to the Purchaser (or the relevant member of the Purchaser's Group) on the first date following the Delayed Closing Date in respect of such Non-Controlled Delayed Business on which any profit or loss would be remitted to the relevant member of the Purchaser's Group under clause 4 of the Transitional Distribution Services Agreement.
- 4.7 Within 30 days after the end of the Delay Period in respect of a Delayed Business the Seller (or relevant Business Seller) shall provide to the Purchaser (or relevant Business Purchaser) a statement setting out, in respect of the relevant Delayed Business:
- 4.7.1 the Contract Amount in respect of each Contract during the Delay Period; and
 - 4.7.2 details of any other revenue, cost or expense of the relevant Delayed Business during the Delay Period which is not a Contract Amount, has not been taken into account under paragraph 4.2 above, and which would need to be taken into account in order to put the Purchaser's Group and the Seller's Group in the same economic position they would have been in, taking into account any arrangements that would have been in place in respect of the Delayed Business pursuant to any Ancillary Agreement, had the Delayed Business transferred to the Purchaser at Closing,
- (the "**Draft Economic Benefit Statement**") and which shall include details of the components of the revenues, costs and expenses incorporated in the Draft Economic Benefit Statement and shall be accompanied by reasonable supporting information.
- 4.8 The Seller shall, and shall procure that the members of the Seller's Group (and, if applicable, its external accountants) shall, provide to the Purchaser and its Representatives, without charge, such access to their personnel, books and records, calculations and working papers as the Purchaser may reasonably request in connection with its review of the Draft Economic Benefit Statement (and the parties acknowledge that local market information that is not contained on central consolidation systems will only be requested where material in the context of the Draft Economic Benefit Statement as a whole), subject (where applicable) to the Purchaser providing such undertakings as the relevant external accountants may reasonably request, and provided that the Purchaser hereby undertakes to the Seller that it shall procure that each Representative of any member of the Purchaser's Group who has access to such information shall (i) keep any such information which is commercially sensitive (the "**Protected Information**") confidential and shall only disclose such information to, and discuss such information with, other such Representatives who are engaged in the review of the Draft Economic Benefit Statement; (ii) be expressly prohibited from communicating (in any form) any Protected Information to any other employee, agent, adviser or consultant of any member of the Purchaser's Group; and (iii) be subject to the above requirements whilst employed or engaged by any member of that Purchaser's Group in any capacity. The provisions of Clause 13 of this Agreement shall apply *mutatis mutandis* to such information including, for the avoidance of doubt, to allow (where permitted by that clause) disclosure of information otherwise prohibited to be communicated to any agent, adviser or consultant of the Purchaser's Group.

- 4.9 The Seller and the Purchaser shall meet within 10 Business Days after the delivery of each Draft Economic Benefit Statement to discuss in good faith and use their reasonable endeavours to agree within 20 Business Days of the commencement of such discussions (or such longer period as they may agree in writing) the contents of the Draft Economic Benefit Statement as soon as reasonably practicable and:
- 4.9.1 any dispute or difference in relation to the Draft Economic Benefit Statement shall be referred to the Co-Chairs appointed by the Seller and Purchaser in accordance with clause 12.1 of the Transitional Distribution Services Agreement, who shall be responsible for working within the protocols established between the Parties; and
 - 4.9.2 if such dispute is not resolved by such Co-Chairs within 10 Business Days, it shall be referred to the Committee (established under clause 12.1 of the Transitional Distribution Services Agreement) for determination;
 - 4.9.3 if such Committee is unable to resolve the dispute within 10 Business Days the dispute shall be referred to the Chief Financial Officer of the Seller and the Chief Financial Officer of the Purchaser for resolution and, if they are unable to resolve the matter within 10 Business Days, the dispute resolution process will be deemed to have been exhausted in respect of such dispute, and each Party shall be free to pursue the rights granted to it by this Agreement in respect of such dispute without further reference to this dispute resolution process.
- If the Purchaser and the Seller, or their representatives referred to in this paragraph 4.9 are able to agree the contents of the Draft Economic Benefit Statement, it shall be amended to reflect any changes which have been so agreed and shall then constitute the “**Economic Benefit Statement**” in respect of that Delayed Business for the relevant Delay Period.
- 4.10 The Contract Amount and the aggregate revenues and the aggregate costs and expenses referred to in paragraph 4.7.2, in each case as set out in the Economic Benefit Statement in respect of a Delayed Business, shall be added or deducted (as applicable) to the amount to be remitted to the Purchaser (or the relevant member of the Purchaser’s Group) on the first date on which any profit would be remitted to the relevant member of the Purchaser’s Group under clause 4 of the Transitional Distribution Services Agreement after either the agreement of the Economic Benefit Statement for such Delayed Business or the exhaustion of the dispute resolution process in accordance with paragraph 4.9 above in respect of the Draft Economic Benefit Statement or, if it is not practicable to make such an addition or deduction, the Seller and the Purchaser may agree that the Seller or the Purchaser (as applicable) shall make the necessary payment as is required to settle the Economic Benefit Statement.
- 4.11 The Seller shall provide to the Purchaser with equivalent information and audit rights in respect of sales of the Products or the calculation of Profit as the Purchaser would have received under the Transitional Distribution Services Agreement had the relevant Delayed Business transferred to the Purchaser on Closing. The parties agree that the information and audit rights set out in clause 27 of the Transitional Distribution Services Agreement shall apply *mutatis mutandis* to the Delayed Employee Costs and the R&D Costs.

**Appendix
Delayed Businesses**

| <u>Jurisdiction</u> | <u>Delayed Business</u> | <u>Delay Milestone</u> |
|---------------------|---|--|
| Bangladesh | GlaxoSmithKline Bangladesh Limited | The passing of a resolution of the board of Novartis (Bangladesh) Limited validly approving the acquisition of the Bangladesh Business by the Purchaser and the entry into of the Bangladesh Transfer Documents. |
| India | GlaxoSmithKline Pharmaceuticals Limited | The receipt by the parties of all necessary approvals, consents and filings from or with the Indian Foreign Investment Promotion Board in respect of the sale and transfer of the India Business and the India Transfer Documents. |
| Ukraine | GlaxoSmithKline Pharmaceuticals Ukraine LLC | The receipt by the parties of all necessary approvals, consents and filings from or with the Competition Commission of Ukraine in respect of the transfer of the Ukraine Business. |
| Saudi Arabia | Glaxo Saudi Arabia Ltd | As soon as reasonably practicable after Closing and by written agreement by the parties but no later than the Marketing Authorisation Transfer Date in respect of Saudi Arabia. |
| Thailand | GlaxoSmithKline (Thailand) Limited | The receipt by the relevant members of the Seller's Group of a Foreign Business Licence in respect of transitional services and/or transitional distribution services to be provided to the Purchaser in Thailand and, if required, the receipt by the relevant members of the Purchaser's Group of a Foreign Business Licence in respect of transitional services to be provided by the Purchaser's Group to the Sellers's Group. |

Schedule 26
Assets related to China

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 27
Transitional Trademark Licence

1. Transitional Trademark Use

1.1 Grant of Transitional Trademark Licence

1.1.1 Subject to the terms set out in this paragraph 1, the Seller hereby grants, and shall procure that each member of the Seller's Group shall grant (as applicable), to the Purchaser from Closing a non-exclusive, worldwide, royalty-free, non-assignable, licence without the right to sub-license (save with the prior written consent of the Seller which shall not be unreasonably withheld or delayed, or as otherwise permitted under paragraph 1.1.7) to use the Seller Marks:

- (i) subject to paragraph 1.1.3, on any websites (or related digital assets) which exclusively relate to any Product solely in the manner and to the extent such websites (or related digital assets) bear any Seller Marks as at the Closing Date, which licence shall, unless terminated earlier under paragraph 1.6, continue in force on a country by country basis for the longer of: (i) 6 months from the Marketing Authorisation Transfer Date or Marketing Authorisation Re-registration Date, as applicable, in accordance with Schedule 6; or (ii) for such period following the Closing Date as is required by Applicable Laws, provided that in either case the Purchaser shall, and shall procure that its sub-licensees shall, use all reasonable endeavours to cease such use of such Seller Marks as soon as reasonably practicable following the Closing Date ("**GSK Branded Websites**");
 - (ii) on any Products intended to be sold by the Business as the result of the Manufacturing and Supply Agreements or the Transitional Distribution Services Agreement solely in the manner and to the extent that those Products bear any Seller Marks as at the Closing Date or as is otherwise required by Applicable Law ("**GSK Branded Products**"); and
 - (iii) on any stationery, sales literature, patient information leaflets or similar documentation used in the Business, solely in the manner and to the extent such materials: (i) bear any Seller Marks as at the Closing Date; and (ii) relate to the GSK Branded Products ("**GSK Branded Literature**")
- (the "**Transitional Trademark Licence**").

1.1.2 Subject to paragraphs 1.1.3, 1.1.4, 1.1.5 and 1.1.6, in each case in respect of paragraphs 1.1.1(ii) and 1.1.1(iii), such licence shall, unless terminated earlier under paragraph 1.6, continue in force, on a country by country basis, in relation to each item of GSK Branded Product (or any GSK Branded Literature related to the same), as applicable, from the Closing Date for the longer of:

- (i) the period required by the Manufacturing and Supply Agreements or the Transitional Distribution Services Agreement, where applicable;
- (ii) the period until the Marketing Authorisation Transfer Date or Marketing Authorisation Re-registration, as applicable, in accordance with Schedule 6; or

- (iii) such period as is required by Applicable Law.
- 1.1.3** Subject always to paragraph 1.1.6, the parties shall co-operate in the consideration of an extension of any licences granted under this paragraph 1.1 in the event that it is reasonably necessary for any such licences to continue beyond the period contemplated in paragraph 1.1 and the Seller shall not unreasonably withhold its agreement to any such extension.
- 1.1.4** The Purchaser shall, and shall procure that its sub-licensees shall:
 - (i) use all reasonable endeavours to cease such use of the Seller Marks as soon as reasonably practicable following the Closing Date; and
 - (ii) use the Seller Marks in accordance with Applicable Law only.
- 1.1.5** Neither the Purchaser nor its sub-licensees shall have any rights under the licences granted in paragraphs 1.1.1(ii) and 1.1.1(iii) to use any of the Seller Marks in relation to any GSK Branded Products whose “sell-by date” or shelf life, as applicable, has passed or expired.
- 1.1.6** The licences granted under paragraphs 1.1.1(i) to 1.1.1(iii) shall expire after 24 months of the Closing Date (the “**Long Stop Expiry Date**”).
- 1.1.7** The Purchaser shall be entitled to sub-license its rights under the Transitional Trademark Licence to:
 - (i) any member of the Purchaser’s Group without the prior written consent of the Seller, provided that any act of the sub-licensee, which would if committed by the Purchaser be a breach of any of the terms applying to the Transitional Trademark Licence, shall be treated as an equivalent breach by the Purchaser of the terms of the Transitional Trademark Licence; and
 - (ii) if the Seller or the Purchaser determines that any sub-licensee under paragraph 1.1.7(i) is using any Seller Marks outside the scope of a permitted sub-license under this paragraph 1.1, the Purchaser promptly will cause the sub-licensee to cease such unpermitted use and will notify such sub-licensee that it is in material breach of its sub-license agreement. If the breach continues unremedied for a period of fifteen (15) calendar days after the Purchaser provides notice to such sub-licensee describing the nature of the breach, the Purchaser will, upon the Seller’s request, terminate the applicable sub-license and will cooperate with the Seller to enforce the Seller’s rights against such former sub-licensee as the Seller directs.

1.2 Reservation of Rights

The Seller reserves all rights in and to the Seller Marks. The Purchaser acknowledges and agrees that as between the Seller (or the relevant member of the Seller’s Group) and the Purchaser, the Seller (or the relevant member of the Seller’s Group) is the sole and exclusive owner of all right, title and interest in and to the Seller Marks, including all goodwill of the business connected with the use of, or symbolised by, the Seller Marks. All goodwill generated from the use of the Seller Marks by the Purchaser or its sub-licensees shall inure solely to the benefit of the Seller (or the relevant member of the Seller’s Group). Nothing in this paragraph 1 grants the Purchaser or its sub-licensees any ownership or other proprietary interest in any Seller Marks.

1.3 Restrictions on Use

- 1.3.1** The Purchaser shall have no right pursuant to this paragraph 1 to use or permit any other person to use, any of the Seller Marks as part of a corporate or trading name or to hold itself out or otherwise represent itself to be a member of, or to be associated or connected with, any member or business venture of the Seller's Group, or permit any other person to do that same.
- 1.3.2** Without limiting the generality of paragraph 1.2 above, the Purchaser will not, nor attempt to, nor permit, enable, or request any other person to:
- (i) use any Seller Marks in any manner, or engage in any other act or omission, that would impair the right of the Seller (or the relevant member of the Seller's Group) in and to the Seller Marks, including any act or omission that would invalidate or cause the cancellation or abandonment of any Seller Marks;
 - (ii) file, acquire or otherwise obtain any registration for or application to register any Trademark or domain name, or acquire, create or otherwise obtain any social media account that consists of, incorporates, uses, or is confusingly similar to any Seller Marks; whether with any Governmental Entity, internet domain name registrar, social media platform or otherwise (each, a "**Registration**");
 - (iii) adopt or use any variation, derivation or acronym of the Seller Marks or any word, symbol or Trademark that is confusingly similar to the Seller Marks (each, a "**Variation**");
 - (iv) use any Seller Marks with any other word, symbol or Trademark (other than a Trademark assigned or otherwise expressly transferred to the Purchaser pursuant to this Agreement) so as to form a composite Trademark (each, a "**Composite**");
 - (v) represent to any other person that it, any sub-licensee, or any other person (other than the Seller (or the relevant member of the Seller's Group) or its or their successors in interest to the Seller Marks) has or will have any ownership interest in any Seller Marks; or
 - (vi) grant or attempt to grant a security interest in or lien on, record any security interest or lien against, or otherwise encumber, any Seller Marks.

1.4 Transfer of Rights

If the Purchaser or any of its sub-licensees has or acquires any rights in or to the Seller Marks, or any Registrations, Composites or Variations, the Purchaser hereby irrevocably assigns, and will cause its sub-licensees to assign irrevocably, all such rights to the Seller. At the request of the Seller, the Purchaser will, and will procure that its sub-licensees will, execute any document, and perform any act reasonably necessary to obtain, or confirm the Seller's or its designee's exclusive ownership interest in and to the Seller Marks and

Registrations, in each applicable jurisdiction, including executing and delivering applications, oaths, declarations, affidavits, waivers, assignments and other documents.

1.5 Quality Control

- 1.5.1** The Purchaser will use, and cause its sub-licensees to use, the Seller Marks under the terms of this paragraph 1 solely in a manner consistent with the operation of the Business immediately prior to the Closing Date.
- 1.5.2** The Purchaser will comply, and will cause its sub-licensees to comply, with any specifications, standards and directions that the Seller may provide in writing from time to time relating to the use of the Seller Marks under this paragraph 1.
- 1.5.3** Concerning any GSK Branded Products manufactured by the Seller or its Affiliates, or by any third party in privity of contract with the Seller or its Affiliates, the Purchaser will not tamper, modify or otherwise take any action, and will procure that its sub-licensees will not tamper, modify or otherwise take any action, to affect the quality of such GSK Branded Products.
- 1.5.4** Concerning any GSK Branded Products manufactured by the Purchaser or its sub-licensees, or by any third party in privity of contract with the Purchaser or its sub-licensees, the Purchaser will ensure that such GSK Branded Products at all times meet or exceed (i) the quality and manufacturing standards of similar products in the GSK Branded Products' industry; (ii) the Good Manufacturing Practices applicable to such GSK Branded Products, as updated from time to time; (iii) any other standards imposed by the applicable Governmental Entities; and (iv) any specifications and quality provisions set forth in any agreement entered into by the Parties in connection with this Agreement. The Purchaser will notify the Seller in the event that any Product does not meet such standards.
- 1.5.5** 1.5.5 Except where GSK Branded Literature originate with the Seller or the Seller's Affiliates, the Purchaser will, to the extent physically practicable, include, and will procure that its sub-licensees will include on all GSK Branded Literature and GSK Branded Websites that bear the Seller Marks: (i) a statement that the Seller Marks used thereon is a Trademark of the Seller and used under license (or any similar statement required by the Seller concerning the status of the Seller Marks), and (ii) the symbols "®," "TM" or other notice required by the applicable Governmental Entity in proximity to each prominent use of the Seller Marks, all in line with the current practices applied by the Seller or its Affiliates prior to the Closing Date.

1.6 Termination of the Transitional Trademark Licence

- 1.6.1** The Seller may terminate the Transitional Trademark Licence and the rights granted to the Purchaser under the same at any time by providing notice of termination to the Purchaser if:
- (i) the Purchaser commits a material breach of this paragraph 1 and the breach continues un-remedied for two months after the Seller provides notice to the Purchaser describing the nature of the material breach.
 - (ii) the Purchaser contests, challenges or otherwise makes any claim or takes any action adverse to the Seller's (or the relevant member of the Seller's Group) ownership of or interest in, or the validity of, the Seller Marks, including in any proceeding before any Governmental Entity.

**Schedule 28
Local Payments**

Part 1 Local payments to be funded on Closing

| (1) Jurisdiction | (2) Relevant member of Purchaser's Group | (3) Business Seller | (4) Local Payment Amount |
|---------------------|--|------------------------|--------------------------------|
| [***] | [***] | [***] | [***] |
| [***] | [***] | [***] | [***] |

Part 2 Local payments to be funded post-Closing

| (1) Jurisdiction | (2) Relevant member of Purchaser's Group | (3) Business Seller | (4) Local Payment Amount |
|---------------------|--|------------------------|--------------------------------|
| [***] | [***] | [***] | [***] |
| [***] | [***] | [***] | [***] |

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 29
Excluded Employees

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

Schedule 30
China Product Trademarks

| <u>Trademark</u> | <u>Country</u> | <u>Application No.</u> | <u>Application Date</u> | <u>Registration No.</u> | <u>Registration Date</u> | <u>Owner</u> |
|---|--------------------------|------------------------|-------------------------|-------------------------|--------------------------|-----------------------------------|
| HYCAMTIN in simplified chinese (he mei xin) | China (Peoples Republic) | 950130759 | 19/Oct/1995 | 1014870 | 28/May/1997 | SmithKline Beecham Limited |
| ZOFRAN | China (Peoples Republic) | 8940790 | 14/Nov/1989 | 533169 | 10/Nov/1990 | Glaxo Group Limited |
| ZOFRAN IN CHINESE 3 | China (Peoples Republic) | 8940793 | 14/Nov/1989 | 533171 | 10/Nov/1990 | Glaxo Group Limited |
| ZOFRAN IN CHINESE 3 | China (Peoples Republic) | 91018152 | 08/May/1991 | 590079 | 10/Apr/1992 | Glaxo Group Limited |
| TYKERB and device | China (Peoples Republic) | 6421611 | 06/Dec/2007 | 6421611 | 28/Mar/2010 | SmithKline Beecham (Cork) Limited |
| TYKERB and device (in colour) (purple/green) | China (Peoples Republic) | 6421610 | 06/Dec/2007 | 6421610 | 28/Mar/2010 | SmithKline Beecham (Cork) Limited |
| TYKERB in simplified chinese (tai ke) (great, capability) | China (Peoples Republic) | 6184680 | 25/Jul/2007 | 6184680 | 28/Feb/2010 | SmithKline Beecham (Cork) Limited |
| TYKERB in simplified chinese (tai ke) (great, science) | China (Peoples Republic) | 6184679 | 25/Jul/2007 | 6184679 | 28/Feb/2010 | SmithKline Beecham (Cork) Limited |
| TYKERB in simplified chinese (tai li sha) | China (Peoples Republic) | 2000107409 | 20/Jul/2000 | 1620407 | 21/Aug/2001 | SmithKline Beecham (Cork) Limited |

Schedule 31
Anti-bribery and corruption

1. Anti-bribery and corruption

- 1.1** Each of the Purchaser and the Seller requires compliance with the highest ethical standards and all anti-corruption laws applicable in the countries in which the Purchaser's Group or the Seller's Group (as the case may be) (whether through a third party or otherwise) conducts business.
- 1.2** Each of the Purchaser and the Seller requires the members of the Purchaser's Group or the Seller's Group (as the case may be), their employees and any third party acting for or on behalf of the party, its members or their employees to ensure that all dealings with third parties, both in the private and government sectors, are carried out in compliance with all Applicable Law and with the required standards of integrity. Each party values integrity and transparency and does not tolerate corrupt activities of any kind, whether committed by its employees, officers, or third-parties acting for or on its behalf.
- 1.3** In performing this Agreement or any of the Ancillary Agreements, each of the Purchaser and the Seller shall (and shall procure that each member of the Purchaser's Group or the Seller's Group (as the case may be) shall):
- 1.3.1** comply with all Applicable Law, including but not limited to applicable anti-corruption laws, of the territory in which the party or the relevant member of the Purchaser's Group or the Seller's Group (as the case may be) conducts business with the other party or the relevant member of the Seller's Group or the Purchaser's Group (as the case may be);
 - 1.3.2** covenant that it has not, and covenants that it will not, in connection with the performance of this Agreement or any of the Ancillary Agreements, directly or indirectly, promise, authorise, ratify or offer to make or make any Payments of Anything of Value to any individual (or at the request of any individual) including a Government Official for the improper purpose of influencing or inducing or as a reward for any act, omission or decision to secure an improper advantage or to improperly assist the Seller's Group or the Purchaser's Group in obtaining or retaining business; and
 - 1.3.3** covenant that it has not, and covenants and that it will not, in connection with the performance of this Agreement or any of the Ancillary Agreements, directly or indirectly, promise, authorise, ratify or offer to make or make any Facilitating Payments to any individual (or at the request of any individual) including a Government Official.

In this Schedule:

“**Anything of Value**” includes cash or cash equivalents, gifts, services, employment offers, loans, travel expenses, entertainment, political contributions, charitable donations, subsidies, per diem payments, sponsorships, honoraria or provision of any other asset, even if nominal in value;

“Facilitating Payments” (otherwise known as “greasing payments”) means any payment to an individual to secure or expedite the performance of a routine government action by government officials.

“Government Official” means: (i) any officer or employee of a government or any department, agency or instrument of a government; (ii) any person acting in an official capacity for or on behalf of a government or any department, agency, or instrument of a government; (iii) any officer or employee of a company or business owned in whole or part by a government; (iv) any officer or employee of a public international organisation such as the World Bank or United Nations; (v) any officer or employee of a political party or any person acting in an official capacity on behalf of a political party; and/or (vi) any candidate for political office.

“Payments” includes any direct or indirect offers to pay, promises to pay, authorisations of or payments of anything of value.

The terms defined in this Schedule should be construed broadly to give effect to the letter and spirit of each party’s ethical standards.

Schedule 32
Ukraine Business

1. From Closing until the date on which the parties receive all necessary approvals, consents and filings from or with the Antimonopoly Committee of Ukraine in respect of the concentration intended to be effected through the transfer of the Ukraine Business in accordance with this Agreement (such date, the “**Ukraine Clearance Date**”), the Purchaser and the Seller shall ensure, to the extent each is legally able, that no competitively sensitive information in relation to the Ukraine Business shall be provided to anybody other than: (i) any Delayed Employees located in the Ukraine; and (ii) other employees of any member of the Seller’s Group located outside of the Ukraine who strictly need access to such competitively sensitive information in order to operate the Ukraine Business.
2. From Closing until the Ukraine Clearance Date, the Purchaser shall not, and shall have no right to, exercise any management control over or in relation to the Ukraine Business or any part of the Ukraine Business, there shall be no transfer of any commercially sensitive information between the Sellers and the Purchaser in relation to the Ukraine Business and the Seller shall ensure that the Ukraine Business is in no way held out to any person as being related to the Purchaser.
3. The parties agree that from Closing until the Ukraine Clearance Date:
 - (i) the Ukraine Business shall constitute a Delayed Business for the purposes of this Agreement;
 - (ii) to the extent permitted by Applicable Law, the provisions of paragraphs 3.6, 3.7, 3.10, 3.18 and 3.19 of Schedule 25 shall apply in respect of the Ukraine Business;
 - (iii) the provisions of paragraph 4 of Schedule 25 shall not apply in respect of the Ukraine Business and, after the Ukraine Clearance Date such provisions shall apply with respect to the entire period from the Effective Time until Delayed Closing in respect of the Ukraine Business; and
 - (iv) if and to the extent permitted by Applicable Law, the provisions of Clause 5 and Schedule 19 will continue to apply to the Ukraine Business.

For the avoidance of doubt, the parties agree that during the period from Closing until the Ukraine Clearance Date, the Seller shall not exercise any control over, or derive any economic benefit from, any Intellectual Property Rights relating to the oncology business of the Purchaser’s Group in the Ukraine.

CONFIDENTIAL TREATMENT REQUESTED

EXECUTION VERSION

DATED 2 March 2015

SETFIRST LIMITED

and

NOVARTIS HOLDING AG

and

NOVARTIS FINANCE CORPORATION

and

GLAXOSMITHKLINE PLC

and

NOVARTIS AG

and

GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED

SHAREHOLDERS' AGREEMENT

in relation to GlaxoSmithKline Consumer Healthcare Holdings Limited

Slaughter and May
One Bunhill Row
London EC1Y 8YY
(RJZS/SVKW/CLXJ)

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THIS AGREEMENT is made on 2 March 2015

BETWEEN:

1. **SETFIRST LIMITED**, a company incorporated under the laws of England under registered number 2332323 whose registered office is at 980 Great West Road, Brentford, Middlesex TW8 9GS (the “**First GSK Shareholder**”);
2. **NOVARTIS HOLDING AG**, a company limited by shares (Aktiengesellschaft) registered in the Commercial Register of Basel-Stadt, Switzerland under number CHE-103.959.690 whose registered office is at Lichstrasse 35, 4056 Basel (the “**First Novartis Shareholder**”);
3. **NOVARTIS FINANCE CORPORATION**, a company incorporated under the laws of New York with an office at 230 Park Avenue, New York, NY 10169 (the “**Second Novartis Shareholder**”);
4. **GLAXOSMITHKLINE PLC**, a company incorporated under the laws of England under registered number 3888792 whose registered office is at 980 Great West Road, Brentford, Middlesex TW8 9GS (“**GSK**”);
5. **NOVARTIS AG**, a share corporation (Aktiengesellschaft) registered in the Commercial Register of the Canton of Basel-Stadt, Switzerland under number CHE-103.867.266 and whose address is Lichstrasse 35, 4056 Basel (“**Novartis**”); and
6. **GLAXOSMITHKLINE CONSUMER HEALTHCARE HOLDINGS LIMITED**, a company incorporated under the laws of England under registered number 8998608 whose registered office is at 980 Great West Road, Brentford, Middlesex TW8 9GS (the “**Company**”).

WHEREAS:

- (A) The Shareholders (as defined below) have agreed to establish the Company to own and operate the Business (as defined below) and to enter into this agreement for the purpose of regulating the management of the Company, their relationship with each other and certain aspects of the affairs of, and their dealings with, the Company.
- (B) Each Guarantor (as defined below) has agreed to guarantee the obligations of its Guaranteed Parties (as defined below) under this agreement.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 In this agreement:

| | |
|-------------------------------------|---|
| [***] | [***] |
| “A Director” | means a Director appointed by the First GSK Shareholder pursuant to <u>clause 6.1</u> (Shareholder Appointments) and unless otherwise stated includes the duly appointed alternate of such a Director (with the initial A Directors being those persons notified to the Company pursuant to <u>clause 2.1(B)</u> (Establishment of the Company)); |
| “A Share Acquisition Notice” | has the meaning given in <u>clause 19.3</u> (GSK Transfer and Novartis Right of First Refusal and Tag Right); |
| “A Share Conditions” | has the meaning given in <u>clause 19.3(A)</u> (GSK Transfer and Novartis Right of First Refusal and Tag Right); |
| “A Share Offer” | has the meaning given in <u>clause 19.2</u> (GSK Transfer and Novartis Right of First Refusal and Tag Right); |
| “A Share Offer Notice” | has the meaning given in <u>clause 19.2</u> (GSK Transfer and Novartis Right of First Refusal and Tag Right); |
| “A Share Offer Period” | has the meaning given in <u>clause 19.3</u> (GSK Transfer and Novartis Right of First Refusal and Tag Right); |
| “A Share Offer Price” | has the meaning given in <u>clause 19.2(J)</u> (GSK Transfer and Novartis Right of First Refusal and Tag Right); |
| “A Shares” | means the A ordinary shares in the capital of the Company having the rights and restrictions set out in the Articles of Association, and which, as at the date of this agreement, represent 63.5 per cent. of the ordinary share capital of the Company; |
| “A/B Share Purchaser” | has the meaning given in <u>clause 19.2</u> (GSK Transfer and Novartis Right of First Refusal and Tag Right); |
| “ABAC Policies and | means, in relation to any company, its policies, |

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

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| Procedures | systems, controls and procedures applicable from time to time that (i) are designed to prevent it and its Associated Persons from violating any applicable Anti-Bribery Law, and (ii) provide for internally reporting violations and suspected violations of any applicable Anti-Bribery Law and any applicable generally accepted standards of business ethics and conduct, and for ensuring that all such reports are fully investigated and acted upon as appropriately; |
| “ABAC Programme” | has the meaning given in <u>clause 25.4(B)</u> (Shareholder Undertakings); |
| “Accounting Period” | means the period commencing on 1 January in any year and ending on 31 December in the same year or such other accounting period as may be adopted by the Company in accordance with <u>clause 4</u> (Reserved Matters); |
| “Accounting Policies” | means the accounting policies, practices and procedures of GSK’s Group as at the Completion Date, as they may be amended or varied from time to time in accordance with the provisions of this agreement, including <u>clause 4</u> (Reserved Matters); |
| “Accounts” | in respect of any Accounting Period, means the audited consolidated accounts of the Company’s Group for such Accounting Period produced in accordance with the Accounting Policies; |
| “Adjusted Put Closing Balance Sheet” | has the meaning given in <u>clause 20.12</u> (Novartis Put Option); |
| “Affiliate” | means, in relation to any person (the “ relevant person ”): <ul style="list-style-type: none"> (i) any person Controlled by the relevant person (whether directly or indirectly); (ii) any person Controlling (directly or indirectly) the relevant person; and (iii) any person Controlled (whether directly or indirectly) by any person Controlling the relevant person, provided that any Delayed Business shall not |

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| | constitute an “Affiliate” of the Company unless, and until, the relevant Delayed Closing Date for such Delayed Business. |
| “Agreed Terms” | means, in relation to a document, such document in the terms agreed between the Shareholders’ and initialled for identification purposes by GSK’s Lawyers and Novartis’s Lawyers, with such alterations as may be agreed in writing between the parties from time to time; |
| “Alliance Market Business” | has the meaning given to it in the Contribution Agreement; |
| “Alliance Market Distribution Agreement” | has the meaning given in clause 10.1; |
| “Alliance Market Financial Target Report” | means an annual report on performance targets (on an aggregate basis) in respect of Alliance Market Businesses in the form set out in the Alliance Market Reporting Template; |
| “Alliance Market Quarterly Report” | means a quarterly report in respect of the Alliance Market Businesses in the form set out in the Alliance Market Reporting Template; |
| “Alliance Market Reporting Template” | means the document entitled “Alliance Markets Reporting: Information and Governance Requirements” in the Agreed Terms; |
| “Alliance Market Transfer Pricing Report” | means an annual report setting out any transfer pricing changes and underlying margin analysis, in particular gross margin and advertising and promotion spend actuals and targets by market, in the form set out in the Alliance Market Reporting Template; |
| “Anti-Bribery Law” | means (i) the Bribery Act, (ii) the FCPA, as amended, and the rules and regulations issued thereunder, and (iii) any other Law that relates specifically to bribery and/or corruption; |
| “Articles of Association” | means the articles of association of the Company, in the Agreed Terms, as amended from time to time in accordance with the provisions of this agreement, including <u>clause 4</u> (Reserved Matters); |

| | |
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| “Associated Person” | means, in relation to a person, a person (including any director, officer, employee, agent or other intermediary) who performs services for or on behalf of that person or who holds shares of capital stock, partnership interests, limited liability company membership interests or units, shares, interests or other participations in that person (in each case when performing such services or acting in such capacity); |
| “B Director” | means a director of the Company appointed by the First Novartis Shareholder pursuant to <u>clause 6.2</u> (Shareholder Appointments) and unless otherwise stated includes the duly appointed alternate of such a Director (with the initial B Directors being those persons notified to the Company pursuant to <u>clause 2.1(C)</u> (Establishment of the Company)); |
| “B Share Acquisition Notice” | has the meaning given in <u>clause 1.3</u> (Novartis Transfer and GSK Right of First Refusal); |
| “B Share Conditions” | has the meaning given in <u>clause 18.3(A)</u> (Novartis Transfer and GSK Right of First Refusal); |
| “B Share Offer” | has the meaning given in <u>clause 18.2</u> (Novartis Transfer and GSK Right of First Refusal); |
| “B Share Offer Notice” | has the meaning given in <u>clause 18.2</u> (Novartis Transfer and GSK Right of First Refusal); |
| “B Share Offer Period” | has the meaning given in <u>clause 18.3</u> (Novartis Transfer and GSK Right of First Refusal); |
| “B Share Offer Price” | has the meaning given in <u>clause 18.2(J)</u> (Novartis Transfer and GSK Right of First Refusal); |
| “B Share Purchaser” | has the meaning given in <u>clause 18.2</u> (Novartis Transfer and GSK Right of First Refusal); |
| “B Shares” | means the B ordinary shares in the capital of the Company having the rights and restrictions set out in the Articles of Association and which, as at the date of this agreement, represent 36.5 per cent. of the ordinary share capital of the Company; |
| “Base Cash Amount” | means an amount equal to [***]; |

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“Board”

means the board of directors of the Company;

“Borrowings”

means, in relation to any person or persons, the aggregate of all borrowings and indebtedness in the nature of borrowings of such person or persons for the payment or repayment of money, including any bank debit balances, bonds, notes, loan stock, debentures or other debt instruments, forex, interest rate or other swaps, hedging obligations, bills of exchange, recourse obligations on factored debts and obligations under other derivative instruments, any overdraft or any finance lease and also any interest on the foregoing items, but excluding:

- (i) any amount owing under any Shareholder Loans;
- (ii) trade credit and bank account overdraft positions, each in the ordinary course of trading (including any intra-day or daylight bank overdraft facilities);
- (iii) interest rate and foreign exchange hedging activities carried out in the ordinary course for non-speculative purposes;
- (iv) acceptances of trade bills in respect of purchases in the ordinary course of trading; and
- (v) any amount owing from one member of the Company’s Group to another member of the Company’s Group;

“Bribery Act”

means the UK Bribery Act 2010;

“Business”

means the business of the Company’s Group from time to time, as described in clause 3 (Business of the Company’s Group), as may be amended in accordance with the provisions of this agreement, including clause 4 (Reserved Matters);

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| “Business Day” | means a day which is not a Saturday, a Sunday or a public holiday in the Canton of Basel-Stadt (Switzerland), New York or the United Kingdom; |
| “Business Plan” | means any initial or revised business plan for the Company’s Group (including any Delayed Businesses and Alliance Market Businesses, each as defined in the Contribution Agreement) adopted by the Board from time to time in accordance with the provisions of this agreement, including <u>clause 5</u> (Business Plan); |
| “Cash” | means cash at bank and cash in hand (and not cash equivalents or other instruments); |
| “CEO” | means the chief executive officer of the Company; |
| “CEO Terms of Reference” | means the terms of reference under and subject to which management authority is delegated by the Board to the CEO (the initial form of which is in the Agreed Terms) or, as the context requires, any subsequent or amended terms of reference adopted by the Company in accordance with the provisions of this agreement, including <u>clause 4</u> (Reserved Matters); |
| “CFO” | means the chief financial officer of the Company; |
| “Chairman” | means the chairman of the Board; |
| “Company D&O Policy” | has the meaning given in <u>clause 25.3</u> (Shareholder Undertakings); |
| “Competing Business” | means any business involved in the researching and developing, manufacturing, distributing, marketing, selling, promotion and/or other commercialisation of any Consumer Healthcare Product(s); |
| “Completion” | has the same meaning as given to the defined term “Closing” in the Contribution Agreement; |
| “Completion Board Resolutions” | means the written resolutions of the Board, in the Agreed Terms, authorising certain matters pursuant to the Articles of Association, as amended from time to time in accordance with this agreement, including <u>clause 4</u> (Reserved Matters); |

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| “Completion Date” | means the date on which Completion occurs; |
| “Connected Persons” | means, in relation to a party, any member of its Group and any officer, employee, agent, adviser or representative of that party or any member of its Group, in each case, from time to time; |
| “Consumer Healthcare Product” | means, in respect of any jurisdiction, any oral care, nutritional care, skin care or other cosmetic or healthcare product or device of any kind, in each case, for the treatment of, or use by, human beings which is available without, or both with and without, a prescription, but excluding any such product or device that is subject to the same regulatory classification and/or regulatory treatment (including in relation to advertising) as a product or device that is available only with a prescription; |
| “Contribution Agreement” | means the contribution agreement entered into on 22 April 2014, and as amended and/or restated from time to time, between GSK, Novartis and the Company, pursuant to which GSK and Novartis agree to transfer (or procure the transfer of) their respective businesses in relation to (amongst other things) Consumer Healthcare Products (subject to the exclusions and terms and conditions of such agreement) to the Company; |
| “Control” | means, in relation to a person, the ability of another person to ensure that the activities and business of the first mentioned person are conducted in accordance with the wishes of that other person (whether by exercise of contractual rights, ownership of shares or otherwise), and a person shall be deemed to have Control of a body corporate if that person has the contractual right to procure that the activities and business of that body corporate are conducted in accordance with that person’s wishes or if that person possesses the majority of the issued share capital or the voting rights in that body corporate or the right to receive the majority of the income of that body corporate on any distribution by it of all of its income or the majority of its assets on a winding up (and “ Controller ”, “ Controlled ” and “ Controlling ” shall be construed accordingly); |

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| “CTA 2010” | means the UK Corporation Tax Act 2010; |
| “Default Notice” | has the meaning given in <u>clause 21.2(B)</u> (Transfer of Shares on Default); |
| “Default Price” | has the meaning given in <u>clause 21.2(A)</u> (Transfer of Shares on Default); |
| “Default Transfer Conditions” | has the meaning given in <u>clause 21.2(C)(i)</u> (Transfer of Shares on Default); |
| “Default Valuation Notice” | has the meaning given in <u>clause 21.2(A)</u> (Transfer of Shares on Default); |
| “Defaulting Grouping” | has the meaning given in <u>clause 21.2</u> (Transfer of Shares on Default); |
| “Delayed Business” | has the meaning given to it in the Contribution Agreement; |
| “Delayed Closing Date” | has the meaning given to it in the Contribution Agreement; |
| “Directors” | means the directors of the Company from time to time; |
| “Disposal” or “Disposes” | means, in relation to any Share, any disposition of any right or interest in any Share and includes: <ul style="list-style-type: none"> (i) any sale, assignment or transfer; (ii) creating or permitting to subsist any pledge, charge, mortgage, lien or other security interest or encumbrance; (iii) creating any trust or conferring any interest; (iv) any agreement, arrangement or understanding in respect of votes or the right to receive dividends (other than this agreement); (v) the renunciation or assignment of any right to subscribe or receive any Share or any legal or beneficial interest in any Share; |

- (vi) any sale, assignment or transfer in any person that holds a direct or indirect interest in the Company and whose only or principal asset is such interest;
- (vii) any agreement to do any of the above; and
- (viii) the transmission of any Share by operation of Law, or the holder of such Share (or any other member of its Group) entering into or agreeing any arrangement whatsoever which has a similar economic effect to any such disposition;

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| “EMA” | means the European Medicines Agency, or any successor agency; |
| “Event of Default” | has the meaning set out in <u>clause 21.1</u> (Transfer of Shares on Default); |
| “Excluded Businesses” | means the GSK Excluded Businesses and the Novartis Excluded Businesses; |
| “Executive Management” | means the CEO, the CFO, the Head of OTC and such other individuals appointed by the CEO as members of the executive management pursuant to <u>clause 7.1(G)</u> (Executive Management); |
| “Exit Notice” | means any notice served by any party to this agreement pursuant to any of <u>clauses 18</u> (Novartis Transfer and GSK Right of First Refusal) to <u>21</u> (Transfer of Shares on Default) (inclusive); |
| “FCPA” | means the US Foreign Corrupt Practices Act of 1977; |
| “FDA” | means the US Food and Drug Administration, or any successor agency; |
| [***] | [***] |
| “Governmental Entity” | means any supra national, national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof) or any quasi governmental or private body exercising any regulatory, taxing, importing or other governmental |

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or quasi governmental authority, including the European Union;

“Group”

means, in relation to any body corporate, that body corporate and its Affiliates from time to time, provided that for the purposes of this agreement (i) the Company and any person Controlled by the Company (whether directly or indirectly) from time to time shall not be included in the Group of any Shareholder, and (ii) no Shareholder or any other member of a Shareholder’s Group shall be included in the Company’s Group;

“Group Transferee”

has the meaning given in clause 17.1 (Permitted Transfers);

“GSK Acquirer”

has the meaning given in the definition of GSK Change of Control;

“GSK Alliance Market Businesses”

has the meaning given to “GlaxoSmithKline Alliance Market Businesses” in the Contribution Agreement;

“GSK Change of Control”

means, in relation to GSK, any person or persons acting in concert or any person acting on behalf of any such person(s) (the **“GSK Acquirer”**) acquiring Control of GSK (or the ultimate holding company of GSK from time to time), provided that a GSK Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the GSK Acquirer are or, immediately prior to the event which would otherwise have constituted a GSK Change of Control, were the shareholders of GSK (or the relevant ultimate holding company) with the same (or substantially the same) pro rata interests in the share capital of the GSK Acquirer as such shareholders have, or, as the case may be, had, in the share capital of GSK (or the relevant ultimate holding company);

“GSK D&O Policy”

has the meaning given in clause 25.3 (Shareholder Undertakings);

“GSK Excluded Businesses”

means (a) the GSK Excluded Businesses and (b) any other GSK Excluded Assets (each as defined in the Contribution Agreement as the “GlaxoSmithKline Excluded Businesses” and the

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| | “GlaxoSmithKline Excluded Assets”, respectively); |
| “GSK’s Lawyers” | means Slaughter and May of One Bunhill Row, London EC1Y 8YY; |
| “GSK Restricted Period” | means the period from (and including) Completion to (and including) the third anniversary of the Completion Date; |
| “GSK Shareholder Loan” | has the meaning given in <u>clause 13.4(B)</u> (Funding and Cash Management); |
| “GSK Shareholders” | means, together, the First GSK Shareholder and any Group Transferee within GSK’s Group to which any Share has been transferred in accordance with <u>clause 17</u> (Permitted Transfers); |
| “Guaranteed Party” | has the meaning given in <u>clause 31.1</u> (Guarantee); |
| “Guarantor” | has the meaning given in <u>clause 31.1</u> (Guarantee); |
| “Half-Yearly Accounting Period” | means (i) the period commencing on 1 January in any year and ending on 30 June in the same year and (ii) the period commencing on 1 July in any year and ending on 31 December in the same year, or such other half-yearly accounting periods as may be adopted by the Company in accordance with <u>clause 4</u> (Reserved Matters); |
| “Half-Yearly Accounts” | means, in respect of the first Half-Yearly Accounting Period in any year, the second Quarterly Accounts delivered to the Shareholders pursuant to <u>clause 9.1(C)</u> showing the items set out in <u>clause 9.1(C)</u> in respect of such Half-Yearly Accounting Period and, in respect of the second Half-Yearly Accounting Period in any year, the Accounts for the year in which such Half-Yearly Accounting Period falls; |
| “Head of OTC” | means the head of the wellness division of the Business, a position which sits alongside and is separate from the heads of the oral care, skin care and nutritional care divisions of the Business and from any country and regional heads of the wellness division of the Business; |
| “HMRC” | means Her Majesty’s Revenue & Customs; |

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| “Implementation Agreement” | means the implementation agreement in relation to Project Constellation entered into by GSK and Novartis on 22 April 2014, and as amended and/or restated; |
| [***] | [***] |
| “Intellectual Property” | means patents, trademarks, rights in designs, copyrights, database rights (whether or not any of these is registered and including applications and rights to apply for registration of any such thing) and all rights or forms of protection of a similar nature or having equivalent or similar effect to any of these which may subsist anywhere in the world; |
| “Initial Business Plan” | means the business plan relating to the period from the Completion Date up to and including 31 December 2017, which was agreed by GSK and Novartis prior to the date of this agreement pursuant to the terms of the Implementation Agreement, and including at least such items as are listed in <u>Schedule 1</u> (Business Plan); |
| “Joint Shareholder Loans” | has the meaning given in <u>clause 13.4(A)</u> (Funding and Cash Management); |
| “Law” | means any statute, law, rule, regulation, ordinance, code or rule of common law issued, administered or enforced by any governmental authority, or any judicial or administrative interpretation thereof, including the rules of any stock exchange; |
| “Major Competitor” | has the meaning given in <u>clause 4.3</u> (Reserved Matters); |
| “Material Competing Business” | has the meaning given in <u>clause 4.2</u> (Reserved Matters); |
| “Net Debt” | has the meaning given in <u>clause 20.12</u> (Novartis Put Option); |
| “Net Shareholder Loans” | has the meaning given in <u>paragraph 6 of Schedule 3</u> (Price Determination); |
| “Non-Compete Exclusivity Period” | has the meaning given in <u>clause 27.6</u> (Protective Covenants); |

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| “Non-Defaulting Grouping” | has the meaning given in <u>clause 21.2(A)</u> (Transfer of Shares on Default); |
| “Novartis Alliance Market Businesses” | has the meaning given in the Contribution Agreement; |
| “Novartis Change of Control” | means, in relation to Novartis, any person or persons acting in concert or any person acting on behalf of any such person(s) (the “Novartis Acquirer”) acquiring Control of Novartis (or the ultimate holding company of Novartis from time to time), provided that a Novartis Change of Control shall be deemed not to have occurred if all or substantially all of the shareholders of the Novartis Acquirer are or, immediately prior to the event which would otherwise have constituted a Novartis Change of Control, were the shareholders of Novartis (or the relevant ultimate holding company) with the same (or substantially the same) pro rata interests in the share capital of the Novartis Acquirer as such shareholders have, or, as the case may be, had, in the share capital of Novartis (or the relevant ultimate holding company); |
| “Novartis Excluded Businesses” | means (a) the Novartis Excluded Businesses and (b) any other Novartis Excluded Assets (each as defined in the Contribution Agreement); |
| “Novartis’s Lawyers” | means Freshfields Bruckhaus Deringer LLP of 65 Fleet Street, London EC4Y 1HS; |
| “Novartis Shareholders” | means, together, the First Novartis Shareholder and the Second Novartis Shareholder (and any Group Transferee within Novartis’ Group to which any Share has been transferred in accordance with <u>clause 17</u> (Permitted Transfers)); |
| “Payment” | has the meaning given in <u>clause 1.2(J)</u> (Definitions and Interpretation); |
| “Payment Obligation” | has the meaning given in <u>clause 1.2(J)</u> (Definitions and Interpretation); |
| “Percentage Interests” | in respect of any Shareholder, means X/Y expressed as a percentage, where X equals the number of A Shares or B Shares (as the case may be) held by such Shareholder and Y equals the |

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| | aggregate amount of A Shares and B Shares; |
| “Pharmaceutical Regulatory Authority” | means, with respect to any regulatory jurisdiction, any national, federal, supranational, regional, state, provincial or local governmental or regulatory authority, agency, department, bureau, commission, council or other government entity, including FDA and EMA, regulating or otherwise exercising authority with respect to the development of pharmaceutical products in such regulatory jurisdiction; |
| “Pre-Put Quarterly Balance Sheet” | means the consolidated balance sheet for the Company included in the last Quarterly Accounts delivered to the Shareholders pursuant to <u>clause 9.1(B)</u> prior to a Put Exercise Notice Date; |
| [***] | [***] |
| “Proceedings” | means any proceeding, suit or action arising out of or in connection with this agreement, whether contractual or non-contractual; |
| “Put Closing Balance Sheet” | has the meaning given in <u>clause 20.12</u> (Novartis Put Option); |
| “Put Excess Cash” | has the meaning given in <u>clause 20.11</u> (Novartis Put Option); |
| “Put Exercise Notice” | has the meaning given in <u>clause 20.2</u> (Novartis Put Option); |
| “Put Exercise Notice Date” | has the meaning given in <u>clause 20.2</u> (Novartis Put Option); |
| “Put Option Market Value” | has the meaning given in <u>paragraph 5</u> of <u>Schedule 3</u> (Price Determination); |
| “Put Option Period” | means the period beginning on the date falling three years after the Completion Date and ending on the date falling twenty years after the Completion Date; |
| “Put Option Price” | has the meaning given in <u>clause 20.6</u> (Novartis Put Option); |
| “Put Option Prohibited Period” | means: |

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- (i) the period of four weeks beginning on the date falling one week after the last day of GSK's annual accounting period; and
- (ii) the period of two weeks beginning on the date falling one week after the last day of each of the first three calendar quarters of any accounting period,

save that each such period shall terminate immediately if (and at the time that) GSK publishes its results announcement for (in the case of (i)) that accounting period or (in the case of (ii)) that quarter;

“Put Shares”

has the meaning given in clause 20.3 (Novartis Put Option);

“Quarterly Accounts”

has the meaning given in clause 9.1(C) (Access to Information and Accounts);

“Readily Available Cash”

means:

- (i) cash at bank and in hand;
- (ii) bank deposits of up to three months;
- (iii) short-term and liquid or easily realisable securities; and
- (iv) any positive net position held by the Company's Group as against the GSK cash pooling arrangement (as described in clause 13.7) (principal and interest) (and including, for the avoidance of doubt, any commercial paper held by a member of the Company's Group issued by a member of GSK's Group and deposits held on demand on behalf of the Company's Group by GSK's Group in each case as part of such cash pooling arrangements),

excluding any items set out in paragraphs (i) to (iii) (inclusive) above that are held by any member of the Company's Group in any jurisdiction that has any cross-border restrictions on transfers of cash between members of the Company's Group and excluding any items set out in paragraphs (i) to (iv)

(inclusive) above to the extent that they are held in respect of Delayed Businesses otherwise than by a member of the Company's Group (regardless of whether such amounts are consolidated within the Company's accounts in respect of such Delayed Businesses);

“Reduced Default Price”

means [***] per cent. of the Default Price;

“Relevant Matter”

means:

- (i) any proposed or actual legal proceedings by any Relevant Party against any member of the Company's Group or *vice versa*;
- (ii) any matter relating to a determination or dispute under, exercising rights under, or breach or alleged breach of, any agreement or other arrangement between any member of the Company's Group and a Relevant Party with regard to which matter the relevant member(s) of the Company's Group is (or, if the only Directors were A Directors or B Directors, as the case may be, would be) in dispute with any Relevant Party;
- (iii) any matter relating to the actions or steps to be taken by the Company in connection with the process in relation to any [***] of any Relevant Party as set out in clause 15 ([***]); or
- (iv) any matter relating to the actions or steps to be taken by the Company in connection with the process in relation to any acquisition of any Competing Business from any Relevant Party as set out in clauses 27.3 to 27.7 (Protective Covenants) (inclusive);

“Relevant Party”

has the meaning given in clause 8.5(A)(i) (Proceedings of Directors);

“Relevant Pre-Existing Arrangement” means:

- (i) the amended and restated agreement of limited partnership between Marion Merrell

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Consumer Products Inc., GlaxoSmithKline Consumer Healthcare LP and SmithKline Beecham Corporation dated 10 September 1998, as amended; and

- (ii) the joint venture contract between Tianjin Pharmaceutical Corporation and SmithKline Beckman Corporation dated April 1984, as amended;

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| “Relevant Third Party” | has the meaning given in <u>clause 38.1(A)</u> (Third Party Rights); |
| “Required Funds” | has the meaning given in <u>clause 13.2</u> (Funding and Cash Management); |
| “Revised Draft Business Plan” | has the meaning given in <u>clause 5.1</u> (Business Plan); |
| “[***]” | [***] |
| “Service Document” | has the meaning set out in <u>clause 46.5</u> (Agent for Service); |
| “Shareholders” | means the First GSK Shareholder, the First Novartis Shareholder and the Second Novartis Shareholder or any other person to whom the benefit of this agreement is extended in accordance with <u>clause 24</u> (Effect of Deed of Adherence) in the capacity of a shareholder (and not as a guarantor); |
| “Shareholder Grouping” | means, together: <ul style="list-style-type: none">(i) the GSK Shareholders; or(ii) the Novartis Shareholders, as the case may be; |
| “Shareholder Loan” | means any shareholder loan granted by any GSK Shareholder (or any member of its Wholly-Owned Group) or any Novartis Shareholder (or any member of its Wholly-Owned Group) (as lender) to the Company (as borrower) pursuant to the provisions of <u>clause 13.4</u> (Funding and Cash Management); |

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| “Shares” | means the A Shares and the B Shares and any other class of shares in the capital of the Company as may subsequently be created and/or issued and/or allotted in accordance with the provisions of this agreement, including <u>clause 4</u> (Reserved Matters); |
| “Sterling” and “£” | means the lawful currency of the United Kingdom; |
| “[***]” | [***]; |
| “[***]” | [***]; |
| “[***]” | [***]; |
| “Tag Share Offer” | has the meaning given in <u>clause 19.4</u> (GSK Transfer and Novartis Right of First Refusal and Tag Right); |
| “Tag Share Offer Notice” | has the meaning given in <u>clause 19.4</u> (GSK Transfer and Novartis Right of First Refusal and Tag Right); |
| “Tax”, “Taxes” or “Taxation” | means all taxes, levies, duties, imposts, charges and withholdings of any nature whatsoever, including taxes on gross or net income, profits or gains and taxes on receipts, sales, use, employment, payroll, land, stamp, transfer, occupation, franchise, value added, wealth and personal property, together with all penalties, charges and interest relating to any of them, and regardless of whether any such amounts are chargeable or attributable directly or primarily to any other person or are recoverable from any other person; |
| “Tax Authority” | means any taxing, revenue or other authority competent to impose any liability to, or to assess or collect, any Tax, including, without limitation, HMRC and the Swiss Federal Tax Administration; |
| “Tax Covenant” | means the deed of tax covenant between GSK, Novartis and the Company entered into on the Completion Date; |
| “TDSA” | means the transitional distribution services agreement between Novartis and GSK; |

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- “Third Party”** means a person who:
- (i) is not a Shareholder; and
 - (ii) is not connected with any Shareholder,
- and, for the purposes of paragraph (ii) above of this definition, a body corporate is connected with another body corporate if:
- (a) one body corporate has Control over the other; or
 - (b) any person has Control over both;
- “Tranche Percentage”** has the meaning given in clause 20.3 (Novartis Put Option);
- “Transaction Documents”** means the Implementation Agreement, the Contribution Agreement, the Tax Covenant and such other documents and/or agreements entered into pursuant to the same;
- “Trapped Cash”** has the meaning given in paragraph 6 of Schedule 3 (Price Determination);
- “Valuation Balance Sheet”** has the meaning given in paragraph 6 of Schedule 3 (Price Determination);
- “Wholly-Owned Group”** in relation to:
- (i) the GSK Shareholders, means GSK and any body corporate that is a 100 per cent. owned and controlled subsidiary or subsidiary undertaking of GSK; and
 - (ii) the Novartis Shareholders, means Novartis and any body corporate that is a 100 per cent. owned and controlled subsidiary or subsidiary undertaking of Novartis; and
- “Working Hours”** means 9.30 a.m. to 5.30 p.m. on a Business Day.
- 1.2 In construing this agreement, unless otherwise specified:
- (A) references to clauses and schedules are to clauses of, and schedules to, this agreement;

- (B) use of any gender includes the other genders and (unless the context otherwise requires) the singular shall include the plural and *vice versa*;
- (C) references to a “**person**” shall be construed so as to include any individual, firm, company or other body corporate, government, state or agency of a state, local or municipal authority or government body or any joint venture, association or partnership (whether or not having separate legal personality);
- (D) “**body corporate**” shall have the meaning given in section 1173 of the Companies Act 2006, “**subsidiary**” and “**holding company**” shall have the meanings given in section 1159 of the Companies Act 2006, “**subsidiary undertaking**” shall have the meaning given in section 1162 of the Companies Act 2006, “**wholly-owned subsidiary**” shall have the meaning given in section 1159 of the Companies Act 2006 and “**parent undertaking**” shall have the meaning given in section 1162 and Schedule 7 of the Companies Act 2006;
- (E) a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted;
- (F) any reference to a “**day**” (including within the phrase “**Business Day**”) shall mean a period of 24 hours running from midnight to midnight;
- (G) references to times are to London times;
- (H) references to “**include**” and “**including**” shall be deemed to be followed by the words “**without limitation**”;
- (I) references to “**indemnify**” any person against any circumstance shall include indemnifying and keeping it or him harmless from all actions, claims and proceedings from time to time made against it or him and all loss, damage, payments, costs or expenses suffered made or incurred by it or him as a consequence of that circumstance and, unless otherwise specified, any indemnity given in this agreement shall be deemed to have been given on an after Tax basis;
- (J) any indemnity or covenant to pay (the “**Payment Obligation**”) being given on an “**after Tax basis**” or expressed to be “**calculated on an after Tax basis**” means that the amount payable pursuant to such Payment Obligation (the “**Payment**”) shall be adjusted so as to ensure that, after taking into account:
 - (i) any amount in respect of Tax required to be deducted or withheld from, and any Tax chargeable on, such amount (including on the increased amount); and
 - (ii) any Tax credit, repayment or other Tax benefit which is available to the indemnified party or the recipient of the Payment (or, in each case, any

member of such person's Group) solely as a result of the matter giving rise to the Payment Obligation or as a result of receiving the Payment,

(which amount of Tax and Tax credit, repayment or other Tax benefit is to be determined by the auditors of the recipient at the shared expense of both the recipient and the party making the Payment, and is to be certified as such to the party making the Payment), the recipient of the Payment is in the same position as it would have been in if there had been no such Tax or Tax credit, repayment or other Tax benefit;

- (K) “**person or persons acting in concert**” shall be given the meaning as set out in the Law applicable to the person with whom persons are acting in concert;
- (L) where any obligation in this agreement is expressed to be undertaken or assumed by any party, that obligation is to be construed as requiring the party concerned to exercise all rights and powers of control over the affairs of any other person which it is able to exercise (whether directly or indirectly) in order to secure performance of the obligation;
- (M) a reference to any other document referred to in this agreement is a reference to that other document as amended, varied, novated or supplemented (other than in breach of the provisions of this agreement or that other document) at any time;
- (N) headings and titles are for convenience only and do not affect the interpretation of this agreement;
- (O) a reference to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall in respect of any jurisdiction other than England be treated as a reference to any analogous term in that jurisdiction;
- (P) the rule known as the ejusdem generis rule shall not apply and accordingly general words introduced by the word “**other**” shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things;
- (Q) general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words; and
- (R) unless expressly provided otherwise in this agreement: (i) the GSK Shareholders shall be jointly and severally liable for their obligations, undertakings and liabilities arising under this agreement; and (ii) the Novartis Shareholders shall be jointly and severally liable for their obligations, undertakings and liabilities arising under this agreement.

1.3 The schedules (other than Schedule 2 (Form of Deed of Adherence)) form part of this agreement and shall have the same force and effect as if expressly set out in the body of this agreement, and any reference to this agreement shall include the schedules.

2. ESTABLISHMENT OF THE COMPANY

2.1 Immediately following the execution of this agreement:

- (A) the Articles of Association and the Completion Board Resolutions shall be adopted;
- (B) the First GSK Shareholder shall nominate seven individuals by notice in writing to the Company prior to Completion (who it is agreed shall include Emma Walmsley as CEO), and the Company shall appoint them (to the extent not already appointed), as the initial A Directors;
- (C) the First Novartis Shareholder shall nominate four individuals by notice in writing to the Company prior to Completion, and the Company shall appoint them (to the extent not already appointed), as the initial B Directors;
- (D) Sir Andrew Witty shall be appointed as the initial Chairman;
- (E) Emma Walmsley shall be appointed as CEO, the individual nominated by the First GSK Shareholder by notice in writing to the Company prior to Completion shall be appointed CFO and (subject to approval by the CEO) the individual nominated by the First Novartis Shareholder by notice in writing to the Company prior to Completion shall be appointed Head of OTC;
- (F) the accounting reference date of the Company shall be, or if necessary be changed to, 31 December in each year;
- (G) PricewaterhouseCoopers LLP (or such other accountancy firm referred to in clause 4.1(R) (Reserved Matters) as the First GSK Shareholder may have notified to the other relevant parties) shall be appointed as the auditors of the Company;
- (H) subject and without prejudice to clause 8.5 (Proceedings of Directors), the CEO Terms of Reference shall be adopted and the Board shall delegate operational control of the Company's Group in accordance therewith;
- (I) the Accounting Policies shall be adopted; and
- (J) the Shareholders shall procure that all meetings (or resolutions) of the Directors and/or of the Shareholders as are reasonably required to implement all the above matters are held at Completion (or prior to Completion with effect from Completion).

- 2.2 Following Completion, the Shareholders shall procure that the Company's share capital shall be reduced by the cancellation of such amount of the share premium on each Share, and in such manner, as the Shareholders agree (acting reasonably) with the objective of creating significant distributable reserves.
- 2.3 The headquarters of the Company's Group shall be in London.
- 2.4 The parties acknowledge that, subject to the provisions of this agreement, the Company's Group shall be consolidated in GSK's consolidated accounts and that, as a subsidiary of GSK, shall be subject to, and operate strictly on, the internal GSK Group platforms, systems, policies and procedures, including as to compliance and public policy matters, anti-bribery and corruption and dealings in securities as well as externally applicable matters, including any corporate integrity agreements.

3. BUSINESS OF THE COMPANY'S GROUP

- 3.1 Except to the extent that a change in the business of the Company's Group is not prohibited by, or is approved in accordance with, clause 4 (Reserved Matters), the business of the Company's Group shall be to conduct, for itself or by means of investments in other entities, either directly or indirectly, anywhere in the world, the business of researching and developing, manufacturing, distributing, marketing, selling, promoting and/or otherwise commercialising Consumer Healthcare Products and any other products transferred to the Company's Group in accordance with the Contribution Agreement, including all related and supporting activities thereto.
- 3.2 The Business shall be conducted in accordance with the Business Plan including synergy plans reflected in the Business Plan, subject always to the fiduciary duties of the Directors and the provisions of clause 4.1 (Reserved Matters).
- 3.3 For the avoidance of doubt, the parties agree that, upon Completion, the Business shall only include the business, assets, rights and/or obligations transferred to the Company or any other member of its Group pursuant to the Contribution Agreement (and shall not include, without limitation and for the avoidance of doubt, the Excluded Businesses).

4. RESERVED MATTERS

- 4.1 Subject to clauses 4.2, 4.3, 5.5 and 20.10(C), each of the Shareholders shall, so far as it is legally able, exercise its rights in relation to the Company to procure that none of the actions listed below shall be taken by the Company (or members of its Group where expressly referred to) without the prior written approval of Novartis:
- (A) any of the following:
- (i) changing or varying the share capital of the Company (including the creation, consolidation, sub-division, conversion or (other than as provided in clause 2.2 (Establishment of the Company) cancellation of any share capital of the Company or the modification, variation or abrogation of any rights attaching to any Shares);

- (ii) the issue or allotment of any shares or share capital of:
 - (a) the Company; or
 - (b) any other member of the Company's Group (other than to another member of the Company's Group);
- (iii) the creation of, or issue of any instrument, document or security granting, any option or right to subscribe or acquire, or convert any security into, any shares or share capital of:
 - (a) the Company; or
 - (b) any other member of the Company's Group (other than where granted to another member of the Company's Group);
- (iv) the purchase or redemption of any share capital of the Company or any other member of the Company's Group (other than any such purchase or redemption between members of the Company's Group); or
- (v) the disapplication of section 561 of the Companies Act 2006 in respect of the share capital of the Company pursuant to sections 570 or 571 of the Companies Act 2006,

provided that, for the avoidance of doubt, this clause 4.1(A) shall not restrict any action: (i) expressly provided for in this agreement, including any of clauses 17 (Permitted Transfers) to 21 (Transfer of Shares on Default) (inclusive); or (ii) required to be done by any member of the Company's Group pursuant to any Relevant Pre-Existing Arrangement; or

- (B) any amendment to the Articles of Association or the Completion Board Resolutions;
- (C) any material reorganisation or change (including cessation) to the nature or scope of the Business, other than pursuant to any applicable Law or to meet the requirements of any governmental or regulatory authority;
- (D)
 - (i) any acquisition or disposal (other than a disposal implemented pursuant to (a) any obligations under any Relevant Pre-Existing Arrangement, or (b) any Transaction Document by the Company or any other member of its Group of any asset or collection of assets (including shares and/or businesses)); or
 - (ii) any merger or entry into or termination of any joint venture, profit-sharing agreement, collaboration agreement or other partnership transaction (other than any of the same implemented pursuant to an obligation under any Relevant Pre-Existing Arrangement) involving the Company or any other member of its Group,

in each case, with a transaction value in excess of [***], whether by a single transaction or a series of related transactions completed during the 12 month period ending on the date of the last transaction (x) entered into with the same person (or persons which are members of the same Group) or (y) involving the acquisition or disposal of shares or any interest in one particular company or undertaking. For the purposes of this clause 4.1 (D):

- (a) the term “**acquisition**” shall include an in-licensing transaction;
 - (b) the term “**disposal**” shall include an out-licensing transaction; and
 - (c) the transaction value of a merger, joint venture, profit-sharing agreement, collaboration agreement or other partnership transaction shall be the value of any assets which the Company and/or any other member of its Group contributes (or has contributed) to the merger, joint venture, profit-sharing agreement, collaboration agreement or partnership transaction (together with any consideration paid by the Company or any member of its Group to the counterparty or its Group) and no account shall be taken of the value of any assets which the other parties to the merger, joint venture, profit-sharing agreement, collaboration agreement or partnership transaction contribute thereto;
- (E) entering into or renewing any transaction, arrangement or agreement by the Company or any other member of its Group with any member of GSK’s Group which is outside the ordinary course of business of the Company’s Group or not on arm’s length terms or any material (i) amendment to, (ii) variation of, or (iii) consent or waiver under, any such transaction, arrangement or agreement, save that this clause 4.1(E) shall not prohibit any transaction, arrangement or agreement effected pursuant to this agreement, including clause 13 (Funding and Cash Management), or pursuant to any Transaction Document;
- (F) in respect of agreements the entry into or renewal of which is not prohibited by clause 4.1(E), including any Transaction Document to which any member of GSK’s Group is a party, any material (i) amendment to, (ii) variation of, or (iii) consent or waiver under, any agreement between any member of the Company’s Group and any member of GSK’s Group (other than where such amendment, variation, consent or waiver is on arm’s length terms);
- (G) any resolution or proceeding to wind up the Company or any member of the Company’s Group or other proceeding seeking liquidation, administration (whether out of court or otherwise), reorganisation, readjustment or other relief, in each case, under any bankruptcy, insolvency or similar Law or the consent by any member of the Company’s Group to a decree or order for relief or any filing of a petition, application or document under such Law or to the appointment of a trustee, receiver, administrator (whether out of court or otherwise) or liquidator

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- or the making of any arrangement with creditors generally, save in any case only in relation to the voluntary solvent liquidation or other voluntary solvent process relating to a wholly-owned subsidiary of the Company;
- (H) the adoption of any new CEO Terms of Reference or any material amendment to the applicable CEO Terms of Reference;
 - (I) in respect of any Accounting Period, the declaration and/or payment of any dividend by the Company to the Shareholders below the level specified in, or not otherwise in accordance with the provisions of, clause 11.1 (Dividends);
 - (J) any member of the Company's Group making any Borrowings;
 - (K) in respect of any Accounting Period, the Company and/or any other member of the Company's Group incurring any capital expenditure in excess of [***]% of the forecast net sales for such Accounting Period as set out in the Business Plan;
 - (L) [***];
 - (M) creating or redeeming by the Company or any other member of its Group any mortgage, charge, pledge, lien, option, debenture, third party right or interest or other encumbrance or security interest of any kind over any assets of the Company's Group (other than by operation of Law or in the ordinary course of business);
 - (N) save as required by Law or accounting standards or where any alteration is being applied generally across GSK's Group, altering the accounting reference date of any member of the Company's Group or the Accounting Policies where such alteration would, or might reasonably be expected to adversely impact, other than to an extent which is not material, items relating to the Company's Group that are included in the consolidated financial statements of Novartis' Group as prepared pursuant to the accounting principles, practices and policies of Novartis' Group as at the date of this agreement;
 - (O) changing the entity classification of the Company for US federal income tax purposes;
 - (P) at any time when no GSK Shareholder is resident in the United States for Tax purposes, changing the entity classification of any member of the Company's Group (other than the Company) for US federal income tax purposes;
 - (Q) changing the tax residence of any material member of the Company's Group or establishing or closing a material permanent establishment of any material member of the Company's Group. For the purposes of this clause 4.1(Q), a member of the Company's Group or a permanent establishment shall be regarded as "material" if that member of the Company's Group or permanent establishment generates or is likely to generate a material proportion of the

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- Company's Group's profits or which holds assets or has liabilities which are material in the context of the Company's Group taken as a whole;
- (R) changing the auditors of the Company or any other member of its Group to an accountancy firm which is not one of the following:
- (i) a member of the network of member firms of PricewaterhouseCoopers International Limited;
 - (ii) a member firm of the KPMG network of independent firms which are affiliated with KPMG International;
 - (iii) a member firm of Ernst & Young Global Limited;
 - (iv) a member firm of Deloitte Touche Tohmatsu;
 - (v) any successor to any of the foregoing; or
 - (vi) to the extent not one of the above, any accountancy firm which is GSK's auditor or (in respect of a non-UK subsidiary of the Company) an auditor of a non-UK member of GSK's Group;
- (S) other than as expressly provided for in any Transaction Document and without prejudice to clause 4.1(D), the Company or any other member of its Group assigning, charging, abandoning, ceasing to prosecute or otherwise disposing of or failing to take all reasonable action to maintain the interest of any member of the Company's Group in any of the Intellectual Property owned by the Company's Group or accepting any restrictions on the use of any of the Intellectual Property owned by the Company's Group, in each case, where to do so would have a material adverse effect on the Business taken as a whole;
- (T) the Company or any other member of its Group taking any action or deciding not to take an action in relation to the conduct of any legal proceedings, arbitration, administrative proceedings or investigation by any Governmental Entity (including the settlement thereof) which would result in the Company or any other member of its Group making or incurring any payment or liability in excess of [***] or otherwise where such action or inaction would reasonably be considered to have a material adverse effect on the Business taken as a whole;
- (U) (i) adopting any new ABAC Policies and Procedures of any member of the Company's Group or making any material amendments to any existing ABAC Policies and Procedures of any member of the Company's Group that in either case are not also being adopted or made by GSK's Group more generally; or
- (ii) resolving on any remedial actions to be taken by any member of the Company's Group in order to address any violation by any member of the Company's Group or its Associated Persons of applicable Anti-

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Bribery Law or any breach of the ABAC Policies and Procedures of any member of the Company's Group, which remedial actions in either case do not comply with the ABAC Policies and Procedures;

- (V) any material change to the name of the Company, other than a change to the name of the Company to accord with any change that is generally being made to the name of GSK's Group;
- (W) subject to clause 7.1(D) (Executive Management), the appointment and/or any removal of any CFO (other than the appointment of the initial CFO which shall be dealt with in accordance with clause 2.1(D) (Establishment of the Company));
- (X) any member of the Company's Group entering into any contract, liability or commitment which could involve a liability in excess of [***], other than any such contract, liability or commitment entered into by a member of the Company's Group with another member of the Company's Group that is (directly or indirectly) wholly owned by the Company; or
- (Y) [***],

and provided that clauses 4.1(A) to (Y) (inclusive) shall apply equally in respect of any Delayed Business (as defined in the Contribution Agreement), pending the Delayed Closing Date in respect of such Delayed Business, as if the relevant Delayed Business were legally and beneficially owned by the Company.

4.2 In the event that:

- (A) any member of Novartis' Group does any of the things specified in clause 27.2(B) or clause 27.2(C) (Protective Covenants) or enters into any agreement, arrangement or understanding to do any of such things, unless, in any such case, it is permitted by clause 27.9 (Protective Covenants); or
- (B) a Novartis Change of Control occurs,

and as a result any member of Novartis' Group owns or is committed to acquire a Competing Business which [***] (a "**Material Competing Business**") then Novartis shall:

- (i) take all actions as are necessary or desirable to ensure that no confidential information that is provided to Novartis' Group, the B Directors or any Associated Person of any member of Novartis' Group in relation to the Company's Group pursuant to this agreement shall be disclosed to or shall be in any way accessible by any person who has any material involvement with the operations, strategy or business affairs of the Material Competing Business;
- (ii) if and to the extent necessary in order to ensure that paragraph (i) is satisfied, remove (pursuant to clause 6.2) any B Director who may

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following the relevant event specified in clause 4.2(A) or clause 4.2(B) be reasonably expected to have any material future involvement with the Material Competing Business (provided that it shall not be required to remove the CEO or CFO of Novartis, if they are B Directors and have no day-to-day involvement in the running of the Material Competing Business, unless the Material Competing Business is a Major Competitor and the CEO or CFO as appropriate could reasonably be expected to have any material future involvement with that Major Competitor); and

- (iii) take all such other reasonable actions as are necessary or desirable to ensure that the provision of information pursuant to this agreement and the performance of any other obligations pursuant to this agreement will not breach any Law,

in each case unless and until that Material Competing Business has been disposed of in its entirety by the relevant member (s) of Novartis' Group to the Company (or another member of the Company's Group) or to a person outside Novartis' Group or has otherwise ceased to be a Material Competing Business. Nothing in this clause 4.2 shall prevent the provision of information to any member of Novartis' Group or to any of its Associated Persons pursuant to clause 9 (Access to Information and Accounts) where such information is required in relation to the reporting obligations of Novartis' Group provided that Novartis shall take reasonable steps to ensure that any underlying information made available pursuant to that clause which is not at that time publicly reported by Novartis' Group in accordance with its accounting requirements shall not be accessible by any person who has any material involvement with the operations, strategy or business affairs of the Material Competing Business.

- 4.3 In the event that any member of Novartis' Group Disposes of all (but not some only) of the B Shares in accordance with the provisions of this agreement to a person which owns (directly or indirectly) a Competing Business which [***] (a "**Major Competitor**"), then the provisions of:

- (A) [***]
- (B) [***]
- (C) [***]

in each case, shall cease to have any force and effect.

5. BUSINESS PLAN

- 5.1 Subject to clauses 5.3, 5.4 and 5.5, the Company shall procure that, by no later than 15 days prior to the end of each Accounting Period commencing after Completion, the Executive Management shall have prepared and submitted to the Board a revised draft of the Business Plan for the Company's Group covering the three year period

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commencing at the start of the next following Accounting Period to replace the prior existing Business Plan (a “**Revised Draft Business Plan**”).

- 5.2 Each Revised Draft Business Plan submitted to the Board in accordance with clause 5.1 shall include, but not be limited to, the items and subject matter of the Initial Business Plan.
- 5.3 Each Revised Draft Business Plan shall be reviewed by the Board in conjunction with the Executive Management and shall be finalised by the Board prior to the start of the first Accounting Period to which it relates. Promptly following such finalisation, the Revised Draft Business Plan shall be approved and (subject to clause 4.1(L) (Reserved Matters)) adopted as the Business Plan by the Board in accordance with clause 8.4 (Proceedings of Directors).
- 5.4 [***]
- 5.5 [***]

6. SHAREHOLDER APPOINTMENTS

- 6.1 Subject to clause 7.1 (Executive Management), the First GSK Shareholder shall be entitled, by notice in writing to the Company and to the Novartis Shareholders, to nominate up to seven Directors and to direct the Company to remove any such nominee from office as a Director (with such notice, if any, as the First GSK Shareholder may require) from time to time, and the Company shall give effect to any such nomination (by appointing any nominee as a Director) or direction for removal (by removing the relevant Director from office).
- 6.2 Subject to clauses 7.1 (Executive Management) and 20.10 (Novartis Put Option), the First Novartis Shareholder shall be entitled, by notice in writing to the Company and to the GSK Shareholders, to nominate up to four Directors and to direct the Company to remove any such nominee from office as a Director (with such notice, if any, as the First Novartis Shareholder may require) from time to time and the Company shall give effect to any such nomination (by appointing any nominee as a Director) or direction for removal (by removing the relevant Director from office).
- 6.3 Any First GSK Shareholder or First Novartis Shareholder that removes a Director from office in accordance with the provisions of clause 6.1 or clause 6.2, respectively, or whose nominee Director vacates office, shall indemnify each other Shareholder (on its behalf and on behalf of each other member of its Group) and the Company (on its behalf and on behalf of each other member of its Group) against any claim, whether for compensation for loss of office, wrongful dismissal or otherwise, which arises out of such Director ceasing to hold office.
- 6.4 The First GSK Shareholder shall be entitled, by notice in writing to the Company and the First Novartis Shareholder, to nominate any A Director to be Chairman and to direct the Company to remove any such nominee from office (with such notice, if any, as the First GSK Shareholder may require) from time to time and the Company shall give

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effect to any such nomination (by appointing such nominee as Chairman) or direction for removal (by removing such nominee from office). The Chairman shall preside at any Board meeting and general meeting at which he is present. If such Chairman is not present at any Board meeting, the A Directors present (in person or by way of an alternate) may (acting by simple majority) appoint any one of their number to act as Chairman for the purpose of that meeting. The Chairman or person chairing the meeting shall not have a casting vote.

- 6.5 Each A Director shall be entitled, by notice in writing to the Company, to appoint any person as his or her alternate director to attend, speak and vote on behalf of such A Director at any one or more Board meetings. Each B Director shall be entitled, by notice in writing to the Company, to appoint any person as his or her alternate director to attend, speak and vote on behalf of such B Director at any one or more Board meetings. For the avoidance of doubt, any one person may be appointed as an alternate director for any one or more A Directors or B Directors, as the case may be, and any such person appointed by multiple Directors shall possess their combined voting power at any meeting.
- 6.6 Each Shareholder shall, so far as it is legally able, exercise its rights in relation to the Company to procure that:
- (A) any person nominated as a Director or Chairman by the First GSK Shareholder or the First Novartis Shareholder pursuant to this clause 6 shall be appointed as such as soon as reasonably practicable and any direction requiring the Company to remove such person shall be implemented as soon as reasonably practicable (or with such other notice as may have been directed by such Shareholder);
 - (B) no person is appointed as a Director other than pursuant to the First GSK Shareholder's and the First Novartis Shareholder's rights of appointment under clauses 6.1 and 6.2, respectively; and
 - (C) without prejudice to clause 6.7, no person is removed from his or her office as a Director other than pursuant to the First GSK Shareholder's and the First Novartis Shareholder's rights under clauses 6.1 and 6.2 respectively.
- 6.7 In the event that the GSK Shareholders or the Novartis Shareholders cease to hold any A Shares or B Shares (as the case may be) in accordance with the provisions of this agreement, the First GSK Shareholder or the First Novartis Shareholder (as the case may be) shall procure that any and all of its nominee Directors resign from their office as Director as soon as reasonably practicable thereafter (and with effect from the date on which such Shareholders ceased to hold any Shares and waive any and all rights they have as against the Company and/or any other member of its Group).
- 6.8 The Company shall purchase and maintain with a reputable insurer, insurance effective from and including the date of this agreement, for or for the benefit of any person who is or was at any time a Director or director or officer of any member of the Company's Group, including insurance against, subject to Law, any liability incurred by or attaching

to him or her in respect of any act or omission in the actual or purported exercise of his or her powers, in each case, from and including the date of this agreement (or, if later, the date of appointment of such Director or director or officer of any member of the Company's Group), and/or otherwise in relation to his or her duties, powers or offices in relation to any member of the Company's Group (and all costs, charges, losses, expenses and liabilities incurred by him or her in relation thereto).

6.9 The provisions of this clause 6 shall be subject to the provisions of clause 4.3 (Reserved Matters).

7. EXECUTIVE MANAGEMENT

7.1 The parties acknowledge and agree that:

- (A) the initial CEO has been appointed by the Board as referred to in clause 2.1(E) (Establishment of the Company);
- (B) any removal of the initial CEO and any appointment and/or removal of any subsequent CEO shall be a matter for the Board;
- (C) the initial CFO has been appointed by the Board as referred to in clause 2.1(E) (Establishment of the Company);
- (D) any removal of the initial CFO and any appointment and/or removal of any subsequent CFO shall be a matter for the Board, but subject to the provisions of clause 4.1(W) (Reserved Matters);
- (E) the initial Head of OTC has been appointed by the Board as referred to in clause 2.1(E) (Establishment of the Company);
- (F) any removal of the initial Head of OTC and any appointment and/or removal of any subsequent Head of OTC shall be a matter for the Board;
- (G) the appointment of the members of the Executive Management (other than the CFO, the Head of OTC and, for the avoidance of doubt, the CEO) shall be a matter for the CEO, who shall be entitled to make such appointment from any employees, officers or directors of any member of the Company's Group or from any other external sources, including GSK's Group and Novartis' Group, as specified in the CEO Terms of Reference;
- (H) the members of Executive Management (other than the CEO) shall not be Directors;
- (I) the CEO shall be an A Director; and
- (J) subject and without prejudice to clause 8.5 (Proceedings of Directors) and clause 4 (Reserved Matters), the Board shall delegate operational control of the Company's Group to the CEO in accordance with the CEO Terms of Reference.

- 7.2 Subject to clause 7.3, the Board shall be responsible for the overall direction, supervision and management of the Company's Group in accordance with the provisions of this agreement and subject always to the fiduciary duties of the Directors, save that the Board shall not pass or implement any resolutions in respect of any Reserved Matter unless the requisite approval from Novartis has first been obtained in accordance with clause 4 (Reserved Matters).
- 7.3 The parties agree that the Executive Management shall have full operational control of the Business, subject to the CEO Terms of Reference, review by the Board and the provisions of clause 4 (Reserved Matters) and otherwise as provided for in this agreement, any of the Transaction Documents or any other agreement or document entered into by the Shareholders (or any of their Affiliates) in connection with any such document.
- 8. PROCEEDINGS OF DIRECTORS**
- 8.1 Any Director may, and the secretary of any Company at the request of any Director or Shareholder shall, call a Board meeting. Board meetings shall be held at least four times a year. The following provisions shall apply in respect of the location of Board meetings:
- (A) all Board meetings shall be held in the United Kingdom; and
 - (B) any Director not physically present at a Board meeting shall be entitled to participate in such meeting by telephone, provided that a majority of the Directors attending such meeting are physically present in the United Kingdom.
- 8.2 Unless otherwise agreed in writing by the Shareholders or where shorter notice is reasonably determined to be necessary by the Chairman or the CEO to deal with any emergency or urgent issue, at least ten Business Days' notice of each Board meeting shall be given to each Director entitled to attend and the notice shall be accompanied by an agenda, setting out in such detail as is reasonable and practicable in the circumstances, the subject matter of the meeting. The Company shall procure that any papers to be circulated to the Directors in respect of such meeting, if not circulated with the notice and the agenda, shall be circulated as soon as reasonably practicable thereafter and in any event not less than 48 hours prior to such meeting. Breach of this clause 8.2 shall not affect the validity of any Board meeting which has otherwise been validly convened and which is quorate.
- 8.3 Subject to clause 8.5, the following provisions shall apply in respect of quorum:
- (A) a Board meeting (including any reconvened Board meeting held pursuant to clause 8.3(C)) shall be quorate if at least two Directors, including at least one A Director and at least one B Director, are present or represented by an alternate; save that, where no A Director has attended or been represented by an alternate at the previous two Board meetings or where no B Director has attended or been represented by an alternate at the previous two Board meetings, such a meeting shall be quorate if at least two Directors (whether or

not an A Director and a B Director are amongst their number) are present or represented by an alternate;

- (B) a Director present or represented by an alternate shall be counted in the quorum and be entitled to vote at a Board meeting on any resolution to be put to the Directors at such meeting; and
- (C) if a quorum is not present at a Board meeting at the time when any business is considered any Director may require that such meeting be reconvened. At least five Business Days' notice of any reconvened meeting shall be given to the Directors unless otherwise agreed in writing by the Shareholders.

8.4 Resolutions of the Directors shall be decided by a majority of the votes cast and each Director present or represented by an alternate shall have one vote, save that, in the event that at any meeting not all the A Directors or B Directors (as the case may be) are present, the A Directors or the B Directors (as the case may be) that are present shall possess in that meeting the combined voting power of all of the A Directors or the B Directors (as the case may be) at such meeting. In the case of an equality of votes, the Chairman of the meeting shall not have a casting vote.

8.5 The following provisions shall apply in the event of a Relevant Matter:

- (A) a Director shall not be:
 - (i) entitled to attend or vote at the part of any Board meeting at which any Relevant Matter is considered in respect of any GSK Shareholder or any other member of its Group (if he or she is an A Director) or any Novartis Shareholder or any other member of its Group (if he or she is a B Director) (each a "**Relevant Party**" in relation to such Director); or
 - (ii) counted in the quorum (nor shall his or her presence be required in order to constitute a quorum if it would otherwise be required under this agreement) for any part of a Board meeting referred to in clause 8.5(A)(i) and, in such circumstances:
 - (a) where the Relevant Party is a member of GSK's Group, a quorum shall exist if at least two B Directors are present or represented by an alternate; and
 - (b) where the Relevant Party is a member of Novartis' Group, a quorum shall exist if at least two A Directors are present or represented by an alternate,

save that, in respect of the matters referred to in paragraphs (iii) and (iv) of the definition of Relevant Matter, the provisions of clause 8.5(A)(i) and 8.5(A)(ii) shall not apply to the CEO, who shall therefore be entitled to attend, vote and be counted in the quorum at any part of any Board meeting, regardless of

whether any Relevant Matter is being considered in respect of any GSK Shareholder (or such other member of its Group) during such part;

- (B) any decisions, actions or negotiations to be taken or conducted by any member of the Company's Group in relation to a Relevant Matter shall be delegated to those Directors (including, where relevant, the CEO) that are entitled, in accordance with clause 8.5(A)(ii), to count in the quorum for the relevant part of the relevant Board meeting referred to in clause 8.5(A)(i), and that delegation shall be on terms which give those Directors (including, where relevant, the CEO), acting on a majority basis, full authority on behalf of the relevant member of the Company's Group to take such decisions and actions and conduct such negotiations as they shall (acting in good faith in the best interests of the relevant member of the Company's Group, having regard to their fiduciary duties and subject always to clause 24.1 (Shareholder Undertakings), but otherwise acting in their absolute discretion) think fit; and
- (C) any right of action which the Company or another member of its Group may have in respect of breach of any Transaction Document or of any other obligation owed to the Company or any other member of its Group where a Shareholder or another member of its Group is responsible for the breach or responsible for performance of the obligation shall be prosecuted as follows:
- (i) where the responsible person is a member of GSK's Group, by the B Directors; and
 - (ii) where the responsible person is a member of Novartis' Group, by the A Directors,
- and, in each case, those Directors, acting on a majority basis, shall have full authority on behalf of the Company or the relevant member of its Group to notify, commence proceedings in respect of, negotiate, litigate and settle any claim arising out of the breach or exercise any right (including any right of termination) arising out of the breach (acting in good faith in the best interests of the relevant member of the Company's Group, having regard to their fiduciary duties and subject always to clause 25.1 (Shareholder Undertakings) but otherwise acting in their absolute discretion) and the Shareholders shall take all steps within their power to give effect to the provisions of this clause 8.5(C).

Subject to clause 4 (Reserved Matters), the Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee consisting of such persons (whether or not Directors) as it sees fit, provided that the Novartis Shareholders shall have the right to appoint such number of its representatives to any such committee as results in those representatives comprising the same proportion (or as nearly the same proportion as may be practicable) of that committee as the proportion that the B Directors represent to the total number of Directors on the Board (and, for the avoidance of doubt, clause 8.4 shall apply *mutatis mutandis* in relation to the voting rights of such representatives on the committee). Any committee so formed shall, in the exercise of its powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board. The meetings

and proceedings of any such committee shall be governed by the provisions contained in this clause 8, unless the parties otherwise agree.

9. ACCESS TO INFORMATION AND ACCOUNTS

9.1 Subject to clauses 9.3 and 9.4, the Company shall provide each Shareholder with access to and copies of the following:

- (A) any Business Plan as soon as reasonably practicable and, in any event, within 5 Business Days following finalisation of the same in accordance with clause 5 (Business Plan);
- (B) within 25 days of each calendar month end (except for December), the monthly management accounts of the Company's Group prepared on the basis of the Accounting Policies, which shall, among other things, (i) include a turnover analysis by major product; (ii) include a consolidated core income statement down to core operating profit; and (iii) show the carrying value allocated to the assets contributed by Novartis to the Company pursuant to the Contribution Agreement and the related amortisation and depreciation, in each case for that month and for the year to that month end;
- (C) within 30 days of the end of each of the first three quarters in any Accounting Period, an unaudited quarterly report of the Company's Group prepared by the Executive Management on the basis of the Accounting Policies showing, amongst other things, the geographic analysis of turnover by major product, consolidated balance sheet, consolidated income statement (including the split between core and non-core income), consolidated statement of comprehensive income and consolidated cash flow statement, Readily Available Cash and supporting notices for each of the foregoing as appropriate, for that quarter and for the year to that quarter end (such quarterly report for each quarter being the "**Quarterly Accounts**");
- (D) by no later than 15 December in each Accounting Period, a report from the auditors of the Company's Group in relation to the results for the 9-month period ended 30 September in such Accounting Period in a customary form for a report on such a period;
- (E) as soon as reasonably practicable and, in any event, no later than 28 February in each Accounting Period, the draft Accounts (prepared in accordance with the Accounting Policies) for the immediately preceding Accounting Period;
- (F) as soon as reasonably practicable and, in any event, no later than 15 April in each Accounting Period, the Accounts (prepared in accordance with the Accounting Policies) for the immediately preceding Accounting Period;
- (G) as part of the Board papers circulated for each quarterly Board meeting, an Alliance Market Quarterly Report in respect of the previous quarter;

- (H) as soon as reasonably practicable and, in any event, by no later than 28 February in each Accounting Period, an Alliance Market Transfer Pricing Report for the immediately preceding Accounting Period; and
- (I) as part of each Revised Draft Business Plan, the Alliance Market Annual Financial Targets;
- (J) as soon as reasonably practicable following the entry into or material amendment of any Alliance Market Distribution Agreement or other arrangement between the Company's Group and the Alliance Market Businesses, details of the material terms of such amendments or arrangements;
- (K) all such other information and records of the Company and/or any other member of its Group as such Shareholder may reasonably require from time to time in connection with the following (such information and records to be provided as soon as reasonably practicable after any such request and, in any event, the Company shall use reasonable endeavours to provide such information within 20 Business Days of any such request):
 - (i) the preparation and filing of such Shareholder's accounts (and/or the accounts of any other member of such Shareholder's Group);
 - (ii) the preparation and filing of the Tax returns or other Tax filings or correspondence with a Tax Authority of that Shareholder (and/or any other member of such Shareholder's Group) in relation to any jurisdiction in which such returns or filings are required to be made;
 - (iii) the compliance by such Shareholder or any other member of such Shareholder's Group with any reporting obligation if and to the extent required by any securities exchange or regulatory or governmental body to which that party is subject, wherever situated, including (amongst other bodies) the Financial Conduct Authority, the London Stock Exchange plc, The Panel on Takeovers and Mergers, the U.S. Securities Exchange Commission, the New York Stock Exchange or the SIX Swiss Exchange, whether or not the requirement for information has the force of law; and/or
 - (iv) the compliance by such Shareholder or any member of such Shareholder's Group with any requirement of any Pharmaceutical Regulatory Authority,and for the avoidance of doubt, such information may include any raw data which is used to generate financial information in respect of the Company's Group (or any individual member of the Company's Group) including, for the avoidance of doubt, the information referred to in this clause 9.1.

9.2 Subject to clauses 9.3 and 9.4, the Company shall provide each Shareholder with all such other information and/or records of the Company and/or any other member of its

Group as such Shareholder and/or any other member of its Group may reasonably request from time to time in relation to the Company and its Group to the extent that any such request is consistent with the information that a Director may reasonably request from time to time in connection with the discharge of his or her duties as a Director (all such information and/or records to be provided as soon as reasonably practicable after the request). The Company shall be deemed to have complied with its obligations under this clause 9.2 if it has dedicated a reasonable amount of time (to be judged by the Board acting in good faith) to collecting and gathering any such information and/or records.

- 9.3 No Shareholder shall be entitled to require the Company or any member of its Group to restate financial or other information for any purpose (including the preparation of such Shareholder's: (i) accounts (or the accounts of that Shareholder's Group); or (ii) Tax returns or other Tax filings or correspondence with a Tax Authority).
- 9.4 All material records of the Company's Group shall be retained in accordance with and for the same period of time as required by the document retention policies of GSK's Group from time to time. Subject to clauses 9.2 and 9.3, the Company shall maintain the necessary records and prepare the necessary information reasonably required by any Shareholder (or any members of its Group) in relation to the earnings and foreign Taxes paid by each member of the Company's Group for US federal tax purposes, Swiss tax purposes or UK tax purposes (and similar records/information reasonably required for other jurisdictions notified to the Company by any Shareholder).
- 9.5 Each Director is irrevocably authorised by the Company to disclose to the Shareholder that nominated such Director and the other members of such Shareholder's Group any information or records belonging to or concerning the Company, any other member of its Group or the Business and/or assets of the Company and/or any other member of its Group that it receives during the course of his or her office, subject to the provisions of clauses 4.2 (Reserved Matters) and 28 (Confidentiality).
- 9.6 In relation to any public disclosure of financial information to be made by Novartis (or any other member of its respective Group), the financial information to be taken into account in respect of the Company's Group may be the latest financial information provided to Novartis pursuant to this clause 9 and may include estimated financial information for a maximum period of one month, provided that (i) Novartis continues to report before GSK and (ii) if any such estimated financial information is included, that public disclosure makes it clear on the face of it that it is estimated (and not actual) financial information.
- 9.7 Pursuant to the terms of the Implementation Agreement, GSK and Novartis agreed to use reasonable endeavours to procure that their respective external auditors cooperated prior to Completion to agree the necessary processes and reporting procedures in relation to the Company's Group that would be required to ensure that Novartis' external auditors are able to meet their obligations in relation to the US Securities and Exchange Commission and Public Company Accounting Oversight Board auditing requirements. The Shareholders shall procure, to the extent they are legally able, that the Company takes reasonable steps from Completion to implement

any such agreed processes and reporting procedures and to provide Novartis' external auditors with reasonable access to the Company's external auditors to enable Novartis to finalise its annual reporting procedures if and to the extent required in connection with such agreed processes and procedures.

10. ALLIANCE MARKETS

Alliance Market Distribution Agreements

- 10.1 GSK shall procure that the relevant entity in GSK's Group shall and the Company shall procure that the relevant entity in the Company's Group shall, enter into a distribution agreement in respect of each Alliance Market in the form to be agreed between GSK and Novartis:
- (A) in respect of the Novartis Alliance Market Businesses, with effect from the date on which distribution transfers from the relevant Novartis entity to the relevant GSK entity in such Alliance Market in accordance with the TDSA; or
 - (B) in respect of the GSK Alliance Market Businesses, within 90 days following Completion.

(in each case, an "Alliance Market Distribution Agreement").

- 10.2 The transfer pricing, gross margins and operating performance for Alliance Market Businesses shall be reviewed by the Board and the Executive Management on a regular basis in accordance with clause 9 and the CEO Terms of Reference.
- 10.3 [***]
- 10.4 [***]
- 10.5 If the Company reasonably believes that a payment by GSK to the Company in accordance with clause 10.4 will be subject to Tax in the Company's hands, the Company shall give GSK written notice of such belief no later than 5 Business Days before the payment is due to be made. If such notice is given to GSK, GSK shall procure that the payment is made by way of a payment by one holder of the A Shares to subscribe for one deferred ordinary share (other than an A Share or B Share) in the capital of the Company. On each occasion (if any) that a holder of A Shares is required to subscribe for one deferred ordinary share, immediately after such subscription, Novartis shall procure that one holder of the B Shares subscribes for one deferred ordinary share (other than an A Share or a B Share) in the capital of the Company at nominal value.

11. DIVIDENDS

- 11.1 Subject to clause 11.2, in respect of each Half-Yearly Accounting Period (beginning with the first full Half-Yearly Accounting Period falling after Completion), the Company shall distribute to the Shareholders, in proportion to their respective Percentage Interests, an

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

amount equal to the aggregate amount of Readily Available Cash held by the Company's Group in excess of the Base Cash Amount on the date on which such dividend is paid.

- 11.2 The Company shall only be required to declare and/or pay dividend(s) in accordance with clause 11.1 to the extent that:
- (A) it has sufficient distributable reserves to do so; and
 - (B) there are no amounts outstanding (in respect of interest, principal or otherwise) under any Shareholder Loan(s).
- 11.3 The Company shall not declare and/or pay a dividend in respect of any Half-Yearly Accounting Period any later than four months following the end of such Half-Yearly Accounting Period, unless otherwise agreed between the parties.
- 11.4 Dividends shall be paid in Sterling. All dividends in respect of any Half-Yearly Accounting Period shall be paid to all the Shareholders on the same day and by way of inter-bank transfer or by other electronic means for same day value directly to an account with a bank or other financial institution (or other organisations operating deposit accounts) as notified in writing by the relevant Shareholder to the Company. In the absence of any such notification, the Company shall hold the amount of the relevant dividend on trust for the relevant Shareholder for a period of 12 months. In the event that no such notification is given within such 12 month period, the Company shall cease to hold the amount of such dividend on trust for the relevant Shareholder and shall be entitled to treat the amount of such dividend as its own.
- 11.5 The Shareholders and the Company shall cooperate and take such steps as are reasonably required in connection with distributable reserves planning for the Company and its Group, and they confirm that they intend to seek to maximise the amount of the dividends payable pursuant to clause 11.1 in respect of any Half-Yearly Accounting Period, subject always to the best interests of the Company and its Group. Other than in compliance with the provisions of this agreement, no party to this agreement shall:
- (A) employ (or procure the employing of) any device or technique; or
 - (B) participate (or procure participation) in any transaction or arrangement,
- in each case with the purpose of circumventing or restricting the amount of the dividends payable by the Company pursuant to clause 11.1 (including by seeking to minimise Readily Available Cash for that purpose).
- 11.6 The Company shall instruct its auditors to report on the distributable reserves position of the Company at the same time as they sign their report on the Accounts.
- 11.7 The Company shall, so far as it is legally able, procure that (and the Shareholders shall, so far as they are legally able, exercise their rights in relation to the Company to procure that) all resolutions for the declaration or payment of dividends or other payments

consistent with this clause 11 are duly passed by the relevant members of the Company's Group and the Board (as applicable).

12. PRESENTATIONAL CURRENCY

The presentational currency of the Company shall be Sterling. The presentational currency of all other members of the Company's Group shall be as determined by the Board from time to time.

13. FUNDING AND CASH MANAGEMENT

13.1 The parties intend that the Company's Group will always maintain a level of Readily Available Cash at or above the Base Cash Amount.

13.2 In the event that the Board determines that the Company's Group requires funds (for the purposes of working capital, acquisitions, capital expenditure or otherwise) in excess of any funding it then currently has in place and other than in relation to a matter that would require the consent of Novartis pursuant to clause 4.1 (Reserved Matters), such funds (the "**Required Funds**") will be requested by the Company from the Shareholders in proportion to their respective Percentage Interests.

13.3 The Novartis Shareholders shall notify the Company in writing within 10 Business Days of receipt of any request from the Company pursuant to clause 13.2 as to whether or not they (or any other member of their Wholly-Owned Group) are willing to fund their aggregate proportionate amount of the Required Funds as set out in such request, there being no obligation on the Novartis Shareholders to do so. In the event the Novartis Shareholders fail to so notify the Company within that time, the Novartis Shareholders shall be deemed to have notified the Company that neither they nor any member of their Wholly-Owned Group are willing to fund their proportionate amount of the Required Funds as set out in the relevant request from the Company pursuant to clause 13.2.

13.4 In the event that the Novartis Shareholders:

- (A) notify the Company that they (or a member of their Wholly-Owned Group) are willing to fund their proportionate amount of the Required Funds requested from the Shareholders pursuant to the relevant request referred to in clause 13.2, the Novartis Shareholders (or such other member of their Wholly-Owned Group) together shall, and the GSK Shareholders (or such other member of their Wholly-Owned Group) together shall, each enter into a loan agreement with the Company in respect of the relevant portion of such Required Funds in accordance with Schedule 5 (Shareholder Loans: Terms) (any such loans being "**Joint Shareholder Loans**"); or
- (B) notify (or are deemed to have notified) the Company that they are not willing to fund their proportionate amount of the Required Funds, the GSK Shareholders (or any other member of their Wholly-Owned Group) shall fund the entirety of the Required Funds requested from the Shareholders pursuant to the relevant request referred to in clause 13.2 and the GSK Shareholders (or such other

member of their Wholly-Owned Group) shall together enter into a loan agreement with the Company in respect of the entirety of the Required Funds on terms and conditions set out in Schedule 5 (Shareholder Loans: Terms) (any such loan being a “**GSK Shareholder Loan**”).

- 13.5 The total amount of all Shareholder Loans outstanding at any given time shall be aggregated and repayments made to each Shareholder (or members of their Wholly-Owned Groups, as relevant) pro rata in proportion to the amount (principal and interest) owed to each Shareholder (or members of their Wholly-Owned Groups, as relevant) in relation to the aggregate amount of the Shareholder Loans.
- 13.6 The Board shall determine the amount of Readily Available Cash held by the Company’s Group promptly following the finalisation of the Half-Yearly Accounts and of the Accounts and thereafter shall promptly and, in any event, prior to the declaration and/or payment of any dividend in respect of the relevant Half-Yearly Accounting Period pursuant to clause 11.1 (Dividends), first apply any amount of Readily Available Cash above the Base Cash Amount in repayment of any amounts outstanding under any Shareholder Loans on the basis set out in clause 13.5.
- 13.7 The parties shall procure that GSK shall be permitted, for treasury purposes, to manage the Cash of the Company’s Group on a consolidated basis with the Cash of GSK’s Group on arm’s length terms provided that: (i) internal records are kept so that the Cash of the Company’s Group is readily capable of calculation and assessment; (ii) the Cash of the Company’s Group shall otherwise be managed on a basis consistent in all material respects with that on which the Cash of GSK’s Group is managed; and (iii) GSK’s Group retains a rating of at least BBB from Standard and Poor’s and Baa2 from Moody’s.
- 13.8 Each of Novartis and GlaxoSmithKline shall, and shall procure that the relevant members of its Wholly-Owned Group shall, use commercially reasonable efforts to ensure that any member of Novartis’ Wholly-Owned Group or GlaxoSmithKline’s Wholly-Owned Group (as applicable) which enters into a loan agreement with the Company under clause 13.4(A) or 13.4(B) (as the case may be) is a person to which the Company will, under applicable law and relevant Tax Authority published practice as at the date of entry into such loan agreement, be entitled to make payments of interest without withholding or deduction for or on account of Tax (and for this purpose, it shall be assumed that any necessary procedural formalities are satisfied). This clause 13.8 is without prejudice to the right of the Novartis Shareholders under clause 13.3 to refuse or to fail to respond to a request made under clause 13.2.

14. TAXATION

Surrenders of Tax losses

- 14.1 If, in respect of any accounting period ending after Completion, any member of GSK’s Group or Novartis’ Group (as the case may be) has available an amount which it is able and willing to surrender by way of Consortium Relief (or otherwise) to the Company or to any member of the Company’s Group, and, in respect of its corresponding accounting

period, the Company or such member of the Company's Group (as the case may be) (the "**claimant company**") is able to utilise all or any part of such amount, then that member of GSK's Group or Novartis' Group (as the case may be) which has such amount available (the "**surrendering company**") shall be permitted to surrender it, or any part of it, to the claimant company, and the claimant company shall be obliged to accept such surrender, to the extent that the claimant company is able to utilise it, and the claimant company shall pay to the surrendering company such amount for that surrender as is equal to the Payment Amount, payable on the date or dates that the claimant company would have been liable for an amount of Tax but for that surrender (and, where there is more than one such date, in proportion to the amounts of Tax which would have been payable on each such date).

- 14.2 In the event that any payment of a Payment Amount is made in respect of any surrender of Consortium Relief by a member of GSK's Group or Novartis' Group under clause 14.1, and Tax falls nevertheless to be charged in respect of the taxable profits that the relevant surrender was intended to relieve from such Tax (whether as a result of a Tax Authority refusing to allow Consortium Relief or subsequently withdrawing Consortium Relief in respect of the relevant claim, or for any other reason whatsoever), GSK or Novartis (as the case may be) shall procure that the surrendering company in respect of the relevant surrender shall forthwith repay to the claimant company such part of the Payment Amount as is attributable to the element of the surrender that did not have the effect of relieving from Tax the taxable profits intended to be relieved by virtue of the surrender together with interest at the rate or rates applicable to underpaid corporation tax for the period from payment to repayment of the relevant part of the Payment Amount.

Transfer pricing

- 14.3 If and to the extent that a transfer pricing adjustment applies to adjust the profits and losses of the Company or any member of its Group after Completion and such transfer pricing adjustment:

- (A) arises in respect of any transaction or series of transactions entered into between the Company (or any other member of its Group) and GSK (or any person connected with GSK) or Novartis (or any person connected with Novartis); and
 - (B) leads or may lead to a liability or an increased liability to Tax of the Company or a member of its Group,
- then:
- (i) GSK agrees (where such transaction or series of transactions were entered into with GSK or any person connected with GSK) to make a payment to the Company or the relevant member of the Company's Group equal (on an after Tax basis) to such liability, or such increase in a liability, to Tax; and

(ii) Novartis agrees (where such transaction or series of transactions were entered into with Novartis or any person connected with Novartis) to make a payment to the Company or the relevant member of the Company's Group equal (on an after Tax basis) to such liability, or such increase in a liability, to Tax.

14.4 If and to the extent that GSK (or any person connected with GSK) or Novartis (or any person connected with Novartis) has or may have an increased liability to Tax as a result of a transfer pricing adjustment in respect of which the Company or any member of the Company's Group is able to claim a compensating adjustment, then:

- (A) the Company shall, or shall procure that the relevant member of the Company's Group shall, if GSK or Novartis (as the case may be) so requests, claim the compensating adjustment; and
- (B) if the Company (or the relevant member of the Company's Group) receives or obtains a payment or other Relief which comprises or would not have arisen but for such compensating adjustment, then the lesser of the amount received or the amount that the person concerned will save by virtue of the payment or other Relief (less any reasonable costs of recovering or obtaining such payment or other Relief and any Tax actually suffered thereon) shall be paid by the Company (or the relevant member of the Company's Group) by way of balancing payment to GSK (or the relevant person connected with GSK) or Novartis (or the relevant person connected with Novartis), as the case may be.

14.5 A balancing payment to be made under clause 14.4 shall be made (i) within ten Business Days from the date on which notice setting out the amount due is received by the Company or relevant member of the Company's Group from GSK or Novartis (as the case may be) or, if later, (ii) in the case of a repayment of any Tax, five Business Days after such repayment is received by the Company or the relevant member of the Company's Group, or in the case of the receipt of any other Relief, the date which is two Business Days prior to the last day on which the Company or the relevant member of the Company's Group would have been due to make an actual payment of Tax had it not been for such Relief.

Secondary tax liabilities

14.6 Subject to the provisions of clause 14.8, GSK covenants with the Company to pay to the Company an amount equal (on an after Tax basis) to:

- (A) any payment of Tax for which any member of the Company's Group is liable that would not have arisen but for the failure of any member of GSK's Group to discharge that Tax; and
- (B) any out-of-pocket costs or expenses reasonably and properly incurred by a member of the Company's Group solely and directly in connection with any payment of Taxation as is referred to in clause 14.6(A) or in connection with any

action taken in avoiding, resisting or settling any such payment of Taxation or in connection with taking or defending any action under this clause 14.6.

14.7 Subject to the provisions of clause 14.8, Novartis covenants with the Company to pay to the Company an amount equal (on an after Tax basis) to:

- (A) any payment of Tax for which any member of the Company's Group is liable that would not have arisen but for the failure of any member of Novartis' Group to discharge that Tax; and
- (B) any out-of-pocket costs or expenses reasonably and properly incurred by a member of the Company's Group solely and directly in connection with any payment of Taxation as is referred to in clause 14.7(A) or in connection with any action taken in avoiding, resisting or settling any such payment of Taxation or in connection with taking or defending any action under this clause 14.7.

14.8 The covenants contained in clauses 14.6 and 14.7 shall not extend to any liability otherwise falling therein to the extent that:

- (A) the liability is interest, a penalty or a fine arising from a failure to pay Tax to a Tax Authority within a reasonable time after GSK or Novartis (as the case may be) has made a payment of an amount in respect of that liability to Tax under clauses 14.6 or 14.7 (as the case may be);
- (B) the liability is paid or discharged by a person other than a member of the Company's Group (except where a member of the Company's Group is required to reimburse such person for such payment or discharge) or is otherwise compensated for without cost to any member of the Company's Group; or
- (C) a claim in respect of the liability can be made against GSK or Novartis (as the case may be) under clause 2 of the Tax Covenant.

14.9 If any member of the Company's Group receives any Secondary Liability Claim, the Company shall give notice in writing, or procure that notice in writing is given, to GSK and Novartis as soon as is reasonably practicable. If GSK (in the case of a Secondary Liability Claim for which it may be liable) or Novartis (in the case of a Secondary Liability Claim for which it may be liable) shall indemnify the Company and any relevant member of the Company's Group to the Company's reasonable satisfaction against any liabilities, costs, damages, Tax, losses or expenses which may be incurred thereby, the Company shall, and shall procure that any relevant member of its Group shall, take such reasonable action as GSK (in the case of a Secondary Liability Claim for which it may be liable) or Novartis (in the case of a Secondary Liability Claim for which it may be liable) may by written notice request to dispute, resist or compromise such Secondary Liability Claim.

Structure and timing of indemnity payments

- 14.10 A payment to be made by GSK or Novartis (as the case may be) under clauses 14.3, 14.6, or 14.7 shall be made (i) subject to clause 14.11, within ten Business Days from the date on which notice setting out the amount due is received by GSK or Novartis (as the case may be) from the Company or a member of the Company's Group or, if later, (ii) on the date which is two Business Days prior to the last date on which that payment of Tax may be made in order to avoid incurring a liability to interest or penalties.
- 14.11 Where it is agreed or determined that an amount is payable by GSK or Novartis (as the case may be) to the Company or to another member of the Company's Group pursuant to clauses 14.3, 14.6 or 14.7, GSK, Novartis and the Company shall consult in good faith for a period of not less than ten Business Days (or such longer or shorter period as the parties may agree) with a view to agreeing an acceptable arrangement for satisfying the obligation to pay the amount so claimed in an efficient manner that does not prejudice the interests of the Company's Group (which may involve, by way of example only, the GSK Shareholders or an Novartis Shareholders, as the case may be, subscribing for deferred shares in the Company or making an additional contribution to the Company in respect of shares in the Company which continue to be held by those persons). If GSK, Novartis and the Company fail to agree on any particular manner of payment during the course of such consultations (but not before), the party which is liable to make the payment under clauses 14.3, 14.6 or 14.7 shall make that payment in Cash to the person entitled to it in accordance with clause 14.10.
- 14.12 At any time when a GSK Shareholder is resident in the United States for Tax purposes, a proposed change to the entity classification of each member of the Company's Group (other than the Company) for US federal income tax purposes may be effected only after good faith negotiations, for a reasonable period, between the GSK Shareholders and the Novartis Shareholders, as to whether it is appropriate to make the proposed change. Any such negotiations shall take into account the impact (if any) which that change in entity classification is reasonably likely to have on the US federal income tax position of GSK's Group and of Novartis' Group.

Novartis Nominated Tax Representative

- 14.13 The Company shall procure that the CFO, and any other relevant members of Executive Management, shall consult in good faith with the Novartis Nominated Tax Representative (if any) in relation to the development of and any significant changes to the Tax strategy of the Company's Group. For the purposes of this clause 14, the "**Novartis Nominated Tax Representative**" shall mean the B Director nominated as such by the First Novartis Shareholder, by notice in writing to the Company and the GSK Shareholders.

Section 7701(a)(30) of the Code

- 14.14 The parties shall use all commercially reasonable endeavours to ensure that any interests in the Company held by Shareholders that are US persons (within the meaning

of section 7701(a)(30) of the Code) shall not be sufficiently large to make the Company a controlled foreign corporation for US federal Tax purposes.

Taxation definitions

14.15 In this clause:

- (A) “**balancing payment**” means a payment made by a person to whom a compensating adjustment is available to a person who has suffered the transfer pricing adjustment to which the compensating adjustment relates;
- (B) “**Code**” means the U.S. Internal Revenue Code of 1986, as amended, together with its implementing regulations;
- (C) “**compensating adjustment**” means any Relief available to a person as a consequence of a transfer pricing adjustment made in respect of another person;
- (D) a person is “**connected**” with GSK or Novartis (as the case may be) if it is connected with GSK or Novartis (as the case may be) for the purposes of the transfer pricing legislation in force in the territory in which a transfer pricing adjustment is imposed, provided that the Company and its Group shall be deemed not to be “**connected**” with GSK or Novartis;
- (E) “**Consortium Relief**” means (in the United Kingdom) group relief (as defined in section 97 CTA 2010), available upon the making of a claim based on one of the three consortium conditions (as set out in sections 132 and 133 CTA 2010), and (in any other jurisdiction) any Relief which is equivalent to such United Kingdom relief;
- (F) “**Payment Amount**” means, in respect of any surrender of Consortium Relief, an amount equal to the amount by which the claimant company’s liability to make an actual payment of or in respect of Tax is reduced as a result of such surrender of Consortium Relief;
- (G) “**Relief**” means any loss, allowance, credit, relief, deduction or set-off in respect of, or taken into account (or capable of being taken into account) in the calculation of a liability to, Taxation, or any right to a repayment of Taxation;
- (H) “**Secondary Liability Claim**” means any notice, enquiry, demand, assessment, determination, letter or other document issued by a Tax Authority from which it appears that a member of the Company’s Group may be required to make an actual or suffer a deemed payment of Tax or may suffer the non-availability, loss, reduction or cancellation of a Relief, in each case, which may give rise to a claim against GSK or Novartis (as the case may be) under clause 14.6 or clause 14.7;

- (I) **“transfer pricing adjustment”** means the computation of profits or losses for tax purposes in relation to any transaction or series of transactions on a basis which substitutes arm’s length terms for the actual terms agreed, as finally determined by a Tax Authority;
- (J) a member of the Company’s Group shall be deemed to be liable for a payment of Tax, and to make that payment of Tax, if that member of the Company’s Group would be liable for a payment of Tax but for the use or setting off against profits or against a liability to pay Tax of any Relief, and such deemed payment of Tax shall be deemed to be due on the earliest possible date on which that Tax could have been due (ignoring for this purpose any application to postpone payment of, appeal against or amendment of any assessment or other notification of that Tax) but for the use or setting off of the Relief concerned;
- (K) any reference to an obligation of a member of the Company’s Group (other than the Company) to perform any action shall be construed as an obligation of the Company to procure that such member of the Company’s Group performs such action; and
- (L) other than for the purposes of clause 14.6 to clause 14.9 (inclusive), each Delayed Group Company shall be treated as part of the Company’s Group, and not as part of either Shareholder’s Group, in relation to the period beginning with Closing and ending immediately before the Delayed Group Company Closing in relation to that Delayed Group Company, and in this Clause 14.15(L) “Delayed Group Company” and “Delayed Group Company Closing” shall have the same meaning as in the Tax Covenant.

15. [*]**

15.1 Each Shareholder Grouping hereby grants to the Company a right of first negotiation in relation to the disposal or other transfer of any [***] from time to time of any member of their respective Groups, such right of first negotiation and right of first refusal to be on the terms set out in the remainder of this clause 15.

15.2 If at any time any [***] from time to time of any member of any Shareholder Grouping’s Group is or becomes a [***] the relevant Shareholder Grouping (the “[***]”) shall be required to notify the Company in writing of the same reasonably promptly (and in any event within 15 Business Days following the [***] and prior to the [***]) where:

- (A) the [***] shall mean, [***]:
 - (i) [***];
 - (ii) [***];
 - (iii) [***]; and
- (B) The[***] shall mean, [***],

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and shall provide with such notification a copy of each of the items specified in clauses 15.2(A)(i) to 15.2(A)(iii) (inclusive), together with reasonable supporting materials and evidence.

- 15.3 Following the service of any such notification (or the point at which such notification should have been made) in accordance with clause 15.2, the [***] shall not be permitted to make any application that would result in the [***] being achieved unless:
- (A) one of the matters referred to in clauses 15.6(A) to 15.6(C) (inclusive) has occurred;
 - (B) pursuant to and in accordance with any binding documentation entered into between the Company and the relevant [***] (or the other relevant member(s) of their respective Groups) in relation to (amongst other things) the acquisition of the relevant [***] (or all rights and interests therein) pursuant to the process referred to in clause 15.6(B); or
 - (C) otherwise agreed between the parties.
- 15.4 Subject to clause 15.9, no later than 60 days after the date on which the Company receives any notification in accordance with clause 15.2, the Company shall notify the relevant [***] in writing as to whether it is interested in acquiring the relevant [***] (or all rights and interests therein), upon [***]
- 15.5 Subject to clause 15.9, if the Company notifies the relevant [***] in accordance with clause 15.4 that it is interested in acquiring the relevant [***] (or all rights and interests therein), from the relevant [***] upon [***], then, during the [***] period from the date of such notification (the “[***]”):
- (A) the relevant [***] shall not (and shall procure that no other member of its Group shall) enter into any discussions or negotiations with any Third Party in relation to the disposal or other transfer of, or actually dispose of or otherwise transfer (or agree to do so), the relevant [***] (or any rights or interests therein) to any person outside its Group; and
 - (B) the relevant [***] and the Company shall negotiate in good faith with a view to agreeing the terms and conditions upon which the Company (or another member of its Group) shall:
 - (i) acquire the relevant [***] (or any rights and/or interests therein) from the relevant [***] (or another member of its Group); and
 - (ii) fund the subsequent costs in connection with [***]
- 15.6 Subject to clause 15.9, in the event that:
- (A) the Company notifies the relevant [***] under clause 15.4 that it is not interested in acquiring the relevant [***] (or all rights and interests therein), upon [***];

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- (B) the Company fails to notify the relevant [***] under clause 15.4 as to whether or not it is interested in acquiring the relevant [***] (or all rights and interests therein), upon [***]; or
- (C) the [***] expires and the Company and the relevant [***] (or the other relevant member(s) of their respective Groups) have not entered into a binding agreement in relation to the acquisition of the relevant [***] (or all rights and interests therein) and the funding of the costs in connection with [***],

the relevant [***] (and any other member of its Group) shall be free to:

- (i) enter into discussions and/or negotiations with a Third Party in relation to the disposal or other transfer of the relevant [***] (or all rights and interests therein), subject to clause 15.7; and
- (ii) notwithstanding the provisions of clause 27 (Protective Covenants) research, develop, manufacture, distribute, market, sell, promote and otherwise commercialise the relevant [***] upon [***] (and, for the avoidance of doubt, the relevant [***] (and any other member of its Group) would be, subject to the provisions of this agreement, including this clause 15, free to research, develop, manufacture, distribute, market, sell, promote and otherwise commercialise the [***]).

15.7 The provisions of clause 8.5 (Proceedings of Directors) shall apply in relation to those actions or steps to be taken by the Company in connection with the process set out in this clause 15.

15.8 This clause 15 shall not apply to any [***] owned or managed by any of the GSK Excluded Businesses or Novartis Excluded Businesses (if any).

15.9 Notwithstanding the above provisions of this clause 15, in the event that the relevant [***] does not have the rights in relation to the relevant [***] to comply with the above provisions of this clause 15, the relevant [***] shall be under no obligation to comply with such provisions, but shall use its reasonable endeavours to obtain such rights so as to enable it to do so.

16. RESTRICTIONS ON DEALING WITH SHARES

16.1 No Disposal of any Share or any legal or beneficial interest in any Share shall be permitted except a transfer of the entire legal and beneficial interest in the Share:

- (A) that is permitted by any of clauses 17 (Permitted Transfers) to 23 (Interaction of Notices) (inclusive);
- (B) in the case of a transfer of A Shares, with the prior written consent of the Novartis Shareholders (acting in their absolute discretion); or

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(C) in the case of a transfer of B Shares, with the prior written consent of the GSK Shareholders (acting in their absolute discretion).

16.2 Except pursuant to clause 17.1 (Permitted Transfers) or as otherwise agreed between the parties, no Disposal of any B Shares or A Shares shall be made unless all of the B Shares or A Shares (as the case may be) are Disposed of pursuant to the same transaction as if there were only one holder of B Shares and one holder of A Shares.

16.3 If a Disposal of any Shares is permitted pursuant to this agreement, otherwise than to a member of the transferring Shareholder's Group, that Shareholder must procure that any Shareholder Loans that are owed and outstanding to a member of that Shareholder's Group at the time of transfer shall be transferred to the relevant transferee of those Shares (or a member of its Group) at the same time.

17. PERMITTED TRANSFERS

17.1 A Shareholder may transfer all (but not some only) of its Shares to any other body corporate in the same Wholly-Owned Group (a "**Group Transferee**"), provided that the transferee shall first have entered into a Deed of Adherence in the form set out in Schedule 2 (Form of Deed of Adherence).

17.2 A holder of Shares that is a member of GSK's Wholly-Owned Group shall transfer, in a manner and to a transferee permitted by this agreement, all (but not some only) of the Shares held by it before it ceases to be in GSK's Wholly-Owned Group. A holder of Shares that is a member of Novartis' Wholly-Owned Group shall transfer, in a manner and to a transferee permitted by this agreement, all (but not some only) of the Shares held by it before it ceases to be in Novartis' Wholly-Owned Group.

17.3 The transferor and the transferee of any Shares transferred under this clause 17 and the relevant Shareholder shall each provide to any other Shareholder at their own expense any information and evidence reasonably requested in writing by such other Shareholder for the purpose of determining whether the transfer to the proposed transferee complies with the terms of this clause 17.

17.4 Without prejudice to clause 17.1, any Shareholder that transfers all (but not some only) of its Shares pursuant to this clause 17 shall procure that its relevant Group Transferee complies with the provisions of this agreement.

17.5 The GSK Shareholders shall ensure at all times that the Company satisfies the requirements of Article 23(2)(c)(ii) of the income tax treaty dated 24 July 2001 between the United Kingdom and the United States. For the purposes of this clause 17.5, no account shall be taken of any amendment, modification or replacement of that treaty which enters into force after the date of this agreement.

18. NOVARTIS TRANSFER AND GSK RIGHT OF FIRST REFUSAL

18.1 Following the expiry of the Put Option Period, the Novartis Shareholders may only Dispose of the entire legal and beneficial interest in all (but not some only) of the B

Shares, in accordance, and subject to compliance, with the remaining provisions of this clause 18.

- 18.2 In the event that, following the expiry of the Put Option Period, the Novartis Shareholders (or any other member of their Group) receive an offer from a Third Party (the “**B Share Purchaser**”) to acquire the entire legal and beneficial interest in all (but not some only) of the B Shares, which the Novartis Shareholders (or such other member of their Group) intends to accept and which is:
- (A) a bona fide offer in writing;
 - (B) from a Third Party that either already has the financial resources to fund the Cash consideration payable in connection with such offer or, on the basis of at least a highly confident letter(s) from a reputable financial institution(s) in connection with such offer, is highly likely to be able to fund the Cash consideration payable in connection with such offer;
 - (C) for consideration solely in the form of Cash and expressed as a fixed amount per Share and which contains, and is subject to or affected by, no other economic, price or value terms (and, accordingly, does not involve any form of contingent or deferred consideration);
 - (D) accompanied by a final draft share purchase agreement and a final draft of all other contractual documentation to be entered into with the B Share Purchaser and/or any other member of its Group, in relation to the acquisition of the entire legal and beneficial interest in all (but not some only) of the B Shares;
 - (E) unconditional in all respects, except for any conditions relating to the obtaining of (i) any anti-trust approvals or consents, (ii) any other legal and/or regulatory approvals or consents, and (iii) any shareholder and/or Third Party consents, in any case, that are mandatorily required by Law in connection with the proposed acquisition, or that, if not obtained, would result in a material adverse effect on one or more of the parties to the proposed acquisition; and
 - (F) not part of, linked to or connected with, any other agreement, arrangement or understanding,
- such offer being, the “**B Share Offer**”, the Novartis Shareholders shall notify the GSK Shareholders in writing (such notice being the “**B Share Offer Notice**”), specifying and providing in or attached to such notice the following:
- (G) that Novartis wishes to transfer the entire legal and beneficial interest in all (but not some only) of the B Shares;
 - (H) that Novartis has received a bona fide offer in writing from the relevant B Share Purchaser to acquire the entire legal and beneficial interest in all (but not some only) of the B Shares and that such B Share Purchaser satisfies the criteria set out in clause 18.2(B);

- (I) the identity of the relevant B Share Purchaser;
- (J) the Cash consideration payable in respect of the B Share Offer, expressed as a fixed amount per Share (the “**B Share Offer Price**”) and confirming that the B Share Offer Price is not subject to or affected by any other economic, price or value terms (and, accordingly, does not involve any form of contingent or deferred consideration); and
- (K) a copy of the documents referred to in clause 18.2(D) unredacted and unamended in any way such that the GSK Shareholders would be able to have a full and accurate understanding of all matters agreed or understood between the Novartis Shareholders and the relevant B Share Purchaser which would be considered relevant for the operation of this clause 18.

18.3 The GSK Shareholders shall have 60 days from the date of the B Share Offer Notice (the “**B Share Offer Period**”) in which to notify the Novartis Shareholders in writing (such notice being the “**B Share Acquisition Notice**”) that they wish to acquire the entire legal and beneficial interest in all (but not some only) of the B Shares for the B Share Offer Price and otherwise on the following terms:

- (A) completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the B Shares shall be conditional only upon (i) the obtaining within a period of six months of any anti-trust approvals or consents, (ii) the obtaining of any other legal and/or regulatory approvals or consents, and (iii) the obtaining of any shareholder and/or Third Party consents, in any case, as are mandatorily required by Law in connection with the proposed acquisition of the entire legal and beneficial interest in all (but not some only) of the B Shares, or that, if not obtained, would result in a material adverse effect on either or both of the GSK Shareholders (or any other members of their Group) and/or either or both of the Novartis Shareholders (or any other members of their Group) (such conditions being the “**B Share Conditions**”);
- (B) the Shareholders shall (and shall procure that each other relevant member of their respective Groups shall) cooperate with one another (acting reasonably) with a view to satisfying the B Share Conditions as soon as reasonably practicable following receipt by the Novartis Shareholders of the B Share Acquisition Notice; and
- (C) completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the B Shares shall occur in accordance with the provisions of clause 22 (Completion of Share Transfers) on the tenth Business Day following the later of:
 - (i) the day on which all of the B Share Conditions have all been satisfied (or waived (in whole or in part) by the GSK Shareholders); and
 - (ii) 3 months following the date of the B Share Acquisition Notice,

and, upon receipt of any such notification, there shall be a binding agreement between the GSK Shareholders and the Novartis Shareholders in respect of the same.

18.4 In the event that no such B Share Acquisition Notice is delivered in the relevant B Share Offer Period in response to the relevant B Share Offer Notice (or the agreement resulting from clause 18.3 lapses or terminates other than as a result of the Novartis Shareholders' default), the Novartis Shareholders may dispose of their entire legal and beneficial interest in all (but not some only) of the B Shares to the relevant B Share Purchaser, provided that definitive documentation in respect of such disposal is entered into:

- (i) within 10 Business Days of the expiry of the B Share Offer Period; and
- (ii) on terms and conditions that are no less onerous and no more generous to the relevant B Share Purchaser than those set out in the B Share Offer Notice,

and, prior to completion of such disposal, the relevant B Share Purchaser and the ultimate parent company of such Third Party (if any) enters into a Deed of Adherence in the form set out in Schedule 2 (Form of Deed of Adherence).

18.5 The parties agree that no B Share Offer Notice may be served until at least twelve months following the termination of any previous process pursuant to this clause 18.

18.6 Notwithstanding any other provisions of this agreement, the parties further agree that in the event that the B Share Purchaser becomes a Shareholder pursuant to clause 18.4, such B Share Purchaser shall not, and shall be prohibited from, exercising any rights under this clause 18 until the day following the fifth anniversary of the date on which it became a Shareholder.

19. GSK TRANSFER AND NOVARTIS RIGHT OF FIRST REFUSAL AND TAG RIGHT

19.1 Following the expiry of the GSK Restricted Period, the GSK Shareholders may only Dispose of the entire legal and beneficial interest in all (but not some only) of the A Shares, in accordance, and subject to compliance, with the remaining provisions of this clause 19.

19.2 In the event that, following the expiry of the GSK Restricted Period, the GSK Shareholders (or any other member of their Group) receive an offer from a Third Party (the "**A/B Share Purchaser**") to acquire the entire legal and beneficial interest in all (but not some only) of the A Shares, which the GSK Shareholders (or such other member of their Group) intends to accept and which is:

- (A) a bona fide offer in writing;
- (B) from a Third Party that either already has the financial resources to fund the Cash consideration payable in connection with such offer or, on the basis of at least a highly confident letter(s) from a reputable financial institution(s) in

connection with such offer, is highly likely to be able to fund the Cash consideration payable in connection with such offer;

- (C) for consideration solely in the form of Cash and expressed as a fixed amount per Share and which contains, and is subject to or affected by, no other economic, price or value terms (and, accordingly, does not involve any form of contingent or deferred consideration);
- (D) accompanied by a final draft share purchase agreement and a final draft of all other contractual documentation to be entered into with the relevant A/B Share Purchaser and/or any other member of its Group, in relation to the acquisition of the entire legal and beneficial interest in all (but not some only) of the A Shares;
- (E) unconditional in all respects, except for any conditions relating to the obtaining of (i) any anti-trust approvals or consents, (ii) any other legal and/or regulatory approvals or consents, and (iii) any shareholder and/or Third Party consents, in any case, that are mandatorily required by Law in connection with the proposed acquisition, or that, if not obtained, would result in a material adverse effect on one or more of the parties to the proposed acquisition; and
- (F) not part of, linked to or connected with, any other agreement, arrangement or understanding,

such offer being the “**A Share Offer**”, the GSK Shareholders shall notify the Novartis Shareholders in writing (such notice being the “**A Share Offer Notice**”), specifying and providing in or attached to such notice the following:

- (G) that the GSK Shareholders wish to transfer the entire legal and beneficial interest in all (but not some only) of the A Shares;
- (H) that the GSK Shareholders (or any other member of their Group) has received a bona fide offer in writing from the relevant A/B Share Purchaser to acquire the entire legal and beneficial interest in all (but not some only) of the A Shares and that such A/B Share Purchaser satisfies the criteria set out in clause 19.2(B);
- (I) the identity of the relevant A/B Share Purchaser;
- (J) the Cash consideration payable in respect of the A Share Offer, expressed as a fixed amount per Share (the “**A Share Offer Price**”) and confirming that the A Share Offer Price is not subject to or affected by any other economic, price or value terms (and, accordingly, does not involve any form of contingent or deferred consideration); and
- (K) a copy of the documents referred to in clause 19.2(D) unredacted and unamended in any way such that the Novartis Shareholders would be able to have a full and accurate understanding of all matters agreed or understood between the GSK Shareholders (or any other member of their Group) and the

relevant A/B Share Purchaser which would be considered relevant for the operation of this clause 19.

- 19.3 The Novartis Shareholders shall have 60 days from the date of the A Share Offer Notice (the “**A Share Offer Period**”) in which to notify the GSK Shareholders in writing (such notice being, the “**A Share Acquisition Notice**”) that they wish to acquire the entire legal and beneficial interest in all (but not some only) of the A Shares for the A Share Offer Price and otherwise on the following terms:
- (A) completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the A Shares shall be conditional only upon (i) the obtaining within a period of six months of any anti-trust approvals or consents, (ii) the obtaining of any other legal and/or regulatory approvals or consents, and (iii) the obtaining of any shareholder and/or Third Party consents, in any case, as are mandatorily required by Law in connection with the proposed acquisition of the entire legal and beneficial interest in all (but not some only) of the A Shares, or that, if not obtained, would result in a material adverse effect on either or both of the GSK Shareholders (or any other member of their Group) and/or either or both of the Novartis Shareholders (or any other member of their Group) (such conditions being, the “**A Share Conditions**”);
 - (B) the Shareholders shall (and shall procure that each other relevant member of their respective Groups shall cooperate with one another (acting reasonably) with a view to satisfying the A Share Conditions as soon as reasonably practicable following receipt by the GSK Shareholders of the A Share Acquisition Notice; and
 - (C) completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the A Shares shall occur in accordance with the provisions of clause 22 (Completion of Share Transfers) on the tenth Business Day following the later of:
 - (i) the day on which all of the A Share Conditions have all been satisfied (or waived (in whole or in part) by the GSK Shareholders); and
 - (ii) 3 months following the date of the A Share Acquisition Notice.

and, upon receipt of any such notification, there shall be a binding agreement between the GSK Shareholders and the Novartis Shareholders in respect of the same.

- 19.4 In the event that no such A Share Acquisition Notice is delivered in the relevant A Share Offer Period in response to the relevant A Share Offer Notice (or the agreement resulting from clause 19.3 lapses or terminates other than as a result of the GSK Shareholders’ default), the GSK Shareholders may dispose of the entire legal and beneficial interest in all (but not some only) of the A Shares to the relevant A/B Share Purchaser, provided that:

(A) prior to entering into definitive documentation in respect of such disposal, they procure that such A/B Share Purchaser makes a further binding offer (by way of notice in writing) to the Novartis Shareholders (which shall be open for acceptance for a period of 10 Business Days following receipt of such notice) to acquire the entire legal and beneficial interest in all (but not some only) of the B Shares for the same per Share consideration as the A Share Offer and otherwise on (and, unless otherwise agreed between the parties, only on) the following terms:

- (i) completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the B Shares by such A/B Share Purchaser shall be conditional only upon completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the A Shares by the A/B Share Purchaser; and
- (ii) completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the B Shares shall occur in accordance with the provisions of clause 22 (Completion of Share Transfers) on the same day and subject to the completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the A Shares by the A/B Share Purchaser,

such further binding offer being the “**Tag Share Offer**” and such notice being the “**Tag Share Offer Notice**”; and

(B) definitive documentation in respect of such disposal is entered into:

- (i) within 10 Business Days of the expiry of the A Share Offer Period; and
- (ii) on terms and conditions that are no less onerous and no more generous to the relevant A/B Share Purchaser than those set out in the A Share Offer Notice,

and, in the event that the Novartis Shareholders do not accept the Tag Share Offer within the timeframe specified in clause 19.4(A) (or the agreement resulting from the Novartis Shareholders’ acceptance of the Tag Share Offer lapses or terminates), then, prior to completion of such disposal, the A/B Share Purchaser and the ultimate parent company of the A/B Share Purchaser (if any) enters into a Deed of Adherence in the form set out in Schedule 2 (Form of Deed of Adherence).

19.5 The parties agree that no A Share Offer Notice may be served until at least twelve months following the termination of any previous process pursuant to this clause 19.

19.6 Notwithstanding any other provisions of this agreement, the parties further agree that in the event that the A/B Share Purchaser becomes a Shareholder pursuant to clause 19.4, such A/B Share Purchaser shall not, and shall be prohibited from, exercising any

rights under this clause 19 until the day following the fifth anniversary of the date upon which it became a Shareholder.

20. NOVARTIS PUT OPTION

Grant and exercise of Put Option

- 20.1 The “**Put Option**” is the right of the Novartis Shareholders to require the GSK Shareholders to acquire the B Shares in a maximum of four tranches (each a “**Tranche**”) in consideration for the payment by the GSK Shareholders to the Novartis Shareholders of the Put Option Price in respect of the relevant Tranche, which shall be exercisable by the Novartis Shareholders in accordance with, and on the terms set out in, this clause 20.
- 20.2 Subject to clauses 20.4, 20.5 and 20.13, at any time during the Put Option Period except during a Put Option Prohibited Period, the Novartis Shareholders may exercise the Put Option by serving notice on the GSK Shareholders (a “**Put Exercise Notice**”) and the date on which any Put Exercise Notice is served being the “**Put Exercise Notice Date**”) in accordance with the provisions of this clause 20. Once a Put Exercise Notice is served in accordance with this agreement, that Put Exercise Notice shall be irrevocable and may not be amended.
- 20.3 The Novartis Shareholders shall only be permitted to serve a Put Exercise Notice under clause 20.2 in respect of B Shares representing:
- (A) in any first Tranche:
 - (i) 7.5 per cent. of the Shares; or
 - (ii) 36.5 per cent. of the Shares (or such other amount as is, at that time, equal to 100% of the Novartis Shareholders’ B Shares);
 - (B) in any second Tranche:
 - (i) 7.5 per cent. of the Shares; or
 - (ii) 29 per cent. of the Shares (or such other amount as is, at that time, equal to 100% of the Novartis Shareholders’ B Shares);
 - (C) in any third Tranche:
 - (i) 7.5 per cent. of the Shares; or
 - (ii) 21.5 per cent. of the Shares (or such other amount as is, at that time, equal to 100% of the Novartis Shareholders’ B Shares); and
 - (D) in any fourth Tranche, 14 per cent. of the Shares (or such other amount as is, at that time, equal to 100% of the Novartis Shareholders’ B Shares),

in each case, with the B Shares the subject of such Put Exercise Notice being the “**Put Shares**”, the percentage of the Shares represented by the Put Shares being the “**Tranche Percentage**” and any Tranche representing less than 100% of the Novartis Shareholders’ remaining B Shares at that time being a “**Partial Put**”. Any Put Exercise Notice must state the percentage of the Shares that the Novartis Shareholders are exercising their Put Option in relation to, being one of those set out in clauses 20.3(A) to 20.4(D) (inclusive).

- 20.4 If a Put Exercise Notice is served in accordance with clause 20.2, in respect of a Partial Put, prior to the date falling six years following the Completion Date, the next Put Exercise Notice (if any) shall not be served at any time during the period of 18 months following that prior Put Exercise Notice Date.
- 20.5 Subject to clause 20.4, if a Put Exercise Notice is served in accordance with clause 20.2, in respect of a Partial Put, after the date falling six years following the Completion Date, the next Put Exercise Notice (if any) shall not be served at any time during the period of 12 months following that prior Put Exercise Notice Date.

Put Option Price

20.6 The price payable at the Put Option Completion Date for the relevant Put Shares (the “**Put Option Price**”) shall be the Pounds Sterling amount calculated by multiplying:

- (A) the Put Option Market Value (which shall be determined in accordance with Schedule 3 (Price Determination)); and
- (B) the Tranche Percentage.

The Put Option Price shall be adjusted after Put Option Completion pursuant to clause 20.12(A) and such adjusted amount shall be adopted for all tax reporting purposes. The Put Option Price shall be payable in Pounds Sterling in accordance with the provisions of clause 22.2(B) (Completion of Share Transfers) on the Put Option Completion Date. Prior to Put Option Completion, GSK and Novartis may discuss between them (acting in good faith) the possibility of the Put Option Price being paid in a different currency to Pounds Sterling, but nothing in this clause 20.6 shall bind them to reaching an agreement in respect of the same.

Put Option Completion

- 20.7 The parties shall cooperate with each other (acting reasonably) and use all reasonable endeavours to effect completion of the Put Option in respect of any Put Shares (“**Put Option Completion**”) as soon as reasonably practicable following the determination of the Put Option Market Value and the satisfaction of any Put Option Conditions. In any event, Put Option Completion shall occur [***] (the date of Put Option Completion being the “**Put Option Completion Date**”). Put Option Completion shall occur in accordance with clause 22 (Completion of Share Transfers). At Put Option Completion:

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

- (A) the GSK Shareholders shall pay the Put Option Price to the Novartis Shareholders in Pounds Sterling in accordance with the provisions of clause 22.2(B) (Completion of Share Transfers); and
 - (B) the GSK Shareholders shall or shall procure that the Company shall (as applicable) take such steps as are set out in clause 20.11.
- 20.8 Put Option Completion shall be conditional only upon (i) the obtaining of any anti-trust approvals or consents, (ii) the obtaining of any other legal and/or regulatory approvals or consents, and/or (iii) the obtaining of any shareholder and/or Third Party consents, in any case as are mandatorily required by Law to be obtained prior to the transfer of the relevant Put Shares pursuant to this clause 20 (such conditions being the “**Put Option Conditions**”).
- 20.9 The Shareholder Groupings shall (and shall procure that each other relevant member of their respective Groups shall) cooperate with one another (acting reasonably) and shall each take all steps (which they are lawfully able to take) as are necessary in order to satisfy any Put Option Conditions as soon as reasonably practicable following the relevant Put Exercise Notice Date (save only where any such step would have a material adverse effect on their respective Group).

Effect of Put Option Completion

- 20.10 If the Novartis Shareholders exercise the Put Option in more than one Tranche pursuant to clause 20.3, then, without prejudice to clause 6.7 (Shareholder Appointments):
- (A) with effect from Put Option Completion in respect of any second Tranche pursuant to clause 20.3(B)(i) (resulting in the Novartis Shareholders then holding B Shares representing 21.5 per cent. of the Shares), the number of Directors that the First Novartis Shareholder shall be entitled to nominate in accordance with clause 6.2 shall be reduced to a maximum number of three Directors out of a maximum of ten Directors and clauses 6.1 and 6.2 shall be deemed to have been amended accordingly; and
 - (B) with effect from Put Option Completion in respect of any third Tranche pursuant to clause 20.3(C)(i) (resulting in the Novartis Shareholders then holding B Shares representing 14 per cent. of the Shares), the number of Directors that the First Novartis Shareholder shall be entitled to nominate in accordance with clause 6.2 shall be reduced to a maximum number of one Director out of a maximum of eight Directors and clauses 6.1 and 6.2 shall be deemed to have been amended accordingly,
- and the First Novartis Shareholder shall procure that any one (in the case of clause 20.10(A)) or any two (in the case of clause 20.10(B)) of the B Directors each resigns from his or her office of Director on the relevant Put Option Completion Date and each waives any and all rights he or she has against the Company and/or any other member of its Group, and clause 6.3 shall apply accordingly; and

- (C) with effect from Put Option Completion in respect of any third Tranche pursuant to clause 20.3(C)(i) (resulting in the Novartis Shareholders then holding B Shares representing 14 per cent. of the Shares), the provisions of each of clauses 4.1(D), 4.1(H), 4.1(J), 4.1(K), 4.1(L), 4.1(M), 4.1(N), 4.1(O), 4.1(P), 4.1(Q) (Reserved Matters) (in relation to each of 4.1(N) to 4.1(Q) (inclusive), only to the extent that any action listed in such clause is not reasonably likely to have an adverse impact on the Novartis Shareholders on or after Put Option Completion in respect of any third Tranche), 4.1(R), 4.1(S), 4.1(T), 4.1(U), 4.1(V), 4.1(W) and 4.1(X) (Reserved Matters) shall cease to have any force and effect.

Funding and dividends: special arrangements

- 20.11 At Put Option Completion, the GSK Shareholders shall procure that the Company shall apply any Readily Available Cash in excess of the Base Cash Amount as shown in the Pre-Put Quarterly Balance Sheet (such amount being, the “**Put Excess Cash**”) as follows:
- (A) if there is at least one GSK Shareholder Loan and two Joint Shareholder Loans outstanding at that time, the Put Excess Cash shall be applied up to the total drawn amount of the Shareholder Loans (or, if lower, the total amount of the Put Excess Cash) and shall be allocated between the aggregate amount of the GSK Shareholder Loan(s) and the aggregate amount of the Joint Shareholders Loans in proportion to the amount that such GSK Shareholder Loan(s) and Joint Shareholder Loans represent to the aggregate amount of all of the Shareholder Loans and accordingly shall be used to repay such Shareholder Loans in accordance with clauses 20.11(C) and 20.11(D);
- (B) in the event that there are only GSK Shareholder Loan(s) or only Joint Shareholders Loans, the Put Excess Cash shall be applied up to the total drawn amount of such GSK Shareholder Loan(s) or Joint Shareholder Loans as the case may be (or, if lower, the total amount of the Put Excess Cash) and shall be allocated to and used to repay such GSK Shareholder Loan(s) or Joint Shareholder Loans (as the case may be) in accordance with clauses 20.11(C) and 20.11(D);
- (C) in respect of any amount of the Put Excess Cash that has been allocated to any GSK Shareholder Loan(s) in accordance with clauses 20.11(A) or 20.11(B), the Company shall use such Put Excess Cash to repay such GSK Shareholder Loan(s) to the extent of such Put Excess Cash;
- (D) in respect of any amount of the Put Excess Cash that has been allocated to any Joint Shareholder Loans in accordance with clauses 20.11(A) or 20.11(B) (such amount being, the “**JSL Repayment Amount**”), the Company shall use the JSL Repayment Amount to repay such Joint Shareholder Loans to the extent of such JSL Repayment Amount as follows:

- (i) it shall repay to the GSK Shareholders the amount resulting from: (i) the JSL Repayment Amount multiplied by the same percentage as the aggregate of their respective Percentage Interests; minus (ii) if the JSL Repayment Amount is less than aggregate amount of the Joint Shareholder Loans (the amount of such shortfall being, the “**JSL Shortfall**”), the JSL Shortfall multiplied by the same percentage as the relevant Tranche Percentage (the “**JSL Rebalancing Amount**”) (and provided that if that amount is a negative amount then the GSK Shareholders shall provide additional funding to the Company equal to that negative amount by way of an increase to their portion of the Joint Shareholder Loans to ensure that the Novartis Shareholders receive the JSL Rebalancing Amount at Put Option Completion pursuant to (ii) below); and
 - (ii) it shall repay to the Novartis Shareholders an amount equal to: (i) the JSL Repayment Amount multiplied by the same percentage as the aggregate of their respective Percentage Interests; plus (ii) if there is a JSL Shortfall, the JSL Rebalancing Amount; and
- (E) if the amount outstanding under the Shareholder Loans is less than the Put Excess Cash, such that following the repayments referred to in clauses 20.11(A) to 20.11(D) there is still some Put Excess Cash remaining, the Company shall distribute to the Shareholders, in proportion to their respective Percentage Interests, an amount equal to such remaining Put Excess Cash to the extent that it has sufficient distributable reserves to do so.

For the avoidance of doubt, references to “Percentage Interests” in clause 20.11(D) above are to the pre-Put Option Completion Percentage Interests of the relevant party.

True-up following Put Option Completion

20.12 As soon as reasonably practicable and, in any event, within 45 Business Days following any Put Option Completion Date, the Company shall (acting in good faith) prepare (in accordance with the Accounting Policies) (a) an audited consolidated balance sheet for the Company as at the Put Option Completion Date showing the same line items as the Pre-Put Quarterly Balance Sheet (the “**Put Closing Balance Sheet**”); and (b) an audited adjusted version of the Put Closing Balance Sheet (the “**Adjusted Put Closing Balance Sheet**”) showing the same adjustments for Trapped Cash and Net Shareholder Loans as are set out (in respect of the Valuation Balance Sheet) in paragraph 6 of Schedule 3 (Price Determination). Within 10 Business Days following the provision of the Put Closing Balance Sheet and the Adjusted Put Closing Balance Sheet:

- (A) if the aggregate amount shown on the Adjusted Put Closing Balance Sheet in respect of Net Debt is:
 - (i) less than the amount of the Net Debt shown on the Valuation Balance Sheet then the GSK Shareholders shall pay to the Novartis

- Shareholders an amount equal in Pounds Sterling to the difference multiplied by the relevant Tranche Percentage; or
- (ii) greater than the amount of the Net Debt shown on the Valuation Balance Sheet then the Novartis Shareholders shall pay to the GSK Shareholders an amount equal in Pounds Sterling to the difference multiplied by the relevant Tranche Percentage;
- (B) if the amount of Put Excess Cash actually repaid pursuant to Shareholder Loans and/or distributed to the Shareholders pursuant to clause 20.11 at that Put Option Completion would have been different had the Put Closing Balance Sheet been used for that purpose, then:
- (i) if the amount of Put Excess Cash so repaid or distributed would have been less, the GSK Shareholders and the Novartis Shareholders shall make such payments to the Company as are necessary to put the Company into the position that it would have been in had the Put Closing Balance Sheet been used for that purpose (and, if applicable, the Company shall repay to the GSK Shareholders any amount provided to the Company by way of additional funding pursuant to clause 20.11(D)(i)); or
 - (ii) if the amount of Put Excess Cash so repaid or distributed would have been greater, the Company shall make such repayment or distributions as would otherwise have been made pursuant to clause 20.11 had the Put Closing Balance Sheet been used for that purpose,

and, in each case, the relevant Shareholder Loan balances shall be readjusted accordingly if necessary to reflect such payments. For the purposes of this clause 20.12, “**Net Debt**” means the amount calculated as Borrowings plus Net Shareholder Loans minus Trapped Cash.

[***]

20.13 [***]

Conversion of Put Shares to A Shares on transfer under a Tranche

20.14 At any Put Option Completion following which the Novartis Shareholders will continue to hold B Shares, the parties to this agreement will do all such things as are necessary to redesignate the relevant Put Shares as A Shares with effect immediately following that Put Option Completion.

Pre-completion undertakings

20.15 Between the Put Exercise Notice Date and the relevant Put Option Completion Date, the Company (and, so far as they are legally able, each of the Shareholders) shall

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

procure that the Business is run in the ordinary course of business and consistent with past practice and in accordance with the terms of this agreement.

[***]

20.16 [***]

21. TRANSFER OF SHARES ON DEFAULT

21.1 The following are “Events of Default”:

- (A) any member of any Shareholder Grouping is in material or persistent breach of clause 16 (Restrictions on Dealing with Shares) and such breach has not, if capable of remedy, been remedied to the reasonable satisfaction of the other Shareholder Grouping within 90 days of receipt by the Shareholder Grouping a member of which is in breach of written notice from the other Shareholder Grouping requiring such remedy;
- (B) any procedure is commenced with a view to the liquidation, winding-up or re-organisation of a member of any Shareholder Grouping or any of its parent undertakings (other than for the purpose of a solvent amalgamation or reconstruction with the prior approval of the other Shareholder Grouping, such approval not to be unreasonably withheld or delayed) and that procedure (unless commenced by any member of that Shareholder Grouping) is not terminated or discharged within 14 days;
- (C) any step is taken or any procedure is commenced with a view to the appointment of an administrator, receiver, administrative receiver or trustee in bankruptcy or similar proceeding (*Konkursverwalter* or *Sachwalter*) in relation to any member of any Shareholder Grouping (or any of its parent undertakings) or all or substantially all of its assets and that procedure (unless commenced by any member of that Shareholder Grouping or that parent undertaking) is not terminated or discharged within 14 days;
- (D) the holder of any security over all or substantially all of the assets of any member of any Shareholder Grouping (or any of its parent undertakings) takes any step to enforce that security and that enforcement is not discontinued within 14 days;
- (E) all or substantially all of the assets of any member of any Shareholder Grouping (or any of its parent undertakings) is subject to attachment, sequestration, execution or any similar process and that process is not terminated or discharged within 14 days;
- (F) any member of any Shareholder Grouping (or any of its parent undertakings) is unable to pay its debts as they fall due;

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- (G) any member of any Shareholder Grouping (or any of its parent undertakings) enters into, or any step is taken, whether by either of their boards of directors or otherwise, towards entering into a moratorium, composition (*Nachlassverfahren*), provisorical composition moratorium (*Provisorische Nachlassstundung*) or arrangement with its creditors or any class of them, including, but not limited to, a company voluntary arrangement or a deed of arrangement;
- (H) without prejudice to clauses 21.1(B) to 21.1(G) (inclusive) (i) any member of any Shareholder Grouping files in any court or agency pursuant to any statute or regulation of any state or country, a petition in bankruptcy (*Bagehren um Konkursöffnung*) or insolvency or for reorganisation or composition (*Nachlassstundung*) or for a provisorical composition moratorium (*Provisorische Nachlassstundung*) for an arrangement or for the appointment of a receiver or trustee of the relevant member of the Shareholder Grouping or of substantially all of its assets, or (ii) any member of any Shareholder Grouping proposes a written agreement of composition or extension of substantially all of its debts, or (iii) any member of any Shareholder Grouping is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition is not dismissed within 90 days of filing thereof, or (iv) any member of any Shareholder Grouping shall propose or be a party to any dissolution or liquidation, or (v) any member of any Shareholder Grouping shall make an assignment of substantially all of its assets for the benefit of creditors;
- (I) any member of any Shareholder Grouping (or any of its parent undertakings) ceases or threatens to cease wholly or substantially (where substantially shall be interpreted to mean in respect of at least 90 per cent. or more of the relevant company's Group's business) to carry on its business, other than for the purpose of a solvent amalgamation or reconstruction or statutory merger (*Fusion*) with the prior approval of the other Shareholder Grouping (such approval not to be unreasonably withheld or delayed); and
- (J) any member of any Shareholder Grouping (or any of its parent undertakings) enters into, or any step is taken, whether by either of their boards of directors or otherwise, towards any procedure analogous under the laws of any jurisdiction to the procedures set out in clauses 21.1(B) to 21.1(I) (inclusive).

21.2 If an Event of Default occurs and is continuing in relation to any member of any Shareholder Grouping (such Shareholder Grouping being the “**Defaulting Grouping**”):

- (A) the other Shareholder Grouping (the “**Non-Defaulting Grouping**”) may serve notice (a “**Default Valuation Notice**”) on the Company and the other Shareholder Grouping requiring that the price (the “**Default Price**”) of the B Shares (where any GSK Shareholder is a member of the Defaulting Grouping as a result of an Event of Default set out in clause 21.1(A) or where the Novartis Shareholder is a member of the Defaulting Grouping) or the A Shares (where any GSK Shareholder is a member of the Defaulting Grouping as a result of an Event of Default set out in any of the clauses 21.1(B) to 21.1(J)) be determined

- in accordance with the provisions of Schedule 3 (Price Determination), which shall apply *mutatis mutandis* and on the basis that all references to the “Put Option Price” or “Put Option Market Value” shall be to the Default Price and all references to the “Put Exercise Notice Date” shall be to the date of the Default Valuation Notice;
- (B) within 20 Business Days of the determination of the Default Price (and without prejudice to any other remedy which the Non-Defaulting Grouping may have), the Non-Defaulting Grouping may serve a notice (the “**Default Notice**”) on the Defaulting Grouping requiring it, subject to clause 21.2(C):
- (i) where the Non-Defaulting Grouping is the GSK Shareholders, to sell or procure the sale of the entire legal and beneficial interest in all (but not some only) of the B Shares to the Non-Defaulting Grouping (or another member of its Group as they may nominate) at the Reduced Default Price;
 - (ii) where the Non-Defaulting Grouping is the Novartis Shareholders and the Defaulting Grouping is the GSK Shareholders as a result of an Event of Default occurring in relation to any GSK Shareholder as set out in clause 21.1(A), to buy (or procure that their nominee buys) the entire legal and beneficial interest in all (but not some only) of the B Shares from the Non-Defaulting Grouping at the Default Price;
 - (iii) where the Non-Defaulting Grouping is the Novartis Shareholders and the Defaulting Grouping is the GSK Shareholders as a result if an Event of Default occurring in relation to a GSK Shareholder as set out in any of clauses 21.1(B) to 21.1(J) (inclusive) to sell (or procure that their nominee sells) the entire legal and beneficial interest in all (but not some only) of the A Shares to the Non-Defaulting Grouping (or another member of its Group as they may nominate) at the Reduced Default Price,
- (C) if a Default Notice is served within the 20 Business Day period referred to in clause 21.2(B) the following provisions shall apply:
- (i) completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the B Shares or A Shares (as the case may be) shall be conditional only upon: (i) the obtaining of any anti-trust approvals or consents; (ii) the obtaining of any other legal and/or regulatory approvals or consents (including pursuant to applicable bankruptcy or liquidation Laws); and/or (iii) the obtaining of any shareholder and/or Third Party consents, in any case, as are mandatorily required by Law in connection with such acquisition (such conditions being the “**Default Transfer Conditions**”);
 - (ii) the Shareholders shall (and shall procure that each other relevant member of their respective Groups shall) cooperate with one another

- (acting reasonably) with a view to satisfying the Default Transfer Conditions as soon as reasonably practicable following receipt by the Defaulting Grouping of the Default Notice;
- (iii) completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the A Shares or the B Shares (as the case may be) shall occur in accordance with the provisions of clause 22 (Completion of Share Transfers) on the tenth Business Day following the later of (i) the day on which all of the Default Transfer Conditions have all been satisfied (or waived (in whole or in part) by the Shareholders), and (ii) 3 months following the date of the Default Notice; and
- (iv) clauses 20.11 and 20.12 shall apply *mutatis mutandis* and on the basis that:
- (a) all references to “Put Option Completion” or “Put Option Completion Date” shall be to the completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the B Shares or A Shares (as the case may be) or the date on which such completion takes place, respectively;
 - (b) all references to the “Put Exercise Notice Date” shall be to the date of the Default Valuation Notice;
 - (c) all references to “Pre-Put Quarterly Balance Sheet” shall be to the consolidated balance sheet for the Company included in the last quarterly accounts prior to the date of the Default Valuation Notice;
 - (d) all references to “Put Excess Cash” shall be to the Readily Available Cash in excess of the Base Cash Amount as shown in the consolidated balance sheet for the Company included in the last quarterly accounts prior to the date of the Default Valuation Notice;
 - (e) all references to “Put Closing Balance Sheet” shall be to an audited consolidated balance sheet for the Company as at the date of completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the B Shares or A Shares (as the case may be);
 - (f) all references to “Adjusted Put Closing Balance Sheet” shall be to an audited adjusted version of the audited consolidated balance sheet for the Company as at the date of completion of the acquisition of the entire legal and beneficial interest in all (but not some only) of the B Shares or A Shares (as the case may be); and

- (g) clause 20.11(D) and 20.12(A) shall be amended such that all references to:
- (1) the “GSK Shareholders” shall be to the Shareholders that are acquiring the entire legal and beneficial interest in all (but not some only) of the B Shares or the A Shares (as the case may be);
 - (2) the “Novartis Shareholders” shall be to the Shareholders that are selling the entire legal and beneficial interest in all (but not some only) of the B Shares or the A Shares (as the case may be); and
 - (3) the “Tranche Percentage” shall be to the percentage of Shares that the A Shares or the B Shares (as the case may be) represent; and

(D) if no Default Notice is served within the 20 Business Day period referred to in clause 21.2(B), no further Default Valuation Notice or Default Notice may be served in respect of the circumstances comprising the relevant Event of Default (without prejudice to any other rights and remedies the Non-Defaulting Grouping may have).

21.3 For the avoidance of doubt, the remedies set out in this clause 21 are without prejudice to any other rights, powers or remedies that any party may have following or in anticipation of an Event of Default.

22. COMPLETION OF SHARE TRANSFERS

22.1 Where this clause 22 applies to the transfer of any Share, the Share shall be transferred free of encumbrances and with all rights attaching thereto and the transfer shall be governed by the law of England and Wales.

22.2 On completion of any transfer of Shares under this agreement where this clause 22 applies:

- (A) the seller shall deliver to the purchaser a duly executed transfer in favour of the purchaser together with the certificate(s) representing the relevant Shares and a power of attorney in a form and in favour of a person nominated by the purchaser, so as to enable the purchaser, pending registration, to exercise all rights of ownership in relation to the Shares transferred to it including, without limitation, the voting rights;
- (B) in the case of clauses 18 (Novartis Transfer and GSK Right of First Refusal), 19.4 (GSK Transfer and Novartis Right of First Refusal and Tag Right), 19 (Novartis Put Option) and 21 (Transfer of Shares on Default), the purchaser shall pay the relevant Cash consideration as referred to in clauses 18.2(J) (Novartis Transfer and GSK Right of First Refusal), clause 19.2(J) (GSK

Transfer and Novartis Right of First Refusal and Tag Right), 20.6 (Novartis Put Option), and 21.2(A) (Transfer of Shares on Default) to the seller for value on the date of completion in such manner as may be agreed between the seller and the purchaser before completion or failing any such agreement by telegraphic transfer in immediately available funds to such bank account as may be notified by the seller to the purchaser;

- (C) the seller shall do all such other acts and/or execute all such other documents in a form satisfactory to the purchaser as the purchaser may reasonably require to give effect to the transfer of Shares to it (save, for the avoidance of doubt, the payment of any stamp duty or stamp duty reserve tax required in connection with such transfer which shall be for the account of the purchaser); and
- (D) the Company shall, subject to the instrument of transfer being duly stamped, procure that the purchaser shall be registered as the holder of the relevant Shares.

23. INTERACTION OF NOTICES

- 23.1 When a Default Notice, B Share Offer Notice, A Share Offer Notice, Tag Share Offer Notice or a Put Exercise Notice has been validly served and/or the resultant process pursuant to the same is subsisting, no other such notice may be served.
- 23.2 No B Share Offer Notice, A Share Offer Notice, Tag Share Offer Notice, Put Exercise Notice or Default Notice may be withdrawn after it has been made.

24. EFFECT OF DEED OF ADHERENCE

The parties agree to extend the benefit of this agreement to any person who enters into a Deed of Adherence in the form set out in Schedule 2 (Form of Deed of Adherence), but without prejudice to the continuation inter se of the rights and obligations of the original parties to this agreement.

25. SHAREHOLDER UNDERTAKINGS

- 25.1 Each Shareholder undertakes with the other Shareholders that it will:
 - (A) comply with each of the provisions of this agreement;
 - (B) exercise its voting rights and other rights as a member of the Company in order (insofar as it is able to do so through the exercise of such rights) to give full effect to the provisions of this agreement and the rights and obligations of the parties as set out in this agreement;
 - (C) procure that any Director nominated by it from time to time shall (subject to their fiduciary duties to the Company) exercise their voting rights and other powers and authorities in order (insofar as they are able to do so through the exercise of such rights, powers and authorities) to give full effect to the provisions of this

agreement and the rights and obligations of the parties as set out in this agreement; and

(D) comply with Section 10 of the Brazilian Merger Control Agreement of February 25, 2015.

25.2 Any party may give its approval for any matter for which its consent in writing is required pursuant to this agreement:

(A) in writing on behalf of itself; or

(B) in the case of written consent of GSK, in writing signed by any one A Director appointed by the First GSK Shareholder or by a vote in favour of a separate and specific directors' resolution on that matter by a majority of the A Directors appointed by the First GSK Shareholder voting on such resolution; or

(C) in the case of any written consent by Novartis, in writing signed by one B Director appointed by the First Novartis Shareholder or by a vote in favour of a separate and specific directors' resolution on that matter by a majority of the B Directors appointed by the First Novartis Shareholder voting in favour of such resolution.

25.3 The parties acknowledge and agree that any insurance policy in respect of directors and officers liability in the name of, or for the benefit of, GSK's Group (a "**GSK D&O Policy**") may also, on its terms, be accessible to certain directors, officers and employees and members of the Company's Group. Each of GSK, Novartis and the Company undertakes to procure that no claims under any GSK D&O Policy are made (other than with the consent of GSK) by:

(A) in the case of GSK (a) any directors, officers or employees of members of its Group, (b) any members of its Group, or (c) any A Director nominated by the First GSK Shareholder;

(B) in the case of Novartis (a) any directors, officers or employees of members of its Group, (b) any members of its Group, or (c) any B Director nominated by the First Novartis Shareholder; or

(C) in the case of the Company, (a) any directors (other than the Directors nominated by the First GSK Shareholder or the First Novartis Shareholder), officers or employees of members of its Group, or (b) any members of its Group,

in respect of any given period,

(i) unless and until a claim under any directors and officers liability insurance policy in the name of, or for the benefit of, the Company's Group (the "**Company D&O Policy**") in respect of the same period has

been made and has fully extinguished all limits of cover provided thereunder in respect of that claim; or

- (ii) unless the Company D&O Policy does not for any reason operate so as to provide cover in respect of such liability.

25.4 Each party warrants to the other parties as follows:

- (A) it adheres to high standards of ethics and integrity, and complies with all applicable Anti-Bribery Laws;
- (B) it has a code of conduct setting out the standards of ethics of the corporation, and specifically an anti-corruption policy that applies worldwide to all its employees, subsidiaries and affiliates, and third parties acting for it or on its behalf. Its anti-bribery and corruption programme (“**ABAC Programme**”) mandates a robust set of internal controls on its operations around the world, and sets rules of conduct for its employees in interactions with healthcare providers and government officials, third parties in general and business development transactions. It provides training to its employees and selected third parties on its ABAC Programme;
- (C) it has an assurance programme involving the monitoring and auditing of activities to ensure compliance with its anti-corruption policy and the adequacy of internal controls; and
- (D) it regularly reviews its ABAC Programme as part of its internal processes of improvement, and benchmarks it against the standards of the industry with the aid of external experts.

25.5 The Company agrees to deliver to each Shareholder on request (but no more than once in each calendar year) a certification in the form set out in Schedule 4 (ABAC Certification).

25.6 The Company shall ensure that all material analysis and reports produced by any member of the Company’s Group or professional advice received by any members of the Company’s Group in connection with:

- (A) any auditing of the activities of the Company’s Group for compliance with its relevant ABAC Policies and Procedures;
- (B) any litigation or arbitration threatened or commenced against any member of the Company’s Group which, if successful, on its own or together with any other related procedures or claims would be likely to have a material adverse effect on GSK’s Group; and
- (C) any violation by any member of the Company’s Group of any Law applicable to it which could in any respect materially and adversely affect the Business or reputation of the Company’s Group,

in each case, shall be promptly presented to the Board for its review and consideration and all Directors shall have the opportunity to provide their views to the Board in relation to any such matter and the Company shall ensure that all such views are given due consideration. In the event that any analysis, reports or professional advice referred to in clause 25.6 (A) shows that a member(s) of the Company's Group has or has potentially committed a breach of such ABAC Policies and Procedures (in which case such analysis, reports or professional advice shall be deemed to be material) or in the event that any analysis, reports or professional advice referred to in clauses 25.6(B) and 25.6(C) are presented to the Board and, in any case, such actual or potential breach, litigation, arbitration or violation could have an adverse effect on the compliance position or reputation of a Shareholder's Group, any Director may, on behalf of the relevant Shareholder that nominated him or her, make such reasonable requests for further information to be provided in respect of the same as is reasonably necessary for such Shareholder to establish whether and to what extent any such actual or potential breach, litigation, arbitration or violation has any adverse effect on the compliance position or reputation of such Shareholder's Group. The Company shall be obliged to dedicate a reasonable amount of time (to be judged by the Board acting in good faith) to the collection and gathering of such information pursuant to such request. Subject to applicable Law and to the extent that legal privilege would not be prejudicially affected, any such Director may share any such information with the General Counsel of GSK's Group (in the event that such Director is an A Director) or Novartis' Group (in the event that such Director is a B Director) and their legal team on a strictly private and confidential basis only, provided that (i) such information is used for the sole purpose of establishing whether and to what extent any such actual or potential breach, litigation, arbitration or violation has any adverse effect on the compliance position or reputation of the relevant Shareholder's Group, and (ii) such information shall not be disclosed to any other person, except as required by Law.

26. UNDERTAKINGS BY THE COMPANY

To the extent to which it is able to do so by Law, the Company undertakes with each of the Shareholders that it will comply with each of the provisions of this agreement. Each undertaking by the Company in respect of each provision of this agreement shall be construed as a separate undertaking and if any of the undertakings is unlawful or unenforceable the remaining undertakings shall continue to bind the Company.

27. PROTECTIVE COVENANTS

- 27.1 Subject to clauses 27.2 to 27.9 (inclusive), each member of any Shareholder Grouping undertakes with each member of the other Shareholder Grouping and with the Company that it will not and that it will procure that no member of its Group will, either alone or in conjunction with or on behalf of any other person, for a period of two years from Completion, establish, be directly or indirectly engaged in or be directly or indirectly interested in carrying on any Competing Business in any territory or territories, or assist any other person to do any of the foregoing.
- 27.2 Nothing in this agreement shall prevent or prohibit a Shareholder (or any member of its Group) from doing any of the following things:

- (A) without prejudice to the remaining provisions of this clause 27.2, being the holder of securities in a body corporate if such securities are listed on any stock market or other investment exchange and (in aggregate with all other such securities held by any other members of its Group) do not result in such Shareholder (or any other member of its Group) Controlling such body corporate;
- (B) acquiring, or acquiring an interest in, another entity or business which is directly or indirectly engaged in, or directly or indirectly interested in, carrying on any Competing Business, provided that the relevant Shareholder (or member of its Group) complies with the provisions of clauses 27.3 to 27.8;
- (C) being, as at Completion or upon and as a result of a GSK Change of Control or Novartis Change of Control occurring (as the case may be), directly or indirectly engaged in, or directly or indirectly interested in, any Competing Business, provided that the relevant Shareholder (or member of its Group) complies with the provisions of clauses 27.3 to 27.8;
- (D) disposing of (or otherwise transferring) any of its (or any member of its Group's) [***] or manufacturing, marketing, distributing, selling or otherwise commercialising any of its (or any member of its Group's) [***], in each case, only as permitted by, and strictly in accordance with, clause 15 ([***]);
- (E) continuing to own and/or manage the businesses (from time to time) of its Pharmaceuticals Division and developing such businesses in its sole discretion;
- (F) owning and operating Delayed Businesses and Alliance Market Businesses in accordance with the provisions of the Contribution Agreement; and
- (G) any matter required by the Contribution Agreement.

27.3 Each Shareholder Grouping hereby grants to the Company a right of first negotiation in relation to any Competing Business referred to in clause 27.2(B) or clause 27.2(C), such right of first negotiation to be on the terms set out in the remainder of this clause 27.

27.4 Within 5 Business Days of (i) any acquisition referred to in clause 27.2(B) or (ii) a GSK Change of Control occurring or an Novartis Change of Control occurring (as the case may be) as referred to in clause 27.2(C), the relevant Shareholder Grouping shall notify the Company in writing of the same together with reasonable details thereof.

27.5 Subject to clause 27.8, no later than 60 days after the date on which the Company receives any notification in accordance with clause 27.4, the Company shall notify the relevant Shareholder Grouping in writing as to whether it is interested in acquiring the relevant Competing Business (or any rights and/or interests therein) from the relevant Shareholder Grouping (or any other member of its Group).

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

- 27.6 Subject to clause 27.8, if the Company notifies the relevant Shareholder Grouping in accordance with clause 27.5 that it is interested in acquiring the relevant Competing Business (or any rights and/or interests therein) from the relevant Shareholder Grouping (or any other member of its Group), then, during the [***] period from the date of such notification (the “**Non-Compete Exclusivity Period**”):
- (A) the relevant Shareholder Grouping (and any other member of its Group) shall not enter into any discussions or negotiations with any Third Party in relation to the disposal or other transfer of, or actually dispose of or otherwise transfer (or agree to do so), the relevant Competing Business (or any rights or interests therein) to any person outside its Group; and
 - (B) the relevant Shareholder Grouping and the Company shall negotiate in good faith with a view to agreeing the terms and conditions upon which the Company (or another member of its Group) shall acquire the relevant Competing Business (or any rights and/or interests therein) from the relevant Shareholder Grouping (or another member of its Group).
- 27.7 Subject to clause 27.8, in the event that:
- (A) the Company notifies the relevant Shareholder Grouping under clause 27.5 that it is not interested in acquiring the relevant Competing Business from the relevant Shareholder Grouping (or another member of its Group);
 - (B) the Company fails to notify the relevant Shareholder Grouping under clause 27.5 as to whether or not it is interested in acquiring the relevant Competing Business from the relevant Shareholder Grouping (or another member of its Group); or
 - (C) the Non-Compete Exclusivity Period expires and the Company and the relevant Shareholder Grouping (or the other relevant member(s) of their respective Groups) have not entered into a binding agreement in relation to the acquisition of the relevant Competing Business (or any rights and/or interests therein),
- the relevant Shareholder Grouping (and any other member of its Group) shall be free to (i) enter into discussions and/or negotiations with a Third Party in relation to the disposal or other transfer of the relevant Competing Business, and/or (ii) continue to own and operate the relevant Competing Business.
- 27.8 The provisions of clause 8.5 (Proceedings of Directors) shall apply in relation to those actions or steps to be taken by the Company in connection with the process set out in clauses 27.3 to 27.7 (inclusive).
- 27.9 This clause 27 shall not apply, in the case of the GSK Shareholders, to the members of their Group engaged in the GSK Excluded Businesses and, in the case of the Novartis Shareholders, the members of their Group engaged in the Novartis Excluded Businesses.

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

28. CONFIDENTIALITY

28.1 Each party shall treat as confidential all information obtained as a precursor to or as a result of negotiating or entering into or performing this agreement or, in the case of a Shareholder, through its interest in the Company or its Business or its assets and which relates to:

- (A) the provisions of this agreement;
- (B) the negotiations relating to this agreement;
- (C) the subject matter of this agreement;
- (D) the Company or members of its Group or their respective businesses or assets (from time to time);
- (E) any Shareholder or members of its Group or their respective businesses or assets (from time to time); or
- (F) the exercise of a party of its rights under clauses 17 (Permitted Transfers) to 21 (Transfer of Shares on Default) (inclusive),

save that clause 28.1(D) shall not apply to the Company.

28.2 Each party shall:

- (A) not disclose any such confidential information to any person other than:
 - (i) a Director nominated by the holders of the class of Shares held by it, or any of its directors or employees whose duties include the management or monitoring of the Business and who needs to know such information in order to discharge his or her duties; or
 - (ii) other members of its Group (provided, for the purposes of this clause 28.2 only, each of GSK and Novartis shall be deemed to be members of the Company's Group);
- (B) not use any such confidential information other than for the purpose of conducting the Business or managing or monitoring its investment in the Company; and
- (C) procure that any person to whom such confidential information is disclosed by it complies with the restrictions set out in this clause 28 as if such person were a party to this agreement.

28.3 Notwithstanding the previous provisions of this clause 28, any party may disclose any such confidential information:

- (A) if and to the extent required by Law or for the purpose of any judicial or arbitral proceedings;
- (B) if and to the extent required by any securities exchange or regulatory or taxation or other governmental body to which that party or a member of its Group is subject or submits, wherever situated, including (amongst other bodies) the Financial Conduct Authority, the London Stock Exchange plc, the Panel on Takeovers and Mergers, the SIX Swiss Exchange, the U.S. Securities and Exchange Commission or the New York Stock Exchange, whether or not the requirement for information has the force of law;
- (C) to a Tax Authority in connection with the disclosing party's (or a member of its Group's) Tax affairs;
- (D) to its and the Company's advisers, auditors, actual or proposed debt financiers and bankers, provided they have a duty to keep such information confidential;
- (E) to the extent the information has come into the public domain through no fault of that party;
- (F) to the extent the party (or parties) to which such information relates has (or have) given prior written consent to the disclosure;
- (G) to the extent it is expressly permitted to do so pursuant to any Transaction Document;
- (H) if and to the extent required in connection with any regulatory consent or clearance process required by applicable Law; or
- (I) if it was in the possession of a party or any of its advisers (in either case as evidenced by written records) without any obligation of secrecy prior to it being received or held.

28.4 Any party disclosing information pursuant to clauses 28.3(A) or clause 28.3(B) shall (to the extent permitted by Law) take all such steps as may be reasonable and practicable in the circumstances to agree the contents, form and timing of such disclosure with the party (or parties) to whom such information relates before making such disclosure.

28.5 The restrictions contained in this clause 28 shall continue to apply to each party (including any Shareholder who has ceased to hold Shares) without limit in time.

29. ANNOUNCEMENTS

29.1 Other than any announcements agreed by the parties to be made immediately following the execution of the Contribution Agreement, no announcement or other publication concerning this agreement or the Business or the assets of the Company shall be made by any party or member of its Group (other than the Company) without the prior written approval of the others, such approval not to be unreasonably withheld or delayed.

- 29.2 Notwithstanding clause 29.1, any party or member of its Group may, whenever practicable and permissible after consultation with the other parties (but save that the Company or any member of its Group need only to consult where the announcement is outside the ordinary course of business or concerns this agreement), make an announcement concerning this agreement or the Business or the assets of the Company if and to the extent required by:
- (A) Law or for the purposes of any judicial or arbitral proceedings; or
 - (B) any securities exchange or regulatory or governmental body to which that party is subject or submits, wherever situated, including (amongst other bodies) the Financial Conduct Authority, the London Stock Exchange plc, the Panel on Takeovers and Mergers, HMRC, the SIX Swiss Exchange, the Swiss Federal Tax Administration, the U.S. Securities and Exchange Commission or the New York Stock Exchange, whether or not the requirement has the force of law.
- 29.3 The restrictions contained in this clause 29 shall continue to apply to each party (including any Shareholder who has ceased to hold Shares) without limit in time unless otherwise agreed between the parties.

30. TERMINATION

- 30.1 This agreement shall terminate immediately (except for clause 27 (Protective Covenants), this clause 30, clause 36 (Notices) and clause 46 (Agent for Service) and those provisions expressly stated to continue after termination without limit in time) and without prejudice to any rights or liabilities arising under this agreement prior to such termination to which clause 45 (Governing Law and Jurisdiction) will continue to apply) if (i) only the GSK Shareholders; or (ii) only the Novartis Shareholders, in each case, together with members of its respective Group, remain holding Shares.
- 30.2 Without prejudice to clause 17.4 (Permitted Transfers), in the event that a Shareholder ceases to hold any Shares, its (and, if no member of its Group continues to hold any Shares, all other members of its Group's) rights and liabilities under this agreement shall terminate from such time:
- (A) except for clause 36 (Notices), clause 46 (Agent for Service) and those other provisions expressly stated to continue after termination without limit in time; and
 - (B) without prejudice to any rights or liabilities of such party under this agreement prior to such time, and clause 45 (Governing Law and Jurisdiction) shall apply in respect of the matters specified in clauses 30.2(A) and 30.2(B).

31. GUARANTEE

- 31.1 In consideration of the other parties entering into this agreement:

- (A) GSK guarantees to the other parties the due and punctual performance of all obligations of the GSK Shareholders and any Group Transferee of the GSK Shareholders (each a “**Guaranteed Party**” of GSK) under this agreement. This guarantee is unconditional and irrevocable; and
- (B) Novartis guarantees to the other parties the due and punctual performance of all obligations of the Novartis Shareholders and any Group Transferee of the Novartis Shareholders (each a “**Guaranteed Party**” of Novartis) under this agreement. This guarantee is unconditional and irrevocable,

with each of GSK and Novartis being, a “**Guarantor**”.

31.2 The guarantees set out in clause 31.1:

- (A) are continuing guarantees. No payment or other settlement will discharge a Guarantor’s obligations until the obligations of all of its Guaranteed Parties have been discharged in full;
- (B) are in addition to, and independent of, any other guarantee or security;
- (C) may be enforced before any steps are taken against the relevant Guaranteed Party or under any other guarantee or security;
- (D) will only be discharged by the discharge in full of the obligations of the relevant Guarantor’s Guaranteed Parties; and
- (E) will not be discharged by any other action, omission or fact.

31.3 A Guarantor’s obligations shall, therefore, not be affected by:

- (A) the obligations of any of its Guaranteed Parties being or becoming void, invalid, illegal or unenforceable;
- (B) any change, waiver or release of the obligations of any of its Guaranteed Parties;
- (C) any concession or time being given to any of its Guaranteed Parties;
- (D) the winding-up or re-organisation of any of its Guaranteed Parties;
- (E) any change in the condition, nature or status of any of its Guaranteed Parties;
- (F) any of the above events occurring in relation to another guarantor or provider of security in relation to the obligations of any of its Guaranteed Parties;
- (G) any failure to take, retain or enforce any other guarantee or security;

- (H) any circumstances affecting or preventing recovery of amounts expressed to be due by any of its Guaranteed Parties; or
 - (I) any other matter which might discharge that Guarantor.
- 31.4 Any receipt from any person other than that Guarantor shall reduce the outstanding balance only to the extent of the amount received.
- 31.5 Any settlement with, or discharge of, a Guarantor shall be subject to the condition that the settlement or discharge shall be set aside if any prior payment, or any other guarantee or security, in reliance on which that settlement or discharge was made in whole or in part, is set aside, invalidated or reduced. In this event each Guarantor agrees to reimburse each other party for the value of the payment, guarantee or security which is set aside, invalidated or reduced.
- 31.6 In addition to each Guarantor's obligations as guarantor, each Guarantor agrees that any obligation of any of its Guaranteed Parties under this agreement which may not be enforceable against that Guarantor as guarantor shall be enforceable against that Guarantor as though that Guarantor were the principal obligor in respect of the obligation.
- 31.7 In the event that a Guaranteed Party fails to perform or breaches any of its obligations under this agreement, the Guarantor of that Guaranteed Party agrees to indemnify each of the other parties on an after Tax basis for the losses and reasonable expenses (including loss of profit) that party suffers or incurs, or will suffer or incur, as a result. The Guarantor of that Guaranteed Party also agrees to indemnify each other party on an after Tax basis for all losses and expenses (including loss of profit) arising from any obligation of any of its Guaranteed Parties being or becoming void, invalid, illegal or unenforceable.
- 31.8 The parties agree that:
- (A) no Guarantor shall have the benefit of any security in respect of this guarantee and indemnity;
 - (B) no Guarantor shall:
 - (i) take the benefit of any right against any of its Guaranteed Parties or any other person in respect of amounts paid under this guarantee and indemnity; or
 - (ii) claim or exercise against any of its Guaranteed Parties any right to any payment;
 - (C) any other party may request a Guarantor to submit a proof for amounts due to it by any of its Guaranteed Parties or any other guarantor. Each Guarantor agrees to submit a proof promptly in accordance with this request. All amounts

received in respect of this proof shall be held by the Guarantor on trust for the other parties;

- (D) notwithstanding any of the other provisions of this agreement, the liability of a Guarantor under this clause 31 shall in no circumstances exceed the liability of the Guaranteed Party whose obligations are guaranteed by that Guarantor; and
- (E) the obligations in this clause 31 shall cease to have effect in respect of a Guarantor when the obligations of all of its Guaranteed Parties under this agreement have been discharged in full.

32. MISCELLANEOUS

Assignment

32.1 Without prejudice to clauses 17 (Permitted Transfers), 18 (Novartis Transfer and GSK Right of First Refusal), 19 (GSK Transfer and Novartis Right of First Refusal and Tag Right) and 24 (Effect of Deed of Adherence), no party shall, without the prior written consent of the other relevant parties:

- (A) assign, or purport to assign all or any part of the benefit of, or its rights or benefits under, this agreement (together with any causes of action arising in connection with any of them);
 - (B) make a declaration of trust in respect of or enter into any arrangement whereby it agrees to hold in trust for any other person all or any part of the benefit of, or its rights or benefits under, this agreement;
 - (C) sub-contract or enter into any arrangement whereby another person is to perform any or all of its obligations under this agreement;
 - (D) transfer, charge or otherwise deal with any of its rights or obligations under this agreement; or
 - (E) grant, declare, create or dispose of any right or interest in it, in whole or in part,
- and any purported assignment in contravention of this clause 32.1 shall be void.

Variation

32.2 No variation of this agreement shall be valid unless it is in writing and duly executed by or on behalf of all the parties to it.

32.3 If this agreement is varied:

- (A) the variation shall not constitute a general waiver of any provisions of this agreement;

- (B) the variation shall not affect any rights, obligations or liabilities under this agreement that have already accrued up to the date of variation; and
- (C) the rights and obligations of the parties under this agreement shall remain in full force and effect, except as, and only to the extent that, they are so varied.

Warranties

32.4 Each of the parties warrants to each other as at the date of this agreement that:

- (A) it is validly existing and is a company duly incorporated and registered under the law of its jurisdiction of incorporation;
- (B) it has the legal right and full power and authority to enter into and perform this agreement which will constitute valid and binding obligations on it in accordance with its terms;
- (C) except as referred to in this agreement, it:
 - (i) is not required to make any announcement, consultation, notice, report or filing; and
 - (ii) does not require any consent, approval, registration, authorisation or permit,

in each case in connection with the performance of this agreement.

33. ENTIRE AGREEMENT

33.1 This agreement, the Transaction Documents and any other agreement or document entered into by each of the parties in connection with any such document together constitute the whole and only agreement between the parties relating to the subject matter of this agreement, the Transaction Documents and any other agreement or document entered into by each of the parties in connection with any such document.

33.2 Each party acknowledges that in entering into this agreement, the Transaction Documents and any other agreement or document entered into by each of the parties in connection with any such document it is not relying upon any pre contractual statement which is not set out in this agreement, any Transaction Documents or any other agreement or document entered into by each of the parties in connection with any such document.

33.3 Except in the case of fraud or fraudulent misrepresentation, no party shall have any right of action against any other party to this agreement (or their respective Connected Persons) arising out of or in connection with any pre contractual statement except to the extent that it is repeated in this agreement or in a Transaction Document or in any other agreement or document entered into by each of the parties in connection with any such document.

- 33.4 Except in the case of fraud or fraudulent misrepresentation and for any liability in respect of a breach of this agreement or any other Transaction Document, no party (nor any of its Connected Persons) shall owe any duty of care or have any liability in tort or otherwise to any other party (or its respective Connected Persons) in relation to the Company and the Business.
- 33.5 For the purposes of this clause 33, “**pre contractual statement**” means any draft, agreement, undertaking, representation, warranty, promise, assurance or arrangement of any nature whatsoever, whether or not in writing, relating to the subject matter of this agreement or any of the Transaction Documents or in any other agreement or document entered into in connection with any such document (as the case may be) made or given by any person at any time prior to the date of this agreement or any of the Transaction Documents or any other agreement or document entered into in connection with any such document (as the case may be).
- 33.6 Each party agrees to the terms of this clause 33 on its own behalf and as agent for each of its Connected Persons.

34. DISPUTE RESOLUTION

- 34.1 In the event of any deadlock or dispute between the Shareholders Groupings or any of their respective Directors arising out of, or in connection with, this agreement, including in relation to an action for which the approval is required pursuant to clause 4 (Reserved Matters), the Shareholders Groupings agree to use reasonable endeavours to resolve the matter (acting reasonably and in good faith).
- 34.2 If one Shareholder Grouping serves formal written notice on the other that a deadlock or dispute arising out of or in connection with this agreement, including in relation to an action for which the approval is required pursuant to clause 4 (Reserved Matters), has arisen and the Shareholder Groupings are unable to resolve such deadlock or dispute within a period of 21 days of receipt of such notice, then such deadlock or dispute shall be referred to the respective chief executive officers of the respective Shareholder Groupings’ Groups.
- 34.3 In the event that the chief executive officers of the respective Shareholder Groupings’ Groups are unable to resolve the relevant deadlock or dispute within a further period of 21 days of such referral (or such other time as GSK and Novartis may agree), then the status quo of such matter shall continue to apply (save in the case of Novartis’ approval of the 2018/19 Business Plan pursuant to clause 4.1(L) (Reserved Matters)).
- 34.4 This clause 34 shall be without prejudice to clause 45 (Governing Law and Jurisdiction) and shall not restrict or exclude the right of any party to pursue, in accordance with clause 45 (Governing Law and Jurisdiction), any dispute arising out of or in connection with this agreement.

35. CONFLICT WITH ARTICLES OF ASSOCIATION

In the event of any ambiguity or discrepancy between the provisions of this agreement and the Articles of Association or other constitutional documents of a member of the Company's Group, the provisions of this agreement shall prevail as between the parties to the extent of the inconsistency for so long as this agreement remains in force. Each of the parties shall (as applicable) exercise all voting and other rights and powers available to it so as to give effect to the provisions of this agreement and, if necessary, to procure (so far as it is able to do so) any required amendment to the Articles of Association or such other constitutional documents.

36. NOTICES

36.1 A notice under this agreement shall only be effective if it is in writing. E-mail is permitted. Any notice validly served on one member of any Shareholder Group in accordance with this clause 36 shall be deemed to have been served on both members of such Shareholder Grouping.

36.2 Notices under this agreement shall be sent to a party at its address and for the attention of the individual set out below:

| Party and title of individual | Address |
|--|---|
| First GSK Shareholder For the attention of: Company Secretary | Its registered office from time to time |
| First Novartis Shareholder For the attention of: Head of Legal M&A, Novartis International A/G | Its registered office from time to time |
| Second Novartis Shareholder For the attention of: Head of Legal M&A, Novartis International A/G | Its registered office from time to time |
| GSK For the attention of: Company Secretary and General Counsel of Consumer Healthcare | Its registered office from time to time |
| Novartis For the attention of: Head of Legal M&A, Novartis International A/G | Its registered office from time to time |

| Party and title of individual | Address |
|--------------------------------------|------------------------------------|
| Company | Its registered office from time to |
| For the attention of: Company | time |
| Secretary and General Counsel of | |
| Consumer Healthcare | |

Provided that a party may change its notice details on giving notice to the other parties of the change in accordance with this clause 36. That notice shall only be effective on the date falling five clear Business Days after the notification has been received or such later date as may be specified in the notice.

- 36.3 Any notice given under this agreement shall be deemed to have been duly given as follows:
- (A) if delivered personally, on delivery;
 - (B) if sent by first class inland post, two clear Business Days after the date of posting;
 - (C) if sent by airmail, six clear Business Days after the date of posting; and
 - (D) if sent by e-mail, when despatched.
- 36.4 Despite the provisions of clause 36.3, any Exit Notice shall not be effective until received by the intended recipient and the intended recipient shall acknowledge such receipt to the sender(s) promptly following such receipt.
- 36.5 Any notice given under this agreement outside Working Hours in the place to which it is addressed shall be deemed not to have been given until the start of the next period of Working Hours in such place.
- 36.6 No notice given under this agreement may be withdrawn or revoked except with the agreement of the other parties.
- 36.7 The provisions of this clause 36 shall not apply in relation to the service of Service Documents.

37. REMEDIES AND WAIVERS

- 37.1 No delay or omission by any party to this agreement in exercising any right, power or remedy provided by Law or under this agreement shall:
- (A) affect that right, power or remedy; or
 - (B) operate as a waiver or variation of it.

- 37.2 The single or partial exercise of any right, power or remedy provided by Law or under this agreement shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.
- 37.3 The rights and remedies of each party under, or pursuant to, this agreement are cumulative, may be exercised as often as such party considers appropriate and are in addition to its rights and remedies under general law.
- 37.4 Notwithstanding any express remedies provided under this agreement and without prejudice to any other right or remedy which any party may have, each party acknowledges and agrees that damages alone may not be an adequate remedy for any breach by it of the provisions of this agreement, so that in the event of a breach or anticipated breach of such provisions, the remedies of injunction, an order for specific performance and/or other equitable remedies would in appropriate circumstances be available. Furthermore, each party acknowledges and agrees that it will not raise any objection to the application by or on behalf of another party or any member of its respective Group for any such remedies.

38. THIRD PARTY RIGHTS

- 38.1 The parties agree that:
- (A) certain provisions of this agreement confer a benefit on members of the parties' respective Groups, their respective Connected Persons and such other Third Parties (each a "**Relevant Third Party**") and, subject to the remaining provisions of this clause 38, are intended to be enforceable by each of the Relevant Third Parties by virtue of the Contracts (Rights of Third Parties) Act 1999, provided that the party in the same Group as the Relevant Third Party shall have the sole conduct of any action to enforce such right on behalf of a such Relevant Third Party; and
 - (B) notwithstanding the provisions of clause 38.1(A), this agreement may be rescinded or varied in any way and at any time by the parties to this agreement without the consent of any Relevant Third Party.
- 38.2 Save as set out in clause 38.1(A), a person who is not a party to this agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 or any other statutory provision to enforce any of its terms.

39. FURTHER ASSURANCE

Each party shall (and shall use reasonable endeavours to procure that any relevant Third Party shall) at its own cost, from time to time on request, do all acts and/or execute all documents in a form reasonably satisfactory to any other party which that other party may reasonably consider necessary for giving full effect to this agreement and securing to that other party the full benefit of the rights, powers and remedies conferred upon that other party in this agreement, in each case subject to the terms and conditions set forth in this agreement.

40. NO PARTNERSHIP

Nothing in this agreement and no action taken by the parties under this agreement shall constitute a partnership, association or other co operative entity between any of the parties or constitute any party the agent of any other party for any purpose.

41. COSTS AND EXPENSES

41.1 Except as otherwise provided for in this agreement, each party shall pay its own costs and expenses in relation to the negotiation, preparation, execution and carrying into effect of this agreement and the Transaction Documents.

41.2 The costs of and incidental to the incorporation and the establishment of the Company shall be borne and paid by the Company.

42. INVALIDITY

If at any time any provision (or part of any provision) of this agreement is or becomes illegal, invalid or unenforceable in any respect under the Law of any jurisdiction, that shall not affect or impair:

- (A) the legality, validity or enforceability in that jurisdiction of any other (or the remainder of a) provision of this agreement; or
- (B) the legality, validity or enforceability under the Law of any other jurisdiction of that or any other provision of this agreement.

42.2 Each of the provisions of this agreement is severable.

42.3 If and to the extent that any provision of this agreement:

- (A) is held to be, or becomes, invalid or unenforceable under the Law of any jurisdiction; but
- (B) would be valid, binding and enforceable if some part of the provision were deleted or amended,

then the provision shall apply with the minimum modifications necessary to make it valid, binding and enforceable. All other provisions of this agreement shall remain in force.

43. COUNTERPARTS

43.1 This agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this agreement, but all the counterparts shall together constitute but one and the same instrument.

43.2 Delivery of a counterpart of this agreement by e-mail attachment shall be an effective mode of delivery.

44. LANGUAGE

Each notice or communication under or in connection with this agreement shall be in English.

45. GOVERNING LAW AND JURISDICTION

45.1 This agreement is to be governed by and construed in accordance with English law. Any matter, claim or dispute arising out of or in connection with this agreement, whether contractual or non-contractual, is to be governed by and determined in accordance with English law.

45.2 The courts of England are to have exclusive jurisdiction to settle any dispute arising out of or in connection with this agreement. Any Proceedings shall be brought only in the courts of England.

45.3 Each party waives (and agrees not to raise) any objection, on the ground of forum non conveniens or on any other ground, to the taking of proceedings in the courts of England. Each party also agrees that a judgment against it in Proceedings brought in England shall be conclusive and binding upon it and may be enforced in any other jurisdiction.

45.4 Each party irrevocably submits and agrees to submit to the jurisdiction of the courts of England.

46. AGENT FOR SERVICE

46.1 Each of Novartis, the First Novartis Shareholder and the Second Novartis Shareholder irrevocably appoints Hackwood Secretaries Limited of One Silk Street, London, EC2Y 8HQ to be its agent for the receipt of Service Documents. Each such party agrees that any Service Document may be effectively served on it in connection with Proceedings in England and Wales by service on its agent effected in any manner permitted by the Civil Procedure Rules.

46.2 If the agent at any time ceases for any reason to act as such, Novartis, the First Novartis Shareholder and the Second Novartis Shareholder shall each appoint a replacement agent having an address for service in England or Wales and shall notify the other parties of the name and address of the replacement agent. Failing such appointment and notification, the Company shall be entitled by notice to Novartis to appoint a replacement agent to act on behalf of Novartis, the First Novartis Shareholder and the Second Novartis Shareholder, provided that Novartis shall be entitled, by notice to the Company, to replace that agent with a replacement agent having an address for service in England and Wales. The provisions of this clause 46 applying to service on an agent apply equally to service on a replacement agent.

- 46.3 A copy of any Service Document served on an agent appointed in accordance with clauses 46.1 or 46.2 shall be sent by post to Novartis, the First Novartis Shareholder or the Second Novartis Shareholder (as applicable). Failure or delay in so doing shall not prejudice the effectiveness of service of the Service Document.
- 46.4 Without prejudice to clauses 46.1 to 46.3 (inclusive), any Shareholder without an address for service in England or Wales shall appoint, and keep appointed at all times, an agent for service with an address for service in England or Wales and shall notify the other parties and Shareholders of the name and address of its appointed agent for service. Failing such appointment and notification, the Company shall be entitled by notice to such Shareholder to appoint an agent to act on behalf of such Shareholder, provided that that Shareholder shall be entitled, by notice to the parties and other Shareholders, to replace that agent with a replacement agent having an address for service in England and Wales. Such Shareholder agrees that any Service Document may be effectively served on it in connection with Proceedings in England and Wales by service on its agent effected in any manner permitted by the Civil Procedure Rules.
- 46.5 “**Service Document**” means a claim form, application notice, order, judgment or other document relating to any Proceedings.

SCHEDULE 1
Business Plan

[***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

SCHEDULE 2
Form of Deed of Adherence

THIS AGREEMENT is made on [●]

by [●], a company incorporated [in / under the laws of] [●] under registered number [●], whose [registered / principal] office is at [●] (the “**New Shareholder**”); and

by [●], a company incorporated [in / under the laws of] [●] under registered number [●], whose [registered / principal] office is at [●] (the “**New Guarantor**”); and *[Note: In the event the New Shareholder and the New Guarantor are the same entity, this agreement is to be adapted accordingly. This agreement is also to be adapted to cater for the possibility that there will be just one in-coming shareholder.]*

WHEREAS:-

- (A) By a transfer dated [●], [●] transferred to the New Shareholder [●] [A/B] Shares of [●] each in the capital of GlaxoSmithKline Consumer Healthcare Holdings Limited (the “**Company**”).
- (B) This agreement is entered into in compliance with the terms of clause 17.1 of an agreement dated [●] between the GSK Shareholders, the Novartis Shareholders, GSK, Novartis and the Company as such agreement shall have been or may be amended, or supplemented or novated from time to time (the “**Shareholders’ Agreement**”).

THIS AGREEMENT WITNESSES as follows:-

1. Words and expressions defined in the Shareholders’ Agreement shall, unless the context otherwise requires, have the same meanings when used in this agreement.
2. The New Shareholder undertakes to adhere to and be bound by the provisions of the Shareholders’ Agreement, and to perform the obligations imposed by the Shareholders’ Agreement which are to be performed on or after the date of this agreement, in all respects as if the New Shareholder were a party to the Shareholders’ Agreement and named therein as [a Shareholder/a GSK Shareholder/a Novartis Shareholder].
3. The New Guarantor undertakes to adhere to and be bound by the provisions of the Shareholders’ Agreement, and to perform the obligations imposed by the Shareholders’ Agreement which are to be performed on or after the date of this agreement, in all respects as if the New Guarantor were a party to the Shareholders’ Agreement and named therein as [GSK/Novartis].
4. The New Shareholder and the New Guarantor each warrants to the Company and to the other Shareholders (and each other person who may from time to time expressly adhere to the Shareholders’ Agreement) in the terms set out in clause 25.4 (Shareholder Undertakings) of the Shareholders’ Agreement, but so that such warranties shall be deemed to be given on the date of this agreement.
5. This agreement is made for the benefit of (a) the original parties to the Shareholders’ Agreement and (b) any other person or persons who after the date of the Shareholders’

Agreement (and whether or not prior to or after the date of this agreement) adheres to the Shareholders' Agreement.

6. The addresses of the New Shareholder for the purposes of clause 36 (Notices) of the Shareholders' Agreement are as follows:

| Party and title of individual | Address | E-mail |
|-------------------------------|---|--------|
| [●] | [Its registered office from time to time] | [●] |
| [●] | [Its registered office from time to time] | [●] |

7. This agreement shall be governed by and construed in accordance with English law.
8. The courts of England are to have jurisdiction to settle any dispute arising out of or in connection with this agreement. Any proceeding, suit or action arising out of or in connection with this agreement, whether contractual or non-contractual ("**Proceedings**") may therefore be brought in the English courts. The New Shareholder agrees that this jurisdiction agreement is irrevocable and that it is for the benefit of each of the parties referred to in clause 5 of this agreement. Nothing contained in this clause 8 shall limit the right of any person having the benefit of this agreement to take Proceedings against the New Shareholder in any other court or in the courts of more than one jurisdiction at the same time.

IN WITNESS of which this agreement has been executed and delivered by the New Shareholder as a deed on the date which first appears above.

[EXECUTION BLOCKS]

SCHEDULE 3
Price Determination

The Put Option Price shall be determined as follows:

1. Within 10 Business Days following any Put Exercise Notice Date:
 - (A) each of the GSK Shareholders and the Novartis Shareholders shall engage an investment bank of international repute which may be an existing or recent adviser of GSK or Novartis or any of their respective Affiliates and therefore not independent of GSK or Novartis (as the case may be) (the “**GSK Bank**” and the “**Novartis Bank**”, respectively); and
 - (B) the GSK Shareholders and the Novartis Shareholders shall jointly engage two mutually acceptable independent investment banks of international repute that are not then rendering advisory services to any Shareholder or any of its Affiliates (each an “**Independent Bank**” and together with the GSK Bank and the Novartis Bank, the “**Banks**”), provided that if the Shareholders fail to agree the identity of either or both of the Independent Banks within that period then either of the Shareholder Groupings may request that the Independent Bank(s) be nominated by the Chairman of the British Bankers Association, who shall be instructed to nominate such Independent Bank(s) within that period (and in any case within 5 Business Days thereafter).
2. The fees for the GSK Bank shall be borne by the GSK Shareholders and the fees for the Novartis Bank shall be borne by the Novartis Shareholders. The fees for the Independent Banks shall be borne equally by the Shareholders.
3. Each Bank shall be instructed to determine its best estimate of the Put Option Market Value as defined in paragraph 5 below (each a “**Bank Valuation**”) as a single amount (and not as a range of amounts) in Pounds Sterling in accordance with the methodology set out in paragraph 5 below. Save as expressly provided for in clause 19 and this Schedule 3, there shall be no communication permitted between the Independent Banks, nor between any Independent Bank and the GSK Bank or the Novartis Bank, nor between any Independent Bank and GSK or Novartis, in connection with the preparation of the Bank Valuations.
4. Within 10 Business Days following the Put Exercise Notice Date, the GSK Bank and the Novartis Bank shall jointly coordinate the preparation of a data room of information in respect of the Company and its Group for the purposes of enabling the Banks to produce the Bank Valuations. The Company shall, so far as it is legally able, promptly provide to the GSK Bank and the Novartis Bank the following information to be made available in such data room (and all such information shall be available equally and on the same basis to each of the Banks):
 - (A) the then applicable Business Plan (if any). In the event that, at such time, the process for revising a Business Plan in clause 5.1 to 5.3 (Business Plan) has started but has not finished, such process shall be completed as soon as reasonably practicable and, in any event, within 10 Business Days following the service of any Put Exercise Notice, subject to the provisions of clause 5.4;
 - (B) any previously applicable Business Plan;

- (C) the latest Quarterly Accounts delivered to the Shareholders pursuant to clause 9.1(B) (Access to Information and Accounts);
- (D) the Valuation Balance Sheet;
- (E) such other information as any of the Shareholders (acting reasonably and in good faith) deem relevant for the purposes of producing the Bank Valuations; and
- (F) any questions and answers asked by any of the Banks and answered by the Company or any of the Shareholders in connection with the preparation of any of the Bank Valuations.

For the avoidance of doubt, the Independent Banks shall not be entitled to receive any interim drafts of the information referred to in paragraphs 4(A) to 4(C) (inclusive). Within 15 Business Days of the service of any Put Exercise Notice:

- (i) the Executive Management shall give a presentation to the Shareholders and the Banks in relation to the financial forecasts of the Company's Group; and
- (ii) the Shareholders shall each give a separate presentation to the Executive Management and the Banks in relation to the financial forecasts of the Company's Group.

The GSK Bank and the Novartis Bank shall assist in respect of the preparation of the management presentations referred to in paragraphs (i) and (ii) above.

- 5. The "**Put Option Market Value**" shall mean [***].
- 6. The "**Valuation Balance Sheet**" shall be the [***]
- 7. The Shareholders acknowledge that, as at the date of this agreement, [***] are the most comparable Peer Companies, though they recognise that this assessment may change as at any Put Exercise Notice Date and is not binding on them in any way.
- 8. Each Bank shall be instructed to deliver its Bank Valuation simultaneously to each Shareholder Grouping by no later than the date falling [***] (such delivery to be coordinated by the GSK Bank and the Novartis Bank). Following receipt of all of the Bank Valuations, the Put Option Market Value shall be determined in accordance with paragraphs 9 or 10 below (as applicable). For the purposes of paragraph 9 below, "**IBA Valuation**" means the arithmetic mean of the two Bank Valuations delivered by the Independent Banks.
- 9. [***]
- 10. [***]

*** Note: Confidential treatment has been requested with respect to the information contained within the [***] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission.

SCHEDULE 4
ABAC Certification

Pursuant to clause 25.4 of the Shareholders' Agreement dated [●] between the First GSK Shareholder, the First Novartis Shareholder, the Second Novartis Shareholder, GSK, Novartis and the Company as such agreement shall have been or may be amended, or supplemented or novated from time to time, I hereby certify that, to the best of my knowledge and having made reasonable enquiry:

1. The Company has maintained its Anti-Bribery and Corruption (“**ABAC**”) Programme designed to ensure compliance with the Foreign Corrupt Practices Act, 15 U.S.C. §§ 78dd-1 et seq. (the “**FCPA**”) and all other applicable Anti-Bribery Law throughout its operations (including subsidiaries) and the operations of its contractors, as well as a system of internal accounting controls to ensure the making and keeping of fair and accurate books, records, and accounts.
2. The Company has not taken any action and will not take any action, directly or indirectly, to improperly or corruptly offer, promise to pay or give, pay, give, or authorize the payment or giving of any money, property, gift, or anything else of value to any government official, any political party or official thereof or any candidate for political office, or any person, while knowing that all or any portion of such money, property, gift, or thing of value would be offered, given or promised, directly or indirectly, to any government official, political party or party official, or candidate for political office for the purpose of obtaining or retaining business or securing an improper advantage (“**Unlawful Payment**”), and has not accepted and will not accept in the future any Unlawful Payment.
3. The Company has used all reasonable endeavours to comply with its ABAC Third Party Framework, which is designed to ensure that no third party acting on the Company's behalf takes any action directly or indirectly, to improperly or corruptly offer, promise to pay or give, pay, give, or authorize the payment of an Unlawful Payment.
4. The Company is not aware of any allegation of an Unlawful Payment and has disclosed to its Shareholders all internal investigations and, to the knowledge of the Company, all prior, pending, or threatened governmental or other regulatory investigations or proceedings regarding (i) any Unlawful Payment or any allegation thereof, (ii) any violation of the FCPA or other laws relating to corrupt practices or any allegation thereof, or (iii) any failure or any allegation of any failure to maintain any books, records, accounts, or systems as required by the FCPA.
5. The Company has not taken nor will take any action, directly or indirectly, that has resulted or would result in a violation of the FCPA, the UK Bribery Act of 2010, the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or any similar laws or regulations.

COMPANY NAME: GlaxoSmithKline Consumer Healthcare Holdings Limited
NAME:
TITLE:
DATE:

SCHEDULE 5
Shareholder Loans: Terms

Capitalised terms used but not defined in this Schedule shall have the meaning set forth in the agreement.

Pursuant to the terms of the Implementation Agreement, each party agreed to use reasonable endeavours, prior to Completion, to finalise a template term loan to be used as the basis for any Shareholder Loan. In the event that a template term loan has not been finalised between them prior to Completion and/or before such time as one or both of the Shareholders are to enter into a Shareholder Loan pursuant to the terms of clause 13, the parties agree that the principles set out below will be used as the basis for preparing an agreement in relation to such Shareholder Loan (and thereafter such agreement shall be used as the template for any further Shareholder Loan).

- All Shareholder Loan facilities (term, revolving or otherwise) are to be on normal commercial terms.
- For these purposes, normal commercial terms shall mean such Shareholder Loan facilities are based on LMA recommended form documentation for investment grade borrowers from time to time, and further subject to the following:
 - all Shareholder Loan facilities shall be unsecured and unsubordinated and shall not be guaranteed by any of the Shareholders;
 - the commitment fees, utilisation fees, margin and other financial terms applicable to Shareholder Loan facilities shall be determined with reference to prevailing market rates for unsecured loan-market funding, disregarding the fact that the Company's Group is in the same group as GSK and taking into account the credit strength of the Company's Group;
 - no financial covenants shall be included in any Shareholder Loan facilities;
 - Shareholder Loan facilities shall include representations, covenants (including negative pledge and restrictions on acquisitions and disposals, but excluding any financial covenants) and events of default consistent with those that would customarily apply to an investment grade borrower (and as provided by the LMA where applicable), including permitted exceptions and grace periods where applicable. The covenant package will be amended as appropriate to reflect the nature of the business of the Company's Group and provide the Company's Group with required financial flexibility, provided that no covenant or other provision will be included which is inconsistent with the terms of the agreement; and
 - No Shareholder shall not be entitled to transfer its participation in a Shareholder Loan without the prior written consent of the Company and the other Shareholder Grouping, provided however that no consent shall be required for a transfer by a Shareholder of its participation in a Shareholder Loan to a person where such Shareholder is also transferring its shareholdings in the Company to such person under and in accordance with the provisions of this agreement.

- Notwithstanding the above, the terms of GSK's comparable third party senior unsecured financing arrangements may, with the consent of Novartis (not to be unreasonably withheld or delayed and subject to a copy of such financing arrangements being provided to Novartis or its advisers for review), be used to provide Shareholder Loan facilities to the Company's Group subject always to the provisions of this agreement.
- Priority and timing of repayments of Shareholder Loans shall be dealt with in accordance with clause 12, 19 and Schedule 3 of the agreement. Any other provisions under LMA terms in relation to priority or timing of repayments which are inconsistent with clause 12, 19 and Schedule 3 of the agreement shall not apply. Any enforcement action in relation to or amendments of the Shareholder Loan facilities are subject to the overriding terms of the agreement.

A Shareholder may nominate another body corporate in its Wholly-Owned Group to participate in any Shareholder Loan subject to notifying the other party of the identity of the entity that will be participating. A Shareholder (or, as applicable, the relevant member of its Wholly-Owned Group) may transfer all or some of its participation in a Shareholder Loan to any other body corporate in its Wholly-Owned Group, provided that in all cases any such members of a Shareholder's Group shall transfer such participations in Shareholder Loans to another body corporate in the relevant Shareholder's Wholly-Owned Group before ceasing to be in such Shareholder's Wholly-Owned Group.

Section 302 Certificate

Form of Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934

I, Sir Andrew Witty, certify that:

1. I have reviewed this annual report on Form 20-F of GlaxoSmithKline plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 18, 2016

/s/ Sir Andrew Witty
Sir Andrew Witty
Chief Executive Officer

Section 302 Certificate

Form of Certification Required by Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934

I, Simon Dingemans, certify that:

1. I have reviewed this annual report on Form 20-F of GlaxoSmithKline plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 18, 2016

/s/ Mr Simon Dingemans
Mr Simon Dingemans
Chief Financial Officer

Section 906 Certificate

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of GlaxoSmithKline plc, a public limited company incorporated under English law (the "company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2015 (the "Form 20-F") of the company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: March 18, 2016

/s/ Sir Andrew Witty
Sir Andrew Witty
Chief Executive Officer

Date: March 18, 2016

/s/ Mr Simon Dingemans
Mr Simon Dingemans
Chief Financial Officer



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form F-3 (Nos. 333-194744, 333-194744-01 and 333-194744-02) of GlaxoSmithKline plc, GlaxoSmithKline Capital plc and GlaxoSmithKline Capital Inc., and in the Registration Statements on Form S-8 (Nos. 333-88966, 333-100388 and 333-162702) of GlaxoSmithKline plc of our report dated 18 March 2015 relating to the financial statements and the effectiveness of internal control over financial reporting of GlaxoSmithKline plc, which appears in this Annual Report on Form 20-F.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
London, United Kingdom
18 March 2016

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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



Overview of 2015



"In 2015, we made substantial progress to accelerate new product sales growth, integrate new businesses in Vaccines and Consumer Healthcare and restructure our global Pharmaceuticals business. This progress means the Group is well positioned to return to core earnings growth in 2016."

Sir Andrew Witty, Chief Executive Officer

Performance summary

£23.9bn

Group turnover
(up 6% CER/up 1% CER
pro-forma)^a

£10.3bn

Total operating profit
(up >100% CER)^a

£5.7bn

Core operating profit
(down 9% CER/down 3%
CER pro-forma)^a

£3.9bn

Cash dividends paid
in 2015

£2.0bn

New product sales^b
(up >100%)

174.3^P

Total earnings per share
(up >100%, primarily
reflecting impact of
transaction gains)

75.7^P

Core earnings per share
(down 15% CER, primarily
reflecting short-term dilution
of the Novartis transaction)^a

100%

Markets now operating
new commercial model

~40

Potential new medicines
and vaccines profiled at R&D
event, 80% of which have
potential to be first-in-class^c

20

Potential to file up to
20 assets with regulators
by 2020

~13%

Estimated internal
rate of return in R&D
in 2015

1st

In Access to Medicine
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Footnotes

^a We use a number of adjusted measures to report the performance of our business, as described on page 54. These include core results, CER growth rates and pro-forma CER growth rates. A reconciliation of total results to core results is set out on page 62.

^b New products defined as:

Pharmaceuticals: *Relvar/Breo Ellipta, Anoro Ellipta, Incuse Ellipta, Amuly Ellipta, Eperzan/Tanzeum, Nucala, Tricay, Triumeq*;
Vaccines: *Menveo, Bexsero, Shingrix* (not yet approved).

^c GSK R&D event on 3 November 2015.

Front cover story

Innovation is at the heart of all we do

Katherine, pictured left, is one of a team of scientists continuing to develop *Nucala* after almost 20 years of focused R&D, including nine distinct patient studies. *Nucala* is a monoclonal antibody that stops IL-5 from binding to its receptor on the surface of eosinophils. In people with asthma, eosinophils – a type of white blood cell – cause inflammation in the lungs, making it difficult to breathe and increasing the risk of asthma attacks.

The 2015 European and US regulatory approvals of *Nucala* – the first-in-class approved targeted biologic therapy for people with eosinophilic-driven severe asthma – consolidates GSK's leading global position in respiratory medicine.

Katherine, GSK senior scientist, Stevenage, UK



At GSK, our mission is to improve the quality of human life by enabling people to do more, feel better, live longer.

Find out more www.gsk.com



Cautionary statement regarding forward-looking statements

The Group's reports filed with or furnished to the US Securities and Exchange Commission (SEC), including this document and written information released, or oral statements made, to the public in the future by or on behalf of the Group, may contain forward-looking statements. Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. The reader should, however, consult any additional disclosures that the Group may make in any documents which it publishes and/or files with the SEC. All readers, wherever located, should take note of these disclosures. Accordingly, no assurance can be given that any particular expectation will be met and shareholders are cautioned not to place undue reliance on the forward-looking statements.

Forward-looking statements are subject to assumptions, inherent risks and uncertainties, many of which relate to factors that are beyond the Group's control or precise estimate. The Group cautions investors that a number of important factors, including those in this document, could cause actual results to differ materially from those expressed or implied in any forward-looking statement. Such factors include, but are not limited to, those discussed

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under 'Risk factors' on pages 231-240 of this Annual Report. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors on the date of this Annual Report.

All expectations and targets regarding future performance should also be read together with 'Assumptions related to 2016-2020 outlook' on the inside back cover.

A number of adjusted measures are used to report the performance of our business. These measures are defined on page 54 and a reconciliation of core results to total results is set out on page 62.

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Strategic report

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Our investor proposition

GSK is a science-led global healthcare company that aims to deliver growth and improving returns to shareholders through the development of innovative pharmaceutical, vaccine and consumer healthcare products.

Three world-leading businesses

Each has a broad range of growth drivers and the global presence to access increasing demand for healthcare.



Pharmaceuticals

£14.2bn

2015 turnover

Leadership in key therapeutic areas including Respiratory and HIV



Vaccines

£3.7bn

2015 turnover

The most comprehensive vaccines portfolio in the industry



Consumer Healthcare

£6.0bn

2015 turnover

One of the world's leading global Consumer Healthcare companies (by retail sales)

Strong R&D innovation

R&D underpins all our businesses with research focused in six core therapy areas.



Vaccines



Respiratory diseases



Rare diseases



Immuno-inflammation



HIV/infectious diseases



Oncology

Around **40** new potential medicines and vaccines in our pipeline profiled at R&D event^b

80% of which we believe are potentially first-in-class

20 Potential to file up to 20 assets by 2020

^b GSK R&D event on 3 November 2015.

Efficient global operating model

We are focused on optimising our operations through restructuring, investments and modernisation to improve profitability and efficiency.

£2.5bn

2015 adjusted free cash flow excluding costs funded by divestments^c

£6.7bn

net proceeds from disposals generated in 2015

£3.7bn

reduction in net debt in 2015

^c Excluding legal payments and also non-core restructuring and integration costs and the initial tax payments on the sale of the Oncology business.

£1bn

in incremental annual cost savings delivered in 2015 and

£3bn

in annual cost savings expected by end of 2017^d

^d £1.6 billion annual savings achieved by 31 December 2015.



150+

Presence in more than 150 markets



£6bn

in annual revenues expected from new Pharmaceutical and Vaccine product sales (£2bn sales achieved in 2015)^a

^a At its Investor event on 6 May 2015, GSK outlined a series of expectations for its performance over the five year period 2016-2020. See inside back cover.

~13%

Estimated internal rate of return on R&D investment



1,500

We partner with over 1,500 organisations around the world, including academic institutions, public-private partnerships and other pharmaceutical and biotechnology companies



100%

on time supply for all key new pharmaceutical product introduction launches in 2015 across all markets

93%

Consumer Healthcare supply: average service levels of 93% OTIF (on time in full) in 2015^a

No.1

in customer trust for both GSK Respiratory and Vaccines in the US^f

1.8m

unique visitors to GSK HCP digital portals, +21% in 2015

Earnings

- Core EPS percentage growth expected to reach double digits CER in 2016
- Medium-term outlook for Group to grow Core EPS mid-to-high single digits^g CAGR over five years to 2020 CER^h

Returns

- Ordinary dividend of 80p per share for 2015
- Special dividend of 20p per share for 2015 (£1 billion from Novartis transaction proceeds)
- Expect to pay ordinary dividend of 80p per share for both 2016 and 2017

^e Legacy GSK brands.

^f Customer trust rankings as demonstrated in GSK annual customer value survey of over 4,000 customers.

^g At its Investor event on 6 May 2015, GSK outlined a series of expectations for its performance over the five year period 2016-2020. See inside back cover.

^h Expected compound annual growth rate (CAGR) to 2020, using 2015 as the base year. See inside back cover.

Our business

We are focused on the research and development of innovative pharmaceutical medicines, vaccines and consumer healthcare products.

Our businesses

Our Pharmaceuticals, Vaccines and Consumer Healthcare businesses generated turnover of £23.9 billion in 2015.

Each business benefits from GSK's global commercial infrastructure, integrated supply networks, innovative R&D and significant global presence.

➔ See our business model on page 11.

➔ Read more about our businesses opposite and on pages 18 to 37.

Global presence

We have a significant global presence with 101,255 employees in more than 150 markets, a network of 89 manufacturing sites, and large R&D centres in the UK, US, Belgium and China.



Our strategy

Our strategy is designed to generate sustainable sales and earnings growth and improved returns to shareholders. We have three strategic priorities:

➔ To grow a balanced business and product portfolio, capable of delivering sustainable sales growth

➔ To research, develop and deliver more high quality, innovative products that offer valuable improvements in treatment for patients, consumers and healthcare providers

➔ To simplify the way we operate to reduce complexity, increase efficiency and free up resources to reinvest elsewhere in the business, or return to shareholders wherever we see the most attractive returns.

Responsible business

Being a responsible business is central to our strategy, and how we deliver success is just as important as what we achieve. Our work is underpinned by our values of patient focus, integrity, respect for people and transparency.

➔ Read more about our strategic priorities and our approach to responsible business on pages 12 to 13.



Research & development

R&D innovation underpins all of our businesses. We partner with more than 1,500 other companies and academic organisations around the world, enabling us to increase our understanding of new areas of science and to share the risk of development.

We have a deep portfolio of innovation focused across six core areas of scientific research and development: HIV and infectious diseases, oncology, immuno-inflammation, vaccines, respiratory and rare diseases. In 2015, we profiled around 40 new potential medicines and vaccines, 80% of which we believe have the potential to be first-in-class. This means they may offer benefits beyond current standards of care and, in some cases, could radically transform how patients are treated.

➔ Read more about our R&D on pages 18 to 37.

20

Potential to file up to 20 assets by 2020

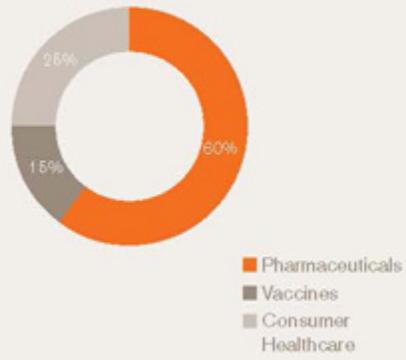
Of the 40 assets profiled in 2015, we expect:

up to **10**
phase III starts in 2016/2017 and

up to **20**
phase II starts in 2016/2017

~13%

Estimated internal rate of return on R&D investment

Balanced businesses
2015 % of Group turnover**£3.1bn**

Core R&D expenditure in 2015

Core R&D expenditure allocation in 2015

| | £bn |
|---------------------|-----|
| Pharmaceuticals | 2.3 |
| Vaccines | 0.5 |
| Consumer Healthcare | 0.3 |

|  <h2>Pharmaceuticals</h2> <p>Our Pharmaceuticals business develops and makes medicines to treat a broad range of acute and chronic diseases. We have leading global positions in respiratory disease and HIV with a portfolio of innovative and established medicines.</p> <p>Read more on pages 18 to 25.</p> <p>£14.2bn Total turnover</p> <p>60% of Group turnover</p> <table border="1"> <thead> <tr> <th>Sales by therapy area</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Respiratory</td> <td>5,741</td> </tr> <tr> <td>Cardiovascular, metabolic and urology</td> <td>858</td> </tr> <tr> <td>Immuno-inflammation</td> <td>263</td> </tr> <tr> <td>Oncology*</td> <td>255</td> </tr> <tr> <td>Other pharmaceuticals</td> <td>2,199</td> </tr> <tr> <td>Established Products</td> <td>2,528</td> </tr> <tr> <td>HIV (ViiV Healthcare)</td> <td>2,322</td> </tr> </tbody> </table> <p>* Representing sales prior to the disposal of the Oncology business unit to Novartis in March 2015.</p> | Sales by therapy area | £m | Respiratory | 5,741 | Cardiovascular, metabolic and urology | 858 | Immuno-inflammation | 263 | Oncology* | 255 | Other pharmaceuticals | 2,199 | Established Products | 2,528 | HIV (ViiV Healthcare) | 2,322 |  <h2>Vaccines</h2> <p>Our Vaccines business is one of the largest in the world, developing, producing and distributing over 1.9 million vaccines every day to people across the world. We have a broad portfolio of 39 paediatric, adolescent, adult and travel vaccines.</p> <p>Read more on pages 26 to 31.</p> <p>£3.7bn Total turnover</p> <p>15% of Group turnover</p> <table border="1"> <thead> <tr> <th>Sales by category</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Rotavirus</td> <td>417</td> </tr> <tr> <td>Pneumococcal</td> <td>381</td> </tr> <tr> <td>Flu</td> <td>268</td> </tr> <tr> <td>Meningitis</td> <td>275</td> </tr> <tr> <td>TDaP*</td> <td>1,091</td> </tr> <tr> <td>Hepatitis</td> <td>540</td> </tr> <tr> <td>Other</td> <td>685</td> </tr> </tbody> </table> <p>* Tetanus, diphtheria and acellular pertussis.</p> | Sales by category | £m | Rotavirus | 417 | Pneumococcal | 381 | Flu | 268 | Meningitis | 275 | TDaP* | 1,091 | Hepatitis | 540 | Other | 685 |  <h2>Consumer Healthcare</h2> <p>Our Consumer Healthcare business develops and markets products in Wellness, Oral health, Nutrition and Skin health. We have a portfolio of some of the world's most trusted and best-selling brands which include <i>Sensodyne</i>, <i>Voltaren</i>, <i>Horlicks</i> and <i>Panadol</i>.</p> <p>Read more on pages 32 to 37.</p> <p>£6.0bn Total turnover</p> <p>25% of Group turnover</p> <table border="1"> <thead> <tr> <th>Sales by category</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Wellness</td> <td>2,970</td> </tr> <tr> <td>Oral health</td> <td>1,866</td> </tr> <tr> <td>Nutrition</td> <td>684</td> </tr> <tr> <td>Skin health</td> <td>508</td> </tr> </tbody> </table> | Sales by category | £m | Wellness | 2,970 | Oral health | 1,866 | Nutrition | 684 | Skin health | 508 |
|--|-----------------------|----|-------------|-------|---------------------------------------|-----|---------------------|-----|-----------|-----|-----------------------|-------|----------------------|-------|-----------------------|-------|--|-------------------|----|-----------|-----|--------------|-----|-----|-----|------------|-----|-------|-------|-----------|-----|-------|-----|---|-------------------|----|----------|-------|-------------|-------|-----------|-----|-------------|-----|
| Sales by therapy area | £m | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Respiratory | 5,741 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cardiovascular, metabolic and urology | 858 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Immuno-inflammation | 263 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Oncology* | 255 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other pharmaceuticals | 2,199 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Established Products | 2,528 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| HIV (ViiV Healthcare) | 2,322 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales by category | £m | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rotavirus | 417 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Pneumococcal | 381 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Flu | 268 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Meningitis | 275 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TDaP* | 1,091 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hepatitis | 540 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Other | 685 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales by category | £m | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wellness | 2,970 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Oral health | 1,866 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Nutrition | 684 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Skin health | 508 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



Chairman's statement



“The Group has made good progress in delivering the strategy and outlook set out to shareholders in May 2015.”

2015 highlights

80p + 20p

80p ordinary dividend and a special dividend of 20p

This is my first letter to shareholders and I am pleased to report that the Group made good progress in delivering the strategy and outlook set out to shareholders in May 2015.

A clear element of the Group's strategy is to deal with the decline in sales of *Seretide/Advair* which has for the best part of the last decade been the biggest source of profits to the Group. This is a considerable challenge. However with the investments that have been made in new Pharmaceutical and Vaccine products we are now seeing an effective transition in the Group's portfolio.

It is also important for the Group to secure the sales benefits and cost synergies resulting from the recent Novartis transaction, which was successfully completed in 2015. The Board is closely monitoring the integration of the new businesses acquired in Vaccines and Consumer Healthcare and it is clear that management has made substantial progress.

For 2015, the Group has declared an ordinary dividend of 80 pence per share and a special dividend of 20 pence.

The current level of annual dividend of 80 pence exceeds the cash flows from our businesses. However, the Board has said it expects to maintain that level of payment for 2016 and 2017, which are important years of change. During this period, the long-term impact on cash flow of the decline in *Seretide/Advair* should become clearer but so should the benefit to cash generation of the growth of recently launched products, the expansion of our Vaccines and Consumer businesses and reduced restructuring expenditure.

Good progress has been made in the development of the company's operating model and R&D pipeline. Both of these are important for the long-term health of the company and the Board is encouraged by the level of innovation in the company's pipeline, with novel assets in development across six core therapy areas.

A priority for the Board is to manage succession of executive management. After what will have been nearly 10 years as CEO, Sir Andrew has indicated to the Board his intention to retire from the company in early 2017. The Board has agreed that he will retire on 31 March 2017. This will be the culmination of 32 years of service and leadership to GSK and the industry. We will thank Andrew more formally for his tremendous dedication and contribution next year. In the meantime, the Board will now start a formal search for a successor and will

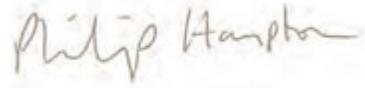
I am pleased to report that the Group has demonstrated strength in multiple areas of governance. A review of the work overseen by the Audit & Risk Committee is on page 88. The Remuneration Committee has operated in accordance with the binding Remuneration Policy, approved by shareholders in 2014. The Remuneration report can be found on page 102.

We have been pleased to welcome two new independent Non-Executive Directors to the Board: Vindi Banga and Dr Jesse Goodman, as our Senior Independent Director Designate and a Scientific and Medical Expert respectively. I am pleased with the contributions they have made already to the Board's deliberations.

Sir Christopher Gent retired from the Board as Chairman in May 2015 after over 10 years at the helm of GSK. He stood down at the same time as Tom de Swaan and Jing Ulrich. Long-serving Non-Executive Directors: Dr Stephanie Burns, Sir Deryck Maughan and Dr Daniel Podolsky will retire as planned at the 2016 AGM in May after completing over nine years service. Hans Wijers has also decided not to seek re-election at our AGM this year. We have greatly appreciated all their dedication, experience, the wealth of knowledge and insights they brought to Board deliberations over their years of service on the Board.

In closing, on behalf of the Board, I would like to thank Sir Andrew and his executive team for their commitment and performance in 2015.

consider internal and external candidates for the role.



Philip Hampton
Chairman

CEO's statement



“The progress we have made in 2015, strongly positions the Group to deliver the medium-term outlook we set out to investors in May last year and to return to core earnings growth in 2016.”

2015 highlights

£23.9bn

2015 Group turnover
(up 6% CER/+1% CER pro-forma)

£2.0bn

New product sales
(up >100%)

£1.0bn

2015 incremental annual cost savings
from integration and restructuring

2015 marked further progress against our strategy of creating a balanced Group of three world leading business in Pharmaceuticals, Vaccines and Consumer Healthcare, with a clear aim to deliver growth and improving returns to shareholders.

In the year, we completed our major 3-part transaction with Novartis and made good progress to integrate new businesses in Consumer Healthcare and Vaccines and restructure our Pharmaceuticals business. At the same time, sales of our new products have dramatically accelerated.

Trading performance

Group sales rose 6% (+1% pro-forma) to £23.9 billion, despite trading conditions remaining challenging in a number of markets. Core earnings per share was 75.7 pence, (-15% CER), ahead of our guidance for the year.

Over the last two years we have launched a number of new pharmaceutical and vaccine products and in 2015 sales from this group reached £2 billion. This performance was driven by continued excellent uptake of our HIV launches (*Tivicay* and *Triumeq*), growing momentum in our new respiratory portfolio (*Relvar/Breo*, *Anoro* and *Incruse*) and significant contributions from newly acquired meningitis vaccines *Bexsero* and *Menveo*.

New product sales are now more than offsetting the declines in *Seretide/Advair*, sales of which are now around 30% below their peak in 2013.

2015 also saw a very strong performance from our Consumer Healthcare business with sales up 44% (+6% pro-forma) driven by a number of key brands including *Sensodyne* and allergy treatment *Flonase* which we switched from prescription status to over-the-counter in the US.

Strong R&D innovation

Our R&D organisation continued to deliver significant innovation for the Group in 2015. A key milestone was the approval in the US and Europe of *Nucala*, our first biologic treatment for severe asthma. We also successfully gained approval for our malaria vaccine, the first vaccine against a parasite.

Since 2008, the Group has received approvals for 15 new molecular entities (NMEs). In November 2015, we profiled around 40 new potential medicines and vaccines, 80% of which

Restructuring and modernising our business

We are ahead of schedule on our integration and restructuring programmes and in 2015 realised £1 billion of incremental annual cost savings. We are well on track to deliver £3 billion of savings by the end of 2017.^a

We are modernising our business and making significant changes to our commercial model. We have already changed how we compensate our sales representatives and from the beginning of January 2016 stopped paying external doctors to speak about our products. These are industry firsts. At the same time, we are investing significantly in our own medical expertise and developing new digital capabilities to improve our interactions with physicians.

Outlook

The progress we have made in 2015, strongly positions the Group to deliver the medium-term outlook we set out to investors in May last year and to return to core earnings growth in 2016.

Finally, and this year more than ever, I would like to thank all of our employees for their extraordinary energy, passion and tenacity.

Sir Andrew Witty
Chief Executive Officer

Total earnings per share were 174.3 pence, a rise of more than 100%, reflecting the significant gains from the transaction.

Footnote

a £1.6bn savings achieved as at 31 December 2015 with a further £1.4bn to come over the next two years

we believe could be first-in-class.

Over the next two years we expect to see significant development milestones for a number of these assets including filings for our vaccine for shingles, *Shingrix*, sirukumab, for rheumatoid arthritis, and our triple combination therapy for chronic obstructive pulmonary disease (COPD). In addition, we expect continued progress in our mid and late stage pipeline in core therapy areas of respiratory, immuno-inflammation, HIV, vaccines and oncology.

Our global marketplace

The global healthcare marketplace is experiencing significant change as an uneven economic recovery, far-reaching global trends and an evolving commercial environment, particularly on pricing, transform the sector.

The global healthcare market

The global economy remained fragile in 2015, with overall growth falling from 3.4% in 2014 to 3.1%^a, reflecting slower growth in certain emerging economies and in oil-exporting countries.

Despite this unsettled economic background, the global pharmaceuticals market continued to grow. Global sales were £428 billion for the period January to September 2015, up from £393 billion during the same nine months in 2014. North America remained the largest pharmaceuticals market, with a 49% share of global sales (up from 45% in 2014). Europe represented 21%, down from 24%, Asia Pacific was relatively static at 23%, emerging markets fell to 22% from 23%, with Japan down to 8% from 9%.

In 2015, the global vaccines market grew by 4% to around \$27.5 billion. It is expected to continue growing at around 4% per year and represent around \$35 billion by 2020.^b

The consumer healthcare markets in which GSK operates are estimated to be worth more than \$100 billion, and are projected to grow by 3-4% annually over the next five years.^c

We have evaluated the implications for our business of a possible exit of the United Kingdom from the European Union. In our view, there are advantages in the UK remaining part of the EU, where the Group would continue to have easy access to a significant economic bloc, be able to operate within an established and harmonised regulatory approval system and continue to benefit from EU advocacy on international trade discussions. However, while the UK leaving the EU would create uncertainty and add complexity to a wide range of our business activities, with some short-term disruption likely, we have plans in place to mitigate these effects, and we do not currently believe that there would be a material adverse impact on the Group's results or financial position.

Global societal trends impacting

In developed economies, ageing populations and improvements in medical technology are further adding to the pressure on healthcare budgets.

Changing societal attitudes are also shaping the healthcare environment. People are taking an increasingly active role in managing their own health which is creating more demand for healthcare products.

Finally, the heightened geopolitical uncertainty in several key regions is likely to impact certain healthcare markets during 2016 and beyond.

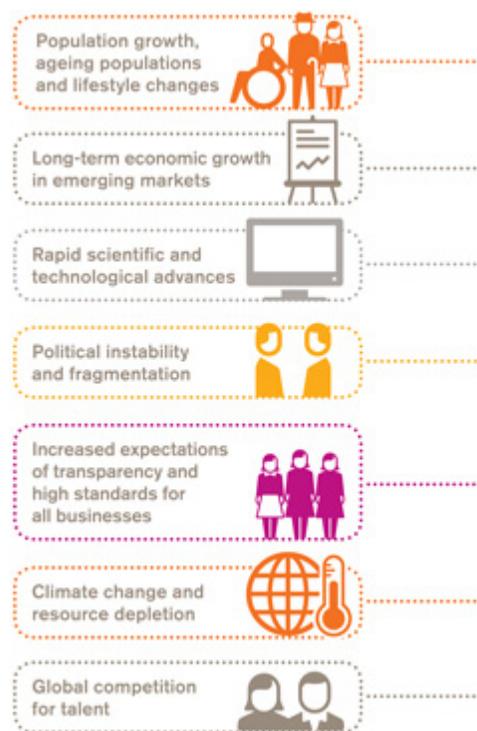
GSK's group of three world leading businesses in Pharmaceuticals, Vaccines and Consumer Healthcare, and our global presence, means we are well positioned to respond to these opportunities (see our strategic response opposite).

Pricing and market access

The pressure on, and public debate about, the industry's approach to pricing, continued to increase during 2015 in all key markets, but particularly in the US. Alongside this, many healthcare systems are focusing on how to assess the value of medicines, with formal health technology assessments (HTAs) continuing to grow in importance. In both Japan and the US, new assessment processes are being piloted, while more established systems in Europe continue to present challenges that can delay launch or restrict patient populations. However, successful market access negotiations for innovative, value-adding products continued in most countries during 2015, demonstrating a continued willingness to pay for treatments that meet genuine unmet patient needs.

Both the highly-charged public debate on pricing and the increased influence of value assessments are likely to continue in 2016 and beyond which will continue to create

Macro-economic and social trends



2015 saw more aggressive formulary price negotiations and exclusions of competing products.

Public commentary on this issue was not able to capture the complexities of pricing structures and confidential discounts creating a lack of transparency. Many stakeholders, including policy makers, presidential election candidates, payers, providers and patients called for pricing reform, and we expect pricing to be a focus of policy debates in the US in 2016 and beyond.

Footnotes

^a International Monetary Fund, *World Economic Outlook: Adjusting to Lower Commodity Prices*, October 2015.

^b EvaluatePharma, *World Preview 2015, Outlook to*

healthcare

In emerging markets long-term economic growth, increasing expectations for healthcare provision, and changing diets and lifestyles are increasing demand for healthcare products across all life stages, especially to treat chronic conditions including respiratory and cardiovascular disease. This demand is expected to grow significantly faster in these markets over the coming years than in more mature economies. This will create funding challenges.

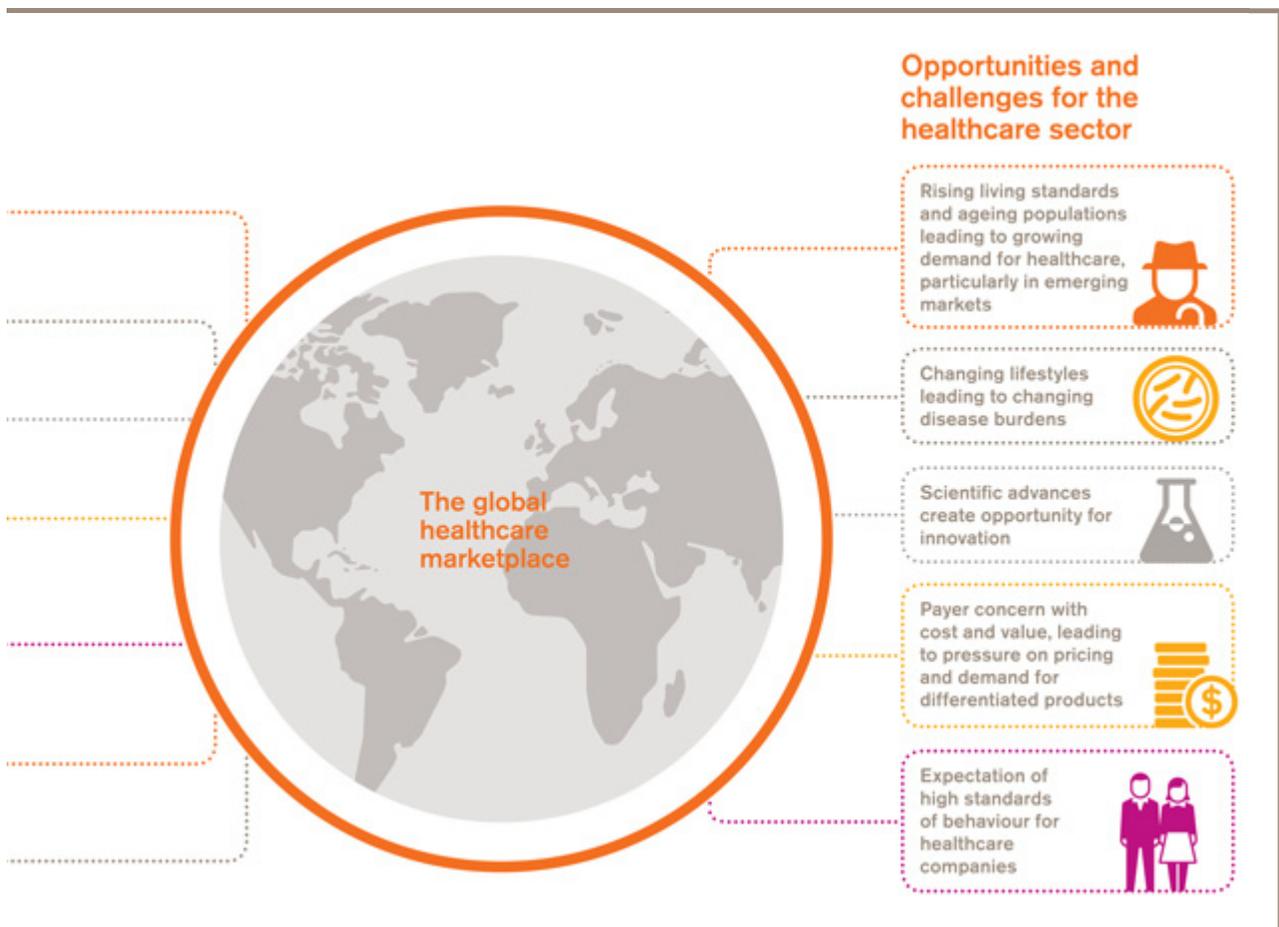
uncertainty for the industry. Increased collaboration between different stakeholders will be key to deliver mutually acceptable pricing and access solutions.

US

The healthcare landscape in the US continues to see substantial change, with a strong focus on continuing to expand healthcare coverage and controlling costs in areas of high growth. At the same time, the US government is implementing policies that shift payment away from the traditional fee-for-service arrangements and towards approaches that are intended to increase competition by incentivising efficiency and quality.

2020, June 2015.

c Internal forecasts based on Nicholas Hall and Euromonitor.



Our strategic response

Three world-leading businesses

We have created a group of three world-leading businesses in Pharmaceuticals, Vaccines and Consumer Healthcare, with a presence in more than 150 markets. This provides access to global demand for healthcare and aims to deliver growth and improving returns to shareholders.

 Read more on pages 18 to 37.

Creating innovative products

R&D innovation underpins all our

Global and sustainable pricing

We aim to improve returns from our R&D innovation by striking a balance between price and volume generation.

We are actively working with payers, policymakers, physicians and others on solutions to address concerns about the cost of healthcare. Realising and maximising value – for patients, for providers, and for innovators – has to be at the centre of this

Leading responsible business approach

Being a responsible business is fundamental to GSK and to our strategic priorities. For us, how we do business is as important as the financial results we deliver. We have led the industry on access to medicines, data transparency and evolving our commercial model to ensure patients' interests come first.

businesses focused in six core therapy areas where our scientific understanding can help deliver significant medical advances to patients.

[→ Read more on pages 22, 29 and 36.](#)

discussion.

[→ Read more on page 8.](#)

[→ Read more on page 38.](#)

Strategic report

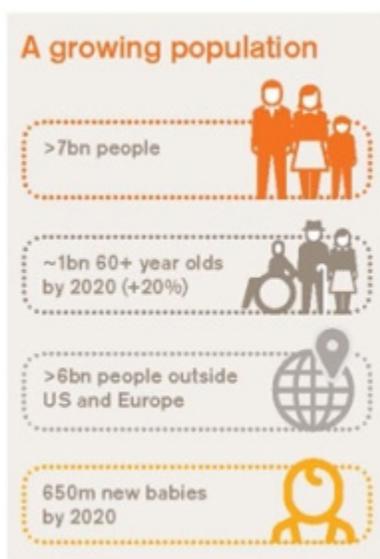
Governance & remuneration

Financial statements

Investor information

Our global marketplace

continued



Europe

Given the significant public funding of healthcare in most European countries, pressure on government budgets continued to create challenges for the industry. The market grew in 2015, primarily due to the use of new high-priced medicines for hepatitis C, putting ever greater constraints on healthcare budgets. Inequality of access to medicines, both between European countries and within patient populations, as well as affordability, remain significant issues. Despite much debate on the issue of medicines affordability, and in particular affordability for member states with lower GDP, practical challenges remain to any significant reform of medicines pricing and access.

Japan

There was a strong focus on pricing in Japan, with the government implementing a new approach to mitigate the fiscal burden associated with medicines that have annual sales of more than 100 billion yen, and which exceeded significantly the sales forecast agreed with the government at launch.

Emerging markets

Governments across the emerging market regions continue to seek ways to improve access to healthcare while at the same time manage healthcare

Regulatory environment

Prescription medicines and vaccines are highly regulated to ensure patients and users have access to safe and effective medicines. In the US, the Food and Drug Administration (FDA) approves new medicines and in 2015 approved 45 novel medicines (41 in 2014). This is the highest number of approvals across the pharmaceutical industry since 1996. The healthcare landscape continues to undergo substantial change, with a much stronger focus on improving quality and controlling costs. The FDA is responding to these challenges by working with industry to advance alternative approaches to help reduce the time and cost in developing new medicines particularly generics, which include amongst others the use of biomarkers and real world data.

In Europe, the European Medicines Agency (EMA) regulates new medicines and in 2015 issued 43 positive opinions for medicines containing new active substances (36 in 2014). During 2015, the EMA continued its efforts to help accelerate patient access to valuable new medicines. This included progressing its Adaptive Pathways Pilot and proposals to launch a new scheme to boost innovation, called 'PRIME' (PRiority MEDicines).

In Japan, in 2015, 38 new medicines received approval along with the first two regenerative (cell based) medicine products, one of which was developed by JCR Pharmaceuticals, a partner of GSK. Six products obtained the first designations under the 'sakigake' fast-track review system, introduced in 2015 to promote early development and regulatory application in Japan ahead of the rest of the world.

Intellectual property and patent protection developments

To ensure a reasonable return on investment, research-based healthcare companies rely on the protection of their intellectual property through patents, regulatory data exclusivity, and other rights.

Patent expiry or the early loss of a patent can lead to the availability of a generic version of a product, which is often cheaper as the generic

These provisions will be introduced over a period of time depending on the country if the agreement is ratified by the US Congress.

The EU has also concluded bilateral agreements with other markets of this region in 2015, such as with Vietnam, which should improve the regulatory environment, and enhance patient access to key medicines and vaccines. A number of other trade agreements are under negotiation, such as the Trans-Pacific Trade and Investment Partnership and the EU-Japan FTA.

In some markets the availability of intellectual property rights, particularly patents and data protection, may be more limited and more difficult to enforce than in developed world markets. For example, India, Brazil and Argentina have implemented, or are considering, practices that restrict the availability of patents. In addition, some countries are considering more widespread use of compulsory licensing.

Vaccines and other biological products do not currently face such a degree of generic competition, largely because for these products, the research required is more difficult, the product is more complex, and the quality is more dependent on technical manufacturing processes, compared to small molecule medicines.

While intellectual property protections are available for consumer healthcare products, their importance and effectiveness are different. Consumer healthcare products are also covered by national regulation regarding testing, approval, manufacturing, labelling, marketing and advertising. These products have strong reliance on brand loyalty and trade mark protection to create and protect value over time, especially in emerging markets.

Competition

GSK operates in a highly competitive and dynamic marketplace. 2015 saw rapid consolidation within the sector in response to the significant market pressure on the industry. Mergers and acquisitions in the pharma, medical and biotech sector hit a new record in 2015, with transactions reaching \$575

expenditure.

Countries dependent on oil may look to limit spending on health as a result of the significant decrease in oil prices. Countries as diverse as Ghana, China and India are looking to expand the population covered by government-funded health schemes. This increases the opportunities for high volume tenders but also impacts pricing.

manufacturer does not typically incur significant R&D costs. In developed markets, generics can rapidly capture a large share of the market. Market erosion may be less in emerging markets.

During 2015, agreement was reached on the Trans-Pacific Partnership, giving inter alia five years of data exclusivity for most non-biologic pharmaceutical products and, for biologics, an additional three years of equivalent protection.

billion globally (\$380 billion in 2014)^d and with 530 deals in the sector in the US alone.^e The consumer healthcare market also remains highly competitive with several high profile deals in 2015.

Footnotes

- d** MergerMarket. Global and regional M&A: 2015 (page 3)
- e** MergerMarket. Global and regional M&A: 2015 (page 9)

Our business model

Our success depends on our ability to research and develop innovative healthcare products and make them accessible to as many people as possible.

To deliver our mission, we must align all our inputs behind our strategic priorities. We harness our primary inputs set out below, to strengthen our ability to make products that satisfy unmet needs, offer cost effective healthcare options to our customers, and increase access to our vaccines, medicines and consumer healthcare products.

Our business model is designed to deliver a range of outputs for patients, shareholders and society. In addition to direct benefits for patients, consumers and shareholders, a successful business will help build strong societies and make direct and indirect contributions in the countries where it operates through tax, employment and charitable support.

If we do this well, it will lead to profitable and sustainable performance. In turn this allows us to generate value and returns for our shareholders and enables us to reinvest in the business.



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Our strategic priorities

Our strategy is designed to generate improved sales and earnings growth, sustainable returns to shareholders and benefits to patients and consumers.

| Our strategic priorities | Our strategic progress in 2015 |
|--|--|
|  <p>Grow</p> <p>A balanced business Create a balanced business and product portfolio, capable of delivering sustainable sales and earnings growth, centred on three businesses of Pharmaceuticals, Vaccines, and Consumer Healthcare.</p> <p>➔ Read more on pages 22, 28 and 36.</p> | <p>Novartis transaction completed, significantly strengthening our Vaccines and Consumer Healthcare businesses.</p> <p>Strong performance of new Pharmaceutical and Vaccine products with £2 billion sales in 2015.</p> <p>Successful OTC launch of <i>Flonase Allergy Relief</i> in the US.</p> |
|  <p>Deliver</p> <p>More products of value Research and develop high quality, innovative products that offer valuable improvements in treatment for patients, consumers and healthcare providers.</p> <p>➔ Read more on pages 22, 29 and 36.</p> | <p>Launch in US of <i>Nucala</i> for eosinophilic asthma, and approval in Europe.</p> <p>Positive phase III data for <i>Shingrix</i>, our candidate shingles vaccine.</p> <p>Filed first gene therapy for rare disease (ADA-SCID) in Europe.</p> |
|  <p>Simplify</p> <p>Our operating model Transform how we operate to reduce complexity, increase efficiency and free up resources to reinvest elsewhere in the business, or return to shareholders wherever we see the most attractive returns.</p> <p>➔ Read more on pages 25, 31 and 37.</p> | <p>Integration and restructuring cost savings on track.</p> <p>53 Pharmaceuticals and Consumer Healthcare markets live on GSK's global ERP system since the first 'go live' in August 2011.</p> <p>Consumer Healthcare supply achieved average service levels of 93% OTIF (on time in full).*</p> <p>100% on time supply for all key new pharmaceutical product introduction launches in 2015 across all markets.</p> <p>* Legacy GSK brands</p> |
| <p>Responsible business</p> | <p>Malaria candidate vaccine, (RTS,S) received a positive opinion from European regulators.</p> |



Being a responsible business is central to our strategy, and how we deliver success is just as important as what we achieve.

We ensure our values are embedded in our culture and decision making to help us better meet the expectations of society.

[➔ Read more on pages 38 to 49.](#)

Continued to transform commercial model to drive growth and build trust, reshaping our relationships with healthcare professionals and implementing a new sales force compensation approach.

Key challenges in 2015

Continued pricing pressure in the US and Europe.
Changes in US market dynamics impacting speed of uptake of new product launches.
Slowing emerging market economies.

➔ Read more about our global marketplace on pages 8 to 10.

Our performance in 2015

£23.9bn

Group turnover

75.7p

Core earnings per share*

* A reconciliation of total results to core results is set out on page 62.

Our future priorities

Deliver 2016 earnings guidance for core EPS percentage growth to reach double digits CER.

Drive sales of new products to meet target of £6 billion in annual turnover.*

Group core EPS of mid-to-high single digit CAGR growth on a CER basis over the five year period 2016-2020.*

* At its Investor event on 6 May 2015, GSK outlined a series of expectations for its performance over the five year period 2016-2020. See inside back cover.

Ensure continued focus on R&D delivery during ongoing restructuring programme including site rationalisation.

Integration of Novartis' vaccines pipeline.

SUMMIT study did not show statistically significant mortality benefit from *Relvar/ Breo Ellipta* in COPD patients.

~40

new potential medicines and vaccines in our pipeline profiled at R&D event*

* GSK R&D event on 3 November 2015.

~13%

estimated internal rate of return on R&D investment

File for approval key products including *Shingrix*, *Benlysta* subcutaneous, sirukumab and closed triple (EU) in 2016.

Deliver up to 10 phase III starts and up to 20 phase II starts in 2016/7.

Complete integration of BMS pipeline of HIV medicines.

Complexity of integrating 12,000 employees into Consumer Healthcare and Vaccines businesses.

Rolling out new systems (eg ERP) at scale across many markets.

Transfer of marketed Oncology products to Novartis.

➔ Read more about our approach to risk on pages 16 and 17,

£1.0bn

in incremental annual cost savings delivered in 2015

27%

reduction in number of pharmaceuticals pack variants

Deliver incremental annual savings of £0.8 billion in 2016, £0.6 billion in 2017 bringing the total to £3 billion annual savings by end 2017.*

Continue to streamline product portfolio, reduce complexity in formulations and packaging formats, and embed common processes and platforms.

Integrate reporting systems following Novartis transaction.

and our global marketplace on pages 8 to 10.

Reducing value chain carbon emissions while demand for products with a high carbon footprint, such as *Ventolin*, is increasing.

Strengthening our values-based culture and further encouraging the reporting of any concerns.

Change programme to transform our commercial model.

(against 2012 baseline)

82%

Dow Jones Sustainability Index score

1st

We have led the Access to Medicine Index since 2008

* £1.6 billion savings achieved as at 31 December 2015.

Support the delivery of our malaria vaccine at a not-for-profit price through key partnerships.

Continue to enhance governance, compliance and quality through proactive risk management and quality-led culture.

Continue to improve leadership effectiveness and quality of talent.

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How we performed

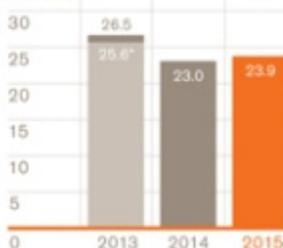
We measure our performance against a number of key performance indicators and the remuneration of our executives is based on many of these.

Group turnover**How we performed**

Turnover was up 6% on a reported basis and up 1% pro-forma. On a pro-forma basis, higher sales in HIV, Vaccines and Consumer Healthcare were partly offset by lower Global Pharmaceutical sales.

£23.9bn**Growth CER %**

| | | | |
|-----------|---|------|---|
| Reported | 1 | (3)* | 6 |
| Pro-forma | | | 1 |



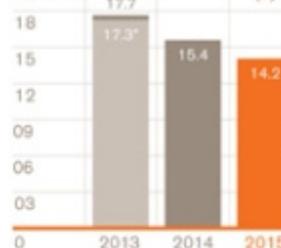
* excluding divestments completed in 2013

Pharmaceuticals turnover**How we performed**

Turnover was down 7% on a reported basis and down 1% pro-forma. Growth in HIV products, primarily *Trivicya* and *Triumeq*, was offset by the continued decline in *Seretide/Advair* sales, due to price pressure and increased generic competition.

£14.2bn**Growth CER %**

| | | | |
|-----------|---|------|-----|
| Reported | 2 | (5)* | (7) |
| Pro-forma | | | (1) |



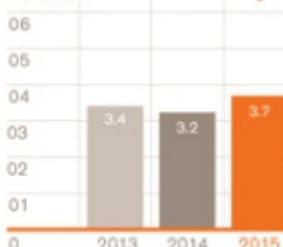
* excluding divestments completed in 2013

Vaccines turnover**How we performed**

Turnover was up 19% on a reported basis and 3% pro-forma. The business benefited from the newly acquired Meningitis portfolio. Pro-forma growth was driven by strong *Rotarix*, *FluLaval* and *Boostrix* sales in the US and *Bexsero* sales in Europe and the US.

£3.7bn**Growth CER %**

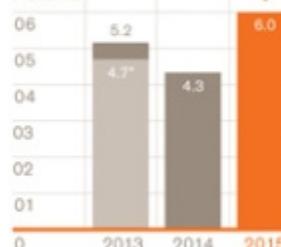
| | | | |
|-----------|---|-----|----|
| Reported | 2 | (1) | 19 |
| Pro-forma | | | 3 |

**Consumer Healthcare turnover****How we performed**

Turnover grew 44% on a reported basis, and 6% pro-forma. The business benefited from sales of the newly acquired products, particularly *Voltaren*, *Otrivin* and *Theraflu*. Pro-forma growth was predominantly driven by the Oral health and Wellness categories.

£6.0bn**Growth CER %**

| | | | |
|-----------|---|------|----|
| Reported | 2 | (1)* | 44 |
| Pro-forma | | | 6 |



* excluding divestments completed in 2013

New Pharmaceutical and Vaccine product performance**Definition**

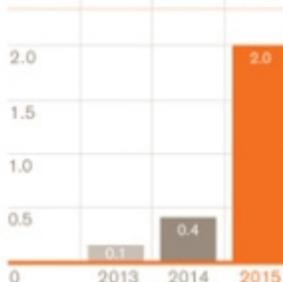
New products identified at the Investor event in 2015 are expected to deliver at least £6 billion of sales per annum on a CER basis by 2020. This target is now expected to be reached up to two years earlier.

How we performed

Sales of new products were £2.0 billion in 2015 and represented 11% of Pharmaceutical and Vaccines turnover.

£2.0bn**Growth**

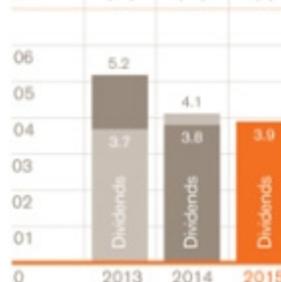
| | | |
|------|------|------|
| CER% | >100 | >100 |
|------|------|------|

**Cash returned to shareholders****How we performed**

During 2015, GSK returned £3.9 billion to shareholders in dividends. In 2014, we returned £4.1 billion to shareholders, £3.8 billion in dividends and £0.3 billion through share repurchases.

£3.9bn**Growth**

| | | | |
|----|------|------|-----|
| £% | (18) | (21) | (5) |
|----|------|------|-----|



Total operating profit and margin

How we performed

Total operating profit was £10.3 billion. Excluding currency effects, the total operating margin increased 27.7 percentage points to 43.1%, primarily reflecting higher profits on the disposal of the Oncology business and other assets, partly offset by an increase in the contingent consideration liability payable in relation to ViV Healthcare as a result of higher sales outlook for *Tivicay* and *Triumeq*, and higher SG&A costs following the changes in business mix after the Novartis transaction.

£10.3bn



Core operating profit and margin*

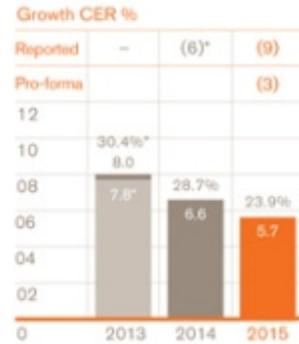
Definition

Core results exclude a number of items from total results. A full definition of core results can be found on page 54 and a reconciliation between total results and core results is provided on page 62.

How we performed

Core operating profit was £5.7 billion. Excluding currency effects, the core operating margin declined 4.1 percentage points to 23.9%, primarily reflecting a 3% percentage point impact of the Novartis transaction.

£5.7bn



* excluding divestments completed in 2013

Total earnings per share

How we performed

Total earnings per share was 174.3p, compared with 57.3p in 2014 primarily reflecting increased business and asset disposal gains partly offset by an increase in the contingent consideration liability payable in relation to ViV Healthcare as a result of higher sales outlook for *Tivicay* and *Triumeq*.

174.3p



Core earnings per share*

Definition

Core results exclude a number of items from total results. A full definition of core results can be found on page 54 and a reconciliation between total results and core results is provided on page 62.

How we performed

Core EPS decreased 15% primarily reflecting the short-term dilution of the Novartis transaction and the impact of the continuing transition of the Pharmaceuticals business, particularly in Respiratory.

75.7p



* excluding divestments completed in 2013

Free cash flow*

Definition

The calculations of free cash flow and adjusted free cash flow are described on page 54 and reconciliations are provided on page 65.

How we performed

Free cash outflow was £0.2 billion, but excluding legal settlements, payments of restructuring costs and the initial tax payments on the Oncology disposal, free cash flow was £2.5 billion compared with £3.9 billion in 2014. The decline reflected the initial impact of the Novartis transaction and lower operating profits.

* Free cash flow excluding payments for legal costs, restructuring and tax on the Oncology disposal.

£(0.2)bn



Net debt

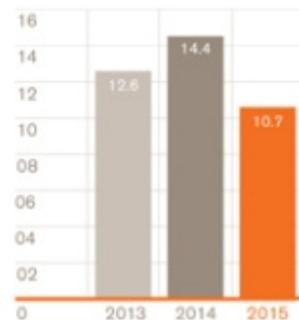
Definition

Net debt comprises bank loans and overdrafts, obligations under finance leases and commercial paper and bonds issued by GSK less cash and liquid investments.

How we performed

The net proceeds from the disposal of the Oncology business and other assets enabled us to accelerate our restructuring and integration programmes, return £3.9 billion of cash to shareholders as dividends and reduce net debt by £3.7 billion.

£10.7bn



Footnote

a We use a number of adjusted measures to report the performance of our business, as described on page 54. These include core results, which are used by management for planning and reporting purposes and may not be directly comparable with similarly described measures used by other companies.

Our approach to risk

Strategic report

Rigorous and consistent risk management processes and systems help us assure the integrity of our business operations.

Effective risk management is key to sustainable business success. Our established risk management framework, coupled with our internal controls, helps us maintain our focus on managing the principal risks affecting our business.

The principal risks listed in the table opposite are those we believe could cause our results to differ materially from expected and historical results. They are also the risks that may significantly impact our strategic priorities of Grow, Deliver and Simplify. Our Corporate Executive Team review the principal risks annually in the fourth quarter to assure appropriateness for the following year. In 2015, it was agreed to consolidate the reporting and descriptions of a number of principal risks to align with how these are managed across the business, this consolidated list is reported opposite.

Within the table, we have summarised how we define each risk and our assessment of the change in risk during 2015. This assessment is based on the external environment in which we operate, our business operations and the impact of our internal controls on the severity of the risk in the period. Our risk exposure is continually reviewed by senior management and is therefore subject to change as a result of internal and external factors, future events or otherwise. For full details on the definition, context, potential impact and mitigating activities see pages 231 to 240.

Progress in 2015

We established a Global Risk Management Office to help drive best practices and standards across the business. Its remit includes standardising our methodology for managing the principal risks and identifying significant emerging risks to our business.

We continued to evolve our anti-bribery and corruption team, with enhanced resourcing and focus, with a remit that includes third party oversight (TPO). We also commissioned external assessors to evaluate our highest risk suppliers and distributors.

Building on efforts in 2014, we enhanced and standardised our approach to regional reviews of our internal controls, with our

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Principal risk and definition

Patient safety

Failure to appropriately collect, review, follow up, or report adverse events from all potential sources, and to act on any relevant findings in a timely manner.

Intellectual property

Failure to appropriately secure and protect intellectual property rights.

Product quality

Failure to comply with current Good Manufacturing Practices (cGMP) or inadequate controls and governance of quality in the supply chain covering supplier standards, manufacturing and distribution of products.

Financial control and reporting

Failure to comply with current tax law or incurring significant losses due to treasury activities; failure to report accurate financial information in compliance with accounting standards and applicable legislation; failure to maintain adequate governance and oversight over third-party relationships.

Anti-Bribery and Corruption (ABAC)

Failure to prevent GSK employees and third parties not complying with our ABAC principles and standards, as well as with all applicable legislation.

Commercialisation

Failure to execute business strategies, or manage competitive opportunities or threats effectively and in accordance with the letter and spirit of legal, industry and company requirements.

Research practices

Failure to adequately conduct ethical and sound preclinical and clinical research. In addition, failure to engage in scientific activities that are consistent with the letter and spirit of the law, industry, or the Group's requirements.

Environment, Health and Safety and Sustainability (EHSS)

Failure to manage EHSS risks in line with our objectives and policies and with relevant laws and regulations.

Pharmaceuticals business the first to be assessed using our new approach. The annual reviews, which enable us to confirm that company standards, local laws and regulations are understood and adhered to, will take place in all our businesses in 2016.

Our viability statement on page 52 sets out our assessment of the prospects of the Group over the next three years, and has been made with reference to, amongst other things, our principal risks and how these are managed.

Information protection

Failure to protect and maintain access to critical or sensitive computer systems or information.

Crisis and continuity management

Inability to recover and sustain critical operations, including key supply chains, following a disruption, or to respond to a crisis incident, in a timely manner.

How we manage the risk and our assessment of the change in risk during 2015

 Increased risk
  No change to risk
  Decreased risk

| | | |
|--|--|---|
| <p>Our Chief Medical Officer leads a large Global Safety and Pharmacovigilance team, which maintains global policies to guide our employees. This risk remains of paramount focus for us and we have mature and rigorous controls in place to manage it.</p> | |  |
| <p>Our Global Patents group continually analyses changes in patent laws and regulations and ensures that they are incorporated into our processes. Our continued focus on ensuring we have robust and effective processes in place has meant that our assessment of this risk has not changed from 2014.</p> | |  |
| <p>Our Chief Product Quality Officer is accountable for our Quality Management System including implementation of associated policies and leading our global network of Quality Councils. In our view, this risk has continued to escalate due to increased regulations and sanctions across all companies in our sector. In response, we have significantly invested in, reinforced and strengthened the quality culture of the organisation.</p> | |  |
| <p>Our Chief Financial Officer and Group Financial Controller oversee our internal controls relating to financial information and reporting, tax and treasury. We introduced additional resources and monitoring to ensure that robust financial controls were maintained during 2015, effectively managing risks while the initial phase of integrating the former Novartis' businesses into our control and reporting framework were implemented, and the ongoing transformation and upgrade to our financial systems and processes continued. Additional risk mitigation was introduced by amending the programme timelines of the ongoing system upgrades.</p> | |  |
| <p>We have an extensive global ABAC programme, policy and procedure, which includes training of all our employees. Whilst this risk remained significant to GSK in 2015, the continuous improvements in our compliance training programmes as well as a review and reduction of our presence in a number of 'high risk' markets, manage the bribery and corruption risk exposure presented through our global business operations.</p> | |  |
| <p>We have a single global standard for promotional and marketing activities for GSK products to which all employees including third parties acting on our behalf must comply. In 2015 we introduced changes to how we engage with healthcare providers and implemented a new sales force incentive model globally, which we believe has decreased the level of risk. Our business is also structured to provide access to fast growing demand for healthcare and a balanced exposure to future changes in the industry environment.</p> | |  |
| <p>We have governance systems and controls to oversee our clinical trial research, use of biological samples, and data integrity in all of our key systems. While there is continued focus on regulatory inspections, we have in place established quality assurance programmes ensuring we have continued adherence to regulatory requirements.</p> | |  |

We have global EHSS standards that support clear policies which all employees are trained on. We believe the overall management of EHSS risk remains effective. GSK is reducing risk in both employee harm and traditional enterprise disruption categories such as process safety at our high risk chemical manufacturing facilities.



Our Chief Information Security Officer oversees our global information policy and programme and regularly assesses changes by monitoring both our internal systems and the external environment.



We believe this risk has increased for all major companies during the year including ourselves, due to the prominence of external threats. Internally, we continue to invest in improving capabilities and technological solutions to counter this threat.

Our Crisis and Continuity Management (CCM) governance board, supported by a team of CCM experts ensure that critical business operations have plans in place.



Potential disruptions to our business will continue to be a risk, but we have established governance boards within each of our businesses and continue to learn from plan activations, enabling us to continue to drive improvements in our programme.



Pharmaceuticals



Our Pharmaceuticals business discovers, develops and commercialises medicines to treat a broad range of the world's most common acute and chronic diseases.

In numbers



c.60,000

number of employees^a



£2.3bn

core R&D spend in 2015



c.2 billion

packs of medicine produced in 2015



~40

around 40 new potential medicines and vaccines in our pipeline profiled at R&D event^b

- ^a Including GMS, R&D and dedicated support functions staff.
^b GSK R&D event on 3 November 2015.

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2015 performance summary

£14.2bn

Turnover

-7%

Reported sales growth CER

-1%

Pro-forma sales growth CER

£4.3bn

Core operating profit

Our Pharmaceuticals portfolio is made up of innovative and established medicines and we hold leading global positions in respiratory disease and HIV. This is underpinned by our innovative Pharmaceuticals R&D organisation which drives the discovery and development in several core areas of research: HIV and infectious diseases, oncology, immuno-inflammation, respiratory and rare diseases.

Respiratory

We have the most extensive portfolio of respiratory products in the industry. *Seretide/Advair* remains the world's best selling branded respiratory product and we continue to lead scientific innovation in this area, working to ensure patients receive the most effective therapy possible through the most convenient devices.

Over the past three years we have significantly broadened and strengthened our respiratory portfolio with the launch of *Relvar/Breo Ellipta*, *Anoro Ellipta*, *Incruse Ellipta* and *Arnuity Ellipta*.

All these medicines are administered using our easy to use, patented dry powder inhaler, *Ellipta*.

We have strengthened our respiratory portfolio and are researching next-generation treatments with potential to alter the fundamental course of disease

We are focused on successfully transitioning to this new portfolio and accelerating growth of these products and our expectation is that by 2020, nine products are expected to account for approximately 90% of sales in respiratory, compared to four in 2015.

We are targeting research at a portfolio of potential next-generation treatments for respiratory disease, beyond the current approach with inhaled medicines. In 2015, we launched *Nucala* (mepolizumab), GSK's first injectable biologic for severe asthma. Multiple other potential medicines targeting the underlying causes of respiratory disease are also in development.



Our strategy
in action

16.5%

New Pharmaceutical products now make up 16.5% of overall Pharmaceutical sales turnover

By 2020, nine products are expected to account for approximately 90% of sales in Respiratory compared to four in 2015



£1.3bn

Tivicay and Triumeq sales in 2015



HIV

We also have a strong presence in HIV. Our global HIV business which is managed through ViiV Healthcare, a company majority, 78.3% owned by GSK, with Pfizer and Shionogi as the other shareholders, is one of the leading HIV companies in the world.

The strong recent performance of our HIV business is principally led by *Tivicay* (dolutegravir), an innovative integrase strand transfer inhibitor, and by the single-pill treatment *Triumeq* – a combination of dolutegravir, abacavir and lamivudine.

We have a significant HIV R&D pipeline and are exploring new therapies for patients that could potentially enable long-term HIV control through infrequent dosing.

In early 2016, ViiV Healthcare acquired Bristol-Myers Squibb's late stage HIV R&D assets and portfolio of preclinical and discovery stage HIV research assets. The acquisitions are expected to strengthen the Group's leadership in HIV, and provide us with further new opportunities for growth.

Specialty and Established Products

In addition to respiratory and HIV, we sell several other innovative pharmaceutical products, including *Benlysta*, for the treatment of lupus disease, and *Tanzeum/Eperzan*, for Type 2 diabetes.

Our Established Products portfolio includes mature medicines in the areas of anti-infectives, allergy, central nervous system, dermatology, respiratory and urology. These products are an important part of our Emerging Markets business – where we sell 40% more by volume than our second largest competitor.

Advancing treatments to benefit people living with HIV

***Tivicay* has been prescribed to more than 105,000 people living with HIV since it was launched in August 2013, and *Triumeq* to more than 75,000 since August 2014.**

Their strong sales momentum, totalling £1.3bn in 2015, positively supported our Pharmaceuticals business. In the US and many other countries, their performance has now overtaken previously leading third agents. Building on this success, Japan is the first country where ViiV Healthcare has now established a leadership position as the country's largest HIV company.

As we continue to evolve the way we engage with healthcare professionals, our *Tivicay* and *Triumeq* launches have also demonstrated how digital communication can enhance our interactions with them.

Our rapid digital launch campaign saw open (64%) and click through rates (34%), which were significantly above the industry average. This digital focus, which has been positively commented on by customers, remains a key priority.

Access to our HIV treatments is a major focus and is reflected in the regulatory strategy we are taking for our dolutegravir-based regimen. We are seeking regulatory approval of these products in as many countries as possible as well as facilitating the approval process of generic versions of dolutegravir in countries where the need is most pressing.

2015 saw the first filing of a generic dolutegravir by Aurobindo, supported by ViiV Healthcare's partnership with the Clinton Health Access Initiative. In 2015, ViiV Healthcare also signed an innovative manufacturing partnership with Desano Pharmaceuticals to enable the competitive supply of dolutegravir in China and a number of developing countries. By the end of 2015, *Tivicay* was available in 61 countries and *Triumeq* in 30.

>105,000

***Tivicay* has been prescribed to more than 105,000 people living with HIV since it was launched in August 2013**

We sell 40% more volume of pharmaceutical products in emerging markets than our second largest competitor



~40 new potential medicines and vaccines in our pipeline profiled at R&D event*

80% of which we believe are potentially first-in-class

* GSK R&D event on 3 November 2015

GSK has the potential to file up to 20 assets with regulators by 2020



Pharmaceuticals

continued

New Pharmaceutical product sales in 2015 more than offset the decline in Seretide/Advair of £548 million

Grow

2015 performance summary

In 2015, new products made an increasing contribution particularly in respiratory and HIV. Restructuring of the Pharmaceuticals cost base also continued.

Reported Pharmaceutical sales were £14,166 million, down 7% CER, primarily reflecting the disposal of marketed oncology products. Adjusting for the disposal, pro-forma turnover declined 1%, reflecting a 7% decline in respiratory sales and a 15% decline in sales of Established Products. This was largely offset by the growth in new Pharmaceutical products which had sales of £1,713 million, an increase of £1,284 million. Strong performance from HIV products, *Triumeq* and *Tivicay*, together with an acceleration in sales of new respiratory products helped deliver this performance.

New Pharmaceutical product sales more than offset the decline in *Seretide/Advair* of £548 million. Global *Seretide/Advair* sales were £3.7 billion, down approximately 30% from their peak in 2013.

In 2015, we made significant changes to further modernise our commercial model. We stopped paying healthcare professionals (HCPs) to speak about our products and instead have recruited a number of in-house medical experts. In addition, we have increased our digital communications with HCPs through webinars and 'click to chat' facilities enabling HCPs to talk in real time to GSK medical experts. Reactions from our customers has been very positive and we believe these changes offer GSK a source of a competitive advantage.



Read more in the Group financial review on pages 50 to 72.

Deliver

Pharmaceuticals pipeline progress

In 2015, we continued to progress our Pharmaceutical R&D pipeline, which we believe offers significant opportunity to drive the long-term performance of the Group.

Our late stage pipeline delivered a new and first-in-class medicine, with the approval in the US and Europe of *Nucala*, our anti-IL-5 monoclonal antibody for the treatment of severe asthma with eosinophilic inflammation. The indication for *Breo Ellipta* was also expanded in the US with approval for the treatment of adults with asthma.

In rare diseases, we filed for European approval of *Strimvelis*, a gene therapy to treat patients with adenosine deaminase severe combined immunodeficiency syndrome (ADA-SCID) – if approved it will be the first corrective gene therapy to be approved anywhere in the world.

In immuno-inflammation positive results were achieved in phase III studies investigating subcutaneous *Benlysta* (lupus) and sirukumab (rheumatoid arthritis), with regulatory filings expected for both medicines in 2016.

We received data in 2015 from SUMMIT, the Study to Understand Mortality and MorbidITy in COPD. While SUMMIT did not achieve statistical significance on the primary endpoint, data generated from the study will inform the overall profile of the medicine and are expected to be submitted to authorities for label updates.



In 2015, we began phase III studies investigating our closed triple ICS/LAMA/ LABA combination treatment (COPD), dolutegravir in combination with Janssen's rilpivirine (HIV infection), sirukumab (giant cell arteritis) and retosiban (pre-term labour). We stopped development of losmapimod as an anti-inflammatory agent for patients with acute coronary syndrome, when an interim analysis of data from an ongoing phase III trial failed to show an efficacy signal. As per the stepwise trial design, this interim review enabled us to limit further investment in the study.

Deep portfolio of innovation

In 2015, we profiled a portfolio of innovative medicines, focused across five core areas of pharmaceuticals research – HIV and infectious diseases, respiratory, oncology, immuno-inflammation and rare diseases – and vaccines R&D (see separate section). In total around 40 new potential medicines and vaccines were profiled, supporting the Group's outlook for growth in the period 2016-2020 and the significant opportunity our Group has to create value beyond 2020.

We believe approximately 80% of the medicines reviewed have the potential to be first-in-class with novel mechanisms of action. As a result, many may offer benefits beyond current standards of care and, in some cases, could radically transform how patients are treated.

In developing this portfolio of innovative medicines we have focused on targeting immune mechanisms that could alter the fundamental course of diseases, modify disease progression and present us with opportunities to achieve remission and functional cures. We are developing simplified treatment regimens and a potential new generation of long-acting medicines to provide long-term control and improve treatment outcomes for patients. Next generation technology platforms are also being used by our scientists, to increase our understanding of fundamental disease mechanisms so we can develop new approaches to disease management and control.



Two decades of innovative science delivers the first biologic treatment for severe eosinophilic asthma patients

This year's US and EU regulatory approvals for our severe asthma treatment *Nucala* (mepolizumab) were key milestones in a long journey of discovery.

Nucala, GSK's first injectable respiratory biologic therapy, was identified as a potential respiratory treatment in 1995. At that time, we were considering it as a treatment for mild to moderate asthma. However, initial results in this patient group were disappointing.

Our R&D team did not give up on mepolizumab. We believed it had great potential if we could use emerging science to identify which patients could benefit most.

Aided by a growing understanding about the causes of asthma, in particular the role of the

Less than 10% of asthma patients have severe asthma and a proportion of these have severe eosinophilic asthma. Many struggle to control their asthma despite medication, experiencing frequent asthma attacks and regular hospitalisation. They are some of the hardest to treat patients and the condition often results in a disproportionately high burden on the patients and healthcare systems.

With nine studies involving over 1,300 people, our research has allowed us to better understand the specific role eosinophils play in severe asthma and has led to the approval of the first-in-class approved targeted treatment for severe eosinophilic asthma patients.

eosinophil – a type of white blood cell that can cause inflammation in the lungs – we focused our research to look specifically at severe eosinophilic asthma patients.



1st

first-in-class biologic therapy that targets the IL-5 antibody

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Pharmaceuticals

continued

Our scientists are using next generation technology platforms to increase our understanding of fundamental disease mechanisms so we can develop new approaches to disease management and control

Notable advances within our Pharmaceutical R&D portfolio include potential leading-edge molecules in the field of epigenetics and immuno-oncology for the treatment of cancer, the next generation of respiratory medicines beyond inhaled treatments and a portfolio of new antibodies for inflammatory diseases including rheumatoid arthritis, autoimmune diseases and osteoarthritis. We are investigating potential new options for long-term control and prevention of HIV, opportunities designed to cure or induce long-term remission in both Hepatitis B and C and, in Rare Diseases, potential breakthrough cell and gene therapies.

2016/2017 milestones

In 2016/2017 we expect a number of significant development milestones in our Pharmaceuticals and Vaccines pipelines with up to ten regulatory filings including *Shingrix* (shingles vaccine), sirukumab (rheumatoid arthritis), subcutaneous *Benlysta* (lupus) and our closed triple ICS/LAMA/LABA combination treatment in COPD (EU).

We also expect up to ten phase III starts, including cabotegravir (HIV), daprodustat (anaemia) and our pentavalent candidate vaccine for the prevention of meningococcal meningitis, Men ABCWY, and up to 20 phase II starts in immuno-inflammation, oncology, respiratory and infectious diseases.



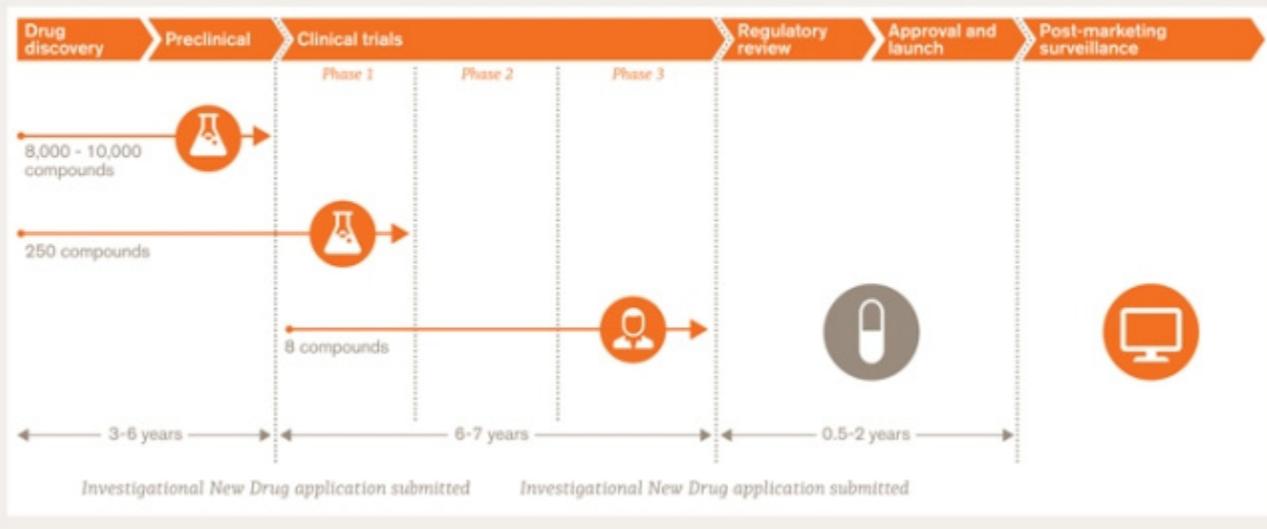
In total, we have the potential to file up to 20 assets with the regulators by 2020, and between 2021 and 2025 up to 20 additional innovative assets now in clinical development.

Pharmaceuticals R&D approach

We are highly selective with our R&D, investing only in areas where we see the best opportunities, having considered patient need, the market opportunity and scientific understanding. We are also committed to improving our R&D productivity, so we can develop more innovative new medicines and vaccines with greater efficiency.

In 2009, we committed to publishing our estimated R&D internal rate of return (IRR), based on the investment made in our late stage pipeline and our expectations regarding long-term sales performance. This was estimated to be 11% in 2009 and 2011, and 13% in 2013. Applying the same methodology, the estimated IRR in 2015 has remained at 13%.

Timeline and development stages for pharmaceutical research





Collaboration with external partners is a critical component of our R&D strategy, enabling us to access and increase our understanding of new areas of science and share the risk of development

Our early research efforts are centred around discovery performance units (DPUs). These nimble, personalised units, with their own budgets and so greater accountability for their projects, are far removed from the traditional hierarchical R&D business model. They help us to maintain flexibility in our research investment, while focusing on the most promising scientific opportunities – to drive and accelerate drug discovery output. Today we have around 30 DPUs, of which two thirds are from the original units established in 2009.

The responsibility for guiding an investigational medicine through the later development stages to filing with regulators rests with our medicines development teams, which are small units of six to 10 people.

We have also partnered with more than 1,500 organisations around the world, including academic institutions, public-private partnerships and other pharmaceutical and biotechnology companies. Such collaboration with external partners is a critical component of our R&D strategy,



Simplify

Progress on simplifying the business

In 2015, we significantly reshaped our Pharmaceuticals business, and continued to reduce supply chain complexity, while retaining our commitment to quality. We have rescaled the commercial operations, global support functions, R&D and manufacturing that support this business.

Our supply chain improvement programme aims to deliver industry-leading levels of performance. Since 2012, this programme has delivered significant savings through procurement excellence (how and what we buy), logistics (distribution), portfolio optimisation – reducing the number of pharmaceutical pack variants by 27% (against the 2012 baseline), and streamlining our

Cost savings generated from Pharmaceuticals restructuring will support delivery of £3 billion annual savings for the Group by the end of 2017.

Together with the improved performance of new products, this restructuring will improve the flexibility of our cost base and allow us to offset the headwinds to our operating margin from the continued decline in *Seretide/Advair* and other older products, while also supporting enhanced investments behind our new products the growth of which is key to deliver on our expected medium-term outlook to 2020 for the Pharmaceuticals business.

We are committed to meeting the highest standards through stringent quality control and quality assurance processes. Our medicines and vaccines are

enabling us to access and increase our understanding of new areas of science and share the risk of development. As a result of this collaborative culture within GSK R&D, we estimate around 60% of the new molecular entities (NMEs) currently in clinical development were discovered internally and 40% from collaborations and external partners.

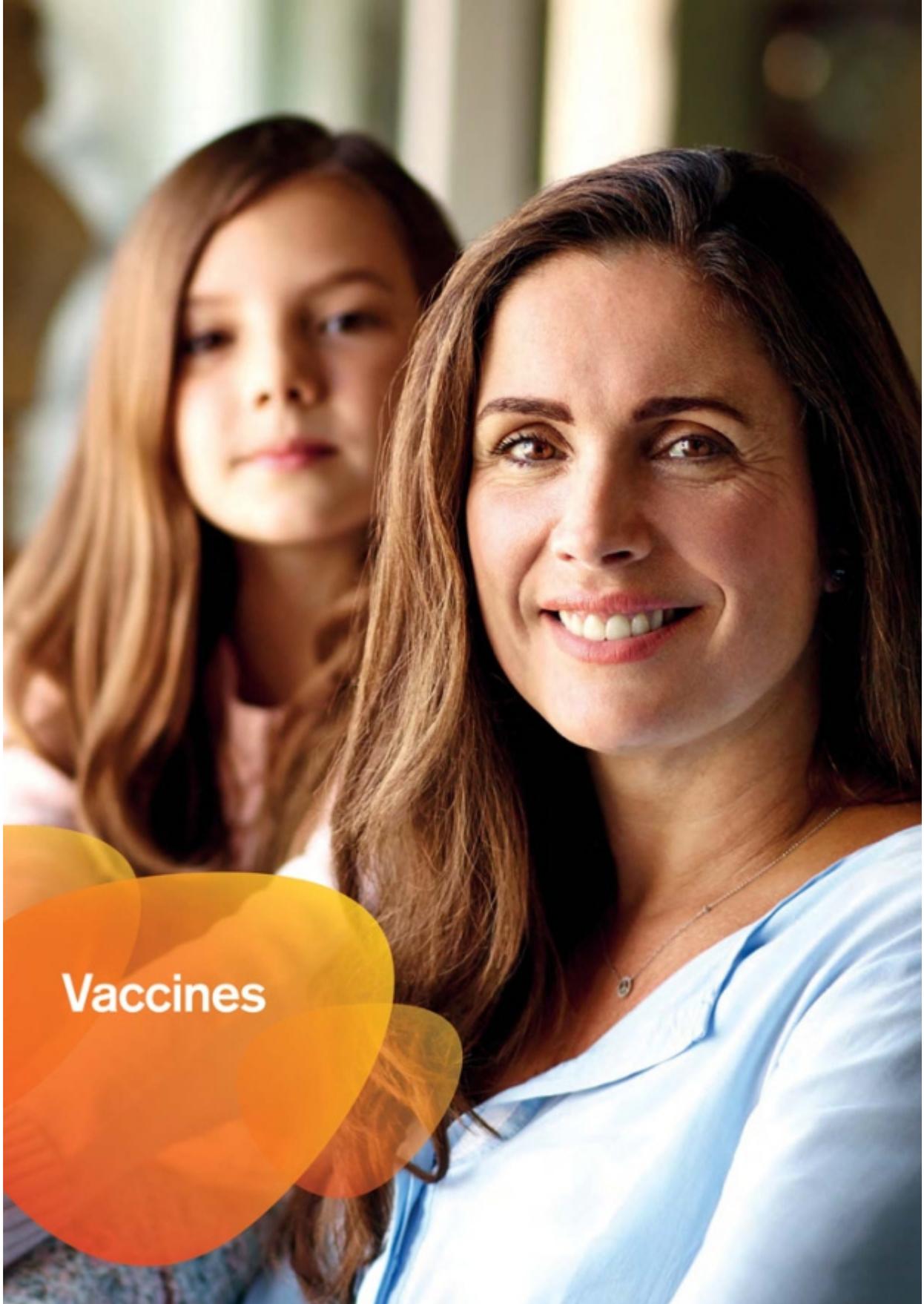
The great time and cost involved in drug discovery and development make it essential that we are highly selective in investing and focusing our resources. The R&D executive team oversees strategic issues and overall budget management across R&D, while robust governance boards manage investment, technical, scientific and commercial decisions through the life cycle of R&D and once a new medicine has launched.

external supply network by 35%.

We have strengthened our logistics operations by establishing five regional supply and demand hubs, enabling more efficient use of our warehouses and transport reducing 'cost to serve' by £136 million.

The ongoing roll-out of our Enterprise Resource Planning (ERP) system across our commercial markets and manufacturing sites is a critical part of our transformation. Coupled with new planning capabilities, this increases end-to-end visibility and control, helping ensure supply and demand are robust and aligned. These changes will help improve service to our patients and consumers.

manufactured according to Good Manufacturing Practice (cGMP) regulations, and our internal quality management system. In 2015, we had 86 regulatory inspections, and the vast majority concluded with satisfactory outcomes. We are working with regulators to bring those inspections with remaining concerns to an acceptable conclusion. In August 2015, following a US Food and Drug Administration (FDA) re-inspection, the 2014 warning letter relating to our Cork manufacturing site was lifted.



Vaccines



Our Vaccines business is one of the largest in the world. We develop and make vaccines that protect against a wide range of diseases.

In numbers



c.15,000

number of employees^a



£0.5bn

core R&D spend in 2015



39

licensed vaccines protecting against 21 diseases



c.1.9 million

vaccines delivered every day



15

candidate vaccines in our pipeline

^a Including GMS, R&D and dedicated support functions staff.

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Vaccines

2015 performance summary

£3.7bn

Turnover

+19%

Reported sales growth CER

+3%

Pro-forma sales growth CER

£1.0bn

Core operating profit

Our Vaccines portfolio is the broadest of any vaccines company. We make available 39 paediatric, adolescent, adult and travel vaccines that protect against 21 different diseases, including: hepatitis, influenza, pneumococcal disease, rotavirus and cervical cancer.

With the addition of the Novartis portfolio we gained two vaccines for the prevention of meningitis, *Menveo*, which is approved in the US for babies above two months and is marketed in 62 countries worldwide, and *Bexsero*, a new meningitis B vaccine currently available in 38 countries.

Our new vaccine R&D pipeline brings together expertise in virology, bacterial infection and different technological platforms. We have 15 candidate vaccines in development against diseases including shingles, meningitis, RSV, Group B strep and chronic obstructive pulmonary disease (COPD) exacerbations.

The expansion of our portfolio has boosted our offering around the world, notably in the US, where Novartis had a strong presence and track record of regulatory approvals. GSK's significant presence in emerging and developing countries is also providing new opportunities for the introduction and growth of newly acquired vaccines.

For many years, we have used a 'tiered pricing' approach for our vaccines, based on gross national income, which enables countries to maintain and expand their commitment to immunisation as their economies grow. We are one of the largest contributors to Gavi, the Vaccine Alliance, a public-private partnership to improve access to vaccines in developing countries. For more about our efforts to improve access to our medicines and vaccines, see our Responsible business section on page 38.

Grow

2015 performance summary

Reported Vaccines sales grew 19% to £3,657 million with the US up 24%, Europe up 23% and International up 12%, as the business benefited from sales of the newly acquired products. On a pro-forma basis sales grew 3% with good contributions from *Rotarix*, *Fluarix/FluLaval* and *Boostrix*. In addition, we saw rapid sales growth of our new meningitis vaccine portfolio, *Menveo* and *Bexsero*, with sales up 43% pro-forma to £275 million. Notable was the decision made by the UK's National Health Service to include *Bexsero* in its national immunisation programme. Overall, growth was partly offset by declines in pro-forma sales of hepatitis A vaccines and *Infanrix/Pediarix*. Sales were also impacted during the year by higher trade inventories inherited with the newly acquired vaccines in some international markets.

➔ Read more in the Group financial review on pages 50 to 72.

In 2015, we continued to make progress in our promising pipeline that will support future growth in our Vaccines business

**Our strategy
in action**

£275m

(+43%) *Bexsero* and *Menveo*
combined global sales in 2015*

* Based on 2015 pro-forma CER
for newly acquired meningitis portfolio

26.4%

Vaccines operating
margin in 2015



Our unique, world leading
expertise in adjuvant technology
could make a difference in
helping protect against diseases
like malaria, cervical cancer
or pandemic flu



Deliver

Vaccines pipeline progress in 2015

Our Vaccine R&D work focuses on discovering and developing new prophylactic and therapeutic vaccines to help protect and treat people against serious diseases. We currently have 15 candidate vaccines in early, mid and late-stage development against a range of diseases.

In 2015, we reported further positive pivotal phase III trial data in adults over 70 for our most advanced candidate, *Shingrix*, for the prevention of shingles. We intend to file global regulatory applications for *Shingrix* in the second half of 2016.

We also received a positive scientific opinion from the European regulators for our malaria vaccine, *Mosquirix*, for children aged six weeks to 17 months. *Mosquirix* is the first vaccine for malaria to reach this milestone. Additionally, this was the first regulatory review of our AS01 adjuvant technology, which is also used in *Shingrix*. For more about our malaria vaccine, see our Responsible business section on page 38.

We continue to progress our paediatric vaccine for measles, mumps and rubella through an additional phase III trial which is required to achieve registration of the vaccine in the US.

Vaccines innovation

In November 2015, we profiled a number of promising earlier stage assets in our vaccines pipeline. Our pentavalent candidate vaccine for the prevention of meningococcal meningitis, Men ABCWY, which combines two existing GSK meningococcal meningitis vaccines, is in advanced phase II development, with phase III studies planned for start in 2017.



We have two novel candidate vaccines in phase II clinical development against respiratory syncytial virus (RSV) a common cause of bronchiolitis and pneumonia in infants that can lead to hospitalisation and an enhanced risk of severe asthma: one a paediatric RSV vaccine that uses a genetically engineered recombinant chimpanzee adenovirus – the same carrier used in our Ebola vaccine candidate and the second a glycoprotein RSV vaccine given to pregnant women that may provide infants with protective maternally-derived RSV-neutralising antibodies.

We reported further positive pivotal phase III trial data in adults over 70 for our most advanced candidate, Shingrix, for the prevention of shingles. We intend to file global regulatory applications for Shingrix in the second half of 2016

1st

Mosquirix is the first malaria vaccine to receive a positive regulatory review



90-97% efficacy of our most advanced late stage candidate vaccine, *Shingrix*, against shingles in two phase III studies

We have 15 candidate vaccines in development against diseases including shingles, meningitis, RSV, Group B strep and COPD exacerbations



Vaccines

continued

We are exploring a maternal immunisation approach with our candidate vaccine in phase II development to prevent group B streptococcus (GBS), a leading cause of pneumonia, meningitis and sepsis that affects about one in 2,500 births in the US. In addition, we have a candidate vaccine in a phase II clinical proof of concept study for the prevention of exacerbations in chronic obstructive pulmonary disease (COPD).

We continue to work with our partners to accelerate development of our Ebola candidate vaccine to help prevent future disease outbreaks. Our candidate vaccine is being tested in phase II clinical trials in five countries in West Africa. We are discussing potential regulatory pathways to file the candidate vaccine for approval with the FDA and other agencies.

Investment and governance

We are highly selective in how we invest and focus our resources in vaccines discovery and development.

We prioritise our investment to meet the needs of patients and address some of the biggest remaining global health challenges. Our core vaccine R&D investment in 2015 was £525 million, up 18.5% from 2014. We have more than 2,000 scientists working across our vaccine R&D organisation.

Oversight for the key decisions we make during the vaccines development process rests with the Vaccine Research and Development Board (VRDB) which reviews the R&D project strategy and advises on scientific and technical matters, and the Vaccine Investment Board (VIB), which makes the final decision on whether to invest in a project, commercial opportunity and portfolio fit.

We continue to expand our early stage pipeline and strengthen our expertise with targeted investments. For example, our acquisition of GlycoVaxyn in February 2015 with its innovative biological conjugation platform technology supports our efforts to develop new vaccines for a range of bacterial diseases.



Impressive trial results prepare ground for new shingles vaccine

Our new candidate vaccine *Shingrix* demonstrated long-lasting and effective protection against the pain and discomfort of shingles in pivotal phase III studies.

Shingles sufferers develop a painful itchy rash, which often turns into blisters, on one side of their body. Up to 30% also develop postherpetic neuralgia (PHN), an intense and distressing pain that can last up to three months after a shingles rash appears. Other possible complications include scarring, eyesight problems, secondary infection and nerve palsies.

Nine out of 10 people, that is all those who have had chicken pox, are at risk from shingles. However the disease particularly affects adults over 50, with more than 50% of those over 85 likely to have the disease in their lifetime. Individuals with compromised immune systems, such as cancer patients undergoing chemotherapy or people with HIV, are also especially susceptible.

Shingrix demonstrated its great potential in trials involving 37,000 people from all over the world. October 2015 pivotal phase III study results showed it was 90% effective against shingles and 89% effective against PHN in people over 70.

The findings echoed earlier pivotal phase III study results showing 97% efficacy against shingles and 91% for PHN among the over-50s. The findings also showed that, not only was the candidate vaccine effective for all ages, but that its effectiveness remained constant for four years after it was administered. This is a significant improvement on the existing vaccine, which is less effective for the very elderly and reduces in efficacy over time.

Following our successful trial results, later in 2016 we intend to begin filing applications for *Shingrix* for the prevention of shingles with regulators in North America, Japan and Europe. With *Shingrix* trials also ongoing for people with compromised immune systems, we hope to be able to file a regulatory application for this group of patients in 2018.

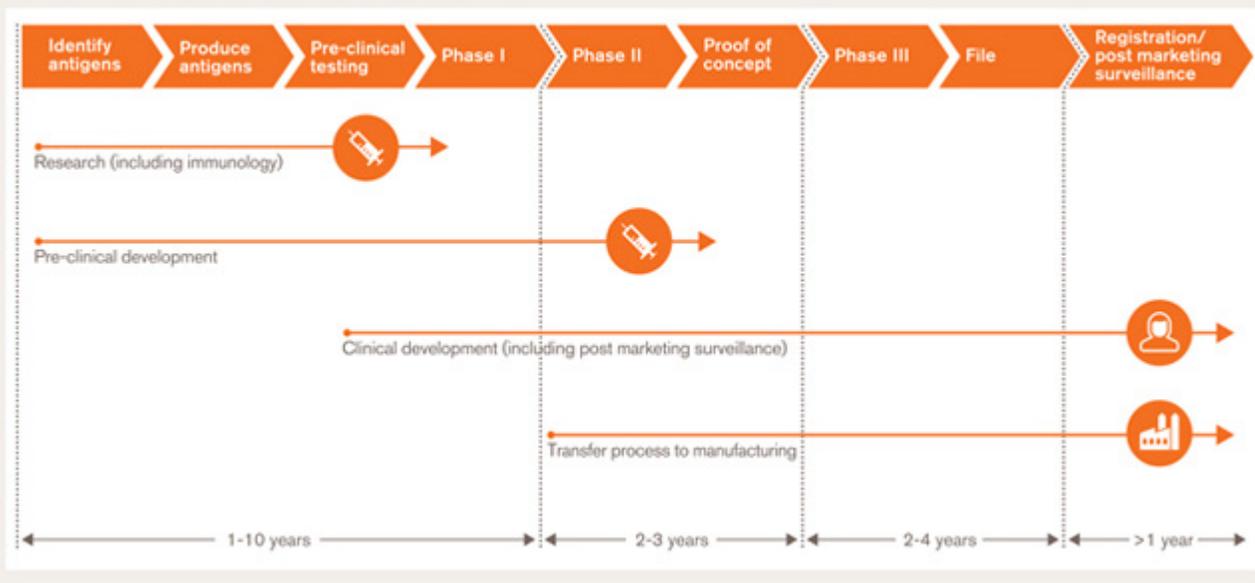
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Vaccines research development cycle



Simplify

Progress on simplifying the business

During 2015, we made substantial progress in integrating the new Novartis business which acted as a catalyst to further simplify our Vaccines operating model, strengthen our manufacturing network, and reduce supply costs. These changes will help to deliver the annual cost savings we set out in 2015 by 2017, and will help us deliver our target operating margin of at least 30% by 2020. Incremental annual cost savings in 2015, helped to increase the pro-forma operating profit margin by 0.8% on a CER basis to 26.4%.

As part of the complex integration programme we completed all regulatory-required divestments under the transaction including the divestment of our meningitis vaccines, *Nimenrix* and *Mencevax*. We have also begun a restructuring programme to remove any duplication of infrastructure and roles.

Investing in our supply chain

GSK has 17 vaccines manufacturing sites strategically positioned around the world. This broad and diversified footprint gives us greater manufacturing capacity, efficiency and flexibility. In 2015, we continued to make significant investments in our manufacturing network in key areas including starting construction of a new hepatitis A facility at Wavre, Belgium and a major capital investment plan for our Rosia, Italy site where our meningitis vaccines are made.

Committed to quality

Our vaccines are manufactured to the highest quality standards, according to current Good Manufacturing Practice (cGMP) regulations. Up to 70% of the time it takes to produce a vaccine is dedicated to quality control. In 2015, we had 49 regulatory inspections, all with satisfactory outcomes. In November 2015, our Ste. Foy facility's warning letter from the US Food and Drug Administration (FDA) concluded after the FDA found that all remediation activities had been completed satisfactorily.



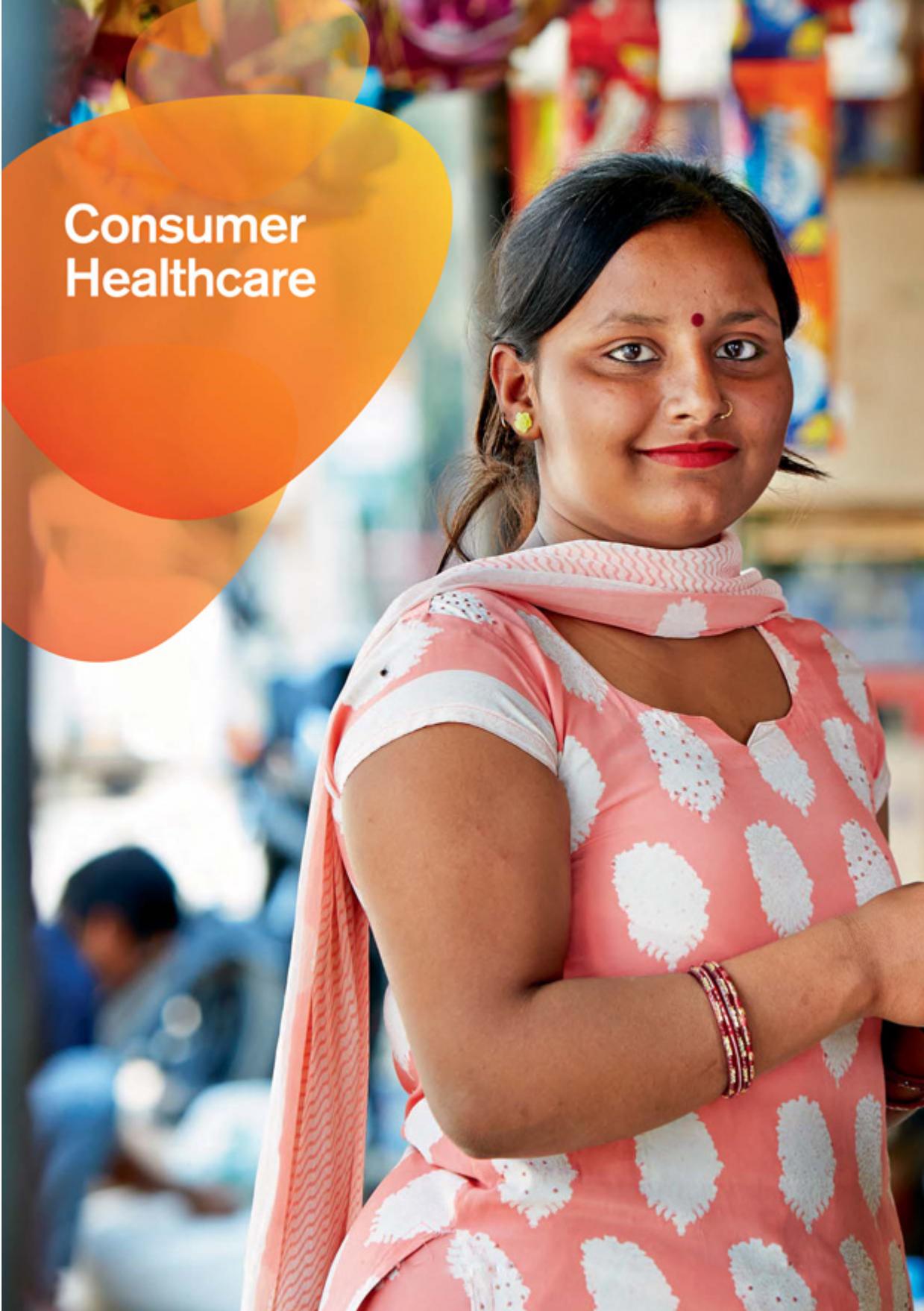
We have 17 vaccines manufacturing sites around the world and distribute over 1.9 million vaccines every day to people across more than 150 countries

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Consumer
Healthcare



Our Consumer Healthcare business has a portfolio of some of the world's most trusted and well loved brands. Our brands are underpinned by science-based innovation and include *Panadol*, *Voltaren*, *Horlicks* and *Sensodyne* and have been developed to meet the healthcare needs of consumers worldwide.

In numbers



c.21,000

number of employees^a



£0.3bn

core R&D spend in 2015



No.1

specialist oral care company
(by retail sales)



190

servings of *Horlicks* per second in India
as a nutritional supplement

^a Including GMS and dedicated support functions staff.

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Consumer Healthcare

2015 performance summary

£6.0bn

Turnover

+44%

Reported sales growth CER

+6%

Pro-forma sales growth CER

£0.7bn

Core operating profit

Our Consumer Healthcare business is world leading and represents the Consumer Healthcare Joint Venture with Novartis together with the GSK Consumer Healthcare listed businesses in India and Nigeria, which are excluded from the Joint Venture.

The business is split almost equally between over the counter (OTC) medicines and fast moving consumer goods (FMCG) brands dedicated to healthcare, across our four categories of Wellness, Oral health, Nutrition and Skin health.

These categories are defined by specific consumer healthcare requirements and have complementary ranges of brands that allow us to evolve with our consumers' needs.

Our brands are sold in more than 150 countries around the world, with around 40% of sales in emerging markets.

Wellness

In Wellness, our biggest category, we are now an overall global leader and the number one company in 36 countries by retail sales. We have leading global positions in respiratory, cold and flu, nasal decongestants, allergy, smoking cessation and pain management, where we have two of the top four brands – one in systemic (*Panadol*) and one in topical pain relief (*Voltaren*).



**Our strategy
in action**

One of the world's leading
OTC companies (by retail
sales) and specialist
oral care company



11.3%

Consumer Healthcare
operating margin in 2015

~14%

Innovation sales from
product introductions
within the last three
years on a rolling basis





Oral health

We are a top three company in toothpaste and the number one in specialist oral health, with leading positions in sensitivity, acid erosion, denture care and gum health. Sensodyne is number one 'as recommended by dentists' worldwide for sensitivity.

Skin health

We are in the top three globally in medicated skin health, focusing on treating conditions that affect millions of people worldwide, such as cold sores and dry and sensitive skin. Our *Abreva* and *Zovirax* brands hold leading positions in some of the world's largest markets.

Nutrition

Our nutrition business has a particular focus on the Indian subcontinent, where *Horlicks* is served as a nutritional supplement at a rate of 190 times per second, mainly to children. *Horlicks* is now ranked the sixth most trusted brand in India across all brands and indications.

Power and Core brands

Our power brands selected from our newly integrated portfolio have been identified as *Voltaren*, *Panadol*, *Sensodyne*, *Theraflu*, *Otrivin*, *Parodontax* and *Poligrip*: each of which are category leaders with long track records and a higher than average gross margin.

The core brands, including *Tums*, *Flonase*, *Horlicks* and *Eno*, have many similarities to our power brands but are local or regional opportunities, rather than global.

We are prioritising our investment in R&D, innovation, marketing and commercial execution behind the seven power and 12 core brands.

Our power brands selected from our newly integrated portfolio have been identified as Voltaren, Panadol, Sensodyne, Theraflu, Otrivin, Parodontax and Poligrip: each of which are category leaders with long track records and a higher than average gross margin

Focused brand strategy and innovation generating growth



Sensodyne
– double digit growth in all three regions

60%

Horlicks market share in India
Horlicks delivered all time share high and is now the most trusted hot beverage brand in India



1/3

of R&D organisation now based in emerging markets



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Consumer Healthcare

continued

We have identified a dozen markets where we will prioritise investment in advertising and promotion, capital expenditure, and place top talent. These markets will contribute to two thirds of our growth

Grow

2015 performance summary

Consumer Healthcare sales grew 44% (+6% pro-forma) to £6,028 million. Of note was *Sensodyne*, which grew double-digits across all regions and is close to generating sales of £1 billion a year. We also had a very successful launch of *Flonase Allergy Relief*, following our strategy to switch the product from prescription only to OTC.

Reported growth benefited from sales of the newly acquired products, particularly *Voltaren*, *Otrivin* and *Theraflu*, following the formation of the joint venture with Novartis. Pro-forma growth of 6% was predominantly driven by growth in the Oral health and Wellness categories.

In 2015, 14% of Consumer Healthcare sales were generated from innovation launched within the last three years with more than 30 new-to-market product launches throughout the year.

Our key innovation drivers in the year included *Flonase* in the US, and *Sensodyne Complete* in Japan which helped the *Sensodyne* brand to become the leading toothpaste in the country in 2015.

Other key launches included:

- *Sensodyne Repair and Protect Whitening*
- *Sensodyne Complete*
- *Fenbid Chewable 200mg*
- *Physiogel Calming Relief* range
- *Theraflu Warming Syrup*

 Read more in the Group financial review on pages 50 to 72.

Deliver

We have a strong innovation pipeline across all of our categories and we will continue to prioritise our investment in R&D.

Core R&D investment in Consumer Healthcare in 2015 was £0.3 billion (2014 – £159 million).

Through the integration process, we are investing further in our R&D capabilities, integrating our marketing, scientific, regulatory, technical and medical teams in co-located hubs; in the UK, the US, Switzerland, India, China and Singapore. Going forward a third of our R&D organisation will be based in emerging markets.

We are also building new sensory and packaging lab capabilities to ensure that we capitalise on trends in developments such as flavour or application techniques which can present growth opportunities. For example, we developed a formulation of *Horlicks* that consumers can mix in cold water, as hot water is not readily available for many people in the Indian subcontinent. A further example is *Fenbid Chewable* which we launched in China in 2015 as a pain relief product that does not need water.

We also continue to invest in our Shopper Science Lab. This is a state-of-the-art facility that allows us to research our innovative products in both simulated digital and real life environments with our retail partners, to test packaging, claims and our shopper materials.



Simplify

Progress on simplifying the business

We are using the integration process to simplify the organisation, to build a leaner business with a renewed focus on delivering performance, increasing agility and developing a high performance culture. With over 80% of personnel exits in the Consumer Healthcare Joint Venture completed and 54 sites now consolidated, we are making good progress.

These changes will help to deliver the annual cost savings expected from integration, and enables us to deliver our target operating margin of at least 20% by 2020 CER. Incremental annual cost savings in 2015 helped to increase the pro-forma operating profit margin by 1.8% on a CER basis to 11.3%.

Careful planning enabled us to maintain a stable supply chain during the Novartis integration, so there were no disruptions in supply. At the same time we achieved an 8.4% net reduction of pack variants within our product portfolio. In 2015, we had 45 regulatory inspections, all with satisfactory outcomes.

Our average service levels rose to 93% in 2015, from 87% in 2014, due to supply chain improvement programme initiatives, such as investments at our manufacturing sites, enhancements in systems and capacity, and reductions in single-sourced raw materials.

Careful planning enabled us to maintain a stable supply chain during the Novartis integration, so there were no disruptions in supply



The 2015 US debut of Flonase Allergy Relief was the year's top over-the-counter (OTC) launch

The launch of *Flonase Allergy Relief* underlined our effective dual capabilities in both pharmaceuticals and fast moving consumer goods (FMCG).

The nasal spray – which was formerly available only on prescription – contains the number one prescribed ingredient for providing temporary relief of hay fever and other upper respiratory allergies.

Reflecting our heritage in respiratory medicines, it is the first OTC spray to relieve both nasal and ocular symptoms and, whereas most allergy treatments target just one histamine, it inhibits six key substances.

Our partnership with retailers enabled us to secure a strong presence in store with 23 miles of shelf space and almost one million point-of-sale devices. An integrated consumer marketing campaign worked simultaneously to engage shoppers.

Within just a few months of launch *Flonase* captured more than 11% of the

It was also the leading allergy brand 'recommended by' both doctors and allergists and the number one 'recommended by pharmacists' nasal allergy brand.

This strong performance was aided by *Flonase's* expert digital marketing campaign, which achieved striking results across the leading social media channels.

11%

Within a few months of the US launch, *Flonase* captured more than 11% of the adult allergy product market

adult allergy product market and was the third leading brand in the category.



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Responsible
business



Being a responsible business is fundamental to GSK and to our strategic priorities. For us, how we do business is as important as the financial results we deliver.

In numbers



11 million

people reached through our training of 40,000 frontline health workers in least developed countries since 2009



1.3 million

children reached with life-saving immunisation, treatments and other interventions, through our ground-breaking partnership with Save the Children

100%

markets operating our new commercial model



c.38,000

employees and family members in 52 countries have access to preventive healthcare through our Partnership for Prevention programme



25%

reduction in our operational waste
(hazardous and non-hazardous) over the
last five years

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2015 highlights

£22m

Partnership with Comic Relief to fight malaria

10

Extended our price freeze commitment to 10 years for countries 'graduating' from Gavi support

118

Research proposals submitted to access data from GSK trials

[Read more about responsible business at www.gsk.com](http://www.gsk.com)

Creating value for society

Our success benefits wider society. By developing innovative healthcare products we directly benefit patients and consumers. Our flexible pricing strategy, which allows prices to reflect countries' ability to pay, and global footprint enables greater access to our medicines and products. By delivering profitable and sustainable business performance, we generate value and returns for our shareholders and can reinvest in the business. Over and above this, wider society benefits as healthy people are essential to building strong, sustainable communities.

We make significant direct and indirect economic contributions to the countries and communities where we operate through tax, our employment of 101,255 people and charitable support. Further detail about our approach to tax is on page 53, and we also publish full details about our position on tax at www.gsk.com.

Our responsible business priorities

GSK's responsible business priorities sit within the context of the macro-economic and social trends that affect all companies and wider society. These trends present both opportunities and challenges for global healthcare companies like GSK (see page 8).

We report our progress across four areas: Health for all, Our behaviour, Our people, and Our planet. We identified our priorities in these areas by understanding the issues that are most important to our business and to our stakeholders.

Our longer-term commitments across the four areas reflect global health needs and align with GSK's strategic priorities and our values. In many areas they also support the Global Goals for Sustainable Development. We detail our progress against these commitments in our responsible business supplement, available at www.gsk.com/responsibility.

In 2015, our assessment showed that two commitments are complete, 15 commitments are progressing well, five are on track, and one has more work to do, as shown in the table below.

| Progress against our responsible business commitments | | | |
|---|----------|---|----------|
| Summary commitment | Progress | Summary commitment | Progress |
| Health for all | | Our behaviour | |
| Innovation for unmet medical needs | ██████ | Ethical conduct | ██████ |
| Better access to medicines and vaccines | ██████ | Promoting values in sales and marketing | ██████ |
| Building products to better meet needs | ██████ | Transparency of clinical research | ██████ |
| Reducing child mortality | ██████ | Rigorous patient and consumer safety | ██████ |
| Strengthening healthcare infrastructure | ██████ | Minimising animal testing | ██████ |
| Eliminating and controlling NTDs | ██████ | Promoting human rights | ██████ |
| Fighting malaria | ██████ | Ensuring ethical interactions | ██████ |
| Eradicating polio | ██████ | Working with third parties | ██████ |
| Access to antiretroviral treatment for HIV | ██████ | | |
| Our people | | Our planet | |
| Creating inspiring and healthy workplaces | ██████ | Carbon | ██████ |

| | | | |
|---|--|-------|--|
| Promoting inclusion and diversity | | Water | |
| Community volunteering to create change | | Waste | |

| | | | |
|-------------|----------|------------------|-----------|
| | | | |
| Work needed | On track | Progressing well | Completed |

Health for all

Increasing access to healthcare

Our approach

We aim to extend the benefits of our products to more people, no matter where they live or their ability to pay. We target areas of unmet medical need from diseases of the developing world to antibiotics, by stimulating open innovation and collaborating. We are tackling barriers to affordability and accessibility and working to strengthen healthcare systems. In this way we seek to play our part in tackling global health challenges.

Innovation

We are committed to innovation for diseases that disproportionately affect the world's poorest people, such as malaria, and where society's need is greatest, such as antibiotics, even though they may not offer the same potential commercial return. Our open innovation model is core to this commitment.

After 30 years of research, we have reached two significant milestones in our journey to develop a vaccine to protect young children from malaria. In July 2015, the European Medicines Agency adopted a positive scientific opinion for our malaria candidate vaccine *Mosquirix*, or RTS,S, in children aged six weeks to 17 months.

Additionally, the World Health Organisation (WHO) has recommended that RTS,S should be introduced through a pilot roll-out. The WHO is now actively working with financing bodies, and the malaria vaccine clinical trials partnership (including PATH and GSK) to generate support for the pilots, and to finalise the design of the pilot implementation programme.

GSK developed RTS,S, which we will supply at a not-for-profit price, in partnership with the PATH Malaria Vaccine Initiative and with funding from the Bill & Melinda Gates Foundation.

In addition to vaccines and medicines, a comprehensive approach to tackle malaria must include wider preventative measures. Since 2001, we have supported the Africa Malaria Partnership to promote the use of existing interventions, such as bed nets, indoor residual spraying, and anti-malarial treatments. In January 2016, we launched a new £22 million partnership with Comic Relief, a UK-based charity, to fight malaria in five endemic countries.

As well as making new discoveries, we adapt existing products to tackle different health challenges. In October 2015, we submitted a regulatory application to the European Medicines Agency for an antiseptic gel to prevent umbilical cord infections in newborns that we had reformulated from the chlorhexidine solution in our *Corsodyl* mouthwash. (See case study below.)

Increasing antibiotic resistance is an emerging and urgent public health crisis. We have our own research unit focused on developing the next generation of antibiotics and an active pipeline of potential new medicines in development.



The WHO has recommended that our malaria candidate vaccine, RTS,S, should be introduced through a pilot programme



Our most advanced asset – a topoisomerase inhibitor, gepotidacin (GSK2140944) – has been developed in collaboration with the US government's Biomedical Advanced Research Development Authority (BARDA). This asset has a novel mechanism of action and the potential to address multiple indications, and is now moving towards phase III studies, following positive phase II results.

Helping more newborns survive

Three million newborn babies die each year from infection,

Photo: Colin Crowley, Save the Children



often when the newly-cut umbilical cord acts as an entry point for bacteria. This issue is exacerbated in developing countries, where many births take place at home.

We have been working to reformulate the antiseptic chlorhexidine solution used in our *Corsodyl* mouthwash into a gel to prevent umbilical cord infections, using insights and on-the-ground knowledge from Save the Children.

If the European Medicines Agency approves our 2015 regulatory application, we will offer the gel at a not-for-profit price and share our knowledge with others so that it can be manufactured locally.

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Health for all *continued*

Since 2010, we have capped the prices of our patented medicines and vaccines in the least developed countries (LDCs) at 25% of developed world prices, as long as our manufacturing costs are covered



Since 2009, our open innovation model has advanced research in such diseases as malaria and tuberculosis and in neglected tropical diseases (NTDs), which affect over one billion people. We have screened more than two million of our compounds to help combat these deadly infectious diseases and, in 2015, published data on high-quality hits against NTDs, initiating new research projects within and outside GSK.

We invite external researchers to utilise our facilities, resources and expertise at our open lab in Tres Cantos, Spain. The lab's recent progress in NTD research has included developing the first preclinical candidate to treat visceral leishmaniasis and a promising pre-candidate drug to combat Chagas disease.

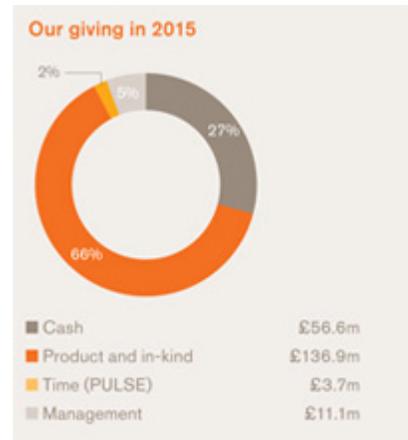
Open innovation is also central to our Africa non-communicable diseases (NCDs) open lab, launched in 2014. The lab will work in partnership with major funders, academic groups and governments to conduct research into NCDs.

Extending affordability and availability

Six billion people live in emerging markets, 300 million of whom will use healthcare for the first time by 2020. Our flexible pricing strategy seeks to meet their healthcare needs, by providing more products at lower prices. Since 2010, we have capped the prices of our patented medicines and vaccines in the least developed countries (LDCs) at 25% of developed world prices, as long as our manufacturing costs are covered. We also have a tiered pricing approach, where poorer countries pay less.

We offer our lowest vaccine prices to organisations such as Gavi, the Vaccine Alliance, which supports countries with a low gross national income. In 2015, we froze our prices for countries that graduate from Gavi support so they can continue to buy our vaccines at discounted prices for a further decade.

In middle-income countries, where many still live in poverty, our flexible pricing approach enables more people to access our products. In the Philippines, GSK has introduced a card and coupon patient programme, offering discounts of between 10-60% for selected products. In 2015, more than 58,000 patients accessed products, including antibiotics *Augmentin* and *Zinnat*, as well as our *Seretide*



Increasing local access and supply is an important part of our commitment to Africa, and in 2015 we continued to evaluate options for manufacturing in Nigeria.

In 2015, we started work on a £100 million pharmaceutical factory in India, and signed an innovative manufacturing partnership with China's Desano Pharmaceuticals to allow us to provide dolutegravir, our HIV treatment, at a competitive price to China and other countries.

Affordability can also hinder access in developed countries. We broaden access to our products in these markets by finding flexible ways to price our medicines, while retaining returns for our investment in innovation.

For example, in the US all of our six most recently launched new medicines were priced at parity or at a discount to the medicines we aim to supersede. In 2015, we reached agreement with the UK Government to make Britain the first country with a nationwide vaccination programme against meningitis B. The agreement offers fair value for the National Health Service, while offering us a sustainable return.

In the US, we offer various types of patient assistance to help ensure appropriate access to our medicines. GSK has programmes for eligible patients who do not have prescription drug coverage, those with a Medicare Part D Prescription Drug Plan and we now offer specialty product assistance for eligible insured patients. As a result of new coverage options available

inhaler, through the programme.

Building local capabilities improves access in developing countries by providing patients and consumers with locally relevant products while enhancing domestic manufacturing capacity and capability.

following the Affordable Care Act, more patients are insured and fewer are requiring our Patient Assistance Programmes (PAP). However, as part of our commitment to access, we continue to provide services to help patients understand alternative coverage options.

Strengthening healthcare systems

In the world's least developed countries (LDCs), a lack of trained healthcare workers prevents people from accessing life-saving medicines and vaccines. In the LDCs where we operate, we reinvest 20% of our LDC profits from the sale of pharmaceutical and consumer healthcare products to train and educate community health workers.

Since 2009, we have reinvested £21 million of our LDC profits in 35 countries, training 40,000 frontline health workers. These doctors, midwives, nurses and volunteers have reached 11 million people. In 2015, we expanded health worker training beyond LDCs to other countries in sub-Saharan Africa. In support of the UN One Million Community Health Workers Campaign we are funding a pilot to train 1,800 health workers in Ghana.

Apart from training healthcare workers, we strengthen healthcare systems more broadly by, for example, improving health facilities, equipping training centres and encouraging governments to improve policies and increase investments.

Our targeted product and financial donations help provide healthcare for vulnerable communities. In 2015, our global community investment totalled £208.3 million, compared with £201.5 million in 2014.



Photo: Martin Webb/Save the Children

Partnership with Save the Children

Through a ground-breaking, five-year partnership with Save the Children we are helping to save one million children's lives in some of the world's poorest countries. The partnership involves combining our capabilities in R&D, supply chain, procurement and vaccines with the charity's local expertise. In the Democratic Republic of Congo, for example, the partnership has created a model of essential services for neonatal, maternal and child health that can be replicated in other developing countries.

In 2015 we estimate we have reached over 1.3 million children; fully immunising 23,500, treating 125,000 for diarrhoea, malaria or pneumonia, and screening more than one million for malnutrition.

Complementing the partnership, we support a broad range of work to reduce childhood mortality. Many of our 20% reinvestment programmes focus on reducing child and maternal mortality in rural communities. For instance, in Nepal, we work with CARE International and the government to improve maternal, neonatal and reproductive health by improving the skills of frontline health workers, providing health equipment, and enabling communities to feedback on health centre performance. Our support has enabled more than 6,000 health workers in Nepal to be trained, reaching more than one million people.

Our strategy in action

The European Medicines Agency adopted a positive scientific opinion for our malaria candidate vaccine, *Mosquirix*, in children aged six weeks to 17 months



In 2015, we published data on 600 high-quality hits against NTDs, initiating new research projects within and outside GSK



40,000

Frontline health workers trained in least developed countries since 2009



Our behaviour

Putting the needs of patients and consumers first

Our approach

We expect all employees to act in line with our values, of transparency, respect for people, integrity and to put patients and consumers first.

These values inform how we approach patient and consumer safety throughout product development and use; how we sell and market our medicines; how we train our employees and address misconduct, and the expectations we have of third parties.

Patient and consumer safety

Patient safety is our priority in the development, testing, manufacture and use of our products. All medicines have potential risks as well as benefits. We have extensive controls to detect, evaluate and communicate benefits and risks and any potential safety concerns about our products.

We take the safety of those who take part in our clinical trials extremely seriously. Our trials are conducted in line with the International Conference on Harmonisation's Good Clinical Practice guidelines. An independent ethics committee reviews trial protocols before studies start and can prevent them from going ahead.

Our global risk register helps research teams keep track of emerging risks to quality and safety standards. Risks are often identified through the regular self-audits of our own trials or those conducted by third parties on our behalf. We performed 381 audits of trials in 2015.

Core to our focus on safety are the strict quality and safety standards upheld at all our manufacturing sites and throughout the product life cycle – from the sourcing of raw materials to the manufacturing and transportation of finished products.

We strive to minimise the risk of counterfeit medicines. In 2015, we extended our end-to-end supply chain serialisation programme, Fingerprint, across 86 packaging lines in more than 18 manufacturing sites. The programme applies unique serial 'fingerprints' on products and logs them into a government-managed database, which they can be verified against at

Sales and marketing practices

We have significantly changed the way we sell and market our medicines and vaccines to further ensure patients' interests come first and to better serve our customers. We believe these changes will provide long term commercial advantage.

In January 2015, we completed the roll out of changes to the way sales teams are compensated. Our pharmaceutical medical representatives no longer have individual sales targets, but instead, are compensated based on their technical skills, scientific knowledge, quality of service they deliver to HCPs, and broader business performance. In the US, the approach has generated strong customer feedback – in a July 2015 survey of 3,599 US healthcare professionals, GSK ranked first in both trust and customer value for the second time in a row.

We remain committed to ongoing dialogue with the scientific community and peer-to-peer medical education, but we are modernising the way we engage with HCPs. As of January 2016, we no longer pay external HCPs to speak to other prescribers about our medicines. We continue to pay HCPs for non-promotional advisory services and clinical research. These payments are governed by rigorous controls and are based on fair market value.

We have also changed how we support medical education, by no longer choosing which healthcare professionals are sponsored to attend scientific conferences. Instead, we will provide funding to independent professional bodies who will allocate funding to individuals.

We are using multiple channels, including digital and real-time applications, to provide information in the way, and at the time, HCPs want it. In 2015, we used effective digital communications to support our interactions with HCPs when we launched two new HIV medicines, *Tivicay* and *Triumeq*.

Healthcare professionals and scientists within GSK, including our Global Medical Experts, play an important role in informing their peers about our medicines. They are responsible for

Transparency in clinical trial data

We have pioneered ways to share information and data about our clinical trials. By providing greater access to trial data, we allow others to conduct further research and maximise the contribution made by the participants in our studies.

Since 2004, we have had an online clinical study register where we make available information on our trials, including summaries of results. We were the first pharmaceutical company to make clinical study reports – the basis of regulatory submissions, which include detailed information on trials – publicly available.

We were also the first company to sign up to AllTrials, which campaigns for every trial to be registered and the results reported.

We have set up a system for researchers to request access to the detailed, anonymised, patient-level data that sit behind clinical trial results – www.clinicalstudydatarequest.com. This lists over 1,700 of our global clinical trials conducted since the formation of GSK and includes clinical trials from 12 other companies. The Wellcome Trust has taken over management of the panel which considers applications for access to the data, which was initially made up of independent experts appointed by GSK. This is an important step towards our vision of an independent data-sharing system of studies from across industry and academia. By the end of 2015, 118 research proposals had been submitted to access data from GSK trials. We have already given 62 research teams access to detailed trial data.

Our Code of Conduct

Our Code of Conduct and an online resource centre guide our people in applying our values in everyday activities. In 2015, 99.9% of employees completed mandatory annual training on our Code. The online course is available in 23 languages and includes training on our values, ethical leadership, anti-bribery and corruption, and reporting issues or concerns. In 2015 it was extended to more than 30,600 complementary workers. Employees who do not complete the

any point in the supply chain.

providing the right information to support the safe and effective use of our medicines.

course may face disciplinary action.

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Anti-Bribery and Corruption

We have zero tolerance for bribery or corruption. However, we recognise that we are exposed to bribery and corruption risk given our global footprint, particularly in markets where government structures and the rule of law are less developed and healthcare systems less mature.

Our anti-bribery and corruption programme includes risk assessments, standards and practical guidance designed to prevent non-compliance. During 2015, all employees and complimentary workers completed basic level training, while 54,000 employees in high-risk roles completed additional advanced training. We are now rolling out a framework to engage and train third parties, based on their risk profile.

Our approach is designed to prevent breaches, but if things do go wrong, we act promptly and decisively. Our centralised review committee oversees investigations into any allegations of bribery and corruption, and ensures they are prioritised consistently across the company.

Reporting and investigating misconduct

We centrally track misconduct allegations, concerns and security incidents received through our Speak Up channels, monitoring, and other routes. In 2015 we received over 5,780 such reports or allegations. The majority of these, 3,257 (3,203 in 2014), were through our Speak Up channels which offer people within and outside GSK the opportunity to ask questions and voice concerns anonymously or confidentially through an independent third party by phone or online.

All concerns raised are reviewed and over 2,670 formal investigations were initiated in response to these allegations. The five most frequent categories of allegation were employee performance/relations, product promotion, interactions with HCPs, fraud and Anti-Bribery and Corruption.

Disciplinary action

Disciplinary action is taken when employees fail to act in line with our policies. In 2015, 3,574 employees were disciplined for policy violations (3,947 in 2014). The types of policy violations (see chart) in 2015 remained broadly the same as in 2014. Attendance and payroll remains the biggest type of violation at

Of the total disciplined, 297 received verbal warnings, 2,890 employees received a documented warning (3,131 in 2014) and 387 (373 in 2014) were dismissed or agreed to leave the company voluntarily. The highest number of dismissals were related to travel and expense policy violations which accounted for 130 dismissals, followed by 31 dismissals related to Code of Conduct violations and 22 for attendance/payroll violations.

Working with third parties

We expect all suppliers and third parties to comply with our standards on ethics, labour rights, health and safety, and the environment. In 2015, we introduced a comprehensive programme to strengthen our management of such risks in the supply chain.

Following a review, 1,300 suppliers have been identified as high risk and are being assessed by external risk assessment experts. They will be required to complete an extensive questionnaire and demonstrate policies and management systems for responsible business issues. Additional due diligence may then follow.

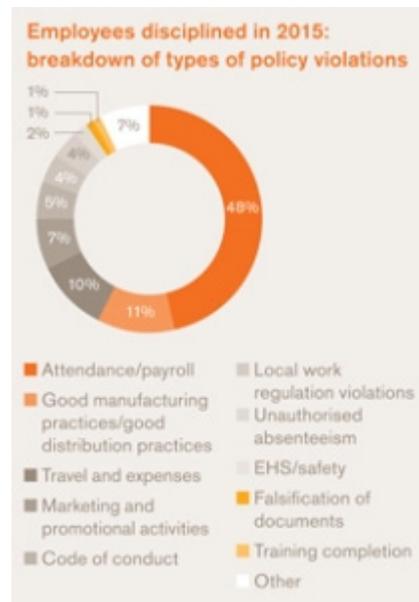
In 2015, we assessed around 200 distributors on four key risks: anti-bribery and corruption, labour rights, promotional activities and information protection. We also assessed more than 1,300 suppliers that support our manufacturing, in line with our quality management system, and audited 85 on their environmental, health and safety management systems.

Our approach to tax

We understand our responsibility to pay an appropriate amount of tax. We have robust internal policies, processes, training and compliance programmes to ensure we have alignment across our business and meet our tax obligations.

We pay a significant amount of tax in the UK, where most of our global corporate functions and significant manufacturing and R&D facilities are located, and in other countries around the world where we have a substantial business and employment presence.

Over the last 15 years we have paid £27.3 billion in corporation tax globally. In the UK, we have paid £2.7 billion since 2001, nearly 10% of the global



We do not engage in artificial tax arrangements – those without business or commercial substance. At the same time we have a responsibility to our shareholders to be financially efficient and deliver a sustainable tax rate.

Further details on our approach to tax and our tax disclosures can be found in the Group financial review on page 53 in this report and in our responsible business supplement.

Approach to human rights

GSK is a signatory to the UN Global Compact, which sets out key principles for business on human rights. We are committed to upholding the Universal Declaration of Human Rights and the core labour standards set out by the International Labour Organization.

Our human rights steering group provides direction and oversight to help ensure we meet our commitments on human rights as set out in our Human Rights Statement, available on our website.

In 2012 we identified seven priority areas for human rights for GSK: access to health care, air quality impact relating to propellants, clinical trial standards, employment practices, patient safety, product counterfeiting and use of third-party suppliers.

48% of the total (43% in 2014), followed by good manufacturing practices at 11% (10% in 2014). Travel and expenses violations increased to 10% (3% in 2014), due to increased frequency of monitoring.

total. In 2015, UK net sales were 4.2% of global net sales.

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Our people

GSK's people are essential to our success

Our approach

We need a talented, motivated and resilient workforce if we are to deliver against our strategy and tackle global health challenges effectively. To achieve this, we aim to create a working environment where employees feel valued, respected, empowered and inspired. In 2015, as our business experienced significant change, it was particularly important for us to listen to and support our people.

Performance and engagement

Our global performance system is underpinned by a set of clear expectations that emphasise not just results, but also how they are achieved in line with our values.

We provide regular updates on our mission, strategy and progress through live broadcasts and messages from our CEO and Corporate Executive Team. Listening is also critical: in 2015 over 76,000 employees, 78% of our people, took part in our employee survey providing valuable feedback. This was up from 72% in the last survey in 2012.

Supporting our people through restructuring

In 2015 we welcomed 12,000 Novartis employees to GSK. Clear, regular communication was crucial when introducing our new colleagues to our values, expectations, performance system and local employee practices and programmes. With the major reshaping of our global pharmaceuticals business occurring at the same time, we placed an equal focus on supporting employees leaving the company. We consult employees and their representatives on business changes that might affect them.

Talent and leadership

The number of graduates and postgraduates joining our programmes is increasing. In 2015, we recruited 470 graduates and postgraduates onto our Future Leaders and Esprit programmes globally, exceeding our target of 450. We also welcomed 74 apprentices in the UK, 34% of which are women, across a number of disciplines and locations. We are looking to expand our apprenticeship programme into other geographies in 2016.

In 2015, we welcomed 12,000 Novartis employees to GSK. Clear, regular communication was crucial when introducing our new colleagues to our values and expectations

We put particular emphasis on leadership development. In 2015, more than 3,300 line leaders completed programmes to help them become managers. We also launched the Enterprise Talent initiative, which develops leaders with the potential and aspiration to become executives. Since 2010, we have trained more than 1,000 employees as coaches to help others fulfil their leadership potential.

Health and wellbeing

We take a progressive approach to employee health, and protecting our workforce is a business priority. In 2015 we refreshed and simplified our health and safety standards, and reviewed our global health and well being strategy, setting out our plan that every GSK employee has access to a consistent and comprehensive health service.

We continue to be recognised as a leader in health and wellbeing, and in May 2015 GSK won the Multinational Healthy Workplace Award from the Global Centre for Healthy Workplaces.

Road safety is a significant risk for our employees and we launched a driver safety programme in India that we plan to roll out more widely in our emerging markets.

Following a steady reduction over 10 years, our reportable injury and illness rate increased slightly due to a large number of semicircular lipoatrophy cases in Brazil. This is a treatable condition associated with localised pressure from office furniture, and we took steps to support those affected and prevent recurrence.

As a global business operating in more than 150 markets, serious incidents do occur. In August 2015, an employee tragically died in a boiler explosion at our site in Rixensart, Belgium. We are supporting the Belgian authorities with their investigations and checking every boiler across GSK. In October, a sales employee in India, who was travelling on business, sadly died after their motorcycle collided with another vehicle.

Our Energy & Resilience programmes continued to help employees balance personal and professional responsibilities. 70% of those who took part in our employee survey agreed that they have sufficient energy to invest in the things that matter most at work and in life.

Providing preventive healthcare

To complement the employee healthcare benefits in our established markets, our Partnership for Prevention (P4P) programme aims to provide all our employees and their families with unprecedented access to preventive healthcare services at little or no cost. Implementation is being prioritised in regions where access to preventive services is unavailable or limited, particularly in developing markets.

The services, including immunisations and cancer screenings, are recommended by the World Health Organization and are now available to over 38,000 employees and family members in 52 countries. This places us halfway towards our target to implement P4P globally by 2018.

Volunteering to create change



Through our PULSE Volunteer Partnership, our employees use their professional skills to create sustainable change for our non-profit partners and the communities they serve.

Since its launch in 2009, PULSE has enabled 560 employees to work with 103 non-profit partners in 62 countries, providing nearly £19 million worth of skilled services.

Diversity and inclusion

We value diversity. The diverse knowledge, perspectives, experiences and working styles of our global workforce strengthens our business and helps us meet the needs of our patients and consumers.

We aim to improve gender balance at all levels. As at 31 December 2015, women represented 52% of recruits to our Future Leaders programme, 42% of management, 17% of our Corporate Executive Team and 29% of our Board. In 2015, 118 more female managers began Our Accelerating Difference programme for high performing women leaders.

We strive to make GSK more accessible to people with disabilities. In December 2015 we partnered with the UK Government's Disability Confident campaign to raise disability awareness across our business, remove barriers, increase understanding and ensure that those with disabilities have the right opportunities.

We are a global organisation serving diverse markets. Six nationalities are represented on our Corporate Executive Team and Board, and our employees in emerging markets, Asia Pacific and Japan represent 43% of our workforce.

We aim to attract and develop local talent by partnering with universities and offering business opportunities. This is a particular focus of our Africa strategy, while our new regional headquarters in Singapore is helping to attract and develop local people in emerging markets. In 2015, we recruited 444 people from 53 countries for our Future Leaders graduate programme.

Women in management positions (%)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------|------|------|------|------|------|
| SVP/VP | 26 | 27 | 28 | 29 | 29 |
| Director | 38 | 39 | 40 | 40 | 40 |
| Manager | 42 | 43 | 44 | 45 | 45 |
| Total | 39 | 40 | 41 | 42 | 42 |

Employees by gender (number)

| | Male | Female | Total |
|-------------------------|--------|--------|---------|
| Board | 10 | 4 | 14 |
| Management ^a | 9,378 | 6,799 | 16,177 |
| Total | 57,715 | 43,540 | 101,255 |
| % Total | 57 | 43 | |

^a Management: senior managers as defined in the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, which includes persons responsible for planning,



Inspiring the next generation of scientists

By 2020, the UK alone will need one million new scientists and engineers to solve future challenges, including some of the biggest health challenges of tomorrow. As a research led healthcare company, GSK is playing a leading role in inspiring young people to get into science, technology, engineering and maths (STEM) as well as providing a range of career opportunities.

Our Science Education and Early Talent team, along with our 362 STEM ambassadors across the UK, engage young people by demonstrating real-world science and engineering in schools, and manage our graduate and apprenticeship programmes.

Rhiannon Lowe heads up a team of 150 ambassadors, all volunteer GSK employees from our site in Ware, Hertfordshire. She has been part of the programme since it began in 1999 alongside her job as an investigator in investigative preclinical toxicology, where she focuses on diseases of the developing world and gene therapy.

She and her team put their expertise into practice to inspire people of all ages. They go into schools to demonstrate scientific experiments and host visits to GSK labs where students are given an opportunity to get involved in science

“When I was young I was told by one of my teachers to study drama, but I always enjoyed sciences and maths and ended up completing a PhD in virology and immunology, part-time, whilst at GSK,” she said.

In 2016, we aim to build on our experience in the UK by creating global STEM education programmes to give our employees the tools they need to inspire and foster the next generation of scientists and engineers worldwide.

GSK offers a range of career opportunities in the STEM areas; ranging from summer internships, to apprenticeships, graduate and postgraduate programmes. Our apprenticeship programme offers school and college leavers the opportunity to join the company in a variety of roles from finance and IT to laboratory science and engineering. Apprentices learn on-the-job and become valued members of the team as they progress, working towards nationally recognised qualifications and ultimately transition into a permanent role.

The scheme has grown steadily in the UK, and our ambition is to continually expand the programme into new geographies, helping nurture this new generation of talent, and adding to the diversity of our business.

directing or controlling the activities of the company, or a strategically significant part of the company, other than the Board, including directors of undertakings included in the consolidated accounts.

that connects directly to our work and the real world.

Rhiannon encourages girls, in particular, to pursue these subjects from a young age as women represent only 14% of all STEM professionals in the UK.

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Our planet

Reducing our environmental impacts

Our approach

Major environmental challenges are closely linked to global health concerns. Climate change and deforestation, for example, are exacerbating inequalities of health. As a global healthcare company we can help tackle both the effects of environmental change – and the causes. We aim to have a carbon neutral value chain by 2050, with ambitious interim goals to reduce carbon, water and waste. In the past five years, we have made significant progress.

Carbon

We aim to reduce our carbon footprint across the value chain by 25% by 2020, from the 2010 baseline, on the way to our 2050 goal of a carbon neutral value chain. To pursue these objectives we are reducing our operational emissions (scope 1 and 2) and engaging with suppliers, patients and consumers to cut the emissions linked to sourcing raw materials for our ingredients and to using our products (scope 3).

In 2015, the volume of medicines, consumer health products and vaccines we sent out from our factories was 40% higher than 2010. At the same time, our value chain carbon footprint has only grown by 2% (vs 2010). We have therefore reduced the value chain carbon footprint of the products we shipped in 2015 by an average of 25% versus 2010.

The continued growth in sales of our *Ventolin* propellant-based inhalers which emit greenhouse gases during the administration of medication to patients continues to impact our carbon footprint. We are researching solutions to this issue including changing the way we manufacture to reduce the amount of propellant used while maintaining efficacy for patients.

Carbon emissions

| Tonnes CO ₂ e ^a | 2010 | 2013 | 2014 | 2015 ^b |
|--|------------|------------|------------|-------------------|
| Scope 1 emissions | 1,011,192 | 1,040,928 | 851,113 | 884,772 |
| Scope 2 emissions | 962,327 | 788,149 | 744,973 | 765,379 |
| Scope 3 emissions | 11,712,125 | 12,394,789 | 12,533,559 | 12,400,202 |
| Intensity ratios | 2010 | 2013 | 2014 | 2015 |
| Scope 1 and 2 emissions/ sales revenue (tonnes CO ₂ e/£m) | 69.5 | 69.0 | 69.4 | 69.0 |
| Scope 1 and 2/FTE (tonnes CO ₂ e/FTE) | 20.5 | 18.4 | 16.3 | 16.0 |

^a Carbon emissions are calculated according to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition).

^b Data includes former Novartis sites' emissions and headcount.

In reducing emissions from raw materials, engaging with suppliers is crucial. Our approach, recognised at the 2015 Ethical Corporation Responsible Business Awards, is founded on data collection, collaboration and recognition. The Ecodesk online platform gathers data on carbon, water and waste from around 180 suppliers representing approximately £775 million – more than half – of our annual spend on raw materials.

We have the most control over direct emissions from our own operations. In 2015, we reduced emissions within our operations, by a further 2% to 1.6 million tonnes of CO₂e. This is 21% less than 2010, with a cumulative saving of around 1 million tonnes of CO₂e over five years. We have achieved this by using energy efficiently and investing in renewable energy, which now provides around 4% of our total energy use. The wind turbine at our facility in Cork, Ireland, for example, generates 28% of the site's electricity and in 2015 delivered savings of €1 million and 4,100 tonnes of CO₂e.

Water

By 2020 we aim to reduce GSK's water impact across the value chain by 20%, from its 2010 level. We met the 2015 milestone for our own operations a year early and, during 2015 itself, reduced this by a further 5%. We have achieved such reductions by investing in water-saving initiatives over the past five years, focusing on sites with the highest water use and those in regions of water scarcity.

Around 86% of the water used across our value chain comes from raw materials, mainly agricultural. In 2015 we partnered with The Energy and Resources Institute, a sustainable development NGO in India, to assess how we can reduce water impact in the rural communities that supply us with the wheat, barley and milk to manufacture *Horlicks*.

In 2015, GSK laboratories, manufacturing sites and offices used around 1% of our total water impact. We are making major investments to reduce this company-wide.

Our strategy in action

25%

We have reduced the value chain carbon footprint of the products we shipped in 2015 by an average of 25% versus 2010

1m

We have reduced direct carbon emissions (Scope 1 and 2) by 21% since 2010, saving over 1 million tonnes of CO₂e over five years



We hit our 2015 water target a year early, reducing our usage by 25% since 2010 – that's a saving of over 15 million m³, more water than we use in a whole year



Horlicks takes a Green Leap in India

Horlicks is one of our best-known brands. Used as a nutritional supplement in India, it provides essential vitamins and minerals for growing children.

But in 2012, we discovered through lifecycle analysis that *Horlicks* had the second largest carbon footprint of all our products. One reason for this was that our three *Horlicks* factories in India – in Nabha, Rajahmundry and Sonepat – were powered by coal.

We are investing £9.6 million in Project Green Leap to reduce carbon emissions and water use at these three *Horlicks* factories. For example, we continue to increase the amount of waste biomass we buy to replace coal as a fuel in our boilers.

We will be constructing a new 1MW combined heat and power plant at Rajahmundry that will also be fuelled with waste biomass. This plant will improve efficiency by capturing heat from power generation that would otherwise be wasted.

At Sonepat, we are installing photovoltaic cells that generate 0.5MW of power from solar energy, and we are investing in efficient LED lighting across all three sites to cut our energy use.

Since the project began in April 2014, we have cut carbon emissions by 14%.

We have also installed effluent treatment plants and rainwater harvesting systems that enable water to be reused and disposed of safely, cutting water use by 30% and helping to replenish groundwater and restore local water sources.



Consumer use accounts for about 13% of our water footprint – mainly for cleaning teeth. In 2015, we continued to encourage people not to leave water running while brushing, with *Sensodyne*'s support for the 'Turn off the Tap' campaign in the UK.

To realise our 2020 commitment, we are working with experts and NGOs to understand how best to cut our water impact across the value chain. We have combined data from the WWF Water Risk Filter across four areas – water scarcity, local water quality, health and social risks, and regulatory and reputational risks – to identify high water impact hotspots.

Waste

We aim to reduce our operational waste by 50% by 2020, compared with 2010. Over the last five years we have cut our operational waste (hazardous and non-hazardous) by 25%.

We encourage our sites to view waste as a resource and to share best practice. For example, our facility in East Durham, in the US, building on insights from our Dungarvan plant in Ireland, will install a machine that recycles fibre drums used for packaging, storage and transportation, saving more than US\$300,000 per year.

In 2015, we produced 15% less waste than the previous year. 6,900 tonnes, representing 5% of our total waste, was sent to landfill in 2015, a reduction of 2,600 tonnes compared to 2014.

By the end of 2015, 60% of our sites sent no waste to landfill.

“We identified a huge opportunity, and have reduced carbon emissions at Sonepat by more than 5,000 tonnes between 2014 and 2015.”

Satyaprakash Punia
Utilities and Site Energy Manager,
Sonepat, India

25%

Since 2010, we have cut our operational waste by 25%



In 2015, we scored 100% for climate change disclosure and a B for performance in the CDP's FTSE 350 Climate Disclosure Leadership Index

GSK is still the only pharmaceutical company to hold the Carbon Trust's Carbon Standard for cutting carbon emissions and its Water Standard for reducing water use across our operations globally



**Group financial
review**

Group financial review



“Our significant progress in 2015 leaves us better positioned to deliver against our Financial Architecture, driving EPS growth ahead of sales and improving our cash flow generation.”

2015 highlights

£23.9bn

2015 Group turnover
(up 6% CER, up 1% CER pro-forma)

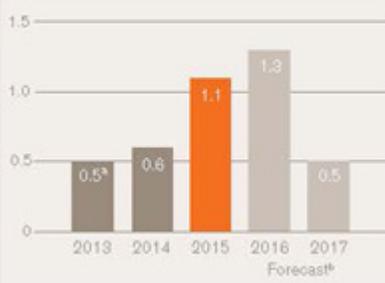
174.3p

Total earnings per share
(up >100% CER)

75.7p

Core earnings per share
(down 15% CER)

Restructuring cash costs (£bn)



Footnotes

In 2015, we made significant progress against our strategy including closing the Novartis transaction and accelerating the delivery of our restructuring and integration programmes. This allowed us to release £1 billion of incremental savings across the Group, ahead of our original targets by some £200 million. Importantly, we also created additional flexibility to invest behind both the R&D pipeline and new product launches, helping to build momentum in each of our three businesses.

The Group is now better positioned to drive sustainable growth and, given the significant restructuring and reshaping of our cost base, is better placed to deliver against our Financial architecture and drive growth in earnings per share ahead of sales, while improving cash generation to support the dividend over the longer term.

The current level of dividend exceeds the cash flows generated by the business. Our strategy is designed to rebuild that capacity through the transition of the Group's business away from its previous reliance on *Seretide/Advair* to more broadly based and growing cash flows, driven by new products in Pharmaceuticals, the expansion of our Vaccines and Consumer Healthcare businesses, operating cost savings arising from our integration and restructuring programme and a reduction in the level of restructuring spending as the

In line with this prioritisation, the Board has declared an ordinary dividend of 80 pence per share for 2015 and has also said that it expects to pay an ordinary dividend of 80 pence per share for 2016 and 2017 as we transition the Group's businesses.

To deliver on this expectation and ensure sufficient financial flexibility to continue to invest behind the synergy benefits and other growth opportunities as well as respond to the potential exercise of put options by our partners in ViiV Healthcare and the Consumer Healthcare Joint Venture, we have retained all but £1 billion of the net proceeds received from Novartis and a number of other non-strategic asset disposals. £1 billion is being returned to shareholders in the form of a special dividend of 20 pence per share to be paid in April 2016.

Retention of disposal proceeds and our continued focus on cash flow management and the protection of our credit profile has meant that during the year we were able to fund the restructuring and integration programmes, declare an ordinary dividend of 80 pence per share and reduce net debt by £3.7 billion, securing the flexibility we need to complete the transition of our business and deliver on our strategic objectives.

Viability statement

A new requirement this year is to assess the future prospects of the Group over a period longer than the 12 months required by the going concern

- a** Includes £0.3 billion cash costs on legacy restructuring programmes now completed.
- b** Total charges for the combined restructuring and integration programme are expected to be approximately £5 billion, of which cash costs are expected to be approximately £3.65 billion. The programme is expected to be largely complete by the end of 2017.

programme comes to an end.

During this period of transition, we have said that we intend to prioritise available cash, whether from operational cash flows or disposals, for the return of ordinary dividends to shareholders and to accelerate investment behind our restructuring and integration programmes to support more rapid delivery of the synergy benefits and other new growth opportunities we have identified across the Group.

provisions of the Corporate Governance Code. The outcome of this review is set out under 'Viability statement' on page 52.

Group financial review

continued

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the Code, GSK has assessed the prospects of the Group over a longer period than the 12 months required by the 'Going Concern' provision. The Directors confirm that they have a reasonable expectation that GSK will continue to operate and meet its liabilities, as they fall due, over the next three years. The Directors' assessment has been made with reference to our current position and prospects, our strategy, the Board's risk appetite and our principal risks and how these are managed, as detailed on pages 16 and 17 in the Strategic report.

The Board reviews our internal controls and risk management policies and approves our governance structure and code of conduct. It also appraises and approves major financing, investment and licensing decisions, and evaluates and monitors the performance and prospects of GSK as a whole. The focus is largely on improving our long-term financial performance through simplifying the operating model, growing a diversified global business, and delivering more products of value.

The three year review considers our existing strategy and the associated principal risks that underpin our current three year plan, which the Directors review at least annually. The Directors believe that a three year assessment is most appropriate as it aligns with our normal and well established three year business planning processes. This three year period balances the long term nature of investments in the Pharmaceutical industry with a realistic assessment of the variability of the key drivers of near term business performance as well as external factors and regulation impacting the business. It also reflects our view on access to capital markets and funding requirements as projected within this analysis.

The plan has been stress tested in a series of robust operational and principal risk downside scenarios as part of the Board's review on risk. The downside scenarios also consider GSK's cash flows, dividend cover, funding strategy, insurance provision and recovery as well as other key financial ratios over the period. These metrics have been subject to sensitivity analyses which involve flexing a number of the main assumptions underlying the forecasts both individually and in combination. Where appropriate, these analyses have been stress tested to ensure robustness of viability over the period and have evaluated the potential impact of material negative changes in the macro-economic and healthcare environment, increased pricing pressure in both the US and Europe, the accelerated impact of a generic alternative to *Seretide/Advair*, and our principal risks actually occurring as well as the earliest potential exercise of put options by our partners. The three year review also makes certain assumptions about the normal level of capital recycling likely to occur and considers whether additional financing facilities will be required and the respective level of funding flexibility and headroom.

Based on the results of this analysis, the Directors confirm they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

Financial architecture

Our financial architecture is designed to support the consistent execution of our strategy and to enhance the returns we deliver

This clear set of priorities ensures consistency in how capital is allocated across and between the different businesses within GSK with relative returns from each business benchmarked to relevant external comparatives using a Cash Flow Return on Investment (CFROI) based framework of metrics. Specific capital investments are also benchmarked in a similar way.

Turnover growth

The Group's turnover performance in 2015 reflected further progress in delivery against our strategic objective of building a more balanced set of growth drivers across our business. We continued to launch new products in our Pharmaceuticals business and we expanded our Vaccines and Consumer Healthcare businesses through the Novartis transaction. These new sources of growth more than offset the decline of *Seretide/Advair* and some of our other older products and we delivered overall turnover growth of 6% CER in the year, up 1% pro-forma.

Sales of New Pharmaceutical and Vaccines products of £2 billion in the year were a key driver but Consumer Healthcare also made a significant contribution, up 6% pro-forma, with new products, including the recent *Flonase* OTC switch, driving growth.

Operating leverage

Our ability to deliver improved profitability is heavily impacted by the overall trend in our sales, but it can also be affected by changes in the mix of business, regional and product contributions to growth in operating profit. 2015 saw a significant change in the mix of the Group following the Novartis transaction, which helped create industry-leading Vaccines and Consumer Healthcare businesses alongside the divestment of our marketed Oncology products.

At the time of divestment, the Oncology business had a much higher operating margin than the acquired Vaccines and Consumer Healthcare businesses, particularly given the heavy investment and cost structure inherited from Novartis. While the integration plans are addressing that cost structure directly and we have set targets for significant margin improvement in both of the acquired businesses, our core operating margin in the short-term has been affected materially by the transaction, with a total impact of around three percentage points of sales.

The reported core operating margin declined a total of 4.1 percentage points to 23.9% with substantially all of the additional 1.1 percentage point decline reflecting the impact of the benefit in 2014 to the operating margin of a structural credit in SG&A of £219 million which was not repeated in 2015. Excluding this effect, the pro-forma core operating margin was broadly flat.

This reflected the delivery of around £1 billion of incremental cost savings from our integration and restructuring programmes. The savings contributed to offset price pressures in older parts of the portfolio and also added to the cost flexibility we have been building in recent years.

This provided greater opportunities to reallocate resources across the Group, including reinvestment to support new

to shareholders.

It is focused on delivering more sustainable sales growth across the company, improving operating leverage, or profitability, and enhancing our financial efficiency. This is in order to drive growth in EPS ahead of our sales performance and then convert more of those earnings into cash that can be used to invest in the business or return to shareholders, wherever we see the most attractive returns.

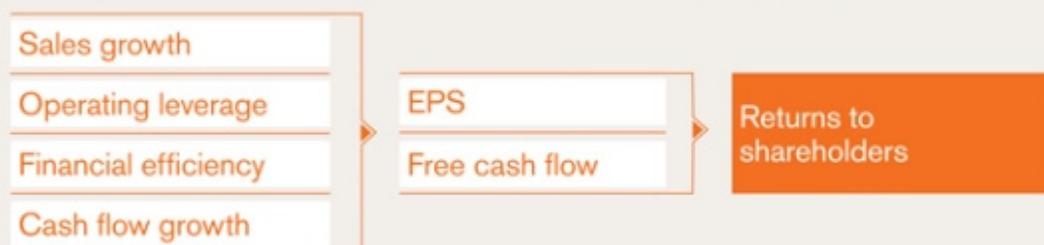
launches and our R&D pipeline, but also improvements to our manufacturing capabilities and capacity.

Our integration and restructuring programme is ahead of schedule. By the end of 2015, the programme had delivered approximately £1.6 billion of annual savings and it remains on track to deliver £3 billion of annual savings in total by the end of 2017.

Financial efficiency

We continue to focus on improving our financial efficiency and overall funding costs while protecting our credit profile and, in particular, our short-term target credit ratings.

GSK financial architecture: driving improved returns to shareholders



Earnings per share (EPS)

Total EPS in 2015 saw a significant increase to 174.3p, primarily driven by the profit on the disposal of our Oncology business. Core EPS declined 15%, mainly reflecting the short-term dilution of the Novartis transaction but also the impact of the continuing transition of our Pharmaceuticals business, particularly in Respiratory.

In 2016, we expect core EPS percentage growth to reach double digits (CER). The base for this growth is the 2015 core EPS of 75.7p.

Free cash flow

Free cash flow generation in 2015 has been impacted by the ongoing transition of our pharmaceutical portfolio, particularly the decline in *Seretide/Advair* but also the short-term impact of the Novartis transaction and, in particular, the inherited levels of cost and investment that are being addressed as part of our synergy and integration plans.

The restructuring costs of these plans and other costs of the Novartis transaction are being funded from the proceeds of the disposal of the Oncology business and other non-strategic assets, consistent with our general approach to funding the costs of restructuring.

Excluding the cash restructuring charges incurred during the year of £1.1 billion and the initial tax payments due on the Oncology disposal, as well as legal payments, free cash flow generated in 2015 was £2.5 billion compared with £3.9 billion in 2014, when adjusted on a comparable basis.

In addition to rebuilding our cash generation capacity, we continue to focus on improving the efficiency of capital investment and our use of working capital to reduce internal cash requirements. This is expected to allow us to build operating cash flows more quickly while maintaining the dividend, returning the Group to growth and protecting our credit profile.

Returns to shareholders

The Board approved an ordinary dividend of 80 pence for 2015, together with a special 20 pence dividend to be paid from the net proceeds of the Oncology business and other asset disposals. This will be distributed in April 2016 alongside the regular fourth quarter dividend for 2015. We also expect to pay annual dividends of 80 pence for 2016 and 2017.

Approach to tax

We understand our responsibility to pay an appropriate amount of tax. In 2015 the Group paid corporate income tax of £2,062 million (2014 – £1,108 million) on profits of £10,526 million (2014 – £2,968 million) representing a cash tax rate of 19.6% (2014 – 37.3%). The corresponding accounting tax charge on profits was £2,154 million (2014 – £137 million).

Tax risk is managed by a set of policies and procedures to seek to ensure consistency and compliance with tax legislation. Our Audit & Risk Committee and the Board are responsible for approving our tax policies and risk management.

We seek to maintain open, positive relationships with governments and tax authorities worldwide and we welcome constructive debate on taxation policy. There continued to be a significant international focus on tax reform during 2015 – including the OECD's Base Erosion and Profit Shifting ('BEPS') project and European Commission initiatives such as the proposed 'Anti-BEPS' Directive and the increased use of fiscal state aid investigations. The OECD BEPS reports clarify the important principle that tax should be paid on profits throughout the supply chain, commensurate with where the profit making activity takes place. GSK supports this approach and has been active in providing relevant business input to assist in the successful delivery of the aims of the BEPS project. In particular, we support the implementation of the OECD's recommendations on Country-by-Country Reporting ('CbCR'), including the exchange of CbCR data between tax authorities, as being key to its success. This data, validated against existing information held on taxpayers, will support their ability to ensure multinational groups pay the right amount of tax.

We do not engage in artificial tax arrangements – those without business or commercial substance. At the same time we have a responsibility to our shareholders to be financially efficient and deliver a sustainable tax rate. The ongoing alignment of our Group structure to reflect our mix of operations and geographies has helped us maintain an efficient effective tax rate. Our core tax rate for 2015 was 19.5%, similar to the rate in 2014 of 19.6%. However, some moderate upward pressure on the rate is expected over the next several years, given the Group's momentum and changing earnings mix in favour of the US in particular. For

A fuller review of the financial results is set out on pages 54 to 72.



Simon Dingemans
Chief Financial Officer

2016 a core tax rate in the 20-21% range is expected.

Our approach to tax is set out in detail within the Public Policy positions section of our website. Further details about our corporate tax charges for the year are set out on page 158.

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Financial review 2015

Results reporting

Our Group financial review discusses the operating and financial performance of the Group, cash flows and our financial position and resources. We compare the results for each year primarily with the results of the preceding year. This review discusses the total results of the Group and also core results.

We also use a number of adjusted measures to report the performance of our business. These measures are used by management for planning and reporting purposes and in discussions with and presentations to investment analysts and rating agencies and are defined below. These measures are not defined in IFRS and may not be comparable with similarly described measures used by other companies.

CER growth

In order to illustrate underlying performance, it is our practice to discuss the 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 previous year. CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates.

All growth rates included in this Report are at CER unless otherwise stated.

Core results reporting

Total reported results represent the Group's overall performance. However, these results can contain material unusual or non-operational items that may obscure the key trends and factors determining the Group's operational performance. As a result, we also report core results.

Core results exclude the following items from total results: amortisation and impairment of intangible assets (excluding computer software) and goodwill; major restructuring costs, including those costs following material acquisitions; legal charges (net of insurance recoveries) and expenses on the settlement of litigation and government investigations, and acquisition accounting adjustments for material acquisitions, disposals of associates, products and businesses, other operating income other than royalty income, and other items, together with the tax effects of all of these items.

Core results reporting is utilised as one of the bases for internal performance reporting alongside Total results, cash flow generation and a number other metrics. Core results are presented and discussed in this Group financial review as we believe that core results are more representative of the performance of the Group's operations and allow the key trends and factors driving that performance to be more easily and clearly identified by shareholders. The definition of core results, as set out above, also aligns the Group's results with the majority of our peer companies and how they report earnings.

Reconciliations between total and core results, including

Pro-forma results reporting

The Novartis transaction completed on 2 March 2015 and so our reported year to date results include ten month's turnover of the former Novartis Vaccines and Consumer Healthcare products and also exclude sales of the former GSK Oncology business from 2 March. Following the completion of the transaction with Novartis, we have reorganised the Group to reflect the greater balance between the Pharmaceuticals, Vaccines and Consumer Healthcare businesses and responsibilities for some parts of these respective businesses have been realigned. We are reporting these three businesses separately with corporate costs reallocated to each accordingly so that the profitability of each business is reflected more accurately. We have restated our segment information consistent with this realignment.

In addition, we have presented unaudited pro-forma growth rates for turnover, core operating profit and core operating profit by business. Pro-forma growth rates are calculated comparing reported turnover and core operating profit for the year to December 2015 with the turnover and core operating profit for the year to December 2014 adjusted to include the equivalent ten month's sales of the former Novartis Vaccines and Consumer Healthcare products and exclude the sales of the former GSK Oncology products from March to December 2014.

Free cash flow

Free cash flow is the net cash inflow from operating activities less capital expenditure, interest and dividends paid to non-controlling interests plus proceeds from the sale of property, plant and equipment and dividends received from joint ventures and associated undertakings. Free cash flow growth is calculated on a Sterling basis. A reconciliation is presented on page 65.

Adjusted free cash flow

Adjusted free cash flow excludes payments made to settle legal disputes.

Working capital conversion cycle

The working capital conversion cycle is calculated as the number of days sales outstanding plus days inventory outstanding, less days purchases outstanding.

R&D internal rate of return

The calculation for 2015 included products launched from 1 January 2013 to 31 December 2015 and compounds in phases IIb and III of the development process. The calculation was based on actual sales from 2013 to 2015, and forecast sales up to 2036, adjusted to reflect expected failure rates, which are broadly in line with standard industry failure rates. The cost base used in this calculation comprises an estimate of attributable R&D costs and actual and projected milestone payments where appropriate.

This IRR estimate factored in applicable components of the Novartis transaction, including the acquisition costs and forecast cash flows of *Bexsero* and Men ABCWY, as well as cash flows for the relevant oncology assets divested (i.e. products launched since 2013 and AKT inhibitor). The

detailed breakdowns of the key non-core items, are set out on page 62, and are provided to shareholders to ensure full visibility and transparency as they assess the Group's performance.

oncology cash flows included estimated attributable R&D costs and an estimated proportion of the after-tax sale proceeds. Proceeds for products launched before 2013 are excluded for consistency with our overall methodology. The net impact of the acquisitions and disposals on the estimated IRR is not material.

Group turnover

Turnover £bn



£23.9bn

Group turnover

6%

Reported CER growth

1%

Pro-forma CER growth

Group turnover by geographic region

| | 2015 £m | 2014 (restated) £m | Growth CER% | Growth £% |
|---------------|---------------|--------------------------|----------------|--------------|
| US | 8,222 | 7,409 | 3 | 11 |
| Europe | 6,450 | 6,292 | 11 | 3 |
| International | 9,251 | 9,305 | 5 | (1) |
| | 23,923 | 23,006 | 6 | 4 |

Group turnover outside of the US and Europe represented 39% of total Group turnover in 2015 (2014: 40%).

Sales from new Pharmaceutical and Vaccine products

| | 2015 £m | 2014 £m | Growth CER% | Growth £% |
|-------------------------------|--------------|------------|----------------|--------------|
| Respiratory | | | | |
| <i>Relvar/Breo Ellipta</i> | 257 | 67 | >100 | >100 |
| <i>Anoro Ellipta</i> | 79 | 17 | >100 | >100 |
| <i>Arnuity Ellipta</i> | 3 | – | – | – |
| <i>Incruse Ellipta</i> | 14 | – | – | – |
| <i>Nucala</i> | 1 | – | – | – |
| CVMU | | | | |
| <i>Eperzan/Tanzeum</i> | 41 | 6 | >100 | >100 |
| Global Pharmaceuticals | 395 | 90 | >100 | >100 |
| <i>Tivicay</i> | 588 | 282 | >100 | >100 |
| <i>Triumeq</i> | 730 | 57 | >100 | >100 |
| Pharmaceuticals | 1,713 | 429 | >100 | >100 |
| <i>Bexsero</i> | 115 | – | – | – |
| <i>Menveo</i> | 160 | – | – | – |
| Vaccines | 275 | – | – | – |
| | 1,988 | 429 | >100 | >100 |

At our Investor Day on 6 May 2015, we identified a series of New Pharmaceutical and Vaccine products that were expected to deliver at least £6 billion of revenues per annum on a CER basis by 2020. Those products, plus current clinical pipeline asset, *Shingrix*, are as set out above and, as a group are defined as New Pharmaceutical and Vaccine products. Sales of the New Pharmaceutical Vaccine products are now expected to reach £6 billion of revenues per annum on a CER basis up to two years earlier (2018).

Sales of New Pharmaceutical and Vaccine products were £1,988 million and represented approximately 11% of Pharmaceuticals and Vaccines turnover in the year.

Operating profit £bn



£10.3bn

Total operating profit

>100%

Reported CER growth

| | 2015 £m | 2014 (restated) £m | Growth CER% | Growth £% |
|--|------------|--------------------------|----------------|--------------|
| Global | | | | |
| Pharmaceuticals | 11,844 | 13,950 | (14) | (15) |
| HIV | 2,322 | 1,498 | 54 | 55 |
| Pharmaceuticals | 14,166 | 15,448 | (7) | (8) |
| Vaccines | 3,657 | 3,159 | 19 | 16 |
| Consumer Healthcare | 6,028 | 4,312 | 44 | 40 |
| Segment turnover | 23,851 | 22,919 | 6 | 4 |
| Corporate and other unallocated turnover | 72 | 87 | (9) | (17) |
| Group turnover | 23,923 | 23,006 | 6 | 4 |

CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates. HIV turnover represents the sales of ViiV Healthcare.

Group turnover for 2015 increased 6% on a reported basis to £23,923 million, with Pharmaceuticals down 7%, Vaccines up 19% and Consumer Healthcare up 44%, reflecting the impact of the Novartis transaction. On a pro-forma basis, Group turnover increased 1%, with Pharmaceuticals down 1%, Vaccines up 3% and Consumer Healthcare up 6%. Sales of New Pharmaceutical and Vaccine products were £1,988 million in the year.

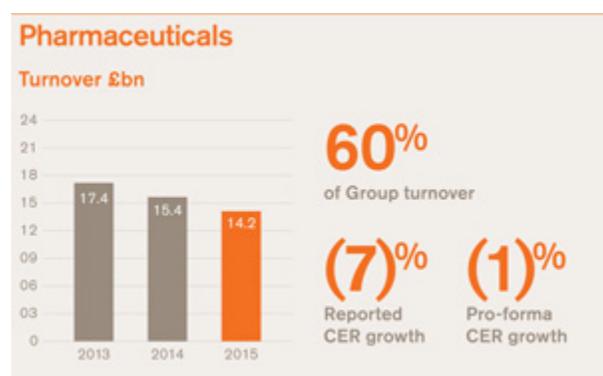
The Corporate and unallocated turnover of £72 million represented sales of several Vaccines and Consumer Healthcare products, which were being held for sale in a

number of markets. We were required to dispose of these products in specific markets in order to meet the requirements of the anti-trust approvals for the Novartis transaction. The disposals were completed in August and September 2015.

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Pharmaceuticals turnover was £14,166 million, down 7% on a reported basis, primarily reflecting the disposal of the Oncology business. Adjusting for the impact of the disposal, pro-forma turnover was down 1%, reflecting a 7% decline in Respiratory sales and a 15% decline in sales of Established Products, largely offset by growth in other New Pharmaceuticals products, particularly HIV products *Tivicay* and *Triumeq*.

Sales of New Pharmaceutical products were £1,713 million, an increase of £1,284 million, which more than offset the decline in *Seretide/Advair* sales of £548 million. Global *Seretide/Advair* sales were £3.7 billion, down approximately 30% from their peak in 2013.

Global Pharmaceuticals turnover

| | 2015 £m | 2014 (restated) £m | Growth CER% | Growth £% |
|--|---------------|--------------------------|----------------|--------------|
| Respiratory | 5,741 | 6,168 | (7) | (7) |
| Cardiovascular, metabolic and urology | 858 | 965 | (9) | (11) |
| Immuno-inflammation | 263 | 214 | 16 | 23 |
| Oncology | 255 | 1,202 | (79) | (79) |
| Other pharmaceuticals | 2,199 | 2,390 | (4) | (8) |
| Established Products | 2,528 | 3,011 | (15) | (16) |
| | 11,844 | 13,950 | (14) | (15) |

Global Pharmaceuticals turnover was £11,844 million, down 14% on a reported basis, primarily reflecting the disposal of the Oncology business. Adjusting for the impact of the disposal, pro-forma turnover was down 7%, reflecting a 7% decline in Respiratory sales and a 15% decline in sales of Established Products. Sales of New Global Pharmaceutical products were £395 million, an increase of £305 million.

In the US, Global Pharmaceuticals reported turnover of £4,233 million, a decline of 20% in the year and 12% on a pro-forma basis. The pro-forma decline primarily reflected a 10% fall in Respiratory sales and a 30% fall in Established Products sales. Within Respiratory, *Advair* sales were down 13% to £1,865 million (4% volume decline and a 9% negative impact of price and mix) and *Flovent* sales down 19% to £379 million. These declines were partly offset by sales of the new Respiratory products, *Breo Ellipta*, *Anoro*

Ellipta, Incruse Ellipta and Arnuity Ellipta, with combined sales of £177 million in the year.

The primary driver of the decline in Established Products was *Lovaza*, which was down 64% to £93 million following the launch of generic competition in April 2014. *Avodart* declined 41% to £166 million reflecting the launch of generic competition in October 2015. *Relenza* sales more than doubled to £69 million, partly reflecting US CDC orders, while *Benlysta* continued its strong growth with sales of £209 million, up 24%.

In Europe, Global Pharmaceuticals turnover declined 16% to £2,849 million and was down 7% on a pro-forma basis after adjusting for the impact of the Oncology disposal. Respiratory sales declined 9% to £1,415 million with an 18% decline in *Seretide* due to increased generic competition and the ongoing transition to the new *Ellipta* products, which reported total sales of £99 million in the year. Established Products sales were down 11% to £493 million, reflecting increased generic competition and some capacity constraints to supply of a number of products.

International Global Pharmaceuticals sales of £4,762 million were down 7% on a reported basis and down 3% on a pro-forma basis. Sales in Emerging Markets of £2,963 million declined 9% (down 5% pro-forma). Emerging Market Respiratory sales declined 1%, with *Seretide* down 5%, impacted by increased generic competition and price pressure, offset by *Flovent* up 5%, *Ventolin*, up 1%, and *Avamys*, up 8%, as well as £13 million of *Relvar Ellipta* and *Anoro Ellipta* sales. Established Products were down 14%, and Dermatology products were down 15%, both partly impacted by supply constraints.

Within Emerging Markets, China was down 18% reported (down 17% pro-forma), with Respiratory flat and Established Products down 21%, primarily reflecting significantly increased pricing pressures and the ongoing reshaping of the business, including a number of product disposals. In Japan, Global Pharmaceutical sales were down 5% on a reported basis (down 1% pro-forma) to £1,213 million with a 5% increase in Respiratory sales, primarily driven by *Relvar Ellipta*, offset by lower sales of *Relenza*, reflecting a weaker and earlier flu season than in 2014, and continued competitive pressures to a number of Established Products.

Respiratory

Respiratory sales in the year declined 7% to £5,741 million. *Seretide/Advair* sales were down 13% to £3,681 million, *Flixotide/Flovent* sales decreased 12% to £623 million and *Ventolin* sales fell 7% to £620 million. The combined total of all *Ellipta* product sales was £353 million.

In the US, Respiratory sales declined 10% to £2,750 million in the year (4% volume growth and a 14% negative impact of price and mix). Sales of *Advair* were £1,865 million, down 13% (4% volume decline and a 9% negative impact of price and mix, including the benefit of positive adjustments to payer rebates provisions in the fourth quarter). *Flovent* sales were down 19% to £379 million and *Ventolin* sales fell 15% to £304 million primarily as a result of net negative movements in payer rebates provisions. The new *Ellipta* products recorded sales of £177 million in the year.

European Respiratory sales were down 9% to £1,415 million, with *Seretide* sales down 18% to £1,014 million (11% volume decline and a 7% negative impact of price and mix), reflecting the expected pressures of increased competition from generics

Cardiovascular, metabolic and urology

Sales in the category declined 9% to £858 million in the year. The *Avodart* franchise fell 15% to £657 million, with 1% growth in sales of *Duodart/Jalyn* more than offset by a 21% decline in sales of *Avodart* reflecting the patent expiry in the US in October 2015. Sales of *Prolia* were up 12% to £43 million. In December 2015, Amgen re-acquired the rights to *Prolia* from GSK.

Immuno-inflammation

Immuno-inflammation sales grew 16% to £263 million. *Benlysta* sales in the year were £230 million, up 25%. In the US, *Benlysta* sales were £209 million, up 24%.

Oncology

Sales of oncology products were £255 million in the year (2014 – £1,202 million) following the disposal of the Oncology business to Novartis on 2 March 2015.

Other pharmaceuticals

Sales in other therapy areas fell 4% to £2,199 million in the year. *Augmentin* sales were down 2% at £528 million and Dermatology sales declined 9% to £412 million, in part adversely affected by supply constraints. *Relenza* sales were up 22% to £109 million driven by US CDC orders.

Sales of products for Rare diseases declined 6% to £371 million, primarily as a result of generic competition to *Mepron* in the US.

Established Products

Established Products turnover fell 15% to £2,528 million in the year. Sales in the US were down 30% to £647 million, primarily reflecting a 64% fall in sales of *Lovaza* to £93 million.

Europe was down 11% to £493 million, reflecting increased generic competition to a number of products and some supply constraints. *Seroxat* sales fell 12% to £35 million.

International was down 8% to £1,388 million, primarily reflecting lower sales of *Seroxat/Paxil*, down 10% to £143 million, due to generic competition in Japan, and of *Zeffix*, down 23% to £125 million. This was partly offset by increased *Valtrex* sales, up 30% to £121 million, following the regaining of exclusivity in Canada from late 2014 until October 2015. Sales in China fell 21% to £249 million, primarily reflecting significantly increased pricing pressures, together with supply constraints on *Zeffix*.

and the transition of the Respiratory portfolio to newer products. *Relvar Ellipta* recorded sales of £80 million in the year, while *Anoro Ellipta* recorded sales of £16 million.

Respiratory sales in the International region were flat at £1,576 million with Emerging Markets down 1% and Japan up 5%. In Emerging Markets, sales of *Seretide* declined 5% to £460 million, while *Ventolin* grew 1% to £182 million. In Japan, sales of *Relvar Ellipta* of £56 million, together with strong *Avamys* and *Xyzal* sales growth, more than offset a 13% decline in *Adoair* sales.

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HIV turnover

| | 2015 £m | 2014 £m | Growth CER% | Growth £% |
|-----------------------|--------------|------------|----------------|--------------|
| <i>Combivir</i> | 34 | 59 | (42) | (42) |
| <i>Epzicom/Kivexa</i> | 698 | 768 | (7) | (9) |
| <i>Lexiva/Telzir</i> | 65 | 87 | (25) | (25) |
| <i>Selzentry</i> | 124 | 136 | (8) | (9) |
| <i>Tivicay</i> | 588 | 282 | >100 | >100 |
| <i>Triumeq</i> | 730 | 57 | >100 | >100 |
| <i>Trizivir</i> | 26 | 36 | (28) | (28) |
| <i>Other</i> | 57 | 73 | (19) | (22) |
| | 2,322 | 1,498 | 54 | 55 |

Worldwide HIV sales increased 54% to £2,322 million, with the US up 77%, Europe up 46% and International up 15%. The growth in all three regions was driven primarily by the strong performances of both *Triumeq* and *Tivicay*, with sales of £730 million and £588 million respectively in the year.

Epzicom/Kivexa sales declined 7% to £698 million and *Selzentry* declined 8% to £124 million. *Combivir* and *Lexiva* sales fell 42% and 25%, respectively.

Vaccines turnover

| | 2015 £m | 2014 £m | Growth CER% | Growth £% |
|---------------------------|--------------|------------|----------------|--------------|
| <i>Bexsero</i> | 115 | — | — | — |
| <i>Infanrix, Pediarix</i> | 733 | 828 | (9) | (11) |
| <i>Boostrix</i> | 358 | 317 | 12 | 13 |
| <i>Fluarix, FluLaval</i> | 268 | 215 | 21 | 25 |
| Hepatitis | 540 | 558 | (4) | (3) |
| <i>Menveo</i> | 160 | — | — | — |
| <i>Rotarix</i> | 417 | 376 | 14 | 11 |
| <i>Synflorix</i> | 381 | 398 | 5 | (4) |
| <i>Other</i> | 685 | 467 | 57 | 46 |
| | 3,657 | 3,159 | 19 | 16 |

Vaccines sales grew 19% to £3,657 million with the US up 24%, Europe up 23% and International up 12%. The business benefited from sales of the newly acquired products, primarily the Meningitis portfolio, in Europe and the US. The 3% pro-forma growth was mainly driven by *Bexsero* sales in Europe and strong *Rotarix*, *Fluarix/FluLaval*, and *Boostrix* sales in the US. The growth was partly offset by a decline in *Infanrix/Pediarix* sales due to the return of a competitor to the market in the US, increased competitor activity in Europe and supply constraints in International. Hepatitis A vaccines sales declined due to supply constraints and International was impacted by higher trade inventory of newly acquired vaccines. *Cervarix* sales declined following the introduction of a new competitor vaccine.

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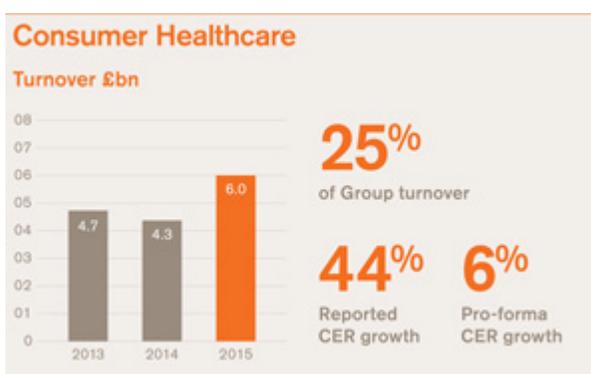
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In the US, sales grew 24% on a reported basis (up 9% pro-forma) to £1,258 million. Pro-forma growth was driven mainly by a strong performance from *Fluarix/FluLaval* as a result of the conversion to the Quadrivalent formulation, *Rotarix* benefiting from CDC stockpile replenishments, *Boostrix* due to market share gains, and the Meningitis portfolio driven primarily by the launch of *Bexsero*. This growth was partly offset by an *Infanrix/Pediarix* sales decline of 17%, primarily as a result of the return to the market of a competitor vaccine during 2014 combined with lower CDC stockpile purchases than in 2014.

In Europe, sales grew 23% on a reported basis (up 9% pro-forma) to £1,097 million. Pro-forma growth primarily reflected increased sales in the Meningitis portfolio with *Bexsero* gaining in several private markets including Italy, Spain, Germany and Portugal as well as in the UK following its inclusion in the NHS immunisation programme. *Menveo* also delivered incremental sales as a result of tender awards in the UK and Italy. Growth was partly offset by sales declines in *Infanrix/Pediarix* due to supply constraints and increased competitor activity, Hepatitis A vaccines due to supply constraints, and *Cervarix* following the introduction of a new competitor vaccine. Germany grew strongly with the MMRV portfolio, *Boostrix* and *Infanrix/Pediarix*, all up due to better supply and competitor supply shortages.

In International, sales grew by 12% on a reported basis but declined 5% on a pro-forma basis to £1,302 million. The pro-forma performance was mainly driven by lower tender volumes in Latin America, particularly for *Synflorix*, partly offset by increased market access and demand for *Synflorix* in Africa and Bangladesh. *Cervarix* sales decreased in Mexico and South Africa due to lower demand. *Infanrix/Pediarix* and Hepatitis A vaccines sales were down, reflecting supply constraints, and the newly acquired vaccines declined due to the phasing of shipments and higher trade inventory levels inherited as part of the acquisition.



Consumer Healthcare turnover

| | 2015 £m | 2014 (restated) £m | Growth CER% | Growth £% |
|-------------|--------------|--------------------------|----------------|--------------|
| Wellness | 2,970 | 1,565 | 95 | 90 |
| Oral health | 1,866 | 1,797 | 8 | 4 |
| Nutrition | 684 | 633 | 7 | 8 |
| Skin health | 508 | 317 | 67 | 60 |
| | 6,028 | 4,312 | 44 | 40 |

| | 2015 £m | 2014 (restated) £m | Growth CER% | Growth £% |
|---------------|--------------|--------------------------|----------------|--------------|
| US | 1,430 | 851 | 56 | 68 |
| Europe | 1,788 | 1,138 | 70 | 57 |
| International | 2,810 | 2,323 | 27 | 21 |
| | 6,028 | 4,312 | 44 | 40 |

The Consumer Healthcare business represents the Consumer Healthcare Joint Venture with Novartis together with the GSK Consumer Healthcare listed businesses in India and Nigeria, which are excluded from the Joint Venture.

Turnover grew 44% to £6,028 million, benefiting significantly from the sales of the newly-acquired products included in the Joint Venture. On a pro-forma basis, growth was 6% (4% volume and 2% price), primarily reflecting strong growth in the US following the launch of OTC *Flonase*, buoyant sales in India driven by *Horlicks* as well as global specialist Oral health growth, partly due to a recovery from supply disruptions in 2014. Sales from new GSK innovations (product introductions within the last three years on a rolling

basis) represented approximately 14% of sales, higher than in prior years primarily due to the *Flonase* switch to OTC earlier in the year. Other key 2015 launches included *Sensodyne Repair and Protect Whitening* in the US and Germany, *Voltaren* 12 hour and the roll-out of *Sensodyne* mouthwash.

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US sales grew 56% on a reported basis to £1,430 million, and 22% on a pro-forma basis. *Flonase* was the region's principal growth driver. Oral health sales continued to be driven by *Sensodyne*, up 13%, with the launch of *Sensodyne Repair and Protect Whitening*, supply recovery and distribution gains for *Sensodyne Pronamel*. *Excedrin* grew 9% following the launch of the gel tablet format combined with momentum in the tension headache variant. *Theraflu* posted strong growth due to its re-launch, the new warming syrups format and price increases. *Nicorette* lozenges, *Nicorette Mini* lozenges and *alli* returned to the market but Tums was impacted by supply constraints and increased competitive pressure during the year.

Sales in Europe grew 70% on a reported basis to £1,788 million and grew 3% pro-forma. The pro-forma performance was driven by Oral health products, which reported growth of 6%, reflecting strong performances from both *Sensodyne* and Gum health products following an improved supply position compared with 2014, new advertising in key markets, and the roll out of new *Sensodyne* variants across the region. In Wellness, pain relief recorded a strong double-digit pro-forma performance, driven by *Voltaren* which also benefited from new marketing campaigns. The brand recorded its highest market shares in many of the major European markets, including Germany, Italy, Poland and France. These strong performances were partly offset by adverse performances in the Nutrition and Skin health categories, due to the re-alignment of resources across the brand portfolio following the integration of the businesses and the termination of a number of third party supply arrangements as part of a supply chain simplification initiative.

International sales of £2,810 million grew 27% on a reported basis and were up 2% pro-forma. Oral health sales grew strongly across the region with double-digit growth on *Sensodyne* and Denture care products. Wellness sales declined 3% on a pro-forma basis, largely a result of the impact of the excess channel inventories in parts of the acquired consumer businesses, most notably China, Russia and Middle East, together with generic competition which impacted *Panadol Osteo* in Australia, and economic and political uncertainties in Venezuela. India led the growth amongst the priority markets, reporting double-digit performances from *Eno*, *Sensodyne* and *Horlicks*, driven by distribution gains and new marketing campaigns and the re-launch of the improved chocolate flavoured *Horlicks*. Sales in Brazil were down to low-single digits as the business transitioned to new product formulations in the sun care business.

Total results

The total results of the Group are set out below. Reconciliations of total results to core results are presented on page 62.

| | 2015 | | 2014 | | Gro |
|---|----------------|---------------|---------|---------------|------|
| | £m | % of turnover | £m | % of turnover | |
| Turnover | 23,923 | 100 | 23,006 | 100 | 6 |
| Cost of sales | (8,853) | (37.0) | (7,323) | (31.8) | 24 |
| Selling, general and administration | (9,232) | (38.6) | (8,246) | (35.8) | 13 |
| Research and development | (3,560) | (14.9) | (3,450) | (15.0) | 2 |
| Royalty income | 329 | 1.4 | 310 | 1.3 | 8 |
| Other operating income | 7,715 | 32.2 | (700) | (3.1) | >100 |
| Operating profit | 10,322 | 43.1 | 3,597 | 15.6 | >100 |
| Net finance costs | (653) | | (659) | | |
| Profit on disposal of interest in associates | 843 | | – | | |
| Share of after tax profits of associates and joint ventures | 14 | | 30 | | |
| Profit before taxation | 10,526 | | 2,968 | | >100 |
| Taxation | (2,154) | | (137) | | > |
| Total profit after taxation for the year | 8,372 | | 2,831 | | >100 |
| Total profit attributable to shareholders | 8,422 | | 2,756 | | > |
| Earnings per share (p) | 174.3 | | 57.3 | | >100 |
| Earnings per ADS (US\$) | 5.33 | | 1.89 | | > |

Cost of sales

Cost of sales as a percentage of turnover was 37.0%, 5.2 percentage points higher than in 2014 and 5.4 percentage points higher on a CER basis. The increase reflected the disposal of our higher margin Oncology business and the acquisition of the lower margin Vaccines and Consumer Healthcare businesses from Novartis. In addition, there were adverse price movements, particularly in US Pharmaceuticals, and increased investments in Vaccines to improve the reliability and capacity of the supply chain, together with increased intangible asset amortisation and impairment charges and higher integration and restructuring

costs. This was partly offset by an improved product mix, particularly as a result of the growth in HIV sales, and the benefits of the Group's ongoing cost reduction programmes.

Selling, general and administration

SG&A costs as a percentage of sales were 38.6%, 2.8 percentage points higher than in 2014 and 2.3 percentage points higher on a CER basis. This increase primarily reflected the impacts of the Novartis transaction in 2015 and the £219 million credit in SG&A in 2014 from a release of reserves following simplification of our entity structure, together with higher integration and restructuring costs and increased promotional product support, particularly for new launches in Respiratory, Consumer Healthcare, Vaccines and HIV. This was partly offset by the benefits of the Pharmaceuticals cost reduction programme, synergies in Vaccines and Consumer Healthcare and lower legal charges.

Research and development

R&D expenditure increased 2% CER to £3,560 million (14.9% of turnover) compared with £3,450 million (15.0% of turnover) in 2014. The benefits of the cost reduction programmes in Pharmaceuticals, Vaccines and Consumer Healthcare R&D were more than offset by higher integration and restructuring costs.

Other operating income

Net other operating income of £7,715 million (2014 – £700 million expense) included the profits on the disposals of the Oncology business of £9,228 million and ofatumumab of £200 million. This was partly offset by a further increase in the liability for the contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture of £1,874 million (2014 – £768 million) following the improved sales performance of *Tivicay* and *Triumeq*. The liability of £3,409 million at 31 December 2015 represents the present value of expected future payments to Shionogi. Further details of the consideration due to Shionogi in relation to ViiV Healthcare are set out on page 70.

Operating profit

Total operating profit was £10,322 million compared with £3,597 million in 2014. The increase primarily reflected the profits on disposal of the Oncology business to Novartis and several equity investment and other asset disposals. This was partly offset by increased integration and restructuring costs, the adverse impact on margins of the disposal of the higher margin Oncology business and acquisition of the lower margin Vaccines and Consumer Healthcare businesses from Novartis and the increase in the contingent consideration liability payable on the acquisition of the former Shionogi-ViiV Healthcare joint venture.

Intangible asset amortisation decreased to £563 million from £575 million in 2014. Intangible asset impairments of £206 million (2014: £150 million) included impairments of several R&D and commercial assets. Both of these charges were non-cash items.

Major restructuring charges accrued in the year were £1,891 million (2014 – £750 million) and reflected the acceleration of a number of integration projects following completion of the Novartis transaction, as well as further charges as part of the Pharmaceuticals restructuring programme. Cash payments made in the year were £1,131 million (2014 – £566 million). The programme has delivered approximately £1 billion of incremental benefits in 2015 compared with 2014.

Charges to date for the combined restructuring and integration programme are £2.7 billion. The total cash charges of the combined programme are expected to be approximately £3.65 billion and the non-cash charges up to £1.35 billion. By the end of 2015, the programme had delivered approximately £1.6 billion of annual savings and remained on track to deliver £3 billion of annual savings in total. The programme is expected to be largely complete by the end of 2017.

Legal charges of £221 million (2014 – £548 million) included the settlement of a number of existing matters and litigation costs. The charge in 2014 included the £301 million fine payable to the Chinese government. Cash payments were £420 million (2014 – £702 million).

Acquisition-related adjustments resulted in a net charge of £2,238 million (2014 – £843 million). This included remeasurements of the liability and the unwinding of the discounting effects on the contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint

Net finance costs

| | 2015 £m | 2014 £m |
|---|--------------|--------------|
| Finance income | | |
| Interest and other finance income | 99 | 66 |
| Fair value movements | 5 | 2 |
| | 104 | 68 |
| Finance expense | | |
| Interest expense | (719) | (688) |
| Unwinding of discounts on liabilities | (16) | (15) |
| Remeasurements and fair value movements | (8) | (10) |
| Other finance expense | (14) | (14) |
| | (757) | (727) |

Profit on disposal of interest in associates

The profit on disposal of associates was £843 million (2014 – £nil). This arose from the disposal of half of our investment in Aspen Pharmacare and the remeasurement of the remaining holding to market value on its reclassification to other investments.

Share of after tax profits of associates and joint ventures

The share of profits of associates and joint ventures was £14 million (2014 – £30 million profit), including a £16 million gain, being our share of the profit on a disposal of an investment recognised by one of the associates. In 2014, the share of profits of associates principally arose on our holding in Aspen Pharmacare.

Profit before taxation

Taking account of net finance costs, the profit on disposal of interest in associates and the share of profits of associates, profit before taxation was £10,526 million compared with £2,968 million in 2014.

Taxation

| | 2015 £m | 2014 £m |
|------------------------------------|--------------|------------|
| UK current year charge | 156 | 221 |
| Rest of world current year charge | 2,924 | 1,092 |
| Charge in respect of prior periods | (508) | (571) |
| Total current taxation | 2,572 | 742 |
| Total deferred taxation | (418) | (605) |
| Taxation on total profits | 2,154 | 137 |

The charge for taxation on total profits amounted to £2,154 million and represented a total effective tax rate of 20.5% (2014 – 4.6%). In 2015 GSK made payments of £111 million in UK Corporation tax. In January 2016 GSK made further payments of £100 million in relation to UK Corporation tax. These amounts are for Corporation tax only and do not include various other business taxes borne by GSK each year. See 'Taxation' on page 158 for further details.

Earnings per share

Total EPS was 174.3p, compared with 57.3p in 2014, the increase primarily reflecting the profits on disposal of the Oncology business and the Aspen Pharmacare shares, partly offset by the increase in the liability for the contingent consideration due on the acquisition of the former Shionogi-ViiV Healthcare joint venture and accelerated charges for

venture of £1,874 million (2014 – £768 million); the contingent consideration related to the acquisition of the former Novartis Vaccines business of £91 million, net of hedging gains (2014 – £nil); and the Consumer Healthcare Joint Venture put option of £83 million (2014 – £nil). Further details of the consideration due to Shionogi in relation to ViiV Healthcare are set out on page 70.

Disposals and other items resulted in a net credit of £9,712 million (2014 – £131 million charge). This included the profit on disposal of the Oncology business to Novartis of £9,228 million and the profit on disposal of ofatumumab, together with equity investment and other asset disposals, equity investment impairments reflecting current market valuations, one-off required regulatory charges in R&D and certain other adjusting items.

major restructuring expenditure.

Dividends

The Board declared four interim dividends resulting in a total dividend for the year of 80 pence, in line with the dividend for 2014. In addition, the Board has declared a special dividend of 20 pence to be paid out of the proceeds of the disposals of the Oncology business and other assets. See Note 16 to the Financial statements, 'Dividends'.

Core results

We use core results, among other metrics including Total results and cash flow generation, to manage the performance of the Group. The definition of core results is set out on page 54.

Cost of sales

| | 2015 | | 2014 | | Growth | |
|---------------|---------|---------------|---------|---------------|--------|----|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Cost of sales | (7,520) | (31.4) | (6,535) | (28.4) | 18 | 15 |

Cost of sales as a percentage of turnover was 31.4%, 3.0 percentage points higher than in 2014. On a pro-forma basis, the cost of sales percentage increased 0.8 percentage points and 1.0 percentage points on a CER basis. This reflected adverse price movements, particularly in US Pharmaceuticals, and increased investments in Vaccines to improve the reliability and capacity of the supply chain. This was partly offset by an improved product mix, particularly as a result of the growth in HIV sales, and the benefits of our ongoing cost reduction programmes.

Selling, general and administration

| | 2015 | | 2014 | | Growth | |
|-------------------------------------|---------|---------------|---------|---------------|--------|----|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Selling, general and administration | (7,907) | (33.1) | (7,074) | (30.7) | 12 | 12 |

SG&A costs as a percentage of sales were 33.1%, 2.4 percentage points higher than in 2014 and 2.0 percentage points higher on a CER basis. On a pro-forma basis, SG&A costs as a percentage of sales increased 1.2 percentage points, and 0.8 percentage points on a CER basis. This increase primarily reflected the impact of the £219 million credit in SG&A in 2014 from a release of reserves following simplification of our entity structure. Excluding this, SG&A costs as a percentage of sales decreased 0.1 percentage points on a CER basis, driven by declines in Global Pharmaceuticals, including the benefits of the Pharmaceuticals cost reduction programme, and synergies in Vaccines and Consumer Healthcare, largely offset by promotional product support, particularly for new launches in Respiratory, Consumer Healthcare, Vaccines and HIV.

Research and development

| | 2015 | | 2014 | | Growth | |
|--------------------------|---------|---------------|---------|---------------|--------|-----|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Research and development | (3,096) | (12.9) | (3,113) | (13.5) | (2) | (1) |

R&D expenditure declined 2% CER to £3,096 million (12.9% of turnover) compared with £3,113 million (13.5% of turnover) in 2014. On a pro-forma basis, R&D expenditure declined 5% reflecting the benefit of cost reduction

The operations of Pharmaceuticals R&D are broadly split into Discovery activities (up to the completion of phase IIa trials) and Development work (from phase IIb onwards) each supported by specific and common infrastructure and other shared services where appropriate. Phase IV costs and other administrative expenses are reported in SG&A and are not included in the table below.

The table below analyses core R&D expenditure by these categories:

| | 2015 | 2014 |
|--|-------|-------|
| | £m | £m |
| Discovery | 744 | 739 |
| Development | 1,136 | 1,317 |
| Facilities and central support functions | 433 | 455 |
| Pharmaceuticals R&D | 2,313 | 2,511 |
| Vaccines R&D | 525 | 443 |
| Consumer Healthcare R&D | 258 | 159 |
| Research and development | 3,096 | 3,113 |

The proportion of Pharmaceuticals R&D investment made in the late-stage portfolio decreased from 52% of Pharmaceuticals R&D costs in 2014 to 49% in 2015, reflecting the completion of a number of late-stage programmes.

Royalty income

Royalty income was £329 million (2014 – £310 million).

Core operating profit by business

| | 2015 | | 2014 | | Growth | |
|-------------------------------------|---------|------|---------|------|--------|------|
| | £m | % | £m | % | CER% | £% |
| Global | | | | | | |
| Pharmaceuticals | 4,733 | 40.0 | 6,388 | 45.8 | (24) | (26) |
| HIV | 1,686 | 72.6 | 977 | 65.2 | 72 | 73 |
| Pharmaceuticals R&D | (2,168) | | (2,326) | | (10) | (7) |
| Pharmaceuticals | 4,251 | 30.0 | 5,039 | 32.6 | (12) | (16) |
| Vaccines | 966 | 26.4 | 997 | 31.6 | (9) | (3) |
| Consumer Healthcare | 680 | 11.3 | 491 | 11.4 | 66 | 38 |
| | 5,897 | 24.7 | 6,527 | 28.5 | (6) | (10) |
| Corporate & other unallocated costs | (168) | | 67 | | >(100) | >100 |
| Core operating profit | 5,729 | 23.9 | 6,594 | 28.7 | (9) | (13) |

Core operating profit was £5,729 million, 9% lower than in 2014 in CER terms on a turnover increase of 6%. The core operating margin of 23.9% was 4.8 percentage points lower than in 2014. Excluding the adverse impact of currency movements, particularly from the Euro and Emerging Markets currencies, the core operating margin was 4.1 percentage points lower on a CER basis. This decline included a 3.0 percentage point impact of the Novartis transaction, reflecting the disposal of the higher margin Oncology business and the acquisition of the lower margin and different cost structures of the Vaccines and Consumer Healthcare businesses from Novartis.

programmes in Pharmaceuticals, Vaccines and Consumer Healthcare R&D.

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On a pro-forma basis, core operating profit was 2.7% lower in CER terms compared with 2014 on a turnover increase of 1%, which primarily reflected a decline in the pro-forma core operating margin of 1.1 percentage points. However, this decline also included a 0.9 percentage point impact from the adverse comparison with 2014 which included a £219 million credit in SG&A from a release of reserves following simplification of the Group's entity structure and its trading arrangements. Excluding this effect, the core operating margin declined 0.2 percentage points reflecting the balance between the continued impact of the decline in sales of *Seretide/Advair*, including contracting and other price reductions, lower sales of Established Products, as well as the investments required behind multiple new launches in Pharmaceuticals, Vaccines and Consumer Healthcare, as we transition our product portfolio, offset by the savings released by our restructuring and integration programmes and the benefits of an improved product mix, particularly from the growth in HIV sales.

Pharmaceuticals

Pharmaceuticals operating profit was £4,251 million, 12% lower than in 2014 in CER terms on a turnover decrease of 7%. The core operating margin of 30.0% was 2.6 percentage points lower than in 2014 and 1.8 percentage points lower on a CER basis. On a pro-forma basis, the core operating margin decreased 1.2 percentage points on a CER basis, which reflected adverse price movements in Global Pharmaceuticals, particularly in the US for Respiratory products, the increased promotional and manufacturing investments behind new product launches in Respiratory and HIV as well as targeted investments in manufacturing capacity and stability elsewhere in the portfolio, partly offset by a more favourable product mix, primarily driven by the growth in HIV sales, and the benefits of the Group's cost reduction programmes. The core operating margin for Global Pharmaceuticals was 40.0% (2014 – 45.8%) and for HIV was 72.6% (2014 – 65.2%).

Vaccines

Vaccines operating profit was £966 million, 9% lower than in 2014 in CER terms on a turnover increase of 19%. The core operating margin of 26.4% was 5.2 percentage points lower than 2014 and 7.6 percentage points lower on a CER basis, primarily driven by the inclusion of the cost base of the former Novartis Vaccines business. Pro-forma core operating profit grew by 7% on a turnover increase of 3% on a CER basis. The pro-forma operating margin improved 0.8 percentage points to 26.4% reflecting an increase in cost of sales as a percentage of turnover due to additional supply chain investments and the benefit to cost of sales in 2014 of a number of inventory adjustments, more than offset by reductions in SG&A and R&D from restructuring and integration benefits.

Consumer Healthcare

Consumer Healthcare operating profit was £680 million, 66% higher than in 2014 in CER terms on a turnover increase of 44%. The core operating margin of 11.3% was 0.1 percentage points lower than in 2014, but improved 1.7 percentage points on a CER basis. On a pro-forma basis the

Net finance costs

| | 2015 | 2014 |
|---|--------------|--------------|
| | £m | £m |
| Finance income | | |
| Interest and other income | 99 | 66 |
| Fair value movements | 5 | 2 |
| | 104 | 68 |
| Finance expense | | |
| Interest expense | (719) | (688) |
| Unwinding of discounts on liabilities | 1 | (2) |
| Remeasurements and fair value movements | (8) | (10) |
| Other finance expense | (14) | (14) |
| | (740) | (714) |

Net finance expense was £636 million compared with £646 million in 2014.

Share of after tax losses of associates and joint ventures

The share of losses of associates and joint ventures was £2 million (2014 – £30 million profit). In March 2015, we reduced our shareholding in our significant associate, Aspen Pharmacare Holdings Limited, from 12.4% to 6.2% of the issued share capital. As a result, we no longer account for Aspen as an associate.

Core profit before taxation

| | 2015 | | 2014 | | Growth | |
|------------------------|-------|---------------|-------|---------------|--------|------|
| | £m | % of turnover | £m | % of turnover | CER% | £% |
| Core profit before tax | 5,091 | 21.3 | 5,978 | 26.0 | (10) | (15) |

Taxation

Tax on core profit amounted to £993 million and represented an effective core tax rate of 19.5% (2014 – 19.6%), reflecting the resolution of a number of items that benefited the year.

Non-controlling interests

The allocation of earnings to non-controlling interests amounted to £440 million (2014 – £222 million), including the non-controlling interest allocations of Consumer Healthcare segment profits of £205 million (2014 – £60 million) and the allocation of ViiV Healthcare profits, which increased to £224 million (2014 – £132 million). Further details of our economic interest in the profits of ViiV Healthcare are set out on page 70.

Core earnings per share

Core EPS of 75.7p declined 15% in CER terms compared with a 9% decline in operating profit, primarily reflecting the greater contributions to growth from businesses in which there are significant non-controlling interests.

operating margin increased 1.8 percentage points on a CER basis. This was driven by a reduction in cost of sales as a percentage of turnover, reflecting benefits from improved supply and pricing, as well as the delivery of integration synergies which together more than offset additional investment behind the growth of target power brands, particularly in Oral health and Wellness.

Cash generation and conversion

A summary of the consolidated cash flow is set out below.

| | 2015 £m | 2014 £m |
|---|------------|------------|
| Net cash inflow from operating activities | 2,569 | 5,176 |
| Net cash inflow/(outflow) from investing activities | 6,037 | (1,078) |
| Net cash outflow from financing activities | (7,103) | (5,385) |
| Increase/(decrease) in cash and bank overdrafts | 1,503 | (1,287) |
| Cash and bank overdrafts at beginning of year | 4,028 | 5,231 |
| Increase/(decrease) in cash and bank overdrafts | 1,503 | (1,287) |
| Exchange adjustments | (45) | 84 |
| Cash and bank overdrafts at end of year | 5,486 | 4,028 |
| Cash and bank overdrafts at end of year comprise: | | |
| Cash and cash equivalents | 5,830 | 4,338 |
| Overdrafts | (344) | (310) |
| | 5,486 | 4,028 |
| Adjusted net cash inflow from operating activities | 2,989 | 5,878 |

The net cash inflow from operating activities for the year was £2,569 million (2014 – £5,176 million). Excluding legal settlements of £420 million (2014 – £702 million), adjusted net cash inflow from operating activities was £2,989 million (2014 – £5,878 million). This was after payments of non-core restructuring and integration costs of £1,131 million (2014 – £566 million) and the initial tax payments arising on the sale of the Oncology business amounting to £1,071 million, all of which have been funded from divestment proceeds. Excluding these items, the adjusted net cash inflow from operating activities would have been £5,191 million (2014 – £6,444 million), a reduction of £1,253 million (19%).

The decrease primarily resulted from the initial impact of the Novartis transaction, reflecting the disposal of GSK's higher margin Oncology business and the impact of acquiring the lower margin Vaccines and Consumer Healthcare businesses as well as lower operating profits, primarily in Global Pharmaceuticals, and the impact of negative currency movements in the year. In addition, the cash payments to Shionogi in relation to the ViiV Healthcare contingent consideration liability recognised in operating cash flows increased by £117 million in 2015. The total cash payments to Shionogi in relation to the ViiV Healthcare contingent consideration liability in 2015 were £159 million, of which £121 million was recognised in cash flows from operating activities and £38 million was recognised in purchases of businesses within investing cash flows.

Free cash flow

Free cash flow is the amount of cash generated by the business after meeting our obligations for interest, tax and dividends paid to non-controlling interests, and after capital

A reconciliation of net cash inflow from operating activities, which is the closest equivalent IFRS measure, to free cash flow is shown below.

Reconciliation of free and adjusted cash flow

| | 2015 £m | 2014 £m |
|---|------------|------------|
| Net cash inflow from operating activities | 2,569 | 5,176 |
| Purchase of property, plant and equipment | (1,380) | (1,188) |
| Purchase of intangible assets | (521) | (563) |
| Proceeds from sale of property, plant and equipment | 72 | 39 |
| Interest paid | (762) | (707) |
| Interest received | 99 | 63 |
| Dividends from associates and joint ventures | 5 | 5 |
| Distributions to non-controlling interests | (237) | (205) |
| Free cash flow | (155) | 2,620 |
| Legal payments | 420 | 702 |
| Adjusted free cash flow | 265 | 3,322 |

Investment appraisal

We have a formal process for assessing potential investment proposals in order to ensure decisions are aligned with our overall strategy. This process includes an assessment of the cash flow return on investment (CFROI), as well as its net present value (NPV) and internal rate of return (IRR) where the timeline for the project is very long term. We also consider the impact on earnings and credit profile where relevant.

The discount rate used to perform financial analyses is decided internally, to allow determination of the extent to which investments cover our cost of capital. For specific investments the discount rate may be adjusted to take into account country or other risk weightings.

Capital expenditure and financial investment

Cash payments for tangible and intangible fixed assets amounted to £1,901 million (2014 - £1,751 million) and disposals realised £10,554 million (2014 – £594 million). Cash payments to acquire equity investments of £82 million (2014 – £83 million) were made in the year and sales of equity investments realised £357 million (2014 – £205 million).

Future cash flow

Over the long term, we expect that future cash generated from operations will be sufficient to fund our operating and debt servicing costs, normal levels of capital expenditure, obligations under existing licensing agreements, expenditure arising from restructuring programmes and other routine outflows including tax, pension contributions and dividends, subject to the 'Risk factors' discussed on pages 231 to 240. We may from time to time have additional demands for finance, such as for acquisitions and share repurchases. We have access to other sources of liquidity from short and long-term capital markets and financial institutions, in addition to the cash flow from operations, for such needs.

Working capital

expenditure on property, plant and equipment and intangible assets.

| | 2015 £m | 2014 £m |
|----------------------------|------------|------------|
| Free cash (outflow)/inflow | (155) | 2,620 |
| Adjusted free cash flow | 265 | 3,322 |

Free cash outflow was £155 million for the year. Excluding legal payments of £420 million (2014 – £702 million), adjusted free cash flow was £265 million (2014 – £3,322 million). This was after non-core restructuring and integration costs, and the initial tax payments on the sale of the Oncology business. Excluding these items, the adjusted free cash inflow would have been £2,467 million (2014 – £3,888 million). The decrease reflected the same factors as for the net cash inflow from operating activities described above.

| | 2015 | 2014 |
|--|------|------|
| Working capital percentage of turnover (%) | 23% | 22% |
| Working capital conversion cycle (days) | 191 | 209 |

Our working capital programme has continued to make progress with further improvements in the collection of receivables and better inventory management.

The reported working capital conversion cycle days were distorted by a temporary favourable impact of 15 days arising from the Novartis transaction. Excluding this impact, the conversion cycle for 2015 was around 206 days. The reduction of 3 days compared with 2014 was predominantly due to an increase in the denominator from increased restructuring costs in 2015 offset by a beneficial impact from exchange, reduced receivables from improved collections and reduced inventory levels.

Group financial review

continued

Financial position and resources

| | 2015 £m | 2014 £m |
|--|-----------------|-----------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 9,668 | 9,052 |
| Goodwill | 5,162 | 3,724 |
| Other intangible assets | 16,672 | 8,320 |
| Investments in associates and joint ventures | 207 | 340 |
| Other investments | 1,255 | 1,114 |
| Deferred tax assets | 2,905 | 2,688 |
| Other non-current assets | 990 | 735 |
| Total non-current assets | 36,859 | 25,973 |
| Current assets | | |
| Inventories | 4,716 | 4,231 |
| Current tax recoverable | 180 | 138 |
| Trade and other receivables | 5,615 | 4,600 |
| Derivative financial instruments | 125 | 146 |
| Liquid investments | 75 | 69 |
| Cash and cash equivalents | 5,830 | 4,338 |
| Assets held for sale | 46 | 1,156 |
| Total current assets | 16,587 | 14,678 |
| Total assets | 53,446 | 40,651 |
| Liabilities | | |
| Current liabilities | | |
| Short-term borrowings | (1,308) | (2,943) |
| Trade and other payables | (9,191) | (7,958) |
| Derivative financial instruments | (153) | (404) |
| Current tax payable | (1,421) | (945) |
| Short-term provisions | (1,344) | (1,045) |
| Total current liabilities | (13,417) | (13,295) |
| Non-current liabilities | | |
| Long-term borrowings | (15,324) | (15,841) |
| Deferred tax liabilities | (1,522) | (445) |
| Pensions and other post-employment benefits | (3,229) | (3,179) |
| Other provisions | (420) | (545) |
| Derivative financial instruments | – | (9) |
| Other non-current liabilities | (10,656) | (2,401) |
| Total non-current liabilities | (31,151) | (22,420) |
| Total liabilities | (44,568) | (35,715) |
| Net assets | 8,878 | 4,936 |
| Equity | | |
| Share capital | 1,340 | 1,339 |
| Share premium account | 2,831 | 2,759 |
| Retained earnings | (1,397) | (2,074) |
| Other reserves | 2,340 | 2,239 |
| Shareholders' equity | 5,114 | 4,263 |
| Non-controlling interests | 3,764 | 673 |
| Total equity | 8,878 | 4,936 |

Property, plant and equipment

Our business is science-based, technology-intensive and highly regulated by governmental authorities. We allocate significant financial resources to the renewal and maintenance of our property, plant and equipment to minimise risks of interruption of production and to achieve compliance with regulatory standards. A number of our processes use chemicals and hazardous materials.

The total cost of our property, plant and equipment at 31 December 2015 was £20,750 million, with a net book value of £9,668 million. Of this, land and buildings represented £4,117 million, plant and equipment £2,987 million and assets in construction £2,564 million. In 2015, we invested £2,134 million in new property, plant and equipment. This was mainly related to a large number of projects for the renewal, improvement and expansion of facilities at various worldwide sites. Property is mainly held freehold. New investment is financed from our liquid resources. At 31 December 2015, we had contractual commitments for future capital expenditure of £659 million and operating lease commitments of £789 million. We believe that our facilities are adequate for our current needs.

We observe stringent procedures and use specialist skills to manage environmental risks from our activities. Environmental issues, sometimes dating from operations now modified or discontinued, are reported under 'Our planet' on page 48 and in Note 45 to the financial statements, 'Legal proceedings'.

Goodwill

Goodwill increased during the year to £5,162 million at 31 December 2015, from £3,724 million. The increase reflected the goodwill arising from the acquired Novartis Vaccines business and the creation of the Consumer Healthcare Joint Venture.

Other intangible assets

Other intangible assets include the cost of intangibles acquired from third parties and computer software. The net book value of other intangible assets as at 31 December 2015 was £16,672 million (2014 – £8,320 million). The increase in 2015 reflected the impact of acquiring the Vaccines business (£2,680 million), and the creation of the Consumer Healthcare Joint Venture (£6,003 million), capitalised development costs of £217 million, partly offset by the amortisation and impairment of existing intangibles of £738 million and £217 million, respectively.

Investments in associates and joint ventures

We held investments in associates and joint ventures, with a carrying value at 31 December 2015 of £207 million (2014 – £340 million). The market value at 31 December 2015 was £267 million (2014 – £1,388 million). The largest of these investments was in Theravance Inc. (now Innoviva Inc.) which had a book value at 31 December 2015 of £112 million. The market value at 31 December 2015 was £229 million. Until 1 September 2015, Theravance Inc. was accounted for as an equity investment as it was considered that the Group could not exert significant influence over the company until that point. See Note 20 to the Financial

statements 'Investments in associates and joint ventures'.

Other investments

We held other investments with a carrying value at 31 December 2015 of £1,255 million (2014 – £1,114 million). The most significant of these investments was in Aspen Pharmacare Holdings Limited which had a book value at 31 December 2015 of £383 million. Previously, the investment in Aspen was treated as an associate but in March 2015 we sold half of our holding in Aspen and as a result were no longer able to exert significant influence over the company; the investment has been reported within Other investments since that date. The other investments include equity stakes in companies with which we have research collaborations, which provide access to biotechnology developments of potential interest and interests in companies that arise from business divestments.

Derivative financial instruments: assets

We had current derivative financial instruments held at fair value of £125 million (2014 – £146 million). The majority of this amount related to foreign exchange contracts both designated and not designated as accounting hedges.

Inventories

Inventory of £4,716 million increased from £4,231 million in 2014. The increase primarily reflected the impact of the Novartis acquisition, partly offset by exchange movements.

Trade and other receivables

Trade and other receivables of £5,615 million increased from 2014 impacted by the Novartis acquisition, partly offset by exchange movements.

Derivative financial instruments: liabilities

We held current derivative financial instruments at fair value of £153 million (2014 – £404 million, current: £9 million, non-current). This primarily related to foreign exchange contracts both designated and non-designated (inter-company loans and trade receivables) as accounting hedges.

Trade and other payables

Trade and other payables amounting to £9,191 million increased from £7,958 million in 2014, reflecting the effect of the Novartis acquisition and an increase in accruals for customer returns and rebates.

Provisions

We carried deferred tax provisions and other short-term and non-current provisions of £3,286 million at 31 December 2015 (2014 – £2,035 million) of which £352 million (2014 – £520 million) related to legal and other disputes and £816 million (2014 – £527 million) related to the Operational Excellence provision. Provision has been made for legal and other disputes, indemnified disposal liabilities, employee related liabilities and the costs of restructuring programmes to the extent that at the balance sheet date a legal or constructive obligation existed and could be reliably estimated.

Pensions and other post-employment benefits

We account for pension and other post-employment arrangements in accordance with IAS 19. The deficits, net of surpluses before allowing for deferred taxation were £1,584 million (2014 – £1,689 million) on pension arrangements and £1,387 million (2014 – £1,397 million) on unfunded post-employment liabilities. The decreases in the deficits were predominantly driven by higher discount rates that we used to discount the value of the liabilities, partly offset by an increase in the UK inflation rate together with net obligations acquired as a result of the Novartis transaction.

In December 2010, the UK scheme purchased an insurance contract that will guarantee payment of specified pensioner liabilities. This contract was valued at £755 million at 31 December 2015.

Other non-current liabilities

Other non-current liabilities of £10,656 million at 31 December 2015 (2014 – £2,401 million) included £3,549 million (2014 – £1,619 million) of contingent consideration payable, of which £3,110 million (2014 – £1,579 million) was in respect of the acquisition in 2012 of the former Shionogi-ViiV Healthcare joint venture, and £398 million was payable to Novartis in relation to the Vaccines acquisition during 2015. In addition, £6,287 million related to the present value of the estimated amount payable by us in the event of full exercise of Novartis' right to require us to acquire its 36.5% shareholding in the Consumer Healthcare Joint Venture.

Net debt

| | 2015 £m | 2014 £m |
|---|------------|------------|
| Cash, cash equivalents and liquid investments | 5,905 | 4,407 |
| Borrowings – repayable within one year | (1,308) | (2,943) |
| Borrowings – repayable after one year | (15,324) | (15,841) |
| Net debt | (10,727) | (14,377) |

At 31 December 2015, net debt was £10.7 billion, compared with £14.4 billion at 31 December 2014, comprising gross debt of £16.6 billion and cash and liquid investments of £5.9 billion. The decrease in net debt primarily reflected the impact of the Novartis transaction in which we sold our Oncology business for net cash proceeds of £10.0 billion and paid £3.4 billion, net of cash acquired, to purchase the Novartis Vaccines business.

The first tax payments on the Novartis transaction amounting to £1,071 million have been made. In addition, we sold part of our shareholding in Aspen for cash proceeds of £564 million and paid dividends to shareholders of £3,874 million. Net debt also reflected an exchange loss on the translation of cash held by the Group's Venezuelan subsidiaries.

Because of the continuing political and economic uncertainties in Venezuela, at 31 December 2015, we changed the exchange rate used to translate our subsidiaries in Venezuela. Up to that point, we applied one of the official rates available of VEF 6.3/US\$1. At 31 December 2015, this was changed to VEF 199.6/US\$1 (VEF 293.4/£1). This change had no significant impact on the Group income statement, but gave rise to an exchange loss on translation of the cash held by the Venezuelan subsidiaries of £94 million.

At 31 December 2015, our cash and liquid investments were held as follows:

| | 2015 £m | 2014 £m |
|------------------------------------|------------|------------|
| Bank balances and deposits | 3,767 | 3,529 |
| US Treasury and Treasury repo only | | |
| money market funds | 624 | 811 |
| Liquidity funds | 1,439 | – |
| Government securities | 75 | 67 |
| | 5,905 | 4,407 |

Cash and liquid investments of £4.2 billion were held centrally at 31 December 2015.

Strategic report

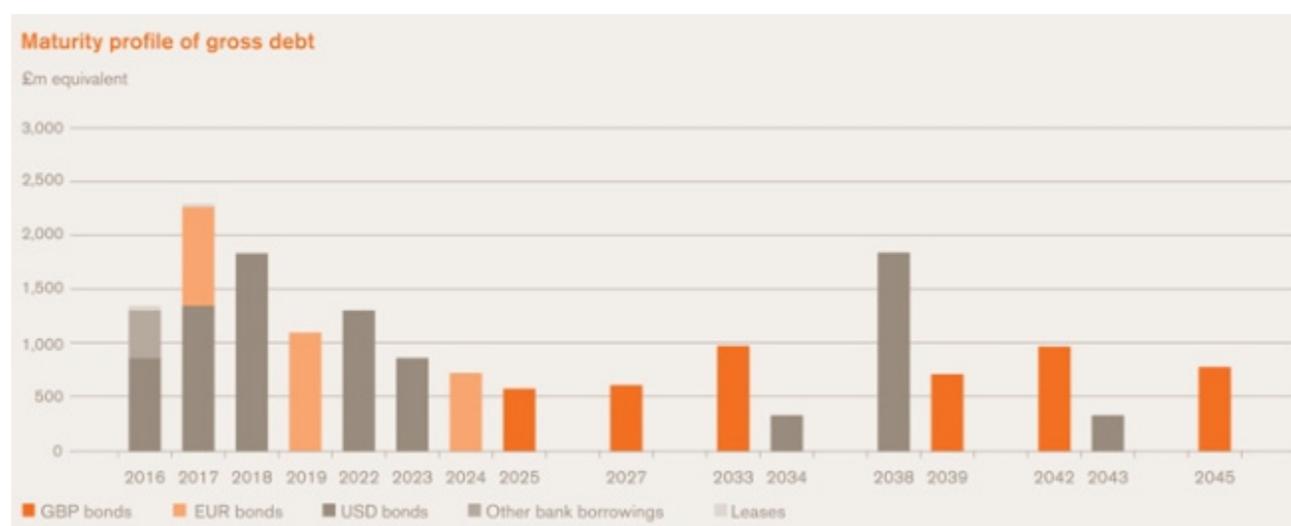
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The analysis of cash and gross debt after the effects of hedging is as follows.

| | 2015 £m | 2014 £m |
|-----------------------------|------------|------------|
| Cash and liquid investments | 5,905 | 4,407 |
| Gross debt – fixed | (16,129) | (17,674) |
| – floating | (502) | (1,109) |
| – non-interest bearing | (1) | (1) |
| Net debt | (10,727) | (14,377) |

Movements in net debt

| | 2015 £m | 2014 £m |
|---|------------|------------|
| Net debt at beginning of year | (14,377) | (12,645) |
| Increase/(decrease) in cash and bank overdrafts | 1,503 | (1,287) |
| Increase/(decrease) in liquid investments | 2 | (1) |
| Net increase in long-term loans | – | (1,960) |
| Net repayment of short-term loans | 2,412 | 1,709 |
| Exchange movements | (268) | (193) |
| Other movements | 1 | – |
| Net debt at end of year | (10,727) | (14,377) |

Total equity

At 31 December 2015, total equity had increased from £4,936 million at 31 December 2014 to £8,878 million. The increase arose from the impact of both operating profits and business and asset disposal profits, partly offset by the remeasurement of the ViiV Healthcare contingent consideration and the dividends paid in the year.

A summary of the movements in equity is set out below.

| | 2015 £m | 2014 £m |
|--|------------|------------|
| Total equity at beginning of year | 4,936 | 7,812 |
| Total comprehensive income for the year | 7,885 | 1,081 |
| Dividends to shareholders | (3,874) | (3,843) |
| Ordinary shares issued | 73 | 167 |
| Gain on transfer of net assets into Consumer Healthcare JV | 2,891 | – |
| Consumer Healthcare JV put option | (6,204) | – |
| Loss on transfer of equity investment to investment in associate | (229) | – |
| Changes in non-controlling interests | 3,370 | (86) |
| Forward contract relating to non-controlling interest | – | 21 |
| Shares purchased and cancelled or held as Treasury shares | – | (238) |
| Shares acquired by ESOP Trusts | (99) | (95) |
| Share-based incentive plans | 356 | 326 |
| Tax on share-based incentive plans | 10 | (4) |
| Distributions to non-controlling interests | (237) | (205) |
| Total equity at end of year | 8,878 | 4,936 |

The gain on transfer of net assets into the Consumer Healthcare Joint Venture of £2,891 million reflects the difference between the book value of the GSK Consumer Healthcare net assets contributed to the Joint Venture and the fair value applied as the consideration for the Novartis contributed assets.

The Consumer Healthcare Joint Venture put option of

£6,204 million reflects the recognition of the initial value of the liability on the Group balance sheet. The changes in non-controlling interest primarily reflect the recognition of the Novartis share of the Consumer Healthcare Joint Venture.

Share purchases

In 2015, the Employee Share Ownership Plan (ESOP) Trusts acquired £99 million of shares in GlaxoSmithKline plc (2014 – £245 million). Shares are held by the Trusts to satisfy future exercises of options and awards under the Group share option and award schemes. A proportion of the shares held by the Trusts are in respect of awards where the rules of the scheme require us to satisfy exercises through market purchases rather than the issue of new shares. The shares held by the Trusts are matched to options and awards granted.

At 31 December 2015, the ESOP Trusts held 30 million (2014 – 53 million) GSK shares against the future exercise of share options and share awards. The carrying value of £75 million (2014 – £151 million) has been deducted from other reserves. The market value of these shares was £409 million (2014 – £726 million).

During 2015, no shares were repurchased. At 31 December 2015, we held 491.5 million shares as Treasury shares (2014 – 491.5 million shares), at a cost of £6,917 million (2014 – £6,917 million), which has been deducted from retained earnings.

The company does not expect to make any ordinary share repurchases in 2016. No ordinary shares were purchased in the period 1 January 2016 to 25 February 2016.

Commitments and contingent liabilities

Financial commitments are summarised in Note 40 to the financial statements, 'Commitments'. Other contingent liabilities and obligations in respect of short and long-term debt are set out in Note 32 to the financial statements, 'Contingent liabilities' and Note 31 to the financial statements, 'Net debt'.

Amounts provided for pensions and post-retirement benefits are set out in Note 28 to the financial statements, 'Pensions and other post-employment benefits'. Amounts provided for restructuring programmes and legal, environmental and other disputes are set out in Note 29 to the financial statements, 'Other provisions'.

Contractual obligations and commitments

The following table sets out our contractual obligations and commitments at 31 December 2015 as they fall due for payment.

| | Total £m | Under 1 yr £m | 1-3 yrs £m | 3-5 yrs £m | 5 yrs+ £m |
|-----------------------------|-------------|------------------|---------------|---------------|--------------|
| Loans | 16,688 | 1,285 | 4,151 | 1,103 | 10,149 |
| Interest on loans | 9,282 | 638 | 1,135 | 908 | 6,601 |
| Finance lease obligations | 70 | 23 | 34 | 12 | 1 |
| Finance lease charges | 7 | 2 | 2 | – | 3 |
| Operating lease commitments | 789 | 191 | 174 | 111 | 313 |
| Intangible assets | 6,264 | 339 | 783 | 1,294 | 3,848 |
| Property, plant & equipment | 502 | 425 | 76 | 1 | – |
| Investments | 157 | 61 | 52 | 38 | 6 |

We have entered into a number of research collaborations to develop new compounds with other pharmaceutical companies. The terms of these arrangements can include upfront fees, equity investments, loans and commitments to fund specified levels of research. In addition, we will often agree to make further payments if future 'milestones' are achieved.

As some of these agreements relate to compounds in the early stages of development, the potential obligation to make milestone payments will continue for a number of years if the compounds move successfully through the development process. Generally, the closer the product is to marketing approval, the greater the probability of success. The amounts shown above within intangible assets represent the maximum that would be paid if all milestones were achieved, and include £5.1 billion which relates to externalised projects in the discovery portfolio. A number of new commitments were made in 2015 under licensing and other agreements, offset by amendments to existing agreements.

In 2013, we reached an agreement with the trustees of the UK pension schemes to make additional contributions over a three year period, including in 2013, to eliminate the pension deficit identified at the 31 December 2011 actuarial funding valuation. If the deficit persists, further contributions would be payable in the following four years depending on the level of deficit. The table above includes this commitment but excludes the normal ongoing annual funding requirement in the UK of approximately £140 million. For further information on pension obligations, see Note 28 to the financial statements, 'Pensions and other post-employment benefits'.

Contingent liabilities

The following table sets out contingent liabilities, comprising discounted bills, performance guarantees, letters of credit and other items arising in the normal course of business, and when they are expected to expire.

| | Total £m | Under 1 yr £m | 1-3 yrs £m | 3-5 yrs £m | 5 yrs+ £m |
|------------------------------|-------------|------------------|---------------|---------------|--------------|
| Guarantees | 126 | 94 | 19 | 11 | 2 |
| Other contingent liabilities | 74 | 17 | 36 | 5 | 16 |
| Total | 200 | 111 | 55 | 16 | 18 |

In the normal course of business, we have provided various indemnification guarantees in respect of business disposals in which legal and other disputes have subsequently arisen. A provision is made where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute and this is included in Note 29 to the financial statements, 'Other provisions'.

We provide for the outcome of tax, legal and other disputes when an outflow of resources is considered probable and a reliable estimate of the outflow may be made. At 31 December 2015, other than for those disputes where provision has been made, it was not possible to make a reliable estimate of the potential outflow of funds that might be required to settle disputes where the possibility of there

| | | | | | |
|----------------------|---------------|--------------|--------------|--------------|---------------|
| Purchase commitments | 38 | 2 | 24 | 12 | – |
| Pensions | 340 | 85 | 170 | 85 | – |
| Other commitments | 191 | 60 | 87 | 44 | – |
| Total | 34,328 | 3,111 | 6,688 | 3,608 | 20,921 |

Commitments in respect of loans and future interest payable on loans are disclosed before taking into account the effect of derivatives.

being an outflow was more than remote.

The ultimate liability for such matters may vary significantly from the amounts provided and is dependent upon the outcome of litigation proceedings and negotiations with the relevant tax authorities. This is discussed further in 'Risk factors' on pages 231 to 240 and Notes 14 and 45 to the financial statements, 'Taxation' and 'Legal proceedings'.

Group financial review

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Non-controlling interests in ViiV Healthcare

Trading profit allocations

Because ViiV Healthcare is a subsidiary of the Group, 100% of its operating results (turnover, operating profit, profit after tax) are included within the Group income statement and a portion of the earnings is allocated to the non-controlling interests owned by the other shareholders, in line with their respective equity shareholdings (Pfizer 11.7% and Shionogi 10%). Each of the shareholders, including GSK, is also entitled to preferential dividends determined by the performance of certain products that each shareholder contributed. As the relative performance of these products changes over time, the proportion of the overall earnings of ViiV Healthcare allocated to each shareholder will change. In particular, the increasing sales of *Tivicay* and *Triumeq* have a favourable impact on the proportion of the preferential dividends that is allocated to us. We were entitled to approximately 80% of the core earnings of ViiV Healthcare for 2015. The preferential dividends allocated to Pfizer and Shionogi are included in the non-controlling interest line.

Acquisition-related arrangements

As part of the agreement reached to acquire Shionogi's interest in the former Shionogi-ViiV Healthcare joint venture in 2012, we agreed to pay additional consideration to Shionogi contingent on the performance of the products being developed by that joint venture, principally *dolutegravir*. At 31 December 2015, the fair value of the contingent consideration due, representing the discounted value of the total amount estimated to be payable, was £3,409 million and this has been recognised in the Group's balance sheet with £299 million shown in trade and other payables and £3,110 million in other non-current liabilities.

Payments are made to Shionogi each quarter to reduce the liability in instalments. The payments are calculated based on the sales performance of the relevant products in the previous quarter and are reflected in the cash flow statement partly in operating cash flows and partly in purchases of businesses, within investing activities. The part of each payment relating to the original estimate of the fair value of the contingent consideration on the acquisition of the Shionogi-ViiV Healthcare joint venture in 2012 of £659 million is reported in purchases of businesses and the part of each payment relating to the increase in the liability since the acquisition is reported within operating cash flows. During 2015, these cash payments amounted to £159 million in total, of which £121 million was reported in operating cash flows and £38 million in purchases of businesses.

Exit rights

In certain circumstances, Pfizer and Shionogi may require us to acquire their shareholdings at a price based on the likely valuation of ViiV Healthcare if it were to conduct an initial public offering (IPO). Pfizer may request an IPO of ViiV Healthcare at any time and if either we do not consent to such IPO or an offering is not completed within nine months, Pfizer could require us to acquire its shareholding. Shionogi

However, following our recent review of the prospects for the ViiV Healthcare business, and our conclusion that we intended to retain ViiV Healthcare, we have decided that the put options held by Pfizer and Shionogi should now be recognised on the Group's balance sheet. For the liability for the put options to be recognised on the Group's balance sheet, IFRS requires the agreements giving us the rights to withhold consent to be changed to remove those rights. We have now notified Pfizer and Shionogi that we have irrevocably given up these rights and we will recognise the liability for the put options on the Group's balance sheet in 2016. The estimated present value of the liability for the two put options is approximately £2 billion, after adjustments for the value of the preferential dividends due to each of the shareholders.

Consistent with this revised treatment, in 2016 we also expect to recognise liabilities on the Group's balance sheet for the future preferential dividends anticipated to become payable to Pfizer and Shionogi. The estimated aggregate present value of the liability for preferential dividends to both Pfizer and Shionogi is approximately £170 million.

Critical accounting policies

The consolidated financial statements are prepared in accordance with IFRS, as adopted for use in the European Union, and also with IFRS as issued by the IASB, following the accounting policies approved by the Board and described in Note 2 to the financial statements, 'Accounting principles and policies'.

We are required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates.

The critical accounting policies, for which information on the judgements and estimates made is given in Note 3 to the financial statements, 'Key accounting judgements and estimates', and in the relevant detailed notes to the financial statements as indicated below, relate to the following areas:

- Turnover
- Taxation (Note 14)
- Legal and other disputes (Notes 29 and 45)
- Goodwill and other intangible asset impairments (Notes 18 and 19)
- Business combinations (Note 38)
- Pensions and other post-employment benefits (Note 28).

Information on the judgements and estimates made in these areas is given in Note 3 to the financial statements, 'Key accounting judgements and estimates'.

Turnover

In respect of the Turnover accounting policy, our largest business is US Pharmaceuticals and Vaccines, and the US market has the most complex arrangements for rebates, discounts and allowances. The following briefly describes the nature of the arrangements in existence in our US

may also request GSK to acquire its shareholding in ViiV Healthcare in certain circumstances and six month windows commencing in 2017, 2020 and 2022.

Under the original agreements, we had the unconditional right, so long as we made no subsequent distribution to our shareholders, to withhold our consent to the exercise of either of the Pfizer or Shionogi put options and, as a result, in accordance with IFRS, we did not recognise liabilities for these put options on our balance sheet.

Pharmaceuticals and Vaccines business:

- We have arrangements with certain indirect customers whereby the customer is able to buy products from wholesalers at reduced prices. A chargeback represents the difference between the invoice price to the wholesaler and the indirect customer's contractual discounted price. Accruals for estimating chargebacks are calculated based on the terms of each agreement, historical experience and product growth rates

- Customer rebates are offered to key managed care and group purchasing organisations (GPO) and other direct and indirect customers. These arrangements require the customer to achieve certain performance targets relating to the value of product purchased, formulary status or pre-determined market shares relative to competitors. The accrual for customer rebates is estimated based on the specific terms in each agreement, historical experience and product growth rates
- The US Medicaid programme is a state-administered programme providing assistance to certain poor and vulnerable patients. In 1990, the Medicaid Drug Rebate Program was established to reduce state and federal expenditure on prescription drugs. In 2010, the Patient Protection and Affordable Care Act became law. We participate by providing rebates to states. Accruals for Medicaid rebates are calculated based on the specific terms of the relevant regulations or the Patient Protection and Affordable Care Act
- Cash discounts are offered to customers to encourage prompt payment. These are accrued for at the time of invoicing and adjusted subsequently to reflect actual experience
- We record an accrual for estimated sales returns by applying historical experience of customer returns to the amounts invoiced, together with market related information such as stock levels at wholesalers, anticipated price increases and competitor activity.

A reconciliation of gross turnover to net turnover for the US Pharmaceuticals business, including Puerto Rico, is as follows:

| | 2015 | | 2014 (restated) | | 2013 (restated) | |
|--|---------|----------|--------------------|----------|--------------------|----------|
| | £m | Margin % | £m | Margin % | £m | Margin % |
| Gross turnover | 8,212 | 100 | 7,789 | 100 | 8,684 | 100 |
| Market driven segments | (1,737) | (21) | (1,260) | (16) | (1,063) | (12) |
| Government mandated and state programs | (1,874) | (23) | (1,381) | (18) | (1,194) | (14) |
| Cash discounts | (154) | (2) | (147) | (2) | (168) | (2) |
| Customer returns | (79) | (1) | (59) | (1) | (64) | (1) |
| Prior year adjustments | 113 | 1 | 156 | 2 | 79 | 1 |
| Other items | (248) | (2) | (161) | (2) | (99) | (1) |
| Total deductions | (3,979) | (48) | (2,852) | (37) | (2,509) | (29) |
| Net turnover | 4,233 | 52 | 4,937 | 63 | 6,175 | 71 |

Market driven segments consist primarily of Managed Care and Medicare plans with which GSK negotiates contract pricing that is honoured via rebates and chargebacks. Mandated segments consist primarily of Medicaid and Federal government programs which receive government mandated pricing via rebates and chargebacks.

A monthly process is operated to monitor inventory levels at wholesalers for any abnormal movements. This process uses gross sales volumes, prescription volumes based on third party data sources and information received from key wholesalers. The aim of this is to maintain inventories at a consistent level from year to year based on the pattern of consumption.

On this basis, US Pharmaceuticals and Vaccines inventory levels at wholesalers and in other distribution channels at 31 December 2015 were estimated to amount to approximately five weeks of turnover. This calculation uses third party information, the accuracy of which cannot be totally verified, but is believed to be sufficiently reliable for this purpose.

Legal and other disputes

In respect of the accounting policy for Legal and other disputes, the following briefly describes the process by which we determine the level of provision that is necessary.

In accordance with the requirements of IAS 37, 'Provisions, contingent liabilities and contingent assets', we provide for anticipated settlement costs where an outflow of resources is considered probable and a reliable estimate may be made of the likely outcome of the dispute and legal and other expenses arising from claims against the Group. We may become involved in significant legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included in the Annual Report, but no provision would be made.

This position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the amount of the provisions reported in the Group's financial statements.

Like many pharmaceutical companies, we are faced with various complex product liability, anti-trust and patent litigation, as well as investigations of its operations conducted by various governmental regulatory agencies. Throughout the year, the General Counsel of the Group, as head of the Group's legal function, and the Senior Vice President and Head of Global Litigation for the Group, who is responsible for all litigation and government investigations, routinely brief the Chief Executive Officer, the Chief Financial Officer and the Board of Directors on the significant litigation pending against the Group and governmental investigations of the Group.

These meetings, as appropriate, detail the status of significant litigation and government investigations and review matters such as the number of claims notified to us, information on potential claims not yet notified, assessment of the validity of claims, progress made in settling claims, recent settlement levels and potential reimbursement by insurers.

The meetings also include an assessment of whether or not there is sufficient information available for us to be able to

The balance sheet accruals for rebates, discounts, allowances and returns for the US Pharmaceuticals and Vaccines business are managed on a combined basis. At 31 December 2015, the total accrual amounted to £1,464 million (2014 – £1,308 million).

make a reliable estimate of the potential outcomes of the disputes. Often, external counsel assisting us with various litigation matters and investigations will also assist in the briefing of the Board and senior management. Following these discussions, for those matters where it is possible to make a reliable estimate of the amount of a provision, if any, that may be required, the level of provision for legal and other disputes is reviewed and adjusted as appropriate. These matters are discussed further in Note 45 to the financial statements, 'Legal proceedings'.

Group financial review

continued

Treasury policies

We report in Sterling and pay dividends out of Sterling profits. The role of Corporate Treasury is to monitor and manage our external and internal funding requirements and financial risks in support of our strategic objectives. We operate on a global basis, primarily through subsidiary companies, and we manage our capital to ensure that our subsidiaries are able to operate as going concerns and to optimise returns to shareholders through an appropriate balance of debt and equity. Treasury activities are governed by policies approved annually by the Board of Directors, and most recently on 8 July 2015. A Treasury Management Group (TMG) meeting, chaired by our Chief Financial Officer, takes place on a monthly basis to review treasury activities. Its members receive management information relating to these activities.

Treasury operations

The objective of our treasury activity is to minimise the post-tax net cost of financial operations and reduce its volatility in order to benefit earnings. We use a variety of financial instruments to finance our operations and derivative financial instruments to manage market risks from these operations. These derivatives, principally comprising forward foreign currency contracts, foreign currency options and interest rate swaps, are used to swap borrowings and liquid assets into currencies required for Group purposes and to manage exposure to financial risks from changes in foreign exchange rates and interest rates.

We do not hold or issue derivatives for speculative purposes and our Treasury policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

Capital management

Our financial strategy, implemented through our Financial architecture, supports the Group's strategic priorities and it is regularly reviewed by the Board. We manage the capital structure of the Group through an appropriate mix of debt and equity.

Our long-term credit rating with Standard and Poor's is A+ (stable outlook) and with Moody's Investor Services ('Moody's') is A2 (negative outlook). Our short-term credit ratings are A-1 and P-1 with Standard and Poor's and Moody's respectively.

Liquidity risk management

Our policy is to borrow centrally in order to meet anticipated funding requirements. Our cash flow forecasts and funding requirements are monitored by the TMG on a monthly basis. Our strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to funding markets.

Each day, we sweep cash from a number of global subsidiaries to central Treasury accounts for liquidity management purposes.

Interest rate risk management

Foreign exchange risk management

Foreign currency transaction exposures arising on internal and external trade flows are not typically hedged. Our objective is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income with local currency costs where possible. Our internal trading transactions are matched centrally and we manage inter-company payment terms to reduce foreign currency risk. Foreign currency cash flows can be hedged selectively under the management of Treasury and the TMG. These include hedges of the foreign exchange risk arising from acquisitions and disposals of assets. Where possible, we manage the cash surpluses or borrowing requirements of subsidiary companies centrally using forward contracts to hedge future repayments back into the originating currency.

In order to reduce foreign currency translation exposure, we seek to denominate borrowings in the currencies of our principal assets and cash flows. These are primarily denominated in US dollars, Euros and Sterling. Certain borrowings can be swapped into other currencies as required.

Borrowings denominated in, or swapped into, foreign currencies that match investments in overseas Group assets may be treated as a hedge against the relevant assets. Forward contracts in major currencies are also used to reduce exposure to our investment in overseas Group assets. The TMG reviews the ratio of borrowings to assets for major currencies monthly.

Counterparty risk management

We set global counterparty limits for each of our banking and investment counterparties based on long-term credit ratings from Moody's and Standard and Poor's. Corporate Treasury's usage of these limits is monitored daily by a Corporate Compliance Officer (CCO) who operates independently of Corporate Treasury. Any breach of these limits would be reported to the CFO immediately.

The CCO also monitors the credit rating of these counterparties and, when changes in ratings occur, notifies Corporate Treasury so that changes can be made to investment levels or to authority limits as appropriate. In addition, relationship banks and their credit ratings are reviewed regularly and a report is presented annually to the TMG for approval.

Strategic report

The Strategic report was approved by the Board of Directors on 16 March 2016 and signed on its behalf by:

Simon Dingemans
Chief Financial Officer

Our objective is to minimise the effective net interest cost and to balance the mix of debt at fixed and floating interest rates over time. The policy on interest rate risk management limits the amount of floating interest payments to a prescribed percentage of operating profit.

16 March 2016

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Our Board



Sir Philip Hampton 62
Non-Executive Chairman

Nationality
British

Appointment date
1 January 2015. Deputy Chairman from 1 April 2015 and Non-Executive Chairman from 7 May 2015

Committee membership
Nominations Committee Chairman, Finance

Skills and experience

Prior to joining GSK, Sir Philip chaired major FTSE 100 companies including The Royal Bank of Scotland Group plc and J Sainsbury plc. He has also served as Group Finance Director at Lloyds TSB Group, BT Group plc, BG Group plc, British Gas and British Steel plc. Sir Philip was previously appointed an Executive Director of Lazards and a Non-Executive Director at RMC Group Plc and Belgacom SA. Until 2009, he was Chairman of UK Financial Investments Limited, which manages the UK Government's shareholdings in banks.

External appointments

Sir Philip is currently the Senior Independent Director of Anglo American Plc, Chairman of its Remuneration Committee and member of its Audit Committee. Sir Philip is also Chair of the Women on Board's review; an independent review on increasing representation of women in the executive level of FTSE 350 companies.



Sir Andrew Witty 51
Chief Executive Officer

Nationality
British

Appointment date
31 January 2008 and as Chief Executive Officer on 21 May 2008

Committee membership
Finance

Skills and experience

Sir Andrew joined GSK in 1985. He has worked in the UK, South Africa, the US and Singapore in various senior roles. In 2003, he was appointed President of Europe and joined GSK's Corporate Executive Team. Andrew has served in numerous advisory roles to Governments around the world including South Africa, Singapore, Guangzhou China and the UK, where he was a member of the Prime Minister's Business Advisory Group from 2010-2015. He was awarded a Knighthood for services to the economy and to the UK pharmaceutical industry in the 2012 New Year Honours List.

External appointments

Sir Andrew is appointed to the UK Business Ambassador Group, the China-Britain Business Council Advisory Council and the School of Economics & Management Advisory Board (SEM), Tsinghua University, Beijing, China. Sir Andrew is Chancellor of the University of Nottingham.



Simon Dingemans 52
Chief Financial Officer

Nationality
British

Appointment date
4 January 2011 and as Chief Financial Officer on 1 April 2011

Committee membership
Finance

Skills and experience

Prior to joining GSK, Simon had over 25 years of experience in investment banking at SG Warburg and Goldman Sachs. During this time, he advised a broad range of large corporates across a number of industry sectors, including pharmaceuticals and consumer healthcare. Simon advised GSK for over a decade before his appointment and was closely involved in a number of GSK's key strategic projects.

External appointments

Simon is Chairman of the 100 Group of Finance Directors.



Dr Moncef Slaoui 56
Chairman, Global Vaccines

Nationality
Moroccan, Belgian & American

Appointment date
17 May 2006

Committee membership
Finance

Skills and experience

Moncef joined GSK Vaccines in 1988 where he engineered the development of a robust vaccines pipeline. He then led Worldwide Business Development for pharmaceutical products before his appointment to lead R&D in 2006. He was given overall responsibility for GSK's Oncology Business in 2010; for GSK Vaccines in 2011; and for all Global Franchises in 2012. Moncef has advised the US President's Council of Advisors on Science and Technology and he was a member of the Board of the Agency for Science, Technology & Research (A*STAR) until January 2011.

He has a PhD in Molecular Biology and Immunology from Université

Libre de Bruxelles and has published more than 100 scientific papers and presentations. Prior to joining GSK, Moncef was Professor of Immunology at the University of Mons, Belgium.

External appointments

Moncef is a member of the Biotechnology Industry Organization Board in the US and a member of the Advisory Committee to the Director of National Institutes of Health. He is also an adviser to the Qatar Foundation, and a member of the Qatar Biomedical Research Institute Scientific Advisory Committee. Moncef serves as a Non-Executive Director for the International AIDS Vaccine Initiative (IAVI).



Sir Deryck Maughan 68
Senior Independent
Non-Executive Director

Nationality
British

Appointment date
1 June 2004 and as Senior
Independent Non-Executive
Director on 1 May 2013

Committee membership
Audit & Risk, Nominations,
Remuneration and Finance

Skills and experience

Sir Deryck has a wealth of international corporate and investment banking experience, having previously served as Chairman and Chief Executive Officer of Citigroup International and of Salomon Brothers Inc. He served as Vice Chairman of the New York Stock Exchange from 1996 to 2000. Sir Deryck was a former Senior Adviser to, and Partner of, Kohlberg Kravis Roberts & Co and previously served as a Non-Executive Director of Thomson Reuters.

External appointments

Sir Deryck is a Non-Executive Director of BlackRock, Inc. and a Trustee of the British Museum.



**Professor Sir Roy
Anderson** 68
Independent Non-Executive
Director & Scientific Expert

Nationality
British

Appointment date
1 October 2007

Committee membership
Nominations and Finance

Skills and experience

Professor Sir Roy is a world-renowned medical scientist with advanced knowledge of infectious disease epidemiology, and is currently Professor of Infectious Disease in the Faculty of Medicine, Imperial College, London. He is a fellow of the Royal Society, the Academy of Medical Sciences and the Royal Statistical Society. He is an Honorary Fellow of the Institute of Actuaries and a Foreign Associate Member of the National Academy of Medicine at the US National Academy of Sciences and the French Academy of Sciences. Professor Sir Roy brings scientific expertise to the Board's deliberations.

External appointments

Professor Sir Roy is a member of the International Advisory Board of Holdingham Group and Chairman of the Science Advisory Board of the Natural History Museum, London. He is also a member of the Vaccine International Advisory Board (VACCIAB) of AJ Pharma Holding Sdn. Bhd in Malaysia.



**Manvinder Singh (Vindi)
Banga** 61
Independent Non-Executive
Director

Nationality
Indian

Appointment date
1 September 2015

Committee membership
Audit & Risk, Nominations,
Remuneration and Finance

Skills and experience

Prior to joining GSK, Vindi spent 33 years at Unilever plc, where his last role (amongst several senior positions) was President of the Global Foods, Home and Personal Care businesses, and he was a member of the Unilever Executive Board. Vindi sat on the Prime Minister of India's Council of Trade & Industry from 2004 to 2014, and was on the Board of Governors of the Indian Institute of Management (IIM), Ahmedabad.

Vindi is also the recipient of the Padma Bhushan, one of India's highest civilian honours.

External appointments

Vindi is a partner at private equity investment firm Clayton Dubilier & Rice. He is also Chairman of the Supervisory Board of Mauser Group, Senior Independent Director of Marks & Spencer Group plc, and a member of its Nominations and Remuneration Committees. He is also a Non-Executive Director of Thompson Reuters Corp and a member of its HR Committee. Vindi is on the Governing Board of the Indian School of Business (ISB), Hyderabad.

Dr Stephanie Burns 61
Independent Non-Executive
Director

Nationality
American

Skills and experience

Stephanie is a recognised global business leader, having served as Chairman, President and CEO of Dow Corning Corporation until her retirement at the end of 2011. She has a strong scientific background, with a PhD in organic chemistry with an organosilicon speciality, and is an advocate for science education. Stephanie previously sat on the US President's Export Council and was an



Appointment date
12 February 2007

Committee membership
Corporate Responsibility,
Remuneration and Finance

Officer of the Society of Chemical Industry, American Section, as well as the past Honorary President of the UK-based parent society. Stephanie was also an Officer and Chairman of the American Chemistry Council.

External appointments
Stephanie is a Non-Executive Director of Corning Inc. and of Kellogg Company, and was appointed to the Board of HP Inc. in November 2015.

Our Board

continued



Stacey Cartwright 52
Independent Non-Executive
Director

Nationality
British

Appointment date
1 April 2011

Committee membership
Audit & Risk and Finance

Skills and experience

Stacey is a Chartered Accountant and has significant experience of global consumer businesses and of corporate finance. She served as Executive Vice President, Chief Financial Officer of Burberry Group plc until July 2013. Prior to joining Burberry Group plc in 2004, Stacey held the role of Chief Financial Officer at Egg plc between 1999 and 2003, and from 1988 to 1999 she worked in various finance-related positions at Granada Group plc.

The Board has determined that Stacey has recent and relevant financial experience, and agreed that she has the appropriate qualifications and background to be an audit committee financial expert.

External appointments

Stacey is Chief Executive Officer of Harvey Nichols Group of Companies.



Lynn Elsenhans 59
Independent Non-Executive
Director

Nationality
American

Appointment date
1 July 2012

Committee membership
Corporate Responsibility
Committee Chairman, Audit &
Risk, Nominations and
Finance

Skills and experience

Lynn has a wealth of experience of running a global business and significant knowledge of the global markets in which GSK operates. She served as Chair, President and Chief Executive Officer of Sunoco Inc. from 2009 to 2012. Prior to joining Sunoco in 2008 as President and Chief Executive Officer, Lynn worked for Royal Dutch Shell which she joined in 1980 and where she held a number of senior roles, including Executive Vice President, Global Manufacturing from 2005 to 2008.

External appointments

Lynn is a Non-Executive Director of Baker Hughes Inc. and Flowserve Corporation, a Director of the Texas Medical Center, and a Non-Executive Director of The First Tee of Greater Houston. She is also a Trustee of the United Way of Greater Houston.



Dr Jesse Goodman 64
Independent Non-Executive
Director & Scientific Expert

Nationality
American

Appointment date
1 January 2016

Committee membership
Finance

Skills and experience

Dr Goodman previously served in senior leadership positions at the US Food and Drug Administration (FDA), including most recently as FDA's Chief Scientist and previously as Deputy Commissioner for Science and Public Health and as Director of the Center for Biologics Evaluation and Research (CBER).

Dr Goodman played a leadership role in developing FDA's Regulatory Science and Medical Countermeasures Initiatives and has worked collaboratively with industry, academia, government and global public health and regulatory partners to prepare for and respond to major public health threats, including emerging infectious diseases, disasters and terrorism. He led FDA's response to West Nile Virus and to the 2009 H1N1 influenza pandemic and served on the Senior Leadership Team for the 2010 White House Medical Countermeasure Review. Dr Goodman brings scientific and public health expertise to the Board's deliberations.

External appointments

Dr Goodman, currently Professor of Medicine at Georgetown University, directs the Georgetown University Center on Medical Product Access, Safety and Stewardship (COMPASS) and is an active clinician who serves as Attending Physician in Infectious Diseases. He also serves as President and Member of the Board of the United States Pharmacopeia (USP).

Judy Lewent 67
Independent Non-Executive
Director

Skills and experience

Judy has extensive knowledge of the global pharmaceutical industry and of corporate finance, having joined Merck & Co. in 1980 and

**Nationality**

American

Appointment date

1 April 2011

Committee membershipAudit & Risk Committee
Chairman, Nominations,
Remuneration and Finance

then served as Chief Financial Officer from 1990 to 2007 when she retired. Judy was previously a Non-Executive Director of Purdue Pharma Inc, Napp Pharmaceutical Holdings Limited and certain Mundipharma International Limited companies until 31 December 2014. Judy previously served as a Non-Executive Director of Dell Inc. and Quaker Oats Company.

The Board has determined that Judy has recent and relevant financial experience, and agreed that she has the appropriate qualifications and background to be an audit committee financial expert.

External appointments

Judy is a Non-Executive Director of Thermo Fisher Scientific Inc. and Motorola Solutions Inc. She is also a Trustee of the Rockefeller Family Trust and Chairperson of the Audit Committee of Rockefeller Financial Services, a life member of the Massachusetts Institute of Technology Corporation and a member of the American Academy of Arts and Sciences.



Dr Daniel Podolsky 62
Independent Non-Executive
Director & Scientific Expert

Nationality
American

Appointment date
1 July 2006

Committee membership
Audit & Risk, Corporate
Responsibility and Finance

Skills and experience

Daniel is a world-renowned researcher who has advanced knowledge of underlying mechanisms of disease and new therapies for gastrointestinal disorders. He was formerly Mallinckrodt Professor of Medicine and Chief of Gastroenterology at Massachusetts General Hospital and Harvard Medical School, and previously served as the Chief Academic Officer of Partners Healthcare System. Daniel's current responsibilities in leading a large academic medical centre give him relevant insight into healthcare delivery. Daniel brings scientific expertise to the Board and the Audit & Risk Committee's deliberations.

External appointments

Daniel is President of the University of Texas Southwestern Medical Center and holds the Philip O'Bryan Montgomery, Jr., M.D. Distinguished Presidential Chair in Academic Administration, and the Doris and Bryan Wildenthal Distinguished Chair in Medical Science. He is a member of the National Academy of Medicine at the US National Academy of Sciences, member of the Board of the Southwestern Medical Foundation and a Director of Antibe Therapeutics, Inc.

He is also a member of the National Academies of Sciences Board on Army Science and Technology.



Urs Rohner 56
Independent Non-Executive
Director

Nationality
Swiss

Appointment date
1 January 2015

Committee membership
Remuneration Committee
Chairman and Finance

Skills and experience

Urs has a broad range of business and legal experience having served as Chairman on a number of Boards, most recently for Credit Suisse, a world leading financial services company. Prior to joining Credit Suisse in 2004, Urs served as Chairman of the Executive Board and CEO of ProSieben and ProSiebenSat.1 Media AG. This followed a number of years in private practice at major law firms in Switzerland and the US, having been admitted to the bars of the canton of Zurich in 1986 and the state of New York in 1990.

External appointments

Urs is currently appointed Chairman of the Board of Credit Suisse Group AG and of the Chairman's and Governance Committee. He is also appointed Chairman and member of the Board of Trustees of Credit Suisse Research Institute and Credit Suisse Foundation. Urs was appointed Vice-Chairman of the Governing Board of the Swiss Bankers Association in 2015.



Hans Wijers 65
Independent Non-Executive
Director

Nationality
Dutch

Appointment date
1 April 2013

Committee membership
Corporate Responsibility,
Remuneration and Finance

Skills and experience

Hans has a broad range of business, economic and political experience, having served as Chief Executive Officer and Chairman at Akzo Nobel NV from 2002 to 2012. Hans had a long and distinguished career in academia, public service and strategy consulting. He served as Senior Partner of the Boston Consulting Group from 1998 to 2002.

External appointments

Hans is Chairman of the Supervisory Board of Heineken NV and also Deputy Chairman and Non-Executive Director of Royal Dutch Shell. He is Chairman of the Supervisory Board of AFC Ajax and member of the Supervisory Board of HAL Holding N.V.

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Our Corporate Executive Team

Our CEO, with the assistance of the Corporate Executive Team, is responsible for the management of the business, developing the Group's strategic direction for consideration and approval by the Board and implementing the agreed strategy.



Sir Andrew Witty
Chief Executive Officer*



Simon Dingemans
Chief Financial Officer*



Dr Moncef Slaoui
Chairman, Global Vaccines*

*For biographical details, see page 74.



Roger Connor
President, Global Manufacturing & Supply

Roger joined CET in 2012 and was appointed as President, Global Manufacturing & Supply (GMS) in 2013, after working for a year as President Designate, GMS.

Roger joined GSK in 1998 from AstraZeneca and has worked in finance and manufacturing strategy roles, including at GSK sites in Cork in Ireland and Ware in the UK. Prior to his position in GMS, Roger was Vice President, Office of the CEO and Corporate Strategy, from February 2010.

He holds a degree in Mechanical and Manufacturing Engineering from Queen's University Belfast and a Masters in Manufacturing Leadership from Cambridge University. He is also a Chartered Accountant.



Nick Hirons
Senior Vice President, Global Ethics and Compliance

Nick was appointed to CET in September 2014 as Senior Vice President, Global Ethics and Compliance and is responsible for compliance, risk management and corporate security and investigations.

Nick joined GSK in 1994 as an International Auditor in the UK. He was later Head of Audit & Assurance, where he combined five separate audit functions into an independent team operating with a common risk-based methodology. In June 2013, Nick took up a role in China, where he established a new governance model for our China business that created a consistent approach to compliance.



Abbas Hussain
President, Global Pharmaceuticals

Abbas joined CET in 2008 and was appointed President, Global Pharmaceuticals in October 2014, having joined the company as President, Emerging Markets & Asia Pacific in June 2008. He joined the ViiV Healthcare Ltd. Board in October 2009.

Previously, he spent 20 years at Eli Lilly where he held positions including President, Europe and before that Vice President, Europe. He also held positions with Eli Lilly in Australia, the US, India, Turkey and Germany in several roles including business development, sales and marketing, and management.

He has a degree in Medicinal Chemistry &

Nick is a fellow of the Chartered Institute of Management Accountants. Nick is a fellow of the Chartered Institute of Pharmacology from Loughborough University and was born in Madras, India.



David Redfern
Chief Strategy Officer

David joined CET as Chief Strategy Officer in May 2008 and is responsible for corporate development and strategic planning. In addition, he was appointed Chairman of the Board of ViiV Healthcare Ltd. in April 2011 and a Non-Executive Director of the Aspen Pharmacare Ltd. Board in February 2015.

Previously, he was Senior Vice President, Northern Europe with responsibility for GSK's pharmaceutical businesses in that region and, prior to that, was Senior Vice President for Central and Eastern Europe. David joined GSK in 1994 and was Finance Director of the European business from 1999 to 2002.

David has a Bachelor of Science degree from Bristol University in the UK and is a Chartered Accountant.



Claire Thomas
Senior Vice President, Human Resources

Claire was appointed to CET as Senior Vice President, Human Resources in May 2008.

Claire joined the company in 1996 as Senior Manager, Human Resources, Sales and Marketing Group, UK Pharmaceuticals before becoming Director of Human Resources for UK Pharmaceuticals in 1997. She was appointed Senior Vice President, Human Resources, Pharmaceuticals Europe in 2001, and Senior Vice President Human Resources International in 2006.

Prior to joining the company she worked for Ford Motor Company, holding various positions in Human Resources.

Claire has a Bachelor of Science degree in Economics, Management and Industrial Relations from the University of Wales.



Phil Thomson
Senior Vice President, Communications and Government Affairs

Phil joined CET in 2011 and was appointed Senior Vice President, Communications and Government Affairs in 2014. He has responsibility for Media Relations, Investor Relations, Corporate Responsibility, Internal Communications, Product Communications, Government Affairs and GSK's Global Brand.

He joined Glaxo Wellcome as a trainee in 1996, moving from pharmaceutical brand marketing to product communications. In 1999, he became Director of Media Relations for Glaxo Wellcome plc and was then Director, Investor Relations from 2001 to 2004, when he returned to Corporate Media Relations as Vice President. Phil has worked on numerous corporate, product and reputational matters at GSK.

Phil earned his degree in English and History from Durham University.



Dan Troy
Senior Vice President & General Counsel

Dan joined GSK and the CET as Senior Vice President & General Counsel in September 2008.

He was previously a Partner at the Washington law firm Sidley Austin LLP, where he represented mainly pharmaceutical companies and trade associations on matters related to the US Food and Drug Administration (FDA) and government regulations. Dan was formerly Chief Counsel for the FDA, where he served as a primary liaison to the White House and the US Department of Health and Human Services.



Patrick Vallance
President, Pharmaceuticals R&D

Patrick joined CET in 2010 and was appointed President, Pharmaceuticals R&D, in January 2012. Prior to this he was Senior Vice President, Medicines Discovery and Development.

Patrick joined the company in 2006 as Head of Drug Discovery. Prior to joining GSK Patrick was a clinical academic and led the Division of Medicine at University College London. He has over 20 years' experience of research clinical medicine, general internal medicine, cardiovascular medicine and clinical pharmacology. He was elected to the Academy of Medical



Emma Walmsley
CEO, GSK Consumer Healthcare

Emma is CEO of GSK Consumer Healthcare, which includes the joint venture with Novartis and the listed Consumer Healthcare businesses in India and Nigeria. The business is split almost equally between OTC medicines and fast moving consumer goods brands, across four categories of Wellness, Oral health, Nutrition and Skin health.

Prior to this Emma was President of GSK Consumer Healthcare and has been a member of CET since 2011. She joined GSK in 2010.

Dan is a graduate from Cornell University's School of Industrial and Labor Relations, and earned his law degree from Columbia University School of Law. Dan was named a 'Legend in the Law' at the Burton Awards.

Sciences in 1999.

Patrick has been on the Board of the UK Office for Strategic Co-ordination of Health Research (OSCHR) since 2009.

Prior to this, Emma worked with L'Oreal for 17 years. She has a degree in Classics and Modern Languages from Oxford University.

Emma became a non-executive director of Diageo plc with effect from 1 January 2016.

Corporate governance

Board governance

Our strategy and progress towards its delivery are set out in the Strategic Report. The following pages provide information about the Board and its oversight of the Group's activities during 2015.

The Board

The Board is pleased to report that in 2015 it was in full compliance with the requirements of the Financial Reporting Council's (FRC) UK Corporate Governance Code (Code), with the exception of Code provision C.3.7. which requires audit contract tenders to be undertaken at least every 10 years. Page 92 sets out the details of this year's audit contract tender process. A copy of the Code is available on the FRC's website, www.frc.org.uk

The Board is responsible for the long-term success of the company and is accountable to our shareholders for ensuring that the Group is appropriately managed and governed. We believe that our governance structure provides the right base to help us deliver our strategy to Grow a diversified business, Deliver more products of value and Simplify our operating model, and in doing so create additional long-term value for our shareholders.

2015 Board programme

The Board met face to face six times in 2015 and each Board member attended all scheduled Board meetings.

The Board agendas were shaped to create more time for strategic discussion and debate by closely managing time allocated to routine items to ensure focused consideration of our strategic priorities. During 2015, the agendas for Board meetings included the following business:

| Month | Strategy | Board and risk oversight* | Governance |
|----------|--|--|---|
| January | <ul style="list-style-type: none"> Review of CEO objectives 2014 and 2015 Review of 2014 investor activity and 2015 activity Approval of 2015 Budget and 2015-2017 Plan | <ul style="list-style-type: none"> Review of 2014 financial results and outlook for 2015 Re-appointment of auditors Novartis transaction update | <ul style="list-style-type: none"> Secretary's Report (including regulatory and governance updates) |
| March | <ul style="list-style-type: none"> Review of reshaped Consumer Healthcare and Global Pharmaceuticals businesses 'Deep Dive' – US Pharmaceuticals pricing and formulary access | <ul style="list-style-type: none"> Review financial results for the year to date Ebola Vaccines update | <ul style="list-style-type: none"> Secretary's Report (including regulatory and governance updates) Mandatory annual Corporate Integrity Agreement (CIA) training |
| May | <ul style="list-style-type: none"> Review revised 2015-20 Plan and long range forecasting following completion of Novartis transaction | <ul style="list-style-type: none"> Review of financial results for the year to date Global Manufacturing & Supply annual update Novartis transaction update Review Annual CIA agreement compliance resolutions | <ul style="list-style-type: none"> Secretary's Report (including regulatory and governance updates) Preparation for AGM |
| July | <ul style="list-style-type: none"> Annual Review of Talent and Leadership Development strategy Review of funding strategy and treasury policy Review of Pensions and Insurance strategies Proposed agenda for annual Board & CET Strategy meeting Review of Going Concern assumptions | <ul style="list-style-type: none"> Review of financial results for the year to date Vaccines annual update (including integration and pipeline) | <ul style="list-style-type: none"> Secretary's Report (including regulatory and governance updates) |
| October | <ul style="list-style-type: none"> Annual Board & CET strategy meeting Review of output from the annual Board & CET strategy meeting | <ul style="list-style-type: none"> Review of financial results for the year to date R&D annual update Quality update New Healthcare professional (HCP) model update | <ul style="list-style-type: none"> Secretary's Report (including regulatory and governance updates) |
| December | <ul style="list-style-type: none"> Review of 2016 Budget and 2016-2018 | <ul style="list-style-type: none"> Review of financial results for the | <ul style="list-style-type: none"> Secretary's Report (including |

| | | | |
|--|------|--|------------------------------------|
| | Plan | year to date <ul style="list-style-type: none"> ■ Supply Chain update ■ <i>Nucala</i> launch plans ■ Pricing update | regulatory and governance updates) |
|--|------|--|------------------------------------|

* During the year, all Board members were invited to attend the Audit & Risk Committee meetings where risk matters were routinely discussed.

Board governance continued

2015 Board performance action points

Progress against the conclusions of the 2014 Board evaluation review, independently facilitated by Dr Tracy Long of Boardroom Review Limited, is set out below:

| Key findings/Action points | Progress/Achievement |
|---|--|
| <p>The composition of the Board is due to change over the next two to three years which will require a carefully planned and thoughtfully executed refreshment programme.</p> <p>The Chairman Designate, together with the Nominations Committee, will seek to enhance the governance processes relating to Board composition, tenure and size.</p> <p>They will review and seek to develop objective specifications and plans for all the Board's roles in alignment with our strategy, the external landscape, and the company's evolving circumstances.</p> | <p>A Board composition assessment exercise has been undertaken to enable the Nominations Committee to plan for the Board changes due to occur in the next few years and to ensure that the Board has the necessary skills.</p> |
| <p>The Directors have identified gaps in the Board's current composition relating to US pricing and healthcare, emerging markets and consumer healthcare knowledge.</p> <p>Closing these knowledge and experience gaps will be considered as part of the process of recruitment of new Non-Executive Directors combined with the refreshment of designated specialist roles on the Board, such as scientific and medical expertise (SME) and the Senior Independent Director (SID).</p> | <p>The Board was pleased that Vindi Banga and Dr Jesse Goodman, as SID designate and SME respectively, agreed to join the Board. Their appointments have helped to fill the identified skills gaps. The Nominations Committee continues to refresh the Board to meet the Company's future needs.</p> |
| <p>Given the speed and complexity of the external landscape changes, and potential for surprises, highly experienced Non-Executive Directors are a crucial component of the Board's composition.</p> <p>The critical skill sets of potential candidates, such as international markets and cultural experience, crisis and stakeholder management, will be considered and the composition choices of peer group Boards will be benchmarked.</p> | <p>Such characteristics have been factored into the individual search profiles and selection process to recruit new Non-Executive Directors.</p> |
| <p>The replacement of the current SID who is due to retire at the 2016 AGM is a priority issue.</p> <p>The Chairman Designate is leading the search involving internal and external candidates for this role.</p> <p>A SID specification is being developed that balances the replacement of existing knowledge with the ability to work well with the Chairman Designate, conduct robust Board evaluations, interact well with shareholders and be able to commit the necessary time to the role.</p> | <p>Vindi Banga, whose background and experience fulfilled the requirements of our SID specification was appointed as SID designate in September 2015 and will succeed Sir Deryck Maughan, our current SID, at the conclusion of our 2016 AGM.</p> |
| <p>Consideration should be given to reducing the size of the Board, if it is judged to have a strong enough composition and dynamic.</p> <p>This aspiration will be considered against a refreshed Board competence/skills matrix that is being used as part of the Board refreshment programme, and is linked to the company's strategy.</p> | <p>The Board has, on the recommendation of the Nominations Committee, agreed and is working towards an ideal Board size of around 12 directors.</p> |
| <p>Consideration should be given to enhancing the Non-Executive Director evaluation process.</p> <p>The Chairman Designate will lead this process and consider best practice techniques, such as a combination of annual individual and peer evaluations.</p> | <p>The Chairman concluded this review and agreed to introduce peer evaluation to further inform his annual review meetings with each Board director.</p> |

Board performance action points for 2016

The agreed action points arising from the 2015 Board evaluation review, internally facilitated by our Company Secretary, Victoria Whyte, against which progress will be disclosed in GSK's 2016 Annual Report, are set out below:

| Strategy | Executive succession and NED refreshment | Deep dives and sites visits | Shareholders | Board materials and logistics |
|---|---|--|---|--|
| <p>Assist newer Directors with additional background briefing materials ahead of debates on strategy.</p> <p>Arrange more regular discussion of medium and longer term strategy with fresh insights from different perspectives.</p> <p>Implement suggestions to further enhance the effectiveness of the annual Board & CET strategy meetings.</p> | <p>Further increase the focus on executive succession plans and ensure the effectiveness of the disaster recovery plan.</p> <p>Consider alternative suggestions for Non-Executive Director refreshment.</p> | <p>Consider further deep dives particularly on: R&D strategy and pipeline, product launches, US pricing, joint ventures, new business models and GMS.</p> <p>Consider holding one site visit to an operational site each year.</p> | <p>Review and look to further enhance how the company communicates with shareholders.</p> | <p>Continue the drive to make Board/Committee materials more concise and also effective in highlighting issues and concerns.</p> <p>Aim to have less presentation time and more time for discussion and debate at meetings.</p> <p>Allow for social time for Board members to get to know each other better given the number of new Board members.</p> |

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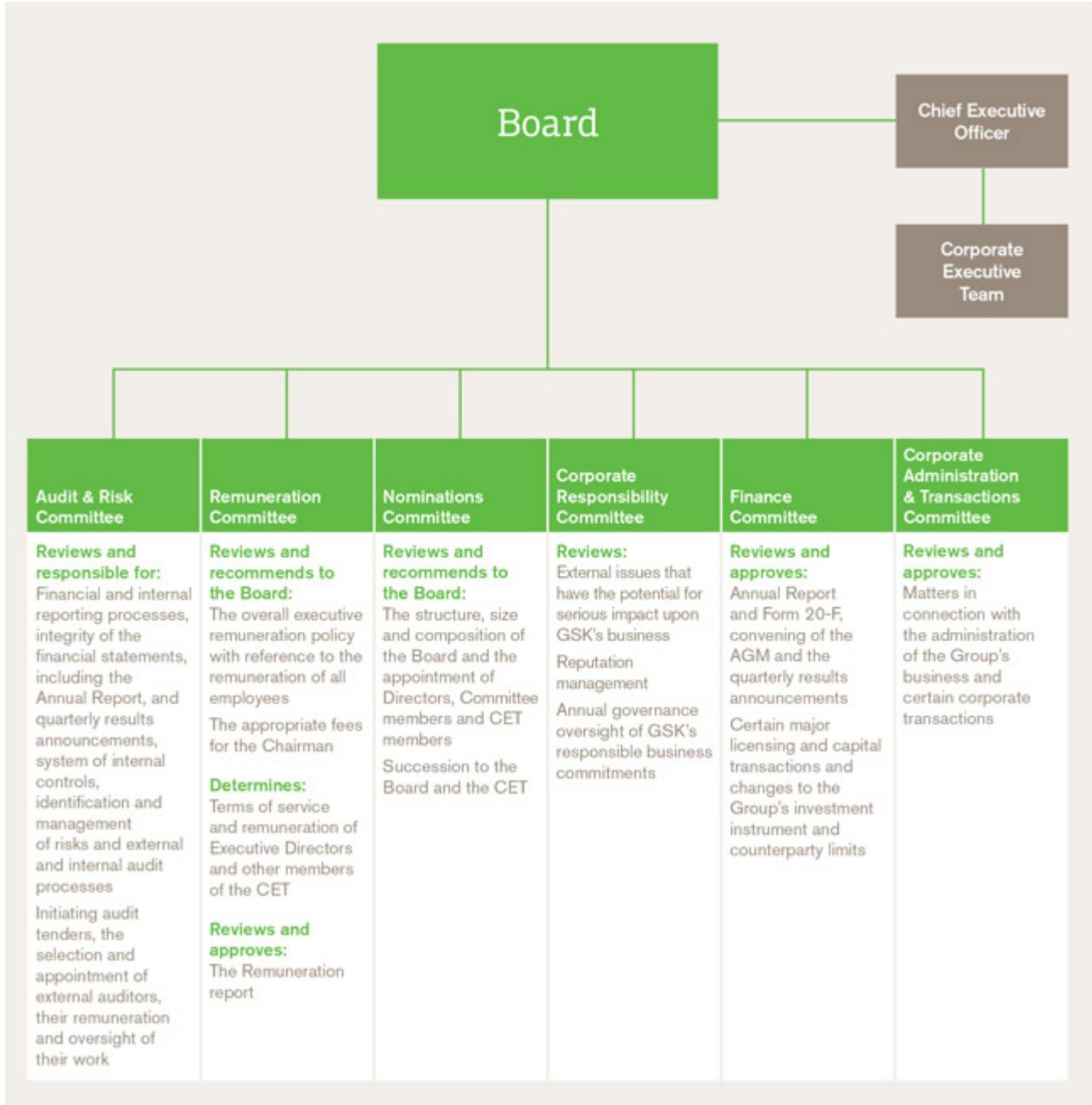
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Corporate governance framework

The Board has a coherent corporate governance framework with clearly defined responsibilities and accountabilities designed to safeguard and enhance long-term shareholder value and provide a robust platform to realise the Group's strategy to Grow, Deliver and Simplify. Our internal control and risk management arrangements, which are described on pages 16 to 17, and 85 to 86, are an integral part of GSK's governance framework.

Board Committees

For the Board to operate effectively and to give full consideration to key matters, Board Committees have been established by the Board. A summary of the role of each Board Committee is set out in the table below. The full terms of reference of each Committee are available on www.gsk.com and reports on the membership of, and work undertaken by, the Audit & Risk, Nominations, Corporate Responsibility and Remuneration Committees during 2015 are given on pages 88 to 126.



Leadership and effectiveness

| | |
|--|---|
| The Chairman | <p>The role of the Chairman is to lead and manage the business of the Board and to provide direction and focus, while ensuring that there is a clear structure for the effective operation of the Board and its Committees. He sets the agenda for Board discussions to promote effective and constructive debate and to support a sound decision-making process.</p> <p>Sir Philip Hampton, who succeeded Sir Christopher Gent as Chairman on 7 May 2015, works closely with the Chief Executive Officer, Sir Andrew Witty, to ensure that the strategies and actions agreed by the Board are effectively implemented. He also provides support and advice to Sir Andrew, while respecting his executive responsibility for managing the Group. The division of responsibilities between the Chairman and the CEO has been agreed by the Board and is set out in the governance section of our website.</p> <p>Sir Philip satisfied the FRC Code's independence test on his appointment to the Board, and is responsible to shareholders for the performance of the Group and leads discussions with them.</p> |
| Non-Executive Directors | <p>The Non-Executive Directors provide a strong, independent element on the Board. They are well placed to constructively challenge and support management and to shape proposals on strategy and succession planning. Between them, they bring independent judgement and a breadth of skills and experience gained at the most senior levels of international business operations and academia.</p> <p>Each Non-Executive Director has a letter of appointment which sets out the terms and conditions of his or her directorship.</p> <p>All our Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties. No precise timings are given as this will vary from year to year depending on the company's activities. They are expected to attend all Board meetings, and any additional meetings as required.</p> <p>The Board considers all of its Non-Executive Directors, including those with tenure of more than nine years, to demonstrate an appropriate degree of independence in character and judgement and to be free from any business or other relationship which could materially interfere with the exercise of their judgement. The independence and commitment of those Non-Executive Directors who have served on the Board for over six years was subjected to a rigorous review.</p> |
| Senior Independent Non-Executive Director | <p>Sir Deryck Maughan has been our Senior Independent Non-Executive Director (SID) since 1 May 2013. Sir Deryck's role is to act as a sounding board for the Chairman and a trusted intermediary for the other Directors. The SID also works on the process for the selection of a new Chairman, as appropriate, and chairs the Nominations Committee when agreeing the recommendation to the Board for the Chairman's successor.</p> <p>Sir Deryck maintains an understanding of the issues and concerns of our major shareholders through meetings with them and reports from our Investor Relations team and briefings from the Company Secretary on corporate governance issues.</p> <p>Vindi Banga will succeed Sir Deryck as SID when he retires from the Board after our AGM on 5 May 2016.</p> |
| CEO | <p>Sir Andrew is responsible for the management of the business, developing the Group's strategic direction for consideration and approval by the Board and implementing the agreed strategy. He is assisted by other members of the Corporate Executive Team (CET), which meets at least 11 times a year and more often if required. Short biographies of the members of the CET are given under 'Our Corporate Executive Team' on pages 78 to 79.</p> |
| Company Secretary | <p>The Company Secretary, Victoria Whyte, is a solicitor and a Fellow of the Institute of Chartered Secretaries and Administrators. Victoria was formerly Deputy Secretary and Secretary to the Remuneration Committee. She has acted as Secretary to the Board and all the Board's Committees since her appointment as Company Secretary on 1 January 2011.</p> <p>Victoria Whyte supports the Chairman in designing the induction for new Directors, in the delivery of our corporate governance agenda, in particular in the planning of agendas for the annual cycle of Board and Committee meetings, and in ensuring that information is made available to Board members on a timely basis. She advises the Directors on Board procedures and corporate governance matters, and arranges for the Non-Executive Directors to meet with investors to discuss aspects of our corporate governance</p> |

arrangements on request. She also arranges for them to attend internal management meetings and to make visits to our business operations to enhance their knowledge and understanding of the business.

During 2015, the Company Secretary responded to various consultations on the evolving global governance and corporate reporting agenda on behalf of the Group and engaged with shareholders to ensure they fully understood GSK's governance and remuneration arrangements.

At the request of the Chairman, she undertakes the evaluation of the Board and its Committees (in collaboration with the Committee Chairmen) in years when the evaluation is conducted internally.

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| Diversity Experience | |
|--|-----|
|  Scientific | 27% |
|  Finance | 27% |
|  Industry | 46% |

| International experience | |
|--------------------------|------|
| Global | 73% |
| US | 100% |
| Europe | 87% |
| EMAP | 60% |

| Composition | |
|---|-----|
|  Executive | 20% |
|  Non-Executive | 80% |
|  Male | 73% |
|  Female | 27% |

| Tenure (Non-Executives) | |
|-------------------------|-----|
| Up to 3 years | 42% |
| 3-6 years | 25% |
| 7-9 years | 8% |
| Over 9 years | 25% |

The Board

The Board met face to face six times in 2015, with each member attending as follows:

| | Board member since | Number of meetings attended |
|----------------------------|--------------------|-----------------------------|
| Sir Philip Hampton | 1 January 2015 | 6/6 |
| Sir Andrew Witty | 31 January 2008 | 6/6 |
| Simon Dingemans | 4 January 2011 | 6/6 |
| Dr Moncef Slaoui | 17 May 2006 | 6/6 |
| Sir Deryck Maughan | 1 June 2004 | 6/6 |
| Professor Sir Roy Anderson | 1 October 2007 | 6/6 |
| Vindi Banga | 1 September 2015 | 2/2 |
| Dr Stephanie Burns | 12 February 2007 | 6/6 |
| Stacey Cartwright | 1 April 2011 | 6/6 |
| Lynn Elsenhans | 1 July 2012 | 6/6 |
| Judy Lewent | 1 April 2011 | 6/6 |
| Dr Daniel Podolsky | 1 July 2006 | 6/6 |
| Urs Rohner | 1 January 2015 | 6/6 |
| Hans Wijers | 1 April 2013 | 5/6 |
| Sir Christopher Gent* | 1 June 2004 | 3/3 |
| Tom de Swaan* | 1 January 2006 | 3/3 |
| Jing Ulrich* | 1 July 2012 | 2/3 |

Dr Jesse Goodman was appointed as a Non-Executive Director with effect from 1 January 2016.

Each Board member that is seeking re-election at GSK's 2016 AGM attended all six scheduled Board meetings.

* These directors retired from the Board on 7 May 2015.

Board composition and diversity

We seek to build an effective and complementary Board, whose capability is appropriate for the scale, complexity and strategic positioning of our business. The process for Board appointments is led by the Nominations Committee and is described on pages 95 to 97.

We are mindful of the need to balance the composition of the Board and its Committees and to refresh them progressively over time so that we can draw upon the experience of longer

In addition to the scheduled meetings, the Board also met on a quorate basis on five occasions to consider corporate transactions, including the Novartis transaction.

Board induction

A number of new Non-Executive Directors have joined the Board during the year and have each undertaken Board induction programmes that commenced when they were each appointed.

The programme devised for our new Chairman, was based on the principles of the company's new Non-Executive Directors programmes outlined below. It was further customised to take account of his leadership role at GSK. A core element of this was individual meetings he held on a listening tour of GSK's major shareholders, to understand firsthand their views and perspectives on the Group, the company's strategy, leadership, business model, performance and trading environment.

His enhanced programme is set out in full on page 81 of GSK's 2014 Annual Report.

The induction programmes for Urs Rohner, Vindi Banga and Dr Jesse Goodman have been:

- Individually designed and facilitated:** by the Chairman and the Company Secretary.
- Designed with the purpose:** to orientate and familiarise them with our industry, organisation, governance and our strategy to Grow, Deliver & Simplify.
- Customised:** to take account of their respective experience, different geographical backgrounds and business perspectives, in light of the particular roles they would perform and the Committees on which they would serve.

Key elements of the induction programmes including one-to-one briefings, "teach-in" sessions and site visits undertaken by Urs Rohner, Vindi Banga and Dr Jesse Goodman are set out below:

- **Executive Directors** to discuss GSK's strategic, financial and R&D priorities.
- **CET members** to cover our principal Pharmaceuticals, Consumer Healthcare and Vaccines businesses, together with the R&D and GMS organisations that underpin our operating model.

servicing Directors, while tapping into the new external perspectives and insights which more recent appointees bring to the Board's deliberations.

Non-Executive Directors are drawn from a wide range of industries and backgrounds, including pharmaceutical and healthcare, medical research and academia, and retail, insurance and financial services, and have appropriate experience of complex organisations with global reach. Some have considerable experience of the pharmaceutical industry and the more recent appointees bring a new approach to the Group, and to Board discussions.

The Board's diversity policy is set out on page 97 and for details of the gender diversity of GSK's global workforce, see page 47.

- **Other senior executives** to cover our core operations such as Strategic Development, Finance, Tax, Treasury, Audit and Assurance, HR, Investor Relations and Global Ethics and Compliance.
- **Site visits** to our GMS, Vaccines, and R&D facilities.
- **Investor meetings** which have been particularly customised for Vindi Banga in his role of SID.
- **CIA** each new Director receives two hours of training on our CIA obligations.

Board, business awareness and training

To ensure that our Non-Executive Directors develop and maintain a greater insight and understanding of the business, they are invited to attend internal management meetings, including meetings of the CET, the Research & Development Executive (RADEX), the Product Executive, the Scientific Review Board, the Portfolio Investment Board, the US Commercial Accountability Board and the Risk Oversight and Compliance Council (ROCC). They also meet employees informally during visits to the Group's operations and at receptions held around Board meetings.

The Chairman also meets with each Director annually on a one-to-one basis to discuss his or her ongoing training and development requirements. The Board is kept up-to-date on legal, regulatory and governance matters through regular papers from the Company Secretary and presentations by internal and external advisers.

The Board members undertook specific refresher training on, and under the provisions of, the CIA in March 2015. Each new Board member is required, as part of his or her induction programme, to receive comprehensive training on the CIA. Philip Hampton and Urs Rohner, in January 2015, Vindi Banga, in September 2015, and Jesse Goodman, in January 2016 have each taken part in such a training session as part of their induction programmes.

2015 Internal evaluation of the Board

The Board carries out an evaluation of its performance and that of its Committees every year and the evaluation is facilitated externally every third year. The progress of the Board against the agreed action points of the 2014 evaluation, which was externally facilitated by Dr Tracy Long of Boardroom Review Limited, are disclosed on page 81.

The 2015 Board and Committees evaluation process was conducted internally by the Secretary, at the request of the Chairman and the CEO, who:

- prepared surveys that were completed by Board members and held interviews with each Director;
- discussed the outcomes and recommendations with the Chairman; and
- following discussion with the Board as a whole, identified areas for improvement as agreed by the Board.

Amongst the areas reviewed were Board oversight issues, shareholders and other stakeholder relationships, Board culture and how it balances challenge and support, ethics, strategy and priorities.

The Board is viewed by all members as effective, strong and well able and equipped to navigate the challenges ahead. The action points arising from the 2015 evaluation are disclosed on page 81.

Chairman and Non-Executive Director evaluation

The Senior Independent Non-Executive Director (SID) sought feedback on the Chairman's performance and

Accountability

Internal control framework

The Board recognises its responsibilities to present a fair, balanced and understandable assessment of the Group's position and prospects. The Board has accountability for reviewing and approving the effectiveness of internal controls operated by the Group, including financial, operational and compliance controls, and risk management.

The GSK Internal Control Framework (the Framework) is the means by which GSK assures compliance with laws and regulations, the reliability of financial reporting and the effectiveness of risk management. The Framework assists in the ongoing process of the Board's identification, evaluation, and management of the company's Principal Risks as required by the FRC's Code, and is designed to manage rather than eliminate the risk of not achieving business objectives. A fit-for-purpose internal control framework, in conjunction with embedding the GSK Values and our 'Speak Up' reporting lines, ensures that our Principal Risks are actively and effectively controlled. For more information see 'Our approach to risk' on pages 16 to 17.

The Framework is designed to ensure the risks associated with conducting our business activities are effectively controlled in line with GSK's risk appetite. We believe the Framework provides reasonable, but not absolute, assurance against material misstatement or loss.

To ensure effective governance and an ethical culture, GSK has established the Risk Oversight and Compliance Council (ROCC). This team of senior leaders is authorised by the Board to assist the Audit & Risk Committee (the Committee) in overseeing risk management and internal control activities. It also provides the business with a framework for risk management, upward reporting of significant risks, GSK Values and policies. Each business unit and global support function has a risk board structure which reports to the ROCC. These Risk Management and Compliance Boards (RMCB) are responsible for local 'tone from the top', risk management and internal controls.

The ROCC and the RMCBs are assisted by Global Ethics and Compliance (GEC), which is responsible for supporting risk management and the development and implementation of practices that facilitate employees' compliance with laws and policy. GEC also provides assistance to help employees meet high ethical standards by operating in accordance with our Values, and to comply with applicable laws and regulations and corporate responsibility.

GSK's Audit & Assurance (A&A) provides an objective view (i.e. assurance) to senior management and the Board of how risk is being managed across the Group in line with an agreed Assurance Plan. This assurance helps them meet their oversight and advisory responsibilities in fulfilling our strategic and operational ambitions and building trust with our patients and other stakeholders. A&A has a dual reporting line into the CFO and the Committee.

canvassed views on the Chairman's performance from the Non-Executive Directors collectively. The results of the Chairman's effectiveness review were then discussed by the Chairman and the SID.

The Chairman met with each Non-Executive Director to discuss individual contributions and performance, together with training and development needs. He also shares peer feedback that is provided as part of the evaluation process. In addition, the Chairman met with all the Non-Executive Directors independently of the Executive Directors.

The Committee receives reports from Business Unit Heads, GEC and A&A on areas of significant risk to the Group and on related internal controls. These reports provide summaries of changes to the control environment within each Principal Risk area. Following consideration of these reports, the Committee reports annually to the Board on the effectiveness of controls.

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The Board, through the Committee, has conducted a robust assessment of the Group's Principal Risks and the Framework, and has considered the effectiveness of the system of internal controls in operation across the Group for the year covered by this Annual Report and up to the date of its approval by the Board. The Board's review focuses on the company and its subsidiaries and does not extend to material associated undertakings, joint ventures or other investments, although it considers the risk of the company's participation in these activities. There are established procedures and controls in place to identify entities whose results must be consolidated with the Group's results.

We believe the process followed by the Board, through the Committee, in reviewing regularly the system of internal controls and risk management arrangements is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC. These ongoing review and monitoring arrangements were expanded during the year to include the impact of the Novartis transaction that closed on 2 March 2015. For further details see page 88.

This is in accordance with the provisions of the FRC's Code, which provide that the Board is responsible for determining the nature and extent of the Principal Risks it is willing to take in achieving its strategic objectives. The Board provides oversight to help ensure that the Group maintains sound risk management and internal control systems. The Framework has been in operation for the whole year and continues to operate up to and beyond the date of the approval of this Annual Report.

A review of the Group's risk management approach is further discussed in 'Our approach to risk' section of the Strategic Report on pages 16 to 17. Our management and mitigation of each Principal Risk is explained in 'Principal risks and uncertainties' on pages 231 to 240. The Group's viability is discussed in the Group financial review section of the Strategic report on page 52.



Remuneration

Our Remuneration report comprises the Remuneration Committee Chairman's annual statement and the annual report on remuneration and is set out on pages 102 to 126. In addition, we have produced a summary of the shareholder approved Remuneration policy report, which is set out on pages 127 to 128.

Relations with shareholders

We work to engage effectively with shareholders through our regular communications, the AGM and other investor relations activities.

It has been a particularly busy year in terms of shareholder engagement, in what has been a transformational year for the company as a result of the Novartis transaction. In addition to the continuous dialogue the CEO and CFO maintain with institutional shareholders, in which they held 40 individual meetings and hosted 13 group events, there has been a number key shareholder engagement events during the year, including:

- the new Chairman undertaking a listening tour of our institutional investors to understand firsthand their views and perspectives on the issues and challenges facing the industry and GSK;
- holding an Investor Day in May 2015, at which the CEO and the leaders of our Pharmaceuticals, Vaccines and Consumer Healthcare businesses outlined the strategic proposition for the reshaped Group and profiled the medium to long-term shape and opportunities for GSK;
- holding an R&D event in November 2015, at which the CEO and leaders of our R&D Pharmaceuticals and Vaccines businesses profiled 40 potential new medicines and vaccines that offer significant opportunity to drive long-term performance and deliver new benefits to patients and consumers; and also
- holding our annual investors meetings in November 2015, at which the new Chairman and Remuneration Committee Chairman, the Audit & Risk Committee Chairman, our SID and Company Secretary discussed corporate governance and remuneration matters with our institutional investors.

Committee reports

The reports of the Audit & Risk, Nominations and Corporate Responsibility Committees, describing the activities of those Committees during the year, are set out on pages 88 to 99.

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Audit & Risk Committee Report



Dear Shareholder

During 2015, the Committee's agenda has continued to be built around the usual review of our financial results and ensuring the ongoing effectiveness of the company's internal control and risk management arrangements. This year, however, it has also had a particular focus on the impact of the Novartis transaction that we closed on 2 March 2015. The transaction resulted in very material change in all three of our core businesses and has required significant integration and restructuring efforts to embed the acquired businesses in Vaccines and Consumer and extract the oncology marketed products from Pharmaceuticals. Regular reviews were held by the Committee to ensure that our control framework and reporting requirements were being maintained throughout.

In addition, the Committee has continued to monitor the Group's key ongoing transformation and simplification programmes including, in particular, those in our Global Support Functions where we are continuing to simplify our operating model through programmes such as Finance Transformation as well as undertaking major upgrades to the Group's systems and global processes, including core ERP, HR and supply chain platforms. The Committee has also regularly reviewed the Group's cyber security and the progress of our Infoprotect programme which is designed to address this risk specifically.

New standards introduced into the FRC's Code for 2015 have required additional focus from the Committee this year to ensure our compliance with these requirements. Probably the most significant change this year has been the new requirements relating to the company's viability which we report on for the first time on page 52.

Finally, the Committee has approved the formal commencement of an audit tender in the autumn of 2016 that will result in a new audit firm replacing PricewaterhouseCoopers LLP (PwC) at the beginning of 2018. This is a significant and important step for the Committee and the Board and more details on the audit tender process, its governance and timescales can be found on page 92.

Internal framework for control and risk management

The enhancements made to our internal control framework have helped to build a stronger culture of compliance and

The following Centres of Excellence have been established:

- **Global Risk Office** has accountability for strengthening risk management by standardising methodology around managing our Principal Risks, including our combined ABAC and Third Party risk programme, as well as identifying emerging risks through scanning the external and internal environment, and serving as the steward of our internal control framework model by proactively communicating and monitoring effective implementation.
- **Strategy, Planning and Operations** has accountability for ensuring our global system of governance is embedded by maintaining and proactively delivering standards, policies, training and our values assurance programme throughout GSK.
- **Investigations & Independent Business Monitoring** offers three tiers of service, delivered via regional hubs, to provide a consistent framework for delivering effective Independent Business Monitoring which is also aligned to GSK's Values.

Other related initiatives overseen by the Committee included:

- Improved coordination of our investigatory efforts through the establishment of an Enterprise Investigations Committee to accelerate the management of 'Speak-Up', Anti-Bribery and Corruption (ABAC) and Computer Security Incident Response issues, assign issues for investigation as appropriate, and enable greater collaboration across GEC, Legal, HR and our Computer Security Response teams.
- Monitoring progress in implementing the programme of actions underway to enhance the control of our ABAC risk and ultimately incorporate ABAC requirements into regular business practices. Employee and management accountability was further improved in 2015 through the establishment of a network of ABAC owners within the business units, broadening of ABAC training and communications across the enterprise, the introduction of periodic certifications, the reinforcement of the linkage between GSK Values and performance, and the implementation of a new policy on senior management financial recoupment.
- Completion of General Manager (GM) Confirmations of the operation of our internal control framework for all markets in the Pharmaceuticals and Vaccines businesses, excluding the US which has a different system of review. This was completed in 2015. The assessment process has become an annual process and now operates a standardised and consistent approach. Output from these reviews has been consolidated to provide a clearer view of current trends, assist with the identification of potential gaps and facilitate the sharing of good practices. In 2016, Consumer Healthcare will implement a similar process for GM Confirmation of the operation of our internal control framework for key risks and minimum controls.

Novartis integration

enable a multi-faceted approach to strengthening controls around each of our Principal Risks. During 2015, extensive training and communications were implemented across our compliance functions, and in turn, with key risk groups in each of our business units. This progress has been supported by our Global Ethics and Compliance (GEC) function. The activities of GEC were re-organised and enhanced during 2015 to put in place a network of experts sitting in Centres of Excellence that manage the key elements of our Principal Risks and internal control framework. This new governance model is designed to standardise, prioritise and drive integrated compliance controls across each of our Principal Risks.

Oversight of the Novartis transaction has been a key priority for the Committee, given the importance of the success of the transaction to the Group. The Committee has received regular reports and presentations on the integration and management of the acquired Novartis businesses from an operational, internal control accounting and risk management perspective both in the run up to the close of the transaction in March 2015 and regularly throughout the year as the integration and associated restructuring programmes began to be implemented. In addition, on-boarded Novartis employees have successfully completed the mandatory training on our Code of Conduct, ABAC, and Corporate Integrity Agreement obligations.

Global Support Function simplification programmes

The Committee has continued to review regularly the multi-year programmes underway to simplify our support functions and standardise our operating model around new and upgraded platforms. These programmes are now well established but are at a peak of activity currently as the new platforms and processes are rolled out across the Group, compounded by the additional requirements to integrate the former Novartis businesses into the Group's operating and reporting infrastructure. Significant progress has been reported with the completion of new global HR and supply chain forecasting systems and multiple cut overs of local operating companies onto the new ERP platform delivered during the year with targeted control levels maintained throughout. The Committee has also paid particular attention to the parallel transformation programmes underway in a number of the support functions, especially the Finance Transformation initiative, to ensure that controls and reporting requirements are not affected.

InfoProtect

The Committee continues to keep the multi-year programme to enhance, secure and strengthen our cyber security defences under close scrutiny. As part of this review process a cyber security report is submitted by the Chief Information Security Officer to each scheduled meeting and we were pleased that a number of key risk reduction initiatives were delivered during the year.

UK Corporate Governance Code

Following the issue of FRC's updated Code and associated Guidance that came into effect for the 2015 financial reporting year, the Committee has devoted time to satisfying itself that our internal control and risk management arrangements and monitoring practices accord with these new enhanced requirements. A particular area of investment during the year was the development and recommendation to the Board of a new viability statement, which examines the company's longer term solvency and viability and is set out on page 52. We agreed the analytical and assurance work by management that underpins the statement and considered that three years was an appropriate timeframe on which to base an assessment of long-term viability as it aligns with our regular business planning period. The Committee also reviewed the outcome of the stress testing performed by management and recommended that the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of the assessment.

The Committee will continue its work to encourage and support further enhancements to the Group's internal controls and audit assurance arrangements. In addition, I look forward to reporting the conclusion of our external audit tender process and to explaining how the plan to manage the transition from PwC to our new auditor will operate.

Judy Lewent

Audit & Risk Committee Chairman

Membership and attendance

The membership of the Committee, together with appointment dates and attendance at meetings, is set out below:

| Members | Committee member since | Attendance at full meetings during 2015 |
|---|------------------------|---|
| Judy Lewent (Chairman from 1 January 2013) | 1 April 2011 | 6/6 |
| Vindi Banga | 1 January 2016 | 0/0 |
| Lynn Elsenhans | 1 January 2014 | 6/6 |
| Stacey Cartwright | 1 April 2011 | 6/6 |
| Sir Deryck Maughan | 21 January 2005 | 6/6 |
| Dr Daniel Podolsky | 1 January 2007 | 6/6 |
| Tom de Swaan* | 1 January 2006 | 2/3 |
| Jing Ulrich* | 1 May 2013 | 2/3 |

* Tom de Swaan and Jing Ulrich both retired from the Board on 7 May 2015.

In addition to the six scheduled meetings, the Committee also met on a quorate basis on six occasions to review or approve matters associated with the Annual Report and Form 20-F, and preliminary and quarterly results announcements.

Details of the members' financial, accounting or scientific experience and expertise are given in their biographies under 'Our Board' on pages 74 to 77.

The Company Secretary is Secretary to the Committee and attends all meetings. The entire Board is invited to attend the Committee meetings and other attendees include:

| Attendee | Regular attendee | Attends as required |
|--------------------------------------|------------------|---------------------|
| General Counsel | ✓ | |
| Financial Controller | ✓ | |
| Head of Audit & Assurance | ✓ | |
| Head of Global Ethics and Compliance | ✓ | |
| Chief Medical Officer | ✓ | |
| Chief Product Quality Officer | | ✓ |
| External auditor | ✓ | |

In accordance with the FRC's Code, the Board has determined that Stacey Cartwright and Judy Lewent both have recent and relevant financial experience. The Board has also agreed that Stacey Cartwright and Judy Lewent have the appropriate qualifications and background to be audit committee financial experts as defined by the US Sarbanes-Oxley Act of 2002, and has determined that each is independent within the meaning of the US Securities Exchange Act of 1934, as amended.

In addition, Vindi Banga, Judy Lewent, Sir Deryck Maughan are also members of the Remuneration Committee, which allows them to provide input on the Committee's review of the Group's performance and oversight on any risk factors relevant to remuneration matters.

16 March 2016

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Principal activities and matters addressed during 2015

| Month | Financial reporting | Global internal control & compliance | External auditors | Risk | Governance and other matters |
|----------|---|---|--|---|---|
| January | <ul style="list-style-type: none"> Integrity of draft financial statements and appropriateness of accounting policies Draft 2014 Annual report and Form 20-F and annual summary leaflet | <ul style="list-style-type: none"> Review 2014 risk management and internal control report Litigation report Corporate Integrity Agreement (CIA) update reports Review annual Audit and Assurance Plan and report | <ul style="list-style-type: none"> Assessment of external auditors, effectiveness of external audit process Re-appointment of auditors proposed for approval at AGM External auditor year-end audit findings Audit/non-audit expenditure during 2014 | <ul style="list-style-type: none"> China investigations and ABAC update Emerging risk review Global Support Functions – change programme impacts ROCC meeting update Novartis transaction update | <ul style="list-style-type: none"> Compliance with FRC's Code Corporate Governance update Committee evaluation Private meetings with the external auditors, Head of Audit and Assurance respectively Committee members met privately |
| February | <ul style="list-style-type: none"> Going concern assumptions Preliminary results announcement Directors expenses Approval of 2014 Annual Report and 20-F and annual summary leaflet | <ul style="list-style-type: none"> Sarbanes-Oxley compliance confirmation | <ul style="list-style-type: none"> Audit/non-audit expenditure during 2014 External auditor Sarbanes-Oxley control findings External auditor Annual Report and Form 20-F findings | | |
| March | | <ul style="list-style-type: none"> Approach on Sarbanes-Oxley compliance for 2015 Litigation report CIA update reports Global Ethics and Compliance report Global Pharma business unit report | <ul style="list-style-type: none"> Performance expectations for external auditors | <ul style="list-style-type: none"> China investigations and ABAC update Emerging risk review Commercial Practices Enterprise Risk Vaccines update ROCC meeting update Novartis transaction update | <ul style="list-style-type: none"> Audit and Assurance rating system Private meeting with the external auditors Committee members met privately |
| May | <ul style="list-style-type: none"> 1st quarter results announcement | <ul style="list-style-type: none"> Litigation report Consumer Healthcare & GMS business unit reports | <ul style="list-style-type: none"> External auditor 1st quarter results review findings External audit plan and fee proposal for 2015 | <ul style="list-style-type: none"> China investigations and ABAC update Novartis transaction update ERP annual update ROCC meeting update Emerging risk review | <ul style="list-style-type: none"> Private meeting with the external auditors Committee members met privately |
| July | <ul style="list-style-type: none"> Going concern assumptions and Viability Statement approach 2nd quarter results announcement Review of accounting issue development impacts | <ul style="list-style-type: none"> Litigation report CIA update reports Assessment of key internal control by principal risk Vaccines business unit report | <ul style="list-style-type: none"> External auditor 2nd quarter results review findings | <ul style="list-style-type: none"> China investigations and ABAC update ROCC meeting update Cyber security report Emerging risk review Novartis transaction update EHS&S & Third Party Oversight (TPO) Enterprise Risks Treasury, Tax, Pensions and Insurance risk | <ul style="list-style-type: none"> Corporate Governance update, including FRC Code changes Private meeting with the external auditors Committee members met privately |
| October | <ul style="list-style-type: none"> 3rd quarter results announcement | <ul style="list-style-type: none"> Litigation report CIA update reports Operational Excellence | <ul style="list-style-type: none"> External auditor 3rd quarter results review findings | <ul style="list-style-type: none"> ABAC update ROCC meeting update | <ul style="list-style-type: none"> FRC Code and guidance changes Private meeting with |

| | | | | | |
|---------------------------|---|---|--|---|--|
| Strategic report | | update ▪ R&D business unit report | ▪ Novartis 2015 external audit plan | ▪ Cyber security report ▪ Emerging risk review ▪ Novartis transaction update ▪ Scientific Engagement, Patient Safety, Product Quality and TPO Enterprise Risks | the external auditors ▪ Committee members met privately |
| Governance & remuneration | December ▪ Viability Statement update ▪ Management report on accounting issues and appropriateness of accounting policies | ▪ Litigation report ▪ CIA update reports ▪ Global Support Functions business unit report ▪ Internal Control Framework assessment | ▪ External Audit Phase 1 results and Annual Report disclosure requirements ▪ Pre-approval of external auditor budget for non-audit services in 2016 ▪ Update on 2015 external auditor fees and budget ▪ Audit tender review | ▪ ABAC update ▪ Cyber security report ▪ ROCC meeting update ▪ Novartis transaction update ▪ Emerging risk review ▪ Information protection ▪ Terrorism risk assessment | ▪ Private meetings with the external auditors and the Corporate Compliance Officer respectively ▪ Corporate Governance Disclosures ▪ Committee members met privately |
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Committee's financial reporting activities

In respect of financial reporting activities, the Committee reviews and recommends to the Board for its approval all financial results announcements. In considering the quarterly financial results announcements and the financial results contained in the 2015 Annual Report, the Committee reviewed the significant issues and judgements made by management in determining those results. The Committee reviewed papers prepared by management setting out the key areas of risk, the actions undertaken to quantify the effects of the relevant issues and the judgements made by management on the appropriate accounting required to address those issues in the financial statements.

Significant issues relating to the financial statements

The significant issues considered in relation to the financial statements for the year ended 31 December 2015 are set out in the following table, together with a summary of the financial outcomes where appropriate. In addition, the Committee and the external auditors have discussed the significant issues addressed by the Committee during the year and the areas of particular audit focus, as described in the Independent Auditor's Report on pages 131 to 137.

| Significant issues considered by the Committee in relation to the financial statements | How the issue was addressed by the Committee |
|---|--|
| Going concern basis for the preparation of the financial statements | The Committee considered the outcome of management's half-yearly reviews of current and forecast net debt positions and the various financing facilities and options available to the Group. Following a review of the risk and potential impact of unforeseen events, the Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate. |
| Revenue recognition, including returns and rebates (RAR) accruals | The Committee reviewed management's approach to the timing of recognition of revenue and accruals for customer returns and rebates. The US Pharmaceuticals and Vaccines accrual for returns and rebates was £1.5 billion at 31 December 2015 and the Committee reviewed the basis on which the accrual had been made and concurred with management's judgements on the amounts involved. A fuller description of the process operated in the US Pharmaceuticals and Vaccines business in determining the level of accrual necessary is set out in 'Critical accounting policies' on page 70. |
| Provisions for legal matters, including investigations into the Group's commercial practices | The Committee received detailed reports on actual and potential litigation from both internal and external legal counsel, together with a number of detailed updates on investigations into the Group's commercial practices. Management outlined the levels of provision and corresponding disclosure considered necessary in respect of potential adverse litigation outcomes and also those areas where it was not yet possible to determine if a provision was necessary, or its amount. At 31 December 2015, the provision for legal matters was £0.4 billion, as set out in Note 29 to the financial statements, 'Other provisions'. |
| Provisions for uncertain tax positions | The Committee considered current tax disputes and areas of potential risk and concurred with management's judgement on the levels of tax contingencies required. At 31 December 2015, the Group's balance sheet included a tax payable liability of £1.4 billion. |
| Impairments of intangible assets | The Committee reviewed management's process for reviewing and testing goodwill and other intangible assets for potential impairment. The Committee accepted management's judgements on the intangible assets that required writing down and the resulting impairment charge of £217 million in 2015. See Note 19 to the financial statements, 'Other intangible assets' for more details. |
| Valuation of contingent consideration in relation to ViiV Healthcare | The Committee considered management's judgement that following the further improved sales performance of <i>Tivicay</i> and <i>Triumeq</i> , it was necessary to increase the liability to pay contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture. At 31 December 2015, the Group's balance sheet included a net contingent consideration liability of £3.4 billion. See Note 38 to the financial statements, 'Acquisitions and disposals' for more details. |
| Novartis transaction items including Vaccines | The Committee received regular reports throughout the year on the progress of the Novartis transaction. The Committee reviewed the basis of the valuation of the assets and liabilities |

**contingent consideration and
Consumer Healthcare put
option**

acquired from Novartis, and in particular, the calculations of the liabilities for the Vaccines contingent consideration and the Consumer Healthcare put option. The Committee concurred with management's judgements on the amounts to be recognised.

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Audit tendering

PwC has been the auditor of the company and the Group since the inception of each in 2000. Their performance has been reviewed annually and audit partner rotation requirements have been observed. During this time, the Directors have not sought to tender PwC's contract. As a result of the UK's implementation of the EU's mandatory firm rotation requirements, the company is required to replace PwC with another auditor no later than for the financial year commencing 1 January 2021.

In January 2015, when the Committee, as usual, reviewed PwC's performance for the previous year and recommended their reappointment for a further year, it also considered whether to initiate or defer an external audit contract tendering process. The Committee agreed that given the level of change that was being experienced in the business, it was not appropriate to put the audit out to tender in 2015. However, having reviewed the relative merits of conducting a tender and the recent changes in regulations in this area, the Committee considered that it was in the best interests of shareholders to plan to undertake a tender process in the second half of 2016.

It would target appointing the new auditor with effect from 1 January 2018, which would coincide with the end of the current PwC partner's five year tenure as the Group audit engagement leader. If the company was to reappoint PwC from 1 January 2018, a new PwC Partner would need to be appointed and PwC would still be required to rotate after the 2020 audit. Consequently, PwC will not be asked to participate in the anticipated tender exercise in the second half of 2016.

Audit tender governance

In December 2015, the Committee agreed that, to achieve the move to a new audit firm to take over the audit for the 2018 financial year, an audit contract tender be conducted in the autumn of 2016. A final recommendation by the Committee of at least two audit firms with a preference expressed for the appointment of one of those firms is anticipated to be made in December 2016 for final approval by the Board by the end of 2016. The Committee will direct and supervise the tender process and has agreed the implementation of a robust audit tender governance structure to deliver a successful audit contract tender process with minimal disruption to the Group. The main elements of this governance structure are as follows:



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Ongoing effectiveness and quality of external audit process

The Committee is committed to ensuring on an ongoing basis that GSK receives a high quality and effective audit. In evaluating the effectiveness of the audit process prior to making a recommendation on the re-appointment of the external auditor, the Committee reviews the effectiveness of their performance against criteria which it agrees, in conjunction with management, at the beginning of each year's audit.

The cycle of activities the Committee typically undertakes each year to satisfy itself of external audit quality and effectiveness, together with their timelines, is set out below.



The detailed criteria the Committee uses for judging the effectiveness of the external auditor and their overriding responsibility to deliver a smooth running, thorough and efficiently executed audit are set out below:

| Performance expectations for GSK's external auditor | |
|---|--|
| Specific auditor responsibilities | Wider auditor responsibilities |
| <ul style="list-style-type: none"> Discuss approach and areas of focus in advance with early engagement on understanding the implications of GSK's new operating model Ensure Sarbanes-Oxley scope and additional procedures are discussed and endorsed by management and communicated on a timely basis within GSK and PwC Avoid surprises through timely reporting of issues at all levels within the Group Ensure there is clarity of roles and responsibilities between the auditor and local management Respond to any issues raised by management on a timely basis Meet agreed deadlines Provide continuity and succession planning of key employees of the auditor Provide sufficient time for management to consider draft auditor reports and respond to requests and queries | <ul style="list-style-type: none"> Provide up-to-date advice on the new viability statement requirement Provide up-to-date knowledge of technical and governance issues, providing accurate and timely advice Serve as an industry resource; communicating best practice and industry trends in reporting Adhere to all independence policies (including GSK's policies, the Financial Reporting Council's ISA 240 and applicable Securities and Exchange Commission standards) Deliver a focused and consistent audit approach globally that reflects local risks and materiality Liaise with GSK's Audit & Assurance team to avoid duplication of work and Global Ethics and Compliance team to ensure common understanding of audit outcomes Provide consistency of advice at all levels of the organisation Ultimately provide a high quality service to the Board, be |

- Employ consistent communication between local and central audit teams.

scrupulous in their scrutiny of the Group and act with utmost integrity.

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Non-audit services

The Sarbanes-Oxley Act of 2002 prohibits the engagement of the external auditor for the provision of certain services such as legal, actuarial, internal audit outsourcing or financial information systems design. Where the external auditor is permitted to provide non-audit services (such as audit-related, tax and other services), the Committee ensures that auditor objectivity and independence are safeguarded by a policy requiring pre-approval by the Committee for such services. There were no contractual or similar obligations restricting the Group's choice of external auditor.

All non-audit services over £50,000 are put out to competitive tender with financial service providers other than the external auditor, in line with the Group's procurement process, unless the skills and experience of the external auditor make them the most suitable supplier of the non-audit service under consideration, in which case a request for proposal is submitted by the relevant CET member to the CFO for approval. Non-audit services spending is monitored by the Committee on a quarterly basis and discussed with the Committee Chairman.

The following policy guidelines on engaging the external auditor to provide non-audit services are observed:

- ascertaining that the skills and experience of the external auditor make them a suitable supplier of the non-audit services;
- ensuring adequate safeguards are in place so that the objectivity and independence of the Group audit are not threatened or compromised; and
- ensure that the total fee levels do not exceed 50% of the annual audit fee, except in special circumstances where there would be a clear advantage in the company's auditor undertaking such additional work.

Fees paid to the company's auditor and its associates are set out below. Further details are given in Note 8 to the financial statements, 'Operating profit'.

Where possible, other accounting firms are engaged to undertake non-audit services.

Fair, balanced and understandable assessment

One of the key compliance requirements of a group's financial statements is for the Annual Report to be fair, balanced and understandable. The coordination and review of Group-wide contributions into the Annual Report follows a well established and documented process, which is performed in parallel with the formal process undertaken by the external auditor.

The Committee received a summary of the approach taken by management in the preparation of GSK's 2015 Annual Report to ensure that it met the requirements of the FRC's Code. This enabled the Committee, and then the Board, to confirm that GSK's 2015 Annual Report taken as a whole is fair, balanced and understandable.

Code of Conduct and reporting lines

We also have a number of well established policies, including a Code of Conduct, which is available on the governance section of our website, and confidential 'Speak Up' reporting lines for the reporting and investigation of unlawful conduct. An updated version of the Code of Conduct was published in January 2014.

CMA Order 2014 Statement of compliance

The Committee confirms that during 2015 the company has complied with the mandatory audit processes and audit committee responsibilities provisions of the Competition and Markets Authority Statutory Audit Services Order 2014, as outlined in this report which describes the work of the Committee in discharging its responsibilities.

Committee evaluation

The Committee's annual evaluation was internally facilitated by the Company Secretary, and supplemented by a questionnaire circulated to Committee members on behalf of the Committee Chairman. It was concluded that the Committee continued to operate effectively. In terms of enhancements to the Committee's deliberations the following improvement points were agreed:

- Continue to improve on paper content and focus, ensuring brevity throughout;
- Further increase the focus on setting, monitoring and adjusting risk appetite;
- Incorporate the new Risk Oversight Compliance Council reporting updates on new and emerging issues into the Committee's agenda, to aid anticipation of potential risk and audit issues; and
- Consider the division of meetings into two halves, focusing on traditional financial and audit related matters for Committee members only, and risk, litigation and serious issues facing the Group. The Committee subsequently debated the organisation of its meetings and agreed that all Board members wished to continue to attend the entire meeting.



* The fee for audit and assurance services in 2015 includes £7.5 million arising from the Novartis transaction and the subsequent increase in complexity of the Group. Approximately half of this is expected to be recurring.

Nominations Committee Report



Philip Hampton
Nominations Committee
Chairman

Dear Shareholder

One of the first key priorities when I joined the Board at the start of the year was to succeed Sir Christopher Gent as Nominations Committee Chairman. Last year was a year of significant transition and this meant that I could focus immediately on tailoring the refreshment of the Board in line with the:

- agreed principles and actions set out in Dr Tracy Long's 2014 external evaluation review; and
- requirements of the reshaped Group to create and maximise the long-term value of the Novartis transaction to shareholders.

The Nominations Committee (the Committee) has had a busy year and has made good progress towards its aim of first considering Board size and composition and then replacing a number of planned retirements for Non-Executive Board members and addressing identified skills gaps. The Committee has also focused on effective management succession of executive management. Progress in respect of these elements is set out below.

Board size and composition

A central element of the current Board refreshment programme was the consideration of the most appropriate size and composition for the Board given the scale, complexity and strategic positioning of the business. In performing this analysis, the Committee used an enhanced Board competence and experience matrix linked to the company's strategy and underpins the Board refreshment programme. We are making good progress in identifying an ideal future size of the Board, which is likely to see a reduction in the second half of 2016. As part of this analysis, the Committee has also factored the increased target of 33% size in female representation by 2020 as outlined by Lord Davies in his final 'Women on Boards' report published in October 2015.

CEO and management succession

The Committee has continued to scrutinise the robustness of succession planning arrangements for the Executive Directors and each executive management role, together with the adequacy of the pipeline of leadership talent below the CET. After what will have been nearly 10 years as CEO, Sir Andrew has indicated to the Board his intention to retire

Senior Independent Director (SID) succession

Sir Deryck Maughan has brought his own style to the role of SID, discharging its responsibilities with great diligence including leading and concluding the recent Chairman succession search process. We were pleased that Sir Deryck agreed to further extend his tenure on the Board to step down at the AGM in May 2016. He brings continuity to the Board's composition, given his significant knowledge of, and experience in, GSK's business affairs. In a period of significant change to the Board's membership, Sir Deryck has helped to facilitate the transition between Sir Christopher and myself.

In addition, as a Committee member, he has helped in the search and recruitment of his successor, as SID. The Committee was pleased to recommend to the Board the appointment of Vindi Banga as SID designate. Vindi joined the Board in September 2015 and was appointed to the same Committees as Sir Deryck in January 2016 (Nominations, Audit & Risk and Remuneration). They are working closely together to ensure a smooth transition. Vindi will succeed Sir Deryck as SID at the conclusion of the AGM on 5 May 2016.

Scientific and Medical Expert (SME) succession

Dr Daniel Podolsky has served as the Board's US-based designated SME with great distinction during his tenure on the Board. He will be stepping down from the Board as planned at the 2016 AGM after serving nine years. After commencing the search for his successor in this highly specialist role at the beginning of the year, the Committee was pleased to recommend to the Board the appointment of Dr Jesse Goodman as a Non-Executive Director and SME. He joined the Board in January 2016 and was appointed to the Corporate Responsibility Committee with effect from May 2016.

Further details on the role criteria and recruitment process for the SID and SME roles and rationale behind the Committee recommending Vindi Banga and Dr Jesse Goodman's appointments is given on page 96.

Committee membership

Lynn Elsenhans was appointed to the Committee in January 2015 to join me and Judy Lewent as newer appointees to ensure the Committee achieved a good balance between longer serving Committee members and newer appointees to support shaping the Board for the longer term. I was also grateful to Sir Christopher for sharing his insights and deep understanding of the evolution of the Board, its culture and composition during the period of his stewardship.

The Committee's key focus in 2016 will be the progression of our management succession plans working in collaboration with the CEO. In addition, we will continue to refresh the non-executive representation on the Board with the aim of reducing the overall Board size to around twelve members.

from the company in early 2017. The Board has agreed that he will retire on 31 March 2017. The Committee will now start a formal search for a successor and will consider internal and external candidates for the role. To that end, Egon Zehnder and Korn Ferry have been engaged.

Philip Hampton
Nominations Committee Chairman
16 March 2016

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Membership

The membership of the Committee, together with appointment dates and attendance at meetings, is set out below:

| Members | Committee member since | Attendance at full meetings during 2015 |
|---|------------------------|---|
| Sir Philip Hampton (Chairman from 27 January 2015) | 27 January 2015 | 6/6 |
| Professor Sir Roy Anderson | 1 October 2012 | 6/6 |
| Vindi Banga | 1 January 2016 | 0/0 |
| Lynn Elsenhans | 27 January 2015 | 5/5 |
| Judy Lewent | 8 May 2014 | 6/6 |
| Sir Deryck Maughan | 9 July 2009 | 5/6 |
| Sir Christopher Gent* | 9 December 2004 | 3/3 |
| Tom de Swaan** | 1 October 2012 | 3/3 |

* Sir Christopher Gent was Committee Chairman from 1 January 2005 to 27 January 2015 and retired from the Board on 7 May 2015.

** Tom de Swaan retired from the Board on 7 May 2015.

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee meetings may include:

| Attendee | Regular attendee | Attends as required |
|-------------------------------|------------------|---------------------|
| Chief Executive Officer | ✓ | |
| Head of Human Resources | ✓ | |
| Appropriate external advisers | | ✓ |

Work of the Committee during 2015

Main responsibilities

The main responsibilities of the Committee are set out on page 82.

CEO and management succession

The Committee and the CEO, with assistance from the Head of Human Resources, have been working on managing succession arrangements for the Executive Directors and each executive management role to secure the best leadership for the company. The specification for each role is considered in detail against the current and future needs of the changing environment in which the company operates. In compiling any succession plan, internal and external talent are considered and reviewed against the specification which has been drawn together.

In terms of the Executive team, as part of ensuring more focused management of the company's Consumer Healthcare, Vaccines, and Pharmaceuticals businesses as a result of the transformational Novartis transaction:

- Emma Walmsley who was previously President, Consumer Healthcare was appointed CEO of the Consumer Healthcare Joint Venture business and became a member

Refreshment of specialist roles on the Board

During 2015, as part of an orderly refreshment of the Board, a particular area of focus for the Committee was the searches for a successor to Sir Deryck Maughan as SID and Dr Daniel Podolsky as our US-based SME, both of whom are due to retire and stand down from the Board after our 2016 AGM.

The Committee felt that in determining the key essentials for the SID, it was very desirable to have a UK-based director, or failing that, someone who travelled and spent the majority of their time in the UK. It was also thought important that the individual should have a strong understanding of the UK corporate governance environment.

Korn Ferry, who only provides recruitment services to the company, was engaged to conduct the search for the SID and they provided a long and then a short list of potential candidates. After interviewing suitable SID candidates, feedback was sought from and support was received from certain investors before the Committee recommended to the Board Vindi Banga as a potential independent Non-Executive Director and SID designate. He was appointed to the Board on 1 September 2015. The Board considered that he had a strong operational bias, bringing with him many years of commercial experience and a track record of delivering outstanding performance in a highly competitive global consumer-focused industry, which will be invaluable to the company. He currently serves as a non-executive director on the Boards of two other FTSE 100 companies. Vindi will succeed Sir Deryck Maughan as SID when he steps down from the Board at the close of the AGM on 5 May 2016.

When the Committee was drawing up the role specification for the new SME role it considered that Dr Podolsky's successor should ideally have a strong business perspective, be US-based, understand the US healthcare environment, be a medic who was close to the patient either through running operations at scale in a hospital or an institution, have an understanding of vaccines, preferably, (or if not Respiratory) considering the standing of GSK's Vaccines portfolio since the Novartis transaction was completed. Internal soundings were taken from within Vaccines and R&D to identify potential external candidates. Egon Zehnder undertook a full external market search for suitable candidates.

Egon Zehnder, who only provides recruitment services to the company, was engaged to conduct the search for the US-based SME role. Dossiers of potential Non-Executive appointees were considered by the Committee and candidates were shortlisted for interview on merit and against objective criteria, after assessing their relevant qualifications and time commitments.

After interviewing suitable SME candidates, the Committee recommended to the Board Dr Jesse Goodman as a potential Non-Executive Director and SME. He was appointed to the Board on 1 January 2016. Dr Jesse Goodman is a leader in public health who brings a wealth of expertise spanning science, medicine, vaccines, regulation and public health, and has a proven record in addressing

of its Board when the Novartis transaction successfully completed on 2 March 2015;

- following the announcement by Deirdre Connelly, President North America Pharmaceuticals, in February 2015 of her intention to retire from GSK, her role was not replaced on the CET; and, in addition
- Bill Louv, Senior Vice President, Core Business Services retired as planned from GSK in 2015. His successor reports to the CFO, but is not a member of the CET.

pressing public health needs from both the academic and federal sectors, which will be invaluable to GSK and the Board.

Board Committee Chairmen and membership changes

The refreshment of the Board has also led to the following orderly changes to our Board Committee membership.

| Director | Committee membership | Appointment date | Retirement date |
|-------------------------------|---|---|-----------------|
| Sir Philip Hampton | Nominations Committee Chairman | 27 January 2015 | N/A |
| Urs Rohner | Remuneration Committee member Remuneration Committee Chairman | 1 January 2015 8 May 2015 | N/A |
| Lynn Elsenhans | Corporate Responsibility Committee Chairman | 8 May 2015 (member since 1 October 2012) | N/A |
| Vindi Banga | Audit & Risk, Remuneration and Nominations Committee member | 1 January 2016 | N/A |
| Professor Sir Roy Anderson | Corporate Responsibility Committee member | 1 May 2016 | N/A |
| Dr Jesse Goodman | Corporate Responsibility Committee member | 1 May 2016 | N/A |
| Sir Christopher Gent | Corporate Responsibility Committee Chairman, Remuneration and Nominations Committee member | N/A | 7 May 2015 |
| Tom de Swaan | Remuneration Committee Chairman, Audit & Risk and Nominations Committee member | N/A | 7 May 2015 |
| Jing Ulrich | Audit & Risk Committee member | N/A | 7 May 2015 |

Board and committee changes

The ongoing refreshment of the Board has resulted in orderly and planned changes in the composition of the Board and its Committees during the year on the recommendation of the Committee. These changes, including the planned retirements of Dr Stephanie Burns, Sir Deryck Maughan, Dr Daniel Podolsky and Hans Wijers from the Board at the close of the AGM in May 2016, are set out below.

Board appointments and retirements

The refreshment of the Board has led to the following orderly changes of Board members.

| Director | Appointment date | Retirement date |
|----------------------|------------------|-----------------|
| Sir Philip Hampton | 1 January 2015 | N/A |
| Urs Rohner | 1 January 2015 | N/A |
| Vindi Banga | 1 September 2015 | N/A |
| Dr Jesse Goodman | 1 January 2016 | N/A |
| Sir Christopher Gent | N/A | 7 May 2015 |
| Tom de Swaan | N/A | 7 May 2015 |
| Jing Ulrich | N/A | 7 May 2015 |
| Dr Stephanie Burns | N/A | 5 May 2016 |
| Sir Deryck Maughan | N/A | 5 May 2016 |
| Dr Daniel Podolsky | N/A | 5 May 2016 |
| Hans Wijers | N/A | 5 May 2016 |

Board composition and diversity

We are mindful of the need to balance the composition of the Board and its Committees and to refresh them progressively over time so that we can draw upon the experience of longer serving Directors, while tapping into

We are committed to the diversity of our boardroom and we are similarly committed to equal opportunities for all our employees at all levels of the organisation. The diversity and inclusiveness of our workforce are promoted throughout GSK.

A key requirement of an effective board is that it comprises a range and balance of skills, experience, knowledge, gender and independence, with individuals that are prepared to challenge each other and work as a team. This needs to be backed by a diversity of personal attributes, including character, intellect, sound judgement, honesty and courage.

The Committee is responsible for developing measurable objectives to support the implementation of the Board's diversity policy, including gender, and monitoring progress towards the achievement of these objectives. In terms of the balance of Board gender diversity, we exceeded the target of at least 25% by 2013 that we had set ourselves in May 2011 and our current female Board level representation stands at 27%. We have noted Lord Davies' new target to increase female board representation to at least 33% by 2020 as set out in his 'Women on Boards: Five Year Summary' report published in October 2015.

We also have a good representation of women in management positions which is illustrated on page 47 as part of the gender diversity of GSK's global workforce. We will continue to support efforts to further increase the pipeline of women into senior positions within GSK. We also support the engagement of executive search firms such as MWM, Egon Zehnder and Korn Ferry, who have signed up

the new external perspectives and insights which more recent appointees bring to the Board's deliberations.

Non-Executive Directors are drawn from a wide range of industries and backgrounds, including pharmaceutical and healthcare, medical research and academia, and retail, insurance and financial services, and have appropriate experience of complex organisations with global reach. Some have considerable experience of the pharmaceutical industry and the more recent appointees bring a new approach to the Group, and to Board discussions.

to the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice.

Committee evaluation

The Committee's annual evaluation was internally facilitated by the Company Secretary on behalf of the Committee Chairman, and supplemented by a questionnaire circulated to Committee members. It was concluded that the Committee continued to operate effectively.

In terms of enhancements to the Committee's work it was agreed that more focus should be directed to forward planning for executive succession. Replenishment of the Board in anticipation of Directors rotating off the Board would also be a key priority.

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Corporate Responsibility Committee Report



Lynn Elsenhans
Corporate Responsibility
Committee Chairman

Dear Shareholder

I would like to thank my predecessor, Sir Christopher Gent, for his strong leadership of the Committee over the last 10 years, which under his stewardship has overseen the development and refinement of GSK's CR Principles into our current Responsible Business Commitments. In addition, the Committee has acted as custodian of the policies and practices that define and safeguard the reputation of the company. As the new Chair of the Committee I will seek to build on his legacy as the Committee continues to challenge and shape the company's responsible business agenda.

The Committee members bring a wide range of experience and insight from across different sectors to provide oversight of the company's responsible business opportunities and risks. This has been invaluable in relation to the Committee's assessment of the corporate responsibility challenges of integrating the Novartis assets the company acquired during a year of substantial change.

I have been particularly pleased that the work of the Committee this year has focused on issues that are material to GSK's mission, strategy and values. Much of our discussions have focused on how the company seeks to balance the need for a return on investment for innovation with the need to price its products appropriately to drive access for a broad range of patients. In addition, we have considered the ways in which GSK continues to build its commitment to operating transparently and with integrity through its commercial model transformation.

I am also pleased that we continue to enjoy positive engagement with investors on our Responsible Business Commitments which have included, in particular, a focus on our approach to addressing Anti-Bribery and Corruption (ABAC) issues from a reputational perspective, the changes to how we sell and market our medicines to healthcare professionals, access and innovation, and clinical trials transparency disclosures.

Lynn Elsenhans
Corporate Responsibility Committee Chairman
16 March 2016

Membership

The membership of the Committee, together with appointment dates and attendance at meetings, is set out below:

| Members | Committee member since | Attendance at full meetings during 2015 |
|--|------------------------|---|
| Lynn Elsenhans (Chairman from 8 May 2015) | 1 October 2012 | 3/3 |
| Dr Stephanie Burns | 6 December 2007 | 3/3 |
| Dr Daniel Podolsky | 1 July 2006 | 3/3 |
| Hans Wijers | 10 October 2013 | 3/3 |
| Sir Christopher Gent* | 9 December 2004 | 1/1 |

* Sir Christopher Gent (who served as Committee Chairman to 7 May 2015) retired from the Board on 7 May 2015.

Professor Sir Roy Anderson and Dr Jesse Goodman have been appointed to the Committee with effect from 1 May 2016.

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee meetings may include:

| Attendee | Regular attendee | Attends as required |
|---|------------------|---------------------|
| Chief Executive Officer | ✓ | |
| Company Chairman | ✓ | |
| Chairman, Global Vaccines | ✓ | |
| General Counsel | ✓ | |
| Head of Communications & Government Affairs | ✓ | |
| Head of Pharmaceuticals | | ✓ |
| Head of Pharmaceuticals R&D | | ✓ |
| Head of Human Resources | | ✓ |
| Head of External & Market Communication | | ✓ |
| Head of Global Corporate Responsibility | ✓ | |
| Other Executives | | ✓ |
| Independent external corporate responsibility adviser | ✓ | |

Independent External Corporate Responsibility Adviser

To augment our engagement with stakeholder opinion, in May 2013, Sophia Tickell was appointed as an independent external adviser to the Committee, a position that she had previously held from March 2009 to July 2011. Ms Tickell has extensive experience in the pharmaceuticals industry in improving health systems productivity, sustainability in energy supply and distribution, climate change policy and short-termism in financial markets.

She is the co-founder and Director of Meteos, from where she directs the Pharma Futures Series, which aims to align better societal and shareholder value. She holds a number of other board and advisory roles.

Ms Tickell attended meetings of the Committee and provided

independent advice and guidance on corporate and social responsibility matters to both the Chairman and the CEO.

Main responsibilities

The main responsibilities of the Committee are set out on page 82.

The Committee has a rolling agenda and receives reports from members of the CET and senior managers to ensure that progress in meeting our Responsible Business Commitments within four areas of focus is reviewed on an annual basis as follows:

- **Health for all:** innovating to address currently unmet health needs; improving access to our products, irrespective of where people live or their ability to pay; and controlling or eliminating diseases affecting the world's most vulnerable people.
- **Our behaviour:** putting the interests of patients and consumers first, driven by our values in everything we do and backed by robust policies and strong compliance processes.

- **Our people:** enabling our people to thrive and develop as individuals to deliver our mission
- **Our planet:** growing our business while reducing our environmental impact across the value chain.

In addition, at each meeting the Committee considers possible emerging issues that may have a bearing on the Company's reputation of interaction with its stakeholders. The Committee also reviews and approves the Responsible Business Supplement which is available for reference on www.gsk.com/responsibility.

Work of the Committee during 2015

During 2015, the Committee focused its core remit on the matters set out below, and in doing so, the reports it received highlighted the evolving challenges in these areas including, in particular, the impact of the Novartis transaction.

| CR Focus area | Committee's area of focus during 2015 |
|----------------|---|
| Health for all | <ul style="list-style-type: none"> ▪ Flexible and open R&D approach for diseases of the developing world and other areas of great medical need, such as antibiotics and dementia. ▪ GSK's approach to pricing, in particular how to balance returns for investment in innovation alongside the need to support access to medicines. ▪ Vaccines strategy to support global public health priorities, including pricing models, Malaria vaccine and Ebola response. |
| Our behaviour | <ul style="list-style-type: none"> ▪ Global incentive compensation program and selling competency model. ▪ Changes to how GSK engages with healthcare professionals. ▪ Further embedding values-based decision making in the organisation, including training and compliance. ▪ Progress on work to align Third Parties with GSK's standards and expectations ▪ Conduct and public disclosure of clinical research, transparency of detailed data behind trial results and patient safety ▪ Replacement, refinement and reduction in use of animals in research and development |
| Our people | <ul style="list-style-type: none"> ▪ Organisational change and employee relations ▪ Inclusion and diversity ▪ Leadership, development and approach to performance management ▪ Employee health, safety and wellbeing ▪ Insights from the staff survey ▪ Employee health, safety and wellbeing |
| Our planet | <ul style="list-style-type: none"> ▪ Environmental performance across carbon, water and waste impacts |

Committee evaluation

The Committee's annual evaluation was internally facilitated by the Company Secretary, and supplemented by a questionnaire circulated to Committee members on behalf of the Committee Chairman. It was concluded that the Committee continued to operate effectively. In terms of enhancements to the Committee's deliberations it was agreed that the Committee would on a regular basis look to take a more advanced long-term perspective on how the company may be impacted by the external environment.

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Directors

Our Directors' powers are determined by UK legislation and our Articles of Association, which contain rules about the appointment and replacement of Directors. They provide that Directors may be appointed by an ordinary resolution of the members or by a resolution of the Directors, provided that, in the latter instance, a Director appointed in this way retires at the first AGM following his or her appointment.

Our Articles also provide that Directors should normally be subject to re-election at the AGM at intervals of three years or annually if they have held office for a continuous period of nine years or more. However, the Board agreed in 2011 that all Directors who wish to continue as members of the Board should seek re-election annually in accordance with the UK Corporate Governance Code.

A Director may cease to be a Director if he or she:

- becomes bankrupt
- ceases to be a Director by virtue of the Companies Act or the Articles
- suffers mental or physical ill health and the Board resolves that he or she shall cease to be a Director
- has missed Directors' meetings for a continuous period of six months without permission and the Board resolves that he or she shall cease to be a Director
- is prohibited from being a Director by law
- resigns, or offers to resign and the Board accepts that offer
- is required to resign by the Board

Directors' conflicts of interest

All Directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest or possible conflict with the company. Our Articles provide a general power for the Board to authorise such conflicts.

The Nominations Committee has been authorised by the Board to grant and regularly review any potential or actual conflict authorisations, which are recorded by the Company Secretary and noted by the Board. Directors are not counted in the quorum for the authorisation of their own actual or potential conflicts.

On an ongoing basis, the Directors are responsible for informing the Company Secretary of any new actual or potential conflicts that may arise or if there are any changes in circumstances that may affect an authorisation previously given. Even when provided with authorisation, a Director is not absolved from his or her statutory duty to promote the success of the company. If an actual conflict arises post-authorisation, the Board may choose to exclude the Director from receipt of the relevant information and participation in the debate, or suspend the Director from the Board, or, as a last resort, require the Director to resign.

The Nominations Committee reviewed the register of potential conflict authorisations in January 2016 and reported to the Board that the conflicts had been appropriately authorised and that the process for authorisation continues to operate effectively. Except as described in Note 35 to the financial statements, 'Related party transactions', during or at the end of the financial year no Director or connected person had any material interest in any contract of significance with a Group company.

Independent advice

The Company has an agreed procedure for Directors to take independent legal and/or financial advice at the company's expense where they deem it necessary.

Indemnification of Directors

Qualifying third party indemnity provisions (as defined in the Companies Act 2006) are in force for the benefit of Directors and former Directors who held office during 2015 and up to the signing of the Annual Report.

Change of control and essential contracts

We do not have contracts or other arrangements which individually are fundamental to the ability of the business to operate effectively, nor is the company party to any material agreements that would take effect, be altered, or terminate upon a change of control following a takeover bid. We do not have agreements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the company's share plans may cause options and awards granted under such plans to vest on a takeover. Details of the termination provisions in the company's framework for contracts for Executive Directors are given in the full version of the company's remuneration policy report which is available at www.gsk.com in the Investors section.

Directors continued

Directors' Report

For the purposes of the UK Companies Act 2006, the Directors' Report of GlaxoSmithKline plc for the year ended 31 December 2015 comprises pages 73 to 101 of the Corporate Governance Report, the Directors' Responsibility Statements on pages 130 and 211 and pages 231 to 258 of Investor Information. The Strategic report sets out those matters required to be disclosed in the Directors' Report which are considered to be of strategic importance to the company, as follows:

- risk management objectives and policies (pages 16, 17 and 72)
- likely future developments of the company (throughout the Strategic report)
- research and development activities (pages 18 to 31)
- diversity and inclusion (page 47)
- provision of information to, and consultation with, employees (page 46)
- carbon emissions (page 48)

The following information is also incorporated into the Directors' Report:

| | Location in Annual Report |
|--|---------------------------------------|
| Interest capitalised | Financial statements, Notes 17 and 19 |
| Publication of unaudited financial information | Group financial review, page 51 |
| Details of any long-term incentive schemes | Remuneration report |
| Waiver of emoluments by a Director | Not applicable |
| Waiver of future emoluments by a Director | Not applicable |
| Non pre-emptive issues of equity for cash | Not applicable |
| Non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking | Not applicable |
| Parent company participation in a placing by a listed subsidiary | Not applicable |
| Provision of services by a controlling shareholder | Not applicable |
| Shareholder waiver of dividends | Financial statements, Notes 15 and 42 |
| Shareholder waiver of future dividends | Financial statements, Notes 15 and 42 |
| Agreements with controlling shareholders | Not applicable |

The Directors' Report has been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law. The Directors' Report was approved

by the Board of Directors on 16 March 2016 and signed on its behalf by:

Philip Hampton
Chairman
16 March 2016

| |
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Remuneration report

Chairman's annual statement



Dear Shareholder

Following the 2015 AGM, I succeeded Tom de Swaan as Chair of the Remuneration Committee (the 'Committee'), and I am pleased to present to you our Remuneration Report for 2015. I would also like to take this opportunity to thank Tom on behalf of the Committee for his leadership during his time as its Chairman.

Remuneration decisions in respect of 2015

2015 marked further substantial progress against our strategy of creating a balanced group of three world leading businesses in Pharmaceuticals, Vaccines and Consumer Healthcare, with a clear aim to deliver growth and improve returns to shareholders. The Group is in a strong position to succeed as a long-term business with global scale and less exposure to risk and volatility. In the past year, we have accelerated new product sales growth, integrated the new businesses in Vaccines and Consumer Healthcare and restructured our Pharmaceuticals business. Our financial results were ahead of the guidance set out towards the start of the year, and we believe we are well positioned to return to Core earnings per share growth in 2016.

Against this background, the key decisions made by the Committee in respect of 2015 remuneration were as follows:

- The bonus outcomes for the Executive Directors were determined by reference to performance against the agreed financial measures, as well as the Committee's assessment of their individual performance. GSK achieved performance in excess of the relevant financial targets for the year. The improved performance for 2015, together with the assessment of individual performance and contribution, resulted in bonus awards for 2015 which were ahead of the previous year. I would draw shareholders' attention to the detailed disclosure in the following report of our annual bonus plan and of the bonuses earned. We have further enhanced the reporting of our annual bonus plan and of the bonuses to be paid, to help shareholders understand how these awards were earned. I hope that shareholders will join me in welcoming these enhanced disclosures.
- Vesting of the 2013 Performance Share Plan and Deferred Annual Bonus Plan awards was based on the

The Committee believes that significant shareholdings remain a key mechanism for aligning the personal interests of our executives with the interests of long-term shareholders. Sir Andrew's shareholding is over 10 times his base salary in GSK shares, which is well in excess of his share ownership requirement of four times his base salary.

As disclosed in our 2014 Remuneration Report, the setting of adjusted free cash flow and R&D new product targets for LTI awards granted in 2015 was delayed pending the completion of the Novartis transaction. Targets for these awards were agreed and details of the adjusted free cash flow target were communicated via a stock exchange announcement on 31 July 2015. Given the significance of the transaction, the Committee also considered the impact of the changes on targets for the outstanding 2013 and 2014 LTI awards. The key principle was to ensure that the incentives continued to operate as originally intended. The Committee has focussed on ensuring that the stretch of performance targets was retained and that incentives continued to measure performance against the strategic objectives originally identified at grant. Details of the decisions reached are set out in the following report.

Agenda for 2016

No material changes to executive remuneration are proposed for 2016. The Committee decided that salary levels for Executive Directors would be increased by 2.5% effective 1 January 2016. This is consistent with the salary increase budget for our broader employee populations in the UK and US. Given that our Remuneration Policy will expire at our 2017 AGM, this year the Committee will be undertaking a review of GSK's remuneration arrangements. As part of this review we will continue our regular dialogue with shareholders and will hold our annual meetings with GSK's largest investors later in the year to listen to their views and feedback. Meanwhile, if any shareholders have any feedback on our current remuneration arrangements, or views on where we should focus the review, please do not hesitate to pass those comments for my attention to our Company Secretary, Victoria Whyte.

AGM

Finally, I would like to thank shareholders for their input and engagement during my first year as Chairman of the

agreed measures of relative TSR, adjusted free cash flow, R&D new products and business diversification performance, each over the three years to 31 December 2015. The overall vesting level achieved for the 2013 LTI awards was 37.75%. Further details of that achievement are also presented in the following report.

Committee and I welcome all shareholders' feedback on this report. We look forward to receiving your support for our 2015 Remuneration Report at our AGM on 5 May 2016.

Urs Rohner
Remuneration Committee Chairman
16 March 2016

Annual report on remuneration

Executive Directors' remuneration summary

| Remuneration principles and policy | |
|------------------------------------|--|
| Principles | The Committee believes in pay for performance and that Executive Directors' remuneration should be designed to promote the long-term success of the company. The Committee seeks to ensure that performance-related elements of the Executive Directors' remuneration are transparent, stretching and rigorously applied. |
| Policy | The Committee considers the company's shareholder approved remuneration policy, our Executive Directors' pay comparator groups and pay levels for the wider employee population of the Group when determining the total individual pay packages of the Executive Directors. The balance between the fixed, short-term variable and long-term variable elements of pay is carefully reviewed, with overall packages weighted heavily towards the latter to closely align Executive Directors' interests with those of shareholders. |

The table below summarises how the Committee sets each element of the remuneration packages for our Executive Directors.

| Fixed Pay | | | | | | | | | | | | | | |
|--|--|---|--------------------|---------------------|-----|-----|-----|-----|----|-----|---------------------------|----|-----|-----|
| Base salary | Salaries are reviewed annually, supported by data from relevant comparator groups, taking into account the Executive Director's role, experience and performance as well as the average increases for the broader GSK workforce. Salary levels in respect of 2016 are as follows: Sir Andrew Witty – £1,114,500; Simon Dingemans – £735,600 and Dr Moncef Slaoui – \$1,242,100. | 105 | | | | | | | | | | | | |
| Other benefits | Principally healthcare, car, personal financial advice, life assurance, assignment and travel expenses. | 105 | | | | | | | | | | | | |
| Pension | | | | | | | | | | | | | | |
| UK Executives | Sir Andrew Witty, who joined the group in 1991, and certain other UK Executives are members of legacy final salary plans, which have been closed to new entrants since 2001. From 2013, increases in pensionable earnings have been limited to 2% per annum. Otherwise, GSK operates a defined contribution plan for UK Executives. Simon Dingemans is not a member of a plan for pension contributions but instead receives cash in lieu of contributions. | 106 | | | | | | | | | | | | |
| US Executives | GSK operates the Cash Balance Pension Plan, and the GSK 401(k) Plan, a savings scheme. The Supplemental Cash Balance Pension Plan and the Executive Supplemental Savings Plan (ESSP), a savings scheme, are open to Dr Moncef Slaoui and certain other US Executives to accrue benefits above US Government limits imposed on the 401(k) Plan and the Cash Balance Pension Plan. | 106 | | | | | | | | | | | | |
| Pay for performance | | | | | | | | | | | | | | |
| Safeguards and risk management | The company has long standing clawback and malus arrangements under its LTI and bonus plans for Executive Directors and other Executives that enable the company to recover sums paid or withhold the payment of any sum, on the occurrence of a triggering event (e.g. significant misconduct by way of violation of regulation, law, or a significant GSK policy, such as the Code of Conduct). | 113 | | | | | | | | | | | | |
| Annual bonus | <p>The target and maximum bonus opportunities for the Executive Directors are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Target % of salary</th> <th>Maximum % of salary</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>125</td> <td>200</td> </tr> <tr> <td>CFO</td> <td>80</td> <td>180</td> </tr> <tr> <td>Chairman, Global Vaccines</td> <td>85</td> <td>200</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The majority of the bonus is based on achievement of challenging financial targets (core Group/business unit operating profit and core Group profit before interest and tax) as agreed by the Board and the Committee Individual performance against pre-determined personal objectives | | Target % of salary | Maximum % of salary | CEO | 125 | 200 | CFO | 80 | 180 | Chairman, Global Vaccines | 85 | 200 | 107 |
| | Target % of salary | Maximum % of salary | | | | | | | | | | | | |
| CEO | 125 | 200 | | | | | | | | | | | | |
| CFO | 80 | 180 | | | | | | | | | | | | |
| Chairman, Global Vaccines | 85 | 200 | | | | | | | | | | | | |
| Deferred Annual Bonus Plan (DABP) | <p>Individuals must defer 25%, and may defer up to a total of 50%, of any bonus earned.</p> <p>Deferred bonuses may be matched up to one-for-one subject to performance criteria.</p> | <ul style="list-style-type: none"> PSP and DAPB matching awards are based on the following three equally weighted performance measures over a three-year period: <ul style="list-style-type: none"> R&D new product performance*; Adjusted free cash flow*; Relative TSR*. <p>* 25% vests at threshold, rising to 100% for stretching performance exceeding the set threshold by a specified margin.</p> | 109 to 110 | | | | | | | | | | | |
| Performance Share Plan (PSP) | The performance share awards for the Executive Directors are as follows: | 109 to 110 | | | | | | | | | | | | |

| | % of salary | |
|---------------------------|--------------------|--|
| CEO | 600 | <p>+ Against a comparator group comprising GSK and nine other pharmaceutical companies based on a vesting schedule of 30% vesting at median, rising to 100% vesting for upper quartile performance.</p> <ul style="list-style-type: none"> ▪ PSP awards are subject to a three-year performance period and an additional two-year vesting period. |
| CFO | 400 | |
| Chairman, Global Vaccines | 500 | |

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Governance & remuneration

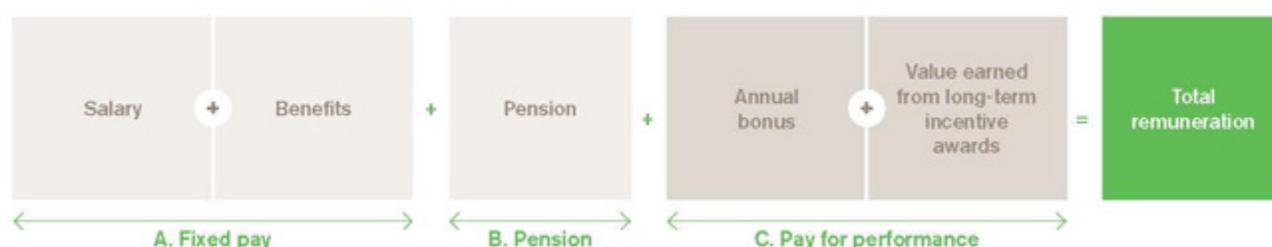
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Annual report on remuneration

continued

Total remuneration for 2015 (audited)



The total remuneration for 2015 for each Executive Director is set out in the table below:

| | Sir Andrew Witty, CEO | | | | Simon Dingemans, CFO | | | | Dr Moncef Slaoui, Chairman, Global Vaccines | | | |
|---|--------------------------|---------------|--------------|---------------|-------------------------|---------------|--------------|---------------|--|---------------|---------------|---------------|
| | 2015 £000 | % of total | 2014 £000 | % of total | 2015 £000 | % of total | 2014 £000 | % of total | 2015 \$000 | % of total | 2014 \$000 | % of total |
| A. Fixed pay | | | | | | | | | | | | |
| Salary | 1,087 | | 1,087 | | 718 | | 718 | | 1,212 | | 1,212 | |
| Benefits | 110 | | 70 | | 82 | | 79 | | 545 | | 571 | |
| Total fixed pay | 1,197 | 18% | 1,157 | 30% | 800 | 25% | 797 | 43% | 1,757 | 24% | 1,783 | 41% |
| B. Pension | 458 | 7% | 671 | 17% | 144 | 5% | 144 | 8% | 1,316 ⁽³⁾ | 18% | 365 | 8% |
| C. Pay for performance | | | | | | | | | | | | |
| Annual bonus – including the amount deferred | 2,175 | | 917 | | 989 | | 446 | | 1,632 | | 1,108 | |
| Value earned from LTI awards: | | | | | | | | | | | | |
| Matching awards under Deferred Annual Bonus Plan ⁽¹⁾ | 194 | | 122 | | 73 | | 72 | | 274 | | 144 | |
| Performance Share Plan | 2,637 | | 1,035 | | 1,160 | | 398 | | 2,345 | | 939 | |
| Total value earned from LTI awards | 2,831 | | 1,157 | | 1,233 | | 470 | | 2,619 | | 1,083 | |
| Total pay for performance | 5,006 | 75% | 2,074 | 53% | 2,222 | 70% | 916 | 49% | 4,251 | 58% | 2,191 | 51% |
| Total remuneration⁽²⁾ | 6,661 | | 3,902 | | 3,166 | | 1,857 | | 7,324 | | 4,339 | |

| Deferral of 2015 annual bonus | % | £000 | Number of shares | % | £000 | Number of shares | % | \$000 | Number of ADS |
|-----------------------------------|----|------|------------------|----|------|------------------|----|-------|---------------|
| Amount of bonus deferred | 25 | 544 | | 50 | 494 | | 50 | 816 | |
| Number of shares or ADS purchased | | | 40,003 | | | 36,381 | | | 20,854 |

Full details of each of the elements of 'Total remuneration' above are given on the following pages of this report.

| Fixed Pay | Pension | Pay for performance |
|----------------------------------|----------|---|
| Base salary Pages 105 and 111 | Page 106 | Annual bonus Pages 107, 108 and 111 |
| Other benefits Pages 105 and 111 | | Value earned from LTI awards Pages 109, 110 and 119 onwards |

Notes:

⁽¹⁾ Please note that the 2014 values shown differ from those disclosed in the 2014 Annual Report as the DABP value was based on an estimated vesting price of £14.14/\$44.76. This has now been valued based on a fair market value of £15.60/

\$46.73; the closing share prices from the business day prior to the vesting date.

- (2) The Committee may in specific circumstances, and in line with stated principles, apply clawback/malus, as it determines appropriate. Following due consideration by the Committee, there has been no recovery of sums paid (clawback) or reduction of outstanding awards or vesting levels (malus) applied during 2015 in respect of any of the Executive Directors.
- (3) The difference in the 2015 and 2014 pension values for Dr Slaoui is due to movements in the interest rate assumption (IRA) used in the projection to age 65. The IRA had decreased from 2013 to 2014 but then increased slightly from 2014 to 2015.

Total remuneration

The following sections provide details of each element of 'Total remuneration', including how the Committee implemented the approved remuneration policy in 2015 and how it will be applied in 2016.

Comparator groups for pay and performance

The Committee uses two primary pay comparator groups when considering executive pay:

| UK cross-industry comparator group | Global pharmaceutical comparator group | |
|------------------------------------|--|----------------------|
| Anglo American | France | Sanofi |
| AstraZeneca | Switzerland | Novartis |
| BG Group | | Roche Holdings |
| BHP Billiton | UK | AstraZeneca |
| BP | US | AbbVie* |
| British American Tobacco | | Amgen* |
| Diageo | | Bristol-Myers Squibb |
| Reckitt Benckiser | | Eli Lilly |
| Rio Tinto | | Johnson & Johnson |
| Royal Dutch Shell | | Merck & Co |
| SAB Miller | | Pfizer |
| Tesco | | |
| Unilever | | |
| Vodafone | | |

* Amgen and AbbVie are included for remuneration benchmarking, but are not included in the TSR comparator group.

The global pharmaceutical comparator group is also used as the basis for the TSR comparator group which features in our long-term incentive awards. The primary pay comparator group for each of the Executive Directors is shown in the table below:

| Director | Primary pay comparator group | |
|------------------|------------------------------|-----------------------|
| | UK cross-industry | Global pharmaceutical |
| Sir Andrew Witty | ✓ | |
| Simon Dingemans | ✓ | |
| Dr Moncef Slaoui | | ✓ |

When reviewing the CEO's remuneration, the Committee also references pay for a group of leading European companies whose selection is based on their size and complexity.

Summary of total remuneration competitive positioning for the CEO

Fixed pay (audited)

Salary

The table below sets out the base salaries of the Executive Directors over the last two years and for 2016.

| | % change | Base salary | | |
|------------------|----------|-------------|-------------|-------------|
| | | 2016 | 2015 | 2014 |
| Sir Andrew Witty | 2.5% | £1,114,500 | £1,087,300 | £1,087,300 |
| Simon Dingemans | 2.5% | £735,600 | £717,700 | £717,700 |
| Dr Moncef Slaoui | 2.5% | \$1,242,100 | \$1,211,800 | \$1,211,800 |

Benefits (audited)

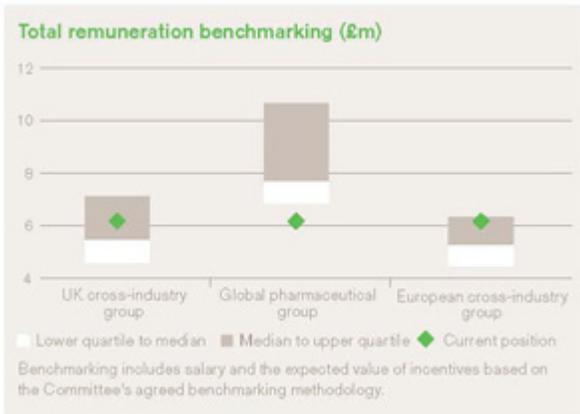
The following table shows a breakdown of the grossed up cash value of the benefits received by the Executive Directors in 2015 and 2014.

| | Sir Andrew Witty | Simon Dingemans | Dr Moncef Slaoui |
|----------------------------------|------------------|-----------------|------------------|
| | £000 | £000 | \$000 |
| 2015 benefits | | | |
| Employee benefits ⁽¹⁾ | 26 | 29 | 216 |
| Travel ⁽²⁾ | 48 | 39 | 86 |
| Other benefits ⁽³⁾ | 36 | 14 | 243 |
| Total 2015 benefits | 110 | 82 | 545 |
| 2014 benefits | | | |
| Employee benefits ⁽¹⁾ | 20 | 24 | 136 |
| Travel ⁽²⁾ | 42 | 42 | 105 |
| Other benefits ⁽³⁾ | 8 | 13 | 330 |
| Total 2014 benefits | 70 | 79 | 571 |

⁽¹⁾ Employee benefits include all employee share plans, healthcare, car allowance, personal financial advice, and life assurance/death in service.

⁽²⁾ Travel expenses include car, travel and spouse/partner costs associated with accompanying the director on GSK business, which are deemed to be taxable benefits on the individual.

⁽³⁾ Other benefits comprise expenses incurred in the ordinary course of business, which are deemed to be taxable benefits on the individual and, as such, have been included in the table above. For Dr Slaoui, this includes UK accommodation of \$225,806 in 2015 (\$326,610 in 2014).



Annual report on remuneration

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Pension (audited)

| Pension arrangements | |
|-------------------------|---|
| Sir Andrew Witty | Sir Andrew Witty is a member of the Glaxo Wellcome defined benefit pension plan, which has been closed to new entrants since 2001. The section of the plan that Sir Andrew is a member of provides for a normal retirement age of 60 and a maximum pension value of 2/3rds of pensionable salary. Since 1 April 2013, pensionable earnings increases have been limited to 2% per annum for all members, including Sir Andrew. |
| Simon Dingemans | Simon Dingemans is not a member of any GSK pension plan for pension contributions and instead receives a cash payment in lieu of pension of 20% of base salary in line with GSK's defined contribution pension plan rates. Simon Dingemans receives death in service and ill-health insurance that is provided as part of the pension plan. This has been included in his employee benefits on page 105. |
| Dr Moncef Slaoui | Dr Slaoui is a member of the Cash Balance Pension Plan and the Supplemental Cash Balance Pension Plan which provides for an Executive Pension Credit. GSK makes annual contributions to Dr Slaoui's pension plans of 38% of his base salary. The plans provide a cash sum at retirement and the fund increases at an interest rate set annually in advance, based on the 30 year US Treasury bond rate. The plan has no entitlement to a spouse's pension or to pension increases. He was an active member of the Belgium AG Insurance (ex-Fortis) Plan (Belgian Plan) until 31 May 2006 and has been a deferred member since. This plan is a defined benefit plan with a lump sum payable at a normal retirement age of 60. There are no further company contributions to this plan. Dr Slaoui is also a member of the 401(k) plan open to all US employees and the ESSP, a savings scheme open to executives to accrue benefits above US government limits imposed on the 401(k) Plan. Contributions to both plans are invested in a range of funds. The combined contribution rate under the plans is up to 6% (2% core contributions plus a match of up to 4%) of total base salary and bonus, less any bonus deferred under the DABP. |

The following table shows the breakdown of the pension values set out on page 104.

| Pension remuneration values | Sir Andrew Witty | | Simon Dingemans | | Dr Moncef Slaoui | |
|---|------------------|--------------|-----------------|--------------|------------------|--------------|
| | 2015 £000 | 2014 £000 | 2015 £000 | 2014 £000 | 2015 000 | 2014 000 |
| UK defined benefit | 472 | 703 | - | - | - | - |
| US defined benefit | - | - | - | - | \$1,191 | \$157 |
| Belgian defined benefit | - | - | - | - | €51 | €58 |
| Employer cash contributions | - | - | 144 | 144 | \$68 | \$131 |
| Member contributions to defined benefit plans | (14) | (32) | - | - | - | - |
| Total pension remuneration value | 458 | 671 | 144 | 144 | \$1,316 | \$365 |

- a) The pension remuneration figures have been calculated in accordance with the methodology set out in The Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (Remuneration Regulations). In calculating the defined benefit pension values for 2015, the difference between the accrued pension as at 31 December 2015 and the accrued pension as at 31 December 2014 increased by inflation (1.2% for UK defined benefit, 0.5% for US defined benefit, 0.5% for Belgian defined benefit) has been multiplied by 20. Where this results in a negative value, this has been deemed to be zero. In calculating total values, amounts have been translated from Euros into US dollars using an exchange rate of 1.12 for 2015 and 1.33 for 2014.
- b) For Sir Andrew, further details regarding the 2015 pension values are set out in the table below.

| Sir Andrew Witty | Accrued pension as at 31 December 2015 (£ p.a.) | Accrued pension as at 31 December 2014 (£ p.a.) | Pension remuneration value for 2015 (£000) |
|------------------|--|--|---|
| UK – Funded | 71,648 | 70,810 | - |
| UK – Unfunded | 644,459 | 613,521 | 472 |
| Total | 716,107 | 684,331 | 472 |

Sir Andrew joined GSK predecessor companies in 1991 and progressed through roles of increasing seniority within GSK until he was appointed CEO in May 2008. During this time, he built up pensionable service through the different tiers of the Glaxo Wellcome Pension Plan. His current pension entitlement is a product of his service and progression within GSK.

- c) For Dr Moncef Slaoui, further details regarding the 2015 pension values are set out in the table below.

| Dr Moncef Slaoui | Accrued pension as at 31 December 2015 (p.a.) | Accrued pension as at 31 December 2014 (p.a.) | Pension remuneration value for 2015 (000) |
|------------------|--|--|--|
|------------------|--|--|--|

| | | | |
|--------------------|-----------|-----------|----------------|
| US – Funded | \$14,473 | \$12,310 | \$42 |
| US – Unfunded | \$396,297 | \$337,157 | \$1,149 |
| Belgium – Funded | €91,000 | €88,000 | €51 |
| US – 401(k) & ESSP | – | – | \$68 |
| Total | | | \$1,316 |

Dr Slaoui joined GSK predecessor companies in 1988 and he progressed through a number of senior roles within GSK until he was appointed Chairman, Research & Development in 2006 and then Chairman, Global Vaccines in 2014. During this time, he has built up pensionable service in the Belgian Plan, the Cash Balance and Supplemental Pension Plans. Annual employer cash contributions were made to the 401(k) Plan and ESSP. His current pension entitlement is a product of his service and progression within GSK. The difference in the 2015 and 2014 pension values is due to movements in the interest rate assumption (IRA) used in the projection to age 65. The IRA had decreased from 2013 to 2014 but then increased slightly from 2014 to 2015.

Pay for performance (audited)

Annual bonus

The majority of the annual bonus opportunity is based on a formal review of performance against stretching financial targets. This outcome is then adjusted to reflect individual performance by applying an individual performance multiplier (IPM).

The IPM is set by the Committee taking into account performance against individual objectives. The multiplier may be set between 0% and 150%. Generally, in a year when an Executive Director has performed strongly against all of his objectives, it would be expected that they would receive an IPM towards the top of that range.

For 2015, the annual bonus was based on the following financial measures and weightings.

| 2015 performance against targets | Core Group operating profit | Core Group PBIT | Vaccines performance |
|----------------------------------|-----------------------------|-----------------|----------------------|
| Weighting | | | |
| Sir Andrew Witty | 75% | 25% | – |
| Simon Dingemans | 75% | 25% | – |
| Dr Moncef Slaoui | – | 25% | 75% |
| 2015 performance | | | |
| Target | £6,092 million | £5,885 million | £850 million |
| Outcome | £6,405 million | £6,224 million | £896 million |

The core Group operating profit and core Group PBIT targets and outcomes for the purpose of annual bonuses differ from core Group operating profit and PBIT disclosed elsewhere in this Annual Report primarily because both the target and outcome numbers are calculated applying GSK budget exchange rates and not actual exchange rates. The core Group operating profit measure excludes corporate costs, but these costs are included in core Group PBIT.

The following table shows actual bonuses earned compared to opportunity for 2015 and 2014.

| Bonus | 2015 Base salary £/\$000 | Bonus opportunity | | Total bonus | | Bonus earned | |
|-------------------------|--------------------------|----------------------|-----------------------|--------------------|--------------------|--------------|--------------|
| | | Target (% of salary) | Maximum (% of salary) | 2015 (% of salary) | 2014 (% of salary) | 2015 £/\$000 | 2014 £/\$000 |
| Sir Andrew Witty | £1,087 | 125% | 200% | 200% | 84% | £2,175 | £917 |
| Simon Dingemans | £718 | 80% | 180% | 138% | 62% | £989 | £446 |
| Dr Moncef Slaoui | \$1,212 | 85% | 200% | 135% | 91% | \$1,632 | \$1,108 |

The table below sets out the matters which the Committee considered in respect of the financial measures and weightings set for the Executive Directors.

| Financial performance | |
|--|--|
| Core Group operating profit and core Group profit before interest and tax | Group turnover increased 6% CER on a reported basis to £23,923 million and 1% CER on a pro-forma basis. Core Group operating profit and core Group profit before interest and tax were ahead of targets set for 2015. Profits benefited from the acceleration in sales of new products together with cost savings released by the Group's restructuring and integration programmes. Offsetting these benefits were declines in sales of <i>Seretide/Advair</i> , lower sales of Established Products and the investments made to support the new product launches. The short-term dilution of the Novartis transaction together with an adverse comparison to 2014, which included an SG&A credit, also impacted core operating profit in 2015. Excluding both of these, the core operating margin declined 0.2 percentage points. |
| Vaccines performance | Vaccines sales were £3,675 million, up 19% CER and up 3% on a pro-forma basis in 2015. The pro-forma growth was primarily driven by <i>Bexsero</i> sales in Europe and strong <i>Rotarix</i> , <i>Fluarix/FluLaval</i> and <i>Boostrix</i> sales in the US. Vaccines operating profit was £966 million, down 9% CER primarily reflecting inclusion of the cost base acquired from the former Novartis vaccines business. On a pro-forma basis, Vaccines operating profit was up 7%. Substantial progress was made on the integration of the acquired business in 2015. Initial restructuring and integration benefits helped to deliver an improvement of 0.8 percentage points in the pro-forma core operating margin of 26.4% on a CER basis in 2015. |

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Pay for performance continued

The table below sets out the matters which the Committee considered in respect of the individual objectives set for each Executive Director.

| Personal performance | |
|-------------------------|---|
| Sir Andrew Witty | <p>Sir Andrew successfully delivered on a number of key strategic priorities for the Group including:</p> <ul style="list-style-type: none"> ▪ Completing the highly complex Novartis transaction to create a Group of three world-leading businesses in Pharmaceuticals, Vaccines and Consumer Healthcare. ▪ Significant progress on integration of new businesses into Vaccines and Consumer Healthcare; integration ahead of schedule with £1 billion of incremental cost savings delivered for costs of £1.9 billion. On track to deliver £3 billion of annual savings by the end of 2017. ▪ Restructuring of the Pharmaceuticals business including commercial reorganisation in the US. ▪ Accelerating new product performance with sales of £2 billion in 2015 and revised expectation to achieve target of £6 billion in annual sales of new products by 2018, two years ahead of previous plan. ▪ Core EPS of 75.7p, ahead of financial guidance of high teens decline. ▪ Profiling innovative R&D portfolio of approximately 40 assets focused on Oncology, Immuno-Inflammation, Vaccines, Infectious, Respiratory and Rare diseases. Portfolio is expected to deliver multiple, significant milestones in the next 24 months. ▪ Worldwide implementation of business model changes covering sales force incentivisation and HCP interactions. ▪ Successful progress on delivery of responsible business commitments with notable advances in access to medicines and approval of new malaria vaccine. ▪ 2015 ordinary dividend of 80p together with special dividend of 20p to be paid from the net proceeds of the Novartis transaction. Expectation to pay 80p full year ordinary dividend for 2016 and 2017. |
| Simon Dingemans | <p>Mr Dingemans delivered strong financial leadership for the Group in 2015:</p> <ul style="list-style-type: none"> ▪ Restructuring and integration ahead of schedule with £1 billion of incremental cost savings delivered for costs of £1.9 billion. On track to deliver £3 billion of annual savings by the end of 2017. ▪ Reduced net debt by £3.7 billion despite significant cash restructuring costs. ▪ 2015 core EPS of 75.7p, ahead of financial guidance of high teens decline. ▪ Effective core tax rate for the Group of 19.5%. ▪ Substantial progress made on deployment of new core business systems and supply chain improvements. ▪ 2015 ordinary dividend of 80p together with special dividend of 20p to be paid from the net proceeds of the Novartis transaction. Expectation to pay 80p full year ordinary dividend for 2016 and 2017. |
| Dr Moncef Slaoui | <p>Under Dr Slaoui's leadership, the Vaccines business delivered strong performance against plan for 2015. Vaccines sales grew 19% to £3.7 billion with the business benefitting from sales of newly acquired products, primarily the meningitis portfolio (<i>Menveo/Bexsero</i>) in Europe and the US as well as strong sales growth from legacy GSK vaccines such as <i>Fluarix/FluLaval</i>, <i>Rotarix</i> and <i>Boostrix</i> in the US.</p> <p>Dr Slaoui also delivered a number of strategic priorities:</p> <ul style="list-style-type: none"> ▪ Following the completion of the Novartis transaction in March 2015, Dr Slaoui led the effective integration of the GSK and Novartis vaccines organisations. ▪ Accelerated commercialisation of the acquired portfolio, particularly the meningitis portfolio. |

- Significant contribution to global public health agenda with extensive research and development progress on candidate vaccines for malaria and Ebola.
- Led successful vaccines R&D organisation; successes through the year included positive Phase III trial success for a candidate vaccine for Shingles.

Value earned from long-term incentives (LTIs)

2013 awards with a performance period ended 31 December 2015 (audited)

The Committee reviewed the performance of the PSP and DABP matching awards granted to Executive Directors against targets set in 2013. The performance achieved in the three years to 31 December 2015 and the vesting levels are set out in the table below.

The Committee previously provided estimates of vesting for 2013 awards in GSK's 2013 and 2014 Annual Reports. Those estimates were based on performance achieved at that time and the following reflects performance achieved over the course of the whole performance period. In line with the Committee's agreed principles for each measure, actual performance against targets was reviewed and adjustments made as appropriate to reflect the impact of the Novartis transaction on the business and to ensure that the vesting outcome reflected genuine underlying business performance.

| Performance measures and relative weighting | Performance update | Vesting | | | | | | | | | | | | | | | | |
|---|---|--------------|------------|-----------|----------------|---------|------|--|---------|-----|--|---------|-----|------------------|---------|-----|-----|-------|
| | | % of maximum | % of award | | | | | | | | | | | | | | | |
| R&D new product performance (25%) | <p>The R&D new product performance measure was based on an aggregate three-year revenue target for New Product sales. New Products are defined as products launched in the performance period and the two preceding years. Therefore products launched in the years 2011 to 2015 were included. Aggregate sales for the period were £6.19 billion.</p> <p>The vesting schedule is shown below with straight-line vesting between these points. This vesting schedule has been adjusted to exclude the impact of the Novartis transactions, i.e. revenues from divested Oncology products were removed from the target and outcome for 2015 in determining performance. One acquired Vaccines product, <i>Bexsero</i>, was judged to meet the condition of a 'new product' and has therefore been included in the target and outturn.</p> <table border="1"> <thead> <tr> <th></th> <th>Target</th> <th>% vesting</th> </tr> </thead> <tbody> <tr> <td>Maximum</td> <td>£6.61bn</td> <td>100%</td> </tr> <tr> <td></td> <td>£6.01bn</td> <td>75%</td> </tr> <tr> <td></td> <td>£5.71bn</td> <td>50%</td> </tr> <tr> <td>Threshold</td> <td>£5.41bn</td> <td>25%</td> </tr> </tbody> </table> | | Target | % vesting | Maximum | £6.61bn | 100% | | £6.01bn | 75% | | £5.71bn | 50% | Threshold | £5.41bn | 25% | 82% | 20.5% |
| | Target | % vesting | | | | | | | | | | | | | | | | |
| Maximum | £6.61bn | 100% | | | | | | | | | | | | | | | | |
| | £6.01bn | 75% | | | | | | | | | | | | | | | | |
| | £5.71bn | 50% | | | | | | | | | | | | | | | | |
| Threshold | £5.41bn | 25% | | | | | | | | | | | | | | | | |
| Business diversification performance (25%) | <p>The target originally set for this element at the time of grant was based on aggregate revenues from Vaccines, Consumer Healthcare and Emerging Markets, and Japan with the purpose of incentivising and rewarding the growth of a globally diversified business.</p> <p>The Remuneration Committee determined that the original target was not sustainable in light of the transformational three-part transaction with Novartis. The Committee therefore reviewed both the original target and performance in light of the additional sales from the acquired Vaccines business and the Consumer Healthcare joint venture, and overall progress made towards the strategic goal of diversification. The Committee noted several strong performances from business initiatives over the period including in relation to <i>Fluarix/Flulaval</i> following the launch of the Quadrivalent formulation, strong Emerging Market sales from products such as <i>Synflorix</i> and <i>Rotarix</i>, progress in Japan in transitioning the respiratory portfolio to the new <i>Ellipta</i> portfolio, and the successful OTC switch of <i>Flonase</i> in Consumer Healthcare. All of these factors have supported the Group's ambition of creating a long-term business with global scale and reduced exposure to risk and volatility, consistent with the strategic targets identified at the start of the performance period.</p> <p>It was subsequently determined that in light of the progress made during the performance period, vesting for this element should be between threshold and maximum and that 69% of this element of the award should vest.</p> | 69% | 17.25% | | | | | | | | | | | | | | | |
| Adjusted free cash flow performance (25%) | <p>The Adjusted Free Cash Flow (AFCF) vesting schedule which was disclosed at the time of grant had a vesting threshold of £14.06 billion, and maximum vesting for achieving £16.66 billion.</p> <p>During 2015, the Committee reviewed the target and vesting schedule in light of the completion of the Novartis transaction and determined that it should be adjusted to reflect the impact of the transactions and other restructuring. The adjusted vesting</p> | 0% | 0% | | | | | | | | | | | | | | | |

| | <p>schedule is:</p> <table border="1"> <thead> <tr> <th></th> <th>Target</th> <th>% vesting</th> </tr> </thead> <tbody> <tr> <td>Maximum</td> <td>£13.88bn</td> <td>100%</td> </tr> <tr> <td></td> <td>£13.28bn</td> <td>75%</td> </tr> <tr> <td></td> <td>£12.07bn</td> <td>50%</td> </tr> <tr> <td>Threshold</td> <td>£11.71bn</td> <td>25%</td> </tr> </tbody> </table> <p>AFCF for the three years was £11.08 billion which, in line with the Committee's agreed principles, included adjustments for a number of material distorting items, including legal settlements, exchange rate movements and special pension contributions. The threshold level of performance was not met and this element therefore lapsed.</p> | | Target | % vesting | Maximum | £13.88bn | 100% | | £13.28bn | 75% | | £12.07bn | 50% | Threshold | £11.71bn | 25% | | |
|--|--|-----------|---------------|-----------|----------------|----------|------|--|----------|-----|--|----------|-----|------------------|----------|-----|--|--|
| | Target | % vesting | | | | | | | | | | | | | | | | |
| Maximum | £13.88bn | 100% | | | | | | | | | | | | | | | | |
| | £13.28bn | 75% | | | | | | | | | | | | | | | | |
| | £12.07bn | 50% | | | | | | | | | | | | | | | | |
| Threshold | £11.71bn | 25% | | | | | | | | | | | | | | | | |
| Relative TSR performance (25%) | <p>GSK's TSR rank position was 10th in the comparator group of ten pharmaceutical companies (GSK and nine other companies) and this element therefore lapsed. The vesting schedule and comparator group is as set out for the 2016 awards on page 112.</p> <p>No adjustments were made to reflect the Novartis transaction.</p> | 0% | 0% | | | | | | | | | | | | | | | |
| Total vesting in respect of 2013 awards | | | 37.75% | | | | | | | | | | | | | | | |

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Update on performance of ongoing LTI awards

The Committee also reviewed the performance of the PSP and DABP matching awards granted to Executive Directors in 2014 and 2015. The following tables provide an estimate of vesting taking into account performance to date. Actual vesting levels will only be determined based on performance over the full three-year performance periods. The indications below should therefore not be regarded as predictions of the final vesting levels.

In line with the Committee's agreed principles for each measure, these estimates of vesting include adjustments that will be required to reflect the impact of the Novartis transaction on the business and to ensure that the outcome reflects genuine underlying business performance. Further details on any adjustments made will be provided at the time of vesting.

2014 awards with a performance period ending 31 December 2016

| Performance measures and relative weighting | Performance targets and performance achieved |
|--|--|
| R&D new product performance (1/3rd) | R&D new product sales performance measures aggregate three-year sales for new products launched in the three-year performance period and preceding two years, i.e. 2012-16. Threshold performance results in 25% vesting and maximum performance (122% of threshold) results in 100% vesting. There were strong sales of new products in the two years ending 31 December 2015. Based on aggregate sales of new products for the two years, and based on performance measure definitions, vesting is currently estimated to be around maximum. |
| Adjusted free cash flow performance (1/3rd) | <p>The Adjusted Free Cash Flow (AFCF) vesting schedule which was disclosed at the time of grant had a vesting threshold of £13.68 billion, and maximum vesting for achieving £16.22 billion. During 2015, the Committee reviewed the target and vesting schedule in light of the completion of the Novartis transaction and determined that it should be adjusted to reflect the impact of the transactions and other restructuring.</p> <p>The adjusted vesting schedule is: 25% (threshold) of the award vests for achieving ACFF of £10.92 billion, 50% for achieving £11.26 billion, 75% for achieving £12.38 billion and 100% (maximum) for achieving £12.95 billion, with straight-line vesting between these points. Based on ACFF for the two years ending 31 December 2015, and on performance measure definitions, vesting is currently estimated to be below threshold.</p> |
| Relative TSR performance (1/3rd) | For the period 1 January 2014 to 31 December 2015, GSK's TSR rank position was 10th in the comparator group of ten pharmaceutical companies (GSK and nine other companies). The vesting schedule and comparator group are as set out for the 2016 awards on page 112. If the ranking position remains at this level, vesting would be below threshold. |
| Current estimate of potential total vesting for 2014 awards | |
| Between 25% and 50% vesting | |

2015 awards with a performance period ending 31 December 2017

| Performance measures and relative weighting | Performance update |
|--|--|
| R&D new product performance (1/3rd) | R&D new product sales performance measures aggregate three-year sales for new products launched in the three-year performance period and preceding two years, i.e. 2013-17. Threshold performance results in 25% vesting and maximum performance (122% of threshold) results in 100% vesting. There were strong sales of new products in the year ending 31 December 2015. Based on aggregate sales of new products for the year, and based on performance measure definitions, vesting is currently estimated to be around maximum. |
| Adjusted free cash flow performance (1/3rd) | <p>The Adjusted Free Cash Flow (AFCF) vesting schedule for the 2015 awards was determined following the completion of the Novartis transaction and disclosed via an announcement to the Stock Exchange in July 2015.</p> <p>In order to fully assess disciplined use of restructuring funds over the period 2015-2017, the Committee added back planned restructuring costs for the period of £3.3 billion which are being separately funded from retained divestment proceeds. In order to incentivise management to deliver the restructuring at or below those planned costs, any overspend or underspend versus the £3.3 billion will then translate into an adjustment in determining adjusted free cash flow performance relative to target.</p> |

The vesting schedule for this award is: 25% (threshold) of the award vests for achieving AFCF of £11.5 billion, 50% for achieving £11.9 billion, 75% for achieving £13.0 billion and 100% (maximum) for achieving £13.6 billion, with straight-line vesting between these points. Based on AFCF for the year, and on performance measure definitions, vesting is currently estimated to be between threshold and maximum.

Relative TSR performance (1/3rd)

For the period 1 January 2015 to 31 December 2015, GSK's TSR rank position was 10th in the comparator group of ten pharmaceutical companies (GSK and nine other companies). The vesting schedule and comparator group are as set out for the 2016 awards on page 112. If the ranking position remains at this level, vesting would be below threshold.

Current estimate of potential total vesting for 2015 awards

Between 50% and 75% vesting

Executive director remuneration in 2016 (audited)

Salary

For 2016, the average salary increase budget for employees below the level of the CET will be approximately 2.5% in both the UK and the US. The Committee decided to increase Executive Directors' salaries by 2.5% for 2016.

Benefits

No significant changes to the provision of benefits are proposed for 2016. For full details of the policy in relation to benefits, please refer to the 2014 remuneration policy on www.gsk.com in the Investors section.

2016 operation of annual bonus plan

No changes are proposed to the operation of the annual bonus plan for 2016. Inevitably, targets linked directly to the financial and strategic plan are commercially sensitive and the Committee does not consider it appropriate to disclose annual bonus targets during the year as it may result in competitive harm. However, details of performance achieved will be disclosed in the 2016 Annual Report.

2016 long-term incentive awards

The levels of participation in the Deferred Annual Bonus Plan (DABP) in respect of 2014 and 2015 for the Executive Directors are shown in the table below, together with the maximum matching awards granted in 2016 in respect of the deferrals of 2015 bonuses.

The table below shows Performance Share Plan (PSP) award levels for 2015 and 2016 for each Executive Director. DABP matching awards and PSP awards are both subject to performance and continued employment.

| | DABP matching awards | | | PSP awards | | |
|-------------------------|---------------------------|---|---|----------------|--|--|
| | 2016 Matching award | 2015 % of total bonus deferred into shares or ADS | 2014 % of total bonus deferred into shares or ADS | 2016 Award | 2016 Award level as % of base salary | 2015 Award level as % of base salary |
| Sir Andrew Witty | 40,003 shares | 25% | 50% | 492,052 shares | 600% | 600% |
| Simon Dingemans | 36,381 shares | 50% | 50% | 216,512 shares | 400% | 400% |
| Dr Moncef Slaoui | 20,854 ADSs | 50% | 50% | 158,714 ADSs | 500% | 500% |

Performance targets for 2016 awards

The 2016 performance targets and vesting schedules are set out in the table on page 112. Measures linked directly to strategy are commercially sensitive. In particular, the Committee does not consider it appropriate to disclose the target range for R&D new product performance at grant, as it may result in competitive harm. However, the target range will be disclosed in full in GSK's 2018 Annual Report at the end of the performance period, together with details of the extent to which targets have been met. The Committee will provide updates on estimated vesting against targets during the performance period.

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Executive director remuneration in 2016 continued

2016 awards with a performance period ending 31 December 2018

| Performance measures and relative weighting | Link to strategy | Vesting schedule | |
|--|--|------------------------------|--|
| R&D new product performance (1/3rd) | Recognises importance of R&D to future business growth. This revenue target is based on new product sales to incentivise better R&D performance and commercialisation. New products are defined as products launched in the performance period and the two preceding years. Therefore, for the 2016-2018 performance period, products launched in the years 2014-2018 will be included in the target. | | |
| | | | Performance (% of threshold) |
| | | Maximum | 122% |
| | | Threshold | 100% |
| | | | % vesting |
| | | | 100% |
| | | | 25% |
| Adjusted free cash flow performance (1/3rd) | <p>The use of cash flow as a performance measure is intended to recognise the importance of effective working capital management and of generating cash to fund the Group's operations, investments, and ordinary dividends to shareholders. The free cash flow target represents the operating profit of the business adjusted for non-cash items after deducting the cost or benefit of working capital, capital expenditure and taxation, and after adding back planned restructuring costs for the period of £2.3 billion which are being separately funded from retained divestment proceeds. In order to incentivise management to deliver the restructuring at or below those planned costs, any overspend or underspend versus the £2.3 billion will then translate into an adjustment in determining adjusted free cash flow performance relative to target.</p> <p>The adjustments to free cash flow, used to set the target for the purpose of the performance measure, include legal settlements, special pension contributions, foreign exchange, divestments and acquisitions. The measure post-adjustment is the "adjusted free cash flow".</p> | | |
| | | | Adjusted free cash flow |
| | | Maximum | £13.8 billion |
| | | | £13.2 billion |
| | | Threshold | £12.0 billion |
| | | | £11.6 billion |
| | | | < £11.6 billion |
| | | | % vesting |
| | | | 100% |
| | | | 75% |
| | | | 50% |
| | | | 25% |
| | | | 0% |
| Relative TSR performance (1/3rd) | <p>Focuses on the delivery of value to shareholders.</p> <p>Relative TSR using a comparator group comprising GSK and nine other global pharmaceutical companies. Relative TSR is measured over three years, using a twelve-month averaging period. TSR is measured in local currency.</p> <p>¹ TSR comparator group: AstraZeneca, Bristol-Myers Squibb, Eli Lilly, GSK, Johnson & Johnson, Merck & Co, Novartis, Pfizer, Roche Holdings and Sanofi.</p> <p>² The vesting schedule is based on delivering 30% vesting for median performance. In a comparator group of ten companies, median falls between two companies. Threshold vesting is therefore for achieving above median performance.</p> | | |
| | | | TSR ranking within comparator group¹ |
| | | Maximum | 1st, 2nd, 3rd |
| | | | 4th |
| | | Threshold² | 5th |
| | | | Median |
| | | | 6th to 10th |
| | | | % vesting |
| | | | 100% |
| | | | 72% |
| | | | 44% |
| | | | 30% |
| | | | 0% |

Other remuneration and performance disclosures

CEO Remuneration table

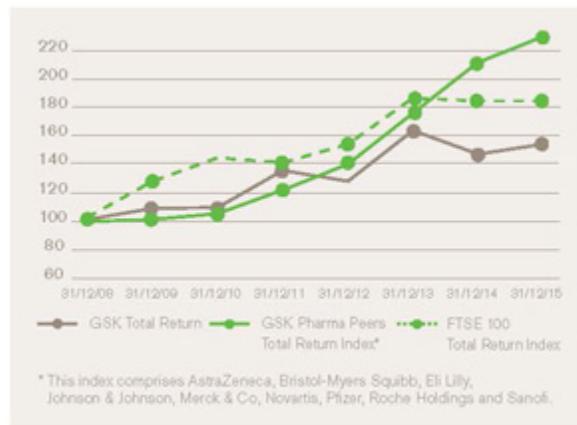
| | 2015 £000 | 2014 £000 | 2013 £000 | 2012 £000 | 2011 £000 | 2010 £000 | 2009 £000 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Single figure of remuneration | 6,661 | 3,902 | 7,207 | 4,386 | 6,807 | 4,562 | 5,790 |
| Annual bonus award ⁽¹⁾ (% of maximum) | 100% | 42% | 88% | 44% | 100% | 59% | 100% |
| Vesting of LTI awards (% of maximum) | 37.75% | 13.5% | 31% | 24% | 70% | (2)35% | (2)35% |

(1) 2009 and 2010 bonus amounts include amounts paid under the Operational Efficiency Bonus in place for those years. The overall maximum bonus receivable was still subject to a limit of 200% of base salary.

(2) In respect of the 2007 and 2008 PSP awards. Sir Andrew also had outstanding awards over 195,500 and 525,000 share options, granted in 2007 and 2008 respectively, which lapsed in full. These have not been included in the total vesting percentage due to the distorting effect of aggregating conditional shares and share options.

Performance graph and table

The following graph sets out the performance of the company relative to the FTSE 100 index, and to the pharmaceutical performance comparator group for the seven-year period to 31 December 2015. The graph has been prepared in accordance with the Remuneration Regulations and is not an indication of the likely vesting of awards granted under any of the company's incentive plans. These indices were selected for comparison purposes as they reflect both the index of which GSK is a constituent and the industry in which it operates.



Historical vesting for GSK's LTIs

The following table shows historical vesting levels under the company's long-term incentive plans (Deferred Annual Bonus Plan matching awards, Performance Share Plan and Share Option Plan) in respect of awards made to executives since 2007.

| Year of grant | Performance period | Performance Share Plan | | | | | | Total vesting % | Share Option Plan |
|---------------|--------------------|------------------------|---------------------|---|---------------------------------|--|---------------------|-----------------|-------------------|
| | | Total vesting % | Vesting under TSR % | Vesting under adjusted free cash flow % | Vesting under R&D new product % | Vesting under business diversification % | Vesting under EPS % | | |
| 2007 | 2007–2009 | n/a | 35 | n/a | n/a | n/a | 35 | 0 | |
| 2008 | 2008–2010 | n/a | 35 | n/a | n/a | n/a | 35 | 0 | |
| 2009 | 2009–2011/12 | n/a | 9 | 40 | n/a | n/a | 49 | 0 | |
| 2010 | 2010–2012/13 | 30 | 9 | 16 | n/a | n/a | 25 | n/a | |
| 2011 | 2011–2013 | 40 | 0 | 13 | 16 | 11 | 40 | n/a | |
| 2012 | 2012–2014 | 13.5 | 0 | 0 | 6.75 | 6.75 | 13.5 | n/a | |
| 2013 | 2013–2015 | 37.75 | 0 | 0 | 20.5 | 17.25 | 37.75 | n/a | |

For the DABP, the 2010 awards were subject wholly to TSR performance and from 2011 awards were subject to the same performance measures as PSP awards.

Malus and clawback policy

The company's policy on malus and clawback is set out in the company's Remuneration policy report which is available at www.gsk.com in the Investors section. The Committee has jurisdiction on malus and clawback in respect of the executives. In the event of a 'triggering' event (e.g. significant

Disclosure will only be made when the matter has been the subject of public reports of misconduct, where it has been fully resolved, where it is legally permissible to disclose and where it can be made without unduly prejudicing the company and therefore shareholders. In line with these disclosure guidelines, neither the Committee (nor the Recoupment

misconduct by way of violation of regulation, law or significant GSK policy, such as the Code of Conduct), the company will have the ability to claw back up to three years' annual and deferred bonuses as well as vested and unvested LTIs. The Recoupment Committee exercises this authority for the wider employee base. It is comprised of senior executives with relevant oversight and appropriate experience, including the Senior Vice President, Global Ethics and Compliance, and the Senior Vice President & General Counsel.

From 1 January 2015, in respect of each financial year, the Committee discloses whether it (or the Recoupment Committee) has exercised clawback or malus.

Committee) has exercised malus or clawback during 2015.

The Committee has determined that the release of some shares under the LTI plans may be delayed in the case of leavers, to reinforce the implementation of the malus and clawback policy. Also, in the case of deferred bonus awards under the DABP granted to executives who then retire or are made redundant, the vesting of those awards will normally be delayed so that they vest on their original timescales rather than vesting earlier at the end of the year in which the termination date falls.

Annual report on remuneration

continued

Other remuneration and performance disclosures continued

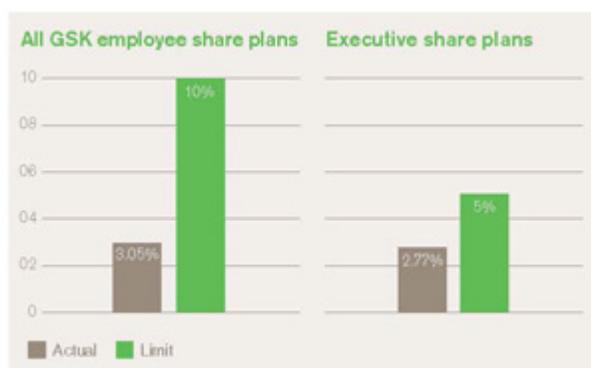
Other all-employee share plans

The Executive Directors participate in various all-employee share plans, including ShareSave and ShareReward. The ShareSave Plan is an HM Revenue & Customs approved plan open to all UK employees. Participants may save up to £250 a month from their net salaries for a fixed term of three years and at the end of the savings period they have the option to buy GSK shares at a discount of up to 20% of the market price set at the launch of each savings contract. Sir Andrew Witty and Simon Dingemans each contribute the maximum of £250 a month into the ShareSave Plan.

The ShareReward Plan is an HM Revenue & Customs approved plan open to all UK employees on the same terms. Participants contribute up to £125 a month from their gross salaries to purchase GSK shares and the company matches the number of GSK shares bought each month under this arrangement. Sir Andrew Witty and Simon Dingemans each contribute the maximum of £125 a month to buy shares under the ShareReward Plan.

Dilution limits

All awards are made under plans which incorporate dilution limits consistent with the guidelines published by the Investment Association, which was formed following the merger of the IMA and the ABI. These limits are 10% in any rolling ten year period for all plans and 5% in any rolling ten year period for executive share plans. Estimated dilution from existing awards made over the last ten years up to 31 December 2015 is as follows:



Relative importance of spend on pay

The table shows the percentage changes in the Group's dividends paid to shareholders, share buy-back and total employee pay.

| | 2015 £m | 2014 £m | % change |
|--------------------|------------|------------|----------|
| Total employee pay | 8,030 | 7,520 | 7 |
| Dividends | 3,874 | 3,843 | 1 |
| Share buyback | – | 238 | (100) |

The figures in the table above are as set out on pages 141 and 155. Dividends declared in respect of 2015 were

Percentage change in remuneration of CEO

| | Sir Andrew Witty | | UK Employees |
|--------------|------------------|----------|--------------|
| | 2015 £000 | % change | % change |
| Salary | 1,087 | 0% | 1% |
| Benefits | 110 | 57% | 0% |
| Annual bonus | 2,175 | 137% | 38% |

This reflects salary earned in, benefits received in and annual bonus earned in respect of 2015 compared with 2014. For the wider UK employee population, the salary increase includes the annual salary review as well as any additional changes in the year, e.g. on promotion. The increase in benefits for the CEO is not as a result of a change to his benefit arrangements. UK employee benefits are unchanged on the previous year as there have been no changes to our benefit policies or levels. It does not reflect any changes to the level of benefits an individual may have received as a result of a change in role, e.g. promotion. The UK population was considered to be the most relevant comparison as it most closely reflects the economic environment encountered by the CEO.

External appointments for Executive Directors

The Board encourages Executive Directors to hold one external directorship each once they have become established in their roles, to broaden their experience and development, and help increase the pool of Non-Executive Director candidates. Any outside appointments are considered by the Nominations Committee to ensure they would not cause a conflict of interest and are then approved by the Chairman on behalf of the Board. It is the company's policy that remuneration earned from such appointments may be kept by the individual Executive Director.

During 2015, Dr Moncef Slaoui did not receive any fees in relation to his membership of the Qatar Biomedical Research Institute Scientific Advisory Committee, as no meetings took place in the period. He earned a \$400 honorarium for attending a board meeting of the Advisory Committee to the Director of National Institute of Health. There are no other external appointments for which he receives any remuneration. During 2015, Sir Andrew Witty and Simon Dingemans did not hold any external appointments for which they were remunerated.

Service contracts

The table below sets out the relevant dates of the current Executive Directors' service contracts, which are available for review at the company's registered office during office hours.

| | Date of contract | Effective date | Expiry date | Notes |
|------------------|------------------|----------------|-------------|---|
| Sir Andrew Witty | 18.06.08 | 22.05.08 | 31.08.24 | Contract amended in 2010 to remove entitlement to |

£3,871 million (2014 – £3,865 million), i.e. an increase of 1%. Given the impact of the sustained strength of Sterling on free cash flow, the company suspended its share repurchase programme during 2014. Following the completion of the Novartis transaction, GSK will return approximately £1 billion of the net proceeds by way of a special dividend payable at the same time as the 2015 Q4 dividend. The special dividend is not included in the above amounts. The company does not expect to make any ordinary share repurchases in 2016.

Total employee pay is based on 101,192 employees, the average number of people employed during 2015 (2014 – 98,702).

| | | | | bonus on termination |
|-------------------------|----------|----------|----------|--|
| Simon Dingemans | 08.09.10 | 04.01.11 | 30.04.28 | |
| Dr Moncef Slaoui | 21.12.10 | 21.12.10 | 01.08.19 | Contract replaced in 2010, principally to remove entitlement to bonus on termination |

Payments to past directors during 2015 (audited)

There were no payments to past directors during 2015.

Payments for loss of office during 2015 (audited)

There were no payments for loss of office to directors during 2015.

Overview of 2015 total pay

Summary of 2015 remuneration

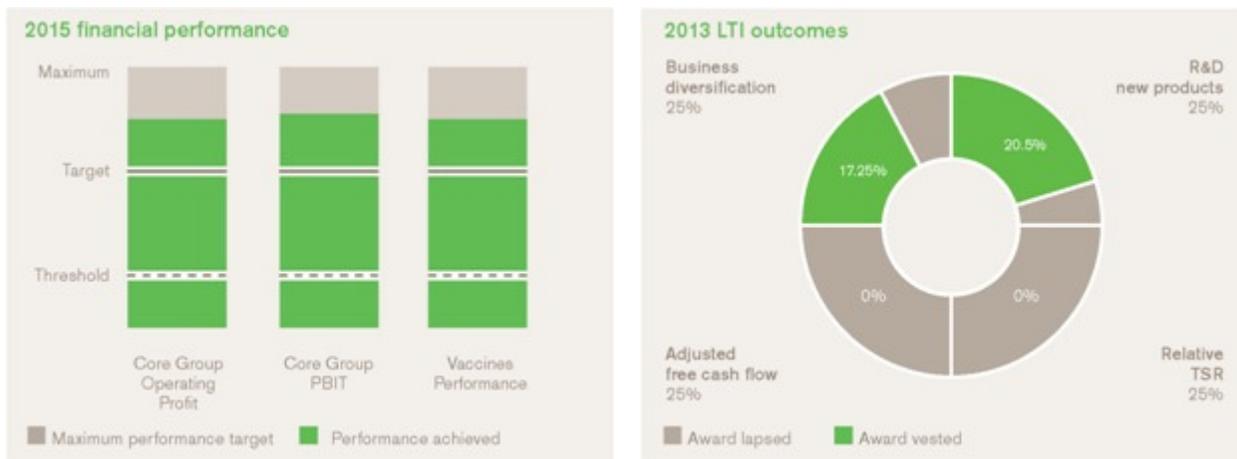
The following shows a breakdown of total remuneration paid to Executive Directors in respect of 2014 and 2015.



2015 annual bonus and 2013 LTI awards – summary of outcomes

The charts below illustrate:

- annual bonus outcomes for the financial year ending 31 December 2015; and
- vesting levels of the PSP and DABP matching awards that were granted to the Executive Directors in 2013 with performance periods ending 31 December 2015. These awards were based on four equally weighted performance measures (R&D new product performance, adjusted free cash flow, relative TSR and business diversification).



Executive Directors' shareholdings (audited)

To align the interests of Executive Directors with those of shareholders, they are required to build and maintain significant holdings of shares in GSK over time. Executive Directors are required to continue to satisfy these shareholding requirements for a minimum of 12 months following retirement from the company.

Current share ownership requirements (SOR) are as follows:

| | Share ownership requirement |
|---------------------------|-----------------------------|
| CEO | 4x base salary |
| Other Executive Directors | 3x base salary |
| Other CET members | 2x base salary |

Current shareholdings are illustrated in the chart opposite.



Annual report on remuneration

continued

Remuneration governance

The Remuneration Committee

Remuneration Committee Chairman Urs Rohner joined the Board and was appointed to the Committee on 1 January 2015. He was appointed Committee Chairman with effect from 8 May 2015, following the retirement of Tom de Swaan as Committee Chairman and Non-Executive Director on 7 May 2015.

Role of the Committee

The role of the Committee is to set the company's remuneration policy so that GSK is able to recruit, retain and motivate its executives. The remuneration policy is regularly reviewed to ensure that it is consistent with the company's scale and scope of operations, supports the business strategy and growth plans and helps drive the creation of shareholder value.

Terms of reference

The Committee's full terms of reference are available on the company's website. The terms of reference, which are reviewed at least annually, were last revised in January 2016 to reflect best practice and corporate governance developments.

Governance

The Board considers all of the members of the Committee to be independent Non-Executive Directors in accordance with the UK Corporate Governance Code.

The Committee met six times in scheduled meetings during 2015, with each member attending as follows:

| Members | Committee member since | Attendance at full meetings during 2015 |
|---|------------------------|---|
| Urs Rohner (Chairman from 7 May 2015) | 1 January 2015 | 6/6 |
| Vindi Banga | 1 January 2016 | 0/0 |
| Dr Stephanie Burns | 1 May 2013 | 6/6 |
| Judy Lewent | 1 January 2013 | 6/6 |
| Sir Deryck Maughan | 1 July 2012 | 5/6 |
| Hans Wijers | 10 October 2013 | 5/6 |
| Sir Christopher Gent* | 1 January 2007 | 3/3 |
| Tom de Swaan* (Chairman to 7 May 2015) | 20 May 2009 | 3/3 |

*Sir Christopher Gent and Tom de Swaan retired from the Board on 7 May 2015.

In addition to the six scheduled meetings, the Committee met on a quorate basis on three occasions to approve the formal grant of long-term incentive awards to employees below the CET, and address other LTI administrative matters.

Committee meetings usually include a closed session, during which only members of the Committee are present. Other individuals may also be invited to attend Committee meetings during the year. Executives and other Committee attendees are not involved in any decisions, and are not

Adviser to the Committee

The Committee has access to external advice as required. The Committee carried out a formal review of the independent advisers to the Committee in 2013. As a result of this review, the Committee reappointed Deloitte LLP to provide it with independent advice on executive remuneration. The Committee Chairman agrees the protocols under which Deloitte provides advice and the Committee is satisfied that the advice they have received from Deloitte has been objective and independent.

Deloitte is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at www.remunerationconsultantsgroup.com.

Deloitte provided independent commentary on matters under consideration by the Committee and updates on market practice and legislative requirements. Deloitte's fees for advice provided to the Committee in 2015 were £138,130. Fees were charged on a time and materials basis. Deloitte LLP also provided other consulting, tax and assurance services to GSK during the year. However, the Committee is satisfied that this does not compromise the independence of the advice they have received from Deloitte.

Willis Towers Watson provided additional market data to the Committee.

Shareholder votes on remuneration matters

| 2015 AGM | Total votes cast (billion) | Total votes for (%) | Total votes against (%) | Votes withheld (million) |
|---------------------|----------------------------|---------------------|-------------------------|--------------------------|
| Remuneration report | 3.5 | 98.03 | 1.97 | 205 |

| 2014 AGM | Total votes cast (billion) | Total votes for (%) | Total votes against (%) | Votes withheld (million) |
|---------------------|----------------------------|---------------------|-------------------------|--------------------------|
| Remuneration report | 3.4 | 98.5 | 1.5 | 171 |
| Remuneration policy | 3.5 | 97.4 | 2.6 | 100 |

Consideration of shareholder views

The Committee engages in regular dialogue with shareholders and holds annual meetings with GSK's largest investors to discuss and take feedback on its remuneration policy and governance matters.

The annual meetings were held in November 2015, at which Urs Rohner, Committee Chairman, shared updates on remuneration matters in the last 12 months and proposals for 2016 onwards. In particular this covered proposed enhanced annual bonus disclosures for inclusion in the 2015 Annual Report. In addition, investors' initial views were sought on the future development of the approved Remuneration Policy in advance of the anticipated submission by the company of a binding shareholder resolution to approve a new Remuneration Policy at the 2017 AGM.

present at any discussions regarding their own remuneration.

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee include:

| Attendee | Regular attendee | Attends as required |
|----------------------------------|------------------|---------------------|
| CEO | | ✓ |
| CFO | | ✓ |
| Head of Human Resources | | ✓ |
| Head of Reward | ✓ | |
| Committee Adviser – Deloitte LLP | | ✓ |

Committee evaluation

The Committee's annual evaluation was internally facilitated by the Company Secretary, and supplemented by a questionnaire circulated to Committee members on behalf of the Committee Chairman. It was concluded that the Committee continued to operate effectively. In terms of enhancements to the Committee's deliberations it was agreed that the Committee would focus its attention during 2016 on reviewing the company's Remuneration Policy.

Remuneration governance continued

Principal activities and matters addressed during 2015

| Month | Remuneration | | Governance and other matters |
|----------|---|--|---|
| | Overall | Items specific to: Annual bonus and LTIs | |
| January | <ul style="list-style-type: none"> Approve CET salary increase recommendations | <ul style="list-style-type: none"> Review and approve R&D Annual bonus target metric Review and approve executives' 2014 bonuses Set CEO 2015 bonus objectives Update on Deferred Annual Bonus Plan Rules Update on LTI performance for 2012 LTI awards (2012-2014) | <ul style="list-style-type: none"> Review draft 2014 Remuneration report Review shareholder feedback from annual investor meetings Review Committee external evaluation report |
| February | <ul style="list-style-type: none"> Receive update on remuneration related implications of the Novartis transaction | <ul style="list-style-type: none"> Review LTI performance outcomes and approve vesting of 2012 LTI awards (2012-2014) for CET and below CET Review and approve 2015-2017 LTI grants for CET and below Grant interim Share Value Plan awards (below CET) | <ul style="list-style-type: none"> Review 2014 Remuneration report |
| March | <ul style="list-style-type: none"> Remuneration environment update | <ul style="list-style-type: none"> Update on Performance Share Plan for employees below CET Grant awards to certain eligible former Novartis employees | <ul style="list-style-type: none"> Update on remuneration considerations for 2015 |
| July | <ul style="list-style-type: none"> Review of CEO and CFO pay competitiveness Review of remuneration benchmark comparator groups | <ul style="list-style-type: none"> Approve adjusted free cash flow target for 2015 awards following completion of the Novartis transaction | <ul style="list-style-type: none"> Review AGM and remuneration report feedback, the external remuneration environment and performance target disclosures for incentive plans Approve Committee evaluation process Review Chairman fees Environmental update |
| August | | <ul style="list-style-type: none"> Grant interim and main Share Value Plan awards (below CET) | |
| October | <ul style="list-style-type: none"> Consider remuneration report disclosures for 2015 Update on CEO, CFO and CET remuneration competitiveness Draft plan for review of remuneration policy for 2017 AGM | <ul style="list-style-type: none"> Update on LTI vesting for 2013 awards (2013-2015) Review adjustment principles for LTI measures in respect of the Novartis transaction | <ul style="list-style-type: none"> Update on remuneration report disclosures Preparation for annual investor meetings |
| November | Annual meeting with investors | | |
| December | <ul style="list-style-type: none"> Annual CET benchmarking and competitiveness review Approve Executive Director salary increases for 2016 | <ul style="list-style-type: none"> Grant awards to certain eligible former Novartis employees | <ul style="list-style-type: none"> Review Investment Association Principles of Remuneration Update on remuneration report disclosures Review shareholder feedback from annual investor meetings |

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Non-Executive Directors fees

Chairman and other Non-Executive Directors

The company aims to provide the Chairman and other Non-Executive Directors with fees that are competitive with those paid by other companies of equivalent size and complexity, subject to the limits contained in GSK's Articles of Association.

Chairman's fees

Chairman Sir Philip Hampton was appointed a Non-Executive Director on 1 January 2015, and received the standard annual fee for a Non-Executive Director of £85,000, until 1 April 2015, he then received fees of £350,000 per annum as Deputy Chairman. Since his appointment as Chairman at the conclusion of the AGM on 7 May 2015, his fees increased to £700,000 per annum. He has elected to take 25% of his fees as GSK shares.

Non-Executive Director fees

Non-Executive Director fees were last increased in January 2013. There were no increases to the supplemental fees. A minimum of 25% of fees will continue to be delivered as shares deferred until the Non-Executive Director steps down from the Board.

The Non-Executive Directors' fees applying since 1 January 2013 are set out below:

| | Per annum |
|--|--------------------|
| Standard annual fee | £85,000 |
| Supplemental fees | |
| Chairman of the Audit & Risk Committee | £80,000 |
| Senior Independent Director and Scientific/Medical Experts | £30,000 |
| Chairmen of the Remuneration and Corporate Responsibility Committees | £20,000 |
| Non-Executive Director undertaking intercontinental travel to meetings | £7,500 per meeting |

Letters of appointment

The terms of engagement of the Non-Executive Directors are set out in letters of appointment which are available for inspection at the company's registered office and at the AGM. For each Non-Executive Director, his or her initial appointment and any subsequent re-appointment are subject to election and, thereafter, periodic re-election by shareholders.

The Non-Executive Directors' letters of appointment do not contain provision for notice periods or for compensation if their appointments are terminated.

The following table shows the date of the initial letter of appointment of each Non-Executive Director:

| Non-Executive Director | Date of letter of appointment |
|----------------------------|-------------------------------|
| Sir Philip Hampton | 25 September 2014 |
| Professor Sir Roy Anderson | 28 September 2007 |
| Vindi Banga | 5 May 2015 |
| Dr Stephanie Burns | 12 February 2007 |
| Stacey Cartwright | 3 March 2011 |
| Lynn Elsenhans | 3 May 2012 |
| Dr Jesse Goodman | 23 December 2015 |
| Judy Lewent | 3 March 2011 |
| Sir Deryck Maughan | 26 May 2004 |
| Dr Daniel Podolsky | 3 July 2006 |
| Urs Rohner | 3 October 2014 |
| Hans Wijers | 29 January 2013 |

The table below (audited) sets out the value of fees and benefits received by the Non-Executive Directors in the form of cash and shares or ADS. Further details of the Non-Executive Directors' share allocation plan are set out on page 119.

| Non-Executive Directors' emoluments (000) (audited) | 2015 | | | | 2014 | | | |
|---|-------|------------|----------|-------|-------|------------|----------|-------|
| | Cash | Shares/ADS | Benefits | Total | Cash | Shares/ADS | Benefits | Total |
| Professor Sir Roy Anderson | £98 | £32 | £10 | £140 | £98 | £32 | £11 | £141 |
| Vindi Banga | – | £28 | £1 | £29 | – | – | – | – |
| Dr Stephanie Burns | \$91 | \$91 | \$77 | \$259 | \$105 | \$105 | \$134 | \$344 |
| Stacey Cartwright | £75 | £25 | £7 | £107 | £75 | £25 | £6 | £106 |
| Lynn Elsenhans | £14 | £122 | £63 | £199 | £13 | £110 | £90 | £213 |
| Sir Christopher Gent | £187 | £63 | £72 | £322 | £460 | £250 | £67 | £777 |
| Sir Philip Hampton | £389 | £130 | £3 | £522 | – | – | – | – |
| Judy Lewent | \$249 | \$83 | \$171 | \$503 | \$255 | \$85 | \$262 | \$602 |
| Sir Deryck Maughan | – | \$241 | \$146 | \$387 | – | \$247 | \$149 | \$396 |
| Dr Daniel Podolsky | \$60 | \$181 | \$155 | \$396 | \$65 | \$194 | \$220 | \$479 |
| Urs Rohner | £85 | £28 | £19 | £132 | – | – | – | – |
| Tom de Swaan | £38 | £7 | £24 | £69 | £84 | £28 | £30 | £142 |
| Jing Ulrich | \$92 | \$14 | \$35 | \$141 | \$167 | \$56 | \$190 | \$413 |
| Hans Wijers | £75 | £25 | £16 | £116 | £75 | £25 | £19 | £119 |
| Sir Robert Wilson | – | – | – | – | £22 | £23 | £10 | £55 |

- a) Benefits primarily consist of travel and subsistence costs incurred in the normal course of business, in relation to meetings on Board and Committee matters and other GSK-hosted events which are considered to be taxable. For overseas-based Non-Executive Directors, this includes travel to meetings in the UK.
- b) Non-Executive Directors fees that are paid other than in GBP are converted using an exchange rate that is set annually based on the average rate for the last quarter of the year prior to payment. The rate is reviewed if it moves significantly during the year.
- c) Sir Philip Hampton and Urs Rohner joined the Board from 1 January 2015. Vindi Banga joined the Board from 1 September 2015.
- d) Sir Christopher Gent, Tom de Swaan and Jing Ulrich all retired from the Board on 7 May 2015. Sir Robert Wilson retired from the Board on 7 May 2014.
- e) Sir Christopher Gent's benefits number includes £3,012 travel and hospitality costs incurred whilst attending GSK hosted events as previously agreed at the request of the company, after he retired on 7 May 2015.

Directors' interests in shares (audited)

The interests of the Directors of the company in office at 31 December 2015 and their connected persons are shown in the tables below.

| | Total directors' interests as at | | | Shares/ADS | | Total share plan interests as at 31 December 2015 | | | |
|--|----------------------------------|---|---------------------------------------|--|-------------------------------------|---|-------------------------------------|--------------------------|-----------------------|
| | 10 March 2016 | 31 December 2015 | 1 January 2015 | (a)Unvested and not subject to performance | Unvested and subject to performance | (a)Unvested and not subject to performance | Unvested and subject to performance | Options | |
| | | | | | | | | Vested but not exercised | Exercised in the year |
| Executive Directors | | | | | | | | | |
| Shares | | | | | | | | | |
| Sir Andrew Witty ^(b,c,d,f,g,i) | 1,050,062 | 859,350 | 760,988 | 18,174 | 1,390,416 | 131,195 | 130,307 | 89,993 | 66,529 |
| Simon Dingemans ^(b,c,d,f,i) | 267,899 | 179,527 | 157,208 | – | 611,834 | 50,449 | 49,729 | – | 39,150 |
| Dr Moncef Slaoui ^(g) | 28,464 | 28,300 | 27,657 | – | – | – | – | 68,520 | – |
| ADS | | | | | | | | | |
| Dr Moncef Slaoui ^(c,d,e,h) | 286,300 | 234,270 | 196,133 | 80,057 | 471,769 | – | – | 4,235 | – |
| Share allocation plan for Non-Executive Directors | | | | | | | | | |
| | Total directors' interests as at | | | Shares/ADS | | Number of shares or ADS | | | |
| | 10 March 2016 | 31 December 2015 or date of resignation | 1 January 2015 or date of appointment | 31 December 2015 | | Paid out | Dividends reinvested | Allocated & elected | 31 December 2014 |
| Non-Executive Directors | | | | | | | | | |
| Shares⁽ⁱ⁾ | | | | | | | | | |
| Professor Sir Roy Anderson | 23,969 | 23,969 | 20,424 | | 23,969 | – | 1,182 | 2,363 | 20,424 |
| Vindi Banga | 37,303 | 37,303 | 35,200 | | 2,103 | – | – | 2,103 | – |
| Dr Stephanie Burns | 44 | 44 | 44 | | – | – | – | – | – |
| Stacey Cartwright | 8,469 | 8,469 | 6,286 | | 8,347 | – | 364 | 1,818 | 6,165 |
| Sir Christopher Gent ^(k) | – | 136,566 | 132,575 | | – | (136,566) | – | 3,991 | 132,575 |
| Sir Philip Hampton | 16,696 | 16,696 | 6,918 | | 9,778 | – | 47 | 9,731 | – |
| Urs Rohner | 2,080 | 2,080 | – | | 2,080 | – | 17 | 2,063 | – |
| Tom de Swaan ^(k) | – | 27,750 | 27,331 | | – | (27,750) | – | 419 | 27,331 |
| Hans Wijers | 4,845 | 4,845 | 2,852 | | 4,845 | – | 175 | 1,818 | 2,852 |
| ADS⁽ⁱ⁾ | | | | | | | | | |
| Dr Stephanie Burns | 20,584 | 20,584 | 17,355 | | 20,520 | – | 1,036 | 2,194 | 17,290 |
| Lynn Elsenhans | 14,839 | 14,839 | 9,657 | | 13,839 | – | 543 | 4,639 | 8,657 |
| Judy Lewent | 17,636 | 17,636 | 15,332 | | 7,469 | – | 321 | 1,982 | 5,166 |
| Sir Deryck Maughan | 51,937 | 51,937 | 43,537 | | 51,937 | – | 2,621 | 5,779 | 43,537 |
| Dr Daniel Podolsky | 37,745 | 37,745 | 31,515 | | 37,745 | – | 1,896 | 4,334 | 31,515 |
| Jing Ulrich ^(k) | – | 3,363 | 3,056 | | – | (3,025) | – | 307 | 2,718 |

a) Unvested shares and ADS and unvested options held by Executive Directors which are not subject to performance reflect bonus deferrals under the DABP, ShareSave and Share Value Plan (SVP) awards.

b) Total directors' interests as at 10 March 2016 include Deferred Annual Bonus Awards and related Matching Awards which vested on 28 February 2016. As these awards for UK participants are structured as nil cost options, the following gross interests have been included in the table above and tax will be due at the point of exercise: Sir Andrew Witty: 36,442 Deferred Annual Bonus Award and 13,757 vested Matching Award and Mr. Simon Dingemans: 13,799 Deferred Annual Bonus Award and 5,209 vested Matching Award. Total directors' interests also includes shares purchased through the GlaxoSmithKline ShareReward Plan. During 2015, Sir Andrew Witty and Simon Dingemans were each awarded 212 shares under the plan. The balance of shares within the plan is as follows:

| ShareReward Plan (Shares) | 10 March 2016 | 31 December 2015 | 1 January 2015 |
|---------------------------|---------------|------------------|----------------|
| Sir Andrew Witty | 3,229 | 3,132 | 2,758 |
| Simon Dingemans | 1,169 | 1,100 | 837 |

Dr Moncef Slaoui is not eligible to participate in the ShareReward Plan, as this is only open to UK employees.

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Directors' interests in shares continued

c) Total directors' interests includes shares or ADS resulting from the deferral of bonus (and the subsequent re-investment of dividends) under the DABP. The totals shown in the table below include bonus deferrals, but exclude any unvested matching awards which are subject to ongoing performance criteria. The amounts represent the gross share and ADS balances prior to the sale of any shares or ADS to satisfy tax liabilities.

| Deferred Annual Bonus Plan (Bonus deferrals) | 10 March 2016 | 31 December 2015 | 1 January 2015 |
|---|----------------------|-------------------------|-----------------------|
| Sir Andrew Witty (Shares) | 135,662 | 130,307 | 150,488 |
| Simon Dingemans (Shares) | 72,996 | 49,729 | 66,257 |
| Dr Moncef Slaoui (ADS) | 53,867 | 50,897 | 58,769 |

d) Total directors' interests at 10 March 2016 include any shares or ADS which vested due to performance being met under elements of the PSP (2013-2015 awards), less those sold to satisfy tax liabilities on the vested amounts (see pages 124 to 125 for further details).

e) For Dr Moncef Slaoui, total directors' interests includes ADS purchased within the 401(k) Plan and the US Executive Supplemental Savings Plan (ESSP), and ADS awarded to Dr Slaoui's connected person under the SVP. The relevant balances are as follows:

| Dr Moncef Slaoui (ADS) | 10 March 2016 | 31 December 2015 | 1 January 2015 |
|-------------------------------|----------------------|-------------------------|-----------------------|
| US Retirement Savings Plans | 14,036 | 13,431 | 13,045 |
| Share Value Plan | 4,830 | 7,820 | 7,590 |

As an Executive Director, Dr Moncef Slaoui is not eligible to receive awards under the SVP. The SVP awards shown above reflect the holdings of Dr Slaoui's connected person, who is also an employee of GSK. The awards are subject to three-year vesting periods and vesting is contingent on continued employment within GSK. Any gains arising on vesting are not included in Dr Moncef Slaoui's total remuneration figures. During the year, his connected person was granted 2,530 ADS on 25 August 2015 at a grant price of \$39.41 (face value of \$99,707). Dr Slaoui's total share plan interests also include PSP awards held by his connected person. These awards are subject to performance criteria relevant to employees below the CET. As at 31 December 2015, his connected person held 6,700 ADS under the PSP, comprising awards made in 2013 (2,344 ADS) and 2014 (2,237 ADS) and 2015 (2,119 ADS), all amounts including dividend re-investment.

f) Unvested options not subject to performance

For Sir Andrew Witty and Simon Dingemans, the unvested options not subject to performance include holdings of 888 and 720 respectively in the ShareSave Plan, in which they participate on the same terms as all other employees. 888 ShareSave options were granted to Sir Andrew Witty during 2015. Simon Dingemans was granted 266 options under the plan on 29 October 2015. The remainder of unvested options not subject to performance relate to bonus deferrals structured as nil-cost options under the DABP.

g) Vested but not exercised options

For the Executive Directors, the following table provides details of vested but unexercised options as at 31 December 2015 under the Share Option Plan (SOP), which lapsed on 20 February 2016. GSK granted options under this plan to Executive Directors on an annual basis until 2009.

| Share Option Plan | Date of grant | Lapse date | Grant price | Number of shares under option | |
|--------------------------|----------------------|-------------------|--------------------|--------------------------------------|-------------------------|
| | | | | Sir Andrew Witty | Dr Moncef Slaoui |
| | 21.02.06 | 20.02.16 | £14.68 | 89,993 | 68,520 |
| | | | | 89,993 | 68,520 |

h) The ADS vested but unexercised options totalling 4,235 for Dr Moncef Slaoui represent the ADS options held by Dr Moncef Slaoui's connected person.

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i) The following table sets out details of options (including nil-cost options under the DABP) exercised during 2015 by Executive Directors. Dr Moncef Slaoui did not exercise any options during the year.

| Type of award | Date of grant | Number of shares under option | Date of exercise | Grant price | Market price at exercise | Gain on exercise (000) |
|-------------------------|---------------|-------------------------------|------------------|-------------|--------------------------|------------------------|
| Sir Andrew Witty | | | | | | |
| ShareSave | 01.12.12 | 776 | 01.12.15 | £11.59 | £13.51 | £1 |
| DABP – deferral | 09.03.12 | 57,932 | 14.05.15 | – | £14.14 | £819 |
| DABP – matching | 09.03.12 | 7,821 | 14.05.15 | – | £14.14 | £111 |
| | | <u>66,529</u> | | | | <u>£931</u> |
| Simon Dingemans | | | | | | |
| ShareSave | 01.12.12 | 310 | 01.12.15 | £11.59 | £13.51 | £1 |
| DABP – deferral | 09.03.12 | 34,220 | 08.05.15 | – | £14.72 | £504 |
| DABP – matching | 09.03.12 | 4,620 | 08.05.15 | – | £14.72 | £68 |
| | | <u>39,150</u> | | | | <u>£573</u> |

In respect of options under the SOP and the ShareSave plans, the remuneration receivable by an Executive Director is calculated on the date that the options first vest. The remuneration is the difference between the amount the Executive Director is required to pay to buy the shares or ADS and the total value of the shares or ADS on the vesting date. If the Executive Director chooses not to exercise the options on the vesting date, any subsequent increase or decrease in the amount realised will be due to movements in the share or ADS price between the vesting date and the date of exercise. This increase or decrease in value is the result of an investment decision by the Executive Director and, as such, is not recorded as remuneration. No options vested for Executive Directors during 2015.

In respect of nil-cost options under the DABP, the bonus which is deferred by the Director is recorded as remuneration (under annual bonus) for the year to which it relates. The gain recorded on exercise of the nil-cost option comprises this remuneration, the total of the amounts received in re-invested dividends prior to vesting and the gains or losses resulting from movements in the share price between the dates of grant and exercise for the initial bonus amount deferred and the dates of dividend reinvestment and exercise for the re-invested dividends.

For the matching element of the DABP, the remuneration of the Executive Director is recorded in the year that the performance criteria end and represents the number of vested shares multiplied by the price at vesting. The gain recorded on exercise of the nil-cost option comprises the total of this remuneration and the gain or loss resulting from the movement in the share price between vesting and exercise.

For Sir Andrew Witty:

- The total gain of £1,490 following the exercise of 776 options granted under the ShareSave Plan.
- The gain of £819,158 recorded following the exercise of the 57,932 nil-cost options relating to the deferral of bonus earned in respect of 2011 comprises remuneration of £700,000 recorded in 2011 as annual bonus and a net gain of £119,158 relating to the re-investment of dividends prior to vesting and movements in the share price between grant and dividend re-investment dates and the exercise date.
- The gain of £110,589 recorded following the exercise of the 7,821 nil-cost options relating to the DABP matching award comprises remuneration of £122,008 recorded in 2014 in relation to the DABP (see page 122) and an investment loss of £11,419 relating to the movement in the share price between the vesting and exercise dates.

For Simon Dingemans:

- The total gain of £595 following the exercise of 310 options granted under the ShareSave Plan.
- The gain of £503,718 recorded following the exercise of the 34,220 nil-cost options relating to the deferral of bonus earned in respect of 2011 comprises remuneration of £413,520 recorded in 2011 as annual bonus and a net gain of £90,198 relating to the re-investment of dividends prior to vesting and movements in the share price between grant and dividend re-investment dates and the exercise date.
- The gain of £68,006 recorded following the exercise of the 4,620 nil-cost options relating to the DABP matching award comprises remuneration of £72,072 recorded in 2014 in relation to the DABP (see page 123) and an investment loss of £4,066 relating to the movement in the share price between the vesting and exercise dates.

j) For Non-Executive Directors, total interests include shares or ADS received as part or all of their fees under the Non-Executive Director Share Allocation Plan. Note that dividends received on shares or ADS under the plan during 2015 were converted into shares or ADS as at 31 December 2015.

k) Sir Christopher Gent, Tom de Swaan and Jing Ulrich all retired from the Board on 7 May 2015. They elected to receive their shares from the Non-Executive Directors' Share Allocation Plan immediately upon retiring from the Board. Dividend entitlements in respect of the Q3 and Q4 2014 and the Q1 2015 dividends were paid in cash in accordance with the plan rules.

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Directors' interests in shares continued

Deferred Annual Bonus Plan matching awards

Deferred Annual Bonus Plan (DABP) matching awards are made annually to Executive Directors, based on the individual's mandatory deferral and voluntary bonus deferral election. The company will match shares or ADS up to one-for-one depending on the company's performance during a three-year performance period. Performance conditions and vesting levels are described on pages 109, 110 and 112 of this report.

Awards to UK-based Executive Directors are made in the form of nil-cost options. Once an award vests, the UK-based Executive Director may choose to exercise the award at any time up to 10 years from the date of grant. Awards to US-based Executive Directors are made as conditional awards of ADS. The amount of remuneration receivable in respect of the matching shares or ADS is calculated using the share or ADS price on the date the relevant award vests. If the award vests after the date of the Remuneration report, the calculation is performed using the average share or ADS price over the last quarter of the financial year. If an Executive Director chooses not to exercise the nil-cost options on the vesting date, any subsequent increase or decrease in the amount realised will be due to movements in the share price between the vesting date and the date of exercise. This increase or decrease in value is the result of an investment decision and, as such, is not recorded as remuneration.

Dividends are reinvested on the nil-cost options or conditional awards of shares or ADS made to Executive Directors up to the date of vesting.

The following tables provide details for each Executive Director in respect of DABP matching awards. Market price at grant and at vesting represent the closing share prices on those dates.

| Sir Andrew Witty – Shares | Performance period | | | | |
|--------------------------------------|--------------------|---------------|---------------|---------------|---------------|
| | 2012-2014 | 2013-2015 | 2014-2016 | 2015-2017 | 2016-2018 |
| Market price at grant | £14.12 | £14.54 | £16.43 | £15.20 | £13.59 |
| Unvested at 31 December 2014 | 57,145 | 33,961 | 59,382 | – | – |
| Granted | – | – | – | 30,172 | – |
| Face value at grant (000) | – | – | – | £459 | – |
| Dividends reinvested | 787 | 1,986 | 3,475 | 1,331 | – |
| Vested | (7,821) | – | – | – | – |
| Lapsed | (50,111) | – | – | – | – |
| Unvested at 31 December 2015 | – | 35,947 | 62,857 | 31,503 | – |
| Granted | – | – | – | – | 40,003 |
| Face value at grant (000) | – | – | – | – | £544 |
| Dividends reinvested | – | 495 | 865 | 434 | – |
| Vested | – | (13,757) | – | – | – |
| Lapsed | – | (22,685) | – | – | – |
| Unvested at 10 March 2016 | – | – | 63,722 | 31,937 | 40,003 |
| Vested shares | | | | | |
| Number of shares | 7,821 | 13,757 | | | |
| Market price at vesting | £15.60 | £14.11 | | | |
| Gain: | 000 | 000 | | | |
| Remuneration for 2014 ^(a) | £122 | – | | | |
| Remuneration for 2015 | – | £194 | | | |

a) The value shown in the 2014 column is the award which vested on 9 March 2015. This has been valued based on a fair market value of £15.60; the closing share price from the business day prior to the vesting date. Please note that the values shown differ from those disclosed in the 2014 Annual Report as the value was based on an estimated vesting price of £14.14.

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Deferred Annual Bonus Plan matching awards continued

| Simon Dingemans – Shares | Performance period | | | | |
|-------------------------------------|--------------------|-----------|-----------|-----------|-----------|
| | 2012-2014 | 2013-2015 | 2014-2016 | 2015-2017 | 2016-2018 |
| Market price at grant | £14.12 | £14.54 | £16.43 | £15.20 | £13.59 |
| Unvested at 31 December 2014 | 33,755 | 12,859 | 19,643 | – | – |
| Granted | – | – | – | 14,680 | – |
| Face value at grant (000) | – | – | – | £223 | – |
| Dividends reinvested | 465 | 752 | 1,148 | 647 | – |
| Vested* | (4,620) | – | – | – | – |
| Lapsed | (29,600) | – | – | – | – |
| Unvested at 31 December 2015 | – | 13,611 | 20,791 | 15,327 | – |
| Granted | – | – | – | – | 36,381 |
| Face value at grant (000) | – | – | – | – | £494 |
| Dividends reinvested | – | 187 | 286 | 211 | – |
| Vested | – | (5,209) | – | – | – |
| Lapsed | – | (8,589) | – | – | – |
| Unvested at 10 March 2016 | – | – | 21,077 | 15,538 | 36,381 |

Vested shares

| | | |
|--------------------------------------|--------|--------|
| Number of shares | 4,620 | 5,209 |
| Market price at vesting | £15.60 | £14.11 |
| Gain: | 000 | 000 |
| Remuneration for 2014 ^(a) | £72 | – |
| Remuneration for 2015 | – | £73 |

a) The value shown in the 2014 column is the award which vested on 9 March 2015. This has been valued based on a fair market value of £15.60; the closing share price from the business day prior to the vesting date. Please note that the values shown differ from those disclosed in the 2014 Annual Report as the value was based on an estimated vesting price of £14.14.

| Dr Moncef Slaoui – ADS | Performance period | | | | |
|-------------------------------------|--------------------|-----------|-----------|-----------|-----------|
| | 2012-2014 | 2013-2015 | 2014-2016 | 2015-2017 | 2016-2018 |
| Market price at grant | \$44.68 | \$44.27 | \$54.17 | \$46.25 | \$39.13 |
| Unvested at 31 December 2014 | 22,518 | 17,300 | 18,951 | – | – |
| Granted | – | – | – | 11,973 | – |
| Face value at grant (000) | – | – | – | \$554 | – |
| Dividends reinvested | 327 | 1,025 | 1,122 | 527 | – |
| Vested | (3,085) | – | – | – | – |
| Lapsed | (19,760) | – | – | – | – |
| Unvested at 31 December 2015 | – | 18,325 | 20,073 | 12,500 | – |
| Granted | – | – | – | – | 20,854 |
| Face value at grant (000) | – | – | – | – | \$816 |
| Dividends reinvested | – | 247 | 271 | 169 | – |
| Vested | – | (7,011) | – | – | – |
| Lapsed | – | (11,561) | – | – | – |
| Unvested at 10 March 2016 | – | – | 20,344 | 12,669 | 20,854 |

Vested ADS

| | | |
|--------------------------------------|---------|---------|
| Number of ADS | 3,085 | 7,011 |
| Market price at vesting | \$46.73 | \$39.14 |
| Gain: | 000 | 000 |
| Remuneration for 2014 ^(a) | \$144 | – |
| Remuneration for 2015 | – | \$274 |

a) The value shown in the 2014 column is the award which vested on 9 March 2015. This has been valued based on a fair market value of \$46.73, the closing share price from the business day prior to the vesting date. Please note that the values shown differ from those disclosed in the 2014 Annual Report as the value was based on an estimated vesting price of \$44.76.

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Directors' interests in shares continued

Performance Share Plan awards

Performance Share Plan (PSP) awards are made to Executive Directors on an annual basis. Under the terms of the PSP, the number of shares or ADS vesting is determined following the end of the relevant performance period and is dependent on GSK's performance during that period. Performance conditions and vesting levels are described on pages 109, 110 and 112.

Dividends are reinvested on the performance shares or ADS awarded to executives throughout the performance period and up to the date of vesting. At vesting, UK participants receive the relevant number of shares and US participants may defer receipt of all or part of their vested awards. The amount of remuneration receivable in respect of performance shares is calculated using the share or ADS price on the date the relevant PSP award vests.

The PSP awards made to Sir Andrew Witty in 2012, 2013 and 2014 have three-year performance periods. However, the deeds of award specified that 25% of the awards would be subject to a further two-year vesting period (five years in total). During this two-year period, there are no additional performance criteria and the awards will only lapse if Sir Andrew is dismissed for cause. The remuneration in respect of these awards will therefore be considered to be realised in full following the determination by the Remuneration Committee of the vesting levels of the initial 75% of the awards (i.e. full remuneration will be recognised at the end of the three-year performance period). From 2015, the whole of the award made to each Executive Director has a three-year performance period, and an additional two-year vesting period. Each award will therefore only vest after five years. During the final two years of the vesting period, the award for each Director will only lapse if he is dismissed for cause. The remuneration in respect of the awards and dividend equivalent up to that point will therefore be recognised at the end of the three-year performance period (i.e. in the 2017 Remuneration report).

The following tables provide details for each Executive Director in respect of PSP awards. Market price at grant and at vesting represent the closing share prices on those dates.

| Sir Andrew Witty – Shares | Performance period | | | | |
|-------------------------------------|--------------------|-----------|-----------|-----------|-----------|
| | 2012-2014 | 2013-2015 | 2014-2016 | 2015-2017 | 2016-2018 |
| Market price at grant | £14.12 | £14.54 | £16.43 | £15.20 | £13.59 |
| Unvested at 31 December 2014 | 509,128 | 477,699 | 413,229 | – | – |
| Granted | – | – | – | 429,338 | – |
| Face value at grant (000) | – | – | – | £6,526 | – |
| Dividends reinvested | 6,777 | 27,540 | 23,822 | 18,787 | – |
| Vested | (69,650) | – | – | – | – |
| Lapsed | (446,255) | – | – | – | – |
| Unvested at 31 December 2015 | – | 505,239 | 437,051 | 448,125 | – |
| Granted | – | – | – | – | 492,052 |
| Face value at grant (000) | – | – | – | – | £6,687 |
| Dividends reinvested | – | 6,954 | 6,016 | 6,168 | – |
| Vested | – | (193,354) | – | – | – |
| Lapsed | – | (318,839) | – | – | – |
| Unvested at 10 March 2016 | – | – | 443,067 | 454,293 | 492,052 |
| Vested shares: | | | | | |
| Number of shares | 69,650 | 193,354 | | | |
| Market price at vesting | £14.86 | £13.64 | | | |
| Gain: | 000 | 000 | | | |
| Remuneration for 2014 | £1,035 | – | | | |
| Remuneration for 2015 | – | £2,637 | | | |

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Directors' interests in shares continued

Performance Share Plan awards continued

| Simon Dingemans – Shares | Performance period | | | | |
|-------------------------------------|--------------------|-----------|-----------|-----------|-----------|
| | 2012-2014 | 2013-2015 | 2014-2016 | 2015-2017 | 2016-2018 |
| Market price at grant | £14.12 | £14.54 | £16.43 | £15.20 | £13.59 |
| Unvested at 31 December 2014 | 196,014 | 210,194 | 181,842 | – | – |
| Granted | – | – | – | 188,930 | – |
| Face value at grant (000) | – | – | – | £2,872 | – |
| Dividends reinvested | 2,609 | 12,118 | 10,483 | 8,267 | – |
| Vested | (26,815) | – | – | – | – |
| Lapsed | (171,808) | – | – | – | – |
| Unvested at 31 December 2015 | – | 222,312 | 192,325 | 197,197 | – |
| Granted | – | – | – | – | 216,512 |
| Face value at grant (000) | – | – | – | – | £2,942 |
| Dividends reinvested | – | 3,060 | 2,647 | 2,714 | – |
| Vested | – | (85,078) | – | – | – |
| Lapsed | – | (140,294) | – | – | – |
| Unvested at 10 March 2016 | – | – | 194,972 | 199,911 | 216,512 |
| Vested shares: | | | | | |
| Number of shares | 26,815 | 85,078 | | | |
| Market price at vesting | £14.86 | £13.64 | | | |
| Gain: | 000 | 000 | | | |
| Remuneration for 2014 | £398 | – | | | |
| Remuneration for 2015 | – | £1,160 | | | |

| Dr Moncef Slaoui – ADS | Performance period | | | | |
|-------------------------------------|--------------------|-----------|-----------|-----------|-----------|
| | 2012-2014 | 2013-2015 | 2014-2016 | 2015-2017 | 2016-2018 |
| Market price at grant | \$44.68 | \$44.27 | \$54.17 | \$46.25 | \$39.13 |
| Unvested at 31 December 2014 | 149,302 | 145,634 | 116,412 | – | – |
| Granted | – | – | – | 131,005 | – |
| Face value at grant (000) | – | – | – | \$6,059 | – |
| Dividends reinvested | 2,119 | 8,545 | 6,830 | 5,746 | – |
| Vested | (20,443) | – | – | – | – |
| Lapsed | (130,978) | – | – | – | – |
| Unvested at 31 December 2015 | – | 154,179 | 123,242 | 136,751 | – |
| Granted | – | – | – | – | 158,714 |
| Face value at grant (000) | – | – | – | – | \$6,210 |
| Dividends reinvested | – | 2,082 | 1,665 | 1,847 | – |
| Vested | – | (58,989) | – | – | – |
| Lapsed | – | (97,272) | – | – | – |
| Unvested at 10 March 2016 | – | – | 124,907 | 138,598 | 158,714 |
| Vested ADS | | | | | |
| Number of ADS | 20,443 | 58,989 | | | |
| Market price at vesting | \$45.95 | \$39.76 | | | |
| Gain: | 000 | 000 | | | |
| Remuneration for 2014 | \$939 | – | | | |
| Remuneration for 2015 | – | \$2,345 | | | |

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Directors and Senior Management

Further information is provided on compensation and interests of Directors and Senior Management as a group ('the group'). For this purpose, the group is defined as the Non-Executive and Executive Directors, other members of the CET and the Company Secretary. For the financial year 2015, the following table sets out aggregate remuneration for the group for the periods during which they served in that capacity.

| Remuneration for 2015 | (£) |
|---|------------|
| Total compensation paid | 22,817,904 |
| Aggregate increase in accrued pension benefits (net of inflation) | 143,039 |
| Aggregate payments to defined contribution schemes | 839,379 |

During 2015, members of the group were awarded shares and ADS under the company's various share plans, as set out in the table below.

| Awarded during 2015 | Awards | | Dividend reinvestment awards | |
|---|-----------|---------|------------------------------|--------|
| | Shares | ADS | Shares | ADS |
| Deferred Annual Bonus Plan | 122,475 | 24,686 | 22,628 | 5,068 |
| Performance Share Plan | 1,533,782 | 307,710 | 249,257 | 48,825 |
| Deferred Investment Awards ^{(a) (b)} | – | – | 12,714 | – |
| Share Value Plan ^(b) | 11,060 | 2,530 | – | – |

At 10 March 2016, the group had the following interests in shares and ADS of the company. Holdings issued under the various executive share plans are described in Note 42 to the financial statements, 'Employee share schemes' on page 202.

| Interests at 10 March 2016 | Shares | ADS |
|---|-----------|---------|
| Owned | 1,945,852 | 476,009 |
| Unexercised options | 422,601 | 24,675 |
| Deferred Annual Bonus Plan | 1,077,034 | 166,832 |
| Performance Share Plan | 4,951,255 | 749,909 |
| Deferred Investment Awards ^{(a) (b)} | 236,364 | – |
| Share Value Plan ^(b) | 21,110 | 4,830 |

a) Notional shares and ADS.

b) Executive Directors are not eligible to receive Deferred Investment Awards or participate in the Share Value Plan.

Basis of preparation

The Remuneration report has been prepared in accordance with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations). In accordance with the Regulations, the following parts of the Annual report on remuneration are subject to audit: total remuneration figures for Executive Directors, including further details for each element of remuneration (salary, benefits, annual bonus, long-term incentive awards and pension); Non-Executive Directors' fees and emoluments received in the year; Directors' interests in shares, including interests in GSK share plans; payments to past directors; payments for loss of office; and share ownership requirements and holdings, for which the opinion thereon is expressed on page 136. The remaining sections of the Remuneration report are not subject to audit nor are the pages referred to from within the audited sections.

The Remuneration report has been approved by the Board of Directors and signed on its behalf by

Urs Rohner
Remuneration Committee Chairman

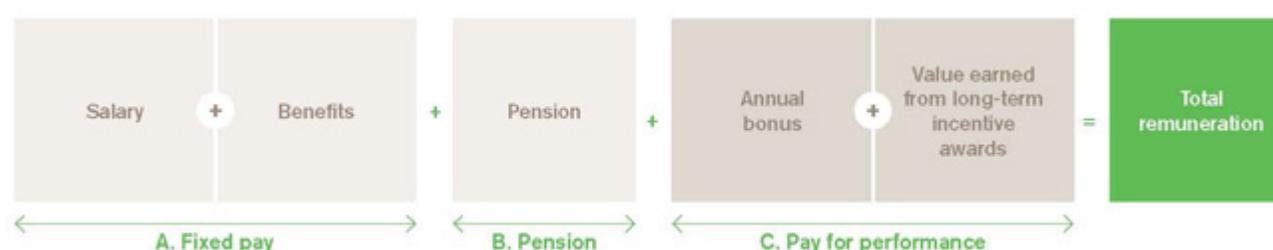
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2014 Remuneration policy summary

Executive Director remuneration policy

The company's remuneration policy report was approved on 7 May 2014 at GSK's Annual General Meeting. The full policy is available at www.gsk.com in the Investors section or in our 2013 Annual Report from page 117 to 126. The following is a summary of this policy.



| Element | Purpose and link to strategy | Operation |
|----------------------------|---|---|
| Salary | To provide a core reward for the role. Set at a level appropriate to secure and retain high calibre individuals needed to deliver the Group's strategic priorities. | Individual's role, experience and performance and independently sourced data for relevant comparator groups considered when determining salary levels. |
| Benefits | Levels are set to recruit and retain high calibre individuals to execute the business strategy. | Executive Directors are generally eligible to receive benefits in line with the policy for other employees which may vary by location. These include travel allowances (including spouse/partner travel), healthcare, life assurance/death in service (where not provided as part of the individual's pension arrangements), personal financial advice and contractual post-retirement benefits. |
| Pension | Pension arrangements provide a competitive level of retirement income. | Pension arrangements are structured in accordance with the plans operated in the country in which the individual is likely to retire. Where the individual chooses not to become a member of the pension plan, cash in lieu of the relevant pension contribution is paid instead. New Executive Directors in the UK will be entitled either to join the defined contribution pension plan or to receive a cash payment in lieu of pension contribution. Where an individual is a member of a GSK legacy defined benefit plan, a defined contribution plan or an alternative pension plan arrangement and is subsequently appointed to the Board, he or she may remain a member of that plan. |
| Annual bonus | To incentivise and recognise execution of the business strategy on an annual basis. Rewards the achievement of stretching annual financial and strategic business targets and delivery of personal objectives. | Financial, operational and business targets are set at the start of the year by the Committee and bonus levels are determined by the Committee based on performance against those targets. Individual objectives are set at the start of the year by the Committee and performance against objectives is assessed by the Committee. Executive Directors are required to defer 25% of any bonus earned into shares, or ADS as appropriate, for three years. They may defer up to an additional 25% of bonus earned, up to an overall maximum deferral of 50%. Deferred shares vest at the end of the three year performance period. |
| Long-term incentive | To incentivise and recognise delivery of the longer term business priorities, | Deferred Annual Bonus Plan Deferred shares may be matched subject to the achievement of |

| | | |
|----------------------|--|---|
| <p>awards</p> | <p>financial growth and increases in shareholder value compared to other pharmaceutical companies.</p> <p>In addition, to provide alignment with shareholder interests, a retention element, to encourage long-term shareholding and discourage excessive risk taking.</p> | <p>performance conditions over three years. Matching awards may be conditional shares or nil-cost options and are eligible for dividend equivalents in respect of the performance period.</p> <p>Performance Share Plan Conditional awards are made annually with vesting dependent on the achievement of performance conditions over three years. Vested awards are subject to an additional two-year vesting period. Awards are eligible for dividend equivalents up to the date of vesting.</p> |
|----------------------|--|---|

For details of our policy on clawback/malus, recruitment remuneration, loss of office and termination payments, please refer to the full 2014 remuneration policy report.

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2014 Remuneration policy summary

continued

Non-Executive Director remuneration policy

| Element | Purpose and link to strategy | Overview |
|---|--|--|
| Chairman's fee | To provide an inclusive flat rate fee that is competitive with those paid by other companies of equivalent size and complexity subject to the limits contained in GSK's Articles of Association. | <p>There is no formal maximum, however, fees are reviewed annually and set by reference to a review of the Chairman's performance and independently sourced market data.</p> <p>The Remuneration Committee is responsible for evaluating and making recommendations to the Board on the fees payable to the Chairman. The Chairman does not participate in discussions in respect of his fees.</p> <p>Fees can be paid in a combination of cash and/or GSK shares or ADS.</p> |
| Basic fee | | <p>There is no formal maximum, however, fees are reviewed annually and set by reference to independently sourced market data.</p> <p>The Chairman and CEO are responsible for evaluating and making recommendations to the Board on the fees payable to the company's Non-Executive Directors.</p> <p>A minimum of 25% is delivered in the form of GSK shares or ADS.</p> |
| Supplemental fees | To provide additional compensation for Non-Executive Directors (excluding the Chairman) taking on additional Board responsibilities or undertaking intercontinental travel to meetings. | Additional fees for Committee Chairmen, intercontinental travel, the Senior Independent Director and Medical/Scientific Experts. Current fee levels are set out on page 118 of the 2015 Annual Report. |
| Benefits | To facilitate execution of responsibilities and duties required by the role. | Travel and subsistence costs for Non-Executive Directors are incurred in the normal course of business in relation to meetings on Board and Committee matters and other GSK-hosted events. This includes Non-Executive Directors undertaking intercontinental travel to meetings. Non-Executive Directors may from time to time be accompanied by their spouse or partner to these meetings or events. The costs associated with the above are all met by the company and in some instances, they are deemed to be taxable and therefore treated as benefits for the Non-Executive Director. |
| Non-Executive Directors' share allocation plan | To enhance the link between directors and shareholders, GSK requires Non-Executive Directors to receive a significant part of their fees in the form of GSK shares or ADS. | <p>At least 25% of the Non-Executive Directors' total fees, excluding those of the Chairman, are paid in the form of GSK shares or ADS and allocated to a share or ADS account.</p> <p>The Non-Executive Directors may also take the opportunity to invest part or all of the balance of their fees into the same share or ADS account.</p> <p>The GSK shares or ADS which are notionally awarded to the Non-Executive Directors and allocated to their interest accounts are set out in the Directors' interests table on page 119 of the 2015 Annual Report.</p> <p>The accumulated balances of these GSK shares or ADS, together with the notional dividends accrued, are not paid out to Non-Executive Directors until they leave the Board. Upon leaving, the Non-Executive Directors will receive either the GSK shares or ADS, or a cash amount equivalent to the value of the GSK shares or ADS at the date of leaving, or date of payment if later.</p> |
| Letter of appointment | Non-Executive Directors' and the Chairman's terms of engagement are set out in letters of appointment as set out in the table on page 118 of the 2015 Annual Report. | <p>Non-Executive Directors will be subject to annual election or re-election and will normally serve no longer than nine years from the date of first election by shareholders at a general meeting.</p> <p>The Chairman will be subject to annual appointment by shareholders and</p> |

may serve longer than nine years from the date of first election by shareholders at a general meeting.

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Directors' statement

of responsibilities

The Directors are responsible for preparing the Annual Report, the Remuneration report and the Group financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. In preparing the Group financial statements, the Directors have also elected to comply with IFRS as issued by the International Accounting Standards Board (IASB). Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRS as adopted by the European Union and IFRS as issued by the IASB, subject to any material departures disclosed and explained in the Group financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Group financial statements and the Remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Group financial statements for the year ended 31 December 2015, comprising principal statements and supporting notes, are set out in 'Financial statements' on pages 138 to 210 of this report. The responsibilities of the auditors in relation to the Group financial statements are set out in the Independent Auditors' report on pages 131 to 137.

The Group financial statements for the year ended 31 December 2015 are included in the Annual Report, which is published in printed form and made available on our website. The Directors are responsible for the maintenance and integrity of the Annual Report on our website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

Each of the current Directors, whose names and functions are listed in the Corporate Governance section of the Annual

Disclosure of information to auditors

The Directors in office at the date of this Annual Report have each confirmed that:

- so far as he or she is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern basis

Pages 51 to 72 contain information on the performance of the Group, its financial position, cash flows, net debt position and borrowing facilities. Further information, including Treasury risk management policies, exposures to market and credit risk and hedging activities, is given in Note 41 to the financial statements, 'Financial instruments and related disclosures'. Having assessed the principal risks and other matters considered in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Internal control

The Board, through the Audit & Risk Committee, has reviewed the assessment of risks and the internal control framework that operates in GSK and has considered the effectiveness of the system of internal control in operation in the Group for the year covered by this Annual Report and up to the date of its approval by the Board of Directors.

The UK Corporate Governance Code

The Board considers that GlaxoSmithKline plc applies the principles and complies with the provisions of the UK Corporate Governance Code maintained by the Financial Reporting Council, as described in the Corporate Governance section on pages 80 to 101. The Board further considers that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

As required by the Financial Conduct Authority's Listing Rules, the auditors have considered the Directors' statement of compliance in relation to those points of the UK Corporate Governance Code which are specified for their review.

Annual Report

The Annual Report for the year ended 31 December 2015, comprising the Report of the Directors, the Remuneration report, the Financial statements and additional information for investors, has been approved by the Board of Directors and signed on its behalf by

Philip Hampton
Chairman

Report 2015 confirms that, to the best of his or her knowledge:

16 March 2016

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU and IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report and risk sections of the Annual Report, which represent the management report, include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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Independent Auditors' report

to the members of GlaxoSmithKline plc

Report on the Group financial statements

Our opinion

In our opinion, GlaxoSmithKline plc's Group financial statements:

- give a true and fair view of the state of the Group's affairs at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the Group financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the Group financial statements comply with IFRSs as issued by the IASB.

What we have audited

The Group financial statements, included within the Annual Report, comprise:

- the consolidated balance sheet at 31 December 2015;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the Group financial statements which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview

Materiality

- Overall group materiality: £200 million which represents approximately 4% of profit before tax, adding back certain non-recurring items ("adjusted profit before tax").

Areas of focus

- Three-part transaction with Novartis
- Rebates, discounts, allowances and returns in the US Pharmaceuticals and Vaccines business
- Investigations into the Group's commercial practices
- Litigation
- Carrying value of goodwill and intangible assets
- Re-measurement of the Shionogi-ViiV Healthcare contingent consideration
- Uncertain tax positions

Context

The context of our audit is set by the Group's major activities in 2015. The most significant event of the last twelve months has been the completion of the Group's three-part transaction with Novartis AG. This has therefore become a new area of focus for our audit in 2015 given the number of significant management estimates and judgements required to account for the transaction (including valuations of acquired assets and liabilities, the impact of acquisition accounting, recognition and measurement of a put option liability and certain tax judgements) and the broad range of financial statement line items that are impacted.

At the same time, fewer markets migrated in 2015 compared to either 2013 or 2014 onto the Group's common enterprise-wide resource planning platforms ("ERP") or moved financial transaction and accounting services to business process outsourcing locations ("BPO") and to in-house business service centres ("BSC"). This decision was taken consciously by management given the competing pressures on the organisation to complete and integrate the Novartis transaction. As a result, transformation of the Group's finance processes, highlighted as an area of focus in our 2014 report, was an area of lower risk in 2015 and is not included as an area of focus in the 2015 report. However, we expect this area to feature again as an area of focus in 2016 as the newly acquired Novartis businesses start to be migrated onto GSK's centralised platforms.

We also added a new area of focus for the Group's estimation of the fair value of the Shionogi-ViiV Healthcare contingent consideration reflecting the significant estimation uncertainty inherent in the calculation of this balance and given the continued increase in the size of this balance in response to changes in management estimates to address better than expected performance of acquired products and revisions to certain other assumptions. Following the resolution of the investigation into the Group's Chinese Pharmaceuticals business in September 2014 – and considering the output of our audit work over this risk in 2013 and 2014 – our focus for 2015 was principally directed at the financial reporting judgements relating to the active investigations by the Department of Justice ("DoJ") in the US and Serious Fraud Office ("SFO") in the UK.

Our other areas of focus have been refined to reflect developments in the Group's business including

Audit scope

- Our audit included full scope audits of 28 reporting components with specific audit procedures performed at a further 39 reporting components.
- Taken together, the components at which audit work was performed accounted for 65% of consolidated revenue, 80% of consolidated profit before tax and 76% of adjusted profit before tax and covered all components that individually contributed more than 2% of revenue, profit before tax and adjusted profit before tax.

consideration of the expansion of healthcare reform and continued competitive pricing pressure and discounting in the US, progress in litigation to which the Group is exposed, the impact of changes in the Group's segmental reporting following the Novartis transaction on the determination of cash generating units ("CGUs") for impairment testing purposes and management's assessment of uncertain tax positions.

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The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud, and the risk of fraud in revenue recognition. Procedures designed and executed to address these risks included use of data enabled auditing techniques to test journal entries and post-close adjustments, testing and evaluating management's key accounting estimates for reasonableness and consistency, undertaking cut-off

procedures to verify proper cut-off of revenue and expenses and testing the existence and accuracy of revenue transactions. In addition, we incorporate an element of unpredictability into our audit work each year.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as areas of focus in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the Group financial statements as a whole. Any comments we make on the results of our procedures should be read in this context. For each area of focus below, where appropriate, we evaluated the design and tested the operating effectiveness of key internal controls over financial reporting, including testing the operation of IT systems from which financial information is generated. This is not a complete list of all risks identified by our audit.

| Area of focus | How our audit addressed the area of focus |
|--|--|
| <p>Three-part transaction with Novartis Refer to Notes 3, 30 and 38 in the Group financial statements.</p> <p>On 2 March 2015, the Group completed its three-part transaction with Novartis AG. The Group acquired Novartis' existing Vaccines business for cash consideration of US\$5.25 billion, disposed of its Oncology business for cash consideration of US\$16.0 billion and each party contributed its existing Consumer Healthcare business into a new venture, in which the Group has a 63.5% controlling interest.</p> <p>We focused on this area because the accounting for each component of the three-part transaction gave rise to the following significant audit risks:</p> <ul style="list-style-type: none"> ▪ The recognition of goodwill (£1,350 million) and intangible assets (£8,683 million) on the acquisitions of Vaccines and the Novartis Consumer Healthcare business; ▪ Accounting for the establishment of the Consumer Healthcare joint venture is complicated and required the fair valuing of the portion of GSK's existing business contributed (£4,116 million) and of the non-controlling interest that arose on the acquisition (£2,150 million); ▪ A number of internal restructuring steps were undertaken prior to the Oncology disposal and the Consumer Healthcare and Vaccines acquisitions in order to support these transactions in a tax efficient manner; and ▪ The Group recognised a liability for the present value of the expected redemption price of a written put option over Novartis' non-controlling interest in the new Consumer Healthcare venture (the "Consumer put option"), for which the value is subject to significant judgement and estimation uncertainty. At 31 December 2015, this liability had a carrying value of £6,287 million. | <p>Deploying our valuations specialists, we audited the methodology, underlying assumptions and mechanical accuracy of valuation models for each of the significant acquired intangible assets, consideration paid (including contingent consideration) and the settlement of pre-existing relationships. We challenged the cash flow projections that underpinned each of these valuations, including the Consumer put option, by comparing to historical cash flows and understanding the reasons for the growth profile of projections.</p> <p>Deploying our tax specialists, we evaluated the external tax opinions obtained by management to verify their technical accuracy and to validate that the steps taken by the Group in effecting the transactions are consistent with the external advice and opinions.</p> <p>We instructed component teams at 13 locations to undertake certain substantive procedures over the acquired opening balance sheets for Vaccines and Consumer Healthcare, including attendance at inventory counts close to the acquisition date, physical verification of assets acquired and substantive procedures focused on revenue and cost cut-off.</p> <p>As a result of our work, we determined that the provisional purchase price allocations for the Vaccines and Consumer Healthcare acquisitions outlined in Note 38 to the Group financial statements were reasonable. In connection with the Oncology disposal, we verified the cash proceeds and we reperformed management's calculation of the resultant gain on disposal. We found that the pre-tax gain on disposal of Oncology of £9,228 million and the associated tax charge of £1,920 million were reasonably stated, with the latter reflecting management's best estimate of the incremental tax risk arising as a result of the three-part transaction. We determined that the carrying value of the Consumer put option was calculated in accordance with the agreement with Novartis, was based on board approved projections for the business and was reasonably stated. Finally, we found the disclosures in respect of each aspect of the transaction to be reasonable, providing a fair reflection of the accounting and valuations judgements.</p> |

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| Area of focus | How our audit addressed the area of focus |
|--|--|
| <p>Rebates, discounts, allowances and returns in the US Pharmaceuticals and Vaccines business Refer to Notes 3 and 27 in the Group financial statements.</p> <p>The Group makes sales to various customers in the US that fall under certain commercial and government mandated contracts and reimbursement arrangements, of which the most significant are Medicaid and Medicare. The Group also provides a right of return to its customers for certain products.</p> <p>These arrangements result in deductions to gross sales in arriving at turnover and give rise to obligations for the Group to provide customers with rebates, discounts, allowances and the right of return, which for unsettled amounts are recognised as an accrual.</p> <p>We focused on this area because rebates, discounts, allowances and returns arrangements are complex and because establishing an appropriate accrual requires significant judgement and estimation by the directors. This judgement is particularly complex in a US healthcare environment in which competitive pricing pressure and product discounting are growing trends. The directors have determined an accrual of £1,464 million to be necessary at 31 December 2015 (31 December 2014 – £1,308 million).</p> | <p>We obtained management’s calculations for accruals under applicable schemes and validated the assumptions used by reference to the Group’s stated commercial policies, the terms of the applicable contracts, third party data related to patient enrolment in US government funded benefit schemes and historical levels of product returns.</p> <p>We compared the assumptions to contracted prices, historical rebates, discounts, allowances and returns levels (where relevant) and to current payment trends. We also considered the historical accuracy of the Group’s estimates in previous years, including certain changes made to management’s estimates in 2015 to update Medicaid rebates for a new pricing methodology and to respond to the impact of competitive pricing pressures (particularly for <i>Advair</i>) and greater discounting in the US market more generally. We formed an independent expectation of the largest elements of the accrual at 31 December 2015 using third party data and compared this expectation to the actual accrual recognised by the Group.</p> <p>Based on the procedures performed, we did not identify any material differences between our independent expectations and the accrual.</p> |
| <p>Investigations into the Group’s commercial practices Refer to Notes 3, 29 and 45 in the Group financial statements.</p> <p>The Group remains subject to ongoing investigations by the DoJ in the US and the SFO in the UK into the Group’s commercial practices in a number of markets. At 31 December 2015, the Group has concluded that it does not yet have sufficient clarity on the likely timing of the completion of these investigations nor is it able to make a sufficiently reliable estimate of any fines or penalties that either the DoJ or the SFO might impose on the Group on completion of their respective investigations. As a result, the Group has stated in note 45 that it is unable to recognise a provision for its estimate of the eventual outcome of either investigation.</p> <p>In addition, the Group is carrying out its own investigations in a number markets to ascertain if activities similar to those previously alleged in China have occurred elsewhere.</p> <p>We focused on the following risks, which might have a material impact on the Group’s financial statements:</p> <ul style="list-style-type: none"> ▪ That fines and penalties might be forthcoming in respect of ongoing investigations into the Group’s commercial practices, including those by the DoJ and SFO, that could give rise to the need for material provisions or asset impairments; and ▪ That illegal acts similar to those previously alleged in China have occurred elsewhere in the Group. | <p>We met with the directors, management, in-house legal counsel and spoke with the Group’s external advisors to assess the risk of occurrence of similar acts to those previously alleged in China, the status of ongoing investigations and the potential for further fines and penalties. This included understanding and evaluating the Group’s internal investigations processes, which assess risks and allegations reported through various channels including whistle-blowing hotlines. We also evaluated the ongoing enhancements and changes that have been made to other control processes and business practices since the original allegations in China in 2013.</p> <p>Deploying our forensic specialists, we assessed the scope and findings of the investigative work performed by the Group as well as the risk assessment exercise that management has performed into third party interaction and engagement more broadly. We used the output of this assessment to instruct ten component teams (including certain markets not otherwise included in Group audit scope) to undertake risk-focused audit procedures to address the audit risk that the Group financial statements might be materially misstated due to the potential financial implications of alleged illegal acts.</p> <p>In respect of the DoJ and SFO investigations, we independently circularised external legal counsel engaged by the Group to obtain its views on the status of the investigations and to ascertain the reasonableness of management’s assertions in respect of the likely outcome of each investigation. We discussed the responses received directly with external legal counsel and found that they were consistent with the representations received from management.</p> <p>We were satisfied with the Group’s provisioning decisions at 31 December 2015 and with the adequacy of the disclosures given the status of these investigations.</p> |
| <p>Litigation Refer to Notes 3, 29 and 45 in the Group financial statements.</p> <p>The pharmaceuticals industry is heavily regulated which increases inherent litigation risk. The Group is engaged in a number of legal actions, including product liability, anti-trust and related private litigation, of which the most significant are disclosed in Notes 29 and 45.</p> <p>We focused on this area as the eventual outcome of claims is uncertain and the positions taken by the directors are based on the application of material judgement and estimation. Accordingly, unexpected adverse outcomes could significantly impact the Group’s</p> | <p>We discussed the status of significant known actual and potential litigation with in-house legal counsel. We obtained and substantively tested evidence to support the decisions and rationale for provisions held or decisions not to record provisions, including correspondence with legal counsel and other counter-parties to litigation. We also monitored and considered external information sources to identify potential legal actions.</p> <p>We developed an independent expectation of the litigation provisions based on product litigation history and other available evidence to challenge the valuation and completeness of the provisions recognised by the Group. We obtained confirmations from external legal counsel to confirm our understanding of settled and outstanding</p> |

reported profit and balance sheet position.

During the year, the most significant increase to the Group's litigation provisions was in respect of the *Paxil* product liability referred to in Notes 29 and 45 which was reassessed following unsuccessful mediation with plaintiffs giving rise to a subsequent revision of management's best estimate of settling these claims. This increase was more than offset by utilisation of existing provisions of £428 million. At 31 December 2015, the Group held provisions of £352 million in respect of legal actions (31 December 2014 – £520 million).

litigation and asserted claims. We evaluated significant adjustments to legal provisions recorded during the year to determine if they were indicative of management bias. In respect of the increase in the provision for *Paxil* product liability litigation, we obtained sufficient evidence to conclude that this increase was reasonable, including review of external legal advice.

As disclosed in Notes 29 and 45 to the Group financial statements, the eventual outcome of legal proceedings is dependent on the outcome of future events and the position taken by the Group is inherently judgemental. We found that in the context of the Group financial statements taken as a whole the judgements made by management were reasonable and the disclosures made in respect of these provisions and contingent liabilities were appropriate.

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| Area of focus | How our audit addressed the area of focus |
|--|---|
| <p>Carrying value of goodwill and intangible assets Refer to Notes 3, 18 and 19 in the Group financial statements.</p> <p>The Group has £16.0 billion of intangible assets (31 December 2014 – £7.8 billion), comprising significant licenses, patents and acquired trade marks (and excluding computer software). In addition, the Group has £5.2 billion of goodwill at 31 December 2015 (31 December 2014 – £3.7 billion). The Group recognised impairments to these intangible assets amounting to £206 million during the year.</p> <p>The carrying values of goodwill and intangible assets are contingent on future cash flows and there is risk if these cash flows do not meet the Group's expectations that the assets will be impaired. The impairment reviews performed by the Group contained a number of significant judgements and estimates including revenue growth, the success of new product launches, patent expiry dates, profit margins, cash conversion, terminal values and discount rate. Changes in these assumptions might lead to a change in the carrying value of intangible assets and goodwill.</p> <p>During the year, the Group reduced its number of individual cash generating units ("CGUs") for goodwill impairment testing purposes from eight to four, comprising Global Pharmaceuticals, Consumer Healthcare, Vaccines and ViiV Healthcare. This exercise was undertaken to align the CGUs to the Group's operating segments which were changed following the Group's restructuring following the Novartis transaction. Through this exercise, Vaccines has been treated as a separate CGU for the first time and the Global Pharmaceuticals CGU aggregates pharmaceuticals businesses previously separated into the US, Europe, Japan, Emerging Markets and Other.</p> <p>We focused on acquired intangible assets, as these are the most significant individually and in aggregate, and a number have indefinite lives, including the most significant of the intangible assets acquired from Novartis. The Group has also recognised goodwill from a number of its acquisitions, including the three-part transaction with Novartis.</p> | <p>Deploying our valuations specialists, we obtained the Group's impairment analyses and tested the reasonableness of key assumptions, including profit and cash flow growth, terminal values, the impact of the expiry of patents, potential product obsolescence and the selection of discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to industry and economic forecasts.</p> <p>We interrogated the integrity of supporting calculations and we corroborated certain information with third party sources, including expectations of performance of certain assets and components of the business. We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and we performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment.</p> <p>As a result of our work, we determined that the quantum of impairment recognised in 2015 was appropriate. For those intangible assets, including goodwill, where management determined that no impairment was required, we found that these judgements were supported by reasonable assumptions that would require unreasonable downside changes before any additional material impairment was necessary.</p> <p>In respect of the aggregation of CGUs, we confirmed that this is the lowest level at which management monitors goodwill for internal purposes, that it is consistent both with the way in which the Group's leadership team is structured and with how the Group's results and financial position are reported to the CET and that no CGU for goodwill impairment testing purposes is larger than any of the Group's new operating segments.</p> |
| <p>Re-measurement of the Shionogi-ViiV Healthcare contingent consideration Refer to Notes 3, 30, 38 and 41 in the Group financial statements.</p> <p>When the Group's subsidiary, ViiV Healthcare, acquired the remaining 50% interest in the Shionogi-ViiV Healthcare joint venture in 2012, £659 million was recognised as contingent consideration. This represented the fair value of expected payments to be made to Shionogi, contingent on future sales of dolutegravir products. This liability is required to be re-measured to its fair value at each reporting date. Since its initial recognition, it has been increased in response to actual and future sales significantly exceeding original expectations. At 31 December 2015, the associated financial liability was £3,409 million (31 December 2014 – £1,684 million).</p> <p>We focused on this area as the fair value of the contingent consideration is determined by a number of significant unobservable inputs and by management judgements and estimates, including forecast future sales of <i>Tivicay</i> and <i>Triumeq</i>, the overall market size for HIV therapies and the potential impact of competitor products launched in 2015 and expected to be launched in the future. In addition, the valuation is sensitive to changes in other assumptions, including discount and tax rates, both of which were revised in determining the valuation at 31 December 2015.</p> | <p>Deploying our valuations specialists, we evaluated management's fair value computation model, including the projections and key assumptions used therein. We also compared the Group's projections for its dolutegravir products against certain third party expectations and found them to be reasonable. In particular, we considered reasonably possible alternative scenarios, comprising a downside case in the event that products launched by competitors cannibalise more of the Group's market share than anticipated in management's base case and an upside case when the competitor launches are less successful. These scenarios result in contingent consideration liabilities that are materially lower and higher respectively. Notwithstanding this, we believe that the Group has a reasonable basis for its determination of the fair value at 31 December 2015 and that the value reflects management's best estimates.</p> <p>We validated that the methodology was consistent with previous years, and that where certain inputs were changed, such as discount and tax rates, we validated that appropriate triggers occurred in 2015 to support such changes. We also verified that the updated assumptions were reasonable. We also validated that the Group's disclosures in respect of this liability, including the disclosure of estimation uncertainty and its impact on the fair value of the liability are reasonable.</p> |
| <p>Uncertain tax positions Refer to Notes 3 and 14 in the Group financial statements.</p> <p>The Group operates in a complex multinational tax environment and</p> | <p>In conjunction with our UK, US, international tax and transfer pricing specialists, we evaluated and challenged management's judgements in respect of estimates of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions. This included</p> |

there are open tax and transfer pricing matters with UK and overseas tax authorities. In addition, from time to time the Group enters into transactions with complicated accounting and tax consequences, including the three-part transaction with Novartis in 2015. Judgement is required in assessing the level of provisions required in respect of uncertain tax positions. At 31 December 2015, the Group has recognised provisions of £1,687 million in respect of uncertain tax positions (2014 – £1,344 million).

obtaining and evaluating certain third party tax opinions that the Group has obtained to assess the appropriateness of any assumptions used.

In understanding and evaluating management's judgements, we considered the status of recent and current tax authority audits and enquiries, the outcome of previous claims, judgemental positions taken in tax returns and current year estimates and developments in the tax environment. From the evidence obtained, we considered the level of provisioning to be acceptable in the context of the Group financial statements taken as a whole. However, we noted that the assumptions and judgements that are required to formulate the provisions mean that the range of possible outcomes is broad.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Group financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls and the industry in which the Group operates.

The Group financial statements are a consolidation of over 500 reporting components. We identified 28 reporting components that, in our view, required an audit of their complete financial information due to their size or risk characteristics. Specific audit procedures over significant balances and transactions were performed at a further 39 reporting components to give appropriate coverage of material balances. Where these reporting components are supported by shared financial service centres, these centres were also included in Group audit scope. None of the reporting components not included in our Group audit scope individually contributed more than 2% to consolidated revenue, profit before tax or adjusted profit before tax.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting component units. As a result, nine overseas components were visited by senior members of the Group audit team, including each of the Group's financially significant components in the US (which are visited at least annually) alongside Belgium, Japan, Switzerland, Germany and India. We also held a two day audit planning workshop in London attended by 34 of our component teams, largely focused on

the impact of the three-part transaction with Novartis alongside other planning and risk assessment activities. In addition, we visited four of the shared service centres supporting reporting components in Group audit scope. For those components in Group audit scope where a site visit was not undertaken, our involvement included regular dialogue with our component teams, review of component auditor work papers and participation in certain component audit clearance meetings.

Further specific audit procedures over central functions, the Group consolidation and areas of significant judgement (including taxation, goodwill, intangible assets, treasury, post-retirement benefits, litigation and the elimination of unrealised intercompany profit in inventory) were directly led by the Group audit team.

Taken together, the territories and functions where we performed our audit work accounted for 65% of consolidated revenue, 80% of consolidated profit before tax and 76% of adjusted profit before tax. This was before considering the contribution to our audit evidence from performing audit work at the divisional and Group levels, including testing of monitoring controls and disaggregated analytical review procedures, which covers a significant portion of the Group's smaller and lower risk components that were not directly included in our Group audit scope. In addition, we obtained audit evidence over certain out-of-scope components through the procedures we undertook at the Group's shared service centres, encompassing BPOs and BSCs, and over centralised IT infrastructure where these processes are standardised.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|--|--|
| Overall group materiality | £200 million (2014 – £215 million). |
| How we determined it | Approximately 4% of profit before tax (£10,526 million), adding back certain non-recurring items including the re-measurement charge for the Shionogi-ViiV Healthcare contingent consideration (£1,874 million), the re-measurement charge of the Consumer Healthcare put option (£83 million), major restructuring costs (£1,896 million), legal costs (£221 million), equity investment impairments (£263 million) and impairment of intangible assets (£206 million) and deducting non-recurring net income relating to major acquisition and disposal activity (net £10,599 million). |
| Rationale for benchmark applied | The Group's principal measure of earnings comprises core results, which adds back to statutory results a number of items of income and expenditure including those detailed above. Management uses this measure as it believes that it eliminates the volatility inherent in one-off items. We took this measure into account in determining our materiality, except that we did not adjust profit before tax to add back amortisation of intangible assets and certain other smaller non-core items as in our view these are recurring items which do not introduce volatility to the Group's earnings. Materiality is lower than last year primarily due to the effect of lower profits in 2015. |

We agreed with the Audit & Risk Committee that we would report to it misstatements identified during our audit above £10 million (2014 – £10 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules, we are required to review the directors' statement, set out on page 130, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland), we are also required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the Group financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the Group financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the Group financial statements were signed. As part of our audit, we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

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Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion:

| | |
|--|----------------------------------|
| <ul style="list-style-type: none"> ▪ information in the Annual Report is: <ul style="list-style-type: none"> – materially inconsistent with the information in the audited Group financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading. | We have no exceptions to report. |
| <ul style="list-style-type: none"> ▪ the statement given by the directors on page 130, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit. | We have no exceptions to report. |
| <ul style="list-style-type: none"> ▪ the section of the Annual Report on page 88, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. | We have no exceptions to report. |

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

| | |
|--|--|
| <ul style="list-style-type: none"> ▪ the directors' confirmation in the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> ▪ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. | We have nothing material to add or to draw attention to. |
| <ul style="list-style-type: none"> ▪ the directors' explanation in the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | We have nothing material to add or to draw attention to. |

Under the Listing Rules, we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group, set out on page 52. Our review was substantially less in scope than an audit and only consisted of making enquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

Under the Companies Act 2006, we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules, we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the directors' statement of responsibilities set out on page 130, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Other matters

We have reported separately on the parent company financial statements of GlaxoSmithKline plc for the year ended 31 December 2015 and on the information in the directors' Remuneration Report that is described as having been audited.

The company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the senior statutory auditor's name should not be stated.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 March 2016

Notes:

- (a) The maintenance and integrity of the GlaxoSmithKline plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Consolidated income statement for the year ended 31 December 2015

| | Notes | 2015 £m | 2014 £m | 2013 £m |
|---|-------|----------------|------------|------------|
| Turnover | 6 | 23,923 | 23,006 | 26,505 |
| Cost of sales | | (8,853) | (7,323) | (8,585) |
| Gross profit | | 15,070 | 15,683 | 17,920 |
| Selling, general and administration | | (9,232) | (8,246) | (8,480) |
| Research and development | | (3,560) | (3,450) | (3,923) |
| Royalty income | | 329 | 310 | 387 |
| Other operating income | 7 | 7,715 | (700) | 1,124 |
| Operating profit | 8 | 10,322 | 3,597 | 7,028 |
| Finance income | 11 | 104 | 68 | 61 |
| Finance expense | 12 | (757) | (727) | (767) |
| Profit on disposal of interest in associates | | 843 | – | 282 |
| Share of after tax profits of associates and joint ventures | 13 | 14 | 30 | 43 |
| Profit before taxation | | 10,526 | 2,968 | 6,647 |
| Taxation | 14 | (2,154) | (137) | (1,019) |
| Profit after taxation for the year | | 8,372 | 2,831 | 5,628 |
| (Loss)/profit attributable to non-controlling interests | | (50) | 75 | 192 |
| Profit attributable to shareholders | | 8,422 | 2,756 | 5,436 |
| | | 8,372 | 2,831 | 5,628 |
| Basic earnings per share (pence) | 15 | 174.3p | 57.3p | 112.5p |
| Diluted earnings per share (pence) | 15 | 172.3p | 56.7p | 110.5p |

Consolidated statement of comprehensive income for the year ended 31 December 2015

| | | 2015 £m | 2014 £m | 2013 £m |
|--|----|--------------|------------|------------|
| Profit for the year | | 8,372 | 2,831 | 5,628 |
| Items that may be subsequently reclassified to income statement: | | | | |
| Exchange movements on overseas net assets and net investment hedges | 34 | (618) | (497) | (255) |
| Reclassification of exchange on liquidation or disposal of overseas subsidiaries | 34 | – | (219) | – |
| Deferred tax on exchange movements | | – | (2) | – |
| Fair value movements on available-for-sale investments | | 416 | 29 | 367 |
| Deferred tax on fair value movements on available-for-sale investments | | (91) | (78) | (29) |
| Reclassification of fair value movements on available-for-sale investments | | (346) | (155) | (38) |
| Deferred tax reversed on reclassification of available-for-sale investments | | 36 | 58 | 7 |
| Fair value movements on cash flow hedges | | 2 | 5 | (9) |
| Deferred tax on fair value movements on cash flow hedges | | – | (1) | 1 |
| Reclassification of cash flow hedges to income statement | | 2 | (5) | 2 |
| Share of other comprehensive income of associates and joint ventures | | (77) | 18 | 15 |
| | | (676) | (847) | 61 |
| Items that will not be reclassified to income statement: | | | | |
| Exchange movements on overseas net assets of non-controlling interests | | 8 | 16 | (35) |
| Remeasurement gains/(losses) on defined benefit plans | | 261 | (1,181) | 847 |
| Deferred tax on remeasurement gains/(losses) in defined benefit plans | | (80) | 262 | (286) |
| | | 189 | (903) | 526 |
| Other comprehensive (expense)/income for the year | 34 | (487) | (1,750) | 587 |
| Total comprehensive income for the year | | 7,885 | 1,081 | 6,215 |
| Total comprehensive income for the year attributable to: | | | | |
| Shareholders | | 7,927 | 990 | 6,058 |
| Non-controlling interests | | (42) | 91 | 157 |

| | | | | |
|---------------------------|---|-------|-------|-------|
| Strategic report | Total comprehensive income for the year | 7,885 | 1,081 | 6,215 |
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Consolidated balance sheet as at 31 December 2015

| | Notes | 2015 £m | 2014 £m |
|--|-------|-----------------|------------|
| Non-current assets | | | |
| Property, plant and equipment | 17 | 9,668 | 9,052 |
| Goodwill | 18 | 5,162 | 3,724 |
| Other intangible assets | 19 | 16,672 | 8,320 |
| Investments in associates and joint ventures | 20 | 207 | 340 |
| Other investments | 21 | 1,255 | 1,114 |
| Deferred tax assets | 14 | 2,905 | 2,688 |
| Other non-current assets | 22 | 990 | 735 |
| Total non-current assets | | 36,859 | 25,973 |
| Current assets | | | |
| Inventories | 23 | 4,716 | 4,231 |
| Current tax recoverable | 14 | 180 | 138 |
| Trade and other receivables | 24 | 5,615 | 4,600 |
| Derivative financial instruments | 41 | 125 | 146 |
| Liquid investments | 31 | 75 | 69 |
| Cash and cash equivalents | 25 | 5,830 | 4,338 |
| Assets held for sale | 26 | 46 | 1,156 |
| Total current assets | | 16,587 | 14,678 |
| Total assets | | 53,446 | 40,651 |
| Current liabilities | | | |
| Short-term borrowings | 31 | (1,308) | (2,943) |
| Trade and other payables | 27 | (9,191) | (7,958) |
| Derivative financial instruments | 41 | (153) | (404) |
| Current tax payable | 14 | (1,421) | (945) |
| Short-term provisions | 29 | (1,344) | (1,045) |
| Total current liabilities | | (13,417) | (13,295) |
| Non-current liabilities | | | |
| Long-term borrowings | 31 | (15,324) | (15,841) |
| Deferred tax liabilities | 14 | (1,522) | (445) |
| Pensions and other post-employment benefits | 28 | (3,229) | (3,179) |
| Other provisions | 29 | (420) | (545) |
| Derivative financial instruments | 41 | – | (9) |
| Other non-current liabilities | 30 | (10,656) | (2,401) |
| Total non-current liabilities | | (31,151) | (22,420) |
| Total liabilities | | (44,568) | (35,715) |
| Net assets | | 8,878 | 4,936 |
| Equity | | | |
| Share capital | 33 | 1,340 | 1,339 |
| Share premium account | 33 | 2,831 | 2,759 |
| Retained earnings | 34 | (1,397) | (2,074) |
| Other reserves | 34 | 2,340 | 2,239 |
| Shareholders' equity | | 5,114 | 4,263 |
| Non-controlling interests | | 3,764 | 673 |
| Total equity | | 8,878 | 4,936 |

The financial statements on pages 138 to 210 were approved by the Board on 16 March 2016 and signed on its behalf by

Philip Hampton
Chairman

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Consolidated statement of changes in equity for the year ended 31 December 2015

| | Shareholders' equity | | | | Total £m | Non- controlling interests £m | Total equity £m |
|---|------------------------|------------------------|----------------------------|-------------------------|-------------|--|-----------------------|
| | Share capital £m | Share premium £m | Retained earnings £m | Other reserves £m | | | |
| At 1 January 2013 | 1,349 | 2,022 | 642 | 1,787 | 5,800 | 937 | 6,737 |
| Profit for the year | – | – | 5,436 | – | 5,436 | 192 | 5,628 |
| Other comprehensive income/(expense) for the year | – | – | 316 | 306 | 622 | (35) | 587 |
| Total comprehensive income for the year | – | – | 5,752 | 306 | 6,058 | 157 | 6,215 |
| Distributions to non-controlling interests | – | – | – | – | – | (238) | (238) |
| Dividends to shareholders | – | – | (3,680) | – | (3,680) | – | (3,680) |
| Changes in non-controlling interests | – | – | (584) | – | (584) | (41) | (625) |
| Ordinary Shares issued | 12 | 573 | – | – | 585 | – | 585 |
| Ordinary Shares purchased and cancelled or held as Treasury shares | (25) | – | (1,504) | 25 | (1,504) | – | (1,504) |
| Ordinary Shares acquired by ESOP Trusts | – | – | – | (45) | (45) | – | (45) |
| Write-down of shares held by ESOP Trusts | – | – | (80) | 80 | – | – | – |
| Share-based incentive plans | – | – | 294 | – | 294 | – | 294 |
| Tax on share-based incentive plans | – | – | 73 | – | 73 | – | 73 |
| At 31 December 2013 | 1,336 | 2,595 | 913 | 2,153 | 6,997 | 815 | 7,812 |
| Profit for the year | – | – | 2,756 | – | 2,756 | 75 | 2,831 |
| Other comprehensive (expense)/income for the year | – | – | (1,626) | (140) | (1,766) | 16 | (1,750) |
| Total comprehensive income/(expense) for the year | – | – | 1,130 | (140) | 990 | 91 | 1,081 |
| Distributions to non-controlling interests | – | – | – | – | – | (205) | (205) |
| Dividends to shareholders | – | – | (3,843) | – | (3,843) | – | (3,843) |
| Changes in non-controlling interests | – | – | (58) | – | (58) | (28) | (86) |
| Forward contract relating to non-controlling interest | – | – | – | 21 | 21 | – | 21 |
| Ordinary Shares issued | 3 | 164 | – | – | 167 | – | 167 |
| Ordinary Shares purchased and cancelled or held as Treasury shares | – | – | (238) | – | (238) | – | (238) |
| Ordinary Shares acquired by ESOP Trusts | – | – | 150 | (245) | (95) | – | (95) |
| Write-down of shares held by ESOP Trusts | – | – | (450) | 450 | – | – | – |
| Share-based incentive plans | – | – | 326 | – | 326 | – | 326 |
| Tax on share-based incentive plans | – | – | (4) | – | (4) | – | (4) |
| At 31 December 2014 | 1,339 | 2,759 | (2,074) | 2,239 | 4,263 | 673 | 4,936 |
| Profit/(loss) for the year | – | – | 8,422 | – | 8,422 | (50) | 8,372 |
| Other comprehensive (expense)/income for the year | – | – | (520) | 25 | (495) | 8 | (487) |
| Total comprehensive income/(expense) for the year | – | – | 7,902 | 25 | 7,927 | (42) | 7,885 |
| Distributions to non-controlling interests | – | – | – | – | – | (237) | (237) |
| Dividends to shareholders | – | – | (3,874) | – | (3,874) | – | (3,874) |
| Gains on transfer of net assets into Consumer Healthcare Joint Venture | – | – | 2,891 | – | 2,891 | – | 2,891 |
| Consumer Healthcare Joint Venture put option | – | – | (6,204) | – | (6,204) | – | (6,204) |
| Changes in non-controlling interests | – | – | – | – | – | 3,370 | 3,370 |
| Loss on transfer of equity investment to investment in associate | – | – | (229) | – | (229) | – | (229) |
| Ordinary Shares issued | 1 | 72 | – | – | 73 | – | 73 |
| Ordinary Shares acquired by ESOP Trusts | – | – | – | (99) | (99) | – | (99) |
| Write-down of shares held by ESOP Trusts | – | – | (175) | 175 | – | – | – |
| Share-based incentive plans | – | – | 356 | – | 356 | – | 356 |
| Tax on share-based incentive plans | – | – | 10 | – | 10 | – | 10 |
| At 31 December 2015 | 1,340 | 2,831 | (1,397) | 2,340 | 5,114 | 3,764 | 8,878 |

Consolidated cash flow statement for the year ended 31 December 2015

| | Notes | 2015 £m | 2014 £m | 2013 £m |
|--|-------|----------------|------------|------------|
| Cash flow from operating activities | | | | |
| Profit after taxation for the year | | 8,372 | 2,831 | 5,628 |
| Adjustments reconciling profit after tax to operating cash flows | 36 | (3,741) | 3,453 | 2,871 |
| Cash generated from operations | | 4,631 | 6,284 | 8,499 |
| Taxation paid | | (2,062) | (1,108) | (1,277) |
| Net cash inflow from operating activities | | 2,569 | 5,176 | 7,222 |
| Cash flow from investing activities | | | | |
| Purchase of property, plant and equipment | | (1,380) | (1,188) | (1,188) |
| Proceeds from sale of property, plant and equipment | | 72 | 39 | 46 |
| Purchase of intangible assets | | (521) | (563) | (513) |
| Proceeds from sale of intangible assets | | 236 | 330 | 136 |
| Purchase of equity investments | | (82) | (83) | (133) |
| Proceeds from sale of equity investments | | 357 | 205 | 59 |
| Purchase of businesses, net of cash acquired | 38 | (3,541) | (104) | (247) |
| Disposal of businesses | 38 | 10,246 | 225 | 1,851 |
| Investments in associates and joint ventures | 20 | (16) | (9) | (8) |
| Proceeds from disposal of subsidiary and interest in associate | | 564 | 1 | 429 |
| (Increase)/decrease in liquid investments | | (2) | 1 | 15 |
| Interest received | | 99 | 63 | 59 |
| Dividends from associates and joint ventures | | 5 | 5 | 18 |
| Net cash inflow/(outflow) from investing activities | | 6,037 | (1,078) | 524 |
| Cash flow from financing activities | | | | |
| Shares acquired by ESOP Trusts | | (99) | (95) | (45) |
| Issue of share capital | 33 | 73 | 167 | 585 |
| Purchase of own shares for cancellation or to be held as Treasury shares | | – | (238) | (1,504) |
| Purchase of non-controlling interests | | – | (679) | (588) |
| Increase in long-term loans | | – | 1,960 | 1,913 |
| Repayment of short-term loans | | (2,412) | (1,709) | (1,872) |
| Net repayment of obligations under finance leases | | (25) | (23) | (31) |
| Interest paid | | (762) | (707) | (749) |
| Dividends paid to shareholders | | (3,874) | (3,843) | (3,680) |
| Distributions to non-controlling interests | | (237) | (205) | (238) |
| Other financing cash flows | | 233 | (13) | (64) |
| Net cash outflow from financing activities | | (7,103) | (5,385) | (6,273) |
| Increase/(decrease) in cash and bank overdrafts | 37 | 1,503 | (1,287) | 1,473 |
| Cash and bank overdrafts at beginning of year | | 4,028 | 5,231 | 3,906 |
| Exchange adjustments | | (45) | 84 | (148) |
| Increase/(decrease) in cash and bank overdrafts | | 1,503 | (1,287) | 1,473 |
| Cash and bank overdrafts at end of year | | 5,486 | 4,028 | 5,231 |
| Cash and bank overdrafts at end of year comprise: | | | | |
| Cash and cash equivalents | | 5,830 | 4,338 | 5,534 |
| Overdrafts | | (344) | (310) | (303) |
| | | 5,486 | 4,028 | 5,231 |

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1 Presentation of the financial statements

Description of business

GSK is a major global healthcare group which is engaged in the creation and discovery, development, manufacture and marketing of pharmaceutical products including vaccines, over-the-counter (OTC) medicines and health-related consumer products. GSK's principal pharmaceutical products include medicines in the following therapeutic areas: respiratory, anti-virals, central nervous system, cardiovascular and urogenital, metabolic, anti-bacterials, dermatology, rare diseases, immuno-inflammation, vaccines and HIV.

Compliance with applicable law and IFRS

The financial statements have been prepared in accordance with the Companies Act 2006, Article 4 of the IAS Regulation and International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations, as adopted by the European Union.

The financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board.

Composition of financial statements

The consolidated financial statements are drawn up in Sterling, the functional currency of GlaxoSmithKline plc, and in accordance with IFRS accounting presentation. The financial statements comprise:

- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated balance sheet
- Consolidated statement of changes in equity
- Consolidated cash flow statement
- Notes to the financial statements.

Composition of the Group

A list of the subsidiary and associated undertakings which, in the opinion of the Directors, principally affected the amount of profit or the net assets of the Group is given in Note 44, 'Principal Group companies'.

Accounting principles and policies

The financial statements have been prepared using the historical cost convention modified by the revaluation of certain items, as stated in the accounting policies, and on a going concern basis.

The financial statements have been prepared in accordance with the Group's accounting policies approved by the Board and described in Note 2, 'Accounting principles and policies'. Information on the application of these accounting policies, including areas of estimation and judgement is given in Note 3, 'Key accounting judgements and estimates'.

The preparation of the financial statements in conformity with generally accepted accounting principles requires

Implementation of new accounting standards

An amendment to IAS 19 'Defined benefit plans: Employee contribution' was issued in November 2013 and was implemented by GSK from 1 January 2015. The amendment provides additional guidance on the treatment of contributions to defined benefit plans from employees and third parties and has no material impact on the current period.

Financial period

These financial statements cover the financial year from 1 January to 31 December 2015, with comparative figures for the financial years from 1 January to 31 December 2014 and, where appropriate, from 1 January to 31 December 2013.

Parent company financial statements

The financial statements of the parent company, GlaxoSmithKline plc, have been prepared in accordance with UK GAAP and with UK accounting presentation. The company balance sheet is presented on page 213 and the accounting policies are given on page 214.

2 Accounting principles and policies

Consolidation

The consolidated financial statements include:

- the assets and liabilities, and the results and cash flows, of the company and its subsidiaries, including ESOP Trusts
- the Group's share of the results and net assets of associates and joint ventures
- the Group's share of assets, liabilities, revenue and expenses of joint operations.

The financial statements of entities consolidated are made up to 31 December each year.

Entities over which the Group has the power to direct the relevant activities so as to affect the returns to the Group, generally through control over the financial and operating policies, are accounted for as subsidiaries. Where the Group has the ability to exercise joint control over, and rights to the net assets of, entities, the entities are accounted for as joint ventures. Where the Group has the ability to exercise joint control over an arrangement, but has rights to specified assets and obligations for specified liabilities of the arrangement, the arrangement is accounted for as a joint operation. Where the Group has the ability to exercise significant influence over entities, they are accounted for as associates. The results and assets and liabilities of associates and joint ventures are incorporated into the consolidated financial statements using the equity method of accounting. The Group's rights to assets, liabilities, revenue and expenses of joint operations are included in the consolidated financial statements in accordance with those rights and obligations.

Interests acquired in entities are consolidated from the date

management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

the Group acquires control and interests sold are de-consolidated from the date control ceases.

2 Accounting principles and policies continued

Transactions and balances between subsidiaries are eliminated and no profit before tax is taken on sales between subsidiaries until the products are sold to customers outside the Group. The relevant proportion of profits on transactions with joint ventures, joint operations and associates is also deferred until the products are sold to third parties. Transactions with non-controlling interests are recorded directly in equity. Deferred tax relief on unrealised intra-Group profit is accounted for only to the extent that it is considered recoverable.

Goodwill is capitalised as a separate item in the case of subsidiaries and as part of the cost of investment in the case of joint ventures and associates. Goodwill is denominated in the currency of the operation acquired.

Where the cost of acquisition is below the fair value of the net assets acquired, the difference is recognised directly in the income statement.

Business combinations

Business combinations are accounted for using the acquisition accounting method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at acquisition date. The consideration transferred is measured at fair value and includes the fair value of any contingent consideration. Where the consideration transferred, together with the non-controlling interest, exceeds the fair value of the net assets, liabilities and contingent liabilities acquired, the excess is recorded as goodwill. The costs of acquisition are charged to the income statement in the period in which they are incurred.

Where not all of the equity of a subsidiary is acquired the non-controlling interest is recognised either at fair value or at the non-controlling interest's share of the net assets of the subsidiary, on a case-by-case basis. Changes in the Group's ownership percentage of subsidiaries are accounted for within equity.

Foreign currency translation

Foreign currency transactions are booked in the functional currency of the Group company at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are retranslated into the functional currency at rates of exchange ruling at the balance sheet date. Exchange differences are included in the income statement.

On consolidation, assets and liabilities, including related goodwill, of overseas subsidiaries, associates and joint ventures, are translated into Sterling at rates of exchange ruling at the balance sheet date. The results and cash flows of overseas subsidiaries, associates and joint ventures are translated into Sterling using average rates of exchange.

Exchange adjustments arising when the opening net assets and the profits for the year retained by overseas subsidiaries, associates and joint ventures are translated

Revenue

Revenue is recognised in the income statement when goods or services are supplied or made available to external customers against orders received, title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

Turnover represents net invoice value after the deduction of discounts and allowances given and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Value added tax and other sales taxes are excluded from revenue.

Where the Group co-promotes a product and the counterparty records the sale, the Group records its share of revenue as co-promotion income within turnover. The nature of co-promotion activities is such that the Group records no costs of sales. Pharmaceutical turnover includes co-promotion revenue of £14 million (2014 – £22 million; 2013 – £37 million). In addition, initial or event-based milestone income (excluding royalty income) arising on development or marketing collaborations of the Group's compounds or products with other parties is recognised in turnover. Milestone income of £nil is included in turnover (2014 – £57 million; 2013 – £78 million).

Royalty income is recognised on an accruals basis in accordance with the terms of the relevant licensing agreements.

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Manufacturing start-up costs between validation and the achievement of normal production are expensed as incurred. Advertising and promotion expenditure is charged to the income statement as incurred. Shipment costs on inter-company transfers are charged to cost of sales; distribution costs on sales to customers are included in selling, general and administrative expenditure.

Restructuring costs are recognised and provided for, where appropriate, in respect of the direct expenditure of a business reorganisation where the plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken.

into Sterling, less exchange differences arising on related foreign currency borrowings which hedge the Group's net investment in these operations, are taken to a separate component of equity.

When translating into Sterling the assets, liabilities, results and cash flows of overseas subsidiaries, associates and joint ventures which are reported in currencies of hyper-inflationary economies, adjustments are made where material to reflect current price levels. Any loss on net monetary assets is charged to the consolidated income statement.

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2 Accounting principles and policies continued

Research and development

Research and development expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable. Property, plant and equipment used for research and development is capitalised and depreciated in accordance with the Group's policy.

Environmental expenditure

Environmental expenditure related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible is charged to the income statement. The Group recognises its liability on a site-by-site basis when it can be reliably estimated. This liability includes the Group's portion of the total costs and also a portion of other potentially responsible parties' costs when it is probable that they will not be able to satisfy their respective shares of the clean-up obligation. Recoveries of reimbursements are recorded as assets when virtually certain.

Legal and other disputes

Provision is made for the anticipated settlement costs of legal or other disputes against the Group where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome. In addition, provision is made for legal or other expenses arising from claims received or other disputes. In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. In certain cases, an incurred but not reported (IBNR) actuarial technique is used to determine this estimate.

The Group may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included but no provision would be made. Costs associated with claims made by the Group against third parties are charged to the income statement as they are incurred.

Pensions and other post-employment benefits

The costs of providing pensions under defined benefit schemes are calculated using the projected unit credit method and spread over the period during which benefit is expected to be derived from the employees' services, consistent with the advice of qualified actuaries. Pension obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the yields of high quality corporate bonds. Pension scheme assets are measured at fair value at the balance sheet date.

The costs of other post-employment liabilities are calculated in a similar way to defined benefit pension schemes and spread over the period during which benefit is expected to be

Employee share plans

Incentives in the form of shares are provided to employees under share option and share award schemes.

The fair values of these options and awards are calculated at their grant dates using a Black-Scholes option pricing model and charged to the income statement over the relevant vesting periods.

The Group provides finance to ESOP Trusts to purchase company shares to meet the obligation to provide shares when employees exercise their options or awards. Costs of running the ESOP Trusts are charged to the income statement. Shares held by the ESOP Trusts are deducted from other reserves. A transfer is made between other reserves and retained earnings over the vesting periods of the related share options or awards to reflect the ultimate proceeds receivable from employees on exercise.

Property, plant and equipment

Property, plant and equipment (PP&E) is stated at the cost of purchase or construction less provisions for depreciation and impairment. Financing costs are capitalised within the cost of qualifying assets in construction.

Depreciation is calculated to write off the cost less residual value of PP&E, excluding freehold land, using the straight-line basis over the expected useful life. Residual values and lives are reviewed, and where appropriate adjusted, annually. The normal expected useful lives of the major categories of PP&E are:

| | | |
|------------------------------|---------------|----------------|
| Freehold buildings | | 20 to 50 years |
| Leasehold land and buildings | Lease term or | 20 to 50 years |
| Plant and machinery | | 10 to 20 years |
| Equipment and vehicles | | 3 to 10 years |

On disposal of PP&E, the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the income statement.

Leases

Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as finance leases, as if the asset had been purchased outright. The assets are included in PP&E or computer software and the capital elements of the leasing commitments are shown as obligations under finance leases. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term if shorter. The interest element of the lease rental is included in the income statement. All other leases are operating leases and the rental costs are charged to the income statement on a straight-line basis over the lease term.

Goodwill

Goodwill is stated at cost less impairments. Goodwill is deemed to have an indefinite useful life and is tested for impairment at least annually.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the

derived from the employees' services, in accordance with the advice of qualified actuaries.

consideration paid, this excess is recognised immediately as a gain in the income statement.

Actuarial gains and losses and the effect of changes in actuarial assumptions, are recognised in the statement of comprehensive income in the year in which they arise.

The Group's contributions to defined contribution plans are charged to the income statement as incurred.

2 Accounting principles and policies

continued

Other intangible assets

Intangible assets are stated at cost less provisions for amortisation and impairments.

Licences, patents, know-how and marketing rights separately acquired or acquired as part of a business combination are amortised over their estimated useful lives, generally not exceeding 20 years, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge take into account patent lives, where applicable, as well as the value obtained from periods of non-exclusivity. Asset lives are reviewed, and where appropriate adjusted, annually. Contingent milestone payments are recognised at the point that the contingent event becomes probable. Any development costs incurred by the Group and associated with acquired licences, patents, know-how or marketing rights are written off to the income statement when incurred, unless the criteria for recognition of an internally generated intangible asset are met, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

Acquired brands are valued independently as part of the fair value of businesses acquired from third parties where the brand has a value which is substantial and long term and where the brands either are contractual or legal in nature or can be sold separately from the rest of the businesses acquired. Brands are amortised over their estimated useful lives of up to 20 years, except where it is considered that the useful economic life is indefinite.

The costs of acquiring and developing computer software for internal use and internet sites for external use are capitalised as intangible fixed assets where the software or site supports a significant business system and the expenditure leads to the creation of a durable asset. ERP systems software is amortised over seven to ten years and other computer software over three to five years.

Impairment of non-current assets

The carrying values of all non-current assets are reviewed for impairment, either on a stand-alone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Additionally, goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Any provision for impairment is charged to the income statement in the year concerned.

Impairments of goodwill are not reversed. Impairment losses on other non-current assets are only reversed if there has been a change in estimates used to determine recoverable amounts and only to the extent that the revised recoverable amounts do not exceed the carrying values that would have existed, net of depreciation or amortisation, had no impairments been recognised.

Investments in associates, joint ventures and joint

Available-for-sale investments

Liquid investments and other investments are classified as available-for-sale investments and are initially recorded at fair value plus transaction costs and then remeasured at subsequent reporting dates to fair value. Unrealised gains and losses on available-for-sale investments are recognised directly in other comprehensive income. Impairments arising from the significant or prolonged decline in fair value of an equity investment reduce the carrying amount of the asset directly and are charged to the income statement.

On disposal or impairment of the investments, any gains and losses that have been deferred in other comprehensive income are reclassified to the income statement. Dividends on equity investments are recognised in the income statement when the Group's right to receive payment is established. Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

Purchases and sales of equity investments are accounted for on the trade date and purchases and sales of other available-for-sale investments are accounted for on settlement date.

Inventories

Inventories are included in the financial statements at the lower of cost (including raw materials, direct labour, other direct costs and related production overheads) and net realisable value. Cost is generally determined on a first in, first out basis. Pre-launch inventory is held as an asset when there is a high probability of regulatory approval for the product. Before that point a provision is made against the carrying value to its recoverable amount; the provision is then reversed at the point when a high probability of regulatory approval is determined.

Trade receivables

Trade receivables are carried at original invoice amount less any provisions for doubtful debts. Provisions are made where there is evidence of a risk of non-payment, taking into account ageing, previous experience and general economic conditions. When a trade receivable is determined to be uncollectable it is written off, firstly against any provision available and then to the income statement.

Subsequent recoveries of amounts previously provided for are credited to the income statement. Long-term receivables are discounted where the effect is material.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

operations

Investments in associates and joint ventures are carried in the consolidated balance sheet at the Group's share of their net assets at date of acquisition and of their post-acquisition retained profits or losses together with any goodwill arising on the acquisition. The Group recognises its rights to assets, liabilities, revenue and expenses of joint operations.

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2 Accounting principles and policies continued

Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is provided using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Derivative financial instruments and hedging

Derivative financial instruments are used to manage exposure to market risks. The principal derivative instruments used by GSK are foreign currency swaps, interest rate swaps, foreign exchange forward contracts and options. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivative financial instruments are classified as held-for-trading and are carried in the balance sheet at fair value. Derivatives designated as hedging instruments are classified on inception as cash flow hedges, net investment hedges or fair value hedges.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedges are effective. Ineffective portions are recognised in profit or loss immediately. Amounts deferred in other comprehensive income are reclassified to the income statement when the hedged item affects profit or loss.

Net investment hedges are accounted for in a similar way to cash flow hedges.

Changes in the fair value of derivatives designated as fair value hedges are recorded in the income statement, together with the changes in the fair value of the hedged asset or liability.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Discounting

Where the time value of money is material, balances are discounted to current values using appropriate rates of interest. The unwinding of the discounts is recorded in finance income and finance expense.

3 Key accounting judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results could differ from those estimates. The following are considered to be the key accounting judgements and estimates made.

Turnover

Revenue is recognised when title and risk of loss is passed to the customer, reliable estimates can be made of relevant deductions and all relevant obligations have been fulfilled, such that the earnings process is regarded as being complete.

Gross turnover is reduced by rebates, discounts, allowances and product returns given or expected to be given, which vary by product arrangements and buying groups. These arrangements with purchasing organisations are dependent upon the submission of claims some time after the initial recognition of the sale. Accruals are made at the time of sale for the estimated rebates, discounts or allowances payable or returns to be made, based on available market information and historical experience.

Because the amounts are estimated they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix.

The level of accrual is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information.

Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group.

Taxation

Current tax is provided at the amounts expected to be paid, and deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised, based on management's assumptions relating to the amounts and timing of future taxable profits. Factors affecting the tax charge in future years are set out in Note 14, 'Taxation'. A 1% change in the Group's effective tax rate in 2015 would have changed the total tax charge for the year by approximately £105 million.

The Group has open tax issues with a number of revenue authorities. Where an outflow of funds is believed to be

probable and a reliable estimate of the outcome of the dispute can be made, management provides for its best estimate of the liability. In calculating any such liability GSK applies a risk based approach which takes into account, as appropriate, the probability that the Group would be able to obtain compensatory adjustments under international tax treaties. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as new facts emerge and each dispute progresses. GSK continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments. Where open issues exist the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of negotiations with the relevant tax authorities or, if necessary, litigation proceedings.

3 Key accounting judgements and estimates continued

Legal and other disputes

The Group provides for anticipated settlement costs where an outflow of resources is considered probable and a reliable estimate may be made of the likely outcome of the dispute and legal and other expenses arising from claims against the Group. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgmental and could change substantially over time as new facts emerge and each dispute progresses. Details of the status and various uncertainties involved in the significant unresolved disputes are set out in Note 45, 'Legal proceedings'.

The company's Directors, having taken legal advice, have established provisions after taking into account the relevant facts and circumstances of each matter and in accordance with accounting requirements. In respect of product liability claims related to certain products there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. The Group may become involved in legal proceedings, in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. In these cases, appropriate disclosure about such cases would be included, but no provision would be made and no contingent liability can be quantified. At 31 December 2015 provisions for legal and other disputes amounted to £0.4 billion (2014 – £0.5 billion).

The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations. The position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed the amount of the provisions reported in the Group's financial statements by a material amount.

Goodwill and other intangible asset impairments

Goodwill is deemed to have an indefinite life and so is not amortised. Annual impairment tests of the cash generating units to which goodwill is allocated are performed. Impairment tests are based on established market multiples or risk-adjusted future cash flows discounted using appropriate interest rates. The assumptions used in these impairment tests are set out in Note 18, 'Goodwill'.

In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

Impairment tests on other intangible assets are undertaken if events occur which call into question the carrying values of the assets. Where brands and other intangible assets which are not yet available for use are not amortised, they are subject to annual impairment tests. Valuations for impairment tests are based on established market multiples

Business combinations

Any contingent consideration included in the consideration payable for a business combination is recorded at fair value at the date of acquisition. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate interest rates. The fair values are reviewed on a regular basis, at least annually, and any changes are reflected in the income statement.

At 31 December 2015, the liability for contingent consideration amounted to £3,855 million (2014 – £1,724 million) (see Note 38, 'Acquisitions and disposals'). Of this amount, £3,409 million (2014 – £1,684 million) arose on the acquisition of the former Shionogi-ViiV Healthcare joint venture in 2012 and £405 million arose on the acquisition of the Vaccines business from Novartis in 2015.

During 2015, the Group granted a put option to Novartis in respect of Novartis' shareholding in the Consumer Healthcare Joint Venture. In certain circumstances, Novartis has the right to require GSK to acquire its 36.5% shareholding in the Consumer Healthcare Joint Venture at a market-based valuation. This right is exercisable in certain windows from 2018 to 2035 and may be exercised either in respect of Novartis' entire shareholding or in up to four instalments. GSK has recognised a financial liability of £6,287 million in Other non-current liabilities at 31 December 2015. This represents the present value of the estimated amount payable by GSK in the event of full exercise of the right by Novartis and is calculated by applying market-based multiples to forecast future profits in accordance with the shareholder agreements. Sensitivity analysis is given in Note 30, 'Other non-current liabilities'.

The assumptions relating to future cash flows and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these projections or the market-based multiples to change with a consequent adverse effect on the future results of the Group.

Pensions and other post-employment benefits

The costs of providing pensions and other post-employment benefits are charged to the income statement in accordance with IAS 19 'Employee benefits' over the period during which benefit is derived from the employee's services. The costs are assessed on the basis of assumptions selected by management. These assumptions include future earnings and pension increases, discount rates, expected long-term rates of return on assets and mortality rates, and are disclosed in Note 28, 'Pensions and other post-employment benefits'. Where a surplus on a defined benefit scheme arises, or there is potential for a surplus to arise from committed future contributions, the rights of the Trustees to prevent the Group obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised.

The expected long-term rates of return on bonds are determined based on the portfolio mix of index-linked, government and corporate bonds. An equity risk premium is

or risk-adjusted future cash flows over the estimated useful life of the asset, where limited, discounted using appropriate interest rates as set out in Note 19, 'Other intangible assets'.

The assumptions relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Group.

added to this for equities.

Discount rates are derived from AA rated corporate bond yields except in countries where there is no deep market in corporate bonds where government bond yields are used. Sensitivity analysis is provided in Note 28, 'Pensions and other post-employment benefits', but a 0.25% reduction in the discount rate would lead to an increase in the net pension deficit of approximately £630 million and an increase in the annual pension cost of approximately £24 million. The selection of different assumptions could affect the future results of the Group.

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4 New accounting requirements

The following new and amended accounting standards have been issued by the IASB and are likely to affect future Annual Reports. The amendment to IFRS 11 is not expected to have a material impact on the results and financial position of the Group. The impacts of IFRS 15, IFRS 9 and IFRS 16 on the results and financial position of the Group are currently being assessed.

An amendment to IFRS 11 'Joint arrangements' was issued in May 2014 and will be implemented by the Group from 1 January 2016. The amendment requires the acquisition of a joint operation that meets the definition of a business to be accounted for in accordance with IFRS 3 'Business combinations'.

IFRS 15 'Revenue from contracts with customers' was issued in May 2014 and will be implemented by the Group from 1 January 2018. The Standard provides a single, principles-based approach to the recognition of revenue from all contracts with customers. It focuses on the identification of performance obligations in a contract and requires revenue to be recognised when or as those performance obligations are satisfied.

IFRS 9 'Financial instruments' was issued in its final form in July 2014 and will be implemented by the Group from 1 January 2018. The Standard will replace the majority of IAS 39 and covers the classification, measurement and derecognition of financial assets and financial liabilities, impairment of financial assets and provides a new hedge accounting model.

IFRS 16 'Leases' was issued in January 2016 and will be implemented by the Group from 1 January 2019. The Standard will replace IAS 17 'Leases' and will require lease liabilities and right of use assets to be recognised on the balance sheet for almost all leases.

5 Exchange rates

The Group uses the average of exchange rates prevailing during the period to translate the results and cash flows of overseas subsidiaries, joint ventures and associated undertakings into Sterling and period end rates to translate the net assets of those undertakings. The currencies which most influence these translations and the relevant exchange rates were:

| | 2015 | 2014 | 2013 |
|-------------------|------|------|------|
| Average rates: | | | |
| US\$/£ | 1.53 | 1.65 | 1.57 |
| Euro/£ | 1.37 | 1.24 | 1.18 |
| Yen/£ | 185 | 175 | 153 |
| Period end rates: | | | |
| US\$/£ | 1.47 | 1.56 | 1.66 |
| Euro/£ | 1.36 | 1.29 | 1.20 |
| Yen/£ | 177 | 187 | 174 |

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6 Segment information

Operating segments are reported based on the financial information provided to the Chief Executive Officer and the responsibilities of the Corporate Executive Team (CET). The completion of the Novartis transaction on 2 March 2015 has changed the balance of the Group and GSK has changed its segment reporting to reflect this. With effect from 1 January 2015, GSK has reported results under five segments: Global Pharmaceuticals, HIV, Pharmaceuticals R&D, Vaccines and Consumer Healthcare and individual members of the CET are responsible for each segment. Comparative information has been restated accordingly. In addition, the 2013 segment turnover and profit have been restated to exclude the divestments completed in 2013.

The Group's management reporting process allocates intra-Group profit on a product sale to the market in which that sale is recorded, and the profit analyses below have been presented on that basis.

The Pharmaceuticals R&D segment is the responsibility of the Head of Research & Development and is reported as a separate segment.

Corporate and other unallocated turnover and costs include the results of several Vaccines and Consumer Healthcare products which were held for sale in a number of markets in order to meet anti-trust approval requirements, together with the costs of corporate functions.

From 1 January 2016, the Global Pharmaceuticals and HIV segments will be combined as one operating segment: Pharmaceuticals.

| | 2015 £m | 2014 (restated) £m | 2013 (restated) £m |
|--|------------|--------------------------|--------------------------|
| Turnover by segment | | | |
| Global Pharmaceuticals | 11,844 | 13,950 | 15,983 |
| HIV | 2,322 | 1,498 | 1,386 |
| Pharmaceuticals | 14,166 | 15,448 | 17,369 |
| Vaccines | 3,657 | 3,159 | 3,384 |
| Consumer Healthcare | 6,028 | 4,312 | 4,703 |
| Segment turnover | 23,851 | 22,919 | 25,456 |
| Corporate and other unallocated turnover | 72 | 87 | 146 |
| | 23,923 | 23,006 | 25,602 |
| Divestments completed in 2013 | – | – | 903 |
| | 23,923 | 23,006 | 26,505 |

| | 2015 £m | 2014 (restated) £m | 2013 (restated) £m |
|--|------------|--------------------------|--------------------------|
| Global Pharmaceuticals turnover by therapeutic area | | | |
| Respiratory | 5,741 | 6,168 | 7,259 |
| Cardiovascular, metabolic and urology | 858 | 965 | 1,073 |
| Immuno-inflammation | 263 | 214 | 161 |
| Oncology | 255 | 1,202 | 969 |
| Other pharmaceuticals | 2,199 | 2,390 | 2,652 |
| Established Products | 2,528 | 3,011 | 3,869 |
| | 11,844 | 13,950 | 15,983 |

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6 Segment information *continued*

| Consumer Healthcare turnover by category | 2015 | 2014 | 2013 |
|---|--------------|-------------------|-------------------|
| | £m | (restated) | (restated) |
| | | £m | £m |
| Wellness | 2,970 | 1,565 | 1,807 |
| Oral care | 1,866 | 1,797 | 1,884 |
| Nutrition | 684 | 633 | 627 |
| Skin health | 508 | 317 | 385 |
| | 6,028 | 4,312 | 4,703 |

During 2015, the US elements of Global Pharmaceuticals, HIV and Vaccines made sales to three wholesalers of approximately £1,574 million (2014 – £1,478 million; 2013 – £2,071 million), £2,471 million (2014 – £2,315 million; 2013 – £2,658 million) and £1,602 million (2014 – £1,627 million; 2013 – £1,695 million) respectively, after allocating final-customer discounts to the wholesalers.

| Segment profit | 2015 | 2014 | 2013 |
|---|----------------|-------------------|-------------------|
| | £m | (restated) | (restated) |
| | | £m | £m |
| Global Pharmaceuticals | 4,733 | 6,388 | 7,976 |
| HIV | 1,686 | 977 | 885 |
| Pharmaceuticals R&D | (2,168) | (2,326) | (2,804) |
| Pharmaceuticals | 4,251 | 5,039 | 6,057 |
| Vaccines | 966 | 997 | 963 |
| Consumer Healthcare | 680 | 491 | 650 |
| Segment profit | 5,897 | 6,527 | 7,670 |
| Corporate and other unallocated costs | (168) | 67 | 101 |
| Other reconciling items between segment profit and operating profit | 4,593 | (2,997) | (743) |
| Operating profit | 10,322 | 3,597 | 7,028 |
| Finance income | 104 | 68 | 61 |
| Finance costs | (757) | (727) | (767) |
| Profit on disposal of interest in associates | 843 | – | 282 |
| Share of after tax profits of associates and joint ventures | 14 | 30 | 43 |
| Profit before taxation | 10,526 | 2,968 | 6,647 |
| Taxation | (2,154) | (137) | (1,019) |
| Profit after taxation for the year | 8,372 | 2,831 | 5,628 |

Other reconciling items between segment profit and operating profit comprise items not specifically allocated to segment profit. These include impairment and amortisation of intangible assets, major restructuring charges, legal charges and expenses on the settlement of litigation and government investigations, disposals of businesses, products and associates and certain other items related to major acquisition and disposal activity.

| Depreciation and amortisation by segment | 2015 | 2014 | 2013 |
|---|--------------|-------------------|-------------------|
| | £m | (restated) | (restated) |
| | | £m | £m |
| Global Pharmaceuticals | 302 | 298 | 290 |
| HIV | 1 | 4 | 2 |
| Pharmaceuticals R&D | 238 | 161 | 171 |
| Pharmaceuticals | 541 | 463 | 463 |
| Vaccines | 253 | 224 | 217 |
| Consumer Healthcare | 140 | 105 | 74 |
| Segment depreciation and amortisation | 934 | 792 | 754 |
| Corporate and other unallocated depreciation and amortisation | 145 | 112 | 109 |
| Other reconciling items between segment depreciation and amortisation and total depreciation and amortisation | 551 | 580 | 551 |
| Total depreciation and amortisation | 1,630 | 1,484 | 1,414 |

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6 Segment information continued

| | 2015 £m | 2014 (restated) £m | 2013 (restated) £m |
|---|------------|--------------------------|--------------------------|
| PP&E, intangible asset and goodwill impairment by segment | | | |
| Global Pharmaceuticals | 57 | 52 | 35 |
| HIV | – | 2 | – |
| Pharmaceuticals R&D | 105 | 24 | 22 |
| Pharmaceuticals | 162 | 78 | 57 |
| Vaccines | 17 | 1 | 2 |
| Consumer Healthcare | 5 | 16 | 11 |
| Segment impairment | 184 | 95 | 70 |
| Corporate and other unallocated impairment | 18 | 3 | – |
| Other reconciling items between segment impairment and total impairment | 385 | 153 | 799 |
| Total impairment | 587 | 251 | 869 |

| | 2015 £m | 2014 (restated) £m | 2013 (restated) £m |
|--|-------------|--------------------------|--------------------------|
| PP&E and intangible asset impairment reversals by segment | | | |
| Global Pharmaceuticals | (8) | (39) | (18) |
| HIV | – | – | – |
| Pharmaceuticals R&D | (10) | (23) | (2) |
| Pharmaceuticals | (18) | (62) | (20) |
| Vaccines | – | – | – |
| Consumer Healthcare | (4) | (14) | (4) |
| Segment impairment reversals | (22) | (76) | (24) |
| Corporate and other unallocated impairment reversals | (2) | – | – |
| Total impairment reversals | (24) | (76) | (24) |

| | 2015 £m | 2014 (restated) £m |
|--|--------------|--------------------------|
| Net assets by segment | | |
| Global Pharmaceuticals | 7,257 | 10,736 |
| HIV | (1,536) | 301 |
| Pharmaceuticals R&D | 615 | 542 |
| Pharmaceuticals | 6,336 | 11,579 |
| Vaccines | 8,884 | 5,681 |
| Consumer Healthcare | 4,154 | 3,110 |
| Segment net operating assets | 19,374 | 20,370 |
| Corporate and other unallocated net operating assets | (136) | (3,722) |
| Net operating assets | 19,238 | 16,648 |
| Net debt | (10,727) | (14,377) |
| Investments in associates and joint ventures | 207 | 340 |
| Derivative financial instruments | (28) | (267) |
| Current and deferred taxation | 142 | 1,436 |
| Assets held for sale | 46 | 1,156 |
| Net assets | 8,878 | 4,936 |

The HIV segment includes the Shionogi-ViiV Healthcare contingent consideration liability of £3,409 million (2014 – £1,684 million). The Consumer Healthcare segment includes the put option liability of £6,287 million (2014 – £nil).

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6 Segment information *continued*

Geographical information

The UK is regarded as being the Group's country of domicile.

| | 2015 £m | 2014 (restated) £m | 2013 (restated) £m |
|---|------------|--------------------------|--------------------------|
| Turnover by location of customer | | | |
| UK | 1,106 | 1,100 | 1,480 |
| US | 8,222 | 7,409 | 8,770 |
| International | 14,595 | 14,497 | 16,255 |
| External turnover | 23,923 | 23,006 | 26,505 |

| | 2015 £m | 2014 £m | 2013 £m |
|---|------------|------------|------------|
| Turnover by location of subsidiary | | | |
| UK | 3,146 | 3,518 | 4,174 |
| US | 13,273 | 10,768 | 11,684 |
| International | 17,385 | 17,227 | 18,515 |
| Turnover including inter-segment turnover | 33,804 | 31,513 | 34,373 |

| | | | |
|------------------------|-------|-------|-------|
| UK | 1,751 | 1,994 | 1,772 |
| US | 4,934 | 3,432 | 3,026 |
| International | 3,196 | 3,081 | 3,070 |
| Inter-segment turnover | 9,881 | 8,507 | 7,868 |

| | | | |
|-------------------|--------|--------|--------|
| UK | 1,395 | 1,524 | 2,402 |
| US | 8,339 | 7,336 | 8,658 |
| International | 14,189 | 14,146 | 15,445 |
| External turnover | 23,923 | 23,006 | 26,505 |

| | 2015 £m | 2014 £m | 2013 £m |
|-------------------------------------|------------|------------|------------|
| Operating profit by location | | | |
| UK | 8,243 | 414 | 568 |
| US | 4,307 | 1,375 | 3,063 |
| International | (2,228) | 1,808 | 3,397 |
| Total operating profit | 10,322 | 3,597 | 7,028 |

| | 2015 £m | 2014 £m |
|---------------------------------------|------------|------------|
| Non-current assets by location | | |
| UK | 6,967 | 6,688 |
| US | 7,524 | 6,512 |
| International | 17,474 | 8,431 |
| Non-current assets | 31,965 | 21,631 |

Non-current assets by location excludes amounts relating to other investments, deferred tax assets, derivative financial instruments, pension assets, amounts receivable under insurance contracts and certain other non-current receivables.

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7 Other operating income

| | 2015 £m | 2014 £m | 2013 £m |
|---|--------------|--------------|--------------|
| Impairment of equity investments | (263) | (25) | (70) |
| Disposal of equity investments | 342 | 155 | 38 |
| Disposal of businesses and assets | 9,661 | 244 | 1,413 |
| Fair value remeasurements on contingent consideration recognised in business combinations | (1,965) | (770) | (251) |
| Remeasurement of Consumer Healthcare put option liability | (83) | – | – |
| Fair value adjustments on derivative financial instruments | 2 | (313) | 12 |
| Other income/(expense) | 21 | 9 | (18) |
| | 7,715 | (700) | 1,124 |

Disposal of businesses and assets in 2015 included the disposal of the Oncology business to Novartis for £9,228 million and £200 million for the divestment of ofatumumab, and in 2014 included the gain on the disposal of *Treximet*. Fair value remeasurements on contingent consideration recognised in business combinations comprised £1,874 million related to the acquisition of the former Shionogi-ViiV Healthcare joint venture and £91 million, net of hedging gains, related to the acquisition of the Vaccines business from Novartis.

Fair value adjustments on derivative financial instruments arise from foreign exchange forward contracts and options taken out to hedge against foreign currency movements when sales and purchases are denominated in foreign currencies (see Note 41, 'Financial instruments and related disclosures'). In 2014 this included an unrealised loss of £299 million arising from a number of forward exchange contracts entered into following announcement of the proposed Novartis transaction to protect the Sterling value of the net US dollar proceeds due to the Group on completion of the transaction.

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8 Operating profit

| The following items have been included in operating profit: | 2015 £m | 2014 £m | 2013 £m |
|---|------------|------------|------------|
| Employee costs (Note 9) | 8,030 | 7,520 | 7,591 |
| Advertising | 1,059 | 671 | 808 |
| Distribution costs | 376 | 325 | 371 |
| Depreciation of property, plant and equipment | 892 | 780 | 732 |
| Impairment of property, plant and equipment, net of reversals | 346 | 18 | 100 |
| Amortisation of intangible assets | 738 | 704 | 682 |
| Impairment of intangible assets, net of reversals | 217 | 157 | 745 |
| Net foreign exchange losses/(gains) | 47 | (18) | 41 |
| Inventories: | | | |
| Cost of inventories included in cost of sales | 7,602 | 6,334 | 7,290 |
| Write-down of inventories | 488 | 389 | 338 |
| Reversal of prior year write-down of inventories | (65) | (169) | (43) |
| Operating lease rentals: | | | |
| Minimum lease payments | 101 | 133 | 127 |
| Contingent rents | 8 | 8 | 12 |
| Sub-lease payments | 7 | 5 | 2 |
| Fees payable to the company's auditor and its associates in relation to the Group (see below) | 32.5 | 33.7 | 25.7 |

The reversals of prior year write-downs of inventories principally arise from the reassessment of usage or demand expectations prior to inventory expiration.

Included within operating profit are major restructuring charges of £1,891 million (2014 – £750 million; 2013 – £517 million), see Note 10, 'Major restructuring costs'.

| Fees payable to the company's auditor and its associates: | 2015 £m | 2014 £m | 2013 £m |
|--|------------|------------|------------|
| Audit of parent company and consolidated financial statements | 7.1 | 4.9 | 5.1 |
| Audit of the company's subsidiaries | 16.1 | 11.2 | 11.0 |
| Audit-related assurance services, including attestation under s.404 of Sarbanes-Oxley Act 2002 | 4.3 | 4.0 | 3.9 |
| Audit and audit-related services | 27.5 | 20.1 | 20.0 |
| Taxation compliance | 0.3 | 0.6 | 0.6 |
| Taxation advice | 3.2 | 4.5 | 3.3 |
| Other assurance services | 1.1 | 8.0 | 1.5 |
| All other services | 0.4 | 0.5 | 0.3 |
| Total | 32.5 | 33.7 | 25.7 |

In addition to the above, fees paid in respect of the GSK pension schemes were:

| | 2015 £m | 2014 £m | 2013 £m |
|----------------|------------|------------|------------|
| Audit | 0.3 | 0.3 | 0.4 |
| Other services | – | – | – |

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9 Employee costs

| | 2015 £m | 2014 £m | 2013 £m |
|--|--------------|------------|------------|
| Wages and salaries | 6,132 | 5,879 | 6,262 |
| Social security costs | 633 | 639 | 685 |
| Pension and other post-employment costs, including augmentations (Note 28) | 467 | 403 | 170 |
| Cost of share-based incentive plans | 349 | 346 | 319 |
| Severance and other costs from integration and restructuring activities | 449 | 253 | 155 |
| | 8,030 | 7,520 | 7,591 |

The Group provides benefits to employees, commensurate with local practice in individual countries, including, in some markets, healthcare insurance, subsidised car schemes and personal life assurance.

The charge for pension and other post-employment costs in 2013 includes a credit of £279 million following a restructuring of US post-retirement medical obligations. These are set out in Note 28, 'Pensions and other post-employment benefits'.

The cost of share-based incentive plans is analysed as follows:

| | 2015 £m | 2014 £m | 2013 £m |
|------------------------|------------|------------|------------|
| Share Value Plan | 307 | 302 | 243 |
| Performance Share Plan | 26 | 20 | 47 |
| Share option plans | 4 | 3 | 4 |
| Other plans | 12 | 21 | 25 |
| | 349 | 346 | 319 |

The average number of persons employed by the Group (including Directors) during the year was:

| | 2015 Number | 2014 Number | 2013 Number |
|-------------------------------------|----------------|----------------|----------------|
| Manufacturing | 37,025 | 31,726 | 31,586 |
| Selling, general and administration | 52,121 | 54,618 | 55,660 |
| Research and development | 12,046 | 12,358 | 12,571 |
| | 101,192 | 98,702 | 99,817 |

The average number of Group employees excludes temporary and contract staff. The numbers of Group employees at the end of each financial year are given in the financial record on page 224. The average number of persons employed by GlaxoSmithKline plc in 2015 was nil (2014 – nil).

The compensation of the Directors and Senior Management (members of the CET) in aggregate, was as follows:

| | 2015 £m | 2014 £m | 2013 £m |
|---|------------|------------|------------|
| Wages and salaries | 23 | 19 | 23 |
| Social security costs | 2 | 3 | 3 |
| Pension and other post-employment costs | 3 | 3 | 3 |
| Cost of share-based incentive plans | 18 | 13 | 13 |
| | 46 | 38 | 42 |

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10 Major restructuring costs

Major restructuring costs charged in arriving at operating profit include restructuring costs arising under the Major Change programme initiated in 2013, under the Pharmaceuticals Restructuring Programme announced in October 2014 and following the Novartis transaction, completed in 2015.

For 2015, GSK is reporting these programmes together as one combined programme and the total restructuring costs of £1.9 billion in 2015 were incurred in the following areas:

- Restructuring of the Pharmaceuticals business in North America, Emerging Markets and Europe leading to staff reductions in sales force and administration.
- Restructuring of the R&D organisation, predominantly in the United Kingdom, North America and Japan.
- Projects to simplify or eliminate processes leading to staff reductions in support functions.
- Transformation of the Manufacturing and Vaccines businesses to deliver a step change in quality, cost and productivity.
- The integration of the Novartis Consumer Healthcare business to the new Consumer Healthcare Joint Venture.

The analysis of the costs charged to operating profit under these programmes is as follows:

| | 2015 £m | 2014 £m | 2013 £m |
|--|----------------|--------------|--------------|
| Increase in provision for major restructuring programmes (see Note 29) | (718) | (267) | (179) |
| Amount of provision reversed unused (see Note 29) | 44 | 4 | 11 |
| Impairment losses recognised | (419) | – | (60) |
| Other non-cash charges | (51) | (15) | (5) |
| Other cash costs | (747) | (472) | (284) |
| | (1,891) | (750) | (517) |

Asset impairments of £419 million (2014 – £nil; 2013 – £60 million) and other non-cash charges totalling £51 million (2014 – £15 million; 2013 – £5 million) are non-cash items, principally fixed asset write downs in manufacturing and research facilities and accelerated depreciation where asset lives in R&D have been shortened as a result of the major restructuring programmes. All other charges have been or will be settled in cash and include the termination of leases, site closure costs, consultancy and project management fees.

11 Finance income

| | 2015 £m | 2014 £m | 2013 £m |
|--|------------|------------|------------|
| Interest income arising from: | | | |
| cash and cash equivalents | 71 | 56 | 55 |
| available-for-sale investments | 1 | 1 | 2 |
| derivatives at fair value through profit or loss | 24 | – | – |
| loans and receivables | 3 | 9 | 2 |
| Fair value adjustments on derivatives at fair value through profit or loss | 5 | 2 | 2 |
| | 104 | 68 | 61 |

All derivatives at fair value through profit or loss other than designated and effective hedging instruments (see Note 41, 'Financial instruments and related disclosures') are classified as held-for-trading financial instruments under IAS 39.

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12 Finance expense

| | 2015 £m | 2014 £m | 2013 £m |
|--|--------------|--------------|--------------|
| Interest expense arising on: | | | |
| financial liabilities at amortised cost | (655) | (665) | (708) |
| derivatives at fair value through profit or loss | (64) | (23) | (18) |
| Fair value hedges: | | | |
| fair value movements on derivatives designated as hedging instruments | – | 10 | (37) |
| fair value adjustments on hedged items | – | (5) | 36 |
| Fair value movements on other derivatives at fair value through profit or loss | (6) | (15) | (2) |
| Reclassification of cash flow hedge from other comprehensive income | (2) | – | – |
| Unwinding of discounts on provisions | (16) | (15) | (14) |
| Movements on amounts owed to non-controlling interests | – | – | (2) |
| Other finance expense | (14) | (14) | (22) |
| | (757) | (727) | (767) |

All derivatives at fair value through profit or loss other than designated and effective hedging instruments (see Note 41, 'Financial instruments and related disclosures') are classified as held-for-trading financial instruments under IAS 39. Interest expense arising on derivatives at fair value through profit or loss relates to swap interest expense.

13 Associates and joint ventures

The Group's share of after tax profits and losses of associates and joint ventures is set out below:

| | 2015 £m | 2014 £m | 2013 £m |
|---|------------|------------|------------|
| Share of after tax profits of associates | 16 | 38 | 45 |
| Share of after tax losses of joint ventures | (2) | (8) | (2) |
| | 14 | 30 | 43 |

At 31 December 2015, the Group held one significant associate, Theravance, Inc. (now Innoviva, Inc.). This investment has been accounted for as an investment in an associate since 1 September 2015, as described in Note 20 'Investments in associates and joint ventures'. Previously it was included in Other investments. The Group's share of after tax profits of associates includes a loss of £8 million in respect of Theravance (now Innoviva).

In March 2015, the Group divested half of its shareholding in Aspen Pharmacare Holdings Limited and ceased to account for the remaining investment as an associate. The investment in Aspen is now included in Other investments (Note 21). In 2014 and 2013, Aspen was the Group's only significant associate. Summarised income statement information in respect of Aspen is set out below for the periods in which the Group accounted for its investment in Aspen as an associate. The Group's 2015 share of after tax profits of associates and other comprehensive income includes a profit of £10 million and other comprehensive income of £2 million in respect of Aspen.

| | To 20 March 2015 £m | 2014 £m | 2013 £m |
|----------------------------|---------------------------|------------|------------|
| Turnover | 441 | 1,823 | 1,485 |
| Profit after taxation | 67 | 313 | 247 |
| Comprehensive income | 16 | 148 | 192 |
| Total comprehensive income | 83 | 461 | 439 |

The results of Aspen included in the summarised income statement information above represent the estimated earnings of the Aspen group in the relevant periods, adjusted for transactions between GSK and Aspen.

Aggregated financial information in respect of other associated undertakings and joint ventures is set out below:

| | 2015 £m | 2014 £m | 2013 £m |
|-------------------------------------|------------|------------|------------|
| Share of turnover | 188 | 187 | 225 |
| Share of after tax profits/(losses) | 12 | (9) | (2) |
| Share of other comprehensive income | 25 | – | – |
| Share of total comprehensive income | 37 | (9) | (2) |

The Group's sales to associates and joint ventures were £41 million in 2015 (£85 million in 2014; £103 million in 2013).

The profit on disposal of interest in associates of £843 million in the year arose on the Group's divestment of one half of its

shareholding in Aspen Pharmacare Holdings Limited in March 2015. This included a gain of £457 million resulting from the change in measurement basis of the Group's retained investment in Aspen on reclassification of the investment following the divestment. The retained investment was transferred from Investments in associates, which are equity accounted, to Other investments, which are measured at fair value.

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14 Taxation

| Taxation charge based on profits for the year | 2015 £m | 2014 £m | 2013 £m |
|---|------------|------------|------------|
| UK current year charge | 156 | 221 | 107 |
| Rest of world current year charge | 2,924 | 1,092 | 1,311 |
| Charge in respect of prior periods | (508) | (571) | 131 |
| Total current taxation | 2,572 | 742 | 1,549 |
| Total deferred taxation | (418) | (605) | (530) |
| | 2,154 | 137 | 1,019 |

In 2015, GSK made payments of £111 million in UK Corporation tax. In January 2016 GSK made further payments of £100 million in relation to UK Corporation tax. These amounts are for Corporation tax only and do not include the various other business taxes borne by GSK each year.

A significant component of the deferred tax credit for each of 2015 and prior periods arose in respect of the remeasurement of the contingent consideration in relation to the former Shionogi-ViiV Healthcare joint venture. In 2015 the credit also included the unwind of deferred tax liabilities on the disposal of the Group's Oncology business to Novartis. In 2014 the credit also included recognition of a deferred tax asset on capital losses anticipated to be utilised on completion of the Novartis transaction.

The following table reconciles the tax charge calculated at the UK statutory rate on the Group profit before tax with the actual tax charge for the year.

| Reconciliation of taxation on Group profits | 2015 £m | 2015 % | 2014 £m | 2014 % | 2013 £m | 2013 % |
|--|------------|-----------|------------|-----------|------------|-----------|
| Profit before tax | 10,526 | | 2,968 | | 6,647 | |
| UK statutory rate of taxation | 2,131 | 20.25 | 638 | 21.5 | 1,545 | 23.2 |
| Differences in overseas taxation rates | 1,035 | 9.8 | 406 | 13.7 | 196 | 2.9 |
| Benefit of intellectual property incentives | (286) | (2.7) | (323) | (10.9) | (189) | (2.8) |
| R&D credits | (38) | (0.4) | (72) | (2.4) | (88) | (1.3) |
| Inter-company inventory profit | (16) | (0.1) | (27) | (0.9) | (121) | (1.8) |
| Impact of share-based payments | 12 | 0.1 | 31 | 1.0 | (2) | – |
| Losses not recognised/(previously unrecognised losses) | 31 | 0.3 | (205) | (6.9) | (18) | (0.3) |
| Permanent differences on disposals and acquisitions | (248) | (2.4) | 23 | 0.8 | (227) | (3.4) |
| Other permanent differences | 79 | 0.8 | 264 | 8.9 | 301 | 4.5 |
| Re-assessments of prior year estimates | (578) | (5.5) | (617) | (20.8) | (197) | (3.0) |
| Disposal of associate | – | – | – | – | (67) | (1.0) |
| Tax on unremitted earnings | 32 | 0.3 | 19 | 0.6 | 20 | 0.3 |
| Deferred tax and other adjustments on restructuring | – | – | – | – | (134) | (2.0) |
| Tax charge / tax rate | 2,154 | 20.5 | 137 | 4.6 | 1,019 | 15.3 |

GSK has a substantial business presence in many countries around the globe. The impact of differences in overseas taxation rates arose from profits being earned in countries with tax rates higher than the UK statutory rate, the most significant of which in 2015 were the US, India, France and Germany. This was partially offset by the increased benefit of intellectual property incentives from the UK Patent Box and Belgian Patent Income Deduction regimes. Such regimes provide a reduced rate of corporate income tax on profits earned from qualifying patents. The impact of overseas tax rates was further offset by permanent differences on disposals during 2015 which were subject to the UK 'Substantial Shareholdings' Exemption from tax. In 2014 the anticipated Oncology disposal resulted in the recognition of deferred tax assets on capital losses subsequently utilised in 2015. The reduction in the benefit provided by R&D credits reflects the change in the UK regime to record the benefit within the R&D expense in the income statement. Re-assessments of prior year estimates in 2015 include a benefit of £498 million from the resolution of a number of tax matters in various countries.

Future tax charges, and therefore our effective tax rate, may be affected by factors such as acquisitions, disposals, restructurings, the location of research and development activity, tax regime reforms and resolution of open matters as we continue to bring our tax affairs up to date around the world.

| Tax on items charged to equity and statement of comprehensive income | 2015 £m | 2014 £m | 2013 £m |
|--|------------|------------|------------|
| Current taxation | | | |
| Share-based payments | 22 | 55 | 31 |
| Defined benefit plans | 30 | – | – |
| | 52 | 55 | 31 |
| Deferred taxation | | | |
| Share-based payments | (12) | (59) | 42 |
| Defined benefit plans | (110) | 262 | (286) |

| | | | |
|---|-------|------|-------|
| Exchange movements | - | (2) | - |
| Fair value movements on cash flow hedges | - | (1) | 1 |
| Fair value movements on available-for-sale investments | (55) | (20) | (22) |
| | (177) | 180 | (265) |
| Total (charge)/credit to equity and statement of comprehensive income | (125) | 235 | (234) |

All of the above items have been charged to the statement of comprehensive income except for tax on share based payments.

14 Taxation continued

Issues relating to taxation

The integrated nature of the Group's worldwide operations involves significant investment in research and strategic manufacture at a limited number of locations, with consequential cross-border supply routes into numerous end-markets. GSK's biggest risk with respect to taxation is that different tax authorities will seek to attribute further profit to activities being undertaken in their jurisdiction potentially resulting in double taxation. While GSK applies OECD established principles in matching the profit generated by each legal entity to the risk borne and value being added by each part of the value chain, this is inherently subjective and can be challenged by tax authorities. This gives rise to complexity and delay in resolving audits with revenue authorities as to the profits on which individual Group companies are liable to tax. In calculating the tax liability of the Group, GSK applies a risk based approach to determine the transactions most likely to be subject to challenge and the probability that the Group would be able to obtain compensatory adjustments under international tax treaties.

There continues to be a significant international focus on tax reform – including the OECD's "BEPS" project, and European Commission initiatives such as the proposed 'Anti-BEPS' Directive and the increased use of fiscal state aid investigations. Together with domestic initiatives around the world, these may result in significant changes to established tax principles and an increase in tax authority disputes. In turn, this could affect adversely our effective tax rate or result in higher cash tax liabilities.

The Group continues to believe that it has made adequate provision for the liabilities likely to arise from periods which are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities or litigation where appropriate.

The aggregate amount of unremitted profits at the balance sheet date was approximately £16 billion (2014 – £20 billion). UK legislation relating to company distributions provides for exemption from tax for most overseas profits, subject to certain exceptions. Provision for deferred tax liabilities of £180 million (2014 – £147 million) has been made in respect of withholding taxation that would arise on the distribution of profits by certain overseas subsidiaries. The unremitted profits on which deferred tax has not been provided is £1.5 billion (2014 – £1.6 billion). Deferred tax on distribution of these profits has not been provided on the grounds that the Group is able to control the timing of the reversal of the remaining temporary differences and it is probable that they will not reverse in the foreseeable future.

Movement in deferred tax assets and liabilities

| | Accelerated capital allowances £m | Intangible assets £m | Contingent consideration £m | Intra-group profit £m | Pensions & other post employment benefits £m | Tax losses £m | Share option and award schemes £m | Other net temporary differences £m | Total £m |
|---|--------------------------------------|-------------------------|--------------------------------|--------------------------|---|------------------|--------------------------------------|---------------------------------------|-------------|
| At 1 January 2015 | (446) | (1,056) | 404 | 684 | 1,069 | 415 | 124 | 1,049 | 2,243 |
| Exchange adjustments | 16 | 3 | – | 26 | 23 | – | – | 16 | 84 |
| Credit/(charge) to income statement | 102 | 296 | 185 | 63 | (31) | (324) | (20) | 147 | 418 |
| Charge to equity | – | – | – | – | – | – | (12) | – | (12) |
| Charge to statement of comprehensive income | – | – | – | – | (110) | – | – | (56) | (166) |
| Acquisitions and disposals | (18) | (1,477) | 201 | 52 | 38 | 6 | – | 14 | (1,184) |
| At 31 December 2015 | (346) | (2,234) | 790 | 825 | 989 | 97 | 92 | 1,170 | 1,383 |

Recognised tax losses comprise £97 million trading losses (2014 – £210 million trading losses, £205 million capital losses).

Other net temporary differences include accrued expenses for which a tax deduction is only available on a paid basis.

Deferred tax assets are recognised in those territories where it is probable that the Group will continue to generate taxable profits in the future against which those assets can be utilised.

After offsetting deferred tax assets and liabilities where appropriate within territories, the net deferred tax asset comprises:

| | 2015 £m | 2014 £m |
|--------------------------|------------|------------|
| Deferred tax assets | 2,905 | 2,688 |
| Deferred tax liabilities | (1,522) | (445) |
| | 1,383 | 2,243 |

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14 Taxation continued

| | 2015 £m | 2014 £m |
|--------------------------------|--------------|------------|
| Unrecognised tax losses | | |
| Trading losses expiring: | | |
| Within 10 years | 354 | 186 |
| More than 10 years | 812 | 723 |
| Available indefinitely | 58 | – |
| At 31 December | 1,224 | 909 |
| | 2015 £m | 2014 £m |
| Capital losses | 2,771 | 2,760 |
| At 31 December | 2,771 | 2,760 |

Deferred tax assets are recognised where it is probable that future taxable profit will be available to utilise losses. The amount of unrecognised capital losses for 2014 has been revised following a reassessment of available losses for which deferred tax was not recognised.

15 Earnings per share

| | 2015 pence | 2014 pence | 2013 pence |
|----------------------------|---------------|---------------|---------------|
| Basic earnings per share | 174.3 | 57.3 | 112.5 |
| Diluted earnings per share | 172.3 | 56.7 | 110.5 |

Basic earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the period after deducting shares held by the ESOP Trusts and Treasury shares. The trustees have waived their rights to dividends on the shares held by the ESOP Trusts.

Diluted earnings per share has been calculated after adjusting the weighted average number of shares used in the basic calculation to assume the conversion of all potentially dilutive shares. A potentially dilutive share forms part of the employee share schemes where its exercise price is below the average market price of GSK shares during the period and any performance conditions attaching to the scheme have been met at the balance sheet date.

The numbers of shares used in calculating basic and diluted earnings per share are reconciled below.

| | 2015 millions | 2014 millions | 2013 millions |
|--|------------------|------------------|------------------|
| Weighted average number of shares in issue | | | |
| Basic | 4,831 | 4,808 | 4,831 |
| Dilution for share options and awards | 57 | 57 | 88 |
| Diluted | 4,888 | 4,865 | 4,919 |

16 Dividends

| | Paid/payable | 2015 | | Paid | 2014 | | Paid | 2013 | |
|------------------|-----------------|----------------------------|-------------------|----------------|----------------------------|-------------------|----------------|----------------------------|-------------------|
| | | Dividend per share (pence) | Total dividend £m | | Dividend per share (pence) | Total dividend £m | | Dividend per share (pence) | Total dividend £m |
| First interim | 9 July 2015 | 19 | 920 | 10 July 2014 | 19 | 916 | 11 July 2013 | 18 | 878 |
| Second interim | 1 October 2015 | 19 | 919 | 2 October 2014 | 19 | 918 | 3 October 2013 | 18 | 864 |
| Third interim | 14 January 2016 | 19 | 919 | 8 January 2015 | 19 | 924 | 9 January 2014 | 19 | 910 |
| Fourth interim | 14 April 2016 | 23 | 1,113 | 9 April 2015 | 23 | 1,111 | 10 April 2014 | 23 | 1,099 |
| Total | | 80 | 3,871 | | 80 | 3,869 | | 78 | 3,751 |
| Special dividend | 14 April 2016 | 20 | 968 | | | | | | |

Under IFRS interim dividends are only recognised in the financial statements when paid and not when declared. GSK normally pays a dividend two quarters after the quarter to which it relates and one quarter after it is declared. The 2015 financial statements recognise those dividends paid in 2015, namely the third and fourth interim dividends for 2014, and the first and second interim dividends for 2015.

The amounts recognised in each year are as follows:

| 2015 | 2014 | 2013 |
|------|------|------|
|------|------|------|

| | | | | |
|---------------------------|---------------------------|--------------------|-------------|-------------|
| Strategic report | Dividends to shareholders | £m 3,874 | £m 3,843 | £m 3,680 |
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17 Property, plant and equipment

| | Land and buildings £m | Plant, equipment and vehicles £m | Assets in construction £m | Total £m |
|---|-----------------------------|---|---------------------------------|-----------------|
| Cost at 1 January 2014 | 6,793 | 9,944 | 2,116 | 18,853 |
| Exchange adjustments | (85) | (122) | (42) | (249) |
| Additions | 38 | 252 | 971 | 1,261 |
| Capitalised borrowing costs | – | – | 16 | 16 |
| Disposals and write-offs | (62) | (322) | (3) | (387) |
| Reclassifications | 211 | 454 | (677) | (12) |
| Transfer to assets held for sale | (91) | (36) | – | (127) |
| Cost at 31 December 2014 | 6,804 | 10,170 | 2,381 | 19,355 |
| Exchange adjustments | (48) | (92) | (42) | (182) |
| Additions through business combinations | 310 | 285 | 103 | 698 |
| Other additions | 95 | 242 | 1,099 | 1,436 |
| Capitalised borrowing costs | – | – | 19 | 19 |
| Disposals and write-offs | (74) | (340) | (15) | (429) |
| Reclassifications | 228 | 557 | (875) | (90) |
| Transfer to assets held for sale | (10) | (47) | – | (57) |
| Cost at 31 December 2015 | 7,305 | 10,775 | 2,670 | 20,750 |
| Depreciation at 1 January 2014 | (2,542) | (6,926) | – | (9,468) |
| Exchange adjustments | 28 | 70 | – | 98 |
| Charge for the year | (212) | (568) | – | (780) |
| Disposals and write-offs | 27 | 250 | – | 277 |
| Transfer to assets held for sale | 18 | 23 | – | 41 |
| Depreciation at 31 December 2014 | (2,681) | (7,151) | – | (9,832) |
| Exchange adjustments | 16 | 41 | – | 57 |
| Charge for the year | (291) | (601) | – | (892) |
| Disposals and write-offs | 54 | 275 | – | 329 |
| Transfer to/(from) assets held for sale | (12) | 21 | – | 9 |
| Depreciation at 31 December 2015 | (2,914) | (7,415) | – | (10,329) |
| Impairment at 1 January 2014 | (159) | (291) | (63) | (513) |
| Exchange adjustments | – | 4 | – | 4 |
| Disposals and write-offs | 30 | 25 | 1 | 56 |
| Impairment losses | (34) | (45) | (15) | (94) |
| Reversal of impairments | 47 | 28 | 1 | 76 |
| Impairment at 31 December 2014 | (116) | (279) | (76) | (471) |
| Exchange adjustments | (8) | 1 | 1 | (6) |
| Disposals and write-offs | 7 | 16 | – | 23 |
| Impairment losses | (162) | (177) | (31) | (370) |
| Reversal of impairments | 5 | 19 | – | 24 |
| Transfer to assets held for sale | – | 47 | – | 47 |
| Impairment at 31 December 2015 | (274) | (373) | (106) | (753) |
| Total depreciation and impairment at 31 December 2014 | (2,797) | (7,430) | (76) | (10,303) |
| Total depreciation and impairment at 31 December 2015 | (3,188) | (7,788) | (106) | (11,082) |
| Net book value at 1 January 2014 | 4,092 | 2,727 | 2,053 | 8,872 |
| Net book value at 31 December 2014 | 4,007 | 2,740 | 2,305 | 9,052 |
| Net book value at 31 December 2015 | 4,117 | 2,987 | 2,564 | 9,668 |

Following the completion of the Novartis transaction, the Group revised its segmental reporting and allocation of costs and assets. As part of this process, a review has been conducted to ensure consistent and appropriate classification and reporting across the Group and its segments which has resulted in a number of classification adjustments within property, plant and equipment. This reclassification has no impact on the net book value of property, plant and equipment reported at each year-end or the income statement for any year but, within the stated total for PP&E, has reduced the opening balance of assets in construction at 1 January 2014 by £401 million and increased the opening balances of land and buildings and plant, equipment and vehicles by £183 million and £218 million, respectively, with equivalent adjustments to the reclassifications reported in 2014.

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17 Property, plant and equipment continued

The net book value at 31 December 2015 of the Group's land and buildings comprises freehold properties £3,155 million (2014 – £3,160 million), properties with leases of 50 years or more £327 million (2014 – £336 million) and properties with leases of less than 50 years £196 million (2014 – £162 million).

Included in land and buildings at 31 December 2015 are leased assets with a cost of £756 million (2014 – £733 million), accumulated depreciation of £233 million (2014 – £226 million), impairment of £nil (2014 – £9 million) and a net book value of £523 million (2014 – £498 million). Included in plant, equipment and vehicles at 31 December 2015 are leased assets with a cost of £31 million (2014 – £68 million), accumulated depreciation of £27 million (2014 – £17 million), impairment of £nil (2014 – £2 million) and a net book value of £4 million (2014 – £49 million). Some lease agreements include renewal or purchase options or escalation clauses.

The impairment losses principally arise from decisions to rationalise facilities and are calculated based on either fair value less costs of disposal or value in use. The fair value less costs of disposal valuation methodology uses significant inputs which are not based on observable market data, and therefore this valuation technique is classified as level 3 of the fair value hierarchy. These calculations determine the net present value of the projected risk-adjusted, post-tax cash flows of the relevant asset or cash generating unit, applying a discount rate of the Group post-tax weighted average cost of capital (WACC) of 7%, adjusted where appropriate for relevant specific risks. For value in use calculations, where an impairment is indicated and a pre-tax cash flow calculation is expected to give a materially different result, the test would be reperformed using pre-tax cash flows and a pre-tax discount rate. The Group WACC is equivalent to a pre-tax discount rate of approximately 9%. The net impairment losses have been charged to cost of sales £109 million (2014 – £36 million), R&D £63 million (2014 – £11 million) and SG&A £174 million (2014 – £47 million), and include £327 million (2014 – £nil) arising from the major restructuring programmes.

Reversals of impairment arise from subsequent reviews of the impaired assets where the conditions which gave rise to the original impairments are deemed no longer to apply. All of the reversals have been credited to cost of sales.

The carrying value at 31 December 2015 of assets for which impairments have been charged or reversed in the year was £138 million (2014 – £225 million).

18 Goodwill

| | 2015 £m | 2014 £m |
|---|------------|------------|
| Cost at 1 January | 3,724 | 4,205 |
| Exchange adjustments | 66 | 34 |
| Additions through business combinations (Note 38) | 1,372 | – |
| Transfer to assets held for sale | – | (511) |
| Movements in contingent consideration balances | – | (4) |
| Cost at 31 December | 5,162 | 3,724 |
| Net book value at 1 January | 3,724 | 4,205 |
| Net book value at 31 December | 5,162 | 3,724 |

During 2015, GSK divested to Novartis its marketed Oncology portfolio, acquired Novartis' Vaccines business (excluding influenza vaccines) and created the Consumer Healthcare Joint Venture with Novartis over which GSK has control with an equity interest of 63.5%.

The acquisitions resulted in the recognition of additional goodwill which was allocated to Vaccines (£576 million) and Consumer Healthcare (£774 million). The disposal of the Oncology business resulted in a transfer of goodwill to assets held for sale in 2014 and a reduction in goodwill in Global Pharmaceuticals of £497 million. This disposal was completed in 2015.

The carrying value of goodwill, translated at year-end exchange rates, is allocated to the following cash generating units:

| | 2015 £m | 2014 £m |
|-------------------------------|------------|------------|
| Global Pharmaceuticals | 2,826 | 2,774 |
| HIV | 126 | 124 |
| Vaccines | 1,003 | 487 |
| Consumer Healthcare | 1,207 | 339 |
| Net book value at 31 December | 5,162 | 3,724 |

The goodwill balance at 31 December 2014 has been reallocated to reflect the revised cash generating units for 2015.

18 Goodwill continued

The recoverable amounts of the cash generating units are assessed using a fair value less costs of disposal model. Fair value less costs of disposal is calculated using a discounted cash flow approach, with a post-tax discount rate applied to the projected risk-adjusted post-tax cash flows and terminal value.

The discount rate used is based on the Group WACC of 7%, as most cash generating units have integrated operations across large parts of the Group. The discount rate is adjusted where appropriate for specific country or currency risks. The valuation methodology uses significant inputs which are not based on observable market data, therefore this valuation technique is classified as level 3 in the fair value hierarchy.

Details relating to the discounted cash flow models used in the impairment tests of the Global Pharmaceuticals, HIV, Vaccines and Consumer Healthcare cash generating units are as follows:

| | | | |
|---|---|----------------------|---------------|
| Valuation basis | Fair value less costs of disposal | | |
| Key assumptions | Sales growth rates Profit margins Terminal growth rate Discount rate Taxation rate | | |
| Determination of assumptions | Growth rates are internal forecasts based on both internal and external market information. Margins reflect past experience, adjusted for expected changes. Terminal growth rates based on management's estimate of future long-term average growth rates. Discount rates based on Group WACC, adjusted where appropriate. Taxation rates based on appropriate rates for each region. | | |
| Period of specific projected cash flows | Five years | | |
| Terminal growth rate and discount rate | | Terminal growth rate | Discount rate |
| | Global Pharmaceuticals | 1% p.a. | 7% |
| | HIV | 1% p.a. | 8.5% |
| | Vaccines | 2% p.a. | 7% |
| | Consumer Healthcare | 2% p.a. | 7% |

The terminal growth rates do not exceed the long-term projected growth rates for the relevant markets, reflect the impact of future generic competition and take account of new product launches.

In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill. Goodwill is monitored at the segmental level.

The Global Pharmaceuticals cash generating unit comprises a collection of smaller cash generating units including assets with indefinite lives with a carrying value of £240 million (2014 – £595 million). The Consumer Healthcare cash generating unit also comprises a collection of smaller cash generating units including brands with indefinite lives with a carrying value of £7.71 billion (2014 – £1.48 billion).

Details of indefinite life brands are given in Note 19 'Other intangible assets'.

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19 Other intangible assets

| | Computer software £m | Licences, patents, etc. £m | Amortised brands £m | Indefinite life brands £m | Total £m |
|---|-------------------------|----------------------------------|---------------------------|---------------------------------|----------------|
| Cost at 1 January 2014 | 1,631 | 10,472 | 419 | 2,191 | 14,713 |
| Exchange adjustments | 11 | 52 | 3 | (6) | 60 |
| Capitalised development costs | – | 242 | – | – | 242 |
| Capitalised borrowing costs | 6 | 3 | – | – | 9 |
| Other additions | 179 | 108 | – | – | 287 |
| Reclassifications | 12 | – | – | – | 12 |
| Disposals and asset write-offs | (21) | (9) | – | – | (30) |
| Transfer to assets held for sale | – | (587) | – | (30) | (617) |
| Cost at 31 December 2014 | 1,818 | 10,281 | 422 | 2,155 | 14,676 |
| Exchange adjustments | 32 | 74 | 3 | (14) | 95 |
| Capitalised development costs | – | 217 | – | – | 217 |
| Capitalised borrowing costs | 7 | – | – | – | 7 |
| Additions through business combinations | – | 2,791 | – | 5,997 | 8,788 |
| Other additions | 174 | 132 | – | – | 306 |
| Reclassifications | 90 | – | – | – | 90 |
| Disposals and asset write-offs | (91) | (98) | – | – | (189) |
| Transfer to assets held for sale | (2) | (3) | (38) | (64) | (107) |
| Cost at 31 December 2015 | 2,028 | 13,394 | 387 | 8,074 | 23,883 |
| Amortisation at 1 January 2014 | (1,102) | (2,857) | (123) | – | (4,082) |
| Exchange adjustments | (13) | (63) | – | – | (76) |
| Charge for the year | (115) | (578) | (11) | – | (704) |
| Disposals and asset write-offs | 17 | 6 | – | – | 23 |
| Amortisation at 31 December 2014 | (1,213) | (3,492) | (134) | – | (4,839) |
| Exchange adjustments | (15) | (34) | (1) | – | (50) |
| Charge for the year | (140) | (596) | (2) | – | (738) |
| Disposals and asset write-offs | 73 | 92 | – | – | 165 |
| Transfer to assets held for sale | 1 | – | 4 | – | 5 |
| Amortisation at 31 December 2015 | (1,294) | (4,030) | (133) | – | (5,457) |
| Impairment at 1 January 2014 | (41) | (1,090) | (140) | (77) | (1,348) |
| Exchange adjustments | 2 | (18) | – | – | (16) |
| Impairment losses | (7) | (131) | (14) | (5) | (157) |
| Disposals and asset write-offs | 4 | – | – | – | 4 |
| Impairment at 31 December 2014 | (42) | (1,239) | (154) | (82) | (1,517) |
| Exchange adjustments | 1 | (58) | – | – | (57) |
| Impairment losses | (14) | (148) | (15) | (40) | (217) |
| Disposals and asset write-offs | 16 | 6 | – | – | 22 |
| Transfer to assets held for sale | – | – | 15 | – | 15 |
| Impairment at 31 December 2015 | (39) | (1,439) | (154) | (122) | (1,754) |
| Total amortisation and impairment at 31 December 2014 | (1,255) | (4,731) | (288) | (82) | (6,356) |
| Total amortisation and impairment at 31 December 2015 | (1,333) | (5,469) | (287) | (122) | (7,211) |
| Net book value at 1 January 2014 | 488 | 6,525 | 156 | 2,114 | 9,283 |
| Net book value at 31 December 2014 | 563 | 5,550 | 134 | 2,073 | 8,320 |
| Net book value at 31 December 2015 | 695 | 7,925 | 100 | 7,952 | 16,672 |

The net book value of computer software includes £407 million (2014 – £82 million) of internally generated costs.

The charge for impairments in the year includes the impairments of the MAGE-A3 asset and Maxinutrition. The carrying value at 31 December 2015 of intangible assets, for which impairments have been charged or reversed in the year, following those impairments or reversals, was £308 million (2014 – £121 million).

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19 Other intangible assets continued

Amortisation and impairment losses, net of reversals, have been charged in the income statement as follows:

| | Amortisation | | Net impairment losses | |
|-------------------------------------|--------------|------------|-----------------------|------------|
| | 2015 £m | 2014 £m | 2015 £m | 2014 £m |
| Cost of sales | 532 | 503 | 143 | 78 |
| Selling, general and administration | 66 | 86 | 22 | 7 |
| Research and development | 140 | 115 | 52 | 72 |
| | 738 | 704 | 217 | 157 |

Licences, patents, etc. includes a large number of acquired licences, patents, know-how agreements and marketing rights, which are either marketed or in use, or still in development. Note 38, 'Acquisitions and disposals' gives details of additions through business combinations in the year. The book values of the largest individual items are as follows:

| | 2015 £m | 2014 £m |
|-----------------------------|--------------|--------------|
| dolutegravir | 1,585 | 1,680 |
| Benlysta | 1,083 | 1,104 |
| Menveo | 833 | – |
| Bexsero | 819 | – |
| Men ABCWY | 591 | – |
| Fluarix/FluLaval | 333 | 415 |
| Selzentry | 208 | 223 |
| Okairos technology platform | 167 | 177 |
| Others | 2,306 | 1,951 |
| | 7,925 | 5,550 |

Indefinite life brands comprise a portfolio of Consumer Healthcare products primarily acquired with the acquisitions of Sterling Winthrop, Inc. in 1994, Block Drug Company, Inc. in 2001, CNS, Inc. in 2006 and the Novartis Consumer Healthcare business in 2015, together with a number of pharmaceutical brands from the acquisition of Stiefel Laboratories, Inc. in 2009. The book values of the major brands are as follows:

| | 2015 £m | 2014 £m |
|--------------------|--------------|--------------|
| Voltaren | 2,411 | – |
| Otrivin | 1,225 | – |
| Fenistil | 576 | – |
| Theraflu | 391 | – |
| Panadol | 361 | 393 |
| Sensodyne | 258 | 260 |
| Lamisil | 257 | – |
| Breathe Right | 217 | 204 |
| Stiefel trade name | 201 | 200 |
| Excedrin | 164 | – |
| Physiogel | 147 | 155 |
| Polident | 109 | 110 |
| Others | 1,635 | 751 |
| | 7,952 | 2,073 |

Each of these brands is considered to have an indefinite life, given the strength and durability of the brand and the level of marketing support. The brands are in relatively similar stable and profitable market sectors, with similar risk profiles, and their size, diversification and market shares mean that the risk of market-related factors causing a reduction in the lives of the brands is considered to be relatively low. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factor which could limit their useful lives. Accordingly, they are not amortised.

Each brand is tested annually for impairment and other amortised intangible assets are tested when indicators of impairment arise. This testing applies a fair value less costs of disposal methodology, generally using post-tax cash flow forecasts with a terminal value calculation and a discount rate equal to the Group post-tax WACC of 7%, adjusted where appropriate for country and currency specific risks. This valuation methodology uses significant inputs which are not based on observable market data, and therefore this valuation technique is classified as level 3 of the fair value hierarchy. The main assumptions include future sales price and volume growth, product contribution and the future expenditure required to maintain the product's marketability and registration in the relevant jurisdictions. These assumptions are based on past experience and are reviewed as part of management's budgeting and strategic planning cycle for changes in market conditions and sales erosion through competition. The terminal growth rates applied of between nil and 3% are management's estimates of future long-term average growth rates

of the relevant markets. In each case the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of these intangible assets.

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20 Investments in associates and joint ventures

| | Joint ventures £m | Associates £m | 2015 Total £m | Joint ventures £m | Associates £m | 2014 Total £m |
|---|----------------------|------------------|---------------------|----------------------|------------------|---------------------|
| At 1 January | 8 | 332 | 340 | 15 | 308 | 323 |
| Exchange adjustments | 1 | 2 | 3 | (1) | (18) | (19) |
| Additions | 13 | 10 | 23 | 2 | 7 | 9 |
| Disposals | – | (143) | (143) | – | (1) | (1) |
| Transfer from/(to) other investments | – | 146 | 146 | – | (13) | (13) |
| Distributions received | – | (38) | (38) | – | (5) | (5) |
| Other movements | – | (165) | (165) | – | 16 | 16 |
| Profit/(loss) after tax recognised in the consolidated income statement | (2) | 16 | 14 | (8) | 38 | 30 |
| Other comprehensive income recognised in the consolidated statement of comprehensive income | – | 27 | 27 | – | – | – |
| At 31 December | 20 | 187 | 207 | 8 | 332 | 340 |

The Group held one significant associate at 31 December 2015, Theravance, Inc., which changed its name to Innoviva, Inc. on 8 January 2016. At 31 December 2015, the Group owned 32 million shares or 27.8% of Theravance Inc. (now Innoviva Inc.), which is a biopharmaceutical company listed on NASDAQ. The company partnered with GSK in the development of *Relvar/Breo Ellipta* and *Anoro Ellipta* and receives royalty income from sales of these products. It is also eligible to receive royalty income from sales of vilanterol monotherapy, if approved and commercialised, and retains a 15% economic interest in future payments made by GSK for earlier-stage programmes partnered with Theravance Biopharma, Inc. GSK recognised Theravance as an associate on 1 September 2015, following the expiry of a governance agreement related to the Group's investment in the company. Under the terms of that governance agreement, the Group was required (with certain limited exceptions) to vote its shares either in support of the recommendation of the independent directors of the board or in proportion to other shareholders' votes cast. The expiry of the governance agreement and removal of this voting rights' restriction was considered to provide the Group with the ability to exert significant influence over the activities of the company. The investment had a market value of £229 million at 31 December 2015. Other movements primarily reflect the recognition of GSK's share of Theravance's past losses on the transfer of Theravance to investments in associates.

At 31 December 2014, the Group's only significant investment in associate was its holding of 12.4% in Aspen Pharmacare Holdings Limited. In March 2015, the Group sold half of its holding in Aspen. As a result, the Group no longer has the ability to exert significant influence over Aspen, and the Group's remaining investment in Aspen is accounted for in Other investments.

Summarised balance sheet information, based on preliminary results information, in respect of Theravance (now Innoviva) at 31 December 2015 and Aspen at 31 December 2014 is set out below:

| | Theravance At 31 December 2015 £m | Aspen At 31 December 2014 £m |
|------------------------------------|--|---------------------------------------|
| Non-current assets | 143 | 2,336 |
| Current assets | 146 | 1,791 |
| Current liabilities | (9) | (909) |
| Non-current liabilities | (513) | (1,955) |
| Net (liabilities)/assets | (233) | 1,263 |
| | 2015 £m | 2014 £m |
| Interest in associated undertaking | (65) | 157 |
| Goodwill | 64 | 117 |
| Fair value and other adjustments | 113 | – |
| Carrying value at 31 December | 112 | 274 |

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21 Other investments

| | 2015 £m | 2014 £m |
|--|------------|------------|
| At 1 January | 1,114 | 1,202 |
| Exchange adjustments | 38 | 63 |
| Additions | 120 | 95 |
| Fair value gain on reclassification from investment in associate | 457 | – |
| Other net fair value movements | 323 | (16) |
| Impairment losses | (258) | (25) |
| Transfer to investments in associates and joint ventures | (146) | – |
| Disposals | (393) | (205) |
| At 31 December | 1,255 | 1,114 |

Other investments comprise non-current equity investments which are available-for-sale investments recorded at fair value at each balance sheet date. For investments traded in an active market, the fair value is determined by reference to the relevant stock exchange quoted bid price. For other investments, the fair value is estimated by management with reference to relevant available information, including the current market value of similar instruments and discounted cash flows of the underlying net assets. The Group holds a number of equity investments in entities where the Group has entered into research collaborations. Other investments include listed investments of £987 million (2014 – £892 million), the increase arising from additions, fair value adjustments and the transfer of the Group's investment in Aspen Pharmacare Holdings Limited from Investments in associates to Other investments, offset by the transfer of the Group's investment in Theravance, Inc. to Investments in associates and disposals and impairments, principally relating to Aspen.

At 31 December 2015, the Group held 22.1% of the common stock of Theravance Biopharma, Inc. The Group's investment in Theravance Biopharma is accounted for as an equity investment as the Group does not have the power to exert significant influence over the activities of the company. In 2014, the Group and Theravance Biopharma entered into a governance agreement which expires in 2017. Under this agreement, the Group does not have the right to appoint a director to the Theravance Biopharma board and must (with certain limited exceptions) vote its shares either in support of the recommendation of the independent directors of the board or in proportion to other shareholders' votes cast.

On 1 September 2015, a similar governance agreement with another investee, Theravance, Inc. (now Innoviva, Inc.) expired. The expiry of this agreement was considered to provide the Group with the ability to exert significant influence over the activities of the company and the Group has therefore accounted for its shareholding as an investment in an associate since that date.

In March 2015, the Group sold half of its shareholding in Aspen Pharmacare Holdings Limited, an investment which it had previously accounted for as an associate. As a result of the sale, the Group was no longer considered to have the ability to exert significant influence over Aspen and the Group's remaining investment was transferred from Investments in associates to Other investments. At 31 December 2015, this investment had a fair value of £383 million.

On disposal of investments, fair value movements are reclassified from equity to the income statement based on average cost for shares acquired at different times.

The impairment losses recorded above have been recognised in the income statement for the year within Other operating income, together with amounts reclassified from the fair value reserve on recognition of the impairments. These impairments initially result from prolonged or significant declines in the fair value of the equity investments below acquisition cost, subsequent to which any further declines in fair value are immediately taken to the income statement.

The carrying value at 31 December of Other investments which have been impaired is as follows:

| | 2015 £m | 2014 £m |
|---|------------|------------|
| Original cost | 1,049 | 558 |
| Cumulative impairments recognised in the income statement | (549) | (420) |
| Subsequent fair value increases | 279 | 268 |
| Carrying value at 31 December | 779 | 406 |

22 Other non-current assets

| | 2015 £m | 2014 £m |
|--|------------|------------|
| Amounts receivable under insurance contracts | 477 | 447 |
| Pension schemes in surplus | 258 | 93 |

| | | |
|-------------------|------------|-----|
| Other receivables | 255 | 195 |
| | 990 | 735 |

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23 Inventories

| | 2015 £m | 2014 £m |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | 1,563 | 1,156 |
| Work in progress | 1,453 | 1,604 |
| Finished goods | 1,700 | 1,471 |
| | 4,716 | 4,231 |

24 Trade and other receivables

| | 2015 £m | 2014 £m |
|--|--------------|--------------|
| Trade receivables, net of provision for bad and doubtful debts | 3,824 | 3,556 |
| Accrued income | 55 | 37 |
| Other prepayments | 307 | 252 |
| Interest receivable | 9 | 9 |
| Employee loans and advances | 36 | 28 |
| Other receivables | 1,384 | 718 |
| | 5,615 | 4,600 |

Trade receivables included £8 million (2014 – £28 million) due from associates and joint ventures. Other receivables included £nil (2014 – £8 million) due from associates and joint ventures. The increase in other receivables primarily arises from the Novartis transaction.

| Bad and doubtful debt provision | 2015 £m | 2014 £m |
|---|------------|------------|
| At 1 January | 142 | 137 |
| Exchange adjustments | (2) | (3) |
| Charge for the year | 45 | 22 |
| Subsequent recoveries of amounts provided for | (17) | (13) |
| Utilised | (1) | (1) |
| At 31 December | 167 | 142 |

25 Cash and cash equivalents

| | 2015 £m | 2014 £m |
|--------------------------|--------------|--------------|
| Cash at bank and in hand | 1,114 | 1,313 |
| Short-term deposits | 4,716 | 3,025 |
| | 5,830 | 4,338 |

26 Assets held for sale

| | 2015 £m | 2014 £m |
|-------------------------------|------------|--------------|
| Property, plant and equipment | 32 | 60 |
| Goodwill | – | 511 |
| Other intangibles | 5 | 543 |
| Inventory | 15 | 42 |
| Other | (6) | – |
| | 46 | 1,156 |

Non-current assets and disposal groups are transferred to assets held for sale when it is expected that their carrying amounts will be recovered principally through disposal and a sale is considered highly probable. They are held at the lower of carrying amount and fair value less costs to sell.

Included within Assets held for sale are assets which were written down to fair value less costs to sell of £36 million (2014 – £26 million). The valuation methodology uses significant inputs which are not based on observable market data, therefore, this valuation is classified as level 3 in the fair value hierarchy.

27 Trade and other payables

| | 2015 £m | 2014 £m |
|-------------------------------------|--------------|--------------|
| Trade payables | 3,120 | 2,790 |
| Wages and salaries | 1,069 | 957 |
| Social security | 118 | 91 |
| Other payables | 368 | 301 |
| Deferred income | 73 | 62 |
| Customer return and rebate accruals | 2,056 | 1,774 |
| Contingent consideration | 306 | 105 |
| Other accruals | 2,081 | 1,878 |
| | 9,191 | 7,958 |

Customer return and rebate accruals are provided for by the Group at the point of sale in respect of the estimated rebates, discounts or allowances payable to customers, including £1,464 million (2014 – £1,308 million) in respect of US Pharmaceuticals and Vaccines. Accruals are made at the time of sale but the actual amounts paid are based on claims made some time after the initial recognition of the sale. As the amounts are estimated they may not fully reflect the final outcome and are subject to change dependent upon, amongst other things, the types of buying group and product sales mix. The level of accrual is reviewed and adjusted quarterly in the light of historical experience of actual rebates, discounts or allowances given and returns made and any changes in arrangements. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group.

Trade and other payables include £17 million (2014 – £9 million) due to associates and joint ventures.

28 Pensions and other post-employment benefits

| | 2015 £m | 2014 £m | 2013 £m |
|---|------------|------------|------------|
| Pension and other post-employment costs | | | |
| UK pension schemes | 177 | 125 | 139 |
| US pension schemes | 96 | 85 | 95 |
| Other overseas pension schemes | 135 | 123 | 111 |
| Unfunded post-retirement healthcare schemes | 59 | 70 | (175) |
| | 467 | 403 | 170 |
| Analysed as: | | | |
| Funded defined benefit/hybrid pension schemes | 345 | 267 | 283 |
| Unfunded defined benefit pension schemes | 36 | 34 | 30 |
| Unfunded post-retirement healthcare schemes | 59 | 70 | (175) |
| Defined benefit schemes | 440 | 371 | 138 |
| Defined contribution pension schemes | 27 | 32 | 32 |
| | 467 | 403 | 170 |

The net reduction in the post-retirement healthcare schemes cost in 2013 arises from the restructuring of US post-retirement medical obligations. For further details see page 171.

The costs of the defined benefit pension and post-retirement healthcare schemes are charged in the income statement as follows:

| | 2015 £m | 2014 £m | 2013 £m |
|-------------------------------------|------------|------------|------------|
| Cost of sales | 143 | 117 | 104 |
| Selling, general and administration | 225 | 194 | 27 |
| Research and development | 72 | 60 | 7 |
| | 440 | 371 | 138 |

GSK entities operate pension arrangements which cover the Group's material obligations to provide pensions to retired employees. These arrangements have been developed in accordance with local practices in the countries concerned. Pension benefits can be provided by state schemes; by defined contribution schemes, whereby retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee; or by defined benefit schemes, whereby retirement benefits are based on employee pensionable remuneration and length of service. Some 'hybrid' defined benefit schemes also include defined contribution sections.

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28 Pensions and other post-employment benefits *continued*

Pension costs of defined benefit schemes for accounting purposes have been calculated using the projected unit method. In certain countries pension benefits are provided on an unfunded basis, some administered by trustee companies. Formal, independent, actuarial valuations of the Group's main plans are undertaken regularly, normally at least every three years.

Actuarial movements in the year are recognised through the statement of comprehensive income. Discount rates are derived from AA rated corporate bond yields except in countries where there is no deep market in corporate bonds where government bond yields are used. Discount rates are selected to reflect the term of the expected benefit payments. Projected inflation rate and pension increases are long-term predictions based on the yield gap between long-term index-linked and fixed interest Gilts. In the UK, mortality rates are determined by adjusting the SAPS S2 standard mortality tables to reflect recent scheme experience. These rates are then projected to reflect improvements in life expectancy in line with the CMI projections with a long-term rate of improvement of 1.25% per year for both males and females. In the US, mortality rates are calculated using the RP2014 white collar table adjusted to reflect recent experience. These rates are projected using scale BB-2D to allow for future improvements in life expectancy.

The average life expectancy assumed now for an individual at the age of 60 and projected to apply in 2035 for an individual then at the age of 60 is as follows:

| | UK | | US | |
|--------------------|------------|--------------|------------|--------------|
| | Male Years | Female Years | Male Years | Female Years |
| Current | 27.8 | 29.9 | 27.1 | 28.8 |
| Projected for 2035 | 29.7 | 32.0 | 28.8 | 30.5 |

The assets of funded schemes are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund, or are insurance contracts. Assets are invested in different classes in order to maintain a balance between risk and return. Investments are diversified to limit the financial effect of the failure of any individual investment. The Group reviewed the investment strategy of the UK plans in 2011 and the asset allocation for the UK plans has been adjusted to approximately 55% return seeking assets and 45% liability matching assets. In 2013, the target asset allocation of the US plans was also updated to 55% return seeking assets and 45% liability matching assets.

The Pension Plans are exposed to risk that arises because the estimated market value of the Plans' assets might decline, the investment returns might reduce, or the estimated value of the Plans' liabilities might increase.

In line with the agreed mix of return seeking assets to generate future returns and liability matching assets to better match future pension obligations, the Group has defined an overall long-term investment strategy for the Plans, with investments across a broad range of assets. The main market risks within the asset and hedging portfolio are against credit risk, interest rates, long-term inflation, equities, property, and bank counterparty risk.

The Plan liabilities are a series of future cash flows with relatively long duration. On an IAS 19R basis, these cash flows are sensitive to changes in the expected long-term inflation rate and the discount rate (AA corporate bond yield curve) where an increase in long-term inflation corresponds with an increase in the liabilities, and an increase in the discount rate corresponds with a decrease in the liabilities.

In the UK the defined benefit pension schemes operated for the benefit of former Glaxo Wellcome employees and former SmithKline Beecham employees remain separate. These schemes were closed to new entrants in 2001 and subsequent UK employees are entitled to join a defined contribution scheme. In the US the former Glaxo Wellcome and SmithKline Beecham defined benefit schemes were merged during 2001. In addition, the Group operates a number of post-retirement healthcare schemes, the principal one of which is in the US.

The Group has applied the following financial assumptions in assessing the defined benefit liabilities:

| | UK | | | US | | | Rest of World | | |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|
| | 2015 % pa | 2014 % pa | 2013 % pa | 2015 % pa | 2014 % pa | 2013 % pa | 2015 % pa | 2014 % pa | 2013 % pa |
| Rate of increase of future earnings | 2.00 | 2.00 | 2.00 | 4.00 | 4.00 | 4.00 | 2.70 | 2.60 | 2.80 |
| Discount rate | 3.80 | 3.60 | 4.50 | 4.20 | 3.80 | 4.60 | 2.20 | 2.00 | 3.40 |
| Expected pension increases | 3.10 | 3.00 | 3.40 | n/a | n/a | n/a | 2.00 | 2.00 | 2.10 |
| Cash balance credit/conversion rate | n/a | n/a | n/a | 3.20 | 3.00 | 4.20 | 0.60 | 0.50 | 0.90 |
| Inflation rate | 3.10 | 3.00 | 3.40 | 2.25 | 2.25 | 2.25 | 1.40 | 1.40 | 1.80 |

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28 Pensions and other post-employment benefits continued

The amounts recorded in the income statement and statement of comprehensive income for the three years ended 31 December 2015 in relation to the defined benefit pension and post-retirement healthcare schemes were as follows:

| | | | | Pensions | Post-retirement benefits |
|--|----------|----------|---------------------|-------------|--------------------------|
| | UK £m | US £m | Rest of World £m | Group £m | Group £m |
| 2015 | | | | | |
| Amounts charged to operating profit | | | | | |
| Current service cost | 131 | 67 | 110 | 308 | 22 |
| Past service cost/(credit) | 25 | 2 | (10) | 17 | (8) |
| Net interest cost | 14 | 22 | 13 | 49 | 52 |
| Gains from settlements | – | 1 | (9) | (8) | (7) |
| Expenses | 7 | 4 | 4 | 15 | – |
| | 177 | 96 | 108 | 381 | 59 |
| Remeasurements recorded in the statement of comprehensive income | 82 | (30) | 147 | 199 | 62 |

| | | | | Pensions | Post-retirement benefits |
|--|----------|----------|---------------------|-------------|--------------------------|
| | UK £m | US £m | Rest of World £m | Group £m | Group £m |
| 2014 | | | | | |
| Amounts charged to operating profit | | | | | |
| Current service cost | 119 | 66 | 90 | 275 | 24 |
| Past service cost/(credit) | 7 | 1 | (11) | (3) | (8) |
| Net interest (credit)/cost | (7) | 14 | 14 | 21 | 54 |
| Gains from settlements | – | – | (4) | (4) | – |
| Expenses | 6 | 4 | 2 | 12 | – |
| | 125 | 85 | 91 | 301 | 70 |
| Remeasurements recorded in the statement of comprehensive income | (629) | (223) | (244) | (1,096) | (85) |

| | | | | Pensions | Post-retirement benefits |
|--|----------|----------|---------------------|-------------|--------------------------|
| | UK £m | US £m | Rest of World £m | Group £m | Group £m |
| 2013 | | | | | |
| Amounts charged to operating profit | | | | | |
| Current service cost | 117 | 74 | 89 | 280 | 37 |
| Past service cost/(credit) | 4 | – | (31) | (27) | (273) |
| Net interest cost | 12 | 17 | 17 | 46 | 61 |
| Expenses | 6 | 4 | 4 | 14 | – |
| | 139 | 95 | 79 | 313 | (175) |
| Remeasurements recorded in the statement of comprehensive income | 349 | 257 | 74 | 680 | 167 |

The past service credit of £273 million in 2013 includes an amount of £279 million in relation to the restructuring of the US post-retirement medical obligations for both active and retired members under the age of 65.

The amounts included within past service costs include £25 million (2014 – £7 million; 2013 – £nil) of augmentation costs arising from major restructuring programmes (see Note 29, 'Other provisions').

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28 Pensions and other post-employment benefits *continued*

A summarised balance sheet presentation of the Group defined benefit pension schemes and other post-retirement benefits is set out in the table below:

| | 2015 £m | 2014 £m | 2013 £m |
|--|----------------|----------------|----------------|
| Recognised in Other non-current assets: | | | |
| Pension schemes in surplus | 258 | 93 | 330 |
| Recognised in Pensions and other post-employment benefits: | | | |
| Pension schemes in deficit | (1,842) | (1,782) | (943) |
| Post-retirement benefits | (1,387) | (1,397) | (1,246) |
| | (3,229) | (3,179) | (2,189) |

The fair values of the assets and liabilities of the UK and US defined benefit pension schemes, together with aggregated data for other defined benefit pension schemes in the Group are as follows:

| At 31 December 2015 | UK £m | US £m | Rest of World £m | Group £m |
|---|----------|----------|---------------------|-------------|
| Equities: | | | | |
| – listed | 6,646 | 1,235 | 355 | 8,236 |
| – unlisted | 481 | – | 1 | 482 |
| Property: | | | | |
| – unlisted | 302 | 175 | 8 | 485 |
| Corporate bonds: | | | | |
| – listed | 251 | 727 | 76 | 1,054 |
| – unlisted | 232 | – | 2 | 234 |
| Government bonds: | | | | |
| – listed | 5,780 | 184 | 664 | 6,628 |
| Insurance contracts | 755 | – | 439 | 1,194 |
| Other assets | (2,572) | 180 | 205 | (2,187) |
| Fair value of assets | 11,875 | 2,501 | 1,750 | 16,126 |
| Present value of scheme obligations | (12,192) | (3,134) | (2,384) | (17,710) |
| Net obligation | (317) | (633) | (634) | (1,584) |
| Included in Other non-current assets | 232 | – | 26 | 258 |
| Included in Pensions and other post-employment benefits | (549) | (633) | (660) | (1,842) |
| | (317) | (633) | (634) | (1,584) |
| Actual return on plan assets | 1 | (30) | 23 | (6) |

The index-linked gilts held as part of the UK repo programme are included in government bonds. The related loan is included within 'Other assets' at a value of £2,215 million (2014 – £(537) million; 2013 – £(407) million).

| At 31 December 2014 | UK £m | US £m | Rest of World £m | Group £m |
|---|----------|----------|---------------------|-------------|
| Equities: | | | | |
| – listed | 6,734 | 1,203 | 325 | 8,262 |
| – unlisted | 247 | – | 9 | 256 |
| Property: | | | | |
| – unlisted | 256 | 146 | 4 | 406 |
| Corporate bonds: | | | | |
| – listed | 1,403 | 921 | 97 | 2,421 |
| – unlisted | 247 | – | 25 | 272 |
| Government bonds: | | | | |
| – listed | 2,489 | 152 | 603 | 3,244 |
| Insurance contracts | 803 | – | 378 | 1,181 |
| Other assets | (127) | 109 | 88 | 70 |
| Fair value of assets | 12,052 | 2,531 | 1,529 | 16,112 |
| Present value of scheme obligations | (12,492) | (3,133) | (2,176) | (17,801) |
| Net obligation | (440) | (602) | (647) | (1,689) |
| Included in Other non-current assets | 72 | – | 21 | 93 |
| Included in Pensions and other post-employment benefits | (512) | (602) | (668) | (1,782) |
| | (440) | (602) | (647) | (1,689) |
| Actual return on plan assets | 977 | 99 | 181 | 1,257 |

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28 Pensions and other post-employment benefits continued

| At 31 December 2013 | | UK £m | US £m | Rest of World £m | Group £m |
|---|------------|----------|----------|---------------------|-------------|
| Equities: | – listed | 6,474 | 1,202 | 422 | 8,098 |
| | – unlisted | – | – | 9 | 9 |
| Property: | – unlisted | 254 | 131 | 5 | 390 |
| Corporate bonds: | – listed | 1,484 | 531 | 57 | 2,072 |
| | – unlisted | – | – | 20 | 20 |
| Government bonds: | – listed | 2,376 | 320 | 517 | 3,213 |
| Insurance contracts | | 775 | – | 366 | 1,141 |
| Other assets | | (119) | 330 | 71 | 282 |
| Fair value of assets | | 11,244 | 2,514 | 1,467 | 15,225 |
| Present value of scheme obligations | | (11,132) | (2,793) | (1,913) | (15,838) |
| Net asset/(obligation) | | 112 | (279) | (446) | (613) |
| Included in Other non-current assets | | 292 | – | 38 | 330 |
| Included in Pensions and other post-employment benefits | | (180) | (279) | (484) | (943) |
| | | 112 | (279) | (446) | (613) |
| Actual return on plan assets | | 1,383 | 218 | 98 | 1,699 |

| | UK £m | US £m | Rest of World £m | Pensions | Post-retirement benefits |
|---|----------|----------|---------------------|---------------|-----------------------------|
| | | | | Group £m | Group £m |
| Movements in fair values of assets | | | | | |
| Assets at 1 January 2013 | 9,981 | 2,521 | 1,377 | 13,879 | – |
| Exchange adjustments | – | (49) | (45) | (94) | – |
| Interest income | 385 | 96 | 45 | 526 | – |
| Expenses | (6) | (4) | (4) | (14) | – |
| Remeasurement | 998 | 122 | 53 | 1,173 | – |
| Employer contributions | 219 | 20 | 104 | 343 | 76 |
| Scheme participants' contributions | 26 | – | 10 | 36 | 15 |
| Benefits paid | (359) | (192) | (73) | (624) | (91) |
| Assets at 31 December 2013 | 11,244 | 2,514 | 1,467 | 15,225 | – |
| Exchange adjustments | – | 154 | (101) | 53 | – |
| Interest income | 437 | 112 | 47 | 596 | – |
| Expenses | (6) | (4) | (2) | (12) | – |
| Settlements and curtailments | – | – | (65) | (65) | – |
| Remeasurement | 540 | (13) | 134 | 661 | – |
| Employer contributions | 202 | 19 | 102 | 323 | 70 |
| Scheme participants' contributions | 34 | – | 10 | 44 | 10 |
| Benefits paid | (399) | (251) | (63) | (713) | (80) |
| Assets at 31 December 2014 | 12,052 | 2,531 | 1,529 | 16,112 | – |
| Exchange adjustments | – | 147 | (52) | 95 | – |
| Additions through business combinations | – | – | 233 | 233 | – |
| Interest income | 374 | 95 | 33 | 502 | – |
| Expenses | (7) | (4) | (4) | (15) | – |
| Settlements and curtailments | – | – | (16) | (16) | – |
| Remeasurement | (373) | (125) | (10) | (508) | – |
| Employer contributions | 218 | 132 | 112 | 462 | 82 |
| Scheme participants' contributions | 37 | – | 14 | 51 | 14 |
| Benefits paid | (426) | (275) | (89) | (790) | (96) |
| Assets at 31 December 2015 | 11,875 | 2,501 | 1,750 | 16,126 | – |

The UK defined benefit schemes include defined contribution sections with account balances totalling £1,591 million at 31 December 2015 (2014 – £1,501 million; 2013 – £1,366 million).

During 2015, the Group made special funding contributions to the UK pension schemes totalling £85 million (2014 – £85 million; 2013 – £93 million) and £111 million (2014 – £nil; 2013 – £nil) to the US scheme. In 2013, GSK reached an agreement with the trustees of the UK pension schemes to make additional contributions to eliminate the pension deficit identified at the 31 December 2011 actuarial funding valuation. Based on the funding agreements following the 2011 valuation, the additional contributions are expected to be £85 million in 2016. The contributions were based on a government bond yield curve approach to selecting the discount rate; the rate chosen included an allowance for expected investment returns which reflected

the asset mix of the schemes.

Employer contributions for 2016, including special funding contributions, are estimated to be approximately £540 million in respect of defined benefit pension schemes and £80 million in respect of post-retirement benefits.

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28 Pensions and other post-employment benefits *continued*

| Movements in defined benefit obligations | | | | Pensions | Post-retirement benefits |
|--|----------|----------|---------------------|-----------------|--------------------------|
| | UK £m | US £m | Rest of World £m | Group £m | Group £m |
| Obligations at 1 January 2013 | (10,298) | (2,979) | (1,914) | (15,191) | (1,685) |
| Exchange adjustments | – | 46 | 37 | 83 | 9 |
| Service cost | (117) | (74) | (89) | (280) | (37) |
| Past service cost | (4) | – | 31 | 27 | 273 |
| Interest cost | (397) | (113) | (62) | (572) | (61) |
| Other movements | – | – | – | – | –12 |
| Remeasurement | (649) | 135 | 21 | (493) | 167 |
| Scheme participants' contributions | (26) | – | (10) | (36) | (15) |
| Benefits paid | 359 | 192 | 73 | 624 | 91 |
| Obligations at 31 December 2013 | (11,132) | (2,793) | (1,913) | (15,838) | (1,246) |
| Exchange adjustments | – | (188) | 139 | (49) | (68) |
| Service cost | (119) | (66) | (90) | (275) | (24) |
| Past service cost | (7) | (1) | 11 | 3 | 8 |
| Interest cost | (430) | (126) | (61) | (617) | (54) |
| Settlements and curtailments | – | – | 69 | 69 | – |
| Other movements | – | – | (6) | (6) | 2 |
| Remeasurement | (1,169) | (210) | (378) | (1,757) | (85) |
| Scheme participants' contributions | (34) | – | (10) | (44) | (10) |
| Benefits paid | 399 | 251 | 63 | 713 | 80 |
| Obligations at 31 December 2014 | (12,492) | (3,133) | (2,176) | (17,801) | (1,397) |
| Exchange adjustments | – | (184) | 78 | (106) | (64) |
| Additions through business combinations | – | – | (397) | (397) | (11) |
| Service cost | (131) | (67) | (110) | (308) | (22) |
| Past service cost | (25) | (2) | 10 | (17) | 8 |
| Interest cost | (388) | (117) | (46) | (551) | (52) |
| Settlements and curtailments | – | (1) | 25 | 24 | 7 |
| Remeasurement | 455 | 95 | 157 | 707 | 62 |
| Scheme participants' contributions | (37) | – | (14) | (51) | (14) |
| Benefits paid | 426 | 275 | 89 | 790 | 96 |
| Obligations at 31 December 2015 | (12,192) | (3,134) | (2,384) | (17,710) | (1,387) |

The UK defined benefit schemes include defined contribution sections with obligations totalling £1,591 million at 31 December 2015 (2014 – £1,501 million; 2013 – £1,366 million).

The defined benefit pension obligation is analysed as follows:

| | 2015 £m | 2014 £m | 2013 £m |
|----------|-----------------|------------|------------|
| Funded | (17,143) | (17,350) | (15,432) |
| Unfunded | (567) | (451) | (406) |
| | (17,710) | (17,801) | (15,838) |

The liability for the US post-retirement healthcare scheme has been assessed using the same assumptions as for the US pension scheme, together with the assumption for future medical inflation of 6.5% (2014 – 6.75%), grading down to 5.0% in 2022 and thereafter. At 31 December 2015, the US post-retirement healthcare scheme obligation was £1,208 million (2014 – £1,191 million; 2013 – £1,066 million). Post-retirement benefits are unfunded.

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28 Pensions and other post-employment benefits continued

The movement in the net defined benefit liability is as follows:

| | 2015 £m | 2014 £m | 2013 £m |
|---|----------------|------------|------------|
| At 1 January | (1,689) | (613) | (1,312) |
| Exchange adjustments | (11) | 4 | (11) |
| Additions through business combinations | (164) | – | – |
| Service cost | (308) | (275) | (280) |
| Past service cost | (17) | 3 | 27 |
| Interest income/(cost) | (49) | (21) | (46) |
| Settlements and curtailments | 8 | 4 | – |
| Remeasurements: | | | |
| Return on plan assets, excluding amounts included in interest | (508) | 661 | 1,173 |
| Gain/(loss) from change in demographic assumptions | 120 | (64) | (89) |
| Gain/(loss) from change in financial assumptions | 362 | (1,578) | (118) |
| Experience losses | 225 | (115) | (286) |
| Employer contributions | 462 | 323 | 343 |
| Expenses/other movements | (15) | (18) | (14) |
| At 31 December | (1,584) | (1,689) | (613) |

The remeasurements included within post-retirement benefits are detailed below:

| | 2015 £m | 2014 £m | 2013 £m |
|--|-------------|------------|------------|
| Gain/(loss) from change in demographic assumptions | 15 | 10 | (1) |
| Gain/(loss) from change in financial assumptions | 59 | (120) | 143 |
| Experience (losses)/gains | (12) | 25 | 25 |
| | 62 | (85) | 167 |

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28 Pensions and other post-employment benefits *continued*

The defined benefit pension obligation analysed by membership category is as follows:

| | 2015 £m | 2014 £m | 2013 £m |
|----------|---------------|------------|------------|
| Active | 5,510 | 5,422 | 5,053 |
| Retired | 7,969 | 7,967 | 7,137 |
| Deferred | 4,231 | 4,412 | 3,648 |
| | 17,710 | 17,801 | 15,838 |

The post-retirement benefit obligation analysed by membership category is as follows:

| | 2015 £m | 2014 £m | 2013 £m |
|----------|--------------|------------|------------|
| Active | 499 | 590 | 545 |
| Retired | 887 | 805 | 699 |
| Deferred | 1 | 2 | 2 |
| | 1,387 | 1,397 | 1,246 |

The weighted average duration of the defined benefit obligation is as follows:

| | 2015 years | 2014 years | 2013 years |
|--------------------------|---------------|---------------|---------------|
| Pension benefits | 16 | 16 | 16 |
| Post-retirement benefits | 12 | 12 | 12 |

Sensitivity analysis

Effect of changes in assumptions used on the benefit obligations and on the 2016 annual defined benefit pension and post retirement costs.

| | £m |
|---|-----|
| A 0.25% decrease in discount rate would have the following approximate effect: | |
| Increase in annual pension cost | 24 |
| Decrease in annual post-retirement benefits cost | (1) |
| Increase in pension obligation | 630 |
| Increase in post-retirement benefits obligation | 40 |
| A one year increase in life expectancy would have the following approximate effect: | |
| Increase in annual pension cost | 20 |
| Increase in annual post-retirement benefits cost | 2 |
| Increase in pension obligation | 444 |
| Increase in post-retirement benefits obligation | 36 |
| A 1% increase in the rate of future healthcare inflation would have the following approximate effect: | |
| Increase in annual post-retirement benefits cost | 3 |
| Increase in post-retirement benefits obligation | 64 |
| A 0.25% increase in inflation would have the following approximate effect: | |
| Increase in annual pension cost | 19 |
| Increase in pension obligation | 375 |

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29 Other provisions

| | Legal and other disputes £m | Major restructuring programmes £m | Employee related provisions £m | Other provisions £m | Total £m |
|---------------------------------------|--------------------------------|--------------------------------------|-----------------------------------|------------------------|--------------|
| At 1 January 2015 | 520 | 527 | 252 | 291 | 1,590 |
| Exchange adjustments | 28 | 15 | 3 | 5 | 51 |
| Charge for the year | 257 | 718 | 60 | 87 | 1,122 |
| Reversed unused | (32) | (44) | — | (32) | (108) |
| Unwinding of discount | — | 5 | — | 11 | 16 |
| Utilised | (428) | (382) | (39) | (47) | (896) |
| Reclassifications and other movements | 7 | 2 | (1) | 6 | 14 |
| Transfer to Pension obligations | — | (25) | — | — | (25) |
| At 31 December 2015 | 352 | 816 | 275 | 321 | 1,764 |
| To be settled within one year | 319 | 692 | 133 | 200 | 1,344 |
| To be settled after one year | 33 | 124 | 142 | 121 | 420 |
| At 31 December 2015 | 352 | 816 | 275 | 321 | 1,764 |

Legal and other disputes

The Group is involved in a substantial number of legal and other disputes, including notification of possible claims, as set out in Note 45 'Legal proceedings'. Provisions for legal and other disputes include amounts relating to product liability, anti-trust, government investigations (principally relating to the SEC/DOJ and SFO related investigations), contract terminations, self insurance and environmental clean-up.

The charge for the year of £257 million (£225 million net of reversals and estimated insurance recoveries) primarily related to provisions for product liability cases regarding *Paxil* and other products, commercial disputes and various other government investigations.

The discount on the provisions decreased by £1 million in 2015 (2014 – £nil) and was calculated using risk-adjusted projected cash flows and risk-free rates of return. The movement in 2015 includes an increase of £1 million (2014 – £1 million) arising from a change in the discount rate in the year.

In respect of product liability claims related to certain products, there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

It is in the nature of the Group's business that a number of these matters may be the subject of negotiation and litigation over many years. Litigation proceedings, including the various appeal procedures, often take many years to reach resolution, and out-of-court settlement discussions can also often be protracted.

The Group is in potential settlement discussions in a number of the disputes for which amounts have been provided and, based on its current assessment of the

Major restructuring programmes

In 2013, the Group initiated the Major Change restructuring programme focused on opportunities to simplify supply chain processes, build the Group's capabilities in manufacturing and R&D and restructure the European Pharmaceuticals business.

The Pharmaceuticals restructuring programme, announced in October 2014, will rescale commercial operations, global support functions and the relevant R&D/manufacturing operations across Pharmaceuticals. In addition, an integration restructuring programme was initiated in 2015, following the completion of the Novartis transaction. All of these restructuring and integration programmes are now reported together as one combined major restructuring programme.

Provisions for staff severance payments are made when management has made a formal decision to eliminate certain positions and this has been communicated to the groups of employees affected and appropriate consultation procedures completed, where appropriate. No provision is made for staff severance payments that are made immediately.

Pension augmentations arising from staff redundancies of £25 million (2014 – £7 million) have been charged during the year and then transferred to the pension obligations provision as shown in Note 28, 'Pensions and other post-employment benefits'. Asset write-downs have been recognised as impairments of property, plant and equipment in Note 17, 'Property, plant and equipment'. The majority of the amounts provided are expected to be utilised in the next two years.

Employee related provisions

Employee related provisions include obligations for certain medical benefits to disabled employees and their spouses in the US. At 31 December 2015, the provision for these benefits amounted to £111 million (2014 – £114 million). Other employee benefits reflect a variety of provisions for severance costs, jubilee awards and other long-service

progress of these disputes, estimates that £0.3 billion of the amount provided at 31 December 2015 will be settled within one year. At 31 December 2015, it was expected that none (2014 – £nil) of the provision made for legal and other disputes will be reimbursed by third party insurers. For a discussion of legal issues, see Note 45, 'Legal proceedings'.

benefits.

Other provisions

Included in other provisions are insurance provisions of £98 million (2014 – £83 million), onerous property lease provisions of £32 million (2014 – £33 million) and a number of other provisions including vehicle insurance and regulatory matters.

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30 Other non-current liabilities

| | 2015 £m | 2014 £m |
|--|---------------|--------------|
| Accruals and deferred income | 64 | 92 |
| Contingent consideration (Note 38) | 3,549 | 1,619 |
| Consumer Healthcare put option liability | 6,287 | – |
| Other payables | 756 | 690 |
| | 10,656 | 2,401 |

The Consumer Healthcare put option liability relates to the ability of Novartis to put its shares in the Consumer Healthcare Joint Venture to GSK at certain points in the future, commencing in 2018. The liability is recorded at the present value of the expected redemption amount, calculated using a multiples approach based on the forecast revenue and earnings of the Consumer Healthcare Joint Venture. The table below shows on an indicative basis the income statement and balance sheet sensitivity to reasonably possible changes in either the sales forecasts or the sales multiples used in the valuation of this liability.

| | 2015 £m |
|--|------------|
| Increase/(decrease) in financial liability and loss/(gain) in Income statement from changes in key inputs | 619 |
| 10% increase in sales forecasts or sales multiple applied | 619 |
| 10% decrease in sales forecasts or sales multiple applied | (619) |

31 Net debt

| | Listing exchange | 2015 £m | 2014 £m |
|---|-------------------------|-----------------|-----------------|
| Current assets: | | | |
| Liquid investments | | 75 | 69 |
| Cash and cash equivalents | | 5,830 | 4,338 |
| | | 5,905 | 4,407 |
| Short-term borrowings: | | | |
| Commercial paper | | – | (656) |
| Bank loans and overdrafts | | (435) | (379) |
| Obligations under finance leases | | (23) | (28) |
| 0.7% US\$ US Medium Term Note 2016 | New York Stock Exchange | (850) | – |
| 0.75% US\$ US Medium Term Note 2015 | New York Stock Exchange | – | (641) |
| 3.875% € European Medium Term Note 2015 | London Stock Exchange | – | (1,239) |
| | | (1,308) | (2,943) |
| Long-term borrowings: | | | |
| 0.7% US\$ US Medium Term Note 2016 | New York Stock Exchange | – | (800) |
| 1.50% US\$ US Medium Term Note 2017 | New York Stock Exchange | (1,358) | (1,278) |
| 5.625% € European Medium Term Note 2017 | London Stock Exchange | (918) | (967) |
| 5.65% US\$ US Medium Term Note 2018 | New York Stock Exchange | (1,869) | (1,760) |
| 0.625% € European Medium Term Note 2019 | London Stock Exchange | (1,096) | (1,154) |
| 2.85% US\$ US Medium Term Note 2022 | New York Stock Exchange | (1,351) | (1,271) |
| 2.8% US\$ US Medium Term Note 2023 | New York Stock Exchange | (841) | (792) |
| 1.375% € European Medium Term Note 2024 | London Stock Exchange | (726) | (764) |
| 4.00% € European Medium Term Note 2025 | London Stock Exchange | (546) | (575) |
| 3.375% £ European Medium Term Note 2027 | London Stock Exchange | (592) | (591) |
| 5.25% £ European Medium Term Note 2033 | London Stock Exchange | (985) | (984) |
| 5.375% US\$ US Medium Term Note 2034 | London Stock Exchange | (338) | (318) |
| 6.375% US\$ US Medium Term Note 2038 | New York Stock Exchange | (1,854) | (1,747) |
| 6.375% £ European Medium Term Note 2039 | London Stock Exchange | (695) | (695) |
| 5.25% £ European Medium Term Note 2042 | London Stock Exchange | (987) | (987) |
| 4.2% US\$ US Medium Term Note 2043 | New York Stock Exchange | (333) | (313) |
| 4.25% £ European Medium Term Note 2045 | London Stock Exchange | (788) | (788) |
| Obligations under finance leases | | (47) | (57) |
| | | (15,324) | (15,841) |
| Net debt | | (10,727) | (14,377) |

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31 Net debt continued

Current assets

Liquid investments are classified as available-for-sale investments. At 31 December 2015, they included US Treasury Notes and other government bonds. The effective interest rate on liquid investments at 31 December 2015 was approximately 0.7% (2014 – approximately 0.3%). Liquid investment balances at 31 December 2015 earning interest at floating rates amount to £4 million (2014 – £69 million). Liquid investment balances at 31 December 2015 earning interest at fixed rates amount to £71 million (2014 – £nil).

The effective interest rate on cash and cash equivalents at 31 December 2015 was approximately 1.3% (2014 – approximately 1.6%). Cash and cash equivalents at 31 December 2015 earning interest at floating and fixed rates amount to £5,654 million and £nil respectively (2014 – £4,243 million and £1 million).

GSK's policy regarding the credit quality of cash and cash equivalents is referred to in Note 41, 'Financial instruments and related disclosures'.

Short-term borrowings

GSK has a \$10 billion (£6.8 billion) US commercial paper programme which was undrawn at 31 December 2015 (2014 – \$1.0 billion (£0.7 billion) drawn). GSK also has £1.9 billion five year committed medium-term facilities and \$2.5 billion (£1.7 billion) of 364 day committed facilities. These facilities were put in place in September 2015 and were undrawn at 31 December 2015. Liquid investments, cash and cash equivalents were as shown in the table on page 178.

The weighted average interest rate on current bank loans and overdrafts at 31 December 2015 was 3.49% (2014 – 4.28%).

Long-term borrowings

At the year-end, GSK had long-term borrowings of £15.3 billion (2014 – £15.8 billion) of which £10 billion (2014 – £9.8 billion) falls due in more than five years. The average effective pre-swap interest rate of all notes in issue at 31 December 2015 was approximately 3.9% (2014 – approximately 3.8%).

Long-term borrowings repayable after five years carry interest at effective rates between 1.49% and 6.39%. The repayment dates range from 2022 to 2045.

Pledged assets

The Group has pledged investments in US Treasury Notes with a par value of \$105 million (£71 million), (2014 – \$105 million (£67 million)) as security against irrevocable letters of credit issued on the Group's behalf in respect of the Group's self-insurance activity. Provisions in respect of self-insurance are included within the provisions for legal and other disputes discussed in Note 29, 'Other provisions'. In addition, £37 million (2014 – £32 million) of assets included in Note 22, 'Other non-current assets', which do not form part of Net debt, were pledged as collateral against future rental payments under operating lease arrangements entered into by Human Genome Sciences, Inc. prior to its acquisition by the Group.

| | 2015 £m | 2014 £m |
|--|------------|------------|
| Finance lease obligations | | |
| Rental payments due within one year | 25 | 31 |
| Rental payments due between one and two years | 21 | 23 |
| Rental payments due between two and three years | 15 | 19 |
| Rental payments due between three and four years | 6 | 13 |
| Rental payments due between four and five years | 6 | 3 |
| Rental payments due after five years | 4 | 2 |
| Total future rental payments | 77 | 91 |
| Future finance charges | (7) | (6) |
| Total finance lease obligations | 70 | 85 |

32 Contingent liabilities

At 31 December 2015, contingent liabilities, comprising guarantees, discounted bills and other items arising in the normal course of business, amounted to £200 million (2014 – £185 million). At 31 December 2015, £nil (2014 – £nil) of financial assets were pledged as collateral for contingent liabilities. Provision is made for the outcome of tax, legal and other disputes where it is both probable that the Group will suffer an outflow of funds and it is possible to make a reliable estimate of that outflow. At 31 December 2015, other than for those disputes where provision has been made, it was not possible to make a reliable estimate of the potential outflow of funds that might be required to settle disputes where the possibility of there being an outflow was more than remote. Descriptions of the significant tax, legal and other disputes to which the Group is a party are set out in Note 14, 'Taxation' and Note 45, 'Legal proceedings'.

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33 Share capital and share premium account

| | Ordinary Shares of 25p each | | Share premium |
|--|-----------------------------|-------|-------------------------|
| | Number | £m | £m |
| Share capital authorised | | | |
| At 31 December 2013 | 10,000,000,000 | 2,500 | |
| At 31 December 2014 | 10,000,000,000 | 2,500 | |
| At 31 December 2015 | 10,000,000,000 | 2,500 | |
| Share capital issued and fully paid | | | |
| At 1 January 2013 | 5,397,595,969 | 1,349 | 2,022 |
| Issued under employee share schemes | 44,610,727 | 12 | 573 |
| Share capital cancelled | (100,000,000) | (25) | – |
| At 31 December 2013 | 5,342,206,696 | 1,336 | 2,595 |
| Issued under employee share schemes | 13,090,536 | 3 | 164 |
| At 31 December 2014 | 5,355,297,232 | 1,339 | 2,759 |
| Issued under employee share schemes | 6,010,415 | 1 | 72 |
| At 31 December 2015 | 5,361,307,647 | 1,340 | 2,831 |
| | 31 December 2015 | | 31 December 2014 |
| | 000 | | 000 |
| Number of shares issuable under employee share schemes | 99,833 | | 88,801 |
| Number of unissued shares not under option | 4,538,859 | | 4,555,902 |

At 31 December 2015, of the issued share capital, 29,801,412 shares were held in the ESOP Trusts, 491,515,950 shares were held as Treasury shares and 4,839,990,285 shares were in free issue. All issued shares are fully paid. The nominal, carrying and market values of the shares held in the ESOP Trusts are disclosed in Note 42, 'Employee share schemes'.

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34 Movements in equity

Retained earnings and other reserves amounted to £943 million at 31 December 2015 (2014 – £165 million; 2013 – £3,066 million) of which £283 million (2014 – £337 million; 2013 – £307 million) relates to joint ventures and associated undertakings. The cumulative translation exchange in equity is as follows:

| | Net translation exchange included in: | | | Total translation exchange £m |
|--|---------------------------------------|--------------------------|---------------------------------|----------------------------------|
| | Retained earnings £m | Fair value reserve £m | Non-controlling interests £m | |
| At 1 January 2013 | 846 | (8) | (98) | 740 |
| Exchange movements on overseas net assets | (260) | 5 | (35) | (290) |
| At 31 December 2013 | 586 | (3) | (133) | 450 |
| Exchange movements on overseas net assets | (504) | 7 | 16 | (481) |
| Reclassification of exchange on liquidation or disposal of overseas subsidiaries | (219) | – | – | (219) |
| At 31 December 2014 | (137) | 4 | (117) | (250) |
| Exchange movements on overseas net assets | (624) | 6 | 8 | (610) |
| At 31 December 2015 | (761) | 10 | (109) | (860) |

The analysis of other comprehensive income by equity category is as follows:

| | Retained earnings £m | Other reserves £m | Non-controlling interests £m | Total £m |
|--|-------------------------|----------------------|---------------------------------|--------------|
| 2015 | | | | |
| Items that may be subsequently reclassified to income statement: | | | | |
| Exchange movements on overseas net assets and net investment hedges | (624) | 6 | – | (618) |
| Fair value movements on available-for-sale investments | – | 416 | – | 416 |
| Deferred tax on fair value movements on available-for-sale investments | – | (91) | – | (91) |
| Reclassification of fair value movements on available-for-sale investments | – | (346) | – | (346) |
| Deferred tax on reclassification of fair value movements on available-for-sale investments | – | 36 | – | 36 |
| Reclassification of cash flow hedges to income statement | – | 2 | – | 2 |
| Fair value movements on cash flow hedges | – | 2 | – | 2 |
| Share of other comprehensive income of associates and joint ventures | (77) | – | – | (77) |
| Items that will not be reclassified to income statement: | | | | |
| Exchange movements on overseas net assets of non-controlling interests | – | – | 8 | 8 |
| Remeasurement gains on defined benefit plans | 261 | – | – | 261 |
| Deferred tax on remeasurement gains in defined benefit plans | (80) | – | – | (80) |
| Other comprehensive (expense)/income for the year | (520) | 25 | 8 | (487) |

| | Retained earnings £m | Other reserves £m | Non-controlling interests £m | Total £m |
|--|-------------------------|----------------------|---------------------------------|-------------|
| 2014 | | | | |
| Items that may be subsequently reclassified to income statement: | | | | |
| Exchange movements on overseas net assets and net investment hedges | (504) | 7 | – | (497) |
| Reclassification of exchange on liquidation or disposal of overseas subsidiaries | (219) | – | – | (219) |
| Deferred tax on exchange movements | (2) | – | – | (2) |
| Fair value movements on available-for-sale investments | – | 29 | – | 29 |
| Deferred tax on fair value movements on available-for-sale investments | – | (78) | – | (78) |
| Reclassification of fair value movements on available-for-sale investments | – | (155) | – | (155) |
| Deferred tax on reclassification of fair value movements on available-for-sale investments | – | 58 | – | 58 |
| Reclassification of cash flow hedges to income statement | – | (5) | – | (5) |
| Fair value movements on cash flow hedges | – | 5 | – | 5 |
| Deferred tax on fair value movements on cash flow hedges | – | (1) | – | (1) |
| Share of other comprehensive income of associates and joint ventures | 18 | – | – | 18 |
| Items that will not be reclassified to income statement: | | | | |
| Exchange movements on overseas net assets of non-controlling interests | – | – | 16 | 16 |
| Remeasurement losses on defined benefit plans | (1,181) | – | – | (1,181) |
| Deferred tax on remeasurement losses in defined benefit plans | 262 | – | – | 262 |
| Other comprehensive (expense)/income for the year | (1,626) | (140) | 16 | (1,750) |

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34 Movements in equity continued

| | Retained earnings £m | Other reserves £m | Non-controlling interests £m | Total £m |
|--|-------------------------|----------------------|---------------------------------|-------------|
| 2013 | | | | |
| Items that may be subsequently reclassified to income statement: | | | | |
| Exchange movements on overseas net assets and net investment hedges | (260) | 5 | – | (255) |
| Fair value movements on available-for-sale investments | – | 367 | – | 367 |
| Deferred tax on fair value movements on available-for-sale investments | – | (29) | – | (29) |
| Reclassification of fair value movements on available-for-sale investments | – | (38) | – | (38) |
| Deferred tax on reclassification of fair value movements on available-for-sale investments | – | 7 | – | 7 |
| Reclassification of cash flow hedges to income statement | – | 2 | – | 2 |
| Fair value movements on cash flow hedges | – | (9) | – | (9) |
| Deferred tax on fair value movements on cash flow hedges | – | 1 | – | 1 |
| Share of other comprehensive income of associates and joint ventures | 15 | – | – | 15 |
| Items that will not be reclassified to income statement: | | | | |
| Exchange movements on overseas net assets of non-controlling interests | – | – | (35) | (35) |
| Remeasurement gains on defined benefit plans | 847 | – | – | 847 |
| Deferred tax on remeasurement gains in defined benefit plans | (286) | – | – | (286) |
| Other comprehensive income/(expense) for the year | 316 | 306 | (35) | 587 |

The analysis of other reserves is as follows:

| | ESOP Trust shares £m | Fair value reserve £m | Cash flow hedge reserve £m | Other reserves £m | Total £m |
|--|-------------------------|--------------------------|-------------------------------|----------------------|--------------|
| At 1 January 2013 | (391) | 105 | (10) | 2,083 | 1,787 |
| Transferred to income and expense in the year on disposals | – | (38) | 2 | – | (36) |
| Transferred to income and expense in the year on impairment | – | (1) | – | – | (1) |
| Net fair value movement in the year | – | 347 | (4) | – | 343 |
| Ordinary shares purchased and cancelled | – | – | – | 25 | 25 |
| Ordinary shares acquired by ESOP Trusts | (45) | – | – | – | (45) |
| Write-down of shares held by ESOP Trusts | 80 | – | – | – | 80 |
| At 31 December 2013 | (356) | 413 | (12) | 2,108 | 2,153 |
| Transferred to income and expense in the year on disposals | – | (155) | (5) | – | (160) |
| Net fair value movement in the year | – | 16 | 4 | – | 20 |
| Ordinary shares acquired by ESOP Trusts | (245) | – | – | – | (245) |
| Write-down of shares held by ESOP Trusts | 450 | – | – | – | 450 |
| Forward contract on non-controlling interest | – | – | – | 21 | 21 |
| At 31 December 2014 | (151) | 274 | (13) | 2,129 | 2,239 |
| Transferred to income and expense in the year on disposals | – | (356) | 2 | – | (354) |
| Transferred to income and expense in the year on impairments | – | 10 | – | – | 10 |
| Net fair value movement in the year | – | 367 | 2 | – | 369 |
| Ordinary shares acquired by ESOP Trusts | (99) | – | – | – | (99) |
| Write-down of shares held by ESOP Trusts | 175 | – | – | – | 175 |
| At 31 December 2015 | (75) | 295 | (9) | 2,129 | 2,340 |

Other reserves include various non-distributable merger and pre-merger reserves amounting to £1,849 million at 31 December 2015 (2014 – £1,849 million; 2013 – £1,849 million). Other reserves also include the capital redemption reserve created as a result of the share buy-back programme amounting to £280 million at 31 December 2015 (2014 – £280 million; 2013 – £280 million).

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35 Related party transactions

GSK held a 12.4% interest in Aspen Pharmacare Holdings Limited at 31 December 2014 (2013 – 12.4%). Following the sale of half of the Group's holding in Aspen during March 2015, the investment is no longer accounted for as an associate.

At 31 December 2015, GSK owned 32 million shares or 27.8% of Theravance, Inc. (now Innoviva Inc.) which is a biopharmaceutical company listed on NASDAQ. GSK began recognising Theravance as an associate on 1 September 2015. The royalty revenues paid by GSK to Theravance in the period from 1 September 2015 to 31 December 2015 were £11 million (2014 – £nil). At 31 December 2015, the balance payable by GSK to Theravance was £17 million.

At 31 December 2015, GSK held a 50% interest in Japan Vaccine Co. Ltd (JVC) through its subsidiary GlaxoSmithKline K.K. This joint venture with Daiichi Sankyo Co., Ltd is primarily responsible for the development and marketing of certain prophylactic vaccines in Japan. During 2015, GSK sold £27 million (2014 – £27 million) of its vaccine products into the joint venture. At 31 December 2015, the trading balance due to GSK from JVC was £8 million and the balance payable by GSK to JVC was £nil. In addition, a loan of £6 million was made to JVC during the year and this amount remained due to GSK at 31 December 2015.

The aggregate compensation of the Directors and CET is given in Note 9, 'Employee Costs'.

36 Adjustments reconciling profit after tax to operating cash flows

| | 2015 £m | 2014 £m | 2013 £m |
|---|----------------|------------|------------|
| Profit after tax | 8,372 | 2,831 | 5,628 |
| Tax on profits | 2,154 | 137 | 1,019 |
| Share of after tax profits of associates and joint ventures | (14) | (30) | (43) |
| Finance income net of finance expense | 653 | 659 | 706 |
| Depreciation | 892 | 780 | 732 |
| Amortisation of intangible assets | 738 | 704 | 682 |
| Impairment and assets written off | 822 | 205 | 928 |
| Profit on sale of businesses | (9,308) | – | (1,331) |
| Profit on sale of intangible assets | (349) | (255) | (78) |
| Profit on sale of investments in associates | (843) | – | (282) |
| Profit on sale of equity investments | (342) | (149) | (36) |
| Changes in working capital: | | | |
| Increase in inventories | (111) | (529) | (95) |
| Decrease in trade receivables | 98 | 347 | 16 |
| (Increase)/decrease in other receivables | (593) | 95 | (218) |
| Increase in trade payables | 40 | 91 | 125 |
| Increase in other payables | 2,141 | 698 | 393 |
| Increase/(decrease) in pension and other provisions | 100 | (41) | (165) |
| Share-based incentive plans | 368 | 332 | 319 |
| Fair value adjustments | – | 313 | (12) |
| Other | (187) | 96 | 211 |
| | (3,741) | 3,453 | 2,871 |
| Cash generated from operations | 4,631 | 6,284 | 8,499 |

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37 Reconciliation of net cash flow to movement in net debt

| | 2015 £m | 2014 £m | 2013 £m |
|--|-----------------|------------|------------|
| Net debt at beginning of year | (14,377) | (12,645) | (14,037) |
| Increase/(decrease) in cash and bank overdrafts | 1,503 | (1,287) | 1,473 |
| Decrease/(increase) in liquid investments | 2 | (1) | (15) |
| Net increase in long-term loans | – | (1,960) | (1,913) |
| Net repayment of short-term loans | 2,412 | 1,709 | 1,872 |
| Net repayment of obligations under finance leases | 25 | 23 | 31 |
| Net non-cash funds of subsidiary undertakings acquired | – | – | (6) |
| Exchange adjustments | (268) | (193) | (34) |
| Other non-cash movements | (24) | (23) | (16) |
| Movement in net debt | 3,650 | (1,732) | 1,392 |
| Net debt at end of year | (10,727) | (14,377) | (12,645) |

| | At 1 January 2015 £m | Exchange £m | Other £m | Reclass- ifications £m | Cash flow £m | At 31 December 2015 £m |
|-----------------------------------|----------------------------|----------------|-------------|------------------------------|-----------------|------------------------------|
| Analysis of changes in net debt | | | | | | |
| Liquid investments | 69 | 4 | – | – | 2 | 75 |
| Cash and cash equivalents | 4,338 | (54) | – | – | 1,546 | 5,830 |
| Overdrafts | (310) | 9 | – | – | (43) | (344) |
| | 4,028 | (45) | – | – | 1,503 | 5,486 |
| Debt due within one year: | | | | | | |
| Commercial paper | (656) | – | – | – | 656 | – |
| European and US Medium Term Notes | (1,880) | 65 | – | (816) | 1,781 | (850) |
| Other | (97) | 1 | – | (18) | – | (114) |
| | (2,633) | 66 | – | (834) | 2,437 | (964) |
| Debt due after one year: | | | | | | |
| European and US Medium Term Notes | (15,784) | (292) | (17) | 816 | – | (15,277) |
| Other | (57) | (1) | (7) | 18 | – | (47) |
| | (15,841) | (293) | (24) | 834 | – | (15,324) |
| Net debt | (14,377) | (268) | (24) | – | 3,942 | (10,727) |

For further information on significant changes in net debt see Note 31, 'Net debt'.

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38 Acquisitions and disposals

Details of the acquisition and disposal of significant subsidiaries and associates, joint ventures and other businesses are given below:

2015 Acquisitions

Novartis Consumer Healthcare and Vaccines businesses

The three-part inter-conditional transaction with Novartis AG involving the Consumer Healthcare, Vaccines and Oncology businesses completed on 2 March 2015.

GSK and Novartis have contributed their respective Consumer Healthcare businesses into a Consumer Healthcare Joint Venture in a non-cash transaction. GSK has an equity interest of 63.5% and majority control of the Joint Venture. In addition, GSK has acquired Novartis' global Vaccines business (excluding influenza vaccines) for an initial cash consideration of \$5.25 billion (£3.417 billion) with contingent consideration representing subsequent potential milestone payments of up to \$1.8 billion (£1.2 billion) arising on the achievement of specified development targets and ongoing royalties based on the future sales performance of certain products, and so the total amount payable is unlimited. The first milestone of \$450 million (£300 million) was paid on 26 March 2015.

Other business acquisitions

In addition, GSK completed one smaller Vaccines business acquisition for cash consideration of £120 million, net of cash acquired, and the fair value of existing investments of £15 million. This represented goodwill of £22 million and intangible assets of £124 million less other net liabilities of £11 million.

The fair values of the assets acquired in business combinations, including goodwill, are set out in the table below. These amounts are provisional and subject to change.

| | Novartis Consumer Healthcare business £m | Novartis Vaccines business £m | Other £m |
|---|--|--|-------------|
| Net assets acquired: | | | |
| Intangible assets | 6,003 | 2,680 | 124 |
| Property, plant and equipment | 249 | 434 | 1 |
| Inventory | 257 | 347 | – |
| Trade and other receivables | 400 | 162 | 2 |
| Other assets including cash and cash equivalents | 304 | 283 | 19 |
| Trade and other payables | (402) | (107) | (3) |
| Deferred tax liabilities | (1,154) | (78) | (26) |
| Other liabilities | (165) | (299) | – |
| | 5,492 | 3,422 | 117 |
| Non-controlling interest | (2,150) | (19) | – |
| Goodwill | 774 | 576 | 22 |
| | 4,116 | 3,979 | 139 |
| Consideration settled by shares in GSK Consumer Healthcare Holdings | 4,116 | – | – |
| Cash consideration paid after purchase adjustments | – | 3,461 | 124 |
| Fair value of equity investment disposal | – | – | 15 |
| Contingent consideration | – | 594 | – |
| Deferred tax on contingent consideration | – | (52) | – |
| Loss on settlement of pre-existing relationships | – | (24) | – |
| Total consideration | 4,116 | 3,979 | 139 |

The non-controlling interest in the Consumer Healthcare Joint Venture, calculated applying the full goodwill method, represents Novartis' share of the net assets of the Joint Venture together with attributable goodwill.

The goodwill in the businesses acquired represents the potential for further synergies arising from combining the acquired businesses with GSK's existing businesses together with the value of the workforce acquired. The majority of the goodwill recognised is not expected to be deductible for tax purposes.

Total transaction costs recognised in 2014 and 2015 for the acquisitions from Novartis amounted to £102 million.

Since acquisition on 2 March 2015, turnover of £1,941 million arising from the Novartis Consumer Healthcare and Vaccines businesses has been included in Group turnover. If the businesses had been acquired at the beginning of the year, it is estimated that Group turnover in 2015 would have been approximately £320 million higher. These businesses have been integrated into the Group's existing activities and it is not practicable to identify the impact on the Group profit in the period.

Disposals

Oncology

GSK has divested its marketed Oncology business, related R&D activities and rights to its AKT inhibitor and also granted commercialisation partner rights for future oncology products to Novartis for consideration of \$16 billion (£10,395 million) before purchase adjustments.

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38 Acquisitions and disposals continued

Other business disposals

GSK also made a number of small business disposals in the period for net cash consideration of £309 million. Profit on disposal of the businesses has been determined as follows:

| | Oncology £m | Other £m |
|---|----------------|-------------|
| Cash consideration including currency forwards and purchase adjustments | 10,060 | 309 |
| Net assets sold: | | |
| Goodwill | (497) | (14) |
| Intangible assets | (516) | (107) |
| Property, plant and equipment | – | (25) |
| Inventory | – | (51) |
| Cash | – | (5) |
| Other net assets | – | (6) |
| | (1,013) | (208) |
| Loss on currency forwards booked in 2014 | 299 | – |
| Disposal costs | (118) | (21) |
| Profit on disposal | 9,228 | 80 |

Investments in associates and joint ventures

In March 2015, GSK sold half of its shareholding in Aspen, representing 6.2% of the issued share capital of the company, for £571 million in cash. As a result of the sale, the Group was no longer considered to have the ability to exert significant influence over Aspen and the Group's remaining investment was transferred from Investments in associates to Other investments.

| | £m |
|--|-------|
| Cash consideration | 571 |
| Net book value of shares | (143) |
| Reclassification of exchange from other comprehensive income | (30) |
| Transaction fees | (7) |
| Other items | (5) |
| Profit on disposal | 386 |

| | Business acquisitions £m | Business disposals £m | Associates and JV disposals £m | Total £m |
|---|--------------------------------|-----------------------------|---|-------------|
| Cash flows | | | | |
| Cash consideration (paid)/received after purchase adjustments | (3,585) | 10,369 | 571 | 7,355 |
| Cash and cash equivalents acquired/(divested) | 404 | (5) | – | 399 |
| Deferred cash proceeds | – | (38) | – | (38) |
| Contingent consideration paid | (338) | – | – | (338) |
| Transaction costs and other | (22) | (80) | (7) | (109) |
| Cash (outflow)/inflow in 2015 | (3,541) | 10,246 | 564 | 7,269 |

In addition, GSK made cash investments of £16 million into associates and joint ventures.

Contingent consideration payable

The consideration for certain acquisitions includes amounts contingent on future events such as development milestones or sales performance. The Group has provided for the fair value of this contingent consideration as follows:

| | Shionogi- ViiV Healthcare £m | Novartis Vaccines £m | Other £m | Total £m |
|---|---------------------------------------|----------------------------|-------------|-------------|
| At 1 January 2014 | 923 | – | 1 | 924 |
| Remeasurement through goodwill | – | – | (4) | (4) |
| Remeasurement through income statement | 768 | – | 2 | 770 |
| Settlement | (7) | – | 41 | 34 |
| At 31 December 2014 | 1,684 | – | 40 | 1,724 |
| Additions through business combinations | – | 594 | – | 594 |
| Remeasurement through income statement | 1,874 | 111 | 1 | 1,986 |
| Settlement | (159) | (300) | – | (459) |
| Other movements | 10 | – | – | 10 |
| At 31 December 2015 | 3,409 | 405 | 41 | 3,855 |

£306 million of the contingent consideration payable at 31 December 2015 is expected to be paid within one year (2014 – £105

million). The consideration payable for the acquisition of the Shionogi-ViiV Healthcare joint venture and the Novartis Vaccines business is expected to be paid over a number of years. Information on the sensitivity of the income statement and balance sheet to reasonably possible changes in key inputs to the valuations of the contingent consideration payable for the Shionogi-ViiV Healthcare business and Novartis Vaccines business is provided in Note 41, 'Financial instruments and related disclosures'.

38 Acquisitions and disposals continued

During 2015, cash payments to settle the Shionogi-ViiV Healthcare joint venture contingent consideration payable amounted to £159 million in total, of which £121 million was reported in operating cash flows and £38 million in the cash flow for purchases of business.

2014

Acquisitions

There were no acquisitions in 2014.

Acquisition and integration costs of £141 million arising on the proposed three-part inter-conditional transaction with Novartis AG were expensed in 2014, of which £104 million was paid in cash in the year.

Disposals

During the year, £225 million was received as deferred consideration from the sale of the anti-coagulant business completed in 2013 and £1 million from the disposal of an associate.

GSK also made cash investments of £9 million into associates.

| | Business acquisitions and disposals £m | Associates and joint ventures £m | Total £m |
|--|---|---|-------------|
| Cash flows | | | |
| Cash consideration paid | – | 9 | 9 |
| Transaction costs paid | 104 | – | 104 |
| Purchases of businesses and associates | 104 | 9 | 113 |
| Net cash proceeds from disposals | 225 | 1 | 226 |

2013

Acquisitions

During 2013, GSK completed the acquisition of three businesses for cash, including Okairos AG, a European based biopharmaceutical company focused on the development of a specific vaccine technology in the prophylactic and therapeutic fields, which was acquired in May. The total purchase price for these businesses of £255 million included £7 million of cash acquired and £1 million of contingent consideration.

| | Fair value £m |
|--|------------------|
| Net assets acquired | |
| Intangibles | 198 |
| Property, plant and equipment | 23 |
| Inventory | 6 |
| Trade and other receivables | 16 |
| Other assets including cash and cash equivalents | 8 |
| Deferred tax provision | (23) |
| Trade and other payables | (26) |
| | 202 |
| Goodwill | 53 |
| | 255 |
| Cash consideration paid | 254 |
| Contingent consideration | 1 |
| Total consideration | 255 |

If the acquisitions had been made at the beginning of the year, it is estimated that Group turnover would have increased by approximately £50 million for the year. Okairos has been fully integrated into the GSK business and it is not practicable to separately identify the impact on the Group profit for the year. The other acquisitions occurred shortly before the end of the year and had no material impact on the Group profit for the year.

The goodwill arising on the acquisitions reflects potential for business synergies and the value of workforce acquired. The majority of this goodwill is not expected to be deductible for income tax purposes.

The results of the acquisitions are reported within the US, Europe, Emerging Markets, Japan, Other trading and unallocated Pharmaceuticals and Vaccines and Consumer Healthcare operating segments. The transactions were accounted for using the acquisition accounting method.

Acquisition costs expensed in 2013 totalled £2 million.

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38 Acquisitions and disposals continued

Disposals

Lucozade and Ribena

On 31 December 2013, GSK completed the sale of the *Lucozade* and *Ribena* business including a manufacturing site and related inventory to Suntory Beverage and Food Ltd for £1,352 million in cash and recognised a profit on disposal in Other operating income of £1,057 million. *Lucozade* and *Ribena* sales, excluding retained markets, totalled £527 million for the year ending 31 December 2013.

| | £m |
|-------------------------------|-------|
| Cash consideration | 1,352 |
| Net assets sold: | |
| Inventory | (45) |
| Property, plant and equipment | (149) |
| Goodwill | (24) |
| | (218) |
| Disposal costs | (77) |
| Profit on disposal | 1,057 |

Anti-coagulant business

On 31 December 2013, GSK completed the sale of the anti-coagulant business comprising of worldwide intellectual property rights (excluding China, India and Pakistan) of *Fraxiparine* and *Arixtra* together with related inventory and a manufacturing site to the Aspen Group for consideration of £732 million, of which £499 million was received in cash and £233 million was deferred.

Profit on disposal of £274 million was recognised in Other operating income. Worldwide sales of *Fraxiparine* and *Arixtra*, excluding retained markets, were £345 million for the year ending 31 December 2013.

| | £m |
|-------------------------------|-------|
| Cash consideration | 499 |
| Cash consideration receivable | 233 |
| | 732 |
| Net assets sold: | |
| Inventory | (138) |
| Property, plant and equipment | (91) |
| Intangible assets | (80) |
| Goodwill | (31) |
| | (340) |
| Disposal costs | (79) |
| Total profit on disposal | 313 |
| Deferral of profit | (39) |
| Profit recognised in year | 274 |

Investments in associates and joint ventures

In November 2013, GSK sold one third of its shareholding in Aspen, representing 6.2% of the issued share capital of the company, for £429 million in cash. At 31 December 2013, GSK held 12.4% of Aspen and continued to recognise its investment in Aspen as an associate.

| | £m |
|--|-------|
| Cash consideration | 429 |
| Net book value of shares | (132) |
| Reclassification of exchange from other comprehensive income | (42) |
| Reclassification of fair value movements from other comprehensive income | 19 |
| Profit on disposal | 274 |

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38 Acquisitions and disposals continued

| | Business acquisitions and disposals £m | Associates and joint ventures £m | Total £m |
|--|---|---|-------------|
| Cash flows | | | |
| Cash consideration paid | 254 | 8 | 262 |
| Cash and cash equivalents acquired | (7) | – | (7) |
| Cash consideration paid, net of cash acquired | 247 | 8 | 255 |
| Total cash consideration payable, net of cash acquired | 248 | 8 | 256 |
| Contingent consideration | (1) | – | (1) |
| Cash consideration paid, net of cash acquired | 247 | 8 | 255 |
| Total cash proceeds receivable | 2,084 | 429 | 2,513 |
| Cash proceeds deferred | (233) | – | (233) |
| Net cash proceeds from disposals | 1,851 | 429 | 2,280 |

39 Non-controlling interests

The Group has two subgroups that have material non-controlling interests, ViiV Healthcare Limited and its subsidiaries and GSK Consumer Healthcare Holdings Limited and its subsidiaries. Summarised financial information in respect of the ViiV Healthcare group and GSK Consumer Healthcare Joint Venture is set out below:

ViiV Healthcare

| | 2015 £m | 2014 £m | 2013 £m |
|--------------------------------------|------------|------------|------------|
| Turnover | 2,330 | 1,466 | 1,371 |
| (Loss)/profit after taxation | (1,426) | (606) | 190 |
| Other comprehensive income/(expense) | 7 | 8 | (9) |
| Total comprehensive (expense)/income | (1,419) | (598) | 181 |

| | 2015 £m | 2014 £m |
|-------------------------|------------|------------|
| Non-current assets | 2,466 | 2,245 |
| Current assets | 1,619 | 1,308 |
| Total assets | 4,085 | 3,553 |
| Current liabilities | (1,218) | (815) |
| Non-current liabilities | (5,490) | (3,253) |
| Total liabilities | (6,708) | (4,068) |
| Net liabilities | (2,623) | (515) |

| | 2015 £m | 2014 £m | 2013 £m |
|---|------------|------------|------------|
| Net cash inflow from operating activities | 1,097 | 765 | 637 |
| Net cash outflow from investing activities | (63) | (25) | (27) |
| Net cash outflow from financing activities | (814) | (540) | (662) |
| Increase/(decrease) in cash and bank overdrafts in the year | 220 | 200 | (52) |

The above financial information relates to the ViiV Healthcare group on a stand-alone basis, before the impact of Group-related adjustments, primarily related to the recognition of preferential dividends. The loss after taxation of £1,426 million (2014 – loss after taxation of £606 million; 2013 – profit after taxation of £190 million) is stated after a charge of £1,874 million (2014 – £768 million; 2013 – £253 million) for remeasurement of the contingent consideration payable for the acquisition of the former Shionogi-ViiV Healthcare joint venture. This consideration is expected to be paid over a number of years.

The following amounts attributable to the ViiV Healthcare group are included in GSK's Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated balance sheet:

| | 2015 £m | 2014 £m | 2013 £m |
|---|------------|------------|------------|
| Total comprehensive (expense)/income for the year attributable to non-controlling interests | (143) | (16) | 76 |
| Dividends paid to non-controlling interests | 163 | 120 | 106 |
| Non-controlling interests in the Consolidated balance sheet | 68 | 374 | |

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39 Non-controlling interests *continued*

Consumer Healthcare Joint Venture

| | 2015 £m |
|----------------------------|------------|
| Turnover | 4,627 |
| Loss after taxation | (39) |
| Other comprehensive income | 72 |
| Total comprehensive income | 33 |

| | 2015 £m |
|-------------------------|------------|
| Non-current assets | 11,602 |
| Current assets | 3,810 |
| Total assets | 15,412 |
| Current liabilities | (2,822) |
| Non-current liabilities | (1,849) |
| Total liabilities | (4,671) |
| Net assets | 10,741 |

| | 2015 £m |
|--|------------|
| Net cash inflow from operating activities | 277 |
| Net cash outflow from investing activities | (691) |
| Net cash outflow from financing activities | (42) |
| Decrease in cash and bank overdrafts in the year | (456) |

The above financial information relates to the Consumer Healthcare Joint Venture on a stand-alone basis since its formation on 2 March 2015, before the impact of Group-related adjustments.

The following amounts attributable to the Consumer Healthcare Joint Venture are included in GSK's Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated balance sheet:

| | 2015 £m |
|---|------------|
| Total comprehensive income for the year attributable to non-controlling interests | 14 |
| Non-controlling interests in the Consolidated balance sheet | 3,371 |

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40 Commitments

| Contractual obligations and commitments | 2015 | 2014 |
|--|---------------|-------------|
| | £m | £m |
| Contracted for but not provided in the financial statements: | | |
| Intangible assets | 6,264 | 7,079 |
| Property, plant and equipment | 502 | 359 |
| Investments | 157 | 100 |
| Purchase commitments | 38 | 428 |
| Pensions | 340 | 425 |
| Other commitments | 191 | 186 |
| Interest on loans | 9,282 | 9,744 |
| Finance lease charges | 7 | 6 |
| | 16,781 | 18,327 |

The commitments related to intangible assets include milestone payments, which are dependent on successful clinical development or on meeting specified sales targets, and which represent the maximum that would be paid if all milestones, however unlikely, are achieved. The amounts are not risk-adjusted or discounted. A number of commitments were made in 2015 under licensing and other agreements. These new arrangements were offset by reduced commitments due on prior year transactions including amendments to the agreement with Ionis and Shionogi.

In 2013, GSK reached an agreement with the trustees of the UK pension schemes to make additional contributions to eliminate the pension deficit identified at the 31 December 2011 actuarial funding valuation. A payment of £85 million is due in 2016. Future payments will be based on the deficit position of the scheme, up to a maximum of £255 million. The table above includes this commitment, but excludes the normal ongoing annual funding requirement in the UK of approximately £140 million.

The Group also has other commitments which principally relate to revenue payments to be made under licences and other alliances.

Commitments in respect of future interest payable on loans are disclosed before taking into account the effect of interest rate swaps.

Commitments under non-cancellable operating leases are disclosed below. £314 million (2014 – £310 million) is provided against these commitments on the Group's balance sheet.

| Commitments under non-cancellable operating leases | 2015 | 2014 |
|---|-------------|-------------|
| | £m | £m |
| Rental payments due within one year | 191 | 138 |
| Rental payments due between one and two years | 98 | 91 |
| Rental payments due between two and three years | 76 | 73 |
| Rental payments due between three and four years | 58 | 54 |
| Rental payments due between four and five years | 53 | 48 |
| Rental payments due after five years | 313 | 297 |
| Total commitments under non-cancellable operating leases | 789 | 701 |

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41 Financial instruments and related disclosures

GSK uses a variety of financial instruments to finance its operations and derivative financial instruments to manage market risks from these operations. These derivatives, principally comprising forward foreign currency contracts, foreign currency options and interest rate swaps, are used to swap borrowings and liquid assets into currencies required for Group purposes and to manage exposure to financial risks from changes in foreign exchange rates and interest rates.

GSK does not hold or issue derivatives for speculative purposes and the Treasury policies specifically prohibit such activity. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

Capital management

GSK's financial strategy supports the Group's strategic priorities and is regularly reviewed by the Board. GSK manages the capital structure of the Group through an appropriate mix of debt and equity.

The capital structure of the Group consists of net debt of £10.7 billion (see Note 31, 'Net debt') and shareholders' equity of £5.1 billion (see 'Consolidated statement of changes in equity' on page 140). Total capital, including that provided by non-controlling interests, is £19.6 billion.

Our long-term credit rating with Standard and Poor's is A+ (stable outlook) and with Moody's Investor Services ('Moody's') it is A2 (negative outlook). The Group's short-term credit ratings are A-1 and P-1 with Standard and Poor's and Moody's respectively.

Liquidity risk management

GSK's policy is to borrow centrally in order to meet anticipated funding requirements. The strategy is to diversify liquidity sources using a range of facilities and to maintain broad access to funding markets.

At 31 December 2015, GSK had £1.3 billion of borrowings repayable within one year and held £5.9 billion of cash and cash equivalents and liquid investments of which £4.2 billion was held centrally. GSK has access to short-term finance under a \$10 billion (£6.8 billion) US commercial paper programme. GSK also has £1.9 billion five year committed medium-term facilities and \$2.5 billion (£1.7 billion) of 364 day committed facilities. These facilities were put in place in September 2015 and were undrawn at 31 December 2015. GSK considers this level of committed facilities to be adequate given current liquidity requirements.

GSK has a £15 billion European Medium Term Note programme and at 31 December 2015, £7.4 billion of notes were in issue under this programme. The Group also has a US shelf registration statement and at 31 December 2015, had \$13.0 billion (£8.8 billion) of notes in issue under this programme. GSK's long-term borrowings mature at dates between 2016 and 2045.

Market risk

Interest rate risk management

GSK's objective is to minimise the effective net interest cost and to balance the mix of debt at fixed and floating interest rates over time. The policy on interest rate risk management limits the amount of floating interest payments to a prescribed percentage of operating profit.

Foreign exchange risk management

Foreign currency transaction exposures arising on internal and external trade flows are not typically hedged. The Group's objective is to minimise the exposure of overseas operating subsidiaries to transaction risk by matching local currency income with local currency costs where possible. GSK's internal trading transactions are matched centrally and inter-company payment terms are managed to reduce foreign currency risk. Foreign currency cash flows can be hedged selectively including hedges of the foreign exchange risk arising from acquisitions and disposals of assets.

Where possible, GSK manages the cash surpluses or borrowing requirements of subsidiary companies centrally using forward contracts to hedge future repayments back into the originating currency. In order to reduce foreign currency translation exposure, the Group seeks to denominate borrowings in the currencies of the principal assets and cash flows. These are primarily denominated in US dollars, Euros and Sterling. Certain borrowings can be swapped into other currencies as required. Borrowings denominated in, or swapped into, foreign currencies that match investments in Group overseas assets may be treated as a hedge against the relevant assets. Forward contracts in major currencies are also used to reduce exposure to the Group's investment in overseas assets (see 'Net investment hedges' section of this note for further details).

41 Financial instruments and related disclosures continued

Credit risk

The Group considers its maximum credit risk at 31 December 2015 to be £11,423 million (31 December 2014 – £9,054 million) which is the total of the Group's financial assets with the exception of 'Other investments' (comprising equity investments) which bear equity risk rather than credit risk. See page 195 for details on the Group's total financial assets. At 31 December 2015, GSK's greatest concentration of credit risk was £0.8 billion with Citibank (A/A1) (2014 – £0.7 billion with HSBC (AA-/Aa3)).

Treasury-related credit risk

GSK sets global counterparty limits for each of GSK's banking and investment counterparties based on long-term credit ratings from Moody's and Standard and Poor's. Usage of these limits is monitored daily.

GSK actively manages its exposure to credit risk, reducing surplus cash balances wherever possible. This is part of GSK's strategy to regionalise cash management and to concentrate cash centrally as much as possible. The table below sets out the credit exposure to counterparties by rating for liquid investments, cash and cash equivalents and derivatives. The gross asset position on each derivative contract is considered for the purpose of this table, although, under ISDA agreements, the amount at risk is the net position with each counterparty. Table (e) on page 199 sets out the Group's financial assets and liabilities on an offset basis.

Following the completion of the Novartis transaction in March 2015, GSK's cash and liquid investment balances increased materially. A significant proportion of these funds were placed in a number of AAA/Aaa rated US Treasury and Treasury repo only money market funds and AAA/Aaa rated liquidity funds.

During 2015, the credit ratings of a number of the Group's relationship banks were downgraded, most notably Deutsche Bank which was downgraded to BBB+/Baa1 from A-/A3. Where possible, measures have been taken to reduce the exposure to lower rated counterparties, including further active management of cash balances within GSK's European cash pool.

At 31 December 2015, £48 million of cash is categorised as held with unrated or sub-investment grade rated counterparties (lower than BBB-/Baa3) of which £31 million is cash in transit. The remaining exposure is concentrated in overseas banks used for local cash management or investment purposes (including £7 million in Nigeria held with Zenith Bank and United Bank for Africa, £2 million with BTV in Austria and £2 million with Islandsbanki in Iceland).

Of the £386 million of bank balances and deposits held with BBB/Baa rated counterparties, £85 million was held with BBB-/Baa3 rated counterparties. This includes bank balances or deposits of £53 million with State Bank of India and £25 million with HDFC Bank in India. These banks are used for either local cash management purposes or for local investment purposes.

| | AAA/Aaa £m | AA/Aa £m | A/A £m | BBB/Baa £m | BB+/Ba1 and below /unrated £m | Total £m |
|---|---------------|--------------|--------------|---------------|--|--------------|
| 2015 | | | | | | |
| Bank balances and deposits | – | 1,354 | 1,979 | 386 | 48 | 3,767 |
| US Treasury and Treasury repo only money market funds | 624 | – | – | – | – | 624 |
| Liquidity funds | 1,439 | – | – | – | – | 1,439 |
| Government securities | – | 72 | – | 3 | – | 75 |
| 3rd party financial derivatives | – | 55 | 67 | 3 | – | 125 |
| Total | 2,063 | 1,481 | 2,046 | 392 | 48 | 6,030 |

| | AAA/Aaa £m | AA/Aa £m | A/A £m | BBB/Baa £m | BB+/Ba1 and below /unrated £m | Total £m |
|---|---------------|--------------|--------------|---------------|--|--------------|
| 2014 | | | | | | |
| Bank balances and deposits | – | 1,104 | 2,118 | 184 | 121 | 3,527 |
| US Treasury and Treasury repo only money market funds | 811 | – | – | – | – | 811 |
| Government securities | – | 68 | – | 1 | – | 69 |
| 3rd party financial derivatives | – | 45 | 87 | 6 | – | 138 |
| Total | 811 | 1,217 | 2,205 | 191 | 121 | 4,545 |

The 2014 table has been restated to include further detail regarding counterparty credit ratings. Credit ratings are assigned by Standard and Poor's and Moody's respectively. Where the opinion of the two rating agencies differ, GSK assigns the lower rating of the two to the counterparty. Where local rating agency or Fitch data is the only source available, the ratings are converted to global ratings equivalent to those of Standard and Poor's or Moody's using published conversion tables.

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GSK's centrally managed cash reserves amounted to £3.1 billion at 31 December 2015, all available within three months. This excludes £1.1 billion centrally managed cash held by ViiV Healthcare, a 78.3% owned subsidiary. The Group has invested centrally managed liquid assets in bank deposits, Aaa/AAA rated US Treasury and Treasury repo only money market funds and Aaa/AAA rated liquidity funds.

Wholesale and retail credit risk

Outside the US, no customer accounts for more than 5% of the Group's trade receivables balance.

In the US, in line with other pharmaceutical companies, the Group sells its products through a small number of wholesalers in addition to hospitals, pharmacies, physicians and other groups. Sales to the three largest wholesalers amount to approximately 82% of the sales of the US elements of the Global Pharmaceuticals, HIV and Vaccines segments. At 31 December 2015, the Group had trade receivables due from these three wholesalers totalling £990 million (2014 – £908 million). The Group is exposed to a concentration of credit risk in respect of these wholesalers such that, if one or more of them encounters financial difficulty, it could materially and adversely affect the Group's financial results.

The Group's credit risk monitoring activities relating to these wholesalers include a review of their quarterly financial information and Standard & Poor's credit ratings, development of GSK internal risk ratings, and establishment and periodic review of credit limits. However, the Group believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful debts (see Note 24, 'Trade and other receivables').

Fair value of financial assets and liabilities

The table on page 195 presents the carrying amounts and the fair values of the Group's financial assets and liabilities at 31 December 2015 and 31 December 2014.

The fair values of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Liquid investments – based on quoted market prices or calculated based on observable inputs in the case of marketable securities; based on principal amounts in the case of non-marketable securities because of their short repricing periods
- Other investments – equity investments traded in an active market determined by reference to the relevant stock exchange quoted bid price; other equity investments determined by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets
- Short-term loans, overdrafts and commercial paper – approximates to the carrying amount because of the short maturity of these instruments
- Long-term loans – based on quoted market prices in the case of European and US Medium term notes and other fixed rate borrowings (a level 1 fair value measurement); approximates to the carrying amount in the case of floating rate bank loans and other loans
- Contingent consideration for business acquisitions – based on present values of expected future cash flows
- Interest rate swaps, foreign exchange forward contracts and options – based on the present value of contractual cash flows or option valuation models using market sourced data (exchange rates or interest rates) at the balance sheet date
- Receivables and payables – approximates to the carrying amount
- Company-owned life insurance policies – based on cash surrender value
- Lease obligations – approximates to the carrying amount.

Fair value of investments in GSK shares

At 31 December 2015, the Employee Share Ownership Plan (ESOP) Trusts held GSK shares with a carrying value of £75 million (2014 – £151 million) and a fair value of £409 million (2014 – £726 million) based on quoted market price. The shares are held by the ESOP Trusts to satisfy future exercises of options and awards under employee incentive schemes. In 2015, the carrying value, which is the lower of cost or expected proceeds, of these shares has been recognised as a deduction from other reserves. At 31 December 2015, GSK held Treasury shares at a cost of £6,917 million (2014 – £6,917 million) which has been deducted from retained earnings.

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| | Notes | 2015 Carrying value £m | 2015 Fair value £m | 2014 Carrying value £m | 2014 Fair value £m |
|---|-------|---------------------------------|-----------------------------|---------------------------------|-----------------------------|
| Cash and cash equivalents | e | 5,830 | 5,830 | 4,338 | 4,338 |
| Available-for-sale investments: | | | | | |
| Liquid investments (Government bonds) | a | 75 | 75 | 69 | 69 |
| Other investments | a | 1,255 | 1,255 | 1,114 | 1,114 |
| Loans and receivables: | | | | | |
| Trade and other receivables and certain Other non-current assets in scope of IAS 39 | b | 5,114 | 5,114 | 4,232 | 4,232 |
| Financial assets at fair value through profit or loss: | | | | | |
| Other non-current assets in scope of IAS 39 | a,b | 279 | 279 | 269 | 269 |
| Derivatives designated as at fair value through profit or loss | a,d,e | 6 | 6 | 76 | 76 |
| Derivatives classified as held for trading under IAS 39 | a,d,e | 119 | 119 | 70 | 70 |
| Total financial assets | | 12,678 | 12,678 | 10,168 | 10,168 |
| Financial liabilities measured at amortised cost: | | | | | |
| Borrowings excluding obligations under finance leases: | | | | | |
| – bonds in a designated hedging relationship | d | (2,740) | (2,872) | (4,124) | (4,349) |
| – other bonds | | (13,387) | (15,209) | (13,540) | (15,706) |
| – bank loans and overdrafts | e | (435) | (435) | (379) | (379) |
| – commercial paper | | – | – | (656) | (656) |
| Total borrowings excluding obligations under finance leases | f | (16,562) | (18,516) | (18,699) | (21,090) |
| Obligations under finance leases | | (70) | (70) | (85) | (85) |
| Total borrowings | | (16,632) | (18,586) | (18,784) | (21,175) |
| Trade and other payables, Other provisions and certain Other non-current liabilities in scope of IAS 39 | c | (14,748) | (14,748) | (7,566) | (7,566) |
| Financial liabilities at fair value through profit or loss: | | | | | |
| Trade and other payables, Other provisions and certain Other non-current liabilities in scope of IAS 39 | a,c | (3,855) | (3,855) | (1,724) | (1,724) |
| Derivatives designated as at fair value through profit or loss | a,d,e | (97) | (97) | (3) | (3) |
| Derivatives classified as held for trading under IAS 39 | a,d,e | (56) | (56) | (410) | (410) |
| Total financial liabilities | | (35,388) | (37,342) | (28,487) | (30,878) |
| Net financial assets and financial liabilities | | (22,710) | (24,664) | (18,319) | (20,710) |

The valuation methodology used to measure fair value in the above table is described and categorised on page 194. Trade and other receivables, Other non-current assets, Trade and other payables, Other provisions and Other non-current liabilities are reconciled to the relevant Notes on pages 197 and 198.

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(a) Financial instruments held at fair value

The following tables categorise the Group's financial assets and liabilities held at fair value by the valuation methodology applied in determining their fair value. Where possible, quoted prices in active markets are used (Level 1). Where such prices are not available, the asset or liability is classified as Level 2, provided all significant inputs to the valuation model used are based on observable market data. If one or more of the significant inputs to the valuation model is not based on observable market data, the instrument is classified as Level 3. Other investments classified as Level 3 in the tables below comprise equity investments in unlisted entities with which the Group has entered into research collaborations and also investments in emerging life science companies. Trade and other payables and Other non-current liabilities classified as level 3 comprise contingent consideration for business acquisitions.

| At 31 December 2015 | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|--|---------------|---------------|---------------|-------------|
| Financial assets at fair value | | | | |
| Available-for-sale financial assets: | | | | |
| Liquid investments | 71 | 4 | – | 75 |
| Other investments | 987 | – | 268 | 1,255 |
| Financial assets at fair value through profit or loss: | | | | |
| Other non-current assets | – | 276 | 3 | 279 |
| Derivatives designated as at fair value through profit or loss | – | 6 | – | 6 |
| Derivatives classified as held for trading under IAS 39 | – | 116 | 3 | 119 |
| | 1,058 | 402 | 274 | 1,734 |

Financial liabilities at fair value

| | | | | |
|--|---|-------|---------|---------|
| Financial liabilities at fair value through profit or loss: | | | | |
| Trade and other payables | – | – | (306) | (306) |
| Other non-current liabilities | – | – | (3,549) | (3,549) |
| Derivatives designated as at fair value through profit or loss | – | (97) | – | (97) |
| Derivatives classified as held for trading under IAS 39 | – | (55) | (1) | (56) |
| | – | (152) | (3,856) | (4,008) |

| At 31 December 2014 | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|--|---------------|---------------|---------------|-------------|
| Financial assets at fair value | | | | |
| Available-for-sale financial assets: | | | | |
| Liquid investments | 67 | 2 | – | 69 |
| Other investments | 892 | – | 222 | 1,114 |
| Financial assets at fair value through profit or loss: | | | | |
| Other non-current assets | – | 264 | 5 | 269 |
| Derivatives designated as at fair value through profit or loss | – | 76 | – | 76 |
| Derivatives classified as held for trading under IAS 39 | – | 69 | 1 | 70 |
| | 959 | 411 | 228 | 1,598 |

Financial liabilities at fair value

| | | | | |
|--|---|-------|---------|---------|
| Financial liabilities at fair value through profit or loss: | | | | |
| Trade and other payables | – | – | (105) | (105) |
| Other non-current liabilities | – | – | (1,619) | (1,619) |
| Derivatives designated as at fair value through profit or loss | – | (3) | – | (3) |
| Derivatives classified as held for trading under IAS 39 | – | (402) | (8) | (410) |
| | – | (405) | (1,732) | (2,137) |

Movements in the year for financial instruments measured using Level 3 valuation methods are presented below:

| | 2015 £m | 2014 £m |
|--|------------|------------|
| At 1 January | (1,504) | (757) |
| Net losses recognised in the income statement | (1,994) | (775) |
| Net gains recognised in other comprehensive income | 36 | 155 |
| Contingent consideration liabilities for businesses acquired during the year | (594) | – |
| Payment of contingent consideration liabilities | 459 | 7 |
| Additions | 77 | 55 |
| Disposals | (64) | (153) |
| Transfers from Level 3 | (7) | (47) |
| Exchange | 9 | 11 |
| At 31 December | (3,582) | (1,504) |

41 Financial instruments and related disclosures continued

Included in net losses of £1,994 million (2014 – £775 million) attributable to Level 3 financial instruments which were recognised in the income statement are net losses of £2,035 million (2014 – £775 million) in respect of financial instruments which were held at the end of the year. These net losses were reported in Other operating income. £1,874 million (2014 – £768 million) arose from remeasurement of the contingent consideration payable for the acquisition of the former Shionogi-ViiV Healthcare joint venture and £111 million arose from remeasurement of the contingent consideration payable on the acquisition in 2015 of the Novartis Vaccines business. Net gains of £36 million (2014 – £155 million) attributable to Level 3 equity investments reported in Other comprehensive income as Fair value movements on available-for-sale investments included net losses of £8 million (2014 – net gains of £32 million) in respect of equity investments held at the end of the year.

Financial liabilities measured using Level 3 valuation methods at 31 December include £3,409 million (2014 – £1,684 million) in respect of contingent consideration payable for the acquisition in 2012 of the former Shionogi-ViiV Healthcare joint venture. The increase in fair value included the impacts of revisions to the discount rate and tax rate in the year. This consideration is expected to be paid over a number of years and will vary in line with the future performance of specified products. They also include £405 million in respect of contingent consideration for the acquisition of the Novartis Vaccines business. This consideration is expected to be paid over a number of years and will vary in line with the future performance of specified products and the achievement of certain milestone targets.

The table below shows on an indicative basis the income statement and balance sheet sensitivity to reasonably possible changes in key inputs to the valuations of these liabilities.

| Increase/(decrease) in financial liability and loss/(gain) in Income statement from change in key inputs | Shionogi-ViiV Healthcare £m | Novartis Vaccines £m |
|--|--------------------------------|-------------------------|
| 10% increase in sales forecasts | 340 | 43 |
| 10% decrease in sales forecasts | (340) | (41) |
| 1% increase in market interest rates | (180) | (33) |
| 1% decrease in market interest rates | 196 | 39 |
| 10% increase in probability of milestone success | | 50 |
| 10% decrease in probability of milestone success | | (50) |

(b) Trade and other receivables and Other non-current assets in scope of IAS 39

The following table reconciles financial instruments within Trade and other receivables and Other non-current assets which fall within the scope of IAS 39 to the relevant balance sheet amounts. The financial assets are predominantly non-interest earning. Financial instruments within the Other non-current assets balance include company-owned life insurance policies. Non-financial instruments include tax receivables, pension surplus balances and prepayments, which are outside the scope of IAS 39.

| | 2015 | | | | | 2014 | | | | |
|---------------------------------------|--|-----------------------------|-----------------------------|---------------------------------|-------------|--|-----------------------------|-----------------------------|---------------------------------|-------------|
| | At fair value through profit or loss £m | Loans and receivables £m | Financial instruments £m | Non-financial instruments £m | Total £m | At fair value through profit or loss £m | Loans and receivables £m | Financial instruments £m | Non-financial instruments £m | Total £m |
| Trade and other receivables (Note 24) | – | 4,751 | 4,751 | 864 | 5,615 | – | 3,921 | 3,921 | 679 | 4,600 |
| Other non-current assets (Note 22) | 279 | 363 | 642 | 348 | 990 | 269 | 311 | 580 | 155 | 735 |
| | 279 | 5,114 | 5,393 | 1,212 | 6,605 | 269 | 4,232 | 4,501 | 834 | 5,335 |

The following table shows the age of such financial assets which are past due and for which no provision for bad or doubtful debts has been made:

| | 2015 £m | 2014 £m |
|--------------------------------|------------|------------|
| Past due by 1–30 days | 200 | 116 |
| Past due by 31–90 days | 136 | 130 |
| Past due by 91–180 days | 76 | 110 |
| Past due by 181–365 days | 49 | 67 |
| Past due by more than 365 days | 90 | 41 |

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(c) Trade and other payables, Other provisions and Other non-current liabilities in scope of IAS 39

The following table reconciles financial instruments within Trade and other payables, Other provisions and Other non-current liabilities which fall within the scope of IAS 39 to the relevant balance sheet amounts. The financial liabilities are predominantly non-interest bearing. Accrued wages and salaries are included within financial liabilities. Non-financial instruments includes payments on account, tax and social security payables and provisions which do not arise from contractual obligations to deliver cash or another financial asset, which are outside the scope of IAS 39.

| | 2015 | | | | | 2014 | | | | |
|---|--|-------------------------|-----------------------------|---------------------------------|-----------------|--|-------------------------|-----------------------------|---------------------------------|-----------------|
| | At fair value through profit or loss £m | Other liabilities £m | Financial instruments £m | Non-financial instruments £m | Total £m | At fair value through profit or loss £m | Other liabilities £m | Financial instruments £m | Non-financial instruments £m | Total £m |
| Trade and other payables (Note 27) | (306) | (8,199) | (8,505) | (686) | (9,191) | (105) | (7,345) | (7,450) | (508) | (7,958) |
| Other provisions (Note 29) | – | (159) | (159) | (1,605) | (1,764) | – | (158) | (158) | (1,432) | (1,590) |
| Other non-current liabilities (Note 30) | (3,549) | (6,390) | (9,939) | (717) | (10,656) | (1,619) | (63) | (1,682) | (719) | (2,401) |
| | (3,855) | (14,748) | (18,603) | (3,008) | (21,611) | (1,724) | (7,566) | (9,290) | (2,659) | (11,949) |

(d) Derivative financial instruments and hedging programmes

The following table sets out the fair values of derivatives held by GSK.

| | 2015 Fair value | | 2014 Fair value | |
|---|--------------------|-------------------|--------------------|-------------------|
| | Assets £m | Liabilities £m | Assets £m | Liabilities £m |
| Net investment hedges – Foreign exchange contracts (principal amount – £6,192 million (2014 – £5,365 million)) | 3 | (97) | 74 | (1) |
| Cash flow hedges – Foreign exchange contracts (principal amount – £69 million (2014 – £133 million)) | 3 | – | 2 | (2) |
| Derivatives designated as at fair value through profit or loss | 6 | (97) | 76 | (3) |
| Foreign exchange contracts (principal amount – £12,152 million (2014 – £15,851 million)) | 115 | (54) | 68 | (399) |
| Embedded and other derivatives | 4 | (2) | 2 | (11) |
| Derivatives classified as held for trading under IAS 39 | 119 | (56) | 70 | (410) |
| Total derivative instruments | 125 | (153) | 146 | (413) |
| Analysed as: | | | | |
| Current | 125 | (153) | 146 | (404) |
| Non-current | – | – | – | (9) |
| Total | 125 | (153) | 146 | (413) |

Foreign exchange contracts classified as held for trading under IAS 39

The principal amount on foreign exchange contracts is the absolute total of outstanding positions at the balance sheet date. The Group's foreign exchange contracts are for periods of 12 months or less. At 31 December 2015, the Group held outstanding foreign exchange contracts with a net asset fair value of £61 million (£115 million asset less £54 million liability). At December 2014, the fair value was £331 million net liability (£68 million asset less £399 million liability).

Following the announcement of the Novartis transaction in April 2014, GSK entered into a number of forward exchange contracts to protect the Sterling value of the net US dollar proceeds due to the Group on completion of the transaction. At 31 December 2014, these contracts were in a loss position and resulted in a liability of £264 million and an unrealised loss of £299 million. At maturity on 2 March 2015, these contracts were in a loss position of £319 million and resulted in a realised loss of £55 million in

the year. This loss has partly offset the gain in the Sterling value of the proceeds received by the Group on divestment of its Oncology business as a result of favourable exchange movements since the inception of the forward contracts.

The overall increase in the net asset fair value has been due to the maturity of this hedge during the year and to increased hedging of inter-company loans that are not designated as accounting hedges. Fair value movements are taken to the income statement in the period to offset the exchange gains and losses on the related inter-company loan balances.

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Fair value hedges

At 31 December 2015, the Group had no designated fair value hedges.

Net investment hedges

During the year, certain foreign exchange contracts were designated as net investment hedges in respect of the foreign currency translation risk arising on consolidation of the Group's net investment in its European (Euro) and Japanese (Yen) foreign operations as shown in the table above. Net assets in Swiss (Franc) and South African (Rand) foreign operations were also in designated net investment hedges, although none remained outstanding at 31 December 2015.

The carrying value of bonds on page 195 includes £2,740 million (2014 – £4,124 million) that are designated as hedging instruments in net investment hedges.

Cash flow hedges

During 2015, the Group entered into forward foreign exchange contracts which it designated as cash flow hedges of its foreign exchange exposure arising on Euro and US dollar denominated coupon payments relating to the Group's European and US medium term notes.

In addition, the Group carries a balance in reserves that arose from pre-hedging fluctuations in long-term interest rates when pricing bonds issued in prior years. The balance is reclassified to finance costs over the life of these bonds.

(e) Offsetting of financial assets and liabilities

The following tables set out the financial assets and financial liabilities which are subject to offsetting, enforceable master netting arrangements and similar agreements. Amounts which are set off against financial assets and liabilities in the Group's balance sheet are set out below. For Trade and other receivables, Trade and other payables, Derivative financial assets and Derivative financial liabilities, amounts not offset in the balance sheet but which could be offset under certain circumstances are also set out.

| | Gross financial assets/ (liabilities) £m | Gross financial (liabilities)/ assets set off £m | Net financial assets/ (liabilities) per balance sheet £m | Related amounts not set off in the balance sheet £m | Net £m |
|----------------------------------|--|--|--|---|---------|
| At 31 December 2015 | | | | | |
| Trade and other receivables | 4,757 | (6) | 4,751 | (17) | 4,734 |
| Derivative financial assets | 125 | – | 125 | (98) | 27 |
| Cash and cash equivalents | 5,833 | (3) | 5,830 | | |
| | 10,715 | (9) | 10,706 | | |
| Trade and other payables | (8,511) | 6 | (8,505) | 17 | (8,488) |
| Derivative financial liabilities | (153) | – | (153) | 98 | (55) |
| Bank loans and overdrafts | (438) | 3 | (435) | | |
| | (9,102) | 9 | (9,093) | | |

| | Gross financial assets/ (liabilities) £m | Gross financial (liabilities)/ assets set off £m | Net financial assets/ (liabilities) per balance sheet £m | Related amounts not set off in the balance sheet £m | Net £m |
|----------------------------------|--|--|--|---|---------|
| At 31 December 2014 | | | | | |
| Trade and other receivables | 3,926 | (5) | 3,921 | (22) | 3,899 |
| Derivative financial assets | 146 | – | 146 | (134) | 12 |
| Cash and cash equivalents | 4,570 | (232) | 4,338 | | |
| | 8,642 | (237) | 8,405 | | |
| Trade and other payables | (7,455) | 5 | (7,450) | 22 | (7,428) |
| Derivative financial liabilities | (413) | – | (413) | 134 | (279) |
| Bank loans and overdrafts | (611) | 232 | (379) | | |
| | (8,479) | 237 | (8,242) | | |

The gross financial assets and liabilities set off in the balance sheet primarily relate to cash pooling arrangements with banks.

Amounts which do not meet the criteria for offsetting on the balance sheet but could be settled net in certain circumstances principally relate to derivative transactions under ISDA (International Swaps and Derivatives Association) agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

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(f) Debt interest rate repricing table

The following table sets out the exposure of the Group to interest rates on debt, including commercial paper. The maturity analysis of fixed rate debt is stated by contractual maturity and of floating rate debt by interest rate repricing dates. For the purpose of this table, debt is defined as all classes of borrowings other than obligations under finance leases.

| | 2015 | 2014 |
|---|---------------------|-----------------|
| | Total debt £m | Total £m |
| Floating and fixed rate debt less than one year | (1,285) | (2,915) |
| Between one and two years | (2,276) | (800) |
| Between two and three years | (1,868) | (2,244) |
| Between three and four years | (1,096) | (1,760) |
| Between four and five years | – | (1,154) |
| Between five and ten years | (3,464) | (2,827) |
| Greater than ten years | (6,573) | (6,999) |
| Total | (16,562) | (18,699) |
| Original issuance profile: | | |
| Fixed rate interest | (16,127) | (17,665) |
| Floating rate interest | (434) | (1,033) |
| Total interest bearing | (16,561) | (18,698) |
| Non-interest bearing | (1) | (1) |
| | (16,562) | (18,699) |

(g) Sensitivity analysis

Foreign exchange and interest rate sensitivity analysis has been prepared on the assumption that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations as at 31 December. Financial instruments affected by market risk include cash and cash equivalents, borrowings, trade receivables and payables and derivative financial instruments.

The following analyses are intended to illustrate the sensitivity of such financial instruments to changes in foreign exchange and interest rates.

Foreign exchange sensitivity

Foreign currency exposures arise from the translation of financial assets and liabilities which are not in the functional currency of the entity that holds them (cash and cash equivalents, bank loans and overdrafts, inter-company loans and deposits, other receivables and payables and trade receivables and payables) and derivative financial instruments hedging legal provisions and activities arising from acquisitions and disposals of assets.

The Group is primarily exposed to foreign exchange risk in relation to Sterling against movements in US dollar, Euro and Japanese Yen. Based on the Group's net financial assets and liabilities as at 31 December, a weakening of Sterling against these currencies, with all other variables held constant, is illustrated in the table below. The table excludes financial instruments that expose the Group to foreign exchange risk where this risk is fully hedged with another financial instrument.

| | 2015 | 2014 |
|--|--|--|
| | Increase/(decrease) in income £m | Increase/(decrease) in income £m |
| Income statement impact of non-functional currency foreign exchange exposures | | |
| 10 cent appreciation of the US dollar (2014: 10 cent) | 77 | (263) |
| 10 cent appreciation of the Euro (2014: 10 cent) | 7 | 11 |
| 10 yen appreciation of the Yen (2014: 10 yen) | (1) | – |

An equivalent depreciation in the above currencies would cause the following increase/(decrease) in income £(67) million, £(6) million and £1 million (2014 – £169 million, £(10) million and £nil) for US dollar, Euro and Yen exchange rates respectively.

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The equity impact, shown below, for foreign exchange sensitivity relates to derivative and non-derivative financial instruments hedging the Group's net investments in its European (Euro) and Japanese (Yen) foreign operations and cash flow hedges of its foreign exchange exposure arising on Euro dominated coupon payments relating to the Group's European medium term notes.

| | 2015 | 2014 |
|--|-------------------------------------|-------------------------------------|
| | Increase/(decrease) in equity £m | Increase/(decrease) in equity £m |
| Equity impact of non-functional currency foreign exchange exposures | | |
| 10 cent appreciation of the US dollar (2014: 10 cent) | – | 2 |
| 10 cent appreciation of the Euro (2014: 10 cent) | (676) | (762) |
| 10 yen appreciation of the Yen (2014: 10 yen) | (20) | (18) |

An equivalent depreciation in the above currencies would cause the following increase/(decrease) in equity: £nil, £584 million and £18 million (2014 – £(2) million, £652 million and £16 million) for US dollar, Euro and Yen exchange rates respectively.

The table below presents the Group's sensitivity to foreign exchange rates based on the composition of net debt as shown in Note 31 adjusting for the effects of foreign exchange derivatives that are not part of net debt but affect future foreign currency cash flows.

| | 2015 | 2014 |
|---|---------------------------------------|---------------------------------------|
| | (Increase)/decrease in net debt £m | (Increase)/decrease in net debt £m |
| Impact of foreign exchange movements on net debt | | |
| 10 cent appreciation of the US dollar (2014: 10 cent) | (471) | (446) |
| 10 cent appreciation of the Euro (2014: 10 cent) | 221 | 227 |
| 10 yen appreciation of the Yen (2014: 10 yen) | 4 | 11 |

An equivalent depreciation in the above currencies would have the following impact on net debt: £411 million, £(190) million and £(4) million for US dollar, Euro and Yen exchange rates respectively (2014 – £392 million, £(195) million and £(9) million).

Interest rate sensitivity

The Group is exposed to interest rate risk on its outstanding borrowings and investments where any changes in interest rates will affect future cash flows or the fair values of financial instruments.

The majority of debt is issued at fixed interest rates and changes in the floating rates of interest do not significantly affect the Group's net interest charge, although the majority of cash and liquid investments earn floating rates of interest.

The table below hypothetically shows the Group's sensitivity to changes in interest rates in relation to Sterling, US dollar and Euro variable rate financial assets and liabilities. If the interest rates applicable to floating rate financial assets and liabilities were to have increased by 1% (100 basis points), and assuming other variables had remained constant, it is estimated that the Group's finance income for 2015 would have increased by approximately £37 million (2014 - £5 million increase). A 1% (100 basis points) movement in interest rates is not deemed to have a material effect on equity.

| | 2015 | 2014 |
|---|-------------------------------------|-------------------------------------|
| | Increase/(decrease) in income £m | Increase/(decrease) in income £m |
| Income statement impact of interest rate movements | | |
| 1% (100 basis points) increase in Sterling interest rates (2014: 1%) | 19 | (19) |
| 1% (100 basis points) increase in US dollar interest rates (2014: 1%) | 14 | 19 |
| 1% (100 basis points) increase in Euro interest rates (2014: 1%) | 4 | 5 |

(h) Contractual cash flows for non-derivative financial liabilities and derivative instruments

The following tables provides an analysis of the anticipated contractual cash flows including interest payable for the Group's non-derivative financial liabilities on an undiscounted basis. The impact of interest rate swaps has been excluded. For the purpose of this table, debt is defined as all classes of borrowings except for obligations under finance leases. Interest is calculated based on debt held at 31 December without taking account of future issuance. Floating rate interest is estimated using the prevailing interest rate at the balance sheet date. Cash flows in foreign currencies are translated using spot rates at 31 December. Contractual cash flows in respect of operating lease vacant space provisions are excluded from the table below as they are included in the Commitments under non-cancellable operating leases table in Note 40, 'Commitments'.

| At 31 December 2015 | Debt £m | Interest on debt £m | Obligations under finance leases £m | Finance charge on obligations under finance leases £m | Trade payables and other liabilities not in net debt £m | Total £m |
|---------------------|------------|------------------------|--|--|--|-------------|
|---------------------|------------|------------------------|--|--|--|-------------|

| | | | | | | |
|-------------------------------------|-----------------|----------------|-------------|------------|-----------------|-----------------|
| Due in less than one year | (1,285) | (638) | (23) | (2) | (8,505) | (10,453) |
| Between one and two years | (2,280) | (625) | (20) | (1) | (479) | (3,405) |
| Between two and three years | (1,871) | (510) | (14) | (1) | (7,688) | (10,084) |
| Between three and four years | (1,103) | (457) | (6) | – | (452) | (2,018) |
| Between four and five years | – | (451) | (6) | – | (655) | (1,112) |
| Between five and ten years | (3,498) | (2,047) | (1) | – | (2,452) | (7,998) |
| Greater than ten years | (6,651) | (4,554) | – | (3) | (2,635) | (13,843) |
| Gross contractual cash flows | (16,688) | (9,282) | (70) | (7) | (22,866) | (48,913) |

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Contractual cash flows for non-derivative financial liabilities and derivative instruments

| At 31 December 2014 | Debt £m | Interest on debt £m | Obligations under finance leases £m | Finance charge on obligations under finance leases £m | Trade payables and other liabilities not in net debt £m | Total £m |
|------------------------------|------------|---------------------------|--|---|---|-------------|
| Due in less than one year | (2,917) | (678) | (29) | (2) | (7,489) | (11,115) |
| Between one and two years | (801) | (623) | (21) | (2) | (251) | (1,698) |
| Between two and three years | (2,251) | (611) | (18) | (1) | (219) | (3,100) |
| Between three and four years | (1,763) | (497) | (12) | (1) | (273) | (2,546) |
| Between four and five years | (1,163) | (447) | (3) | – | (324) | (1,937) |
| Between five and ten years | (2,859) | (2,074) | (2) | – | (1,969) | (6,904) |
| Greater than ten years | (7,085) | (4,814) | – | – | (1,734) | (13,633) |
| Gross contractual cash flows | (18,839) | (9,744) | (85) | (6) | (12,259) | (40,933) |

The increase in contractual cash flows for non-derivative financial liabilities of £8 billion over the year results principally from the addition of the Consumer Healthcare put option liability and contingent consideration payable for the Novartis Vaccines business acquired in the year. In addition, there is an increase of £1 billion in forecast future cash flows in respect of contingent consideration payable for the acquisition of the former Shionogi-ViiV Healthcare joint venture in 2012. These increases are partially offset by a reduction of £2.6 billion in forecast future cash flows for repayment of debt and debt interest.

The table below provides an analysis of the anticipated contractual cash flows for the Group's derivative instruments, excluding embedded derivatives and equity options which are not material, using undiscounted cash flows. Cash flows in foreign currencies are translated using spot rates at 31 December. The gross cash flows of foreign exchange contracts are presented for the purposes of this table although, in practice, the Group uses standard settlement arrangements to reduce its liquidity requirements on these instruments.

The amounts receivable and payable in less than one year have decreased compared to 31 December 2014 due to the maturity of the foreign exchange contracts that were hedging the US dollar proceeds of the Novartis transaction.

| | 2015 | | 2014 | |
|------------------------------|-------------------|-----------------|-------------------|----------------|
| | Receivables £m | Payables £m | Receivables £m | Payables £m |
| Due in less than one year | 18,283 | (18,318) | 21,586 | (21,841) |
| Between one and two years | 20 | (20) | – | – |
| Gross contractual cash flows | 18,303 | (18,338) | 21,586 | (21,841) |

42 Employee share schemes

GSK operates several employee share schemes, including the Share Value Plan, whereby awards are granted to employees to acquire shares or ADS in GlaxoSmithKline plc at no cost after a three year vesting period and the Performance Share Plan, whereby awards are granted to employees to acquire shares or ADS in GlaxoSmithKline plc at no cost, subject to the achievement by the Group of specified performance targets. The granting of these restricted share awards has replaced the granting of options to employees as the cost of the schemes more readily equates to the potential gain to be made by the employee. The Group also operates savings related share option schemes, whereby options are granted to employees to acquire shares in GlaxoSmithKline plc at a discounted price.

Grants of restricted share awards are normally exercisable at the end of the three year vesting or performance period. Awards under the Performance Share Plan are normally granted to employees to acquire shares or ADS in GlaxoSmithKline plc but in some circumstances may be settled in cash. Grants under savings-related share option schemes are normally exercisable after three years' saving. In accordance with UK practice, the majority of options under the savings-related share option schemes are granted at a price 20% below the market price ruling at the date of grant. Options under historical share option schemes were granted at the market price ruling at the date of grant.

The total charge for share-based incentive plans in 2015 was £349 million (2014 – £346 million; 2013 – £319 million). Of this amount, £307 million (2014 – £302 million; 2013 – £243 million) arose from the Share Value Plan. See Note 9, 'Employee Costs' for further details.

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42 Employee share schemes continued

GlaxoSmithKline share award schemes

Share Value Plan

Under the Share Value Plan, share awards are granted to certain employees at no cost. The awards vest after two and a half to three years and there are no performance criteria attached. The fair value of these awards is determined based on the closing share price on the day of grant, after deducting the expected future dividend yield of 5.7% (2014 – 5.2%; 2013 – 5.0%) over the duration of the award.

| Number of shares and ADS issuable | Shares Number (000) | Weighted fair value | ADS Number (000) | Weighted fair value |
|-----------------------------------|------------------------|------------------------|---------------------|------------------------|
| At 1 January 2013 | 25,318 | | 17,788 | |
| Awards granted | 12,011 | £14.76 | 7,681 | \$46.04 |
| Awards exercised | (5,324) | | (4,009) | |
| Awards cancelled | (938) | | (622) | |
| At 31 December 2013 | 31,067 | | 20,838 | |
| Awards granted | 12,410 | £12.65 | 7,842 | \$41.56 |
| Awards exercised | (9,642) | | (6,787) | |
| Awards cancelled | (923) | | (666) | |
| At 31 December 2014 | 32,912 | | 21,227 | |
| Awards granted | 13,019 | £11.57 | 7,198 | \$35.66 |
| Awards exercised | (11,476) | | (8,878) | |
| Awards cancelled | (1,878) | | (2,027) | |
| At 31 December 2015 | 32,577 | | 17,520 | |

Performance Share Plan

Under the Performance Share Plan, share awards are granted to Directors and senior executives at no cost. The percentage of each award that vests is based upon the performance of the Group over a defined measurement period with dividends reinvested during the same period. For awards granted from 2014 to Directors and members of the CET, the performance conditions are based on three equally weighted measures over a three year performance period. These are adjusted free cash flow, TSR and R&D new product performance.

For those awards made to all other eligible employees the performance conditions are based on both GSK's EPS growth compared with the increase in the UK Retail Prices Index over the three year measurement period and adjusted free cash flow. In addition, some businesses have an element of their award based on a strategic or operational business measure, over a three year measurement period, specific to the employee's business area.

The fair value of the awards is determined based on the closing share price on the day of grant. For TSR performance elements, this is adjusted by the likelihood of that condition being met, as assessed at the time of grant.

During 2015, awards were made of 4.6 million shares at a weighted fair value of £12.19 and 1.3 million ADS at a weighted fair value of \$37.27. At 31 December 2015, there were outstanding awards over 13.2 million shares and 3.5 million ADS.

Share options and savings-related options

For the purposes of valuing options and savings-related options to arrive at the share based payment charge, a Black-Scholes option pricing model has been used. The assumptions used in the model are as follows:

| | 2015 | 2014 | 2013 |
|--|----------------|---------|---------|
| Risk-free interest rate | 0.88% | 0.7% | 0.7% |
| Dividend yield | 6.5% | 5.8% | 5.3% |
| Volatility | 21% | 19% | 20% |
| Expected life | 3 years | 3 years | 3 years |
| Savings-related options grant price (including 20% discount) | £10.14 | £11.31 | £12.47 |

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42 Employee share schemes continued

| Options outstanding | Share option schemes – shares | | Share option schemes – ADS | | Savings-related share option schemes | |
|---|-------------------------------|-------------------------|----------------------------|-------------------------|--------------------------------------|-------------------------|
| | Number 000 | Weighted exercise price | Number 000 | Weighted exercise price | Number 000 | Weighted exercise price |
| At 31 December 2015 | 13,227 | £12.86 | 10,957 | \$47.75 | 6,611 | £10.68 |
| Range of exercise prices on options outstanding at year end | £11.47 – | £14.93 | \$33.42 – | \$58.00 | £10.13 – | £12.47 |
| Weighted average market price on exercise during year | | £14.73 | | \$44.63 | | £13.45 |
| Weighted average remaining contractual life | | 2.2 years | | 1.6 years | | 2.8 years |

Options over 4.4 million shares were granted during the year under the savings-related share option scheme at a weighted average fair value of £1.78. At 31 December 2015, 5.9 million of the savings-related share options were not exercisable. All of the other share options and ADS options are currently exercisable and all will expire if not exercised on or before 22 July 2020.

There has been no change in the effective exercise price of any outstanding options during the year.

Employee Share Ownership Plan Trusts

The Group sponsors Employee Share Ownership Plan (ESOP) Trusts to acquire and hold shares in GlaxoSmithKline plc to satisfy awards made under employee incentive plans and options granted under employee share option schemes. The trustees of the ESOP Trusts purchase shares with finance provided by the Group by way of loans or contributions. In 2014, Treasury shares with a carrying value of £150 million were purchased by the UK ESOP Trust to satisfy future awards under the shareholder approved Performance Share Plan. The costs of running the ESOP Trusts are charged to the income statement. Shares held by the ESOP Trusts are deducted from other reserves and amortised down to the value of proceeds, if any, receivable from employees on exercise by a transfer to retained earnings. The trustees have waived their rights to dividends on the shares held by the ESOP Trusts.

| Shares held for share award schemes | 2015 | 2014 |
|-------------------------------------|--------|--------|
| Number of shares (000) | 29,662 | 52,595 |
| | £m | £m |
| Nominal value | 7 | 13 |
| Carrying value | 74 | 150 |
| Market value | 407 | 724 |

| Shares held for share option schemes | 2015 | 2014 |
|--------------------------------------|------|------|
| Number of shares (000) | 139 | 139 |
| | £m | £m |
| Nominal value | – | – |
| Carrying value | 1 | 1 |
| Market value | 2 | 2 |

43 Post balance sheet events

In certain circumstances, Pfizer and Shionogi (GSK's partners in ViiV Healthcare) were historically able to require GSK to acquire their shareholdings at a price based on the likely valuation of ViiV Healthcare if it were to conduct an initial public offering. Under the original agreements, GSK had the unconditional right, so long as it made no subsequent distribution to its shareholders, to withhold its consent to the exercise of either put option.

In February 2016, GSK notified Pfizer and Shionogi that it had irrevocably given up this right. This will lead to recognition of a liability for these put options on the Group's balance sheet in 2016. The estimated present value of the liability for the two put options is approximately £2 billion, after adjustments for the value of preferential dividends due to each of the shareholders.

Consistent with this revised treatment, in 2016 GSK will also recognise liabilities on the Group's balance sheet for the future preferential dividends anticipated to become payable to Pfizer and Shionogi. The estimated aggregate present value of the liability for preferential dividends to both Pfizer and Shionogi is approximately £170 million.

On 22 February 2016, ViiV Healthcare completed two previously announced transactions with Bristol-Myers Squibb (BMS). ViiV Healthcare acquired late-stage R&D assets from BMS for an initial upfront payment of \$317 million followed by development and first commercial sale milestones of up to \$518 million, and tiered royalties on sales. ViiV Healthcare also acquired BMS's preclinical and discovery stage HIV research business for an upfront payment of \$33 million, followed by development and first commercial sales milestones of up to \$587 million, and further consideration contingent on future sales performance.

44 Principal Group companies

The following represent the principal subsidiaries and their countries of incorporation of the Group at 31 December 2015. The equity share capital of these entities is wholly owned by the Group except where its percentage interest is shown otherwise. All companies are incorporated in their principal country of operation except where stated.

England

Glaxo Group Limited
Glaxo Operations UK Limited
GlaxoSmithKline Capital plc
GlaxoSmithKline Consumer Healthcare Holdings Limited (63.5%)
GlaxoSmithKline Consumer Healthcare (UK) Trading Limited (63.5%)
GlaxoSmithKline Export Limited
GlaxoSmithKline Finance plc
GlaxoSmithKline Holdings Limited *
GlaxoSmithKline Research & Development Limited
GlaxoSmithKline Services Unlimited *
GlaxoSmithKline UK Limited
Setfirst Limited
SmithKline Beecham Limited
ViiV Healthcare Limited (78.3%)
ViiV Healthcare UK Limited (78.3%)

Europe

GlaxoSmithKline Biologicals S.A. (Belgium)
GlaxoSmithKline Pharmaceuticals S.A. (Belgium)
GlaxoSmithKline Biologicals S.A.S. (France)
Groupe GlaxoSmithKline S.A.S. (France)
Laboratoire GlaxoSmithKline S.A.S. (France)
ViiV Healthcare S.A.S. (France) (78.3%)
GlaxoSmithKline Consumer Healthcare GmbH & Co. KG (Germany) (63.5%)
GlaxoSmithKline GmbH & Co. KG (Germany)
Novartis Consumer Health GmbH (Germany) (63.5%)
GlaxoSmithKline Consumer Healthcare S.p.A. (Italy) (63.5%)
GlaxoSmithKline S.p.A. (Italy)
GlaxoSmithKline B.V. (Netherlands)
GlaxoSmithKline Pharmaceuticals S.A. (Poland)
GSK Services Sp.z.o.o. (Poland)
GlaxoSmithKline Trading Services Limited (Republic of Ireland) (i)
GlaxoSmithKline S.A. (Spain)
Novartis Consumer Health S.A. (Switzerland) (63.5%)

(i) Exempt from the provisions of section 347 and 348 of the Companies Act 2014 (Ireland), in accordance with the exemptions noted in Section 357 of that Act. Further subsidiaries, as disclosed on pages 250 to 258, are exempt from these provisions as they are also consolidated in the group financial statements.

* Directly held wholly owned subsidiary of GlaxoSmithKline plc.

The subsidiaries and associates listed above principally affect the figures in the Group's financial statements. Each of GlaxoSmithKline Capital Inc. and GlaxoSmithKline Capital plc is a wholly-owned finance subsidiary of the company, and the company has fully and unconditionally guaranteed the securities issued by each of GlaxoSmithKline Capital Inc. and GlaxoSmithKline Capital plc.

See pages 250 to 258 for a complete list of subsidiary undertakings, associates and joint ventures, which form part of these financial statements.

US

Block Drug Company, Inc.
Corixa Corporation
GlaxoSmithKline Capital Inc.
GlaxoSmithKline Consumer Healthcare, L.P. (55.9%)
GlaxoSmithKline Holdings (Americas) Inc.
GlaxoSmithKline LLC
Human Genome Sciences, Inc.
Novartis Consumer Health, Inc.
Stiefel Laboratories, Inc.
ViiV Healthcare Company (78.3%)

Others

GlaxoSmithKline Argentina S.A. (Argentina)
GlaxoSmithKline Australia Pty Ltd. (Australia)
GlaxoSmithKline Brasil Limitada (Brazil)
GlaxoSmithKline Inc. (Canada)
ID Biomedical Corporation of Quebec (Canada)
GlaxoSmithKline (China) Investment Co. Ltd. (China)
GlaxoSmithKline Limited (China)
GlaxoSmithKline Pharmaceuticals (Suzhou) Limited (China)
Sino-American Tianjin Smith Kline & French Laboratories Ltd. (China) (34.9%)
GlaxoSmithKline Consumer Healthcare Limited (India) (72.5%)
GlaxoSmithKline Pharmaceuticals Limited (India) (75%)
GlaxoSmithKline Consumer Healthcare Japan K.K. (Japan)
GlaxoSmithKline K.K. (Japan)
GlaxoSmithKline Mexico S.A. de C.V. (Mexico)
GlaxoSmithKline Pakistan Limited (Pakistan) (82.6%)
Glaxo Wellcome Manufacturing Pte Ltd. (Singapore)
GlaxoSmithKline Pte Ltd. (Singapore)
GlaxoSmithKline Korea Limited (South Korea)
GlaxoSmithKline Ilaclari Sanayi ve Ticaret A.S. (Turkey)

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45 Legal proceedings

The Group is involved in significant legal and administrative proceedings, principally product liability, intellectual property, tax, anti-trust and governmental investigations, as well as related private litigation. The Group makes provision for these proceedings on a regular basis as summarised in Note 2, 'Accounting principles and policies' and Note 29, 'Other provisions'. The Group may become involved in significant legal proceedings in respect of which it is not possible to make a reliable estimate of the expected financial effect, if any, that could result from ultimate resolution of the proceedings. In these cases, appropriate disclosures about such cases would be included, but no provision would be made.

With respect to each of the legal proceedings described below, other than those for which a provision has been made, the Group is unable to make a reliable estimate of the expected financial effect at this stage. The Group does not believe that information about the amount sought by the plaintiffs, if that is known, would be meaningful with respect to those legal proceedings. This is due to a number of factors, including, but not limited to, the stage of proceedings, the entitlement of parties to appeal a decision and clarity as to theories of liability, damages and governing law.

Intellectual property claims include challenges to the validity and enforceability of the Group's patents on various products or processes as well as assertions of non-infringement of those patents. A loss in any of these cases could result in loss of patent protection for the product at issue. The consequences of any such loss could be a significant decrease in sales of that product and could materially affect future results of operations for the Group.

Legal expenses incurred and provisions related to legal claims are charged to selling, general and administration costs. Provisions are made, after taking appropriate legal and other specialist advice, where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute. For certain product liability claims, the Group will make a provision where there is sufficient history of claims made and settlements to enable management to make a reliable estimate of the provision required to cover unasserted claims. At 31 December 2015, the Group's aggregate provision for legal and other disputes (not including tax matters described in Note 14, 'Taxation') was £0.4 billion. The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations.

The Group's position could change over time, and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed by a material amount the amount of the provisions reported in the Group's financial statements. If this were to happen, it could have a material adverse impact on the results of operations of the Group in the reporting period in which the judgments are incurred or the settlements entered into. The most

Intellectual property

Advair HFA, Flovent HFA, Ventolin HFA

On 29 September 2015, Mylan Pharmaceuticals (Mylan) filed a petition for an Inter Partes Review (IPR) with the United States Patent and Trademark Office (USPTO) seeking to invalidate a patent covering the surfactant-free formulation and its use in the hydrofluoroalkane (HFA) metered dose inhalers for *Advair*, *Flovent* and *Ventolin*. The Group exclusively licenses the patent from 3M and has the first right to enforce and defend it. The patent, which expires on 1 December 2021, is listed in the Orange Book. The Group filed a Patent Owner's Preliminary Response opposing the institution of the IPR on 6 January 2015. A decision on institution is due by 6 April 2016. The patent that Mylan has challenged is just one of a number of patents covering *Advair*, *Flovent* and *Ventolin* and their use in HFA metered dose inhalers.

Men B vaccines/Bexsero

Following its acquisition of the Novartis Vaccine business, the Group has taken over litigation originally filed by Novartis against Pfizer, Inc. (Pfizer) in the UK, Italy and the United States related to meningococcal B (Men B) vaccines. On 18 February 2015, Novartis filed suit against Pfizer in the UK High Court (Patents Court) for a declaration that a European patent owned by Pfizer was not infringed by *Bexsero* and was invalid. The Group assumed responsibility for this matter on 27 April 2015. Pfizer filed a Statement of Defence on 27 May 2015 and counterclaimed for infringement. Trial in the matter commenced on 7 March 2016.

On 18 February 2015, Novartis filed suit against Pfizer in the Court of Rome for a declaration that a European patent owned by Pfizer was not infringed by *Bexsero* and was invalid. The Group has assumed responsibility for this matter. The Group is also prosecuting a lawsuit against Pfizer, originally filed by Novartis, for a declaration that a European patent issued to Pfizer related to meningitis B vaccines is not infringed by *Bexsero*.

On 18 February 2015, Novartis filed suit against Pfizer in the US District Court for the District of New Jersey for patent infringement. The complaint asserts six patents against Pfizer, alleging that Pfizer's sale of *Trumenba* infringes those patents. *Trumenba* is indicated for active immunization to prevent invasive disease caused by *Neisseria meningitidis* serogroup B. On 27 April 2015, the Group filed a First Amended Complaint against Pfizer reasserting the six patents originally asserted by Novartis, but also asserting one additional recently-granted patent. Infringement contentions were served by the Group on 29 October 2015; Pfizer served non-infringement and invalidity contentions on 18 December 2015. The Group responded to Pfizer's invalidity contentions on 5 February 2016. No dates have been set for summary judgment motions or trial.

significant of these matters are described below.

45 Legal proceedings continued

Coreg CR

Mylan sent a Paragraph IV certification, dated 26 August 2015, to the Group and Flamel Ireland Ltd. (Flamel) stating that it had submitted an Abbreviated New Drug Application (ANDA) to the US Food and Drug Administration (FDA) seeking approval of a generic version of *Coreg CR*. The notice asserted that the patents listed in the Orange Book for *Coreg CR* were either invalid or not infringed by Mylan's product. On 9 October 2015, Flamel filed a civil complaint in the US District Court for the Northern District of West Virginia alleging that Mylan's product infringes Flamel's Orange Book-listed extended release formulation patent which expires 11 March 2026. The Group is the exclusive licensee of this patent for *Coreg CR*. Mylan answered on 18 December 2015, asserting that Flamel's patent was invalid or not infringed. Mylan also filed a third party complaint against the Group requesting a declaration that the Group's patent on carvedilol phosphate hemihydrate is invalid or not infringed. A scheduling conference has been set for 12 May 2016.

Epzicom/Kivexa/Trizivir

On 6 February 2014, ViiV Healthcare received notice that Lupin Limited (Lupin) had filed an ANDA containing a Paragraph IV certification for *Epzicom*, alleging that the three patents listed in the Orange Book for *Epzicom* are either invalid, unenforceable or not infringed. ViiV Healthcare filed suit against Lupin on 3 March 2014, alleging infringement of both the patent covering the combination of lamivudine and abacavir and the patent covering the hemisulfate salt of abacavir. ViiV Healthcare settled with Lupin on 22 June 2015, and the case was dismissed on 7 August 2015.

On 2 June 2014, Apotex filed a Petition requesting an Inter Partes Review (IPR) of the combination patent covering *Epzicom* and *Trizivir*. The USPTO granted the petition on 8 December 2014 which initiated the IPR. On 8 January 2015, Teva filed a petition with the USPTO to join the proceeding. ViiV Healthcare filed an opposition to Teva's joinder motion on 3 April 2015, and Teva's motion to join was denied on 25 June 2015. On 29 July 2015, ViiV Healthcare and Apotex settled the case, and the USPTO terminated the IPR on 3 August 2015.

Teva Canada and Apotex each filed Notices of Allegation challenging patents for *Kivexa* (lamivudine/abacavir) listed on the Canadian Patent Register. ViiV Healthcare filed suit for infringement against Teva on 12 September 2013 under the patents covering abacavir hemisulfate and the combination of lamivudine and abacavir. ViiV Healthcare filed suit against Apotex on 31 January 2014 under the patent covering abacavir hemisulfate and on 14 March 2014 for infringement of the patent covering the combination of lamivudine and abacavir. ViiV Healthcare settled the case against Teva on 24 April 2015 and against Apotex on 29 July 2015.

Teva also challenged the claims of the combination patent covering *Kivexa* in Germany, France, Italy and the United

In May 2015, Mylan filed an action in the UK Patents Court alleging that the patent covering the combination of lamivudine and abacavir for *Kivexa* is invalid. They also allege that the SPC based upon the patent is invalid because it was not the first marketing authorisation for the combination, alleging instead that the prior approval of *Trizivir* was the first. Trial is scheduled for May 2016. In addition, Mylan has challenged the combination patent and associated SPC in France, Italy and Portugal. No trial dates have been set in these jurisdictions.

Lexiva

On 10 December 2014, Lupin filed a petition with the USPTO for an IPR alleging that the patent covering the active ingredient for *Lexiva* is invalid. ViiV Healthcare filed a Patent Owner's Preliminary Response opposing the petition on 12 April 2015. On 9 July 2015, the USPTO granted in-part and denied in-part the petition for an IPR. Significantly, the USPTO denied the petition for the basic compound claims covering *Lexiva*, while granting the petition for other claims in the patent. On 24 July 2015, Lupin requested reconsideration of the decision not to initiate review of the claims specifically covering *Lexiva*. On 14 October 2015, ViiV Healthcare requested adverse judgment as to the claims upon which review was granted (effectively cancelling those claims). On 2 November 2015, the USPTO denied Lupin's motion for reconsideration and, on 3 November 2015, the USPTO cancelled the requested claims and terminated the IPR, leaving the claims covering *Lexiva* intact. On 4 February 2016, Lupin filed a new petition for an IPR on the remaining claims. A Patent Owner's Preliminary Response is due 11 May 2016.

Product liability

Pre-clinical and clinical trials are conducted during the development of potential products to determine the safety and efficacy of products for use by humans following approval by regulatory bodies. Notwithstanding these efforts, when drugs and vaccines are introduced into the marketplace, unanticipated safety issues may become, or be claimed by some to be, evident. The Group is currently a defendant in a number of product liability lawsuits related to the Group's Pharmaceutical, Vaccine and Consumer Healthcare products. The most significant of these matters are described below.

The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision, as appropriate, for the matters below in the provision for legal and other disputes. Matters for which the Group has made a provision are also noted in Note 29, 'Other provisions'.

Kingdom. The combination patent expires across Europe in 2016. In addition, ViiV Healthcare has a corresponding Supplementary Protection Certificate (SPC) for *Kivexa* that does not expire until late 2019. Teva also challenged the validity of the SPC. ViiV Healthcare reached a settlement with Teva in May 2015 and the litigation was terminated.

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Avandia

The Group has been named in product liability lawsuits on behalf of individuals asserting personal injury claims arising out of the use of *Avandia*. The federal cases filed against the Group are part of a multi-district litigation proceeding pending in the US District Court for the Eastern District of Pennsylvania (the 'MDL Court'). Cases have also been filed in a number of state courts.

As of February 2016, the Group has reached agreements to settle the substantial majority of federal and state cases pending in the US. Fifteen purported class actions on *Avandia* are pending in Canada.

There are four purported class actions seeking economic damages on behalf of third party payers (TPPs) asserting claims arising under various state and federal laws, including the Racketeer Influenced and Corrupt Organizations Act (RICO), state unfair trade practices and/or consumer protection laws. The MDL Court has consolidated these four actions for pre-trial proceedings, and has appointed a Plaintiffs Steering Committee. The Group is filing a petition for writ of certiorari in the United States Supreme Court seeking review of the Third Circuit's decision that the TPPs state a valid cause of action.

The sole remaining consumer class action, brought on behalf of Missouri residents, was dismissed by the MDL Court; the Third Circuit has affirmed the MDL's decision dismissing the action. As a result, no consumer class actions remain.

Seroxat/Paxil and Paxil CR

The Group has received numerous lawsuits and claims alleging that use of *Paxil* (paroxetine) has caused a variety of injuries.

Most of these lawsuits contain one or more of the following allegations: (i) that use of *Paxil* during pregnancy caused congenital malformations or persistent pulmonary hypertension; (ii) that *Paxil* treatment caused patients to commit suicidal or violent acts; and (iii) that the Group failed to warn that patients could experience certain symptoms on discontinuing *Paxil* treatment.

■ **Pregnancy**

The Group has reached agreements to settle the majority of the US claims relating to the use of *Paxil* during pregnancy as of February 2016, but a number of claims related to use during pregnancy are still pending in various courts in the US. Other matters have been dismissed without payment. Currently, there are twelve trials scheduled in 2016.

There are two proposed, and one certified, class actions in Canada. The action that has been certified as a national class action is in British Columbia and relates to cardiovascular defects. An appeal from that certification decision was dismissed in October 2013, and the case is scheduled to be tried in October 2016.

■ **Acts of violence**

As of February 2016, there were six pending matters concerning allegations that patients who took paroxetine or *Paxil* committed or attempted to commit suicide or acts of violence. Trial on one of these cases is scheduled for 19 September 2016.

■ **Discontinuation**

In the UK, in late 2010, due to poor prospects of success, public funding of *Seroxat* claimants who had alleged withdrawal reactions was ceased. The majority of the claimants discontinued their claims. In 2011, about 120 claimants appealed the decision to the Special Cases Review Panel. The Special Cases Review Panel denied the appeal, and the public funding certificate was discharged by the Legal Aid Agency on 29 January 2015. One hundred and three cases remain. These were the subject of a hearing held on 14 December 2015. The judgement from the hearing was published on 4 February 2016 and allowed the remaining claims to continue under court management. A further case management conference is expected by the summer.

Zofran

Plaintiffs allege that their children suffered birth defects as a result of the mothers' ingestion of *Zofran* and/or generic ondansetron for pregnancy-related nausea and vomiting. Plaintiffs assert that the Group sold *Zofran* knowing it was unsafe for pregnant women, failed to warn of the risks, and illegally marketed *Zofran* "off-label" for use by pregnant women. As of February 2016, the Group is a defendant in 226 personal injury lawsuits brought on behalf of 236 individual plaintiffs in the US. All 221 federal cases are part of a multi-district litigation proceeding (MDL) in the District of Massachusetts. The Group is also a defendant in four proposed class actions in Canada, which are in their early stages. Class certification issues in these cases have not yet been addressed.

On 27 January 2016, the MDL court issued an order denying the Group's motion to dismiss all claims on the grounds that they are preempted under federal law. The Group may renew the motion at a later date. The MDL continues with monthly status conferences where issues such as the sufficiency of the pleadings and the scope of discovery will be addressed.

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Sales and marketing and regulation

The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category, and has included a provision for such matters in the provision for legal and other disputes, except as noted below. Matters for which the Group has made a provision are also noted in Note 29, 'Other provisions'.

SEC/DOJ and SFO Anti-corruption enquiries

The US Securities and Exchange Commission (SEC) and the US Department of Justice (DOJ) initiated an industry-wide enquiry in 2010 into whether pharmaceutical companies may have engaged in violations of the US Foreign Corrupt Practices Act (FCPA) relating to the sale of pharmaceuticals, including in Argentina, Brazil, Canada, China, Germany, Italy, Poland, Russia and Saudi Arabia. The Group is one of the companies that has been asked to respond to this enquiry and is cooperating with the SEC and DOJ. The Group has informed the DOJ and SEC about the investigation of its China operations by the Chinese government that was initiated in 2013 and the outcome of that investigation. The Group also has briefed the DOJ and SEC regarding other countries and issues.

The Group also has advised the UK Serious Fraud Office (SFO) regarding the investigation of its China operations by the Chinese government and the outcome of that investigation. The SFO has requested information from the Group on its commercial operations in a number of countries. On 27 May 2014, the SFO informed the Group that it had formally opened a criminal investigation into the Group's practices. The Group is responding to the SFO's requests. The Group is unable to make a reliable estimate of the expected financial effect of these investigations, and no provision has been made for them.

US Vaccines subpoena

On 25 February 2016, the Group received a subpoena from the US Attorney's Office for the Southern District of New York requesting documents relating to the Group's Vaccines business. The Group is responding to the subpoena. The Group is unable to make a reliable estimate of the expected financial effect of this matter, and no provision has been made for it.

US subpoena relating to *Imitrex* and *Amerge*

On 7 March 2016, the Group received a subpoena from the US Attorney's Office for the Southern District of New York requesting documents relating to the Group's US contracts for *Imitrex* and *Amerge*. The Group is responding to the subpoena. The Group is unable to make a reliable estimate of the expected financial effect of this matter, and no provision has been made for it.

Avandia

The Group is defending an action by the County of Santa Clara, California, which was brought under California's consumer protection laws seeking civil penalties and restitution as a result of the Group's marketing of *Avandia*. The Group has filed a number of dispositive motions which are pending before the MDL Court. The County of Santa

Average wholesale price

State Attorneys General in Wisconsin and Illinois have filed suit against the Group and a number of other pharmaceutical companies claiming damages and restitution due to average wholesale price (AWP) and/or wholesale acquisition cost (WAC) price reporting for pharmaceutical products covered by the states' Medicaid programmes. These cases allege that the Group reported or caused to be reported false AWP and WAC prices, which, in turn, allegedly caused state Medicaid agencies to reimburse providers more money for covered medicines than the agencies intended. The states have sought recovery on behalf of the states as payers and, in some cases, on behalf of in-state patients as consumers. The Group has reached a settlement with the State of Wisconsin resolving all claims in the matter. The Illinois case is ongoing, and no trial date has yet been set.

Cidra third-party payer litigation

On 25 July 2013, a number of major US healthcare insurers filed suit against the Group in the Philadelphia, Pennsylvania County Court of Common Pleas seeking compensation for reimbursements they made for medicines manufactured at the Group's former Cidra plant in Puerto Rico. These insurers claim that the Group knowingly and illegally marketed and sold adulterated drugs manufactured under conditions non-compliant with cGMP (current good manufacturing practices) and that they, as third-party insurers, were unlawfully induced to pay for them. The suit alleges both US federal and various state law causes of action.

The case had been stayed pending the decision of the US Court of Appeals for the Third Circuit on an overlapping, potentially dispositive issue in the Group's third-party payer litigation regarding *Avandia*. As a result of the Third Circuit's denial of the Group's petition, the judge in this litigation has lifted the stay. The parties have filed supplemental briefings on the Group's motion to dismiss and await a ruling from the court. The Group has made no provision for this matter.

Anti-trust/competition

The Group has been able to make a reliable estimate of the expected financial effect of the matters discussed in this category and has included a provision for such matters in the provision for legal and other disputes, except as noted below. Matters for which the Group has made a provision are also noted in Note 29, 'Other provisions'.

UK Competition and Markets Authority investigation

On 12 February 2016, the UK Competition and Markets Authority (CMA) issued a decision fining the Group and two other pharmaceutical companies for infringement of the Competition Act. The CMA imposed a fine of £37.6 million on the Group, as well as fines totalling £7.4 million against the other companies.

This relates to agreements to settle patent disputes between the Group and potential suppliers of generic paroxetine formulations, entered between 2001 and 2003. The Group terminated the agreements at issue in 2004. The Group believes it has strong arguments to defend its actions and is currently examining the CMA's finding with its legal advisors

Clara recently has filed a motion to dismiss the action from federal court for lack of federal jurisdiction. This motion has been briefed and argued by the parties.

with a view to appeal to the Competition Appeal Tribunal such that the fine is overturned or substantially reduced. Accordingly no provision has been made for this matter.

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Lamictal

Purported classes of direct and indirect purchasers filed suit in the US District Court for the District of New Jersey alleging that the Group and Teva Pharmaceuticals unlawfully conspired to delay generic competition for *Lamictal*, resulting in overcharges to the purchasers, by entering into an allegedly anti-competitive reverse payment settlement to resolve patent infringement litigation. A separate count accuses the Group of monopolising the market. On 26 June 2015, the Court of Appeals reversed the trial court's decision to dismiss the case and remanded the action back to the trial court. On 26 October 2015, the trial court denied the Group's motion for a stay and set a schedule for early dispositive motions and discovery. The Group filed a petition for certiorari with the United States Supreme Court on 19 February 2016.

Wellbutrin XL

Plaintiffs claimed antitrust injury related to allegedly sham patent litigation filed by Biovail against generic companies pursuing ANDAs for generic *Wellbutrin XL*. The Group was named as a party plaintiff in two patent infringement actions but later withdrew from those matters. The Group was not a party in the remaining two patent infringement actions relating to *Wellbutrin XL*. Plaintiffs alleged that a conspiracy to delay generic approval existed between Biovail and the Group, but the Court granted summary judgment in favour of the Group on those claims.

The sole remaining claim related to plaintiffs' allegations that the Group entered into an anti-competitive reverse payment settlement to resolve the patent infringement litigation. The Court granted summary judgment in favour of the Group on all claims, and the matter is currently pending appeal before the US Court of Appeals for the Third Circuit Court.

Commercial and corporate

Where the Group is able to make a reliable estimate of the expected financial effect, if any, for the matters discussed in this category, it has included a provision in respect of such matters in the provision for legal and other disputes as set out in Note 29, 'Other provisions'.

Securities/ERISA class actions – Stiefel

There are currently three outstanding lawsuits brought by former Stiefel Laboratories, Inc. (Stiefel) employees alleging that Stiefel and its officers and directors violated the US Employee Retirement Income Security Act (ERISA) and federal and state securities laws by inducing Stiefel employees to sell their shares in the employee stock plan back to Stiefel at a greatly undervalued price and without disclosing to employees that Stiefel was about to be sold to the Group.

The Fried case is currently on appeal to the US Court of Appeals for the Eleventh Circuit with oral argument having taken place in February 2016. Stiefel won a complete defence verdict in this matter at a jury trial in federal court in Florida in October 2013 and the plaintiff appealed. Trial of a second Florida case has been stayed pending resolution of the Fried matter. Discovery also continues in a case pending in New York federal court.

In addition to the private litigant suits, on 12 December 2011, the US Securities and Exchange Commission (SEC) filed a formal complaint against Stiefel and Charles Stiefel in the US District Court for the District of Florida alleging that Stiefel and its principals violated federal securities laws by inducing Stiefel employees to sell their shares in the employee stock plan back to the company at a greatly undervalued price and without disclosing to employees that the company was about to be sold. The case had been stayed but was returned to active status in early summer 2015. On 30 November 2015, the court entered orders asking the parties to rebrief their summary judgment motions and setting a pretrial conference for August 2016. The Group has made a provision for the Stiefel litigation.

Environmental matters

The Group has been notified of its potential responsibility relating to past operations and its past waste disposal practices at certain sites, primarily in the US. Some of these matters are the subject of litigation, including proceedings initiated by the US federal or state governments for waste disposal, site remediation costs and tort actions brought by private parties.

The Group has been advised that it may be a responsible party at approximately 21 sites, of which 11 appear on the National Priority List created by the Comprehensive Environmental Response Compensation and Liability Act (Superfund). These proceedings seek to require the operators of hazardous waste facilities, transporters of waste to the sites and generators of hazardous waste disposed of at the sites to clean up the sites or to reimburse the US Government for cleanup costs. In most instances, the Group is involved as an alleged generator of hazardous waste.

Although Superfund provides that the defendants are jointly and severally liable for cleanup costs, these proceedings are frequently resolved on the basis of the nature and quantity of waste disposed of by the generator at the site. The Group's proportionate liability for cleanup costs has been substantially determined for 18 of the sites referred to above.

The Group's potential liability varies greatly from site to site. While the cost of investigation, study and remediation at such sites could, over time, be significant, the Group routinely accrues amounts related to its share of the liability for such matters.

Financial statements of GlaxoSmithKline plc

prepared under UK GAAP (including FRS 101 'Reduced Disclosure Framework')

Directors' statement of responsibilities in relation to the company's financial statements

The Directors are responsible for preparing the parent company, GlaxoSmithKline plc, financial statements and the Remuneration report in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the parent company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the parent company financial statements and Remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The parent company financial statements for the year ended 31 December 2015, comprising the balance sheet for the year ended 31 December 2015 and supporting notes, are set out on pages 213 to 216 of this report.

The responsibilities of the auditors in relation to the parent company financial statements are set out in the Independent Auditors' report on page 212.

The financial statements for the year ended 31 December 2015 are included in the Annual Report, which is published in printed form and made available on our website. The Directors are responsible for the maintenance and integrity

Disclosure of information to auditors

The Directors in office at the date of this Annual Report have each confirmed that:

- so far as he or she is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern basis

Having assessed the principal risks and other matters considered in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The UK Corporate Governance Code

The Board considers that GlaxoSmithKline plc applies the principles and complies with the provisions of the UK Corporate Governance Code maintained by the Financial Reporting Council, as described in the Corporate Governance section on pages 80 to 101. The Board further considers that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

As required by the Financial Conduct Authority's Listing Rules, the auditors have considered the Directors' statement of compliance in relation to those points of the UK Corporate Governance Code which are specified for their review.

Philip Hampton
Chairman
16 March 2016

of the Annual Report on our website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

The Strategic Report and risk sections of the Annual Report, which represent the management report, include a fair review of the development and performance of the business and the position of the company and the Group taken as a whole, together with a description of the principal risks and uncertainties that it faces.

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to the members of GlaxoSmithKline plc

Report on the parent company financial statements

Our Opinion

In our opinion, GlaxoSmithKline plc's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs at 31 December 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Company balance sheet at 31 December 2015;
- the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- we have not received all the information and explanations

Other Companies Act 2006 reporting

Under the Companies Act 2006, we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' statement of responsibilities set out on page 211, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we

- we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of GlaxoSmithKline plc for the year ended 31 December 2015.

The company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the senior statutory auditor's name should not be stated.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London
16 March 2016

Company balance sheet – UK GAAP (including FRS 101 ‘Reduced Disclosure Framework’) at 31 December 2015

| | Notes | 2015 £m | 2014 £m |
|---------------------------------------|-------|---------------|------------|
| Fixed assets – investments | F | 20,096 | 19,691 |
| Current assets: | | | |
| Trade and other receivables | G | 6,635 | 10,900 |
| Cash at bank | | 2 | 2 |
| Total current assets | | 6,637 | 10,902 |
| Trade and other payables | H | (671) | (1,799) |
| Net current assets | | 5,966 | 9,103 |
| Total assets less current liabilities | | 26,062 | 28,794 |
| Provisions | I | (40) | (25) |
| Other non-current liabilities | J | (398) | – |
| Net assets | | 25,624 | 28,769 |
| Capital and reserves | | | |
| Called up share capital | K | 1,340 | 1,339 |
| Share premium account | K | 2,831 | 2,759 |
| Other reserves | | 1,420 | 1,420 |
| Retained earnings | L | 20,033 | 23,251 |
| Equity shareholders' funds | | 25,624 | 28,769 |

The financial statements on pages 213 to 216 were approved by the Board on 16 March 2016 and signed on its behalf by

Philip Hampton
Chairman

GlaxoSmithKline plc
Registered number: 3888792

Company statement of changes in equity

| | Share capital £m | Share premium account £m | Other reserves £m | Retained earnings £m | Total £m |
|--|------------------------|-----------------------------------|-------------------------|----------------------------|----------------|
| At 1 January 2014 | 1,336 | 2,595 | 1,420 | 17,179 | 22,530 |
| Profit attributable to shareholders | – | – | – | 10,003 | 10,003 |
| Dividends to shareholders | – | – | – | (3,843) | (3,843) |
| Shares issued under employee share schemes | 3 | 164 | – | – | 167 |
| Shares purchased and held as Treasury shares | – | – | – | (238) | (238) |
| Treasury shares transferred to the ESOT held by a subsidiary company | – | – | – | 150 | 150 |
| At 31 December 2014 | 1,339 | 2,759 | 1,420 | 23,251 | 28,769 |
| Profit attributable to shareholders | – | – | – | 656 | 656 |
| Dividends to shareholders | – | – | – | (3,874) | (3,874) |
| Shares issued under employee share schemes | 1 | 72 | – | – | 73 |
| At 31 December 2015 | 1,340 | 2,831 | 1,420 | 20,033 | 25,624 |

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Notes to the company balance sheet – UK GAAP (including FRS 101 ‘Reduced Disclosure Framework’)

A) Presentation of the financial statements

Description of business

GlaxoSmithKline plc is the parent company of GSK, a major global healthcare group which is engaged in the creation and discovery, development, manufacture and marketing of pharmaceutical products, including vaccines, over-the-counter (OTC) medicines and health-related consumer products.

Preparation of financial statements

The financial statements, which are prepared using the historical cost convention and on a going concern basis, are prepared in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework’ and with UK accounting presentation as at 31 December 2015, with comparative figures as at 31 December 2014. There were no comparative figures that required changing as a result of the current year adoption of FRS101.

As permitted by section 408 of the Companies Act 2006, the income statement of the company is not presented in this Annual Report.

The company is included in the Group financial statements of GlaxoSmithKline plc, which are publicly available.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, ‘Share-based payment’
- IFRS 7, ‘Financial Instruments - Disclosures’
- Paragraphs 91-99 of IFRS 13, ‘Fair value measurement’
- Paragraph 38 of IAS 1, ‘Presentation of financial statements’ comparative information requirements in respect of paragraph 79(a) (iv) of IAS 1
- Paragraphs 10(d), 10(f), 16, 38(A), 38 (B to D), 40 (A to D), 111 and 134 to 136 of IAS 1, ‘Presentation of financial statements’
- IAS 7, ‘Statement of cash flows’
- Paragraph 30 and 31 of IAS 8, ‘Accounting policies, changes in accounting estimates and errors’
- Paragraph 17 of IAS 24, ‘Related party disclosures’ and the further requirement in IAS 24 to disclose related party transactions entered into between two or more members of a Group.

Accounting convention and standards

The balance sheet has been prepared using the historical cost convention and complies with applicable UK accounting standards.

B) Accounting policies

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign currency assets and liabilities are translated at rates of exchange ruling at the balance sheet date.

Dividends paid and received

Dividends paid and received are included in the financial statements in the period in which the related dividends are actually paid or received.

Expenditure

Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Investments in subsidiary companies

Investments in subsidiary companies are held at cost less any provision for impairment.

Impairment of investments

The carrying value of investments are reviewed for impairment when there is an indication that the investment might be impaired. Any provision resulting from an impairment review is charged to the income statement in the year concerned.

Share based payments

The issuance by the company to its subsidiaries of a grant over the company’s shares, represents additional capital contributions by the company in its subsidiaries. An additional investment in subsidiaries results in a corresponding increase in shareholders’ equity. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant’s vesting period.

Taxation

Current tax is provided at the amounts expected to be paid applying tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to be realised or settled. Deferred tax liabilities and assets are not discounted.

Financial guarantees

Liabilities relating to guarantees issued by the company on behalf of its subsidiaries are initially recognised at fair value and amortised over the life of the guarantee.

Legal and other disputes

Accounting principles and policies

The preparation of the balance sheet in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual amounts could differ from those estimates.

The balance sheet has been prepared in accordance with the company's accounting policies approved by the Board and described in Note B.

The company provides for anticipated settlement costs where an outflow of resources is considered probable and a reliable estimate may be made of the likely outcome of the dispute and legal and other expenses arising from claims against the company. At 31 December 2015 provisions for legal and other disputes amounted to £40 million (2014 – £25 million).

Notes to the company balance sheet – UK GAAP (including FRS 101 ‘Reduced Disclosure Framework’) continued

C) Key accounting judgements and estimates

Legal and other disputes

The company provides for anticipated settlement costs where an outflow of resources is considered probable and a reliable estimate may be made of the likely outcome of the dispute and legal and other expenses arising from claims against the company. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgmental and could change substantially over time as new facts emerge and each dispute progresses.

The company’s Directors, having taken legal advice, have established provisions after taking into account the relevant facts and circumstances of each matter and in accordance with accounting requirements. At 31 December 2015 provisions for legal and other disputes amounted to £40 million (2014 – £25 million).

The ultimate liability for legal claims may vary from the amounts provided and is dependent upon the outcome of litigation proceedings, investigations and possible settlement negotiations. The position could change over time and, therefore, there can be no assurance that any losses that result from the outcome of any legal proceedings will not exceed the amount of the provisions reported in the company’s financial statements by a material amount.

F) Fixed assets – investments

| | 2015 £m | 2014 £m |
|---|---------------|------------|
| Shares in GlaxoSmithKline Services Unlimited | 613 | 613 |
| Shares in GlaxoSmithKline Holdings (One) Limited | 18 | 18 |
| Shares in GlaxoSmithKline Holdings Limited | 17,888 | 17,888 |
| Shares in GlaxoSmithKline Mercury Limited | 33 | 33 |
| | 18,552 | 18,552 |
| Capital contribution relating to share based payments | 1,139 | 1,139 |
| Contribution relating to contingent consideration | 405 | – |
| | 20,096 | 19,691 |

G) Trade and other receivables

| | 2015 £m | 2014 £m |
|---------------------------------------|--------------|------------|
| Amounts due within one year: | | |
| UK Corporation tax recoverable | 201 | 205 |
| Other receivables | 41 | 3 |
| Deferred tax recoverable | – | 205 |
| Amounts owed by Group undertakings | 5,977 | 10,055 |
| | 6,219 | 10,468 |
| Amounts due after more than one year: | | |
| Amounts due by Group undertakings | 416 | 432 |
| | 6,635 | 10,900 |

The deferred tax balance of £205 million reported in 2014 and reversed in 2015 arose as a result of the recognition of a deferred tax asset on tax losses expected to be used following completion of the Novartis transaction on 2 March 2015.

Contingent consideration

Any contingent consideration included in the consideration payable for a business combination is recorded at fair value at the date of acquisition. These fair values are generally based on risk-adjusted future cash flows discounted using appropriate interest rates. At 31 December 2015, the liability for contingent consideration amounted to £405 million on the acquisition of the Vaccines business from Novartis in 2015.

The assumptions relating to future cash flows and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these projections to change with a consequent adverse effect on the future results of the company.

D) Operating profit

A fee of £12,053 (2014 – £11,523) relating to the audit of the company has been charged in operating profit.

E) Dividends

The directors declared four interim dividends resulting in a dividend for the year of 80 pence, in line with the dividend for 2014. A special dividend of 20 pence has also been declared in the year. For further details, see Note 16 to the Group financial statements, ‘Dividends’.

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H) Trade and other payables

| | 2015 £m | 2014 £m |
|------------------------------------|------------|------------|
| Amounts due within one year: | | |
| Other creditors | 478 | 497 |
| Contingent consideration payable | 7 | – |
| Amounts owed to Group undertakings | 186 | 1,302 |
| | 671 | 1,799 |

The company has guaranteed debt issued by its subsidiary companies from one of which it receives an annual fee. In aggregate, the company has outstanding guarantees over £16.1 billion of debt instruments. The amounts due from the subsidiary company in relation to these guarantee fees will be recovered over the life of the bonds and are disclosed within ‘Trade and other receivables’ (see Note G).

I) Provisions

| | 2015 £m | 2014 £m |
|---------------------|------------|------------|
| At 1 January | 25 | – |
| Charge for the year | 139 | 148 |
| Utilised | (127) | (138) |
| Other movements | 3 | 15 |
| At 31 December | 40 | 25 |

The provisions relate to a number of legal and other disputes in which the company is currently involved.

J) Other non-current liabilities

| | 2015 £m | 2014 £m |
|----------------------------------|------------|------------|
| Contingent consideration payable | 398 | – |
| | 398 | – |

The contingent consideration relates to the amount payable for the acquisition in 2015 of the Novartis Vaccines portfolio. The current year liability is included within ‘Trade and other payables’.

K) Called up share capital and share premium account

| | Ordinary Shares of 25p each | | Share premium account £m |
|---|-------------------------------------|-------|-------------------------------------|
| | Number | £m | |
| Share capital authorised | | | |
| At 31 December 2014 | 10,000,000,000 | 2,500 | |
| At 31 December 2015 | 10,000,000,000 | 2,500 | |
| Share capital issued and fully paid | | | |
| At 1 January 2014 | 5,342,206,696 | 1,336 | 2,595 |
| Issued under employee share schemes | 13,090,536 | 3 | 164 |
| At 31 December 2014 | 5,355,297,232 | 1,339 | 2,759 |
| Issued under employee share schemes | 6,010,415 | 1 | 72 |
| At 31 December 2015 | 5,361,307,647 | 1,340 | 2,831 |
| | 31 December 2015 000 | | 31 December 2014 000 |
| Number of shares issuable under outstanding options | 99,833 | | 88,801 |
| Number of unissued shares not under option | 4,538,859 | | 4,555,902 |

At 31 December 2015, of the issued share capital, 29,801,412 shares were held in the ESOP Trusts, 491,515,950 shares were held as Treasury shares and 4,839,990,285 shares were in free issue. All issued shares are fully paid. The nominal, carrying and market values of the shares held in the ESOP Trusts are disclosed in Note 42, ‘Employee share schemes’.

L) Reserves

The profit of GlaxoSmithKline plc for the year was £656 million (2014 – £10,003 million), which after dividends of £3,874 million (2014 – £3,843 million), gave a retained loss of £3,218 million (2014 – £6,160 million profit). No Treasury shares were purchased in the year (2014 – £238 million) and no Treasury shares were transferred to a subsidiary (2014 – £150 million). At 31 December 2015, the retained earnings stood at £20,033 million (2014 – £23,251 million), of which £4,096 million was unrealised (2014 – £4,096 million).

M) Group companies

See pages 250 to 258 for a complete list of subsidiaries, associates and joint ventures, which form part of these financial statements.

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[Pharmaceuticals and Vaccines turnover](#)
[Five year record](#)
[Product development pipeline](#)
[Products, competition and intellectual property](#)
[Risk factors](#)
[Share capital and share price](#)
[Dividends](#)
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Financial record

Quarterly trend

An unaudited analysis of the Group results is provided by quarter in Sterling for the financial year 2015.

Income statement – total

| | 12 months 2015 | | | | Q4 2015 | | | |
|--|----------------|---------------|-------------|----------------|---------|---------------|-------------|----------------|
| | £m | Reported CER% | Reported £% | Pro-forma CER% | £m | Reported CER% | Reported £% | Pro-forma CER% |
| Turnover – Pharmaceuticals | 14,166 | (7) | (8) | (1) | 3,763 | (9) | (11) | (1) |
| – Vaccines | 3,657 | 19 | 16 | 3 | 963 | 20 | 15 | (1) |
| – Consumer Healthcare | 6,028 | 44 | 40 | 6 | 1,562 | 47 | 41 | 5 |
| | 23,851 | 6 | 4 | 1 | 6,288 | 5 | 2 | – |
| Corporate and other unallocated turnover | 72 | (9) | (17) | (25) | (2) | >(100) | >(100) | >(100) |
| Total turnover | 23,923 | 6 | 4 | 1 | 6,286 | 4 | 2 | – |
| Cost of sales | (8,853) | 24 | 21 | | (2,541) | 29 | 25 | |
| Selling, general and administration | (9,232) | 13 | 12 | | (2,498) | 15 | 13 | |
| Research and development | (3,560) | 2 | 3 | | (1,054) | 9 | 8 | |
| Royalty income | 329 | 8 | 6 | | 91 | 39 | 36 | |
| Other operating income | 7,715 | | | | (538) | | | |
| Operating profit/(loss) | 10,322 | >100 | >100 | | (254) | >(100) | >(100) | |
| Net finance costs | (653) | | | | (158) | | | |
| Profit/(loss) on disposal of interest in associates and joint ventures | 843 | | | | 1 | | | |
| Share of after tax profits/(losses) of associates and joint ventures | 14 | | | | (5) | | | |
| Profit/(loss) before taxation | 10,526 | >100 | >100 | | (416) | >(100) | >(100) | |
| Taxation | (2,154) | | | | (12) | | | |
| Tax rate % | 20.5% | | | | (2.9)% | | | |
| Profit/(loss) after taxation for the period | 8,372 | >100 | >100 | | (428) | >(100) | >(100) | |
| (Loss)/profit attributable to non-controlling interests | (50) | | | | (74) | | | |
| Profit/(loss) attributable to shareholders | 8,422 | | | | (354) | | | |
| Basic earnings/(loss) per share (pence) | 174.3 | >100 | >100 | | (7.3)p | >(100) | >(100) | |
| Diluted earnings/(loss) per share (pence) | 172.3 | | | | (7.3)p | | | |

Income statement – core

| | | | | | | | | |
|--|---------|------|------|-----|---------|------|------|------|
| Total turnover | 23,923 | 6 | 4 | 1 | 6,286 | 4 | 2 | – |
| Cost of sales | (7,520) | 18 | 15 | 5 | (2,066) | 18 | 15 | 3 |
| Selling, general and administration | (7,907) | 12 | 12 | 4 | (2,108) | 15 | 13 | 5 |
| Research and development | (3,096) | (2) | (1) | (5) | (846) | 3 | 3 | (1) |
| Royalty income | 329 | 8 | 6 | (4) | 91 | 39 | 36 | 39 |
| Operating profit | 5,729 | (9) | (13) | (3) | 1,357 | (18) | (23) | (10) |
| Net finance costs | (636) | | | | (154) | | | |
| Share of after tax (losses)/profits of associates and joint ventures | (2) | | | | (5) | | | |
| Profit before taxation | 5,091 | (10) | (15) | | 1,198 | (20) | (26) | |
| Taxation | (993) | | | | (215) | | | |
| Tax rate % | 19.5% | | | | 17.9% | | | |
| Profit after taxation for the period | 4,098 | (10) | (15) | | 983 | (22) | (28) | |
| Profit attributable to non-controlling interests | 440 | | | | 109 | | | |
| Profit attributable to shareholders | 3,658 | | | | 874 | | | |
| Adjusted earnings per share (pence) | 75.7p | (15) | (21) | | 18.1p | (28) | (34) | |

The calculation of core results is described on page 54.

| | Q3 2015 | | | Q2 2015 | | | Q1 2015 | | | |
|--|---------|----------|-----|---------|----------|------|---------|----------|------|-----------|
| | £m | Reported | | £m | Reported | | £m | Reported | | Pro-forma |
| | | CER% | £% | | CER% | £% | | CER% | £% | |
| | 3,340 | (7) | (8) | 3,540 | (6) | (6) | 3,523 | (7) | (8) | (5) |
| | 1,181 | 32 | 30 | 814 | 11 | 7 | 699 | 10 | 7 | 3 |
| | 1,576 | 55 | 48 | 1,509 | 51 | 48 | 1,381 | 24 | 23 | 8 |
| | 6,097 | 11 | 8 | 5,863 | 7 | 6 | 5,603 | 1 | – | (1) |
| | 30 | 27 | 15 | 25 | 87 | 67 | 19 | (9) | (17) | (19) |
| | 6,127 | 11 | 9 | 5,888 | 7 | 6 | 5,622 | 1 | – | (1) |
| | (2,204) | 24 | 21 | (2,005) | 19 | 16 | (2,103) | 23 | 21 | |
| | (1,968) | (1) | (2) | (2,541) | 21 | 24 | (2,225) | 14 | 13 | |
| | (827) | 1 | 3 | (812) | (2) | – | (867) | (2) | 1 | |
| | 99 | – | (2) | 62 | (14) | (14) | 77 | 13 | 10 | |
| | (202) | | | (257) | | | 8,712 | | | |
| | 1,025 | 53 | 46 | 335 | (61) | (71) | 9,216 | >100 | >100 | |
| | (154) | | | (182) | | | (159) | | | |
| | (2) | | | 1 | | | 843 | | | |
| | (2) | | | (2) | | | 23 | | | |
| | 867 | 69 | 58 | 152 | (73) | (85) | 9,923 | >100 | >100 | |
| | (220) | | | (37) | | | (1,885) | | | |
| | 25.4% | | | 24.3% | | | 19.0% | | | |
| | 647 | 80 | 68 | 115 | (70) | (84) | 8,038 | >100 | >100 | |
| | 109 | | | (34) | | | (51) | | | |
| | 538 | | | 149 | | | 8,089 | | | |
| | 11.1p | 45 | 32 | 3.1p | (63) | (77) | 167.8p | >100 | >100 | |
| | 11.0p | | | 3.1p | | | 166.4p | | | |

| | | | | | | | | | | | |
|--|---------|------|------|---------|-------|------|------|---------|-------|------|------|
| | 6,127 | 11 | 9 | 5,888 | 7 | 6 | 2 | 5,622 | 1 | – | (1) |
| | (1,936) | 22 | 18 | (1,779) | 18 | 16 | 3 | (1,739) | 13 | 12 | 8 |
| | (1,842) | 26 | 25 | (2,091) | 7 | 9 | (2) | (1,866) | 4 | 3 | 1 |
| | (730) | (3) | (2) | (731) | (6) | (5) | (10) | (789) | (2) | 1 | (4) |
| | 99 | – | (2) | 62 | (14) | (14) | (33) | 77 | 13 | 10 | 5 |
| | 1,718 | (5) | (9) | – | 1,349 | 3 | (4) | 14 | 1,305 | (14) | (15) |
| | (148) | | | (178) | | | | (156) | | | |
| | (2) | | | (2) | | | | 7 | | | |
| | 1,568 | (5) | (10) | 1,169 | 1 | (7) | | 1,156 | (14) | (16) | |
| | (314) | | | (233) | | | | (231) | | | |
| | 20.0% | | | 20.0% | | | | 20.0% | | | |
| | 1,254 | (5) | (10) | 936 | 4 | (5) | | 925 | (12) | (13) | |
| | 141 | | | 99 | | | | 91 | | | |
| | 1,113 | | | 837 | | | | 834 | | | |
| | 23.0p | (13) | (18) | 17.3p | – | (9) | | 17.3p | (16) | (18) | |

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Pharmaceuticals turnover by therapeutic area 2015

| Therapeutic area/major products | Total | | | | US | | | Europe | | | International | | |
|---|---------------|---------------|-------------|-------------|--------------|-------------|-------------|--------------|-------------|-------------|---------------|-------------|-------------|
| | 2014 | | Growth | 2015 | Growth | 2015 | Growth | 2015 | Growth | 2015 | Growth | 2015 | Growth |
| | 2015 | (restated) | | | | | | | | | | | |
| | £m | £m | CER% | £% | £m | CER% | £% | £m | CER% | £% | £m | CER% | £% |
| Respiratory | 5,741 | 6,168 | (7) | (7) | 2,750 | (10) | (3) | 1,415 | (9) | (15) | 1,576 | – | (5) |
| <i>Anoro Ellipta</i> | 79 | 17 | >100 | >100 | 56 | >100 | >100 | 16 | >100 | >100 | 7 | >100 | >100 |
| <i>Avamys/Veramyst</i> | 229 | 238 | 3 | (4) | 25 | (26) | (19) | 66 | 4 | (4) | 138 | 9 | – |
| <i>Flixotide/Flovent</i> | 623 | 702 | (12) | (11) | 379 | (19) | (13) | 92 | (1) | (10) | 152 | 1 | (6) |
| <i>Relvar/Breo Ellipta</i> | 257 | 67 | >100 | >100 | 108 | >100 | >100 | 80 | >100 | >100 | 69 | >100 | >100 |
| <i>Seretide/Advair</i> | 3,681 | 4,229 | (13) | (13) | 1,865 | (13) | (6) | 1,014 | (18) | (24) | 802 | (8) | (12) |
| <i>Ventolin</i> | 620 | 665 | (7) | (7) | 304 | (15) | (8) | 117 | 1 | (6) | 199 | – | (6) |
| Other | 252 | 250 | 6 | 1 | 13 | >100 | >100 | 30 | 11 | 7 | 209 | – | (5) |
| Cardiovascular, metabolic and urology (CVMU) | 858 | 965 | (9) | (11) | 314 | (20) | (14) | 260 | (3) | (11) | 284 | – | (7) |
| <i>Avodart</i> | 657 | 805 | (15) | (18) | 166 | (41) | (36) | 254 | (1) | (9) | 237 | (4) | (11) |
| Other | 201 | 160 | 21 | 26 | 148 | 28 | 38 | 6 | (46) | (54) | 47 | 23 | 21 |
| Immuno-inflammation | 263 | 214 | 16 | 23 | 242 | 14 | 23 | 15 | 42 | 25 | 6 | 20 | 20 |
| <i>Benlysta</i> | 230 | 173 | 25 | 33 | 209 | 24 | 34 | 15 | 42 | 25 | 6 | 20 | 20 |
| Other | 33 | 41 | (24) | (20) | 33 | (24) | (20) | – | – | – | – | – | – |
| Oncology | 255 | 1,202 | (79) | (79) | 92 | (83) | (82) | 70 | (82) | (83) | 93 | (65) | (66) |
| Other pharmaceuticals | 2,199 | 2,390 | (4) | (8) | 188 | 2 | 9 | 596 | (2) | (10) | 1,415 | (6) | (9) |
| <i>Dermatology</i> | 412 | 470 | (9) | (12) | 41 | (20) | (16) | 138 | (1) | (8) | 233 | (12) | (14) |
| <i>Augmentin</i> | 528 | 573 | (2) | (8) | – | (100) | (100) | 170 | (2) | (10) | 358 | (2) | (7) |
| Other anti-bacterials | 184 | 215 | (11) | (14) | 6 | – | – | 51 | (8) | (16) | 127 | (12) | (14) |
| Rare diseases | 371 | 417 | (6) | (11) | 47 | (33) | (30) | 122 | (1) | (9) | 202 | (1) | (6) |
| Other | 704 | 715 | 1 | (2) | 94 | 76 | 92 | 115 | 1 | (9) | 495 | (6) | (9) |
| Innovative Pharmaceuticals | 9,316 | 10,939 | (14) | (15) | 3,586 | (18) | (12) | 2,356 | (16) | (23) | 3,374 | (7) | (11) |
| Established Products | 2,528 | 3,011 | (15) | (16) | 647 | (30) | (25) | 493 | (11) | (18) | 1,388 | (8) | (10) |
| <i>Coreg</i> | 123 | 124 | (8) | (1) | 123 | (8) | (1) | – | – | – | – | – | – |
| <i>Hepsera</i> | 63 | 85 | (27) | (26) | – | – | – | 1 | – | – | 62 | (28) | (27) |
| <i>Imigran/Imitrex</i> | 160 | 172 | (5) | (7) | 76 | (11) | (8) | 56 | – | (8) | 28 | 4 | – |
| <i>Lamictal</i> | 531 | 531 | (1) | – | 266 | (3) | 5 | 96 | (2) | (9) | 169 | 3 | (1) |
| <i>Lovaza</i> | 93 | 240 | (64) | (61) | 93 | (64) | (61) | – | – | – | – | – | – |
| <i>Requip</i> | 93 | 109 | (10) | (15) | 5 | (29) | (29) | 29 | (23) | (26) | 59 | – | (6) |
| <i>Serevent</i> | 93 | 108 | (14) | (14) | 43 | (7) | – | 36 | (21) | (25) | 14 | (12) | (18) |
| <i>Seroxat/Paxil</i> | 165 | 210 | (16) | (21) | (13) | – | – | 35 | (12) | (19) | 143 | (10) | (14) |
| <i>Valtrex</i> | 165 | 154 | 14 | 8 | 20 | (27) | (23) | 24 | (4) | (11) | 121 | 30 | 21 |
| <i>Zeffix</i> | 134 | 166 | (22) | (19) | 2 | (33) | (33) | 7 | (13) | (13) | 125 | (23) | (19) |
| Other | 908 | 1,112 | (16) | (18) | 32 | (63) | (60) | 209 | (16) | (22) | 667 | (11) | (13) |
| Global Pharmaceuticals | 11,844 | 13,950 | (14) | (15) | 4,233 | (20) | (14) | 2,849 | (16) | (22) | 4,762 | (7) | (11) |
| HIV | 2,322 | 1,498 | 54 | 55 | 1,301 | 77 | 91 | 716 | 46 | 34 | 305 | 15 | 8 |
| <i>Combivir</i> | 34 | 59 | (42) | (42) | 10 | (17) | (11) | 9 | (46) | (51) | 15 | (50) | (49) |
| <i>Epzicom/Kivexa</i> | 698 | 768 | (7) | (9) | 258 | (14) | (7) | 304 | (1) | (9) | 136 | (5) | (12) |
| <i>Lexiva/Telzir</i> | 65 | 87 | (25) | (25) | 40 | (21) | (15) | 12 | (32) | (39) | 13 | (27) | (36) |
| <i>Selzentry</i> | 124 | 136 | (8) | (9) | 60 | 2 | 9 | 48 | (10) | (18) | 16 | (26) | (30) |
| <i>Tivicay</i> | 588 | 282 | >100 | >100 | 389 | 79 | 93 | 147 | >100 | >100 | 52 | >100 | >100 |
| <i>Triumeq</i> | 730 | 57 | >100 | >100 | 510 | >100 | >100 | 176 | >100 | >100 | 44 | >100 | >100 |
| <i>Trizivir</i> | 26 | 36 | (28) | (28) | 9 | (21) | (15) | 14 | (29) | (35) | 3 | (43) | 11 |
| Other | 57 | 73 | (19) | (22) | 25 | (27) | (24) | 6 | (36) | (45) | 26 | – | (7) |
| Pharmaceuticals | 14,166 | 15,448 | (7) | (8) | 5,534 | (8) | (1) | 3,565 | (8) | (15) | 5,067 | (6) | (10) |

Vaccines turnover 2015

| Major products | Total | | | | US | | | Europe | | | International | | |
|---------------------------|-------|------------|--------|------|--------|------|--------|--------|--------|------|---------------|------|--------|
| | 2014 | | Growth | 2015 | Growth | 2015 | Growth | 2015 | Growth | 2015 | Growth | 2015 | Growth |
| | 2015 | (restated) | | | | | | | | | | | |
| | £m | £m | CER% | £% | £m | CER% | £% | £m | CER% | £% | £m | CER% | £% |
| <i>Bexsero</i> | 115 | – | – | – | 17 | – | – | 86 | – | – | 12 | – | – |
| <i>Boostrix</i> | 358 | 317 | 12 | 13 | 209 | 18 | 27 | 88 | 23 | 13 | 61 | (12) | (19) |
| <i>Cervarix</i> | 88 | 118 | (20) | (25) | 3 | (50) | (50) | 37 | (15) | (23) | 48 | (21) | (24) |
| <i>Fluarix, FluLaval</i> | 268 | 215 | 21 | 25 | 197 | 28 | 38 | 23 | 14 | 5 | 48 | 2 | (2) |
| Hepatitis | 540 | 558 | (4) | (3) | 273 | 7 | 16 | 154 | (11) | (17) | 113 | (12) | (16) |
| <i>Infanrix, Pediarix</i> | 733 | 828 | (9) | (11) | 269 | (17) | (10) | 332 | (2) | (10) | 132 | (9) | (17) |
| <i>Menveo</i> | 160 | – | – | – | 99 | – | – | 36 | – | – | 25 | – | – |
| <i>Rabipur/RabAvert</i> | 61 | – | – | – | 28 | – | – | 17 | – | – | 16 | – | – |
| <i>Rotarix</i> | 417 | 376 | 14 | 11 | 139 | 47 | 58 | 64 | 3 | (4) | 214 | 4 | (3) |

| | | | | | | | | | | | | | |
|-----------------|--------------|--------------|-----------|-----------|--------------|-----------|-----------|--------------|-----------|-----------|--------------|-----------|----------|
| Synflorix | 381 | 398 | 5 | (4) | – | – | – | 39 | 8 | (3) | 342 | 4 | (4) |
| Other | 536 | 349 | 65 | 52 | 24 | >100 | >100 | 221 | 56 | 44 | 291 | 64 | 48 |
| Vaccines | 3,657 | 3,159 | 19 | 16 | 1,258 | 24 | 34 | 1,097 | 23 | 14 | 1,302 | 12 | 4 |

CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates.

Pharmaceuticals turnover by therapeutic area 2014

| Therapeutic area/major products | Total | | | | US | | | Europe | | | International | | |
|---|--------------------|--------------------|-------------|-------------|--------------------|-------------|-------------|--------------------|-------------|-------------|--------------------|------------|-------------|
| | 2014 (restated) | 2013 (restated) | Growth | | 2014 (restated) | Growth | | 2014 (restated) | Growth | | 2014 (restated) | Growth | |
| | £m | £m | CER% | £% | £m | CER% | £% | £m | CER% | £% | £m | CER% | £% |
| Respiratory | 6,168 | 7,259 | (9) | (15) | 2,830 | (18) | (22) | 1,673 | (3) | (7) | 1,665 | 1 | (10) |
| <i>Avamys/Veramyst</i> | 238 | 249 | 5 | (4) | 31 | (22) | (26) | 69 | 4 | – | 138 | 13 | – |
| <i>Flixotide/Flovent</i> | 702 | 796 | (6) | (12) | 437 | (5) | (10) | 102 | (9) | (13) | 163 | (5) | (15) |
| <i>Relvar/Breo Ellipta</i> | 67 | 8 | >100 | >100 | 29 | >100 | >100 | 18 | – | – | 20 | >100 | >100 |
| <i>Seretide/Advair</i> | 4,229 | 5,274 | (15) | (20) | 1,987 | (25) | (29) | 1,330 | (5) | (9) | 912 | (1) | (12) |
| <i>Ventolin</i> | 665 | 642 | 11 | 4 | 330 | 18 | 13 | 124 | 2 | (2) | 211 | 6 | (5) |
| Other | 267 | 290 | 2 | (8) | 16 | >100 | >100 | 30 | 10 | 3 | 221 | (4) | (15) |
| Cardiovascular, metabolic and urology (CVMU) | 965 | 1,073 | (3) | (10) | 366 | (16) | (20) | 293 | – | (5) | 306 | 12 | – |
| <i>Avodart</i> | 805 | 857 | 1 | (6) | 259 | (13) | (17) | 280 | 8 | 3 | 266 | 10 | (2) |
| Other | 160 | 216 | (21) | (26) | 107 | (23) | (26) | 13 | (63) | (63) | 40 | 27 | 11 |
| Immuno-inflammation | 214 | 161 | 40 | 33 | 197 | 39 | 32 | 12 | 63 | 50 | 5 | 22 | 24 |
| <i>Benlysta</i> | 173 | 146 | 25 | 18 | 156 | 22 | 16 | 12 | 63 | 50 | 5 | 22 | 24 |
| Other | 41 | 15 | >100 | >100 | 41 | >100 | >100 | – | – | – | – | – | – |
| Oncology | 1,202 | 969 | 33 | 24 | 512 | 41 | 34 | 417 | 29 | 23 | 273 | 26 | 10 |
| Other pharmaceuticals | 2,390 | 2,652 | (2) | (10) | 172 | (31) | (34) | 660 | (4) | (8) | 1,558 | 4 | (6) |
| Dermatology | 470 | 609 | (17) | (23) | 49 | (56) | (57) | 150 | (8) | (12) | 271 | (8) | (16) |
| <i>Augmentin</i> | 573 | 630 | (2) | (9) | 1 | – | – | 189 | (2) | (7) | 383 | (2) | (10) |
| Other anti-bacterials | 215 | 224 | 3 | (4) | 6 | (14) | (14) | 61 | (3) | (8) | 148 | 6 | (2) |
| Rare diseases | 417 | 495 | (8) | (16) | 67 | (38) | (41) | 134 | 9 | 4 | 216 | (3) | (15) |
| Other | 715 | 694 | 15 | 4 | 49 | >100 | 93 | 126 | (12) | (17) | 540 | 19 | 6 |
| Innovative Pharmaceuticals | 10,939 | 12,114 | (3) | (10) | 4,077 | (12) | (16) | 3,055 | – | (4) | 3,807 | 5 | (6) |
| Established Products | 3,011 | 3,869 | (16) | (22) | 860 | (31) | (34) | 601 | (13) | (16) | 1,550 | (7) | (16) |
| <i>Coreg</i> | 124 | 131 | (1) | (5) | 124 | (1) | (6) | – | – | – | – | – | – |
| <i>Hepsera</i> | 85 | 96 | (5) | (11) | – | – | – | – | – | – | 85 | (6) | (12) |
| <i>Imigran/Imitrex</i> | 172 | 188 | (4) | (9) | 83 | 5 | 4 | 61 | 2 | (3) | 28 | (28) | (37) |
| <i>Lamictal</i> | 531 | 557 | 3 | (5) | 254 | (4) | (9) | 106 | 1 | (4) | 171 | 14 | 1 |
| <i>Lovaza</i> | 240 | 584 | (57) | (59) | 240 | (57) | (59) | – | – | – | – | – | – |
| <i>Requip</i> | 109 | 125 | (4) | (13) | 7 | – | – | 39 | (19) | (25) | 63 | 6 | (7) |
| <i>Serevent</i> | 108 | 129 | (12) | (16) | 43 | (12) | (16) | 48 | (9) | (13) | 17 | (16) | (25) |
| <i>Seroxel/Paxil</i> | 210 | 285 | (19) | (26) | – | – | – | 43 | (15) | (19) | 167 | (20) | (28) |
| <i>Valtrex</i> | 154 | 224 | (24) | (31) | 26 | (40) | (42) | 27 | (3) | (7) | 101 | (23) | (32) |
| <i>Zeffix</i> | 166 | 182 | (3) | (9) | 3 | (79) | (79) | 8 | (25) | (33) | 155 | 5 | (1) |
| Other | 1,112 | 1,368 | (12) | (19) | 80 | (28) | (31) | 269 | (19) | (22) | 763 | (8) | (16) |
| Global Pharmaceuticals | 13,950 | 15,983 | (6) | (13) | 4,937 | (16) | (20) | 3,656 | (2) | (6) | 5,357 | 1 | (9) |
| HIV | 1,498 | 1,386 | 15 | 8 | 680 | 27 | 21 | 534 | 6 | 2 | 284 | 9 | (5) |
| <i>Combivir</i> | 59 | 116 | (46) | (49) | 11 | (66) | (68) | 18 | (52) | (54) | 30 | (22) | (28) |
| <i>Epzicom/Kivexa</i> | 768 | 763 | 8 | 1 | 278 | 8 | 2 | 335 | 7 | 2 | 155 | 9 | (5) |
| <i>Lexiva/Telzir</i> | 87 | 113 | (17) | (23) | 47 | (24) | (27) | 20 | (25) | (28) | 20 | 14 | (3) |
| <i>Selzentry</i> | 136 | 143 | – | (5) | 55 | (4) | (8) | 58 | (3) | (7) | 23 | 19 | 11 |
| <i>Tivicay</i> | 282 | 19 | >100 | >100 | 202 | >100 | >100 | 56 | >100 | >100 | 24 | >100 | >100 |
| <i>Trizivir</i> | 36 | 97 | (61) | (63) | 11 | (81) | (82) | 22 | (28) | (31) | 3 | (38) | (45) |
| Other | 130 | 135 | 5 | (4) | 76 | 55 | 48 | 25 | (30) | (32) | 29 | (25) | (40) |
| Pharmaceuticals | 15,448 | 17,369 | (5) | (11) | 5,617 | (12) | (17) | 4,190 | (1) | (5) | 5,641 | 1 | (9) |

Vaccines turnover 2014

| Major products | Total | | | | US | | | Europe | | | International | | |
|---------------------------|-------|--------------------|--------|------|------|--------|------|--------|--------|------|---------------|--------|------|
| | 2014 | 2013 (restated) | Growth | | 2014 | Growth | | 2014 | Growth | | 2014 | Growth | |
| | £m | £m | CER% | £% | £m | CER% | £% | £m | CER% | £% | £m | CER% | £% |
| <i>Boostrix</i> | 317 | 288 | 16 | 10 | 164 | (6) | (11) | 78 | 26 | 20 | 75 | >100 | 92 |
| <i>Cervarix</i> | 118 | 172 | (26) | (31) | 6 | (14) | (14) | 48 | (16) | (21) | 64 | (32) | (38) |
| <i>Fluarix, FluLaval</i> | 215 | 251 | (9) | (14) | 143 | 1 | (4) | 22 | (34) | (37) | 50 | (19) | (26) |
| Hepatitis | 558 | 629 | (6) | (11) | 236 | (6) | (11) | 186 | (2) | (6) | 136 | (10) | (18) |
| <i>Infanrix, Pediarix</i> | 828 | 862 | 2 | (4) | 300 | 15 | 9 | 369 | (3) | (7) | 159 | (7) | (16) |
| <i>Rotarix</i> | 376 | 375 | 7 | – | 88 | (15) | (20) | 67 | 19 | 14 | 221 | 16 | 7 |
| <i>Synflorix</i> | 398 | 405 | 4 | (2) | – | – | – | 40 | (13) | (17) | 358 | 6 | 0 |

| | | | | | | | | | | | | | |
|-----------------|--------------|--------------|------------|------------|------------|----------|------------|------------|------------|------------|--------------|----------|------------|
| Other | 349 | 402 | (7) | (13) | 3 | >100 | >100 | 154 | (6) | (10) | 192 | (9) | 17 |
| Vaccines | 3,159 | 3,384 | (1) | (7) | 940 | - | (5) | 964 | (2) | (7) | 1,255 | - | (8) |

CER% represents growth at constant exchange rates. £% represents growth at actual exchange rates.

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Five year record

A record of financial performance is provided, analysed in accordance with current reporting practice. The information included in the Five year record is prepared in accordance with IFRS as adopted by the European Union and also with IFRS as issued by the International Accounting Standards Board.

With effect from 1 January 2015, GSK has reported turnover under four segments: Global Pharmaceuticals, HIV, Vaccines and Consumer Healthcare. Comparative turnover information in all four years has been restated accordingly. Comparative information has also been restated to reflect the current breakdown of the group by geographic region.

Comparative information for 2012 and 2013 is also reported including the effect of the divestments completed in 2013. The 2011 information is reported excluding the effects of these divestments.

| Group turnover by geographic region | 2015 £m | 2014 (restated) £m | 2013 (restated) £m | 2012 (restated) £m | 2011 (restated) £m |
|--------------------------------------|---------------|--------------------------|--------------------------|--------------------------|--------------------------|
| US | 8,222 | 7,409 | 8,695 | 8,330 | 8,696 |
| Europe | 6,450 | 6,292 | 6,681 | 6,675 | 8,276 |
| International | 9,251 | 9,305 | 10,226 | 10,478 | 10,415 |
| | 23,923 | 23,006 | 25,602 | 25,483 | 27,387 |
| Divestments | – | – | 903 | 948 | – |
| Total turnover including divestments | 23,923 | 23,006 | 26,505 | 26,431 | 27,387 |

Group turnover by segment

| | | | | | |
|--|---------------|--------|--------|--------|--------|
| Global Pharmaceuticals | 11,844 | 13,950 | 15,983 | 15,984 | 16,856 |
| HIV | 2,322 | 1,498 | 1,386 | 1,374 | 1,569 |
| Pharmaceuticals | 14,166 | 15,448 | 17,369 | 17,358 | 18,425 |
| Vaccines | 3,657 | 3,159 | 3,384 | 3,296 | 3,469 |
| Consumer Healthcare | 6,028 | 4,312 | 4,703 | 4,722 | 5,403 |
| Segment turnover | 23,851 | 22,919 | 25,456 | 25,376 | 27,297 |
| Corporate and other unallocated turnover | 72 | 87 | 146 | 107 | 90 |
| | 23,923 | 23,006 | 25,602 | 25,483 | 27,387 |
| Divestments completed in 2013 | – | – | 903 | 948 | – |
| | 23,923 | 23,006 | 26,505 | 26,431 | 27,387 |

Pharmaceuticals turnover by therapeutic area

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Respiratory | 5,741 | 6,168 | 7,259 | 7,016 | 6,993 |
| Cardiovascular, Metabolic and urogenital | 858 | 965 | 1,073 | 1,144 | 1,108 |
| Immuno-inflammation | 263 | 214 | 161 | 70 | 15 |
| Oncology | 255 | 1,202 | 969 | 798 | 683 |
| Other pharmaceuticals | 2,199 | 2,390 | 2,652 | 2,605 | 2,732 |
| Established Products | 2,528 | 3,011 | 3,869 | 4,351 | 5,325 |
| Global Pharmaceuticals | 11,844 | 13,950 | 15,983 | 15,984 | 16,856 |
| HIV | 2,322 | 1,498 | 1,386 | 1,374 | 1,569 |
| Pharmaceuticals | 14,166 | 15,448 | 17,369 | 17,358 | 18,425 |

Vaccine turnover

| | | | | | |
|--|-------|-------|-------|-------|-------|
| | 3,657 | 3,159 | 3,384 | 3,296 | 3,469 |
|--|-------|-------|-------|-------|-------|

Consumer Healthcare turnover

| | | | | | |
|-------------|--------------|-------|-------|-------|-------|
| Wellness | 2,970 | 1,565 | 1,807 | 1,941 | 2,267 |
| Oral care | 1,866 | 1,797 | 1,884 | 1,806 | 1,722 |
| Nutrition | 684 | 633 | 627 | 590 | 1,025 |
| Skin health | 508 | 317 | 385 | 385 | 389 |
| | 6,028 | 4,312 | 4,703 | 4,722 | 5,403 |

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Five year record continued

| Financial results – total | 2015 | 2014 | 2013 | 2012 | 2011 |
|----------------------------------|---------------|-------------|-------------|-------------|-------------|
| | £m | £m | £m | £m | £m |
| Turnover | 23,923 | 23,006 | 26,505 | 26,431 | 27,387 |
| Operating profit | 10,322 | 3,597 | 7,028 | 7,300 | 7,734 |
| Profit before taxation | 10,526 | 2,968 | 6,647 | 6,600 | 7,625 |
| Profit after taxation | 8,372 | 2,831 | 5,628 | 4,678 | 5,405 |

| | pence | pence | pence | pence | pence |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Basic earnings per share | 174.3 | 57.3 | 112.5 | 91.6 | 103.6 |
| Diluted earnings per share | 172.3 | 56.7 | 110.5 | 90.2 | 102.1 |

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | millions | millions | millions | millions | millions |
| Weighted average number of shares in issue: | | | | | |
| Basic | 4,831 | 4,808 | 4,831 | 4,912 | 5,028 |
| Diluted | 4,888 | 4,865 | 4,919 | 4,989 | 5,099 |

| Financial results – core | 2015 | 2014 | 2013 | 2012 | 2011 |
|---------------------------------|---------------|-------------|-------------|-------------|-------------|
| | £m | £m | £m | £m | £m |
| Turnover | 23,923 | 23,006 | 25,602 | 25,483 | 27,387 |
| Operating profit | 5,729 | 6,594 | 7,771 | 7,974 | 8,730 |
| Profit before taxation | 5,091 | 5,978 | 7,122 | 7,279 | 8,038 |
| Profit after taxation | 4,098 | 4,806 | 5,487 | 5,511 | 5,954 |

| | pence | pence | pence | pence | pence |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Core earnings per share | 75.7p | 95.4 | 108.4 | 107.4 | 114.5 |

| | % | % | % | % | % |
|----------------------------|--------------|----------|----------|----------|----------|
| Return on capital employed | 152.4 | 46.6 | 91.4 | 84.9 | 82.3 |

Return on capital employed is calculated as total profit before taxation as a percentage of average net assets over the year.

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Five year record *continued*

| | 2015 £m | 2014 £m | 2013 £m | 2012 £m | 2011 £m |
|---------------------------|-----------------|------------|------------|------------|------------|
| Balance sheet | | | | | |
| Non-current assets | 36,859 | 25,973 | 26,859 | 27,789 | 24,921 |
| Current assets | 16,587 | 14,678 | 15,227 | 13,692 | 16,167 |
| Total assets | 53,446 | 40,651 | 42,086 | 41,481 | 41,088 |
| Current liabilities | (13,417) | (13,295) | (13,677) | (13,815) | (15,010) |
| Non-current liabilities | (31,151) | (22,420) | (20,597) | (20,929) | (17,264) |
| Total liabilities | (44,568) | (35,715) | (34,274) | (34,744) | (32,274) |
| Net assets | 8,878 | 4,936 | 7,812 | 6,737 | 8,814 |
| Shareholders' equity | 5,114 | 4,263 | 6,997 | 5,800 | 8,019 |
| Non-controlling interests | 3,764 | 673 | 815 | 937 | 795 |
| Total equity | 8,878 | 4,936 | 7,812 | 6,737 | 8,814 |

Number of employees

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|--------------------------|----------------|--------|--------|--------|--------|
| US | 14,696 | 16,579 | 16,530 | 17,201 | 16,707 |
| Europe | 43,538 | 37,899 | 38,367 | 38,788 | 38,696 |
| International | 43,021 | 43,443 | 44,554 | 43,499 | 41,986 |
| | 101,255 | 97,921 | 99,451 | 99,488 | 97,389 |
| Manufacturing | 38,855 | 32,171 | 31,502 | 31,369 | 30,664 |
| Selling | 39,549 | 42,785 | 45,397 | 45,601 | 45,155 |
| Administration | 11,140 | 10,630 | 10,232 | 9,607 | 8,883 |
| Research and development | 11,711 | 12,335 | 12,320 | 12,911 | 12,687 |
| | 101,255 | 97,921 | 99,451 | 99,488 | 97,389 |

The geographic distribution of employees in the table above is based on the location of GSK's subsidiary companies. The number of employees is the number of permanent employed staff at the end of the financial period. It excludes those employees who are employed and managed by GSK on a contract basis.

Exchange rates

As a guide to holders of ADS, the following tables set out, for the periods indicated, information on the exchange rate of US dollars for Sterling as reported by the Bank of England (4pm buying rate).

| | 2015 | 2014 | 2013 | 2012 | 2011 | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Average | 1.53 | 1.65 | 1.56 | 1.59 | 1.60 | | |
| The average rate for the year is calculated as the average of the 4pm buying rates for each day of the year. | | | | | | | |
| | 2016 Mar | 2016 Feb | 2016 Jan | 2015 Dec | 2015 Nov | 2015 Oct | 2015 Sep |
| High | 1.43 | 1.46 | 1.47 | 1.52 | 1.54 | 1.55 | 1.56 |
| Low | 1.39 | 1.39 | 1.41 | 1.47 | 1.51 | 1.52 | 1.51 |

The 4pm buying rate on 10 March 2016 was £1= US\$1.43.

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Pipeline, products and competition

Pharmaceuticals and Vaccines product development pipeline

Key

| | | | |
|---|---|-----------|---|
| † | In-licence or other alliance relationship with third party | S | Month of first submission |
| ^ | ViiV Healthcare, a global specialist HIV company with GSK, Pfizer, Inc. and Shionogi Limited as shareholders, is responsible for developing and delivering HIV medicines. | BLA | Biological Licence Application |
| | | MAA | Marketing Authorisation Application (Europe) |
| * | Also being developed for indications in another therapeutic area | NDA | New Drug Application (US) |
| 1 | Option-based alliance with Ionis Pharmaceuticals | Phase I | Evaluation of clinical pharmacology, usually conducted in volunteers |
| 2 | Option-based alliance with Adaptimmune Ltd. | Phase II | Determination of dose and initial evaluation of efficacy, conducted in a small number of patients |
| 3 | Option-based alliance with OncoMed Pharmaceuticals | | |
| 4 | Option-based alliance with Telethon and Ospedale San Raffaele | Phase III | Large comparative study (compound versus placebo and/or established treatment) in patients to establish clinical benefit and safety |
| 5 | Option-based alliance with Valveva | | |

MAA and NDA/BLA regulatory review milestones shown in the table below are those that have been achieved. Future filing dates are not included in this list.

| Compound | Type | Indication | Phase | Achieved regulatory review milestones | |
|--|--|---|-------|---------------------------------------|---------|
| | | | | MAA | NDA/BLA |
| HIV[^] and Infectious Diseases | | | | | |
| dolutegravir + rilpivirine [†] | HIV integrase inhibitor + non-nucleoside reverse transcriptase inhibitor (NNRTI) | HIV infections – two drug maintenance regimen | III | | |
| 3684934 | HIV attachment inhibitor | HIV infections | III | | |
| tafenoquine [†] | 8-aminoquinoline | Plasmodium vivax malaria | III | | |
| Relenza i.v. [†] | neuraminidase inhibitor (i.v.) | influenza | III | | |
| cabotegravir | HIV integrase inhibitor (long-acting parenteral formulation) | HIV pre-exposure prophylaxis | II | | |
| cabotegravir + rilpivirine [†] | HIV integrase inhibitor + non-nucleoside reverse transcriptase inhibitor (NNRTI) (long-acting parenteral formulations) | HIV infections | II | | |
| gepottidacin (2140944) | type 2 topoisomerase inhibitor | bacterial infections | II | | |
| danirixin | chemokine (C-X-C Motif) receptor 2 (CXCR2) antagonist | influenza* | II | | |
| 3532795 | HIV maturation inhibitor | HIV infections | II | | |
| 2838232 | HIV maturation inhibitor | HIV infections | I | | |
| 3228836 ¹ | HBV antisense oligonucleotide | hepatitis B | I | | |
| 3389404 ¹ | HBV LICA antisense oligonucleotide | hepatitis B | I | | |
| 2878175 | nonstructural protein 5B (NS5B) polymerase inhibitor | hepatitis C | I | | |
| Respiratory | | | | | |
| fluticasone furoate + vilanterol [†] + umeclidinium | glucocorticoid agonist + long-acting beta2 agonist + muscarinic acetylcholine antagonist | chronic obstructive pulmonary disease (COPD) | III | | |
| mepolizumab | interleukin 5 (IL5) monoclonal antibody | COPD* | III | | |
| 961081 [†] | muscarinic acetylcholine antagonist, beta2 agonist (MABA) | COPD | II | | |
| 961081 [†] + fluticasone furoate | muscarinic acetylcholine antagonist, beta2 agonist (MABA) + glucocorticoid agonist | COPD | II | | |
| 2245035 | toll-like receptor 7 (TLR7) agonist | asthma | II | | |
| 2269557 | phosphatidylinositol 3-kinase delta (PI3Kδ) inhibitor | asthma and COPD | II | | |
| 2586881 [†] | recombinant human angiotensin converting enzyme 2 (rhACE2) | acute lung injury | II | | |
| 2862277 | tumour necrosis factor receptor-1 (TNFR1) domain antibody | acute lung injury | II | | |
| danirixin | chemokine (C-X-C Motif) receptor 2 (CXCR2) antagonist | COPD* | II | | |
| fluticasone furoate + vilanterol [†] + umeclidinium | glucocorticoid agonist + long-acting beta2 agonist + muscarinic acetylcholine antagonist | asthma | II | | |
| losmapimod | p38 kinase inhibitor | COPD* | II | | |
| mepolizumab | interleukin 5 (IL5) monoclonal antibody | nasal polyposis* | II | | |
| mepolizumab | interleukin 5 (IL5) monoclonal antibody | hypereosinophilic syndrome* | II | | |
| sirukumab [†] | interleukin 6 (IL6) human monoclonal antibody | severe asthma* | II | | |
| 3008348 | alpha V beta 6 integrin antagonist | idiopathic pulmonary fibrosis | I | | |

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Pharmaceuticals and Vaccines product development pipeline continued

| Compound | Type | Indication | Phase | Achieved regulatory review milestones | |
|---|--|--|-----------|---------------------------------------|---------|
| | | | | MAA | NDA/BLA |
| Oncology | | | | | |
| 3377794 ² | NY-ESO-1 autologous engineered TCR-T cells (engineered TCR) | sarcoma, multiple myeloma, non-small cell lung cancer, melanoma and ovarian cancer | II | | |
| tarextumab ³ | notch 2/3 monoclonal antibody | small cell lung cancer | II | | |
| brontictuzumab ³ | notch 1 monoclonal antibody | solid tumours and haematological malignancies | I | | |
| 3174998 [†] | OX40 agonist monoclonal antibody | solid tumours and haematological malignancies | I | | |
| 2879552 | lysine-specific demethylase 1 (LSD1) inhibitor | acute myeloid leukemia and small cell lung cancer | I | | |
| 2857916 [†] | beta cell maturation antigen antibody drug conjugate | multiple myeloma | I | | |
| 2849330 | erb-b2 receptor tyrosine kinase 3 (ErbB3) monoclonal antibody | solid tumours | I | | |
| 2816126 | enhancer of zeste homologue2 (EZH2) inhibitor | solid tumours and haematological malignancies | I | | |
| 2636771 | phosphatidylinositol 3-kinase (PI3K) beta inhibitor | castration resistant prostate cancer | I | | |
| 2256098 | focal adhesion kinase inhibitor | mesothelioma | I | | |
| 525762 | BET family bromodomain inhibitor | solid tumours and haematological malignancies | I | | |
| Immuno-inflammation | | | | | |
| sirukumab [†] | interleukin 6 (IL6) human monoclonal antibody | rheumatoid arthritis* | III | | |
| sirukumab [†] | interleukin 6 (IL6) human monoclonal antibody | giant cell arteritis* | III | | |
| Benlysta | B lymphocyte stimulator monoclonal antibody (s.c.) | systemic lupus erythematosus* | III | | |
| Benlysta | B lymphocyte stimulator monoclonal antibody (i.v.) | vasculitis* | III | | |
| Benlysta | B lymphocyte stimulator monoclonal antibody (i.v.) | transplant rejection* | II | | |
| Benlysta + Rituxant [†] | B lymphocyte stimulator monoclonal antibody (s.c.) + cluster of differentiation 20 (CD20) monoclonal antibody (i.v.) | Sjogren's syndrome | II | | |
| 3196165 [†] | granulocyte macrophage colony-stimulating factor monoclonal antibody | rheumatoid arthritis | II | | |
| 2330811 | oncostatin M (OSM) monoclonal antibody | systemic sclerosis | I | | |
| 2618960 | interleukin 7 (IL7) receptor monoclonal antibody | Sjogren's syndrome | I | | |
| 2646264 | spleen tyrosine kinase (Syk) inhibitor (topical) | chronic urticaria | I | | |
| 2831781 [†] | lymphocyte activation gene 3 (LAG3) protein monoclonal antibody | autoimmune disease | I | | |
| 2982772 | receptor-interacting protein 1 (RIP1) kinase inhibitor | psoriasis, rheumatoid arthritis and ulcerative colitis | I | | |
| 3050002 [†] | chemokine (C-C motif) ligand 20 (CCL20) monoclonal antibody | psoriatic arthritis | I | | |
| 3117391 [†] | macrophage targeted histone deacetylase inhibitor | rheumatoid arthritis | I | | |
| 3179106 | rearranged during transfection (RET) kinase inhibitor | inflammatory disorders of the bowel | I | | |
| Rare diseases | | | | | |
| 2696273 [†] | ex-vivo stem cell gene therapy | adenosine deaminase severe combined immune deficiency (ADA-SCID) | Submitted | S: May 15 | |
| 2998728 [†] | transthyretin (TTR) production inhibitor | transthyretin-mediated amyloidosis | III | | |
| mepolizumab | interleukin 5 (IL5) monoclonal antibody | eosinophilic granulomatosis with polyangiitis* | III | | |
| 2398852 [†] + 2315698 [†] | serum amyloid P component (SAP) monoclonal antibody + SAP depleter (CPHPC) | amyloidosis | II | | |
| 2696274 [†] | ex-vivo stem cell gene therapy | metachromatic leukodystrophy | II | | |
| 2696275 [†] | ex-vivo stem cell gene therapy | Wiscott-Aldrich syndrome | II | | |
| 2696277 ⁴ | ex-vivo stem cell gene therapy | beta-thalassemia | I | | |

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Pharmaceuticals and Vaccines product development pipeline continued

| Compound | Type | Indication | Phase | Achieved regulatory review milestones | |
|---|---|--|-----------|---------------------------------------|---------|
| | | | | MAA | NDA/BLA |
| Vaccines | | | | | |
| <i>Shingrix</i> [†] (Zoster Vaccine) | recombinant | Herpes Zoster prophylaxis | III | | |
| MMR | live attenuated | measles, mumps, rubella prophylaxis | III (US) | N/A | |
| Ebola [†] | recombinant viral vector | Ebola haemorrhagic fever prophylaxis | II | | |
| Group B Streptococcus | conjugated | Group B streptococcus prophylaxis (maternal immunisation) | II | | |
| <i>S. pneumoniae</i> next generation [†] | recombinant – conjugated | Streptococcus pneumoniae disease prophylaxis | II | | |
| COPD [†] | recombinant | reduction of the frequency of COPD exacerbations associated with non-typeable Haemophilus influenzae and Moraxella catarrhalis | II | | |
| Hepatitis C [†] | recombinant viral vector | hepatitis C virus prophylaxis | II | | |
| Malaria next generation [†] | recombinant | malaria prophylaxis (Plasmodium falciparum) | II | | |
| Men ABCWY | recombinant – conjugated | meningococcal A,B,C,W and Y disease prophylaxis in adolescents | II | | |
| Pseudomonas ⁵ | recombinant | pseudomonas infection prophylaxis | II | | |
| Shigella [†] | conjugated and outer membrane | Shigella diarrhea prophylaxis | II | | |
| Tuberculosis [†] | recombinant | tuberculosis prophylaxis | II | | |
| RSV | recombinant | respiratory syncytial virus prophylaxis (maternal immunisation) | II | | |
| RSV | replication-defective recombinant viral vector | respiratory syncytial virus prophylaxis | I | | |
| HIV [†] | recombinant proteins | HIV infection prophylaxis | I | | |
| Other pharmaceuticals | | | | | |
| Metabolic | | | | | |
| retosiban | oxytocin antagonist | spontaneous pre-term labour | III | | |
| daprodustat (1278863) | prolyl hydroxylase inhibitor | anaemia associated with chronic renal disease | II | | |
| 2330672 | ileal bile acid transport (IBAT) inhibitor | cholestatic pruritus | II | | |
| camicalin | motilin receptor agonist | delayed gastric emptying | II | | |
| <i>Eperzan/Tanzeum</i> (albiglutide) | glucagon-like peptide 1 (GLP1) receptor agonist | type 1 diabetes | II | | |
| losmapimod | p38 kinase inhibitor | focal segmental glomerular sclerosis* | II | | |
| otelixizumab | cluster of differentiation 3 (CD3) | new onset type 1 diabetes | II | | |
| daprodustat (1278863) | prolyl hydroxylase inhibitor (topical) | wound healing | I | | |
| 2798745 | monoclonal antibody | | | | |
| | transient receptor potential cation channel V4 (TRPV4) antagonist | heart failure | I | | |
| 2881078 | selective androgen receptor modulator | muscle wasting | I | | |
| oxytocin (inhaled) [†] | oxytocin | postpartum hemorrhage | I | | |
| Dermatology | | | | | |
| chlorhexidine | cationic polybiguanide (topical) | prevention of omphalitis | Submitted | S: Oct15 | |
| 2894512 [†] | non-steroidal anti-inflammatory (topical) | atopic dermatitis | II | | |
| 2894512 [†] | non-steroidal anti-inflammatory (topical) | psoriasis | II | | |
| 2981278 | ROR gamma inverse agonist (topical) | psoriasis | II | | |
| umeclidinium | muscarinic acetylcholine antagonist (topical) | hyperhidrosis* | II | | |
| mepolizumab | interleukin 5 (IL5) monoclonal antibody | severe atopic dermatitis* | I | | |
| Neurosciences | | | | | |
| 933776 | beta amyloid monoclonal antibody | geographic retinal atrophy | II | | |
| <i>Benlysta</i> | B lymphocyte stimulator monoclonal antibody (i.v.) | myasthenia gravis* | II | | |
| rilapladib | lipoprotein-associated phospholipase A2 (Lp-PLA2) inhibitor | Alzheimer's disease | II | | |
| n/a | ocular target LICA antisense oligonucleotide ¹ | geographic atrophy age-related macular disease | I | | |

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Pipeline, products and competition

continued

Pharmaceutical products, competition and intellectual property

| Products | Compounds | Indication(s) | Major competitor brands | Patent expiry dates ³ | |
|--------------------------------------|---|--|---|---|--|
| | | | | US | EU |
| Respiratory | | | | | |
| <i>Anoro Ellipta</i> | umeclidinium bromide/vilanterol terfenatate | COPD | Spiriva Handihaler/Respimat, Stiolto/Spiolto Respimat Ultibro Breezhaler, Duaklir Genuair | 2025 (NCE), 2027-2030 (device/formulation) | 2029 (NCE), 2022-2025 (device/formulation) |
| <i>Arnuita Ellipta</i> | fluticasone furoate | asthma | Qvar, Pulmicort Asmanex, Alvesco | 2021 (NCE), 2027-2030 (device/formulation) | NA |
| <i>Avamys/Veramyst</i> | fluticasone furoate | rhinitis | Nasonex | 2021 ² | 2023 |
| <i>Flixotide/Flovent</i> | fluticasone propionate | asthma/COPD | Qvar, Singulair | 2016 (<i>Diskus</i> device), 2018-2026 ¹ (HFA-device) | expired (<i>Diskus</i> device), 2017 (HFA-device) |
| <i>Incruse Ellipta</i> | umeclidinium bromide | COPD | Spiriva Handihaler/Respimat, Eklira Genuair | 2025 (NCE), 2027-2030 (device/formulation) | 2029 (NCE), 2022-2025 (device/formulation) |
| <i>Nucala</i> | mepolizumab | severe eosinophilic asthma | Xolair | 2016 ⁴ | 2020 ⁴ |
| <i>Relvar/Breo Ellipta</i> | fluticasone furoate/vilanterol terfenatate | asthma/COPD | Symbicort, Foster, Flutiform, Dulera | 2022 (NCE), 2027-2030 (device/formulation) | 2027 (NCE), 2022-2025 (device/formulation) |
| <i>Seretide/Advair*</i> | salmeterol xinafoate/fluticasone propionate | asthma/COPD | Symbicort, Foster, Flutiform, Dulera | 2016 (<i>Diskus</i> device) 2018-2026 ¹ (HFA-device) | expired (<i>Diskus</i> device) 2017 (HFA-device) |
| <i>Serevent</i> | salmeterol xinafoate | asthma/COPD | Foradil, Spiriva, Handihaler/Respimat Onbrez | 2016 (<i>Diskus</i> device) | expired (<i>Diskus</i> device) 2019 (HFA-device) |
| <i>Ventolin HFA</i> | albuterol sulphate | asthma/COPD | generic companies | 2018-2026 ¹ (HFA-device) | 2017 (HFA-device) |
| Anti-virals | | | | | |
| <i>Valtrex</i> | valaciclovir | genital herpes, coldsores, shingles | Famvir | expired | expired |
| <i>Zeffix/Epivir-HBV</i> | lamivudine | chronic hepatitis B | <i>Hepsera</i> | expired | expired |
| Central nervous system | | | | | |
| <i>Lamictal</i> | lamotrigine | epilepsy, bipolar disorder | Keppra, Dilantin | expired | expired |
| <i>Imigran/Imitrex</i> | sumatriptan | migraine | Zomig, Maxalt, Relpax | expired | expired |
| <i>Seroxat/Paxil</i> | paroxetine | depression, various anxiety disorders | Effexor, Cymbalta, Lexapro | expired | expired |
| Cardiovascular and urogenital | | | | | |
| <i>Eperzan/Tanzeum</i> | albiglutide | Type 2 diabetes | Victoza, Byetta Bydureon, Lyxumia Trulicity | 2022 | 2027 |
| <i>Avodart</i> | dutasteride | benign prostatic hyperplasia | Proscar, Flomax, finasteride | expired | 2017 |
| <i>Coreg CR</i> | carvedilol phosphate | mild-to-severe heart failure, hypertension, left ventricular dysfunction post MI | Toprol XL | 2026 ^{1,2} (formulation) | NA |

* See 'Risk factors' on page 232 for details of uncertainty on the timing of follow-on competition.

¹ See Note 45 to the financial statements, 'Legal proceedings'.

² Generic competition possible in 2016.

³ Includes Supplementary Protection Certificates and other patent term extensions, where granted.

⁴ Data exclusivity expires 2025 (EU) and 2027 (US).

Pharmaceutical products, competition and intellectual property continued

| Products | Compounds | Indication(s) | Major competitor brands | Patent expiry dates ³ | |
|----------------------------|---------------------------------------|------------------------------|---|--------------------------------------|------------------------------------|
| | | | | US | EU |
| Anti-bacterials | | | | | |
| <i>Augmentin</i> | amoxicillin/clavulanate potassium | common bacterial infections | generic products | NA | expired |
| Rare diseases | | | | | |
| <i>Volibris</i> | ambrisentan | pulmonary hypertension | Tracleer, Revatio | NA | 2020 |
| Immuno-inflammation | | | | | |
| <i>Benlysta</i> | belimumab | systemic lupus erythematosus | | 2023 | 2026 |
| HIV | | | | | |
| <i>Epzicom/Kivexa</i> | lamivudine and abacavir | HIV/AIDS | Truvada, Atripla Stribild Complera/Eviplera | 2016 ¹ (combination) | 2019 ¹ (combination) |
| <i>Lexiva/Telzir</i> | fosamprenavir | HIV/AIDS | Prezista, Kaletra, Reyataz | 2018 ¹ | 2019 |
| <i>Selzentry/Celsentri</i> | maraviroc | HIV/AIDS | Isentress, Intelence, Prezista | 2021 | 2022 |
| <i>Tivicay</i> | dolutegravir | HIV/AIDS | Isentress, Prezista Reyataz, Kaletra | 2027 | 2029 |
| <i>Triumeq</i> | dolutegravir, lamivudine and abacavir | HIV/AIDS | Truvada, Atripla Stribild Complera/Eviplera | 2027 | 2031 |
| <i>Trizivir</i> | lamivudine, zidovudine and abacavir | HIV/AIDS | Truvada, Atripla Stribild Complera/Eviplera | 2016 ^{1,2} (combination) | 2016 (combination) |

Vaccines products, competition and intellectual property

| Products | Compounds | Indication(s) | Major competitor brands | Patent expiry dates | |
|-----------------------------------|--|--|---|---------------------|-------------------|
| | | | | US | EU |
| <i>Bexsero</i> | meningococcal group-B vaccine | Meningitis group B prevention | <i>Trumenba</i> | 2027 | 2028 ¹ |
| <i>Boostrix</i> | diphtheria, tetanus, acellular pertussis | diphtheria, tetanus, acellular Pertussis booster vaccination | Adacel | 2017 | 2017 |
| <i>Infanrix Hexa/Pediarix</i> | diphtheria, tetanus, pertussis, polio, hepatitis B, Haemophilus influenzae type B (EU) | Prophylaxis against diphtheria, tetanus, pertussis, polio, hepatitis B, Haemophilus influenzae type B (EU) | Pentacel, Pediacel, Pentaxim, Pentavac, Hexaxim | 2018 | expired |
| <i>Cervarix</i> | HPV 16 & 18 virus like particles (VLPs), AS04 adjuvant (MPL + aluminium hydroxide) | human papilloma virus type 16 and 18 | Gardasil (Silgard) | 2020 | 2020 |
| <i>Fluarix Tetra</i> | split inactivated influenza virus subtypes A and subtype B antigens | seasonal influenza prophylaxis | Intenza, Flumist QIV, Vaxigrip QIV, Fluzone QIV, Fluzone High Dose | 2022 | 2022 |
| <i>FluLaval</i> | split inactivated influenza virus subtypes A and subtype B antigens | seasonal influenza prophylaxis | Vaxigrip, Mutagrip, Fluzone, Influvac, Aggripal, Fluad, Intenza, Flumist | 2022 | 2022 |
| <i>Menveo</i> | meningococcal group A, C, W-135 and Y conjugate vaccine | Meningitis group A, C, W-135 and Y prophylaxis | Mencevax, Menactra | 2025 | 2025 |
| <i>Prepandrix</i> | derived split inactivated influenza virus antigen, AS03 adjuvant | pandemic H5N1 influenza prophylaxis | Aflunov, Vepacel | – | 2026 |
| <i>Rotarix</i> | Human rotavirus RIX4414 strain | Rotavirus prophylaxis | Rotateq | – | 2020 |
| <i>Synflorix</i> | conjugated pneumococcal polysaccharide | Prophylaxis against invasive disease, pneumonia, acute otitis media | Prevenar (Pevnar) | NA | 2024 |

¹ See Note 45 to the financial statements, 'Legal proceedings'.

² Generic competition commenced in 2014.

³ Includes Supplementary Protection Certificates and other patent term extensions, where granted.

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Pipeline, products and competition

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Consumer Healthcare products and competition

| Brand | Products | Application | Markets | Competition |
|---|--|--|---|---|
| Wellness | | | | |
| <i>Panadol and Panadol Cold & Flu</i> | tablets, caplets, infant syrup drops | paracetamol-based treatment for headache, joint pain, fever, cold symptoms | global (except US) | Advil, Pfizer Aspirin, Bayer Tylenol, Johnson & Johnson |
| <i>Voltaren</i> | topical gel | non-steroidal, diclofenac based anti-inflammatory | global | Advil, Pfizer Aspirin, Bayer Tylenol, Johnson & Johnson |
| <i>Otrivin</i> | nasal spray | nasal decongestant | Germany, Poland, Russia, Sweden, Ukraine | Afrin, Merck Nasivin, Merck |
| <i>Theraflu</i> | tablets and syrups | cold and flu relief | Russia, Poland, Ukraine, US | Tylenol Cold & Flu, Johnson & Johnson Mucinex, Reckitt Benckiser Lemsip, Reckitt Benckiser |
| <i>Flonase Flixanase Flixonase Piriteze</i> | nasal spray | allergy relief | China, Ireland, UK, US | Claritin, Bayer Rhinocort, Astra Zeneca Nasacort, Sanofi |
| <i>ENO</i> | effervescent | immediate relief antacid | global (except US) | Estomazil, Hypermarca Gelusil, Pfizer |
| <i>Tums</i> | chewable tablets | immediate relief antacid | US | Alka-Seltzer, Bayer Gaviscon, Reckitt Benckiser Rolaids, Sanofi |
| <i>Nicorette (US), NicoDerm, Nicotinell (ex. Australia)</i> | lozenges, gum and transdermal patches | treatment of nicotine withdrawal as an aid to smoking reduction and cessation | global | Nicorette, Johnson & Johnson NiQuitin, Perrigo |
| Oral health | | | | |
| <i>Sensodyne, Pronamel</i> | toothpastes, toothbrushes, mouth rinse | relief of dental hypersensitivity. Pronamel additionally protects against acid erosion | global | Colgate Sensitive Pro-Relief, Colgate-Palmolive Elmex, Colgate-Palmolive Oral B, Procter & Gamble |
| <i>Parodontax/Corsodyl</i> | toothpaste, medicated mouthwash, gel and spray | helps prevent bleeding gums, treats and prevents gingivitis | Germany, Ireland Italy, United Kingdom | Colgate Total Gum Health, Colgate-Palmolive Yunnan Baiyao, State Enterprise (China) |
| <i>Polident, Poligrip, Corega</i> | denture adhesive, denture cleanser | improve retention and comfort of dentures, cleans dentures | global | Fixodent and Kukident, Procter & Gamble, Steradent, Reckitt Benckiser |
| <i>Aquafresh</i> | toothpastes, toothbrushes mouthwashes | aids prevention of dental cavities, maintains healthy teeth, gums and fresh breath | global | Colgate, Colgate-Palmolive Crest, Procter & Gamble Oral-B, Procter & Gamble |
| Skin health | | | | |
| <i>Zovirax Abreva</i> | topical cream and non-medicated patch | lip care to treat and prevent the onset of cold sores | global | Compeed, Johnson & Johnson Carmex, Carma Labs Blistex, Blistex Incorporated retail own label |
| Nutrition | | | | |
| <i>Horlicks</i> | malted drinks and foods | nutritional beverages & food | Indian sub-continent, United Kingdom, Ireland | Bournvita, Mondelez Complan, Heinz |

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Principal risks and uncertainties

Risk factors

The principal risks discussed below are the risks and uncertainties relevant to our business, financial condition and results of operations that may affect our performance and ability to achieve our objectives. The factors below are those that we believe could cause our actual results to differ materially from expected and historical results.

We must adapt to and comply with a broad range of laws and regulations. These requirements apply to research and development, manufacturing, testing, approval, distribution, sales and marketing of Pharmaceutical, Vaccine and Consumer Healthcare products, and affect not only the cost of product development but also the time required to reach the market and the likelihood of doing so successfully.

Moreover, as rules and regulations change, and governmental interpretation of those rules and regulations evolves, the nature of a particular risk may change. Changes to certain regulatory regimes may be substantial. Any change in, and any failure to comply with, applicable law and regulation could materially and adversely affect our financial results.

Similarly, our business exposes us to litigation and government investigations, including but not limited to product liability litigation, patent and antitrust litigation and sales and marketing litigation. Litigation and government investigations, including related provisions we may make for unfavourable outcomes and increases in related costs such as insurance premiums, could materially and adversely affect our financial results.

More detail on the status and various uncertainties involved in our significant unresolved disputes and potential litigation is set out in Note 45, 'Legal proceedings,' on pages 206 to 210.

UK regulations require a discussion of the mitigating activities a company takes to address principal risks and uncertainties. A summary of the activities that the Group takes to manage each of our principal risks accompanies the description of each principal risk below. The principal risk factors and uncertainties are not listed in order of significance.

Patient safety

Risk definition

Failure to appropriately collect, review, follow up, or report adverse events from all potential sources, and to act on any relevant findings in a timely manner.

Risk impact

The impact of this risk is potentially to compromise our ability to conduct robust safety signal detection and interpretation and to ensure that appropriate decisions are taken with respect to the risk/benefit profile of our products, including the completeness and accuracy of product labels and the pursuit of additional studies/analyses, as appropriate. This could lead to potential harm to patients, reputational damage, product liability claims or other litigation, governmental investigation, regulatory action such as fines, penalties or loss of product authorisation.

Context

Pre-clinical and clinical trials are conducted during the development of investigational Pharmaceutical, Vaccine and Consumer Healthcare Products to determine the safety and efficacy of the products for use by humans. Notwithstanding the efforts we make to determine the safety of our products through appropriate pre-clinical and clinical trials, unanticipated side effects may become evident only when products are widely introduced into the marketplace. Questions may be raised not only by our ongoing safety surveillance and post-marketing studies but also by governmental agencies and third-parties that may analyse publicly available clinical trial results.

The Group is currently a defendant in a number of product liability lawsuits, including class actions, that involve significant claims for damages related to our products. Litigation, particularly in the US, is inherently unpredictable. Class actions that seek to sweep together all persons who were prescribed our products increase the potential liability. Claims for pain and suffering and punitive damages are frequently asserted in product liability actions and, if allowed, can represent potentially open-ended exposure and thus, could materially and adversely affect the Group's financial results.

Mitigating activities

Individual Medical Officers and the Group's substantial Global Safety and Pharmacovigilance organisation keep track of any adverse issues reported for our products during the course of clinical studies.

Once a Group product is approved for marketing, the Group has an extensive post-marketing surveillance and signal detection system. Information on possible side effects of medicines is received from several sources including unsolicited reports from health professionals and patients, regulatory authorities, medical and scientific literature and the media. It is our policy that employees are required to report immediately any issues relating to the safety or quality of our products. Each of our country managers is responsible for monitoring, exception tracking and training that helps assure the collection of safety information and reporting the information to the relevant central safety department, in accordance with Group policy and legal requirements.

Information that changes the benefit/risk profile of one of the Group's medicines will result in certain actions to characterise, communicate and minimise the risk. Proposed actions are discussed with regulatory authorities and can include modifying the prescribing information, communications to physicians and other healthcare providers, restrictions on product prescribing/availability to help assure safe use, and sometimes carrying out further clinical trials. In certain cases, it may be appropriate to stop clinical trials or to withdraw the medicine from the market. The Group's Global Safety Board (GSB), comprising senior physicians and representatives of supporting functions, is an integral component of the system. The GSB (including subsidiary boards dedicated to Consumer Healthcare Products and Vaccines) reviews the safety of investigational and marketed products across the Group and has the authority to stop a clinical trial if continued conduct of such trial is not ethically or scientifically justified in light of information that has emerged since the start of the trial.

In addition to the medical governance framework within the Group

The Chief Medical Officer (CMO) is responsible for medical governance for the Group under a global policy. Under that policy, safeguarding human subjects in our clinical trials and patients who take our products is of paramount importance, and the CMO has the authoritative role for evaluating and addressing matters of human safety.

as described above, the Group uses several mechanisms to foster the early evaluation, mitigation, and resolution of disputes as they arise and of potential claims even before they arise. The goal of the programmes is to create a culture of early identification and evaluation of risks and claims (actual or potential), in order to minimise liability and litigation.

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Risk factors – continued

Intellectual property

Risk definition

Failure to appropriately secure and protect intellectual property rights.

Risk impact

Any failure to obtain or subsequent loss of patent protection, including reducing the availability or scope of patent rights or compulsory licensing (in which a government forces a manufacturer to license its patents for specific products to a competitor), could materially and adversely affect our financial results in those markets. Absence of adequate patent or data exclusivity protection could limit the opportunity to rely on such markets for future sales growth for our products, which could also materially and adversely affect our financial results.

Context

As an innovative Pharmaceutical, Vaccine and Consumer Healthcare Products company, we seek to obtain appropriate intellectual property protection for our products. Our ability to obtain and enforce patents and other proprietary rights with regard to our products is critical to our business strategy and success. Pharmaceutical and Vaccine products are usually only protected from being copied by generic manufacturers during the period of exclusivity provided by an issued patent or related intellectual property rights such as Regulatory Data Protection or Orphan Drug status. Following expiration of certain intellectual property rights, a generic manufacturer may lawfully produce a generic version of the product.

We operate in markets where intellectual property laws and patent offices are still developing and where governments may be unwilling to grant or enforce intellectual property rights in a fashion similar to more developed regions such as the EU, Japan and the US. Some developing countries have limited, or threatened to limit, effective patent protection for pharmaceutical products in order to facilitate early competition within their markets from generic manufacturers.

We face competition from manufacturers of proprietary and generic pharmaceutical products in all of our major markets. Introduction of generic products, particularly in the US where we have our highest turnover and margins, typically leads to a rapid and dramatic loss of sales and reduces our revenues and margins for our proprietary products.

We depend on certain key products for a significant portion of our sales. One such product is our respiratory pharmaceutical product *Seretide/Advair* which accounts for significant Group sales worldwide. The timing and impact of entry in the US for a generic product containing the same combination of active substances as *Seretide/Advair* is uncertain. The US patent for compositions containing the combination of active substances in *Seretide/Advair* expired during 2010 although the US patent on a component of the *Advair* Diskus device continues until August 2016. Generic products containing the same combination of active substances as *Seretide/Advair* (in both metered dose inhalers and dry powder inhalers) have been launched by several manufacturers in a number of European markets. The timing and impact of entry in the US and major markets in Europe for a 'follow-on' product to *Seretide/Advair* is uncertain.

Generic drug manufacturers have also exhibited a readiness to market generic versions of many of our most important products prior to the expiration of our patents. Their efforts may involve challenges to the validity or enforceability of a patent or assertions that their generic product does not infringe our patents. As a result, we are and may continue to be involved in legal proceedings involving patent challenges, which may materially and adversely affect our financial results. Moreover, in the US, it has become increasingly common for patent infringement actions to prompt claims that anti-trust laws have been violated during the prosecution of the patent or during litigation involving the defence of that patent. Such claims by direct and indirect purchasers and other payers are typically filed as class actions. The relief sought may include treble damages and restitution claims. Similarly, anti-trust claims may be brought by government entities or private parties following settlement of patent litigation, alleging that such settlements are anti-competitive and in violation of anti-trust laws. A successful anti-trust claim by a private party or government entity could materially and adversely affect our financial results.

The expiration dates for patents for our major products which may affect the dates on which generic versions of our products may be introduced are set out on pages 228 to 229. Legal proceedings involving patent challenges are set out in Note 45 to the financial statements, 'Legal proceedings'.

Mitigating activities

Our Global Patents group focuses on securing and protecting our patent rights. This global group maintains internal processes designed to seek to ensure successful procurement, enforcement and defence of our patents with the goal of maintaining exclusive rights in markets for our products.

The Global Patents group monitors new developments in international patent law to seek to ensure appropriate protection of our assets. Sometimes acting through trade associations, we work with local governments to seek to secure effective and balanced intellectual property protection designed to meet the needs of patients and payers while supporting long-term investment in innovation.

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Product quality

Risk definition

Failure to comply with current Good Manufacturing Practices (cGMP) or inadequate controls and governance of quality in the supply chain covering supplier standards, manufacturing and distribution of products.

Risk impact

A failure to ensure product quality could have far reaching implications in terms of patient and consumer safety resulting in product launch delays, supply interruptions and product recalls which would have the potential to do damage to our reputation. Associated regulatory, legal, and financial consequences could materially and adversely affect our reputation and financial results.

Context

Patients, consumers and healthcare professionals trust the quality of our products. A failure to ensure product quality is an enterprise risk which is applicable across all of our business activities. Product quality may be influenced by many factors including product and process understanding, consistency of manufacturing components, compliance with GMP, accuracy of labelling, reliability of the external supply chain, and the embodiment of an overarching quality culture. The internal and external environment continues to evolve as new products, new markets and new legislation are introduced, with increasing scrutiny of supply continuity, a focus on improved distribution practice and the introduction of novel cell and gene based therapies. Review of inspections conducted across the industry by national regulatory authorities during 2015 highlighted an ongoing focus on data integrity, contamination prevention and the rigour of quality investigations including the robustness of decision making and the timely escalation of pertinent issues to regulatory authorities.

Mitigating activities

We have developed and implemented a single Pharmaceutical Quality System (PQS) that defines the quality standards and systems for our businesses associated with Pharmaceuticals, Vaccines and Consumer Healthcare products and clinical trial materials. This system has a broad scope and is applicable throughout the lifecycle of products from R&D to mature commercial supply.

There is no single external global quality standard or system which governs the lifecycle of medicinal products and requirements are often complex and fragmented across national and regional boundaries. The ICH guideline Q10: Pharmaceutical Quality Systems provides a model for a comprehensive quality framework which takes into account international quality concepts and is designed to be implemented through the product lifecycle. This framework has been adopted by GSK and is augmented with a consolidation of multiple regulatory requirements from across the world in order to seek to ensure that the GSK PQS meets external expectations for Product Quality in the markets supplied. The PQS is regularly updated to seek to ensure it keeps pace with external regulatory changes, and reflects both operational improvements and new scientific understanding to support the delivery of consistent and reliable products.

An extensive global network of quality and compliance professionals is aligned with each business unit to provide oversight and assist with the delivery of quality performance and operational compliance, from site level to senior management level. Management oversight of those activities is accomplished through a hierarchy of Quality Councils and through an independent Chief Product Quality Officer and Global Product Quality Office.

GSK has implemented a risk-based approach to assessing and managing our third-party suppliers that provide materials used in finished products. Contract manufacturers making our products are expected to comply with standards identified by GSK and are audited to help provide assurance that expected standards are met.

All staff members are regularly trained to seek to ensure that cGMP standards and behaviours based on our GSK values are followed. Additionally, advocacy and communication programmes are routinely deployed to seek to ensure consistent messages are conveyed across GSK, whether they originate from changes in regulation or learnings from inspections or regulatory submissions. There is a continued emphasis on the value of quality performance metrics to facilitate improvement and foster a culture of 'right first time'.

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Risk factors – continued

Financial control and reporting

Risk definition

Failure to comply with current tax law or incurring significant losses due to treasury activities; failure to report accurate financial information in compliance with accounting standards and applicable legislation; failure to maintain adequate governance and oversight over third-party relationships.

Risk impact

Non-compliance with existing or new financial reporting and disclosure requirements, or changes to the recognition of income and expenses, could expose us to litigation and regulatory action and could materially and adversely affect our financial results. Changes in tax laws or in their application with respect to matters such as transfer pricing, foreign dividends, controlled companies, R&D tax credits, taxation of intellectual property or a restriction in tax relief allowed on the interest on intra-group debt, could impact our effective tax rate. Significant losses may arise from inconsistent application of treasury policies, transactional or settlement errors, or counterparty defaults. Any changes in the substance or application of the governing tax laws, failure to comply with such tax laws or significant losses due to treasury activities could materially and adversely affect our financial results.

Failure to adequately manage third-party relationships could result in business interruption and exposure to risk ranging from sub-optimal contractual terms and conditions, to severe business sanctions and/or significant reputational damage. Any of these consequences could materially and adversely affect our business operations and financial results.

Context

The Group is required by the laws of various jurisdictions to disclose publicly its financial results and events that could materially affect the financial results of the Group. Regulators routinely review the financial statements of listed companies for compliance with new, revised or existing accounting and regulatory requirements. The Group believes that it complies with the appropriate regulatory requirements concerning our financial statements and disclosure of material information including any transactions relating to business restructuring such as acquisitions and divestitures. However, should we be subject to an investigation into potential non-compliance with accounting and disclosure requirements, this may lead to restatements of previously reported results and significant penalties.

Our Treasury group deals in high value transactions, mostly foreign exchange and cash management transactions, on a daily basis.

The Group's effective tax rate reflects rates of tax in the jurisdictions in which the Group operates that are both higher and lower than the UK rate and take into account regimes that encourage innovation and investment in science by providing tax incentives which, if changed, could affect the Group's tax rate.

The tax charge included in our financial statements is our best estimate of tax liability pending audits by tax authorities. The worldwide nature of our operations and cross-border supply routes can be complex and can lead to questions on tax audit.

There continues to be a significant international focus on tax reform, including the OECD's 'BEPS' project and European Commission initiatives such as the proposed 'anti-BEPS' Directive and the increased use of fiscal state aid investigations. Together

Third parties are critical to our business delivery and are an integral part of the solution to improve our productivity, quality, service and innovation. We rely on third-parties, including suppliers, distributors, individual contractors, licensees, and other pharmaceutical and biotechnology collaboration partners for discovery, manufacture, and marketing of our products and important business processes.

Third party business relationships present a material risk. For example, we share critical and sensitive information such as marketing plans, clinical data, and employee data with specific third parties who are conducting the relevant outsourced business operations. Inadequate protection or misuse of this information by third parties could have significant business impact. Similarly, we use distributors and agents in a range of activities such as promotion and tendering which have inherent risks such as inappropriate promotion or corruption. Insufficient internal compliance and controls by the distributors could affect our reputation. These risks are further increased by the complexities of working with large numbers of third parties.

Mitigating activities

The Group maintains a control environment designed to identify material errors in financial reporting and disclosure. The design and operating effectiveness of key financial reporting controls are regularly tested by management and via independent business monitoring. This provides us with the assurance that controls over key financial reporting and disclosure processes have operated effectively.

We keep up-to-date with the latest developments in financial reporting requirements by working with our external auditors and legal advisors.

There is shared accountability for financial results across our businesses. Financial results are reviewed and approved by regional management and then reviewed with the Financial Controller and the Chief Financial Officer (CFO). This allows our Financial Controller and our CFO to assess the evolution of the business over time, and to evaluate performance to plan. Significant judgments are reviewed and confirmed by senior management. Business reorganisations and newly acquired activities such as Novartis acquired businesses and Oncology divestitures are integrated into risk assessments and appropriate controls and reviews have been applied.

We introduced additional resources and monitoring to ensure that robust financial controls were maintained during 2015, effectively managing risks while the initial phase of integrating the former Novartis' businesses into our control and reporting framework were implemented, and the ongoing transformation and upgrade to our financial systems and processes continued. Additional risk mitigation was introduced by amending the programme timelines of the ongoing system upgrades.

The Group maintains a Disclosure Committee reporting to the Board, which reviews the Group's quarterly results and Annual Report and determines throughout the year, in consultation with its legal advisors, whether it is necessary to disclose publicly information about the Group through Stock Exchange announcements.

The Treasury Management Group (TMG) meets on a regular basis to seek to ensure that liquidity, interest rate, foreign currency transaction and foreign currency translation risks are all managed

with domestic initiatives around the world, these may result in significant changes to established tax principals and an increase in tax authority disputes. These, regardless of their merit or outcomes, can be costly, divert management attention and may adversely impact our reputation.

in line with the conservative approach as detailed in the associated risk strategies and policies which have been adopted by the Board.

Financial control and reporting continued

Oversight of Treasury's role in managing counterparty risk in line with agreed policy is performed by a Corporate Compliance Officer (CCO), who operates independently of Treasury.

Further details on mitigation of Treasury Risks can be found on page 192, Note 41, 'Financial instruments and related disclosures'.

Tax risk is managed by a set of policies and procedures to seek to ensure consistency and compliance with tax legislation.

We seek to maintain open, positive relationships with governments and tax authorities worldwide. We monitor government debate on tax policy in our key jurisdictions to deal proactively with any potential future changes in tax law. We engage advisors and legal counsel to review tax legislation and the implications for our business. Where relevant we are active in providing relevant business input to tax policy makers.

A centralised team of dedicated specialists are responsible for managing transactional tax reporting and compliance.

We submit tax returns according to statutory time limits and engage with tax authorities to seek to ensure our tax affairs are current, entering into arrangements such as Continuous Audit Programmes and Advance Pricing Agreements to provide long-term certainty over tax treatment where appropriate. In exceptional cases where matters cannot be settled by agreement with tax authorities, we may have to resolve disputes through formal appeals or other proceedings.

Each business unit leadership team retains ultimate accountability for managing third party interactions and risks. When working with third parties, all GSK employees are expected to manage external interactions and commitments responsibly. This expectation is embedded in our values and code of conduct. It is our responsibility that all activities are performed safely and in compliance with applicable laws and GSK's values, standards and code of conduct.

To seek to guide and enforce our global principles for interactions with third parties we have in place a policy framework applicable to buying goods and services, managing our external spend, paying and working with our third parties. This policy framework applies to all employees and complementary workers worldwide. The framework is complemented by technical and local standards designed to seek to ensure alignment with the nature of third party interactions, such as good manufacturing practice and adherence to local laws and regulations. Independent business monitoring of key financial and operational controls is in place and is supplemented by periodic checks from the company's independent Audit & Assurance function.

Continuous monitoring and performance of third parties is enhanced through a Third Party Oversight team in the Global Ethics and Compliance organisation. This team commenced implementation of a global programme that takes an enterprise view of third party related risks, the programme is strengthening risk assessment and due diligence efforts on third parties and improving the overall management of our third party risks through the lifecycle of the third party engagement. Oversight for the programme is provided by the newly created global risk office within GSK's Global Ethics and Compliance group.

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Risk factors – continued

Anti-Bribery and Corruption

Risk definition

Failure to prevent GSK employees and third parties not complying with our ABAC principles and standards, as well as with all applicable legislation.

Risk impact

Failure to mitigate this risk could expose the Group and associated persons to governmental investigation, regulatory action and civil and criminal liability, as well as damage the Group's reputation, shareholder value, and our licence to operate in particular jurisdictions, all of which could materially and adversely affect our financial results.

Context

We are exposed to bribery and corruption risk through our global business operations. In some markets, the government structure and the rule of law are less developed, and this has a bearing on our bribery and corruption risk exposure. In addition to the global nature of our business, the healthcare sector is highly competitive and subject to regulation. This increases the instances where we are exposed to activities and interactions with bribery and corruption risk.

The US and UK authorities are leading extra-territorial ABAC enquiries into certain of the Group's operations. These investigations are discussed further in Note 45 'Legal proceedings'.

Mitigating activities

Our Code of Conduct, values and behaviours and commitment to zero tolerance are integral to how we mitigate this risk. In light of the complexity and geographic breadth of this risk, we constantly enhance our oversight of activities and data, reinforce to our employees and contractors clear expectations regarding acceptable behaviours, and maintain on-going communications between the Group centre headquarters and local markets.

The Group has an enterprise-wide ABAC programme designed to respond to the threat and risk of bribery and corruption. It builds on the Group's values and existing standards to form a comprehensive and practical approach to compliance, and is flexible to the evolving nature of our business. For example, we scaled our acquisition ABAC due diligence specific to the 2015 Novartis transaction.

Our ABAC programme is supported by: top-level commitment from the Group Board of Directors and leadership throughout the business; ongoing risk assessment; a global ABAC policy; and written standards that address commercial and other practices that give rise to ABAC risk; due diligence of high risk third parties; ongoing training and communications; a confidential reporting line; monitoring of compliance and an investigations team. In addition, the programme mandates enhanced controls over interactions with government officials and when undertaking business development transactions. Programme governance is provided by the Group's ABAC Governance Board which includes representation from key functional areas and business units.

Additionally, we have a dedicated ABAC team responsible for the implementation and evolution of the programme in response to developments in the internal and external environment. This is complemented with ABAC investigations, ABAC Audit and Independent Business Monitoring teams which have separate reporting lines.

We continually benchmark our ABAC programme against other large multi-national companies and use external expertise to review and help improve elements of our ABAC programme. As a result of the China and other country investigations, the Group has increased resources in both its centrally located ABAC team as well as regional ABAC teams. During 2015, we also completed an ABAC review and reduced our presence in a number of high-risk markets.

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Commercialisation

Risk definition

Failure to execute business strategies, or manage competitive opportunities or threats effectively and in accordance with the letter and spirit of legal, industry or company requirements.

Risk impact

Failure to manage risks related to commercialisation could materially and adversely affect our ability to grow a diversified global business and deliver more products of value.

Failure to comply with applicable laws, rules and regulations may result in governmental investigation, regulatory action and legal proceedings brought against the Group by governmental and private plaintiffs. Failure to provide accurate and complete information related to our products may result in incomplete awareness of the benefit:risk profile of our products and possibly suboptimal treatment of patients and consumers. Any of these consequences could materially and adversely affect the Group. Any practices that are found to be misaligned with our values could also result in reputational damage and dilute trust established with key stakeholders.

Context

We operate on a global basis in an industry that is both highly competitive and highly regulated. Our competitors may make significant product innovations and technical advances and may intensify price competition. In light of this competitive environment, continued development of commercially viable new products and the development of additional uses for existing products are critical to achieve our strategic objectives.

Developing new pharmaceutical, vaccine and consumer healthcare products is a costly, lengthy and uncertain process, however, and a product candidate may fail at any stage, including after significant Group economic and human resources have been invested. Our competitors' products or pricing strategies or any failure on our part to develop commercially successful products, or to develop additional uses for existing products, could materially and adversely affect our ability to achieve our strategic objectives.

We are committed to the ethical and responsible commercialisation of our products to support our mission to improve the quality of human life by enabling people to do more, feel better, and live longer. To accomplish this mission, we engage the healthcare community in various ways to provide important information about our medicines.

Promotion of approved products seeks to ensure that HCPs globally have access to information they need, that patients and consumers have access to the products they need and that products are prescribed, recommended or used in a manner that provides the maximum healthcare benefit to patients and consumers. We are committed to communicating information related to our approved products in a responsible, legal, and ethical manner.

At times, researchers, HCPs, healthcare organisations (HCOs) and other external experts that we engage may be compensated for services and expertise provided. However, payments must not be excessive and must never be or be perceived to be an inducement or reward for prescribing or recommending our products. Consistent with our ABAC policies, they also must comply with a market's ABAC laws if the recipient of any payment

Mitigating activities

Our strategic objectives are designed to ensure the Group achieves its mission of helping people do more, feel better and live longer. The Group continues to transform by strengthening our presence in key emerging markets, restructuring R&D, simplifying core business operations and reducing our manufacturing footprint. Our recent transaction with Novartis has helped further accelerate this pace of change, while strengthening our three core businesses: Pharmaceuticals, Vaccines and Consumer Healthcare.

These changes are allowing us to be more global and more relevant to the needs of the world. Our aim is to reach as many patients and consumers as we can, improving their health and wellbeing through the use of our products. How we deliver this goal is just as important as what we achieve. Our values provide a guide for how we lead and make decisions. We constantly strive to do the right thing and deliver quality products, seeking to ensure our behaviours reflect our values and the mission of our company.

The Corporate Executive Team has set out their shared objectives which describe the most important priorities we need to deliver across the Group and a set of enterprise-wide projects which are critical to achieving these objectives. The strategic objectives are cascaded throughout the Group to ensure enterprise-wide alignment. Processes are in place to regularly review achievement towards these objectives.

We have taken action at all levels of the Group to enhance and improve standards and procedures for promotional interactions, based on our values of transparency, respect, integrity and patient focus. We have policies and standards governing promotional activities undertaken by the Group or on its behalf. All of these activities we conduct worldwide must conform to high ethical, regulatory, and industry standards. Where local standards differ from global standards, the more stringent of the two applies.

The Group has harmonised policies and procedures to guide above country Commercial Practices processes as well as clarified applicable standards when engaging in the markets. Commercial Practices activities have oversight from both business unit Risk Management and Compliance Boards (RMCBs) and Country Executive Boards (CEBs) that manage risks across in-country business activities.

All promotional materials and activities must be reviewed and approved according to the Group's policies and standards, and conducted in accordance with local laws and regulations, to seek to ensure that these materials and activities fairly represent the products or services of the Group. When necessary, we have disciplined (up to and including termination) employees who have engaged in misconduct and have broadened our ability to claw back remuneration from senior management in the event of misconduct.

In 2015, GSK also implemented globally changes already made in the US to the compensation model for sales professionals and their managers who interact with HCPs. The changes eliminate rewards based on sales or market shares in individuals' territories in favour of rewards based on the quality of the individuals' interactions with healthcare professionals. Starting in 2016, GSK will implement its prior commitment to stop paying HCPs to deliver promotional presentations for GSK or directly to sponsor

is a government official.

In 2012, we paid \$3 billion (£1.9 billion) to resolve government investigations in the US focused in large part on promotional practices and in 2014 we paid RMB 3 billion (£301 million), to resolve a government investigation in China focused on offering money or property to non-government personnel in order to obtain improper commercial gains.

their travel to medical educational conferences.

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Risk factors – continued

Research practices

Risk definition

Failure adequately to conduct ethical and sound preclinical and clinical research. In addition, failure to engage in scientific activities that are consistent with the letter and spirit of the law, industry, or the Group's requirements.

Risk impact

The impacts of the risk include harm to patients, reputational damage, failure to obtain the necessary regulatory approvals for our products, governmental investigation, legal proceedings brought against the Group by governmental and private plaintiffs (product liability suits and claims for damages), and regulatory action such as fines, penalties or loss of product authorisation. Any of these consequences could materially and adversely affect our financial results.

Context

Research relating to animals can raise ethical concerns. While we attempt to proactively address this, animal studies remain a vital part of our research. In many cases, they are the only method that can be used to investigate the effects of a potential new medicine in a living body before it is tested in humans, and they are generally mandated by regulators and ethically imperative. Animal research can provide critical information about the causes of diseases and how they develop. Some countries require additional animal testing even when medicines have been approved for use elsewhere.

Clinical trials in healthy volunteers and patients are used to assess and demonstrate an investigational product's efficacy and safety or further evaluate the product once it has been approved for marketing. We also work with human biological samples. These samples are fundamental to the discovery, development and safety monitoring of our products.

The integrity of our data is essential to success in all stages of the research data lifecycle: design, generation, recording and management, analysis, reporting and storage and retrieval. Our research data is governed by legislation and regulatory requirements.

Research data and supporting documents are core components at various stages of pipeline progression decision-making and also form the content of regulatory submissions. Poor data integrity can compromise our research efforts.

There are innate complexities and interdependencies required for regulatory filings, particularly given our global research and development footprint. Rapid changes in submission requirements in developing countries continue to increase the complexity of worldwide product registration.

Scientific Engagement (SE) is an essential part of scientific discourse defined as the interaction and exchange of information between GSK and external communities in order to advance scientific and medical understanding, including the appropriate development and use of our products. Such non-promotional engagement with external stakeholder groups is vital to GSK's mission and necessary for scientific and medical advance.

The scope of SE activities includes: advisory boards; scientific consultancies; pre-planned informal discussions with Healthcare Professionals (HCP); sharing medical information; publications (including abstracts to congresses); scientific interactions with

Mitigating activities

We established an Office of Animal Welfare, Ethics and Strategy (OAWES), led by the Chief of Animal Welfare, Ethics and Strategy, to seek to ensure the humane and responsible care of animals and increase the knowledge and application of non-animal alternatives for the Group. OAWES embeds a framework of animal welfare governance, promotes application of 3Rs (replacement, refinement and reduction of animals in research), explores opportunities for cross-industry data sharing, and conducts quality assessments.

We report the results of our human subject research for our medicines and vaccines on our publicly accessible clinical study register website, on government-required repositories, and we submit human research results as manuscripts for publication in peer reviewed scientific journals. During 2015, we disclosed over 450 Clinical Study Reports of marketed and terminated medicines (once the research results were published in the scientific literature) on our register, bringing the total reports available to over 550. By the end of 2015, we listed over 1,700 clinical trials on the GSK online system, www.clinicalstudydatarequest.com, and have completed our commitment to list completed global studies conducted since the formation of GSK in 2000. The online system allows researchers to request access to anonymised patient-level data from the Group's clinical trials after the medicine has been approved or terminated and the trial has been published.

We have a Global Human Biological Samples Management (HBSM) governance framework in place to oversee the ethical and lawful acquisition and management of human biological samples. Our global HBSM network champions HBSM activities and provides an experienced group to support internal Sample Custodians on best practice.

It remains an important priority to enhance our data integrity controls. During 2015 we began work on a new written standard to seek to ensure the integrity of our data across Research and Development (R&D). A Data Integrity Committee was in place throughout the year to provide oversight and a Data Integrity Quality Assurance team began conducting assessments intended to provide independent business monitoring of our internal controls for R&D activities.

The Chief Regulatory Officer oversees the activities of the Regulatory Governance Board which includes promoting compliance with regulatory requirements and Group-wide standards, making regulatory services more efficient and agile, and further aligning regulatory capabilities with our international business needs at the enterprise and local levels.

The Group strictly prohibits promotional practices prior to marketing authorisation, and care is taken to seek to ensure that Scientific Engagement activity is not perceived to be promotional.

Specific accountability and authorisation for Scientific Engagement resides within the Medical Governance framework that is overseen by the Medical Governance Executive Committee (MGEC), accountable to the Chief Medical Officer. MGEC is responsible for oversight of applicable Policies and seeking to ensure the highest level of integrity and continuous development of Scientific Engagement at GSK. This framework seeks to ensure the right level of accountability and clear programme guidance above country across R&D business units and in Local Operating Companies (LOC).

payers, patients, governments and the media; and support for Independent Medical Education. Non-independent educational activities are covered by Commercial Practices (CP).

SE activities are essential but present legal, regulatory, and reputational risk if the sharing of data, invited media coverage or payments for service providers has, or is perceived to have, inappropriate promotional intent. The risks are particularly high where HCP engagement and associated Financial and/or Transfer of Value disclosures are required by GSK.

The Group takes an integrated approach to managing both Scientific Engagement and Commercial Practices related risks, including a combined guidance document for Promotional Code and Scientific Engagement standards. In this way, those considerations and risks that are common to both Scientific Engagement and Commercial Practices such as ABAC and Healthcare Professionals (HCP) engagements are managed in the right context and in one place to seek to ensure clarity and clear lines of accountability.

Environment, health and safety and sustainability

Risk definition

Failure to manage EHSS risks in line with our objectives and policies and with relevant laws and regulations.

Risk impact

Failure to manage EHSS risks could lead to significant harm to people, the environment and communities in which we operate, fines, failure to meet stakeholder expectations and regulatory requirements, litigation or regulatory action, and damage to the Group's reputation and could materially and adversely affect our financial results.

Context

The Group is subject to health, safety and environmental laws of various jurisdictions. These laws impose duties to protect people, the environment and the communities in which we operate as well as potential obligations to remediate contaminated sites. We have also been identified as a potentially responsible party under the US Comprehensive Environmental Response Compensation and Liability Act at a number of sites for remediation costs relating to our use or ownership of such sites. Failure to manage these environmental risks properly could result in litigation, regulatory action and additional remedial costs that may materially and adversely affect our financial results. See Note 45 to the financial statements, 'Legal proceedings', for a discussion of the environmental related proceedings in which we are involved. We routinely accrue amounts related to our liabilities for such matters.

Mitigating activities

The Corporate Executive Team is responsible for EHSS governance for the Group under a global policy. Under that policy, the CET seeks to ensure there is a control framework in place to manage the risks, impacts and legal compliance issues that relate to EHSS and for assigning responsibility to senior managers for providing and maintaining those controls. Individual managers seek to ensure that the EHSS control framework is effective and well implemented in their respective business area and that it is fully compliant with all applicable laws and regulations, adequately resourced, maintained, communicated, and monitored. Additionally, each employee is personally responsible for ensuring that all applicable local standard operating procedures are followed and expected to take responsibility for EHSS matters.

Our risk-based, proactive approach is articulated in our refreshed Global EHS Standards which support our EHSS policy and objective to discover, develop, manufacture, supply and sell our products without harming people or the environment. In addition to the design and provision of safe facilities, plant and equipment, we operate rigorous procedures that help us eliminate hazards where practicable and protect employees' health and well-being.

Through our continuing efforts to improve environmental sustainability we have reduced our value chain carbon intensity per pack, water consumption and waste generation. We actively manage our environmental remediation obligations and seek to ensure practices are environmentally sustainable and compliant.

Our EHSS performance results are shared with the public each year in our Responsible Business Supplement.

Information protection

Risk definition

Failure to protect and maintain access to critical or sensitive computer systems or information.

Risk impact

Failure to adequately protect critical and sensitive systems and information may result in loss of commercial or strategic advantage, damage to our reputation, litigation, or other business disruption including regulatory sanction, which could materially and adversely affect our financial results.

Context

We rely on critical and sensitive systems and data, such as corporate strategic plans, sensitive personally identifiable information, intellectual property, manufacturing systems and trade secrets. There is the potential that malicious or careless actions expose our computer systems or information to misuse or unauthorised disclosure.

Several GSK employees were indicted for theft of GSK research information. While the charges against the individuals are concerning, based on what we know, we do not believe this breach has had any material impact on the company's R&D

Mitigating activities

The Group has a global information protection policy that is supported through a dedicated programme of activity. To increase our focus on information security, the Group established the Information Protection & Privacy function to provide strategy, direction, and oversight while enhancing our global information security capabilities.

We assess changes in our information protection risk environment through briefings by government agencies, subscription to commercial threat intelligence services and knowledge sharing with other Pharmaceutical and cross-industry companies.

We aim to use industry best practices as part of our information security policies, processes and technologies and invest in strategies that are commensurate with the changing nature of the security threat landscape.

We are also subject to various laws that govern the processing of Personally Identifiable Information (PII). The Group's Binding Corporate Rules (BCRs) have been approved by the UK Information Commissioner's Office for human resource and

activity or ongoing business. GSK is conducting a full internal review into what occurred, and planning to continue to enhance the multiple layers of data protection that we already have in place.

research activities data. BCRs have been signed by 23 European states allowing us transfer PII internationally between the Group's entities without individual privacy agreements in each European Union country.

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Risk factors – continued

Crisis and continuity management

Risk definition

Failure to deliver a continuous supply of compliant finished product; inability to recover and sustain critical operations, including key supply chains, following a disruption, or to respond to a crisis incident, in a timely manner.

Risk impact

We recognise that failure to supply of our products can adversely impact consumers and patients who rely on them. A material interruption of supply or exclusion from healthcare programmes could expose us to litigation or regulatory action, incurring of fines or disgorgement and materially and adversely affect the Group's financial results. The Group's international operations, and those of its partners, maintain a vast global footprint also expose our workforce, facilities, operations and information technology to potential disruption resulting from a natural event (e.g. storm or earthquake), a man-made event (e.g. civil unrest, terrorism), or a global emergency (e.g. Ebola outbreak, Flu pandemic). It is important for GSK to have robust crisis management and recovery plans in place to manage such events.

Context

Our supply chain operations are subject to review and approval by various regulatory agencies that effectively provide our licence to operate. Failure by our manufacturing and distribution facilities or by suppliers of key services and materials could lead to litigation or regulatory action such as product recalls and seizures, interruption of supply, delays in the approval of new products, and suspension of manufacturing operations pending resolution of manufacturing or logistics issues.

Materials and services provided by third-party suppliers are necessary for the commercial production of our products, including active pharmaceutical ingredients (API), antigens, intermediates, commodities and components necessary for the manufacture and packaging of many of our Pharmaceutical, Vaccine and Consumer Healthcare products. Some of the third-party services procured, such as services provided by contract manufacturing organisations and clinical research organisations to support development of key products, are important to ensure continuous operation of our businesses. Although we undertake business continuity planning, single sourcing of certain components, bulk API, finished products, and services creates a risk of failure of supply in the event of regulatory non-compliance or physical disruption at the manufacturing sites or logistics system.

The failure of a small number of single-source, third-party suppliers or service providers to fulfil their contractual obligations in a timely manner or as a result of regulatory non-compliance or physical disruption of logistics and manufacturing sites may result in delays or service interruptions.

Through effective crisis management and business continuity planning we are committed to providing for the health and safety of our people, minimising damage and impact to the Group, and maintaining functional operations following a natural or man-made disaster, or a public health emergency.

Mitigating activities

Our supply chain model is designed to seek to ensure the supply, quality and security of our products globally. We closely monitor, through the Supply Chain Governance Committees, the inventory status and delivery of our products to seek to ensure that our customers have the medicines, vaccines and products they need.

The improved linkage between commercial forecasting and manufacturing made possible by our Core Commercial Cycle methodology should over time, decrease the risk associated with demand fluctuations impacting our ability to supply or write-offs associated with product exceeding expiry dating. During 2015, each node of the supply chain was optimised to seek to ensure adequate safety stock while balancing working capital associated with the end-to-end supply chain.

Safety stocks and backup supply arrangements for medically-critical and high-revenue products are in place to help mitigate this risk. In addition, the compliance of manufacturing external suppliers is routinely monitored in order to identify and manage supply base risks. Where practical, dependencies on single sources of critical items are removed. Our reliance on single source components has been further reduced for certain key products through qualification of alternative materials that will help improve supply chain robustness. In cases, where dual sourcing is not possible, an inventory strategy has been developed to protect the supply chain from unanticipated disruption.

We continued to implement anti-counterfeit systems such as product serialisation in accordance with emerging supply chain requirements around the world.

CCM governance for the Group is set forth in a global policy. Under that policy, each business unit and functional area head ('BU') ensures effective crisis management and business continuity plans are in place that include authorised response and recovery strategies, key areas of responsibility and clear communication routes before a business disruption occurs. Additionally, each BU is represented on a CCM governance board which performs risk oversight and provides vital information to the CCM programme team regarding new threats, acquisitions or significant business or organisational changes.

A dedicated team of CCM experts supports the business. Their responsibilities include: chairing the governance board; coordinating crisis management and business continuity training; facilitating exercises and monitoring to provide for global consistency and alignment; and centrally storing and monitoring updates for plans supporting our critical business processes. These activities help ensure an appropriate level of readiness and response capability is maintained. We also develop and maintain partnerships with external bodies like the Business Continuity Institute and the UN International Strategy for Disaster Risk Reduction which helps improve our business continuity initiatives in disaster prone areas and supports the development of community resilience to disasters.

We continue to evaluate the implications for our business of a possible exit of the United Kingdom from the European Union. While the UK leaving the EU would create uncertainty and potentially add complexity to a wide range of our business activities, we do not currently believe that there would be a material adverse impact on the Group's results in the longer term.

We continually improve our CCM risk management programme and tools based on learning from plan activations. For example, the Group has implemented a global system that provides GSK leaders with access to the vital information they need to effectively respond to disruptions and for monitoring the status of their preparedness and response capability. We regularly solicit and take recommendations for improvements from many different sources/suppliers charged with the responsibility for assisting in

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managing GSK's risks and introduce new tools to improve our CCM practices.

Shareholder information

Share capital and control

Details of our issued share capital and the number of shares held in Treasury as at 31 December 2015 can be found in Note 33 to the financial statements, 'Share capital and share premium account'.

Our Ordinary Shares are listed on the London Stock Exchange and are also quoted on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADS). Each ADS represents two Ordinary Shares. For details of listed debt and where it is listed refer to Note 31 to the financial statements, 'Net debt'.

Holders of Ordinary Shares and ADS are entitled to receive dividends (when declared), the company's Annual Report, to attend and speak at general meetings of the company, to appoint proxies and to exercise voting rights.

There are no restrictions on the transfer, or limitations on the holding, of Ordinary Shares and ADS and no requirements to obtain approval prior to any transfers. No Ordinary Shares or ADS carry any special rights with regard to control of the company and there are no restrictions on voting rights. Major shareholders have the same voting rights per share as all other shareholders. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

Shares acquired through our share schemes and plans rank equally with the other shares in issue and have no special rights. The trustees of our Employee Share Ownership Plan trusts have waived their rights to dividends on shares held by those trusts.

Exchange controls and other limitations affecting security holders

Other than certain economic sanctions, which may be in force from time to time, there are currently no applicable laws, decrees or regulations restricting the import or export of capital or affecting the remittance of dividends or other payments to holders of the company's shares who are non-residents of the UK. Similarly, other than certain economic sanctions which may be in force from time to time, there are no limitations relating only to non-residents of the UK under English law or the company's Articles of Association on the right to be a holder of, and to vote in respect of, the company's shares.

Interests in voting rights

Other than as stated below, as far as we are aware, there are no persons with significant direct or indirect holdings in the company. Information provided to the company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the company's website.

At 10 March 2016, the company had received notifications in accordance with the FCA's DTRs of the following notifiable interests in the voting rights in the company's issued share capital:

Share buy-back programme

The Board has been authorised to issue and allot Ordinary Shares under Article 9 of the company's Articles of Association. The power under Article 9 and the authority for the company to make purchases of its own shares are subject to shareholder authorities which are sought on an annual basis at our Annual General Meeting (AGM). Any shares purchased by the company may be cancelled or held as Treasury shares or used for satisfying share options and grants under Group employee share plans.

Our programme covers purchases of shares for cancellation or to be held as Treasury shares, in accordance with the authority renewed by shareholders at the AGM in May 2015, when the company was authorised to purchase a maximum of just over 486 million shares. Details of shares purchased, those cancelled, and those held as Treasury shares are disclosed in Note 33 to the financial statements, 'Share capital and share premium account'.

In determining specific share repurchase levels, the company considers the development of free cash flow during the year. Given the impact of the sustained strength of Sterling on free cash flow, the company suspended its share repurchase programme during 2014 and no shares were purchased during the financial year ended 2015.

The company confirms that it does not currently intend to make any further market purchases in 2016. The company will review the potential for future share buy-backs during 2017 in line with its usual annual cycle and subject to return and ratings criteria.

Market capitalisation

The market capitalisation, based on shares in issue excluding Treasury shares, of GSK at 31 December 2015 was £66.82 billion.

At that date, GSK was the third largest company by market capitalisation in the FTSE index.

Share price

| | 2015 £ | 2014 £ | 2013 £ |
|----------------------|-----------|-----------|-----------|
| At 1 January | 13.76 | 16.12 | 13.35 |
| At 31 December | 13.73 | 13.76 | 16.12 |
| (Decrease)/increase | (0.2)% | (14.6)% | 20.7% |
| High during the year | 16.42 | 16.91 | 17.82 |
| Low during the year | 12.38 | 13.24 | 13.35 |

The table above sets out the middle market closing prices. The company's share price decreased by 0.2% in 2015. This compares with a decrease in the FTSE 100 index of 4.9% during the year. The share price on 10 March 2016 was £13.86.

| | No. of shares | *Percentage of issued capital (%) |
|---------------------------|---------------|-----------------------------------|
| BlackRock, Inc. | 327,190,315 | 6.72 |
| Legal & General Group Plc | 147,931,457 | 3.04 |

* Percentage of Ordinary Shares in issue, excluding Treasury shares.

We have not acquired or disposed of any interests in our own shares during the period under review.



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Nature of trading market

The following tables set out, for the periods indicated, the high and low middle market closing quotations in pence for the shares on the London Stock Exchange, and the high and low closing prices in US dollars for the ADS on the NYSE.

| | Ordinary Shares | | ADS | |
|---------------------------------|-----------------|------|----------------------|-------|
| | Pence per share | | US dollars per share | |
| | High | Low | High | Low |
| March 2016* | 1415 | 1370 | 40.00 | 39.10 |
| February 2016 | 1435 | 1346 | 42.10 | 38.50 |
| January 2016 | 1439 | 1345 | 41.29 | 38.90 |
| December 2015 | 1392 | 1280 | 41.19 | 39.10 |
| November 2015 | 1397 | 1313 | 43.11 | 39.87 |
| October 2015 | 1421 | 1268 | 43.53 | 38.74 |
| September 2015 | 1339 | 1238 | 40.64 | 37.56 |
| August 2015 | 1458 | 1275 | 45.14 | 39.41 |
| Quarter ended 31 December 2015 | 1421 | 1268 | 43.53 | 38.74 |
| Quarter ended 30 September 2015 | 1458 | 1238 | 45.14 | 37.56 |
| Quarter ended 30 June 2015 | 1642 | 1323 | 48.23 | 41.65 |
| Quarter ended 31 March 2015 | 1635 | 1357 | 48.81 | 41.68 |
| Quarter ended 31 December 2014 | 1502 | 1324 | 47.14 | 41.30 |
| Quarter ended 30 September 2014 | 1583 | 1377 | 54.52 | 45.97 |
| Quarter ended 30 June 2014 | 1666 | 1543 | 56.39 | 51.55 |
| Quarter ended 31 March 2014 | 1691 | 1554 | 56.66 | 50.90 |
| Year ended 31 December 2015 | 1642 | 1238 | 48.81 | 37.56 |
| Year ended 31 December 2014 | 1691 | 1324 | 56.66 | 41.30 |
| Year ended 31 December 2013 | 1782 | 1335 | 53.68 | 43.47 |
| Year ended 31 December 2012 | 1508 | 1318 | 47.45 | 41.90 |
| Year ended 31 December 2011 | 1474 | 1128 | 45.74 | 36.33 |

* to 10 March 2016

Analysis of shareholdings at 31 December 2015

| | Number of accounts | % of total accounts | % of total shares | Number of shares |
|--|--------------------|---------------------|-------------------|------------------|
| Holding of shares | | | | |
| Up to 1,000 | 95,993 | 71.02 | 0.66 | 35,453,438 |
| 1,001 to 5,000 | 31,335 | 23.18 | 1.25 | 66,940,529 |
| 5,001 to 100,000 | 6,754 | 5.00 | 1.77 | 94,807,078 |
| 100,001 to 1,000,000 | 724 | 0.53 | 4.68 | 250,764,319 |
| Over 1,000,000 | 360 | 0.27 | 91.64 | 4,913,342,283 |
| | 135,166 | 100.00 | 100.00 | 5,361,307,647 |
| Held by | | | | |
| Nominee companies | 6,430 | 4.76 | 64.67 | 3,467,199,262 |
| Investment and trust companies | 25 | 0.02 | 0.07 | 4,015,180 |
| Insurance companies | 5 | 0.00 | 0.00 | 4,401 |
| Individuals and other corporate bodies | 128,704 | 95.22 | 10.58 | 567,192,207 |
| BNY (Nominees) Limited | 1 | 0.00 | 15.51 | 831,380,647 |
| Held as Treasury shares by GlaxoSmithKline | 1 | 0.00 | 9.17 | 491,515,950 |

BNY Mellon is the Depositary for the company's ADS, which are listed on the NYSE. Ordinary Shares representing the company's ADR programme, which is managed by the Depositary, are registered in the name of BNY (Nominees) Limited. At 10 March 2016, BNY (Nominees) Limited held 827,207,151 Ordinary Shares representing 16.98% of the issued share capital (excluding Treasury shares) at that date.

At 10 March 2016, the number of holders of Ordinary Shares in the US was 1,030 with holdings of 1,054,172 Ordinary Shares, and the number of registered holders of ADS was 24,763 with holdings of 413,603,575 ADS. Certain of these Ordinary Shares and ADS were held by brokers or other nominees. As a result, the number of holders of record or registered holders in the US is not representative of the number of beneficial holders or of the residence of beneficial holders.

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Dividends

The company pays dividends quarterly and continues to return cash to shareholders through its dividend policy. Dividends remain an essential component of total shareholder return and the company is committed to increasing its dividend over the long-term. Details of the dividends declared, the amounts and the payment dates are given in Note 16 to the financial statements, 'Dividends'.

GSK completed a transaction with Novartis in March 2015, whereby GSK and Novartis created a new world-leading Consumer Healthcare business, GSK acquired Novartis' global Vaccines business and GSK divested its marketed Oncology portfolio and related R&D activities.

GSK plans to use the net cash transaction proceeds to fund a return of approximately £1 billion (20p per share) to shareholders via a special dividend to be paid with GSK's Q4 2015 ordinary dividend payment.

Dividends per share

The table below sets out the dividend per share and per ADS for the last five years. The dividend per ADS is translated into US dollars at applicable exchange rates.

| Year | Dividend | pence | US\$ |
|------|----------------------------|-------|----------------|
| 2015 | Special ¹ | 20 | — ¹ |
| 2015 | | 80 | — ¹ |
| 2014 | | 80 | 2.59 |
| 2013 | | 78 | 2.47 |
| 2012 | | 74 | 2.35 |
| 2011 | | 70 | 2.25 |
| 2011 | Supplemental ^{**} | 5 | 0.16 |

¹ The Q4 2015 interim ordinary dividend and special dividend receivable by ADR holders will be calculated based on the exchange rate on 12 April 2016. The cumulative dividend receivable by ADR holders for Q1, Q2 and Q3 2015 was 1.71 US\$.

* The 2015 special dividend relates to the return of part of the net cash proceeds from the Novartis transaction.

** The 2011 supplemental dividend related to the disposal of certain non-core OTC brands in North America. This was paid with the fourth quarter ordinary dividend for 2011.

Dividend fee for ADR holders

GSK introduced a dividend fee for ADR holders with effect from the Q1 2015 dividend payment, authorised under the terms of the amended and restated Deposit Agreement. A notice was provided to registered ADR holders on 6 April 2015.

The fee was introduced to offset, in part, the costs related to SEC registration including Sarbanes-Oxley related expenses, administration of the ADS Facility and the maintenance of our NYSE listing fees. The fee is expected to remain in place for future dividends.

The annual fee is currently set at \$0.02 per ADR (or \$0.005

Financial calendar

| Event | Date |
|---|---------------------|
| Quarter 1 results' announcement | April/May 2016 |
| Annual General Meeting | May 2016 |
| Quarter 2 results' announcement | July 2016 |
| Quarter 3 results' announcement | October 2016 |
| Preliminary/Quarter 4 results' announcement | February 2017 |
| Annual Report publication | February/March 2017 |
| Annual Report distribution | March 2017 |

Information about the company, including the share price, is available on our website at www.gsk.com. Information made available on the website does not constitute part of this Annual Report.

Results announcements

Results announcements are issued to the London Stock Exchange and are available on its news service. They are also sent to the US Securities and Exchange Commission and the NYSE, issued to the media and made available on our website.

Financial reports

The company publishes an Annual Report which is made available on our website from the date of publication. Shareholders may elect to receive the Annual Report by contacting the registrar. Alternatively, shareholders may elect to receive notification by email of the publication of financial reports by registering on www.shareview.co.uk.

Copies of previous financial reports are available on our website. Printed copies can be obtained from our registrar in the UK and from the GSK Response Center in the US (see pages 246 and 247 for the contact details).

Annual General Meeting 2016

2.30pm (UK time) on Thursday 5 May 2016
The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE.

The AGM is the company's principal forum for communication with private shareholders. In addition to the formal business, there will be a presentation by the CEO on the performance of the Group and its future development. There will be an opportunity for questions to be asked to the Board. Chairmen of the Board's Committees will take questions relating to those Committees.

Investors holding shares through a nominee service should arrange with that nominee service to be appointed as a proxy in respect of their shareholding in order to attend and vote at the meeting.

ADR holders wishing to attend the meeting must obtain a proxy from BNY Mellon, as Depositary, by notifying them of your request to do so. This will enable you to attend and vote on the business to be transacted. ADR holders may instruct BNY Mellon as to the way in which the shares represented by their ADR should be voted by completing and returning the voting card provided by the Depositary.

per ADR per quarter). Under the Depositary Agreement, GSK can charge up to 5 cent per ADR.

Dividend calendar

| Quarter | ADS ex-dividend date | Ex-dividend date | Record date | Payment date |
|------------------------------|----------------------|------------------|------------------|-----------------|
| Q4 2015 and special dividend | 17 February 2016 | 18 February 2016 | 19 February 2016 | 14 April 2016 |
| Q1 2016 | 11 May 2016 | 12 May 2016 | 13 May 2016 | 14 July 2016 |
| Q2 2016 | 10 August 2016 | 11 August 2016 | 12 August 2016 | 13 October 2016 |
| Q3 2016 | 2 November 2016 | 3 November 2016 | 4 November 2016 | 12 January 2017 |

Documents on display

The Articles of Association of the company and Directors' service contracts or, where applicable, letters of appointment between Directors and the company or any of its subsidiaries (and any side letters relating to severance terms and pension arrangements) are available for inspection at the company's registered office and will be made available for inspection at the AGM.

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Tax information for shareholders

A summary of certain UK tax and US federal income tax consequences for holders of shares and ADR who are citizens of the UK or the US is set out below. It is not a complete analysis of all the possible tax consequences of the purchase, ownership or sale of these securities. It is intended only as a general guide. Holders are advised to consult their advisers with respect to the tax consequences of the purchase, ownership or sale of their shares or ADR and the consequences under state and local tax laws in the US and the implications of the current UK/US tax conventions.

US holders of ADR generally will be treated as the owners of the underlying shares for the purposes of the current US/UK double taxation conventions relating to income and gains (Income Tax Convention), estate and gift taxes (Estate and Gift Tax Convention), and for purposes of the Internal Revenue Code of 1986, as amended (the Code).

UK shareholders

This summary only applies to a UK resident shareholder that holds shares as capital assets.

Taxation of dividends

Different regimes apply to the taxation of dividend income payable to UK resident individuals in UK tax years up to 5 April 2016 and to those tax years commencing on or after 6 April 2016.

For UK tax years up to and including 2015/16, UK resident shareholders will generally be subject to UK income tax on the full amount of dividends paid, grossed up for the amount of a tax credit. The tax credit may be set against the individual's income tax liability in respect of the gross dividend, but is not repayable to shareholders with a tax liability of less than the associated tax credit. To the extent that individuals' income exceeds the basic rate limit, but not the higher rate limit an upper dividend rate applies, which is set at 32.5% of the grossed up dividend figure and for those whose income exceeds the additional rate limit of £150,000, an additional dividend rate of 37.5% will normally apply.

For UK tax years from 2016/17 onwards, dividend tax credits will no longer apply and UK resident individuals will be entitled instead to a dividend tax allowance of up to £5,000, so that the first £5,000 of dividends received in a tax year will be free of tax. Dividends in excess of this allowance will be taxed at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

UK resident shareholders that are corporation taxpayers should note that dividends payable on ordinary shares are generally entitled to exemption from corporation tax.

Taxation of capital gains

UK shareholders may be liable for UK tax on gains on the disposal of shares or ADR. For disposals by individuals and subject to the availability of any exemption or relief such as the annual exempt amount, a taxable capital gain accruing on a disposal of shares or ADR will be taxed at 28% if, after all allowable deductions, such shareholders' taxable income for the tax year exceeds the basic rate income tax limit. In other cases, a taxable capital gain accruing on a disposal of shares or ADR may be taxed at 18% or 28% or at a combination of both rates. Corporation taxpayers may be entitled to an indexation allowance which applies to reduce capital gains to the extent that such gains arise due to inflation. Indexation allowance may reduce a chargeable gain but will not create an allowable loss.

Inheritance tax

Individual (UK-domiciled or otherwise) shareholders may be liable to UK inheritance tax on the transfer of shares or ADR. Tax may be charged on the amount by which the value of the shareholder's estate is reduced as a result of any transfer by way of lifetime gift or other disposal at less than full market value. In the case of a bequest on death, tax may be charged on the value of the shares at the date of the shareholder's death. If such a gift or other disposal were subject to both UK inheritance tax and US estate or gift tax, the Estate and Gift Tax Convention would generally provide for tax paid in the US to be credited against tax payable in the UK.

Stamp duty and Stamp Duty Reserve Tax

UK stamp duty and/or stamp duty reserve tax (SDRT) will, subject to certain exemptions, be payable on the transfer of shares at a rate of 0.5% (rounded up to the nearest £5 in the case of stamp duty) of the consideration for the transfer. Notwithstanding this, provided that an instrument is executed in pursuance of the agreement that gave rise to the charge to SDRT and that instrument is stamped within six years of the agreement (including being stamped as exempt) any SDRT charge should be cancelled and any SDRT which has already been paid will be repaid.

US shareholders

This summary only applies to a shareholder (who is a citizen or resident of the US or a domestic corporation or a person that is otherwise subject to US federal income tax on a net income basis in respect of the shares or ADR) that holds shares or ADR as capital assets, is not resident in the UK for UK tax purposes and does not hold shares for the purposes of a trade, profession or vocation that is carried on in the UK through a branch or agency.

The summary also does not address the tax treatment of holders that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, persons that hold shares or ADR as part of an integrated investment (including a 'straddle') comprised of a share or ADR and one or more other positions, and persons that own (directly or indirectly) 10% or more of the voting stock of the company, nor does it address tax treatment that may be applicable as a result of international income tax treaties.

Taxation of dividends

The gross amount of dividends received is treated as foreign source dividend income for US tax purposes. It is not eligible for the dividend received deduction allowed to US corporations. Dividends on ADR are payable in US dollars; dividends on shares are payable in pounds Sterling. Dividends paid in pounds Sterling will be included in income in the US dollar amount calculated by reference to the exchange rate on the day the dividends are received by the holder. Subject to certain exceptions for short-term or hedged positions, an individual eligible US holder will be subject to US taxation at a maximum rate of 23.8% in respect of qualified dividends. A qualified dividend as defined by the US Internal Revenue Service is a dividend that meets the following criteria:

1. Must be issued by a US corporation, a corporation incorporated in a US possession, or a corporation that is eligible for the benefits of a comprehensive income tax treaty deemed satisfactory, as published by the IRS.
2. The dividends are not listed with the IRS as dividends that do not qualify.
3. The required dividend holding period has been met. The shares must have been owned by you for more than 60 days of the "holding period" – which is defined as the 121-day period that begins 60 days before the ex-dividend date, or the day in which the stock trades without the dividend priced in. For example, if a stock's ex-dividend date is October 1, the shares must be held for more than 60 days in the period between August 2 and November 30 of that year in order to count as a qualified dividend.

Dividends that are not qualified are subject to taxation at the US federal graduated tax rates, at a maximum rate of 43.4%. Some types of dividends are automatically excluded from being qualified dividends, even if they meet the other requirements. These include (but are not limited to):

1. Capital gains distributions
2. Dividends on bank deposits
3. Dividends held by a corporation in an Employee Stock Ownership Plan (ESOP)
4. Dividends paid by tax-exempt corporations

US state and local tax rates on qualified and non-qualified dividends may vary and would be assessed in addition to the federal tax rates communicated above.

Taxation of capital gains

Generally, US holders will not be subject to UK capital gains tax, but will be subject to US tax on capital gains realised on the sale or other disposal of shares or ADR. Such gains will be long-term capital gains (subject to reduced rates of taxation for individual holders) if the shares or ADR were held for more than one year, from the date the shares were vested/released. Short-term capital gains can be subject to taxation of rates of up to 43.4%, whereas long-term capital gains may be subject to rates of up to 23.8%. State and local tax rates on capital gains may also apply.

Information reporting and backup withholding

Dividends and payments of the proceeds on a sale of shares or ADR, paid within the US or through certain US-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the US holder is a corporation or other exempt recipient or provides a taxpayer identification number and certifies that no loss of exemption has occurred. Non-US holders generally are not subject to information reporting or backup withholding, but may be required to provide a certification of their non-US status in connection with payments received. Any amounts withheld will be allowed as a refund or credit against a holder's US federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Estate and gift taxes

Under the Estate and Gift Tax Convention, a US shareholder is not generally subject to UK inheritance tax.

Stamp duty

UK stamp duty and/or SDRT will, subject to certain exemptions, be payable on any transfer of shares to the ADR custodian or depository at a rate of 1.5% of the amount of any consideration provided (if transferred on sale), or their value (if transferred for no consideration).

However, no stamp duty or SDRT should be payable on the transfer of, or agreement to transfer, an ADR.

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Shareholder services and contacts

Registrar

The company's registrar is:

Equiniti Limited

Aspect House, Spencer Road, Lancing, BN99 6DA

www.shareview.co.uk

Tel: 0371 384 2991 (in the UK)*

Tel: +44(0)121 415 7067 (outside the UK)

Equiniti provides a range of services for shareholders:

| Service | What it offers | How to participate |
|--|--|---|
| Dividend Reinvestment Plan (DRIP) | As an alternative to receiving cash dividends you may choose to reinvest your dividends to buy more GSK shares. | A DRIP election form can be downloaded from www.shareview.co.uk or requested by telephoning Equiniti. |
| Dividend payment direct to your bank account (Bank Mandate) | If you currently receive your dividends by cheque through the post, you can instead have them paid directly into your bank or building society account. This is quicker, more secure and avoids the risk of your cheque going astray. | A dividend bank mandate form can be downloaded from www.shareview.co.uk or requested by telephoning Equiniti. |
| Dividend payment direct to bank account for overseas shareholders | Instead of waiting for a sterling cheque to arrive by post, Equiniti will convert your dividend into your local currency and send it direct to your local bank account. This service is available in over 100 countries worldwide. | For more details on this service and the costs involved please contact Equiniti. |
| Electronic communications | Shareholders may elect to receive electronic notifications of company communications including our Annual Report, dividend payments (if paid by way of a Bank Mandate), access to electronic tax vouchers and the availability of online voting for all general meetings. Each time GSK mails out hard copy shareholder documents you will receive an email containing a link to the document or relevant website. | You can register at www.shareview.co.uk |
| Shareview portfolio service | This enables you to create a free online portfolio to view your share balance and movements, update your address and dividend payment instructions and register your votes for our AGM. | You can register at www.shareview.co.uk |
| Duplicate publications or mailings | If you receive duplicate copies of this report or other mailings, please contact Equiniti and they will arrange for your accounts to be merged into one for your convenience and to avoid waste and unnecessary costs. | Please contact Equiniti. |
| Share dealing service† (please note that market trading hours are from 8.00am to 4.30pm UK time, Monday to Friday (excluding public holidays in England and Wales)) | Shareholders may trade shares, either held in certificated form or held in our Corporate Sponsored Nominee, by internet, telephone or by a postal dealing service provided by Equiniti Financial Services Limited. | For internet transactions, please log on to www.shareview.co.uk/dealing . For telephone transactions, please call 0345 603 7037 (in the UK) or +44 (0) 121 415 7560 (outside the UK). For postal transactions, please call 0371 384 2991* to request a dealing form. |
| Corporate Sponsored Nominee Account | This is a convenient way to manage your shares without requiring a share certificate. The service provides a facility for you to hold your shares in a nominee company sponsored by the company. You will continue to receive dividend payments, annual reports and can attend and vote at the company's general meetings. Shareholders' names do not appear on the publicly available share register and the service is free to join. | An application form can be requested from www.shareview.co.uk or by telephoning Equiniti on 0371 384 2991*. |
| Individual Savings Accounts (ISAs)† | The company has arranged for Equiniti Financial Services Limited to provide a GSK Corporate ISA to hold GSK Ordinary Shares. | Details are available from www.shareview.co.uk or can be requested by telephoning Equiniti, on 0345 300 0430. Lines are open 8.00am to 4.30pm for dealing, and until 6.00pm for enquiries Monday to Friday (excluding public holidays in England and Wales). |

* UK lines are open from 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

† The provision of share dealing details is not intended to be an invitation or inducement to engage in an investment activity. Advice on share dealing should be obtained from a stockbroker or independent financial adviser.

ADR Depository

The ADR programme is administered by The Bank of New York Mellon:

BNY Mellon Shareowner Services
PO Box 30170
College Station, TX 77842-3170

Overnight correspondence should be sent to:
BNY Mellon Shareowner Services
211 Quality Circle, Suite 210
College Station, TX 77845

www.mybnyhdr.com
Tel: +1 877 353 1154 (US toll free)
Tel: +1 201 680 6825 (outside the US)
email: shrrelations@cpushareownerservices.com

The Depository also provides Global BuyDIRECT[†], a direct ADS purchase/sale and dividend reinvestment plan for ADR holders. For details of how to enrol please visit www.mybnyhdr.com or call the above helpline number to obtain an enrolment pack.

Glaxo Wellcome and SmithKline Beecham Corporate PEPs

The Share Centre Limited
Oxford House, Oxford Road, Aylesbury, Bucks HP21 8SZ
Tel: +44 (0)1296 414 141
www.share.com

Donating shares to Save the Children

In 2013, GSK embarked on an ambitious global partnership with Save the Children to share our expertise and resources with the aim of helping to save the lives of one million children.

Shareholders with a small number of shares, the value of which makes it uneconomical to sell, may wish to consider donating them to Save the Children. Donated shares will be aggregated and sold by Save the Children who will use the funds raised to help them reach the above goal.[†]

To obtain a share donation form, please contact our registrar, Equiniti, who is managing the donation and sale of UK shares to Save the Children free of charge.

[†] The provision of share dealing details is not intended to be an invitation or inducement to engage in an investment activity. Advice on share dealing should be obtained from a stockbroker or independent financial adviser.

Contacts

Investor relations

Investor relations may be contacted as follows:

UK

980 Great West Road
Brentford, Middlesex, TW8 9GS
Tel: +44 (0)20 8047 5000

US

5 Crescent Drive
Philadelphia PA 19112
Tel: +1 888 825 5249 (US toll free)
Tel: +1 215 751 4611 (outside the US)

GSK Response Center

Tel: +1 888 825 5249 (US toll free)

Share scam alert

If you receive an unsolicited telephone call offering to sell or buy your shares, please take extra care. The caller may be part of a highly organised financial scam.

If you are a UK shareholder, please contact the Financial Conduct Authority for further information on this, or other similar activities, at www.fca.org.uk/consumers or on its consumer helpline:

Tel: 0800 111 6768 (in the UK)*
Tel: +44 20 7066 1000 (outside the UK)

* Lines are open from 8.00am to 6.00pm, UK time, Monday to Friday, except UK public holidays, and 9.00am to 1.00pm on Saturdays.

Responsible Business Supplement

We are publishing our Responsible Business Supplement 2015 online. This will outline GSK's approach to, and performance in, our key responsible business areas, Health for all, Our behaviour, Our people and Our planet.

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US law and regulation

A number of provisions of US law and regulation apply to the company because our shares are quoted on the New York Stock Exchange (NYSE) in the form of ADSs.

NYSE rules

In general, the NYSE rules permit the company to follow UK corporate governance practices instead of those applied in the US, provided that we explain any significant variations. This explanation is contained in our Form 20-F, which can be accessed from the Securities and Exchange Commission's (SEC) EDGAR database or via our website. NYSE rules that came into effect in 2005 require us to file annual and interim written affirmations concerning the Audit & Risk Committee and our statement on significant differences in corporate governance.

Sarbanes-Oxley Act of 2002

Following a number of corporate and accounting scandals in the US, Congress passed the Sarbanes-Oxley Act of 2002. Sarbanes-Oxley is a wide-ranging piece of legislation concerned largely with financial reporting and corporate governance.

As recommended by the SEC, the company has established a Disclosure Committee. The Committee reports to the CEO, the CFO and to the Audit & Risk Committee. It is chaired by the Company Secretary and the members consist of senior managers from finance, legal, corporate communications and investor relations.

External legal counsel, the external auditors and internal experts are invited to attend its meetings periodically. It has responsibility for considering the materiality of information and, on a timely basis, determining the disclosure of that information. It has responsibility for the timely filing of reports with the SEC and the formal review of the Annual Report and Form 20-F. In 2015, the Committee met 14 times.

Sarbanes-Oxley requires that the annual report on Form 20-F contain a statement as to whether a member of our Audit & Risk Committee (ARC) is an audit committee financial expert as defined by Sarbanes-Oxley. Such a statement for each of the relevant members of the ARC (Stacey Cartwright and Judy Lewent) is included in the Audit & Risk Committee report on page 89 and in their biographies on page 76. Additional disclosure requirements arise under section 302 and section 404 of Sarbanes-Oxley in respect of disclosure controls and procedures and internal control over financial reporting.

Section 302: Corporate responsibility for financial reports

Sarbanes-Oxley also introduced a requirement for the CEO and the CFO to complete formal certifications, confirming that:

- they have each reviewed the annual report on Form 20-F
- based on their knowledge, the annual report on Form 20-F contains no material misstatements or omissions
- based on their knowledge, the financial statements and

- they have disclosed in the annual report on Form 20-F any changes in internal controls over financial reporting during the period covered by the annual report on Form 20-F that have materially affected, or are reasonably likely to affect materially, the company's internal control over financial reporting, and they have disclosed, based on their most recent evaluation of internal control over financial reporting, to the external auditors and the ARC, all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to affect adversely the company's ability to record, process, summarise and report financial information, and any fraud (regardless of materiality) involving persons that have a significant role in the company's internal control over financial reporting.

The Group has carried out an evaluation under the supervision and with the participation of its management, including the CEO and CFO, of the effectiveness of the design and operation of the Group's disclosure controls and procedures as at 31 December 2015.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

The CEO and CFO expect to complete these certifications and report their conclusions on the effectiveness of disclosure controls and procedures in March 2016, following which the certificates will be filed with the SEC as part of our Group's Form 20-F.

Section 404: Management's annual report on internal control over financial reporting

In accordance with the requirements of section 404 of Sarbanes-Oxley, the following report is provided by management in respect of the company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the US Securities Exchange Act of 1934):

- management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS
- management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework, Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO)
- there have been no changes in the Group's internal control over financial reporting during 2015 that have materially affected, or are reasonably likely to affect materially, the Group's internal control over financial reporting

other financial information fairly present, in all material respects, the financial condition, results of operations and cash flows as of the dates, and for the periods, presented in the annual report on Form 20-F

- they are responsible for establishing and maintaining disclosure controls and procedures that ensure that material information is made known to them, and have evaluated the effectiveness of these controls and procedures as at the year-end, the results of such evaluation being contained in the annual report on Form 20-F
- they are responsible for establishing and maintaining internal control over financial reporting that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles

- management has assessed the effectiveness of internal control over financial reporting as at 31 December 2015 and its conclusion will be filed as part of the Group's Form 20-F, and

PricewaterhouseCoopers LLP, which has audited the consolidated financial statements of the Group for the year ended 31 December 2015, has also assessed the effectiveness of the Group's internal control over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States). Their audit report will be filed with the Group's Form 20-F.

Section 13(r) of the US Securities Exchange Act

Section 13(r) of the US Securities Exchange Act of 1934, as amended, requires issuers to make specific disclosure in their annual reports of certain types of dealings with Iran, including transactions or dealings with government-owned entities, as well as dealings with entities sanctioned for activities related to terrorism or proliferation of weapons of mass destruction, even when those activities are not prohibited by US law and do not involve US persons. The Group does not have a legal entity based in Iran, but it does export certain pharmaceutical and vaccine products to Iran, via sales by non-US entities, to two privately held Iranian distributors. The Group also does business, via non-US entities, in other jurisdictions targeted by sanctions laws, including Syria, Crimea, North Korea and Sudan.

We do not believe that any of the Group's direct dealings with Iran require specific disclosure under these requirements, and the Group limits sales to Iran, North Korea, Syria, Sudan and Cuba to essential medicines (determined in part using criteria set by the World Health Organization). The Group has no direct knowledge of the identity of its distributors' downstream customers in Iran, and it is possible that these customers include entities, such as government-owned hospitals and pharmacies, that are owned or controlled directly or indirectly by the Iranian government or by persons or entities sanctioned in connection with terrorism or proliferation activities. Because the Group has no direct knowledge of its distributors' customers, it cannot establish the proportion of gross revenue or sales potentially attributable to entities affiliated with the Iranian government or parties sanctioned for disclosable activities. As a result, the Group is reporting the entire gross revenues (£nil) and net losses (£0.41 million) from the Group's sales to Iran in 2015.

The Group is also aware that some hospitals or other medical facilities in Lebanon may be affiliated with or controlled by Hezbollah, which is designated by the United States as a terrorist organisation. Again, the Group does not deal directly with such facilities and sells through distributors. The Group is also unable to identify with certainty the degree or nature of any affiliation of the end customers with Hezbollah, and the Group is unable to establish the proportion of gross revenue or sales potentially attributable to reportable entities. As a result, the Group is reporting the entire gross revenues (£37 million) and net profits (£15 million) from the Group's sales to Lebanon in 2015.

Donations to political organisations and political expenditure

With effect from 1 January 2009, to ensure a consistent approach to political contributions across the Group, we introduced a global policy to stop voluntarily all corporate political contributions.

In the period from 1 January 2009 to 31 December 2015, the Group did not make any political donations to EU or non-EU organisations.

Notwithstanding the introduction of this policy, in accordance with the Federal Election Campaign Act in the US, we continue to support an employee-operated Political Action Committee (PAC) that facilitates voluntary political donations by eligible GSK employees.

The PAC is not controlled by GSK. Decisions on the amounts and recipients of contributions are made by participating employees exercising their legal right to pool their resources and make political contributions, which are subject to strict limitations. In 2015, a total of US\$446,727 (2014 – US\$525,900) was donated to political organisations by the GSK employee PAC.

At the AGM in May 2001, shareholders first authorised the company to make donations to EU political organisations and to incur EU political expenditure, under the provisions of the Political Parties, Elections and Referendums Act 2000, of up to £100,000 each year. This authority has since been renewed annually. The Companies Act 2006 requires companies to continue to obtain shareholder approval before they can make donations to EU political organisations or incur EU political expenditure.

However, we do not make and do not intend to make donations to political parties or independent election candidates, nor do we make any donations to EU political organisations or incur EU political expenditure.

The definitions of political donations, political expenditure and political organisations used in the legislation are very wide. In particular, the definition of EU political organisations may extend to bodies such as those concerned with policy review, law reform, the representation of the business community and special interest groups such as those concerned with the environment, which the company and its subsidiaries might wish to support. As a result, the definitions may cover legitimate business activities not in the ordinary sense considered to be political donations or political expenditure.

Such activities are not designed to support any political party or independent election candidate. The authority which the Board has sought annually is a precautionary measure to ensure that the company and its subsidiaries do not inadvertently breach the legislation.

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In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, associates, joint ventures and joint arrangements, the country of incorporation and effective percentage of equity owned, as at 31 December 2015 are disclosed below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by GlaxoSmithKline plc. All subsidiary companies are resident for tax purposes in their country of incorporation unless otherwise stated.

| Name | Country of incorporation | Effective % Ownership | Security | % Held by Class of Share |
|---|--------------------------|-----------------------|--|---------------------------------|
| Wholly owned subsidiaries | | | | |
| 1506369 Alberta ULC | Canada | 100 | Common | 100 |
| Action Potential Venture Capital Limited | England & Wales | 100 | Ordinary | 100 |
| Adechsa GmbH | Switzerland | 100 | Ordinary | 100 |
| Affymax Research Institute | United States | 100 | Common | 100 |
| Alenfarma – Especialidades Farmaceuticas, Limitada (iv) | Portugal | 100 | Ordinary Quota | 100 |
| Allen & Hanburys Limited (iv) | England & Wales | 100 | Ordinary | 100 |
| Allen & Hanburys Pharmaceutical Nigeria Limited | Nigeria | 100 | Ordinary | 100 |
| Allen Farmaceutica, S.A. | Spain | 100 | Ordinary | 100 |
| Allen Pharmazeutika Gesellschaft m.b.H. | Austria | 100 | Ordinary | 100 |
| Aners S.A (iv) | Argentina | 100 | Non-endorsable Nominative Ordinary | 100 |
| Barrier Therapeutics, Inc. | United States | 100 | Common | 100 |
| Beecham Group p l c | England & Wales | 100 | 20p Shares 'A'; 5p Shares B | 100 |
| Beecham Pharmaceuticals (Pte) Limited | Singapore | 100 | Ordinary | 100 |
| Beecham Pharmaceuticals S.A (iv) (vi) | Ecuador | 100 | Nominative | 100 |
| Beecham Portuguesa-Produtos Farmaceuticos e Quimicos, Lda | Portugal | 100 | Ordinary Quota | 100 |
| Beecham S.A. (iv) | Belgium | 100 | Ordinary | 100 |
| Biddle Sawyer Limited | India | 100 | Equity | 100 |
| Biovesta Ilaçlari Ltd. Sti. | Turkey | 100 | Nominative | 100 |
| Burroughs Wellcome & Co (Australia) Pty Limited (iv) (vi) | Australia | 100 | Ordinary | 100 |
| Burroughs Wellcome & Co (Bangladesh) Limited | Bangladesh | 100 | Ordinary | 100 |
| Burroughs Wellcome International Limited | England & Wales | 100 | Ordinary | 100 |
| Caribbean Chemical Company, Ltd. (will be struck off on 31.03.16) | Cayman Islands | 100 | Ordinary | 100 |
| Cascan GmbH & Co. KG | Germany | 100 | Ordinary | 100 |
| Castleton Investment Ltd (vi) | Mauritius | 100 | Ordinary | 100 |
| Cellzome GmbH | Germany | 100 | Ordinary | 100 |
| Cellzome Limited | England & Wales | 100 | Ordinary | 100 |
| Cellzome Therapeutics, Inc. (iv) | United States | 100 | Ordinary | 100 |
| Cellzome, Inc. | United States | 100 | Ordinary Series A Preferred Series B Preferred Series C-1 Convertible Preferred Series C-3 Convertible Preferred | 100 100 100 100 100 |
| Charles Midgley Limited (iv) | England & Wales | 100 | Ordinary | 100 |
| Clarges Pharmaceuticals Limited | England & Wales | 100 | Cumulative Preference Ordinary | 100 100 |
| Colleen Corporation | United States | 100 | Preference Shares – No Par Value (Common) | 99.97 100 |
| Corixa Corporation | United States | 100 | Common | 100 |
| Coulter Pharmaceutical, Inc. (iv) | United States | 100 | Common | 100 |
| Dealcyber Limited | England & Wales | 100 | Ordinary | 100 |
| Desarrollo Energia Solar Alternativa S.L. | Spain | 100 | Ordinary | 100 |
| Domantis Limited | England & Wales | 100 | Ordinary | 100 |

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|--|-----------------|-----|----------------------|-----|
| Duncan Flockhart Australia Pty Limited (iv) (vi) | Wales | | | |
| Duncan Pharmaceuticals Philippines Inc. | Australia | 100 | Ordinary | 100 |
| Edinburgh Pharmaceutical Industries Limited | Philippines | 100 | Common | 100 |
| Eskaylab Limited | Scotland | 100 | Ordinary; Preference | 100 |
| | England & Wales | 100 | 10p Ordinary | 100 |
| Etex Farmaceutica Ltda | Chile | 100 | Social Capital | 100 |
| Europharm Holding S.A. | Romania | 100 | Nominative | 100 |
| Europharm S.A. | Romania | 100 | Nominative | 100 |
| Fedialis Medica S.A.S. | France | 100 | Ordinary | 100 |
| Fipar (Thailand) Ltd (In liquidation) | Thailand | 100 | Ordinary | 100 |
| Genelabs Technologies, Inc. | United States | 100 | Common | 100 |
| Glaxo AS (iv) | Norway | 100 | Ordinary | 100 |
| Glaxo Group Limited | England & Wales | 100 | Ordinary | 100 |
| Glaxo Kabushiki Kaisha (iv) | Japan | 100 | Ordinary | 100 |

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| Name | Country of incorporation | Effective % Ownership | Security | % Held by Class of Share |
|--|--------------------------|-----------------------|----------------------|--------------------------|
| Wholly owned subsidiaries continued | | | | |
| Glaxo Laboratories (Nigeria) Limited (iv) | Nigeria | 100 | Ordinary | 100 |
| Glaxo Laboratories Limited (iv) | England & Wales | 100 | Ordinary | 100 |
| Glaxo Operations UK Limited | England & Wales | 100 | Ordinary | 100 |
| Glaxo Properties BV | Netherlands | 100 | Ordinary | 100 |
| Glaxo Verwaltungs GmbH (vi) | Germany | 100 | Ordinary | 100 |
| Glaxo Wellcome Australia Pty Ltd (iv) (vi) | Australia | 100 | Ordinary | 100 |
| Glaxo Wellcome Ceylon Limited | Sri Lanka | 100 | Ordinary | 100 |
| Glaxo Wellcome Farmaceutica, Limitada | Portugal | 100 | Ordinary B | 100 |
| Glaxo Wellcome Holdings Limited (In liquidation) | England & Wales | 100 | Ordinary Quota | 100 |
| Glaxo Wellcome International B.V. (v) | Netherlands | 100 | Ordinary | 100 |
| Glaxo Wellcome Manufacturing Pte Ltd | Singapore | 100 | Ordinary | 100 |
| Glaxo Wellcome Production S.A.S. | France | 100 | Ordinary | 100 |
| Glaxo Wellcome PST Pty Ltd (iv) (vi) | Australia | 100 | Ordinary | 100 |
| Glaxo Wellcome UK Limited | England & Wales | 100 | Ordinary | 100 |
| Glaxo Wellcome Vidhyasom Limited (iv) | Thailand | 100 | Ordinary | 100 |
| Glaxo Wellcome, S.A. | Spain | 100 | Ordinary | 100 |
| Glaxo, S.A. | Spain | 100 | Ordinary | 100 |
| Glaxo-Allenburys (Nigeria) Limited (iv) | Nigeria | 100 | Ordinary | 100 |
| Glaxochem (UK) Unlimited | England & Wales | 100 | Ordinary | 100 |
| | | | Ordinary B | 100 |
| | | | Ordinary C | 100 |
| Glaxochem Pte Ltd (v) | Singapore | 100 | Ordinary | 100 |
| GlaxoSmithKline – Produtos Farmaceuticos, Limitada | Portugal | 100 | Ordinary Quota | 100 |
| GlaxoSmithKline (Cambodia) Co., Ltd. | Cambodia | 100 | Ordinary | 100 |
| GlaxoSmithKline (China) Investment Co Ltd | China | 100 | Ordinary | 100 |
| GlaxoSmithKline (China) R&D Company Limited | China | 100 | Equity | 100 |
| GlaxoSmithKline (Cyprus) Limited | Cyprus | 100 | Ordinary | 100 |
| GlaxoSmithKline (GSK) S.R.L. | Romania | 100 | Ordinary | 100 |
| GlaxoSmithKline (Ireland) Limited (ii) | Ireland | 100 | Ordinary | 100 |
| GlaxoSmithKline (Israel) Ltd | Israel | 100 | Ordinary | 100 |
| GlaxoSmithKline (Malta) Limited | Malta | 100 | Ordinary | 100 |
| GlaxoSmithKline (Private) Limited (iv) | Zimbabwe | 100 | Ordinary | 100 |
| GlaxoSmithKline (Thailand) Limited | Thailand | 100 | Ordinary | 100 |
| GlaxoSmithKline A.E.B.E. | Greece | 100 | Ordinary | 100 |
| GlaxoSmithKline AB | Sweden | 100 | Ordinary | 100 |
| GlaxoSmithKline AG | Switzerland | 100 | Ordinary | 100 |
| GlaxoSmithKline Algérie S.P.A. | Algeria | 100 | Ordinary | 100 |
| GlaxoSmithKline Argentina S.A. | Argentina | 100 | Ordinary | 100 |
| GlaxoSmithKline AS | Norway | 100 | Ordinary | 100 |
| GlaxoSmithKline Asia Pvt. Limited | India | 100 | Equity | 100 |
| GlaxoSmithKline Australia Pty Ltd | Australia | 100 | Ordinary | 100 |
| GlaxoSmithKline B.V. | Netherlands | 100 | Ordinary | 100 |
| GlaxoSmithKline Beteiligungs GmbH | Germany | 100 | Ordinary | 100 |
| GlaxoSmithKline Biologicals (Shanghai) Ltd. | China | 100 | Ordinary | 100 |
| GlaxoSmithKline Biologicals (Shenzhen) Co., Ltd (iv) | China | 100 | Ordinary | 100 |
| GlaxoSmithKline Biologicals Kft. | Hungary | 100 | Ordinary | 100 |
| GlaxoSmithKline Biologicals S.A.S. | France | 100 | Ordinary | 100 |
| GlaxoSmithKline Biologicals SA | Belgium | 100 | Ordinary; Preference | 100 |
| GlaxoSmithKline Brasil Limitada | Brazil | 100 | Ordinary | 100 |
| GlaxoSmithKline Business Services S.A. (iv) (vi) | Costa Rica | 100 | Ordinary | 100 |
| GlaxoSmithKline Capital Inc. | United States | 100 | Ordinary | 100 |
| GlaxoSmithKline Capital plc | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Caribbean Limited | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Chile Farmaceutica Limitada | Chile | 100 | Social Capital | 100 |

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|--|------------------------|-----|------------|-----|
| GlaxoSmithKline Colombia S.A. | Colombia | 100 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Investments (Ireland) Limited (ii) (v) | Ireland | 100 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Ireland IP Limited (ii) (v) | Ireland | 100 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Pakistan Limited | Pakistan | 100 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Sri Lanka Holdings Limited (iv) | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Consumer Holding B.V. | Netherlands | 100 | Ordinary | 100 |
| GlaxoSmithKline d.o.o | Bosnia and Herzegovina | 100 | Euro Quota | 100 |

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|---|--------------------------|-----------------------|-------------------------|--------------------------|
| Wholly owned subsidiaries continued | | | | |
| GlaxoSmithKline d.o.o. | Croatia | 100 | Equity | 100 |
| GlaxoSmithKline doo Beograd | Serbia | 100 | Ordinary | 100 |
| GlaxoSmithKline Ecuador S.A. | Ecuador | 100 | Ordinary | 100 |
| GlaxoSmithKline Eesti OU | Estonia | 100 | Ordinary | 100 |
| GlaxoSmithKline ehf | Iceland | 100 | Ordinary | 100 |
| GlaxoSmithKline El Salvador S.A. de C.V. | El Salvador | 100 | Ordinary | 100 |
| GlaxoSmithKline EOOD | Bulgaria | 100 | Ordinary | 100 |
| GlaxoSmithKline Export Limited | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Export Panama S.A. | Panama | 100 | Ordinary | 100 |
| GlaxoSmithKline Far East B.V. | Netherlands | 100 | Ordinary | 100 |
| GlaxoSmithKline Finance plc | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline GmbH & Co. KG | Germany | 100 | Partnership Capital | 100 |
| GlaxoSmithKline Guatemala S.A. | Guatemala | 100 | Ordinary | 100 |
| GlaxoSmithKline Holding AS | Norway | 100 | Ordinary | 100 |
| GlaxoSmithKline Holdings (Americas) Inc. | United States | 100 | Common | 100 |
| GlaxoSmithKline Holdings (Ireland) Limited | England & Wales | 100 | Ordinary; Deferred | 100 |
| GlaxoSmithKline Holdings (One) Limited (i) | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Holdings Limited (i) | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Holdings Pty Ltd | Australia | 100 | Ordinary | 100 |
| GlaxoSmithKline Honduras S.A. | Honduras | 100 | Ordinary | 100 |
| GlaxoSmithKline IHC Limited | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Ilaclari Sanayi ve Ticaret A.S. | Turkey | 100 | Nominative | 100 |
| GlaxoSmithKline Inc. | Canada | 100 | Class A Common | 100 |
| | | | Class C Preference | 100 |
| GlaxoSmithKline Insurance Ltd. | Bermuda | 100 | Ordinary | 100 |
| GlaxoSmithKline Intellectual Property (No.2) Limited | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Intellectual Property Development Limited | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Intellectual Property Holdings Limited | England & Wales | 100 | A Ordinary; B Ordinary | 100 |
| GlaxoSmithKline Intellectual Property Limited | England & Wales | 100 | Ordinary; Deferred | 100 |
| GlaxoSmithKline Intellectual Property Management Limited | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline International Limited | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Investigación y Desarrollo, S.L. | Spain | 100 | Ordinary | 100 |
| GlaxoSmithKline Investment Holdings Limited | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Investment Services Limited | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Investments (Ireland) Limited (ii) (v) | Ireland | 100 | Ordinary | 100 |
| GlaxoSmithKline Investments Pty Ltd | Australia | 100 | Ordinary | 100 |
| GlaxoSmithKline K.K. | Japan | 100 | Ordinary | 100 |
| GlaxoSmithKline Korea Limited | South Korea | 100 | Ordinary | 100 |
| GlaxoSmithKline Latin America, S.A. | Panama | 100 | Ordinary | 100 |
| GlaxoSmithKline Latvia SIA | Latvia | 100 | Ordinary | 100 |
| GlaxoSmithKline Lietuva UAB | Lithuania | 100 | Ordinary | 100 |
| GlaxoSmithKline Limited | Hong Kong | 100 | Ordinary | 100 |
| GlaxoSmithKline LLC | United States | 100 | LLC Interests | 100 |
| GlaxoSmithKline Manufacturing SpA | Italy | 100 | Ordinary | 100 |
| GlaxoSmithKline Maroc S.A. | Morocco | 100 | Ordinary | 100 |
| GlaxoSmithKline Medical and Healthcare Products Limited | Hungary | 100 | Ordinary Quotas | 100 |
| GlaxoSmithKline Mercury Limited (i) | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Mexico S.A. de C.V. | Mexico | 100 | Ordinary A; Ordinary B | 100 |
| GlaxoSmithKline NZ Limited | New Zealand | 100 | Ordinary | 100 |
| GlaxoSmithKline Oy | Finland | 100 | Ordinary | 100 |
| GlaxoSmithKline Peru S.A. | Peru | 100 | Ordinary | 100 |
| GlaxoSmithKline Pharma A/S | Denmark | 100 | Class A | 100 |
| GlaxoSmithKline Pharma GmbH | Austria | 100 | Ordinary | 100 |
| GlaxoSmithKline Pharmaceutical Kenya Limited | Kenya | 100 | Ordinary | 100 |
| GlaxoSmithKline Pharmaceutical Nigeria Limited | Nigeria | 100 | Ordinary | 100 |
| GlaxoSmithKline Pharmaceutical Sdn Bhd | Malaysia | 100 | Ordinary | 100 |
| GlaxoSmithKline Pharmaceuticals (Pvt) Ltd (iv) | Sri Lanka | 100 | Ordinary | 100 |
| GlaxoSmithKline Pharmaceuticals (Suzhou) Limited | China | 100 | Ordinary | 100 |
| GlaxoSmithKline Pharmaceuticals Costa Rica S.A | Costa Rica | 100 | Ordinary | 100 |
| GlaxoSmithKline Pharmaceuticals S.A. | Poland | 100 | Ordinary A; Ordinary B; | 100 |
| | | | Ordinary C; Ordinary D | 100 |

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| Wholly owned subsidiaries continued | | | | |
| GlaxoSmithKline Pharmaceuticals SA | Belgium | 100 | Ordinary | 100 |
| GlaxoSmithKline Pharmaceuticals Ukraine LLC | Ukraine | 100 | Chartered Capital | 100 |
| GlaxoSmithKline Philippines Inc | Philippines | 100 | Common | 100 |
| GlaxoSmithKline Pte Ltd | Singapore | 100 | Ordinary | 100 |
| GlaxoSmithKline Puerto Rico Inc. (iv) | Puerto Rico | 100 | Common | 100 |
| GlaxoSmithKline Republica Dominicana S.A. | Dominican Republic | 100 | Ordinary | 100 |
| GlaxoSmithKline Research & Development Limited | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline S.A. | Spain | 100 | Ordinary | 100 |
| GlaxoSmithKline S.p.A. | Italy | 100 | Ordinary | 100 |
| GlaxoSmithKline s.r.o. | Czech Republic | 100 | Ordinary | 100 |
| GlaxoSmithKline Services GmbH & Co. KG (vi) | Germany | 100 | Partnership Capital | 100 |
| GlaxoSmithKline Services Inc. (iv) | United States | 100 | Common | 100 |
| GlaxoSmithKline Services Unlimited (i) | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline SL Holdings, LLC | United States | 100 | LLC Interests | 100 |
| GlaxoSmithKline SL LLC | United States | 100 | LLC Interests | 100 |
| GlaxoSmithKline SL LP (iv) | England & Wales | 100 | Partnership | 100 |
| GlaxoSmithKline Slovakia s.r.o. | Slovakia | 100 | Ordinary | 100 |
| GlaxoSmithKline South Africa (Pty) Limited | South Africa | 100 | Ordinary | 100 |
| GlaxoSmithKline Superannuation Company Pty Ltd (iv) (vi) | Australia | 100 | Ordinary | 100 |
| GlaxoSmithKline Trading Services Limited (ii) (v) | Ireland | 100 | Ordinary | 100 |
| GlaxoSmithKline Trading ZAO | Russia | 100 | Ordinary | 100 |
| GlaxoSmithKline Tunisia S.A.R.L. | Tunisia | 100 | Ordinary | 100 |
| GlaxoSmithKline UK Limited | England & Wales | 100 | Ordinary | 100 |
| GlaxoSmithKline Uruguay S.A. | Uruguay | 100 | Registered Shares Provisory Stock | 100 |
| GlaxoSmithKline Venezuela C.A. | Venezuela | 100 | Ordinary | 100 |
| GlaxoSmithKline Vietnam Limited Liability Company (iv) | Vietnam | 100 | Equity Capital | 100 |
| Glycovaxyn AG (iv) (vi) | Switzerland | 100 | Common; Preferred A, Preferred B; Preferred C | 100 |
| Group Laboratories South Africa (Pty) Limited (iv) (vi) | South Africa | 100 | Ordinary | 100 |
| Groupe GlaxoSmithKline S.A.S. | France | 100 | Ordinary | 100 |
| GSK Business Service Centre Sdn Bhd | Malaysia | 100 | Ordinary | 100 |
| GSK Commercial Sp. z o.o. | Poland | 100 | Ordinary | 100 |
| GSK d.o.o., Ljubljana | Slovenia | 100 | Ordinary | 100 |
| GSK Employee Share Plan Pty Ltd | Australia | 100 | Ordinary | 100 |
| GSK Kazakhstan LLP | Kazakhstan | 100 | Partnership Interest | 100 |
| GSK Services Sp z o.o. | Poland | 100 | Ordinary | 100 |
| GSK Vaccines GmbH | Germany | 100 | Ordinary | 100 |
| GSK Vaccines Institute for Global Health S.r.l. | Italy | 100 | Quota | 100 |
| GSK Vaccines S.r.l. | Italy | 100 | Quota | 100 |
| GSK Vaccines Vertriebs GmbH | Germany | 100 | Ordinary | 100 |
| Herbridge (ii) (iv) (vi) | Ireland | 100 | Ordinary | 100 |
| HGS France S.a.r.l. | France | 100 | Ordinary | 100 |
| HGS Luxembourg LLC (iv) (vi) | United States | 100 | Common Interests | 100 |
| Horlicks Limited | England & Wales | 100 | Ordinary | 100 |
| Human Genome Sciences Pacific Pty Ltd (vi) | Australia | 100 | Ordinary | 100 |
| Human Genome Sciences, Inc. | United States | 100 | Common | 100 |
| ID Biomedical Corporation of Quebec | Canada | 100 | Common | 100 |
| ID Biomedical Corporation of Washington (iv) | United States | 100 | Common | 100 |
| Instituto Luso Farmaco, Limitada (iv) | Portugal | 100 | Ordinary Quota | 100 |
| InterPharma Dienstleistungen GmbH | Austria | 100 | Quota | 100 |
| J&J Technologies, LC (iv) | United States | 100 | Membership Interest | 100 |
| Laboratoire GlaxoSmithKline | France | 100 | Ordinary | 100 |
| Laboratoire Pharmaceutique Algérien LPA Production SPA | Algeria | 100 | Ordinary | 100 |
| Laboratoire Pharmaceutique Algérien SPA | Algeria | 100 | Ordinary | 100 |
| Laboratoires Paucourt (iv) | France | 100 | Ordinary | 100 |

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| Laboratoires Saint-Germain (iv) | France | 100 | Ordinary | 100 |
| Laboratorios Dermatologicos Darier, S.A de C.V. | Mexico | 100 | Ordinary A; Ordinary B | 100 |
| Laboratorios Farmaceuticos Stiefel (Portugal) LTDA (iv) | Portugal | 100 | Ordinary Quota | 100 |
| Laboratorios Phoenix Sociedad Anonima Industrial Comercial Y Financiera | Argentina | 100 | Non-endorsable Nominative Ordinary Shares | 100 |
| Laboratorios Stiefel de Chile & CIA LTDA | Chile | 100 | Social Capital | 100 |
| Laboratorios Stiefel de Venezuela SA | Venezuela | 100 | Ordinary | 100 |

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| Wholly owned subsidiaries continued | | | | |
| Laboratorios Stiefel Ltda. | Brazil | 100 | Ordinary | 100 |
| Laboratorios Wellcome De Portugal Limitada (iv) | Portugal | 100 | Ordinary Quota | 100 |
| Laboratorios Wellcome S.A. (In liquidation) | Uruguay | 100 | Ordinary | 100 |
| Maxinutrition Limited (In liquidation) | England & Wales | 100 | Ordinary | 100 |
| Mixis Genetics Limited | England & Wales | 100 | Ordinary | 100 |
| Montrose Fine Chemical Company Ltd | Scotland | 100 | Ordinary Euro | 100 |
| Montrose Pharma Company Limited | Hungary | 100 | Ordinary | 100 |
| Montrose Pharma UAB (iv) | Lithuania | 100 | Ordinary Quota | 100 |
| Nanjing Meirui Pharma Co. Ltd | China | 100 | Ordinary | 100 |
| Novartis Vaccines and Diagnostics AG (vi) | Switzerland | 100 | Ordinary | 100 |
| Novartis Vaccines and Diagnostics Pty Ltd | Australia | 100 | Ordinary | 100 |
| Novartis Vaccines and Diagnostics S.L. (vi) | Spain | 100 | Ordinary | 100 |
| Okairos AG (iv) (vi) | Switzerland | 100 | Common; Preferred A; Preferred B | 100 |
| Penn Labs Inc. (iv) | United States | 100 | Common | 100 |
| S.R. One International B.V. | Netherlands | 100 | Ordinary | 100 |
| S.R. One, Limited | United States | 100 | Units (Common) | 100 |
| Setfirst Limited | England & Wales | 100 | Ordinary | 100 |
| SmithKline & French Laboratories Limited | England & Wales | 100 | Ordinary | 100 |
| SmithKline & French Portuguesa-Produtos Farmaceuticos, LDA (iv) | Portugal | 100 | Ordinary | 100 |
| SmithKline Beecham (Australia) Pty Ltd (iv) (vi) | Australia | 100 | Ordinary Quota | 100 |
| SmithKline Beecham (Bangladesh) Private Limited (iv) | Bangladesh | 100 | Ordinary | 100 |
| SmithKline Beecham (Cork) Limited (ii) | Ireland | 100 | Ordinary | 100 |
| SmithKline Beecham (Export) Limited | England & Wales | 100 | Ordinary | 100 |
| SmithKline Beecham (H) Limited | England & Wales | 100 | Non-Cumulative Non-Redeemable Ordinary | 100 |
| SmithKline Beecham (Investments) Limited | England & Wales | 100 | Ordinary | 100 |
| SmithKline Beecham (Manufacturing) Limited (ii) | Ireland | 100 | Ordinary | 100 |
| SmithKline Beecham (SWG) Limited | England & Wales | 100 | Ordinary | 100 |
| SmithKline Beecham Animal Health Company | Canada | 100 | Common | 100 |
| SmithKline Beecham Biologicals US Partnership | United States | 100 | Partnership Interests | 100 |
| SmithKline Beecham Egypt L.L.C. | Egypt | 100 | Quotas | 100 |
| SmithKline Beecham Farma, S.A. | Spain | 100 | Ordinary | 100 |
| SmithKline Beecham Holdings (Australia) Pty. Limited (iv) (vi) | Australia | 100 | Ordinary A; Ordinary B Shares No par Value (Common) | 100 |
| SmithKline Beecham Inter-American Corporation (iv) | United States | 100 | | 100 |
| SmithKline Beecham Limited | England & Wales | 100 | Ordinary 6.25p | 100 |
| SmithKline Beecham Marketing and Technical Services Limited | England & Wales | 100 | Ordinary | 100 |
| SmithKline Beecham Nominees Limited | England & Wales | 100 | Ordinary | 100 |
| SmithKline Beecham Overseas Limited | England & Wales | 100 | Ordinary | 100 |
| SmithKline Beecham Pension Plan Trustee Limited (iv) | England & Wales | 100 | Ordinary | 100 |
| SmithKline Beecham Pension Trustees Limited (iv) | England & Wales | 100 | Ordinary | 100 |
| SmithKline Beecham Pharma GmbH & Co KG | Germany | 100 | Partnership Capital | 100 |
| SmithKline Beecham Pharma Verwaltungs GmbH | Germany | 100 | Ordinary | 100 |

| | | | | |
|---|--------------------|-----|----------------------|-----|
| SmithKline Beecham Pharmaceuticals (Pty) Limited (iv) (vi) | South Africa | 100 | Ordinary | 100 |
| SmithKline Beecham Pharmaceuticals Co. | United States | 100 | Shares No par Value | 100 |
| SmithKline Beecham Port Louis Limited (vi) | Mauritius | 100 | (Common) Ordinary | 100 |
| SmithKline Beecham Retirement Plan (Nominees) Pty Limited (iv) (vi) | Australia | 100 | Ordinary | 100 |
| SmithKline Beecham Senior Executive Pension Plan Trustee Limited (iv) | England & Wales | 100 | Ordinary | 100 |
| Stiefel Distributors (Ireland) Limited (ii) (iv) | Ireland | 100 | Ordinary | 100 |
| Stiefel Dominicana SRL (iv) | Dominican Republic | 100 | Ordinary Quotas | 100 |
| Stiefel Farma, S.A | Spain | 100 | Ordinary | 100 |
| Stiefel GmbH & Co. KG | Germany | 100 | Partnership Capital | 100 |
| Stiefel India Private Limited | India | 100 | Equity | 100 |
| Stiefel Laboratories (Ireland) Limited (ii) | Ireland | 100 | Ordinary | 100 |
| Stiefel Laboratories (Maidenhead) Ltd | England & Wales | 100 | Ordinary | 100 |
| Stiefel Laboratories (Thailand) Ltd. (Liquidated 25 Jan 2016) | Thailand | 100 | Ordinary; Preference | 100 |
| Stiefel Laboratories (U.K.) Ltd | England & Wales | 100 | Ordinary | 100 |
| Stiefel Laboratories Limited (iv) | England & Wales | 100 | Ordinary | 100 |

Group companies continued

| Name | Country of incorporation | Effective % Ownership | Security | % Held by Class of Share |
|---|--------------------------|-----------------------|--|--------------------------|
| Wholly owned subsidiaries continued | | | | |
| Stiefel Laboratories Pte Limited | Singapore | 100 | Ordinary | 100 |
| Stiefel Laboratories Pty Ltd (iv) (vi) | Australia | 100 | Ordinary | 100 |
| Stiefel Laboratories SA (Pty) Ltd (iv) (vi) | South Africa | 100 | Ordinary | 100 |
| Stiefel Laboratories Taiwan Ltd (Liquidated 5 Jan 2016) | Taiwan | 100 | Ordinary | 100 |
| Stiefel Laboratories, Inc. | United States | 100 | Common | 100 |
| Stiefel Maroc SARL | Morocco | 100 | Ordinary | 100 |
| Stiefel Polska SP Z O.O. w likwidacji (In liquidation) | Poland | 100 | Ordinary | 100 |
| Stiefel Research (Australia) Holdings Pty Ltd (iv) | Australia | 100 | Ordinary | 100 |
| Stiefel Research Australia Pty Ltd | Australia | 100 | Ordinary | 100 |
| Stiefel Research Institute, Inc. (vi) | United States | 100 | Common | 100 |
| Stiefel Sales, Inc. (iv) (vi) | United States | 100 | Common | 100 |
| Stiefel West Coast LLC | United States | 100 | LLC Interests | 100 |
| Strebor Inc. | United States | 100 | USD 1 par value (Common) | 100 |
| Tempero Pharmaceuticals, Inc. | United States | 100 | Series A Preference; Series B Preference; Common | 100 |
| The Sydney Ross Co. (iv) | United States | 100 | Ordinary | 100 |
| The Wellcome Foundation Limited | England & Wales | 100 | Ordinary | 100 |
| UCB Pharma (Thailand) Ltd (Liquidated 25 Jan 2016) | Thailand | 100 | Ordinary | 100 |
| UCB Pharma Asia Pacific Sdn Bhd (iv) | Malaysia | 100 | Ordinary | 100 |
| Webderm, Inc. (iv) (vi) | United States | 100 | Common | 100 |
| Wellcome Consumer Healthcare Limited (iv) | England & Wales | 100 | Ordinary | 100 |
| Wellcome Consumer Products Limited (iv) | England & Wales | 100 | Ordinary | 100 |
| Wellcome Developments Pty Ltd (iv) (vi) | Australia | 100 | Ordinary | 100 |
| Wellcome Limited | England & Wales | 100 | Ordinary | 100 |
| Wellcome Operations Pty Ltd (iv) (vi) | Australia | 100 | Ordinary | 100 |
| Subsidiaries where the effective interest is less than 100% | | | | |
| Amoun Pharmaceutical Industries Co. S.A.E. | Egypt | 99.5 | New Monetary Shares | 99.5 |
| Beecham Enterprises Inc. (iv) | United States | 55.9 | Common | 100 |
| Block Drug Company, Inc. | United States | 63.5 | Common | 100 |
| British Pharma Group Limited | England & Wales | 50 | Capital | 50 |
| Block Drug Corporation (iv) | United States | 63.5 | Common No Par Value | 100 |
| de Miclén a.s. | Slovakia | 63.5 | Ordinary | 100 |
| Duncan Consumer Healthcare Philippines Inc | Philippines | 63.5 | Common | 100 |
| Ex-Lax, Inc. | Puerto Rico | 63.5 | Common | 100 |
| Fondation Novartis Consumer Health Pour l'Avancement Des Sciences Medicales, Biologiques Et Pharmaceutiques | Switzerland | 63.5 | Capital | 63.5 |
| Glaxo Saudi Arabia Limited | Saudi Arabia | 49 | Ordinary | 49 |
| GlaxoSmithKline (Tianjin) Co. Ltd | China | 90 | Ordinary | 90 |
| GlaxoSmithKline Bangladesh Limited | Bangladesh | 82 | Ordinary | 82 |
| GlaxoSmithKline Brasil Produtos para Consumo e Saude Ltda | Brazil | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare (China) Co. Ltd | China | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare (Hong Kong) Limited | Hong Kong | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare (Ireland) Limited (ii) | Ireland | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare (Overseas) Limited | England & Wales | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare (Thailand) Limited | Thailand | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare (UK) IP Limited | England & Wales | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare (UK) Trading Limited | England & Wales | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare (US) IP LLC | United States | 63.5 | LLC Interests | 100 |
| GlaxoSmithKline Consumer Healthcare A/S | Denmark | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare AB | Sweden | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare AG | Switzerland | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Argentina S.A. (iv) | Argentina | 63.5 | Nominative non endorseable Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Australia Pty Ltd | Australia | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare B.V. | Netherlands | 63.5 | Ordinary A | 100 |
| GlaxoSmithKline Consumer Healthcare Canada Corp | Canada | 63.5 | Common | 100 |
| GlaxoSmithKline Consumer Healthcare Colombia SAS | Colombia | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Czech Republic s.r.o. | Czech Republic | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Finance Limited | England & Wales | 63.5 | Ordinary | 100 |

| | | | | |
|---|---------|------|---------------------|-----|
| GlaxoSmithKline Consumer Healthcare Finland Oy | Finland | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare GmbH | Austria | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare GmbH & Co. KG | Germany | 63.5 | Partnership Capital | 100 |

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Group companies continued

| Name | Country of incorporation | Effective % Ownership | Security | % Held by Class of Share |
|---|--------------------------|-----------------------|-----------------------|--------------------------|
| Subsidiaries where the effective interest is less than 100% continued | | | | |
| GlaxoSmithKline Consumer Healthcare Greece Societe Anonyme | Greece | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Holdings (US) LLC | United States | 63.5 | LLC Interests | 100 |
| GlaxoSmithKline Consumer Healthcare Holdings Limited | England & Wales | 63.5 | Ordinary A | 100 |
| | | | Ordinary B | 0 |
| GlaxoSmithKline Consumer Healthcare Inc. | Canada | 63.5 | Common Preferred | 100 |
| | | | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No 2) (ii) (v) | Ireland | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No 3) Limited (ii) (v) | Ireland | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Japan K.K. | Japan | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Korea Co., Ltd. | Korea | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare L.L.C. | United States | 63.5 | LLC Interests | 100 |
| GlaxoSmithKline Consumer Healthcare Limited | India | 72.5 | Equity | 72.5 |
| GlaxoSmithKline Consumer Healthcare Mexico, S. De R.L. de C.V. | Mexico | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare New Zealand Limited | New Zealand | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Norway AS | Norway | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Philippines Inc | Philippines | 63.5 | Common | 100 |
| GlaxoSmithKline Consumer Healthcare Pte. Ltd. | Singapore | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare S.A. | Belgium | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare S.A. | Spain | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare S.p.A. | Italy | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Sdn. Bhd. | Malaysia | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Slovakia s. r. o. | Slovakia | 63.5 | Ownership Interest | 100 |
| GlaxoSmithKline Consumer Healthcare South Africa Pty (Ltd) | South Africa | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare Sp.z.o.o. | Poland | 63.5 | Common | 100 |
| GlaxoSmithKline Consumer Healthcare SRL | Romania | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Consumer Healthcare, L.P. | United States | 55.9 | Partnership Interest | 55.9 |
| GlaxoSmithKline Consumer Healthcare, Produtos para a Saude e Higiene, Lda | Portugal | 63.5 | Ordinary Quota | 100 |
| GlaxoSmithKline Consumer Nigeria plc (iii) | Nigeria | 46.4 | Ordinary | 46.4 |
| GlaxoSmithKline Consumer Private Limited | India | 63.5 | Equity | 100 |
| GlaxoSmithKline Consumer Trading Services Limited | England & Wales | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Costa Rica S.A. | Costa Rica | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Dungarvan Limited (ii) | Ireland | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Healthcare AO | Russia | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Healthcare GmbH | Germany | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Healthcare Ukraine O.O.O. | Ukraine | 63.5 | Ownership Interest | 100 |
| GlaxoSmithKline Landholding Company, Inc | Philippines | 39.9 | Common | 100 |
| GlaxoSmithKline Limited | Kenya | 63.5 | Ordinary | 100 |
| GlaxoSmithKline OTC (PVT.) Limited | Pakistan | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Pakistan Limited | Pakistan | 82.6 | Ordinary | 82.6 |
| GlaxoSmithKline Panama S.A. | Panama | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Paraguay S.A. | Paraguay | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Pharmaceuticals Limited | India | 75 | Equity | 75 |
| GlaxoSmithKline S.A.E. | Egypt | 91.2 | Ordinary | 91.2 |
| GlaxoSmithKline Sante Grand Public SAS | France | 63.5 | Ordinary | 100 |
| GlaxoSmithKline Tuketici Sagligi Anonim Sirketi | Turkey | 63.5 | Nominative | 100 |
| GlaxoSmithKline-Consumer Hungary Limited Liability Company | Hungary | 63.5 | Membership | 100 |
| GSK Consumer Healthcare Singapore Pte. Ltd | Singapore | 63.5 | Ordinary | 100 |
| Iodosan S.p.A. | Italy | 63.5 | Ordinary | 100 |
| Kuhs GmbH | Germany | 63.5 | Equity | 100 |
| Laboratorios Viiv Healthcare, S.L. | Spain | 78.3 | Ordinary | 100 |
| Modern Pharma Trading Company L.L.C. | Egypt | 98.2 | Quotas | 98.2 |
| Novartis Consumer Health Australasia Pty Ltd | Australia | 63.5 | Ordinary | 100 |
| | | | Redeemable Preference | 100 |
| Novartis Consumer Health Canada Inc./Novartis Sante Familiale | Canada | 63.5 | Common | 100 |

| | | | | |
|-------------------------------|---------|------|------------------------|-----|
| Canada, Inc. | | | | |
| Novartis Consumer Health GmbH | Germany | 38.1 | Ordinary | 100 |
| Novartis Consumer Health LLC | Russia | 63.5 | Participation Interest | 100 |

Group companies continued

| Name | Country of incorporation | Effective % Ownership | Security | % Held by Class of Share |
|--|--------------------------|-----------------------|--|--------------------------|
| Subsidiaries where the effective interest is less than 100% continued | | | | |
| Novartis Consumer Health N.V. | Belgium | 63.5 | Ordinary | 100 |
| Novartis Consumer Health S.A. | Spain | 63.5 | Ordinary | 100 |
| Novartis Consumer Health S.A. | Switzerland | 63.5 | Ordinary | 100 |
| Novartis Consumer Health Schweiz AG | Switzerland | 63.5 | Ordinary | 100 |
| Novartis Consumer Health Services S.A. | Switzerland | 63.5 | Registered Shares | 100 |
| | England & | | | |
| Novartis Consumer Health UK Limited | Wales | 63.5 | Ordinary | 100 |
| Novartis Consumer Health, Inc. | United States | 63.5 | Common | 100 |
| Novartis Consumer Health-Gebro GmbH | Austria | 38.1 | Ordinary | 60 |
| Novartis Sante Familiale S.A.S. (In liquidation) | France | 63.5 | Ordinary | 100 |
| P.T. SmithKline Beecham Pharmaceuticals | Indonesia | 99 | A Shares | 100 |
| | | | B Shares | 100 |
| P.T. Sterling Products Indonesia | Indonesia | 63.5 | A Shares | 100 |
| | | | B Shares | 100 |
| Panadol GmbH | Germany | 63.5 | Ordinary | 100 |
| PHIVCO Jersey II Limited (iv) (v) | Jersey | 78.3 | Ordinary | 100 |
| PHIVCO Jersey Limited (iv) (v) | Jersey | 78.3 | Ordinary | 100 |
| | England & | | | |
| PHIVCO UK II Limited | Wales | 78.3 | Ordinary | 100 |
| | England & | | | |
| PHIVCO UK Limited | Wales | 78.3 | Ordinary | 100 |
| PHIVCO-1 LLC | United States | 78.3 | LLC Interests | 100 |
| PHIVCO-2 LLC | United States | 78.3 | LLC Interests | 100 |
| PT Glaxo Wellcome Indonesia | Indonesia | 95 | A Shares | 100 |
| | | | B Shares | 100 |
| PT. Bina Dentalindo (In liquidation) | Indonesia | 63.5 | Ordinary | 100 |
| Shionogi-ViiV Healthcare LLC (iv) | United States | 78.3 | Common Interests | 100 |
| Sino-American Tianjin Smith Kline & French Laboratories Ltd | China | 34.9 | Ordinary | 55 |
| SmithKline Beecham (Private) Limited | Sri Lanka | 99.6 | Ordinary | 99.6 |
| | England & | | | |
| SmithKline Beecham Research Limited | Wales | 63.5 | Ordinary | 100 |
| SmithKline Beecham S.A. | Spain | 63.5 | Ordinary | 100 |
| SmithKline Beecham-Biomed O.O.O. | Russia | 97 | Participation Interest | 97 |
| Stafford-Miller (Ireland) Limited (ii) | Ireland | 63.5 | Ordinary | 100 |
| | England & | | | |
| Stafford-Miller Limited | Wales | 63.5 | Ordinary | 100 |
| | | | Non-Cumulative Non Redeemable Preference | 100 |
| Sterling Drug (Malaya) Sdn Berhad | Malaysia | 63.5 | Ordinary | 100 |
| Sterling Products International, Incorporated (iv) | United States | 63.5 | Common | 100 |
| | England & | | | |
| Stiefel Consumer Healthcare (UK) Limited | Wales | 63.5 | Ordinary | 100 |
| Stiefel Egypt LLC (iv) | Egypt | 99 | Quota | 99 |
| Stiefel Manufacturing (Ireland) Limited (ii) | Ireland | 63.5 | Ordinary | 100 |
| ViiV Healthcare (South Africa) (Proprietary) Limited | South Africa | 78.3 | Ordinary | 100 |
| ViiV Healthcare BV | Netherlands | 78.3 | Ordinary | 100 |
| ViiV Healthcare Company | United States | 78.3 | Common | 100 |
| | England & | | | |
| ViiV Healthcare Finance 1 Limited (iv) | Wales | 78.3 | Ordinary | 100 |
| | England & | | | |
| ViiV Healthcare Finance 2 Limited (iv) | Wales | 78.3 | Ordinary | 100 |
| ViiV Healthcare GmbH | Germany | 78.3 | Ordinary | 100 |
| ViiV Healthcare GmbH | Switzerland | 78.3 | Ordinary | 100 |
| ViiV Healthcare Kabushiki Kaisha | Japan | 78.3 | Ordinary | 100 |
| | England & | | | |
| ViiV Healthcare Limited | Wales | 78.3 | Class A Shares | 100 |
| | | | Class B Shares | 0 |
| | | | Class C Shares | 0 |
| | | | Class D1 Preference | 0 |
| | | | Class D2 Ordinary | 0 |
| | England & | | | |

| | | | | |
|---|-------------|------|------------------------|-----|
| ViiV Healthcare Overseas Limited | Wales | 78.3 | Ordinary | 100 |
| ViiV Healthcare Pty Ltd | Australia | 78.3 | Ordinary | 100 |
| ViiV Healthcare Puerto Rico, LLC | Puerto Rico | 78.3 | LLC Interests | 100 |
| ViiV Healthcare S.r.l. | Italy | 78.3 | Quota | 100 |
| ViiV Healthcare SAS | France | 78.3 | Ordinary | 100 |
| ViiV Healthcare sprl | Belgium | 78.3 | Ordinary | 100 |
| ViiV Healthcare Trading LLC | Russia | 78.3 | Participation Interest | 100 |
| | England & | | | |
| ViiV Healthcare Trading Services UK Limited | Wales | 78.3 | Ordinary | 100 |
| ViiV Healthcare UK (No.2) Limited (v) | Jersey | 78.3 | Ordinary | 100 |
| | England & | | | |
| ViiV Healthcare UK (No.3) Limited | Wales | 78.3 | Ordinary | 100 |
| | England & | | | |
| ViiV Healthcare UK (No.4) Limited (iv) | Wales | 78.3 | Ordinary | 100 |
| | England & | | | |
| ViiV Healthcare UK Limited | Wales | 78.3 | Ordinary | 100 |

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Group companies continued

| Name | Country of incorporation | Effective % Ownership | Security | % Held by Class of Share |
|--|--------------------------|-----------------------|-------------------------------|--------------------------|
| Subsidiaries where the effective interest is less than 100% continued | | | | |
| ViiV Healthcare ULC | Canada | 78.3 | Common | 100 |
| ViiV Healthcare Venture LLC | United States | 78.3 | LLC Interests | 100 |
| ViiV HIV Healthcare Unipessoal Lda | Portugal | 78.3 | Quota | 100 |
| Winster Pharmaceuticals Limited | Nigeria | 46.4 | Ordinary | 100 |
| Zhejiang Tianyuan Bio-Pharmaceutical Co. Ltd | China | 95 | Ordinary | 95 |
| Associates | | | | |
| Calci Medica Inc. | United States | 33.9 | Series A and Junior Preferred | 33.9 |
| Index Ventures Life VI (Jersey) LP | United States | 25 | Partnership Interest | 25 |
| Theravance, Inc. (now Innoviva, Inc.) | United States | 27.8 | Common | 27.8 |
| JCR Pharmaceuticals Co. Ltd | Japan | 24.6 | Common | 24.6 |
| Kurma Biofund II, FCPR | France | 32 | Partnership Interest | 32 |
| Longwood Founders Fund LP | United States | 28 | Partnership Interest | 28 |
| River Vision Development Corp. | United States | 33 | Series A Preferred | 33 |
| Joint Ventures | | | | |
| Chiron Panacea Vaccines Private Ltd (In liquidation) | India | 50 | | |
| Japan Vaccine Co., Ltd | Japan | 50 | | |
| Japan Vaccine Distribution Co., Ltd | Japan | 50 | | |
| Qualivax Pte Limited | Singapore | 50 | | |
| Qura Therapeutics LLC | United States | 50 | | |

Key

- (i) Directly owned by GlaxoSmithKline plc.
- (ii) Exempt from the provisions of section 347 and 348 of the Companies Act 2014 (Ireland), in accordance with the exemptions noted in Section 357 of that Act.
- (iii) Consolidated as a subsidiary in accordance with section 1162 (4)(a) of the Companies Act 2006 on the grounds of dominant influence.
- (iv) Dormant company.
- (v) Tax resident in the UK.
- (vi) Entity expected to be disposed of or removed in 2016.

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Glossary of terms

| Terms used in the Annual Report | US equivalent or brief description |
|--------------------------------------|--|
| Accelerated capital allowances | Tax allowance in excess of depreciation arising from the purchase of fixed assets that delay the charging and payment of tax. The equivalent of tax depreciation. |
| American Depositary Receipt (ADR) | Receipt evidencing title to an ADS. Each GSK ADR represents two Ordinary Shares. |
| American Depositary Shares (ADS) | Listed on the New York Stock Exchange; represents two Ordinary Shares. |
| Basic earnings per share | Basic income per share. |
| Called up share capital | Ordinary Shares, issued and fully paid. |
| CER growth | Growth at constant exchange rates. |
| The company | GlaxoSmithKline plc. |
| Corporate Integrity Agreement (CIA) | In 2012, the company entered into a settlement with the US Federal Government related to past sales and marketing practices. As part of the settlement the company entered into a Corporate Integrity Agreement with the US Department of Health and Human Services, under which improvements are being built into its existing compliance programmes. |
| Currency swap | An exchange of two currencies, coupled with a subsequent re-exchange of those currencies, at agreed exchange rates and dates. |
| Defined benefit plan | Pension plan with specific employee benefits, often called 'final salary scheme'. |
| Defined contribution plan | Pension plan with specific contributions and a level of pension dependent upon the growth of the pension fund. |
| Derivative financial instrument | A financial instrument that derives its value from the price or rate of some underlying item. |
| Diluted earnings per share | Diluted income per share. |
| Employee Share Ownership Plan Trusts | Trusts established by the Group to satisfy share-based employee incentive plans. |
| Equity Shareholders' funds | Shareholders' equity. |
| Finance lease | Capital lease. |
| Freehold | Ownership with absolute rights in perpetuity. |
| The Group | GlaxoSmithKline plc and its subsidiary undertakings. |
| GSK | GlaxoSmithKline plc and its subsidiary undertakings. |
| Hedging | The reduction of risk, normally in relation to foreign currency or interest rate movements, by making off-setting commitments. |
| Intangible fixed assets | Assets without physical substance, such as computer software, brands, licences, patents, know-how and marketing rights purchased from outside parties. |
| Novartis transaction | The three-part inter-conditional transaction with Novartis AG involving the Consumer Healthcare, Vaccines and Oncology businesses completed on 2 March 2015. |
| Ordinary Share | A fully paid up ordinary share in the capital of the company. |
| Profit | Income. |
| Profit attributable to shareholders | Net income. |
| Share capital | Ordinary Shares, capital stock or common stock issued and fully paid. |
| Share option | Stock option. |
| Share premium account | Additional paid-up capital or paid-in surplus (not distributable). |
| Shares in issue | The number of shares outstanding. |

| | |
|------------------------------|---|
| Subsidiary | An entity in which GSK exercises control. |
| Treasury share | Treasury stock. |
| Turnover | Revenue. |
| UK Corporate Governance Code | As required by the UK Listing Authority, the company has disclosed in the Annual Report how it has applied the best practice corporate governance provisions of the Financial Reporting Council's UK Corporate Governance Code. |

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About GSK

GlaxoSmithKline plc was incorporated as an English public limited company on 6 December 1999. We were formed by a merger between Glaxo Wellcome plc and SmithKline Beecham plc. GSK acquired these two English companies on 27 December 2000 as part of the merger arrangements.

Our shares are listed on the London Stock Exchange and the New York Stock Exchange.

➔ Read more at www.gsk.com



Here you will find downloadable PDFs of:

- Annual Report 2015
- Form 20-F
- Responsible Business Supplement 2015

Brand names

Brand names appearing in italics throughout this report are trade marks either owned by and/or licensed to GSK or associated companies, with the exception of *Prolia*, owned by Amgen, *Zofran*, owned by Novartis, *Trumenba* and *Mencevax*, owned by Pfizer, *Treximet*, owned by Pernix Ireland, *Lucozade* and *Ribena*, owned by Suntory and *Nimenrix*, a trade mark of GSK licensed to Pfizer.

Acknowledgements

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Paper

This Annual Report is printed on Amadeus 100 Silk, a 100% recycled paper with full FSC certification. All pulps used are made from 100% de-inked, post-consumer waste and are elemental chlorine free. The manufacturing mill holds the ISO 14001 and EU Ecolabel certificates for environmental management.

Notice regarding limitations on Director Liability under English Law

Under the UK Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from the Directors' Report (for which see page 101), the Strategic report and the Remuneration report. Under English law the Directors would be liable to the company, but not to any third party, if one or more of these reports contained errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would otherwise not be liable. Pages 73 to 101, 130, 211 and 231 to 258 inclusive comprise the Directors' Report, pages 2 to 72 inclusive comprise the Strategic report and pages 102 to 126 inclusive comprise the Remuneration report, each of which have been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

Website

GSK's website www.gsk.com gives additional information on the Group. Notwithstanding the references we make in this Annual Report to GSK's website, none of the information made available on the website constitutes part of this Annual Report or shall be deemed to be incorporated by reference herein.

Cautionary statement regarding forward-looking statements

The Group's reports filed with or furnished to the US Securities and Exchange Commission (SEC), including this document and written information released, or oral statements made, to the public in the future by or on behalf of the Group, may contain forward-looking statements. Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. The reader should, however, consult any additional disclosures that the Group may make in any documents which it publishes and/or files with the SEC. All readers, wherever located, should take note of these disclosures. Accordingly, no assurance can be given that any particular expectation will be met and shareholders are cautioned not to place undue reliance on the forward-looking statements.

Forward-looking statements are subject to assumptions, inherent risks and uncertainties, many of which relate to factors that are beyond the Group's control or precise estimate. The Group cautions investors that a number of important factors, including those in this document, could cause actual results to differ materially from those expressed or implied in any forward-looking statement. Such factors include, but are not limited to, those discussed under 'Risk factors' on pages 231 to 240 of this Annual Report. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors on the date of this Annual Report.

A number of adjusted measures are used to report the performance of our business. These measures are defined on page 54 and a reconciliation of core results to total results is set out on page 62.

The information in this document does not constitute an offer to sell or an invitation to buy shares in GlaxoSmithKline plc or an invitation or inducement to engage in any other investment activities. Past performance cannot be relied upon as a guide to future performance. Nothing in this Annual Report should be construed as a profit forecast.

Assumptions related to 2016-2020 outlook

In outlining the expectations for the five-year period 2016-2020, the Group has made certain assumptions about the healthcare sector, the different markets in which the Group operates and the delivery of revenues and financial benefits from its current portfolio, pipeline and restructuring programmes.

For the Group specifically, over the period to 2020 GSK expects further declines in sales of *Seretide/Advair*. The introduction of a generic alternative to *Advair* in the US has been factored into the Group's assessment of its future performance. The Group assumes no premature loss of exclusivity for other key products over the period. The Group's expectation of at least £6 billion of revenues per annum on a CER basis by 2020 from products launched in the last three years includes contributions from the current pipeline asset *Shingrix*. This target is now expected to be met up to two years earlier. The Group also expects volume demand for its products to increase, particularly in Emerging Markets.

The assumptions for the Group's revenue and earnings expectations assume no material mergers, acquisitions, disposals, litigation costs or share repurchases for the Company; and no change in the Group's shareholdings in ViiV Healthcare or Consumer Healthcare. They also assume no material changes in the macro-economic and healthcare environment.

The Group's expectations assume successful delivery of the Group's integration and restructuring plans over the period 2016-2020. Material costs for investment in new product launches and R&D have been factored into the expectations given. The expectations are given on a constant currency basis and assume no material change to the Group's effective tax rate.



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