Pre-Quarterly Results Communication Q2 2020

Issued: Wednesday 8th July 2020

This Q2 2020 Pre-Quarterly Results Communication has been prepared by GSK in accordance with our standard prior practice. This Communication includes statements made previously by GSK in communications such as our Q1 2020 results presentation on 29 April 2020, our Q1 2020 press release, and our Q1 2020 results analyst/investor call. These statements are extracted from their original source and therefore, by definition, do not reflect subsequent or recent events, circumstances or developments, including divestments and the impact of the coronavirus outbreak (see "Key updates during Q2" below).

Any updates to these and other previously made statements would only be included in further communications by GSK to the market in our Q2 2020 release or otherwise. Accordingly, the extracted statements should only be taken as speaking as at the date they were originally made, and the inclusion of the extracted statements herein should not be taken as an indication that they will not be updated in the future.

As our 2019 Annual Report indicated, the potential impact of the coronavirus outbreak on GSK's trading performance and supply continuity remains uncertain. We continue to monitor the situation closely, including the potential impacts on trading results, our supply continuity and our employees. The situation could change at any time and there can be no assurance that the coronavirus outbreak will not have a material adverse impact on the future results of the Group.

Contents

New information for Q2 2020

Key updates during Q2

31 December 2019: GSK completes divestment of rabies and tick-borne encephalitis vaccines to Bavarian Nordic
https://www.gsk.com/en-gb/media/press-releases/gsk-completes-divestment-of-rabies-and-tick-borne-encephalitis-vaccines-to-bavarian-nordic/

05 March 2020: GSK receives EC approval for the sale of ThermaCare
https://www.gsk.com/en-gb/media/press-releases/gsk-receives-ec-approval-for-the-sale-of-thermacare/

01 April 2020: GSK completes divestment of Horlicks and other Consumer Healthcare nutrition products in India and certain other markets
https://otp.investis.com/clients/uk/GlaxoSmithKline2/rns_new/regulatory-story.aspx?cid=410&newsid=1383657

07 May 2020: GSK sells its holding in Hindustan Unilever
https://otp.investis.com/clients/uk/GlaxoSmithKline2/rns_new/regulatory-story.aspx?cid=410&newsid=1390064

For comprehensive list of news flow events, see pages 19-24

Foreign exchange

On the basis of the rates in the table below, it is expected that the impact of foreign exchange on Q2 2020 sales will be around flat to +1%

Average rates Quarterly	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Key currencies						
US$	1.31	1.28	1.23	1.30	1.29	1.25
€	1.15	1.14	1.11	1.17	1.17	1.13
Yen	144	140	133	141	140	134
Other currencies						
Australian dollar	1.83	1.83	1.80	1.88	1.96	1.87
Brazilian real	4.96	4.99	4.94	5.27	5.77	6.54
Canadian dollar	1.74	1.71	1.63	1.71	1.74	1.71
Chinese yuan	8.81	8.73	8.64	9.10	9.02	8.81
Indian rupee	91.7	89.0	86.4	92.6	93.6	93.4
Russian rouble	86.7	82.6	79.9	82.7	87.2	88.5
FX impact on turnover	***+1%***	***+2%***	***+5%***	***-2%***	***+0%***	***flat to +1%***
FX impact on adjusted EPS	***+4%***	***+5%***	***+8%***	***-5%***	***-1%***	***n/a***

Average rates Cumulative - YTD	3M 2019	6M 2019	9M 2019	12M 2019	3M 2020	6M 2020
Key currencies						
US$	1.31	1.29	1.27	1.28	1.29	1.27
€	1.15	1.14	1.13	1.14	1.17	1.15
Yen	144	142	139	139	140	137
Other currencies						
Australian dollar	1.83	1.83	1.82	1.84	1.96	1.92
Brazilian real	4.96	4.97	4.96	5.04	5.77	6.15
Canadian dollar	1.74	1.73	1.69	1.70	1.74	1.72
Chinese yuan	8.81	8.77	8.73	8.82	9.02	8.91
Indian rupee	91.7	90.3	89.0	89.9	93.6	93.5
Russian rouble	86.7	84.7	83.1	83.0	87.2	87.8
FX impact on turnover	***+1%***	***+1%***	***+3%***	***+2%***	***+0%***	***+0%***
FX impact on adjusted EPS	***+4%***	***+4%***	***+5%***	***+3%***	***-1%***	***n/a***

The Q2 2020 period-end rates were $1.23/£, €1.10/£ and Yen 132/£.

Period end rates	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	June 2020
Key currencies							
US$	1.27	1.31	1.27	1.23	1.32	1.24	1.23
€	1.11	1.17	1.12	1.13	1.18	1.13	1.10
Yen	140	145	137	133	143	134	132

Foreign exchange: Ready reckoner

In the 2019 FY results presentation on 5 February 2020, the following ready reckoner was provided on slide 44 to help estimate the expected impact of foreign exchange movements on adjusted EPS*:

Currency	Impact on 2020 full year adjusted EPS
US dollar	10 cents movement in average exchange rate for full year impacts EPS by approximately +/-5.5%
Euro	10 cents movement in average exchange rate for full year impacts EPS by approximately +/-1.5%
Japanese yen	10 yen movement in average exchange rate for full year impacts EPS by approximately +/-1.0%

*Please note that the ready reckoner does not include the impact of inter-company exchange gains or losses

The slide also included 2019 currency sales exposure for GSK:

Currency	2019 currency sales exposure
US dollar	41%
Euro	18%
Japanese yen	6%
Other‡	35%

‡The other currencies that each represent more than 1% of Group sales are: Australian dollar, Brazilian real, Canadian dollar, Chinese yuan, Indian rupee and Russian rouble. In total, they accounted for 13% of Group revenues in 2019

Currency impact 2020

In the Q1 2020 press release we made the following comment on the potential impact of currencies on sales and EPS in 2020:

"If exchange rates were to hold at the closing rates on 31 March 2020 ($1.24/£1, €1.13/£1 and Yen 134/£1) for the rest of 2020, the estimated impact on 2020 Sterling turnover growth would be around flat and if exchange gains or losses were recognised at the same level as in 2019, the estimated impact on 2020 Sterling Adjusted EPS growth would also be around flat."

We will update you on our latest view on the estimated impact of currencies in 2020 in our Q2 2020 press release on 29 July.

Basic weighted average number of shares (WANS)

The basic weighted average number of shares in issue during Q2 2020 was 4,977m compared with 4,947m in Q2 2019 (an increase of 0.6%).

In millions*	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
WANS: Quarter	4,920	4,936	4,947	4,951	4,953	4,965	4,977
WANS: Cumulative - Year to date	4,914	4,936	4,942	4,945	4,947	4,965	4,971
Period end shares	4,923	4,947	4,948	4,952	4,954	4,977	4,978

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

Dividend

In the Q1 2020 press release we made the following comments regarding the dividend:

"The Board currently intends to maintain the dividend for 2020 at the current level of 80p per share, subject to any material change in the external environment or performance expectations. Over time, as free cash flow strengthens, it intends to build free cash flow cover of the annual dividend to a target range of 1.25-1.50x, before returning the dividend to growth."

Dividend per share (p)	Q1	Q2	Q3	Q4	Full Year
2017	19	19	19	23	80
2018	19	19	19	23	80
2019	19	19	19	23	80
2020 - expected	19				80†

†*The actual dividend amount is determined by the Board of Directors.*

Factors impacting recent quarterly comparisons

As usual there were several events in 2020 and during 2019 which impact the year on year comparisons for Q2 2020. This includes the following noteworthy items which you may wish to consider in your modelling.

Please note that the items listed below are not intended to be a complete list of all items that may impact the comparisons for Q2 2020 versus Q2 2019.

For further comments, please refer to quarterly press releases, presentations and transcripts. https://www.gsk.com/en-gb/investors/quarterly-results/

Pharmaceuticals

Pharmaceuticals (£m)	FY 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
Total turnover	**17,269**	**4,158**	**4,307**	**4,531**	**4,558**	**17,554**	**4,396**
Reported growth - CER	*+2%*	*+2%*	*-1%*	*+3%*	*-4%*	*+0%*	*+6%*
Adjusted operating profit	**5,744**	**1,238**	**1,256**	**1,093**	**1,008**	**4,595**	**1,183**
Reported growth - CER	*+0%*	*-8%*	*-19%*	*-24%*	*-33%*	*-22%*	*-5%*
Adjusted operating margin	33.3%	29.8%	29.2%	24.1%	22.1%	26.2%	26.9%

On the Q1 2020 results analyst/investor call Iain Mackay made the following comments regarding the Pharmaceuticals business:

"we estimate that approximately half to two-thirds of the turnover growth of 6% in Q1 was related to pull-forward and stocking patterns. Over the balance of the year, we expect that there will be volatility in demand due to COVID-19 and also a degree of unwind, giving the stocking impacts we saw during Q1 in Respiratory and HIV."

Pharmaceuticals: Respiratory

Respiratory (£m)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
Anoro	102	128	143	141	514	117
Arnuity	7	14	12	15	48	9
Incruse	68	57	60	77	262	57
Relvar/Breo	215	238	249	269	971	285
Trelegy	87	120	139	172	518	193
Ellipta products	***479***	***557***	***603***	***674***	***2,313***	***661***
Nucala	152	195	203	218	768	210
Total Respiratory	**631**	**752**	**806**	**892**	**3,081**	**871**
CER growth						
Ellipta products	+20%	+6%	+15%	+4%	+10%	+38%
Nucala	+41%	+33%	+33%	+28%	+33%	+38%
Total Respiratory	**+25%**	**+12%**	**+19%**	**+9%**	**+15%**	**+38%**

On the Q1 2020 results analyst/investor call Iain Mackay made the following comments regarding Relvar/Breo:

"Starting with Respiratory, sales were up 38%, from Trelegy, Nucala and Relvar/Breo, across all regions. Relvar/Breo grew 32% globally, benefitting from a prior period RAR adjustment in the US while, outside the US, sales grew 33% in Europe and 16% in International.

Nucala continues to perform strongly, following the launch of the at-home application, with growth of 38% globally."

Pharmaceuticals: HIV

HIV (£m)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
Tivicay	383	412	441	426	1,662	412
Triumeq	614	646	651	638	2,549	563
Juluca	70	84	101	111	366	120
Dovato	-	5	18	33	56	66
Dolutegravir products	***1,067***	***1,147***	***1,211***	***1,208***	***4,633***	***1,161***
Other HIV	54	62	56	49	221	46
HIV	**1,121**	**1,209**	**1,267**	**1,257**	**4,854**	**1,207**
CER growth						
Dolutegravir products	*+7%*	*+0%*	*+2%*	*+2%*	*+2%*	*+9%*
HIV	***+4%***	***-2%***	***+0%***	***+0%***	***+1%***	***+8%***

On the Q1 2020 results analyst/investor call Iain Mackay made the following comments regarding the HIV business:

"In HIV, revenues were up 8%, with the dolutegravir franchise up 9% globally. In the US, dolutegravir grew 2%, reflecting the shift within our portfolio towards our two-drug regimens, where we continue to build momentum, as well as customer stock-building related to COVID-19 towards the end of the quarter.

Excluding the impact of customer-stocking, we estimate that sales were flat, year-on-year, in line with our previously stated expectations."

On the same call Emma Walmsley made the following comments on Cabenuva:

"We were pleased to see our long-acting two-drug regimen in HIV, Cabenuva, receive approval in Canada, and we've been engaging with the FDA on the path forward for Cabenuva in the US and expect to make a re-submission around mid-year."

Pharmaceuticals: Oncology

Zejula sales (£m)	Q1	Q2	Q3	Q4	Year
2019 reported	42	57	64	66	229
2019 incl sales prior to acquisition*	56	57	64	66	243
2020	81				

**GSK announced completion of acquisition of TESARO on 22 January 2019*

On the Q1 2020 results analyst/investor call Luke Miels made the following comments regarding Zejula:

"The sales team is fully recruited, and we are equipped to launch virtually under COVID-19 restrictions. In the short term I think it's fair to say we do expect that COVID-19 could have an impact on the diagnosis and treatment of ovarian cancer, but we remain confident in the long term in the profile of this remarkable product."

Pharmaceuticals: Established Pharmaceuticals

Established Pharmaceuticals (£m)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
Established Respiratory	1,083	913	939	965	3,900	965
Established other	1,159	1,225	1,284	1,208	4,876	1,121
Total turnover	**2,242**	**2,138**	**2,223**	**2,173**	**8,776**	**2,086**
CER growth						
Established Respiratory	*-2%*	-14%	-12%	-16%	*-11%*	*-11%*
Established other	*-9%*	*-1%*	*+1%*	*-12%*	*-6%*	*-2%*
Total turnover	***-6%***	***-7%***	***-5%***	***-14%***	***-8%***	***-6%***

From Q1 2019 we are reporting the Ellipta portfolio and Nucala within the Respiratory category and all other respiratory products, including Advair/Seretide under established products.

On the Q4 2019 results analyst/investor call Iain Mackay made the following comments regarding Established Pharmaceuticals:

"Outside Respiratory, the remainder of the Established Pharma portfolio declined by 6% in 2019, in line with our expectation of a mid-to-high single digit decline for the longer term for this part of our established products portfolio, excluding Respiratory."

Seretide/Advair (£m)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
US	176	105	117	104	502	106
Europe	133	129	121	119	502	127
International	177	178	180	191	726	162
Total	**486**	**412**	**418**	**414**	**1,730**	**395**
CER growth						
US	-27%	-61%	-64%	-64%	-56%	-40%
Europe	-19%	-15%	-9%	-18%	-16%	-3%
International	*+4%*	*-1%*	*-2%*	-4%	*-1%*	*-7%*
Total	***-15%***	***-31%***	***-35%***	**-35%**	***-29%***	***-18%***

Vaccines

Sales of vaccines are vulnerable to volatility on a quarterly basis – particularly in emerging markets. Since quarterly sales can be very lumpy due in part to the impact of large tenders as well as competitor outages, we highlight in the table below the 2019 and 2020 quarterly results for the Vaccines business.

Vaccines (£m)	FY 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
Meningitis	881	209	235	371	203	1,018	225
Influenza	523	15	17	371	138	541	21
Shingrix	784	357	386	535	532	1,810	647
Established Vaccines	3,706	941	947	1,031	869	3,788	912
Total turnover	**5,894**	**1,522**	**1,585**	**2,308**	**1,742**	**7,157**	**1,805**
Adjusted operating profit	**1,943**	**614**	**612**	**1,162**	**578**	**2,966**	**858**
Adjusted operating margin	*33.0%*	*40.3%*	*38.6%*	*50.3%*	*33.2%*	*41.4%*	*47.5%*
CER growth							
Meningitis	*+2%*	*+18%*	*+26%*	*+9%*	*+14%*	*+15%*	*+11%*
Influenza	*+10%*	*+67%*	*+6%*	*+15%*	*-26%*	*+1%*	*+53%*
Shingrix	*>100%*	*>100%*	*>100%*	*+76%*	*>100%*	*>100%*	*+79%*
Established Vaccines	*+0%*	*-1%*	*+5%*	*-1%*	*+2%*	*+1%*	*-3%*
Total turnover	***+16%***	***+20%***	***+23%***	***+15%***	***+21%***	***+19%***	***+19%***
Adjusted operating profit	***+25%***	***+69%***	***+64%***	***+30%***	***+42%***	***+46%***	***+39%***

On the Q1 2020 results analyst/investor call Iain Mackay made the following comments regarding Shingrix and vaccines overall revenues:

"Vaccines sales up 19%, driven mainly by Shingrix, as well as our meningitis vaccines. We did not see any material impact on Vaccines in the quarter as a result of COVID-19. Shingrix continues to benefit from our actions to increase our supply capacity, with revenues in Q1 of £647 million, driven by a continued strong uptake in the US, as well as a benefit from a one-off RAR adjustment.

Underlying demand for the vaccine continues to be very strong and we are on track with our supply delivery plans for the year. However, we have recently seen a decline in Shingrix prescriptions as containment measures have limited patients' ability to access the vaccine. We expect that in Q2 we will see a significant impact on Shingrix's performance as a result. However, we see this as a relatively short-term issue and we are putting the right plans in place to support increased demand once containment measures are relaxed, notably in the US.

Other vaccines that may be impacted by the ongoing crisis are our meningitis portfolio, with a potential impact of the back-to-school season in the US, as well as lower out-of-pocket sales in other countries; and also hepatitis, which is likely to be impacted by the global reduction in travel. Note also that the divestment of the travel vaccines, Rabipur and Encepur, will have a slight drag on sales growth this year, in the region of 3%"

On the Q1 2020 results analyst/investor call in response to a question Luke Miels made the following comments regarding Shingrix:

"If you look at retail pharmacy in the US and doctor visits, they follow the CDC guidance. When you look at in-arm administrations for Shingrix, it dropped by about 90%, but again, the key thing here is we haven't seen a reduction in people wanting to get a Shingrix shot. What we have seen is a reduction of people who don't want to get COVID and who have been told to stay at home, so our expectation is that when people can go back out there they are going to seek these doses out. What's interesting is we have two ordering points in April for the major wholesalers, and the first one in April covered about 80% of the April sales, and that was filled. This actually helps us re-stock and clear some backwaters."

Luke Miels made the following comments on other products in the portfolio:

"*If you look at the rest of the business, it was interesting. Paediatric vaccines are really being prioritised, you don't see a big drop in visits. So Pediarix ship-outs went down about 40%, but we do see a bigger impact in Bexsero, for example.*

Normally, Q1 is our lowest month, but the volumes went down in terms of shipping to practices and wholesalers by about 80%, and Boostrix and Menveo are about 70%. So there is an impact there. It makes sense. Wellness visits are down by about two-thirds, but I think ultimately we are in a position to capture these back."

We completed the divestment of travel vaccines Rabipur and Encepur in December 2019 (https://www.gsk.com/en-gb/media/press-releases/gsk-completes-divestment-of-rabies-and-tick-borne-encephalitis-vaccines-to-bavarian-nordic/)

In the table below we highlight the combined quarterly sales of the products in 2019.

Travellers Vaccines (£m)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Sales	43	55	43	36	177

Consumer Healthcare

Consumer Healthcare (£m)	FY 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
Turnover	**7,658**	**1,981**	**1,917**	**2,526**	**2,571**	**8,995**	**2,862**
CER growth – reported	*+2%*	*+1%*	*+4%*	*+25%*	*+37%*	*+17%*	*+46%*
CER growth – pro forma	-	-	-	+3%	+0%	+2%	+11%
Adjusted operating profit	**1,517**	**430**	**391**	**613**	**440**	**1,874**	**766**
CER growth – reported	*+15%*	*+12%*	*+8%*	*+34%*	*+33%*	*+22%*	*+82%*
CER growth – pro forma	-	-	-	*+8%*	*-8%*	*+4%*	*+26%*
Adjusted operating margin	*19.8%*	*21.7%*	*20.4%*	*24.3%*	*17.1%*	*20.8%*	*26.8%*

On the Q1 2020 results analyst/investor call Iain Mackay made the following comments regarding Consumer Healthcare revenues:

"Revenues for our new Consumer Healthcare JV on a proforma basis were up 11%, with those significantly impacted by consumer and government responses to COVID-19. Pro forma growth was 14%, excluding brands either divested or under review. The divestment of the nutrition business to Hindustan Unilever closed on 1 April and we are moving forward with other divestments which will continue through this year to refocus our portfolio and fund integration and restructuring activities within Consumer Healthcare.

We have also seen a significant impact in Consumer from COVID-19 in the quarter. This varies across regions with a number of markets, including the US and the UK experiencing increased demand while others, including China and India were negatively impacted by retailer shutdowns.

We estimate around two thirds of the overall Consumer growth in the quarter was related to increased COVID-19 consumer demand. We believe the majority of this is pantry loading but there is some incremental consumer usage in the Vitamins, Minerals and Supplements category and in Pain and Cough and Cold.

We would expect much of the pantry loading to unwind through the year, particularly over the next few months."

Corporate and other unallocated turnover and costs

Corporate and other unallocated turnover and costs include the results of certain Consumer Healthcare products which are being held for sale in a number of markets in order to meet anti-trust approval requirements, together with the costs of corporate functions.

On 5 March 2020 GSK received EC approval for the sale of ThermaCare (https://www.gsk.com/en-gb/media/press-releases/gsk-receives-ec-approval-for-the-sale-of-thermacare/)

On 7 March Angelini Pharma announced that they had acquired the ThermaCare® global business rights, excluding North America, from GSK. (https://www.angelinipharma.com/media/press-releases/66/angelini-acquires-thermacare/)

Corporate and other unallocated turnover (£m)	Q1	Q2	Q3	Q4	Full Year
2019	-	-	20	28	48
2020	27	-	-	-	

Adjusted corporate and other unallocated operating profit (costs) (£m)	Q1	Q2	Q3	Q4	Full Year
2018	(129)	(99)	(93)	(138)	(459)
2019	(119)	(88)	(82)	(174)	(463)
2020	(132)				

Operating and financial performance

Operating performance

Expected costs and savings under Major Restructuring Programmes

In our Q4 2019 results presentation we included the table below.

Annual savings: (£bn)[1]	Cumulative actuals to 2018	2019 actuals	2020 projected	2021 projected	2022 projected	2023 projected
Combined Integration & Restructuring Programme[3] (Announced 2015)						
Savings[2]	3.9	4.2	4.3			
Total charges	5.2	0.1	0.1			
Cash payments	3.6	0.3	0.1			
2018 Restructuring Programme incl. Tesaro (Announced Q2'18)						
Savings[2]		0.2	0.4	0.5		
Total charges	0.4	0.8	0.4	0.2		
Cash payments	0.0	0.2	0.3	0.2	0.1	
Consumer Joint Venture (Announced Dec-18)						
Synergies[2]			0.2	0.4	0.5	
Total charges		0.3	0.5	0.1	0.1	
Cash payments		0.2	0.4	0.1	0.0	
Separation Preparation Programme[4] (Announced Q4'19)						
Savings[2]			0.1	0.3	0.7	0.8
Total charges			0.9	0.9	0.6	0.0
Cash payments			0.5	0.7	0.4	0.0

[1] *All expectations and targets regarding future performance should be read together with the "Outlook assumptions and cautionary statement" sections of the Fourth Quarter 2019 Results Announcement and the cautionary statement slide included with this presentation.*

[2] *Savings and synergies shown are cumulative for the programme to date throughout the table*

[3] *The Combined Integration and Restructuring programme is substantially complete, therefore GSK will cease external reporting of total costs and benefits for this programme from 2020 onward.*

[4] *Does not include additional one-time costs to prepare Consumer Healthcare for separation, estimated at £600-700m, excluding transaction costs*

Operating costs: SG&A and R&D

Selling, General and Administration

Adjusted SG&A costs (£m)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
SG&A	2,397	2,433	2,768	3,117	10,715	2,786
Reported growth - CER	**+4%**	**+2%**	**+16%**	**+23%**	**+12%**	**+18%**
Pro forma growth - CER	**-**	**-**	**+8%**	**+11%**	**+7%**	**+8%**

On the Q1 2020 call in response to a question Iain Mackay confirmed that around half of the growth in SG&A came from one-off legal cost and Tesaro.

Research and development

Adjusted R&D costs (£m)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
R&D	971	1,040	1,164	1,164	4,339	1,086
Reported growth - CER	**+6%**	**+16%**	**+17%**	**+16%**	**+14%**	**+11%**
Pro forma growth - CER	**-**	**-**	**+15%**	**+13%**	**+13%**	**+9%**

Royalty income

Adjusted royalties (£m)	Q1	Q2	Q3	Q4	Full Year
2018	53	73	94	79	299
2019	73	78	118	82	351
2020 outlook	67				Around £300m

On the Q4 2019 results analyst/investor call Iain Mackay made the following comments regarding royalties:

"On royalties, these were higher in 2019 driven by Gardasil. We expect royalties for 2020 to be around £300 million due to reductions in some of the other royalty streams."

Divisional operating margins

Adjusted operating margin (£m)	FY 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
Pharma	33.3%	29.8%	29.2%	24.1%	22.1%	26.2%	26.9%
Vaccines	*33.0%*	*40.3%*	*38.6%*	*50.3%*	*33.2%*	*41.4%*	*47.5%*
Consumer Healthcare	*19.8%*	*21.7%*	*20.4%*	*24.3%*	*17.1%*	*20.8%*	*26.8%*
Group	**28.4%**	**28.2%**	**27.8%**	**29.7%**	**20.8%**	**26.6%**	**29.4%**

On the Q1 2020 results analyst/investor call Iain Mackay made the following comments regarding divisional adjusted operating margins:

Pharmaceuticals: *"Turning to Pharma operating margin, as anticipated in our guidance at the full year, we saw a decline in Q1, informed by decisions we had made to invest in R&D behind priority*

assets; promotional activity for new product launches, and building specialty capability. In addition in this quarter, we also saw price impacts, including notably the impact of generic Advair, as well as high provisions for legal settlements in the quarter."

Vaccines: *"The operating margin of 48% primarily reflects operating leverage as a result of strong sales growth in the quarter, particularly from Shingrix, as well as an improved product mix and higher royalties."*

Consumer: *"Operating margin for the quarter was up 320 basis points mainly driven by higher sales. With integration on track, we are delivering the planned synergies and continue to maintain strong cost control while investing behind our brands."*

Financial performance

Net finance expense

Adjusted net finance costs (£m)	Q1	Q2	Q3	Q4	Full Year
2018	(139)*	(165)	(221)**	(173)	(698)
2018 – restated for IFRS16	*(146)*	*(172)*	*(229)*	*(181)*	*(728)*
2019	(187)	(220)	(206)***	(197)	(810)
2020 outlook	(187)***				Around £850 to 900m

** includes the benefit of a one-off accounting adjustment to the amortisation of long-term bond interest charges of £20 million*

*** includes additional interest of £23 million on a historic tax settlement*

**** includes fair value gain on interest rate swaps*

On the Q1 2020 results analyst/investor call Iain Mackay made the following comments regarding net finance expense:

"Interest expense was £187 million in line with last year, despite higher debt levels reflecting the financing actions undertaking in 2019. The quarter also included a fair value gain on interest rate swaps offsetting lower interest income on cash and adverse foreign exchange."

Associates and joint ventures

Adjusted associates and joint ventures (£m)	Q1	Q2	Q3	Q4	Full Year
2018	9	2	15	5	31
2019	57*	(4)	17	4	74
2020	9				

** includes one-time benefit of £51 million, reflecting our increased share of after-tax profits of Innoviva, as a result of a non-recurring tax benefit*

Taxation

Adjusted tax rate (%)	Q1	Q2	Q3	Q4	Full Year
2018	20.2%	20.0%	18.6%	17.5%	19.0%
2019	19.7%	15.4%	15.8%	12.5%	16.0%
2020 outlook	13.7%				Around 17%

On the Q4 2019 results analyst/investor call Iain Mackay made the following comments regarding the tax rate:

"We continue to expect to see an average effective tax rate of 19% over the medium term, although this will be slightly lower in the near term with our expectation for 2020 at around 17%."

On the Q1 2020 results analyst/investor call Iain Mackay made the following additional comments:

"The effective tax rate of 13.7% reflected the one-off non-cash impact of the devaluation of deferred tax assets as a result of the cancellation by the UK Government of a previously planned reduction in the corporation tax rate."

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

Adjusted profit/(loss) attributable to non-controlling interests (£m)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019	Q1 2020
ViiV	123	127	141	121	512	128
Novartis Consumer Healthcare	-	-	-	-	-	-
Pfizer Consumer Healthcare	-	-	103	101	204	139
Other	26	11	31	3	71	15
Total	**149**	**138**	**275**	**225**	**787**	**282**

On the Q4 2019 results analyst/investor call Iain Mackay made the following comments regarding the non-controlling interests:

"On non-controlling interests, Q4 saw the first full quarter of Pfizer share of profits of the new Consumer Healthcare JV, and this will continue through 2020."

Balance Sheet and Cashflow

Free cash flow

Free cash flow* (£m)	Q1	Q2	H1	Q3	9M	Q4	FY
2017 – revised	650	(264)	386	1,282	1,668	1,817	3,485
2018	329	492	821	1,554	2,375	3,317	5,692
2019	165	370	*535*	1,939	*2,474*	2,599	5,073
2020	531						

**With the introduction of the new R&D strategy in Q2 2018, GSK has revised its definition of free cash flow, a non-IFRS measure, to include proceeds from the sale of intangible assets.*

On the Q4 2019 results analyst/investor call Iain Mackay made the following comments regarding cashflow:

"We expect a step-down in 2020 as we pay out higher distributions to non-controlling interests, as we see the continued flow-through of rebates relating to Advair and as a result of the separation preparation programme we have announced today.

However, we have made great progress on cashflow and working capital management in 2019 and our focus here will continue into 2020. As in 2019, we expect cashflows to be weighted to the second half of the year."

On the Q1 call Iain Mackay made the following additional comments:

"Free cash flow of £531 million in Q1, higher than expected reflecting the strong operating performance we have seen across the business. The increased operating cash flow is accompanied by beneficial timing of RAR payments offset by adverse working capital, primarily driven by higher trade receivables. We also received the milestone income from Novartis relating to ofatumumab, and as well as the positive cash flow we delivered in Q1, we close the quarter with strong cash balances from an effective approach to working capital management and maintain access to extensive undrawn committed facilities."

Net debt

Net debt (£m)	31 Mar	30 Jun	30 Sep	31 Dec
2017	13,743	14,800	14,209	13,178
2018	13,377	23,935	23,837	21,621
IFRS 16 adoption impact				1,303
Net debt at 1 Jan 2019 after adoption of IFRS 16				22,924
2019	27,058	28,721	28,139	25,215*
2020	26,668**			

*includes £507m of cash and cash equivalents reported in assets held for sale

**includes £483m of cash and cash equivalents reported in assets held for sale

In the Q1 2020 press release we made the following comments:

"At 31 March 2020, net debt was £26.7 billion, compared with £25.2 billion at 31 December 2019, comprising gross debt of £32.0 billion and cash and liquid investments of £5.3 billion, including £0.5 billion reported within Assets held for sale. Net debt increased due to £1.2 billion of net adverse exchange impacts from the translation of non-Sterling denominated debt and exchange on other financing items and the dividend paid to shareholders of £0.9 billion, partly offset by £0.5 billion of free cash flow and £0.2 billion of income from disposals of businesses and investments.

At 31 March 2020, GSK had short-term borrowings (including overdrafts and lease liabilities) repayable within 12 months of £7.3 billion with loans of £3.4 billion repayable in the subsequent year.

The potential impact of the COVID-19 pandemic remains uncertain but at 31 March 2020, the Group had sufficient cash for its operational needs and continues to fund its global operations effectively. GSK also has access to significant additional undrawn committed sources of finance if required."

Contingent consideration

Contingent consideration (£m)	31 Dec 2018	31 Mar 2019	30 June 2019	30 Sep 2019	30 Dec 2019	31 Mar 2020
Shionogi – relating to ViiV Healthcare	5,937	5,658	5,664	5,713	5,103	5,325
Novartis – relating to Vaccines acquisition	296	292	300	359	339	338
Other	53	50	64	54	37	37
Total	**6,286**	**6,000**	**6,028**	**6,126**	**5,479**	**5,700**

In the Q1 2020 press release we made the following comments:

"The contingent consideration liability amounted to £5,700 million at 31 March 2020 (31 December 2019: £5,479 million), of which £5,325 million (31 December 2019: £5,103 million) represented the estimated present value of amounts payable to Shionogi relating to ViiV Healthcare and £338 million (31 December 2019: £339 million) represented the estimated present value of contingent consideration payable to Novartis related to the Vaccines acquisition.

Of the contingent consideration payable (on a post-tax basis) to Shionogi at 31 March 2020, £764 million (31 December 2019: £730 million) is expected to be paid within one year."

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

Since the beginning of Q2 2020 we have issued several LSE announcements and press releases, each of which can be accessed using the following links:
https://www.gsk.com/en-gb/media/press-releases/
https://us.gsk.com/en-us/media/press-releases/
https://us.gsk.com/en-us/products/
https://www.gsk.com/en-gb/investors/stock-exchange-announcements/london-rns/

Acquisitions and divestments

GSK sells its holding in Hindustan Unilever
https://otp.investis.com/clients/uk/GlaxoSmithKline2/rns_new/regulatory-story.aspx?cid=410&newsid=1390064
(LSE announcement 07 May 2020)

GSK and Vir Biotechnology enter collaboration to find coronavirus solutions

- **Companies will combine their unique scientific and technical expertise to combat COVID-19 and potential future coronavirus outbreaks**
- **Promising antibody candidates for SARS-CoV-2 to be accelerated into phase 2 clinical trials within the next three to five months**
- **GSK to make equity investment of $250 million in Vir**

https://www.gsk.com/en-gb/media/press-releases/gsk-and-vir-biotechnology-enter-collaboration-to-find-coronavirus-solutions/
(LSE announcement 06 April 2020)

GSK completes divestment of Horlicks and other Consumer Healthcare nutrition products in India and certain other markets
https://otp.investis.com/clients/uk/GlaxoSmithKline2/rns_new/regulatory-story.aspx?cid=410&newsid=1383657
(LSE announcement 01 April 2020)

GSK receives EC approval for the sale of ThermaCare
https://www.gsk.com/en-gb/media/press-releases/gsk-receives-ec-approval-for-the-sale-of-thermacare/
(Press release 05 March 2020)

GSK completes divestment of rabies and tick-borne encephalitis vaccines to Bavarian Nordic

- **GlaxoSmithKline plc (LSE/NYSE: GSK) today announced the completion of the divestment of travel vaccines Rabipur (tradename Rabavert in the US) for the prevention of rabies, and Encepur for the prevention of tick-borne encephalitis, to Bavarian Nordic.**

https://www.gsk.com/en-gb/media/press-releases/gsk-completes-divestment-of-rabies-and-tick-borne-encephalitis-vaccines-to-bavarian-nordic/
(Press release 31 December 2019)

News flow on key assets during the quarter and to date

ViiV Healthcare announces superior efficacy of investigational, long-acting injectable formulation of cabotegravir dosed every two months over daily oral PrEP

- **Final data analysis from HPTN 083 study at AIDS 2020 shows investigational, long-acting injectable cabotegravir administered every two months is 66% more effective than daily pills in preventing HIV-1 acquisition**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-announces-superior-efficacy-of-investigational-long-acting-injectable-formulation-of-cabotegravir-dosed-every-two-months-over-daily-oral-prep/

(Press release 07 July 2020)

GSK and Medicago announce collaboration to develop a novel adjuvanted COVID-19 candidate vaccine

- **Collaboration combines innovative plant-based and adjuvant technologies to develop and produce a COVID-19 candidate vaccine.**
- **Phase 1 clinical testing scheduled to begin mid-July**
- **Collaboration to explore vaccine development opportunities for other infectious diseases**

https://www.gsk.com/en-gb/media/press-releases/gsk-and-medicago-announce-collaboration-to-develop-a-novel-adjuvanted-covid-19-candidate-vaccine/

(Press release 07 July 2020)

ViiV Healthcare presents positive data from first-ever implementation research study on how best to integrate an investigational once-monthly injectable HIV treatment in US healthcare practices

- **Initial findings presented at AIDS 2020 showed healthcare providers and clinical staff perceived implementation of the investigational treatment as acceptable, feasible and appropriate for people living with HIV**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-presents-implementation-research-study-on-how-best-to-integrate-an-investigational-once-monthly-injectable-hiv-treatment-in-us-healthcare-practices/

(Press release 04 July 2020)

ViiV Healthcare announces US FDA approval for Rukobia (fostemsavir), a first-in-class treatment for HIV in adults with few treatment options available

- **In a phase III study, a majority (60%) of heavily treatment-experienced adults randomized to receive Rukobia with an optimized background therapy achieved and maintained viral suppression through 96 weeks, addressing a critical unmet need**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-announces-us-fda-approval-for-rukobia-fostemsavir-a-first-in-class-treatment-for-hiv-in-adults-with-few-treatment-options-available/

(Press release 02 July 2020)

ViiV Healthcare to present new data on long-acting regimens for HIV prevention and treatment, alongside extensive insights into the evolving needs of people living with HIV at 23rd International AIDS Conference (AIDS 2020: Virtual)

- **Continuing to challenge the current HIV treatment paradigm, data presented will span our diverse portfolio, investigating new and innovative treatment options for people living with HIV.**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-to-present-new-data-on-long-acting-regimens-for-hiv-prevention-and-treatment-at-aids-2020-virtual/
(Press release 02 July 2020)

GSK receives first regulatory approval for Duvroq (daprodustat) in Japan for patients with anaemia due to chronic kidney disease

- **Approval marks a significant step in GSK's global efforts to help patients with anaemia due to chronic kidney disease (CKD).**

https://www.gsk.com/en-gb/media/press-releases/gsk-receives-first-regulatory-approval-for-duvroq-daprodustat-in-japan-for-patients-with-anaemia-due-to-chronic-kidney-disease/
(LSE announcement 29 June 2020)

GSK announces FDA Advisory Committee meeting to review belantamab mafodotin for the treatment of patients with relapsed/refractory multiple myeloma
https://www.gsk.com/en-gb/media/press-releases/gsk-announces-fda-advisory-committee-meeting-to-review-belantamab-mafodotin-for-the-treatment-of-patients-with-relapsedrefractory-multiple-myeloma/
(LSE announcement 19 June 2020)

GSK COVID-19 vaccine development collaboration with Clover Biopharmaceuticals begins clinical trials
https://www.gsk.com/en-gb/media/press-releases/gsk-covid-19-vaccine-development-collaboration-with-clover-biopharmaceuticals-begins-clinical-trials/
(Press release 19 June 2020)

IDEAYA and GSK Announce a Broad Partnership in Synthetic Lethality, an Emerging Field in Precision Medicine Oncology

- **Partnership covers three IDEAYA Synthetic Lethality programs - MAT2A, Pol Theta and Werner Helicase, and will explore combinations between IDEAYA and GSK programs**
- **IDEAYA will receive a $100 million upfront cash payment, and $20 million equity purchase of IDEAYA common stock in a direct private placement, and a potential $50 million cash option exercise fee for the MAT2A program. IDEAYA is also entitled to receive potential preclinical, clinical and sales milestones**
- **IDEAYA will receive a 50% US profit share for the MAT2A and Werner Helicase programs and is responsible for 20% of global development costs for products being developed with GSK**

https://www.gsk.com/en-gb/media/press-releases/ideaya-and-gsk-announce-a-broad-partnership-in-synthetic-lethality-an-emerging-field-in-precision-medicine-oncology/
(Press release 16 June 2020)

ViiV Healthcare announces US FDA approval of the first-ever dispersible tablet formulation of dolutegravir, Tivicay PD, a once-daily treatment for children living with HIV

- **Dolutegravir is the first integrase inhibitor available as a dispersible tablet for oral suspension for children weighing at least 3kg and from four weeks of age.**
- **The FDA approval is testament to the commitments of global stakeholders spanning regulators, industry and non-profit organisations to develop new and innovative HIV medicines for children, most of whom live in resource-poor settings.**

https://www.gsk.com/en-gb/media/press-releases/viiv-healthcare-announces-us-fda-approval-of-the-first-ever-dispersible-tablet-formulation-of-dolutegravir/
(Press release 12 June 2020)

GSK announces new data presentations from the DREAMM programme exploring investigational belantamab mafodotin in patients with relapsed/refractory multiple myeloma
https://www.gsk.com/en-gb/media/press-releases/gsk-announces-new-data-presentations-from-the-dreamm-programme/
(Press release 04 June 2020)

GSK announces intention to produce 1 billion doses of pandemic vaccine adjuvant in 2021 to support multiple COVID-19 vaccine collaborations

- **Announcement follows completion of global manufacturing review and decision to invest in expanded manufacturing capacity**

https://www.gsk.com/en-gb/media/press-releases/gsk-announces-intention-to-produce-1-billion-doses-of-pandemic-vaccine-adjuvant/
(Press release 28 May 2020)

DREAMM-2 and DREAMM-6 data at ASCO reinforce the potential of GSK's investigational belantamab mafodotin in patients with relapsed/refractory multiple myeloma

- **13-month update on the DREAMM-2 study shows median overall survival of 14.9 months and median duration of response of 11 months with single-agent belantamab mafodotin 2.5 mg/kg dose**
- **Initial results from the DREAMM-6 study show belantamab mafodotin in combination with bortezomib and dexamethasone results in a 78% overall response rate**
- **Safety and tolerability of belantamab mafodotin consistent with previously reported data**

https://www.gsk.com/en-gb/media/press-releases/dreamm-2-and-dreamm-6-data-at-asco-reinforce-the-potential-of-gsk-s-investigational-belantamab-mafodotin/
(Press release 27 May 2020)

FDA grants priority review of Nucala for patients with Hypereosinophilic Syndrome (HES)

- **An approval would give Nucala a third indication in an eosinophil-driven disease**

https://www.gsk.com/en-gb/media/press-releases/fda-grants-priority-review-of-nucala-for-patients-with-hypereosinophilic-syndrome-hes/
(Press release 27 May 2020)

GSK partners with Samsung Biologics to secure additional manufacturing capacity for innovative biopharmaceutical portfolio
https://www.gsk.com/en-gb/media/press-releases/gsk-partners-with-samsung-biologics/
(Press release 21 May 2020)

GSK highlights scientific innovation and advances in its growing oncology portfolio at ASCO 2020

- **26 abstracts across 8 tumour types, advancing GSK's goal of maximising outcomes for patients**

https://www.gsk.com/en-gb/media/press-releases/gsk-highlights-scientific-innovation-and-advances-in-its-growing-oncology-portfolio-at-asco-2020/
(Press release 20 May 2020)

Global HIV prevention study to stop early after ViiV Healthcare's long-acting injectable formulation of cabotegravir dosed every two months shows higher efficacy than daily oral PrEP

- **Interim analysis from HPTN 083 study shows investigational, long-acting injectable cabotegravir (CAB LA) administered every two months is 69% more effective than daily pills in preventing HIV acquisition**
- **Participants who were in the daily oral emtricitabine/tenofovir disoproxil fumarate 200 mg and 300 mg (FTC/TDF) tablet arm of the study will be offered CAB LA**

https://www.gsk.com/en-gb/media/press-releases/global-hiv-prevention-study-to-stop-early-after-viiv-healthcare-s-long-acting-injectable-formulation-of-cabotegravir-dosed-every-two-months-shows-higher-efficacy-than-daily-oral-prep/
(LSE announcement 18 May 2020)

FDA approves Zejula (niraparib) as the only once-daily PARP inhibitor in first-line monotherapy maintenance treatment for women with platinum-responsive advanced ovarian cancer regardless of biomarker status

- **Zejula is the only oral monotherapy available as first-line maintenance treatment for women regardless of BRCA mutational status, addressing a high unmet need in ovarian cancer**
- **New individualised starting dose based on the patient's baseline weight and/or platelet count approved for first-line maintenance treatment; lower rates of haematological adverse events were observed with the individualised dosing group**
- **The supplemental New Drug Application was approved under the FDA's Real-Time Oncology Review pilot program**

https://www.gsk.com/en-gb/media/press-releases/fda-approves-parp-inhibitor-in-first-line-monotherapy-maintenance-treatment-for-women-with-platinum-responsive-advanced-ovarian-cancer-regardless-of-biomarker-status/
(LSE announcement 29 April 2020)

GSK presents new data from the GARNET study demonstrating potential of dostarlimab to treat a subset of women with recurrent or advanced endometrial cancer

- **Data accepted as a late-breaking abstract and presented as a webinar as part of the Society of Gynecologic Oncology 2020 virtual congress**
- **Patients in the updated analysis of GARNET include women with recurrent or advanced endometrial cancer who have progressed on or after platinum-based chemotherapy**

https://www.gsk.com/en-gb/media/press-releases/gsk-presents-new-data-from-the-garnet-study-demonstrating-potential-of-dostarlimab-to-treat-a-subset-of-women-with-recurrent-or-advanced-endometrial-cancer/
(Press release 23 April 2020)

Sanofi and GSK to join forces in unprecedented vaccine collaboration to fight COVID-19

- **Companies to combine innovative technologies to develop an adjuvanted COVID-19 vaccine**
- **Candidate vaccine expected to enter clinical trials in the second half of 2020 and, if successful, to be available in the second half of 2021**

https://www.gsk.com/en-gb/media/press-releases/sanofi-and-gsk-to-join-forces-in-unprecedented-vaccine-collaboration-to-fight-covid-19/
(LSE announcement 14 April 2020)

Nucala (mepolizumab) is the first anti-IL5 biologic to report positive phase 3 results in patients with nasal polyps
Pivotal data support regulatory filing for additional eosinophil-driven disease
https://www.gsk.com/en-gb/media/press-releases/nucala-mepolizumab-is-the-first-anti-il5-biologic-to-report-positive-phase-3-results-in-patients-with-nasal-polyps/
(Press release 03 April 2020)

Other news flow during the quarter and to date

GSK prices $280,336,000 Senior Notes Due 2023 Exchangeable into Theravance Biopharma Ordinary Shares
https://www.gsk.com/en-gb/media/press-releases/gsk-prices-280-336-000-senior-notes-due-2023-exchangeable-into-theravance-biopharma-ordinary-shares/
(Press release 18 June 2020)

GSK announces Proposed Unregistered Offering of Senior Notes Exchangeable into Theravance Biopharma Ordinary Shares
https://www.gsk.com/en-gb/media/press-releases/gsk-announces-proposed-unregistered-offering-of-senior-notes-exchangeable-into-theravance-biopharma-ordinary-shares/
(Press release 17 June 2020)

GSK publishes Consumer Healthcare product sales category reporting changes
https://otp.investis.com/clients/uk/GlaxoSmithKline2/rns_new/regulatory-story.aspx?cid=410&newsid=1383018
(LSE announcement 30 March 2020)

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in Sterling had remained unchanged from those used in the comparative period. All commentaries are presented in terms of CER growth, unless otherwise stated.

Analyst/Investor enquiries:	Sarah Elton-Farr	+ 44 (0) 20 8047 5194	(London)
	James Dodwell	+ 44 (0) 20 8047 2406	(London)
	Danielle Smith	+44 (0) 20 8047 7562	(London)
	Jeff McLaughlin	+ 1 215 751 7002	(Philadelphia)
	Frannie DeFranco	+ 1 215 751 4855	(Philadelphia)