



do more
feel better
live longer

Annual Summary 2013

“Being active and having a positive outlook on life is what keeps me going every day.”

Chairman's statement

Letter to shareholders

The value of the significant changes that have been made in recent years is evidenced in our performance this year



The Board believes GSK is seeing the benefits of the changes the management team has driven over recent years to deliver sustainable growth and enhanced returns to shareholders.

In particular, the strong performance from the R&D organisation in 2013, with six new product approvals, is critical to the longer-term prospects of the Group.

I have no doubt that commercial success is directly linked to operating responsibly. In this respect, the company continues to adopt industry-leading positions on a range of issues. The Board was particularly pleased to see changes to how the business interacts with healthcare professionals and pays sales staff. I also strongly support the company's advances around transparency of clinical trial data.

The allegations of fraudulent behaviour within the business in China are wholly contrary to the company's values. GSK is co-operating fully with the authorities and will implement all appropriate actions as necessary on conclusion of these investigations.

There were a number of changes to the Board during the year. In April, Hans Wijers joined as a Non-Executive Director. His extensive experience of running global companies has already proved to be of great value.

There were also planned changes in Board committees. Tom de Swaan succeeded Sir Crispin Davis as Chairman of the Remuneration Committee and Judy Lewent succeeded Tom as Chairman of the Audit & Risk Committee, with Tom remaining as a member of that committee.

In addition, I would like to thank Sir Deryck Maughan for agreeing to remain on the Board for up to an additional two years, succeeding Sir Robert Wilson as Senior Independent Director in May. His considerable experience and knowledge of GSK's business will provide continuity and balance. Finally, my thanks go to Sir Robert Wilson, who stands down at this year's AGM after ten years of exceptional service.

Regarding composition of the Board, our priority is to have diversity in terms of gender, length of tenure and business experience across developed and emerging markets. During the year, GSK maintained 33% female representation on the Board, a level that is among the highest in the FTSE 100.

Shareholders should note this year's Remuneration Report in the Annual Report comprises two parts that will each require approval at the Group's forthcoming AGM. Further details are set out in the letter to shareholders on page 96 of the 2013 Annual Report.

In closing, the Board would like to thank Sir Andrew Witty and his executive team for their commitment during the year. I am confident the Group will continue to identify and grasp the many opportunities that will strengthen GSK's performance, reward its shareholders, and create long-term value for society.

A handwritten signature in black ink, appearing to read 'Chris Gent', written in a cursive style.

Sir Christopher Gent
Chairman

CEO's Review of the year

Company performance in 2013 was defined by remarkable output from our R&D organisation



Over the past six years we have made fundamental changes at GSK to deliver innovation and access to our products and improved sustainable financial performance. In 2013, we saw further strong delivery against these priorities.

We returned £5.2 billion to shareholders last year, helping to generate the best annual total shareholder return (TSR) performance since the formation of GSK.

We also led the sector for new medicine approvals. Of the six major new medicine files we profiled at the start of 2013, five were approved. We are expecting regulatory decisions for the remaining asset in this group in 2014. We also launched our new four-strain flu vaccine in the USA.

In terms of sales, we saw broadly-based performance. Sales and earnings grew in line with guidance, with turnover up 1% to £26.5 billion and core earnings per share up 4% to 112.2p, both at a constant exchange rate (CER). Our US business improved, with sales up 1% while our European business stabilised, reporting flat sales.

We remain committed to growing our Emerging Markets business. Sales in the region were up 5% for the year (excluding China). We also took steps to increase our equity holdings in our fast-growing Indian subsidiaries.

Consumer Healthcare also performed well, with sales growing 4%, excluding divested brands.

We continue to restructure and simplify our business to reduce costs. In 2013 we delivered year-on-year savings of around £400 million. This is creating greater flexibility to invest in our growth markets and new product launches and – together with continued improvement in our financial efficiency – strengthens our ability to deliver earnings per share growth ahead of sales.

We made considerable progress during 2013 on our agenda to operate responsibly and meet the expectations of society. We made new commitments to increase transparency of our clinical research and announced plans to modernise the way we sell and market products to healthcare professionals.

In May, we signed a five-year partnership with Save the Children to help save the lives of one million children in Africa. We also achieved a milestone for our malaria vaccine candidate, demonstrating that it could potentially halve the number of malaria cases in young children.

It is because of my strong belief in our company's values that the allegations in China about the behaviour of some individuals was so disappointing. The investigation into this matter continues and we are committed to learning the lessons and taking all appropriate action as necessary.

Looking to 2014, we see continued momentum for the business and are targeting core earnings per share growth of 4-8% CER on turnover growth of around 2% CER on an ex-divestment basis (2013 EPS base of 108.4p, turnover £25.6 billion).

In closing, I would like to thank all our employees, partners and suppliers for their continued commitment and support.

A handwritten signature in black ink, reading "A. P. Witt". The signature is written in a cursive, flowing style with a long horizontal stroke underneath.

Sir Andrew Witt
Chief Executive Officer

Our business overview

What we do

We are a science-led global healthcare company that researches and develops a broad range of innovative products in three primary areas of Pharmaceuticals, Vaccines and Consumer Healthcare

£26.5bn

2013 Group turnover (up 1% CER)

Pharmaceuticals



£17.9bn **67%**

Turnover of Group

Our Pharmaceuticals business develops and makes medicines to treat a broad range of acute and chronic diseases. Our portfolio is made up of both patent-protected and off-patent medicines.

Sales by therapy area

	£m
Respiratory	7,516
Anti-virals	667
Central nervous system	1,483
Cardiovascular and urogenital	2,239
Metabolic	174
Anti-bacterials	1,239
Oncology and emesis	969
Dermatology	770
Rare diseases	495
Immuno-inflammation	161
HIV (ViiV Healthcare)	1,386
Other	799

Vaccines



£3.4bn **13%**

Turnover of Group

Our Vaccines business is one of the largest in the world, producing paediatric and adult vaccines against a range of infectious diseases. In 2013, we distributed more than 860 million doses to 170 countries, of which over 80% were supplied to developing countries.

Sales by category

	£m
Paediatric vaccines	1,916
Includes vaccines against: polio, diphtheria, tetanus, pertussis, measles, mumps, rubella, chicken pox, meningitis C, pneumococcal disease and rotavirus infection	
Adolescent, adult and travel	1,504
Includes vaccines against: flu (pandemic and seasonal), human papilloma virus (cervical cancer), hepatitis A and B, typhoid, meningitis A,C,W,Y, and booster vaccines against diphtheria, tetanus, pertussis and polio	

Consumer Healthcare



£5.2bn **20%**

Turnover of Group

We develop and market a range of consumer healthcare products based on scientific innovation. We have brands in four main categories: Total Wellness, Oral Care, Nutrition and Skin Health.

Sales by category

	£m
Total Wellness	1,935
Oral Care	1,884
Nutrition	1,096
Skin Health	272

Our strategic priorities

How we deliver

Our strategy is designed to deliver sustainable growth, reduce risk and improve long-term financial performance and returns to shareholders

Our aim

Our progress

Grow a diversified business

We have been creating a more balanced business and product portfolio, capable of delivering sustainable sales growth. This is centred on our three business areas of Pharmaceuticals, Vaccines and Consumer Healthcare.

Total sales grew 1% to £26.5 billion in 2013 (up 3% excluding divestments). Performance was generated from multiple businesses and geographies, reflecting successful implementation of the strategy.

Deliver more products of value

We have changed our R&D organisation so that it is better able to sustain a pipeline of products that offer valuable improvements in treatment for patients and healthcare providers.

This is underpinned by a focus on improving productivity and rates of return in R&D.

We received approvals for six major new products and several new indications for existing medicines and vaccines. We also generated a high volume of phase III data on key assets in our pipeline. Our estimated return on R&D investment has increased to 13%.

Simplify the operating model

As our business continues to change shape, we are transforming how we operate so that we can reduce complexity and become more efficient.

This frees up resources to reinvest elsewhere in the business.

Our restructuring programmes, which started in 2007, are on track to deliver total annual savings of £3.9 billion by 2016. In 2013, we delivered incremental savings of £400 million. We are making good progress transforming our manufacturing network, supply chain and enterprise-wide processes.

Responsible business

Being a responsible business is central to our strategy and mission, and how we deliver success is just as important as what we achieve. Ensuring our values are embedded in our culture and decision-making helps us better meet the expectations of society.

In 2013, we have made considerable further progress on our agenda to operate responsibly and better meet the expectations of society. We took action to increase transparency of clinical research data and modernise our commercial operations and interactions with customers.

The year in highlights

Pipeline progress

Our R&D organisation performed exceptionally well in 2013, with a record number of approvals for innovative new products

Six significant new product approvals

Relvar/Breo Ellipta

fluticasone furoate/vilanterol

- Combination once-daily inhaled corticosteroid and long-acting beta-2 agonist bronchodilator
- Approved in the USA to treat chronic obstructive pulmonary disease (COPD), in Europe to treat asthma and COPD, and in Japan to treat asthma
- Offers 24-hour efficacy from a once-daily dose
- New dry powder inhaler, *Ellipta*, enables simultaneous delivery of both medicines

Anoro Ellipta

umeclidinium and vilanterol

- First once-daily dual bronchodilator to treat COPD in the USA
- Combines two long-acting bronchodilators in one device
- New dry powder inhaler, *Ellipta*, enables simultaneous delivery of both medicines

Tafinlar

dabrafenib

- A pill for metastatic melanoma, approved in the USA and Europe
- Medicine targets patients with the genetic mutation BRAF V600E
- Approximately half of all people with metastatic melanoma have a BRAF mutation
- Melanoma causes 75% of all skin cancer-related deaths (American Cancer Society)

Mekinist

trametinib

- A first-in-class targeted treatment for melanoma, approved in the USA
- The median age of a newly diagnosed metastatic melanoma patient is almost a decade younger than that of patients with other cancers (Cancer Network)
- The only FDA-approved MEK inhibitor for patients with BRAF V600E and V600K mutations

Tivicay

dolutegravir

- An integrase inhibitor approved in the USA and Europe for the treatment of HIV in combination with other antiretroviral therapy
- Globally, 35 million people were living with HIV at the end of 2012 (WHO)
- Approved for patients new to treatment and those who have already received other HIV medicines

Fluarix/Flulaval

quadrivalent influenza vaccine

- A seasonal influenza vaccine that protects against four different strains of the virus
- Offers additional protection compared to traditional three-strain vaccines
- Influenza is a serious public health problem that can cause severe illness and even death

The year in highlights

Evolving the business model

We continue to adapt our business model to deliver sustainable performance, improve access to our medicines and meet the expectations of society

Transparency in clinical trials

We became the first pharmaceutical company to enable external researchers to access detailed anonymised patient-level data from our clinical trials through a new online system.



Working with healthcare professionals

We announced plans to evolve the way we sell and market products to healthcare professionals to further align the company's activities with the interests of patients.

Fighting malaria

We achieved a major milestone in our RTS,S vaccine candidate, which was shown to be effective over 18 months in a large phase III trial involving 15,000 children.



Save the Children

We formed an innovative new partnership with the charity Save the Children to help save the lives of one million children over five years.

Elissa Bogos/Save the Children

How we performed

Key indicators

We measure our performance against a number of key indicators and the remuneration of our executives is based on many of these

Group turnover

£26.5bn

(3)	(1)	1	Reported growth CER %
(4)	(3)	–	Reported growth £ %
			How we performed
			Turnover was up 1%, and up 3% adjusting for disposals in the prior year. This was driven by growth in the USA, Japan and EMAP.
			Why it's important
			A key objective of our strategy is to deliver sustainable, broadly-sourced sales growth.
2011	2012	2013	

Cash returned to shareholders

£5.2bn

75	13	(18)	Reported growth £ %
			How we performed
			During 2013, GSK returned £5.2 billion to shareholders via dividends and share buy-backs.
			Why it's important
			We continue to focus on delivering dividend growth and returning free cash flow to shareholders through share buy-backs where this offers a more attractive return than alternative investments.
2011	2012	2013	

Core operating profit

£8.0bn

(6)	(4)	–	Reported growth CER %
(7)	(6)	(3)	Reported growth £ %
			How we performed
			Core operating profit was £8.0 billion. Core operating margin declined 1.0 percentage point to 30.2%, reflecting expected increases in cost of sales partially offset by higher royalty income and lower R&D expenditure.
			Why it's important
			Our objective remains to improve operating leverage. The margin indicates how costs are being managed as sales grow.
2011	2012	2013	

Core earnings per share

112.2p

(7)	–	4	Reported growth CER %
(8)	(3)	1	Reported growth £ %
			How we performed
			Effective cost control and delivery of financial efficiencies enabled the Group to deliver core EPS of 112.2p, an increase of 4% (CER).
			Why it's important
			Earnings per share show the portion of our profit allocated to each share. It is a key indicator of our performance and the returns we are generating for shareholders.
2011	2012	2013	

Financial information

Summary

Our financial results for 2013 are summarised in the following tables

Group turnover by geographic region

	2013 £m	2012 (restated) £m	Growth CER%	Growth £%
USA	8,730	8,476	2	3
Europe	7,511	7,326	(1)	3
EMAP	6,746	6,788	2	(1)
Japan	1,890	2,225	2	(15)
Other	1,628	1,616	4	1
	26,505	26,431	1	-

Group sales outside the USA and Europe accounted for 39% of total turnover and reported growth of 2%, adversely impacted by sales declines in China.

Reconciliation of core operating profit

Reconciliation	2013	£m	£m
Core operating profit			8,015
Intangible asset amortisation		(547)	
Intangible asset impairment		(739)	
Major restructuring costs		(517)	
Legal charges		(252)	
Acquisition accounting and other		1,068	
			(987)
Total operating profit			7,028

Reconciliation of core earnings per share

Reconciliation	2013	pence	pence
Core earnings per share			112.2
Intangible asset amortisation		(8.2)	
Intangible asset impairment		(10.7)	
Major restructuring costs		(7.8)	
Legal charges		(5.0)	
Acquisition accounting and other		32.0	
			0.3
Total earnings per share			112.5

We use a number of adjusted measures to report the performance of our business. These include core results (and CER growth), which are used by management for planning and reporting purposes and may not be directly comparable with similarly described measures used by other companies. Core results exclude the following items from total results: amortisation and impairment of intangible assets and goodwill; major restructuring costs; legal charges and expenses; other operating income; disposals of associates, products and businesses, and acquisition accounting adjustments for material acquisitions, together with the tax effects of these items. The calculation of constant exchange rate (CER) growth is described on page 58 of our Annual Report 2013.

Financial information

Continued

	Core results £m	Non-core items £m	2013 Total £m	Core results (restated) £m	Non-core items £m	2012 Total (restated) £m
Turnover	26,505	–	26,505	26,431	–	26,431
Operating profit	8,015	(987)	7,028	8,238	(938)	7,300
Profit before tax	7,366	(719)	6,647	7,543	(943)	6,600
Profit after tax	5,671	(43)	5,628	5,705	(1,027)	4,678
Profit attributable to non-controlling interests	250	(58)	192	235	(56)	179
Profit attributable to shareholders	5,421	15	5,436	5,470	(971)	4,499
Earnings per share	112.2p	0.3p	112.5p	111.4p	(19.8)p	91.6p
Diluted earnings per share	110.2p	0.3p	110.5p	109.7p	(19.5)p	90.2p
Dividends per share			78p			74p

	2013 £m	2012 (restated) £m
Non-current assets	26,859	27,789
Current assets	15,227	13,692
Total assets	42,086	41,481
Current liabilities	(13,677)	(13,815)
Non-current liabilities	(20,597)	(20,929)
Total liabilities	(34,274)	(34,744)
Net assets	7,812	6,737
Shareholders' equity	6,997	5,800
Non-controlling interests	815	937
Total equity	7,812	6,737

	2013 £m	2012 £m
Net cash inflow from operating activities	7,222	4,375
Net cash inflow/(outflow) from investing activities	524	(2,631)
Net cash outflow from financing activities	(6,273)	(3,351)
Increase/(decrease) in cash and bank overdrafts in the year	1,473	(1,607)
Cash and bank overdrafts at beginning of the year	3,906	5,605
Exchange adjustments	(148)	(92)
Increase/(decrease) in cash and bank overdrafts	1,473	(1,607)
Cash and bank overdrafts at end of the year	5,231	3,906

This document does not constitute a strategic report with supplementary material within the meaning of section 426 of the Companies Act 2006.

The definition of core results is set out on page 8.

Returns to shareholders

TSR return and dividends

In 2013, new medicine approvals helped generate the best TSR performance since the formation of GSK

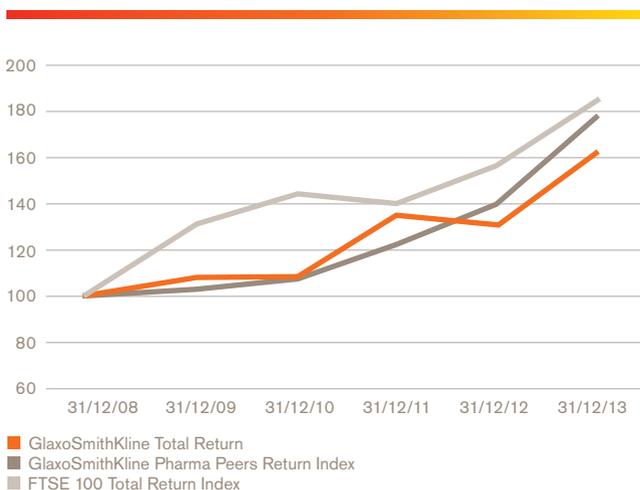
26.7%

GSK's total shareholder return in 2013

19.1%

Total return for the FTSE 100 index in 2013

Relative total shareholder return (TSR)



Dividends

Dividend	Payment date	2013 pence	2012 pence
First interim	11 July 2013	18	17
Second interim	3 October 2013	18	17
Third interim	9 January 2014	19	18
Fourth interim	10 April 2014	23	22
Total		78	74

The ordinary dividend of 78p is an increase of 5% over the 74p in 2012.

Dividend calendar

Quarter	Ex-dividend date	Record date	Payment date
Q4 2013	19 February 2014	21 February 2014	10 April 2014
Q1 2014	14 May 2014	16 May 2014	10 July 2014
Q2 2014	6 August 2014	8 August 2014	2 October 2014
Q3 2014	6 November 2014	7 November 2014	8 January 2015

Shareholder information

2013 Annual Report and AGM documents

The 2013 Annual Report and Notice of Annual General Meeting (AGM) are now available at www.gsk.com

The GSK 2014 AGM will be held at 2.30pm on Wednesday, 7 May 2014:

The Queen Elizabeth II Conference Centre
Broad Sanctuary
Westminster
London SW1P 3EE

Keeping up to date

To receive future notifications from us by email, please register at www.shareview.co.uk

You can request printed copies of our Annual Report 2013 from Equiniti and BNY Mellon.

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Front cover story



Betty, aged 65, (pictured) has Chronic Obstructive Pulmonary Disease (COPD). She only has 25% lung capacity. This means she finds even everyday tasks difficult, but medicines and inhaled oxygen allow her to live as normal a life as she can. Betty's mindset is to stay busy and stay active so every week she goes to her rehab exercise classes.

COPD is a disease of the lungs that leads to damaged airways, causing them to become narrower and making it harder for air to get in and out. 210 million people around the world are estimated to have COPD.

Patients like Betty are the reason GSK has been investing more in respiratory research than any other healthcare company over the past 40 years. For more on our research into new medicines see page 34 in our Annual Report.

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Cautionary statement

Under the 'safe harbor' provision of the US Private Securities Litigation Reform Act of 1995, GSK cautions shareholders that any forward-looking statements or projections made by GSK including those made in this document, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Factors that may affect the Group's operations are described under 'Risk factors' in GSK's Annual Report 2013.