

# Q2 2018 financial results

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# Headline results



Continued sales growth and investment in the future

|                           | Q2 2018      | Reported growth % |      | H1 2018       | Reported growth % |     |
|---------------------------|--------------|-------------------|------|---------------|-------------------|-----|
|                           | £m           | AER               | CER  | £m            | AER               | CER |
| Turnover                  | <b>7,310</b> | -                 | 4    | <b>14,532</b> | (1)               | 4   |
| Total operating profit    | <b>779</b>   | >100              | >100 | <b>2,019</b>  | 19                | 39  |
| Total EPS                 | <b>9.0p</b>  | >100              | >100 | <b>20.2p</b>  | 14                | 41  |
| Adjusted operating profit | <b>2,102</b> | 1                 | 7    | <b>4,025</b>  | (1)               | 8   |
| Adjusted EPS              | <b>28.1p</b> | 3                 | 10   | <b>52.7p</b>  | 1                 | 11  |
| Free cash flow            | <b>492</b>   | >100              | n/a  | <b>821</b>    | >100              | n/a |

# Results reconciliation



## Q2 2018 results

|                        | <b>Total results</b> | Intangible amortisation | Intangible impairment | Major restructuring | Transaction related | Disposals, significant legal and other | <b>Adjusted results</b> |
|------------------------|----------------------|-------------------------|-----------------------|---------------------|---------------------|--|-------------------------|
| Turnover (£bn)         | <b>7.3</b>           |                         |                       |                     |                     |  | <b>7.3</b>              |
| Operating profit (£bn) | <b>0.8</b>           | 0.1                     | <0.1                  | 0.2                 | 1.0                 | <(0.1)                                 | <b>2.1</b>              |
| EPS (pence)            | <b>9.0</b>           | 2.3                     | 0.4                   | 2.5                 | 14.0                | (0.1)                                  | <b>28.1</b>             |
| Q2 17 EPS (pence)      | <b>(3.7)</b>         | 2.4                     | 4.1                   | 5.9                 | 21.5                | (3.0)                                  | <b>27.2</b>             |

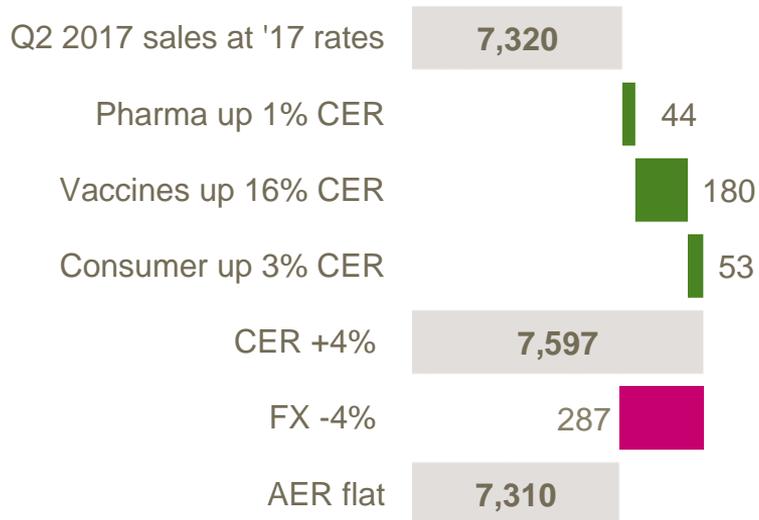
# Sales growth



Another quarter of growth across all three businesses: +4% CER, flat AER

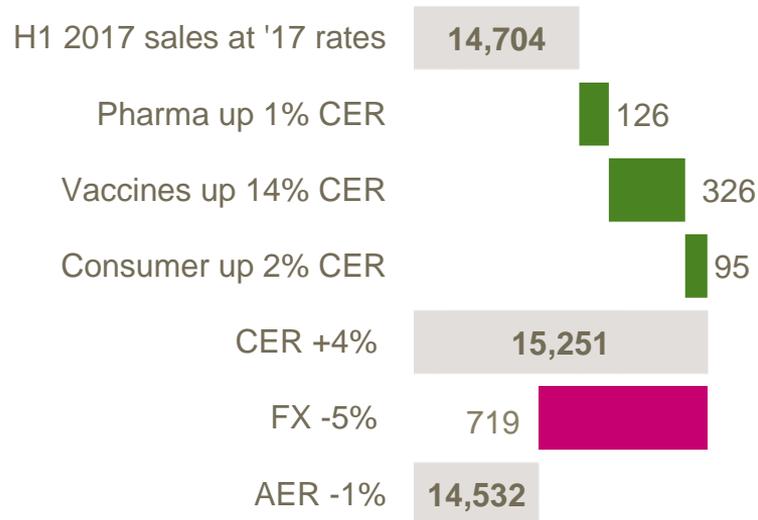
## Q2 2018

All figures £m



## H1 2018

All figures £m

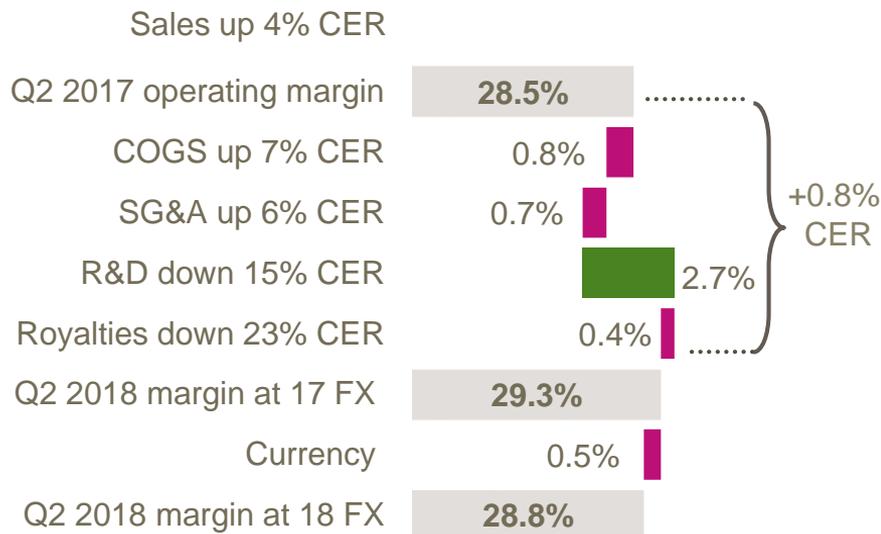


# Adjusted operating margin

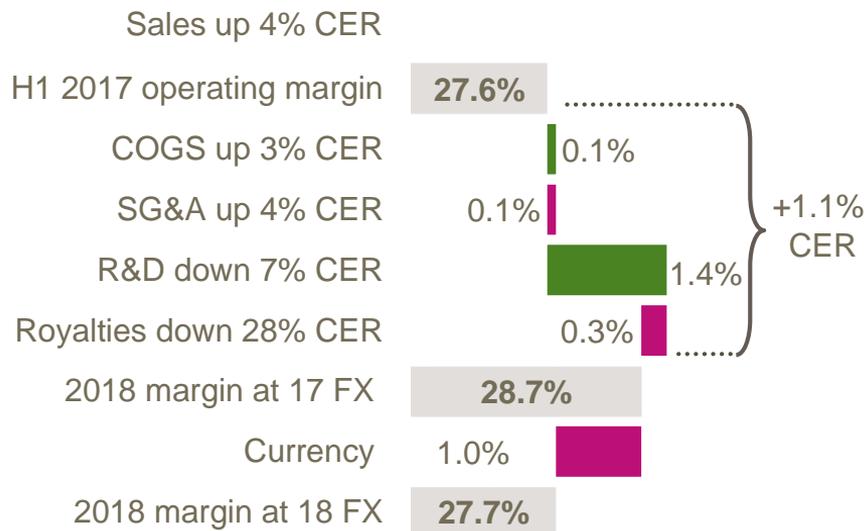


Investment in new products, funded by cost efficiencies

## Q2 2018

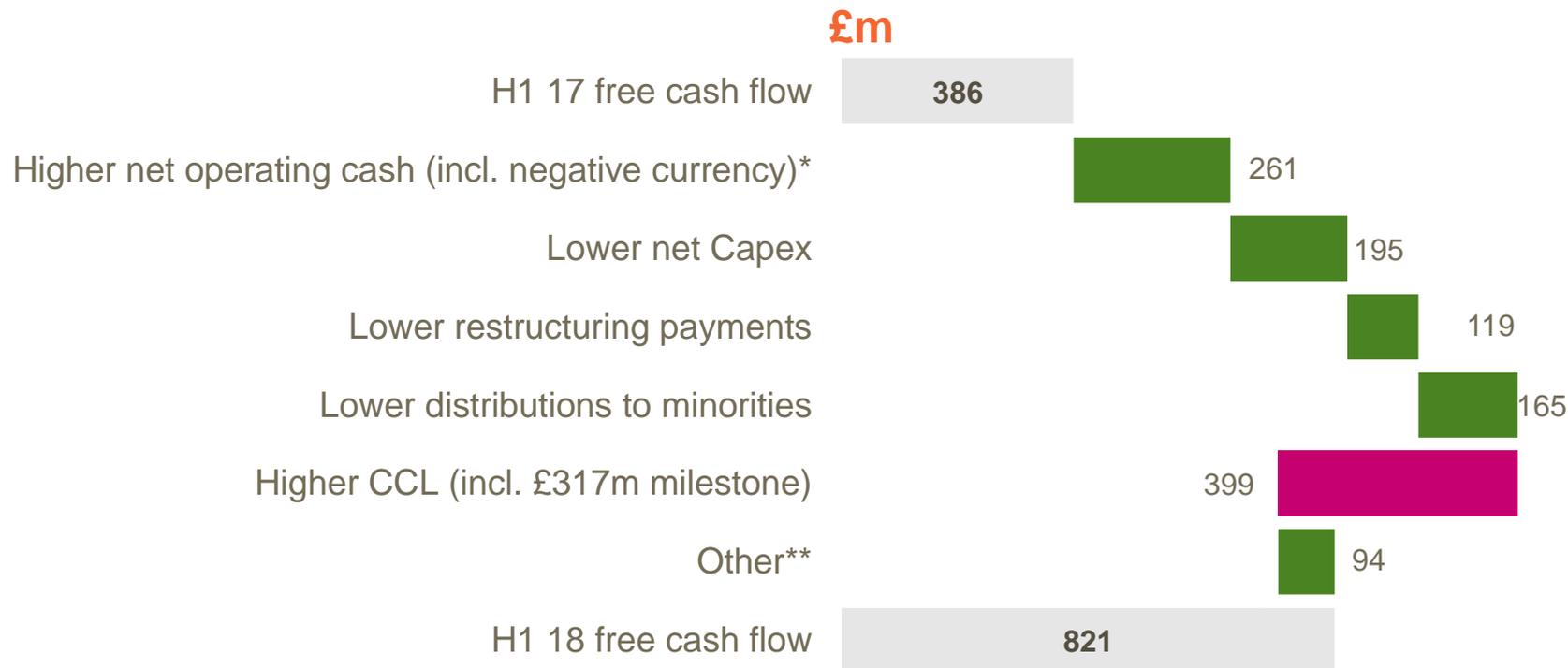


## H1 2018



# Improved cash generation

Clearer prioritisation and tighter control



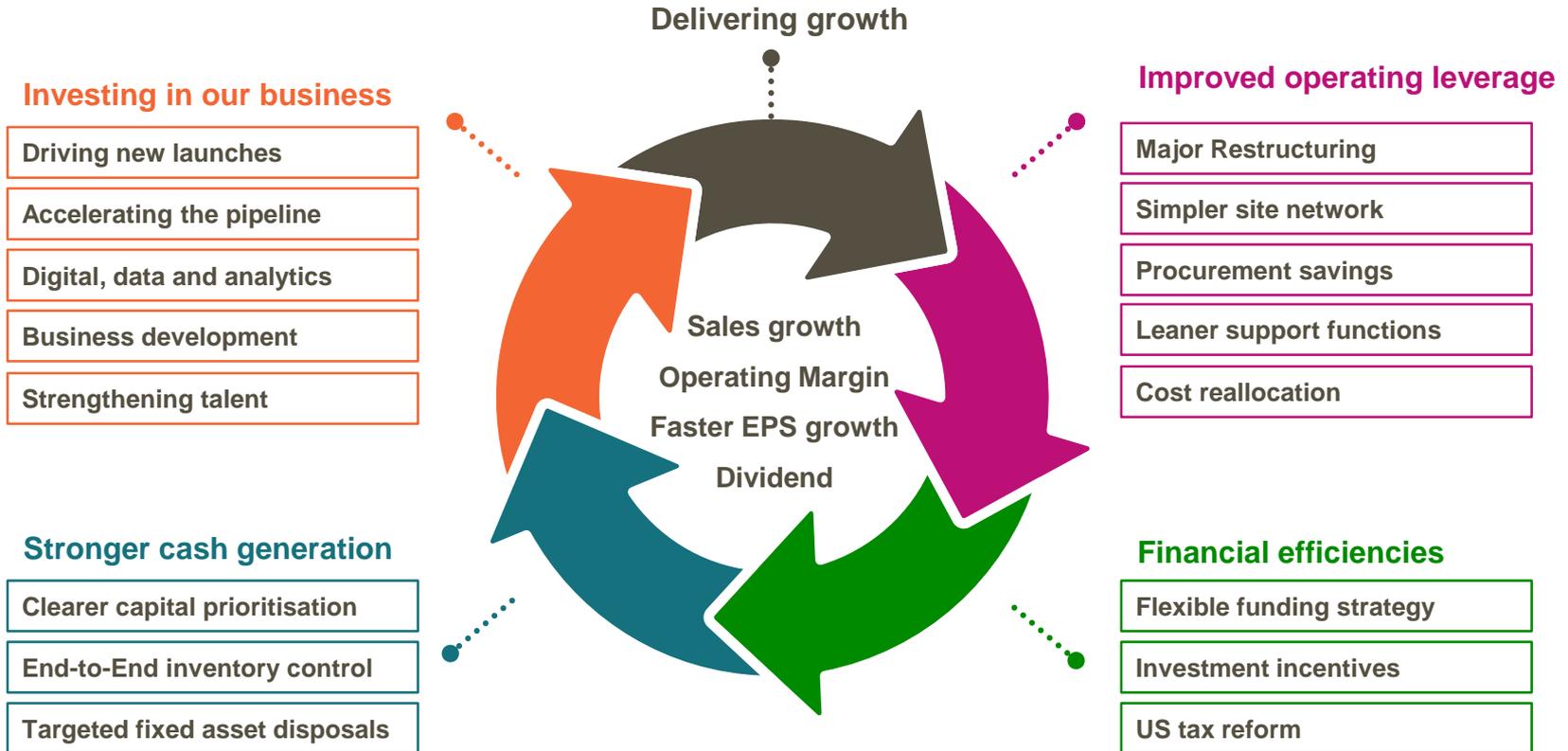
\* Net operating cash is net cash inflow from operating activities including changes in working capital, excluding restructuring, operating CCL, and significant legal payments.

\*\* £94m other includes £35m lower legal costs, £17m higher net interest paid, £37m increase from associates and JVs and £5m higher proceeds from the sale of intangible assets

# Continued cost and cash discipline to fund future growth



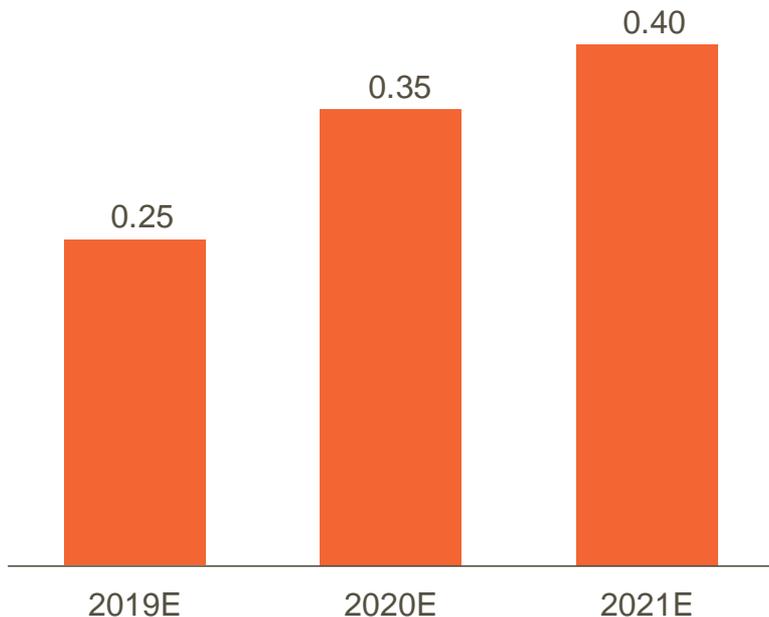
Funding investments in accelerating the pipeline and new launches



# New Major Restructuring to fund future growth



Estimated annual savings at 2017 FX  
£bn



Major Restructuring costs at 2017 FX

|                 | 2018 | 2019 | 2020 | 2021 |
|-----------------|------|------|------|------|
| <b>Cash</b>     | 0.3  | 0.4  | 0.1  | -    |
| <b>Non-Cash</b> | 0.1  | 0.5  | 0.2  | 0.1  |
| <b>Total</b>    | 0.4  | 0.9  | 0.3  | 0.1  |

**Total costs £1.7bn**

Cash £0.8bn  
Non-cash £0.9bn

**Estimated annual  
savings**

~£0.4bn

# Upgraded 2018 guidance



## Original guidance

Adjusted EPS growth  
**+ 4 to 7% CER**  
with no Advair Gx

Adjusted EPS growth  
**-3% to flat CER**  
with Advair Gx mid-year  
FY Advair sales £750m



**Shingrix upgrade**

**Novartis buy-out**

**Advair -30%**

**Advair Gx delayed**



## Upgraded guidance

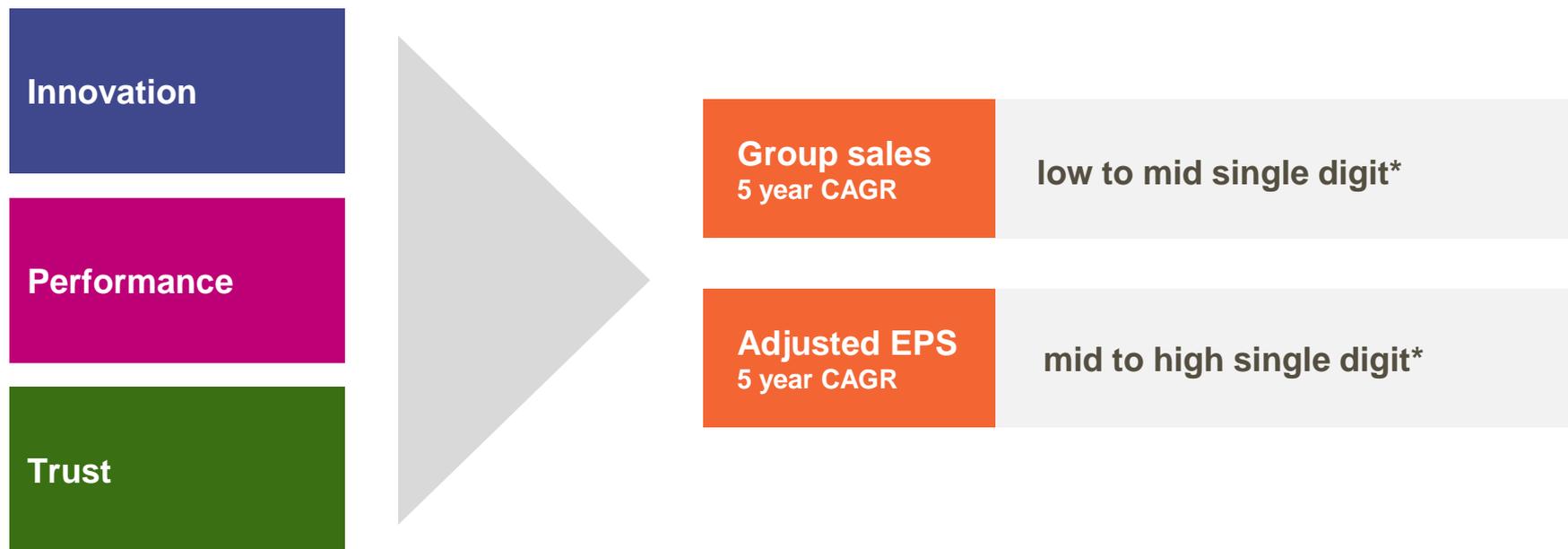
Adjusted EPS growth  
**+ 7 to 10% CER**  
with no Advair Gx

Adjusted EPS growth  
**+ 4 to 7% CER**  
with Advair Gx from 1 Oct  
FY Advair sales £900m

Continued Respiratory pricing pressure

Investment in pipeline and new products

# Confident in delivery of 2020 outlook



\*All 2020 outlook statements are at CER using 2015 exchange rates as the base. The CAGRs are 5 years to 2020.

# Q&A

