# Pre-Quarterly Results Communication Q1 2018

Issued: Tuesday, 10th April 2018

## Contents

## New information for Q1 2018

**Foreign exchange**

Average rates for the quarter ended 31 March 2018 were $1.39/£, €1.13/£ and Yen 151/£. On the basis of these rates, it is expected that the negative impact of foreign exchange on Q1 2018 sales will be around 6%.

As a result of the mix of currency movements relative to the mix of costs, we expect that the negative impact of foreign exchange on Q1 2018 sterling Adjusted EPS will be greater than the negative impact on sales.

| Average rates Cumulative - YTD | 3M 2017 | 6M 2017 | 9M 2017 | 12M 2017 | 3M 2018 |
|---|---|---|---|---|---|
| **Key currencies** | | | | | |
| US$ | 1.25 | 1.27 | 1.28 | 1.30 | 1.39 |
| € | 1.17 | 1.16 | 1.15 | 1.15 | 1.13 |
| Yen | 141 | 142 | 144 | 145 | 151 |
| **Other currencies** | | | | | |
| Australian dollar | 1.66 | 1.68 | 1.68 | 1.69 | 1.77 |
| Brazilian real | 3.96 | 4.06 | 4.09 | 4.16 | 4.53 |
| Canadian dollar | 1.66 | 1.69 | 1.68 | 1.69 | 1.76 |
| Chinese yuan | 8.60 | 8.70 | 8.72 | 8.75 | 8.82 |
| Indian rupee | 83.2 | 83.3 | 83.8 | 84.4 | 89.5 |
| Russian rouble | 73.6 | 74.0 | 75.0 | 75.7 | 79.0 |
| | | | | | |
| ***FX impact on turnover*** | ***+ 14%*** | ***+11%*** | ***+8%*** | ***+5%*** | ***-6%*** |
| ***FX impact on adjusted EPS*** | ***+22%*** | ***+17%*** | ***+11%*** | ***+7%*** | ***n/a*** |

| Average rates Quarterly | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2018 |
|---|---|---|---|---|---|
| **Key currencies** | | | | | |
| US$ | 1.25 | 1.29 | 1.30 | 1.36 | 1.39 |
| € | 1.17 | 1.15 | 1.13 | 1.15 | 1.13 |
| Yen | 141 | 143 | 148 | 148 | 151 |
| **Other currencies** | | | | | |
| Australian dollar | 1.66 | 1.70 | 1.68 | 1.72 | 1.77 |
| Brazilian real | 3.96 | 4.16 | 4.15 | 4.37 | 4.53 |
| Canadian dollar | 1.66 | 1.72 | 1.66 | 1.72 | 1.76 |
| Chinese yuan | 8.60 | 8.80 | 8.76 | 8.84 | 8.82 |
| Indian rupee | 83.2 | 83.4 | 84.8 | 86.2 | 89.5 |
| Russian rouble | 73.6 | 74.4 | 77.0 | 77.8 | 79.0 |
| | | | | | |
| ***FX impact on turnover*** | ***+14%*** | ***+9%*** | ***+2%*** | ***-3%*** | ***-6%*** |
| ***FX impact on adjusted EPS*** | ***+22%*** | ***+14%*** | ***+3%*** | ***-4%*** | ***n/a*** |

The Q1 2018 period-end rates were $1.40/£, €1.14/£ and Yen 149/£.

| Period end rates | Dec 2016 | Mar 2017 | June 2017 | Sept 2017 | Dec 2017 | Mar 2018 |
|---|---|---|---|---|---|---|
| **Key currencies** | | | | | | |
| US$ | 1.24 | 1.25 | 1.30 | 1.34 | 1.35 | 1.40 |
| € | 1.17 | 1.17 | 1.14 | 1.13 | 1.13 | 1.14 |
| Yen | 144 | 139 | 146 | 151 | 152 | 149 |

**Foreign exchange: Exchange Gains or (Losses)**

Sharp movements and volatility in currencies during a quarter can result in Exchange Gains or Losses (EGOLs) which are recorded in SG&A. During Q1 2018 there was continued volatility in a number of currencies relative to Sterling.

| EGOLs as reported (£m) | Q1 | Q2 | Q3 | Q4 | Full Year |
|---|---|---|---|---|---|
| 2016 | (3) | 0 | 11 | (42) | (34) |
| 2017 | (12) | (20) | (18) | (12) | (62) |

**Foreign exchange: Ready reckoner**

In the 2017 FY results presentation on 7 February 2018, the following ready reckoner was provided on slide 31 to help estimate the expected impact of foreign exchange movements on adjusted EPS*:

| Currency | Impact on 2018 full year adjusted EPS |
|---|---|
| US dollar | 10 cents movement in average exchange rate for full year impacts EPS by approximately +/-4.0% |
| Euro | 10 cents movement in average exchange rate for full year impacts EPS by approximately +/-2.5% |
| 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 2017 currency sales exposure for GSK:

| Currency | 2017 currency sales exposure |
|---|---|
| US dollar | 37% |
| Euro | 19% |
| Japanese yen | 7% |
| Other‡ | 37% |

*‡The other currencies that each represent more than 1% of Group sales are: Australian dollar, Brazilian real, Canadian dollar, Chinese yuan and Indian rupee. In total, they accounted for 12% of Group revenues in 2017*

**Currency impact 2018**

In the Q4 2017 press release we made the following comment on the potential impact of currencies on sales and EPS in 2018:

*"If exchange rates were to hold at the average rates for January 2018 ($1.39/£1, €1.13/£1 and Yen 154/£1) for the rest of 2018, the estimated negative impact on full-year 2018 Sterling turnover growth would be around 4% and if exchange gains or losses were recognised at the same level as in 2017, the estimated negative impact on 2018 Sterling Adjusted EPS growth would be around 6%."*

We will update you on our latest view on the estimated impact of currencies in 2018 in our Q1 2018 press release on 25 April.

**Basic weighted average number of shares (WANS)**

The basic weighted number of shares in issue during Q1 2018 was 4,903m compared with 4,877m in Q1 2017 (an increase of 0.5%).

| In millions* | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2018 |
|---|---|---|---|---|---|---|
| **WANS**: Quarter | 4,867 | 4,877 | 4,887 | 4,890 | 4,891 | 4,903 |
| **WANS**: Cumulative - Year to date | 4,860 | 4,877 | 4,882 | 4,884 | 4,886 | 4,903 |
| Period end shares | 4,868 | 4,886 | 4,888 | 4,890 | 4,892 | 4,913 |

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

**Dividend**

In the Q4 2017 press release we made the following comment on returns to shareholders:

*"GSK recognises the importance of dividends to shareholders and aims to distribute regular dividend payments that will be determined primarily with reference to the free cash flow generated by the business after funding the investment necessary to support the Group's future growth.*

*The Board intends to maintain the dividend for 2018 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 |
|---|---|---|---|---|---|
| 2016 | 19 | 19 | 19 | 23 | 80 |
| 2017 | 19 | 19 | 19 | 23 | 80 |
| 2018 - expected | | | | | 80† |

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

## Factors impacting recent quarterly comparisons

As usual there were several events in 2018 to date and during 2017 which impact the year on year comparisons for Q1 2018. 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 Q1 2018 versus Q1 2017.**

For further comments, please refer to quarterly press releases, presentations and transcripts.

### Pharmaceuticals

| Pharmaceuticals (£m) | FY 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2017 |
|---|---|---|---|---|---|---|
| Total turnover | 16,104 | 4,189 | 4,357 | 4,190 | 4,540 | 17,276 |
| *Reported growth - CER* | +3% | **+4%** | **+3%** | **+2%** | **+3%** | **+3%** |
| ***Pro forma* growth - CER*** | **+4%** | n/a | n/a | n/a | n/a | n/a |
| Adjusted operating profit | 5,488 | 1,440 | 1,464 | 1,426 | 1,597 | 5,927 |
| **Adjusted operating margin** | 34.1% | 34.4% | 33.6% | 34.0% | 35.2% | 34.3% |

** Pro forma growth rates for FY 2016 are calculated comparing reported turnover for FY 2016 with the turnover for FY 2015 adjusted to exclude sales of the former GSK Oncology business for January and February 2015.*

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding pharmaceuticals:

*"if we do not see a generic [Advair] in 2018, we expect the momentum in HIV and New Respiratory to deliver low single-digit top line growth for Pharma overall, offsetting declines in older products, including established pharmaceuticals."*

### Pharmaceuticals: Respiratory

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments the Respiratory business:

*"We also expect further progress from our new respiratory products, including the first contributions from Trelegy, even as Seretide/Advair continues to decline."*

On the Q3 2017 results analyst/investor call on 25 October 2017, Simon Dingemans made the following comments on Seretide/Advair in relation to 2018 guidance:

*"Looking at 2018, the outlook clearly depends on whether Advair encounters substitutable generic competition in the US. If there is no generic in the US this year …. This is based on an expected decline of around 20% to 25% in Advair's US sales in 2018 which reflects somewhat higher expected discounts and rebates and further transitioning to the new Ellipta products.*

*However, it seems more likely now that a substitutable generic to Advair is launched in the US during 2018, given the filings that have been made. Clearly the timelines, the pricing strategy and supply capacity of any generic are all uncertain so same as last year, to help you with your models, we have estimated the impact of a mid-year generic. In this event, we would expect US Advair sales to decline to around £750 million at constant exchange rates, (i.e. $1.30 to the pound)"*

| Seretide/Advair (£m) | FY 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2017 |
|---|---|---|---|---|---|---|
| US | 1,829 | 339 | 476 | 388 | 407 | 1,610 |
| Europe | 835 | 206 | 182 | 164 | 184 | 736 |
| International | 821 | 207 | 190 | 191 | 196 | 784 |
| **Total** | **3,485** | **752** | **848** | **743** | **787** | **3,130** |
| | | | | | | |
| ***CER growth*** | | | | | | |
| *US* | -13% | -12% | -11% | -15% | -22% | -16% |
| *Europe* | -24% | -17% | -21% | -18% | -10% | -17% |
| *International* | *-7%* | -4% | -11% | -11% | -7% | *-8%* |
| ***Total*** | ***-15%*** | **-12%** | **-14%** | **-15%** | **-16%** | ***-14%*** |

**Pharmaceuticals: HIV**

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding the HIV business:

*"In 2018, the HIV business, including some sales from Juluca, is expected to continue to deliver good growth, albeit at a lower rate than in 2017 after taking into account the larger base of the business. We have factored in a reduced drag from generic Kivexa/Epzicom."*

| HIV (£m) | FY 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2017 |
|---|---|---|---|---|---|---|
| Tivicay | 953 | 301 | 340 | 364 | 399 | 1,404 |
| Triumeq | 1,735 | 539 | 648 | 621 | 653 | 2,461 |
| Juluca | - | - | - | - | 5 | 5 |
| Epzicom | 568 | 78 | 63 | 51 | 42 | 234 |
| Other HIV | 300 | 67 | 65 | 57 | 57 | 246 |
| **Total turnover** | **3,556** | **985** | **1,116** | **1,093** | **1,156** | **4,350** |
| *CER growth* | *+37%* | *+19%* | *+17%* | *+13%* | *+17%* | *+16%* |

**Pharmaceuticals: Established Pharmaceuticals**

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding Established Pharmaceuticals:

*"Improvements in supply helped the 2017 performance for this group, with sales for established pharmaceuticals down 5% after a 3% drag from divestments. We will continue to rationalise these products where we see opportunities to deliver value. Growth in 2018 will continue to be impacted by some of the divestments made in 2017, as well as some expected in 2018, and we anticipate sales from this portfolio to decline this year at a mid-to-high single-digit percentage, with the exact rate depending on the timing of when the current year divestments are completed."*

| Established Pharmaceuticals (£m) | FY 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2017 |
|---|---|---|---|---|---|---|
| **Total turnover** | **5,698** | **1,429** | **1,347** | **1,391** | **1,391** | **5,558** |
| *CER growth* | *-11%* | *-6%* | *-7%* | *-4%* | *-5%* | *-5%* |

**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 tables below the 2016 FY and 2017 quarterly results for the Vaccines business.

| GSK Vaccines (£m) | FY 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2017 |
|---|---|---|---|---|---|---|
| US | 1,599 | 363 | 316 | 816 | 374 | 1,869 |
| Europe | 1,423 | 389 | 394 | 431 | 386 | 1,600 |
| International | 1,570 | 400 | 401 | 442 | 448 | 1,691 |
| **Total turnover** | **4,592** | **1,152** | **1,111** | **1,689** | **1,208** | **5,160** |
| Adjusted operating profit | 1,429 | 341 | 374 | 698 | 231 | 1,644 |
| *Adjusted operating margin* | *31.1%* | *29.6%* | *33.7%* | *41.3%* | *19.1%* | *31.9%* |
| | | | | | | |
| ***CER growth*** | | | | | | |
| *US - reported* | *+13%* | ***+21%*** | ***+12%*** | ***+6%*** | ***+16%*** | ***+12%*** |
| ***US - PF**** | ***+12%*** | *n/a* | *n/a* | *n/a* | *n/a* | *+n/a* |
| *Europe - reported* | *+18%* | ***+4%*** | ***+10%*** | ***+6%*** | ***+2%*** | ***+6%*** |
| ***Europe - PF**** | ***+16%*** | *n/a* | *n/a* | *n/a* | *n/a* | *n/a* |
| *International - reported* | *+10%* | ***+25%*** | ***-5%*** | ***-14%*** | ***+9%*** | ***+1%*** |
| ***International - PF**** | ***+8%*** | *n/a* | *n/a* | *n/a* | *n/a* | *n/a* |
| ***Total turnover*** | | | | | | |
| *- reported* | *+14%* | ***+16%*** | ***+5%*** | ***+0%*** | ***+9%*** | ***+6%*** |
| ***- PF**** | ***+12%*** | *n/a* | *n/a* | *n/a* | *n/a* | *n/a* |

** Pro forma growth rates for FY 2016 are calculated comparing reported turnover for FY 2016 with the turnover for FY 2015 adjusted to include the two months of sales for January and February 2015 of the former Novartis Vaccines business.*

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding Vaccines:

*"In Vaccines, we generated significant growth from the meningitis and flu portfolios, finishing the year overall up 6%. Remember, this was against last year's strong comp, which was up 12%.*

*We continue to expect this business to be a mid-to-high single digit grower over the period to 2020, despite increasing competition for our paediatric and flu vaccines. Growth from the launch of Shingrix will add to the contributions from meningitis and other established vaccines.*

*In terms of phasing, vaccine sales will continue to be lumpy due to tenders and CDC stockpile movements. The pace of the Shingrix roll-out may also vary quarter-to-quarter as we build demand and get coverage in place."*

**Consumer Healthcare**

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding Consumer Healthcare:

*"In 2018 we continue to expect low single-digit growth from Consumer, after factoring in the impact of tail brand divestments, the TDS generic, and the impact of GST in India which, in aggregate, are expected to reduce growth by about one and a half percentage points on a reported basis"*

| GSK Consumer Healthcare (£m) | FY 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2017 |
|---|---|---|---|---|---|---|
| Turnover | 7,193 | 2,043 | 1,852 | 1,964 | 1,891 | 7,750 |
| *Reported growth - CER* | *+9%* | ***+2%*** | ***+0%*** | ***+2%*** | ***+4%*** | ***+2%*** |
| ***Pro forma* growth – CER*** | ***+5%*** | *n/a* | *n/a* | *n/a* | *n/a* | *n/a* |
| | | | | | | |
| Adjusted operating profit | 1,116 | 351 | 328 | 392 | 302 | 1,373 |
| *Adjusted operating margin* | *15.5%* | *17.2%* | *17.7%* | *20.0%* | *16.0%* | *17.7%* |

**Pro forma growth rates for FY 2016 are calculated comparing reported turnover for FY 2016 with the turnover for FY 2015 adjusted to include the two months of sales for January and February 2015 of the former Novartis Consumer products.*

**Corporate and other unallocated and costs**

| Adjusted corporate and other unallocated operating profit (costs) (£m) | Q1 | Q2 | Q3 | Q4 | Full Year |
|---|---|---|---|---|---|
| 2016 | (168) | (31) | (35) | (128) | (362) |
| 2017 | (153) | (83) | (48) | (92) | (376) |

## Operating and financial performance

### *Operating performance*

**Year-on-year annual cost savings (per Q4 2017 results presentation)**

| Annual savings (£bn)* | 2016 December achieved | 2017 December achieved | 2018 December expected | 2019 December expected | 2020 December expected |
|---|---|---|---|---|---|
| Annual savings at 2015 FX | 2.8 | 3.3 | 3.5 | 3.7 | 4.0 |
| Cumulative FX benefit | 0.2 | 0.4 | 0.4 | 0.4 | 0.4 |
| **Total savings delivered/expected** | **3.0** | **3.7** | **3.9** | **4.1** | **4.4** |

** Expected phasing of annual savings. All expectations and targets regarding future performance should be read together with "Assumptions related to 2018 guidance and 2016-2020 outlook" on page 40 of our Q4 2017 earnings release dated 7 February 2018.*

In the Q4 2017 press release we made the following comments on restructuring:

*"Cash payments made were £555 million (2016: £1,077 million), including the settlement of certain charges previously accrued, but also reflecting the deferral of some payments into 2018. Cash payments of approximately £0.5 billion are expected in 2018. The programme delivered incremental cost savings in the year of £0.7 billion, including £0.2 billion of currency benefits.*

*Charges for the combined restructuring and integration programme to date are £4.8 billion, of which cash charges are £3.5 billion. Cash payments of £3.1 billion have been made to date. Non-cash charges are £1.3 billion.*

*An extension to the existing combined programme was agreed by the Board in July 2017, with total cash charges of the combined programme now expected to be approximately £4.1 billion and non-cash charges up to £1.6 billion. The programme has now delivered approximately £3.7 billion of annual savings, including a currency benefit of £0.4 billion. The extended programme is now expected to deliver by 2020 total annual savings of £4.0 billion on a constant currency basis, together with an estimated £0.4 billion of currency benefits on the basis of 2017 exchange rates".*

**Research and development**

| Adjusted R&D costs (£m) | FY 2016 | Q1 2017 | Q2* 2017 | Q3 2017 | Q4 2017 | FY 2017 |
|---|---|---|---|---|---|---|
| R&D | 3,468 | 919 | 1,053 | 898 | 992 | 3,862 |
| *Reported growth - CER* | +3% | **+8%** | **+24%** | **+1%** | **+0%** | **+8%** |
| ***Pro forma growth – CER*** | ***+3%*** | *n/a* | *n/a* | *n/a* | *n/a* | *n/a* |

*R&D in Q2 2017 includes £106m cost of the Priority Review Voucher.

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding R&D costs:

*"R&D was up 8%, reflecting investments to strengthen the Pharma pipeline, and to accelerate and expand support for the high priority assets. This included investment in the PRV we used in 2017 to accelerate Juluca, which drove about 3% of the 8% increase.*

*We continue to prioritise developing the Pharma pipeline, and we are likely to continue to rebuild our R&D spend over the next couple of years, subject to how the data comes in."*

**Royalty income**

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding royalty income:

*"Our royalties on Cialis came to an end in Q4, which is reflected within the overall decline we saw in 2017. We expect the total royalty number to decline further to around £200 million in 2018."*

| Adjusted royalties (£m) | Q1 | Q2 | Q3 | Q4 | Full Year |
|---|---|---|---|---|---|
| 2016 | 91 | 83 | 107 | 117 | 398 |
| 2017 | 82 | 98 | 107 | 69 | 356 |
| 2018 outlook | | | | | Around £200m |

## *Financial performance*

**Net finance costs**

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding net finance costs:

*"For 2018, we expect net interest will again come in broadly similar to 2017"*

Additionally, in the Q4 2017 press release we made the following comments relating to interest:

*"GSK has adopted the revised basis of reporting in Q4 2017 and, as a result of a number of settlements during the year, has recorded credits for interest on tax for the full year 2017 within Total results of £24 million and within Adjusted results of £23 million. There were no material charges for penalties on settlements during 2017 that required adjustment."*

| Adjusted net finance costs (£m) | Q1 | Q2 | Q3 | Q4 | Full Year |
|---|---|---|---|---|---|
| 2016 | (159) | (163) | (160) | (170) | (652) |
| 2017 | (169) | (176) | (177) | (135) | (657) |
| 2018 outlook | | | | | Broadly similar* |

**This does not reflect any change expected to result from the proposed transaction to buyout Novartis' 36.5% stake in the Consumer Healthcare joint venture which was announced on 27 March 2018 and is subject to shareholder approval.*

**Associates and joint ventures**

| Adjusted associates and joint ventures (£m) | Q1 | Q2 | Q3 | Q4 | Full Year |
|---|---|---|---|---|---|
| 2016 | 0 | (2) | 6 | 1 | 5 |
| 2017 | 5 | (1) | 7 | 2 | 13 |

**Taxation**

| Adjusted tax rate (%) | Q1 | Q2 | Q3 | Q4 | Full Year |
|---|---|---|---|---|---|
| 2016 | 21.4% | 21.3% | 20.8% | 21.9% | 21.3% |
| 2017 | 22.0% | 21.2% | 21.0% | 20.0% | 21.0% |
| 2018 outlook | | | | | 19% to 20% |

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding taxation:

*"On tax we estimate US reform will benefit our effective rate by two to three percentage points and will also help stabilise the rate which we previously expected to rise over time.*

*For 2018 and going forward over the next few years, we expect an effective tax rate of 19% to 20%. After accounting for minority interests we expect about two-thirds of the benefit to drop to our net earnings. "*

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

In the Q4 2017 press release we made the following comments relating non-controlling interests:

*"The allocation of Adjusted earnings to non-controlling interests amounted to £793 million (2016: £637 million), including the non-controlling interest allocations of Consumer Healthcare profits of £344 million (2016: £288 million) and the allocation of ViiV Healthcare profits, which increased to £414 million (2016: £324 million) including the impact of changes in the proportions of preferential dividends due to each shareholder. The increase in allocation also reflected comparison with the reduction in the allocation to non-controlling interests due to higher net losses in some of the Group's other entities with non-controlling interests in 2016."*

| Adjusted profit/(loss) attributable to non-controlling interests (£m) | FY 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2017 |
|---|---|---|---|---|---|---|
| ViiV | 324 | 113 | 81 | 117 | 103 | 414 |
| Novartis Consumer Healthcare | 288 | 74 | 80 | 105 | 85 | 344 |
| Other | 25 | 12 | 13 | 6 | 4 | 35 |
| **Total** | **637** | **199** | **174** | **228** | **192** | **793** |

**Total results**

In the Q4 2017 press release we made the following comments:

*"Total operating profit was £4,087 million in 2017 compared with £2,598 million in 2016. The increase primarily reflected a reduced impact from accounting charges related to the re-measurement of the liabilities for contingent consideration, put options and preferential dividends. In addition operating profit benefited from an improved operating margin driven by sales growth across all three businesses, but particularly Vaccines, and a more favourable mix in all three businesses. In Vaccines, there was also a favourable year-on-year comparison with inventory adjustments in 2016 and the benefit of a one-off settlement in cost of sales. Continued tight control of ongoing costs and*

*benefits from restructuring and integration also contributed to improved margins in Vaccines and Consumer Healthcare but were offset by the impact of the Priority Review Voucher, as well as an overall increase in R&D investment in Pharmaceuticals, continuing price pressure, particularly in Respiratory, and supply chain investments in Pharmaceuticals to support new products.*

*…. Total earnings per share was 31.4p, compared with 18.8p in 2016. The increase reflected the reduced impact of charges arising from the revaluations of the liabilities for contingent consideration and the put options associated with increases in the Sterling value of the Group's HIV and Consumer Healthcare businesses, the benefit from Swiss tax reform and improved performances by the relevant businesses, partly offset by the charges arising from US tax reform."*

**Free cash flow**

| Free cash flow (£m) | Q1 | Q2 | *H1* | Q3 | *9M* | Q4 | *FY* |
|---|---|---|---|---|---|---|---|
| 2016 | (240) | 303 | *63* | 1,209 | *1,272* | 1,742 | **3,014** |
| 2017 | 650 | (282) | *368* | 1,276 | *1,644* | 1,793 | **3,437** |

On the Q4 2017 results analyst/investor call on 7 February 2018, Simon Dingemans made the following comments regarding Cashflow:

*"We have increased free cash flow by over £400 million in 2017 to £3.4 billion after investing £106 million for the PRV and around £450 million into inventory, primarily to support the new launches."*

*"In 2018 we expect total capex, tangible and intangible, to be around £2 billion with most of the reduction in tangible spend. We continue to look for further opportunities to improve the efficiency of our capital allocation processes. More broadly, we expect our 2018 cash flows to be again weighted to the second half of the year, as they were in 2017. This is due to some seasonality, a higher contribution from the new launches in the second half, but also the impact on free cash flow in the first half of the milestone of $450 million going out to Novartis due to the growth in Bexsero. This has been paid at the end of January and should be factored into your models for reported free cash flow for 2018."*

Additionally, in the In the Q4 2017 press release we made the following comments relating to cash restructuring:

*"Cash payments made were £555 million (2016: £1,077 million), including the settlement of certain charges previously accrued, but also reflecting the deferral of some payments into 2018. Cash payments of approximately £0.5 billion are expected in 2018."*

**Net debt**

| Net debt (£m) | 31 Mar | 30 Jun | 30 Sep | 31 Dec |
|---|---|---|---|---|
| 2016 | 12,495 | 14,910 | 14,663 | 13,804 |
| 2017 | 13,743 | 14,800 | 14,209 | 13,178 |

In the Q4 2017 press release we made the following comments:

*"At 31 December 2017, net debt was £13.2 billion, compared with £13.8 billion at 31 December 2016, comprising gross debt of £17.1 billion and cash and liquid investments of £3.9 billion. Net debt reduced as the improved free cash flow of £3.4 billion and disposal proceeds of £0.6 billion, together with a £0.6 billion favourable exchange impact from the translation of non-Sterling denominated debt more than offset the cost of dividends paid to shareholders of £3.9 billion.*

*At 31 December 2017, GSK had short-term borrowings (including overdrafts) repayable within 12 months of £2.8 billion with loans of £1.3 billion repayable in the subsequent year."*

**Put options**

In the Q4 2017 press release we made the following comments:

*"At 31 December 2017, the estimated present value of the potential redemption amount of the Consumer Healthcare Joint Venture put option recognised in Other payables in Current liabilities was £8,606 million, equivalent to £8.9bn on an undiscounted basis assuming a mid-year closing of the option. The estimated present value of the potential redemption amount of the Pfizer put option related to ViiV Healthcare, also recorded in Other payables in Current liabilities, was £1,304 million (31 December 2016: £1,319 million)."*

On 27 March 2018, GSK reached agreement with Novartis to buyout Novartis' 36.5% stake in the Consumer Healthcare Joint Venture for $13 billion (£9.2 billion). A re-measurement charge to reflect the proposed agreement is expected to be reflected in Total results for Q1 2018.

| Put options (£m) | 31 Dec 2015 | 31 Dec 2016 | 31 Mar 2017 | 30 Jun 2017 | 30 Sep 2017 | 31 Dec 2017 |
|---|---|---|---|---|---|---|
| Consumer Healthcare joint venture | 6,287 | 7,420 | 7,541 | 8,271 | 8,243 | 8,606 |
| ViiV Healthcare | - | 1,319 | 1,205 | 1,259 | 1,221 | 1,304 |
| **Total** | **6,287** | **8,739** | **8,746** | **9,530** | **9,464** | **9,910** |

**Contingent consideration**

In the Q4 2017 press release we made the following comments:

*"Contingent consideration amounted to £6,172 million at 31 December 2017 (31 December 2016: £5,896 million), of which £5,542 million (31 December 2016: £5,304 million) represented the estimated present value of amounts payable to Shionogi relating to ViiV Healthcare and £584 million (31 December 2016: £545 million) represented the estimated present value of contingent consideration payable to Novartis related to the Vaccines acquisition. A milestone payment of $450 million related to this latter liability was made in January 2018. The liability due to Shionogi included £216 million in respect of preferential dividends. The liability for preferential dividends due to Pfizer at 31 December 2017 was £17 million (31 December 2016: £23 million).*

| Contingent consideration (£m) | 31 Dec 2015 | 31 Dec 2016 | 31 Mar 2017 | 30 Jun 2017 | 30 Sep 2017 | 31 Dec 2017 |
|---|---|---|---|---|---|---|
| Shionogi – relating to ViiV Healthcare | 3,409 | 5,304 | 5,193 | 5,351 | 5,224 | 5,542 |
| Novartis – relating to Vaccines acquisition | 405 | 545 | 554 | 646 | 648 | 584 |
| Other | 41 | 47 | 47 | 46 | 45 | 46 |
| **Total** | **3,855** | **5,896** | **5,794** | **6,043** | **5,917** | **6,172** |

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

### *Acquisitions and divestments*

**GSK reaches agreement with Novartis to acquire full ownership of Consumer Healthcare Business**

- **Agreement with Novartis to buyout Novartis' 36.5% stake in the Consumer Healthcare Joint Venture for $13 billion (£9.2 billion)**
- **Proposed transaction addresses one of the Group's stated key capital allocation priorities, supporting efforts to improve performance and capital planning for the Group**
- **100% ownership of world-leading Consumer Healthcare business enables GSK shareholders to capture full value of future performance**
- **Consumer Healthcare business well positioned to deliver sales and earnings growth, driven by category-leading Power Brands, science-based innovation and improved efficiencies. Operating margins to approach 'mid-20's' percentages by 2022 (at 2017 CER)**
- **Transaction expected to be accretive to adjusted earnings in 2018 and thereafter, and to strengthen cash flow generation**
- **GSK also to initiate strategic review of Horlicks and other consumer nutrition products to support transaction funding. Review will include an assessment of Group's shareholding in Indian subsidiary, GlaxoSmithKline Consumer Healthcare Ltd**

GlaxoSmithKline plc (LSE/NYSE: GSK) today announces that it has reached an agreement with Novartis for the buyout of Novartis' 36.5% stake in their Consumer Healthcare Joint Venture for $13 billion (£9.2 billion).

GSK is initiating a strategic review of Horlicks and its other consumer healthcare nutrition products to support funding of the transaction, and to drive increased focus on OTC and Oral Health categories. Combined sales of these products were approximately £550 million in 2017.

The majority of Horlicks and other nutrition products sales are generated in India, with the Horlicks range widely recognised as a portfolio of premium nutrition products. In India, these products are sold by GlaxoSmithKline Consumer Healthcare Ltd, a public company listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). The strategic review will include an assessment of GSK's 72.5% shareholding in the company.

GSK expects the outcome of the strategic review to be concluded around the end of 2018. There can be no assurance that the review process will result in any transaction.
**(LSE announcement 27 March 2018)**

*News flow on key assets during the quarter and to date*

Since the beginning of Q1 2018 we have issued several LSE announcements and press releases, each of which can be accessed using the following links:
http://www.gsk.com/en-gb/media/press-releases/
http://us.gsk.com/en-us/media/press-releases/

**ViiV Healthcare gains CHMP positive opinion for Juluca (dolutegravir/rilpivirine) in Europe**
ViiV Healthcare, the global specialist HIV company, majority owned by GlaxoSmithKline, with Pfizer Inc. and Shionogi Limited as shareholders, today announced that the European Committee for Medicinal Products for Human Use (CHMP) has issued a Positive Opinion recommending marketing authorisation for Juluca (dolutegravir/rilpivirine) for the treatment of HIV infection in adults who are virologically suppressed (HIV-1 RNA less than 50 copies per mL) on a stable antiretroviral regimen for at least six months with no history of virological failure and no known or suspected resistance to any non-nucleoside reverse transcriptase inhibitor or integrase inhibitor. The 2-drug regimen comprises dolutegravir 50mg (ViiV Healthcare) and rilpivirine 25mg (Janssen Sciences Ireland UC).
**(LSE announcement 23 March 2018)**

**Shingrix approved in Europe and Japan for the prevention of shingles in adults aged 50 and over**

- **The only shingles vaccine to achieve ≥90% efficacy across all age groups studied***

GlaxoSmithKline plc (LSE/NYSE: GSK) today announced that the European Commission has approved Shingrix for the prevention of shingles (herpes zoster) and post-herpetic neuralgia (PHN) in adults aged 50 years or older.[i] The Japanese Ministry of Health, Labour and Welfare (MHLW) has also approved Shingrix for the prevention of shingles (herpes zoster) in adults aged 50 years or older. Shingrix is a non-live, recombinant subunit adjuvanted vaccine given intramuscularly in two doses. In Japan, the vaccine is registered to the Japan Vaccine Co., Ltd., a joint venture of GlaxoSmithKline and Daiichi Sankyo Co., Ltd. . **(LSE announcement 23 March 2018)**
**non immune-compromised subjects*

**GSK starts phase III study of Benlysta and rituximab combination in systemic lupus erythematosus**
GSK today announced the start of a phase III study investigating Benlysta (belimumab) in combination with rituximab in adult patients with systemic lupus erythematosus (SLE). Belimumab and rituximab have different but potentially complementary mechanisms of action. This study will assess whether co-administration enhances the treatment effect of belimumab and provides sustained disease control, which could lead to clinical remission. SLE is a chronic, incurable, autoimmune disease associated with a range of symptoms that can fluctuate over time, affecting almost any system in the body. **(Press Release 20 March 2018)**

**GSK announces positive EU approval for labelling update to Relvar Ellipta in patients with asthma**
GlaxoSmithKline plc (LSE/NYSE:GSK) and Innoviva, Inc. (NASDAQ: INVA) today announced that the European Commission has approved a label update for the use of once-daily Relvar Ellipta (fluticasone furoate/vilanterol, FF/VI), an inhaled corticosteroid (ICS) / long-acting β2-agonist (LABA) combination, in patients whose asthma is already adequately controlled on both an inhaled corticosteroid and long-acting β2-agonist. **(LSE announcement 08 March 2018)**

**New clinical data demonstrate high vaccine efficacy of Fluarix Tetra (Influenza Vaccine) in children 6-35 months of age**

GSK [LSE/NYSE: GSK] today announced new data published in The Lancet Child & Adolescent Health from a Phase III clinical trial with Fluarix Tetra (inactivated quadrivalent influenza vaccine [IIV4]) which prevented influenza A and B in children six to 35 months of age.
**(Press release 06 March 2018)**

**ViiV Healthcare announces positive new dolutegravir data for the treatment of people living with HIV co-infected with tuberculosis**

- **INSPIRING study results contribute to the extensive body of evidence for dolutegravir, the leading integrase strand transfer inhibitor, in diverse and hard to treat patient populations**

ViiV Healthcare, the global specialist HIV company, majority owned by GlaxoSmithKline, with Pfizer Inc. and Shionogi Limited as shareholders, today announced interim (Week 24) study results from INSPIRING, a phase IIIb study evaluating the safety and efficacy of dolutegravir in antiretroviral treatment-naive (ART-naïve) adults with HIV, co-infected with tuberculosis (TB). Results presented today at the annual Conference on Retroviruses and Opportunistic Infections (CROI) in Boston, show that dolutegravir when administered at 50mg twice-daily with dual nucleoside reverse transcriptase inhibitors (NRTI), was effective and well-tolerated in HIV/TB co-infected adults receiving rifampin-based TB therapy. **(LSE announcement 05 March 2018)**

**Nucala (mepolizumab) improved asthma control in patients uncontrolled on Xolair (omalizumab)**

- **Positive clinical study outcomes observed for severe eosinophilic asthma patients uncontrolled on omalizumab when switched to mepolizumab in an open-label single arm study**

GlaxoSmithKline plc (LSE/NYSE: GSK) today presented positive results from the OSMO study at the American Academy of Allergy, Asthma & Immunology (AAAAI) and World Allergy Organization (WAO) Joint Congress in Orlando. The results showed that severe asthma patients who are uncontrolled despite receiving Xolair (omalizumab) and who are eligible for treatment with Nucala (mepolizumab), experience improved asthma control when switched on to mepolizumab.
**(LSE announcement 05 March 2018)**

**GSK receives European approval for expanded indication for Fluarix Tetra (Influenza Vaccine) for ages six months and older**

GSK [LSE/NYSE: GSK] today announced the expanded indication for Fluarix Tetra (Quadrivalent Influenza Vaccine) has been approved in Europe to include adults and now children from six months of age for the prevention of influenza disease caused by the two influenza A virus subtypes and the two influenza B virus types contained in the vaccine. Fluarix Tetra has also been approved to be concomitantly administered with pneumococcal polysaccharide vaccines in people aged 50 years and above. Prior to this, the vaccine was approved for active immunisation against influenza A subtype viruses and type B viruses, in people three years of age and older. **(Press release 15 February 2018)**

**GSK submits landmark IMPACT data to European Medicines Agency to support expanded label for Trelegy Ellipta**

GlaxoSmithKline plc (LSE/NYSE: GSK) and Innoviva, Inc. (NASDAQ: INVA) today announced the submission of the landmark IMPACT data to the European Medicines Agency as part of a type II variation to support an expanded label for Trelegy Ellipta (fluticasone furoate/umeclidinium/ vilanterol, 'FF/UMEC/VI') in Europe for the maintenance treatment of moderate to severe chronic obstructive pulmonary disease (COPD) (for the relief of symptoms and reduction of exacerbations) **(LSE announcement 14 February 2018)**

**ViiV Healthcare launches eighth phase III study in two-drug regimen programme for HIV-1 treatment**

- **TANGO study will investigate dolutegravir (TIVICAY) and lamivudine (EPIVIR) in patients with HIV who have achieved viral suppression on a tenofovir alafenamide fumarate-based regimen**

Today ViiV Healthcare, the global specialist HIV company majority owned by GSK, with Pfizer Inc. and Shionogi Limited as shareholders, announced the start of a phase III study designed to establish if adults with HIV-1 with current virologic suppression on a tenofovir alafenamide fumarate (TAF)-based regimen of at least three drugs are able to maintain viral suppression upon switching to a two-drug regimen (2DR) of dolutegravir (TIVICAY) and lamivudine (EPIVIR). TANGO will seek to enrol approximately 550 adults with HIV-1, from clinical trial sites in North America, Europe, Australia, and Japan. **(LSE announcement 08 February 2018)**

**ViiV Healthcare files patent infringement litigation against Gilead Sciences Inc. over bictegravir**

ViiV Healthcare, the global specialist HIV company majority-owned by GSK, with Pfizer Inc. and Shionogi Limited as shareholders, today announced that it has filed patent infringement litigation against Gilead Sciences Inc. over bictegravir in the United States and Canada. The United States case is filed in the U.S. District Court for the District of Delaware and the patent is U.S patent No. 8,129,385. The Canadian case is filed in the Canadian Federal Court in Toronto and the patent is Canadian Patent No. 2,606,282. **(LSE announcement 07 February 2018)**

**GSK's meningitis B vaccine Bexsero receives Breakthrough Therapy Designation from US FDA for prevention of Invasive Meningococcal Disease in children 2-10 years of age**

GlaxoSmithKline plc (LSE/NYSE: GSK) today announced that it has received Breakthrough Therapy Designation from the U.S. Food and Drug Administration (FDA) for its meningitis B vaccine Bexsero [Meningococcal group B Vaccine (rDNA, component, adsorbed)] for the development of the vaccine in the prevention of Invasive Meningococcal Disease (IMD) caused by serogroup B in children 2-10 years of age. **(LSE announcement 07 February 2018)**

**GSK's Shingrix receives positive opinion from the CHMP in Europe for the prevention of shingles in adults aged 50 and over**

GlaxoSmithKline plc (LSE/NYSE: GSK) today announced that the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) has issued a positive opinion recommending marketing authorisation for Shingrix for the prevention of shingles (herpes zoster) and post-herpetic neuralgia (PHN), the most common and often painful shingles-related

complication, in adults aged 50 years or older. Shingrix is a non-live, recombinant subunit adjuvanted vaccine given intramuscularly in two doses, with a two-to-six month interval between doses. **(LSE announcement 26 January 2018)**

**GSK announces CHMP positive opinion for labelling update to Relvar Ellipta in patients with asthma**

GlaxoSmithKline plc (LSE/NYSE:GSK) and Innoviva, Inc. (NASDAQ: INVA) today announced that the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) has issued a positive opinion recommending a label update for the use of once-daily Relvar Ellipta (fluticasone furoate/vilanterol, FF/VI), an inhaled corticosteroid (ICS) / long-acting β2-agonist (LABA) combination, in patients whose asthma is already adequately controlled on both an inhaled corticosteroid and long-acting β2-agonist. **(LSE announcement 26 January 2018)**

***Other news flow during the quarter and to date***

**GlaxoSmithKline plc: Publication of 2018 Notice of Annual General Meeting**

The Company will today publish on its website, www.gsk.com/en-gb/investors/shareholder-information/annual-general-meeting, the 2018 Notice of Annual General Meeting (the '2018 AGM Notice'), together with the 2017 Annual Summary.

The Company's Annual General Meeting will be held on Thursday 3 May 2018 at 2.30 pm at the QEII Centre, Broad Sanctuary, Westminster, London SW1P 3EE. **(LSE announcement 29 March 2018)**

**GSK update regarding Pfizer Inc. Consumer Healthcare**

GlaxoSmithKline plc (LSE/NYSE: GSK) today confirms it has withdrawn from the process relating to Pfizer's Consumer Healthcare business. **(LSE announcement 23 March 2018)**

**GlaxoSmithKline plc: Annual Report 2017 on Form 20-F**

In accordance with Section 203.01 of the New York Stock Exchange Listed Company Manual, GlaxoSmithKline plc ("GSK") announces that on 16 March 2018 it filed with the Securities and Exchange Commission an Annual Report on Form 20-F that included audited financial statements for the year ended 31 December 2017. GSK's 2017 Annual Report on Form 20-F is available online at GSK's website at www.gsk.com/corporatereporting and also online at www.sec.gov.
**(LSE announcement 16 March 2018)**

**GlaxoSmithKline plc: Publication of 2017 Annual Report**

The Company will today publish on its website, www.annualreport.gsk.com, the Annual Report for the year ended 31 December 2017 (the '2017 Annual Report').

A hard copy version of the following documents will be sent to those shareholders who have elected to receive paper communications on or about 29 March 2018:

- 2017 Annual Report
- 2017 Annual Summary (the '2017 Summary')
- 2018 Notice of Annual General Meeting

**(LSE announcement 13 March 2018)**

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.


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