

# Q2 2016 results

*27 July 2016*

# Cautionary statement regarding forward-looking statements

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This presentation may contain forward-looking statements. Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results.

Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Investors should, however, consult any additional disclosures that the Group may make in any documents which it publishes and/or files with the US Securities and Exchange Commission (SEC). All investors, wherever located, should take note of these disclosures. Accordingly, no assurance can be given that any particular expectation will be met and investors are cautioned not to place undue reliance on the forward-looking statements.

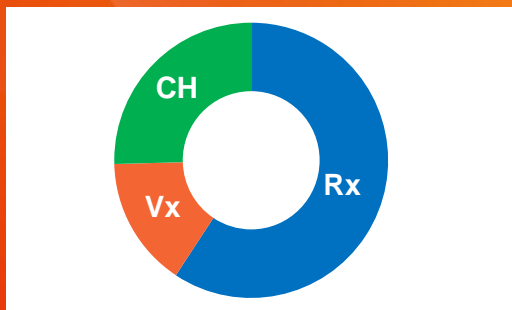
Forward-looking statements are subject to assumptions, inherent risks and uncertainties, many of which relate to factors that are beyond the Group's control or precise estimate. The Group cautions investors that a number of important factors, including those in this document, could cause actual results to differ materially from those expressed or implied in any forward-looking statement. Such factors include, but are not limited to, those discussed under Item 3.D 'Risk factors' in the Group's Annual Report on Form 20-F. Any forward-looking statements made by or on behalf of the Group speak only as of the date they are made and are based upon the knowledge and information available to the Directors on the date of this report.

A number of adjusted measures are used to report the performance of our business. These measures are defined in our earnings release and Annual Report on Form 20-F. The earnings release also contains reconciliations to the equivalent IFRS numbers.

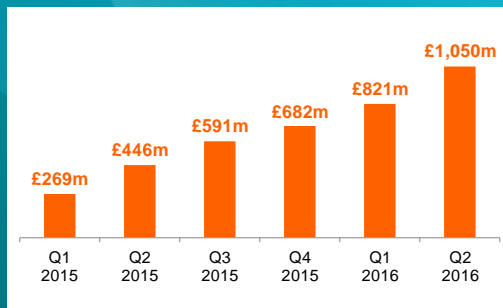
# GSK strategy is on track



## 3 growth businesses



## New products\* show robust growth



## Q2 new product highlights:

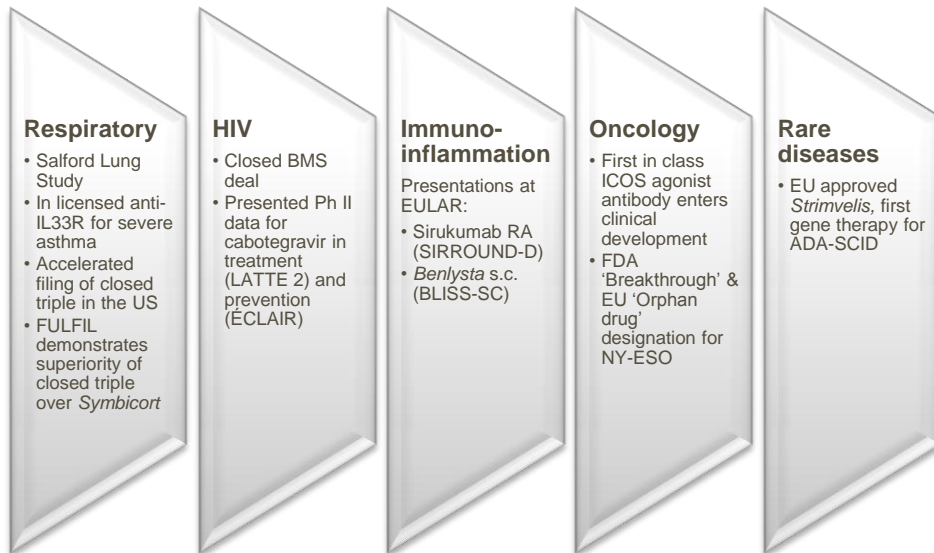
Product Category	Sales (£m)	YoY growth
Rx: 8 new products*, inc. <i>Tivicay</i> and <i>Triumeq</i>	£906m	>100%
Vx: Meningitis vaccines <i>Bexsero</i> and <i>Menveo</i>	£144m	88%
CH: Innovation sales include <i>Flonase OTC</i> & <i>Voltaren 12 hour</i>	14%	

\*New products defined as: Rx: *Breo*, *Anoro*, *Incruse*, *Amuity*, *Nucala*, *Tanzeum*, *Tivicay*, *Triumeq*. Vx: *Menveo*, *Bexsero*, *Shingrix* (not yet launched)

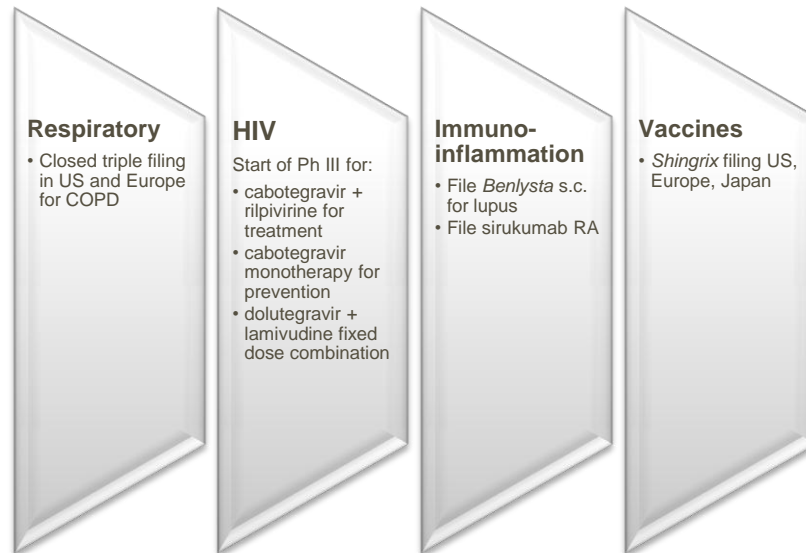
# Sustained delivery of innovation



## H1 progress includes

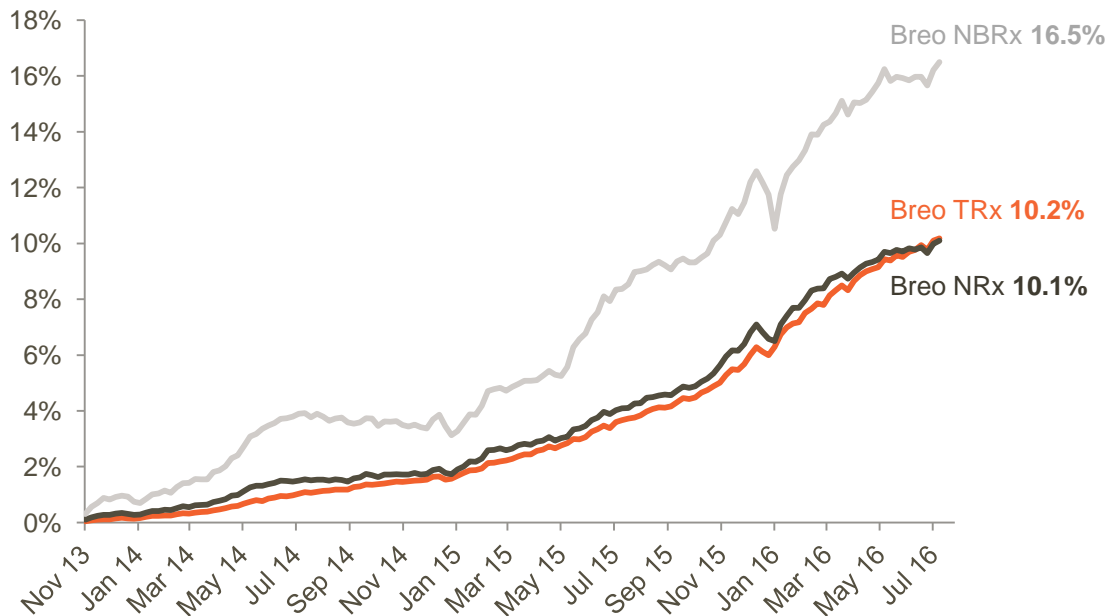


## Expected H2 milestones include



## US ICS/LABA market share

### Breo



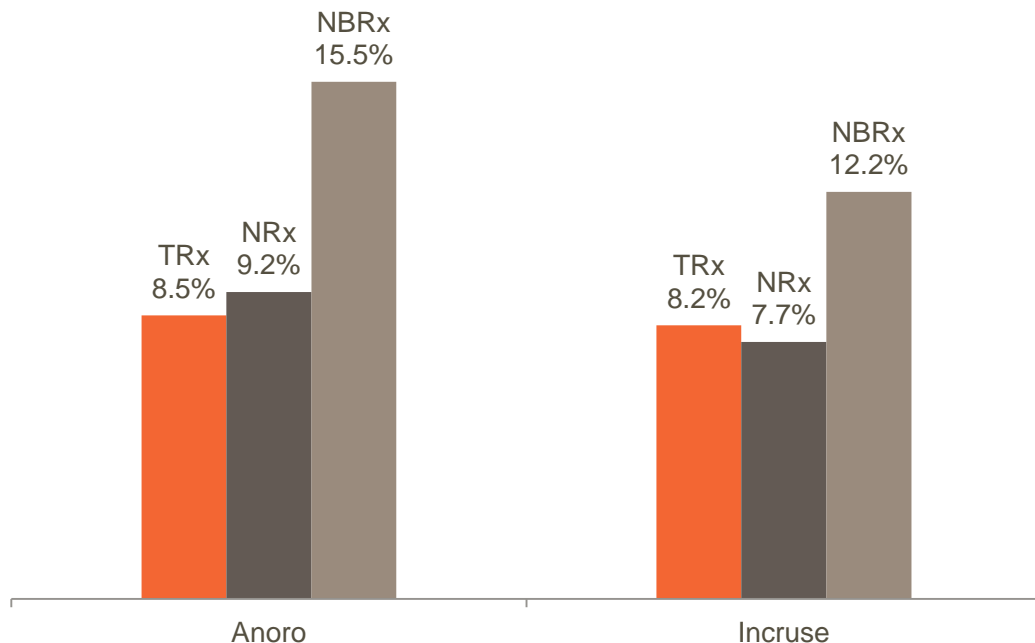
**ICS/LABA US market growth of ~5% in Q2**

**Breo TRx volume now >51k weekly, supported by:**

- Asthma indication launched mid 2015
- Improved formulary coverage: Commercial 83% and Medicare Part D 76% favourable access
- Improved commercial execution including sales force support and DTC campaign

# Anoro and Incruse

US LAMA containing market share



LAMA containing US market growth of ~3-4% in Q2

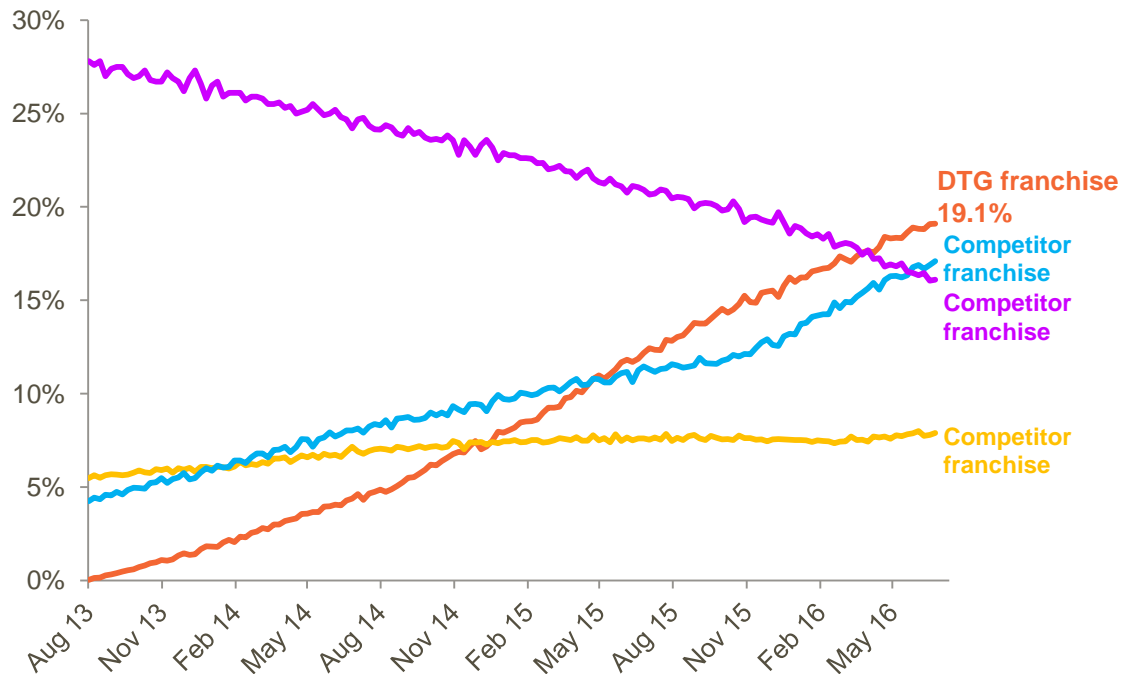
*Anoro + Incruse* TRx volume now >35k weekly, supported by:

- *Anoro* promotions focussed on initial maintenance therapy
- Launch of *Incruse* in open triple in Q4 2015 (*Incruse + Breo*)
- Improved formulary coverage: *Anoro* Commercial 90% and Medicare Part D 78%; *Incruse* Commercial 74% and Medicare Part D 50% favourable access

# Dolutegravir (DTG) US performance



Weekly TRx market share (STR + core agent) – since Tivicay launch

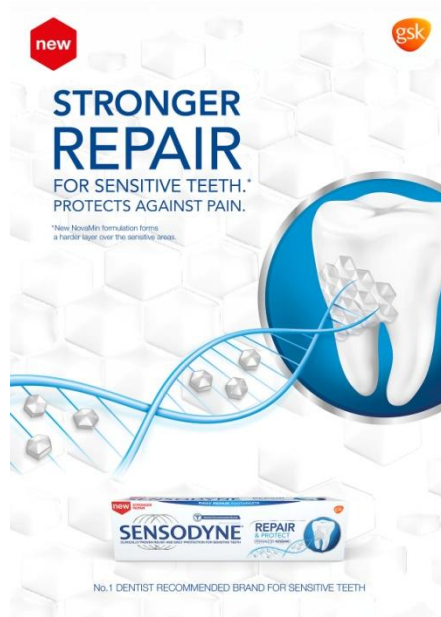


HIV US market growth of ~13% in Q2

DTG TRx volume >21k weekly with nearly 1 in 5 patients on a DTG regimen

The DTG portfolio launches now lead the market as the #1 core agent in TRx share and volume

# Focused strategy and fast integration driving momentum in Consumer Healthcare



## 7% sales growth CER in Q2 (+6% in H1)

- Innovation\* ~14% of net sales (15% in H1)
- Power brands\*\* sales up double digits

## Integrating at pace

- Over 95% site consolidations complete
- Notice served on over 70% of TSAs\*\*\*

## 14% operating margin in Q2 (16% in H1)

- Improving mix
- Integration synergies

\*Product introductions within the last three years on a rolling basis

\*\* Power brands are Sensodyne, gum health, denture care, Theraflu, Otrivin, Panadol, Voltaren

\*\*\*Transition service agreements with Novartis



# Headline results from Q2 and H1



Core results £m	Q2 2016 £m	Q2 Growth		H1 2016 £m	H1 Growth	
		CER%	£%		CER%	£%
Turnover	6,532	4	11	12,761	6	11
Core operating profit	1,831	15	36	3,390	14	28
Core EPS	24.5p	16	42	44.3p	12	28

Total results* £m	Q2 2016 £m	Q2 Growth		H1 2016 £m	H1 Growth	
		CER%	£%		CER%	£%
Turnover	6,532	4	11	12,761	6	11
Operating (loss)/profit	(151)	>(100)	>(100)	572	(98)	(94)
Loss per share*	(9.0)p	>(100)	>(100)	(3.2)p	>(100)	>(100)

\*Q2 Total loss per share of 9.0p reflects Major Restructuring charges of 3.7p and Transaction-related charges of 29.9p principally relating to Consumer Healthcare and HIV businesses. For additional information, see the Q2 2016 press release.

# Results reconciliation



Q2 and H1 2016

Q2	Total Results	Intangible amortisation and impairment	Major restructuring	Legal	Transaction related*	Divestments and other	Core Results
Turnover (£bn)	6.5						6.5
Operating profit (£bn)	(0.2)	0.1	0.2	0.0	1.8	(0.2)	1.8
EPS (pence)	(9.0)	2.2	3.7	0.4	29.9	(2.7)	24.5

## H1

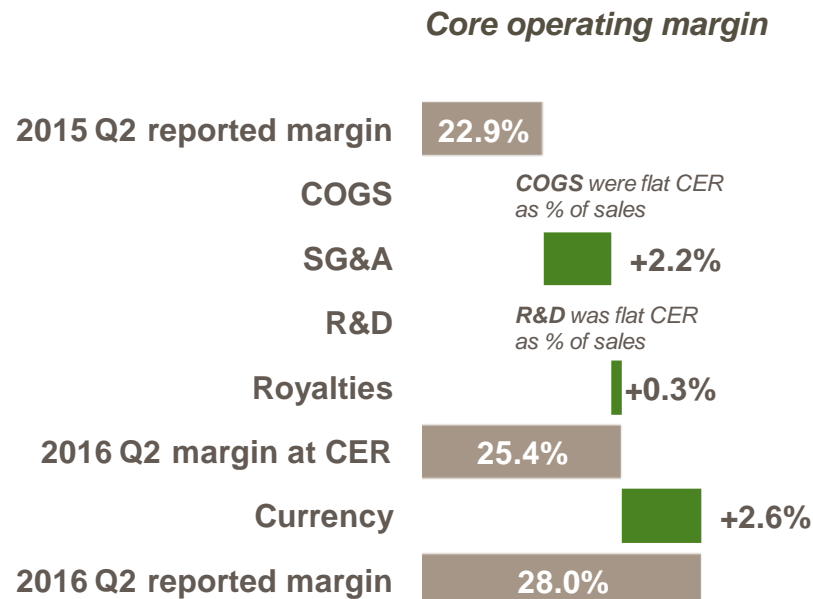
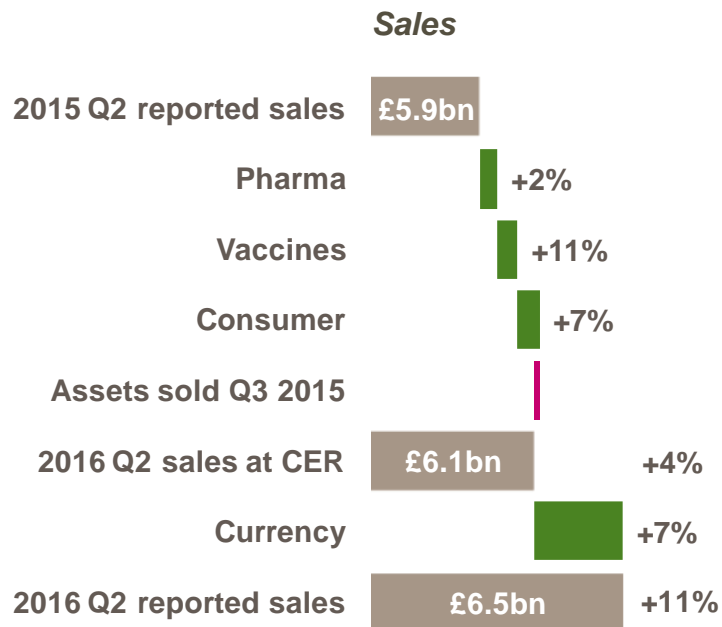
Turnover (£bn)	12.8						12.8
Operating profit (£bn)	0.6	0.3	0.4	0.0	2.3	(0.2)	3.4
EPS (pence)	(3.2)	4.6	7.0	0.9	36.8	(1.8)	44.3

\* In Q2, this primarily reflects re-measurement of the liabilities for the Shionogi contingent consideration, the Consumer Healthcare put option, the Shionogi/Pfizer ViiV put options and preferential dividends. The significant majority of the re-measurements were driven by changes in exchange rate assumptions. For further details, see the Q2 2016 press release.

# Q2 2016 sales and core operating profit margin



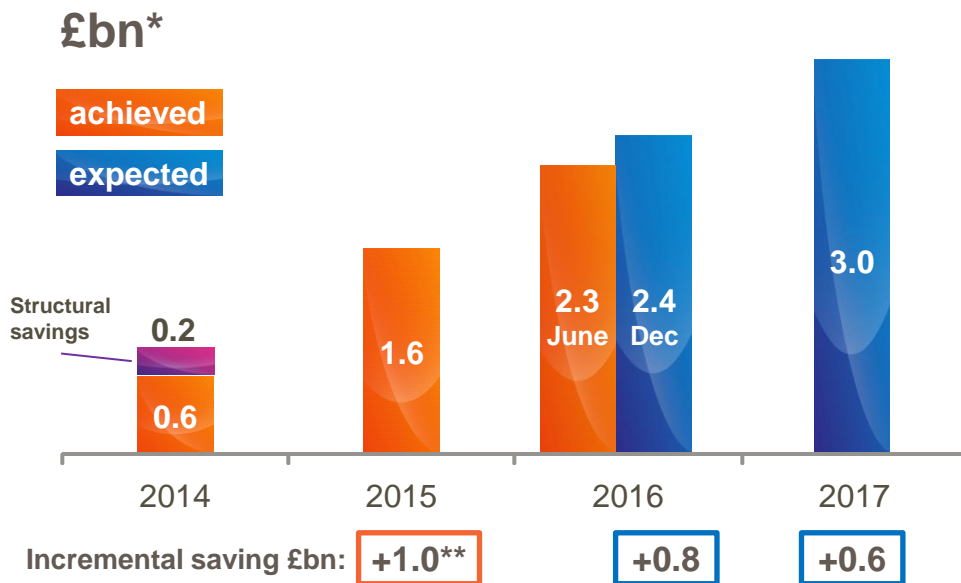
*Growth in all three businesses, combined with cost control and restructuring*



# Restructuring on track



£2.3 bn delivered to date, on track to deliver £3bn in total



## Total costs of £5bn

- ~£3.65bn cash
- ~£1.35bn non cash

## ...Of which £3.2bn expensed to date:

- £2.6bn cash
- £0.6bn non cash

\*Expected phasing of annual savings. All expectations and targets regarding future performance should be read together with the "Assumptions related to the 2016-2020 outlook," the "Assumptions and cautionary statement regarding forward-looking statements" sections of the Q2 2016 Results Announcements dated 27 July 2016 and the cautionary statement slide included with this presentation.

\*\* Net incremental savings of £0.8bn after taking into account structural savings credit in 2014 SG&A

# Financial efficiency



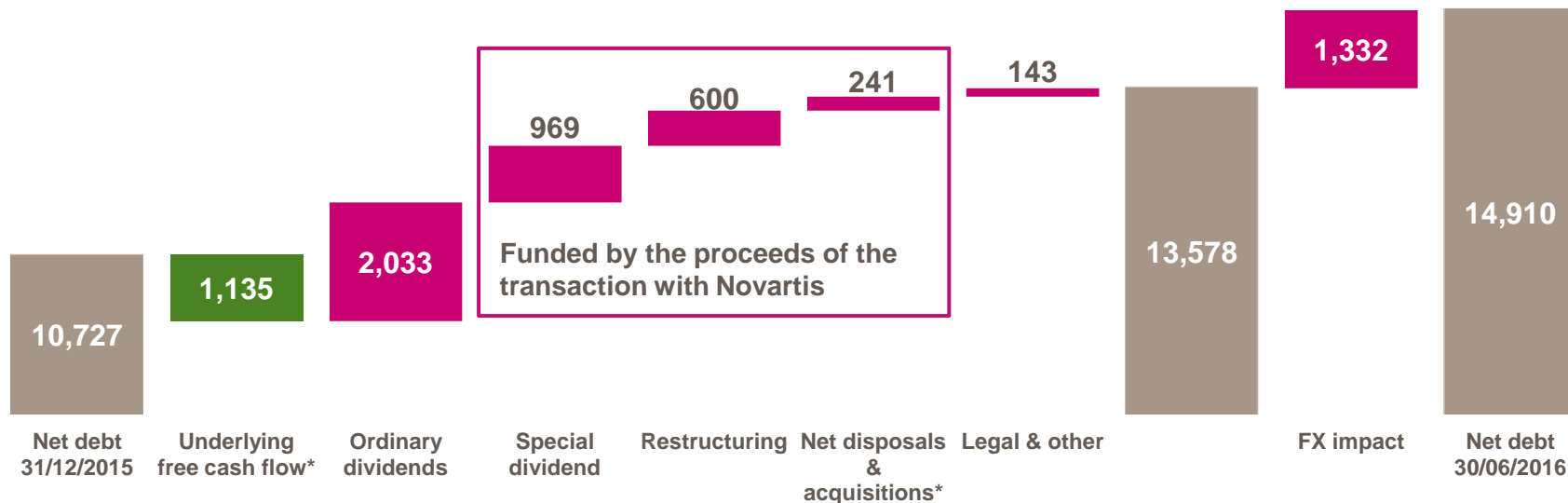
*Sustained contribution from financial architecture*

	2015 H1	2016 H1	2016 full year outlook
Core	£m	£m	
<b>Operating profit</b>	<b>2,654</b>	<b>3,390</b>	
Net finance expense	(334)	(322)	Modest increase, reflecting higher debt
Share of associates	5	(2)	
Tax	(464)	(648)	
<i>Tax rate</i>	<i>20.0%</i>	<i>21.1%</i>	20% to 21%
Minorities	(190)	(268)	Growth in HIV and Consumer JV
<b>Net income</b>	<b>1,671</b>	<b>2,150</b>	

# Cash generation and net debt



£m



\*Underlying free cash flow is free cash flow excluding: £104m paid to settle legal disputes, £600m cash restructuring costs, £117m tax payment on the sale of the Oncology business and the purchase of HIV Clinical assets for £221m. Net disposals & acquisitions includes the latter two items.

## 2016 Core EPS guidance

Expect 11-12% growth CER

## Dividends

Plan to pay annual ordinary dividend of  
80p per share in 2016-17

\*If exchange rates were to hold at June closing rates for the rest of 2016, the estimated positive impact on 2016 Sterling turnover would be around 9% and if exchange losses were recognised at the same level as in 2015, the estimated positive impact on 2016 Sterling core EPS would be around 19%.

## 2016 rates

If exchange rates were to hold at June closing rates for the rest of 2016, the estimated positive impact on 2016 Sterling turnover would be around 9% and if exchange losses were recognised at the same level as in 2015, the estimated positive impact on 2016 Sterling core EPS would be around 19%.

June closing rates were \$1.33/£1, €1.20/£1 and Yen 137/£1.

## 2015 currency sales exposure\*

<b>US \$</b>	34 %
<b>Euro €</b>	19 %
<b>Japanese ¥</b>	6 %
<b>Other*</b>	41 %

\* The other currencies that each represent more than 1% of Group sales are: Australian Dollar, Brazilian Real, Canadian Dollar, Chinese Yuan, Indian Rupee. In total they accounted for 12% of Group revenues in 2015.

## 2016 core EPS ready reckoner \*

### US \$

10 cents movement in average exchange rate for full year impacts EPS by approx. +/- 3.5%

### Euro €

10 cents movement in average exchange rate for full year impacts EPS by approx. +/- 2.0%

### Japanese ¥

10 Yen movement in average exchange rate for full year impacts EPS by approx. +/- 1.0%