

Annual Summary 2018

CEO's statement

In 2018, we made significant progress against our long-term priorities of Innovation, Performance and Trust, underpinned by a continuing shift in culture.

We delivered improved operating performance, started to strengthen our Pharmaceuticals pipeline, and undertook several significant transactions to support our strategy and reshape the Group's portfolio.

Group sales were £30.8 billion, up 2% at actual exchange rates (AER) and up 5% at constant exchange rates (CER). Sales growth was driven by new products. The standout continues to be *Shingrix*, our vaccine for shingles. Our HIV medicines also continued to grow, and in respiratory we continued to build our new portfolio with good performances from *Trelegy Ellipta* and *Nucala*.

Strengthening the pipeline

I have consistently said our key priority is to strengthen the Pharmaceuticals pipeline to develop the next generation of medicines for patients and 2018 demonstrated good progress against this objective, particularly in oncology. Our acquisition of Tesaro added a major new product to our portfolio, *Zejula*, which is approved for use in ovarian cancer and we see strong development prospects for this product and the other assets acquired in this transaction. We were also pleased to announce a proposed global alliance with Merck KGaA, Darmstadt, Germany to co-develop and co-commercialise a novel immunotherapy asset.

Accelerating our strategy and reshaping our business

In line with our capital allocation priorities, through 2018 we undertook a series of transactions to accelerate our strategy and reshape our business. In June we acquired full ownership of our Consumer Healthcare business buying out Novartis' minority stake, and in December we reached agreement with Unilever to divest *Horlicks* and other consumer nutrition products. Expected proceeds will be used to reduce debt and increase our investment flexibility.

In December, we also announced the formation of a Consumer Healthcare Joint Venture with Pfizer. When completed, this would create a new global leader in Consumer Healthcare. The proposed transaction also supports our key priority to strengthen the Pharmaceuticals business by increasing cash flows. And, with our intention to separate, we have set a clear direction for the Group with the ultimate aim of creating two exceptional UK-based, global companies. One, a Pharmaceuticals/Vaccines company, with an R&D approach focused on science related to the immune system, human genetics and advanced technologies. The other, a new world-leading Consumer Healthcare company.

New Trust commitments

Trust is the third long-term priority I set out alongside Innovation and Performance and is vitally important to me and all employees at GSK. In 2018, we set out new commitments to build Trust, with a strong focus on three principal areas: using our science and technology to address health needs, making our products more affordable and available, and being a modern employer.

2019 will be an important year for GSK as we continue to strengthen our Pharmaceuticals pipeline, execute on our announced transactions, and sustain improved operating performance, particularly as we navigate the introduction of generic *Advair* in the US, for which we have anticipated and prepared. We will remain vigilant in what is a dynamic operating environment and continue to invest in our long-term priorities, so that we can bring benefits to the patients and consumers that we serve.

Finally, I want to sincerely thank all of our customers, suppliers, investors and employees for their support and hard work in 2018 and I look forward to our continued partnership for an exciting year ahead.



Emma Walmsley
Chief Executive Officer

Our financial performance in 2018

	2018	2018 growth	
	£bn	AER%	CER%
Turnover	30.8	2	5
Pharmaceuticals	17.3	–	2
Vaccines	5.9	14	16
Consumer Healthcare	7.7	(1)	2
Total operating profit	5.5	34	43
Adjusted operating profit	8.7	2	6
Total margin	17.8%		
Adjusted margin	28.4%		
Total earnings per share (p)	73.7p	>100	>100
Adjusted earnings per share (p)	119.4p	7	12
	£bn		
Net cash flow from operating activities	8.4	22	
Free cash flow	5.7	63	
Dividends declared for 2018	3.9		
Dividend per share (p)	80p		

Total reported results represent the Group's overall performance.

GSK also uses a number of adjusted, non-IFRS measures to report the performance of its business. Adjusted results and other non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS. Adjusted results and other non-IFRS measures are defined on pages 40 to 42 of the Annual Report and reconciliations to the nearest IFRS measures are on pages 51 and 56 of the Annual Report.

GSK believes that Adjusted results, when considered together with Total results, provide investors, analysts and other stakeholders with helpful complementary information to understand better the financial performance and position of the Group from period to period, and allow the Group's performance to be more easily compared against the majority of its peer companies. These measures are also used by management for planning and reporting purposes. They may not be directly comparable with similarly described measures used by other companies.

GSK encourages investors and analysts not to rely on any single financial measure but to review GSK's Annual Reports, including the financial statements and notes, in their entirety.

Please refer to annualreport.gsk.com to download more detailed information on the reporting of Total and Adjusted results.

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. CER% represents growth at constant exchange rates. £% or AER% represents growth at actual exchange rates.

Numbers may not add to totals due to rounding.

Shareholder information

Notice of availability

The 2018 Annual Report and 2019 Notice of Annual General Meeting are now available at www.gsk.com. You can request printed copies of our 2018 Annual Report from Equiniti and BNY Mellon.

Equiniti Limited
Aspect House
Spencer Road
Lancing BN99 6DA
0371 384 2991 (in the UK)*
+44 (0)121 415 7067 (outside the UK)
www.shareview.co.uk

BNY Mellon Shareowner Services
PO BOX 505000
Louisville, KY 40233-5000
+1 877 353 1154 (US toll free)
+1 201 680 6825 (outside the US)
www.mybnymdr.com

Annual General Meeting

The GSK 2019 AGM will be held at 2.30pm on Wednesday 8 May 2019 at:

Sofitel London Heathrow
Terminal 5
London Heathrow Airport
TW6 2GD

You may sign up for electronic communications and manage your shareholding online at www.shareview.co.uk or www.mybnymdr.com

You may vote online by appointing a proxy electronically. Full details are set out in the Notice of Annual General Meeting which can be found at www.gsk.com

*Lines are open from 8.30am to 5.30pm UK time, Monday to Friday, excluding public holidays in England and Wales.

Dividends	Payment date	2018 pence	2017 pence
First interim	12 July 2018	19	19
Second interim	11 October 2018	19	19
Third interim	10 January 2019	19	19
Fourth interim	11 April 2019	23	23
Total		80	80

Dividend calendar

Quarter	Ex-dividend date	Record date	Payment date
Q4 2018	21 February 2019	22 February 2019	11 April 2019
Q1 2019	16 May 2019	17 May 2019	11 July 2019
Q2 2019	8 August 2019	9 August 2019	10 October 2019
Q3 2019	14 November 2019	15 November 2019	9 January 2020
Q4 2019	20 February 2020	21 February 2020	9 April 2020

Cautionary statement

GSK cautions investors that any forward-looking statements or projections made by GSK, including those made in this Summary, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Such factors include, but are not limited to, those described under 'Principal risks and uncertainties' in our Annual Report 2018. Please see the full Cautionary statement regarding forward-looking statements on the inside back cover of our Annual Report 2018.