GLAXOSMITHKLINE

INVESTOR EVENT

Wednesday, 6 May 2015
Good afternoon everybody. My name is Andrew Witty, I am the Chief Executive of GlaxoSmithKline, I would like to welcome you all here to the Goldman Sachs auditorium. Thank you very much for taking the time this afternoon to come and listen to our presentation, updating you on the strategic direction of GSK and giving you some sense of the shape of the financial performance of the company over the next several years.

It is a big release this morning, slightly heavier than the normal Q1 release from GSK but you can see that within it, we have covered a very broad range of topics of importance to the company and, we know, to our shareholders. I apologise for the quantity of it but I hope we shall be able to use this opportunity this afternoon to hear more detail and to ask questions where you would like to do so.

Before starting off, I would like to let you all know that the Board of GSK are also here today, so you will see all of the Directors of GSK, including Sir Philip Hampton, who is the incoming new Chairman, Sir Christopher Gent is also here, so the Board is in attendance for this session.

During the afternoon, you will hear not just from me, you will be pleased to know, but also from Simon Dingemans and, most importantly, from the heads of our three global businesses: Emma Walmsley, who runs our Consumer Healthcare business; Moncef Slaoui who runs our Vaccine business globally, and Abbas Hussain who runs our Pharmaceutical business. You will hear from each of them individually. They have been working very hard over the last few months, bringing together the new shape of the company following on from the transaction with Novartis.

I shall make a few introductory comments to try to give an overall context on the way in which we view our environment and the strategic situation to which we think GSK needs to respond.

The transaction with Novartis has given us a stimulus, a catalyst if you will, to bring to a conclusion the direction of travel of thinking from GSK, which really began back in 2007/8 as we started to embark on a different direction back then. We have worked very hard organically, for example, in terms of reforming our R&D organisation, increasing the capability of that function for the business: we have had 20 FDA approvals for new molecular
entities since I took over as CEO, the highest number of approvals from the FDA. The last six major drugs all went through on first cycle, all of these are examples of the progress we have made on R&D.

The second area was around prioritising our Emerging Markets, and the third area was upping the investment in our main businesses, particularly in the Vaccine business, to start to extend our capital base so that we could establish long-term leadership. All of those are organic strands to the strategy.

The transaction with Novartis allowed us to accelerate two major pieces of that, particularly in the Vaccine and the Consumer space. Here we are today, the world's largest Vaccine company, the world's largest OTC healthcare company and remaining a very substantial pharmaceutical business with world leadership positions in Respiratory and HIV, our two most important therapy areas.

As we think forward for the next five years, we want to make sure that this is not simply a transaction point where we look at synergies and at short-term opportunities for the transaction. We also re-thought our positioning over the next five, 10, 15 years, which is where you start to look more fundamentally at the environment in which we operate.

Healthcare environment requires global, diversified & innovative offering

The world and the industry we are in spends a great deal of time talking about price and price pressure. However, the reality when you look outside or beyond that particular point is that the opportunity that exists is volume on a global basis: absolutely gigantic pools of volume in the healthcare marketplace.

If we think about the traditional Pharmaceutical industry, it has been developed, it has grown supported by a population of, let us say, 600 million people: the United States and most of Western Europe. When you think about where the future is, the other 6-6.5 billion people in the world are rapidly becoming significant contributors to the world healthcare marketplace. Therefore, we wanted to develop a strategy that speaks to that bigger population, it does not just fixate on the higher-price, smaller marketplaces of the past. That is a significant evolution of positioning, it is what we have been working towards organically, and it is why we have invested in Emerging Markets, but it has taken forward substantially, particularly through the transformation of the Consumer business, now market leader in 36 countries in the world, and the Vaccine business. Think about the scale of those and some of the dimensions.

Over the next five years, 300 million new people on the planet will start to consume healthcare for the first time, so the size of the United States in terms of people will begin to
consume products that we could supply for the very first time. Another 300 million people will be 50 for the first time. With our shingles vaccine in development, that kind of opportunity among the elderly, the ageing population in the world, becomes very important. There are also over 100 million new babies born every single year, which is why being strong in Vaccines is so important.

It is critical within it that we have a commercial model and a pricing strategy that works. Therefore, we believe that what we now have is an almost unparalleled global footprint, presence in all the key markets, critical mass in all the key markets, and you will hear more about this during the rest of the afternoon. We have a very broad product offering, starting from Vaccines, all the way through Consumer Healthcare into more serious medicines in Pharmaceuticals. If you think about where we start, even before people are ill, we are able to offer protection for their future health status through the Vaccine business.

When they get a sniffle, when they get a rash, when they get allergies, we can do something for them. When, unfortunately and inevitably, they progress into more serious respiratory disease, infectious disease, potentially in the future cardio-metabolic disease, we shall have products for those people.

We have a price strategy across the world that allows us to access these populations regardless of where they live. That has allowed us to demonstrate that assets which, years ago, peaked in their sales turnover in America and Europe, which were written off post-patent expiration, are now resurging. If you look at products like Augmentin, we now sell 300% more volume today than we did on the day the patent expired in America and Europe. All of those are examples of the leverage that we can put through the business.

All three of these businesses are supported by a strong commitment to R&D: science-led innovation. There are two things I would leave with you in terms of characterising the business: we want to focus on volume of product generated from a science-led, a science-inspired organisation. Is that true across all three of these global businesses? Absolutely!

Just think about the last four or five weeks. In the last 48 hours, we filed for ADA-SCID gene therapy, a first in the world, a product of our R&D Pharmaceutical business. Last week, we published in The New England Journal of Medicine extraordinary data for Shingrix, our new candidate shingles vaccine from the Vaccine organisation. Just a few weeks ago, we launched Flonase OTC in America, our latest switch Consumer product which has already achieved remarkable market share. All three of those come from R&D. All three of those come from the same core philosophy, the same types of laboratory, driving all three of our businesses.
We believe that, going forward, the anxieties and the pressure on this industry will only increase. The pressure on pricing in Europe and America will continue to be sustained. The ability of companies to achieve super-high prices for product after product in a small number of markets is limited. This is why we have focused a strategy on building a much more balanced portfolio of products, a more balanced portfolio of countries, so that we can deliver a higher degree of confidence around long-term sales and earnings delivery. That is the focus of the strategy we are confirming today and which has been accelerated through the transaction.

**Long-term strategic actions mean GSK is well-positioned for new operating environment**

If you look at what those balance points look like, you can see what the new GSK looks like. You can see how Pharmaceuticals remains an important part of the business but it is no longer the dominating part of the business. You can see how important Vaccines and Consumer Healthcare become. You can see how the geography is spread and how we have built hedges within the organisation depending on the different growth rates of the world. You can also see how important organic cost savings remain to the company. Over the next several years, you will see £3 billion of costs taken out of this company. Those are not new programmes that we are announcing to you today; that does not require new provisions. These are the ongoing programmes and, as you will have seen in the release, we anticipate, in particular, the cost savings that are associated with the Novartis transaction to be done two years quicker than we originally thought, with the lion's share of those synergies being delivered before the end of 2017.

We believe that, by being able to leverage that focus on cost, we have a good track record of taking organic cost out of this business, and if we continue to deliver that and we continue to invest in these volume/value-for-money propositions in the Vaccine, Consumer and Pharmaceutical businesses on a worldwide basis, that is a very sustainable business model at exactly the moment we would predict that many countries and many payors will simply ramp up their focus on containing price on the traditional Pharmaceutical industry.

**Capital allocation strategy to support growth and returns**

One of the things we have announced today is a change in what we previously planned to do from a capital allocation perspective. I would like to reiterate why we have made that change. We believe that this is an important change for the company in terms of ensuring that we have the right flexibility to invest in the businesses we have described.

We made a very clear choice, after some public examination of our options, to keep our HIV business ViiV. We also need to recognise that, if we keep that business, it does
raise the possibility that our partners may choose to put their shares to us and, therefore, we want to retain the flexibility to be able to respond to that if it were to come along.

Similarly, we have identified, and shared with you in the release today, opportunities to accelerate substantially the synergies and restructuring opportunities in the company, to bring forward permanent reductions in our cost base, permanent increases in EPS. However, in order to do that, we need to spend more money more quickly.

We have also, for the first time, signalled to you a view about generic Advair. If we are going to do that, we need to make sure that we have the resources available so that, if that possibility does come along, we are able to fulfil all of our other obligations. It is those types of considerations which led us to evolve our view to say, rather than returning the full £4 billion through a capital restructuring, which also seems to have attracted some uncertainty from the regulatory perspective in terms of whether these schemes are quite as desirable as they used to be from a tax and regulatory perspective, we reduce that level in this financial year 2015 and pay back a £1 billion special dividend but not the rest. That is the decision we have taken, which we believe is the right decision for the shareholders over the medium and long-term.

I want to touch briefly on the Advair situation, because of everything within this release today and the update today, this is probably, or possibly, the thing which was least expected from the company to say something about Advair. If I were in your seats, I would be saying: what do they know about Advair generic, are they now expecting it on a particular date?

I shall slightly frustrate you by saying that, when we have put that in there, it makes me feel a little like Donald Rumsfeld: there is something around "unknown unknowns" or "known unknowns". There is a possibility of a generic Advair; there has always been a possibility of a generic Advair since 2010. We completely accept that, with FDA draft guidelines, that possibility might have changed over the last two or three years but we still don't know if there will be a generic Advair. We have been telling you that for as long as I have been CEO. At every single analyst meeting I have ever been to, I have said: I don't know if there is a generic Advair, I think it is very difficult. I am going to repeat that: I don't know, I do believe it is very difficult and I don't know whether or not any company will be able to make it happen.

However, what we have done within the outlooks we have given you today, the estimates we have given you today, is make the assumption that an Advair generic does indeed come along in the US. What you can see from that is that, even when we assume a generic Advair comes along, we are still able to deliver those growth rates that I have
described in the release today, and we are still able to say to you that by 2020, we believe that our Respiratory business is capable of being at least as big as it is in 2015.

To spike one of the questions which may come later on, in 2020 within our long-range estimates, our US forecast for Advair is less than £300 million. I know that for some of you there will be a question about what do we really anticipate, and that is the answer.

In case people get too excited about my remarkable attack of openness, that is probably the last specific number I shall give you for 2020 but I believe it is an important number. The reason why it is important is that Advair is an important product for the company, it has been and will remain an important product for a long time - long after any potential Advair generic in America. It will be a very important product for us internationally.

However, I want you to start to think about this company without thinking about Advair America first. That is why we have made that commitment. Who knows what will happen. I have no idea as to whether there will or will not be one. I hope I am giving you a sense of reassurance in the event that there is.

GSK targeting improvements to financial performance 2016-20

Moving back to the business, this describes how we see the shape of the company coming forward as far as growth rates. You can see that we have divided the business into those three global businesses, and you will hear a lot more detail underpinning each of these. However, I want to give you that overall shape before you hear from each of the individual heads of business.

What you will see is a Vaccine business which we believe is capable of growing mid to high single digit growth. The Pharmaceutical business inclusive of ViiV, so this is all of our Pharmaceutical business including ViiV, we expect to grow low single digits and the Consumer Healthcare business mid single digits.

You can see on the left the distribution of that business for the Group, and you can see on the right how all of that plays through as far as our expectations on short-term guidance that we have shared with you in the release. You will hear more about that specifically and, of course, you will hear a summary of it all from Simon towards the end.

Key success factors

Let me pick out the key focus points for us in these three businesses and what the overall company is and has been focused on at GSK. First of all, the Vaccine business: a very critical opportunity exists for us, and you will hear about how the Novartis deal accelerates this opportunity, to expand our position in the US. We are very strong ex-US, we are strong in the US, we now have a great opportunity to strengthen our US position.
Our Emerging Markets footprint is already big, and the deal gives us the chance to go even broader, particularly with some of the vaccines we have brought through, and you will see that there is a dramatic opportunity for us to expand margins in this business, not least because the Novartis business was in fact loss-making when we took it over.

In the Pharmaceutical business, it is all about making sure that the current launches make it, and you will see updates on how we are doing with those products, and then the next wave, and then the next wave from R&D, and, of course, making the current established portfolio perform, and you will hear more about that as well.

The Consumer business is a super-exciting portfolio of new power brands for the organisation. The leadership footprint is strengthened for the organisation, and you will see from that a great chance not just for us to deliver sustainable sales growth, but a real confidence that we can expand margins, that we can move this business into an upper quartile performer, and we can compete with the best of them in the Consumer Healthcare space.

Today is not about R&D in Pharmaceuticals or Vaccines, although you will hear a little bit about some of the most advanced programmes. That day is coming on 3 November when we shall have a full R&D update for you on the Vaccine and Pharmaceutical businesses. However, make no mistake, R&D is the lifeblood of the business. I have just given you those three simple, most recent, month-old examples, and we expect that, over the next five years, the products we have just launched plus mepolizumab, plus Shingrix by 2020 to be capable of delivering at least £6 billion of sales revenue. We believe that is a very achievable number, it is made up of those nine or 10 products. Dividing the two numbers, you get to a reasonably conservative view, and we believe that is a very achievable set of goals for the business.

Behind those six, you see 40 advanced late stage programmes coming from the 30 DPUs in R&D. We continue to challenge our R&D model for its economic efficiency. We are in the process of closing our North Carolina research facility and moving to two global research facilities in Pharmaceuticals. This is a very good example of taking out bricks and mortar cost, improving the economic returns of the R&D organisation.

Our manufacturing business continues to focus on improving quality and supply, with significant progress after a challenging year last year. We feel very good about that largely because we have been investing substantially in our capital base, especially in the Vaccine business, and you will hear a little more about that. This remains a highly capital-intensive industry, there is no doubt that is a barrier to entry, which is why there are only four global Vaccine companies. That is an area on which we shall continue to focus.
The last area, the one which is most difficult to put your hands around but which is probably one of the most important ones going forward, is around the changes we are making in our commercialisation model. This is an area where there is much speculation. There are plenty of people in the world who would like us to fail on this, most of them are our competitors, who don't want to change. What we are doing as a company is backing up our strategic choices of which business to be in, which products to focus on, which countries to be in, with a core strategic choice of how we are going to compete.

The changes we have made in our healthcare practitioner payment model, where we are the first company to walk away from paying doctors to speak on our behalf, where we have already stopped paying any representative anywhere in the world bonuses associated with short-term sales, are all designed to establish a commercialisation model which is in step with the external stakeholders of this industry: the payors, the governments, the regulators. Make no mistake, the business model which has historically been prosecuted by this industry, the commercialisation model, is not in step with regulator, government or payor expectations. We made the call two years ago to start that journey, and we reiterate today that we see this not just as something we have to; it is something we want to do. It is something that we know is difficult, we know is challenging, but we believe that it is potentially an extraordinary defining competitive advantage if we are able to succeed. The early progress we are making is very reassuring and convinces us that we are on the right track.

Broader diversified portfolio offers sustained revenue protection

I just wanted to pull out another measure, and this goes back to something that I said in 2008 when I took over as CEO. We talked about the fact that one of the challenges of the business was the vulnerability of the business to intellectual property expiration, and remember in those days the proportion of sales and earnings which were dependent on Advair and Avandia.

Look at how things have changed today. When you look at that vulnerable business which is in what I used to call the traditional "white tablet" rich marketplace, that has really shrunk as a proportion of the business. That is just another measure of thinking about how this business can deliver sustainability, but it can only deliver sustainability as a business if it speaks to all of its stakeholders all around the world, which is what the strategic plan of this company is to do.

The GSK proposition

This slide just summarises what we are able to offer as far as the healthcare proposition around the world: the focus on volume at a fair price; the commitment we have to
an efficient R&D organisation but to an R&D organisation which is elite and will by 2020 be able to claim 80% of its advance pipeline being in first-in-class programmes. We believe that those are all key building blocks.

This allows us to have three global leadership positions: Consumer, Vaccines, Pharmaceuticals in the therapy areas in which we choose to compete. This gives us confidence as we move through into 2016 and beyond that, whether or not there is an Advair generic in America, we can deliver sales and earnings growth over the next several years.

With that, I would like very much to introduce Moncef Slaoui, who is our Head of Vaccine business, to give you a little more detail on vaccines.
Good afternoon everyone. I am Moncef Slaoui, Chairman of GSK Vaccines. I have been with GSK for 27 years, most recently as the Global Head for R&D over the past eight and a half years.

My presentation today is going to be in three parts. In the first part I will quickly give a broad introduction to the Vaccine business in general for those of you who may not be very familiar with it. Then in the second part I will give you some specifics about the GSK Vaccine business and an analysis of its performance over the past 10 years and how, using that, we extracted learnings that have allowed us to define our strategy going forward.

Then in the last part I will tell you about our ambition for this business over the next five years, where we expect to grow our top-line in the mid to high single digits and achieve a margin clearly north of 30%.

Starting with a broad overview.

**The Value of Vaccination**

Vaccination is by far the most impactful intervention for public health after clean drinking water. Therefore its value-add is undisputed. Many different segments of the populations are vaccinated. The one we are all familiar with is infants and toddlers, but there are also very important segments like adolescents, adults, within adults there are a number of at-risk populations like healthcare workers or travellers and others, and then the elderly population.

When you look into it all these segments, some of which are covering many birth cohorts, are growing significantly. Just as an example it is projected that we will have more than a billion people aged over the age of 60 by 2020.

There are also a number of very important diseases for which there is a need for vaccines. You can see them on the slide there. Some of these vaccines may help define new segments for immunisation in the population and I will be hinting at that later on my presentation.

**Vaccines is an attractive business**

If I look at the performance of the global business in general it has experienced quite a significant growth over the past 10 years at a CAGR of 16 or 17%; clearly double that of
the pharmaceutical industry. It is now at about £17 billion in sales and, as Andrew said, there are only four major players in this business and the reason for that is barriers to entry.

You can see on the slide also that GSK post-transaction is clearly in the lead with 27% market share. The barriers to entry in this business relate, for example, to the levels of capital investment required prior to having Phase III data; very high risk investments. If I take pneumococcal vaccine that we have developed, Synflorix, we invested almost £400 million before we had the first Phase III data available to us.

Complexity of manufacturing is another very significant barrier. If I take again Synflorix, it takes 24-28 months to release a batch. It takes 550 quality control checks before you are able to release a batch. Trust me, you have 550 opportunities to fail your batch; very complex.

Finally, combination vaccines are very important. If you take infant vaccine, combinations are a critical means to enhance coverage through immunisation and in the pertussis area. If you don’t have five or six vaccines combined in one shot, you can’t enter the game. Significant financial portfolio and technical barriers to entry, which explains why there are very few players and very few players are able to enter this game.

In contrast to the pharmaceutical business, intellectual property plays partly the same role and a different role. It is the same role because of course, for freedom to operate you need to have your patent coverage, but in contrast to the pharmaceutical industry there is no patent cliff, there is no cliff upon patent expiry. The vaccine business is a very long term, very sustainable business where life-cycle management plays a very important role. As a consequence for that, for instance, if I take our R&D budget in GSK Vaccines, about 50% is allocated to active life-cycle management and the other 50% to new product discovery and development.

Finally, maybe not familiar to all of you, but it is a good, profitable business with profit margins comparable to those of the pharmaceutical industry. A very attractive, very long term fundamental growing and good profit margin business with undisputed value-add to society.

**GSK Vaccines: a snapshot**

If I move now to the second part of my presentation and give you a view about some nuggets on GSK Vaccines. GSK Vaccines was founded in 1947; it was a biotech company and it was acquired in 1968 by Smith, Kline & French. I joined the company as a bench scientist in 1988. I was employee number 602 globally. Today we are 16,000, inclusive of the Novartis transaction. We have about 2,000 scientists in the organisation, spread over
seven sites across the continents, the Americas, Europe and Asia; very productive R&D between the two companies – 14 new vaccines approved over the past 10 years, by far the best-in-class and a very broad footprint for manufacturing; we have 14 manufacturing sites, again in the Americas, Europe and Asia, producing last year 850 million doses of vaccine, in certain years more than a billion doses of vaccine. We are commercially present in 177 countries, thanks to the fact that we are part of GSK and to the fact that vaccines are commercially distributed through our pharmaceutical organisation, as Abbas, our President for Pharmaceuticals will describe to you and, as Andrew told you, it is a capital intensive business. We have invested a little bit over £4 billion over the past 10 years in maintaining and enhancing our supply network.

**Strong track record of growth**

If I now look at our performance over the past 10 years you can see that the business grew its top-line at a CAGR a little bit north of 8%, more than doubling the top-line excluding the Novartis participation. This growth took place despite the fact that we have a significant gap in our product portfolio in the US; I’ll describe that to you in a minute. The US has been by far the biggest contributor to the growth of this market over the past 10 years. The growth also took place despite self-imposed constraints in the supply of certain of our vaccines because we have made the decision to be very proactive in investing and enhancing our network, our supply network, our manufacturing processes to make sure we meet and exceed the ever growing regulatory requirements and make sure we don’t end up having significant vaccine shortages, as have happened with others because of regulatory actions; significant growth. I will tell you more about our US product portfolio.

**Broader vaccines portfolio offering worldwide (pre-transaction)**

This is our worldwide portfolio comparing the GSK portfolio to that of our competitors and you can see the portfolio organised by segments – paediatric, adolescents, etcetera and you can see we have a very broad, the broadest portfolio in the industry.

**Broader vaccines portfolio offering worldwide (pre-transaction)**

If I look at our portfolio in the US, you can see that we have two significant gaps – we have a gap in the paediatric segment, where we are lacking the measles mumps rubella vaccine – there is a “P” next to that because it is a product in Phase III trials – I’ll tell you about it in a minute. We have a gap in the paediatric portfolio because we don’t have a pneumococcal vaccine approved in the US: we have it outside of the US. We also have a gap because we don’t have a meningitis vaccine in the US, where we have it outside of the US. In the adolescent population again, clearly, we have a gap because we are lacking the meningitis portfolio in the US.
Clear opportunities for growth going forward because when we have the products approved in the US, we have a really good commercial performance with Pediarix in the pertussis arena, we are first in market share. With hepatitis we are by far first in market share and with Boostrix, for instance, we are second in market share. Cervarix is an exception; we have an uncompetitive product label and therefore we have a very small market share. Clear opportunity for growth by focussing on product approvals in the US, both existing products and new products.

**Vaccines business**

We extended our analysis of the performance of the business over the past 10 years to see how do we score vis-à-vis what we believe to be the key success factors for a vaccine business in general. We believe there are six key success factors for a vaccine business; you can see them on the left-hand side of the slide: supply sustainability, supply predictability, supply reliability are critical to all the stakeholders, critical for the success of the vaccine business.

Achieving recommendations for mass vaccination are critical for penetration of new vaccines. Having the breadth of portfolio in each one of the segments of the population is critical because there is significant synergy between the products within the portfolio. Having the breadth of the geographic footprint to be able to generate the kind of volumes that allow us to then play appropriately the price volume equation is critical in this business. Of course, like all innovation based businesses, having a productive R&D organisation and, in this case specifically, an organisation able to run clinical trials that sometimes include 100,000 subjects across the world, is very important. We score ourselves as, humbly, best-in-class in five out of the six business critical factors. We are very good on the sixth one, ex-US – we have room for improvement and an opportunity for growth in the US with our product portfolio.

**Our strategic focus**

This has helped us define our strategy going forward. Our strategy going forward, as we established last year, relies on five key pillars. One, reliability of supply – invest to have reliable, predictable supply. Two – succeed in the US with our existing products and new products, achieve approval and achieve competitive labels. Three – bolster our innovation pipeline with particular focus on success in the US and worldwide. Four – enhance our pool of talent, again particularly the kind of talent that will allow us to succeed effectively in the US on product approvals and finally, laser sharp focus on execution of the strategy. Those are the five key pillars of our strategy and the Vaccine Executive Team is absolutely focussed on them.
Our strategic focus

Importantly, if you look at the Novartis transaction, it squarely catalyses an acceleration of the key pillars of the strategy.

We have been very pleased since March 2 to have the first view at the manufacturing network of Novartis and I can tell you because of the challenges they have had early in the 2000s with the regulatory agency, significant investment has been made and everything we have seen we are very pleased with.

Clearly the addition of the Novartis portfolio enhances and allows us at least partially to close the gaps we have in the US; I will show you that in a second. Then through the presentation you see how it also accelerates the two other key pillars of our strategy.

Strong portfolio synergy post-transaction

I am going to now show you the impact on the product portfolio. In red you can see the new products from Novartis. Immediately Menveo, which is the only meningitis ACWY combination vaccine approved in the US for the two months and above population, it immediately provides us with a vaccine that nobody else has in their portfolio for the paediatric segment and clearly filling the gap in the adolescent segment with both Menveo and Bexsero, the meningitis B vaccine indicated for adolescence in the US.

Key focus areas for 2015-2016

We will now move to the third part of my presentation, to share with you our plans and ambitions going forward between 2015 and 2020. I elected to slice it into three periods: 2015 and '16, short term, '17 and '18, mid-term and '19, '20 and beyond, long term.

Starting with 2015 and '16 we have three critical areas of focus; three critical things to achieve. First we need to succeed with the Novartis integration. It started on March 2 and I can tell you we are pleased with the progress, we feel confident we will be able to deliver on the £400 million synergies extraction that we committed to and, as Andrew said, this will be achieved by 2017; in fact 50% of that will be achieved by the end of 2016.

We have already integrated the first two layers in senior leadership of the organisation and, importantly, 40% of the second layer of the new GSK Vaccine organisation comes from Novartis. This gives you an idea on how quickly and how remarkably we have been able to access a very experienced talent pool of vaccinologists from all dimensions. We have already almost achieved the integration at the commercial operations level in the countries and advanced our integration at the manufacturing and supply level, but only at the above site level, like engineering or quality, not at site level because we have decided not to
create any disturbance to the reliability of supply into the sites. We are going to take our
time to understand how best to do it and of course we will do it.

Then we have taken the opportunity of the transaction to transform GSK Vaccines
R&D. We have created now three major centres in this R&D organisation. A centre based
in Belgium, which will be mostly focussed on viral vaccine drug discovery and development,
and that is an area of historical strength of GSK Vaccines. A centre in Siena, Italy, that will
be mostly focussed on discovering and developing bacterial vaccines and that is an area of
historical strength of the Novartis vaccine company.

**Vaccines global R&D centre in US**

Finally, a new centre based in Rockville in the US, Maryland, that will be our new
third global centre for vaccines discovery and development. It will integrate all R&D activity
that existed in the US and enhance them from bench work in discovery all the way to active
life-cycle management.

The centre will be focussed – there is a picture of it here – on vaccines that are
aimed at succeeding in the US. They may be only US specific or they could be for
worldwide basis, but they will be driven and developed by teams in the US. We believe that
this location will allow us to attract the best and the brightest of scientists from the huge
talent pool available in the US. We believe that this location in Rockville, a few miles away
from key stakeholders, from the FDA to the NIH, to other stakeholders, will help us better
define and understand the criteria for effective, efficient development of vaccines that will be
approved and have the appropriate labels.

This centre used to be the HGS facilities in Rockville, Maryland. We have recycled it
for our vaccine organisation. This will be a cornerstone to our US strategy to succeed. We
have already started to execute on it.

**Proactive upgrading of supply network**

The second key focus in 2015-2016 is to continue to invest to upgrade our
manufacturing network and manufacturing processes to make sure we continue to comply
and exceed regulatory requirements. It comes at a price; the price is a certain level of
constraint in the supply of certain vaccines – pertussis containing vaccine and hepatitis A
containing vaccine; this constraint will lapse beyond 2016. You can see on the picture there
our new pertussis vaccine facility built in Belgium that will start to deliver commercial
products in 2018 or 2019.

**Key growth drivers**
Finally, the third critical area of focus, of course, in the short, mid and long term is to drive the opportunity with the Novartis portfolio in particular, but also the whole portfolio of GSK vaccines, provides us through the commercial operations we have. We see low single digit growth in 2015 at the top-line, driven primarily by the Novartis meningitis portfolio and traveller portfolio and within that primarily Menveo in the US and Europe, Bexsero primarily outside of the US because of the highly restricted indication currently we have, and Synflorix and Rotarix vaccines outside of the US or our flu quadrivalent vaccine in the US.

In 2016 we see an acceleration of the growth of the top-line to the mid-single digit, driven primarily this time by, of course, the momentum behind the products I cited, but also the expected enhancement of the adolescent indication for Bexsero in the US at the ACIP that will be meeting in October. A good start to the period.

**Key growth drivers**

If I now look at the next period, 2017-2018, we see an acceleration of the growth at the top-line to the mid to high-single digits, that will be driven by the momentum behind the meningitis portfolio and the traveller portfolio, the momentum behind Rotarix and Synflorix and the flu quadrivalent, but importantly also driven by the new product launches that will characterise this period.

We will be launching three new products: one I am not going to expand on, but it is a world first and a demonstration of our technical capabilities, which is the malaria vaccine. The second one is the measles mumps rubella vaccine combination in the US; I told you about it before. It is a product that is in Phase III trials. We are going to file it in 2017 and launch it in 2018 in the US. It is a very important product because it will not only participate into our top-line, but also clearly the leverage it provides across the rest of our paediatric segment.

**Shingrix HZ(su): Significant opportunity to prevent herpes zoster**

The most important of our product launches is Shingrix. Andrew already told you a little bit about it. This is a vaccine against shingles, or zoster. This is a disease that goes by the same virus that provokes chickenpox in children and we have this disease when our cell mediated immune system is waning down or affected. It can be depressed through medication, like in cancer patients with chemotherapy or through infections, like in aids patient, but more commonly, just through ageing. In fact from the time you are from 50 years of age and beyond your risk for shingles starts to increase. Every 10 years that risk doubles. By the age of 90 30-40% of people will have experienced shingles. Across four decades of birth cohorts, the risk of shingles increases. It is an enormous medical need to
an enormous population. I told you this population in the above 60s will be above a billion by 2020.

Our vaccine is based on a platform science that we have invested in for 25 years now, which is the adjuvant technologies. In fact, what made this vaccine successful, which is the adjuvant AS1, is the same adjuvant that we use in our malaria vaccine in a different dosage. That adjuvant is used in six week old newborn babies. It is the same adjuvant we use in here in a different dosage; twice more concentrated here.

Thanks to this technology, as you can see in the paper we have published in the New England Journal last week, we have achieved remarkable efficacy, above 97% across the age brackets – everybody above 50, but also in the above 60 and the above 70 and in the above 80. It is remarkable because the currently exiting vaccine, which is a one dose live attenuated vaccine, achieves about 55-60% efficacy in the younger elderly, but efficacy went down to the 30% in the 70 years old and beyond and it is counter-indicated in those who need it the most, the immunocompromised individuals, so a clear almost doubling of the effectiveness of the vaccine with our shingles vaccine.

It comes at no price in terms of safety. We have no imbalance in serious adverse events with this vaccine, as you can see in the publication and we have an acceptable tolerability at the injection site and at the time of immunisation.

This vaccine is going to be filed in 2016 in the US, Europe and Japan. We have two still ongoing Phase III trials, one in 70-plus year old individuals to bolster our claims in that population that needs it the most and one in immunocompromised where we can have an indication because our vaccine is a recombinant, not a live attenuated vaccine.

In terms of the size of the commercial opportunity all I’ll tell you is the current vaccine with its very limited efficacy, which then results in very limited penetration, only 7 or 8% of the population who needs it got it. It sold $868 million last year in the US. We have significant expectations for this vaccine.

If I look now still beyond this period, but starting in ‘17/’18 to our pipeline development, what products will be entering late state development? I am excited to share with you three products that will be in late stage development during this period and we will be launching early in 2020 or slightly later.

The first one is a combination of Menveo and Bexsero, that provide a vaccine that covers meningitis ACWY, so you have to really know your alphabet, and it is really a vaccine that we will be the only company able to have that vaccine in the foreseeable future. We are the only ones that have the two components required. It is a vaccine that is important
because it carries the possibility to provide the meningitis B universal mass immunisation indication. Today Menveo has universal mass immunisation recommendation in the US. Bexsero, the meningitis B doesn't have it yet; we don't expect it to have it in October, we will expect a broader indication than today, but not a full universal mass immunisation. This is a very significant opportunity to increase our market share and improve the penetration of the meningitis immunisation.

The other vaccines that I would like to tell you about will be entering or in late stage development in ’17, ’18 and beyond are the group B strep vaccine and the RSV vaccines. These are two diseases that are extremely deadly and with very high morbidity in very young infants. In fact, the highest risk is from the day of birth through about eight to 12 weeks of age. The only way to immunise effectively neonates in that age bracket is to immunise their mothers during the third trimester of pregnancy. We know for these diseases that having antibodies gives you protection and we know if we immunise, if a mother has higher titres of antibodies she will transfer those antibodies to her baby, either through the placenta and later through breast feeding.

We have completed Phase I trial with our RSV vaccine; we are very pleased with the outcome and we are preparing to enter Phase II studies in pregnant women as we speak. We are in advanced Phase II development with the group B strep vaccine which came to us through the Novartis transaction.

We believe that these vaccines, once available in the 2020s, when combined in our portfolio with the Boostrix vaccine and the quadrivalent flu vaccine, two vaccines for which there is already a recommendation for vaccination in third trimester pregnant women, we will create a critical mass of vaccines targeted to this potential new segment in the population for immunisation, a segment by definition equal in size to that of the birth cohort, paediatric segment and with extremely high awareness for good health. A significant opportunity for growth beyond what I have described to you with our products.

Key growth drivers

If I sum up, looking at our growth opportunities in the top-line we see that from 2015 onwards to 2020 we expect overall a mid to high-single digit growth at the top line, roughly we think about a third of that will come from our new product launches, principally Shingrix, roughly a third of that will come from the meningitis portfolio and to an extent the traveller portfolio acquired from Novartis and roughly a third of that will come from the GSK legacy products, particularly Synflorix, Rotarix, Flu QIV, etc.

Now because this is over a period of four and a half/five years, there clearly are sensitivities I would like to share with you – two sensitivities. One is around Pediarix sales in
the US, which may be impacted by the approval of the hexavalent pertussis vaccine from Sanofi that may be approved in the fall, or later. Depending on when it is approved and critically depending on the label this vaccine will have, particularly in terms of fever in infants, it will have an impact on Pediarix, we have taken that into account, so it can go upwards or downwards.

Secondly, clearly, the uptake, the speed of uptake, access and penetration of Shingrix is also something that can have an upward or a downward impact on the overall perspective, but we feel confident we are able to achieve the kind of digits I have just told you about.

Margin improvements

If I now look at our bottom-line you can see that we are starting from a point with the integration of the loss making business from Novartis that has been challenged vis-à-vis where we stood before, and I know Simon will be telling you much more specifics around that. From 2015 and onwards we see an accelerating improvement in our operating margin, driven by the three principal cost lines: significant improvements on the cost of goods lines related to the increasing volumes in our new product launches, significant improvement on the R&D line relative to the sales line because of highly disciplined investment decisions in R&D and a significant improvement on the SG&A line because of the leverage as compared to the pace of growth in the top-line. We expect to achieve margins clearly north of 30% by the end of the period in 2020.

We also expect to continue to invest capital investments to enhance and upgrade our manufacturing network; such an essential element of the sustainability and performance of the business.

Positioned to be a global leader for a very long time

I hope you share my excitement and ambition for this business. We have an absolutely crystal clear strategy for the business. We are absolutely focussed on flawlessly executing on that strategy. We have already started – you can see from what I have presented to you. We believe that Shingrix is going to be a transformative part of our business. We believe that the meningitis portfolio we have acquired from Novartis in our hands is going to be transformative and we believe that our base products will continue to growth this business.

We feel confident that we will be able to deliver the mid to high single digit top-line growth at an above 30% margin. We think it is great for GSK Vaccines to be part of GSK; we would never have the kind of reach we have commercially outside of a pharmaceutical
organisation and we know that GSK is very happy to have GSK Vaccines participate in the kind of operating margins and growth that we participate in.

Thank you. I would like now to introduce Abbas Hussain, President of Pharmaceuticals.
First, thank you, Moncef. For those of you who don’t know me, my name is Abbas Hussain. I am Head of Global Pharmaceuticals at GSK.

**Three commercial business portfolios to drive revenue growth**

I will cover off three commercial portfolios that, combined, will drive revenue growth for GSK going forward.

First, I will start off with pure Pharmaceuticals, which you can divide into two groups. First, there is the Respiratory portfolio, which is worth roughly about £6 billion and, as many of you know, it is in transition from Seretide/Advair to a portfolio of new products.

Secondly, for the purpose of this presentation, there is a group of base products that are also about £6 billion. Within the base products, we actually promote about 60% of these, and they are growing in low single-digits. The other 40% we manage as cash cows: some of you may know the bulk of them as established products from the past.

I will also cover off today on our very fast-growing HIV ViiV business. Some of you may be aware that in 15 of the key markets around the world, ViiV has its own legal entity. Beyond that, the Pharmaceutical organisation actually does the sales and marketing for all the HIV products.

Then, finally, I partner with Moncef at a local operating company level, to make sure that we do all the sales and marketing and commercialisation of Vaccines, so I will cover these three areas.

**Successfully diversified our business to drive growth and manage risk**

Over the past seven or eight years since Andrew became CEO and started his diversification strategy, we have very successfully diversified our business. As of today, 70% of our global sales come from outside the US. In fact, you may have seen this morning that less than 10% of US Advair sales make up our total global revenue.

We have also built what is a natural hedge. In fact, to get to 80% of our business, you have to go to 25 markets around the world. These are scale markets, and all of them are about £100 million or above. From a product perspective, you need to access 30 brands around the world to access 80% of the business. What we have really created is a natural hedge, a diversified business, and an ability to get into lots of growth areas.

**Positioning us to succeed in a tough environment**
The market continues to evolve. Andrew touched on this and, in particular, we have challenges with pricing. Let me start with the US. The US pricing environment is challenging and we have seen significant consolidation of payors and, hence, visibility of rebates. Nine payors in the US now account for 80% of lives in the US.

Secondly, there is a trend now to brand exclusions. With CVS Caremark, we estimate that there are roughly 95 brands that have been excluded and, with ESI, there are roughly 65 brands excluded. Clearly, from a GSK perspective, we had Advair excluded from the ESI contract last year and that was a significant impact for GSK. We now have got Advair back onto the ESI contract but, clearly, at a price discount.

In emerging markets, we are tending to see pricing pressures as a consequence of fierce competition between brands and branded generics. Typically, in emerging markets, we are starting to see about 2% or 3% price erosion every year. As Andrew mentioned, in Europe, there is no pricing power. In a good year, in our business plans, we factor in about 2% to 3% erosion and, in an austerity year, it may be 6%, 7% or 8% price erosion.

Finally, the emerging markets are slowing down from a GDP perspective and that is having an impact on pharmaceutical growth. We clearly also have some challenges around foreign exchange.

Against that, however, there are significant opportunities, and Andrew touched on this. Demographics are in our favour, with 300 million more people over the age of 50. Moncef has just pointed out the opportunities that exist for Shingrix. Even with the slowdown in emerging markets, there will be 300 million coming into the middle classes and, clearly, with the significant footprint that GSK has in the emerging markets, we can leverage that.

Finally, there is a 130 million birth cohort across the world, which presents a significant opportunity for the Vaccines business.

We also now have excellent Respiratory access for pricing, reimbursement access, for all our new products. We are expanding our Viiv portfolio and we are also expanding our Vaccines portfolio. Finally, we have a sustainable R&D pipeline. The real uncertainty, and again, Andrew touched on this, is really about visibility around Advair generics in the US. Firstly, will there be Advair generics? Secondly, will they be AB rated? How many Advair generics do we really expect? What sort of volumes will these generics have, and what sort of devices will these generics have? All of that together makes it difficult to forecast the type of erosion that we might see with Advair in the US. However, we have made an assumption in our plans that there will be Advair generics in the US, and Andrew mentioned to you some of the sales data that we expect to see in 2020.
With that, let me move on to Respiratory, and start to tackle Advair first. I will just make a few comments as it relates to the Respiratory market.

The Respiratory market is worth £20 billion and it is forecast to grow at 2%. GSK is by far the leader in this market and we have 33% market share. To me, 2015 is actually the launch year for our new products because, for the first time in the 15 key markets around the world, we have competitive pricing, reimbursement and access. Specifically for Advair, as you can see by the chart here, as we lost the ESI contract, we had a significant drop-off from about 50% to 40% in terms of new-to-brand prescriptions. Our payor team in the US, led by Jack Bailey who is in the room today, has done a significant job to regain access: as of today, Advair has 90% commercial access and over 83% Part D access. What we have actually seen is a stabilisation of the Advair share in the US.

I will come on to Breo in a second but, if you look at the combination of Advair and Breo in the ICS/LABA segment, you start to see that now trending back up to the 50% new-to-brand prescription share that we had before we lost ESI.

In Europe, we also have generics to Seretide. There are generics in five of the 15 markets in Europe. We have competed extremely well in Europe with these generics. A great example of that is Germany. Germany have had generics – and multiple generics – to Seretide since the middle of 2012. As of today, the penetration of those generics in Germany has been less than 4% in volume terms and we expect to continue to compete with Seretide generics in Europe.

In the international market, branded generics to Seretide are a way of life. Typically, in an emerging market, you have multiple generics launched. You lose in price and volume, perhaps by 15% to 20% and, from that new base, you continue your promotion and, because of the brand equity and the quality of Seretide, you actually start to grow the product again. As you can see, in the emerging markets where we have had multiple generics, over the last two years we have had 10% value growth and 13% volume growth for Seretide. We therefore think we can manage the decline of Seretide/Advair globally and I still expect that Seretide/Advair in 2020 will be an important product for GSK.

It is important to manage the decline of Advair but it is also important to accelerate the growth of the new products, so let me start with the US.

Pharmaceuticals: Respiratory – Strong US access for Breo and Anoro is driving uptake

Since taking over the US, we have made a number of changes, and I will just go through these. First, we have a new management team in place: Jack Bailey is the General
Manager, and we have a new leader for primary care. We have worked with an external provider to do a deep dive into our execution capability in the Respiratory primary care sales force. Where we have identified gaps, we are currently up-skilling the reps to fulfil those gaps.

We also now have dedicated selling teams. We have a team dedicated to Breo, who will do Breo for asthma and COPD. We have a team dedicated to Anoro, who will do just Anoro for COPD, and we now have a team that is dedicated to Advair to ensure, as a consequence of the good access, that we start to get the pull-through of the patients we expect to see. Also, importantly, with the label that we now have for Breo in asthma, we have a very competitive paediatric label for Seretide/Advair in the US. We will use this team to make sure that they also promote the paediatric indication for Advair in the US.

You can see here that we now have good coverage for both Breo and Anoro, both in commercial and in Part D. You can also see the impact and the inflexion points that we are starting to see in the new-to-brand prescriptions for both of those products since we have that good access. With Breo at the moment we are seeing an increase in 750 triallists a week and with Anoro we are seeing an increase of 550 triallists a week. We are very optimistic about the progress that we are making with Breo and Anoro and clearly we are extremely excited about the potential asthma launch that will happen in the next couple of weeks in the US.

Pharmaceuticals: Respiratory – Ex-US markets have good access. Relvar launching well

Let us move on to the international markets. It is a similar story in international and 2015 is really the first year where we have broad pricing, reimbursement and access for our new products in the international segment. We have only just launched with pricing, reimbursement and access in Italy, in Spain, in Mexico, in Brazil and in Australia. We have received pricing and access in France and Canada, and we will be launching this quarter. We plan to launch Breo and Anoro in the second half of the year in 16 emerging markets around the world. For the emerging markets, we plan to introduce these products at a premium price, at the top of the wealth pyramid: this allows us to push Seretide into the middle income groups and compete with the branded generics to Seretide and actually drive Seretide access and volume in the middle income group.

Pharmaceuticals: Respiratory – EX-US markets have good access – Relvar launching well

In Japan, the Ryotan prescription restriction was only lifted in the fourth quarter of last year. For those of you who are not familiar with the Ryotan restriction, for every new product in Japan, for the first year, the physician can only prescribe two weeks’ worth of
therapy. This means that the patient needs to return back to the physician’s office every two weeks to obtain a repeat prescription. As you can see from this chart on the left, post the lifting of the Ryotan restriction, we have had a significant uptake of Relvar in Japan.

Just to put that uptake into perspective, Competitor C on that chart had its Ryotan restriction lifted at the same time. That is a terrific performance in terms of Relvar in Japan.

Also in Europe, for those markets where we have had good pricing and access, you can see, from a launch analogue perspective that Relvar is beating most of the launch analogues that exist in Europe at the time. In addition to this, clearly we are very excited about two major read-outs. Later this year we have the SUMMIT read-out for COPD and next year we have the Salford Lung Study read-out. In addition, in the fourth quarter of this year we plan to launch mepolizumab – this is our first biologic in severe asthma. We will also be launching the closed triple later next year. [Erratum: We expect to be able to file the closed triple in 2016/2017].

**Pharmaceuticals: Respiratory – portfolio de-risked with balanced growth as new products gain scale**

What does this all mean? If you look at the Respiratory portfolio, our expectation is – and I think Andrew mentioned this – that by 2020 the sales for Respiratory will be equal to or in excess of the sales in 2015. However, in 2015, four products made 90% of the business and, by the time we get to 2020, nine products will account for 90% of the business in Respiratory. In fact, we have always maintained that we will never replace Seretide/Advair, like for like, but we will replace Seretide/Advair with a portfolio of respiratory medicines.

**Pharmaceuticals: base brands – generating volume and cash to support innovative brands**

With that, let me move on to the base products. The base products are extremely important and they are worth £6 billion worth of business. They are extremely high margin products. In fact, we run this business rather like a generics business. It is run out of a centre of excellence based in Mumbai. The marketing, the medical and the regulatory are all based in Mumbai and we use low-cost promotion and we also leverage digital promotion to manage these products.

On the left of this slide you can see that some of these products are very significant, in excess of $1 billion. As I mentioned earlier, 60% of this portfolio is promoted and they grow in low single digits, while 40% of the portfolio is actually managed for cash.

In emerging markets, we sell roughly 140 million doses a day. This is 40% more than the second largest competitor that we have in emerging markets. Andrew mentioned Augmentin, which has terrific brand equity. We in fact sell twice as many tonnes of
Augmentin today than we sold at the peak sales of Augmentin. We partner with our manufacturing organisation and our plan in Worthing right now is working 24/7 to produce Augmentin. We actually plan for 110% capacity and in fact as the year unfolds, we then allocate that capacity to the highest margin tenders.

On the managed-for-cash side, we are clearly trying to drive margin. We take as much cost out as we can without compromising any quality. However, we are also taking out complexity and, as you can see, we removed nearly 4,500 unprofitable slow-moving SKUs in this business. This has added 1% improvement in gross margin in the managed-for-cash business.

HIV – rapidly growing business, transforming the market

Let me now move on to two fast-moving businesses, first starting with ViiV. I have been fortunate enough to be involved with ViiV from day one and I am a board member of ViiV. This is a fantastic business model, with a terrific management team: David Redfern is the Chairman of ViiV, and is in the room today. The HIV market is worth £14 billion and it is growing in double-digits: last year, ViiV actually exceeded the growth of the market.

Tivicay, dolutegravir, our integrase inhibitor, has rapidly established itself as the best third agent and, as a consequence of that – and, again, you can see it in the charts here – the launch of Tivicay has beaten every single analogue launch since the original single-tablet regimen launch of Atripla. We are also delighted with the launch of Triumeq: Triumeq has come in and launched and actually exceeded the launch of Tivicay. Triumeq is the first of our single-tablet regimens that also include dolutegravir. Importantly, as you can see at the end of the chart, the combination of Tivicay and Triumeq, both of which contain dolutegravir, actually accelerates the growth of the franchise.

In the US, in the dynamic market place – and about 10% of the HIV market place in the US is actually dynamic – Tivicay and Triumeq combined now have the leading share in the dynamic market place. The dynamic market place has naive patients and switched patients. Hence, ViiV was growing at 4% in the first quarter of 2014 and, as you may have heard today, ViiV was growing at 42% in the first quarter of 2015. Importantly, there is still plenty of growth with both Tivicay and Triumeq going forward: 90% of sales of Tivicay come from just five markets and 90% of sales of Triumeq come from just two markets. The ability for market expansion is significant. Tivicay is registered in 50 markets and Triumeq is registered in 30 markets.

I would just like to comment on the pipeline. I see dolutegravir as a pipeline within a product. As I said earlier, it has fast established itself as the best third agent and a best integrase inhibitor. Within R&D we are looking at dolutegravir and single-tablet regimens,
either in combinations of three compounds, or also in combinations of two compounds. Some of you may have read the press release today in terms of dolutegravir combined with rilpivirine.

Finally, we are also very excited about our long-acting 744 programme, going forward. The HIV business is a great business model and a fast-growing segment for GSK.

Vaccines – balanced sources expected to drive growth from 2016-2020

Let me now move on to Vaccines, although I will try not to repeat a number of the things that Moncef has said. The Vaccines market is worth £17 billion and it is growing in mid- to high-single digits and we are clearly the global leader in Vaccines with 27% market share. This is a great business with significant perpetuity value and, as Moncef mentioned, it requires large capital investments.

In the emerging markets over the last seven years, we have had double-digit growth with Vaccines. In fact, in emerging markets, we have cumulatively added £8 billion worth of business as a consequence of Vaccines. We see three opportunities for growth within Vaccines, first with the legacy marketed products of both GSK and of Novartis. In the case of GSK, we see opportunities in high value markets and we expect a universal mass vaccination programme for Rotarix in Japan this year. In Japan, roughly 50% of patients are vaccinated with rotavirus and we actually have a 70% share and, when we have a universal mass vaccination programme, that will obviously increase and we expect to have a greater share. We have also just had approved our pneumococcal vaccine, Synflorix, in Japan. We will launch that later this year.

In China, we expect Rotarix to be approved some time in 2016 and Cervarix to be approved some time in 2017. Just to remind you, the birth cohort in China is 16 million, and rotavirus is a significant healthcare issue in China. That is a seriously important vaccine for China and something that is very important for public health.

With regard to Novartis, we believe that by pulling the Novartis products into the GSK commercial capability, we can accelerate sales synergies. In many of the markets around the world, Novartis had their products with distributors. In many cases, those distributors did not promote the products and so, accordingly, by taking the products from the distributors and putting them into our commercial capabilities, we have an opportunity to accelerate sales growth. These are markets, for example, like Australia, where we have a significant presence in Vaccines, or markets like Egypt, where we are the No. 1 player.

As Moncef mentioned, clearly there is also an opportunity to grow the meningitis portfolio. It is very, very important for the US organisation: the broader portfolio helps us win
contracting with private payors but also we can accelerate Bexsero. We are very pleased with the Bexsero result in the UK and we are currently in conversations with a number of governments as that relates to Bexsero around the world. We also see, in many markets around the world, that by putting Bexsero into our commercial capability, there is also a private market opportunity for Bexsero, moving forward.

Finally, we clearly have a very significant opportunity with Shingrix, with 90%-plus efficacy in all age groups, as Moncef mentioned, and a significantly untapped market. Only about 7% of patients who should receive a zoster vaccine are currently doing so and so this is clearly a ‘create the market’ archetype. However, with the efficacy of Shingrix and with the capabilities that we have around the world in the Vaccines organisation, we are very optimistic about the opportunity that Shingrix provides for the Vaccines organisation.

**Pipeline and productivity – strong future asset flow while restructuring drives margin**

All of this is supported by a very strong pipeline. I will not talk too much about the pipeline and steal Patrick’s thunder on his R&D day in Q4 later this year, but we are clearly excited. I have mentioned this already about Bexsero and about Shingrix. Importantly, for the Respiratory portfolio, mepolizumab is our first entry into the biologics space. It has a very targeted population of about 5% of asthmatics who will require this product. It has a 50% reduction of exacerbations in clinical trials.

The closed triple is also an important product: 20% to 30% of patients with COPD are actually on an open triple and clearly a closed triple would be an important product for them. Also, the importance of the closed triple is that it shines a light on our Ellipta platform. The device market in Respiratory will be very, very crowded and so to have an Ellipta device, which makes it easy for a physician to change from one type of compound to another in the same device, we believe would be a competitive advantage going forward.

Going further into the pipeline, we have a number of first-in-class and best-in-class products that I will allow Patrick to talk about when we move into the R&D day.

From a restructuring perspective, we are well on track. We have made great progress with regard to the £1 billion worth of restructuring in the US, in Japan, in emerging markets, and we are also making progress in Europe. We will deliver 50% of the £1 billion in 2016 and we will deliver 100% by 2017. All of this is actually driving sales force productivity - sales force productivity measured by sales per sales representative. Between 2007 and 2014, sales productivity increased by 12% and, as you go forward to 2017, we expect sales productivity to increase by 23%.

**Portfolio approach at market level gives flexibility to deliver revenue growth**
To summarise, we have a large base portfolio, 60% of which are promoted products and 40% of which are managed for cash. This is a very profitable product portfolio. However, this portfolio will continue to decline. We have a Respiratory portfolio which, in 2020, will be equal in sales to 2015, regardless of whether we have a US generic of Advair or not. However, it may be lumpy in between, depending on when the generic arrives and what type of erosion we see with the generic. On top of that, there is a very fast-growing HIV business. Combined, all of that will lead to single-digit growth rates and, on top of that, as Moncef mentioned, we have a Vaccines portfolio that will start off with mid-single digit growth rates, going to high-single digit growth rates. All of this is supported by strong operational management, the delivery of the restructuring and the delivery of the restructuring on time, and a sustainable R&D portfolio.

With that, I am finished. Thank you very much for your time. I look forward to hearing your questions later. Let me call Emma to the stage.
Thank you very much, Abbas.

Good afternoon, my name is Emma Walmsley and as we move now into the third and final divisional presentation I would like to move us all on from a world of patients to a world of consumers.

**The consumer healthcare opportunity**

Consumer Healthcare is a very attractive market; it is growing worldwide at around 4%, with traditionally higher gross margins than many other FMCG categories. As Abbas and Moncef and Andrew have all underpinned we absolutely have consumer demographics on our side, whether it be the accelerating cohorts in the emerging consumer or the ageing consumer.

In our new digital age the consumer has never been more interested or more informed with information on healthcare available anytime, anyplace. In fact, one in 20 of Google searches nowadays are healthcare related and retailers are investing in the category, whether it be online or in their stores. In fact, everybody is interested in Consumer Healthcare, food companies, beauty companies, household companies and even tech companies are introducing new brands with health related benefits or adding value, adding health benefits, to their existing brands.

I think you will see today that GSK is particularly well placed, unlike many of these companies we are 100% dedicated to healthcare. We have a portfolio of loved and trusted brands that are underpinned by serious science and that compete in both OTC medicines but also FMCG categories, where health related benefits and serious science matter and inform consumers’ choice.

There should be no doubt that to win in Consumer Healthcare today you need Pharma capabilities, like Regulatory, Medical, knowing how to access healthcare professionals appropriately, the doctors, the dentists, the pharmacists, whose advice we all seek. But you also need world class, first division FMCG capabilities, the ability to tap into an emotional consumer insight as well as functional benefits, the ability to build world class brands and the ability to partner with retailers to drive profitable category growth.

Now I call this combo of Pharma and FMCG capabilities ‘Fast Moving Consumer Healthcare’, or FMCH, and we are uniquely placed to deliver on that with our global Consumer brands and as part of GSK.
FMCH is certainly the opportunity that, personally, I saw when I decided to join GSK a few years ago, after many years working for L’Oréal, leading global brands and businesses in London and Paris and New York and Shanghai. It is also why I am using the tremendous opportunity of this transaction to pull together a top team of leading talent from both Pharma and FMCG backgrounds, so people who have run successful businesses for P&G, Unilever, RB, Gillette and, of course, the very best of Novartis, including my counterpart, the ex-GLOBAL President of Novartis Consumer Healthcare.

**Our new portfolio strengthens category leadership positions**

Let me start by sharing with you the new scale of our world leading portfolio.

We will grow with a portfolio of leading positions in high opportunity categories. We are a business of scale, over £6 billion pro forma, split pretty much equally between OTC or Wellness, as we like to call it, and FMCG, and this balance actually really reinforces our FMCH culture and capabilities.

We are the number one player worldwide in Pain Relief. Half of physicians’ visits around the world are about pain and we have two out of the four top global brands, one in systemic and one in topical pain relief. This is absolutely a priority category for us.

Just as in Pharma we are also world leaders in Respiratory, with obvious synergies there.

In Cold and Flu we cover the market with a strong selection of regional and local brands, because it is a regional and local market, but this can be fed from global platforms and innovation.

We are the world leader in Nasal Decongestants.

We are a top two player in Smoking Cessation, of course smoking related illnesses being a major cause of death, somebody dies every eight seconds, and, of course, that is also a big contributor to respiratory disease.

Our newest addition to Respiratory is in the Allergy category, I will talk more about that later, but there are 500 million allergy sufferers around the world. This is another priority category for us.

We are also a top two player in GI, Gastrointestinal. This is, in fact, more of an access play and emerging market play. To give you an example, our brand *Eno*, the antacid that gets to work in six seconds flat, last year sold 800 million sachets in India and 150 million in Brazil.
As well as leading positions in OTC we also have leading positions in our selected FMCG categories.

To start with Oral Health, a competitive category, we are, in fact in the total category, the number three player worldwide. But we are the leader, the number one, in Specialist Oral Health and this matters because it is higher growth, it is a bit more premium and this is where the dentist recommendation really matters, and we are number one in Sensitivity, something that one in three adults actually suffers from, and we are the global leader in Denture Care.

Nutrition is not a global play for us, but we do have a number one position in India, a country of significant opportunity with obviously more than a billion people, and where Horlicks is served as a nutritional supplement, 190 serves a second.

Lastly, Skin Health, in Medicated Skin Health we are a top three player, treating conditions that people really care about, if they suffer from them, like cold sore where we are world leader, but where we also have opportunity in our ‘dermatologist recommended’ brands that are distributed in pharmacies, such as Physiogel.

We really do have scale and leadership positions in high opportunity categories.

**Competitive geographic footprint, sharper market focus**

We will also grow from a very competitive geographic footprint that has been materially strengthened through the transaction. Our brands are sold in over 160 countries around the world and we have 42% of our sales in the high opportunity emerging markets. We are, as Andrew said, the number one OTC company now, in a still fragmented market, but, critically, the deal took us from being number one in 13 countries to number one in 36, and a top three player in nearly 60, covering off 54% of the world’s GDP. We are also number one in Specialist Oral Health, not only worldwide but across 50 specific markets.

This spread, this strength, gives us tremendous optionality, which is critical with the geopolitical and economic volatility that we all know. Actually one of the key things that will drive our growth is much sharper choices to sharpen that growth and we have identified a dozen or so markets where we will prioritise investment in A&P and capex, where we will prioritise the acceleration of our capability and place all of our top talent. These dozen or so markets, some of which you can see up on the slide, will contribute to two thirds, roughly, of our growth. The remaining third will still come from agile, lean, entrepreneurial local markets that will pull/draw down on more central structures.
7 Power Brands & 12 Core Brands will drive 90% of growth

As well as sharpening up our geographic choices we are really sharpening up our choices around brands and we have segmented this newly strengthened portfolio into seven Power Brands and 12 Core Brands, as well as the remainder, but it is the Power Brands and 12 Core Brands that will drive 90% of our growth.

What is a Power Brand or what makes it so? You can see the seven of them up there, they are all leaders in their categories, they are present in between 70 and 140 countries, they have decades of track record, they have a higher gross margin than our average and we expect them to deliver double market growth rate.

The 12 Core Brands have many similarities, but they are regional or local brands and they are less margin accretive, so they are not prioritised for geographic expansion.

The growth that will come from Power and Core Brands is driven by these common opportunities.

First of all, penetration, we do have opportunities for geographic expansion, but we have real opportunities for growth in penetration. A couple of examples: one in five adults in the world wears some sort of denture, now in India that is at about 3%, in Poland it is more like 35%, but only 15% of these adults actually use some kind of denture care product, and yet when they do use them, and often the first partial denture is fitted in your forties, when they do use them they usually stay, it is a tremendous annuity for loyal users. In our latest study, 88% of adults around the world suffer pain every week, but only half of us actually treat it, so we have tremendous penetration opportunities.

We also know that the healthcare professional’s recommendation truly matters, the doctors, dentists, pharmacists and dermatologists, and at GSK Consumer we reach nearly 100,000 of them in the right way around the world every month.

We will prioritise our investment in R&D and innovation for these brands and we have real opportunity to see growth in the higher growth emerging markets. For example, Sensodyne, still slightly underweight in emerging markets, it was only launched in India and China in the last five years and Voltaren, one of our fantastic new brands, has not had strength of distribution in many of the Asian markets where Topicals are such a big opportunity historically and now we will be able to access that through GSK’s distribution in markets like Japan, China and India.

Of course, as you would expect, we will absolutely prioritise our investment from an A&P point of view here, underpinned by much more systematic market mix modelling analytics to drive ROI which, like many world leading FMCG companies, has seen us all
invest more in digital, which is now in the very high teens for our overall advertising spend and on some of these brands materially more than that.

**Track record of growth and innovation**

Let me show you why I am so confident we can do this with three examples, two Power Brands and a Core Brand, of where we have delivered double-digit growth as a CAGR for over a decade.

First of all *Sensodyne*, our first billion dollar brand, the number one 'as recommended by dentists' worldwide for sensitivity, a brand that has grown on the back of the serious science and innovation that dentists trust to treat this sensitivity, three quick examples.

In the US Market, not uncompetitive, we launched *Repair & Protect*, one of our biggest global franchises, that actually repairs the sensitivity of teeth and we now have over 14% market share, not just of Specialist but of the entire Toothpaste market in the USA.

In Japan, likewise, an incredibly challenging market, particularly for MNCs to penetrate, we launched the new *Complete* franchise; this addresses not just sensitive teeth, but really addresses the incredibly demanding Japanese consumer's expectations about many other quality aspects around a formula, how it foams, how it tastes, the quality of the packaging, the dispensing. *Complete* in March has taken *Sensodyne* into being the number one toothpaste in Japan, for the entire category, ahead of two local Japanese players.

My last example would be *True White*, this has been the launch for this year and the first market to launch was Turkey. This is a very low abrasion toothpaste which allows people to whiten teeth but not increase sensitivity and here, and admittedly this is our world record for market share, we have now taken over 34% market share of the Turkish toothpaste market.

The second example I want to come to is *Voltaren*, this is a gem of a brand. It is the fastest growing top 10 OTC brand, all categories combined, and the world leader in Topicals. This is a brand with a purpose – in fact all of our brands have a purpose, tapping into the emotional insight beyond just the functional benefits – and the purpose of *Voltaren* is to free people from the debilitating pain that can hold them back and to free them for the simple joys of movement. The insight with this one is not that complicated, people want to be free from that pain for longer, and when *Voltaren* rolled out the new product with a 12 hour benefit claim, and considering it is targeting the over 55 or osteoarthritis sufferers, with the very simple benefit of an easy to grip, easy to remove cap, everywhere that this was launched, across those 35 markets, we gained share. Most recently, again to give you some hot news,
in Germany last month this launch took us to 20% market share of the whole of the Pain Relief category.

My last example is a really important Core Brand, Horlicks. 80% of our Horlicks business is in India – this is not the Horlicks you might know if you grew up in the UK – this is a Horlicks that has been around for over 100 years, it is the fifth most trusted brand in India, all categories combined. It is consumed mainly by children and in a country where one in five children is malnourished Horlicks is actually a nutritional supplement; it is given by mothers on the insight that if they start their child with a product in the morning that is underpinned by nutritional benefits and independent scientific claims, they start their day well. This is a volume business that sells hundreds of millions of sachets across India, at 6 rupees, and it is distributed in nearly a million outlets. Perhaps the most exciting thing about this Core Brand’s success story is the route to market it will provide for the rest of our portfolio.

**Investing for long term innovation strength**

As you have seen today across all of the divisions, GSK is a science based business and that is tremendous to drive the innovation that supports our growth and the growth of the category for retailers. We have a good track record, from a pipeline point of view, but we can do better and we are investing in R&D for long-term innovation strength, as an FMCH company combining both the consumer insight with a science led pipeline. We are doing this by pulling together our Marketers, our R&D teams, our Regulatory, our Technical Excellence and our Medical teams in co-located hubs, in London, New Jersey, Switzerland, India, China and Singapore. In fact, a third of our R&D organisation will be based in emerging markets.

We are also embedding new sensory and packaging lab capabilities, because sometimes the best insight is that a format or a flavour or an applicator or some kind of packaging will really tap into a growth opportunity. For example, the development that we have underway right now of a Horlicks that you can mix in cold water or the Fenbid chewable Pain Relief product, that has been launched in China this quarter, that does not need water to be consumed, or perhaps even the Theraflu throat warming syrups that are part of that relaunch later in the year in the US.

We will also be making sure we capitalise on our Shopper Science Lab. This is a really state-of-the-art facility that allows us to research these innovation products in both simulated digital and real retail environments with our retail partners, to test packaging, claims and our shopper materials, just as we have done with the launch of Sensodyne mouthwash through the first quarter.
Overall we expect our innovation sales to be more than 10% per annum, innovation sales being products that were launched on a rolling basis in the last three years. But sometimes that number will spike, as it has done in the first quarter this year, especially if you are able to switch a product from prescription to over the counter. This is a proven capability for GSK, it is one that we are investing in and we expect and plan to target a switch every five years.

A wonderful example of this and the incrementality it can bring for us and our retailers is *Flonase*. *Flonase* was a bestselling prescription drug in North America, a clinically proven superior product that treats not just one allergic response but six. We could not have switched this product without our Pharma colleagues, because we were tapping into 40 clinical studies and submitted 600,000 pages of data to the FDA. We launched it with a military FMCG style approach, 23 miles of shelf space and nearly a million assets at point of sale, and I am really pleased to say that we were able to achieve, just in a couple of months, over 11% market share. We are the top one and two SKUs in Health and Beauty across the US at the moment. We are 0.3% off being the number one ‘recommended by doctor’ allergy product and, most excitingly for us and the retailers, 70% or our source of volume is from people who are new to the OTC category.

**Well placed to deliver sales growth**

I am confident about growth; when I add all of this up I am confident about growth. The strength of our categories and brands, the strength of our geographic footprint, but our ability to focus much more sharply on both of those, our investment in building this unique combination of this FMCH talent and capability, and over the medium term our ability to continue to deliver a strong pipeline that really is underpinned by both consumer insight and serious science. Together this will combine not only to deliver a strong year in 2015, but we expect a mid-single digit CAGR over the horizon until 2020.

**Clear drivers for margin improvement**

I have talked a lot about the top line. I am equally confident in our ability to transform the profitability of this division. You will have seen earlier today we are starting from a pro forma of 11% OP, by 2020 my target – and I fully expect to deliver it – is to be at more than or at least 20% operating margin, and when I compare that against appropriate FMCG and OTC players that would put us currently at top quartile.

How are we going to do it? First of all, an ambitious integration plan with very clear details planned out, we are confident of delivering our £400 million synergies by the end of 2017 and its acceleration. This will be about just above 20% of the existing Novartis cost base, it will be the equivalent of globally 75% of the incoming Commercial headcount. We
expect to reduce our Commercial locations by half. I am going to use the opportunity not just to save costs but to really improve agility, by removing management layers and reducing interfaces, traditionally in complex, matrixed organisations, between regions, areas and local markets.

Most of our synergies are going to come from headcount, but there are real opportunities in procurement too. Just a few examples are obvious, in Media, working and non-working, and in other areas of Marketing, like Market Research. In Media we have this incredibly complementary geographic combination now with relatively different strengths and therefore relatively different buying rates in many markets, our new found scale will release fairly quick benefits there. In non-working Media simply by adopting best practices around origination and global asset management I think we will get between 15% and 30% savings on production. In Market Research, simply taking out the duplication in similar categories, modernising and digitising and focusing everything behind those Power Priority Brands will also release savings.

I also expect, through the transaction and a very rigorous approach to standardising some of our processes, we will really be able to enable those savings, not least by the global rollout of SAP, where we will get to 80% coverage of our business by the end of next year.

Building on top of that we will see margin accretion through our focus on Power Brands and their superior gross margin, and, of course, our starting point, in terms of operating profit, has been artificially low due to legacy supply chain issues in both companies, so we will get some tailwinds from the recovery from that in the short term, as well as ongoing SKU simplification programmes. Over time, whilst our priority in the immediate term has been to stabilise the supply chain, there are obvious network consolidation opportunities, whether that be within our own sites or within the very large number of third party manufacturers we are still using.

**A global consumer healthcare leader for long term**

In conclusion, GSK Consumer Healthcare is very well positioned to be a global leader in this exciting and high opportunity category for the long term. We have a competitive brand portfolio and geographic footprint. We are going to improve our prioritisation and resource allocation. We are investing in innovation for the long term. We are building FMCH talent and capabilities and we have a very clear plan to take cost out of our business and step change profitability, this is our strategy.

The integration is, as for Vaccines, a tremendous opportunity, a catalyst to accelerate its execution and I am focusing all of our employees round the world this year on a swift integration, successful performance in 2015 and building very strong foundations for ongoing
performance in the future. We have strong prospects for revenue and profit growth, we have strong prospects as a performing business that helps hundreds of millions of people do more, feel better and live longer every single day.

Thank you very much and over to Simon.
Warning: the content of this text has been extracted from a PDF document. Please refer to the original document for the most accurate representation.

Financial Outlook and Guidance
Presented by
Simon Dingemans, CFO

Thank you, Emma. I’m going to wrap up today with a few minutes to really just try and draw together some of the strands of the different presentations that you’ve heard this afternoon to give you a sense of how we see the prospects for the newly-shaped GSK and for the Group overall looking forward out to the period to 2020.

That’s going to include some comments around the short-term in relation to 2015 when clearly we are seeing some significant disruption as we bring on board the Novartis assets, but perhaps more significantly today what we’ve given you is some clear trends across all three businesses of how we see the medium term.

In those presentations, what you can see is a blend and a robustness and a balance in the top-line drivers of growth in the business that we haven’t had before, that accelerates the strategy that we’ve been targeting over the last several years and will allow us to more easily absorb some of the pressures and headwinds that we’ve been dealing with over the last couple of years and some that may arise in the future, for instance a generic Advair in the US.

That’s going to inevitably mean that around those trends year to year there will be variation, but I think if you stand back from it, what you can see is a Group that has a more robust shape able to deliver sustained growth over the medium term and more consistent returns to shareholders.

Novartis transaction accelerates our strategy and delivers against our financial objectives

Those objectives have been at the centre of our strategy all the way through and I think what you can see in the Novartis transaction is an acceleration and a material contribution to delivery of those objectives.

We put in place some years ago a financial architecture to really make sure that we were driving the returns out of that strategy in the most effective way by allocating our capital more precisely, by building more flexibility into our cost base to deliver a leverage into the P&L, by being more efficient financially in terms of how we funded ourselves and how we manage the balance sheet and ultimately to deliver stronger cash flows that we could either reinvest in the business or return to shareholders.
I think you can see against each and every one of those objectives that Novartis is a significant step forward. It delivers more growth drivers to the top line. The synergies that Moncef and Emma have talked about give us acceleration in terms of our opportunities for leverage.

We have now reviewed the financial plans and the capital allocation strategy of the new shape and as I will come on to in a few minutes, we think we have significantly more flexibility to protect the financial efficiencies we built into the P&L over the last several years and over time, the balance of cash flows, given the now broader range of sources of those cash flows delivers higher quality earnings to the bottom line to support dividends and other reinvestment requirements.

If you take that as an overall picture, you can also see how the architecture is really delivering against the objectives we set out for it at the beginning which, to remind you, are to deliver bottom line performance, that's earnings per share growth, ahead of top line, convert more of those earnings to cash that we can either return to shareholders or reinvest in the company.

We are going to work the P&L between the top and the bottom lines to deliver more sustainable, better earnings per share growth over time and so while you've heard individual guidance from the businesses as to how they see their individual margins moving forward, we will move those around year to year depending on where we see the best opportunity for the longer term and where we see the best opportunity to drive bottom line performance.

So you need to take each three of those and look at the overall blended position as you think about the Group as a whole.

**Better balanced and broader range of growth drivers**

That balance starts at the top line and as Andrew highlighted, you can now see better balance between the businesses, you can see better balance in our geographies and perhaps most importantly you can see better balance in the pipeline of innovation, both in terms of products that have been launched, that are in the market now and those that are coming in the very short-term as well as several waves in the pipeline beyond that.

That’s what gives us confidence in the guidance and outlook that we’ve given you today for low to mid single digit top line growth at the top line across the whole company and you can really see the range of contributions that are delivering that.

When you look at the individual businesses, Moncef, Abbas and Emma have all talked you through how they see their individual businesses, you can put that together and you can see the robustness of the position going forward that will allow us to deal better with
some of the headwinds we are experiencing, so for instance in our US Respiratory business or in some of the slowdowns in Emerging Markets that we saw last year, but also now with significantly more tailwinds as we go into that period 2016 to 2020.

**Delivering medium term sales growth**

To just recap across the three businesses, in Vaccines we’re expecting mid-to-high single digits across the period 2016 to 2020 and that to be clear is off the 2015 base. I will come back to 2015 specifically but that is the baseline on which we are then comparing 2020 and the five-year period forward, so the CAGR is the maths between the two.

As I’ve said before, we will see variation year to year around those averages but what we are trying to do today is give you a sense of the trend through that, how it’s made up between the different businesses and what are the key drivers of that. That all adds up to our overall perspective for the Group.

**Enhanced operating leverage opportunities 2016-2020**

In terms of the leverage in the P&L, again each of the three businesses have given you their own perspectives on that but there are gives and takes and you heard from some of the presentations how the shapes of those margin development curves may change over time, and particularly if you look at Vaccines in the short-term we’re bumping up against some capacity constraints.

We need to put investment to improve the reliability and create some space to meet the demand that you can see and that Moncef described for you. That’s going to constrain some demand and revenue performance in the very short-term, so particularly over 2015 and 2016 but we are well advanced in those plans. It’s one of the reasons why we are accelerating some of the capital investment so that we can meet that demand going forward over the period beyond 2020.

If you look at the Consumer business, as Emma highlighted we have some significant tailwinds coming out of the supply disruptions that both the Novartis businesses and our businesses experienced last year which will contribute to short-term progress and margin progression in 2015 and 2016, but we need to invest behind the re-launch of some of the brands that were out of the market, we need to invest behind the new brands we are bringing to the market and driving those top line synergies. So we are going to be very measured about the progress in margin that we allow to flow into that business to make sure that we’re not short-changing the future and we are really driving the most sustainable position going forward.
Emma has highlighted the benchmarks we’re looking for. As we’ve said before, we always measure our businesses within the Group against the relevant external comparisons and for Emma’s business that is other FMCG companies and we expect it to perform in line with the top quartile comparators that are out there.

On the Pharma side we clearly have more significant factors flowing for and against us. In the short-term we have material pricing pressures flowing through from some of the contracting changes that we initiated during the course of 2014 which will play out during 2015. We are seeing the transition of our Respiratory business from its concentration around Advair/Seretide to the new portfolio and that is now playing out in Europe as well as in the US and will move globally. That in turn is also putting some pressure on the margin in the short-term and you can see that in the Q1 results and some of the comments that you will see that we’ve added to the Press Release this morning.

But against that we have new launches coming, we have significant restructuring benefits that will contribute particularly in 2016 and 2017 which give us a view that over the period out to 2020 we expect the Pharma business overall, including Viiv, now that we have decided to retain it, that would be a neutral margin on that which we will report in 2015. So again, the same pattern, 2015 is the base year; compare 2020 to 2015.

Reconstructing and structural savings

Total expected benefits from all three programmes ~£3bn

That’s all underpinned by an acceleration of our restructuring benefits. What we’re very pleased about having got into the Novartis businesses is that we have identified a number of additional opportunities where we can bring forward the synergy delivery. We will need to spend a little faster to get at them. We are not intending to spend more than we originally allocated, but we will need to accelerate it but we think that’s the right thing to do to bring forward the overall synergy delivery from a five-year plan to a three-year plan.

That also aligns it with the Pharma restructuring plan and the completion of the original 2012 restructuring programme, the major change programme, so that by the end of 2017 we will have delivered basically £3 billion of savings into the P&L which will give us the flexibility to move the margin but also to make sure that we are managing the investments we need across all three businesses to deliver the trends that we’ve identified in top line and bottom line performance out to 2020.

To repeat, we are going to manage the margin across the whole P&L to make sure we do that. We will take some of the optionality in the three plans that have been described to you this afternoon to make sure that we are not short-changing the future and it’s one of
the reasons why we are seeing a bit more pressure in 2015 and a rebound in 2016 to make sure we have the most solid underpinnings for those prospects going forward.

**Financial efficiency**

In the bottom half of the P&L, as I said earlier, we have now had a look at the Novartis businesses, we have had a look at the trading flows, their capital requirements and I am pleased to confirm that from a balance sheet point of view we see no reason to change our funding approach and in terms of overall funding costs we expect to be able to maintain similar levels to where we are today, so that’s about 4-5% in average interest costs.

We will no longer have an associate line that’s material to the Group since we sold our Aspen shares and importantly on the tax rate again having looked at the structure of the assets that we’re bringing in, we think we can maintain and sustain the improvements to the overall Group tax rate that we’ve delivered over the last several years and for 2015 we continue to expect the effective tax rate to be around 20%.

Now clearly that’s subject to the external environment, any changes in corporate tax rates or what the OECD may bring in in terms of their current transfer pricing and BEPS projects but that’s probably something to think about for the medium term and our assumptions are made on the basis that there is no material change in that environment.

The big call out in the bottom half of the P&L as you think about the model of the company going forward will be the minority interest. This has been growing over the last couple of years as ViiV has performed but we are now bringing in the Novartis joint venture, and so expect a significant step up that you need to factor in in the minority interest and the shareholdings are all laid out for you to be able to model that.

The last piece of bottom end guidance that I’ll give you is around capex and as we have touched on before, to deliver these benefits we are now planning to accelerate some of the spending we previously had spread over several years and so while I previously guided you for 2015 and 2016 to expect capex of around £1.5 billion, that’s probably more likely to head towards £2 billion as you think about how to model our cash flows.

**Capital allocation and shareholder returns**

That’s been factored into a complete refresh of our capital allocation strategy that we also have done on the back of the re-plan of the businesses post closing the transactions with Novartis.

We’ve taken a step back and looked at the demands and opportunities in the business plans that you’ve seen laid out this afternoon and we think the right thing to do is to create some more space for us to make sure that we can (a) protect the cash flows to
support the ordinary dividend and (b) support the investments and the acceleration behind those plans and deliver the returns more quickly and more sustainably to shareholders.

As a result, we’ve taken the decision that we will reduce the previously planned capital return to shareholders to £1 billion. That will be paid as a special dividend alongside the fourth quarter dividend for 2015 which will therefore be paid in the beginning of Q2 2016 and we will also prioritise cash flows to support the ordinary dividend.

We are affirming today that we expect to pay an ordinary dividend for each of the next three years, ‘15, ‘16 and ‘17 of 80 pence per share, so flat in line with current year but we are maintaining that commitment and we have factored that into our plans.

It’s very important that we maintain our credit rating and that’s been a central part of this plan. We currently target at A1/P1 short-term rating which we think give us optimal access to the capital markets. That’s equivalent to an A+ single A rating at the long end and we think that’s the appropriate balance between equity and returns and financial flexibility given the range and breadth of business opportunities that we now see in front of us.

2015 guidance

Let’s just deal with 2015. 2015 has a lot going on in it and we’ve talked about this before, but in thinking about the overall shape of what we report for 2015 you are going to see a significant step up in revenues as we bring in the Novartis businesses, we are going to see the exit of Oncology but overall from a pro-forma point of view you should see broadly flat revenues underneath that which really reflects the mix of the businesses that you are seeing in transition and as has been described this afternoon.

I think the biggest issue you need to factor in is the margin shift. Now, in the past when we’ve talked about the impact of the transaction I’ve guided you that you should expect 200 to 300 basis points from the impact of the transaction and the change in the balance between Pharma, Vaccines and Consumer.

Now we only saw about a 120 basis point impact in Q1, we only had a month of the transaction so as you play that out for a full year, that is still the right range to be thinking about and as we’ve highlighted in the Release today, we did pick up in the Novartis businesses, particularly in the Vaccines business a higher level of starting costs than we had originally planned and so probably the upper end of that range is the right place to be thinking about.

In terms of the pro-forma business we also have some pressures in our own mix, not least the pressure on the US Respiratory business as we transition and deal with the contracting and pricing pressures that we’ve highlighted a number of times. You can see in
Q1 that we saw about 290 basis points of margin drag from that mix shift, primarily in the cost of goods and there are a number of factors on that, mainly around the Pharma business but also some of the investments that Moncef highlighted that we are needing to put into the supply chains in Vaccines to make sure that we can meet demand and that we can build the most reliable and stable supply chain going forward.

That’s likely to continue during the course of 2015 and so you probably should expect something in a similar region of 200 to 300 basis points from the underlying business mix performance.

Overall, if you were to take something of around a five percentage point decline for 2015, you would probably be in about the right territory on the basis of our expectations today.

I’ve talked about the bottom half of the P&L and the assumptions you should make there but the other element that you need to factor in is that in the change in the capital distribution that we’ve made, as I talked about on the previous slide, there will no longer be any benefit of any share buybacks and we have no plans to make share buybacks in the foreseeable future.

As a result, you need to take out of any assumptions you might previously have made for 2015 any benefit from those share buybacks.

That leaves us with specific guidance for 2015 expecting core EPS on a constant currency basis to be down high teens percentages.

**NVS transaction impacts**

In that number there are a number of specifics around the transaction and in particular we closed the transaction on 2 March, we had originally made plans and talked about the transaction a year ago when we announced it on the assumption of a first full year’s benefit.

That phasing has meant that the heaviest months of contribution if you like from the synergy delivery in that first 12 months have now slipped into 2016, so we have had a delay in the impact specifically in 2015 and we have inherited a higher cost base. Those two are probably about £200-250 million of impact in terms of swing between ’15 and ’16 and they will rebound into ’16 and are a significant part of the contribution to the rebound we expect next year.

To get the transaction closed and approved by the regulators we had to agree to sell a number of businesses which had total sales of around £100 million and as I’ve touched on before, we have revised the capital return so there’s no share buyback element included in
that and in 2015 that probably has a 2.5% to 3% contribution to the total transactional impacts of the year of around 6-8%.

Flow those through into 2016, clearly the buyback is an ongoing factor for ’16 and beyond if you’ve factored it in. It’s about 5% in a full year. The synergy phasing and inherited cost base will return in 2016 and that’s why we expect if you add those to the trend lines that we’ve described for earnings per share going forward to 2020, you get to the double digit territory that we are indicating for 2016 and then for ’17 and beyond you revert to trend, although as Andrew highlighted right at the beginning of the presentation, clearly year to year there may be some variation around that.

**GSK reshaped: Delivering on our strategy and financial architecture**

Overall, to summarise, we now see the combined shape of a very different GSK with better balance, better breadth and higher quality in its top line mix, significant opportunities to drive leverage through the system that increase our flexibility to invest for the long-term while delivering an improved margin performance and most importantly, more sustained earnings per share growth that we anticipate over the period 2016 to 2020 to be at mid-to-high single digits on average.

That allows us to expect to pay an ordinary dividend of 80 pence per share 2015, ’16 and ’17 and add £1 billion of special dividend to the fourth quarter this year out of the proceeds of the transaction while still protecting our credit rating and maximising our investment flexibility to drive these benefits going forward.

With that, I’ll conclude here. Thank you for your time this afternoon. I know we’ve given you a lot. We are now going to take a break for about ten minutes and then we’ll come back for Q&A. Thanks very much.

*[Ends]*
Sir Andrew Witty: We shall move on to the Q&A session now and I shall do my best to field the questions to one of the key people on the stage in front of you. We also have questions coming on line and by telephone, so I may occasionally ask you to pause while I take a call from somewhere else. Alexandra, do you want to go first? If you are going to ask three questions, you need to give me a second just to make a note of them. Just to confuse you, although you have all these desk mikes, they are not working today, so we are using a hand mike.

Alexandra Hauber (UBS): That works much better for me, then I can use my hands to speak! On the point about three questions, I would probably have preferred to have several Q&As after each session rather than one big Q&A, unless that was by design to avoid my questions.

Instead of asking interesting questions about the division, I shall be boring by asking questions to help me get my model right. First, the long-term guidance, I appreciate that you have given us one, thank you very much, but there is obviously quite a big range. I calculated earlier that, if you take the extremes, you get to somewhere between 100-130 pence in earnings in 2020, although I just realised by reading the footnotes that I have to recalculate that because Glaxo has quite a strange way of quoting gross as 16-20 gross starts in 2015.

In any case, the question is what is driving that range? Can you even without a generic Advair get to the higher end of that? Does it leave you quite a wide range of how much of the cost savings will fall to the bottom line, because I think you have not reiterated the commitment you gave previously of how much of the transaction synergies hit the bottom line?

Thirdly, what is reflected for new products because a product like Shingrix could either be $1 billion or $3-4 billion, which makes a big difference?

Secondly, specifically for Simon please. I need a lot more details here: £800 million corporate costs have obviously gone somewhere. We can sort of guess it from those pro forma margins but can you just break them up for us: how much you are going to save in the corporate centre, how much goes to goes to Pharma, Consumer and to Vaccines?

Also Respiratory 2015 becomes an important base not only for 16 but now also for 20. Can you give us a rough idea how low it goes this year, whether the 9% in the first
quarter is roughly indicative for the full year, and whether the 18% decline we have seen on pricing on the US and Advair is something that will be for the full year?

Finally - there are only two questions with several sub-parts! - since you are flagging higher cash costs because you are accelerating savings, can you quantify what the cash charges are for the restructuring in 2015 and 2016?

Sir Andrew Witty: Thanks, Alexandra. It is quite hard to hear on the mike, so I don't know if the tech team can do anything to tweak those mikes for the next one.

Alexandra: I can repeat it.

Sir Andrew Witty: Not so much, thanks! I think I did hear them but if the tech team can do something to tighten up those mikes, that would be great. Simon, I shall pass it to you in a minute to talk about the cash costs and how you allocate, or what you want to say about allocating the corporate margin.

As far as the short-run Respiratory story is concerned in the US, the biggest driver of the challenge in this year's short-run Respiratory performance is the flow-through effect of the pricing changes from last year. As we guided you last year, most of those kicked in during the middle of the year onwards, so you would expect that pricing effect to be the most significant in the first half of the year. There will clearly still be some price effect but the majority of the year-on-year effect is in the first part of the year.

As you saw from Abbas’s slides, the growth in shares continues to look encouraging. We are just about to launch asthma. I shall just reiterate one point, which I know you all know but it is important. With COPD only indication, Breo can only ever address about 50% of the Advair marketplace if you can describe it that way. With the asthma indication, you are talking about a product now which can address all of the addressable adult marketplace for Advair, and it is important to remember that only now with the asthma indication do we have the full opportunity to go after Breo, in particular. Nonetheless, the pricing effect is weighted to the front end.

Regarding the ranges of the guidance, it is sort of obvious that you get to those ranges by the small differences between each of the three divisions. If all the divisions trade at the top end of their ranges, you end up at a corporate number at the top end of the range. If you end up at the bottom end of those ranges, you end up at the bottom, and if you are in the middle, you are in the middle. Therefore, partly, it is just a product of those things and we shall not give you any more guidance than that.

To the more specific point as to whether there are any specific issues like generic Advair, which would make that very different, the guidance we have given you for the
Pharmaceutical piece includes the assumption of generic Advair. Of course, if there was no generic Advair and all else equal, you would expect that business to do better than we have indicated.

As I have told you, I have no special insight. For all I know, the putative generics that have been talked about today will fail like all the others have failed in the last seven or 10 years but perhaps they won't. Therefore, we have taken a very conservative view. Clearly, if there were no generic Advair in the US, that would be an upside to the guidance we have given you for the Pharmaceutical business that Abbas talked about.

For products like Shingrix, 2020 is relatively early in the life of Shingrix so we have put a reasonably conservative forecasting for Shingrix, we believe. If that performed better, I would say that would push you to the top end of the range, although I would not say it would necessarily take you right over the range. Those are a couple of very specific ones but the most important one is Advair. We are trying to help everybody by understanding that, whether it comes or not, we feel that the strength of these three businesses can give us the kind of growth rates for which we have given you the shape in this presentation.

Simon, do you want to say something about the corporate margin and the cash costs for the restructuring?

Simon Dingemans: On the cash costs, as we have highlighted on the slide, we have a total of around £3.65 billion allocated in cash costs to the three programmes. We have spent about £1.3 billion so far and, given that we are accelerating it into a 2015/16/17 period, you would expect the balance of that spend to be more weighted to 2015/16, although there will be some in 2017. As we have seen generally on our restructuring programme so far, the first couple of years are heavier and I don't believe that we want to get into the specifics beyond that, but more in 2015 and 2016, alongside the capex step-up that I highlighted in my presentation. Therefore, you can see why we need to create some more space in terms of funding that.

Regarding the allocation of the margin, each of the programmes is slightly different. In the Major Change programme, that was very much directed at manufacturing, cost of goods in the Pharma business and functions. The Pharmaceutical restructuring programme that we announced in Q3 was really about commercial capability and overlap particularly in the US but globally in Pharmaceuticals and R&D. Then the synergies programmes for Consumer and Vaccines will, in the short term, be more about SG&A and, in the long term, about COGs. That is really why in Q1 and in my presentation, I flagged the COGs drag that you are seeing in the overall margin as we change the mix but are also investing in capacity and it is the slowest piece of the synergy programmes to come out. That is the shape: more
in the middle of the P&L, less at the top, in the cost of goods line short term, and that will flip round as you go the other way and out into the outer years of our guidance period, or outlook period. You will see leverage coming on a more stable SG&A base, or a reducing SG&A base, and, similarly, efficiencies coming out of R&D, driving leverage through the system. Then, lastly, the cost of goods starting to improve. It is that sort of progression.

Matthew Weston (Credit Suisse): I have three questions please which I shall try to keep to one part each. On Respiratory, you have given us a revenue guidance that in 2020 sales will be as big as in 2015. Now, Andrew, I don't want to be backward-looking but I do recall sitting in Berkeley Square after the full year 2014 results where you told us that you were going to get Respiratory sales to equal 2014 Respiratory revenue. Clearly, there is quite a substantial drop 15 versus 14. Is the new guidance because something has changed in the new portfolio, or is the new guidance simply because you have added generic Advair in the US?

Secondly, Abbas presented a really coherent three-pillar strategy for Pharma growth but I can't help but reflect that, in the last year, you thought about selling two of those pillars in terms of the base business and ViiV. Can you explain why two businesses you felt were worthy of divestment are now absolutely core, and is it because Respiratory is looking weaker than it was and needs protecting?

Finally, one for Emma: Consumer margins are a substantial step-up to 20% but some of your other top tier players are 25% plus. Is there something in the mix of the GSK portfolio today that means you cannot reach that super top tier level, or is it just that it will take time potentially to get there?

Sir Andrew Witty: Before I ask Emma to answer that, let me just tackle the first two. Regarding the Respiratory question, you are right, it is because we have incorporated a generic Advair. As I have said, we don't know if it will happen or not, you could say it is a 50/50 call but what we said back in 2014 was that we could get back to growth in 2016, and we continue to believe that we can get back to growth in 2016. If there is no generic, then after 2016 we would fully expect 2020 to look much more like 2014/15 but, if there is a generic after 2016, you would obviously expect to see some impact, so that is absolutely correct.

As far as the Established Products and the ViiV point, we are encouraged by many shareholders regularly to look at are you generating the best possible shareholder return by owning these businesses or are there other options. That is a perfectly reasonable challenge and debate to have, and we have looked at that. One of the things I would say is
that, in addition to bringing in the Novartis businesses, we have looked at all of our businesses around whether or not they really belong in this Group, whether we believe we can generate more shareholder return in the short run or not. The two very specific ones were Established Products and ViiV.

We ask that question in public. Why? Because it is the only way you can sensibly get a price. A secret auction for Established Products can’t happen, you need to be able to talk about ViiV and the idea of the IPO to get people’s reaction to it. We have concluded two or three things.

First of all, we concluded right from the get-go that Emerging Markets Established Products was inseparable from GSK, that was never in discussion for anything other than keeping, and that is where the majority of the business on which Abbas focused sits. We then concluded that there was no incremental value - in fact there would be value destruction - if we were to dispose of the American and the European business, which is why we didn’t go forward. It was a good question to ask and I believe that we made the right decision for shareholder value. It never implicated the business that you have just focused on.

As far as ViiV is concerned, again, we looked at that. The five years were a natural moment contractually for us to explore that. During that period, two or three very interesting things emerged. First of all, most importantly the potential of the business has continued to go up and up and up, both in terms of its current product portfolio, and its potential pipeline back-ups, which really says there is a lot of value there over a longer period of time than might otherwise have been anticipated. Secondly, for what it is worth, the almost unanimous feedback from shareholders has been to keep it.

One of the benefits of having these sorts of conversations in the public arena is that it gives us a chance to hear spontaneously back from shareholders, which makes it a perfectly sensible decision to continue. Then the question is, by keeping these businesses, do we have a coherent, sensible business in which we believe we can drive growth, and are these businesses synergistic with each other. What you have just seen from the presentations is that they are synergistic with each other, and you can see from the shape that we are describing for the future that we believe we can drive growth and earnings from those over the next several years. Emma, if you would like to tackle the margin and the super top-of-the-tier type of position?

Emma Walmsley: Thank you for the question. I believe it is important to recognise, as you did, that the step-up from 11% to 20% by 2020 is a pretty ambitious
transition and we have a lot to digest to deliver that, and to deliver top line growth that is at least at market growth levels at the same time.

We look at benchmarks across quite a cohort of other FMCG, OTC and mix players including probably the one to which you refer, which is in the mid-20s. There are some in the mid-20s, including that one, and there are others that are below 20. It is very important to recognise that all of these businesses have different profiles, competing in different categories with different geographical mixes as well, and I am really comfortable in saying that at least 20% is the right place for us to be now. Now it does not say 20% full stop. We are two months in so let's see a little nearer 2020 what other progress can or cannot be made.

Sir Andrew Witty: Great, thanks very much, Emma.

Tim Anderson (Sanford Bernstein): Hi, thank you. If I could just go back to generic Advair? The way you describe incorporating that in the guidance you seem to imply it is just a safe planning assumption and you are just being conservative. My understanding is that internally there has been a shift in Glaxo’s mind-set towards thinking that in fact it is nearing launch, that generics are coming to the US market, maybe as soon as the end of 2016, so there has been a sentiment change internally in the company. I just want to confirm that relative to a year ago you in fact do think that the odds are higher of a generic launch and if you could just bracket that timeframe? Could it be that we see them by the end of 2016?

On your shingles vaccine, just a fairly quick question: your product requires two doses, Merck’s requires a single dose. The double dosing may account for the higher efficacy of your product and that efficacy is noticeably better, but that does potentially create a compliance issue. Adult vaccines, they don’t ramp fast, it tends to be a slow ramp category and I think the requirement for your vaccine is to give two shots within two months of each other, which isn’t really a natural schedule by which patients visit their physicians. If you can just talk about the commercial logistics of launching a product like that?

Sir Andrew Witty: Sure, thanks Tim. I am going to ask Moncef to talk about Shingrix in a second.

In terms of generic Advair the answer is there has been no change in the company’s view of the likelihood of a generic. It is clear that when the FDA relaxed its guideline or relaxed the draft guidelines back in 2013 that clearly reduced one potential threshold or hurdle for generics to potentially navigate, however they still have to navigate all the other
issues. They have to produce a product which meets those guidelines, they have to be able to manufacture it, they have to be able to manufacture their production batches to the same specification as their validation batches, etc., all of which have proven to be highly elusive for every other competitor.

I remind you that nobody has ever filed to try and invalidate the US Advair patent. It has never been about patents, it has never been about intellectual property, it has always been about whether you can manufacture a product, micronize the particles and create the inhaler so that it meets the guidelines. One of those tests, which is the guideline was relaxed in the draft guidance. Whether someone can meet it or not we don’t know; nothing has changed for that perspective.

The only thing that has changed is as the business has moved forward, as we have gone through this transaction, as we have created these three businesses we wanted to send a very clear message to our shareholders that Advair shouldn’t be the fixation for the company going forward because we believe we can deliver this shape of performance, whether or not there is an Advair generic.

I have gone as far today as I am going to go in terms of also telling you that in the model we have been pretty aggressive about how far that Advair generic might take share away from us. Again, I could make a very coherent set of arguments to say that even if there was a generic Advair, the attrition against Advair may very well be nowhere near as bad as bringing it down to between £2/300 million in 2020.

The point is simply to make the case that even if there is one, even if it is pretty aggressive in terms of the loss of share for Advair in America, we believe we can still deliver these growth rates which we have described today. Frankly right now I think the chances of a generic are exactly as they were 12 months ago; I think personally the chances of a generic in 2016 are vanishingly small.

Moncef, do you want to talk about shingles? Are you in a position to share with people the data on the first dose?

Moncef Slaoui: I plan to. The first thing is the trade-off when you are faced with which vaccine to take. You are trading-off certainty of protection, 97%, versus, frankly at best, a toss of a coin which is what 50% means; you may or may not be protected, or less than that. That is very important.

The second thing that is important from our experience, most of vaccines as you know are three dose vaccines – compliance drops for the third dose, not so much for the
second dose. You usually see about 10% drop in compliance between the first and the second dose.

The third point is, indeed as Andrew suggested, we have also above 90% efficacy after the first dose. When we look at the efficacy between dose one and dose two for the period of two months we have superior efficacy. What we don’t know, because we gave the dose at two months, is whether it persists or not. We know that after the second dose efficacy stays above 97% at three and a half year standpoint we have now – another set of information I am offering you here.

We are running studies – they are starting, where we are planning a schedule zero 2 or zero 6 or zero 12 months to provide the flexibility for covers. I personally don’t think this is an issue. In the face of the benefit proposed and the efficacy after only the first dose and the flexibility we are going to create around the schedule.

Sir Andrew Witty: The key thing for a vaccine in the area of shingles is it needs to be effective when you are most likely to be vulnerable and that is where I think the asymmetry of the effectiveness of these two vaccines is so obvious; where the existing vaccine decays over time the older you get, just as your probability of shingles goes up, whereas in Shingrix we see a sustained protection all the way through.

Some of you know I was 50 this year and I have told Moncef I am going to be patient number one when that vaccine is approved because the last thing I am looking forward to is shingles.

Moncef Slaoui: I have a number of similar requests.

Sir Andrew Witty: Next question in the room. Please, go ahead.

James Gordon (JP Morgan): Three questions, please. One was on capital allocation: I saw the comment about deploying cash and one of the comments talks about what you might do in the event of generic Advair, so why would the deployment of cash be different whether there is or isn’t generic Advair? More generally on deploying cash, is there still much of a possibility of doing deals or are you pretty much ruling out doing deals? Could we see, for instance, significant M&A within Consumer?

The second question was on respiratory. You have very helpfully given us a long term outlook for the top-line, but what does profitability look like? Would it be fair to assume that profitability is going to decline all the way up to 2020 due to more pricing pressure and also due to the mix shifting in terms of pay-aways?
The third question was just on the £6 billion or £6 billion plus of sales of new products out to 2020; how much pressure is that going to put on margins if I think that Tivicay and Triumeq looks like it will be a very big chunk of that growth, but there you have the pay-away and the partial ownership. For the respiratory products again, the pay-aways, should we think that £6 billion is going to be a positive driver for the margins for pharma or put some pressure because of the relationships?

**Sir Andrew Witty:** I am going to ask Simon just to talk on the specific capital allocation point, particularly in the context of a generic Advair scenario. Just in terms of deals we are not really focussed at all on doing M&A or deals. In the consumer space over time clearly there will be opportunities for further acquisitions in this space, but certainly not in the short to medium run. We have lots to do in terms of consolidating what we have already just done. It is one of the biggest transactions in the Consumer space, really scaled set of work to be done. Once that is done we may well come back to Consumer, but it is certainly not for the next few years.

As far as respiratory profitability is concerned, and the new product piece as well, let me just make one point: obviously the dynamics of those portfolio shifts are incorporated within the shape we have given you in terms of the earning cut. We are not going to give you those specific breakouts but you know that they are embedded within the overall shape of what we are describing to you.

It is clearly obvious that, and we have always made that very clear, as you trade from Advair to Breo or and as Anoro comes into play with the royalties they do have a profit pay-away associated, there was always going to be a margin drag there – if you flip that to the other side and you look at something like mepolizumab where that is a completely home grown product, that is going to be a significant aid to margin going forward.

There will be lots of puts and takes within that portfolio. The net-net of it all is embedded within the shape we have given you for the business going forward.

Simon, do you want to just come back to the specific capital allocation point in the context of a generic Advair?

**Simon Dingemans:** As you saw in our results last year and in the comments I made around 2015, Advair is a very profitable product and a strong cash contributor. Clearly if we see a generic during this period we have to factor the loss of cash flows into our credit rating analysis, the balance sheet flexibility we have to support all the other investments, so it is built into the space that we have created. Exactly when it arrives, clearly a number of uncertainties around that, we also have to factor in.
Sir Andrew Witty: Graham; we need the microphone back on the same row please?

Graham Parry (Bank of America Merrill Lynch): First, could you just explain to us some of the conditions that need to be met for your JV partners to be able to put their stakes in ViiV to GSK and your thoughts around funding for that and obviously the potential for Novartis to put its share of the Consumer JV to you from 2018 I think it is?

Secondly, a question indirectly around your new Chairman, Sir Philip, who was here – I am not sure if he is at the back of the room now. Presumably he voted at the Board meeting for the dividend B share and ViiV changes, plus the guidance communication in the release today, can you clarify he voted in favour of all of those and that he has had sufficient time to be able to review those? In short I am just checking that we are not going to find in 12 months’ time that things change in terms of the view of the Board here?

Then finally a question on Vaccines for Moncef: could you just comment on the fairly limited ACIP recommendation that you have for Bexsero in the US, which limits it essentially only to scientists working with meningitis B cultures or where there has been a breakout? Is that something that you think you can and hope to change over time?

Sir Andrew Witty: Just before that mike moves away could you pass the mike forward to Deryck? Philip isn’t here, unfortunately. I think he had to leave, but Deryck is the Senior Independent Director and given you asked a question about the Board and the governance I don’t think I should respond to it, I think the SID should respond to it, so I am going to ask Deryck to answer your question about whether Philip was involved and the attitude of the Board.

Sir Deryck Maughan: First of all, I should say that the corporate culture of GlaxoSmithKline is enormously open and transparent with the Board. It has always been this way. It is a remarkably frank management team and the Board tries to respond in kind.

We have been in active dialogue as we have approached and as we have now consummated the Novartis transaction. We have been all over the changes in the pricing structures in the United States – you can ask Jack later, who will show you the bruises.

It is fair to say that we knew we wouldn’t get the files from Novartis until April 9. It has been a heck of a rush to prepare for today, but one thing you can be sure of, Philip Hampton, experienced Chairman and, I believe, a finance director three times for different large, complex British companies, takes to this like a fish to water. We are delighted that he has been able to give us so much of his time leading up to tomorrow’s coronation.
I think we are going to be enormously well-served by Philip and I am very proud of what we have achieved in the decade of Chris' leadership, but I think Philip has his own strengths to bring to bear and yes, he is fully appraised of the announcement and its details and indeed was suggesting changes to the announcement all the way up until nine o’clock this morning.

We fully reviewed it as a Board yesterday; we went through it again this morning at the Audit Committee – hold the Board to account, we welcome it, but this is a very dedicated and applied Board, in my view. Philip is bang up to speed. Thank you.

Sir Andrew Witty: Thanks, Deryck. If we could go to the puts, so Simon, do you want to just talk briefly to the circumstances under which Novartis and the Pfizer for example could put their shares to us?

Simon Dingemans: Graham, there are a few paragraphs in the back of the release, but it is on about page 38, so when you get there we can have a follow-up conversation if necessary. On the Consumer joint venture, there is a lock-out until the end of 2017 to give Emma a chance to get up the business and get the momentum going she described and then Novartis can put its shareholding to us, either in slices or as a whole, so they can be four 7.5% slices or they can give it to us as a whole, market based pricing.

On the ViiV asset we have two other shareholders, both of whom have puts in certain circumstances – Pfizer allows them to call for an IPO if we let it go ahead; if it doesn’t then the put comes to us and there are certain limited circumstances and three windows over ’17, ’20 and ’22 that Shionogi can come and talk to us and ask us. We can refuse it, but they can have a discussion and then clearly if you refused it you might think “Is that stable?” so you do something about it. That is how it works.

Sir Andrew Witty: We have a question from Steve Cowen, a couple of questions: one Moncef, I am just going to read it out – it is on the screen in front of me, he has emailed it in. One is could you just describe your view on the adverse event profile of Shingrix? Do you think that is going to be an issue in terms of its potential adoption? Do you want to go first on that one?

Moncef Slaoui: Okay, in answer to that question first I will start with the effectiveness point, exactly as I made it earlier, to be taken into account when you are trading off what do you get in exchange for your vaccination?

The second point, critically important is that as we have published in the paper, the study has shown absolutely no imbalance in the serious adverse events. No immune related
diseases, no deaths, imbalance – in fact, if anything, there is a slightly lower numerical in the vaccine group.

Thirdly 90% of the adverse events are mild or moderate – in other words they do not interfere with the normal living and in fact are common to all vaccines, including systemic reactions.

Indeed, about 10% of individuals have Grade 3 systemic events. Those are lasting one or two days and we are running an analysis to understand how they distribute across the age brackets. Our experience with adjuvants and immune response is that the younger you are the higher the systemic effects and the older you are the lower the systemic effects. Systemic effects mean you are making a very strong immune response; that is what it means – fever is a result of the immune response. Our interviews with the investigators have shown us as well as the drop-out rate in the study there is no impact of these adverse events in the probability of the subjects to come back for a second dose.

We are going to understand how they distribute across the age brackets; they are very limited in time – one or two days, they are not serious; it is an increase in fever and there is a trade-off vis-à-vis efficacy. The feedback we had from our investigator is this is not an issue in their perspective.

Sir Andrew Witty: Thanks, Moncef. Steve had a second question encouraging me to break out the growth rates for the period between '16 and '20 and I am going to respectfully decline the opportunity to give you more specificity. We have given you the CAGR for that, but we won't go further than that.

Mike number one, thanks.

Bruce Duguid (Hermes Investment Management): It was good to hear the emphasis on building a long term and sustainable business and, in particular, a commercial model that is in step with key stakeholders, governments, regulators and payors. Two questions: one, you mentioned that this could be a source of long term competitive advantage, could you expand a little on that?

Secondly, you haven't mentioned today anything around the Chinese bribery scandal; does that indicate that all the lessons have been learned and embedded in the business, and is there any extra work to do around the Novartis transaction and ensuring best practice standards across the whole of the business?

Sir Andrew Witty: Thanks very much, Bruce. Just on the China piece, nothing new to say there. Overall things have stabilised over the last six or nine months in
every dimension. Frankly, I am personally cautiously optimistic in terms of what we can see happening now in China. Interestingly enough the transaction I think will help us. It brought in to GSK a very interesting vaccine manufacturing centre, one of the centres that came to us from Novartis is in China, that will probably speed up some of our Vaccine strategy for China, but overall we are in a different phase now there, which is good.

In terms of lessons learned, we are literally trying to learn every lesson we can from that kind of thing. We have had a pretty thorough going-over in terms of trying to understand what we can improve from and, obviously, we are trying to replicate that. We are also deploying it in the due diligence that we are doing in terms of all the Novartis’ businesses and people that we have had join the business, so we have prioritised a lot of our, for example, ABAC due diligence into the Novartis businesses; obviously they have slightly different policies – do they have different investigation standards to us? – those sorts of things. That is exactly where we are focussed, so that is work in progress as we speak.

As far as the competitive advantage is concerned, I know a lot of people don’t want to hear this, but the model the industry has followed historically is coming to an end and it is coming to an end because more and more policy makers, governments, regulators around the world are looking for ways to bring it to an end. We have a choice – we can either go like everybody else and be dragged kicking and screaming to be forced to change, or we can try and invent a new way of operating and do that ahead of time. In the last few weeks I have met with a number of heads of government, a number of other representatives of government. I have met nobody in government who wants anything other than us to succeed in the changes we are making in our business model because it is totally aligned with the expectations of those key stakeholders.

My expectation is that sooner or later, whether people want to go voluntarily or they are legislated to be forced to go in a certain direction, we are going to see this business model change. I want to be part of changing and inventing the new approach, not burying the old one and I want to make sure that when and if the whole industry has to move, I want us to have had years of practice of getting this right and fine tuning.

With Jack, who is here, who runs the US business, we have just been through a cycle of fine tuning our US Patient First programme, for example, that we began a couple of years ago. The great advantage we have now is that we have been at this now for a couple of years in the States, we have had a chance to learn what works and what is not working, we have been able to tweak it and develop it and we think improve it and we can go forward. I feel much happier being in that position and I think as other companies will inevitably find
themselves having to go in the similar direction, one way or another, for whatever reason, that is where it becomes a competitive advantage.

It is also very clear that as we have made these shifts the way the company is being treated, the reputation of the company and one of the key stakeholders and the access that the company has to key stakeholders are all positively impacted.

In the real world of “Does it make a difference?” it absolutely makes a difference in who we get to see, what they think about us and what the reputation of the company is. That is why we see this as a very important part of the mix and we are determined to continue to prosecute it to success. Thanks Bruce.

Nicolas Guyon-Gellin (Morgan Stanley): I have three questions. The first is about OTC and the opportunity of revenue synergies. One of your peers quantified those synergies in a similar deal. Do you see any categories or territories with possible revenue synergies with the two portfolios, and could you quantify those?

Secondly, in terms of group margins, with Pharma at 30%-plus, you also mentioned Vaccines at 30%-plus, and OTC at 20%-plus. Is 30% for the Group a reasonable target over the long term?

My last question is about Respiratory. You mentioned £300 million sales forecast internally for Advair by 2020. Is there any chance we could have your forecast for Anoro and Breo as well?

Sir Andrew Witty: That is what I love about you – a Frenchman with a sense of humour! That is fantastic! So no, we will not give you those, but thanks for asking.

I would just like to clarify for Emma: on the first question, were you asking about OTC/Pharma synergies, or synergies within OTC? [Within] So it is what category synergies do you see within OTC, from bringing that together? For example, there is the Panadol/Voltaren space, and that kind of thing.

Emma Walmsley: The industry is still quite fragmented but, because of our leadership in each of these categories – just as in any FMCG category – we can approach a category management view, particularly in the Pharmacy channel, which has not had these capabilities unlocked. This can be about how to present at shelf, and how to give guidance and choices between brands.

To give an example, I was in the US last week and, in the GI category, we have an offer that goes from Tums and antacids, through PPIs, through various fibre products, across
the entire portfolio of GI products. This allows us to talk to retailers and to take a more full category management approach. I then think that the GSK brand across the whole starts to bring real benefit. We actually did a study in 10 countries around the world which proved that simply the GSK orange logo, that stamp of endorsement, brings real credibility in terms of the science and the trust in the brands with consumers, but also with healthcare professionals. That is where you start to see scale come into play. It is arguably most powerful in the Pharmacy channel, where modern trade capabilities have not really been brought to bear yet.

Sir Andrew Witty: Simon, would you like to comment on the result in group margin question?

Simon Dingemans: Yes. As we highlighted in the presentation, we will not give specific operating margin guidance for the group. We have the three levers that we will move around, depending on what we think drives the bottom line most effectively. You can see that there is much more flexibility than perhaps we have had in the past. I will not get into a specific target for the Group level but you can see, in plus-30, or plus-20, and flat, how that mix shapes out. I will leave you to draw your own conclusions, but I think we have many levers we can pull to drive that forward over time. Remember some of the headwinds against that, and some of the investments we have to put in, in terms of thinking about it overall – but it would be about driving the bottom line.

Keyur Parekh (Goldman Sachs): Thank you so much, for two things: first, for the meaningfully increased transparency, from not giving any guidance for a year to five-year targets. That is very helpful. Secondly, to the Board: it is very rare that we have access to the entire Board and I am sure we all appreciate that.

I have three questions. First, if you look at the various parts of the business over the last three to five years – and I realise that there have been many individual issues – Vaccines has not grown since 2011 on a constant exchange basis. Consumer margins have gone down on a standalone basis by about 600 basis points, and Pharma has meaningfully underperformed market expectations over the last two or three years. Can you help us to think about what gives you increased confidence in delivering the targets that you have laid out for us today? That is one question.

Second, as I look at Glaxo’s total shareholder return over a one, three, five and 10-year period, it has meaningfully lagged both the Pharma peer group and FTSE. Do you think the strategy you have laid down today does enough to return Glaxo back to the top tier
total shareholder return? Or do you think that this is Part 1 of a longer-term strategy where you need to think about ownership of Consumer and Vaccines assets differently?

Third, to what extent are the new targets reflected in how management is assessed, either in a one-year period, or a longer-term period? Thank you.

Sir Andrew Witty: Thanks very much. Let me tackle those questions in reverse order. As to the targets, as you know, we are paid according to essentially three key drivers in terms of the share awards. One is the performance of R&D and new products, and that is obviously embedded in here because you have a significant contribution from new products going forward. One is in cash production, and one is in TSR. Those are the three ways we are paid, and we do not have specific targets driven off these, but obviously all of these numbers feed into those outputs. That remuneration policy was approved by 99% of the shareholders last year and that policy, not least because of the change in law, will stay in place for the next couple of years until it is reviewed. That is the first point.

On the TSR point, since I took over as CEO, the TSR of GSK has grown by about 90% and the FTSE has gone up by 48%. That is from the day I became CEO until today. Some companies have done better than us in the sector, and some companies have done less well than us in the sector. We would love the TSR to be higher than that but, versus the FTSE, it is very, very competitive over that period. We tend to do less well in short measurement periods and we tend to better over longer measurement periods. I think that is because we spend a great deal of time trying very hard to smooth the performance of the business, even when there have been very big challenges – on the downside, like lots of generics going.

By contrast, again, the business I took over in May 2008 of about £20 billion of revenue – about half of that revenue has disappeared to generics or Avandia. Of what was left, about £10 billion, has grown into what we have today. The net/net contribution of M&A and disposals is neutral. That has all essentially been organic through the period, without spending very large amounts of shareholder capital into major acquisitions. What we have done with that shareholder capital is that we have given it back to the shareholders: £35 billion has been paid back to shareholders so far under my watch.

That is essentially the strategy we have taken as a company. Going forward, what we see differently is a real shift in terms of the balance of headwinds and tailwinds. The reason I showed the last-but-one slide in my presentation at the beginning is that, when you look at where we have the vulnerabilities going forward, we have nothing like that massive block of Pharmaceutical business about to go generic or to be lost, as we had seven or eight
years ago. This means that the things which drive us forward can really be tailwinds, without the neutralising headwinds constantly buffeting it, so I think we get to a different place.

You asked a very good question about whether we need to execute that growth, and that is where our focus has to be. If you look at what has caused those challenges in growth over the last couple of years, they have been in some very specific places. In the Consumer space, it has been around divestments. We divested the Consumer tail, which took out the growth from one year, and it has been around supply disruption last year: this was completely unacceptable and it has been fixed, and it is now beginning to be a tailwind for us this year and next year, in terms of recovery of supply. That is not unique and, given what we have seen at GSK in just a couple of place, what we saw more systemically at Johnson & Johnson, and what you saw in a very big way at Novartis, is a clear signal that the regulators are moving their attention into the Consumer space. We had some disruption last year, and those are the two reasons why you saw that impact on margins in the Consumer business.

The Vaccine business – Moncef addressed very clearly that we have taken a voluntary decision to slow down the supply over the last couple of years and the next year, as we upgrade and invest in our facilities, to make sure that they stay to the regulatory standard. There is a very simple choice: you can either run the plants full, and you have literally no space, physically or human, to do the upgrade, or you have to run the plants a little more slowly to create the capacity to do the investment. We made the decision to run more slowly and therefore sacrifice some short-term growth, to ensure that we could upgrade our facilities to remain best-in-class in manufacture.

Why is that important? You have to look at who has been – and I am gripping hold of this wood here as I say this, because I don’t want to tempt fate – you know that our other competitors have all had very significant, very serious and very dramatic disruptions in their vaccines supply network because of regulatory intervention. That is something on which we have worked very hard to mitigate that risk: I can never guarantee that there will never be an event but we have worked super-hard, proactively – but the price for that has been to slow down the supply during that period. As Moncef said, as we move through the next year or two, that job is done and we will be able to release that capacity, in addition to which all of the new facilities will start to come on stream. We think all of that starts to really help us move forward. You are absolutely right, however, in that we have to execute it and get it right, and that is really the focus of what we need to do, going forward.

Jeff Holford (Jeffries): First, I have a question for Abbas on Advair generics. Within the overall context of your Respiratory forecast, do you assume any
substitution or pricing pressure on the rest of the portfolio in the US, should you see Advair generics?

My second and third questions are for Simon. Within the financial guidance, or the context on that, and the puts on ViiV and the Consumer business: if we consider the financing environment to be something similar to what there is today, is there any reason to assume that those would be anything other than accretive to earnings, should they happen during the forecast period, against your current guidance?

Lastly, are there any other divestments or asset disposals of note baked into the guidance that you have given for the mid-term. Thank you.

Sir Andrew Witty: There are no major divestments baked into the forecasts. We are not really planning to do any although, as Emma rightly said, we will have a look at the tail – particularly the Novartis in-bound tail. Having just done the GSK tail, we will at some point look at the Novartis tail: that will not be in the super-near-term, but it will certainly be on the agenda down the road.

Abbas, would you like to comment on the pricing impact of Advair?

Abbas Hussain: In the Advair generic forecast, we have obviously taken a very aggressive assumption in terms of the erosion of Advair, particularly in the US. As a consequence of that, we have actually not necessarily put in any other impacts on the other Respiratory portfolio. Bear in mind that the WAC for Relvar and Breo are often already below the price for Advair, so we have some room to move anywhere in that space.

Sir Andrew Witty: Great, thank you. And Simon, the potential accretion or dilution effects of the puts, if we chose to take them?

Simon Dingemans: The first thing to say is that there is absolutely no indication from any of our partners that they have any intention to exercise the puts. If they did, at current interest funding levels, you would expect them to be accretive.

Sir Andrew Witty: We have a question on the screen from Morningstar, who want to know whether or not the Respiratory guidance incorporates any specific assumption for the SUMMIT and the Salford study. Abbas, would you like to comment on that?

Abbas Hussain: In our forecast for Relvar, we obviously cannot predict the study but we have not actually assumed any upside as a consequence of a positive SUMMIT study.
Pete Verdult (Citi): I have three questions, and just a clarification on the guidance. You say that it incorporates generic Advair but I just wanted to clarify that the 2016 does not assume US generic Advair.

For Simon, on the cost savings, I realise that there are hundreds of variables, but what is a sensible assumption on that £3 billion cost-savings? What is reinvested in the business?

Lastly, for Emma, this is not a GSK-specific question, but if you took a three-year view on the industry and thought about the top 10 to 15 players in Consumer, in three years from now, will that be a more consolidated group?

Sir Andrew Witty: Thank you very much for those questions. We have not been explicit about the view on Advair in 2016, but I think I answered that question earlier when I said I thought the chances of generic Advair in the US in 2016 were vanishingly small and therefore clearly this is not a consideration within our guidance for that period.

Simon, would you like to touch on the cost-saving piece, before I go to Emma?

Simon Dingemans: Yes. On the synergies specifically, we have said that we would reinvest about 20% back into the business and, on my slide, it is said that that is spread over the three years, 2015/16/17. We have not given a breakdown of the drop-through of the rest but, as we said in the presentation, we want to be able to flex the margin, depending on where we see the opportunities. However, some reinvestment is built into the margin guidance that we have given you for all three businesses.

Emma Walmsley: If you look at the industry as we see it, on the FMCG side there is quite a concentration of players where we compete, and have chosen to do so effectively. On the OTC side, it is still extremely fragmented versus some other categories and I don’t think there should be much doubt that, over the next 10 years, it will consolidate a good deal, because it is an attractive sector to be in. However, as Andrew has said, we have some minor anti-trust divestments going through now. Over time, we will look at the tail of our business, as you would expect, in terms of appropriate portfolio management. We will absolutely keep our eyes open, where relevant, if there are other opportunities that could accelerate our growth or profitability.

Florent Cespedes (Société Générale): Good afternoon. I have three quick questions, the first of which is for Moncef. On Vaccines, could you come back on your strategy on meningitis. On Bexsero, do you have some colour on your discussions in Europe
and on the situation in the UK? Also, what are your thoughts on the US market, where the prevalence of the disease is lower?

I have a question for Abbas. On Respiratory, could you share with us how you see the dynamic between Breo and Anoro, if the SUMMIT results are positive. Is there a situation where it will be more difficult for Anoro to find room on the COPD space, knowing that if SUMMIT is positive, there will be very supportive outcome results?

The last question is for you, to come back on the capital allocation. This is just a follow-up. Could you share with us your thoughts between Consumer, ViiV and what could be your preference. Is it fair to assume that there would be more savings if you have a full integration of the HIV business? Could you share with us more than what is available on the press release?

Sir Andrew Witty: Thank you very much. Moncef, would you like to talk about the meningitis B opportunity?

Moncef Slaoui: As far as Europe is concerned, the epidemiology is substantially higher than the observations in the US. The move by the UK, which was really driven by what Andrew spoke about earlier on the volume and price equation, is a very important validation of the importance of this vaccine. We would expect its further introduction and recommendation into countries where it is already substantially in use, in countries like Germany and Italy for instance. Our assumptions there are pretty much substantiated by the evidence and the UK decision will be a catalyst, going forward.

As far as the US is concerned, the incidence is lower. This is the reason why Menveo is recommended for mandatory universal mass vaccination, when Bexsero currently has a very narrow indication. The ACIP specifically said in February, when they made their decision, that this was a momentary decision, because they didn’t have time to consider a more relevant type of recommendation for higher risk individuals, versus extreme-high, super-niche, rare individuals with deficiencies or exposed specifically to the bacteria.

My expectation, based on the incidence of the disease and the risk is that people who are in dormitories, such as college students, or the military, would be recommended for immunisation and certainly, as has already been used, in outbreaks. In that regard, it is very important to understand that Bexsero has a shorter immunisation schedule and a faster onset of immune response, which is why Bexsero was selected for the intervention that it has been used for in two college situations in the US.

Sir Andrew Witty: Thanks, Moncef. Abbas, would you like to talk about your speculation on how SUMMIT might affect the positioning?
Abbas Hussain: That is a very good question. Clearly, a positive SUMMIT is almost swimming with the tide because if you look at the way that COPD is treated at the moment, people tend to start with tio and go on to what we call open triple, so that they add an ICS/LABA, whether it is Seretide or Breo. Obviously, if you have a positive SUMMIT, that really strengthens the profile of Breo in COPD.

The real challenge for Anoro is slightly different and I don’t think it is really connected with SUMMIT. It is the same for us, and it was the same for Novartis, and it will be the same in a way for BI. The total global market for dual bronchodilators as of today is worth £84 million. It is less than 2% of the total global respiratory market and so what you have is an established treatment paradigm that physicians are used to. What we are trying to do at the moment with products for dual bronchodilators is actually to send them down another treatment paradigm, which is very difficult. Thirdly, if the patient then starts to fail on the dual bronchodilator, it is actually quite difficult for the physician to get from there back to either an open triple or a closed triple. Clearly, at the point when we perhaps have our Ellipta device and the closed triple, that might make that transition much easier.

Sir Andrew Witty: I think I understood the question correctly, if we owned all of ViiV, or all of the CX businesses, would there be significant savings? Is that what you said?

Florent Cespedes: [No microphone] What is your favourite target for the business? Can you influence the savings of the HIV business?

Sir Andrew Witty: Obviously, I will not choose between the two of them. Do you think I want to make an enemy of Emma!

No, I look at this in a slightly different way. First of all, there are almost no incremental costs to having it the way it is currently structured. Many people say that you cannot run JVs, but you can run JVs as long as someone is in charge of all the day-to-day decisions, and there is absolute clarity about how the services are provided. In the case of both of these JVs, we made it super-clear that GSK is operationally in control of everything to do with these businesses on a day-to-day basis. The minority partners in both cases have minimal numbers of reserved rights, which are very, very high level reserved rights, and they do not influence the day-to-day activities of the businesses.

As a consequence of that, GSK itself is also the service provider for everything. The finance organisation that Simon runs supports the 100%-owned Pharma business, if I can put it in that way, as well as the Consumer business and as well as the ViiV business, so that there are no incremental costs associated. Whether or not we will ultimately end up owning all of this or not is for another day, down the road, depending on what our partners
want to do and what we want to do at that point in time. I would simply say that, without being open-minded to create these JVs, neither of these two businesses would exist today. Without having done ViiV, we would never have been able to stick at this market place for long enough to see dolutegravir come through.

It was that move which gave the company and, frankly, the external stakeholders, the confidence that GSK was going to stay in the HIV market in the face of the onslaught from Gilead. That has allowed us to get through the desert, get to the other side, and now build something very, very exciting. It is obvious to everybody that the only way we were ever going to get that Consumer business integrated with ours from Novartis was to do a deal like the one we have just done. These assets do not just come up on the market for open access for anybody. I would look at it in that way and say that the JVs have opened up two amazing opportunities. We have figured out how to run what, on the surface, most other companies have struggled to do but, because we have really understood the day-to-day operational needs, let’s see what happens over the next several years and whether we have the chance to own all of it or not. We’ll see, but we are perfectly happy with where we stand today.

We have time for one last question.

**Kerry Holford (Exane):** Three questions, please. The first one on US respiratory. First, in terms of the salesforce can you just clarify did you say, Abbas, you have increased the number of reps in the US? If so, can you tell us by how much and how many you now have?

You also mentioned that you had a dedicated sales reps on Anoro, Breo and Advair, do you have the same on Incruse and Arnunity? If not, how are they marketed?

Secondly, on access and incentives for the new drugs Anoro and Breo specifically, can you give us an update on how that is progressing, sampling, couponing impact for 2015, and how that will impact book sales?

Then on dividend, for the guidance for 2015 to 2017, for me it is a notable difference in terms of the timeframe you have given versus the growth guidance for the rest of the business. Is that because you want to retain flexibility for ’18 onwards when Novartis potentially put the remainder of the stake back to you? How should we think about Advair generic within the mix there? What are your options from 2018 onwards if they do put the option and generic Advair does come?
Sir Andrew Witty: Thanks very much. Abbas, would you like to comment on the US respiratory without going into too much competitive detail? Salesforce and then a comment on the impact of the access?

Abbas Hussain: Clearly I am not going to give you any numbers on the number of reps we have on each of the products. As we did a deep dive in the US organisation, as I was given responsibility for that with Jack, in addition to some of the complexities that we identified in Patient First, which Andrew referred to, which we have now removed, and that has been extremely well-received by the US salesforce, the other complexity we identified that was we were trying to get our representatives in a five to seven minute call to do too much. They often have three or four products in their bag to present; in many cases they didn’t know whether Advair was a priority or whether Breo was a priority, so what we have done is to ensure that each and every salesforce has one key product – so a Breo salesforce and an Anoro salesforce and an Advair salesforce that they focus on and that they are fully accountable for.

As a consequence of that, from an FTE basis, you can imagine that our share of voice then goes up, because you are not dividing that person among a number of other products, plus we have also brought on some incremental representatives. What I will say is that, particularly in the ICS LABA segment, between Breo and Advair, we will have a very competitive share of voice.

Your question on Incruse and Arnuity, really at this stage these are not necessarily actively promoted. They are available and the reps respond to questions from physicians in a reactive manner as appropriate.

Sir Andrew Witty: As you know there continues to be a big shift in the US marketplace, Kerry, where there are an awful lot of companies offering coupons, free vouchers, etc. That is a shift which obviously is slowing down with the conversion of prescription volume into revenues. We have to compete with that where it is appropriate to do so, but we expect to see that effect for us, as the volume of the product starts to build up that effect should start to dilute out and it represents a very small part of our overall discounting position as a company. It is not a material issue for us, but it is there at the margin.

As far as your dividend question is concerned, really it is incredible that the first time the company has ever given a forecast forward on dividend was the last quarter; we have now given you a forecast forward for three years and now you want four or five or six years. On that particularly cheeky question I am going to decline to answer for obvious reasons. We have given you a lot of visibility of how we expect the business to shape up over the next
several years. We are translating that all the way down to what shareholders, assuming everything plays out the way we expect, ought to be able to expect. I think that is a very reasonable amount of transparency that we are sharing with you and obviously as we roll forward, events will take place, we will take a clearer view beyond that.

With that, I very much appreciate all of your attention this afternoon. Obviously the IR team is available for any follow-up questions. I am sure you will have them once you have waded through the press release, but thank you for your attention.

[Conference concluded]