

Major 3-part Transaction with Novartis



Investor Presentation

22nd April 2014



Andrew Witty
Chief Executive Officer

Transaction highlights

Major 3-part transaction with Novartis to drive sustainable sales growth, improve long-term earnings and deliver increasing returns to shareholders

Consumer Healthcare JV	<p>GSK and Novartis will create a new world-leading Consumer Healthcare business with 2013 pro forma revenues of £6.5bn</p> <p>GSK to have a controlling equity interest of 63.5%</p>
Vaccines Acquisition	<p>Acquisition of Novartis's global Vaccines business (excluding influenza) for an initial cash consideration of \$5.25bn</p> <p>Potential future milestone payments of up to \$1.8bn and ongoing royalties</p>
Oncology Divestment	<p>Sale of GSK's marketed Oncology portfolio, related R&D activities and right to its AKT inhibitor and also grant of commercialisation partner rights for future oncology products to Novartis for aggregate cash consideration of \$16.0bn (of which up to \$1.5bn depends on results of COMBI-d trial)</p>
Return of Capital	<p>Capital return of £4.0bn following completion, funded by net after-tax proceeds of \$7.8bn⁽¹⁾</p> <p>Expected to be implemented through B share scheme</p>
Cost Savings	<p>Potential annual cost savings of approximately £1.0bn by year 5; approximately 50% to be delivered by year 3</p>
Financial Effects	<p>Accretive to core EPS from the first year reflecting execution of B share scheme and thereafter, with growing contribution from 2017 as cost savings and new growth opportunities are delivered</p>

Note: All transactions will be on a cash- and debt-free basis.

(1) GBP / USD FX rate of 1.68.

Delivering on our strategic objectives

Major step accelerating our strategy to generate sustainable, broadly sourced sales growth and improve long term earnings

- **Unique opportunity to substantially strengthen two of our core businesses**

- Opportunities to build scale and combine high quality assets in Vaccines and Consumer Healthcare are scarce
- Creating a new global leader in Consumer Healthcare
- Strengthening global leadership in Vaccines
- Realising attractive value for oncology business now

- **Creates stronger, higher quality earnings profile**

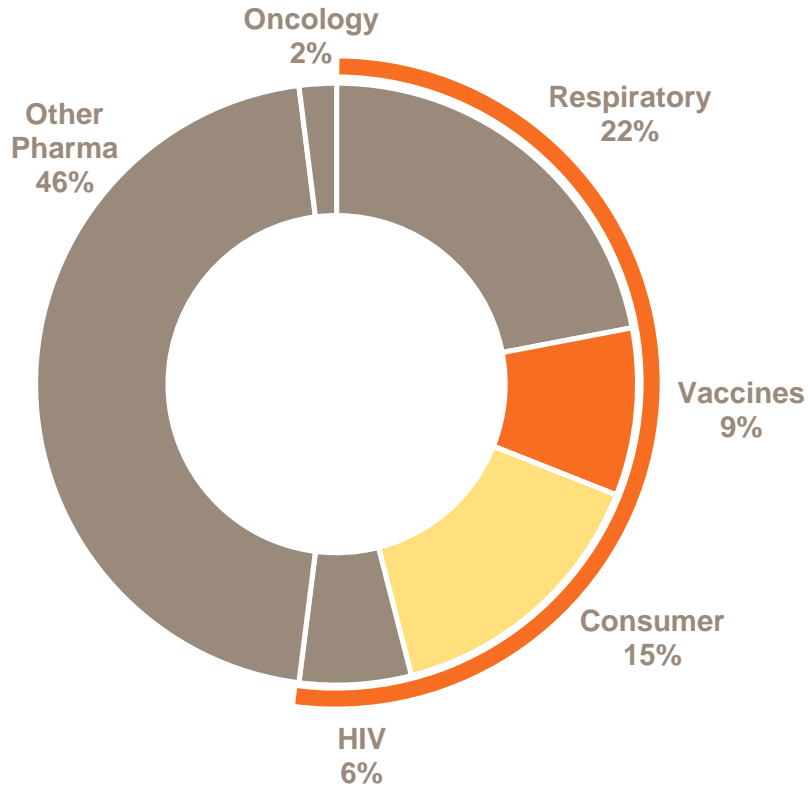
- Accretive to core EPS from the first year reflecting execution of B share scheme and thereafter, with growing contribution from 2017 as cost savings and new growth opportunities are delivered
- Potential annual cost savings of approximately £1.0bn by year 5; approximately 50% to be delivered by year 3

- **Drives significant value for shareholders**

- Capital return of £4.0bn in 2015 following completion, funded by net after-tax proceeds of \$7.8bn

Major step towards sustainable, broadly sourced revenue growth

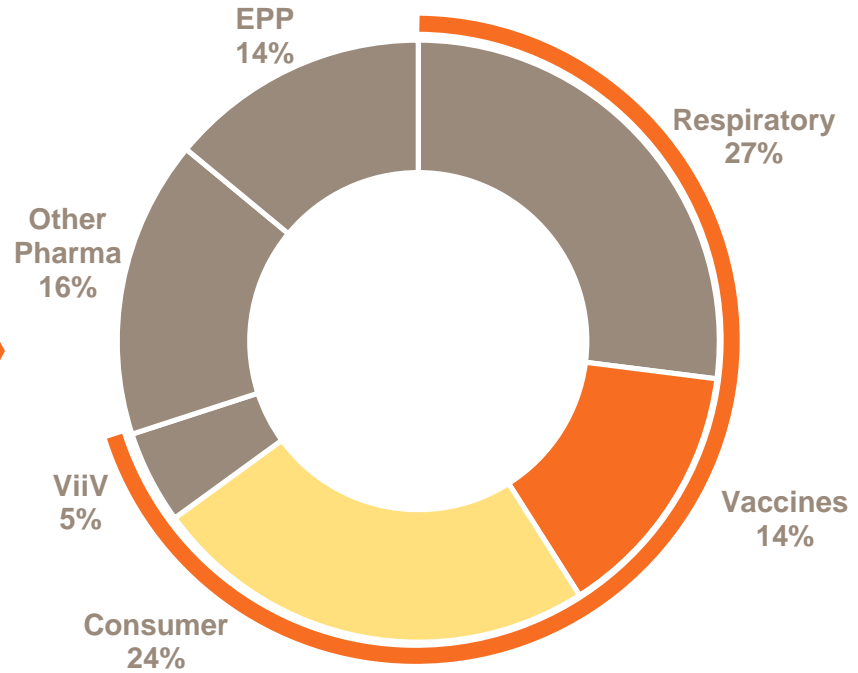
2007



52%

Total Revenues: £22.7bn

2013 Pro Forma



70%

Revenues from our key franchises in Respiratory, Consumer, Vaccines and HIV

Total Revenues: £26.9bn

Excluding sales of £903m from divestments in 2013.

Strengthening our leadership positions around 4 key franchises

Vaccines 14%



- **#1 global position**
 - ~\$25bn market growing at ~10% p.a.
- Comprehensive offering in paediatrics; around 50% of global market
- >20 vaccines in development

Respiratory 27%



- **#1 global position**
 - ~\$34bn market growing at 4% p.a.
- ~30% GSK share of global market
- 3 major approvals in last 12 months: Breo, Anoro & Incrusse
- 6 additional products in late stage development incl. recent positive Phase III data from mepolizumab

HIV 5%



- **#2 globally**
 - ~\$20bn market growing at 8% p.a.
- Tivicay launch rapidly gaining market share
- Single Tablet Regimen (DTG/Trii) filed in 3Q2013
- Long acting injectable in development for prevention and treatment

Consumer 24%



- **#1 OTC globally**
 - ~\$73bn market growing at 4% p.a.
- 19 \$100m+ brands
- #1 or 2 in core categories
- #1 in 36 geographical markets

Supported by our strong R&D and innovation platforms

Vaccines

£0.7bn R&D spend
in 2013



Leading R&D expertise
in virology and
bacterial infection



~45 NMEs in Phase II/III development

Pharma

£2.7bn R&D in 2013
balanced across
innovative pipeline



7 major approvals in
last 12 months

Consumer

£0.3bn pro forma
R&D in 2013



Focus on science &
clinically proven products



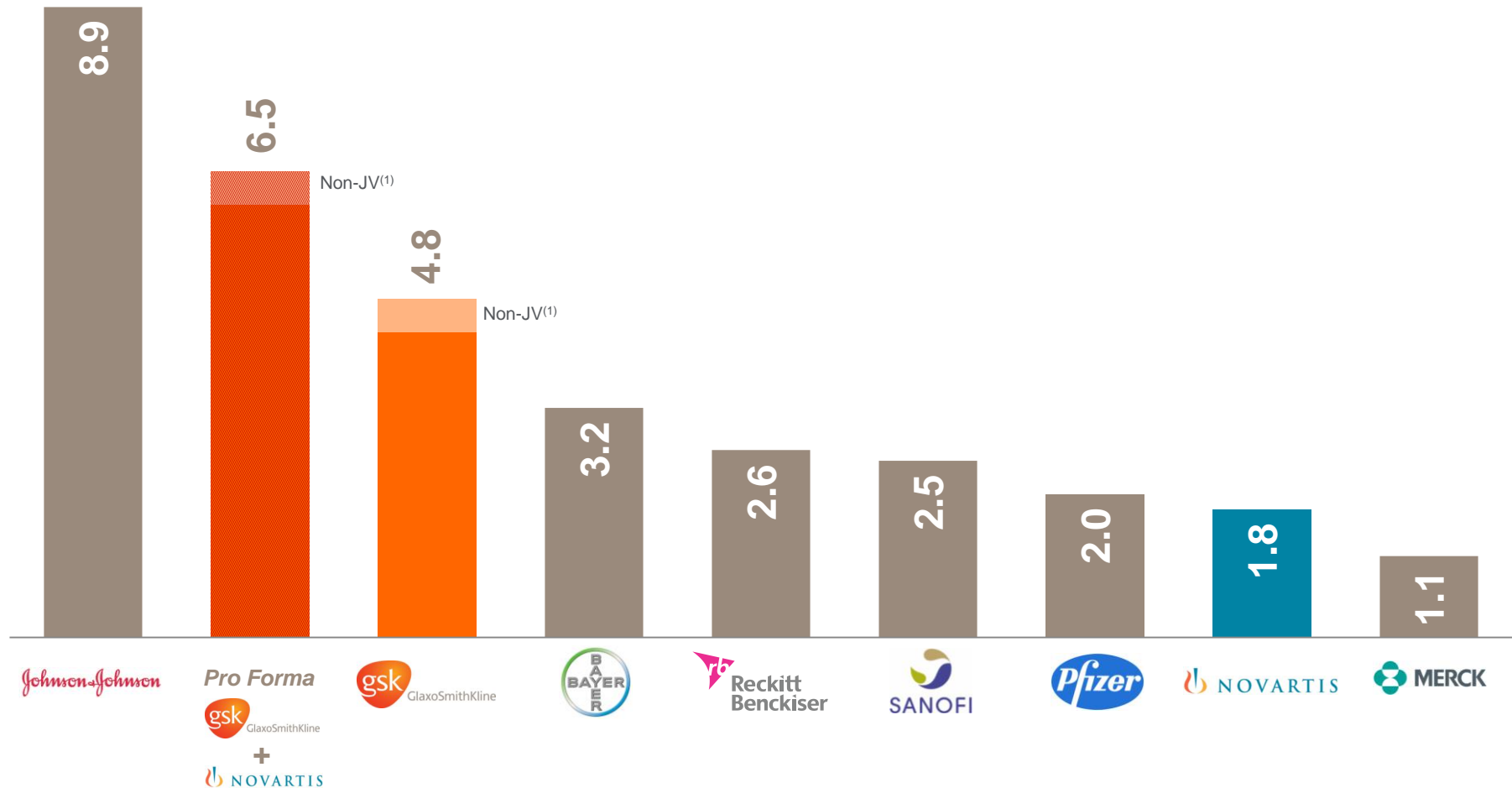
Rx/Cx switch
opportunities



~15% of sales from
recent innovation

Creating a new global-leading Consumer Healthcare company

Consumer Healthcare Revenue FY2013 (£bn)



Source: Individual company accounts.

Notes: (1) The JV excludes GSK's Indian and Nigerian businesses. Note: GSK Consumer Healthcare revenues are based on the restated financials released on 21 March 2014.

Variance in pro forma numbers is due to rounding

New GSK Consumer Healthcare focused on 4 key categories

- Highly complementary brand portfolios, with #1 or #2 positions in core categories
- Leveraging Pharmaceutical R&D and broader OTC/FMCG capabilities

FY2013
Pro Forma
Revenue⁽¹⁾



Wellness



£3.4bn

Oral care



£1.9bn

Nutrition



£0.6bn

Skin Health



£0.6bn

Source: Individual company accounts, company guidance.
Notes: (1) Includes revenues from GSK's Indian and Nigerian businesses.

Creating the #1 Wellness OTC franchise with £3.4bn sales

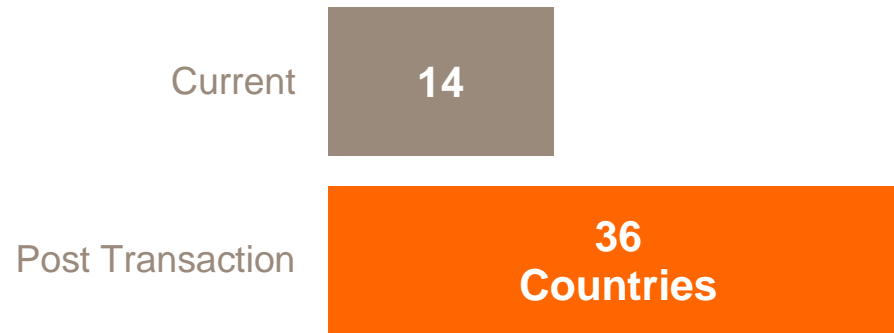
	Category Size ⁽¹⁾	Category Growth ⁽¹⁾	gsk GlaxoSmithKline	NOVARTIS	Pro Forma Market Position ⁽²⁾
Pain Management	£15bn	6%			#1
Respiratory Health	£21bn	2%			#1
Smoking Cessation	£2bn	1%			#1
Gastro Intestinal	£10bn	4%			#2

Source: (1) Internal and external data. (2) based on Euromonitor data

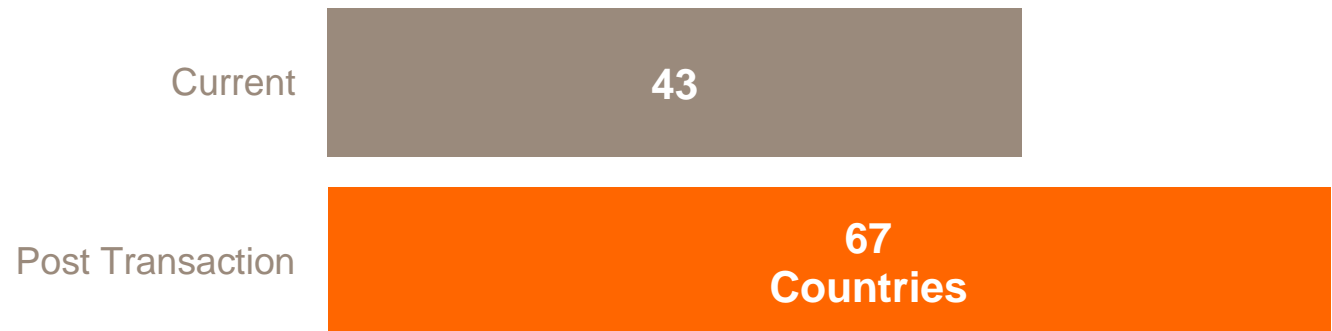
Combination takes us from being #1 in 14 markets to #1 in 36 markets

- Geographically well matched
- Significant opportunities to develop new brand footprints and extend distribution

#1 Market Positions

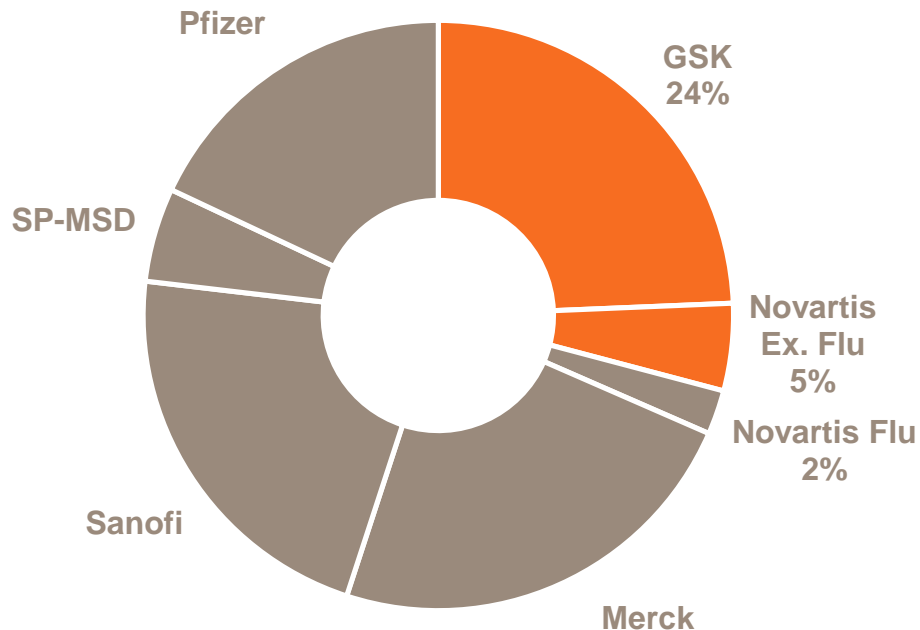


Top 5 Market Positions



Strengthening global leadership in Vaccines

\$25bn global vaccines market
growing at ~10% p.a. for next 10
years



- Acquisition of Novartis' Vaccines Business (excl. influenza) further consolidates GSK's leading global position
- Clear strategic rationale
 - Strengthen the breadth of GSK's portfolio and pipeline – notably in meningitis
 - Complementary R&D organisations
 - Strengthens US market access
 - EM opportunity for Novartis portfolio
- Improved flexibility and competitiveness of supply chain in Vaccines
 - Vertical integration of paediatric franchise
- Substantial cost saving opportunities

Strength in combined Vaccines portfolio, notably in the US



Recommended Immunizations by US CDC

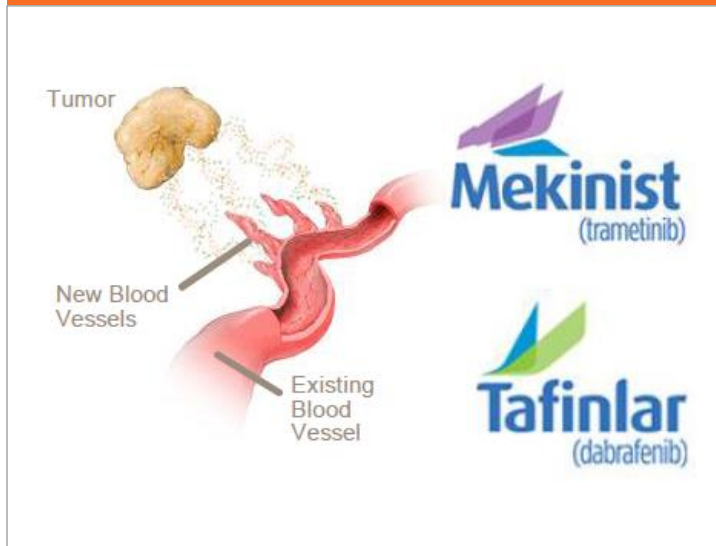
Diphtheria, tetanus, & acellular Pertussis (DTaP) (pediatric)	✓		✓	
<i>Haemophilus influenzae</i> type b (Hib) (pediatric and adult)	✓		✓	✓
Hepatitis A (pediatric and adult)	✓			✓
Hepatitis B (pediatric and adult)	✓			✓
Human papillomavirus (HPV) (pediatric and adult)	✓			✓
Inactivated Polio (IPV) (pediatric and adult)	✓		✓	
Influenza (pediatric and adult)	✓	✓	✓	
Rotavirus (pediatric)	✓			✓
Tetanus, diphtheria, pertussis (Tdap) (pediatric and adult)	✓		✓	
Meningococcal Disease (pediatric and adult)		✓	✓	
Measles, Mumps, Rubella (MMR) (pediatric and adult)				✓
Pneumococcal (pediatric and adult)				✓
Varicella (adult and pediatric)				✓
Zoster (adult)				✓



Late stage development programme including GSK's MMR and Zoster Vaccines, Meningococcal Serogroup B (Bexsero) and MenABCWY combination post transaction

Realising significant value for Oncology

Oncology

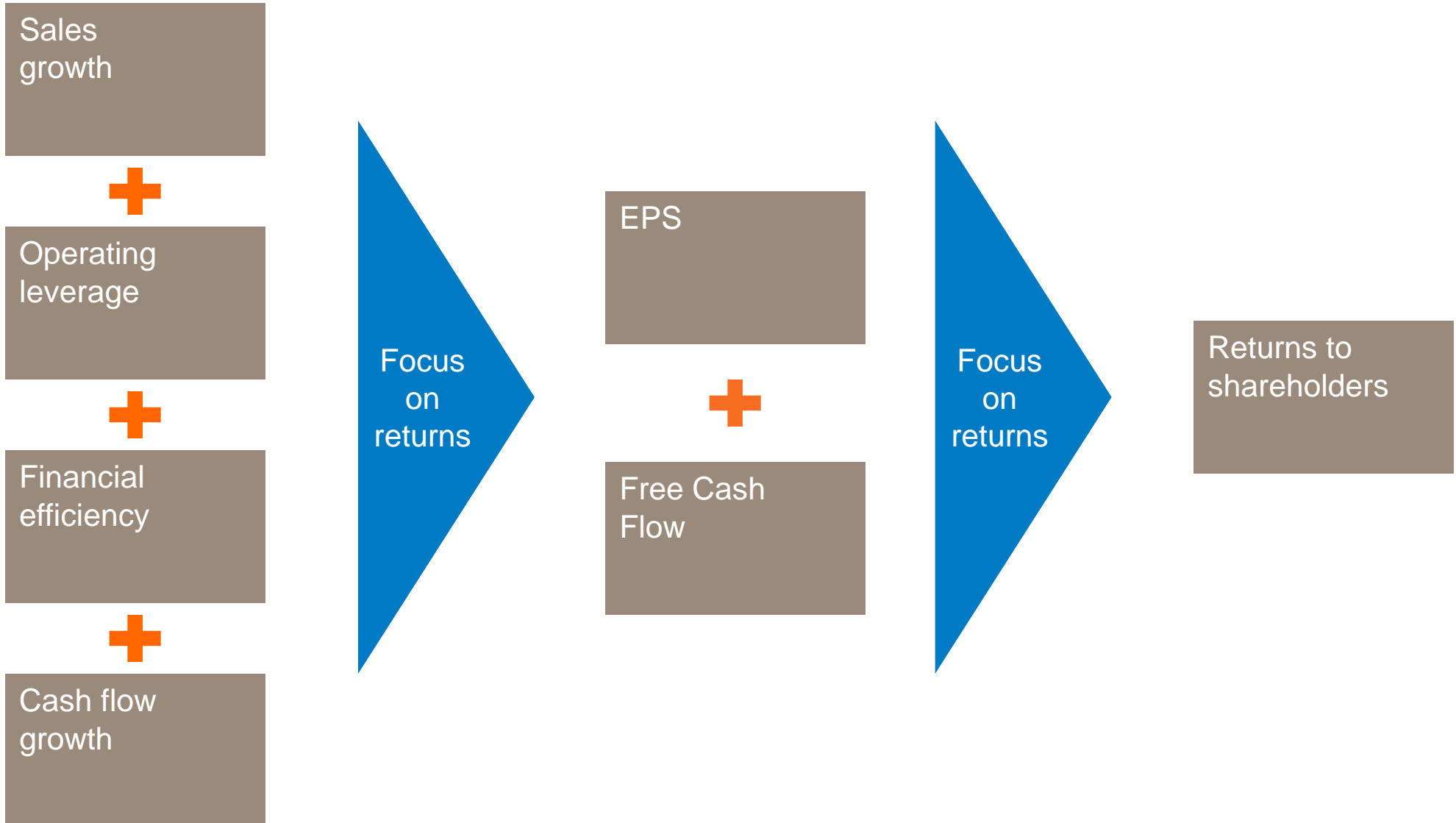


- **Sale of GSK's currently marketed Oncology assets**
 - Novartis will acquire all currently marketed portfolio, and
 - Assume ongoing responsibility for commercialisation and further development of these brands
 - Obtain rights to AKT inhibitor; currently in phase II development
 - Partner rights for commercialisation of future GSK Oncology products
- **Cash consideration of \$16.0bn**
 - Up to \$1.5bn contingent on results of OS data COMBI-d trial of MEK/BRAF combination
- **R&D activities in Oncology will continue**
 - Programmes in cancer immunotherapy, epigenetics and tumour microenvironment



Simon Dingemans
Chief Financial Officer

Proposed Transaction delivers against financial architecture



A better balance of revenues, profits and earnings

Sales
growth



Operating
leverage



Financial
efficiency



Cash flow
growth

- **Accretive from year 1 to Core:**
 - Revenue
 - Operating profit
 - **EPS**

Transaction provides opportunities for significant cost savings

Sales growth



Operating leverage



Financial efficiency



Cash flow growth

- **Total annual cost savings of ~£1bn by year 5**
 - 50% to be delivered by year 3
- **Contribution of approximately:**
 - 40% from Consumer Healthcare
 - 40% from Vaccines
 - 20% from divestment of currently marketed Oncology portfolio
- **20% of cost savings to be re-invested**
 - Used to support innovation and launches
- **Cost of achieving savings anticipated to be ~£2bn**
 - Split equally between cash and non-cash costs

Cost savings driven from all 3 parts of the transaction

Sales growth



Operating leverage



Financial efficiency



Cash flow growth

- **Consumer**

- Overlapping commercial presence
- Complementary geographic positions
- Supply chain simplification
 - Reduction in 3rd party volumes
 - Enhanced procurement
 - Network planning

- **Vaccines**

- Overlapping commercial presence
- Supply chain capacity and flexibility
 - Additional capacity and capability
 - Enhanced supply
 - Network planning
- Vertical integration of paediatric franchise

- **Oncology**

- Associated support spend

Financial strength delivering continued returns to shareholders

Sales growth



Operating leverage



Financial efficiency



Cash flow growth

- **Return of capital of £4.0bn following completion**
 - Implemented through B share scheme
- **Core EPS accretion from Year 1**
 - Growing contribution thereafter
 - Particularly from 2017 as synergies deliver
- **Strong balance sheet maintained to support:**
 - Integration of investment requirements
 - Capital markets access
- **Ongoing review of EPP and other non core assets**
- **Post return of capital via B share scheme, no further buybacks in 2015**
- **Share buyback programme allocation for 2016 and beyond to be reviewed in line with usual annual cycle**
- **Dividend policy unchanged**

Cash flow

Sales growth



Operating leverage



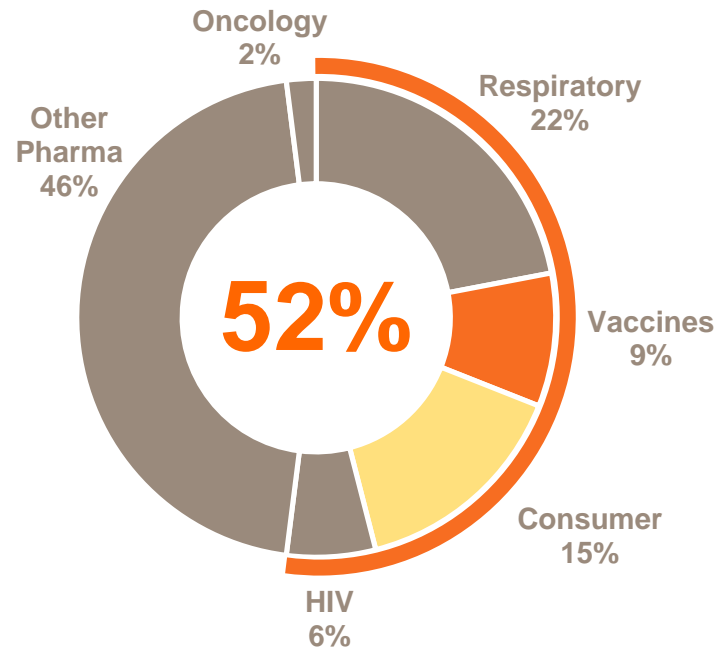
Financial efficiency



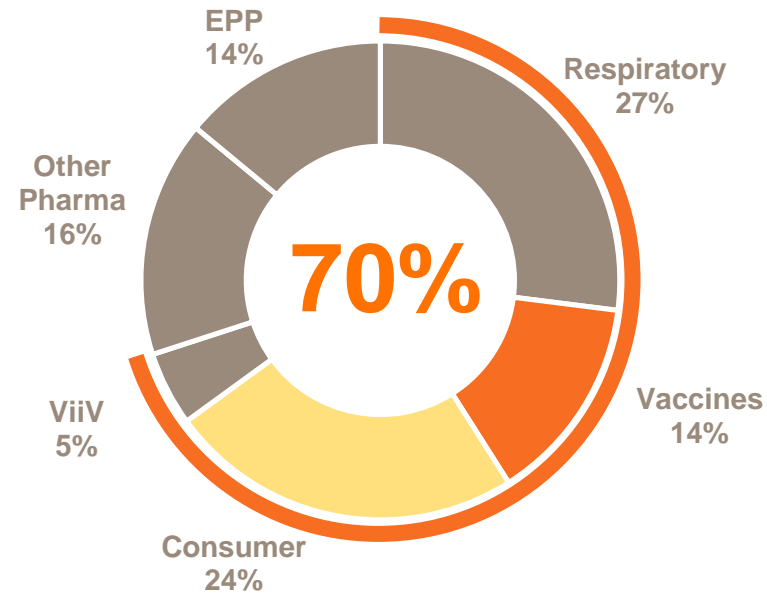
Cash flow growth

- More balanced cash flow profile
- Working capital efficiency opportunities
- Attractive returns on initial restructuring spend
- Contribution from cost savings and other growth drivers

Revenue 2007



Revenue 2013 Pro Forma



Excluding sales of £903m from divestments in 2013.

Transaction structure

- **Oncology**

- \$1.5bn contingency
 - COMBI-d trial results

- **Vaccine milestones**

- Up to \$1.8bn in milestones
 - Tied to new product approvals and threshold sales of Bexsero, MenABCWY and GBS
 - 10% royalty payable on sales triggered by milestones

- **Consumer option for Novartis to put shareholding**

- After year 3
 - 7.5% or entire remaining holding
 - Fully distributed market value

Timetable and approvals

Expected Timetable

Q4 2014 – shareholder approval

H1 2015 – Regulatory approvals

H1 2015 – Expected transaction closing

Following closing – B share scheme return of capital and share consolidation

Conditions

- GSK shareholder approval
- Regulatory approvals
- Standard closing conditions

Information regarding forward-looking statements

This announcement includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include, but are not limited to, statements regarding GSK’s intentions, beliefs or current expectations concerning, among other things, GSK’s business, results of operations, financial position, prospects, growth, strategies and the industry in which it operates as well as those of the Novartis businesses that are the subject of the transaction. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of GSK’s operations and financial position, and the development of the markets and the industry in which GSK operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. The same applies in respect of the Novartis Businesses that are the subject of the transaction. In addition, even if the results of operations, financial position and the development of the markets and the industry in which GSK operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations, changes in its business strategy, political and economic uncertainty and other factors discussed in this announcement.

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