# Pre-Quarterly Results Communication Q1 2015

## Novartis Transaction Update

On 2 March 2015 GSK completed the major three-part transaction with Novartis.

GSK has:

1. divested to Novartis its marketed Oncology portfolio, related R&D activities and rights to two pipeline AKT inhibitors for an aggregate cash consideration of $16 billion;
2. acquired Novartis's global Vaccines business (excluding influenza vaccines) for an initial cash consideration of $5.25 billion;
3. created a new world-leading Consumer Healthcare joint venture with Novartis in which GSK will have majority control and an equity interest of 63.5%.

In light of the timing of closing the transaction, the Company intends to report its first quarter results for 2015 and hold an Investor Meeting on 6 May 2015, at which it will provide 2015 earnings guidance and profile the medium and long-term shape and opportunities for the enlarged Group.

Following the closing of the Novartis transaction GSK has reorganised the Group to reflect the greater balance between its Pharmaceuticals, Vaccines and Consumer businesses and responsibilities for some parts of these respective businesses have been realigned. GSK intends to report these three businesses separately in future with corporate costs reallocated to each accordingly to more accurately reflect the profitability of each segment. Further detail will be included in the Q1 results.

**Oncology ***

Following the completion of the transaction with Novartis on 2 March 2015 GSK will consolidate two months of Oncology product sales and operating profits in 2015.

The historical data relating to Oncology* is:

| Oncology* £m | 2011A | 2012A | 2013A | H1 2014A | 2014A |
|---|---|---|---|---|---|
| Turnover | 678 | 803 | 967 | 552 | 1,193 |
| Core operating profit | (86) | 27 | 222 | 199 | 491 |
| Core operating margin | -12.7% | 3.4% | 23.0% | 36.1% | 41.2% |

*Oncology comprises the Company's Marketed Oncology Portfolio, related R&D activities and rights to its AKT Inhibitors currently in development and also the grant to Novartis of the Oncology Commercialisation Partner Rights for future oncology products arising from GSK's early-stage oncology pipeline

**Novartis Vaccines Business**

Following the completion of the transaction with Novartis on 2 March 2015 GSK will consolidate ten months of Novartis product sales and operating profits in 2015.

The historical data relating to the Novartis Vaccines business is:

| Novartis Vaccines Business* £m | 2012A | 2013A | 2013A Excluding intermediate supply | 2014A† Excluding intermediate supply |
|---|---|---|---|---|
| Turnover | 568 | 602 | 462 | 549 |
| Core operating loss | (143) | (73) | (199) | (199) |
| Core operating margin | -25.2% | -12.1% | -43.1% | -36.2% |

* Excluding the Novartis Influenza Vaccines Business which GSK has not purchased

† Information for the Novartis 2014 results is a preliminary estimate based on information provided by Novartis and may be subject to further revision.

When reported by Novartis, its Vaccines Business included the supply of intermediate vaccine components to GSK, turnover for which was £144m in 2012, £140m in 2013 and £135m in 2014. After the Completion of the Transaction, these sales will be eliminated from reported turnover and cost of goods sold. For illustrative purposes, the 2013 and 2014 estimated results for the acquired Novartis Vaccines business have been restated above to exclude the financial benefit of these sales.

**Novartis OTC Business**

Following the completion of the transaction with Novartis on 2 March 2015 GSK will consolidate ten months of Novartis product sales and operating profits in 2015.

GSK will hold a 63.5% shareholding and Novartis will hold a 36.5% shareholding in the newly created Consumer Healthcare joint venture. The reported results for the total GSK Consumer Healthcare segment will include sales and profits from GSK's listed Indian and Nigerian Consumer businesses (in which GSK holds respective shareholdings of 72% and 46%) and additional allocated GSK corporate costs attributable to the overall Consumer Healthcare segment.

| Novartis OTC Business | 2011A | 2012A | 2013A | 2014A† |
|---|---|---|---|---|
| Turnover | 2,050 | 1,649 | 1,847 | 1,841 |
| Core operating profit | 313 | 38 | 87 | 186 |
| Core operating margin | 15.3% | 2.3% | 4.7% | 10.1% |

† Information for the Novartis 2014 results is a preliminary estimate based on information provided by Novartis and may be subject to further revision.

**Impact of Required Divestments**

On 28 January GSK announced clearance from the European Commission of its proposed three-part transaction with Novartis. The approval is subject to certain conditions, which GSK and Novartis have agreed to undertake following completion of the transaction.

**Consumer Divestments:** In relation to the proposed consumer healthcare joint venture, GSK has agreed to sell its NiQuitin smoking cessation products and Coldrex cold & flu products in the European Economic Area (EEA), its local Panodil pain management and Nezeril/Nasin cold and flu products in Sweden, and Novartis's topical cold sore business in the EEA.

**Vaccines Divestments:** In relation to the vaccines acquisition, GSK has agreed to sell its meningitis vaccines, Nimenrix and Mencevax, on a global basis.

**Financial Impact:** In 2014 total combined sales of these products was circa £100m with profits generated of circa £50m. For modelling purposes only, it should be assumed that the divestments are completed by 30 June 2015.

**Cost Savings and Synergies**

In the Circular to shareholders on 20 November 2014 we stated:

*The Board estimates that total annual cost savings of £1 billion could be achievable by the fifth full year following Completion. The delivery of these potential savings is expected to be phased, with approximately 50 per cent delivered by year three and the full amount by year five. The Board intends to reinvest approximately 20 per cent of costs savings to support innovation and expected new product launches across the Enlarged Group.*

*The Board estimates that the total costs to deliver these savings will be £2 billion, split approximately evenly between cash and non-cash charges. Contributions to the total cost savings are estimated to be approximately 40 per cent from the Consumer Healthcare Joint Venture; 40 per cent from the Vaccines Acquisition; and 20 per cent from savings associated with the Oncology Disposal. In each case, the estimated cost savings have been measured against the actual expenditure for the year ended 31 December 2013. These estimates are subject to further detailed implementation planning post-Completion.*

The timing of completion of the transaction will significantly impact the level of synergies that we expect to be delivered during 2015 with a substantial majority of the synergies expected in the first 12 months now falling in 2016.

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

From 2 March 2015 Novartis' 36.5% share in the after tax profit of the new Consumer Healthcare joint venture will be reflected in this line. Prior to the completion of the transaction the major element of existing non controlling interests was the 22% of ViiV Healthcare held by Shoinogi and Pfizer.

## Other information

**Foreign Exchange:**

Average rates for the quarter ended 31 March 2015 were $1.52/£, €1.34/£ and Yen 182/£. On the basis of these rates, it is expected that the impact of foreign exchange on Q1 2015 sales will be around -1%.

As a result of the mix of currency movements relative to the mix of costs, we expect that the impact of foreign exchange on Q1 2015 sterling core EPS will likely be greater than the impact on revenues.

| Average rates Quarterly | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 |
|---|---|---|---|---|---|
| **Key currencies** | | | | | |
| US$ | 1.66 | 1.68 | 1.67 | 1.59 | 1.52 |
| € | 1.21 | 1.23 | 1.25 | 1.27 | 1.34 |
| Yen | 171 | 173 | 175 | 181 | 182 |
| **Other Currencies** | | | | | |
| Australian Dollar | 1.85 | 1.81 | 1.83 | 1.83 | 1.94 |
| Brazilian Real | 3.89 | 3.79 | 3.84 | 4.00 | 4.33 |
| Canadian Dollar | 1.83 | 1.83 | 1.80 | 1.82 | 1.88 |
| Chinese Yuan | 10.2 | 10.4 | 10.2 | 9.90 | 9.49 |
| Indian Rupee | 102.0 | 102.0 | 102.0 | 98.0 | 94.9 |
| Russian Rouble | 57.8 | 58.8 | 61.6 | 77.4 | 94.7 |
| | | | | | |
| ***FX impact on turnover*** | ***-8%*** | ***-9%*** | ***-7%*** | ***-3%*** | ***-1%*** |
| ***FX impact on CORE EPS*** | ***-22%*** | ***-13%*** | ***-5%*** | ***-5%*** | |

| Average rates Cumulative - YTD | 3M 2014 | 6M 2014 | 9M 2014 | 12M 2014 | 3M 2015 |
|---|---|---|---|---|---|
| **Key Currencies** | | | | | |
| US$ | 1.66 | 1.67 | 1.67 | 1.65 | 1.52 |
| € | 1.21 | 1.22 | 1.23 | 1.24 | 1.34 |
| Yen | 171 | 172 | 173 | 175 | 182 |
| **Other Currencies** | | | | | |
| Australian Dollar | 1.85 | 1.83 | 1.83 | 1.83 | 1.94 |
| Brazilian Real | 3.89 | 3.84 | 3.84 | 3.88 | 4.33 |
| Canadian Dollar | 1.83 | 1.83 | 1.82 | 1.82 | 1.88 |
| Chinese Yuan | 10.2 | 10.3 | 10.3 | 10.2 | 9.49 |
| Indian Rupee | 102.0 | 102.0 | 102.0 | 101.0 | 94.9 |
| Russian Rouble | 57.8 | 58.3 | 59.4 | 63.9 | 94.7 |
| | | | | | |
| ***FX impact on turnover*** | ***-8%*** | ***-9%*** | ***-8%*** | ***-7%*** | ***-1%*** |
| ***FX impact on CORE EPS*** | ***-22%*** | ***-17%*** | ***-12%*** | ***-11%*** | |

The Q1 2015 period-end rates were $1.48/£, €1.38/£ and Yen 178/£.

| Period end rates | Dec 2013 | Mar 2014 | Jun 2014 | Sep 2014 | Dec 2014 | Mar 2015 |
|---|---|---|---|---|---|---|
| **Key Currencies** | | | | | | |
| US$ | 1.66 | 1.67 | 1.71 | 1.62 | 1.56 | 1.48 |
| € | 1.20 | 1.21 | 1.25 | 1.28 | 1.29 | 1.38 |
| Yen | 174 | 172 | 173 | 178 | 187 | 178 |

**Exchange Gains or Losses (EGOLs)**

Sharp movements and volatility in currencies during a quarter can result in Exchange Gains or Losses (EGOLs) which are recorded in SG&A. During Q1 2015 there was continued volatility in a number of currencies relative to Sterling.

| EGOLS £m (as reported) | Q1 | Q2 | Q3 | Q4 | Full Year |
|---|---|---|---|---|---|
| 2012 | (17) | (2) | 2 | (9) | (26) |
| 2013 | 82 | (46) | (49) | (14) | (27) |
| 2014 | (20) | (27) | 10 | (19) | (56) |

**Basic Weighted Average Number of Shares (WANS):**

The basic weighted number of shares in issue during Q1 2015 was 4,820m compared with 4,802m in Q1 2014 (an increase of 0.4%).

| In millions | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 |
|---|---|---|---|---|---|
| **WANS**: Quarter | 4,802 | 4,812 | 4,807 | 4,809 | 4,820 |
| **WANS**: Cumulative - Year to date | 4,802 | 4,807 | 4,807 | 4,808 | 4,820 |
| Period end shares * | 4,815 | 4,805 | 4,808 | 4,811 | 4,830 |

*excludes Treasury shares and shares held by ESOP Trusts

**Dividend**

In the Q4 2014 Press Release we made the following comment on the dividend:

*For 2014, we have declared a dividend of 80p, up 3%. For 2015 we expect to maintain the dividend per share at the same level.*

| Dividend per share (p) | Q1 | Q2 | Q3 | Q4 | Full Year |
|---|---|---|---|---|---|
| 2013 | 18 | 18 | 19 | 23 | 78 |
| 2014 | 19 | 19 | 19 | 23 | 80 |
| 2015 | | | | | 80* |

*The actual dividend amount is determined by the Board of Directors and the Q1 2015 interim dividend is expected to be declared on 6 May 2015 in conjunction with the Q1 2015 results

## Factors Impacting Recent Quarterly Comparisons

As usual there were a number of events in 2015 to date and during 2014 which impact the year on year comparison for Q1 2015. This includes the following noteworthy items which you may wish to consider in your modelling.

**The shape of 2014**

We made the following comment in the Q4 2014 Press Release:

*Some of the headwinds faced by the Group in 2014 will continue to adversely affect performance during 2015 with a greater impact in the first half of the year. However, with annualisation of these factors and successful execution of our priorities, we expect a stronger performance in the second half of the year.*

Additionally, in the Q4 2014 analyst presentation on 4 February 2015, Simon Dingemans made the following comments:

*"As we have previously indicated, we continue also to expect US Advair down around 20% for the year, although given the timing of contract negotiations last year, the headwinds driving this decline are expected to be stronger in the first half which will also see tough comparators for Lovaza, our Japan business, which saw wholesaler stocking in Q1 last year ahead of the consumption tax increase, and vaccines with Boostrix and Pediarix both benefitting in the first half last year from the absence of a competitor from the market.*

*The benefits of our ongoing restructuring will offset some but not all of these pressures during the year. The latest programme, the £1 billion cost reduction effort that we announced at Q3 to reshape and improve the productivity of our pharmaceuticals business has made a good start with a number of elements announced before the end of 2014. However, its impact will not really be felt in a material way until the second half of the year with more benefit in 2016 when we expect to deliver half of the run rate and 2017 when we are targeting the full £1 billion of annual savings.*

*We should also see during the year a building contribution from our recent launches which, together with the return of supply to our Consumer business, should deliver a stronger second half performance as we continue to implement our strategy to rebalance our business."*

**Margins 2015 (ex Novartis)**

In the Q4 2014 analyst presentation on 4 February 2015, Simon Dingemans made the following comments:

*"In 2015, we continue to expect margin pressure from lower Advair sales and the changing mix of our business given faster growth from our Emerging Markets and Consumer businesses than from our US and European ones.*

*This is before any reset that would occur as a result of the Novartis transaction."*

**Please note that the items listed below are not intended to be a complete list of all items that may impact the comparisons for Q1 2015 versus Q1 2014**

**US Respiratory**

We made the following comments on US Respiratory and Advair in the Q4 2014 Press Release:

Q4 2014:
*In the US, Respiratory sales declined 20% in the quarter (6% volume decline and a 14% negative impact of price and mix), primarily reflecting the continued price and contracting pressures, including for new products, which affected the ICS/LABA combination market, where Advair and Breo Ellipta compete, and also the LABA/LAMA combination market, where Anoro Ellipta has recently been introduced. Sales of Advair were down 27% (11% volume decline and a 16% negative impact of price and mix) and Flovent sales were down 10% to £113 million, primarily reflecting the negative impact of price and mix. Ventolin sales grew 5%, largely due to net favourable adjustments to previous accruals for returns and rebates. Breo Ellipta, launched in Q4 2013 recorded sales of £15 million, and Anoro Ellipta, launched in Q2 2014 recorded sales of £9 million in the quarter.*

Full Year 2014:
*In the US, Respiratory sales declined 18% (11% volume decline and a 7% negative impact of price and mix), primarily reflecting the continued price and contracting pressures in the market. Sales of Advair were down 25% to £1,972 million (14% decline in volume and an 11% decline of price and mix). Flovent sales were down 6% while Ventolin sales were up 18%, primarily reflecting the impact of net favourable adjustments to previous accruals for returns and discounts. Breo Ellipta recorded sales of £29 million and Anoro Ellipta sold £14 million in the year*

In the Q4 2014 analyst presentation on 4 February 2015, Simon Dingemans made the following comments:

*"As we have previously indicated, we continue also to expect US Advair down around 20% for the year, although given the timing of contract negotiations last year, the headwinds driving this decline are expected to be stronger in the first half."*

In the Q4 2014 webcast Andrew Witty made the following additional comments:

*"In terms of US Advair and the year-end stock movements, yes, that is included in our view of Advair. I would reiterate that we would expect Q1 to be particularly challenged because it has a concentration of price effects, de-stock and all of those things."*

For further comments, please refer to quarterly press releases and webcast/analyst presentation transcripts.

**Theravance Milestone Payments**

Other Pharmaceuticals turnover includes milestone income received from Theravance. During 2013 and in 2014 the following milestone payments were due from Theravance

In September 2014 we received a $10m payment relating to the Anoro launch in Japan. This was the final registrational and launch-related milestone fee payable to GSK relating to Breo/Relvar and Anoro.

| Theravance Milestones £m | Q1 | Q2 | Q3 | Q4 | Year |
|---|---|---|---|---|---|
| 2013 | - | 19 | 6 | 52 | 78 |
| 2014 | 9 | 36 | 12 | - | 57 |
| 2015 | - | - | - | - | - |

**Vaccines**

Vaccines are vulnerable to volatility on a quarterly basis – particularly in emerging markets

In the Q4 2014 results webcast on 4 February 2015, Simon Dingemans (Chief Financial Officer) made the following comments relating to 2015 headwinds for Vaccines:

*".....and vaccines, with Boostrix and Pediarix both benefitting in the first half last year from the absence of a competitor from the market."*

Here are the quarterly results for the Vaccines Business in 2014:

| Sales £m | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | FY 2014 |
|---|---|---|---|---|---|
| US | 172 | 192 | 337 | 229 | 930 |
| Europe | 240 | 239 | 259 | 240 | 978 |
| Emerging Markets | 190 | 283 | 274 | 309 | 1,056 |
| Other | 56 | 52 | 52 | 68 | 228 |
| **Vaccines** | **658** | **766** | **922** | **846** | **3,192** |
| | | | | | |
| ***CER growth†*** | | | | | |
| *US* | *+25%* | *-2%* | *-3%* | *-9%* | *+0%* |
| *Europe* | *+3%* | *-5%* | *+0%* | *-7%* | *-2%* |
| *Emerging Markets* | *-8%* | *+26%* | *+13%* | *-16%* | *+1%* |
| *Other* | *n/a* | *n/a* | *n/a* | *n/a* | *n/a* |
| ***Vaccines*** | ***+3%*** | ***+5%*** | ***+0%*** | ***-9%*** | ***-1%*** |

In Q1 2015 there will be a one month contribution to sales and profits from the Novartis Vaccines business following completion of the transaction on 2 March 2015

**Consumer**

In the Q4 2014 Press Release we made the following comments:

*In Consumer Healthcare, sales for the year were down 1%, but up 2% in the fourth quarter. Our business continues to recover from recent supply issues and we expect increasing benefit from resumption in supply during 2015. I am also very pleased to see today the first shipments of Flonase Allergy Relief, a product we have switched to OTC in the US.*

In the Q4 2014 webcast Andrew Witty made the following additional comments:

*" I would expect Consumer supply to be a tailwind for this year. I think it will be more pronounced in Q2, 3 and 4, only because the negative effect was largely towards the end of Q1 and then Q2 and Q3. It will be a tailwind and, as we sit here today, all the plants are running very well and very busily."*

| GSK Consumer Health | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | 2014 |
|---|---|---|---|---|---|
| Turnover | 1,127 | 1,022 | 1,071 | 1,116 | 4,336 |
| CER Growth | +0% | -4% | -3% | +2% | -1% |

In Q1 2015 there will be a one month contribution to sales and profits from the Novartis OTC business following completion of the transaction on 2 March 2015

**Operating and Financial performance**

***Operating Performance***

**Royalties:**

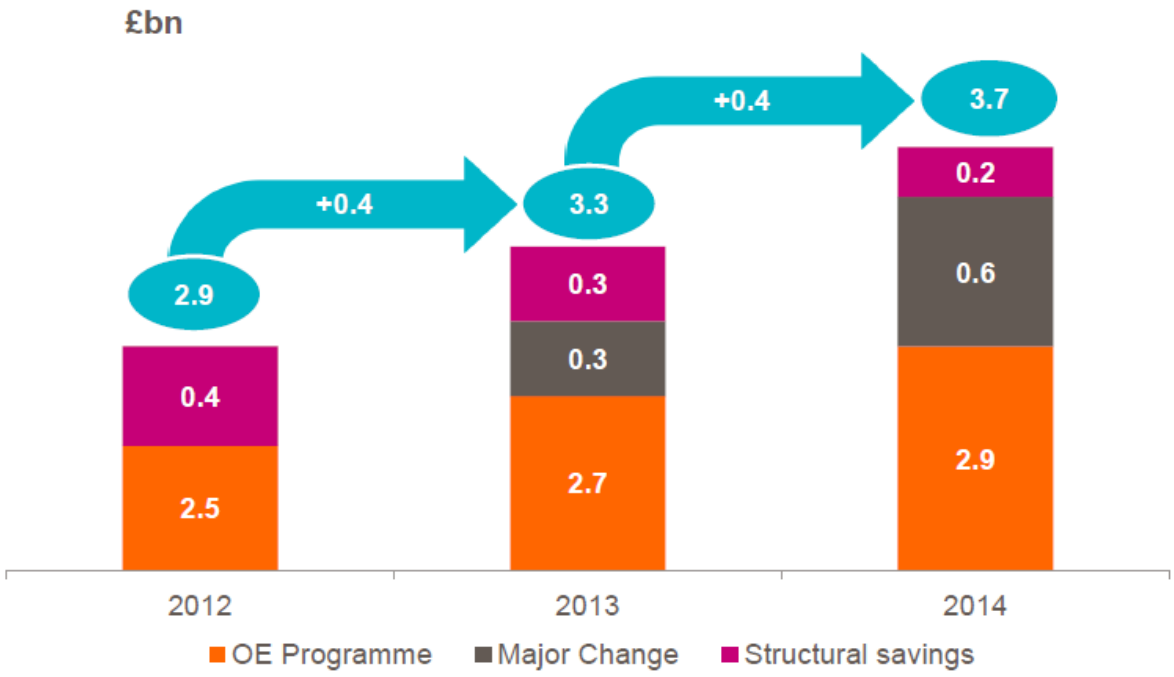
In the Q4 2014 analyst presentation on 4 February 2015, Simon Dingemans made the following comments:

*"As expected, royalties were lower at £310 million versus £387 million in 2013. This reflects the conclusion of a number of agreements as well as the benefit of a true up adjustment recorded in 2013. Royalties will likely see a further decline in 2015 for the same reasons and around £250 million would be a reasonable estimate - excluding any new royalty flows that may come from the proposed Novartis transaction."*

| Royalty income (£m ) (restated) | Q1 | Q2 | Q3 | Q4 | Full Year |
|---|---|---|---|---|---|
| 2013 | 113 | 82 | 94 | 98 | 387 |
| 2014 | 70 | 72 | 101 | 67 | 310 |
| 2015 | | | | | ~250* |

*excludes any new royalty flows that may come from the proposed Novartis transaction

**Year on year cost savings (per Q4 2014 analyst presentation):**




In the Q4 2014 analyst presentation on 4 February 2015, Simon Dingemans made the following comments:

*"Our OE programme is now complete and delivered aggregate savings of around £2.9 billion on total costs of £4.7 billion. This compares to our initial target for savings from this programme of £2.2 billion.*

*We will not report further on this programme.*

*Our 2012 Major Change effort is on track and through 2014 we delivered £600m of savings, broadly in line with our original projections for the programme. We continue to expect to realise an additional £400 million of restructuring benefits from this Major Change programme. This should wrap up in 2016. These additional savings will help to offset the headwind in 2015 from the structural benefit of £219 million that we saw in 2014 that we do not expect to recur this year.*

*In 2015, we expect to realise some of the benefits of the pharmaceuticals restructuring programme we announced at Q3 results but as highlighted already, they will not contribute materially until the second half of the year."*

**Structural benefits**:

These year-on-year cost savings include structural benefits. In 2012 we began an initiative designed to reshape and reduce our long term operating expenses and liabilities:

We do not expect the structural benefit of £219m that we saw in 2014 to recur in 2015.

| Structural benefits £m | | Q1 | Q2 | Q3 | Q4 | Full Year |
|---|---|---|---|---|---|---|
| **2012** | **Restructuring pension obligations** | - | 105 | - | 290 | 395 |
| **2013** | **Restructuring post-employment medical benefits** | - | - | 267 | 12 | 279 |
| **2014** | **Structural benefits** | - | - | 219 | - | 219 |
| **2015** | | | | | | |

***Financial Performance***

**Associates and Joint ventures**

At 31 December 2014, the Group held one significant associate, Aspen Pharmacare Holdings Limited (Aspen). Amounts relating to joint ventures principally arise from a 50% interest in one joint venture, Japan Vaccine Co., Ltd., with Daiichi Sankyo Co.,Ltd.

As at 31 December 2014 GSK owned approximately 12.4% of the issued share capital of Aspen. In March 2015 GSK reduced its shareholding to approximately 6.2% of the issued share capital. GSK will no longer account for Aspen as an associate going forward. Consequently, in 2015, the contribution from associates and joint ventures is expected to be minimal.

The table below is summarised from page 155 the 2014 Annual Report

| Associates and joint ventures £m | 2013 | 2014 |
|---|---|---|
| Aspen | 45 | 39 |
| Other associates | 0 | (1) |
| Joint ventures | (2) | (8) |
| **Total Associates and Joint ventures** | **43** | **30** |

**Taxation**

In the Q4 2014 analyst presentation on 4 February 2015, Simon Dingemans made the following comments with respect to the CORE tax rate in 2015:

*"Given the restructuring activities that have been implemented over the last couple of years which has better aligned our tax position with the changing shape of the company, the patent box and the UK corporate rate, a 20% core effective tax rate is a reasonable expectation for the company's current operations, but of course we will need to see the exact details of the Novartis businesses before guiding to a rate for the full year."*

## Acquisitions and Divestments – Historic London Stock Exchange Announcements (LSE announcements) and press releases

### GSK completes partial sale of Aspen Pharmacare Holdings Ltd shares

This press release is not for release, publication or distribution, directly or indirectly, in Australia, Canada, the Hong Kong special administrative region of the people's republic of China, Japan or the United States, or any other jurisdiction in which the distribution or release would be unlawful. Please go to link below if you are not a resident of the USA nor located in the USA. **(LSE announcement 13 March 2015)**

http://otp.investis.com/clients/uk/GlaxoSmithKline2/rns/regulatory-ystor.aspx?cid=410&newsid=497569

### GSK strengthens early stage vaccine pipeline with acquisition of GlycoVaxyn AG

GSK today announced that it has acquired GlycoVaxyn AG, a specialist vaccine biopharmaceutical company based in Switzerland. Since forming a scientific collaboration in 2012, GSK has held a minority stake in GlycoVaxyn and has now acquired the remaining shares for US $190 million (approximately £124 million) in cash to take full ownership of the company

**(Press Release 11 February 2015)**

### GSK statement on Established Products Portfolio

As announced at the Company's 2nd quarter results in July, GSK started a process to consider the divestment of certain North American and European brands in its Established Products Portfolio. The Company has evaluated all bids received and has concluded, consistent with its key criteria of maximising shareholder value, not to pursue divestment of these products.

**(LSE Announcement 4 December 2014)**

### Pernix Therapeutics Closes on Acquisition of Treximet. Raises $220m Senior Notes. Issues Updated 2014 Guidance

http://www.pernixtx.com/news/pernix-therapeutics-closes-on-acquisition-of-treximet-raises-220m-senior-notes-issues-updated-2014-guidance/

**(Pernix Press Release 20 August 2014)**

### GSK acquires full ownership of its Indonesian Consumer Healthcare business

GSK Consumer Healthcare Pte. Ltd has paid IDR 465 billion (£24.6 million) to Sarasvati Venture Capital Ltd (SVC) for the 30 per cent of the Indonesian Consumer Healthcare business it did not previously own. GSK has also divested its Insto™ eye drops brand to Pharma Healthcare Pte. Ltd and agreed to divest its manufacturing site at Bogor, Indonesia, to PT Pharma Healthcare for a combined total of IDR 133 billion (£7 million). **(Press Release 28 March 2014)**

### GSK increases stake in Indian Pharmaceuticals subsidiary to 75 per cent after Open Offer

GlaxoSmithKline plc (LSE:GSK) announced today that, following the voluntary Open Offer undertaken by its subsidiary, GlaxoSmithKline Pte Ltd, GSK has successfully increased its stake in its publicly-listed pharmaceuticals subsidiary in India (GlaxoSmithKline Pharmaceuticals Limited), from 50.7% to 75%. GlaxoSmithKline Pharmaceuticals Limited will remain publicly-listed. The offer of INR 3,100 per

share values the transaction at approximately INR 64 billion or £625 million (based on prevailing foreign exchange rates). **(LSE announcement 10 March 2014)**

***Novartis Transaction annnouncements***

**GSK completes major three-part transaction with Novartis**

- £4 billion to be returned to shareholders
- Q1 Results & Investor Meeting to be held on 6 May 2015

GlaxoSmithKline plc (LSE/NYSE: GSK) announces that its three-part transaction with Novartis has completed today. As a result of this transaction, GSK has acquired Novartis's global Vaccines business (excluding influenza vaccines) for an initial cash consideration of $5.25 billion; has created a new world-leading Consumer Healthcare joint venture with Novartis in which GSK will have majority control and an equity interest of 63.5%; and has divested its Oncology business for an aggregate cash consideration of $16 billion. **(LSE announcement 2 March 2015)**

**Regulatory update on three-part transaction with Novartis**

GlaxoSmithKline plc (LSE/NYSE: GSK) has today received clearance from the European Commission of its proposed three-part transaction with Novartis which includes the acquisition of Novartis's vaccines business (excluding influenza vaccines), the creation of a consumer healthcare joint venture between GSK and Novartis and the divestment to Novartis of GSK's marketed Oncology portfolio, related R&D activities and rights to two pipeline AKT inhibitors.

The European Commission's approval is subject to certain conditions, which GSK and Novartis have agreed to undertake following completion of the proposed transaction.

In relation to the vaccines acquisition, GSK has agreed to sell its meningitis vaccines, Nimenrix and Mencevax, on a global basis. These vaccines are marketed outside of the US and generated annual global sales of £36m in 2013. GSK will also divest two small Novartis bivalent vaccines for protection against diphtheria and tetanus in Italy and Germany.

In relation to the proposed consumer healthcare joint venture, GSK has agreed to sell its NiQuitin smoking cessation products and Coldrex cold & flu products in the European Economic Area (EEA), its local Panodil pain management and Nezeril/Nasin cold and flu products in Sweden, and Novartis's topical cold sore business in the EEA. In total, these brands generated revenue of approximately £109m in 2013. **(LSE Announcement 28 January 2015)**

**GSK Regulatory update on transaction with Novartis**

GlaxoSmithKline plc is today providing this update to its announcement of 22 April 2014 relating to the major three-part transaction with Novartis AG (the Original Announcement).

The US Federal Trade Commission (FTC) has voted to approve GSK's proposed acquisition of Novartis's vaccines business (excluding influenza vaccines) and the proposed creation of a consumer healthcare joint venture between GSK and Novartis. The vote in support of the consumer healthcare transaction follows Novartis's agreement to divest Habitrol, its private label nicotine replacement therapy (NRT) transdermal patch business in the US as a condition to obtaining FTC approval. This

business was already to be excluded from the proposed joint venture and it has been announced previously that an agreement has been reached to divest the business to Dr Reddy's Laboratories SA.
**(LSE announcement 26 November 2014)**

### GSK Publication of Circular and Notice of General Meeting relating to the proposed major transaction with Novartis

On 22 April 2014, GlaxoSmithKline plc (the "Company", "GSK") announced a major three-part inter-conditional transaction with Novartis AG involving its Consumer Healthcare, Vaccines and Oncology businesses (the "Transaction").
The proposed Transaction would substantially strengthen two of our core businesses in vaccines and consumer healthcare and creates significant new options to increase value for shareholders.
It is the most significant transaction for the Company since the creation of GSK in 2000 and is a major step towards fulfilling the Company's strategy of creating a simpler, stronger and more balanced platform for long-term growth.
The Company today announces that a circular to shareholders and notice of general meeting relating to the Transaction (the "Circular") has been published and is available for viewing on the company's website, http://gsk.com/en-gb/investors/shareholder-information/general-meeting
**(LSE announcement 24 November 2014)**

### GSK plc announces major three-part transaction with Novartis to drive sustainable sales growth, improve long-term earnings and deliver increasing returns to shareholders

GlaxoSmithKline plc today announces a major 3-part inter-conditional transaction with Novartis AG involving its Consumer Healthcare, Vaccines and Oncology businesses (the "Transaction"). In summary:

- GSK and Novartis will create a new world-leading Consumer Healthcare business with 2013 pro forma revenues of £6.5 billion. GSK will have majority control with an equity interest of 63.5%
- GSK will acquire Novartis' global Vaccines business (excluding influenza vaccines) for an initial cash consideration of $5.25 billion with subsequent potential milestone payments of up to $1.8 billion and ongoing royalties
- GSK will divest its marketed Oncology portfolio, related R&D activities and rights to its AKT inhibitor and also grant of commercialisation partner rights for future oncology products to Novartis for an aggregate cash consideration of $16 billion (of which up to $1.5 billion depends on the results of the COMBI-d trial)
- GSK shareholders to receive £4 billion capital return funded by net cash transaction proceeds and expected to be delivered via a B share scheme
- Transaction expected to be accretive to core EPS from first year, reflecting execution of intended B share scheme, and thereafter with growing contribution from 2017 as projected cost savings and new growth opportunities are delivered
- Transaction is expected to complete during the first half of 2015 subject to approvals

**(LSE announcement 22 April 2014)**

## News flow on Key Assets during the quarter – To date

Since the beginning of Q1 we have issued a number of LSE announcements and Press Releases, each of which can be accessed using the following link:
http://www.gsk.com/en-gb/media/press-releases/

### GSK statement on meningitis vaccination in the UK

GSK is delighted to have reached an agreement with the UK's Department of Health that will enable babies in the UK to receive its meningitis B vaccine through the NHS immunisation schedule.We have moved rapidly to conclude negotiations since we acquired the vaccine from Novartis at the beginning of March. We believe the agreement we have reached offers fair value for the NHS and allows a reasonable return for GSK to ensure that we can continue to invest in creating new treatments and vaccines. **(Press Release 29 March 2015)**

### GSK receives approval for Encruse® Ellipta® in Japan for the treatment of COPD

- Two further GSK products, Duac® Combination Gel and Synflorix™, also gain approval in Japan

GlaxoSmithKline plc (LSE/NYSE: GSK) announced today that the Japanese Ministry of Health, Labour and Welfare (MHLW) has approved Encruse® Ellipta® (umeclidinium) for the relief of various symptoms due to airway obstruction with chronic obstructive pulmonary diseases (chronic bronchitis, pulmonary emphysema) (COPD).

The MHLW also today announced the approval of Duac® Combination Gel in Japan, for use in the treatment of acne vulgaris. Duac® Combination Gel (clindamycin 1%-benzoyl peroxide 3%) is the first fixed-dose combination topical treatment for acne in Japan.

Synflorix™, a pneumococcal conjugate paediatric vaccine, was also approved today by the MHLW, with an indication for the prevention of invasive infectious diseases and pneumonia caused by pneumococcus (serotypes 1, 4, 5, 6B, 7F, 9V, 14, 18C, 19F and 23F). Synflorix™ was developed by GSK and is commercialised by Japan Vaccine Co., Ltd., a joint venture between GSK and Daiichi Sankyo Co., Ltd.
**(Press Release 26 March 2015)**

### GSK and Theravance announce outcome of US FDA Advisory Committee on BREO® ELLIPTA® in asthma

GlaxoSmithKline plc (LSE: GSK) and Theravance, Inc. (NASDAQ: THRX) today announced the outcome of the joint meeting of the Pulmonary-Allergy Drugs Advisory Committee and Drug Safety and Risk Management Advisory Committee of the United States (US) Food and Drug Administration (FDA) regarding the supplemental New Drug Application (sNDA) for BREO®ELLIPTA® (fluticasone furoate/vilanterol [FF/VI]) as a once-daily inhaled treatment for asthma in patients aged 12 years and older.

The FDA Advisory Committee voted that the efficacy and safety data for FF/VI 100/25 mcg and 200/25 mcg once daily in asthma support approval in adults 18 years of age and older (16 for, 4 against). The Committee voted that the efficacy data provides substantial evidence of a clinically

meaningful benefit in adults (18 for, 2 against) and that the safety in this population has been adequately demonstrated (17 for, 3 against).

The Committee voted against approval for the proposed indication in 12-17 year olds (2 for, 18 against)*. The Committee voted that the efficacy data was not sufficient to demonstrate the benefit (4 for, 16 against) and the safety (1 for, 19 against) has not been adequately demonstrated in this sub-population.

The Committee recommended that a large LABA safety trial with FF/VI should be required in adults (13 yes, 7 no) and in 12-17 year olds (17 yes, 2 no and 1 no-vote), similar to the ongoing LABA safety trials being conducted as an FDA Post-Marketing Requirement by each of the manufacturers of LABA containing asthma treatments.

FDA Advisory Committees provide non-binding recommendations for consideration by the FDA. Based on these opinions and the data presented, the FDA will make its final decision on approval, which is expected on 30 April 2015 (the Prescription Drug User Fee Act goal date).
**(Press Release 19 March 2015)**

### GSK announces start of phase III programme to evaluate retosiban for spontaneous preterm labour

GSK today announced the start of a phase III programme to evaluate the efficacy and safety of retosiban, an investigational oxytocin antagonist. Retosiban is being developed as a potential treatment to improve neonatal outcomes of babies born to women in spontaneous preterm labour by prolonging the time to delivery. **(Press Release 17 March 2015)**

### GSK and Theravance announce start of phase III lung function study with 'closed' triple combination treatment FF/UMEC/VI for COPD

GlaxoSmithKline plc (LSE/NYSE: GSK) and Theravance, Inc. (NASDAQ: THRX) today announced the start of a second global phase III study to evaluate the effects of the investigational once-daily closed triple combination of fluticasone furoate/umeclidinium/vilanterol (FF/UMEC/VI) in patients with chronic obstructive pulmonary disease (COPD). **(Press Release 9 February 2015)**

### GSK announces positive overall survival results from phase III COMBI-d study of dabrafenib (Tafinlar™) and trametinib (Mekinist™) combination

GlaxoSmithKline plc (LSE/NYSE: GSK) today announced overall survival (OS) results from COMBI-d which demonstrate a statistically significant reduction in the risk of death (Hazard Ratio [HR] 0.71 [95% Confidence Interval (CI): 0.55, 0.92], p=0.011) for the combination of dabrafenib (Tafinlar™) and trametinib (Mekinist™) compared to dabrafenib monotherapy in patients with BRAF V600E/K mutation-positive metastatic melanoma. The safety profile was consistent with the profile observed to date for the combination; no new safety concerns were observed.
**(LSE Announcement 6 February 2015)**

### Major milestone for GSK/NIH candidate Ebola vaccine as first doses shipped to Liberia for use in phase III clinical trial

GSK has announced that the first batch of its candidate Ebola vaccine is being shipped to west Africa and is expected to arrive in Liberia later today Friday 23 January. The shipment, containing an initial

300 vials of the candidate vaccine, is the first to arrive in one of the main Ebola affected countries and will be used to start the first large-scale efficacy trial of experimental Ebola vaccines in the coming weeks. **(Press release 23 January 2015)**

## Other newsflow during the quarter – To date

### GlaxoSmithKline plc announces changes to its Board

GlaxoSmithKline plc (the 'Company') today announces that Sir Christopher Gent will step down as Chairman of GSK at the Company's Annual General Meeting on 7 May 2015. He will be succeeded by Sir Philip Hampton with effect from the end of the AGM.
**(LSE Announcement 26 February 2015)**

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in Sterling had remained unchanged from those used in the comparative period. All commentaries are presented in terms of CER growth, unless otherwise stated.


| | | | |
|---|---|---|---|
| **Analyst/Investor enquiries:** | Ziba Shamsi | + 44 (0) 20 8047 5543 | (London) |
| | Gary Davies | + 44 (0) 20 8047 5503 | (London) |
| | James Dodwell | + 44 (0) 20 8047 2406 | (London) |
| | Tom Curry | + 1 215 751 5419 | (Philadelphia) |
| | Jeff McLaughlin | + 1 215 751 7002 | (Philadelphia) |
| | Sarah Webster | + 44 (0) 20 8047 0246 | (London) |