Q3 2018 Results

31 October 2018

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A number of adjusted measures are used to report the performance of our business, which are non IFRS measures. These measures are defined and reconciliations to the nearest IFRS measure are available in our third quarter 2018 earnings release and Annual Report on Form 20-F for FY 2017.

All expectations and targets regarding future performance should be read together with "Assumptions related to 2018 guidance and 2016-2020 outlook" on page 38 of our third quarter 2018 earnings release.

Agenda

Q3 2018 progress	Emma Walmsley, Chief Executive Officer	
Pharma update	Luke Miels, President, Global Pharmaceuticals	
	David Redfern, Chief Strategy Officer, Chairman of ViiV Healthcare	
Q3 2018 financial results	Simon Dingemans, Chief Financial Officer	

Q&A:
Dr Hal Barron, Chief Scientific Officer and President, R&D
Brian McNamara, Chief Executive Officer, GSK Consumer Healthcare

CER Sales growth in all 3 businesses; improved Group operating margin

Pharmaceuticals
+3%

New Respiratory products +40%*

HIV sales +12%; dolutegravir +17%

Benlysta growth of +31%

Vaccines
+17%

Shingrix reported sales of £286 million

US vaccines sales +34%

Meningitis sales +15%

Consumer Healthcare
+3%

Wellness sales +3%; Oral health sales +2%; Nutrition sales +5%; Skin sales -4%

Group sales growth of +6%

20bp improvement in Group Adjusted operating margin

Adjusted EPS growth of +14%

FCF of £2,375 million for 9 months 2018

Now expect adjusted EPS growth of 8-10%

All growth rates and margin changes at CER. The definitions and reconciliations for non-IFRS measures are set out on page 37 of our Q3 2018 earnings release

*New Respiratory includes the Ellipta portfolio and Nucala

3 long-term priorities for all 3 businesses

Innovation

Performance

Trust

Culture

Pharma update

Luke Miels,
President, Global Pharmaceuticals

David Redfern,
Chief Strategy Officer, Chairman of ViiV Healthcare

Increasing focus and prioritisation to support future growth

Focus resources on key products

- Shingrix
- Bexsero
- Trelegy
- Nucala
- Benlysta
- HIV

Investing in priority markets

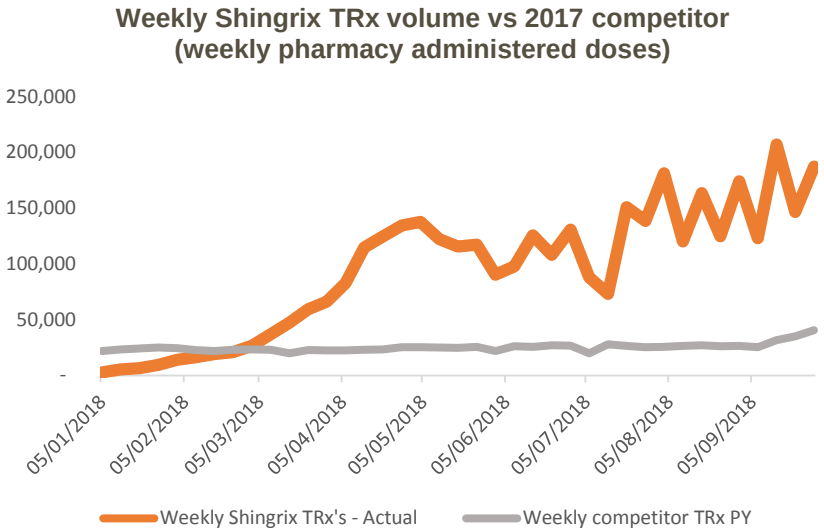
- US
- China

Building our capability in Specialty

- New talent with Specialty experience
- Co-location of development and commercial in Oncology
- Changes to our policy for working with healthcare professionals

Shingrix: continued strong launch execution

Demand remains significantly higher than 2017



Source: IQVIA NPA weekly TRx data w/e 28 Sep 2018

Building a new standard of prevention

Recommendations expanding market in US

~1/3 receiving vaccine under age 65

~1/3 previously vaccinated for shingles

~60% of doses administered in pharmacies

>70% completing second dose in vaccine series

Capacity expansion underway

Approaching 7m doses administered[1] since launch

Doses shipping on regular basis

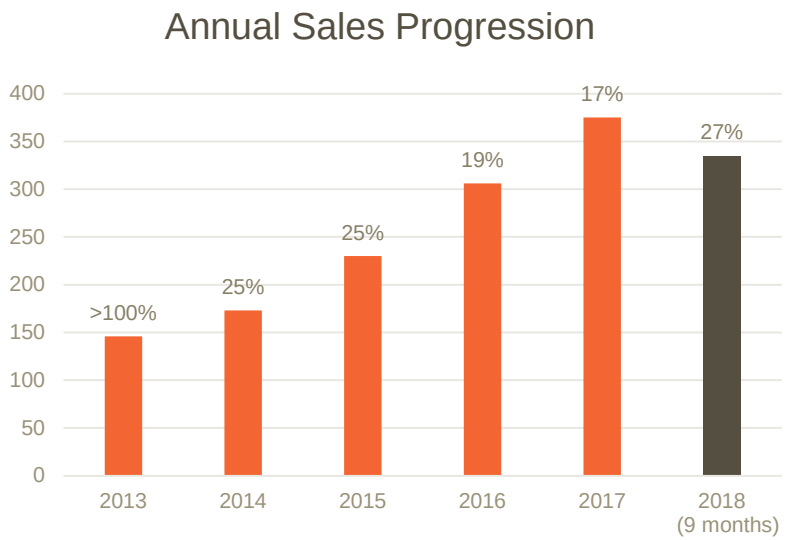
Q3 2018 sales of £286 million; 9M YTD £563 million

Sales expectations for 2018 increased to £700-750m

[1] Doses administered represents a global figure and includes retail data from IQVIA reporting plus an estimate of non-Retail use (~60 / 40 split) as of 30 Sept 2018

Benlysta: maximising the growth opportunity

Double-digit growth annually



Source: GSK Quarterly Reports, all sales growth rates at CER

Potential to address unmet patient need

First and only medicine for SLE [1] in >50 years;
demonstrated efficacy in four Phase 3 clinical trials

Subcutaneous (SC) launch delivering with faster uptake, more new patients & new writers, and strong payer coverage.
SC now ~30% of Benlysta sales.

Ongoing study with rituximab investigating impact on disease activity and potential for clinical remission; data expected 2H 2020

Other SLE studies

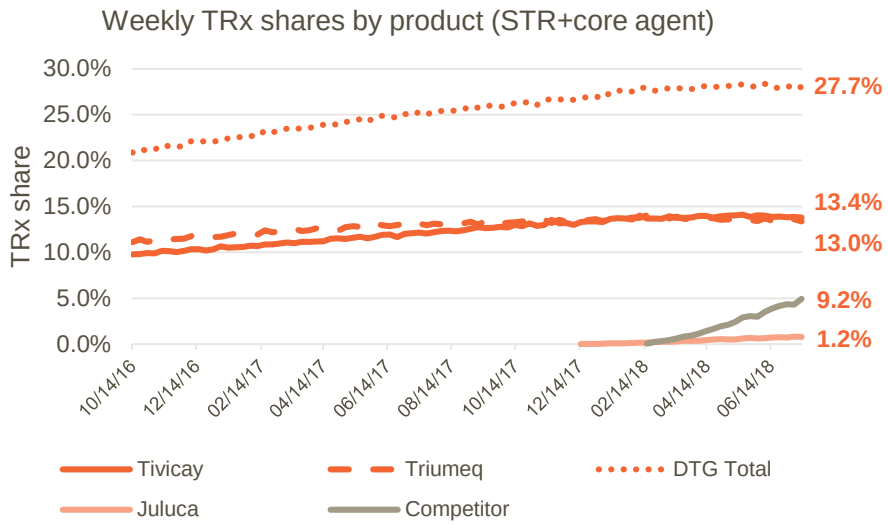
- Long-term extension: low rates of organ damage presented at EULAR 2018
- PLUTO: safety in paediatric patients consistent with adult population
- EMBRACE: black SLE population [2] data to be presented 2019
- BLISS-LN: lupus nephritis data expected 2020

[1] SLE: Systemic Lupus Erythematosus
[2] Lupus Foundation of America: lupus is two to three times more prevalent among women of colour

HIV performance on track

ATLAS and FLAIR studies building confidence in long-acting injectable agents

Dolutegravir maintaining 28% share of STR/Core agent market



Non-inferior virologic outcomes; resistance profile similar to LATTE & LATTE-2 studies

ATLAS and FLAIR studies demonstrate non-inferior virologic outcomes for novel two drug, long-acting, injectable HIV regimen

Both studies met primary endpoints

Demonstrated similar efficacy of a once-a-month investigational, injectable two drug regimen of cabotegravir and rilpivirine compared to Triumeq

Overall safety, virologic response and drug resistance results for the injectable regimen were consistent with results from the phase II LATTE and LATTE-2 studies

Regulatory submissions planned for 2019

Source: IQVIA NPA w/e 19 Oct 2018

Q3 2018 financial results

Simon Dingemans, CFO

Headline results

Continued sales growth and investment in the future

	Q3 2018	Reported growth %		9 months 2018	Reported growth %	
	£m	AER	CER	£m	AER	CER
Turnover	**8,092**	3	6	**22,624**	-	4
Total operating profit	**1,910**	2	7	**3,929**	10	22
Total EPS	**28.8p**	16	23	**49.0p**	15	30
Adjusted operating profit	**2,524**	2	6	**6,549**	-	7
Adjusted EPS	**35.5p**	10	14	**88.3p**	4	12
Free cash flow	**1,554**	21	n/a	**2,375**	42	n/a

Results reconciliation

Q3 2018 results

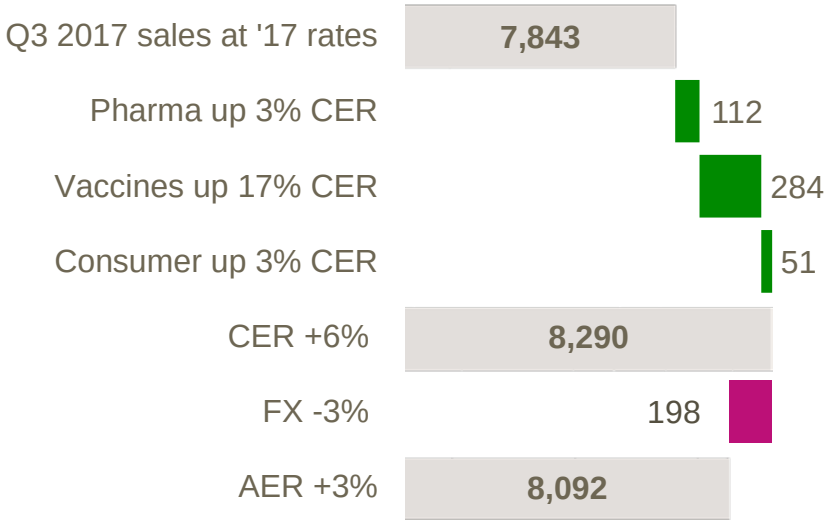
	Total results	Intangible amortisation	Intangible impairment	Major restructuring	Transaction related	Disposals, significant legal and other	**Adjusted results**
Turnover (£bn)	**8.1**						**8.1**
Operating profit (£bn)	**1.9**	0.1	<0.1	0.3	0.2	(0.1)	**2.5**
EPS (pence)	**28.8**	2.3	0.9	4.4	3.6	(4.5)	**35.5**
Q3 17 EPS (pence)	**24.8**	2.4	1.4	4.2	(0.7)	0.4	**32.5**

Sales growth

Another quarter of growth across all three businesses: +3% AER, +6% CER

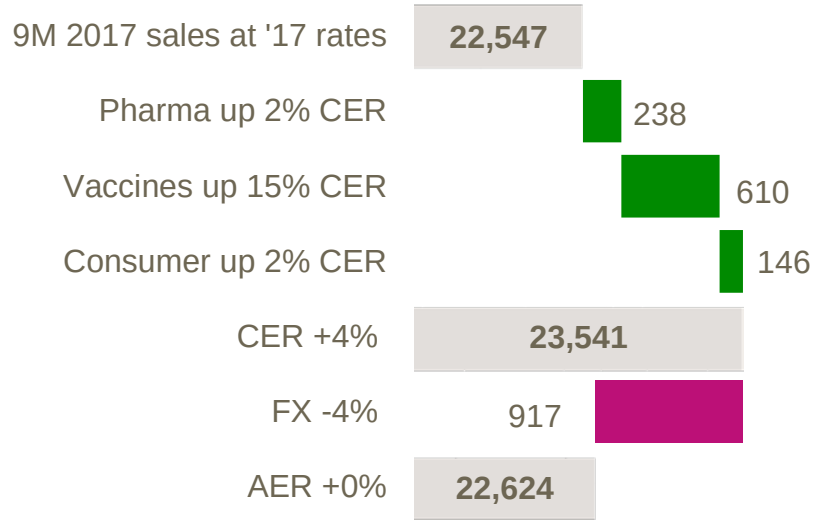
Q3 2018

All figures £m



9 months 2018

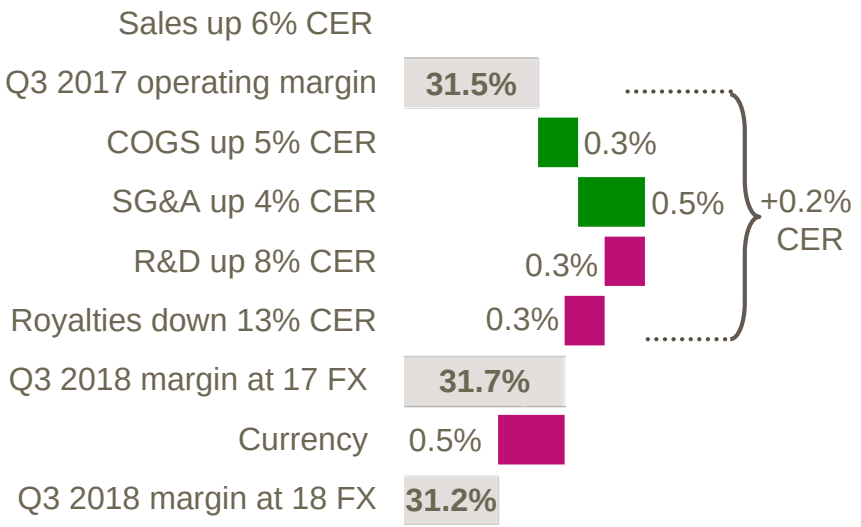
All figures £m



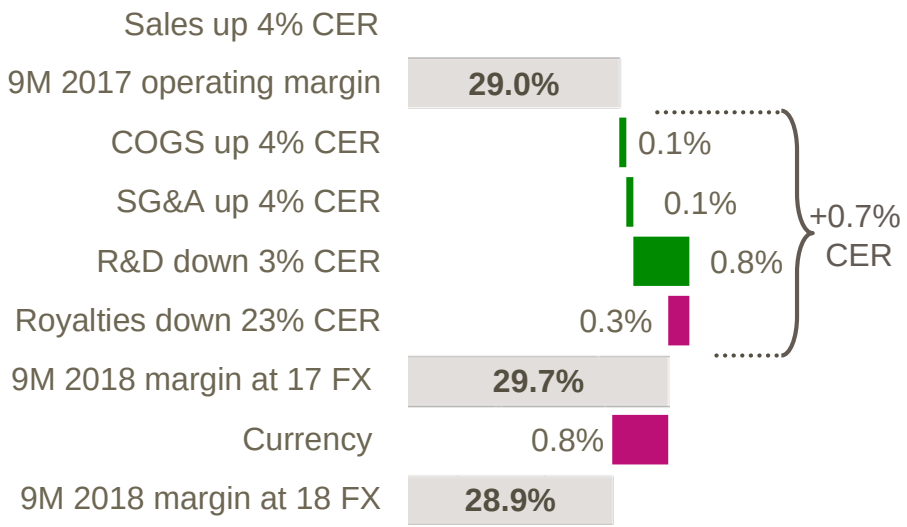
Adjusted operating margin

Investment in new products, funded by cost efficiencies

Q3 2018

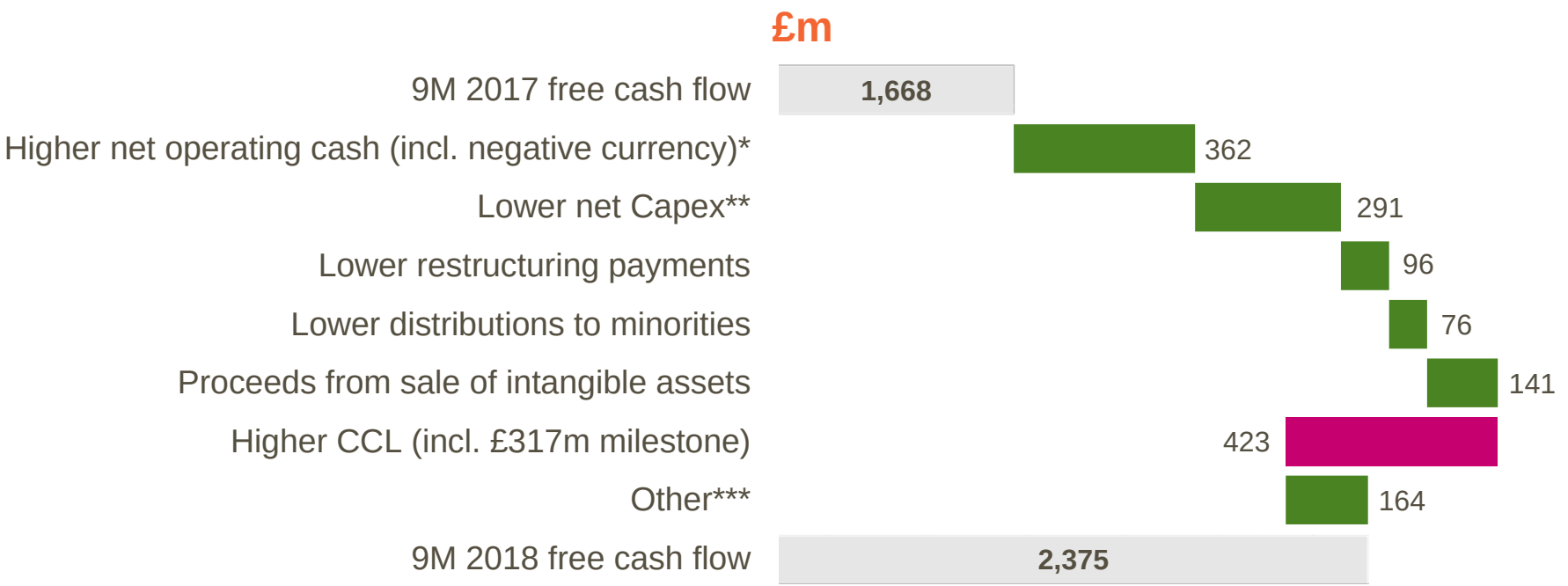


9 months 2018



Improved cash generation

Clearer prioritisation and tighter control



* Net operating cash is net cash inflow from operating activities including changes in working capital, excluding restructuring, operating CCL, and significant legal payments.
** Net Capex includes purchases of PP&E and intangibles, less disposals of PP&E
*** £164m other includes £160m lower legal costs, £29m higher net interest paid, £33m increase from associates and JVs

Updated 2018 guidance

Previous 2018 guidance

Adjusted EPS growth
+ 7 to 10% CER
with no Advair Gx

Adjusted EPS growth
+ 4 to 7% CER
with Advair Gx from 1 Oct
FY Advair sales £900m

Shingrix upgrade

Advair Gx delayed

Updated guidance

Adjusted EPS growth
+ 8 to 10 % CER

Continued Respiratory pricing pressure

Investment in pipeline and new products

5-year outlook to 2020 reconfirmed at group level

2020 outlook from July 2017

Group Sales CAGR

Low-to-mid single digit %

Adjusted EPS CAGR

Mid-to-high single digit %

- ⊕ Stronger new product sales
- ⊕ Consumer buyout
- ⊕ Lower tax rate
- ⊕ New major restructuring
- ⊖ Pharma R&D investment
- ⊖ Investment in new products
- ⊖ Divestments

Vx margin around mid-30s%

Pharma margin around 30%

2020 outlook today

Group Sales CAGR

Low-to-mid single digit %

Adjusted EPS CAGR

Mid-to-high single digit %

Assumptions

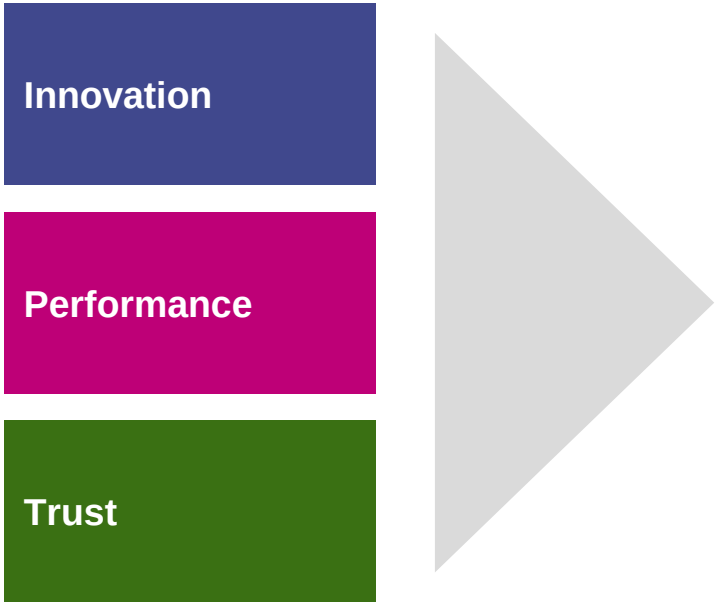
Growth at CER

2015 exchange rates

£200-300m US Advair 2020 sales

CAGRs are 5 years to 2020.

Confident in 2020 outlook



Group sales 5 year CAGR	low to mid single digit*
Adjusted EPS 5 year CAGR	mid to high single digit*

*All 2020 outlook statements are at CER using 2015 exchange rates as the base. CAGRs are 5 years to 2020.

Appendix

Innovation

SYNBIoSe: belimumab+rituximab in 16 patient pilot

ISS* supported by GSK informs positive outlook

SYNBIoSe	
Study objective:	Investigate SLE** biomarkers (autoantibodies and NET formation) after using a combination of rituximab and belimumab; evaluate efficacy.
Population	SLE patients (ages 18 to 64) with severe, refractory disease
# of patients	16
Study design	Phase 2a, open-label, single arm proof-of-concept
Endpoints	• Measurement of autoantibodies and NET formation at 24 weeks • Clinical response measured by the SLE Disease Activity Index (SLEDA) and the Lupus Low Disease Activity State (LLDAS)
Study completion	March 2018 (primary completion) March 2020 (study completion)

Outcome:

- Reductions in autoantibodies and excessive NET formation
- Achieved clinically significant and safe responses:
  - 10 patients achieved low disease activity
  - 11 patients had reduction in renal activity
  - 14 patients had immunosuppressive medication tapered
- A treatment concept that specifically improves underlying SLE pathophysiology

*Investigator Sponsored Study with Leiden University Medical Center and collaborators Dutch Kidney Foundation and ZonMw: The Netherlands Organisation for Health Research and Development
** SLE: Systemic Lupus Erythematosus

Innovation

Belimumab+rituximab phase 3 study design

Study initiated March 2018

BLISS-BELIEVE	
Study objective:	Evaluate the efficacy and safety of Benlysta administered in combination with rituximab
Population	Adult patients with active Systemic Lupus Erythematosus (SLE) despite standard of care
# of patients	200
Study design	Phase 3, multi-center, randomized, double-blind, placebo-controlled, 104-Week study
Endpoints	The primary endpoint is proportion of patients with a state of disease control (very low dose activity, low steroid use, no immunosuppressive use) at week 52. Key secondary endpoints include evaluation of patients in a state of disease remission
Study completion	June 2020 (primary completion) June 2021 (study completion)

Innovation

Portfolio overview

Phase 1

- **2831781* (LAG3)** ulcerative colitis
- **3008348 (aVb6 integrin antagonist)** IPF
- **3358699* (BET targeted inhibitor)** RA
- **3858279* (CCL17 antagonist)** OA
- **2636771 (PI3kb inhibitor)** cancer
- **2983559 (RIP2k inhibitor)** IBD
- **3036656* (leucyl t-RNA inhibitor)** TB
- **3640254 (HIV maturation inhibitor)** HIV
- **3511294* (IL5 LA antagonist)** asthma
- **2292767 (PI3kd inhibitor)** COPD/asthma
- **1795091*** (TLR4 agonist)** cancer
- **3810109* (broadly neutralizing antibody)** HIV
- **3537142* (NYESO1 ImmTAC)** cancer
- **3439171* (HPGD2 inhibitor)** muscle repair
- **2798745 (TRPV4 antagonist)** ARDS

Phase 2

- **3196165* (GM-CSF inhibitor)** RA
- **3389404*/3228836* (HBV ASO)** HBV
- **3772847* (IL33r antagonist)** severe asthma
- **2982772 (RIP1k inhibitor)** psoriasis/RA/UC
- **3359609* (ICOS receptor agonist)** cancer
- **3377794* (NY-ESO-1 TCR)** cancer
- **2586881* (rhACE2)** acute lung injury/PAH
- **2140944 (gepotidacin topoisomerase IV inh)** antibacterial
- **2269557 (nemiralisib PI3Kδ inhibitor)** COPD**
- **2330811 (OSM antagonist)** systemic sclerosis
- **2881078 (SARM)** COPD muscle weakness
- **2862277 (TNFR1 antagonist)** acute lung injury
- **3174998* (OX40 agonist)** cancer
- **525762 (BET inhibitor)** cancer
- **2330672 (IBAT inhibitor)** cholestatic pruritus
- **3326595* (PRMT5 inhibitor)** cancer
- **GR121619* (oxytocin)** postpartum haemorrhage

Pivotal/Registration

- **belimumab+rituximab** SLE**
- **cabotegravir**+rilpivirine*** HIV
- **D3, dolutegravir+lamivudine** HIV
- **1278863 (daprodustat HIF-PHI)** anemia
- **3684934 (fostemsavir HIV AI)** HIV
- **Nucala** COPD/HES/nasal polyps
- **Trelegy*** asthma
- **Dectova* IV** influenza
- **2857916* (BCMA ADC)** multiple myeloma

Vaccines

- **Rotavirus - Phase 3 (PCV free)**
- **MMR - Phase 3 (US)**
- **Ebola - Phase 2**
- **Strep pneumonaie next gen - Phase 2**
- **COPD - Phase 2**
- **Hepatitis C - Phase 2**
- **Malaria - Phase 2 (next gen)**
- **MenABCWY - Phase 2**
- **Shigella - Phase 2**
- **Tuberculosis - Phase 2**
- **HIV - Phase 2**
- **RSV paediatric - Phase 2**
- **Flu universal - Phase 1**
- **RSV older adults - Phase 1**
- **RSV maternal - Phase 1**

Immuno-modulator

Non immuno-modulator

*In-license or other alliance relationship with third party
** Additional indications also under investigation
*** Re-categorised from phase II to I following refinement of phase definitions
Note: For oncology where phase 1 studies are conducted in patients, the shift from phase1 to phase 2 is defined when expansion cohorts are started.

Innovation

Changes in portfolio since Q2

New to Phase 1	New to Phase 2	New to Pivotal	New to Registration
FTIH start: **3439171 (HPGD2 synthase inh)** muscle repair **3537142 (NY-ESO ImmTAC)** cancer **RSV vaccine** older adults **RSV vaccine** maternal			**Submitted US/EU:** **D3, dolutegravir+lamivudine** HIV

Removed from Phase 1	Removed from Phase 2	Removed from Pivotal	Removed from Registration
	Terminated: **2398852+2315698 (SAP antagonist)** AL/ATTR-CM **1325756* (danirixin CXCR2 antagonist)** COPD **2798745** (TRPV4 antagonist)** cough **2245035 (TLR7 agonist)** asthma		

* Pre-clinical programme ongoing investigating the potential of GSK ‘756 in oncology
** Phase 1 study ongoing for GSK ‘745 in ARDS (acute respiratory distress syndrome)
Note: Excludes additional indications

Innovation

Upcoming milestones that will inform our progress

	2H 2018	1H 2019	2H 2019	1H 2020	2H 2020
Submission	**dolutegravir+lamivudine (D3)** HIV	**fostemsavir** (attachment inhibitor) HIV	**Trelegy** asthma		**mepolizumab** HES
		cabotegravir+rilpivirine HIV treatment	**GSK'916 (BCMA)** 4L MM monotherapy		**mepolizumab** NP
Pivotal data	**dolutegravir+lamivudine (D3)** HIV	**Trelegy** asthma	**GSK'916 (BCMA)** 4L MM monotherapy	**mepolizumab** HES	**belimumab+rituximab** SLE
	cabotegravir+rilpivirine HIV treatment			**mepolizumab** NP	**cabotegravir** HIV PrEP
					GSK'863 (daprodustat) anemia
PoC data	**GSK'609 (ICOS)** cancer therapy	**GSK'294 (IL5 LA antagonist)** asthma	**GSK'254 (maturation inhibitor)** HIV	**GSK'811 (oncostatin M)** SSc	**GSK'109 (bNAb N6LS)** HIV
		GSK'772 (RIP1 kinase) RA	**GSK'595 (PRMT5)** cancer monotherapy	**belimumab+rituximab** Sjogren's syndrome	**GSK'781 (LAG3)** UC*
		GSK'847 (IL33R) severe asthma	**GSK'762 (BET inh)** mCRPC and ER+ breast combo therapy	**GSK'078 (SARM)** COPD muscle weakness	**GSK'091 (TLR4)** cancer combo therapy
		GSK'881 (ACE2) PAH	**GSK'762 (BET inh)** hem malignancies monotherapy	**GSK'794 (NY-ESO)** NSCLC mono/combo therapy	**GSK'656 (leucyl t-RNA)** tuberculosis
		GSK'404 (HBV ASO) hepatitis B		**GSK'916 (BCMA) 1L** MM combo therapy	**COPD vaccine**
		GSK'916 (BCMA) 2L MM combo therapy		**GSK'998 (OX40)** cancer combo therapy	**RSV older adults vaccine**
		GSK'772 (RIP1 kinase) UC			

HES: hypereosinophilic syndrome; MM: multiple myeloma; NP: Nasal polyposis; PAH: pulmonary arterial hypertension; COPD: chronic obstructive pulmonary disease
RA: rheumatoid arthritis; SLE: systemic lupus erythematosus; SSc: systemic sclerosis; UC: ulcerative colitis; RSV: respiratory syncytial virus
* Interim data