

GLAXOSMITHKLINE PLC  
Form 6-K  
April 27, 2016

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For period ending 27 April 2016

GlaxoSmithKline plc  
(Name of registrant)

980 Great West Road, Brentford, Middlesex, TW8 9GS  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or  
will file annual reports under cover Form 20-F or Form 40-F

Form 20-F  Form 40-F

--

Indicate by check mark whether the registrant by furnishing the  
information contained in this Form is also thereby furnishing the  
information to the Commission pursuant to Rule 12g3-2(b) under the  
Securities Exchange Act of 1934.

Yes No

--

Issued: Wednesday, 27 April 2016, London U.K.

GSK delivers strong Q1 performance with sales of £6.2 billion (+8% CER), core EPS 19.8p (+8% CER); dividend of 19p

2016 core EPS percentage growth now expected to be 10-12% CER

Core results

	Q1 2016 £m	Growth CER%	£%
Turnover	6,229	8	11
Core operating profit	1,559	13	19
Core earnings per share	19.8p	8	14

Total results

	Q1 2016 £m	Growth CER%	£%
Turnover	6,229	8	11
Operating profit	723	(93)	(92)
Earnings per share	5.8p	(97)	(97)

Summary

- Group sales £6.2 billion +8% CER on a reported basis, +6% CER pro-forma
  - Pharmaceuticals £3.6 billion, -1% (+5% pro-forma); Vaccines £882 million, +23% (+14% pro-forma); Consumer Healthcare £1.8 billion, +26% (+4% pro-forma)
- New product sales £821 million (Q4 2015: £682 million, Q1 2015: £269 million) driven by HIV (Tivicay, Triumeq), Respiratory (Relvar/Breo, Anoro, Incruse, Nucala) and Meningitis vaccines (Menveo, Bexsero)
  - New Pharmaceutical product sales now represent 20% of total Pharmaceutical sales
- Sales momentum, cost control and restructuring/integration benefits driving improved operating leverage and margin delivery across all three businesses
  - Restructuring and integration programme delivered incremental cost savings in Q1 2016 of £0.4 billion; remains on track for £3 billion annual cost savings by end 2017
  - Q1 operating margins of Pharmaceuticals 32%, Vaccines 29%, Consumer Healthcare 17%
- Q1 core EPS 19.8p, +8% CER

Edgar Filing: GLAXOSMITHKLINE PLC - Form 6-K

- Q1 total EPS 5.8p with year-on-year decline reflecting £9.3 billion profit from Oncology disposal and other disposal gains in Q1 2015
  - Restructuring charges of 3.3p per share and non-cash transaction-related charges of 6.9p (principally related to HIV and Consumer Healthcare businesses)
- 2016 core EPS percentage growth now expected to be 10-12% CER
  - At Q1 period-end rates estimated FX impact of +8% to FY 2016 core EPS growth
- 19p dividend declared for Q1. Continue to expect 80p for FY 2016 and FY 2017
- Development of new R&D pipeline continues with progress made in core therapy areas of Respiratory, HIV, Oncology, Immuno-inflammation and Rare diseases
  - Nucala approved in Japan for severe asthma
  - Strimvelis received positive CHMP opinion for rare disease, ADA-SCID
  - Phase II data support progression of HIV asset cabotegravir into Phase III studies for prevention and maintenance in H2 2016; transactions to acquire BMS HIV R&D portfolio completed
  - Phase II study start for anti GM-CSF antibody for inflammatory hand OA
  - FDA breakthrough therapy designation awarded to NY-ESO in synovial sarcoma; Phase I/II data supports development of BET inhibitor in NUT midline carcinoma; 11 oncology assets currently in Phase I/II development

The full results are presented under 'Income Statement' on page 29 and core results reconciliations are presented on pages 8 and 40 to 41. All commentaries are presented in terms of CER growth as defined on page 26, unless otherwise stated. All expectations and targets regarding future performance should be read together with "Assumptions related to 2016-2020 outlook" and "Assumptions and cautionary statement regarding forward-looking statements" on page 27.

Sir Andrew Witty, Chief Executive Officer, GSK said:

This strong first quarter performance demonstrates the momentum we have across the Group driven by growth in sales of our new products, effective cost control and execution of our restructuring and integration plans. We also continue to see good progression of novel assets in our core R&D therapy areas.

Sales of new products were £821 million, more than double the same period last year. New Pharmaceutical product sales now represent 20% of total Pharmaceutical sales, which grew 5% on a pro-forma basis. Within our Respiratory portfolio, the growth in sales of new products offset about 70% of the decline in Seretide/Advair. Elsewhere, Vaccines sales grew 14% pro-forma with some benefit this quarter arising from an accelerated phasing of sales to governments. In Consumer Healthcare, sales were £1.8 billion up 4% with a further strong performance by Flonase OTC.

The improvement in our sales performance, together with the effective management of our cost base, also helped deliver better operating leverage and an improvement in the margins of all three businesses. This puts us on the right track to achieve the expectations we set out last year, although inevitably, we expect some quarter-to-quarter volatility in reported progress, particularly in our margins, given the dynamics of our businesses.

Core EPS for the quarter was 19.8 pence, up 8% CER. This is an encouraging start to the year and we now expect full year core EPS percentage growth to be 10-12% CER. The Group has declared a dividend of 19 pence for the quarter. We continue to expect to pay a full year dividend of 80 pence for 2016 and for 2017.

Overall, the quarter reflects the progress we have made in our strategy and our ability to allocate capital across our three businesses to generate the best returns. Together with the roll out of our new commercial model, we believe the Group is well placed to maximise the opportunities, and respond to the competitive pressures and challenging pricing dynamics, that we see in the global healthcare environment.

#### Group strategy and outlook

GSK has created a Group of three world-leading businesses in Pharmaceuticals, Vaccines and Consumer Healthcare, which aims to deliver growth and improving returns to shareholders through development of innovative healthcare options for patients and consumers.

GSK has a strong portfolio of innovative products across its three businesses with a presence in more than 150 markets. Revenues are split across Pharmaceuticals 58%, Consumer Healthcare 26% and Vaccines 16% on a 2015 pro-forma basis.

R&D innovation underpins all three businesses. In November 2015, the Group profiled to investors an R&D portfolio of ~40 assets focused on Oncology, Immuno-inflammation, Vaccines, HIV and Infectious diseases, Respiratory and Rare diseases. All three businesses are supported by proprietary technologies and manufacturing capabilities in areas such as devices, adjuvants, bio-electronics and formulations. The Group aims to improve returns from its R&D innovation by striking a balance between pricing and volume generation. Details of the Group's innovative R&D portfolio and the progress of assets in development can be found on pages 23 to 25 of this Announcement.

At its Investor Day on 6 May 2015, GSK outlined a series of expectations for its performance over the five-year period 2016-2020. This included an expectation that Group core EPS would grow at a CAGR of mid-to-high single digits on a CER basis. The introduction of a generic alternative to Advair in the US was factored into the Group's assessment of its future performance. The Group also stated it expects to pay an annual ordinary dividend of 80p for each of the years 2015-2017.

Contents	Page
Group performance	4
Segmental performance	16
Research and development	22
Definitions	26

Contacts	28
Income statement – three months ended 31 March 2016	29
Statement of comprehensive income	30
Pharmaceuticals turnover – three months ended 31 March 2016	31
Vaccines turnover – three months ended 31 March 2016	31
Balance sheet	32
Statement of changes in equity	33
Cash flow statement – three months ended 31 March 2016	34
Segment information	35
Legal matters	36
Taxation	36
Additional information	37
Reconciliation of cash flow to movements in net debt	39
Core results reconciliations	40
Independent review report	42

### Group performance

The Novartis transaction completed on 2 March 2015 and so the Group's Q1 2016 reported results include three months of sales of the Vaccines and Consumer Healthcare products acquired from Novartis and exclude the former GSK Oncology business. The Q1 2015 reported results included sales of the GSK Oncology products for the two months to 2 March 2015 and sales of the acquired Vaccines and Consumer Healthcare products for one month from that date.

Accordingly, in addition to reported growth rates, the Group is presenting pro-forma growth rates for turnover, core operating profit and core operating profit by business. Pro-forma growth rates are calculated comparing reported turnover and core operating profit for Q1 2016 with the turnover and core operating profit for Q1 2015 adjusted to include the two months of sales for January and February 2015 of the former Novartis Vaccines and Consumer Healthcare products and exclude sales of the former GSK Oncology business for January and February 2015. In addition, following the Novartis transaction, the Group has restated its segment information for the change in its segments described on page 35, including in particular, now reporting the results of the Pharmaceuticals operating segment as incorporating HIV.

### Group turnover by business and geographic region

Group turnover by business	£m	Q1 2016	Q1 2016
		Reported growth CER%	Pro-forma growth CER%
Pharmaceuticals	3,586	(1)	5
Vaccines	882	23	14
Consumer Healthcare	1,761	26	4
	6,229	9	6
Corporate and other unallocated turnover	-		

Group turnover	6,229	8	6
Group turnover by geographic region		Q1 2016	Q1 2016
		Reported growth CER%	Pro-forma growth CER%
	£m		
US	2,074	9	10
Europe	1,818	14	7
International	2,337	4	1
Group turnover	6,229	8	6

## Turnover – Q1 2016

Group turnover for Q1 2016 increased 8% on a reported basis to £6,229 million, with Pharmaceuticals down 1%, Vaccines up 23% and Consumer Healthcare up 26%, all three businesses still reflecting the impact of the Novartis transaction, which completed on 2 March 2015. On a pro-forma basis, Group turnover was up 6%, with Pharmaceuticals up 5%, Vaccines up 14% and Consumer Healthcare up 4%. Sales of New Pharmaceutical and Vaccine products, as set out on page 21, were £821 million in the quarter, an increase of £528 million.

## Pharmaceuticals

Pharmaceuticals turnover was £3,586 million, down 1% on a reported basis, but adjusting for the disposal of the Oncology business to Novartis, up 5% pro-forma. HIV sales grew 57% in the quarter. Respiratory sales in the US and International both grew, up 2% and 1% respectively, although total Respiratory sales declined 2%, primarily reflecting a 24% decline in Seretide in Europe, and the continuing transition globally of the Respiratory portfolio to newer products. Sales of New Pharmaceutical Products were £717 million, a Sterling increase of £466 million, which more than offset the Sterling decline in Seretide/Advair sales of £145 million. Sales of Established products declined 8%, mainly in the International region, reflecting the impact of market reforms and the continued reshaping of the business in China and the impact in Japan of price revisions that were implemented with shipments beginning in March.

US Pharmaceuticals turnover of £946 million declined 12% in the quarter on a reported basis and 4% on a pro-forma basis. The pro-forma decline was primarily driven by the impact of generic competition to Avodart, down 87% to £7 million and Lovaza down 57% to £13 million. Sales of New Respiratory Pharmaceutical products totalled £108 million and the growth of these products exceeded the decline in Advair. Advair sales declined 19% to £339 million representing a 2% volume decline and a 17% negative impact of price and mix. This price impact included higher rebates and discounts reflecting the continuing competitive environment and pricing pressures in the ICS/LABA class. Ventolin sales were up 10% to £92 million and Benlysta sales increased 20% to £59 million.

In Europe, Pharmaceuticals turnover declined 14% to £714 million on a reported basis and 6% on a pro-forma basis. Respiratory sales declined 13% to £348 million reflecting the ongoing transition to the new portfolio and generic competition to Seretide which declined 24% (19% volume decline and a 5% negative impact of price and mix) to £226 million. This was partly offset by Relvar Ellipta and Anoro Ellipta with combined sales of £37 million in the quarter. Established products sales were down 6% to £126 million.

International Pharmaceuticals sales of £1,197 million were down 3% on a reported basis but flat on a pro-forma basis, including the benefit of an accelerated sale of inventory to Novartis of £33 million following a restructuring of certain supply agreements. Sales in Emerging Markets declined 4% (and 1% on a pro-forma basis), impacted by further declines in the China business (down 28%) which continues to be affected by its ongoing reshaping programme and broader Healthcare sector reforms, including price reductions. Excluding China, Emerging Markets grew 5% pro-forma, despite the impact of the recent divestment to Amgen and the limitation of trading in Venezuela since the end of 2015 to the supply of essential medicines. Emerging Markets growth outside China was primarily driven by Respiratory as a result of new launches and the benefit in the quarter of the timing of a number of tenders. In Japan, Pharmaceutical sales were down 10% on a reported basis and 8% pro-forma to £327 million, impacted by price revisions implemented for shipments beginning in March as well as supply interruptions to Avodart, recovery plans for which are now well advanced. Respiratory sales in Japan grew 4% with strong growth of Relvar Ellipta, up 78% to £18 million, offsetting an Adoair decline.

Worldwide HIV sales increased 57% to £729 million, with the US up 76%, Europe up 39% and International up 31%. The growth in all three regions was driven primarily by strong performances from both Triumeq and Tivicay, with sales of £328 million and £188 million, respectively in the quarter. Epzicom/Kivexa sales declined 15% to £154 million.

#### Vaccines

Vaccines sales grew 23% on a reported basis and 14% pro-forma to £882 million. On a reported basis, the US was up 13%, Europe up 48% and International up 10%. Both the reported and the pro-forma performance benefited from sales of the newly acquired products, particularly the Meningitis portfolio, in Europe and the US. Sales in the quarter also benefited from CDC purchases, together with market share gains on certain brands in the US and the phasing of Synflorix sales in International, partly offset by supply constraints in Infanrix/Pediarix and Hepatitis A vaccines and lower demand for Cervarix in International.

In the US, sales grew 13% on a reported basis and 6% pro-forma to £262 million. Pro-forma performance was boosted by CDC purchases in the quarter for Menveo, Rotarix, Bexsero and Infanrix/Pediarix but also saw market and share growth in Bexsero, Boostrix and Pediarix. This growth was partly offset by higher rebates attributable to the sales channel mix.

In Europe, sales grew 48% on a reported basis and 33% pro-forma to £339 million. Pro-forma growth was driven primarily by the Meningitis portfolio. Bexsero sales grew in a number of private markets and in the UK following its inclusion in the NHS immunisation programme. Menveo and Boostrix growth was driven by tender successes and Boostrix was further supported by higher private market sales. Growth was also driven by Infanrix/Pediarix due to strong demand and competitor supply shortages.

In International, sales grew 10% on a reported basis and 3% pro-forma to £281 million. Pro-forma growth in the quarter benefited from the phasing of Synflorix sales in Africa

and Pakistan and strong private market demand. The Meningitis portfolio grew in Brazil, led by Bexsero. Seasonal Flu sales were driven by higher uptake and favourable phasing. This growth was partly offset by lower sales of Infanrix/Pediarix and Hepatitis A vaccines due to supply constraints, and lower demand for Cervarix.

#### Consumer Healthcare

Consumer Healthcare sales were up 26% on a reported basis to £1,761 million, with the US up 26%, Europe up 46%, and International up 17%. On a pro-forma basis, sales increased by 4%, with growth primarily driven by strong performances in Oral health and Wellness power brands.

US sales increased 26% to £440 million on a reported basis, with 7% pro-forma growth primarily reflecting strong performance from the Wellness and Oral health portfolios. Sensodyne continued to deliver double-digit growth driven by the launch of the True White variant combined with strong momentum from Pronamel. Within Wellness, Flonase OTC had a strong quarter driven by the introduction of a number of brand extensions in the period.

Sales in Europe grew 46% to £544 million on a reported basis, up 5% pro-forma. Continuing momentum in the UK, Germany and France was partly offset by the impact of worsening economic conditions in CIS. Pro-forma growth was driven primarily by Wellness sales and, in particular, strong double-digit growth of Voltaren principally as a result of the successful 12-hour variant, and late season momentum in Otrivin in Central & Eastern Europe, the UK and Germany. Within the Oral health category, Sensodyne, Gum health and Denture care continued to grow, offset by a decline in Aquafresh due to increased competitive pressures.

International sales of £777 million grew 17% on a reported basis, up 3% pro-forma. Pro-forma growth reflected strong growth in Oral health and Wellness offset by a slower quarter for the Indian business and Horlicks in particular, which was impacted by lower rural consumption and some wholesaler destocking in the quarter. Oral health grew strongly with pro-forma growth of 10% benefiting from double-digit growth of Sensodyne and high single-digit growth in Denture care. Wellness also grew strongly, driven by double-digit growth of Panadol in Latin America and Asia Pacific and expanded distribution of Voltaren in China. International growth was also partly offset by the impact of the effective cessation of trading in Venezuela at the end of 2015.

#### Total results

The total results for the Group are set out below.

	Q1 2016 £m	Q1 2015 £m	Reported growth CER%
Turnover	6,229	5,622	8
Cost of sales	(2,133)	(2,103)	1
Gross profit	4,096	3,519	13
Selling, general and administration	(2,189)	(2,225)	(2)
Research and development	(815)	(867)	(9)



Edgar Filing: GLAXOSMITHKLINE PLC - Form 6-K

Royalty income	91	77
Other operating income/(expense)	(460)	8,712