

CEO's statement



GSK performed strongly in 2016, with good sales growth across all three businesses, excellent new product momentum and further pipeline progress.

The Group executed strongly in 2016, delivering sales growth across all three businesses, remaining disciplined on costs and progressing our pipeline of innovative products.

Trading performance

Group sales rose 17% at actual rates, 6% CER (5% pro-forma) to £27.9 billion, despite the uncertainty and volatility experienced globally in 2016. Total earnings per share was 18.8p (down 89% at actual rates, 99% CER), primarily reflecting comparisons with the £9.2 billion profit in 2015 from the disposal of the marketed Oncology assets. Core earnings per share was 102.4p^a – a 12% CER increase – and at the top end of our guidance for the year.

We saw growth across all three of the Group's businesses in 2016, with a particular contribution from new Pharmaceuticals and Vaccine products. Sales from this portfolio more than doubled to £4.5 billion and in Pharmaceuticals, new products accounted for 24% of sales.

HIV products, *Tivicay* and *Triumeq*, continued to be the standout products with sales of £2.7 billion, while our new respiratory products – *Relvar/Breo*, *Anoro*, *Incruse*, *Arnuity* and *Nucala* – also grew strongly as did our meningitis vaccines, *Bexsero* and *Menveo*. We expect the momentum in this group of products to continue through 2017.

Our Consumer Healthcare business performed strongly, with sales up 19% at actual rates, 9% CER (5% pro-forma) to £7.2 billion, driven by power brands such as *Sensodyne*, *Voltaren* and *Panadol* as well as growth from *Flonase* which we switched from prescription to over-the-counter.

Strong R&D innovation pipeline

We filed four assets with regulators in 2016 which, if approved, have the potential to drive further growth in the business, including *Shingrix*, our candidate vaccine for shingles and our once-daily Closed Triple therapy for COPD. In addition, we also started a number of phase III trials for assets in HIV, respiratory and anaemia.

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Investment in our R&D organisation continues to deliver significant innovation. For example, 2016 saw the European approval of *Strimvelis*, our first of its kind gene therapy for children with the very rare condition ADA-SCID. This remarkable technology has the potential to be a platform for a number of other gene therapies.

The next two years will be an exciting time for our R&D organisation, with key research data on 20-30 assets due by the end of 2018.

Delivering performance responsibly

GSK has a strong commitment to operating responsibly and playing our part in meeting some of society's biggest healthcare challenges.

In 2016, we took further industry-leading steps by stopping all payments to healthcare professionals to speak about our medicines to other prescribers, and offered essential vaccines at our lowest price to organisations supporting refugees in acute need. We also introduced a new approach to filing and enforcing patents and IP based on a country's economic maturity, and are working with partners to help the world better prepare for future epidemics such as Ebola and Zika.

I was very pleased that our efforts to operate as a values-based company were recognised when we came first in the Access to Medicine Index for the fifth consecutive time.

Outlook

The progress in 2016 highlights the investments we have made in the Group over the last several years to build scale and sustainability as well as develop new products. I expect the Group to make continued progress in 2017 and, as we enter a new period of leadership for the company, I believe GSK is well positioned to deliver long-term performance for shareholders.

Finally, as this is my last annual report before I retire, I would like to thank all our employees, partners and shareholders for their support during my time as CEO. GSK is a very special company that touches people's lives across the world and which I have been enormously privileged to lead.

Sir Andrew Witty
Chief Executive Officer

Footnote

^a We use a number of adjusted, non-IFRS, measures to report the performance of our business, as described on page 57, including core results, free cash flow and CER and pro-forma growth rates. Non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS.