

GLAXOSMITHKLINE PLC

Form 6-K

April 30, 2014

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 30 April 2014

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

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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

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Issued: Wednesday, 30 April 2014, London U.K.

Unaudited Preliminary Results Announcement for the first quarter 2014

GSK delivers Q1 2014 core EPS of 21.0p (+2% CER*) and dividend of 19p (+6%)

Core results*

	Q1 2014		
	£m	CER%	£%
Turnover	5,613	(2)	(10)
Core operating profit	1,530	-	(18)
Core earnings per share	21.0p	2	(20)

Total results

	Q1 2014		
	£m	CER%	£%
Turnover	5,613	(6)	(13)
Operating profit	1,066	(12)	(33)
Earnings per share	13.9p	(4)	(30)

Summary

- Q1 turnover £5.6 billion, -2% (CER) on an ex-divestment* basis.
- Pharmaceutical and Vaccines sales growth in all major regions except US: Europe +3%, Emerging Markets +2%, Japan +13%. US (-10%) impacted by continued competition in respiratory market and quarterly volatility in wholesaler/retailer stocking patterns
- HIV sales +4%, driven by uptake of recently launched integrase inhibitor, Tivicay
- Vaccines sales +3%, with US growth partly offset by phasing of tenders in Emerging Markets
- Consumer Healthcare sales flat with Rest of World growth (+6%) offsetting the impact in US and Europe of temporary supply interruptions to certain products
- Core EPS 21.0p (+2% CER) driven by operating leverage and financial efficiencies
- Continued progress in strategy to renew and diversify respiratory portfolio:
 - Breo Medicare Part D coverage to exceed 70% from 1 May; Anoro now launched in the US and positive CHMP opinion received in Europe; Incruse approved in Europe
 - 6 further respiratory programmes in late stage development, with 2 new US filings planned by

year-end for Breo (asthma) and mepolizumab (severe asthma)

- Tanzeum/Eperzan (for type 2 diabetes) approved in both US and Europe; launches planned in Q3
- Continued R&D momentum expected to continue with around 40 NMEs currently in phase II/III clinical development
- First quarter dividend +6% to 19p. Share buy backs of £1-2 billion targeted during 2014
- Full year guidance of core EPS growth of 4-8% CER reiterated. Sales expected to grow in CER terms and on an ex-divestment basis
- Major 3-part transaction announced with Novartis intended to strengthen sustainability of Group sales base and improve long term earnings outlook. Completion, subject to shareholder and regulatory approval, expected by H1 2015

The full results are presented under 'Income Statement' on page 22 and Core results reconciliations are presented on pages 34 to 35.

*For explanations of the measures 'Core results', and 'CER', see page 20. 2014 core performance is measured against 2013 core results excluding divestments completed during 2013.

GSK's strategic priorities

We have focused our business around the delivery of three strategic priorities, which aim to increase growth, reduce risk and improve our long term financial performance:

- Grow a diversified global business
- Deliver more products of value
- Simplify the operating model

Chief Executive Officer's review

This quarter has amply demonstrated the very significant changes that are underway in GSK's portfolio. Our strategy to broaden the company's sales base is evidenced with the transition we are making to new products in our core franchises of Respiratory and HIV, further R&D delivery and the 3-part transaction we announced last week with Novartis.

For the quarter, Group sales were down 2% despite growth in Pharmaceuticals and Vaccines sales in all major regions except the US. Consumer Healthcare sales, flat at £1.1 billion, were impacted by some temporary supply interruptions to certain products in the US and Europe.

Outside of the US, we saw continued momentum across Pharmaceuticals and Vaccines with sales growth in Emerging Markets, Europe and Japan. Consumer Healthcare sales in Rest of World markets were also strong, up 6% to £0.6 billion.

Despite the decline in sales, core earnings per share for the quarter grew 2% CER to 21 pence. This reflected the diversity of the Group, benefits from ongoing restructuring and effective cost control, together with further delivery of financial efficiencies in both interest and tax charges. We continue to expect further structural cost savings to be delivered in the second half of the year.

Free cash flow was £0.5 billion, reflecting the significant movements in currencies during the quarter. We have declared a first interim dividend of 19 pence per share, an increase of 6%.

For 2014, we continue to target core earnings per share growth of 4-8% CER ex-divestments. We also continue to expect to grow sales at constant exchange rates and on an ex-divestment basis. However, the exact level of sales growth will depend on a number of factors, including the roll-out of new products, the level of generic competition to older products, including Lovaza for which a generic approval was granted in April, and the phasing of resupply of products in our Consumer Healthcare business.

In the US, Pharmaceutical and Vaccines sales were down 10% reflecting the impact of a general wholesaler and retailer destocking, as well as increased competition to Advair which resulted in a step reduction to market share in the quarter.

The uptake of recently launched Breo has also been slower than anticipated due to delays in payer coverage. However, following a number of successful contract negotiations, Medicare Part D coverage for Breo has been rising and is expected to exceed 70% from the beginning of May. We are also announcing today our intention to file Breo for asthma in the United States.

In addition to Breo, last week we launched Anoro, our new combination bronchodilator product for COPD in the US. We have also received a positive CHMP opinion for Anoro in Europe and our LAMA monotherapy for COPD, Incruse, has now been approved for use in Europe and Canada.

Breo/Relvar, Anoro and Incruse are the first of a series of new medicines, which we expect will build, diversify and strengthen our respiratory portfolio.

We have a further 6 new respiratory products in late-stage development, including mepoluzimab, a new treatment for severe asthma. Following receipt of positive phase III results in the quarter, we are now planning to file mepoluzimab for approval by the end of this year. Earlier this week we also announced the start of phase III studies to investigate use of this medicine to treat COPD.

Elsewhere, we are making further good progress to launch new products in other core franchises. In HIV, Tivicay continues to generate rapid prescription uptake and remains on track to be one of the best recent launches in this category. Meanwhile in Vaccines, further sales growth from our new quadrivalent flu vaccine is expected during the second half of this year.

In oncology, our newly launched MEK and BRAF mono-therapies now have around 70% combined share of prescriptions in the melanoma v600 targeted therapy market in the US and we have also just received a positive CHMP opinion for Mekinist in Europe. This is further evidence of the real innovation and value our portfolio of marketed oncology products is bringing to patients. Additionally, Tanzeum, our new product for type 2 diabetes is now approved in both the United States and Europe and we are on track for launch in both regions in Q3.

We are very focused on executing the roll-out of our new products and are re-allocating investment to do so. In an industry with 20-year product cycles, synchronisation of this new product growth with managing the impact of competition elsewhere in the portfolio is clearly challenging, particularly in the US, and especially when viewed on a quarterly basis.

We remain confident that GSK's overall portfolio is fundamentally changing and improving. The R&D innovations we are now launching are at the forefront of an extensive pipeline and discovery effort supporting our strategic approach to deliver a continued flow of multiple product launches that are competitive and will be valued by both patients and payers.

With around 40 NMEs currently in phase II/III development, GSK's late-stage pipeline remains attractive and we expect the next wave of innovative R&D opportunities to become more visible as this year progresses.

We continue to evaluate options to maximise the value of our portfolio and are currently reviewing our Established Products Portfolio (EPP).

The 3-part transaction we have announced with Novartis will also strengthen the sustainability of GSK's sales base and improve the long-term outlook of the company. We believe this transaction offers significant new options to increase value and returns to shareholders and we look forward to bringing the transaction to shareholders for approval later in the year.

Sir Andrew Witty
Chief Executive Officer

A video interview with CFO Simon Dingemans discussing today's results is available on www.gsk.com

All forward looking statements are based on 2013 core numbers adjusted to exclude divestments, at CER and barring unforeseen circumstances. See 'Cautionary statement regarding forward-looking statements' on page 20.

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Group performance

Group turnover by division, geographic region and segment

Group turnover by division

		Q1 2014	
	£m	Growth	
		CER%*	
Pharmaceuticals	3,828	(4)	
Vaccines	658	3	
Pharmaceuticals and Vaccines	4,486	(3)	
Consumer Healthcare	1,127	-	
Group turnover	5,613	(2)	
Group turnover including divestments	5,613	(6)	

Group turnover by geographic region

		Q1 2014	
	£m	Growth	
		CER%*	
US	1,710	(11)	
Europe	1,644	(1)	
Emerging Markets	1,467	3	
Japan	459	9	
Other	333	(2)	
Group turnover	5,613	(2)	
Group turnover outside US and Europe	2,259	3	

Group turnover by segment	Q1 2014	
	£m	Growth CER%*
Pharmaceuticals and Vaccines		
-US	1,130	(10)
-Europe	1,024	3
-Emerging Markets	691	2
-Japan	285	13
-ViiV Healthcare	311	4
-Established Products	814	(11)
Other trading and unallocated pharmaceuticals	231	4
Pharmaceuticals and Vaccines	4,486	(3)
Consumer Healthcare	1,127	-
Group turnover	5,613	(2)

* Unless otherwise stated, Q1 2014 turnover growth is in comparison with Q1 2013 turnover excluding divestments in 2013. See page 20.

Turnover – Q1 2014

As previously announced, GSK is reporting core results performance for 2014 measured against 2013 core results excluding the results attributable to divestments completed during 2013. On this basis, Group turnover for Q1 2014 declined 2% to £5,613 million. Total Pharmaceuticals and Vaccines turnover fell by 3%, excluding 2013 divestments. Pharmaceuticals turnover fell 4% as growth in Emerging Markets, Japan and Europe was more than offset by lower sales in the US and a decline in Established Products sales. Worldwide Vaccines turnover grew 3%, as strong performances in the US and Europe were partly offset by lower reported sales in Emerging Markets and Japan. Consumer Healthcare turnover was flat at £1,127 million in the quarter.

In the US, Pharmaceuticals and Vaccines turnover fell 10% to £1,130 million, with Pharmaceuticals down 15% and Vaccines up 25%. Pharmaceutical sales in the quarter were impacted by destocking from wholesalers and retailers, including, as expected, the unwinding of the stock builds seen in the prior quarter. This, in aggregate, is estimated to have reduced reported growth by approximately 7 percentage points. Continued price and contracting competitor activity also particularly affected the ICS/LABA market where Advair competes and Breo has been recently introduced. Excluding destocking, underlying US respiratory sales were down 11% as a result, with price after net favourable adjustments to accruals for returns and rebates up 2% a