GLAXOSMITHKLINE PLC
Form 6-K
October 28, 2015

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 28 October 2015

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 x   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 x
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Issued: Wednesday, 28 October 2015, London U.K.
Results Announcement for the third quarter 2015

Q3 sees continued progress in execution of Group strategy Sales of £6.1 billion (+11% CER) and core EPS of 23.0p (-13% CER)

Group on track to achieve guidance for 2015 and remains confident in outlook for 2016

Core results

	Q3 2015	Growth		9 months 2015	Growth	
	£m	CER%	£%	£m	CER%	£%
Turnover	6,127	11	9	17,637	6	5
Core operating profit	1,718	(5)	(9)	4,372	(6)	(9)
Core earnings per share	23.0p	(13)	(18)	57.7p	(10)	(15)

Total results

	Q3 2015	Growth		9 months 2015	Growth	
	£m	CER%	£%	£m	CER%	£%
Turnover	6,127	11	9	17,637	6	5
Operating profit	1,025	54	46	10,576	>100	>100
Earnings per share	11.1p	45	32	181.7p	>100	>100

Summary

- Group sales +11% CER on a reported basis and +5% CER pro-forma
  - Pharmaceuticals £3.3 billion, -7% (+1% pro-forma); Vaccines £1.2 billion, +32% (+13% pro-forma); Consumer Healthcare £1.6 billion, +55% (+7% pro-forma)
  - Sales of New Pharmaceutical and Vaccine products of £591 million in Q3 2015

- Q3 core EPS 23.0p, -13% CER
  - Reflects dilution from Novartis transaction offset by accelerated delivery of integration synergies, restructuring benefits and ongoing cost reductions
  - Decline also reflects comparison with Q3 2014 which included structural benefit to SG&A of £219 million

- Total Q3 EPS of 11.1p and 9 months EPS of 181.7p
  - Reflects phasing of pre-tax transaction gains and accelerated restructuring charges

- 2015 earnings guidance and 2016 outlook reiterated
  - Expect 2015 core EPS to decline at a high-teen percentage rate (CER)
  - 2016 core EPS percentage growth expected to reach double digits (CER)

- Q3 dividend of 19p declared
  - Continued expectation for full year dividend of 80p

- Further progress on new products and late stage pipeline
  - Positive European CHMP opinion for Nucala (mepolizumab) for severe asthma received in September; FDA decision expected 4 November
  - Positive data received to support filing of Relvar Ellipta for COPD in Japan
  - Positive Phase III efficacy data received for shingles vaccine (Shingrix) in 70 years+ age group; filing planned H2 2016.

- R&D innovation with significant potential to drive long-term performance to be profiled at Investor event on 3 November

The full results are presented under 'Income Statement' on page 33 and core results reconciliations are presented on pages 14 and 48 to 51. All commentaries are presented in terms of CER growth as defined on page 30, unless otherwise stated.
All expectations and targets regarding future performance should be read together with the "Assumptions related to 2016-2020 outlook" and "Assumptions and cautionary statement regarding forward-looking statements" sections on page 31.

Sir Andrew Witty, Chief Executive Officer, GSK said:

"This quarter's performance reflects continued execution of our strategy. The benefits of the recent 3-part transaction are becoming evident in our sales and earnings performance and we have made good progress on our restructuring and integration programmes during the quarter.

Pro-forma sales growth in the quarter came from all three businesses. In Consumer Healthcare the recently switched Rx/OTC product Flonase contributed to sales growth of 7%. In our Pharmaceutical and Vaccines businesses, sales of new products were £591 million, more than offsetting the decline in Seretide/Advair sales of £182 million and demonstrating progress in transitioning to our new portfolio. HIV remains the standout performer with sales increasing 65%, reflecting continued strong momentum from Tivicay and Triumeq.

"Our R&D Investor event next week will profile further product innovation in our pharmaceutical and vaccine pipelines, which we believe has significant potential to drive long-term performance for the Group.

"We remain focused on delivering sustained improvements in operational performance and are confident in our outlook for the rest of this year and a return to earnings growth in 2016."

Information and details regarding today's results, including a video interview with CFO Simon Dingemans is available on: www.gsk.com/investors.

Strategy and outlook

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

GSK has a strong portfolio of innovative products across these three businesses, enabling the Group to access the fast growing global demand for healthcare and to balance its exposure to future changes in the industry pricing environment.

The Group has a presence in more than 150 markets, with revenues split across Pharmaceuticals 59%, Consumer Healthcare 25% and Vaccines 16% on a full year 2014 historic pro-forma basis. Demand for the Group's products is expected to increase worldwide, particularly in Emerging Markets.

R&D innovation underpins all three businesses. The Group has a pipeline of ~40 NMEs (drugs and vaccines) in Phase II/III clinical development, primarily focused on HIV, Oncology, Vaccines, Immuno-inflammation, Respiratory diseases 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.

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 its intention to pay an annual ordinary dividend of 80p for each of the next three years (2015-2017). For more information see: www.gsk.com/en-gb/investors/investor-event.

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Group performance

The Novartis transaction completed on 2 March 2015 and so GSK's reported year to date results include seven month's turnover of the former Novartis Vaccines and Consumer Healthcare products and exclude sales of the former GSK Oncology business from 2 March. The Group has restated its segment information for the change in its segments described on page 41.

In addition, the Group has presented 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 Q3 2015 with the turnover and core operating profit for Q3 2014 adjusted to include the equivalent three month's sales of the former Novartis Vaccines and Consumer Healthcare products and exclude the sales of the former GSK Oncology business during Q3 2014. Similarly, pro-forma growth rates for the nine months are calculated comparing reported turnover and core operating profit for the nine months to September 2015 with the turnover and core operating profit for the nine months to September 2014 adjusted to include the equivalent seven month's sales of the former Novartis Vaccines and Consumer Healthcare products and exclude the sales of the former GSK Oncology products from March to September 2014.

Group turnover by business and geographic region

Group turnover by business

	Q3 2015 £m	Q3 2015 Reported growth CER%	Q3 2015 Pro-forma growth CER%	9 months 2015 £m	9 months 2015 Reported growth CER%	9 months 2015 Pro-forma growth CER%
Global Pharmaceuticals	2,718	(15)	(7)	8,776	(13)	(7)
HIV	622	65	65	1,627	56	56
Pharmaceuticals	3,340	(7)	1	10,403	(7)	(1)
Vaccines	1,181	32	13	2,694	19	4
Consumer Healthcare	1,576	55	7	4,466	43	7
	6,097	11	5	17,563	6	2
	30	27	10	74	28	15

Corporate and other unallocated turnover						
Group turnover	6,127	11	5	17,637	6	2

Group turnover by geographic region

	£m	Q3 2015 Reported growth CER%	Q3 2015 Pro-forma growth CER%	£m	9 months 2015 Reported growth CER%	9 months 2015 Pro-forma growth CER%
US	2,214	10	11	6,001	4	5
Europe	1,612	15	4	4,781	11	3
International	2,301	9	1	6,855	5	-
Group turnover	6,127	11	5	17,637	6	2

HIV turnover represents the sales of ViiV Healthcare.

Turnover – Q3 2015

Group turnover for Q3 2015 increased 11% on a reported basis to £6,127 million, with Pharmaceuticals down 7%, Vaccines up 32% and Consumer Healthcare up 55%, all three businesses reflecting the impact of the Novartis transaction. On a pro-forma basis, Group turnover increased 5%, with Pharmaceuticals up 1%, Vaccines up 13% and Consumer Healthcare up 7%. Sales of New Pharmaceutical and Vaccine products, as set out on page 26, were £591 million in the quarter.

Pharmaceuticals

Pharmaceuticals turnover was £3,340 million, down 7% on a reported basis, primarily reflecting the disposal of the Oncology business to Novartis. Adjusting for the impact of the disposal, pro-forma turnover was up 1%. HIV sales grew 65% in the quarter. Respiratory sales declined 9%, reflecting further declines in Seretide/Advair in the US and Europe as well as increased competitive pressures in the International region, compounded by the continuing transition of the Respiratory portfolio to newer products. Sales of Established Products declined 13%, with lower sales in the US, Europe and International primarily reflecting respectively a continued decline in Lovaza, intensifying competition in Europe and the impact of the reshaping of the China business on International.

In the US, Global Pharmaceuticals turnover of £970 million declined 21% in the quarter, 10% on a pro-forma basis. The pro-forma decline primarily reflected a 10% fall in Respiratory sales and a 21% fall in Established Products with Lovaza sales down 66% to £19 million following the introduction of generic competition in 2014. Within the Respiratory portfolio, Advair sales were down 18% to £397 million, of which 8% was due to volume and 10% due to price, and Flovent sales declined 8% to £91 million. Breo Ellipta and Anoro Ellipta sales were £27 million and £14 million respectively in the quarter. Benlysta sales increased 23% to £53 million and Relenza sales more than doubled to £16 million, benefiting from the timing of US CDC orders.

In Europe, Global Pharmaceuticals turnover declined 19% to £638 million on a reported basis and was down 7% on a pro-forma basis. Respiratory sales declined 13% to £313 million with a 23% decline in Seretide, of which 16% was due to volume and 7% due to price, driven by increased competitive pressures and generic launch activity in the quarter. The transition of the Respiratory portfolio was also a factor and Relvar Ellipta and Anoro Ellipta in aggregate recorded sales of £25 million in the quarter. Established Products sales were down 10% to £115 million, reflecting increased competition as well as some capacity constraints for a number of products.

In International, Global Pharmaceuticals turnover of £1,110 million was down 8% on a reported basis and down 4% on a pro-forma basis. Sales in Emerging Markets of £690 million declined 13% reported and 8% pro-forma, reflecting increased competition and tender activity across the region, and the ongoing reshaping of the China business. Within Emerging Markets, Respiratory sales declined 6%, driven primarily by Seretide, down 15%, due to additional generic competition and price reductions in reimbursed markets together with some tender phasing. Established Products were down 17%, particularly impacted by China, down 27%, reflecting the reshaping of the business, including the disposal of a number of peripheral parts of the portfolio. In Japan, Global Pharmaceutical sales were down 2% to £273 million on a reported basis, but up 4% pro-forma, as strong growth of Relvar Ellipta to £14 million more than offset a 17% decrease in Adoair sales. Total Respiratory sales in Japan were up 9% for the quarter.

Worldwide HIV sales increased 65% to £622 million, with the US up 94%, Europe up 54% and International up 19%. The growth in all three regions was driven primarily by strong performances from both Triumeq and Tivicay, with sales of £211 million and £157 million respectively in the quarter. Epzicom/Kivexa sales declined 9% to £175 million.

Vaccines

Vaccines sales grew 32% to £1,181 million with the US up 42%, Europe up 31% and International up 22%. All three regions benefited from the inclusion of sales of newly acquired products, primarily Bexsero in Europe and Menveo in the US. The pro-forma growth of 13% was primarily driven by the US, which recorded stronger sales of Fluarix/FluLaval and an acceleration compared to 2014 as well as strong growth in the newly acquired Meningitis franchise.

In the US, sales grew 42% on a reported basis (22% on a pro-forma basis) to £526 million. This was largely attributable to improved supply enabling an accelerated delivery schedule of Fluarix/FluLaval Quadrivalent compared with 2014. Rotarix also grew strongly, up 57%, driven by CDC orders, offsetting the comparative impact on Infanrix/Pediarix of a significant CDC replenishment order in Q3 2014. The Meningitis portfolio (Bexsero and Menveo) also grew by 34% on a pro-forma basis.

In Europe, sales grew 31% on a reported basis (14% on a pro-forma basis) to £308 million. This growth primarily reflected increased sales of Bexsero in a number of private markets and in the UK, where the NHS agreed to include Bexsero in its national immunisation programme. Boostrix and the MMRV portfolio (Priorix/Varilrix/ Priorix Tetra) also grew strongly due to improved supply and a competitor supply shortage. The growth was partly offset by a 15% decline in sales of Hepatitis vaccines, reflecting ongoing supply constraints.

In International, sales grew 22% on a reported basis (3% on a pro-forma basis) to £347 million. The pro-forma performance reflected growth in Synflorix sales offset by greater competitive pressures for Boostrix and lower sales of Hepatitis vaccines due to ongoing supply constraints.

Consumer Healthcare
Consumer Healthcare turnover grew 55% on a reported basis and 7% on a pro-forma basis to £1,576 million, with strong growth in the US and a return to growth by the International region.

US turnover increased 61% to £360 million, with 18% pro-forma growth reflecting strong growth primarily from the Wellness portfolio. This has continued to benefit from the recent OTC launch of Flonase, as well as the re-launches of Excedrin and Theraflu. Oral health was also a significant contributor with strong growth in denture care boosted by re-supply.

Turnover in Europe grew 87% to £481 million (up 1% pro-forma) with a strong performance from the Pain relief portfolio as Voltaren, up 5%, continued to perform well across the region, and Panadol grew 13%. Oral health growth of 3% continued to be driven by Sensodyne, as well as the benefit from re-supply of denture care products. Fenistil and Zovirax contributed to Skin health growth of 9%. Overall regional pro-forma growth was significantly offset by a slower start to the cold and flu season.

International turnover of £735 million grew 37%, (up 6% pro-forma), with double digit growth delivered in Oral health and Skin health and an improving performance through the quarter in Wellness as Russia began to return to growth following inventory normalisation within the acquired consumer businesses. The Middle East and China continued to be impacted by high channel inventories in the acquired businesses, restricting pro-forma growth in Wellness to 2%. Oral health sales in the region were driven by the continued growth of Sensodyne, up 14%, with a particularly strong performance in the Middle East. The therapeutic skin health brands Fenistil, Lamisil and Bactroban all grew in double digits, with Bactroban continuing to regain market share in China.

Corporate and other unallocated turnover
The Corporate and unallocated turnover of £30 million represented sales of several Vaccines and Consumer Healthcare products, which were being held for sale in a number of markets. GSK was required to dispose of these products in specific markets in order to meet the requirements of the anti-trust approvals for the Novartis transaction. The disposals were completed in Q3 2015.

Turnover – 9 months 2015

Group turnover for the nine months 2015 increased 6% on a reported basis to £17,637 million, with Pharmaceuticals down 7%, Vaccines up 19% and Consumer Healthcare up 43%, all three businesses reflecting the impact of the Novartis transaction. On a pro-forma basis, Group turnover increased 2%, with Pharmaceuticals down 1%, Vaccines up 4% and Consumer Healthcare up 7%. Sales of New Pharmaceutical and Vaccine products as set out on page 26 were £1,306 million in the nine months.

Pharmaceuticals
Pharmaceuticals turnover was £10,403 million, down 7% on a reported basis, primarily reflecting the disposal of the Oncology business. Adjusting for the impact of the disposal, pro-forma turnover was down 1%, reflecting an 8% decline in Respiratory sales and a 13% decline in sales of Established Products, largely offset by growth in HIV sales of 56%.

In the US, Global Pharmaceuticals turnover of £3,073 million declined 20% in the nine months and 13% on a pro-forma basis. This decline primarily reflected a 15% fall in Respiratory sales and a

28% fall in Established Products sales. Within the Respiratory portfolio, Advair sales were down 19% to £1,273 million, of which 4% was due to volume and 15% due to price, and Flovent sales declined 22% to £274 million. Breo Ellipta and Anoro Ellipta sales were £60 million and £35 million, respectively, in the period. The primary driver of the decline in Established Products was Lovaza, which was down 65% to £71 million following the launch of generic competition in 2014. Relenza sales more than doubled to £60 million, benefiting from the timing of US CDC orders, while Benlysta continued its recent momentum with sales of £150 million, up 23%.

In Europe, Global Pharmaceuticals turnover declined 14% to £2,149 million and was down 6% on a pro-forma basis. Respiratory sales declined 8% to £1,074 million with a 17% decline in Seretide, of which 9% was due to volume and 8% was due to price, driven by increased competitive pressures and generic launch activity. The Seretide decline was partly offset by Relvar and Anoro Ellipta sales of £65 million in aggregate in the period. Established Products sales were down 12% to £368 million reflecting increased generic competition and some specific capacity constraints.

In International, Global Pharmaceuticals turnover was £3,554 million, down 6% on a reported basis and down 2% on a pro-forma basis. Sales in Emerging Markets of £2,241 million declined 7% on a reported basis (down 4% pro-forma). Within Emerging Markets there was continued growth in Respiratory, up 2%, with Seretide, down 3%, offset by Ventolin, up 6%, and Avamys, up 9%. Established Products were down 12%, significantly impacted by China, down 17%, reflecting the ongoing reshaping of the business, including the disposal of a number of peripheral parts of the portfolio. In Japan, pro-forma Pharmaceutical sales were up 1% with an 8% increase in Respiratory sales, primarily driven by Relvar Ellipta, partly offset by lower sales of Relenza and Established Products, down 7%.

Worldwide HIV sales increased 56% to £1,627 million, with the US up 83%, Europe up 45% and International up 18%. The growth in all three regions was driven primarily by the strong performances of both Triumeq and Tivicay, with sales of £441 million and £414 million, respectively in the nine months. Epzicom/ Kivexa sales declined 2% to £536 million.

Vaccines

Vaccines sales grew 19% to £2,694 million with the US up 27%, Europe up 21% and International up 11%. The business benefited from sales of the newly acquired products, particularly the Meningitis portfolio in Europe and the US. The pro-forma growth of 4% was primarily driven by Bexsero sales in Europe and strong Fluarix/FluLaval sales in the US reflecting improved and accelerated supply and the switch to the Quadrivalent formulation. These factors were partly offset by a decline in Infanrix/Pediarix sales, mainly in the US, which were impacted by supply constraints and the return of a competitor to the market.

In the US, sales grew 27% on a reported basis (12% on a pro-forma basis) to £983 million. Growth was primarily driven by strong Fluarix/FluLaval sales, up 54%, growth in Hepatitis and Rotarix, which benefited from CDC stockpile replenishments, and the newly acquired Meningitis portfolio which grew 28% on a pro-forma basis. This growth was partly offset by a 12% decline in Infanrix/Pediarix sales as a result of the return to the market of a competitor vaccine during 2014, combined with the comparative drag from a significant CDC stockpile replenishment order in Q3 2014.

In Europe, sales grew 21% on a reported basis (8% on a pro-forma basis) to £806 million. This growth primarily reflected increased sales of Bexsero in a number of private markets and in the UK where the NHS agreed to include Bexsero in the national immunisation programme. Improved supply led to significantly better sales of Boostrix, up 30%, and the MMRV portfolio, up 10%. This growth was partly offset by a 12% decline in Hepatitis sales due to ongoing supply constraints.

In International, sales grew by 11% on a reported basis, but declined 4% on a pro-forma basis, to £905 million. This primarily reflected greater competitive pressures for Boostrix and lower Synflorix sales in Latin America, as well as Hepatitis supply constraints, partly offset by the growth of Synflorix in Africa.

Consumer Healthcare

Consumer Healthcare sales in the nine months grew 43% on a reported basis and 7% on a pro-forma basis to £4,466 million, with growth in all three regions, but particularly the US.

US turnover increased 58% to £1,050 million (26% pro-forma growth), primarily reflecting the OTC launch of Flonase, and a favourable comparison with 2014, which was impacted by supply constraints. Sensodyne continued to record strong growth.

Turnover of £1,315 million in Europe grew 69% (4% pro-forma) primarily as a result of double-digit growth in Sensodyne, benefiting from improved supply and a number of new product introductions. Voltaren grew 11% pro-forma, achieving record shares in a number of markets, including Germany and Italy, following a new advertising campaign.

International turnover of £2,101 million grew 25% (2% pro-forma). Strong double-digit growth in Oral health, high single-digit growth in Skin health and continuing momentum for Horlicks and Eno in India were offset by the impact on Wellness of excess channel inventories in parts of the acquired consumer businesses, most notably in China, Russia and the Middle East.

Corporate and other unallocated turnover

The Corporate and unallocated turnover of £74 million represented sales of several Vaccines and Consumer Healthcare products, which were being held for sale in a number of markets. GSK was required to dispose of these products in specific markets in order to meet the requirements of the anti-trust approvals for the Novartis transaction. The disposals were completed in Q3 2015.

Core operating profit and margin

Core operating profit

			Q3 2015	Q3 2015			9 months 2015	9 months 2015
	£m	% of turnover	Reported growth CER%	Pro-forma growth CER%	£m	% of turnover	Reported growth CER%	Pro-forma growth CER%
Turnover	6,127	100	11	5	17,637	100	6	2
Cost of sales	(1,936)	(31.6)	22	6	(5,454)	(30.9)	18	5
Selling, general and administration	(1,842)	(30.1)	26	13	(5,799)	(32.9)	11	4
	(730)	(11.9)	(4)	(6)	(2,250)	(12.8)	(4)	(6)

Research and development								
Royalty income	99	1.6	-	(11)	238	1.4	-	(14)
Core operating profit	1,718	28.0	(5)	-	4,372	24.8	(6)	-
Core profit before tax	1,568		(5)		3,893		(6)	
Core profit after tax	1,254		(5)		3,115		(5)	
Core profit attributable to shareholders	1,113		(13)		2,784		(10)	
Core earnings per share	23.0p		(13)		57.7p		(10)	

Core operating profit by business

			Q3 2015	Q3 2015			9 months 2015	9 months 2015
	£m	% of turnover	Reported growth CER%	Pro-forma growth CER%	£m	% of turnover	Reported growth CER%	Pro-forma growth CER%
Global Pharmaceuticals	1,116	41.1	(23)	(12)	3,584	40.8	(21)	(13)
HIV	466	74.9	88	88	1,197	73.6	76	76
Pharmaceuticals R&D	(503)		(13)	(3)	(1,593)		(9)	(2)
Pharmaceuticals	1,079	32.3	(5)	7	3,188	30.6	(8)	-
Vaccines	464	39.3	30	44	802	29.8	(6)	10
Consumer Healthcare	210	13.3	92	22	500	11.2	64	19
	1,753	28.8	10	16	4,490	25.6	(2)	4
Corporate & other unallocated costs	(35)		>(100)	>(100)	(118)		>(100)	>(100)
Core operating profit	1,718	28.0	(5)	-	4,372	24.8	(6)	-

HIV operating profit represents the operating profit of ViiV Healthcare.

Core operating profit – Q3 2015

Core operating profit was £1,718 million, 5% lower in CER terms than in Q3 2014 on a turnover increase of 11%. The core operating margin of 28.0% was 5.4 percentage points lower than in Q3 2014 and 4.9 percentage points lower on a CER basis. The decrease included a 3.3 percentage point impact from the Novartis transaction, reflecting the disposal of GSK's higher margin Oncology business and the acquisition of lower margin Vaccines and Consumer Healthcare businesses from Novartis, and a 3.7 percentage point impact in the quarter from the comparison with Q3 2014 when the operating margin benefited from the inclusion in SG&A of a £219 million credit from a release of reserves following simplification of the Group's entity structure and its trading arrangements.

On a pro-forma basis, core operating profit was flat in CER terms compared with Q3 2014 on a turnover increase of 5%. The core operating margin reduced on a pro-forma basis by 1.6 percentage points in CER terms. Excluding the impact of the £219 million credit recorded in SG&A in Q3 2014, the core operating margin increased on a pro-forma basis by 2.1 percentage points in CER terms, benefiting from an improved product mix in the quarter as well as initial contributions from the Pharmaceuticals restructuring and Novartis integration programmes.

Cost of sales as a percentage of turnover was 31.6%, up 2.6 percentage points in sterling terms and 2.9 percentage points higher in CER terms than in Q3 2014. On a pro-forma basis, the cost of sales percentage was flat and increased 0.3% in CER terms. The benefits of favourable product mix in the quarter, driven by strong growth in new products, particularly Tivicay and Triumeq, together with improved supply and pricing in Consumer Healthcare and accelerated Flu vaccines sales in the US, were offset by continued adverse pricing pressure in Pharmaceuticals, primarily Respiratory, and increased investments in Vaccines to improve the reliability and capacity of the supply chain.

SG&A costs were 30.1% of turnover, 4.0 percentage points higher than in Q3 2014 and 3.7 percentage points higher on a CER basis. On a pro-forma basis, SG&A as a percentage of sales increased by 2.6 percentage points and 2.3 percentage points on a CER basis. This reflected an adverse comparison with Q3 2014 which included a £219 million credit from a release of reserves following simplification of the Group's entity structure and its trading arrangements. Excluding this, SG&A as a percentage of sales reduced 1.4 percentage points on a CER basis. This primarily reflected savings in Global Pharmaceuticals, including the benefits of the Pharmaceuticals restructuring programme, and integration benefits in Vaccines and Consumer Healthcare, offset by promotional support for new launches and seasonal activity, particularly in Consumer Healthcare.

R&D expenditure declined 4% CER to £730 million (11.9% of turnover) compared with £742 million (13.1% of turnover) in Q3 2014. On a pro-forma basis, R&D expenditure declined 6% reflecting the benefit of cost reduction programmes in Pharmaceuticals, Consumer Healthcare and Vaccines as well as the phasing of ongoing project spending.

Royalty income was £99 million (Q3 2014: £101 million).

Core operating profit by business – Q3 2015

Following the completion of the transaction with Novartis, GSK has reorganised the Group to reflect the greater balance between its Pharmaceuticals, Vaccines and Consumer Healthcare businesses and responsibilities for some parts of these respective businesses have been realigned. GSK is reporting these three businesses separately with corporate costs reallocated to each accordingly so that the profitability of each business is reflected more accurately.

Pharmaceuticals core operating profit was £1,079 million, 5% lower than in Q3 2014 in CER terms on a turnover decrease of 7%. The core operating margin of 32.3% was 0.3 percentage points lower than in Q3 2014 but 0.7 percentage points higher on a CER basis. On a pro-forma basis, core operating margin increased 1.9 percentage points on a CER basis, reflecting an improved product mix, primarily driven by the strong growth in HIV sales, as well as the benefits of the restructuring programmes in Pharmaceuticals and R&D, offset by continued pricing pressure in Global Pharmaceuticals, primarily on Respiratory products.

Vaccines operating profit was £464 million, 30% higher than in Q3 2014 in CER terms on a turnover increase of 32%. The core operating margin of 39.3% was 3.3 percentage points higher than in Q3 2014 but 0.4 percentage points lower on a CER basis, primarily driven by the inherited cost base of the former Novartis Vaccines business. The pro-forma operating profit margin improved by 7.5 percentage points on a CER basis, primarily driven by an improved product mix, including the seasonal impact of Flu sales, and the growth in sales of Meningitis vaccines, as well as reductions in R&D and SG&A delivered through restructuring and integration benefits, partly offset by increased investments to improve the reliability and capacity of the supply chain.

Consumer Healthcare core operating profit was £210 million, 92% higher than in Q3 2014 in CER terms on a turnover increase of 55%. The core operating margin of 13.3% was 0.6 percentage points higher than in Q3 2014, and 3.0 percentage points higher on a CER basis. On a pro-forma basis, the Consumer Healthcare operating margin was 1.9 percentage points higher on a CER basis due to a significant improvement in gross margin reflecting benefits from both improved supply and pricing, as well as a continued contribution from US Flonase and the benefit of seasonal stocking ahead of the cold and flu season together with synergies, particularly in SG&A and R&D, arising from the Novartis transaction.

Core operating profit – 9 months 2015

Core operating profit was £4,372 million, 6% lower than in the 9 months to September 2014 in CER terms on a turnover increase of 6%. The core operating margin of 24.8% was 3.9 percentage points lower than in the 9 months to September 2014 and 3.2 percentage points lower on a CER basis. This decline included a 2.7 percentage point impact of the Novartis transaction, reflecting the disposal of GSK's higher margin Oncology business and the acquisition of lower margin Vaccines and Consumer Healthcare businesses from Novartis.

On a pro-forma basis, core operating profit was flat in CER terms compared with the 9 months to September 2014 on a turnover increase of 2%. The core operating margin declined 0.5 percentage points on a pro-forma basis, which primarily reflected an increase in cost of sales and SG&A as a percentage of turnover partly offset by reduced R&D expenditure. This decline included a 1.2 percentage point impact from comparison with 2014 which included a £219 million credit in SG&A from a release of reserves following simplification of the Group's entity structure and its trading arrangements. Excluding this effect, the core operating margin increased 0.7 percentage points reflecting the benefit of the Group's restructuring and integration programme, as well as improved product mix.

Cost of sales as a percentage of turnover was 30.9%, 2.7 percentage points higher than in the 9 months to September 2014. On a pro-forma basis, the cost of sales percentage increased 0.7 percentage points and 0.9 percentage points on a CER basis. This reflected adverse price movements, particularly in US Global Pharmaceuticals, increased investments in Vaccines to improve the reliability and capacity of the supply chain and an adverse comparison with a reduced cost of sales in Vaccines in the 9 months to September 2014, which benefited from a number of inventory adjustments. These declines were partly offset by improved product mix, particularly as a result of the growth in HIV sales, and the benefits of the Group's ongoing cost reduction programmes.

SG&A costs as a percentage of sales were 32.9%, 1.9 percentage points higher than in the 9 months to September 2014 and 1.4 percentage points higher on a CER basis. On a pro-forma basis, SG&A costs as a percentage of sales increased 0.9 percentage points, and 0.4 percentage points on a CER basis. This increase primarily reflected the impact of the £219 million credit in SG&A in Q3 2014 from a release of reserves following simplification of the Group's entity structure and its trading arrangements. Excluding this, SG&A costs as a percentage of sales decreased 0.8 percentage points on a CER basis, driven by declines in Global Pharmaceuticals, including the benefits of the Pharmaceuticals cost reduction programme, and synergies in Vaccines and Consumer Healthcare.

R&D expenditure declined 4% CER to £2,250 million (12.8% of turnover) compared with £2,292 million (13.6% of turnover) in the 9 months to September 2014. On a pro-forma basis, R&D expenditure declined 6% reflecting the benefit of cost reduction programmes in Pharmaceuticals, Vaccines and Consumer as well as the phasing of ongoing project spending.

Royalty income was £238 million (2014: £243 million).

Core operating profit by business – 9 months 2015

Pharmaceuticals core operating profit was £3,188 million, 8% lower than in 9 months to September 2014 in CER terms on a turnover decrease of 7%. The core operating margin of 30.6% was 1.3 percentage points lower than in the 9 months to September 2014 and 0.4 percentage points lower on a CER basis. On a pro-forma basis, the core operating margin increased 0.3 percentage points on a CER basis, which reflected declines in SG&A and R&D due to the benefits of the Group's cost reduction programmes, and a more favourable product mix, particularly driven by the growth in HIV sales, partly offset by adverse price movements in Global Pharmaceuticals, particularly on Respiratory products.

Vaccines operating profit was £802 million, 6% lower than in the 9 months to September 2014 in CER terms on a turnover increase of 19%. The core operating margin of 29.8% was 4.1 percentage points lower than in the 9 months to September 2014 and 7.1 percentage points lower on a CER basis, primarily driven by the inclusion of the cost base of the former Novartis Vaccines business. The pro-forma core operating profit grew by 10% on a turnover increase of 4% on a CER basis. The pro-forma operating margin improved 1.2 percentage points to 29.8% reflecting reductions in pro-forma R&D and SG&A delivered through restructuring and integration benefits, partly offset by an increase in cost of sales as a percentage of turnover due to additional supply chain investments and the benefit to cost of sales in the 9 months to September 2014 of a number of inventory adjustments.

Consumer Healthcare core operating profit was £500 million, 64% higher than in the 9 months to September 2014 in CER terms on a turnover increase of 43%. The core operating margin of 11.2% was 0.1 percentage points lower than in the 9 months to September 2014, but improved 1.7 percentage points on a CER basis. The pro-forma operating margin improved 1.3 percentage points on a CER basis, primarily driven by a reduction in cost of sales as a proportion of turnover, reflecting benefits from improved supply and pricing and the US Flonase launch, as well as the delivery of initial Novartis synergies.

Core profit after tax and core earnings per share – Q3 2015

Net finance expense was £148 million compared with £161 million in Q3 2014, reflecting the change in the mix and level of gross debt. The share of losses of associates and joint ventures was £2 million (Q3 2014: £10 million profit).

Tax on core profit amounted to £314 million and represented an effective core tax rate of 20.0% (Q3 2014: 20.0%).

The allocation of earnings to non-controlling interests amounted to £141 million (Q3 2014: £47 million), the increase reflecting the Consumer Healthcare non-controlling interest allocation together with an increase in the allocation of ViiV Healthcare profits.

Core EPS of 23.0p was down 13% in CER terms compared with a 5% decline in the operating profit primarily as a result of the increased non-controlling interest.

Core profit after tax and core earnings per share – 9 months 2015

Net finance expense was £482 million compared with £478 million in the 9 months to September 2014.

The share of profits of associates and joint ventures was £3 million (2014: £19 million). In March 2015, GSK reduced its shareholding in its one significant associate, Aspen Pharmacare Holdings Limited, from 12.4% to 6.2% of the issued share capital. As a result, GSK no longer accounts for Aspen as an associate and the contribution from associates and joint ventures in 2015 is expected to be minimal.

Tax on core profit amounted to £778 million and represented an effective core tax rate of 20.0% (2014: 21.2%).

The allocation of earnings to non-controlling interests amounted to £331 million (2014: £170 million), the increase reflecting the Consumer Healthcare non-controlling interest together with an increase in the allocation of ViiV Healthcare profits.

Core EPS of 57.7p decreased 10% in CER terms compared with a 6% decline in the operating profit primarily as a result of the increase in the non-controlling interest, partly offset by a lower tax charge.

Guidance for 2015

Core EPS for 2015 is expected to decline at a percentage rate in the high teens (CER), primarily due to continued pricing pressure on Seretide/Advair in the US/Europe, the dilutive effect of the Novartis transaction and the inherited cost base of the Novartis businesses. The 2015 guidance excludes potential income from the proposed divestment of ofatumumab, which was announced on 21 August 2015. The Group now intends to treat income generated from the proposed divestment as a non-core item, as set out on page 45.

2016 outlook

In 2016, GSK expects to see a significant recovery in core EPS with percentage growth expected to reach double digits on a CER basis as the adverse impacts seen in 2015 diminish and the sales and synergy benefits of the Novartis transaction contribute more meaningfully.

Currency impact

The Q3 2015 results are based on average exchange rates, principally £1/$1.53, £1/€1.39 and £1/Yen 187. Comparative exchange rates are given on page 45. The period-end exchange rates were £1/$1.51, £1/€1.36 and £1/Yen 181.

In the quarter, turnover increased 11% CER and 9% at actual exchange rates. Core EPS of 23.0p was down 13% in CER terms and down 18% at actual rates. The negative currency impact reflected the strength of Sterling against the majority of the Group's trading currencies relative to Q3 2014 partly offset by a weakening of Sterling against the US Dollar. Losses on settled intercompany transactions contributed less than 1 percentage point of the negative currency impact of 5 percentage points on core EPS.

In the nine months to September 2015, turnover increased 6% CER and 5% at actual exchange rates. Core EPS of 57.7p was down 10% in CER terms and down 15% at actual rates. The negative currency impact reflected the strength of Sterling against the majority of the Group's trading currencies relative to the 9 months to September 2014 partly offset by a weakening of Sterling against the US Dollar. Losses on settled intercompany transactions contributed 1 percentage point of the negative currency impact of 5 percentage points on core EPS.

If exchange rates were to hold at the Q3 2015 period-end rates for the rest of 2015, the estimated adverse impact on 2015 Sterling turnover would be around 2%, and if there were no further exchange gains or losses, the estimated adverse impact on 2015 Sterling core EPS would be around 5%.

Core adjustments

The adjustments that reconcile core operating profit, profit after tax and earnings per share to total results are as follows:

			Q3 2015			Q3 2014
	Operating profit £m	Profit after tax £m	EPS p	Operating profit £m	Profit after tax £m	EPS p
Core results	1,718	1,254	23.0	1,887	1,388	27.9
Intangible asset amortisation	(139)	(109)	(2.3)	(128)	(100)	(2.2)
Intangible asset impairment	(16)	(16)	(0.3)	(46)	(35)	(0.7)
Major restructuring costs	(237)	(197)	(4.1)	(113)	(43)	(0.9)
Legal costs	(72)	(69)	(1.4)	(318)	(305)	(6.3)
Acquisition accounting and other	(229)	(216)	(3.8)	(579)	(520)	(9.5)
	(693)	(607)	(11.9)	(1,184)	(1,003)	(19.6)
Total results	1,025	647	11.1	703	385	8.3

			9 months 2015			9 months 2014

	Operating profit £m	Profit after tax £m	EPS p	Operating profit £m	Profit after tax £m	EPS p
Core results	4,372	3,115	57.7	4,824	3,439	68.0
Intangible asset amortisation	(415)	(331)	(6.8)	(450)	(341)	(7.1)
Intangible asset impairment	(120)	(95)	(2.0)	(95)	(75)	(1.6)
Major restructuring costs	(1,118)	(853)	(17.7)	(293)	(183)	(3.8)
Legal costs	(207)	(203)	(4.2)	(473)	(433)	(9.0)
Acquisition accounting and other	8,064	7,167	154.7	(607)	(601)	(10.7)
	6,204	5,685	124.0	(1,918)	(1,633)	(32.2)
Total results	10,576	8,800	181.7	2,906	1,806	35.8

Full reconciliations between core results and total results are set out on pages 48 to 51 and the definition of core results is set out on page 30.

Total operating profit and total earnings per share – Q3 2015

Total operating profit was £1,025 million compared with £703 million in Q3 2014. The non-core items resulted in a net charge of £693 million (Q3 2014: £1,184 million), reflecting the impact of restructuring costs driven by the Novartis transaction and the Pharmaceuticals restructuring programme as well as the impact of further adjustments related to ViiV Healthcare and Consumer Healthcare.

The intangible asset amortisation increased to £139 million from £128 million in Q3 2014. Intangible asset impairments were £16 million (Q3 2014: £46 million).

Major restructuring charges accrued in the quarter were £237 million (Q3 2014: £113 million), reflecting the acceleration of a number of restructuring projects following the completion of the Novartis transaction, as well as further charges for Pharmaceuticals restructuring projects. Cash payments made in the quarter were £365 million (Q3 2014: £151 million) including the settlement of charges accrued in previous quarters.

Legal charges of £72 million (Q3 2014: £318 million) included settlements of existing matters and litigation costs. Legal charges in Q3 2014 included the £301 million fine payable to the Chinese government. Cash payments in the quarter were £43 million (Q3 2014: £341 million).

Acquisition accounting and other adjustments resulted in a net charge of £229 million (Q3 2014: £579 million). This included remeasurement of the liability and the unwinding of the discounting effects on both the contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare Joint Venture and on the Consumer Healthcare Joint Venture put option. Cash payments relating to the ViiV Healthcare contingent consideration in the quarter were £53 million (Q3 2014: £nil). Other items also included equity investment and asset disposals, one-off required regulatory charges in R&D and certain other adjusting items.

A tax charge of £220 million on total profits represented an effective tax rate of 25.4% (Q3 2014: 29.7%) and reflected the differing tax effects of the various non-core items. See 'Taxation' on page 44 for further details.

Total EPS was 11.1p, compared with 8.3p in Q3 2014, the increase primarily reflecting the impact on Q3 2014 of the increase to the ViiV Healthcare contingent consideration and the fine payable to the Chinese government.

Total operating profit and total earnings per share – 9 months 2015

Total operating profit was £10,576 million compared with £2,906 million in the 9 months to September 2014. The non-core items resulted in a net credit of £6,204 million (2014: net charge of £1,918 million), primarily reflecting the impact of the Novartis transaction.

The intangible asset amortisation decreased to £415 million from £450 million in 2014, which included accelerated amortisation on Lovaza.

Intangible asset impairments of £120 million (2014: £95 million) included impairments of several R&D and commercial assets.

Major restructuring charges accrued in the nine months were £1,118 million (2014: £293 million) and reflected the acceleration of a number of restructuring projects following completion of the Novartis transaction. Cash payments made in the 9 months to 30 September 2015 were £867 million (2014: £359 million). The programme has delivered £0.7 billion of incremental benefit in the quarters to 30 September 2015 compared with the same period in 2014.

Charges for the combined restructuring and integration programme to date are £2.0 billion. The total cash charges of the combined programme are expected to be approximately £3.65 billion and the non-cash charges up to £1.35 billion. By the end of the third quarter, the programme had delivered approximately £1.3 billion of annual savings and remains on track to deliver £3 billion of annual savings in total. The programme is expected to be largely complete by 2017.

Legal charges of £207 million (2014: £473 million) included settlement of existing matters and litigation costs. The 9 months to September 2014 included the £301 million fine payable to the Chinese government. Cash payments were £279 million (2014: £587 million).

Acquisition accounting and other adjustments resulted in a net credit of £8,064 million (2014: charge of £607 million). This included the profit on disposal of the Oncology business to Novartis of £9,233 million, partly offset by an increase in the liability for the contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture from remeasurements and the unwinding of the discounting effect of £1,170 million (2014: £412 million). Cash payments relating to the contingent consideration were £85 million (2014: £nil). Other items also included equity investment and asset disposals, one-off required regulatory charges in R&D and certain other adjusting items.

The profit on disposal of associates of £842 million recorded below operating profit arose from the disposal of half of GSK's investment in Aspen Pharmacare and the remeasurement of the remaining holding to market value on its reclassification to equity investments.

The charge for taxation on total profits amounted to £2,142 million and represented a total effective tax rate of 19.6% (2014: 25.9%), reflecting the differing tax effects of the various non-core items. See 'Taxation' on page 44 for further details.

Total EPS was 181.7p, compared with 35.8p in 2014, the increase primarily reflecting the profits on disposal of the Oncology business and the Aspen Pharmacare shares, partly offset by the increase in the liability for the contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture and increased major restructuring expenditure.

Cash generation and conversion

Cash flow and net debt

	Q3 2015	9 months 2015	9 months 2014
Net cash inflow from operating activities (£m)	481	1,068	2,966
Adjusted net cash inflow from operating activities* (£m)	524	1,347	3,553
Free cash flow* (£m)	(33)	(708)	1,293
Adjusted free cash flow* (£m)	10	(429)	1,880
Free cash flow growth (%)	>(100)%	>(100)%	(60)%
Free cash flow conversion* (%)	2%	(5)%	87%
Net debt (£m)	10,551	10,551	14,788

* Adjusted net cash inflow from operating activities, free cash flow, adjusted free cash flow and free cash flow conversion are defined on page 30. Free cash flow and adjusted free cash flow reconciliations are set out on page 47.

Q3 2015
The net cash inflow from operating activities for the quarter was £481 million (Q3 2014: £1,273 million). Excluding legal settlements of £43 million (Q3 2014: £341 million), adjusted net cash inflow from operating activities was £524 million (Q3 2014: £1,614 million). In addition, there were payments of non-core restructuring and integration costs of £365 million (Q3 2014: £151 million) and a further tax payment of £268 million on the sale of the Oncology business, all of which have been funded from divestment proceeds. Excluding these items, the adjusted net cash inflow from operating activities would have been £1,157 million (Q3 2014: £1,765 million).

The decrease reflected the impact of lower operating profits, including negative currency impacts, together with an increase in working capital in the quarter, primarily reflecting an increase in receivables from seasonal sales, particularly Flu vaccines. Cash payments relating to the ViiV Healthcare contingent consideration were £53 million in the quarter.

9 months 2015
The net cash inflow from operating activities for the nine months was £1,068 million (2014: £2,966 million). Excluding legal settlements of £279 million (2014: £587 million), adjusted net cash inflow from operating activities was £1,347 million (2014: £3,553 million). In addition, there were payments of non-core restructuring and integration costs of £867 million (2014: £359 million) and the initial tax payments arising on the sale of the Oncology business amounting to £779 million, all of which have been funded from divestment proceeds. Excluding these items, the adjusted net cash inflow from operating activities would have been £2,993 million (2014: £3,912 million).

The decrease primarily reflected the impact of lower operating profits, including negative currency impacts, in the nine months together with an increase in receivables from seasonal sales particularly vaccines. Cash payments of £85 million in relation to the ViiV contingent consideration liability were made in the nine months.

Free cash outflow was £708 million for the nine months. Excluding legal payments, non-core restructuring and integration costs, and the initial tax payments on the sale of the Oncology business, the adjusted free cash inflow was £1,217 million (2014: £2,239 million). The decrease primarily reflected the impact of lower operating profits, together with an increase in receivables from the accelerated seasonal sales, particularly vaccines.

The free cash flow conversion calculation was adversely impacted by the disposals of the Oncology business and the Aspen investment as the cash flows associated with the transactions are excluded under the terms of the definition.

Net debt

At 30 September 2015, net debt was £10.6 billion, compared with £14.4 billion at 31 December 2014, comprising gross debt of £16.6 billion and cash and liquid investments of £6.0 billion. The decrease in net debt reflected the impact of the Novartis transaction in which GSK sold its Oncology business for net cash proceeds of £10.0 billion and paid £3.3 billion, net of cash acquired, to purchase the Novartis businesses. The first two tax payments on the transaction amounting to £779 million have been made with a significant proportion of the remainder expected to be settled before the end of the year. The overall net after-tax proceeds of the Novartis transaction are expected to be approximately $7.8 billion (£5.2 billion). In addition, GSK sold part of its shareholding in Aspen for cash proceeds of £564 million and paid dividends to shareholders of £2,986 million. At 30 September 2015, GSK had short-term borrowings (including overdrafts) repayable within 12 months of £1,422 million with loans of £1,322 million repayable in the subsequent year.

Working capital

	30 Sept 2015	30 June 2015	31 March 2015	31 Dec 2014	30 Sept 2014
Working capital conversion cycle* (days)	216	215	215	209	216
Working capital percentage of turnover (%)	27	25	24	22	24

* Working capital conversion cycle is defined on page 30.

Working capital increased by £707 million in the quarter, primarily reflecting an increase in receivables in the quarter related to seasonal sales of vaccines and other products. This increased the working capital conversion cycle by one day. In the nine months, working capital was also significantly impacted by the inclusion of inventory acquired with the former Novartis Vaccines business. The increase was partly offset by favourable exchange effects.

Returns to shareholders

GSK expects to pay an annual ordinary dividend of 80p for each of the next three years (2015-2017).

GSK also plans to return approximately £1 billion (20p per share) to shareholders via by a special dividend to be declared on 3 February 2016. The ex-dividend date would be 18 February 2016 (17 February 2016 for ADR holders), with a record date of 19 February 2016 and a payment date of 14 April 2016. The equivalent special dividend receivable by ADR holders will be calculated based on the exchange rate on 12 April 2016, and a fee will be charged by the Depositary.

Any future returns to shareholders of surplus capital will be subject to the Group's strategic progress, visibility on the put options associated with ViiV Healthcare and the Consumer Healthcare joint venture and other capital requirements.

Quarterly dividends

The Board has declared a third interim dividend of 19 pence per share (Q3 2014: 19 pence per share).

Payment of dividends

The equivalent interim dividend receivable by ADR holders will be calculated based on the exchange rate on 12 January 2016. An annual fee of $0.02 per ADS (or $0.005 per ADS per quarter) will be charged by the Depositary. The ex-dividend date will be 12 November 2015 (10 November 2015 for ADR holders), with a record date of 13 November 2015 and a payment date of 14 January 2016.

	Paid/ payable	Pence per share	£m
2015			
First interim	9 July 2015	19	920
Second interim	1 October 2015	19	919
Third interim	14 January 2016	19	919
2014			
First interim	10 July 2014	19	916
Second interim	2 October 2014	19	918
Third interim	8 January 2015	19	924
Fourth interim	9 April 2015	23	1,111
		80	3,869

The fourth interim dividend for 2015 will be declared on 3 February 2016. The ex-dividend date will be 18 February 2016 (17 February 2016 for ADR holders), with a record date of 19 February 2016 and a payment date of 14 April 2016. The equivalent interim dividend receivable by ADR holders will be calculated based on the exchange rate on 12 April 2016. An annual fee of $0.02 per ADS (or $0.005 per ADS per quarter) will be charged by the Depositary.

GSK made no share repurchases during the quarter. The company issued 0.3 million shares under employee share schemes amounting to £4 million (Q3 2014: £11 million).

The weighted average number of shares for Q3 2015 was 4,835 million, compared with 4,807 million in Q3 2014.

Segmental performance

Pharmaceuticals

	Q3 2015 £m	Q3 2015 Reported growth CER%	Q3 2015 Pro-forma growth CER%	9 months 2015 £m	9 months 2015 Reported growth CER%	9 months 2015 Pro-forma growth CER%
US	970	(21)	(10)	3,073	(20)	(13)
Europe	638	(19)	(7)	2,149	(14)	(6)
International	1,110	(8)	(4)	3,554	(6)	(2)
Global Pharmaceuticals	2,718	(15)	(7)	8,776	(13)	(7)

	Q3 2015 £m	Q3 2015 Reported growth CER%	Q3 2015 Pro-forma growth CER%	9 months 2015 £m	9 months 2015 Reported growth CER%	9 months 2015 Pro-forma growth CER%
US	358	94	94	895	83	83
Europe	185	54	54	511	45	45
International	79	19	19	221	18	18
HIV	622	65	65	1,627	56	56

	Q3 2015 £m	Q3 2015 Reported growth CER%	Q3 2015 Pro-forma growth CER%	9 months 2015 £m	9 months 2015 Reported growth CER%	9 months 2015 Pro-forma growth CER%
US	1,328	(6)	5	3,968	(9)	(1)
Europe	823	(9)	2	2,660	(7)	1
International	1,189	(7)	(2)	3,775	(5)	(1)
Pharmaceuticals	3,340	(7)	1	10,403	(7)	(1)

	Q3 2015 £m	Q3 2015 Reported growth CER%	9 months 2015 £m	9 months 2015 Reported growth CER%
Respiratory	1,272	(9)	4,147	(8)
Cardiovascular, metabolic and urology	225	1	685	(1)
Immuno-inflammation	72	3	188	14
Oncology	12	(96)	247	(71)
Other pharmaceuticals	523	1	1,590	(5)
Established Products	614	(13)	1,919	(13)
Global Pharmaceuticals	2,718	(15)	8,776	(13)
HIV	622	65	1,627	56
Pharmaceuticals	3,340	(7)	10,403	(7)

Respiratory

Q3 2015 (£1,272 million; down 9%)
Respiratory sales in the quarter declined 9% to £1,272 million. Seretide/Advair sales were down 19% to £794 million, Flixotide/Flovent sales decreased 4% to £144 million and Ventolin sales declined 3% to £152 million. Relvar/Breo Ellipta recorded sales of £64 million and Anoro Ellipta, now launched in the US, Europe and Japan, recorded sales of £22 million in the quarter.

In the US, Respiratory sales declined 10% to £615 million in the quarter (2% volume growth and a 12% negative impact of price and mix). This decline included the price and mix impact of new contracts agreed in 2014 in response to competitive pressures in the ICS/LABA combination market, where Advair and Breo Ellipta compete. Sales of Advair were £397 million, down 18% (8% volume decline and a 10% negative impact of price and mix). Flovent sales were down 8% to £91 million and Ventolin sales declined 7% to £78 million. Breo Ellipta recorded sales of £27 million, and Anoro Ellipta, recorded sales of £14 million in the quarter.

European Respiratory sales were down 13% to £313 million, with Seretide sales down 23% (16% volume decline and 7% price and mix) to £224 million, reflecting increased competition from generics and the transition of the Respiratory portfolio to newer products. Relvar Ellipta, approved in Europe for both COPD and asthma, recorded sales of £20 million in the quarter, while Anoro Ellipta, with launches now underway in many countries throughout the region, recorded sales of £5 million.

Respiratory sales in the International region declined 2% to £344 million with Emerging Markets down 6%, partially offset by Japan, up 9%, where sales of Relvar Ellipta of £14 million more than offset the decline in Adoair sales. In Emerging Markets, sales of Seretide were down 15% at £98 million, due to additional generic competition and price reductions in a number of reimbursed markets, together with some tender phasing, while Ventolin grew 6% to £44 million.

9 months 2015 (£4,147 million; down 8%)

Respiratory sales in the nine months declined 8% to £4,147 million. Seretide/Advair sales were down 15% to £2,652 million, Flixotide/Flovent sales decreased 13% to £456 million and Ventolin sales fell 4% to £473 million. Relvar/Breo Ellipta recorded sales of £158 million and Anoro Ellipta £49 million.

In the US, Respiratory sales declined 15% to £1,902 million in the nine months (3% volume growth and an 18% negative impact of price and mix). Sales of Advair were £1,273 million, down 19% (4% volume decline and a 15% negative impact of price and mix). Flovent sales were down 22% to £274 million and Ventolin sales fell 10% to £237 million. Breo Ellipta recorded sales of £60 million and Anoro Ellipta recorded sales of £35 million in the nine months.

European Respiratory sales were down 8% to £1,074 million, with Seretide sales down 17% (9% volume decline and 8% price and mix) to £782 million, reflecting increased competition from generics and the transition of the Respiratory portfolio to newer products. Relvar Ellipta, approved in Europe for both COPD and asthma, recorded sales of £55 million in the nine months while Anoro Ellipta recorded sales of £10 million.

Respiratory sales in the International region grew 3% to £1,171 million with Emerging Markets up 2% and Japan up 8%. In Emerging Markets, sales of Seretide declined 3% to £345 million, while Ventolin grew 6% to £137 million. In Japan, sales of Relvar Ellipta of £36 million, together with strong Avamys and Xyzal sales growth more than offset a 14% decline in Adoair sales.

Cardiovascular, metabolic and urology

Q3 2015 (£225 million; up 1%)
Sales in the category rose 1% to £225 million. The Avodart franchise fell 5% to £176 million, with 9% growth in sales of Duodart/Jalyn more than offset by a 11% decline in sales of Avodart. In the US, generic competition to Avodart started in October and generic competition to Jalyn is expected later in Q4 2015. Sales of Prolia increased 50% to £11 million.

9 months 2015 (£685 million; down 1%)
Sales in the category of £685 million in the nine months were down 1% compared with last year. The Avodart franchise fell 5% to £547 million, with 10% growth in sales of Duodart/Jalyn more than offset by a 10% decline in sales of Avodart. Sales of Prolia rose 6% to £31 million.

Immuno-inflammation

Q3 2015 (£72 million; up 3%)
Immuno-inflammation sales grew 3% to £72 million. Benlysta turnover in the quarter was £59 million, up 22%. In the US, Benlysta sales were £53 million, up 23%.

9 months 2015 (£188 million; up 14%)
Immuno-inflammation sales grew 14% to £188 million. Benlysta turnover in the first nine months was £166 million, up 25%. In the US, Benlysta sales were £150 million, up 23%.

Other pharmaceuticals

Q3 2015 (£523 million; up 1%)

Sales in other therapy areas grew 1% to £523 million. Dermatology sales declined 7% to £94 million, adversely affected by supply constraints, which also affected Augmentin sales, down 8% to £116 million. Relenza sales more than doubled in the quarter to £15 million, partly driven by the timing of US CDC orders. Sales of products for Rare diseases declined 7% to £91 million, despite including sales of Volibris which were up 3% compared with Q3 2014.

9 months 2015 (£1,590 million; down 5%)
Sales in other therapy areas fell 5% to £1,590 million in the nine months. Augmentin sales were down 3% at £399 million and Dermatology sales declined 9% to £308 million both adversely affected by supply constraints. Relenza sales were up 70% to £78 million driven by the timing of US CDC orders. Sales of products for Rare diseases declined 5% to £276 million, primarily as a result of generic competition to Mepron in the US.

Established Products

Q3 2015 (£614 million; down 13%)
Established Products turnover fell 13% to £614 million with sales in the US down 21% to £160 million. Lovaza sales fell 66% to £19 million.

Europe was down 10% to £115 million, with Serevent sales down 18% to £8 million. International was down 11% to £339 million, with lower sales of Zeffix, down 28% to £30 million driven by China, and Seroxat/Paxil down 14% to £34 million. Valtrex sales increased 42% to £33 million following the regaining of exclusivity in Canada until October 2015.

9 months 2015 (£1,919 million; down 13%)
Established Products turnover fell 13% to £1,919 million in the nine months. Sales in the US were down 28% to £491 million, primarily reflecting a 65% fall in sales of Lovaza.

Europe was down 12% to £368 million, reflecting increased generic competition to a number of other products and a number of supply constraints. International was down 6% to £1,060 million, primarily reflecting lower sales of Seroxat/Paxil, down 7% to £110 million due to generic competition in Japan, and of Zeffix down 22% to £98 million, partly offset by increased Valtrex sales, up 49% to £97 million following the regaining of exclusivity in Canada in late 2014.

HIV

Q3 2015 (£622 million; up 65%)
HIV sales increased 65% to £622 million in the quarter, with the US up 94%, Europe up 54% and International up 19%. The growth in all three regions was driven by Triumeq and Tivicay.

The ongoing roll-out of both Triumeq and Tivicay resulted in sales of £211 million and £157 million, respectively, in the quarter. Epzicom/Kivexa sales declined 9% to £175 million, but Selzentry sales grew 10% to £33 million. There were continued declines in the mature portfolio, mainly driven by generic competition to both Combivir, down 42% to £7 million, and Lexiva, down 19% to £18 million.

9 months 2015 (£1,627 million; up 56%)
Sales increased 56% to £1,627 million in the nine months, with the US up 83%, Europe up 45% and International up 18%.

Triumeq sales were £441 million in the nine months and Tivicay sales were £414 million. Epzicom/Kivexa sales declined 2% to £536 million and Selzentry declined 7% to £94 million. Combivir and Lexiva sales fell 41% and 19%, respectively.

Vaccines

	Q3 2015	Q3 2015	Q3 2015	9 months 2015	9 months 2015	9 months 2015
	£m	Reported growth CER%	Pro-forma growth CER%	£m	Reported growth CER%	Pro-forma growth CER%
US	526	42	22	983	27	12
Europe	308	31	14	806	21	8
International	347	22	3	905	11	(4)
	1,181	32	13	2,694	19	4

	Q3 2015	Q3 2015	Q3 2015	9 months 2015	9 months 2015	9 months 2015
	£m	Reported growth CER%	Pro-forma growth CER%	£m	Reported growth CER%	Pro-forma growth CER%
Rotarix	120	19	19	319	11	11
Synflorix	108	18	18	245	-	-
Fluarix, FluLaval	190	46	46	201	39	39
Bexsero	41	-	>100	78	-	>100
Menveo	81	-	26	135	-	17
Boostrix	105	(3)	(3)	267	2	2
Infanrix, Pediarix	195	(5)	(5)	568	(5)	(5)
Hepatitis	142	(5)	(5)	406	(2)	(2)
Cervarix	25	(10)	(10)	71	(13)	(13)
Other	174	>100	13	404	74	(1)
	1,181	32	13	2,694	19	4

Q3 2015 (£1,181 million; up 32%)
Vaccines sales grew 32% to £1,181 million with the US up 42%, Europe up 31% and International up 22%. The business benefited from the sales of the newly acquired products, primarily Bexsero and Menveo in Europe and the US. The 13% pro-forma growth was primarily driven by strong Fluarix/FluLaval sales in the US due to improved supply and the accelerated switch to the Quadrivalent formulation, higher CDC orders primarily for Rotarix, and Synflorix in International. The growth was partly offset by supply constraints in Hepatitis vaccines and a decline

in Infanrix/Pediarix in the US reflecting a return of a competitor to the market in 2014.

In the US, sales grew 42% on a reported basis (22% on a pro-forma basis) to £526 million. This was largely attributable to the improved supply and an accelerated delivery schedule of Fluarix/FluLaval Quadrivalent, up 59%, compared with Q3 2014. A government contract delivered incremental Ixiaro sales while the timing of CDC orders drove Rotarix, up 57%, and the Hepatitis vaccines portfolio, up 9%. These factors were partially offset by the comparison to Q3 2014 which benefited from an Infanrix/Pediarix CDC replenishment. The newly acquired Meningitis portfolio added a combined £60 million to US sales, driven by the Bexsero launch and the timing of CDC orders for Menveo.

In Europe, sales grew 31% on a reported basis (14% on a pro-forma basis) to £308 million. This growth primarily reflected increased sales in the Meningitis portfolio. Bexsero growth came from gains in private market channels in several countries including Italy and Portugal, and in the UK following its inclusion in the NHS immunisation programme. A strong Menveo performance reflected a tender win in the UK. Growth in Germany was strong with Boostrix, the MMRV portfolio and Infanrix/Pediarix, all benefiting from better supply and a competitor supply shortage. Growth in Europe was partly offset by a 9% decline in sales of Hepatitis A vaccines reflecting supply constraints.

In International, sales grew 22% on a reported basis (3% on a pro-forma basis) to £347 million. The pro-forma performance reflected Synflorix growth, up 19%, driven by orders from Africa and Brazil. International pro-forma growth was partially offset by Boostrix, down 48%, due to greater competitive pressures, particularly in Latin America, and lower sales of Hepatitis A vaccines, reflecting supply constraints.

9 months 2015 (£2,694 million; up 19%)

Vaccines sales grew 19% to £2,694 million with the US up 27%, Europe up 21% and International up 11%. The business benefited from sales of the newly acquired products primarily Bexsero and Menveo in Europe and the US. The 4% pro-forma growth was primarily driven by strong Fluarix/FluLaval sales in the US due to improved supply and the accelerated switch to the Quadrivalent formulation and higher CDC orders. The growth was partly offset by supply constraints in Hepatitis vaccines and a decline in Infanrix/Pediarix sales, mainly in the US, reflecting the return to the market of a competitor in 2014.

In the US, sales grew 27% on a reported basis (12% on a pro-forma basis) to £983 million. Growth was primarily driven by strong and accelerated Fluarix/FluLaval sales, up 54%, as well as growth in Hepatitis vaccines and Rotarix, which benefited from CDC stockpile replenishments. This growth was partly offset by an Infanrix/Pediarix sales decline of 12% as a result of the return to the market of a competitor vaccine during 2014, combined with the benefit to 2014 of CDC stockpile replenishment. The Meningitis portfolio added a combined £94 million to US sales, driven by the Bexsero launch and a CDC order for Menveo.

In Europe, sales grew 21% on a reported basis (8% on a pro-forma basis) to £806 million. This growth primarily reflected increased sales in the Meningitis portfolio with Bexsero gaining in private markets in several countries including Italy, Germany and Portugal, and in the UK where it has been included in the NHS immunisation programme. Menveo also delivered incremental sales as a result of a tender win in the UK. Germany contributed strongly with the MMRV portfolio, Boostrix and Infanrix/Pediarix, all up due to better supply and a competitor supply shortage. The growth in Europe was partly offset by a 7% decline in Hepatitis A sales due to supply constraints.

In International, sales grew by 11% on a reported basis, but declined 4% on a pro-forma basis, to £905 million. Canada grew 30% due to improved supply and delivery of Fluarix/FluLaval. Synflorix grew 1%, reflecting growth in Africa offset by more competitive pressures in Latin America. Boostrix declined 38% due to greater competitive pressures in Latin America. Hepatitis A sales were lower, reflecting supply constraints, and the newly acquired vaccines declined due to the phasing of shipments and higher trade inventory levels in the early part of the year.

Consumer Healthcare

Turnover		Q3 2015	Q3 2015		9 months 2015	9 months 2015
	£m	Reported growth CER%	Pro-forma growth CER%	£m	Reported growth CER%	Pro-forma growth CER%
US	360	61	18	1,050	58	26
Europe	481	87	1	1,315	69	4
International	735	37	6	2,101	25	2
Total	1,576	55	7	4,466	43	7

Turnover	Q3 2015		9 months 2015	
	£m	Growth CER%	£m	Growth CER%
Wellness	813	>100	2,146	90
Oral health	460	9	1,407	10
Nutrition	172	7	519	5
Skin health	131	92	394	77
Total	1,576	55	4,466	43

Q3 2015 (£1,576 million; up 55%)

The Consumer Healthcare business represents the Consumer Healthcare Joint Venture with Novartis together with the GSK Consumer Healthcare listed businesses in India and Nigeria, which are excluded from the Joint Venture.

Turnover grew 55% to £1,576 million, benefiting significantly from sales of the newly-acquired products. On a pro-forma basis, growth was 7% (5% volume and 2% price), reflecting strong growth in the US following the launch of Flonase as well as globally strong growth in Sensodyne and Panadol. Momentum from first half launches continued to drive innovation contribution, with sales from product introductions in the last three years representing approximately 13% of the quarter's sales.

US sales grew 61% on a reported basis to £360 million, and 18% on a pro-forma basis, with Flonase contributing just over half of the growth for the quarter. Theraflu recorded strong growth following the launch of a warming syrups range. The quarter also benefited from the improved supply of denture care products and the re-launch of Nicorette lozenge together with the ongoing re-launches of Nicorette Minis and alli, which continued their recovery from supply shortages in 2014.

Sales in Europe grew 87% on a reported basis to £481 million and 1% pro-forma. Sensodyne continued to report strong growth due to new advertising in key markets and the roll-out of Sensodyne True White in the UK, Sensodyne Repair and Protect in Germany and Sensodyne Mouthwash across a number of markets. In Wellness, Voltaren continued to perform strongly, recording the highest ever market shares in Germany, Sweden, Poland and Italy, driven by a new advertising campaign. This was substantially offset by unusually warm weather in Europe which delayed the start of seasonal cold and flu activities.

International sales of £735 million grew 37% on a reported basis and 6% pro-forma. India continued to perform well with Horlicks reporting growth of 8% and Sensodyne delivering growth of 41% due to strong marketing campaigns. Oral health sales in Japan grew 15% compared with a comparative period impacted by an increase in sales tax last year, with Sensodyne sustaining its position as Japan's number one toothpaste brand. Wellness sales began to recover as some markets started to return to growth following the negative impact of reducing channel inventories in the acquired consumer businesses.

9 months 2015 (£4,466 million; up 43%)

Turnover grew 43% to £4,466 million, benefiting significantly from the sales of the newly-acquired products included in the Joint Venture. On a pro-forma basis, growth was 7% (5% volume and 2% price), primarily reflecting strong growth in the US following the launch of Flonase as well as double-digit growth in global Oral health sales, partly due to a recovery from supply disruptions in 2014. Sales from new GSK innovations (product introductions within the last three years on a rolling basis) represented approximately 15% of sales, a high number in the period due to the Flonase switch to OTC earlier in the year. Other key 2015 launches to date include Sensodyne Repair and Protect Whitening in the US and Germany, Voltaren 12 hour and the roll-out of Sensodyne Mouthwash.

US sales grew 58% on a reported basis to £1,050 million, and 26% on a pro-forma basis. Flonase was the region's principal growth driver. Oral health sales continued to be driven by Sensodyne, up 13%, with the launch of Sensodyne Repair and Protect Whitening. Excedrin grew 14% following the launch of the gel tablet format combined with momentum in the tension headache variant. Nicorette Lozenge, Nicorette Mini lozenges and alli returned to the market but Tums supply was constrained.

Sales in Europe grew 69% on a reported basis to £1,315 million and grew 4% pro-forma. Oral health products reported growth of 7%, reflecting strong performances from both Sensodyne and denture care products following an improved supply position compared with 2014, new advertising in key markets, and the roll out of new Sensodyne variants across the region. Pain relief recorded a strong double-digit pro-forma performance, driven by Voltaren which benefited from new marketing campaigns, and recorded its highest market shares in many of the major European markets.

International sales of £2,101 million grew 25% on a reported basis and were up 2% pro-forma. India reported double-digit growth with strong performances from Eno, Sensodyne and

Horlicks. Oral health sales grew 12% across the region with double-digit growth on all major brands. Gastro-intestinal health sales grew 9% driven by Eno in India and Brazil. Overall Wellness growth was affected by a decline in Panadol sales in Australia, largely due to private label competition, which impacted the first half but started to stabilise during the third quarter. Lower sales of Contac in China due to tighter regulations on products containing pseudoephedrine, as well as the negative impact of reducing channel inventories in the acquired consumer businesses, were also factors. In Nutrition, Horlicks was up 4%, with strong sales growth in India of 9% as a result of new marketing campaigns, partly offset by some retailer destocking in South East Asia.

Sales from New Pharmaceutical and Vaccine products

		Q3 2015	Q3 2015		9 months 2015	9 months 2015
	£m	Reported growth CER%	Pro-forma growth CER%	£m	Reported growth CER%	Pro-forma growth CER%
Respiratory						
Relvar/Breo Ellipta	64	>100	>100	158	>100	>100
Anoro Ellipta	22	>100	>100	49	>100	>100
Arnuity	1	-	-	2	-	-
Incruse Ellipta	3	-	-	5	-	-
CVMU						
Eperzan/Tanzeum	11	>100	>100	24	>100	>100
Global Pharmaceuticals	101	>100	>100	238	>100	>100
Tivicay	157	96	96	414	>100	>100
Triumeq	211	>100	>100	441	>100	>100
Pharmaceuticals	469	>100	>100	1,093	>100	>100
Bexsero	41	-	>100	78	-	>100
Menveo	81	-	26	135	-	17
Vaccines	122	-	68	213	-	63
Total	591	>100	>100	1,306	>100	>100

At its Investor day on 6 May 2015, GSK identified a series of New Pharmaceutical and Vaccine products that were expected to deliver at least £6 billion of revenues per annum on a CER basis by 2020. Those products, plus current clinical pipeline assets, Nucala and Shingrix, are as set out above and, as a group are defined as New Pharmaceutical and Vaccine products.

Sales of New Pharmaceutical and Vaccine products were £591 million, grew £412 million pro-forma in Sterling terms, a rate in excess of 100% CER, in the quarter and represented approximately 13% of Pharmaceuticals and Vaccines turnover.

In the nine months, sales of New Pharmaceutical and Vaccine products were £1,306 million, grew £954 million pro-forma in Sterling terms, a rate in excess of 100% CER, and represented approximately 10% of Pharmaceuticals and Vaccines turnover.

Research and development

GSK remains focused on delivering an improved return on its investment in R&D. Sales contribution, reduced attrition and cost reduction are all important drivers of an improving internal rate of return. R&D expenditure is not determined as a percentage of sales but instead capital is allocated using strict returns-based criteria depending on the pipeline opportunities available.

The operations of Pharmaceuticals R&D are broadly split into Discovery activities (up to the completion of Phase IIa trials) and Development work (from Phase IIb onwards) each supported by specific and common infrastructure and other shared services where appropriate. The R&D expenditure is analysed below.

	Q3 2015 £m	9 months 2015 £m	9 months 2014 £m
Discovery	167	554	529
Development	277	844	962
Facilities and central support functions	102	301	345
Pharmaceuticals R&D	546	1,699	1,836
Vaccines	123	371	338
Consumer Healthcare	61	180	118
Core R&D	730	2,250	2,292
Amortisation and impairment of intangible assets	23	71	115
Major restructuring costs	63	150	14
Acquisition accounting and other	11	35	50
Total R&D	827	2,506	2,471

Pipeline of GSK's Phase II/III assets

Listed below is our quarterly update to show events and changes to the late-stage pipeline during the quarter and up to the date of this announcement. The table comprises the ~40 NMEs in Phase II/III clinical development, plus significant line extensions in Phase III.

Since the Q2 2015 Results Announcement, the following pipeline milestones have been achieved:

· Announced publication of the Volibris AMBITION study results in NEJM (26 August);

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- Announced results of the Breo SUMMIT study which did not reach statistical significance for the primary endpoint of mortality (8 September);
- Announced results of the STRIIVING study showing that switching to once daily Triumeq maintains viral suppression (23 September);
- Announced intention to file a sJNDA in Japan for Relvar Ellipta for the treatment of COPD (24 September);