

GLAXOSMITHKLINE PLC
Form 6-K
October 31, 2012

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 31 October 2012

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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Results Announcement for the third quarter 2012

GSK delivers Q3 core EPS of 26.5p and dividend of 18p

Core results*

	Q3 2012			9 months 2012		
	£m	CER%	£%	£m	CER%	£%
Turnover	6,527	(5)	(8)	19,629	(2)	(4)
Core operating profit	1,970	(13)	(15)	6,043	(6)	(8)
Core earnings per share	26.5p	(11)	(13)	80.2p	(3)	(5)

Total results

	Q3 2012			9 months 2012		
	£m	CER%	£%	£m	CER%	£%
Turnover	6,527	(5)	(8)	19,629	(2)	(4)
Operating profit	1,679	(18)	(21)	5,452	(6)	(8)
Earnings per share	22.9p	(14)	(17)	75.0p	(4)	(6)

Summary

Group sales (-5%) impacted by expected demanding prior year comparisons and continued weakness in European markets; strong performance evident in key investment businesses:

- Excluding prior year comparisons related to sales of Cervarix in Japan and US flu vaccines (3 percentage points), and product disposals of OTC brands and Vesicare (2 percentage points), sales for the quarter broadly in line with last year.
- Europe -9% reflecting additional austerity measures
- US -6% reflecting genericisation and discontinuation of certain products (+2% excluding these items)
- EMAP +11%; Consumer Healthcare +5% (excluding divestments); Japan +6% (excluding Cervarix)
- 2012 sales (CER) now expected to be broadly in line with 2011, absent a further deterioration in Europe

Further successful R&D delivery: phase III programmes completed for 6 novel medicines in 2012:

- BRAF, MEK, Relvar/Breo filed; albiglutide, dolutegravir, LABA/LAMA expected to file around end of year
- ViiV Healthcare acquires exclusive global rights to HIV integrase portfolio including dolutegravir

Focus on delivery of cost improvements and financial efficiencies maintained:

- Q3 combined core SG&A and R&D expenditure flat, reflecting efficiency gains offset by pipeline and growth investments
- Additional cost reductions and phasing of operating expenses expected to benefit Q4 relative to Q3

- Full year core tax rate now expected to be approximately 25%; two years ahead of original target
- 2012 core operating margin expected to be broadly in line with last year

- Continued strong cash generation and returns to shareholders:
- Adjusted net cash inflows from operating activities £1.8 billion
- £4.8 billion of cash distributed to shareholders year to date (+9% versus 2011); continue to expect total share repurchases in 2012 of £2-£2.5 billion
- Further dividend growth: Q3 18p +6%

The full results are presented under 'Income Statement' on page 28 and Core results reconciliations are presented on pages 43 to 46.

*For explanations of the measures 'Core results' and 'CER', see page 26.

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

We continue to make progress on our strategy, particularly through increasing our sales exposure to growth businesses, notably emerging markets, and delivering a step-change in output from R&D. As expected, reported sales performance this quarter of -5% was impacted by demanding prior year comparisons, product disposals and continuing weakness in the European environment for Pharmaceuticals and Vaccines. Excluding the prior year comparisons, related to sales of Cervarix in Japan and US flu vaccines (3 percentage points), and product disposals of OTC brands and Vesicare (2 percentage points), sales for the quarter were broadly in line with last year.

Looking at our revenue base, many businesses continue to perform strongly. Consumer Healthcare sales grew 5% excluding the recently divested non-core OTC brands. In EMAP, pharmaceuticals and vaccines sales grew in all major markets (Middle East/Africa +16%, Latin America +11%, China +15%, and India 9%). In Japan, sales of key products were robust; and in the US, excluding the impact of genericisation and discontinued products, sales grew 2% with good performances seen particularly in respiratory and oncology products.

In Europe, sales declined 9% in the quarter, with the decline reflecting an adverse pricing effect of 7% and a 2% decline in volumes. It is clear that the European market is facing a prolonged period of significant economic pressure. In this context we are reviewing our current business and assessing how best to respond to this environment and meet the increasingly diverse needs of

European governments.

Despite these challenges, we expect to see sales grow in the fourth quarter, in particular with further momentum in EMAP including anticipated completion of multiple pre-ordered vaccine tenders. On this basis, and absent a further deterioration in Europe, we now expect sales for the year to be broadly in line with 2011 on a constant currency basis.

Sustained efforts to manage our cost base and to deliver financial efficiencies also continue. We expect additional cost reductions and phasing of operating expenses to benefit earnings in the fourth quarter relative to Q3. Assuming we deliver our sales expectations for the year, we continue to expect the core operating margin in 2012 to be broadly in line with last year.

Progress in our late stage pipeline this year has been exceptional with output better than in any previous period for the company. We have now completed six Phase III programmes and initiated global regulatory submissions for several potential new medicines. Since June, we have completed filings for two oncology treatments (MEK and BRAF inhibitors) and for a new respiratory medicine, Relvar/Breo. We expect to commence global regulatory filings for a further respiratory medicine (LAMA/LABA for COPD), a new HIV treatment (dolutegravir) and a new medicine for type II diabetes (albiglutide) around the end of the year. We plan to review the progress we have made with our Phase III assets at an event with investors on 3 December.

Clearly, our goal is to maximise the potential return of our pipeline. For many of the advanced assets we have existing capabilities and infrastructure in place. We will also make investments, as necessary, to improve returns.

Our acquisition of HGS and the new structure agreed between ViiV Healthcare and Shionogi, for the development of HIV integrase inhibitors, also represent actions to simplify operations and improve returns. Whilst in the short-term, these transactions will have a small dilutive effect on EPS as we take full accountability for all of the operating expenses, both these transactions substantially increase our share of the economics on key assets and, we believe, create long-term shareholder value.

With sales contributions from new products, together with further cost discipline, we remain confident that we can drive improvements in core operating margin over the next few years. As we have said previously, the rate and the extent of this will depend on the precise mix of our businesses and the delivery rate of our pipeline. It is also worth recognising here that as we introduce new products over the next few years, they will contribute to the volatility we already see in our performance on a quarter-to-quarter basis. This variability is inherent in our business given a proportion of our revenues are tender driven and that ongoing delivery of operational and financial efficiencies is unevenly phased.

The Group continues to be highly cash generative. Adjusting for legal settlements, net cash inflow from operating activities was £1.8 billion. This quarter there were significant cash outflows related to the purchase of HGS and payments of previously provided for legal settlements. However, these have been funded by improving balance sheet efficiency and increases in net debt.

As a result, we have been able to continue to increase cash distributions to shareholders. Today, we have confirmed a 6% increase in the Q3 dividend to 18p. £1.9 billion of shares have been repurchased in the year to date and we continue to expect total share repurchases this year to be £2-£2.5 billion. Overall, we have distributed £4.8 billion to shareholders so far this year, an

increase of 9% compared with last year.

In conclusion, our focus is to continue to deliver on our strategy to maximise growth opportunities and actively prepare for the roll-out of multiple new products. We remain confident that these new products, combined with our strengthened businesses in emerging markets and consumer healthcare and further execution of our financial strategy, provide GSK with clear opportunities to deliver sustained improvement in long-term financial performance and overall returns to shareholders.

Sir Andrew Witty
Chief Executive Officer

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

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Group performance

Group turnover by division, geographic region and segment

Group turnover by division

Q3 2012

9 months 2012

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	£m	Growth CER%	£m	Growth CER%
Pharmaceuticals	4,319	(4)	13,307	(2)
Vaccines	940	(14)	2,461	(6)
Pharmaceuticals and Vaccines	5,259	(6)	15,768	(2)
Consumer Healthcare	1,268	(2)	3,861	-
	6,527	(5)	19,629	(2)

Group turnover by geographic region

	Q3 2012		9 months 2012	
	£m	Growth CER%	£m	Growth CER%
USA	2,144	(8)	6,298	(4)
Europe	1,717	(9)	5,440	(7)
EMAP	1,744	10	5,004	8
Japan	506	(22)	1,665	(5)
Other	416	(4)	1,222	(5)
	6,527	(5)	19,629	(2)
Group turnover outside US and Europe	2,666	-	7,891	3

Group turnover by segment

	Q3 2012		9 months 2012	
	£m	Growth CER%	£m	Growth CER%
Pharmaceuticals and Vaccines				
-USA	1,788	(6)	5,234	(1)
-Europe	1,159	(9)	3,690	(8)
-EMAP	1,203	11	3,424	7
-Japan	440	(25)	1,473	(7)
-ViiV Healthcare	356	(15)	1,036	(9)
-Other trading and unallocated pharmaceuticals	313	(3)	911	(5)