

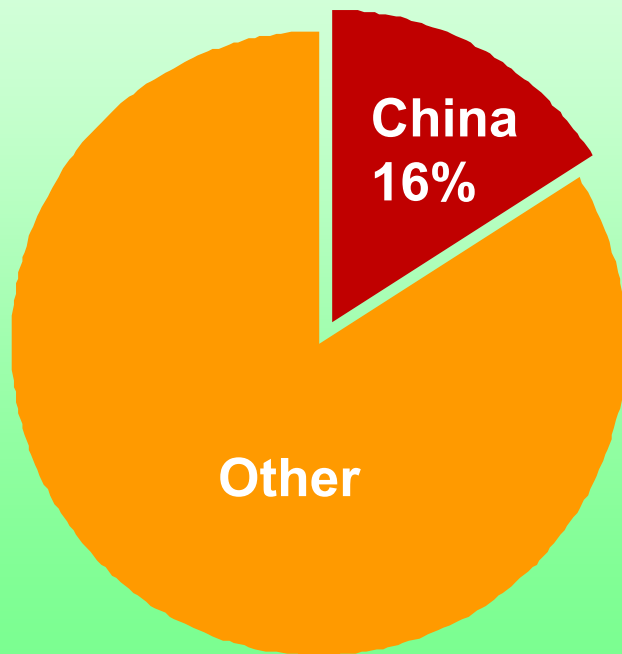


China Business Briefing

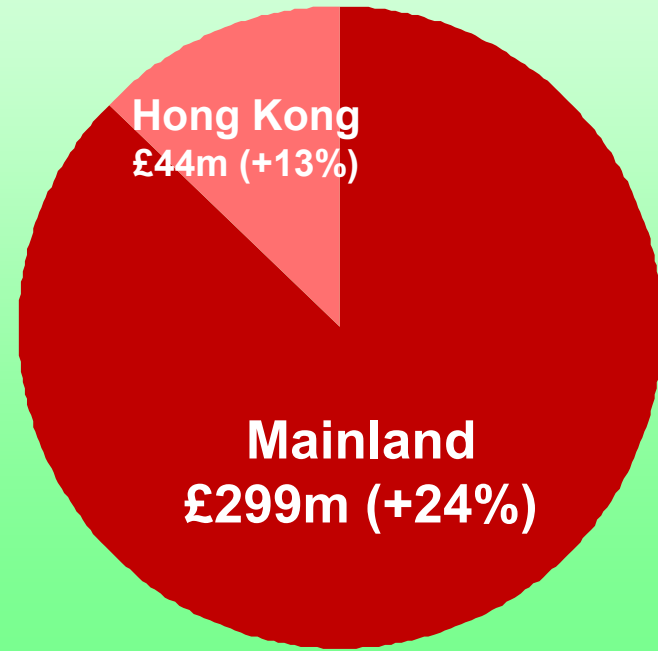
Mark Reilly
General Manager
China - Pharma
10th December 2009

China – GSK's #1 EM country

China sales 9 months YTD
£343m (+23%)

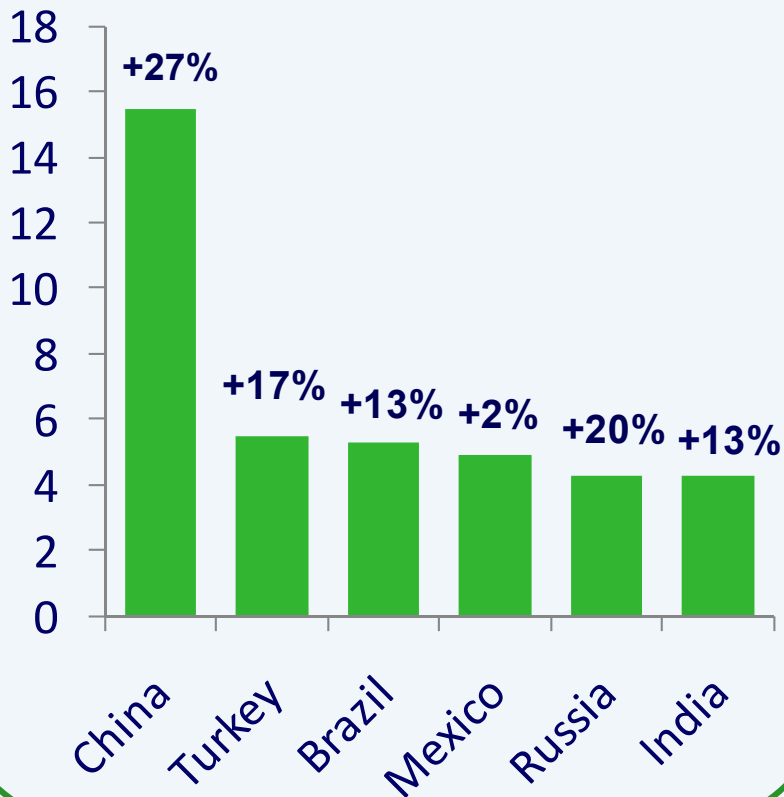


Today's focus =
Mainland China



China pharma market is large & growing fast

BRIC-MT Markets
Sales MAT Sept 2009
£bn



- 6th largest pharma market
- Largest & fastest growing BRIC-MT market
- Current Sales: >£15bn +27%
- Growth forecast through 2013: CAGR ~20%
- Forecasted to be 3rd largest pharma market by 2013

Many factors are driving growth

Demographics

- Second largest birth cohort in the world (16m)
- Aging population
- Urbanisation
- Growing importance of rural access

Economic Development

- Growing middle class
- 50% of healthcare and ~80% of Rx paid out-of-pocket

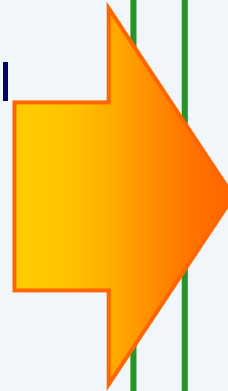
Major Health Issues

- Increase in lifestyle disorders such as obesity, diabetes and cardiac diseases
- Air pollution and smoking contributing to growth of cancer and respiratory diseases
- HIV, hepatitis and tuberculosis also recognised as major health issues

Healthcare reform impacts

Today

- Branded generics
- Originator product price premium
- Weak IP protection
- Central government control
- Local manufacturing important
- Clinical development important
- Complex drug approval process



Future ~2020

- R&D driven market, premium price for innovation
- Harmonisation of generic prices
- Stronger IP protection
- Greater decision making in the provinces
- Local manufacturing a requirement for EDL products
- Local R&D key driver for access and acceleration
- Chinese data important for drug approvals

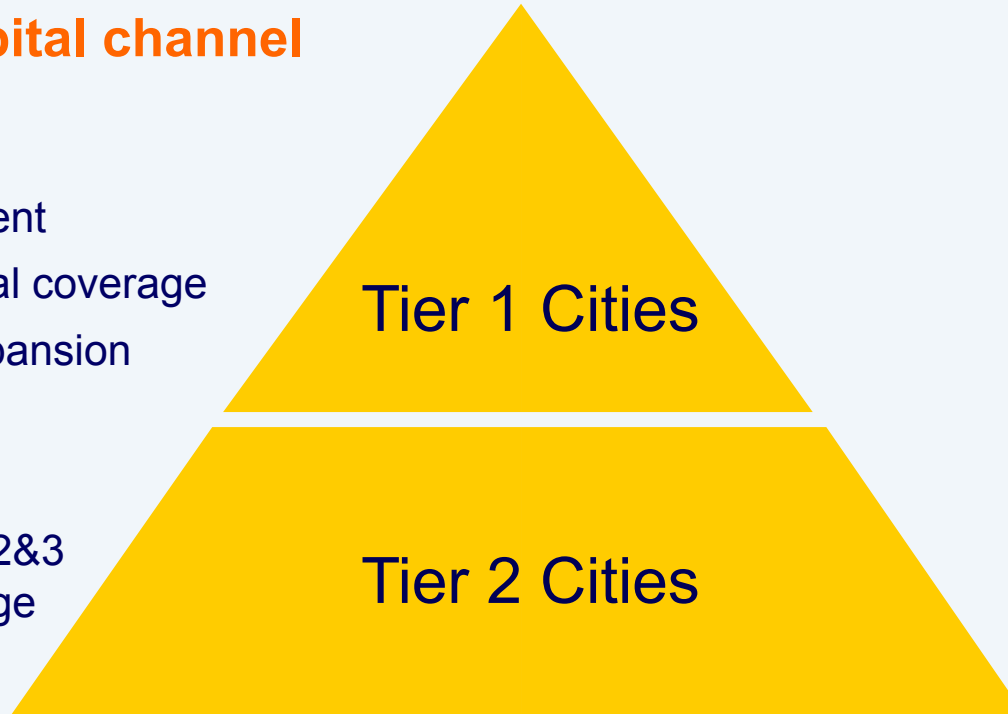
**Evolution vs revolution:
current market exists for foreseeable future**

China's Pharma market

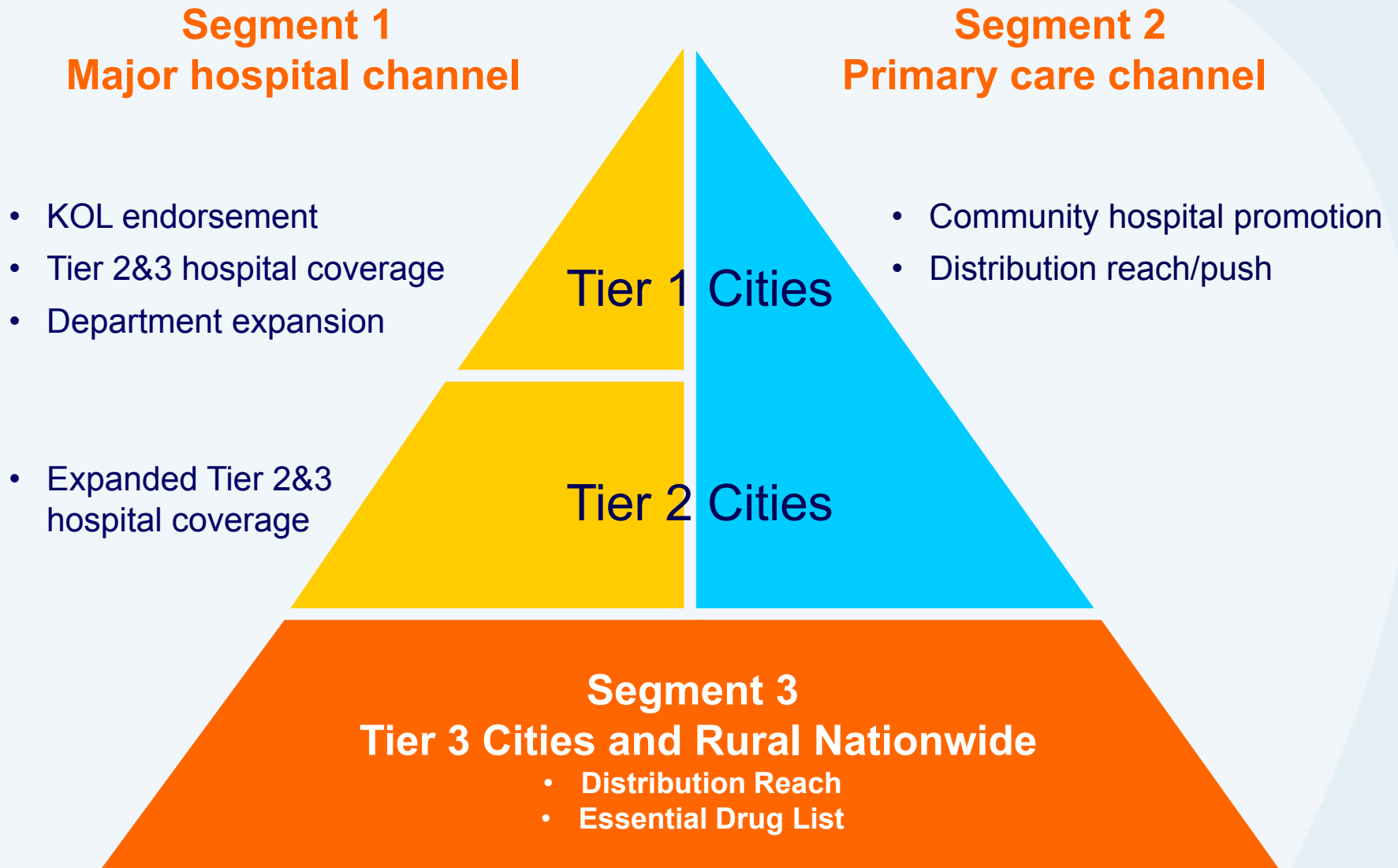
Major hospital channel

- KOL endorsement
- Tier 2&3 hospital coverage
- Department expansion

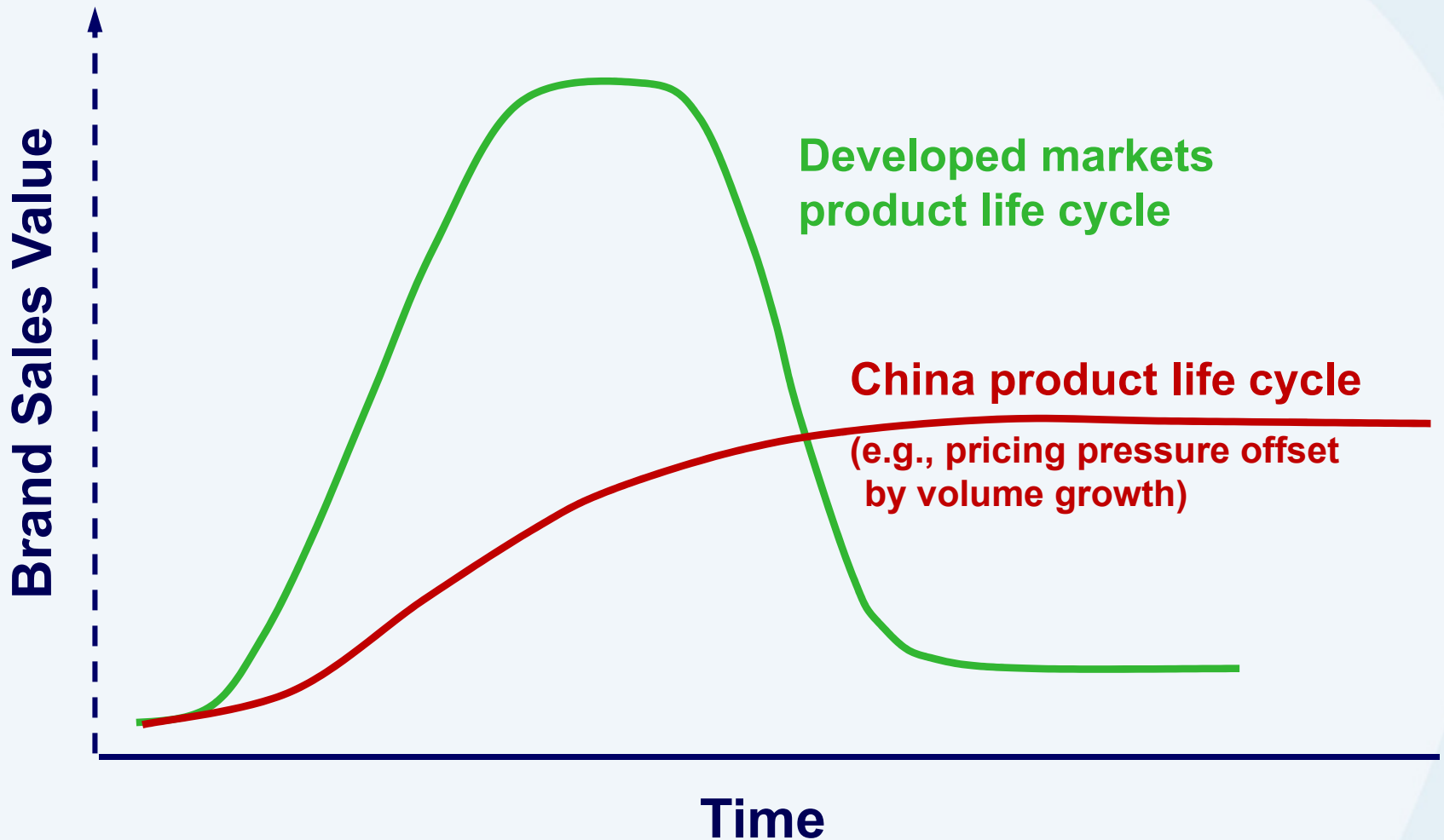
- Expanded Tier 2&3 hospital coverage



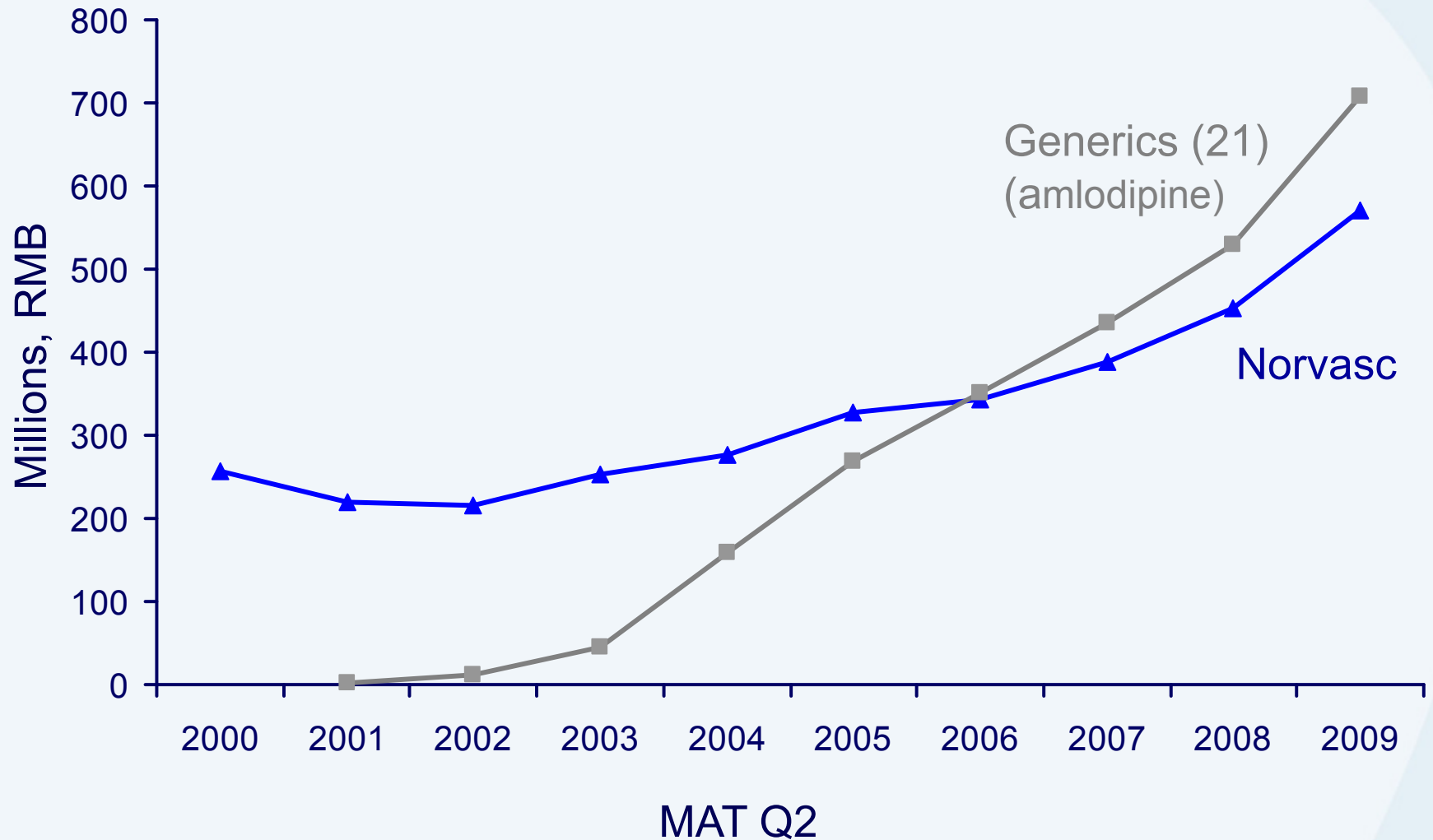
China's Pharma market – Development of 3 segments



Long product life cycles



Long product life cycles - example



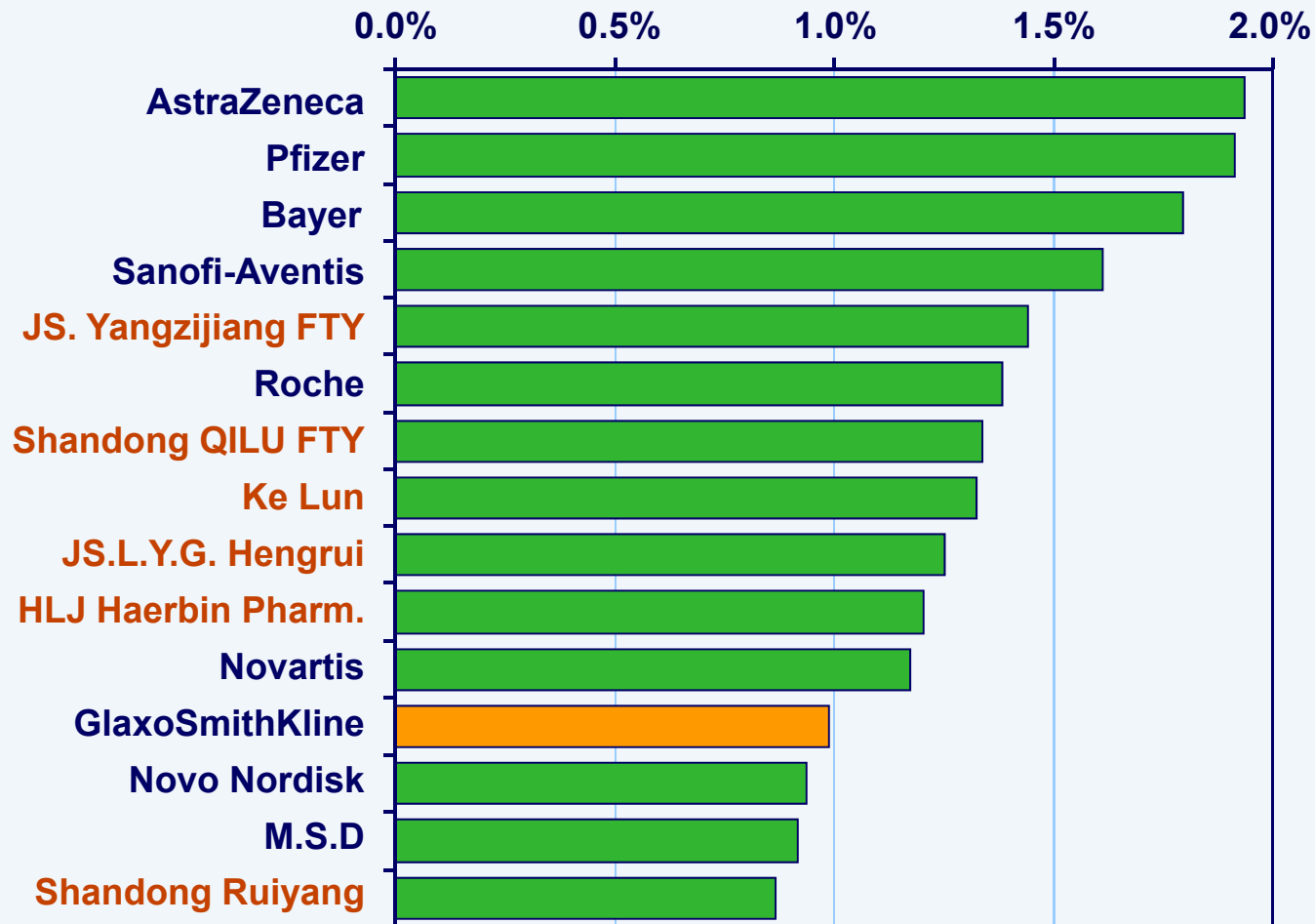
Source: IMS national data

GSK – Establishing a unique presence in China



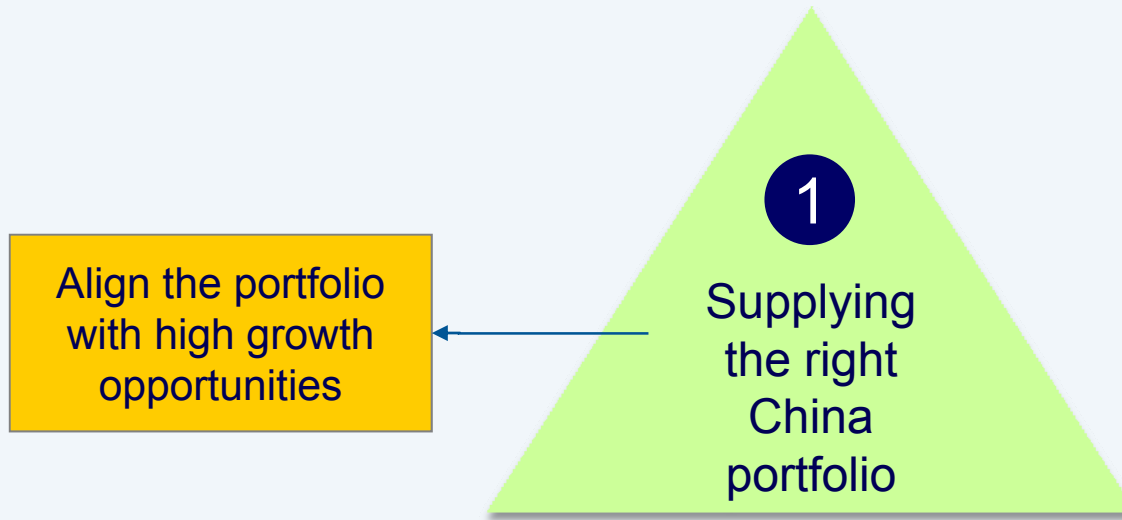
GSK currently ranked #12 in highly fragmented market

Market share MAT Sept 2009



Growth rate	
MAT Sept 2008	MAT Sept 2009
29.1%	30.5%
29.8%	33.3%
30.7%	22.7%
34.1%	29.9%
21.7%	22.3%
12.6%	22.4%
42.0%	28.9%
55.8%	57.6%
28.0%	23.2%
25.5%	22.4%
18.5%	24.6%
15.0%	27.3%
30.7%	29.5%
27.6%	13.7%
34.6%	32.9%

China - Four elements for success



Drivers of growth

GSK EM strategy

China specifics

Innovative brands



Long life cycle post patent expiry

Classic brands



Originator products and differentiated generics receive price premium

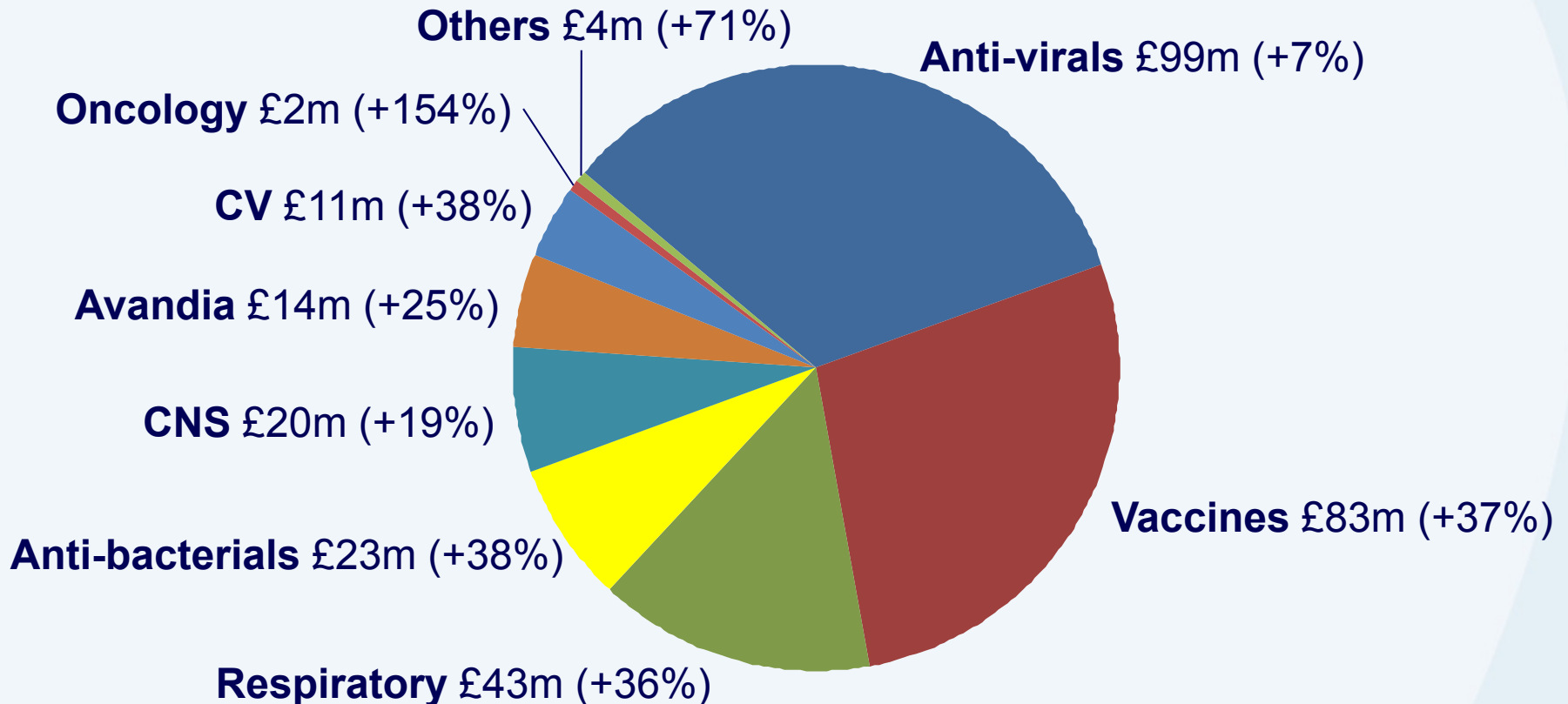
Vaccines



The most complete pipeline in the industry

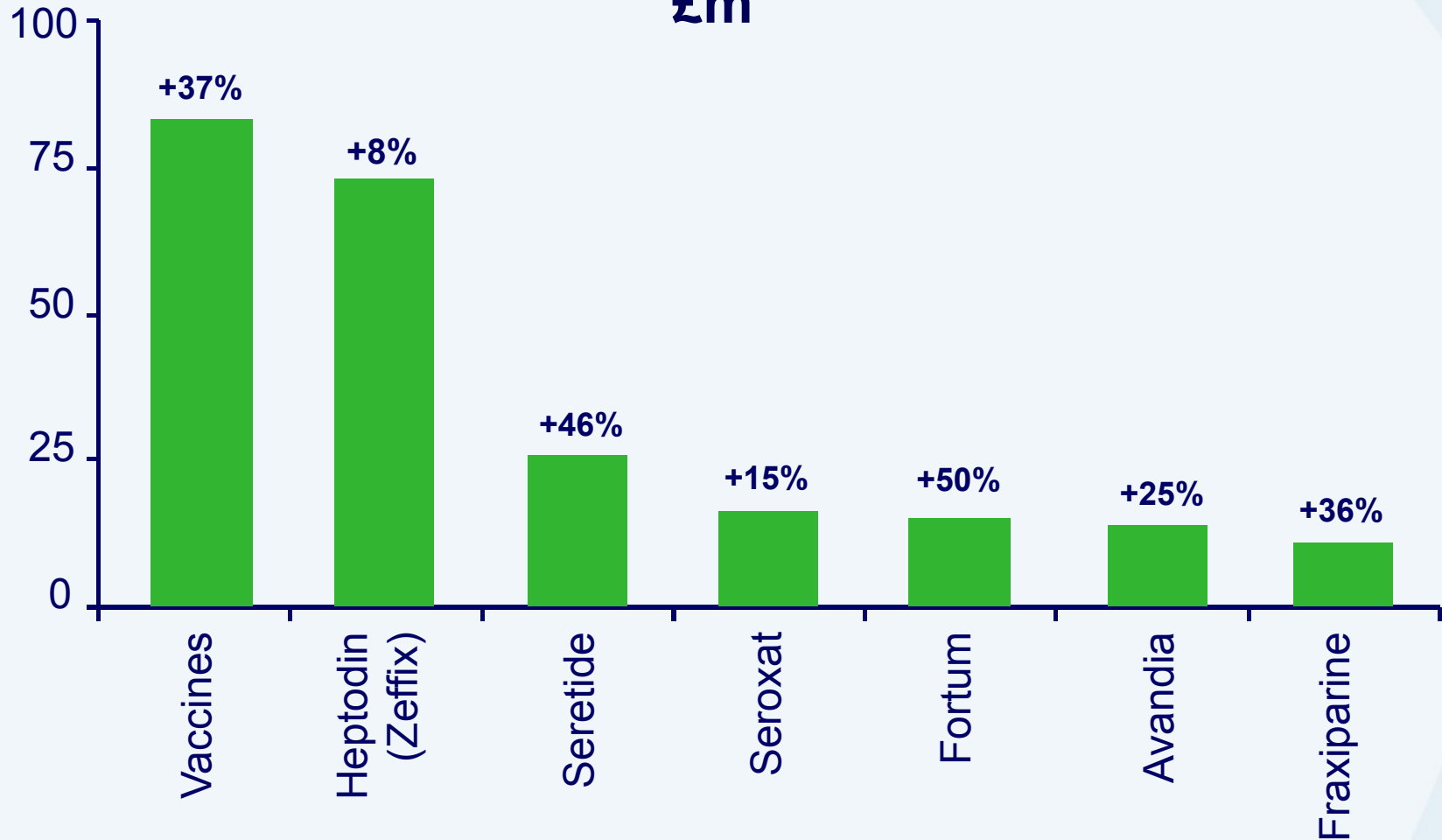
Diverse portfolio with many growth drivers

9 months YTD
Total sales £299m (+24%)



Top products

9 months YTD sales £m



Near-term growth opportunities

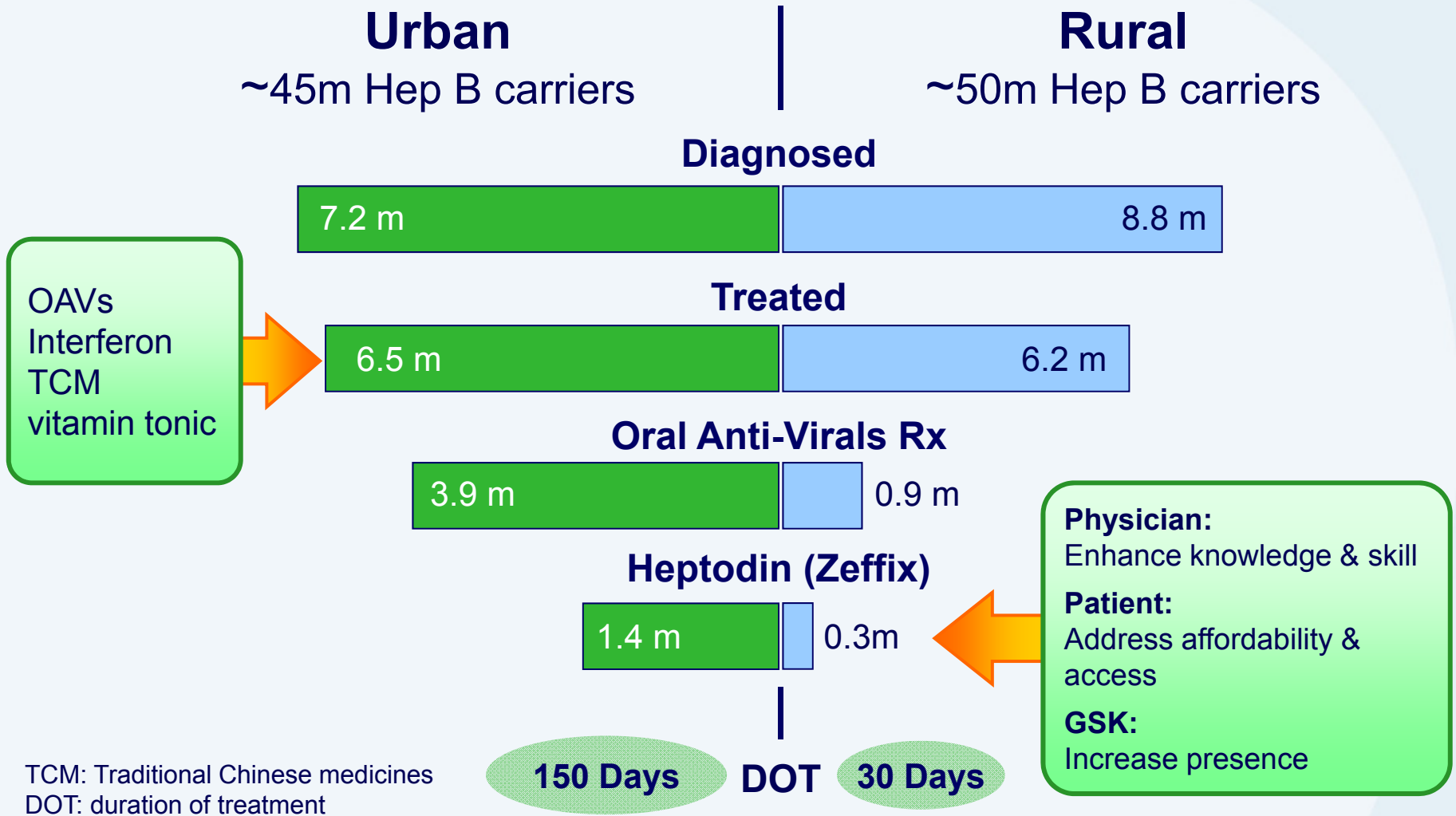
Capitalise on leadership in hepatitis

Build on vaccines position and drive market growth opportunity

Expand leadership in respiratory

Others

Large opportunity for growth in Hep B



TCM: Traditional Chinese medicines
 DOT: duration of treatment

Note: 1/3 of worldwide Hep B cases are in China

Source: GSK estimates based on market research

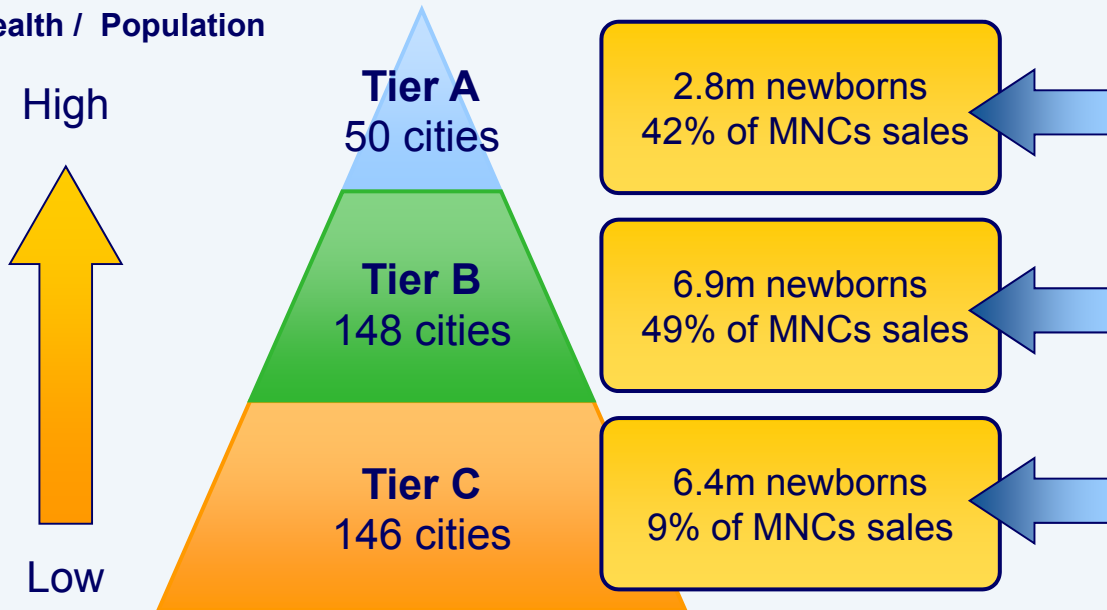
Hepatitis B strategy for continued growth

- Invest to maintain competitiveness and share of voice in urban hospitals
- Expand distribution reach and access in rural areas
- Improve patient awareness and diagnosis
- Reinforce presence in Hep B market through development & launch of tenofovir (Viread) – recently in-licensed from Gilead
- Leverage vaccines for prevention

Vaccines in China: An attractive and growing market

Market Overview

Wealth / Population



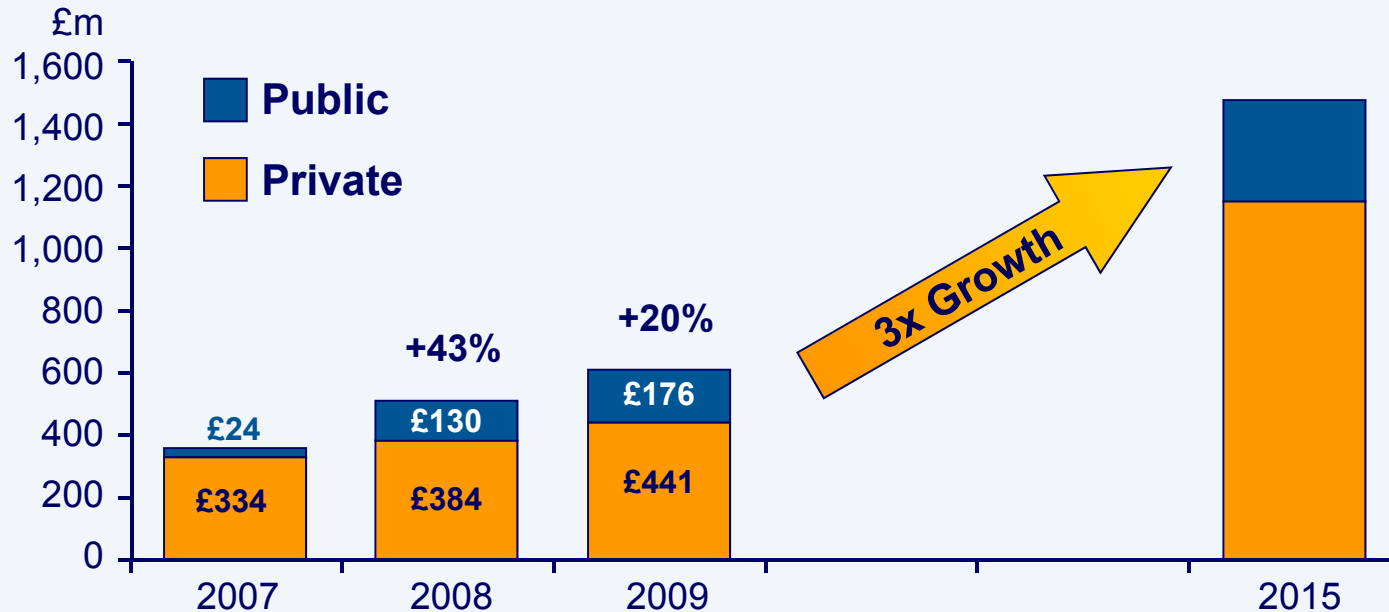
- Driven by “product value”
- Pharma – type promotion
- Dominated by 8 MNCs
- Driven by channel margins
- CDC and regional distributors play a very important role
- Strong presence of the **32** local players
- Primarily covered by EPI vaccines

Demographics

- ~16m annual birth cohort
- ~128m females 10-25 years of age
- ~372m over 60 years of age
- ~10% able to afford private vaccines

Vaccines in China: Estimate of total market potential

GSK estimates for total market

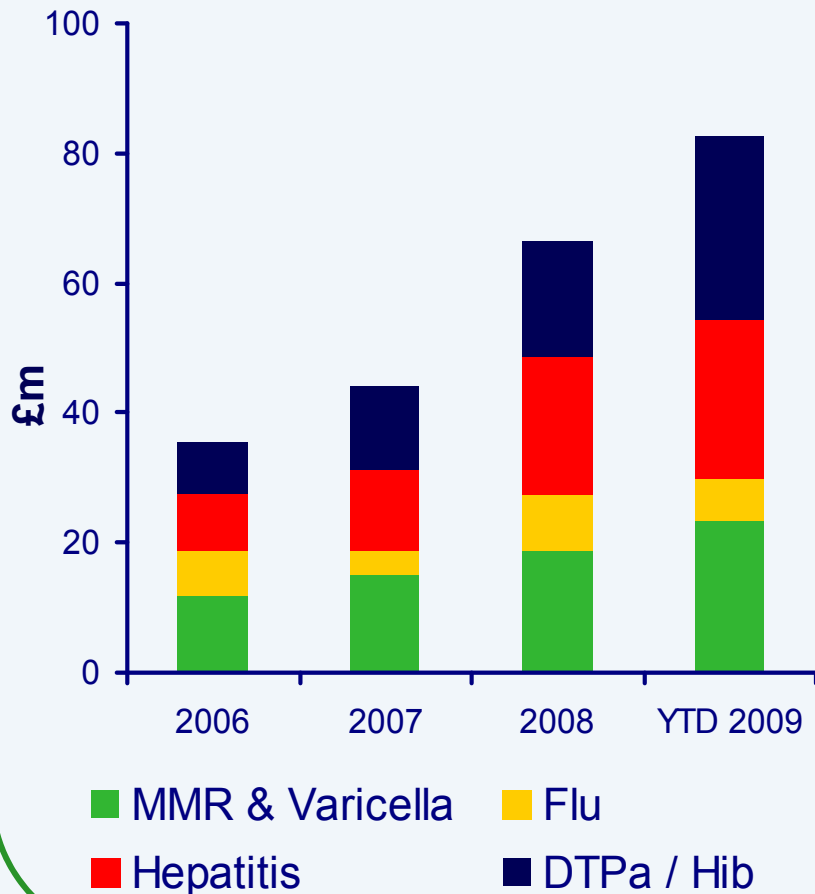


Key market growth drivers

- Continuing growth of private market
- Growing government interest in prevention
- EPI expansion and improved coverage, e.g., introduction of Pa, MMR, and Hep A in '08
- New vaccines
- New segments (adolescent / adult / elderly segments) important for current and future portfolio
- Broad geographic presence required

GSK #1 Vaccine MNC in China

GSK YTD sales £83m (+37%)



GSK's Position & Strategy

- Diversified & balanced portfolio
- Leadership among MNCs gained in 2009
- #1 Independent vaccine company
- Investing in people and awareness building (healthcare workers and general public)
- Investing in local mfg and partnerships:

Flu vaccines



Paediatric vaccines



- China specific R&D
- Extensive pipeline

GSK has the most complete current and future vaccine portfolio

Paediatrics

Infanrix (DTPa)	Havrix (Hep A)	Engerix-B (Hep B)
Priorix (MMR)	Varilrix (chickenpox)	Hiberix (Hib)
Synflorix (Pneumococcal)	Poliorix (IPV)	Infanrix-Hib (DTPa-Hib)
Rotarix (Rotavirus)	Infanrix-IPV-Hib (DTPa-IPV-Hib)	Local Flu (Flu)
Priorix-Tetra (MMR + chickenpox)	Infanrix-IPV (DTPa-IPV)	Local MMR (MMR)

Adolescents

Priorix (MMR)	Varilrix (chickenpox)	Engerix-B (Hep B)
Boostrix (DTPa)	Cervarix (HPV)	Local Flu (Flu)
Twinrix (Hep A+B)		Local MMR (MMR)

Havrix (Hep A)	Engerix (Hep B)
Boostrix (DTPa)	Fluarix (Flu)
Twinrix (Hep A+B)	Local Flu (Flu)

Fluarix (Flu)
Local Flu (Flu)

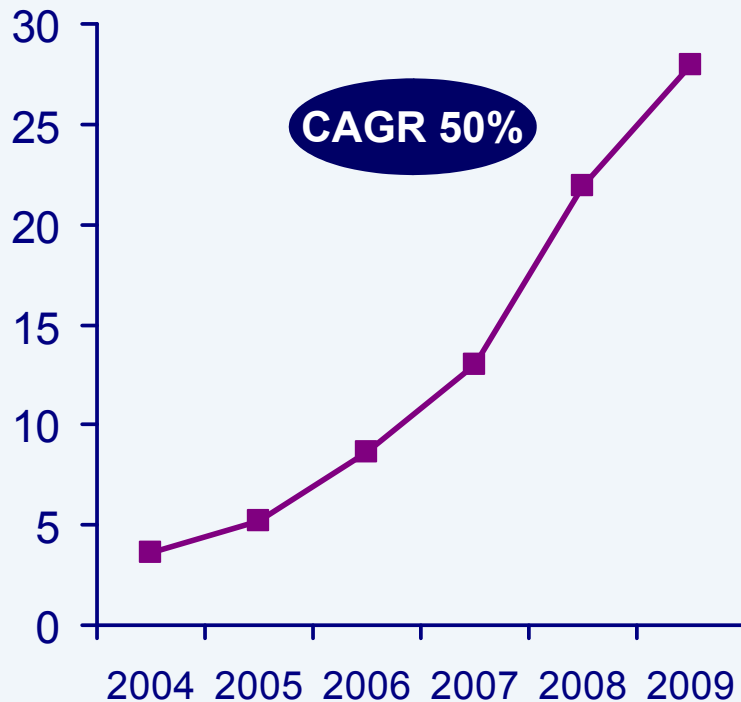
Adult

Existing portfolio
Pipeline

Elderly

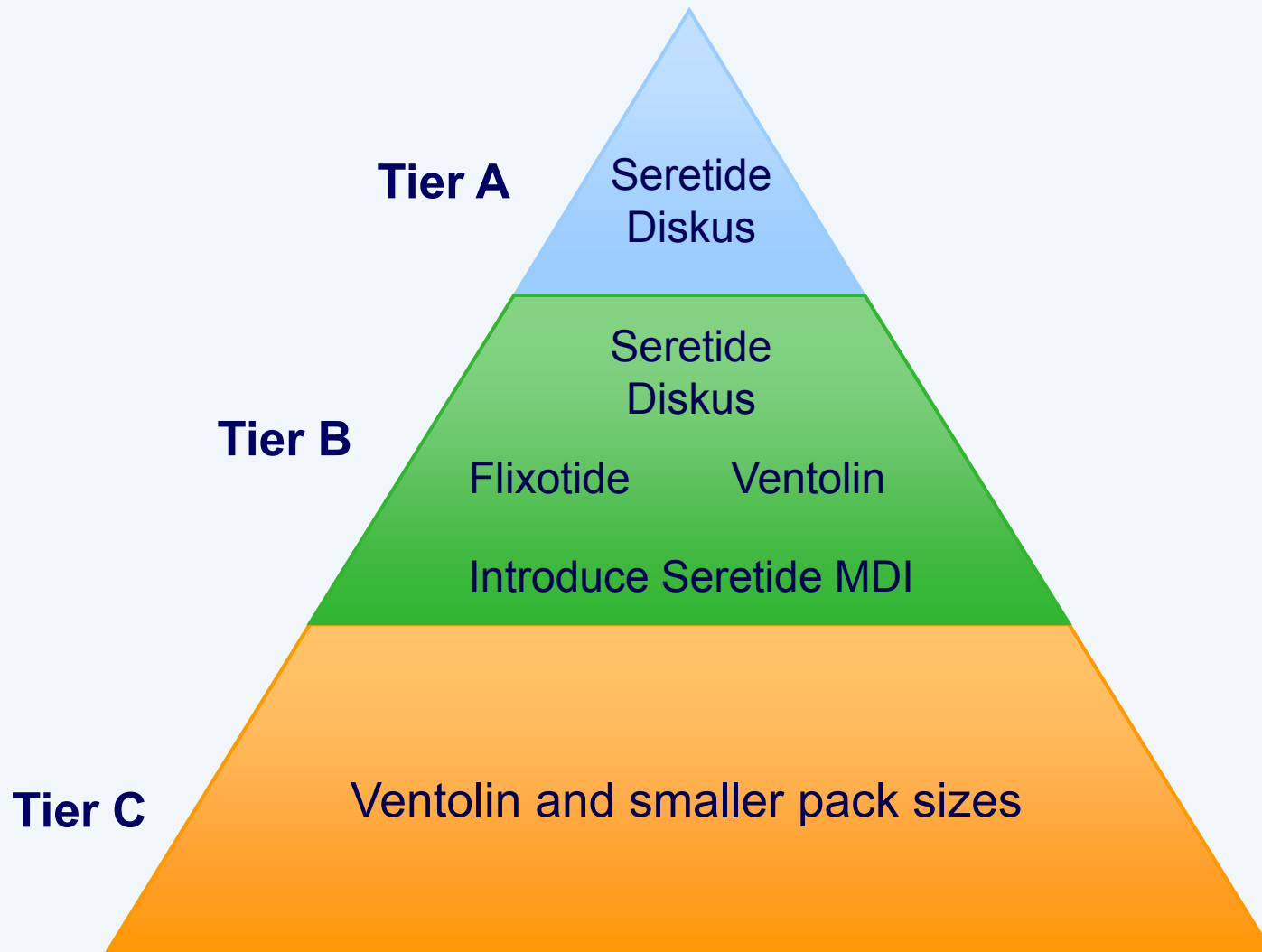
Respiratory – a rising star in China Rx

**Seretide sales value
£m**



- Significant growth in respiratory market expected
- Seretide is already a leading brand in R03 market with a CAGR of ~50%
- MDI launch still to come
- COPD market is a major opportunity
 - Prevalence 8.2% among population over 40yrs, ~580m COPD patients
 - Less than 1m current patients on Seretide
- In asthma, Seretide's strong efficacy should help drive growth
- Ventolin MDI currently selling ~3M packs per year
 - Big opportunity to grow with EDL policy effectively covering rural population

Respiratory – various offerings and pricing strategies improve access and drive volume growth



Other near-term growth opportunities

Develop CNS market – Leverage Seroxat and Lamictal*

Aggressively grow diabetes franchise – Avandia family

Develop & launch oncology pipeline – Tykerb*, Votrient, Arzerra****

Build CV and Urology franchises – Fraxiparine, Arixtra* and Avodart**

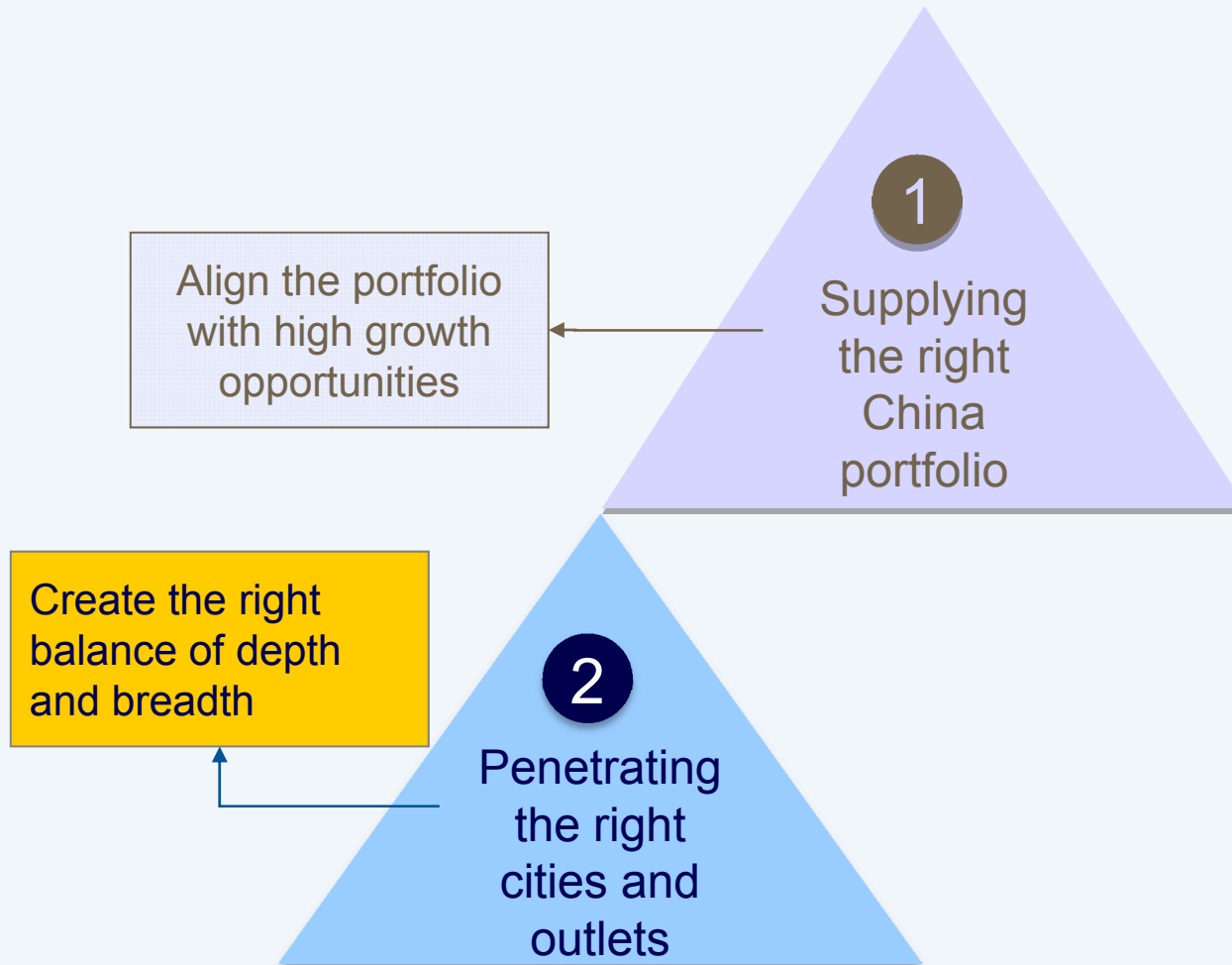
Upscale dermatology to capitalise on Stiefel portfolio (Valtrex*)

Relenza and flu franchise development

Maximise value of GSK classic brands – resource re-launches

Opportunistic in-licensing – originator

China - four elements for success



New segments / channels provide opportunity for growth

Segment 1 Major hospital channel

- KOL endorsement
- Tier 2&3 hospital coverage
- Department expansion

Segment 2 Primary care channel

- Community hospital promotion
- Distribution reach/push

Tier 1 Cities

Tier 2 Cities

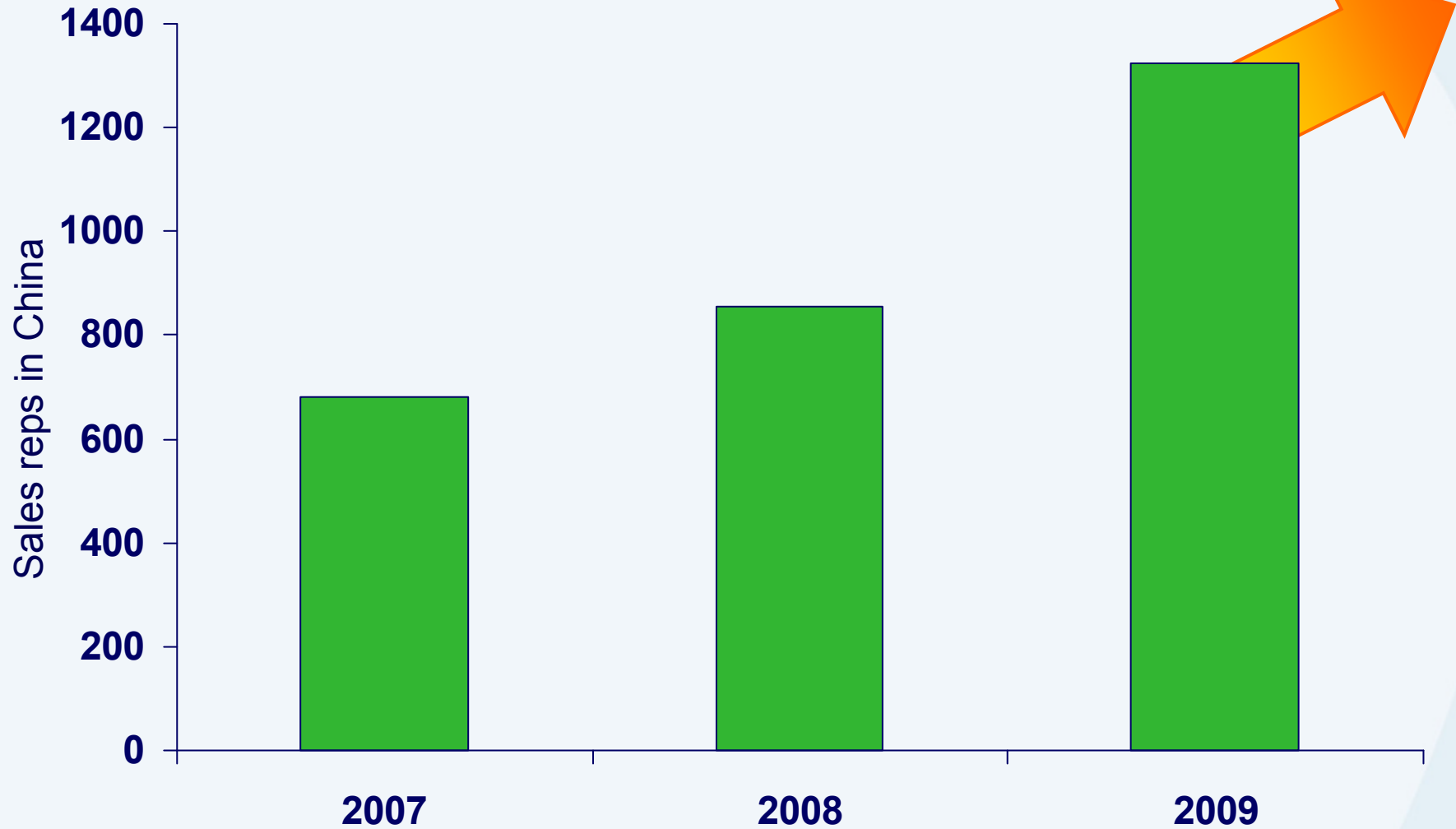
Key new growth opportunity

- Expanded Tier 2&3 hospital coverage

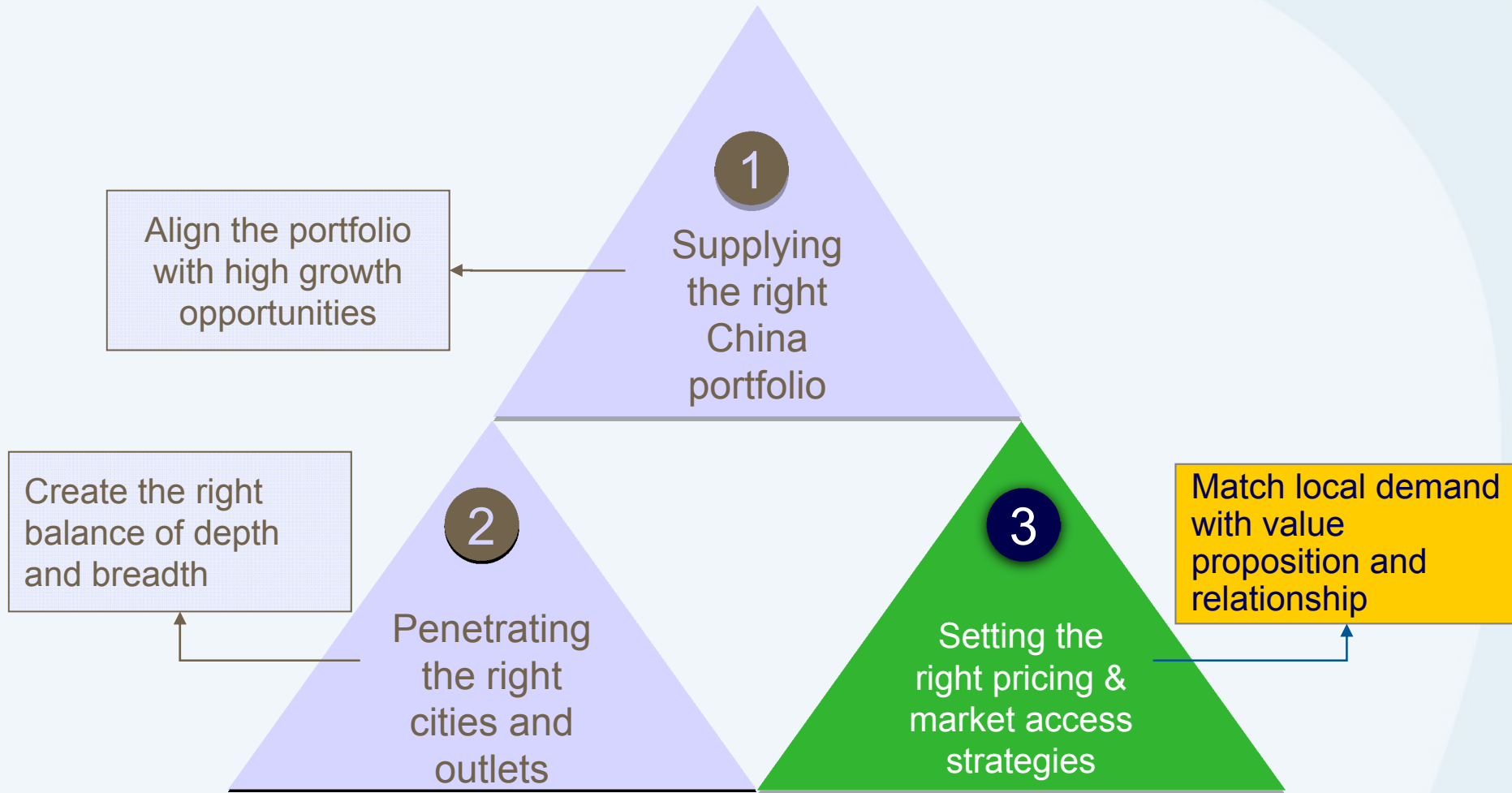
Segment 3 Tier 3 Cities and Rural Nationwide

- Distribution Reach
- Essential Drug List

Sales force expansion continuing



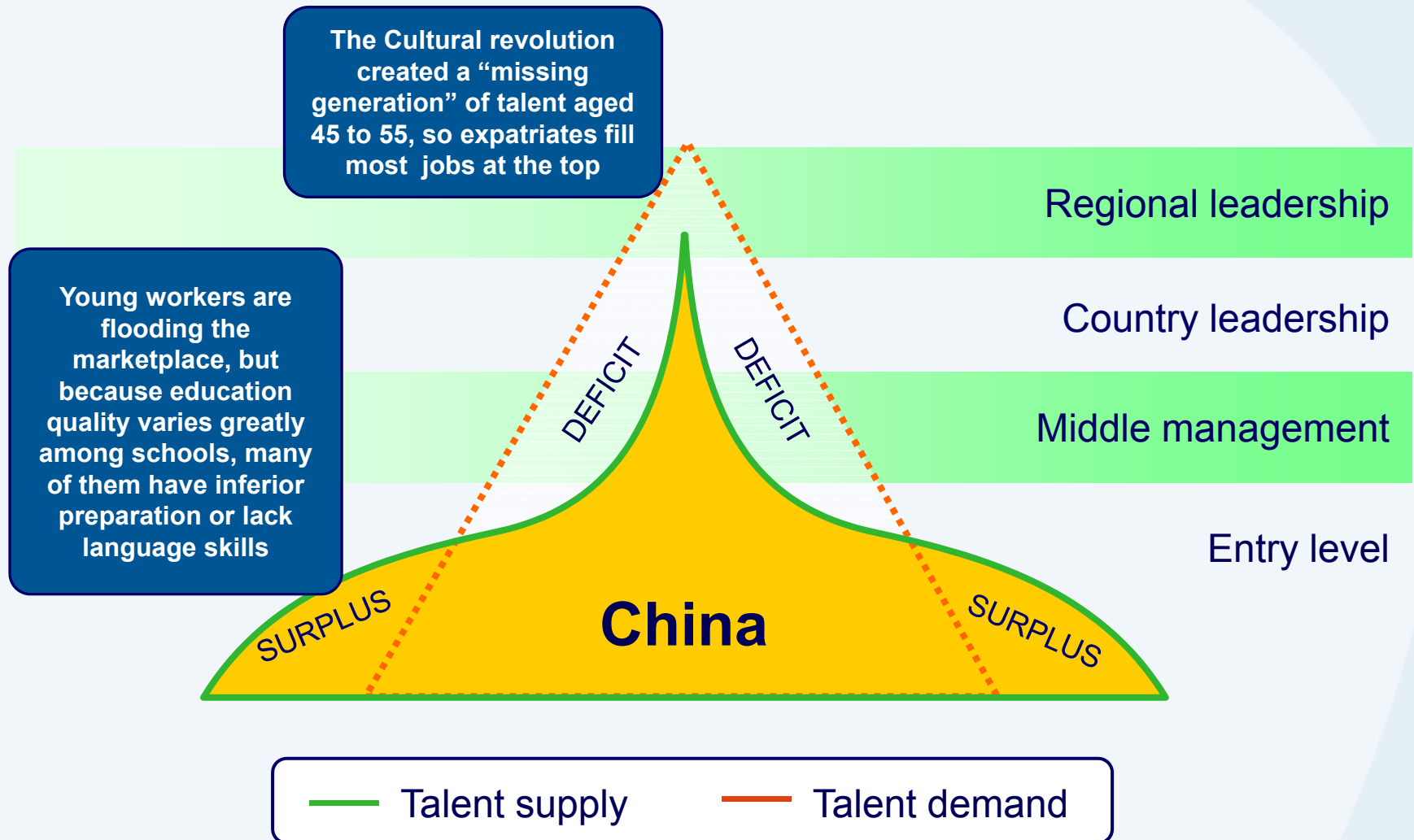
China - four elements for success



China - four elements for success



Constraints of China talent market



GSK – establishing a unique presence in China



China Pharma Vision





GlaxoSmithKline