



Q2 Results 2008
Presentation to Investors & Analysts
23rd July



Julian Heslop
Chief Financial Officer

Business performance* overview

	Q2 08	H1 08
	£m	£m
Turnover	5,874 -2%	11,560 -2%
Operating profit	2,126 2%	4,174 -4%
EPS	27.2p 5%	52.9p -3%

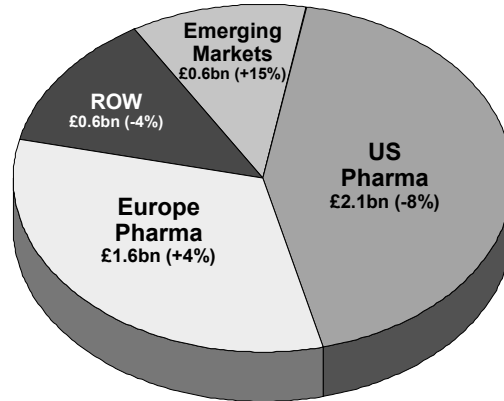
* Business performance results excluding restructuring costs relating to the new Operational Excellence program and significant acquisitions. % are CER growth rates

Q2 pharmaceutical turnover analysis

	2008	2007	% Change
	£ million	£ million	CER
"Core"	4,372	3,797	9%
Avandia	194	349	-46%
Products impacted by generics*	357	613	-45%
Total	4,923	4,759	-2%

*Products impacted by generics comprises Coreg, Paxil, Requip, Wellbutrin and Zofran sales

Q2 geographic pharmaceutical turnover



£4.9bn -2%

CER growth rates
US pharma excluding Avandia and products subject to generic competition +13%

Q2 pharmaceutical product growth drivers

Advair	£964m	+6%
Vaccines	£577m	+34%
Lamictal	£323m	+18%
Valtrex	£277m	+19%
Avodart	£92m	+33%
Lovaza	£67m	+93%*
Boniva	£56m	+47%
Arixtra	£36m	+31%
Total	£2,392m	+21%

*Proforma
CER growth rates

New products

Tykerb™
lapatinib ditosylate

Cervarix®

ENTEREG™
(α-1,3-β-D-甘露糖)
For POI

Veramyst™
(fluticasone furoate)
Nasal Spray

ALTABAX™
retapamulin ointment, 1%

Rotarix™
Rotavirus Vaccine,
Live, Oral

ONE-DAY COREG CR™
Carvedilol Phosphate
extended-release capsules

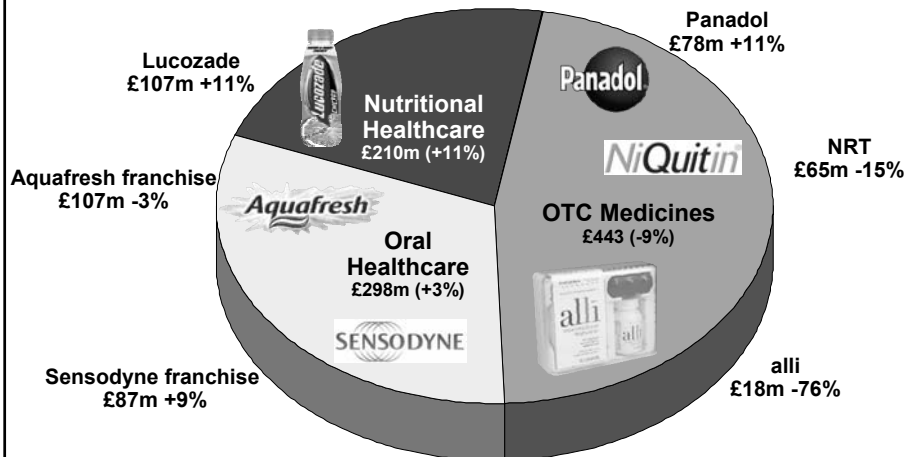
Prepandrix™

Treximet™
sumatriptan/
naproxen sodium

Q2 sales
£174m >100%

CER growth rate

Q2 Consumer Healthcare turnover



£951m -1%

CER growth rates

Q2 performance summary

Business performance

	2008 £m	2007 £m	% Change £	CER
Turnover	5,874	5,674	4	(2)
Cost of goods	(1,375) 23.4%	(1,212) 21.4%	13	8
SG&A	(1,765) 30.0%	(1,841) 32.4%	(4)	(8)
R&D	(802) 13.7%	(789) 13.9%	2	(1)
Other oper. income	194	97		
Operating profit	2,126 36.2%	1,929 34.0%	10	2

Business performance results excluding restructuring costs relating to the new Operational Excellence program and significant acquisitions. % are % of turnover

Q2 performance summary

Business performance

	2008 £m	2007 £m	% Change £	CER
Operating profit	2,126	1,929	10	2
Interest	(118)	(44)		
Profit before tax	2,023	1,896	7	(2)
Earnings per share	27.2p	24.0p	13	5
Tax rate	28.5%	28.5%		

Business performance results excluding restructuring costs relating to the new Operational Excellence program and significant acquisitions

Q2 statutory results

	Q2 2008		Q2 2007	
	Business performance £m	Restructuring £m	Statutory results £m	Statutory results £m
Turnover	5,874	-	5,874	5,674
Operating profit	2,126	(187)	1,939	1,929
EPS	27.2p	(2.6)p	24.6p	24.0p

Business performance results excluding restructuring costs relating to the new Operational Excellence program and significant acquisitions

Cash flow

	Q208 £m	Q207 £m
Free cash flow	735	903
Dividends	(859)	(785)
Share repurchases	(1,390)	(642)
Purchase of business	(324)	-
Employee share option exercises	5	161
Other	32	82
Net increase in debt	(1,801)	(281)
Net debt at 30th June	(8,342)	

Financial strategy

- Commitment to progressive dividend:
Q2 13p (Q2 '07 12p)
- Further available free cash flow and debt capacity used for:
Investment to support new strategic growth priorities
Other cash returns to shareholders
- £12 bn share repurchase programme:
To date: £5.5 bn
Future: £6.5 bn (extended beyond July 2009)

Conclusion

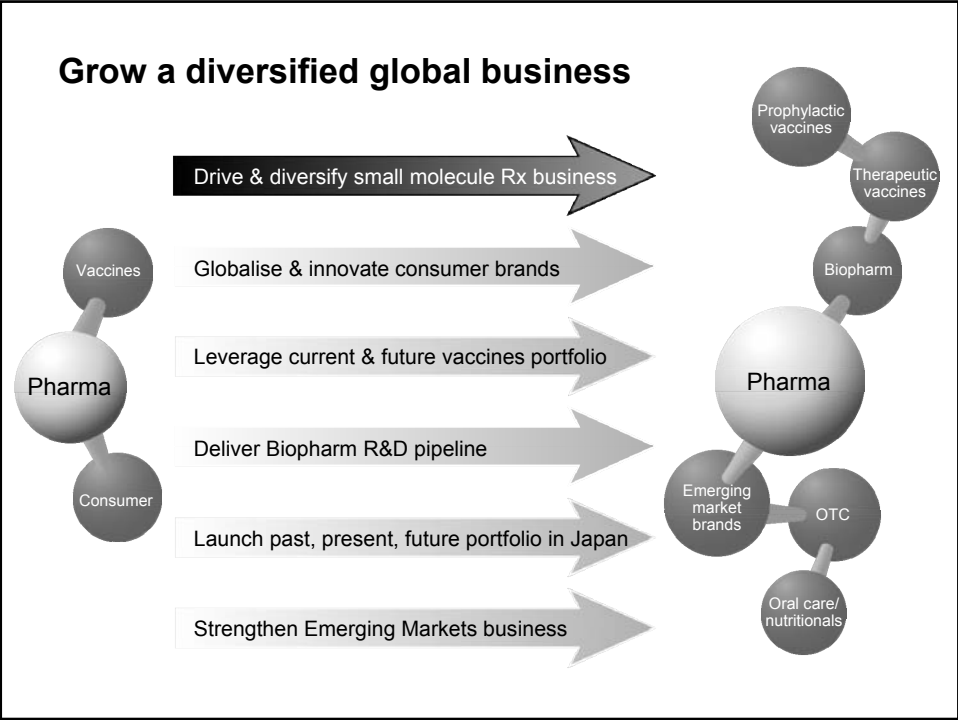
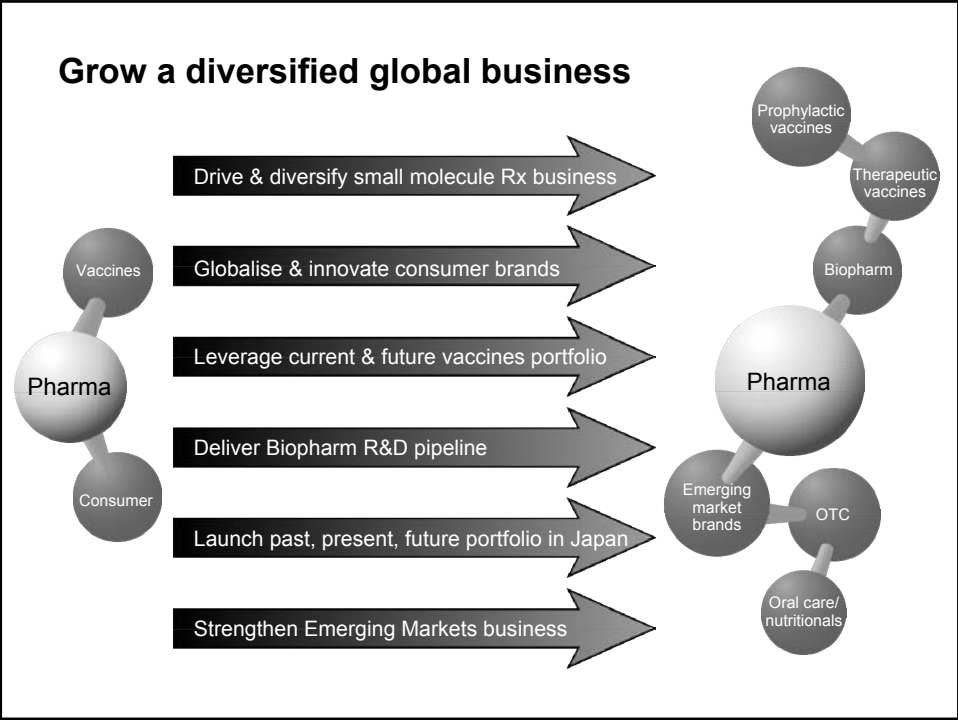
- On track to meet earnings guidance for 2008
- Restructuring programme on schedule to deliver £700 million cost savings by 2010
- Cash flow maximisation through working capital efficiency and divestiture of non-core assets



**Andrew Witty
Chief Executive Officer**

GSK's new strategic priorities

- 1. Grow a diversified global business**
- 2. Deliver more products of value**
- 3. Simplify the operating model**



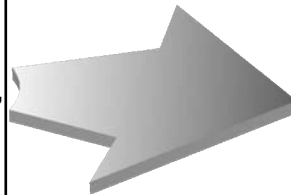
Maximise current and emerging portfolio



Implement changes to the business model

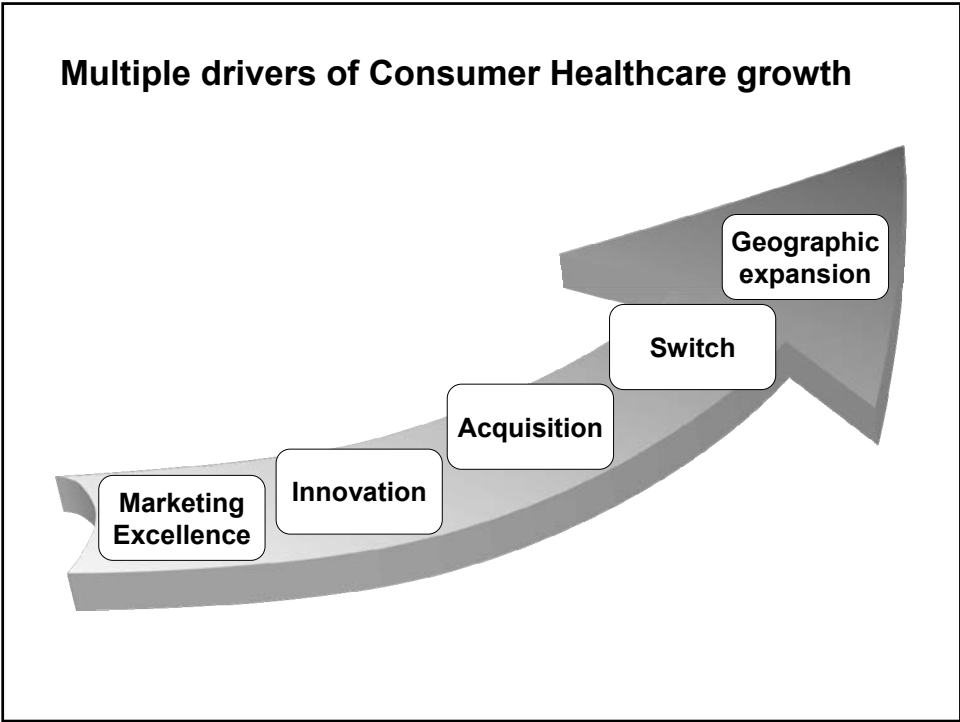
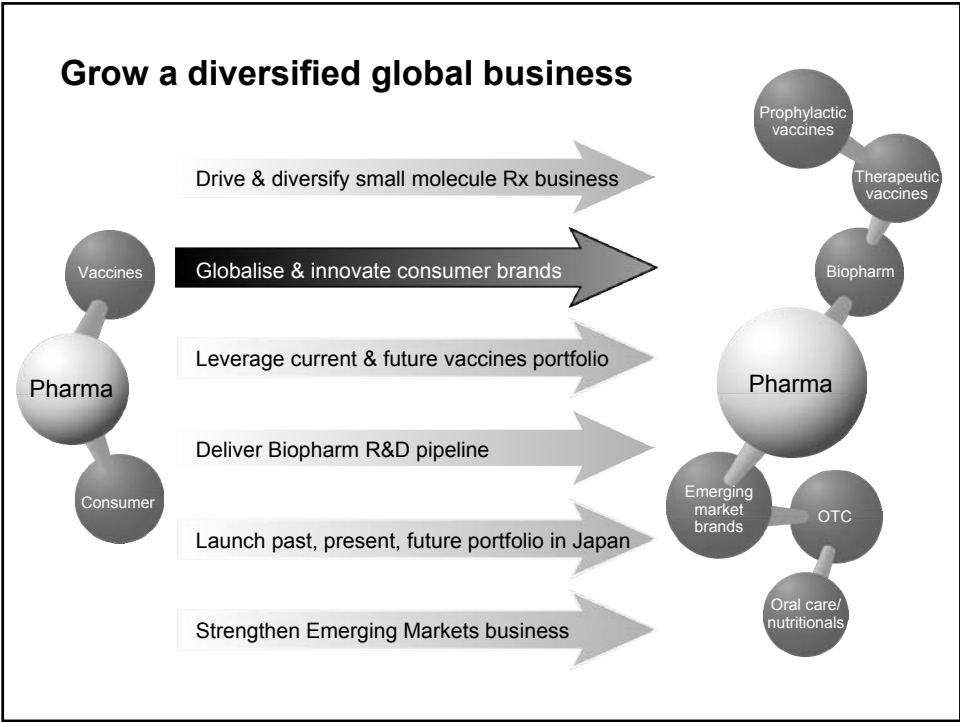
Today's model

- High concentration in a few products
- Blockbuster "dependent"
- Rep intensive selling
- Single clinical development model



Future model

- More diversified portfolio
- Blockbuster "ready"
- Multiple selling models
- Flexible, lower cost clinical development



Build on great track record in innovation and globalisation



- Modest innovation budget
- Launched in 40 markets since mid 2006

Q2'08 +72%



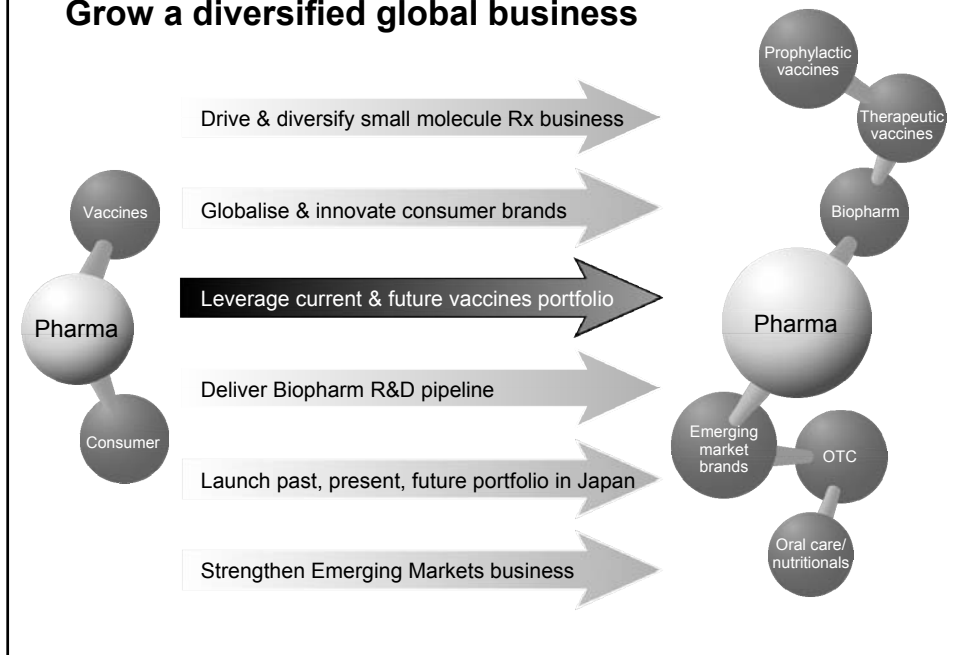
- 2006: acquired in 8 markets
- end 2007: 27 markets
- end 2008: 43 markets

Q2'08 +42%

Rapid return on R&D investment

£m	R&D Cost	Cum. Sales Launch to 2007	Sales per £ of R&D Investment
 Aquafresh White Trays 2007 launch	6	21	4
 Abreva Pump 2007 launch	1	7	7
 Commit Lozenges 2001 launch	26	329	13
 Lucozade Hydro Active 2003 launch	1	42	42

Grow a diversified global business

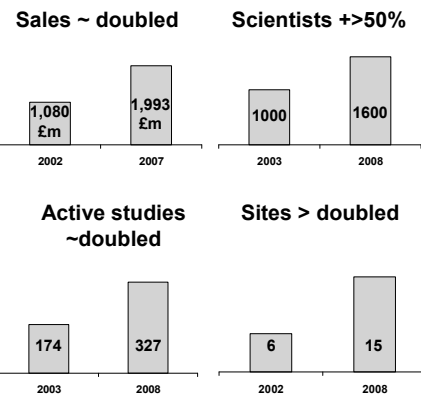


GSK is an established leader in high growth vaccines market

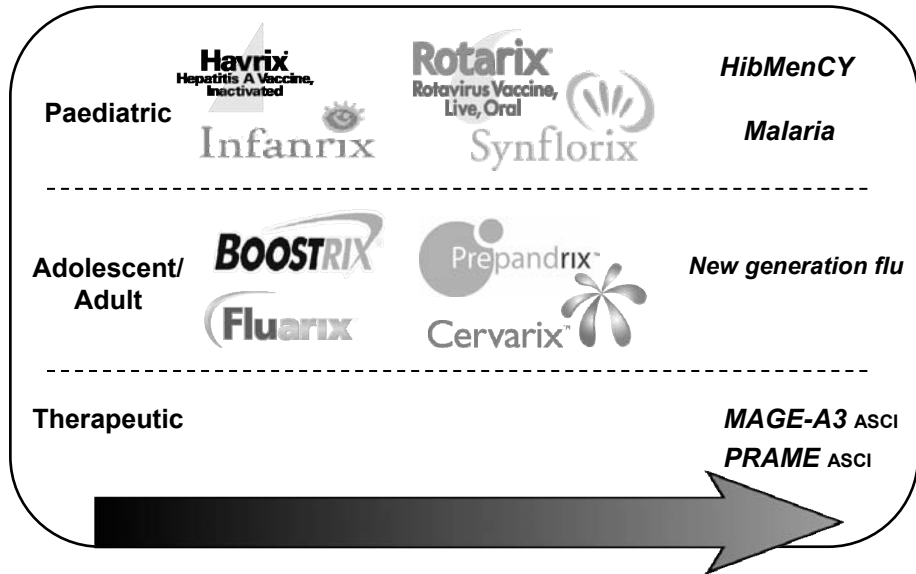
Attractive market...

- Few global players
- High barriers to entry
- Long lifecycles
- Operating margin comparable to Pharma

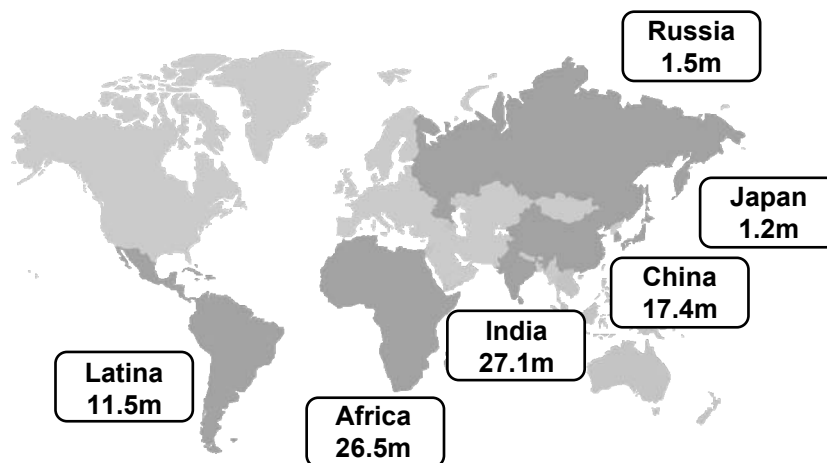
...GSK is an established leader



Strong GSK presence across all market segments

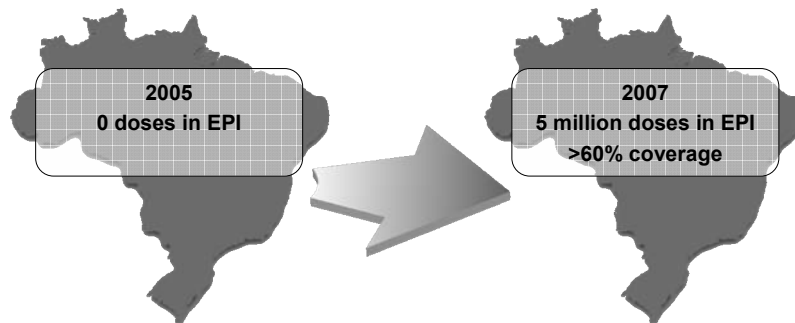


Opportunity to create incremental value through geographic expansion



Numbers quoted are birth cohorts, source: WHO

Rapid impact of Rotarix mass vaccination in Brazil



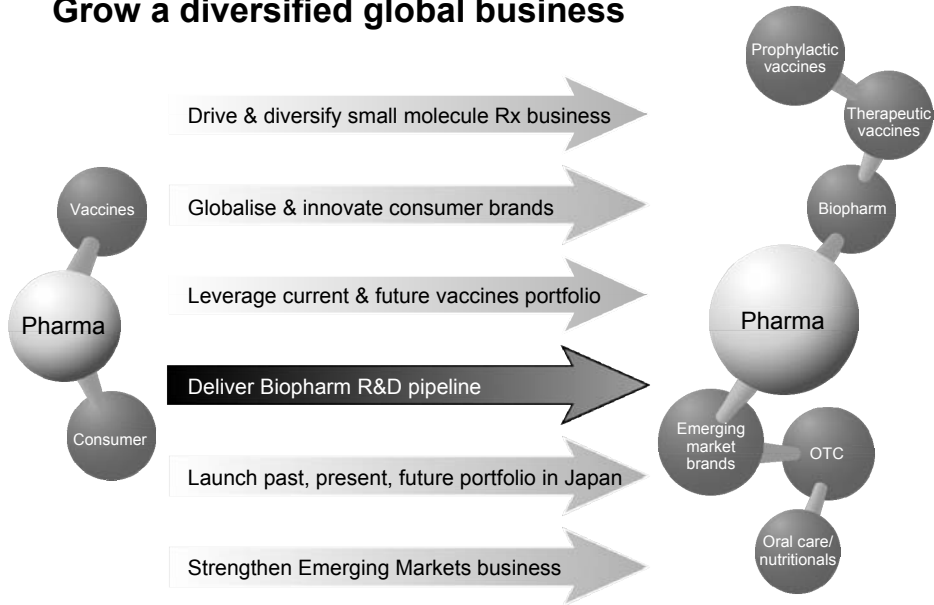
**85% reduction in rotavirus related hospitalisations
in children <1yr**

Source: Adapted From Hospital Inforamtions System, Secretaria de Vigilancia em Saude, Brazil
EPI = Expanded Programme of Immunisation

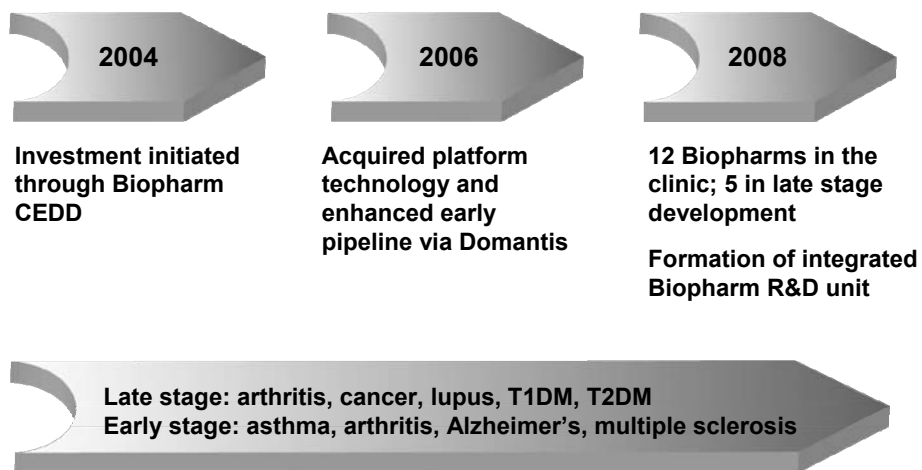
Vaccines market set for sustained and significant expansion

- Increased global emphasis on preventative care
- Expanding public and private opportunity in emerging markets
- Increased funding from multilateral sources
- Therapeutic vaccines could be transformational

Grow a diversified global business



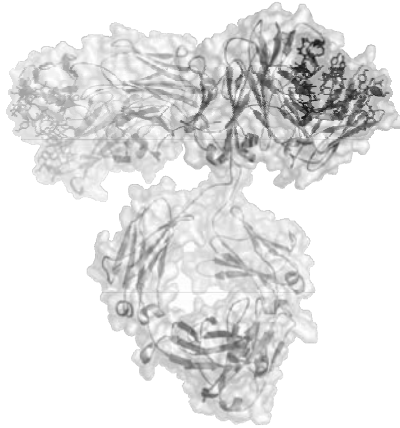
Significantly increased GSK Biopharm capability



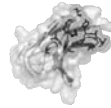
T1DM = Type 1 Diabetes Mellitus, T2DM = Type 2 Diabetes Mellitus

dAbs offer an opportunity to transform this market

Conventional mAb
(MW 150,000)



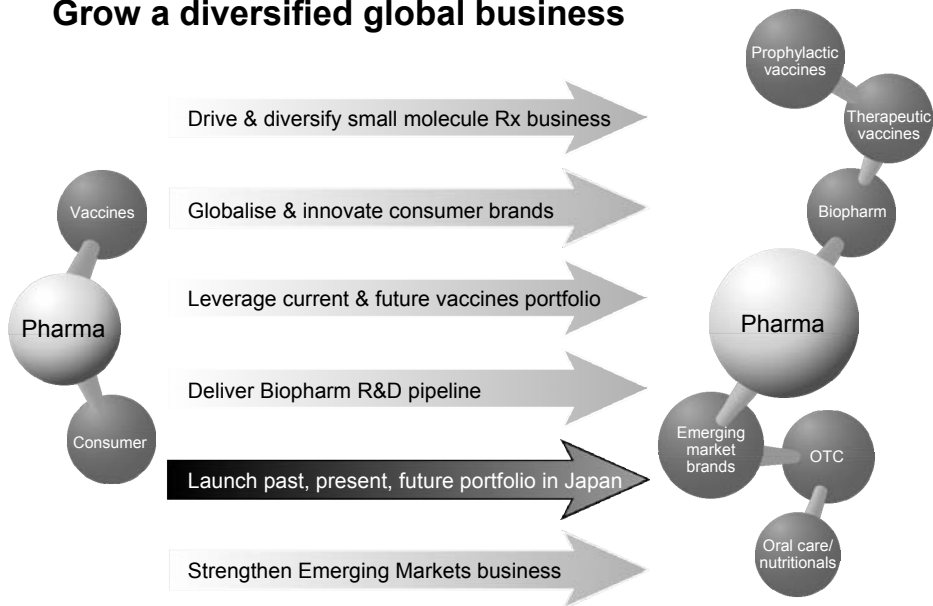
Domantis dAb
(MW 11,000)



13x smaller than mAbs

- Activity at most mAb validated targets with improved delivery (eg inhaled, ocular)
- Activity at targets which mAbs may not reach
- Lower cost manufacture

Grow a diversified global business



Expand in Japan

Pharma £39bn
9% of global market
GSK rank 9th, 3% share

Vaccines £0.4bn
4% of global market
No GSK presence

Consumer £6.4bn
13% of global market
OTC: GSK rank 35th, <0.5% share
Oral Care: GSK rank 4th, 13% share

Source: IMS Market size May 2008 MAT; share of global market Dec 2007; Consumer share of global Euromonitor Dec 2007

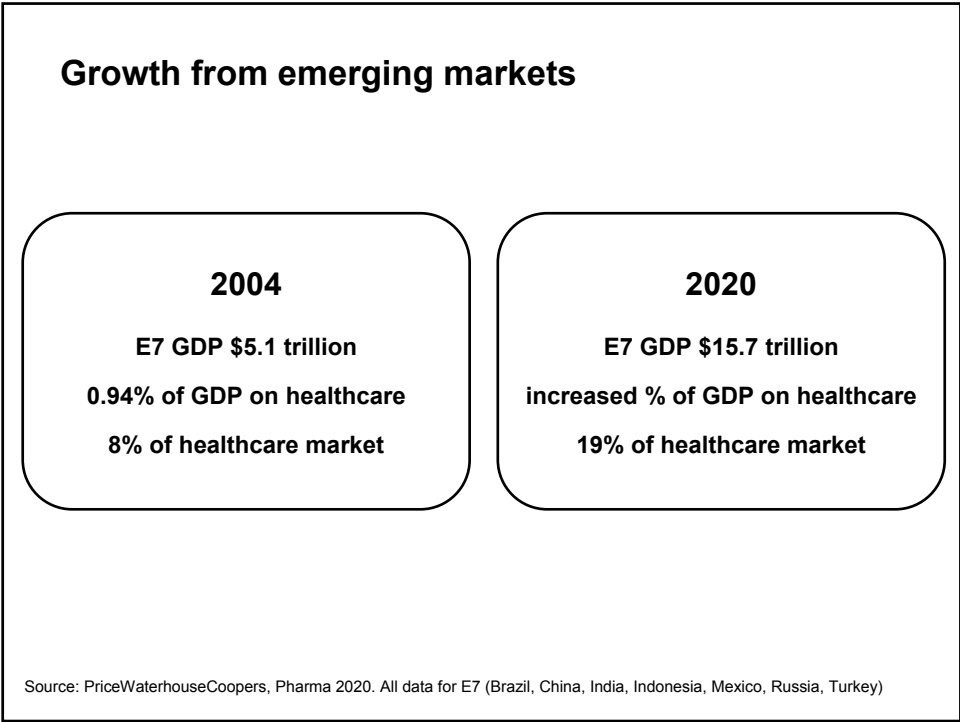
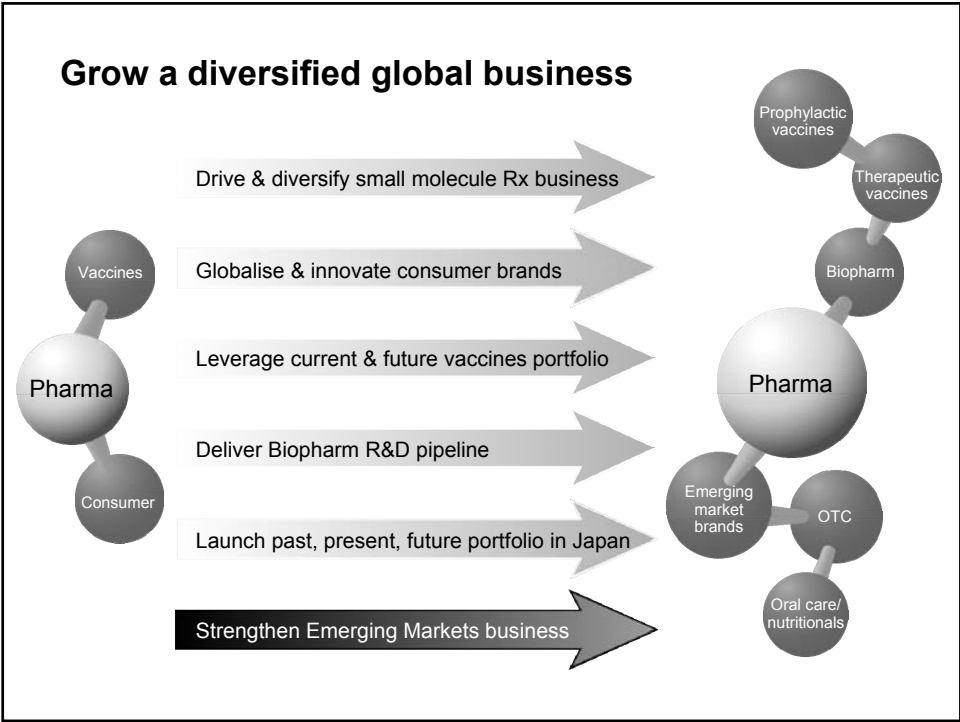
Expand in Japan via organic and non-organic growth

Drive sales of recent launches
(Adoair, Requip)

Deliver bolus of past, present and future products
(Lamictal, Tykerb)

Establish vaccines presence
(Cervarix, Rotarix)

Expand consumer capability
(oral care, NRT)

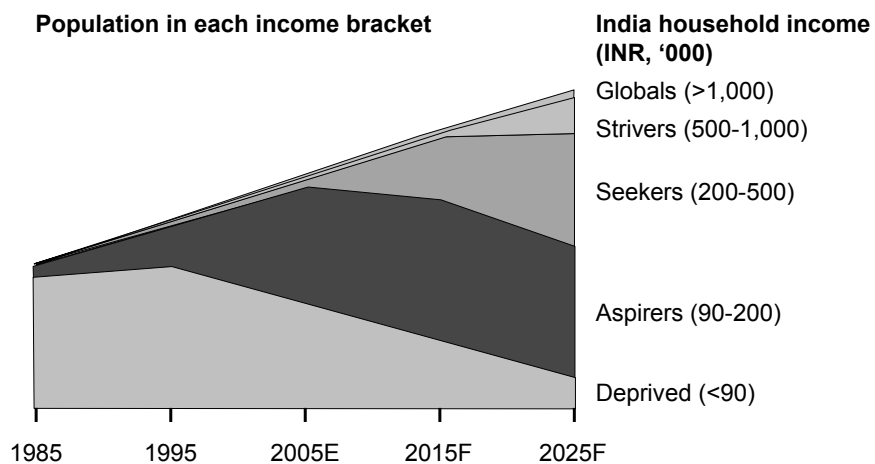


Leadership position in India with 5% market share

- ~25% of all GSK product volume sold in India
- 1,800 reps contact ~170,000 doctors
- Appropriate product portfolio
- >90% manufactured locally
- 2nd fastest growing consumer healthcare business

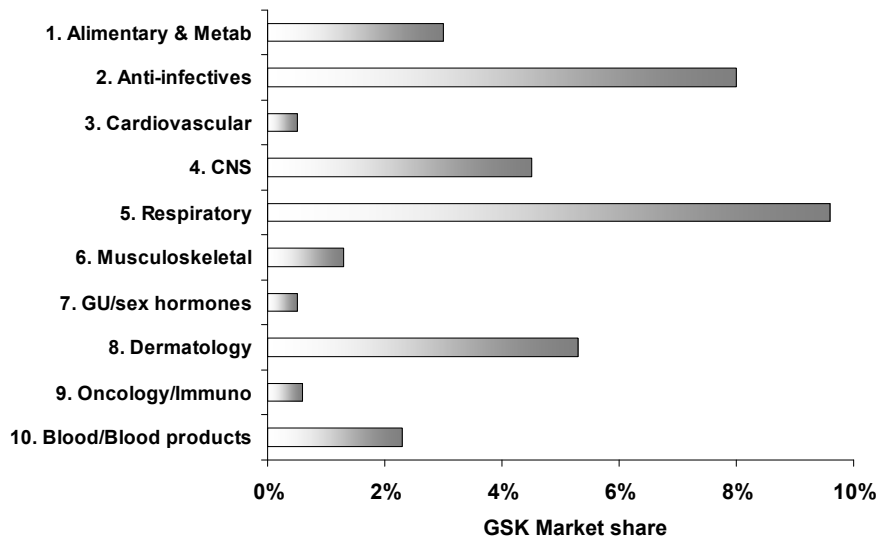
Focus on replicating current successes across the region

Rapidly growing population able to access branded generics



Source: McKinsey Global Institute

Broadly represented across top 10 TAs with considerable scope to grow



Aspen – transformational opportunity to expand emerging markets portfolio

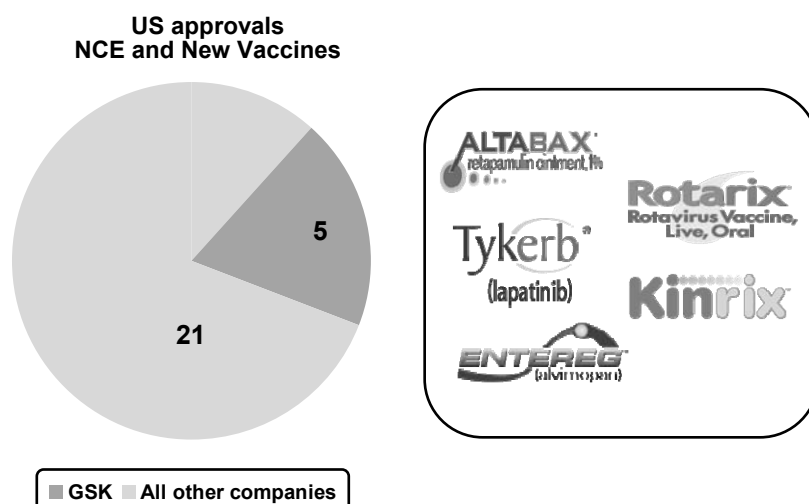


- “Pay as you go” access to Aspen’s portfolio of over 450 molecules and 1200 products
- Targeting high value, high growth therapy areas which complement existing customer / market strengths
- Competitively sourced through access to lower cost manufacturing
- First wave commercialised by GSK from 2010

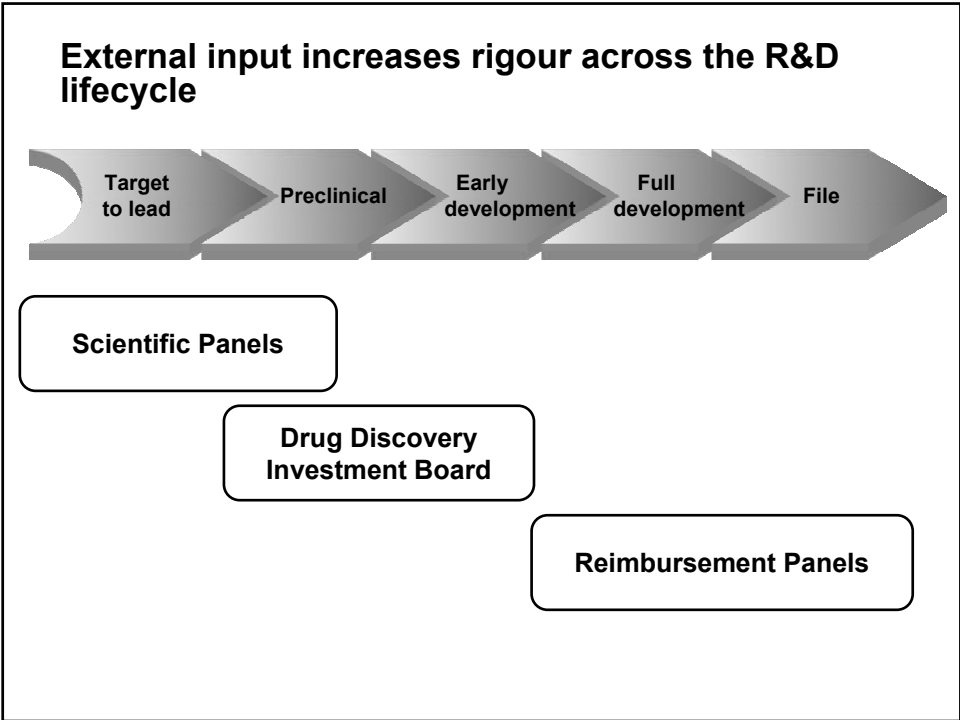
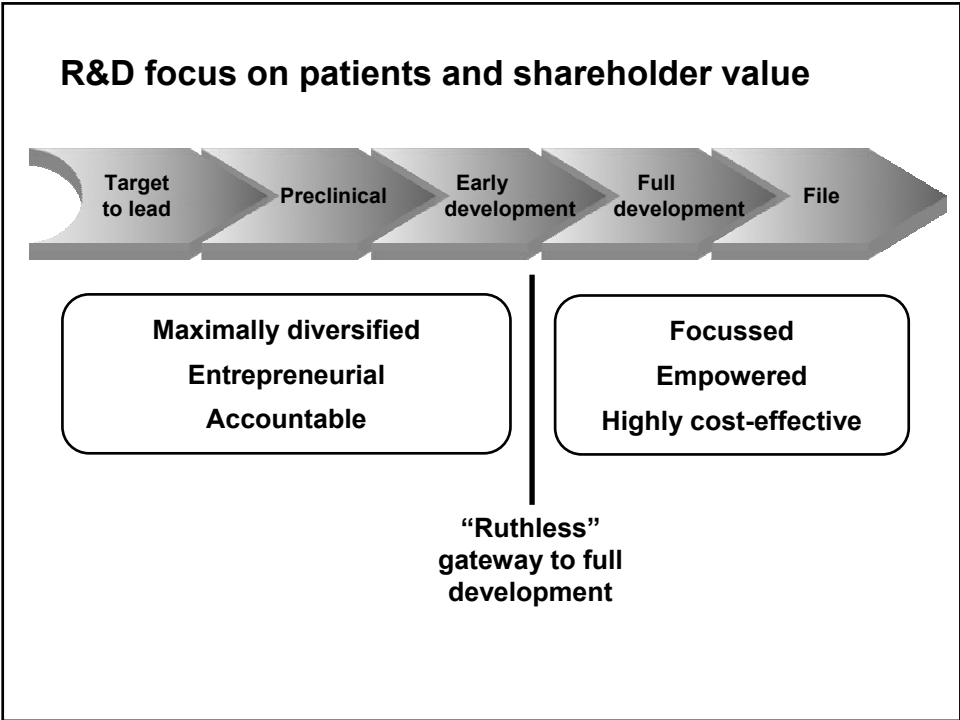
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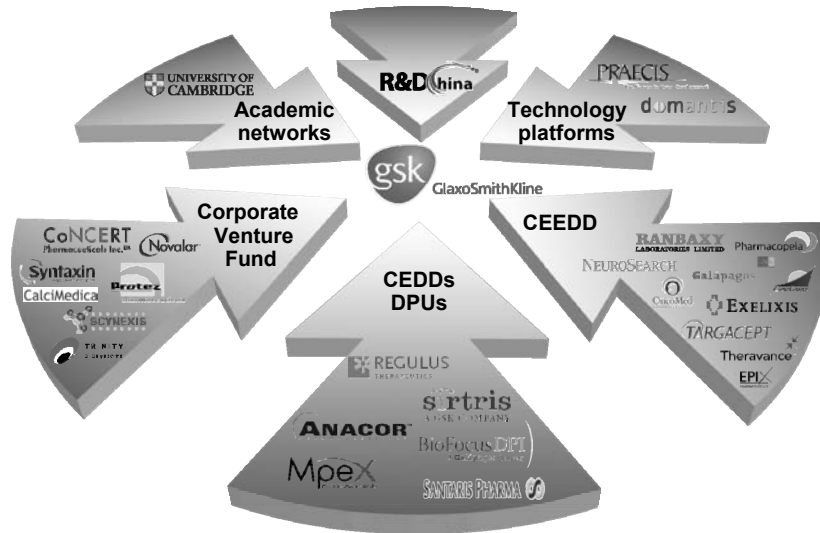
GSK accounts for considerable share of FDA approvals



NCE and new vaccine approvals 2007 & 1H 2008. Source www.fda.gov



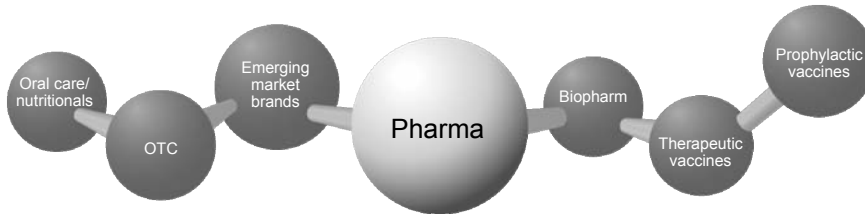
Creating diversity through externalisation



GSK's new strategic priorities

1. Grow a diversified global business
2. Deliver more products of value
3. Simplify the operating model

Creating the right operating model for the future



Simplified processes

Lower overheads

Reduced working capital

Competitively sourced products

Cross-business cost cutting

