



Full Year Results 2007

7th February 2008

Topics

- 2007 results, 2008 guidance
- Pharmaceutical industry 2007 legacy

As expected, many products contributed strong growth in 2007...

Growth drivers

Advair +10%

Vaccines +20%

Lamictal +18%

Valtrex +18%

New contributors

Avodart +38%

Boniva +79%

Arixtra +81%

Rotarix >100%

Tykerb + *Veramyst*
£72m

But, *Avandia* underperformed expectations...



***Avandia*
products
-22%**

Outperformance in other parts of the business

Consumer turnaround

£3.5bn +14%

all £150m

***BreatheRight and
Fiber Choice +24%****

Aquafresh +12%

Sensodyne +16%

Lucozade +16%

Outperformance in other parts of the business

Consumer turnaround

£3.5bn +14%

all £150m

BreatheRight and
Fiber Choice +24%*

Aquafresh +12%

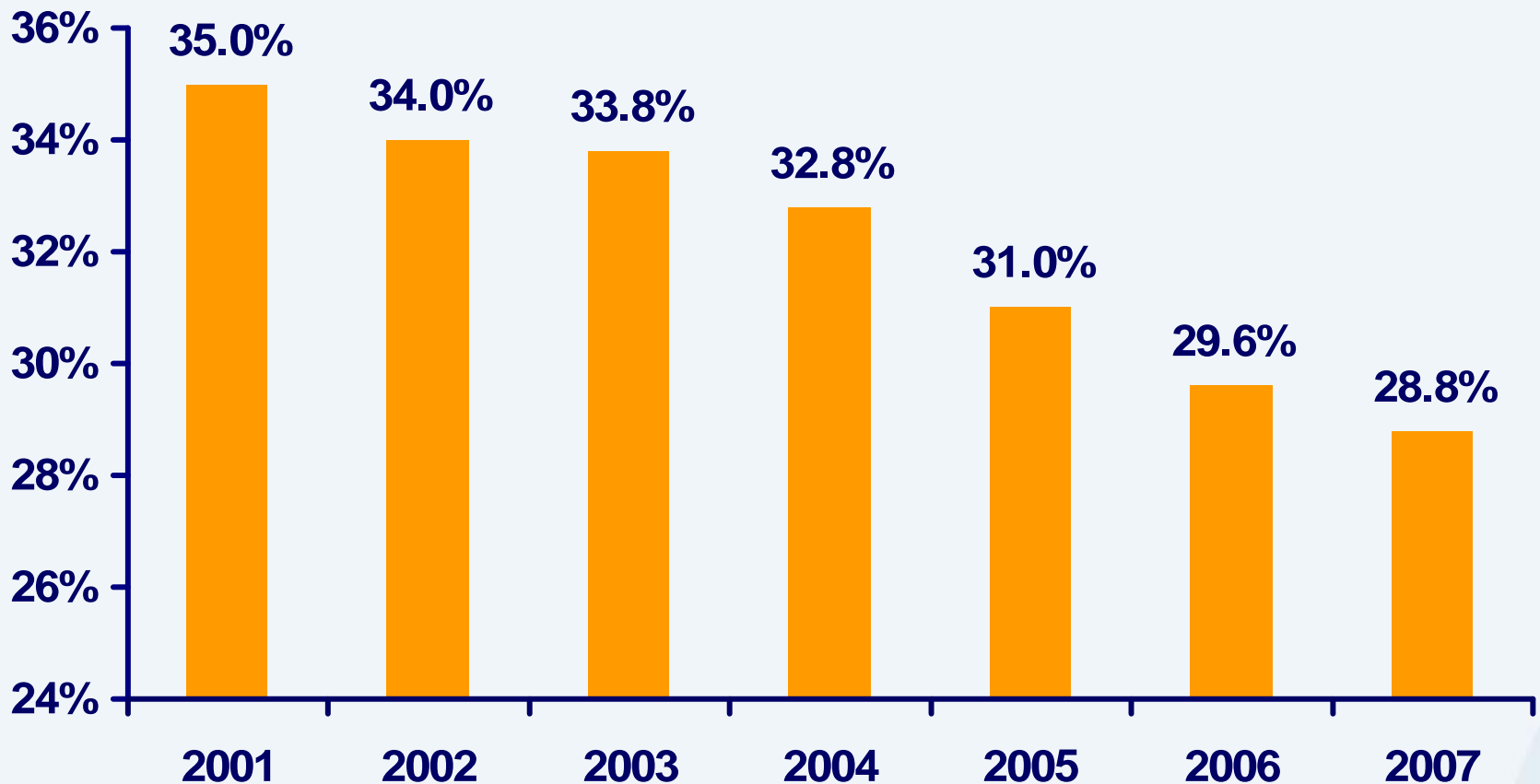
Sensodyne +16%

Lucozade +16%

Significant SG&A Savings

SG&A savings continued in 2007...

SG&A* as a % of turnover



* Chart represents business performance SG&A excluding legal and restructuring
2001-2002 estimated under IFRS

Outperformance in other parts of the business

Consumer turnaround

£3.5bn +14%

alli £150m

BreatheRight and
Fiber Choice +24%*

Aquafresh +12%

Sensodyne +16%

Lucozade +16%

Significant SG&A Savings

Pandemic preparations

Relenza
£262m

H5N1
vaccine
£146m

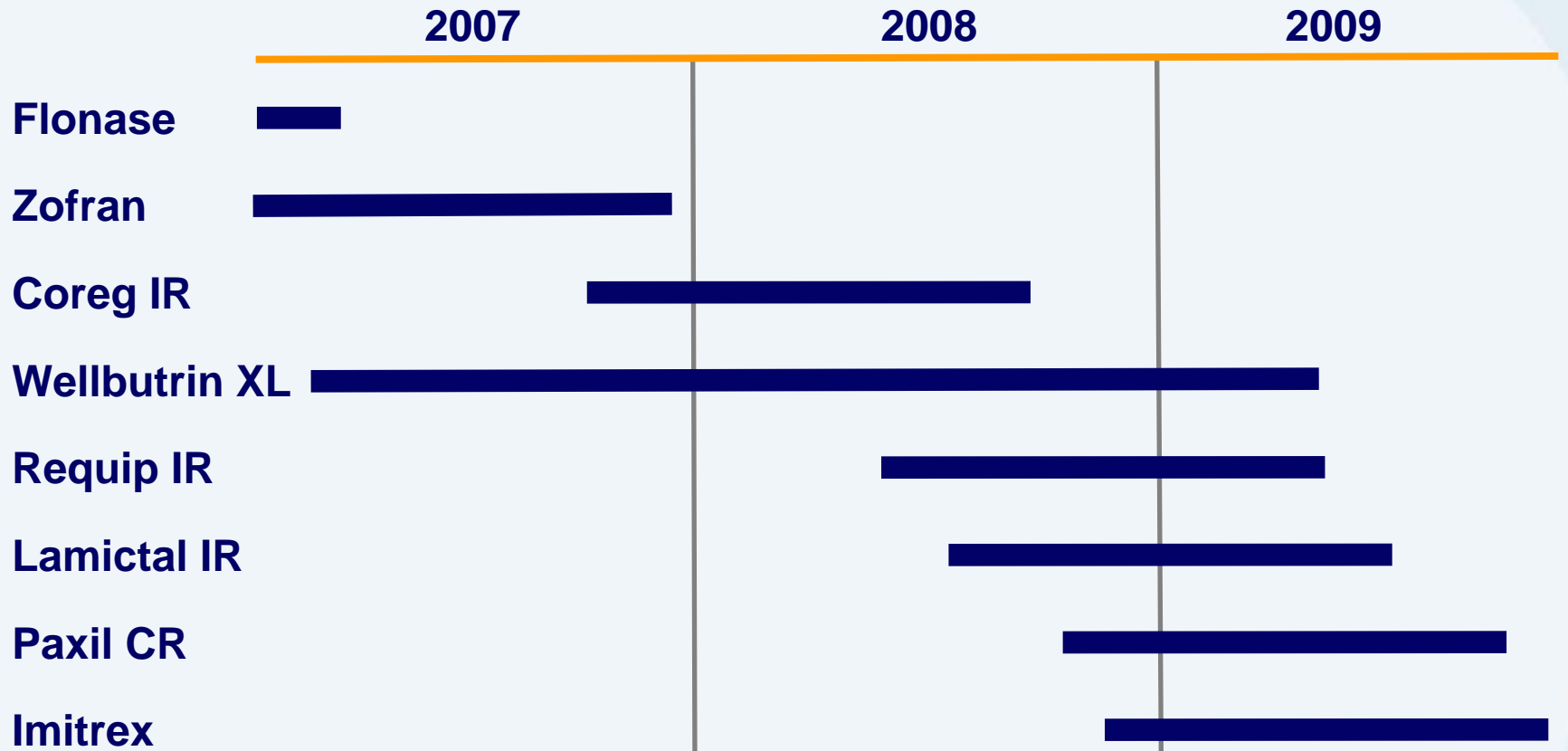
2008 issues...

- *Avandia*

2008 issues...

- *Avandia*
- New generic competition

Timing of generic entries in the US



2008 issues...and opportunities

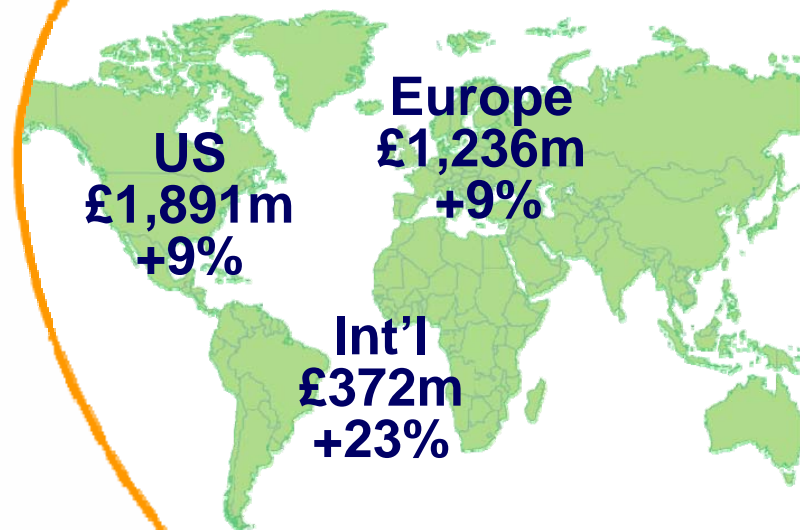
- *Avandia*
 - New generic competition
-
- Growth drivers

Seretide/Advair outlook

- **Seretide/Advair**

- New NIH guidelines
- Data submitted to FDA to support expansion of COPD label
- Successful Japan launch – with potential for further acceleration
- US market softness

'07 Performance



2008 issues...and opportunities

- *Avandia*
- New generic competition
- Growth drivers
- New products

New product opportunities

Cervarix[®] 

ORFALMY
COREG CR[™]
(carvedilol phosphate)
Extended-release Capsules

Tykerb[™]
(lapatinib)

ALTABAX[™]
retapamulin ointment, 1%


Veramyst[™]
(fluticasone furoate)
Nasal Spray

H5N1
pre-pandemic

AriXtra[™]
(fondaparinux sodium)
- New ACS indication -

AVODART[™]
(dutasteride)
(CombAT study)

Treximet

Kinrix[™]

Rotarix (US)

REQUIP XL[™]
(ropinirole extended-release tablets)

Synflorix
(EU+Int'l)

ENTEREG[™]
(alvimopran)
For POI

PROMACTA[™]
(eltrombopag olamine)

Cervarix launch underway

- **Approved in 51 markets; launched in 27**
- **6.4 year data to be presented in 1H 2008**
- **Head to head data vs Gardasil due in 2008**
- **Discussions ongoing with FDA**



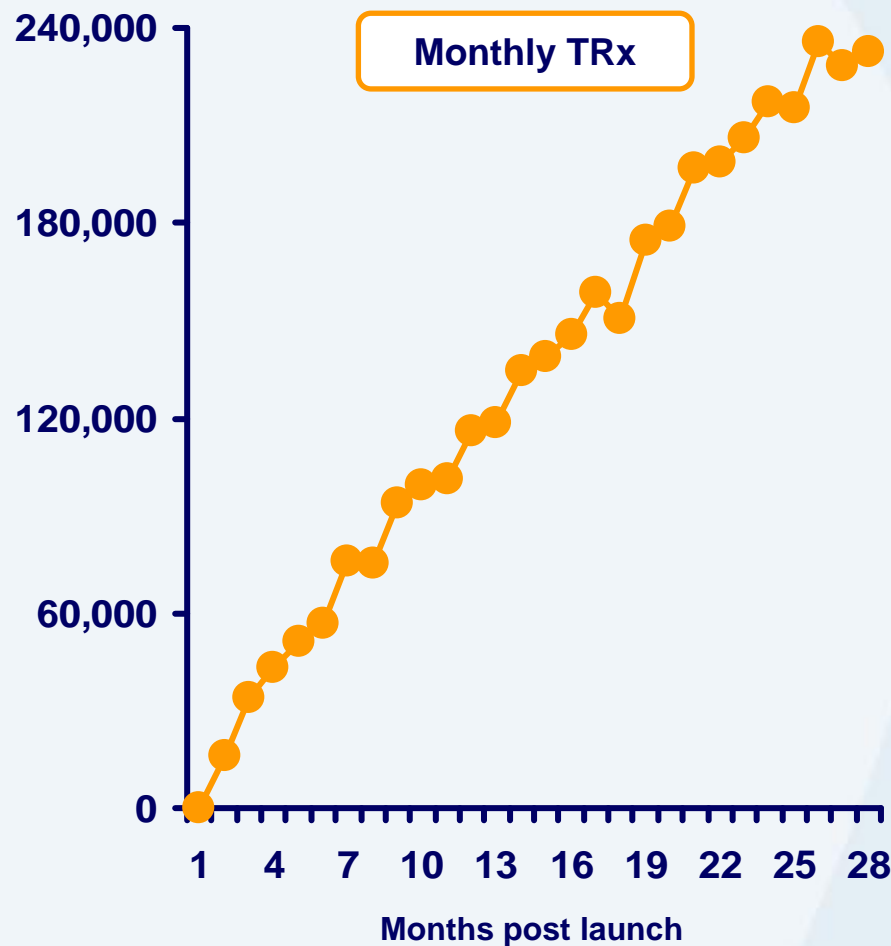
2008 issues...and opportunities

- *Avandia*
- New generic competition
- Growth drivers
- New products
- *Lovaza*

Lovaza: the only FDA-approved prescription omega-3 product

LOVAZATM
omega-3-acid ethyl esters

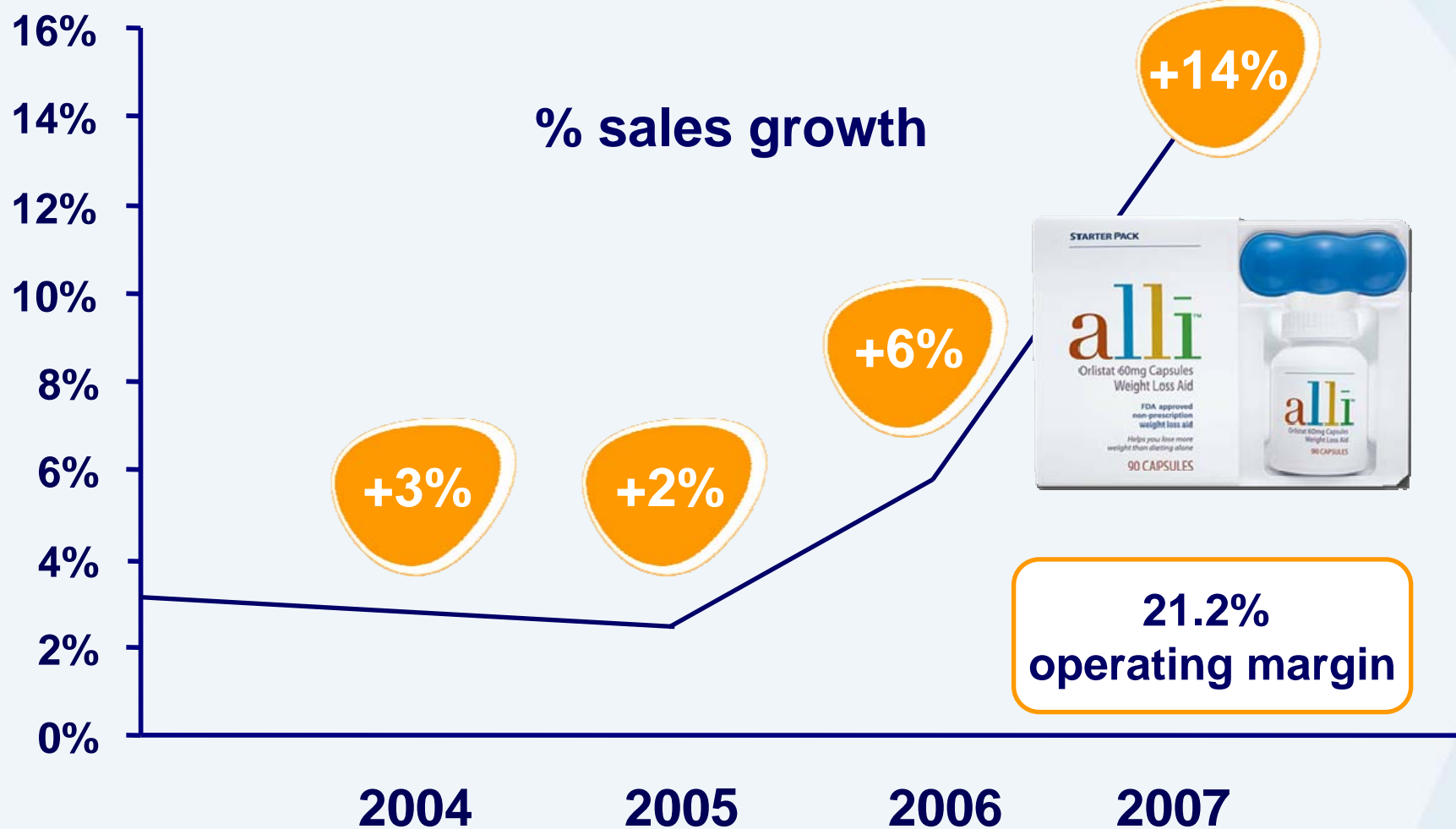
- '07 sales* £157m >100%
- Dramatic reductions in triglycerides - in very natural way
- A product with '**No Warnings**'



2008 issues...and opportunities

- *Avandia*
- New generic competition
- Growth drivers
- New products
- *Lovaza*
- Consumer Healthcare

Consumer Healthcare – strong growth



2008 issues...and opportunities

- *Avandia*
- New generic competition
- Growth drivers
- New products
- *Lovaza*
- Consumer Healthcare
- O.E. programme

New operational excellence programme

Improving the selling model

Streamlining global manufacturing

Enhancing R&D efficiency

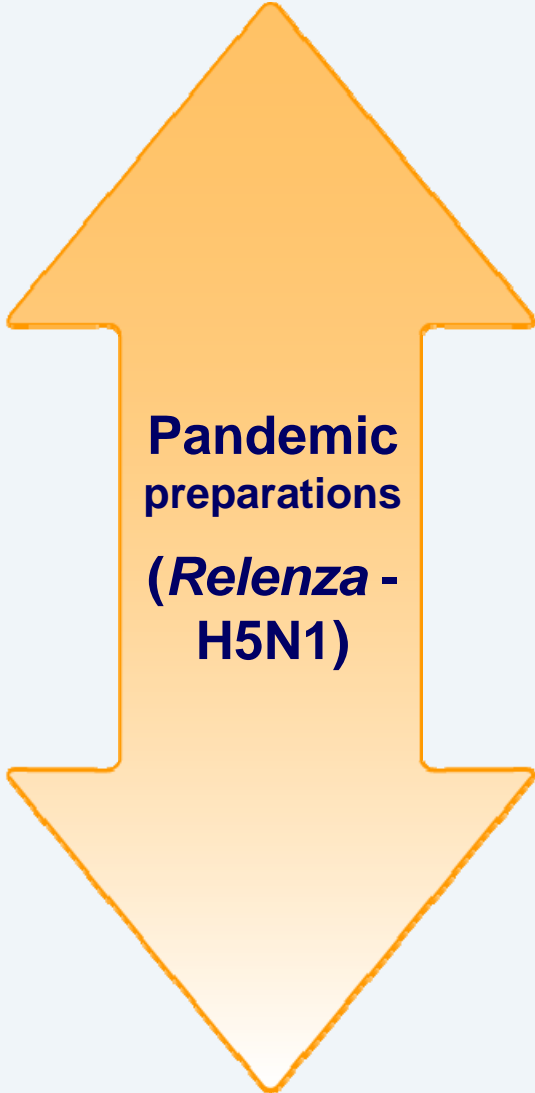
Reducing bureaucracy

**Savings up to
£0.7bn by 2010**

2008 key swing factors include...



Avandia



**Pandemic
preparations
(*Relenza* -
H5N1)**



***Cervarix*
launches**

Outlook

2007

2008

2009

Avandia growth

X

XX

--

Generic exposure

XX

XXX

XX

New product contribution

✓

✓✓

✓✓✓

Outlook

2007

2008

2009

Avandia growth

X

XX

--

Generic exposure

XX

XXX

XX

New product contribution

✓

✓✓

✓✓✓

Operational Excellence

--

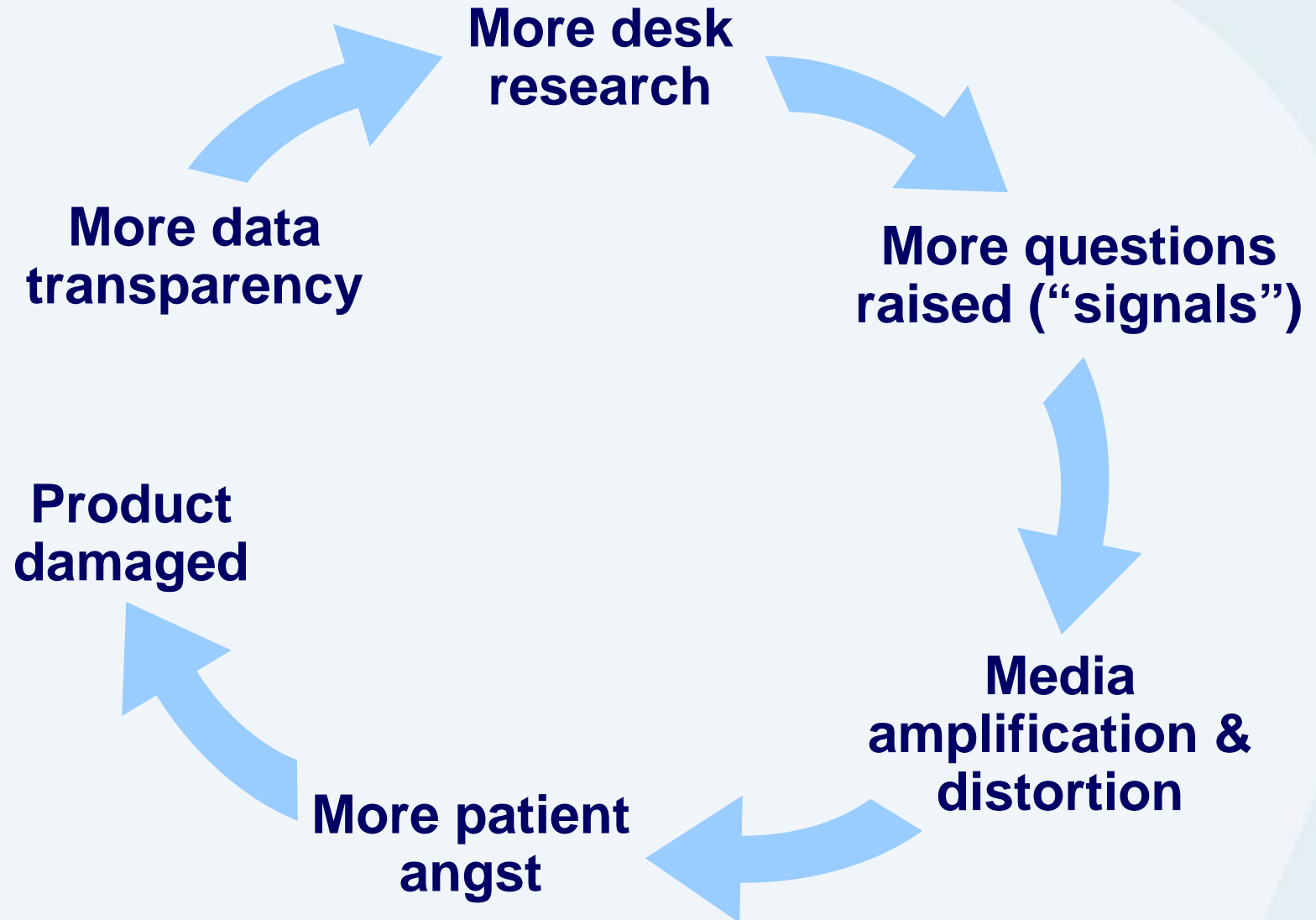
✓

✓✓

The legacy of 2007

- “Risk” vs. “Risk/Benefit”

Safety takes centre stage



The legacy of 2007

- “Risk” vs. “Risk/Benefit”
- Behaviour of payers
- FDA slowdown

The legacy of 2007

Potential consequences

- Outcomes vs. “Surrogates”
- The Age of the “Progressive Blockbuster”
 - Selective development?
 - Higher clinical success?

The legacy of 2007

Potential consequences

- Outcomes vs. “Surrogates”
- The Age of the “Progressive Blockbuster”
 - Selective development?
 - Higher clinical success?
- R&D productivity

R&D: “life blood of the company”

Fixing the
fundamentals



R&D fundamentals

- Organisation
- Open architecture
- Technology
- Project focus & leadership
- Winning culture

R&D: “life blood of the company”

Strengthening
biopharm

Fixing the
fundamentals



Strengthening biopharmaceuticals

Transforming
technology

- Domantis

Strengthening biopharmaceuticals

Transforming technology

- Domantis

Building late phase

- ofatumumab
- *Bosatريا*
- belimumab
- *Syncria*
- Tolerx anti-CD3

Continued investment

- mAb for MAG in Phase 1
- 26 mAbs & dAbs in CEDDs

R&D: “life blood of the company”

Externalising
and
Globalising

New CEDDs

Strengthening
biopharm

Fixing the
fundamentals



Multiple deals executed in last 18 months, across the portfolio

Technology / Early stage

domantis
PRAECIS
The Future in Drug Development

TARGACEPT

OncoMed
PHARMACEUTICALS

amira
PHARMACEUTICALS

SANTARIS PHARMA

BioFocus DPI
A Galapagos Company

EPIX
PHARMACEUTICALS

ANACOR
PHARMACEUTICALS

Mid / Late stage

Genmab

Xenoport

SYNTA
PHARMACEUTICALS®

TOLERX
Immune resolve.

EXELIXIS

Filed / Marketed

LOVAZA
omega 3 acid ethyl esters

Lunivia
resaccional

Zegerid
omeprazole/sodium bicarbonate

Breathe Right Brand
Fiber Choice

R&D: “life blood of the company”

New CEDDs

Strengthening
biopharm

Fixing the
fundamentals

Externalising
and
Globalising

Strong
pipeline flow



Strong pipeline flow

Vaccines

- **Potential for 6 significant new vaccines in 5 years**
 - HibMenCY
 - MAGE-A3
 - MenACWY
 - Mosquirix
 - New generation flu
 - Synflorix

Oncology

- **Industry leading pipeline**
 - Tykerb launched; multiple additional studies ongoing
 - 5 NCEs in Ph III/registration
Armala, *elesclomol*,
ofatumumab, *Promacta*,
Rezonic
 - >15 Phase III development programmes by end 2008

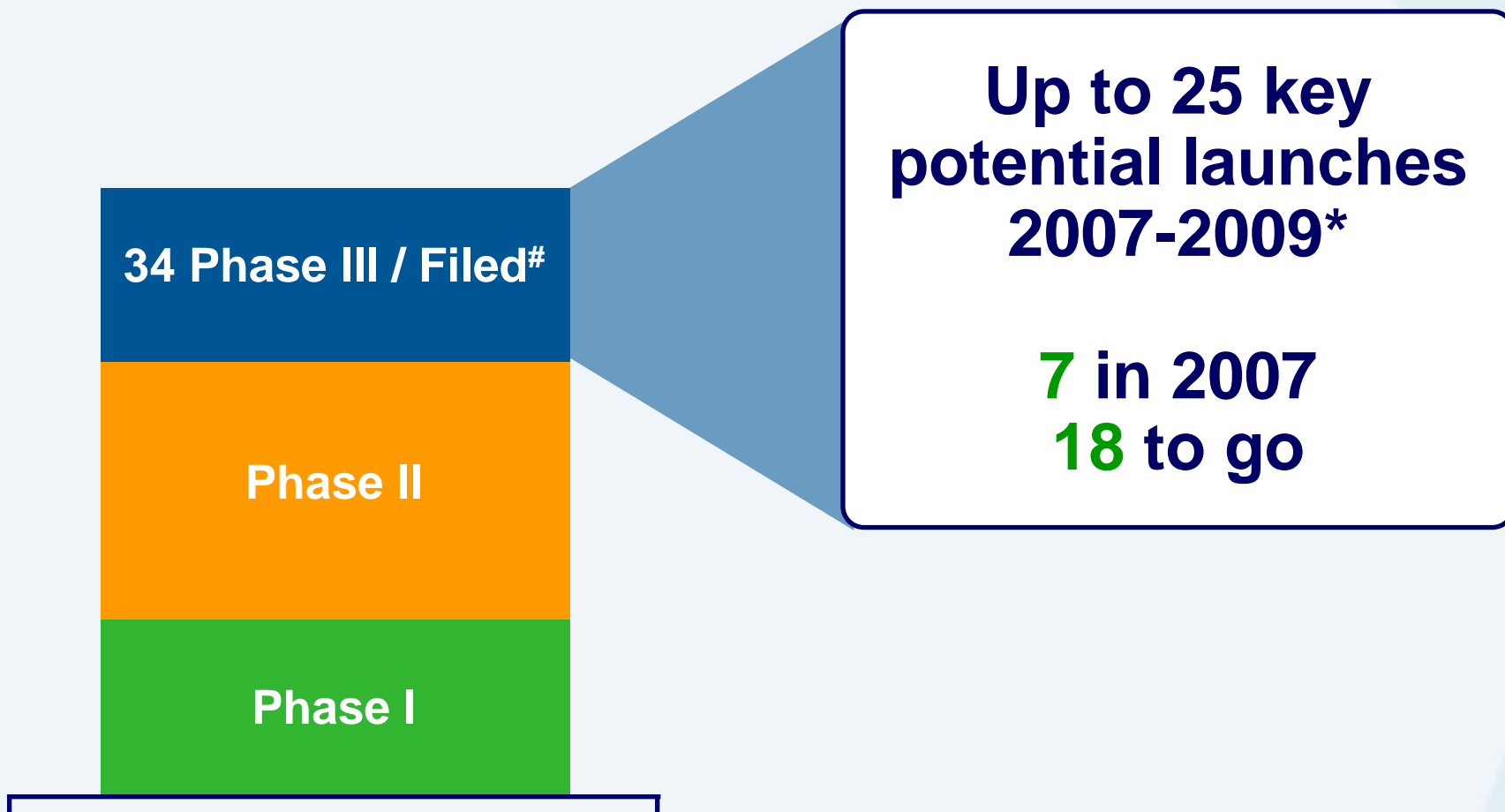
Cardio & metabolic

- **Novel mechanisms progressing through the pipeline**
 - albiglutide (GLP-1)
 - darapladib (Lp-PLA₂)
 - otelixizumab (anti-CD3)
 - remogliflozin etabonate (SGLT2)

Neurosciences

- **Moving into new, high value disease areas**
 - Alzheimer's disease (rosi XR and '457)
 - Multiple sclerosis (ofatumumab, fimategrast)
 - Schizophrenia ('812)

Pipeline is delivering

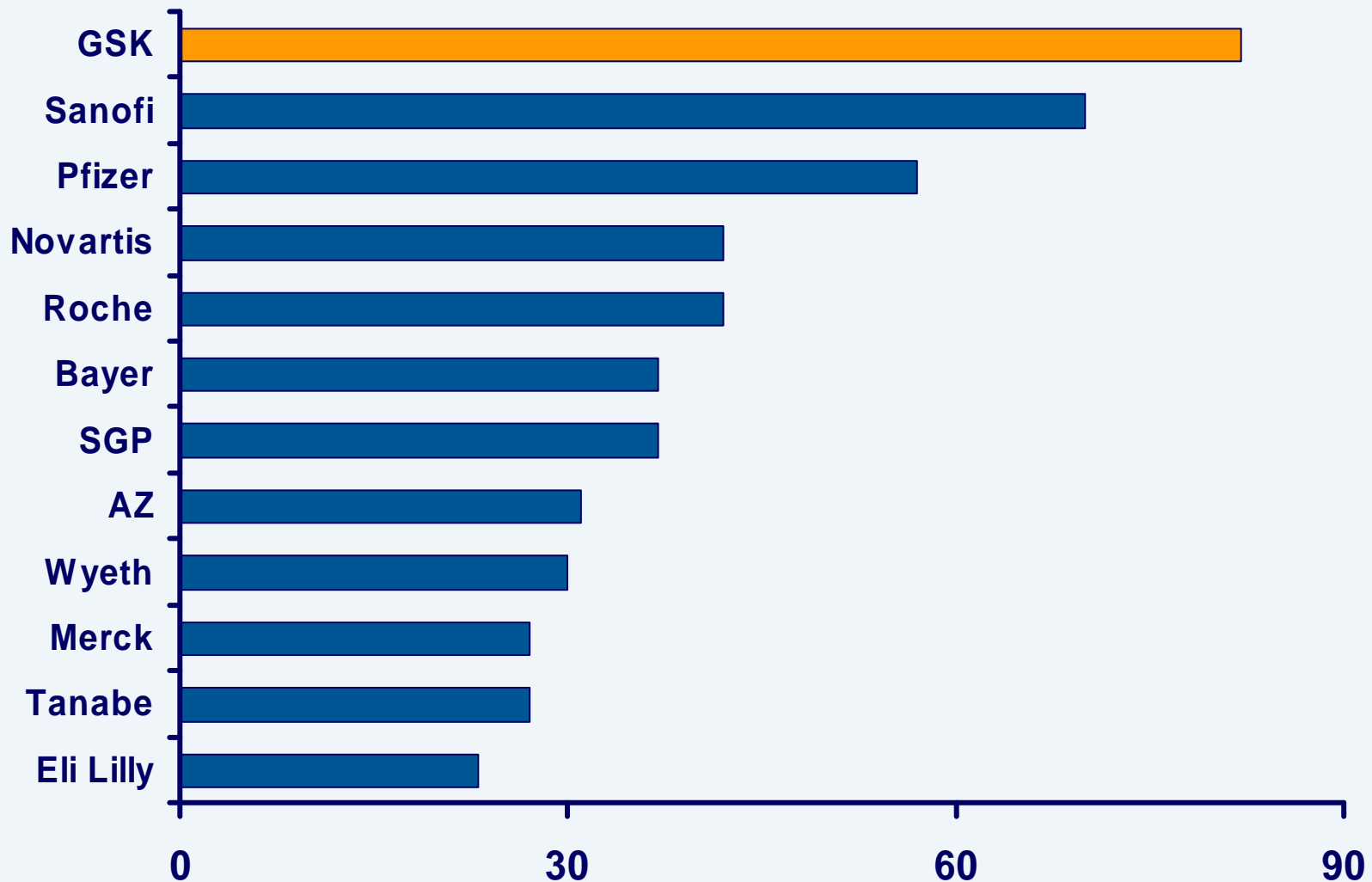


key projects in Phase III/registration

* 12 NCEs, 5 vaccines, 8 PLEs. Assumes on time regulatory reviews.

Leading the industry

Mid-to-late-stage pipeline products



Conclusion

- *GSK: Strong fundamentals*
- *Challenging and fast changing environment*
- *Need to continue to adjust the business model*



Julian Heslop
Chief Financial Officer

Q4 performance summary

Business performance

	4Q 07	4Q 06	% Change	
	£m	£m	£	CER
Turnover	5,974	5,959	-	-
Cost of goods	(1,528) <i>25.6%</i>	(1,445) <i>24.2%</i>	6	5
SG&A	(1,686) <i>28.2%</i>	(1,934) <i>32.5%</i>	(13)	(13)
R&D	(953) <i>16.0%</i>	(980) <i>16.4%</i>	(3)	(2)
Other oper. income	119	100		
Operating profit	1,926 <i>32.2%</i>	1,700 <i>28.5%</i>	13	14
EPS	24.4p	21.0p	16	17

Full year reported results

Total results

	2007		2006	
	Business performance £m	Restructuring £m	Total results £m	Actual £m
Turnover	22,716	-	22,716	23,225
Operating profit	7,931	(338)	7,593	7,808
EPS	99.1p	(4.7)p	94.4p	95.5p

2007 performance summary

Business performance

	2007	2006	% Change	
	£m	£m	£	CER
Turnover	22,716	23,225	(2)	2
Cost of goods	(5,206) <i>22.9%</i>	(5,010) <i>21.6%</i>	4	6
SG&A	(6,817) <i>30.0%</i>	(7,257) <i>31.2%</i>	(6)	(2)
R&D	(3,237) <i>14.3%</i>	(3,457) <i>14.9%</i>	(6)	(3)
Other oper. income	475	307		
Operating profit	7,931 <i>34.9%</i>	7,808 <i>33.6%</i>	2	8

2007 performance summary

Business performance

	2007	2006	% Change	
	£m	£m	£	CER
Operating profit	7,931	7,808	2	8
Interest	(191)	(65)		
Profit before tax	7,790	7,799	-	6
Earnings per share	99.1p	95.5p	4	10
<i>Tax rate</i>	28.5%	29.5%		

EPS guidance for 2008

In 2008, GSK expects that the impact of lower *Avandia* sales together with increased generic competition will lead to a mid-single digit percentage decline in business performance EPS, at constant exchange rates.

Cash flow

	2007 £m	2006 £m
Cash generated from operations	8,080	8,203
Taxation paid	(1,919)	(3,846)
Capital expenditure	(2,143)	(1,590)
Interest and other items	(161)	(144)
Free cash flow	<u>3,857</u>	<u>2,623</u>
Dividends	(2,793)	(2,598)
Share repurchases	(3,751)	(1,348)
Purchase of businesses/equities	(1,213)	(487)
Employee share option exercises	507	467
Other	(196)	130
Net increase in debt	<u>(3,589)</u>	<u>(1,213)</u>
Net debt at 31st December	(6,039)	(2,450)

Continued focus on increasing return to shareholders

**2007
Dividend**

53p +10%

**2007
Share
repurchase
programme**

**£3.75 billion in 2007
£6 billion planned for 2008**



GlaxoSmithKline