



Q2 Results 2010

Presentation to Investors & Analysts

21st July 2010



Julian Heslop
Chief Financial Officer

Financial summary

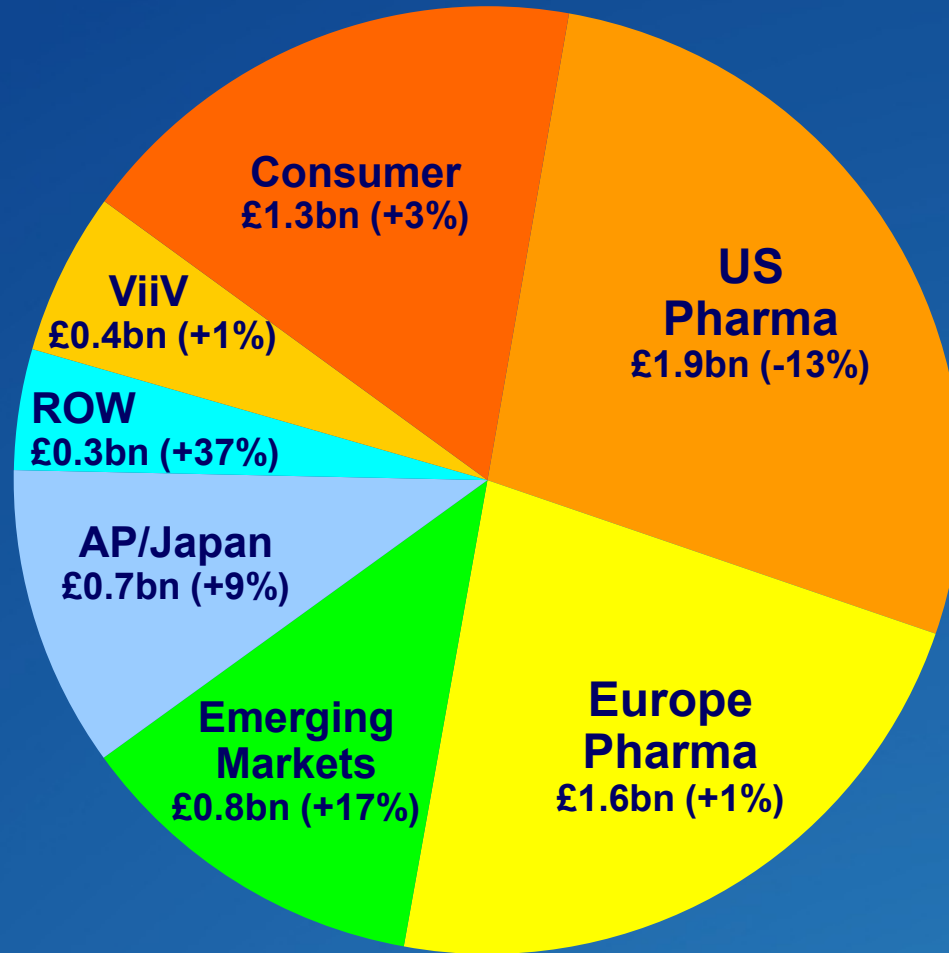
Before
Restructuring costs

| | Q2 10 £m | H1 10 £m |
|--------------------------|-----------------|-----------------|
| Turnover | 7,025 0% | 14,382 +7% |
| Operating profit* | 641 -80% | 3,036 -34% |
| EPS | 2.6p -99% | 33.3p -46% |
| Free cash flow | 1,477 +55%** | 3,204 +42%** |

* Reported growth of operating profit and EPS is impacted by higher legal costs in '10 and higher other operating income in '09 from sales of non-core assets.

** CER growth rates, except rates for FCF are actual growth.

Q2 Turnover analysis: £7.0bn (0%)



Q2 Pharmaceutical turnover analysis

| | Q2 10 £ million | Q2 09 £ million | % Change CER | |
|-------------------------------------|--------------------|--------------------|--------------|------------|
| | | | Q2 10 | H1 10 |
| Core* | 4,984 | 4,672 | +3% | +7% |
| Influenza** | 283 | 105 | >100% | >100% |
| Avandia | 152 | 198 | -26% | -18% |
| Products impacted by generics*** | 354 | 603 | -43% | -40% |
| Total | 5,773 | 5,578 | 0% | +7% |

* Core includes ~£90m CER growth related to net of bolt-on acquisitions (e.g. Stiefel and transactions in EMs) and divestments.

** Influenza includes Relenza and vaccines related to annual influenza, H5N1 pre-pandemic and H1N1 pandemic.

*** Products impacted by generics comprises US sales of Coreg, Imitrex, Lamictal, Paxil, Valtrex, Wellbutrin and Zofran plus Europe sales of Imitrex, Lamictal, Paxil, Valtrex and Zofran.

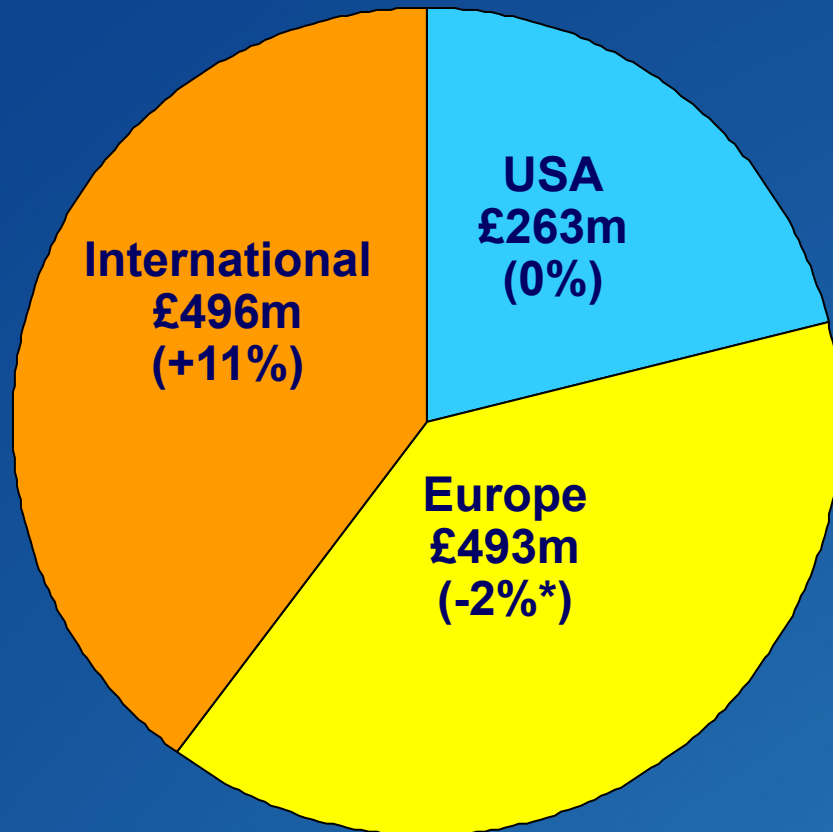
Core pharmaceutical analysis

| | Q2 2010 | | H1 2010 |
|-------------------|----------------|--------------|-------------|
| | Turnover | % Change | % Change |
| Advair | £1,286m | 0% | +4% |
| Vaccines* | £664m | (-9%) | +4% |
| Avodart | £157m | +14% | +17% |
| Epzicom | £140m | +8% | +3% |
| Lovaza | £138m | +29% | +19% |
| Ventolin | £134m | +16% | +9% |
| Arixtra | £79m | +28% | +27% |
| Veramyst | £57m | +19% | +32% |
| Tykerb | £56m | +32% | +45% |
| Subtotal | £2,711m | +2% | +7% |
| All others | £2,273m | +5% | +6% |
| Core | £4,984m | +3% | +7% |

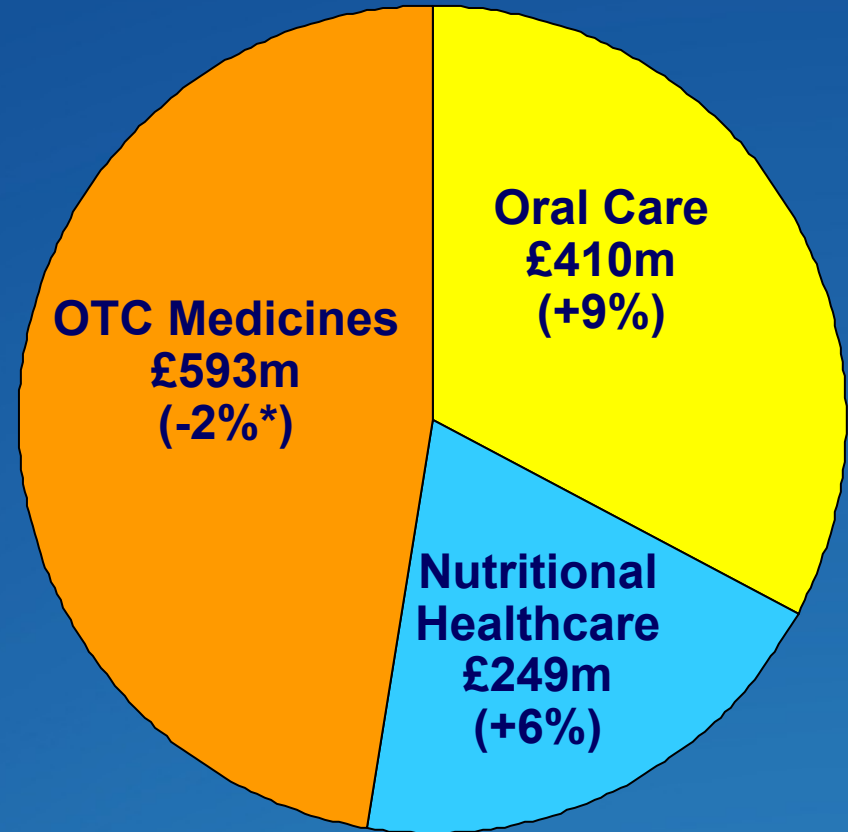
* Excludes Influenza. CER growth rates

Q2 Consumer Healthcare: £1,252m +3%*

Regional turnover

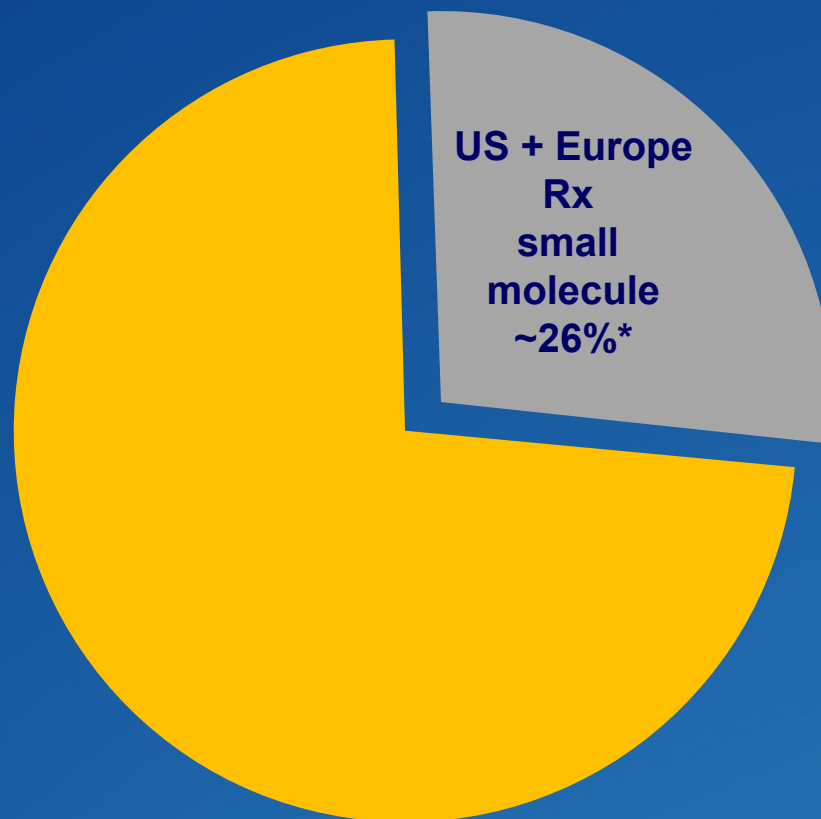


Category turnover



* Excluding all in Europe, growth was +6% overall; +5% in Europe and +5% in OTC Medicines.
CER growth rates

US + Europe small molecule portion of turnover falls from 31% in Q2 09 to 26% in Q2 10



* Excludes impact of pandemic sales; Including pandemic = ~25%

H1 2010 operating margins

Before
Restructuring costs

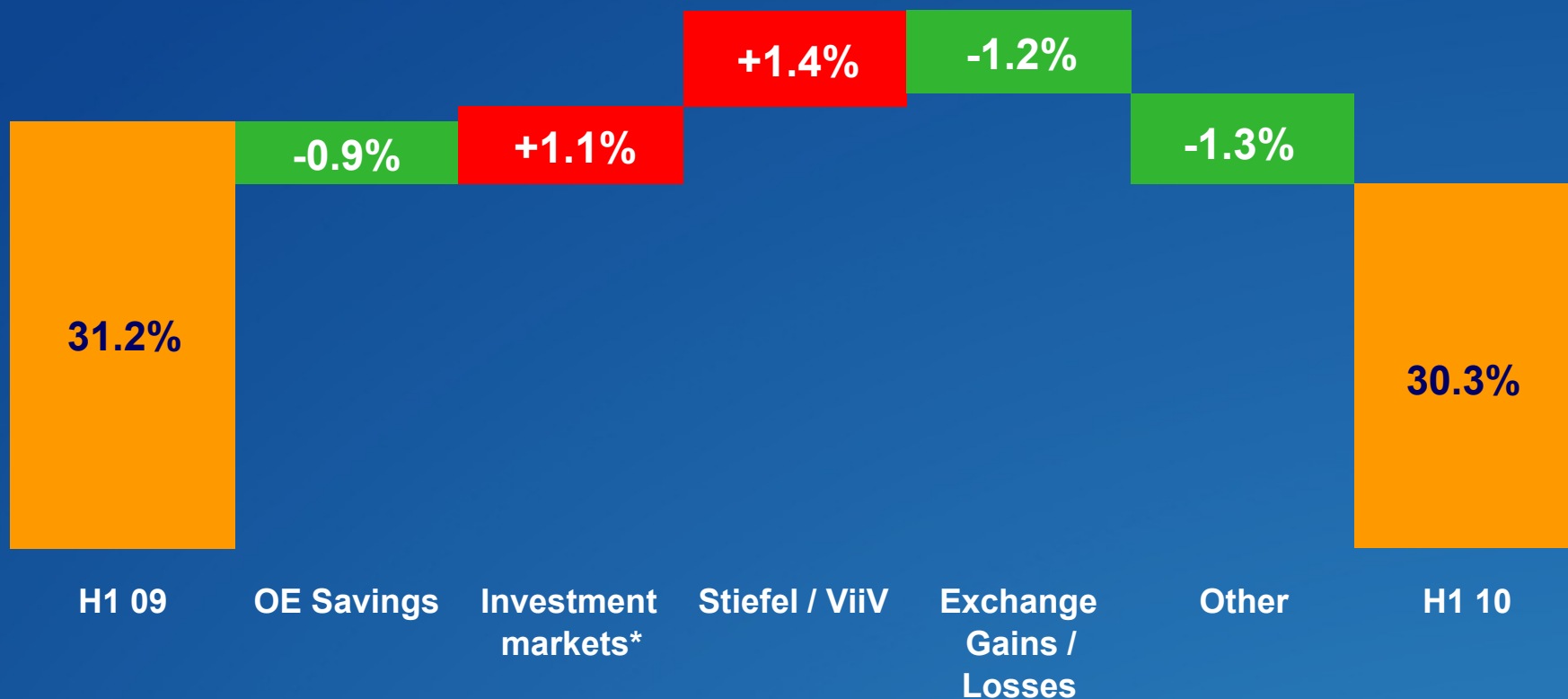
| | H1 10 Actual | Full Year Guidance |
|-----------------------------------|-----------------|-------------------------------------|
| Cost of sales | 24.7% | ~26% |
| SG&A excluding legal | 30.3% | ~29% |
| R&D | 13.4% | ~14% |
| Adjusted operating margin* | 33.5% | broadly similar to 2009 (~33.7%) |

* Guidance for operating margin adjusted to exclude legal and Q4 09 ViiV one-time gain.

H1 2010 SG&A analysis excl. legal

Before
Restructuring costs

SG&A (excluding legal) as % of turnover



* Represents increase in investment in strategic areas including Consumer, EMs and Japan.

Q2 Operating profit analysis

Before
Restructuring costs

| | Q2 10 £m | Q2 09 £m | % Change CER | £ |
|-----------------------------|-------------|-------------|-----------------|------|
| Trading profit before legal | 2,138 | 2,061 | (5) | 4 |
| Legal | (1,578) | (85) | | |
| Other operating income | 81 | 405 | | |
| Operating profit | 641 | 2,381 | (80) | (73) |

Q2 Performance summary

Before
Restructuring costs

| | 2010 £m | 2009 £m | % Change | |
|-------------------|------------|------------|----------|------|
| | | | CER | £ |
| Operating profit | 641 | 2,381 | (80) | (73) |
| Interest | (169) | (148) | | |
| Profit before tax | 494 | 2,250 | (86) | (78) |
| <i>Tax rate</i> | 63.2% | 29.0% | | |
| EPS | 2.6p | 31.0p | (99) | (92) |

EPS analysis (p)

| | |
|---------------------|--------|
| EPS before legal | 29.3 |
| Legal charge impact | (26.7) |
| Total EPS | 2.6 |

Tax analysis

| | |
|-----------------------|-------|
| Tax rate before legal | 25.7% |
| Legal tax relief | 13.9% |
| Tax rate | 63.2% |

Exchange impact on EPS

Before
Restructuring costs

| | Q2 10 | H1 10 |
|--------------------------------|------------|------------|
| US dollar | +1% | -1% |
| Euro | -1% | -1% |
| Yen | +2% | 0% |
| Canadian and Australian dollar | +2% | +1% |
| Other countries | +2% | +2% |
| Exchange gains and losses | +1% | +3% |
| Total | +7% | +4% |

If exchange rates hold at Q2 period end levels for rest of 2010, the estimated positive impact on 2010 EPS growth would be approximately +5%.

Q2 Results after restructuring

| | Q2 2010 | | Q2 2009 | |
|-------------------------|------------------------------------|---------------------|---------------------|---------------------|
| | Results before restructuring £m | Restructuring £m | Total results £m | Total results £m |
| Turnover | 7,025 | - | 7,025 | 6,747 |
| Operating profit | 641 | (590) | 51 | 2,195 |
| EPS | 2.6p | (8.6)p | (6.0)p | 28.3p |

Free cash flow

| | H1 10 £m | H1 09 £m |
|---|-------------|-------------|
| Total operating profit | 2,145 | 3,907 |
| Depreciation & other non-cash items | 928 | 767 |
| Decrease in working capital | 464 | 228 |
| Increase / (decr.) in other net liabilities | 1,525 | (488) |
| Cash generated from operations | 5,062 | 4,414 |
| Taxation paid | (824) | (915) |
| Capital expenditure: Fixed Assets | (474) | (655) |
| Intangible assets | (198) | (195) |
| Interest and other items | (362) | (397) |
| Free cash flow | 3,204 | 2,252 |

Free cash flow to net debt reconciliation

| | H1 10 £m | H1 09 £m |
|-----------------------------------|-------------|-------------|
| Free cash flow | 3,204 | 2,252 |
| Dividends | (1,682) | (1,586) |
| Purchase of businesses / equities | (310) | (717) |
| Sale of intangibles / equities | 44 | 533 |
| Employee share option exercises | 27 | 19 |
| Exchange | 29 | 1,337 |
| Other | (370) | (281) |
| Decrease in net debt | 942 | 1,557 |

Net debt at 30th June

(8,502)

Conclusion

- H1 2010 underlying turnover growth (i.e, excluding pandemic related sales) of +1%.
- Significant progress made in settling historical litigation.
- H1 2010 Free Cash Flow up 42% to £3.2bn (£2.3bn in H1 2009).
- Q2 dividend of 15p (+7%).



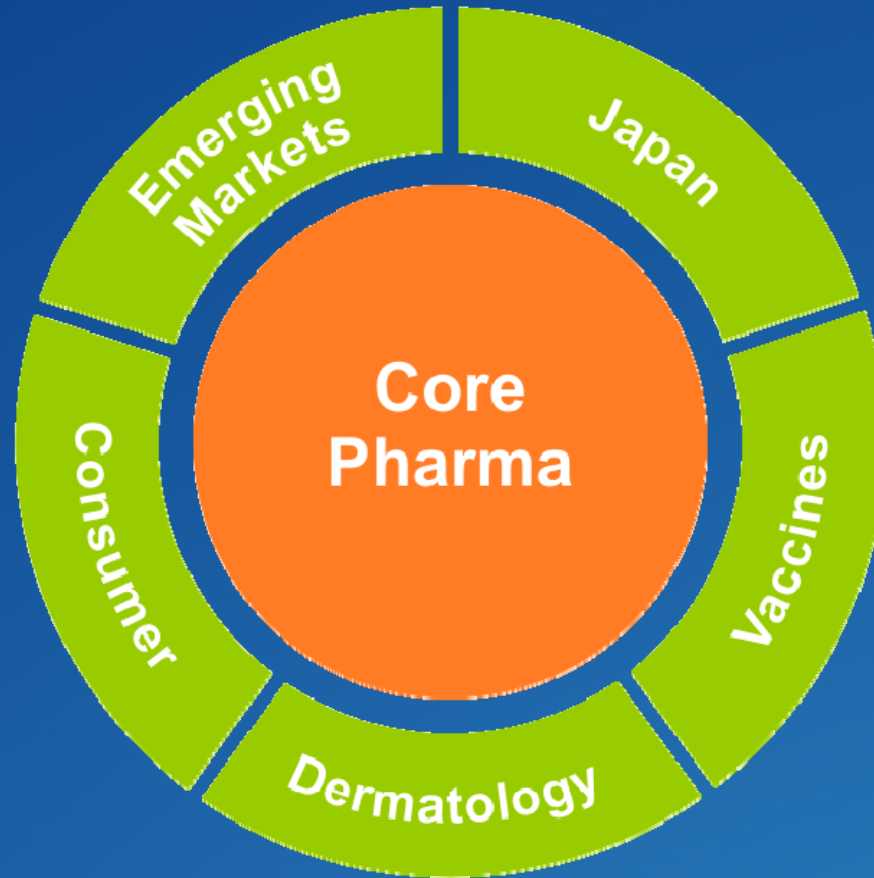
Andrew Witty

Chief Executive Officer

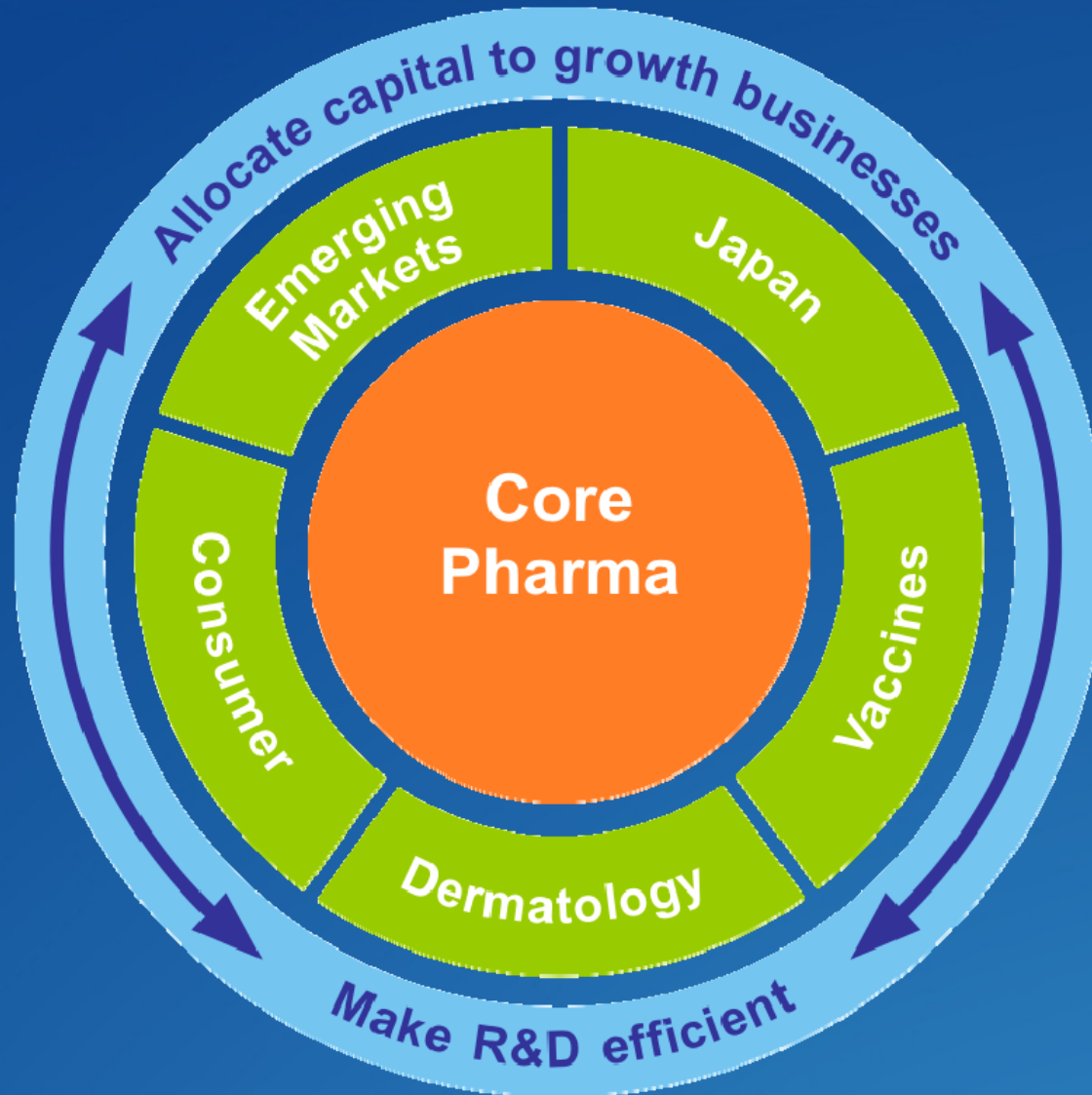
GSK's strategic priorities

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

Portfolio of growth businesses with optionality on R&D upside



Portfolio of growth businesses with optionality on R&D upside



Investment businesses reaching significant scale and delivering sustained growth

29% of GSK sales generated from expansion markets



Vx: 10% of GSK
+3% in 1H'10
+2% in 2009



Cx: 18% of GSK
+6% in 1H'10
+7% in 2009



Resp: 25% of GSK
+4% in 1H'10
+5% in 2009



Derm: 4% of GSK
+5% in 1H'10

CER growth rates

% of GSK based on 1H 2010 excluding pandemic vaccine; vaccines growth excludes pandemic vaccine; (including pandemic FY'09 +30%; 1H '10 +70%) derm growth rate is proforma Expansion markets = Emerging markets / Asia Pac / Japan & Central & Eastern Europe (Rx +Cx)

Rescaling core pharma business to be competitive in new environment



Evolving customer base

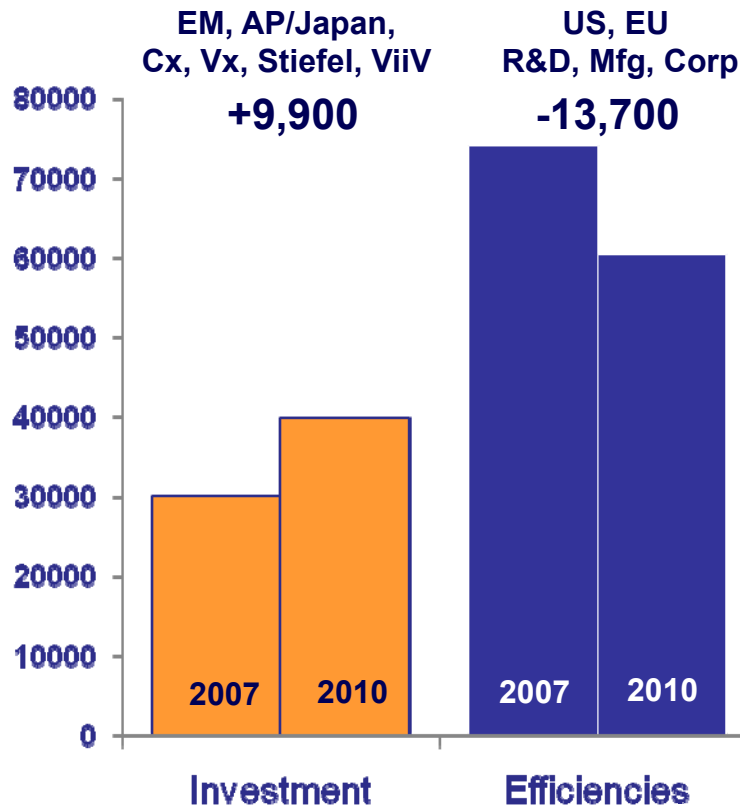
Increased role of payor

Rational pricing model

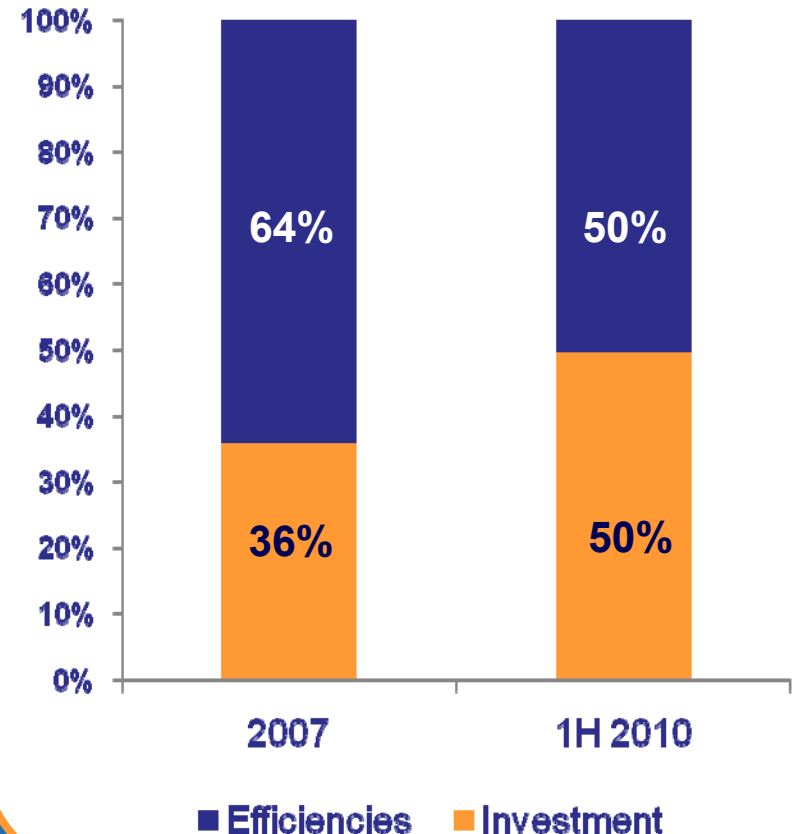
More productive, flexible sales forces

Organic capital allocation and bolt-on strategy are fundamentally reshaping GSK

Employees by division Sept 2007 vs June 2010

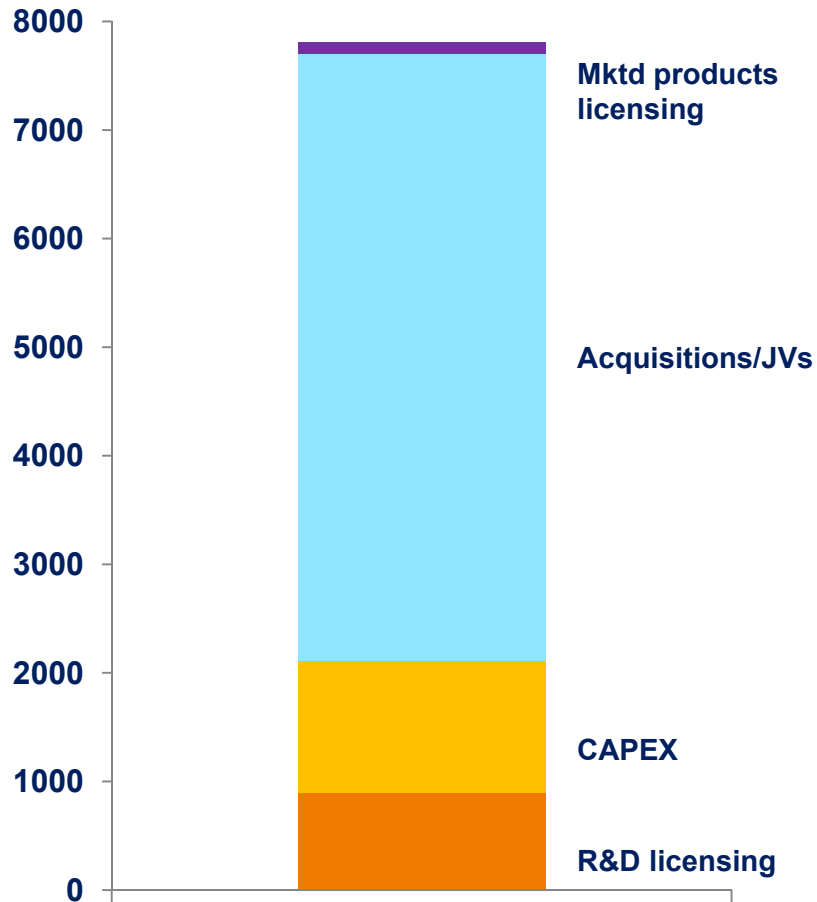


SG&A by division FY 2007 vs 1H 2010

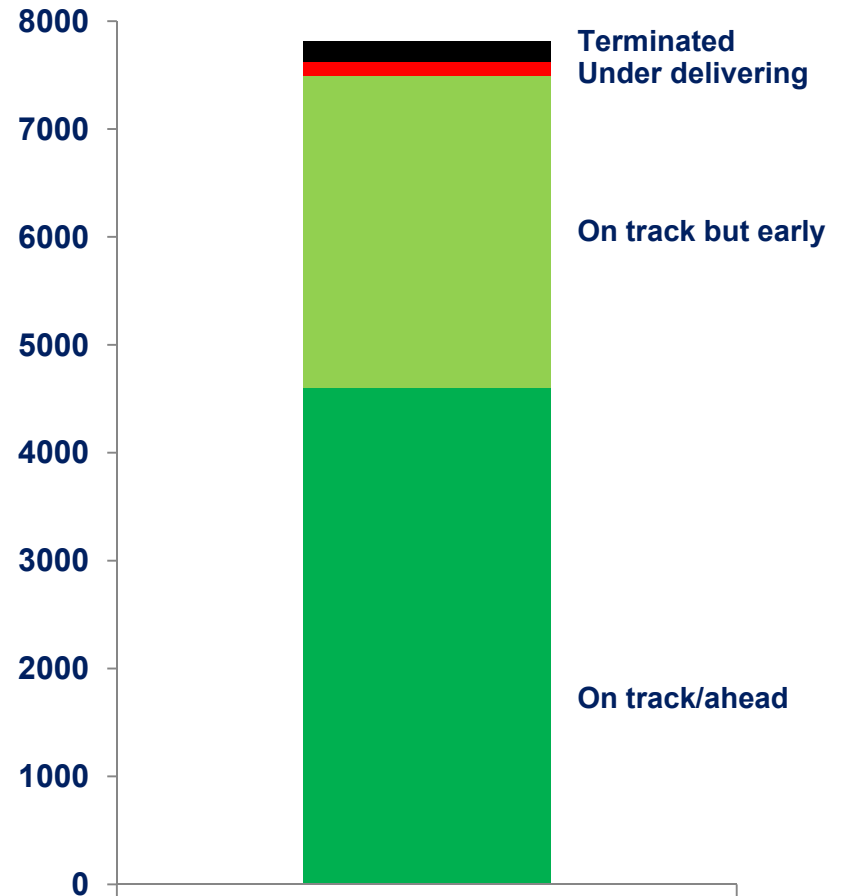


Bolt-on investments are on track to deliver target ROI

£7.8bn of deals assessed



96% of deals on/ahead of track



R&D is becoming more efficient through better resource allocation and improving output

~25% decrease in Pharma R&D headcount since 2006

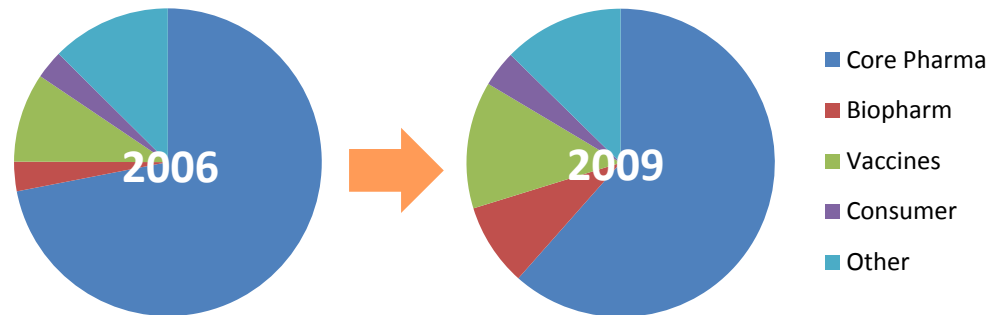
>15% decrease in m² since 2009

Reduced from >30 global CROs and >100 providers to 2 (2010)

> 5-fold increase in Biopharm spend since 2006

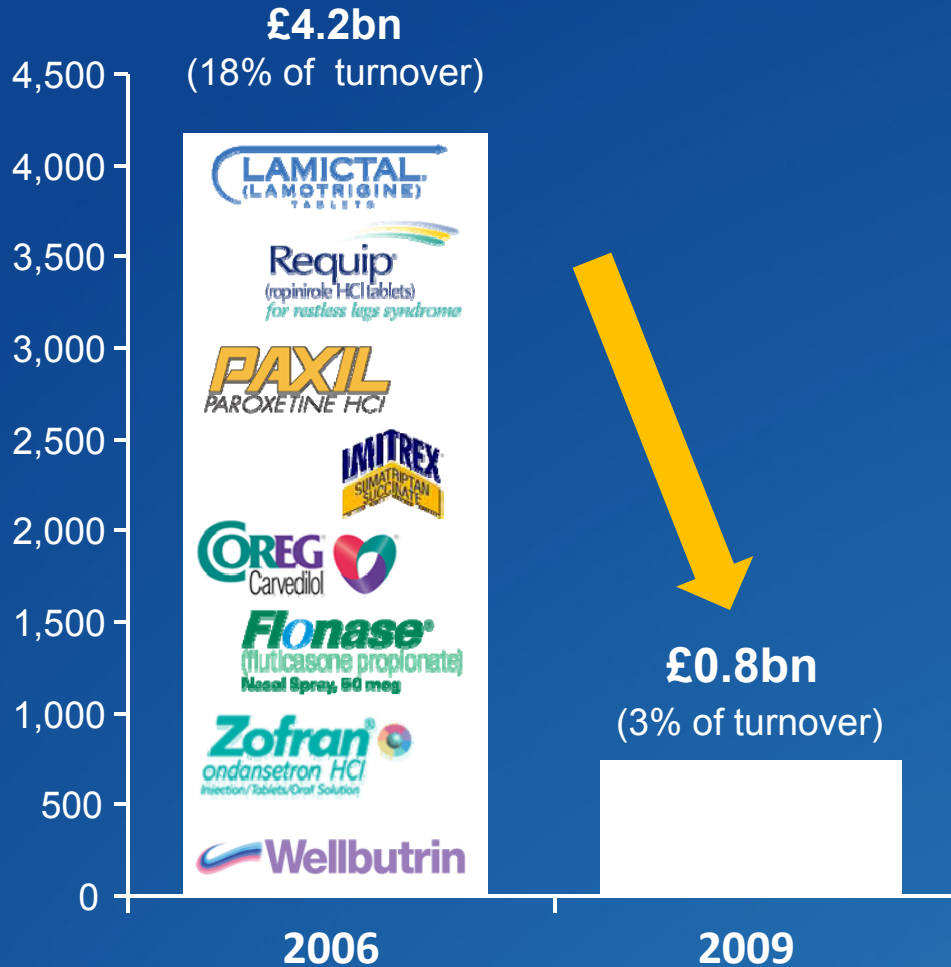
Late-stage Pharma spend increased to ~58% (2009)

Profile of R&D Spend
(~14% of sales)



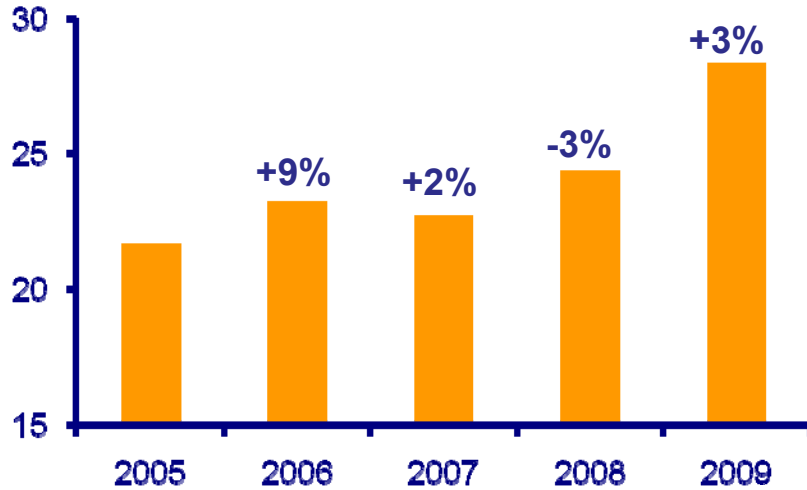
5 new assets pass “Commit to Ph III” (MEK, BRAF, Prosensa, Zoster, Integrase)

Creating a broader portfolio of potential high value assets as generic exposure declines

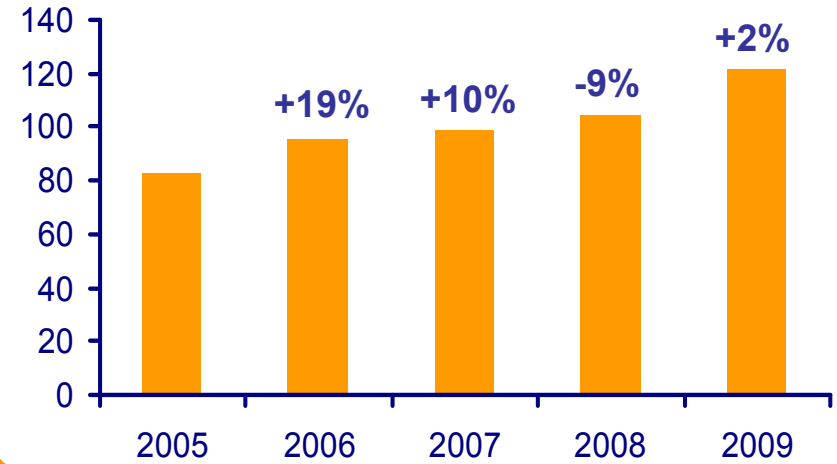


Positive performance and dividend progression through the patent cliff

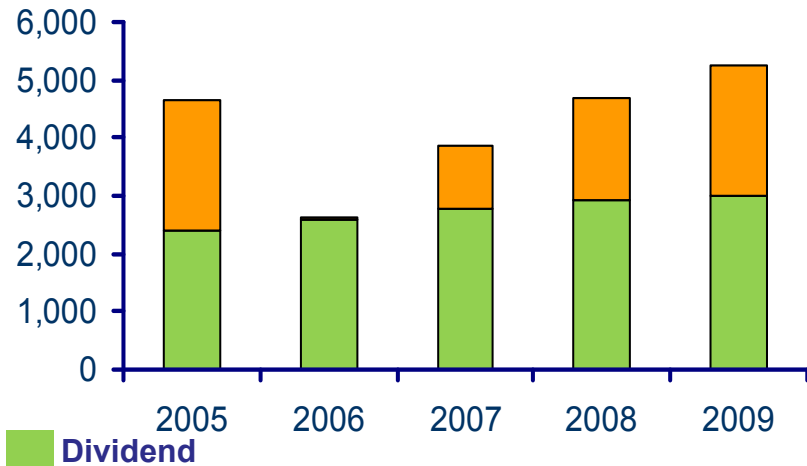
Turnover



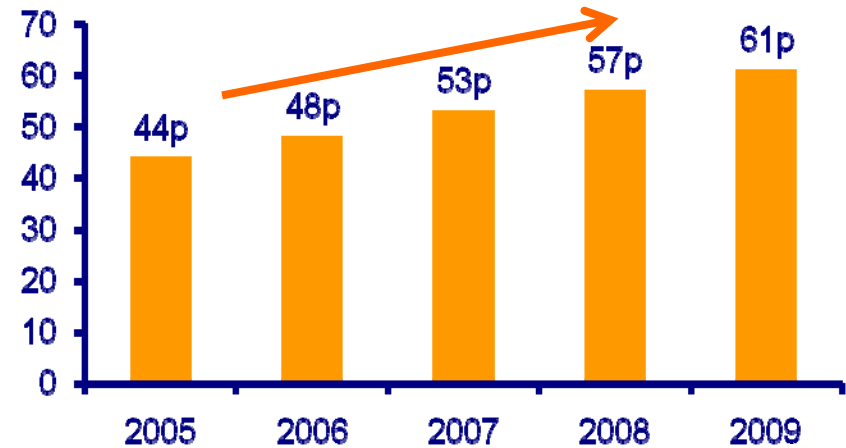
EPS

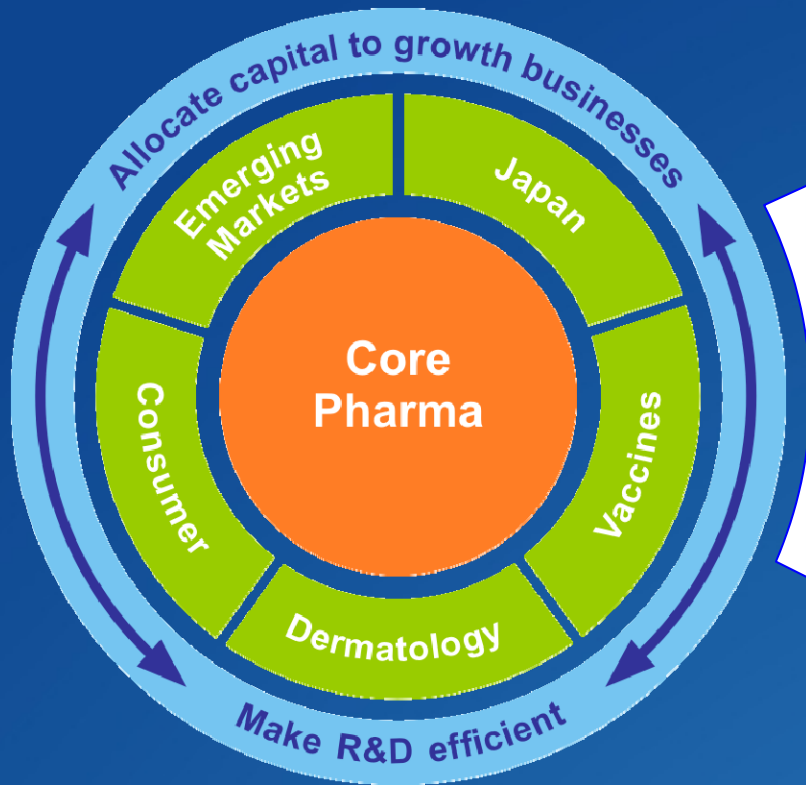


Free cash flow generation



Progressive Dividend





Diverse geographic and business mix

Reducing product concentration

R&D pipeline optionality

Focus on cost reduction

Reducing legal exposure

Strong cash generation

Progressive dividend



GlaxoSmithKline

Background on new launches



Cervarix

£127m 1H 2010

1Q10 launch in Japan
1Q10 launch in US
3Q07 launch in EU

- Japan launched ahead of Gardasil (£15m 1H10)
- US launch slowed by delay in VFC funding (£8m 1H10)



Synflorix

£83m 1H 2010

2Q09 launch in EU

- Now approved in 70 countries + 32 submitted
- 68% competitive tenders won (by volume)
- Gaining market share: Germany 20%; Turkey, Hong Kong 70%
- Two 10-yr contracts with Brazil and AMC/GAVI



Arzerra[™]
ofatumumab

£13m 1H 2010

2Q10 launch in EU
3Q09 launch in US

- Growth coming from expanded use in clinics, beyond hospital and academic
- 2/3 of US physicians expect to increase 3rd line use



Votrient
pazopanib

£13m 1H 2010

2Q10 launch in EU
4Q09 launch in US

- US market share 6% and growing
- 44% of US physicians expect to increase 1st line use
- Taking share from Sutent and Torisel; ahead of Avastin



prolia[™]
(denosumab) injection

Late June 2010
launch in EU

- Launched in 6 EU countries to date
- Current focus on gaining reimbursement
- Amgen partnership working well within markets
- Good feedback from experts and primary care



Jalyn[™]
(dutasteride and tamsulosin HCl)
Capsules

3Q10 launch in US
2Q10 launch in EU

- Better symptom relief
- Good example of value for money (one co-pay, same price as Avodart)

Background on 5 assets to progress to Phase III

Each addressing important unmet need

PRO051 ('968)¹
(Duchenne Muscular Dystrophy)

- DMD affects 1 in 3500 boys
- Current treatments are only symptomatic

Zoster vaccine
(shingles prophylaxis)

- 1 in 4 will suffer from shingles in their lifetime
- 1 in 5 shingles patients develop chronic pain (PHN)
- One partially effective vaccine currently available
- Large PIII with >30,000 subjects

MEK ('212)
(metastatic melanoma)

- 1st in class, once daily oral dosing
- Current treatments seen as ineffective

Braf ('436)
(metastatic melanoma)

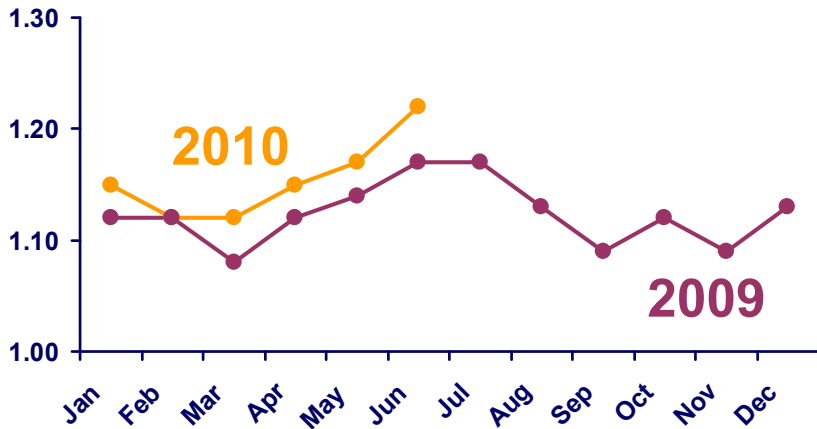
- Specific patient population (~50% of melanoma patients)
- Potential to demonstrate improved survival benefit versus current standard of care

Integrase ('572)²
(HIV)

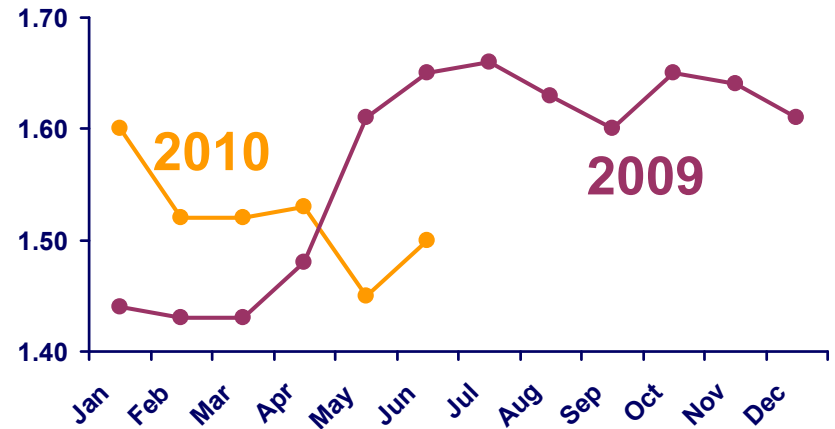
- Next generation integrase with once a day dosing
- Potential for unique resistance profile in a potent and well-tolerated class

Currency movements vs £

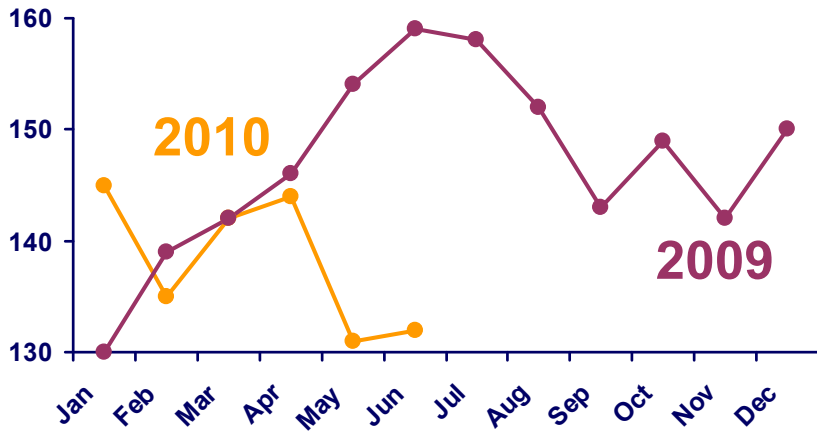
EURO / £ Month-end exchange rates



\$ / £ Month-end exchange rates



YEN / £ Month-end exchange rates



Canadian dollar / £ Month-end exch. rates

