



Merrill Lynch Conference
Julian Heslop, CFO
Sept 17th 2010

GSK's strategic priorities

Grow a diversified global business

Deliver more products of value

Simplify the operating model

Turnover and EPS progression 2005-09

**Turnover
2005-09 (£bn)**

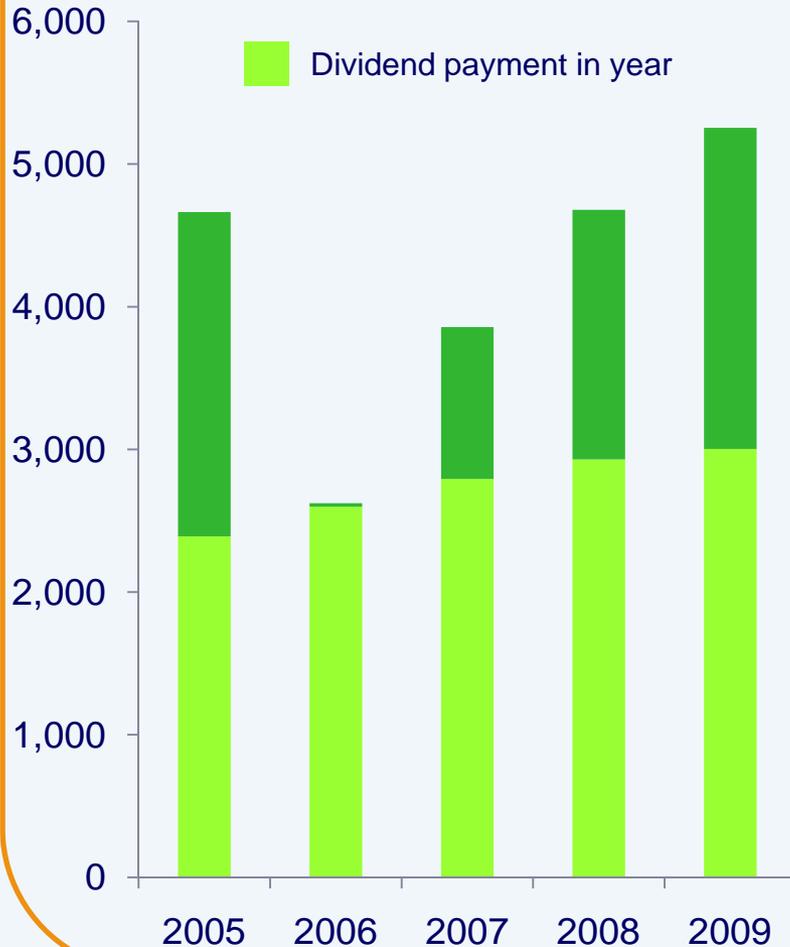


**EPS before major restructuring
2005-09 (pence)**

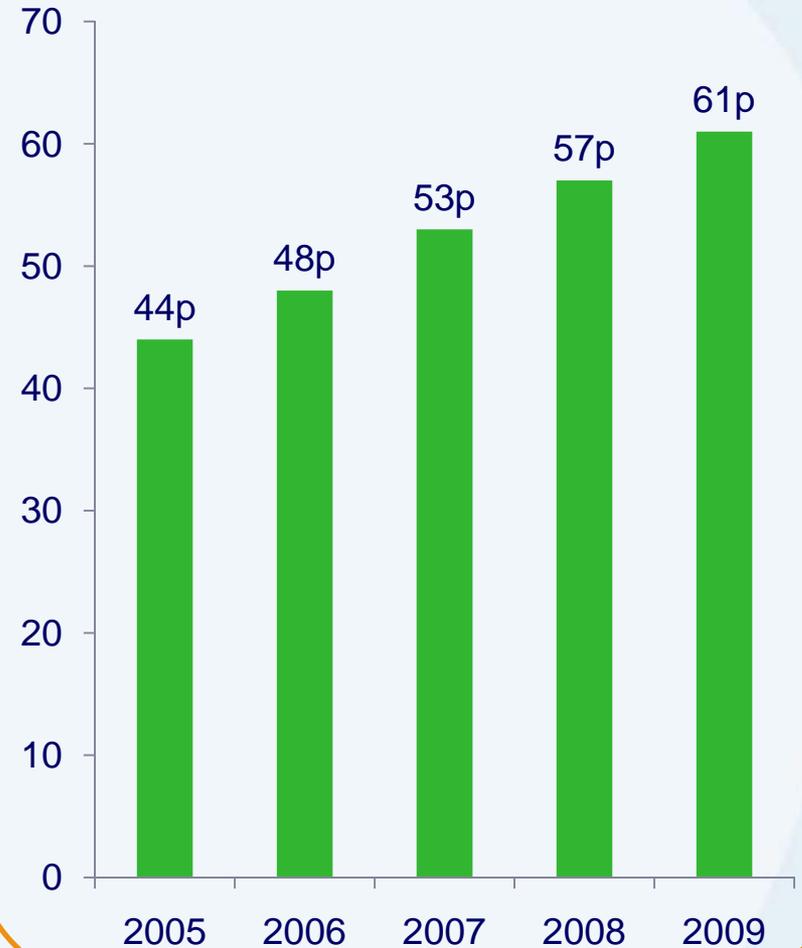


Increasing free cash flow and progressive dividend

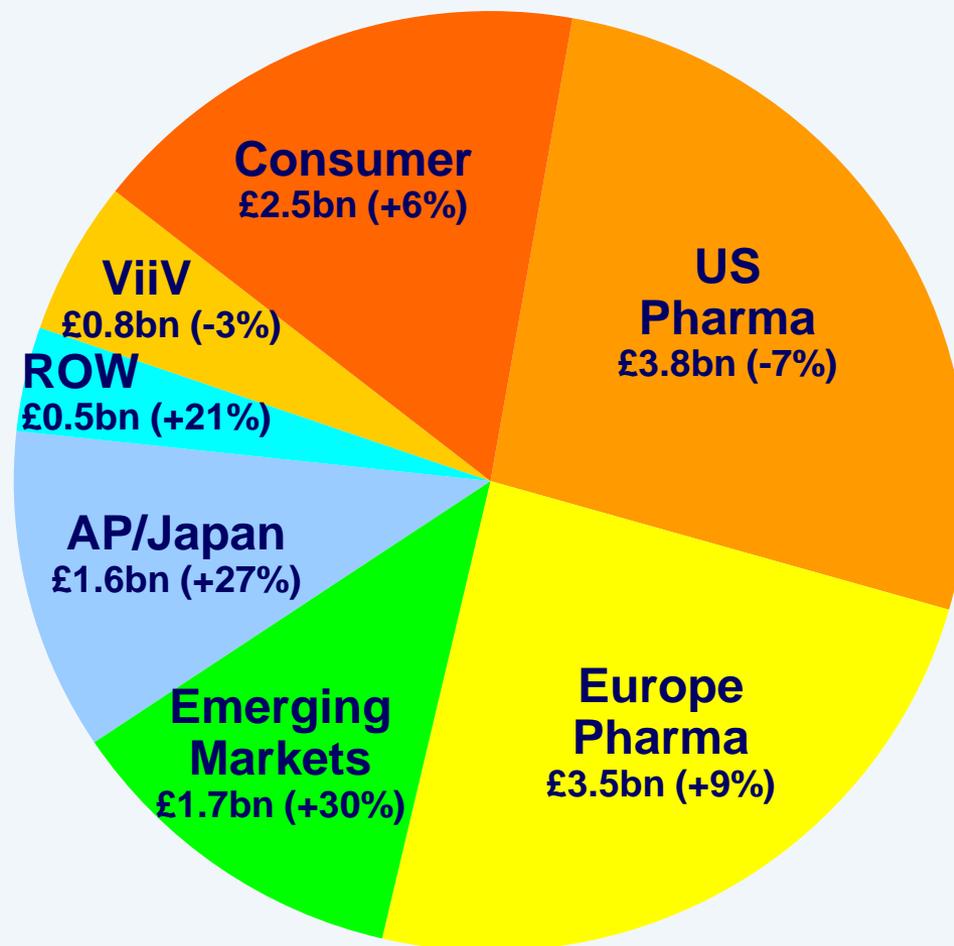
Free cash flow 2005-09 (£bn)



Dividend 2005-09 (pence)



H1 2010 Turnover of £14.4bn (+7%)



Excluding pandemic sales £13.3bn (+1%)

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 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 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.

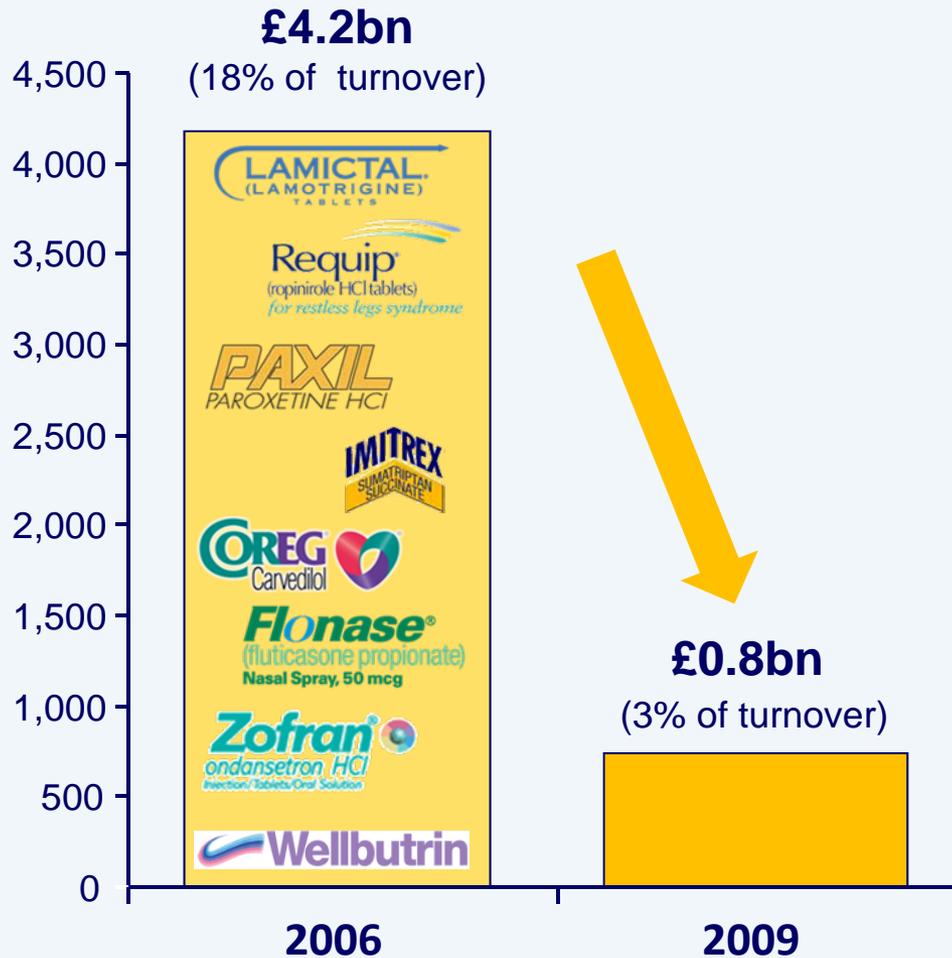
*** Products impacted by generics comprises US sales of Coreg, Imitrex, Lamictal, Paxil, Valtrex, Wellbutrin and Zofran plus Europe sales of Imitrex, Lamictal, Paxil, Valtrex and Zofran.

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

GSK patent cliff from 2006 to 2009



New Products ('07 - '10 launches)

Tykerb[™]
lapatinib ditosylate

Jalyn[™]
(dutasteride and tamsulosin HCl)
Capsules

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

Synflorix

Veramyst[™]
(fluticasone furoate)
Nasal Spray

Treximet[™]
sumatriptan/
naproxen sodium

NEW Volibris[™]
ambrisentan

**H1N1
Prepandrix**[™]

**ONCE-A-DAY
COREG CR**[™]
Carvedilol Phosphate
extended-release capsules

Cervarix[®]

PROMACTA[®]
(eltrombopag)
25mg, 50mg tablets

Votrient
pazopanib

ALTABAX[™]
retapamulin ointment, 1%

Kinrix

LAMICTAL[®] XR[™]
(LAMOTRIGINE)
EXTENDED-RELEASE TABLETS

ENTEREG[™]
(alvimopan)

Rotarix[®]
Rotavirus Vaccine,
Live, Oral

LAMICTAL[®] ODT[™]
(LAMOTRIGINE)
ORALLY DISINTEGRATING TABLETS

Arzerra[™]
ofatumumab

1H2010 total sales: £798m +32%
Including pandemic vaccines: £1,771m

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

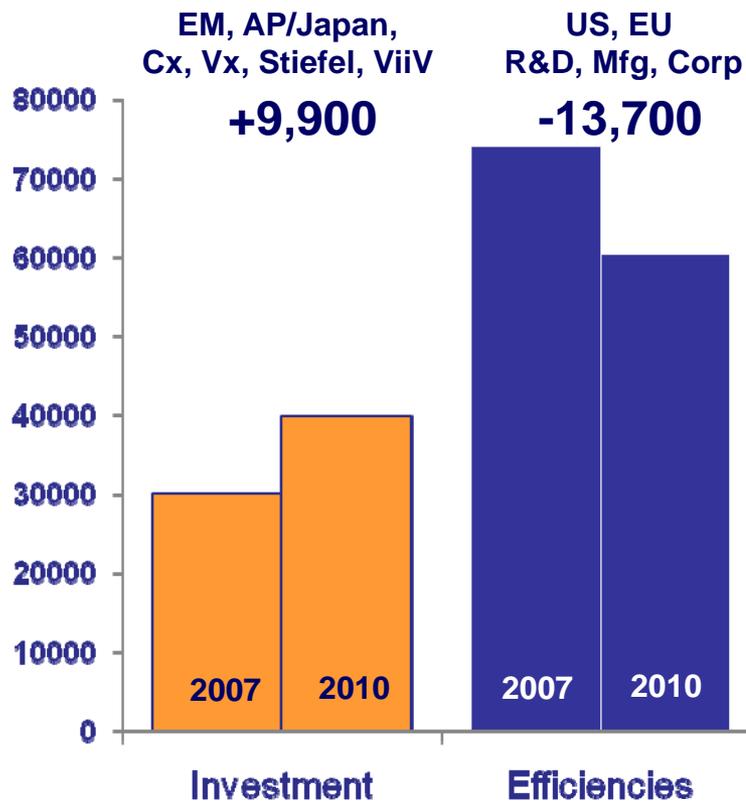
CER growth rates

% 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)

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

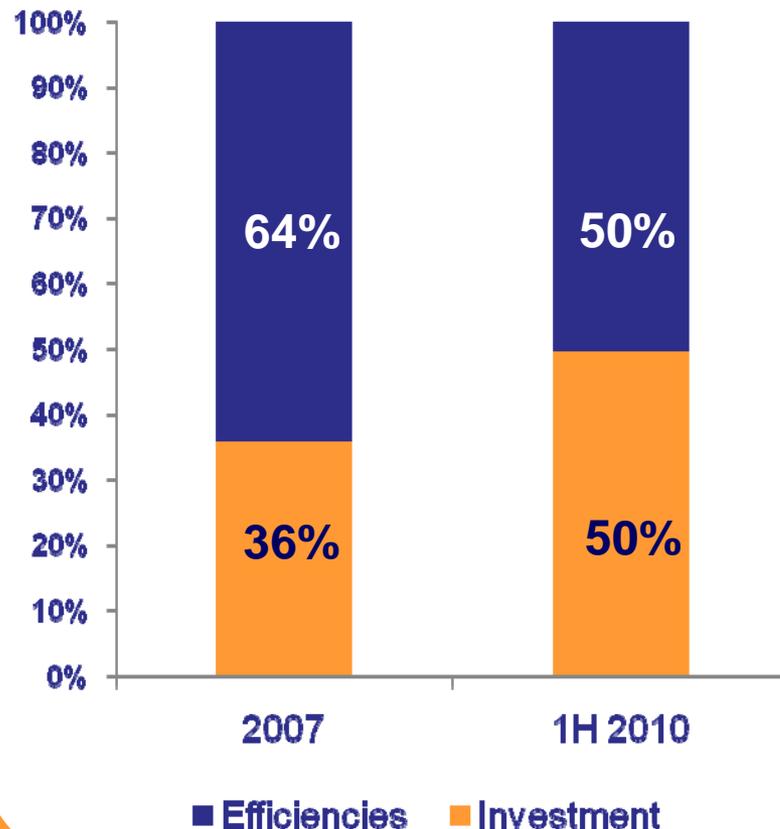
Employees by division

Sept 2007 vs June 2010



SG&A by division

FY 2007 vs 1H 2010



Maintaining ~30 assets in Ph III/registration

'212 MEKi
(melanoma)

'436 BRAFi
(melanoma)

Herpes zoster
(shingles)

Benlysta
(lupus)

Avodart
(prostate Ca)

MAGE-A3
(lung cancer)

denosumab
(osteoporosis)

Duodart
(Avodart + tams)

MAGE-A3
(melanoma)

otelixizumab
(type 1 diabetes)

pazopanib
(renal cancer)

'968
(Duchenne MD)

'572
(HIV)

MenACWY
(meningitis)

ofatumumab
(CLL/NHL)

Avandamet XR
(T2DM)

pazopanib
(sarcoma, ovarian)

almorexant
(sleep)

HIV (ViiV)

Menhibrix
(meningitis)

ofatumumab
(RA)

Avandia+statin
(T2DM)

Promacta
(Hep C / liver)

retigabine
(epilepsy)

Mosquirix
(malaria)

Syncria
(type 2 diabetes)

darapladib
(atherosclerosis)

Tykerb
H&N/Gastric

Horizant
(RLS)

Relovair
(asthma/COPD)

Next gen flu
(for elderly)

Biopharm

CV/metabolic

Oncology

Neuro

Respiratory

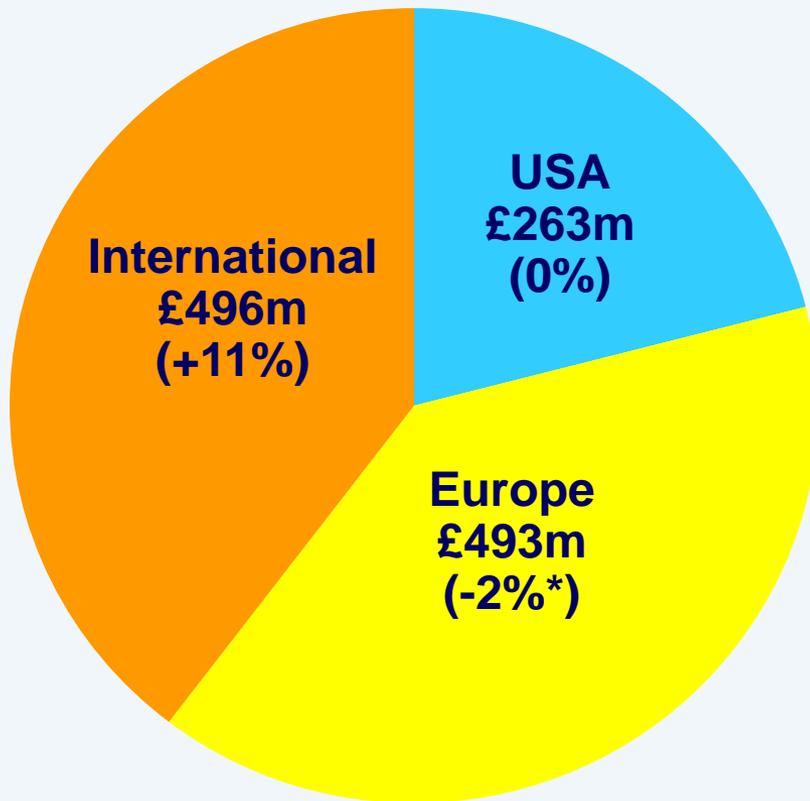
Vaccines



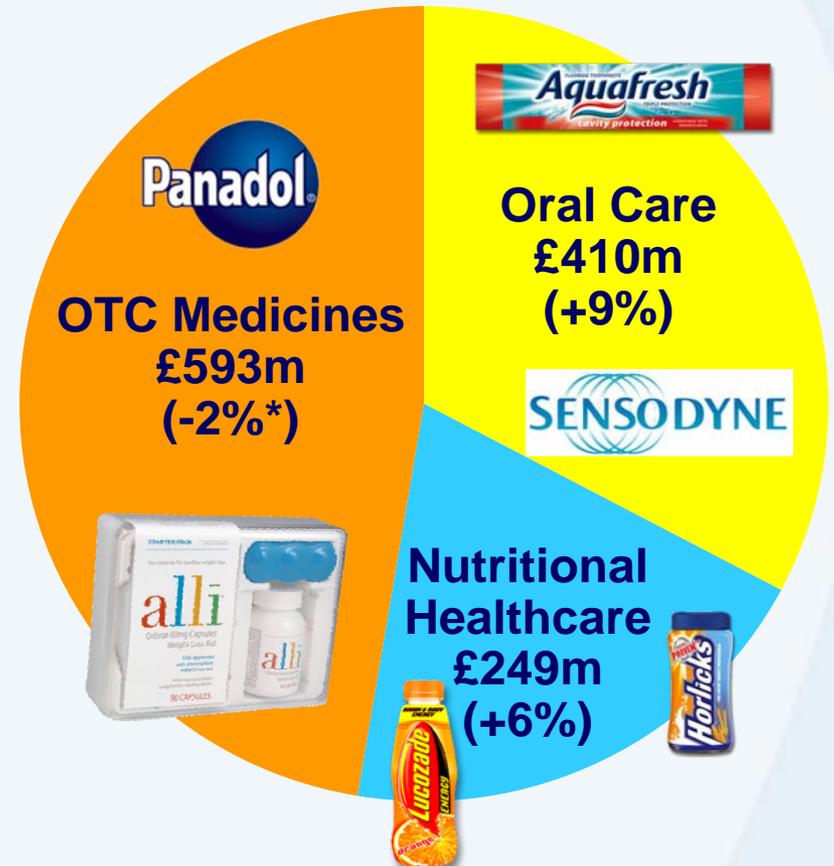
5 assets announced in Q2 as due to progress into PhIII development .
(Herpes zoster vaccine PhIII study commenced Aug 2010)

Q2 Consumer Healthcare: £1,252m +3%*

Regional turnover

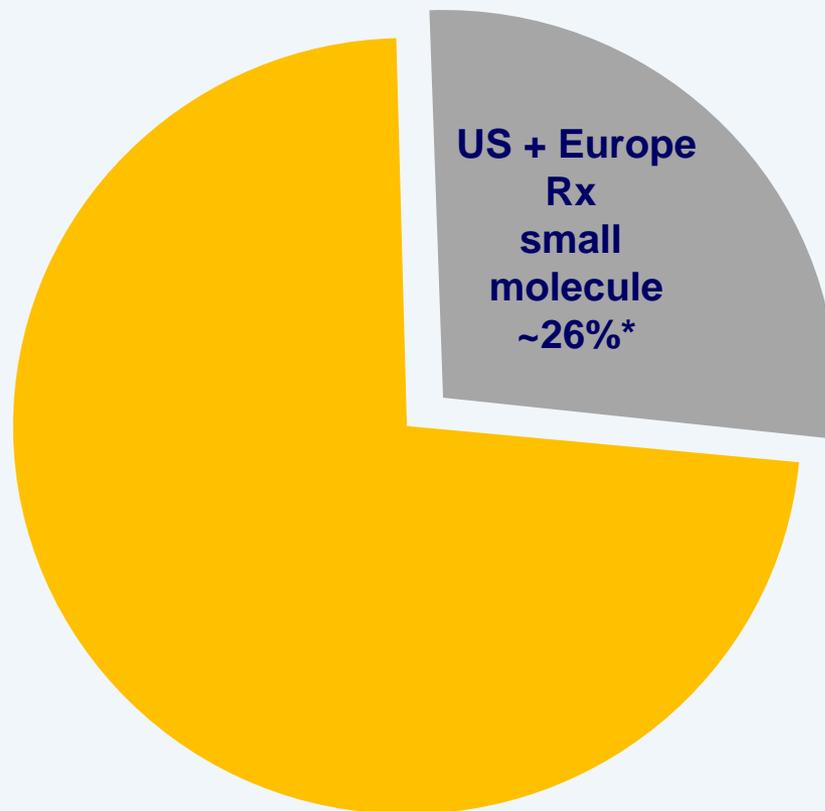


Category turnover



* Excluding alli 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%

Bolt-on acquisitions and partnerships

15 deals completed since May 2008

Emerging Markets

 Bristol-Myers Squibb
Egypt / Pakistan

 Bristol-Myers Squibb
Near East


EM/AP

 **aspEN**
HOLDINGS

 **DR. REDDY'S**


Algeria

 **DONG-A PHARMACEUTICAL**
Korea

Pharma

Vaccines

Consumer


ViiV
Healthcare

 **STIEFEL**
a GSK company

Walvax

 **NEPTUNUS** 海王
健康成就未来


intercell
SMART VACCINES

AZ Tika


Lucozade

 **NovaMin**
Tooth care Technology

Free cash flow to net debt reconciliation

	H1 10 £m	H1 09 £m
Free cash flow	3,204	2,252
Sales of intangibles / equities	44	533
	3,248	2,785
Dividends	(1,682)	(1,586)
Purchase of businesses / equities	(310)	(717)
Other	(343)	(262)
Net cash flow	913	220
Exchange movement on net debt	29	1,337
Decrease in net debt	942	1,557
Net debt at 30th June	(8,502)	

Summary comments

- 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%).
- Progress in creating a more diversified business



GlaxoSmithKline