



Full Year Results 2011

7th February 2012



Sir Andrew Witty
Chief Executive Officer

Simon Dingemans
Chief Financial Officer

Delivering our strategy

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

Delivering our strategy

Grow a diversified global business



- 38% sales generated outside US and EU
- 22% of sales “White Pill Western Market” vs 40% in 2007
- £5.3bn of Group sales from strengthened EM business
- £2.1bn Japan Rx/Vx sales (+35% vs 2008)
- £3.5bn Vaccines sales (+22% vs 2008)
- £5.2bn Consumer Healthcare sales (+18% vs 2008)

Deliver more products of value

Simplify the operating model

Delivering our strategy

Grow a diversified global business

Deliver more products of value

Simplify the operating model



- 19 new product launches in 4 years
- Pharma R&D budget broadly unchanged since 2007 (CER)
- Over 200,000 patients in GSK trials (<100,000 in 2007)
- Maintained ~30 assets in PhIII/registration
- Significant restructure of Discovery organisation

DPU approach to Drug Discovery is delivering

2008

2011

2012



TA rebalancing
DPU established

Full review

38

40

Extensive review completed Q4 2011

4 DPUs created

3 DPUs closed

6 DPUs with >20% increased investment

5 DPUs with >20% decreased investment

Overall Drug Discovery budget unchanged

DPU approach has led to significant improvements in GSK Drug Discovery



- Co-location leads to rapid decision making

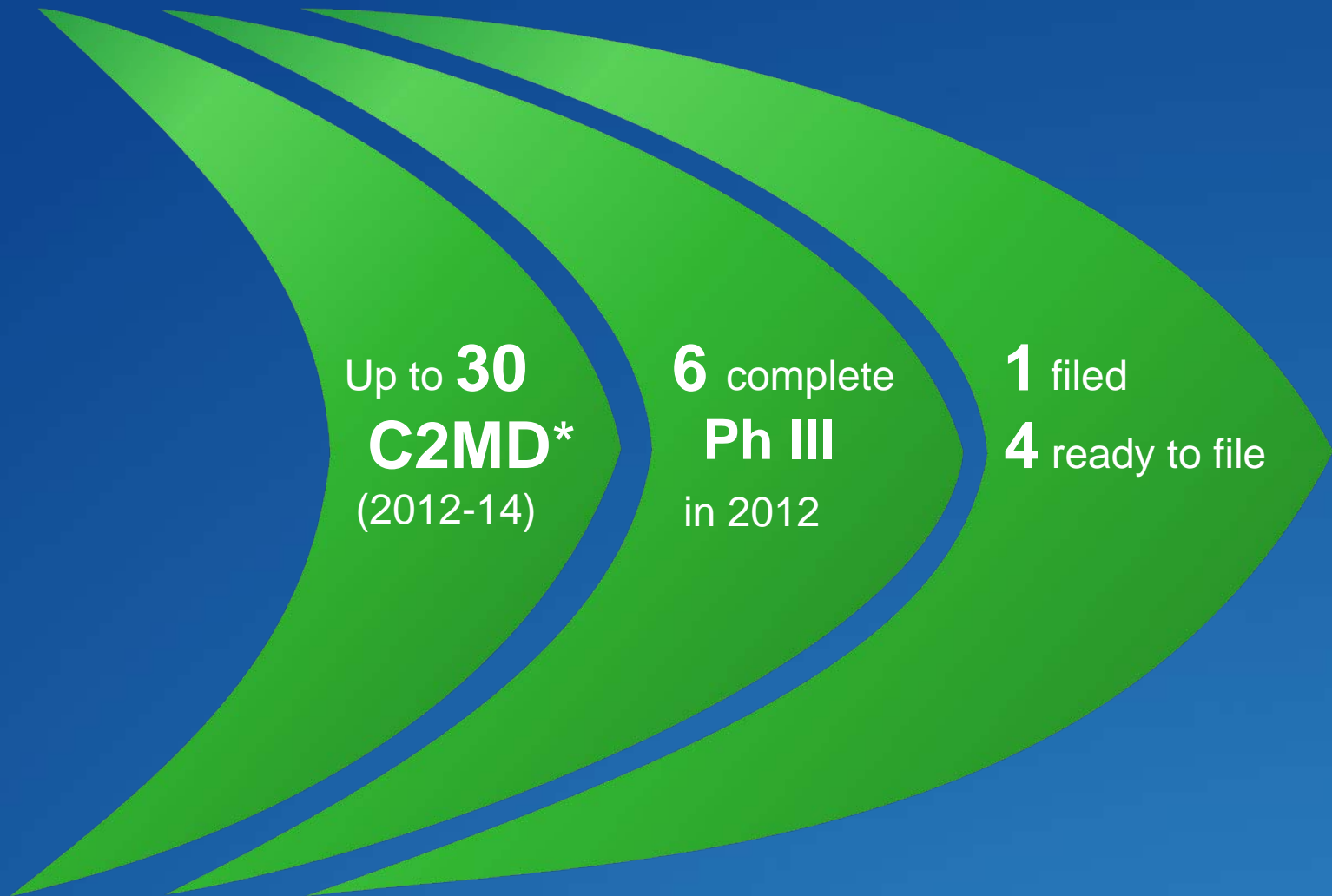


- Increased agility drives faster process & lower cost



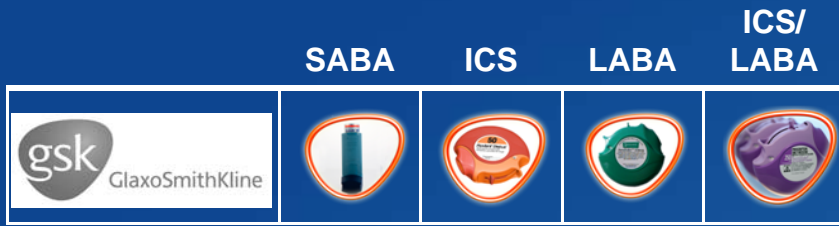
- DPU structure breaks traditional hierarchies

Visibility of multiple waves of pipeline delivery



* Commit to Medicine Development – Typically phase IIb

Increasing confidence that respiratory portfolio will drive expanding market share




~**27%** of **£2.2bn** rescue market

~**67%** of **£7.7bn** ICS/LABA market

~**32%** of **£2.6bn** steroid market

GSK **33%** share of the **£21bn** Global Asthma/COPD market

Increasing confidence that respiratory portfolio will drive expanding market share

	SABA	ICS	LABA	ICS/ LABA	LAMA	LAMA/ LABA	MABA	LAMA/ ICS	p38	FLAIR	Anti- IL5
											
GSK pipeline		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

£2.2bn rescue market

£7.7bn ICS/LABA market

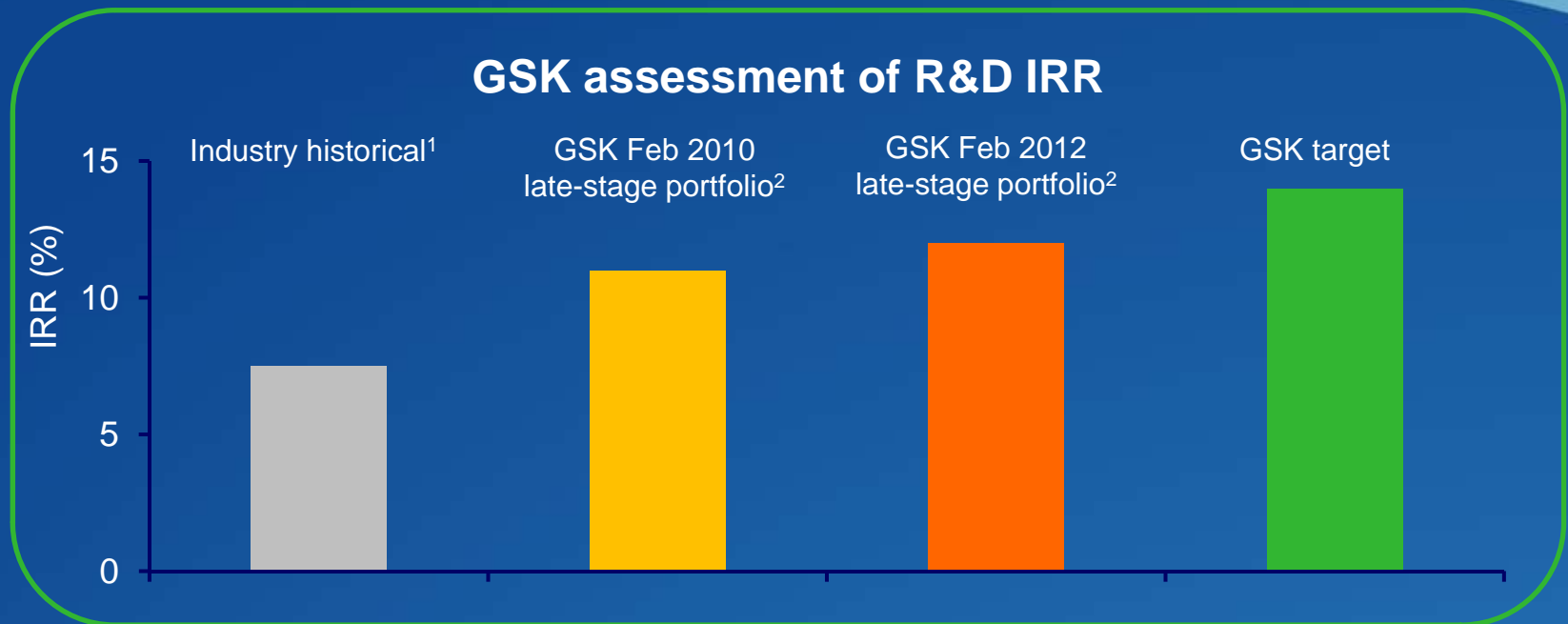
£2.6bn steroid market

£4.4bn maintenance bronchodilator market

£0.5bn biological severe asthma market

£2.7bn oral asthma market

Returns on R&D investment increased to 12%; on track to deliver 14% return rate



Increased risk adjusted sales following positive data

Some early impact of cost reduction programmes

Reduced late stage attrition

1. McKinsey, *Nature Reviews, Drug Discovery* (Aug 09) for small molecules. 13% for biopharms.

2. Projected rate of return based on investment made to create late stage pipeline & expectations on future sales. Late-stage portfolio includes pharma assets and vaccines launched from 2007 onwards (2010 analysis) and 2009 onwards (2012 analysis) plus phase IIb & III pipeline.

Delivering in innovation-led markets



USA

- Turnover: £7 billion in 2011
- ~80% of business is promoted products growing +6%
- Customer orientated approach provides competitive edge
- Structure fit for purpose and ready to launch new portfolio



Japan

- Turnover: £2.1 billion in 2011
- Fastest growing large pharma company in Japan in 2011
- First in class with *Avodart*, *Promacta*, *Cervarix* and *Rotarix*
- Potential to launch >25 new indications in next 3 years, including 10 new drugs & vaccines

Delivering our strategy

Grow a diversified global business

Deliver more products of value

Simplify the operating model



- Reduced sales force in US and EU by ~8,000; added ~7,500 in RoW since 2007
- Global support functions; 23% decrease in costs vs 2008
- Exited 19 manufacturing sites since 2006
- R&D footprint reduced by 46% since 2006
- New SAP ERP platform implementation on track

Strategy delivers stronger platforms for growth

Reshaped R&D delivers sustainable pipeline flow

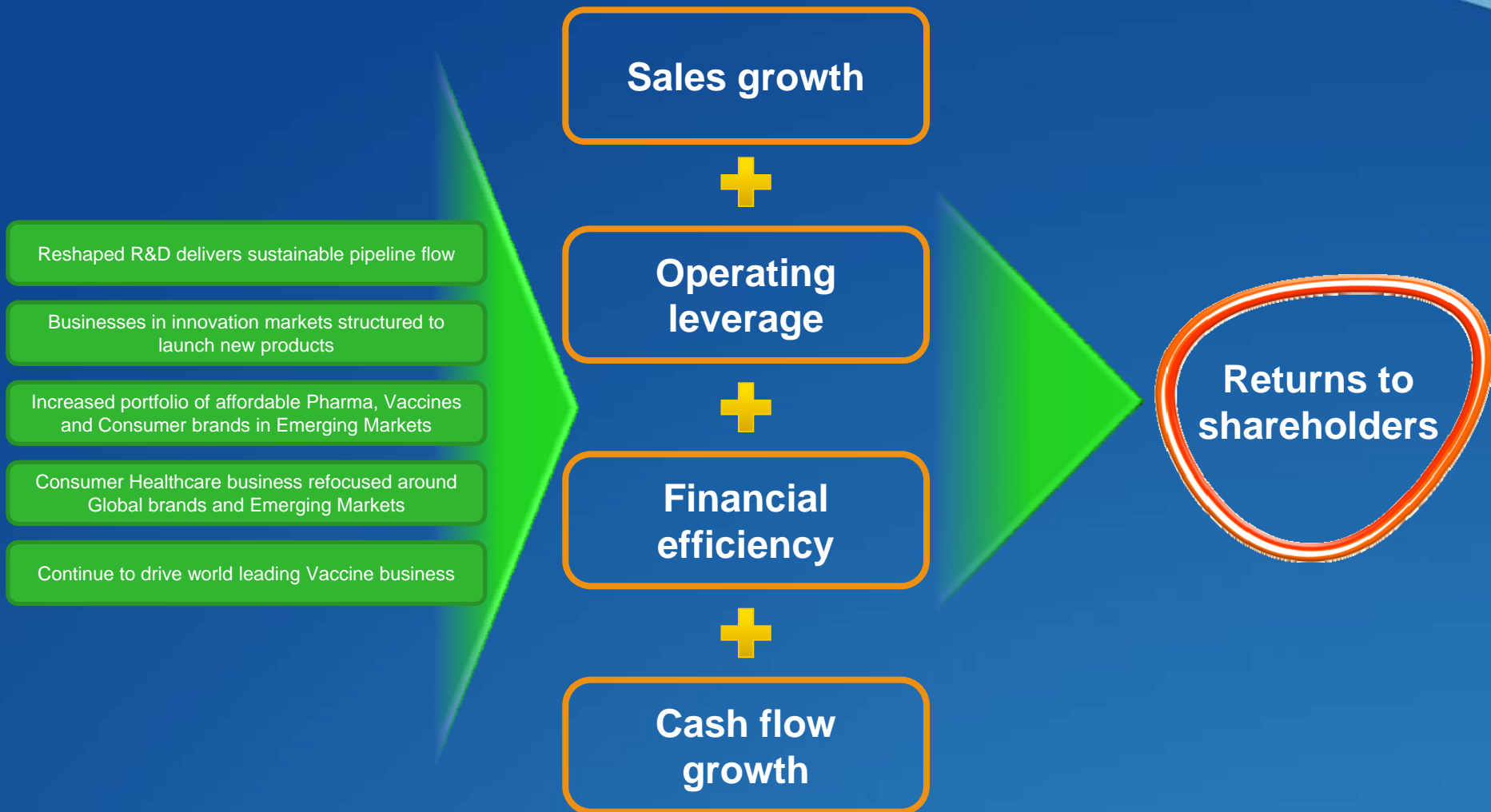
Businesses in innovation markets structured to launch new products

Increased portfolio of affordable Pharma, Vaccines and Consumer brands in Emerging Markets

Consumer Healthcare business refocused around Global brands and Emerging Markets

Continue to drive world leading Vaccine business

Strategy is delivering sustainable financial performance and returns to shareholders



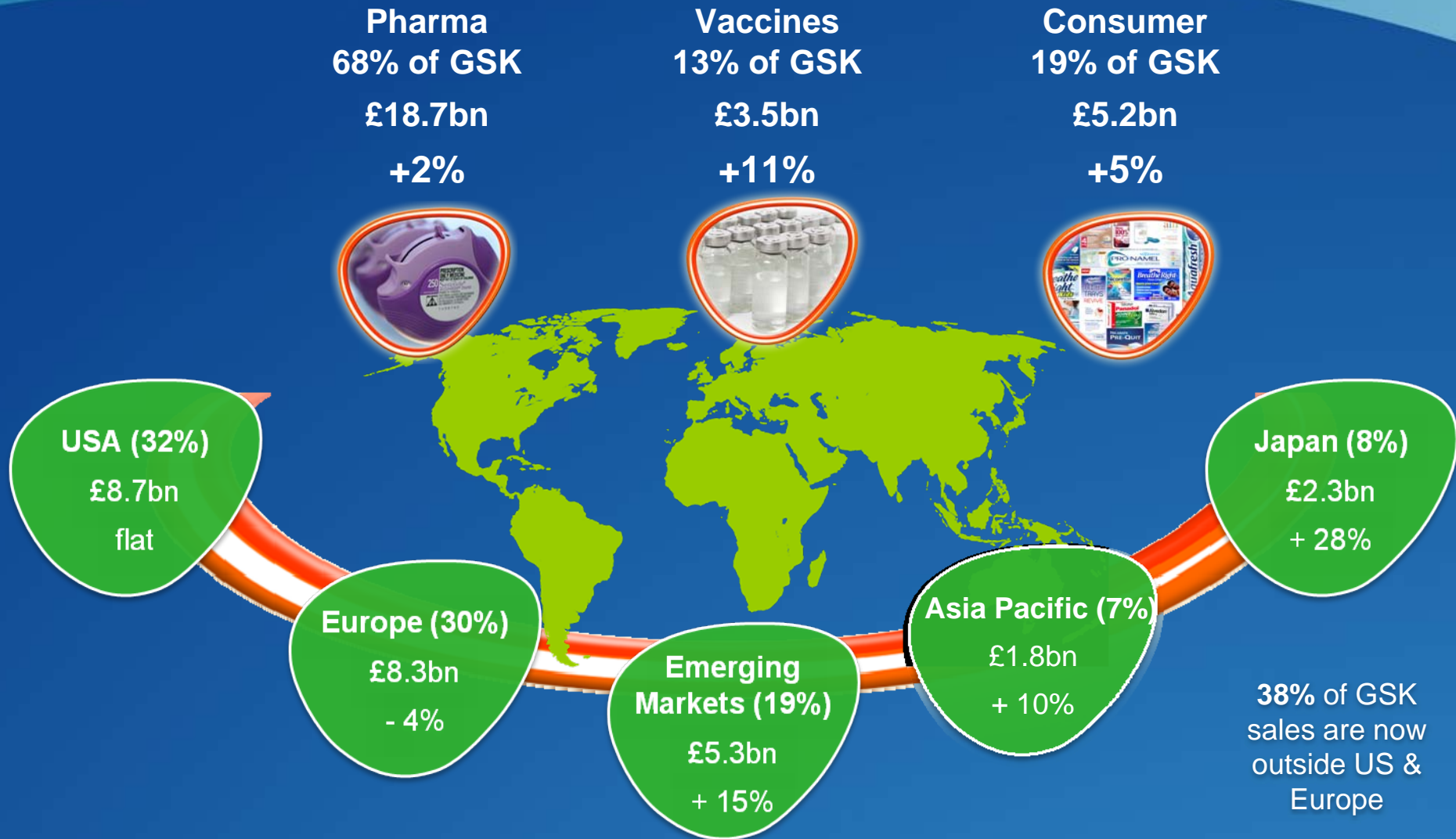
Headline results

Before major restructuring

£m	FY 2011	Growth %	
		CER	£
Turnover	27,387	(3)	(4)
Underlying turnover	26,880	4	3
Operating profit	8,397	65	64
Operating profit (excluding legal)	8,554	(5)	(6)
EPS	114.1 p	>100	>100
EPS (excluding legal)	116.8p	(3)	(3)
Free cash flow	4,141		
Adjusted free cash flow (excluding legal)	5,607		

Legal costs were £157m in 2011 and £4,001m in 2010; legal payments were £1,466m in 2011 and £2,047m in 2010

Group underlying turnover growth of +4% is broadly based



Sales numbers are reported sales; growth rates at CER on underlying basis; numbers in () are % of Group sales. Total sales were £27.4bn; £995m (-6%) sold outside territories above, representing 4% of Group sales.

2011 operating margin was impacted by loss of high margin sales and pricing pressure

Sales growth



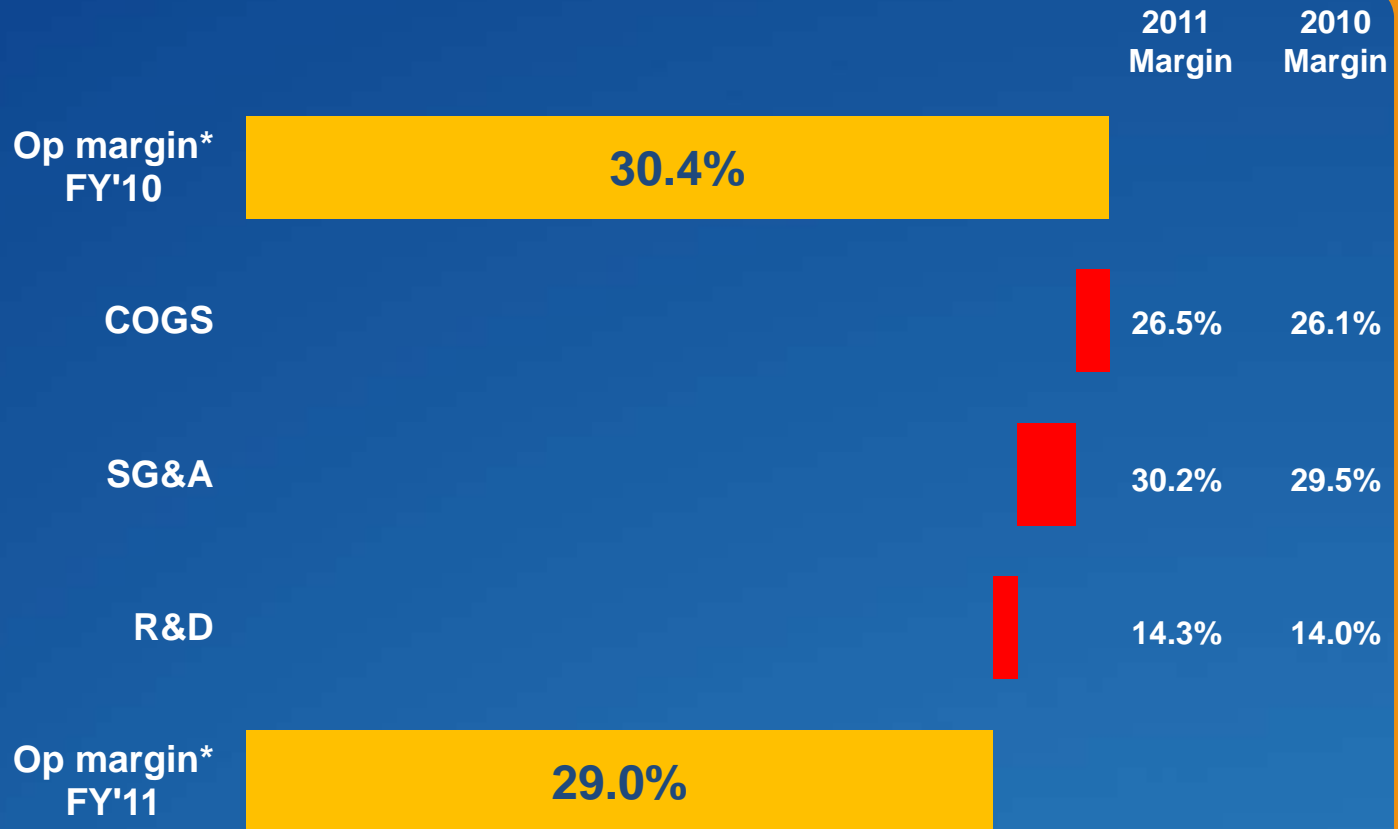
Operating leverage



Financial efficiency



Cash flow growth



* Excluding legal and OOI

OE programme and cost savings have partially offset the mix and pricing pressures on COGS

Sales growth



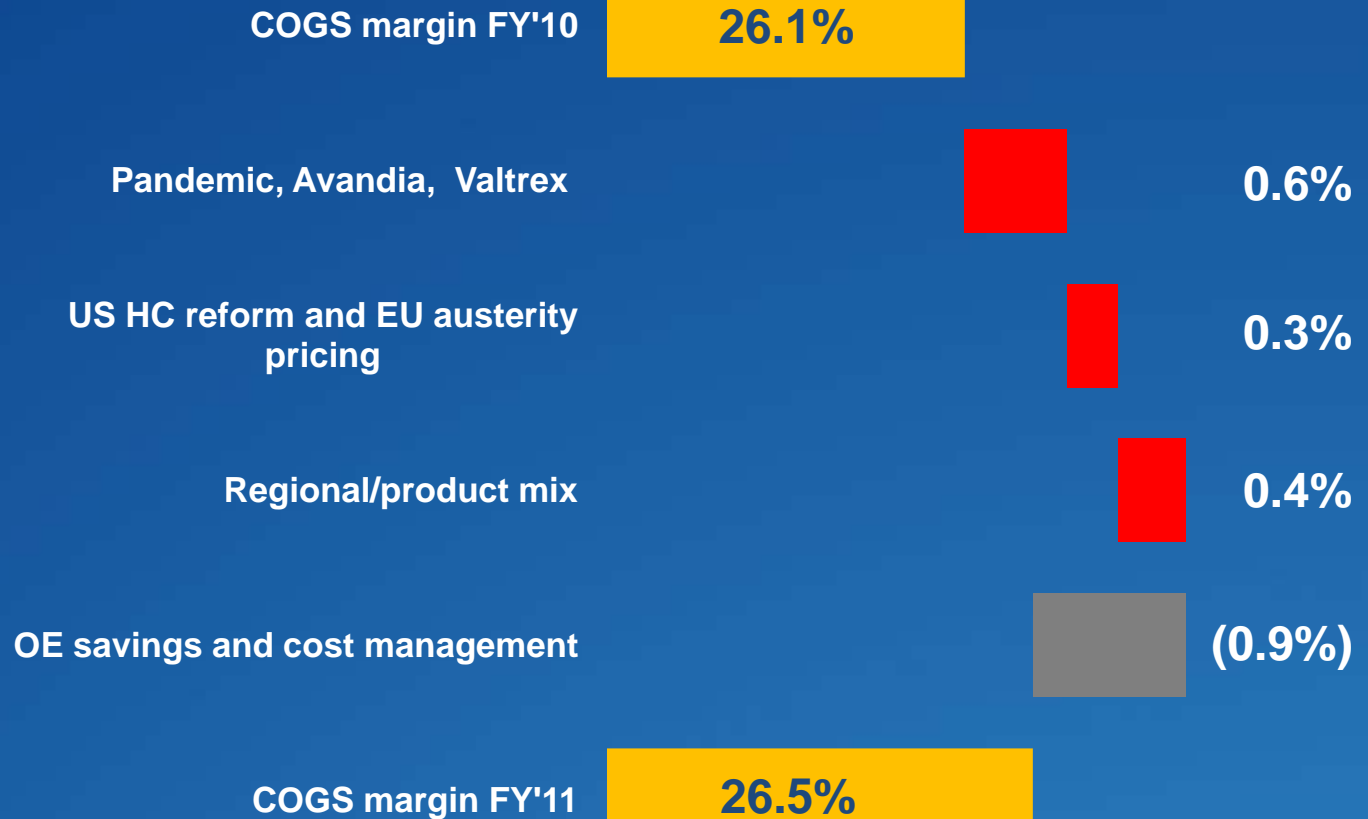
Operating leverage



Financial efficiency



Cash flow growth



Cost savings have enabled investment in higher growth businesses

Sales growth



Operating leverage



Financial efficiency



Cash flow growth

SG&A margin FY'10

29.5%

Pandemic, Avandia, Valtrex (net of underlying sales growth)

0.9%

US HC reform levy

0.4%

Investment markets

0.8%

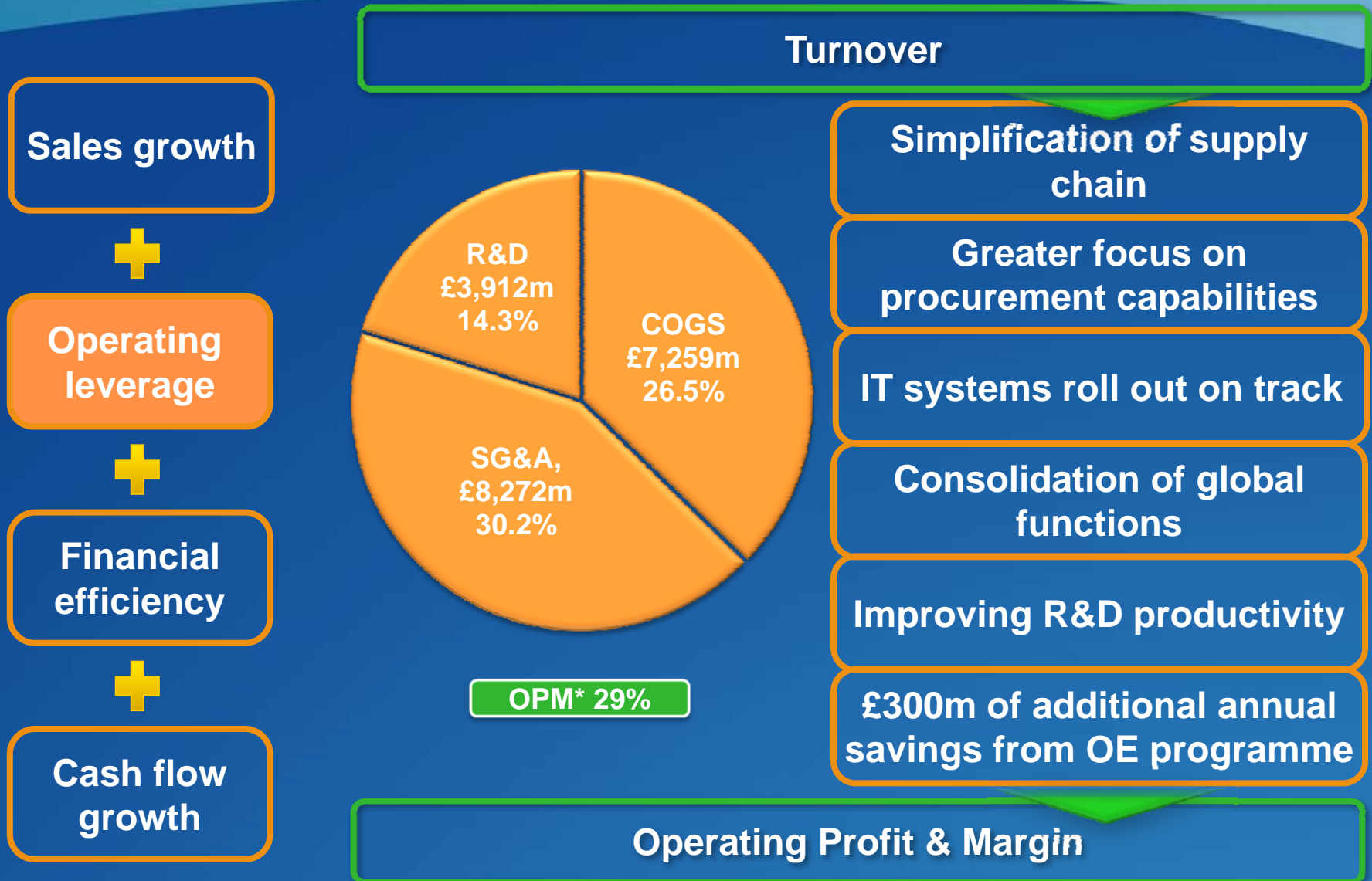
OE savings and cost management

(1.4%)

SG&A margin FY'11

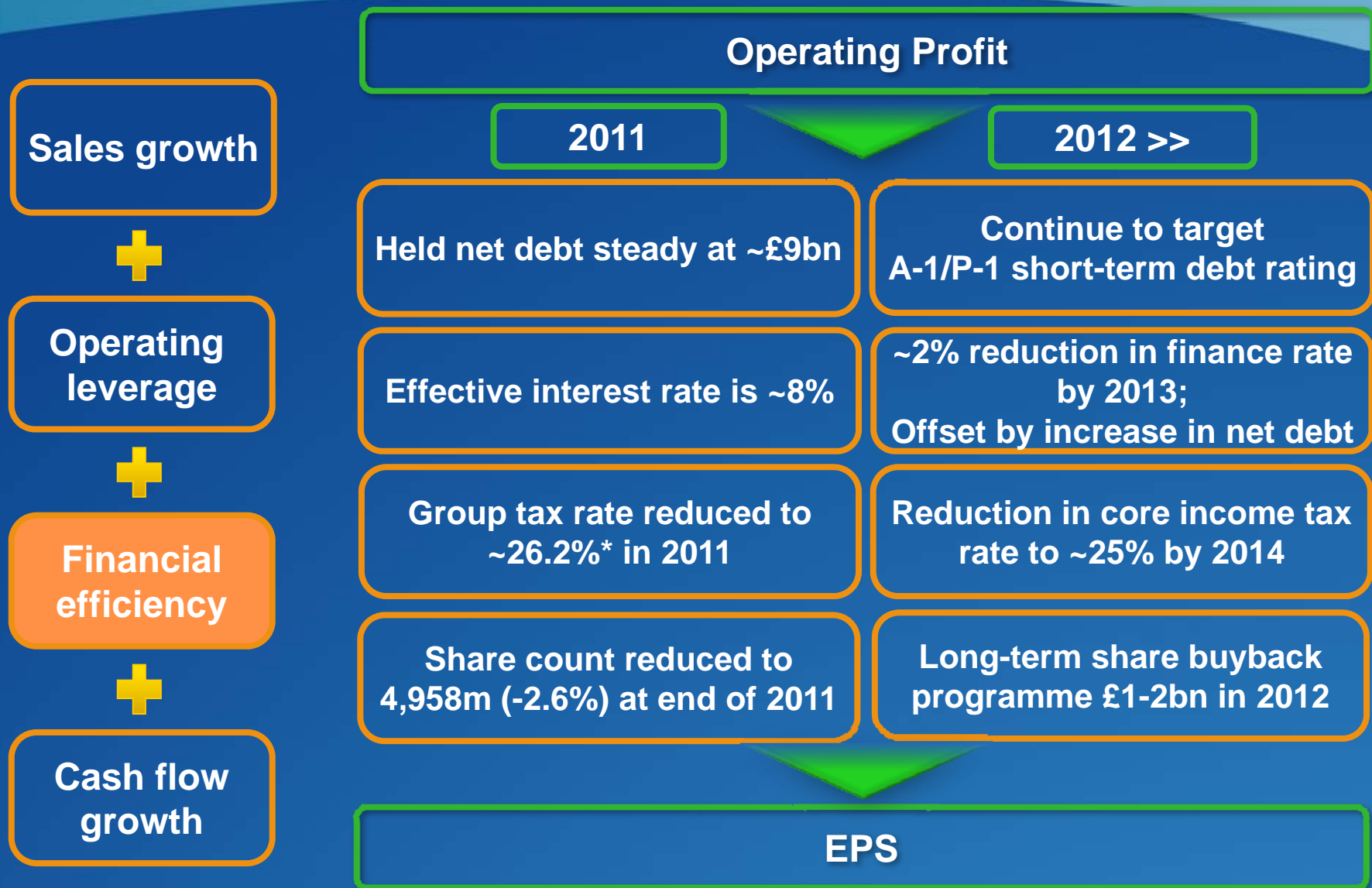
30.2%

Remain focused on driving operating leverage



* OPM = Operating profit margin excluding legal, OOI and major restructuring

Making progress on delivery of financial efficiencies



* Excludes the impact of the tax on disposal of the Quest shares

Generated ~£5.6bn free cash flow (ex legal) in 2011

Sales growth



Operating leverage

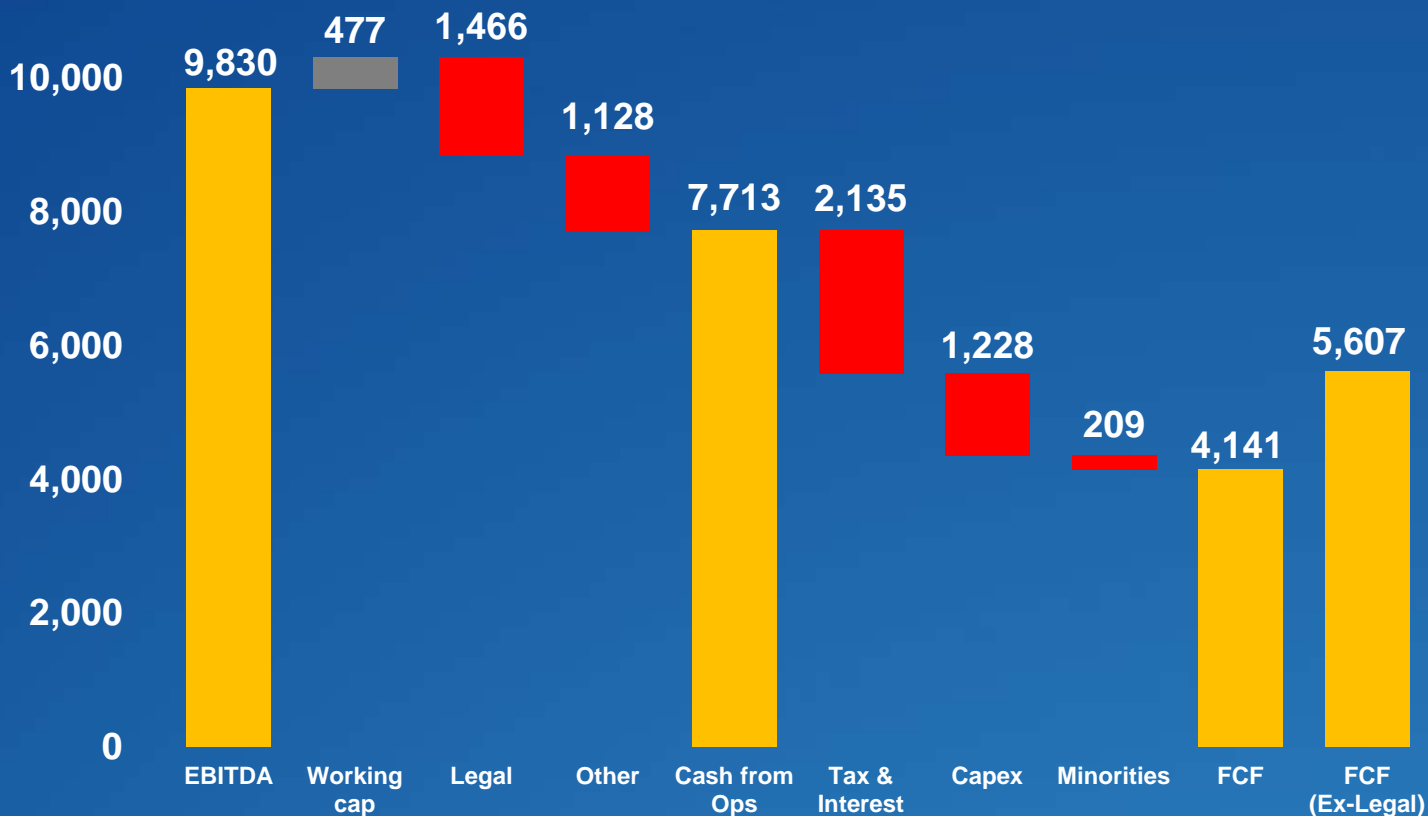


Financial efficiency



Cash flow growth

£ Million



EBITDA is reported (includes major restructuring). Capex includes expenditure on intangibles, net of proceeds from sale of PPE
Other primarily includes accounting gains on Quest and Zovirax disposals, and decrease in other net liabilities

Progress in reducing working capital but significant opportunity remains

Sales growth



Operating leverage



Financial efficiency

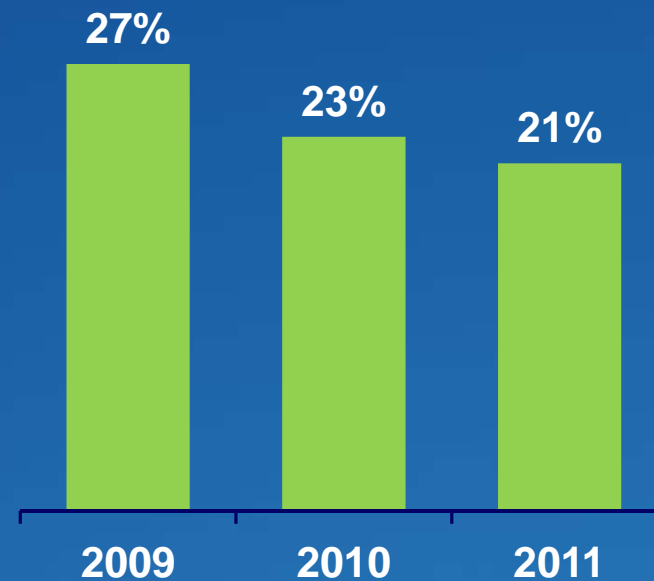


Cash flow growth

Conversion cycle

	Dec 09	Dec 10	Dec 11
DSO	70	66	61
DIO	200	190	192
DPO	(26)	(35)	(43)
Total	244	221	210

Working capital as % of sales



Net debt has remained steady at ~£9bn

Sales growth



Operating leverage

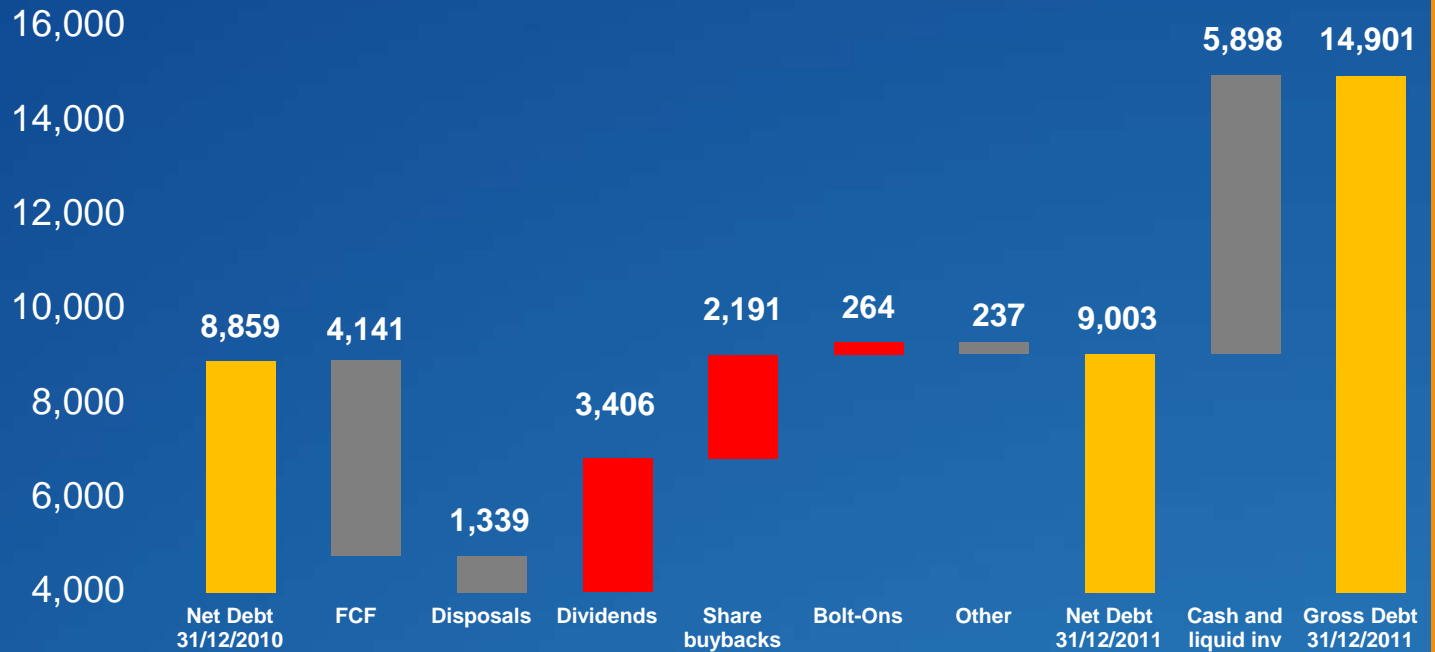


Financial efficiency



Cash flow growth

£ Million



£5.6bn cash returned to shareholders in 2011

Dividends

£3.4bn in 2011

Full year 70p (+8%)
plus
Q4 Supplemental
dividend of 5p

Buyback

£2.2bn in 2011

Strategy is delivering sustainable financial performance and returns to shareholders



- Broadly sourced growth and sales momentum
- Large and maturing late-stage pipeline
- Operating leverage & financial efficiencies
- Strong cash flow
- Rigorous capital allocation
- Commitment to grow dividends
- Long-term share buyback programme



GlaxoSmithKline