

Do more,
feel better,
live longer

Annual Summary



2011



Chief Executive's letter to shareholders

Three and a half years ago, we started on a new strategy designed to deliver sustainable financial performance and provide improved value to shareholders, patients, consumers and governments.

Our record in 2011 demonstrates that we are succeeding. We delivered underlying sales growth for the second consecutive year, strong cash generation, significant progress in R&D and increased the amount we returned to shareholders.

The full year ordinary dividend was up 8% to 70p. Additionally, we announced that we will return the net proceeds from the sale of our non-core North American over-the-counter brands to shareholders through payment of a supplemental dividend of 5p. This will be paid with the fourth quarter 2011 ordinary dividend. We also completed £2.2 billion of share repurchases as part of our long-term programme.

We have been seeking to create a more balanced business and product portfolio capable of providing sustainable sales growth. We saw strong underlying sales performances this year from across the three areas of our business – Pharmaceuticals up 2%, Vaccines up 11% and Consumer Healthcare up 5% – indicating we are on track. As expected, we saw a transition in our reported sales performance during the year, as the effects of the loss of sales of flu pandemic products, *Avandia* and *Valtrex* diminished, which meant reported sales were down 3% for the year.

This performance has been achieved despite continued economic pressures and political instability in Europe and some emerging markets.

A key element of our strategy has been to improve R&D returns and productivity and I am very pleased with the progress our R&D organisation is making towards this. Of the 15 medicines and vaccines in phase III development that we highlighted at the start of 2011, we have now received some or all of the data on nine of them. We expect to complete development programmes on six late-stage assets and indications in 2012. Of course, not all of the readouts were positive, but the overall balance was.



By being a responsible business we can grow and create value for our shareholders and for society in the long term. Read about our corporate responsibility approach and performance online.

www.gsk.com/responsibility



Importantly, we are seeing productivity translate into real filings and approvals, with three new medicines approved in the USA or Europe in 2011 and four more at the start of 2012 with sufficient data in-house to file this year. All of this comes with positive indications that we can replenish our pipeline on an ongoing basis.

We remain committed to operating with transparency and responsibility and place an emphasis not just on what we achieve but how we achieve it. During the year we made multiple advances on our agenda to ensure that our behaviour and our actions meet or even exceed the expectations of society.

For example, we continue to focus on our procedures for compliance, marketing and selling. In the USA we introduced a new compensation system to reward our US sales representatives on their quality of service to customers rather than sales volumes delivered.

A further highlight came towards the end of the year, with the publication of the positive results from our late-stage trial of our candidate malaria vaccine in children aged 5 to 17 months. We now await the results in infants aged 6 to 12 weeks but, if successful, the vaccine would be the first against malaria.

It is important to acknowledge and thank all of GSK's employees – and the many partners we work with around the world – for their outstanding contribution and support in helping deliver a very successful 2011 and creating the new opportunities we see for growth and performance in 2012 and beyond.

Sir Andrew Witty
Chief Executive Officer

What we do

We are a science-led global healthcare company that researches and develops innovative products

Our business

We have three primary areas of business: Pharmaceuticals, Vaccines and Consumer Healthcare. Our objective is to deliver sustainable growth across this portfolio. In 2011, our total turnover was £27.4 billion.

Pharmaceuticals

£18.7bn

Turnover

68%

of Group

Our Pharmaceuticals business develops and makes available medicines to treat a broad range of serious and chronic diseases. Our portfolio is made up of established brands and newer innovative patent-protected medicines.

Vaccines

£3.5bn

Turnover

13%

of Group

Our Vaccines business is one of the largest in the world, producing paediatric and adult vaccines against a range of infectious diseases. In 2011, we distributed 1.1 billion doses to 173 countries, of which over 80% were supplied to developing countries.

Consumer Healthcare

£5.2bn

Turnover

19%

of Group

We develop and market a range of consumer health products based on scientific innovation. We have leading positions in three categories: Over-the-counter medicines, Oral healthcare and Nutritional healthcare. Our portfolio includes a number of well known brands such as *Panadol*, *Sensodyne*, *Lucozade* and *Horlicks*.

R&D

Our business is sustained through investment in R&D. In 2011 we spent £3.9 billion before major restructuring, £4 billion in total, in our search to develop new medicines, vaccines and innovative consumer products.

We allocate our R&D investment based on our view of the scientific opportunities in different disease areas, our ability to provide significant improvements on existing treatments and the level of returns we can generate. We also have dedicated research programmes for diseases that affect the developing world.

We are one of the few healthcare companies researching both new vaccines and new medicines for all three of the World Health Organization's priority diseases: HIV/AIDS, malaria and tuberculosis.

How we performed

We measure our performance against a number of key indicators

Group turnover

£27.4^{bn}	£bn	Reported growth CER % [#]	Underlying* growth CER % [#]
2011	27.4	(3)	4
2010	28.4	(1)	4
2009	28.4	3	n/a

* Underlying turnover excludes the sales of pandemic products, *Avandia* and *Valtrex*.

Turnover in our major growth areas*

£14.8^{bn}	£bn	% of turnover
2011	14.8	54
2010	15.1	53
2009	13.5	47

* The major growth areas tracked are Vaccines, Consumer Healthcare, Emerging Markets, Asia Pacific and Japan Pharmaceuticals and Dermatology.

New Pharmaceuticals and Vaccines product performance*

£2.5^{bn}	£bn	Growth CER % [#]	% of turnover
2011	2.5	47	11
2010	1.7	36	7
2009	1.3	55	5

* New products are those launched since the beginning of 2007.

Operating profit and margin before major restructuring

£7.9^{bn}	£bn	Growth CER % [#]	Margin* %
2011	7.9	(7)	29.0
2010	8.6	(5)	30.4
2009	8.7	8	30.7

* This excludes legal costs and other operating income.

Earnings per share before major restructuring

114.1p	Pence	Growth CER % [#]
2011	114.1	>100
2010	53.9	(59)
2009	121.2	2

Free cash flow*

£4.1^{bn}	£bn	Growth %
2011	4.1	(8)
2010	4.5	(15)
2009	5.3	12

* Free cash flow is after capital expenditure, interest, dividends to minorities, sale of fixed assets and dividends received.

[#] CER growth is calculated as if exchange rates had remained unchanged from the previous year.

Returns to shareholders

We continue to increase our returns to shareholders

Cash returned to shareholders

£5.6^{bn}

	£bn	Growth £%
2011 (Dividends 3.4) (Buy-backs 2.2)	5.6	75
2010	3.2	7
2009	3.0	3

Progressive dividend policy continues

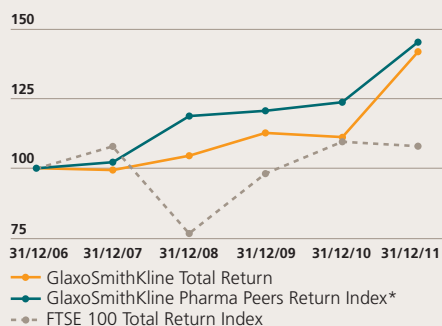
	pence	Ordinary dividend growth %
2011	70	8
2010	65	7
2009	61	7

Dividends

Dividend	Payment date	2011 pence	2010 pence
First interim	7 July 2011	16	15
Second interim	6 October 2011	16	15
Third interim	5 January 2012	17	16
Fourth interim	12 April 2012	21	19
Total		70	65
Supplemental	12 April 2012	5	–
Overall total		75	65

The ordinary dividend of 70p is an increase of 8% over 2010. In addition the supplemental dividend of 5p per share relates to the disposal of certain non-core over-the-counter brands in North America. This will be paid with the fourth quarter ordinary dividend.

Total shareholder return



* This index includes Abbott Laboratories, AstraZeneca, Bristol-Myers Squibb, Eli Lilly, Johnson & Johnson, Merck, Novartis, Pfizer, Roche Holdings and Sanofi.

Dividend calendar

Quarter	Ex-dividend date	Record date	Payment date
Q4 2011 and supplemental	15 February 2012	17 February 2012	12 April 2012
Q1 2012	9 May 2012	11 May 2012	5 July 2012
Q2 2012	8 August 2012	10 August 2012	4 October 2012
Q3 2012	14 November 2012	16 November 2012	3 January 2013

Shareholder information

Annual General Meeting

The Annual Report 2011 and the Notice of Annual General Meeting (AGM) setting out all the resolutions to be proposed at the AGM in May 2012, are available for you to review at www.gsk.com.

The GSK AGM will be held at 2:30pm on Thursday, 3 May 2012 at:

The Queen Elizabeth II Conference Centre
Broad Sanctuary
Westminster
London SW1P 3EE

More information

This document contains a summary of certain information in our Annual Report for the year ended 31 December 2011. It does not include all the information needed to give a full understanding of the results, state of affairs, risks and uncertainties of the company and the Group. Full information is provided in the Annual Report 2011.

Financial advice

The provision of the details on this page is not intended to be an invitation or inducement to engage in an investment activity. Advice on share dealing should be obtained from a stockbroker or independent financial adviser.

Shareholder and investor contacts

The company's registrars are Equiniti Limited
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The ADR programme is administered by The Bank of New York Mellon
PO Box 358516
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shrrelations@bnymellon.com
www.bnymellon.com/shareowner

Keeping up to date

To receive future notifications from us by email, please register accordingly at www.shareview.co.uk. You can request printed copies of our Annual Report 2011 from Equiniti and The Bank of New York Mellon.

Cautionary Statement

Under the 'safe harbor' provision of the US Private Securities Litigation Reform Act of 1995, GSK cautions shareholders that any forward looking statements of projections made by GSK including those made in this document, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Factors that may affect the Group's operations are described under 'Risk factors' in GSK's Annual Report 2011.

Our mission

We have a challenging and inspiring mission to improve the quality of human life by enabling people to do more, feel better and live longer.

Our website has down-loadable PDFs of:

- Annual Report
- Corporate Responsibility Report

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Front cover (clockwise from top)

Our PHASE programme educates groups about the importance of handwashing in reducing the spread of diseases. (Chris Martin)

A *Diskus* inhaler, one of the devices that we have developed to deliver inhaled medicines directly to the respiratory system. (Inpress Photography)

Early research into new biopharmaceuticals, including treatments based on antibodies, takes place at our large R&D centre in Stevenage, in the UK. (George Brooks)

Printed on Amadeus 100 Offset, a 100% recycled paper with full FSC certification. All pulps used are made from 100% de-inked, post-consumer waste and are Elemental Chlorine Free (ECF). The manufacturing mill holds the ISO 14001 and EU Eco-label certificates for environmental management. The mill has zero landfill and extremely low carbon emissions, leading the WWF to approve its papers as the most environmentally sustainable of uncoated recycled paper.