



GlaxoSmithKline



GSK Pharmaceuticals

2005 Business Review

Morgan Stanley

Analysts Meet

10th March 2006

The Healthcare environment is challenging

Heavily reliant on private sector

Government spends small relative to India's needs ~ 1.5 % of GDP

Only 3.5% of population has health insurance

Protectionist policies

Price controls

IPR protection yet to be tested

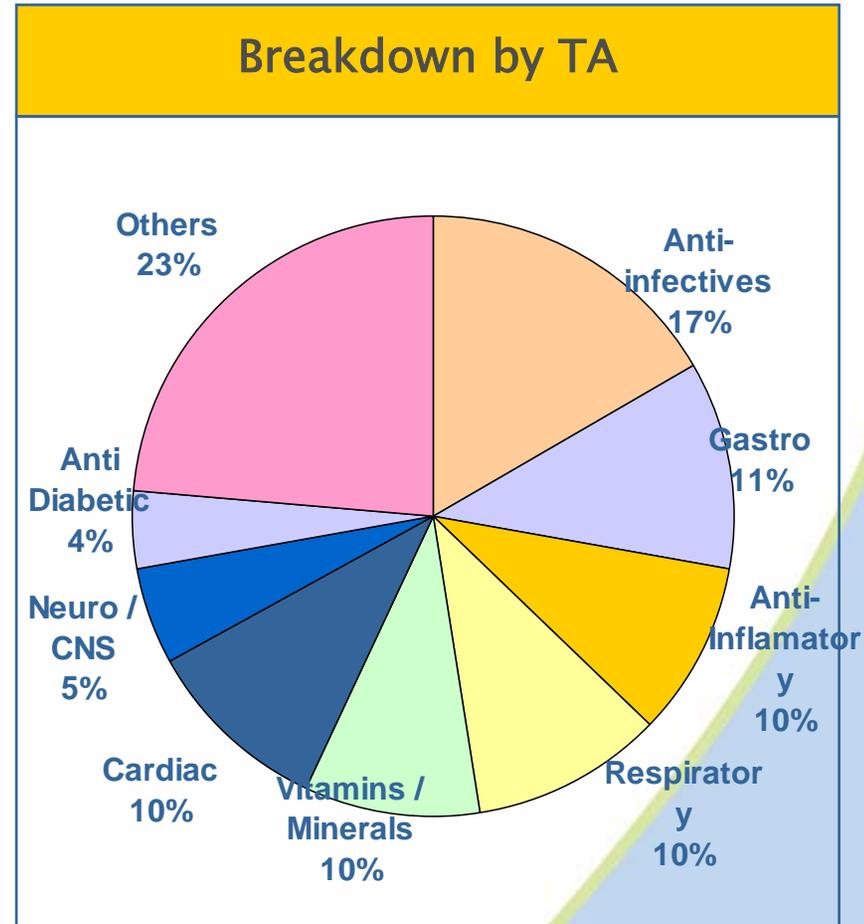
Tariffs on imports
- Stretch out WTO compliance

Challenging market

- "Branded Generics" market
- Low entry barrier - 22,000 companies
- In practice sales occur without prescriptions despite the law
- Price competitive
 - Discounting
 - Prescriptions are switched

Rx Market is \$5 b & growing at 4 %

Market Size		
	Market size (\$M)	Growth(%)
1999	2,529	15.2
2005	5100	8.6



* Large volume, low value but compensated by long life cycles

Source : ORG IMS Dec MAT 2004



Patent protection:
*Rewrites the rules of the
game in the pharmaceutical
market*

Implication of change in IPR environment & shift in disease trends

- Transition from undifferentiated to differentiated market
- Simple price differentiation & superiority messages may no longer work
- Acquiring abilities to develop & shape key market segments

...But India will not become a high price market overnight

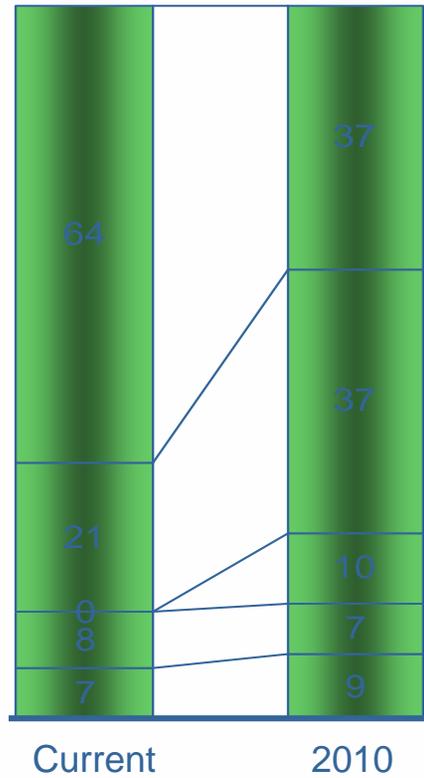
- Indian consumer-a relentless value seeker
- For over 30 years ,access to high quality medicines at low prices for all (including the wealthy)
- Innovative healthcare solutions have to demonstrate added value

Patent protected products will gradually acquire significant M.S

Shift in disease trends

Patent protection

• 100% = \$ 5 billion \$ 11.6 billion



Traditional branded generics*

Specialty branded generics**

Patented molecules

Generic generics

OTC

CAGR
%

10.2

4.7

15.7

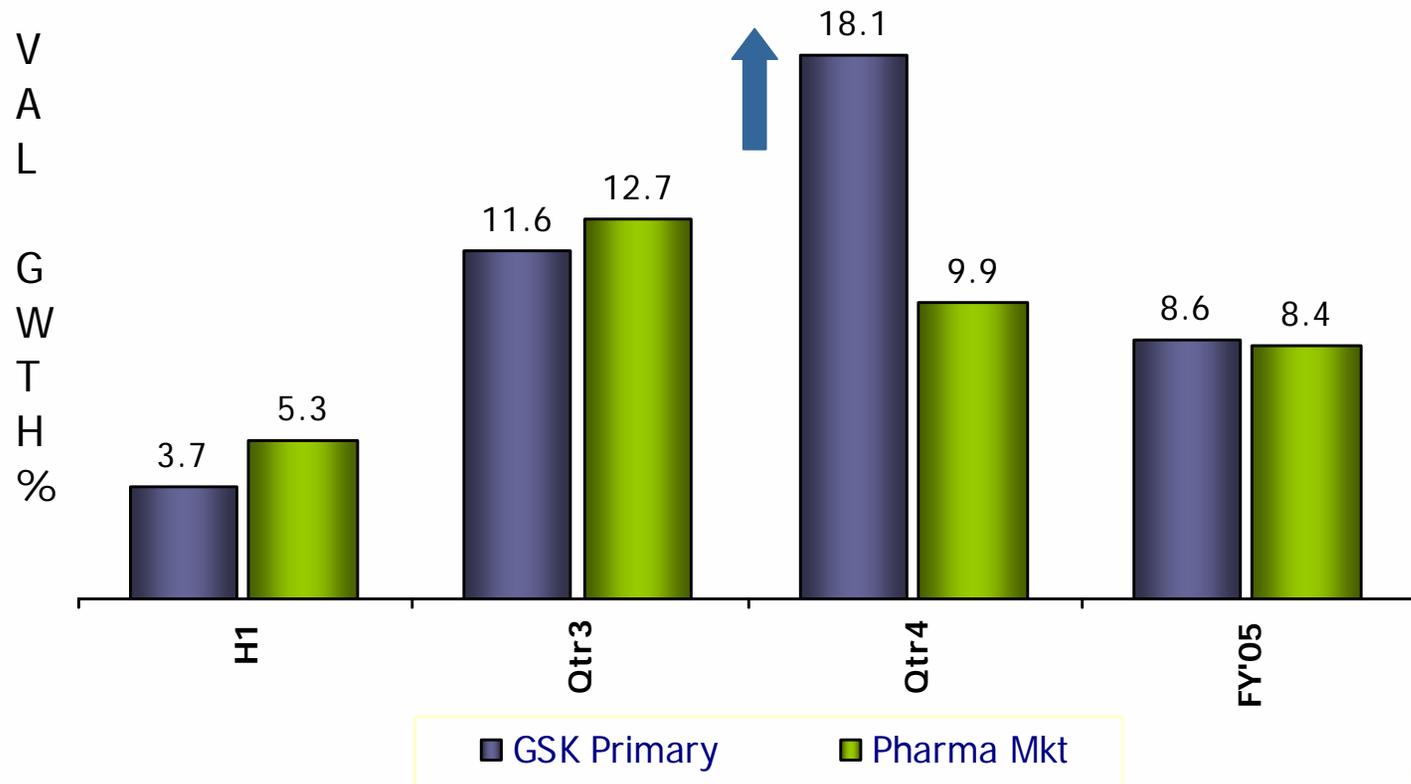
N/A

8.6

12.5

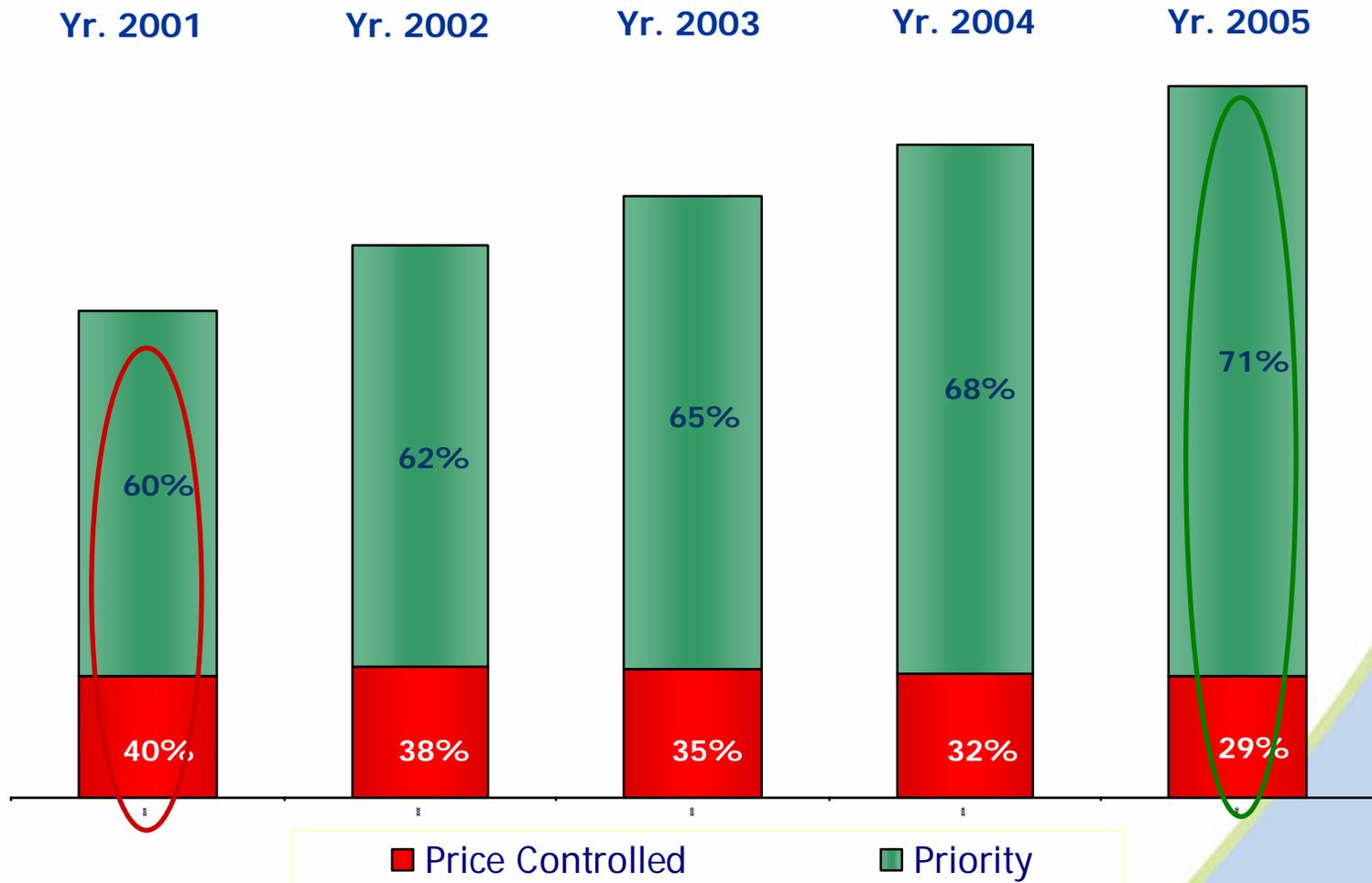
Patent protected products – 20 % M.S by 2015

Following a poor Q1, GSK successfully recovered (VAT) Sales loss and had a strong finish to the year



IMS which also includes Institutional & Vx Sales shows Industry growth at 5.3%

GSK has progressively de-risked its business by reducing reliance on Price Controlled products

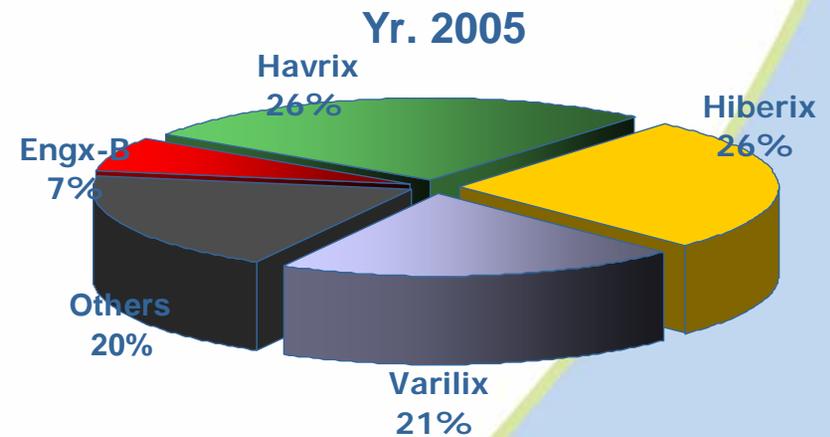
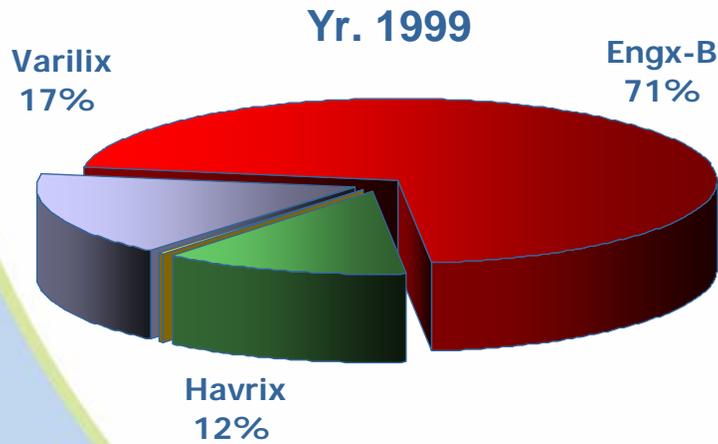
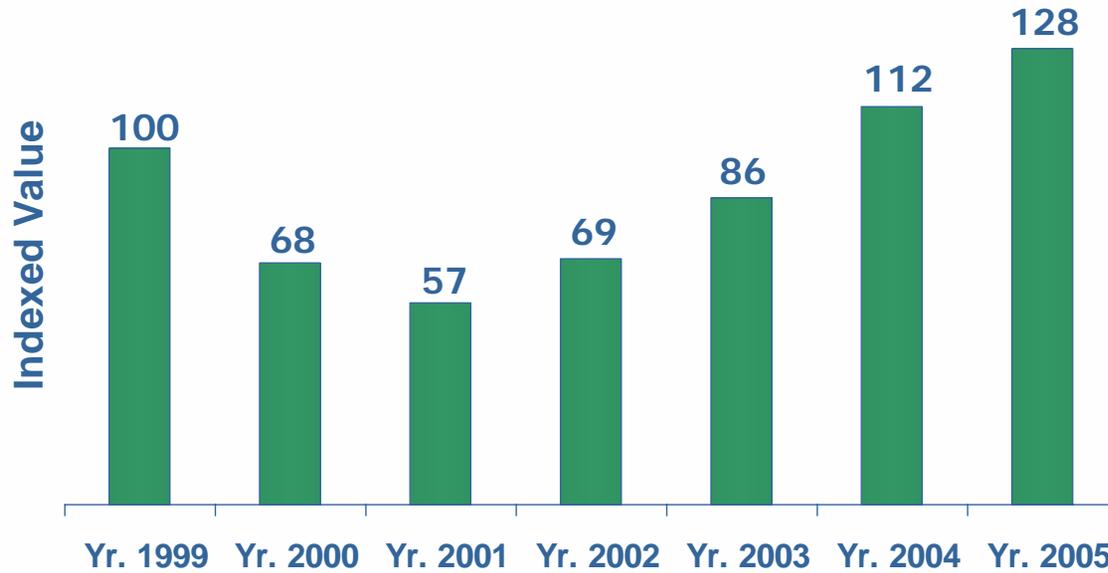


Building Great Brands...

GSK Top 20 Brands – Evolution '01 To '05 Rs. Mn

Brand	2001	2005	CAGR
Sales of TOP 20 Brands	6,611	8,850	9%
"Priority" Total	3,744	6,156	13%
Count of "P"	14	16	
Share of "P"	57%	70%	

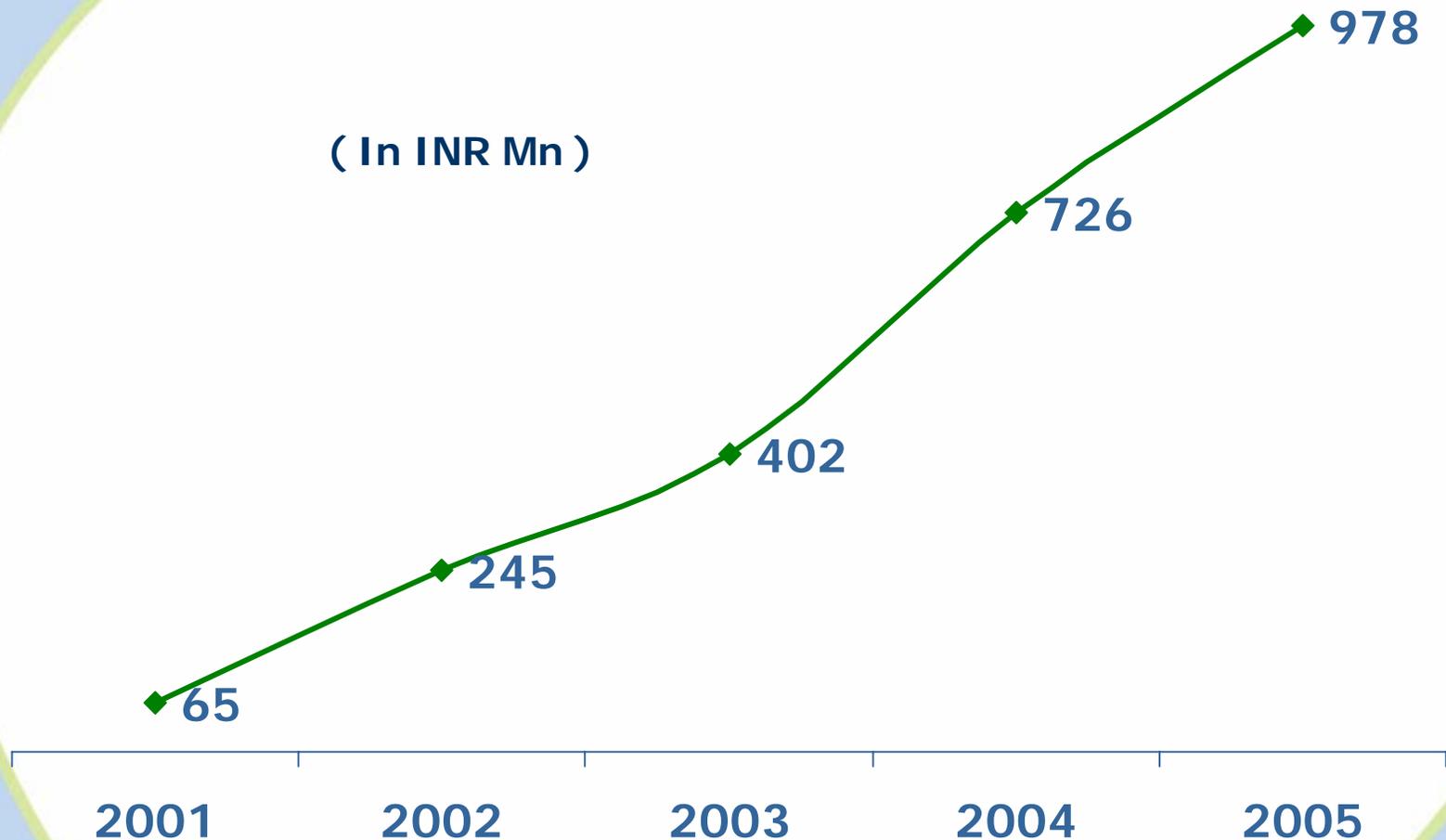
GSK successfully managed its Vx Portfolio substituting Eng-B with other New age Vx



New Vx grew by 27% (CAGR) constituting ~93% of total  GlaxoSmithKline

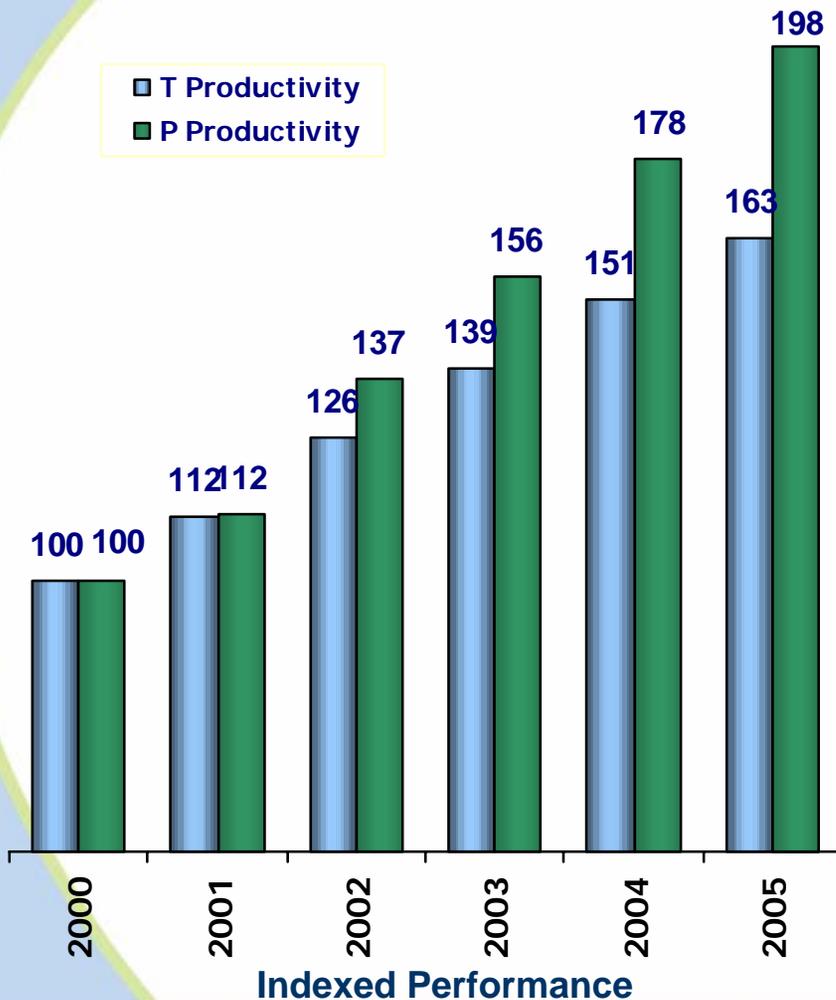
Key Highlights & Achievements

New product contribution ~ Rs 98 Cr in 2005



NOTE: Launches in 2001 & beyond considered

Continued emphasis on Field Force Productivity yielding dividends



SFE INITIATIVES

- Integrated ETMS – Call Plan, Sales Performance Track
- Territory Performance Mgmt
- Increasing Rx Value
- Optimising Product Coverage
- Field Force Skills Dev. (EIS/SME/WWSFE)

Key Highlights & Achievements

2005 Business Development Initiatives

INLICENSING AGREEMENTS CONCLUDED in '05

- Organon – Oral Contraceptives – Deal concluded and product launched
- Eisai – Parit (Rabaprazole)– Deal concluded and product launched in Sep'05
- Albion – Ferronine (Chelated Iron supplement) – Deal concluded and product launched in Nov'05
- Roche – Carvedilol – Deal concluded in Q4'05

INLICENSING AGREEMENTS IN PROGRESS

- Discussions on for in-licensing in areas of
 - Critical Care Anti-biotics
 - Diabetes
 - Cardio-vascular

Key Highlights & Achievements

OPERATIONAL

- Entry into Diabetes with launch of Windia / Windamet
- Number of People Development programs initiated
- New Front-end IT initiatives
 - Stockist Connect
 - Customer targeting software

STRATEGIC

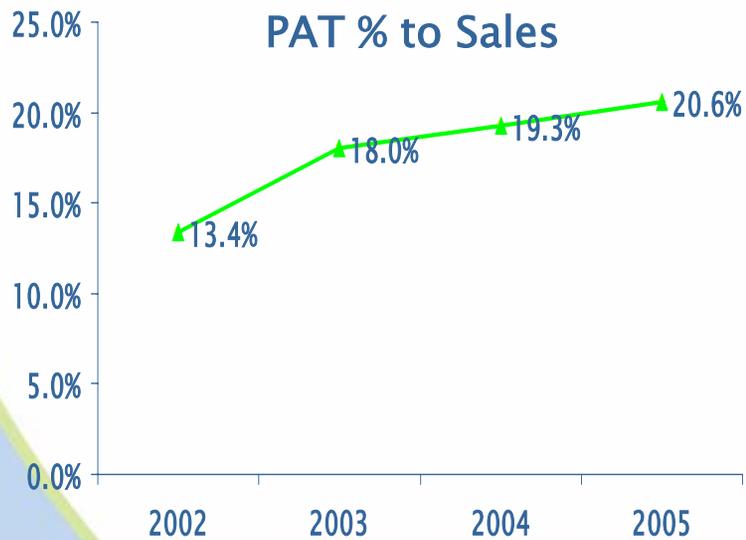
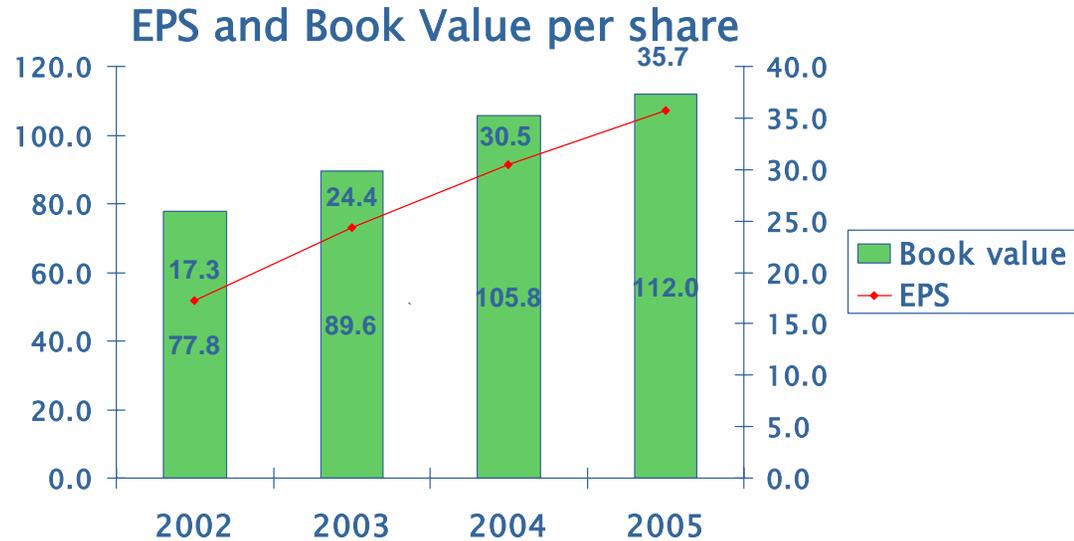
- GSK India firmly establishes a Global R&D Centre
- Mulund Site disposal : 217 Cr
- Returned 209 Cr to shareholders through buyback



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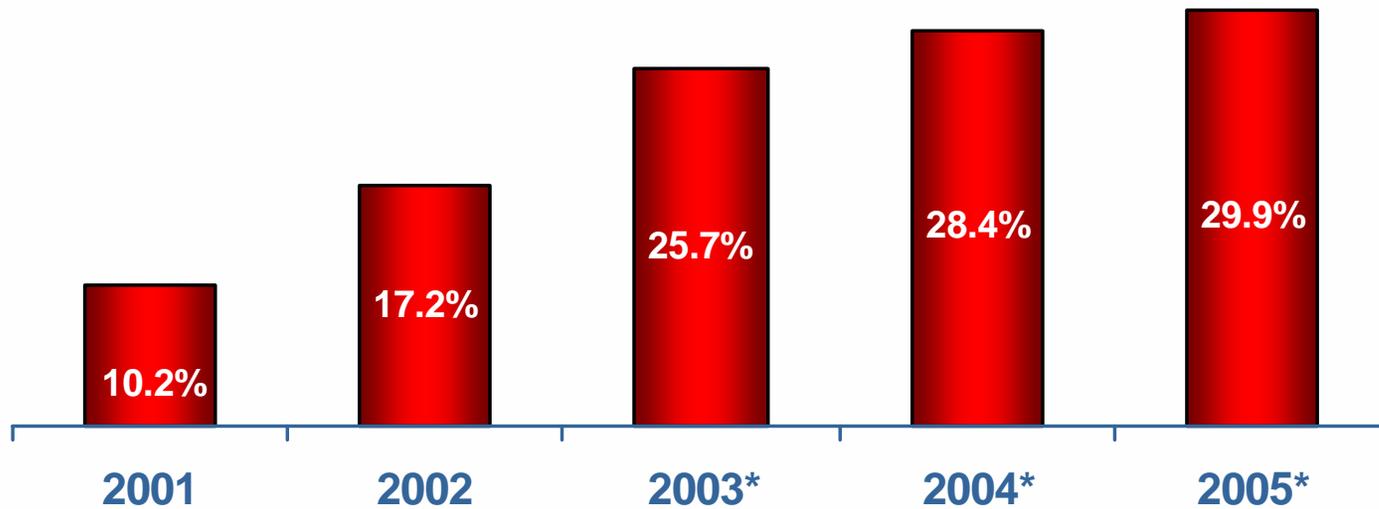
Financial Results 2005

Strong financial performance



Improvement in profitability year on year

Trading Profit Margins



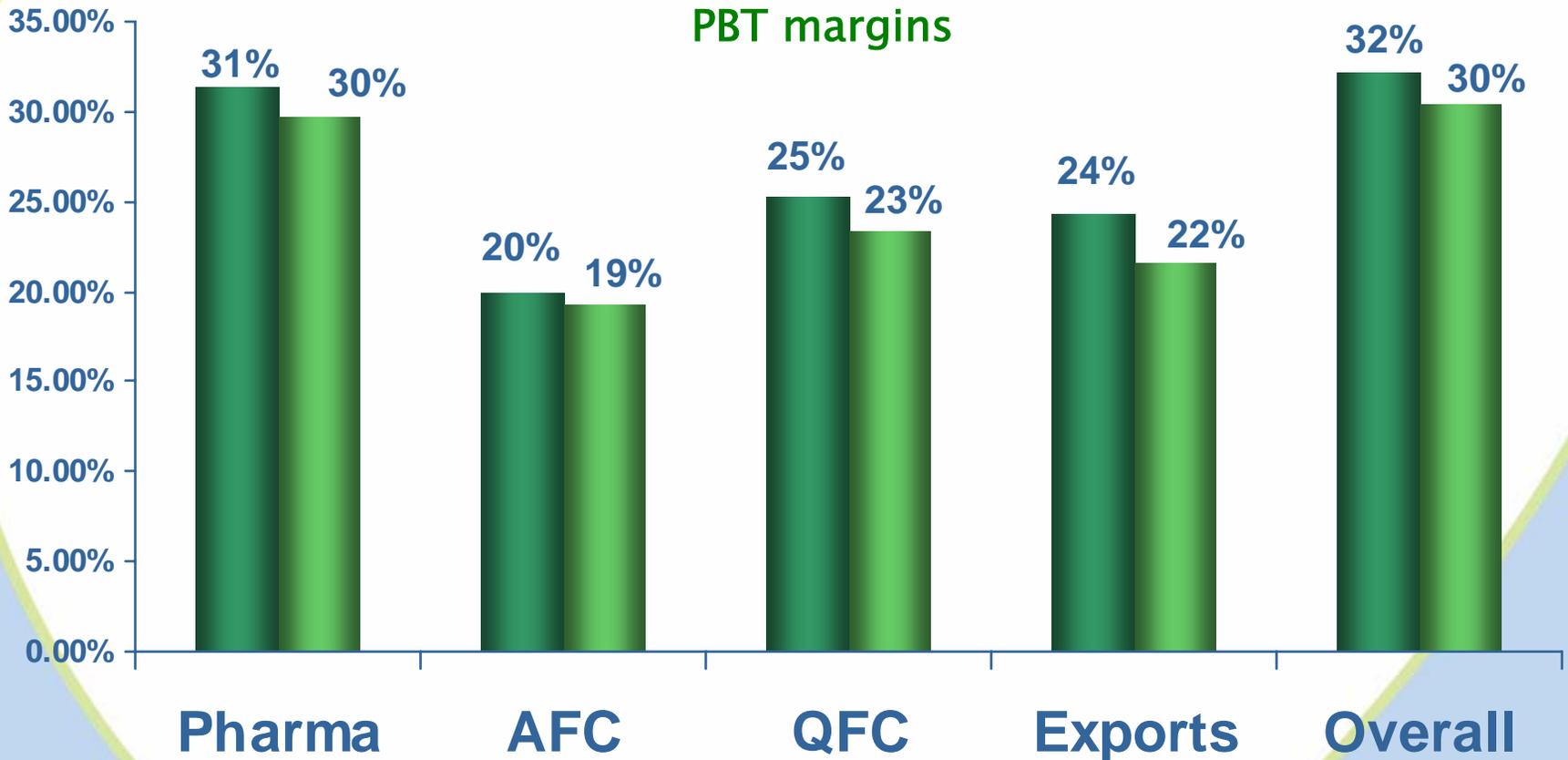
* GSK & BW

GSK Financials

2004			2005		Change	
Rs. L.	% to Sales		Rs. L.	% to Sales	Rs. L.	%
1479,59		Sales	1575,89			
103,70		Less: Excise Duty on Sales	90,59			
1375,89	100.0	Net Sales	1485,30	100.0	109,41	8.0
24,75		Other Income	32,19		7,44	
1,90		Treasury Income	10,00		8,10	
26,68		Interest income	23,45		(3,23)	
1429,22		Total Income	1550,94			
590,86	42.9	Materials Consumed	626,46	42.2	35,60	6.0
12,41	0.9	Excise Duty on stock/samples	14,92	1.0	2,51	
390,24	28.4	Operating and Other Expenses	415,92	28.0	25,68	6.6
17,47		Depreciation	15,73		(1,74)	
1010,98	73.5	Total Expenditure	1073,03	72.2		6.1
418,24	30.4	PBT before exceptional	477,91	32.2	59,67	14.3
152,19	11.1	Provision for Taxation (Incl. FBT)	171,63	11.6	19,44	
266,05	19.3	PAT before exceptional	306,28	20.6	40,23	15.1
67,04		Exceptional net of tax	195,80			
333,09		Net Profit	502,08			
772,62	56.2	Gross Margin	843,92	56.8	71,30	9.2
407,13	29.6	EBIDTA (excluding treasury income)	460,19	31.0	53,06	13.0
928,10		Capital Employed	972,78			
42.2%		Return on Capital Employed	46.7%			

Segmental Performance

Sales	1257	121	80	27	1485
Rs.crs					
Growth %	8.6	9.9	0.2	-3.7	8.0



■ 2005 ■ 2004

Exceptional Items

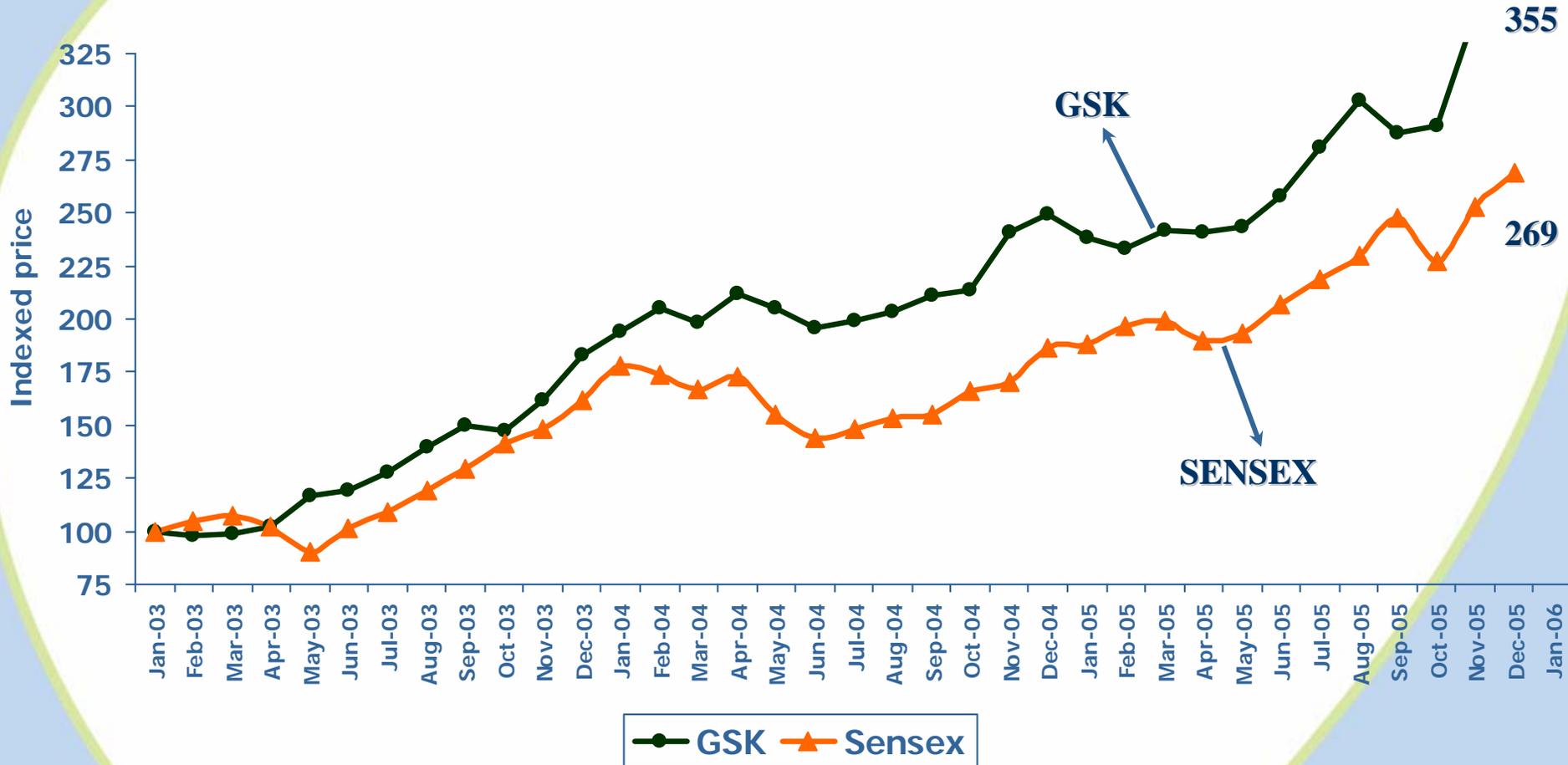
	2005	2004	In INR Mn
Govt. demand / provision for Pricing (Salbutamol formulations & Zevit)	(176)	(43)	
Share Buyback	(19)	-	
Other Sundry (Site closure)	(25)	(442)	
Compulsory deductible under flood loss policy	(4)	-	
Property Sale	2166	1042	
Total	1942	557	
Tax	16	113	
	1958	670	

Cash flow 2005

INR Mn

Cash from Operations	4562
Treasury income (Net)	332
Working Capital	477
Capex (net)	(225)
Tax Paid	(1458)
Dividends 2004 encashed	(2087)
Dividend Distribution Tax	(274)
Increase in Cash / Investments	1327
Sale of property	2180
Share buy back	(2073)
Other items	(124)
Net increase in Cash / Investments	<u>1310</u>

GSK has outperformed the Sensex





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Future Initiatives

GSK India Initiatives

In-licensing Opportunities

GSK India – a partner of choice

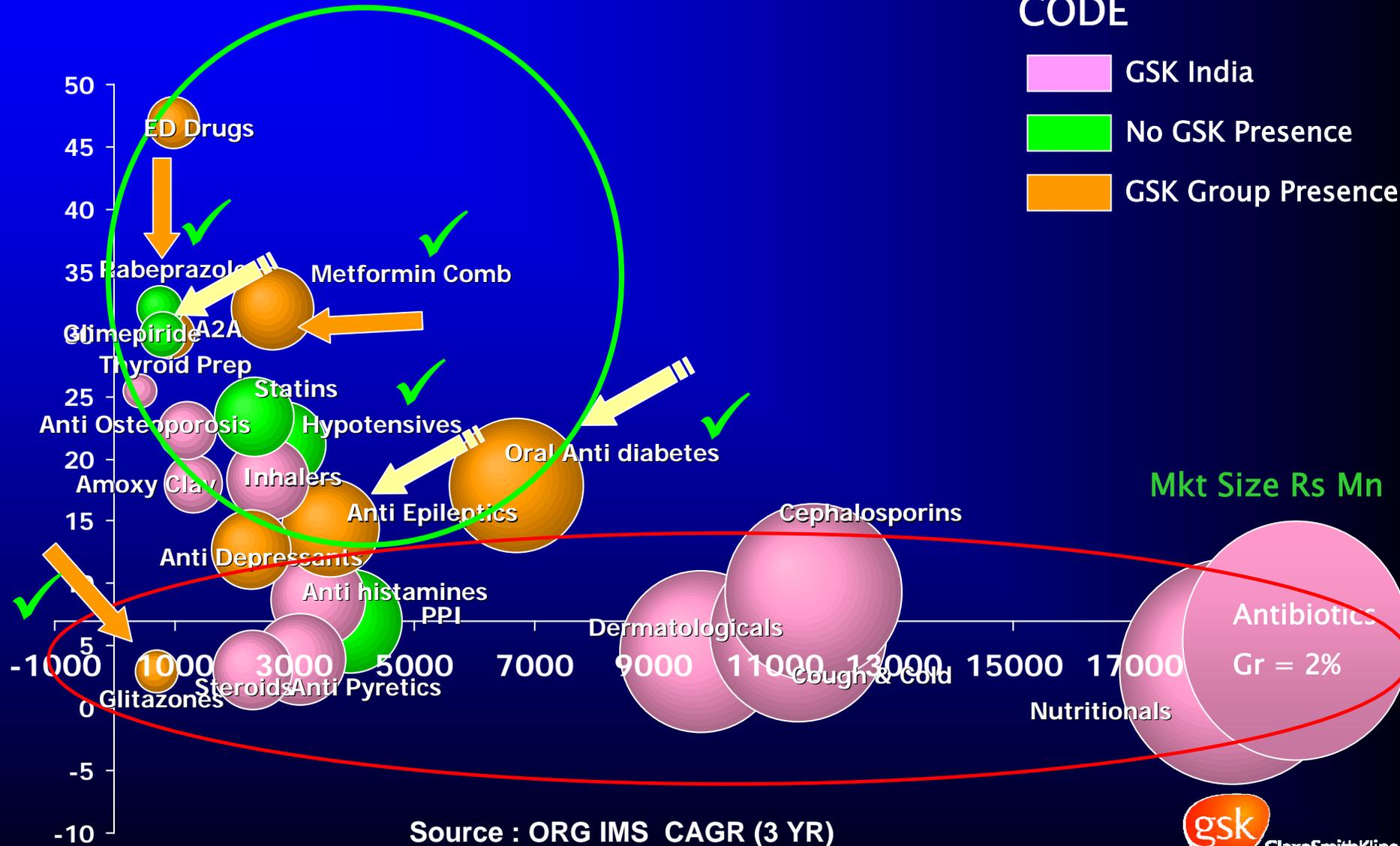
- Target companies not present in India
 - Japanese companies
 - American Biotech companies
- Target MNCs operating in India with products in mass markets
 - Two brands strategy works:
 - Cetzine/Zyrtec
 - Vozet/Xyzal
 - Zimig/Lamicil

Focus on upgrading quality of product portfolio by entering high growth segments

Mkt Growth %

CODE

- GSK India
- No GSK Presence
- GSK Group Presence



Mkt Size Rs Mn

Source : ORG IMS CAGR (3 YR)



GSK India Initiatives

(contd.)

Vx Portfolio Growth

Post 2007 New Launches – Rotarix, Infanrix, Cervarix, Streptorix

- Robust pipeline will accelerate growth –

NCE	Filing Year	India launch	Key Differentiation
Rotarix	2005	2007	Rotavirus - biggest cause of diarrhoea
Cervarix	2006	2007/8	Cervical cancer vaccine
Streptorix	2007	2009	Eleven valent vaccine
Infanrix Hexa	2006	2007/8	DTPa + Hib + HB + IPV

Also Vx for Malaria, TB, Dengue ...Post 2010

GSK India Initiatives

(contd.)

New Patented Molecules

2008 Launches : GSK's "Wall" – Oncology, Metabolic

NCE	Filing Year	India launch	Key Differentiation
Lapatinib	2006 /7	2008	1st in Class. Dual mechanism to cut of blood supply to the tumor
Allermist	2006	2008	New Glucocorticoid agonist for allergic rhinitis
Alvimopan (Post operative Ileus)	2005	2008	1st in Class. Satisfies unmet need.
Pleuromutilin	2006	2008	Topical Antibiotic

GSK India Initiatives

(contd.)

New Patented Molecules

2008 Launches : GSK's "Wall" – Oncology, Metabolic

Implication of change in IPR environment & shift in disease trends

- Sales volumes & value generation will be substantially higher
- High resource investment – initial market development spend entirely by innovator
- Robust Regulatory strategy. Currently not a level playing field. **Time to market crucial**
- Transition from undifferentiated to differentiated market
- Simple price differentiation & superiority messages may no longer work
- Acquiring abilities to develop & shape key market segments

Summarising the way forward...

Organic Growth

In-licensing Opportunities
GSK India - a partner of choice

Vx Portfolio Growth
Post 2007 New Launches - Rotarix, Infanrix, Cervarix, Streptorix

New Patented Molecules
2008 Launches : GSK's "Wall" - Oncology, Metabolic

Brand Acquisitions



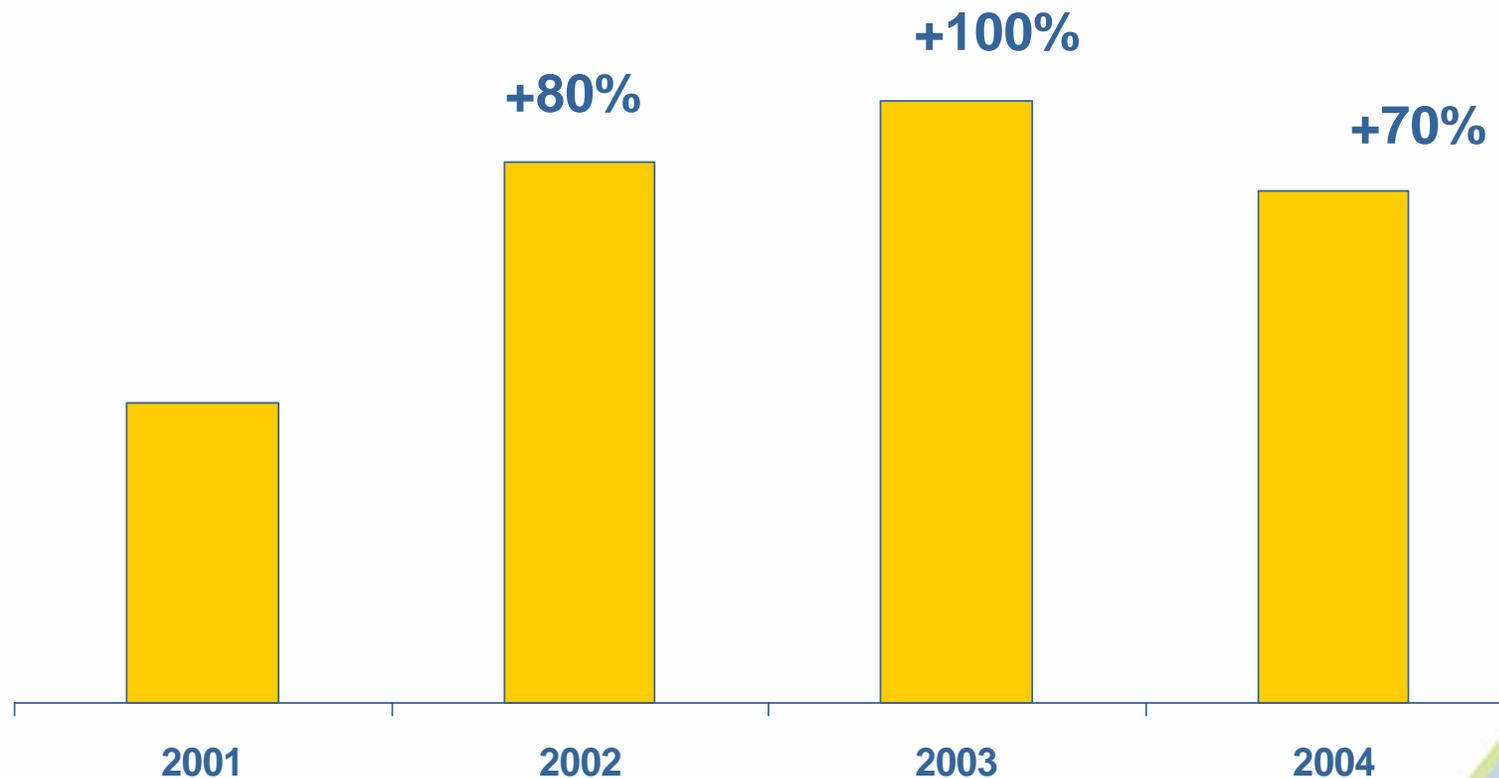
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GSK New Product Pipeline

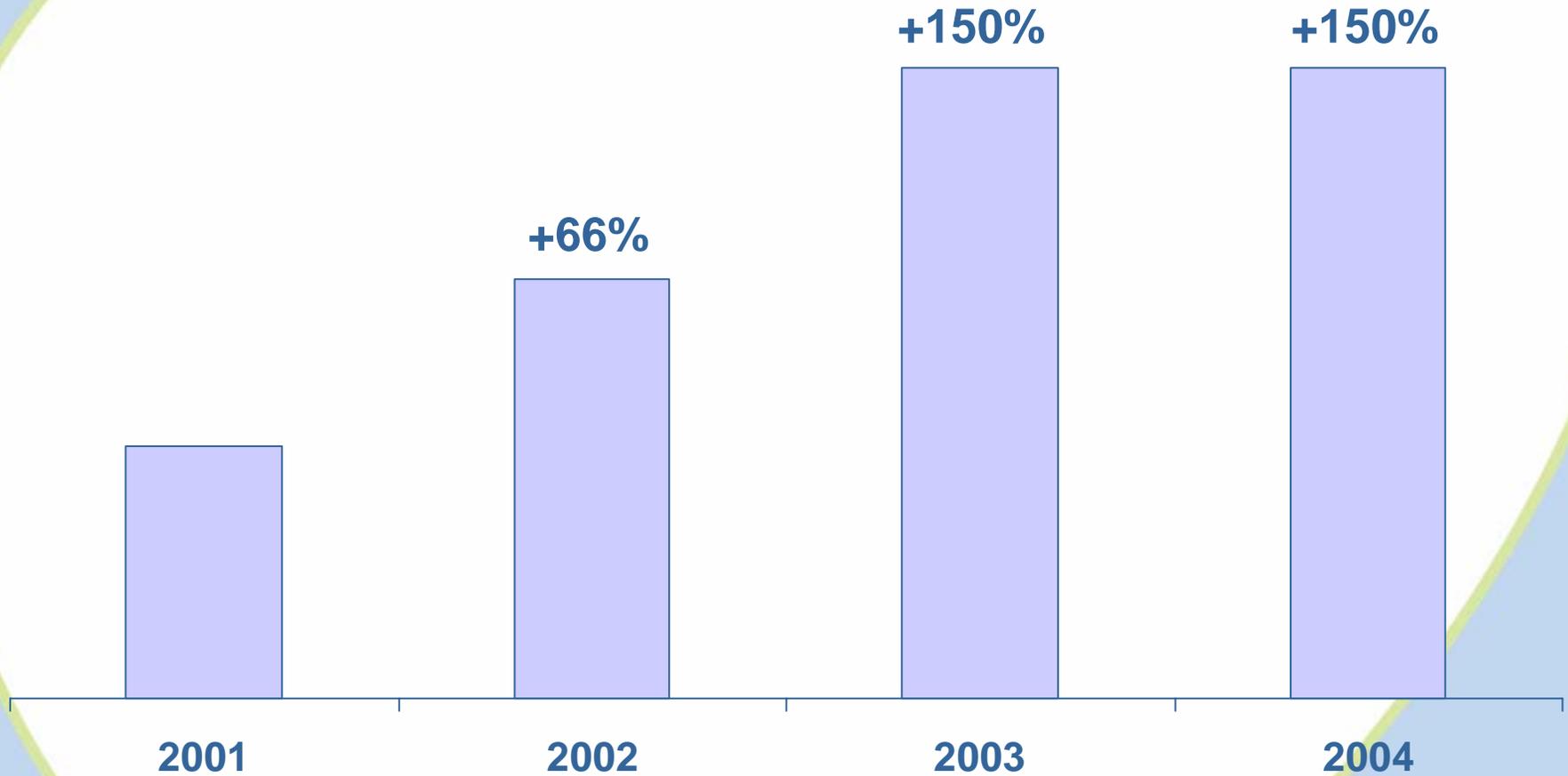


GSK has one of the most promising R & D pipeline

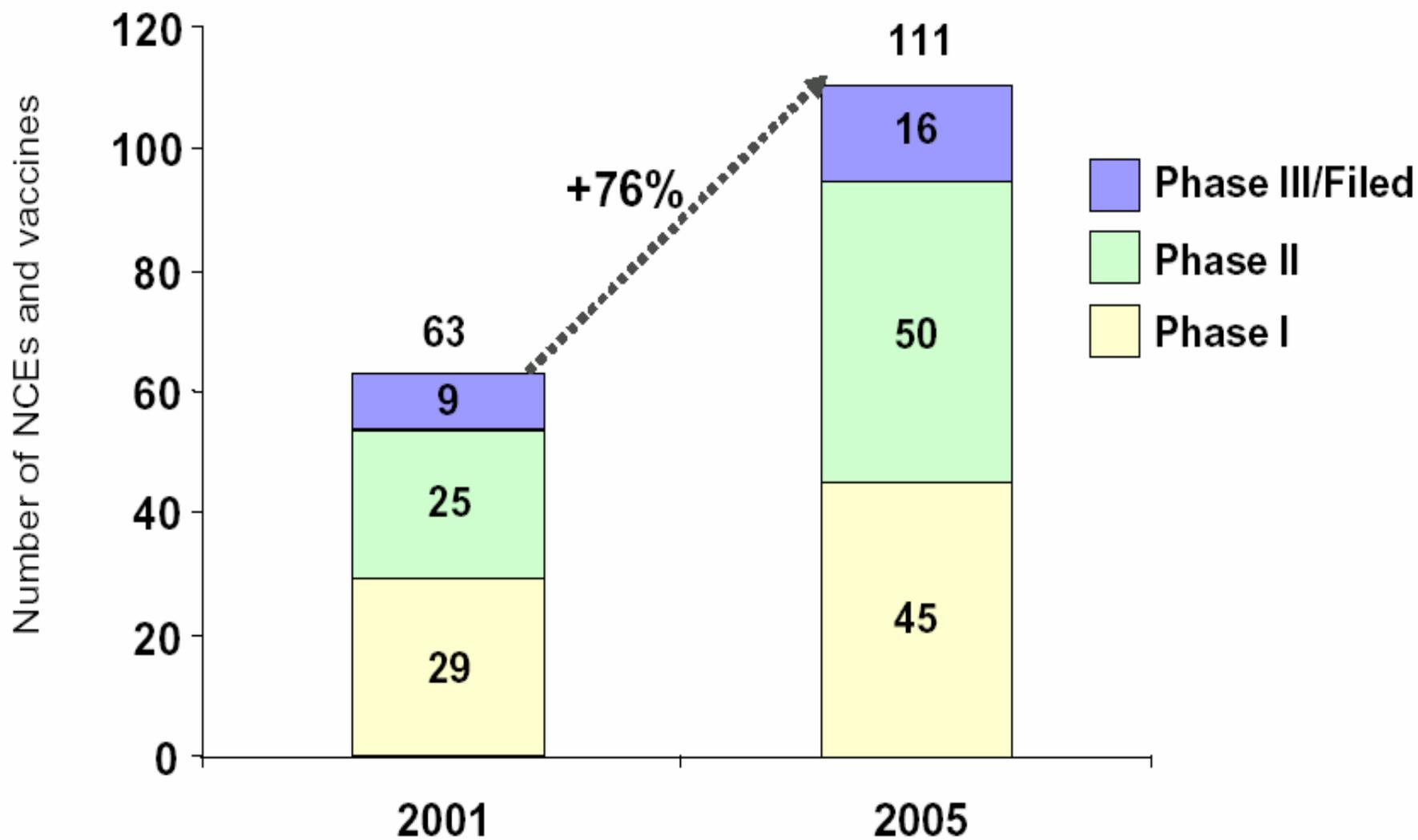
R&D Productivity Increase – Phase I Starts (NCEs Only)



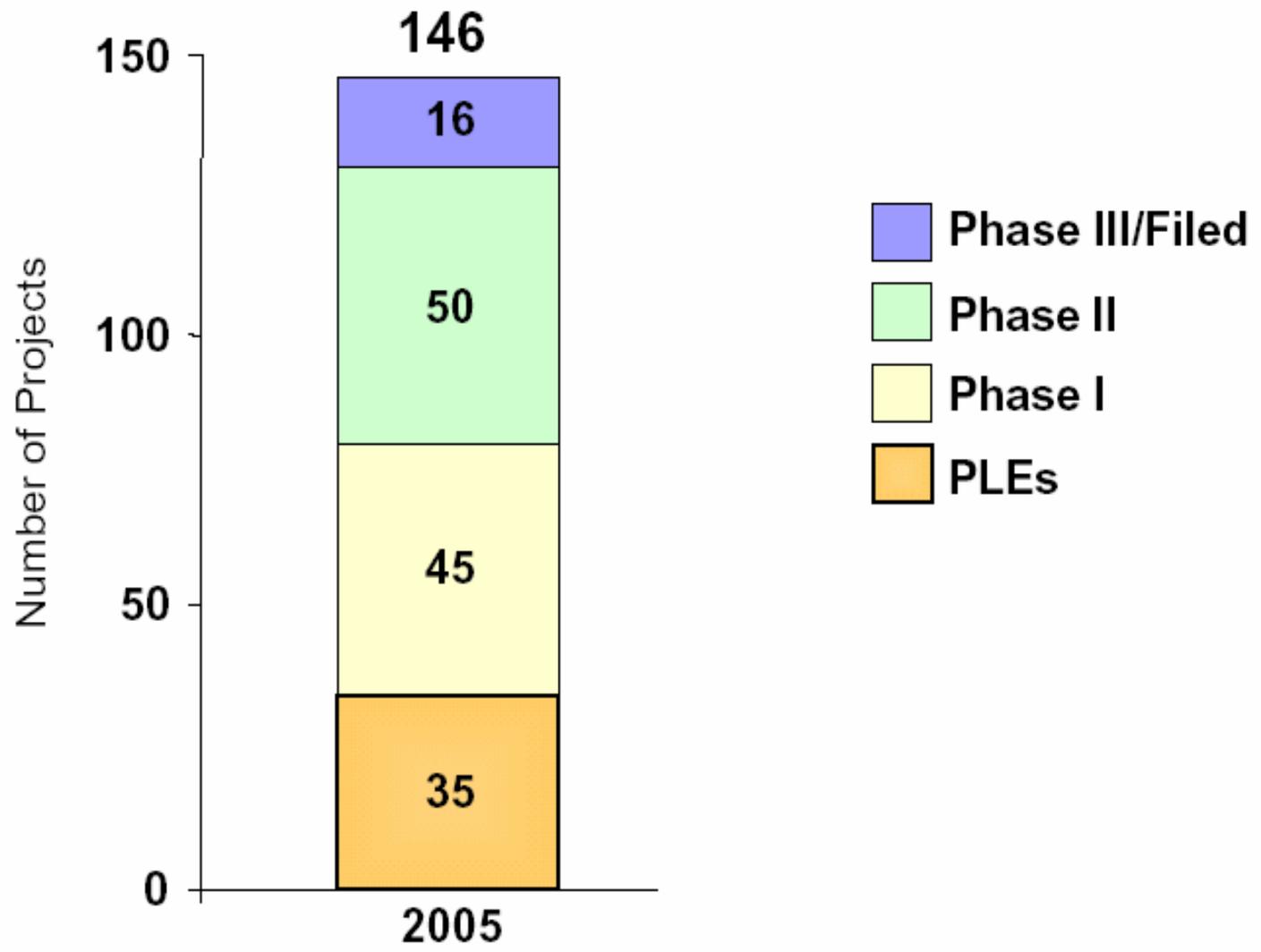
R&D Productivity Increase – Phase II Starts (NCEs Only)



NCE and Vaccine Pipeline Increased 76%

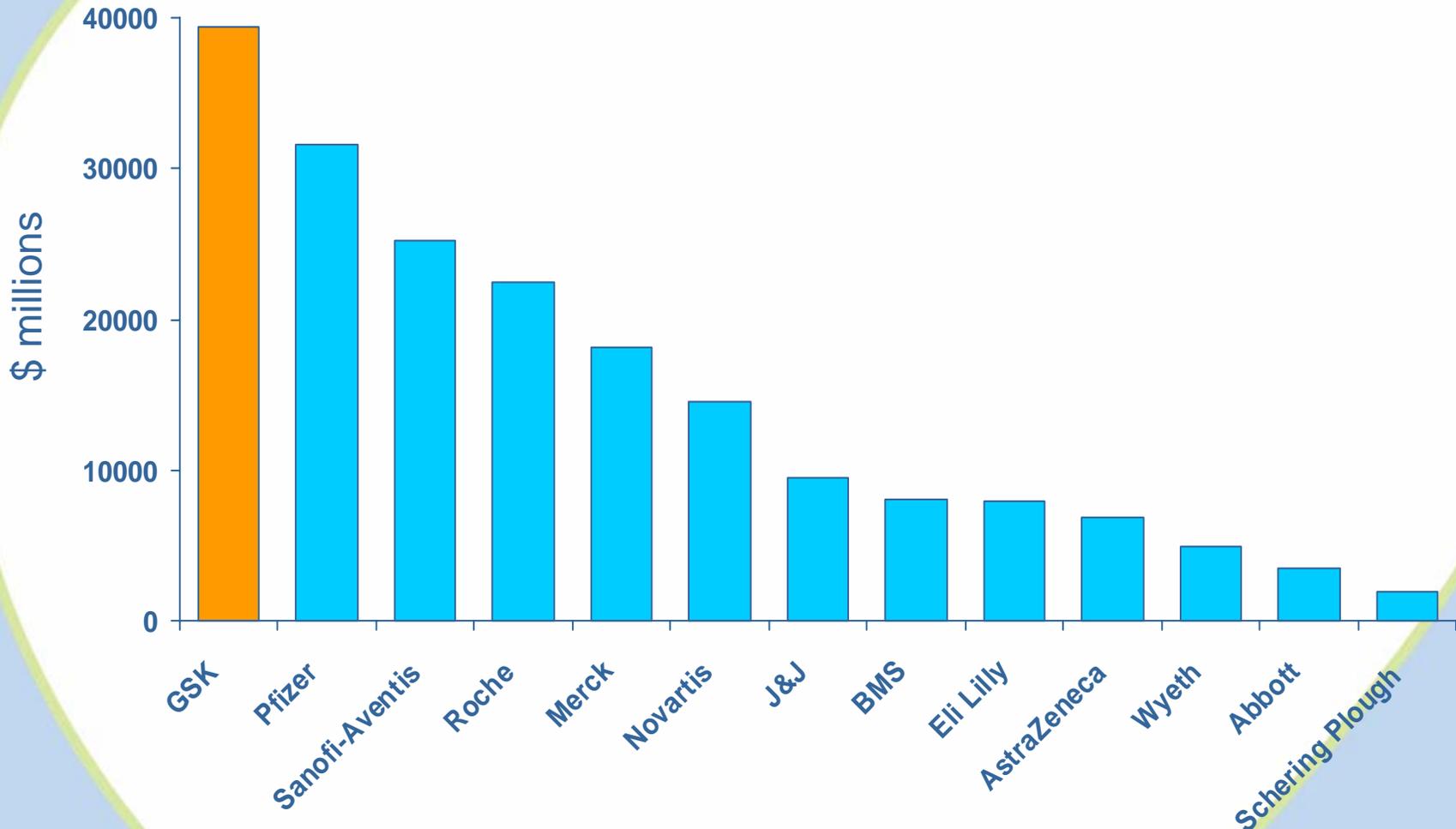


146 Projects in Clinical Development



Pharma - Total Pipeline NPV Estimates

Source: Adapted from **Lehman Brothers PharmaPipelines™** analysis September 2005



Launch Schedule for Patent Protected NME's/Big Bets

NCE	Filing Year	India launch	Key Differentiation
Lapatinib	2006	2008	1st in Class. Dual mechanism to cut of blood supply to the tumor
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End of presentation