
Financial Report

GlaxoSmithKline plc

from 2004 to 2011

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Selected Financial Data

in millions of GBP	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Income statement highlights								
Net sales	19,986	21,660	23,225	24,941	26,799	28,542	30,404	32,395
Gross profit	15,626	16,896	18,215	19,561	21,018	22,385	23,846	25,407
<i>Gross margin</i>	78.2%	78.0%	78.4%	78.4%	78.4%	78.4%	78.4%	78.4%
EBITDA	6,659	7,870	9,008	9,933	10,871	11,731	12,659	13,661
<i>EBITDA margin</i>	33.3%	36.3%	38.8%	39.8%	40.6%	41.1%	41.6%	42.2%
Operating profit	5,756	6,874	7,808	8,740	9,638	10,453	11,332	12,280
<i>Operating margin</i>	28.8%	31.7%	33.6%	35.0%	36.0%	36.6%	37.3%	37.9%
Net profit	3,908	4,689	5,389	5,970	6,630	7,231	7,878	8,573
<i>Net profit margin</i>	19.6%	21.6%	23.2%	23.9%	24.7%	25.3%	25.9%	26.5%
Balance sheet highlights								
Cash and short-term investments	3,979	5,234	3,040	3,326	3,734	4,168	4,664	5,215
Property, plant and equipment	6,197	6,652	6,930	7,106	7,329	7,590	7,891	8,234
Total assets	22,944	27,198	25,553	26,705	28,088	29,509	31,085	32,814
Borrowings	5,963	6,471	5,490	4,997	4,553	4,154	3,795	3,472
Net borrowings	1,984	1,237	2,450	1,672	819	-14	-869	-1,743
Total equity	5,937	7,570	9,648	10,664	11,815	12,976	14,209	15,513
Invested capital (average)	11,884	12,793	14,776	16,029	16,420	16,859	17,337	17,873
Other key financial data								
Return on equity	68.3%	71.9%	64.6%	60.4%	60.6%	59.8%	59.3%	59.0%
Return on invested capital (ROIC)	33.7%	38.4%	37.3%	38.4%	41.4%	43.7%	46.1%	48.4%
Current ratio	1.26	1.39	1.51	1.54	1.57	1.60	1.63	1.66
Debt-to-equity ratio	1.00	0.85	0.57	0.47	0.39	0.32	0.27	0.22
Number of employees (average)	99,837	99,503	101,802	103,838	105,915	108,033	110,194	112,398
Share data								
Shares outstanding (thousands)	5,866,052	5,821,220	5,756,517	5,636,517	5,516,517	5,396,517	5,276,517	5,156,517
Average shares outstanding - basic (thousands)	5,763,000	5,674,000	5,643,000	5,696,517	5,576,517	5,456,517	5,336,517	5,216,517
Average shares outstanding - diluted (thousands)	5,748,000	5,720,000	5,700,000	5,753,482	5,632,282	5,511,082	5,389,882	5,268,682
Book value per share (GBP)	0.98	1.26	1.63	1.84	2.09	2.35	2.63	2.95
Market price per share (GBP)	12.22	14.69	13.44	14.60	14.60	14.60	14.60	14.60
Basic earnings per share (GBP)	0.68	0.83	0.96	1.05	1.19	1.33	1.48	1.64
Diluted earnings per share (GBP)	0.68	0.82	0.95	1.04	1.18	1.31	1.46	1.63
Dividend per share (GBP)	0.42	0.44	0.48	0.57	0.64	0.73	0.81	0.91
P/E ratio	17.97	17.91	14.22	14.07	12.40	11.13	9.99	8.97
EV/EBITDA ratio	11.09	11.06	8.89	8.48	7.51	6.74	6.04	5.41
EV/Sales ratio	3.70	4.02	3.45	3.38	3.05	2.77	2.52	2.28
Price/book value	12.52	11.70	8.24	7.93	6.99	6.22	5.55	4.96
Dividend payout ratio	61.7%	53.3%	50.3%	54.2%	54.0%	55.0%	55.1%	55.1%
Dividend yield	3.4%	3.0%	3.6%	3.9%	4.4%	5.0%	5.6%	6.2%
Market capitalisation	71,683	85,514	77,368	82,293	80,541	78,789	77,037	75,285
Enterprise value	73,880	87,010	80,080	84,246	81,659	79,087	76,490	73,869

Financial Ratios

	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Profitability ratios								
Gross margin	78.2%	78.0%	78.4%	78.4%	78.4%	78.4%	78.4%	78.4%
Operating margin	28.8%	31.7%	33.6%	35.0%	36.0%	36.6%	37.3%	37.9%
Net profit margin	19.6%	21.6%	23.2%	23.9%	24.7%	25.3%	25.9%	26.5%
Return on equity	68.3%	71.9%	64.6%	60.4%	60.6%	59.8%	59.3%	59.0%
Return on assets	19.1%	21.0%	22.2%	24.6%	25.8%	26.6%	27.4%	28.1%
Return on invested capital (ROIC)	33.7%	38.4%	37.3%	38.4%	41.4%	43.7%	46.1%	48.4%
Activity ratios								
Days sales in inventories	40	37	36	37	37	37	37	37
Days sales outstanding	69	69	69	66	66	66	66	66
Operating cycle	109	106	105	103	103	103	103	103
Creditors payment period	18	18	20	20	20	20	21	21
Net cash flow days	91	88	86	83	83	83	83	83
Net sales to invested capital	1.68	1.69	1.57	1.56	1.63	1.69	1.75	1.81
Net sales per employee (in thousands of GBP)	200	218	228	240	253	264	276	288
Number of employees (average)	99,837	99,503	101,802	103,838	105,915	108,033	110,194	112,398
Financial condition ratios								
Quick ratio	0.96	1.08	1.15	1.17	1.20	1.23	1.26	1.29
Current ratio	1.26	1.39	1.51	1.54	1.57	1.60	1.63	1.66
Equity to total assets ratio	0.26	0.28	0.38	0.40	0.42	0.44	0.46	0.47
Debt-to-equity ratio	1.00	0.85	0.57	0.47	0.39	0.32	0.27	0.22
Net debt-to-equity ratio	0.33	0.16	0.25	0.16	0.07	0.00	0.00	0.00
Borrowings/EBITDA	0.90	0.82	0.61	0.50	0.42	0.35	0.30	0.25
Equity to non-current assets ratio	0.49	0.54	0.66	0.72	0.78	0.83	0.88	0.93
Long-term funds to non-current assets ratio	1.18	1.26	1.26	1.28	1.31	1.33	1.36	1.39
Interest coverage	16.68	16.10	24.87	27.78	33.64	40.01	47.52	56.33

Income Statement

in millions of GBP	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Net sales	19,986	21,660	23,225	24,941	26,799	28,542	30,404	32,395
USA	9,191	9,867	11,102	12,212	13,433	14,508	15,669	16,922
Europe	6,395	6,892	7,010	7,361	7,729	8,115	8,521	8,947
International	4,400	4,901	5,113	5,369	5,637	5,919	6,215	6,526
Cost of sales	4,360	4,764	5,010	5,380	5,781	6,157	6,559	6,988
Gross profit	15,626	16,896	18,215	19,561	21,018	22,385	23,846	25,407
Other operating income	235	364	307	322	338	355	373	392
Marketing and selling expenses	0	0	0	0	0	0	0	0
Research and development expenses	2,904	3,136	3,457	3,741	4,020	4,281	4,561	4,859
General administrative expenses	7,201	7,250	7,257	7,402	7,698	8,006	8,326	8,659
Other operating expenses	0	0	0	0	0	0	0	0
Operating profit	5,756	6,874	7,808	8,740	9,638	10,453	11,332	12,280
Income from equity method investments	60	52	56	60	63	67	70	74
Financial income	176	257	287	184	201	223	246	272
Financial expense	362	451	352	355	328	305	285	266
Other income (expense)	149	0	0	0	0	0	0	0
Profit before tax	5,779	6,732	7,799	8,630	9,575	10,437	11,363	12,359
Income tax expense	1,757	1,916	2,301	2,546	2,825	3,079	3,352	3,646
Profit after tax	4,022	4,816	5,498	6,084	6,750	7,358	8,010	8,712
Thereof:								
Minority interests	114	127	109	114	120	126	132	139
Net profit	3,908	4,689	5,389	5,970	6,630	7,231	7,878	8,573
Basic earnings per share (GBP)	0.68	0.83	0.96	1.05	1.19	1.33	1.48	1.64
Diluted earnings per share (GBP)	0.68	0.82	0.95	1.04	1.18	1.31	1.46	1.63

Balance Sheet

in millions of GBP	Dec 04	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11
ASSETS	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Non-current assets	12,164	14,021	14,561	14,857	15,215	15,624	16,086	16,603
Property, plant and equipment	6,197	6,652	6,930	7,106	7,329	7,590	7,891	8,234
Intangible assets	2,817	4,079	4,051	4,034	4,027	4,027	4,034	4,049
Investment property	0	0	0	0	0	0	0	0
Equity method investments	209	276	295	310	325	341	359	377
Other financial assets	298	362	441	463	486	511	536	563
Deferred tax assets	2,032	2,214	2,123	2,187	2,252	2,320	2,389	2,461
Other non-current assets	611	438	721	757	795	835	876	920
Current assets	10,780	13,177	10,992	11,847	12,872	13,885	14,999	16,211
Inventories	2,193	2,177	2,437	2,617	2,812	2,995	3,190	3,399
Trade and other receivables	4,225	5,063	5,317	5,700	6,115	6,504	6,920	7,365
Current income tax receivable	155	416	186	192	197	203	209	216
Prepaid expenses	226	285	0	0	0	0	0	0
Short-term investments	1,512	1,025	1,035	1,035	1,035	1,035	1,035	1,035
Cash and cash equivalents	2,467	4,209	2,005	2,291	2,699	3,133	3,629	4,180
Other current assets	2	2	12	13	14	15	16	17
TOTAL ASSETS	22,944	27,198	25,553	26,705	28,088	29,509	31,085	32,814
Total equity	5,937	7,570	9,648	10,664	11,815	12,976	14,209	15,513
Shareholders' equity	5,724	7,311	9,386	10,382	11,516	12,664	13,888	15,187
Share capital	1,484	1,491	1,498	1,498	1,498	1,498	1,498	1,498
Share premium	304	549	858	858	858	858	858	858
Treasury shares	0	0	0	-1,740	-3,654	-5,759	-8,075	-10,623
Retained earnings	4,542	5,579	6,965	9,701	12,749	16,003	19,542	23,388
Reserves	-606	-308	65	65	65	65	65	65
Minority interest	213	259	262	282	298	312	322	327
Non-current liabilities	8,443	10,117	8,640	8,330	8,074	7,859	7,690	7,562
Long-term borrowings	4,381	5,271	4,772	4,305	3,884	3,505	3,165	2,858
Long-term provisions	569	741	528	567	609	649	691	736
Retirement benefit obligations	2,519	3,069	2,339	2,409	2,481	2,556	2,633	2,712
Deferred tax liabilities	569	569	595	613	631	650	670	690
Other non-current liabilities	405	467	406	436	468	499	532	566
Current liabilities	8,564	9,511	7,265	7,711	8,199	8,674	9,186	9,739
Short-term borrowings	1,582	1,200	718	693	670	649	630	614
Trade and other payables	4,240	5,113	4,871	5,228	5,614	5,977	6,364	6,778
Current income tax payable	1,753	2,269	621	683	751	827	909	1,000
Deferred income	27	34	0	0	0	0	0	0
Short-term provisions	962	895	1,055	1,108	1,163	1,221	1,282	1,346
Other current liabilities	0	0	0	0	0	0	0	0
TOTAL LIABILITIES AND EQUITY	22,944	27,198	25,553	26,705	28,088	29,509	31,085	32,814

Statement of Changes in Equity

in millions of GBP	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Share capital	1,484	1,491	1,498	1,498	1,498	1,498	1,498	1,498
Ordinary shares	1,484	1,491	1,498	1,498	1,498	1,498	1,498	1,498
Nominal value per share (GBP)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Number of shares issued (thousands)	5,936,000	5,964,000	5,992,000	5,992,000	5,992,000	5,992,000	5,992,000	5,992,000
Preference shares and other capital	0	0	0	0	0	0	0	0
Share premium	304	549	858	858	858	858	858	858
Treasury shares	0	0	0	-1,740	-3,654	-5,759	-8,075	-10,623
Retained earnings	4,542	5,579	6,965	9,701	12,749	16,003	19,542	23,388
Opening balance	3,959	4,448	5,579	6,965	9,701	12,749	16,003	19,542
Net profit	3,906	4,426	5,248	5,970	6,630	7,231	7,878	8,573
Dividends	-2,476	-2,390	-2,598	-3,233	-3,582	-3,978	-4,339	-4,727
Other profit distributions	0	0	0	0	0	0	0	0
Withdrawals from / additions to reserves	0	0	0	0	0	0	0	0
Other changes to retained earnings	-847	-905	-1,264	0	0	0	0	0
Reserves	-606	-308	65	65	65	65	65	65
Revaluation reserve	0	0	0	0	0	0	0	0
Available-for-sale investments reserve	0	0	0	0	0	0	0	0
Hedging reserve	0	0	0	0	0	0	0	0
Currency translation reserve	0	0	0	0	0	0	0	0
Other reserves	-606	-308	65	65	65	65	65	65
Shareholders' equity	5,724	7,311	9,386	10,382	11,516	12,664	13,888	15,187
Minority interest	213	259	262	282	298	312	322	327
Opening balance	681	217	259	262	282	298	312	322
Net profit attributable to minority interest	93	153	88	114	120	126	132	139
Dividends	-72	-86	-87	-95	-103	-113	-123	-134
Other changes to minority interests	-489	-25	2	0	0	0	0	0
Total equity	5,937	7,570	9,648	10,664	11,815	12,976	14,209	15,513
New issues and repurchases of ordinary shares								
Issuance of shares	0	0	0	0	0	0	0	0
Number of new shares issued in period (thousands)	0	0	0	0	0	0	0	0
Issuing price per share (GBP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchase of shares	0	0	0	1,740	1,914	2,105	2,316	2,548
Number of shares repurchased in period (thousands)	0	0	0	120,000	120,000	120,000	120,000	120,000
Repurchasing price per share (GBP)	0.0	0.0	0.0	14.5	16.0	17.5	19.3	21.2
Retirement of shares	0	0	0	0	0	0	0	0
Number of shares retired in period (thousands)	0	0	0	0	0	0	0	0
Retiring price per share (GBP)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Allocation of retiring amount								
Ordinary shares	0	0	0	0	0	0	0	0
Share premium	0	0	0	0	0	0	0	0
Other reserves	0	0	0	0	0	0	0	0
Retained earnings	0	0	0	0	0	0	0	0
Number of shares in treasury (thousands)	69,948	142,780	235,483	355,483	475,483	595,483	715,483	835,483

Cash Flow Statement

in millions of GBP	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Profit before tax	0	6,732	7,799	8,630	9,575	10,437	11,363	12,359
Depreciation, amortisation and impairment charges	0	996	1,200	1,193	1,233	1,278	1,327	1,381
(Gain)/loss from disposals of fixed assets	0	0	0	0	0	0	0	0
Change in long-term provisions and retirement benefit obligations	0	722	-943	109	115	114	119	124
Change in other assets and liabilities	0	235	-344	-6	-5	-9	-9	-9
Income from equity method investments	0	-52	-56	-60	-63	-67	-70	-74
Dividend income	0	0	0	0	0	0	0	0
Interest income	0	-268	-262	-159	-176	-198	-221	-247
Interest expense	0	427	314	315	287	261	238	218
Other non-cash income and expense	0	0	0	0	0	0	0	0
Operating profit before changes in working capital	0	8,792	7,708	10,021	10,964	11,817	12,748	13,752
Changes in working capital	0	5	-1,656	-144	-154	-132	-137	-143
Cash generated from operations	0	8,797	6,052	9,877	10,810	11,685	12,610	13,609
Interest paid	0	-427	-314	-315	-287	-261	-238	-218
Income taxes paid	0	-1,916	-2,301	-2,546	-2,825	-3,079	-3,352	-3,646
Cash flow from operating activities	0	6,454	3,437	7,016	7,699	8,345	9,019	9,745
Purchase of property, plant and equipment	0	-1,196	-1,163	-1,050	-1,128	-1,202	-1,280	-1,364
Disposal of property, plant and equipment	0	0	0	0	0	0	0	0
Purchase of intangible assets	0	-1,517	-287	-303	-320	-337	-355	-374
Disposal of intangible assets	0	0	0	0	0	0	0	0
Acquisition of subsidiary, net of cash acquired	0	0	0	0	0	0	0	0
Disposal of subsidiary, net of cash disposed of	0	0	0	0	0	0	0	0
Purchase of financial and other assets	0	-79	-42	24	25	26	27	29
Disposal of financial and other assets	0	0	0	0	0	0	0	0
Change in short-term investments	0	487	-10	0	0	0	0	0
Interest received	0	268	262	159	176	198	221	247
Dividends received	0	0	0	0	0	0	0	0
Cash flow from investing activities	0	-2,037	-1,240	-1,170	-1,247	-1,315	-1,387	-1,462
Proceeds from issuance of share capital	0	-707	-735	0	0	0	0	0
Acquisition of treasury stock	0	0	0	-1,740	-1,914	-2,105	-2,316	-2,548
Proceeds from long-term borrowings	0	890	0	0	0	0	0	0
Repayments of long-term borrowings	0	0	-499	-467	-421	-379	-341	-307
Change in short-term borrowings	0	-382	-482	-26	-23	-21	-19	-17
Dividends to shareholders and other profit distributions	0	-2,390	-2,598	-3,233	-3,582	-3,978	-4,339	-4,727
Dividends to minority interests	0	-86	-87	-95	-103	-113	-123	-134
Cash flow from financing activities	0	-2,675	-4,401	-5,561	-6,043	-6,595	-7,137	-7,732
Net change in cash and cash equivalents	0	1,742	-2,204	286	409	434	495	551
Cash and cash equivalents at beginning of period	0	2,467	4,209	2,005	2,291	2,699	3,133	3,629
Exchange rate movements	0	0	0	0	0	0	0	0
Cash and cash equivalents at end of period	0	4,209	2,005	2,291	2,699	3,133	3,629	4,180

Basel II Rating Analysis

	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Return on equity	68.3%	71.9%	64.6%	60.4%	60.6%	59.8%	59.3%	59.0%
Rating (1-5)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Weight	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Return on assets	19.1%	21.0%	22.2%	24.6%	25.8%	26.6%	27.4%	28.1%
Rating (1-5)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Weight	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Borrowings/EBITDA	0.90	0.82	0.61	0.50	0.42	0.35	0.30	0.25
Rating (1-5)	1.58	1.52	1.34	1.25	1.18	1.13	1.08	1.04
Weight	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Interest coverage	16.68	16.10	24.87	27.78	33.64	40.01	47.52	56.33
Rating (1-5)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Weight	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Equity to total assets ratio	0.26	0.28	0.38	0.40	0.42	0.44	0.46	0.47
Rating (1-5)	3.73	3.57	2.78	2.61	2.43	2.28	2.14	2.02
Weight	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Long-term funds to non-current assets ratio	1.18	1.26	1.26	1.28	1.31	1.33	1.36	1.39
Rating (1-5)	1.12	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Weight	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%
Quantitative rating	1.57	1.52	1.35	1.31	1.27	1.24	1.20	1.18
Industry (1-5)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Weight	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Strategy (1-5)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Weight	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Competitive position (1-5)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Weight	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Products and services (1-5)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Weight	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Customers (1-5)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Weight	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Suppliers (1-5)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Weight	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Management and organisational structure (1-5)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Weight	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Finance, controlling and IT functions (1-5)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Weight	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Revenue and profit development (1-5)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Weight	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Risk management (1-5)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Weight	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Qualitative rating	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Quantitative rating	1.57	1.52	1.35	1.31	1.27	1.24	1.20	1.18
Weight	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Qualitative rating	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Weight	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Overall rating	1.86	1.81	1.68	1.65	1.62	1.59	1.56	1.54

Return on Invested Capital

in millions of GBP	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Invested capital, assets side	11,884	12,793	14,776	16,029	16,420	16,859	17,337	17,873
Property, plant and equipment	6,197	6,425	6,791	7,018	7,218	7,460	7,741	8,062
Intangible assets	2,817	3,448	4,065	4,043	4,031	4,027	4,031	4,041
Investment property	0	0	0	0	0	0	0	0
Other non-current assets	2,643	2,648	2,748	2,894	2,995	3,101	3,210	3,324
Net operating working capital	227	273	1,172	2,074	2,176	2,271	2,356	2,445
Operating current assets	7,209	7,919	8,601	8,857	9,450	10,048	10,646	11,286
Inventories	2,193	2,185	2,307	2,527	2,715	2,903	3,093	3,295
Trade and other receivables	4,225	4,644	5,190	5,509	5,908	6,310	6,712	7,142
Cash and cash equivalents	408	547	653	620	620	620	620	620
Other operating current assets	383	543	451	201	208	215	222	229
Operating liabilities	-6,982	-7,647	-7,429	-6,783	-7,274	-7,777	-8,290	-8,840
Trade and other payables	-4,240	-4,677	-4,992	-5,050	-5,421	-5,796	-6,171	-6,571
Other operating liabilities	-2,742	-2,970	-2,437	-1,733	-1,853	-1,981	-2,120	-2,269
Invested capital, liabilities side	11,884	12,793	14,776	16,029	16,420	16,859	17,337	17,873
Total equity	5,937	6,754	8,609	10,156	11,239	12,396	13,593	14,861
Non-current liabilities	8,443	9,280	9,379	8,485	8,202	7,967	7,774	7,626
Short-term borrowings	1,582	1,391	959	705	681	659	640	622
Financial assets	-507	-573	-687	-754	-792	-832	-873	-917
Short-term investments	-3,571	-4,060	-3,484	-2,563	-2,910	-3,331	-3,796	-4,319
Return on invested capital								
Operating profit	5,756	6,874	7,808	8,740	9,638	10,453	11,332	12,280
Effective income tax rate	30.4%	28.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%
Taxes on operating profit	1,750	1,956	2,304	2,579	2,844	3,084	3,343	3,623
NOPLAT	4,006	4,918	5,504	6,161	6,795	7,369	7,988	8,657
Invested capital	11,884	12,793	14,776	16,029	16,420	16,859	17,337	17,873
Return on invested capital (ROIC)	33.7%	38.4%	37.3%	38.4%	41.4%	43.7%	46.1%	48.4%
WACC	5.6%	5.7%	5.9%	6.1%	6.2%	6.3%	6.4%	6.5%
ROIC - WACC	28.1%	32.8%	31.4%	32.4%	35.2%	37.4%	39.7%	42.0%
Capital charge	664	725	868	971	1,014	1,059	1,105	1,154
Economic profit	3,342	4,192	4,636	5,191	5,781	6,310	6,884	7,503

Cost of Capital

in millions of GBP	Dec 04	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Sources of finance								
Short-term borrowings	1,582	1,200	718	693	670	649	630	614
Long-term borrowings	4,381	5,271	4,772	4,305	3,884	3,505	3,165	2,858
Minority interest	213	259	262	282	298	312	322	327
Preference shares and other capital	0	0	0	0	0	0	0	0
Ordinary equity								
Book value	5,724	7,311	9,386	10,382	11,516	12,664	13,888	15,187
Market value	71,683	85,514	77,368	82,293	80,541	78,789	77,037	75,285
DCF value	-	-	116,979	125,168	133,930	143,305	153,336	164,070
Cost of capital								
Short-term borrowings	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Long-term borrowings	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Tax shield on interest expense	30.4%	28.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%
Minority interest	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Preference shares and other capital	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ordinary equity	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Risk free rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Corporate beta	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Premium for other risks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Cost of Capital								
Book value WACC, end of period	5.6%	5.8%	6.0%	6.1%	6.2%	6.3%	6.4%	6.5%
DCF WACC, end of period	-	-	6.8%	6.8%	6.9%	6.9%	6.9%	6.9%

Income Statement Forecast Variables

	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Growth rate in net sales	0.0%	8.4%	7.2%	7.4%	7.4%	6.5%	6.5%	6.5%
USA	0.0%	7.4%	12.5%	10.0%	10.0%	8.0%	8.0%	8.0%
Europe	0.0%	7.8%	1.7%	5.0%	5.0%	5.0%	5.0%	5.0%
International	0.0%	11.4%	4.3%	5.0%	5.0%	5.0%	5.0%	5.0%
Operating expenses as % of net sales								
Cost of sales	21.8%	22.0%	21.6%	21.6%	21.6%	21.6%	21.6%	21.6%
Marketing and selling expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Research and development expenses	14.5%	14.5%	14.9%	15.0%	15.0%	15.0%	15.0%	15.0%
General administrative expenses	36.0%	33.5%	31.2%	29.7%	28.7%	28.1%	27.4%	26.7%
Depreciation and amortisation rates								
Land and buildings	0.0%	3.4%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Machines and equipment	0.0%	8.0%	8.9%	8.9%	8.9%	8.9%	8.9%	8.9%
Other equipment, fixtures and office equipment	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Trade marks, patents, licences and other rights	0.0%	6.5%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Capitalised development expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other intangible assets	0.0%	14.1%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Depreciation	726	741	885	874	905	941	979	1,021
Land and buildings	147	138	183	181	186	191	197	203
Machines and equipment	579	603	702	692	719	749	782	818
Other equipment, fixtures and office equipment	0	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	0	0	0
Amortisation	177	255	315	319	328	337	348	360
Trade marks, patents, licences and other rights	83	169	219	219	221	224	227	231
Capitalised development expenses	0	0	0	0	0	0	0	0
Other intangible assets	94	86	96	100	107	114	121	129
Yields of financial assets								
Equity method investments	28.7%	21.4%	19.6%	20.0%	20.0%	20.0%	20.0%	20.0%
Cash and cash equivalents	7.0%	8.0%	8.4%	5.0%	5.0%	5.0%	5.0%	5.0%
Short-term investments	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Non-current financial assets	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Interest rates for financial liabilities								
Short-term borrowings	0.4%	0.8%	0.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Long-term bank borrowings	0.0%	0.0%	0.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Bonds	8.3%	9.2%	6.4%	6.0%	6.0%	6.0%	6.0%	6.0%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance lease liabilities	3.4%	5.7%	8.9%	6.0%	6.0%	6.0%	6.0%	6.0%
Other borrowings	0.0%	0.0%	0.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Income taxes								
Accounting profit before tax	5,779	6,732	7,799	8,630	9,575	10,437	11,363	12,359
Non tax-deductible expenses	0	0	0	0	0	0	0	0
Non taxable revenues	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0	0
Adjusted profit before taxation	5,779	6,732	7,799	8,630	9,575	10,437	11,363	12,359
<i>Income tax rate</i>	30.4%	28.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%
Income tax expense	1,757	1,916	2,301	2,546	2,825	3,079	3,352	3,646
Other taxes and adjustments	0	0	0	0	0	0	0	0
Total income tax expense	1,757	1,916	2,301	2,546	2,825	3,079	3,352	3,646
Current tax	1,667	2,019	2,710	2,546	2,825	3,079	3,352	3,646
Deferred tax	90	-103	-409	0	0	0	0	0
<i>Effective income tax rate</i>	30.4%	28.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%

Income Statement Forecast Variables (cont.)

	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Dividends								
Payout ratio as a percentage of net profit	0.0%	61.2%	55.4%	60.0%	60.0%	60.0%	60.0%	60.0%

Balance Sheet Forecast Variables

in millions of GBP	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Net additions to fixed assets	1,312	1,120	1,697	1,353	1,449	1,539	1,635	1,738
Land and buildings	171	108	244	200	215	229	244	260
Machines and equipment	591	516	699	650	698	744	792	844
Other equipment, fixtures and office equipment	0	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	0	0	0
Advance payments and assets under construction	44	290	468	200	215	229	244	260
Goodwill	0	0	62	62	62	62	62	62
Trade marks, patents, licences and other rights	430	145	134	144	155	165	175	187
Capitalised development expenses	0	0	0	0	0	0	0	0
Other intangible assets	76	61	90	97	104	111	118	126
Advance payments and assets under development	0	0	0	0	0	0	0	0
Accumulated depreciation of disposed assets	274	427	664	596	616	639	664	690
Land and buildings	35	53	35	91	93	96	98	102
Machines and equipment	225	356	516	346	360	375	391	409
Other equipment, fixtures and office equipment	0	0	0	0	0	0	0	0
Other assets	0	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0	0
Trade marks, patents, licences and other rights	1	10	76	109	111	112	113	115
Capitalised development expenses	0	0	0	0	0	0	0	0
Other intangible assets	13	8	37	50	53	57	61	65
Current assets as days in net sales								
Inventories	40.1	36.7	38.3	38.3	38.3	38.3	38.3	38.3
Raw materials and supplies	11.5	12.1	12.0	12.0	12.0	12.0	12.0	12.0
Work in progress	11.8	9.3	9.8	9.8	9.8	9.8	9.8	9.8
Finished goods	16.8	15.2	16.5	16.5	16.5	16.5	16.5	16.5
Merchandise	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	69.1	74.3	68.5	68.5	68.5	68.5	68.5	68.5
Receivables, gross	69.1	74.3	68.5	68.5	68.5	68.5	68.5	68.5
Value adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Advance payments given	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Receivables from related parties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax receivables other than income taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other receivables	7.0	7.0	13.0	13.0	13.0	13.0	13.0	13.0
Prepaid expenses	4.1	4.8	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Current liabilities as days in net sales								
Trade payables	12.9	13.8	13.6	13.6	13.6	13.6	13.6	13.6
Advance payments received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payables to related parties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to employees	11.7	13.5	11.3	11.3	11.3	11.3	11.3	11.3
Social security liabilities	2.1	1.7	1.6	1.6	1.6	1.6	1.6	1.6
Tax payables other than income taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	49.5	54.2	49.4	49.4	49.4	49.4	49.4	49.4
Deferred income	0.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Valuation Cash Flow

in millions of GBP	2004	2005	2006	2007	2008	2009	2010	2011
	Actual	Actual	Actual	Plan	Plan	Plan	Plan	Plan
Operating profit	0	6,874	7,808	8,740	9,638	10,453	11,332	12,280
<i>Effective income tax rate</i>	0.0%	28.5%	29.5%	29.5%	29.5%	29.5%	29.5%	29.5%
Taxes on operating profit	0	-1,956	-2,304	-2,579	-2,844	-3,084	-3,343	-3,623
NOPLAT	0	4,918	5,504	6,161	6,795	7,369	7,988	8,657
Depreciation, amortisation and impairment charges	0	996	1,200	1,193	1,233	1,278	1,327	1,381
Change in long-term provisions	0	172	-213	39	42	40	42	45
Change in net working capital	0	187	-1,773	-172	-186	-158	-167	-177
Change in other assets net of other liabilities	0	603	-957	18	20	17	17	18
Operating cash flow	0	6,876	3,761	7,240	7,903	8,545	9,208	9,924
Investment in property, plant and equipment	0	-1,196	-1,163	-1,050	-1,128	-1,202	-1,280	-1,364
Investment in intangible assets	0	-1,517	-287	-303	-320	-337	-355	-374
Free cash flow	0	4,163	2,311	5,887	6,455	7,006	7,573	8,186
Required short-term investments	1,000	1,000	1,000	1,074	1,154	1,229	1,309	1,395

DCF Valuation Summary

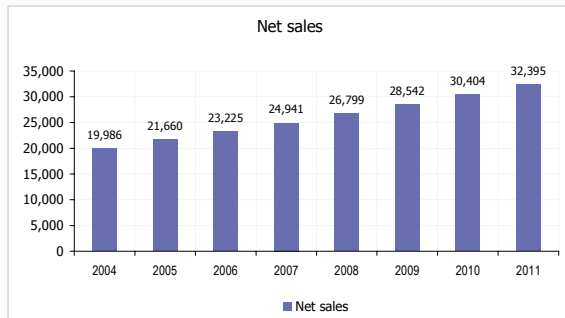
in millions of GBP	GlaxoSmithKline plc		
	Free cash flow	Discount factor	Present value
2007	5,887	0.97	5,696
2008	6,455	0.91	5,845
2009	7,006	0.85	5,938
2010	7,573	0.79	6,006
2011	8,186	0.74	6,075
Continuing value	125,927	0.72	90,396
Value of operations			119,955
+ Excess short-term investments			2,040
+ Financial assets			736
+ Other non-operating assets			0
Enterprise value			122,731
- Short-term borrowings			718
- Long-term borrowings			4,772
- Minority interest			262
- Preference shares and other capital			0
Ordinary equity value			116,979
Shares outstanding (thousands)			5,756,517
Ordinary share value (GBP)			20.3

Valuation summary

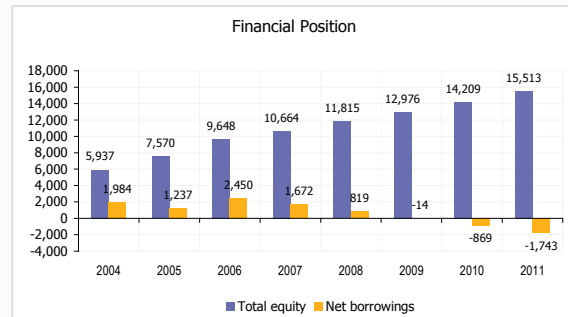
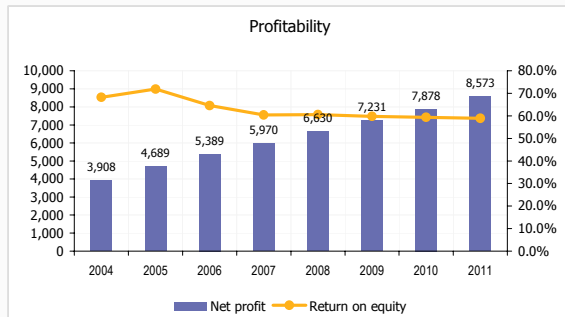
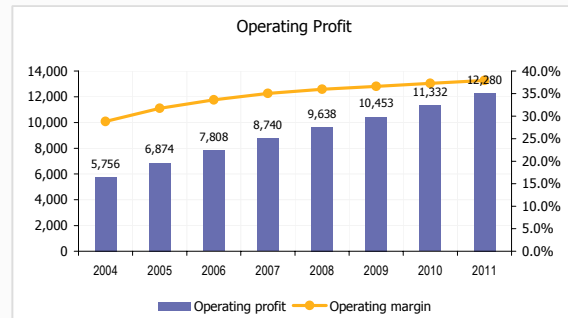
GlaxoSmithKline plc				
	Value (Mill. GBP)	Per share (GBP)	Multiple (2006)	Weight
DCF valuation	116,979	20.3	-	40.0%
P/Book valuation	55,377	9.6	5.9	15.0%
P/E valuation	73,829	12.8	13.7	15.0%
EV/EBITDA valuation	67,550	11.7	7.8	15.0%
EV/Sales valuation	62,318	10.8	2.8	15.0%
Ordinary equity value	85,653	14.9	-	-

Selected Financial Data (Charts)

in millions of GBP

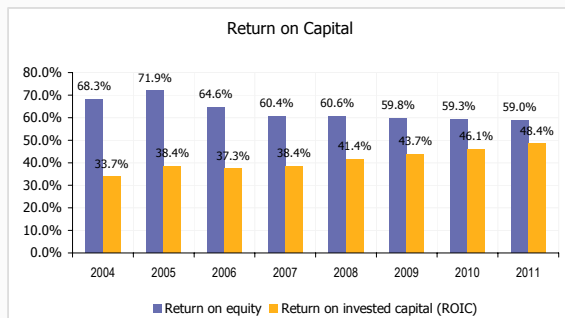


GlaxoSmithKline plc

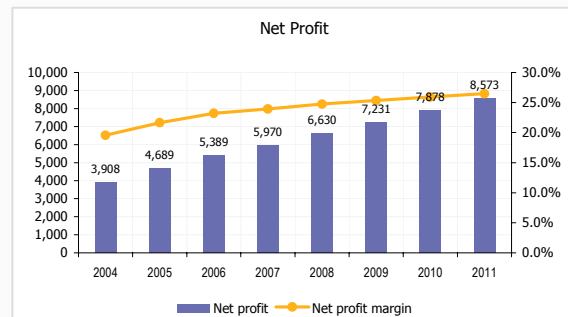
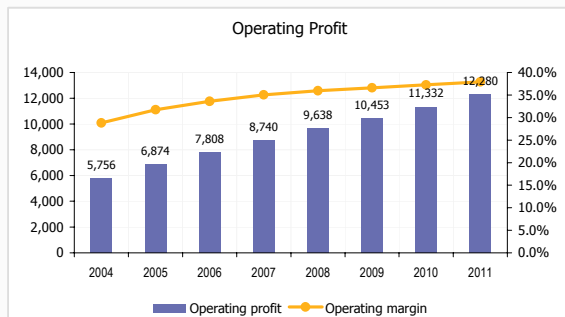
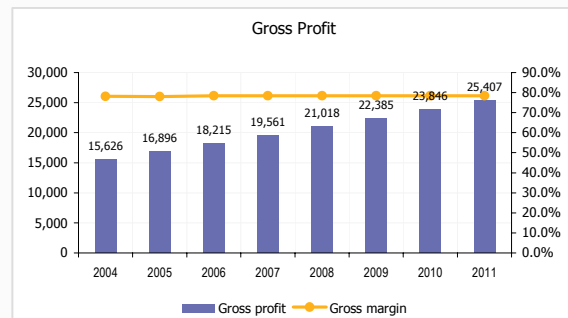


Profitability Ratios (Charts)

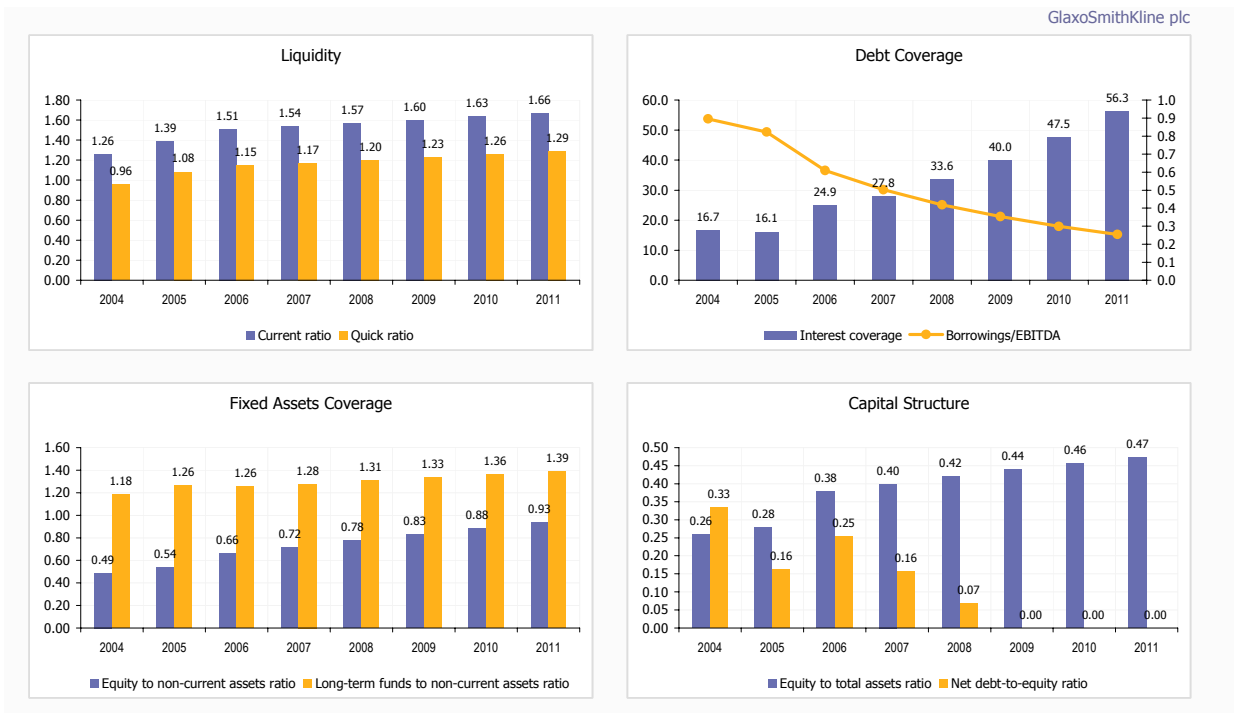
in millions of GBP



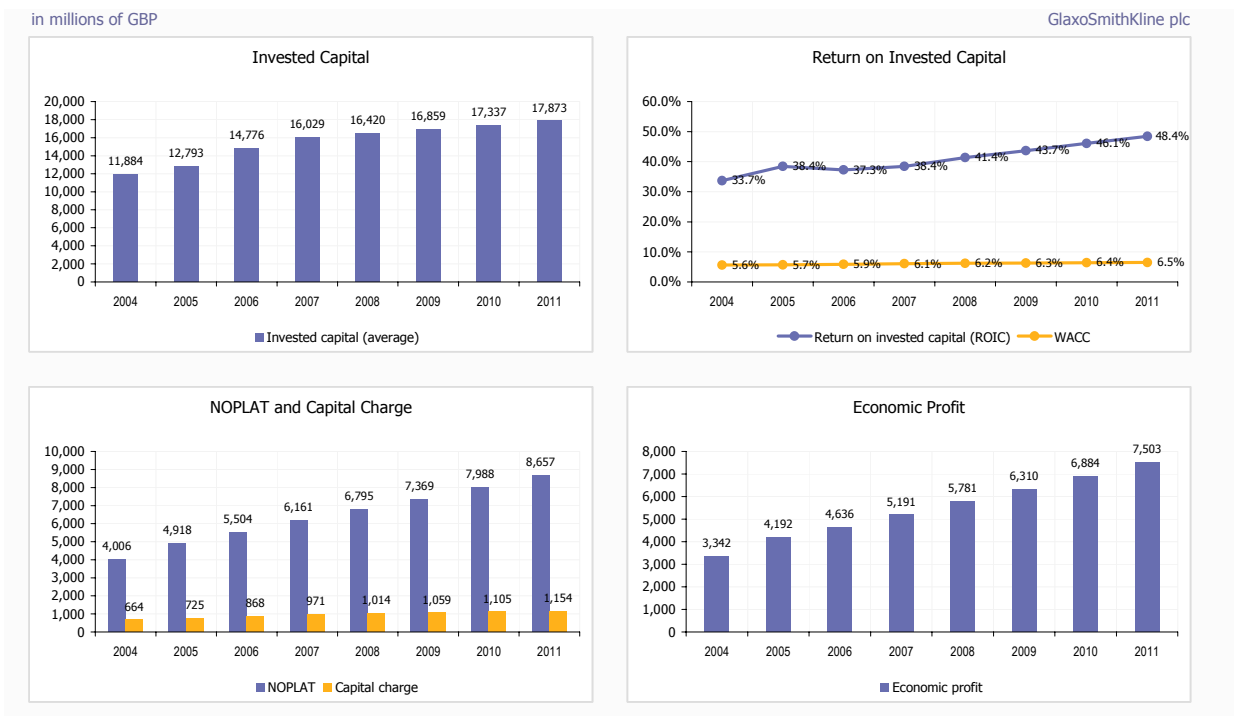
GlaxoSmithKline plc



Financial Condition Ratios (Charts)

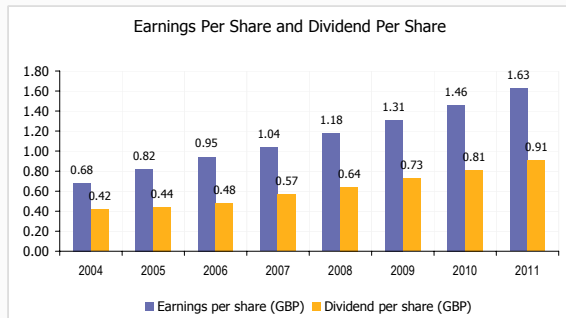


Return on Invested Capital (Charts)

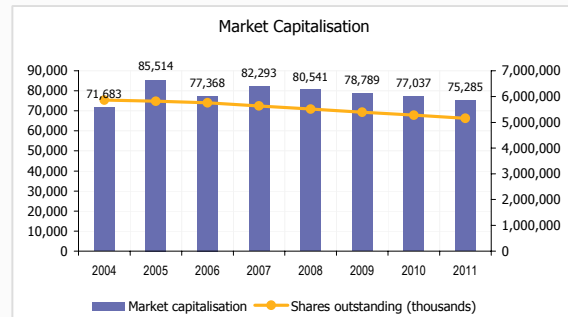
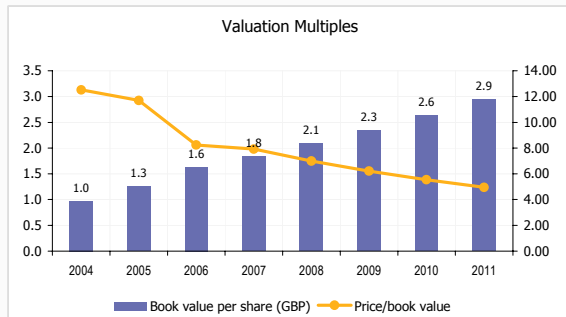
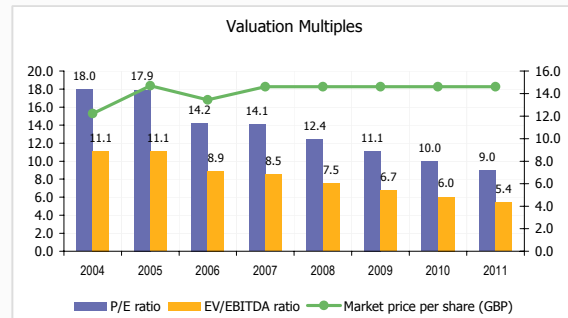


Share Data (Charts)

in millions of GBP



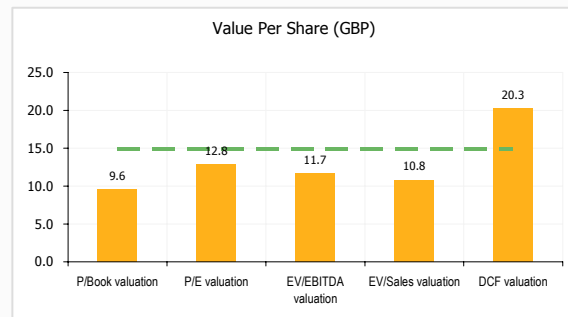
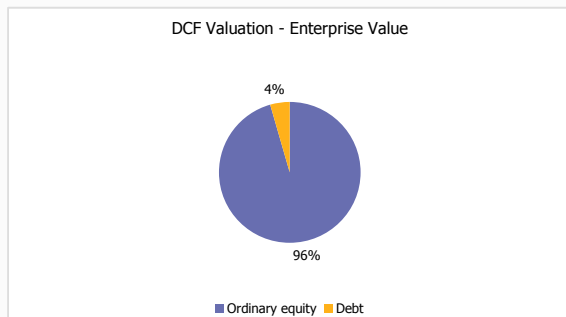
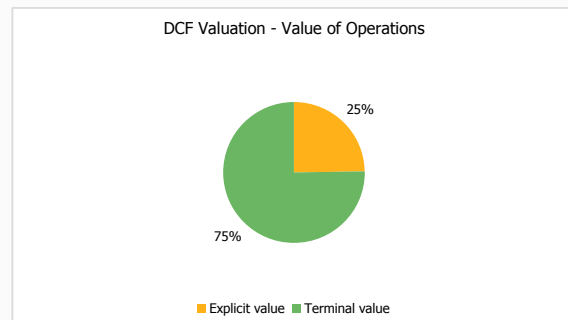
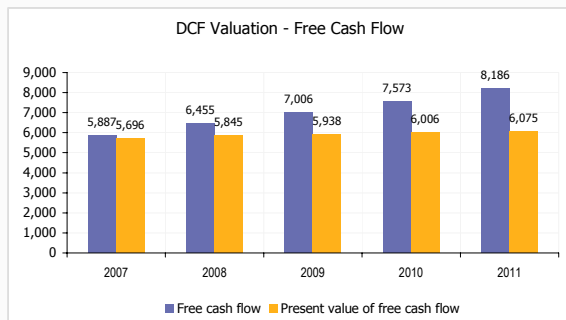
GlaxoSmithKline plc



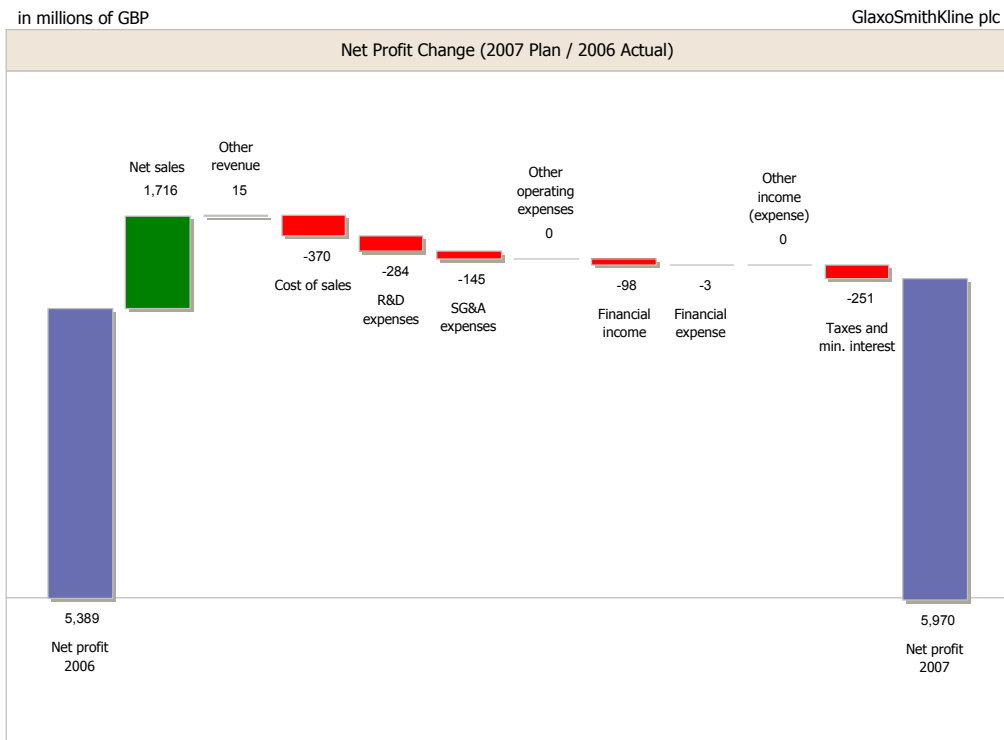
Valuation (Charts)

in millions of GBP

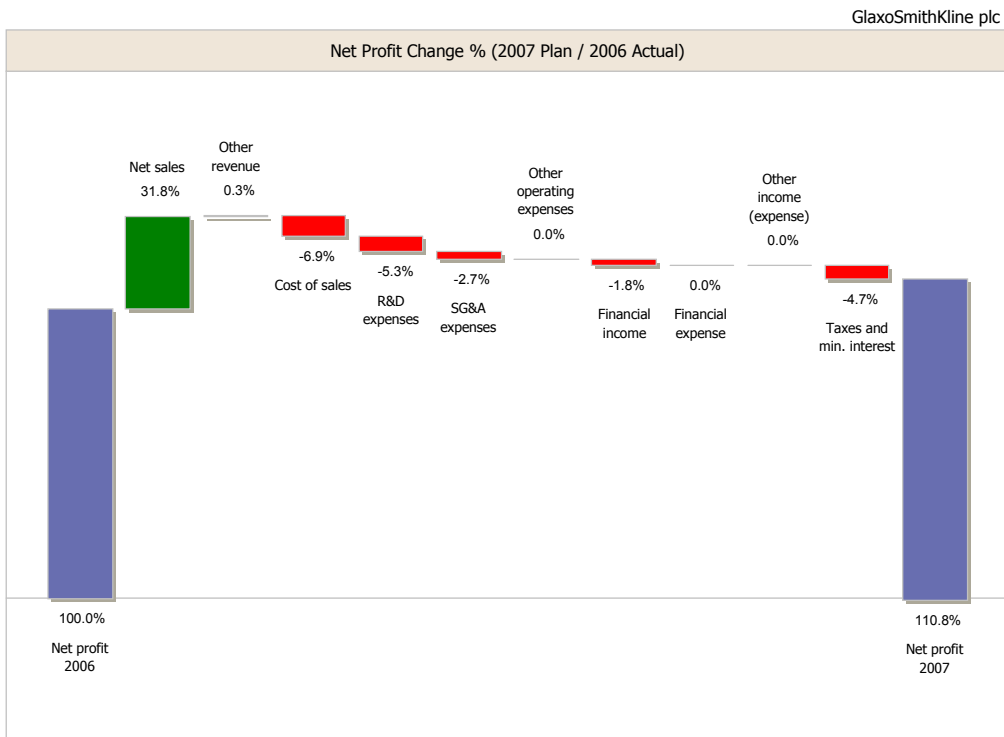
GlaxoSmithKline plc



Net Profit Change (Chart)



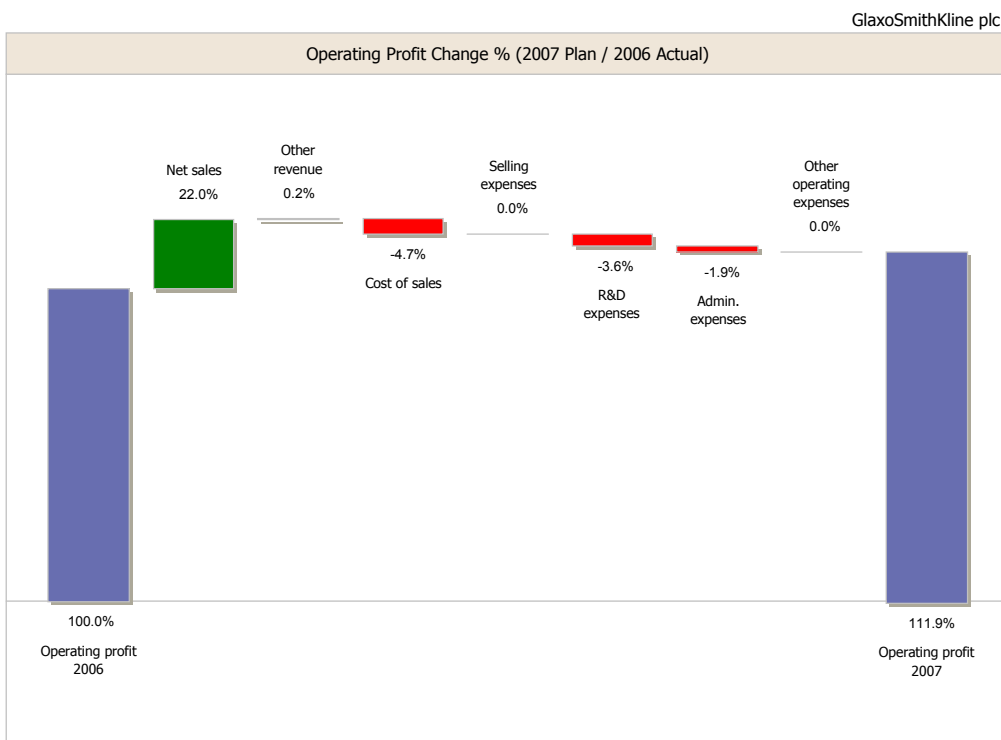
Net Profit Change % (Chart)



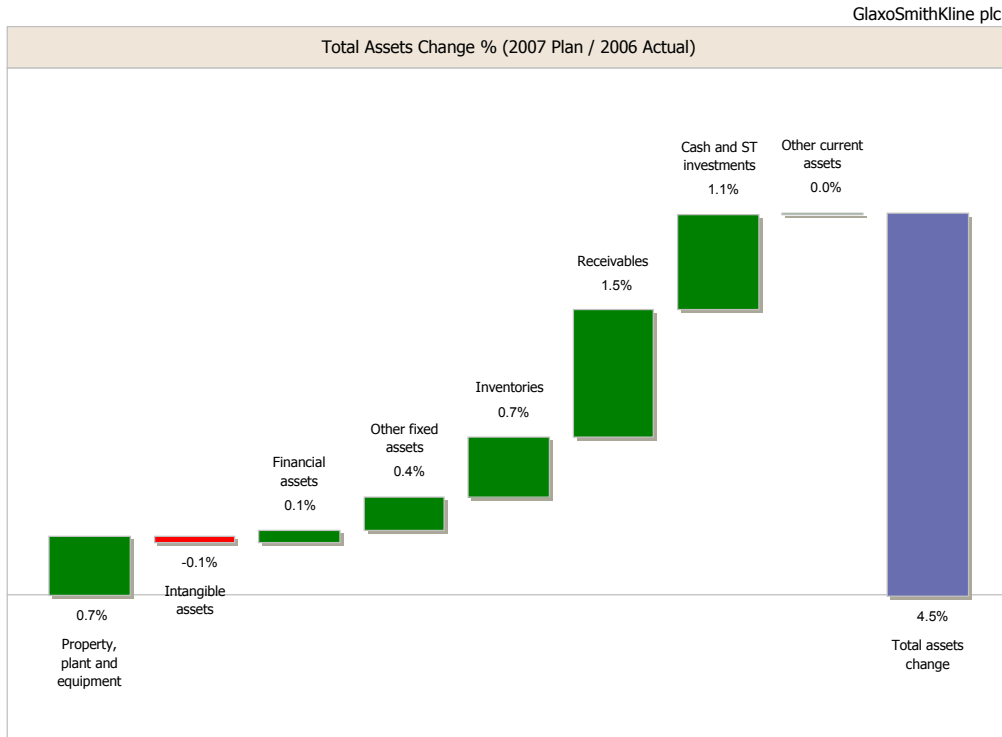
Operating Profit Change (Chart)



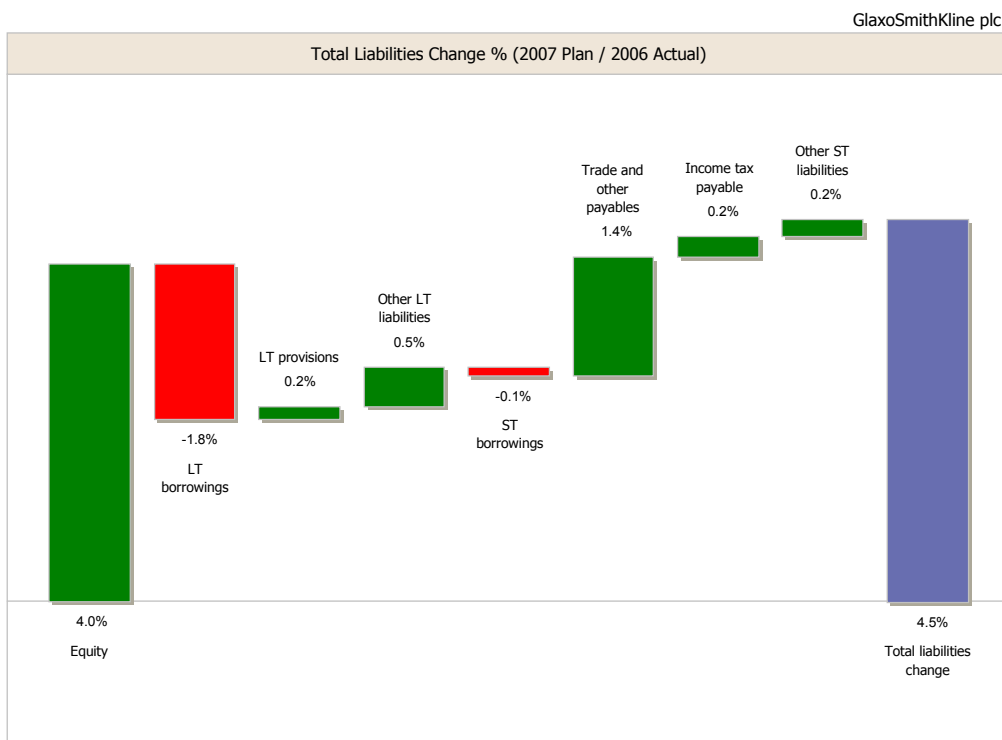
Operating Profit Change % (Chart)



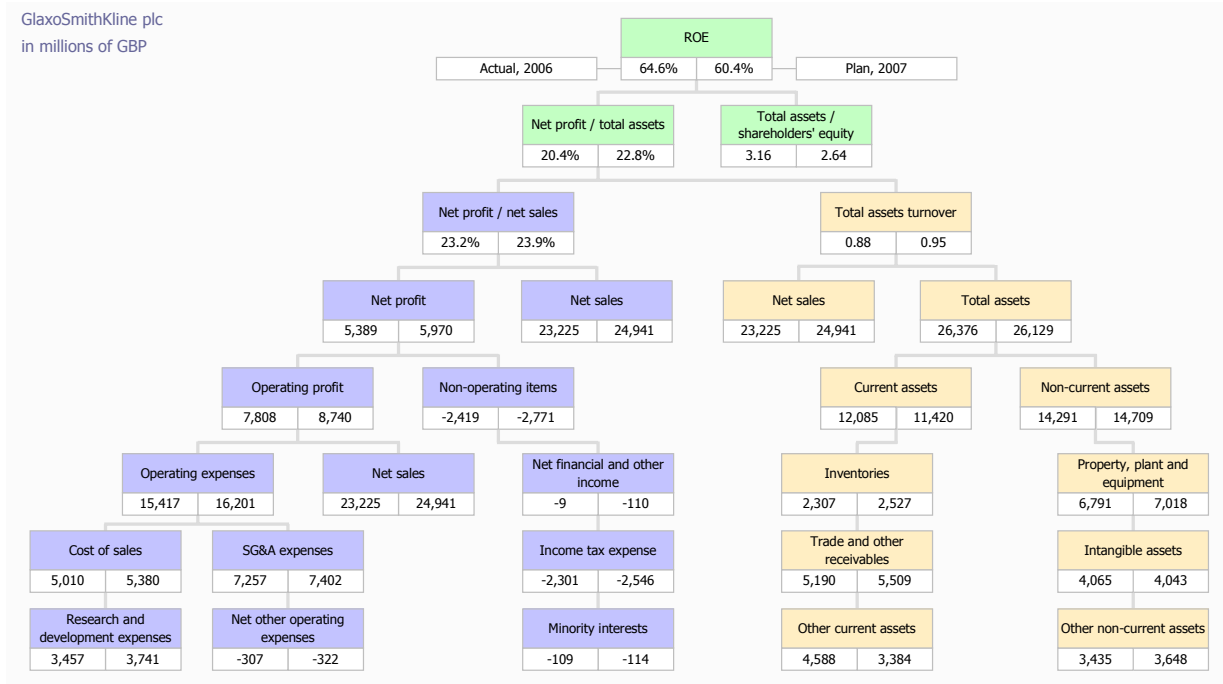
Total Assets Change % (Chart)



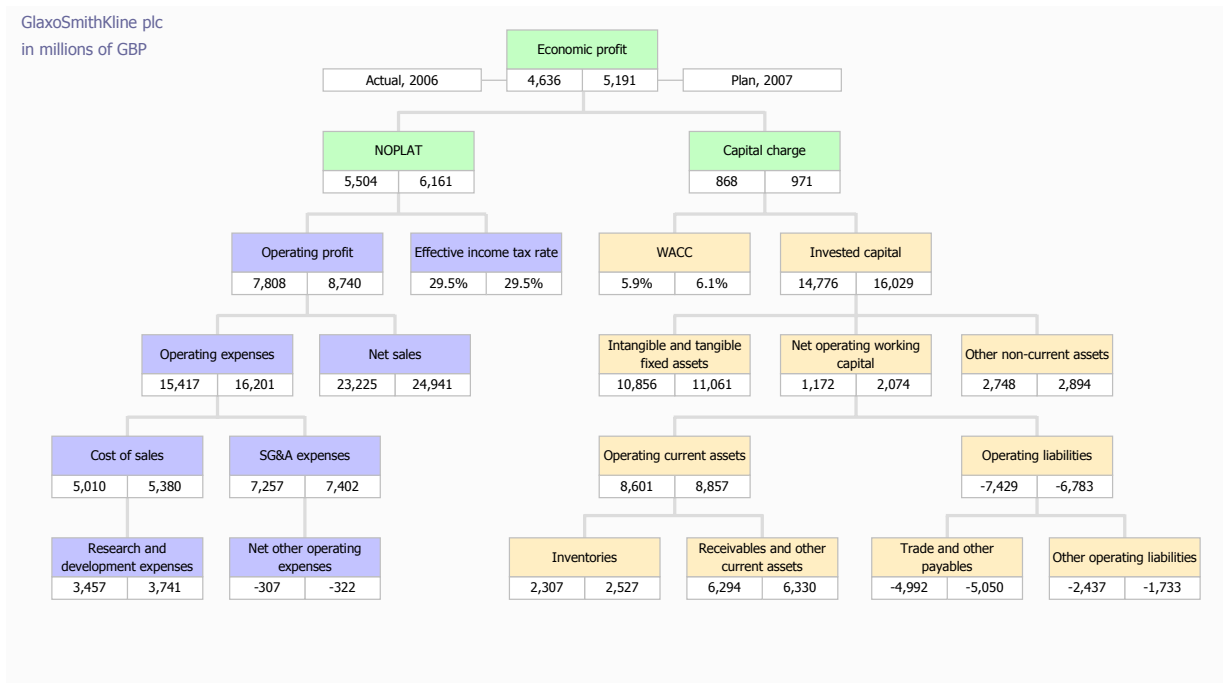
Total Liabilities Change % (Chart)



Du Pont Diagram



Economic Profit Diagram



Basel II Rating Diagram

