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Bernstein Pharmaceutical Emerging Markets Conference, NYC

# **Fulfil growth potential of Emerging Markets**

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President, Emerging Markets, GSK



# Emerging Markets are outwardly diverse...



...but have a lot in common

PAY OUT OF  
POCKET

VOLATILE

LARGE  
POPULATIONS

BRAND DRIVEN

DYNAMIC  
WORKFORCES

MULTICULTURAL

FAST  
GROWING



# *The Golden Rules of China*

1. Everything is possible in China.
2. Nothing is easy.
3. Patience is key to success.
4. The answer 'yes' is not necessarily an indication of agreement or confirmation.
5. 'You don't understand China' means disagreement.
6. 'Provisional regulations' mean the rules can change at any time – even *retroactively*.
7. 'Basically no problem' means a **BIG** problem.
8. Signing a contract means the beginning of the *real* negotiation.
9. When you are *optimistic*, think about rule No. 2.
10. When you are *pessimistic*, think about rule No. 1.

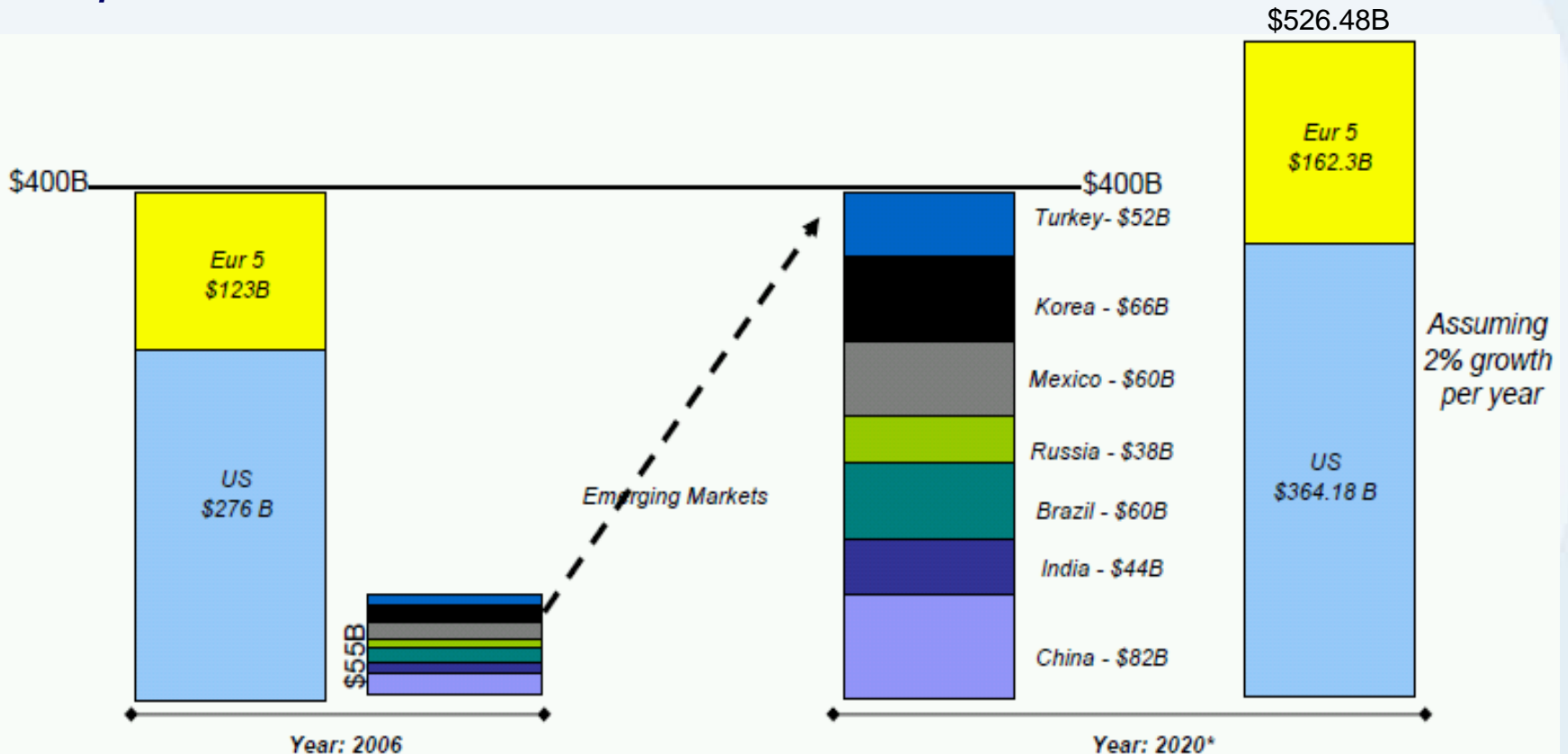
# These pharma markets are big and growing fast

**Top 10 countries = 85% of Emerging Market sales**

	<b>Rank</b>	<b>Market Sales</b>	<b>Share of EM Region</b>	<b>Market Growth</b>
<b>China</b>	1	£10.7bn	25%	27%
<b>Mexico</b>	2	£4.9bn	11%	4%
<b>Turkey</b>	3	£4.9bn	11%	10%
<b>Brazil</b>	4	£4.8bn	11%	13%
<b>India</b>	5	£3.7bn	8%	11%
<b>Russia</b>	6	£2.7bn	6%	9%
<b>Venezuela</b>	7	£1.7bn	4%	32%
<b>Argentina</b>	8	£1.6bn	4%	22%
<b>South Africa</b>	9	£1.0bn	2%	12%
<b>Algeria</b>	10	£0.8bn	2%	21%

# Emerging Markets will outgrow Developed Markets

*“IMS forecasts growth of 12-13% per year in countries including China, India, Brazil, Russia, Mexico, South Korea and Turkey, while mature markets are expected to grow only at single digit rates,” says Murray Aitkin of IMS. “Annual pharmaceutical sales in emerging markets is expected to reach \$400 billion by 2020, equivalent to current sales in the US and the five major European markets combined.”*



Source: IMS MIDAS 2006 sales data, Total Pharmaceutical Market  
 \* Extrapolations from 2006 to 2020 based on IMS projection and % of 2006 sales

# GSK Emerging Markets Business

85 countries

9,600 sales reps



**Emerging Markets 2008 sales £2.3bn (+12%)  
= 11% of GSK Pharma sales**

# GSK Emerging Markets Business

85 countries

~~~9,000 sales reps~~

**~11,000**

CIS

CHINA

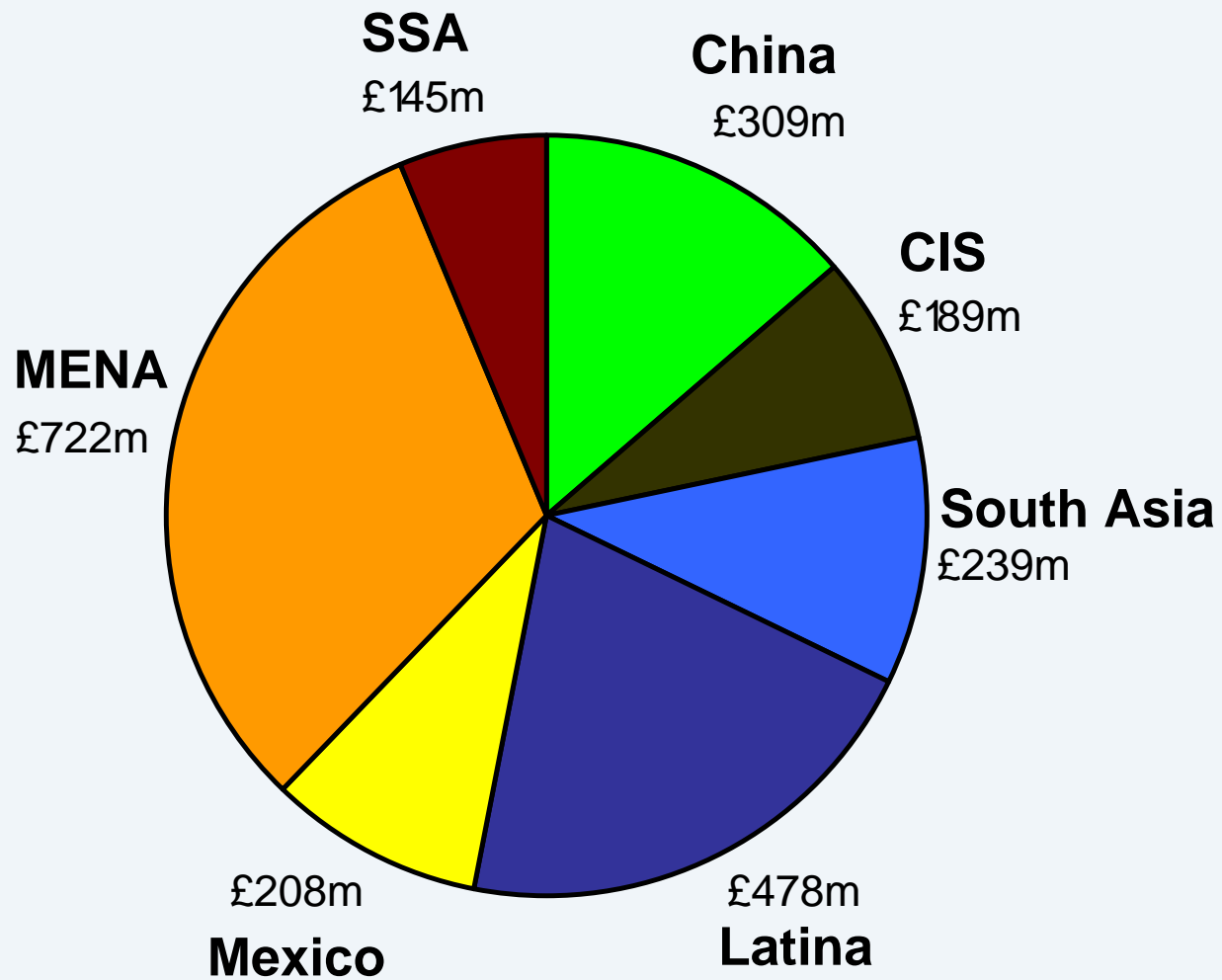
MEXICO

## Quarter 1 Update

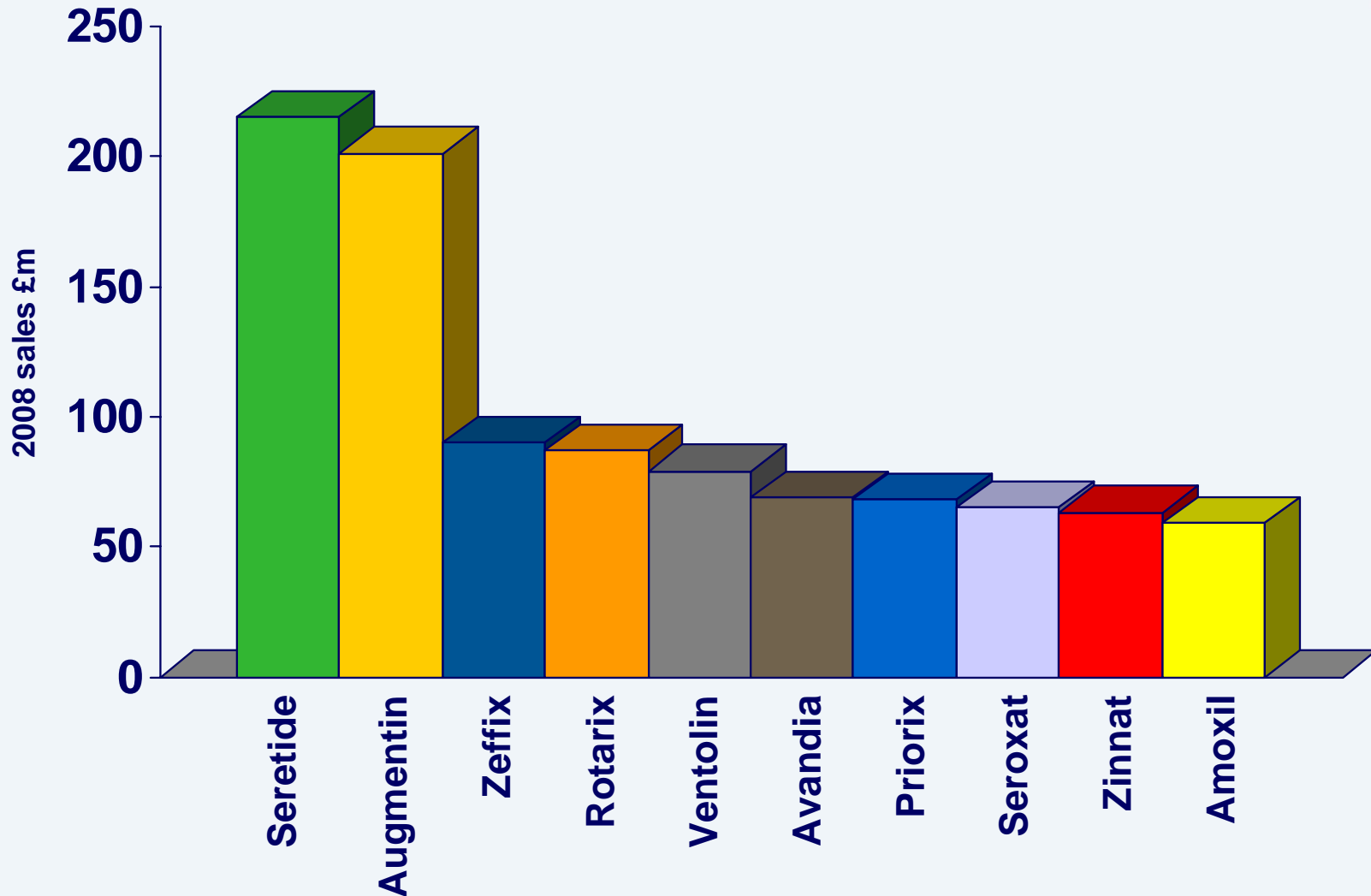
**1Q09 sales £666m (+18%)**

Emerging Markets 2008 sales £2.3bn (+12%)  
= 11% of GSK Pharma sales

# 2008 Turnover by Region



# Key Products in GSK Emerging Markets Portfolio



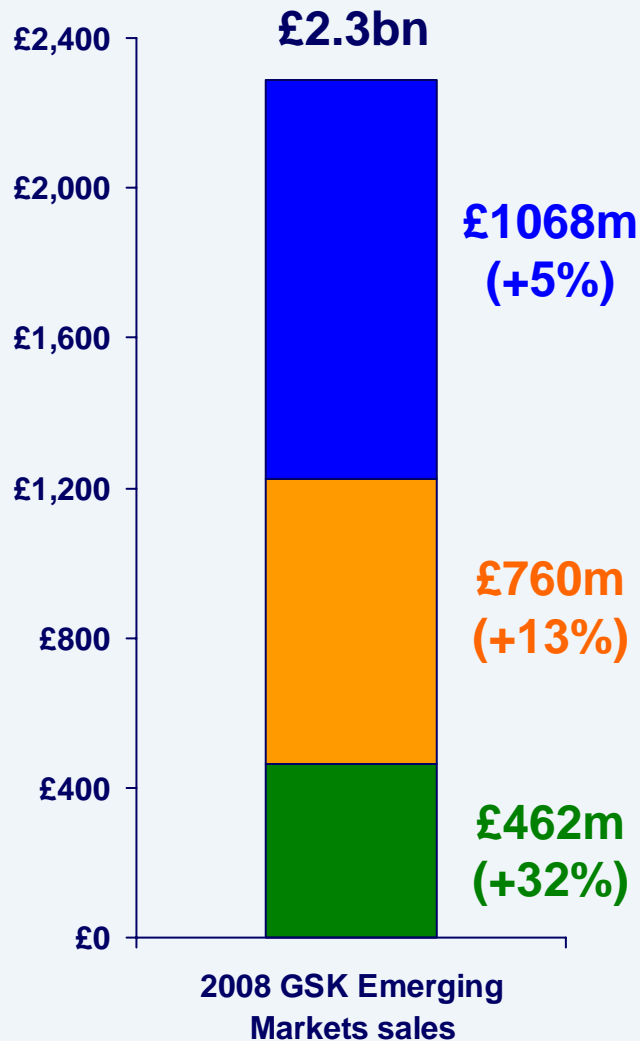
Source: GSK reported sales

# Pharmaceuticals: Operating Profit Margin

|                    | Q109 Operating Profit Margin<br>(%) |
|--------------------|-------------------------------------|
| US                 | 65.4                                |
| Europe             | 57.4                                |
| Emerging Markets   | 34.5                                |
| Asia Pacific/Japan | 54.2                                |

\* Note: operating margin as reported in 1Q09 which excludes R&D and other unallocated pharmaceuticals costs

# 3 Key Components of EM Business



(1) **Scale up our non-patented brand business**

(2) **Drive our patent-protected brands**

(3) **Build and capture the vaccines market**

# (1) Scale up our non patented brand business


## Bolt on Acquisitions

 Bristol-Myers Squibb  
**Egypt**  
Oct 08

 Bristol-Myers Squibb  
**Pakistan**  
Dec 08

 **EM/AP**  
Mar 09

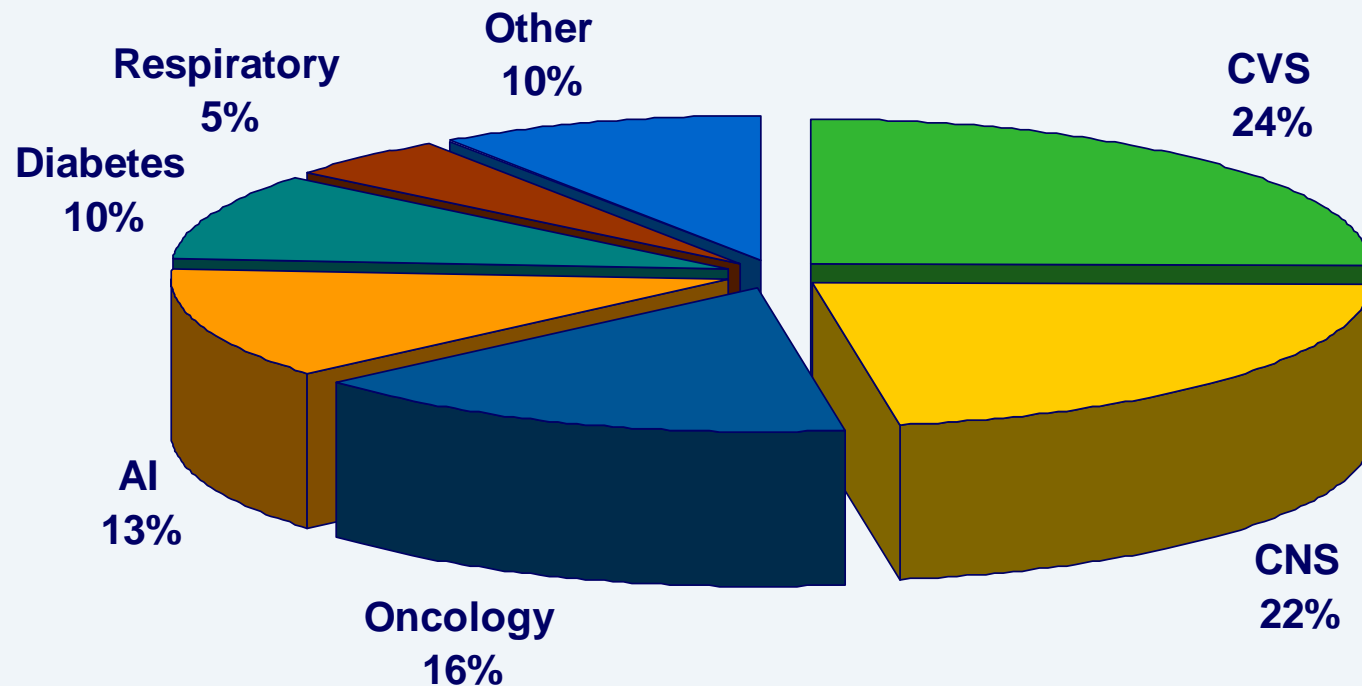


 **aspens**  
HOLDINGS  
Licensing  
Jul 08

# (1) Scale up our non patented brand business

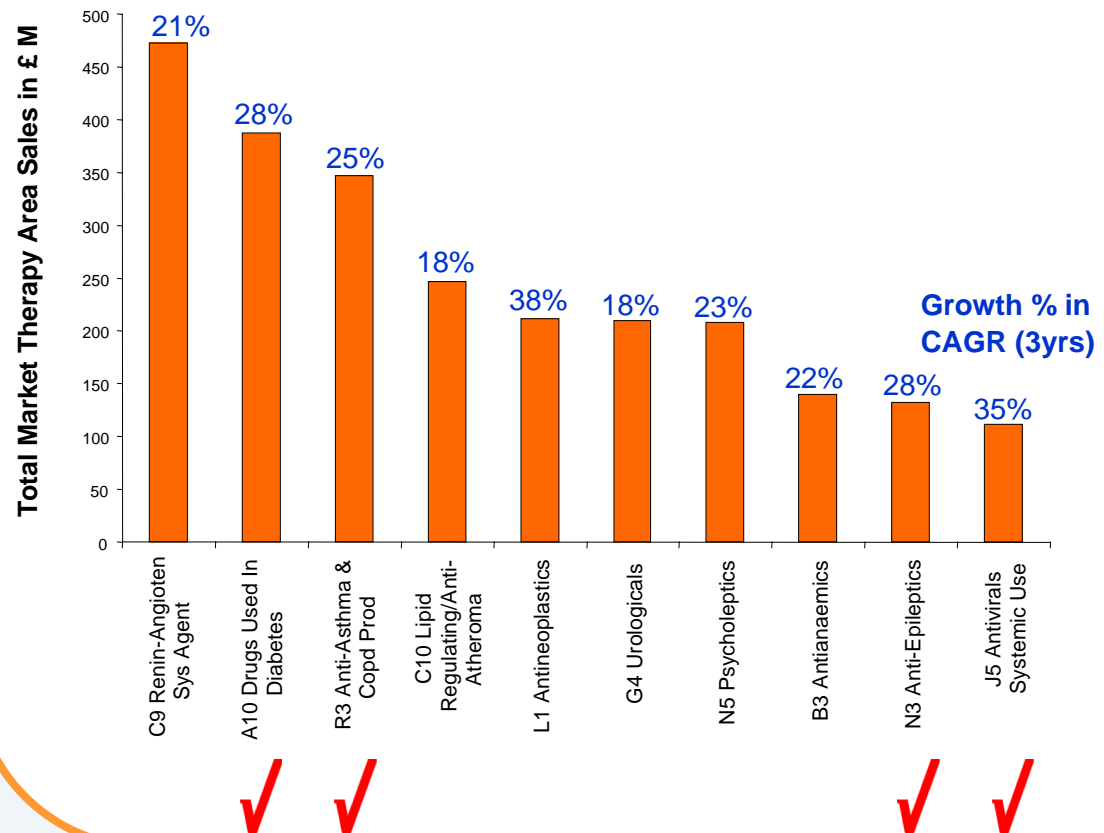
**60 additional molecules sources identified**

**175 product filings and 10 product launches in 2009**



# Example: MENA

## GSK was previously in 4 of top 10 TAs



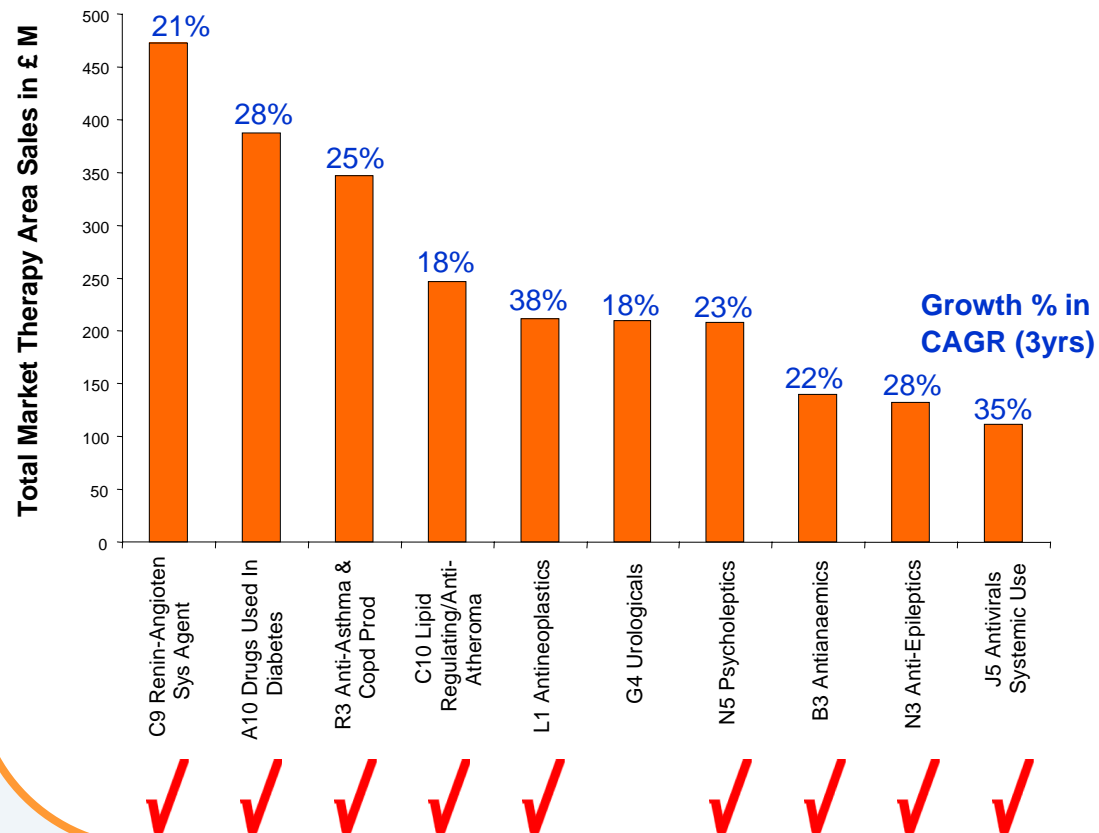
Therapy areas growing at or above 18% per annum among the top 20 therapy areas.  
Source : Rapier database MAT 06/08.

# Example: MENA

Acquisitions increase market share by estimated 1 share point in 2009 (from 8.3%)



## GSK now in 9 of 10 top TAs



Therapy areas growing at or above 18% per annum among the top 20 therapy areas.  
Source : Rapier database MAT 06/08.

## (2) Drive our patent-protected brands

### Our current portfolio

**Hepsera**  
adefovir dipivoxil *500mg*

**Zeffix**  
Lamivudine

**Seretide**  
Fluticasone propionate/Salmeterol xinafoate

**Requip**  
(ropinirole HCl tablets)

**MALARONE**

**Fraxiparine**  
nadroparin

**Coreg**  
Carvedilol

**Valtrex**  
valacyclovir HCl  
500 mg, 1000 mg (100 CAPLETS)

**RELENZA**  
ZANAMIVIR FOR INHALATION

**Arixtra**  
(fondaparinux sodium)

**Flolan**  
(époprosténol)

**Avandia**

**Paxil CR**  
PAROXETINE HCl  
CONTROLLED-RELEASE TABLETS

**Flonase**  
(fluticasone propionate)  
Nasal Spray, 50 mcg

**Tykerb**  
lapatinib ditosylate

**Flovent Diskus**  
(fluticasone propionate  
inhalation powder)

**AVODART**  
(dutasteride)

**HYCAMTIN**

**Veramyst**  
(fluticasone furoate)  
Nasal Spray

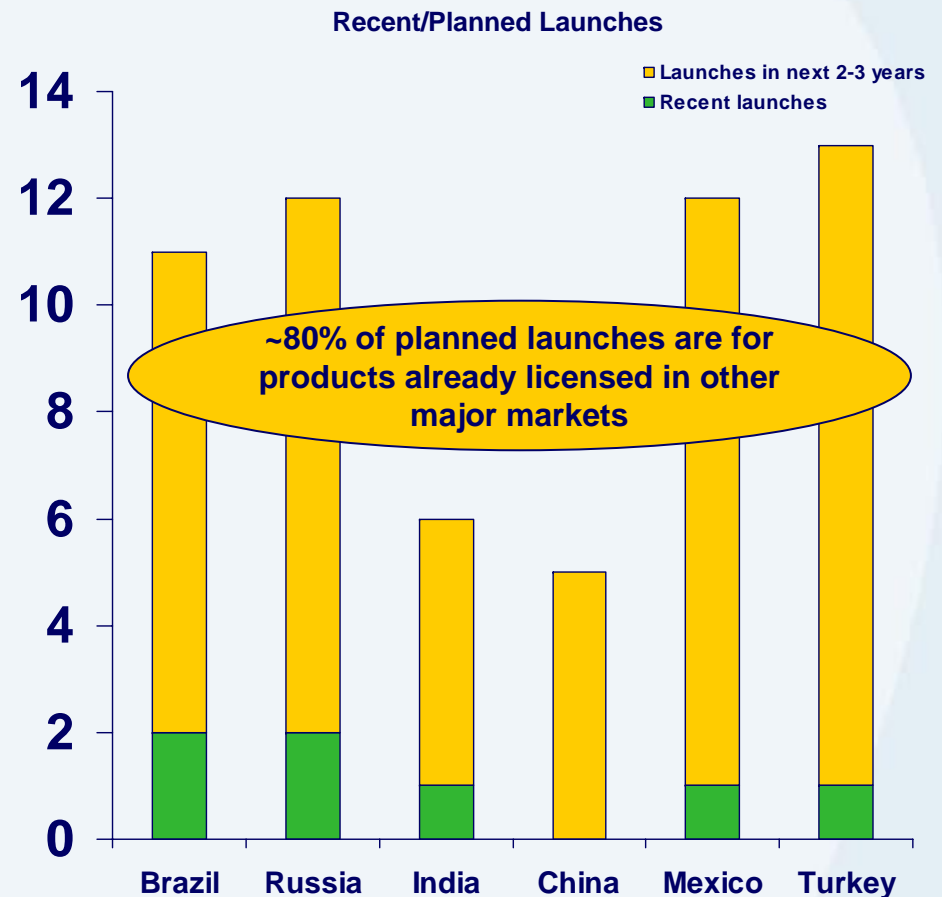
**COMBIVIR**  
(lamivudine-zidovudine)

## (2) Drive our patent-protected brands

### *Increase sales force*

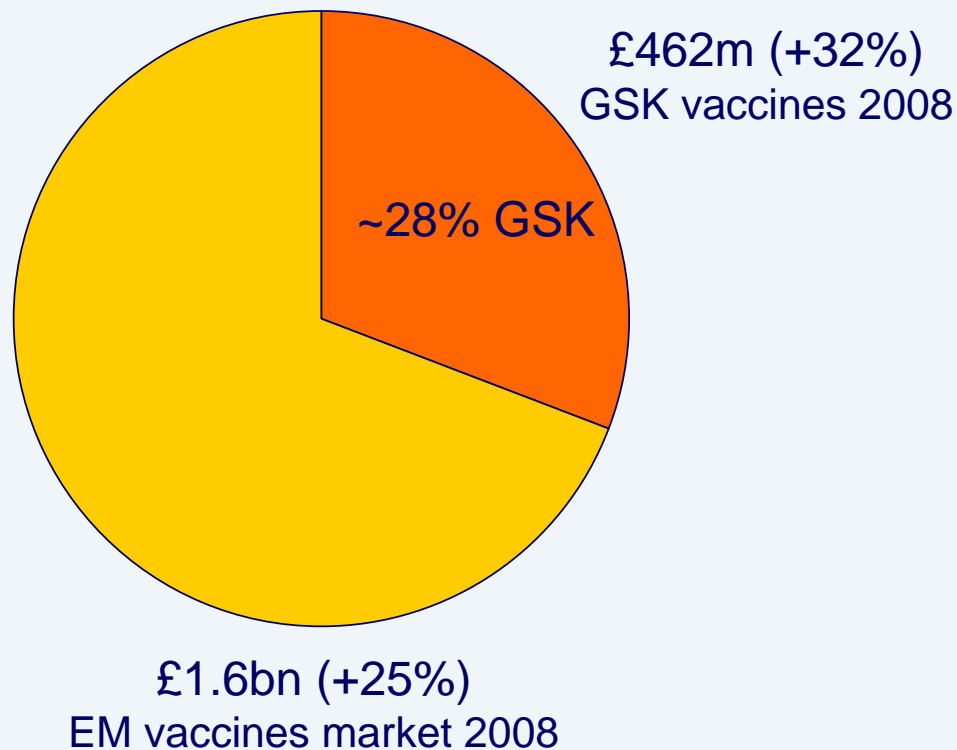
- Increased salesforce in China (+25%) and Russia (+12%) in 2008; more in 2009
- Increases in Brazil, India, Turkey and others in 2009
- Plan to significantly increase presence in previously hard to access markets in 2009 (eg Libya, Iraq and other markets in the Middle East)

### *...and give them more products to sell*



## (3) Build and capture the vaccines market

**GSK has more than ¼ of the market**  
**...and is growing faster than the market**



## **(3) Build and capture the vaccines market**

- **Growing government attention to public health agenda**
- **Large birth cohorts for paediatric vaccines**
- **New products**
  - Rotarix
  - Cervarix
  - Synflorix
- **New geographies**

# Improving access to medicines

- **Harvard speech: Big Pharma as a catalyst for change**
  - More flexible approach to IP in LDCs
  - Reduce prices for our patented medicines in LDCs
  - Open up our Tres Cantos research facility
  - Reinvest 20% of the profit we make in LDCs
- **Recent progress**
  - Price reduction for 110 SKUs + formulations
  - Put over 500 granted patents and 300 pending applications in a pool
  - Timetable for first projects for reinvestment of 20% LDC profit



# More medicines of value to more people who need them

## Improve access to GSK medicines

- build public markets
- optimise pricing
- innovative partnerships



Cancers

Heart disease



COPD

Diabetes

Asthma

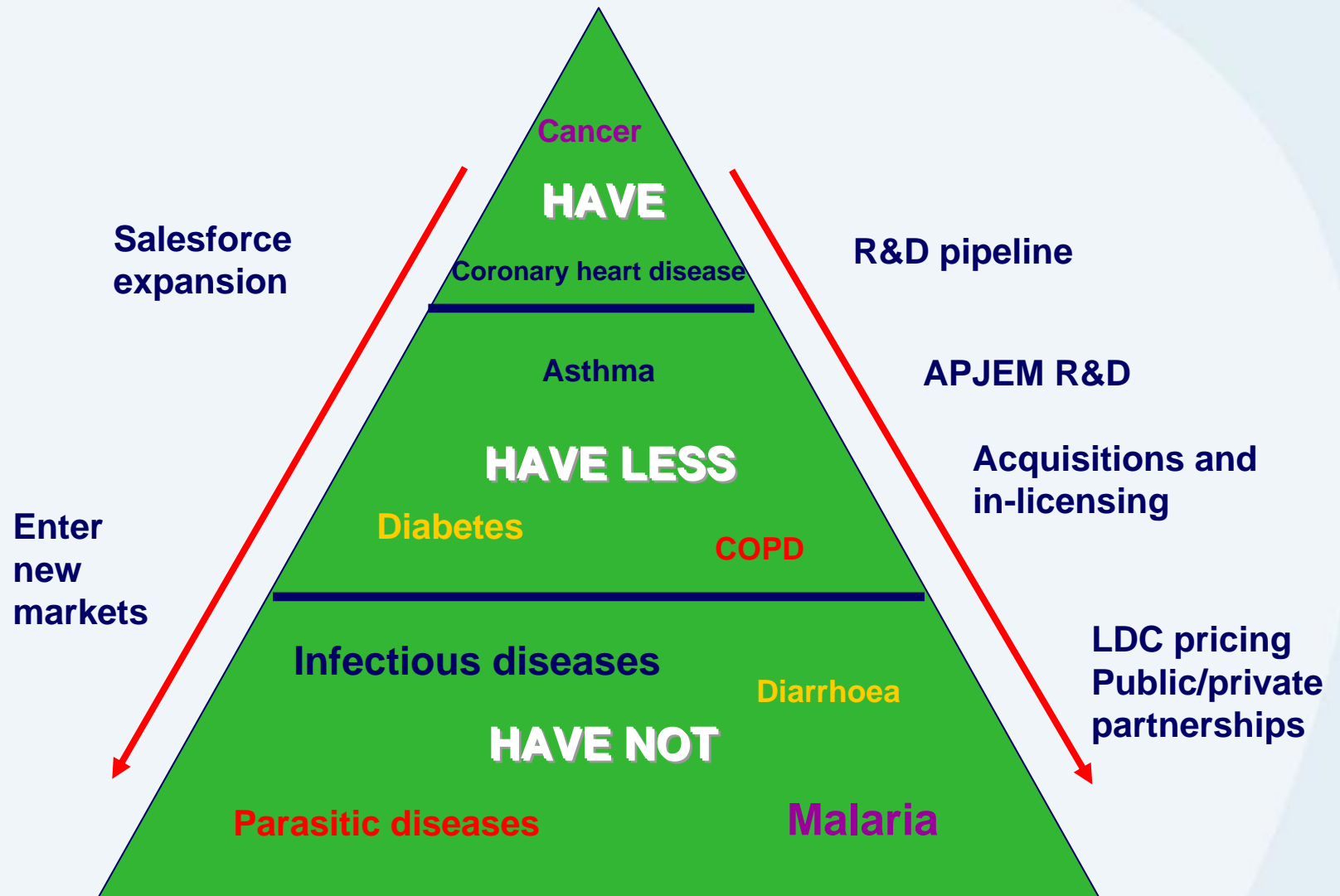


Diarrhoeal Disease,

Malaria



# More medicines of value to more people who need them





GlaxoSmithKline