



THURSDAY 25th OCTOBER 2007

DAILY COMPANY NOTE - GlaxoSmithKline See page 2 for full details

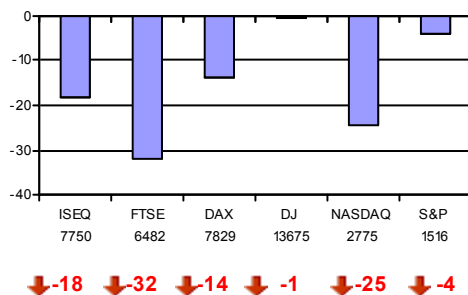
Daily Market Comment

Yesterday's Summary : European stocks declined yesterday pressured by the financials after Standard & Poor's cut its debt rating for Merrill Lynch following the group's largest quarterly loss in its 93-year history. Merrill Lynch reported a third quarter loss of \$2.24bn after it took a \$7.9bn charge in relation to subprime mortgages and asset backed bonds. The miners were also weak yesterday after Kazakhmys said that copper output fell by 19%.

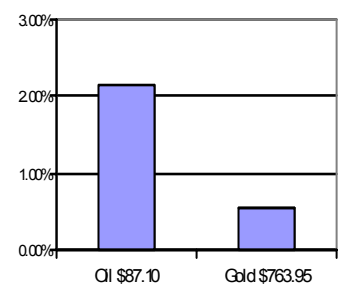
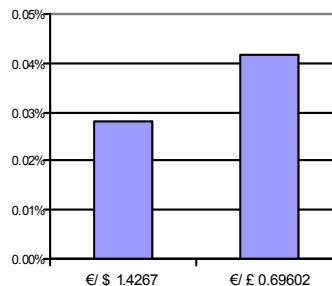
Overnight News : Shares in Microsoft rose by 1% in after hours trading after announcing that it will take a \$240m equity stake in Facebook valuing the company at \$15bn. Microsoft will now be the exclusive advertising platform partner for Facebook and will sell advertising for Facebook internationally. Microsoft is due to report its first quarter results after the US close tonight.

Breaking News : Aviva announced that 9-month life and pension sales rose by 20% to £22.9bn and head of analyst expectations, while profit on new business rose by 23% to £818m. The company said that sales in the first nine months of the year were highly encouraging and have been achieved at consistently strong margins.

Equity Index's change on day



Currency daily % change Oil/Gold daily % change



Paper Headlines

- "Cairn climbs on speculation of BP takeover" - **Cairn Energy** – Irish Times
- "Building firms may get €500m boost" - Irish Times
- "Boeing lowers sales forecast after 787 delays" - **Boeing** - Financial Times
- "VW's unions gear up for Porsche battle" - **Volkswagen** - Financial Times

Market Themes and Movers

Crude oil rises after inventories decline : Crude oil rose by over 2% yesterday after the US Energy Department reported that US oil and gasoline inventories had unexpectedly declined. Crude oil supplies fell by 5.29m barrels to 316.6m last week. A gain of 963,000 had been expected. Gasoline inventories fell by 1.93m barrels to 193.8m. Elsewhere, Turkey's military attacked Kurdish fighters in Northern Iraq yesterday. Such political uncertainty will also place upward pressure on the oil price in the short-term.

US Existing Home Sales show steep decline : The National Association of Realtors in the US said that sales of previously owned homes slumped by 8% during September to an annual rate of 5.04m, the fewest since records began in 1999. The decline was almost twice as steep as economists had expected. The median price fell by 4.2% to \$211,700, compared with September 2006. As a result of the continuing weak housing data increasing chances of a recession in the US, the market is now fully pricing in a rate cut from the Federal Reserve with the it meets on October 31st.

Demand for Carry Trade wanes: The Yen rose against 15 of the 16 most-active currencies as the deepening US housing slump prompted investors to cut purchases of higher-yielding assets funded by loans in Japan. In carry trades, investors get funds in a country with low borrowing costs and invest in one with higher interest rates, earning the spread between the borrowing and lending rates.

Dolmen Squawk Box

- Today five years ago, despite many global markets experiencing losses, the ISEQ index rose almost 2% largely on the back of strong trade by Bank of Ireland, due to rumours of a tie-up with National Australia Bank.
- Berkshire Hathaway Inc's Warren Buffett said on Thursday he expected the dollar to get weaker and said that South Korea's stock market was still more attractively valued than other world markets.



Dolmen Securities
75 St. Stephen's Green, Dublin 2, Ireland.
45 South Mall, Cork, Ireland
Theatre Court, Mallow St, Limerick, Ireland.

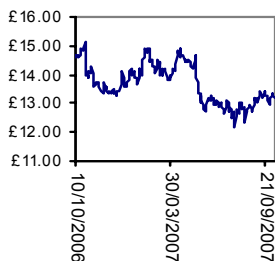
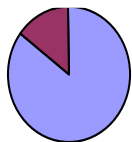
Website : www.dolmenstockbrokers.ie
Tel : +353 1 633 3800/1890 400 300
Tel : +353 21 422 2122
Tel : +353 61 436 500

E-mail: info@dsl.ie
E-mail: cork@dsl.ie
E-mail: Limerick@dsl.ie

GlaxoSmithKline

Target (issued 25/07/07) **£14.50**
Previous Current (issued 26/04/07) **£16.00**
£12.49
FTSE 100
Pharmaceuticals
Company Profile

GlaxoSmithKline is a global healthcare group, which is engaged in the creation and discovery, development, manufacture and marketing of pharmaceutical products, including vaccines, over-the-counter (OTC) medicines and health-related consumer products. The Company operates in two segments: Pharmaceuticals (prescription pharmaceuticals and vaccines), and consumer Healthcare (over-the-counter medicines, oral care and nutritional healthcare).

Statistics
Price Performance

Revenue by Region


■ 85% Pharmaceuticals
 ■ 15% Consumer Healthcare

Results announced : GlaxoSmithKline (GSK) has announced its results for the 3 months ended 30/09/07. Eps of 23.7p was c.1% below the consensus forecast of 24p, and was a year on year decrease of 4%, driven by a year on year sales decline of 3% to £5.48 bn. The sales decline was largely driven by a 38% year on year fall in sales of the group's Type-2 diabetes drug, Avandia, to £225m, as safety concerns prompted by a May article in the New England Journal of Medicine affected prescriptions. However, despite its Avandia problems, GSK re-iterated its previous earnings guidance for 2007 eps growth of between 8% and 10%. In May, an article published in the New England Journal of Medicine suggested that patients receiving Avandia had a 43% increase in the risk of having a heart attack compared with those not receiving the drug.

Cost savings : In conjunction with the results' announcement, GSK announced a £1.5 bn charge as part of a plan to achieve annual pretax cost savings of £700m by 2010. 40% of the targeted savings, including job cuts and plant closures, are targeted from manufacturing, 40% from selling and administration and the remainder from research and development. GSK's new cost saving plan follows similar plans announced by Pfizer and AstraZeneca earlier this year to cut 10,000 and 7,600 jobs respectively, as a result of competition from cheaper generic drugs and delays in getting new medicines approved by health regulators.

Pipeline catalyst : However, outside of the group's Avandia problems, and lower sales of its nausea drug Zofran and its antidepressant, Wellbutrin, both due to generic competition, other GSK operations showed improvements, such as 49% vaccine sales growth to £593m and 16% consumer sales growth to £871m. In relation to the group's pipeline, 13th December represents a potential major positive catalyst, as on that date, GSK will hold a meeting in New York to update investors on its pipeline drugs for Alzheimer's disease, schizophrenia, multiple sclerosis and depression.

Avandia impact : Avandia is forecast to contribute c.8% of GSK group sales in 2007, increasing to c.9% in 2008 and 2009. Therefore, under a worst case scenario where it is necessary to reduce the consensus 2008 eps of £1.08 by 10% to 97.2p, there would still appear to be upside potential for the GSK share price from current levels. Given that the EU pharma sector average is currently trading at c.17x 2008 earnings, a 12 month price target for GSK of £14.50 (16% upside), based on 15x forward earnings appears reasonable to account for GSK's slightly lower than sector average earnings growth.

Buyback support : In conjunction with its Q2 results, GSK announced an increase in its share buyback programme of £7.7 bn, now expecting to complete a £12 bn share buyback over the next 2 years. This should limit the further downside risk from current levels, and if markets remain volatile during Q4 2007, GSK's defensive growth characteristics will help its share price to outperform. The shares also pay a current year dividend yield of c.4%.

Major Shareholders	No of Shares	%
Barclays	240.119m	4.2
Legal and General	228.794m	4.0
M&G Investment	147.241m	2.6

Peer Group Multiples.	P/E 07	P/E 08	EPS Growth 07-08
Company name			
GlaxoSmithKline	12.7	11.6	10.20%
AstraZenica	13.3	12.1	9.72%
Shire	32.9	25.9	21.79%

Total Shares Outstanding	5697m
--------------------------	-------

Share Data	
Current Price (£)	12.49
Mkt Cap (£m)	71,156
Reuters	GSKL
Bloomberg	GSKLN
Sector	Pharmaceuticals
Chairman	Cir Christopher Gent
CEO	Dr Jean-Pierre Garnier
COO	Julian Heslop
Website	www.gsk.com

Financial Data	2006	2007e	2008e
Revenue (£m)	23,225	23,088	23,740
PBT (£m)	7,799	7,744	7,765
EPS (£)	0.96	0.98	1.08
P/E(x)	13.0	12.7	11.6
DPS(£)	0.54	0.51	0.54
Yield	4.3%	4.1%	4.3%



Disclosures

This report has been prepared by Dolmen Stockbrokers ('Dolmen') for information purposes only to assist investors to make their own investment decisions and is not intended to and does not constitute personal recommendations nor provide the sole basis for any evaluation of the securities discussed. Specifically the information contained in this report should not be taken as an offer or solicitation of investment advice or, encourage the purchase or sale of any particular security, option, future or other derivative investment. Not all recommendations are necessarily suitable for all investors and Dolmen recommend that specific advice should always be sought prior to investment, based on the particular circumstances of the investor.

Although the information in this report has been obtained from sources, which Dolmen believes to be reliable and all reasonable efforts are made to present accurate information Dolmen give no warranty or guarantee as to, and do not accept responsibility for, the correctness, completeness, timeliness or accuracy of the information provided or its transmission. Nor shall Dolmen, or any of its employees, directors or agents, be liable to for any losses, damages, costs, claims, demands or expenses of any kind whatsoever, whether direct or indirect, suffered or incurred in consequence of any use of, or reliance upon, the information. Any person acting on the information contained in this report does so entirely at his or her own risk.

All estimates, views and opinions included in this report constitute Dolmen's judgment as of the date of the report but may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

Unless specifically indicated to the contrary this report has not been disclosed to the covered issuers(s) in advance of publication.

Past performance is not necessarily a guide to future returns. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse affect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forwarding looking statements and forecasts may not be realised.

This report may not be reproduced (in whole or in part) altered, transmitted or made available to any other person without the prior written permission of Dolmen.

Dolmen Securities is a Member Firm of the London Stock Exchange, and is authorised by the Financial Regulator under the Investment Intermediaries Act 1995. Dolmen Stockbrokers is a Member Firm of The Irish Stock Exchange, The London Stock Exchange, and is authorised by the Financial Regulator under the Stock Exchange Act 1995.

Conflicts of Interest & Share Ownership Policy

Dolmen, its employees, directors or related companies, may have a shareholding in the securities (or related investments/ derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them.

It is noted that research analysts' compensation is impacted upon by overall firm profitability and accordingly may be affected to some extent by revenues arising other Dolmen business units including Corporate Finance, Fund Management and Stockbroking. Revenues in these business units may derive in part from the recommendations or views in this report. Notwithstanding, Dolmen is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

Dolmen permits research analysts to own shares and/ or derivative positions in issuers they publish research, views and recommendations on and accordingly analysts involved in the production of this report may own stocks in a company covered in it. Any own account staff trading is undertaken in strict compliance with Dolmen's own account internal rules and therefore Dolmen is satisfied that the impartiality of research, views and recommendations remains assured.

Analyst Certification

Each research analyst responsible for the content of this report, in whole or in part, certifies that: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Stuart Draper, Carl Bourke and Stephen Taylor are responsible for the production of this report. Stuart Draper is Head of Research and Carl Bourke & Stephen Taylor are equity analysts.

For US Persons Only

This report is only provided in the US to major institutional investors as defined by s. 15 a-6 of the Securities Exchange Act, 1934 as amended. A US recipient of this report shall not distribute or provide this report or any part thereof to any other person.