

business operating review

Business performance	£m	\$m	Growth%
Sales	£18,079	\$27,480	+9
Pharmaceuticals	£15,429	\$23,452	+10
Consumer Healthcare	£2,650	\$4,028	+3
Trading profit	£5,026	\$7,640	+12
Earnings	£3,697	\$5,619	+13
Earnings per share/ADR	61pence	\$1.85	+14

Growth is at constant exchange rates. Sales and trading profit growth exclude Healthcare Services.

GlaxoSmithKline's 2000 results provide compelling evidence that the promise of the merger will be fulfilled.

Pharmaceuticals GlaxoSmithKline markets products in ten principal therapeutic areas.

In central nervous system, the anti-depressant products, *Seroxat/Paxil* and *Wellbutrin*, performed strongly, reflecting increasing market demand in this sector. *Seroxat/Paxil* benefited from approvals for its new indication for social anxiety disorder. In the migraine sector, sales of *Imigran/Imitrex* and *Naramig*, returned to growth. This reflects the success of education programmes and, in the USA, television advertising targeted at consumers and physicians to improve diagnosis of an under-diagnosed, under-treated condition.

In respiratory, strong sales growth of *Flixotide/Flovent*, the anti-inflammatory, demonstrate increasing acceptance by physicians of an inhaled steroid as a treatment for asthma, particularly in the USA. *Seretide/Advair*, a combination of *Serevent* and *Flixotide*, offering a long-acting bronchodilator and an anti-inflammatory in a single inhaler, has been successfully launched in many European and Rest of World markets and is planned for launch in the USA in 2001.

In anti-virals, *Combivir*, a combination of *Retrovir* and *Epivir*, has consolidated the position of these two reverse transcriptase inhibitors as the cornerstone of multiple anti-HIV treatments. *Trizivir*, a combination of *Combivir* and *Ziagen*, GlaxoSmithKline's newest transcriptase inhibitor, brings together three therapies in one tablet reducing the pill burden faced by patients. *Zeffix* for hepatitis B, first launched in Asia Pacific markets, the area of greatest potential demand, performed strongly and was launched towards the end of 2000 in Japan.

In the anti-bacterial sector, *Augmentin* continued to achieve good sales growth, notably in the USA, reflecting physician awareness of its effectiveness against a wide range of bacteria, including those resistant to other antibiotics.

In metabolic/gastro-intestinal, *Avandia*, GlaxoSmithKline's new treatment for type 2 diabetes, achieved sales approaching half a billion pounds in its first full financial year on the US market. Prescriptions for *Avandia* account for well over half the thiazolidinedione market in the USA and it has been prescribed to nearly two million patients. *Avandia* will be launched in Europe and other markets in 2001.

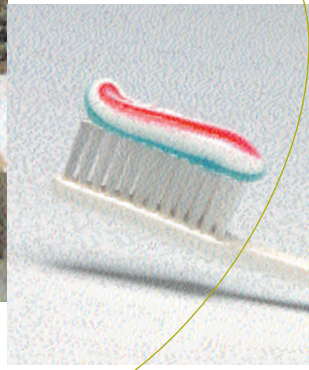
In vaccines, GlaxoSmithKline has a global market share of more than 25 per cent. Major products include hepatitis A and B vaccines and *Infanrix*, a range of paediatric combination vaccines.



Research & Development – Committed to creating innovative medicines.



Consumer Healthcare – Focused on becoming the world's leading science-driven consumer healthcare business.



Additionally the company has important products in oncology and emesis, cardiovascular, dermatologicals and arthritis.

New products are the life-blood of a pharmaceutical company. In 2000, sales of new products, those launched in a major market in the last five years, contributed nearly £1 billion of additional sales. Compared to other pharmaceutical companies, GlaxoSmithKline has a low exposure to patent expiries over the next several years.

GlaxoSmithKline has a market share of 6.8 per cent of the world market, ranking it in second position, and has six products in the world's Top 50 pharmaceutical products – *Seroxat/Paxil*, *Augmentin*, *Flixotide/Flovent*, *Imigran/Imitrex*, *Zantac* and *Serevent*.

Consumer Healthcare In oral care, strong sales growth of the *Aquafresh* range consolidated GlaxoSmithKline's position as market leader in Western Europe. The success of *Lucozade Sport* contributed to a strong performance in nutritional healthcare. Sales of over-the-counter-medicines were affected by competition in the US smoking control market and by the voluntary withdrawal of *Panadol* in Australia following a tampering threat.

Manufacturing GlaxoSmithKline operates a global network to manufacture and deliver its products to the point-of-sale. In 2000, Global Manufacturing & Supply manufactured over 1,000 different products, ranging from tablets and toothpaste to inhalers and complex capsules, in over 32,000 different pack sizes and presentations.

Selling GlaxoSmithKline has increased its investment in selling, particularly to support new product launches. The company had a global sales force in 2000 of some 36,000 medical representatives, including 8,000 in the USA.

Research and Development The revenue from the manufacture and sale of current products has to finance the investment in the development of new products. A research-based pharmaceuticals business must continually renew its product portfolio. In 2000, GlaxoSmithKline invested £2.5 billion in research and development. Approvals were received from regulatory authorities for a number of new medicines and vaccines, as well as new indications and formulations of existing products. The research and development pipeline for 2001 has 161 projects in development, of which 117 are in clinical development.

Earnings per share Trading profit increased more than the increase in sales, reflecting careful management of operating costs. After other items, interest and tax, earnings increased by 13 per cent and earnings per share by 14 per cent. The company has forecast growth in business performance earnings per share of 13 per cent in 2001, with growth expected to accelerate to mid-teens by 2002.

Global Manufacturing & Supply - Delivering quality products to markets around the world.

