

Shareholder return

Merger of Glaxo Wellcome and SmithKline Beecham

The Boards of Glaxo Wellcome plc and SmithKline Beecham plc announced on 17th January 2000 that they had agreed the terms of a proposed merger of equals of the two companies, subject to shareholder approval and regulatory clearance. Based on the relative stock market valuations of Glaxo Wellcome and SmithKline Beecham in the months preceding the announcement of the merger, shareholders of Glaxo Wellcome would hold approximately 58.75 per cent and shareholders of SmithKline Beecham approximately 41.25 per cent of the combined group.

Following shareholder approvals and clearance from regulatory authorities, the merger became effective on 27th December 2000.

The merger was implemented by way of a scheme of arrangement. A new holding company, GlaxoSmithKline plc, acquired Glaxo Wellcome and SmithKline Beecham. In accordance with the agreed merger terms, shareholders of Glaxo Wellcome and SmithKline Beecham received, in exchange for their existing shares, shares in GlaxoSmithKline as follows:

- for each Glaxo Wellcome ordinary share – 1 GlaxoSmithKline ordinary share
- for each SmithKline Beecham ordinary share – 0.4552 GlaxoSmithKline ordinary shares.

In the case of shares held as American Depositary Shares (ADSs), evidenced by American Depositary Receipts (ADRs), each Glaxo Wellcome ADS represented two Glaxo Wellcome ordinary shares and each SmithKline Beecham ADS represented five SmithKline Beecham ordinary shares. Each GlaxoSmithKline ADS represents two GlaxoSmithKline ordinary shares. Accordingly holders of Glaxo Wellcome ADRs and holders of SmithKline Beecham ADRs received:

- for each Glaxo Wellcome ADS – 1 GlaxoSmithKline ADS
- for each SmithKline Beecham ADS – 1.138 GlaxoSmithKline ADSs

GlaxoSmithKline shares commenced trading on the London Stock Exchange and GlaxoSmithKline ADSs commenced trading on the New York Stock Exchange on 27th December 2000.

Taxation

As a general guide to shareholders, GlaxoSmithKline has received advice that the merger should not have any direct effect on the tax position of UK resident shareholders or US resident shareholders. Further information is contained in the Scheme Document issued to shareholders on 5th July 2000. Shareholders who are in any doubt about their taxation position should consult their own professional advisers.

Dividends - Glaxo Wellcome and SmithKline Beecham

Dividends 2000

Both Glaxo Wellcome and SmithKline Beecham announced dividends in respect of the year 2000 prior to the effective date of the merger on 27th December 2000.

Glaxo Wellcome	2000 pence	1999 pence
Interim	15	15
Second interim	23	–
Final	–	22
Total dividend per Glaxo Wellcome share	38	37

The equivalent dividend per GlaxoSmithKline share is the same as the dividend per Glaxo Wellcome share.

The record date for the second interim dividend was 22nd December 2000 in relation to Glaxo Wellcome shares and 26th December 2000 in relation to Glaxo Wellcome ADSs. The second interim dividend will be paid on 17th April 2001 to shareholders of Glaxo Wellcome at the record date and on 27th April 2001 to ADR holders of Glaxo Wellcome at the record date.

SmithKline Beecham	2000 pence	1999 pence
First interim	3.0	2.7
Second interim	3.0	2.7
Third interim	3.0	2.7
Fourth interim	4.5	4.05
Total dividend per SmithKline Beecham share	13.5	12.15
Total equivalent dividend per GSK share	29.66	26.69

The record date for the fourth interim dividend was 22nd December 2000 in relation to SmithKline Beecham shares and 26th December 2000 in relation to SmithKline Beecham ADSs. The fourth interim dividend will be paid on 17th April 2001 to shareholders and ADR holders of SmithKline Beecham at the record date.

Dividends (ADSs)

As a guide to holders of ADRs, the table below sets out the dividends paid per ADS in US dollars in the last five years. The dividends are adjusted for UK tax credit less withholding tax, where applicable, and are translated into US dollars at applicable exchange rates.

Since 6th April 1999, claims for refunds of tax credits or dividends from the UK tax authorities are of negligible benefit to US shareholders.

Year	Glaxo Wellcome \$	SmithKline Beecham \$
2000	1.10	0.99
1999	1.14	0.98
1998	1.19	0.92
1997	1.17	0.85
1996	1.16	0.74

Dividends – GlaxoSmithKline

GlaxoSmithKline's dividend policy was set out in the merger documents issued to shareholders during 2000.

GlaxoSmithKline will initially pay dividends in line with Glaxo Wellcome's 2000 dividend of 38 pence per Glaxo Wellcome share, which is equivalent to 38 pence per GlaxoSmithKline share. Subsequently, assuming earnings continue to grow, GlaxoSmithKline will at least maintain an annual dividend of 38 pence per share, whilst building dividend cover (the ratio between distributable profits and dividends) towards the industry average, which is closer to SmithKline Beecham's recent payout ratio of 40-50 per cent than to Glaxo Wellcome's higher payout ratio.

GlaxoSmithKline will pay dividends quarterly. It is expected that GlaxoSmithKline will normally follow the pattern established by SmithKline Beecham of a level dividend for each of the first three quarters, with a higher dividend in the fourth quarter.

Dividend Calendar

First quarter 2001

Results Announcement	24 April 2001
Ex-dividend date	2 May 2001
Record date	4 May 2001
Payable	5 July 2001

Second quarter 2001

Results Announcement	24 July 2001
Ex-dividend date	1 August 2001
Record date	3 August 2001
Payable	4 October 2001

Third quarter 2001

Results Announcement	23 October 2001
Ex-dividend date	31 October 2001
Record date	2 November 2001
Payable	3 January 2002

Fourth quarter 2001

Results Announcement	14 February 2002
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Share price

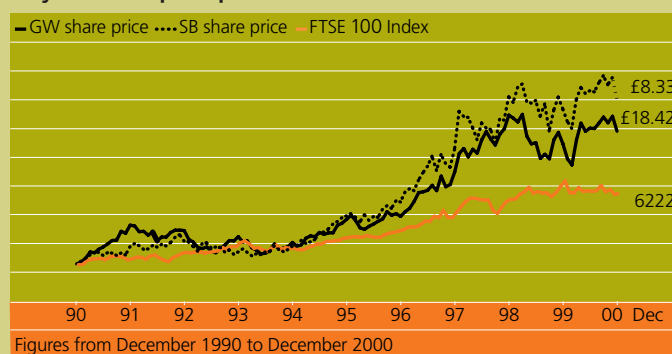
Share price 2000	GSK(£)	GW(£)	SB(£)	FTSE
At 1st January 2000	–	17.50	7.90	6930
High during the year	–	21.10	9.55	6930
Low during the year	–	14.40	6.71	6142
At 26th December 2000	–	18.42	8.33	6098
At 31st December 2000	18.90	–	–	6222
Increase/(decrease) over year		5%	5%	(10%)

Following the announcement of the merger between Glaxo Wellcome and SmithKline Beecham in January 2000, the share prices of the two separate companies tracked closely together during 2000. Over the period from 1st January to 26th December 2000, the day before the merger was completed, both the Glaxo Wellcome share price and the SmithKline Beecham share price increased by five per cent. Whereas, over the year to 31st December 2000, the FTSE 100 index declined ten per cent.

The expected positive benefits of the merger and the strong operating performances from both companies during the year helped Glaxo Wellcome and SmithKline Beecham to achieve an improved share price performance relative to the UK stock market. In addition, investor sentiment shifted away from technology sectors towards more defensive sectors such as pharmaceuticals during 2000.

Shares in GlaxoSmithKline started trading on 27th December 2000. Between 27th December 2000 and 15th March 2001 the share price decreased by two per cent to £18.00. This compares to a decline in the FTSE 100 index of six per cent.

10 year share price performance



Over the ten years from 31st December 1990 to 26th December 2000:

- the Glaxo Wellcome share price increased from £4.24 to £18.42, an increase of 334 per cent
- the SmithKline Beecham share price increased from £1.55 to £8.33, an increase of 437 per cent

Over the ten years from 31st December 1990 to 31st December 2000:

- the FTSE 100 Index increased from 2143 to 6222, an increase of 190 per cent