

GlaxoSmithKline continues to deliver strong earnings growth

This report presents the results of GlaxoSmithKline plc for the six months ended 30th June 2003 in accordance with the requirements of the UK Listing Authority.

JP Garnier, Chief Executive Officer, said:

“These results represent another solid performance by GSK with growth in business performance* earnings per share of 20% (CER) and 12% in sterling terms in the first half of the year. On the back of this excellent performance we are upgrading our earnings guidance. We now expect earnings per share growth of high single digits or better in 2003, regardless of possible generic competition to *Paxil* in the USA.”

GlaxoSmithKline publishes its results quarterly. The results for the second quarter 2003 were announced to the London Stock Exchange on 23rd July 2003. These are summarised below and are available in full on the company's website, www.gsk.com.

Results for the second quarter 2003

	Quarter 2 2003 £m	Quarter 2 2002 £m
Business performance		
Turnover	5,375	5,415
Profit on ordinary activities before taxation	1,969	1,827
Earnings (Profit attributable to shareholders)	1,394	1,305
Earnings per share	23.9p	21.9p
Merger, restructuring and disposal of business		
Profit on ordinary activities before taxation	(87)	(194)
Earnings (Profit attributable to shareholders)	(64)	(131)
Statutory		
Turnover	5,375	5,415
Profit on ordinary activities before taxation	1,882	1,633
Earnings (Profit attributable to shareholders)	1,330	1,174
Earnings per share	22.8p	19.7p
Dividends per share – payable 2nd October 2003	9p	9p

See notes at foot of column relating to business performance results and growth rates for the quarter and half year.

Pharmaceutical turnover grew 3% in the quarter. In the USA, sales grew 2% to £2.4 billion, European sales were up 2% to nearly £1.3 billion and sales in International markets increased by 9%. Consumer Healthcare continued to perform well with sales up 3%.

Seretide/Advair consolidated its position as GSK's number one product, with sales of £531 million in the quarter.

The HIV portfolio had strong growth in the quarter with sales up 11% to £390 million and sales of the anti-viral, *Valtrex*, increased 32% to £132 million.

Sales of *Avandia* and *Avandamet*, GSK's oral anti-diabetes products, grew 3% in the quarter to £212 million. Sales of *Lamictal*, for epilepsy, were £135 million up 28%. In June *Lamictal* received FDA approval for its use to treat bipolar disorder.

Business performance trading profit grew 8% and earnings per share grew 15% in the quarter.

Statutory results, which include merger and manufacturing restructuring costs, delivered a trading profit of £1,801 million on turnover of £5,375 million and EPS of 22.8 pence for the quarter.

The effect of exchange rates reduced reported sales growth by 4% and EPS growth by 6% in the quarter. However, if rates remain at their current levels the impact will be broadly neutral in the second half of 2003.

*Business performance, which is the primary performance measure used by management, is presented after excluding merger and restructuring costs and disposals of businesses. Management believes that exclusion of these items provides a better comparison of business performance for the periods presented. Statutory results include these items.

In order to illustrate underlying performance, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to determine the results of overseas companies in sterling had remained unchanged from those used in the previous year. All commentaries are on a business performance basis and in terms of CER unless otherwise stated.

Results for the first half year 2003

Total pharmaceutical turnover grew 6% to £9 billion in the first half of the year - a strong performance given the loss of nearly £300 million of US *Augmentin* sales to generic competition in the period.

Pharmaceutical sales in the USA grew 7% to £4.7 billion, European sales were £2.5 billion up 1%, and sales in International markets increased by 9% to £1.8 billion.

Sales of *Seroxat/Paxil*, GSK's leading product for depression and anxiety disorders, grew by 9% assisted by *Paxil CR* in the USA which now represents over 38% of new *Paxil* prescriptions. *Seroxat/Paxil* also performed well in International markets with sales growth of 29%, driven by continued growth in Japan.

GSK's HIV portfolio had strong growth, with sales up 12% to £765 million, reflecting good performances across all regions. GSK products are the cornerstone of HIV treatment with all of the top 10 HIV treatment regimens in the USA now containing a GSK brand.

Seretide/Advair sales exceeded £1 billion growing 39% in the half year. This outweighed the declines in other related respiratory products *Flixotide* (sales down 7%) and *Serevent* (sales down 13%). Together the three products grew 17% to over £1.6 billion.

Sales of *Coreg*, an alpha/beta blocker for the treatment of heart failure, rose 36% to £168 million and sales of *Zofran* increased 24% to £388 million.

GSK anticipates launching *Avandamet* in Europe and two key products *Levitra*, for erectile dysfunction, and *Wellbutrin XL*, for depression, in the US market in the second half of the year.

Consumer Healthcare sales grew by 5% to nearly £1.6 billion, led by 8% growth in the International region. Over-the-counter medicines sales grew by 3% to £746 million helped by the acquisition of a number of dermatological products, but Oral care sales were flat, reflecting competitive market conditions in all regions. Nutritional healthcare sales grew by 7% reflecting a strong performance by *Lucozade*.

Business performance trading profit increased 15% on turnover growth of 6%.

Statutory results, which include merger and manufacturing restructuring costs, delivered a half-year trading profit of £3,503 million on turnover of £10,597 million.

Earnings per share grew 20% to 45.7 pence in the first half of the year. GSK's earnings guidance for 2003 has been improved to high single digit or better percentage growth in business performance earnings per share at constant exchange rates, regardless of possible generic competition to *Paxil* in the USA.

This report, which is unaudited, has been prepared in accordance with the accounting policies expected to apply in 2003. These are unchanged from those set out in the 2002 Annual Report.

Brand names appearing in italics throughout this document are trade marks of GSK or associated companies with the exception of *Levitra*, a trade mark of Bayer AG, which is used under licence by the Group.

Copies of this report, the Results Announcement for the Second Quarter 2003 and other information about GlaxoSmithKline are available on the company's website at: www.gsk.com. For those without access to the internet a copy of the Results may be requested from Lloyds TSB Registrars on 0870 600 3991 (inside UK) or +44 121 415 7067 (outside UK).

Summary consolidated statement of profit and loss

	H1 2003			H1 2002		
	Business performance £m	Merger, restructuring and disposal of businesses £m	Statutory £m	Business performance £m	Merger, restructuring and disposal of businesses £m	Statutory £m
Turnover	10,597	–	10,597	10,525	–	10,525
Operating profit	3,765	(195)	3,570	3,445	(369)	3,076
Net interest payable	(72)	–	(72)	(63)	–	(63)
Profit on ordinary activities before taxation	3,743	(192)	3,551	3,420	(357)	3,063
Taxation – UK	(309)	27	(282)	(274)	28	(246)
Overseas	(720)	24	(696)	(649)	85	(564)
Profit on ordinary activities after taxation	2,714	(141)	2,573	2,497	(244)	2,253
Minority interests and preference share dividends	(49)	–	(49)	(58)	–	(58)
Earnings (Profit attributable to shareholders)	2,665	(141)	2,524	2,439	(244)	2,195
Dividends			(1,046)			(1,065)
Retained profit			1,478			1,130
Earnings per share	45.7p		43.3p	40.9p		36.8p
Diluted earnings per share			43.2p			36.6p
Weighted average number of shares (millions)			5,827			5,962
Dividends per share			18p			18p

Turnover by therapeutic area

	Q2 2003 £m	Q2 2002 £m	H1 2003 £m	H1 2002 £m
Central nervous system	1,152	1,166	2,247	2,160
Respiratory	1,097	1,032	2,190	1,999
Anti-virals	610	570	1,181	1,120
Anti-bacterials	419	559	886	1,203
Vaccines	285	261	549	505
Oncology and emesis	273	247	521	478
Metabolic	245	263	505	491
Cardiovascular and urogenital	178	169	350	314
Other	307	346	603	704
	4,566	4,613	9,032	8,974
Consumer Healthcare	809	802	1,565	1,551
Total	5,375	5,415	10,597	10,525

Taxation

The charge for taxation on business performance profit represents an effective tax rate of 27.5% (2002: 27.0%) which is the expected rate for the year.

Taxation developments since the date of the 2002 Annual Report relate to transfer pricing issues described in that Report. As more fully described in the Results Announcements for the first and second quarters of 2003, the US and UK tax authorities have concluded discussions without reaching agreement. As stated in previous updates, there continues to be a wide difference of views between the company and the Internal Revenue Service. The dispute with respect to certain years will now proceed to the US Tax Court.

Legal proceedings

The Group is involved in a number of legal proceedings. Details of these are given in the 2002 Annual Report and significant developments since that report are given in the Results Announcements for the first and second quarters of 2003. The outcome of these and other matters in which the Group is involved cannot be predicted with any certainty.

Cautionary statement

Under the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995, the company cautions investors that any forward-looking statements or projections made by the company, including those made in this report, are subject to risks and uncertainties that may cause actual results to differ materially from those projected. Factors that may affect the Group's operations are described in the company's Annual Report on Form 20-F for 2002.

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Summary consolidated statement of cash flow

	H1 2003 £m	H1 2002 £m
Net cash inflow from operating activities	3,357	3,550
Returns on investment and servicing of finance	(149)	(146)
Taxation paid	(1,117)	(636)
Capital expenditure and financial investment	(281)	(385)
Acquisitions and disposals	(7)	(7)
Equity dividends paid	(1,287)	(1,264)
Net cash inflow before management of liquid resources and financing	516	1,112
Management of liquid resources	(184)	82
Shares purchased for cancellation	(527)	(1,588)
Financing	792	809
Increase in cash in the period	597	415

Summary consolidated balance sheet

	30th June 2003 £m	31st December 2002 £m
Fixed assets	11,542	11,578
Current assets	12,148	10,749
Creditors: amounts due within one year	(8,041)	(8,808)
Net current assets	4,107	1,941
Total assets less current liabilities	15,649	13,519
Creditors: amounts due after one year	(4,052)	(3,298)
Provisions for liabilities and charges	(3,111)	(2,833)
Net assets	8,486	7,388
Equity shareholders' funds	7,727	6,581
Minority interests	759	807
Capital employed	8,486	7,388

