

# GlaxoSmithKline continues to deliver strong earnings growth

This report presents the results of GlaxoSmithKline plc for the six months ended 30th June 2003.

JP Garnier, Chief Executive Officer, said:

“ These results represent another solid performance by GSK with growth in earnings per share of 27% in CER\* terms and 18% in sterling terms in the first half of the year.”

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](http://www.gsk.com).

## Results for the second quarter 2003

	Quarter 2 2003 £m	Quarter 2 2002 £m
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 growth rates for the quarter and half year.

Pharmaceutical turnover grew 3% in CER terms but declined 1% in sterling terms. In the USA sales grew 2% CER but fell 8% in sterling terms to £2.4 billion, European sales were up 2% (9% sterling) to nearly £1.3 billion and sales in International markets increased by 9% (4% sterling). Consumer Healthcare continued to perform well with sales up 3% (1% sterling).

*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% (8% sterling) to £390 million and sales of the anti-viral, *Valtrex*, increased 32% (26% sterling) to £132 million.

Sales of *Avandia* and *Avandamet*, GSK's oral anti-diabetes products, grew 3% but fell 5% in sterling terms in the quarter to £212 million. Sales of *Lamictal*, for epilepsy, were £135 million up 28% (23% sterling). In June *Lamictal* received FDA approval for its use to treat bipolar disorder.

Trading profit for the second quarter grew 16% (11% sterling) to £1,801 million on turnover of £5,375 million and earnings per share grew 22% (16% sterling) to 22.8 pence in the quarter. These results benefited from reduced merger, integration and restructuring costs, which were £90 million in the quarter compared with £194 million in the same period last year.

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.

## Results for the first half year 2003

Total pharmaceutical turnover grew 6% in CER terms and 1% in sterling terms 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% (CER) but fell 4% in sterling terms to £4.7 billion; European sales were £2.5 billion up 1% (9% sterling), and sales in International markets increased by 9% (3% sterling) to £1.8 billion.

Sales of *Seroxat/Paxil*, GSK's leading product for depression and anxiety disorders, grew by 9% (2% sterling) 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% (24% sterling), driven by continued growth in Japan.

GSK's HIV portfolio had strong growth, with sales up 12% (7% sterling) 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% (34% sterling) in the half year. This outweighed the declines in other related respiratory products *Flixotide* (sales down 7% (10% sterling)) and *Serevent* (sales down 13% (16% sterling)). Together the three products grew 17% (13% sterling) to over £1.6 billion.

Sales of *Coreg*, an alpha/beta blocker for the treatment of heart failure, rose 36% (23% sterling) to £168 million and sales of *Zofran* increased 24% (15% sterling) 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% (1% sterling) to nearly £1.6 billion. Over-the-counter medicines sales grew by 3% (flat in sterling terms) to £746 million helped by the acquisition of a number of dermatological products, but Oral care sales were flat in CER terms, falling 1% in sterling terms, reflecting competitive market conditions in all regions. Nutritional healthcare sales grew by 7% (5% sterling) reflecting a strong performance by *Lucozade*.

Trading profit increased 22% (14% sterling) to £3,503 million and earnings per share grew 27% (18% sterling) in the first half of the year, both benefiting from reduced merger, integration and restructuring costs of £195 million in the half year compared with £369 million in H1 2002.

## Summary consolidated statement of profit and loss

	H1 2003 £m	H1 2002 £m
Turnover	10,597	10,525
Operating profit	3,570	3,076
Net interest payable	(72)	(63)
Profit on ordinary activities before taxation	3,551	3,063
Taxation – UK	(282)	(246)
Overseas	(696)	(564)
Profit on ordinary activities after taxation	2,573	2,253
Minority interests and preference share dividends	(49)	(58)
Earnings (Profit attributable to shareholders)	2,524	2,195
Dividends	(1,046)	(1,065)
Retained profit	1,478	1,130
Earnings per share	43.3p	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 represents an effective tax rate of 27.5% (2002: 26.4%).

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.

## 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 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

## 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

## 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.

## Basis of disclosure

This report discloses UK GAAP results and does not reflect certain non-GAAP measures that the Group normally reports.

\*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 in terms of CER growth unless otherwise stated.

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.

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.

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](http://www.gsk.com). For those without access to the internet a copy of the Results may be requested from Lloyds TSB Registrars on +44 121 415 7067 (outside UK).

