

# GlaxoSmithKline on track to deliver 2004 financial guidance



This report presents the results of GlaxoSmithKline plc for the six months ended 30th June 2004 in accordance with the requirements of the UK Listing Authority. GlaxoSmithKline reports its results quarterly. Details of these are available at [www.gsk.com](http://www.gsk.com).

- Total turnover increased 2% at constant exchange rates.\*
- Key pharmaceutical growth drivers continue to perform strongly.
- R&D pipeline progressing well.
- Earnings per share (EPS) down 4% at constant exchange rates.\*
- GSK remains on track to deliver 2004 EPS guidance.

JP Garnier, Chief Executive Officer, said:

**"Outstanding sales growth for several of our key products is enabling us to overcome the impact of generic competition to Paxil and Wellbutrin. In particular, Advair and Avandia continue to be significant engines of growth for the company. Looking ahead, while the third quarter will be challenging, we continue to expect a return to earnings growth in the fourth quarter and in 2005."**

## Half-year 2004 highlights

- Pharmaceutical turnover increased 1%, despite the significant impact of generic competition to *Paxil* and *Wellbutrin* in the USA. Excluding sales of these products, turnover grew 5% globally and 9% in the USA.
- Key pharmaceutical growth drivers continue to perform strongly, including *Seretide/Advair* for asthma and COPD with sales up 22% to £1,184 million and sales of *Avandia/Avandamet* for diabetes up 38% to £545 million.
- Consumer Healthcare turnover grew 5%, led by 10% growth in International markets.
- A weak US dollar adversely impacted performance in the half-year in sterling terms.
- Other operating expense of £67 million was recorded in the half-year following increased provisions for legal matters.

## Outlook

- Four new product launches are expected in the next 6 months, including *Vesicare* for over-active bladder, *Rotarix*, a new vaccine for rotavirus (in Latin America), *Avandaryl* for type-2 diabetes and *Epivir/Ziagen* for HIV.
- The R&D pipeline is progressing well:
  - FDA filings for *Boniva* for osteoporosis and *Entereg* for post-operative ileus were made in the half-year
  - Positive Phase II data on '016 for cancer and '698 for rhinitis was received in Q2 2004. '698 is expected to join '016 in phase III development in Q3 2004
  - New data is expected on '381 for pain and '162 for depression – to be presented at the CNS R&D Seminar on 23rd November 2004.
- GSK remains on track to deliver 2004 EPS (at constant exchange rates) at least in line with business performance EPS in 2003.

## Summary consolidated statement of profit and loss

	H1 2004 £m	H1 2003 (restated) £m
Turnover	10,007	10,597
Operating profit	3,207	3,553
Net interest payable	(91)	(72)
Profit on ordinary activities before taxation	3,207	3,534
Taxation – UK	(240)	(276)
– Overseas	(642)	(696)
Profit on ordinary activities after taxation	2,325	2,562
Minority interests and preference share dividends	(49)	(49)
Earnings (Profit attributable to shareholders)	2,276	2,513
Dividends	(1,148)	(1,046)
Retained profit	1,128	1,467
Earnings per share	39.5p	43.1p
Diluted earnings per share	39.5p	43.0p
Weighted average number of shares (millions)	5,756	5,827
Dividends per share	20p	18p

## Summary consolidated statement of cash flow

	H1 2004 £m	H1 2003 (restated) £m
Net cash inflow from operating activities	3,115	3,357
Returns on investment and servicing of finance	(135)	(149)
Taxation paid	(725)	(1,117)
Capital expenditure and financial investment	(403)	(293)
Acquisitions and disposals	54	(7)
Equity dividends paid	(1,327)	(1,287)
Net cash inflow before management of liquid resources and financing	579	504
Management of liquid resources	(480)	(184)
Shares purchased	(486)	(527)
Financing	398	804
Increase in cash in the period	11	597

## Summary consolidated balance sheet

	30th June 2004 £m	31st December 2003 (restated) £m
Fixed assets	8,439	8,575
Current assets	13,238	12,625
Creditors: amounts due within one year	(7,996)	(8,471)
Net current assets	5,242	4,154
Total assets less current liabilities	13,681	12,729
Creditors: amounts due after one year	(5,173)	(3,883)
Provisions for liabilities and charges	(2,808)	(3,042)
Net assets	5,700	5,804
Equity shareholders' funds	5,476	5,059
Minority interests	224	745
Capital employed	5,700	5,804

\* The Group's practice is 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.

During the years 2000 to 2003, business performance was the primary performance measure used by the Group and was presented after excluding merger items, integration and restructuring costs and disposals of businesses. For 2004, the Group is reporting results on a statutory basis only. Growth rates are presented comparing 2004 results with 2003 business performance results in CER terms unless otherwise stated.

This report, which is unaudited, has been prepared in accordance with the accounting policies expected to apply in 2004. These are unchanged from those set out in the 2003 Annual Report except that during 2004 UITF 38 'Accounting for ESOP trusts' and UITF 17 (revised) 'Employee share schemes' have been implemented. Results in 2003 and the balance sheet at 31st December 2003 have been restated following this implementation.

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

### 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 2003.

Copies of this report, the Results Announcements for the First and Second Quarters 2004 and other information about GlaxoSmithKline are available on the company's website at: [www.gsk.com](http://www.gsk.com), or from Lloyds TSB Registrars on 0870 600 3991 (inside UK) or +44 121 415 7067 (outside UK).

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