£21 billion
total turnover. Second largest
global pharma company

£6.7 billion
profit before tax

Today...

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world and continuing un-met medical need in many
diseases mean that demand for new and better
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Our industry, however, also faces formidable
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Finally, in the developing world, there is the
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contribution to persistent health crises should
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has led the way, pioneering the availability of
preferentially priced medicines and vaccines.
We believe the only pharmaceutical
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prevention and treatment of the World Health
Organization’s three priority diseases of the
developing world, HIV/AIDS, TB and malaria.
We are pleased with the agreement reached
by the World Trade Organization in August
which allows countries unable to manufacture
medicines to import generics under compulsory

£338 million
the value of community
programmes, product donations
and charitable contributions

Nearly 11 million
tablets of preferentially priced
Combivir, a GSK anti-retroviral, were
shipped to the developing world

Growing patients, so pharma sales
are rising. However, the
success of these new medicines
may not be matched in
the long run by competing
products.

Research & Development

148 projects
currently in clinical development.
One of the largest pipelines in
the industry

Rapidly maturing
pipeline with 46 new chemical
entities in phases II and III/registration

Social Responsibility Highlights

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- the value of community
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Chairman & Chief Executive Officer’s statement

GSK demonstrates continued strength

Key features of 2003
1 New products accounted for 25% of total pharmaceutical turnover.
2 Trading profit* of £6.9 billion on turnover of £21.4 billion.
3 Ten major products recorded double-digit growth.
4 Regulatory approval for ten important new products and new indications.

Trading Profit* growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Trading Profit* (in £ billion)</th>
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<tr>
<td>01</td>
<td>5.9</td>
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<td>02</td>
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*These are based on business performance results. All percentage growth rates are at constant exchange rates, unless otherwise stated. See ‘Business Operating Review’ page 22.

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Chairman & Chief Executive Officer’s statement

Robust financial performance in 2003

During 2003, our business performance earnings per share grew ten per cent, which was in line with the guidance we had issued. Trading profit rose nine per cent to £6.9 billion and we had an operating cash flow of £7.0 billion. We also raised the dividend to 41 pence.

Total pharmaceutical turnover grew five per cent to just over £18 billion, with US sales also up five per cent to £9.4 billion. This achievement confirms the underlying strength and resilience of our business, particularly given continued generic brand pressure during the year to sales of Augmentin and the introduction of generic competition to Paxil and the introduction of generic competition to Wellbutrin.

The Consumer Healthcare business also did well, making a trading profit of £603 million for the year, up 16 per cent.

2004 – a year of transition before returning to growth in 2005

2004 will be a particularly challenging year as we see the full impact of generic competition to Paxil and the introduction of generic competition to Wellbutrin. Together, these products had US sales of £1 billion last year. For most other companies, a threat to sales on this scale would be catastrophic. But we expect to be able to weather the impact well – partly because of our size, partly through the introduction of improved versions of these medicines and partly by driving growth of the other key products in our broad portfolio. In fact, we expect to be able to deliver 2004 earnings per share (EPS) at least in line with business performance (EPS in 2003 at constant exchange rates), before returning to growth in 2005. This will represent a solid achievement for GSK.

Many other pharmaceutical companies, which have faced a similar loss of sales as a result of generic competition, have seen their earnings fall significantly.

2004 will be a year of transition for GSK. By the end of the year, the company will have been transformed. As well as having one of the most broadly-based product portfolios in the industry, from 2005 onwards we will also have one of the lowest exposures to patent expires measured as a percentage of turnover. At the same time, we expect to see a big increase in the number of major new compounds entering Phase III trials from our promising pipeline.

Broad product portfolio drives growth

GSK’s ability to continue delivering robust pharmaceutical sales growth, despite these generic challenges, is primarily due to its exceptionally broad product portfolio of fast-growing, high-value products. GSK is a global leader in several therapeutic areas including respiratory, anti-viral, central nervous system, diabetes and vaccines.

The company now has ten major products (accounting for £7.6 billion of sales) growing in strong double digits. These include Seretide/Advair for asthma and chronic obstructive pulmonary disease (COPD) which grew 19 per cent during the year to £2.2 billion, and is now one of the top ten pharmaceutical brands in the world. Our diabetes treatments Avandia/Advamet also continue to perform well, with sales of £0.9 billion, up 24 per cent. Products such as Viagra for impotence, and Lamictal and Wellbutrin for epilepsy are growing very strongly and are now approaching blockbuster status. Also, both our vaccines and HIV/AIDS businesses have sales of over £1 billion.

New product launches in 2003 and 2004

Several new and important products were introduced in 2003. Highlights included US launches of Wellbutrin XL, a new and improved version of the anti-depressant, and Levitra for erectile dysfunction. Approval was received for Lexiva for HIV/AIDS, Advair for COPD and Lamictal for bipolar disorder in the USA, and Avandamet for diabetes in Europe.

We plan to make several significant product launches and filings during 2004. These include solifenacin for over-active bladder (developed with our partner Yamanouchi Pharmaceuticals Ltd of Japan), Avandia, a fixed-dose combination treatment which will further extend the Avanda family of treatments for type 2 diabetes, and Epivir plus Zagen, the first once-daily combination HIV/AIDS treatment to be available in a single tablet.

Building a strong and diverse R&D pipeline

2003 provided the clearest evidence yet of our success in creating the most productive R&D organisation in the industry. At our R&D Day in December we confirmed that the re-designed R&D operation is delivering a product pipeline of exceptional diversity, quality and quantity that will drive the future growth of the company.

We now have 148 projects in clinical development. These span a variety of therapeutic areas and encompass a number of pioneering approaches to treating patients, including exciting new compounds in the areas of oncology and cardiovascular disease. The 148 projects include 83 new chemical entities (NCEs), 45 product line extensions (PLEs) and 20 vaccines. Forty six of the NCEs are now in clinical phases II and III registration and we expect to make a record number of filings over the next five years. As many as 20 of these compounds have the potential to reach blockbuster status.

Included in the many promising compounds highlighted in December were: ‘016, a first of its kind dual-lux-knee inhibitor for the treatment of breast and lung cancer; Cenva, a vaccine with the potential to prevent more than 70 per cent of cervical cancers; ‘162, a next-generation anti-depressant; Lip-PLAZ2 inhibitors which target a newly identified risk factor for heart disease; olodipraz, a novel anti-blood clotting treatment, and ‘181, the first dual action CD4-2 inhibitor targeting both inflammatory and neuropathic pain. Building on our strong heritage in respiratory medicine, we are also developing a next-generation Seretide/Advair – a once-daily combination of a new lung acting corticosteroid, 698, and a long-acting selective beta2 agonist, 797, developed with Theravance Inc.

Corporate responsibility

Corporate responsibility is a particular resonance for the pharmaceutical sector. Our business is creating medicines to treat and prevent disease – something that society needs and values. At the same time, healthcare and the way it is delivered and funded provokes much debate. Our third Corporate Responsibility Report sets out the issues that we face in this area and explains how we are addressing them. Where possible, performance measures are included to show our progress.

Significant achievements this year include the progress we are making in our programmes for the developing world, such as our efforts to eliminate leishmaniasis (L Lorphism) or elephantiasis, a debilitating disease affecting 120 million people. The World Health Organization target is to eliminate LF by 2020, by which time we expect to have donated six billion treatments of our medicine albendazole, worth around $1 billion. This is one of the pharmaceutical industry’s largest ever donation programmes. We reduced the net-for-poor prices of our HIV treatments twice in 2003, taking the price of Combivir down from $1.70 to just 65 cents a day. However, much more needs to be done to tackle the enormous HIV/AIDS crisis. Real progress will only be made if responsibility is shared by all sectors of global society – governments, international agencies and companies such as GSK.

We are very proud of our global community investment of £338 million, 5.3 per cent of the Group’s pre-tax profit. This included £125 million for the Group’s Patient Assistance Programs and other initiatives for low-income groups in the USA and £105 million of humanitarian product donations.

Goverance

The Financial Reporting Council’s new Combined Code on Corporate Governance was published in 2003. The Board supports the New Code and has moved quickly to bring GSK’s governance procedures substantially in line with the best practices that flow from the Code.

Acknowledgements

During the year there were a number of changes to the Board. The Board now benefits from the direct presence of Dr Tachi Yamada, who has great knowledge and experience in medical practice as well as the pharmaceutical industry. Three new Non-Executive Directors joined the Board during the year: Larry Coop, President of Danaher Corporation; Craig Davis, Chief Executive of Red Eliazer PLC; and Sir Robert Wilson, Chairman of BG Group plc. They each bring many years of experience and successful track records in different industries. Their undoubted skills further strengthen the Board.

Sir Roger Hurn and Paul Aliair left the Board in June. Dr Michelle Barach, John McArthur and Donald McKiernan will step down from the Board after the AGM in May. We express our appreciation to each of them for their contribution to the company and for their dedicated and effective service to the Board.

In conclusion, on behalf of the Board and the Corporate Executive Team, we thank you, our shareholders, for your continued support through this challenging time.

Sir Christopher Hogg

Chairman

Paul Csern

Chief Executive Officer

02 Annual Review 2003
A day to deliver

Our unique R&D structure starts to deliver. GSK’s radical redesign of its R&D organisation is a bold move to tackle the problem of R&D productivity, a real challenge to the global pharmaceutical industry. The impact of the reorganisation can now be seen in GSK’s broad and deep pipeline of medicines across a spectrum of key therapeutic areas. The projects that GSK now has in clinical development comprise a number of pioneering approaches to treating patients in need. “Our new structure is working well,” said Tachi Yamada, Chairman of R&D. “We are developing more quality compounds than ever before. This is enabling us to renew our pipeline in disease areas where we are leaders – such as respiratory and psychiatry – and to build strong portfolios in areas such as oncology and cardiovascular disease.”

Our CEDD structure

The research & development meetings

The path to products

GSK’s R&D is structured to take advantage of size at the beginning and end of the R&D process where large-scale research is needed – such as screening targets against compounds and conducting large-scale clinical trials. However, to bridge the interface between discovery and development, the organisation is divided into small biotech-like business units called Centres of Excellence for Drug Discovery (CEDDs) that emphasise flexibility and therapeutic focus. The CEDD structure aims to make the R&D process more effective and efficient, and our broad and deep pipeline is an early sign of the evolution in this approach.

In December, R&D presentations were made in the UK and USA, where GSK’s pipeline of future products was unveiled to analysts. Thirty five promising compounds, selected for novelty, impact on disease and commercial potential, were outlined. Some of these compounds are featured on this page along with images of our R&D organisation. GSK currently has 148 projects in clinical development, comprising 83 new chemical entities, 45 product line extensions and 20 vaccines.

GSK’s goal is to bring more than 20 new chemical entities to phase III development over the next three years, leading to an anticipated record number of filings in the next five years. It is expected that over 20 of these have the potential to reach blockbuster status of annual sales of $1 billion (€600 million).

We have vaccines in clinical development against numerous diseases affecting all age brackets, from children to the elderly, and in all regions, from the developed to the developing world. In 2004, we plan to file our Rotarix vaccine to help stem rotavirus gastroenteritis, a disease that is estimated to lead to the death of one child every minute.

Cardiovascular & Urogenital diseases

Metabolic & Viral diseases

Neurological & Gastrointestinal disease

Psychiatry

Respiratory & Inflammatory diseases

Proliferative diseases

Microbial, Musculoskeletal & Proinflammatory diseases

Biopharmaceuticals

Vaccines

Cardiovascular disease is the number one killer in the western world and a growing problem in developing countries as well. We are pioneering a novel class of compounds that sharply lower the activity of an enzyme associated with cardiovascular disease. This new approach could lead to the next generation of drugs to reduce cardiovascular events and deaths.

Asthma affects 100-150 million people worldwide, killing 180,000 each year. Seretide/Advair has revolutionised the treatment of asthma and chronic obstructive pulmonary disease (COPD). One of our development compounds, 685698, is a third generation inhaled corticosteroid. It promises to be a once-a-day treatment and to offer greater potency.

Cancer affects one in three people. Our 572016 compound, a dual kinase inhibitor being investigated for the treatment of solid tumours, is a first of its kind. It may help convert the management of some cancers to chronic stable disease states.

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Small changes count. Retired civil servant Daniel Calleja takes life one day at a time following his diagnosis as a diabetic some 21 years ago. Type 2 diabetes has led to him having to make a number of small changes in his lifestyle - but he still retains a mischievous sense of humour and sprinkles his conversation with jokes.

During his daily stints on the exercise bike at his home in Spain, he imagines he is one of the star cyclists at the head of the race. “I never win but I can always dream,” says the 75-year-old. Daniel's mother and father both had diabetes so he was not surprised when, after developing symptoms, his disease was diagnosed. Initially, Daniel found it difficult to control his blood sugar level but three years ago he started to use Avandia and quickly noticed an improvement.

“As a result of my age, I had reached the point where my sugars were getting out of control and insulin injections seemed inevitable,” he recalls. “My doctor prescribed Avandia, however, and now I have better control over my blood sugar level than before.”

Daniel has also taken other steps along the path to maintaining his good health. In addition to a daily session on his exercise bike, he also walks for an hour a day near his home in Madrid.

“I hope I can go on like this forever. Certainly, as far as my diabetes is concerned, I can live perfectly well with it.”

Step-by-step. Twenty years ago, GSK scientist Steve Smith started a journey that would lead to the successful development of Avandia, our treatment for type 2 diabetes. It was to be a meticulous, step-by-step, pioneering path.

There was limited understanding of diabetes and insulin resistance in 1984 when Steve and his team in the UK started the painstaking search for compounds. “We were able to test just two or three compounds a week, while today’s high throughput screening can probably test one million in a few days,” he said.

It took four years of methodical searching before a promising compound was identified. It was a discovery made largely through the team’s innovative use of chemistry in manipulating the structure of molecules, yet it was just a start in the lengthy process of bringing Avandia to market.

The application to the FDA in 1998 came with a dossier that was one of the largest in the industry. Avandia was launched the following year in the USA where the Avandia product family leads its class.

Recently launched was Avandamet, the first drug to combine an insulin sensitisier (Avandia) with another treatment to help control blood sugar levels. Avandaryl, a new fixed-dose combination treatment filed with the FDA in 2003, is the latest step in the journey that began in 1984.

Steve and his team won a UK drug discovery award for biology and chemistry in the work on Avandia. “Scientists were methodical yesterday and remain so today, but we also need inspiration, to take risks… and have some luck.”
The day my life changed

Working together. Sprightly senior John Chicoine wasn’t sure what to think when he left his local store in North Carolina in the USA after using his Together Rx Card for the first time. He had just obtained two prescription medicines for $30 which in the past would have cost him $140. “I couldn’t believe it and went and told my wife Jackie that I had just robbed Wal-Mart. When we thought about how much we had saved, I suggested we get in the car and get away quickly before they caught us!”

The Together Rx program was launched in the USA in April 2002 with the potential to allow between eight and 11 million Medicare enrollees with no prescription drug coverage to be eligible for a broad range of medicines from major pharmaceutical companies. In the past, many older Americans with little or no prescription coverage would cut back on taking their recommended medications or risk their health by taking none at all.

“I am always looking for bargains and looked at several prescription plans which, when you looked closely, offered no benefit at all,” said John. “Then I found out about Together Rx while flipping through a magazine and went on-line to find out more. It was easy to apply and the benefits were instant.”

Making life easier. GSK seeks to play an active part in improving the healthcare of people who have limited access to medicines, not only those in developing countries. Our Orange Card program has helped more than 150,000 senior American citizens on low incomes to save on the medicines they buy. In 2003, GSK reinforced its commitment to this program until at least 2006.

Card savings

The Orange Card was announced in late 2001 in response to concerns by senior citizens in the USA about coverage for prescription medicines. Because Medicare does not cover most prescription drugs, 10 to 15 million senior Americans do not have insurance coverage for their prescriptions.

GSK’s Orange Card, the industry’s first senior savings prescription drug card, offers average savings of 30 per cent off the usual price for outpatient GSK prescription medicines. Seniors simply present their card to the pharmacist to receive the savings. In 2003, there were 155,000 members of the Orange Card program.

Following positive responses to the Orange Card, GSK and six other companies launched the Together Rx Card in 2002. This brings company-sponsored savings programs into a single card, extending the possible savings at the pharmacy counter to more than 170 widely prescribed medicines.

With this easy-to-use card, Together Rx participants are able to save up to 40 per cent off the usual amount paid for prescriptions – sometimes substantially more. By the end of 2003, approximately 1.2 million people had joined this program.

Leading role

GSK plays a leading role in improving access to medicines. Through product, pricing and partnering programs, GSK seeks to ensure that safe and effective drugs reach people who need them most on a sustainable basis. Alongside the Orange Card and the Together Rx Card, two Patient Assistance Programs – Bridges to Access and Commitment to Access – provide short-term solutions for needy patients without prescription drug insurance coverage.

GSK also provides reimbursement case management services to help patients identify alternative funding sources for prescription drugs and other healthcare services.
Ten million people were treated against lymphatic filariasis in one day

In just one day...

Administration Day. The people of Sri Lanka will not forget Sunday, 27th July, 2003. On that day, ten million people – nearly half of the country’s population – received free tablets to help prevent the transmission of lymphatic filariasis (LF), a disfiguring disease also known as elephantiasis. More than 50,000 healthcare workers and volunteers distributed GSK-donated albendazole and other tablets to people living in areas where LF is endemic. It was one of the largest mass administrations of its type to have taken place in the developing world. But our efforts against the spread of LF did not stop there. In 2003, through our partnership with the World Health Organization (WHO), we donated 94 million treatments of albendazole to 34 countries worth £11 million. We have committed to provide albendazole free of charge for as long as it takes to eliminate LF.

Elimination by 2020
An estimated 120 million people are affected by LF, a tropical disease that has plagued humanity with immense suffering, social stigma and severe disability for thousands of years. A further one billion people in 80 countries are at risk of infection.

The mass drug administration effort in Sri Lanka on that July day was spectacular, but GSK continues to help in a long-term global programme to eliminate the disease through its active membership of the Global Alliance to Eliminate LF.

The goals of this partnership with the WHO and other organizations are to interrupt the transmission of LF, country by country, until it has been eliminated as a public health problem. This is expected to take 20 years.

GSK’s antiparasitic albendazole is used with one of two other drugs to stop the transmission of LF. The Group donates the tablets to the WHO which then provides them to the health authorities of affected countries for local distribution. The mass administration day in Sri Lanka, for example, was organised by the Ministry of Health.

Since 1998, the Group has supplied a total of 240 million free albendazole treatments. In addition to donating drugs, GSK provides significant financial resources and staff expertise to support coalition building, advocacy, research, community mobilization and educational initiatives.

Today, there is hope that a new generation of children will have lives free of LF.

Global Community Partnerships
Through its Global Community Partnerships function, GSK partners with and supports organizations whose goals and objectives reflect its mission of improving the quality of human life.

- Lymphatic Filariasis: Through its flagship programme, GSK’s role in the Global Alliance to Eliminate Filariasis, one of the pharmaceutical industry’s largest donation programmes.
- HIV/AIDS: Through its Positive Action programme, GSK works in partnership with individuals and groups at the community level to pursue more effective HIV prevention, education and support for people living with, or affected by, HIV/AIDS.
- Malaria: The GSK African Malaria Partnership is a community partnership which aims to develop effective malaria control behaviours in African communities.
One day... 

Every day more than 27,000 people are diagnosed with cancer... over 2,600 people in the USA die from heart disease... about 100,000 young people become addicted to tobacco... more than 3,000 children in Africa die of malaria... globally, more than 8,000 people die from AIDS.

One day statistics such as these will not be as bleak. GSK is playing a leading part in tackling these global challenges, constantly striving to make the world a healthier place.

We are now beginning to see the benefits of our innovative restructuring of the R&D process within our organization. As a result of dramatically improved rates of productivity, the whole span of our pipeline is strong and bursting with potential. Where once a disease was thought to be untreatable, modern day research will provide hope for sufferers.

One of the compounds featured on this page is a first of its kind. The investigational compound, 572016, is a dual kinase inhibitor for early solid tumours. It blocks two of the kinases implicated in breast cancer and other solid tumours and may help convert the management of some cancers to chronic stable disease states.

In phase I studies among patients who had failed multiple prior treatments with other drugs, 46 per cent of breast cancer patients treated with 572016 showed either a partial response or stable disease. But R&D is a costly business. Each and every day, GSK spends nearly £8 million in research for future therapies — therapies that will provide hope for millions of people.

GSK's bold and creative new R&D model is working and the company is developing more quality compounds than ever before. With the restructuring of the R&D process within our organisation. As a result of dramatically improved rates of productivity, the whole span of our pipeline is strong and bursting with potential. Where once a disease was thought to be untreatable, modern day research will provide hope for sufferers.
Contribution to society

GlaxoSmithKline is committed to enhancing its position as a responsible corporate citizen and to building community partnerships. We also know that people want to be reassured about the sound ethical basis of our business.

Corporate responsibility

GSK is committed to connecting business decisions to ethical, social and environmental concerns. Solid financial performance is closely connected to ethical business practices. It is not just how much profit GSK makes that matters. People want to know how that profit is made.

GSK reports on corporate responsibility issues and how we manage them in a separate Corporate Responsibility Report. To guide employees on the standards to which the company is committed, in 2003 we developed a set of corporate responsibility principles for GSK which are published in the Report.

The principles set out the approach to ten areas: standards of ethical conduct; leadership and advocacy; research and innovation; products and customers; access to medicines; employment practices; human rights; community investment; caring for the environment; and engagement with stakeholders.

We continue to work towards developing simple ways to measure the progress we are making in each of these areas.

Community investment

Working as partners with under-served communities in both the developed and the developing world is an integral activity that supports GSK’s mission of improving the quality of human life. GSK’s global community investment activities in 2003 were valued at £388 million. This included £125 million for the Patient Assistance Program and other medicine donations for low-income groups in the USA (see page 9), plus £105 million of humanitarian product donations.

Our programmes reach over 100 countries and focus on improving health and education. Where our three major public health programmes are in lymphatic filariasis, HIV/AIDS and malaria (see page 11), our businesses are actively involved in numerous activities that help build healthy communities.

In healthcare, many of our grants target voluntary community-based organisations working in health education and often with children. In 2003, these ranged from a sexual health awareness programme for street children in Panama to a scheme that encourages continuity of care for medically under-served, high-risk children in the USA.

We continued our support for two organisations in Ireland and France that provide therapeutic recreation for children with cancer or serious illnesses, and started a three-year programme in five European countries that partners with young people living with HIV/AIDS to help alleviate HIV-associated stigma and discrimination.

In the UK and in Philadelphia, our IMPACT Awards rewarded the work of voluntary community-based organisations tackling issues such as sexual abuse, mental health, elderly care and disability. In addition, we supported medical research charities in the UK focused on neonatal care, epilepsy, spinal and osteoporosis research.

In 2003, GSK donated medicines valued at £105 million to support relief efforts in over 80 countries.

The largest part of our community investment is the donation of essential medicines for humanitarian relief efforts. In 2003, we donated medicines such as antibiotics valued at £105 million to support relief efforts in over 80 countries. Donations are made at the request of governments and major charities. Our products were among the first to be airlifted into Iraq following the start of the conflict.

GSK’s science education programme aims to give science context and enhance science teaching. We continued our NIPHEP (Innovative Scheme for Post-doctorates in Research and Education) partnership to support specialist science schools in the UK. We also supported Science Across the World, a web-based educational resource to help build specialist science schools in almost 100 countries.

In 2003, GSK donated medicines valued at £105 million to support relief efforts in over 80 countries.

Vaccines

In healthcare, many of our grants target voluntary community-based organisations working in health education and often with children. In 2003, these ranged from a sexual health awareness programme for street children in Panama to a scheme that encourages continuity of care for medically under-served, high-risk children in the USA.

GSK is building a strong franchise in the treatment of diabetes which affects over 175 million people worldwide.

New product performance

During 2003, GSK obtained regulatory approval for ten important new products and new indications including Wellbutrin for erectile dysfunction, Levitra for depression, Lexiva for HIV/AIDS and Advair for COPD.

Top consumer healthcare products

New product launches

Wellbutrin XL
Excellent uptake continues with the new formulation accounting for 40% of new prescriptions

Lexiva
Launched in the USA in August 2003 and in Europe in the first half of the year, Lexiva is making strong market share gains.

Lexiva
A new protease inhibitor launched in December 2003 for the treatment of HIV.

Advair
FDA approval for use in the treatment of COPD which is the fourth leading cause of death worldwide.
The Board

The Board of Directors is ultimately accountable for the Group’s activities, strategy and financial performance.

Sir Christopher Hogh (Aged 67)
Non-Executive Chairman. Sir Christopher was formerly a Non-Executive Director of SmithKline Beecham plc. He is Non-Executive Chairman of Reuters Group PLC and a member of the Board of Air Liquide S.A. and Chairman of The Royal National Theatre.

Jean-Pierre Garnier (Aged 56)
Appointed on 3rd May 2000
Non-Executive Director. Jean-Pierre Garnier is Chief Executive Officer of Sanofi-Aventis S.A. He was appointed on 1st July 2003 as a Non-Executive Director of SmithKline Beecham plc. He is a Non-Executive Director of the World Bank.

Marc Dunoyer
President
Pharmaceuticals Japan
Marc was appointed President, Pharmaceuticals Japan in March 2003. He joined the Group in 1999 and was Senior Vice President and Regional Director, Japan, until his current appointment.

Russell Greig
President
US Pharmaceuticals
Chris has been responsible for US Pharmaceuticals since January 2003. He joined Wellcome in 1988 and became Director, Continental Europe, at Glaxo Wellcome in 1999. He was responsible for GlaxoSmithKline’s European pharmaceuticals business before his current appointment.

Chris Viehbacher
President
Pharmaceuticals Europe
Chris has been responsible for GlaxoSmithKline’s pharmaceuticals operations in Europe since January 2003. He joined Glaxo in 1985 and at GlaxoSmithKline he was Senior Vice President, Asia Pacific, until his current appointment.

Andrew Witty
President
Pharmaceuticals UK
Andrew has been responsible for the Group’s pharmaceuticals operations in the UK since January 2003. He joined Glaxo in 1983 and at GlaxoSmithKline he was Senior Vice President, Pharmaceuticals UK, until his current appointment.

Tachi Yamada
Chairman
Research & Development
Tachi has been responsible for GlaxoSmithKline’s research and development since his appointment in 2002. He joined the Group in 1994 as a Non-Executive member of the Board and became Chairman, R&D, Pharmaceuticals in 1999. He was appointed to the Board of Directors on 1st January 2004.

Jean-Pierre Garnier
Chief Executive Officer
As Chief Executive Officer, IP is responsible for the management of the Group’s business and operational aspects including establishing policies, objectives and initiatives, and directing long-term strategy. He was formerly Chief Executive Officer of SmithKline Beecham, having joined the Group in 1990.

Rupert Batty
Senior Vice President and General Counsel
Rupert is responsible for legal matters across the Group, together with environmental, health and safety issues, insurance and security. He was a lawyer in private practice before joining SmithKline Beecham in 1995.

Ford Calhoun
Chief Information Officer
ford is responsible for information technology, a global function that enables key business processes across all parts of the Group. With doctoral and post-doctoral training in microbiology, genetics, biocomputing and computer science, ford joined SmithKline Beecham in 1984.

Jean Coombe
Chief Financial Officer
As head of the finance function, john is responsible for activities such as financial reporting and control, tax and treasury, investment and financing, financial systems, internal audit and real estate. He joined Glaxo in 1988 as Group Financial Controller and was appointed Group Finance Director in 1992.

Marc Dunoyer
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Andrew Witty
President
Pharmaceuticals Europe
Andrew has been responsible for the Group’s pharmaceuticals operations in Europe since January 2003. He joined Glaxo in 1985 and at GlaxoSmithKline he was Senior Vice President, Asia Pacific, until his current appointment.

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Introduction
The Summary Remuneration Report sets out the annual remuneration earned in 2003 together with any gains under long-term incentive arrangements. It also describes the background and outlines the Group’s remuneration policy through to the performance graph as required by the Directors’ Remuneration Report Regulations 2002 (the Regulations).

The Remuneration Committee (the Committee) is responsible for making recommendations to the Board on the company’s remuneration policy and, within the terms of the agreed policy, determining the total individual remuneration packages of the Executive Directors and members of the CET (Executives). The members of the Remuneration Committee are set out on page 16.

During the Committee reviewed and developed the remuneration policy to align executive remuneration with the interests of shareholders whilst meeting the imperative of recruiting and retaining the executive talent essential to the leadership of the company.

The remuneration policy was finalised after undertaking an extensive consultation process with shareholders and institutional bodies during the course of 2003. During the year the Chairman of GlaxoSmithKline and the Chairman of the Committee met shareholders, representing nearly half of GlaxoSmithKline’s share capital, to ensure that the Committee obtained a clear understanding of shareholder expectations and to communicate the competitive issues facing the company.

The revised remuneration policy is designed to establish a framework for remuneration which is consistent with the company’s scale and scope of operations, meets the recruitment needs of the business and is closely aligned with the shareholder guidelines.

2003 Independent review of executive remuneration
As indicated in the 2002 Remuneration Report, the Committee appointed Deloitte & Touche LLP (Deloitte) to conduct a comprehensive independent review of the remuneration of the Executives of GlaxoSmithKline. Deloitte reported exclusively to the Committee and the Chairman of the company. Deloitte reviewed all aspects of the remuneration policy, each element of remuneration, the performance measures used and the terms and conditions of the Executives’ contracts.

Their review also included consideration of the relevant comparator companies for performance measurement and pay benchmarking for the most senior roles.

Deloitte’s independent review produced the following key findings:
• the link between pay and performance needed strengthening;
• the potential for payment for failure needed addressing;
• stronger alignment to UK best practice and shareholder guidelines was needed;
• other global pharmaceutical companies are the primary market for talent; and
• the long-term incentive opportunity was uncompetitive.

Remuneration policy
Principles
The Committee considered the findings and established three core principles which underpin the new remuneration policy for GlaxoSmithKline. These are:
• pay for performance and only for performance;
• robust and transparent governance structures; and
• a commitment to be a leader of good remuneration practice in the pharmaceutical industry.

In formulating the policy, the Committee also decided that:
• the remuneration structure must support the business by securing, retaining and motivating key talent in a very competitive market space;
• UK shareholder guidelines would be followed to the maximum extent consistent with the needs of the business and the company would maintain a regular dialogue with shareholders;
• global pharmaceutical companies are the primary pay comparator group;
• performance conditions would be based on the measurable delivery of strong financial performance and the delivery of superior returns to shareholders as compared with other pharmaceutical companies;
• a high proportion of the total remuneration opportunity would be based on performance-related remuneration which will be delivered over the medium to long-term; and
• no ex-gratia payments would be made.

Overall the policy is intended to provide median total remuneration for median performance. Poor performance will result in total remuneration significantly below the pay comparator group median, with the opportunity to earn upper quartile total remuneration for exceptional performance.

This strong alignment with performance is demonstrably in the interests of shareholders and provides the Executives with unambiguous signals about the importance of delivering success to the company’s shareholders.

Commitment
The Committee will apply this policy on a consistent and transparent basis; any significant change will be discussed with shareholders in advance of implementation.

Pay and performance comparators
The following table sets out the companies used for pay and performance comparison:

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Cap</th>
<th>Country</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbott Laboratories</td>
<td>USA</td>
<td>USA</td>
<td>40,700</td>
</tr>
<tr>
<td>AstraZeneca</td>
<td></td>
<td>UK</td>
<td>45,466</td>
</tr>
<tr>
<td>Aventis</td>
<td>France</td>
<td>France</td>
<td>29,593</td>
</tr>
<tr>
<td>Bristol-Myers Squibb</td>
<td>USA</td>
<td>USA</td>
<td>30,985</td>
</tr>
<tr>
<td>Eli Lilly</td>
<td>USA</td>
<td>USA</td>
<td>44,119</td>
</tr>
<tr>
<td>GlaxoSmithKline</td>
<td>UK</td>
<td>UK</td>
<td>76,153</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>UK</td>
<td>USA</td>
<td>85,661</td>
</tr>
<tr>
<td>Merck</td>
<td>USA</td>
<td>USA</td>
<td>57,427</td>
</tr>
<tr>
<td>Novartis</td>
<td>Switzerland</td>
<td>Switzerland</td>
<td>68,457</td>
</tr>
<tr>
<td>Pfizer</td>
<td>USA</td>
<td>USA</td>
<td>150,627</td>
</tr>
<tr>
<td>Roche Holdings</td>
<td>Switzerland</td>
<td>Switzerland</td>
<td>39,658</td>
</tr>
<tr>
<td>Sanofi/Synthelabo</td>
<td>France</td>
<td>France</td>
<td>30,811</td>
</tr>
<tr>
<td>Schering-Plough</td>
<td>Germany</td>
<td>USA</td>
<td>14,276</td>
</tr>
<tr>
<td>Takeichi Chemical Industries</td>
<td>Japan</td>
<td>Japan</td>
<td>19,684</td>
</tr>
<tr>
<td>Wyeth</td>
<td>USA</td>
<td>USA</td>
<td>31,584</td>
</tr>
</tbody>
</table>

GlaxoSmithKline’s Executive remuneration consists of the following components:

Base salary
Base salaries will be set by reference to the median for the relevant market. For Executives this is the pharmaceutical pay comparator group. Base salary is the only element of remuneration that is fixed.

Annual bonus
All bonuses are determined on the basis of a formal review of annual performance against stretching financial targets based on business performance profit before interest and tax and are subject to detailed assessment of individual, business unit and group achievements against objectives.

Bonus awards for 2003 reflected the Committee’s belief that the company produced superior results during the year, after taking account of factors outside the control of management, notably exchange rates and the launch of generic competition to Paroxetine in the USA.

Long-term incentives
The remuneration policy provides that annual long-term incentive awards will normally be made up of a performance share award and a share option award. The new remuneration policy increases the emphasis on the use of performance shares.

As part of the review process, the Committee considered which performance conditions should be applied to the long-term incentives.

The Committee concluded that it was appropriate to measure performance using a combination of absolute financial results (based on earnings per share - EPS) and the delivery of superior value to shareholders (based on Total Shareholder Return - TSR).

For the Executives, the level of performance shares vesting is based on the company’s TSR relative to the performance comparator group over a three-year measurement period. If GlaxoSmithKline is ranked in the median of the performance comparator group, 35% of the shares will vest. Only if GlaxoSmithKline is one of the top two companies will all of the shares vest. When determining vesting levels, the Committee will have regard for the company’s underlying financial performance.

Prior to 2003, share performance awards were in two parts: half could be earned by reference to GlaxoSmithKline’s TSR performance compared with the FTSE 100 and the other half of the award was dependent upon the company’s business performance EPS growth.

The share options granted in 2003 to the Executives are linked to the achievement of compound annual EPS growth over the performance period, which is the three years following the grant of an option.

When setting EPS targets the Committee will consider the company’s internal projections and analysts’ forecasts for GlaxoSmithKline’s EPS performance as well as analysts’ forecasts for the pharmaceutical industry.

For the 2003 grant, vesting increases on a straight line basis for EPS performance between the hurdles set out in the table below.

<table>
<thead>
<tr>
<th>Annualised gross returns</th>
<th>Percentage of award vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; RPI + 5%</td>
<td>100%</td>
</tr>
<tr>
<td>RPI + 4%</td>
<td>75%</td>
</tr>
<tr>
<td>RPI + 3%</td>
<td>50%</td>
</tr>
<tr>
<td>RPI + 2%</td>
<td>25%</td>
</tr>
</tbody>
</table>

This performance condition is substantially consistent with UK shareholder guidelines and expectations and is considerably more demanding than any operated by other global pharmaceutical companies. This change is consistent with the new policy of providing for pay performance and only for performance.

The Committee has decided for the 2003 grant that if the performance condition is not met in full after the three year period, performance will be measured again over the four financial years following the date of grant of the option. To the extent the option performance conditions have not been met at the end of four years, the option will lapse.

The Committee considers re-measurement to be an important feature for the 2003 grant in the light of the imposition of performance conditions in an industry where most of the major competitors do not apply them to their options. The Committee will consider prior to each annual grant of options whether a re-measurement will be permitted.

The performance condition for options granted prior to 2003 was that, for the options to vest in full, Business Performance EPS growth, excluding currency and exceptional items, had on average to be at least three percentage points per annum more than the increase in RPI over any three-year performance period.

Pensions
The Executives participate in GlaxoSmithKline senior executive pension plans. The pension arrangements are structured in accordance with the plans operated for Executives in the country in which the Executives are likely to retire. Benefits are normally payable at age 60.

Executive Director terms and conditions
The policy regarding the Executive Directors’ contracts was the subject of extensive review and change during 2003. The new policy provides the framework for contracts for Executive Directors appointed in the future.

Dr Garnier and Mr Coombe have agreed to change in their own contractual terms without compensation to bring their contractual terms broadly in line with the new contractual framework, including the reduction of contractual notice period from 24 to 12 calendar months. However, to honour certain aspects of their ‘old’ contractual terms there are a number of individual features which will be retained. In the event of early termination by the company, Dr Garnier and Mr Coombe would receive, in respect of that 12 months’ notice, a cash sum representing annual salary, on target bonus and pension contributions.

TSR performance graph
The following graph sets out the performance of the company relative to the FTSE 100 index of which the company is a constituent and, for information, to the median of the performance comparator group since the merger on 27th December 2000. The graph has been prepared in accordance with the Regulations and is not an indication of the likely vesting of awards granted under any of the company’s incentive plans.
Summary Remuneration Report

FOR THE YEAR TO
31ST DECEMBER 2003

Annual remuneration

<table>
<thead>
<tr>
<th>Directors of GlaxoSmithKline</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dr J P Garnier</td>
<td>916</td>
<td>386</td>
</tr>
<tr>
<td>Mr J D Coombe</td>
<td>490</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,406</td>
<td>403</td>
</tr>
</tbody>
</table>

**Current Non-Executive Directors**

- Sir Christopher Hoag: £374,000
- Dr M Barzach: £107,000
- Mr Culp: £29,000
- Mr Davis: £29,000
- Sir Peter Job: £77,000
- Dr J H McNair: £62,000
- Dr M McHenry: £65,000
- Sir Ian Prosser: £66,000
- Dr R Schmitz: £67,000
- Dr L Shapiro: £109,000
- Sir Robert Wilson: £10,000

**Former Non-Executive Directors**

- Sir Richard Sykes: £958,000
- Sir Roger Hurn: £50,000
- Sir Peter Walters: £28,000
- Mr P A Allaire: £28,000
- Sir P C Bonham: £5,000
- Mr J A Young: £31,000

**Total Non-Executive Directors**

- £1,053,958

**Total remuneration**

- £2,459,164

Governance and policy

The Board and Executive Directors are listed under ‘The Board’ on page 16. The Board is responsible for the Group’s system of corporate governance and is ultimately accountable for the Group’s activities, strategy and financial performance.

The Board comprises three Executive and 11 Non-Executive Directors. Whilst the Board considers all of its Non-Executive Directors to be independent in character and judgement, in accordance with the 2003 Code, it has determined that four Non-Executive Directors - the Chairman, Dr Barzach, Mr McHenry and Dr Shapiro - should not be considered as ‘independent’ under the 2003 Code. In the case of the Chairman and Mr McHenry this is due to their length of service with GlaxoSmithKline and its predecessor companies and, in the case of Drs Barzach and Shapiro, due to remuneration that they have received from the Group in other capacities. These four Non-Executive Directors have resigned their positions on Board Committees where independence is required under the 2003 Code.

The Board considers that Mr McArthur, Dr Schmitz, Mr Culp, Mr Davis, Sir Peter Job, Sir Ian Prosser and Sir Robert Wilson are independent under the 2003 Code. The Board noted that Dr Schmitz and Mr McArthur are associated as non-executive directors of other public companies - Rohn and Haas Company and Cabot Corporation - but do not consider the associations to be of sufficient economic significance to compromise their independence.

At the date of publication, a majority of the Board members, excluding the Chairman, were independent Non-Executive Directors, in accordance with the recommendations of the 2003 Code.

The Board meets at least six times a year. It has a formal schedule of matters reserved to it for decision but otherwise delegates specific responsibilities to Board Committees, as described below. The Board works to an agreed business agenda in reviewing the key activities of the business, and receives papers and presentations to enable it to do so effectively. The Board considers and reviews the work undertaken by its Committees.

The Company Secretary is responsible to the Board and is available to individual Directors in support of Board procedures. The Company Secretary is Simon Bicknell who was appointed in May 2000. He is a barrister and joined the Group in 1984. He is secretary to all the Board Committees.

Audit Committee

The Audit Committee reviews the financial and internal reporting process, the system of internal control and management of risks and the external and internal audit process. The Committee also proposes to the shareholders the appointment of the external auditors and is directly responsible for their remuneration and oversight of their work. The Committee consists entirely of independent Non-Executive Directors. It meets at least four times a year.

Remuneration Committee

The Remuneration Committee determines the terms of service and remuneration of the Executive Directors and members of the CET and, with the assistance of external independent advisors, it evaluates and makes recommendations to the Board on overall executive remuneration policy. The Committee consists entirely of independent Non-Executive Directors. It meets at least four times a year and otherwise as necessary.

Nominations Committee

The Nominations Committee reviews the structure, size and composition of the Board and the appointment of members of the Board and the CET, and makes recommendations to the Board as appropriate. The Committee also monitors the planning of succession to the Board and Senior Management. The Committee consists entirely of Non-Executive Directors of whom a majority are independent and meets at least once a year to consider succession planning and otherwise as necessary.

Financial Results Committee

The Financial Results Committee reviews and approves, on behalf of the Board, the Annual Report and Form 20-F, the Annual Review and the convening of the AGM, together with the preliminary and quarterly statements of trading results. Each Director is a member of the Committee and the quorum for a meeting is any three members. To be quorate, each meeting must include the Chairman or the Chairman of the Audit Committee and the CEO or the CFO. The Committee meets as necessary.

Corporate Responsibility Committee

The Corporate Responsibility Committee (formerly the Corporate Social Responsibility Committee) consists entirely of Non-Executive Directors and provides a Board level forum for the regular review of external issues that have the potential for serious impact upon the Group’s business and reputation. The Committee is also responsible for annual governance, oversight of the Group’s worldwide donations and community support. The Committee meets formally twice a year and has further meetings and consultations as required.

Corporate Administration & Transactions Committee

The Corporate Administration & Transactions Committee reviews and approves matters in connection with the administration of the Group’s business, and of certain corporate transactions. The Committee consists of the Directors, Corporate Executive Team members and the Company Secretary. The Committee meets as necessary.

Corporate Executive Team

The Corporate Executive Team (CET) assists the CEO in the executive management of the Group. The CET meets 11 times a year. The members and their responsibilities are given on page 17.

Remuneration of Directors

Information on the remuneration of Directors is given in the Summary Remuneration Report on pages 18 to 20.
Business operating review

Products drive growth

Total pharmaceutical turnover grew five per cent in 2003 to just over £18 billion - a good performance given the generic erosion of two of GSK’s biggest products, Augmentin and Paxil. Excluding sales of these products, pharmaceutical turnover grew 9 per cent.

Pharmaceuticals

In the central nervous system therapy area, sales grew four per cent. Sales of Seroquel/Paxil, a leading product for depression and anxiety disorders, declined four per cent. US sales declined nine per cent to £1.179 million following the launch of a generic paroxetine in September 2003. Paxil CR, a sustained release formulation, increased its share of total prescriptions since the generic paroxetine launch from 33 per cent to 37 per cent. Paxil CR sales in 2003 were £387 million. European sales declined eight per cent but international sales grew 25 per cent led by continued strong growth in Japan. Sales of Wellbutrin, for depression, grew 18 per cent to £939 million. Wellbutrin XL, a new improved formulation, was launched in 2003 and now accounts for 40 per cent of branded Wellbutrin prescriptions and 7 per cent of sales in 2003. Limited generic competition across all dose forms of Wellbutrin SR is expected at any time. Lamictal, for epilepsy, continued to grow across all regions with sales up 31 per cent driven by the FDA-approved long-term maintenance treatment of bi-polar disorder.

In respiratory, GSK continues to be the global leader in respiratory pharmaceuticals with sales of its three key products – Serevent/Discusair, Resldeff/Imiquin and Seretide/Avamia – amounting to £3.4 billion, up 17 per cent. Sales of Serevent/Discusair, GSK’s largest product, grew 39 per cent to £2.2 billion although this contributed to declines in Seretide and Resldeff, its constituent products. The growth prospects for Advair were further strengthened with an FDA approval for use in the treatment of Chronic Obstructive Pulmonary Disease (COPD) in the fourth quarter of 2003.

Within anti-virals, HIV medicines grew across all regions and totalled £1.5 billion in sales, up six per cent. Sales of Trizivir, GSK’s triple combination therapy, grew 22 per cent. Global sales of Valtrex, which received FDA approval in August 2003 to reduce the risk of transmission of genital herpes, rose 23 per cent.

Seroxat/Paxil • (£0.4 billion) up 22%
• (£0.5 billion) up 23%
• (£0.8 billion) up 16%
• (£1.0 billion) up 16%
• (£1.5 billion) up 5%
• (£2.2 billion) up 22%
• (£2.3 billion) up 28%

Several significant product launches and filings planned for 2004 include:

- Salsalasin for over-active bladder
- Avandia, a fixed-dose combination treatment for type 2 diabetes
- EpzioZagen, the first once-daily combination HIV/AIDS treatment in a single tablet

Anti-bacterial sales declined 16 per cent worldwide and 41 per cent in the USA. Augmentin’s US sales were down 51 per cent in the year as a result of generic competition that began in the third quarter of 2002. In the USA, GSK’s two new antibiotics, Augmentin EX for children and Augmentin XR for adults, recorded sales of £237 million in 2003 in spite of generic competition.

Within vaccines, Infanrix/Pediarix grew 32 per cent to £336 million. Pediarix adds protection against hepatitis B and poliomyelitis to the Infanrix combination in addition to seven fewer injections for infants.

GSK’s underlying growth driven by a broad portfolio of fast growing, high value products:

- Serevent/Discusair (£2.2 billion) up 39%
- Avandia/Avandamet (£0.9 billion) up 24%
- Wellbutrin (£0.9 billion) up 18%
- Zofran (£0.8 billion) up 16%
- Lamictal (£0.6 billion) up 31%
- Valtrex (£0.5 billion) up 23%
- Toprol (£0.4 billion) up 22%
- Coreg (£0.4 billion) up 28%
- Infanrix/Pediarix (£0.3 billion) up 32%

Within-anti-virals, HIV medicines grew across all regions and totalled £1.5 billion in sales, up six per cent. Sales of Trizivir, GSK’s triple combination therapy, grew 22 per cent. Global sales of Valtrex, which received FDA approval in August 2003 to reduce the risk of transmission of genital herpes, rose 23 per cent.

Trading profit and EPS

Business performance* trading profit was £6.9 billion with a growth of nine per cent, stronger than turnover growth of five per cent, demonstrating an improved trading margin of 0.7 points to 32.3 per cent compared with 2002. This was principally due to cost savings derived from merger integration, manufacturing and other initiatives, partly offset by charges relating to operational excellence cost saving programmes and higher pension costs.

Full year business performance earnings per share (EPS) of 82.1 pence increased 10 per cent, and five per cent in sterling terms, reflecting a weakening of the US dollar. Full year statutory EPS was 77.2 pence, an increase of 23 per cent.

Notes to tables

1 Business performance*, which is the primary performance measure used by management, is presented after excluding merger items, integration and restructuring costs and disposal of businesses. Management believes that exclusion of these items provides a better reflection of the way in which the business is managed and gives an indication of the performance of the Group in terms of those elements of revenue and expenditure which local management is able to influence. This information, which is provided in addition to the statutory results prepared under UK GAAP, is given to assist shareholders to gain a clearer understanding of the underlying performance of the business and to increase comparability for the periods presented.

In order to illustrate underlying performance, it is the Group’s practice to discuss the results in terms of constant exchange rates (CER) growth. This represents growth calculated if the exchange rates used to determine the results of overseas companies in sterling had remained unchanged from those used in the previous period. Growth rates are therefore at CER unless otherwise stated.

Growth rates are therefore at CER unless otherwise stated.

Legal proceedings

The Group is involved in patent litigation with manufacturers seeking to market generic versions of many of the Group’s most important products, including Wellbutrin, Seroquel, Avandia, Imitrex, Valtrex, Lamictal and Zofran, prior to the expiration of the Group’s patents. The Group is currently a defendant in a number of product liability lawsuits, including class actions, that involve substantial claims for damages related to the Group’s pharmaceutical products. The Group is also a defendant in anti-trust actions filed following adverse outcomes in prosecution of patent infringement actions. Further, the Group is responding to federal and state governmental investigations in the USA into pricing, marketing and reimbursement of a number of prescription drug programs. See Note 30 to the financial statements ‘Legal proceedings’ in the Annual Report 2003 for a discussion of proceedings and governmental investigations in which the Group is currently involved.

Consumer Healthcare

Total Consumer Healthcare sales grew four per cent in 2003 to £3 billion.

Over-the-counter medicine sales were £1.6 billion, up two per cent. Sales of smoking control and gastro-intestinal products were down significantly in the USA, primarily due to flat market conditions and private label competition. Growth from smoking control products recently launched in Europe and sales of dermatological products acquired earlier this year helped to offset these declines. Oral care sales were £1.1 billion, up three per cent. GSK’s Sensodyne brand continues to grow in all regions. Nutritional healthcare products grew nine per cent to £0.6 billion. Lucozade Sport and Lucozade Hydroactive continued to drive growth in this category.

Trading profit and EPS

Business performance* trading profit was £6.9 billion with a growth of nine per cent, stronger than turnover growth of five per cent, demonstrating an improved trading margin of 0.7 points to 32.3 per cent compared with 2002. This was principally due to cost savings derived from merger integration, manufacturing and other initiatives, partly offset by charges relating to operational excellence cost saving programmes and higher pension costs.

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Responsibility statements

Annual Review

The Annual Review is a summary report and does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as is provided by the Annual Report 2003. Shareholders requiring more detailed information may obtain, free of charge, a copy of the Annual Report 2003 and may also elect to receive a copy of the Annual Report in future years – refer to Shareholder information.

The Independent Auditors' report on the full financial statements of the Group for the year ended 31st December 2003 is unqualified and does not contain any statement concerning inadequate accounting records or failure to obtain necessary information and explanations.

Summary financial statements

A columnar presentation has been adopted in the Summary consolidated profit and loss account in order to illustrate business performance which is the primary measure used by management. For this purpose certain items are identified separately and are excluded from business performance. These comprise merger items, including merger related product divestments, costs relating to previously announced manufacturing and other restructuring, and disposal of businesses. Management believes that exclusion of these non-recurring items provides a better reflection of the way the business is managed and gives an indication of the performance of the Group in terms of those elements of revenue and expenditure which local management is able to influence. Business performance is discussed in the Business operating review.

Earnings and shareholders' funds are also restated in accordance with US GAAP as additional information provided to US shareholders.

Corporate governance

The Combined Code – Principles of Good Governance and Code of Best Practice is specified by the Listing Rules of the Financial Services Authority for the guidance of listed companies ("1998 Combined Code"). The Board considers that throughout 2003 and up to the date of approval of this review, GlaxoSmithKline plc applied the principles of the 1998 Combined Code, and, with the exception of matters where the company's position is described in the Annual Report, complied with the provisions of the Combined Code, and the guidance on internal control issued by the 1998 Tumbleball Committee.

The Annual Review, including Summary financial statements, has been approved by the Board of Directors and signed on its behalf by Sir Christopher Hogg

Chairman

3rd March 2004

Independent auditors' statement to the members of GlaxoSmithKline plc

We have examined the Summary financial statements which comprise the Summary consolidated profit and loss account, Summary consolidated balance sheet and Summary consolidated cash flow statement and the Summary Report of the Directors including the Summary Remuneration Report.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Review in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the Summary financial statements within the Annual Review with the Annual financial statements, the Report of the Directors and the Directors' Remuneration Report, and its compliance with the relevant requirements of Section 251 of the United Kingdom Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary financial statements.

This statement, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 251 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, 'The auditors' statement on the Summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the Summary financial statements are consistent with the Annual financial statements, the Report of the Directors and the Remuneration Report of GlaxoSmithKline plc for the year ended 31st December 2003 and comply with the applicable requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors


Summary consolidated profit and loss account

<table>
<thead>
<tr>
<th></th>
<th>2003 £m</th>
<th>2002 £m</th>
<th>Growth</th>
<th>2003 £m</th>
<th>2002 £m</th>
<th>CGR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>18,181</td>
<td>17,995</td>
<td>5</td>
<td>18,181</td>
<td>17,995</td>
<td></td>
</tr>
<tr>
<td>Consumer Healthcare</td>
<td>3,160</td>
<td>3,217</td>
<td>4</td>
<td>3,260</td>
<td>3,172</td>
<td></td>
</tr>
<tr>
<td>Total turnover</td>
<td>21,441</td>
<td>21,212</td>
<td>5</td>
<td>25,441</td>
<td>21,272</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(4,188)</td>
<td>(4,243)</td>
<td>–</td>
<td>(356)</td>
<td>(366)</td>
<td></td>
</tr>
<tr>
<td>Selling, general and administrative expenditure</td>
<td>(7,563)</td>
<td>(7,543)</td>
<td>4</td>
<td>(18)</td>
<td>(198)</td>
<td>(366)</td>
</tr>
<tr>
<td>Research and development expenditure</td>
<td>(2,770)</td>
<td>(2,732)</td>
<td>4</td>
<td>(21)</td>
<td>(168)</td>
<td>(541)</td>
</tr>
<tr>
<td>Trading profit</td>
<td>6,920</td>
<td>6,694</td>
<td>9</td>
<td>(395)</td>
<td>(1,032)</td>
<td>5,662</td>
</tr>
<tr>
<td>Other operating (income)expenses</td>
<td>(133)</td>
<td>(113)</td>
<td>(133)</td>
<td>(35)</td>
<td>(13)</td>
<td>(110)</td>
</tr>
<tr>
<td>Profits of associates</td>
<td>93</td>
<td>75</td>
<td>–</td>
<td>93</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>Profit on disposal of products and businesses</td>
<td>–</td>
<td>5</td>
<td>5</td>
<td>21</td>
<td>5</td>
<td>21</td>
</tr>
<tr>
<td>Net interest payable</td>
<td>(161)</td>
<td>(141)</td>
<td>–</td>
<td>(161)</td>
<td>(141)</td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>6,719</td>
<td>6,517</td>
<td>8</td>
<td>(390)</td>
<td>(1,011)</td>
<td>5,506</td>
</tr>
<tr>
<td>Taxation</td>
<td>(1,648)</td>
<td>(1,760)</td>
<td></td>
<td>109</td>
<td>299</td>
<td>(1,739)</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>4,871</td>
<td>4,757</td>
<td>(281)</td>
<td>(712)</td>
<td>(4,590)</td>
<td>4,045</td>
</tr>
<tr>
<td>Minority interests</td>
<td>(94)</td>
<td>(110)</td>
<td>–</td>
<td>(94)</td>
<td>(110)</td>
<td></td>
</tr>
<tr>
<td>Preference share dividends</td>
<td>(12)</td>
<td>(20)</td>
<td>–</td>
<td>(12)</td>
<td>(20)</td>
<td></td>
</tr>
<tr>
<td>Earnings</td>
<td>4,765</td>
<td>4,637</td>
<td>8</td>
<td>(281)</td>
<td>(712)</td>
<td>4,846</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>82.1p</td>
<td>78.3p</td>
<td>10</td>
<td>–</td>
<td>–</td>
<td>66.2p</td>
</tr>
<tr>
<td>Dividends</td>
<td>2,374</td>
<td>2,346</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Summary consolidated cash flow statement

<table>
<thead>
<tr>
<th></th>
<th>2003 £m</th>
<th>2002 £m</th>
<th></th>
<th>2003 £m</th>
<th>2002 £m</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash inflow from operating activities</td>
<td>7,005</td>
<td>7,255</td>
<td>4</td>
<td>(231)</td>
<td>(237)</td>
<td></td>
</tr>
<tr>
<td>Dividends from joint ventures and associated undertakings</td>
<td>1</td>
<td>2</td>
<td></td>
<td>(908)</td>
<td>(1,120)</td>
<td></td>
</tr>
<tr>
<td>Returns on investments and servicing of finance</td>
<td>(1,917)</td>
<td>(1,633)</td>
<td></td>
<td>(2,833)</td>
<td>(2,327)</td>
<td></td>
</tr>
<tr>
<td>Taxation paid</td>
<td>(110)</td>
<td>(100)</td>
<td></td>
<td>(110)</td>
<td>(100)</td>
<td></td>
</tr>
<tr>
<td>Capital expenditure and financial investment</td>
<td>(1,612)</td>
<td>(1,515)</td>
<td></td>
<td>(27)</td>
<td>(405)</td>
<td></td>
</tr>
<tr>
<td>Acquisitions and disposals</td>
<td>(12)</td>
<td>(20)</td>
<td></td>
<td>(12)</td>
<td>(20)</td>
<td></td>
</tr>
<tr>
<td>Equity dividends paid</td>
<td>(2,333)</td>
<td>(2,327)</td>
<td></td>
<td>(2,333)</td>
<td>(2,327)</td>
<td></td>
</tr>
<tr>
<td>Management of liquid resources and financing</td>
<td>(1,612)</td>
<td>(1,515)</td>
<td></td>
<td>(27)</td>
<td>(405)</td>
<td></td>
</tr>
</tbody>
</table>

Summary consolidated balance sheet

<table>
<thead>
<tr>
<th></th>
<th>2003 £m</th>
<th>2002 £m</th>
<th></th>
<th>2003 £m</th>
<th>2002 £m</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>11,350</td>
<td>11,578</td>
<td>2%</td>
<td>(3,727)</td>
<td>(3,324)</td>
<td>12%</td>
</tr>
<tr>
<td>Current assets</td>
<td>12,625</td>
<td>10,749</td>
<td></td>
<td>(6,572)</td>
<td>(8,808)</td>
<td></td>
</tr>
<tr>
<td>Creditors: amounts due within one year</td>
<td>(4,028)</td>
<td>1,941</td>
<td></td>
<td>(3,363)</td>
<td>(3,298)</td>
<td></td>
</tr>
<tr>
<td>Net current assets</td>
<td>7,602</td>
<td>7,815</td>
<td></td>
<td>(4,164)</td>
<td>(5,810)</td>
<td></td>
</tr>
<tr>
<td>Total assets less current liabilities</td>
<td>15,278</td>
<td>13,519</td>
<td>2%</td>
<td>(2,607)</td>
<td>(2,592)</td>
<td></td>
</tr>
<tr>
<td>Creditors: amounts due after one year</td>
<td>(3,863)</td>
<td>(3,298)</td>
<td></td>
<td>(3,030)</td>
<td>(2,833)</td>
<td></td>
</tr>
<tr>
<td>Provisions for liabilities and charges</td>
<td>(3,030)</td>
<td>(2,833)</td>
<td></td>
<td>(3,030)</td>
<td>(2,833)</td>
<td></td>
</tr>
<tr>
<td>Net assets</td>
<td>8,465</td>
<td>7,388</td>
<td></td>
<td>(1,085)</td>
<td>(1,265)</td>
<td></td>
</tr>
<tr>
<td>Capital and reserves</td>
<td>7,720</td>
<td>6,581</td>
<td></td>
<td>(1,749)</td>
<td>(1,726)</td>
<td></td>
</tr>
<tr>
<td>Equity shareholders' funds</td>
<td>745</td>
<td>607</td>
<td></td>
<td>(1,142)</td>
<td>(1,119)</td>
<td></td>
</tr>
<tr>
<td>Minorities interests</td>
<td>745</td>
<td>607</td>
<td></td>
<td>(1,142)</td>
<td>(1,119)</td>
<td></td>
</tr>
<tr>
<td>Capital employed</td>
<td>8,465</td>
<td>7,388</td>
<td></td>
<td>(1,085)</td>
<td>(1,265)</td>
<td></td>
</tr>
</tbody>
</table>

Summary financial statements for the year to 31st December 2003

Annual Review 2003
Summary information under US GAAP

For the year to 31st December 2003

The following is a summary of the material adjustments to profit and shareholders’ funds which would be required if US Generally Accepted Accounting Principles (GAAP) had been applied instead of UK GAAP.

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit attributable to shareholders under UK GAAP</th>
<th>Profit attributable to shareholders under US GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Basic income after cumulative changes in accounting principles</td>
<td>4,069</td>
<td>3,915</td>
</tr>
<tr>
<td>Changes in accounting principles</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Basic net income after cumulative changes in accounting principles</td>
<td>4,076</td>
<td>3,922</td>
</tr>
<tr>
<td>Diluted income after cumulative changes in accounting principles</td>
<td>3,841</td>
<td>3,658</td>
</tr>
<tr>
<td>Changes in accounting principles</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Diluted net income after changes in accounting principles</td>
<td>3,848</td>
<td>3,665</td>
</tr>
</tbody>
</table>

Shareholder information

Ordinary shares

The company’s shares are listed on the London Stock Exchange.

Registrar

The company’s share register is administered by Lloyds TSB Registrars, who also provide the following services:

- **GlaxoSmithKline Investment Plan**: enables shareholders to reinvest quarterly dividends and/or make monthly investments in the company’s ordinary shares using a special dealing arrangement.
- **GlaxoSmithKline Individual Savings Account**: is a tax-efficient way to invest in the company’s ordinary shares.
- **GlaxoSmithKline Corporate Sponoried Nominees**: provides a facility for shareholders to hold shares without the need for share certificates.
- **Shareview service**: provides shareholders with information on their investment in the company. Shareholders may register for this service at www.shareview.co.uk.

Share dealing service

Hoare Govett Limited operate a postal dealing service in the company’s ordinary shares. It enables investors to buy or sell shares at competitive commission charges. Transactions are executed and settled by Pershing Securities Limited. Further details of this service together with purchase and sale forms may be obtained by telephoning +44 (0) 20 7676 8300.

Smith Barney, part of Citigroup, also offers a share dealing service in the company’s ordinary shares and AD5s. Further details of this service can be obtained by contacting their offices in the UK or USA (see contact details on the inside back cover for further information).

The provision of the details above are not intended to be an invitation or inducement to engage in an investment activity. Advice on share dealing should be obtained from a stockbroker or independent financial adviser.

American Depositary Shares

The company’s shares are listed on the New York Stock Exchange in the form of American Depositary Shares (ADSs) and these are evidenced by American Depositary Receipts (ADRs). In total, £980 billion was spent in 2003.

In May 2003, the company was authorized to purchase a maximum of 600 million shares (617 million shares in May 2002) and 81 million shares were purchased for cancellation during 2003 (see Note to the Financial statements, ‘Share capital and share premium account’ in the company’s Annual Report 2003). The exact amount and timing of future purchases will be determined by the company and is dependent on market conditions and other factors.

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 Annual Review, 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 under ‘Risk factors’ in the company’s Annual Report 2003.

Share buy-back programme

In October 2002, following the completion of the £4 billion share buy-back programme announced in 2001, the company announced plans for a new £4 billion share buy-back programme. The programme covers purchases by the company of shares for cancellation or to be held as Treasury Shares, in accordance with the authority given by shareholders at the AGM in 2003.

In May 2003 the company was authorised to purchase a maximum of 600 million shares (£617 million shares in May 2002) and 81 million shares were purchased for cancellation during 2003 (see Note to the Financial statements, ‘Share capital and share premium account’ in the company’s Annual Report 2003). The exact amount and timing of future purchases will be determined by the company and is dependent on market conditions and other factors.

A summary of the material differences between UK and US GAAP that apply to the Group is set out in the Annual Report 2003.


The following table presents the summary of the material adjustments to profit and shareholders’ funds under UK GAAP as if US GAAP had been applied:

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit attributable to shareholders under UK GAAP</th>
<th>Profit attributable to shareholders under US GAAP</th>
</tr>
</thead>
<tbody>
<tr>
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<td>£m</td>
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<td>3,915</td>
</tr>
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<td>7</td>
</tr>
<tr>
<td>Basic net income after cumulative changes in accounting principles</td>
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<tr>
<td>Diluted income before cumulative changes in accounting principles</td>
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<tr>
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<td>3,665</td>
</tr>
</tbody>
</table>

Summary of the material adjustments to profit and shareholders’ funds under UK GAAP as if US GAAP had been applied instead of UK GAAP.

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity shareholders’ funds under UK GAAP</th>
<th>Equity shareholders’ funds under US GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Shareholders’ equity under UK GAAP</td>
<td>34,116</td>
<td>34,922</td>
</tr>
</tbody>
</table>