



# GSK delivers strong performance for the first half of 2006 and raises earnings guidance

This report presents the results of GlaxoSmithKline plc for the six months ended 30th June 2006 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).

## JP Garnier, Chief Executive Officer, said:

"GSK has had a very successful half year with pharmaceutical sales growth of 10% driving an excellent financial performance. The pipeline is progressing well and we have also received outstanding efficacy data for our H5N1 'flu pandemic vaccine."

## Half-year 2006 highlights\*

- Total turnover increased 9% to £11.6 billion.
- Pharmaceutical sales: *Seretide/Advair* for asthma up 12%, *Avandia* for diabetes up 26% and vaccines up 29%.
- Progress on major pipeline assets:
  - *Cervarix* for cervical cancer, filed in Europe and to be filed in the USA by year-end
  - *Tykerb*, a treatment for breast cancer, to be filed in the USA in Q3 and Europe by year-end.
- Earnings per share (EPS) up 16% at constant exchange rates.\*

## Outlook

- GSK has raised earnings guidance for the full year 2006 to around 12% EPS growth in CER terms.

## Independent review report to GlaxoSmithKline plc

### Introduction

We have been instructed by the company to review the financial information for the six months ended 30th June 2006 which comprises the consolidated interim balance sheet as at 30th June 2006 and the related consolidated interim statements of income, cash flows and recognised income and expense for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the Listing Rules of the Financial Services Authority.

### Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th June 2006.

PricewaterhouseCoopers LLP,  
Chartered Accountants  
London, 26th July 2006

### Notes:

- The maintenance and integrity of the GlaxoSmithKline plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

\* 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.

This report has been prepared in accordance with the accounting policies set out in the Annual Report 2005 except that IFRIC Interpretation 4 'Determining whether an arrangement contains a lease' and an amendment to IAS 39 'Financial guarantee contracts' have been implemented in 2006.

There is no material effect of either change on the current or prior periods.

Adjustments have been made to the balance sheet at 30th June 2005 from that published in the Interim Report 2005 in order to reflect the presentation subsequently adopted in the Annual Report 2005. The adjustments have been made to deferred tax and minority interests and to reflect the revised timing of the recognition of dividends.

These adjustments decreased net assets and total equity at 30th June 2005 by £214 million compared with the previously reported balances. The adjustments had no impact on the profits to 30th June 2005.

## Summary income statement

	H1 2006 £m	H1 2005 £m
Turnover	11,624	10,282
Operating profit	4,085	3,458
Finance income	140	105
Finance expense	(185)	(213)
Profit on ordinary activities before taxation	4,067	3,373
Taxation – UK	(196)	(154)
– Overseas	(1,004)	(807)
Profit on ordinary activities after taxation	2,867	2,412
Profit attributable to minority interests	50	52
Profit attributable to shareholders	2,817	2,360
Earnings per share	49.8p	41.5p
Diluted earnings per share	49.2p	41.2p

On 26th July a second interim dividend of 11 pence per share was declared. This makes a total of 22 pence per share for the year to date. The liability for an interim dividend is only recognised when it is paid, which is usually after the accounting period to which it relates. The total expected to be absorbed by these dividends amounts to approximately £1,241 million, none of which is recognised in these results.

## Summary statement of recognised income and expense

	H1 2006 £m	H1 2005 £m
Fair value movements on available-for-sale investments	1	(31)
Actuarial gains/(losses) on defined benefit plans	644	(351)
Exchange movements	(225)	29
Fair value movements on cash flow hedges	(2)	3
Tax on items above	(319)	159
Net gains/(losses) recognised directly in equity	99	(191)
Profit for the period	2,867	2,412
Total recognised income and expense for the period	2,966	2,221

All other changes in equity relate to capital transactions with owners and distributions to them, except for a charge of £111 million (2005 – £122 million) related to share-based incentive plans. During the six month period, GSK repurchased £512 million shares which are held as Treasury shares.

## Summary balance sheet

	30th June 2006 £m	30th June 2005 £m
Non-current assets	13,836	12,320
Current assets	12,652	13,120
Total assets	26,488	25,440
Current liabilities	(8,248)	(9,142)
Non-current liabilities	(9,206)	(9,713)
Total liabilities	(17,454)	(18,855)
Net assets	9,034	6,585
Shareholders' equity	8,815	6,397
Minority interests	219	188
Total equity	9,034	6,585

## Summary cash flow statement

	H1 2006 £m	H1 2005 £m
Cash generated from operations	4,143	3,620
Taxation paid	(1,239)	(803)
Net cash inflow from operating activities	2,904	2,817
Net cash outflow from investing activities	(364)	(172)
Net cash outflow from financing activities	(2,750)	(97)
(Decrease)/increase in cash and bank overdrafts	(210)	2,548
Exchange adjustments	(219)	147
Cash and bank overdrafts at beginning of period	3,972	2,355
Cash and bank overdrafts at end of period	3,543	5,050

## 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 for 2005.

Copies of this report, the Results Announcements for the First and Second Quarters 2006 and other information about GSK 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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