



## Mission

Our global quest is to improve the quality of human life by enabling people to do more, feel better and live longer.

## Our Spirit

We undertake our quest with the enthusiasm of **entrepreneurs**, excited by the constant search for **innovation**. We value **performance** achieved with **integrity**. We will attain success as a world class global leader with each and every one of our people contributing with **passion** and an unmatched **sense of urgency**.

## Strategic Intent

We want to become the indisputable leader in our industry.

### The Board

**Sir Christopher Hogg**  
Non-Executive Chairman

**Sir Roger Hurn**  
Non-Executive Deputy Chairman

**Dr Jean-Pierre Garnier**  
Chief Executive Officer

**John Coombe**  
Chief Financial Officer

**Paul Allaire**  
**Dr Michèle Barzach**

**Sir Peter Job**  
**John McArthur**

**Donald McHenry**

**Sir Ian Prosser**

**Dr Ronaldo Schmitz**

**Dr Lucy Shapiro**

Non-Executive Directors

### Corporate Executive Team

**JP Garnier**  
Chief Executive Officer

**Rupert Bondy**  
Senior Vice President and General Counsel

**Ford Calhoun**  
Chief Information Officer

**John Coombe**  
Chief Financial Officer

**Bob Ingram**  
Chief Operating Officer and President,  
Pharmaceutical Operations

**James Palmer**  
Senior Vice President, New Product Development  
Pharmaceuticals R&D

**Dan Phelan**  
Senior Vice President, Human Resources

**Howard Pien**  
President, Pharmaceuticals International

**David Stout**  
President, US Pharmaceuticals

**Tim Tyson**  
President, Global Manufacturing & Supply

**Chris Viehbacher**  
President, Pharmaceuticals Europe

**Tachi Yamada**  
Chairman, Research & Development

**Jennie Younger**  
Senior Vice President, Corporate Communications  
and Community Partnerships

**Jack Ziegler**  
President, Consumer Healthcare

# GlaxoSmithKline plc Half-Year Report

for the six months to 30th June 2002

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GlaxoSmithKline plc is an English public limited company. Its shares are listed on the London Stock Exchange and the New York Stock Exchange.

This report is the Half-Year Report of GlaxoSmithKline plc for the six months ended 30th June 2002. The Half-Year Report was approved by the Board of Directors on 24th July 2002.

A summary report on the half-year, the Half-Year Review 2002, intended for the investor not needing the full detail of the Half-Year Report, is produced as a separate document. The Half-Year Review includes the joint statement by the Chairman and the Chief Executive Officer, a summary review of operations and summary financial statements.

The Half-Year Review is issued to all shareholders. The Half-Year Report is issued to those shareholders who have elected to receive the full Annual Report as well as the summary Annual Review. All these documents are available on GlaxoSmithKline's corporate website at [www.gsk.com](http://www.gsk.com).

## Financial summary

Business performance	H1 2002		Q2 2002		Q1 2002	
	£m	CER%	£m	CER%	£m	CER%
Sales	10,525	8	5,415	8	5,110	8
Trading profit	3,434	21	1,819	22	1,615	19
Profit before taxation	3,420	13	1,827	10	1,593	16
Earnings/Net income	2,439	13	1,305	10	1,134	17
Earnings per share	40.9p	15	21.9p	13	19.0p	18

### Total results

Profit before taxation	3,063	1,633	1,430
Earnings/Net income	2,195	1,174	1,021
Earnings per share	36.8p	19.7p	17.1p

Business performance, which is the primary performance measure used by management, is presented after excluding merger items, integration and restructuring costs and the disposal of subsidiaries. Management believes that exclusion of these non-recurring items provides a better comparison of business performance for the periods presented. Accordingly, this information is provided as a supplement to that included in the consolidated statement of profit and loss on pages 10 and 11 prepared in accordance with UK GAAP. Total results include these non-recurring items.

H1 denotes the six months ended 30th June. Q2 denotes the three months ended 30th June. Q1 denotes the three months ended 31st March.

CER% represents growth at constant exchange rates.

### Financial highlights

- Pharmaceutical sales continue good growth, up 10 per cent.
  - Growth especially strong in USA at 15 per cent; Europe sales up 2 per cent; Rest of World up 6 per cent.
  - Strong growth in key therapy areas led by CNS – up 16 per cent; Respiratory – up 19 per cent; Anti-virals – up 15 per cent.
  - New product sales of £2.3 billion – up 44 per cent, now represents 26 per cent of pharmaceutical sales.
  - Seretide/Advair* continues very strong performance with sales of £779 million. Now GSK's second largest product, following US launch in April 2001.
- Other income reduced from £187 million to £11 million.
- Net cash inflow from operating activities of £3.6 billion.
- Following the launch of generic *Augmentin* in the USA, GSK now expects to deliver business performance EPS growth of at least 10 per cent for 2002, high single digits for 2003.

	H1 2002	H1 2001
Dividends per GlaxoSmithKline share:		
First interim	9.0p	9.0p
Second interim	9.0p	9.0p
	At 30.06.02	At 31.12.01
Share price (London Stock Exchange)	£14.18	£17.23

### Cautionary statement regarding forward-looking statements

The Group's reports filed with the US Securities and Exchange Commission (the Commission), including this document and written information released, or oral statements made, to the public in the future by or on behalf of the Group, may contain forward-looking statements. Forward-looking statements give the Group's current expectations or forecasts of future events. An investor can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, and financial results. The Group undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements involve inherent risks and uncertainties. The Group cautions investors that a number of important factors including those in this document could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, those discussed under "Risk factors" in the Operating and financial review and prospects in the Group's Annual Report for 2001 filed with the Commission.

## Joint statement by the Chairman and the Chief Executive Officer



**JP Garnier**  
Chief Executive Officer



**Sir Christopher Hogg**  
Chairman

### Strong profit growth

In what has been an eventful time for GlaxoSmithKline and our industry, we are pleased to report that our sales in the first six months have continued to grow strongly. Our US sales now represent 55 per cent of our pharmaceutical business and have fuelled our global pharmaceuticals growth of ten per cent at constant exchange rates (CER) to £9 billion.

This growth has been achieved against a background of highly turbulent and unpredictable financial markets. The pharmaceutical sector has certainly not been immune from this and has also had its own issues. Patent litigation, corporate governance and merger activity have all featured prominently in the headlines.

At such a time, it has been important for GlaxoSmithKline to remain focused on achieving the key goals for long-term growth, namely, strengthening the product pipeline, maximising the existing portfolio and pursuing opportunities for cost savings and efficiencies.

New products are the lifeblood of our business. Over the next 18 months we expect to launch several key products such as *Avandamet* for diabetes, *Augmentin XR* for adult infections, vardenafil for erectile dysfunction, and *Wellbutrin XL* for depression.

Among the new licensing agreements announced during the period was an alliance with Nobex Corporation for the development of orally administered insulin products for the treatment of diabetes. In mid-April GlaxoSmithKline announced licensing agreements with Adolor Inc for alvimopan to treat post-operative bowel dysfunction and with Unigene Laboratories Inc for an oral formulation to treat osteoporosis.

The success of any new pharmaceutical product is limited by its patent life and as a large and successful pharmaceutical company, we will always face challenges to our intellectual property by generic manufacturers to which we will mount a robust defence.

In July, following the launch in the USA of the first generic version of *Augmentin*, we confirmed our revised business performance forecast for earnings per share (EPS) growth of at least ten per cent in 2002 and high single digits in 2003, assuming GlaxoSmithKline successfully defends its intellectual property surrounding *Paxil* in the USA.

We are currently engaged in legal proceedings regarding the validity and infringement of the Group's patents relating to *Augmentin* and *Seroxat/Paxil* in the USA. Despite the ruling of a federal judge in the USA in respect of our patents for *Augmentin*, GlaxoSmithKline continues to believe that its patents are valid and we are appealing against the judgement.

Matters of corporate governance have captured the headlines during the period covered by this document. GlaxoSmithKline believes it has effective internal audit procedures and governance processes. In addition there are regular and thorough reviews of our financial systems and controls.

Merger and acquisition activity has also been in the news. We believe we have a strong position in the industry and the right strategy to succeed. In particular, we are focused on exploiting and maturing our strong early-stage pipeline to fuel our long-term growth. We would always consider an opportunity that would increase shareholder value but at GlaxoSmithKline our efforts are focused on realising the benefits of our own merger.

Our strong half-year results demonstrate the breadth and strength of our product portfolio. Total revenues for this period have grown by eight per cent (CER). Sales growth and merger costs savings are reflected in the business performance EPS growth of 15 per cent (CER).

As well as strong profit growth the Group has generated operating cash flow of £3.6 billion of which £2.9 billion has been returned to shareholders by way of dividends and shares which have been purchased for cancellation.

We have continued to make an important contribution to improving healthcare in the developing world. In July we published "Facing the Challenge – One Year On", a report of the significant progress we have made towards the commitments we made in June 2001. This includes the fact that shipments of preferentially-priced *Combivir* to the developing world have increased tenfold.

We also pledged to communicate our progress and achievements with regard to corporate and social responsibility and in May 2002 published "Performance with Integrity" a review of our commitment to society and the environment.

Our commitment to our global community partnerships remains firm and among the many achievements during the past six months was the announcement in May of the 100 millionth preventative treatment of albendazole in the battle to eliminate lymphatic filariasis.

We would like to express our appreciation to Sir Richard Sykes who retired as Chairman at the annual general meeting in May, 30 years after first joining the company. Two other senior Non-Executive Directors, Sir Peter Walters and John Young also retired at the end of that meeting and we thank them also for their services to the Group.

The past six months have presented a number of major challenges to our business and our industry but we remain committed to producing better medicines and healthcare products for people around the world while building shareholder value.

We thank all our employees who work so hard to help us achieve this aim and also our shareholders for their continued support.

Sir Christopher Hogg  
Chairman

JP Garnier  
Chief Executive Officer

## Operating and financial review and prospects

This review discusses the operating and financial performance and the financial resources of the Group. All growth rates are at constant exchange rates (CER) unless otherwise stated.

### Total sales

An analysis of total sales is set out below:

	H1 2002 £m	H1 2001 £m	Growth CER%	2001 £m
Pharmaceuticals	8,974	8,302	10	17,205
Consumer Healthcare	1,551	1,577	1	3,284
	10,525	9,879	8	20,489

### Pharmaceutical sales

Total pharmaceutical sales in the first half of 2002 were £8,974 million compared to £8,302 million for the same period in 2001, an increase of 10 per cent (CER). An analysis of sales between new products (those launched in a major market within the last five years), franchise (the more established products) and older products (those less actively promoted) is set out below:

	£m	% total	CER%	CER £m
New	2,337	26	44	726
Franchise	4,877	54	5	246
Other	1,760	20	(9)	(182)
	8,974	100	10	790

The growth of the new products, notably *Seretide/Advair*, *Trizivir* and *Avandia* and the franchise products, *Wellbutrin*, *Imigran/Imitrex* and *Zofran* outweigh the decline of older products such as *Zantac*.

### Pharmaceutical sales by therapeutic area

#### Central nervous system

Overall sales growth of 16 per cent was recorded in this therapeutic area. In the anti-depressant sector sales grew by 21 per cent. The launch of a new formulation *Paxil CR* (controlled-release) in the USA in mid-April helped *Seraxat/Paxil* sales growth to 15 per cent. This new formulation uses advanced technology that controls dissolution and absorption in the body. *Wellbutrin's* sales growth of 37% to £394 million partially resulted from continued growth in the US anti-depressant market. In June the US Food and Drug Administration (FDA) approved the marketing of a 200mg tablet of *Wellbutrin SR* (sustained release). This tablet offers patients a more convenient dose option by reducing the daily number of tablets from four to two. An application for approval of the new once-daily formulation, *Wellbutrin XL*, is expected later this year.

Migraine product sales grew 12 per cent with both *Imigran/Imitrex* and *Naramig/Amerge* recording double-digit growth. *Lamictal* sales grew by 29 per cent, helped by growth in the epilepsy market. *Zyban* sales were impacted by the adverse publicity resulting from the European decision to review the product's safety data.

#### Respiratory

The asthma treatment *Seretide/Advair* has continued its momentum to drive sales growth in this area with over eight million prescriptions written in the USA since its launch in April 2001. It is now the Group's second largest pharmaceutical product. *Flixotide/Flovent* and *Serevent* sales have declined as a result of switches in prescriptions in favour of the combined product *Seretide/Advair*.

However, combined sales growth for these three products was 29 per cent. Sales of the older respiratory products, *Ventolin* and *Becotide*, continued to decline in the face of generic competition.

#### Anti-bacterials

Anti-bacterial sales declined by six per cent mainly as a result of increased generic competition, particularly in the USA, for the older products *Zinnat/Ceftin*, *Fortum* and *Amoxil*.

The sales growth of *Augmentin* slowed to two per cent reflecting generic competition in Europe. US sales in this period were not impacted by generic *Augmentin* which was introduced in the USA in July. *Augmentin ES* (extra strength), launched in the USA last year for the treatment of antibiotic resistant ear infections in children, now represents over 35 per cent of *Augmentin's* paediatric prescriptions. Additionally, GlaxoSmithKline anticipates the launch of an extra strength adult version, *Augmentin XR* (extended release), in the USA where it is currently under review by the FDA.

#### Anti-virals

Global sales growth in anti-virals improved to 15 per cent compared with six per cent for the same period in 2001. Strong performance in all regions by GlaxoSmithKline's triple combination therapy, *Trizivir*, was the key driver of growth in the HIV/AIDS franchise. In the USA, it is now the most frequently prescribed treatment for new HIV patients.

*Valtrex* for herpes also reported strong sales growth of 29 per cent worldwide and 39 per cent in the USA, benefiting from its convenient once-daily dosing. Although sales of *Zovirax* improved in the USA, in other regions they declined as a result of switches to *Valtrex* and generic competition.

#### Metabolic and gastro-intestinal

Sales of GlaxoSmithKline's treatment for type 2 diabetes, *Avandia*, rose to £418 million assisted by increased prescription volume in the USA and strong growth in Europe and the Rest of the World. A further decline in sales of *Zantac* resulted from the ongoing impact of generic competition.

#### Vaccines

The Hepatitis portfolio showed growth of 11 per cent, reversing the trend shown in 2001. The main contributor to this was sales of *Twinrix* in the USA, where it was launched in 2001. The combination vaccine, *Infanrix*, for diphtheria, tetanus and pertussis (whooping cough) grew 10 per cent, driven by continuing success in the US market and the Rest of the World. The decline in Europe reflected the impact of a large tender contract in 2001 that has not been repeated in 2002.

#### Oncology and emesis

An 18 per cent sales growth in the oncology and emesis therapy area was fuelled by the continuing growth of *Zofran*, which is used to prevent nausea and vomiting associated with some cancer treatments and surgical procedures.

#### Cardiovascular

GlaxoSmithKline's marketing rights to *Coreg* are mainly in the USA where sales grew by 30 per cent to £132 million.

#### Other therapeutic areas

Sales of *Relafen* for arthritis fell significantly in all areas, as a result of further generic competition.

## Pharmaceutical sales by therapeutic area – six months ended 30th June 2002

Therapeutic area/ major products	% of total	Total			USA		Europe		RoW	
		H1 2002 £m	H1 2001 £m	% CER* growth	H1 2002 £m	% CER growth	H1 2002 £m	% CER growth	H1 2002 £m	% CER growth
<b>CNS</b>	<b>24</b>	<b>2,160</b>	<b>1,887</b>	<b>16</b>	<b>1,571</b>	<b>20</b>	<b>380</b>	<b>(2)</b>	<b>209</b>	<b>20</b>
<b>Depression</b>		<b>1,384</b>	<b>1,161</b>	<b>21</b>	<b>1,064</b>	<b>24</b>	<b>187</b>	<b>(1)</b>	<b>133</b>	<b>29</b>
Seroxat/Paxil		990	871	15	680	18	187	(1)	123	31
Wellbutrin		394	290	37	384	38	-	-	10	15
<b>Migraine</b>		<b>438</b>	<b>396</b>	<b>12</b>	<b>330</b>	<b>13</b>	<b>81</b>	<b>-</b>	<b>27</b>	<b>39</b>
Imigran/Imitrex		390	352	11	300	13	66	(1)	24	43
Naramig/Amerge		48	44	12	30	16	15	4	3	17
Lamictal		210	164	29	119	49	70	6	21	26
Requip		43	36	20	22	30	19	10	2	28
Zyban		54	81	(33)	24	(16)	14	(43)	16	(42)
<b>Respiratory</b>	<b>22</b>	<b>1,999</b>	<b>1,694</b>	<b>19</b>	<b>1,019</b>	<b>33</b>	<b>668</b>	<b>6</b>	<b>312</b>	<b>13</b>
<b>Seretide/Advair, Flixotide/Flovent, Serevent</b>		<b>1,445</b>	<b>1,133</b>	<b>29</b>	<b>766</b>	<b>43</b>	<b>502</b>	<b>11</b>	<b>177</b>	<b>31</b>
Seretide/Advair		779	292	>100	415	>100	294	56	70	>100
Flixotide/Flovent		394	489	(18)	196	(24)	111	(22)	87	6
Serevent		272	352	(22)	155	(25)	97	(20)	20	-
Flixonase/Flonase		287	257	13	218	20	29	(7)	40	(2)
Ventolin		134	154	(11)	7	(62)	66	(2)	61	(6)
Becotide		67	81	(16)	-	-	53	(16)	14	(18)
<b>Anti-bacterials</b>	<b>13</b>	<b>1,203</b>	<b>1,295</b>	<b>(6)</b>	<b>588</b>	<b>(11)</b>	<b>357</b>	<b>1</b>	<b>258</b>	<b>(3)</b>
Augmentin		701	694	2	453	3	164	-	84	-
Zinnat/Ceftin		126	225	(43)	20	(82)	60	(3)	46	(3)
Fortum		102	101	3	18	-	50	12	34	(6)
Amoxil		63	76	(16)	15	(25)	23	(10)	25	(15)
<b>Anti-virals</b>	<b>13</b>	<b>1,120</b>	<b>994</b>	<b>15</b>	<b>588</b>	<b>23</b>	<b>310</b>	<b>6</b>	<b>222</b>	<b>6</b>
<b>HIV</b>		<b>712</b>	<b>635</b>	<b>14</b>	<b>415</b>	<b>14</b>	<b>225</b>	<b>11</b>	<b>72</b>	<b>17</b>
Combivir		292	298	(1)	168	(2)	91	(5)	33	21
Trizivir		148	56	>100	97	>100	47	>100	4	>100
Epivir		144	149	(3)	78	3	47	(5)	19	(15)
Retrovir		27	26	7	11	4	11	14	5	(2)
Ziagen		79	82	(1)	46	(4)	24	(8)	9	39
Agenerase		22	24	(8)	15	(21)	5	19	2	87
<b>Herpes</b>		<b>322</b>	<b>309</b>	<b>6</b>	<b>151</b>	<b>35</b>	<b>71</b>	<b>(12)</b>	<b>100</b>	<b>(8)</b>
Valtrex		201	158	29	131	39	36	9	34	20
Zovirax		121	151	(17)	20	12	35	(27)	66	(18)
Zeffix		59	49	22	6	77	8	38	45	16
<b>Metabolic and gastro-intestinal</b>	<b>8</b>	<b>738</b>	<b>756</b>	<b>-</b>	<b>407</b>	<b>7</b>	<b>128</b>	<b>(15)</b>	<b>203</b>	<b>(3)</b>
Avandia		418	371	14	360	8	21	45	37	86
Zantac		203	253	(17)	46	(8)	62	(27)	95	(14)
<b>Vaccines</b>	<b>6</b>	<b>505</b>	<b>452</b>	<b>13</b>	<b>152</b>	<b>24</b>	<b>204</b>	<b>6</b>	<b>149</b>	<b>13</b>
Hepatitis		239	218	11	103	16	99	11	37	(1)
Infanrix		133	122	10	50	55	55	(18)	28	25
<b>Oncology and emesis</b>	<b>5</b>	<b>478</b>	<b>406</b>	<b>18</b>	<b>359</b>	<b>21</b>	<b>75</b>	<b>6</b>	<b>44</b>	<b>14</b>
Zofran		337	292	16	246	19	58	8	33	13
Hycamtin		52	48	10	36	12	12	(1)	4	28
<b>Cardiovascular</b>	<b>4</b>	<b>314</b>	<b>275</b>	<b>16</b>	<b>203</b>	<b>21</b>	<b>73</b>	<b>6</b>	<b>38</b>	<b>15</b>
Coreg		137	107	30	132	30	-	-	5	31
<b>Arthritis (Relafen)</b>	<b>1</b>	<b>14</b>	<b>101</b>	<b>(86)</b>	<b>5</b>	<b>(94)</b>	<b>4</b>	<b>(30)</b>	<b>5</b>	<b>(22)</b>
<b>Other</b>	<b>5</b>	<b>443</b>	<b>442</b>	<b>3</b>	<b>34</b>	<b>10</b>	<b>123</b>	<b>8</b>	<b>286</b>	<b>1</b>
<b>Total pharmaceutical sales</b>	<b>100</b>	<b>8,974</b>	<b>8,302</b>	<b>10</b>	<b>4,926</b>	<b>15</b>	<b>2,322</b>	<b>2</b>	<b>1,726</b>	<b>6</b>

\*CER represents sales growth at constant exchange rates. Sterling growth can be calculated from the figures given above.

### Pharmaceutical sales by geographic area

Region/ major markets	% of total	H1 2002 £m	H1 2001 £m	% CER* growth
<b>USA</b>	<b>55</b>	<b>4,926</b>	<b>4,325</b>	<b>15</b>
<b>Europe</b>	<b>26</b>	<b>2,322</b>	<b>2,262</b>	<b>2</b>
France		436	402	8
UK		391	400	(2)
Italy		308	325	(5)
Germany		256	260	(2)
Spain		235	215	9
Central & Eastern Europe		197	163	21
Other Europe		499	497	-
<b>Rest of World</b>	<b>19</b>	<b>1,726</b>	<b>1,715</b>	<b>6</b>
Asia Pacific		607	552	11
Japan		343	349	6
Latin America		288	362	(10)
Middle East, Africa		270	242	18
Canada		218	210	8
<b>100</b>		<b>8,974</b>	<b>8,302</b>	<b>10</b>

\*CER represents sales growth at constant exchange rates. Sterling growth can be calculated from the figures given above. Sales by market within Europe are adjusted for the effects of parallel trade.

#### USA

Total pharmaceutical revenue earned in the USA has increased to 55 per cent of Group pharmaceutical sales. Robust performance by *Advair* and *Paxil* drove sales up 15 per cent to £4,926 million.

In the CNS therapeutic area *Paxil* grew strongly, benefiting from the controlled release *Paxil CR* formulation launched in April. *Wellbutrin* continued its strong growth reflecting increased prescribing by primary care physicians and psychiatrists. Migraine product sales growth improved to 13 per cent and sales of *Lamictal*, the treatment for epilepsy, grew strongly at 49 per cent.

The key driver in the respiratory area was the combination product *Advair* which together with its constituent products, *Flovent* and *Serevent*, achieved sales of £766 million, a growth of 43 per cent.

Sales in the anti-bacterials area fell by 11 per cent as older products declined due to generic competition.

The combination treatment, *Trizivir*, has continued its strong performance with sales in the half-year amounting to £97 million, helping to produce 14 per cent sales growth in the HIV sector. Also in the anti-virals area, *Valtrex* for herpes showed good growth at 39 per cent.

#### Europe

The Europe region contributed 26 per cent of pharmaceutical sales. Growth levels were mixed with good growth in a number of major markets including France, Spain and Central and Eastern Europe compensating for declines in Italy, the UK and Germany. Overall the region grew by two per cent.

Performance in the CNS area was mixed resulting in a fall of two per cent in sales. Although *Seroxat* sales showed growth in France, Spain and the UK, declines were recorded in Germany and Italy. The highlight in the respiratory area was *Seretide*, which recorded strong growth in all major countries in the region, although, as in the USA, this affected sales of its constituent products.

Anti-bacterial sales grew in Italy and Spain but this was offset by the declines in Germany and the UK, to leave overall sales in the region stable.

Sales of anti-viral products grew six per cent, led by an 11 per cent growth in HIV sales. Declines in *Zovirax* sales outweighed growth in *Valtrex*.

*Avandia* sales increased by 45 per cent reflecting recent launches in Europe. Generic competition saw *Zantac* sales continue to decline.

#### Rest of the World

A six per cent sales growth was recorded in the Rest of the World, with strong performances in Asia Pacific, Middle East and North Africa partially offset by a poor performance in Latin America. Product growth was driven by *Seroxat*, *Avandia*, *Seretide* and the HIV products.

Japan performed strongly in the CNS area following product launches in 2001 and in late 2000. *Serevent* was launched in June and should benefit sales in the second half. However the business performance was held back by the decline of older products, such as *Zantac*.

### Consumer Healthcare sales

	H1 2002 £m	H1 2001 £m	% CER* growth
<b>OTC medicines</b>	<b>743</b>	<b>756</b>	<b>1</b>
<i>Analgesics</i>	156	160	2
<i>Dermatologicals</i>	93	96	1
<i>Gastro-intestinal</i>	154	167	(4)
<i>Respiratory tract</i>	65	68	(1)
<i>Smoking control</i>	164	147	12
<i>Vitamins and naturals</i>	77	79	(2)
<b>Oral care</b>	<b>525</b>	<b>539</b>	<b>-</b>
<b>Nutritional healthcare</b>	<b>283</b>	<b>282</b>	<b>2</b>
	<b>1,551</b>	<b>1,577</b>	<b>1</b>

\*CER represents sales growth at constant exchange rates. Sterling growth can be calculated from the figures given above.

Consumer Healthcare sales at £1,551 million were one per cent up compared with the first half last year. Sales growth in Europe was offset by declines in the USA and Rest of the World.

#### OTC medicines

Sales of OTC medicines grew by one per cent to £743 million. Smoking control products grew 12 per cent reflecting strong performances in Europe and the USA. The sales performance of other OTC medicines were mixed. Approval was given for *Flixonase* to be sold over-the-counter in the UK for the effective treatment of the symptoms of hayfever and airborne allergies. This is in addition to its availability as a prescription medicine. Also, approval was given in Canada for the marketing of *Abreva* as an OTC product for the treatment of cold sores.

#### Oral care

In Oral care, *Sensodyne* sales improved by 16 per cent but much of this increase was offset by declines in other brands, especially *Aquafresh*, to give flat growth for the period. In the USA, *Aquafresh* experienced strong competition from other brands, whereas in Europe, both *Aquafresh* and *Sensodyne* reported sales growth.

#### Nutritional healthcare

*Lucozade* and *Ribena* performed well in Europe and globally both recorded over 10 per cent growth. This growth offset declines in sales of *Horlicks*, notably in India.

### Summary statement of business performance profit and loss

The table below analyses the H1 2002 statement of profit and loss by quarter.

	H1 2002		Q2 2002 £m	Q1 2002 £m
	£m	CER%		
Sales:				
Pharmaceuticals	<b>8,974</b>	<b>10</b>	4,613	4,361
Consumer Healthcare	<b>1,551</b>	<b>1</b>	802	749
Total sales	<b>10,525</b>	<b>8</b>	5,415	5,110
Operating costs	<b>(7,091)</b>	<b>3</b>	(3,596)	(3,495)
Trading profit:				
Pharmaceuticals	<b>3,218</b>	<b>22</b>	1,697	1,521
Consumer Healthcare	<b>216</b>	<b>4</b>	122	94
Total trading profit	<b>3,434</b>	<b>21</b>	1,819	1,615
Other operating income/(expense)	<b>11</b>		16	(5)
Profits of associates	<b>38</b>		21	17
Net interest payable	<b>(63)</b>		(29)	(34)
Profit before taxation	<b>3,420</b>	<b>13</b>	1,827	1,593
Taxation	<b>(923)</b>		(493)	(430)
Profit after taxation	<b>2,497</b>	<b>12</b>	1,334	1,163
Minority interests and preference share dividends	<b>(58)</b>		(29)	(29)
Earnings	<b>2,439</b>	<b>13</b>	1,305	1,134
Earnings per share	<b>40.9p</b>	<b>15</b>	21.9p	19.0p

Business performance, which is the primary performance measure used by management, is presented after excluding merger items, integration and restructuring costs and the disposal of subsidiaries. Management believes that exclusion of these non-recurring items provides a better comparison of business performance for the periods presented. Accordingly, this information is provided as a supplement to that included in the consolidated statement of profit and loss on pages 10 and 11 prepared in accordance with UK GAAP. Total results include these non-recurring items.

### Trading profit – business performance

	H1 2002 %	H1 2001 %	2001 %
Sales	<b>100</b>	100	100
Cost of sales	<b>(20.2)</b>	(21.2)	(21.6)
Selling, general and administration	<b>(35.4)</b>	(37.1)	(36.4)
Research and development	<b>(11.8)</b>	(12.2)	(12.5)
Trading profit	<b>32.6</b>	29.5	29.5

Cost of sales decreased as a percentage of sales relative to H1 2001 as a result of a higher proportion of US sales and the benefits of merger and manufacturing restructuring savings.

Selling, general and administration (SG&A) costs also benefited from merger savings.

Research and development (R&D) expenditure increased at below the rate of sales growth due to merger related savings which have yet to be reinvested, and the phasing of clinical trial expenditure. R&D expenditure is expected to be higher in the second half of the year.

Overall the trading margin improved 3.1 per cent and trading profit grew 21 per cent.

### Other operating income/(expense)

Other operating income/(expense) was lower in H1 2002 than in H1 2001 mainly as a result of lower one-time profits. Income from equity investment and other disposals was £40 million, compared with £121 million in H1 2001. This reduction in one-time profits was planned to improve the overall quality of the Group's earnings. One-time profits in 2002 and 2003 are expected to be lower than in 2001.

### Joint ventures and associates

The investment in Quest Diagnostics, Inc. accounts for nearly all of the profits of associates of £38 million, net of goodwill write-off. The Group's holding of Quest shares was 22.6 per cent at 30th June 2002.

	H1 2002 £m	H1 2001 £m	2001 £m
Interest payable	<b>(154)</b>	(165)	(198)
Investment income	<b>95</b>	130	129
	<b>(59)</b>	(35)	(69)
Share of interest payable of associate	<b>(4)</b>	(8)	(19)
	<b>(63)</b>	(43)	(88)

Net interest payable increased in H1 2002 compared with H1 2001. This reflects a higher average level of net debt arising from the share repurchases.

### Merger items, restructuring costs and disposal of subsidiaries

Costs of £357 million were incurred in the six months in respect of merger, integration and restructuring. After tax relief of £113 million, the net charge was £244 million.

GlaxoSmithKline continues to implement its merger and manufacturing restructuring plans and remains on track to deliver forecast total annual merger and manufacturing restructuring savings of £1.8 billion by 2003, excluding Block Drug. The total cost of achieving this remains estimated at £3.8 billion, of which £2.8 billion had been charged at 30th June 2002.

Throughout this report figures quoted for market share and market growth rates relate to the 12 months ended 31st March 2002 (or later where available). These are GlaxoSmithKline estimates, based on the most recent data from independent external sources, valued in sterling at relevant exchange rates. Figures quoted for product market share reflect sales by GlaxoSmithKline and licensees.

### Trade marks

Brand names appearing in italics throughout this report are trade marks of GlaxoSmithKline plc, its subsidiaries or associated companies, with the exception of Coreg, a trade mark of Roche Laboratories, Inc. and *Abreva*, a trade mark of AVANIR Pharmaceuticals.

## Taxation

	H1 2002 £m	H1 2001 (restated) £m	2001 (restated) £m
Business performance	(923)	(829)	(1,655)
Merger items, integration and restructuring costs and disposal of subsidiaries	113	110	322
	<b>(810)</b>	<b>(719)</b>	<b>(1,333)</b>

The charge for taxation on business performance profit in H1 2002 represents an effective rate of tax of 27 per cent, which is the rate expected to apply for the year. This represents an increase compared with the restated effective rate of 26.8 per cent in 2001.

The credit for taxation on merger items, integration and restructuring costs and disposal of subsidiaries in H1 2002 reflects the estimated actual tax rate applicable to the transactions in the territories in which they arise.

Transfer pricing issues are inevitable for a global business such as GlaxoSmithKline. The integrated nature of the Group's worldwide operations, involving significant investment in research and strategic manufacture at a limited number of locations, with consequential cross-border supply routes into numerous end-markets, gives rise to complexity and delay in negotiations with revenue authorities as to the profits on which individual Group companies are liable to tax. Disagreements with, and between, revenue authorities as to the price at which goods should be transferred between Group companies in different tax jurisdictions can produce conflicting claims from revenue authorities as to the profits that fall to be taxed in individual territories. Resolution of such issues is a continuing fact of life for GlaxoSmithKline.

In the USA for a number of years GlaxoSmithKline has had significant open issues relating to transfer pricing. These issues affect all years from 1989 to the present and concern a number of products, although the most significant relates to the success of *Zantac* in respect of which the claims of the US Internal Revenue Service (IRS) substantially exceed the Group's estimation of its taxation liabilities. The IRS claims continue to be the subject of discussions between the US and UK tax authorities under the competent authority provisions of the double tax convention between the two countries.

Within these discussions there is a wide variation between the views of the US and UK tax authorities and, exceptionally, they may be unable to settle the dispute. In the event of the UK and US tax authorities not reaching agreement the matter may have to be resolved by litigation. GlaxoSmithKline uses the best advice in determining its transfer pricing methodology and in seeking to manage transfer pricing issues to a satisfactory conclusion and, on the basis of external professional advice, continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments.

The Group has implemented the new Financial Reporting Standard, FRS 19 'Deferred tax' in 2002, which requires deferred tax to be accounted for on a full provision basis rather than a partial provision basis as before. The effect in the six months ended 30th June 2001 is to increase the business performance tax charge by £4 million, the total tax charge by £3 million and the business performance tax rate by 0.1 per cent to 26.8 per cent. For the full year 2001 the business performance tax charge is increased by £8 million, and the total tax charge by £6 million. The net deferred tax asset at 31st December 2001 has been reduced by £127 million.

## Earnings

	H1 2002 £m	H1 2001 (restated) £m	2001 (restated) £m
Earnings	<b>2,195</b>	1,706	3,053
Earnings per share	<b>36.8p</b>	28.1p	50.3p
Earnings per ADS	<b>\$1.07</b>	\$0.81	\$1.45
Adjusted earnings	<b>2,439</b>	2,195	4,383
Adjusted earnings per share	<b>40.9p</b>	36.2p	72.3p
Adjusted earnings per ADS	<b>\$1.19</b>	\$1.04	\$2.08
Weighted average number of shares (millions)	<b>5,962</b>	6,070	6,064

Adjusted earnings and adjusted earnings per share are presented for GlaxoSmithKline above in order to illustrate business performance, which is the primary measure used by management, as discussed earlier. Adjusted earnings increased by 13 per cent CER and adjusted earnings per share increased by 15 per cent CER.

## Dividends

	H1 2002 £m	H1 2001 £m	2001 £m
First interim	<b>535</b>	546	546
Second interim	<b>530</b>	546	546
Third interim			546
Fourth interim			718
			<b>2,356</b>
Dividend per share	<b>pence</b>	pence	pence
First interim	<b>9</b>	9	9
Second interim	<b>9</b>	9	9
Third interim			9
Fourth interim			12
			<b>39</b>

## Cash flow

A summary of Group cash flow is set out below:

	H1 2002 £m	H1 2001 £m	2001 £m
Total operating cash flow	<b>3,550</b>	2,973	6,507
Net interest, minority and preference share dividends	<b>(146)</b>	(150)	(191)
Tax payments	<b>(636)</b>	(845)	(1,717)
Free cash flow	<b>2,768</b>	1,978	4,599
Capital expenditure	<b>(471)</b>	(436)	(1,240)
Net cash from operations	<b>2,297</b>	1,542	3,359
Dividends on shares	<b>(1,264)</b>	(1,230)	(2,325)
Business acquisitions	<b>(7)</b>	(800)	(747)
Business disposals	–	71	66
Sales less purchase of equity investments	<b>49</b>	94	92
Sales less purchase of interest in associates	–	124	80
Purchase of own shares for share options	–	(133)	(795)
Use of own shares on exercise of share options	<b>37</b>	128	194
Shares issued on exercise of share options	<b>36</b>	90	144
Purchase of shares for cancellation	<b>(1,588)</b>	–	(1,274)
Redemption of preference shares issued by a subsidiary	–	(457)	(457)
Product divestments	–	(22)	(30)
Other movements including exchange	<b>14</b>	62	203
Increase in net debt	<b>(426)</b>	(531)	(1,490)

Total operating cash flow in H1 2002 was £3,550 million, an increase of £577 million over H1 2001. After the payment of tax, interest and minority dividends, free cash flow amounted to nearly £2.8 billion. The third and fourth quarter 2001 dividend payments absorbed £1,264 million and the buy-back of shares for cancellation absorbed a further £1,588 million. Overall net debt increased by £426 million in the six months. An analysis of net debt is given in the table below.

<b>Net debt</b>	<b>H1 2002 £m</b>	<b>H1 2001 £m</b>	<b>2001 £m</b>
Liquid investments	<b>1,281</b>	1,474	1,415
Cash at bank	<b>1,122</b>	935	716
	<b>2,403</b>	2,409	2,131
Bank loans and overdrafts	<b>(359)</b>	(376)	(307)
Commercial paper	<b>(2,070)</b>	(1,169)	(1,269)
Eurobonds and Medium-Term Notes	<b>(91)</b>	(433)	(542)
Other loans and obligations under finance leases	<b>(5)</b>	(5)	(6)
Loans and overdrafts due within one year	<b>(2,525)</b>	(1,983)	(2,124)
Bank loans	<b>(3)</b>	–	(11)
Eurobonds and Medium-Term Notes	<b>(2,367)</b>	(1,469)	(2,059)
Loan Stock	<b>(14)</b>	(17)	(16)
Other loans and obligations under finance leases	<b>(21)</b>	(82)	(22)
Loans due after one year	<b>(2,405)</b>	(1,568)	(2,108)
<b>Net debt</b>	<b>(2,527)</b>	(1,142)	(2,101)

### Financial position

The book value of net assets decreased by £704 million from £8,252 million at 31st December 2001 to £7,548 million at 30th June 2002. This reflects retained profits of £1,130 million, after providing for the first and second quarter 2002 dividends, offset by the use of liquid resources to buy back shares for cancellation.

Fixed asset investments comprise investments in associates, long-term equity investments and an investment in own shares held by the ESOTs. At 30th June 2002 the ESOTs held 182.7 million GlaxoSmithKline shares, at a carrying value of £2,844 million and market value of £2,591 million, against the future exercise of share options and share awards. This valuation shortfall is not considered to represent a permanent diminution in value and accordingly no provision has been made. The carrying value of associates and long-term equity investments was £297 million and the market value was £1,438 million.

### Exchange

The Group, as a multinational business, operates in many countries and earns revenues and incurs costs in many currencies. The results of the Group, as reported in sterling, are therefore affected by movements in exchange rates between sterling and overseas currencies.

On average during H1 2002 sterling exchange rates were stronger against the US dollar and the yen and stable against the Euro compared with H1 2001. In aggregate, currency movements in H1 2002 compared with H1 2001 had a net unfavourable effect on sterling results of one per cent in respect of sales and two per cent in respect of business performance earnings per share. Comparing H1 2002 period-end rates with H1 2001 period-end rates, sterling was stronger against the US dollar and the yen and weaker against the Euro.

If exchange rates were to hold at the 30th June 2002 level for the remainder of the year, the negative currency impact on earnings per share would be approximately three per cent for the full year.

In order to illustrate underlying business performance, excluding the effect of exchange rate movements on translation, it is the Group's practice to discuss its results in terms of constant exchange rate (CER) growth. This represents growth calculated as if the exchange rates used to translate the results of overseas companies into sterling had remained unchanged from those used in the previous period. The discussion in this review is therefore in terms of CER unless otherwise stated.

### Exchange rates

The Group uses the average of exchange rates prevailing during the period to translate the results of overseas Group subsidiary undertakings, joint ventures and associated undertakings into sterling, and period end rates to translate the net assets of those undertakings. The currencies which most influence these translations, and the relevant exchange rates, are:

	<b>H1 2002</b>	<b>H1 2001</b>	<b>2001</b>
<b>Average rates:</b>			
£/US\$	<b>1.45</b>	1.44	1.44
£/Euro	<b>1.61</b>	1.61	1.61
£/Yen	<b>187.00</b>	173.00	175.00
<b>Period end rates:</b>			
£/US\$	<b>1.52</b>	1.41	1.45
£/Euro	<b>1.55</b>	1.66	1.64
£/Yen	<b>183.00</b>	175.00	190.00

## Consolidated statement of profit and loss

		H1 2002		
	Notes	Business performance £m	Merger, restructuring and disposal of subsidiaries £m	Total £m
<b>Turnover</b>	2	10,525	–	10,525
Cost of sales		(2,127)	(100)	(2,227)
Gross profit		8,398	(100)	8,298
Selling, general and administrative expenditure		(3,720)	(224)	(3,944)
Research and development expenditure		(1,244)	(45)	(1,289)
<b>Trading profit</b>		3,434	(369)	3,065
Other operating income/(expense)	4	11	–	11
Operating profit	2	3,445	(369)	3,076
Share of profits/(losses) of joint ventures and associated undertakings	5	38	–	38
Profit on disposal of interest in associate		–	–	–
Product divestments	3	–	12	12
Loss on disposal of business	3	–	–	–
Profit before interest		3,483	(357)	3,126
Net interest payable	6	(63)	–	(63)
<b>Profit on ordinary activities before taxation</b>		3,420	(357)	3,063
Taxation		(923)	113	(810)
Profit on ordinary activities after taxation		2,497	(244)	2,253
Minority interests		(48)	–	(48)
Preference share dividends		(10)	–	(10)
<b>Earnings (Profit attributable to shareholders)</b>		2,439	(244)	2,195
<b>Earnings per share</b>	7	–		36.8p
<b>Adjusted earnings per share</b>	7	40.9p		–
<b>Diluted earnings per share</b>	7	–		36.6p
Profit attributable to shareholders				2,195
Dividends				(1,065)
Retained profit				1,130

All items dealt with in arriving at operating profit relate to continuing activities. There is no difference between the profit on ordinary activities before taxation and the retained profit stated above and their historical cost equivalents.

Results in 2001 have been restated following the implementation of FRS 19 'Deferred tax' in 2002. See 'Taxation' in the Operating and financial review and prospects.

## Consolidated statement of total recognised gains and losses

	H1 2002 £m
<b>Profit attributable to shareholders</b>	2,195
Exchange movements on overseas net assets	(76)
UK tax on exchange movements	–
Unrealised gain on equity investment	2
<b>Total recognised gains and losses relating to the period</b>	2,121
Prior period adjustment – implementation of FRS 19	(127)
<b>Total recognised gains and losses since 31st December 2001</b>	1,994

H1 2001			2001		
Business performance (restated) £m	Merger, restructuring and disposal of subsidiaries (restated) £m	Total (restated) £m	Business performance (restated) £m	Merger, restructuring and disposal of subsidiaries (restated) £m	Total (restated) £m
9,879	–	9,879	20,489	–	20,489
(2,095)	(62)	(2,157)	(4,430)	(303)	(4,733)
7,784	(62)	7,722	16,059	(303)	15,756
(3,666)	(492)	(4,158)	(7,451)	(957)	(8,408)
(1,207)	(44)	(1,251)	(2,555)	(96)	(2,651)
2,911	(598)	2,313	6,053	(1,356)	4,697
91	–	91	37	–	37
3,002	(598)	2,404	6,090	(1,356)	4,734
35	–	35	71	–	71
96	–	96	96	–	96
–	–	–	–	–	–
–	(1)	(1)	–	(296)	(296)
3,133	(599)	2,534	6,257	(1,652)	4,605
(43)	–	(43)	(88)	–	(88)
3,090	(599)	2,491	6,169	(1,652)	4,517
(829)	110	(719)	(1,655)	322	(1,333)
2,261	(489)	1,772	4,514	(1,330)	3,184
(45)	–	(45)	(97)	–	(97)
(21)	–	(21)	(34)	–	(34)
2,195	(489)	1,706	4,383	(1,330)	3,053
–		28.1p	–		50.3p
36.2p		–	72.3p		–
–		27.9p	–		49.9p
		1,706			3,053
		(1,092)			(2,356)
		614			697

H1 2001 (restated) £m	2001 (restated) £m
1,706	3,053
(45)	(151)
11	–
–	–
1,672	2,902

## Consolidated statement of cash flow

### Reconciliation of operating profit to operating cash flows

	H1 2002 £m	H1 2001 £m	2001 £m
Operating profit	<b>3,076</b>	2,404	4,734
Depreciation	<b>376</b>	372	761
Impairment and intangible assets written off	<b>67</b>	34	178
Amortisation of goodwill and intangible fixed assets	<b>33</b>	25	50
Loss on sale of tangible fixed assets	<b>11</b>	–	99
Profit on sale of equity investments	<b>(44)</b>	(108)	(118)
(Increase)/decrease in stocks	<b>(103)</b>	41	252
(Increase)/decrease in trade and other debtors	<b>(117)</b>	101	(77)
Increase/(decrease) in trade and other creditors	<b>157</b>	(3)	601
Increase in pension and other provisions	<b>109</b>	147	144
Other items	<b>(15)</b>	(16)	(93)
Merger transaction costs	–	(24)	(24)
Net cash inflow from operating activities	<b>3,550</b>	2,973	6,507

### Cash flow statement

Net cash inflow from operating activities	<b>3,550</b>	2,973	6,507
Returns on investment and servicing of finance	<b>(146)</b>	(150)	(191)
Taxation paid	<b>(636)</b>	(845)	(1,717)
Capital expenditure and financial investment	<b>(385)</b>	(369)	(1,779)
Acquisitions and disposals	<b>(7)</b>	(605)	(657)
Equity dividends paid	<b>(1,264)</b>	(1,230)	(2,325)
Net cash inflow/(outflow) before management of liquid resources and financing	<b>1,112</b>	(226)	(162)
Management of liquid resources	<b>82</b>	975	994
Financing	<b>(779)</b>	(1,229)	(1,444)
Increase/(decrease) in cash in the period	<b>415</b>	(480)	(612)

### Reconciliation of net cash flow to movement in net debt

Net debt at beginning of period	<b>(2,101)</b>	(611)	(611)
Increase/(decrease) in cash in the period	<b>415</b>	(480)	(612)
Cash outflow from management of liquid resources	<b>(82)</b>	(975)	(994)
Net (increase in)/repayment of long-term loans	<b>(315)</b>	79	(861)
Net (increase in)/repayment of short-term loans	<b>(406)</b>	766	860
Net repayment of obligations under finance leases	–	–	2
Net non-cash funds of subsidiary undertaking acquired	–	58	56
Exchange adjustments	<b>(38)</b>	21	59
Increase in net debt	<b>(426)</b>	(531)	(1,490)
Net debt at end of period	<b>(2,527)</b>	(1,142)	(2,101)

## Analysis of cash flows

	H1 2002 £m	H1 2001 £m	2001 £m	
<b>Returns on investment and servicing of finance</b>				
Interest received	95	130	134	
Interest paid	(154)	(165)	(196)	
Dividends paid to minority shareholders	(77)	(92)	(91)	
Dividends paid on preference shares	(10)	(23)	(38)	
	<b>(146)</b>	<b>(150)</b>	<b>(191)</b>	
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	(408)	(414)	(1,115)	
Sale of tangible fixed assets	28	35	65	
Purchase of intangible assets	(91)	(57)	(196)	
Sale of intangible assets	–	–	6	
Product divestments	–	(22)	(30)	
Purchase of own shares	–	(133)	(795)	
Proceeds from own shares for employee share options	37	128	194	
Purchase of equity investments	(13)	(25)	(47)	
Sale of equity investments	62	119	139	
	<b>(385)</b>	<b>(369)</b>	<b>(1,779)</b>	
<b>Acquisitions and disposals</b>				
Purchase of businesses	(7)	(845)	(848)	
Cash acquired with subsidiary	–	45	45	
Disposal of businesses	–	71	66	
Investment in joint ventures and associated undertakings	–	–	(44)	
Disposal of interest in associate	–	124	124	
	<b>(7)</b>	<b>(605)</b>	<b>(657)</b>	
<b>Financing</b>				
Issue of share capital	36	90	144	
Redemption of preference shares issued by a subsidiary	–	(457)	(457)	
Share capital purchased for cancellation	(1,588)	–	(1,274)	
Other financing cash flows	52	(17)	144	
Increase in long-term loans	326	34	973	
Repayment of long-term loans	(11)	(113)	(112)	
Net increase/(repayment of) in short-term loans	406	(766)	(860)	
Net repayment of obligations under finance leases	–	–	(2)	
	<b>(779)</b>	<b>(1,229)</b>	<b>(1,444)</b>	
<b>Analysis of changes in net debt</b>				
	At 30.06.02 £m	Cash flow £m	Exchange £m	At 01.01.02 £m
Cash repayable on demand	1,122	423	(17)	716
Overdrafts	(233)	(8)	5	(230)
	889	415	(12)	486
Debt due within one year:				
Commercial paper	(2,070)	(801)	–	(1,269)
Other	(222)	395	8	(625)
	(2,292)	(406)	8	(1,894)
Debt due after one year:				
Euro Bonds and Medium-Term Notes	(2,367)	(310)	2	(2,059)
Other	(38)	(5)	16	(49)
	(2,405)	(315)	18	(2,108)
Management of liquid resources:				
Liquid investments	1,281	(82)	(52)	1,415
Net debt	(2,527)	(388)	(38)	(2,101)

## Consolidated balance sheet

	Notes	H1 2002 £m	H1 2001 (restated) £m	2001 (restated) £m
Goodwill		159	178	174
Intangible assets	8	1,639	1,603	1,673
Tangible assets	9	6,762	6,860	6,845
Investments	10	3,141	2,571	3,228
Fixed assets		11,701	11,212	11,920
Equity investments		152	154	185
Stocks	11	2,191	2,324	2,090
Debtors		6,048	5,949	6,017
Liquid investments		1,281	1,474	1,415
Cash at bank		1,122	935	716
Current assets		10,794	10,836	10,423
Loans and overdrafts		(2,525)	(1,983)	(2,124)
Other creditors	12	(7,342)	(6,830)	(7,306)
Creditors: amounts due within one year		(9,867)	(8,813)	(9,430)
Net current assets		927	2,023	993
Total assets less current liabilities		12,628	13,235	12,913
Loans		(2,405)	(1,568)	(2,108)
Other creditors	12	(266)	(150)	(190)
Creditors: amounts due after one year		(2,671)	(1,718)	(2,298)
Provisions for liabilities and charges	13	(2,409)	(2,356)	(2,363)
Net assets		7,548	9,161	8,252
Called up share capital		1,516	1,559	1,543
Share premium account		205	117	170
Other reserves		1,894	1,849	1,866
Profit and loss account		3,135	4,828	3,811
Equity shareholders' funds		6,750	8,353	7,390
Non-equity minority interest		592	638	621
Equity minority interests		206	170	241
Capital employed		7,548	9,161	8,252

## Reconciliation of movements in equity shareholders' funds

	H1 2002 £m	H1 2001 (restated) £m	2001 (restated) £m
Equity shareholders' funds at beginning of period as previously reported	7,517	7,711	7,711
Prior period adjustment – implementation of FRS 19	(127)	(121)	(121)
Equity shareholders' funds at beginning of period as restated	7,390	7,590	7,590
Total recognised gains and losses for the period	2,121	1,672	2,902
Dividends	(1,065)	(1,092)	(2,356)
Ordinary Shares issued	36	90	144
Ordinary shares purchased and cancelled	(1,720)	–	(1,274)
Exchange movements on goodwill written off to reserves	(12)	6	28
Goodwill written back	–	87	356
Equity shareholders' funds at end of period	6,750	8,353	7,390

## Notes to the half-year financial statements

### 1 Accounting policies and presentation

The half-year financial statements, which are unaudited, have been prepared in accordance with the accounting policies expected to apply for the financial year 2002. These are unchanged from those set out in the Annual Report for the year ended 31st December 2001, except that during 2002 the Group has implemented FRS 19 'Deferred tax'. This FRS requires deferred tax to be accounted for on a full provision basis, rather than a partial provision basis as in 2001 and earlier years. This change in basis has been accounted for as a prior period adjustment and prior period results have been restated.

The charge for taxation on the profits for the half-year to 30th June 2002 has been calculated by reference to the estimated effective tax rate for the full year to 31st December 2002.

The profit and loss account, statement of total recognised gains and losses and cash flow statement for the year ended, and the balance sheet at, 31st December 2001, as presented in these financial statements, are an abridged statement, after adjusting for the effects of implementing FRS 19 on 1st January 2002, of the full Group accounts for that period which have been delivered to the Registrar of Companies. The Independent Auditors' report on the accounts for the year ended 31st December 2001 was unqualified and did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985.

### 2 Business segments

	H1 2002 £m	H1 2001 £m	2001 £m
Pharmaceuticals	<b>8,974</b>	8,302	17,205
Consumer Healthcare	<b>1,551</b>	1,577	3,284
External turnover	<b>10,525</b>	9,879	20,489
Pharmaceuticals	<b>2,876</b>	2,250	4,302
Consumer Healthcare	<b>200</b>	154	432
Operating profit	<b>3,076</b>	2,404	4,734

### 3 Merger items, restructuring costs and disposal of subsidiaries

Manufacturing and other restructuring	<b>(37)</b>	(67)	(162)
Merger integration costs	<b>(313)</b>	(467)	(1,069)
Block Drug integration costs	<b>(19)</b>	(64)	(125)
Effect on operating profit	<b>(369)</b>	(598)	(1,356)
Product divestments	<b>12</b>	–	–
Disposal of businesses	<b>–</b>	(1)	(296)
Effect on profit before tax	<b>(357)</b>	(599)	(1,652)

### 4 Other operating income/(expense)

Royalties and other income	<b>20</b>	25	34
Other operating expense	<b>(49)</b>	(55)	(126)
Income from equity investment and other disposals	<b>40</b>	121	129
	<b>11</b>	91	37

### 5 Share of profits/(losses) of associated undertakings

Share of profits of Quest Diagnostics, Inc.	<b>44</b>	39	79
Share of (losses)/profits of other joint ventures and associates	<b>(3)</b>	–	(1)
Amortisation of goodwill	<b>(3)</b>	(4)	(7)
	<b>38</b>	35	71

### 6 Net interest payable

Interest payable	<b>(154)</b>	(165)	(198)
Investment income	<b>95</b>	130	129
Share of interest payable of associate	<b>(4)</b>	(8)	(19)
	<b>(63)</b>	(43)	(88)

**7 Earnings per share**

	H1 2002 million	H1 2001 million	2001 million
Weighted average number of shares in issue:			
Basic	<b>5,962</b>	6,070	6,064
Diluted	<b>5,991</b>	6,123	6,116

**8 Intangible fixed assets**

	H1 2002 £m	H1 2001 £m	2001 £m
Net book value at beginning of period	<b>1,673</b>	966	966
Exchange adjustments	<b>(67)</b>	37	8
Additions (including acquisition of subsidiaries)	<b>93</b>	653	804
Disposals	–	–	(5)
Amortisation	<b>(28)</b>	(19)	(40)
Assets written off	<b>(24)</b>	(34)	(19)
Impairment	<b>(8)</b>	–	(41)
Net book value at end of period	<b>1,639</b>	1,603	1,673

**9 Tangible fixed assets**

	H1 2002 £m	H1 2001 £m	2001 £m
Net book value at beginning of period	<b>6,845</b>	6,642	6,642
Exchange adjustments	<b>(72)</b>	66	(13)
Additions (including acquisition of subsidiaries)	<b>413</b>	556	1,251
Disposals	<b>(39)</b>	(32)	(175)
Depreciation	<b>(376)</b>	(372)	(761)
Impairment	<b>(9)</b>	–	(99)
Net book value at end of period	<b>6,762</b>	6,860	6,845

**10 Fixed asset investments**

Fixed asset investments include investments in own shares at a carrying value of £2,844 million (H1 2001 – £2,314 million; 31st December 2001 – £2,936 million) and a market value of £2,591 million (H1 2001 – £3,098 million; 31st December 2001 – £3,229 million).

**11 Stocks**

	H1 2002 £m	H1 2001 £m	2001 £m
Raw materials and consumables	<b>530</b>	445	565
Work in progress	<b>737</b>	1,261	808
Finished goods	<b>924</b>	618	717
	<b>2,191</b>	2,324	2,090

**12 Other creditors**

Trade creditors	<b>700</b>	704	760
Taxation	<b>1,791</b>	1,980	1,672
Other creditors	<b>3,786</b>	3,040	3,610
Dividend proposed	<b>1,065</b>	1,106	1,264
Amounts due within one year	<b>7,342</b>	6,830	7,306
Taxation	–	40	–
Other creditors	<b>266</b>	110	190
Amounts due after one year	<b>266</b>	150	190

**13 Provisions for liabilities and charges**

	H1 2002 £m	H1 2001 (restated) £m	2001 (restated) £m
Pensions and other post-retirement benefits	<b>1,005</b>	977	1,022
Restructuring and integration	<b>379</b>	343	366
Legal and other disputes	<b>249</b>	293	227
Deferred taxation	<b>553</b>	534	553
Other provisions	<b>223</b>	209	195
	<b>2,409</b>	2,356	2,363

## 14 Legal proceedings

Legal proceedings in which GlaxoSmithKline is involved are described in the 'Legal proceedings' note to the Financial Statements and 'Risk factors' in the Operating and financial review and prospects included in the Annual Report 2001. In view of the complexity of the Group's intellectual property litigation, the section describing that litigation has been updated in full below. Developments since the date of the Annual Report have been indicated within the updated description.

In the USA a number of distributors of generic drugs have filed applications with the US Food and Drug Administration ('FDA') to market generic versions of *Paxil/Seroxat* (paroxetine hydrochloride) prior to the expiration in 2006 of the Group's patent on paroxetine hydrochloride hemihydrate. The distributors are looking to bring to market anhydrate or other versions of paroxetine hydrochloride and in one case paroxetine mesylate. The cases are complex but the Group believes that the generic anhydrate and other versions infringe on the basis of conversion to the hemihydrate form and infringe other Group patents. In response the Group has filed actions against all those distributors for infringement of various of the Group's patents.

In July 1998 GlaxoSmithKline filed an action against Apotex in the US District Court for the Northern District of Illinois for infringement of the Group's patent for paroxetine hydrochloride hemihydrate. Apotex had filed an Abbreviated New Drug Application ('ANDA') with the FDA seeking approval to introduce a generic form of *Paxil*. No trial date has been set.

In June 1999 GlaxoSmithKline filed an action against Geneva Pharmaceuticals, a subsidiary of Novartis Pharmaceuticals, in the US District Court for the Eastern District of Pennsylvania for infringement of the Group's patents for paroxetine hydrochloride following notice of Geneva's ANDA filing. That case has been consolidated with similar infringement actions against other generic companies that subsequently filed ANDAs. Additional infringement actions have been brought based on patents issued subsequent to the original filing. The Group also filed an action against Apotex relating to those new patents in the Eastern District of Pennsylvania. Subsequent to the date of the Annual Report, briefing on summary judgement motions filed by Apotex has been completed but hearing dates for those motions have not yet been scheduled. The motions seek summary judgement of invalidity or non-infringement of four new patents relating to paroxetine hydrochloride. Apotex had previously filed summary judgement motion of invalidity or non-infringement of the hemihydrate patent in the case in the Northern District of Illinois referred to in the preceding paragraph. These motions were denied.

In March 2000 GlaxoSmithKline filed an action against Pentech in the US District Court for the Northern District of Illinois for infringement of the Group's patents for paroxetine hydrochloride. Pentech filed an ANDA for a capsule version of *Paxil*, asserting that its compound and presentation do not infringe the Group's patents or that the patents are invalid. Even if the FDA were to approve the Pentech ANDA, GlaxoSmithKline believes that the Pentech capsule would not be substitutable for *Paxil* tablets. Subsequent to the date of the Annual Report, fact discovery has been completed in this case. Expert discovery is scheduled for completion in February 2003.

In October 2000 GlaxoSmithKline filed an action against Synthon in the US District Court for the Middle District of North Carolina for infringement of the Group's patents for paroxetine hydrochloride and paroxetine mesylate. Synthon had filed a 505(b)(2) application (a 'paper NDA') with the FDA using paroxetine mesylate, a different salt form of paroxetine than that used in the marketed form of *Paxil*. Even if the FDA approves the Synthon application, GlaxoSmithKline believes the Synthon compound would not be substitutable for *Paxil*. Subsequent to the date of the Annual Report, briefing on summary judgement motions filed by the parties has been completed but hearing dates for those motions have not yet been scheduled. No trial date has been set.

Following the expiration of the data exclusivity period in Europe, a marketing authorisation was issued to Synthon/Gentho in October 2000 by regulatory authorities in Denmark for paroxetine mesylate, a different salt form of paroxetine than that used in the marketed form of *Seroxat/Paxil*. Authorisations have been granted in seven other European countries under the Mutual Recognition process and are under assessment in others. Generic products containing paroxetine mesylate have been launched in Denmark, Germany, The Netherlands, Austria and Sweden, although the product in Denmark has been withdrawn following the grant of a patent interim injunction. The Group has initiated litigation challenging the approval by the Danish Medicines Agency on grounds that an authorisation should not have been granted under the abridged procedure as paroxetine mesylate is not essentially similar to *Seroxat*. Marketing authorisations have also been issued in eleven European countries for products containing paroxetine hydrochloride anhydrate, another variant of the Group's product. Generic products containing the anhydrate are now on the market in Germany, Austria, Denmark and Sweden. GlaxoSmithKline believes that marketing of either a paroxetine hydrochloride anhydrate product or a paroxetine mesylate product by third parties in European countries infringes its patents and is vigorously litigating its position in actions in many European countries. In June 2002 the European Patent Office Opposition Division rejected an opposition filed by Synthon against the Group's European patent covering a crystal form of paroxetine mesylate that is used in Synthon's product. That decision is subject to appeal. In response to a challenge by BASF to the Group's UK patent for paroxetine hydrochloride anhydrate in the UK High Court in July 2002 the judge decided that the patent was partly valid and partly invalid.

In May 2001 Geneva Pharmaceuticals commenced an action in the US District Court for the Eastern District of Virginia over four patents recently issued to GlaxoSmithKline covering clavulanic acid, a key ingredient in *Augmentin* and *Timentin*. Geneva asked the court to declare the new patents, which expire in 2017 and 2018, invalid. In August 2001 Geneva extended its complaint to cover three additional patents which expire in 2002. In September 2001 Teva Pharmaceuticals filed a similar action challenging the four recently issued patents and a patent expiring in December 2002 that cover *Augmentin*. The Teva action and an action the Group had filed against Ranbaxy were consolidated with the Geneva case. At December 2001 and March 2002 hearings on Teva's motions for summary judgement the trial judge ruled from the bench, holding that the Group's patents expiring in 2017 and 2018 are invalid. At the consolidated trial in May 2002, the same judge ruled that the patents expiring in 2002 are invalid. The FDA has granted approval for Geneva's generic product. The Group continues to believe that its patents are valid and is appealing the District Court decisions to the US Circuit Court of Appeals for the Federal Circuit.

#### 14 Legal proceedings continued

Five distributors of generic pharmaceutical products have filed ANDAs for sustained release bupropion hydrochloride tablets (*Wellbutrin SR* and *Zyban*) in the USA, accompanied in each case with a certification of invalidity of the Group's patents. The Group has brought suit against each of the filing parties on grounds of patent infringement. The Group filed suit against ANDRx Pharmaceuticals, the first to file an ANDA, in the US District Court for the Southern District of Florida. In February 2002 the District Court Judge granted ANDRx's summary judgement motion and ruled that its product does not infringe the Group's patents. The Group is appealing that decision. Briefings on the appeal are to be completed during the third quarter 2002 but the date for oral argument on the appeal has not yet been set. Actions have also been filed against Watson Pharmaceuticals in the US District Court for the Southern District of Ohio, Eon Labs Manufacturing in the US District Court for the Southern District of New York, Impax Laboratories in the US District Court for the Northern District of California and Excel in both the US District Court for the District of New Jersey and the US District Court for the Eastern District of Virginia. The Watson case has been settled. Discovery is continuing in the remaining cases and summary judgement motions are pending in each case. Subsequent to the date of the Annual Report, the court set a January 2003 trial date for the Excel case in the Eastern District of Virginia. No other trial dates have yet been set.

The Group filed an action for infringement of its patents for cefuroxime axetil, the active ingredient in the Group's *Ceftin* anti-infective product, against Ranbaxy Pharmaceuticals in the US District Court for New Jersey. A preliminary injunction was granted in favour of GlaxoSmithKline. In August 2001 the US Court of Appeals vacated that injunction and remanded the case to the District Court for a full trial on the merits, which has now been set for April 2003. Subsequent to the date of the Annual Report, Ranbaxy launched its generic version in March 2002. The Group has filed a similar action against Apotex, a second distributor of generic pharmaceutical products, in the US District Court for the Northern District of Illinois. A preliminary injunction was granted in favour of the Group in June 2002. The date for a full trial on the merits has not yet been set.

In August 2001 the Group commenced an action in the US District Court for the District of New Jersey against Reddy-Cheminar and Dr. Reddy's Laboratories, alleging infringement of three patents for ondansetron, the active ingredient in *Zofran* tablets. The defendants have filed an ANDA with the FDA. FDA approval of that ANDA is stayed until the earlier of January 2004 or resolution of the patent infringement litigation. Subsequent to the date of the Annual Report, the Group has filed a similar action against Teva Pharmaceuticals in the US District Court for the District of Delaware. The cases are still in their early stages.

Although the outcome of product liability and other claims, legal proceedings and other matters pending against GlaxoSmithKline cannot be assured until a final judgement has been given or settlement reached, the Directors, having taken appropriate legal advice, do not expect GlaxoSmithKline's ultimate liability for such matters, after taking into account provisions, tax benefits and insurance, to have a material adverse effect on its financial condition, results of its operations or its cash flows. As noted in the Annual Report 2001, loss of patent protection on significant products would adversely affect future revenues and profits of the Group.

#### 15 Reconciliation to US accounting principles

The following is a summary of the material adjustments to the financial information which would be required if US Generally Accepted Accounting Principles (US GAAP) had been applied instead of UK GAAP. A summary of the material differences between UK and US GAAP that apply to the Group, is set out in the Annual Report 2001, except that during 2002 under UK GAAP the Group has implemented FRS 19 'Deferred tax'. This requires deferred tax to be accounted for on a full provision basis, similar to the requirement for US GAAP, rather than a partial provision as in 2001 and earlier years. The Profit attributable to shareholders and Equity shareholders' funds under UK GAAP and the deferred tax adjustments under US GAAP for prior periods have been restated. There is no impact on Net loss and Shareholders' equity under US GAAP. A summary consolidated statement of cash flows is provided in accordance with the classification of items and the definition of cash & cash equivalents under US GAAP.

##### Recent FASB pronouncements

On 1st January 2002 SFAS 142 'Goodwill and Other Intangible Assets' and SFAS 144 'Accounting for the Impairment or Disposal of Long-Lived Assets' were adopted by the Group.

SFAS 142 requires that goodwill and intangible assets with indefinite lives are no longer amortised; instead they are tested at least annually for impairment. Results of the implementation of SFAS 142 show that there is no impairment in the value of the Group's goodwill and an initial impairment of £173 million on indefinite lived assets. Amortisation expense recorded in 2001 of £1.6 billion would not have been recorded if SFAS 142 had been adopted in 2001. SFAS 144 develops one accounting model for long-lived assets, including discontinued operations to be disposed of by sale. It requires that all long-lived assets be measured at the lower of carrying amount or fair value less cost to sell whether reported in continuing or discontinued operations. The adoption of SFAS 144 has not had a material impact on the Group's financial statements.

SFAS 143 'Accounting for Obligations Associated with the Retirement of Long-Lived Assets' requires that the fair values of the obligation associated with the retirement of long-lived assets be capitalised as part of the cost. In April 2002 SFAS 145 'Rescission of FASB Statements no. 4, 44 and 64, Amendment of FASB Statement no 13 and Technical Corrections' was issued. The statement updates, clarifies and simplifies existing accounting standards. SFAS 146 'Accounting Costs Associated with Exit or Disposal Activities', which was issued at the end of June 2002, addresses issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. These standards are to be implemented with effect from 1st January 2003. The Group is currently assessing the impact of these standards.

## 16 Reconciliation to US accounting principles continued

	H1 2002 £m	H1 2001 (restated) £m	2001 (restated) £m
<b>Profit</b>			
Profit attributable to shareholders under UK GAAP	<b>2,195</b>	1,706	3,053
US GAAP adjustments:			
Capitalised interest	<b>15</b>	14	18
Computer software	<b>19</b>	3	(3)
Purchased intangibles	<b>(28)</b>	(10)	(140)
Amortisation of goodwill	<b>5</b>	(687)	(1,261)
Amortisation of intangible assets and product rights	<b>(924)</b>	(1,117)	(2,266)
Impairment of product rights	<b>(1,840)</b>	–	–
Recognition of cost of sales on fair value step-up of inventory	–	(298)	(298)
Disposal of purchased investment	–	(119)	(117)
Loss on disposal of subsidiary	–	1	204
Pensions and other post-retirement benefits	<b>(33)</b>	41	(12)
Stock-based compensation	<b>(159)</b>	(55)	(162)
Provision against ESOT shares	<b>8</b>	(53)	(108)
Derivative instruments	<b>4</b>	63	15
Restructuring costs	<b>2</b>	8	182
Tax benefits on exercise of US stock options	<b>(22)</b>	(36)	(56)
Deferred taxation	<b>751</b>	472	883
Impairment of equity investments	–	–	(75)
Net loss under US GAAP	<b>(7)</b>	(67)	(143)
Basic loss per share under US GAAP	<b>(0.1)p</b>	(1.1)p	(2.4)p
Diluted loss per share under US GAAP	<b>(0.1)p</b>	(1.1)p	(2.4)p
Impairment recognised on implementation of SFAS 142	<b>(2.9)p</b>	–	–

Following the launch in the USA of a generic *Augmentin* product, the carrying value of the product rights relating to *Augmentin* has been reviewed and an impairment of £1,667 million recorded.

	H1 2002 £m	H1 2001 (restated) £m	2001 (restated) £m
<b>Equity shareholders' funds</b>			
Equity shareholders' funds under UK GAAP	<b>6,750</b>	8,353	7,390
US GAAP adjustments:			
Tangible fixed assets	<b>44</b>	45	44
Investments	<b>879</b>	884	879
Product rights	<b>20,087</b>	23,875	22,927
Capitalised interest	<b>170</b>	150	155
Computer software	<b>(10)</b>	(27)	(29)
Goodwill	<b>18,003</b>	18,420	18,083
Other intangible assets	<b>(405)</b>	(202)	(377)
Unrealised gains on marketable securities	<b>(56)</b>	276	163
Pensions and other post-retirement benefits	<b>265</b>	332	299
Employee Share Ownership Trust	<b>(2,844)</b>	(2,314)	(2,936)
Restructuring costs	<b>(41)</b>	(69)	(46)
Derivative instruments	<b>13</b>	48	29
Dividends	<b>530</b>	1,092	718
Deferred taxation	<b>(6,247)</b>	(7,275)	(7,192)
Shareholders' equity under US GAAP	<b>37,138</b>	43,588	40,107

Certain items for the Half-Year 2001 have been reclassified for comparative purposes.

**Consolidated statement of cash flows**

Net cash provided by operating activities	<b>2,855</b>	2,093	4,606
Net cash (used in)/provided by investing activities	<b>(381)</b>	119	(679)
Net cash used in financing activities	<b>(2,085)</b>	(2,492)	(4,489)
Increase/(decrease) in cash & cash equivalents	<b>389</b>	(280)	(562)

## Summary financial statements in US\$

The following information is provided for the convenience of US shareholders in accordance with the requirements of the New York Stock Exchange. Summaries of the principal financial statements from the half-year accounts, as prepared under UK GAAP and in sterling, have been translated into US dollars. The exchange rates used are given in the Operating and financial review and prospects section.

### Consolidated profit and loss account

	H1 2002			H1 2001			2001		
	Business performance \$m	Other \$m	Total \$m	Business performance (restated) \$m	Other (restated) \$m	Total (restated) \$m	Business performance (restated) \$m	Other (restated) \$m	Total (restated) \$m
<b>Turnover</b>	15,261	–	<b>15,261</b>	14,226	–	14,226	29,504	–	29,504
<b>Trading profit</b>	4,979	(535)	<b>4,444</b>	4,192	(861)	3,331	8,716	(1,953)	6,763
Other operating income/(expense)	16	–	<b>16</b>	131	–	131	54	–	54
Joint ventures and associates	55	–	<b>55</b>	51	–	51	102	–	102
Profit on disposals of associates	–	–	<b>–</b>	138	–	138	138	–	138
Loss on disposal	–	–	<b>–</b>	–	(2)	(2)	–	(426)	(426)
Product divestments	–	17	<b>17</b>	–	–	–	–	–	–
Net interest payable	(91)	–	<b>(91)</b>	(62)	–	(62)	(127)	–	(127)
<b>Profit before taxation</b>	4,959	(518)	<b>4,441</b>	4,450	(863)	3,587	8,883	(2,379)	6,504
Taxation	(1,338)	164	<b>(1,174)</b>	(1,194)	158	(1,036)	(2,383)	464	(1,919)
Minority interests	(70)	–	<b>(70)</b>	(65)	–	(65)	(140)	–	(140)
Preference share dividends	(14)	–	<b>(14)</b>	(30)	–	(30)	(49)	–	(49)
<b>Earnings</b>	3,537	(354)	<b>3,183</b>	3,161	(705)	2,456	6,311	(1,915)	4,396
Earnings per ADS (US\$)	1.19		<b>1.07</b>	1.04		0.81	2.08		1.45

### Consolidated statement of total recognised gains and losses

	H1 2002 \$m	H1 2001 (restated) \$m	2001 (restated) \$m
Profit attributable to shareholders	<b>3,183</b>	2,456	4,396
Exchange movements	<b>361</b>	(695)	(521)
UK tax on exchange movements	–	16	–
Unrealised gain on equity investment	<b>3</b>	–	–
<b>Total recognised gains and losses relating to the period</b>	<b>3,547</b>	1,777	3,875
Prior period adjustment - implementation of FRS 19	<b>(184)</b>	–	–
<b>Total recognised gains and losses since 31st December 2001</b>	<b>3,363</b>	1,777	3,875

### Consolidated cash flow statement

Net cash inflow from operating activities	<b>5,147</b>	4,281	9,370
Returns on investment and servicing of finance	<b>(212)</b>	(216)	(275)
Taxation paid	<b>(922)</b>	(1,217)	(2,472)
Capital expenditure and financial investment	<b>(558)</b>	(531)	(2,562)
Acquisitions and disposals	<b>(10)</b>	(871)	(946)
Equity dividends paid	<b>(1,833)</b>	(1,771)	(3,348)
Net cash inflow/(outflow) before management of liquid resources and financing	<b>1,612</b>	(325)	(233)
Management of liquid resources	<b>119</b>	1,404	1,431
Financing	<b>(1,129)</b>	(1,770)	(2,079)
<b>Increase/(decrease) in cash in the period</b>	<b>602</b>	(691)	(881)

### Consolidated balance sheet

Fixed assets	<b>17,786</b>	15,809	17,284
Current assets	<b>16,407</b>	15,278	15,113
Creditors: amounts due within one year	<b>(14,998)</b>	(12,426)	(13,674)
Net current assets	<b>1,409</b>	2,852	1,439
Total assets less current liabilities	<b>19,195</b>	18,661	18,723
Creditors: amounts due after one year	<b>(4,060)</b>	(2,422)	(3,332)
Provisions for liabilities and charges	<b>(3,662)</b>	(3,322)	(3,425)
Net assets	<b>11,473</b>	12,917	11,966
Equity shareholders' funds	<b>10,260</b>	11,778	10,716
Minority interests	<b>1,213</b>	1,139	1,250
Capital employed	<b>11,473</b>	12,917	11,966

## Shareholder return

### Dividends

GlaxoSmithKline pays dividends quarterly. At present, it is expected that there will be a level dividend for each of the first three quarters, with a higher dividend in the fourth quarter. Each quarter's dividend is announced at the time of the quarterly Results Announcement.

GlaxoSmithKline's dividend payout policy was set out in the documents for the Glaxo Wellcome/SmithKline Beecham merger issued to shareholders during 2000. Assuming earnings continue to grow, GlaxoSmithKline will at least maintain an annual dividend of 38 pence per share, whilst building towards higher dividend cover (the ratio between distributable profits and dividends).

### Dividend calendar

#### First quarter 2002

Ex-dividend date	1st May 2002
Record date	3rd May 2002
Paid	4th July 2002

#### Second quarter 2002

Results Announcement	24th July 2002
Ex-dividend date	31st July 2002
Record date	2nd August 2002
Payable	3rd October 2002

#### Third quarter 2002

Results Announcement	23rd October 2002
Ex-dividend date	30th October 2002
Record date	1st November 2002
Payable	3rd January 2003

#### Fourth quarter 2002

Results Announcement	12th February 2003
Ex-dividend date	19th February 2003
Record date	21st February 2003
Payable	17th April 2003

### Share price

The table below sets out the middle market quotations for shares on the London Stock Exchange, as derived from its Daily Official List.

H1 2002	£
At 1st January 2002	17.23
High during the period	17.80
Low during the period	13.21
At 30th June 2002	14.18
Decrease over period	(18%)

### Market capitalisation

The market capitalisation of GlaxoSmithKline at 30th June 2002 was £86 billion. At that date GlaxoSmithKline was the second largest company by market capitalisation on the FTSE index.

## 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**

The 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**

The GlaxoSmithKline Individual Savings Account (ISA) is a tax-efficient way to invest in the company's ordinary shares.

- **GlaxoSmithKline Corporate Sponsored Nominee**

The corporate sponsored nominee provides a facility for shareholders to hold shares without the need for share certificates. Shareholders' details will not be held on the main share register, and so will remain confidential.

- **Shareview service**

The shareview portfolio service provides shareholders with information on their investment in the company. Shareholders may register for this service at [www.shareview.co.uk](http://www.shareview.co.uk).

### Share dealing facility

NatWest Stockbrokers Limited offer a share dealing service on behalf of the company to shareholders wishing to buy or sell the company's shares.

### Share price information

Share price information is available on the company's website at [www.gsk.com](http://www.gsk.com). Information is also available on Ceefax, Teletext, and from FT Cityline by calling 0906 003 5694 or 0906 843 5694 (calls charged at 60p plus VAT a minute at all times).

### 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), each one of which represents two ordinary shares.

### ADR programme administrator

The ADR programme is administered by The Bank of New York, which also provides the following service:

- **Global BuyDIRECT**

Global BuyDIRECT is a direct ADS purchase/sale and dividend reinvestment plan for ADR holders.

### Financial reporting

#### Results Announcements

Quarterly Results Announcements are issued to the London Stock Exchange (LSE), and made available on the LSE news service, and at the same time, or shortly afterwards, are issued to the media, made available on the company's website and filed in the USA with the Securities and Exchange Commission and the New York Stock Exchange.

### Financial reports

Annual and half-year financial reports are posted out to shareholders on the date of publication and are available from the same date on the company's website.

## Contact details

### INTERNET

Information for investors and about the company is available on GlaxoSmithKline's corporate website at [www.gsk.com](http://www.gsk.com)

### HEAD OFFICE AND REGISTERED OFFICE

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#### Registrar

Lloyds TSB Registrars  
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West Sussex BN99 6DA  
[www.shareview.co.uk](http://www.shareview.co.uk)

#### General enquiries, Annual Report orderline and Corporate Nominee service

Tel: 0870 600 3991 inside the UK  
Tel: +44 (0)121 433 8000 outside the UK

#### Shareholder Investment Plans

Dividend Re-investment queries  
Tel: 0870 241 3018 inside the UK  
Tel: +44 (0)1903 854 295 outside the UK

#### Monthly Savings Plan queries

Tel: 0870 606 0268 inside the UK  
Tel: +44 (0)131 527 3555 outside the UK

#### ISA enquiries

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#### Glaxo Wellcome and SmithKline Beecham corporate PEPs

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#### Corporate share dealing facility

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#### ADR programme administrator

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