

Seven per cent of total sales are derived from the Asia Pacific area, principally Australia, where sales growth was 17 per cent. The metered dose inhaler of *Seretide* was launched in this market in May. Sales of *Zyban* grew after its successful launch in late 2000.

Latin America reported eight per cent sales growth reflecting strong growth in Mexico of 16 per cent. This area predominately benefited from the *Seretide/Serevent/Flixotide* market, which grew by 47 per cent. The HIV/AIDS and vaccines markets showed good return but anti-bacterials declined due to generic competition.

The Middle East and Africa area followed the trends of most other markets with growth in the *Seretide*, *Avandia* and HIV/AIDS markets. The vaccines area recorded growth of over 50 per cent and *Zofran*, in the Oncology area, drove growth to 72 per cent.

In sub-Saharan and South Africa, the key drivers of growth were anti-virals and vaccines.

Consumer Healthcare sales

	2001 £m	2000 £m	CER%
OTC medicines	1,603	1,454	8
Analgesics	335	267	27
Dermatological	190	128	49
Gastro intestinal	342	318	6
Respiratory tract	164	171	(3)
Smoking control	337	357	(10)
Vitamins & naturals	158	140	10
Oral care	1,106	642	71
Nutritional healthcare	575	535	7
Total sales continuing business	3,284	2,631	23
Divested products	–	19	–
Total Consumer Healthcare sales	3,284	2,650	22

The acquisition of the Block Drug Company, Inc. was completed in January 2001 adding £594 million to sales. This purchase added the *Sensodyne* toothpaste brand, a range of denture care brands worldwide and significant additions to its OTC medicines, largely in the USA. The former Block Drug business was integrated into GlaxoSmithKline in 2001.

As a result of this acquisition, GlaxoSmithKline has become the number two company globally in oral care and has added significant extra scale to its business particularly in North America, Japan and Europe.

OTC medicines

Reported sales of OTC medicines grew eight per cent to £1,603 million primarily as a result of the acquisition of Block Drug. Excluding Block Drug, OTC medicines declined two per cent reflecting private label competition for smoking control in the US market and sluggish growth in the global OTC market.

In June, GlaxoSmithKline reached agreement with Taisho to establish a partnership to introduce its nicotine replacement products into Japan.

Significant new product introduction in OTC medicines included *NiQuitin* Lozenge, the most effective OTC product yet launched to help smokers quit; *Eumovate*, a topical steroid – the first GlaxoSmithKline switch from prescription to OTC, and two major new extensions of *Panadol* analgesic – a fast acting formula marketed as *'Actifast'* and a slow release product targeted at persistent pain introduced in Scandinavia as *'Extend'*.

Oral care

The acquisition of Block Drug added a number of significant brands to the Oral care business namely *Sensodyne*, *Polident* and *Poligrip*. Excluding Block Drug, Oral care sales grew three per cent reflecting strong growth in Europe partly offset by strong competitive pressures for *Aquafresh* in the US market.

Nutritional healthcare

The Nutritional healthcare business grew seven per cent reflecting the strong performances of *Lucozade* and *Horlicks*.

Trading profit – business performance

To illustrate GlaxoSmithKline business performance in 2001, the analysis below of trading profit and the subsequent discussion excludes merger items, integration and restructuring costs and the disposals 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 contained in the consolidated statement of profit and loss on pages 68 and 69 prepared in accordance with UK GAAP.

	2001		2000		Growth CER%
	£m	%	£m	%	
Sales	20,489	100.0	18,079	100.0	11
Cost of sales	(4,430)	(21.6)	(3,811)	(21.1)	(15)
Selling, general and administration	(7,451)	(36.4)	(6,732)	(37.2)	(8)
Research and development	(2,555)	(12.5)	(2,510)	(13.9)	1
Trading profit	6,053	29.5	5,026	27.8	16

Cost of sales

Cost of sales increased as a percentage of sales as the loss of the high-margin products divested in December 2000, the inclusion of lower margin Block Drug products and higher stock provisions were only partly offset by the benefits of merger and manufacturing restructuring savings.

Selling, general and administration

Selling, general and administration (SG&A) costs benefited from merger savings, principally in general and administration expenditure, but the inclusion of Block Drug costs distorts the year on year comparison. Excluding estimated Block Drug expenses, growth in SG&A expenses would have been four per cent and SG&A expressed as a percentage of sales would have been 1.3 per cent lower.

Research and development

Research and development expenditure was broadly level with last year as savings from the merger have been made. Expenditure on research and development is planned to increase in the future as merger savings begin to be reinvested in this area.

Trading profit

Business performance trading profit growth was 16 per cent, reflecting improved trading margins. The trading margin improved 1.7 per cent to 29.5 per cent as a result of cost savings from merger integration, partly offset by the divestment of certain high margin products required by regulatory authorities as a condition of the merger.