

Consumer Healthcare sales

	2000 £m	1999 £m	CER%
OTC medicines	1,454	1,434	(1)
Oral care	642	614	6
Nutritional healthcare	535	488	9
Total sales continuing business	2,631	2,536	3
Divested products	19	10	73
Total Consumer Healthcare sales	2,650	2,546	3

OTC medicines

Sales growth in vitamins and naturals and in dermatologicals was offset by declines in other categories, notably in smoking control. Gastro-intestinal sales were affected by lower sales of *Tums* in the competitive US market. Analgesics were affected by the voluntary recall of *Panadol* in Australia following a tampering threat.

Smoking control sales declined eight per cent, reflecting competition in the US market following the introduction of private label *Nicotine Replacement Therapy (NRT)* gum and patch. The introduction of two new GlaxoSmithKline smoking control products in the US market, *Clear NicoDerm Patch* and *Nicorette Orange Gum*, prevented further inroads from private label brands. Excluding the USA, smoking control sales grew by 58 per cent.

Oral care

Sales of *Aquafresh* toothpastes and toothbrushes increased by 13 per cent, notably in the USA and in Rest of the World markets. This was offset by declines in other Oral care brands.

Nutritional healthcare

Strong sales growth was achieved across the Nutritional healthcare range. Sales of *Lucozade* benefited from strong growth of *Lucozade Sport* in the UK.

Divested products

Divested products are those products which were sold in 2000 as part of the regulatory approval for the merger.

Trading profit – business performance

To illustrate GlaxoSmithKline business performance in 2000, the analysis below of trading profit and the subsequent discussion excludes merger items, restructuring costs and the costs arising from the disposal of the Healthcare Services businesses in 1999. 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. The analysis and discussion focus on the retained businesses of Pharmaceuticals and Consumer Healthcare (the performance of Healthcare Services in 1999 is dealt with separately).

	2000		1999		Growth CER%
	£m	%	£m	%	
Sales	18,079	100.0	16,164	100.0	9
Cost of sales	(3,811)	(21.1)	(3,499)	(21.6)	(8)
Selling, general and administration	(6,732)	(37.2)	(6,002)	(37.2)	(9)
Research and development	(2,510)	(13.9)	(2,285)	(14.1)	(7)
Trading profit	5,026	27.8	4,378	27.1	12

Cost of sales

Cost of sales increased less than the increase in sales. In SmithKline Beecham this reflects the benefits of manufacturing rationalisation; changes in product mix, with benefit from newly launched products; and reduced external royalties. In Glaxo Wellcome cost of sales increased as a percentage of sales, reflecting lower production volumes following stockbuild in 1999, with a reduced rate of increase in the second half of the year as manufacturing rationalisation delivered efficiencies and some benefit from exchange.

Selling, general and administration

Selling, general and administration (SG&A) increased in line with sales growth. Higher selling costs, particularly to support product launches of *Avandia*, *Seretide* and *Paxil*, were offset by savings in administration costs.

Research and development

Research and development (R&D) expenditure increased less than the increase in sales. Pharmaceuticals R&D was £2,435 million and Consumer Healthcare R&D was £75 million.

Trading profit

Trading profit increased 12 per cent, more than the increase in sales, reflecting management of SG&A in line with sales growth and lower rates of increase on cost of sales and R&D.

Healthcare Services

The Healthcare Services businesses, divested during 1999, contributed £25m of trading profit up to the date of divestment in 1999.

Profit before taxation – business performance

The analysis and discussion below of profit before taxation relates to business performance.

	2000 £m	1999 £m
Other operating income/(expense)		
Royalties and other income	153	387
Other operating expense	(63)	(138)
	90	249
Income from equity investments	184	164
	274	413

Net operating income was lower in 2000 than in 1999 due to fewer disposals of older products. Income from equity investments includes further disposals of Affymetrix shares in the second half of the year, reducing the Group's holding to 16 per cent.

Disposal of associates

The Group reduced its investment in Affymetrix Inc in the first half of 2000, realising a gain of £144 million which is accounted as the disposal of an interest in an associate. Subsequently the Group ceased to have significant influence over Affymetrix and at that time ceased to equity account for the investment. Further disposals of shares in Affymetrix were made in the second half of 2000, which are included as investment disposals in other operating income.

Profits/losses of associates and joint ventures

The share of profits of associates arises principally from SmithKline Beecham's holding in Quest Diagnostics, Incorporated, which has been held from August 1999.