SCOMM

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Attn: Jim Sourant

7

PHARMACIA & UPJOHN, INC. report for the fourth quarters and years ended December 31, 1996 and 1995 (US$ in millions, except per-share data which are on a fully-diluted basis):

CONSOLIDATED STATEMENT OF EARNINGS (unaudited)

	Fourth Quarter			Full Year Ended Dec 31		
	1996	1995	%Chg	1996	1995	% Chg
Net sales	$1,940	$1,805	7.5	$7,176	$6,949	3.3
Other revenue	44	22	105.6	110	146	(23.9)
Operating revenue	1,984	1,827	8.6	7,286	7,095	2.7
Cost of products sold[1]	580	510	13.8	2,116	1,967	7.6
Research & development	333	332	0.6	1,286	1,254	1.0
Marketing, admin. & other[1]	755	703	7.4	2,642	2,617	1.0
Restructuring charges	60	92	-*	518	104	-*
Merger costs	-	136	-*	67	138	-*
Operating income	256	54	-*	677	1,015	-*
Interest income	32	60	(46.2)	159	216	(26.4)
Interest expense	(4)	(24)	(82.3)	(56)	(94)	(40.9)
All other, net[1]	53	1	-*	58	(1)	-*
Earnings before income taxes	337	91	-*	838	1,136	-*
Provision for income taxes	111	53	-*	276	397	-*
Net earnings[2]	$226	$38	-*	$562	$739	-*
Earnings per common share:						
Fully Diluted - Net earnings[2]	$0.43	$0.07	-*	$1.07	$1.41	-*
Total shares - Fully diluted	522,703	521,389		522,827	521,091	

[1] Categories of expense have been restated from the 1995 Annual Report for the reclassification of certain currency exchange gains/losses to operating income from non-operating income.

[2] Includes nonrecurring items--see following table. * not meaningful comparisons

- more -

GlaxoWellcome

GLAXO WELLCOME INC.

Glaxo Wellcome Inc., based in Research Triangle Park, N.C., is the U.S. subsidiary of London-based Glaxo Wellcome plc. The nation's leading research-based pharmaceutical company, Glaxo Wellcome Inc. is committed to fighting disease by bringing innovative medicines and services to patients and to the healthcare providers who serve them.

President and chief executive officer
Robert A. Ingram

Date established in the U.S.
Glaxo Wellcome Inc. was formed in 1995 with the integration of Glaxo Inc. and Burroughs Wellcome Co. Glaxo Inc. was established in the U.S. in 1977, with the purchase of Meyer Laboratories of Fort Lauderdale, Fla., and relocated to RTP in 1983. Burroughs Wellcome Co. was established in the U.S. in 1906 and relocated to RTP in 1970.

Facilities
Headquarters: 5 Moore Drive, Research Triangle Park, N.C. 27709. (919) 483-2100

Research and development facilities in RTP: Glaxo Wellcome's worldwide center for the basic research of cancer as well as viral and metabolic diseases, such as diabetes. Scientists working in these facilities also are involved in development of Glaxo Wellcome products in all therapeutic areas.

Manufacturing and packaging facility: Zebulon and Greenville, N.C., and West Greenwich, R.I.

Employees (approximate numbers)

Research Triangle Park	4,000
Zebulon	600
Greenville	1,100
Sales force and field management	3,000
Total	8,700

Sales
Glaxo Wellcome Inc. sales for 1996: $5.4 billion.
Glaxo Wellcome plc's global sales totaled £8.341 billion ($13 billion at $1.56 exchange rate).

Glaxo Wellcome Inc.
Five Moore Drive
PO Box 13398
Research Triangle Park
North Carolina 27709

Telephone
919 248 2100

Products by therapeutic category

Anesthesia
Anectine® (succinylcholine chloride) ultra short-acting neuromuscular blocking agent
Mivacron® (mivacurium chloride) short-acting neuromuscular blocking agent
Nimbex™ (cisatracurium besylate) Injection intermediate-onset/intermediate-duration nuromuscular blocking agent
Nuromax® (doxacurium chloride) long-acting neuromuscular blocking agent
Tracrium® (atracurium besylate) neuromuscular blocking agent with intermediate duration of action.
Ultiva™ (remifentanil hydrochloride) analgesic used in anesthesia

Cardiovascular
Digibind® (digoxin immune antigen-binding fragments) reverses toxic effects of digoxin
Lanoxin® (digoxin) for congestive heart failure
Trandate® (labetalol hydrochloride), anti-hypertension
Vasoxyl® (methoxamine hydrochloride), blood pressure support, restoration and maintenance under general anesthesia.

Central Nervous System
Empirin® with codeine (acetylsalicylic acide and codeine phosphate) analgesic and anti-inflammatory
Imitrex® (sumatriptan), anti-migraine
Lamictal® (lamotrigine) anti-seizure in epilepsy patients
Wellbutrin SR® (bupropion hydrochloride) anti-depression

Dermatology
Aclovate® (alclometasone dipropionate), high-potency topical corticosteroid
Cortisporin ® (hydrocortisone and antibiotics) anti-bacterial
Cutivate® (fluticasone propionate), mid-potency topical corticosteroid
Emgel® (erythromycin), antibiotic acne treatment
Mantadil® (antihistimine and chlorcyclizine hydrochloride) anti-itching, pain, swelling and inflammation
Neosporin® (combination of antibiotics) ophthalimic ointment and solution.
Oxistat® (oxiconazole nitrate), topical antifungal
Polysporin® (combination of antibiotics) ophthalimic ointment
T.R.U.E. Test™ allergen patch test for diagnosis of contact dermatitis
Temovate® (clobetasol propionate), high-potency topical corticosteroid
Viroptic® (trifluridine) anti-viral ophthalmic solution

Gastrointestinal
Zantac® (ranitidine hydrochloride), anti-ulcer
Tritec® (ranitidine bismuth citrate), anti-ulcer, H.pylori eradication

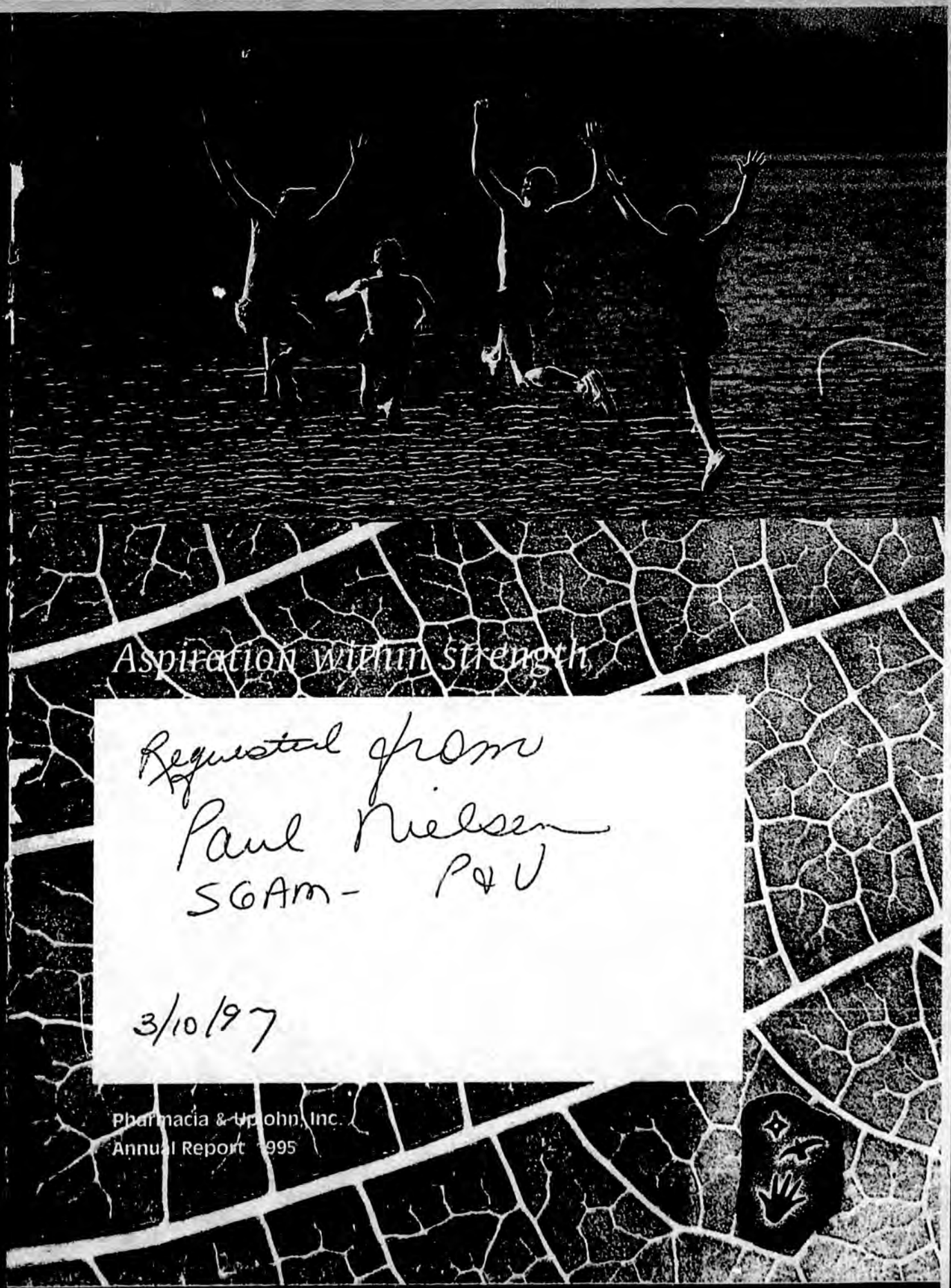
Oncology
Alkeran® (melphalan hydrochloride) anti-multiple myeloma
Leukeran® (chlorambucil) anti-Hodgkin's disease and certain non-Hodgkin's lymphomas
Myleran® (busulphan) symptom relief of chronic myelogenous leukemia
Navelbine® (vinorelbine tartare) anti-lung cancer (non-small cell)
Purinethol® (mercaptopurine) remission of acute lyphocytic leukemia
Tabloid® (thioguanine) induce, consolidate and maintain remission of acute non-lymphocytic leukemias.
Wellcovorin® (leucovorin calcium) diminish toxicity and counteract effects of impaired elimination of methotrexate.
Zofran® (ondansetron), anti-emesis (chemotherapy-induced and PONV)

Respiratory
Actifed® with Codeine anti-cough and upper respiratory symptom relief
Beclovent® (beclomethasone dipropionate), orally inhaled corticosteroid for the relief of inflammation caused by asthma
Beconase® (beclomethasone dipropionate), nasally inhaled corticosteroid for relief of rhinitis symptoms
Exosurf Neonatal® (colfosceril palmitate, cetyl alcohol, tyloxapol) prevention of respiratory distress syndrome by infants with low birth weights.
Flonase® (fluticasone propionate), once-daily nasally inhaled corticosteroid for relief of seasonal and perennial allergic rhinitis symptoms.
Flovent ™ (fluticasone propionate), inhalation aerosol corticosteroid for treatment of inflammatory component of asthma.
Serevent® (salmeterol xinafoate), long-acting beta-agonist for prevention of bronchospasm caused by asthma
Ventolin® (albuterol sulfate), relief of bronchospasm caused by asthma

Systemic Antibiotics
Aerosporin® (polymyxin B sulfate) intravenous, intramuscular and intrathecal antibiotic
Ceftin® (cefuroxime axetil), oral antibiotic
Ceptaz® (ceftazidime for injection), injectable antibiotic
Daraprim® (pyrimethamine) oral antibiotic (malaria prevention)
Fortaz® (ceftazidime for injection), injectable antibiotic
Mepron® (atovaquone) oral antibiotic
Proloprim® (trimethoprim) oral antibiotic
Septra® (sulfamethoxazole and trimethoprim) intravenous and oral antibiotic
Zinacef® (sterile cefuroxime sodium), injectable antibiotic

Antivirals
Epivir™ (lamivudine, or 3TC) anti-HIV
Retrovir® (zidovudine, or AZT) anti-HIV
Valtrex® (valacyclovir) anti-herpes virus
Zovirax® (acyclovir) anti-herpes virus

Miscellaneous
Imuran® (azathioprine) prevention of kidney transplant rejection; also, anti-rheumatoid arthritis
Kemadrin® (procyclidine hydrochloride) anti-Parkinson's disease
Zyloprim® (allopurinol) anti-gout



Aspiration within strength

Requested from
Paul Nielsen
SGAM - P&V

3/10/97

Pharmacia & Upjohn, Inc.
Annual Report 1995

Pharmacia & Upjohn, Inc.

Annual Report 1995



Pharmacia&Upjohn

Contents

4 Letter to shareholders

10 Four pillars

12 R&D critical mass

18 Global reach

22 Product portfolio

26 Financial strength

30 Officers

31 Product pipeline

32 Company profile

36 Financial review

46 Reports of management and independent accountants

48 Financial statements

52 Notes to financial statements

67 Five-year summary of operations

68 Quarterly data

70 Board of directors

72 Shareholder information

The photography in this year's Annual Report is principally from the archives of the National Geographic in Washington, D.C.

Sam Abell - page 10
William Albert Allard - page 7
Jonathan Blair - inside back flap
Miguel Rio Branco - page 26
Sisse Brimberg - page 66
Paul Chesley - inside front and back cover, page 6, 21 (x2), 24(?x2), 28
Jodi Cobb - page 12, 13, 25
Bruce Dale - page 7, 18, 47
Melissa Farlow - page 43, 66
George Mobley - page 6
Richard Olsenius - page 69
Roger Ressmeyer - page 2
James C. Richardson - page 22
Joel Sartore - inside front flap, page 5, 7, 14, 20 (x2)
James L. Stanfield - page 20, 21, 27
Tomas Tomaszewski - page 25
Eric Valli - page 24
National Geographic Image Collection

To our shareholders



"Our new logo, the stone with the markings of the hand, the bird and the star, symbolizes our purpose. The markings reflect the qualities of humanity, innovation and aspiration."

Welcome to the first annual report to the shareholders of Pharmacia & Upjohn. We are pleased to introduce you to our new company and to the principles and strengths that will guide and serve us in the years ahead.

Pharmacia & Upjohn was born on November 2, 1995, of two great companies with complementary strengths and mutually held values. On that day we began our merger of equals with the purpose of building a world-leading pharmaceutical business that would improve people's lives through the discovery and development of superior medicines.

Our new logo, the stone with the markings of the hand, the bird and the star, is unique and signifies that we are a different kind of company. You will see it often. The markings reflect the qualities of humanity, innovation and aspiration, contained in the solid strength of the stone.

This first report to you is patterned after our logo. The main body of our letter discusses our company's mission, vision and values – the markings on the stone. The theme section that follows focuses on the four principles of operational strength on which our new company is based. We will depend on these strengths as we grow in our industry and in our importance to people the world over. From these strengths we draw the blueprints for our future.

But before we discuss our mission, vision and values, let us note for you some milestones in our progress since we became Pharmacia & Upjohn last November.

We have launched Fragmin, for blood clots, and Genotropin, the human growth hormone, in the United States and have filed regulatory applications in the U.S., Japan and Europe for several important drugs: Camptosar (U.S.) for refractory colon cancer; pramipexole (U.S.) for Parkinson's disease and cabergoline (U.S.) for hyperprolactinemia; Glamin (Europe) for nutrition; Rogaine 5 (U.S.) for hair growth; and Xalatan (Japan) for glaucoma.



We received approval from the U.S. Food & Drug Administration (FDA) to market Corvert for arrhythmia, and nonprescription Rogaine and Nicorette, for hair growth and smoking cessation, respectively. (We have licensed SmithKline Beecham to market Nicorette in the U.S.) An FDA advisory committee recommended approval for Xalatan.

We registered Freedox for subarachnoid hemmorhage in Australia and Russia, Regaine 5 in France, Xanax (2mg.) in Australia and Xanax XR, for anxiety, in Germany.

We also completed analysis of two large clinical studies of delavirdine, our lead AIDS drug candidate, in combination with the currently available agents AZT and ddI. The promising results showed that the combinations reduced the amount of virus in patients and the number of AIDS-associated illnesses. In addition, we found a relationship between the total amount of virus in a patient's system and the course of the disease. This is an important finding for clinicians and, of course, for patients who suffer from this terrible disease.

It is also an important contribution to general scientific knowledge.

As you can see, our early success has been impressive, and we expect this progress to continue and even accelerate. The task before us is challenging to be sure. We have completed the organizational planning of our merger and are now in the implementation phase. We expect to complete that phase by year-end as planned.

Further ahead lie the important jobs of filing up to 25 new products and line extensions over the next two years, growing the business and realizing the cost savings from the merger. We are focused on these

challenges and are confident of our ability to manage them.

We have chosen a unique set of steering and structure principles as a way of organizing our company; they create an organization that is different from the organizations of our former companies and provide a single management culture for our multi-cultural enterprise. We recognize the many differences in cultures. We view them as opportunities and strengths because they add a rich diversity to our outlook and our thinking. Our corporate management group, for example, is representative of all corners of the globe. We have created a truly transnational company, and we believe that is a great asset.

Now, as we turn to a discussion of our mission, vision and values, we hope you will see that the excellent beginning we have just outlined reflects the strong philosophical underpinnings of our organization.

Our mission

Our mission is to help people live longer, healthier, fuller lives by meeting their medical needs through innovative research and development. We have the tools – the technology and the research expertise, combined with an annual R&D budget of more than $1 billion – to develop superior health care solutions for our customers and patients the world over. They depend on us, and we welcome it.



For our employees we seek to provide meaningful, rewarding employment so that they will view their work as more than just routine and will instead be energized and inspired by the importance of their contribution.

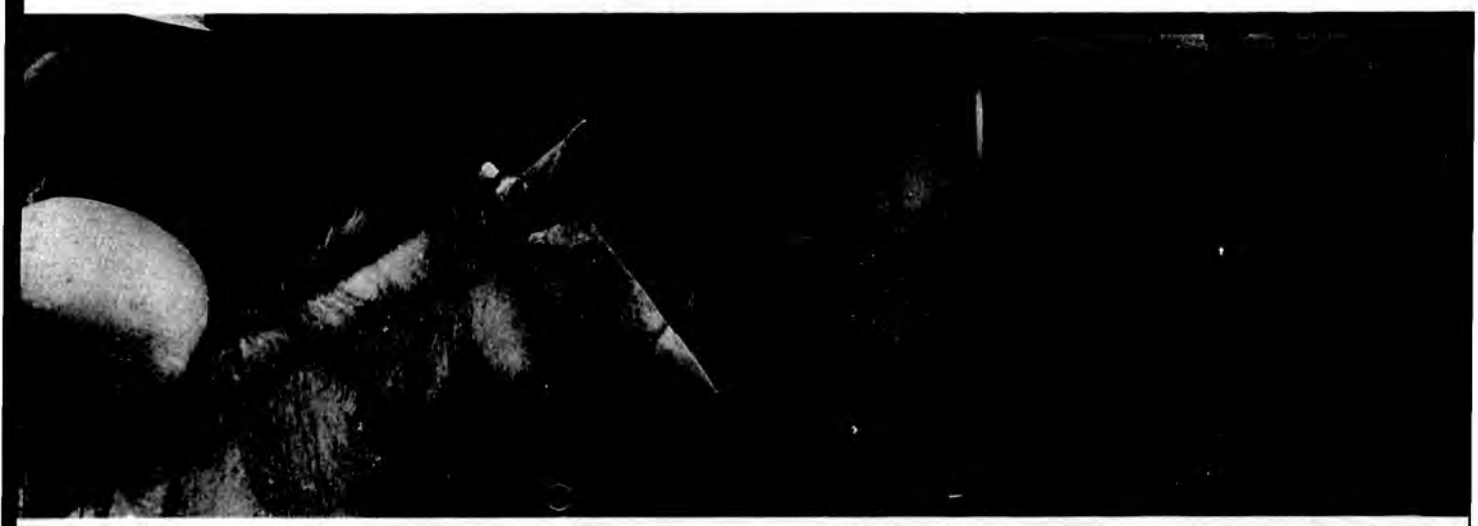
For our shareholders, our goal is to generate top-quartile returns. Shareholder support is fundamental to reaching our goals.

Finally, we cannot help people without being responsible ourselves in the communities and the environments where they live. Each of our more than 200 worldwide locations is our home, the communities are our communities, their people our neighbors. We pledge to our neighbors to be good citizens, sensitive to their needs and respectful of their traditions. That includes respecting and caring for local environments as well as the atmosphere that sustains all life.



Our vision

Our vision is bold: We intend to become recognized as the world's leading pharmaceutical company. We begin our history as Pharmacia & Upjohn as the ninth-largest company in our industry. Our aim is to grow to become one of the five largest companies. But size alone does not make leadership. Whether we are the largest or the fifth largest company, we hope to be a leading company because we will constantly work to do what we do better than any other company, setting the example for our industry.



Our goal is to hold leadership positions in all key therapeutic areas and medical technologies and in every major market in which we participate. Realizing that we cannot cure all the world's ills, we will focus relentlessly on the areas we know best in the effort to develop medicines and products that surpass all others.

We will not be successful unless we excel in all aspects of our business, not just our science. We will set high standards for creativity and innovation in all our activities with the aim of creating value for the customer and patient at every turn. We will search for breakthrough drugs that solve the unmet medical needs of our times. But we will do more than that. We will make sure that the drug's delivery is convenient, simple and easy as possible; that its manufacture is efficient and economical; that its marketing is intelligent and informative; and that its improvement is ongoing.

If we do these things well, we will be a leading company. As we said earlier, we cannot cure all the world's ills, but we are committed to doing the very best that can be done in every field we choose to enter. In fact, we believe in being better than the best, with no standard too high, no challenge too great.

Our values

We will be a responsible and caring company. We care about the health care needs of the patients who depend on us. The relationship between patients and our company is embodied in the products we create to treat their illnesses and improve their lives. The products are the bridge between us, and we respect their importance to our patients' lives and to our reputation as a health care provider.

We also care about our customers and suppliers. We will be their partner in helping them reach their goals. If "no man is an island," neither is a company, particularly a transnational company such as ours.

We want our employees to have rewarding careers. We will encourage them to innovate, imagine and create the pharmaceutical products for the 21st century. They will have the freedom to act, achieve their fullest potential and be responsible and accountable for their actions. Their contributions will be duly recognized and rewarded.

We have a strong sense of integrity and responsibility that obliges us to be open in our dealings and worthy of the trust our patients, employees, customers and others place in us. We will aim to do the right things and not merely do things right. We will make mistakes,

but we will admit them and correct them. Owning up to one's mistakes takes courage, but to do so is essential to the pursuit of excellence.

Our commitment

These are our reasons for being and our ideals. They are the markings on our logo: the promises of humanity, innovation and aspiration, captured in the strength of stone, that announce the creation of Pharmacia & Upjohn as a new company in the global pharmaceutical industry. We are most appreciative of your support in this new venture. We will work hard to fulfil our mission, achieve our vision and embody our values in everything we do. We will constantly seek to enhance shareholder value. We ask you to measure our progress in achieving these goals. Our employees share in our commitment, and for that and for the way they have responded to the many new challenges that have emerged as we have become one, we are also profoundly grateful.



Jan Ekberg
Chairman of the Board

John L. Zabriskie, Ph.D.
President and Chief Executive Officer
March 12, 1996

In November 1995, Pharmacia & Upjohn became the ninth-largest prescription pharmaceutical company in the world. Our new company is something unique in the health care industry: the merger of two organizations equal in size and complementary in scope, joining to take advantage of the best that each has to offer in management expertise, product portfolio, research and development (R&D), geographic reach, culture and financial strength.

Fundamental to the strength of our company and its future growth are the four strategic "pillars" upon which it was conceived:

R&D critical mass ..... *page 12-17*

A budget of more than $1.0 billion strategically deployed across three major R&D centers, with complementary skills, technology and products necessary to keep the product pipeline filled.

Global reach ..... *page 18-21*

A major presence in each of the key pharmaceutical markets in the world - Europe, the United States and Japan - as well as major developing markets in Asia and Latin America.

Product portfolio ..... *page 22-25*

Strong positions in important therapeutic areas that provide the company with a variety of growth opportunities while diversifying its risk.

Financial strength ..... *page 26-27*

Cash flows from ongoing operations and merger-related cost savings available to fuel product development, build marketing and distribution infrastructure and fill product and geographic voids through acquisitions and strategic alliances.

In the following discussion we consider each pillar individually in light of what its contribution will be to the aggregate success of the new company.



R&D critical mass

Research and development is the lifeblood of any pharmaceutical company. Thus, the formation of the strongest possible R&D organization is one of Pharmacia & Upjohn's primary objectives. The foundation of our R&D is the fusion of the company core competencies in medicinal chemistry, computer-assisted drug design, automated compound screening and biotechnology. In addition, we have a growing capability in genomics. We drew the plans for merging these capabilities in 1995, and they are now being implemented at three R&D centers strategically deployed around the world, in the U.S., Italy and Sweden.

Our job is to employ the discipline of science to serve people in a practical, useful way. We begin with discovery. Pharmacia & Upjohn discovery scientists are located in three main R&D centers. They are charged with the task of finding innovative new medicines that truly meet medical needs. Our discovery efforts are based on cutting-edge skills in a number of technology platforms such as protein production and purification; cell adhesion biology; computational methods of drug design and discovery; and a diverse chemical library used in combination with highly automated, high through-put screening for rapid identification of novel molecules.

Within the overall strengthening of our R&D capability, some areas stand out. The company's biotechnology expertise, for instance, will enhance traditional core disciplines. A good example is oncology. In addition to continued work on a number of new or improved cytotoxic drugs, including new



anthracyclines, novel topisomerase I inhibitors, taxol analogues and phototherapy-activated agents, new therapeutic avenues have begun to open up through biotechnology. One is based on cancer cell cycle regulation by gene product inhibitors, such as products that mimic the effects of the proteins p16 and p21, and another that inhibits CDC 25 phosphatase.

Discovery is the beginning; development is the creation of the benefit from science, new medicines for people. Our drug development area has been organized as a project-team based organization. We will continue through 1996 our global efforts to further significantly reduce development times through efficient use of our resources and to heighten focus on projects of key importance for the company. The result will be a streamlined development portfolio. We have also initiated efforts to simultaneously develop new drugs in Europe, Asia and North America with the goal of being able to file future regulatory applications worldwide for a single drug within 12-months from first filing.

To do the kind of R&D we know is necessary, we needed size and strength. Pharmacia & Upjohn will have an annual R&D budget of more than $1 billion and more than 4000 researchers. This investment both broadens and deepens research in our major therapy areas, such as CNS, cancer, inflammation, metabolic and infectious diseases; it will also allow us to expand research in new areas such as cellular and gene therapy.

A generous R&D budget, scientific synergies from the two former companies and the diversity of therapeutic areas - these promise to generate a flow of innovative new products for the 21st century. Meanwhile, the merger produced a comprehensive near-term pipeline with up to 25 new products or line extensions expected to be submitted for regulatory approvals in the 1995-1997 period.

Significant milestones for a number if these new products have occurred already in 1995 and early 1996:

1995/1996 milestones

Therapeutic area	Product	Indication	Issue (November 1995)	Status (March 1996)
Cardiology	Corvert	Cardiac arrhythmia	Approval U.S.	Approved
Ophthalmology	Xalatan	Glaucoma	Awaiting approval U.S., EU, JPN	Positive FDA advisory committee recommendation
Oncology	Camptosar	Refractory colon cancer	NDA to be filed U.S.	U.S. NDA filed
CNS	Pramipexole	Parkinson's disease	NDA to be filed U.S.	U.S. NDA filed
CNS	Cabergoline	Hyper-prolactinemia	NDA to be filed U.S.	U.S. NDA filed
CNS	Cabergoline	Parkinson's disease	EU approvals	Approved in Denmark, Switzerland and U.K.
Infectious diseases	Rescriptor	HIV/AIDS	Awaiting expanded trial results HIV/AIDS	Positive phase II/III trials; NDA moved forward
Consumer pharmaceuticals	Rogaine	Hair growth	Rx-OTC switch	Approved
	Nicorette	Smoking cessation	Rx-OTC switch	Approved

Increased R&D was a key driver of the merger. We now have a highly competitive organization and an expanding network of research collaborations with universities and other institutions and companies throughout the world. This provides the foundation for developing a stream of novel medicines to the market to support the company's growth.

Global reach



"We have a leading presence in the three largest health care markets in the world and now have the critical mass to take advantage of huge opportunities in developing markets."



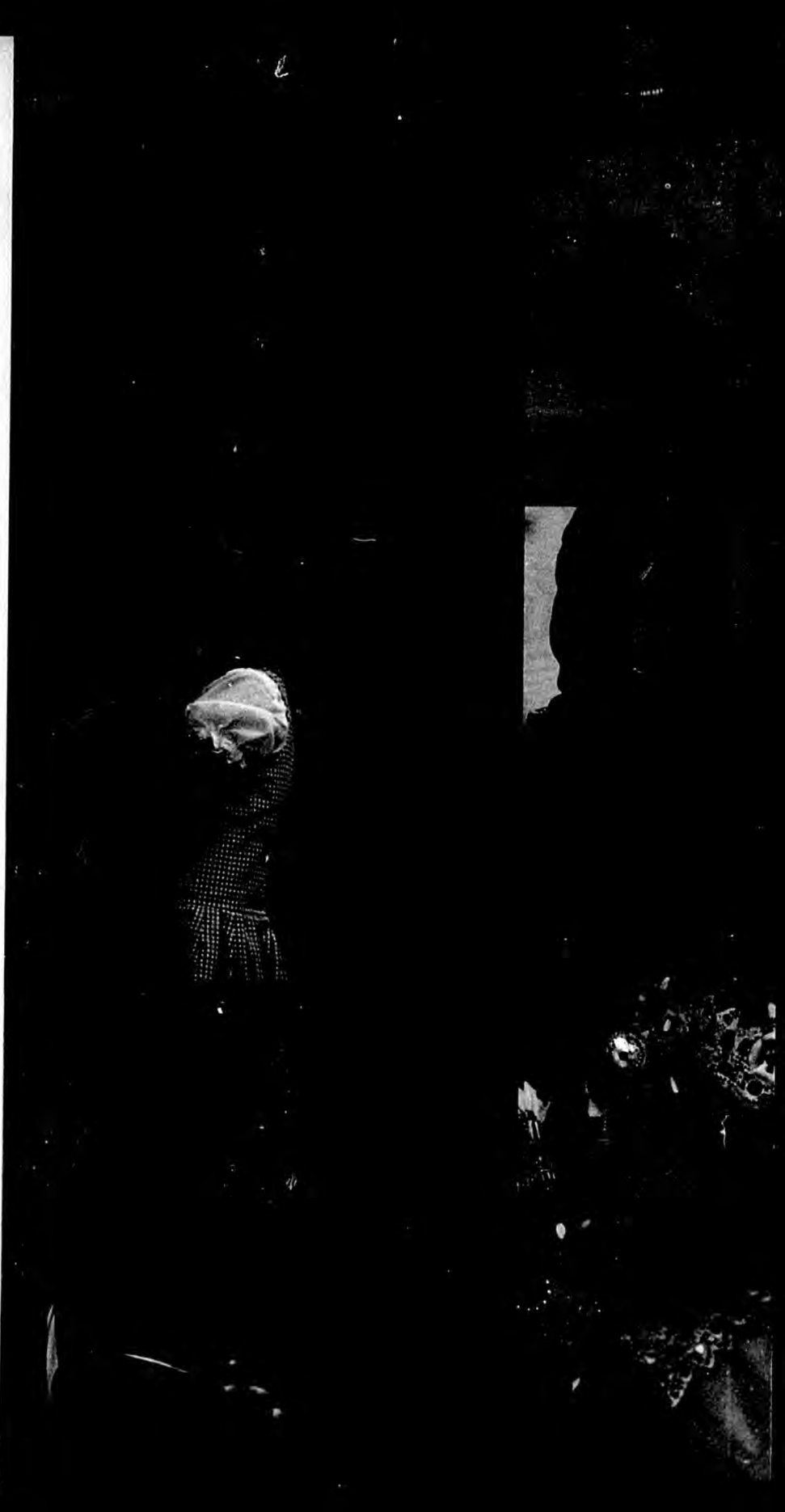
The pharmaceutical business is a "sunrise" business, given its potential for strong future growth. That growth will result primarily from creating innovative products to meet unmet medical needs as in cancer, AIDS and Alzheimer's disease. But in order to make a significant impact the company must have global reach - that is, a balanced presence in all major markets. We attained that global reach through our merger.

Our merged company fills geographic voids that existed for each of our former companies. Overall, we now have a balanced presence in the three largest health care markets in the world (Europe, U.S., Japan) and have the critical mass to take advantage of growth opportunities in developing markets, most notably China, Asia-Pacific, and Latin America and Eastern Europe.

Wherever we combined, our complementarity extended our reach and increased our strength. For instance, prior to the merger, Pharmacia was already a significant force in the European market, where it produced 60 percent of its sales. Upjohn was small in Western Europe but strong in Eastern Europe. The new company, with a larger, diversified sales force and more products to sell, is now one of Europe's five largest pharmaceutical operations with strong participation across all of Europe.

The company holds a leading position in Europe's hospital and specialist segment. Leading positions in prescription pharmaceuticals and OTC products are well established in the Nordic countries, Italy and Spain. In specific therapeutic segments such as growth hormone therapy, cataract surgery, parenteral nutrition, allergy diagnostics and smoking cessation, Pharmacia & Upjohn is the European leader. Oncology, CNS, thrombolytic therapy, infectious disease, AIDS and inflammatory bowel disease are poised for future growth.

In the U.S., the situation prior to the merger was virtually just the opposite of that in Europe. Upjohn, with a large U.S. sales and marketing organization, produced approximately 50 percent of its sales there; but it needed new products. Pharmacia had the new products but lacked sufficient resources within its sales and marketing organization. Now,



the combined company has already launched two new Pharmacia products in the U.S. market - Fragmin for treating blood clots, and Genotropin, the human growth hormone.

Pharmacia was also underserved in the large U.S. oncology market. Now, with the backing of Upjohn's sales and marketing organization and the launch of several new products, we expect to see solid sales growth in this important market.

Early 1996 approvals for Rogaine (hair growth) and Nicorette (our smoking cessation product marketed in the U.S. by SmithKline Beecham) for over-the-counter sales have opened the U.S. consumer market to these former prescription products.

Other possible near-future introductions in the U.S. are: Corvert, for arrhythmia, in April, followed by Xalatan, for glaucoma; Estring, the estrogen replacement therapy; and Camptosar for refractory colon cancer.

Prior to the merger, both companies had a growing presence in Japan. Today, Pharmacia & Upjohn is Japan's third-largest non-Japanese owned company, producing 12 percent of our global pharmaceutical sales. We have a strong, self-sustaining presence in this important pharmaceutical market, especially in oncology, ophthalmology, steroids, CNS products and Biotech. With greater critical mass, Pharmacia & Upjohn can expect further growth.

Pharmacia & Upjohn is currently building new facilities in China. While our presence in China is decades old, with new technology coming on line and an increasing Chinese interest in Western medicine, we are poised to increase our participation in this vast market where we rank among the highest in sales of joint-venture pharmaceutical firms. Our offerings will include infusion solutions, steroids, CNS products, antibiotics and oncology products, as well as Biotech and animal health products.

In Latin America, we rank in the top five in sales in many markets. We intend to increase our presence in the key markets of Brazil and Argentina. We will focus on major opportunities in areas such as oncology, human growth hormone, antibiotics and steroids.

Product portfolio

"The merged company will span the globe with one of the most diverse range of products and therapeutic categories in the pharmaceutical business."









Our merged company will span the globe with six therapeutic areas that each account for more than $500 million in annual revenue, and two others in the $300 - $400 million range. Three other nonprescription product areas are in the $400 million range. In total, 15 of our major prescription products account for more than $100 million each in annual sales.

Pharmacia & Upjohn's risk is diversified and offers a vast array of opportunities. We participate in an entire range of product categories that deal with critical human needs and that have the potential for high margins and high growth. Oncology is just one such example: it is a $7.6 billion worldwide business, and we currently hold a seven percent share. We see our share increasing as we introduce new products that address a variety of different forms of cancer, including colon, breast, bladder, lung and prostate cancer.

We are planning up to 25 important product filings or line extensions in the 1995-1997 period. These include 16 new compounds and nine new product indications. Our pipeline should continue to be well-stocked beyond 1998 because we have more than 30 new medical entities in clinical development.

Examples of product candidates with significant sales potential are tolterodine, which addresses incontinence; Xalatan, a treatment for glaucoma; Camptosar, for refractory colon cancer; pramipexole, for Parkinson's disease; cabergoline, for Parkinson's disease and hyperprolactinemia; and Rescriptor, which has posted some exciting early clinical results with regard to treatment of the AIDS virus. Tolterodine, for example, treats a common disorder that incurs a high social and economic cost among sufferers and is currently inadequately treated. We expect to file an NDA in the U.S. for tolterodine in late 1996.

Over-the-counter (OTC) products represent another area of growth for the company. In spite of





strong competition, we have been able to maintain a 50 percent share of the world market for smoking cessation products since Nicorette became available as an OTC product in many markets. Sales in the U.S. related to our agreement with SmithKline Beecham for Nicorette should increase revenues. Our hair growth product, Rogaine, has also been cleared in the U.S. for OTC sales, and we expect its sales to increase. Consequently, our goal is to enhance our position in the European and U.S. markets by 1998.

We are able to use our core competence in human pharmaceuticals to enter and grow other health-related businesses. For example, we have effectively leveraged R&D for human drugs into products for global animal health markets, demonstrating particular strength in animal antibiotics.

Our diagnostics business comprises primarily the in vitro allergy test business in which Pharmacia & Upjohn enjoys world leadership. Pharmaceutical commercial services is a world leader in the marketing of commodity and specialty steroids, steroid intermediates and selected antibiotics. Biotech is a leading supplier of chemicals, instruments and systems for biological, medical and biotechnological research and production. These businesses are in growth markets that are global in scope and in which we are recognized leaders.

Supplying this vast array of products requires an efficient worldwide manufacturing operation. At the end of 1995, Pharmacia & Upjohn had 74 plants at 59 sites in 23 countries. A total reengineering program, Supply 2000, is now in place to rationalize production and distribution capabilities on a strategic worldwide basis to meet the short- and long-term needs of the business. The program will strengthen competitiveness in all parts of the manufacturing cycle and reduce pharmaceutical manufacturing facilities by approximately 40 percent.

The company's financial condition is not only a pillar of strength, it is a major factor in Pharmacia & Upjohn's strategy to become a top-five pharmaceutical company.

As independent companies, both Pharmacia and Upjohn were active in pursuing growth through external means. Recent examples include: the acquisition of Iovision, an ophthalmology company; Hoefer, a biotechnology company; the Parke-Davis veterinary business; and a research collaboration with Incyte giving the company access to a high quality gene data bank.



Unlike many other pharmaceutical industry combinations, the merger between Pharmacia and Upjohn was accomplished through an exchange of shares, rather than as an acquisition. As an exchange of shares, no debt was created and, by accounting for the merger as a pooling of interests, no goodwill was recorded.

The result is that we have no substantial debt to service, and the synergies created from the merger are available to reinvest for growth rather than to pay interest and repay debt. With no substantial goodwill amortization, we avoid earnings dilution.

The company's financial strength and flexibility is reflected in the following December 31, 1995, data.

Financial leverage or gearing is among the lowest in the pharmaceutical industry. At December 31, 1995, the debt to capitalization (debt plus equity) ratio was 17.9%.

Cash and investments exceeded total debt by $1.13 billion.

In addition to our strong balance sheet, cash flow (net income plus depreciation and amortization) in 1995 was $1.14 billion. The strong cash flow and balance sheet and debt capacity provide the company with the resources needed to pursue growth opportunities that supplement its internal growth potential through licensing and research collaborations and/or product and technology acquisitions.



Cohesive strategy as foundation

The foundation beneath these four pillars is a philosophy of identifying those areas in which the company wants to participate, and then designing its financial, human and tangible assets in the manner required to take advantage of these opportunities. It is Pharmacia & Upjohn's intention to set a firm strategic direction and remain focused on those areas we believe hold the greatest growth potential.

That strategy relies on the following points: leveraging our already-strong position in key therapeutic areas and building and focusing our R&D efforts around them; taking full advantage of developed and developing markets all over the world; and making acquisitions or entering strategic partnerships to complement internal growth. These strategies, unified by a seasoned management group, will carry Pharmacia & Upjohn toward its vision of becoming the world's leading pharmaceutical company.

Senior officers of the company



John L. Zabriskie, Ph.D.
President and Chief Executive Officer



Göran A. Ando, M.D.
Executive Vice President, Worldwide Science and Technology



Robert C. Salisbury
Executive Vice President, Finance and Administration, and Chief Financial Officer



Ley S. Smith
Executive Vice President and President, U.S. Pharma Product Center



Kenneth M. Cyrus
Senior Vice President, General Counsel and Secretary



Lamberto Andreotti
Senior Vice President and President, Italy Pharma Product Center



Håkan Åström
Senior Vice President, Strategic Planning and Investor Relations



Robert R. Gorman, Ph.D.
Senior Vice President, Worldwide Discovery Research and Technologies



Lars Ingelmark
Senior Vice President and President, Sweden Pharma Product Center



Jack J. Jackson
Senior Vice President and President, North America Pharma Market Region



Fernado A. Leal
Senior Vice President and President, Asia-Pacific/Latin America Pharma Market Region



Lars Lindegren
Senior Vice President, Corporate Projects



Gilles Pajot
Senior Vice President and President, Europe Pharma Market Region



Donald R. Parfet
Senior Vice President, Affiliated Businesses



Mats Pettersson
Senior Vice President, Business Development



Carlos Salvagni
Senior Vice President, Technical Operations



Birgit A. Stattin-Jellheden
Senior Vice President, Worldwide Product Development

Product pipeline

Phase II	Phase III	Applications submitted
adozelesin - solid tumors and leukemia	Freedox Sterile Solution - spinal cord injury and ischemic stroke	Atgam Sterile Products - immuno-suppressant
ateviridine - AIDS/HIV	Linomide - multiple sclerosis	cabergoline - Parkinson's Disease
bropirimine - antiviral	Reboxetine - depression	Caverject Sterile Powder (Europe) - erectile dysfunction
exemestane - breast cancer	Remisar Tablets - bladder cancer	Cleocin/Dalacin Vaginal Cream (3-day) - antibiotic
FA31A - rheumatoid arthritis	Rescriptor - AIDS	Colestid Granules OTC switch - cholesterol
Hemopure Sterile Solution - blood supplement	SnET2 - skin cancer	Glamin - nutrition
latanoprost (combination) - glaucoma	tolterodine - urinary incontinence	irinotecan - colorectal, lung and cervical cancer
pramipexole - schizophrenia and depression	triptorelin - prostate cancer and endometriosis	Xalatan - glaucoma
thymoctonan - chronic viral hepatitis		lomerizine (Japan) - migraine
9-AC (9-amino camptothesin) - solid tumors		Neolipid - nutrition
		Nicorette Nasal Spray (U.S.) - smoking cessation
		pramipexole - Parkinson's Disease
		Promedrol Sterile Solution (Europe and Japan) - asthma, transplantation
		Rogaine 5% Topical Solution - hair loss
		Structolipid - nutrition
		Vantin antibiotic - pharyngitis

Pharmacia & Upjohn's product pipeline includes, among others, the compounds listed above.



Company profile

Business description

Prescription pharmaceuticals

Researches, develops, manufactures and markets high-value human pharmaceutical products and services to health care providers worldwide.



Major products

Adriamycin
Caverject
Cleocin/Dalacin
Depo-Provera
Estring
Farmorubicin
Fragmin
Genotropin
Glynase
Halcion
Healon
Intralipid
Micronase
Mycobutin
Ogen
Provera
Rogaine/Regaine
Salazopyrin
Sermion
Solu-Medrol
Vantin
Xanax

Consumer health care

Develops, manufactures and markets safe, efficacious nonprescription health care products to drug stores, food stores, and mass merchandisers primarily in the U.S. and Europe.

Cortaid
Doxidan
Dramamine
Fenuril
Kaopectate
Motrin IB
Mycitracin
Microlax
Nicorette
Nicotrol
Oxigard
Rogaine/Regaine
Treo



1995 significant events	1996 outlook
15 products reached sales levels greater than $100 million. Significant sales growth generated from Genotropin, Depo-Provera, Cleocin/ Dalacin, Sermion and Salazopyrin. Filed regulatory submissions on six potential products. Launched Genotropin for adult use in Sweden, Denmark, Germany, Italy and Spain and for long-term treatment of children in U.S. Launched Fragmin in the U.S. in November. Launched Greenstone Healthcare Solutions, a disease management company that will participate in all aspects of U.S. health care delivery system. Received approval to market Caverject in 30 markets, including the U.S., in addition to 13 markets approved in 1994. Acquired rights from Molecular Geriatrics Corporation for technology to assist in the discovery and development of new treatments for Alzheimer's Disease. Entered agreement with Arris Pharmaceuticals Corporation to develop products to treat diseases caused by blood clots. Acquired Iovision, Inc., a soft-lens manufacturer based in California.	Critical mass and economies of scale created by the merger will be the foundation for solid growth. Significant investment in R&D will generate a flow of innovative products. Leading presence in the largest health care markets will continue with the introduction of new products and developing markets will be penetrated by existing products. Strong cash flows, effective asset management and cost savings from synergies will fuel product development and fund acquisitions of products and new technologies.
Nicorette Gum (nicotine replacement therapy) and Rogaine (hair growth) both approved by FDA for U.S. OTC marketing in early 1996. Received approvable letter from FDA regarding Nicorette Nasal Spray. Introduced Pepcid for heartburn and dyspepsia in Sweden. Received approvable OTC status for Nicorette Gum in France. Renewed growth momentum in U.S. for Kaopectate and Cortaid following sustained advertising and promotion. Launched new Children's Motrin under license to McNeil Consumer Products (J&J) in U.S. and helped enhance promotion of Motrin IB brand.	Present focus is on Europe and the U.S., but foundation laid for a global OTC organization with goal of achieving a top-tier position worldwide. Launch of OTC Rogaine in the U.S. in April will strengthen U.S. sales and profit base. Product will also be introduced in other important international markets. Nicotine replacement therapy business will continue to grow worldwide, especially in the U.S. with the launch of Nicorette Gum, under license to SmithKline Beecham, and expected launch of Nicotrol Patch, under license to McNeil Consumer Products (J&J). Nicorette Inhaler launch expected in Europe with further launches of Pepcid in several countries in Europe. Additional products targeted for international expansion include Cortaid and Microlax.



Business description	Major products
Affiliated businesses	
Animal Health *Researches, develops, manufactures and markets a broad range of pharmaceutical and biological products for both food and companion animals to meet the market needs of veterinarians, feed manufacturers and livestock producers.*	Enviracor Linco-Spectin Lincomix Lutalyse MGA Naxcel/Excenel Pirsue
Biosensor *Develops, manufactures and markets analytical instruments based on patented biosensor technology.*	Biacore Systems
Biotech *Develops, manufactures and markets instruments, systems, reagents and chemicals for pharmaceutical and biotechnology companies and academic research institutes.*	Equipment and media for separation and purification of biomolecules. Instruments, software and chemicals for synthesis and analysis of nucleic acids.
Pharmaceutical Commercial Services *Researches, develops, manufactures and markets bulk pharmaceutical chemicals and selected high-technology specialty (nonpharmaceutical) chemicals; contract manufactures finished dosage forms for third-party customers.*	Biochemicals Pharmaceutical chemicals Antibiotics, Corticosteroids, Hormones, Intermediates Specialty chemicals Dosage Forms Sterile, Dry products, Fluids and Ointments
Diagnostics *Develops, manufactures and markets diagnostic systems primarily to test allergies and for the follow-up of asthma and alcohol-related diseases.*	Pharmacia CAP System CDTect UniCAP



	1995 significant events	1996 outlook
	Achieved double-digit sales growth in substantially all major products. Announced joint venture in China to build $10 million Premix facility. Acquired worldwide exclusive rights for Ceftiofur (Naxcel/Excenel) from Sanofi. Acquired Warner Lambert's animal health business to strengthen position in U.K. and Germany.	Good sales growth will continue as major product, Naxcel/Excenel, grows with new formulations and more approvals in key countries (Japan) and across all animal species. Biologicals will achieve exceptional growth due to new products, the integration of operations in the U.S., and entrance into new markets.
	Achieved sales growth of 45 percent, led by Biacore 2000, which was launched in late 1994. Launched the new Biacore 1000 system in the U.S.	Biosensor segments will provide opportunity for growth. Uniqueness of technology and its importance for research, coupled with product launches in new markets, expected to result in good growth in sales and earnings.
	Acquired Hoefer Scientific Instruments, Inc., to strengthen U.S. market share in electrophoresis and autoload areas. Launched ALFexpress, for DNA analysis, enabling company to enter clinical laboratories market. Acquired technology from Chromaflow, Inc., to enhance competitiveness in large-scale process columns market.	The development program initiated a few years ago, complemented by alliances and acquisitions, continues to build a strengthened strategic position. In order to maintain the operational performance in face of increasing competitive pressures, a Business Improvement Program is being launched. A special emphasis is placed on measures to increase longer term growth.
	Commercialized several new custom intermediates for major global pharmaceutical customers resulting in record growth in European market region. Continued efforts to refocus product portfolio to capitalize on marketing strengths and core competencies.	Continue to stress growth based on proven competencies and will concentrate resources accordingly so as to attain critical mass. Will position redefined business to optimize opportunities in emerging markets of the world. Successful expansion of manufacturing facility in France will allow more effective service of European steroid marketplace and relieve global capacity constraints.
	Achieved double-digit sales growth in the allergy diagnostics area. Launched the UniCAP 100 system. Launched the nonradioactive test, CDTect EIA, which enables more laboratories to conduct alcohol tests.	Launch of the UniCAP 100 system late in 1995, greater awareness about allergies and significance of allergy tests provide stable platform for future growth. Emerging technologies for asthma and alcohol-related diseases, new therapeutic opportunities and penetrating largely untapped U.S. market will also contribute.

Financial review

Pharmacia & Upjohn, Inc. (the company) was formed in November 1995 by the merger of Pharmacia AB (Pharmacia) with The Upjohn Company (Upjohn). Both Pharmacia and Upjohn were research-based pharmaceutical companies operating on a worldwide basis. The merger combined two operations that were complementary in both therapeutic expertise and geographic presence to create a company with total revenue of $7.1 billion and $11.5 billion in total assets.

The merger has been accounted for as a pooling of interests. Accordingly, all prior-year data have been combined as if the companies had been merged during all periods reported. The company reports its operations as a single industry segment - pharmaceutical products. In addition to prescription pharmaceutical products, this industry designation includes activities in the affiliated businesses of consumer and animal health pharmaceuticals, pharmaceutical chemicals and contract manufacturing, diagnostic systems and biotechnological products.

Overview of consolidated results

U.S. dollars in millions, except per-share data	**1995**	*% change*	*1994*	*% change*	*1993*
Total revenue	**$7,094.6**	4%	$6,822.8	4%	$6,560.8
Operating income	**1,002.9**	(14)	1,163.7	60	729.5
Earnings from continuing operations before income taxes	**1,136.4**	(11)	1,271.3	63	777.7
Earnings from continuing operations	**738.7**	(11)	833.5	49	560.6
Net earnings	**738.7**	(12)	835.1	42	587.8
Net earnings per common share:					
-Primary	**$ 1.43**	(12)	$ 1.63	43	$ 1.14
-Fully diluted	**$ 1.41**	(12)	$ 1.60	42	$ 1.13

When comparing year-to-year earnings, restructurings, merger charges and discontinued operations recorded over the past three years should be considered. Major restructuring charges were recorded in both 1995 and 1993. Restructuring charges recorded in 1995 were almost entirely related to the merger and reduced earnings by $103.4 million ($67.7 million or $.14 per share after tax). Further restructuring costs, associated with the merger, will be recognized in future reporting periods. The 1993 restructuring that reduced earnings by $268.7 million ($212.5 million or $.42 per share after tax) was associated with a workforce reduction, the write-down of certain assets and the reduction of excess manufacturing capacity. These restructurings are discussed further in separate sections of this review.

In 1995, costs incurred to effect the merger totaled $138.2 million ($117.8 million or $.23 per share after tax). These costs consisted primarily of professional and registration fees and the cost of terminating two third-party distribution agreements that conflicted with the merged operations. Other merger costs were associated with planning and executing the merger. Additional costs associated with the execution of the merger are expected to be incurred in 1996.

In addition, several actions were taken over the past three years to increase the company's focus on its core pharmaceutical business, including the 1994 sale of the Asgrow Seed Company and the 1993 sale of Asgrow Florida Company. Also in 1994, the company sold Deltec, Inc. The gain on this sale increased 1994 net earnings by $30 million ($.06 per share). In 1993, the shares of BCP Branded Consumer Products AB (BCP) were distributed to the shareholders of the former Procordia AB, the predecessor to Pharmacia. Except for the sale of Deltec, these divestitures have been reported as discontinued operations.

Product sales

The table below provides a year-to-year comparison of consolidated net sales by major therapeutic product groups:

U.S. dollars in millions	**1995**	*% change*	*1994*
Infectious Disease	**$ 687.1**	10.3%	$ 622.9
Metabolic Disease	**635.9**	(2.1)	649.4
Critical Care and Thrombosis	**579.7**	12.8	514.1
Central Nervous System	**571.8**	.3	570.3
Oncology	**566.2**	6.7	530.6
Women's Health	**541.2**	6.1	509.9
Nutrition	**399.0**	8.1	369.0
Ophthalmology	**296.0**	5.3	281.0
Other Prescription Pharmaceuticals	**957.7**	(12.8)	1,098.1
Consumer Health Care	**441.5**	(2.1)	451.2
Animal Health	**383.1**	14.0	336.2
Chemical & Contract Manufacturing	**199.9**	17.1	170.7
Total Pharmaceuticals	**6,259.1**	2.6	6,103.4
Biotech/Biosensor	**437.0**	13.5	385.0
Diagnostics	**253.0**	17.1	216.0
Consolidated net sales	**$6,949.1**	3.6%	$6,704.4

Note: Sales data for 1993 by therapeutic group are not available for comparison.

Sales outside the United States in 1995 were $4.8 billion, up 10 percent from $4.4 billion in 1994. Consolidated 1995 sales in the United States decreased nine percent from $2.3 billion in 1994 to $2.1 billion and represented 30 percent of 1995 consolidated sales, down from 35 percent. Worldwide consolidated sales for 1995 were up as the result of a five percent benefit from favorable changes in currency exchange rates and a one percent increase from volume, offset by a two percent decline from the 1994 divestment of the Deltec operation. Overall, declines in sales prices had a minimal effect on sales for the year.

Sales growth of Infectious Disease products was led by the Cleocin (Dalacin outside the U.S.) family of antibiotic products, with strong sales growth in non-U.S. markets and solid growth in the U.S. Vantin, the broad-spectrum oral antibiotic sold primarily in the U.S., also continued good sales growth.

Sales of Metabolic Disease products were led by Genotropin, the growth hormone, with increases in Japan, Germany and Sweden. Genotropin has been marketed under an agreement with Genentech, Inc., which provided the company with exclusive sales rights to the product outside of the U.S. and Canada. As a result of the November 1995 expiration of this agreement, the company is able to market Genotropin in the U.S. and Canada while Genentech may now market its growth hormone products worldwide. Continuing generic competition for Micronase, the oral antidiabetes agent that lost U.S. market exclusivity in 1994, led to a decline in sales. Sales of Glynase, the oral antidiabetes agent, declined as a result of the loss of U.S. market exclusivity in March 1995.

Sales growth recorded by Critical Care and Thrombosis products was led by Solu-Medrol, the injectable steroid, and other Medrol products in non-U.S. markets. Fragmin, for prevention of blood clots in connection with surgery, demonstrated good growth in Germany, Sweden and other non-U.S. markets. Fragmin was approved for sale in the U.S. late in 1995. The first sales of Freedox (tirilazad mesylate), for subarachnoid hemorrhage in males, were recorded in non-U.S. markets in mid-1995. In March 1996, the company announced that it was discontinuing research for tirilazad mesylate in head injury. Clinical trials and evaluation for the U.S. approval of Freedox for the treatment of subarachnoid hemorrhage in females at higher dose levels and for both stroke and spinal cord injury are continuing.

Sales of Central Nervous System agents were flat for the year. Sales growth outside the U.S. was offset by a decline in the U.S. The decline is the continuing result of intense U.S. generic competition for Xanax, the anti-anxiety agent, and Halcion, the sleep-inducing agent, both of which lost U.S. patent protection in October 1993. In non-U.S. markets, Xanax continued to record good growth while Halcion grew moderately. Sermion, for senile dementia, recorded good growth in non-U.S markets, especially Japan, Germany and Italy. In December 1995, a New Drug Application (NDA) was filed with the U.S. Food and Drug Administration (FDA) for pramipexole, a treatment for Parkinson's disease. Also in January 1996, cabergoline, for Parkinson's disease, was approved for marketing in Denmark and Switzerland.

Sales of Oncology products grew through good performance in non-U.S. markets. This increase was led by non-U.S. sales of Farmorubicin, for solid tumors and leukemias. Sales of Adriamycin, also for cancer, were down somewhat in the U.S. due to generic competition. Sales of other branded and generic oncology products also contributed to growth worldwide. In 1994, the company completed a series of agreements with Yakult Honsha Co. Ltd. for the rights to develop and market the anticancer compound irinotecan for several indications in the U.S., Canada, and Latin America. An NDA has been filed with the FDA for irinotecan, trade name Camptosar, for the treatment of refractory colorectal cancer.

Sales in the Women's Health product group were again led by Depo-Provera, the injectable contraceptive, which continued to record strong increases, especially in the U.S.

Partially offsetting this increase were declines in U.S. sales of Ogen, for estrogen replacement, largely due to generic substitution. Sales of Provera products, the progestational agents, were down in the U.S. due to increasing generic competition but were up moderately in non-U.S. markets. FDA moratoriums on the approval of Abbreviated New Drug Applications protecting exclusivity for Depo-Provera expired in November 1995.

Sales growth of Nutrition products was led by the non-U.S. sales of Intralipid (including related mixing products), a fat emulsion for intravenous nutrient delivery. This growth was due largely to the July 1995 purchase of the majority interest in a joint venture in China, resulting in its consolidation. Previously, these sales were not included in consolidated sales because the company accounted for its investment under the cost method. China now represents this business area's largest market. All other nutritional products as a group also demonstrated growth in non-U.S. markets.

Growth in the Ophthalmology products group was led by sales of Healon, for cataract surgery, in Japan and other non-U.S. markets. Sales of Healon declined in the U.S due to fewer cataract operations and greater competition.

Solid growth by the majority of Other Prescription Pharmaceutical products was led by the worldwide sales of Caverject, the treatment for erectile dysfunction. Caverject first recorded sales in the U.S. in the third quarter of 1995 and is now approved in 44 markets worldwide. Sales of Rogaine (Regaine in non-U.S. markets), for hair loss, were slightly above 1994 levels. In February 1996, Rogaine two percent minoxidil formulation was approved in the U.S. for over-the-counter (non-prescription) sale, and will be sold by the company's Consumer Health Care business beginning in the first half of 1996. In December 1995, an NDA was submitted to the U.S. FDA for a Rogaine five percent minoxidil formulation for the treatment of common hair loss. Salazopyrin, the preparation used to treat inflammatory bowel disorder and rheumatoid arthritis, recorded good sales increases, primarily in Europe. Sales growth in this product group was offset by declines in U.S. sales of Ansaid, the nonsteroidal anti-inflammatory agent, which first encountered significant generic competition late in 1994. Ansaid lost U.S. patent protection in February 1993.

Consumer Health Care product sales were down as non-U.S. sales increases in Nicorette, for smoking cessation, were offset by a decline in U.S. sales of Motrin IB, the non-steroidal analgesic agent. Motrin IB experienced intense competition resulting from an effort by wholesalers to reduce inventories early in 1995 and increased promotional activity within this market segment.

Strong sales growth in the Animal Health business was led by the performance of Spectinomycin products in non-U.S. markets. Sales of the antibiotic Naxcel (Excenel in non-U.S. markets) were up worldwide.

Chemical and Contract Manufacturing sales were up significantly in 1995 due to strong volume increases in Europe and Asia pharmaceutical fine chemical sales and U.S. sales of specialty steroid products.

Strong sales growth was recorded by the Biotech/Biosensor group. This business develops, manufactures and markets systems, reagents and chemicals for pharmaceutical and biotechnology companies and academic research labs.

Sales from the Diagnostics business continued to grow in 1995, driven by increased sales of allergy diagnostics, especially in Japan and certain European countries.

Other operating revenue

The sale of the company's rights under a product co-marketing agreement increased other operating revenue and added $42 million ($26 million or $.05 per share after tax) to 1995 operating earnings. An agreement with Burroughs-Wellcome Co. to provide promotional services for their product Zovirax, also contributed to the increase in this revenue classification. The Zovirax agreement was terminated at the end of 1995.

Costs and expenses

Consolidated operating expenses, stated as a percent of net sales, were as follows:

	1995	*1994*	*1993*
Cost of products sold	**28.5%**	28.2%	28.0%
Research and development	**18.0**	17.3	17.6
Marketing, administrative and other	**37.7**	38.6	39.9
Merger-related restructuring	**1.3**		
Merger costs	**2.0**		
Other restructuring charges	**.2**	.3	4.1
Operating income	**14.4**	17.4	11.2

The increases in 1995 and 1994 cost of products sold, when compared to 1993, are the result of a change in product mix. The change is largely due to U.S. generic competition encountered by several major products identified earlier, most of which carried relatively high gross margins. The change in the U.S. was offset somewhat by an improved product mix in certain European markets, where sales of certain lower margin bulk products were replaced by higher margin branded pharmaceuticals. The decline in gross margins is also due to a higher percentage of total worldwide pharmaceutical product sales in non-U.S. markets where the company's products generally carry lower gross margins.

Expenditures for research and development (R&D) in 1995 increased as a percent of sales from 1994. In 1995 the company had a greater number of product candidates in the final stages of clinical development, which required higher patient populations for testing. R&D expenses in 1994 were down slightly as a percent of sales from the prior year primarily due to the timing of expenses related to large clinical programs and from the write-down of certain R&D assets upon the 1993 acquisition of the pharmaceutical business of Erbamont N.V. (referred to as FICE) from Montedison S.p.A.

Marketing, administrative and other expenses as a percent of sales in 1995 were down from both 1994 and 1993. When comparing the expenses measured in U.S. dollars, this category has been essentially flat since 1993. This measure in 1995 included a $59-million write-down of an investment to fair market value in the fourth quarter. Excluding the effect of this write-down, these expenses declined from 1994 due to unusually high costs in 1994 associated with various marketing programs and other expenses. The 1995 measure included reductions in insurance and claims accruals and capital gains on certain sales of fixed assets. Savings from the 1993 restructuring associated with the rationalization of marketing activities following the FICE acquisition in mid-1993 were realized in this expense category. In 1994 the restructuring savings were partially offset by increases in other costs related to various marketing programs and by additional marketing investments in certain emerging international markets.

Merger cost and merger-related restructuring charges

Merger costs recorded in 1995 consisted of transaction costs and expenses to combine the operations of the two companies. Transaction costs ($68.8 million) consisted primarily of professional fees. Expenses to combine the two companies included costs associated with terminating two marketing agreements ($53.0 million) that were in conflict with other aspects of the merged company. Expenses associated with combining operations also were related to planning and implementing the organizational structure of the new company. It is anticipated that some additional merger expenses will be incurred during 1996.

In December 1995, a major restructuring plan was announced that is designed to eliminate duplicate facilities and functions and focus resources on the objectives of the newly formed company. This merger-related restructuring will ultimately lead to the reduction of approximately 4,100 positions worldwide and the closing or combining of numerous subsidiary locations. In addition, in March 1996, the company announced that it will reduce the number of worldwide pharmaceutical production facilities by approximately 40 percent. The company also announced that research and development efforts will be focused on the company's most promising product candidates, terminating further activity on approximately 20 percent of current development projects. The estimated annual savings from all merger-related restructuring activities are expected to be in excess of $500 million annually.

Merger-related restructuring charges, totalling $91.6 million, were recorded in the fourth quarter of 1995. These charges covered costs associated with the reduction of approximately 850 positions, elimination of duplicate office facilities and other exit costs. Cash expenditures related to the 1995 merger-related restructuring were minimal, and essentially all of the accrual for these charges is included in current liabilities. Further restructuring charges associated with the merger will be recorded in 1996.

Other restructuring charges

Restructuring charges in 1995 that were not related to the merger, totalling $11.8 million, were incurred in conjunction with the closure of a manufacturing facility in Sweden. Restructuring charges recorded in 1994 reflect costs associated with a plant closing in the U.S. that was part of the consolidation of manufacturing facilities in the ophthalmology operations. Charges resulting from the write-down of intangibles related to a terminated oncology venture were included in this expense category.

The restructuring plan announced in 1993 continued to be implemented in 1995. During 1995, the anticipated workforce reduction was completed. Certain plant closings recognized in the original 1993 accruals have not yet been completed; accordingly, approximately $29 million, primarily related to manufacturing rationalization, remains as other current and noncurrent liabilities. No adjustments to the original accruals have been made or are anticipated to be required.

Nonoperating income and expense

Favorable relationships of interest income to interest expense have increased in each of the years 1993 through 1995. The decrease in net interest income from 1993 to 1994 was due to the use of funds to purchase FICE, and the increase in this measure from 1994 to 1995 is largely due to investment of proceeds from the sale of Deltec and certain other assets acquired with FICE and the sale of the Asgrow Seed Company. Nonoperating income in 1994 included the gains on the sale of Deltec and a joint venture. There were no such gains in 1993 or 1995.

Income taxes

The effective tax rate for 1995 was 35 percent, compared to 34.4 percent and 27.9 percent in 1994 and 1993, respectively. The increase in the rate for 1995 from that of 1994 was the result of a lower proportion of total earnings from operations in Puerto Rico and greater goodwill amortization and other nondeductible expense. The increase in the rate for 1994, when compared to 1993, is the net result of changes in Swedish tax laws, a decrease in goodwill and other nondeductible expense and a lower proportion of total earnings from operations in Puerto Rico.

The company's earnings from manufacturing operations in Puerto Rico are partially exempt from U.S. and Puerto Rico income taxes. The U.S. tax exemption has been and will be steadily diminished due to changes in U.S. tax laws.

Financial condition

U.S. dollars in millions	**1995**	*1994*	*1993*
Working capital	**$2,333.7**	$1,928.6	$879.1
Current ratio	**1.88:1**	1.67:1	1.32:1
Debt to total capitalization	**17.9%**	23.4%	26.3%

Significant increases in working capital and the corresponding improvements in the current ratio were realized in 1994 and 1995. This was partially due to the year-end 1994 receipt of the proceeds from the sale of the Asgrow Seed Company and the proceeds from the sale of Deltec which had been invested in cash equivalents at the end of 1994. Also contributing to the improvements in these measures were the strong cash flows from operations.

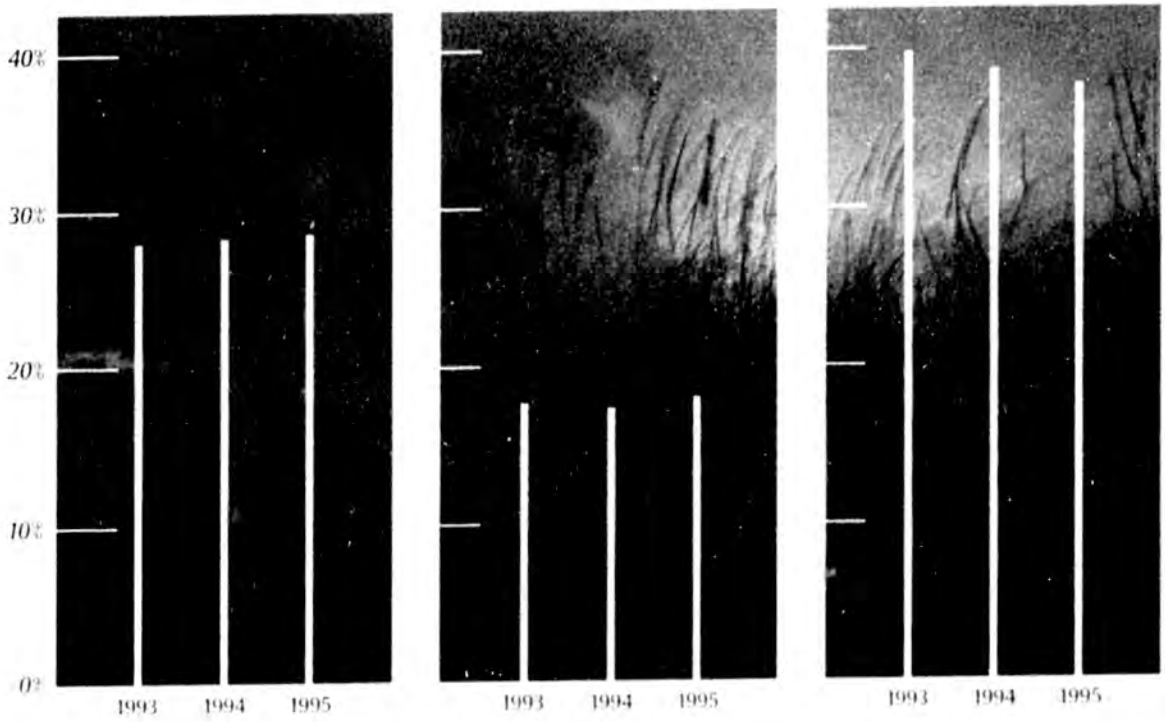
Both the 1994 and 1995 percentages of debt compared to total capitalization benefited from the increase in total shareholders' equity attributable to earnings retained in the business as compared to declining levels of debt.

The company's net financial asset position has improved substantially during the last three years:

U.S. dollars in millions	**1995**	*1994*	*1993*
Cash, equivalents and investments	**$2,529.5**	$2,553.9	$1,602.5
Short-term and long-term debt	**1,394.7**	1,719.0	1,719.1
Net financial assets	**$1,134.8**	$ 834.9	$ (116.6)

Net cash provided by 1995 operations declined to $1,145.4 million as compared to $1,286.3 million and $1,355.7 million in 1994 and 1993, respectively. Payments for merger costs, totaling $138.2 million, were largely responsible for this decline and reduced only the 1995 measure. Also in 1995, a change in tax law required acceleration of U.S. estimated tax payments and led to the large 1995 use of cash to reduce income taxes payable. Cash from operations in 1994 was reduced by significant payments related to the 1993 restructurings. Spending on restructurings

Selected expense categories as a percent of net sales



Cost of Products sold

Research and Development

Marketing, Administrative and other

significant payments related to the 1993 restructurings. Spending on restructurings unrelated to the merger were not as large in either of the two comparative periods. Cash required to fund the merger-related restructurings and the remaining merger costs will be paid in 1996 and thereafter from cash generated from operations.

In 1995, the largest use of cash for investing purposes was in the acquisition of properties (plant and equipment) for use in operations. Significant cash was also used to reduce the total debt of the company. In addition to cash provided by 1995 operations, cash was made available through the reduction of certain financial investments. In 1994, cash received from the sale of the Deltec operations led to the increase in investments. In 1993, the company's acquisitions of FICE was in exchange for cash. In addition to cash provided by operations, other funding was provided for the FICE acquisition from reduction of certain financial investments and from proceeds from the divestiture of BCP. In all years, cash used to pay dividends was generated from operating activities.

The company utilizes derivative financial instruments in conjunction with its foreign currency risk management programs. These programs employ over-the-counter forward currency exchange contracts and purchased currency options to hedge existing net transaction exposures and certain existing obligations in several subsidiary locations. These exposures arise both from intercompany and third-party transactions. The company also utilizes forward currency exchange contracts to hedge anticipated currency exchange transaction exposures of certain significant international operations. These contracts are marked to market monthly. Additionally, currency put or call options are occasionally used to hedge specific anticipated transactions.

Transaction hedging activities seek to protect operating results and cash flows from the potentially adverse effects of currency exchange fluctuations. This is done by offsetting the gains or losses on the underlying exposures with losses and gains on the instruments used to create the hedge. The hedging of anticipated transaction exposures is intended to limit the fluctuation of certain elements of income and expense by offsetting the gains or losses on the instruments with other elements of operating income.

The company also utilized forward currency exchange contracts to hedge the net investment in certain subsidiary operations. This practice was suspended in the fourth quarter of 1995, and all related contracts have been closed.

In consideration of the financial objectives of the newly merged operations, the company is presently reviewing its policies and practices related to all hedging activities and the use of related derivative financial instruments.

The company's future cash provided by operations and borrowing capacity are expected to cover normal operating cash flow needs and planned capital acquisitions for the foreseeable future.

Other information

The company is subject to environmental legislation and regulation. Environmental compliance costs, including capital expenditures related to future production, have been increasing each year. Spending at the Kalamazoo production site is expected in the near future related to groundwater remediation and improved control of surface water discharges. Other projects related to the prevention, mitigation and elimination of environmental effects are being planned and implemented worldwide.

The company is involved in several administrative and judicial proceedings relating to environmental matters, including actions brought by U.S. and state environmental agencies for cleanup at approximately 40 "Superfund" or comparable sites, including site remediation of the company's discontinued industrial chemical operations. The company's estimate of the ultimate cost to be incurred in connection with these environmental situations could change due to the potential existence of joint and several liability, possible recovery from other potentially responsible parties, the levels of cleanup to be required and the technologies to be employed. An accrual has been recorded, but added costs could be incurred in connection with the various remedial actions.

While it is not possible to predict or determine the outcome of legal actions brought against the company, or the ultimate cost of environmental matters, the company continues to believe that the unaccrued costs and liabilities associated with such matters will not have a material adverse effect on the company's consolidated financial position; and, unless there is a significant deviation from the historical pattern of resolution of such issues, the ultimate liability should not have a material adverse effect on the company's results of operations or liquidity.

The company is a party, along with many other U.S. drug manufacturers and wholesalers, in numerous related federal and state civil antitrust lawsuits brought by U.S. independent and chain retail pharmacies and consumers. These suits claim violations of antitrust and pricing laws as a result of the defendants providing discounts and rebates to allegedly favored managed care customers that were not offered to the plaintiffs. Several of the suits are class actions. The first trial, a class action pending in Federal court in Chicago, Illinois, is scheduled to begin in May 1996. The company believes it has meritorious defenses, and although potential liability cannot presently be estimated, a majority of the defendants in this class action (not including the company) have recently agreed to $10 million to $60 million settlements of claims against them in this action, and are awaiting court approval of the settlements.

Selected financial data

U.S. dollar amounts in millions, except per share data	**1995**	*1994*	*1993*	*1992*	*1991*
Operating revenue	**$ 7,094.6**	$ 6,822.8	$ 6,560.8	$ 5,938.4	$ 5,537.5
Earnings from continuing operations	**738.7**	833.5	560.6	705.8	602.8
Earnings per share from continuing operations	**1.43**	1.65	1.09	1.36	1.16
Dividends declared per share (*)	**.27**				
Total assets	**11,460.6**	10,947.1	9,894.6	10,873.1	11,344.6
Long-term debt	**603.1**	678.2	675.0	463.5	643.5

(*) Represents dividend declared by the merged company's board of directors in December 1995. Separate dividend information for Pharmacia and Upjohn has not been presented because the information would not be meaningful.

Reports of management and independent accountants

Report of management

Management is responsible for the consolidated financial statements and the other financial information included in this Annual Report. The Board of Directors, acting through its Audit Committee which is composed solely of directors who are not employees of the company, oversees the financial reporting process. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include amounts based on judgments and estimates made by management. Actual results could differ from amounts estimated.

Management has established systems of internal controls over financial reporting designed to provide reasonable assurance that the financial records used for preparing financial statements are reliable and that assets are safeguarded from unauthorized use or disposition. Internal auditors review accounting and control systems. The systems are also reviewed by the independent accountants to the extent deemed necessary to express the opinion set forth in their report.

Management takes corrective actions to improve reporting and control systems in response to recommendations by the internal auditors and independent accountants. The appointment of the independent accountants is recommended by the Audit Committee to the Board of Directors.

John L. Zabriskie, Ph.D.
President and Chief Executive Officer

Robert C. Salisbury
Executive Vice President,
Finance and Administration,
and Chief Financial Officer

Report of independent accountants to the shareholders and board of directors

We have audited the consolidated balance sheets of Pharmacia & Upjohn, Inc., and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of earnings, shareholders' equity, and cash flows for the years 1995, 1994 and 1993. These financial statements are the responsibility of the management of Pharmacia & Upjohn, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above (pages 48 to 65) present fairly, in all material respects, the consolidated financial position of Pharmacia & Upjohn, Inc., and subsidiaries as of December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for the years 1995, 1994 and 1993, in conformity with accounting principles that are generally accepted in the U.S.

As discussed in Note 2 to the consolidated financial statements, during 1993 the company changed its practice of reporting certain majority-owned subsidiaries from fiscal years ending November 30 to years ending December 31 and its method of accounting for postemployment benefits.

Coopers & Lybrand L.L.P.
KPMG Peat Marwick LLP

Chicago, Illinois
February 21, 1996

Consolidated statements of earnings

Pharmacia & Upjohn, Inc. and subsidiaries

U.S. dollar amounts in thousands, except per-share data

For the years ended December 31		**1995**	*1994*	*1993*
Operating revenue:				
Net sales		**$ 6,949,069**	$ 6,704,360	$ 6,507,487
Other revenue		**145,550**	118,422	53,271
Total operating revenue		**7,094,619**	6,822,782	6,560,758
Operating costs and expenses:				
Cost of products sold		**1,980,038**	1,889,854	1,822,255
Research and development		**1,253,566**	1,162,752	1,144,043
Marketing, administrative and other		**2,616,557**	2,586,635	2,596,287
Restructuring charges		**103,404**	19,837	268,658
Merger costs		**138,193**	-	-
Operating income		**1,002,861**	1,163,704	729,515
Interest income		**216,651**	157,254	227,318
Interest expense		**(94,139)**	(112,117)	(182,514)
Currency exchange gains (losses)		**13,071**	22,121	(2,248)
All other, net		**(2,051)**	40,314	5,665
Earnings from continuing operations before income taxes		**1,136,393**	1,271,276	777,736
Provision for income taxes		**397,700**	437,825	217,143
Earnings from continuing operations		**738,693**	833,451	560,593
Earnings from discontinued operations		**-**	2,672	41,158
(Loss) gain on disposal of discontinued operations		**-**	(997)	4,926
Cumulative effect of accounting changes		**-**	-	(18,906)
Net earnings		**738,693**	835,126	587,771
Dividends on preferred stock (net of tax)		**12,541**	12,291	12,125
Net earnings on common stock		**$ 726,152**	$ 822,835	$ 575,646
Earnings per common share:				
Primary	Earnings from continuing operations	**$1.43**	$1.63	$1.09
	Net earnings	**$1.43**	$1.63	$1.14
Fully diluted	Earnings from continuing operations	**$1.41**	$1.60	$1.08
	Net earnings	**$1.41**	$1.60	$1.13

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated balance sheets

Pharmacia & Upjohn, Inc. and subsidiaries

U.S. dollar amounts in thousands

December 31	**1995**	*1994*
Current assets:		
Cash and cash equivalents	**$ 840,525**	$ 651,660
Short-term investments	**973,656**	1,134,130
Trade accounts receivable, less allowance of $100,299 (1994: $96,349)	**1,535,409**	1,480,251
Inventories	**975,554**	887,467
Deferred income taxes	**265,275**	257,307
Other	**383,191**	393,878
Total current assets	**4,973,610**	4,804,693
Long-term investments	**715,348**	768,150
Goodwill and other intangible assets, net	**1,722,157**	1,795,430
Properties, net	**3,393,225**	3,074,466
Other noncurrent assets	**656,261**	504,389
Total assets	**$ 11,460,601**	$ 10,947,128
Current liabilities:		
Short-term debt	**$ 524,429**	$ 766,027
Accounts payable	**746,498**	692,959
Compensation and compensated absences	**331,346**	288,268
Dividends payable	**141,341**	64,060
Income taxes payable	**268,314**	381,449
Other	**628,000**	683,353
Total current liabilities	**2,639,928**	2,876,116
Long-term debt	**603,108**	678,193
Guarantee of ESOP debt	**267,200**	274,800
Postretirement benefit cost	**372,985**	385,164
Other noncurrent liabilities	**743,487**	751,798
Deferred income taxes	**446,686**	370,681
Total liabilities	**5,073,394**	5,336,752
Shareholders' equity:		
Preferred stock, one cent par value; authorized 100,000,000 shares, issued Series A convertible 7,220 shares at stated value (1994: 7,322 shares)	**290,778**	295,079
Common stock, one cent par value; authorized 1,500,000,000 shares, issued 506,625,800 shares (1994: 504,707,825 shares)	**5,066**	5,047
Capital in excess of par value	**1,457,240**	1,394,345
Retained earnings	**5,861,197**	5,602,270
Note receivable from ESOP Trust	**(35,615)**	(33,520)
ESOP deferred compensation	**(236,058)**	(243,962)
Currency translation adjustments	**(986,278)**	(1,394,286)
Other shareholders' equity	**30,877**	(14,597)
Total shareholders' equity	**6,387,207**	5,610,376
Total liabilities and shareholders' equity	**$ 11,460,601**	$ 10,947,128

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statements of shareholders' equity

Pharmacia & Upjohn, Inc. and subsidiaries

U.S. dollar amounts in thousands *For the years ended December 31*	**1995**	*1994*	*1993*
Preferred stock:			
Balance at beginning of year	**$ 295,079**	$ 297,387	$ 298,224
Redemptions and conversions	**(4,301)**	(2,308)	(837)
Balance at end of year	**290,778**	295,079	297,387
Common stock:			
Balance at beginning of year	**5,047**	5,051	5,067
Stock option, incentive and dividend reinvestment plans	**15**	-	-
Retirements, conversions and other	**4**	(4)	(16)
Balance at end of year	**5,066**	5,047	5,051
Capital in excess of par value:			
Balance at beginning of year	**1,394,345**	1,394,363	1,394,019
Stock option, incentive and dividend reinvestment plans	**32,072**	(1,770)	(262)
Retirements, conversions and other	**30,823**	1,752	606
Balance at end of year	**1,457,240**	1,394,345	1,394,363
Retained earnings:			
Balance at beginning of year	**5,602,270**	5,117,058	6,147,873
Net earnings	**738,693**	835,126	587,771
Dividends declared	**(421,680)**	(328,431)	(380,578)
Dividends on preferred stock (net of tax)	**(12,541)**	(12,291)	(12,125)
Retirement of common stock	**(45,545)**	(9,192)	(30,938)
Distribution of BCP		-	(1,194,945)
Balance at end of year	**5,861,197**	5,602,270	5,117,058
Note receivable from ESOP Trust:			
Balance at beginning of year	**(33,520)**	(31,548)	(29,697)
Rollover of accumulated interest	**(2,095)**	(1,972)	(1,851)
Balance at end of year	**(35,615)**	(33,520)	(31,548)
ESOP deferred compensation:			
Balance at beginning of year	**(243,962)**	(251,301)	(258,254)
ESOP expense recognized in excess of cash contributions	**7,904**	7,339	6,953
Balance at end of year	**(236,058)**	(243,962)	(251,301)
Currency translation adjustments:			
Balance at beginning of year	**(1,394,286)**	(1,766,711)	(1,157,766)
Translation adjustments	**408,008**	372,425	(608,945)
Balance at end of year	**(986,278)**	(1,394,286)	(1,766,711)
Other shareholders' equity:			
Balance at beginning of year	**(14,597)**		
Stock option, incentive and dividend reinvestment plans	**57,673**	24,153	22,264
Purchases of treasury stock	**(101,394)**	(31,845)	(54,089)
Retirement of common stock	**43,703**	7,712	31,825
Net unrealized investment gains (losses)	**45,492**	(14,597)	
Balance at end of year	**30,877**	(14,597)	
Total shareholders' equity	**$ 6,387,207**	$ 5,610,376	$ 4,764,299

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statements of cash flows

Pharmacia & Upjohn, Inc. and subsidiaries

U.S. dollar amounts in thousands

For the years ended December 31	**1995**	*1994*	*1993*
Cash flows from operations:			
Net earnings	**$ 738,693**	$ 835,126	$ 587,771
Adjustments to reconcile net earnings to net cash provided (required) by operations			
Depreciation	**326,939**	329,328	318,833
Amortization of intangibles	**153,009**	145,728	127,473
Restructuring charges	**103,404**	19,837	268,658
Cash expended on restructurings	**(48,322)**	(117,512)	(60,755)
Net (gains) losses on sales of noncurrent assets	**(12,368)**	(97,269)	165
Write downs of properties and intangibles	**40,624**	32,506	90,769
Deferred income taxes	**74,093**	86,450	(100,996)
Other	**(26,833)**	(9,277)	34,756
Changes in:			
Accounts receivable, net	**12,264**	3,022	(8,703)
Inventory	**(18,159)**	(4,083)	(44,370)
Accounts payable	**(70,779)**	84,180	(64,442)
Income taxes payable	**(121,418)**	17,251	63,455
Other current and noncurrent assets and liabilities	**(5,728)**	(38,957)	143,060
Net cash provided by operations	**1,145,419**	1,286,330	1,355,674
Cash flows (required) provided by investment activities:			
Acquisitions of subsidiaries	**(57,589)**	(90,244)	(855,597)
Additions of properties	**(591,630)**	(491,307)	(739,258)
Proceeds from sales of properties	**53,498**	142,414	82,098
Proceeds from sales of investments	**2,634,340**	1,719,569	1,153,848
Purchases of investments	**(2,407,323)**	(2,371,024)	(769,765)
Proceeds from BCP divestiture	**-**		357,312
Proceeds from sales of discontinued operations and subsidiaries	**12,127**	452,882	31,000
Other	**144,765**	41,701	(43,866)
Net cash required by investment activities	**(211,812)**	(596,009)	(784,258)
Cash flows provided (required) by financing activities:			
Proceeds from issuance of debt	**14,434**	14,946	540,166
Repayment of debt	**(106,875)**	(55,444)	(317,381)
Net (decrease) in debt with initial maturity of 90 days or less	**(317,254)**	(87,450)	(112,909)
Dividends and rights payments	**(353,562)**	(335,870)	(388,625)
Purchases of common stock	**(101,394)**	(31,845)	(54,089)
Other	**74,953**	27,183	8,440
Net cash required by financing activities	**(789,698)**	(466,480)	(524,398)
Effect of exchange rate changes on cash	**44,956**	34,543	(26,967)
Net change in cash and cash equivalents	**188,865**	258,384	70,071
Cash and cash equivalents, beginning of year	**651,660**	393,276	323,205
Cash and cash equivalents, end of year	**$ 840,525**	$ 651,660	$ 393,276
Cash paid during the year for:			
Interest (net of amounts capitalized)	**$ 77,697**	$ 106,411	$ 194,166
Income taxes	**$ 405,323**	$ 338,057	$ 266,004

The accompanying notes are an integral part of the consolidated financial statements.

Notes to consolidated financial statements

U.S. dollar amounts in thousands, except per-share data

1. Merger

In November 1995, Pharmacia AB (Pharmacia) and The Upjohn Company (Upjohn) completed a combination (the merger) that resulted in the formation of Pharmacia & Upjohn, Inc. (the company).

Effective upon the consummation of the merger, each share of the outstanding common stock of Upjohn was converted into 1.45 shares of common stock of the company. Outstanding Upjohn employee stock options were similarly converted into options to purchase company common stock. In addition, each share of Upjohn Series B Convertible Perpetual Preferred Stock has been converted into one share of Series A Convertible Perpetual Preferred Stock of the company.

Shareholders of Pharmacia were extended an offer to exchange each outstanding common share (or an American Depository Share representing a Class A common share) and each outstanding Pharmacia Class B common share for one share of company common stock (or a Swedish Depository Share representing one share of company common stock). As of December 31, 1995, over 99 percent of the outstanding Class A and Class B common shares had been exchanged for shares of company common stock. The company has recorded a liability for the estimated cost of acquiring the remaining Pharmacia common shares.

The merger constituted a tax-free reorganization and has been treated as a pooling of interests. The assets and liabilities of Upjohn and Pharmacia were carried forward to the company at historical values after restatement of the Pharmacia statements to conform to accounting principles that are generally accepted in the U.S. The accompanying financial statements contain information for periods prior to the merger. All such information was derived from the separate financial statements of Pharmacia and Upjohn, which were reclassified and combined to conform to the presentation adopted by the company. Operating revenue and net earnings for the individual Pharmacia and Upjohn entities for the periods preceding the merger were as follows:

	Upjohn	*Pharmacia*	*Combining adjustments*	*Combined*
Six months ended				
June 30, 1995 (unaudited)				
Operating revenue	$ 1,717,569	$ 1,829,242	$ -	$ 3,546,811
Net earnings	267,477	192,230	9,840	469,547
Year ended December 31, 1994				
Operating revenue	$ 3,344,538	$ 3,478,244	$ -	$ 6,822,782
Net earnings	490,763	344,363	-	835,126
Year ended December 31, 1993				
Operating revenue	$ 3,380,536	$ 3,180,222	$ -	$ 6,560,758
Net earnings	592,397	195,374	-	587,771

Combining adjustments also were recorded to classify various earnings statement and balance sheet items consistently upon combination. Intercompany transactions prior to the merger were not material, therefore, no elimination entries were required to develop the accompanying combined financial statements.

2. Summary of significant accounting policies

Basis of presentation. The consolidated financial statements are presented on the basis of accounting principles that are generally accepted in the U.S. All professional accounting standards that are effective as of December 31, 1995, have been taken into consideration in preparing the financial statements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions which affect the reported earnings, financial position and various disclosures. Actual results could differ from those estimates.

Principles of consolidation The consolidated financial statements include the accounts of the company and all majority-owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Currency translation The results of operations for non-U.S. subsidiaries, other than those located in highly inflationary countries, are translated into U.S. dollars using the average exchange rates during the period, while assets and liabilities are translated using period-end rates. Resulting translation adjustments are recorded as currency translation adjustments in shareholders' equity. For subsidiaries in highly inflationary countries, currency gains and losses resulting from translation and transactions are determined using a combination of current and historical rates and are reported directly in the consolidated statements of earnings.

Cash equivalents With the exception of restricted bank deposits that are classified as short-term investments, the company considers all highly liquid debt instruments with an original maturity of 91 days or less to be cash equivalents.

Investments In addition to cash equivalents, the company has investments in debt securities that are classified in the consolidated balance sheet as short-term (restricted bank deposits and securities that mature in more than 91 days but no more than one year) or long-term (maturities beyond one year). The company also has investments in equity securities, all of which are classified as long-term investments. All such investments are further categorized as being available-for-sale or are expected to be held-to-maturity. Investments categorized as available-for-sale are marked to market based on fluctuations in the market values of the securities, with the resulting adjustments, net of deferred taxes, reported as a component of other shareholders' equity until realized (see Note 17). Investments categorized as held-to-maturity are carried at amortized cost, without recognition of gains or losses that are deemed to be temporary, because the company has both the intent and the ability to hold these investments until they mature.

Inventories Inventories are valued at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for substantially all U.S. inventories and the first-in, first-out (FIFO) method for substantially all non-U.S. inventories.

Properties Property, plant and equipment are recorded at acquisition cost. Depreciation is computed principally on the straight-line method for financial reporting, while accelerated methods are used for income tax purposes where permitted. Maintenance and repair costs are charged to earnings as incurred. Costs of renewals and improvements are capitalized. Upon retirement or other disposition of property, any gain or loss is included in earnings.

Goodwill and other intangibles Goodwill represents the excess of the purchase cost over the fair value of net assets acquired in a business or product acquisition and is presented net of accumulated amortization. Amortization of goodwill is recorded on a straight-line basis over periods ranging primarily from 5 to 20 years. Rights acquired under patent are reported at acquisition cost. Amortization is calculated on a straight-line basis over the remaining legal lives of the patents. Other intangible assets are amortized over the useful lives of those assets.

Income taxes The company applies an asset and liability approach to accounting for income taxes. Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the financial statement and tax

bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The company provides deferred income taxes on subsidiaries' earnings that are not considered to be permanently invested in those subsidiaries.

Forward currency exchange contracts Forward currency exchange contracts are used for trading and hedging purposes. Contracts are marked to market each month with resulting trading gains and losses recognized in earnings. The carrying values of these derivative financial instruments are generally reported with other current assets or other current liabilities.

Accounting changes in 1993 Effective January 1, 1993, a new accounting standard was adopted on accounting for postemployment benefits. The cumulative effect of this change was $11,115 after tax ($.02 per share). Also, at the same time, the fiscal year of certain subsidiaries was changed from November 30 to December 31. This change reduced 1993 after-tax earnings by $7,791 ($.02 per share).

Other Employee stock options are accounted for pursuant to Accounting Principles Board Opinion No. 25. Statement of Financial Accounting Standards No. 121 relating to the impairment of long-lived assets becomes effective in 1996. The effect on the company of adoption of this statement cannot be determined at this time.

3. Restructuring charges

In association with the merger, the company recorded restructuring charges of $91,600 in the fourth quarter of 1995. The majority of these pertained to elimination of approximately 850 positions ($82,700). Expenditures related to these restructuring charges are expected to be substantially completed by the end of 1996. Additional restructuring charges will be recognized in subsequent reporting periods as additional actions are taken to restructure the company following the merger and decisions are made with respect to rationalization of facilities. Restructuring charges of $11,804 were recorded in the second quarter of 1995 related to a plant closure in Sweden.

In 1994, restructuring charges were recorded to write down certain intangible assets ($6,900) and for the closure of an ophthalmology operation ($12,937).

In 1993, restructuring charges of $268,658 were recorded to reflect the costs associated with a worldwide workforce reduction of approximately 1,500 employees ($136,109); elimination or reduction of excess manufacturing capacity ($31,631); write-downs of certain intangibles ($72,460) and facilities and equipment ($23,504); and other ($4,954). During 1995, the anticipated workforce reduction was completed. Certain plant closures recognized in the original 1993 accruals have not yet been completed and approximately $20,000 remains accrued.

4. Merger costs

The company recorded merger costs of $138,193 in the fourth quarter of 1995. Included in the charges are transaction costs of $68,751 and costs to combine operations of $69,442. Transaction costs include professional and registration fees. Costs to combine operations include expenses incurred for termination of two marketing agreements that conflicted with the merged operations and other nonrecurring costs associated with planning and executing the merger of operations. Additional charges are expected to be recognized in subsequent reporting periods as the merger is implemented.

5. Income taxes

Income taxes on continuing operations consisted of:

Years ended December 31	**1995**	*1994*	*1993*
Currently payable			
U.S.	**$ 82,241**	$ 106,298	$ 123,711
Non-U.S.	**224,266**	230,000	162,086
	306,507	336,298	285,797
Deferred			
U.S.	**19,538**	2,500	(58,779)
Non-U.S.	**71,655**	99,027	(9,875)
	91,193	101,527	(68,654)
	$397,700	$ 437,825	$217,143

Components of net deferred taxes were as follows:

December 31	**1995**	*1994*
Deferred tax assets attributable to:		
Taxed profit on intercompany transfers	**$ 116,729**	$ 107,754
Postretirement and postemployment benefits	**140,889**	148,685
Environmental and product liabilities	**100,950**	105,034
Employee benefit plans	**60,159**	59,947
Restructuring accruals	**82,380**	102,663
Alternative minimum tax carryforwards	**41,072**	41,645
Tax loss carryforwards	**51,507**	41,245
All other	**181,201**	156,643
Total deferred tax assets	**774,887**	763,616
Valuation allowances	**(154,483)**	(150,792)
Net deferred tax assets	**620,404**	612,824
Deferred tax liabilities attributable to:		
Property, plant and equipment	**(321,366)**	(292,314)
Swedish tax equalization and allocation reserves	**(159,927)**	(123,201)
Taxes to be withheld when earnings are remitted	**(73,889)**	(73,189)
Pension plans	**(78,128)**	(64,613)
All other	**(83,261)**	(52,218)
Total deferred tax liabilities	**(716,571)**	(605,535)
Net deferred taxes	**$ (96,167)**	$ 7,289

Deferred income taxes are included in the Consolidated Balance Sheets as follows:

December 31	**1995**	*1994*
Current assets	**$265,275**	$257,307
Other noncurrent assets	**120,080**	153,204
Current liabilities	**(34,836)**	(32,541)
Other noncurrent liabilities	**(446,686)**	(370,681)
Net deferred taxes	**$ (96,167)**	$7,289

Valuation allowances have been provided for deferred tax assets that are not likely to be realized, primarily those attributable to net operating loss carryforwards and restructuring accruals.

Tax laws in Sweden permit limited amounts of earnings to be retained in businesses without being subject to immediate taxation. Deferred income tax liabilities have been recorded with respect to the accumulated amounts of the untaxed earnings.

Earnings that have accumulated in Puerto Rico are subject to withholding taxes ranging from 3.5 percent to 10 percent that will be paid when the earnings are remitted. The amounts to be withheld have been recorded as deferred income tax liabilities.

At December 31, 1995, undistributed earnings of foreign subsidiaries considered permanently invested, for which deferred income taxes have not been provided, were $2,476,300. Of the subsidiary net operating loss carryforwards of $138,400, $35,100 have various expiration dates through 2000, while the remaining $103,300 have 15-year to indefinite expiration dates.

Differences between the effective income tax rate and the U.S. statutory tax rate were as follows:

Percent of Pretax Income	**1995**	*1994*	*1993*
Statutory tax rate	**35.0%**	35.0%	35.0%
Benefit of tax exemptions in Puerto Rico	**(5.5)**	(6.6)	(13.9)
Goodwill amortization and other non-deductible expenses	**6.9**	5.0	14.8
Utilization of net operating loss carryforwards	**(1.2)**	(2.3)	(2.8)
Changes in Swedish tax laws	**-**	3.4	(8.5)
All other, net	**(0.2)**	(0.1)	3.3
	35.0%	34.4%	27.9%

A manufacturing subsidiary operates in Puerto Rico under a tax exemption grant, expiring in 2009, which provides for partial exemption from Puerto Rico income and property taxes. The grant, together with a tax exemption available for U.S. federal income tax purposes, reduced income taxes by approximately $62,500 ($.12 per share) in 1995; $83,900 ($.17 per share) in 1994; and $108,100 ($.21 per share) in 1993.

6. Discontinued operations

In December 1994, the company sold Asgrow Seed Company. The sale represented the complete divestiture of all operations in the agronomic and vegetable seed businesses. A loss of $997, after provisions for tax, was realized on the sale, including accruals for certain retained liabilities.

In December 1993, the company sold the assets of Asgrow Florida Company. The sale represented the complete divestiture of the company's operations in the agricultural chemical business. The gain on the sale, amounting to $4,926 after provisions for tax, included accruals for certain retained liabilities.

In November 1993, the company divested its entire interest in BCP Branded Consumer Products AB (BCP) by distributing a share of BCP stock for each share of the stock held by former Pharmacia shareholders.

Operating revenue and earnings of the discontinued businesses were:

Period ended December 31	*1994*	*1993*
Operating revenue		
Agronomic and vegetable seeds	$221,393	$ 274,215
Agricultural chemical		84,517
BCP		1,396,467
Total	$221,393	$1,755,199
Earnings of discontinued operations		
Agronomic and vegetable seeds	$2,672	$ 6,112
Agricultural chemicals		3,894
BCP		31,152
Total	$2,672	$41,158
Earnings per common share - primary	$.01	$.08

7. Earnings per common share

Primary earnings per share are computed by dividing net earnings available to holders of common stock by the sum of the weighted average number of shares of common stock outstanding plus common share equivalents, principally in the form of employee stock option awards. Fully diluted earnings per share have been computed assuming that all of the convertible preferred stock is converted into common shares. Under this assumption, the weighted average number of common shares outstanding is increased and net earnings is reduced by the amount of an incremental Employee Stock Ownership Plan (ESOP) contribution. This incremental contribution is the net-of-tax difference between the income the ESOP would have received on the preferred stock and the assumed dividend yield to be earned on the common shares.

The number of shares used for computing primary and fully diluted earnings per share for years prior to the merger was based on weighted averages of the common shares deemed to be outstanding (see Note 17) plus the above-mentioned adjustments. The amounts were as follows (in thousands):

	1995	*1994*	*1993*
Primary	**507,124**	505,164	506,150
Fully diluted	**521,091**	518,106	518,463

8. Inventories

December 31	**1995**	*1994*
Estimated replacement cost (FIFO basis):		
Pharmaceutical and other finished products	**$ 487,955**	$ 404,983
Raw materials, supplies and work in process	**634,250**	622,474
	1,122,205	1,027,457
Less reduction to LIFO cost	**(146,651)**	(139,990)
Inventories	**$ 975,554**	$ 887,467

Inventories valued on the LIFO method had an estimated replacement cost (FIFO basis) of $358,216 at December 31, 1995, and $360,124 at December 31, 1994.

9. Investments

December 31	**1995**	*1994*
Short-term investments:		
Obligations of the Kingdom of Sweden	**$426,471**	$ 286,173
Restricted bank deposits	**309,041**	529,361
Bank certificates of deposit	**82,687**	122,500
Obligations of the Commonwealth of Puerto Rico	**53,466**	56,475
Obligations of the Government of Italy	**-**	62,939
Other	**101,991**	76,682
	$973,656	$1,134,130

Restricted bank deposits are held by banks that require such deposits be maintained in support of loans made to certain of the company's subsidiaries.

Long-term investments	**Cost**	**Unrealized Gains**	**Unrealized Losses**	**Carrying Value**
December 31, 1995				
Available-for-sale (marked-to-market)				
Equity securities	**$102,525**	**$37,297**	**$18**	**$139,804**
Mortgage-backed securities guaranteed by the U.S. Government	**239,756**	**8,092**	**-**	**247,848**
	$342,281	**$45,389**	**$18**	**387,652**
Held-to-maturity (amortized cost)				**327,696**
				$715,348
December 31, 1994				
Available-for-sale (marked-to-market)				
Equity securities	$141,546	$803	$21,291	$121,058
Held-to-maturity (amortized cost)				647,092
				$768,150

Long-term investments held-to-maturity are summarized as follows:

December 31	**Fair Value**	**1995 Amortized Cost**	*Fair Value*	*1994 Amortized Cost*
Guaranteed by the U.S. Government	**$91,578**	**$91,484**	$308,992	$328,777
Obligations of the Commonwealth of Puerto Rico	**90,383**	**88,612**	90,961	93,028
Bank obligations:				
Certificates of deposit	**89,489**	**87,600**	157,256	160,287
Other	**61,557**	**60,000**	62,514	65,000
	$333,007	**$327,696**	$619,723	$647,092

At December 31, 1995, scheduled maturities of long-term securities to be held to maturity were as follows:

	Fair value	**Cost**
One to five years	**$196,863**	**$192,200**
Six to ten years	**100,031**	**99,727**
After ten years	**36,113**	**35,769**
	$333,007	**$327,696**

Unrealized net gains (net of deferred taxes) included in other shareholders' equity amounted to $30,859 at December 31, 1995, compared to unrecognized losses (net of deferred taxes) of $14,597 at December 31, 1994.

At December 31, 1995, the company wrote down to fair market value certain equity security investments. The write-down amounted to $58,570 and was due to a decline in fair value considered to be other than temporary. The write down is included in marketing, administrative and other expense.

The proceeds realized from the sale of available-for-sale equity securities amounted to $9,108 and $5,445 during 1995 and 1994, respectively. Based on cost, gains of $4,204 and $2,982 were realized on these sales.

At December 31, 1995, mortgage-backed securities previously categorized as being held-to-maturity were recategorized as available-for-sale. Accordingly, this group of securities has been marked to market with the resulting adjustment reported with other shareholders' equity (see Note 17). Election of this option does not affect the classfication of the balance of the securities in the portfolio as the company retains the intent and ability to hold those securities until they mature.

10. Properties, net

December 31	**1995**	*1994*
Land	**$ 133,036**	$ 123,223
Buildings and leasehold improvements	**1,940,398**	1,816,530
Equipment	**3,147,319**	2,887,584
Construction in process	**657,877**	449,856
Less allowance for depreciation	**(2,485,405)**	(2,202,727)
	$ 3,393,225	$ 3,074,466

11. Lines of credit and long-term debt

The company has lines of credit amounting to $650,000 that are available to support commercial paper borrowings and for other corporate purposes, with $150,000 available through 1997 and $500,000 available through 1999. These lines of credit do not require compensating balances but are subject to various fees.

Long-term debt consisted of the following:

December 31	**1995**	*1994*
4.6-5.06% Industrial Revenue Bonds due 2007-2009	**$ 16,420**	$ 13,500
7.5% Industrial Revenue Bonds due 2023	**40,000**	40,000
5.35-7.95% Medium-Term Notes due 1997-1999	**266,000**	266,000
5.875% Notes due 2000	**200,000**	200,000
2.052-11.85% Italian Government Loans due 1996-2004	**82,330**	89,866
3.34% Export finance due 1996	**32,642**	52,720
Convertible debenture loan	**-**	29,059
Other	**22,684**	28,211
Current maturities	**(56,968)**	(41,163)
Total long-term debt	**$603,108**	$678,193

Current maturities of long-term debt are included with short-term debt in the consolidated balance sheets. Annual aggregate maturities of long-term debt during the four years subsequent to 1996 are: 1997- $50,156; 1998 – $173,800; 1999 – $91,250; and 2000 – $209, 575.

The Company has guaranteed $275,000 original principal amount of ESOP 9.79% notes due in 2004. Principal payments that began in 1995 constitute compensation expense (see Note 18). Annual aggregate maturities of guaranteed debt during the five years subsequent to 1995 are 1996 - $7,600; 1997 - $11,500; 1998 - $16,000; 1999 - $22,000; and 2000 - $28,000.

Information regarding interest expense and weighted average interest rates follows:

Years ended December 31	**1995**	*1994*	*1993*
Interest cost incurred	**$121,663**	$137,445	$206,798
Less capitalized on construction	**(27,524)**	(25,328)	(24,284)
Interest expense	**$ 94,139**	$112,117	$182,514
Weighted average interest rate on short-term borrowings at end of period	**9.63 %**	10.49%	8.68%

12. Commitments and other contingent liabilities

Future minimum payments under noncancellable operating leases at December 31, 1995, approximately 57 percent real estate and 43 percent equipment, are: 1996 - $99,040; 1997 - $65,540; 1998 - $40,970; 1999 - $23,573; 2000 - $20,973; and later years - $39,716.

Capital asset spending approved for construction and equipment but unexpended at December 31, 1995, was approximately $390,000.

The company has committed to make a series of investments, as certain progress goals are met, in a company that intends to manufacture a hemoglobin-based oxygen carrier. These investments could aggregate $179,000 over a period of years. As of December 31, 1995, the company has invested approximately $101,000. Also, pursuant to the agreement, the company has committed to conduct clinical development.

The consolidated balance sheets also include accruals for estimated product and environmental liabilities. The latter includes exposures related to discontinued operations, including the industrial chemical facility and several "Superfund" sites (see Note 13).

13. Litigation

The company is involved in a number of legal and environmental proceedings. These include: a substantial number of product liability suits claiming damages as a result of the use of the company's products, including a number of cases involving Halcion; administrative and judicial proceedings at approximately 40 "Superfund" sites; and site cleanup at the company's discontinued industrial chemical operations.

While it is not possible to predict or determine the outcome of legal actions brought against the company, or the ultimate cost of environmental matters, the company believes that the unaccrued costs and liabilities associated with such matters will not have a material adverse effect on the company's consolidated financial position; and unless there is a significant deviation from the historical pattern of resolution of these issues, there should not be a material adverse effect on the company's results of operations or liquidity. The company is a party, along with many other U.S. drug manufacturers and wholesalers, in numerous related federal and state civil antitrust lawsuits brought by U.S. independent and chain retail pharmacies and consumers. These suits claim violations of antitrust and pricing laws as a result of the defendants providing discounts and rebates to allegedly favored managed care customers that were not offered to the plaintiffs. Several of the suits are class actions. The first trial, a class action pending in federal court in Chicago, Illinois, is scheduled to begin in May 1996. The company believes it has meritorious defenses, and although potential liability cannot presently be estimated, a majority of the defendants in this class action (not including the company) have recently agreed to $10,000 to $60,000 settlements of claims against them in this action, and are awaiting court approval of the settlements.

14. Currency risk management

The company utilizes forward currency exchange contracts in conjunction with its currency risk management programs. These programs include the creation of designated hedges of net recorded currency transaction exposures and the trading of contracts based on anticipated currency transaction exposures of certain significant U.S. and non-U.S. subsidiary operations.

The company's program to hedge net currency transaction exposures is designed to protect operating results and cash flows from potentially adverse effects of currency exchange rate fluctuations related to intercompany and selected third-party transactions. The hedging activities seek to limit this risk by offsetting gains and losses on underlying exposures with losses and gains on the instruments utilized to create the hedges.

At December 31, 1995, the notional amount of the company's outstanding forward currency exchange contracts held for the balance sheet financial exposure hedge program was $ 1,304,678. Of these contracts, 53 percent were denominated in European currencies, 31 percent denominated in U.S. dollars and 6 percent in Japanese yen, all

against Swedish kronor; 6 percent denominated in European currencies against U.S. dollars; and 4 percent denominated in European currencies against Japanese yen.

At December 31, 1995, the notional amount of the company's outstanding forward currency exchange contracts held for the trading program was $463,275. Of these contracts, 48 percent were denominated in Japanese yen, 12 percent were denominated in U.S. dollars, 37 percent were denominated in European currencies, and 3 percent were denominated in Australian dollars, all against Swedish kronor and Italian lira. The average fair value of contracts held during 1995 was a net of $9,729. The fair value at December 31, 1995, was a net asset of $27,451 and the net gain realized from the trading program in 1995 was $57,866.

These contracts generally have maturities that do not exceed 12 months and require the company to exchange currencies at agreed-upon rates at maturity. The counterparties to the contracts consist of a limited number of major international financial institutions. The company does not expect any losses from credit exposure.

15. Fair value of financial instruments

The carrying amounts and estimated fair values of the company's financial instruments were as follows:

	1995		1994	
December 31	**Carrying Amount**	**Fair Value**	*Carrying Amount*	*Fair Value*
Financial assets				
Short-term investments	**$973,656**	**$973,656**	$1,134,130	$1,134,130
Long-term investments	**715,348**	**720,659**	768,150	740,781
Forward currency exchange contracts				
Designated hedges	**27,929**	**27,929**	15,888	15,888
Trading	**27,451**	**27,451**	11,518	11,518
Financial liabilities				
Short-term debt	**524,429**	**524,429**	766,027	766,027
Long-term debt	**603,108**	**618,499**	678,193	647,216
Guaranteed ESOP debt	**267,200**	**319,138**	274,800	293,000

Because maturities are short-term, fair values approximate carrying amounts for cash and cash equivalents, short-term investments, accounts receivable, short-term debt, and accounts payable. Fair values of forward currency exchange contracts, long-term investments, long-term debt, and guaranteed ESOP debt were estimated based on quoted market prices for the same or similar instruments or discounted cash flows.

16. Concentrations of credit risk

The company invests excess cash in deposits with major banks throughout the world and in high-quality short-term liquid instruments. Such investments are made only in instruments issued or enhanced by high-quality financial institutions (investment grade or better). Amounts invested in a single institution are limited to minimize risk. The company has not incurred losses related to these investments.

The company sells a broad range of pharmaceutical products to a diverse group of customers operating throughout the world. In the U.S. and Japan, the company makes substantial sales to relatively few large wholesale customers. Credit limits, ongoing credit evaluation and account monitoring procedures are utilized to minimize the risk of loss. Collateral is generally not required.

17. Shareholders' equity

Preferred Stock - The Series A Convertible Perpetual Preferred Stock is held by the

Employee Stock Ownership Trust (ESOP Trust). The terms of the Series A Preferred Stock are equivalent to the terms of the Series B Convertible Perpetual Preferred Stock that had been issued by Upjohn, which was exchanged for the new preferred stock on a one-for-one basis in connection with the merger. The per-share stated value is $40,300, and the preferred stock ranks senior to the company's common stock as to dividends and liquidation rights. Each share is convertible, at the holder's option, into 1,450 shares of the company's common stock and has voting rights equal to 1,450 shares of common stock. The company may redeem the preferred stock at any time after July 20, 1999, or upon termination of the ESOP at a minimum price of $40,300 per share. Dividends, at the rate of 6.25 percent, are cumulative, paid quarterly and charged against retained earnings.

Common Stock - The number of common shares outstanding at December 31, 1995, was 506,625,800. The number of common shares deemed to be outstanding, for purposes of these financial statements at December 31, 1994 and 1993, was 504,707,825 and 505,114,503, respectively.

A dividend of $.27 per share was declared on common stock in December 1995, payable in February 1996.

Capital in Excess of Par Value – Amounts of paid-in capital that exceed the par value ($.01 per share) of the company's common stock are recorded in this account, including all such amounts that were attributed to previously outstanding Pharmacia common shares and Upjohn common stock. This method was followed for all periods covered by the financial statements, because the new common stock is assumed to have been outstanding for all periods preceding the merger.

Note Receivable from ESOP Trust- The note matures on February 1, 2005; bears interest at 6.25 percent; and may be repaid, in whole or in part, at any time. Accrued interest at the end of any calendar year shall be added to the note principal.

ESOP Deferred Compensation - Upon recognition of the company's guarantee of the debt of the ESOP Trust, an offsetting charge was made to shareholders' equity. To the extent the company recognizes expense more rapidly than the corresponding cash contributions are made, this account is reduced. The account has diminished because the company's ESOP Trust debt guarantee commitment declined beginning in 1995 (see Notes 11 and 18).

Currency Translation Adjustments – This account includes all adjustments that arise from translating the financial statements of non-U.S. subsidiaries from local currencies into U.S. dollars (see Note 2).

Other Shareholders' Equity – At December 31, 1995, other shareholders' equity is comprised of net unrealized gains (net of deferred taxes) relating to investments categorized as available-for-sale and marked-to-market of $30,859 and treasury stock of $18.

Shareholder Rights Plan - Each share of the former Upjohn common stock included one-third of a right, which entitled the holder to purchase additional shares of Upjohn stock under specified limited circumstances. In connection with the merger, the rights were redeemed for $.05 per right, pursuant to the rights plan. A total of $2,869 was paid to former Upjohn shareholders and has been included in dividends declared and charged against retained earnings.

18. Employee stock ownership plan (ESOP)

The ESOP is a funding vehicle for the Employee Savings Plan covering certain U.S. employees. As the ESOP Trust makes debt principal and interest payments, a proportionate amount of preferred stock is released for allocation to plan participants. The preferred shares are allocated to participants' accounts based upon their respective savings plan contributions and the dividends earned on their previously allocated preferred shares. As of December 31, 1995, 1,204.8 preferred shares had been released and allocated; 255.0 shares were released but unallocated; and 5,760.1 shares remained unreleased, of which 76.4 shares are committed to be released.

Under the agreement whereby the company guaranteed third-party debt of the ESOP Trust, the company is obligated to contribute sufficient cash annually to the Trust to enable it to make required principal and interest

payments. The company satisfies this annual cash flow requirement through payment of dividends on all preferred shares outstanding plus cash contributions. The company has fully and unconditionally guaranteed the ESOP Trust's payment obligations whether at maturity, upon redemption, upon declaration of acceleration, or otherwise. The holders of the debt securities have no recourse against the assets of the ESOP Trust except in the event that the Trust defaults on payments due and the company also fails to make such payments. In that event, the holders may have recourse against unallocated funds held by the Trust. At December 31, 1995, assets of the ESOP Trust consisted primarily of $290,778 of Pharmacia & Upjohn, Inc., Series A Convertible Perpetual Preferred Stock.

ESOP expense is determined as follows: A portion of future debt principal payments is attributed to each year of the plan based on the number of shares allocated during the period. This accelerated principal amount is combined with debt interest and factored by 80 percent. From this formula-driven amount, the company deducts interest earned on the note receivable from the ESOP Trust and dividends paid on all preferred stock held by the Trust to arrive at net ESOP expense.

Key measures of the ESOP were:

Years ended December 31	**1995**	*1994*	*1993*
Interest expense of ESOP Trust	**$29,018**	$28,895	$28,779
Dividend income of ESOP Trust	**18,268**	18,489	18,606
Company contribution to ESOP Trust	**8,114**	8,001	7,870
Company ESOP expense (net)	**13,705**	13,368	12,344

19 Employee stock options

Employee stock options have a 10-year duration and are exercisable after one year of employment, following the grant date. At December 31, 1995, 789 current and former employees held options for 12,570,699 shares, of which 11,844,223 were exercisable. Options for 2,730,225 shares, 5,078,167 shares and 7,747,801 shares were available for future grants at December 31, 1995, 1994 and 1993, respectively. A new provision, effective in 1996, changes the number of shares authorized and available for granting each year to equal 1.25% of the outstanding common shares.

Under the plan, upon the stock-for-stock exercise of any nonqualified or incentive stock options, an active employee will receive a new, nonqualified "reloaded" stock option at the then-current market price for the number of shares surrendered to exercise an option. The "reloaded" stock option will have an exercise term equal to the time remaining of the original exercised option. Officers subject to certain requirements under U.S. securities law, have a four-year period before their shares become exercisable, while other participants have a six-month waiting period.

Changes in outstanding options were as follows:

	Option price per share	*Number of shares*
Balance outstanding, January 1, 1993	$ 6.15-31.81	10,379,334
Granted	19.44-22.24	3,084,792
Exercised	6.15-21.90	(69,920)
Canceled	6.51-31.81	(706,085)
Balance outstanding, December 31, 1995	$ 6.51-31.81	12,688,121
Granted	19.74-24.78	2,795,195
Exercised	6.51-24.23	(399,755)
Canceled	6.51-31.81	(785,120)
Balance outstanding, December 31, 1994	$ 8.50-31.81	14,298,441
Granted	20.60-39.69	2,558,295
Exercised	8.50-39.69	(4,075,684)
Canceled	17.07-39.69	(210,353)
Balance outstanding, December 31, 1995	**$ 8.50-39.69**	**12,570,699**

In accordance with the terms of the merger, the numbers of shares and option prices for options outstanding prior to the merger were adjusted to give effect to the exchange ratio of one Upjohn share for 1.45 shares of the company's common stock.

20. Retirement benefits

The company has various pension plans covering substantially all employees. Benefits provided under the defined benefit pension plans are primarily based on years of service and the employee's compensation. The following table summarizes the funded status of the material defined benefit plans:

December 31	1995 Assets Exceed Accumulated Benefits	1995 Accumulated Benefits Exceed Assets	1994 Assets Exceed Accumulated Benefits	1994 Accumulated Benefits Exceed Assets
Accumulated benefit obligation	**$ 736,302**	**$ 170,828**	$ 594,258	$ 146,572
Projected benefit obligation	**$ 957,898**	**$ 241,127**	$ 823,433	$ 185,356
Plan assets at fair value	**1,178,026**	**13,987**	986,909	14,013
Plan assets in excess of (less than) projected benefit obligation	**220,128**	**(227,140)**	163,476	(171,343)
Unrecognized net losses	**20,124**	**14,744**	58,539	1,016
Unamortized net transition amount	**(85,113)**	**5,279**	(96,638)	5,355
Unrecognized prior service cost	**37,256**	**174**	40,084	3,284
Prepaid (accrued) pension cost	**$ 192,395**	**$ (206,943)**	$ 165,461	$(161,688)
Actuarial assumptions				
U.S.				
Discount rate		**7.5%**		8.5 - 9.0%
Salary growth rate		**4.0 - 6.5%**		4.25 - 6.5%
Return on plan assets		**8.5 - 9.5%**		8.0 - 9.5%
Non-U.S.				
Discount rate		**5.5 - 9.5%**		6.0 - 9.5%
Salary growth rate		**3.5 - 7.5%**		3.3 - 7.5%
Return on plan assets		**4.75-10.0%**		4.75-10.0%

The assets of the U.S. plans, which comprise the majority of the combined plan assets, are invested approximately two-thirds in equity securities. Fair value is determined principally by reference to publicly quoted year-end prices. The lowering of the discount rate in 1995 for U.S. plans to 7.5 percent will not have a material effect on future years' expense.

The principal pension obligations outside the U.S. are the defined benefit plans which cover essentially all employees in the company's Swedish operations. These plans (Swedish FPG/PRI pensions) form part of a Swedish secured multi-employer pension plan which is centrally administered. The level of benefits and actuarial assumptions are established jointly for all plans, and cannot unilaterally be changed by the company.

The consolidated net pension expense amounts reflected below are exclusive of the added costs associated with early retirement inducements offered in 1993. These incremental charges of $15,000 before tax in 1993 were included in restructuring costs.

Years ended December 31	1995	1994	1993
Service cost - benefits earned during the year	**$ 42,640**	$ 53,234	$ 46,543
Interest cost on projected benefit obligation	**79,967**	77,349	75,595
Actual return on plan assets	**(231,194)**	5,932	(137,825)
Net amortization and deferral	**133,590**	(93,461)	56,092
Net pension expense	**$ 25,003**	$ 43,054	$ 40,405

21. Other postretirement and postemployment benefits

The company provides nonpension benefits to eligible retirees and their dependents, primarily in the form of medical and dental benefits.

The following table summarizes the funded status of these plans operating principally in the U.S.:

December 31	**1995**	*1994*
Actuarial present value of benefit obligation:		
Retirees	**$190,637**	$147,566
Fully eligible active participants	**9,629**	11,045
Other active participants	**178,510**	161,487
Accumulated postretirement benefit obligation	**378,776**	320,098
Plan assets at fair value	**111,116**	73,312
Accumulated postretirement benefit obligation in excess of plan assets	**267,660**	246,786
Unrecognized net gains	**54,393**	86,162
Unrecognized prior service cost	**50,932**	52,216
Accrued postretirement benefit cost	**$372,985**	$385,164
Actuarial assumptions:		
Discount rate	**7.5%**	8.5%
Return on plan assets	**9.5%**	9.5%
Weighted average health care cost trend rates:		
Initially	**7.0%**	7.5%
Trending down to	**5.25%**	5.5%

The plan assets are presently invested in long-term securities. The fair value was established by the trustee of the fund.

The composition of expense for the postretirement benefit plan is as follows:

Years ended December 31	**1995**	*1994*	*1993*
Service cost	**$ 9,105**	$ 11,969	$ 14,764
Interest cost	**26,908**	25,438	31,933
Actual return on plan assets	**(18,439)**	766	(2,914)
Net amortization and deferral	**5,786**	(10,137)	(324)
	23,360	28,036	43,459
Portion attributable to discontinued operations	**-**	(1,435)	(2,294)
Net postretirement benefit cost, continuing operations	**$ 23,360**	$ 26,601	$ 41,165

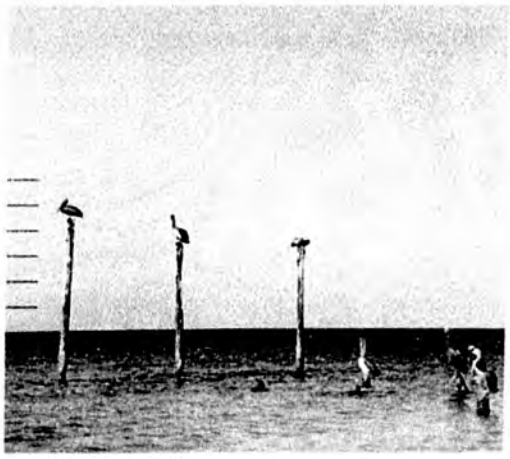
The assumption concerning health care cost trend rate has a significant effect on the amounts reported. For example, increasing the rate by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1995, by approximately $45,000 and the total of service and interest cost components of net postretirement benefit cost for the year then ended by appproximately $5,200. The lowering of the discount rate in 1995 will not have a material effect on future years' expense.

22. Segment and geographic information

The company operates in one industry, pharmaceutical products, which includes prescription and nonprescription products for both humans and animals. The company's products are sold throughout the world to a wide range of customers including pharmacies, hospitals, chain warehouses, governments, physicians, and wholesalers and other distributors. No single customer accounts for 10 percent or more of the company's consolidated sales.

The table below shows the company's operations by geographic area. All the sales are presented by originating area. U.S. exports to third-party customers are less than 10 percent of U.S. sales. Sales between geographic areas are priced to reflect consideration of economic circumstances and the regulations of countries in which the transferring entities are located. These transfers are eliminated in consolidation.

Geographic areas for years ended December 31	**1995**	*1994*	*1993*
Sales to customers (includes exports):			
United States	**$ 2,205,208**	$ 2,428,585	$2,576,782
Sweden	**643,706**	603,283	655,351
Other Europe	**2,655,852**	2,378,568	2,150,390
Japan and Pacific	**1,047,689**	903,567	758,953
Other	**396,614**	390,357	366,011
Interarea transfers from:			
United States	**569,170**	494,501	452,600
Sweden	**1,011,938**	856,239	755,474
Other Europe	**635,106**	565,784	498,404
Japan and Pacific	**21,161**	11,062	6,790
Other	**20,721**	22,180	23,319
Eliminations	**(2,258,096)**	(1,949,766)	(1,736,587)
	$ 6,949,069	$ 6,704,360	$6,507,487
Earnings from continuing operations before income taxes:			
United States	**$ 398,623**	$ 563,435	$ 508,487
Sweden	**300,763**	290,335	310,477
Other Europe	**308,091**	296,493	(107,280)
Japan and Pacific	**89,265**	49,116	56,627
Other	**39,651**	71,897	9,425
	$ 1,136,393	$ 1,271,276	$ 777,736
Identifiable assets, December 31:			
United States	**$ 4,291,947**	$ 4,227,195	$3,801,895
Sweden	**3,315,370**	2,875,230	2,513,289
Other Europe	**2,808,482**	2,901,311	2,378,874
Japan and Pacific	**800,559**	736,405	714,411
Other	**244,243**	206,987	207,809
Discontinued operations (net)	**-**	-	278,344
	$11,460,601	$10,947,128	$9,894,620

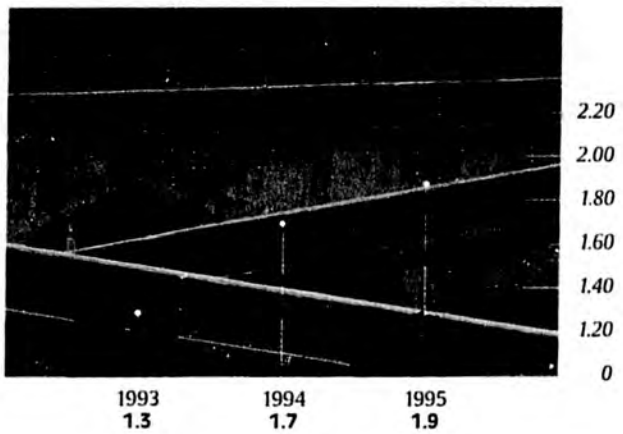


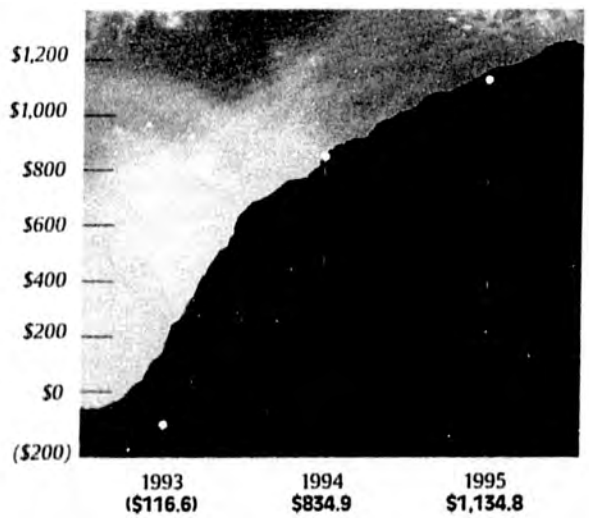
Debt to total capitalization

Short-term and long-term debt, as a percentage of short-term and long-term debt plus minority equity and shareholders' equity.

Current ratio

Total current assets divided by total current liabilities.





Net financial assets (Millions of dollars)

Cash, cash equivalents and investments less short-term and long-term debt.

Five-year summary of operations

U.S. Dollar amounts in thousands, except per-share data

Years ended December 31	**1995**	*1994*	*1993*	*1992*	*1991*
Operating results:					
Net sales	**$ 6,949,069**	$ 6,704,360	$ 6,507,487	$ 5,909,845	$ 5,291,734
Other revenue	**145,550**	118,422	53,271	28,560	21,809
Operating revenue	**7,094,619**	6,822,782	6,560,758	5,938,405	5,313,543
Cost of products sold	**1,980,038**	1,889,854	1,822,255	1,623,346	1,414,510
Research and development	**1,253,566**	1,162,752	1,144,043	940,123	785,009
Marketing, administrative and other	**2,616,557**	2,586,635	2,596,287	2,392,305	2,183,857
Restructuring charges	**103,404**	19,837	268,658	46,276	57,706
Merger costs	**138,193**	-	-	-	-
Operating costs and expenses	**6,091,758**	5,659,078	5,831,243	5,002,050	4,441,082
Operating income	**1,002,861**	1,163,704	729,515	936,355	872,461
Interest income	**216,651**	157,254	227,318	247,601	165,959
Interest expense	**(94,139)**	(112,117)	(182,514)	(135,523)	(118,760)
Currency exchange gains (losses)	**13,071**	22,121	(2,248)	(98,563)	11,471
All other, net	**(2,051)**	40,314	5,665	(2,475)	(21,472)
Earnings from continuing operations before income taxes	**1,136,393**	1,271,276	777,736	947,395	909,659
Provision for income taxes	**397,700**	437,825	217,143	243,643	306,840
Earnings from continuing operations	**738,693**	833,451	560,593	703,752	602,819
Discontinued operations, net	**-**	1,675	46,084	(129,393)	164,767
Cumulative effect of accounting changes (net of tax)	**-**		(18,906)	(222,895)	-
Net earnings	**738,693**	835,126	587,771	351,464	767,586
Dividends on preferred stock (net of tax)	**12,541**	12,291	12,125	12,084	12,356
Net earnings on common stock	**$ 726,152**	$ 822,835	$ 575,646	$ 339,380	$ 755,230
Net earnings per common share					
Primary	$ 1.43	$ 1.63	$ 1.14	$ .67	$ 1.48
Financial position:					
Cash and cash equivalents	**$ 840,525**	$ 651,660	$ 393,276	$ 373,205	$ 543,542
Short-term investments	**973,656**	1,134,130	446,790	1,176,067	669,612
Trade accounts receivable, net	**1,535,409**	1,480,251	1,415,642	1,272,492	1,109,012
Inventories	**975,554**	887,467	833,256	727,995	735,249
Other current assets	**648,466**	651,185	559,024	435,460	480,293
Current assets	**4,973,610**	4,804,693	3,647,988	3,985,219	3,537,708
Net assets of discontinued operations	**-**	-	278,344	1,988,867	2,644,009
Properties	**3,393,225**	3,074,466	2,906,275	2,517,035	2,495,573
Goodwill and other intangible assets, net	**1,722,157**	1,795,430	1,843,065	1,556,291	1,812,656
Other noncurrent assets	**1,371,609**	1,272,539	1,218,950	825,715	854,896
Total assets	**11,460,601**	10,947,128	9,894,620	10,873,127	11,344,642
Short-term debt, including current maturities of long-term debt	**524,429**	766,027	769,181	500,170	215,511
Other current liabilities	**2,115,499**	2,110,089	2,000,705	2,076,486	1,572,630
Long-term debt and ESOP debt	**870,308**	952,993	949,963	738,549	918,528
Other noncurrent liabilities	**1,563,158**	1,507,643	1,410,472	1,158,456	949,269
Shareholders' equity	**6,387,207**	5,610,376	4,764,299	6,399,466	7,688,704
Total liabilities and Shareholders' equity	**$11,460,601**	$10,947,128	$ 9,894,620	$10,873,127	$11,344,642

Quarterly data

U.S. Dollar amounts in thousands, except per-share data				
1995 (unaudited)	*First quarter*	*Second quarter*	*Third quarter*	*Fourth quarter*
Net sales	**$1,681,265**	**$1,770,306**	**$1,692,726**	**$1,804,772**
Other revenue	**58,019**	**37,221**	**28,799**	**21,511**
Operating revenue	**1,739,284**	**1,807,527**	**1,721,525**	**1,826,283**
Cost of products sold	**480,163**	**492,400**	**494,336**	**513,139**
Research and development	**294,577**	**323,666**	**303,503**	**331,820**
Marketing, administrative & other	**600,469**	**670,659**	**648,087**	**697,342**
Restructuring charges	**-**	**11,804**	**-**	**91,600**
Merger costs	**-**	**49**	**1,870**	**136,274**
Operating income	**364,075**	**308,949**	**273,729**	**56,108**
Interest income	**44,886**	**53,704**	**57,631**	**60,430**
Interest expense	**(22,077)**	**(22,926)**	**(24,929)**	**(24,207)**
Currency exchange (losses) gains	**(31,703)**	**7,396**	**39,038**	**(1,660)**
All other, net	**(262)**	**(1,295)**	**(771)**	**277**
Earnings before income taxes	**354,919**	**345,828**	**344,698**	**90,948**
Provision for income taxes	**117,100**	**114,100**	**113,800**	**52,700**
Net earnings	**237,819**	**231,728**	**230,898**	**38,248**
Dividends on preferred stock (net of tax)	**3,068**	**3,118**	**3,109**	**3,246**
Net earnings on common stock	**$ 234,751**	**$ 228,610**	**$ 227,789**	**$ 35,002**
Net earnings per common share:				
Primary	**$.46**	**$.45**	**$.45**	**$.07**
Fully diluted	**$.46**	**$.44**	**$.44**	**$.07**
1994 (unaudited)				
Net sales	$1,648,732	$1,700,976	$1,618,083	$1,736,569
Other revenue	33,137	14,646	37,028	33,611
Operating revenue	1,681,869	1,715,622	1,655,111	1,770,180
Cost of products sold	448,420	479,140	483,758	478,536
Research and development	285,391	280,114	280,633	316,614
Marketing, administrative & other	639,156	642,879	588,616	715,984
Restructuring charges	-	-	6,900	12,937
Operating income	308,902	313,489	295,204	246,109
Interest income	33,750	38,892	39,183	45,429
Interest expense	(28,534)	(30,182)	(28,937)	(24,464)
Currency exchange gains (losses)	9,891	(7,037)	10,364	8,903
All other, net	2,188	(2,688)	38,016	2,798
Earnings from continuing operations before income taxes	326,197	312,474	353,830	278,775
Provision for income taxes	112,342	107,616	121,859	96,008
Earnings from continuing operations	213,855	204,858	231,971	182,767
Discontinued operation, net	10,864	2,016	(5,694)	(5,511)
Net earnings	224,719	206,874	226,277	177,256
Dividends on preferred stock (net of tax)	3,037	3,089	3,005	3,160
Net earnings on common stock	$ 221,682	$ 203,785	$ 223,272	$ 174,096
Net earnings per common share:				
Primary: continuing	$.42	$.40	$.45	$.36
net	$.44	$.40	$.44	$.35
Fully diluted: continuing	$.41	$.40	$.44	$.35
net	$.43	$.40	$.43	$.34

Members of the Board



Jan Ekberg*
Chairman of the Board



John L. Zabriskie Ph.D.*
President and Chief Executive Officer



Richard H. Brown*
President and Chief Executive Officer, H&R Block, Inc.



Frank C. Carlucci †
Chairman, the Carlyle Group



Gustaf Douglas
Chairman and principal owner of Investment AB Latour



M. Kathryn Eickhoff †
President, Eickhoff Economics Inc.



Daryl F. Grisham
President and Chief Executive Officer, Parker House Sausage Company



Sören Gyll*
President and Chief Executive Officer, AB Volvo



William E. LaMothe
Former Chairman of the Board and Chief Executive of Kellogg Company



Göran Linden †
Chairman of Partena AB, Retriva AB, Procordia Fastigheter AB, and Swedish Match AB



Berthold Lindqvist
President and Chief Executive Officer, Gambro AB



Olof Lund*
President and Chief Executive Officer, Celsius AB, and Chairman, AssiDomän AB



William D. Mulholland*
Former Chairman of the Board and Chief Executive Officer, the Bank of Montreal



William U. Parfet
Co-Chairman, MPI Research, and President and Chief Executive Officer, Richard-Allen Medical Industries, Inc.



Ulla Reinius †
President of Finansfakta AB



Bengt Samuelsson
Professor of Medical and Physiological Chemistry

* Member, Executive Committee
† Member, Audit Committee

Annual meeting
The annual meeting of shareholders of Pharmacia & Upjohn, Inc., a Delaware corporation, will be held on May 6, 1996, at 3:00 p.m. local time, in Stockholm, Sweden.

An informational meeting for shareholders will be held at the Radisson Plaza Hotel, Kalamazoo, Michigan, U.S.A., May 8, 1996, at 10:00 a.m. E.D.T.

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Wilmington, Delaware 19801
U.S.A.

Transfer agent, registrar and dividend disbursing agent
Harris Trust and Savings Bank
P.O. Box 755
Chicago, Illinois 60690
U.S.A.

Stock exchange
Shares are listed on the New York Stock Exchange (PNU) and the Stockholm Exchange (PH&U).

Independent accountants
Coopers & Lybrand L.L.P.
Chicago, Illinois
U.S.A.

KPMG Peat Marwick LLP
Chicago, Illinois
U.S.A.

S.E.C. Form 10-K Report
A copy of the company's 1995 Form 10-K Annual Report to the Securities and Exchange Commission, without exhibits, is available to shareholders at no charge.
Send requests to:

Robert C. Salisbury
Executive Vice President,
Finance and Administration, and Chief Financial Officer
Pharmacia & Upjohn, Inc.
Knyvett House
The Causeway, Staines
Middlesex, TW18 3BA
United Kingdom

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Trademarks
The following trademarks of The Upjohn Company are mentioned in this report:
Ansaid, Atgam, Camptosar, Caverject, Cleocin, Colestid, Cortaid, Corvert, Dalacin, Depo-Provera, Dramamine, Enviracor, Excenel, Freedox, Glynase, Halcion, Kaopectate, Linco-Spectin, Lincomix, Lutalyse, Medrol, MGA, Micronase, Motrin, Motrin IB, Mycitracin, Naxcel, Pirsue, Promedrol, Provera, Regaine 5, Regaine, Remisar, Rescriptor, Rogaine 5, Rogaine, Solu-Medrol, Vantin, Xanax, Xanax XR

The following trademarks of Pharmacia are mentioned in this report:
Adriamycin, BIAcore, CDTect, Estring, Farmorubicin, Fenuril, Genotropin, Glamin, Healon, Intralipid, Linomide, Microlax, Mycobutin, Nicorette, Nicotrol, Oxigard, Pharmacia CAP System, Salazopyrin, Sermion, Treo, UniCAP, Xalatan

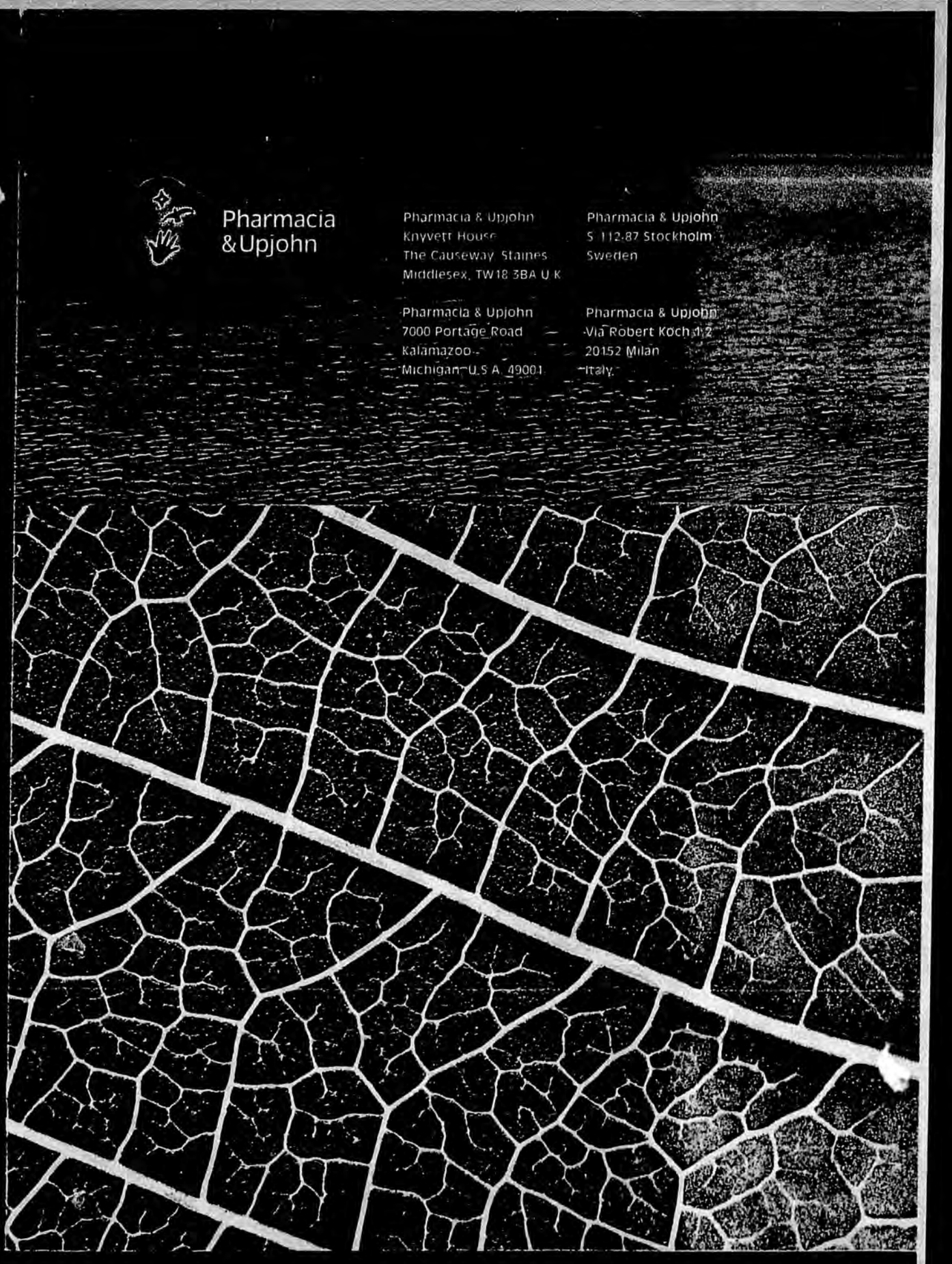
The following trademark of Abbott Laboratories is mentioned in this report:
Ogen

The following trademark of Burroughs Wellcome Co. is mentioned in this report:
Zovirax

The following trademark of Hoechst-Roussel is mentioned in this report:
Doxidan

The following trademark of Biopure Corporation is mentioned in this report:
Hemopure

The following trademark of Merck, Sharpe & Dohme is mentioned in this report:
Pepcid



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Italy

Glaxo Wellcome is a research-based company
whose people are committed to fighting disease
by bringing innovative medicines and services
to patients throughout the world and
to the healthcare providers who serve them.



Process operator Alec Simpson, a member of the team manufacturing *Epivir* (3TC) at the Glaxo Wellcome facility at Ulverston, UK. To meet demand, production continues around the clock, 365 days a year. Studies show that the combination of *Epivir* and Glaxo Wellcome's *Retrovir* (AZT) is a significant advance in the management of the HIV virus, which has now spread to virtually every country in the world.

Glaxo and Wellcome each had a rich heritage of fighting disease which Glaxo Wellcome will perpetuate.

Glaxo entered the healthcare field in the 1930s and went on to become one of the first mass manufacturers of penicillin and later developed successfully vitamin B_{12} and anti-inflammatory corticosteroids. Glaxo's rapid growth in world markets in the 1980s enabled it to accelerate its investment in research and development.

Wellcome was established in London in 1880 but real global growth came after the Second World War with the discovery of anti-cancer and anti-malarial treatments and, more recently, anti-viral products.

The scientific insight leading to novel understanding of disease and the appropriate exploitation of technology have been productive for both companies and will continue to be the cornerstone of research for Glaxo Wellcome.

Glaxo Wellcome's exploratory development portfolio comprises more than 30 compounds, covering not only our existing therapeutic fields such as respiratory medicine and bacterial infections, but also new disease areas for the Company such as rheumatoid arthritis, pain, stroke and diabetes.

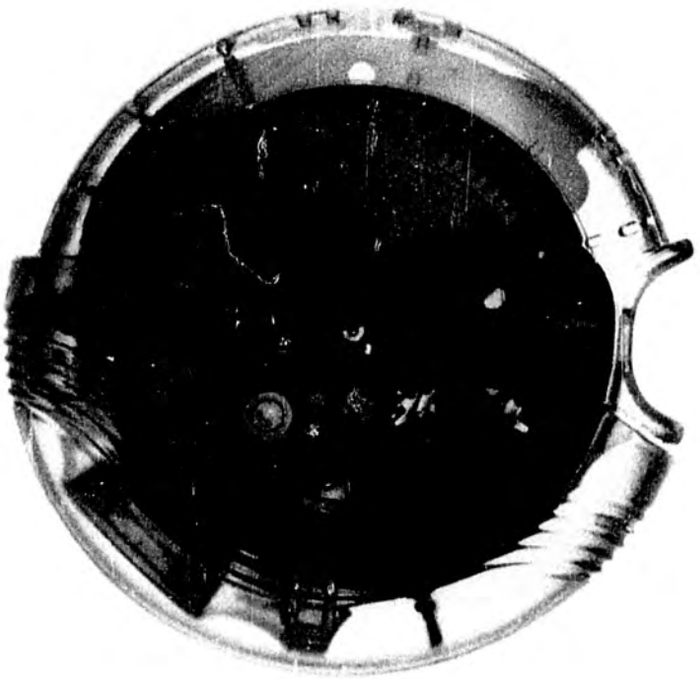
The increasing impact of genetics and bioinformatics on research programmes has led to collaborations and strategic alliances with academic institutions and biotechnology companies.

Our long term research focus is on diseases where there is high unmet medical need such as Alzheimer's and where there is currently no scientific insight to lead naturally to a molecular target – diseases such as schizophrenia.

The entrepreneurial skills, enthusiasm, vision and ideals that brought success to Glaxo and Wellcome remain evident in Glaxo Wellcome as does our commitment to fighting disease. All our people – and the many associates outside the Company – have essential roles to play in the continuation of this tradition.

This commitment to teamwork across all disciplines and boundaries, as reflected in our new strategies and values, will create an environment in which people can work together effectively in the continuing fight against disease.

Glaxo Wellcome is a research-based company whose people are committed to fighting disease **by bringing innovative medicines and services** to patients throughout the world and to the healthcare providers who serve them.



Glaxo Wellcome's revolutionary powder inhaler for asthmatics, the *Diskus* (marketed in some countries as the *Accuhaler*) won the 1995 British Design and Art Direction Award for excellence in product design. As well as protecting the active ingredient, the device ensures that a measured dose is always delivered to the patient, despite differences in breathing ability.

Our new organisation concentrates scientific, technological and managerial skills on the creation of new medicines and healthcare solutions in disease areas where there is a balance of unmet medical need and commercial opportunity.

Achieving sustainable leadership in our selected therapeutic areas – one of our stated corporate goals – requires us to develop portfolios of breadth and depth.

To build the breadth, we need to develop a range of research-based products that addresses the spectrum of customer requirements – something we have already established in the treatment of asthma.

Glaxo Wellcome has a strong pipeline of new products. We are making good progress with a treatment for hepatitis B and a compound active against the influenza virus is currently in clinical trials. We are continuing our long established programme of investment in new anti-bacterials. We have several new compounds under development for the treatment of atheromatous disease, thrombosis, stroke and associated cardiovascular conditions.

With the recognition that the organism Helicobacter pylori is a causative agent in ulcers, we have developed a new generation anti-ulcerant, *Pylorid/Tritec*, which, in conjunction with an antibiotic, will help prevent recurrence of the disease, rather than treat symptoms. Another product under development is for the treatment of irritable bowel syndrome. In the field of metabolic disease, we have compounds in research and development for the treatment of diabetes, obesity, arthritis and benign prostatic hypertrophy.

We aim to maximise the life cycles of our products through innovation. *Zantac* is a good example, where we are extending the product life cycle through over-the-counter versions, brand extensions and by participating in the generic market where appropriate. *Pylorid/Tritec* will also expand our franchise in the gastro-intestinal area.

It is no longer enough to innovate in medicines. We need to be equally innovative in our approach to the services that surround and support our products.

As an example, we are providing healthcare professionals with the information required for an expert approach to disease management. We have already created important partnerships and joint ventures in the United States, the United Kingdom and South Africa to achieve this objective.

Glaxo Wellcome is a research-based company whose people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to the healthcare providers who serve them.

Production manager Jen Lin and general manager Jeff Chen on their way to a meeting at Taiwan's largest medical centre, the National Taiwan University Hospital in Taipei. Their visit is to explain how Glaxo Wellcome is able to contribute to raising healthcare standards in this part of the Asia Pacific region.

While patients are the pharmaceutical industry's ultimate consumer, decisions about consumers' healthcare have been almost entirely in the hands of third parties. Government regulators monitored what patients could be told; physicians had little time to discuss the options available; providers and payers restricted choice in pursuit of cost containment.

Today, patients are participating more in the decisions about their treatments. They are becoming more knowledgeable, articulate and demanding.

Patient activist groups are also becoming more organised and more vocal.

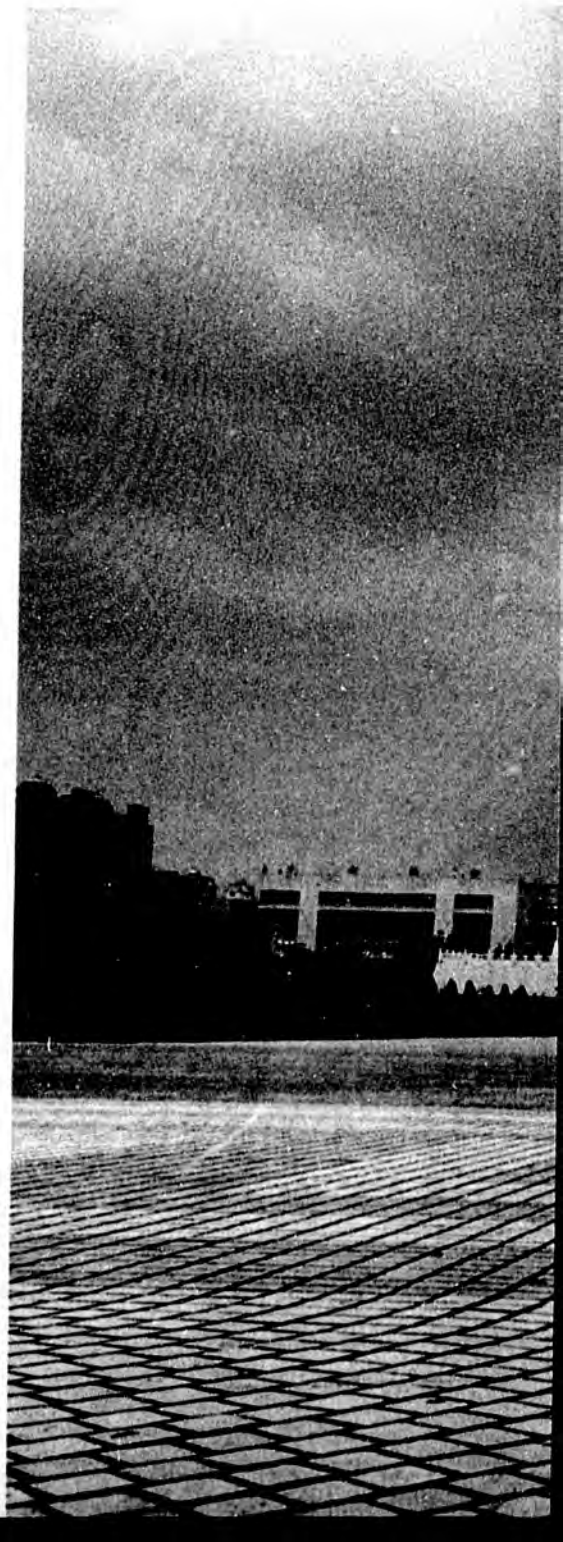
As levels of co-payment increase worldwide, patients are taking greater interest in the cost effectiveness of their healthcare as well as its efficacy.

Patients are not a homogeneous group. Disease patterns and treatment protocols vary enormously around the world.

As a global company committed to understanding and meeting the needs of its customers, we realise that the true strength of the Group lies in having operating companies that understand and are responsive to the unique local circumstances of their markets.

As well as seeking growth in the major markets, we have had a long standing commitment to invest in emerging markets. The benefits of this policy are increasingly reflected in our sales performance.

Glaxo Wellcome makes an important contribution to health in developing countries by working to improve the availability of medicines in isolated areas. We also sponsor research into diseases which particularly affect developing countries: we are committed to bringing forward new treatments for malaria, tuberculosis and hepatitis B – which are among the developing world's most prevalent and serious diseases.





Glaxo Wellcome is a research-based company whose people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to the healthcare providers who serve them.

Barbara Beasy, senior account manager for Glaxo Wellcome Inc., leaving the Minneapolis site of HealthPartners which, as one of America's largest integrated healthcare providers, is a major purchaser of the Company's products. A qualified pharmacist, she is able to work as a professional partner with her clients in HealthPartners, keeping them informed on all aspects of Glaxo Wellcome's portfolio of products and services.

In the traditional model of the healthcare system, pharmaceutical companies were viewed as external organisations which prospered simply by supplying medicines to healthcare providers.

We want this to change.

Our aim now is to be valued increasingly as a collaborator in healthcare delivery. Our new strategies underpin the importance of partnership with key participants in the healthcare system – doctors, pharmacists, nurses, hospitals, health maintenance organisations, distributors, insurance companies and governments.

In all cases our goal is the same: to improve our understanding of the customer's needs in order to deliver the best possible treatment to the patient.

A major recent trend in healthcare has been the shift away from the prescriber as the sole influence on the purchasing decision. With payers under more pressure to reduce the healthcare bill, they are becoming more involved in influencing which treatments patients may have.

We need to become more adept at understanding the evolving needs and importance of each distinct customer group and at formulating a range of products and services which meet their expectations.

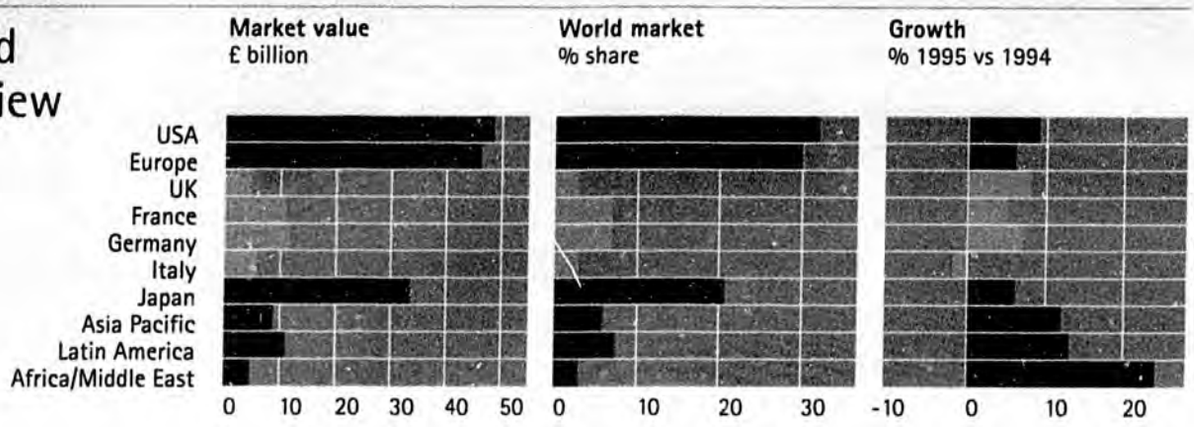
Glaxo Wellcome and the purchasers of its products are facing the same challenge – how to reconcile limited financial resources for healthcare with the best long term interests of patients. Solutions to this dilemma can only be found if all the parties involved work closely together.

For our part, we are creating new relationships within the healthcare market through a range of strategic alliances that will enable us to provide innovative and cost effective healthcare solutions.

HealthPartners



Operating and Financial Review



The Operating and Financial Review for the 18 months to 31st December 1995 highlights the important aspects of Glaxo Wellcome's business throughout the world. The Group has operating companies in some 70 countries and markets products in over 120 countries. Following the completion of the integration process, Glaxo Wellcome trades as a single company in almost all of these countries.

Pages 23 to 29 cover the various business activities of the Group – sales and marketing, manufacturing and research and development.

Pages 29 and 30 examine human resources, intellectual property and litigation issues.

Page 31 outlines the Group's corporate responsibility in areas such as health, safety and the environment and charitable and community support.

Pages 32 to 38 consist of the financial review on the 18 month financial period covered by this Annual Report and Accounts.

Operating Review

The world market*

There has been a general slowdown in the world pharmaceutical market in the 1990s as governments seek to apply measures to limit healthcare expenditure on prescription medicines.

Restricted growth presented a major challenge to all global corporations, resulting in a number of mergers as they adapted their structures to meet the changing healthcare environment, particularly the increase in managed care in the USA.

However, during 1995 there were encouraging signs of an increase in world market growth to approximately 8·0 per cent compared with 6·3 per cent in 1994. This was fuelled by a revival in the USA and much of Europe, partly because of important new therapeutic advances receiving early regulatory approvals.

In Western Europe, the effects of the German budget restrictions largely diminished and encouraging growth was seen in the UK and France, despite continued government limitations on healthcare expenditure. The Italian market continued to be depressed with severe restrictions on prescription products leading to reduced sales for the second successive year.

Growth in Japan continued to be lower (6 per cent) than the European average with downward pricing pressure and restricted entry to new products limiting growth opportunities when compared with the USA and Europe.

Several of the developing markets continued to provide an improving environment for pharmaceutical companies with greater political stability and increasing economic growth. Brazil and Argentina are attractive markets for investment, although Mexico suffered a major economic crisis. The People's Republic of China, India, Pakistan and the Philippines are major populations with increasingly sophisticated healthcare demands, and in Eastern Europe important therapeutic advances are being readily adopted by skilled medical practitioners.

The Group is now well established as the leading pharmaceutical company in the world with a market share of 5·1 per cent and sales of £2 billion more than its nearest competitor.

Glaxo Wellcome is the leading company in five of the major world markets (USA, UK, Spain, Australia and the Netherlands) and has six products in the world's top 50 medicines (*Zantac*, *Zovirax*, *Ventolin*, *Becotide*, *Zinnat* and *Zofran*).

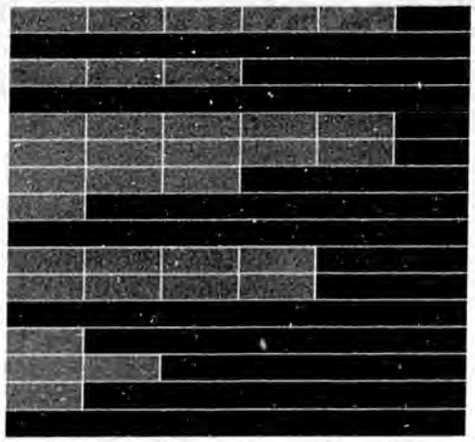
Zantac continued to be the largest selling pharmaceutical product in the world market. *Zovirax* was the second Glaxo Wellcome product in the global top ten, ranked ninth.

*Market Data

Throughout this report, figures quoted for market size, market share and growth rates relate to the year ended 30th September 1995 and represent Glaxo Wellcome estimates, based on the most recent data from independent external sources, valued in sterling at average exchange rates prevailing during the year ended 30th September 1995. Figures quoted for product market share reflect sales by Glaxo Wellcome and licensees.

New product launch dates

Gastro-intestinal	Pylorid
Respiratory	Flixonase
	Flixotide
	Serevent
Viral infections	Valtrex
	Epivir
Bacterial infections	Mepron
CNS disorders	Imigran
	Lamictal
Oncology	Navelbine
	Panorex
	Zofran
Dermatologicals	Cutivate
Cardiovascular	Lacipil
Anaesthesia	Mivacron
Others	Exosurf



Sales and marketing

Glaxo Wellcome's core strategic objectives in sales and marketing continue to be:

- to maximise the contribution from marketed products, still being led by *Zantac* (ranitidine hydrochloride), *Zovirax* (aciclovir), respiratory products and antibiotics but with increasing contributions from the 16 new products introduced since 1990;
- to secure rapid global approvals for new products, with the majority of post 1990 introductions already launched in the USA and most of Europe. *Flovent/Flixotide* (fluticasone propionate) and *Tritec/Pylorid* (ranitidine bismuth citrate) are planned for the USA in 1996;
- to invest for the long term in emerging markets such as Poland, Brazil and the People's Republic of China.

Glaxo Wellcome's product portfolio covers a wide range of therapeutic areas including gastro-intestinal, respiratory, viral infections, bacterial infections, CNS disorders, oncology, dermatologicals, cardiovascular and anaesthesia.

Although the major brands of *Zantac*, *Zovirax*, *Ventolin* (salbutamol/albuterol) and *Becotide/Beclovent* (beclomethasone dipropionate) are entering their mature phase in many markets, there has been exceptional growth in the respiratory area with the new products of *Serevent* (salmeterol xinafoate), *Flixotide* and *Flixonase* (fluticasone propionate), and in neurological conditions with *Imigran/Imitrex* (sumatriptan) for migraine and *Lamictal* (lamotrigine) for epilepsy.

Constraints on healthcare spending continued to limit the scope for price increases and reinforce the need to demonstrate both therapeutic and economic value in new products.

In the over-the-counter (OTC) market sector, during December 1995 Glaxo Wellcome announced its intention to sell its interest in the Warner Wellcome consumer healthcare joint venture, which is expected to be completed in 1996, and to restructure its agreement with the Warner-Lambert Company to market Glaxo Wellcome's "switch products" (medicines which are converted from prescription status to OTC status), including *Zantac*, *Beconase* (beclomethasone dipropionate) and *Zovirax*.

New products

New products underline Glaxo Wellcome's commitment to bring innovative medicines and services to patients.

Sixteen products in nine different therapeutic areas have been launched by Glaxo Wellcome in the past five years and currently represent 17 per cent of Group sales. Two of them, *Zofran* (ondansetron) and *Imigran*, each have annual global sales of over £350 million, while *Serevent* has annual global sales of over £250 million.

Twelve new products have already been launched in the USA, the largest pharmaceutical market in the world, the latest in 1995 being *Epivir* (lamivudine) for the treatment of AIDS/HIV.

Ultiva (remifentanil hydrochloride) and *Nimbex* (cisatracurium besylate) for anaesthesia are planned for global launches in 1996.

Pro forma sales
Pro forma sales by Glaxo Wellcome in calendar year 1995 (as defined on the opposite page) totalled £7,973 million, an increase of 4 per cent on those in the previous year in sterling and 3 per cent at constant exchange rates (CER – as defined opposite). Volume growth was 4 per cent, but pricing pressure had a net 1 per cent adverse effect on sales revenue.

Sales by therapeutic area

Gastro-intestinal
ulcers and related conditions

Zantac is still the largest selling pharmaceutical product in the world and the only one to have exceeded sales of £2 billion per annum. It holds a 31 per cent Moving Annual Total share of the anti-peptic ulcerant market.

Zantac has been facing competition for several years from other H_2 antagonists and proton pump inhibitors such as omeprazole. It also faces generic competition in a number of markets.

The realisation that Helicobacter pylori is a causative agent in ulcers has provided the opportunity to introduce *Pylorid/Tritec*, designed to be used with antibiotics for the eradication of Helicobacter pylori.

Respiratory
asthma, bronchitis and allergic rhinitis

The treatment of respiratory diseases is the second most important therapy area for Glaxo Wellcome. It is based on a range of established and new products now available in a wide choice of delivery systems. These include the design award winning *Diskus* (known as the *Accuhaler* in some markets), a novel multi dose powder inhaler.

Sales of *Ventolin* continued to grow in its 26th year (an increase of 3 per cent at CER) with notable contributions from the USA, France, Germany and Japan. *Ventolin* was again the market leader in the £5 billion respiratory market, followed by *Becotide/Beclovent*, which also achieved sales growth in its 23rd year since the first launch in the UK in 1972. In the longer term, the main growth potential is centred on *Serevent*, *Flixotide/Flovent* and *Flixonase/Flonase*.

Viral infections

Zovirax is the second largest product in the Group, with annual sales of £856 million, but is facing generic competition in Canada and Europe. The recent launch of *Valtrex* (valaciclovir) in the UK, Germany and the USA should help to offset a decline in sales of *Zovirax* and maintain the Group's franchise in the global viral infections market.

Retrovir (zidovudine) continues to be the mainstay of AIDS/HIV therapy and the results of recent trials in combination with *Epivir* demonstrated a significant advantage in combination therapy. *Epivir*'s regulatory approval in 1995 in the USA and its early launch there is a major boost for the Group's products in the treatment of AIDS/HIV.

Bacterial infections

Competition in this market has always been intense with multiple entries from new competitors. Despite this, *Zinnat/Ceftin* (cefuroxime axetil) has retained a strong position in treating community acquired infections of the lower respiratory tract with a 4 per cent share of the £10 billion global oral antibiotic market. *Fortum/Fortaz* (ceftazidime), a key product for the treatment of life threatening conditions, and *Zinacef* (cefuroxime), used for routine infections and prophylaxis, together hold an 8 per cent share of the largely hospital based £6 billion injectable antibiotic market.

CNS disorders

Imigran/Imitrex achieved sales of £366 million in the year, providing migraineurs with relief from migraine symptoms through either injectable or, increasingly, oral therapy.

The launch of *Imitrex* tablets in the USA, based on the new, lower dose tablets (25mg and 50mg), boosted sales and the 50mg tablet, launched in Europe, was readily adopted in most markets.

Lamictal for epilepsy was launched by Glaxo Wellcome in 1990 and is the market leader in the UK with a 24 per cent market share; it was launched recently in the USA. In January 1996, *Lamictal* was awarded the UK Prix Galien award for the most innovative product.

Oncology

Zofran, the first 5-HT_3 antagonist to be launched worldwide, has achieved success in all major markets, based on its therapeutic innovation and ability to improve the quality of life of cancer patients by controlling emesis, nausea and vomiting associated with chemotherapy.

This success has attracted competition from other products. Price competition in a relatively small market (£1 billion) has restricted further growth opportunities for *Zofran* in cancer treatment. The product is also used for the prevention and treatment of post operative nausea and vomiting.

Panorex (monoclonal antibody 17-1A), a colorectal cancer treatment, is the first monoclonal antibody to be licensed for cancer therapy.

Dermatologicals

Glaxo Wellcome has developed a range of anti-inflammatory steroid products to treat skin diseases such as eczema and psoriasis. *Betnovate* (betamethasone valerate) and *Dermovate* (clobetasol propionate) have been providing relief to patients for many years.

Cardiovascular

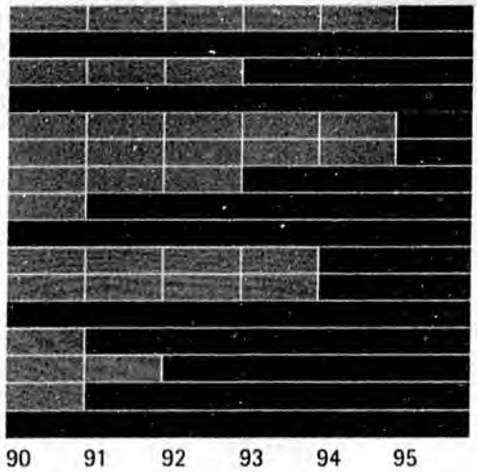
In this intensely competitive area, Glaxo Wellcome products have achieved sales of £187 million and have consistently maintained their market share. *Lanoxin* (digoxin), *Trandate* (labetalol) and *Lacipil* (lacidipine) are all recognised as standard effective products in the treatment of cardiovascular disease, while *Flolan* (epoprostenol) is available in the USA for the treatment of primary pulmonary hypertension.

Anaesthesia

The Group has a significant presence in this market with a range of neuromuscular blocking agents including *Tracrium* (atracurium besylate) and *Mivacron* (mivacurium chloride) with combined sales of £117 million.

New product launch dates

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Ultiva (remifentanil hydrochloride) and *Nimbex* (cisatracurium besylate) for anaesthesia are planned for global launches in 1996.

Pro forma sales
To illustrate sales performance by product and market, analyses are given below of the combined sales of Glaxo and Wellcome for the year to 31st December 1995, as if Glaxo Wellcome had existed as a combined entity from 1st January 1995.

Therapeutic area	Major products	Pro forma sales 12 months to 31.12.95 £m	% of total	% CER growth
Gastro-intestinal	**total**	**2,255**	**28**	**(4)**
	Zantac	2,255		(4)
Respiratory	**total**	**1,603**	**20**	**20**
	Ventolin	526		3
	Becotide	397		4
	Serevent	271		58
	Beconase	156		(2)
	Flixonase	119		+100
	Flixotide	88		+100
Viral infections	**total**	**1,099**	**14**	**–**
	Zovirax	856		(1)
	Retrovir	201		(3)
	Valtrex	9		+100
Bacterial infections	**total**	**963**	**12**	**–**
	Zinnat	393		9
	Fortum	306		(4)
	Zinacef	125		-
CNS disorders	**total**	**501**	**6**	**31**
	Imigran	366		29
	Lamictal	65		+100
Oncology	**total**	**451**	**6**	**5**
	Zofran	386		(2)
Dermatologicals	**total**	**205**	**3**	**5**
Cardiovascular	**total**	**187**	**2**	**–**
Anaesthesia	**total**	**117**	**2**	**(14)**
Others	**total**	**592**	**7**	**(4)**
	Zyloric	115		-
	Imuran	105		2
		7,973	**100**	**3**

Region	Major markets	Pro forma sales 12 months to 31.12.95 £m	% of total	% CER growth
USA	**total**	**3,309**	**42**	**3**
Europe	**total**	**2,739**	**34**	**–**
	UK	628	8	2
	France	450	6	5
	Germany	346	4	(7)
	Italy	333	4	(13)
	Eastern Europe	79	1	8
Rest of the World	**total**	**1,925**	**24**	**8**
	Japan	701	9	15
	Asia Pacific	409	5	4
	Latin America	266	4	2
	Africa/Middle East	197	2	15
		7,973	**100**	**3**

Constant exchange rate (CER) growth represents growth over the combined sales of Glaxo and Wellcome for the year to 31st December 1994 excluding currency movements, calculated as if the exchange rates used to translate the results of overseas companies into sterling had remained unchanged from those used in 1994.

Sales by geographic area

USA

Sales in the USA accounted for 42 per cent of Glaxo Wellcome's total in 1995 and grew by 3 per cent at CER. Increased competitive pressure on major products - *Zantac* and *Zovirax* - was offset by encouraging sales of new products. The majority of Group products launched since 1990 have been approved and launched in the USA. *Epivir* was launched in November 1995 to boost the status and sales of products in the treatment of HIV/AIDS. Four major launches are expected in 1996 - *Flovent/Flixotide*, *Tritec/Pylorid*, *Ultiva* and *Nimbex*.

The growth in managed care provided Glaxo Wellcome with an opportunity to consolidate sales of major products and generally provide a favourable environment for new product launches.

The agreement in October 1995 settling the Genpharm Pharmaceuticals Inc. litigation removes a potential threat to *Zantac* prior to July 1997, the extended expiry date of the Form 1 ranitidine hydrochloride patent under the terms of the intellectual property provisions of the General Agreement on Tariffs and Trade. This has provided the US subsidiary, Glaxo Wellcome Inc., with more time to establish its new product range and to reduce the level of dependency on *Zantac* and *Zovirax* sales.

Europe

In Europe, despite market growth of 8 per cent, sales were unchanged at CER primarily because of the effect of competition to *Zantac* and *Zovirax*.

Sales in the UK were particularly affected by generic competition to *Ventolin*, *Becotide* and *Zovirax*; products introduced since 1990 contributed 25 per cent of total UK sales.

Zantac and *Zovirax* in Germany are both facing generic competition which caused a decline in overall sales. Future growth will be derived from *Flixotide*, *Flixonase* and *Serevent*, the emerging respiratory range, and neurological products such as *Imigran* and *Lamictal*.

Despite delays in product approvals and launches in France - there have been only three since 1990 - sales growth was good, aided by established products, including *Ventolin*, *Becotide*, *Zovirax*, *Retrovir* together with *Serevent*.

In common with most companies, Glaxo Wellcome experienced difficult market conditions in Italy: sales of *Serevent*, *Becotide* and *Zinnat* continued to grow but overall there were reduced sales and a declining market share.

New product sales in Eastern Europe continued to grow strongly, particularly *Zofran*, *Imigran* and *Serevent*. *Zinnat* remains the leading Group product in Eastern Europe.

Rest of the World

This area includes Japan, the second biggest market in the world. Based on combined sales, the two Glaxo Wellcome operating companies there form the biggest Glaxo Wellcome pharmaceutical company after the USA. Glaxo Wellcome has experienced long delays in approval and launch times in Japan compared with Europe and the USA. Only *Zofran* and *Flixonase* (fluticasone propionate) have been launched since 1990. Despite these limitations, Glaxo Wellcome achieved sales growth of 15 per cent at CER because of the continued growth of *Zantac* and *Zovirax*.

In Canada, sales growth for new products was limited because of government policies which continued to affect most major companies.

The Asia Pacific region benefited from the continued strength of the bacterial infections and viral infections ranges and total sales increased by 4 per cent at CER.

Competition to the major Glaxo Wellcome products in Australia reduced growth to 7 per cent at CER and pricing pressures limited the uptake of new products, including *Imigran* and *Serevent*.

In Latin America, overall sales growth was adversely affected by economic conditions in Mexico. Sales in the rest of the region grew by 20 per cent at CER.

The Africa and Middle East region recorded sustained growth for established products, including *Zantac* and *Ventolin*, with emerging contributions from *Zofran*, *Imigran* and *Serevent*.

Manufacturing

In 1995, the main objectives for manufacturing and supply operations were to:

- lay the foundations for the speedy integration of the former Glaxo and Wellcome operations;
- support the unprecedented number of new product launches;
- improve the efficiency of existing manufacturing and supply operations.

Each objective required teamwork worldwide. During the integration, for example, the Manufacturing Task Force, with over 20 project teams and 200 staff from 15 different operating companies, completed a comprehensive worldwide review of manufacturing and supply operations. Yet this work, which included both broad strategic direction and detailed implementation plans, was completed in just nine months.

The initial manufacturing and supply of new products such as *Serevent* and *Flixotide Diskus*, *Zantac* OTC, *Zovirax* OTC pump dispensers, *Valtrex*, *Pylorid* and *Epivir* was also achieved in 1995.

These events, which combined rapid technology scale up across several different sites with unpredictable demand, required co-ordination between operating companies and manufacturing sites.

During the period, efforts continued to improve the efficiency of existing operations:

- in the UK, Glaxo Wellcome Operations was formed to streamline UK manufacturing and supply activities;
- in the USA and India, Glaxo Excellence Programmes became a focus for efficiency improvements;
- in France, Projects SCOPE and Antelope started to deliver improvements in logistics, material yield and administrative efficiency;
- in Australia, a continuous improvement programme has significantly improved yield and output of *Ventolin* nebules and *Zofran*.

Elsewhere, internal process benchmarking delivered significant benefits in Spain, France, the UK, Japan, Australia and the USA. It is intended to extend the use of this process.

Manufacturing and supply operations increasingly involve teams working across functions, between Glaxo Wellcome companies and with external suppliers. Two drug delivery systems, which improve patient convenience and compliance, depended on such teams to support their launches in 1995:

- the *Diskus*, a multi dose device for a range of respiratory products, sets a new standard for powder inhalers. Designed in-house and manufactured at Ware in the UK, it requires the assembly of over 20 different components and is the result of close co-operation with a number of external suppliers;
- the *Zovirax* pump dispenser, designed specifically for OTC treatment of cold sores, is a breakthrough in unit dose topical packaging. First launched in early 1995, the dispenser was designed and manufactured at Dartford in the UK, after a five year development plan.

These projects illustrate the place of high performance cross-functional teams in meeting the increasingly complex manufacturing and supply challenges.

Research and development

The integration provided the opportunity to change the R&D structure and process including the creation of a flatter, global organisation, a review of key processes to increase efficiency and the creation of a combined product pipeline.

As a result, Glaxo Wellcome is a powerful broad based organisation with a highly effective R&D function.

In support of the corporate objective of providing superior returns to shareholders, a target of bringing three significant new medicines to the market each year from the year 2000 has been set.

In April 1995, Her Majesty the Queen formally opened the Medicines Research Centre at Stevenage in the UK, a complex which completes Glaxo Wellcome's worldwide R&D facilities expansion. The acquisition in March 1995 of Affymax N.V., a leader in combinatorial chemistry, offers new opportunities in the Company's drug discovery programme.

Research programmes

Scientific insight and the appropriate exploitation of technology lead to a deeper understanding of the pathology of diseases. The more that is understood about disease processes, the greater will be the chances of discovering novel ways of intervention. Technologies such as robotics and automation are providing new capabilities in research as well as increasing the efficiency of existing methods.

The research portfolio consists of 50 major research projects directed mainly towards neurosciences, anti-virals, cardiovascular disease and cancer.

During the integration, the research strategy was refined and a strengthened skill base put in place. A process to achieve productivity goals was also established.

Global research delivered 13 molecules to the early phases of development during 1995. At least seven of these will be used to test novel therapeutic concepts in humans. A target of putting 15 molecules into development each year by the year 2000 has been set.

Molecules delivered in 1995 included:

- in respiratory, a series of molecules which will be used as non-steroid based anti-inflammatories in asthma;
- in anti-microbial and infectious diseases, a new anti-fungal target was found, yielding a series of compounds which are broad spectrum and cidal anti-fungal agents;
- in cardiovascular, a novel potent cholesterol lowering agent, not based on the inhibition of cholesterol biosynthesis, was found.

Glaxo Wellcome's leading position in sodium channel blockers continues to be exploited in research into epilepsy, with diversification into the areas of pain and stroke.

Development programmes

Compounds moving from research into development undergo stringent evaluation to demonstrate their safety and effectiveness in humans and to show they offer real benefit to patients and significant clinical advantages over medicines currently available.

The exploratory development portfolio consists of more than 30 compounds, covering existing therapeutic fields such as respiratory and bacterial infections, combined with new disease areas for Glaxo Wellcome which include rheumatoid arthritis, pain, stroke and diabetes.

During the 18 month period, despite the complexities of the integration process, the Group filed 36 major regulatory submissions around the world, including the analgesic *Ultiva* and new formulations for *Imigran/Imitrex*.

In the same period, 19 significant approvals for marketing were granted, including *Epivir* in the USA for the treatment of HIV/AIDS, *Pylorid* in the UK for the eradication of Helicobacter pylori and treatment of peptic ulcers, *Lamictal* in the USA for epilepsy, and *Zantac 75 OTC* in Europe and the USA.

A development portfolio, offering both breadth and depth in scope, has resources committed to 93 projects involving:

- the respiratory system;
- viral infections;
- the central nervous system;
- oncology/emesis;
- cardiovascular/critical care;
- bacterial infections.

The projects, in various stages of development, include:

- two compounds with novel mechanisms for treatment of stroke;
- a droplet formulation of *Flonase/Flixonase* for the treatment of nasal polyps;
- *Zofran* for opioid induced emesis;
- a compound for irritable bowel syndrome;
- a 5 alpha reductase inhibitor for treatment of benign prostatic hyperplasia;
- the use of lamivudine in the treatment of hepatitis B and *Wellferon* for hepatitis C;
- the treatment of influenza with the neuraminidase inhibitor GR121167;
- a broad spectrum oral compound GV118819, a new class of antibiotics;
- ondansetron for the treatment of panic disorder;
- a potent inhibitor of reverse transcriptase for treatment of HIV/AIDS.

By the end of 1996, the Company plans to make over 30 regulatory submissions in Europe and/or the USA, including:

- troglitazone, licensed for Europe, a novel anti-diabetic;
- naratriptan, a treatment for migraine with potentially significant advantages over the Company's *Imigran/Imitrex*;
- *Wellbutrin SR* (bupropion), which will be the first non-nicotine product for smoking cessation;
- *Malarone* (atovaquone and proguanil combination), a treatment for malaria.

Animals and research

The use of animals in the development of new medicines is minimised and alternative methods are used if feasible. Glaxo Wellcome is engaged in and supports research to develop alternative methods. Animal experiments are rigorously monitored to ensure statutory requirements are met and best practice is followed.

Human resources policies and practices

Prior to the merger, both Glaxo and Wellcome had well developed and competitive policies and practices in human resources, particularly in the major markets of Europe and the USA.

These were recognised early in the process of integrating the two companies, as was the critical need to preserve the quality, commitment and effectiveness of employees during the period of uncertainty.

Extensive programmes were implemented to maintain effective communication with all employees. In addition, policies were developed to ensure retention of talent in the new organisation and to provide support for those affected by job reductions and rationalisation.

A human resources platform team, together with task forces and project teams, was established to design and guide the integration of human resources policies and support the integration of the two companies. Work on selection and severance policies and practices in each country was completed within the first two months of the integration process to give early impetus to the integration as well as to provide financial support to those staff leaving.

To build the new organisation, fair and open selection processes against agreed criteria were implemented to retain the best mix of skills and experience in the two companies. In parallel, major programmes in Europe and the USA were implemented to provide job search support, counselling and outplacement for staff affected. Early retirement programmes and selective use of voluntary severance were encouraged where possible to ease the impact on individuals.

These programmes will continue for some time in those countries affected by full or partial site closures. In addition, in some countries where operations were duplicated and facilities rationalised, management buyouts of facilities have been successful in securing continued employment.

Throughout this period of change, Glaxo Wellcome maintained its commitment to effective staffing and employment policies which do not discriminate between potential or existing staff on the grounds of colour, race, ethnic and national origin, gender, marital status, religious beliefs or disability.

In the UK, for example, if an employee becomes disabled whilst in employment and, as a result, is unable to perform normal duties, every effort is made to offer suitable alternative employment and assistance with retraining.

In the UK, Glaxo Wellcome is now a "gold card" member of the Employers' Forum on Disability and remains an active participant in Opportunity 2000.

The Glaxo Wellcome Share Option Schemes enable employees to share in the success of the Company.

The completion of the integration in the major areas has been achieved through effective employee consultation and in dialogue with staff representative groups and works councils where appropriate. The commitment to employee communications will continue to be a high priority with company videos and publications, including an annual "Report for Staff" magazine, representing some of the methods used to ensure that all staff are properly informed.

Intellectual property

Patent protection for pharmaceutical products is being strengthened in a number of countries by legislation enacting the provisions of the Trade Related Intellectual Property Agreement, part of the Uruguay GATT Round.

In the USA, this legislation has provided a 20 year patent term for all inventions, resulting in an extended expiry date for the basic patent on *Zantac* of July 1997. Decisions of the US appellate court have confirmed that the legislation does not permit generic products to enter the market before the expiry of the extended patent term.

Despite these positive trends, political moves are underway in the USA to amend the new legislation in a way which would, in our view, undermine the GATT Agreement.

The suit of Genpharm Pharmaceuticals Inc. challenging the US patents on *Zantac* was settled before it came to trial. In addition, the validity of the Form 2 ranitidine hydrochloride patent, upheld by the district court in the action by Novopharm Limited, has been confirmed by the US appellate court. However, further challenges involving what we believe to be infringements of the Form 2 patent in the USA are continuing.

Glaxo Wellcome remains committed to acquiring the strongest possible intellectual property for the outcome of its substantial R&D investment and ensuring that these rights are enforced.

Litigation

During the year, a subsidiary of Glaxo Wellcome in the UK, without any admission of liability, reached agreement with plaintiffs in the litigation concerning *Myodil*, a diagnostic product which was withdrawn from the market in 1987. The settlement involved the payment of a lump sum of £7 million, with reasonable costs to be paid to the plaintiffs. The action had been brought by 426 patients who claimed to have suffered back pain after the administration of *Myodil*.

In the USA during 1993, retail pharmacies initiated legal proceedings against Glaxo, Burroughs Wellcome and most US pharmaceutical manufacturers for price discrimination and for a claimed conspiracy to deny to retail pharmacies discounts or rebates accorded to purchasers in the managed care sector.

One case is a class action on behalf of approximately two thirds of US pharmacies. A number of defendants (who represent about three quarters of the industry by sales value) have settled this case subject to court approval. Under the settlement Glaxo Wellcome will pay US$53.4 million in four instalments over three years. Other defendants will pay a total of approximately US$350 million over the same period.

The settlement does not resolve the federal litigation brought by other pharmacies. Nor does it affect other cases being brought in state courts. In the opinion of the Directors settlement of these cases will have no material adverse effect on the results of the Group in future years.

Health, safety and the environment

A new Group health, safety and environment policy has been approved and issued, reiterating Glaxo Wellcome's commitment to high standards, as in all aspects of its business.

Performance continues to be measured through a comprehensive global programme of health, safety, environment and loss prevention audits and reviews.

Our aim is for continuous improvement in health, safety and environmental performance in every part of the Group. This demands efficient use of resources so as to maximise the benefit to ourselves and the communities in which we operate. Investment in health, safety and environmental protection is viewed as an essential long term strategy for the business.

The Chief Executive's Awards continue to reward health, safety and environmental excellence within Glaxo Wellcome and in 1995 Sir Richard Sykes presented trophies to the sites at Singapore, Ankleshwar in India and Ulverston in the UK for innovative projects in this area. A number of sites are national leaders in health, safety and environmental management, achievements which have been recognised by awards from various organisations. Seven sites also received Chief Executive Certificates for achieving over one million working hours without lost time accidents.

The safety record in construction projects is pre-eminent in the industry, exemplified recently during the building of a new factory at Jeddah in Saudi Arabia, where over 750,000 consecutive hours of work were achieved without a lost time accident.

Glaxo Wellcome contributes to the dialogue between business and government on health, safety and environmental issues through trade associations and bodies such as the World Business Council for Sustainable Development.

Charitable and community support

Glaxo Wellcome is committed to being a good corporate citizen and an important part of that commitment is the support the Group gives to the communities in which it operates.

Glaxo and Wellcome had long established programmes of charitable and community support before the merger of the two companies. Glaxo Wellcome will build on these traditions in continuing to discharge its social responsibility.

Total contributions by Glaxo Wellcome in the period under report were £23·2 million, with the Company in the UK and Glaxo Wellcome Inc. in the USA the largest contributors.

The Company in the UK made charitable donations of £9·7 million and its UK subsidiary undertakings made other contributions in support of the community of £1 million. The combined total of £10·7 million was equivalent to 3·5 per cent of that share of Group pre-tax profit proportional to the UK contribution to Group turnover.

In the UK, projects supported under the Company's wide ranging programme included:

- a new high dependency unit at the Sick Children's Hospital in Edinburgh;
- a new chair in developmental neurobiology at the Institute of Child Health in London;
- the establishment of an education centre at the Wildfowl and Wetlands Trust's reserve at Washington, Tyne & Wear.

Support was also given to healthcare initiatives in the developing world. These included:

- a collaborative research project in the People's Republic of China to enhance the control of tuberculosis;
- the production of low cost rehabilitation aids and appliances for the Uganda Society for Disabled Children;
- a project by UNICEF, the United Nations Children's Fund, to help combat malaria amongst Vietnamese families;
- support for Medical Emergency Relief International (MERLIN) for medical evaluation work in Russia and Rwanda.

Glaxo Wellcome is also supporting a number of international environmental projects such as Earthwatch Europe which involves an acid rain study in the Czech and Slovak republics, and a biodiversity study in S'Albufera, Spain.

Through its programme of support for the arts, Glaxo Wellcome sponsored the critically acclaimed Spanish Still Life exhibition at the National Gallery in London. The exhibition, which lasted for 13 weeks, was seen by over 126,000 visitors.

Financial Review

The results for the period are summarised in the Financial Highlights on page 2.

The results have several unusual features. The financial period is for 18 months. There were a number of acquisitions during the period: the major acquisition of Wellcome plc, effective from 16th March 1995; and the acquisition of Affymax N.V. and a controlling interest in Glaxo Korea Limited, also both effective from March 1995.

Following the acquisition of Wellcome plc the Company changed its financial year end from 30th June to 31st December and extended the 1994/95 financial period to 31st December 1995. Accordingly, the financial period covered by this review is for the 18 months from 1st July 1994 to 31st December 1995.

The results have four principal components:

- the Glaxo continuing business for the 12 months to 30th June 1995;
- the acquired businesses of Wellcome plc, Affymax N.V. and Glaxo Korea Limited from their date of acquisition to 30th June 1995, together with the cost of borrowings taken out to finance the acquisitions;
- the results of the merged business for the period from 1st July 1995 to 31st December 1995, following the integration of the Glaxo and Wellcome businesses;
- the costs of integrating the Glaxo business and the acquired businesses into a combined Group.

The results of each of these components are shown separately in the consolidated profit and loss account on page 44.

In view of the change in financial year end from 30th June to 31st December and the effect of the acquisition of Wellcome plc, Supplementary Financial Information has been prepared to indicate the results of Glaxo Wellcome on a calendar year basis, so as to give a more useful comparison of business performance and to provide comparative data for the 1996 financial year.

The Supplementary Financial Information is presented on statutory and pro forma bases:

Statutory basis

The results of Glaxo Wellcome for calendar years 1995 and 1994. In 1995 Wellcome is consolidated from its date of acquisition on 16th March 1995. The 1994 results represent Glaxo alone.

Pro forma basis

The combined pro forma results of Glaxo and Wellcome for calendar year 1995 on a consistent basis of presentation as if Glaxo Wellcome had existed as a combined entity from 1st January 1995.

The Supplementary Financial Information is given on pages 72 and 73. Analyses of pro forma sales for calendar year 1995 are given in the Operating Review on pages 24 to 26.

The Financial Review set out on the following pages reviews the financial performance of the Group as reflected in the Accounts for the 18 months to 31st December 1995.

Trading profit

Glaxo continuing business

Glaxo sales totalled £5,834 million in the 12 months to 30th June 1995, an increase of £178 million over the year to 30th June 1994. Trading profit rose to £1,971 million, an increase of £154 million. At CER (as defined on page 25) sales increased by 5 per cent and trading profit by 9 per cent.

In aggregate across the Group, sales volumes increased by 7 per cent in this period but pricing pressures reduced sales growth by 2 per cent. *Zantac* continued to be the Group's biggest selling product. It achieved volume growth of 1 per cent but net price reductions resulted in a fall of 3 per cent at CER. Management of expenses held selling, general and administrative expenditure and research and development expenditure at the same level as last year. As a result the trading margin improved from 32 per cent to 34 per cent.

Acquisitions

The results of Wellcome have been consolidated into the Group results from 16th March 1995. In the period to 30th June 1995 Wellcome sales added £628 million to Group turnover and £204 million to trading profit; this represents a trading margin of 32 per cent.

The consolidation of Glaxo Korea Limited added £10 million to sales in this period but made no contribution to trading profit. The consolidation of Affymax N.V. added £4 million to operating costs.

Merged business
Following the acquisition of Wellcome, a structured process of integrating the Glaxo and Wellcome businesses commenced. Joint Glaxo Wellcome task forces, organised on a market and functional basis, developed plans and financial targets for achieving integration.

In the majority of territories, where there was both a Glaxo and a Wellcome company, management integration was achieved by 30th June 1995 and the two businesses were effectively managed on a merged basis from 1st July 1995. The results for the period from 1st July 1995 to 31st December 1995 are therefore presented on that basis. In a few territories, notably where there is a minority interest in either the Glaxo or Wellcome company, the process of integration will take longer to achieve and both the Glaxo and Wellcome companies continue to be managed independently.

Sales of the merged business for the six months totalled £4,018 million. Continued close management of expenses produced a trading profit of £1,426 million, representing a trading margin of 35 per cent. This was achieved despite the inclusion of certain non recurring expenses in this period.

Integration
Plans and financial targets for integration, as developed by the integration task forces in the period to 30th June 1995, were referred to in the Second Interim Report sent to shareholders in September 1995. The plans and targets were updated in November and December 1995 and form the basis of the figures reflected in this Annual Report and Accounts. Compared with the separate forward plans of Glaxo and Wellcome prior to Glaxo's bid for Wellcome, the new plan for the combined Group envisaged the achievement of cost savings year by year amounting to £700 million per year by the end of 1998, and progress is being made towards this objective.

The costs expected to be incurred in achieving these savings are forecast at £1,215 million. Some £452 million of the costs relate to potential losses on asset disposals resulting from site closures.

Cumulative savings are expected to achieve payback of total costs by around the end of 1997. In terms of the cash costs of £763 million, payback will be achieved earlier. The proceeds of asset disposals will reduce the net cash costs of integration.

The pace of integration, both in terms of decision making and implementation, varies across the functions of the combined Group, reflecting the relative complexity of the different operating activities. Savings in selling, general and administrative expenditure are being achieved most quickly, and major decisions in R&D are being implemented. In manufacturing, where the combined Group started with more than 60 production and packaging sites, the process of integration is taking longer; rationalising the manufacturing base involves changes in supply routes into a number of markets, requiring careful planning to preserve continuity of supply and to secure regulatory approval where there needs to be re-registration of source of supply.

To recognise the impact of integration activities, the anticipated costs of £1,215 million have been charged in the Accounts at 31st December 1995. The charge comprises costs incurred by 31st December 1995 of £384 million, and a provision for a further £831 million of costs. Taxation relief on integration amounts to £230 million. In calculating the attributable taxation, no taxation relief has been assumed on asset write downs.

Combined business
Trading profit for the period before integration costs, representing the aggregate trading profit of the Glaxo continuing business, the acquired businesses and the merged business, amounted to £3,597 million. This gives a trading margin of 34 per cent.

After integration costs of £1,215 million, the trading profit was £2,382 million.

Profit before interest

Profit before interest, comprising trading profit after integration costs and a number of other items described below, amounted to £2,474 million.

In September 1994 Glaxo India Limited disposed of its foods division, producing an exceptional profit of £35 million. After taxation and minority interests, the Group share of the profit was £14 million.

The share of profits/(losses) of associated undertakings reflects principally the results of the joint ventures with Warner-Lambert Company (WL) which had been previously established by both Glaxo and Wellcome. The Glaxo-WL joint venture has launched over-the-counter (OTC) versions of *Zantac* and *Beconase* in the UK market and has undertaken development work to launch OTC *Zantac* in the US market. The Wellcome-WL joint venture markets *Zovirax* in OTC form and is responsible for the marketing of the Wellcome range of OTC products.

In accordance with Glaxo Wellcome practice, Group sales include sales of Glaxo Wellcome products to the WL joint ventures; no amount is included in turnover for Glaxo Wellcome's share of the turnover of the joint ventures.

Interest payable

Aggregate net interest expense for the period was £87 million.

The Glaxo continuing business earned net investment income of £130 million during this period. This included residual losses of £21 million in July and August 1994 upon final closure of Glaxo's in-house investment trading operation. From August 1994 Glaxo's net funds were invested primarily in bank deposits.

Net investment income earned by the Wellcome Group in the period from 16th March 1995 to 30th June 1995 was £12 million. Interest payable by Glaxo Wellcome plc in that period on borrowings taken out to finance the acquisitions of Wellcome plc and Affymax N.V. amounted to £108 million; the consideration due to Wellcome shareholders became payable on 31st March 1995.

Net interest payable during the six months to 31st December 1995 was £121 million. During this period the majority of the Glaxo and Wellcome investment funds were used to reduce the borrowings taken out to finance the acquisitions, with a consequent reduction in the gross amounts of both interest receivable and interest payable. The effective rate of interest payable on the Group's principal borrowings during this period was approximately 7 per cent.

Taxation

The taxation charge for the period before integration was £1,097 million. As a percentage of profit before taxation of £3,602 million, this represents a rate of taxation of 30·5 per cent.

The taxation rate in respect of the continuing Glaxo business in the 12 months to 30th June 1995 was 29·5 per cent, a higher rate than in previous years reflecting lower capital allowances arising from reduced capital expenditure. In respect of the acquired businesses in the period to June 1995, tax on Wellcome profits was taken at 37 per cent and tax relief on the interest paid on acquisition finance was taken at the UK standard rate of 33 per cent. The difference between the Glaxo and Wellcome tax rates is mainly attributable to a higher proportion of Wellcome profit being earned in countries with a high standard rate of tax. The tax rate relating to the merged business for the six months from 1st July 1995 was 31 per cent.

The effective rate of taxation on Group profits is dependent on the rates of taxation that apply, and the taxation exemptions and reliefs that are available, in the countries where Glaxo Wellcome operates. The Group rate of taxation remains below the UK standard rate of taxation of 33 per cent as a result, in particular, of taxation exemptions applicable to the Group's manufacturing operations in Singapore.

The proportions of UK and overseas taxation are also affected by the extent to which earnings of overseas subsidiaries are remitted to the UK by way of dividend.

The Group seeks to manage the charge to taxation on its business activities, within the parameters of its legal obligations in all the territories where it operates.

The integrated nature of the Group's worldwide operations, involving significant investment in research and in strategic manufacture at a limited number of locations, with consequential cross-border supply routes into numerous markets, gives rise to complexity and delay in negotiations with revenue authorities of Group companies' liability to taxation.

The most significant open issues relate to international transfer pricing, notably in the UK and the US. The Group continues to defend the correctness of its internal pricing policies and the Board continues to be of the opinion that the Group has made adequate provision for all liabilities foreseen to arise from open taxation assessments.

Earnings and dividends

The total Group consolidated result for the period, after aggregating the components of Glaxo continuing business, acquisitions, merged business and integration, is a profit attributable to shareholders of £1,458 million, which produces earnings per Ordinary Share of 44·5p. Excluding integration costs and related taxation, which are non recurring, the profit attributable to shareholders is £2,443 million, producing earnings per Ordinary Share of 74·6p.

Allowing for the 18 month period, this represents significant growth over earnings per Ordinary Share of 42·7p for Glaxo alone in the previous financial year to 30th June 1994. Adjusting to a calendar year basis, which will be the Group's financial period in future, earnings attributable to the 12 months to 31st December 1995 before integration costs were 50·3p per Ordinary Share.

The Board is recommending the payment of a final dividend of 15p per Ordinary Share. Together with the first interim dividend of 10p per Ordinary Share paid on 10th April 1995 and the second interim dividend of 20p per Ordinary Share paid on 23rd October 1995, this makes a total dividend of 45p for the 18 months to 31st December 1995. On an annualised basis, this represents an annual dividend of 30p, which represents an increase of 11 per cent over the dividend of 27p for the 12 months to 30th June 1994.

The final dividend will be paid on 20th May 1996 (30th May 1996 to ADR holders) to shareholders on the register on 26th March 1996. A scrip dividend alternative will be offered to shareholders in respect of the final dividend. See Shareholder Information on page 86 for further details.

Dividend cover, being the relationship between earnings and dividends, is 1·7 for the 18 months ended 31st December 1995 based on earnings before integration costs. It is the Board's intention that dividends should increase broadly in line with earnings growth, taking into account the Group's funding situation and prospects for the future.

Acquisition of Wellcome plc

	£m
Shares issued:	
Share capital	107
Merger reserve	2,834
Net cash paid	6,320
Acquisition expenses:	
Stamp duty	48
Professional fees	24
Total consideration	9,333

Balance sheet

The Group balance sheet at 31st December 1995 is summarised below:

	31.12.95 £m	30.6.94 £m
Net operating assets	**3,417**	3,058
Net (debt)/funds	**(3,196)**	2,091
Net assets	**221**	5,149
Share capital and reserves	**5,288**	5,026
Goodwill reserve	**(5,197)**	-
Shareholders' funds	**91**	5,026
Minority interests	**130**	123
Financing	**221**	5,149

The reduction in net assets reflects the debt taken on to finance the Wellcome acquisition. The reduction in shareholders' funds reflects the goodwill arising on acquisition taken to reserves and the impact of integration. It is expected that profit generated from the merged business, and the consequential cash flow, will progressively rebuild shareholders' funds and net assets.

Acquisitions

Wellcome plc

On 23rd January 1995 the Company announced its Final Offer to acquire the whole of the issued share capital of Wellcome plc on the basis of £722 in cash and 47 new Glaxo Ordinary Shares for every 100 Wellcome Ordinary Shares (or 100 American Depositary Shares). The offer was declared unconditional in all respects on 16th March 1995, at which point the Company had received acceptances for approximately 86·1 per cent of the issued share capital of Wellcome plc.

Further acceptances were received subsequently and on 21st June 1995, in exercise of its rights under the Companies Act 1985, the Company acquired compulsorily non assenting Wellcome Ordinary Shares, thereby achieving 100 per cent ownership. Additionally, following an offer to employees of Wellcome who held share options under Wellcome share option schemes, the Company bought out share options not exercised at a price equivalent to the offer price.

Wellcome plc has been consolidated as a 100 per cent subsidiary undertaking from 16th March 1995.

The total consideration payable for the acquisition of Wellcome Ordinary Shares and share options amounted to £9,333 million. This is analysed in the table above. The value of each Glaxo Ordinary Share is taken as the closing price of £6.90 on the day before the offer was declared unconditional. The cash consideration and the acquisition expenses were funded by drawing on revolving credit facilities negotiated for the purposes of the offer.

In accounting for the acquisition of Wellcome on 16th March 1995 the consideration payable is allocated between the net assets acquired and goodwill as set out below:

	£m
Fair value of net assets acquired	2,307
Goodwill	7,026
Total consideration	9,333

The net assets acquired represent the separable net assets of the Wellcome Group at 16th March 1995, including assets held for disposal, adjusted to fair values as described in Note 24 on the Annual Accounts. No value is attributed to intangible assets retained because, in the opinion of the Directors, such assets are not separable from the underlying business.

The difference between consideration and the fair value of the net assets acquired is treated as goodwill. Goodwill represents the value to Glaxo in the Wellcome business that is not reflected in the accounting values of separable assets and liabilities. It includes the know how, the patents and the trade marks of the Wellcome business, and the business skills and organisational structures integral to realising that value.

In accordance with Glaxo accounting policies, based on current UK accounting standards, the total goodwill of £7,026 million arising on the acquisition has been taken to reserves. As permitted by UK company law, £2,834 million of goodwill has been applied against the merger reserve arising from the premium on the new Ordinary Shares issued.

Other acquisitions

Details of the acquisitions of Affymax N.V. and Glaxo Korea Limited, and the goodwill arising, are given in Note 24.

Additionally in the period from 1st July to 31st December 1995, the Company made investments in Cascan GmbH & Co. KG and in Medikredit, as also described in Note 24, which gave rise to goodwill.

Goodwill on consolidation

The total goodwill on consolidation in respect of acquisitions during the period amounts to £8,031 million as set out below. This includes goodwill of £618 million on Wellcome plc's investment in its OTC joint venture. £2,834 million of the goodwill on the acquisition of Wellcome plc has been applied against the merger reserve. The balance of £5,197 million has been taken to the goodwill reserve.

	£m
Wellcome plc	7,026
Affymax N.V.	299
Glaxo Korea Limited	15
Others	73
OTC joint venture	618
	8,031
To merger reserve	(2,834)
To goodwill reserve	5,197

Net debt

To finance the acquisition of Wellcome plc, Glaxo entered into revolving credit facility agreements with nine banks, whereby each bank agreed to lend up to £900 million, to provide an aggregate facility of £8·1 billion. The facilities were provided for three years, at an interest rate of 0·2 per cent over the London Interbank Offered Rate.

A total of £6 billion was drawn down against the facilities to fund the cash consideration payable to Wellcome shareholders. Drawings on the facilities were progressively reduced: by realising a substantial part of the Group's cash investments; by utilising existing commercial paper programmes; from the proceeds of issue of two Eurobonds, both issued in London and listed on the London Stock Exchange; and from cash generated from operations.

A new US$5 billion commercial paper programme was arranged in New York, supported by committed bank facilities of US$3·8 billion. Issues of commercial paper under this programme were used to repay in full the drawings under the revolving credit facilities, which were then cancelled.

At 31st December 1995 the Group's net debt amounted to £3,196 million. Net debt included borrowings of £1·7 billion denominated in foreign currencies which are treated as hedged against the Group's overseas assets.

Disposals

Since the acquisition of Wellcome plc, the Group has announced plans to dispose of certain of the acquired Wellcome assets.

In December 1995 the Group disposed of Hazeline, a cosmetics business based in Singapore, for a consideration of £95 million before tax. The Hazeline business was outside the core activities of the combined Glaxo Wellcome Group. As the business had been identified for disposal, the relevant assets have been stated at the cash proceeds of disposal, and a consequential tax liability established, for the purposes of arriving at the fair value of the business as reflected in the acquired assets of the Wellcome Group as at 16th March 1995. Accordingly no trading results of the Hazeline business since 16th March, nor the profit on disposal of the business, are reflected in the Group consolidated profit and loss account.

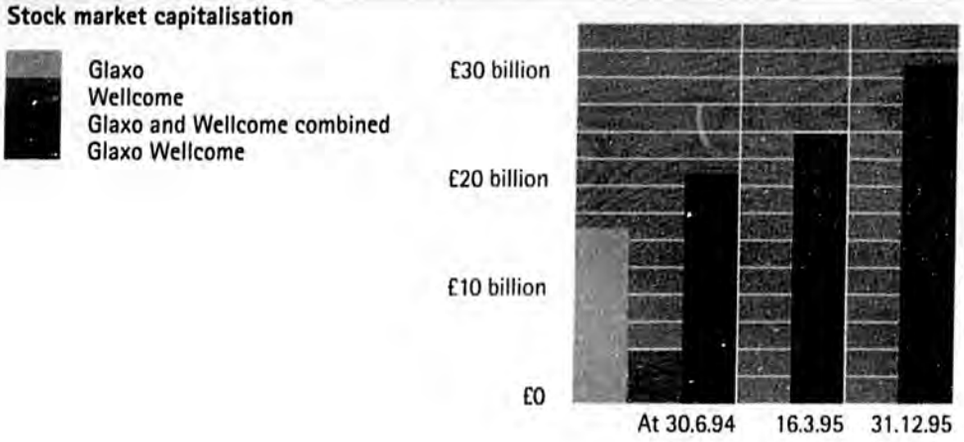
In accordance with commitments entered into by the Group with competition authorities at the time of the bid for Wellcome plc, the Company signed a memorandum of understanding in February 1996 for the disposal of 311C.90, a compound in development by Wellcome for the treatment of migraine.

The consideration for the disposal is based on a series of stage payments which are dependent on satisfactory progress of the product through regulatory approval and in to market. The consideration has been valued at estimated cash proceeds of £150 million for the purposes of ascribing a value to 311C.90 in the acquired assets of Wellcome plc at 16th March 1995, and a consequential tax liability established.

In December 1995 the Company announced that it had reached agreement with Warner-Lambert Company (WL) to restructure the joint venture that had existed between Glaxo and WL for the sale of OTC products to include Wellcome's *Zovirax* and to sell to WL for a consideration of $1·05 billion the Group investment in the joint venture between Wellcome and WL fo. the sale of OTC products excluding *Zovirax*. Since it was not the original intention to dispose of the investment and its disposal is dependent on the outcome of satisfactory negotiations with WL, it has been treated as a post acquisition event. As from 16th March 1995 the investment has been accounted for as an investment in an associated undertaking. Its fair value at 16th March 1995 has been taken as the proceeds of disposal, and a consequential deferred tax liability established. In accordance with the Company's accounting policies, goodwill arising on the difference between the fair value on acquisition and the net tangible assets of £14 million has been taken to reserves. The results have been consolidated as a share of profits of associated undertakings. The disposal is scheduled for completion in 1996. The profit arising on disposal will be offset by an equivalent write off of goodwill (in accordance with Abstract 3 of the Urgent Issues Task Force), so the effect on the Group consolidated profit and loss account will be neutral.

The proceeds of the disposals will be used to reduce the Group's net debt.

Stock market capitalisation



Cash flow and liquidity

As indicated by the consolidated cash flow statement, during the period the Group generated net cash from operating activities of £3,835 million after integration costs paid of £269 million. The funds generated were sufficient to meet all the Group's cash requirements during the period, including dividend payments of £1,525 million, payments to tax authorities of £1,070 million and capital expenditure of £684 million. The rate of capital expenditure has fallen from the previous year's level, reflecting completion of the Medicines Research Centre at Stevenage and a curtailment of capital spending pending review of all projects as part of the integration process.

The Group expects that future operating cash flow will be sufficient to fund its operating and debt service costs, to satisfy future capital expenditure and other commitments and to permit progressive repayment of debt. Capital expenditure is expected to be approximately £450 million in the 1996 financial year.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Accounts.

Treasury policy

The Group seeks to manage and monitor the Group's external and internal funding requirements and treasury risks in support of Group corporate objectives. Treasury policies are approved and monitored by the Board.

Net debt was established on an initial approximate 50:50 fixed:floating interest rate split. A limited number of interest rate swaps have been established to help achieve this profile. The ratio has been allowed to fluctuate in line with subsequent cash generation.

Foreign currency transaction exposure is not normally hedged. Exceptional planned UK foreign currency cash flows, such as intra group dividends, are hedged selectively by Group Treasury to prevent fluctuation in the anticipated sterling value.

Borrowings denominated in foreign currencies which are used to finance investments in overseas Group companies are treated as a hedge against the relevant net assets. Otherwise investments in overseas companies are financed by share capital and retained profits.

Financial policy

The Group adopts prudent financial practices and accounting policies.

The Group complies with all applicable UK accounting standards and guidance and seeks to be in the forefront of best accounting and reporting practice.

Market capitalisation

The overall value of the business as indicated by its stock market capitalisation is considerably higher than the net asset value shown on the balance sheet. The difference arises because the Group has significant assets which, under current accounting conventions and in accordance with Group accounting policies, are not included on the consolidated balance sheet. Research and development expenditure is written off as it is incurred and not capitalised, and internally developed trade marks and patents are not carried on the balance sheet.

The table above ind cates:

- the separate and combined market capitalisations of Glaxo and Wellcome on 30th June 1994, the end of the Company's last financial period;
- the effective market capitalisation of Glaxo Wellcome plc on 16th March 1995, the date that Glaxo's offer for Wellcome was declared unconditional;
- the market capitalisation of Glaxo Wellcome plc at 31st December 1995.

The table does not reflect the additional value created at 16th March 1995 by the £6 billion cash paid to shareholders of Wellcome plc as a result of the acquisition.

The increase in the Company's market capitalisation during 1995 reflects in part a re-rating by the investment community of the prospects for the healthcare sector generally. It also reflects investor confidence in the strategy and potential of Glaxo Wellcome plc.

Glaxo Wellcome plc was the largest company by market capitalisation on the FTSE 100 index on the London Stock Exchange at 31st December 1995.

Corporate Matters

Directors

The Directors of the Company as at 31st December 1995 are shown on page 5, with their biographical details on page 4. Mr J H McArthur, having been appointed since 31st December 1995, is also shown on page 5 with his biographical details on page 4. Each of the Directors has served on the Board throughout the 18 month period under review with the following exceptions:

Sir Paul Girolami retired as Chairman and as a Director on 18th November 1994; Sir Colin Corness was appointed a Non-Executive Director on the same date and was subsequently appointed Chairman on 18th January 1995;

Dr F B Humer and Mr H Konishi resigned from the Board on 1st December 1994 and 3rd January 1995 respectively;

Dr C A Sanders resigned from the Board on 17th May 1995 and on the same date Mr R A Ingram was appointed a Director with responsibility for the Group's activities in the Americas;

Mr N Maidment retired from the Board on 30th June 1995;

Dr J E Niedel and Mr J M T Cochrane were appointed Directors of the Company on 1st July 1995, with responsibility for Research and Development and Commercial Development respectively; on the same date Mr D C Bonham was appointed a Non-Executive Director of the Company;

Lord Cuckney and Mr J L Ferguson retired from the Board on 17th November 1995;

Mr McArthur was appointed a Non-Executive Director of the Company on 5th March 1996.

At the Annual General Meeting to be held on 16th May 1996, Mrs A A L Armstrong, Lord Kingsdown and Mr S P Lance retire by rotation and offer themselves for re-election. Mr McArthur having been appointed since the last Annual General Meeting retires in accordance with the Articles and being eligible offers himself for election. Mr Lance has a service contract with the Company, which may be determined by notice to him of two years. Mrs Armstrong, Mr McArthur and Lord Kingsdown do not have service contracts with the Company or any of its subsidiary undertakings.

Insurance for Directors and Officers

Insurance policies are maintained by the Company for its Directors and Officers against liabilities in relation to the Company.

Substantial shareholdings

At 1st March 1996, the Company had received notification of the following interests of 3 per cent or more in its Ordinary Shares:

BNY (Nominees) Limited holds 354,286,863 Ordinary Shares representing 10·09 per cent. These Ordinary Shares are held on behalf of holders of American Depositary Receipts.

The Wellcome Trust holds 167,746,940 Ordinary Shares representing 4·78 per cent.

The Prudential Corporation Group holds 107,155,361 Ordinary Shares representing 3·05 per cent.

Political contributions

The Company contributed £12,000 for political purposes in the UK during the 18 months to 31st December 1995 to the Centre for Policy Studies. The Company has decided to make no further political contributions.

Annual General Meeting

The Annual General Meeting will be held on 16th May 1996 at The London Hilton on Park Lane, 22 Park Lane, London W1.

As special business at the Annual General Meeting the Company will seek to renew authorities granted at the Annual General Meeting on 17th November 1995, to purchase its own Ordinary Shares up to a maximum of just under 10 per cent of the issued share capital and to disapply pre-emption rights. Authority to empower the Directors to make limited amendments to the Glaxo Wellcome Savings Related Share Option Schemes will also be sought.

Resolutions will be proposed to reappoint Coopers & Lybrand as auditors and to authorise the Directors to fix their remuneration.

Corporate Governance

The Company pursues its corporate purpose with the objective of enhancing shareholder value. Fundamental to the fulfilment of corporate responsibilities and the achievement of financial objectives is an effective system of corporate governance.

Board and committee structure

The Board of Glaxo Wellcome plc is responsible for the Group's system of corporate governance and is ultimately accountable for its activities throughout the world. The Board comprises Executive and Non-Executive Directors. The role of Non-Executive Directors is to bring independent judgement to Board deliberations and decisions.

The offices of Chairman and Chief Executive are held separately. The Chairman is a Non-Executive Director. The Chief Executive is also Deputy Chairman.

The Board meets regularly throughout the year. It has a formal schedule of matters reserved to it for decision but otherwise delegates specific responsibilities to committees, as described below.

The Group Executive Committee is responsible for the executive management of the Group. It is chaired by the Chief Executive and comprises the Executive Directors and other Senior Managers as detailed on page 8. The Committee meets monthly and its minutes are placed on the agenda of the Board.

The Audit Committee reviews the half year and full year results and the Interim and Annual Report and Accounts prior to their submission to the Board and considers any matters raised by the external or internal auditors. The Committee is chaired by Mr D C Bonham. It meets four times a year with the Chief Executive and the Finance Director and the external and internal auditors in attendance.

The Remuneration Committee approves the remuneration of the Executive Directors and is responsible for the policy and operation of the Glaxo Wellcome Share Option Schemes. The Committee is chaired by the Chairman. The Chief Executive attends its meetings except when his own remuneration is being considered.

The Group Appeals Committee carries out the Board's policy on charitable donations. The Committee is chaired by Mr D J Derx. The Committee meets quarterly.

The members of the Audit Committee, the Remuneration Committee and the Group Appeals Committee are detailed on page 4.

Pension schemes

The Company and a number of its overseas subsidiary undertakings have established pension schemes for the administration of staff retirement benefits. In the UK the Company and its UK subsidiary undertakings participate in and contribute to pension schemes which are administered separately from the Group by formally constituted trustee companies. A number of the Company's Executive and Non-Executive Directors, together with a number of external Directors, serve on the Boards of the trustee companies.

Accountability and control

Glaxo Wellcome operates, and attaches importance to, clear principles and procedures designed to achieve the accountability and control appropriate to a science based business operating multinationally in a highly regulated business sector.

The main precepts of this corporate ethos are:

- concentration on, and expertise in, a single industry sector;
- central direction, resource allocation and risk management of the key functional activities of product strategy, research and development, manufacture and financial practice;
- formally constituted subsidiary undertakings in all significant world markets, with operating and financial responsibility clearly delegated to local boards;
- lines of management responsibility from general managers of subsidiary undertakings to Executive Directors of Glaxo Wellcome plc.

These principles are designed to provide an environment of central leadership and local operating autonomy as the framework for the exercise of accountability and control by the Board, its Committees and executive management.

Essential features of the Company's system of internal control comprise:

- focus on key business objectives;
- integrated Group-wide financial approval and reporting procedures;
- central promulgation of functional policy and monitoring of compliance (including on-site audit of product quality, manufacturing standards, environmental care, health and safety, insurable risk, and financial practice);
- central ratification of appointments to the boards of subsidiary undertakings.

Cadbury Code of Best Practice

In December 1992 the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee) published a Code of Best Practice. The Code contains 19 recommendations as to best practice in terms of the control and reporting functions of boards of directors. Two reporting recommendations, relating to the effectiveness of internal controls and confirmation that the business is a going concern, where implementation had been deferred pending development of guidance on compliance by the accounting profession, became operative during the period covered by this Report on issue of the relevant guidance.

The Board considers that throughout the financial period under review the Company complied with all 19 recommendations of the Code.

The guidance on reporting on internal control focuses on internal financial control, defined as the internal controls established to provide reasonable assurance of:

- the safeguarding of assets against unauthorised use or disposition;
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The Directors are responsible for the Company's system of internal financial control. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The Board through the Audit Committee has reviewed the effectiveness of the Company's system of internal financial control in operation for the period covered by the Accounts. Following the acquisition of Wellcome plc in March 1995 the Wellcome Group continued to operate under its existing system of internal financial control. With the subsequent integration of Wellcome companies with Glaxo companies, the Company's system of internal financial control applied formally to the integrated business from 1st July 1995.

In accordance with the guidance on going concern, the Directors' report on going concern is included in the Financial Review on page 38.

As recommended by the Cadbury Committee, and required by the London Stock Exchange, the auditors have considered the Directors' statement of compliance in relation to those points of the Code which can be objectively verified. Their report to the Board is set out on page 43.

The Report of the Directors has been approved by the Board and signed on its behalf by:

S J Cowden
Secretary
Lansdowne House
Berkeley Square
London
W1X 6BQ
11th March 1996

Directors' Statements of Responsibility

Directors' Statement of Responsibility in relation to the Accounts

The Directors are required by law to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for that period. The Directors confirm that suitable accounting policies have been consistently applied in the preparation of the Accounts, subject to the change of accounting policy referred to in Note 3 on the Accounts, supported by reasonable and prudent judgements and estimates as necessary; applicable accounting standards have been followed, and the Accounts have been prepared on the going concern basis.

The Directors are responsible for ensuring the maintenance of proper accounting records, which disclose with reasonable accuracy the financial position of the Group at any time and from which accounts can be prepared to comply with the Companies Act 1985. They are also responsible for ensuring the operation of systems of internal control for safeguarding the assets of the Group and for preventing and detecting fraud and other irregularities.

Sir Colin Corness
Chairman

Approved by the Board
11th March 1996

Directors' Statement of Responsibility in relation to the Report of the Remuneration Committee

The Remuneration Committee is responsible to the Board for the remuneration of the Executive Directors.

The Report of the Remuneration Committee on remuneration policy and on the remuneration earned by Executive Directors during the 18 months to 31st December 1995 is set out on pages 74 to 79. The Report complies with the recommendations of the Greenbury Committee as implemented by the London Stock Exchange in its Listing Rules for listed companies with a financial year end of 31st December 1995.

The Report also includes details of the remuneration of the Non-Executive Directors. The remuneration of the Non-Executive Directors, other than the Chairman, is fixed by the Non-Executive Directors Remuneration Committee consisting of the Chairman and the Deputy Chairman and Chief Executive. The remuneration of the Chairman is fixed by the whole Board, excluding the Chairman.

For convenience, the Report includes all other disclosable information relating to Directors and their interests.

The Report of the Auditors to the Members of Glaxo Wellcome plc, on page 43 opposite, covers the disclosures specified for audit by the Listing Rules.

Sir Colin Corness
Chairman
Remuneration Committee
on behalf of the Board
11th March 1996

Reports by the Auditors

To the members of Glaxo Wellcome plc

We have audited the Accounts on pages 44 to 67 and the Report of the Remuneration Committee on pages 74 to 79.

Respective responsibilities of Directors and Auditors
As described opposite, the Directors of the Company are responsible for the preparation of the Accounts. It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Accounts.

Opinion
In our opinion the Accounts give a true and fair view of the state of affairs of the Company and the Group at 31st December 1995 and of the profit, total recognised gains and losses and cash flows of the Group for the 18 months then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants
and Registered Auditors
London
11th March 1996

To Glaxo Wellcome plc on corporate governance matters

In addition to our audit of the Accounts, we have reviewed the Directors' statements on page 41 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion
We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures, nor on the ability of the Company to continue in operational existence.

Opinion
With respect to the Directors' statements on internal financial control on page 41 and going concern on page 38, in our opinion the Directors have provided the disclosures required by paragraphs 4·5 and 4·6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 41 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand
Chartered Accountants
London
11th March 1996

Consolidated Profit and Loss Account

	Notes	12 months to 30.6.95		6 months to 31.12.95	18 months to 31.12.95			12 months to 30.6.94 (restated)
		Glaxo continuing business £m	Acquisitions £m	Merged business £m	**Combined business £m**	Integration £m	**Total £m**	£m
Turnover	26	5,834	638	4,018	**10,490**	-	**10,490**	5,656
Operating costs	5	3,863	438	2,592	**6,893**	1,215	**8,108**	3,839
Trading profit	26	1,971	200	1,426	**3,597**	(1,215)	**2,382**	1,817
Profit on disposal of business	7	35	-	-	**35**	-	**35**	-
Share of profits/(losses) of associated undertakings	8	(8)	26	39	**57**	-	**57**	(3)
Profit before interest		1,998	226	1,465	**3,689**	(1,215)	**2,474**	1,814
Net (interest payable)/investment income	9	130	(96)	(121)	**(87)**	-	**(87)**	21
Profit on ordinary activities before taxation	26	2,128	130	1,344	**3,602**	(1,215)	**2,387**	1,835
Taxation	10	627	53	417	**1,097**	(230)	**867**	524
Profit on ordinary activities after taxation		1,501	77	927	**2,505**	(985)	**1,520**	1,311
Minority interests		39	5	18	**62**	-	**62**	12
Profit attributable to shareholders		1,462	72	909	**2,443**	(985)	**1,458**	1,299
Dividends	12	1,004	-	526	**1,530**	-	**1,530**	823
Retained (loss)/profit	23	458	72	383	**913**	(985)	**(72)**	476
Earnings per Ordinary Share	11	47·8p			**74·6p**		**44·5p**	42·7p
Weighted average number of shares in issue (millions)		3,056			**3,274**		**3,274**	3,040
Dividends per Ordinary Share	12				**45·0p**		**45·0p**	27·0p

The basis of analysis between Glaxo continuing business, Acquisitions, Merged business and Integration is set out in Note 1 on the Accounts.

Consolidated Balance Sheet

		Notes	At 31.12.95 £m	At 30.6.94 (restated) £m
Fixed assets	Tangible assets	13	**4,165**	3,184
	Investments	14	**96**	55
			4,261	3,239
Current assets	Stocks	15	**811**	575
	Debtors	16	**2,045**	1,310
	Asset for disposal	24	**150**	–
	Investments	18	**1,041**	2,708
	Cash at bank	18	**233**	55
			4,280	4,648
Creditors: amounts due within one year	Loans and overdrafts	18	**3,004**	400
	Other creditors	17	**2,462**	1,730
			5,466	2,130
Net current (liabilities)/assets			**(1,186)**	2,518
Total assets less current liabilities			**3,075**	5,757
Creditors: amounts due after one year	Loans	18	**1,343**	143
	Convertible bonds	18	**123**	129
	Other creditors	17	**71**	26
			1,537	298
Provisions for liabilities and charges		19	**1,317**	310
Net assets		26	**221**	5,149
Capital and reserves	Called up share capital	22	**876**	762
	Share premium account	22	**373**	229
	Goodwill reserve	23	**(5,197)**	–
	Other reserves	23	**4,039**	4,035
Equity shareholders' funds			**91**	5,026
Equity minority interests			**130**	123
Capital employed			**221**	5,149

Sir Colin Corness
Chairman
Approved by the Board
11th March 1996

Consolidated Cash Flow Statement

		Notes	18 months to 31.12.95 £m	12 months to 30.6.94 £m
Net cash inflow from operating activities		25	**3,835**	2,145
Net cash outflow from returns on investments and servicing of finance	Interest received		**291**	168
	Interest paid		**(288)**	(42)
	Costs of financing		**(9)**	-
	Losses on investment activities		**(1)**	-
	Dividends received from associated undertakings		**39**	-
	Dividends paid to ordinary shareholders		**(1,508)**	(698)
	Dividends paid to minority shareholders		**(17)**	(7)
			(1,493)	(579)
Taxation paid			**(1,070)**	(513)
Net cash outflow from investing activities	Purchase of tangible fixed assets		**(684)**	(575)
	Sale of tangible fixed assets		**61**	22
	Purchase of fixed asset investments		**(35)**	(4)
	Sale of fixed asset investments		**37**	-
	Purchase of subsidiary undertakings	25	**(6,187)**	(2)
	Disposal of businesses	25	**132**	-
	Other movements		**-**	4
	Net cash outflow on fixed assets		**(6,676)**	(555)
	Purchase of non cash equivalent current asset investments		**(5,974)**	(12,849)
	Sale of non cash equivalent current asset investments		**8,044**	12,041
			(4,606)	(1,363)
Net cash outflow before financing			**(3,334)**	(310)
Net cash inflow from financing	Issue of Ordinary Share capital		**106**	51
	New long term loans		**8,424**	-
	Repayment of long term loans		**(7,290)**	-
	New short term loans		**11,298**	1,638
	Repayment of short term loans		**(8,697)**	(1,650)
			3,841	39
Increase/(decrease) in cash & cash equivalents		25	**507**	(271)
Increase in net (debt)/funds		25	**(5,287)**	403

The reconciliation between the increase/(decrease) in cash & cash equivalents and the increase in net (debt)/funds is set out in Note 25.

Statement of Total Recognised Gains and Losses

	Notes	18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Profit attributable to shareholders		**1,458**	1,299
Exchange adjustments		**76**	(61)
Total recognised gains and losses for the period		**1,534**	1,238
Prior period adjustment	3	**(17)**	
Total gains and losses recognised since 30th June 1994		**1,517**	

Reconciliation of Movements in Equity Shareholders' Funds

	Notes	18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Balance at the beginning of the period as previously stated		**5,043**	4,546
Prior period adjustment	3	**(17)**	(14)
Balance at the beginning of the period restated		**5,026**	4,532
Total recognised gains and losses for the period		**1,534**	1,238
Dividends	12	**(1,530)**	(823)
Ordinary Shares issued:			
Ordinary Shares issued on acquisition of Wellcome plc	22	**107**	-
Merger reserve arising on acquisition of Wellcome plc	22	**2,834**	-
Ordinary Shares issued under share option schemes	22	**106**	51
Ordinary Shares issued in lieu of cash dividends	22	**45**	31
Goodwill arising during the period	23	**(8,031)**	(3)
Balance at the end of the period		**91**	5,026

Company Balance Sheet

		Notes	At 31.12.95 £m	At 30.6.94 (restated) £m
Fixed assets	Tangible assets	27	**21**	31
	Shares in Glaxo Group Limited – at cost		**742**	742
	Shares in Wellcome plc – at cost		**9,537**	–
			10,300	773
Current assets	Debtors	27	**657**	1,331
	Cash at bank		**5**	19
			662	1,350
Creditors: amounts due within one year	Loans and overdrafts		**4,650**	71
	Other creditors	27	**592**	666
			5,242	737
Net current (liabilities)/assets			**(4,580)**	613
Total assets less current liabilities			**5,720**	1,386
Creditors: amounts due after one year	Loans		**1,215**	–
	Convertible bonds	18	**123**	129
			1,338	129
Provisions for liabilities and charges		27	**27**	33
Net assets			**4,355**	1,224
Capital and reserves	Called up share capital	22	**876**	762
	Share premium account	22	**373**	229
	Merger reserve	22	**2,834**	–
	Other reserves	23	**272**	233
Equity shareholders' funds			**4,355**	1,224

Sir Colin Corness
Chairman
Approved by the Board
11th March 1996

Notes on the Accounts

1 Presentation of Accounts

Composition of Accounts

The Accounts comprise:

- Consolidated Profit and Loss Account
- Consolidated Balance Sheet
- Consolidated Cash Flow Statement
- Statement of Total Recognised Gains and Losses
- Reconciliation of Movements in Equity Shareholders' Funds
- Company Balance Sheet
- Notes on the Accounts

As permitted by Section 230 of the Companies Act 1985, the Profit and Loss Account of the Company is not presented.

The Statement of Total Recognised Gains and Losses comprises the realised profit attributable to shareholders as reflected in the Consolidated Profit and Loss Account together with the unrealised gain or loss in the value of the Company's overseas net assets, less related foreign currency borrowings, attributable to currency movements over the period.

The Reconciliation of Movements in Equity Shareholders' Funds comprises the items contributing to the decrease or increase over the period in shareholders' funds. Such items include the total recognised gains and losses for the period, dividends paid and proposed, and the proceeds of shares issued during the period. The Reconciliation also includes the goodwill arising on acquisitions during the period which, in accordance with the Company's accounting policies, is set directly against reserves.

Accounting policies

The Accounts have been prepared in accordance with the Company's accounting policies described in Note 2. Except for the change of accounting policy described in Note 3, these policies are unchanged from the year to 30th June 1994.

As described in Note 24, the Company has made a number of acquisitions during the period. The Company's accounting policies in respect of acquisitions are set out in Note 2 under "Consolidated accounts". In accounting for the acquisitions, the Company has implemented Financial Reporting Standard 6 "Acquisitions and Mergers" and Financial Reporting Standard 7 "Fair Values in Acquisition Accounting". These standards provide additional guidance in respect of accounting for acquisitions. In particular, under FRS7, the costs of integrating an acquired business, even if inherent in the acquisition decision, are dealt with as a post acquisition event through the profit and loss account, rather than as a provision in the fair value of the net assets acquired.

The Company has implemented Abstract 13 of the Urgent Issues Task Force "Accounting for Employee Share Ownership Plan Trusts".

Presentation of Profit and Loss Account

The Company has presented the profit and loss account in columnar form to illustrate the respective effect on the results for the period of the acquisitions during the period and their subsequent integration. This analysis is consistent with the way the business was managed and reported during the period. The analysis by column is defined as follows:

Glaxo continuing business reflects the results of the Glaxo business for the 12 months to 30th June 1995. Net investment income is stated as if Glaxo's investment funds had been available for investment throughout the period.

Acquisitions reflects the trading results of the acquisitions from their respective dates of acquisition to 30th June 1995. Interest payable on acquisitions represents the interest costs on borrowings taken out to finance the acquisitions, as if none of the combined Group's investment funds had been utilised to reduce borrowings. Taxation is stated at the rates applicable to the acquired businesses and to the interest costs.

Merged business reflects the results for the six months from 1st July 1995, from which date the continuing and acquired businesses were effectively merged and managed on a unified basis. It is therefore not feasible to identify and report separately the acquired businesses from 1st July 1995.

Integration reflects the costs charged relating to the integration of the continuing and acquired businesses. Taxation is stated at the rates applicable to integration costs and internal restructuring.

The Company has adopted a functional analysis of operating costs, in accordance with Profit and Loss Account Format 1 under the Companies Act 1985, in order to provide a more useful analysis of operating performance. Share of profits or losses of associated undertakings is now shown below trading profit. Prior year figures have been restated to reflect the new presentation.

2 Accounting policies and definitions

Accounting convention
The Accounts have been prepared using the historical cost convention.

Accounting standards
The Accounts comply with all applicable UK accounting standards.

Consolidated accounts
- The Accounts incorporate the audited assets and liabilities and results of subsidiary undertakings and the Group's share of associated undertakings for the period. A list of the subsidiary and associated undertakings which, in the opinion of the Directors, principally affected the amount of profit or the net assets of the Group is given on page 85.
- Trading results relating to periods before the undertakings became, or after they ceased to be, subsidiary or associated undertakings are excluded from the consolidated profit and loss account.
- Goodwill, being the excess of the purchase consideration of shares in subsidiary and associated undertakings over the Group's share of the net assets acquired, is taken to consolidated reserves in the year of acquisition.
- Transactions and balances between subsidiary undertakings have been eliminated; no profit is taken on sales between subsidiary undertakings or sales to associated undertakings until the products are sold to customers outside the Group.
- Deferred taxation relief on unrealised intra group profit is accounted for only to the extent that the related taxation effect is expected to reverse.
- Assets and liabilities of overseas subsidiary and associated undertakings are translated into sterling at rates of exchange ruling at the balance sheet date. The results and cash flows of overseas subsidiary and associated undertakings are translated into sterling using average rates of exchange. Exchange adjustments arising when the opening net assets and the profits for the year retained by overseas subsidiary and associated undertakings are translated into sterling, less exchange differences arising on related foreign currency borrowings, are taken directly to reserves.
- Adjustments are made to compensate for the effects of inflation in hyper inflationary economies. Any loss on net working capital is charged to the consolidated profit and loss account.

Foreign currencies
Foreign currency transactions by Group companies are booked in local currency at the exchange rate ruling on the date of transaction and foreign currency assets and liabilities are converted into local currency at rates of exchange ruling at the balance sheet date; exchange differences are included in trading profit.

Turnover
Turnover shown in the consolidated profit and loss account represents goods invoiced during the period to external customers and associated undertakings, excluding value added tax and other sales taxes, less trade discounts and rebates.

Research and development
Research and development expenditure is charged to the consolidated profit and loss account in the period in which it is incurred. Tangible fixed assets used for research and development are depreciated in accordance with the Group's policy.

Share incentive schemes
The cost of shares purchased to fund awards under the Company's Long Term Incentive Plan is charged to the consolidated profit and loss account over the three year period measured by the performance target in proportion to the percentage award that is expected to vest.

Retirement benefits
The cost of providing pension benefits is charged to the consolidated profit and loss account on a systematic and rational basis over the period during which benefit is derived from employees' services. Any difference between this charge and the contributions paid to pension schemes is included as an asset or liability in the consolidated balance sheet.

Tangible fixed assets
Tangible fixed assets are stated at cost less a provision for depreciation. Upon disposal of a tangible fixed asset the cost and related accumulated depreciation are removed from the Accounts and the net amount, less any proceeds, is taken to the consolidated profit and loss account. Depreciation is calculated to write off the cost of tangible fixed assets, excluding freehold land, in equal annual instalments over their expected useful lives. The normal expected useful lives of the major categories of tangible fixed assets are:

Freehold buildings	25 to 50 years
Leasehold land and buildings	The shorter of lease term and 50 years
Plant and machinery	10 to 20 years
Fixtures and equipment	4 to 10 years

2 Accounting policies and definitions

Fixed asset investments
Investments in associated undertakings are carried in the consolidated balance sheet at the Group's share of their net tangible assets at dates of acquisition and their post acquisition retained profits or losses. Other fixed asset investments are carried at cost less provision for permanent diminution in value.

Stocks
Stocks are included in the Accounts at the lower of cost (including manufacturing overheads, where appropriate) and net realisable value.

Current asset investments
Current asset investments are stated at the lower of cost and realisable value. In the case of securities acquired at a significant premium or discount to maturity value, and intended to be held to redemption, cost is adjusted to amortise the premium or discount over the life to maturity of the security. Floating rate bonds are stated at cost. Interest income is taken to the consolidated profit and loss account on a receivable basis and includes the interest element of related foreign currency transactions. Any change in the value of current asset investments on redemption, maturity or sale is taken to the consolidated profit and loss account as realised gains/(losses).

Debt instruments
Debt instruments are stated at the amount of net proceeds adjusted to amortise the finance cost of debt over the term of the debt. Interest differentials under interest swap agreements are recognised by adjustment of interest expense.

Deferred taxation
Deferred taxation, calculated using the liability method, is accounted for by each Group company for taxation deferred or accelerated by reason of timing differences. Deferred taxation relief is accounted for in full on long term timing differences in respect of provisions for unfunded retirement benefits. Taxation deferred or accelerated by reason of short term and other timing differences is accounted for to the extent that it is probable that a liability or asset will crystallise. Advance corporation tax is carried forward to the extent that it is expected to be recovered.

Cash & cash equivalents
Cash & cash equivalents for the purpose of the consolidated cash flow statement comprise cash at bank, current asset investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less bank loans and overdrafts repayable within three months from the date of the advance.

3 Change of accounting policy

In accordance with Urgent Issues Task Force Abstract 6, the accounting policy for post retirement benefits other than pensions provided for employees has been changed with effect from 1st July 1994. The cost of such benefits, principally post retirement healthcare, is now recognised on an accruals basis over the working life of employees, whereas in prior years the cost was accounted for on a cash basis after employees had retired. The cumulative adjustment in respect of the accrued cost at 1st July 1994, net of deferred taxation relief, amounts to £17 million and has been charged directly against reserves as a prior year adjustment.
The comparative figures for the 12 months to 30th June 1994 have been restated: the effect on the results of that period is to reduce trading profit by £5 million and taxation by £1 million. The effect on the results for the 18 months to 31st December 1995 is to reduce trading profit before integration costs by £13 million, increase integration costs by £30 million and reduce taxation by £14 million.

4 Exchange rates

The Group uses the average of exchange rates prevailing during the period to translate the results of overseas Group subsidiary and associated undertakings into sterling and period end rates to translate the net assets of those undertakings. The currency which most influences these translations is the US dollar and the relevant exchange rates were:

	18 months to 31.12.95 £/US$	12 months to 30.6.94 £/US$
Average rates	**1·58**	1·50
Period end rates	**1·55**	1·54

5 Operating costs

	12 months to 30.6.95		6 months to 31.12.95	18 months to 31.12.95			12 months to 30.6.94 (restated)
	Glaxo continuing business £m	Acquisitions £m	Merged business £m	**Combined business £m**	Integration £m	**Total £m**	£m
Cost of sales	1,037	115	654	**1,806**	558	**2,364**	1,004
Selling, general and administrative expenditure	1,986	227	1,368	**3,581**	400	**3,981**	1,988
Research and development expenditure	852	103	585	**1,540**	257	**1,797**	858
Other operating income	(12)	(7)	(15)	**(34)**	-	**(34)**	(11)
	3,863	438	2,592	**6,893**	1,215	**8,108**	3,839

Costs expected to be incurred in integrating the business of Glaxo and Wellcome are estimated at £1,215 million, comprising severances and other cash costs of £763 million and losses on disposal of fixed assets of £452 million. Costs of £384 million had been incurred by 31st December 1995 and provision for further costs of £831 million has been made at that date.

Operating costs include

	18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Staff costs (Note 6)	**2,565**	1,305
Depreciation of tangible fixed assets	**533**	282
Hire of plant and machinery	**41**	25
Other operating lease rentals	**54**	25
Audit fees		
Audit of Glaxo Wellcome plc	**0·3**	0·3
Audit of subsidiary undertakings	**2·9**	1·9
Fees to auditors for other work		
Auditors' UK firm	**2·1**	1·0
Auditors' overseas firms	**2·5**	1·1

Additionally fees of £0·4 million were paid to the auditors' UK firm in the 18 months to 31st December 1995 in connection with acquisitions.

6 Staff costs

	18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Wages and salaries	**1,923**	1,064
Social security costs	**233**	132
Pension and other post retirement costs	**172**	109
Severance costs arising from integration	**188**	-
Pension and other post retirement costs arising from integration	**49**	-
	2,565	1,305

Remuneration of Directors included within staff costs

Fees, salary, benefits and bonuses	**9**	8
Pension and other post retirement costs	**2**	6
Provision for awards under Long Term Incentive Plan	**1**	-
	12	14

Further analysis of Directors' remuneration is given in the Report of the Remuneration Committee on pages 74 to 79.

The average number of persons employed by the Group (including Directors) during the period

	Number	Number
Manufacturing	**18,700**	17,688
Research and development	**8,847**	7,476
Selling, general and administrative	**24,872**	22,025
	52,419	47,189

The acquisition of Wellcome plc in March 1995 added approximately 16,000 to staff numbers.

The numbers of Group employees as at the date of the acquisition and at period end dates are given in the Financial Record on page 81.

6 Staff costs

Pension and other post retirement costs

Group undertakings operate pension schemes which cover the Group's material obligations to provide pensions to retired employees. These schemes have been developed in accordance with local practices in the countries concerned. The principal schemes are of the defined benefit type whereby retirement benefits are based on employee pensionable remuneration and length of service. The Group also operates a number of defined contribution schemes whereby retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee. In the majority of cases the contributions to defined benefit schemes are determined in accordance with the advice of independent, professionally qualified actuaries. The assets of funded schemes are generally held in separately administered trusts or are insured. In certain cases, overseas Group undertakings hold assets with the specific purpose of matching the liabilities of unfunded schemes, both in terms of maturity and value.

The cost of contributions to and provision for the various pension arrangements

	18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
UK funded defined benefit schemes	**47**	49
UK unfunded defined benefit schemes	**3**	5
UK funded defined contribution schemes	**10**	3
Overseas funded defined benefit schemes	**51**	26
Overseas unfunded defined benefit schemes	**26**	8
Overseas defined contribution schemes	**21**	13
Unfunded post retirement schemes	**14**	5
	172	109
Pension and other post retirement costs arising from integration	**49**	-

The funds of the UK defined benefit schemes are administered by trustee companies or individual trustees and are kept separate from those of the Group. Independent actuaries prepare valuations of the schemes at least every three years and, in accordance with their recommendations, annual contributions are paid to the schemes so as to secure the benefits set out in the rules. The latest actuarial valuations for funding purposes were carried out as at 31st March 1995 in respect of the Glaxo Group Pension Scheme and the Glaxo Executive Pension Scheme and as at 5th April 1994 in respect of the Wellcome Group Pension Fund. Following the results of the valuations of the Glaxo Schemes as at 31st March 1995, company contributions to these schemes in respect of ordinary benefit accruals have been suspended. Company contributions to the Wellcome Group Pension Fund (other than those payable in respect of shift pay) are also currently suspended. Pension costs for accounting purposes have been derived using the projected unit method and by spreading the surpluses in the schemes over the average expected remaining future lives of their respective memberships. The pension cost calculations made for the period since the acquisition of the Wellcome Group have been carried out on the basis of an assumed investment return of 8·5 per cent per annum, increases in pensions of 4 per cent per annum, increases in salaries of 6 per cent per annum (plus an allowance for promotion) and UK equity dividend growth of 4 per cent per annum. By reference to these assumptions, the actuarial value of the total of all three schemes' assets as at 31st March 1995 represented 135 per cent of the actuarial value of all benefits accrued to members as at that date after allowing for future salary and pension increases. The total market value at that date was £1,892 million.

Certain UK pension benefits are provided on an unfunded basis, some of which are under a scheme administered by a trustee company. The charge against profits in respect of these benefits is the aggregate of the increase over the year in the assessed liabilities for members still in service and the net movement in provisions set up in respect of pensions in payment. The liabilities are assessed annually in accordance with the advice of independent actuaries.

The largest overseas schemes are funded defined benefit schemes operated by the Group's principal subsidiary undertaking in the USA. Certain pension benefits are also provided through unfunded schemes.

Several Group undertakings, in countries where it is local employment practice, mainly in North America, provide healthcare benefits to retired employees. The cost of providing these healthcare benefits is recognised on an accruals basis over the working life of the eligible employees. Amounts payable under these schemes are deductible at the taxation rate applicable in the countries in which payments are made.

7 Profit on disposal of business

Glaxo India Limited sold its foods division on 30th September 1994. The profit on disposal was £35 million; the taxation and minority interest attributable to the disposal were £7 million and £14 million respectively; the Group share of the profit was £14 million.

8 Share of profits/(losses) of associated undertakings

	18 months to 31.12.95 £m	12 months to 30.6.94 £m
Warner Wellcome	**74**	–
Glaxo Warner-Lambert	**(17)**	(3)
	57	(3)

9 Net (interest payable)/investment income

		18 months to 31.12.95 £m	12 months to 30.6.94 £m
Interest payable	On bank loans and overdrafts and other loans:		
	Repayable within five years, not by instalments	**304**	37
	Repayable within five years, by instalments	**5**	4
	Repayable wholly or partly in more than five years	**28**	3
		337	44
Investment income	Interest income	**265**	180
	Realised losses	**(95)**	(35)
	Provision for market value adjustments	**80**	(80)
		250	65
		(87)	21

Included above are interest income of £30 million (12 months to 30th June 1994 - £54 million) and realised losses of £15 million (12 months to 30th June 1994 - losses of £12 million) relating to listed current asset investments.

The analysis of net interest payable for the 18 months to 31st December 1995 between continuing business, acquisitions and merged business is shown on the face of the consolidated profit and loss account.

10 Taxation

		18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Taxation charge based on profits for the period	UK corporation tax at 33 per cent	**1,026**	321
	Less double taxation relief	**605**	52
		421	269
	Overseas taxation	**660**	311
	Deferred taxation	**(251)**	(56)
	Irrecoverable Advance Corporation Tax	**37**	–
		867	524
Attributable to	Holding company and subsidiary undertakings	**864**	524
	Associated undertakings	**3**	–

10 Taxation

		18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Reconciliation of the taxation charge	Profit on ordinary activities before taxation at the UK statutory rate of 33 per cent	788	606
	Deferred taxation not provided on fixed assets	(48)	(58)
	Effect of special taxation status in Singapore	(112)	(46)
	Net cost of different rates of taxation in overseas undertakings	34	32
	Taxation effect of disallowed integration costs	134	-
	Advance Corporation Tax written off	37	-
	Other differences	34	(10)
	Taxation charge in the accounts	867	524

Included in the taxation charge is a credit of £230 million in respect of integration.

Profits arising from manufacturing operations in Singapore are taxed at a reduced rate until 30th June 2002.

11 Earnings per Ordinary Share

	18 months to 31.12.95	12 months to 30.6.94 (restated)
Earnings per Ordinary Share	44·5p	42·7p
Adjustment in respect of integration	30·1p	-
Earnings per Ordinary Share before integration	74·6p	42·7p
Weighted average number of shares in issue (millions)	3,274	3,040

The earnings per Ordinary Share of 44·5p has been calculated by dividing the profit attributable to shareholders of £1,458 million (12 months to 30th June 1994 restated - £1,299 million) by the weighted average number of Ordinary Shares in issue during the period.

Earnings per Ordinary Share is also shown calculated by reference to earnings before integration costs and related taxation in order to provide an indication of continuing business performance.

The earnings per Ordinary Share is not materially different in either financial period when calculated on a fully diluted basis.

Earnings per Ordinary Share as shown on the face of the consolidated profit and loss account for the Glaxo continuing business for the 12 months to 30th June 1995 has been calculated by dividing the profit attributable to shareholders for that period of £1,462 million by 3,056 million, the weighted average number of shares in issue during that period excluding Ordinary Shares issued on the acquisition of Wellcome plc.

12 Dividends

		18 months to 31.12.95 £m	12 months to 30.6.94 £m
First Interim	10·0p per Ordinary Share paid 10th April 1995 - (1994 - 9·0p)	306	274
Second Interim	20·0p per Ordinary Share paid 23rd October 1995 - (1994 - nil)	698	-
Final - proposed	15·0p per Ordinary Share (payable 20th May 1996) (1994 - 18·0p)	526	549
		1,530	823

13 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Fixtures and equipment £m	Assets in construction £m	Total £m
Cost at 1st July 1994	1,526	1,362	881	645	4,414
Exchange adjustments	16	28	8	6	58
Additions	29	95	158	352	634
Acquisition of subsidiary undertakings	428	288	102	118	936
Disposals	(36)	(44)	(100)	(12)	(192)
Reclassifications	353	328	43	(724)	-
Cost at 31st December 1995	2,316	2,057	1,092	385	5,850
Depreciation at 1st July 1994	254	550	426	-	1,230
Exchange adjustments	-	7	7	-	14
Provision for the period	112	220	201	-	533
Disposals	(7)	(26)	(59)	-	(92)
Depreciation at 31st December 1995	359	751	575	-	1,685
Net book value at 1st July 1994	1,272	812	455	645	3,184
Net book value at 31st December 1995	1,957	1,306	517	385	4,165

The net book value at 31st December 1995 of the Group's land and buildings comprises freehold properties £1,764 million (1st July 1994 - £1,075 million), properties with leases of 50 years or more £130 million (1st July 1994 - £160 million) and properties with leases of less than 50 years £63 million (1st July 1994 - £37 million).

14 Fixed asset investments

	Investments in OTC joint ventures £m	Investments in other associated undertakings £m	Investments in own shares £m	Other investments £m	Total £m
At 1st July 1994	(3)	6	-	52	55
Exchange adjustments	4	1	-	-	5
Additions	15	17	2	1	35
Acquisition of subsidiary undertaking	632	3	1	47	683
Goodwill on acquisition taken to reserves	(618)	(10)	-	-	(628)
Disposals	-	-	-	(35)	(35)
Retained loss for the period	(13)	(2)	-	-	(15)
Transfer to subsidiary undertaking	-	(4)	-	-	(4)
At 31st December 1995	17	11	3	65	96

The investments in OTC joint ventures are the Group's interests in Warner Wellcome and Glaxo Warner-Lambert.

The principal associated undertakings at 31st December 1995 are shown on page 85.

The investments in own shares represents the cost of shares held in Employee Share Ownership Plans. The nominal value of these shares is £0·1 million.

Other investments comprise

	At 31.12.95 £m	At 30.6.94 £m
Investments listed on overseas stock exchanges	**26**	28
Unlisted investments	**39**	24
	65	52
Aggregate market value of listed investments	**205**	47

Included within investments listed on overseas stock exchanges is the Group's holding of 16·9 per cent of the Common Shares of BioChem Pharma Inc., a research company incorporated in Canada.

15 Stocks

	At 31.12.95 £m	At 30.6.94 £m
Raw materials and consumables	**169**	107
Work in progress	**358**	274
Finished goods	**284**	194
	811	575

16 Debtors

		At 31.12.95 £m	At 30.6.94 £m
Amounts due within one year	Trade debtors	**1,444**	908
	Other debtors	**270**	114
	Prepaid pension contributions	**30**	37
	Other prepayments and accrued income	**81**	83
Amounts due after one year	Other debtors	**126**	61
	Advance Corporation Tax recoverable	**94**	107
		2,045	1,310

Debtors include £24 million (at 30th June 1994 – £5 million) due from associated undertakings.

17 Other creditors

		At 31.12.95 £m	At 30.6.94 £m
Amounts due within one year	Trade creditors	**293**	188
	Taxation	**667**	382
	Social security	**22**	15
	Other creditors	**350**	222
	Accruals and deferred income	**604**	374
	Dividend proposed	**526**	549
		2,462	1,730
Amounts due after one year	Taxation	**11**	7
	Other creditors	**60**	19
		71	26

18 Net (debt)/funds

As the Group is now in a net debt position, net liquid funds at 30th June 1994 have been restated to include all debt.

		At 31.12.95 £m	At 30.6.94 (restated) £m
Current asset investments		**1,041**	2,708
Cash at bank		**233**	55
		1,274	2,763
Loans and overdrafts due within one year	Bank loans and overdrafts	**(437)**	(322)
	Commercial paper	**(2,566)**	(75)
	Other loans	**(1)**	(3)
		(3,004)	(400)
Loans due after one year	Bank loans	**(105)**	(122)
	8¾ per cent Unsecured sterling Euro Bond 2005	**(496)**	–
	6·75 per cent Unsecured US$ Euro Note 2000	**(321)**	–
	6¾ per cent Unsecured loan stock 1985/95	**–**	(2)
	7¾ per cent Unsecured loan stock 1985/95	**–**	(2)
	Other loans	**(421)**	(17)
		(1,343)	(143)
Convertible bonds	4·3 per cent Japanese Yen Convertible Bonds	**(123)**	(129)
Net (debt)/funds		**(3,196)**	2,091
of which cash & cash equivalents were	Current asset investments	**674**	438
	Cash at bank	**233**	55
	Loans and overdrafts due within one year	**(207)**	(305)
		700	188

Current asset investments

	Market value At 31.12.95 £m	Market value At 30.6.94 £m	Book value At 31.12.95 £m	Book value At 30.6.94 £m
Government and equivalent investments	**271**	1,323	**270**	1,325
Other investments	**511**	1,320	**511**	1,318
Deposits at banks	**260**	65	**260**	65
	1,042	2,708	**1,041**	2,708

At the balance sheet date the Group's investments included financial instruments of £134 million (at 30th June 1994 – £438 million) listed on the London Stock Exchange and £52 million (at 30th June 1994 – £619 million) listed on overseas stock exchanges. The aggregate market value of listed investments was £186 million (at 30th June 1994 – £1,057 million).

Interest rate swaps

At 31st December 1995 the Group had outstanding interest rate swap agreements having a total notional principal amount of £823 million (at 30th June 1994 – £nil), £500 million relating to a five year swap exchanging sterling floating interest rates for fixed at 8·61 per cent, and US$500 million (£323 million) relating to a ten year swap exchanging US dollar floating interest rates for fixed at 6·475 per cent. The US dollar swap was cancelled with effect from 25th January 1996 at which time a US$500 million 6·125 per cent Unsecured Euro Note 2006 was issued.

Loans and overdrafts due within one year

Commercial paper comprises US dollar programmes of £2,090 million issued in New York backed up by committed facilities of more than one year of £2,511 million and a sterling programme with a US dollar option of £476 million issued in London.

18 Net (debt)/funds

		At 31.12.95 £m	At 30.6.94 £m
Loans due after one year	Repayable between one and two years	**8**	28
	Repayable between two and five years	**817**	89
	Repayable in five years or more	**518**	26
		1,343	143
Wholly or partly repayable after five years or more	By instalments after five years	**20**	26
	By instalments within five years	**18**	17
	Total due in instalments	**38**	43
	Not by instalments	**498**	-

Included in other loans is a 5 year Japanese Yen 64·1 billion (£400 million) loan which has been swapped into floating rate sterling.

The debt analysed above is repayable over various periods between 1996 and 2009 and carries interest at rates between 3·9 per cent and 14·3 per cent per annum.

The 6¾ per cent and 7¾ per cent unsecured loan stocks of Glaxo Group Limited were repaid at par on 1st October 1995 and 1st November 1995 respectively.

Secured loans

Loans amounting to £156 million (at 30th June 1994 – £96 million) are secured by charges on fixed and current assets

Convertible bonds

The Japanese Yen Convertible Bonds are convertible, at the option of the holders, into a maximum of 12,829,839 Ordinary Shares at a price of £6.49 on or before 22nd September 1998. No bonds were converted into Ordinary Shares during the 18 months to 31st December 1995. The bonds mature on 28th September 1998.

19 Provisions for liabilities and charges

	Integration costs £m	Pensions and other post retirement benefits £m	Deferred taxation £m	Other provisions £m	Total £m
At 1st July 1994 as previously stated	-	90	139	64	293
Prior period adjustment	-	26	(9)	-	17
At 1st July 1994 restated	-	116	130	64	310
Exchange adjustments	-	3	(3)	2	2
Acquisition of subsidiary undertakings	-	92	187	75	354
Charge/(credit) for the period	1,215	138	(251)	67	1,169
Applied	(384)	(34)	(33)	(67)	(518)
At 31st December 1995	831	315	30	141	1,317

The provision for integration costs at 31st December 1995 represents the costs expected to be incurred in integrating the businesses of Glaxo and Wellcome.

Deferred taxation

	Full potential At 31.12.95 £m	At 30.6.94 £m	Provided At 31.12.95 £m	At 30.6.94 (restated) £m
Accelerated capital allowances	**520**	419	**62**	26
Unremitted foreign investment income	**18**	161	**18**	108
Stock valuation adjustment	**17**	16	**17**	16
Intra group profit	**(130)**	(128)	**(10)**	(31)
Advance Corporation Tax recoverable	**(150)**	(107)	**-**	-
Pensions and other post retirement benefits	**(70)**	(24)	**(70)**	(24)
Integration costs	**(130)**	-	**(130)**	-
Revaluation surplus	**214**	-	**214**	-
Other timing differences	**(136)**	(1)	**(71)**	35
	153	336	**30**	130

20 Contingent liabilities

Unquantified claims have been made against Group undertakings relating to anti trust, product liability and intellectual property rights. In the opinion of the Directors the amounts provided in these Accounts against such claims are adequate.

Although the taxation liabilities of certain UK and overseas subsidiary undertakings have not been finally agreed with the appropriate revenue authorities for a number of years, the Directors consider that the amounts provided in these Accounts are adequate to meet any further liabilities which may arise.

Save as shown in these Accounts, no provision has been made for taxation which would arise on the distribution of profits retained by overseas subsidiary and associated undertakings, on the grounds that the profits are retained for use in the business.

Other contingent liabilities at 31st December 1995 amounted to £13 million (at 30th June 1994 - £15 million).

21 Commitments

		At 31.12.95 £m	At 30.6.94 £m
Capital commitments	Contracted for but not provided in the Accounts	**82**	158
	Authorised by the Directors but not contracted for	**283**	199
Commitments under operating leases to pay rentals for the next year	Operating leases on land and buildings which expire:		
	In one year or less	**5**	1
	Between one and five years	**19**	9
	In five years or more	**13**	12
		37	22
	Operating leases on plant and equipment which expire:		
	In one year or less	**7**	5
	Between one and five years	**17**	22
		24	27

22 Share capital, share premium account and merger reserve

		Ordinary Shares of 25p each		Share premium account	Merger reserve
		Number	£m	£m	£m
Share capital authorised	At 1st July 1994	4,000,000,000	1,000		
	Increase (6th March 1995)	431,000,000	108		
	At 31st December 1995	4,431,000,000	1,108		
Share capital issued and fully paid	At 1st July 1994	3,049,397,289	762	229	-
	On acquisition of Wellcome plc	426,199,262	107	-	2,834
	Under share option schemes	21,724,593	5	101	-
	In lieu of cash dividends	7,072,469	2	43	-
	Goodwill applied	-	-	-	(2,834)
	At 31st December 1995	3,504,393,613	876	373	-

Ordinary Shares issued on the acquisition of Wellcome plc were issued for an aggregate consideration of £2,941 million based on a share price of £6.90 per Ordinary Share. The resulting premium of £2,834 million was credited to a merger reserve. £2,834 million of the goodwill arising on the acquisition of Wellcome plc was applied against this merger reserve.

Ordinary Shares issued during the 18 months ended 31st December 1995 resulting from the exercise of options under the Glaxo Group and Wellcome Share Option Schemes were issued for an aggregate consideration of £106 million.

On 21st November 1994, 3,045,382 Ordinary Shares were issued fully paid at a price of £5.68 to shareholders who elected to take shares in lieu of cash in respect of the final dividend for the year ended 30th June 1994. On 10th April 1995, 1,904,053 Ordinary Shares were issued fully paid at a price of £6.41 to shareholders who took shares in lieu of cash in respect of the first interim dividend for the 18 months ended 31st December 1995. On 23rd October 1995, 2,123,034 Ordinary Shares were issued fully paid at a price of £7.446 to shareholders who took shares in lieu of cash in respect of the second interim dividend for the 18 months ended 31st December 1995.

22 Share capital, share premium account and merger reserve

Number of shares issuable under outstanding options under Glaxo Group and Wellcome Share Option Schemes

	Share Option Schemes	Savings Related Share Option Scheme
At 1st July 1994	74,622,281	15,857,887
Options granted	66,900,592	8,022,671
Options granted on conversion of Wellcome options	9,773,457	3,457,142
Options exercised	19,797,698	1,926,895
Options cancelled	3,445,156	2,227,869
At 31st December 1995	128,053,476	23,182,936

There were outstanding at 31st December 1995 options granted to Directors and employees within the Group under the Glaxo Group and Wellcome Share Option Schemes to subscribe for 128,053,476 Ordinary Shares at prices between £2.46 and £8.33. The weighted average subscription price is £6.92. These options are normally capable of being exercised over varying periods up to 19th September 2005.

There were also outstanding at 31st December 1995 options granted to Directors and employees within the Group under the Glaxo Group and Wellcome Savings Related Share Option Schemes to subscribe for 23,182,936 Ordinary Shares at prices between £0.80 and £6.14. The weighted average subscription price is £4.99. These options are normally capable of being exercised over varying periods up to 13th December 2001.

23 Goodwill reserve, other reserves

	Goodwill reserve £m	Other reserves £m
At 1st July 1994 as previously stated	-	4,052
Prior period adjustment	-	(17)
At 1st July 1994 restated	-	4,035
Exchange adjustments relating to net assets of subsidiary and associated undertakings:		
Tangible fixed assets	-	49
Stocks	-	26
Net debt	-	8
Other assets and liabilities	-	34
Exchange adjustments relating to borrowings designated as hedges of overseas net assets	-	(26)
Exchange adjustments relating to retained profits of subsidiary and associated undertakings	-	(15)
Retained loss for the period	-	(72)
Goodwill arising on acquisitions during the period (Note 24)	(8,031)	-
Goodwill applied against merger reserve	2,834	-
At 31st December 1995	(5,197)	4,039

£2,834 million of the goodwill arising on the acquisition of Wellcome plc has been applied against the merger reserve created on the acquisition of Wellcome plc. The balance of goodwill of £5,197 million has been established as a goodwill reserve.

Goodwill written off against other reserves in prior years amounts cumulatively to £82 million (1994 - £82 million).

Of the other reserves of £4,039 million at 31st December 1995 (at 30th June 1994 - £4,035 million restated), £272 million (at 30th June 1994 - £233 million restated) relates to the Company, £3,780 million (at 30th June 1994 - £3,805 million restated) relates to subsidiary undertakings and £13 million negative (at 30th June 1994 - £3 million negative) relates to associated undertakings.

The profit for the 18 months dealt with in the Accounts of Glaxo Wellcome plc amounts to £1,569 million (12 months to 30th June 1994 - £740 million restated).

24 Acquisitions

Wellcome plc

On 23rd January 1995 the Company announced an offer (the "Offer") to acquire all of the issued share capital of Wellcome plc. On 16th March 1995 the Company declared the Offer unconditional in all respects, valid acceptances having been received representing 86·1 per cent of the outstanding share capital of Wellcome plc. Following the receipt of further acceptances, on 21st June 1995 the Company acquired compulsorily, pursuant to the Companies Act 1985, non-assenting Wellcome plc shares, thereby achieving 100 per cent ownership of Wellcome plc. Additionally the Company bought out share options held by Wellcome employees at a price equivalent to the offer price. From 16th March 1995 Wellcome plc has been treated as a subsidiary undertaking.

The cost of acquisition was £9,333 million, comprising purchase consideration of £9,261 million and acquisition expenses of £72 million (including stamp duty of £48 million). The purchase consideration was satisfied by the issue of 426·2 million Ordinary Shares at £6.90 each and net cash paid of £6,320 million.

The assets and liabilities of Wellcome plc on the date of acquisition, and the adjustments to fair values, are set out below.

	Book values at 16.3.95	Fair value adjustments			Fair values at 16.3.95
		Revaluations	Accounting policy	Other	
	£m	£m	£m	£m	£m
[a] Intangible fixed assets	39	–	(39)	–	–
[b] Tangible fixed assets	1,043	(114)	(14)	–	915
[c] Investment in OTC joint venture	14	618	–	–	632
[d] Other fixed asset investments	34	17	–	–	51
[d] Stock	240	(2)	(3)	–	235
[d] Debtors	457	17	–	(5)	469
[e] Businesses/assets for disposal	–	245	–	–	245
[f] Creditors	(612)	(101[1])	–	27	(686)
[g] Provisions	(149)	(205)	–	–	(354)
[h] Net funds	807	(7)	–	–	800
Net assets	1,873	468	(56)	22	2,307
Purchase consideration					9,333
Goodwill arising on acquisition of Wellcome plc					7,026
Goodwill taken to reserves in respect of the difference between the fair value of the investment in the OTC joint venture and its tangible net assets					618

Fair value adjustments:

Revaluations
- [b] Revaluation of land and buildings assets to market value and provision for contamination costs.
- [c] Revaluation of investment in OTC joint venture to fair value.
- [d] Sundry adjustments to fair values.
- [e] Recognition of actual disposal proceeds of Hazeline in place of net assets and provisional cash disposal value of 311C.90.
- [f] Recognition of provision for taxation liabilities on proceeds of disposals and provision for further anticipated taxation liabilities.
- [g] Recognition of provision for liabilities; deferred taxation on revaluation of investment in OTC joint venture to fair value; deferred taxation relief on pensions and other post retirement benefits.
- [h] Revaluation of long term debt to fair value.

Accounting policy
- [a] Write off of intangible fixed assets being payments made to acquire licences or products which had not yet received patent approval.
- [b] Write off of capitalised software costs.
- [d] Sundry adjustments to fair values.

Other

Adjustment from 16·0p to 13·5p per Ordinary Share on Wellcome dividend paid 12th May 1995 and associated ACT as a result of the acquisition of Wellcome plc by the Company.

Disposals since acquisition:

The Hazeline business was sold in December 1995 and the proceeds of £95 million received; the costs associated with the disposal were £2 million. A memorandum of understanding was signed in February 1996 for the disposal of 311C.90. The value attributed to 311C.90 of £150 million is reflected in the consolidated balance sheet as an asset for disposal.

24 Acquisitions

Wellcome financial information

		Unaudited 1.1.95 to 15.3.95 £m	Audited 16 months to 31.12.94 £m
Summarised profit and loss account	Turnover	**335**	2,662
	Trading profit	**60**	861
	Exceptional item	**(27)**	(58)
	Share of profits of Warner Wellcome	**12**	50
	Net investment income	**9**	28
	Profit on ordinary activities before taxation	**54**	881
	Taxation	**30**	340
	Profit on ordinary activities after taxation	**24**	541
	Minority interests	**2**	14
	Profit attributable to shareholders	**22**	527

The exceptional item in the period from 1st January 1995 to 15th March 1995 represents the defence costs incurred by Wellcome plc following Glaxo's Offer to Wellcome plc shareholders; the costs were incurred and paid by Wellcome plc prior to Glaxo's Offer being declared unconditional. The exceptional item in the period to 31st December 1994 represents reorganisation costs.

Statement of total recognised gains and losses	Profit for the period	**22**	527
	Exchange adjustments	**(39)**	(40)
	Total recognised gains and losses for the period	**(17)**	487

Affymax N.V.

On 26th January 1995 the Group announced an offer to acquire all of the issued share capital of Affymax N.V. On 2nd March 1995 the Group declared the offer unconditional in all respects, valid acceptances having been received representing 98·8 per cent of the outstanding share capital of Affymax N.V. The cost of the acquisition was £347 million, comprising cash purchase consideration of £343 million and acquisition expenses of £4 million. Steps are currently being taken by the Group to buy up outstanding shares in Affymax N.V.

A fair value adjustment of £27 million has been made to the book values on the date of acquisition to accrue for obligations to pay for cancellation of share options held by employees.

Acquisition of remaining shares in Glaxo Korea Limited

On 2nd March 1995 the Group purchased an additional 50 per cent equity interest in Glaxo Korea Limited which resulted in it obtaining a controlling interest of 100 per cent. From that date, Glaxo Korea Limited has been treated as a subsidiary undertaking. Previously Glaxo Korea Limited was accounted for as an associated undertaking.

Acquisition of remaining shares in Cascan GmbH & Co. KG

On 8th September 1995 the Group purchased an additional 50 per cent equity interest in Cascan GmbH & Co. KG to bring its interest to 100 per cent. Previously Cascan GmbH & Co. KG had been consolidated as a subsidiary undertaking in accordance with section 258 (2)(b) of the Companies Act 1985 and a minority interest of 50 per cent had been accounted for.

Acquisition of 37½ per cent interest in Medikredit

During the period the Group purchased a 37½ per cent equity interest in Medikredit, a pharmaceutical benefit management group in South Africa.

Goodwill arising on acquisitions in the 18 months to 31st December 1995

	Book values £m	Fair value adjustments £m	Net assets acquired £m	Cost of acquisition £m	Goodwill £m
Wellcome plc	1,873	434	2,307	9,333	7,026
Affymax N.V.	75	(27)	48	347	299
Glaxo Korea Limited	3	-	3	18	15
Cascan GmbH & Co. KG	4	-	4	67	63
Medikredit	2	-	2	12	10
	1,957	407	2,364	9,777	7,413
Wellcome plc – Goodwill on investment in OTC joint venture					618
					8,031

25 Consolidated cash flow statement

		18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Reconciliation of trading profit to net cash inflow from operating activities	Trading profit excluding integration costs	**3,597**	1,817
	Depreciation	**533**	282
	Loss/(profit) on sale of tangible fixed assets	**8**	(4)
	Decrease in stocks	**8**	5
	(Increase)/decrease in debtors	**(291)**	8
	Increase in creditors	**163**	39
	Increase/(decrease) in pension and other provisions	**74**	(2)
	Other movements	**12**	-
	Net cash inflow from operating activities excluding integration costs	**4,104**	2,145
	Integration costs paid	**(269)**	-
	Net cash inflow from operating activities	**3,835**	2,145
Financing	Balance at the beginning of the period	**1,358**	1,279
	Net cash inflow from financing	**3,841**	39
	Ordinary Shares issued in lieu of cash dividends	**45**	31
	Ordinary Shares issued on acquisition of Wellcome plc	**2,941**	-
	Goodwill applied against merger reserve	**(2,834)**	-
	Net non cash equivalents of subsidiary undertakings acquired	**129**	1
	Exchange adjustments	**18**	8
	Other movements	**14**	-
	Balance at the end of the period	**5,512**	1,358
	Financing comprises called up share capital, share premium account, Eurobonds, loan stocks, convertible bonds, other loans, commercial paper and bank loans and overdrafts repayable in three months or more from the date of the advance of £335 million (12 months to 30th June 1994 - £139 million).		
Cash & cash equivalents	Balance at the beginning of the period	**188**	441
	Increase/(decrease) in cash & cash equivalents	**507**	(271)
	Exchange adjustments	**5**	18
	Balance at the end of the period	**700**	188
Reconciliation between the increase/ (decrease) in cash & cash equivalents and the increase in net (debt)/funds	Increase/(decrease) in cash & cash equivalents	**507**	(271)
	Non cash equivalent movements in net (debt)/funds:		
	Net (sale)/purchase of non cash equivalent current asset investments	**(2,070)**	808
	Net advance of long term loans	**(1,134)**	-
	Net advance of short term loans (1994 - repayment)	**(2,601)**	12
	Net non cash equivalents of subsidiary undertakings acquired	**54**	(1)
	Exchange adjustments	**4**	(124)
	Other non cash movements	**(47)**	(21)
		(5,794)	674
	Increase in net (debt)/funds	**(5,287)**	403

25 Consolidated cash flow statement

Purchase of subsidiary undertakings

	18 months to 31.12.95 £m
Wellcome plc	
Total purchase consideration in Ordinary Shares and cash	9,333
Non cash element of consideration:	
Tax relief on US share options	42
Shares issued	(2,941)
Cash consideration paid	6,434
Cash & cash equivalents acquired	(730)
Net cash payment on acquisition	5,704
Dividend paid to Wellcome plc shareholders	119
	5,823

Wellcome plc, which was acquired on 16th March 1995, contributed £187 million to the Group's net operating cash flows before integration costs, paid £20 million of integration costs, received £25 million in respect of net returns on investments and servicing of finance, paid £151 million in respect of taxation and received £38 million from investing activities in the period to 30th June 1995. Since that date it is not feasible to report separately the cash flows of the acquired business.

Affymax N.V.	
Total purchase consideration	347
Cash & cash equivalents acquired	(66)
Net cash payment on acquisition	281
Glaxo Korea Limited	
Total purchase consideration	18
Cash & cash equivalents acquired	(2)
Net cash payment on acquisition	16
Cascan GmbH & Co. KG	
Net cash payment on acquisition	67
Total	
Payments on acquisitions	6,187

Disposal of businesses

Glaxo India Limited (foods division)	
Consideration received	42
Cash & cash equivalents disposed	(3)
	39
Hazeline	
Net consideration received	93
Total	
Proceeds from disposal of businesses	132

Major non cash transactions

Part of the consideration for the acquisition of Wellcome plc comprised Ordinary Shares. Further details of the acquisition are provided above and in Note 24.

26 Segment information

The Group continues to operate in a single business segment.

An analysis of turnover, profit before taxation and net assets by geographical segment is set out below. The Group's activities are organised on a worldwide basis. The segmental figures are therefore influenced by the location of the Group's operating resources and by variations over time in intra group trading and funding arrangements.

Comparative figures for 1994 have been restated for the change in accounting policy described in Note 3 and to reflect the current presentation of net assets.

		18 months to 31.12.95 £m	12 months to 30.6.94 (restated) £m
Turnover by location of customer	USA	**4,408**	2,459
	Europe	**3,618**	1,978
	Rest of the World	**2,464**	1,219
	External turnover	**10,490**	5,656
Turnover by location of subsidiary undertaking	USA	**4,329**	2,475
	Europe	**5,333**	3,027
	Rest of the World	**3,210**	1,630
	Gross turnover	**12,872**	7,132
	Inter segment turnover:		
	USA	**(29)**	(20)
	Europe	**(1,562)**	(984)
	Rest of the World	**(791)**	(472)
	External turnover	**10,490**	5,656
Profit before taxation by location of subsidiary undertaking	USA	**1,447**	723
	Europe	**1,217**	586
	Rest of the World	**933**	508
	Trading profit before integration costs	**3,597**	1,817
	Integration costs	**(1,215)**	-
	Profit on disposal of business	**35**	-
	Share of profits/(losses) of associated undertakings	**57**	(3)
	Net (interest payable)/investment income	**(87)**	21
	Profit before taxation	**2,387**	1,835

		At 31.12.95 £m	At 30.6.94 (restated) £m
Net assets	USA	**516**	524
	Europe	**2,463**	1,663
	Rest of the World	**1,094**	871
	Net operating assets	**4,073**	3,058
	Provisions for integration costs (net of taxation)	**(656)**	-
	Net (debt)/funds	**(3,196)**	2,091
	Net assets	**221**	5,149

27 Company balance sheet

		At 31.12.95 £m	At 30.6.94 (restated) £m
Tangible fixed assets	Short term leasehold		
	Cost	**7**	7
	Depreciation (provision – £1 million)	**(2)**	(1)
	Net book value	**5**	6
	Fixtures and equipment		
	Cost (additions – £7 million; disposals – £18 million)	**28**	39
	Depreciation (provision – £5 million; disposals – £4 million)	**(15)**	(14)
	Net book value	**13**	25
	Assets in construction		
	Cost (additions – £3 million)	**3**	–
	Depreciation	**–**	–
	Net book value	**3**	–
	Total		
	Cost	**38**	46
	Depreciation	**(17)**	(15)
	Net book value	**21**	31
Debtors	Amounts owed by Group undertakings	**80**	451
	Dividends proposed by Group undertakings	**450**	750
	Other debtors	**7**	4
	Prepaid pension contributions	**1**	4
	Other prepayments and accrued income	**12**	6
	Amounts due within one year	**550**	1,215
	Advance Corporation Tax recoverable	**94**	107
	Deferred taxation	**13**	9
		657	1,331
Other creditors: amounts due within one year	Taxation	**7**	106
	Other creditors	**39**	4
	Accruals and deferred income	**20**	7
	Dividend proposed	**526**	549
		592	666
Provision for liabilities and charges	Pensions and similar obligations (applied – £2 million; charge – £4 million)	**13**	11
	Other provisions (applied – £13 million; charge – £5 million)	**14**	22
		27	33
Contingent liabilities	Borrowings guaranteed of subsidiary and associated undertakings	**–**	3
	Other	**6**	3
Capital commitments	Contracted for but not provided in the Accounts	**–**	1
	Authorised by the Directors but not contracted for	**3**	4

Reconciliation to US Accounting Principles

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

Profit	**18 months to 31.12.95** £m	**18 months to 31.12.95** US$m	12 months to 30.6.94 (restated) £m	12 months to 30.6.94 (restated) US$m
Profit attributable to shareholders under UK GAAP	**1,458**	**2,304**	1,299	1,949
US GAAP adjustments				
Purchased research and development expenditure	**(400)**	**(632)**	–	–
Amortisation of goodwill	**(398)**	**(629)**	(3)	(5)
Amortisation of intangible assets	**(371)**	**(586)**	–	–
Integration	**745**	**1,177**	–	–
Purchased stock	**(64)**	**(101)**	–	–
Post retirement benefits other than pensions	**–**	**–**	(21)	(31)
Deferred taxation	**58**	**91**	(29)	(44)
Other	**15**	**24**	9	14
Net income under US GAAP	**1,043**	**1,648**	1,255	1,883
	pence	**US$**	pence	US$
Income per Ordinary Share of 25p under US GAAP	**31·9**	**0·50**	41·3	0·62

Equity shareholders' funds	**At 31.12.95** £m	**At 31.12.95** US$m	At 30.6.94 (restated) £m	At 30.6.94 (restated) US$m
Equity shareholders' funds under UK GAAP	**91**	**141**	5,026	7,740
US GAAP adjustments:				
Goodwill	**4,877**	**7,559**	20	31
Intangible assets	**2,084**	**3,230**	–	–
Unrealised gains on fixed asset investments:				
Prior year effect on adoption of FAS 115	**20**	**31**	–	–
Current period	**196**	**304**	–	–
Purchased stock	**21**	**33**	–	–
Business for disposal	**618**	**958**	–	–
Ordinary dividends	**526**	**815**	549	845
Deferred taxation	**(273)**	**(423)**	(316)	(486)
Other	**8**	**12**	15	23
Shareholders' equity under US GAAP	**8,168**	**12,660**	5,294	8,153

The exchange rates used for translation into US dollars are set out in Note 4 on the Accounts.

Summary of material differences between UK and US GAAP

Business combinations
Under both UK and US GAAP the acquisitions during the period of Wellcome plc, Affymax N.V. and Glaxo Korea Limited are accounted for as acquisitions/purchases.

Purchase accounting
Both UK and US GAAP require the consideration to be allocated to the net assets acquired at their fair value at the date of acquisition, with the difference between the consideration and the fair value of the net assets acquired treated as goodwill. In the allocation of consideration, the differences between UK and US GAAP are as follows:

Intangible assets. UK GAAP requires an allocation of purchase consideration to intangible assets which are separable from the business. Under UK GAAP no intangible assets have been recognised because the intangible assets are considered not to be separable from the business. US GAAP requires an allocation of consideration to identifiable intangible assets whether separable or not.

Integration. Under UK GAAP costs to be incurred in integrating and restructuring the Glaxo and Wellcome businesses into a single business are charged to the profit and loss account post acquisition. Under US GAAP certain of such costs are considered in the allocation of purchase consideration.

Stocks. Under UK GAAP stocks are recognised at replacement cost. Under US GAAP stocks are recognised at selling price less a margin for selling.

Goodwill
Under UK GAAP, goodwill arising on consolidation has been set against shareholders' funds. Under US GAAP, goodwill arising on consolidation is amortised over its expected useful life and charged against income. For the purpose of determining the differences between UK GAAP and US GAAP, the expected useful life of goodwill has been taken to be ten years.

Intangible fixed assets
Intangible fixed assets recognised under US GAAP purchase accounting requirements are depreciated over their estimated revenue earning life, which is taken to be patent life plus five years. The carrying value of intangible assets is reviewed annually for any permanent impairment in value, using projected earnings and the cash flow method.

Fixed asset investments
Under UK GAAP, fixed asset investments are stated at cost less provision for permanent diminution in value. Under US GAAP, fixed asset investments classified as available for sale are stated at market value and the unrealised gains/losses are accounted for in shareholders' equity.

Research and development expenditure
Research and development expenditure recognised under US GAAP purchase accounting requirements is written off directly to net income.

Deferred taxation
Under UK GAAP, deferred taxation is only accounted for to the extent that it is probable that taxation liabilities or benefits will crystallise. Under US GAAP deferred taxation is accounted for on all timing differences and a valuation adjustment is established in respect of those deferred taxation assets where it is more likely than not that some portion will not be realised.

Post retirement benefits other than pensions
In accordance with UK GAAP, the Company adopted the accruals method of recognising the cost of post retirement benefits other than pensions from 1st July 1994 and the previously unrecognised obligation has been accounted for as a prior period adjustment through reserves. Under US GAAP, in accordance with Financial Accounting Standard 106, which was adopted by the Company in its US GAAP disclosures from 1st July 1993, the transition was effected by a charge against net income.

Ordinary dividends
Under UK GAAP, ordinary dividends proposed are provided for in the year in respect of which they are recommended by the Board of Directors for approval by the shareholders. Under US GAAP, such dividends are not provided for until declared by the Board of Directors.

Other
There are also differences between UK GAAP and US GAAP in relation to pensions, share options, other debt and equity investments and capitalised interest. None of these differences is individually material and they are therefore shown as a combined total.

Summary Financial Statements in US Format

Consolidated income statement	18 months to 31.12.95 £m	18 months to 31.12.95 US$m	12 months to 30.6.94 (restated) £m	12 months to 30.6.94 (restated) US$m
Sales	**10,490**	**16,574**	5,656	8,484
Operating costs including integration	**8,108**	**12,810**	3,839	5,758
Trading income	**2,382**	**3,764**	1,817	2,726
Profit on disposal of business	**35**	**55**	-	-
	2,417	**3,819**	1,817	2,726
Equity in earnings/(losses) of associated undertakings	**57**	**90**	(3)	(5)
Net (interest expense)/investment income	**(87)**	**(137)**	21	32
Income before taxes and minority interests	**2,387**	**3,772**	1,835	2,753
Taxes on income	**867**	**1,370**	524	786
Income before minority interests	**1,520**	**2,402**	1,311	1,967
Minority interests	**62**	**98**	12	18
Net income	**1,458**	**2,304**	1,299	1,949
	pence	**US$**	pence	US$
Net income per Ordinary Share/Earnings per ADR	**44·5**	**1·41**	42·7	1·28
Dividends per Ordinary Share/Dividends per ADR	**45·0**	**1·42**	27·0	0·81

The exchange rates used for translation into US dollars are set out in Note 4 on the Accounts.

Consolidated balance sheet	At 31.12.95 £m	At 31.12.95 US$m	At 30.6.94 (restated) £m	At 30.6.94 (restated) US$m
Cash at bank	233	361	55	85
Investments	1,041	1,614	2,708	4,170
Inventories	811	1,257	575	886
Trade receivables, prepaid expenses and other current assets	2,045	3,170	1,310	2,017
Asset for disposal	150	232	-	-
Total current assets	4,280	6,634	4,648	7,158
Other investments	96	149	55	85
Property, plant and equipment	4,165	6,456	3,184	4,903
Total assets	8,541	13,239	7,887	12,146
Short term borrowings	3,004	4,656	400	616
Payables and accrued expenses	1,269	1,967	799	1,231
Income taxes payable	667	1,034	382	588
Dividends proposed	526	815	549	845
Total current liabilities	5,466	8,472	2,130	3,280
Income taxes payable	11	17	7	11
Deferred taxes	30	47	130	200
Long term borrowings	1,466	2,272	272	419
Provision for integration costs	831	1,288	-	-
Other long term liabilities	516	800	199	307
Total liabilities	8,320	12,896	2,738	4,217
Minority interests	130	202	123	189
Ordinary Shares	876	1,358	762	1,173
Share premium in excess of par value	373	578	229	353
Goodwill reserve	(5,197)	(8,055)	-	-
Retained earnings	4,039	6,260	4,035	6,214
Total shareholders' equity	91	141	5,026	7,740
Total liabilities and shareholders' equity	8,541	13,239	7,887	12,146

The exchange rates used for translation into US dollars are set out in Note 4 on the Accounts.

Supplementary Financial Information

In view of the change in financial year end from 30th June to 31st December and the effect of the acquisition of Wellcome plc, the financial information set out below and on the opposite page has been prepared to indicate the results of Glaxo Wellcome on a calendar year basis, so as to provide comparative data for the 1996 financial year.

The information is presented on statutory and pro forma bases.

Statutory basis
The results of Glaxo Wellcome for calendar years 1995 and 1994. In 1995 Wellcome is consolidated from its date of acquisition on 16th March 1995. The 1994 results represent Glaxo alone.

Pro forma basis
The combined pro forma results of Glaxo and Wellcome for calendar year 1995 on a consistent basis of presentation as if Glaxo Wellcome had existed as a combined entity from 1st January 1995.

	Statutory basis		Pro forma basis		
	12 months to 31.12.95 £m	12 months to 31.12.94 £m	6 months to 30.6.95 £m	6 months to 31.12.95 £m	**12 months to 31.12.95 £m**
Turnover	**7,638**	5,705	3,955	4,018	**7,973**
Cost of sales	**1,313**	1,003	725	654	**1,379**
Selling, general and administrative expenditure	**2,643**	1,954	1,417	1,368	**2,785**
Research and development expenditure	**1,130**	851	615	585	**1,200**
Other operating income	**(29)**	(10)	(17)	(15)	**(32)**
Operating costs	**5,057**	3,798	2,740	2,592	**5,332**
Trading profit	**2,581**	1,907	1,215	1,426	**2,641**
Profit on disposal of business	**–**	35	–	–	**–**
Share of profits/(losses) of associated undertakings	**60**	(5)	33	39	**72**
Profit before interest	**2,641**	1,937	1,248	1,465	**2,713**
Net interest payable	**(136)**	(3)	(98)	(121)	**(219)**
Profit on ordinary activities before taxation	**2,505**	1,934	1,150	1,344	**2,494**
Taxation	**768**	569	315	417	**732**
Profit on ordinary activities after taxation	**1,737**	1,365	835	927	**1,762**
Minority interests	**35**	34	19	18	**37**
Profit attributable to shareholders	**1,702**	1,331	816	909	**1,725**
Earnings per Ordinary Share	**50·3p**	43·6p	23·4p	26·0p	**49·4p**
Weighted average number of Ordinary Shares in issue (millions)	**3,386**	3,049	3,490	3,497	**3,494**

Pro forma basis
Adjustments have been made to the Wellcome results:

- to reflect Glaxo accounting policies;
- to incorporate at 1st January 1995 the fair value adjustments implemented as of 16th March 1995.

The Wellcome exceptional item of £27 million in respect of bid defence costs in the six months to 30th June 1995 has been excluded.
The costs of financing the acquisition have been reflected from 1st January 1995.
The costs of integrating the Glaxo and Wellcome businesses have been excluded.

Report of the Remuneration Committee

Remuneration policy

Glaxo Wellcome plc is a global company with a remuneration policy for Executive Directors designed to ensure that it attracts and retains the management skills necessary for the Company to remain a leader in the world pharmaceutical industry. The policy seeks to provide rewards and incentives for the remuneration of Executive Directors which reflect the performance and align with the objectives of the Company. A director's total remuneration should seek to recognise his worth in the external market.

Chairman

The Chairman receives emoluments of £200,000 per annum and has the use of a car provided by the Company. He has a one year contract.

Non-Executive Directors

Non-Executive Directors, other than the Chairman, receive fees for their services to the Board and other emoluments for services to Board Committees. Several Non-Executive Directors have in the past also received other emoluments for services to the Boards of certain subsidiary undertakings and to the Boards of the UK Pension Funds' Corporate Trustees but such payments have now been discontinued.

Non-Executive Directors are appointed for three years, renewable for a further three years by mutual agreement, but do not have service contracts.

Executive Directors

The total remuneration of Executive Directors is now made up of three elements, namely base salary, an annual bonus reflecting individual performance against defined targets and a longer term incentive related to total shareholder return, i.e. share price growth plus the cash value of dividends. Additionally Executive Directors are entitled to other benefits and emoluments as described below. Until April 1995 Executive Directors participated in Group share option schemes for staff, but as from that date ceased to be entitled to awards under these schemes. Each of the elements of remuneration is further described below.

In the case of overseas based Executive Directors, the nature of their remuneration arrangements has regard to local practice.

The notice of termination which the Company must give to Executive Directors under their service contracts was reduced during 1995 to two years. The Committee believes that any further reduction in notice periods is inappropriate at present given the international nature of the market in which the Company operates.

A number of Executive Directors have served on the Boards of the UK Pension Funds' Corporate Trustees. Fees received for such service are included as other emoluments. Since October 1994, fees for such service have been waived by Executive Directors.

Salary

Each Executive Director receives a salary which reflects his responsibilities and relevant market worth. Salary is reviewed annually.

Benefits and other emoluments

Executive Directors are entitled to a range of benefits and allowances offered to senior staff. Such benefits typically include the provision of a car or car allowance, petrol, medical insurance and financial advice. In addition, Dr J E Niedel was provided with residential accommodation in London to facilitate his relocation to the United Kingdom. This arrangement has now been terminated. Benefits are valued for the purposes of remuneration at the cash cost to the Company or at the amount assessed to income tax on the Director.

Post retirement benefits

Executive Directors participate in pension schemes, established by Group companies to provide pensions to staff in retirement. The pension schemes are mostly non-contributory. Pensions are normally equivalent to two thirds of final salary. In the case of UK Executive Directors, pension entitlement is based on salary excluding bonus and other forms of remuneration except for Mr J M T Cochrane, who under the terms of his membership of the Wellcome Group Pension Fund has up to 20 per cent of his annual bonus included in the calculation of pensionable salary. In the case of Mr R A Ingram, in accordance with normal US practice, pension entitlement is based on salary plus annual bonus.

In the case of funded schemes, the Company (or the employing subsidiary) pays contributions to formally constituted pension schemes, independent of the Company. In the case of unfunded schemes, the Company (or employing subsidiary) makes provision within its own accounts. The contributions to funded schemes and the provisions made in respect of unfunded schemes are based on external actuarial advice. Contributions to funded schemes are disclosed when paid. Payments from the unfunded schemes are disclosed when paid as pensions to former Directors.

Executive Directors are also entitled to the post retirement benefit of medical insurance.

Share options

Prior to the introduction of the new annual bonus and long term incentive plans, Executive Directors participated in the Glaxo Group or Wellcome Share Option Schemes. Options granted under the schemes, granted at the market price ruling at the date of grant, are exercisable after three years and up to a maximum of ten years from date of grant.

Incentive plans

- *Performance Unit Plan* – Performance bonus payments were made under the Performance Unit Plan (PUP) to participating Directors in November 1994. Non participating Directors received an annual performance bonus under related schemes.

Pro forma sales
The combined sales of Glaxo and Wellcome for calendar year 1995 on a consistent basis of presentation as if Glaxo Wellcome had existed as a combined entity from 1st January 1995.

		Pro forma sales 6 months to 30.6.95			Pro forma sales 6 months to 31.12.95			Pro forma sales 12 months to 31.12.95		
Therapeutic area	Major products	£m	% of total	% CER growth	£m	% of total	% CER growth	£m	% of total	% CER growth
Gastro-intestinal	**total**	**1,173**	**30**	**(3)**	**1,082**	**27**	**(6)**	**2,255**	**28**	**(4)**
	Zantac	1,173		(3)	1,082		(6)	2,255		(4)
Respiratory	**total**	**791**	**20**	**29**	**812**	**20**	**12**	**1,603**	**20**	**20**
	Ventolin	263		10	263		(3)	526		3
	Becotide	196		7	201		–	397		4
	Serevent	125		92	146		37	271		58
	Beconase	92		16	64		(20)	156		(2)
	Flixonase	58		+100	61		+100	119		+100
	Flixotide	36		+100	52		+100	88		+100
Viral infections	**total**	**522**	**13**	**(1)**	**577**	**14**	**1**	**1,099**	**14**	**–**
	Zovirax	415		2	441		(5)	856		(1)
	Retrovir	96		(12)	105		7	201		(3)
	Valtrex	1		+100	8		+100	9		+100
Bacterial infections	**total**	**501**	**13**	**4**	**462**	**11**	**(4)**	**963**	**12**	**–**
	Zinnat	211		25	182		(5)	393		9
	Fortum	157		(6)	149		(1)	306		(4)
	Zinacef	66		–	59		–	125		–
CNS disorders	**total**	**207**	**5**	**23**	**294**	**7**	**37**	**501**	**6**	**31**
	Imigran	142		12	224		43	366		29
	Lamictal	30		+100	35		+100	65		+100
Oncology	**total**	**220**	**6**	**6**	**231**	**6**	**5**	**451**	**6**	**5**
	Zofran	191		(1)	195		(3)	386		(2)
Dermatologicals	**total**	**105**	**3**	**15**	**100**	**3**	**(3)**	**205**	**3**	**5**
Cardiovascular	**total**	**88**	**2**	**2**	**99**	**3**	**(1)**	**187**	**2**	**–**
Anaesthesia	**total**	**55**	**1**	**(15)**	**62**	**2**	**(12)**	**117**	**2**	**(14)**
Others	**total**	**293**	**7**	**(2)**	**299**	**7**	**(7)**	**592**	**7**	**(4)**
	Zyloric	56		1	59		(2)	115		–
	Imuran	48		10	57		(5)	105		2
		3,955	**100**	**5**	**4,018**	**100**	**2**	**7,973**	**100**	**3**
Region	**Major markets**									
USA	**total**	**1,618**	**41**	**6**	**1,691**	**42**	**–**	**3,309**	**42**	**3**
Europe	**total**	**1,376**	**35**	**1**	**1,363**	**34**	**–**	**2,739**	**34**	**–**
	UK	302	8	–	326	8	3	628	8	2
	France	231	6	10	219	6	(1)	450	6	5
	Germany	187	5	3	159	4	(17)	346	4	(7)
	Italy	165	4	(23)	168	4	–	333	4	(13)
	Eastern Europe	41	1	(6)	38	1	10	79	1	8
Rest of the World	**total**	**961**	**24**	**10**	**964**	**24**	**7**	**1,925**	**24**	**8**
	Japan	357	9	20	344	9	11	701	9	15
	Asia Pacific	204	5	3	205	5	5	409	5	4
	Latin America	128	3	3	138	3	–	266	4	2
	Africa/Middle East	100	3	17	97	3	13	197	2	15
		3,955	**100**	**5**	**4,018**	**100**	**2**	**7,973**	**100**	**3**

Constant exchange rate (CER) growth represents growth over the combined sales of Glaxo and Wellcome for the year to 31st December 1994 excluding currency movements, calculated as if the exchange rates used to translate the results of overseas companies into sterling had remained unchanged from those used in 1994.

The PUP, which was a long term incentive scheme, was terminated in 1995 as the Committee decided the scheme no longer reflected best practice. The PUP rewarded Directors for achieving increases above a minimum level in shareholder earnings measured over rolling four year periods; the amounts payable were increased or decreased if the earnings per Ordinary Share growth was greater or less than a group of comparator pharmaceutical companies. Payments were made in cash to Directors in respect of each four year cycle in the financial year following the end of a cycle and were disclosed as remuneration when paid. On retirement, Directors continued to participate in the plan, pro rata to their period of employment; where service terminated for other reasons, such continued participation was at the discretion of the Remuneration Committee, pro rata to the Director's period of executive responsibility.
The Committee believes that the two replacement schemes described below, which were introduced in the course of 1995, are more closely aligned with the interests of shareholders by encouraging Directors to take rewards in the form of long term shareholdings rather than in cash.

Settlement of all outstanding obligations to former and current Directors for the uncompleted cycles relating to 1995,1996 and 1997 were negotiated during the year; Sir Richard Sykes and Messrs J D Coombe, S P Lance and J A W Strachan waived rights to any payments due under the 1997 cycle in consideration of awards under the Long Term Incentive Plan which are disclosed under "Long Term Incentive Plan". All other payments made in settlement of PUP obligations are disclosed as "PUP Termination Payments" under "Fees, salary, benefits and bonuses".

- *Discretionary Bonus* – In addition, discretionary bonuses were paid to Messrs J M T Cochrane and R A Ingram and Dr Niedel.
- *Annual Incentive Plan* – This plan was introduced at the beginning of 1996. It pays annual bonuses in the form of cash and Ordinary Shares and encourages alignment with shareholders' interests by offering participants an incentive to invest all or part of the cash element of their bonus in additional Ordinary Shares.

At the beginning of each financial year, the participant is notified of the maximum bonus (up to 60 per cent of his base salary) that he may earn over the coming financial year and of performance targets against which the actual bonus due to him will be measured. The performance targets are individually defined for each participant by reference to corporate and personal objectives. The principal measures of corporate performance are growth in profit before tax and growth in sales and trading profit at an operating level. No payments at all will be made unless there has been an increase in Group pre tax profit over the prior year. At the end of the financial year the level of bonus is quantified for each participant with two thirds of the bonus being payable in cash. The remaining one third is payable as an award of a fixed number of Ordinary Shares in the Company which may be released to the participant only after a further period of three years. It is the Company's policy to encourage Executive Directors to establish long term investments in the Ordinary Shares of the Company; to that end, participants are invited to invest all or part of the cash element of their bonuses in purchasing additional Ordinary Shares, called deposited shares, also to be retained for three years. In return, the participant is granted a further entitlement to a matching number of Ordinary Shares (the matching award) corresponding to the number of deposited shares. A participant may withdraw his deposited shares at any time but, if and to such extent as the participant does so within three years, the corresponding matching award lapses.

- *Long Term Incentive Plan* – This plan was introduced from the beginning of 1995 and is designed to encourage participants to focus their attention on the longer term growth in shareholder value by providing them with a deferred performance related award in Ordinary Shares. Following the announcement of the Group's results for a year, the participant is notified of his award under the plan. An award is the right to acquire, at no cost, a maximum fixed number of Ordinary Shares in the Company with a market value equal to 100 per cent of the participant's base salary. Each award is subject to a performance target, the attainment of which will determine whether, and to what extent, the award may be exercised. The performance target compares the Company's total shareholder return (share price growth plus dividends) over the three years following the grant of the award with that of the top 50 companies in the FTSE 100 Index.

The extent to which the participant's award vests at the end of three years is calculated according to the ranking of the Company measured by total shareholder return among the top 50 companies in the FTSE 100 Index.

Company's ranking		Award vesting	
	10th or above		100%
	15th or above		80%
	20th or above		60%
	25th or above		40%
	Below 25th		Nil

Upon exercising an award, the participant must retain all of his Ordinary Shares for a period of 12 months unless, and to the extent to which, the Remuneration Committee agrees otherwise. A participant may, however, sell sufficient of his Ordinary Shares to meet the exceptional tax liability arising from the exercise of his award.

A participant who leaves the Glaxo Wellcome Group before the third anniversary of grant of either his Annual Incentive Plan award or his Long Term Incentive Plan award will forfeit his awards of Ordinary Shares unless the reason for leaving is death, injury, disability, redundancy or retirement at normal retirement age or for some other reason approved by the Remuneration Committee.

Fees, salary, benefits and bonuses

Remuneration payable to Directors during the 18 months to 31st December 1995

		Fees	Salary	Other emoluments and benefits	Performance bonuses[a]	PUP[a] termination payments	Payments following cessation of executive office	**Total 18 months to 31.12.95**	Total 12 months to 30.6.94	**Annual salary at 1.1.96**
		£000	£000	£000	£000	£000	£000	**£000**	£000	**£000**
Executive Directors										
Sir Richard Sykes		-	1,125	41	212	770	-	**2,148**	931	**800**
Mr J M T Cochrane	(from 1.7.1995)	-	150	8	50	-	-	**208**	-	**300**
Mr J D Coombe		-	510	31	104	350	-	**995**	427	**350**
Mr R A Ingram	(from 17.5.1995)	-	252	53	579	-	-	**884**	-	**420**
Mr S P Lance		-	481	51	87	300	-	**919**	349	**375**
Dr J E Niedel	(from 1.7.1995)	-	180	48	54	-	-	**282**	-	**360**
Mr J A W Strachan		-	514	32	106	414	-	**1,066**	451	**350**
Dr F B Humer	(until 1.12.1994)	-	375	15	170	-	-	**560**	696	**-**
Mr H Konishi	(until 3.1.1995)	-	294	4	159	-	-	**457**	711	**-**
Mr N Maidment	(until 30.6.1995)	-	230	15	73	-	-	**318**	302	**-**
Non-Executive Directors										
Sir Colin Corness	(from 18.11.1994)	3	-	204	-	-	-	**207**	-	**-**
Mrs A A L Armstrong		33	-	10	-	-	-	**43**	31	**-**
Mr D C Bonham	(from 1.7.1995)	11	-	3	-	-	-	**14**	-	**-**
Mr D J Derx		33	-	61	-	-	-	**94**	75	**-**
Lord Howe of Aberavon		33	-	36	-	-	-	**69**	49	**-**
Lord Kingsdown		33	-	10	-	-	-	**43**	21	**-**
Sir Richard Southwood		33	-	10	-	-	-	**43**	30	**-**
Sir Paul Girolami	(until 18.11.1994)	-	-	82	477	-	-	**559**	1,489	**-**
Lord Cuckney	(until 17.11.1995)	30	-	31	-	-	-	**61**	59	**-**
Mr J L Ferguson	(until 17.11.1995)	30	-	12	-	-	-	**42**	39	**-**
Dr C A Sanders	(until 17.5.1995)	22	-	292	206	-	-	**520**	813	**-**
Former Directors		-	-	-	-	-	-	**-**	1,194	**-**
Total 18 months to 31.12.1995		261	4,111	1,049	2,277	1,834	-	**9,532**	-	**-**
Total 12 months to 30.6.1994		156	4,608	1,035	1,868	-	-	**-**	7,667	**-**

Remuneration paid to former Directors, after cessation of their service as a Director, from provisions carried in the accounts.

Former Directors										
Dr M Fertonani		-	-	-	57	-	-	**57**	149	**-**
Sir Paul Girolami		-	-	-	-	1,044	-	**1,044**	-	**-**
Mr J M Hignett		-	-	-	159	303	-	**462**	-	**-**
Mr N Maidment		-	-	-	-	152	-	**152**	-	**-**
Dr E Mario		-	-	-	278	416	1,466	**2,160**	1,323	**-**
Mr A M Pappas		-	-	-	163	-	421	**584**	141	**-**
Dr C A Sanders		-	-	-	-	401	-	**401**	-	**-**
Others		-	-	-	-	-	-	**-**	5	**-**
Total 18 months to 31.12.1995		-	-	-	657	2,316	1,887	**4,860**	-	**-**
Total 12 months to 30.6.1994		-	-	5	569	-	1,044	**-**	1,618	**-**

Aggregate remuneration payable to serving and former Directors

Total 18 months to 31.12.1995	261	4,111	1,049	2,934	4,150	1,887	**14,392**	-	**-**
Total 12 months to 30.6.1994	156	4,608	1,040	2,437	-	1,044	**-**	9,285	**-**

[a] These payments relate to several financial periods.

Pensions and other post retirement benefits

Pension and other post retirement benefit provision on behalf of Directors in respect of their service as a Director during the 18 months to 31st December 1995

	18 months to 31.12.95 £000	12 months to 30.6.94 £000
Directors in aggregate		
Contributions to pension schemes	**845**	1,898
Provision for unfunded pensions	**987**	4,205
Provision for other post retirement benefits	**20**	18
	1,852	6,121

No pension contributions are payable by the Company in respect of UK based Directors for the period from 1st April 1995 to 31st December 1995 due to the strong funding position of the UK pension schemes as certified by the schemes' actuaries.

Chairman

Sir Colin Corness
Sir Colin Corness is not entitled to any pension or other post retirement benefits

Sir Paul Girolami

Contributions to pension schemes	–	696
Provision for unfunded pensions	–	2,270

Sir Paul Girolami relinquished executive office on 30th June 1994, but remained Non-Executive Chairman. On relinquishing executive office he ceased to be entitled to earn further pension or post retirement benefit provision. He also became entitled to draw a pension from the Company's unfunded pension scheme in respect of pension benefit earned, and provided in the Accounts, during his executive service. Between 1st July 1994 and 18th November 1994, the date of his retirement, he was paid pensions of £11,018 and a lump sum payment of £1,402,724 in part commutation of future pension entitlements.

Highest paid Director

	18 months to 31.12.95 £000	12 months to 30.6.94 £000
Contributions to pension schemes	**258**	N/A
Provision for unfunded pensions	**143**	N/A
Provision for other post retirement benefits	**2**	N/A

Pensions paid to former Directors, after cessation of their service as a Director, from provisions carried in the accounts.

Payments of unfunded pensions	**769**	513

Chairman and highest paid Director

Sir Paul Girolami was Chairman from 1st July 1994 until his retirement on 18th November 1994 and was Chairman and highest paid Director during the year to 30th June 1994.

Sir Colin Corness was appointed a Director on 18th November 1994 and Chairman on 18th January 1995; his total emoluments as Chairman were £203,903.

Sir Richard Sykes, as Deputy Chairman, acted as Chairman of the Board during the period from 18th November 1994 to 18th January 1995. He was highest paid Director during the 18 months to 31st December 1995.

Other information

Sir Colin Corness, Sir Richard Sykes and Mr Coombe waived fees of £8,225, £10,370 and £572 respectively for services to the Boards of the UK Pension Funds' Corporate Trustees, in the 18 month period to 31st December 1995.

The statutory analysis of Directors' remuneration into bands of £5,000 is not given because this information can be deduced from the total remuneration figures provided in respect of each Director.

Directors' remuneration is given for the 18 months period covered by these Accounts. To indicate the annual level of current remuneration, the salary of Executive Directors at 1st January 1996 is disclosed.

Mr Lance, proposed for re-election as a Director at the forthcoming Annual General Meeting, has a service contract with the Company which is determinable by notice to him of two years. Mrs Armstrong and Lord Kingsdown, also proposed for re-election, do not have service contracts with the Company. Mr McArthur, appointed a Director on 5th March 1996 and proposed for election, does not have a service contract with the Company.

Long term incentive plan

	Shares awarded during period	Share price at award date	Vesting date	Performance against target
Sir Richard Sykes	107,033	£6.54	February 1998	100%
Mr J D Coombe	50,458	£6.54	February 1998	100%
Mr S P Lance	42,048	£6.54	February 1998	100%
Mr J A W Strachan	51,376	£6.54	February 1998	100%

The percentages given under "Performance against target" represent the percentage of the award that would vest if performance were measured against the target group as described on page 75 at 31st December 1995. This is not necessarily indicative of the award that will vest on the vesting date.

Share options

Interests of Directors who held office during the period in options to acquire Ordinary Shares in the Company

	1.7.94	Exercised			Granted					31.12.95
	Number	Number	Weighted exercise price	Market price on exercise	Number	Weighted exercise price per option	Number	Weighted exercise price	Earliest date from which exercisable	Latest expiry date
Sir Richard Sykes	398,299	–	–	–	34,965	£5.72	433,264	£6.50	24.9.94	25.9.04
Mr J M T Cochrane	58,600 [a]	–	–	–	–	–	58,600	£6.31	1.4.95	31.3.02
Mr J D Coombe	171,247	23,838	£6.91	£8.83	20,979	£5.72	168,388	£6.97	25.2.95	25.9.04
Mr R A Ingram	176,898 [a]	–	–	–	–	–	176,898	£6.80	25.2.95	27.2.05
Mr S P Lance	218,763	134,860	£3.44	£6.70	83,679	£6.74	167,582	£6.66	24.9.94	16.3.05
Dr J E Niedel	198,223 [a]	–	–	–	–	–	198,223	£6.36	4.3.94	27.2.05
Mr J A W Strachan	183,934	–	–	–	11,188	£5.72	195,122	£6.98	22.9.95	25.9.04
Sir Paul Girolami	519,248	–	–	–	–	–	519,248 [b]	£7.30	25.2.95	18.11.95
Dr F B Humer	308,036	–	–	–	–	–	308,036 [b]	£6.49	16.10.90	31.3.95
Mr H Konishi	223,737	–	–	–	–	–	223,737 [b]	£7.01	25.2.95	25.9.04
Mr N Maidment	101,570	–	–	–	40,736	£5.72	142,306 [b]	£6.39	24.9.94	25.3.98
Dr C A Sanders	459,200	–	–	–	–		459,200 [b]	£4.05	10.10.92	30.6.96

[a] On date of appointment.
[b] On date of retirement.

The above details are a summary of the interests of Directors in share options. Full details are contained in the Register of Directors' Interests, which is open to inspection at the Company's registered office.

Interests of Directors who retired or resigned as Directors during the period are given at the date of their retirement. In certain cases options have been exercised or have lapsed since the date of retirement.

The market price of an Ordinary Share at 31st December 1995 was £9.15 (At 1st July 1994 £5.44). During the period the market price ranged from a high of £9.15 to a low of £5.44.

On 4th January 1996, Mr Strachan exercised 83,802 options; the weighted exercise price was £6.91 and the market price on exercise was £8.94. Save as disclosed there have been no other changes in the number of options between the end of the financial period and 11th March 1996, the date of these Accounts.

Directors' interests in Ordinary Shares

The Directors who held office on 31st December 1995 have notified the Company that they and their immediate families were beneficially interested in the Ordinary Shares of the Company at that date to the extent shown in the table below.

	31.12.95	1.7.94
Sir Colin Corness	11,140	10,000 [a]
Sir Richard Sykes	214,789	209,021 [b]
Mrs A A L Armstrong	4,000	4,000 [c]
Mr D C Bonham	3,000	– [a]
Mr J M T Cochrane	10,027	1,527 [a]
Mr J D Coombe	9,620	4,574
Mr D J Derx	35,420	35,448
Lord Howe of Aberavon	1,033	1,033
Mr R A Ingram	7,230	3,230 [ac]
Lord Kingsdown	1,600	1,600
Mr S P Lance	46,900	1,000
Dr J E Niedel	15,500	15,500 [a]
Sir Richard Southwood	925	860
Mr J A W Strachan	6,876	6,391

[a] On date of appointment.
[b] Also has a non-beneficial interest in a trust which holds 2,000 Ordinary Shares.
[c] Held as ADRs.

On 4th January 1996, Mr Strachan acquired 18,810 Ordinary Shares of the Company.
On his appointment to the Board on 5th March 1996, Mr McArthur held no Ordinary Shares in the Company. Save as disclosed, there have been no changes in the interests in Ordinary Shares between the end of the financial period and 11th March 1996, the date of these Accounts.

Other arrangements

Save as disclosed, no arrangements to which the Company was a party subsisted at the end of the financial period, or at any time during the period, which would enable the Directors or their families to acquire benefits by means of the acquisition of Ordinary Shares in or debentures of the Company or any of its subsidiary undertakings.

No Director had a material interest in any contract of significance subsisting at the end of, or during, the financial period involving the Company's business.

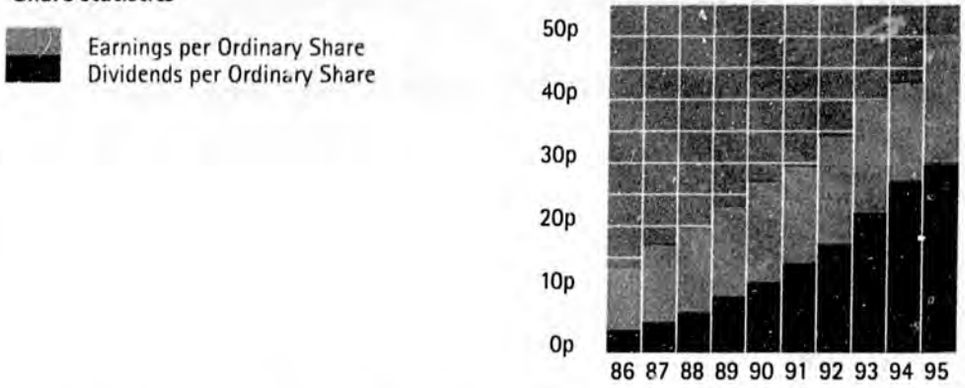
A subsidiary undertaking of the Company has an interest of £75,000 in a property jointly owned with Mr Lance under an arrangement made prior to his appointment to the Board.

At the Company's Annual General Meeting on 17th November 1995 shareholders approved a special resolution which was required to give retrospective ratification of the interim dividend paid in May 1992. The resolution released the Company's Directors (both past and present) from claims that the Company may have had against the Directors in this connection. Having taken advice from independent advisors, the Directors confirm that the deed of release entered into was fair and reasonable.

Financial Record

The financial periods covered by the financial record on this page and on the opposite page are for the year to 30th June for the years up to and including 1994, and, following the change of financial year end date in 1995, for the 18 months to 31st December 1995. Wellcome plc was acquired on, and is consolidated from, 16th March 1995.

Share statistics



	12 months to 31.12.95 £m	**18 months to 31.12.95 £m**	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
Group profits and dividends											
Turnover	7,638	**10,490**	5,656	4,930	4,096	3,397	3,179	2,570	2,059	1,741	1,429
Research and development expenditure	1,130	**1,540**	858	739	595	475	420	323	230	149	113
per cent of turnover	15	15	15	15	15	14	13	13	11	9	8
Trading profit	2,581	**3,597**	1,817	1,525	1,287	1,088	1,040	876	777	709	517
per cent of turnover	34	34	32	31	31	32	33	34	38	41	36
Net (interest payable)/ investment income	(136)	**(87)**	21	150	140	179	142	130	68	51	95
Profit before taxation	2,505	**3,602**	1,835	1,675	1,427	1,267	1,182	1,006	845	760	612
Profit for the financial period	1,702	**2,443**	1,299	1,207	1,033	881	807	688	581	510	400
Dividends	1,224	**1,530**	823	667	512	420	329	260	185	141	104
Retained profit	478	**913**	476	540	521	461	478	428	396	369	296
	pence	**pence**	pence	pence	pence	pence	pence	pence	pence	pence	pence
Share statistics											
Earnings per Ordinary Share	50·3	**74·6**	42·7	39·9	34·3	29·4	27·0	23·1	19·6	17·2	13·5
Dividends per Ordinary Share	30·0	**45·0**	27·0	22·0	17·0	14·0	11·0	8·7	6·2	4·7	3·5
	%	**%**	%	%	%	%	%	%	%	%	%
Return on capital employed	45·4	**44·5**	37·4	40·4	41·2	41·6	46·2	48·9	51·7	59·3	63·2

The results for the 18 months and for the 12 months to 31st December 1995 are stated before integration costs, which reduced trading profit and profit before taxation by £1,215 million, profit for the financial period and retained profit by £985 million and earnings per Ordinary Share by 30·1p.

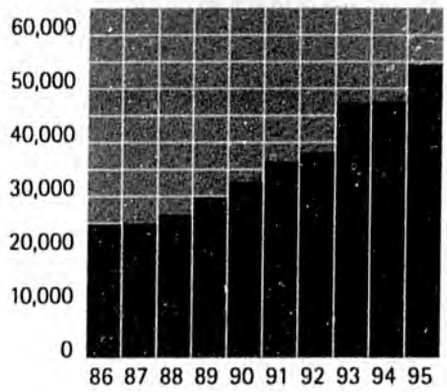
The dividend shown for the 12 months to 31st December 1995 is two thirds of the total dividend for the 18 months to 31st December 1995.

Return on capital employed is calculated as profit before taxation before integration costs as a percentage of average capital employed (excluding the goodwill reserve) during the period.

The figures above and on the opposite page comprise those originally published except that:

- the figures for 1990 have been restated to consolidate Nippon Glaxo Limited, Glaxo-Sankyo Co., Limited and Cascan GmbH & Co. KG as subsidiary undertakings;
- the figures for 1994 and 1990 have each been adjusted for the changes in accounting policy which occurred in the following year;
- dividends and earnings per Ordinary Share have been adjusted for any scrip issues, and for the sub division of share capital in 1991;
- trading profit, profit before taxation, earnings per Ordinary Share and return on capital employed for 1991, 1988 and 1987 have been adjusted to reflect the reclassification of extraordinary items as exceptional in accordance with FRS3;
- trading profit has been restated in 1994 to exclude share of losses in associated undertakings.

Number of employees



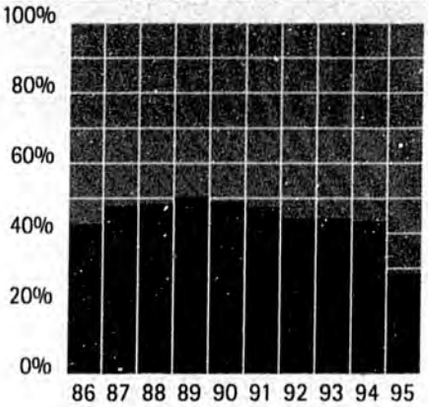
	Glaxo Wellcome		Glaxo								
	31.12.95	31.3.95	31.3.95	1994	1993	1992	1991	1990	1989	1988	1987	1986
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Net assets												
Fixed assets	**4,261**			3,239	3,020	2,373	2,109	1,628	1,187	882	701	582
Other assets and liabilities	**(844)**			(181)	(51)	20	55	54	6	13	38	43
Net operating assets	**3,417**			3,058	2,969	2,393	2,164	1,682	1,193	895	739	625
Net (debt)/funds	**(3,196)**			2,091	1,688	1,246	1,118	1,123	1,120	908	725	475
	221			5,149	4,657	3,639	3,282	2,805	2,313	1,803	1,464	1,100
Capital employed												
Share capital, share premium and other reserves	**5,288**			5,026	4,546	3,572	3,208	2,732	2,291	1,784	1,450	1,090
Goodwill reserve	**(5,197)**			–	–	–	–	–	–	–	–	–
Minority interests	**130**			123	111	67	74	73	22	19	14	10
	221			5,149	4,657	3,639	3,282	2,805	2,313	1,803	1,464	1,100
	£m			£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital expenditure												
United Kingdom	**309**			304	311	281	270	340	146	155	126	153
Overseas	**325**			239	339	285	351	297	227	120	67	48
	634			543	650	566	621	637	373	275	193	201
Number of employees												
United Kingdom	**13,967**	16,047	11,314	11,855	12,129	12,002	12,278	12,451	11,864	11,035	10,867	11,815
Overseas	**40,392**	45,417	33,820	35,523	34,975	26,030	23,953	20,132	17,875	15,388	14,087	12,913
	54,359	61,464	45,134	47,378	47,104	38,032	36,231	32,583	29,739	26,423	24,954	24,728
Manufacturing	**19,122**	20,805	15,800	17,726	17,882	12,873	13,247	13,280	12,533			
Research and development	**9,047**	11,000	7,307	7,322	7,455	6,815	6,428	5,362	4,721			
Selling	**19,774**	21,978	16,929	17,234	16,863	13,730	12,203	9,412	8,760			
Administration	**6,416**	7,681	5,098	5,096	4,904	4,614	4,353	4,529	3,725			
	54,359	61,464	45,134	47,378	47,104	38,032	36,231	32,583	29,739			

Net (debt)/funds is defined to include all debt.

The number of employees is the number at the end of the financial period, except in the years 1986 to 1988 where the number is the average number during the year. The numbers are for Glaxo alone up to and including 31st March 1995. The acquisition of Wellcome plc in March 1995 added 16,330 to employee numbers. The numbers from 31st March 1995 are for Glaxo Wellcome combined. The reduction in numbers after 31st March 1995 results from the integration of the Glaxo and Wellcome businesses.

The financial periods covered by the financial record on this page are for the year to 30th June for the years up to and including 1994 and for the six months to 31st December 1994. Following the acquisition of Wellcome plc and the change of financial year end date in 1995, the figures for 1995 are pro forma sales for the combined Glaxo and Wellcome businesses for the 12 months to 31st December 1995.

Gastro-intestinal (Zantac) share of turnover



	Pro forma 1995 £m	6 months to 31.12.94 £m	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m
Therapeutic analysis of turnover											
Gastro-intestinal	**2,255**	1,137	2,442	2,172	1,807	1,606	1,551	1,291	989	829	606
Respiratory	**1,603**	705	1,229	1,087	964	775	723	585	457	362	287
Viral infections	**1,099**	–	–	–	–	–	–	–	–	–	–
Bacterial infections	**963**	429	872	827	681	608	560	396	299	226	181
CNS disorders	**501**	154	243	116	43	2	–	–	–	–	–
Oncology	**451**	198	404	365	259	78	2	–	–	–	–
Dermatologicals	**205**	102	183	168	145	128	126	101	96	86	77
Cardiovascular	**187**	36	75	67	63	43	50	46	48	46	36
Anaesthesia	**117**	–	–	–	–	–	–	–	–	–	–
Others	**592**	91	208	128	134	157	167	151	170	192	242
	7,973	2,852	5,656	4,930	4,096	3,397	3,179	2,570	2,059	1,741	1,429
Geographical analysis of turnover											
USA	**3,309**	1,215	2,459	1,985	1,584	1,248	1,206	1,063	756	590	411
Europe	**2,739**	1,006	1,978	1,968	1,724	1,481	1,338	1,081	937	830	735
Rest of the World	**1,925**	631	1,219	977	788	668	635	426	366	321	283
	7,973	2,852	5,656	4,930	4,096	3,397	3,179	2,570	2,059	1,741	1,429

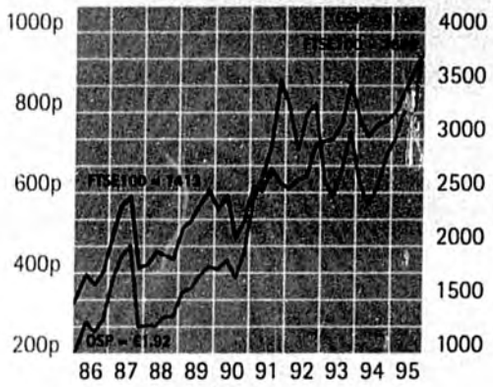
Turnover is analysed in accordance with current segmental reporting practice.
The above figures comprise those originally published except that:

- the figures for 1990 have been restated to consolidate Nippon Glaxo Limited, Glaxo-Sankyo Co., Limited and Cascan GmbH & Co. KG as subsidiary undertakings;
- the figures for 1990 have been adjusted for the change in accounting policy which occurred in the following year.

Share Capital

Glaxo Wellcome plc
ten year share price performance

—— Ordinary Share Price (adjusted for any scrip issues and for the sub division of share capital in 1991)
—— FTSE 100 Price Index



Analysis of shareholdings at 31st December 1995

		Number of accounts	% of total accounts	Ordinary Shares	% of total Ordinary Shares
Holding of Ordinary Shares	Up to 1,000	115,889	62·7	52,558,209	1·5
	1,001 to 5,000	50,141	27·1	107,468,281	3·0
	5,001 to 100,000	16,947	9·2	297,316,525	8·5
	100,001 to 1,000,000	1,424	0·8	437,057,297	12·5
	Over 1,000,000	392	0·2	2,609,993,301	74·5
	Totals	184,793	100	3,504,393,613	100
Held by	Nominee companies	49,587	26·9	2,293,951,251	65·4
	Investment and trust companies	5,004	2·7	68,944,769	2·0
	Insurance companies	435	0·2	254,463,979	7·3
	Individuals and other corporate bodies	129,766	70·2	531,522,567	15·2
	[a] BNY (Nominees) Limited	1	–	355,511,047	10·1
	Totals	184,793	100	3,504,393,613	100

[a] The Bank of New York's holding represents the Company's ADR programme whereby each ADR represents two Ordinary Shares of 25p nominal value. The number of registered holders of ADRs at 31st December 1995 was 81,481.

Principal Products

The products listed below, apart from *Navelbine* and *Panorex*, are trade marks of the Glaxo Wellcome Group of companies, as are the following names mentioned elsewhere in this Annual Report: *Flovent, Wellvone/Mepron, Exosurf, Flolan, Myodil, Malarone, Tritec, Ultiva* and *Diskus/Accuhaler. Navelbine* is the trade mark of Pierre Fabre Medicament and *Panorex* is the trade mark of Centocor Inc.

Therapeutic area	Trade mark	Compound	Mechanism	Indication (may vary by country)
Gastro-intestinal	Zantac	ranitidine hydrochloride	anti-secretory	duodenal ulcers, stomach ulcers, reflux and dyspepsia
	Pylorid	ranitidine bismuth citrate	anti-secretory plus antibiotic	eradication of Helicobacter pylori
Respiratory	Ventolin	salbutamol/albuterol	bronchodilator	bronchial asthma, bronchitis
	Becotide/Beclovent	beclomethasone dipropionate	inhaled corticosteroid	bronchial asthma, bronchitis
	Serevent	salmeterol xinafoate	bronchodilator	bronchial asthma, bronchitis
	Flixonase/Flonase	fluticasone propionate	corticosteroidal nasal spray	hay fever, perennial rhinitis
	Flixotide	fluticasone propionate	inhaled corticosteroid	asthma, bronchial conditions
	Beconase	beclomethasone dipropionate	corticosteroidal nasal spray	hay fever, perennial rhinitis
Viral infections	Zovirax	aciclovir	DNA polymerase inhibitor	herpes infections, shingles, chicken pox, cold sores
	Valtrex/Zelitrex	valaciclovir	DNA polymerase inhibitor	shingles, genital herpes infections
	Retrovir/AZT	zidovudine	reverse transcriptase inhibitor	HIV/AIDS
	Epivir/3TC	lamivudine	reverse transcriptase inhibitor	HIV/AIDS
	Wellferon	interferon alfa-N1-1F	alpha-interferon	chronic hepatitis B infection, hairy cell leukaemia
Bacterial infections	Zinnat/Ceftin	cefuroxime axetil	oral antibiotic	common infections
	Fortum/Fortaz	ceftazidime	injectable antibiotic	severe, life threatening infections
	Zinacef	cefuroxime	injectable antibiotic	surgical infections
CNS disorders	Imigran/Imitrex	sumatriptan	serotonin agonist	migraine, cluster headache
	Lamictal	lamotrigine	sodium channel modulator	epilepsy
	Wellbutrin	bupropion	aminoketone	depression
Oncology	Zofran	ondansetron	anti-emetic	nausea, vomiting from chemotherapy, radiotherapy and post operative nausea and vomiting
	Navelbine	vinorelbine	vinca alkaloid	non-small cell lung cancer, breast cancer
	Panorex	Mab17-1A	monoclonal antibody	colorectal cancer as adjuvant therapy
Dermatologicals	Betnovate	betamethasone valerate	topical corticosteroid	eczema
	Cutivate	fluticasone propionate	topical corticosteroid	eczema, psoriasis
	Dermovate/Temovate	clobetasol propionate	topical corticosteroid	inflammatory skin diseases
Cardiovascular	Lanoxin	digoxin	cardiac rhythm controller	congestive heart failure, cardiac arrhythmia
	Lacipil	lacidipine	calcium channel blocker	hypertension
	Trandate	labetalol	alpha/beta blocker	hypertension
Anaesthesia	Mivacron	mivacurium chloride	neuromuscular blocker	adjunct to anaesthesia
	Nimbex	cisatracurium besylate	neuromuscular blocker	adjunct to anaesthesia/intensive care
	Tracrium	atracurium besylate	neuromuscular blocker	adjunct to anaesthesia/intensive care
Others	Imuran	azathioprine	immunosuppressant	rejection of organs following transplants
	Zyloric	allopurinol	xanthine oxidase inhibitor	gout

Principal Subsidiary and Associated Undertakings

The following represent the principal subsidiary and associated undertakings of the Glaxo Wellcome Group at 31st December 1995, with details of the country of incorporation and principal country of operation, the location of the headquarters and activities.

The share capital of these undertakings, comprising Ordinary Shares, is wholly owned by the Group except where its interest is shown otherwise. Full details of all subsidiary and associated undertakings will be attached to the Company's Annual Return to be filed with the Registrar of Companies.

Analysis of Activity:
H Holding company
R Research
D Development
P Production
M Marketing
E Exporting

Region	Country	Location	Subsidiary undertaking	Activity	%
Europe	England	Greenford	**Glaxo Group Limited**	H	
		Greenford	**Glaxo Wellcome Export Limited**	E	
		Greenford	**Glaxo Research and Development Limited**	R D	
		Stockley Park	**Glaxo Operations UK Limited**	P	
		Stockley Park	**Glaxo Wellcome UK Limited**	M	
		Greenford	**Wellcome plc**	H	
		Greenford	**The Wellcome Foundation Limited**	R D P	
	France	Paris	**Laboratoire Glaxo Wellcome S.A.S.**	R P M	
	Germany	Hamburg	**Glaxo Wellcome GmbH & Co**	P M	
	Italy	Verona	**Glaxo S.p.A.**	R P M	
	Netherlands	Zeist	**Glaxo Wellcome B.V.**	M	
	Spain	Madrid	**Glaxo Wellcome, S.A.**	R P M	
	Switzerland	Berne	**Glaxo Wellcome A.G.**	M	
		Geneva	**The Glaxo Institute for Molecular Biology S.A.**	R	
	Turkey	Istanbul	**Glaxo Wellcome I.S.A.S.**	P M	
Americas	Argentina	Buenos Aires	**Glaxo Wellcome S.A.**	P M	
	Brazil	Rio de Janeiro	**Glaxo Wellcome SA**	P M	
	Canada	Mississauga	**Glaxo Wellcome Inc.**	R P M	
	Mexico	Mexico City	**Glaxo de Mexico, S.A. de C.V.**	P M	
	USA	North Carolina	**Glaxo Wellcome Inc.**	R P M	
		California	**Affymax Research Institute**	R	99
Rest of the World	Australia	Boronia	**Glaxo Wellcome Australia Limited**	P M	
	China	Chongqing	**Chongqing Glaxo Wellcome Pharmaceuticals Limited**	P M	88
	Egypt	Cairo	**Glaxo Wellcome Egypt S.A.E.**	P M	89
	Hong Kong	Hong Kong	**Glaxo Wellcome Hong Kong Limited**	M	
	India	Mumbai	**Glaxo India Limited**	P M	51
	Japan	Tokyo	**Nippon Glaxo Limited**	P M	50 [a]
		Tokyo	**Glaxo-Sankyo Co., Limited**	M	25 [a]
		Kobe	**Nippon Wellcome K.K.**	R M	55
	New Zealand	Auckland	**Glaxo Wellcome New Zealand Limited**	P M	
	Nigeria	Lagos	**Glaxo Wellcome Nigeria Limited**	P M	
	Singapore	Singapore	**Glaxo Wellcome Singapore Pte Limited**	M	
		Singapore	**Glaxo Wellcome Manufacturing Pte Limited**	P	
	South Africa	Midrand	**Glaxo Wellcome South Africa (Pty.) Limited**	P M	

[a] Consolidated as subsidiary undertakings in accordance with section 258(4)(a) of the Companies Act 1985 on the grounds of influence over marketing strategy.

Region	Country	Location	Associated undertaking	Activity	%	Issued Ordinary Shares
Rest of the World	India	Mumbai	**Burroughs Wellcome (India) Limited**	P M	32	7,500,000 of R10
	Nigeria	Lagos	**Evans Medical PLC**	P M	40	98,784,000 of N 0.50

Shareholder Information

Ordinary Shares and Loan Stock history

Glaxo Group Limited
The market value of Glaxo Group Limited Ordinary Stock Units of 50p on 6th April 1965 was 156¼p. A 1 for 4 scrip issue in December 1967 was followed by a 1 for 12 rights issue at 250p in June 1968 and a 1 for 4 scrip issue in January 1970. Stock acquired by BDH Group Limited shareholders in 1968 had a market value of 146·425p.

Glaxo Wellcome plc
Glaxo Wellcome plc (formerly Glaxo plc and Glaxo Holdings p.l.c.) was incorporated on 23rd March 1972 to acquire all the Ordinary Stock Units of 50p each of Glaxo Group Limited, a publicly quoted company. Under a Scheme of Arrangement which became effective on 22nd May 1972, Glaxo Group Limited Ordinary stockholders received one Glaxo Holdings p.l.c. Ordinary Share of 50p and 60p of Glaxo Holdings p.l.c. 7½ per cent Convertible Unsecured Loan Stock 1985 (CULS) in exchange for each Glaxo Group Limited Ordinary Stock Unit of 50p. The CULS was converted into Ordinary Shares between 1975 and 1985.

Alterations to issued share capital
Since 1972 the following alterations have been made to the share capital of Glaxo Wellcome plc:

August 1975
Rights issue: 1 for 5 at 200p
(16th June 1975)
(also 1 Ordinary Share of 50p for each £25 of CULS at 200p)

January 1980
Capitalisation issue: 1 for 1
(11th February 1980)

January 1983
Capitalisation issue: 1 for 1
(21st February 1983)

January 1986
Capitalisation issue: 1 for 1
(27th January 1986)

November 1989
Capitalisation issue: 1 for 1
(24th November 1989)

October 1991
Sub division of shares:
each Ordinary Share of 50p was sub divided into two Ordinary Shares of 25p each
(30th October 1991)

The dates listed in brackets are those on which the share prices for the altered share capital were first quoted.

Capital gains tax
The prices for Glaxo Wellcome plc Ordinary Shares and for each £1 of CULS on the following dates were:

22nd May 1972	
Ordinary Shares of 50p	515p
CULS	140p
16th June 1975	
Ordinary Shares of 50p (nil paid)	172½p ex-rights
CULS	98¾p ex-rights
31st March 1982	
Ordinary Shares of 50p	513p*
CULS	197p

* Equivalent to 32p for each of the present Ordinary Shares of 25p.

Holders of Ordinary Shares

Registrar
The Company's share register is administered by Lloyds Bank Registrars and all correspondence regarding Ordinary Shares should be sent to the address shown on the inside back cover.

Dividends
The record date for this period's proposed final dividend, payable on 20th May 1996, is 26th March 1996 and the Ordinary Shares will trade ex-dividend on the London Stock Exchange from 18th March 1996. Shareholders who wish their dividends to be paid directly to a bank or building society account should contact the Company's Registrar.

Scrip dividends
Shareholders may establish continuing mandates to receive Ordinary Shares instead of cash for the whole of their dividends. Details of the Scrip Dividend Scheme may be obtained from the Registrar. The timetable for the scheme for the proposed final dividend is shown on the inside back cover. The Scrip Dividend Scheme is not available to holders of Ordinary Shares in the USA or Canada or to holders who are US or Canadian persons, nor is it available to holders of American Depositary Receipts.

Multiple share certificates
Shareholders with more than one certificate for shares arising either from the Scrip Dividend Scheme or by any other means may arrange for them to be consolidated into one certificate by contacting the Registrar.

Glaxo Wellcome corporate PEPs
General and single company personal equity plans for the Company's Ordinary Shares are available from Bradford & Bingley (PEPs) Limited and enquiries should be sent to them at the address shown on the inside back cover.

Low cost share dealing facility
The low cost share dealing facility operated by Pershing Securities Limited on behalf of Hoare Govett Corporate Finance Limited now includes the Company's Ordinary Shares and enquiries should be sent to them at the address shown on the inside back cover.

Former shareholders in Wellcome plc
The Company's offer to acquire all the shares in Wellcome plc became unconditional on 16th March 1995 with the price of the Company's Ordinary Shares being £6·90 on the previous day. Former shareholders in Wellcome plc who have to date not accepted the terms of the offer, but who now wish to, should write to the Company's Registrar.

Share price information
The latest share price information is available on Ceefax, Teletext and the Cityline service operated by the Financial Times: telephone 0891-432701 (calls charged at 36p per minute cheap rate and 48p per minute at all other times).

CREST
CREST is a new settlement system for share trading due to become operational in late 1996. Further information on the system, provided by CRESTCo Limited, is enclosed with these Accounts for UK registered shareholders only.

Unsolicited mail
The law obliges the Company to make its share register available to other organisations and as a consequence some shareholders may have received unsolicited mail. If you wish to limit the amount of such mail, you should write to the Mailing Preference Service at FREEPOST 22, London W1E 7EZ or telephone 0171-738 1625 for a registration form.

Share donation scheme
The Company in conjunction with Wise Speke Limited has set in place a scheme whereby shareholders with a small number of Ordinary Shares, who do not wish to retain their shareholdings, can dispose of them so that the proceeds go to designated charities without incurring any dealing costs. Shareholders interested in this scheme should contact Wise Speke Limited at the address shown on the inside back cover. Wise Speke Limited is a member firm of The London Stock Exchange and is regulated by The Securities and Futures Authority Limited.

Holders of American Depositary Shares

General
The Company's Ordinary Shares are listed in the USA on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs) and these are evidenced by American Depositary Receipts (ADRs).
The shares are traded under the symbol GLX.

The Company's ADR programme is administered by The Bank of New York whose address is shown on the inside back cover and any enquiries regarding ADRs should be addressed to that office. Each ADS currently represents two Ordinary Shares of the Company.

Dividends
The recommended final dividend of 15p equals 30p per ADR. This amount will be paid in US dollars converted at the exchange rate on 20th May 1996. The total dividend for the financial period is 90p per ADR. The record date for this period's proposed final dividend to ADR holders is 26th March 1996 and payment will be made through The Bank of New York on 30th May 1996. Such ADRs will trade ex-dividend on the NYSE from 22nd March 1996.

The current income tax convention between the UK and the USA includes provisions which entitle a qualifying US resident ADR holder to a refund of the UK tax credit attaching to the dividend.

On payment of the dividend a 15 per cent withholding tax is deducted from the total of the dividend and the tax credit. This withholding tax will normally be eligible for credit against such ADR holder's US Federal Income Tax liability, provided Form 1116 "Computation of Foreign Tax Credit" is completed and filed with the ADR holder's US Federal Income Tax return. ADR holders who are unsure of their tax position should consult their independent tax advisor.

As a guide to holders of ADRs the following table shows the interim and final dividends for the last five years, translated into US dollars per ADS. These amounts have been adjusted for the UK tax credit, less the 15 per cent withholding tax, as detailed above.

Financial period	Interim	Second Interim	Final	Total
	cents	cents	cents	cents
1995	34	67	52*	153
1994	29	-	60	89
1993	22	-	45	67
1992	24	-	38	62
1991	17	-	40	57

*Estimated figure based on an exchange rate of US$1.63 per £1 on 6th March 1996.

Dividend Reinvestment Plan
The Scrip Dividend Scheme is not available to holders of Ordinary Shares in the USA or Canada or to holders who are US or Canadian persons, nor is it available to holders of ADRs. However, a Dividend Reinvestment Plan is available through The Bank of New York to all ADR holders having a registered address in the USA or Canada. The plan allows for full or partial reinvestment of dividends in additional ADSs and also permits monthly optional investments in additional ADSs. Full details of the plan can be obtained from The Bank of New York at the address shown on the inside back cover.

Annual General Meeting
The Company's 1996 Annual General Meeting of shareholders will be held in London on 16th May 1996. ADR holders may instruct The Bank of New York as to how the Ordinary Shares represented by their ADRs should be voted by completing and returning the voting card provided by The Bank of New York in accordance with the instructions given.

Holders of Ordinary Shares listed on the Tokyo Stock Exchange

General
The Company's Ordinary Shares are listed in Japan on the Tokyo Stock Exchange (TSE) and are traded in units of 100 Ordinary Shares on the Foreign Section of the TSE. Transactions are carried out under the Central Depositary and Clearing System and original share certificates are kept by the Japan Securities Clearing Corporation (JSCC) through their depositary in London.

Dividends
The record date for this period's proposed final dividend is 26th March 1995. Payment of the dividend to Japanese investors, in respect of Ordinary Shares held in deposit by the JSCC, will be made in Yen during June 1996. The Scrip Dividend Scheme is available to Japanese investors who hold shares through the TSE. However, the number of Ordinary Shares receivable must be a multiple of the minimum trading unit of 100 Ordinary Shares. To receive dividends in the form of Ordinary Shares, shareholders should notify the securities company which holds their account of such intention.

Under the current tax convention between Japan and the UK, dividends paid by a company resident in the UK to a resident of Japan will entitle the recipient to a payment by the UK tax authorities of a tax credit, equivalent to the tax credit to which a UK resident individual would be entitled on the dividend, less a withholding tax of 15 per cent of the dividend plus the tax credit.

Further information about the Company's Ordinary Shares listed in Japan can be obtained from The Toyo Trust & Banking Co., Limited, whose address is shown on the inside back cover.

Other Information

Publications
In addition to the Annual and Interim Reports, the Company produces publications which are available to shareholders on request. These include Glaxo Wellcome World, the corporate magazine; Glaxo Wellcome in the Community; a statement of the Group's health, safety and environment policy and Key Facts. Copies may be obtained from the Group Secretariat at the registered office shown on the inside back cover.

USA
An annual report (Form 20-F) will be filed with the Securities and Exchange Commission in the USA on or before 31st March 1996.

Japan
An annual securities report (Form No. 8) will be filed with the Minister of Finance of Japan on or before 31st May 1996.

Index

	page
Accounting policies and definitions	50-51
Accounting policy	
change of	51
Acquisitions	36-37, 62-63
Addresses for correspondence	ibc
Affymax N.V.	32, 63
Annual General Meeting	39
Associated undertakings	
principal	85
share of profit/losses of	54
Audit Committee	
members of	4
constitution	40
Auditors' Report	
to the Members of Glaxo Wellcome plc	43
to Glaxo Wellcome plc on corporate governance matters	43
Balance Sheet	
company	48, 67
consolidated	45
summary	36
Board of Directors	
changes in	39
constitution	40
names and biographical details	4
Cadbury Code	
Directors' Report on compliance	41
Cash flow and liquidity	38
Cash Flow Statement	
consolidated	46, 64-65
Chairman's Statement	3
Charitable and community support	31
Chief Executive's Statement	6-7
Commitments	
capital	60
operating leases	60
Contingent liabilities	60
Corporate Governance	40-41
Corporate Matters	39
Creditors	57
Debtors	57
Directors	
incentive plans	78
interests in shares	79
other arrangements	79
pensions	77
remuneration	76
remuneration policy	74-75
share options	78
Directors and Officers	
insurance for	39
Directors' Statement of Responsibility in relation to	
the Accounts	42
the Report of the Remuneration Committee	42
Disposals	37
Dividends	35, 55, ibc
Earnings	35, 55
Exchange rates	51
Financial Calendar	ibc
Financial Highlights	2
Financial Policy	38
Financial Review	32
Financial Record	80-82
Fixed assets	
tangible	56
investments	56
Goodwill reserve	61
Group Appeals Committee	
members of	4
constitution	40
Group Executive Committee	
members of	8
constitution	40
Health, safety and the environment	31
Human resources	29
Intellectual property	30
Interest payable	34, 54
Investments, fixed assets	56
Litigation	30
Manufacturing	27
Market capitalisation	38
Merger reserve	60
Mission Statement	9-21
Net debt	37, 58
Notes on the Accounts	49-67
Operating costs	52
Operating and Financial Review	22-38
Pension and other post retirement benefits	53
Pension schemes	40
Political contributions	39
Products	84
Profit and Loss Account	
Consolidated	44
Profit	
before interest	34
on disposal of business	54
trading	32-33
Provisions	
for liabilities and charges	59
Recognised Gains and Losses	
Statement of total	47
Remuneration Committee	
members of	4
constitution	40
Report of	74-79
Research and Development	28-29
Reserves	61
Sales	
pro forma analysis	25
therapeutic	24
geographic	26
and marketing	23
new products	23
Segment information	66
Share capital	60-61, 83
Shareholders' funds	
reconciliation of movements in	47
Shareholder Information	86-87
Share options	61
Share premium account	60
Staff costs	52-53
Stocks	57
Subsidiary undertakings	85
Substantial shareholdings	39
Supplementary financial information	72-73
Taxation	34-35, 54-55, 59
Treasury Policy	38
US Accounting Principles	
reconciliation to material differences from UK GAAP	68-69
US Format	
Summary Financial Statements	70-71
Wellcome plc	36, 62-63
World market	22

ibc = inside back cover.

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Telephone 01274 555700

Low cost share dealing facility
Pershing Securities Limited
3 Harbour Exchange Square
London E14 9GD
Telephone 0171 345 6000

Share donation scheme
Wise Speke Limited
P.O. Box 512
8 King Street
Manchester M60 2EP

ADRs/Dividend Reinvestment Plan
The Bank of New York
Investor Relations Department
PO Box 11258
Church Street Station
New York
NY 10286-1258
Telephone 1 800 524/4458 (Toll Free)
or 212 815 5800 (outside US)

Shares listed on the Tokyo Stock Exchange
The Toyo Trust & Banking Co., Limited
Corporate Agency Department
10-11 Higashisuma 7-Chome
Koto-ku
Tokyo 137-81
Telephone 813 5683 5111

Financial calendar

Annual General Meeting	The London Hilton on Park Lane, 22 Park Lane, London W1	16th May 1996
Announcements	Half year results	31st July 1996
Dividends	Final dividend	
	Ex-dividend date	18th March 1996
	Record date	26th March 1996
	Payable	20th May 1996
	£/US$ conversion date for ADR holders	20th May 1996
	Payable to ADR holders	30th May 1996
Scrip dividend scheme	Share price calculation period	18th March 1996 to 22nd March 1996
	Last date for receipt of scrip dividend mandates	30th April 1996
	First date for dealings in the new Ordinary Shares	20th May 1996
Interest payments	Japanese Yen Convertible Bonds	4·3 per cent payable 28th March 1996 and 28th September 1996
	£ Bonds due 2005	8·75 per cent payable 1st December 1996
	US$ Notes due 2000	6·75 per cent payable 31st May 1996
	US$ Notes due 2006	6·125 per cent payable 25th January 1997

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Produced by Currell Communications.

Glaxo Wellcome is a research-based company whose people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to the healthcare providers who serve them.

The acquisition of California based Affymax, a leader in the emerging field of combinatorial chemistry, has further strengthened Glaxo Wellcome's capabilities in drug discovery. Engineer Gloria Cheng checks the operation of equipment used by Affymax to create new molecules with the potential to combat disease.

The process of discovering, developing and commercialising new pharmaceutical compounds is fundamental to the Group's mission and future success.

Glaxo Wellcome has the scientific resources and expertise to be at the forefront of innovation in pharmaceuticals. We are investing strongly to maintain that expertise and to lead in the adoption of new tools and techniques to enhance discovery.

Glaxo Wellcome dedicates £1.2 billion a year to research and development at facilities in the UK, USA, Japan, Italy, Canada, Switzerland, France, Spain and Singapore. These centres of excellence provide us with immediate access to advances in science around the world.

The opening of the Medicines Research Centre at Stevenage in the UK demonstrated our belief that research is the key to adding value for customers and shareholders. As well as incorporating the latest technology, Stevenage has been designed to allow research groups to interact freely.

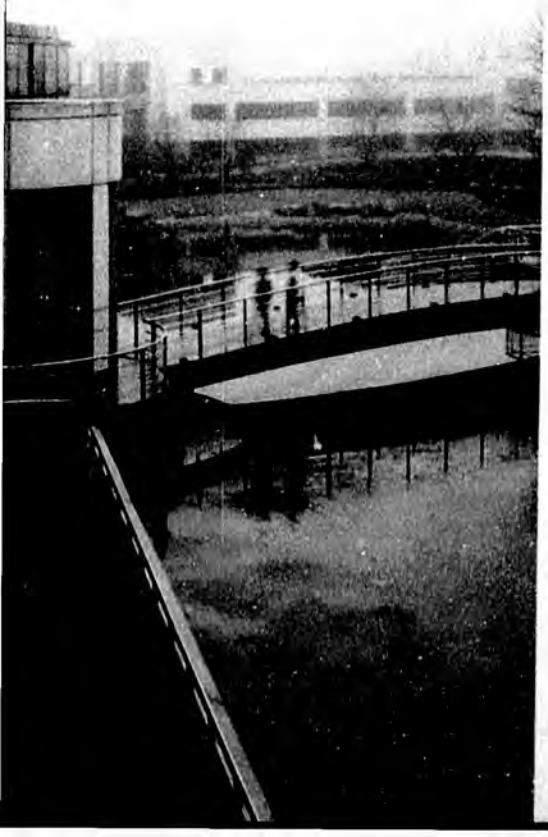
The integration has presented us with an opportunity to reappraise the Group's R&D process. At the corporate level, our goal is to enable information to flow freely around the Group so that our combined knowledge can be put to the maximum use with the minimum delay.

Commercial considerations are incorporated into the product development process at the outset. Following integration, we have an organisational structure which further improves co-operation between the scientific and commercial sections of the business, thereby minimising the resource expended on molecules with no clear potential benefit.

We are committed to boosting the productivity of our R&D effort. Our objective is to produce 20 new compounds from exploratory research each year, leading to the launch of three significant new products each year from the year 2000.

To succeed in this, it is vital for Glaxo Wellcome to make use of the very latest technologies in drug discovery. The acquisition of Affymax has put the Group at the forefront of robotics, combinatorial chemistry and high throughput screening. This will allow us to identify a significantly greater number of pharmacologically active molecules than before.

Universities, other academic institutions and biotechnology companies are a prime source of information on molecules for development and commercialisation, as well as new techniques and tools to enhance discovery. It is a clear part of our R&D strategy to broaden access to these through partnership, alliances and collaboration.



Scientists at the Medicines Research Centre, Stevenage, UK, discuss a drug discovery programme for the treatment of arthritis. Their fields of expertise embrace medicinal chemistry, pharmacology, molecular biology and drug metabolism.

The integration of Glaxo and Wellcome has created the world's largest pharmaceutical research resource.

Glaxo Wellcome has the largest share of the world market for prescription medicines. We have operating companies in some 70 countries and at 31st December 1995 employed over 54,000 people. We offer an extensive portfolio of products to our customers that we are committed to maintaining and developing.

But size alone, while crucial in today's market, can never guarantee continuing success.

One of our biggest strengths is the fact that we are a new organisation, created specifically in response to the changing commercial and scientific climate. As a business, we are building not only on the factors that made us successful in the past but on an understanding of what is required of us in the future.

Our mission statement is the result of intense collaboration among our senior management worldwide. It defines how we see ourselves and the role we play in healthcare.

In pursuit of our mission we have focused on five clear goals against which we can measure our performance. The goals of Glaxo Wellcome are to:

- provide superior returns to our shareholders;
- achieve consistent improvement in the performance of the business;
- attain sustainable leadership in all our selected areas of therapy while increasing our overall market share globally;
- build a learning organisation that fully realises the potential of all our resources – our people, technology, information and capital;
- be recognised as the world's premier healthcare company.

To meet those goals, we have established clear corporate strategies:

- to sustain long term investment in science and technology;
- to enhance continuously the skills of our employees and promote the sharing of best practice from both internal and external sources;
- to form partnerships and alliances to maximise capabilities in all parts of the business;
- to maintain cost efficiency and productivity improvement programmes;
- to focus on the needs of patients to help them live healthier, more productive and longer lives.

In implementing these strategies, we will be guided – as individuals as well as an organisation – by a declared set of values. We are committed, for example, to conducting all aspects of our business with integrity and honesty, to aspiring to excellence in everything we do, and to promoting mutual trust and respect throughout the Group.

We are confident that the sense of purpose and clarity of direction provided by our mission, goals, strategies and values will mobilise the talents within Glaxo Wellcome to the benefit of patients, healthcare providers and shareholders.

Glaxo Wellcome is a research-based company whose people are committed to fighting disease by bringing innovative medicines and services to patients throughout the world and to the healthcare providers who serve them.



The Mission Statement

Glaxo Wellcome is a research-based company

whose people are committed to fighting disease

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to patients throughout the world and

to the healthcare providers who serve them.

Group Executive Committee



The Group Executive Committee is responsible for the executive management of Glaxo Wellcome.

Clockwise from the left

Ken Windle
Regional Director, Asia Pacific

Dr Joe Blaker
Group Technical Director

Dr James Niedel
Research and Development

George Morrow
Group Vice President,
US Commercial Operations

Jeremy Strachan
Legal and Corporate Affairs

John Coombe
Finance and Information Technology

Sean Lance
Europe, Africa, Middle East,
Asia Pacific and Technical Operations

James Cochrane
Commercial Development

Robert Ingram
The Americas

Jacques Lapointe
Managing Director,
UK Commercial Operations and
Regional Director, Australia,
South Africa and New Zealand

Sir Richard Sykes DSc
Deputy Chairman and Chief Executive

Not pictured

Chris Adam
President, Nippon Wellcome K.K., Japan

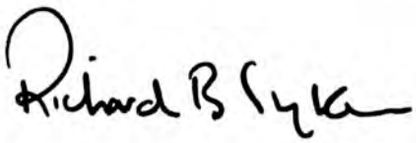


Research and development will continue to be the engine which drives our Company. Our commitment to it has been vividly demonstrated during the year. Our purchase in March 1995 of Affymax N.V. gives us access to leading edge technologies for the rapid synthesis and screening of new molecules which are already being applied throughout the organisation. The opening in April 1995 by Her Majesty the Queen of the Medicines Research Centre at Stevenage, in which we have invested £700 million, provides us with unrivalled facilities for the discovery of new medicines. And in November 1995, following a rigorous review of the Glaxo and Wellcome R&D portfolio, we unveiled our new pipeline of 50 major research projects and over 90 development projects. By bringing the portfolios together, concentrating resources on the most promising projects, and introducing a streamlined organisational structure, we expect to achieve substantially improved productivity and efficiency, with total spending on R&D in 1996 estimated to be £1·2 billion.

Our manufacturing and supply operations have also been examined critically and are being restructured, with each site given a clearly defined role and unnecessary duplication of activities removed. This will enable us to improve efficiency while maintaining the highest standards of excellence in this crucial area of the business.

What of the outlook? The potential that exists in our new products – those already marketed and those yet to be launched – coupled with the potential which we see already being released in the emerging markets such as Poland, Brazil and the People's Republic of China, gives us an increasingly strong base from which to manage the inevitable decline of *Zantac*, whose very success over 15 years has generated concern over the impact of its future performance on our business. However the creation of Glaxo Wellcome has significantly altered the nature of this management challenge. *Zantac*'s sales, which were 43 per cent of the turnover of Glaxo in the year to 30th June 1994, now represent just 28 per cent of the turnover of Glaxo Wellcome. The future of the Company is vested in the performance of the new products, and it is there that the greater part of the combined energies of the management team and our worldwide staff will be concentrated.

It is a great tribute to our staff that they have succeeded in creating a vibrant new organisation while advancing our business performance in an increasingly competitive marketplace. Their quality and commitment demonstrates that the Company is well placed to meet the challenges that lie ahead.



Sir Richard Sykes
Deputy Chairman and Chief Executive

Chief Executive's Statement

1995 saw the creation of Glaxo Wellcome plc, the world's largest pharmaceutical company. By the end of the year, the new Company had taken a number of important steps towards meeting the objectives set out for shareholders at the time of the acquisition of Wellcome.

As we review the early trading performance, it is worth reminding ourselves of the background to the acquisition in the context of the great changes which have been taking place in the healthcare environment in recent years. New technologies resulting from advances in cellular biology and molecular genetics create the potential for tremendous improvements in healthcare, but at a cost. Helped by technological advances already available to us, people are living longer and the cost of healthcare is rising. Governments are understandably looking for ways of containing or reducing the healthcare bill. Even though medicines are a small part of the overall cost of healthcare, they are a target for savings and the pressures on the pharmaceutical business have therefore mounted. With pressure on world prices restricting the ability to cover rising costs, a highly fragmented pharmaceutical industry began to restructure and consolidate.

Glaxo resolved to be at the head of the process, not to be dragged along by it. We recognised that the successful pharmaceutical company of the future must have scale and strength in research and development, sales, product range and services. Wellcome was a good fit for us, with a similar culture based on science, sound research, a complementary range of products and high quality staff.

By combining the resources, products and skills of both companies, we have been able to create a new company with a powerful and well-balanced portfolio of medicines. The potential is evident from the sales figures for Glaxo Wellcome products in the calendar year to 31st December 1995. The year on year growth of 43 per cent in sales of the new products substantially outweighed the decline in sales of *Zantac* as it approaches patent expiry. The 16 new products in nine therapeutic areas which have been launched by Glaxo, Wellcome and Glaxo Wellcome since 1990 contributed over £1·3 billion in combined annual sales, 17 per cent of the total Group turnover. Among these products, *Serevent*, *Flixonase* and *Flixotide* led the exceptional growth of 20 per cent in the respiratory area. The successful launch of *Imitrex* tablets in the USA and the encouraging growth of *Lamictal* for epilepsy, also now launched in the USA, meant that our central nervous system therapy area grew by 31 per cent. A clear example of the product synergy to be achieved by bringing the two companies together was provided by the launch in the United States of *Epivir* in combination with *Retrovir* for the treatment of HIV/AIDS. Early indications show a rapid acceptance of this combination, by patients and doctors alike, as the new cornerstone of therapy in this area.

During calendar year 1995, despite the inevitable distractions of the integration process, the Group filed 29 regulatory submissions around the world. In the same period 14 significant approvals for marketing were granted, including *Epivir* in the USA; *Pylorid* in the UK for the eradication of Helicobacter pylori and the treatment of peptic ulcers; the over-the-counter versions of *Zantac* in Europe and the USA; *Valtrex* for shingles and genital herpes in the USA and for genital herpes in the UK; and *Nimbex*, a new generation neuromuscular blocker, in the UK and USA. We were also pleased to gain approval in the UK for the asthma treatment *Flixotide* in the new *Diskus* delivery system. Awaiting worldwide approval are a new anaesthetic, remifentanil, and new formulations for *Imigran/Imitrex*. In the important US market, *Flovent/Flixotide* for asthma and *Tritec* for the eradication of Helicobacter pylori are also expected to be approved in 1996. Before the end of 1996 we plan to file 20 major regulatory submissions, including troglitazone for diabetes, naratriptan for migraine, *Wellbutrin SR* – a non-nicotine product for smoking cessation – and *Malarone*, a promising treatment for malaria.

The integration process has involved a radical review of all the activities carried out by Glaxo and Wellcome. This review has been conducted with objectivity and fairness, and with as much speed as a comprehensive appraisal of the options would allow. We are on target to achieve the objective, announced last September, of making cost savings, as a result of the integration, of £700 million a year by the end of 1998. While the review has been very demanding for all our managers and staff, it has been recognised throughout the new organisation as providing an unparalleled opportunity to create a pharmaceutical company to meet the challenges of the new millennium.



Board of Directors

Board Committee membership is indicated by the following symbols:

[a] Audit Committee
[b] Group Appeals Committee
[c] Remuneration Committee

Top row, left to right

[ac] **Sir Colin Corness Age 64**
Appointed a Non-Executive Director in 1994 and Chairman in 1995. A Non-Executive Director of the Nationwide Building Society (Chairman since 1991), Chubb Security Plc and Union Camp Corporation. Formerly Chairman of Redland PLC and a member of The Court of the Bank of England.

Sir Richard Sykes DSc 53
Appointed an Executive Director in 1987 with responsibility for Research and Development. Appointed Deputy Chairman and Chief Executive in 1993. Also responsible for Japan.

[c] **Anne Armstrong 68**
Appointed a Non-Executive Director in 1991. A Director of American Express, Boise Cascade, General Motors and Halliburton. Formerly US ambassador to the UK.

[a] **Derek Bonham 52**
Appointed a Non-Executive Director in 1995. Deputy Chairman and Chief Executive of Hanson PLC having joined that company in 1971 as Deputy Financial Controller.

James Cochrane 51
Appointed an Executive Director in 1995. Responsible for Commercial Development. Previously European Operations Director for Wellcome plc, joining the board of that company in 1990. A Non-Executive Director of Spirax-Sarco Engineering PLC.

Middle row, left to right

John Coombe 50
Appointed an Executive Director in 1992. Responsible for Finance and Information Technology. Joined Glaxo in 1986 as Group Financial Controller.

[bc] **Donald Derx CB 67**
Appointed a Non-Executive Director in 1991. Formerly Glaxo's Head of Group Corporate Affairs from 1986 to 1990.

[ac] **Lord Howe of Aberavon PC, QC 69**
Appointed a Non-Executive Director in 1991. Formerly Chancellor of the Exchequer and Secretary of State for Foreign and Commonwealth Affairs. A Non-Executive Director of BICC plc.

Robert Ingram 53
Appointed an Executive Director in 1995. Responsible for The Americas. Joined Glaxo's US operation, Glaxo Inc., in 1990 and became its President and Chief Executive Officer in 1994.

[a] **Lord Kingsdown KG, PC 69**
Appointed a Non-Executive Director in 1993. Formerly Governor of the Bank of England. A Director of Redland PLC, Hambros plc and Foreign and Colonial Investment Trust p.l.c.

Bottom row, left to right

[b] **Sean Lance 48**
Appointed an Executive Director in 1993. Responsible for Europe, Africa, Middle East, Asia Pacific and Technical Operations. Joined Glaxo's South African operation, Glaxo South Africa Pty Limited, in 1985 as Managing Director.

John McArthur 61
Appointed a Non-Executive Director in March 1996. Recently retired as Dean of the Harvard Business School. A Director of BCE Inc, Cabot Corporation, Chase Manhattan Corporation, Partners Healthcare System Inc., Rohm & Haas Company, Springs Industries Inc. and The Vincam Group Inc.

Dr James Niedel 51
Appointed an Executive Director in 1995. Responsible for Research and Development. Joined Glaxo's US operation, Glaxo Inc., in 1988 and the board of that company in 1992.

[bc] **Professor Sir Richard Southwood FRS, Hon FRCP 64**
Appointed a Non-Executive Director in 1992. Formerly Vice-Chancellor of Oxford University and Chairman of the National Radiological Protection Board. Has served on a number of governmental and other committees, including the Advisory Board for the Research Council and the Tropical Medicine Panel of The Wellcome Trust.

Jeremy Strachan 51
Appointed an Executive Director in 1992. Responsible for Legal and Corporate Affairs. Joined Glaxo in 1986 as Director of Group Legal Services.

Chairman's Statement



When I reported to shareholders last September, I explained that the Board had adopted 31st December as its year end and that the financial reporting period had been extended to 31st December 1995. Consequently, this Annual Report and Accounts covers the 18 month period from 1st July 1994 to 31st December 1995.

During this time there has been substantial change both in our Company and in the pharmaceutical industry generally. In acquiring Wellcome plc, your Board had a clear strategic goal – that of sustaining and enhancing the Company's position as a pre-eminent research-based provider of innovative medicines and services. The task of integrating Glaxo and Wellcome has proceeded efficiently and speedily and in his review, Sir Richard Sykes, our Deputy Chairman and Chief Executive, comments upon the development of the new organisation and the progress which it is making.

The results for the period, summarised in the Financial Highlights opposite, reflect the achievement of management and staff in meeting the Group's financial objectives. Earnings for the 18 months to 31st December 1995, which includes Wellcome plc from the date of acquisition on 16th March 1995, were 74·6p per Ordinary Share before integration costs. Adjusting to a calendar year basis, which will be our financial cycle in future, earnings attributable to the 12 months to 31st December 1995 before integration costs were 50·3p per Ordinary Share. Allowing for the 18 month period, this represents significant growth over the Earnings per Ordinary Share of 42·7p for Glaxo alone in the previous financial year to 30th June 1994. These results are in line with the prediction that we made at the time of the offer for Wellcome plc that the opportunities and efficiencies from the enlarged Group would enhance earnings.

On the basis of these results the Board is proposing a final dividend of 15p per Ordinary Share. This represents a total of 45p per Ordinary Share for the 18 months, equivalent to 30p per Ordinary Share on an annualised basis. This is consistent with the Board's stated intention that the change of year end will not work to the disadvantage of shareholders in terms of total income received in any 12 month period. As a result of the change of year end the 1996 Annual General Meeting will be held on Thursday 16th May, and, if approved by the shareholders at that meeting, the final dividend will be paid to Ordinary Shareholders on 20th May 1996 (30th May 1996 to ADR holders).

It is part of my duty as Chairman to ensure that the Board implements proper procedures for corporate governance and remuneration of Directors. I can report that the composition of our Board and of its committees complies with the principles of the Code of Best Practice set out in the Cadbury Report. Our Board remuneration policies and the related disclosures in this Report conform with those recommendations of the Greenbury Committee that have been adopted by the London Stock Exchange as rules for listed companies.

Recognising the changes in the Company and in the business environment, we have put in place during 1995 new annual bonus and long term incentive plans for the Executive Directors. These arrangements are described in the Report of the Remuneration Committee on page 74. This Report also sets out in detail the remuneration of each Director. Our business objective is to be a leader in the world pharmaceutical industry: our remuneration policies are designed to ensure that we attract and retain the talent to attain that objective.

Last September I reported on the many changes which had taken place in the composition of the Board since 1st July 1994. Since then Mr John H McArthur has been appointed as a Non-Executive Director with effect from 5th March 1996. As former Dean of the Harvard Business School, with extensive academic and commercial experience, Mr McArthur has much to contribute to our affairs.

The size of this Report reflects the increasing amount of information which must now be disclosed in accordance with best practice. Some of this is particular to this period, such as the accounting disclosures on acquisitions required under various accounting standards. But we have also taken advantage of this opportunity to convey something of the spirit of Glaxo Wellcome, its philosophy, product diversity and global reach.

The Company is being positioned to remain a world leader in the fast changing healthcare market. Unlike a number of our competitors who have sought vertical integration or diversified into a wider range of healthcare services, we remain focused on our core competence of research-based medicines. This is our strategy for the development of the business into the next century with enhancement of shareholder value.

With the integration well nigh complete, our management and staff are applying themselves to building the business of Glaxo Wellcome for the medium to long term. I am confident that they will do so with great skill, enthusiasm and energy. On behalf of the Board, I thank them for their enormous efforts to accomplish this highly successful integration and for their continuing deep commitment to the achievement of our corporate mission.

C · R · C

Sir Colin Corness
Chairman

Financial Highlights

	18 months to 31.12.95 (audited)		12 months to 31.12.95 (unaudited)	12 months to 31.12.94 (unaudited)	12 months to 30.6.94 (audited)
	Glaxo Wellcome Before integration £m	Glaxo Wellcome Total £m	Glaxo Wellcome £m	Glaxo £m	Glaxo £m
Sales	**10,490**	**10,490**	7,638	5,705	5,656
Trading profit before integration costs	**3,597**	**3,597**	2,581	1,907	1,817
Integration costs	**–**	**(1,215)**	–	–	–
Trading profit after integration costs	**3,597**	**2,382**	2,581	1,907	1,817
Net (interest payable)/investment income	**(87)**	**(87)**	(136)	(3)	21
Profit before taxation	**3,602**	**2,387**	2,505	1,934	1,835
Tax rate	**30·5%**	**36·3%**	30·7%	29·4%	28·5%
Profit for the period/Net income	**2,443**	**1,458**	1,702	1,331	1,299
Earnings per Ordinary Share	**74·6p**	**44·5p**	50·3p	43·6p	42·7p
Dividends per Ordinary Share	**45·0p**	**45·0p**	30·0p	28·0p	27·0p

Wellcome plc is consolidated in the results from 16th March 1995.

The results for the 12 months to 30th June 1994 have been restated for the change of accounting policy described in Note 3 on the Accounts.

In view of the change in financial year end from 30th June to 31st December, the results before integration for the 18 months to 31st December 1995 and the 12 months to 30th June 1994 have been presented on a calendar basis for both 1995 and 1994 to provide a more useful comparison of business performance. The dividend shown for 1995 is two thirds of the total dividend for the 18 month period to 31st December 1995. The dividend shown for 1994 is the combination of the final dividend for the year to 30th June 1994 and the first interim dividend in respect of the six months to 31st December 1994.

Glaxo Wellcome plc
Annual Report and Accounts for the 18 months ended 31st December 1995

2 Report of the Directors

2 Financial Highlights

3 Chairman's Statement

4 Board of Directors

6 Chief Executive's Statement

8 Group Executive Committee

9 The Mission Statement

22 Operating and Financial Review

39 Corporate Matters

40 Corporate Governance

42 Annual Accounts

42 Directors' Statements of Responsibility

43 Reports by the Auditors

44 Consolidated Profit and Loss Account

45 Consolidated Balance Sheet

46 Consolidated Cash Flow Statement

47 Statement of Total Recognised Gains and Losses

47 Reconciliation of Movements in Equity Shareholders' Funds

48 Company Balance Sheet

49 Notes on the Accounts

68 Reconciliation to US Accounting Principles

70 Summary Financial Statements in US Format

72 Supplementary Financial Information

74 Report of the Remuneration Committee

80 Reference

80 Financial Record

83 Share Capital

84 Principal Products

85 Principal Subsidiary and Associated Undertakings

86 Shareholder Information

88 Index

Addresses for correspondence
Financial calendar

APPENDIX

Explanatory notes on the Special Business of the 1996 Annual General Meeting

Resolution 9: Purchase of Own Shares by the Company (Special Resolution)

This resolution seeks a continuation of the Company's authority to make market purchases of its own shares up to a maximum of just under ten per cent of its current issued share capital. Your Board has no present intention of exercising the existing authority or the authority now being sought but it is considering making market purchases to match the allotment of new shares issued by the Company under the Scrip Dividend Scheme and the Group's share option schemes, thereby avoiding the dilutive effect of allotments under such schemes. Purchases of the Company's own shares will be made only if they can be expected to result in an increase in earnings per share and to be in the best interests of shareholders generally.

Resolution 10: Disapplication of Pre-emption Rights (Special Resolution)

At the Annual General Meeting in 1995 a Special Resolution was passed which empowered the Directors, in certain limited circumstances, to allot shares for cash without first offering them proportionately to existing shareholders in the manner set out in the Companies Act 1985. The power was limited to issuing shares:

a for the purposes of a scrip dividend;

b for the purposes of a rights issue (so enabling the Company to avoid the practical problems which can arise in complying with the Companies Act requirements); and

c for other purposes but only up to £43·5 million in nominal value (equivalent to nearly five per cent of the Company's existing issued share capital).

The power will expire at the coming Annual General Meeting. Although your Board has no immediate intention of exercising the power other than in the context of a scrip dividend, shareholders are asked to renew it on the same terms until the next Annual General Meeting (and in any event no later than 15th August 1997) when it is probable that a further renewal will be sought.

Resolution 11: Amendment of Savings Related Share Option Schemes

The Chancellor of the Exchequer's budget statement in November 1995 included a proposal to reduce the minimum duration of savings contracts for savings related share option schemes to three years. As a consequence, the minimum period after which an option can be exercised under the rules of such schemes must also be reduced to the equivalent of three years. If the proposed changes are to be made available to the Company's staff prior to the 1997 Annual General Meeting, shareholders' authority is required for the Board to make consequent changes to the Company's savings related share option schemes which were approved at the Annual General Meeting on 17th November 1995. The purpose of this resolution is to give such authority to the Board.

CREST – Notification to Shareholders

CREST is a new settlement system for the electronic transfer of shares in the UK which is to become operational in July 1996. **The Board gives notice to shareholders, in accordance with the Uncertificated Securities Regulations 1996, that the Company intends to pass a resolution of its Directors that title to the Ordinary Shares of 25 pence each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system.** This resolution will enable the Company's Ordinary Shares to be traded within CREST, subject to the operator of the CREST system, CRESTCo Limited, giving approval for the Ordinary Shares to become so transferable. This is expected to be in mid-November 1996. The resolution will also override any provisions of the Company's Articles of Association which are inconsistent with the operation of CREST in relation to the Company's Ordinary Shares. Further information for private shareholders on CREST is given in the pamphlet from CRESTCo Limited enclosed with the Annual Report.

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GlaxoWellcome

This document is important and requires your urgent attention. If you are in any doubt as to the action you should take, you are recommended to seek advice from your own independent financial adviser, authorised pursuant to the Financial Services Act 1986. If you have sold all of your Ordinary Shares in Glaxo Wellcome plc, please hand this document and the enclosed form of proxy to the stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

11th March 1996

Dear Shareholder,

Annual General Meeting
A Notice of Meeting for this year's Annual General Meeting which will be held at 2.00 p.m. on Thursday 16th May 1996 at The London Hilton on Park Lane, 22 Park Lane, London W1 is attached. If you will not be attending, you may wish to complete and return the enclosed form of proxy which should reach the Company's registrar no later than 2.00 p.m. on 14th May 1996.

Following the acquisition of Wellcome plc the Board announced that the 1994/95 financial period, which would have ended on 30th June 1995, was to be extended to 31st December 1995. Accounts for that 18 month period are enclosed and a resolution referring to them is included in the ordinary business of the Annual General Meeting.

Purchase of Own Shares by the Company
A resolution seeking the continuation of the Company's existing authority to make market purchases of its own shares is included in the Notice of Meeting. Hitherto the Board has not used this authority. The Board is now considering making market purchases but only to match allotments of new shares issued through the Scrip Dividend Scheme and the Group's share option schemes, thereby avoiding the dilutive effect of such allotments on the Company's share capital.

Recommendation
Your Board believes that the proposed resolutions are in the best interests of the Company and recommends you to vote in favour of them, as your Directors intend to do in respect of their beneficial shareholdings.

Scrip Dividend Scheme
The Board intends to apply the Scrip Dividend Scheme to the recommended final cash dividend; further information is given on page 86 of the Annual Report and Accounts. If you have not already joined the Scheme and now wish to apply, full details and an application form may be obtained from the Company's registrar: Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone: 01903 833960. If you are joining the Scheme, your application form must be received by Lloyds Bank Registrars no later than 30th April 1996 if you wish to participate in the Scrip Dividend Scheme for the proposed final dividend payable on 20th May 1996. Existing participants in the Scheme need take no further action unless they wish to withdraw from it in which case their written notification to that effect should be received by the Company's registrar no later than 30th April 1996.

CREST
The Board considers that the Company's Ordinary Shares should be included amongst those that can be traded in the CREST electronic system for settling sales and purchases of shares in the UK. Formal notification to shareholders in this regard is set out on page 4 of this document. You will, of course, be able to continue to hold your Ordinary Shares in the form of share certificates should you wish to.

Yours sincerely,

C · R · C

Sir Colin Corness
Chairman

Glaxo Wellcome plc

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Berkeley Square
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UK

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Registered in England
No 1047315
Registered Office
Lansdowne House
Berkeley Square
London
W1X 6BQ



To Glaxo plc

Following the acquisition of Wellcome plc, the Company changed its name to Glaxo Wellcome plc on 1st May 1995, having previously changed its name from Glaxo Holdings p.l.c. to Glaxo plc on 1st January 1995.

The Company has changed its financial year end from 30th June to 31st December. This Annual Report and Accounts covers the 18 months from 1st July 1994 to 31st December 1995.

Financial Calendar

Interim Dividend	
Ex-dividend date	12th August 1996
Record date	20th August 1996
Payable	1st October 1996
£/US$ conversion date for ADR holders	1st October 1996
Payable to ADR holders	11th October 1996
Scrip dividend scheme	
Share price calculation period	12th August 1996 to 16th August 1996
Last date for receipt of scrip dividend mandates	19th September 1996
First date for dealings in the new Ordinary Shares	1st October 1996
Announcements	
Preliminary announcement of full year results	6th March 1997
Annual General Meeting	
The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE	19th May 1997
Interest payments	
Japanese Yen Convertible Bonds	4·3 per cent payable 28th September and 28th March
£ Bonds 2005	8¾ per cent payable 1st December
US$ Notes 2000	6·75 per cent payable 31st May
US$ Notes 2006	6·125 per cent payable 25th January

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Shareholder Information

Ordinary Shares
The Company's share register is administered by Lloyds Bank Registrars. Shareholders who wish their dividends to be paid directly to a bank or building society account should contact the Registrar.

Scrip Dividend Scheme
Shareholders may establish continuing mandates to receive Ordinary Shares instead of cash on the whole of their dividends. Details may be obtained from the Registrar.

Personal Equity Plans
General and single company personal equity plans for the Company's Ordinary Shares are available from Bradford & Bingley (PEPs) Limited.

Low Cost Share Dealing Facility
A low cost share dealing facility is operated by Pershing Securities on behalf of Hoare Govett Corporate Finance Limited.

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. The Company's ADR programme is administered by The Bank of New York.

Dividend Reinvestment Plan
A dividend reinvestment plan is available through The Bank of New York to all ADR holders with a registered address in the USA or Canada.

Ordinary Shares listed on the Tokyo Stock Exchange
The Company's Ordinary Shares are listed on the Tokyo Stock Exchange; further information can be obtained from The Toyo Trust and Banking Co., Limited.

Addresses for correspondence

Registered office
Glaxo Wellcome plc
Lansdowne House
Berkeley Square
London W1X 6BQ
Telephone 0171 493 4060
Fax 0171 408 0228

Investor relations (Europe)
Glaxo Wellcome plc
Glaxo Wellcome House
Berkeley Avenue
Greenford
Middlesex UB6 0NN
Telephone 0181 966 8401/8369
Fax 0181 966 8827

Investor relations (USA)
Glaxo Wellcome plc
Investor Relations Department
499 Park Avenue
New York NY 10022
Telephone 212 308 5186
Fax 212 308 5263

Registrar
Lloyds Bank Registrars
The Causeway
Worthing
West Sussex BN99 6DA
Telephone (General Enquiries) 01903 833960
(Scrip Dividend Enquiries) 01903 702045
Fax 01903 833012

Glaxo Wellcome corporate PEPs
Bradford & Bingley (PEPs) Limited
P.O. Box 1
Taunton Street
Shipley
West Yorkshire BD18 3YR
Telephone 01274 555700

Low cost share dealing facility
Pershing Securities Limited
3 Harbour Exchange Square
London E14 9GD
Telephone 0171 345 6000

ADRs/Dividend Reinvestment Plan
The Bank of New York
Investor Relations Department
PO Box 11258
Church Street Station
New York
NY 10286-1258
Telephone 1 800 524/4458 (Toll Free)
or 212 815 5800 (outside US)

Shares listed on the Tokyo Stock Exchange
The Toyo Trust & Banking Co., Limited
Corporate Agency Department
10-11 Higashisuma 7-Chome
Koto-ku
Tokyo 137-81
Telephone 813 5683 5111

Internet
Information about Glaxo Wellcome and its activities is available on the Internet on the Company's World Wide Web site at the following address:
http://www.glaxowellcome.co.uk

Summary Financial Statements in US Format

The following is a summary of the Interim Accounts, as prepared under UK GAAP, presented in accordance with US GAAP format and classification.

Consolidated income statement	6 months to 30.6.96		6 months to 30.6.95		18 months to 31.12.95	
	£m	US$m	£m	US$m	£m	US$m
Sales	**4,189**	**6,409**	3,620	5,756	10,490	16,574
Operating costs before integration	**2,563**	**3,921**	2,465	3,919	6,893	10,890
Integration	**–**	**–**	700	1,113	1,215	1,920
Trading income	**1,626**	**2,488**	455	724	2,382	3,764
Profit on disposal of business	**–**	**–**	–	–	35	55
Equity in earnings of associated undertakings	**34**	**52**	21	33	57	90
Profit before interest	**1,660**	**2,540**	476	757	2,474	3,909
Net interest expense	**109**	**167**	15	24	87	137
Income before taxes and minority interests	**1,551**	**2,373**	461	733	2,387	3,772
Taxes on income	**489**	**748**	147	234	867	1,370
Income before minority interests	**1,062**	**1,625**	314	499	1,520	2,402
Minority interests	**18**	**28**	17	27	62	98
Net income	**1,044**	**1,597**	297	472	1,458	2,304
	pence	**US$**	pence	US$	pence	US$
Net income per Ordinary Share/Earnings per ADR	**29·7**	**0·91**	9·1	0·29	44·5	1·41
Net income per Ordinary Share/Earnings per ADR before integration	**29·7**	**0·91**	24·2	0·77	74·6	2·36

Consolidated balance sheet	At 30.6.96		At 30.6.95		At 31.12.95	
	£m	US$m	£m	US$m	£m	US$m
Current assets	**5,274**	**8,174**	4,220	6,710	4,280	6,634
Fixed assets	**4,174**	**6,470**	4,361	6,934	4,261	6,605
Total assets	**9,448**	**14,644**	8,581	13,644	8,541	13,239
Current liabilities	**4,858**	**7,530**	3,653	5,808	5,466	8,472
Long term liabilities	**3,270**	**5,068**	4,354	6,923	2,854	4,424
Total liabilities	**8,128**	**12,598**	8,007	12,731	8,320	12,896
Minority interests	**145**	**225**	164	261	130	202
Shareholders' equity	**1,175**	**1,821**	410	652	91	141
Total liabilities and shareholders' equity	**9,448**	**14,644**	8,581	13,644	8,541	13,239

The exchange rates used for translation into US dollars are set out in Note 1.

Reconciliation to US Accounting Principles

The following is a summary of the material adjustments to profit and shareholders' funds which would be required if US Generally Accepted Accounting Principles (GAAP) had been applied instead of UK GAAP. A summary of the material differences between UK and US GAAP that apply to the Company are set out in the Annual Report and Accounts for the 18 months to 31st December 1995.

A summary consolidated statement of cash flows is set out below in accordance with the classification of items and the definition of cash & cash equivalents under US GAAP.

Profit	**6 months to 30.6.96**		6 months to 30.6.95		18 months to 31.12.95	
	£m	**US$m**	£m	US$m	£m	US$m
Profit attributable to shareholders under UK GAAP	**1,044**	**1,597**	297	472	1,458	2,304
US GAAP adjustments:						
Purchased research and development expenditure	**–**	**–**	(400)	(636)	(400)	(632)
Amortisation of goodwill	**(264)**	**(404)**	(131)	(208)	(398)	(629)
Amortisation of intangible assets	**(247)**	**(378)**	(124)	(197)	(371)	(586)
Integration	**–**	**–**	335	532	745	1,177
Purchased stock	**(21)**	**(32)**	(21)	(33)	(64)	(101)
Deferred taxation	**60**	**92**	(65)	(103)	58	91
Other	**11**	**17**	20	32	15	24
Net income/(loss) under US GAAP	**583**	**892**	(89)	(141)	1,043	1,648
	pence	**US$**	pence	US$	pence	US$
Income/(loss) per Ordinary Share of 25p under US GAAP	**16·6**	**0·25**	(2·7)	(0·04)	31·9	0·50

Equity shareholders' funds	**At 30.6.96**		At 30.6.95		At 31.12.95	
	£m	**US$m**	£m	US$m	£m	US$m
Equity shareholders' funds under UK GAAP	**1,175**	**1,821**	410	652	91	141
US GAAP adjustments:						
Goodwill	**4,614**	**7,152**	4,970	7,901	4,877	7,559
Intangible assets	**1,837**	**2,847**	2,331	3,706	2,084	3,230
Unrealised gains on fixed asset investments	**218**	**338**	–	–	216	335
Purchased stock	**–**	**–**	64	102	21	33
Business for disposal	**95**	**147**	–	–	618	958
Ordinary dividends	**529**	**820**	698	1,110	526	815
Deferred taxation	**(213)**	**(330)**	(387)	(615)	(273)	(423)
Other	**45**	**70**	47	75	8	12
Shareholders' equity under US GAAP	**8,300**	**12,865**	8,133	12,931	8,168	12,660

Consolidated statement of cash fl ws	**6 months to 30.6.96**		6 months to 30.6.95		18 months to 31.12.95	
	£m	**US$m**	£m	US$m	£m	US$m
Net cash provided by operating activities	**1,026**	**1,570**	909	1,445	2,806	4,433
Net cash used by investing activities	**(260)**	**(398)**	(4,110)	(6,535)	(4,606)	(7,277)
Net cash (used)/provided by financing activities	**(1,609)**	**(2,462)**	3,283	5,220	2,208	3,489
(Decrease)/increase in cash & cash equivalents	**(843)**	**(1,290)**	82	130	408	645

The exchange rates used for translation into US dollars are set out in Note 1.

		6 months to 30.6.96 £m	6 months to 30.6.95 £m	18 months to 31.12.95 £m
13 Consolidated cash flow statement				
Reconciliation of trading profit to net cash inflow from operating activities	Trading profit excluding integration costs	**1,626**	1,155	3,597
	Depreciation	**203**	189	533
	Loss on sale of tangible fixed assets	**3**	4	8
	(Increase)/decrease in stocks	**(7)**	58	8
	Increase in debtors	**(145)**	(86)	(291)
	(Decrease)/increase in creditors	**(37)**	84	163
	(Decrease)/increase in pension and other provisions	**(7)**	10	74
	Other movements	**4**	–	12
	Net cash inflow from operating activities excluding integration costs	**1,640**	1,414	4,104
	Integration costs paid	**(91)**	(53)	(269)
	Net cash inflow from operating activities	**1,549**	1,361	3,835
Financing	Balance at the beginning of the period	**5,512**	1,679	1,358
	Net cash (outflow)/inflow from financing	**(715)**	3,403	3,841
	Ordinary Shares issued in lieu of cash dividends	**10**	11	45
	Ordinary Shares issued on acquisition of Wellcome plc	**–**	2,939	2,941
	Goodwill applied against merger reserve	**–**	(2,832)	(2,834)
	Net non cash equivalents of subsidiary undertakings acquired	**–**	129	129
	Exchange adjustments	**(25)**	30	18
	Other movements	**(13)**	(14)	14
	Balance at the end of the period	**4,769**	5,345	5,512
Cash & cash equivalents	Balance at the beginning of the period	**700**	168	188
	(Decrease)/increase in cash & cash equivalents	**(465)**	(110)	507
	Exchange adjustments	**(1)**	17	5
	Balance at the end of the period	**234**	75	700
Reconciliation between the (decrease)/ increase in cash & cash equivalents and the decrease/(increase) in net debt	(Decrease)/increase in cash & cash equivalents	**(465)**	(110)	507
	Net purchase/(sale) of non cash equivalent current asset investments	**58**	(2,241)	(2,070)
	Net advance of long term loans	**(315)**	(2,859)	(1,134)
	Net repayment/(advance) of short term loans	**1,136**	(518)	(2,601)
	Net non cash equivalents of subsidiary undertakings acquired	**–**	45	54
	Exchange adjustments	**27**	(20)	4
	Other non cash movements	**13**	10	(a-)
	Increase/(decrease) in non cash equivalents	**919**	(5,583)	(5,794)
	Decrease/(increase) in net debt	**454**	(5,693)	(5,287)

Purchase of subsidiary undertakings

The net cash payment on the acquisition of an additional 19 per cent of Burroughs Wellcome (India) Limited was £12 million, comprising purchase consideration of £15 million less cash & cash equivalents acquired of £3 million.

		At 30.6.96 £m	At 30.6.95 £m	At 31.12.95 £m
11 **Net debt**	Current asset investments	**968**	991	1,041
	Cash at bank	**274**	192	233
		1,242	1,183	1,274
	Loans and overdrafts due within one year			
	Bank loans and overdrafts	**(608)**	(570)	(437)
	Commercial paper	**(1,612)**	(827)	(2,566)
	Other loans	**(1)**	(10)	(1)
		(2,221)	(1,407)	(3,004)
	Loans due after one year			
	Bank loans	**(89)**	(2,283)	(105)
	8¾ per cent Unsecured sterling Euro Bond 2005	**(496)**	(495)	(496)
	6·75 per cent Unsecured US$ Euro Note 2000	**(322)**	(313)	(321)
	6·125 per cent Unsecured US$ Euro Note 2006	**(318)**	–	–
	Other loans	**(422)**	(19)	(421)
		(1,647)	(3,110)	(1,343)
	4·3 per cent Japanese Yen Convertible Bonds	**(116)**	(146)	(123)
	Net debt	**(2,742)**	(3,480)	(3,196)
	of which cash & cash equivalents were			
	Current asset investments	**540**	372	674
	Cash at bank	**274**	192	233
	Loans and overdrafts due within one year	**(580)**	(489)	(207)
		234	75	700
12 **Provisions for liabilities and charges**	Integration costs	**736**	647	831
	Pensions and other post retirement benefits	**314**	222	315
	Deferred taxation	**–**	48	30
	Other provisions	**197**	141	141
		1,247	1,058	1,317

Integration costs of £95 million have been applied against the provision in the six months to 30th June 1996.

			6 months to 30.6.96 £m	6 months to 30.6.95 £m	18 months to 31.12.95 £m
6	**Taxation**	UK corporation tax	**215**	75	421
		Overseas taxation	**281**	170	660
		Deferred taxation	**(7)**	(98)	(251)
		Advance Corporation Tax written off	**–**	–	37
			489	147	867

Taxation includes a credit in respect of integration of £204 million in the six months to 30th June 1995 and £230 million in the 18 months to 31st December 1995.

7	**Dividends**	Interim	**529**	–	306
		Second Interim	**–**	698	698
		Final	**–**	–	526
			529	698	1,530

8	**Tangible fixed assets**	Net book value at the beginning of the period	**4,165**	3,206	3,184
		Exchange adjustments	**(28)**	49	44
		Additions	**158**	251	634
		Acquisition of subsidiary undertakings	**3**	934	936
		Depreciation	**(203)**	(189)	(533)
		Disposals	**(25)**	(14)	(100)
		Net book value at the end of the period	**4,070**	4,237	4,165

			At 30.6.96 £m	At 30.6.95 £m	At 31.12.95 £m
9	**Stocks**	Raw materials and consumables	**181**	186	169
		Work in progress	**362**	357	358
		Finished goods	**251**	214	284
			794	757	811

10	**Debtors**	Amounts due within one year			
		Trade and other debtors and prepayments	**1,977**	1,755	1,825
		Consideration receivable from sale of OTC joint ventures	**581**	–	–
		Amounts due after one year			
		Other debtors	**87**	79	126
		Deferred taxation	**217**	–	–
		Advance Corporation Tax recoverable	**226**	196	94
			3,088	2,030	2,045

The deferred taxation balance consists mainly of future tax relief on provisions for integration and for pensions and post retirement obligations.

Notes on the Interim Accounts

			6 months to 30.6.96 £/US$	6 months to 30.6.95 £/US$	18 months to 31.12.95 £/US$
1	**Exchange rates**	The Group uses the average of exchange rates prevailing during the period to translate the results of overseas Group subsidiary and associated undertakings into sterling and period end rates to translate the net assets of those undertakings. The currency which most influences these translations is the US dollar and the relevant exchange rates were:			
		Average rates	**1·53**	1·59	1·58
		Period end rates	**1·55**	1·59	1·55

			6 months to 30.6.96 £m	6 months to 30.6.95 £m	18 months to 31.12.95 £m
2	**Operating costs before integration**	Cost of sales	**754**	659	1,806
		Selling, general and administrative expenditure	**1,261**	1,275	3,581
		Research and development expenditure	**575**	545	1,540
		Other operating income	**(27)**	(14)	(34)
			2,563	2,465	6,893
3	**Profit on disposal of business**	**Six months to 30.6.96** The Group sold its interests in the Warner Wellcome OTC joint ventures in the USA and Europe on 30th June 1996 for a consideration of US$900 million, which was received on 1st July 1996. The net surplus on disposal, after providing for costs and warranties, was £510 million. The goodwill attributable to these interests, which arose on the acquisition of Wellcome plc, as adjusted for subsequent exchange rate and other movements, is similarly £510 million, which has been transferred from goodwill reserve and charged to the profit and loss account, thereby offsetting the surplus on disposal. There is no effect on the taxation charge in the profit and loss account from the disposal; a provision for such taxation was established as a fair value adjustment on the acquisition of Wellcome plc and has now been transferred in the balance sheet from deferred taxation to current taxation. **18 months to 31.12.95** The Group sold the foods division of Glaxo India Limited on 30th September 1994. The profit on disposal was £35 million; the taxation and minority interest attributable to the disposal were £7 million and £14 million respectively; the Group share of the profit was £14 million.			
4	**Share of profits of associated undertakings**	Warner Wellcome	**42**	26	74
		Glaxo Warner-Lambert	**(3)**	(6)	(17)
		Other	**(5)**	1	–
			34	21	57
5	**Net interest payable**	Interest payable	**149**	150	337
		Investment income	**40**	135	250
			109	15	87

Statement of Total Recognised Gains and Losses

	Unaudited 6 months to 30.6.96 £m	Unaudited 6 months to 30.6.95 £m	Audited 18 months to 31.12.95 £m
Profit attributable to shareholders	**1,044**	297	1,458
Exchange adjustments	**(49)**	51	76
Total recognised gains and losses for the period	**995**	348	1,534
Prior period adjustment	**–**	–	(17)
Total recognised gains and losses	**995**	348	1,517

Reconciliation of Movements in Equity Shareholders' Funds

	Unaudited 6 months to 30.6.96 £m	Unaudited 6 months to 30.6.95 £m	Audited 18 months to 31.12.95 £m
Balance at the beginning of the period as previously stated	**91**	5,470	5,043
Prior period adjustment	**–**	–	(17)
Balance at the beginning of the period restated	**91**	5,470	5,026
Total recognised gains and losses for the period	**995**	348	1,534
Dividends	**(529)**	(698)	(1,530)
Ordinary Shares issued:			
Ordinary Shares issued on acquisition of Wellcome plc	**–**	107	107
Merger reserve arising on acquisition of Wellcome plc	**–**	2,832	2,834
Ordinary Shares issued under share option schemes	**106**	26	106
Ordinary Shares issued in lieu of cash dividends	**10**	11	45
Goodwill reserve:			
Goodwill arising on acquisitions	**(8)**	(7,686)	(8,031)
Goodwill on disposal charged to the profit and loss account	**510**	–	–
Balance at the end of the period	**1,175**	410	91

Consolidated Cash Flow Statement

		Notes	Unaudited 6 months to 30.6.96 £m	Unaudited 6 months to 30.6.95 £m	Audited 18 months to 31.12.95 £m
Net cash inflow from operating activities		13	**1,549**	1,361	3,835
Net cash outflow from returns on investments and servicing of finance	Interest received		**41**	167	291
	Interest paid		**(165)**	(139)	(288)
	Costs of financing		**–**	(9)	(9)
	Gains/(losses) on investment activities		**–**	2	(1)
	Dividends received from associated undertakings		**37**	11	39
	Dividends paid to ordinary shareholders		**(516)**	(295)	(1,508)
	Dividends paid to minority shareholders		**–**	(17)	(17)
			(603)	(280)	(1,493)
Taxation paid			**(436)**	(484)	(1,070)
Net cash outflow from investing activities	Purchase of tangible fixed assets		**(171)**	(258)	(684)
	Sale of tangible fixed assets		**18**	30	61
	Purchase of subsidiary undertakings	13	**(12)**	(6,119)	(6,187)
	Investment in associated undertakings		**(23)**	(4)	(32)
	Purchase of fixed asset investments		**(17)**	(2)	(3)
	Sale of fixed asset investments		**–**	–	37
	Disposal of businesses		**–**	–	132
	Other movements		**3**	2	–
	Net cash outflow on fixed assets		**(202)**	(6,351)	(6,676)
	Purchase of non cash equivalent current asset investments		**(243)**	(452)	(5,974)
	Sale of non cash equivalent current asset investments		**185**	2,693	8,044
			(260)	(4,110)	(4,606)
Net cash inflow/(outflow) before financing			**250**	(3,513)	(3,334)
Net cash (outflow)/inflow from financing	Issue of Ordinary Share capital		**106**	26	106
	New long term loans		**327**	8,005	8,424
	Repayment of long term loans		**(12)**	(5,146)	(7,290)
	New short term loans		**4,593**	3,271	11,298
	Repayment of short term loans		**(5,729)**	(2,753)	(8,697)
			(715)	3,403	3,841
(Decrease)/increase in cash & cash equivalents		13	**(465)**	(110)	507
Decrease/(increase) in net debt		13	**454**	(5,693)	(5,287)

The reconciliation between the (decrease)/increase in cash & cash equivalents and the decrease/(increase) in net debt is set out in Note 13.

Consolidated Balance Sheet

		Notes	Unaudited At 30.6.96 £m	Unaudited At 30.6.95 £m	Audited At 31.12.95 £m
Fixed assets	Tangible assets	8	**4,070**	4,237	4,165
	Investments		**104**	124	96
			4,174	4,361	4,261
Current assets	Stocks	9	**794**	757	811
	Debtors	10	**3,088**	2,030	2,045
	Asset for disposal		**150**	250	150
	Investments	11	**968**	991	1,041
	Cash at bank	11	**274**	192	233
			5,274	4,220	4,280
Creditors: amounts due within one year	Loans and overdrafts	11	**2,221**	1,407	3,004
	Other creditors		**2,637**	2,246	2,462
			4,858	3,653	5,466
Net current assets/(liabilities)			**416**	567	(1,186)
Total assets less current liabilities			**4,590**	4,928	3,075
Creditors: amounts due after one year	Loans	11	**1,647**	3,110	1,343
	Convertible bonds	11	**116**	146	123
	Other creditors		**260**	40	71
			2,023	3,296	1,537
Provisions for liabilities and charges		12	**1,247**	1,058	1,317
Net assets			**1,320**	574	221
Capital and reserves	Called up share capital		**881**	873	876
	Share premium account		**484**	298	373
	Goodwill reserve		**(4,695)**	(4,854)	(5,197)
	Other reserves		**4,505**	4,093	4,039
Equity shareholders' funds			**1,175**	410	91
Equity minority interests			**145**	164	130
Capital employed			**1,320**	574	221

Consolidated Profit and Loss Account

	Notes	**Unaudited 6 months to 30.6.96 £m**	Unaudited 6 months to 30.6.95 £m	Audited 18 months to 31.12.95 £m
Turnover		**4,189**	3,620	10,490
Operating costs before integration	2	**2,563**	2,465	6,893
Integration		**–**	700	1,215
Trading profit		**1,626**	455	2,382
Profit on disposal of business	3	**–**	–	35
Share of profits of associated undertakings	4	**34**	21	57
Profit before interest		**1,660**	476	2,474
Net interest payable	5	**109**	15	87
Profit on ordinary activities before taxation		**1,551**	461	2,387
Taxation	6	**489**	147	867
Profit on ordinary activities after taxation		**1,062**	314	1,520
Minority interests		**18**	17	62
Profit attributable to shareholders		**1,044**	297	1,458
Dividends	7	**529**	698	1,530
Retained profit/(loss)		**515**	(401)	(72)
Earnings per Ordinary Share		**29·7p**	9·1p	44.5p
Adjustments in respect of integration		**–**	15·1p	30·1p
Earnings per Ordinary Share before integration		**29·7p**	24·2p	74·6p
Weighted average number of shares in issue (millions)		**3,513**	3,273	3,274

Interim Accounts for the six months to 30th June 1996

Directors' Statement of Responsibility in relation to the Interim Accounts

The Directors are responsible for ensuring the maintenance of proper accounting records, which disclose with reasonable accuracy the financial position of the Group at any time and from which accounts can be prepared. They are also responsible for ensuring the operation of systems of internal control for safeguarding the assets of the Group and for preventing and detecting fraud and other irregularities.

The Directors confirm that, in preparing the Interim Accounts for the six months to 30th June 1996, suitable accounting policies have been consistently applied in the preparation of the Accounts supported by reasonable and prudent judgements and estimates as necessary; applicable accounting standards have been followed, and the Accounts have been prepared on the going concern basis.

The Interim Accounts have been reviewed, though not audited, by the Auditors.

Sir Colin Corness
Chairman

Approved by the Board
30th July 1996

Review Report by the Auditors to Glaxo Wellcome plc

We have reviewed the Interim Accounts for the six months to 30th June 1996 set out on pages 10 to 17 which are the responsibility of, and have been approved by, the Directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin "Review of Interim Financial Information", issued by the Auditing Practices Board. This review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of Group management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with Auditing Standards. Accordingly, we do not express an audit opinion on the Interim Accounts.

On the basis of our review:

- in our opinion the Interim Accounts have been prepared using accounting policies consistent with those adopted by Glaxo Wellcome plc in its Accounts for the 18 months ended 31st December 1995; and

- we are not aware of any material modifications that should be made to the Interim Accounts as presented.

Coopers & Lybrand
Chartered Accountants

London
30th July 1996

Basis of Interim Accounts

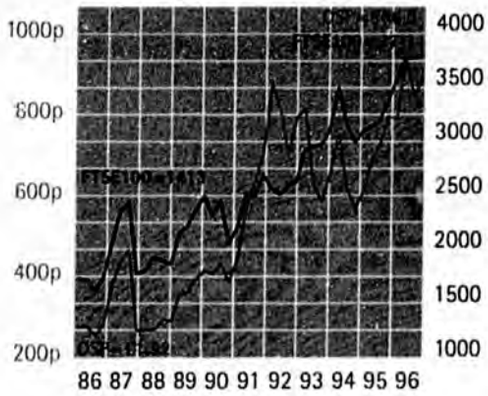
The Interim Accounts have been prepared in accordance with the Company's accounting policies as set out in the Annual Report and Accounts for the 18 months to 31st December 1995.

The charge for taxation on the profits for the six months to 30th June 1996 has been calculated by reference to the estimated effective tax rate for the full year to 31st December 1996.

The Profit and Loss Account and Cash Flow Statement for the 18 months ended, and the Balance Sheet at, 31st December 1995 are an abridged statement of the full Group Accounts for that period which have been delivered to the Registrar of Companies. The report of the Auditors on the Accounts for the 18 months to 31st December 1995 was unqualified and did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985.

	H1 1996 £m	H1 1995 £m
Profit after taxation	**1,062**	810
Minority interests	**18**	17
Profit attributable	**1,044**	793
Earnings per share	**29·7p**	24·2p

Glaxo Wellcome plc
share price movements



Earnings

After tax and minority interests, the profit attributable to shareholders is £1,044 million. This represents earnings per share of 29·7p in H1 1996, an increase of 23 per cent over the comparable earnings of 24·2p in H1 1995.

Dividends

The Board has declared an interim dividend of 15p per share, which will be paid to Ordinary Shareholders on 1st October 1996. The dividend payment to ADR holders in the USA will be made on 11th October 1996.

Due to the change of year end, the balance between the interim and final dividends for 1996, and for several years thereafter, will vary from the Company's previous practice of approximately 1/3 at the interim and 2/3 at the final. Taking the interim and final dividends together, it continues to be the Board's intention that the aggregate dividend for the year will increase broadly in line with earnings growth, having regard to current liquidity and future trading prospects. Over time, by maintaining the interim dividend at around 15p, the Board expects to revert to the previous pattern of dividends.

Dividends paid by the Company give rise to a liability to UK Advance Corporation Tax. ACT payments can be offset against the Company's liability to UK corporation tax within certain limits. Due to the proportion of Group profits earned overseas, the Company faces the prospect of insufficient UK profits to fully offset its ACT payments. This would cause a write off of surplus ACT to the profit and loss account.

The Company intends that, starting with the final dividend for 1996, which will be payable in May 1997, part of each interim and final dividend will be paid as a Foreign Income Dividend. The Company is able to reclaim the ACT it pays on the FID part of the dividend, which reduces the likelihood of surplus ACT and a consequential charge to the profit and loss account.

The Company expects that growth in earnings per share will permit an increased rate of dividend and that shareholders who normally claim repayment of their ACT credit, but who will have no ACT to reclaim on the FID element of their dividend, will still receive an overall increase in total income.

The FID element of future dividends is expected to be approximately 25 per cent.

Balance sheet

Group net assets have increased from £221 million at 31st December 1995 to £1,320 million at 30th June 1996. The main changes are the reduction in net debt and the completion of the disposal of the US and European Warner Wellcome OTC interests. The consideration receivable for the disposal is included in debtors at 30th June 1996, prior to receipt of the cash on 1st July 1996.

Capital expenditure during the period (on an accounting basis) amounted to £158 million, reflecting the lower levels of capital investment required whilst the Group rationalises facilities as a result of the Glaxo and Wellcome integration. Depreciation in the period was higher than capital expenditure, so the aggregate book value of fixed assets reduced. Capital expenditure for the year is expected to be approximately £400 million.

During the period integration costs of £95 million were incurred, and were charged against the integration provision established in 1995.

Shareholders' funds at 31st December 1995 stood at £91 million, after taking account of the goodwill reserve which arose primarily from the Wellcome acquisition. Shareholders' funds have increased to £1,175 million at 30th June 1996 due to retained profits and a reduction in the goodwill reserve.

The goodwill reserve was shown separately in the Group balance sheet at 31st December 1995 to identify it as the reason for the significant fall in shareholders' funds. Subject to unforeseen circumstances, it is the Company's intention to subsume the goodwill reserve within other reserves over time in accordance with the Company's practice of fully writing off goodwill against reserves.

Share price

The Company's share price on the London Stock Exchange stood at £8.67 on 30th June 1996. Based on this price the Company's stock market capitalisation was £30·5 billion.

	H1 1996 £m	H1 1995 £m
Sales	**4,189**	3,620
Cost of sales	**754**	659
Selling and administration	**1,261**	1,275
Research and development	**575**	545
Other operating income	**(27)**	(14)
Total expenses	**2,563**	2,465
Trading profit	**1,626**	1,155
Trading margin	**38·8%**	31·9%

	H1 1996 £m	H1 1995 £m
Trading profit	**1,626**	1,155
Associates	**34**	21
Business disposals	**–**	–
Profit before interest	**1,660**	1,176
Interest	**109**	15
Profit before taxation	**1,551**	1,161
Taxation	**489**	351
Profit after taxation	**1,062**	810

Trading profit

As indicated in the table above, sales in H1 1996 were £4,189 million and total expenses were £2,563 million. This produced a trading profit of £1,626 million, which represents a trading margin of 38·8 per cent.

In February 1996 the Group increased its holding in Burroughs Wellcome (India) Limited from 32 per cent to 51 per cent. From that point BWI has been consolidated as a subsidiary, which has added £12 million to turnover and £1 million to trading profit. BWI is now being integrated with Glaxo India, and the two will be managed on a unified basis.

The improvement in trading margin in H1 1996 is due to synergies and cost savings from the integration of the Glaxo and Wellcome businesses. This is more evident when comparing H1 1996 against H1 1995 on a pro forma basis (ie Glaxo and Wellcome combined from 1st January 1995). On this basis sales increased by 5 per cent CER, whereas expenses decreased by 7 per cent CER, producing an increase in trading profit of 32 per cent CER. This reflects the initial implementation of the economies of scale identified by the integration process, rationalising the separate businesses to a unified core cost base.

From this phase of restructuring the business has now moved forward, with an emphasis on re-skilling for the future and on investment to support new product launches. In the USA, for example, four major new products are expected to be launched in H2 1996, each requiring an investment of marketing resources. The Group has a growing list of high potential products: resources need to be deployed to maximise their potential. This is likely to give rise to additional selling and administration expenditure in H2 1996. The trading margin for the full year is therefore expected to be lower than H1 1996, but still to show an improvement on the 33·8 per cent for the full year 1995.

Investment in research and development is fundamental to a business which depends on the discovery and development of innovative medicines. External partnerships are an essential element of this investment, to obtain access to new technologies and external sources of knowledge. In H1 1996 Glaxo Wellcome announced several important new partnerships. The Company has extended its collaboration with Gilead Sciences Inc to develop genetic code blocker technology. Glaxo Wellcome and SmithKline Beecham are to collaborate on the complete genomic sequencing of a number of disease causing micro organisms; drug-resistant strains of microbes are increasing and unravelling the genetic sequence of the microbial agents that cause disease offers one of the best opportunities for developing new therapies. Glaxo Wellcome and Vertex are continuing the development of the protease inhibitor 141W94 as a new component in the treatment for HIV/AIDS, building on the efficacy of *Epivir* and *Retrovir* as the foundation of combination therapy. Total research and development expenditure for the year is forecast at approximately £1·2 billion.

The Company remains committed to enforcing its rights to the intellectual property created from its substantial research and development investment. The Company has been facing particular challenges to its *Zantac* patents.

On 5th July 1996 a US District Court found in favour of Novopharm Inc in the *Zantac* (ranitidine hydrochloride) patent infringement litigation brought by Glaxo Wellcome regarding Novopharm's attempt to market a generic form of the product. The Company has lodged an appeal against this decision and has sought an expedited hearing. The litigation and appeal do not affect the July 1997 expiry date of Glaxo Wellcome's basic ranitidine hydrochloride patent: neither Novopharm nor any other company may bring a generic ranitidine hydrochloride product to the US market before that date.

Associates and business disposals

The Group share of profits from its OTC joint ventures (JVs) with Warner-Lambert Company (WL) was £39 million, comprising profits of £42 million from the Wellcome-WL JV and losses of £3 million from the Glaxo-WL JV. Both JVs had been established prior to Glaxo's acquisition of Wellcome: in the case of the Wellcome JV, to take responsibility for the marketing of Wellcome's existing OTC products (the "base business") and to develop *Zovirax* in the OTC market; in the case of the Glaxo JV, to maximise the potential of Glaxo's prescription medicines in the OTC market (the "switch business").

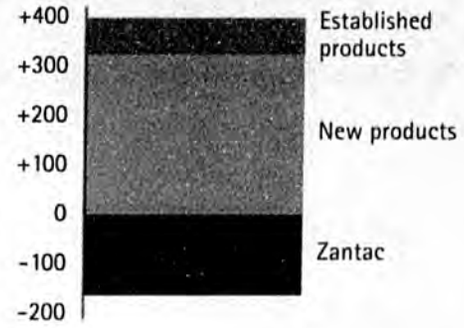
In December 1995 the Group announced that it had reached agreement with WL to restructure the Glaxo-WL JV to include *Zovirax* and to dispose of the base business for a consideration of US$1,050 million. This agreement re-aligns Glaxo Wellcome's OTC interests with its core business objectives: there is potential for the Group's switch products in the OTC market, but the base business is outside the core product range of the Group. The agreements for the restructuring of the Glaxo-WL JV and for the sale of the base business in the USA and Europe were completed on 30th June 1996. The consideration for the US and European base business was US$900 million (£581 million) which was received on 1st July 1996. The sale of the base business in other markets will be completed in H2 1996, when the balance of the consideration of US$150 million (£97 million) will be received.

After costs of disposal, and after making provision for warranties under the agreements, the sale of the US and European base business produces a surplus on disposal of £510 million. In accordance with accounting standards, the goodwill attributable to these interests, which arose on the acquisition of Wellcome plc, is charged to the profit and loss account. The attributable goodwill is equal to the

Sales by product group

	£m	% CER growth
Zantac	**1,009**	(16)
New products	**922**	51
Established products	**2,258**	4
	4,189	5
Total excluding Zantac	**3,180**	14

Growth by product group (£m)



In the oncology sector, *Zofran* is the market leader in the treatment and prevention of emesis from cancer therapy, but this competitive market is now well penetrated and sales declined. The Group has recently launched two new cancer treatments, *Navelbine* and *Panorex*.

In the dermatalogicals sector the Group has well-established products and sales were buoyant with 9 per cent growth. In anaesthesia where the Group has a broad portfolio of neuromuscular blockers, *Ultiva*, a novel analgesic anaesthetic was recently launched in its first market, Germany, and was approved in the USA.

Sales by market

In the USA, the Group's single largest market, sales increased by 5 per cent in volume terms with no overall effect on net selling price. Sales of *Imitrex* increased by more than £100 million, following the launch of the tablet form in September 1995 and a successful direct-to-consumer promotional campaign. A successful launch of *Epivir* for HIV/AIDS and good growth from *Serevent* and *Flonase* in the respiratory area led a strong performance from new products.

In Europe, overall volume growth of 4 per cent was offset by a 2 per cent adverse net price effect. Growth of *Imigran* and the new respiratory products more than compensated for a decline in *Zantac* sales of 11 per cent (5 per cent volume and 6 per cent price). Italy returned to positive sales growth after several years of decline while sales in Germany were affected by generic competition to both *Zantac* and *Zovirax*.

In the Rest of the World, sales growth of 10 per cent was volume led. In Japan sales growth was affected by the biennial price reductions effective from 1st April 1996. In Asia Pacific, sales grew 23 per cent with India growing well and contributing an additional £12 million of sales following the acquisition of majority ownership of Burroughs Wellcome (India) Limited. In Latin America, sales in Brazil increased by 50 per cent. In Africa/Middle East, the strongest growth was in Egypt.

6 months to 30.6.96

Therapeutic area / Major products	£m	% of total	% CER growth
Gastro-intestinal	**1,010**	**24**	**(16)**
Zantac	1,009		(16)
Respiratory	**917**	**22**	**14**
Ventolin	261		(3)
Serevent	181		40
Becotide	201		1
Flixotide	70		91
Beconase	83		(12)
Flixonase	95		63
Viral infections	**636**	**15**	**23**
Zovirax	418		4
Retrovir	128		28
Valtrex	14		+100
Epivir	61		+100
Bacterial infections	**503**	**12**	**–**
Zinnat	224		4
Fortum	148		(7)
Zinacef	65		(2)
CNS disorders	**342**	**8**	**59**
Imigran	263		78
Lamictal	45		46
Oncology	**209**	**5**	**(6)**
Zofran	180		(7)
Dermatologicals	**114**	**3**	**9**
Cardiovascular	**109**	**3**	**18**
Anaesthesia	**54**	**1**	**(5)**
Others	**295**	**7**	**8**
Zyloric	53		6
Imuran	48		(4)
	4,189	**100**	**5**

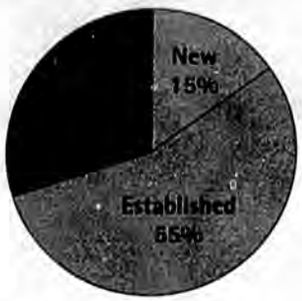
Region / Major markets	£m	% of total	% CER growth
USA	**1,764**	**42**	**5**
Europe	**1,436**	**34**	**2**
UK	320	8	6
France	221	5	(7)
Germany	160	4	(15)
Italy	188	4	4
Eastern Europe	46	1	18
Rest of the World	**989**	**24**	**10**
Japan	310	7	3
Asia Pacific	227	5	23
Latin America	164	4	23
Africa/Middle East	104	3	11
	4,189	**100**	**5**

Sales in H1 1996 are compared to the "pro forma" sales of Glaxo and Wellcome combined in H1 1995 (as if Glaxo Wellcome had existed as a combined entity from 1st January 1995) at constant exchange rates.

Operating and Financial Review



Sales
6 months to 30.6.96



Sales
6 months to 30.6.95

The Financial Highlights of the six months to 30th June 1996, and the Key Events this year, are given on pages 1 and 2 respectively. The full Interim Accounts are on pages 9 to 19.

The six months to 30th June are referred to hereafter as H1 and the six months to 31st December as H2.

Comparison of H1 1996 against H1 1995 is affected by the significant events of 1995: the Company acquired Wellcome plc on 16th March 1995 and consolidated its results from that date; the costs of integrating the businesses of Glaxo and Wellcome were charged in the accounts in 1995, a first instalment at 30th June 1995 and the balance at 31st December 1995; and the Company changed its year-end from June to December, creating a financial period of 18 months from July 1994 to December 1995.

In the Interim Accounts comparative figures are given for H1 1995 and for the 18 months to 31st December 1995, in both cases stated after integration costs, with Wellcome consolidated from 16th March 1995.

In the Financial Highlights, and in the tables on pages 6 to 8, the results for H1 1995 are stated before integration costs, which are non-recurring, with Wellcome consolidated from 16th March 1995. This provides the most useful "statutory" basis for comparing the Company's performance in H1 1996, as measured in particular by growth in earnings per share.

Trading performance is more realistically illustrated on a fully like-for-like "pro forma" basis, with Glaxo and Wellcome combined for H1 1995 (as if Glaxo Wellcome had existed as a combined entity from 1st January 1995). Sales, on pages 4 and 5, and trading profit, on page 6, are discussed on this basis.

Constant exchange rate growth (CER) represents growth excluding currency movements, calculated as if the exchange rates used to translate the results of overseas companies into sterling in H1 1996 had remained unchanged from those used in H1 1995.

Sales in summary

Sales in H1 1996 were £4,189 million, an increase of 5 per cent CER. The increase comprises 6 per cent volume growth, with an aggregate 1 per cent reduction in net selling price.

As indicated in the tables on the page opposite, the sales growth came primarily from the Group's new products – the products launched in the 1990s. The increased sales of new products were twice the decline in sales of *Zantac*, which fell by 16 per cent. The charts above indicate the changing profile of the Group's sales. New products are now 22 per cent of total sales, and almost equal sales of *Zantac*. This is confirmation that the revenues earned for the Group over many years by the pre-eminence of *Zantac* are being replaced, not by a single successor product, but by a range of important medicines in several key therapy areas.

Sales growth of 5 per cent CER in H1 1996 differs from the 9 per cent CER growth for the first four months announced at the Annual General Meeting in May 1996, largely due to the sales pattern in H1 1995, when sales were low in the first quarter followed by improved performance in the second quarter. Sales growth for the full year is expected to be around the same level as H1 1996.

Sales by product

Zantac remains the world's leading product in the gastro-intestinal market. Sales declined principally in the established markets of the USA and Europe. However, in Japan, the second largest market for the Group in this therapeutic area, volume growth was 10 per cent, offset by 4 per cent net price reduction. Volume led growth was also achieved in Asia Pacific and Australia. The Groups's new gastro-intestinal product, *Pylorid* (ranitidine bismuth citrate), used in combination with antibiotics for the eradication of helicobacter pylori, has been launched in a number of European markets and approval is expected shortly in the USA, where it will be called *Tritec*.

Zantac 75, for "over the counter" sale, which is marketed by the Group's OTC joint venture with Warner-Lambert Company, had a highly successful launch in the United States, with sales in three months of £58 million. These sales are not included in Group turnover.

The respiratory sector – comprising a range of products for asthma and rhinitis – now accounts for 22 per cent of total sales. The new products, *Serevent*, *Flixotide* and *Flixonase/Flonase* were the main contributors to growth of 14 per cent. New delivery devices, such as the innovative powder inhaler Diskus, are boosting sales performance in North Europe. *Flixotide*, which grew 91 per cent, is now being launched in the United States under the name *Flovent*.

In the viral infections sector *Epivir/3TC*, for HIV/AIDS, was approved and launched at the end of 1995 in the USA and Canada achieving sales of £61 million in the six months. The launch of *Epivir*, used in combination with *Retrovir*, has reversed the fortunes of *Retrovir*, sales of which rose by 28 per cent. *Epivir* and *Retrovir* are now confirmed as the cornerstone of HIV/AIDS therapy. On independent advice a recent international clinical study on survival and disease progression was terminated following outstanding results among patients being treated with *Epivir*. Approval of *Epivir* is imminent in Europe.

Bacterial infections remains a stable sector for the Group. *Zinnat*, an oral antibiotic for common infections, became the largest selling product in the oral cephalosporin market. Sales of *Zinacef*, now off patent, were affected by generic competition but there was promising growth in emerging markets such as China.

In diseases of the central nervous system the highlight was the Group's migraine treatment *Imigran/Imitrex*. The launch of the tablet formulation in the USA last autumn has been the main factor behind *Imigran* becoming the third largest product in the Group's portfolio. In certain markets, such as the USA, UK, Sweden and Spain, lower dose versions are enabling *Imigran* to become more widely used by patients with less severe migraine. The first marketing approval for the nasal spray version of *Imigran* has been granted in the Netherlands.

Chairman's Statement



The financial results for the first half of 1996 demonstrate that our expectations of the benefits that would flow from the integration of the Glaxo and Wellcome businesses are being realised.

Earnings per share for the half year of 29·7p represent growth of 23 per cent compared with earnings of 24·2p (before integration costs) in the first six months of 1995. As more fully explained later in this Report, the outturn for the year may not quite maintain this high level of growth but will still represent a good advance over last year.

The Board has declared an interim dividend of 15p per share, which will be paid to Ordinary Shareholders on 1st October 1996. The dividend payment to ADR holders in the USA will be made on 11th October 1996.

The annualised dividend for 1995 was 30p and it is your Board's intention that the total dividend for this financial year will show an increase over that figure broadly in line with earnings growth, taking account of the Group's funding situation and prospects for the future. The Board expects to pay part of this year's final dividend, payable in May 1997, as a Foreign Income Dividend. This mechanism allows companies like Glaxo Wellcome, which earn the majority of their income outside the United Kingdom, to reduce the amount of Advance Corporation Tax payable on dividends.

The Board has appointed Sir Roger Hurn, Chairman of Smiths Industries Plc, as a non-executive Director with effect from 1st September 1996.

C · R · C

Sir Colin Corness
Chairman

Chief Executive's Statement



Since our last report to shareholders, the integration of Glaxo and Wellcome has been virtually completed. Throughout the world, in something like 70 countries, the new company is a reality. The results for the first half of the year illustrate the benefits – trading profit growth of one third, fuelled by sales growth of 5 per cent achieved despite a 16 per cent decline in the sales of *Zantac*, and the delivery of efficiencies across the business.

Sales excluding *Zantac* grew 14 per cent with new products growing by 51 per cent. Anticipated product synergies are already evident in several therapeutic areas, most notably the treatment of HIV/AIDS. *Epivir*/*3TC* and *Retrovir* are now clearly established as the cornerstone of therapy, and our sales in this area have nearly doubled in the six months.

In the CNS area, sales of *Imigran*, our migraine treatment, are benefiting strongly from the introduction of the tablet formulation in the US and the lower dose tablet in Europe. In the six months *Imigran* sales grew by 78 per cent. We are proud that *Imigran* has been granted a 1996 Queen's Award for Technological Achievement, a great tribute to our R&D staff. In the area of respiratory medicine, sales grew by 14 per cent with a strong performance from our new products *Flixotide*, *Flixonase* and *Serevent*.

These results clearly show that the immediate expected savings from integration have been realised. Further savings will be achieved, but our focus is now on competing in the changing healthcare environment of the late 1990s. In the US market we are planning for four significant product launches in the second half of the year. To realise the potential of these new products requires investment in additional marketing resources which will inevitably have some influence on the second half results. Nevertheless we still expect to deliver a strong performance for the year as a whole.

Glaxo Wellcome is in good shape. We have come through the integration process well equipped to deal with the changing market, and the results show that we have improved efficiency and productivity while at the same time showing sales growth. We have a strong leadership position in several important disease areas and, looking ahead, an outstanding pipeline. Based on regulatory filings recently made or about to be made, between 1997 and 2000 we expect to launch over 20 new products. This intensive development, filing and launch programme will, we believe, have the effect of enhancing our product range and creating a broad and balanced portfolio to take Glaxo Wellcome into the next century.

I would like to thank our staff in all the various functions around the world for the effort they have continued to devote to the task of building Glaxo Wellcome. Their energy and commitment, which are evident throughout the organisation, provide strong foundations for our future success.

Richard B Sykes

Sir Richard Sykes
Deputy Chairman and Chief Executive

Key Events

1996

January	Joint venture formed by Glaxo Wellcome Inc to provide healthcare information to US healthcare providers and suppliers.
	Lamictal, for epilepsy, wins UK Prix Galien.
March	The asthma treatment fluticasone receives clearance from the Food and Drug Administration in the USA where it will be marketed under the name *Flovent*.
April	*Imigran*, for migraine and cluster headache, wins the Queen's Award for Technological Achievement.
	Launch of *Zantac 75* as an "over the counter" medicine in the USA.
	European Union's Committee for Proprietary Medicinal Products recommends European approval of *Epivir* for the treatment of HIV. Australian approval also obtained.
May	First marketing approval - in Germany - for *Ultiva*, a new analgesic anaesthetic agent. Approval in the USA followed in July.
June	A new antibiotic, grepafloxacin, to be licensed in from Otsuka Pharmaceutical Co Ltd of Japan.
	Glaxo Wellcome to collaborate with SmithKline Beecham on genome sequencing of pathogenic micro organisms.
	Completion of the agreements for the restructuring of the Glaxo Warner-Lambert OTC joint venture and the disposal of the interests in Warner Wellcome joint ventures in Europe and the USA.
July	Glaxo Wellcome and Vertex announce continuation of collaboration to develop the protease inhibitor 141W94 as a new component in the treatment of HIV and AIDS.
	Data released from studies demonstrate the pivotal role of *Epivir* and *Retrovir* in triple combination HIV therapy. Subsequently, an international clinical study in HIV/AIDS is discontinued eight months early on independent advice following outstanding results among patients being treated with *Epivir*.

Financial Highlights

The comparisons below are between the six months to 30th June 1996 and the six months to 30th June 1995.

		Unaudited 6 months to 30.6.96 £m	Unaudited 6 months to 30.6.95 £m	Unaudited 12 months to 31.12.95 £m
Sales growth (pro forma) of 5% CER.	Sales	**4,189**	3,620	7,638
Trading profit growth (pro forma) of 32% CER.	Trading profit before integration costs	**1,626**	1,155	2,581
	representing trading margin of	**38·8%**	31·9%	33·8%
Interest payable reflects six months of debt (three months last year).	Net interest payable	**109**	15	136
	Profit before taxation	**1,551**	1,161	2,505
	Tax rate	**31·5%**	30·2%	30·7%
	Profit for the period/Net income	**1,044**	793	1,702
Earnings up 23%.	Earnings per Ordinary Share	**29·7p**	24·2p	50·3p
	Dividends per Ordinary Share	**15·0p**	15·0p	30·0p

		At 30.6.96 £m	At 30.6.95 £m	At 31.12.95 £m
Net debt reduced by £454 million since 31st December 1995.	Operating assets	**4,062**	4,054	3,417
	Net debt	**(2,742)**	(3,480)	(3,196)
	Net assets	**1,320**	574	221
	Shareholders' funds	**1,175**	410	91

Wellcome plc is consolidated in the results from 16th March 1995.

The results for the six months to 30th June 1995 and the 12 months to 31st December 1995, which form part of the 18 month financial period to 31st December 1995, are stated before integration costs to provide the most appropriate comparative data for the 1996 financial year; the dividends shown for these periods are stated pro rata to the total dividend of 45p for the 18 month period to 31st December 1995.

CER = Constant exchange rate growth.

Glaxo Wellcome plc
Interim Report and Accounts for the six months to 30th June 1996

(Filed under Form 6-K with the Securities and Exchange Commission, USA)

Contents

Board of Directors
Group Executive Committee
1 Financial Highlights
2 Key Events
3 Chairman's Statement
Chief Executive's Statement
4 Operating and Financial Review
9 Interim Accounts
20 Shareholder Information
Financial Calendar

Board of Directors

N Sir Colin Corness
Chairman

E Sir Richard Sykes
Deputy Chairman and
Chief Executive

N Anne Armstrong

N Derek Bonham

E James Cochrane

E John Coombe

N Donald Derx

N Lord Howe of Aberavon

E Robert Ingram

N Lord Kingsdown

E Sean Lance

N John McArthur

E Dr James Niedel

N Professor Sir Richard Southwood

E Jeremy Strachan

E Executive Director
N Non-Executive Director

Group Executive Committee

Sir Richard Sykes
Deputy Chairman and Chief Executive

Chris Adam
Japan

Dr Joe Blaker
Technical Operations

James Cochrane
Commercial Development

John Coombe
Finance and Information Technology

Robert Ingram
The Americas

Sean Lance
Europe, Africa, Middle East, Asia Pacific,
Technical Operations

Jacques Lapointe
UK Commercial Operations, and Australia,
South Africa, New Zealand

George Morrow
US Commercial Operations

Dr James Niedel
Research and Development

Jeremy Strachan
Legal and Corporate Affairs

Ken Windle
Asia Pacific

GlaxoWellcome