

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

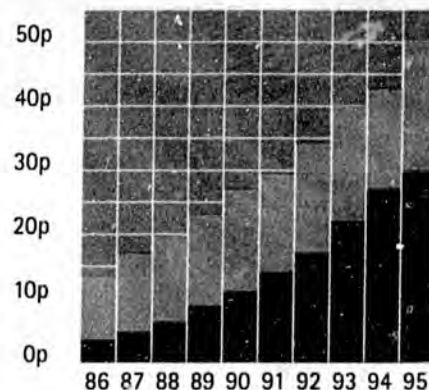
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Financial Record

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

 Earnings per Ordinary Share
 Dividends per Ordinary Share



	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.

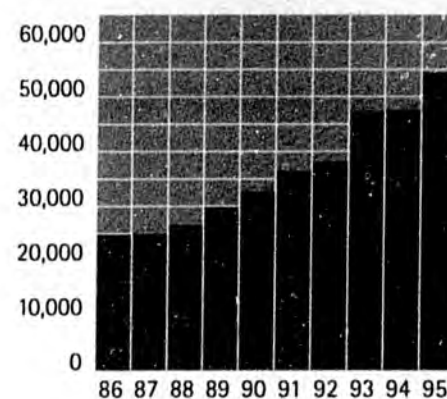
The dividend shown for the 12 months to 31st December 1995 is two thirds of the total dividend for the 18 months to 31st December 1995.

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



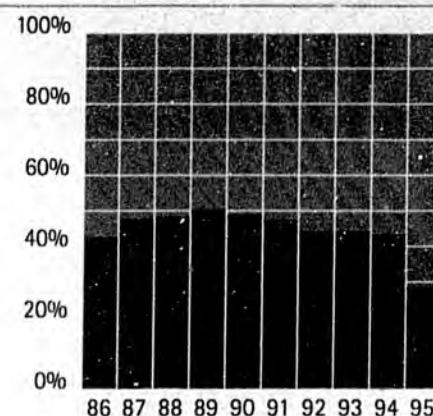
	Glaxo Wellcome		Glaxo									
	31.12.95	31.3.95	31.3.95	1994	1993	1992	1991	1990	1989	1988	1987	1986
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Net assets												
Fixed assets	4,261			3,239	3,020	2,373	2,109	1,628	1,187	882	701	582
Other assets and liabilities	(844)			(181)	(51)	20	55	54	6	13	38	43
Net 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.

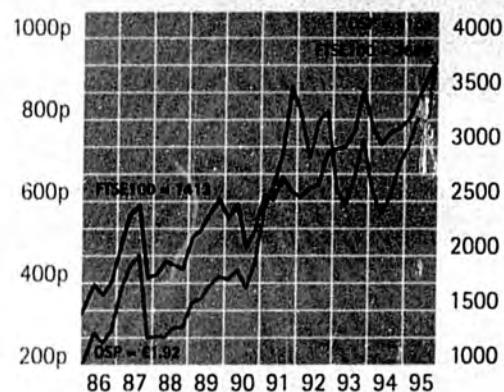
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- the figures for 1990 have been restated to consolidate Nippon Glaxo Limited, Glaxo-Sankyo Co., Limited and Cascan GmbH & Co. KG as subsidiary undertakings;
- the figures for 1990 have been adjusted for the change in accounting policy which occurred 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



	Number of accounts	% of total accounts	Ordinary Shares	% of total Ordinary Shares
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Analysis of shareholdings at 31st December 1995

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	254,463,579	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 <i>Helicobacter pylori</i>
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
Viral infections	Flixotide	fluticasone propionate	inhaled corticosteroid	asthma, bronchial conditions
	Beconase	beclomethasone dipropionate	corticosteroidal nasal spray	hay fever, perennial rhinitis
	Zovirax	aciclovir	DNA polymerase inhibitor	herpes infections, shingles, chicken pox, cold sores
	Valtrex/Zelitrex	valaciclovir	DNA polymerase inhibitor	shingles, genital herpes infections
Bacterial 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
	Zinnat/Ceftin	cefuroxime axetil	oral antibiotic	common infections
CNS disorders	Fortum/Fortaz	ceftazidime	injectable antibiotic	severe, life threatening infections
	Zinacef	cefuroxime	injectable antibiotic	surgical infections
	Imigran/Imitrex	sumatriptan	serotonin agonist	migraine, cluster headache
Oncology	Lamictal	lamotrigine	sodium channel modulator	epilepsy
	Wellbutrin	bupropion	aminoketone	depression
	Zofran	ondansetron	anti-emetic	nausea, vomiting from chemotherapy, radiotherapy and post operative nausea and vomiting
Dermatologicals	Navelbine	vinorelbine	vinca alkaloid	non-small cell lung cancer, breast cancer
	Panorex	Mab17-1A	monoclonal antibody	colorectal cancer as adjuvant therapy
	Betnovate	betamethasone valerate	topical corticosteroid	eczema
Cardiovascular	Cutivate	fluticasone propionate	topical corticosteroid	eczema, psoriasis
	Dermovate/Temovate	clobetasol propionate	topical corticosteroid	inflammatory skin diseases
	Lanoxin	digoxin	cardiac rhythm controller	congestive heart failure, cardiac arrhythmia
Anaesthesia	Lacipil	lacidipine	calcium channel blocker	hypertension
	Trandate	labetalol	alpha/beta blocker	hypertension
	Mivacron	mivacurium chloride	neuromuscular blocker	adjunct to anaesthesia
Others	Nimbex	cisatracurium besylate	neuromuscular blocker	adjunct to anaesthesia/intensive care
	Tracrium	atracurium besylate	neuromuscular blocker	adjunct to anaesthesia/intensive care
	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	
	Turkey	Geneva	The Glaxo Institute for Molecular Biology S.A.	R	
		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
				P M	89
	Egypt	Cairo	Glaxo Wellcome Egypt S.A.E.	P M	
	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 cents	Second Interim cents	Final cents	Total 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.

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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)
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Shares listed on the Tokyo Stock Exchange
The Toyo Trust Et 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 Record date Payable £/US\$ conversion date for ADR holders Payable to ADR holders	18th March 1996 26th March 1996 20th May 1996 20th May 1996 30th May 1996
Scrip dividend scheme	Share price calculation period Last date for receipt of scrip dividend mandates First date for dealings in the new Ordinary Shares	18th March 1996 to 22nd March 1996 30th April 1996 20th May 1996
Interest payments	Japanese Yen Convertible Bonds £ Bonds due 2005 US\$ Notes due 2000 US\$ Notes due 2006	4.3 per cent payable 28th March 1996 and 28th September 1996 8.75 per cent payable 1st December 1996 6.75 per cent payable 31st May 1996 6.125 per cent payable 25th January 1997

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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
by bringing innovative medicines and services
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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 Nidel
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 *Epirivir* 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 *Epirivir* 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 *Nimber*, 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, remifentanyl, 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 Nidel 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.

A handwritten signature in dark ink, appearing to read 'C. R. C. Corness'.

Sir Colin Corness
Chairman

Financial Highlights

	Glaxo Wellcome Before integration £m	18 months to 31.12.95 (audited) Glaxo Wellcome Total £m	12 months to 31.12.95 (unaudited) Glaxo Wellcome £m	12 months to 31.12.94 (unaudited) Glaxo £m	12 months to 30.6.94 (audited) 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

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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.



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.

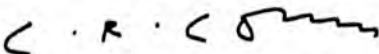
Scrip Dividend Scheme

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,



Sir Colin Corness
Chairman

Glaxo Wellcome plc

Lansdowne House
Berkeley Square
London
W1X 6BQ
UK

Telephone
+44 (0)171 493 4060

Fax
+44 (0)171 408 0228

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
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Annual General Meeting

The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE	19th May 1997
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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

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 flows	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	(1)
	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
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\$
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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 JTC 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.

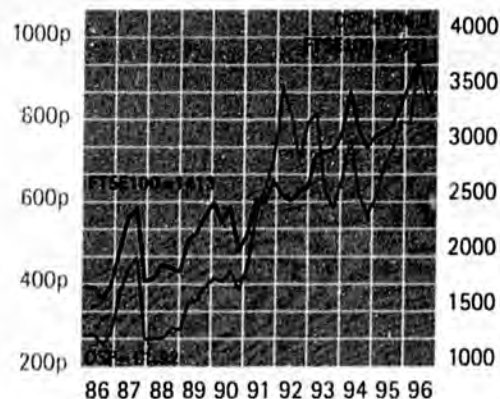
The charge for taxation on the profits for the six months to 30th June 1996 has been calculated by reference to the estimated effective tax rate for the full year to 31st December 1996.

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

— Ordinary Share Price
— FTSE 100 Price Index

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 $\frac{1}{3}$ at the interim and $\frac{2}{3}$ 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		H1 1996 £m	H1 1995 £m
Sales	4,189	3,620	Trading profit	1,626	1,155
Cost of sales	754	659	Associates	34	21
Selling and administration	1,261	1,275	Business disposals	-	-
Research and development	575	545	Profit before interest	1,660	1,176
Other operating income	(27)	(14)	Interest	109	15
Total expenses	2,563	2,465	Profit before taxation	1,551	1,161
Trading profit	1,626	1,155	Taxation	489	351
Trading margin	38.8%	31.9%	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 *Epiriv* 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").

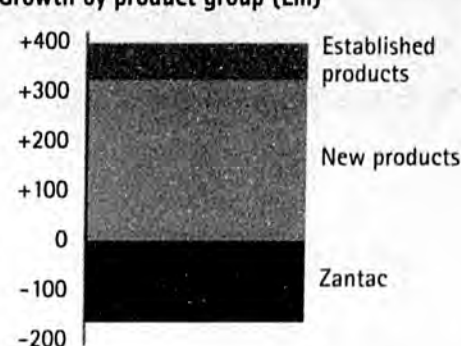
In December 1995 the Group announced that it had reached agreement with WL to restructure the Glaxo-WL JV to include *Zovirax* and to dispose of the base business for a consideration of US\$1,050 million. This agreement re-aligns Glaxo Wellcome's OTC interests with its core business objectives: there 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 dermatologicals 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.

Therapeutic area

Major products	0	250	500	750	1,000	£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

M.L. markets	0	500	1,000	1,500	2,000	£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 Group'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 *Epiriv*/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 *Epiriv*, used in combination with *Retrovir*, has reversed the fortunes of *Retrovir*, sales of which rose by 28 per cent. *Epiriv* 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 *Epiriv*. Approval of *Epiriv* 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

Chief Executive'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.

Sir Colin Corness
Chairman



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. *Epidur* 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.

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 *Epiriv* 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 *Epiriv* 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 *Epiriv*.

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 representing trading margin of	1,626 38.8%	1,155 31.9%	2,581 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
	Operating assets	4,062	4,054	3,417
Net debt reduced by £454 million since 31st December 1995.	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

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- 2 Key Events
- 3 Chairman's Statement
- Chief Executive's Statement
- 4 Operating and Financial Review
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- 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 Nidel

^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 Nidel
Research and Development

Jeremy Strachan
Legal and Corporate Affairs

Ken Windle
Asia Pacific

SCOMM

101A:27

Alaska State Legislature



Official Business

House Majority Leader

State Capitol
Juneau, AK 99801-1182
(907) 465-3718

*Not
Sent*

Representative Gene Therriault
Alaska State Legislature
March 13, 1997

Re: HB 58: Effect on general aircraft manufacturers

Dear Gene:

Attached is a copy of testimony given by Edward M. Bolen, president of the General Aviation Manufacturer's Association a week ago before a United States Senate subcommittee.

This timely and informative testimony should be provided to all members of the Finance Committee, and made a part of the record.

The point of the testimony is that product liability laws came within a hair of totally destroying a truly American industry which is now trying to make a comeback.

What does not appear in the testimony is that HB 58's eight year statute of repose would control over the 18 year federal statute of repose. This is significant, since it may have some direct economic impact in Alaska. A few years ago, when Paul Fuhs was Commissioner of Commerce and Economic Development, a single engine manufacturer wanted to build a plant in Palmer, but did not do so because of the state of our liability laws.

Sincerely yours,

Brian Porter

*Jim,
-Will have to keep
it fairly uncomplic-
ated for Lemm-
This issue goes
between Prod. Liab.
which we exclude
and other items
Let's not mix. B.*

**Statement of Edward M. Bolen
President
General Aviation Manufacturers Association**

**before the Subcommittee on Consumer Affairs, Foreign Commerce and Tourism
Committee on Commerce, Science and Transportation
United States Senate**

**Hearing on the Effectiveness of the General Aviation Revitalization Act of 1994
March 6, 1997**

On August 17, 1994, President Clinton signed into law legislation that Senator Nancy Kassebaum, Congressman Dan Glickman, and many others had been trying to pass for nearly eight years. The legislation was a tiny, little three page bill with a very ambitious name—The General Aviation Revitalization Act (GARA).

As its title suggests, the intended purpose of GARA was to breathe life into an important, truly American industry which experienced a 95 percent decline in production and a loss of over 100,000 jobs in the past decade. I am grateful for the opportunity to share with you today some of the history of the bill, recent court decisions related to it, and to describe the exciting things that have happened in general aviation since its passage.

HISTORY

Since the time of the Wright brothers, the United States has dominated nearly every aspect of aviation—including general aviation manufacturing. Industry pioneers like Walter and Olive Ann Beech, Clyde Cessna, William Piper and Bill Lear founded and built companies whose names have become synonymous with aviation excellence.

Ironically, the fact that many of these companies produced quality products for several decades was a contributing factor to the liability crisis the general aviation industry experienced. Until GARA, these manufacturers and their suppliers were routinely sued in accidents involving planes that were built in the 1930's, 40's, 50's and 60's, and had numerous owners. In some cases, an aircraft supplier was sued in connection with an accident when that company's part was not even on the aircraft involved.

Edward M. Bolen

Hearing on the Effectiveness of the General Aviation Revitalization Act

Page 2

Although manufacturers would usually win these cases, the costs were tremendous.

In fact, Beech Aircraft Company, now Raytheon Aircraft Company, determined that it was spending an average of \$500,000 on the cases that it won. Talk about a Pyrrhic victory. Can you imagine? Five hundred thousand dollars to prove that a 50 year old plane was not negligently manufactured.

As absurd as it sounds, this was happening regularly. General aviation manufacturers were being held responsible for every plane they had ever built. In that environment, it was possible to sue a manufacturer for some of the same types of aircraft that proudly hang in the National Air and Space Museum.

LIABILITY TAIL

The consequence of manufacturers being held indefinitely responsible for every plane they ever built was a "liability tail" that was becoming more and more expensive to insure. A study by the Wyatt Company showed that paid claims soared from \$24 million in 1979 to \$210 million in 1985. And manufacturers found it difficult to build these liability costs into the price of new airplanes.

In 1986, Cessna, the world's largest producer of piston powered aircraft, closed its piston-engine lines because of the high liability costs. At the time, Cessna chairman Russ Meyer promised that if Congress ever addressed the product liability issue, Cessna would re-enter the market.

By the mid 1980's, even the insurers began to retreat from the United States market. "We are quite prepared to insure the risks of aviation," said a Lloyd's of London underwriter. "but not the risks of the American legal system."

THE PREMISE

The idea behind the industry's response to indefinite liability—the statute of repose—is quite simple: at some point in time, a product's very durability proves its quality. Products which are so well built that they can last a significant period of time after they have left the hands of the manufacturer are not negligently designed or manufactured.

Ultimately, a product may be negligently maintained, or negligently operated, or improperly repaired, or negligently modified. But these are not faults for which the original manufacturer should be held responsible. And they should not have to pay huge costs to prove that they are not responsible.

Edward M. Bolen

Hearing on the Effectiveness of the General Aviation Revitalization Act

Page 3

Instead, if a product can meet the arduous test of time, the original manufacturer should be relieved of liability.

LEGISLATIVE HISTORY

Beginning in 1986, and in each term of Congress thereafter, bills were introduced in both the House of Representatives and in the Senate which were designed to address the industry's product liability problems. Although the earlier bills were much broader than GARA in that they addressed issues such as joint and several liability and federal court jurisdiction, they also included a statute of repose provision.

Unfortunately, none of the earlier bills were able to overcome the opposition of certain members of Congress and the plaintiffs bar. Although the bills often had a huge number of cosponsors, until GARA, no general aviation product liability bill ever received a vote on the floor of Congress.

1993 was the turning point in general aviation's product liability battle. In that year, President Clinton appointed a national commission to review the health of the aviation industry which unanimously recommended that Congress enact a 15 year statute of repose for general aviation aircraft and their component parts. One member of the President's Commission was John Peterpaul of the International Association of Machinists. His members had lost thousands of jobs. His pledge to support the recommendation and his active campaigning for it helped change the dynamics of the product liability debate. As far as I know, this was the first time that labor had ever supported product liability legislation.

As a direct result of the commission's recommendation, Senator Kassebaum and Congressmen Glickman and Hansen introduced the General Aviation Revitalization Act of 1993.

THE BILL

As originally introduced, the legislation was a 15 year statute of repose with no exceptions. However, the bill's sponsors found it necessary to make concessions to certain members of Congress in order to get the bill out of the various committees of jurisdiction and to a vote on the floor.

By the time of its enactment, GARA became an 18 year statute of repose with four exceptions:

1. If the claimant pleads with specificity the facts necessary to prove, and proves that the manufacturers knowingly misrepresented to the FAA, or concealed or withheld from the

Edward M. Bolen

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2. If the person was a passenger for purposes of receiving medical treatment;
3. If the person injured was on the ground; and
4. If the action was brought under a written warranty.

RECENT DECISIONS

To the best of my knowledge, there have been 13 cases related to GARA so far. In general, the courts have interpreted the statute the way Congress intended. They have found that GARA is constitutional, that the "pleading with specificity" requirement should be narrowly interpreted, that the statute will apply to foreign accidents when an action is filed in the U.S., and that courts will not treat manuals as replacement parts and thus eviscerate the bill.

However, in two cases the courts have completely ignored the clear language of the bill and allowed cases to go forward. These cases are a threat to the integrity of the bill.

GARA'S IMPACT ON GENERAL AVIATION

Since GARA's passage, general aviation has staged a remarkable comeback. Production lines have been reopened and new products are coming onto the market. Over the next three years, more new models of aircraft will be introduced than in the decade that preceded it. Employment at the seven airframe manufacturers GAMA represents has increased from 23,879 in 1994 to 33,913 today.

Cessna Aircraft Company has opened a new production facility in Independence, Kansas—marking its return to the piston-engine aircraft market it left in 1986 because of high product liability costs. Cessna's re-entry is directly attributed to GARA.

The new Cessna plant is expected to produce 1,000 planes this year and 2,000 planes next year. Since passage of GARA Cessna alone has added 2497 persons to its workforce.

ED-13-87 11:43 FROM:GARA 202-642-4003 1-437 P 00700 J00-013

Edward M. Bolen

Hearing on the Effectiveness of the General Aviation Revitalization Act

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In 1988, Unison Industries scrapped a year's worth of research on a totally new electronic ignition system because of the potential liability risk. Today, Unison's new electronic ignition is on the market, and other component manufacturers have also decided to vigorously return to the general aviation market.

In the past few years, the general aviation industry has invested heavily in research and development in the turbine-engine market. Now, we are beginning to see new R&D at the lower end. An industry/government partnership called AGATE, Advanced General Aviation Transport Experiment, has the participation of 70 companies and universities. It is working on such technologies as icing detection and protection, cockpit integration, and new general aviation propulsion technologies for both piston and turbine aircraft. Over the next five years, NASA's investment in general aviation technology may reach \$400 million. Without GARA, general aviation companies would not be in the position to participate in these programs, nor to reap the benefits.

Most importantly, aviation consumers are feeling better. Recent membership surveys by the Aircraft Owners and Pilots Association show that, since the passage of GARA, optimism by the pilot community has taken a dramatic shift for the better. GAMA, AOPA, and all segments of the general aviation community are launching a new program to encourage more new pilots. This program is based on extensive market research that identified 1.2 million Americans who have an interest in becoming pilots.

CONCLUSION

In judging the results of GARA, I believe former FAA Administrator David Hinson said it best when he said, "There is widespread agreement that the General Aviation Revitalization Act is having its intended effect."

The proponents of GARA strongly believed that this simple legislation would create jobs and bring new products to the market. They were correct.

And, if the courts continue to interpret GARA as Congress intended, I believe the future looks bright for general aviation both as an important transportation tool and for the thousands of well-paying, high-skill manufacturing jobs that depend on it.

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100-15-01 11:43 FROM:GARA 202-842-4003 1-437 P 09/06 J06-013

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SCOMM

101A:28

Legislative Research Services

Alaska State Legislature
Legislative Affairs Agency
Division of Legal & Research Services



130 Seward Street, Suite 218
Juneau, Alaska 99801-2196
Phone: (907) 465-3991
Fax: (907) 463-3351

March 18, 1997

MEMORANDUM

TO: Representative Brian Porter

FROM: Patricia Young *P. Young*
Legislative Analyst

RE: **American Bar Association Membership**
Research Request 97.079

You wished to know the number of attorneys who are members of the American Bar Association (ABA). We prepared the following table which shows the number of active attorneys in the United States (as reported by state bar associations to the ABA) and the number of members in the ABA, a voluntary organization, over the last five years. You will note that ABA membership was on the decline until 1996, but appears now to be on the increase.

American Bar Association Membership 1992-1996			
Year	Active Attorneys in the U.S.	American Bar Association Members	Percentage of Active Attorneys Who are ABA Members
1992	799,760	362,104	45 %
1993	846,036	357,032	42 %
1994	862,954	348,673	40 %
1995	896,140	339,476	38 %
1996	946,500	341,999	36 %
current	not available	357,267	

Source: American Bar Association.

Please let us know if you have additional questions.

Legislative Research Services

Alaska State Legislature
Legislative Affairs Agency
Division of Legal & Research Services



130 Seward Street, Suite 218
Juneau, Alaska 99801-2196
Phone: (907) 465-3991
Fax: (907) 463-3351

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TO: Representative Brian Porter
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Legislative Analyst
RE: **American Bar Association Membership**
Research Request 97.079

Please check the appropriate box and return to **Mail Stop 3101** or the above mailing address.

- ☒ I approve the release of this information.
☐ I approve the release of this information, but remove my name.
☐ Keep confidential.

3-18-97

Date

Brian N. Porter

Signature

To assist us in improving the quality of our research services, we would appreciate your response to the following questions. Please be assured that we will take your comments seriously in performing future research for you.

Was the information objective?

Was it clearly written?

Did it provide answers to (or, at least, useful information on) all the questions you posed?

Was the research completed and delivered to you in a timely manner?

Legislative Research Services

Alaska State Legislature
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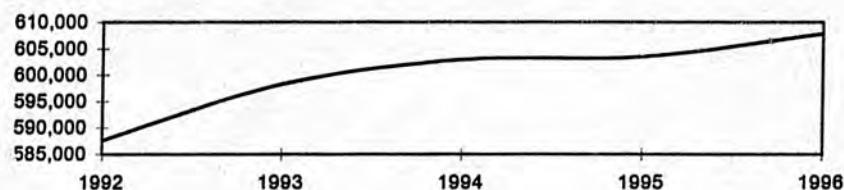
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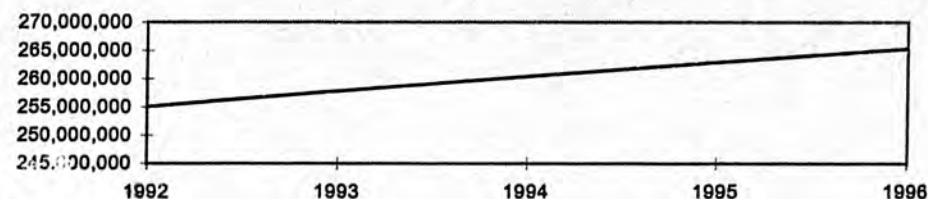
TABLE 1
Population, Active Attorneys, and Tort Cases in Alaska and the United States, 1992-1996

YEAR	ALASKA (a)				UNITED STATES (b)			
	Population (As of July 1)	Active Attorneys	Attorneys per 1,000 Residents	Tort Cases Filed in District & Superior Court	Population (As of July 1)	Active Attorneys	Attorneys per 1,000 Residents	Tort Cases Filed in State Trial Courts of General Jurisdiction
1992	587,605	2,512	4.27	1,316	255,011,000	799,760	3.14	662,502
1993	598,267	2,552	4.27	1,456	257,795,000	846,036	3.28	603,465
1994	602,873	2,609	4.33	1,407	260,372,000	862,954	3.31	630,835
1995	603,453	2,660	4.41	1,422	262,890,000	896,140	3.41	640,286
1996	607,800	2,611	4.30	1,520	265,284,000	946,500	3.57	not available

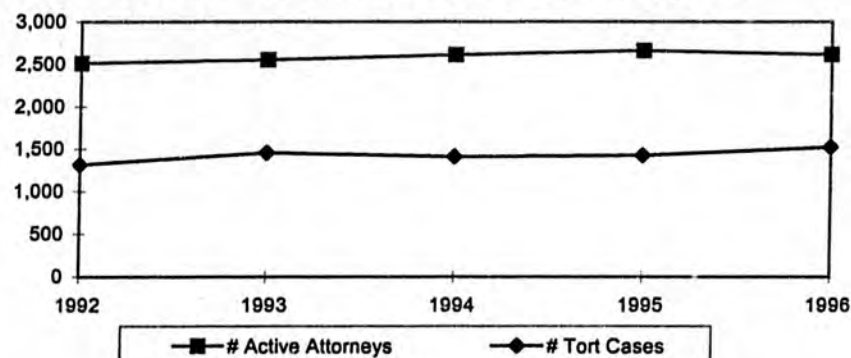
Alaska Population, 1992-1996



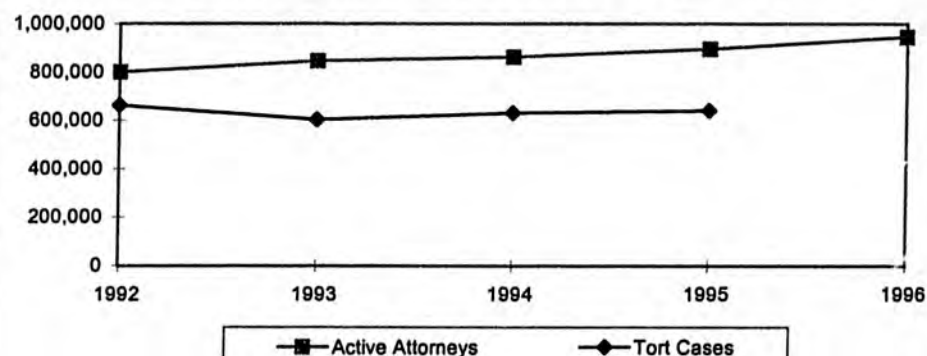
U.S. Population, 1992-1996



Tort Cases & Active Attorneys in Alaska, 1992-1996



Tort Cases & Active Attorneys in the U.S., 1992-1996



NOTES:

(a) Alaska filings included in this table are for personal injury and property damage cases only. These cases comprise only a small percentage of civil cases filed every year; for example, in FY 96, a total of 35,402 civil cases were filed in superior and district courts in Alaska. Among that total were 10,774 small claims cases; 8,443 domestic relations cases; 5,088 debt/contract cases; 4,808 cases classified as "other"; 3,249 probate cases; 1,266 domestic violence cases; and 254 administrative review cases. The 1,520 tort cases represent less than 5 percent of all civil cases filed in Alaska during FY 96.

(b) Number of jurisdictions varies from year to year; scope and method of data collection vary from state to state; data for Alaska, for example include tort cases filed in Superior Court only. These tort cases represent only a small percentage of the nearly 20 million civil cases filed annually.

SOURCES: Alaska Department of Labor (for Alaska population); U.S. Census Bureau (for U.S. population); Alaska Bar Association (for number of attorneys practicing in Alaska); American Bar Association (for number of attorneys practicing in U.S.); Alaska Court System, *Alaska Court System Annual Reports 1992-1996* (for tort cases filed in Alaska); National Center for State Courts, Court Statistics Project, *State Court Caseload Statistics, 1995* (for tort cases filed in the U.S.).

Prepared by Alaska Legislative Research Services, March 1997 (97.063).

*replacement
table for
97.063
active attorneys*

Legislative Research Services

Alaska State Legislature
Legislative Affairs Agency
Division of Legal & Research Services



130 Seward Street, Suite 218
Juneau, Alaska 99801-2196
Phone: (907) 465-3991
Fax: (907) 463-3351

March 14, 1997

TO: Representative Brian Porter
FROM: Patricia Young *P. Young*
Legislative Analyst
RE: **Tort Reform Questions**
Research Request 97.063

Please check the appropriate box and return to **Mail Stop 3101** or the above mailing address.

- ☐ I approve the release of this information.
- ☐ I approve the release of this information, but remove my name.
- ☐ Keep confidential.

Date

Signature

To assist us in improving the quality of our research services, we would appreciate your response to the following questions. Please be assured that we will take your comments seriously in performing future research for you.

Was the information objective?

Was it clearly written?

Did it provide answers to (or, at least, useful information on) all the questions you posed?

Was the research completed and delivered to you in a timely manner?

Legislative Research Services

Alaska State Legislature
Legislative Affairs Agency
Division of Legal & Research Services



130 Seward Street, Suite 218
Juneau, Alaska 99801-2196
Phone: (907) 465-3991
Fax: (907) 463-3351

March 14, 1997

MEMORANDUM

TO: Representative Brian Porter

FROM: Patricia Young *Patricia Young*
Legislative Analyst

RE: **Tort Reform Questions**
Research Request 97.063

You asked a number of questions pertaining to civil justice in Alaska and across the country. Specifically you wished to know the number of attorneys practicing in Alaska and in the United States, as well as the number of civil cases filed each year from 1992 through 1996 in all Alaska courts and in the United States. Additionally, you asked for background information on small aircraft manufactured by Cessna and Piper. Specifically, you wished to know about the decline in production during the last decade and whether recent federal legislation that places a statute of repose on civil actions filed against manufacturers of small aircraft has been the impetus for renewed production. You wished to know how the cost of newly built planes compares with the cost of planes produced during the 1980s and whether a portion of the cost of the new planes is directly attributable to potential civil liability. After a brief summary, we will address your questions individually.

Summary

Data compiled on civil and tort case filings within Alaska show that tort litigation, as represented by personal injury and property damage cases, make up a small percentage of the total civil caseload. For example, the 1,520 tort cases filed in FY 96 represent less than five percent of the total 35,402 civil cases filed during that year. Comparisons with national data are problematic because of a lack of completeness and consistency; nevertheless, the best available data show that the number of tort cases in general represent a similarly small component of the overall civil caseload. Furthermore, high profile, high-stakes cases such as medical malpractice, exposure to toxic substances, and product liability claims make up just a fraction--roughly ten percent--of tort litigation overall. The significant differences among the types of tort cases--including growth rate, verdict trend, and cost profile--suggest that varying policy responses may be most appropriate for varying types of tort litigation.

In addition to problems associated with a lack of broad-based, systematic empirical data on the numbers of tort cases, the civil justice reform debate has long been hampered by a lack of solid data on the actual costs expended by insurance companies on product liability litigation. Data are difficult to obtain because most litigation costs and compensation payments are private expenditures and are not reported publicly. The connection between liability insurance premiums paid by industry and the payouts made by insurance companies has not been clearly documented. General aviation manufacturers perceive that the high cost of tort litigation nearly halted production. They know what they paid for insurance premiums and for deductibles. Nevertheless, they were unable to identify a direct correlation between the high cost of their insurance premiums and actual insurance industry payouts. Passage of the federal General Aviation Revitalization Act has made liability more predictable for manufacturers, and production is increasing again after a decade long hiatus. Because most general aviation manufacturers have restructured their liability insurance since the mid 1980s, comparisons between the current situation and that during the 1980s are perceived by the industry as largely meaningless. According to the General Aviation Manufacturers' Association, an unidentifiable percentage of the cost of new aircraft is attributable to the potential for product liability. Nevertheless, even with the addition of significant design and construction improvements, the cost of the new Cessna 172--when adjusted for current dollars--is reported to be less than the cost prior to the production hiatus.

Population, Practicing Attorneys, and Court Caseloads

Table 1 provides data on population, practicing attorneys, and personal injury and property damage cases in Alaska and the U.S., 1992-1996. According to the American Bar Association's most recent tally (September of 1996), there are 946,500 attorneys practicing in the United States. Of those, 2,611 are practicing in Alaska. There are 3.6 attorneys for every 1,000 persons nationwide, and 4.3 attorneys for every 1,000 Alaskans. As you will see from Table 1, the number of practicing attorneys in Alaska has been stable during this time period, as has the ratio of Alaska attorneys to the state's population. Nationally, the number of attorneys has increased, and the number of attorneys per capita has been rising steadily. Alaska has more attorneys per capita than the nation as a whole.

For the purposes of this memorandum, we attempt to focus as concisely as possible on civil litigation most directly related to the civil justice reform issue, that is, personal injury and property damage cases.¹ Table Two provides data on the numbers of personal injury and property damage cases filed in Alaska in both district and superior court. It should be noted that these data include only a small percentage of the total civil cases filed each year in Alaska's courts. We have also

¹There are at least three distinct types of tort litigation. Of these, by far the most numerous are the relatively routine personal injury cases, typically involving motor vehicles. A smaller category includes high-stakes, high-publicity personal injury cases, such as product liability claims, medical malpractice claims, and business torts. Another small category includes suits for latent injury, such as asbestos litigation, Dalkon Shield cases, and other suits arising from mass exposure to drugs, chemicals, or to toxic substances.

attached tables prepared by the Alaska Governor's Advisory Task Force on Civil Justice Reform (Attachment A). The task force tables, also based on data from the Alaska Court System annual reports, provide further detail on the numbers of tort cases filed in district and superior courts in Alaska from 1988 through 1995.

The most comparable data for U.S. courts overall were collected by the National Center for State Courts (NCSC) and show tort caseloads in as many as 33 state trial courts of general jurisdiction, the District of Columbia, and Puerto Rico from 1986 through 1995 (Attachment B).² Caution should be used, however, when interpreting these data. The NCSC points out that national totals are not compiled comprehensively; states collect and count their data in varying ways; and the number of jurisdictions reporting varies year to year. As with the Alaska data, tort cases represent only a small percentage of the total civil cases filed each year.

The lack of consistently counted and reported empirical data is a problem that has plagued the civil justice reform debate for years. Among types of tort cases, each has a different growth rate, jury verdict trend, and cost profile. According to a noted authority on this topic, treating the varying types of tort cases together

--as is done whenever overall statistics for tort litigation are reported--produces a distorted picture of tort litigation that does not accurately reflect the reality of any of these worlds. Inferences about trends in one area of litigation based on data drawn from another are also likely to be wrong. . . . And the resulting controversy over whose statistics were right has diverted attention from the story behind the statistics: the changes taking place in different areas of litigation--changes that may well merit different types of policy responses.³

In response to a clear need for broadly-based and systematically compiled empirical data on fundamental issues relevant to the civil justice reform debate, the NCSC and the Bureau of Justice Statistics (BJS) initiated the Civil Trial Court Network (CTCN) Project in 1992. The CTCN was a study of general civil litigation--including tort, contract, and real property cases--in 45 of the

²Court Statistics Project, *State Court Caseload Statistics, 1995* (National Center for State Courts, 1996), pp. 198-200.

³Deborah Hensler, et al., *Trends in Tort Litigation: The Story Behind the Statistics* (Santa Monica: Rand, 1987), pp. 2-3. Attachment C contains this document and also a more recent publication on the same issue: Deborah Hensler, "Reading the Tort Litigation Tea Leaves: What's Going on in the Civil Liability System?" reprinted by the Rand Corporation from *The Justice System Journal*, Vol. 16, No. 2, (Institute for Court Management, National Center for State Courts), 1993, pp. 139-154.

most populous U.S. counties in fiscal year 1992. Attachment D contains some of the findings of the CTCN Project. According to the project findings,

Tort cases represent under 5 percent of the nearly 20 million civil cases filed in state courts in 1992.

Auto accidents dominate tort filings (60 percent of all torts), and premises liability (sometimes called "slip and fall") cases comprise the second most common tort (17 percent). Auto and premises liability account for more than three-quarters of all torts filed in urban state courts.

High-profile, high-stakes, complex tort cases--medical malpractice (5 percent), claims against manufacturers for dangerous or defective products (3 percent), and toxic substance cases (2 percent)--constitute just 10 percent of all tort claims filed in state courts of general jurisdiction.⁴

Manufacture of General Aviation Aircraft

Included in Attachment E, is a copy of Public Law 103-298, the General Aviation Revitalization Act of 1994 (GARA). This legislation established an 18-year time limit for general aviation manufacturers' liability in civil actions based on death or injury to persons or damage to property arising from accidents involving general aviation aircraft.⁵ This statute of repose means that 18 years after a general aviation aircraft's production, there is no longer any right of action against the manufacturer for defects.⁶

We spoke with representatives from both Cessna and New Piper, who suggested we speak with a representative of the industry association for the most comprehensive information. According to Ed Stimpson, vice chairman of the General Aviation Manufacturers' Association (GAMA), general aviation aircraft production was significantly curtailed by the mid 1980s when liability

⁴*Examining the Work of State Courts, 1994: A National Perspective from the Court Statistics Project* (NCSC, 1995), pp 7-9 and 30-31, (Attachment D).

⁵*General aviation aircraft* in this context commonly refers to aircraft that are certified by the Federal Aviation Administration, designed for fewer than 20 passengers, and used for non-scheduled operations.

⁶Such statutes are sometimes referred to as *statutes of limitations*, and they are, indeed, similar. A *statute of limitations* bars a right of action unless a suit is filed within a specified time period after an injury occurs; a *statute of repose*, however, terminates any right of action after a specified period of time, regardless of whether any injury has occurred.

insurance was at its most costly. Mr. Stimpson was unable to provide detailed data on costs and compensation paid in tort litigation.⁷ According to a brief one-page synopsis of an industry survey, however, insurance claims and expenses peaked at \$210 million in 1986. According to the synopsis, Piper filed for bankruptcy protection, at least in part because of tort litigation, and Cessna stopped producing piston-engine aircraft altogether.

Industry data show that in 1979, approximately 17,000 piston-engine aircraft were shipped. Of those, approximately half were manufactured by Cessna. By 1987, at the point that Cessna was no longer producing piston-engine aircraft, overall industry shipments in that category had dropped to approximately 1,000 aircraft.⁸

With passage of the federal statute of repose (GARA), and under bankruptcy protection, Piper reorganized as New Piper Aircraft Incorporated, and is producing their full line of piston-engine aircraft. Cessna reentered the piston-engine market with a revised and updated model 172, the first of which was delivered in February of this year. Cessna is also intending to introduce revised versions of their models 182 and 206. All together, Cessna anticipates their piston-engine production to be about 2,000 aircraft per year by 1998. The industry cites passage of GARA as the primary cause of the revival in production.

According to Mr. Stimpson, potential liability continues to affect the cost of aircraft and is built into the price of every component part; however, he is unable to identify the portion of production costs specifically attributable to liability. Mr. Stimpson notes that the new federal law may have *reduced* costs somewhat, but more clearly it has *restrained* costs.⁹ According to company information provided through GAMA, the purchase price for the new Cessna 172 is \$124,000, and that is reported to be the equivalent of an approximate \$3,500 reduction in cost from the 1986

⁷The lack of solid data on the actual costs expended for product liability litigation is another long-standing problem in the tort reform debate. The facts are hard to gather because most litigation costs and compensation payments are private expenditures, and are not reported publicly. Generally speaking, the connection between liability insurance premiums and the payouts in verdicts and settlements has not been clearly documented.

⁸Telephone conversations with Ed Stimpson, vice chair, General Aviation Manufacturers Association, and *General Aviation Statistical Databook, 1996* (Washington, D. C.: General Aviation Manufacturers Association, 1997), p. 6; this document is included as Attachment F.

⁹A brief synopsis of a general aviation industry survey sites the American General Aircraft Corporation, as stating, "next to material, product liability costs are the single largest component of an aircraft's price, adding as much as one third to the cost." The synopsis, which was supplied by General Aviation Manufacturers Association, does not identify when that statement was made nor in what context. The synopsis is included as Attachment G.

Representative Porter

March 14, 1997

Page 6

purchase price, after accounting for inflation, despite significant improvements in design and construction. Prices for other Cessna models and New Piper aircraft were not available.

Information provided by the industry, and included as Attachment G, states the following:

It is extremely difficult, if not impossible, to construct a comparative product liability picture today. . . . In the past, most manufacturers carried large liability insurance policies. But now, most manufacturers are "self insured" up to a very high "umbrella" policy. Because of this extensive restructuring, a more recent, comparable survey of industry product liability costs is not meaningful.

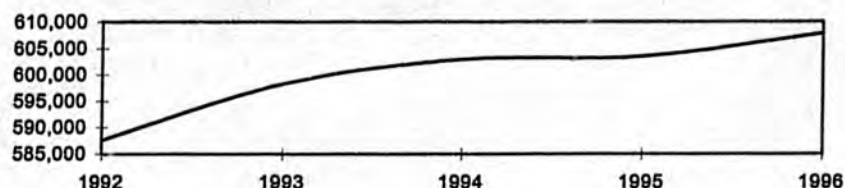
We have also included copies of the Annual Industry Review for 1996 and a GAMA brochure on the results of the General Aviation Revitalization Act as Attachment H. I hope this information is useful. If you have questions or need further information, please let us know.

Attachments

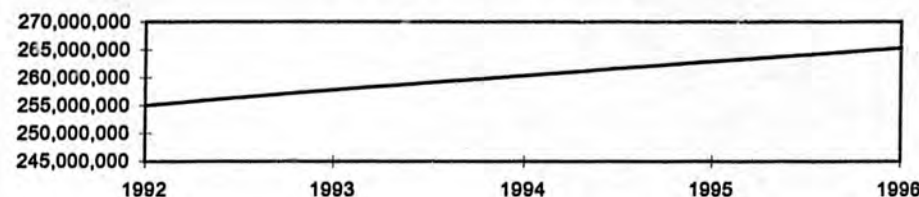
TABLE 1
Population, Practicing Attorneys, and Tort Cases in Alaska and the United States, 1992-1996

YEAR	ALASKA (a)				UNITED STATES (b)			
	Population (As of July 1)	Practicing Attorneys	Attorneys per 1,000 Residents	Tort Cases Filed in District & Superior Court	Population (As of July 1)	Practicing Attorneys	Attorneys per 1,000 Residents	Tort Cases Filed in State Trial Courts of General Jurisdiction
1992	587,605	2,512	4.27	1,316	255,011,000	799,760	3.14	662,502
1993	598,267	2,552	4.27	1,456	257,795,000	846,036	3.28	603,465
1994	602,873	2,509	4.33	1,407	260,372,000	862,954	3.31	630,835
1995	603,453	2,600	4.41	1,422	262,890,000	896,140	3.41	640,286
1996	607,800	2,611	4.30	1,520	265,284,000	946,500	3.57	not available

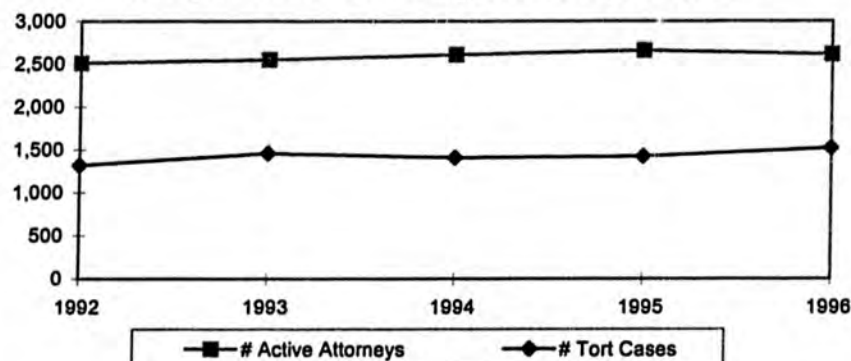
Alaska Population, 1992-1996



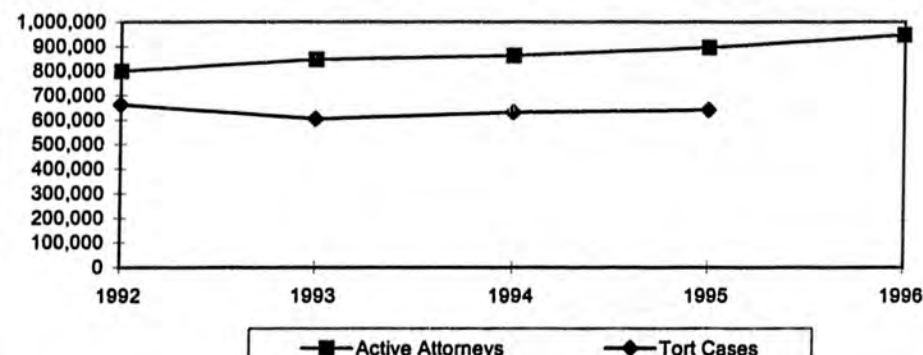
U.S. Population, 1992-1996



Tort Cases & Active Attorneys in Alaska, 1992-1996



Tort Cases & Active Attorneys in the U.S., 1992-1996



NOTES:

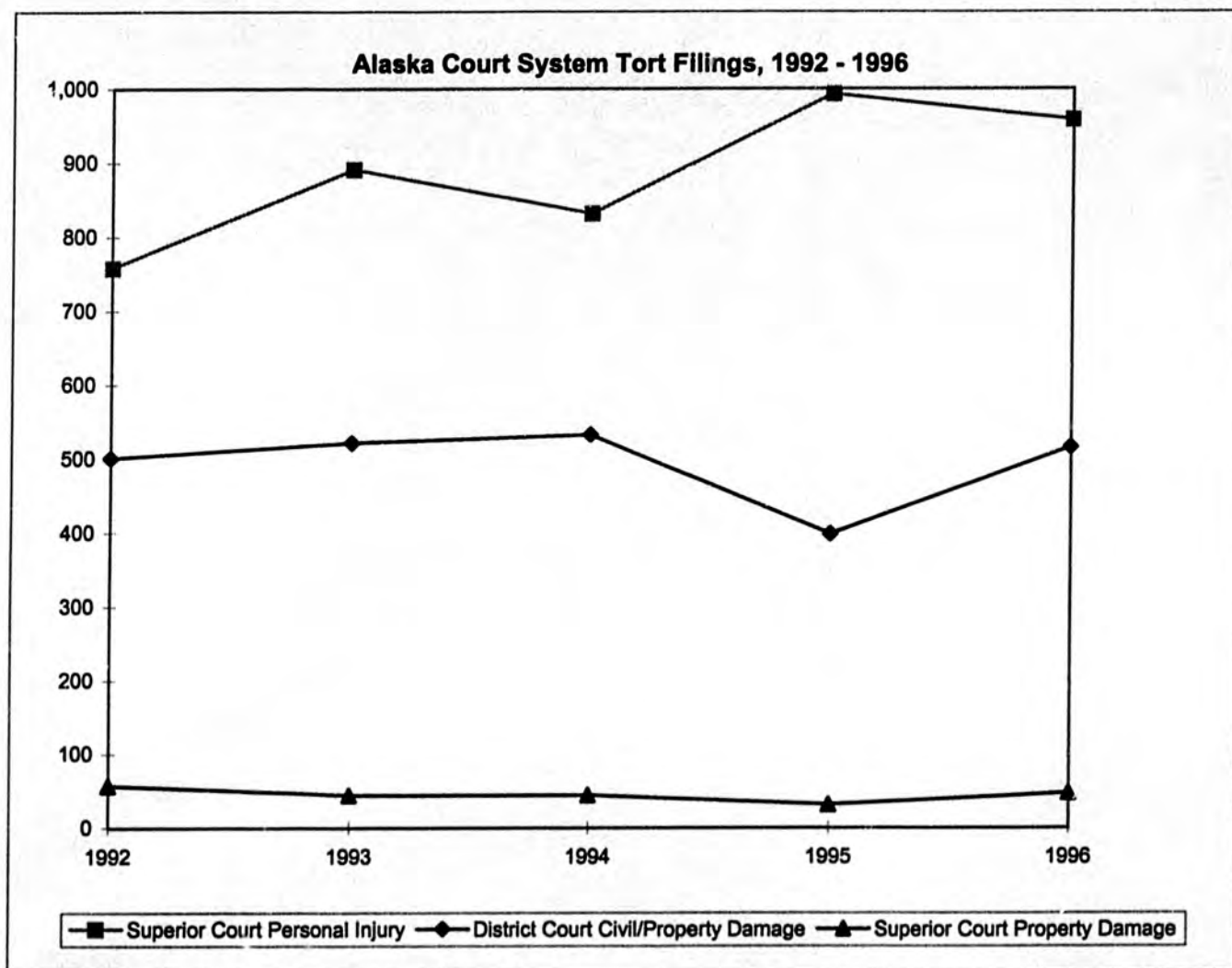
(a) Alaska filings included in this table are for personal injury and property damage cases only. These cases comprise only a small percentage of civil cases filed every year; for example, in FY 96, a total of 35,402 civil cases were filed in superior and district courts in Alaska. Among that total were 10,774 small claims cases; 8,443 domestic relations cases; 5,088 debt/contract cases; 4,808 cases classified as "other"; 3,249 probate cases; 1,266 domestic violence cases; and 254 administrative review cases. The 1,520 tort cases represent less than 5 percent of all civil cases filed in Alaska during FY 96.

(b) Number of jurisdictions varies from year to year; scope and method of data collection vary from state to state; data for Alaska, for example include tort cases filed in Superior Court only. These tort cases represent only a small percentage of the nearly 20 million civil cases filed annually.

SOURCES: Alaska Department of Labor (for Alaska population); U.S. Census Bureau (for U.S. population); Alaska Bar Association (for number of attorneys practicing in Alaska); American Bar Association (for number of attorneys practicing in U.S.); Alaska Court System, *Alaska Court System Annual Reports 1992-1996* (for tort cases filed in Alaska); National Center for State Courts, Court Statistics Project, *State Court Caseload Statistics, 1995* (for tort cases filed in the U.S.).

TABLE 2
Personal Injury & Property Damage Cases Filed in the Alaska Court System
1992 to 1996

Fiscal Year	District Court		Superior Court			TOTAL
	Property Damage	TOTAL	Personal Injury	Property Damage	TOTAL	
1992	501	501	758	57	815	1,316
1993	521	521	891	44	935	1,456
1994	532	532	831	44	875	1,407
1995	398	398	993	31	1,024	1,422
1996	515	515	958	47	1,005	1,520



NOTES:

Alaska filings included in this table are for personal injury and property damage cases only. These cases comprise only a small percentage of civil cases filed every year; for example, in FY 96, a total of 35,402 civil cases were filed in superior and district courts. Among that total were 10,774 small claims cases; 8,443 domestic relations cases; 5,088 debt/contract cases; 4,808 cases classified as "other"; 3,249 probate cases; 1,266 domestic violence cases; and 254 administrative review cases. The 1,520 tort cases represent less than 5 percent of all civil cases filed in Alaska during FY 96.

SOURCES:

Alaska Court System, *Alaska Court System Annual Reports*, 1992 - 1996.

ATTACHMENT A

Tables prepared by the Alaska Governor's Advisory Task Force on Civil Justice Reform.

Appendix B

Court System Data

Governor Knowles requested the task force to evaluate any changes in the volume and type of civil liability case filings in the Alaska court system. Task force staff evaluated court system annual reports and computer system records to track case filings from 1988 through 1995.

Before 1988, the court system placed tort cases in a category called "civil damages," along with contracts and many other civil cases, making it impossible to track tort cases by themselves. Since 1988, court system annual reports have separated out the categories of personal injury, property damage, and other civil cases, which include malpractice and business torts, along with nontort cases. Starting at about the same time, the court system began to computerize its records and provide more specific case categories, including automobile personal injury, automobile property damage, other personal injury, other property damage, wrongful death, and malpractice (divided into medical, legal, and other). These categories capture most of the tort cases, although some business and employment-related torts may be found in other categories and are therefore difficult to track. The court computer system came on line gradually from 1988 to 1991, with Anchorage coming on last, so complete computer records using the more detailed categories are available only from 1991.

Only very basic filing information is available from court system records. The rate of total tort filings has remained relatively constant from 1988 to 1995. In 1993, Alaska had 159 tort filings per 100,000 population, which placed it near the lower end of 28 states that the National Center for State Courts studied that year. In 1995, personal injury and property damage cases accounted for 5.5 percent of the civil cases in Alaska superior courts and 4.8 percent of all superior court cases, civil and criminal. In district courts, the category "civil/property damage" (which includes more than torts) accounted for 4.9 percent of the general

Governor's Advisory Task Force on Civil Justice Reform

civil caseload and 1.0 percent of all district court cases (not including traffic tickets). Additional tort cases may be handled in small claims court, but small claims cases are not categorized in the court reports.

Alaska Court System Filings 1988-1995

Number of Personal Injury and Property Damage Cases

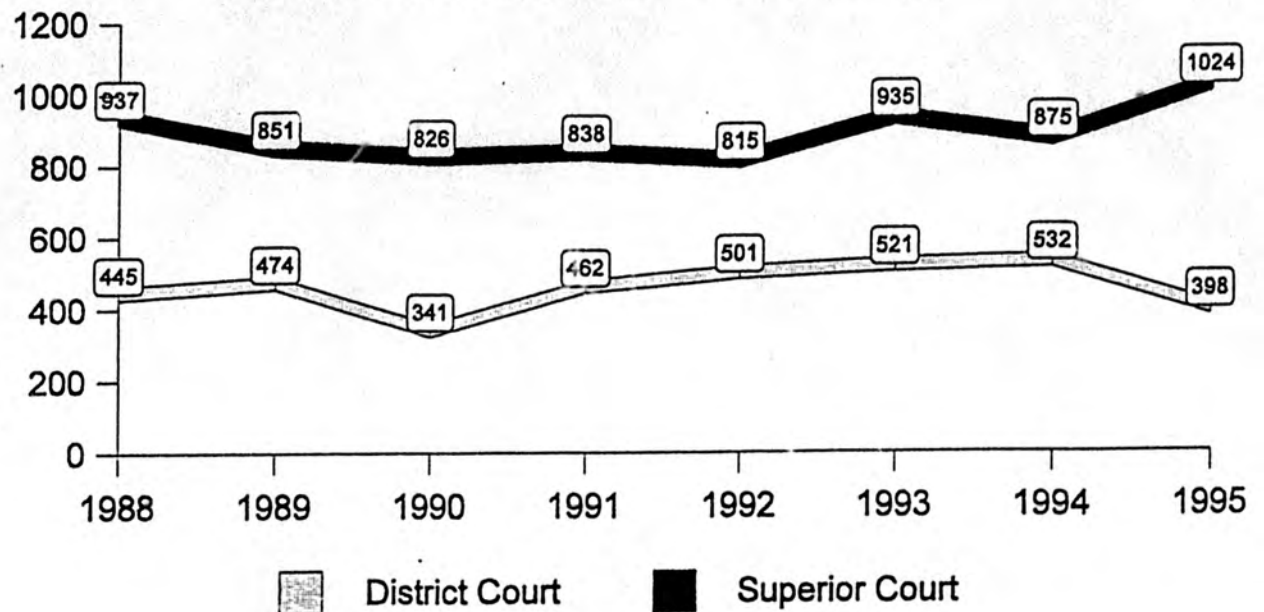


Table prepared by Alaska Governor's Advisory Task Force on Civil Justice Reform August 26, 1996. Data taken from Alaska Court System Annual Reports 1988-1995.

Alaska Court System Filings 1988-1995

Personal Injury and Property Damage Filings per 100,000 Population

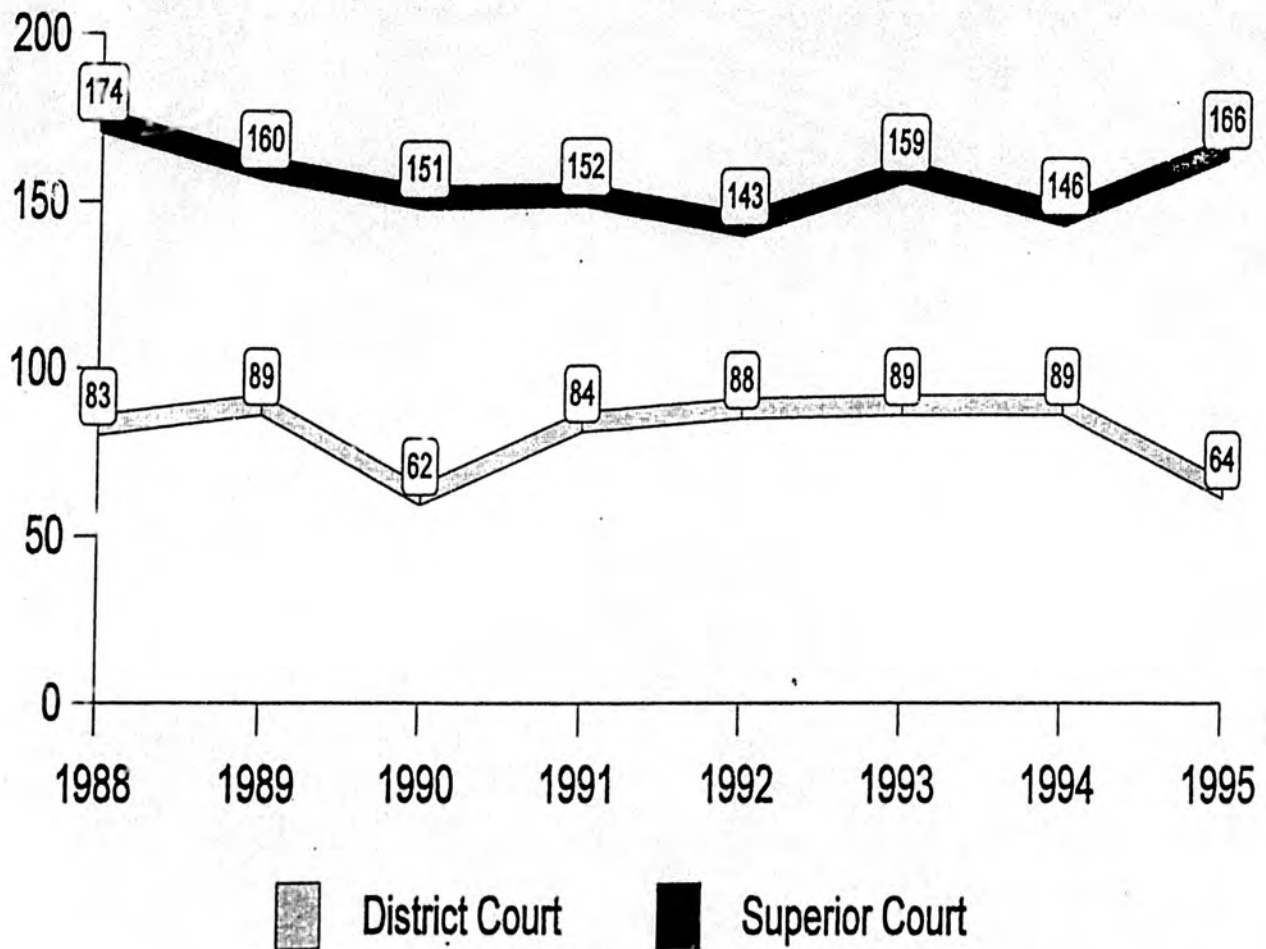


Table prepared by Alaska Governor's Advisory Task Force on Civil Justice Reform August 26, 1996. Data taken from Alaska Court System Annual Reports 1988-1995 and Alaska Department of Labor population statistics.

Alaska Court System Filings 1991-1995

Number of Personal Injury and Property Damage Cases

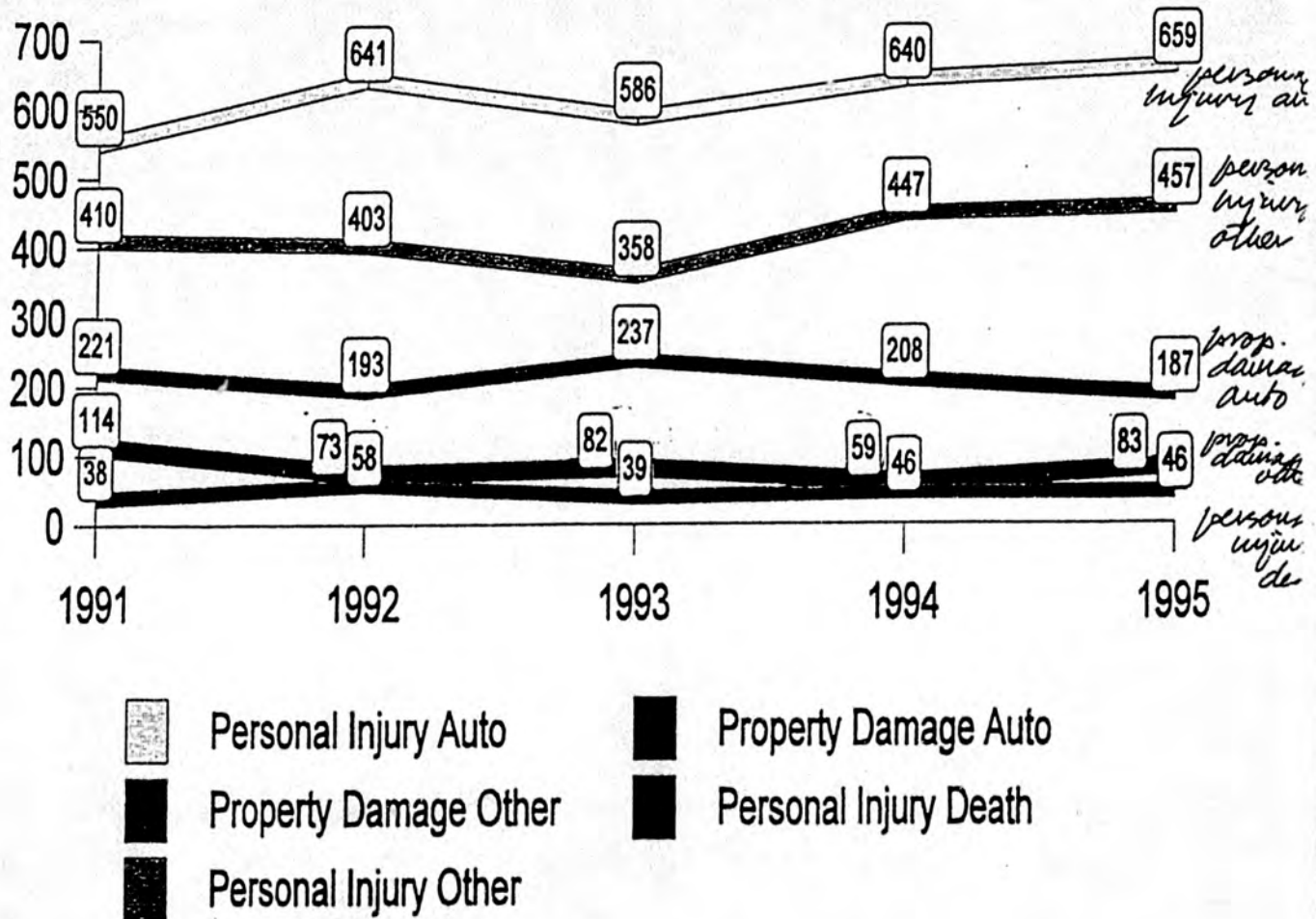


Table prepared by Alaska Governor's Advisory Task Force on Civil Justice Reform August 26, 1996. Data supplied by Alaska Court System Technical Operations August 9, 1996.

Alaska Court System Filings 1991-1995

Number of Automobile, Malpractice, and Other Personal Injury Cases

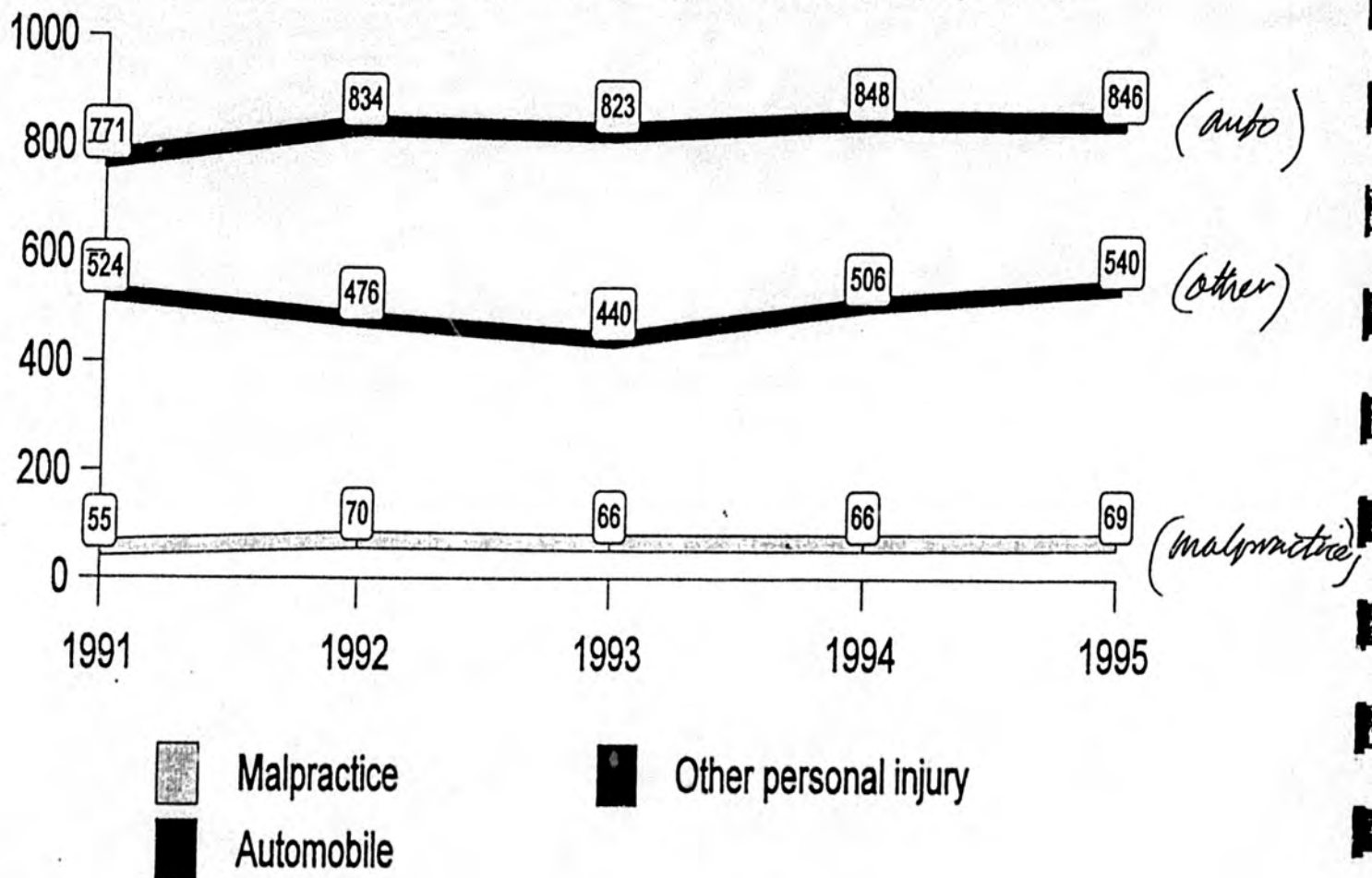


Table prepared by Alaska Governor's Advisory Task Force on Civil Justice Reform August 26, 1996. Data supplied by Alaska Court System Technical Operations August 9, 1996.

Alaska Court System Filings 1991-1995

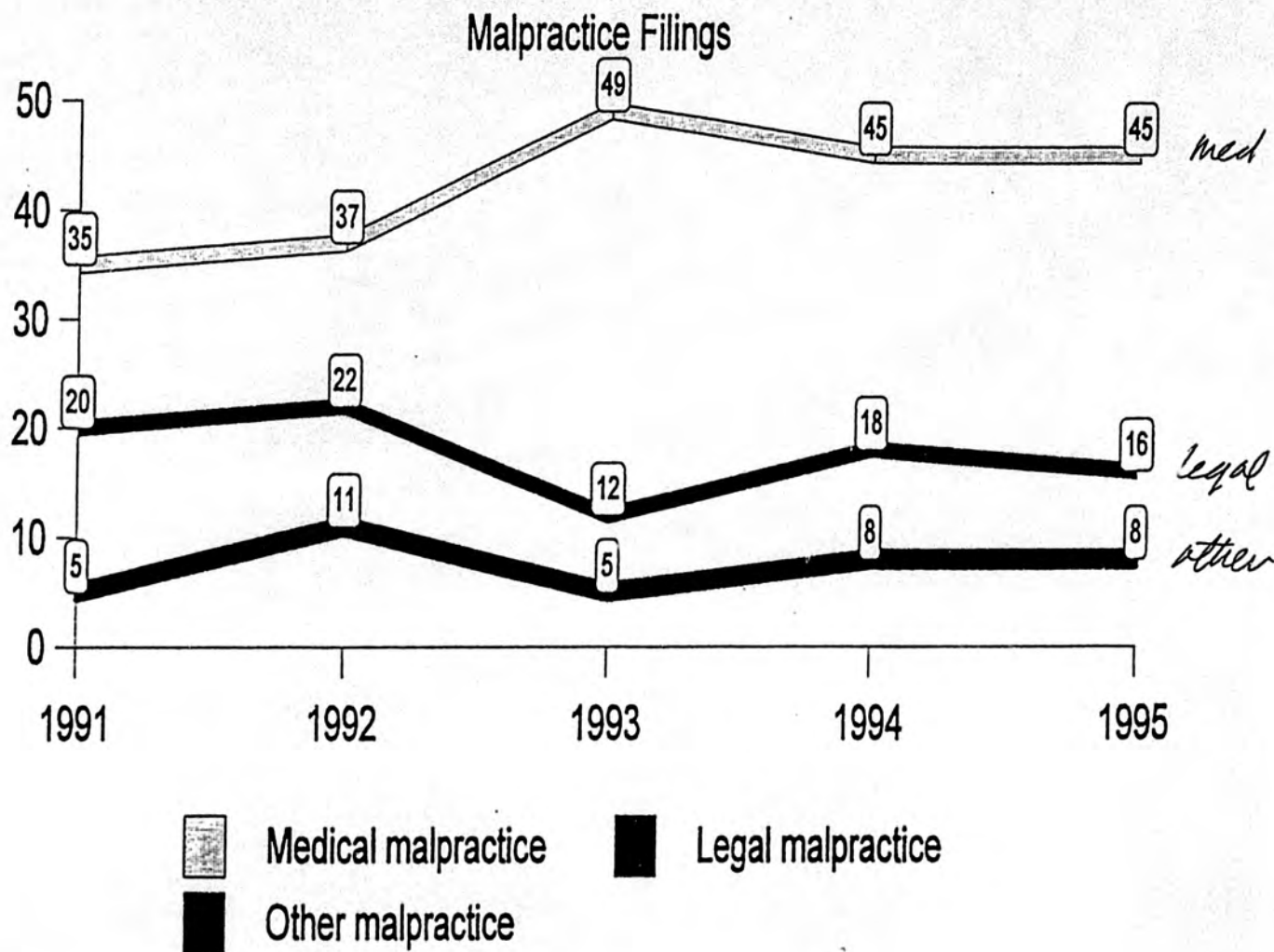


Table prepared by Alaska Governor's Advisory Task Force on Civil Justice Reform August 26, 1996. Data supplied by Alaska Court System Technical Operation August 9, 1996.

ATTACHMENT B

Court Statistics Project, *State Court Caseload Statistics, 1995* (National Center for State Courts, 1996), pp. 198-200.

State Court Caseload Statistics, 1995

Supplement to Examining the Work of State Courts, 1995

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A joint project of the Conference of State Court Administrators,
the State Justice Institute, the Bureau of Justice Statistics,
and the National Center for State Courts' Court Statistics Project.

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(National Center for State Courts 1996)

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TABLE 16: Tort Caseload in State Trial Courts of General Jurisdiction, 1986-1995

State/Court name:	Number of filings and qualifying footnotes									
	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
ALABAMA Circuit	NA	NA	NA	NA	NA	NA	11,498 B	11,512 B	10,893 B	12,254 B
ALASKA Superior	2,344	1,664	937	851	826	838	815	935	875	1,024
ARIZONA* Superior	11,888	12,260	20,490	12,559	15,418	15,442	13,842	12,940	22,815	13,776
ARKANSAS Circuit	5,541	5,606	5,132	5,000	5,045	5,099	5,098	5,228	5,298	5,254
CALIFORNIA Superior	130,206 A	137,455 A	132,378 A	131,900 A	121,960 A	114,298 A	109,219 A	88,346 A	83,721 A	79,490 A
COLORADO District	6,145	3,666	4,506	5,490	5,886	6,295	6,151	5,001	4,977	4,731
CONNECTICUT Superior	13,754	15,285	15,741	16,955	16,477	16,266	16,250	15,947	15,642	17,932
DISTRICT OF COLUMBIA Superior	NA	NA	NA	NA	NA	3,605	5,424	NA	NA	NA
FLORIDA Circuit	35,535	35,453	35,986	38,415	40,748	44,257	43,458	43,536	43,045	46,025
HAWAII Circuit	1,749 A	1,785 A	1,736 A	1,793 A	2,065 A	2,365 A	2,689 A	2,941 A	2,517 A	2,934 A
IDAHO District	2,118 A	1,757 A	1,453 A	1,478 A	1,417 A	1,257 A	1,325 A	1,292	1,387	1,306
INDIANA Superior and Circuit	NA	NA	NA	5,697	6,719	7,910	8,043	9,452	12,066	13,366
KANSAS District	4,273	4,380	4,595	4,513	4,010	4,076	4,338	4,395	4,282	5,082
MAINE Superior	2,044	1,786	1,776	1,950	1,878	1,686	1,643	1,615	1,740	1,819
MARYLAND Circuit	12,373 A	12,938 A	14,170 A	14,274 A	14,908 A	16,270 A	15,612 A	14,989 A	14,485 A	15,427 A
MASSACHUSETTS Trial Court of the Commonwealth	NA	NA	NA	NA	76,808 C	74,641 C	68,341 C	42,704 C	54,559 C	57,898 C
MICHIGAN Circuit	32,612	29,756	30,966	32,663	38,784	31,869	34,497	35,450	39,538	30,372
MINNESOTA District	10,356	10,739	10,125	9,658	7,135	7,252	7,460	6,861	6,751	6,919

(continued on next page)