

## GSK brushes off China probe to post solid 2013 profits (Update)

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GlaxoSmithKline's net profits jumped by a fifth in 2013 as lower taxes offset flat sales, announced on Wednesday the British drugmaker hit by a bribery probe in China.

Earnings after tax rallied almost 21 percent to £5.4 billion (\$8.8 billion, 6.5 billion euros) last year, compared with £4.5 billion in 2012, GSK said in a results statement.

In the fourth quarter or three months to December, net profit surged to £2.461 billion, from £848 million a year earlier.

Annual turnover advanced one percent to £26.5 billion, reversing two years of declines.

However, revenue from sales of pharmaceuticals and vaccines in China plunged 18 percent, hit by Beijing's probe into bribery allegedly carried out by senior GSK staff.

Excluding China, emerging markets sales grew by five percent. US sales expanded by one percent, while Europe was flat.

"The People's Republic of China, acting through various government agencies, continues its investigation into alleged crimes and violations of law by GSK China's operations," the company said on Wednesday.

"The group takes these allegations seriously and is continuing to

cooperate fully with the Chinese authorities in this investigation."

GSK added that it was unable to provide the market with a reliable estimate of any potential financial fallout.

Last July, GSK admitted that senior employees at its China division appeared to have breached Chinese law, after authorities alleged that employees had bribed government officials, pharmaceutical industry groups, hospitals and doctors to promote sales.

Brushing off the probe, chief executive Andrew Witty said the group's annual performance was in line with expectations and forecast that 2014 revenues would grow by around two percent.

"GSK's trading performance in 2013 was in line with our guidance, despite some unexpected challenges and reflected the improving balance of our sales base," Witty said in the earnings release.

"I was encouraged by the improved performance of our US business. We also saw stabilisation of our European business with the benefits of our restructuring programme helping to offset the ongoing economic and pricing pressures in the region."

Shares were boosted after the group hiked its shareholder dividend.

In afternoon deals, GSK's share price rallied 1.11 percent to 1,571.18 pence on London's FTSE 100 index of leading companies, which was 0.33 percent higher at 6,470.80 points.

"Against a backdrop of increased stock market uncertainty, GlaxoSmithKine's defencive qualities are today likely to come to the fore," said equities analyst Keith Bowman at Hargreaves Lansdown Stockbrokers.

"A 5.0-percent increase in the full year dividend payment is not to be ignored, and whilst Chinese uncertainty remains, analyst opinion of a hold is likely to see some upgrading."

Glaxo has been cutting costs and restructuring its business in recent years to focus on three core areas: pharmaceuticals, vaccines and consumer health.

Last year it sold off drinks brands Lucozade and Ribena to Japan's Suntory Holdings, and thrombosis brands to South Africa's Aspen Pharmacare Holdings Ltd., while raising its stake in its Indian consumer and pharmaceutical businesses.

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