

Probe-hit GlaxoSmithKline announces profits slump

April 30 2014

GlaxoSmithKline, the British drugs giant facing a series of probes into alleged staff corruption, announced sliding profits on Wednesday, one week after unveiling a group makeover.

GSK's net profits slumped 30 percent to £668 million (\$1.12 billion, 811 million euros) in the first quarter compared with the first three months of 2013, the company said in an earnings statement.

Revenue fell 10 percent to £5.61 billion, while GSK said that a Chinese [corruption investigation](#) had impacted sales growth at the company's emerging markets division.

In a further blow, Polish prosecutors earlier this month said they had extended a probe into allegations that GlaxoSmithKline bribed doctors into promoting one of its drugs.

The company is also investigating alleged [corruption](#) by staff at its pharmaceuticals division in Iraq.

GSK last year admitted that senior employees appeared to have breached Chinese law, after Beijing authorities alleged that staff had bribed government officials, pharmaceutical industry groups, hospitals and doctors to promote sales.

"The group takes these allegations seriously and is continuing to co-operate fully with the Chinese authorities," GSK said in Wednesday's

earnings statement.

It added that it was not currently possible "to make a reliable estimate of the financial effect, if any, that could result" from the China probe.

The pharmaceutical sector's landscape has meanwhile changed dramatically over the past week, largely owing to deals struck between GlaxoSmithKline and Swiss rival Novartis—and could alter even further should US giant Pfizer succeed with a \$100-billion bid for British company AstraZeneca.

A string of takeovers and ventures will see Novartis sharpen its focus on the high-grossing cancer sector, GSK boost its share in vaccines and US company Eli Lilly strengthen its animal health unit.

Also last week, Valeant Pharmaceuticals offered to acquire Botox-maker Allergan for more than \$45 billion.

On Monday, Pfizer insisted that it wanted to secure a blockbuster merger with AstraZeneca that will fuel research in cancer after revealing that an informal approach worth almost \$100 billion had been rejected.

The huge shake-up comes as top pharmaceutical companies are battling against patents expiring on key brands and deep cuts to government healthcare spending worldwide.

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