PUBLIC POLICY NEWS

GlaxoSmithKline

Summer 2001

Merger Creates GlaxoSmithKline

President's Message

As one of Canada's leading research-based pharmaceutical companies, GlaxoSmithKline is committed to actively participating in the healthcare environment in which our products and services play an important role.

Paul Lucas
President,
GlaxoSmithKline

Public Policy News, a quarterly publication, provides information about our positions, activities and contributions to the Canadian healthcare system. Every edition of this newsletter discusses a significant public policy issue, and provides insight into our position on these important matters.

In this edition, we take a look at Bill S-17, a bill that will bring Canada into compliance with the patent protection requirements of the World Trade Organization.

We hope you find Public Policy News informative and insightful.

An interview with Paul N. Lucas, President & CEO, GlaxoSmithKline

Why Did Glaxo Wellcome and SmithKline Beecham merge?

The foundation of our business is the discovery and development of new medicines. This merger will provide us with the scale and resources needed to invest in drug discovery so we can deliver new medicines to patients faster and more efficiently. GlaxoSmithKline will invest more than $100 million in Canada and $5 billion worldwide in research and development in 2001. This will allow us to continue with our important traditional research, but will also allow us to be at the leading edge of new and exciting areas such as genetics and genomics.

How has the merger affected the Canadian organization?

GlaxoSmithKline builds on a Canadian heritage that spans nearly 100 years. Today, we are in the strongest position we've ever been in terms of research and development, employment, contribution to the Canadian economy and ability to continue our strong commitment to giving to charitable causes.

What contribution does GlaxoSmithKline make to the Canadian economy?

The company is one of Canada's top 20 investors in Canadian research and development in any industry, investing more than $100 million annually. The company employs approximately 1,800 people across Canada, including 400 who work in the research and development of new medicines.

GlaxoSmithKline has regional business offices in Halifax, Ottawa, Winnipeg, Calgary and Vancouver, and distribution centres in Moncton, Toronto and Calgary.

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In addition, we recently invested $10 million in Quebec to relocate the Bureau d'affaires du Quebec to a larger facility, ensuring a strong, long-term presence in the province. Our head office in Mississauga, Ontario, includes a $120-million, 250,000 square foot manufacturing facility that produces more than 100 medicines and 20 million units annually. About half of this production is exported, primarily to the United States.

What is GlaxoSmithKline's commitment to philanthropy?

The company is one of Canada's top 10 corporate charitable donors, contributing more than $6.5 million annually to causes and activities. As a result, GlaxoSmithKline was designated as A Caring Company by Imagine, a program of the Canadian Centre for Philanthropy. Much of the focus of our charitable activity is in the area of hospice palliative care, through the GlaxoSmithKline Foundation. Hospice palliative care was the charitable cause chosen by our employees, who voted to support the goal of providing quality end-of-life care.

How does GlaxoSmithKline contribute to Research and Development in Canada?

The company's significant investment in research and development — more than $100 million annually — will drive the discovery of new medicines and help our country's world-class scientists and doctors conduct their important research and development work in Canada. For example, the $10 million GlaxoSmithKline Pathfinders Fund for Leaders in Canadian Health Science Research aims to create research positions in every Canadian medical school.

GlaxoSmithKline employs more than 400 people who work in the discovery and development of new medicines — making ours one of the largest R&D organizations in the country. Our company works in partnership with regional and national scientific organizations conducting more than 200 clinical studies annually in Canada, involving some 40,000 patients and 3,000 physicians. This represents ten per cent of the company's worldwide mandate.

GlaxoSmithKline Pathfinders Fund for Leaders in Canadian Health Science Research

In Canada, GlaxoSmithKline is a top 20 investor in research and development, contributing more than $100 million annually. During the past few years we have taken our R&D program one step further with the creation of the Pathfinders Fund for Leaders in Canadian Health Science Research. The goal of the $10 million fund is to open new research positions in al 16 medical schools across Canada, providing opportunities for Canada's talented scientists and researchers.

"The Pathfinders Fund is intended to strengthen the Canadian knowledge base by providing opportunities for scientists to do their important discovery work in this country," said Kevin Fehr, Director, Basic Research and Genetics at GlaxoSmithKline. "We will not succeed in Canada in terms of innovation without strong support for developing our expertise by providing our scientists with dedicated, innovative and challenging research opportunities."

Pathfinders Fund in Action

The recent discovery of the gene responsible for a lethal hormone deficiency in children by Dr. Jacques Drouin and his team at the Laboratory of Molecular Genetics at the Clinical Research Institute of Montreal (IRCM) spotlights the important discovery work being conducted in Canada. Dr. Drouin holds the GlaxoSmithKline Chair in Molecular Genetics at the IRCM — a research position endowed by the Pathfinders Fund.

Dr. David Park, who is also supported by the Pathfinders Fund, recently received the Dr. Michael Smith Promising Scientist Award. The award is open to individuals and teams who have been involved in life sciences research for less than ten years beyond post-graduate study. The award winner is selected based on significant scientific contributions to the field, supported by papers in refereed journals, patents and other relevant publications.

Dr. Stephen Collins, the first to hold the endowed Chair of Gastroenterology at McMaster University in Hamilton, will focus his research on inflammation of the gastrointestinal tract and its effects on the nervous system.

The University of Alberta's Faculty of Medicine and Dentistry was granted funding for a Chair in Virology. This grant has enabled the Faculty to hire a team of infectious disease researchers and to purchase state-of-the-art equipment necessary to investigate new treatments and therapies for diseases such as HIV/AIDS and hepatitis.

BANTING AND BEST

WEREN'T KNOWN FOR THEIR WIT, POLITICAL FLAIR OR

BLAZING SLAPSHOTS.

HOW DID THEY EVER BECOME

CANADIAN HEROES?

Of course, they did discover insulin. A breakthrough medicine that saved the lives of people with diabetes and led to a Nobel Prize.

But what about today's Canadian scientists?

GlaxoSmithKline has created the Pathfinders Fund for Leaders in Canadian Health Science Research. It's part of our annual 100 million-dollar investment in Canadian research and development.

Each of Canada's 16 medical schools has received or will soon receive important funding. This will help open new research positions, essential for fostering medical innovation.

The Pathfinders Fund has made a difference to scientists, physicians and communities in all parts of the country. In time, it may even help discover a few new Canadian heroes.

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DISEASE DOES NOT WAIT.

NEITHER WILL WE.

Bill S-17 Brings Canada into Compliance with World Trade Organization Requirements

Bill S-17 will bring the Canadian Patent Act into compliance with Canada's obligations under the World Trade Organization's (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). This new legislation affects all sectors but the primary focus during the debate process was on pharmaceutical patents. The Bill has now received Royal Assent. The passage of this Bill will allow the government to meet the WTO deadline of August 14, 2001 for compliance.

As a party to the TRIPS Agreement, Canada was obliged to align its term of protection for certain patents pre-dating 1989 ("Old Act" patents). The World Trade

Organization found that the term of protection of 17 years for "Old Act" patents was inconsistent with the TRIPS Agreement in instances where the patent was granted within three years from the date the application was filed. The proposed amendments only affect those "Old Act" patents where the patent took less than three years to review and issue.

Industry Canada has estimated that of the approximately 53,500 patents affected by this Bill, the proposed amendments would extend the patent term of only 30 commercially significant drugs. Protected by "Old Act" patents, the average patent term extension is estimated, on average, to be less than six months.

The WTO ruling has no significant or sustained impact on drug costs, as the impact of the ruling over the eight-year horizon is equivalent to much less than one per cent of pharmaceutical sales in a single year. Canadians will continue to have access to affordable drugs.

GlaxoSmithKline in Canada

GlaxoSmithKline is committed to bringing the power of science to the needs of people to help them do more, feel better and live longer.

GlaxoSmithKline is a leader in four major therapeutic areas — anti-infectives, central nervous system (CNS), respiratory and gastro-intestinal/metabolic, as well as in the increasingly important area of vaccines. The company's most prominent products include: **PAXIL**® (for depression, panic disorder, obsessive compulsive disorder and social anxiety disorder); **ADVAIR**®, **FLOVENT**®, **SEREVENT**® (for asthma); **AVANDIA**® (for type 2 diabetes); **IMITREX**®, **AMERGE**® (for migraine); **ReQuip**® (for Parkinson's Disease); **3TC**®, **RETROVIR**® (for HIV/AIDS); **ZOVIRAX**®, **VALTREX**® (for herpes and herpes zoster); **HYCAMTIN**®, **ZOFRAN**® (for cancer); **FLONASE**® (for rhinitis); **LAMICTAL**® (for epilepsy); and **ZYBAN**® (for smoking cessation). Key vaccines include: **ENGERIX**®**-B** (for hepatitis B); **HAVRIX**® (for hepatitis A) and **TWINRIX**® (for hepatitis A and B).

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