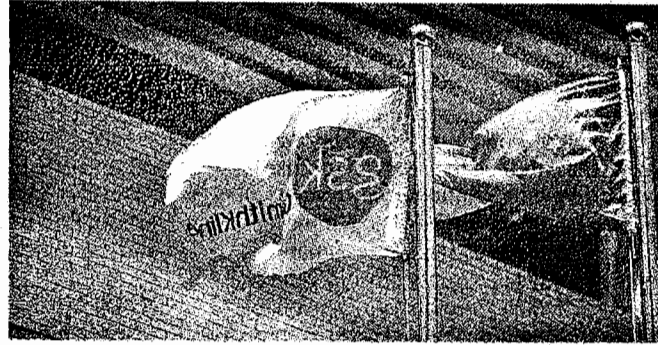


China slaps \$490-m fine on GSK in bribe case



A flag bearing the logo of GlaxoSmithKline (GSK) flutters next to the Chinese national flag outside a GSK office building in Shanghai.

REUTERS

Shanghai/London, September 19

China fined GlaxoSmithKline Plc a record 3 billion yuan (\$490 million) on Friday for paying bribes to doctors to use its drugs, underlining the risks of doing business there while also ending a damaging chapter for the British drugmaker.

A court in the southern city of Changsha also sentenced Mark Reilly, the former head of GSK in China, and other GSK executives to between two and four years in jail, according to state news agency Xinhua.

However, Reilly, shown on state television wearing a suit and looking tired during the trial, will be deported and will not face jail time in China, a source with direct knowledge of the case said.

"Reilly will be deported so he won't be in detention in China," said the source, who declined to be named because of the sensitivity of the case.

The verdict, handed out behind closed doors in a single-day trial according to Xinhua, highlights how Chinese regu-

lators are increasingly cracking down on bad behaviour.

However, it also offers GSK a potential way forward in the fast-growing Chinese pharmaceutical market, a magnet for foreign firms that are attracted by a healthcare bill that McKinsey & Co estimates will hit \$1 trillion by 2020. "If GSK China can learn a profound lesson and carry out its business according to the rule of law, then it can once again win the trust of China's government and people," Xinhua said in a commentary. Xinhua closely reflects China's official government view.

Committed to China

GSK said it remained committed to China and promised to become a "model for reform in China's healthcare industry".

"GSK Plc has reflected deeply and learned from its mistakes, has taken steps to comprehensively rectify the issues identified at the operations of GSKCI, and must work hard to regain the trust of the Chinese people," GSK said in a written apology.

Company