GLAXOSMITHKLINE PLC
Form 6-K
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For period ending 07 February 2018

GlaxoSmithKline plc
(Name of registrant)

980 Great West Road, Brentford, Middlesex, TW8 9GS
(Address of principal executive offices)

Indicate by check mark whether the registrant files or
will file annual reports under cover Form 20-F or Form 40-F

Form 20-F x   Form 40-F

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Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under the
Securities Exchange Act of 1934.

Yes   No x

Issued: Wednesday, 7 February 2018, London U.K.

GSK delivers improvements in sales, margins and cash flow in 2017
Total EPS 31.4p, +67% AER, +36% CER; Adjusted EPS 111.8p, +11% AER, +4% CER

2017 financial highlights

- Turnover £30.2 billion, +8% AER, +3% CER
- Sales growth across all 3 businesses: Pharmaceuticals £17.3 billion, +7% AER, +3%, CER; Vaccines £5.2 billion, +12% AER, +6% CER; Consumer Healthcare £7.8 billion, +8% AER, +2% CER
- Improved Adjusted Group operating margin of 28.4% (2016: 27.5%). Pharmaceuticals 34.3%; Vaccines 31.9%; Consumer Healthcare 17.7%
- Total EPS 31.4p, after accounting charges of £1.6 billion related to US tax reform
- Adjusted EPS 111.8p, +11% AER, +4% CER, in line with 2017 guidance
- 2017 free cash flow of £3.4 billion (2016: £3.0 billion)
- 23p dividend declared for quarter; 80p for 2017

2018 financial guidance

- 2018 Adjusted EPS Guidance: Growth is subject to uncertainty of timing and impact of possible generic competition to Advair in the US:
  - In the event of no substitutable generic competitor to Advair in the US, expect 2018 Adjusted EPS growth to be 4 to 7% CER
  - In the event of a mid-year introduction of a substitutable generic competitor to Advair in the US, expect full year 2018 US Advair sales of around £750 million at CER (US$1.30/£1) with Adjusted EPS flat to down 3% CER
  - Both scenarios reflect the benefit of US tax reform with expected 2018 effective tax rate on Adjusted profits of 19-20%
- Continue to expect 80p dividend for 2018

Product and pipeline highlights

- New product sales of £6.7 billion, +51% AER, +44% CER, driven by strong performances from Tivicay and Triumeq in HIV, the inhaled Ellipta portfolio and Nucala in Respiratory and meningitis vaccines
- Three key approvals: Shingrix vaccine for shingles; Trelegy Ellipta, once-daily single inhaler triple therapy for COPD; Juluca (dolutegravir and rilpivirine), first 2-drug regimen, once-daily, single pill for HIV
- Preferential recommendation for Shingrix received from US CDC
- Trelegy Ellipta approved in Europe for COPD
- Nucala filed in US for eosinophilic COPD
- Phase III HIV treatment study initiated investigating long-acting 2-drug regimen of cabotegravir plus rilpivirine administered every two months
- In Oncology, Breakthrough Therapy Designation received from FDA for BCMA antibody-drug conjugate for relapsed and refractory multiple myeloma. Positive BCMA data presented at ASH meeting

2017 results

	2017	Growth		Q4 2017	Growth	
	£m	£%	CER%	£m	£%	CER%

Turnover	30,186	8	3	7,639	1	4
Total operating profit	4,087	57	39	512	(14)	(4)
Total earnings/(loss) per share	31.4p	67	36	(11.2)p	>(100)	>(100)
Adjusted operating profit	8,568	12	5	2,038	1	5
Adjusted earnings per share	111.8p	11	4	27.2p	7	11
Net cash from operating activities	6,918	6		2,869	(4)	
Free cash flow	3,437	14		1,793	3	

The Total results are presented under 'Income Statement' on page 42 and Adjusted results reconciliations are presented on pages 20, 27 and 61 to 64. The definitions of £% or AER% growth, CER% growth, Adjusted results, free cash flow and other non-IFRS measures are set out on page 39.
All expectations and targets regarding future performance should be read together with "Assumptions related to 2018 guidance and 2016-2020 outlook" and "Assumptions and cautionary statement regarding forward-looking statements" on page 40.

Emma Walmsley, Chief Executive Officer, GSK said:

"In 2017 GSK delivered encouraging results from across the company with sales growth in each of our three global businesses, an improved Group operating margin, Adjusted EPS growth of 4% (CER) and stronger free cash flow.

"We are focused on competing effectively across our current portfolio and delivering three new launches which bring significant benefits to patients: Trelegy Ellipta which provides three medicines in a single inhaler to treat COPD; Juluca, the first 2-drug regimen, once-daily, single pill for HIV, helping to reduce the amount of medicines needed, and Shingrix, our new vaccine which represents a new standard for the prevention of shingles.

"Improving our Pharmaceuticals business remains our main priority and we are strengthening our pipeline with a focus on priority assets in two current therapy areas, Respiratory and HIV, and two potential areas, Oncology and Immuno-inflammation. We will provide a further update to investors at Q2 on our plans for R&D.

"We continue to make changes across GSK to drive improvements in performance and we have made several new appointments to key leadership positions.

"Looking ahead, in 2018 we could see a potential generic version of Advair in the US and our 2018 guidance reflects this. With the sales momentum we anticipate from new and recent launches and focused improvements in operating performance we are increasingly confident in our ability to deliver mid to high single digit growth in Adjusted EPS CAGR (2016-2020 at 2015 CER).

"Cash generation also continues to be a key focus with free cash flow for the year improving to £3.4 billion. We met our commitment to pay a total dividend of 80p for 2017 and continue to expect to pay 80p for 2018.

"Finally, I would like to thank all our customers, suppliers and employees for their support and hard work in 2017 and look forward to working with them in 2018 and beyond to deliver our strategic priorities and improved performance for GSK."

2018 guidance

The Group expects to make continued progress in 2018, although the expectation for Adjusted EPS growth is impacted by a number of factors including, in particular, uncertainties relating to the timing and extent of potential generic competition to Advair in the US.

In the event that no substitutable generic competitor to Advair is introduced to the US market in 2018, the Group expects 2018 Adjusted EPS growth of 4 to 7% at CER. This is based on an expected decline in 2018 US Advair sales of 20-25% at CER.

In the event of a mid-year introduction of a substitutable generic competitor to Advair in the US, the Group expects full year 2018 US Advair sales of around £750 million at CER (US$1.30/£1), with Adjusted EPS flat to down 3% at CER.

The effective tax rate for 2018 is expected to be approximately 19-20% of Adjusted profits after the impact of US tax reform which is expected to benefit the Group effective tax rate by two to three percentage points.

GSK is not able to give guidance for Total results as it cannot reliably forecast certain material elements of our Total results such as the future fair value movements on contingent consideration and put options. It should be noted that contingent consideration cash payments are made each quarter primarily to Shionogi by ViiV Healthcare which reduce the balance sheet liability and are hence not recorded in the income statement. An explanation of the acquisition-related arrangements with ViiV Healthcare, including details of cash payments to Shionogi, is set out on page 59.

If exchange rates were to hold at the average rates for January 2018 ($1.39/£1, €1.13/£1 and Yen 154/£1) for the rest of 2018, the estimated negative impact on full-year 2018 Sterling turnover growth would be around 4% and if exchange gains or losses were recognised at the same level as in 2017, the estimated negative impact on 2018 Sterling Adjusted EPS growth would be around 6%.

US tax reform

The enactment of the US Tax Cuts and Jobs Act in December 2017 is expected to have a positive impact on the future after tax earnings of GSK's US businesses. This is primarily due to the reduction in Federal corporation tax rates from 1 January 2018, which is expected to benefit the Group effective tax rate on Adjusted profits in 2018 by two to three percentage points.

The implementation of the new law has resulted in a number of additional charges in 2017, which reduced Total earnings by £1,630 million.

Firstly, increased valuations of the HIV and Consumer Healthcare businesses due to lower US tax rates resulted in an increase in the related liabilities for contingent consideration and the put options of £666 million.

Secondly, an additional tax charge of £1,078 million comprised a reduction in the value of US deferred tax assets held against future liabilities, such as pensions, of £730 million, and a charge of £348 million arising on the reserves of subsidiaries of US entities in the Group. The cash impact of this latter charge will be spread over eight years from 2018, with approximately 60% expected to be payable in years six to eight.

These charges were partly offset by an allocation to non-controlling interests amounting to £114 million, as many of the adjustments related to ViiV Healthcare and the Consumer Healthcare Joint Venture.

These charges represent management's estimates of the impact of US tax reform on the Group based on the information currently available. As more information on the detailed application of the Act becomes available, the assumptions underlying these estimates could change, with consequent adjustments to the charges taken that could have a material impact on the results of the Group.

Contents

Sales performance

Group turnover by business and geographic region – 2017

Group turnover by business	2017		
	£m	Growth £%	Growth CER%
Pharmaceuticals	17,276	7	3
Vaccines	5,160	12	6
Consumer Healthcare	7,750	8	2
Group turnover	30,186	8	3

Group turnover for the year increased 8% AER, 3% CER to £30,186 million, with growth delivered by all three businesses.

Pharmaceuticals sales were up 7% AER, 3% CER, reflecting the continued strong growth of the new Respiratory and HIV products, partly offset by declines in older Respiratory products, including Seretide/Advair and Established Pharmaceuticals, including the impact of recent divestments.

Vaccines sales were up 12% AER, 6% CER, reflecting a strong performance from Meningitis and Influenza vaccines and higher demand for Established Vaccines, as well as the benefit of favourable year-on-year US CDC stockpile movements.

Consumer Healthcare sales grew 8% AER, 2% CER reflecting a strong performance from power brands in the Pain and Oral health categories, partly offset by the impact of continued competitive pressures in the US allergy category. In addition, reported growth was impacted by the Nigerian beverages business divestment in Q3 2016 and the implementation of the Goods & Service Tax (GST) in India on 1 July 2017.

Sales of New Pharmaceutical and Vaccine products in 2017 were £6,732 million, up 51% AER, 44% CER.

Group turnover by geographic region	2017		
	£m	Growth £%	Growth CER%
US	11,263	10	6
Europe	7,943	6	-
International	10,980	7	3
Group turnover	30,186	8	3

The US sales growth of 10% AER, 6% CER was driven by continued strong performances from Triumeq and Tivicay and growth in the Respiratory portfolio, together with strong performances in the US from Hepatitis and Meningitis vaccines.

Europe sales grew 6% AER, but were flat at CER as growth from Triumeq, Tivicay and Meningitis vaccines was offset by the decline in Established Pharmaceuticals, including the impact of the disposal of the Romanian distribution business in Q4 2016. Respiratory sales were up 5% AER, but flat at CER, as the decline in Seretide offset the growth in the new Respiratory products.

In International, sales growth of 7% AER, 3% CER reflected strong growth in Triumeq, Tivicay and the Respiratory portfolio, with Established Pharmaceuticals flat, including the impact of divestments. Growth in Emerging Markets of 8% AER, 4% CER was also impacted by divestments.

Group turnover by business and geographic region – Q4 2017

Group turnover by business	Q4 2017		
	£m	Growth £%	Growth CER%

Pharmaceuticals	4,540	(1)	3
Vaccines	1,208	6	9
Consumer Healthcare	1,891	1	4
Group turnover	7,639	1	4

Group turnover increased 1% AER, 4% CER, with CER growth delivered by all three businesses.

Pharmaceuticals sales declined 1% AER, but grew 3% CER, reflecting continued strong growth of the new Respiratory and HIV products, partly offset by declines in older Respiratory products, including Seretide/Advair and Established Pharmaceuticals, including the impact of recent divestments.

Vaccines sales were up 6% AER, 9% CER, with strong performances from Meningitis and Influenza vaccines, partly offset by the impact of increased competitive pressures on Infanrix and Pediarix.

Consumer Healthcare sales were up 1% AER, 4% CER, reflecting strong performances from power brands in the Respiratory, Pain and Oral health categories. A stronger performance by the Nutrition category, which benefited from comparison with a weaker Q4 2016 (due to the impact of Indian demonetisation), offset the negative impacts on growth of generic competition to Transderm Scop in the US and the Goods & Service Tax (GST) implementation in India on 1 July 2017.

Sales of New Pharmaceutical and Vaccine products in the quarter were £1,867 million, up 36% AER, 40% CER.

Group turnover by geographic region	Q4 2017		
	£m	Growth £%	Growth CER%
US	2,846	(2)	4
Europe	1,993	2	-
International	2,800	2	7
Group turnover	7,639	1	4

US sales declined 2% AER, but grew 4% CER, driven by strong performances from Triumeq and Tivicay, together with Meningitis and Influenza Vaccines.

Europe sales grew 2% AER, but were flat at CER as growth from Tivicay and Triumeq was offset by continued generic competition to Epzicom and Avodart. Growth in the new Respiratory products offset the decline in Seretide.

In International, sales growth of 2% AER, 7% CER reflected strong growth in Triumeq, Tivicay and the Respiratory portfolio, together with the launch of Cervarix in China. Sales in Emerging Markets grew 4% AER, 9% CER.

Turnover – 2017

Pharmaceuticals

	2017		
	£m	Growth £%	Growth CER%
Respiratory	6,991	7	3
HIV	4,350	22	16
Immuno-inflammation	377	11	6
Established Pharmaceuticals	5,558	(2)	(5)
	17,276	7	3
US	7,568	11	6
Europe	3,983	3	(3)
International	5,725	6	4
	17,276	7	3

Pharmaceuticals turnover in 2017 was £17,276 million, up 7% AER, 3% CER. Respiratory sales grew 7% AER, 3% CER to £6,991 million, driven by the Ellipta portfolio and Nucala, while HIV sales were up 22% AER, 16% CER to £4,350 million, driven by increases in market share for Triumeq and Tivicay. Sales of Established Pharmaceuticals declined 2% AER, 5% CER, reflecting a three percentage point impact of recent divestments. These divestments reduced overall Pharmaceuticals CER growth by one percentage point, most significantly impacting the contribution from Europe and Emerging Markets.

In the US, sales growth of 11% AER, 6% CER was driven by the HIV portfolio and new Respiratory products. Europe sales grew 3% AER but declined 3% CER, reflecting the continued transition of the Respiratory portfolio and generic competition to Kivexa as well as the disposal of the Romanian distribution business during Q4 2016 which reduced growth by three percentage points. International sales growth was impacted by the benefit to Q1 2016 of the accelerated sale of inventory under supply agreements to Novartis as well as the disposal of the thrombosis and anaesthesia businesses to Aspen in Q1 2017, which reduced growth in International by one percentage point and in Emerging Markets by two percentage points to 7% AER, 5% CER. Sales in Japan grew 6% AER, 3% CER.

Respiratory

Total Respiratory portfolio sales were up 7% AER, 3% CER, with the US up 8% AER, 3% CER, Europe up 5% AER but flat at CER and International up 9% AER, 5% CER. Growth of the new Respiratory products more than offset the decline in Seretide/Advair.

The new Respiratory products recorded combined sales of £1,930 million in 2017 with sales of Ellipta products up 67% AER, 59% CER driven by continued strong growth in the US and the ongoing roll-out across Europe and International. Sales of Nucala were £344 million, a Sterling increase of £242 million, and included sales of £236 million in the US.

The aggregate growth of the Ellipta products was driven primarily by the contribution of the US, where sales were up 72% AER, 65% CER on the back of further market share gains. Total Relvar/Breo Ellipta sales grew 62% AER, 55% CER to £1,006 million, with the US up 75% AER, 67% CER to £602 million. Anoro Ellipta sales grew 70% AER, 63% CER to £342 million, also reflecting market share gains in the US. All Ellipta products, Breo, Anoro, Incruse and Arnuity, continued to grow market share in the US in the year.

Seretide/Advair sales declined 10% AER, 14% CER to £3,130 million. Sales in the US declined 12% AER, 16% CER (5% volume decline and a 11% negative impact of price), with payer rebate adjustments related to prior periods favourably impacting sales in the year. In Europe, Seretide sales were down 12% AER, 17% CER to £736 million (11% volume decline and a 6% negative impact of price), reflecting continued competition from generics and the transition of the Respiratory portfolio to newer products. In International, sales of Seretide declined 5% AER, 8% CER to £784 million (6% volume decline and a 2% negative impact of price), also reflecting increased generic competition and the transition to the newer Respiratory products.

Pricing pressures also affected other older products with Ventolin sales declining 2% AER, 6% CER to £767 million, including the negative impact of payer rebate adjustments related to prior periods in the US. Flixotide/Flovent sales were down 6% AER, 10% CER to £596 million, with the US down 15% AER, 18% CER.

The net impact of adjustments to payer rebates for prior periods across the US Respiratory portfolio was broadly neutral to reported US Respiratory sales.

HIV

HIV sales increased 22% AER, 16% CER to £4,350 million in the year, with the US up 26% AER, 21% CER, Europe up 10% AER, 3% CER and International up 33% AER, 26% CER. The growth in all three regions was driven by continued increases in market share for Triumeq and Tivicay, partly offset by the impact of generic competition to Epzicom/Kivexa, particularly affecting the European market. The ongoing increase in patient numbers for both Triumeq and Tivicay resulted in sales of £2,461 million and £1,404 million, respectively, in the year. Juluca was approved in the US in November 2017, and recorded initial sales of £5 million.

Epzicom/Kivexa sales declined 59% AER, 61% CER to £234 million, reflecting the ongoing generic competition since Q3 2016.

Immuno-inflammation

Sales grew 11% AER, 6% CER in the year. The negative impact of the divestment of Raxibacumab, which recorded strong sales in Q4 2016, was more than offset by the growth of Benlysta, up 23% AER, 17% CER to £375 million, driven by a strong US performance.

Established Pharmaceuticals

Sales of Established Pharmaceuticals in 2017 were £5,558 million, declining 2% AER, 5% CER, impacted by the comparison with the accelerated sale of inventory under supply agreements to Novartis in Q1 2016 as well as the disposal of the thrombosis and anaesthesia businesses to Aspen in Q1 2017 and the disposal of the Romanian distribution business in Q4 2016. The impact of these disposals on the growth of the Established Pharmaceuticals portfolio was approximately three percentage points.

The Avodart franchise declined 3% AER, 9% CER to £613 million primarily due to the loss of exclusivity in the US and Europe and the impact of favourable RAR adjustments in 2016.

Dermatology sales grew 16% AER, 11% CER to £456 million, reflecting improved supply in Emerging Markets and growth in Japan, while Augmentin sales grew 4% AER, 2% CER to £587 million.

Vaccines

	2017		
	£m	Growth £%	Growth CER%

Meningitis	890	34	27
Influenza	488	18	12
Shingles	22	-	-
Established Vaccines	3,760	7	1
	5,160	12	6
US	1,869	17	12
Europe	1,600	12	6
International	1,691	8	1
	5,160	12	6

Vaccines turnover grew 12% AER, 6% CER to £5,160 million, primarily driven by Meningitis vaccines, with Bexsero growing across all regions and Menveo in the US and Europe and higher sales of influenza products, primarily in the US and Europe. Established Vaccines growth was driven by Hepatitis vaccines, mainly due to a competitor supply shortage in the US, higher demand for Boostrix and Rotarix and the launch of Cervarix in China. Favourable year-on-year CDC stockpile movements for Infanrix, Pediarix and Menveo in the US also contributed to growth. These were partly offset by increasing competitive pressures on Infanrix, Pediarix in the US and Europe, and lower Synflorix sales, driven by lower pricing in developing countries.

Meningitis
Meningitis sales grew 34% AER, 27% CER to £890 million. Bexsero sales growth of 43% AER, 34% CER was driven by new national immunisation programmes, private market sales and regional tenders in Europe, as well as growing demand and share gains in the US, together with strong private market sales in International. Menveo sales grew 36% AER, 29% CER, primarily driven by the impact of favourable year-on-year CDC stockpile movements, partly offset by supply constraints in International.

Influenza
Fluarix/FluLaval sales were up 18% AER, 12% CER to £488 million, reflecting strong sales execution, primarily in the US, and higher demand in Europe.

Shingles
Shingrix recorded initial sales into the channel of £22 million in the US after its FDA approval and favourable ACIP recommendations.

Established Vaccines
Sales of the DTPa-containing vaccines (Infanrix, Pediarix and Boostrix) were up 5% AER, but flat at CER. Boostrix sales grew 19% AER, 13% CER, benefiting from higher demand across all regions. Infanrix, Pediarix sales were down 3% AER, 8% CER, mainly driven by increased competitive pressures in the US and Europe, together with a new market entrant in Europe, partly offset by favourable year-on-year CDC stockpile movements in the US.

Hepatitis vaccines grew 15% AER, 10% CER to £693 million, benefiting from a competitor supply shortage and higher demand in the US, partly offset by the unfavourable impact of CDC stockpile movements in the US and supply constraints in Europe and International.

Rotarix was up 12% AER, 6% CER to £524 million, reflecting higher demand in Europe and International.

Synflorix sales were up 1% AER, but down 6% CER to £509 million, due to lower pricing in Emerging Markets partly offset by higher demand elsewhere in International.

Priorix/Priorix Tetra/Varilrix sales were flat at AER, but down 5% CER to £301 million, mainly due to supply constraints in International.

Cervarix sales increased by 65% AER, 57% CER to £134 million, driven by its recent launch in China.

Consumer Healthcare

	2017		
	£m	Growth £%	Growth CER%
Wellness	4,001	7	2
Oral health	2,466	11	6
Nutrition	680	1	(5)
Skin health	603	6	-
Total	7,750	8	2
US	1,826	4	(1)
Europe	2,360	9	3
International	3,564	9	4
	7,750	8	2

Consumer Healthcare turnover was up 8% AER, 2% CER in the 12 months at £7,750 million, impacted by slower global growth in key categories. A strong performance by power brands across Wellness and Oral health was partly offset by competitive pressures in the US allergy category, impacting Flonase OTC, as well as lower sales of tail brands across the Nutrition and Skin health categories. In addition, reported growth was impacted by the disposal of the Nigeria beverages business in Q3 2016 and the implementation of the Goods & Service Tax (GST) in India in July, the net effects of which were partly offset by the benefit of the comparison with the impact of demonetisation in India in Q4 2016. The divestment, GST and demonetisation combined to reduce overall Consumer Healthcare CER growth by approximately one percentage point.

Sales from new GSK innovations (product introductions within the last three years on a rolling basis) represented approximately 13% of sales in the period. Notable launches this year included parodontax and Flonase Sensimist in the US, the continued global roll out of Flonase OTC and several line extensions for Sensodyne, including next generation Sensodyne Rapid and Sensodyne Deep Clean.

Wellness
Wellness sales grew 7% AER, 2% CER to £4,001 million. This reflected a strong performance from Voltaren and Cold & flu seasonal products, partly offset by a weaker performance from US allergy products.

Respiratory sales were up 7% AER, 2% CER as strong broadly-based growth from Theraflu and Otrivin, particularly in Europe and International was partly offset by competitive pressures in the US for Flonase OTC from private label products.

Pain relief sales were up 10% AER, 4% CER, driven significantly by Voltaren with growth across all regions, benefiting from momentum in the 12-hour variant, strong in-store and marketing activation, expansion of expert detailing and strong performances in International markets. Panadol also grew strongly in Europe, benefiting from new advertising campaigns, and in International in low single digits.

Oral health

Oral health sales grew 11% AER, 6% CER to £2,466 million. Sensodyne continued to drive performance, reporting growth of 12% AER, 8% CER, with strong delivery in all regions following the roll out of next generation Sensodyne Rapid and the launch of Pronamel Strong & Bright. Sales of parodontax continued to grow strongly, reflecting double-digit performances in Europe and International, driven by a brand reset and increases in dentist recommendations, as well as the US launch in the first quarter. Denture care grew in mid-single digits with double-digit growth in emerging markets partly offset by slower consumption growth in the US and Germany.

Nutrition

Nutrition sales grew 1% AER and declined 5% CER to £680 million, adversely impacted by the sale of the Nigeria beverages business in Q3 2016 and the implementation of GST on 1 July, as well as continued competitive pressures for Horlicks in India. The net impact of the divestment of the Nigeria beverages business, implementation of GST offset by the favourable comparison with the impact of demonetisation in the prior year reduced Nutrition CER growth by approximately six percentage points.

Skin health

Skin health sales grew 6% AER, but were flat at CER at £603 million, with low single-digit growth in the US, a slight decline within Europe and International flat. Fenistil sales grew strongly, with good performances in Central & Eastern Europe, Germany and the Middle East, following digital activation and new media campaigns. Physiogel and Lamisil continued to be impacted by competitor activity, whilst Lip care sales grew in mid-single digits.

Turnover – Q4 2017

Pharmaceuticals

	Q4 2017		
	£m	Growth £%	Growth CER%
Respiratory	1,896	(1)	2
HIV	1,156	13	17
Immuno-inflammation	97	(13)	(9)
Established Pharmaceuticals	1,391	(9)	(5)
	4,540	(1)	3
US	2,032	(2)	3
Europe	1,036	1	-
International	1,472	-	5
	4,540	(1)	3

Pharmaceuticals turnover in the quarter was £4,540 million, down 1% AER, but up 3% CER, driven primarily by the growth in HIV sales, which were up 13% AER, 17% CER, to £1,156 million, reflecting continued strong performances of Triumeq and Tivicay. Respiratory sales declined 1% AER, but grew 2% CER to £1,896 million, with growth from the new Ellipta portfolio and Nucala partly offset by lower sales of Seretide/Advair, Flovent and Ventolin. Sales of Established Pharmaceuticals fell 9% AER, 5% CER, partly reflecting recent divestments. These divestments reduced overall Pharmaceuticals growth by one percentage point, most significantly impacting the contribution from Emerging Markets.

In the US, sales declined 2% AER, but growth of 3% CER was driven by the HIV portfolio and new Respiratory products. Europe sales grew 1% AER but were flat at CER, reflecting continued generic competition to Epzicom and Avodart, the continuing transition of the Respiratory portfolio, and the disposal of the Romanian distribution business during Q4 2016, which impacted Europe sales by two percentage points. International sales growth was impacted by one percentage point from the disposal of the thrombosis and anaesthesia businesses to Aspen in Q1 2017, which also reduced growth in Emerging Markets by two percentage points to 2% AER, 8% CER. Sales in Japan, impacted one percentage point by divestments, declined 3% AER but grew 2% CER driven by the new Respiratory portfolio.

Respiratory

Total Respiratory portfolio sales declined 1% AER but were up 2% CER, with the US down 4% AER, but flat at CER. Europe sales grew 6% AER, 4% CER and International grew 1% AER, 6% CER. Growth in the new Respiratory products was partly offset by declines in Seretide/Advair, Flovent and Ventolin.

The new Respiratory products recorded combined sales of £601 million in the quarter with sales of Ellipta products up 50% AER, 53% CER, driven by continued strong growth in all regions. Sales of Nucala were £121 million in the quarter, a Sterling increase of £77 million over Q4 2016, and included sales of £83 million in the US.

The aggregate growth of the Ellipta products was driven primarily by the contribution of the US, where sales grew 53% AER, 58% CER, reflecting further market share gains, partly offset by continued pricing pressures and the negative impact in the quarter of payer rebate adjustments related to prior periods. Relvar/Breo Ellipta sales grew 43% AER, 46% CER, to £296 million, helped by ongoing launches but primarily the growth in the US, which was up 48% AER, 54% CER to £181 million. Anoro Ellipta sales grew 58% AER, 62% CER to £109 million, also reflecting market share gains in the US. All Ellipta products, Breo, Anoro, Incruse and Arnuity, continued to grow market share in the US during the quarter.

Seretide/Advair sales declined 19% AER, 16% CER to £787 million. Sales of Advair in the US declined 27% AER, 22% CER (1% volume decline and a 21% negative impact of price) reflecting continued pricing pressures and the negative impact of payer rebate adjustments in the quarter. In Europe, Seretide sales were down 8% AER, 10% CER to £184 million (12% volume decline and a 2% positive impact of price, including a five percentage point benefit from an adjustment to a clawback provision). This reflected continued competition from generic products and the transition of the Respiratory portfolio to newer products. In International, sales of Seretide were down 10% AER, 7% CER, to £196 million (6% volume decline; and a 1% impact of price), reflecting increased generic competition and the transition to the newer Respiratory products.

Pricing pressures also affected other older products, with Ventolin sales declining 12% AER, 9% CER to £215 million, including the negative impact of payer rebate adjustments related to prior periods in the US. Flixotide/Flovent sales declined 15% AER, 12% CER to £162 million, with the US down 21% AER, 17% CER. Europe and International combined were broadly flat.

The net impact of adjustments to prior quarters for payer rebates across the Respiratory portfolio reduced US Respiratory growth by approximately 11 percentage points.

HIV

HIV sales increased 13% AER, 17% CER to £1,156 million in the quarter, with the US up 13% AER, 19% CER, Europe up 9% AER, 7% CER and International up 24% AER, 28% CER. The growth was driven by continued increases in market share for Triumeq and Tivicay, partly offset by the impact of generic competition to Epzicom/Kivexa, particularly affecting the European market. The ongoing increase in patient numbers for both Triumeq and Tivicay resulted in sales of £653 million and £399 million, respectively, in the quarter. Juluca was approved in the US in November 2017, and recorded initial sales of £5 million.

Epzicom/Kivexa sales declined 63% AER, 61% CER to £42 million, reflecting ongoing generic competition.

Immuno-inflammation

Sales in the quarter were down 13% AER, 9% CER due to the divestment of Raxibacumab which recorded strong sales in Q4 2016. Benlysta sales grew 10% AER, 15% CER to £97 million.

Established Pharmaceuticals

Sales of Established Pharmaceuticals in the quarter were £1,391 million, down 9% AER, 5% CER, impacted by the disposals of the Romanian distribution business during Q4 2016 and the thrombosis and anaesthesia businesses to Aspen during the first quarter of 2017. The impact of the disposals on the growth of the Established Pharmaceuticals portfolio was approximately two percentage points.

The Avodart franchise was down 9% AER, 8% CER to £149 million, primarily due to loss of exclusivity in the US and Europe.

Dermatology sales grew 4% AER, 6% CER to £117 million, reflecting improved supply in Emerging Markets and growth in Japan, while Augmentin sales declined 2% AER, but grew 3% CER to £143 million.

Vaccines

	Q4 2017		
	£m	Growth £%	Growth CER%
Meningitis	201	17	20
Influenza	111	76	86
Shingles	22	-	-
Established Vaccines	874	(3)	(1)
	1,208	6	9
US	374	6	16
Europe	386	4	2
International	448	8	9
	1,208	6	9

Vaccines turnover grew 6% AER, 9% CER to £1,208 million with continued growth in Meningitis vaccines, notably Bexsero in International and Europe and Menveo in the US, which benefited from favourable CDC stockpile movements. Influenza products were up 76% AER, 86% CER, primarily in the US. Shingrix recorded initial channel sales in the US after its FDA approval. Established Vaccines were down 3% AER, 1% CER, primarily driven by the unfavourable impact of year-on-year CDC stockpile movements in the US, increasing competitive pressures on Infanrix, Pediarix in the US and Europe, and supply constraints for Priorix/Priorix Tetra/Varilrix. These declines were partly offset by higher demand for Rotarix and the launch of Cervarix in China.

Meningitis

Meningitis sales grew 17% AER, 20% CER to £201 million, with Bexsero sales up 17% AER, 20% CER, primarily driven by national immunisation programmes in Europe and private market sales in Europe and International. Menveo sales were up 30% AER, 38% CER, with growth primarily reflecting favourable CDC stockpile movements, partly offset by the reversal of phasing benefits and supply constraints in International.

Influenza

Fluarix/FluLaval sales grew 76% AER, 86% CER to £111 million, reflecting continued strong sales execution and higher demand in the US, as well as a benefit from the later phasing of shipments in the US.

Shingles

Shingrix recorded initial channel sales of £22 million in the US after its FDA approval and favourable ACIP recommendations.

Established Vaccines

Sales of DTPa-containing vaccines (Infanrix, Pediarix and Boostrix) were down 16% AER, 13% CER to £291 million. Infanrix, Pediarix sales declined 28% AER, 25% CER, primarily driven by the unfavourable impact of prior year CDC stockpile movements in the US and increased competitive pressure in the US and Europe, together with a new market entrant in Europe. Boostrix was up 6% AER, 8% CER, driven by stronger demand in Europe.

Hepatitis vaccines grew 3% AER, 6% CER to £161 million, benefiting from a competitor supply shortage and higher demand in the US, together with a tender award in International, partly offset by unfavourable year-on-year CDC stockpile movements in the US.

Rotarix sales were up 19% AER, 22% CER to £126 million, mainly driven by higher demand, including market expansions in International.

Synflorix sales declined 9% AER, 10% CER to £111 million reflecting the impact of lower pricing in developing markets and a tender award with lower volumes in Europe, partly offset by higher demand in International.

Priorix/Priorix Tetra/Varilrix sales declined 21% AER, 21% CER to £66 million, mainly due to supply constraints in International.

Cervarix sales were £62 million, more than double Q4 2016, driven by its recent launch in China.

Consumer Healthcare

	Q4 2017		
	£m	Growth £%	Growth CER%
Wellness	992	-	4
Oral health	602	1	5
Nutrition	163	9	11
Skin health	134	(3)	1

Total	1,891	1	4
US	440	(6)	-
Europe	571	2	1
International	880	4	9
	1,891	1	4

Consumer Healthcare turnover was up 1% AER, 4% CER in the quarter at £1,891 million with stronger consumption growth reflecting slightly improved global growth. A continuing strong performance by power brands in the Respiratory, Pain and Oral health categories, which together grew in high single digits, was partly offset by ongoing competitive pressures in the US allergy category and weak tail-brand performance in the Skin health category. The adverse impact on growth in the quarter from generic competition to Transderm Scop in the US and the implementation of the Goods & Service Tax (GST) in India in July was offset by the benefit of the comparison with the impact of demonetisation in India in Q4 2016.

Sales from new GSK innovations (product introductions within the last three years on a rolling basis) represented approximately 12% of sales in the quarter. Voltaren No Mess launched in the first market in Europe in the quarter and next generation Sensodyne Rapid achieved successful launches in 40 markets.

Wellness
Wellness sales were flat at AER, but grew 4% CER to £992 million. This reflected a strong performance from Voltaren and a good start to the cold and flu season, partly offset by continued competitive pressures in the US allergy sector.

Respiratory sales were up 1% AER, 4% CER, with good performances in Europe and International, partly offset by further declines in US allergy sales. Otrivin grew in double digits, driven largely by the Middle East, which benefited from new variants launched earlier in the year as well as a good start to the cold and flu season, while Theraflu recorded a strong performance in the US, benefiting from seasonal sales.

Pain relief continued to perform well in the quarter, up 5% AER, 8% CER. Both Voltaren and Excedrin grew in double digits with strong growth in International for Voltaren and new marketing campaigns for Excedrin in the US driving growth. Panadol was impacted by an adverse comparison with a strong performance in Q4 2016, the impact of the removal of OTC status for part of the range in Australia and lower sales in Latin America.

Generic competition to Transderm Scop continued to build in the US during the quarter, leading to a decline of 60% AER, 52% CER.

Oral health
Oral health sales grew 1% AER, 5% CER to £602 million. The Oral health power brands together grew at 3% AER, 7% CER. Sensodyne continued to drive performance, reporting growth of 2% AER, 6% CER with strong delivery in US and International following the successful roll out of next generation Sensodyne Rapid to 40 markets and the launch of Pronamel Strong & Bright partly offset by the adverse impact of wholesaler stocking patterns. Emerging market growth was particularly strong, most notably in India and China with the launch of Sensodyne Deep Clean. Sales of parodontax grew in double digits following the launch in the US earlier in the year. Denture care reported stronger growth, with good momentum across emerging markets and with the fixative format delivering strong results in the US and Japan following the introduction of new marketing programmes.

Nutrition

Nutrition sales grew 9% AER, 11% CER to £163 million despite the ongoing impact of GST, benefiting from a favourable comparison with Q4 2016, which was impacted by demonetisation in India. These factors together increased Nutrition growth by approximately three percentage points. In addition, growth was driven by a return to growth for Horlicks in India, and stronger performances of Vitamins and Minerals.

Skin health

Skin health sales declined 3% AER but grew 1% CER to £134 million, with a good performance in the US, driven by seasonal Lip care sales, and strong performances in International in the Middle East and China, largely offset by a challenging quarter in Europe, mainly due to heightened competition.

Sales from new Pharmaceuticals and Vaccine products

	2017			Q4 2017		
	£m	Growth £%	Growth CER%	£m	Growth £%	Growth CER%
Pharmaceuticals						
Respiratory						
Anoro Ellipta	342	70	63	109	58	62
Arnuity Ellipta	35	>100	>100	12	100	100
Incruse Ellipta	201	76	68	61	61	63
Nucala	344	>100	>100	121	>100	>100
Relvar/Breo Ellipta	1,006	62	55	296	43	46
	1,928	83	75	599	65	68
CVMU						
Eperzan/Tanzeum	87	(28)	(31)	14	(63)	(58)
HIV						
Tivicay	1,404	47	40	399	38	41
Triumeq	2,461	42	35	653	23	27
	5,880	52	45	1,665	36	40
Vaccines						
Bexsero	556	43	34	115	17	20
Menveo	274	36	29	65	30	38
Shingrix	22	-	-	22	-	-
	852	44	36	202	36	40
Total	6,732	51	44	1,867	36	40

In 2015, GSK identified a series of New Pharmaceutical and Vaccine products that were expected to deliver at least £6 billion of revenues per annum on a CER basis by 2020. Those products are as set out above and do not include Trelegy Ellipta and Juluca, which had initial sales in 2017 of £2 million and £5 million, respectively. The Group has previously announced its plans to withdraw Tanzeum. At 2015 exchange rates the equivalent value of the 2017 sales was £5.7 billion.

2017
Sales of New Pharmaceutical and Vaccine products were £6,732 million, grew £2,279 million in Sterling terms (51% AER, 44% CER) and represented approximately 30% of Pharmaceuticals and Vaccines turnover in the year.

Q4 2017
Sales of New Pharmaceutical and Vaccine products were £1,867 million, grew £497 million in Sterling terms (36% AER, 40% CER) and represented approximately 32% of Pharmaceuticals and Vaccines turnover in the quarter.

Financial performance – 2017

Total results

The Total results for the Group are set out below.

	2017 £m	2016 £m	Growth £%	Growth CER%
Turnover	30,186	27,889	8	3
Cost of sales	(10,342)	(9,290)	11	8
Gross profit	19,844	18,599	7	1
Selling, general and administration	(9,672)	(9,366)	3	(1)
Research and development	(4,476)	(3,628)	23	19
Royalty income	356	398	(11)	(13)
Other operating income/(expense)	(1,965)	(3,405)		
Operating profit	4,087	2,598	57	39
Finance income	65	72		
Finance expense	(734)	(736)		
Profit on disposal of associates	94	-		
Share of after tax profits of associates and joint ventures	13	5		
Profit before taxation	3,525	1,939	82	58
Taxation	(1,356)	(877)		
Tax rate %	38.5%	45.2%		
Profit after taxation	2,169	1,062	>100	71
Profit attributable to non-controlling interests	637	150		
Profit attributable to shareholders	1,532	912		
	2,169	1,062	>100	71

Earnings per share	31.4p	18.8p	67	36

Cost of sales
Cost of sales as a percentage of turnover was 34.3%, up 1.0 percentage points in Sterling terms and up 1.4 percentage points in CER terms compared with 2016. This primarily reflected the phasing of costs of manufacturing restructuring programmes including non-cash write downs as a result of plant closures and the write down of assets related to the progressive withdrawal of Tanzeum, as well as continued adverse pricing pressure in Pharmaceuticals, primarily Respiratory, and additional supply chain investments. This was partly offset by a more favourable product mix across all three businesses, particularly in Pharmaceuticals, reflecting the impact of higher HIV sales, and in Vaccines, reflecting the benefit of a settlement for lost third party supply volume and a favourable year-on-year comparison to inventory adjustments in 2016. There was also a continued contribution from integration and restructuring savings in all three businesses.

Selling, general and administration
SG&A costs were 32.0% of turnover, 1.5 percentage points lower than in 2016 in Sterling and CER terms. This primarily reflected lower restructuring costs and tight control of ongoing operating costs, particularly in Consumer Healthcare, as well as continued cost reductions in Pharmaceuticals, including the benefits of the Pharmaceuticals restructuring programme, and integration benefits in Vaccines and Consumer Healthcare. This was partly offset by an increased investment in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines.

Research and development
R&D expenditure was £4,476 million (14.8% of turnover), 23% higher than in 2016 at AER and 19% higher at CER. This included charges of £106 million from the utilisation of the Priority Review Voucher in Q2 2017 as well as increased investment in the progression of a number of mid and late-stage programmes. In addition, there were higher restructuring costs, primarily as a result of the provision for future clinical obligations as a result of the progressive withdrawal of Tanzeum and the decision to terminate the rights to sirukumab, and higher intangible asset impairments.

Royalty and other operating income/(expense)
Net other operating expense of £1,609 million (2016: £3,007 million) primarily reflected lower accounting charges arising from the re-measurement of the contingent consideration liabilities related to the former Shionogi-ViiV Healthcare joint venture and the acquisition of the former Novartis Vaccines business, the value attributable to the Consumer Healthcare Joint Venture put option and the liabilities for the Pfizer put option and Pfizer and Shionogi preferential dividends in ViiV Healthcare. These re-measurement charges of £2,185 million (2016: £3,914 million) reflected updated trading forecasts and changes in exchange rate assumptions as well as the unwinding of the discount applied to these future liabilities of £1,001 million. They also included charges of £666 million arising from the positive impact of US tax reform on the valuation of the Consumer Healthcare and HIV businesses. These charges were partly offset by the gain of £250 million on the disposal of the anaesthesia business to Aspen and royalty income of £356 million (2016: £398 million).

Operating profit
Total operating profit was £4,087 million in 2017 compared with £2,598 million in 2016. The increase primarily reflected a reduced impact from accounting charges related to the re-measurement of the liabilities for contingent consideration, put options and preferential dividends. In addition operating profit benefited from an improved operating margin driven by sales growth across all three businesses, but particularly Vaccines, and a more favourable mix in all three businesses. In Vaccines, there was also a favourable year-on-year comparison with inventory adjustments in 2016 and the benefit of a one-off settlement in cost of sales. Continued tight control of ongoing costs and benefits from restructuring and integration also contributed to improved margins in Vaccines and Consumer Healthcare but were offset by the impact of the Priority Review Voucher, as well as an overall increase in R&D

investment in Pharmaceuticals, continuing price pressure, particularly in Respiratory, and supply chain investments in Pharmaceuticals to support new products.

Net finance costs

Net finance expense was £669 million compared with £664 million in 2016.

Taxation

A tax charge of £1,356 million on Total profit represented an effective tax rate of 38.5% (2016: 45.2%) and included a charge of £1,078 million arising from US tax reform as described in more detail on page 22. This was partly offset by a £483 million benefit from Swiss tax reform, arising from the revaluation of deferred tax liabilities on acquired Consumer Healthcare brands to reflect a reduction in the headline tax rate.

Non-controlling interests

The allocation of earnings to non-controlling interests amounted to £637 million (2016: £150 million), including the non-controlling interest allocations of Consumer Healthcare profits of £415 million (2016: £203 million) and the allocation of ViiV Healthcare profits, which increased to £187 million (2016: £83 million loss) including the impact of changes in the proportions of preferential dividends due to each shareholder. The increase in allocation of ViiV Healthcare profits primarily reflected the negative impact of higher re-measurement charges in 2016 and the increase in allocation of Consumer Healthcare profits primarily reflected the benefit of Swiss tax reform in 2017.

Earnings per share

Total earnings per share was 31.4p, compared with 18.8p in 2016. The increase reflected the reduced impact of charges arising from the revaluations of the liabilities for contingent consideration and the put options associated with increases in the Sterling value of the Group's HIV and Consumer Healthcare businesses, the benefit from Swiss tax reform and improved performances by the relevant businesses, partly offset by the charges arising from US tax reform.

Adjusting items

GSK presents Total results and Adjusted results in order to assist shareholders in better understanding the Group's operational performance.

Total results represent the Group's overall performance. However, these results can contain material unusual or non-operational items that may obscure the key trends and factors determining the Group's operational performance. GSK therefore also reports Adjusted results to help shareholders identify and assess more clearly the key drivers of the Group's performance. This approach aligns the presentation of the Group's results more closely with the majority of GSK's peer group.

From Q1 2017, Adjusted results have been amended to exclude, instead of all legal charges, only significant legal charges, as set out in 'Accounting policies and basis of preparation' on page 54. Comparative information has been revised accordingly. In addition, due to their magnitude and distorting effect, GSK has reported as an adjusting item in 2017, the charges arising from the initial application of the US Tax Cuts and Jobs Act.

The charges for US tax reform represent management's best estimates of the impact of US tax reform on the Group based on the information currently available. As more information on the detailed application of the US Tax Cuts and Jobs Act becomes available, the assumptions underlying these estimates could change with consequent adjustments to the charges taken that could have a material impact on the results of the Group.

Adjusted results exclude the following items from Total results: amortisation and impairments of intangible assets and goodwill; major restructuring costs; significant legal charges and expenses; transaction-related accounting adjustments; disposals and other operating income other than royalty income, together with the tax effects of all of these items and the impact of the implementation of the US Tax Cuts and Jobs Act in 2017.

The adjusting items that reconcile Total operating profit, profit after tax and earnings per share to Adjusted results are as follows:

	2017			2016 (revised)		
	Operating profit £m	Profit after tax £m	Earnings per share p	Operating profit £m	Profit after tax £m	Earnings per share p
Total results	4,087	2,169	31.4	2,598	1,062	18.8
Intangible asset amortisation	591	457	9.4	588	458	9.4
Intangible asset impairment	688	512	10.5	20	15	0.3
Major restructuring costs	1,056	851	17.4	970	757	15.6
Transaction-related items	1,599	980	19.2	3,919	3,480	61.6
Divestments, significant legal and other items	(119)	(456)	(9.4)	(424)	(246)	(5.1)
US tax reform	666	1,744	33.3	-	-	-
Adjusting items	4,481	4,088	80.4	5,073	4,464	81.8
Adjusted results	8,568	6,257	111.8	7,671	5,526	100.6

Full reconciliations between Total results and Adjusted results are set out on pages 61 to 64 and the definition of Adjusted results is set out on page 39.

Intangible asset amortisation and impairment

Intangible asset amortisation was £591 million, compared with £588 million in 2016. Intangible asset impairments of £688 million (2016: £20 million) included impairments related to the progressive withdrawal of Tanzeum and a number of commercial and R&D assets following the refocusing of the R&D pipeline during 2017. Both of the amortisation and impairment charges were non-cash items.

Major restructuring and integration

Major restructuring and integration charges of £1,056 million have been incurred (2016: £970 million). Non-cash charges were £525 million, primarily reflecting the write down of assets as a result of the decision to withdraw Tanzeum and terminate rights to sirukumab arising from the establishment of the Group’s new business priorities, as well as the write down of assets related to reductions in the site network. Cash charges were £531 million, including charges as a result of the decisions to withdraw Tanzeum and terminate rights to sirukumab. Cash payments made were £555 million (2016: £1,077 million), including the settlement of certain charges previously accrued, but also reflecting the deferral of some payments into 2018. Cash payments of approximately £0.5 billion are expected in 2018. The programme delivered incremental cost savings in the year of £0.7 billion, including £0.2 billion of currency benefits.

Charges for the combined restructuring and integration programme to date are £4.8 billion, of which cash charges are £3.5 billion. Cash payments of £3.1 billion have been made to date. Non-cash charges are £1.3 billion.

An extension to the existing combined programme was agreed by the Board in July 2017, with total cash charges of the combined programme now expected to be approximately £4.1 billion and non-cash charges up to £1.6 billion. The programme has now delivered approximately £3.7 billion of annual savings, including a currency benefit of £0.4 billion. The extended programme is now expected to deliver by 2020 total annual savings of £4.0 billion on a constant currency basis, together with an estimated £0.4 billion of currency benefits on the basis of 2017 exchange rates.

Transaction-related adjustments

Transaction-related adjustments resulted in a net charge of £1,599 million (2016: £3,919 million). This primarily reflected accounting charges for the re-measurement of the liability and the unwinding of the discounting effects on the contingent consideration related to the acquisition of the former Shionogi-ViiV Healthcare joint venture, the contingent consideration related to the acquisition of the former Novartis Vaccines business, and the value attributable to the Consumer Healthcare Joint Venture put option held by Novartis. These transaction-related adjustments exclude the impact on these liabilities arising from the implementation of the US Tax Cuts and Jobs Act in 2017 which is set out on page 22.

Charge/(credit)	2017 £m	2016 £m
Consumer Healthcare Joint Venture put option	986	1,133
Contingent consideration on former Shionogi-ViiV Healthcare Joint Venture (including Shionogi preferential dividends)	556	2,162
ViiV Healthcare put options and Pfizer preferential dividends	(126)	577
Contingent consideration on former Novartis Vaccines business	101	69
Other adjustments	82	(22)
Total transaction-related charges	1,599	3,919

The aggregate impact of unwinding the discount on these future and potential liabilities was £1,001 million (2016: £905 million), including £543 million on the Consumer Healthcare Joint Venture put option and £408 million on the contingent consideration related to the former Shionogi-ViiV Healthcare Joint Venture. The remaining charge of £598 million was driven by adjustments to trading forecasts and the impact of updated exchange rate assumptions on those forecasts for the relevant businesses as well as updated multiples used in the valuation of the Consumer Healthcare Joint Venture put option.

Contingent consideration cash payments which are made to Shionogi and other companies reduce the balance sheet liability and hence are not recorded in the income statement. Total contingent consideration cash payments in 2017 amounted to £685 million (2016: £431 million). This included cash payments made by ViiV Healthcare to Shionogi in relation to its contingent consideration liability (including preferential dividends) which amounted to £671 million (2016: £417 million).

An explanation of the accounting for the non-controlling interests in ViiV Healthcare is set out on page 59.

The impact on profit after tax from transaction-related adjustments includes an accounting credit in respect of Swiss tax reform of £483 million, arising from the revaluation of deferred tax liabilities on acquired Consumer Healthcare brands to reflect a reduction in the headline Swiss tax rate.

Divestments, significant legal charges and other items

Divestments and other items included the profit on disposal of the anaesthesia business to Aspen of £250 million, a number of other asset disposals, equity investment impairments and certain other adjusting items. Significant legal charges of £68 million (2016: £62 million) included the benefit of the settlement of existing matters as well as provisions for ongoing litigation. Significant legal cash payments were £192 million (2016: £102 million).

US tax reform

The enactment of the US Tax Cuts and Jobs Act has resulted in a number of additional charges in 2017, which reduced Total earnings by £1,630 million.

Firstly, increased valuations of the HIV and Consumer Healthcare businesses due to lower US tax rates resulted in an increase in the related liabilities for contingent consideration and the put options of £666 million.

Secondly, an additional tax charge of £1,078 million comprised a reduction in the value of US deferred tax assets held against future liabilities, such as pensions, of £730 million, and a charge of £348 million arising on the reserves of subsidiaries of US entities in the Group. The cash impact of this latter charge will be spread over eight years from 2018, with approximately 60% expected to be payable in years six to eight.

These charges were partly offset by an allocation to non-controlling interests amounting to £114 million, as many of the adjustments related to ViiV Healthcare and the Consumer Healthcare Joint Venture.

These charges represent management's estimates of the impact of US tax reform on the Group based on the information currently available. As more information on the detailed application of the Act becomes available, the assumptions underlying these estimates could change, with consequent adjustments to the charges taken that could have a material impact on the results of the Group.

Adjusted results

	2017			
	£m	% of turnover	Growth £%	Growth CER%
Turnover	30,186	100.0	8	3
Cost of sales	(8,771)	(29.1)	5	1
Selling, general and administration	(9,341)	(30.9)	6	1
Research and development	(3,862)	(12.8)	11	8
Royalty income	356	1.2	(11)	(13)
Adjusted operating profit	8,568	28.4	12	5
Adjusted profit before tax	7,924		13	5
Adjusted profit after tax	6,257		13	6
Adjusted profit attributable to shareholders	5,464		12	5
Adjusted earnings per share	111.8p		11	4

Adjusted operating profit by business	2017			
	£m	% of turnover	Growth £%	Growth CER%

Pharmaceuticals	8,667	50.2	9	3
Pharmaceuticals R&D	(2,740)		10	7
Total Pharmaceuticals	5,927	34.3	8	1
Vaccines	1,644	31.9	15	11
Consumer Healthcare	1,373	17.7	23	11
	8,944	29.6	11	4
Corporate & other unallocated costs	(376)		4	(3)
Adjusted operating profit	8,568	28.4	12	5

Adjusted operating profit
Adjusted operating profit was £8,568 million, 12% AER higher than in 2016 and 5% CER higher on a turnover increase of 3% CER. The Adjusted operating margin of 28.4% was 0.9 percentage points higher than in 2016 and 0.4 percentage points higher on a CER basis. This reflected improved operating leverage driven by sales growth and a more favourable mix in all three businesses, together with, in Vaccines the benefit of a settlement for lost third party supply volume and a favourable year-on-year comparison to inventory adjustments in 2016. There was also continued tight control of ongoing costs across all three businesses as well as benefits from restructuring and integration. This was partly offset by the charge of £106 million on the utilisation of the Priority Review Voucher in Q2 2017 as well as other increases in R&D investment, continuing price pressure, particularly in Respiratory, and supply chain investments.

Cost of sales
Cost of sales as a percentage of turnover was 29.1%, down 0.9 percentage points in Sterling terms and down 0.5 percentage points in CER terms compared with 2016. This reflected a more favourable product mix across all three businesses, particularly in Pharmaceuticals, including the impact of higher HIV sales, as well as favourable product mix, the benefit of a settlement for lost third party supply volume and a favourable year-on-year comparison to inventory adjustments in 2016 in Vaccines. There was also a further contribution from integration and restructuring savings in all three businesses, offset by continued adverse pricing pressure in Pharmaceuticals, primarily Respiratory, and additional supply chain investments.

Selling, general and administration
SG&A costs were 30.9% of turnover, 0.6 percentage points lower in Sterling terms than in 2016 and 0.5 percentage points lower on a CER basis. This primarily reflected tight control of ongoing costs, particularly in Consumer Healthcare, continued cost reductions in Pharmaceuticals, including the benefits of the Pharmaceuticals restructuring programme, and integration benefits in Vaccines and Consumer Healthcare. This was partly offset by increased investment in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines.

Research and development
R&D expenditure was £3,862 million (12.8% of turnover), 11% higher than 2016 at AER and 8% higher at CER. This included a charge of £106 million on the utilisation of the Priority Review Voucher in Q2 2017 as well as increased investment in the progression of a number of mid and late-stage programmes.

Royalty income
Royalty income was £356 million (2016: £398 million). The reduction was primarily due to the patent expiry of Cialis in Q4 2016 and a catch-up adjustment recorded in Q1 2016.

Operating profit by business

Pharmaceuticals operating profit was £5,927 million, 8% AER higher than in 2016 and 1% CER higher on a turnover increase of 3% CER. The operating margin of 34.3% was 0.2 percentage points higher than in 2016 on a Sterling basis but 0.6 percentage points down on a CER basis. This primarily reflected increased R&D investment, including the impact of the utilisation of the Priority Review Voucher in Q2 2017. The operating margin also reflected increased investment in new product support, as well as the continued impact of lower prices, particularly in Respiratory, and the broader transition of the Respiratory portfolio, partly offset by a more favourable product mix, primarily driven by the growth in HIV sales, and the continued cost reduction benefit of the Group's Pharmaceuticals restructuring programme.

Vaccines operating profit was £1,644 million, 15% AER higher than in 2016 and 11% CER higher on a turnover increase of 6% CER. The operating margin of 31.9% was 0.8 percentage points higher than in 2016 on a Sterling basis and 1.3 percentage points higher on a CER basis. This was primarily driven by improved product mix, the benefit of a settlement for lost third party supply volume and a favourable year-on-year comparison with inventory adjustments in 2016, together with continued restructuring and integration benefits. This was partly offset by increased SG&A resources to support business growth and new launches, increased supply chain costs and lower royalty income.

Consumer Healthcare operating profit was £1,373 million, 23% AER higher than in 2016 and 11% CER higher on a turnover increase of 2%. The operating margin of 17.7% was 2.2 percentage points higher than in 2016 and 1.3 percentage points higher on a CER basis, reflecting tight control of costs, integration synergies, principally in SG&A, partly offset by increased investment in power brands.

Net finance costs

Net finance expense was £657 million compared with £652 million in 2016.

Taxation

Tax on Adjusted profit amounted to £1,667 million and represented an effective Adjusted tax rate of 21.0% (2016: 21.3%). See 'Taxation' on page 53 for further details.

Non-controlling interests

The allocation of Adjusted earnings to non-controlling interests amounted to £793 million (2016: £637 million), including the non-controlling interest allocations of Consumer Healthcare profits of £344 million (2016: £288 million) and the allocation of ViiV Healthcare profits, which increased to £414 million (2016: £324 million) including the impact of changes in the proportions of preferential dividends due to each shareholder. The increase in allocation also reflected comparison with the reduction in the allocation to non-controlling interests due to higher net losses in some of the Group's other entities with non-controlling interests in 2016.

Earnings per share

Adjusted EPS of 111.8p was up 11% AER, 4% CER compared with a 5% CER increase in Adjusted operating profit.

Financial performance – Q4 2017

The Total results for the Group are set out below.

	Q4 2017 £m	Q4 2016 £m	Growth £%	Growth CER%
Turnover	7,639	7,586	1	4
Cost of sales	(2,558)	(2,508)	2	4

Gross profit	5,081	5,078	-	4
Selling, general and administration	(2,533)	(2,711)	(7)	(3)
Research and development	(1,209)	(1,003)	21	24
Royalty income	69	117	(41)	(39)
Other operating income/(expense)	(896)	(886)		
Operating profit	512	595	(14)	(4)
Finance income	16	20		
Finance expense	(154)	(193)		
Profit on disposal of associates	66	-		
Share of after tax profits of associates and joint ventures	2	1		
Profit before taxation	442	423	4	17
Taxation	(805)	(106)		
Tax rate %	>100%	25.1%		
(Loss)/profit after taxation	(363)	317	>(100)	>(100)
Profit attributable to non-controlling interests	183	60		
(Loss)/profit attributable to shareholders	(546)	257		
	(363)	317	>(100)	>(100)
(Loss)/earnings per share	(11.2)p	5.3p	>(100)	>(100)

Cost of sales

Cost of sales as a percentage of turnover was 33.5%, up 0.4 percentage points in Sterling terms and up 0.1 percentage points in CER terms compared with Q4 2016. This reflected continued adverse pricing pressure in Pharmaceuticals, particularly in Respiratory, and additional supply chain investments. The increase was partly offset by a more favourable product mix in Pharmaceuticals in the quarter, particularly the impact of higher HIV sales, as well as a favourable year-on-year comparison with inventory adjustments in Q4 2016. There was also a further contribution from integration and restructuring savings in all three businesses together with lower costs from manufacturing restructuring programmes.

Selling, general and administration

SG&A costs were 33.2% of turnover, 2.6 percentage points lower than in Q4 2016 in Sterling terms and 2.4 percentage points lower on a CER basis. This primarily reflected lower restructuring costs as well as tight control of ongoing operating costs, particularly in Consumer Healthcare, continued cost reductions in Pharmaceuticals, including the benefits of the Pharmaceuticals restructuring programme, and integration benefits in Vaccines. The cost reductions were partly offset by an increased investment in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines.

Research and development

R&D expenditure was £1,209 million (15.8% of turnover), 21% higher than in Q4 2016 at AER and 24% higher at CER. This primarily reflected increased investment in the progression of a number of mid and late-stage programmes and higher intangible asset impairments.

Royalty and other operating income/(expense)

Net other operating expense of £827 million (Q4 2016: £769 million) primarily reflected £888 million (Q4 2016: £915 million) of accounting charges arising from the re-measurement of the contingent consideration liabilities related to the former Shionogi-ViiV Healthcare joint venture and the acquisition of the former Novartis Vaccines business, the value attributable to the Consumer Healthcare Joint Venture put option and the liabilities for the Pfizer put option and Pfizer and Shionogi preferential dividends in ViiV Healthcare. These re-measurement charges were driven primarily by the impact of US tax reform, which increased the fair value of these liabilities by £666 million, as well as the unwinding of the discount applied to these future liabilities of £267 million, partly offset by accounting credits related to changes in exchange rate assumptions and the impact of lower multiples on the value of the Consumer Healthcare Joint Venture put option. Royalty income was £69 million (Q4 2016: £117 million), partly reflecting the impact of the patent expiry of Cialis in Q4 2016.

Operating profit

Total operating profit was £512 million in Q4 2017 compared with £595 million in Q4 2016. The reduction in operating profit reflected the increased impact of accounting charges related to re-measurement of the liabilities for contingent consideration, put options and preferential dividends, as well as continuing price pressure, particularly in Respiratory, and supply chain investments, partly offset by sales growth and tight control of ongoing costs.

Net finance costs

Net finance expense was £138 million compared with £173 million in Q4 2016. The reduction primarily reflected the benefit of releases of provisions for interest on tax of £24 million following a number of settlements during the year and the change in basis of reporting to report movements in such accrued interest within finance costs, as explained on page 54. In addition, there was a benefit from the translation impact of exchange rate movements on the reported Sterling costs of foreign currency denominated interest-bearing instruments.

Taxation

The charge of £805 million represented an effective tax rate of 182.1% (Q4 2016: 25.1%) and included a charge of £1,078 million arising from US tax reform as set out on page 28. This was partly offset by a £483 million benefit from Swiss tax reform, arising from the revaluation of deferred tax liabilities on the Swiss Consumer Healthcare brands to reflect a reduction in the headline tax rate.

Non-controlling interests

The allocation of earnings to non-controlling interests amounted to £183 million (Q4 2016: £60 million), including the non-controlling interest allocations of Consumer Healthcare profits of £218 million (Q4 2016: £79 million) and the allocation of ViiV Healthcare losses of £39 million (Q4 2016: £35 million loss), including the impact of changes in the proportions of preferential dividends due to each shareholder. The allocation of ViiV Healthcare losses primarily reflected the impact of re-measurement charges and the increase in allocation of Consumer Healthcare profits primarily reflected the benefit of Swiss tax reform in the quarter.

Loss per share

The Total loss per share was 11.2p, compared with earnings per share of 5.3p in Q4 2016. The reduction in earnings per share primarily reflected the impact of US tax reform together with an increased impact of charges arising from increases in the valuations of the liabilities for contingent consideration and the put options associated with increases in the Sterling value of the Group’s HIV and Consumer Healthcare businesses. This was partly offset by improved performance and reduced restructuring costs.

Adjusting items

	Q4 2017			Q4 2016 (revised)		
	Operating profit £m	(Loss)/ profit after tax £m	(Loss)/ earnings per share p	Operating profit £m	Profit after tax £m	EPS p
Total results	512	(363)	(11.2)	595	317	5.3
Intangible asset amortisation	147	113	2.3	144	117	2.4
Intangible asset impairment	267	216	4.4	29	21	0.4
Major restructuring costs	184	225	4.6	397	296	6.1
Transaction-related items	241	(226)	(2.5)	862	716	11.6
Divestments, significant legal and other items	21	(185)	(3.7)	-	(15)	(0.3)
US tax reform	666	1,744	33.3	-	-	-
Adjusting items	1,526	1,887	38.4	1,432	1,135	20.2
Adjusted results	2,038	1,524	27.2	2,027	1,452	25.5

Full reconciliations between Total results and Adjusted results are set out on pages 61 to 64 and the definition of Adjusted results is set out on page 39.

Intangible asset amortisation and impairment
Intangible asset amortisation was £147 million, compared with £144 million in Q4 2016. There were also intangible asset impairments of £267 million (Q4 2016: £29 million) related to a number of commercial and R&D assets taken as part of the disposal programmes in Pharmaceuticals and Consumer Healthcare as well as the prioritisation of the R&D portfolio, both of which were announced as part of the Strategic update in July 2017. Both of these charges were non-cash items.

Major restructuring and integration
Major restructuring and integration charges incurred in the quarter were £184 million (Q4 2016: £397 million). Non-cash charges were £150 million and cash charges were £34 million. Cash payments made in the quarter were £106 million (Q4 2016: £279 million) including the settlement of certain charges accrued in previous quarters. The programme delivered incremental annual cost savings in the quarter of £0.1 billion.

Transaction-related adjustments
Transaction-related adjustments resulted in a net charge of £241 million (Q4 2016: £862 million). This primarily reflected accounting charges for the re-measurement of the liability and the unwinding of the discounting effects on the contingent consideration related to the acquisition of the former Shionogi-ViiV Healthcare joint venture, the contingent consideration related to the acquisition of the former Novartis Vaccines business, and the value attributable to the Consumer Healthcare Joint Venture put option held by Novartis. These transaction-related adjustments exclude the impact on these liabilities arising from the implementation of the US Tax Cuts and Jobs Act in 2017 which is set out on page 28.

Charge/(credit)	Q4 2017 £m	Q4 2016 £m

Consumer Healthcare Joint Venture put option	163	133
Contingent consideration on former Shionogi-ViiV Healthcare Joint Venture (including Shionogi preferential dividends)	151	673
ViiV Healthcare put options and Pfizer preferential dividends	(40)	37
Contingent consideration on former Novartis Vaccines business	(56)	62
Other adjustments	23	(43)
Total transaction-related charges	241	862

The aggregate impact of unwinding the discount on these future and potential liabilities was £267 million (Q4 2016: £256 million), including £148 million on the Consumer Healthcare Joint Venture put option and £104 million on the contingent consideration related to the former Shionogi-ViiV Healthcare Joint Venture. This was offset by a credit of £26 million which was driven primarily by the impact of updated exchange rate assumptions on those forecasts for the relevant businesses as well as a reduction in the multiples used in the valuation of the Consumer Healthcare Joint Venture put option and adjustments to trading forecasts.

Contingent consideration cash payments which are made to Shionogi and other companies reduce the balance sheet liability and hence are not recorded in the income statement. Total contingent consideration cash payments in the quarter amounted to £193 million (Q4 2016: £146 million). This included cash payments made by ViiV Healthcare to Shionogi in relation to its contingent consideration liability (including preferential dividends) which amounted to £186 million (Q4 2016: £137 million).

An explanation of the accounting for the non-controlling interests in ViiV Healthcare is set out on page 59.

The impact on profit after tax for transaction-related adjustments included an accounting credit in respect of Swiss tax reform of £483 million, arising from the revaluation of deferred tax liabilities on the Swiss Consumer Healthcare brands to reflect a reduction in the headline tax rate.

Divestments, significant legal charges and other items

Divestments and other items included the profit on disposal of a number of other asset disposals, equity investment impairments and certain other adjusting items. A charge of £8 million (Q4 2016: charge of £12 million) for significant legal matters included the benefit of the settlement of existing matters as well as provisions for ongoing litigation. Significant legal cash payments were £8 million (Q4 2016: £25 million).

US tax reform

The enactment of the US Tax Cuts and Jobs Act has resulted in a number of additional charges in 2017, which reduced Total earnings by £1,630 million.

Firstly, increased valuations of the HIV and Consumer Healthcare businesses due to lower US tax rates resulted in an increase in the related liabilities for contingent consideration and the put options of £666 million.

Secondly, an additional tax charge of £1,078 million comprised a reduction in the value of US deferred tax assets held against future liabilities, such as pensions, of £730 million, and a charge of £348 million arising on the reserves of subsidiaries of US entities in the Group. The cash impact of this latter charge will be spread over eight years from 2018, with approximately 60% expected to be payable in years six to eight.

These charges were partly offset by an allocation to non-controlling interests amounting to £114 million, as many of the adjustments related to ViiV Healthcare and the Consumer Healthcare Joint Venture.

These charges represent management's estimates of the impact of US tax reform on the Group based on the information currently available. As more information on the detailed application of the Act becomes available, the assumptions underlying these estimates could change, with consequent adjustments to the charges taken that could have a material impact on the results of the Group.

Adjusted results

	Q4 2017			
	£m	% of turnover	Growth £%	Growth CER%
Turnover	7,639	100	1	4
Cost of sales	(2,258)	(29.6)	3	5
Selling, general and administration	(2,420)	(31.7)	(2)	2
Research and development	(992)	(13.0)	(2)	-
Royalty income	69	1.0	(41)	(39)
Adjusted operating profit	2,038	26.7	1	5
Adjusted profit before tax	1,905		3	7
Adjusted profit after tax	1,524		5	9
Adjusted profit attributable to shareholders	1,332		7	12
Adjusted earnings per share	27.2p		7	11

Adjusted operating profit by business	Q4 2017			
	£m	% of turnover	Growth £%	Growth CER%
Pharmaceuticals	2,314	51.0	(1)	3
Pharmaceuticals R&D	(717)		(3)	-
Total Pharmaceuticals	1,597	35.2	-	4
Vaccines	231	19.1	(17)	(3)
Consumer Healthcare	302	16.0	10	12
	2,130	27.9	(1)	4
Corporate & other unallocated costs	(92)		(28)	(12)
Adjusted operating profit	2,038	26.7	1	5

Adjusted operating profit

Adjusted operating profit was £2,038 million, 1% AER higher than in Q4 2016 and 5% CER higher on a turnover increase of 4%. The Adjusted operating margin of 26.7% was in line with Q4 2016 and 0.2 percentage points higher on a CER basis. This primarily reflected sales growth in all three businesses, a more favourable mix and continued tight control of ongoing costs across all three businesses as well as benefits from restructuring and integration partly offset by continuing price pressure, particularly in Respiratory, supply chain investments and investments in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines.

Cost of sales

Cost of sales as a percentage of turnover was 29.6%, up 0.6 percentage points in Sterling terms and up 0.2 percentage points in CER terms compared with Q4 2016. This reflected continued adverse pricing pressure in Pharmaceuticals, particularly in Respiratory, and additional supply chain investments, partly offset by a more favourable product mix in Pharmaceuticals in the quarter, particularly the impact of higher HIV sales, as well as a favourable year-on-year comparison with inventory adjustments in Q4 2016. There was also a further contribution from integration and restructuring savings in all three businesses.

Selling, general and administration

SG&A costs were 31.7% of turnover, 0.8 percentage points lower in Sterling terms than in Q4 2016 and 0.6 percentage points lower on a CER basis. This primarily reflected tight control of ongoing costs, particularly in Consumer Healthcare, continued cost reductions in Pharmaceuticals, including the benefits of the Pharmaceuticals restructuring programme, and integration benefits in Vaccines. This was partly offset by an increased investment in promotional product support, particularly for new launches in Respiratory, HIV and Vaccines.

Research and development

R&D expenditure was £992 million (13.0% of turnover), 2% AER lower than Q4 2016 but flat at CER. This primarily reflected increased investment in the progression of a number of mid and late-stage programmes and the step-up in investments in R&D in the quarter, offset by the benefit of the recent prioritisation initiatives.

Royalty income

Royalty income was £69 million (Q4 2016: £117 million), partly reflecting the patent expiry of Cialis in Q4 2016.

Operating profit by business

Pharmaceuticals operating profit was £1,597 million, flat AER compared with Q4 2016 and 4% CER higher on a turnover increase of 3% CER. The operating margin of 35.2% was 0.2 percentage points higher on a Sterling basis than in Q4 2016 and 0.3 percentage points higher on a CER basis. This reflected a more favourable product mix, primarily driven by the growth in HIV sales, as well as continued cost reduction benefits from the Group's Pharmaceuticals restructuring programme and prioritisation within R&D, partly offset by increased investment in new product support and the continued impact of lower prices, particularly in Respiratory, and the broader transition of the Respiratory portfolio.

Vaccines operating profit was £231 million, 17% AER lower than in Q4 2016 and 3% CER lower on a turnover increase of 9% CER. The operating margin of 19.1% was 5.3 percentage points lower than in Q4 2016 on a Sterling basis and 2.7 percentage points lower on a CER basis. This was primarily driven by increased SG&A resources to support business growth and new launches, lower royalty income and increased supply chain costs. The decrease was partly offset by improved product mix and a favourable year-on-year comparison with inventory adjustments in Q4 2016.

Consumer Healthcare operating profit was £302 million, 10% AER higher than in Q4 2016 and 12% CER higher on a turnover increase of 4% CER. The operating margin of 16.0% was 1.4 percentage points higher than in Q4 2016 and 1.2 percentage points higher on a CER basis. This reflected tight control of costs, partly offset by marketing investment for the cold and flu season and increased investment in seasonal R&D clinical activity.

Net finance costs

Net finance expense was £135 million compared with £170 million in Q4 2016. The reduction primarily reflected the benefit of releases for provisions for interest on tax of £23 million following a number of settlements during the year and the change in basis of reporting to record movements in such accrued interest within finance costs, as explained on page 54. In addition, there was a benefit from the translation impact of exchange rate movements on the reported Sterling costs of foreign currency denominated interest-bearing instruments.

Taxation

Tax on Adjusted profit amounted to £381 million and represented an effective Adjusted tax rate of 20.0% (Q4 2016: 21.9%). See ‘Taxation’ on page 53 for further details.

Non-controlling interests

The allocation of Adjusted earnings to non-controlling interests amounted to £192 million (Q4 2016: £212 million), including the non-controlling interest allocations of Consumer Healthcare profits of £85 million (Q4 2016: £103 million) and the allocation of ViiV Healthcare profits, of £103 million (Q4 2016: £93 million) including the impact of changes in the proportions of preferential dividends due to each shareholder based on the relative performance of different products in the quarter. The reduction in allocation also reflected comparison with the higher allocation to non-controlling interests in Q4 2016 due to lower net profits in some of the Group’s other entities with non-controlling interests.

Earnings per share

Adjusted EPS of 27.2p was up 7% AER, 11% CER, compared with a 5% CER increase in Adjusted operating profit.

Currency impact on Q4 2017 and 2017 results

The 2017 results are based on average exchange rates, principally £1/$1.30, £1/€1.15 and £1/Yen 145. Comparative exchange rates are given on page 55. The period-end exchange rates were £1/$1.35, £1/€1.13 and £1/Yen 152.

In the year, turnover increased 8% in Sterling terms and 3% CER. Total EPS was 31.4p compared with earnings per share of 18.8p in 2016 and Adjusted EPS was 111.8p compared with 100.6p in 2016, up 11% AER, 4% CER. The positive currency impact reflected the weakness of Sterling against the majority of the Group’s trading currencies relative to 2016. Exchange gains or losses on the settlement of intercompany transactions had around one percentage point negative impact on the positive currency impact of seven percentage points on Adjusted EPS.

In the quarter, turnover increased 1% in Sterling terms and 4% CER. Total loss per share was 11.2p compared with earnings per share of 5.3p in Q4 2016 and Adjusted EPS was 27.2p compared with 25.5p in Q4 2016, up 7% AER, and up 11% CER. The negative currency impact reflected the recent strength of Sterling, particularly against the US$, relative to Q4 2016. Exchange gains or losses on the settlement of intercompany transactions had around one percentage point positive impact on the negative currency impact of four percentage points on Adjusted EPS.

Cash generation and conversion

Cash flow and net debt

	2017	2016	Q4 2017
Net cash inflow from operating activities (£m)	6,918	6,497	2,869
Free cash flow* (£m)	3,437	3,014	