8 February 2012

RB Strategy for Continued Outperformance

Intensifies focus on Health & Hygiene and Faster Growing Consumer Markets

RB is today announcing a number of important changes to the company and its strategy to fuel another decade of market outperformance and attractive shareholder returns.

- **Targets Health & Hygiene Powerbrands:** successful Powerbrand strategy continues, but focus and investment increased on higher growth, higher margin health & hygiene in addition to home.

- **Targets faster growing markets:** prioritises 16 "Powermarkets", mainly emerging, for disproportionate investment and growth.

- **Redeploys resources to emerging markets:** 2 new emerging market Area structures formed (previously 1); North America and Europe merged into one Area structure (previously 2).

- **Increases investment in brand building:** targets annual cost savings to fuel an additional investment of £100m in brand equity building.

- **Targets steady operating margin expansion:** continues strategy of steady operating margin* enhancement over medium term – whilst increasing brand investment

- **Sets 3 medium term (5-year) key performance indicators:** 200bps of net revenue (NR) growth above market growth on average each year; emerging market Areas to be 50% of "core" business NR by 2016 (up from 42%); health and hygiene to be 72% of core business NR by 2016 (up from 67%).

Outlining the strategy, Rakesh Kapoor, Chief Executive Officer, said,

"RB has delivered a decade of superior growth and shareholder value. However, with slower market growth and increased competition, we need to reshape our strategy to enable us to continue our track record of outperformance.

We believe we can make a real difference by giving people innovative solutions for healthier lives and happier homes. We will therefore be intensifying our investment behind our brands in the higher growth, higher margin categories of health and hygiene. In addition to our highly successful "Powerbrand" strategy, we have identified 16 "Powermarkets" for increased focus and investment, most of which are in emerging markets.

"This new category and geographic focus will be driven by a new organisation structure. We are creating two new Area organisations in emerging markets, instead of one. Additionally, we will merge the European and North American area organisations to form one Area. This will enable us to increase the speed, quality and consistency of our in-market execution and to drive cost savings.

"RB's relentless focus on building brands will continue. We will be increasing our investments in high rates of innovation and brand equity building. We aim to deliver steady operating margin* expansion. We will continue to be highly effective at converting profit into cash. I have set 3 medium term key performance indicators to monitor our progress on our strategy.

* Operating margin excluding RB Pharmaceuticals

"2012 will be a year of transition and investment, but still we are targeting total Company net revenue growth (ex RBP) of 200 basis points above our market growth. Our global market is expected to grow at 1-2%. While 2012 will be a year of investment, we are targeting to maintain our operating margins (ex RBP) in the year. I believe that generic versions to Suboxone tablets are a matter of when and not if, so it is impractical to set targets for RBP this year.

"I firmly believe that our strong company culture of outperformance, entrepreneurship and innovation will enable us to fulfill the enormous potential of our brands and deliver on our vision and reshaped business strategy."

THE CHANGES IN BRIEF

1. NEW CATEGORY FOCUS

"Core" business:

- **Health** – Led by Powerbrands: Nurofen, Strepsils, Gaviscon, Mucinex, Durex, Scholl
- **Hygiene** – Led by Powerbrands: Dettol, Lysol, Finish, Harpic, Veet ,Clearasil, Cillit Bang, Mortein
- **Home** – Led by Powerbrands: Air Wick, Vanish, Calgon, Woolite
- **Portfolio brands** representing a number of brands that do not fit with this category focus will be managed to deliver local scale and cash margin. The small private label business part of this does not fit with our future strategic focus. We have undertaken a strategic review of the business looking at all options, and are proposing a discontinuation of the operation.

Reported separately (not "Core")

Food
RB Pharmaceuticals

2. NEW GEOGRAPHIC FOCUS

LAPAC is the name of this reporting Area, comprising:

- Latin America
- North Asia
- South and South East Asia
- Australia New Zealand

In 2011 LAPAC had sales of £2,210m representing 26% of core business NR

RUMEA is the name of this reporting Area, comprising:

- Russia & CIS
- Middle East, North Africa and Turkey
- Africa – Sub-Sahara

In 2011 RUMEA had sales of £1,364m representing 16% of core business NR

ENA is the name of this reporting Area, comprising:

- Europe
- North America

In 2011 ENA had sales of £4,837m representing 58% of core business NR

3. MARGIN EXPANSION STRATEGY

We are undertaking a number of initiatives to fuel reinvestment into brand equity and deliver operating margin* expansion:

- **Gross Margin** expansion driven by a new product and supply chain re-engineering projects aimed at delivering cost savings of £50m in 2012, and from portfolio mix.
- **Systems.** RB will be rolling out SAP across its business to support greater business efficiency and better decision making. This is expected to yield savings of at least £10m per year from 2014 onwards and will have a capital cost of around £150m
- **Fixed Costs.** In 2012 RB will have an effective freeze on fixed costs. Specific projects to extract cost from the newly merged ENA Area are expected to save £30m from 2013.
- **Operating Margins.** The primary purpose of the cost savings and gross margin expansion will be to fuel reinvestment behind the Powerbrands in Powermarkets. However from 2013 a proportion of cost savings will be go towards expanding operating margins*. In addition, volume leverage and greater scale will contribute to operating margin expansion, particularly in emerging market Areas of RUMEA and LAPAC.

4. MEDIUM TERM KPIs AND 2012 TARGETS

All the targets are for total Company excluding RB Pharmaceuticals (RBP).

2012 Targets

- Growth in net revenue of 200 basis points a year ahead of global market growth across RB's categories and geographies. The expected global market growth rate is 1-2%
- Maintain operational margins for the total Company, excluding RB Pharmaceuticals, as the company invests in transition.

Medium Term (5-year) Key Performance Indicators

- Growth in net revenue of 200 basis points a year, on average, ahead of the global market growth across RB's categories and geographies
- Above average growth in Health & Hygiene so that they will represent 72% of core company net revenues by 2016 (currently 67%), on average an increase of 1% per year
- Above average growth in LAPAC and RUMEA so that they will represent 50% of core company net revenues by 2016 (currently 42%)

5. RESTRUCTURING COSTS

A one-off cost in the order of £75m will be incurred in 2012 to implement the new strategy. These costs are for implementing the new Area and category organisations, refocusing resources, and making some supply chain and manufacturing enhancements.

This charge will be in addition to the remainder of the one-off restructuring charges of £50m relating to the SSL acquisition and integration due to be charged in 2012. All of these charges will be treated as exceptional and excluded from adjusted profits and earnings.

The restructuring in ENA is expected to deliver £30m in annual savings from 2013.

6. REPORTING, NEW MEASURES AND SHARE REPURCHASE

RB will move to reporting Interim Management Statements (IMS) in Q1 and Q3, commencing in 2012, in common with most listed UK companies. Half year and full year reporting will continue as current.

A number of new, or redefined measures, will be reported to monitor RB's progress.

- **Gross Margin.** RB will move a number of consumer promotional costs and other items from marketing into cost of goods. This will focus our commercial organisation on better decision making around our promotional strategy. It also brings RB into line with common industry practice. This will result in a one-time reduction in gross margin. Operating margin will not be affected as it is a classification change only.
- **Brand Equity Index.** This new measure of total brand equity building investment, covering TV and print, digital and social media, medical professional programmes and consumer educational programmes will replace pure media as the measure of brand investment – effective 2013.
- **Net Working Capital**. A new definition of net working capital, a key component of RB's focus on cash generation, will be used. This excludes corporate tax and other provisions. It is therefore a much closer proxy to RB's true commercial net working capital performance.

Geographical analysis will be on the new Area structure (ENA, LAPAC, RUMEA).

Category analysis will be on the new "core" category structure of Health, Hygiene, Home and Portfolio brands. RB Food and RB Pharmaceuticals will be reported as separate business streams.

Share Repurchase: RB will undertake a programme of share repurchase into 2012 of up to 15 million shares, primarily to offset the dilutive impact of employee share schemes.

This strategic announcement is also covered by a full presentation from management, which was webcast live and which will be available on our website from 9 February.

For further information, please contact:

Reckitt Benckiser **+44 (0)1753 217800**

Richard Joyce
Director, Investor Relations

Tom Corran
Consultant, Investor Relations

Andraea Dawson-Shepherd
SVP, Global Corporate Communication and Affairs

Brunswick (Financial PR) **+44 (0)20 7404 5959**

David Litterick / Max McGahan

Notice to shareholders

Cautionary note concerning forward-looking statements

This document contains statements with respect to the financial condition, results of operations and business of Reckitt Benckiser and certain of the plans and objectives of the Group with respect to these items. These forward-looking statements are made pursuant to the "Safe Harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing to the Company, anticipated cost savings or synergies and the completion of strategic transactions are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors discussed in this report, that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside Reckitt Benckiser's control. Past performance cannot be relied upon as a guide to future performance.

Appendices

The appendices to this release contain pro-forma results for full year 2009, 2010 and 2011 on the new Area and Category basis, including the new definition of Gross Margin and Net Working Capital. Below the operating profit level there will be no change in RB's reporting.

The Company will release historic Quarterly sales data for 2009, 2010 & 2011 on this basis in advance of the release of Q1 IMS on 1st May 2012.

Appendix 1 - Proforma Area results for 2009, 2010 and 2011 under the old and new structures

Old operating segments

£m		Europe		NAA		DVM		RBP		RB Food		CHQ	TOTAL
2011	NR	4,009	15%	2,402	3%	2,312	21%	762	3%			-	9,485
	Operating Profit*	908		652		399		518				10	2,487
	Operating margin	23%		27%		17%		68%					26%
2010	NR	3,490	-1%	2,323	8%	1,903	27%	737	25%			-	8,453
	Operating Profit*	823		599		278		531				-	2,231
	Operating margin	24%		26%		15%		72%					26%
2009	NR	3,511		2,160		1,494		588				-	7,753
	Operating Profit*	804		500		216		371				-	1,891
	Operating margin	23%		23%		14%		63%					24%

New operating segments

£m		ENA		RUMEA		LAPAC		RBP		RB Food		CHQ	TOTAL
2011	NR	4,837	5%	1,364	31%	2,210	24%	762	3%	312	3%	-	9,485
	Operating Profit*	1,158		292		417		518		92		10	2,487
	Operating margin	24%		21%		19%		68%		29%			26%
2010	NR	4,588	-1%	1,042	26%	1,784	27%	737	25%	302	11%	-	8,453
	Operating Profit*	1,119		198		300		531		83		-	2,231
	Operating margin	24%		19%		17%		72%		27%			26%
2009	NR	4,656		827		1,409		588		273		-	7,753
	Operating Profit*	1,072		144		236		371		68		-	1,891
	Operating margin	23%		17%		17%		63%		25%			24%

* - Operating profit before exceptional items
All years are shown at actual exchange rates as reported.

Appendix 2 - Proforma Category results for 2009, 2010 and 2011 under the old and new structures

Old Categories

	2009		2010		2011	
£m	**NR**	**Op profit***	**NR**	**Op profit***	**NR**	**Op profit***
Health & Personal Care	2,078		2,318		3,156	
Fabric Care	1,578		1,576		1,503	
Surface Care	1,290		1,391		1,422	
Home Care	1,036		1,152		1,204	
Dishwashing	843		875		896	
Other	65		100		227	
Household and H&PC	**6,890**	**1,447**	**7,412**	**1,613**	**8,408**	**1,864**
RBP	588	371	737	531	762	518
Food	275	73	304	87	315	95
Corporate						10
Total	**7,753**	**1,891**	**8,453**	**2,231**	**9,485**	**2,487**

New Categories

£m	2009		2010		2011	
	NR	**Op profit***	**NR**	**Op profit***	**NR**	**Op profit***
Health	1,244		1,332		2,000	
Hygiene	3,171		3,485		3,643	
Home	1,907		2,007		2,009	
Portfolio Brands	570		590		759	
Health, Hygiene & Home	**6,892**	**1,452**	**7,414**	**1,617**	**8,411**	**1,867**
RBP	588	371	737	531	762	518
Food**	273	68	302	83	312	92
Corporate						10
Total	**7,753**	**1,891**	**8,453**	**2,231**	**9,485**	**2,487**

* Operating profit before exceptional items

** Under the new categories food has been restated to match the geographical split which excludes some minor brands predominately in South East Asia. The food operating profit under the new categories also excludes any allocation of corporate profit.

All years are shown at actual exchange rates as reported.

Appendix 3 - Proforma Group results for 2009, 2010 and 2011 showing impact of change to Gross Margin

	2009	2010	2011
Net Revenue	7,753	8,453	9,485
Gross Margin - old	60.2%	60.6%	59.7%
Gross Margin - new	57.6%	58.1%	57.5%
Operating Margin	24.4%	26.4%	26.2%

Appendix 4 - Proforma Group results for 2009, 2010 and 2011 showing impact of change in Net Working Capital

Reckitt Benckiser Balance Sheet		**31-Dec 2009 £m**	**31-Dec 2010 £m**	**31-Dec 2011 £m**
Current assets:				
Inventories	**A**	**486**	**643**	**758**
Trade and other receivables	**B**	**916**	**1,342**	**1,442**
Derivative financial instruments - non CP	**C**	**3**	**3**	**4**
Derivative financial instruments - CP	**D**	**1**	**34**	**63**
Current tax receivables	**E**	**9**	**14**	**21**
LIABILITIES				
Trade and Other Liabilities	**F**	**(2,281)**	**(2,624)**	**(2,901)**
Derivative financial instruments	**G**	**(5)**	**(8)**	**(7)**
Derivative financial instruments - other	**H**	**0**	**(2)**	**0**
Corporation Tax payable	**I**	**(385)**	**(295)**	**(227)**

Net Working Capital (Current Definition)		**31-Dec 2009 £m**	**31-Dec 2010 £m**	**31-Dec 2011 £m**
Inventories	**A**	**486**	**643**	**758**
Trade and other receivables	**B+C+E**	**928**	**1,359**	**1,467**
Less: Trade and Other current liabilities	**F+G+I**	**(2,671)**	**(2,927)**	**(3,135)**
Net working capital		**(1,257)**	**(925)**	**(910)**

Net Working Capital (New Definition)		**31-Dec 2009 £m**	**31-Dec 2010 £m**	**31-Dec 2011 £m**
Inventories	**A**	**486**	**643**	**758**
Trade and other receivables	**B**	**916**	**1,342**	**1,442**
Less: Trade and Other current liabilities	**F**	**(2,281)**	**(2,624)**	**(2,901)**
Net working capital		**(879)**	**(639)**	**(701)**