27 July 2021

RECKITT (RKT.L)
BUILDING A BETTER HOUSE: ON TRACK TO DELIVER SUSTAINABLE GROWTH

	Q2 2021			H1 2021		
		Change[2]			Change[2]	
	£m	Actual	Constant	£m	Actual	Constant
Net Revenue	3,092	(8.2%)	*(1.3%)*	**6,598**	**(4.5%)**	**1.5%**
Like-for-like (LFL)			*(1.0%)*			***1.5%***
Adjusted[1]						
Operating Profit				**1,424**	**(16.0%)**	**(9.6%)**
Operating Profit Margin				**21.6%**	**(290bps)**	
Continuing EPS (diluted)				**142.6p**	**(14.4%)**	
Adjusted[1] ex IFCN China						
Net Revenue	2,960	(5.4%)	*1.9%*	**6,274**	***(2.7%)***	***3.6%***
LFL			*2.2%*			***3.7%***
Operating Profit				**1,425**	**(11.9%)**	**(5.0%)**
Operating Profit Margin				**22.7%**	**(240bps)**	
GAAP						
Operating Loss				**(1,828)**	***nm***	
Operating Profit Margin				**(27.7%)**	***nm***	
Continuing EPS (diluted)				**(245.8p)**	***nm***	

1 Adjusted measures are defined on page 15. GAAP represents measures as reported under IFRS, previously termed Reported.
2 Change vs prior year presented. Constant measured on a constant exchange rate basis (see page 16)
All amounts £m, unless otherwise stated

Performance in H1 2021

- Excluding IFCN China, H1 LFL net revenue was up 3.7%, and the two-year stacked LFL net revenue growth vs H1 2019 was 17.6%. Including IFCN China the two-year stacked LFL net revenue growth vs H1 2019 was 13.4%.
- Q2 2021 LFL net revenue (ex IFCN China) was up 2.2%, as slower growth in Hygiene was partly offset by improving trends in Nutrition and our OTC brands.
- H1 2021 adjusted operating margin (ex IFCN China) was 22.7% (H1 2020: 25.1%). Margin including IFCN China was 21.6%, down 290bps, as a result of planned investment, cost inflation and adverse margin mix.
- Net loss on a GAAP basis of £2.4bn from agreement to sell IFCN China; operating loss of £3.0bn offset by a net tax credit of £0.6bn (£0.9bn deferred tax credit offset by a tax charge £0.3bn).
- Free cash flow was £520m in H1 2021, down 72.7% due to the partial unwind of the working capital benefit in 2020; net debt of £9,084m at 30 June 2021;
- H1 2021 dividend recommended to be 73.0p, in line with H1 2020, reflecting our policy of sustaining 2019 levels to rebuild cover to two times.

Commenting on the results, Laxman Narasimhan, Chief Executive Officer, said:

"Against a challenging environment, I am encouraged by the progress we have made in the first half of the year. Around 70% of our revenue, excluding IFCN China, is from brands growing by mid-single digits in the period, in line with our strategic vision. The remaining 30% includes our disinfection brands, which are structurally rebasing, as well as our cold and flu brands, which are now starting to show positive momentum. Overall demand in the disinfectant category remains significantly higher than pre-COVID levels and the two-year stacked growth of our hygiene portfolio is up 34.1%, compared to a normal growth rate, pre-COVID, of around 4%.

"The markets are dynamic, reflecting several factors which we are closely monitoring, including the prevalence of COVID strains and government guidelines such as new lockdowns and social distancing. Although the third quarter will be slower due to strong prior year comparators, as the world gradually opens up and socialisation returns, cold and flu trends indicate a moderate season which should strengthen performance in the fourth quarter. Based on the current situation, we therefore continue to expect like-for-like net revenue growth to be within the 0-2% range set out in February 2021.

"Cost inflation accelerated in the second quarter and it will take time to offset this headwind with productivity and pricing actions being implemented in the back half of the year and early next year. This will largely offset the margin accretion in 2021 from the disposal of IFCN China. As a result, our guidance, which now excludes IFCN China, is for the adjusted operating margin to be between 22.7% to 23.2% which is 40 to 90bps lower than the 23.6% reported for the full year 2020.

"The benefits of the investments that we have made in the business in innovation, service, quality and supply are starting to come through and we have grown revenues, with 60% of revenue from our Core CMUs gaining or holding share vs H1 2019, despite a very dynamic trading environment. eCommerce net revenue (ex IFCN China) now accounts for 12% of Group net revenue and increased by over 95% on a two-year stacked basis. Our innovation pipeline for 2022 is over 50% larger than this year and we are actively managing the portfolio for growth with the acquisition of Biofreeze, the sale of Scholl and agreement to sell IFCN China.

"We are encouraged by the progress we have made to strengthen the foundations of the business and reposition ourselves for sustainable growth. We expect to exit 2022 with a revenue growth run rate in the mid-single digits as we make our way towards our medium-term adjusted operating profit margin target in the mid-20s by the mid-20s."

H1 2021 Results Presentation Today

A recording of the results presentation for investors and analysts will be available on the Company's website today, 27 July 2021 at **7:30am (BST)** and there will be a question-and-answer session at **9:00am (BST).**

For those wishing to follow the webcast and participate in the Q&A please click on the link below: https://www.reckitt.com/investors/results-and-presentations/. Alternatively, dial in details are as follows:

United Kingdom	0800 640 6441
United Kingdom (Local)	020 3936 2999
All other locations	+44 203 936 2999
Participant access code	699931

FURTHER INFORMATION AND CONTACTS

Simon Whittington **+44 (0)7408 812062**
Deputy Head of Investor Relations

Patty O'Hayer **+44 (0)7825 755688**
Director, External Relations and Government Affairs

Finsbury
Faeth Birch **+44 (0)7768 943171**

GROUP OVERVIEW

Strategy and operating model

- In February 2020 we set out our strategy to rejuvenate sustainable growth.
- Our purpose is to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world.
- Our financial goals are to grow revenues consistently by mid-single digits with adjusted operating margins in the mid 20s by the mid-2020s.
- Our key sustainability ambitions are to increase our net revenue from more sustainable products to over 50% by 2030; to contribute to a healthier planet by becoming carbon neutral by 2040; to ensure we treat the people we employ, or which are part of our value chain, fairly and equally.
- We grow net revenue by developing consumer insight driven innovations for our premium purpose-led brands. This, combined with excellent execution in sales and eCommerce, allows us to grow through increased penetration, market share gains, and entering new spaces and new places.
- The operational leverage of mid-single digit net revenue growth, together with productivity gains and supply capabilities allows us to re-invest in our category leading brands to sustain growth while maintaining margins in the mid-20s.
- We have a strong balance sheet and we generate strong cash flows and our priorities are to:

  a) target a single A credit rating;

  b) invest to support our organic revenue growth and margin goals;

  c) actively manage the portfolio to ensure we are playing in attractive markets and categories;

  d) pay a dividend in line with our policy of sustaining 2019 levels to rebuild cover to two times, thereafter, we will grow the dividend progressively in line with adjusted net income growth; and

  e) any surplus capital will be used to reduce debt or will be returned to shareholders.

Strategic update

- We continue to make progress in our transformation journey. Around 70% of the portfolio, excluding IFCN China, is already growing in line with our medium-term goals, as we gain share, increase penetration and enter new places and new spaces. Select examples include:
  - *Increased penetration:* Lysol now used by an additional 22m new households globally since 2019;
  - *Market share gains*: strong market share improvements in US IFCN driven by continued successful marketing of Neuropro innovation, and growing Healthcare Professional recommendations of Nutramigen;
  - *New places:* continued geographic expansion of Lysol and Dettol, with a total of 68 new markets now entered since the beginning of 2020 out of a plan to enter 70. Recent launches have included Scandinavia, Austria and Switzerland;
  - *New spaces:* Successful launch of GaviNatura, 100% natural heartburn and indigestion relief tablets, and Veet Pure / Minima range entering the naturals space with up to 50% fewer chemicals.
- In our disinfectant products we are seeing strong brand equity with heavier consumption by our most loyal users. The brand equity is particularly strong as seen by the amount of new repertoire consumers attracted to the brand at the height of the pandemic and are therefore structurally better positioned to grow into new places and new spaces in the future.

- Since 2020 we have invested around £1bn in total to strengthen the foundations of the business, improve our capabilities, increase our production capacity for many brands and reposition the business for growth.

- As a result of our investment in R&D, our 2022 base case innovation pipeline is over 50% higher than in 2021 which will allow us to accelerate in new product launches through 2022.

- eCommerce net revenue is up 15% in H1, excluding IFCN China, and now accounts for 12% of group net revenue. This business is comprised of many channels and business models and our ability to continuously execute well is becoming an important competitive advantage.

- The progress we are making to improve our supply chain, quality and customer service capabilities has allowed us to manage considerable volatility in the past 18 months. We have been able to capture the significant COVID related growth opportunities and continue to improve our execution capabilities in these areas.

- We continue to seek to lead and inspire our people, and have strengthened our Leadership Behaviours of Own, Create and Deliver, broadened with Care, embedding strong cultural change across the business.

ESG

- In H1 2021, we formally launched our sustainability roadmap: For a Cleaner, Healthier World. The delivery of our ambitions will be backed by more than £1bn investment over the next ten years.

- Following recent improvements in our third-party ratings, we are now considered by MSCI to be a Leader (‘AA’ rating) and ranked fifth out of 101 peers by Sustainalytics.

- Reckitt continues to work closely with the UK government in preparation for the COP 26 Climate Summit in Glasgow where Reckitt is the Official Hygiene Partner.

- We have also formed a strategic partnership with the Cambridge Centre for Risk Studies (CCRS) to better equip us to understand, and respond to, the impact of climate change.

- We have continued to demonstrate the social impact we enable for communities. Our recently published social impact report showed how we engaged 34m people and created positive impacts for 771,000 through our programmes and partnerships.

H1 2021

Group net revenue

- Like-for-like net revenue for the group in H1 2021 grew by 1.5%, which includes 130bps from the annualisation of deferring net revenue for certain shipments in H1 2020. Excluding IFCN China like-for-like net revenue grew by 3.7% which reflects volume growth of 0.3% and price / mix improvements of 3.4%. Performance was driven by continued growth in Hygiene, particularly in North America, offset by declines in Health due to pantry loading in the comparative period, a weak cold and flu season and a continued competitive environment in IFCN China. Total net revenue at actual exchange rates was down 4.5%, reflecting foreign exchange headwinds of 6.0%.

- The two-year stacked like-for-like net revenue growth for H1 2021 vs H1 2019 (the summation of the year-on-year growth rates for H1 2021 and H1 2020) for the group excluding IFCN China was 17.6%. This was driven by two-year stacked like-for-like net revenue growth of 34.1% in Hygiene, and 6.8% and 3.4% in Health and Nutrition (excluding IFCN China) respectively.

- We believe that given the significant growth seen in H1 2020 due to the pandemic, measuring market share vs H1 2019 is a fairer measure of our relative performance. On this basis, 60% of Core Category Market Units (CMUs), excluding IFCN China, held or gained share. In Hygiene it was 60% and in Health and Nutrition it was 49% and 75% respectively (weighted by net revenue).

- Brands representing around 70% of our net revenue grew by mid-single digits, in-line with our medium-term target of mid-single digit growth. The remaining 30% which includes our disinfection brands (Lysol and Dettol) and our cold and flu brands (Mucinex, Strepsils and Lemsip) have been more impacted by COVID and declined by mid-single digits in H1 2021 as they are still rebasing.

- The 70% of our net revenue, excludes our disinfection and cold and flu brands and is the entire range of brands including Finish, Airwick, Harpic and Veet, which have seen continued growth, albeit at lower rates, as well as brands like Durex, Vanish and Nurofen which are returning to growth as market conditions normalise.

- The remaining 30% of our net revenue is still experiencing COVID related normalisation. Our disinfection brands Dettol and Lysol account for around 25% of net revenue. They are now over 80% larger than H1 2019 when they accounted for 16% of net revenue. We are seeing different consumer behaviours depending on vaccine rollout rates, government advice and new waves. Nevertheless, both brands are more relevant with consumers than pre-pandemic and are therefore structurally better positioned to grow into new places and new spaces in the future. Our cold and flu brands Mucinex, Strepsils and Lemsip, which account for around 5% of net revenue, showed encouraging signs in Q2, however it is still early in the year, and lockdowns, social distancing and mask mandates may influence the strength of the season.

- eCommerce net revenue, excluding IFCN China, grew by 15% in H1 2021 and now accounts for 12% of group net revenue. The two-year stacked growth is over 95%.

Group operating margins and profit

- Adjusted operating profit in H1 2021 was £1,424m (H1 2020: £1,696m) at an adjusted operating margin of 21.6% (H1 2020: 24.5%). The competitive environment in IFCN China is increasingly challenging and excluding IFCN China, the group adjusted operating margin was 22.7% (H1 2020: 25.1%).

- The margin decline of 290bps (including IFCN China) versus H1 2020 reflects continued investment in capabilities and adverse product mix due to a weak cold and flu season which more than offset productivity savings and pricing.

- GAAP operating loss was £1,828m, and included a £2,997m loss on re-measurement of IFCN China to its fair value and a £165m loss on the sale of Scholl.

EPS and dividends

- Adjusted diluted continuing EPS was 142.6p in H1 2021 (GAAP: -245.8p loss), 14.4% lower than H1 2020 due to the lower adjusted operating profit and the adverse impact of foreign exchange.

- The dividend in H1 2021 is recommended to be 73.0p, in line with H1 2020 as a result of our policy of sustaining 2019 levels to rebuild cover to two times. Thereafter, we will grow the dividend progressively in line with adjusted net income.

Free cash flow

- Free cash flow was £520m in H1 2021 (H1 2020: £1,902m), as expected this was lower than the prior year due to the partial unwind of significant working capital favourability experienced in 2020. Capital investment to support our growth and margin ambitions was £187m, 2.8% of group net revenue.

Portfolio

- In the first half of 2021 following a strategic review, we announced an agreement to sell our IFCN China business to Primavera Capital Group for an implied enterprise value of $2.2bn. The transaction is on track to complete in H2 2021.

- In H1 2021, we also sold Scholl to Yellow Wood Partners for an enterprise value of £275m. The sale brings greater focus to our personal care portfolio.

- In July 2021, we completed the acquisition of Biofreeze for $1,075m (£777m). The acquisition will allow us to participate in the fast-growing topical pain treatment category. We see exciting potential for geographic expansion and innovation.

Outlook

- We expect the third quarter to be slower due to stronger prior year comparators, and although it is early in the year, we are encouraged by the Q2 trends in our cold and flu portfolio and expect a moderate season to strengthen our performance in the fourth quarter. Based on the current situation, we therefore continue to expect like-for-like net revenue growth to be within the 0-2% range set out in February 2021.

- Cost inflation accelerated in the second quarter and it will take time to offset this headwind with productivity and pricing actions being implemented in the back half of the year and early next year. This will largely offset the margin accretion from the disposal of IFCN China. As a result, our guidance which now excludes IFCN China for the entire year, is for the adjusted operating profit margin to be between 22.7% to 23.2% (40 to 90bps lower than the 23.6% reported for the full year 2020).

- Net finance expense for 2021 is now expected to be around 2.9% of net debt, down from 3.0% previously.

- The adjusted tax rate for 2021 is expected to be around 22%, down from 23% previously.

- Capital investment is expected to be around 4% of net revenue.

- The FX headwind on EPS is expected to be around 6-7%.

- Our progress is tangible and on track, and we expect to hit a run rate of mid-single digits net revenue growth at the back end of 2022, and adjusted operating profit margin of mid-20s by the mid 2020s.

OPERATING SEGMENT REVIEW

Hygiene

46% of net revenue in H1 2021

	£m	Volume	Price / Mix	LFL[1]	FX	GAAP
H1 2021	**3,027**	**+13.9%**	**+4.1%**	**+18.0%**	**-7.4%**	**+10.6%**
Q2 2021	1,386	+5.4%	+2.4%	+7.8%	-7.5%	+0.3%

Operating Profit	£m	Constant FX (CER)[1]	GAAP
Adjusted Operating Profit[1]	**774**	**+21.5%**	**+12.7%**
Adjusted Operating Profit Margin[1] %	**25.6%**		**+50bps**

[1] *Adjusted measures are defined on page 15*

Hygiene net revenue grew 18.0% on a like-for-like basis in the six-month period with strong demand across most markets. Volume grew by 13.9% and price / mix improvements of 4.1% reflects in part a year-on-year reduction in trade promotions in Lysol. On a two-year stacked like-for-like basis, net revenue is up 34.1%.

60% of Core Hygiene CMUs (weighted by net revenue) held or gained market share (H1 2021 versus H1 2019) with strong share gains in almost all Lysol and Finish markets offset by declines in Harpic, Vanish and Veja.

By brand, Lysol net revenue continued to grow strongly in the half and on a two-year stacked like-for-like basis, net revenue grew over 100%. Overall demand in the disinfectant category remains significantly higher than pre-COVID levels. Lysol is present in 22m more households globally today compared to 2019 and the brand continues to take share in its key markets. As expected, we have seen some reduction in frequency of usage compared to the peak levels experienced in the first quarter of this year. We have continued to grow in new places and new spaces, with ongoing success in Global Business Solutions (GBS) and the entry into seven new markets so far in 2021. In addition, we are broadening the shoulders of the brand with new innovations such as Lysol On the Go, Lysol Pet and Lysol Fabric Disinfectant each beginning shipments in the period.

Finish net revenue grew high single digits, in part due to the brand's purpose-led campaign called 'Skip the Rinse'. In Turkey – one of the brand's largest markets – net revenue grew strong double digits as the campaign, which has helped save 24m tons of water over the past year, drove strong commercial performance with both brand equity and market share metrics up significantly.

Air Wick grew double digits reflecting growth across all major markets, despite strong prior year comparators when the introduction of lockdowns kept consumers at home. Vanish returned to growth as the reduction in social restrictions increased the demand for the removal of clothes stains. Harpic grew as a result of continued penetration increases in key markets like India where revenue was up double digits. The balance of the Hygiene portfolio, which includes local hero brands, grew low double-digits.

By geography, growth was led by North America and, to a lesser extent, India. Growth was softer in Europe as a result of Sagrotan declines in a number of markets due to strong prior year comparators.

Adjusted operating profit for Hygiene at £774m was up 21.5% on a constant FX basis. Adjusted operating margin was 25.6%, 50bps higher than last year as the leverage from net revenue growth has more than offset increased investment and cost inflation.

Second Quarter Performance

Net revenue grew by 7.8% on a like-for-like basis in the second quarter, with strong trading across most brands and major markets. Growth was driven by 5.4% volume and 2.4% price / mix. Lysol continued to grow at double digit rates. Growth moderated from the first quarter, which benefited from a degree of retailer restocking, due to softer overall underlying consumer demand compared to peak and increased industry capacity in the Wipes segment. Finish declined slightly reflecting the very strong prior year comparator but remains significantly higher than 2019. Air Wick grew double digits. Trends in other brands have been broadly similar to that of Q1.

Health

32% of net revenue in H1 2021

	£m	Volume	Price / Mix	LFL[1]	Net M&A	FX	GAAP
H1 2021	**2,144**	**-11.5%**	**+1.3%**	**-10.2%**	**+0.3%**	**-4.4%**	**-14.3%**
Q2 2021	1,021	-8.5%	+2.9%	-5.6%	-0.7%	-5.6%	-11.9%

Operating Profit	£m	Constant FX (CER)[1]	GAAP
Adjusted Operating Profit[1]	**468**	**-30.7%**	**-34.6%**
Adjusted Operating Profit Margin[1] %	**21.8%**		**-680 bps**

[1] Adjusted measures are defined on page 15

Health net revenue declined by 10.2% on a like-for-like basis in the period with strong growth in Intimate Wellness, Gaviscon and Personal Care offset by the effect of challenging comparators in Dettol and the weak cold and flu season. Price / mix growth of 1.3% which included strong pricing improvements in Durex and Dettol, was more than offset by a reduction in OTC volume. On a two-year stack basis, net revenue is up 6.8%.

49% of our Core Health CMUs (weighted by net revenue) held or gained market share (H1 2021 versus H1 2019). Strong gains in Dettol, Durex and Gaviscon were offset by some declines in our cold and flu relief products which tend to see share declines in weaker seasons. However, in recent months we have started to see an improvement in Mucinex share, growing 300bps in June, driven in particular by performance in non mask-mandated states in the US.

Following the exceptional growth in Dettol in 2020 with household penetration globally increasing by over 530bps, Dettol net revenue declined low double digits in the first half. Most major markets were lower year on year as demand normalises from the 2020 peak, but we are seeing early signs of stabilisation in some markets. In India, Dettol's largest market, revenue growth remained strong despite operational and supply challenges. Overall, Dettol net revenue is currently over 40% higher on a two-year stack basis. During the period, the brand entered 20 new markets, launched innovations such as Dettol 'Tru Clean' and saw increased momentum with the expansion of our disinfectant spray into new markets such as Pakistan. We continue to use the strength of the brand to raise public awareness of the importance of personal hygiene habits in many markets, including our Dettol Banega Swasth India campaign. Dettol is the Official hygiene partner for the FA UK in 2021 and has become the Official Hygiene Partner for Dubai EXPO 2020. Dettol also has partnerships with the Ministry of Health and Ministry of Tourism in Indonesia and the Thailand Ministry of Public Health to uplift Hygiene Standard and habits.

Intimate Wellness continued to grow strongly as a result of good execution and product innovation, with double digit growth in most markets. This is against soft H1 2020 comparators where government guidelines limited social activity, particularly in China, as well as continued share gains in the polyurethane (PU) condoms launched in October 2020. eCommerce continues to support performance, with online shares in the UK and Germany up over 2000bps driven by lubes and 'Play Feel' gel. During the period, we acquired Queen V, a feminine intimate wellness brand focused on vaginal health.

Our over the counter (OTC) portfolio declined by just over 30% in the period. Our cold and flu products such as Mucinex, Nurofen and Strepsils, had strong prior year comparators due to pantry loading and low incidences of cold and flu in the first quarter. However, trends improved as the second quarter progressed and retailer stocks are now at more normal levels. Gaviscon demand continues to grow due to the Double Action and Guardium innovations and launch of naturals products, whilst the 60% capacity expansion of our UK factory has resulted in pack fill rates – a measure of our ability to meet customer orders – over 20% points ahead of the prior year. Combined, this led to continued acceleration in Gaviscon revenue growth, which was up strong double digits in the half.

Our portfolio of personal care products grew high single digits in the period. This was led by double digit growth - despite strong prior year comparators - in Veet driven by strong double digit online growth, the expansion of Veet Men and our entry into new spaces such as Veet Minima / Pure.

Performance by geography reflects the geographic mix of brands, with growth in India, China and the UK more than offset by declines in North America where Mucinex is the largest brand.

The sale of Scholl completed on 1 June and has therefore been removed from LFL net revenue in the first half. Scholl contributed 30bps to GAAP Health net revenue growth in the period as performance benefited from soft comparators due to the social restrictions in place during H1 2020.

Adjusted operating profit for Health at £468m was down 30.7% on a constant FX basis. Adjusted operating margin was 21.8%, down 680 basis points year on year. In addition to increased investment, this significant reduction in margin is due primarily to the mix effect resulting from the exceptional decline in our cold and flu relief products, which have higher gross margins than the rest of the portfolio.

Second Quarter Performance

Net revenue declined by 5.6% on a like-for-like basis in Q2 driven by an 8.5% decline in volume and a 2.9% improvement in price / mix. The sequential improvement versus the first quarter of the year is the result of improved cold and flu trends in Australia and in non-mask mandated states in the US combined with the annualisation of the market share losses of Nurofen.

Nutrition

22% of net revenue in H1 2021

	£m	Volume	Price / Mix	LFL[1]	FX	GAAP
H1 2021	**1,427**	**-11.3%**	**+2.8%**	**-8.5%**	**-6.2%**	**-14.7%**
H1 2021 (ex IFCN China)	1,103	-6.6%	+5.7%	-0.9%	-7.9%	-8.8%
Q2 2021	685	-14.0%	+4.3%	-9.7%	-7.4%	-17.1%
Q2 2021 (ex IFCN China)	553	-5.0%	+8.7%	3.8%	-9.6%	-5.8%

Operating Profit	£m	Constant FX (CER)[1]	GAAP
Adjusted Operating Profit[1]	**182**	**-31.0%**	**-37.9%**
Adjusted Operating Profit (ex IFCN China)	183	-3.9%	-14.5%
Adjusted Operating Profit Margin[1] %	**12.8%**		**-470bps**
Adjusted Operating Profit Margin % (ex IFCN China)	16.6%		-110 bps

[1] *Adjusted measures are defined on page 15*

Nutrition net revenue declined by 8.5% on a like-for-like basis, primarily due to the significant decline in IFCN China. Excluding IFCN China, like-for-like net revenue declined 0.9% as 5.7% price / mix growth, which reflects improvements in North America, largely offset the reduction in volume. On a two-year stacked basis, net revenue excluding IFCN China was up 3.4%.

Excluding IFCN China 75% of our Core Nutrition CMUs (weighted by net revenue) held or gained market share (H1 2021 versus H1 2019). This is a result of gains in US WENR IFCN, which represents a significant proportion of the net revenue of Nutrition Core CMUs and Airborne.

IFCN LFL net revenue grew by 2.2%, excluding China (on a two-year stacked like-for-like basis net revenue grew 0.4%). In North America, net revenue growth was driven in part by ongoing good execution of our Omega3-DHA led product, NeuroPro. Here we continue to build on the successful marketing campaigns of 2020 which directly highlight the nutritional advantages of our product. Share in the WENR (un-subsidised) market remains strong and we recently retained the New York WIC contract. We have also grown market share in the allergy space, where we have improved share of recommendation amongst Healthcare Professionals. Latin America grew strongly year on year following the upgrade to the spray-dryer factory which occurred in Q2 2020. Net revenue in ASEAN continued to decline slightly as trading in several countries remains adversely impacted by COVID.

In Greater China, IFCN net revenue declined significantly in the period as the market continues to be challenging. Competitive pressures are intensifying, the Hong Kong border remains closed and the 18% decline in 2020 birth rates is materially impacting demand. In addition, we have experienced a degree of retailer destocking in recent months. In the six months to 30 June 2021, following the strategic review, a loss of £2,997m was recognised on re-measurement of IFCN China to its fair value on classification as held for sale.

Net revenue in our Vitamins, Minerals and Supplements business declined by 15% (on a two-year stacked like-for-like net revenue growth basis was up 27%) reflecting the challenging comparators due to COVID, and the effect of the weak cold and flu season on Airborne – our immunity support brand. This was partially offset by continued exceptionally strong growth in Neuriva, our brain support supplement launched in 2019, which now represents approximately 24% of the VMS portfolio. The brand continues to drive category penetration, and during the period launched a major campaign partnering with a celebrity neuroscientist.

Adjusted operating profit for Nutrition at £182m was 31.0% lower on a constant FX basis. Adjusted operating margin was 12.8%, down 470 basis points year on year reflecting principally the negative leverage related to the significant decline in IFCN China revenue. Excluding IFCN China, adjusted operating profit for Nutrition would have been £183m (16.6% margin).

Second Quarter Performance

Nutrition net revenue declined by 9.7% on a like for like basis in the quarter due to the soft performance in IFCN China. Excluding IFCN China, Nutrition revenue grew by 3.8% on a like-for-like basis with strong growth in IFCN partially offset by softer VMS performance against a prior year comparator which was positively impacted by COVID. Excluding IFCN China, volume declined by 5.0%, partly offset by price / mix improvement of 8.7% reflecting WIC/WENR volume mix and price increases taken during the quarter.

Performance by Geography

	£m	Volume	Price / Mix	LFL[1]	Net M&A	FX	GAAP
H1 2021							
North America	2,009	+1.0%	+5.3%	+6.3%	-0.2%	-9.0%	-2.9%
Europe / ANZ	2,115	-2.6%	+0.9%	-1.7%	+0.1%	-2.1%	-3.7%
Developing Markets	2,474	-2.0%	+2.5%	+0.5%	0.0%	-7.0%	-6.5%
Total	**6,598**	**-1.3%**	**+2.8%**	**+1.5%**	**0.0%**	**-6.0%**	**-4.5%**
Q2 2021							
North America	932	-3.4%	+5.3%	+1.9%	-0.4%	-10.6%	-9.1%
Europe / ANZ	981	-0.7%	-0.9%	-1.6%	-0.6%	-3.4%	-5.6%
Developing Markets	1,179	-6.0%	+3.2%	-2.8%	0.0%	-6.7%	-9.5%
Total	**3,092**	**-4.1%**	**+3.1%**	**-1.0%**	**-0.3%**	**-6.8%**	**-8.2%**

[1] *Adjusted measures are defined on page 15*

North America like for like net revenue grew by 6.3% as growth in Hygiene brands, Durex and IFCN more than offset the significant decline in Mucinex.

In Europe/ANZ like for like net revenue declined by 1.7% as declines in Germany and Australia offset growth in UK and France.

Developing markets like for like net revenue growth excluding IFCN China was 6.7% with strong performances in India and Mexico.

GROUP FINANCIAL REVIEW – SIX MONTHS ENDED 30 JUNE 2021

The following section should be read in conjunction with the condensed financial statements and the adjusted and other non-GAAP measures, definitions and terms section.

Net revenue

On a Group basis, net revenue was £6,598m in the first half of 2021, representing 1.5% growth on a LFL basis of which -1.3% was volume and 2.8% price / mix. Excluding IFCN China, LFL net revenue growth was 3.7%. Like-for-like net revenue for the group in H1 2021 includes 130bps from the annualisation of deferring net revenue for certain shipments in H1 2020.

Total net revenue at actual exchange rates was down 4.5%, reflecting a foreign exchange headwind of 6% driven by a general strengthening of sterling.

Gross margin

Gross margin decreased by 310bps to 57.8% as a result of adverse product mix principally in Health and the impact of higher commodity costs and other charges which together more than offset productivity savings within our cost of goods sold.

Net operating expenses

Brand Equity Investment (BEI) was down 1.0% at constant exchange rates, at 13.5% of net revenue, 30bps lower than the prior year as productivity savings (including insourcing some activities using capability built inside Reckitt) offset continued investment behind our brands.

Other costs increased by 0.9% at constant exchange rates, up 10bps as a percentage of net revenue, reflecting continued investment in capabilities offset by lower year-on-year performance related costs and productivity savings.

GAAP net operating expenses also included a pre-tax loss of £2,997m on re-measurement of IFCN China to its fair value on classification as held for sale and a loss of £165m on disposal of Scholl. Further details on other adjusting items can be found on page 17.

Group operating profit

Adjusted operating profit was £1,424m (2020: £1,696m) at an adjusted operating margin of 21.6%, 290bps lower than the prior year (2020: 24.5%). The margin decline of 290bps versus H1 2020 reflects continued investment in capabilities and adverse product mix due to a weak cold and flu season which more than offset productivity savings and pricing. Adjusted operating margin excluding IFCN China was 22.7% (2020: 25.1%).

GAAP operating loss was £1,828m (2020: £1,595m operating profit) at a GAAP operating margin of -27.7% (2020: 23.1%) driven by disposal related losses for IFCN China and Scholl.

Net finance expense

Adjusted net finance expense was £116m (2020: £141m). The decrease is due to lower average net debt and a favourable comparison with prior year adjusted net finance expense which included the interest element of a sales tax provision.

GAAP net finance expense of £115m (2020: £157m) includes £1m of finance income on tax balances (2020: £16m expense) which are reclassified to income taxes on an adjusted basis.

Tax

The adjusted tax rate, which excludes the effect of adjusting items, was 22.0% (2020: 23.0%) benefitting from the reassessment of uncertain tax positions following progress on tax authority audits.

The GAAP tax rate was 10% (2020: 28%). The GAAP tax rate in 2021 benefited from a £591m net deferred tax credit in relation to the disposal of IFCN China as deferred tax liabilities were adjusted to reflect estimated tax payable in relation to the disposal. This net tax credit was partially offset by a £196m charge due to the enacted increase in the UK corporation tax rate from 19% to 25% on deferred tax liabilities recorded in respect of intangible assets.

Discontinued operations

Income from discontinued operations of £29m (2020: £48m) represents income, net of tax, recognised in relation to an agreement with Indivior plc to settle indemnity claims related to the Group's previous settlement with the DoJ, and related matters.

Earnings per share (EPS)

Adjusted diluted EPS from continuing operations was 142.6p (2020: 166.5p), the decrease of 23.9p or 14.4% primarily driven by lower adjusted operating profit and the adverse impact of foreign exchange.

GAAP diluted EPS from continuing operations was a loss of 245.8p (2020: earnings per share of 144.2p), as a result of a net loss in the first half of 2021 due to the post-tax loss of £2.4bn on re-measurement of IFCN China to its fair value.

Balance sheet

As at 30 June 2021, the Group had total equity of £6,581m (31 December 2020: £9,159m).

Following the announcement of the sale of IFCN China to Primavera, IFCN China has been presented as held for sale on the Group's balance sheet, with the related assets and liabilities re-measured to their fair value less costs to sell. The Group's current assets and current liabilities at 30 June 2021 include the assets and liabilities of IFCN subsequent to this re-measurement.

Current assets of £6,769m (31 December 2020: £5,314m) increased by £1,455m. The increase is principally due to IFCN China, as assets of £1,539m previously classified as non-current are now included within assets held for sale. This increase has been partially offset by lower trade receivables and lower cash and cash equivalents. The Group's working capital movements are described below.

Current liabilities of £9,363m (31 December 2020: £6,938m) increased by £2,425m. The increase is principally due to the re-classification of bonds of $3.2bn (£2,348m) which mature in June 2022 from non-current. The reduction in trade and other payables was offset by an increase in commercial paper. The Group's working capital movements are described below.

Non-current assets of £20,956m (31 December 2020: £25,978m) primarily comprise of goodwill and other intangible assets of £18,039m (31 December 2020: £22,979m) and property, plant and equipment. The decrease of £5,022m is predominantly due to the transfer to and remeasurement of assets held for sale of £4,300m of goodwill and other intangibles relating to IFCN China and disposal of brand intangibles and goodwill of £374m on the sale of Scholl.

Non-current liabilities of £11,781m (31 December 2020: £15,195m) have decreased by £3,414m. This decrease is principally due to the re-classification of bonds of $3.2bn (£2,348m) which mature in June 2022 from non-current to current liabilities, the early repayment of $400m (£291m) of term loans and the reduction in deferred tax liabilities as a result of the announced disposal of IFCN China.

Net working capital

At 30 June 2021 £127m (31 December 2020: £nil) of negative net working capital relating to the IFCN China business is presented within assets and liabilities held for sale. The information below includes net working capital for the Group including net working capital of IFCN China.

During the period, net working capital (including IFCN China) changed by £370m from negative £2,229m to negative £1,859m. Net working capital as a percentage of 12-month net revenue (incl. IFCN China) is -14% (31 December 2020: -16%).

The change in net working capital is driven by lower payables (down £422m) and higher inventories (up £41m) partially offset by lower receivables (down £93m). The decrease in payables is due to lower manufacturing payables, the partial unwind of COVID related increases in 2020 and the settlement of variable pay liabilities in 2021.

Cash Flow

	30 Jun 2021 £m	30 Jun 2020 £m
Adjusted Operating Profit	1,424	1,696
Depreciation, amortisation and share based payments	197	208
Net capital expenditure	(187)	(142)
Movement in working capital, provisions and other creditors	(416)	711
Net interest paid	(105)	(147)
Tax paid	(367)	(391)
Cash flow in relation to adjusting items	(26)	(33)
Free Cash Flow	**520**	**1,902**
Free Cash Flow Conversion	**51%**	**160%**

Free cash flow (FCF) is the amount of cash generated from continuing operating activities after net capital expenditure on property, plant and equipment and intangible software assets. Free cash flow reflects cash flows that could be used for payment of dividends, repayment of debt or to fund acquisitions or other strategic objectives.

Free cash flow as a percentage of continuing adjusted net income was 51% (2020: 160%). The lower free cash conversion in 2021 was expected, principally resulting from the partial unwind of significant working capital favourability experienced in the prior year.

Net cash from operating activities was £712m (2020: £2,034m), down £1,322m due to adverse movements in working capital as outlined above.

Net debt

	30 Jun 2021 £m	30 Jun 2020 £m
Opening net debt	(8,954)	(10,749)
Free cashflow	520	1,902
Shares reissued	57	48
Acquisitions, disposals and purchase of investments	87	-
Dividends paid	(739)	(732)
Movement in lease liabilities	(85)	(66)
Exchange and other movements	25	(595)
Cash flow attributable to discontinued operations	5	(10)
Closing net debt (including IFCN China)	**(9,084)**	**(10,202)**

At 30 June 2021 net debt was £9,084m, an increase of £130m, as the payment of the 2020 final dividend more than offset free cashflow and net proceeds from disposals in the period.

The Group regularly reviews its banking arrangements and currently has adequate facilities available to it. The Group has committed facilities totalling £4,500m (31 December 2020: £5,500m), £3,500m of which expire after more than two years, which are undrawn and available to draw. The Group remains compliant with its banking covenants. The committed borrowing facilities, together with cash and cash equivalents, are considered sufficient to meet the Group's projected cash requirements.

Dividends

The Board of Directors recommends an interim 2021 dividend of 73.0 pence (2020: 73.0 pence), consistent with its policy and guidance from February 2020. The ex-dividend date will be 5 August 2021 and the dividend will be paid on 15 September 2021 to shareholders on the register at the record date of 6 August 2021. The last date for election for the share alternative to the dividend is 24 August 2021.

Capital returns policy

Reckitt has consistently communicated its intention to use its strong cash flow for the benefit of shareholders. Our priority remains to reinvest our financial resources back into the business, including through value-adding acquisitions, in order to deliver sustainable growth in net revenue and improving earnings per share over time.

In managing the balance sheet, we intend to maintain key financial ratios in line with those expected of an A-grade credit-rated business. This will broadly define acceptable levels of leverage overtime.

Repatriating cash to shareholders through a growing dividend remains a long-term goal of the business. As a result of the investments being made during 2021, which will benefit long-term sustainable growth, our pay-out for 2021 is expected to be in excess of our policy of paying an ordinary dividend to around 50% of total adjusted net income. As set out in February 2020, we will maintain the dividend pay-out per share at 2019 levels until we rebuild dividend cover to target levels, at which time we will be able to resume growth in dividends in line with the growth in adjusted net income.

We will continue to rigorously evaluate our portfolio to actively migrate it to higher growth.

Adjusted and Other Non-GAAP Measures

The financial information included in this interim announcement is prepared in accordance with International Financial Reporting Standards (IFRS) as well as information presented on an adjusted basis.

Financial information presented on an adjusted basis excludes certain cash and non-cash items which management believe are not reflective of the underlying financial performance of the business. Financial information on an adjusted basis is consistent with how management reviews the business for the purpose of making operating decisions. Adjusting items comprise exceptional items, other adjusting items and the reclassification of finance expenses on tax balances.

- Exceptional items are material, non-recurring items of expense or income.
- Other adjusting items relate to expenses or income that the Group adjust for because their pattern of recognition is largely uncorrelated with the underlying performance of the business. This includes the following items:
    - Amortisation of acquired brands, trademarks and similar assets;
    - Amortisation of certain other intangible assets, inventory fair value adjustments and professional/advisor costs recorded as the result of a business combination;
    - Profits or losses relating to the sale of brands and related intangible assets
    - Changes to deferred tax liabilities relating to (a) acquired brands, trademarks and similar assets and (b) certain other intangible assets recorded as the result of a business combination; and
    - Re-cycled foreign exchange translation reserves upon the sale, liquidation, repayment of share capital or abandonment of a subsidiary previously controlled by the Group.
- Adjusting items include a reclassification of finance expenses on tax balances into income tax expense, to align with the Group's tax guidance. As a result, these expenses are presented as part of income tax expense on an adjusted basis.

Adjusted measures

- **Excluding IFCN China:** Following the completion of the IFCN China strategic review, certain adjusted measures have been presented for the Group excluding IFCN China (China, Hong Kong, Taiwan and the related manufacturing facilities in China, the Netherlands and Australia). This information has been provided as additional adjusted measures to provide visibility on the performance of the remaining Reckitt Group.
- **Adjusted Operating Profit and Adjusted Operating Profit margin**: Adjusted operating profit reflects the IFRS operating profit excluding items in line with the Group's adjusted items policy. See page 17 for details on the adjusting items and a reconciliation between IFRS operating profit and adjusted operating profit. The adjusted operating profit margin is the adjusted operating profit expressed as a percentage of net revenue.

- **Adjusted tax rate:** The adjusted tax rate is defined as the Adjusted continuing income tax expense as a percentage of Adjusted profit before tax.

- **Adjusted diluted EPS:** Adjusted diluted EPS is the IFRS diluted EPS excluding items in line with the Group's adjusting policy. See page 17 for details on the adjusting items and a reconciliation between IFRS net income and adjusted net income. As a result of the GAAP loss in the six months to 30 June 2021, the weighted average number of shares for the 2021 is the same for both IFRS EPS and adjusted EPS.

Other non-GAAP measures

- **Like-for-Like ("LFL"):** Net revenue growth or decline at constant exchange rates (see below) excluding the impact of acquisitions, disposals and discontinued operations. Completed disposals are excluded from LFL revenue growth for the entirety of the current and prior years. Acquisitions are included in LFL revenue growth twelve months after the completion of the relevant acquisition. LFL growth also excludes Venezuela.

- **Stacked net revenue growth**: The summation of the net revenue growth for the relevant period in 2021 and 2020, to provide visibility of growth versus periods prior to the start of the COVID-19 pandemic.

- **Constant exchange rate ("CER"):** Net revenue growth or decline adjusting the actual consolidated results such that the foreign currency conversion uses the same exchange rates as were applied in the prior period.

- **Brand Equity Investment ("BEI")**: BEI is the marketing support designed to capture the voice, mind and heart of our consumers.

- **Net working capital ("NWC")**: NWC is the total of inventory, trade and other receivables and trade and other payables. NWC is calculated as a percentage of last twelve months net revenue to compare changes in NWC to the growth of the business.

- **Net Debt:** The Group's principal measure of net borrowings being a total of cash and cash equivalents, short-term and long-term borrowings, lease liabilities and derivative financial instruments on debt. This includes amounts presented on the balance sheet within assets and liabilities held for sale.

- **Free Cash Flow and Free Cash Flow Conversion:** The Group's principal measure of cash flow defined as net cash generated from continuing operating activities less net capital expenditure. A reconciliation of cash generated from continuing operations to Free Cash Flow is shown below. The Group tracks Free Cash Flow on a percentage of adjusted net income to understand the conversion of adjusted profit into cash.

	30 Jun 2021 £m	30 Jun 2020 £m
Cash generated from continuing operations	1,179	2,582
Less: net interest paid	(105)	(147)
Less: tax paid	(367)	(391)
Less: purchase of property, plant & equipment	(158)	(114)
Less: purchase of intangible assets	(29)	(32)
Plus: proceeds from the sale of property, plant & equipment	-	4
Free Cash Flow	**520**	**1,902**
Free Cash Flow Conversion	**51%**	**160%**

Other definitions and terms

- **E-commerce:** E-commerce channel net revenue is defined as direct sales from Reckitt to online platforms or directly to consumers. Estimates of total e-commerce sales as a percentage of group net revenue includes direct sales and an estimate of sales achieved by our brands corresponding to sales through our omnichannel distributors and retailer' websites.

- **Category Market Unit ("CMU"):** Reckitt analyses its market share by CMUs, which represent country and either brand or category, e.g. US Lysol. This allows us to analyse the components of market share growth taking into account both geography and brand / category. Management has identified those Core CMUs that are the most strategically important. The list of Core CMUs is kept under continual review and will change over time based on strategic decisions. Currently, Core CMUs cover c.70% of Group net revenue and between c. 60% to 85% of each GBU's net revenue. As a measure of competitiveness, management tracks the percentage of Core CMUs holding or gaining market share, weighted by net revenue.

- **Continuing operations:** Continuing operations excludes any credits or charges related to the previously demerged RB Pharmaceuticals business that became Indivior PLC. Net income from discontinued operations is presented as a single line item in the Group Income Statement.

The table below reconciles the Group's reported IFRS measures to its adjusted measures for the six months ended 30 June 2021.

		Adjusting items			
	GAAP	Exceptional items[1]	Other Items[2]	Finance Expense Reclass[3]	Adjusted
Six months ended 30 June 2021	£m	£m	£m	£m	£m
Net revenue	**6,598**	**-**	**-**	**-**	**6,598**
Cost of sales	(2,784)	-	2	-	(2,782)
Gross profit	**3,814**	**-**	**2**	**-**	**3,816**
Net operating expenses	(5,642)	3,034	216	-	(2,392)
Operating (loss)/profit	**(1,828)**	**3,034**	**218**	**-**	**1,424**
Net finance expense	(115)	-	-	(1)	**(116)**
Share of loss of associate	(1)	-	-	-	**(1)**
(Loss)/profit before income tax	**(1,944)**	**3,034**	**218**	**(1)**	**1,307**
Income tax credit / (charge)	191	(591)	111	1	**(288)**
Net (loss)/income from continuing operations	**(1,753)**	**2,443**	**329**	**-**	**1,019**
Less: Attributable to non-controlling interests	(1)	-	-	-	(1)
Net (loss)/income from continuing operations attributable to owners of the parent company	**(1,754)**	**2,443**	**329**	**-**	**1,018**
Net profit for the period from discontinued operations	**29**	**(29)**	**-**	**-**	**-**
Total net (loss)/income for the year attributable to owners of the parent	**(1,725)**	**2,414**	**329**	**-**	**1,018**
Diluted (loss)/earnings per share (EPS) from continuing operations	**(245.8)**				**142.6**
Operating Margin %	**(27.7%)**				**21.6%**
Impact of IFCN China					1.1%
Operating Margin % (ex. IFCN China)					**22.7%**

1. Exceptional items relate to costs in relation to the strategic review of IFCN China (Note 14). Amounts charged to operating profit include:
   - A loss of £2,997 million relating to the re-measurement of the IFCN China disposal group to its fair value less costs of disposal;
   - A charge of £37 million relating to the re-measurement of a separate factory asset dedicated to IFCN China, not included in the disposal to Primavera, to its fair value less costs of disposal;
   - Included within income tax expense is a net deferred tax credit of £591 million relating to the re-measurement of deferred tax liabilities to reflect the estimated tax payable on disposal of IFCN China.

2. Other adjusting items of £218 million relate to:
   - Loss of £165 million in relation to the sale of Scholl to Yellow Wood Partners (Note 14);
   - Amortisation of certain intangible assets recognised as a result of the acquisition of MJN of £38 million;
   - Costs of £15 million relating to acquisitions, of which £2 million is recorded within Cost of Sales.
   - Included within income tax expense is a net £111 million charge, including a £73 million tax credit relating to the Scholl disposal, a £9 million tax credit in respect of intangible asset amortisation and a £196 million tax charge to adjust deferred tax liabilities for intangible assets for the UK tax rate change.

3. Adjusting items of £1 million relate to the reclassification of interest income on income tax balances from net finance expense to income tax in the adjusted measures.

The table below reconciles the Group's reported IFRS measures to its adjusted measures for the six months ended 30 June 2020.

		Adjusting items			
	GAAP	Exceptional items[1]	Other Items[2]	Finance Expense Reclass[3]	Adjusted
Six months ended 30 June 2020	£m	£m	£m	£m	£m
Net revenue	**6,911**	**-**	**-**	**-**	**6,911**
Cost of sales	(2,699)	-	-	-	(2,699)
Gross profit	**4,212**	**-**	**-**	**-**	**4,212**
Net operating expenses	(2,617)	60	41	-	(2,516)
Operating (loss)/profit	**1,595**	**60**	**41**	**-**	**1,696**
Net finance expense	(157)	-	-	16	**(141)**
Share of loss of associate	-	-	-	-	-
(Loss)/profit before income tax	**1,438**	**60**	**41**	**16**	**1,555**
Income tax credit / (charge)	(399)	(2)	60	(16)	**(357)**
Net (loss)/income from continuing operations	**1,039**	**58**	**101**	**-**	**1,198**
Less: Attributable to non-controlling interests	(12)	-	-	-	(12)
Net (loss)/income from continuing operations attributable to owners of the parent company	**1,027**	**58**	**101**	**-**	**1,186**
Net profit for the period from discontinued operations	**48**	**(48)**	**-**	**-**	**-**
Total net (loss)/income for the year attributable to owners of the parent	**1,075**	**10**	**101**	**-**	**1,186**
Diluted (loss)/earnings per share (EPS) from continuing operations	**144.2**				**166.5**
Operating Margin %	**23.1%**				**24.5%**
Impact of IFCN China					0.6%
Operating Margin % (ex. IFCN China)					**25.1%**

1. Exceptional items within Operating Profit include £20 million relating to previously announced restructuring projects (principally RB 2.0 costs) and a charge of £40 million relating to the Korea HS issue charged during the period ended 30 June 2020. Included within income tax expense is a £2 million tax credit for these exceptional costs
2. Other adjusting items of £41 million relate to the amortisation of certain intangible assets recognised as a result of the acquisition of MJN. Included within income tax expense is a net £60 million charge, being a £10 million tax credit in respect of this amortisation offset by a £70 million tax charge to adjust deferred tax liabilities for intangible assets for the UK tax rate change.
3. Adjusting items of £16 million relate to the reclassification of interest on income tax balances from finance expense to income tax in the adjusting measure.

Principal Risks and Uncertainties

The Group's principal risks and uncertainties are detailed on pages 82-92 of the Annual Report for the year ended 31 December 2020. These are listed below within broad categories, with further detail on each of the following risks in the 2020 Annual Report:

- Operational: COVID-19, Product safety, supply disruption, cyber-security, employee health and safety, sustainability, adherence to product quality standards.
- Strategic: Innovation, disruption, China.
- People
- Financial: Tax disputes
- Compliance: Product regulations, legal & compliance and South Korea Humidifier Sanitiser (HS)
- Other: 'Black Swan' event.
- The Group's emerging risks were Geopolitical, Sustained / deepening economic recession and pandemic-related litigation and regulation.

The nature and potential impact of such risks remain essentially unchanged for the second half of 2021.

Cautionary note concerning forward-looking statements

This announcement contains statements with respect to the financial condition, results of operations and business of Reckitt (the Group) and certain of the plans and objectives of the Group that are forward-looking statements. Words such as 'intends', 'targets', or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including targets for net revenue, operating margin and cost efficiency, are forward-looking statements. Such statements are not historical facts, nor are they guarantees of future performance.

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 that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside the Group's control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political and social conditions in the key markets in which the Group operates; the ability of the Group to manage regulatory, tax and legal matters, including changes thereto; the reliability of the Group's technological infrastructure or that of third parties on which the Group relies; interruptions in the Group's supply chain and disruptions to its production facilities; the reputation of the Group's global brands; and the recruitment and retention of key management.

These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, Reckitt expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

LEI: 5493003JFSMOJG48V108

Half Year Condensed Financial Statements

Group Income Statement
For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 £m	30 June 2020 £m
Net Revenue		**6,598**	6,911
Cost of sales		**(2,784)**	(2,699)
Gross profit		**3,814**	4,212
Losses on assets held for sale and disposal of goodwill and brands	14	**(3,199)**	–
Other net operating expenses		**(2,443)**	(2,617)
Net operating expenses		**(5,642)**	(2,617)
Operating (loss)/profit		**(1,828)**	1,595
Finance income		**10**	50
Finance expense		**(125)**	(207)
Net finance expense		**(115)**	(157)
Share of loss of equity-accounted investees, net of tax		**(1)**	–
(Loss)/profit before income tax		**(1,944)**	1,438
Income tax credit / (charge)	5	**191**	(399)
Net (loss)/income from continuing operations		**(1,753)**	1,039
Net income from discontinued operations		**29**	48
Net (loss)/income		**(1,724)**	1,087
Attributable to non-controlling interests		**1**	12
Attributable to owners of the parent company		**(1,725)**	1,075
Net (loss)/income		**(1,724)**	1,087
Basic (loss)/earnings per ordinary share			
From continuing operations (pence)	6	**(245.8)**	144.6
From discontinued operations (pence)	6	**4.1**	6.8
From total operations (pence)		**(241.7)**	151.4
Diluted (loss)/earnings per ordinary share			
From continuing operations (pence)	6	**(245.8)**	144.2
From discontinued operations (pence)	6	**4.1**	6.7
From total operations (pence)		**(241.7)**	150.9

Group Statement of Comprehensive Income
For the six months ended 30 June 2021

	Six months ended	
	30 June 2021 £m	30 June 2020 £m
Net (loss)/income	**(1,724)**	1,087
Other comprehensive (expense)/income		
Items that are or may be reclassified to income statement in subsequent years		
Net exchange (losses)/gains on foreign currency translation, net of tax	**(319)**	370
Gains/(losses) on net investment hedges, net of tax	**63**	(122)
Gains on cash flow hedges, net of tax	**3**	14
Reclassification of foreign currency translation reserves on disposal of foreign operations, net of tax	**21**	–
	(232)	262
Items that will not be reclassified to income statement in subsequent years		
Remeasurements of defined benefit pension plans, net of tax	**37**	(82)
Revaluation of equity instruments – FVOCI	**3**	(9)
	40	(91)
Other comprehensive (expense)/income, net of tax	**(192)**	171
Total comprehensive (expense)/income	**(1,916)**	1,258
Attributable to non-controlling interests	**1**	13
Attributable to owners of the parent company	**(1,917)**	1,245
Total comprehensive (expense)/income	**(1,916)**	1,258
Total comprehensive (expense)/income attributable to owners of the parent company arising from:		
Continuing operations	**(1,946)**	1,197
Discontinued operations	**29**	48
	(1,917)	1,245

Group Balance Sheet
As at 30 June 2021

	Note	**30 June 2021 £m**	31 December 2020 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	7	**18,039**	22,979
Property, plant and equipment		**2,082**	2,233
Equity instruments		**158**	136
Deferred tax assets		**243**	258
Retirement benefit surplus		**277**	226
Other non-current receivables		**157**	146
Total non-current assets		**20,956**	25,978
Current assets			
Inventories		**1,476**	1,592
Trade and other receivables		**1,768**	1,921
Derivative financial instruments		**38**	30
Current tax recoverable		**146**	125
Cash and cash equivalents		**1,478**	1,646
		4,906	5,314
Assets of disposal group classified as held for sale	14	**1,863**	–
		6,769	5,314
Total assets		**27,725**	31,292
LIABILITIES			
Current liabilities			
Short-term borrowings	8	**(3,578)**	(763)
Provisions for liabilities and charges		**(245)**	(243)
Trade and other payables		**(4,976)**	(5,742)
Derivative financial instruments		**(41)**	(118)
Current tax liabilities		**(80)**	(72)
		(8,920)	(6,938)
Liabilities of disposal group classified as held for sale	14	**(443)**	–
		(9,363)	(6,938)
Non-current liabilities			
Long-term borrowings	8	**(7,025)**	(9,794)
Deferred tax liabilities		**(3,005)**	(3,562)
Retirement benefit obligations		**(368)**	(372)
Provisions for liabilities and charges		**(48)**	(49)
Non-current tax liabilities		**(928)**	(1,021)
Other non-current liabilities		**(407)**	(397)
Total non-current liabilities		**(11,781)**	(15,195)
Total liabilities		**(21,144)**	(22,133)
Net assets		**6,581**	9,159
EQUITY			
Capital and reserves			
Share capital	9	**74**	74
Share premium		**252**	252
Merger reserve		**(14,229)**	(14,229)
Other reserves		**(611)**	(379)
Retained earnings		**21,064**	23,397
Attributable to owners of the parent company		**6,550**	9,115
Attributable to non-controlling interests		**31**	44
Total equity		**6,581**	9,159

Group Statement of Changes in Equity
For the six months ended 30 June 2021

	Share capital £m	Share premium £m	Merger reserves £m	Other reserves £m	Retained earnings £m	Total attributable to owners of the parent company £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2020	**74**	**245**	**(14,229)**	**(80)**	**23,353**	**9,363**	**44**	**9,407**
Comprehensive income								
Net income	–	–	–	–	1,075	1,075	12	1,087
Other comprehensive income/(expense)	–	–	–	261	(91)	170	1	171
Total comprehensive (expense)/income	–	–	–	261	984	1,245	13	1,258
Transactions with owners								
Share-based payments	–	–	–	–	19	19	–	19
Current tax on share awards	–	–	–	–	5	5	–	5
Deferred tax on share awards	–	–	–	–	14	14	–	14
Treasury shares re-issued	–	–	–	–	48	48	–	48
Cash dividends	–	–	–	–	(721)	(721)	(11)	(732)
Total transactions with owners	**–**	**–**	**–**	**–**	(635)	(635)	(11)	(646)
Balance at 30 June 2020	**74**	**245**	**(14,229)**	**181**	**23,702**	**9,973**	**46**	**10,019**
Balance at 1 January 2021	**74**	**252**	**(14,229)**	**(379)**	**23,397**	**9,115**	**44**	**9,159**
Net loss	–	–	–	–	(1,725)	(1,725)	1	(1,724)
Other comprehensive (expense)/income	–	–	–	(232)	40	(192)	–	(192)
Total comprehensive (expense)/income	**–**	**–**	**–**	**(232)**	**(1,685)**	**(1,917)**	**1**	**(1,916)**
Transactions with owners								
Treasury shares re-issued	–	–	–	–	57	57	–	57
Share-based payments	–	–	–	–	19	19	–	19
Tax on share awards	–	–	–	–	1	1	–	1
Cash dividends	–	–	–	–	(725)	(725)	(14)	(739)
Total transactions with owners	–	**–**	**–**	**–**	**(648)**	**(648)**	**(14)**	**(662)**
Balance at 30 June 2021	**74**	**252**	**(14,229)**	**(611)**	**21,064**	**6,550**	**31**	**6,581**

Group Cash Flow Statement
For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating (loss)/profit from continuing operations		**(1,828)**	1,595
Losses on sale of property, plant and equipment and intangible assets		**152**	–
Depreciation, amortisation, and impairment		**216**	230
Remeasurement of disposal group held for sale		**2,984**	–
Share-based payments		**19**	19
Increase in inventories		**(98)**	(168)
Decrease in trade and other receivables		**43**	166
(Decrease) / increase in payables and provisions		**(309)**	740
Cash generated from continuing operations		**1,179**	2,582
Interest paid		**(119)**	(196)
Interest received		**14**	49
Tax paid		**(367)**	(391)
Net cash flows attributable to discontinued operations		**5**	(10)
Net cash generated from operating activities		**712**	2,034
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal proceeds from sale of brands		**252**	–
Purchase of property, plant and equipment		**(158)**	(114)
Purchase of intangible assets		**(29)**	(32)
Proceeds from the sale of property, plant and equipment		–	4
Acquisition of businesses, net of cash acquired		**(144)**	–
Purchase of equity instruments		**(21)**	–
Net cash used in investing activities		**(100)**	(142)
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasury shares re-issued		**57**	48
Proceeds from borrowings		**522**	2,904
Repayment of borrowings		**(348)**	(3,205)
Dividends paid to owners of the parent company	10	**(725)**	(721)
Dividends paid to non-controlling interests		**(14)**	(11)
Other financing activities		**(160)**	74
Net cash used in financing activities		**(668)**	(911)
Net (decrease) / increase in cash and cash equivalents		**(56)**	981
Cash and cash equivalents at beginning of the year		**1,644**	1,547
Exchange (losses)/gains		**(30)**	26
Cash and cash equivalents at end of the year		**1,558**	2,554
Cash and cash equivalents comprise:			
Cash and cash equivalents per the balance sheet		**1,478**	2,557
Cash and cash equivalents within assets held for sale	14	**81**	–
Overdrafts		**(1)**	(3)
		1,558	2,554

Notes to the condensed financial statements

1. General Information

Reckitt Benckiser Group plc (the 'Company') is a public limited company listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is 103-105 Bath Road, Slough, Berkshire SL1 3UH. These condensed consolidated interim financial statements ('Half Year Condensed Financial Statements') as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as 'the Group').

The Half Year Condensed Financial Statements were approved by the Board of Directors on 26 July 2021. The Half Year Condensed Financial Statements have been reviewed by our independent auditor KPMG LLP (see page 33).

2. Basis of Preparation

The Half Year Condensed Financial Statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK. The annual financial statements of the Group for the year ending 31 December 2021 will be prepared in accordance with UK-adopted international accounting standards and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the Half Year Condensed Financial Statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2020 which were prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements for the year ended 31 December 2020 were also in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

These Half Year Condensed Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the Board of Directors on 15 March 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial statements.

3. Accounting Policies and Estimates

The accounting policies adopted in the preparation of the Half Year Condensed Financial Statements are consistent with those described on pages 179 - 184 of the Annual Report and Financial Statements for the year ended 31 December 2020.

In preparing these Half Year Condensed Financial Statements, the significant estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group Financial Statements for the year ended 31 December 2020.

The following amended standards and interpretations were adopted by the Group on 1 January 2021. They have not had a significant impact on the Group Financial Statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

4. Operating Segments

The Group's operating segments comprise of the Hygiene, Health and Nutrition Global business units reflecting the way in which information is presented to and reviewed by the Group's Chief Operating Decision Maker (CODM) for the purposes of making strategic decisions and assessing group-wide performance.

The CODM is the Group Executive Committee. This Committee is responsible for the implementation of strategy (approved by the Board), the management of risk (delegated by the Board) and the review of group operational performance and ongoing business integration.

The Executive Committee assesses the performance of these operating segments based on Net Revenue from external customers and Adjusted Operating Profit. Intercompany transactions between operating segments are eliminated. Finance income and expense are not allocated to segments, as each is managed on a centralised basis.

Notes to the condensed financial statements (continued)

The segment information for the operating segments for the periods ended 30 June 2021 and 30 June 2020 is as follows:

Six months ended 30 June 2021	**Hygiene £m**	**Health £m**	**Nutrition £m**	**Adjusting items £m**	**Total £m**
Net Revenue	3,027	2,144	1,427	–	6,598
Operating Profit/(Loss)	774	468	182	(3,252)	(1,828)
Net finance expense					(115)
Share of loss of equity-accounted investees, net of tax					(1)
Loss before income tax					(1,944)
Income tax credit					191
Net loss from continuing operations					(1,753)

Six months ended 30 June 2020 (restated)*	Hygiene £m	Health £m	Nutrition £m	Adjusting items £m	Total £m
Net Revenue	2,737	2,502	1,672	–	6,911
Operating Profit/(Loss)	687	716	293	(101)	1,595
Net finance expense					(157)
Profit before income tax					1,438
Income tax charge					(399)
Net income from continuing operations					1,039

* Segmental information for the six months ended 30 June 2020 has been restated to reflect the Group's current operating segments, which changed in the second half of 2020.

Financial information for the Hygiene, Health and Nutrition operating segments is presented on an adjusted basis, which excludes certain cash and non-cash items which management believe are not reflective of the underlying financial performance of the business. Financial information on an adjusted basis is consistent with how management reviews the business for the purpose of making operating decisions. Adjusting items to operating profit comprise exceptional items and other adjusting items.

- Exceptional items are material, non-recurring items of expense or income.
- Other adjusting items includes losses on the disposal of brands, costs in relation to business combinations and the amortisation of intangible assets recognised in relation to business combinations. These items are not classified as exceptional items because of their recurring nature.

5 Income Tax

The GAAP tax rate for the six months to 30 June 2021 is 10% (H1 2020 28%). Income tax expense is recognised based on management's best estimate of the effective tax rate ("ETR") expected for the full year. The rate in 2021 has been favourably impacted by the Scholl and IFCN China transactions because the income taxes paid on the disposals are disconnected from the accounting bases. Additionally, there is a negative impact of £196m relating to the remeasurement of deferred tax liabilities following the substantive enactment of the increase in the UK tax rate to 25%.

6 Earnings per share

	Six months ended	
	30 June 2021 pence	30 June 2020 pence
Basic (loss)/earnings per share		
From continuing operations	**(245.8)**	144.6
From discontinued operations	**4.1**	6.8
Total basic (loss)/earnings per share	**(241.7)**	151.4
Diluted (loss)/earnings per share		
From continuing operations	**(245.8)**	144.2
From discontinued operations	**4.1**	6.7
Total diluted (loss)/earnings per share	**(241.7)**	150.9

Basic

Basic (loss)/earnings per share is calculated by dividing the net (loss)/income attributable to owners of the parent company from continuing operations (2021: £1,754 million loss; 2020: £1,027 million income) and discontinued operations (2021: £29 million income; 2020: £48 million income) by the weighted average number of ordinary shares in issue during the period (2021: 713.7 million; 2020: 710.2 million).

Diluted
Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has the following categories of potentially dilutive ordinary shares: Executive Share Awards (including Executive Share Options and Executive Restricted Share Scheme Awards) and Employee Sharesave Scheme Options. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met.

In the six months ended 30 June 2021, there was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

7 Intangible Assets

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2021	17,673	11,408	490	185	29,756
Additions	-	-	29	-	29
Arising on business combinations	-	93	-	51	144
Disposals	(344)	(30)	-	-	(374)
Reclassification to assets held for sale	(4,120)	(1,509)	-	-	(5,629)
Exchange adjustments	(295)	(182)	(7)	(1)	(485)
At 30 June 2021	**12,914**	**9,780**	**512**	**235**	**23,441**
Accumulated amortisation and impairment					
At 1 January 2021	449	6,039	190	99	6,777
Amortisation & impairment charge	28	-	26	13	67
Disposals	-	-	-	-	-
Reclassification to assets held for sale	(161)	(1,168)	-	-	(1,329)
Exchange adjustments	(7)	(102)	(2)	(2)	(113)
At 30 June 2021	**309**	**4,769**	**214**	**110**	**5,402**
Net book value					
At 31 December 2020	17,224	5,369	300	86	22,979
At 30 June 2021	**12,605**	**5,011**	**298**	**125**	**18,039**

8 Financial Liabilities – Borrowings

	30 June 2021 £m	31 December 2020 £m
Bank loans and overdrafts	**17**	20
Commercial paper	**1,150**	671
Bonds	**2,348**	–
Lease liabilities	**63**	72
Total short-term borrowings	**3,578**	763
Bonds	**5,530**	8,041
Senior notes	**1,206**	1,221
Term loans	**–**	291
Other non-current borrowings	**15**	–
Lease liabilities	**274**	241
Total long-term borrowings	**7,025**	9,794
Total borrowings	**10,603**	10,557
Derivative financial Instruments	**27**	43
Less overdrafts presented in cash and cash equivalents in the cash flow statement	**(1)**	(2)
Total financing liabilities	**10,629**	10,598

On 30 June 2021 the Group voluntarily cancelled committed borrowing facilities of £1 billion. The Group has £4.5 billion (31 December 2020: £5.5 billion) of committed borrowing facilities remaining which were undrawn as at 30 June 2021. The committed borrowing facilities, together with cash and cash equivalents, are considered sufficient to meet the Group's projected cash requirements. The Group remains compliant with its banking covenants.

Undrawn committed borrowing facilities	**30 June 2021 £m**	31 December 2020 £m
Expiring within two years	**1,000**	2,000
Expiring after more than two years	**3,500**	3,500
	4,500	5,500

All committed facilities are at floating rates of interest.

9 Share Capital

Issued and fully paid	Equity ordinary shares number	Nominal value £m
At 31 December 2020	736,535,179	74
At 30 June 2021	**736,535,179**	**74**

At 30 June 2021, issued ordinary shares were 736,535,179 (31 December 2020: 736,535,179), of which 22,469,112 shares were held as Treasury shares (31 December 2020: 23,800,092). All shares were fully paid.

10 Dividends

A final dividend of 101.6 pence per share for the year ended 31 December 2020 was paid on 14 June 2021 to Shareholders who were on the register on 7 May 2021, amounting to £725 million.

The Directors have declared an interim dividend of 73.0 pence per share in respect of the year ending 31 December 2021 which will absorb an estimated £521 million of shareholders' funds. It will be paid on 15 September 2021 to shareholders who are on the register on 6 August 2021.

11 Contingent Liabilities and Assets

Korea

The Humidifier Sanitiser ("HS") issue in South Korea was a tragic event. The Group continues to make both public and personal apologies to the victims who have suffered lung injury as a result of the Oxy HS product and the role that the Oxy HS product played in the issue.

The Group currently has a provision of £77 million (31 December 2020: £83 million) in relation to the HS issue in South Korea. In addition, as explained in Note 20 of the 2020 Annual Report and Accounts, there are further costs that are either not considered probable or cannot be estimated at the current time.

Other

From time to time, the Group is involved in discussions in relation to ongoing tax matters in a number of jurisdictions around the world. Where appropriate, the Directors make provisions based on their assessment of each case.

Notes to the condensed financial statements (continued)

12 Financial Instruments

The fair value measurement hierarchy levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2). If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table categorises the Group's financial assets and liabilities held at fair value by the valuation methodology applied in determining their fair value.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 30 June 2021				
Assets as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts	–	38	–	38
Equity instruments – FVOCI	19	–	117	136
Liabilities as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts	–	41	–	41
Derivative financial instruments – Interest rate swaps[1]	–	12	–	12
Derivative financial instruments – Cross currency interest rate swaps[1]	–	27	–	27

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 December 2020				
Assets as per the Balance Sheet				
Derivative financial instruments – Interest rate swaps	–	7	–	7
Derivative financial instruments – Cross currency interest rate swaps	–	12	–	12
Derivative financial instruments – FX forward exchange contracts	–	30	–	30
Equity instruments – FVOCI	16	–	98	114
Liabilities as per the Balance Sheet				
Derivative financial instruments – FX forward exchange contracts	–	118	–	118

[1] Included in Other non-current liabilities in Group Balance Sheet.

13 Related Party Transactions

Put and call options with non-controlling shareholders

During the six months to 30 June 2021, the Group reviewed its existing agreements with non-controlling interests in various Manon subsidiaries in China and consolidated its existing arrangements into one agreement, this led to a net £7 million credit to finance income.

Under the consolidated arrangements the Group has symmetrical put and call options existing over the non-controlling shareholdings in RB & Manon Business Co. Ltd, RB & Manon Business Limited and RB (China Trading) Limited, RB (Hygiene Home) HK Limited, RB & Manon Hygiene Home (HK) Limited and RB & Manon Hygiene Home (Shanghai) Limited. These options are due to expire on 31 December 2023.

As at 30 June 2021, the present value of the put option liabilities was £144 million (31 December 2020: £148 million).

Notes to the condensed financial statements (continued)

14 Acquisitions, Disposals and Assets Held for Sale

Assets Held for Sale

On 5 June 2021 the Group announced the definitive agreement to sell its Infant Formula and Child Nutrition business in China (IFCN China) to Primavera Capital Group for an implied enterprise value of $2.2 billion. Reckitt will retain an 8% shareholding in IFCN China through the receipt of a shareholding in the purchaser's acquisition structure as partial consideration.

The transaction follows a comprehensive strategic review of IFCN China announced in February 2021. The disposal of IFCN China is expected to complete in the second half of 2021. The transaction is structured as a sale of the entirety of IFCN China (China, Hong Kong and Taiwan), including the manufacturing plants in Nijmegen, the Netherlands and Guangzhou, China. It includes a royalty-free perpetual and exclusive license of the Mead Johnson and Enfa family of brands in China. Following completion of the transaction Reckitt will continue to own the Mead Johnson and Enfa family of brands globally and will operate these brands in the rest of the world.

At 31 December 2020, IFCN net assets totalled £8.8 billion on a global basis. On announcement of the definitive agreement to sell IFCN China, the IFCN cash generating unit (CGU) has been split into two separate CGUs, being IFCN China and IFCN North America and the rest of the world (IFCN RoW). Net assets of £3.5 billion (or net assets of £4.4 billion, excluding deferred tax liabilities of £0.9 billion, for the IFCN China disposal group) have been allocated to the IFCN China CGU. The remaining IFCN net assets have been allocated to the IFCN RoW CGU.

At 30 June 2021 the Group has classified IFCN China as held for sale, and in the six months to 30 June 2021 recognised a pre-tax charge of £2,997 million to remeasure the IFCN China disposal group to its fair value less costs of disposal (calculated with reference to the sale and purchase agreement). This charge has been included within net operating expenses in the Income Statement. Cumulative losses of £206 million have been recognised in Other Comprehensive Income relating to the disposal group at 30 June 2021, this will be recycled to the Income Statement on disposal.

IFCN China does not meet the definition of a discontinued operation under IFRS, as it does not represent either a separate major line of business or a geographical area of operations, and accordingly the results of IFCN China remain within continuing operations. IFCN China forms part of the Nutrition operating segment.

	30 June 2021 £m
Goodwill and other intangible assets	**1,354**
Property, plant and equipment	**185**
Inventories	**157**
Cash and cash equivalents	**81**
Trade receivables and other assets	**86**
Assets held for sale	**1,863**
Trade payables and other liabilities[1]	**(443)**
Liabilities directly associated with the disposal group	**(443)**
Net assets held for sale	**1,420**

[1] Includes £49 million non-current tax liability and £14 million lease liabilities.

Included in assets held for sale are £10 million relating to two factories which were dedicated to production for IFCN China. In conjunction with the IFCN China strategic review these factories are being closed and separately marketed for sale. In the six months to 30 June 2021 a charge of £37 million (2020: £nil) has been included within net operating expenses to remeasure these factories to their fair value less costs of disposal.

Disposals

On 1 June 2021 the Group completed the disposal of Scholl to Yellow Wood Partners for cash consideration of £252 million. The Group recognised a loss on disposal of £165 million, recorded within net operating expenses in the income statement. Scholl formed part of the Health operating segment.

Acquisitions

During the year the Group completed the following acquisitions which have been accounted for as business combinations:

- 1 April 2021, the Maple Island, USA dry processing plant as an asset purchase. The plant was a co-packer for Enfagrow stage 3 and Metabolics
- 4 May 2021, through a trade and asset purchase, a business distributing Reckitt products in the UAE.
- 31 May 2021, a Chinese PU condom business through an acquisition of an 80% equity interest in Lanzhou Keshi Xixili Healthcare Technologies Co Ltd.

The effect of these acquisitions, both for the period since acquisition and if they had been acquired at the start of the interim period, is not material.

Total assets and liabilities were recognised at the following provisional fair values:

	Provisional fair value £m
Intangible assets	**51**
Other assets	**23**
Trade payables, provisions and deferred tax liabilities	**(3)**
Total identifiable net assets	**71**
Goodwill	**93**
Total consideration transferred	**164**

Notes to the condensed financial statements (continued)

15 Seasonality

Demand for some of the Group's products is subject to significant seasonal fluctuations, in particular some cold, influenza and pest control products. The intensity of seasons can vary from year to year with a corresponding impact on the Group's performance.

16 Post Balance Sheet Events

On 12 July 2021, the Group acquired of 100% of the equity interests in Lanai Holdings, owner of the Biofreeze and TheraPearl brands and associated assets, from Performance Health for cash consideration of $1,075 million (£777 million). The initial accounting and purchase price allocation for this business combination remains in progress at the time of publication of this Interim Statement. Disclosure of the fair values of acquired assets and liabilities will be included in the 2021 Annual Report and Accounts.

Statement of Directors’ Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of Financial Statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Reckitt Benckiser Group plc are listed in the Reckitt Benckiser Group plc Annual Report and Financial Statements for the year ended 31 December 2020. A list of current Directors is maintained on the Reckitt Benckiser Group plc website: www.reckitt.com.

By order of the Board

Laxman Narasimhan
Chief Executive Officer

Christopher Sinclair
Chairman

26 July 2021

INDEPENDENT REVIEW REPORT TO RECKITT BENCKISER GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises of condensed Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Changes in Equity and Group Cash flow Statement, and the related explanatory notes to the interim financial information.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the latest annual financial statements of the Group were prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The latest annual financial statements of the group were also in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The next annual financial statements will be prepared in accordance with UK-adopted international accounting standards and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Richard Broadbelt
for and on behalf of
KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf,
London
E14 5GL

26 July 2021