



11 February 2015

## ANOTHER YEAR OF GROWTH AND OUTPERFORMANCE

Results at a glance (unaudited)	Q4 £m	% change actual exchange	% change constant exchange	FY £m	% change actual exchange	% change constant exchange
<b>Excluding RBP*</b>						
Net revenue	<b>2,304</b>	-	+5	<b>8,836</b>	-5	+4
- Like-for-like growth**			+5			+4
Operating profit – reported				<b>2,164</b>	+15	+25
Operating profit – adjusted***				<b>2,185</b>	+2	+11
Net income – reported				<b>1,663</b>	+19	+30
Net income – adjusted***				<b>1,684</b>	+4	+14
EPS (diluted) – reported				<b>227.6p</b>	+18	
EPS (diluted) – adjusted***				<b>230.5p</b>	+4	
<b>Including RBP*</b>				<b>3,223</b>	+85	+96
Net income – reported				<b>1,962</b>	-	+8
Net income – adjusted				<b>441.1</b>	+85	
EPS (diluted) – reported				<b>268.5</b>	-	
EPS (diluted) – adjusted***						

\* RBP is accounted for as a discontinued operation. Its results for 2014 and 2013 are reported as one line item within net income  
 \*\* Like-for-like (“LFL”) growth excludes the impact of changes in exchange rates, acquisitions, disposals and discontinuations.  
 \*\*\* Adjusted results exclude exceptional items, and the gain on RBP demerger.

### Highlights: Full Year (ex RBP unless stated)

- Total and LFL net revenue growth of +4% – in line with targets.
- Strong ENA (Europe and North America) performance LFL +2% and significantly improved growth from RUMEA (Russia, Middle East and Africa) LFL +11%. LAPAC (Latin America and Asia Pacific) grew LFL +5%
- High quality, Health & Hygiene led growth of +5%.
- Strong gross margin expansion +100bps to 57.7%, driven by mix, pricing, and cost optimisation initiatives.
- Increased investment in brand equity. BEI +£30m (constant) -10bps.
- Strong (adjusted) operating profit growth of +11% (constant). Margins up +160bps to 24.7%.
- Adjusted net income +4% (+14% constant): adjusted diluted EPS of 230.5p (+4%).
- Net debt reduced by £0.6bn to £1.5bn (2013: £2.1bn). Free cash flow circa 100% of net income.
- A further £500m, in addition to our existing c. £300m share buyback programme in 2015.
- RB top-ranked company in UK, #7 overall in Global 100 index, one of the world’s leading sustainability indices for global equity investors
- The Board recommends a final dividend of 79p per share. Total dividend for 2014 139p (+1% versus 2013).

### Highlights: Q4 / H2

- Q4 net revenue LFL growth +5% - broad based growth from Health, Hygiene and Home.
- H2 operating margin +260bps (+140bps recurring), driven by gross margin expansion and cost efficiencies.
- Demerger of RBP / Indivior successfully completed.

### Other

- Supercharge project announced – to drive sustainable operating margin expansion off 2014 base. Estimated £100-150m annualised savings. Associated exceptional costs of approximately £200m.

Commenting on these results, Rakesh Kapoor, Chief Executive Officer, said:

**“Three years ago we set ourselves a clear strategy to become a leader in Consumer Health and Hygiene. During this time, we have simplified the organisation, enhanced our investment and focus on Powerbrands and Powermarkets, whilst expanding operating margins via our virtuous growth model. And, we have sharpened our focus on the core business through both consumer health acquisitions and rationalisation of certain non-core parts of the portfolio. I am pleased that this strategy is working and has created significant value for shareholders.**

**In 2014, challenging market conditions persisted, we had a strong year, particularly in ENA and RUMEA where our operational changes and improved go-to-market initiatives have delivered significant improvement. We further sharpened our portfolio focus with the acquisition of K-Y, the demerger of Indivior and the disposal of Footwear. Our virtuous growth model delivered very strong profit growth and margin expansion during the year from a combination of gross margin expansion and cost saving initiatives, some of which were non-recurring in nature.**

**We have achieved a lot in the past three years – but there is more to do. In true RB spirit of outperformance, we need to sharpen our organisational agility and efficiency.**

**I am therefore announcing our new “Supercharge” project focused on:**

- **Creating a simpler, more agile organisation**
- **Reducing cost and driving efficiencies**

**This will make RB a leaner, faster and more coordinated business. It will also drive cost savings that will enable us to deliver sustainable earnings growth as we enter the second half of the decade. Our strong margin expansion in 2014 provided a step up in operating margin, which our Supercharge project should make sustainable. In 2015, we continue to expect tough market conditions. Therefore, we are targeting LFL net revenue growth of +4%, which is broadly similar to 2014<sup>1</sup> and moderate to “nice” operating margin expansion<sup>2</sup> in 2015. ”**

<sup>1</sup> at constant rates.

<sup>2</sup> Adjusted to exclude the impact of exceptional items. The Supercharge project is expected to incur approximately £200m of exceptional costs. Further details of our Supercharge project are contained on page 12 to this statement.

## **Basis of Presentation and Exceptional Items**

### LFL

Where appropriate, the term “like-for-like” (LFL) describes the performance of the business on a comparable basis, excluding the impact of acquisitions, disposals and discontinued operations. It is measured on a constant exchange basis.

### Core

Where appropriate, the term “core business” represents the ENA (Europe and North America), RUMEA (Russia, Middle East and Africa) and LAPAC (Latin America and Asia Pacific) geographic areas, and excludes RBP and RB Food.

## Adjusted results and exceptional items

Adjusted results exclude exceptional items, which includes acquisition related integration costs, restructuring costs in relation to the new organization, and a provision for liabilities arising from a number of historic regulatory issues, principally competition law.

## Prior year restatements

Prior year comparatives have been restated for the treatment of RB Pharmaceuticals (“RBP”) or Indivior as a discontinued operation.

## Detailed Operating Review: Total Group

### **Full Year 2014**

#### Excluding RBP

In slower market conditions, RB once again delivered solid top line growth combined with strong margin expansion. Importantly, our earnings model remains “virtuous”. Total full year (FY) net revenue was £8,836m, an increase of +4% at constant exchange rates on both a LFL and total basis. The impact of net M&A was immaterial as a positive impact from our collaboration agreement with BMS in LATAM and the K-Y acquisition was offset by the disposal of our Footwear business and separation of the Medcom Hospital business. Our LFL growth was Health and Hygiene led as we continue to focus on, and invest more in, these categories delivering consumer led and science based innovations, brand extensions and geographic rollouts. Scholl, Durex, Dettol, Lysol and Vanish performed particularly well in 2014. From a geographic perspective growth was broad based. Our developed market area of ENA delivered LFL growth of +2%, a strong performance where market growth remains weak. Our emerging market areas (LAPAC and RUMEA) delivered +7% LFL growth in slowing market conditions.

Gross margin increased by +100bps to 57.7% with strong expansion in both the first and second half despite material adverse currency movements. This was achieved through a combination of improved mix, price increases, and cost optimisation programmes (“Project Fuel”).

Investment behind our brands (as defined by our Brand Equity Investment (BEI) metric), was +£30m (constant exchange), –10bps to 12.9% of net revenue, with strong investment in the second half of the year. The efficiencies we have gained from our global media planning and buying have been re-invested back into brand equity building initiatives throughout the year.

In the second half we implemented a number of short term cost containment initiatives aimed at mitigating the unusually high negative translational impact of foreign exchange. We also commenced our longer term cost containment project (“Supercharge”). The Supercharge project consists of a number of initiatives which are further explained on page 12 to this statement.

Operating profit as reported was £2,164m, +15% versus FY 2013 (+25% constant), reflecting the impact of last year’s exceptional pre-tax charge 2014: £21m (2013: £256m). Details of the exceptional charge are set out in note 3. On an adjusted basis, operating profit was ahead +2% (+11% constant) to £2,185m. The adjusted operating margin increased by +160bps to 24.7%, due to the strong gross margin expansion, and short term containment initiatives on fixed costs.

The step up in operating margins delivered in 2014 has an element of non-recurring savings. Our Supercharge project has the twofold objective of:

- i) Enabling the “stepped up” 2014 margin profile to become sustainable
- ii) Providing the foundation for moderate to “nice” margin expansion in the medium term from the 2014 base.

Further details of Project Supercharge, including the likely exceptional costs are detailed on p12.

Net finance expense was £38m (2013: £31m). The tax rate was 22% after deducting the exceptional charge, and 22% for adjusted profit.

Net income as reported was £3,223m, an increase of +85% (+96% constant) versus 2013. The significant increase was due to a gain on demerger of RBP of £1,282m. This is further detailed in note 8 to this statement. On an adjusted basis, net income was £1,684m +4% (+14% constant). Diluted earnings per share of 227.6 pence was +18% on a reported basis; on an adjusted basis, the growth was +4% to 230.5 pence.

### RBP

Net income (adjusted) for RBP was £278m, -20% (-16% constant). This was driven primarily by a -8% decline in net revenue, negative operational gearing due to the gross margins made on Suboxone, and investment in the product pipeline. The RBP business was demerged from RB on 23 December 2014 and its results have been included as a discontinued operation.

Group total net income was £3,223m +85% (+96% constant) – the significant increase due to the gain on demerger of RBP. Diluted earnings per share of 441.1 pence was +85% higher on a reported basis; on an adjusted basis, it was 268.5 pence.

### **Fourth quarter 2014**

Q4 net revenue was £2,304m, an increase of +5% at constant rates both on a LFL and total basis, benefiting from some increase in channel inventory. Growth came from all main core categories of Health, Hygiene and Home. Within Health strong growth in Scholl footcare, Durex and Gaviscon was offset by Mucinex which was impacted by private label re-entry. Veet, Dettol and Lysol performed well within Hygiene, and Vanish and Calgon had a strong quarter within Home. On a geographic basis RUMEA produced an outstanding performance with LFL growth of +17%, enhanced by a weak comparative, price increases and, in particular in Russia, from advanced purchasing by both customers and consumers ahead of expected price increases. ENA benefitted in the USA from a strong sell in of Amope Velvet Express pedi, from trade stocking in healthcare after a lower Q3, and also from stocking of a new range of Air Wick products. LAPAC continued to experience weaker market trends in Brazil and South East Asia, particularly Indonesia and Thailand.

## FY 2014 Business Review

### Summary: % net revenue growth

	Q4				FY			
	LFL	Net M&A*	FX	Reported	LFL	Net M&A*	FX	Reported
ENA	+4%	-	-3%	+1%	+2%	-	-5%	-3%
LAPAC	+3%	-1%	-6%	-3%	+5%	+1%	-13%	-7%
RUMEA	+17%	-4%	-17%	-5%	+11%	-3%	-16%	-9%
Food	+4%	-	-	+4%	+3%	-	-6%	-3%
<b>Group (ex RBP)</b>	<b>+5%</b>	<b>-</b>	<b>-5%</b>	<b>-</b>	<b>+4%</b>	<b>-</b>	<b>-9%</b>	<b>-5%</b>

\* Reflects acquisition of K-Y, disposal of Footwear, and disposal / discontinuance of a number of minor businesses including Medcom Hospital business.

Note: due to rounding, this table will not always cast.

Analyses by operating segment of net revenue and adjusted operating profit, and of net revenue by product group are set out below. The Executive Committee of the Group assesses the performance of the operating segments based on net revenue and adjusted operating profit. This measurement basis excludes the effect of exceptional items.

## Review by Operating Segment

2014 £m	Quarter ended 31 December				2014 £m	Full Year ended 31 December		
	2013 £m	% change exch. Rates actual	const.			2013 £m	% change exch. Rates actual	const.
<b>Total Net revenue</b>								
<b>1,334</b>	1,315	+1	+4	ENA	<b>4,940</b>	5,074	-3	+2
<b>588</b>	608	-3	+3	LAPAC	<b>2,341</b>	2,511	-7	+6
<b>287</b>	301	-5	+13	RUMEA	<b>1,239</b>	1,356	-9	+8
<b>95</b>	91	+4	+4	Food	<b>316</b>	325	-3	+3
<b>2,304</b>	2,315	-	+5	<b>Total</b>	<b>8,836</b>	9,266	-5	+4

<b>Operating profit – adjusted**</b>								
					<b>1,391</b>	1,296	+7	+14
				ENA*	<b>462</b>	482	-4	+9
				LAPAC*	<b>247</b>	277	-11	+6
				RUMEA*	<b>85</b>	88	-3	+2
				Food				
				Subtotal before exceptional items	<b>2,185</b>	2,143	+2	+11
				Exceptional items	<b>(21)</b>	(256)		
				<b>Total</b>	<b>2,164</b>	1,887	+15	+25

<b>Operating margin – adjusted**</b>		%	%
		<b>28.2</b>	25.5
		<b>19.7</b>	19.2
		<b>19.9</b>	20.4
		<b>26.9</b>	27.1
		<b>Total</b>	<b>24.7</b>
			23.1

\* Following the demerger of RBP and its classification as a discontinued item, ENA, LAPAC and RUMEA operating profit now include corporate costs previously allocated to RBP. Comparatives have been restated to reflect the reallocation of corporate costs. The total costs re-allocated were £45m in 2013 and £39m in 2014.

\*\* Adjusted to exclude the impact of exceptional items.

In the following business review, growth rates are given at constant exchange rates. Margins are at actual rates.

### ENA

### 58% of core net revenue

FY 2014 total net revenue was £4,940m, with LFL and total growth of +2%. 2014 was another solid year for ENA in an environment which saw weak market conditions and the re-entry of private label products impacting Mucinex in the US.

In Europe all regions experienced growth, with particularly strong performances from the UK behind a successful launch of our new Vanish Gold, and strong consumer health brand performances. Germany had a strong year, and Italy and Spain returned to growth after a prolonged period of decline. Scholl Velvet Express Pedi has sustained success in most European markets, with additional strong performances from Durex, Gaviscon, Dettol and Vanish.

North America experienced a mixed performance, delivering a flat result versus the prior year on a LFL basis. The rollout of our new Velvet Express Pedi, launched under the new brand name, Amope, has had a strong sell in and seen encouraging early consumer offtake. Lysol experienced a strong

performance after a slow start on the back of tough comparatives. Mucinex impacted growth with tough comparatives and the re-entry of private label products toward the end of the year.

The K-Y acquisition has been successfully integrated in most markets with the exception of the UK which is still undergoing regulatory review.

The fourth quarter saw +4% growth on a LFL basis. Growth was positively impacted by strong sell in of Amope Velvet Express Pedi launched in the US. Dettol and Lysol had strong performances and Vanish performed well in Europe. ENA also benefitted from trade sell-in of healthcare in the US after a lower Q3, and from stocking of our new Air Wick Life Scents range.

In aggregate Europe and North America is benefitting from a combined organisation that enables greater speed and scale to our initiatives. These, combined with positive mix, media efficiencies and short-term cost containment initiatives have driven strong FY adjusted operating margin expansion of +270bps to 28.2%.

## **LAPAC**

### **27% of core net revenue**

FY 2014 total net revenue was £2,341m, with LFL growth of +5%. LAPAC experienced a slower year in 2014 driven by slower market conditions in Brazil and South East Asia, in particular India, Indonesia and Thailand.

Consumer health brands performed well with the successful roll out of Scholl Express Pedi in a number of markets, and successful integration of the BMS brands. Dettol was a large contributor to growth but at a slower rate from previous years reflecting the slowing underlying markets. Within Home, Vanish continued to perform strongly behind innovations – in particular our Vanish Super Bar and further rollout of the Vanish Tip Exchange penetration programme.

The K-Y acquisition has been successfully integrated in most markets with the exception of New Zealand which is still undergoing regulatory review.

Q4 LFL growth was +3%, with trends seen in Q3 continuing into the final quarter.

FY adjusted operating profit was £462m -4% versus prior year (+9% constant). Adjusted operating margin was +50bps higher at 19.7%.

## **RUMEA**

### **15% of core net revenue**

FY 2014 net revenue was £1,239m, with LFL growth of +11%. The management and other operational changes made at country and area levels gained traction through the year. South Africa and Turkey experienced strong double digit growth from improved in-market execution and a low comparator base. Russia had an extremely strong year with higher focus on penetration improvement programmes, in-store execution, and pricing. In Q4 LFL growth was strong with all regions performing. In Russia, we brought forward price increases resulting in high trade sell-in and consumer loading in inflationary conditions.

On a category basis, growth was broad based across Health, Hygiene and Home with very strong performances from all Health Powerbrands, Dettol, Finish, Veet, Air Wick and Calgon.

FY adjusted operating profit was £247m, a -50bps decline in the adjusted operating margin to 19.9%. This was principally due to negative transactional fx impacting gross margins.

The volatility in several of RUMEA's markets is likely to remain in the near term. In particular the outlook for Russia remains uncertain given current geopolitical and currency issues. However we remain confident that our focus and strategy to drive the penetration of our brands will continue to drive long-term growth and outperformance.

## **Food**

FY 2014 net revenue was £316m, with LFL growth of +3%. Growth has been driven by strong performance from both French fried onions, and Frank's RedHot. Increased distribution in international markets also contributed to good growth outside of the US.

## Pharmaceuticals (“RBP”) / Indivior

Indivior was demerged from RB on 23 December 2014. The results of Indivior have been consolidated within RB up to the date of demerger, and are disclosed as “discontinued” within the group income statement.

Net income (adjusted) attributable to RBP for 2014 was £278m, a decrease of -20% (-16% constant). This was driven by net revenue growth of -8% at constant rates (Q4: -9%) with strong volume market growth in the US offset by some share decline and pricing. Operating margins were 54.5%\*, a decline of -640bps\* due primarily to the decline in net revenue, and continued investment in both the pipeline and the clinical sales force.

Exceptional costs arising in 2014 relate to costs of the demerger process, and in 2013 are exceptional legal costs attributable to RBP, previously held by RB. Additionally, a gain on demerger of £1,282m has been recognised in the income statement in accordance with IFRS.

The Indivior results recognised within the RB group income statement are as follows:

	2014 £m	Full Year ended 31 December	
		2013* £m	% change exch. Rates actual      const.
Net Revenue	677	777	-13      -8
Operating profit (reported)	369	458	-19      -15
Operating profit (adjusted)	369	473	-22      -17
Operating margin (adjusted)	54.5%	60.9%	
Net Income (adjusted)	278	348	-20      -16
Exceptional items (net of tax)	-	(11)	
Gain on demerger	1,282	-	
<b>Net income (reported)</b>	<b>1,560</b>	<b>337</b>	<b>+363      +368</b>

\*2013 adjusted operating profit has been restated to exclude allocation of RB central costs of £45m.

## FY 2014 Category Review

### Summary: % net revenue growth

	Q4				FY			
	LFL	Net M&A*	FX	Reported	LFL	Net M&A*	FX	Reported
Health	+8%	+2%	-6%	+4%	+8%	+2%	-8%	+3%
Hygiene	+6%	-	-4%	+2%	+3%	-	-9%	-5%
Home	+3%	-	-8%	-4%	+1%	-	-10%	-8%
Portfolio	-16%	-14%	-8%	-38%	-5%	-11%	-7%	-23%

\* Reflects acquisition of K-Y, disposal of Footwear, discontinuance of Medcom Hospital business and disposal / discontinuance of a number of minor businesses.

Note: due to rounding, this table will not always cast

<u>Quarter ended</u> <u>31 December</u>				<u>Full Year ended</u> <u>31 December</u>				
2014 £m	2013 £m	% change exch. Rates actual const.		2014 £m	2013* £m	% change exch. Rates actual const.		
<b>Net revenue by category</b>								
<b>757</b>	729	+4	+10	<b>2,701</b>	2,633	+3	+11	
<b>913</b>	894	+2	+6	<b>3,627</b>	3,835	-5	+3	
<b>473</b>	495	-4	+3	<b>1,810</b>	1,974	-8	+1	
<b>66</b>	106	-38	-30	<b>382</b>	499	-23	-16	
<b>95</b>	91	+4	+4	<b>316</b>	325	-3	+3	
<b>2,304</b>	2,315	-	+5	<b>8,836</b>	9,266	-5	+4	

<b>Operating profit – adjusted</b>				
	Health, Hygiene, Home & Portfolio	<b>2,100</b>	2,055	+2 +12
	Food	<b>85</b>	88	-3 +2
	<b>Total</b>	<b>2,185</b>	2,143	+2 +11
	Exceptional items	<b>(21)</b>	(256)	
	<b>Total</b>	<b>2,164</b>	1,887	+15 +25

<b>Operating margin – adjusted</b>			%	%
	Health, Hygiene, Home & Portfolio	<b>24.6</b>	23.0	
	Food	<b>26.9</b>	27.1	
	<b>Total</b>	<b>24.7</b>	23.1	

\* Following the demerger of RBP and its classification as a discontinued item, Health, Hygiene, Home & Portfolio operating profit now include corporate costs previously allocated to RBP. Comparatives have been restated to reflect the reallocation of corporate costs. The total costs re-allocated were £45m in 2013 and £39m in 2014.



The following category review is given at constant exchange rates.

## **Health**

### **32% of core net revenue**

FY 2014 net revenue increased to £2,701m with LFL growth of +8%. Growth was broad based with a particularly strong performance from Scholl, driven by the success of our new velvet express pedi innovation, which was launched in a number of new markets during the year. Durex performed well with condoms driven by our new Real Feel polyisoprene condom, lubricants behind our recently launched "Embrace" pleasure gels and our new range of pleasure toys. The lubricants segment has also been boosted by our acquisition of K-Y during the year. Gaviscon also performed well, driven by Double Action and new liquid sachet formats. Mucinex was negatively impacted by weak category growth off a strong comparative and private label presence in some cough and congestion lines. MegaRed was launched during the first half in 20 countries throughout Europe, boosting FY growth. Given the long-term and preventative nature of the brand proposition, we continue to expect that it will take time to fully establish the brand in new markets. In the US, MegaRed has outperformed weak market conditions.

Q4 LFL growth was +8% with continued strong growth in Scholl, Durex, Nurofen and Strepsils. Growth was boosted by strong sell in of Amope express Pedi in the US associated with its launch.

## **Hygiene**

### **43% of core net revenue**

FY 2014 net revenue was £3,627m, with LFL growth of +3%. Growth was led by the Dettol / Lysol / Sagrotan franchise behind a combination of new initiatives like the Power and Pure Tipp Topp innovation, launched in Germany, and market penetration programs such as the "Benaga Swachh" Clean India campaign, a 5 year program to address the need for improved hygiene and sanitation in India. Veet had a strong year led by our Naturals range, which has been particularly successful in India and Turkey.

Q4 LFL growth was +6% with broad based growth across all Powerbrands, with particularly strong contributions from Dettol, Finish and Lysol.

## **Home**

### **21% of core net revenue**

FY 2014 net revenue was £1,810m, a LFL growth rate of +1%. Growth was driven by a strong performance in Vanish behind the success of our new Vanish Gold, the premium stain removal line. Our Vanish Super Bar, designed for emerging markets also performed well in Brazil and we have seen further penetration gains across a number of markets on the back of our "Vanish Tip Exchange" penetration programme. Air Wick was weak, in part due to subdued market growth. We believe we have a strong pipeline for 2015 and are particularly excited about the upcoming launch of our new Air Wick Life Scents range.

Q4 growth was +3% on a LFL basis, driven by continued strong growth in Vanish and the success of our new Calgon Hygiene gel, delivering the dual benefit of reduced limescale and a hygienic clean.

## **Portfolio**

### **4% of core net revenue**

FY 2014 net revenue was £382m, with a LFL decline of -5%. With the licensing out of the Scholl Footwear brand and the Medcom Hospital business now excluded from the underlying results of this category, Portfolio Brands predominantly comprises laundry detergents and fabric softeners.

Q4 had a LFL decline of -16%. This was in part due to weakness in laundry detergents and fabric softeners. There are also some other small brands, sold mainly to institutional buyers, which exhibit volatility in ordering patterns and were weak in the quarter.

RB announces a number of new product initiatives for the first half of 2015:

**Health:**

- Nurofen Express, targeting muscle inflammation which is the real source of headaches, providing faster relief than paracetamol.
- Scholl Velvet smooth Express Pedi with Diamond Crystals. Our most advanced electronic foot file for effective & safe hard skin removal. With diamond crystal roller for superior exfoliation.
- Scholl GelActiv insoles. Improves the comfort of your shoes all day long. Unique GelActiv™ technology is a dual gel which provides optimum level of cushioning & shock absorption.
- Durex Invisible extra thin condom. Durex's thinnest latex condom ever, to maximise sensitivity for a closer connection.
- Optrex ActiMist 2in1. Clinically proven to moisturize dry, irritated eyes.
- MegaRed Super Heart™. Unique combination of three clinically proven ingredients to provide extra support for heart health.
- Gaviscon Double Action roll out to Developing Markets. Fast relief that keeps on working for up to 4 hours

**Hygiene:**

- Finish Shine and Protect. Protects your glass throughout the washing cycle for 2x longer glass protection.
- Dettol proFresh body wash. Our first launch of body wash range in several ENA markets.
- Dettol Body Wash and Bar Soap. Offers 12 hours of odour-protection from odour-causing germs for long lasting "just showered" feeling.
- Veet Spawax. Salon-perfect smoothness at home.
- Mortein Activ Paper. Knocks out mosquitos in just 3 minutes.

**Home:**

- Air Wick Life Scents. Breakthrough fragrance technology that creates constantly changing fragrance experiences.
- Rollout of Vanish Gold following the success of its test launch in the UK.
- Vanish Gold for Whites. Our new premium gold product specifically designed for whites.

**Constant exchange.** Movements in exchange rates relative to Sterling affect actual reported results on consolidation. The constant exchange rate basis adjusts the comparative to exclude such movements.

**Net finance expense.** Net finance expense was £38m (2013: £31m).

**Tax.** The continuing effective tax rate is 22% (2013: 24%). The continuing adjusted tax rate is 22% (2013: 23%).

**Net working capital** (inventories, trade and other receivables and trade and other payables) of minus £831m, (31 December 2013: minus £863m).

**Cash flow.** Cash generated from operations was £2,324m (2013: £2,167m) and net cash generated from operating activities was £2,099m (2013: £2,121m). Net interest paid was £32m (2013: £24m) and tax payments were £416m (2013: £468m). Capital expenditure was £184m (2013: £224m). Acquisition of businesses of £340m related to expenditure on acquisitions and proceeds from disposals (2013: £418m).

**Net debt** at the end of the year was £1,543m (2013: £2,096m). This reflected strong free cash flow generation, offset by the payment of two dividends totaling £988m and net M&A for £340m. The Group regularly reviews its banking arrangements and currently has adequate facilities available to it. The Group issued two bonds in September 2013.

**Exceptional Items.** A pre-tax exceptional charge of £21m has been incurred during the year; in respect of net restructuring costs and gains on sale of assets, in relation to the new organisation; acquisitions and associated integration costs. These costs are in line with previously communicated guidance.

**Balance sheet.** At the end of 2014, the Group had total equity of £6,834m (2013: £6,336m), an increase of +8%. Net debt was £1,543m (2013: £2,096m) and total capital employed in the business was £8,377m (2013: £8,432m).

This finances non-current assets of £12,336m (2013: £12,248m), of which £757m (2013: £761m) is property, plant and equipment, the remainder being goodwill, other intangible assets, deferred tax, available for sale financial assets, retirement benefit surplus and other receivables. The Group has net working capital of minus £831m (2013: minus £863m), current provisions of £317m (2013: £215m) and long-term liabilities other than borrowings of £2,737m (2013: £2,554m).

The Group's financial ratios remain strong. Return on shareholders' funds (net income divided by total shareholders' funds) was 47.2% on a reported basis and 28.7% on an adjusted basis (2013: 27.5% on a reported basis and 31.1% on an adjusted basis).

**Dividends.** The Board of Directors recommends a final dividend of 79 pence (2013: 77 pence), to give a full year dividend of 139 pence (2013: 137 pence), an overall increase of +1%. The dividend, if approved by shareholders at the AGM on 7 May 2015, will be paid on 29 May to shareholders on the register at the record date of 17 April. The ex-dividend date is 16 April and the last date for election for the share alternative to the dividend is 7 May. The final dividend will be accrued once approved by shareholders.

**Capital returns policy.** RB 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. Through continued strong cash generation the Group has reached a net debt level of approximately £1.5bn. It is not possible to be definitive on future needs, but we consider that this provides the Group with appropriate liquidity.

We intend to continue our current policy of paying an ordinary dividend equivalent to around 50% of adjusted net income. In addition, we plan to supplement the current share buyback policy which

broadly neutralizes incentive plan share issuance (c. £300m p.a.) with an additional up to £500m share buyback programme in 2015.

**Contingent liabilities.** The Group is involved in a number of investigations by government authorities and has made provisions for such investigations, where appropriate. Where it is too early to determine the likely outcome of these matters, or to make a reliable estimate, the Directors have made no provision for such potential liabilities.

The Group from time to time 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.

## Project Supercharge

Our new “Supercharge” project has the twofold objective of:

- i) Enabling the “stepped up” 2014 margin profile to become sustainable
- ii) Providing the foundation for moderate to “nice” margin expansion in the medium term from 2015

The project is focused on:

- Creating a simpler, more agile organisation
- Reducing cost and driving efficiencies

The organizational changes involve the creation of two area organisations:

1. ENA (to now include Russia / CIS, Israel and ANZ)
2. DVM - to combine RUMEA (ex Russia / CIS and Israel) and LAPAC (ex ANZ)

We believe this will drive a leaner, faster and more coordinated developing market business.

We have also undertaken a significant exercise to identify areas of expenditure where we have the opportunity to improve efficiency. This exercise has confirmed that RB is efficient in a large number of areas – staffing, direct product spend, capital spend – which drives our high-in-class margins.

It has also identified a number of areas in indirect spend where we have substantial opportunities for improvement. Further opportunities to keep optimising our manufacturing network will also be pursued. We aim to deliver annualised cost savings of £100m-£150m. We expect to achieve the full annualised savings goal in 2017. The costs of the Supercharge project are approximately £200m which we expect to incur over the next three years.

## Organisation structure changes and segmental reporting

From 1 January 2015 RB will operate under the following revised structures:

### Geographic

1. **ENA** is the name of this reporting Area, comprising:

- Europe (including Russia / CIS and Israel)
- North America
- Australia / New Zealand

In 2014 (new) ENA had sales of £5,864m representing 66% of NR

2. **DEVELOPING MARKETS** is the name of this reporting Area, comprising:

- North Africa, Middle East (excluding Israel), Turkey

- Africa – South Africa, West Africa, Eastern Africa
- South Asia – India, Bangladesh, Sri Lanka
- North Asia – China, Hong Kong, Taiwan
- Latin America
- ASEAN – Thailand / Philippines, Indonesia, Malaysia / Singapore, Japan, Korea

In 2014 Developing Markets had sales of £2,656m representing 30% of NR

### 3. **Food** (no change)

#### Category

1. **Health** (no change)
2. **Hygiene** (no change)
3. **Home** (no change)
4. **Portfolio brands** (includes existing portfolio brands and Food)

<b>2015 Targets</b>
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We are targeting:

- LFL net revenue growth of +4%\*, broadly similar to 2014.
- Moderate to “nice” operating margin\*\* expansion

\* At constant rates.

\*\*Adjusted to exclude the impact of exceptional items. The Supercharge project is expected to incur approximately £200m of exceptional costs. Further details of our Supercharge project are contained on page 12 to this statement.

<b>Medium Term KPIs</b>
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Due to the organizational changes and demerger of RBP we are now targeting the following medium term KPIs:

- Growth in net revenue of 200 basis points a year, on average, ahead of the global market growth across RB's categories and geographies and moderate operating margin expansion<sup>1</sup> (no change)
- Above average growth in HEALTH & HYGIENE so that they will represent 80% of company net revenues by 2020 (currently 72%), on average an increase of 1% per year
  - Above average growth in DEVELOPING MARKETS so that they will represent 40% of company net revenues by 2020 (currently 30%)
- <sup>1</sup> Adjusted to exclude the impact of exceptional items.

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**Notice to shareholders**

**Cautionary note concerning forward-looking statements**

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

**Group Income Statement**  
**For the 12 months ended 31 December 2014 (unaudited)**

	Notes	Unaudited Year ended 31 December 2014 £m	Unaudited Year ended 31 December 2013 (restated) <sup>(1)</sup> £m
<b>CONTINUING OPERATIONS</b>			
<b>Net Revenue</b>	2	<b>8,836</b>	9,266
Cost of sales		<b>(3,740)</b>	(4,008)
Gross profit		<b>5,096</b>	5,258
Net operating expenses		<b>(2,932)</b>	(3,371)
<b>Operating profit</b>	2	<b>2,164</b>	1,887
Adjusted operating profit	2	<b>2,185</b>	2,143
Exceptional items	3	<b>(21)</b>	(256)
<b>Operating profit</b>		<b>2,164</b>	1,887
Finance income		<b>27</b>	25
Finance expense		<b>(65)</b>	(56)
Net finance expense		<b>(38)</b>	(31)
<b>Profit before income tax</b>		<b>2,126</b>	1,856
Income Tax expense	4	<b>(462)</b>	(453)
<b>Net income from continuing operations</b>		<b>1,664</b>	1,403
<b>DISCONTINUED OPERATIONS</b>			
Net income from discontinued operations	11	<b>278</b>	337
Exceptional gain on non-cash dividend distributed	8	<b>1,282</b>	-
<b>Net income from discontinued operations</b>		<b>1,560</b>	337
<b>Net income</b>		<b>3,224</b>	1,740
Attributable to non-controlling interests		<b>1</b>	1
Attributable to owners of the parent		<b>3,223</b>	1,739
<b>Net income</b>		<b>3,224</b>	1,740
<b>Basic earnings per ordinary share</b>			
From continuing operations (pence)	5	<b>230.7</b>	195.2
From discontinued operations (pence)	5	<b>216.4</b>	46.9
<b>Diluted earnings per ordinary share</b>			
From continuing operations (pence)	5	<b>227.6</b>	192.3
From discontinued operations (pence)	5	<b>213.5</b>	46.2

<sup>(1)</sup> Restated for the impact of discontinued operations (refer to note 11 for further details).

**Group Statement of Comprehensive Income**  
**For the 12 months ended 31 December 2014 (unaudited)**

	Unaudited Year ended 31 December 2014 £m	Unaudited Year ended 31 December 2013 (restated) <sup>(1)</sup> £m
Net income	3,224	1,740
<b>Other comprehensive (expense) / income</b>		
<i>Items that may be reclassified to profit or loss in subsequent years</i>		
Net exchange adjustments on foreign currency translation, net of tax	(191)	(369)
(Losses)/gains on net investment hedges, net of tax	(137)	6
(Losses)/gains on cash flow hedges, net of tax	(11)	13
Reclassification of foreign currency translation reserves on Demerger of foreign operations	(3)	-
	<b>(342)</b>	<b>(350)</b>
<i>Items that will not be reclassified to profit or loss in subsequent years</i>		
Remeasurements of defined benefit pension plans, net of tax	(75)	41
	<b>(75)</b>	<b>41</b>
<b>Other comprehensive expense, net of tax</b>	<b>(417)</b>	<b>(309)</b>
<b>Total comprehensive income</b>	<b>2,807</b>	<b>1,431</b>
Attributable to non-controlling interests	-	1
Attributable to owners of the parent	<b>2,807</b>	<b>1,430</b>
	<b>2,807</b>	<b>1,431</b>
<b>Total comprehensive income attributable to owners of the parent arising from</b>		
Continuing operations	<b>1,247</b>	<b>1,093</b>
Discontinued operations	<b>1,560</b>	<b>337</b>
<b>Total operations</b>	<b>2,807</b>	<b>1,430</b>

<sup>(1)</sup> Restated for the impact of discontinued operations (refer to note 11 for further details).



**Group Balance Sheet**  
**As at 31 December 2014 (unaudited)**

	Notes	Unaudited 31 December 2014 £m	Audited 31 December 2013 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill and other intangible assets		11,252	11,141
Property, plant and equipment		757	761
Deferred tax assets		61	47
Retirement benefit surplus		26	50
Other non-current receivables		240	249
		<b>12,336</b>	<b>12,248</b>
<b>Current assets</b>			
Inventories		745	746
Trade and other receivables		1,307	1,306
Derivative financial instruments		130	22
Current tax recoverable		60	17
Available for sale financial assets		1	2
Cash and cash equivalents		917	808
		<b>3,160</b>	<b>2,901</b>
<b>Total assets</b>		<b>15,496</b>	<b>15,149</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowings		(1,936)	(2,169)
Short-term provisions for liabilities and charges	7	(317)	(215)
Trade and other payables		(2,883)	(2,915)
Derivative financial instruments		(29)	(159)
Current tax payable		(124)	(203)
		<b>(5,289)</b>	<b>(5,661)</b>
<b>Non-current liabilities</b>			
Long-term borrowings		(636)	(598)
Deferred tax liabilities		(1,749)	(1,702)
Retirement benefit obligations		(338)	(301)
Other provisions	7	(73)	(156)
Non-current tax liabilities		(500)	(329)
Other non-current liabilities		(77)	(66)
		<b>(3,373)</b>	<b>(3,152)</b>
<b>Total liabilities</b>		<b>(8,662)</b>	<b>(8,813)</b>
<b>Net assets</b>		<b>6,834</b>	<b>6,336</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		74	74
Share premium		243	243
Merger reserve		(14,229)	(14,229)
Hedging reserve		4	15
Foreign currency translation reserve		(824)	(494)
Retained earnings		21,564	20,725
		<b>6,832</b>	<b>6,334</b>
Non-controlling interests		2	2
<b>Total equity</b>		<b>6,834</b>	<b>6,336</b>

**Group Statement of Changes in Equity**  
**For the 12 months ended 31 December 2014 (unaudited)**

	Notes	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-Controlling interests £m	Total equity £m
<b>Balance at 1 January 2013</b>		<b>73</b>	<b>184</b>	<b>(14,229)</b>	<b>2</b>	<b>(131)</b>	<b>20,022</b>	<b>5,921</b>	<b>1</b>	<b>5,922</b>
<b>Comprehensive income</b>										
Net income		-	-	-	-	-	1,739	1,739	1	1,740
<b>Other comprehensive income / (expense)</b>										
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	41	41	-	41
Gains on cash flow hedges, net of tax		-	-	-	13	-	-	13	-	13
Net exchange losses on foreign currency translation, net of tax		-	-	-	-	(369)	-	(369)	-	(369)
Gains on net investment hedges		-	-	-	-	6	-	6	-	6
Total other comprehensive income / (expense)		-	-	-	13	(363)	41	(309)	-	(309)
<b>Total comprehensive income / (expense)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>(363)</b>	<b>1,780</b>	<b>1,430</b>	<b>1</b>	<b>1,431</b>
<b>Transactions with owners</b>										
Proceeds from issuance of ordinary shares		1	59	-	-	-	-	60	-	60
Share-based payments		-	-	-	-	-	55	55	-	55
Current tax on share awards		-	-	-	-	-	16	16	-	16
Deferred tax on share awards		-	-	-	-	-	44	44	-	44
Shares repurchased and held in Treasury		-	-	-	-	-	(279)	(279)	-	(279)
Treasury shares re-issued		-	-	-	-	-	79	79	-	79
Dividends	8	-	-	-	-	-	(992)	(992)	-	(992)
<b>Total transactions with owners</b>		<b>1</b>	<b>59</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,077)</b>	<b>(1,017)</b>	<b>-</b>	<b>(1,017)</b>
<b>Balance at 31 December 2013</b>		<b>74</b>	<b>243</b>	<b>(14,229)</b>	<b>15</b>	<b>(494)</b>	<b>20,725</b>	<b>6,334</b>	<b>2</b>	<b>6,336</b>
<b>Comprehensive income</b>										
Net income		-	-	-	-	-	3,223	3,223	1	3,224
<b>Other comprehensive income / (expense)</b>										
Remeasurements of defined benefit plans, net of tax		-	-	-	-	-	(75)	(75)	-	(75)
Losses on cash flow hedges, net of tax		-	-	-	(11)	-	-	(11)	-	(11)
Net exchange losses on foreign currency translation, net of tax		-	-	-	-	(190)	-	(190)	(1)	(191)
Losses on net investment hedges		-	-	-	-	(137)	-	(137)	-	(137)
Reclassification of foreign currency translation reserves on demerger Of subsidiary		-	-	-	-	(3)	-	(3)	-	(3)
Total other comprehensive income / (expense)		-	-	-	(11)	(330)	(75)	(416)	(1)	(417)
<b>Total comprehensive income / (expense)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(11)</b>	<b>(330)</b>	<b>3,148</b>	<b>2,807</b>	<b>-</b>	<b>2,807</b>
<b>Transactions with owners</b>										
Treasury shares re-issued		-	-	-	-	-	112	112	-	112
Share-based payments		-	-	-	-	-	55	55	-	55
Current tax on share awards		-	-	-	-	-	14	14	-	14
Deferred tax on share awards		-	-	-	-	-	(43)	(43)	-	(43)
Shares repurchased and held in Treasury		-	-	-	-	-	(413)	(413)	-	(413)
Dividends	8	-	-	-	-	-	(2,034)	(2,034)	-	(2,034)
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,309)</b>	<b>(2,309)</b>	<b>-</b>	<b>(2,309)</b>
<b>Balance at 31 December 2014</b>		<b>74</b>	<b>243</b>	<b>(14,229)</b>	<b>4</b>	<b>(824)</b>	<b>21,564</b>	<b>6,832</b>	<b>2</b>	<b>6,834</b>

**Group Cash Flow Statement**  
**For the 12 months ended 31 December 2014 (unaudited)**

	Notes	Unaudited Year ended 31 December 2014 £m	Unaudited Year ended 31 December 2013 (restated) <sup>(1)</sup> £m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>			
Operating profit		2,164	1,887
Depreciation, amortisation and impairment		161	155
Fair value (gains)/losses		(1)	1
Gain on sale of property, plant and equipment assets		(41)	-
Other non-cash movements		-	-
Increase in inventories		(44)	(60)
Increase in trade and other receivables		(168)	(43)
Increase / (decrease) in payables and provisions		179	(42)
Non-cash exceptional items		21	216
Share-based payments		53	53
<b>Cash generated from operations</b>		<b>2,324</b>	<b>2,167</b>
Interest paid		(58)	(49)
Interest received		26	25
Tax paid		(416)	(468)
Net cash flows attributable to discontinued operations		223	446
<b>Net cash generated from operating activities</b>		<b>2,099</b>	<b>2,121</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(157)	(199)
Purchase of intangible assets		(27)	(25)
Disposal of property, plant and equipment		19	9
Acquisition of businesses, net of cash acquired	10	(340)	(418)
Maturity of short-term investments		1	2
Maturity of long-term investments		-	2
Net cash transferred on demerger of RBP		(195)	-
Net cash flows attributable to discontinued operations		(16)	(1)
<b>Net cash used in investing activities</b>		<b>(715)</b>	<b>(630)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of ordinary shares		-	60
Shares repurchased and held in Treasury		(313)	(279)
Treasury shares re-issued		112	79
Proceeds from borrowings		-	637
Repayments of borrowings		(485)	(1,002)
Dividends paid to owners of the parent	8	(988)	(992)
Dividends paid to non-controlling interests		(1)	-
Acquisition of non-controlling interest		-	(28)
Net cash flows attributable to discontinued operations		481	-
<b>Net cash used in financing activities</b>		<b>(1,194)</b>	<b>(1,525)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>190</b>	<b>(34)</b>
Cash and cash equivalents at beginning of the year		805	882
Exchange losses		(82)	(43)
<b>Cash and cash equivalents at end of the year</b>		<b>913</b>	<b>805</b>
<b>Cash and cash equivalents comprise</b>			
Cash and cash equivalents		917	808
Overdrafts		(4)	(3)
		<b>913</b>	<b>805</b>

<sup>(1)</sup> Restated for the impact of discontinued operations (refer to note 11 for further details).

## 1 ACCOUNTING POLICIES

### General

Reckitt Benckiser Group plc 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 financial statements have not been audited.

### Basis of Preparation

These condensed financial statements for the year ended 31 December 2014 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority. They have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRSs) but do not comply with the full disclosure requirements of these standards. The condensed financial statements are also in compliance with IFRS as issued by the IASB but do not comply with full disclosure requirements.

These condensed financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year to 31 December 2013 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified and did not contain statements under 498 (2) or (3) of the Companies Act 2006 and did not contain any emphasis of matter.

The Group has considerable financial resources together with a diverse customer and supplier base across different geographical areas and categories. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing these condensed financial statements.

### Changes in Accounting Policy

Except as described below, the accounting policies adopted in the preparation of the condensed financial statements are consistent with those described on pages 54-57 of the Annual Report and Financial Statements for the year ended 31 December 2013.

The Group applies, for the first time, *amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities*, *amendments to IAS 39 Financial Instruments: Recognition and Measurement - Novation of derivatives and continuation of hedge accounting* and *IFRIC 21 - Levies*.

These do not impact the accounting policies applied in preparing the annual consolidated financial statements of the Group.

Management is in the process of assessing the impact of *IFRS 15 Revenue from contracts with customers* which will be effective for annual periods beginning on or after 1 January 2017 subject to EU endorsement, and the revised issuance of *IFRS 9 Financial Instruments* which will be effective for annual periods beginning on or after 1 January 2018.

A number of other new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2015 and have not yet been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

## 2 OPERATING SEGMENTS

The Executive Committee is the Group's Chief Operating Decision-Maker (CODM). Management has determined the operating segments based on the reports reviewed by the Executive Committee for the purposes of making strategic decisions and assessing performance. The Executive Committee considers the business principally from a geographical perspective, but with Food being managed separately given the significantly different nature of this business and the associated risks and rewards.

The Group's geographical segments comprise Europe and North America (ENA); Latin America, North Asia and South East Asia and Australia and New Zealand (LAPAC); and Russia and CIS, Middle East, North Africa, Turkey and sub-Saharan Africa (RUMEA). The geographical segments derive their revenue

primarily from the manufacture and sale of branded products in the health, hygiene and home categories. Food derives its revenue from food products primarily sold in ENA.

The Executive Committee assesses the performance of the 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 they are managed on a central Group basis.

As discussed in note 11, on 23 December 2014, the Group demerged the pharmaceutical business from the remainder of the Group. RB Pharmaceuticals has therefore been classified as a discontinued operation. As a result of this reclassification, the Group has restated the comparative information below to better reflect the results from its operating segments, excluding RB Pharmaceuticals. This restatement involved reallocating central costs previously allocated to RB Pharmaceuticals, which are expected to remain with the Group after the demerger of RB Pharmaceuticals.

The segment information provided to the Executive Committee for the operating segments for the year ended 31 December is as follows:

<b>2014</b>	<b>ENA £m</b>	<b>LAPAC £m</b>	<b>RUMEA £m</b>	<b>Food £m</b>	<b>Total £m</b>
<b>Net revenue</b>	<b>4,940</b>	<b>2,341</b>	<b>1,239</b>	<b>316</b>	<b>8,836</b>
<b>Depreciation, amortisation and impairment</b>	<b>93</b>	<b>55</b>	<b>9</b>	<b>4</b>	<b>161</b>
<b>Adjusted operating profit</b>	<b>1,391</b>	<b>462</b>	<b>247</b>	<b>85</b>	<b>2,185</b>
<b>Exceptional items</b>					<b>(21)</b>
<b>Operating profit</b>					<b>2,164</b>
<b>Net finance expense</b>					<b>(38)</b>
<b>Profit before income tax</b>					<b>2,126</b>

<b>2013</b>	<b>ENA £m</b>	<b>LAPAC £m</b>	<b>RUMEA £m</b>	<b>Food £m</b>	<b>Total £m</b>
Net revenue	5,074	2,511	1,356	325	9,266
Depreciation, amortisation and impairment	93	48	9	5	155
Adjusted operating profit	1,321	495	284	88	2,188
Reallocation of central costs	(25)	(13)	(7)	-	(45)
Adjusted operating profit restated <sup>(1)</sup>	1,296	482	277	88	2,143
Exceptional items					(256)
Operating profit					1,887
Net finance expense					(31)
Profit before income tax					1,856

<sup>(1)</sup> Restated for the impact of discontinued operations (refer to note 11 for further details).

## 2 OPERATING SEGMENTS (CONTINUED)

### Analysis of Categories

The Group analyses its revenue by the following categories:

	Net revenues	
	2014 £m	2013 £m
Health	2,701	2,633
Hygiene	3,627	3,835
Home	1,810	1,974
Portfolio brands	382	499
Food	316	325
<b>Total</b>	<b>8,836</b>	<b>9,266</b>

## 3 EXCEPTIONAL ITEMS

	2014 £m	2013 (restated) <sup>(1)</sup> £m
Regulatory and litigation matters	-	210
Acquisition, integration and restructuring costs	62	46
Gain on sale of plant, property and equipment	(41)	-
<b>Total exceptional items</b>	<b>21</b>	<b>256</b>

<sup>(1)</sup> Restated to exclude the impact of discontinued operations. The RB Pharmaceuticals business incurred an exceptional charge of £nil (2013: £15m) relating to regulatory and litigation matters.

The Group incurred an exceptional charge of £21m (2013: £256m) during the year in respect of the following:

- £nil legal provision for historic regulatory issues (2013: £210m).
- £62m restructuring costs in relation to the new organisation, acquisition and integration costs (2013: £46m relating to the new organisation, acquisition and integration costs). This consists primarily of redundancy and business integration costs which have been included within operating expenses.
- A £41m gain arising on a one-off material disposal of plant, property and equipment.

## 4 INCOME TAXES

The tax rate was 22%, a reduction from the 2013 rate of 24%. The reduction was attributable to variations in profit mix and settlement of historical disputes with tax authorities. The tax rate for adjusted net income was 22% (2013: 23%).

## 5 EARNINGS PER SHARE

	2014 pence	2013 (restated) <sup>1</sup> pence
Basic earnings per share		
From continuing operations	230.7	195.2
From discontinued operations	216.4	46.9
Total basic earnings per share	447.1	242.1
Diluted earnings per share		
From continuing operations	227.6	192.3
From discontinued operations	213.5	46.2
Total diluted earnings per share	441.1	238.5
Adjusted basic earnings per share		
From continuing operations	233.6	225.4
From discontinued operations	38.6	48.4
Total adjusted basic earnings per share	272.2	273.8
Adjusted diluted earnings per share		
From continuing operations	230.5	222.1
From discontinued operations	38.0	47.7
Total adjusted diluted earnings per share	268.5	269.8

<sup>(1)</sup> Restated for the impact of discontinued operations.

### Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the parent from continuing operations (2014: £1,663m; 2013: £1,402m) and discontinued operations (2014: £1,560m; 2013: £337m) by the weighted average number of ordinary shares in issue during the year (2014: 720,823,744; 2013: 718,384,234).

### Diluted

Diluted 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. As at 31 December 2014, there were 4 million (2013: 4 million) of Executive Share Awards or Employee Sharesave Scheme Options excluded from the dilution because the exercise price for the options was greater than the average share price for the year.

### Adjusted earnings

Details of the adjusted net income attributable to owners of the parent are as follows:

	2014 £m	2013 (restated) <sup>1</sup> £m
<b>Continuing Operations</b>		
Net income attributable to owners of the parent from continuing operations	1,663	1,402
Exceptional items	21	256
Tax effect of exceptional items	-	(39)
Adjusted net income attributable to owners of the parent from continuing operations	1,684	1,619
<b>Discontinued Operations</b>		
Net income attributable to owners of the parent from discontinued operations	1,560	337
Exceptional gain on non-cash dividend	(1,282)	-
Exceptional items	-	15
Tax effect of exceptional items	-	(4)
Adjusted net income attributable to owners of the parent from discontinued operations	278	348

<sup>(1)</sup> Restated for the impact of discontinued operations.

## 5 EARNINGS PER SHARE (CONTINUED)

	2014 Average number of shares	2013 Average number of shares
On a basic basis	720,823,744	718,384,234
Dilution for Executive Share Awards	9,035,862	9,829,873
Dilution for Employee Sharesave Scheme Options outstanding	880,704	838,787
On a diluted basis	<b>730,740,310</b>	729,052,894

## 6 NET DEBT

Analysis of net debt	2014 £m	2013 £m
Cash and cash equivalents	917	808
Overdrafts	(4)	(3)
Borrowings (excluding overdrafts)	(2,568)	(2,764)
Current available for sale financial assets	1	2
Derivative financial instruments	111	(139)
Net debt at end of year	<b>(1,543)</b>	(2,096)

Reconciliation of net debt	2014 £m	2013 £m
Net debt at beginning of year	(2,096)	(2,426)
Net increase/(decrease) in cash and cash equivalents	190	(34)
Repayment of borrowings	485	1,002
Proceeds from borrowings	-	(637)
Proceeds from borrowings attributable to discontinued operations	(481)	-
Borrowings divested of on demerger	467	-
Exchange and other movements	(108)	(1)
Net debt at end of year	<b>(1,543)</b>	(2,096)

## 7 PROVISIONS FOR LIABILITIES AND CHARGES

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, it is more likely than not that there will be an outflow of resources to settle that obligation, and the amount can be reliably estimated.

Provisions for liabilities and charges include legal £201m (2013: £286m), restructuring £13m (2013: £24m) and other provisions £176m (2013: £61m).

Legal provisions include £159m (2013: £222m) of exceptional legal provisions in relation to a number of historic regulatory investigations by various government authorities in a number of markets. These investigations involve mainly competition law inquiries, some of which have concluded in the period.

The restructuring provision relates principally to redundancies, the majority of which is expected to be utilised within one year.

Other provisions include obligations of the Group to acquire its own equity ordinary shares £100m (2013: £nil), within one year, onerous lease provisions and environmental and other obligations throughout the Group, the majority of which are expected to be used within five years.



## 8 DIVIDENDS

### Cash dividend distributions

	2014 £m	2013 £m
Dividends on equity ordinary shares:		
2013 Final paid: 77p (2012: Final 78p) per share	554	561
2014 Interim paid: 60p (2013: Interim 60p) per share	434	431
<b>Total dividends for the year</b>	<b>988</b>	<b>992</b>

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2014 of 79p per share which will absorb an estimated £568m of Shareholders' funds. If approved by Shareholders it will be paid on 29 May 2015 to Shareholders who are on the register on 17 April 2015, with an ex-dividend date of 16 April 2015.

### Non-cash dividend distributions

On 23 December 2014 the RB Pharmaceuticals business was demerged by means of a non-cash dividend, granting all Reckitt Benckiser Group plc ordinary Shareholders new shares in the newly formed Indivior plc. The transaction was recognised and measured in accordance with IFRIC 17 – Distribution of Non-cash Assets to Owners. This treatment leads to a gain on the distribution of non-cash assets to its Shareholders.

	2014 £m
Fair value of the dividend paid	1,046
Carrying amount of the net liabilities distributed (i)	292
Net realised losses in other comprehensive income reclassified to the income statement	3
Exceptional transaction costs deducted from gain on non-cash dividend paid, net of tax	(59)
<b>Gain on non-cash dividend paid, net of tax</b>	<b>1,282</b>

(i) Included within the carrying amount of the net liabilities distributed are £195m of cash and £467m of debt held by RB Pharmaceuticals on demerger.

## 9 CONTINGENT LIABILITIES

Contingent liabilities comprising guarantees relating to subsidiary undertakings, at 31 December 2014 amounted to £1m (2013: £1m).

The Group is involved in a number of investigations by government authorities and has made provisions for such investigations, where appropriate. Where it is too early to determine the likely outcome of these matters, the Directors have made no provision for such potential liabilities.

The Group from time to time is involved in disputes 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.

## 10 BUSINESS ACQUISITIONS AND DISPOSALS

### Acquisition of K-Y

On 10 March 2014 the Group announced its acquisition of the global rights to the K-Y brand and related business, a leader in intimate lubricants, from Johnson & Johnson. The transaction was predominantly completed in May 2014 with regulatory clearance ongoing in the UK and New Zealand.

The K-Y brand will sit alongside the RB Powerbrand Durex to create a unique portfolio of brands in the sexual wellbeing category. Its addition will immediately transform RB's sexual wellbeing category in the USA and Brazil. K-Y will benefit from RB's strong innovation, brand equity investment and go-to-market capabilities. This transaction has been accounted for by the acquisition method.

## 10 BUSINESS ACQUISITIONS AND DISPOSALS (CONTINUED)

All assets and liabilities were recognised at the following provisional fair values. The full consideration transferred was paid in cash in the period. The amount of consideration transferred over the net assets acquired is recognised as goodwill in the Group financial statements:

	Provisional fair value £m
Intangible assets	304
Provisions	(5)
Net assets acquired	299
Goodwill	23
<b>Total cash consideration transferred</b>	<b>322</b>

Goodwill represents expected synergies in manufacturing, procurement and commercial fixed costs. Acquisition related costs have been expensed within exceptional items in the income statement.

The amount of revenue and profit of the K-Y business since acquisition was not material in the context of the Group Income Statement. Had the business been acquired on 1 January 2014, the revenue and profit of the Group for the period would not have been materially different to that appearing on the Group Income Statement. Consideration paid in relation to this acquisition is included within Purchase of businesses, net of cash acquired in the Group Cash Flow Statement.

### Disposal of Footwear Business

In August 2014, in line with RB's continued focus on its core business of health, hygiene and home, the Group entered an agreement with Aurelius to license out the Scholl brand for use within the Footwear market and dispose of certain associated operating assets.

### Collaboration with Bristol-Myers Squibb (BMS)

There are no changes to the provisional fair values of assets and liabilities acquired as part of this business combination.

## 11 DEMERGER OF RB PHARMACEUTICALS

On 23 December 2014, the Group demerged the pharmaceutical business in the form of a dividend in specie. RB Pharmaceuticals has been presented as a discontinued operation because it is no longer controlled by the Group.

Financial information relating to the operations of RB Pharmaceuticals for the period is set out below. The Group Income Statement and Group Cash Flow Statement distinguish discontinued operations from continued operations. Comparative figures have been restated.

The financial performance and cash flow information presented are for the period to 23 December 2014 and the year ended 31 December 2013.

	2014 £m	2013 £m
<b>For the period ended</b>		
Net revenue	677	777
Expenses	(308)	(319)
Profit before income tax	369	458
Income tax expense	(91)	(121)
<b>Net income from discontinued operations</b>	<b>278</b>	<b>337</b>

The major classes of cash flows related to RB Pharmaceuticals are as follows:

	2014 £m	2013 £m
<b>For the period ended</b>		
Cash flows from operating activities	223	446
Cash flows from investing activities	(16)	(1)
Cash flows from financing activities	481	-
<b>Net increase in cash and cash equivalents from discontinued operations</b>	<b>688</b>	<b>445</b>