



29 July 2016

FULL YEAR – ON TRACK Q2 – continued strong performance

Results at a glance (unaudited)	Q2 £m	% change actual exchange	% change constant exchange	HY £m	% change actual exchange	% change constant exchange
Net revenue	2,266	+6	+3	4,569	+5	+4
- Like-for-like growth*			+4			+5
Operating profit – reported				762	-19	-22
Operating profit – adjusted**				1,081	+13	+11
Net income – reported				528	-26	-29
Net income – adjusted**				822	+14	+12
EPS (diluted) – reported				73.4p	-25	
EPS (diluted) – adjusted**				114.7p	+16	

* Like-for-like (“LFL”) growth excludes the impact of changes in exchange rates, acquisitions and disposals.

** Adjusted results exclude exceptional items of £319m, which relate primarily to the South Korea “HS” issue (refer note 5). (HY 2015: £14m)

Highlights: Half Year (HY) unless otherwise stated

- LFL net revenue growth +5% – broad-based by geography (ENA +3%, DvM +9%) and category (Health +8%, Hygiene +5%, Home +1%). The impact of FX plus net M&A is neutral. Total net revenue growth +5%.
- Q2 LFL net revenue growth of +4%, including a 1% reduction from the impact of the South Korea “HS” issue.
- Q2 LFL Health net revenue growth of +5% reflecting broad-based growth across the portfolio, offset by Scholl / Amopé decline.
- Adjusted operating margin expansion of +180bps to 23.7%, driven by GM expansion, including Supercharge initiatives, offset by increased investment in BEI (+£39m at constant rates).
- Adjusted net income growth of +14% (+12% constant); adjusted diluted EPS of 114.7p (+16%).
- Exceptional charge of £300m due to HS issue. Further details on p21.
- Reported net income decreased by -26% (-29% constant); reported diluted EPS of 73.4p (-25%).
- Strong free cash flow generation of £939m. Further details on p10.
- Full year net revenue target reaffirmed, at lower end of range. Adjusted operating margin targets increased.
- The Board declares an interim dividend of 58.2p per share (2015: 50.3p), an increase of 16%.

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

“We have delivered a strong, HY performance with balanced and broad based growth across both markets, and categories, and delivered further margin expansion. These results reflect our continued focus on our power markets, power brands and our virtuous earnings model. Growth was underpinned by a combination of innovations, such as Dettol Gold and Durex Invisible, and penetration building initiatives, particularly in emerging markets.

Our strategic focus on structurally attractive health and hygiene categories and exciting innovation pipeline positions us well for another year of growth and margin expansion, despite the uncertain macro environment and softening consumer demand. Our global footprint means we expect no tangible impact from uncertainty over Brexit. We therefore reaffirm our full year LFL net revenue target which, given the impact of the HS issue, is at the lower end of the +4-5%. We are also targeting moderate adjusted operating margin expansion in H2, following the excellent +180bps achieved in H1.’

Basis of Presentation and Non GAAP Measures

Throughout the Interim Report, certain measures are used to describe RB's financial performance which are not recognised under IFRS or other generally accepted accounting principles (GAAP). The Executive Committee of the Group assesses the performance of the operating segments based on net revenue and adjusted operating profit, which excludes effect of exceptional items. Management believes that the use of adjusted measures such as adjusted operating profit, adjusted net income and adjusted earnings per share provide additional useful information on underlying trends to Shareholders.

Like-for-Like ("LFL") growth on Net Revenue excludes the impact of changes in exchange rates, acquisitions and disposals. A reconciliation of LFL to reported net revenue growth by operating segment is shown on page 4 and by category on page 6.

Constant exchange rate adjusts the actual consolidated results such that the foreign currency conversion applied is made using the same exchange rates as was applied in the prior year.

Actual exchange rates show the statutory performance and position of the Group, which consolidates the results of foreign currency transactions at period end closing rates (Balance Sheet) or average rates (Income Statement).

BEI represents our Brand Equity Investment and is the marketing support designed to capture the voice, mind and heart of our consumers.

Adjusted results exclude exceptional items, defined as material, non-recurring expenses or income. A breakdown of exceptional items is detailed in Note 5. A reconciliation of adjusted operating profit is shown in Note 4 and a reconciliation of Adjusted Net Income is given in Note 7, used in the calculation of Adjusted EPS.

Free cash flow is defined as net cash generated from operating activities less net capital expenditure. A reconciliation of cash generated from operations to free cash flow is shown on page 10.

Project Supercharge

Project Supercharge was announced in February 2015 (refer to details on p12 of the 11 February 2015 announcement for a detailed description). The project focuses on:

- creating a simpler, more agile organisation
- reducing cost and driving efficiencies.

Project Fuel

Project Fuel is our ongoing cost optimization programme within cost of goods sold ("COGS").

Detailed Operating Review: Total Group

Half year ("HY") 2016

Total HY net revenue was £4,569m, a LFL increase of +5% (+4% total at constant rates due to the impact of net M&A).

ENA net revenue grew at +3% on a LFL basis driven by broad-based growth across Western Europe and North America. Russia was weak due to planned retailer destocking in Q1 and a slowdown in market growth. DvM grew at +9% on a LFL basis against a backdrop of continued mixed market conditions. Overall trends remain similar – positive in India, China and North Africa, but mixed in LATAM, Middle East and other parts of Africa.

From a category perspective, growth has been broad-based across Health, Hygiene and Home. Health was strong at +8% LFL, with good growth across our health powerbrand portfolio, behind innovations such as Durex Invisible, the sell in of Scholl Wet & Dry Express Pedi, and Mucinex Fast Max Day/Night gels. Our VMS brands had an improved performance with strong growth from Airborne, Move Free, and Digestive Advantage in Q2. Hygiene grew at +5% LFL led by Dettol and Harpic in our emerging markets, and Finish across both developed and emerging markets. Home grew +1% LFL with growth improving in Air Wick.

HY gross margin increased by an exceptional +240bps to 60.0%. Input price tailwinds continued to be an important driver. The spot prices for a number of inputs increased during HY – however, the first half has benefited from the lagging effect of forward buying and the inventory cycle. This lagging protection will largely end during H2. We also saw beneficial mix from growth in consumer health brands, savings from cost optimisation programmes (“Project Fuel”) and supply related efficiencies from Project Supercharge.

We remain committed to investing in the long-term growth of our brands and in HY 2016 we invested 14.8% of our net revenue in brand equity investment (“BEI”) which is +40bps versus the prior year (actual rates) and an absolute increase of £39m (constant) and our highest ever level of investment.

Overhead costs remained relatively stable in HY at +20bps. Project Supercharge continued to deliver additional savings and efficiencies, predominantly within gross margin, as we executed a number of supply and factory related initiatives. We remain on track to achieve the upper end of the £100m-£150m estimated annualised savings by the end of 2017.

Operating profit was £762m, -19% versus HY 2015 (-22% constant). The reported performance was impacted by exceptional charges of £319m for HY, mainly relating to the HS issue. These charges relate to our best estimate of currently quantifiable costs associated with the HS issue, including an estimate of compensation expected to be paid to RB related, potential Category I&II victims from rounds 1-3 of the South Korean government’s HS application process. Round 4 has only recently commenced and there are currently no published number of applicants. We have noted potential liabilities arising from round 4 Category I&II victims and other potential issues as a contingent liability. A more detailed description of the HS issue, applicants from each round and categorisation criteria used by the South Korean government, is set out on pages 9-10 of this report. On an adjusted basis, operating profit was up +13% (+11% constant) to £1,081m. The adjusted operating margin increased +180bps to 23.7%, driven primarily by strong gross margin expansion.

Net finance expense was £11m (HY 2015: £18m). The underlying tax rate was 23% (HY 2015: 23%). The effective tax rate is 30% (HY 2015: 23%), the difference driven by the exceptional charge.

Net income as reported was £528m, a decrease of 26% versus HY 2015 (-29% constant), impacted by exceptional items. On an adjusted basis, net income grew +14% at actual exchange rates, and rose +12% on a constant basis. Diluted earnings per share of 73.4 pence -25% lower on a reported basis; on an adjusted basis, +16% to 114.7 pence.

Second quarter (“Q2”) 2016

Total Q2 net revenue was £2,266m, a LFL increase of +4% (+3% total at constant rates).

ENA (+2% LFL) saw a steady performance from North America (+3% LFL) and a slower quarter from the rest of ENA (+1% LFL). Western Europe had broad-based growth across key markets, although at a slower rate compared with 2015. This was primarily due to a combination of slightly slower market growth, and the impact of lower Scholl sales. Scholl revenue growth across many markets in Europe was impacted by both a high comparative (including a number of launches), and lower than expected consumer uptake of our recently launched “Wet & Dry” innovation. Russia / CIS revenue declined mainly due to a marked slowdown in market growth.

DvM had a strong performance, with India, China and Turkey significant growth contributors. LATAM also had a good quarter in challenging macro and competitive conditions. Middle East, particularly Saudi Arabia, continues to be soft, as do parts of Africa. In the quarter, DvM grew by +8% on an LFL basis, although excluding the impact of the HS issue, growth would have been double digit on a LFL basis.

On a category basis our overall Health growth slowed to +5% LFL in the quarter. We continued to see strong, broad-based growth across most of our powerbrands, with the exception of the Scholl / Amopé franchise. As noted above, this was due to a combination of a high comparative base and lower than expected consumer uptake of our recent innovation. Hygiene had a very strong quarter at +7% LFL growth, also with broad-based growth across our major powerbrands of Dettol, Finish, Lysol and Harpic. Our pest franchise also had a good quarter, aided by the impact of the Zika virus in Brazil. Home and Portfolio brands experienced a weaker quarter. Vanish and a number of local laundry detergent brands are a significant part of the South Korean portfolio.

HY 2016 Business Review

Summary: % net revenue growth by Operating Segment

	Q2				H1			
	LFL	Net M&A*	FX	Reported	LFL	Net M&A*	FX	Reported
<i>North America</i>	+3%	-	+6%	+9%	+2%	-	+6%	+7%
<i>Rest of ENA</i>	+1%	-2%	+4%	+3%	+3%	-2%	+2%	+4%
ENA	+2%	-1%	+4%	+5%	+3%	-1%	+3%	+5%
DvM	+8%	-	-1%	+6%	+9%	-	-4%	+4%
Food	+5%	-	+6%	+10%	+4%	-	+5%	+9%
Group	+4%	-1%	+3%	+6%	+5%	-1%	+1%	+5%

* Reflects the impact of acquisitions and disposals.

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

Analysis of net revenue and adjusted operating profit by operating segment, and of net revenue by category 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

<u>Quarter ended</u>					<u>Half Year ended</u>			
<u>30 June</u>					<u>30 June</u>			
2016	2015	% change			2016	2015	% change	
£m	£m	exch. rates	Actual		£m	£m	actual	const.
				Total Net revenue				
502	461	+9	+3	North America	1,048	978	+7	+2
931	900	+3	-	Rest of ENA	1,881	1,813	+4	+1
1,433	1,361	+5	+1	ENA	2,929	2,791	+5	+2
738	693	+6	+8	DvM	1,457	1,397	+4	+9
95	86	+10	+5	Food	183	168	+9	+4
2,266	2,140	+6	+3	Total	4,569	4,356	+5	+4

Operating profit								
				ENA	747	676	+11	+7
				DvM	291	234	+24	+27
				Food	43	43	-	-2
				Operating profit - adjusted*	1,081	953	+13	+11
				Exceptional items	(319)	(14)		
				Total Operating profit	762	939	-19	-22

Operating margin – adjusted*		%	%	
		25.5	24.2	+130bp
		20.0	16.8	+320bp
		23.5	25.6	-210bp
		23.7	21.9	+180bp

* Adjusted to exclude the impact of exceptional items.

The Business Review below is given at constant exchange rates.

ENA

64% of net revenue

HY 2016 total net revenue was £2,929m, with LFL growth of +3%. All major Western and Central European markets, and ANZ, contributed to solid growth in the half year. Russia had a weak half due to a combination of planned retailer destocking in Q1 and a slowdown in market growth, particularly in Q2. The outlook for Russia remains uncertain given the current market issues.

North America had a solid HY with +2% LFL growth, driven by Mucinex, Finish, Air Wick, KY and Move Free, partially offset by weakness in Amopé.

For HY, adjusted operating profit increased +7% (constant) to £747m; the adjusted operating margin increased +130bps to 25.5%, due to good gross margin expansion from input cost tailwinds, the Project Fuel cost optimisation programme and Project Supercharge COGS initiatives.

Q2 total net revenue was £1,433m, with LFL growth of +2%. North America growth (+3% LFL) improved slightly with growth in Lysol, Mucinex and our VMS portfolio. This was offset by a slowdown in Amopé in the quarter. The rest of ENA had a slower quarter (+1% LFL). In European markets, our Scholl franchise was impacted by both a high comparative and lower than expected consumer uptake of our recently launched "Wet & Dry" innovation. We also saw a slight slowing of market growth in Europe. Russia / CIS was weak due to a slowdown in market growth.

DvM**32% of net revenue**

HY 2016 total net revenue was £1,457m, with LFL growth of +9%. India continues to deliver strong growth and has now become the third largest revenue market for RB. China also had a strong performance with its consumer health portfolio boosted by the launch of Move Free. The macro environment in Brazil remains challenging, however a strong performance in pest (where consumer demand remains strong due to the Zika virus), and an improving performance from Veja as we lap competitive launches, contributed to a stronger performance. Other market trends remained similar to Q1 with strong growth in Turkey, but weakness in Middle East and parts of Africa.

For HY, adjusted operating profit of £291m was an increase of +27% at constant rates; the adjusted operating margin was +320bps higher at 20.0%. This was due to strong gross margin expansion, from pricing, input cost tailwinds and Project Supercharge initiatives.

Q2 total net revenue was £738m, with LFL growth of +8%. Another strong performance, led by India, China and Turkey, offset by weakness in Middle East, parts of Africa and significant declines as a result of the HS issue. We do not expect the adverse trading issues we are seeing in South Korea to improve materially in the near term. Our South Korean business represented approximately 1.5% of group net revenue in 2015. Revenue growth in DvM, excluding South Korea, was double digit growth in both the quarter and half year.

Food**4% of net revenue**

HY 2016 total net revenue was £183m, a +4% increase versus prior year at constant exchange rates. In North America, French's ketchup continues to perform well, whilst the mustard segment remains competitive. Increased distribution continued to drive growth outside of the USA. Operating margins decreased by -210bps to 23.5% due to increases in BEI investment, and investment in expansion outside of the USA.

Q2 growth was +5% at constant exchange rates, driven by French's ketchup and expansion in international distribution.

HY 2016 Category Review

Summary: % net revenue growth by Category

	Q2				H1			
	LFL	Net M&A*	FX	Reported	LFL	Net M&A*	FX	Reported
Health	+5%	-	+3%	+8%	+8%	-	+2%	+10%
Hygiene	+7%	-	+3%	+10%	+5%	-	-	+5%
Home	-1%	-1%	+2%	-	+1%	-	-	-
Portfolio	-8%	-6%	+4%	-9%	-3%	-6%	+4%	-6%
Group	+4%	-1%	+3%	+6%	+5%	-1%	+1%	+5%

* Reflects the impact of acquisitions and disposals.

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

2016 £m	<u>Quarter ended</u> <u>30 June</u>				<u>Half Year ended</u> <u>30 June</u>			
	2015 £m	% change exch. Rates actual const.			2016 £m	2015 £m	% change exch. Rates Actual const.	
Net revenue by category								
715	661	+8	+5	Health	1,501	1,370	+10	+8
978	891	+10	+7	Hygiene	1,934	1,834	+5	+5
420	419	-	-1	Home	834	833	-	-
153	169	-9	-13	Portfolio Brands	300	319	-6	-10
2,266	2,140	+6	+3	Total	4,569	4,356	+5	+4

The Category Review below is given at constant exchange rates.

Health 33% of net revenue

HY 2016 total net revenue was £1,501m, with LFL growth +8%. We continue to deliver strong, broad-based growth, led by our Powerbrands. The Durex / KY franchise had a strong half led by China, behind innovations such as Durex Invisible, and e-channel initiatives. In the US, KY grew well and Mucinex had a good half, led by our Fast Max gelcap innovation, with limited impact from private label entry, although we continue to expect an impact from this in H2. Scholl/Amopé contributed to growth in the half, but following a strong Q1, we have seen a decline in Q2. Strepsils and Gaviscon also had strong performances. Within our VMS portfolio, Airborne had a good half, led by innovation and increased distribution. Move Free grew well behind launch initiatives in China.

Q2 total net revenue was £715m, with LFL growth +5%. We continued to see strong, broad-based growth across most of our Powerbrands, with the exception of Scholl / Amopé.

We expect medium term category growth in Consumer Health to be within +4-6%, and our ambition is to outperform this category growth rate.

Hygiene 42% of net revenue

HY 2016 total net revenue was £1,934m, with LFL growth of +5%. A strong Q2 has enabled us to deliver good growth across the majority of our Powerbrands. Dettol continues to be a key driver, particularly across emerging markets behind the successful launch of our new Dettol Gold innovation and ongoing penetration building programmes. Finish was a significant contributor to growth also with strong performances across both developed markets, led by the Max in 1 launch in the US, and penetration building programmes in emerging markets. Our pest category remained strong, led by Zika related issues in Brazil. Veja (Brazil) had a strong Q2 following a number of periods of competitive challenges, and Harpic continues to exhibit good growth in emerging markets.

Q2 total net revenue was £978m with LFL growth +7%. This strong growth was broad based across the Powerbrands, with good performances from Dettol and Finish, and improved results from Lysol and Veja.

We continue to see medium term category growth trends of +3-5% in Hygiene and look to perform towards the upper end of category growth.

Home

18% of net revenue

HY 2016 total net revenue was £834m. LFL growth was +1%. Air Wick led the growth after a strong start to the year behind the launch of our new Life Scents premium aerosol and scented oil warmer innovations.

Q2 total net revenue was £420m. LFL growth was -1%. The HS issue impacts disproportionately the Home growth – Vanish in particular is a large part of the South Korea portfolio.

Portfolio (including Food) 7% of net revenue

HY 2016 total net revenue was £300m, with LFL performance of -3%. Laundry detergents and fabric softeners in Southern Europe continue to be a challenging market. Our Food business performed well.

Q2 total net revenue was £153m, a LFL decline of -8%. Local laundry brands were a material part of the Group's South Korea business.

New Product Initiatives

The H1 presentation will feature a selection of new product initiatives for the second half of 2016:

In Health:

- Scholl Light Legs – Compression Tights for legs that feel great and look great – all day long.
- Amopé GelActiv Insoles & Inserts – Invisible gel insoles and inserts for all types of female shoes. Superior all day comfort for tired and achy feet.
- MegaRed Advanced 4-in-1 – our strongest Omega-3 supplement. 2X more concentrated Omega-3s vs. standard fish oil.
- Nurofen up to 8 Hour Relief range – provides longer lasting pain relief for up to 8 hours with just one single dose. Available in tablets, patches and gel formats.
- Mucinex Fast Max Clear & Cool – clears congestion, cools with an instant menthol burst.
- Optrex Night Repair Gel Drops – restores and repairs your eyes while you sleep.
- Durex Intense Orgasm Gel & Condoms – just a few drops of Durex Intense Gel together with the new Durex Intense Condom, to protect and pleasure even more!

In Hygiene:

- Veet Sensitive Precision Beauty Styler – gentleness and precision for sensitive body areas.
- Dettol – On The Go Sanitiser – offering germ protection in an easy to carry format anytime, anywhere.
- Harpic Bathroom Cleaner – for a perfectly clean and sparkling bathroom.

In Home:

- Air Wick Pure Essential Oils Fragrance – just fragrance, no wet spray. Now available with fragrances containing 5 Essential Oils.
- Vanish Gold – now works even on 7 day dried-in stains!

The Humidifier Sanitiser (“HS”) Issue in South Korea

In March 2001 RB purchased a South Korean company called Oxy Co. Ltd, which sold a sanitiser / disinfectant product for humidifiers called Humidifier Guard. We believe that Oxy had changed the active ingredient of Humidifier Guard to Polyhexamethyleneguanidine Phosphate (“PHMG”) in 2000. This product was one of a number of humidifier sanitiser (“HS”) products in the market in South Korea.

Oxy RB sold Humidifier Guard in the South Korean market from the acquisition until 2011. We believe that the product accounted for less than 0.5% of OXY RB’s sales in the local market in all years.

In August 2011 the Korean Centre for Disease Control (the “KCDC”) released an announcement on the results of an epidemiology study. It announced that certain HS products containing PHMG may be the cause of reported lung and respiratory injuries and deaths. At this time Oxy RB had the largest share of the market for HS products. Following the KCDC announcement, Oxy RB began to take steps to withdraw its product from the market. The Korean government ordered a recall of all HS products in November 2011.

In November 2012, the KCDC Investigation Committee was formed to review all reported cases of death or injury from exposure to HS products and to categorise them on the basis of the evidence linking their lung condition with HS product use. This classification has been undertaken in a series of rounds, the first two of which are complete. Round 3 is closed, with the number of applicants finalised, but not yet categorised. Round 4 has recently opened.

For those cases categorised as either I or II the KCDC assessed the link between the use of HS and the injury as “almost certain*” or “high possibility*”. For those cases categorised as III or IV by the KCDC, they assessed the link as “low possibility*” or “almost no possibility*”. Where there was insufficient evidence to categorise an individual, the KCDC used Category V.

In addition to categorising individuals according to the likelihood of a link between their injury and use of an HS product, the KCDC has also issued findings as to which individuals used which manufacturers’ HS product.

We have recognised associated exceptional charges of £300m at the half year. These charges relate to our best estimate of currently quantifiable costs associated with the HS issue. These comprise principally of an estimate of compensation expected to be paid to potential victims from Rounds 1 to 3 of the Korean government’s application process, categorised as I or II. Round 4 has only recently commenced and there are currently no published numbers of applicants. We have noted potential liabilities arising from Round 4, Category I or II victims as a contingent liability.

The status of the four rounds of applications established to date is as follows:

Round	Total applicants	Category I & II	RB Oxy users – Category I & II***
1	361	172	136
2	169	49	45
3	752	To be determined	
4	TBD**		

* categorisation descriptions based on translation from Korean text.

** there are no numbers published for round 4 currently.

*** Of the 181 Oxy RB Round 1&2, category I&II victims, approximately 50 used both RB Oxy and at least one other PHMG manufacturer’s product.

We have expressed our sincere apologies to all individuals and their families who have suffered from lung injury as a result of the HS issue. Oxy RB has accepted responsibility for the role that Oxy’s HS product played and the delay in providing an adequate remedy. Oxy RB has also announced its intention to establish a **Compensation Plan** for all Category I & II Oxy HS users classified in Rounds 1 and 2. We

have also established a **Humanitarian Fund** which we intend to be made available to provide assistance to those who have suffered as a result of the HS issue.

Oxy RB, along with a number of other manufacturers of HS products and other parties, has been the subject of criminal investigation by the prosecutor's office in South Korea, and has been charged with false labelling of its HS product. Oxy RB has cooperated with the prosecutor's investigation and will respect the outcome of the criminal justice process. Oxy RB has indicated it will not dispute the facts alleged in the charge of false labelling. The prosecutor has also charged five current and former employees of Oxy RB with false labelling and criminal negligence (four of whom have also been charged with criminal fraud) in connection with the investigation. Four of these five individuals are in detention pending trial.

Further commentary around the compensation plan and related costs can be found in the following pages to this statement:

- Exceptional costs recognised at HY (refer p21)
- Future costs not yet quantifiable, disclosed in contingent liabilities (refer p26)

Financial Review

Basis of preparation. The unaudited financial information is prepared in accordance with IFRSs as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board, and with the accounting policies to be applied in the financial statements for the year ending 31 December 2016. These are not materially different from those set out in the Group's 2015 Annual Report and Accounts, unless separately disclosed.

Net finance expense. Net finance expense is £11m (2015: £18m).

Tax. The overall effective tax rate is 30% (2015: 23%). The adjusted tax rate is 23% (2015: 23%).

Net working capital Inventories increased to £752m (2015: £681m), trade and other receivables increased to £1,377m (2015: £1,331m) and trade and other payables increased to £3,400m (2015: £2,948m), largely due to the FX movements in the period and sustained focus on working capital management. Together this has led to a decrease in net working capital to minus £1,271m (2015: minus £936m). Net working capital as a percentage of net revenue is -14% (2015: -11%).

Cash flow. Cash generated from operations was £1,449m (2015: £1,011m). The increase largely reflects the operating performance and improved working capital position.

Free cash flow is the amount of cash generated from operating activities after capital expenditure on property, plant and equipment and intangible assets and any related disposals. Free cash flow reflects cash flows that could be used for payment of dividends, repayment of debt or to fund our strategic objectives. Free cash flow conversion as a percentage of adjusted net income was 114% (2015: 105%).

	30 June 2016 £m	30 June 2015 £m
Cash generated from operations	1,449	1,011
Net Interest paid	(8)	(17)
Tax paid	(242)	(202)
Purchase of property, plant & equipment	(63)	(66)
Purchase of intangible assets	(198)	(14)
Proceeds from the sale of property, plant & equipment	1	44
Free cash flow	939	756

Net debt at the end of the half year was £1,578m (31 December 2015: £1,620m), a decrease of £42m. This reflected strong free cash flow generation, offset by the payment of the final 2015 dividend of £625m, share repurchases of £400m and £114m of net receipts relating to derivative financial instruments held to manage the Groups' currency profile. The Group regularly reviews its banking arrangements and has adequate facilities available.

Exceptional items. In HY 2016 the exceptional pre-tax charge incurred was £319m (HY 2015: £14m), relating primarily to costs associated with the HS issue in Korea. Further details of this charge can be found in note 5 to this report.

Balance sheet. At 30 June 2016, the Group had shareholders' funds of £7,202m (31 December 2015: £6,906m), an increase of 4%. Net debt was £1,578m (31 December 2015: £1,620m) and total capital employed in the business was £8,780m (31 December 2015: £8,526m).

This finances non-current assets of £13,753m (31 December 2015: £12,386m), of which £819m (31 December 2015: £730m) is property, plant and equipment, the remainder being goodwill, other intangible assets, deferred tax, retirement benefit surplus and other receivables. The Group has net working capital of minus £1,271m (31 December 2015: minus £936m), current provisions of £501m (31 December 2015: £229m) and long-term liabilities other than borrowings of £3,215m (31 December 2015: £2,652m).

Dividends. The Board of Directors declares an interim dividend of 58.2p (2015: 50.3p) in line with its stated policy to pay out about 50% of basic adjusted earnings per share.

The ex-dividend date will be 18 August 2016 and the dividend will be paid on 29 September 2016 to shareholders on the register at the record date of 19 August 2016. The last date for election for the share alternative to the dividend is 8 September 2016.

Legal provisions. The Group is involved in litigation, disputes, and investigations in multiple jurisdictions around the world. It has made provisions for such matters, 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.

As a matter of policy and practice, the Group co-operates with all government investigations. The Group maintains and continues to improve a robust compliance training programme and ensures that all executive managers sign a periodic disclosure and reporting document certifying compliance with the Group's Code of Conduct.

Contingent liabilities. The Group is involved in a number of civil and/or criminal investigations by government authorities as well as litigation proceedings and has made provisions for such matters 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. Matters in relation to which the Group may incur liabilities include ongoing investigations by the US Department of Justice and the US Federal Trade Commission and potential related litigation proceedings in relation to certain matters relating to the RB Pharmaceuticals business prior to its demerger in December 2014 to form Indivior Plc.

2016 Targets

Net Revenue target (Full Year)

We are reaffirming our full year LFL net revenue growth target which, given the impact of the HS issue, is at the lower end of +4-5%¹.

Operating margin (H2)

The high quality mix of our growth, combined with input tailwinds and second year impact of Project Supercharge have enabled us to deliver adjusted operating margin expansion in H1 of +180bps. We are now expecting in H2 moderate adjusted operating margin expansion².

¹ At constant rates, excluding the impact of acquisitions and disposals.

² Adjusted to exclude the impact of exceptional items.

Principal Risks and Uncertainties

The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining six months of 2016 are largely the same as described on pages 40 to 45 and pages 158 to 164 of the Annual Report and Financial Statements for the year ended 31 December 2015. These include:

- Risks that non-compliance with regulations (e.g. licences, manufacturing, products and laws) results in significant financial losses arising from regulator-enforced factory closures, product recalls, delayed launches, penalties, possible criminal liability etc.
- Risk of financial and reputational risk as a result of health issues in South Korea, caused by prolonged inhalation of a humidifier sanitiser product acquired in 2001.
- Risk that targets cannot be delivered due to technology failures or a lack of growth-enabling systems and infrastructure capabilities, leading to business disruption.
- Risk that our business continuity plans, including monosourcing (materials and products) are inadequate and we face interruptions to our supply chain and disruptions in our production facilities, which could materially adversely affect our results of operations.
- Risk that we are not fully compliant with UK and local laws including the UK Bribery Act, Competition laws and Data and Privacy Protection laws, resulting in damage to RB's reputation, significant potential fines and possible criminal liability.
- Risk of significant unprovisioned cash outflows as a result of tax authority challenge to filed positions in key territories.
- Risk that RB cannot implement its strategies and meet objectives as a result of key management leaving the business who cannot be readily replaced by equally experienced / qualified candidates.
- Risk of significant reputational impact as a result of systemic product quality issues resulting in undermining of consumer confidence in our brands, particularly in the growing Health Care portfolio.
- Risk that work accidents harm RB employees or other workers on RB premises, or premises under RB supervision in the case of outsourced operations, result in loss of life or other injuries, factory closure, reputational damage and possible criminal liability.
- Risk that RB is subject to increasingly sophisticated cyber-attacks aimed at causing business disruption, capture of data for financial gain, general embarrassment and reputational damage or that RB's data privacy protective measures are considered by regulators to be inadequate.
- Risk that the Group may incur liabilities as a result of ongoing investigations by the Department of Justice and the US Federal Trade Commission and potential related litigation proceedings in relation to certain matters relating to the RB Pharmaceuticals business prior to its demerger in December 2014 to form Indivior PLC.

The Group's Annual Report and Financial Statements for the year ended 31 December 2015 is available on the Group's website at www.rb.com.

The Group at a Glance (Unaudited)

<u>Quarter ended</u> <u>30 June</u>			<u>Half year ended</u> <u>30 June</u>	
2016	2015		2016	2015
£m	£m		£m	£m
2,266	2,140	Net revenue – total	4,569	4,356
+4%	+5%	Net revenue growth – like-for-like	+5%	+5%
+3%	+4%	Net revenue growth – constant	+4%	+4%
+6%	+1%	Net revenue growth – total	+5%	+1%
		Gross margin	60.0%	57.6%
		EBITDA – adjusted*	1,164	1,038
		EBITDA margin – adjusted*	25.5%	23.8%
		EBIT	762	939
		EBIT margin	16.7%	21.6%
		EBIT – adjusted*	1,081	953
		EBIT margin – adjusted*	23.7%	21.9%
		Profit before tax	751	921
		Net income	528	709
		Net income – adjusted*	822	720
		EPS, basic, as reported	74.5p	99.0p
		EPS, adjusted and diluted*	114.7p	99.0p

* Adjusted to exclude the impact of exceptional items.

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Disclaimers

Cautionary note concerning forward-looking statements

This document contains statements with respect to the financial condition, results of operations and business of RB (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, the Group 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.

Half Year Condensed Financial Statements

Group Income Statement

For the six months ended 30 June 2016

		Six months ended	
		30 June 2016	30 June 2015
	Note	£m	£m
Net revenue	4	4,569	4,356
Cost of sales		(1,829)	(1,845)
Gross profit		2,740	2,511
Net operating expenses		(1,978)	(1,572)
Operating profit	4	762	939
Adjusted operating profit		1,081	953
Exceptional items	5	(319)	(14)
Operating profit		762	939
Finance income		19	12
Finance expense		(30)	(30)
Net finance expense		(11)	(18)
Profit before income tax		751	921
Income tax expense	6	(223)	(212)
Net income for the period		528	709
Attributable to non-controlling interests		2	-
Attributable to owners of the parent		526	709
Net income for the period		528	709
Earnings per ordinary share:			
Basic earnings per ordinary share (pence)	7	74.5	99.0
Diluted earnings per ordinary share (pence)	7	73.4	97.5

All activities relate to continuing operations.

Group Statement of Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June 2016 £m	30 June 2015 £m
Net income for the period	528	709
Other comprehensive income / (expense)		
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Net exchange gains / (losses) on foreign currency translation, net of tax	1,099	(330)
(Losses) / gains on net investment hedges, net of tax	(78)	3
Losses on cash flow hedges, net of tax	(55)	(5)
	966	(332)
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>		
Remeasurements of defined benefit pension plans, net of tax	(126)	10
	(126)	10
Other comprehensive income / (expense) for the period, net of tax	840	(322)
Total comprehensive income for the period	1,368	387
Attributable to non-controlling interests	2	-
Attributable to owners of the parent	1,366	387
Total comprehensive income for the period	1,368	387

Group Balance Sheet

As at 30 June 2016

	Note	30 June 2016 £m	31 December 2015 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	8	12,721	11,296
Property, plant and equipment		819	730
Deferred tax assets		80	57
Retirement benefit surplus		32	63
Other non-current receivables		101	240
		13,753	12,386
Current assets			
Inventories		752	681
Trade and other receivables		1,377	1,331
Derivative financial instruments		312	121
Current tax recoverable		21	9
Short term investments		126	-
Cash and cash equivalents		894	740
		3,482	2,882
Total assets		17,235	15,268
LIABILITIES			
Current liabilities			
Short-term borrowings		(2,037)	(1,749)
Provisions for liabilities and charges	10	(501)	(229)
Trade and other payables		(3,400)	(2,948)
Derivative financial instruments		(87)	(22)
Current tax liabilities		(44)	(91)
		(6,069)	(5,039)
Non-current liabilities			
Long-term borrowings		(749)	(671)
Deferred tax liabilities		(1,854)	(1,692)
Retirement benefit obligations		(393)	(257)
Provisions for liabilities and charges	10	(195)	(115)
Non-current tax liabilities		(646)	(559)
Other non-current liabilities		(127)	(29)
		(3,964)	(3,323)
Total liabilities		(10,033)	(8,362)
Net assets		7,202	6,906
EQUITY			
Capital and reserves			
Share capital	11	74	74
Share premium		243	243
Merger reserve		(14,229)	(14,229)
Hedging reserve		(37)	18
Foreign currency translation reserve		57	(964)
Retained earnings		21,090	21,762
Attributable to owners of the parent		7,198	6,904
Attributable to non-controlling interests		4	2
Total equity		7,202	6,906

Group Statement of Changes in Equity For the six months ended 30 June 2016

	Share capital £m	Share premium £m	Merger reserves £m	Other reserves £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2016	74	243	(14,229)	(946)	21,762	6,904	2	6,906
Net income for the period					526	526	2	528
Other comprehensive income				966	(126)	840		840
Total comprehensive income	-	-	-	966	400	1,366	2	1,368
Transactions with owners								
Share-based payments					33	33		33
Deferred tax on share awards					5	5		5
Current tax on share awards					6	6		6
Transactions with non-controlling interests					(52)	(52)		(52)
Shares repurchased and held in Treasury					(500)	(500)		(500)
Re-issue of Treasury shares					61	61		61
Dividends					(625)	(625)		(625)
Total transactions with owners	-	-	-	-	(1,072)	(1,072)	-	(1,072)
Balance at 30 June 2016	74	243	(14,229)	20	21,090	7,198	4	7,202
Balance at 1 January 2015	74	243	(14,229)	(820)	21,564	6,832	2	6,834
Net income for the period					709	709		709
Other comprehensive income				(332)	10	(322)		(322)
Total comprehensive income	-	-	-	(332)	719	387	-	387
Transactions with owners								
Share-based payments					25	25		25
Deferred tax on share awards					9	9		9
Current tax on share awards					2	2		2
Shares repurchased and held in Treasury					(502)	(502)		(502)
Re-issue of Treasury shares					54	54		54
Dividends					(566)	(566)		(566)
Total transactions with owners	-	-	-	-	(978)	(978)	-	(978)
Balance at 30 June 2015	74	243	(14,229)	(1,152)	21,305	6,241	2	6,243

Group Cash Flow Statement

For the six months ended 30 June 2016

		Six months ended	
		30 June	30 June
		2016	2015
	Note	£m	£m
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit from continuing operations		762	939
Depreciation, amortisation and impairment		83	85
Fair value gains		-	(2)
(Increase) / decrease in inventories		(7)	7
Decrease / (increase) in trade and other receivables		149	(27)
Increase / (decrease) in payables and provisions		124	(18)
Non-cash exceptional items	5	305	2
Share-based payments		33	25
Cash generated from operations		1,449	1,011
Interest paid		(26)	(29)
Interest received		18	12
Tax paid		(242)	(202)
Net cash generated from operating activities		1,199	792
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(63)	(66)
Purchase of intangible assets		(198)	(14)
Proceeds from the sale of property, plant & equipment		1	44
Acquisition of businesses, net of cash acquired		(42)	(7)
Purchase of short-term investments		(106)	(12)
Net cash used investing activities		(408)	(55)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased and held in Treasury	11	(400)	(452)
Treasury shares reissued		61	54
Proceeds from borrowings		200	24
Repayment of borrowings		(41)	(27)
Dividends paid to owners of the parent	12	(625)	(566)
Other financing activities		114	-
Net cash from financing activities		(691)	(967)
Net increase / (decrease) in cash and cash equivalents		100	(230)
Cash and cash equivalents at beginning of period		737	913
Exchange gains / (losses)		55	(33)
Cash and cash equivalents at end of the period		892	650
Cash and cash equivalents comprise:			
Cash and cash equivalents		894	666
Overdrafts		(2)	(16)
		892	650

Notes to the Half Year Condensed Financial Statements For the six months ended 30 June 2016

1. General Information

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.

The Half Year Condensed Financial Statements were approved by the Board of Directors on 28 July 2016. The Half Year Condensed Financial Statements have been reviewed, not audited.

2. Basis of Preparation

The Half Year Condensed Financial Statements for the six months ended 30 June 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 *Interim Financial Reporting* as endorsed by the European Union. The Half Year Condensed Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2015, which have been prepared in accordance with European Union endorsed International Financial Reporting Standards (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements for the year ended 31 December 2015 are also in compliance with IFRS as issued by the International Accounting Standards Board (IASB).

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 2015 were approved by the Board of Directors on 22 March 2016 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 information.

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 102-106 of the Annual Report and Financial Statements for the year ended 31 December 2015.

There are no new standards, amendments or interpretations which have been adopted for the first time and have a significant impact on the accounting policies applied in preparing the Half Year Condensed Financial Statements.

Management continues to assess the impact of *IFRS 15 Revenue from contracts with customers* which will be effective for annual periods beginning on or after 1 January 2018, the revised issuance of *IFRS 9 Financial Instruments* which will be effective for annual periods beginning on or after 1 January 2018 and *IFRS 16 Leases* which will be effective for annual periods beginning on or after 1 January 2019. A number of other new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2017 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

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 2015.

Income tax expense for the six months is accrued using the expected tax rate that would be applicable to the total annual profit, before the impact of exceptional items, for the year ending 31 December 2016. Refer to note 6 for further details.

Notes to the Half Year Condensed Financial Statements For the six months ended 30 June 2016 (continued)

4. 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 geographical segments derive their revenue primarily from the sale of branded products in the Health, Hygiene and Home categories. Food derives its revenue from food products primarily sold in ENA countries.

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.

The segment information provided to the Executive Committee for the periods ending 30 June 2016 and 30 June 2015 is as follows:

<i>Six months ended 30 June 2016</i>	ENA £m	DvM £m	Food £m	Total £m
Net revenue	2,929	1,457	183	4,569
Depreciation, amortisation and impairment	54	26	3	83
Adjusted operating profit	747	291	43	1,081
Exceptional items				(319)
Operating profit				762
Net finance expense				(11)
Profit before income tax				751

<i>Six months ended 30 June 2015</i>	ENA £m	DvM £m	Food £m	Total £m
Net revenue	2,791	1,397	168	4,356
Depreciation, amortisation and impairment	56	27	2	85
Adjusted operating profit	676	234	43	953
Exceptional items				(14)
Operating profit				939
Net finance expense				(18)
Profit before income tax				921

Analysis of Categories

The Group also analyses its revenue by the following categories.

	Six months ended	
	30 June 2016 £m	30 June 2015 £m
Health	1,501	1,370
Hygiene	1,934	1,834
Home	834	833
Portfolio Brands (including Food)	300	319
	4,569	4,356

Notes to the Half Year Condensed Financial Statements For the six months ended 30 June 2016 (continued)

5. Exceptional Items

Exceptional items totalling £319 million have been recognised in the six months to 30 June 2016 (six months to 30 June 2015: £14m).

These relate primarily to the HS issue in South Korea. A background to this issue is set out on p9 to this report. Details of the exceptional costs recognised at the half year, mainly in respect of the compensation plan, are set out in this note:

The Compensation Plan for the 181 KCDC classified Category I & II victims in Rounds 1 and 2 is currently being finalised. It has been designed in consultation with these victims and their families, informed by four overarching values of Fairness, Transparency, Respect and Speed, to address each person according to their own individual circumstances, including those who have previously entered into settlement agreements with us.

Compensation to Round 1 and 2 / Category I & II individuals will comprise two components:

- A payment to reflect mental distress / pain and suffering, lost income (past and future), past medical, legal and other expenses plus interest. This payment for a victim could be up to approximately KRW 1 billion (c.£700k) for death or severe disability.
- We plan to ensure coverage of future HS related medical costs for these victims as and when they incur them. We want to give those affected the peace of mind that they will always be covered for proper medical costs associated with the HS issue. We are seeking to work with the South Korean government to ensure that this works in a straightforward manner for victims, and that the cost is borne equitably.

In 2014 we announced the creation of a humanitarian fund of KRW 5 billion (£3m) for HS-affected individuals to be administered in cooperation with KEPAs and MOEs (both governmental organisations in South Korea). In April 2016 we announced the intention to add another KRW 5 billion (£3m) to the fund. We would like to consult with those affected and the Korean government on how to best deploy this fund.

We expect to incur a number of other non-recurring costs in relation to the HS issue. These include advisers' fees, costs in administering the compensation plan, costs associated with the local business, including the impairment of intangible assets acquired with Oxy in 2001.

We have classified the expected costs as follows:

- Where we consider the costs to be probable and we are currently able to estimate the quantum of costs we have provided for them
- Where we do not consider the costs to be probable or are currently unable to estimate the quantum or likely outcome of potential future costs we have disclosed them as a contingent liability. These are further detailed on p26.

Exceptional costs recognised at H1

At H1 we have charged £300m to exceptional costs in relation to this issue, comprising of both cash and non-cash items. These include:

- Expected compensation payments to HS Round 1 and 2 victims categorised as I or II (i.e. the 181 individuals set out in the table on p9). These include the value of expected future medical costs, to be paid on an "as incurred" basis, where borne by the Group.
- An estimate of compensation payments and future medical costs for Round 3 applicants.
- Legal and other associated costs directly linked to the HS issue including civil and criminal proceedings – including both legal fees and potential fines.
- Costs associated with the set-up and operation of the Compensation Plan infrastructure.
- A provision for the additional amount committed to the Humanitarian Fund in April 2016.
- Impairment charge against the carrying value of a number of RB Korea local brands (c. £40m).
- Other directly connected costs of the local business.

Notes to the Half Year Condensed Financial Statements For the six months ended 30 June 2016 (continued)

5. Exceptional Items (continued)

The provision does not include any costs associated with victims who have applied, or are likely to apply for categorisation under Round 4 of the KCDC review. These are disclosed as a contingent liability, in note 13.

The remaining £19m of exceptional items relate to the on-going restructuring of the Group's operations, and the integration of acquisitions. Costs incurred consist primarily of legal and other professional fees, redundancy and business integration costs which have been included within net operating expenses.

6. Income Taxes

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate applying to profits before the impact of exceptional items expected for the full financial year. The estimated average annual tax rate before exceptional items used for the year to 31 December 2016 is 23%. The estimated tax rate before exceptional items for the six months ended 30 June 2016 was 23%. The Income tax credit arising on exceptional items for the six months ended 30 June 2016 is £23m, giving an effective tax rate for the period ended 30 June 2016 of 30%.

Finance (No. 2) Bill 2016 includes the legislation to enact the future reduction in the UK tax rate from 18% to 17% with effect from 1 April 2020. This legislation was not substantively enacted at the balance sheet date and its effects of which are not included in these financial statements.

7. Earnings per Share

	30 June 2016 pence	Six months ended 30 June 2015 pence
Basic earnings per share	74.5	99.0
Diluted earnings per share	73.4	97.5
Adjusted basic earnings per share	116.4	100.6
Adjusted diluted earnings per share	114.7	99.0

Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the parent (six months to 30 June 2016: £526m; six months to 30 June 2015: £709m) by the weighted average number of ordinary shares in issue during the period (six months to 30 June 2016: 705,932,934; six months to 30 June 2015: 715,921,953).

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 30 June 2016 there were nil (30 June 2015: nil) Executive Share Awards, excluded from the dilution.

Notes to the Half Year Condensed Financial Statements For the six months ended 30 June 2016 (continued)

7. Earnings per Share (continued)

Adjusted earnings

The Directors believe that diluted earnings per ordinary share, adjusted for the impact of exceptional items after the appropriate tax amount, provides additional useful information on underlying trends to Shareholders in respect of earnings per ordinary share.

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

	Six months ended	
	30 June 2016	30 June 2015
	£m	£m
Net income attributable to owners of the parent	526	709
Exceptional items	5 319	14
Tax effect of exceptional items	(23)	(3)
Adjusted net income attributable to owners of the parent	822	720

Average number of shares

	30 June 2016 Average number of shares	30 June 2015 Average number of shares
On a basic basis	705,932,934	715,921,953
Dilution of Executive Share Awards	9,958,562	10,221,825
Dilution for Employee Sharesave Scheme Options outstanding	706,585	890,984
On a diluted basis	716,598,081	727,034,762

8. Goodwill and Other Intangible Assets

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2016	7,969	3,303	121	107	11,500
Additions	339	-	11	-	350
Arising on business combinations	-	1	-	-	1
Disposals	-	-	-	(39)	(39)
Exchange and other movements	816	317	2	2	1,137
As at 30 June 2016	9,124	3,621	134	70	12,949
Accumulated amortisation and impairment					
At 1 January 2016	(92)	(21)	(37)	(54)	(204)
Amortisation and impairment charge	(41)	-	(7)	(5)	(53)
Disposals	-	-	-	39	39
Exchange Adjustments	(8)	(1)	(1)	-	(10)
As at 30 June 2016	(141)	(22)	(45)	(20)	(228)
Net book value					
At 1 January 2016	7,877	3,282	84	53	11,296
At 30 June 2016	8,983	3,599	89	50	12,721

During the period, the Group exercised its option to acquire the legal title to intellectual property associated with the collaboration agreement with Bristol Myers Squibb (BMS), as described in the Annual Report and Financial Statements 2013. The amount capitalised includes a prepayment made in 2013 of £152m (at 2016 rates).

Notes to the Half Year Condensed Financial Statements
For the six months ended 30 June 2016 (continued)

8. Goodwill and Other Intangible Assets (continued)

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2015	7,938	3,282	97	115	11,432
Additions	-	7	13	-	20
Exchange and other movements	(194)	(75)	(1)	(28)	(298)
As at 30 June 2015	7,744	3,214	109	87	11,154
Accumulated amortisation and impairment					
At 1 January 2015	(89)	(24)	(23)	(44)	(180)
Amortisation and impairment charge	(2)	-	(7)	(8)	(17)
Exchange Adjustments	1	3	-	4	8
As at 30 June 2015	(90)	(21)	(30)	(48)	(189)
Net book value					
At 30 June 2015	7,654	3,193	79	39	10,965

9. Net Debt

	30 June 2016	31 December 2015
	£m	£m
Analysis of net debt		
Cash and cash equivalents	894	740
Overdrafts	(2)	(3)
Borrowings (excluding overdrafts)	(2,784)	(2,417)
Short term investments	126	-
Derivative financial instruments	188	60
	(1,578)	(1,620)

Short term investments constitute financial instruments that are not readily convertible into cash.

	30 June 2016	31 December 2015
	£m	£m
Reconciliation of net debt		
Net debt at beginning of period	(1,620)	(1,543)
Net increase/(decrease) in cash and cash equivalents	100	(148)
Purchase of short term investments	106	-
Proceeds from borrowings	(200)	(23)
Repayment of borrowings	41	165
Exchange and other movements	(5)	(71)
Net debt at the end of the period	(1,578)	(1,620)

Notes to the Half Year Condensed Financial Statements For the six months ended 30 June 2016 (continued)

10. Provisions for Liabilities and Charges

	Legal provisions £m	Restructuring provisions £m	Other provisions £m	Total provisions £m
At 1 January 2016	141	33	170	344
Charged to the income statement	263	5	4	272
Charged to equity	-	-	500	500
Utilised during the year	(12)	(5)	(402)	(419)
Released to the income statement	-	-	(5)	(5)
Exchange adjustments	1	-	3	4
At 30 June 2016	393	33	270	696

Provisions have been analysed between current and non-current as follows:

	30 June 2016 £m	31 December 2015 £m
Current	501	229
Non-current	195	115
	696	344

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.

Legal provisions of £393m (31 December 2015: £141m) include £346m (31 December 2015: £116m) of exceptional legal provisions in relation to a number of historic regulatory matters in a number of markets, including a provision in respect of the HS issue in South Korea (Note 5).

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

Other provisions include obligations of the Group to acquire its own equity shares of £200m (31 December 2015: £100m), and environmental and other obligations throughout the Group, the majority of which are expected to be used within five years. Provisions to acquire equity ordinary shares are charged to equity.

11. Share Capital

	Equity ordinary shares	Nominal value £m
Issued and fully paid		
At 1 January 2016	736,535,179	74
Allotments	-	-
At 30 June 2016	736,535,179	74

In the six months to 30 June 2016 the Group acquired 6,097,471 of its own equity ordinary shares through purchases on the London Stock Exchange. The total amount paid to acquire the shares was £400m (including stamp duty) which has been deducted from shareholders' equity. In addition, a provision of £200m (31 December 2015: £100m) has been created for buyback amounts committed but not transacted at period end. The shares are now held as 'Treasury shares' and the Company has the right to re-issue these shares at a later date. At 30 June 2016, of the issued share capital, 31,456,065 shares were held as Treasury shares (31 December 2015: 28,462,150). All shares were fully paid.

Notes to the Half Year Condensed Financial Statements For the six months ended 30 June 2016 (continued)

12. Dividends

A final dividend of 88.7 pence per share for the year ended 31 December 2015 was paid on 26 May 2016 to Shareholders who were on the register on 15 April 2016. This amounted to £625m.

The Directors are proposing an interim dividend in respect of the year ending 31 December 2016 of 58.2 pence per share which will absorb an estimated £410m of shareholders' funds. It will be paid on 29 September 2016 to shareholders who are on the register on 19 August 2016.

13. Contingent Liabilities and Assets

The Group is involved in a number of civil and/or criminal investigations by government authorities as well as litigation proceedings and has made provisions for such matters 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. Matters in relation to which the Group may incur liabilities include ongoing investigations by the US Department of Justice and the US Federal Trade Commission and potential related litigation proceedings in relation to certain matters relating to the RB Pharmaceuticals business prior to its demerger in December 2014 to form Indivior PLC.

The Group from time to time is involved in disputes in relation to on-going tax matters in a number of jurisdictions around the world.

HS issue

The following costs / income relating to the HS issue are either not able to be estimated or quantified or are considered not probable at the current time:

- Round 4 applicants: The South Korean government opened Round 4 to new applicants on 22 April 2016 for an indefinite period. There are no numbers published yet in respect of Round 4 applicants. The government has not categorised Round 4 applicants. We are therefore unable to determine either the expected number of applicants or the number of Category I or II victims from this round who are likely to qualify for the Compensation Plan. In Round 1 the number of applicants categorised as Category I or II was 48% of total applicants, and in Round 2 it was 29%. We are looking to agree with the South Korean government, other manufacturers and other parties an industry wide approach on common issues and review the Compensation Plan prior to determining compensation proposals for Category I & II victims from both Rounds 3 and 4.
- Costs associated with the wider HS issue: We are considering how best to contribute to addressing the wider HS issue. We have committed to a further contribution to a humanitarian fund of approximately KRW 5 billion (£3m). Any other contribution has not yet been identified.
- Potential recoveries from other HS manufacturers: For Rounds 1 and 2, Category I & II victims we have committed to compensating them in full under the terms of our Compensation Plan, even if they used other manufacturers' HS products in conjunction with those of Oxy RB. Of the 181 Oxy RB Round 1 and 2, Category I & II victims, approximately 50 used both RB Oxy and at least one other PHMG manufacturer's product. For these "multi-user" cases we will seek to recover an element of compensation costs from the relevant other HS manufacturer. We have yet to agree a fair recovery mechanism with the other HS manufacturers and have therefore not recognised any potential receivable.

Given the high profile and complex nature of this issue in South Korea, there also remains the possibility of wider legal or governmental developments which may give rise to further financial liability for RB.

Where appropriate, the Directors make provisions based on their assessment of each situation.

Notes to the Half Year Condensed Financial Statements For the six months ended 30 June 2016 (continued)

14. Financial Instruments

The carrying value less impairment provision of investments, current borrowings, cash at bank, trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

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

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
2. 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.
3. Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

There were no changes in valuation techniques or transfers between hierarchy categories during the period.

The fair value of bonds at 30 June 2016 is a liability of £790m (31 December 2015: £683m). This value is derived using a quoted market rate in an active market (level 1 classification). The book value of bonds at 30 June 2016 is a non-current liability of £749m (31 December 2015: £671m).

The fair value and book value of derivatives used for hedging at 30 June 2016 is a liability of £81m (31 December 2015: £19m) and an asset of £32m (31 December 2015: £38m). The fair value (and book value) of derivatives classified as fair value through profit or loss at 30 June 2016 is a liability of £13m (31 December 2015: £3m) and an asset of £281m (31 December 2015: £83m). This value is determined using forward exchange rates derived from market sourced data at the balance sheet date, with the resulting value discounted back to present value (level 2 classification).

Within other non current liabilities a liability of £85 million (2015: £nil) has been recorded relating to the fair value of a put option over non-controlling shareholdings entered into during the period, as discussed in note 15.

The fair value has been determined by discounting management's best estimate of the expected future payment under the option, and has been classified as a Level 3 valuation technique. The discount rate used was an approximation of the Group's average cost of debt, 1.6% (2015: N/A) at the time the option was entered into. The amount payable under the option is linked to the future results of the entities in question, and is based on management's latest forecasts for those businesses.

During the period £nil has been recorded in profit and loss in relation to this balance (2015: £nil).

If the discount rate were increased/(decreased) by 100bps, the impact on the fair value of this liability would be a decrease/(increase) of £5 million and £(6) million respectively, with a corresponding impact on profit and loss. If the expected future cashflow in relation to the exercise of the option were increased/(decreased) by 10%, the impact on the fair value of this balance would be an increase/(decrease) of £8 million respectively, with a corresponding charge / (credit) to profit and loss.

The Group's financial risk management objectives and policies are consistent with those disclosed in the Annual Report and Financial Statements for the year ended 31 December 2015.

Notes to the Half Year Condensed Financial Statements For the six months ended 30 June 2016 (continued)

15. Related Party Transactions

RB & Manon Business Co. Ltd (Manon)

As disclosed in the Annual Report and Financial Statements of the Group for the year ended 31 December 2015, the Group completed new arrangements with the non-controlling shareholders of Manon, agreeing to terminate the existing arrangement, in-line with the forward contract entered into in 2011, with RB agreeing to pay consideration totalling £27 million to the non-controlling shareholders. An additional settlement amount of £12 million was also paid to the non-controlling shareholders in 2015, of which £4 million was included within profit and loss in the current period.

Under the terms of the new arrangements, the non-controlling shareholders agreed to invest in two entities, RB (China Trading) Ltd and RB & Manon Business Ltd, thereby acquiring from RB 20% and 25% stakes in these entities respectively, whilst retaining their 24.95% stake in Manon, for a combined consideration of £27 million.

As part of the new arrangements, the parties are subject to symmetrical put and call options over the non-controlling shareholdings, exercisable together after a period of six years, with possible extensions available at the agreement of the parties. The fair value of the put option at inception was a liability of £79 million.

Indivior PLC

Subsequent to the demerger of RB Pharmaceuticals on 23 December 2014, the Group continues to lease a building to, and provide operational services to Indivior PLC. The transitional services between the Group and Indivior PLC are on an arm's length basis. The amount included in other operating income in respect of these services is £2m (30 June 2015: £4m). Adrian Hennah, the Reckitt Benckiser Group plc CFO, also sat on the Board of Directors in Indivior PLC until his resignation in May 2016.

16. Seasonality

Demand for the majority of the Group's products is not subject to significant seasonal fluctuations. Some health and pest control products do exhibit seasonal fluctuations. The intensity of, in particular, the influenza season can vary from year to year with a corresponding influence on the Group's performance.

Notes to the Half Year Condensed Financial Statements For the six months ended 30 June 2016 (continued)

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge, these Half Year Condensed Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union and as issued by the International Accounting Standards Board, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the Half Year Condensed Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last annual report.

The Directors of Reckitt Benckiser Group plc are listed in the Reckitt Benckiser Group plc Annual Report and Financial Statements for 31 December 2015. A list of current Directors is maintained on the Reckitt Benckiser Group plc website: www.rb.com.

By order of the Board

Rakesh Kapoor
Chief Executive Officer

Adrian Bellamy
Chairman

28 July 2016

Independent review report to Reckitt Benckiser Group plc

Report on the half year condensed financial statements

Our conclusion

We have reviewed Reckitt Benckiser Group plc's half year condensed financial statements (the "interim financial statements") in the half-yearly financial report of Reckitt Benckiser Group plc for the six month period ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Group balance sheet as at 30 June 2016;
- the Group income statement and the Group statement of comprehensive income for the period then ended;
- the Group cash flow statement for the period then ended;
- the Group statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and as issued by the International Accounting Standards Board and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as issued by the International Accounting Standards Board.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the interim financial statements, 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 Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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 United Kingdom. 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.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London

28 July 2016

- a) The maintenance and integrity of the Reckitt Benckiser Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.