Reckitt Benckiser

HEALTH • HYGIENE • HOME

29 July 2013

STRONG HY 2013 RESULTS

Results at a glance (unaudited)	Q2* £m	% change actual exchange	% change constant exchange	HY £m	% change actual exchange	% change constant exchange
Net revenue	**2,477**	+7	+5	**4,994**	+7	+6
- growth (ex RBP)			***+6***			***+6***
*- Like-for-like growth (ex RBP)***			***+6***			***+6***
Operating profit – reported				**914**	-15	-17
Operating profit – adjusted***				**1,163**	+3	+2
Net income – reported				**660**	-15	-17
Net income – adjusted***				**864**	+6	+5
EPS (diluted) – reported				**90.4p**	-14	
EPS (diluted) – adjusted***				**118.3p**	+7	

* Q2 results were not subject to the independent review.
** Like-for-like ("LFL") growth excludes the impact of changes in exchange rates, acquisitions and disposals.
*** Adjusted results exclude exceptional items of £249m, which includes a £225m provision for liabilities arising from historic regulatory issues, principally competition law (refer note 9).

Highlights: Half Year (HY) unless otherwise stated

- LFL growth +5% (+6% ex RBP) driven by core areas and categories.
- Q2 LFL growth +4% (+6% ex RBP).
- Strong gross margin improvement +230bps to 58.7%: adjusted operating margin (ex RBP) -10bps[1] to 20.4%.
- Increased investment in brand equity (BEI), ex RBP, of +80bps and in group capabilities.
- Adjusted net income +6% (+5% constant): adjusted diluted EPS of 118.3p (+7%).
- Strong free cash flow generation of £893m.
- The Board declares a +7% increase in the interim dividend to 60p per share.

[1] Prior year adjusted operating profit restated for IAS19 adjustment and a reclassification of net pension scheme interest. Refer to note 3 for further detail.

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

"I am pleased that our strong focus on Health & Hygiene Powerbrands is working and our improved company growth rates confirm that we are making the right strategic choices. Our Health portfolio has had an excellent 1st half, with Mucinex outperforming a very strong market with excellent innovations such as Sinus-Max and the continued success of our Fast-Max line. Durex also delivered an excellent performance supported by creative digital communications across the world, particularly in China which has now become the largest Durex market in the world. In Hygiene, Dettol and Lysol are performing strongly across the world, once again confirming the vast potential of this franchise.

Our organizational focus on 16 Powermarkets, such as China, is another critical element of our growth strategy and is enabling us to sustainably outperform our markets. We have systematically increased our brand investment in all our

Areas and at the same time invested in enhancing our capabilities to execute and win.

I am delighted with the progress we have made with our recent strategic M&As. The excellent early results from Schiff confirm that we have acquired very high quality brands in an exciting VMS category which we firmly believe will deliver sustainable shareholder returns.

On Suboxone, we have always been aware of the challenges of operating in a post generic environment. However, we continue to see strong patient and doctor preference for film over tablets and we are very pleased that the film has maintained its volume market share of 69%.

We continue to face challenging market conditions. Nonetheless these strong H1 results, our sustained investment behind the equity of our brands, together with excellent progress on the integration of our recent acquisitions, give us confidence that we can achieve full year total revenue growth[1] at the upper end of +5-6% range (ex RBP) while maintaining adjusted operating margins.[2]"

[1] at constant rates including acquisitions and disposals / withdrawal from Private Label and other minor items, excluding RBP.

[2] ex RBP, adjusted to exclude the impact of exceptional items.

Basis of Presentation and Exceptional Items

<u>LFL Definition</u>

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.

<u>Core definition</u>

Where appropriate, the term "core business" represents the ENA, RUMEA and LAPAC geographic areas, and excludes RBP and RB Food.

<u>Adjusted results and exceptional items</u>

Adjusted results exclude exceptional items. A breakdown of exceptional items is detailed in note 5 and 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.

<u>Prior year restatements</u>

Prior year comparatives have been restated for the adoption of IAS19 (Revised). The impact on operating profit, finance expense and net income is detailed on note 3.

Additionally there has been a presentation change to net pension scheme interest. This had no impact on net income. Refer note 3.

Detailed Operating Review: Total Group

Half year 2013

Total HY net revenue (ex RBP) was £4,594m, a LFL increase of +6% (+6% total at constant rates, ex RBP). Growth was driven by a strong performance in our Emerging Market areas despite a slowing of volume market growth in certain regions. ENA also performed well in a challenging market. Our Health brands led growth from a category perspective with strong performances from Mucinex in the US, and Strepsils, Durex and Nurofen globally.

Integration and synergy delivery in respect of our recent acquisitions are well on track.

The gross margin grew by +230bps to 58.7%. This was due to a combination of the withdrawal from Private Label, modest price increases, our focus on improved mix, a more benign input environment and savings from cost optimisation programmes ("Project Fuel").

We raised investment behind our brands (as defined by our Brand Equity Investment (BEI) metric), by 80bps to 14.4% of net revenue (ex RBP). The increase in equity investment is focused on powerbrands, powermarkets and new initiatives. This included an increase in investment behind our newly acquired Schiff brands.

We also increased investment behind capabilities important to our future growth – in particular in the areas of Health, Emerging Markets and IT.

Operating profit as reported was £914m, -15% versus HY 2012 (-17% constant), reflecting the impact of an exceptional pre-tax charge of £249m (HY 2012: £48m). Details of the exceptional charge are set out in note 5 and relate to a provision for historic regulatory issues, principally competition law, restructuring costs in relation to the new organization, and acquisition and associated integration costs. On an adjusted basis, operating profit was ahead +3% (+2% constant) to £1,163m. The adjusted operating margin decreased by -80bps to 23.3%. Excluding RBP, the adjusted operating margin decreased by -10bps to 20.4%.

Net finance expense was £16m (HY 2012: £18m). The tax rate was 26% after deducting the exceptional charge (which we do not expect to be fully tax deductible), and 25% for adjusted net income.

Net income as reported was £660m, a decrease of -15% (-17% constant) versus HY 2012; on an adjusted basis, net income rose +6% (+5% constant). Diluted earnings per share of 90.4 pence was –14% lower on a reported basis; on an adjusted basis, the growth was +7% to 118.3 pence.

On sustainability we have launched a campaign with our global partner Save the Children to use our hygiene technologies and innovation capabilities to prevent diarrhoea from being one of the world's biggest killers of children – a UN millennium goal on which there has been less progress.

Second quarter 2013

Total Q2 net revenue (ex RBP) was £2,278m, a LFL increase of +6% (+6% total at constant rates, ex RBP). Growth trends were similar to those in Q1. Emerging markets continued to perform strongly despite some slowing in the growth of their economies. On a category basis, Health continued its excellent performance with Mucinex outperforming a strong market environment in the US, and most other Health brands also performing strongly. In Hygiene powerbrands of Dettol, Lysol, Harpic, and Mortein all performed well. Within Home, both Vanish and Air Wick grew well in Emerging Market areas.

Summary: % net revenue growth

	Q2				H1			
	LFL	**Net M&A***	**FX**	**Reported**	**LFL**	**Net M&A***	**FX**	**Reported**
ENA**	+3%	+1%	+4%	+8%	+3%	+1%	+2%	+6%
LAPAC	+11%	+2%	+1%	+14%	+11%	+2%	-2%	+11%
RUMEA**	+5%	-	-1%	+4%	+6%	-1%	-1%	+4%
Food	-2%	-	+3%	+1%	-	-	+3%	+3%
Group ex RBP	**+6%**	**+1%**	**+2%**	**+9%**	**+6%**	**+1%**	**+1%**	**+7%**

* Reflects the acquisitions of Schiff and other minor acquisitions, withdrawal from Propack (Private Label) and disposal / discontinuance of a number of minor businesses.

** Scholl footwear business, previously reported as part of RUMEA, is now reported as part of ENA. Net revenue values and growth rates have been restated / calculated based on this reclassification.

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 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

Quarter ended 30 June 2013 £m	2012* £m	% change exch. rates actual	% change exch. rates const.		Half Year ended 30 June 2013 £m	2012* £m	% change exch. rates actual	% change exch. rates const.
				Total Net revenue				
1,191	1,104	+8	+4	ENA	**2,451**	2,303	+6	+4
654	572	+14	+13	LAPAC	**1,280**	1,152	+11	+13
349	335	+4	+5	RUMEA	**703**	673	+4	+5
84	83	+1	-2	Food	**160**	156	+3	-
2,278	2,094	+9	+6	**Total – ex RBP**	**4,594**	4,284	+7	+6
199	218	-9	-12	RBP	**400**	385	+4	+2
2,477	2,312	+7	+5	**Total**	**4,994**	4,669	+7	+6

	2013 £m	2012* £m	% change actual	% change const.
Operating profit – adjusted**				
ENA	**525**	463	+13	+11
LAPAC	**233**	209	+11	+12
RUMEA	**141**	141	-	-
Food	**36**	36	-	-
Corporate***	**-**	30	n/a	n/a
Total – ex RBP	**935**	879	+6	+5
RBP	**228**	245	-7	-9
Subtotal before exceptional items	**1,163**	1,124	+3	+2
Exceptional items	**(249)**	(48)		
Total	**914**	1,076	-15	-17

Operating margin – adjusted**	**%**	%
ENA	**21.4**	20.1
LAPAC	**18.2**	18.1
RUMEA	**20.1**	21.0
Food	**22.5**	23.1
Corporate ***	**n/a**	n/a
Total – ex RBP	**20.4**	20.5
RBP	**57.0**	63.6
Total	**23.3**	24.1

* ENA and RUMEA comparatives restated to reflect the geographical reclassification of Footwear. Prior year adjusted operating profit restated for IAS19 adjustment and a reclassification of net pension scheme interest. Refer note 3 for further detail.

** Adjusted to exclude the impact of exceptional items.

*******Items of income and expense which are not part of the results and financial position of the reported segments, and therefore reported to the Chief Operating Decision Maker outside of the individual segment financial information, are shown in the Corporate segment. For the six months ended 30 June 2012, these items include profits on disposals of intangibles and the Paras Personal Care business, and corporate provisions.

The Business Review below is given at constant exchange rates.

ENA **55% of core net revenue**

HY 2013 total net revenue was £2,451m, with LFL growth of +3% with good growth in North America and a stable result in Europe given the weak economic backdrop.

Growth was driven by a strong performance in all Health powerbrands – Mucinex outperforming a strong market in the US and Strepsils in Europe, supported by the launch of Strepsils 6+. Nurofen, Durex, Scholl Footcare and Gaviscon performed well, particularly in Europe behind significant BEI and new product innovations. In Hygiene, Lysol performed well in the US and Finish in Europe following the launch of the new Finish Quantum with Power Gel. In Home, Air Wick performed well.

We have undertaken a number of specific actions to streamline our Scholl Footwear business in Europe. There is a short term impact of this in both ENA and portfolio brands.

The Schiff integration in the US is progressing very well with strong LFL revenue growth, well in excess of the VMS market. Our cost synergies programme is also well on track.

For the half year, adjusted operating profit increased +11% (constant) to £525m; the adjusted operating margin increased +130bps to 21.4%, due primarily to good gross margin expansion, withdrawal from Private Label, and cost synergies from the delayering of the European management organization. This funded increased investment in BEI.

Q2 total net revenue was £1,191m, with LFL growth of +3% underpinned by continued strong growth in Health with all powerbrands growing strongly.

LAPAC **29% of core net revenue**

HY 2013 total net revenue was £1,280m, with LFL growth of +11%. Growth was broad based across all regions with particularly strong growth in Latin America and South East Asia. Growth was driven by a combination of powerbrand rollouts, innovation, distribution and penetration expansion, particularly in the key growth markets of India, Brazil and China. In Health, Nurofen, Strepsils, Durex and Gaviscon performed well and Vanish, Air Wick and Woolite drove the growth in Home. The strong performance in Hygiene was driven by Dettol with the recently launched Dettol Kitchen Gel in India and Korea gaining good initial market share.

For the half year, adjusted operating profit increased +12% (constant) to £233m; the adjusted operating margin was +10bps higher at 18.2%. Gross margin improvement funded investment in both BEI and in enhancing our capabilities.

Q2 total net revenue was £654m, with LFL growth of +11% (total, constant +13%). Growth was broad based across Health, Hygiene and Home in what was a balanced performance.

RUMEA **16% of core net revenue**

HY 2013 net revenue increased to £703m, with LFL growth of +6%. On a category basis, Health was driven by a strong performance in Durex. Dettol led the growth in Hygiene, with supporting strong performances from Harpic, Finish, Cillit Bang and Mortein.

As signaled with our full year 2012 numbers, RUMEA growth is somewhat impacted by the up scheduling of certain Nurofen products in Russia and some operational and socio-political challenges in certain markets.

For the half year, adjusted operating profit was maintained at £141m; the adjusted operating margin was -90bps lower at 20.1%. We continued to invest behind our brands and in capabilities to drive future growth.

Q2 total net revenue was £349m, with LFL growth of +5%. Growth was driven by Durex, Finish, Dettol and Air Wick.

Food

HY 2013 total net revenue was £160m, a level that was maintained versus prior year and an increase of +3% at actual exchange rates. Weak market conditions in the second quarter offset a robust start to the year. Operating margins fell by -60bps to 22.5%.

Pharmaceuticals (“RBP”)

HY 2013 net revenue was £400m, an increase of +2% (constant). The underlying volume growth in prescriptions in the US continues to be strong with low double digit growth, and in line with recent market trends. This growth was offset by the negative impact of conversion from tablets to film as we voluntarily discontinued the sale of tablets in the US from 18 March. The remaining tablet sales from early 2013 have largely been lost to generic Suboxone tablets, launched into the US market late in February. Since their launch, generic Suboxone tablets have gained a 13% mg volume market share* of the buprenorphine market in the USA. We are very pleased that film share of total buprenorphine prescriptions in the USA has been maintained since the launch of generic tablets, although we continue to believe that increased price pressure will lead to some loss of film market share over time despite the clinical and patient benefits of the film format.

In Europe, we were impacted by government imposed price reductions in a number of markets.

As a result of the above factors Q2 net revenue was £199m, a decrease of -12% (constant).

HY adjusted operating profit for the total RBP business decreased -9% (constant) to £228m as a result of market share loss, negative mix and investment in the clinical pipeline. We expect this gradual increase in clinical investment to continue for the remainder of 2013 and beyond as we build a strong, sustainable growth business.

We have been informed of a paragraph IV notice of the filing of an abbreviated new drug application (ANDA) by Par Pharmaceutical for a generic Suboxone film in the USA (under the Waxman Hatch Act).

There are a combination of formulation and process patents surrounding the film. The most recent of these is a formulation patent, Orange Book listed, in RBP’s name which is valid until 2030. We are confident about the strength of our intellectual property protection for Suboxone film and will be filing a suit to enforce our intellectual property shortly. By virtue of filing this patent infringement lawsuit, the FDA cannot approve the generic entrant until the earlier of 30 months or the disposition of the patent infringement proceedings.

*source: Healthcare Analytics Retail Phast Weekly Data as at 28 June 2013

HY 2013 Category Review

Quarter ended 30 June 2013 £m	2012 £m	% change exch. rates actual	const.	Net revenue by category	Half Year ended 30 June 2013 £m	2012* £m	% change exch. rates actual	const.
600	443	+35	+32	Health	**1,197**	904	+32	+31
968	915	+6	+4	Hygiene	**1,993**	1,879	+6	+6
491	474	+4	+2	Home	**979**	960	+2	+1
135	179	-25	-28	Portfolio Brands	**265**	385	-31	-33
84	83	+1	-2	Food	**160**	156	+3	-
2,278	2,094	+9	+6	**Total – ex RBP**	**4,594**	4,284	+7	+6
199	218	-9	-12	RBP	**400**	385	+4	+2
2,477	2,312	+7	+5	**Total**	**4,994**	4,669	+7	+6

Operating profit – adjusted				
Health, Hygiene, Home & Portfolio	**899**	813	+11	+9
Food	**36**	36	-	-
Corporate	**-**	30	n/a	n/a
Total – ex RBP	**935**	879	+6	+5
RBP	**228**	245	-7	-9
Total	**1,163**	1,124	+3	+2
Exceptional items	**(249)**	(48)		
Total	**914**	1,076	-15	-17

Operating margin – adjusted	**%**	%
Health, Hygiene, Home & Portfolio	**20.3**	19.7
Food	**22.5**	23.1
Corporate	**n/a**	n/a
Total – ex RBP	**20.4**	20.5
RBP	**57.0**	63.6
Total	**23.3**	24.1

* Prior year adjusted operating profit restated for IAS19 adjustment and a reclassification of net pension scheme interest. Refer note 3 for further detail.

	Q2				**H1**			
	LFL	**Net M&A***	**FX**	**Reported**	**LFL**	**Net M&A***	**FX**	**Reported**
Health	+16%	+16%	+3%	+35%	+14%	+17%	+1%	+32%
Hygiene	+5%	-1%	+2%	+6%	+7%	-1%	0%	+6%
Home	+3%	-1%	+2%	+4%	+2%	-1%	+1%	+2%
Portfolio	-5%	-23%	+3%	-25%	-14%	-19%	+2%	-31%

* Reflects the acquisitions of Schiff and other minor acquisitions, withdrawal from Propack (Private Label) and disposal / discontinuance of a number of minor businesses.

The Category Review below is given at constant exchange rates.

Health 27% of core net revenue

HY 2013 total net revenue was £1,197m, with LFL growth of +14%. We have had an excellent 1st half, with Mucinex outperforming a very strong market with excellent innovations such as Sinus-Max and the continued success of our Fast-Max line. Durex also delivered an excellent performance supported by creative digital communications across the world. Additionally we have seen encouraging early successes of recently launched innovations like Strepsils Children 6+ lozenges, Nurofen next generation heat patches and the roll out of our Real Feel polyisoprene condoms in a number of markets.

Our recent consumer health acquisitions have also made a very positive start. In the US, MegaRed and Airborne have performed exceptionally well as we make early progress in the integration of the business. In China our newly acquired Myanshuning sore throat brand has made a strong start, and we have now received regulatory clearance for our collaboration agreement with BMS in Latam.

Q2 total net revenue was £600m, with LFL growth of +16%. Growth was broad based, but also benefitted from a more sustained 'flu season in the US, which contributed to another quarter of strong growth.

Hygiene 45% of core net revenue

HY 2013 total net revenue was £1,993m, with LFL growth of +7% (total, constant +6%). Growth was driven by strong performances in the Dettol / Lysol franchise in all our three areas. In the US, our new "Healthing" campaign combined with new initiatives such as Lysol Power & Free drove growth. In Emerging Market areas growth was underpinned by brand equity driven initiatives such as our new mums hospital visit programme in over 40 countries, and successful new category extensions with Dettol Kitchen Gel. Harpic performed well in emerging markets behind penetration programmes and Mortein delivered good growth in India and Australia aided by our Naturgard innovations and a good pest season. Finish performed well in a number of European markets behind the launch of Finish Quantum with power gel, and in certain EM countries as we continue to drive penetration.

Q2 total net revenue was £968m. LFL growth was +5%, with strong performances in Dettol and Lysol. In the US we continue to gain shares in Finish in the face of higher promotional intensity.

Home 22% of core net revenue

HY 2013 total net revenue was £979m, with LFL growth of +2%. Whilst macro conditions in the Home categories remain weak, particularly in ENA, we continue to invest behind innovation and geographical expansion. Air Wick produced a strong performance behind electricals in the US market driven by the recent successful launch of our new "National Parks" fragrances. We also continue to expand our successful candles franchise and have recently announced our newest innovation, Air Wick Pearl Infusions - a new range of premium candles, delivering a relaxing experience…pearl after pearl. Growth in Vanish was driven by innovation in both Developed and Emerging Markets, with a particularly strong performance in Brazil, our largest Vanish market.

Q2 total net revenue was £491m. LFL growth was +3% against a weak market backdrop.

Portfolio 6% of core net revenue

HY 2013 total net revenue was £265m, with LFL growth of -14%. The significant decline in LFL growth is due in large part to planned actions in the European Footwear business noted earlier.

We also saw further weakness in Laundry Detergents and Fabric Softeners in Southern Europe, driven primarily by more competitive market conditions. Within total net revenue we saw the impact of our withdrawal from our Private Label business.

Q2 total net revenue was £135m, with LFL growth of -5% with similar trends to Q1, albeit with less of an impact from the planned actions in the Scholl Footwear business.

New Product Initiatives: H2 2013

The Group has disclosed a selection of new product initiatives for the second half of 2013:

In Health:

- Launch of Mucinex Fast-Max Night Time Cold & Flu. Powerful relief from your worst cold & flu symptoms for a peaceful night's sleep.
- Launch of Move Free One – Total Joint Health. One softgel tablet is the equivalent of two glucosamine and chondroitin tablets.
- Launch of Durex Embrace. Two pleasure gels combine in one product. Warming for me, tingling for you & an amazing connection together.

In Hygiene:

- Finish Quantum with Powergel, now rolling out in 35 markets.
- Launch of Veet Facial Precision Wax and Care. Combines the efficacy of a precision wax, with the benefits of a soothing after-care cream.
- Launch of new Lysol Power & Free with Hydrogen Peroxide – a range of powerful cleaners without the harshness of bleach.
- Launch of "Peaceful Nights" in the pest category. Launched in Brazil under the local brand, SBP, this is the safest electrical liquid mosquito repellent, with smart auto off capability.

In Home:

- Launch of Air Wick Pearl Infusions. A new range of premium candles, delivering a relaxing experience…pearl after pearl.
- Launch of the new Vanish Super Bar in Emerging Markets. The power of Vanish now available in a soap bar. Tough on stains, gentle on fabrics.

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 2013. These are not materially different from those set out in the Group's 2012 Annual Report and Accounts, unless separately disclosed.

Constant exchange. Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis adjusts the comparative to exclude such movements, to show the underlying results of the Group.

Net finance expense. Net finance expense is £16m (2012: £18m, which has been restated to include the impact of IAS19 (Revised) *Employee Benefits*, and reclassification of net pension interest (refer note 3)).

Tax. The overall effective tax rate is 26% (2012: 26%).

Net working capital (inventories, trade and other receivables and trade and other payables) of minus £855m was a £155m improvement versus the 31 December 2012 level.

Cash flow. Cash generated from operations was £1,321m (2012: £1,106m), and free cash flow (net cash generated from operating activities less net capital expenditure) was £893m, +13%. Net interest paid was £4m higher at £13m and tax payments increased by £92m to £330m. Net capital expenditure (including intangibles) was £14m higher than the prior period at £85m. During the period the Group undertook share repurchases of £279m.

Net debt at the end of the half year was £2,760m (31 December 2012: £2,426m), an increase of £334m. This reflected the various M&A expenditures in China and Latin America of £413m, the payment of the final 2012 dividend of £561m, and share repurchases of £279m, offset by strong net cash generated from operating activities of £978m. The Group regularly reviews its banking arrangements and has adequate facilities available to it.

Exceptional items. In HY 2013 the exceptional pre-tax charge incurred was £249m (HY 2012: £48m). The charge consists of the following items:

£225m	provision for historic regulatory issues, principally competition law
£24m	restructuring costs in relation to the new organization, acquisition and associated integration costs

Balance sheet. At 30 June 2013, the Group had shareholders' funds of £6,037m (31 December 2012: £5,922m), an increase of +2%. Net debt was £2,760m (31 December 2012: £2,426m) and total capital employed in the business was £8,797m (31 December 2012: £8,348m).

This finances non-current assets of £12,813m (31 December 2012: £12,023m), of which £753m (31 December 2012: £737m) is property, plant and equipment, the remainder being goodwill, other intangible assets, deferred tax, available for sale financial assets and other receivables. The Group has net working capital of minus £855m (31 December 2012: minus £700m), current provisions of £239m (31 December 2012: £128m) and long-term liabilities other than borrowings of £2,830m (31 December 2012: £2,668m).

Dividends. The Board of Directors declares an interim dividend of 60.0p (2012: 56.0p), an increase of +7%. The ex-dividend date will be 7 August 2013 and the dividend will be paid on 26 September 2013 to shareholders on the register at the record date of 9 August 2013. The last date for election for the share alternative to the dividend is 5 September 2013.

Legal Provisions. As previously reported, the Group is involved in a number of historic regulatory investigations by various government authorities in a number of markets. These investigations involve mainly competition law inquiries, most of which include several other companies. The Directors have made a provision of £225m in respect of these matters.

As a matter of policy and practice, the Group cooperates with all government investigations, including regulatory investigations involving competition law. The Group maintains and continues to improve a robust compliance training programme and ensures that all executive managers sign an annual disclosure and reporting document certifying compliance with the Group's Code of Conduct.

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.

2013 Targets

The strong HY results, our continued and sustained investment behind the long term equity of our brands, and good progress on the integration of our recent acquisitions, give us confidence that we can achieve the upper end of our full year targets of +5-6% total net revenue growth[1] (ex RBP) while maintaining adjusted operating margins.[2]

[1] at constant rates including acquisitions and disposals / withdrawal from Private Label and other minor items, excluding RBP.

[2] ex RBP, 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 2013 are the same as described on pages 13 to 15 of the Annual Report and Financial Statements for the year ended 31 December 2012. These include:

Market risks:

- Competition, economic conditions and customer consolidation translates into increasing pressure on pricing and promotion levels and market growth rates, especially in Europe.
- The expiry of the Group's exclusive licences for Suboxone could expose the business to competition from generic variants.

Operational risks:

- Business continuity plans prove insufficient to protect the business in the face of a significant and unforeseen supply disruption.
- Key senior management leave the Group or management turnover increases significantly.
- The combination of the Group's recently initiated strategic business reorganization and ERP programmes could result in sub-optimal implementations and reduced focus due to conflicting demands for management attention.
- Information technology systems may be disrupted or may fail, interfering with the Group's ability to conduct its business.
- Product quality failures or ingredient concerns could potentially result in the undermining of consumer confidence in the Group's products and brands.
- Regulatory decisions and changes in the legal and regulatory environment could limit business activities.
- Non-compliance with the 2011 UK Bribery Act.
- If intensity or scale of acquisitions and disposals activity distracts management focus or undermines the control environment.

Financial risks:

- Tax authorities continue to aggressively challenge tax filing positions and pursue compensation for retroactive changes to tax laws.
- Government authorities have become more aggressive in leveling punitive fines for historic breaches of law.

Environmental, social and governance risks:

- Industry sector and regulatory risks.
- Product quality and safety risks to consumers.
- Potential reputational risks around the supply chain.

The Group's Annual Report and Financial Statements for the year ended 31 December 2012 are available on the Group's website at www.rb.com.

The Group at a Glance (Unaudited)

Quarter ended 30 June			Half year ended 30 June	
2013 £m	2012 £m		**2013 £m**	2012** £m
2,477	2,312	**Net revenue – total**	**4,994**	4,669
+4%	+4%	Net revenue growth – like-for-like	**+5%**	+4%
+5%	+3%	Net revenue growth – constant	**+6%**	+4%
+7%	-1%	Net revenue growth – total	**+7%**	+1%
		Gross margin	**58.7%**	56.4%
		EBITDA – adjusted*	**1,240**	1,191
		EBITDA margin – adjusted*	**24.8%**	25.5%
		EBIT	**914**	1,076
		EBIT margin	**18.3%**	23.0%
		EBIT – adjusted*	**1,163**	1,124
		EBIT margin – adjusted*	**23.3%**	24.1%
		Profit before tax	**898**	1,058
		Net income	**660**	775
		Net income – adjusted*	**864**	814
		EPS, basic, as reported	**91.9p**	106.5p
		EPS, adjusted and diluted*	**118.3p**	110.5p

* Adjusted to exclude the impact of exceptional items.
** Prior year comparatives restated for IAS19 adjustment and a reclassification of net pension scheme interest. Refer note 3 for further detail.

For further information, please contact:

<u>Reckitt Benckiser</u> **+44 (0)1753 217800**

Richard Joyce
Director, Investor Relations

Andraea Dawson-Shepherd
SVP, Global Corporate Communication and Affairs

<u>Brunswick (Financial PR)</u> **+44 (0)20 7404 5959**

David Litterick / Max McGahan

Notice to shareholders

Cautionary note concerning forward-looking statements

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

Half Year Condensed Financial Statements

Group Income Statement
For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 (restated)[a] £m	Year ended 31 December 2012 (restated)[a] £m
Net revenue	4	**4,994**	4,669	9,567
Cost of sales		**(2,065)**	(2,038)	(4,029)
Gross profit		**2,929**	2,631	5,538
Net operating expenses		**(2,015)**	(1,555)	(3,096)
Operating profit	4	**914**	1,076	2,442
Operating profit before exceptional items		**1,163**	1,124	2,577
Exceptional items	5	**(249)**	(48)	(135)
Operating profit		**914**	1,076	2,442
Finance income		**12**	12	26
Finance expense		**(28)**	(30)	(60)
Net finance expense		**(16)**	(18)	(34)
Profit on ordinary activities before taxation		**898**	1,058	2,408
Tax on profit on ordinary activities	6	**(237)**	(279)	(583)
Net income for the period		**661**	779	1,825
Attributable to non-controlling interests		**1**	4	4
Attributable to owners of the parent		**660**	775	1,821
Net income for the period		**661**	779	1,825
Earnings per ordinary share:				
Basic earnings per share	7	**91.9p**	106.5p	251.4p
Diluted earnings per share	7	**90.4p**	105.2p	248.4p

[a] refer to note 3 for further details.

Group Statement of Comprehensive Income
For the six months ended 30 June 2013

	Six months ended **30 June 2013** £m	Six months ended 30 June 2012 (restated)[a] £m	Year ended 31 December 2012 (restated)[a] £m
Net income for the period	**661**	779	1,825
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
Net exchange adjustments on foreign currency translation, net of tax	**167**	(204)	(255)
Gains on cash flow hedges, net of tax	**10**	-	3
Reclassification of foreign currency translation reserves on disposal of subsidiary, net of tax	**-**	9	9
	177	(195)	(243)
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurements of defined benefit pension plans, net of tax	**1**	(24)	(41)
	1	(24)	(41)
Other comprehensive income for the period, net of tax	**178**	(219)	(284)
Total comprehensive income for the period	**839**	560	1,541
Attributable to non-controlling interests	**1**	2	(1)
Attributable to owners of the parent	**838**	558	1,542
	839	560	1,541

[a] refer to note 3 for further details.

Group Balance Sheet
As at 30 June 2013

	Note	**30 June 2013 £m**	30 June 2012 £m	31 December 2012 £m
ASSETS				
Non-current assets:				
Goodwill and other intangible assets		**11,711**	10,005	11,175
Property, plant and equipment		**753**	716	737
Deferred tax assets		**62**	115	49
Available for sale financial assets		**2**	10	2
Retirement benefit surplus		**20**	27	27
Other receivables		**265**	38	33
		12,813	10,911	12,023
Current assets:				
Inventories		**785**	739	735
Trade and other receivables		**1,466**	1,355	1,407
Derivative financial instruments		**40**	36	4
Current tax receivables		**41**	1	20
Available for sale financial assets		**21**	7	4
Cash and cash equivalents		**790**	1,063	887
		3,143	3,201	3,057
Total assets		**15,956**	14,112	15,080
LIABILITIES				
Current liabilities:				
Borrowings		**(3,597)**	(2,948)	(3,271)
Provisions for liabilities and charges		**(239)**	(53)	(128)
Trade and other payables		**(3,106)**	(2,846)	(2,842)
Derivative financial instruments		**(11)**	(4)	(43)
Current tax liabilities		**(133)**	(265)	(203)
		(7,086)	(6,116)	(6,487)
Non-current liabilities:				
Borrowings		**(3)**	(3)	(3)
Deferred tax liabilities		**(1,854)**	(1,659)	(1,814)
Retirement benefit obligations		**(395)**	(494)	(426)
Provisions for liabilities and charges		**(186)**	(125)	(100)
Non-current tax liabilities		**(342)**	(211)	(311)
Other non-current liabilities		**(53)**	(35)	(17)
		(2,833)	(2,527)	(2,671)
Total liabilities		**(9,919)**	(8,643)	(9,158)
Net assets		**6,037**	5,469	5,922
EQUITY				
Capital and reserves:				
Share capital	10	**74**	73	73
Share premium		**243**	155	184
Merger reserve		**(14,229)**	(14,229)	(14,229)
Hedging reserve		**12**	(1)	2
Foreign currency translation reserve		**36**	(83)	(131)
Retained earnings		**19,899**	19,548	20,022
		6,035	5,463	5,921
Non-controlling interests		**2**	6	1
Total equity		**6,037**	5,469	5,922

Group Statement of Changes in Equity
For the six months ended 30 June 2013

Restated [a]	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
Balance at 1 January 2012	**73**	**86**	**(14,229)**	**(1)**	**110**	**19,672**	**5,711**	**70**	**5,781**
Net income						775	775	4	779
Other comprehensive income					(193)	(24)	(217)	(2)	(219)
Total comprehensive income	**-**	**-**	**-**	**-**	**(193)**	**751**	**558**	**2**	**560**
Transactions with owners									
Proceeds from share issue		69					69		69
Share-based payments						28	28		28
Current tax on share awards						11	11		11
Shares repurchased and held in Treasury						(352)	(352)		(352)
Dividends						(511)	(511)	(4)	(515)
Acquisition of non-controlling interest						(51)	(51)	(53)	(104)
Reclassification of non-controlling interest following loss of control and subsequent disposal								(9)	(9)
Total transactions with owners	**-**	**69**	**-**	**-**	**-**	**(875)**	**(806)**	**(66)**	**(872)**
Balance at 30 June 2012	**73**	**155**	**(14,229)**	**(1)**	**(83)**	**19,548**	**5,463**	**6**	**5,469**
Net income						1,046	1,046		1,046
Other comprehensive income				3	(48)	(17)	(62)	(3)	(65)
Total comprehensive income	**-**	**-**	**-**	**3**	**(48)**	**1,029**	**984**	**(3)**	**981**
Transactions with owners									
Proceeds from share issue		29					29		29
Share-based payments						21	21		21
Current tax on share awards						12	12		12
Shares repurchased and held in Treasury						(183)	(183)		(183)
Dividends						(405)	(405)		(405)
Acquisition of non-controlling interest								(2)	(2)
Total transactions with owners	**-**	**29**	**-**	**-**	**-**	**(555)**	**(526)**	**(2)**	**(528)**
Balance at 31 December 2012	**73**	**184**	**(14,229)**	**2**	**(131)**	**20,022**	**5,921**	**1**	**5,922**
Net income						660	660	1	661
Other comprehensive income				10	167	1	178		178
Total comprehensive income	**-**	**-**	**-**	**10**	**167**	**661**	**838**	**1**	**839**
Transactions with owners									
Proceeds from share issue	1	59					60		60
Share-based payments						29	29		29
Deferred tax on share awards						7	7		7
Current tax on share awards						20	20		20
Shares repurchased and held in Treasury						(279)	(279)		(279)
Dividends						(561)	(561)		(561)
Total transactions with owners	**1**	**59**	**-**	**-**	**-**	**(784)**	**(724)**	**-**	**(724)**
Balance at 30 June 2013	**74**	**243**	**(14,229)**	**12**	**36**	**19,899**	**6,035**	**2**	**6,037**

[a] refer to note 3 for further details.

Group Cash Flow Statement
For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 (restated)[a] £m	Year ended 31 December 2012 (restated)[a] £m
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations				
Operating profit		**914**	1,076	2,442
Depreciation, amortisation and impairment		**80**	72	148
Fair value losses / (gains)		**1**	(1)	(7)
Gain on sale of property, plant & equipment and intangible assets		**-**	(13)	(13)
Gain on sale of businesses		**-**	(32)	(32)
(Increase) / decrease in inventories		**(39)**	(8)	19
(Increase) / decrease in trade and other receivables		**(34)**	23	(16)
Increase / (decrease) in payables and provisions		**370**	(39)	(167)
Share based payments		**29**	28	49
Cash generated from operations:		**1,321**	1,106	2,423
Interest paid		**(26)**	(21)	(34)
Interest received		**13**	12	27
Tax paid		**(330)**	(238)	(528)
Net cash generated from operating activities		**978**	859	1,888
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant & equipment		**(77)**	(76)	(166)
Purchase of intangible assets		**(14)**	(5)	(11)
Disposal of property, plant & equipment		**6**	1	13
Disposal of intangible assets		**-**	9	9
Acquisition of businesses, net of cash acquired	13	**(413)**	-	(877)
Disposal of businesses, net of cash disposed		**-**	81	81
(Purchase) / maturity of short-term investments		**(18)**	3	7
Maturity of long-term investments		**-**	7	14
Net cash outflow on deconsolidation of a subsidiary		**-**	(6)	(6)
Net cash generated (used in) / from investing activities		**(516)**	14	(936)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of ordinary shares		**60**	69	98
Shares purchased and held in Treasury	10	**(279)**	(352)	(535)
Proceeds from borrowings		**256**	475	887
Repayments of borrowings		**(7)**	-	(112)
Dividends paid to owners of the parent	11	**(561)**	(511)	(916)
Dividends paid to non-controlling interest		**-**	(4)	(4)
Acquisition of non-controlling interest	15	**(28)**	(104)	(106)
Net cash used in financing activities		**(559)**	(427)	(688)
Net (decrease) / increase in cash and cash equivalents		**(97)**	446	264
Cash and cash equivalents at beginning of period		**882**	634	634
Exchange losses		**(4)**	(18)	(16)
Cash and cash equivalents at end of the period		**781**	1,062	882
Cash and cash equivalents comprise				
Cash and cash equivalents		**790**	1,063	887
Overdrafts		**(9)**	(1)	(5)
		781	1,062	882

[a] refer to note 3 for further details.

Notes to the Half Year Condensed Financial Statements
For the six months ended 30 June 2013

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 26 July 2013. 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 2013 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 2012, 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 2012 are also in compliance with IFRS as issued by the International Accounting Standards Board.

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 2012 were approved by the Board of Directors on 8 March 2013 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.

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 its Half Year Condensed Financial Statements.

3. Accounting Policies and Estimates

Except as described below, the accounting policies adopted in the preparation of the half year condensed financial statements are consistent with those described on pages 43-46 of the Annual Report and Financial Statements for the year ended 31 December 2012.

The Group applies, for the first time, amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13 *Fair Value Measurement* and IAS 19 (Revised) *Employee Benefits.*

Amendments to IAS 1 require items of other comprehensive income that may be reclassified to profit or loss to be presented separately from items that will never be reclassified. The statement of comprehensive income has been revised accordingly.

IFRS 10 replaces previous guidance on control and consolidation, IFRS 11 requires joint arrangements to be accounted for as a joint operation or as a joint venture depending on the rights and obligations of each party to the arrangement, and IFRS 12 requires enhanced disclosures of the nature, risks and financial effects associated with the Group's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The impact on the Group of applying these standards is not material.

IFRS 13 explains how to measure fair value and enhances fair value disclosures. The standard does not significantly change the measurement of fair value but codifies it in one place. The impact on the Group is not material.

3. Accounting Policies and Estimates (continued)

IAS 19 (Revised) replaces the interest cost on pension scheme liabilities and expected return on pension scheme assets with a net interest amount that is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability / asset.

In addition, the Group now treats the net pension scheme interest amount as finance income / expense. Previously the interest cost on pension scheme liabilities and expected return on pension scheme assets were classified in either cost of sales or net operating expenses. The Directors believe that this change provides more relevant information about the performance of the Group and aligns the Group's accounting policies with common industry practice.

These unaudited restatements had no impact on the balance sheet and the following impact on the income statement and statement of comprehensive income.

	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Group Income Statement		
Decrease in cost of sales	1	1
Decrease in net operating expenses	3	6
Increase in operating profit for the period	**4**	**7**
Increase in finance expense	(10)	(19)
Decrease in tax on profit on ordinary activities	2	4
Decrease in net income for the period	**(4)**	**(8)**
Group Statement of Comprehensive Income		
Decrease in actuarial losses, net of tax	4	8
Increase in other comprehensive income	**4**	**8**
Net impact on total comprehensive income	**-**	**-**

Basic, diluted, adjusted basic and adjusted diluted earnings per share all decreased 0.6 pence for the six months ended 30 June 2012 and 1.1 pence for the year ended 31 December 2012 as a result of the adoption of IAS 19 (Revised).

The Cash Flow statement was restated as a result of the change in operating profit, with an offsetting decrease in payables and provisions.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the accounting policies applied in preparing the annual consolidated financial statements of the Group, or the half year condensed financial statements. Furthermore, there are no standards, amendments or interpretations that are not yet effective that would be expected to have a material impact on the Group.

In preparing these Half Year Condensed Financial Statements the significant estimates and judgments 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 consolidated financial statements for the year ended 31 December 2012.

Income tax expense in the interim period is accrued using the tax rate that would be applicable to the expected total annual profit. Refer to note 6 for further details.

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. The Executive Committee considers the business principally from a geographical perspective, but with the Pharmaceuticals (RBP) and Food businesses being managed separately given the significantly different nature of these businesses and the risks and rewards associated with them.

Notes to the Half Year Condensed Financial Statements continued
For the six months ended 30 June 2013

4. Operating Segments (continued)

The geographical segments, comprising Europe and North America (ENA); Latin America, North Asia, South East Asia and Australia & New Zealand (LAPAC); and Russia & CIS, Middle East, North Africa, Turkey and Sub-Saharan Africa (RUMEA), derive their revenue primarily from the manufacture and sale of branded products in the Health, Home & Hygiene categories. RBP derives its revenue exclusively from the sales of buprenorphine-based prescription drugs used to treat opiate dependence and Food derives its revenue from food products sold in ENA.

As previously announced the Scholl Footwear business, previously reported as part of RUMEA, is now reported as part of ENA. Comparatives have been restated on a consistent basis.

The Executive Committee assesses the performance of the operating segments based on net revenue and operating profit before exceptional items. Finance income and expense are not allocated to segments, as they are managed on a central Group basis.

Items of income and expense which are not part of the results and financial position of the operating segments, and therefore reported to the Executive Committee outside of the individual segment financial information, are shown in the Corporate segment. For the six months ended 30 June 2013 this is £nil. For the six months ended 30 June 2012 this included profit on disposals of intangible assets and the Paras Personal Care business and other corporate provisions with a net effect of £30m.

Six months ended 30 June 2013	**ENA**	**LAPAC**	**RUMEA**	**Food**	**Corporate**	**Total ex RBP**	**RBP**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Net revenue	**2,451**	**1,280**	**703**	**160**	**-**	**4,594**	**400**	**4,994**
Operating profit before exceptional items	**525**	**233**	**141**	**36**	**-**	**935**	**228**	**1,163**
Exceptional items (note 5)								**(249)**
Operating profit								**914**
Net finance expense								**(16)**
Profit on ordinary activities before taxation								**898**

Six months ended 30 June 2012 restated[c]	**ENA**	**LAPAC**	**RUMEA**	**Food**	**Corporate**	**Total ex RBP**	**RBP**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Net revenue	2,303	1,152	673	156	-	4,284	385	4,669
Operating profit before exceptional items	463	209	141	36	30	879	245	1,124
Exceptional items (note 5)								(48)
Operating profit								1,076
Net finance expense								(18)
Profit on ordinary activities before taxation								1,058

Year ended 31 December 2012 restated[c]	**ENA**	**LAPAC**	**RUMEA**	**Food**	**Corporate**	**Total ex RBP**	**RBP**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Net revenue	4,744	2,327	1,338	321	-	8,730	837	9,567
Operating profit before exceptional items	1,156	465	296	92	32	2,041	536	2,577
Exceptional items (note 5)								(135)
Operating profit								2,442
Net finance expense								(34)
Profit on ordinary activities before taxation								2,408

[c] restated for Scholl Footwear segment change and the impact of the accounting policy change discussed in note 3.

4. Operating Segments (continued)

Analysis of Categories

The Group also analyses its revenue by the following categories.

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Health	**1,197**	904	2,068
Hygiene	**1,993**	1,879	3,682
Home	**979**	960	1,966
Portfolio Brands	**265**	385	693
Food	**160**	156	321
	4,594	4,284	8,730
RB Pharmaceuticals	**400**	385	837
	4,994	4,669	9,567

5. Exceptional Items

Exceptional items totalling £249m have been recognised in the six months to 30 June 2013.

This includes £225m relating to legal provisions discussed in note 9.

The remaining £24m relates to the acquisition and integration of Schiff, the collaboration with Bristol-Myers Squibb (BMS) and the reconfiguration of the Group announced last year (six months ended 30 June 2012: £48m; year ended 31 December 2012: £135m relating to the implementation of the Group's new area and category organisation, integration of SSL, withdrawal of private label and further reconfiguration of the Group). This consists 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 expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2013 is 26% (the estimated tax rate for the six months ended 30 June 2012 was 26%).

The March 2013 Budget Statement contained the announcement of a reduction to the UK corporation tax rate from 23% to 21% from 1 April 2014, with a further reduction to 20% from 1 April 2015. The Finance Act 2013 includes the legislation to enact the future reduction in the UK tax rate to 20% but this legislation was not substantively enacted at the balance sheet date and the effects of which are not included in these financial statements.

7. Earnings per Share

	Six months ended	
	30 June 2013	30 June 2012 (restated)[a]
	pence	pence
Basic earnings per share	**91.9**	106.5
Diluted earnings per share	**90.4**	105.2
Adjusted basic earnings per share	**120.3**	111.9
Adjusted diluted earnings per share	**118.3**	110.5

[a] refer to note 3 for further details.

Basic
Basic earnings per share is calculated by dividing the net income attributable to owners of the parent (six months to 30 June 2013: £660m; six months to 30 June 2012 (restated): £775m) by the weighted average number of ordinary shares in issue during the period (six months to 30 June 2013: 718,069,986; six months to 30 June 2012: 727,389,222).

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 two categories of dilutive potential ordinary shares: Executive Options and Employee Sharesave schemes. 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 2013 there were nil (30 June 2012: nil) Executive Share Options excluded from the dilution.

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 2013	30 June 2012 (restated)[a]
	£m	£m
Net income attributable to owners of the parent	**660**	775
Exceptional items	**249**	48
Tax effect of exceptional items	**(45)**	(9)
Adjusted net income attributable to owners of the parent	**864**	814

[a] refer to note 3 for further details.

	30 June 2013 Average number of shares	30 June 2012 Average number of shares
On a basic basis	**718,069,986**	727,389,222
Dilution of Executive Options outstanding and Executive Restricted Share Plan	**11,142,889**	8,292,794
Dilution for Employee Sharesave Scheme Options outstanding	**858,718**	677,949
On a diluted basis	**730,071,593**	736,359,965

8. Net Debt

Analysis of net debt	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Cash and cash equivalents	**790**	1,063	887
Overdrafts	**(9)**	(1)	(5)
Borrowings (excluding overdrafts)	**(3,591)**	(2,950)	(3,269)
Other	**50**	42	(39)
	(2,760)	(1,846)	(2,426)

Reconciliation of net debt	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Net debt at beginning of period	**(2,426)**	(1,795)	(1,795)
Net (decrease) / increase in cash and cash equivalents	**(97)**	446	264
Repayment of borrowings	**7**	-	112
Proceeds from borrowings	**(256)**	(475)	(887)
Borrowings acquired in business combination	**-**	-	(99)
Exchange and other adjustments	**12**	(22)	(21)
Net debt at the end of the period	**(2,760)**	(1,846)	(2,426)

9. 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 restructuring and other provisions.

The restructuring provision of £33m (30 June 2012, £32m; 31 December 2012, £66m) relates principally to redundancies, the majority of which is expected to be utilised within one year.

Within other provisions the Directors have recognised some exceptional legal provisions. The Group is involved in a number of historic regulatory investigations by various government authorities in a number of markets. These investigations involve mainly competition law inquiries, most of which include several other companies. The Directors have made a provision of £225m in respect to these matters. Other provisions include onerous lease provisions and environmental and other obligations throughout the Group, the majority of which are expected to be used within five years. Total other provisions as at 30 June 2013 are £392m (30 June 2012, £146m; 31 December 2012, £162m).

10. Share Capital

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2013	734,210,757	73	2	-
Allotments	2,324,430	1	-	-
At 30 June 2013	**736,535,187**	**74**	**2**	**-**

In the six months to 30 June 2013 the Group acquired 6,000,000 of its own equity ordinary shares through purchases on the London Stock Exchange. The total amount paid to acquire the shares was £279m (including stamp duty) which has been deducted from shareholders' equity. The shares are now held as 'Treasury shares' and the Company has the right to re-issue these shares at a later date. All shares were fully paid.

11. Dividends

A final dividend of 78.0 pence per share for the year ended 31 December 2012 was paid on 30 May 2013 to shareholders who were on the register on 22 February 2013. This amounted to £561m.

The Directors are proposing an interim dividend in respect of the year ending 31 December 2013 of 60.0 pence per share which will absorb an estimated £431m of shareholders' funds. It will be paid on 26 September 2013 to shareholders who are on the register on 9 August 2013.

12. 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.

13. Business Combinations

Collaboration with Bristol-Myers Squibb (BMS)
On 8 May 2013 the Group received regulatory approval for a three-year collaboration agreement with BMS for a number of market-leading over-the-counter consumer health care brands in Brazil, Mexico and certain other parts of Latin America. This arrangement, which also includes personnel, supply contracts and an option to acquire legal title to the related intellectual property at the end of the collaboration period for a multiple of earnings, was secured for an upfront cash payment of $482m (£311m). This transaction is accounted for as a business combination under IFRS 3 (Revised) *Business Combinations.*

The collaboration agreement provides the Group with an immediate healthcare platform, distribution network and infrastructure in Latin America and trusted brands with a strong fit with the Group's existing health portfolio.

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

	Provisional fair value £m
Intangible asset	57
Deferred tax assets	4
Provisions	(16)
Net assets acquired	45
Goodwill	36
Consideration transferred for net assets and goodwill	81
Payment for prepaid option	250
Total consideration transferred	331
Cash consideration	311
Deferred consideration	20
Total consideration transferred	331

Related to the transaction, payments totalling £250m were made to BMS in relation to the future option to acquire legal title to the related intellectual property. The option is exercisable by the Group at the end of the collaboration period, subject to certain payments, in addition to the £331m, to be made at that time. The prepayment of this option is not an asset purchased as part of the business combination under IFRS 3 (Revised), and is therefore disclosed separately.

13. Business Combinations (continued)

The intangible asset acquired relates to the 3-year collaboration agreement.

Goodwill represents the strategic premium to establish an immediate platform, infrastructure and distribution network in the Latin American over-the-counter consumer health care market, the value of expected synergy savings, and assembled workforce.

Acquisition related costs of £3m are included in net operating expenses and exceptional items in the income statement.

The fair values of identifiable net assets are stated at provisional amounts which will be finalised within the 12-month hindsight period following acquisition. Provisional fair value adjustments cover the recognition of acquired intangibles and their associated deferred tax and accounting policy alignment.

All assets and liabilities are included within the LAPAC reportable segment and the health category.

Acquisition of Oriental Medicine Company Limited
On 8 January 2013 the Group obtained control of Oriental Medicine Company Limited, a manufacturer of traditional Chinese sore throat products, by acquiring 100% of the share capital.

14. Financial Instruments

Carrying amounts versus fair values
The carrying amounts of all financial assets and financial liabilities in the Group balance sheet, listed below, as at 30 June 2013 and 30 June 2012 are a reasonable approximation of their fair value.

- Auction rate securities
- Short-term deposits
- Trade and other receivables
- Derivative financial instruments – FX forward contracts
- Cash and cash equivalents
- Borrowings (including finance lease obligations)
- Trade and other payables
- Other non-current liabilities

The Group’s financial instruments carried at fair value are not considered material, and as such, the valuation methods and fair value hierarchy levels are not disclosed as at 30 June 2013. For further information on valuation methods refer to the Group’s Annual Report and Financial Statements for the year ended 31 December 2012.

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 2012.

15. Related Parties

On 19 March 2013 the Group purchased a further 24.95% interest in Shanghai Manon Trading Limited from the non-controlling interests. The Group has a forward contract to purchase the remaining non-controlling interest in 2016 and the present value of the expected cash outflow is included in other non-current liabilities. There were no other related party transactions.

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. Peak demand in the northern hemisphere markets offsets lower demand in the southern hemisphere markets and vice-versa. The intensity of, in particular, the influenza season can vary from year to year with a corresponding influence on the Group’s performance.

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 2012. 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
Director

26 July 2013

Independent Review Report to Reckitt Benckiser Group plc

Introduction

We have been engaged by the company to review the Half Year Condensed Financial Statements in the half-yearly financial report for the six months ended 30 June 2013, which comprise the Group income statement, the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and related notes. 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 Half Year Condensed financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board. The Half Year Condensed Financial Statements included in this 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.

Our responsibility

Our responsibility is to express to the company a conclusion on the Half Year Condensed 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 the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Half Year Condensed Financial Statements in the half-yearly financial report for the six months ended 30 June 2013 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and as issued by the International Accounting Standards Board, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
26 July 2013

Notes:

(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 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.