

This review for the financial year ended 31 December 2011 conforms to the Business Review required under the Companies Act 2006. It should be read in conjunction with the rest of this Annual Report, the Group's latest Sustainability Report and the Group's website (www.rb.com).

This review details the performance of the business under the geographical segments and category structure in place during 2011 and prior periods.

Our reshaped strategy and new reporting segments and category structure are detailed on pages 3 to 8.

NATURE, OBJECTIVES AND STRATEGIES OF THE BUSINESS

Reckitt Benckiser is one of the world's leading manufacturers and marketers of branded products in household, health & personal care, selling a comprehensive range through over 60 operating companies into nearly 200 countries. In 2011, nearly three-quarters of net revenue was generated by brands that are either market leader or ranked second in their markets.

Reckitt Benckiser's 2011 vision was to deliver better consumer solutions in household, health & personal care for the ultimate purpose of creating Shareholder value.

In summary the strategy of the business pursued in 2011 was:

- Identify and operate in under-penetrated household, health & personal care categories which exhibit potential for superior growth.
- Have a disproportionate focus on our 19 Powerbrands to realise our vision, drive above 'industry average' growth and strengthen their global market positions.
- Transform the above 'industry average' net revenue growth into attractive profits and cash flow.

The Group also sought to complement these objectives with targeted strategic and financially compelling acquisitions.

During 2010, the Group announced the acquisition of SSL International plc (SSL) and in April 2011 completed the acquisition of Paras Pharmaceuticals Limited (Paras). These transactions provide a step change in the Group's global health & personal care business, a key driver of the Group's net revenue and profit growth.

The integration of SSL has progressed well with cost synergies of £85m achieved during the year, well above the in-going target of £50m, due to the benefits being realised ahead of schedule.

The acquisition of Paras has created a material consumer health care business in India, with the addition of a number of strong and leading brands. These are complementary to the Group's existing portfolio, and include such products as Moov topical analgesic pain ointment, D'Cold cold/flu remedy, Dermicool for prickly heat and Krack medicated skin treatment for cracked heels. The integration of this acquisition is also progressing in line with targets.

PERFORMANCE OF THE BUSINESS IN 2011

The results include the business of SSL from 1 November 2010, and Paras from 1 April 2011, their respective dates of acquisition. Operating profit is not separately disclosed for SSL or Paras as, in the view of the Directors, it is not practicable to identify their operating profit due to their integration into the commercial infrastructure of Reckitt Benckiser.

Where appropriate, the term 'like-for-like' describes the performance of the business on a comparable basis, excluding the impact of major acquisitions, disposals, discontinued operations and foreign exchange. Like-for-like analysis excludes the impact of SSL for the full year and Paras.

Where appropriate, the term 'base business' represents the Europe, North America & Australia and Developing Markets geographic areas, and excludes RB Pharmaceuticals.

Where appropriate, the term 'adjusted' excludes the impact of exceptional items.

2011 net revenue increased at +12%, +13% at constant exchange rate (constant), to £9,485m, with like-for-like growth of +4% for the Group and +4% like-for-like for the base business, both at constant.

The gross margin declined by -90 bps to 59.7%, largely as a result of benefits from cost optimisation programmes and a positive transaction impact from foreign exchange, more than offset by higher input costs and promotional spend. Total marketing was higher, and pure media spend rose +8% (+9% constant) to a level of 10.4% of net revenue. On an adjusted basis, operating profit was ahead +11% (+13% constant) to £2,487, with the adjusted operating margin down -20 bps to 26.2% due to RB Pharmaceuticals. Operating profit as reported was £2,395m, +12% higher than last year (+14% constant) owing to an exceptional pre-tax charge of £92m taken in respect of the acquisition of SSL and Paras. For the base business, adjusted operating profit rose +16% (+17% constant) to £1,969m, equating to a +60 bps improvement in the margin.

Net finance expense was £19m (2010: net finance income of £6m), with strong free cash flow generation during the year partly offset by the payment in respect of the acquisition of Paras in April. The 2011 net finance expense includes a £4m exceptional charge in respect of financing costs associated with the acquisition of SSL (2010: £3m). The underlying effective tax rate was 26% (2010: 26%).

Net income attributable to Shareholders was £1,745m, an increase of +11% (+13% constant) versus 2010; on an adjusted basis, net income was up +9% (+11% constant). Diluted earnings per share of 237.1 pence was +11% higher on a reported basis; on an adjusted diluted basis, the growth was +9% to 247.1 pence.

STRUCTURE OF GROUP OPERATIONS

The Group structures its business through a matrix of a centralised category development organisation, global sales organisation, supply organisation and support functions (finance,

human resources and information services), combined with three area organisations: Europe; North America & Australia; and Developing Markets, plus RB Pharmaceuticals. The central category development function, where appropriate supported by global sales, is responsible for Powerbrand strategies, brand equity programmes and best practices, and new product development (including research and development (R&D) and consumer and market research), for implementation by the area organisation.

The supply function is responsible for all procurement (raw and packaging materials and services), production and logistics globally, and is directly responsible for the operation of the Group's 53 production facilities worldwide. Facilities are located in Europe (17 facilities), North America (five), Australia and New Zealand (one). The remaining facilities spread across Asia (21), Latin America (four), and Africa Middle East (five) include a small number of facilities in higher risk labour and social environments.

Information Services (IS) is responsible for the Group's global systems infrastructure and global systems, including the Group's chosen enterprise resource planning (ERP) system and its associated programmes.

SEGMENTAL PERFORMANCE AT CONSTANT EXCHANGE RATES

The three geographical areas are responsible for local execution of marketing and sales programmes:

Europe. The area covers the regions of Northern Europe (UK, Ireland, Scandinavia, Germany, Netherlands, Austria, Switzerland), Southern Europe (France, Belgium, Italy, Greece, Spain, Portugal and export business) and Eastern Europe (Poland, Hungary, Czech Republic/Slovakia, Romania, Adriatics, Russia & CIS, Turkey).

2011 total net revenue increased 15% (-1% like-for-like) to £4,009m. Within health care Nurofen, Strepsils and Gaviscon delivered a strong result, supported by such new initiatives as Nuromol and Strepsils Warm. Growth in personal care was driven by the continued roll-out of the Dettol No-Touch Hand Soap System, which continues to deliver an encouraging result. Surface care grew from Dettol and Harpic. The result in home care was boosted by such recent initiatives as the Air Wick 100% natural propellant spray and Air Wick Freshmatic Odour Detect as well as continued growth in candles. The largest factor in the decline in fabric care was continued weakness in laundry detergents and fabric softeners in Southern Europe. Heavy promotional and media investment continues behind Vanish to protect volume share against competition.

Adjusted operating profit was ahead +10% to £908m; while the adjusted operating margin decreased -100 bps, due to a combination of increased investment in price and promotion and higher input costs, partially offset by SSL synergies.

North America & Australia (NAA). The area covers the markets of North America (USA, Canada), Australia and New Zealand.

2011 total net revenue increased +5% (+3% like-for-like) to £2,402m. Growth came from health & personal care, dishwashing and food. The increase in health & personal care was driven by Mucinex, which benefited from the Q3 rollout of Mucinex Fast Max. In dishwashing, Finish Quantum and All-in-1 tablets and gel packs contributed to an excellent performance. The increase in food came from the consumer brands French's Mustard and Frank's Red Hot Sauce, which was supported by additional marketing activity.

Adjusted operating profit increased +10% to £652m: the operating margin was +130 bps higher at 27.1%.

Developing Markets. The area covers the regions of Latin America (Brazil, Mexico, Argentina and smaller markets), Africa Middle East (South Africa, Middle East, Pakistan, East Africa, West Africa), South Asia (India, Bangladesh, Sri Lanka, Indonesia) and East Asia (Korea, Hong Kong, China, Taiwan, Singapore, Malaysia, Thailand, Japan).

2011 net revenue was ahead +24% (+13% like-for-like) to £2,312m. By category, health & personal care continued to grow well with good growth coming from Dettol, Strepsils, Gaviscon and Veet. The increase in fabric care was driven by Vanish, while Harpic and Veja were the key drivers in surface care. In home care, both air care and pest control contributed to its performance.

Adjusted operating profit increased by +48% to £399m. This resulted in a +270 bps improvement in the operating margin to 17.3%.

Pharmaceuticals. RB Pharmaceuticals is responsible for the development of the Group's Subutex and Suboxone prescription drug business. Both products are based on Buprenorphine for treatment of opiate dependence. Suboxone is a more advanced product compared to Subutex, as it has substantially better protection against abuse by the opioid-dependent population. In the US, Suboxone lost the exclusivity afforded by its orphan drug status on 8 October 2009.

On 31 August 2010, the Group announced that it had received approval from the US Food and Drug Administration for its New Drug Application to manufacture and market Suboxone sublingual film. Suboxone sublingual film has been developed through an exclusive agreement with MonoSol Rx, utilising its proprietary PharmFilm® technology, to deliver Suboxone in a fast-dissolving sublingual film.

As with all prescription drugs, the protection of the business has a finite term unless replaced with new treatments or forms.

As a result of the loss of exclusivity in the US, up to 80% of the revenue and profit of the Suboxone tablet business in the US might be lost in the year following the launch of generic competitors, with the possibility of further erosion thereafter. However, in the event of generic competition to the Suboxone tablet,

the Group expects that the Suboxone sublingual film will help to mitigate the impact.

2011 total net revenue grew +6% to £762m. The patent-protected Suboxone sublingual film continued to grow, and by the end of December had captured a 48% volume share of the total market and has further strengthened its position as market leader, ahead of tablets. The North America business net revenue declined -2% to £587m of which the film generated £249m. In Europe and rest of the world, the result was helped by the buy back of the sales and distribution rights in the majority of countries in July 2010.

Adjusted operating profit for the total RB Pharmaceuticals business increased +1% to £518m. The operating margin was down -400 bps to 68.0%, largely due to the lower margins on the film variant and the impact of higher rebates primarily relating to Medicaid.

THE GROUP'S BRAND PORTFOLIO, MARKET POSITION AND PERFORMANCE

The Group benefits from many very strong market positions for its brand portfolio. The Group has leading positions in selected household, health & personal care categories. These positions derive from the strength of the Group's leading brands, described as Powerbrands, which are the flagship brands in the Group's five major categories and on which the Group focuses the majority of its efforts and investment. The Group also has other portfolio brands which play a role as builders of scale in local markets.

These leading positions include:

Health & Personal Care

The health & personal care category consists of products that relieve or solve common personal and health problems. The Group's strength in this category was further enhanced by the acquisition of SSL.

- No.1 worldwide in antiseptic liquids with the Powerbrand Dettol.
- No.1 worldwide in depilatory products with the Powerbrand Veet.
- No.1 worldwide in medicated sore throat products with the Powerbrand Strepsils.
- No.1 worldwide in condoms for both safe and more pleasurable sex, with the Powerbrand Durex.
- No.2 worldwide in cold/flu (including decongestants) with the Powerbrand Mucinex.
- No.3 worldwide in acne treatment with the Powerbrand Clearasil.

2011 Results excluding RB Pharmaceuticals

In light of the likelihood of generic competition to Suboxone tablets, the Group provides the following information relating to the performance of the business in 2011 excluding RB Pharmaceuticals.

	RB ex RB Pharmaceuticals		RB Pharmaceuticals			Total RB
	£m	%	£m	%	£m	%
Net revenue	8,723	+4%*	762	+6%*	9,485	+4%*
Adjusted operating profit	1,969	+17%**	518	+1%**	2,487	+13%**
Adjusted operating margin		22.6%		68.0%		26.2%

* like-for-like ** at constant exchange rates

- Leading positions in analgesics and upper gastro-intestinal products in Europe and Australia with the Powerbrands Nurofen and Gaviscon.
- Leading positions in footcare and comfort footwear in many markets outside North America and Latin America, with the Powerbrand Scholl.
- The Group also has local leading positions in denture care, dry skin care and cold/flu products.

In 2011 net revenue increased +37% to £3,156m or on a like-for-like basis +8%. In health care, the result was driven by very good growth for Nurofen, Mucinex, Strepsils and Gaviscon, boosted by such new initiatives as Strepsils Warm and Mucinex Fast Max. In personal care, Dettol continued to grow well in both Developing Markets, and in Europe where the continued roll-out of the No-Touch Hand Soap System has been very encouraging.

Fabric Care

- No.1 worldwide in fabric treatment (products to remove stains from clothes, carpets and upholstery) with the Powerbrand Vanish, around the globe and Resolve/Spray 'n Wash in North America.
- No.1 worldwide in garment care (laundry cleaning products for delicate garments) with the Powerbrand Woolite.
- No.1 worldwide in water softeners (products to prevent limescale build-up on washing machines and laundry) with the Powerbrand Calgon.
- The Group has a number of local market positions in laundry detergents and fabric softeners (for example, in Spain, Italy, certain East European markets and Korea). The Group also has a small private label business, which principally provides laundry detergents to major multi-national retailers in Europe.

In 2011 net revenue declined -5% to £1,503m, predominantly driven by continued weakness in laundry detergents and fabric softeners in Southern Europe. The Group continues to invest aggressively to protect the market position of Vanish against other competitor launches and intensive promotional activity. As a result market share trends are improving.

Surface Care

- No.1 worldwide in the overall surface care category due to leading positions across disinfectant cleaners, non-disinfectant multi-purpose cleaners, lavatory care, speciality cleaners and polishes/waxes.

- No.1 worldwide in disinfectant cleaners (products which both clean and disinfect surfaces, killing 99.9% of germs) with the Powerbrand Lysol, in North America and the surface care products in the Dettol range outside North America.
- No.1 worldwide in lavatory care with Lysol in North America and the Powerbrand Harpic, across Europe and Developing Markets.
- The Group has a number of local leading brands in non-disinfectant multi-purpose cleaners, speciality cleaners and polishes/waxes.

In 2011 net revenue grew +3% to £1,422m. There was good growth in Dettol/Lysol and Veja, with a strong result for Harpic being boosted by Power Plus and Max Power toilet liquids.

Home Care

- No.2 worldwide in air care with the Powerbrand Air Wick.
- No.1 worldwide in pest control with the Powerbrand Mortein, the Group's international brand, supported by local brand franchises like d-Con in North America.
- No.2 worldwide in shoe care with such brands as Cherry Blossom and Nugget.

In 2011 net revenue increased +5% to £1,204m. In air care, the result was supported by the launch of Air Wick 100% natural propellant spray and Air Wick Freshmatic Odour Detect, with continued good growth in candles. In pest control, a strong season and growth in automatic sprays contributed to the performance.

Dishwashing

- No.1 worldwide in automatic dishwashing (products used in automatic dishwashers) with the Powerbrand Finish.
- The Group also has some small, local positions in the manual dishwashing market.

Net revenue increased +3% to £896m. The performance was led by the continued success of Finish Quantum and All-in-1.

Total Household and Health & Personal Care

In 2011 net revenue was ahead by +14% to £8,408m.

The Group also has two non-strategic businesses: Food and Pharmaceuticals.

Food. The Group owns a largely North American food business, the principal brands of which are the Powerbrand French's Mustard (the No.1 mustard), and Frank's Red Hot Sauce (the No.1 hot sauce and wing sauce in North America).

2011 net revenue grew +7% to £315m with a very good performance across the consumer portfolio, in particular further growth of French's Mustard and Frank's Red Hot Sauce. Adjusted operating profit increased +13% to £95m.

Pharmaceuticals. Refer page 11.

THE INDUSTRY, MARKET AND COMPETITIVE ENVIRONMENT

The household, health & personal care industry is generally characterised by steady growth in demand, with little variation due to macro-economic factors, particularly in developed markets. Some developing markets exhibit more volatile demand in reaction to macro-economic factors. The principal drivers of market growth in all markets are the rate of household formation and growth in the level of disposable income, combined with demand for new products that offer improved performance or greater convenience.

The industry is intensely competitive, with a comparatively small number of major multinational competitors accounting for a large proportion of total global supply. The Group competes with numerous, well-established, local, regional, national and international companies, some of which are very large and establish and defend their products, market shares and brands. Principal competitors include FMCG companies like Clorox, Colgate-Palmolive, Henkel, Procter & Gamble, S.C. Johnson and Unilever, and such pharmaceutical companies as Bayer, GlaxoSmithKline, Johnson & Johnson and Novartis plus a number of strong local industry companies.

Reckitt Benckiser competes in strongly branded segments by focusing on its leading positions in higher growth categories. It is typically the market leader or a close follower, a position obtained through its ability to introduce new products (whether improved or newly developed) supported by a rising and substantial level of marketing and media investment. A lot of competition in the industry focuses on competing claims for product performance, rather than price or terms. For this reason, failure to introduce new products and gain acceptance may significantly impact the Group's operating results. The Group must also defend itself against challenges to its leadership positions in markets: this requires significant marketing expenditure and promotional activity.

The Group's products also compete with private label products sold by major retail companies. The Group does this by focusing on delivering innovative new products with real consumer benefits, which private label typically do not do. Consistent marketing investment communicates the benefits of the Group's brands directly to consumers, to a far higher degree than private label.

Technological change and product improvement can be a key determinant of the Group's success. Reckitt Benckiser's success in introducing new and improved products stems from its heavy focus on developing a pipeline of product innovation. The Group maintains a large category development organisation (including market and consumer research, R&D and marketing/sales best practice) to fuel the innovation pipeline and share category success factors and learning. The Group invested £133m in R&D in 2011. While the Group believes R&D to be a key contributor to

innovative new products, it does not believe it to be the dominant performance indicator for innovation success.

INTERNATIONAL OPERATIONS AND REGULATORY POSITION

The household, health & personal care industry is heavily regulated by, inter alia, the European Union and individual country governments around the world. Ingredients, manufacturing standards, labour standards, product safety, marketing and advertising claims are all subject to detailed and developing regulation.

The Group has a comprehensive set of policies and procedures designed to enforce and protect its reputation and govern its business methods and practices. These cover, inter alia, a comprehensive Code of Conduct, an Environment Policy, a Global Manufacturing Standard, a Product Safety Policy including compliance with all regulatory requirements and product quality. Internal controls on environmental, social, governance (ESG) matters and reputational risk are further outlined in pages 14 to 16 of this report.

RESOURCES

The major resources required by the business are an adequate supply of the raw and packaging materials consumed by the Group's products and the necessary funds for developing new products and reinvestment in advertising and promoting those brands. The other principal resource is management.

The Group considers that its primary raw materials, such as bulk chemicals (including a number of petrochemicals, plastics, pulp, metal cans etc), are generally in adequate global supply. The cost of these items fluctuates from time to time but not at levels that seriously impinge on the ability of the Group to supply its products or generate profit. The Group is profitable and cash generative, even after reinvesting in marketing, specifically media, at levels above the 'industry average'. The Group therefore believes that its ability to reinvest in supporting and building its brands is a significant competitive advantage.

Supply constraints do exist in the Group's supply chain from time to time. These normally arise due to unexpected demand for new products or the time delay involved in stepping up production of new items to the levels required to supply many millions of units internationally. The Group's supply chain is deliberately relatively well spread in terms of geography and technology, such that the reliance on any one facility is minimised. However, there are a number of facilities that remain critical to the Group's supply chain, where major interruption to normal working could involve disruption to supply. The Group's suppliers are similarly deliberately well spread in terms of geography and supplied items, but there are nonetheless some risks to continuity of supply arising from some specialised suppliers both of raw materials and of third party manufactured items.

The supply of strong management for the Group remains more than adequate. This is

attributable to the Group's culture and its highly performance-oriented remuneration policy, based on paying for excellent performance. The Group believes that its ability to attract and retain the excellent management it needs to continue its success depends critically on this system. The Group trains and develops its management pipeline through formal training programmes focusing on three areas – leadership skills, functional skills and general skills – and through a deliberate policy of training on the job. The Group has 25 formal training modules for middle management and Top 400 international managers (T400). During 2011, the Group ran over 80 courses on these modules, training over 652 people. Management is international and is trained through rotation in international postings both in countries and in the Group's central functions. Succession planning is a critical management discipline and is reviewed annually (at least) by the full Board and the Executive Committee.

The Group closely monitors and tracks its T400. This is the core management team of the business and is a diverse group, consisting of 47 nationalities. Over 59% of the T400 is working in a country that is not their original domicile, consistent with the Group's policy to develop a multi-national management team. Turnover within this T400 group in 2011 was 13.4%, which the Group considers satisfactory given the need to retain high-quality management offset by the benefits of refreshing the team with new talent. 2011 saw 71 promotions, 59 moves including five moves from the SSL companies, and 31 external recruits. The Group ended the year with a low level of vacancies within the T400 of 12, or around 2.5% of the measured group.

There is a comprehensive set of policies governing employment and employees to ensure that the Group remains an attractive employer. The Group is committed to the principle of equal opportunity in employment; no applicant or employee receives less favourable treatment on the grounds of nationality, age, gender, religion or disability. It is essential to the continued improvement in efficiency and productivity that each employee understands the Group's strategies, policies and procedures. Open and regular communication with employees at all levels is an essential part of the management process. The Board encourages employees to become Shareholders and participate in the employee share ownership schemes.

The Group relies on its brand names and intellectual property. All of the Group's major brand names are protected by nationally or internationally registered trademarks. The Group also maintains patents or other protection for its significant product formulations, designs and processing methods. The Group aggressively monitors these protections and pursues any apparent infringements.

RELATIONSHIPS AND PRINCIPAL RISKS

The Group's key external relationships are broadly based with no single customer

accounting for more than 10% of net revenue and the top ten customers accounting for less than one quarter of net revenue. Although these customers continue to become more concentrated in their chosen markets, the Group's wide geographical spread and diversity of product lines provides a natural balance.

Equally, the Group sources its raw and packaging materials and finished goods from a wide variety of predominantly international chemical and packaging companies and co-packers. No single supplier accounts for more than 5% of Cost of Goods Sold (COGS) and the Group's global purchasing function balances the need for competitive pricing with continuity of supply.

The Group's brand portfolio is also broadly based with the most significant Powerbrand accounting for only 9% of net revenue. Each brand in turn is founded on a variety of appropriate technology platforms which drive a steady stream of product development. The individual brands are self-supporting and independent of the Reckitt Benckiser corporate brand, and each other. This reduces the potential for any brand reputation damage to impact across a broader front.

The financial stability of the Group is assured through a combination of a low level of leverage, as borrowings to finance acquisitions are paid down rapidly through strong cash flows, and a stable Shareholder base.

Given the combination of the financial strength and geographic spread of the Group, its range of brands and products, and its low level of reliance on individual key customers and suppliers, the Directors consider that its exposure to 'black swan' type events affecting the whole group is low.

The principal and specific risks that are, in the opinion of the Directors, those that pose the most significant threat to the delivery of the Group's strategic objectives are as follows:

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 Group seeks to mitigate this risk through active category, brand and customer relationship management programmes supported by ongoing investment into new product development.

The expiry of the Group's exclusive licence for Suboxone in the United States in 2009 and the rest of the world in 2016 is likely to expose the business to competition from generic variants.

The Group has developed a new and patented sublingual film delivery method for this product which partially mitigates the risk exposure from the expected generic variant entry against tablets.

Operational Risks

Business continuity plans prove insufficient to protect the business in the face of a significant and unforeseen supply disruption.

Suppliers of key raw and packaging materials, co-packers of finished product and the Group's manufacturing facilities and key technologies are risk assessed for their potential impact on supply disruption for branded products. Business continuity plans are in place throughout the Group and major sites are routinely and independently assessed towards achievement of a highly protected site status.

The successful integration into the Group of businesses acquired with non-controlling interests through recent acquisitions.

The Group will seek to exercise management control and/or purchase the outstanding shares in a business with non-controlling interests at the appropriate time, thereby ensuring continuity of key management and the achievement of the strategic goals for that business. A dedicated project team is assembled to integrate the businesses and, where appropriate, to quickly divest non-core businesses.

Key senior management leave the Group, or management turnover increases significantly.

The Group structures its reward programme to attract and retain the best people. The formal succession planning process continues to evolve with plans being reviewed and updated regularly for key positions and individuals.

Non-delivery of expected benefits from the Group ERP programme.

A strong and independent governance structure has been put in place. This should ensure that achievement of agreed milestones and key objectives are tracked and followed up appropriately. Senior business employees are appointed to lead the team to achieve the stated business benefits.

The combination of the Group's strategic reorganisation, and the systems and operational changes, could result in sub-optimal implementations and reduced focus due to conflicting demands for management attention.

A senior programme leader reporting directly to the CEO will ensure proper clarity and documentation of the new operating model as well as alignment and co-ordination between the programme workstreams.

Information technology systems may be disrupted or may fail, interfering with the Group's ability to conduct its business.

The Group has disaster recovery plans in place which are tested periodically. It also invests in security measures and anti-virus software to safeguard against this threat.

Product quality failures could potentially result in the undermining of consumer confidence in the Group's products and brands.

The Group has a comprehensive set of policies, processes and systems to manage and monitor quality assurance, including an appropriately resourced global quality audit team.

Regulatory decisions and changes in the legal and regulatory environment could limit business activities.

The Group has an ongoing regulatory excellence programme. It employs senior regulatory and legal specialists at a Group, regional and local level who are responsible for setting policies and ensuring that all employees are aware of, and comply with, both Group policies and with the laws and regulations relevant to their roles.

Compliance with the 2011 UK Bribery Act.

A comprehensive prevention programme has been put in place, including the refreshing of the Group's Code of Conduct, the issuing of a new anti-bribery policy to all employees and an extension of the annual online training undertaken by all employees to include a mandatory test on the new policy.

Financial Risks

Tax authorities are becoming more aggressive in disputing historically accepted tax structures and pursuing compensation for retroactive changes to tax law.

The Group is proactive in responding to tax authorities, either through robust defence or through negotiated settlement. The Board of Directors consider that tax exposures are adequately provided for, whilst recognising that an element of risk will always remain.

COMPLIANCE AND ROUTINE RISKS

In order to manage the more numerous and routine risks, the Group maintains a complete and robust governance framework. This consists of a full set of policies, processes and systems covering all aspects of compliance, both with international and local laws, as well as with the Group's stated minimum control standards.

Management provides primary assurance by driving risk compliance through their respective area, regional or functional responsibility. This is done through regular and detailed business reviews. Secondary assurance is provided independently through a combination of internal and external audit covering all aspects of the Group's operations.

Financial Risk Management

The Group's multi-national operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates (foreign exchange risk), market prices, interest rates, credit risks and liquidity. The Group has in place a risk management programme that uses foreign currency financial instruments, including debt, and other instruments, to limit the impact of these risks on the financial performance of the Group.

The Group's financing and financial risk management activities are centralised into Group Treasury (GT) to achieve benefits of scale and control. GT manages financial exposures of the Group centrally in a manner consistent with underlying business risks. GT manages only those risks and flows generated by the underlying commercial operations and speculative transactions are not undertaken.

The Board of Directors reviews and agrees policies, guidelines and authority levels for all areas of treasury activity and individually approves significant activities. GT operates

under the close control of the Chief Financial Officer and is subject to periodic independent reviews and audits, both internal and external.

Foreign Exchange Risk

The Group publishes its financial statements in Sterling but conducts business in many foreign currencies. As a result, it is subject to foreign currency exchange risk due to the effects that exchange rate movements have on the translation of the results and the underlying net assets of its foreign subsidiaries.

The Group's policy is to align interest costs and operating profit of its major currencies in order to provide some protection against the translation exposure on foreign currency profits after tax. The Group may undertake borrowings and other hedging methods in the currencies of the countries where most of its assets are located.

For transactions, it is the Group's policy to monitor and, only where appropriate, hedge its foreign currency transaction exposures. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services, and from the remittance of foreign currency dividends and loans. The local business units enter into forward foreign exchange contracts with GT to manage these exposures, where practical and allowed by local regulations. GT manages the Group exposures, and hedges the net position where possible, using spot and forward foreign currency exchange contracts.

Market Price Risk

The Group is not exposed to equity securities price risk. Due to the nature of its business the Group is exposed to commodity price risk related to the production or packaging of finished goods such as oil-related, and a diverse range of other, raw materials. This risk is, however, managed primarily through medium-term contracts with certain key suppliers and is not viewed as being a material risk.

Interest Rate Risk

The Group has both interest-bearing and non interest-bearing assets and liabilities. The Group manages its interest expense rate exposure using a mixture of fixed rate and floating rate debt. The Group manages its interest rate exposure on its gross financial assets by using fixed rate term deposits.

Credit Risk

The Group has no significant concentrations of credit risk. Financial institution counterparties are subject to approval under the Group's counterparty risk policy and such approval is limited to financial institutions with a BBB+ rating or above. The amount of exposure to any individual counterparty is subject to a limit defined within the counterparty risk policy, which is reassessed annually by the Board.

Liquidity Risk

The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations. The committed borrowing facilities, together with available uncommitted

facilities and central cash and investment, are considered sufficient to meet the Group's projected cash requirements.

Funds over and above those required for short-term working capital purposes by the overseas businesses are generally remitted to GT. The Group uses the remittances to settle obligations, repay borrowings, or in the event of a surplus, invest in short-term instruments issued by institutions with a BBB+ rating or above.

Capital Management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for Shareholders and benefits for other stakeholders, and to maintain an efficient capital structure to optimise the cost of capital.

In maintaining an appropriate capital structure and providing returns for Shareholders, in 2011 the Company has provided returns to Shareholders in the form of dividends, current details of which are included in the Financial Review for the year on page 16.

The Group monitors net debt (total borrowings less cash and cash equivalents; short-term available for sale financial assets and financing derivative financial instruments) and at the year end the Group had net debt of £1,795m (2010: net debt of £2,011m). The Group does not actively monitor a gearing ratio, but seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

Details of numerical disclosures relating to the Group's financial risk management are included in note 15 to the Financial Statements on pages 58 to 62.

Environmental, Social and Governance (ESG) Matters and Reputational Risks

In line with the requirements of the Companies Act 2006, a rationale has been developed and a review undertaken to determine what information to include in this Report as necessary for an understanding of the development, performance and position of the business of the Group relating to environmental matters (including the impact of the Group's business on the environment), its employees, and social and community issues – referred to in this report as sustainability issues.

The Board of Directors considers and takes account of the significance of sustainability matters, their potential risks to the business of the Group and the opportunities to enhance value that may arise from an appropriate response, including risks relating to environmental impacts, employees, society and communities, as well as reputational risks. The Board undertakes a formal review of sustainability matters at least annually. This includes providing oversight to ensure that the Group has in place effective policies, systems and procedures for managing sustainability matters and mitigating significant sustainability risks. The Board believes that it receives adequate information on sustainability matters and their potential risks and opportunities to the business of the Group.

The CEO has specific responsibility for sustainability. As part of established management processes, which include performance management systems and appropriate remuneration incentives, senior management reports directly to the CEO on sustainability matters on a regular basis.

Our Director of Global Sustainability, Environment, Health and Safety manages the sustainability programme on a day-to-day basis. Our Senior Vice President (SVP) of Corporate Communications and Affairs is secretary to the Group's Executive Committee. She is responsible for the Group's community involvement and much of the Group's external stakeholder engagement. The R&D function includes the Regulatory, Safety & Environmental (RSE) services group, which is responsible for ensuring that our products meet regulatory requirements and are safe for their intended use. Our SVP Human Resources (HR) and the global HR function manage the Group's human resources, employee remuneration and benefits, employment practices, organisational development, training and elements of health and safety (eg. stress management).

Key areas of sustainability internal control and performance, including sustainability disclosures, are independently reviewed and verified by both internal and external organisations, including Internal Audit, and their findings regularly reported to senior management, the CEO, the Audit Committee and the Board. The Board has identified and assessed the range of sustainability and associated reputational risks and concluded that there are limited material risks to the Group's long-term and short-term value arising from sustainability matters, other than potential risks common to similarly sized businesses operating in its industry sectors and with similarly well-known brands.

The Group has a full set of policies, programmes and control arrangements, building on its central Code of Conduct, that address the full range of sustainability matters and reputational risks. The Code itself is the subject of an annual training and awareness programme, and is covered by an annual review and certification process carried out by Internal Audit and the Legal Department. The Code and other Group policies relating to sustainability can be found at www.rb.com.

Sustainability Focus Areas

The Group has identified the material sustainability issues for the business. This process includes an assessment of the ways in which the Group's activities materially impact the environment, society and the economy (see panel, bottom right), any potential sustainability risks, the issues of greatest concern for the Group's stakeholders, the issues that society has identified as important through regulation and international standards and those issues covered by existing policies and commitments, such as the Carbon20 programme.

Strategic Sustainability Priorities

The aspects the Group has identified are common to many FMCG companies with well-known brands and are essentially

determined by the Group's industrial sectors (household, health & personal care) and the products the Group manufactures and sells. The Group's strategic priorities remain:

1. To achieve continual improvement in our overall environmental performance, focusing on those issues where we can make a significant difference; and
2. To manage our business in a socially and ethically responsible manner.

The Group focuses on a number of specific topics to deliver against the strategic priorities. These include, but are not limited to:

Supply Chain Responsibility

Most product, component and raw material supply chains present a number of potential reputational risks relating to: labour standards; health, safety and environmental standards; raw material sourcing; and the social, ethical and environmental performance of third party manufacturers and other suppliers. The Group's Global Manufacturing Standard (GMS) mandates minimum requirements regarding employment arrangements, labour standards and health, safety and environmental management, in line with international guidelines, for the Group's own manufacturing sites and selected third party manufacturers and suppliers. Management processes and controls in place include Group, area and regional monitoring and assessment of compliance with the GMS (and other) requirements.

Climate Change

The effects of climate change could disrupt the Group's supply chain by affecting its ability to source raw materials, manufacture products and distribute products. Due to the Group's industry sectors and product categories the Greenhouse Gas (GHG) emissions originating from energy use at its direct operations are of medium-to-low impact, in comparison to those of other similarly-sized companies. This is as assessed for example in recent reports of the independent Carbon Disclosure Project (CDP, www.cdproject.net); specifically, the GHG emissions from the Group's global manufacturing operations are circa. 250,000 tonnes CO₂-equivalents per annum.

The Group has taken a leadership position with regard to its products' total Carbon footprint, by seeking to understand, measure and reduce the GHG emissions generated by all stages in

the product lifecycle for its global product portfolio. This includes amongst other things: the raw and packaging materials provided by its suppliers; the Group's own direct manufacturing and other operations; transportation of both raw materials and finished products; the retail sale of its products; consumers' use of its products; and the disposal/recycling of those products and their packaging. The Group publicly launched this initiative in November 2007, comprising its Carbon20 programme and the target to reduce its global products' total Carbon footprint across their complete lifecycle by 20% per dose by 2020, versus a 2007 baseline (www.Carbon20.info).

Health and Safety Management

Accidents caused through a failure of the Group's safety management systems could potentially lead to loss of life for one or more of the Group's employees. The Group maintains an external certification to OHSAS 18001 for the Group's management of health and safety issues.

Progress to Date

The Group's most recent Sustainability Report, published in October 2011, describes the progress made in key sustainability topics. This includes:

- By 2010, the third year of the Group's Carbon20 programme, the total Carbon footprint of the Group (measured per dose of product) reduced by 15%. This 15% reduction in carbon emissions per dose means the Group has achieved three-quarters of its Carbon20 target for 2020 in the third year of the programme;
- Planting 4.5 million native trees in Canada. This equates to an offset that effectively makes the Group's manufacturing carbon neutral;
- A 39% reduction in manufacturing energy per unit of production since 2000;
- A 45% reduction in greenhouse gas emissions from manufacturing sites since 2000;
- A 17% reduction per unit of production in water use since 2000;
- A 19% reduction per unit of production of waste since 2000;
- No RB employee fatalities in 2010;

Significant Aspects of our Sustainability Programme

Environmental

- Energy use/air emissions and their contribution to climate change
- Raw material use and supply chain sustainability
- Water use and discharges
- Waste and packaging reduction, re-use and recycling
- Product use and product/packaging disposal
- Indirect supply chain impacts

Social & Ethical

- Products which improve hygiene and health
- Product safety and quality
- Health and safety at work
- Employment practices and human rights
- A responsible and ethical supply chain
- Community involvement
- Ethical business conduct

Economic

- Economic value and cash value added, generated and shared with employees, Shareholders and society
- Indirect economic impact

- A 90% reduction in accident rates since 2001, including a 3% reduction in lost working day accident frequency between 2009 and 2010; and
- Continued support of the international charity Save the Children, saving 150,000 lives in 2010 (making a total of 600,000 since 2006) and benefiting over 21,000 children in 2010 through the Group's direct funding of the Save the Children Emergency Fund.

The corporate responsibility section on the Group's website (www.rb.com/Our-responsibility) and the Group's annual Sustainability Reports (available at www.rb.com) provide further information on the Group's policies, systems and procedures for managing sustainability matters and the risks and opportunities that may arise from them, including: the extent to which the Group complies with those policies, systems and procedures; Key Performance Indicators (KPIs); and its sustainability programmes, targets and progress. The Group reports in line with the Global Reporting Initiative's Sustainability Reporting Guidelines – Version 3.0 (GRI G3 – www.globalreporting.org). A Content Index and Application Level Table is provided at www.rb.com. Selected data in the annual Sustainability Report is assured by external auditors. For more information refer to the latest report, released October 2011, at www.rb.com/our-responsibility/environment.

FINANCIAL REVIEW

Basis of Preparation: The 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 set out in note 1 on pages 41 to 44.

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 growth of the Group.

Net Finance Expense: Net finance expense was £19m (2010: net finance income £6m), reflecting the net debt position of the Group during 2011. The 2011 net finance expense includes a £4m exceptional charge in respect of financing costs associated with the acquisition of SSL.

Tax: The underlying effective tax rate was 26% (2010: 26%).

Net Working Capital: (Inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) of minus £910m represented a £15m decline compared to the 31 December 2010 level, due mainly to an increase in inventories and a decrease in tax liabilities.

Cash Flow: Cash generated from operating activities was £2,430m (2010: £2,215m) and net cash flow from operations was £1,581m (2010: £1,386m). Net interest paid was £13m (2010: net interest received £8m) and tax payments decreased by £2m to £677m (2010: £679m) following the settlement of a number

of outstanding matters in 2010. Capital expenditure was lower than the prior year at £205m (2010: £367m), due to the buy back of the remaining sales, marketing and distribution rights to Suboxone, Subutex and Temgesic in Europe and the rest of the world and the investment in certain health & personal care brands from Combe Incorporated taking place in 2010.

Net Debt: At the end of the year net debt was £1,795m (2010: net debt £2,011m), a decrease of £216m. This reflected net cash flow from operations of £1,581m, offset by the acquisition of Paras for £448m (net of cash acquired) in April, and the payment of two dividends totalling £873m. The Group regularly reviews its banking arrangements and currently has adequate facilities available to meet liquidity needs, as well as access to commercial paper and a history of strong cash flows from operations.

Exceptional Items: In 2010 a pre-tax exceptional charge of £250m was announced in respect of the acquisition of SSL and further reconfiguration of the Group. In 2011 a pre-tax charge of £96m was incurred (2010: £104m), of which £92m (2010: £101m) is reflected in reported operating profit and £4m (2010: £3m) is included in net interest. The remainder of the restructuring charge, of approximately £50m, is expected to be incurred in 2012.

Balance Sheet: At the end of 2011, the Group had Shareholders' funds of £5,781m (2010: £5,130m), an increase of +13%. Net debt was £1,795m (2010: net debt £2,011m) and total capital employed in the business was £7,576m (2010: £7,141m).

This finances non-current assets of £11,188m (2010: £10,787m), of which £732m (2010: £735m) 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 –£910m (2010: –£925m), current provisions of £60m (2010: £164m) and long-term liabilities other than borrowings of £2,642m (2010: £2,555m).

The Group's financial ratios remain strong. Return on Shareholders' funds (net income divided by total Shareholders' funds) was 30.3% on a reported basis and 31.4% on an adjusted basis (2010: 30.6% on a reported basis and 32.4% on an adjusted basis).

Dividends: The Board of Directors recommends a final dividend of 70 pence per share (2010: 65 pence), an increase of +8%, to give a full year dividend of 125 pence per share (2010: 115 pence), an overall increase of +9%. The dividend, if approved by Shareholders at the AGM on 3 May 2012, will be paid on 31 May to Shareholders on the register at the record date of 24 February. The ex-dividend date is 22 February and the last date for election for the share alternative to the dividend is 10 May. The final dividend will be accrued once approved by Shareholders.

Contingent Liabilities: The Group is involved in a number of investigations by competition authorities in Europe and has made provisions

for such investigations, where appropriate. Where it is too early to determine the likely outcome of these matters, the Directors have made no provision for such potential liabilities.

During 2011, one case has been settled with the German Federal Cartel Office for €24m.

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.

On 23 February 2011 the Group received a civil claim for damages from the Department of Health and others in the United Kingdom regarding alleged anti-competitive activity involving the Gaviscon brand. The claim is under review and although it is at an early stage, the Directors do not believe that any potential impact would be material to the Group financial statements.

PROSPECTS

2012 will be a year of transition and investment for RB, the details of which are explained on pages 3 to 8. We continue to be committed to out-performing our market's growth and therefore target the following:

- Net revenue growth (excluding RB Pharmaceuticals) of +200 bps versus our market growth. We expect market growth in 2012 to be 1-2%.
- Operating margins (excluding RB Pharmaceuticals) to be maintained.

The likelihood of generic competition to Suboxone makes setting total Company (inclusive of RB Pharmaceuticals) targets impossible at this time.

Cautionary Note Concerning Forward Looking Statements

This document contains forward looking statements, including statements with respect to the financial condition, results of operations and business of Reckitt Benckiser and certain of the plans and objectives of the Company 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. These forward looking statements are not guarantees of future performance: by their nature, forward looking statements involve known and unknown risk and uncertainty and other factors 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. Each forward looking statement speaks as of the date of the particular statement.

KEY PERFORMANCE INDICATORS

The Board and the Executive Committee have identified a number of Key Performance Indicators (KPIs) that are most relevant to the Group and are used to measure performance.

KPI	2011	2010	Comments
Net revenue growth % like-for-like growth of net revenue at constant exchange rates	+4%	+6%	Measures the increase in sales of the Group
Powerbrands % of total net revenue from 19 Powerbrands	70%	69%	Measures the growth and importance of the Group's flagship brands
Gross margin % Gross profit as % of total net revenue	59.7%	60.6%	Measures the resources available for reinvestment or profit growth
Media investment Media investment as % of total net revenue	10.4%	10.7%	Measures the rate of reinvestment in the Group's brands via media
Operating margin %* Operating profit* as % of total net revenue	26.2%	26.4%	Measures the profitability of the Group
EPS (fully diluted)* % change in EPS (fully diluted)*	247.1p +9%	226.5p +16%	Measures the increase in profit per share of the Group
Net cash flow See page 40	£1,581m +14%	£1,386m -23%	Measures how the Group converts its profits into cash
Net working capital (defined as inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) as % of total net revenue	-£910m -9.6%	-£925m -10.9%	Measures the ability of the Group to finance its expansion and release cash from working capital
Management turnover	13%	12%	% of T400 management that have left the Group
% of total net revenue (excl. RB Pharmaceuticals) in No.1 or No.2 brand positions	71%	73%	Measures the health of the Group's brand market positions

* Adjusted to exclude the impact of exceptional items.