

13 February 2013

2012 TARGETS ACHIEVED STRATEGY WELL ON TRACK

Results at a glance (unaudited)	Q4 £m	% change actual exchange	% change constant exchange	FY £m	% change actual exchange	% change constant exchange
Net revenue	2,476	+2	+6	9,567	+1	+4
- Like-for-like growth*			+7			+5
Operating profit – reported				2,435	+2	+5
Operating profit – adjusted**				2,570	+3	+6
Net income – reported				1,829	+5	+8
Net income – adjusted**				1,938	+7	+10
EPS (diluted) – reported				249.5p	+5	
EPS (diluted) – adjusted**				264.4p	+7	

Like-for-like ("LFL") growth excludes the impact of changes in exchange rates, material acquisitions and disposals. Adjusted results exclude exceptional items.

Highlights: Full Year

- LFL +5% ex RBP (+5% incl. RBP), well ahead of our market growth, driven by Emerging Market Areas and Europe North America (ENA).
- Health & Hygiene led growth; Durex, Gaviscon, Strepsils, Dettol, Lysol, Harpic and Finish.
- Increased brand equity investment (BEI) of £100m¹, +70bps, (ex RBP).
- Gross margin +50bps to 57.9%. "Project Fuel" targets fully achieved.
- Adjusted operating margin* +70bps to 26.9% via gross margin expansion and early ENA cost savings.
- Adjusted net income** +7% (+10% constant): adjusted diluted EPS of 264.4p (+7%).
- Net working capital of minus £700m (2011: minus £701m).
- Net debt after dividends, acquisitions and restructuring of £2,426m (2011: £1,795m).
- The Board recommends an +11% increase in the final dividend to 78p per share bringing the total dividend for 2012 to 134p (+7% versus 2011).

Highlights: Q4

- Q4 LFL growth +6% ex RBP (+7% incl. RBP), reflecting steadily improving in-year performance.
- Further improvement in ENA +3% LFL, assisted by higher incidences of cold and flu.

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

"A year ago we set a new purpose driven strategy to deliver growth and outperformance over the next decade.

We are laying the foundations for RB to succeed in a world where health and hygiene play an increasingly important role in terms of both economic and social development. We enhanced our focus on our 16 Powermarkets, many of which are in the emerging market areas that now represent 44% of our core net revenue. I am very pleased that our 2012 achievements demonstrate the strength of this strategy and its ability to create sustainable value for all of our stakeholders.

In environmental sustainability we have already reduced the carbon footprint of our products by 20% and have now set an ambitious target to reduce that by a further third, while also cutting the water use associated with our products by the same amount.

While much has yet to be done and markets remain challenging, we approach 2013 with the confidence that we have the right strategic focus, the right organisation and culture, and with the right innovation platforms. We are particularly excited by our entry into the vitamins, minerals and supplements (VMS) market with the acquisition of Schiff. We are supporting our brands with more and better quality brand equity investment to deliver further growth in an increasingly competitive consumer environment.

We remain committed to our goal of net revenue growth on average +200bps per annum above our market growth, and moderate operating margin expansion (ex RBP). For 2013, we are targeting net revenue growth of +5-6%² including acquisitions and disposals announced to date. Given the early achievement of cost savings in 2012, we expect to maintain operating margins in 2013. These targets exclude RBP.

This will allow us to further accelerate the shape of our core business in line with our strategy. We are now setting the target of Health & Hygiene categories to become 72%, and our emerging market areas to become 50%, of our core business net revenue by 2015. This is a year earlier than previously targeted."

Basis of Presentation and Exceptional Items

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

ENA is the Europe and North America area structure. RUMEA is the Russia and CIS, Middle East and Africa area structure. LAPAC is the Latin America. Asia and Asia Pacific area structure.

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

Where appropriate, the term "adjusted" excludes the impact of exceptional items. There was an exceptional pre-tax charge of £135m in FY 2012 mainly relating to restructuring costs in respect of the new strategy reorganisation, integration costs arising from the acquisition of SSL, and costs associated with acquisitions. This exceptional pre-tax charge is reflected in reported operating profit. Exceptional items in FY 2011 were £92m in reported operating profit and £4m in net interest. The tax effect of exceptional items in the period is £26m (2011: £23m).

As communicated in RB's February 2012 "Strategy for Continued Outperformance" announcement, the Group now uses a number of new, or refined, measures to monitor progress. This includes a revised gross margin definition (discussed in note 3 to the Half Year Condensed Financial Statements), as well as a new definition of net working capital (inventories, trade and

¹ at constant rates

² at constant rates including announced acquisitions and disposals / withdrawal from Private Label and other minor items, ex RBP. Together they will have a net impact of c.+100bps

other receivables and trade and other payables) and a new measure of total brand equity building investment (BEI).

Detailed Operating Review: Total Group

Full Year 2012

Total FY net revenue was £9,567m, an increase of +5% LFL. Growth was driven by a strong performance in our emerging market (LAPAC and RUMEA) areas, with an improving result from ENA despite challenging market conditions. Health and Hygiene led performance with strong results from Health Powerbrands Durex and Gaviscon, and from Hygiene Powerbrands Dettol, Lysol, Finish and Harpic.

Gross margin increased by +50bps to 57.9%. The significant improvement in margins during the second half, as expected, was driven by a number of factors – a more benign input cost environment, pricing, improved mix and savings from our ongoing cost optimisation programme (Project Fuel), where we delivered savings of £50m, as targeted. These improvements were partially offset by adverse foreign exchange.

Our newly defined BEI metric increased by £100m (constant) +70 bps to 12.7% of net revenue (ex RBP). Within this, media increased by +50bps to 11.7% of net revenue (ex RBP).

Operating profit was £2,435m, +5% constant versus FY 2011 (+2% actual). There was an exceptional pre-tax charge of £135m (FY 2011: £92m). On an adjusted basis, operating profit was ahead +6% (constant) to £2,570m. Adjusted operating margin increased by +70bps to 26.9% (ex RBP +70bps to 23.3%). This margin increase was in part due to early achievement of some of the £30m costs savings from the new ENA structure targeted for 2013.

Net finance expense was £15m (FY 2011: £19m). The tax rate was 24%, (FY 2011: 26%). This reduction was primarily due to the benefit in 2012 of the 2% reduction in the UK corporate tax rate (both the reduction in the current year tax liability, and the reduction to deferred tax liability in respect of tax payable in future years), and the favourable settlement of certain tax cases.

Reported net income was £1,829m, an increase of +8% constant (+5% actual). On an adjusted basis net income rose +10% constant (+7% actual). Diluted earnings per share of 249.5 pence was +5% higher on a reported basis and on an adjusted basis, the growth was +7% to 264.4 pence.

Fourth quarter 2012

Total Q4 net revenue was £2,476m, a +7% LFL increase. Growth trends in Emerging Markets were similar to those in Q3, whilst ENA continued to improve its performance with +3% LFL growth. Health category performance was driven by Strepsils and Mucinex following a higher incidence of flu, but also from our non-seasonal brands with Durex having a particularly strong quarter. In Hygiene, growth was driven by strong performances from Dettol / Lysol and Finish, and in Home, Air Wick had a strong quarter.

Portfolio Development

We have made progress in strengthening and reshaping the core business in line with our new strategy. Our private label business did not fit with our future strategic focus and we withdrew from it during 2012. We also sold our non-core Paras Personal Care business and a number of other minor businesses.

We continue to strengthen our global health care franchise by entering the VMS market with the acquisition of Schiff, and building local health care platforms in China and Latin America via a number of small acquisitions, including the recently announced collaboration with Bristol-Myers Squibb.

Sustainability & Social Contribution

We increased our global partnership with Save the Children in order to support health and hygiene programmes in more than 40 countries, taking funds contributed to £3.5m, up +60% from £2.2m in 2011. In 2012 we helped to reach approximately 325,000 children and families and since our relationship began in 2006 it has reached nearly 900,000 vulnerable children and families. 2013 will see this partnership continuing and expanding further still.

In sustainability, we achieved our targeted 20% carbon reduction per dose of product since 2007 ahead of schedule and by year end had reduced it by 21%. In 2012 specifically our carbon reduction was the equivalent of taking 2.4 million cars off the road. We maintained our effectively carbon neutral global manufacturing status, which started in 2006, with an additional 370,000 trees planted, taking it to 5.8 million trees planted in total. We have set further ambitious sustainability goals for 2020. These are to further reduce our per dose carbon footprint by 1/3, reduce our water impact by 1/3 and innovate such that 1/3 of our net revenue comes from more sustainable products.

FY 2012 Business Review

Summary: % net revenue growth

FY 2012	Like-for-like	Acquisitions & Disposals*	Exchange	Reported
ENA	+1%	-1%	-3%	-3%
LAPAC	+11%	0%	-6%	+5%
RUMEA	+8%	-1%	-4%	+3%
Food	+2%	0%	+1%	+3%
Group ex-RBP	+5%	-1%	-4%	0%
RBP	+10%	0%	0%	+10%
TOTAL	+5%	-1%	-3%	+1%

^{*} Reflects the acquisition of Paras (Q1), Schiff and other minor acquisitions (Q4), withdrawal from Private Label (Propack), disposal of Paras Personal Care and a number of minor businesses.

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

Review by Operating Segment

	Quarter	ended		Full Year ended				
	31 Dec	ember		31 December				
2012	2011	% ch	ange		2012	2011	% ch	ange
£m	£m	exch.	rates		£m	£m	exch.	rates
		actual	const.				actual	const.
				Total Net revenue				
1,236	1,245	-1	+2	ENA	4,678	4,837	-3	0
591	568	+4	+9	LAPAC	2,327	2,210	+5	+11
327	316	+3	+6	RUMEA	1,404	1,364	+3	+7
93	94	-1	0	Food	321	312	+3	+2
2,247	2,223	+1	+5	Total – ex RBP	8,730	8,723	0	+4
229	193	+19	+22	RBP	837	762	+10	+10
2,476	2,416	+2	+6	Total	9,567	9,485	+1	+4

Operating profit – adjusted*				
ENA	1,156	1,157	0	+3
LAPAC	464	417	+11	+17
RUMEA	290	293	-1	+3
Food	92	92	0	-1
Corporate**	32	10	n/a	n/a
Total – ex RBP	2,034	1,969	+3	+7
RBP	536	518	+3	+3
Subtotal before exceptional items	2,570	2,487	+3	+6
Exceptional items	(135)	(92)		
Total	2,435	2,395	+2	+5

Operating margin – adjusted*	%	%	
ENA	24.7	23.9	
LAPAC	19.9	18.9	
RUMEA	20.7	21.5	
Food	28.7	29.5	
Corporate **	n/a	n/a	
Total – ex RBP	23.3	22.6	
RBP	64.0	68.0	
Total	26.9	26.2	

^{*} Adjusted to exclude the impact of exceptional items.

The Business Review below is given at constant exchange rates.

ENA 56% of core net revenue

FY 2012 total net revenue was £4,678m, with LFL growth of +1%. We continue to witness difficult market conditions in many parts of Europe. Despite this the new organisation delivered a consistently improving performance through the year across ENA, supported with higher levels of BEI. Additionally, the 2nd half witnessed a higher incidence of flu than in the comparable period.

Growth in our Health platform was driven by Durex, Gaviscon, Mucinex, and Strepsils. Hygiene brands of Dettol, Lysol and Finish performed strongly, particularly in Europe behind Dettol No-Touch, and in the US behind Finish Quantum and All-in-1 gel packs and tablets. In the Home

^{**}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 12 months ended 31 December 2012, these items include profits on disposals of intangibles and the Paras Personal Care business, expenses for legal matters and movements in corporate provisions.

category, Air Wick achieved good growth in H2 driven by a strong performance from the newly launched Filter & Fresh and Black Edition candles.

FY adjusted operating profit was £1,156m, an increase of +3% at constant. The adjusted operating margin increased +80bps, with increased BEI more than offset by a combination of gross margin expansion, and fixed cost savings. These savings came from the early achievement of cost savings from the new structure in H2. This has effectively brought forward some of the planned cost savings originally targeted for 2013.

Q4 LFL growth was +3%.

LAPAC 27% of core net revenue

FY 2012 total net revenue increased to £2,327m, with LFL growth of +11%. Growth came from Latin America, North Asia and South East Asia, driven by distribution expansion, innovation and increasing penetration. In Health, all Powerbrands grew, with exceptionally strong performances from Durex in China, Scholl in Japan, Paras brands in India, and Gaviscon rollouts in a number of markets. In Hygiene, Dettol, Lysol, Harpic and Veet delivered strong growth from initiatives such as Dettol Daily Care and Re-energize, and PowerPlus in Harpic. Vanish and Air Wick performed well in the Home category.

FY adjusted operating profit increased +17% to £464m. Adjusted operating margin was +100bps higher at 19.9%. Increased investment behind BEI was more than offset by good gross margin, volume leverage and fixed cost containment.

Q4 LFL growth was +11%.

RUMEA 17% of core net revenue

FY 2012 net revenue of £1,404m was ahead +8% on LFL basis (+7% total), driven by strong growth in Russia & CIS. In Health, growth was driven by Durex, Gaviscon, and Strepsils. Hygiene Powerbrands Dettol, Finish, Harpic and Veet performed particularly well supported by initiatives such as Dettol Daily Care and Re-energize. Air Wick performed well in the Home category with growth driven by Freshmatic and Aqua Mist.

The 2nd half saw the upscheduling of certain Nurofen products in Russia, an increased promotional environment and some operational and socio-political challenges in certain markets. These headwinds will continue through the year but we remain confident about the underlying strength of the business.

FY adjusted operating profit increased by +3% to £290m. This resulted in a -80bps decline in the adjusted operating margin to 20.7%. This was due to adverse FX impacting gross margin and increased investment in both BEI and the new area structure, to support the business and drive future growth.

Q4 LFL growth was +7%.

Food

FY 2012 net revenue increased +2% to £321m underpinned by continued growth in French's Mustard and Frank's Red Hot Sauce. The 2nd half was flat due to weaker US market conditions and increased private label activity, particularly around French Fried Onions. Our core French's Mustard and Frank's Red Hot franchises remain strong.

Operating margins fell by -80bps to 28.7% due to adverse mix and input costs.

Q4 LFL growth was 0%.

Pharmaceuticals ("RBP")

FY 2012 net revenue increased +10% to £837m. Growth came from continued strong volume growth in the US. This was offset by dilution from the increased Film penetration, which is a lower priced product, and government price reductions in a number of European markets. Conversion from tablets to Film in the US continues to increase with market volume share now 64%, up from 48% at the end of 2011, creating a significantly more sustainable business.

Q4 net revenue growth of +22% was helped by the lapping of the adjustments made on Medicaid accruals in Q4 2011. The underlying growth trends in the quarter were similar to those experienced throughout 2012.

FY operating profit increased +3% to £536m. The operating margin was down -400bps to 64.0%, due to the factors, as communicated during the Q3 IMS conference call. These factors included lower margins of the film variant, downward pricing pressure in Europe, and 2nd half increase in BEI for advertising and marketing programmes to increase patient awareness about the Film and treatment. We also increased investment in the clinical pipeline. We expect this gradual increase in investment to continue into 2013 and beyond as we build a strong, sustainable growth business.

RBP recently announced its voluntary discontinuation of Suboxone tablets in the USA due to increasing concerns with pediatric exposure. Further details can be found on our website – www.rb.com

At this time the Group does not know the timing of potential generic competition to Suboxone in the US. For further information surrounding Suboxone products, please refer to page 11 of the 2011 Annual Report and Financial Statements.

FY 2012 Category Review

	Quarter 31 Dec			<u>Full Year ended</u> 31 December				
	31 Dec	ember				31 Decei	<u>liber</u>	
2012	2011	% cha	ange		2012	2011	% cha	ange
£m	£m	exch.	rates		£m	£m	exch.	rates
		actual	const.				actual	const.
				Net revenue by category				
606	546	+11	+13	Health	2,068	2,000	+3	+6
897	902	-1	+4	Hygiene	3,682	3,643	+1	+5
501	506	-1	+3	Home	1,966	2,009	-2	+2
150	175	-14	-11	Portfolio Brands	693	759	-9	-4
93	94	-1	0	Food	321	312	+3	+2
2,247	2,223	+1	+5	Total – ex RBP	8,730	8,723	0	+4
229	193	+19	+22	RBP	837	762	+10	+10
2,476	2,416	+2	+6	Total	9,567	9,485	+1	+4

Operating profit – adjusted				
Health, Hygiene, Home & Portfolio	1,910	1,867	+2	+6
Food	92	92	0	-1
Corporate	32	10	n/a	n/a
Total – ex RBP	2,034	1,969	+3	+7
RBP	536	518	+3	+3
Total	2,570	2,487	+3	+6
Exceptional items	(135)	(92)		
Total	2,435	2,395	+2	+5

Operatir	ng margin – adjusted %	%	
Health, F	Hygiene, Home & Portfolio 22.7	22.2	
Food	28.7	29.5	
Corporat	e n/a	n/a	
Total – e	ex RBP 23.3	22.6	
RBP	64.0	68.0	
Total	26.9	26.2	

The Category Review below is given at constant exchange rates.

Health 25% of core net revenue

Net revenue increased to £2,068m, with LFL growth of +6%. Higher incidences of cold and flu in Q4 in ENA drove improved performances of our seasonal brands Mucinex and Strepsils. The non-seasonal Powerbrands performed well particularly Durex, Paras brands and Gaviscon. Growth in Nurofen was impacted by upscheduling of certain products in Russia. New initiatives such as Performax Intense condoms, plus increased distribution in China drove Durex growth, and the roll out of Double Action in a number of emerging markets strengthened performance from Gaviscon.

Q4 LFL growth was +10%.

Hygiene 44% of core net revenue

Net revenue increased to £3,682m with LFL growth of +6%, driven by strong growth in the Dettol / Lysol franchise across all three of our areas. New initiatives such as Dettol Daily Care and Reenergize in emerging markets and the recently launched Lysol No-Touch Kitchen System in ENA underpinned this strong performance. Finish continues to perform well in a number of markets globally, and particularly in the US where Quantum and All-In-1 tablets and gel packs have gained market share. Veet delivered good growth behind initiatives such as the Veet Easy Wax Electrical Roll-On. Harpic enjoyed very strong growth in LAPAC and RUMEA by driving category penetration via consumer education and increased distribution, backed by the continued success of Harpic Powerplus, and Harpic Hygienic blocks in all geographies.

Q4 LFL growth was +6%.

Home 23% of core net revenue

Net revenue increased to £1,966m, with LFL growth of +2%. Growth came from Vanish where there has been excellent growth in a number of emerging market countries, combined with more stable market shares in ENA where we have lapped competitive entries. Growth was also driven by Air Wick which produced a good performance behind Freshmatic, candles and "Flip & Fresh".

Q4 LFL growth was +3%.

Portfolio 8% of core net revenue

Net revenue was £693m, with LFL growth of +1%. The total performance of -4% was primarily due to the discontinuation of the Private Label business where all contracts are now terminated.

Q4 LFL growth was -2%.

New Product Initiatives: H1 2013

RB announces a number of new product initiatives for the first half of 2013:

Health:

- Launch of Mucinex Sinus-Max range. A Triple Action formula that relieves sinus pressure, breaks down mucus and helps get rid of headaches with maximum strength medicines.
- Launch of Nurofen next generation heat patch. A flexible patch that starts to heat up in just five minutes from application.
- Launch of Nurofen Meltlets for youth, even on-the-go.
- Strepsils Children 6+ Lozenges. The product acts directly at the site of pain, providing fast and long lasting relief for 'little ones' sore throats.

- Launch of Durex Feel Real. Polyisoprene condom using a softer more flexible material to provide a more natural feeling during sex.
- Launch of Gaviscon Instant Granules. Dissolves in seconds and soothes in minutes.
- Launch of Scholl Hard Skin and Callus Express treatment. It delivers soft feeling skin in one application without using a blade.

Hygiene:

- Launch of Finish Quantum with Power Gel. New formula of Finish Quantum that now comes with a revolutionary gel chamber that delivers amazingly clean and shiny dishes.
- Launch of Dettol Kitchen Gels India and South Korea. A unique dish wash gel that gives you healthy dishes and kitchen surfaces. It makes your dishes, sink and counter top sparkling clean and kills 100 times more germs than an ordinary dish wash.
- Launch of Dettol Radiance Soap and Body Wash. Contains a unique blend of Vitamins B3 & C that helps rejuvenate and purify the skin for it to regain its radiance.
- Launch of Veet Naturals Hair Removal Cream. Combines Veet's hair removal expertise with nature's skin care ingredients.

Home:

- Launch of Vanish Gel Treat and Go: Treat the stains directly, soak or add to the washing machine – for amazing stain removal first time.
- Launch of Air Wick Filter & Fresh Car. Physically captures odours as well as adding great fragrance, thanks to its Activated Carbon Filter. A truly clean, fresh fragrance experience!
- Launch of Air Wick EverFresh Gels. Slow release gel for bathrooms.

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 set out in the Group's 2011 Annual Report and Financial Statements, and as updated by the 2012 Interim Statement.

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 £15m (2011: net finance expense of £19m), reflecting the acquisition of SSL and Paras. The 2011 net finance expense includes a £4m exceptional charge in respect of financial costs associated with the acquisition of SSL.

Tax. The tax rate was 24%, a reduction from the 2011 rate of 26%. This was primarily due to a 2% reduction in the UK corporate tax, associated deferred tax benefits and the favourable settlement of certain tax cases.

Net working capital (inventories, short-term receivables and short-term liabilities excluding borrowings and provisions) of minus £700m, which is in line with the 31 December 2011 level, despite the acquisition of Schiff.

Cash flow. Cash generated from operating activities was £2,423m (2011: £2,430m) and net cash flow from operations was £1,735m (2011: £1,581m). Net interest paid was £7m (2011: net interest paid of £13m) and tax payments were £528m (2011: £677m). Capital expenditure was lower than the prior year at £177m (2011: £205m). Acquisition of businesses of £877m related to the acquisition of Schiff, and other minor acquisitions.

Net debt at the end of the year was £2,426m (December 2011: net debt of £1,795m). This reflected strong free cash flow generation, offset by the payment of two dividends totaling £916m and the acquisition of businesses (principally Schiff) for £877m. The Group regularly reviews its banking arrangements and currently has adequate facilities available to it.

Restructuring charge. A total pre-tax exceptional charge of £135m has been incurred during the year in respect of the following:

- The remaining restructuring costs in respect of the acquisition of SSL;
- Costs associated with the new strategy and Private Label business closure costs and
- Acquisition costs associated with the acquisition of Schiff and other acquisitions

In FY 2011, an exceptional pre-tax charge of £96m was incurred, of which £92m is reflected in reported operating profit and £4m is included in net interest.

Acquisition of Schiff. On 14 December 2012, the Group acquired Schiff which was funded by existing facilities. The following provisional items were recognised on the Group's balance sheet as at 31 December 2012: Intangible assets (£807m), Goodwill (£371m), net working capital assets (£26m), deferred tax liabilities (£267m), provisions (£45m) and other net assets (£27m). These provisional values will be finalised during 2013.

Balance sheet. At the end of 2012, the Group had total equity of £5,922m (2011: £5,781m), an increase of +2%. Net debt was £2,426m (2011: net debt of £1,795m) and total capital employed in the business was £8,348m (2011: £7,576m).

This finances non-current assets of £12,023m (2011: £11,188m), of which £737m (2011: £732m) is property, plant and equipment, the remainder being goodwill, other intangible assets, deferred tax, available for sale financial assets, retirement benefit surplus and other receivables. The Group has net working capital of minus £700m (2011: minus £701m), current provisions of £128m (2011: £60m) and long-term liabilities other than borrowings of £2,668m (2011: £2,642m).

The Group's financial ratios remain strong. Return on shareholders' funds (net income divided by total shareholders' funds) was 31.0% on a reported basis and 32.8% on an adjusted basis (2011: 30.3% on a reported basis and 31.6% on an adjusted basis).

Dividends. The Board of Directors recommends a final dividend of 78 pence (2011: 70 pence), an increase of +11%, to give a full year dividend of 134 pence (2011: 125 pence), an overall increase of +7%. The dividend, if approved by shareholders at the AGM on 2 May 2013, will be paid on 30 May to shareholders on the register at the record date of 22 February. The ex-dividend date is 20 February and the last date for election for the share alternative to the dividend is 8 May. The final dividend will be accrued once approved by shareholders.

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, the Directors have made no provision for such potential liabilities.

The Group has 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 at this time the Directors do not believe that any potential impact would be material to the Group financial statements.

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.

Post balance sheet event. 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.

On 10 February 2013, the Group entered into a 3 year collaboration agreement with Bristol-Myers Squibb, for a number of market-leading over-the-counter consumer health care brands in Brazil, Mexico and certain other parts of Latin America. The Group will make an upfront cash payment of \$482m (£300m) to enter into the 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. The transaction will be accounted for as a business combination and the Directors are in the process of revaluing the assets and liabilities acquired to fair value, including the value of any acquired intangible assets.

Further disclosure will be provided in the 2013 Half Year Announcement.

Medium term KPIs

We continue to target net revenue growth on average +200bps per annum above our market growth, and moderate operating margin expansion (ex RBP).

However, given the initial progress against our new strategy and our recent acquisitions we are accelerating two of our medium term KPIs from 2016 to 2015. We are now targeting:

- Health & Hygiene revenues to be 72% of core net revenues by the end of 2015
- LAPAC and RUMEA revenues to be 50% of core net revenues by the end of 2015

Both these KPIs are one year ahead of our ingoing expectations.

2013 Targets

In 2012 we discontinued our Private Label business, and sold a number of small non-core brands. 2013 will benefit from a number of acquisitions. Together they will have a net impact of c.+100bps. Taking these into account, we are targeting:

- net revenue growth of +5-6%**;
- further increased investment in our brands (BEI); and
- maintain operating margins*

These targets exclude RBP.

* adjusted to exclude the impact of exceptional items.

For further information, please contact:

Reckitt Benckiser

+44 (0)1753 217800

Richard Joyce

Director, Investor Relations

Andraea Dawson-Shepherd

SVP, Global Corporate Communication and Affairs

Brunswick (Financial PR)

+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

^{**} at constant rates including acquisitions and disposals / withdrawal from Private Label and other minor items, excluding RBP.

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.

The Group at a Glance (Unaudited)

	<u>r ended</u> cember	Full year ended 31 December		
2012 £m	2011 £m		2012 £m	2011 £m
2,476	2,416	Net revenue – total	9,567	9,485
+7%	+3%	Net revenue growth – like-for-like	+5%	+4%
+6%	+8%	Net revenue growth – constant	+4%	+13%
+2%	+6%	Net revenue growth – total	+1%	+12%
		Gross margin	57.9%	57.4%
		EBITDA – adjusted*	2,717	2,642
		EBITDA margin – adjusted*	28.4%	27.9%
		EBIT	2,435	2,395
		EBIT – adjusted*	2,570	2,487
		EBIT margin	25.5%	25.3%
		EBIT margin – adjusted*	26.9%	26.2%
		Profit before tax	2,420	2,376
		Net income	1,829	1,745
		Net income – adjusted*	1,938	1,818
		EPS, basic, as reported	252.5p	239.8p
		EPS, adjusted and diluted*	264.4p	247.1p

^{*} Adjusted to exclude the impact of exceptional items.

Group balance sheet data	31 December 2012 £m	31 December 2011 £m
Net working capital *	(700)	(701)
Net debt	(2,426)	(1,795)

^{*} Net working capital is defined as inventories, trade and other receivables and trade and other payables.

Shares in issue

31 December 2011	Millions 728.6
Issued	5.6
31 December 2012	734.2

Group Income StatementFor the 12 months ended 31 December 2012 (unaudited)

	Unaudited	Audited
	Year ended	Year ended
	31 December	31 December
	2012	2011
		(restated) ^(a)
	£m	£m
Net revenue	9,567	9,485
Cost of sales	(4,030)	(4,036)
Gross profit	5,537	5,449
Net operating expenses	(3,102)	(3,054)
Operating profit	2,435	2,395
Operating profit before exceptional items	2,570	2,487
Exceptional items	(135)	(92)
Operating profit	2,435	2,395
Finance income	26	23
Finance expense ^(b)	(41)	(42)
Net finance expense	(15)	(19)
Profit on ordinary activities before taxation	2,420	2,376
Tax on profit on ordinary activities	(587)	(622)
Net income for the period	1,833	1,754
Attributable to non-controlling interests	4	9
Attributable to owners of the parent	1,829	1,745
Net income for the period	1,833	1,754
Earnings per ordinary share:		
Basic earnings per share	252.5p	239.8p
Diluted earnings per share	249.5p	237.1p

⁽a) The income statement for the year ended 31 December 2011 has been restated to reflect a change in the Group's accounting policy for certain consumer promotional costs. The Group now treats certain consumer promotional costs as cost of sales where previously these were classified as marketing in 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.

⁽b) Finance expense for the year ended 31 December 2011 includes an exceptional charge of £4m, relating to financial costs associated with the acquisition of SSL.

Group Statement of Comprehensive Income For the 12 months ended 31 December 2012 (unaudited)

	Unaudited	Audited
	Year ended	Year ended
	31 December	31 December
	2012	2011
	£m	£m
Net income for the period	1,833	1,754
Other comprehensive income		
Net exchange losses on foreign currency translation, net of		
tax	(255)	(226)
Actuarial losses, net of tax	(49)	(49)
Gains on cash flow hedges, net of tax	3	3
Reclassification of foreign currency translation reserves on disposal of subsidiary, net of tax	9	-
Other comprehensive income for the period, net of tax	(292)	(272)
Total comprehensive income for the period	1,541	1,482
Attributable to non-controlling interests	(1)	4
Attributable to owners of the parent	1,542	1,478
	1,541	1,482

Group Balance Sheet As at 31 December 2012 (unaudited)

no at or Bosonisor 2012 (anadanoa)	Unaudited 31 December	Audited 31 December
	2012	2011
ASSETS	£m	£m
Non-current assets:		
Goodwill and other intangible assets	11,175	10,258
Property, plant and equipment	737	732
Deferred tax assets	49	150
Available for sale financial assets	2	10
Retirement benefit surplus	27	32
Other receivables	33	6
	12,023	11,188
Current assets:		
Inventories	735	758
Trade and other receivables	1,407	1,442
Derivative financial instruments	4	67
Current tax receivables	20	21
Available for sale financial assets	4	11
Cash and cash equivalents	887	639
-	3,057	2,938
Total assets	15,080	14,126
LIABILITIES		
Current liabilities:		
Borrowings	(3,271)	(2,505)
Provisions for liabilities and charges	(128)	(60)
Trade and other payables	(2,842)	(2,901)
Derivative financial instruments	(43)	(7)
Current tax liabilities	(203)	(227)
Non-current liabilities:	(6,487)	(5,700)
Borrowings	(3)	(3)
Deferred tax liabilities	(1,814)	(1,772)
Retirement benefit obligations	(426)	(502)
Provisions for liabilities and charges	(100)	(118)
Non-current tax liabilities	(311)	(211)
Other non-current liabilities	(17)	(39)
	(2,671)	(2,645)
Total liabilities	(9,158)	(8,345)
Net assets	5,922	5,781
EQUITY		
Capital and reserves:	70	70
Share capital	73	73
Share premium Margar reserve	184	(14 220)
Merger reserve Hedging reserve	(14,229)	(14,229)
Foreign currency translation reserve	(131)	(1) 110
Retained earnings	20,022	19,672
rotained earnings	5,921	5,711
Non-controlling interests	5,921	70
Total equity	5,922	5,781

Group Statement of Changes in Equity For the 12 months ended 31 December 2012 (unaudited)

Unaudited	Share capital	Share Premium	Merger reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total attributable to owners of the parent	Non- controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2011	73	59	(14,229)	(4)	331	18,828	5,058	72	5,130
Net income						1,745	1,745	9	1,754
Other comprehensive income									
Actuarial losses, net of tax						(49)	(49)		(49)
Gains on cash flow hedges, net of tax Net exchange adjustments on foreign currency translation, net of tax				3	(221)		(221)	(5)	(226)
Total other comprehensive income	-	-	-	3	(221)	(49)	(267)	(5)	(272)
Total comprehensive income	-	-	-	3	(221)	1,696	1,478	4	1,482
Transactions with owners									
Proceeds from share issue		27					27		27
Share based payments						61	61		61
Deferred tax on share awards						(13)	(13)		(13)
Current tax on share awards						2	2		2
Dividends						(873)	(873)	(7)	(880)
Non-controlling interest arising on business combination Put option issued to non-								1	1
controlling interest						(29)	(29)		(29)
Total transactions with owners	-	27	-	-		(852)	(825)	(6)	(831)
Balance at 31 December 2011	73	86	(14,229)	(1)	110	19,672	5,711	70	5,781
Net income						1,829	1,829	4	1,833
Other comprehensive income									
Actuarial losses, net of tax						(49)	(49)		(49)
Gains on cash flow hedges, net of tax Net exchange adjustments on foreign currency translation,				3	(250)		(250)	(5)	3 (255)
net of tax Reclassification of foreign currency reserves on disposal of subsidiary, net of tax					9		9		9
Total other comprehensive income	-	-	-	3	(241)	(49)	(287)	(5)	(292)
Total comprehensive income	-	-	-	3	(241)	1,780	1,542	(1)	1,541
Transactions with owners									
Proceeds from share issue		98					98		98
Share based payments						49	49		49
Current tax on share awards						23	23		23
Shares repurchased and held in Treasury						(535)	(535)		(535)
Dividends						(916)	(916)	(4)	(920)
Acquisition of non-controlling Interest Deconsolidation of non-controlling						(51)	(51)	(55)	(106)
interest following loss of control							:	(9)	(9)
Total transactions with owners	-	98	<u> </u>	-	-	(1,430)	(1,332)	(68)	(1,400)
Balance at 31 December 2012	73	184	(14,229)	2	(131)	20,022	5,921	1	5,922

Group Cash Flow Statement For the year ended ended 31 December 2012 (unaudited)

For the year ended ended 31 December 2012 (unaudited)		
(Unaudited	Audited
	Year ended	Year ended
	31 December	31 December
	2012	2011
	£m	£m
CASH FLOWS FROM OPERATING ACTIVITIES	٨١١١	2.111
Cash generated from operations:	0.405	2.205
Operating profit	2,435	2,395
Depreciation of property, plant & equipment, and amortisation &	148	157
impairment of intangible assets	(-)	
Fair value (gains) / losses	(7)	1
Gain on sale of property, plant & equipment and intangible assets	(13)	(9)
Gain on sale of businesses	(32)	-
Decrease / (Increase) in inventories	19	(131)
Increase in trade and other receivables	(16)	(113)
(Decrease) / Increase in payables and provisions	(160)	69
Share based payments	49	61
Cash generated from operations:	2,423	2,430
Interest paid	(34)	(35)
Interest received	27	22
Tax paid	(528)	(677)
•	· · · · · · · · · · · · · · · · · · ·	
Net cash generated from operating activities	1,888	1,740
CACH ELOWE FROM INVESTING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES	(400)	(404)
Purchase of property, plant and equipment	(166)	(164)
Purchase of intangible assets	(11)	(41)
Disposal of property, plant and equipment	13	5
Disposal of intangible assets	9	12
Acquisition of businesses, net of cash acquired	(877)	(460)
Disposal of businesses, net of cash disposed	81	-
Maturity / (Purchase) of short-term investments	7	(2)
Maturity of long-term investments	14	2
Net cash outflow on deconsolidation of a subsidiary	(6)	-
Net cash generated used in investing activities	(936)	(648)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	98	27
Shares purchased and held as Treasury shares	(535)	-
Proceeds from borrowings	887	249
Repayments of borrowings	(112)	(400)
Dividends paid to owners of the parent	(916)	(873)
Dividends paid to non-controlling interests	(4)	(7)
Acquisition of non-controlling interest	(106)	(1)
<u> </u>	\ /	(4.00.4)
Net cash used in financing activities	(688)	(1,004)
Net increase in cash and cash equivalents	264	88
Cash and cash equivalents at beginning of period	634	568
Exchange losses	(16)	(22)
Cash and cash equivalents at end of period	882	634
Cash and cash equivalents comprise		
Cash and cash equivalents	887	639
Overdrafts	(5)	(5)
	882	634
DECONOR INTION OF NET CACHELOWER ON OREDATIONS		
RECONCILIATION OF NET CASH FLOW FROM OPERATIONS Not each generated from operating activities	4 000	1 740
Net cash generated from operating activities	1,888	1,740
	(153)	(159)
Net purchases of property, plant and equipment Net cash flow from operations	1,735	1,581

Management uses net cash flow from operations as a performance measure.

Earnings per Ordinary Share For the year ended 31 December 2012 (unaudited)

	2012 pence	2011 pence
Basic earnings per share Diluted earnings per share	252.5 249.5	239.8 237.1
Adjusted basic earnings per share Adjusted diluted earnings per share	267.6 264.4	249.9 247.1

Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the parent (2012: £1,829m (2011: £1,745m)) by the weighted average number of ordinary shares in issue during the year (2012: 724,238,235 (2011: 727,628,580)).

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 potentially dilutive ordinary shares: those resulting from exercises under the Executive Share Option 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 31 December 2012, there were 4m (2011: 4m) of Executive Share Options not included within the dilution because the exercise price for the options was greater than the average share price for the year.

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:

	2012 £m	2011 £m
Net income attributable to owners of the parent	1,829	1,745
Exceptional items Exceptional charge included in finance expense	135	92
Tax effect of exceptional items	(26)	(23)
Adjusted net income attributable to owners of the parent	1,938	1,818

The reconciliation between the weighted average number of shares used in the calculation of the earnings per share is set out below:

_	2012	2011
	Average number of shares	Average number of shares
On a basic basis Dilution for Executive Options outstanding	724,238,235	727,628,580
and Executive Restricted Share Plan Dilution for Employee Sharesave scheme options outstanding	8,098,123 659,327	7,423,757 780,818
On a diluted basis	732,995,685	735,833,155

The Directors believe that diluted earnings per ordinary share, adjusted for the impact of the exceptional charge (net of tax) in the current year, provides the most meaningful measure of earnings per ordinary share.