30 October 2018

ON TRACK FOR FULL-YEAR TARGETS

Q3 2018 Trading Update

	Q3			YTD 2018			
	£m	LFL[1]	Reported	£m	Pro-forma[1]	LFL[1]	Reported
IFCN	659	-6%	-8%	2,100	+3%	-5%	n/m
Rest of Health	1,232	+4%	0%	3,594	+2%	+2%	-3%
Total Health	1,891	0%	-3%	5,694	+3%	+1%	+25%
Hygiene Home	1,229	+4%	0%	3,564	+4%	+4%	-2%
Total	**3,120**	**+2%**	**-2%**	**9,258**	**+3%**	**+2%**	**+13%**

Highlights

- **LFL growth in Q3 of +2%.** Continued momentum under RB 2.0, with growth in base Health and Hygiene Home businesses of +4% LFL. Total growth was negatively impacted by -2% (£70m) from a temporary manufacturing disruption at our European IFCN plant.
- **LFL performance in Total Health was flat, comprising IFCN of -6% and Rest of Health of +4%** driven by continued strong growth in OTC and improving trends in Wellness and Health Hygiene brands.
- **LFL growth in Hygiene Home of +4%.** Continued momentum with strong performances from Finish, Air Wick and Lysol in ENA and Harpic in DvM.
- **We remain on track for the full year net revenue target of +14-15%** (total constant), implying LFL revenue growth at the upper end of +2-3%.

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

"Q3 was another quarter of progress, with continued momentum and growth under our new RB 2.0 organisational structure. Our base Health and Hygiene Home businesses each delivered +4% LFL growth in the quarter, against a backdrop of mixed market conditions, demonstrating the strength of our brands, innovation success and early signs of RB 2.0 benefits. Although encouraging, we remain focused on further improving our growth trajectory.

Our IFCN business delivered a strong performance in North America, with the launch of our recent innovation, Enfamil NeuroPro, and progress in new channels. We also remain firmly on track to deliver the medium-term targets we communicated at the time of the MJN acquisition.

The quarter was impacted by a temporary manufacturing disruption at our European IFCN plant. This affected sales to a number of markets, occurred during a period of unusually high market growth and before our new facilities in Australia were operational and able to diversify our supply chain. The disruption was resolved and supply restored before the end of the quarter, although we do expect some residual impact in Q4 and into 2019.

We have sufficient momentum and progress in our business to absorb this temporary manufacturing disruption. We therefore reiterate our 2018 target of +14-15% total net revenue growth at constant rates."

1. Refer to basis of preparation on P6. Unless otherwise stated, all growth rates are expressed in constant currency. Composition of geographic regions within Appendix unchanged from Q2.

Operating Segment Review

Health **62% of Net revenue**

By Category	Q3			YTD 2018			
	£m	**LFL[1]**	**Reported**	**£m**	**Pro-forma[1]**	**LFL[1]**	**Reported**
IFCN	659	-6%	-8%	2,100	+3%	-5%	n/m
OTC	515	+6%	+2%	1,426	+6%	+6%	+2%
Other	717	+2%	-2%	2,168	0%	0%	-5%
Total	**1,891**	**0%**	**-3%**	**5,694**	**+3%**	**+1%**	**+25%**

By Geography	Q3			YTD 2018			
	£m	**LFL[1]**	**Reported**	**£m**	**Pro-forma[1]**	**LFL[1]**	**Reported**
North America	498	+6%	+5%	1,347	+4%	+4%	+38%
Europe / ANZ	490	-4%	-7%	1,509	-3%	-3%	-2%
DvM	903	-1%	-6%	2,838	+5%	+2%	+40%
Total	**1,891**	**0%**	**-3%**	**5,694**	**+3%**	**+1%**	**+25%**

- Growth in the consumer health markets we serve remains in the upper half of our +3-5% medium term expectations. As previously flagged, we have more to do to deliver sustained, top of market level financial performance.
- Q3 total Net Revenue was £1,891m, with LFL growth of +4% in the base health business with growth coming equally from volume and price mix. LFL growth was flat for the BU as a whole due to the impact of the IFCN temporary manufacturing disruption. Volume was -1% and +1% price/mix.

IFCN (Infant Nutrition)

- The IFCN segment delivered a -6% LFL decline in Q3, and a YTD pro-forma growth of +3%.
- During the quarter we experienced a temporary disruption in manufacturing at our European IFCN plant. This impacted the supply of certain products to a number of our markets outside North America, resulting in approximately £70m lower revenue than expected in the quarter.
- The IFCN business currently operates through a concentrated supply chain, with markets relying on a small number of manufacturing facilities that are licensed to produce for that market. Significant investment has been made to increase capacity within our supply chain, including new facilities in Australia, which will become fully operational before the end of 2018. The current sourcing arrangements, combined with strong market growth in parts of Asia, has caused us to operate with unusually low levels of inventory at our warehouses. This confluence of events has led to a material impact to the IFCN revenue from the manufacturing disruption.
- Sales to consumers were less impacted in the quarter, as inventory within the channel helped mitigate the supply disruption from the factory. We expect, however, that some consumers will not be able to purchase some MJN products beyond Q3 while channel restocking takes place. We are working to minimize this impact as on-shelf availability is restored.
- Underlying trends in the category and in-market performance remain strong. YTD market growth is at the upper end of +3-5% although we see growth moderating in China due to the reduction in birth rates.
- North America revenue continues to improve. We are seeing better share performance with innovation (Enfamil NeuroPro) and success in new channels.

- We see significant value-creation opportunities within this category and remain firmly on track to deliver the synergies and other objectives which we communicated at the time of our acquisition of MJN.

OTC (Over the Counter / health relief products)

- The OTC segment delivered LFL growth of +6% in the quarter and a YTD LFL performance of +6%.
- We saw broad-based growth across our powerbrands. Recent innovations like our Nurofen medicated plaster, providing 24-hour relief in a single patch, are performing well. Many regional brands such as Lemsip (UK), Delsym (US), Tempra (Mexico) also saw good growth.
- Mucinex had a solid quarter driven by sell-in ahead of the cold and flu season in the Northern Hemisphere in Q4, with the recent Mucinex Fast Max Cold & Flu “All in One” innovation helping to mitigate the impact of share loss in our 12-hour cough and congestion range from the re-entry of private label variants.

Other Health (Wellness and Health Hygiene brands)

- Our VMS brands delivered strong growth in the quarter, behind Airborne – new formats, improved in-store execution and channel expansion, and Move Free following the launch of Move Free Ultra 2in1 for faster comfort and long term joint support.
- Dettol had a strong quarter in India with the Clean India campaign continuing to drive penetration. Growth was also strong in China. However the Middle East, whilst no longer a significant drag, remains weak.
- Durex in China delivered strong growth behind the relaunch of our Featherlite ultra-thin condoms and pleasure gels.

Geographic

- North America delivered a strong quarter due in particular to the good performances of IFCN, Mucinex and our VMS brands.
- Europe remains weak due in particular to the IFCN temporary production disruption.
- DvM delivered strong, high-single-digit growth in the base health business in Q3, which was more than offset by declines in IFCN, particularly in Asia.

Hygiene Home **38% of Net revenue**

By Geography	Q3			YTD 2018		
	£m	LFL[1]	Reported	£m	LFL[1]	Reported
North America	406	+5%	+4%	1,102	+6%	0%
Europe / ANZ	538	0%	-4%	1,589	0%	-1%
DvM	285	+12%	-1%	873	+8%	-5%
Total	**1,229**	**+4%**	**0%**	**3,564**	**+4%**	**-2%**

- Category growth remains at the lower end of our medium-term expectations of +2-3% with a continued challenging pricing environment in developed markets. We have made modest share gains.
- Q3 total Net Revenue was £1,229m, with LFL growth of +4%, comprising +2% volume and +2% price/mix. Pricing in developed markets remains tough, although with some slight signs of improvement during the quarter. We continue to see pricing in emerging markets.
- Our performance in the quarter reflected some slight outperformance versus the market with improved focus and execution under the RB 2.0 operating structure, and a small positive impact from lapping last year's cyber-attack.
- North America delivered +5% LFL growth in the quarter, with strong performances from Lysol as well as innovation-led growth in Finish and Air Wick.
- The performance in Europe reflects the difficult pricing environment across the continent and also macro challenges in Turkey.
- DvM delivered another quarter of double-digit growth. Brazil had a good quarter with strong growth in both Veja and Vanish. India also had a strong quarter with Harpic following the introduction of our Harpic Swachh Bharat (Clean India) pack. This new format is aimed at making Harpic affordable to every Indian household.

Financial Position

There has been no material change to the financial position of the Group since the published Annual Report and Financial Statements 2017.

Other Matters

Korea HS Issue

The HS issue in South Korea is a tragic event, with many parties involved. We continue to make both public and personal apologies to victims.

In August 2018, Oxy RB extended its compensation plan for the Oxy RB Category I & II users categorised to date in Round 4. The South Korean government opened Round 4 to new applicants on 25 April 2016 for an indefinite period and continues to receive applications. Since our July release a further 152 applications have been received, but no further HS lung injury categorisations have been made. The South Korean government's lung injury categorisation is outlined in the table below.

Round	Total applicants	Applicants Assessed	Category I & II	Cat I&II percentage	Oxy RB users – Category I & II[2]	Oxy RB single users – Category I & II[3]	Assessment completion (expected)
1	361	361	174	48%	140	57	Completed
2	169	169	53	31%	46	24	Completed
3	752	669	84	13%	76	27	Completed
4	4,897[1]	4,054	157	4%	143	93	December 18

1. Round 4 remains open to applicants. The number of applicants shown in the table are the applicants set out on the KEITI website as at 26 October 2018. This includes a number of asthma-only applicants.
2. Both sole Oxy RB users and users of multiple manufacturers' products, including Oxy RB.
3. Sole Oxy RB users.

From 23 July, the South Korean Ministry of Environment allowed HS users to apply for asthma-only categorisation as part of Round 4. This applies to HS users who think they have suffered from asthma only as a result of HS exposure. Of the 4,329 HS users assessed for asthma to date, 195 have been categorised as victims.

Indivior / RB Pharma-related matters

The Group remains involved in ongoing investigations by the US Department of Justice ("DoJ") and the US Federal Trade commission and related litigation proceedings in the US arising from certain matters relating to the RB Pharmaceuticals ("RBP") business prior to its demerger in December 2014 to form Indivior PLC and may incur liabilities in relation to such matters.

There have been no material changes since the 2018 interim statement. Details of existing provisions and contingent liabilities relating to the both the HS issue and Indivior / RB Pharma related matters can be found in our Annual Report and Financial Statements 2017.

2018 Net Revenue Target

We reiterate our 2018 Net revenue target of +14-15% total net revenue growth at constant rates, implying LFL revenue growth at the upper end of +2-3%.

Basis of preparation and reconciliation of LFL and Pro-forma measures

Basis of preparation and definitions

Like-for-Like ("LFL") growth excludes the impact on Net Revenue of changes in exchange rates, acquisitions, disposals and discontinued operations. MJN was acquired on 15 June 2017 and therefore the results of IFCN are included within RB's LFL results from 15 June 2018. For Q3, this means that IFCN is included for a full quarter in both 2018 and 2017 and pro-forma measures are not applicable for Q3 2018. LFL growth also excludes Venezuela.

Pro-forma growth, which is only relevant for YTD measures included herein, excludes the impact of changes in exchange rates, acquisitions, disposals and discontinued operations. It includes the results of MJN for the entire comparative period. Pro-forma growth also excludes Venezuela.

Constant exchange rate adjusts the actual consolidated results such that the foreign currency conversion uses the same exchange rates as were applied in the prior year.

On 1 January 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers and has restated Q3 2017 comparatives accordingly. The impact of adopting IFRS 15 reduced reported Q3 2017 net revenue by £17m.

There is no impact from net M&A or from India GST in Q3.

Bridge from Q3 LFL to Reported growth

Q3 2018	LFL %	Exchange %	Reported %
IFCN	-6%	-2%	-8%
Rest of Health	+4%	-4%	0%
Total Health	0%	-3%	-3%
Hygiene Home	+4%	-5%	0%
Total	**+2%**	**-4%**	**-2%**

Bridge from YTD pro-forma growth to Reported growth

YTD (all growth rate %)	Pro-forma	LFL	GST	Net M&A	Exchange	Reported
IFCN	+3%	-5%	0%	+162%	-9%	+148%
Rest of Health	+2%	+2%	0%	0%	-5%	-3%
Total Health	+3%	+1%	0%	+30%	-6%	+25%
Hygiene Home	+4%	+4%	0%	0%	-6%	-2%
Total	**+3%**	**+2%**	**0%**	**+17%**	**-6%**	**+13%**

Note: due to rounding, the tables above will not always cast.

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Cautionary note concerning forward-looking statements

This announcement contains statements with respect to the financial condition, results of operations and business of RB (the “Group”) and certain of the plans and objectives of the Group that are forward-looking statements. Words such as ‘‘intends’, ‘targets’, or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including targets for net revenue, operating margin and cost efficiency, are forward-looking statements. Such statements are not historical facts, nor are they guarantees of future performance.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside the Group’s control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political and social conditions in the key markets in which the Group operates; the ability of the Group to manage regulatory, tax and legal matters, including changes thereto; the reliability of the Group’s technological infrastructure or that of third parties on which the Group relies; interruptions in the Group’s supply chain and disruptions to its production facilities; the reputation of the Group’s global brands; and the recruitment and retention of key management.

These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

LEI: 5493003JFSMOJG48V108