Our Hygiene Home business unit is bringing innovative solutions into 1 billion homes around the world by eliminating dirt, germs, pests and odours that impact health and happiness. We are also accelerating hygiene foundations across the world.

### Hygiene Home Net Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Revenue</th>
<th>LFL Growth</th>
<th>Actual Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>£4,887m</td>
<td>+4%</td>
<td>-1%</td>
</tr>
<tr>
<td>2018</td>
<td>£4,835m</td>
<td></td>
<td></td>
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</tbody>
</table>
Key Hygiene Home brands

Our priorities and aspirations

Identify powerful social causes and develop purpose-led innovations with superior product solutions

Focus on low-penetration, higher-growth categories while delivering better product solutions in premium category segments to a growing base of middle-class consumers

Unlock emerging markets by exploiting digital platforms for consumer communications and transactions that open up new opportunities for market penetration

Increase the contribution that innovation makes to our growth rates by leveraging the combination of our global leading brands and local innovation hubs

Expand e-business opportunities rapidly by investing disproportionately in this fast-growing channel

Continue investing in capabilities and innovation while sustaining our best-in-class operating margins

We are back to competitive LFL growth of 4%. Our strong purpose-led brands that fight social causes with innovative solutions, give us great penetration potential in high-margin categories.

Rob de Groot
President, Hygiene Home
Operating Review: Hygiene Home continued

We see huge opportunities in both mature and emerging markets.

Our performance in 2018
A key feature of our performance is that we have returned to competitive growth. The LFL growth achieved in 2018 means that we are in the top tier of the industry. Moreover, growth was broad based, with all areas seeing expansion. Developing markets went from -4% to +9% and North America improved from flat growth in the previous year to +6% for 2018, while Europe improved on the previous year’s -1% to record a flat performance. Six out of our seven key brands grew in sales terms. The growth was also balanced in terms of volume and price/mix.

FY 2018 total Net Revenue was £4,835 million, with LFL growth of +4%. Growth comprised +3% volume and +1% price/mix, with the pricing environment having been particularly challenging in H1. Currently, market growth is in line with our medium-term expectations of +2-3%. Our growth was broad based across all our leading brands – delivering growth in both developed and emerging market areas.

North America delivered an excellent performance in both Q4 and for the full year at +6% LFL. Lysol had a very strong year, due to a combination of a seasonal benefit in Q1, the success of our new Daily Cleanser and Daily Cleansing Wipes, and improved distribution. Finish, Air Wick and Vanish all delivered good growth behind both innovation (Finish Quantum Ultimate Clean & Shine and Air Wick Essential Mist diffuser) and improved in-store execution under our new RB 2.0 infrastructure.

In Europe/Australia and New Zealand (ANZ), Hygiene Home had a flat year with a weak Q4 of -2% LFL decline. Market conditions remain challenging with an ongoing tough pricing environment.

Adjusted Operating Profit was £1,151 million, with a 23.8% margin and -20bps versus the prior year. We saw a decline in gross margin during the year, due to the combination of headwinds in respect of input costs and a difficult pricing environment in developed markets in H1.

Where we compete
We are operating in a world where the growing middle class is seeking better solutions. RB’s Hygiene Home product portfolio is weighted towards the premium segment, which is growing faster than the value segment. Every time RB creates a better customer solution, we are driving that trend of category premiumisation with the higher price points associated with that. The combination of being in the right categories and the right segments, with the right innovations, drives more attractive margins. We choose carefully where we can make a difference in the life and development of our consumers, with purpose and superior solutions for their stage of life. This unlocks high growth categories with attractive industry margins.

Our portfolio strategy is to take our seven leading brands that together deliver 80% of our Net Revenue and build on their global presence to achieve much deeper market penetration. Our unique portfolio of brands has significant growth.

Reckitt Benckiser Group plc (RB)
Annual Report and Financial Statements 2018
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potential, especially in emerging categories where there is currently less than 25% penetration. This is preferable to operating in a well-penetrated category that is typically characterised by promotions and cost-cutting.

Our Hygiene Home business is relatively underpenetrated in developing markets and represents around a quarter of the total business unit. Our performance has been strong with +9% LFL growth in 2018.

Developing markets growth was broad based across geographies and brands. On a geographic basis, our larger markets of India and Brazil delivered strong, above-market, growth. In Brazil we saw good performances from our major brands of SBP (pest), Veja (surface care) and Vanish, as well as our less penetrated brands of Finish and Harpic. In India, Harpic delivered a strong performance behind both innovation (our Swachh Bharat (clean India) pack) and social awareness programmes aimed at changing behaviours towards open defecation.

From a channel perspective, e-commerce remains less significant to Hygiene Home, with a low single-digit contribution to total Net Revenue but strong growth. However, we continue to focus on this through investment and channel-specific innovation.

Innovation in 2019
We have a strong innovation pipeline going into 2019 with a focus on developing markets. In China, we are launching a completely new Powerball Finish tablet for the dishwasher market. In Brazil, our Veja Power Fusion is a multi-purpose surface cleaner. In India, our Mortein 2-in-1 Insect Killer is effective for both mosquitoes and cockroaches.

There are innovations from our larger brands due in 2019. These include Vanish 0%, which offers consumers effective stain removal without harsh ingredients such as chlorine, dyes or fragrance, and Finish 0% which cuts out phosphates, perfumes and preservatives. There are also innovations from Air Wick, Harpic and Lysol.

WORLD TOILET DAY: CLEAN WATER AND SANITATION
RB and Harpic partner with Water.org to tackle the global sanitation crisis

RB and Harpic have joined forces with Water.org to raise awareness that one in three people around the world do not have a toilet.

In addition to a donation of $1 million, Harpic has launched a campaign More than a Toilet to bring to light the exceedingly high number of people in India and other developing countries living without access to basic sanitation and highlight the alarming effect this has on people’s health, safety and education.

For billions of people, not having access to a toilet can be incredibly dangerous and comes with many risks, with nearly 1 million people being killed by water-borne and sanitation-related diseases each year.

Women living without access to a toilet are twice as likely to experience sexual violence when defecating in the open, and along with their children, can spend hours each day finding a place to go. Time that could be spent at school and work.

Harpic’s campaign aims to mobilise the public to join the movement and raise awareness of the issue. A hero video formed the centrepiece of the campaign. It has been produced featuring footage showing what happens where public access to a toilet was restricted and their response captured on camera. The video strikes home the realities that individuals face when they are unable to access adequate toilet facilities.