



HEALTH > HYGIENE > HOME

Healthier Happier Stronger

Reckitt Benckiser Group plc
Annual Report and Financial Statements 2012



Outperformance continues

RB has once again met or exceeded its targets.

- Like-for-like net revenue grew +5% to £9,567m.
- Excellent growth in emerging market areas of LAPAC¹ & RUMEA¹;
- ENA¹ performance improved progressively and now back to growth over the year. The last quarter was +3% growth like-for-like.
- Health & hygiene Powerbrands Durex, Gaviscon, Strepsils, Dettol, Lysol, Harpic and Finish led the growth.
- Suboxone film reached 64% volume share of the US market.
- Operating margins² increased by +70 bps, ahead of target.
- Adjusted net income² grew +7% (+10% constant); adjusted diluted earnings² per share of 264.4p (+7%).
- Strong cash flow took net debt to £2,426m after dividends, acquisitions and restructuring.

These results are very encouraging and give us confidence that we have the right business strategy, the right organisation, the right growth platforms and the right culture to deliver our long-term goals.

£9,567m

our net revenue in 2012

£2,570m

adjusted operating profit in 2012

2013 targets

- Net revenue growth of 5-6% at constant exchange rates, excluding RB Pharmaceuticals.
- Maintain operating margin², excluding RB Pharmaceuticals.

For 2012 our health and hygiene revenues were 68% of our core³ geographic portfolio (67% in 2011) and LAPAC and RUMEA were 44% of our core³ geographic portfolio (42% in 2011). This strategic reshaping of our portfolio is ahead of schedule and we have accelerated two of our medium-term KPIs from 2016 to 2015.

Medium-term KPIs

- Health and hygiene revenues to be 72% of core³ net revenue by end of 2015.
- LAPAC and RUMEA combined to be equal in net revenue size to ENA by end of 2015.
- Achieve 200 bps pa of net revenue growth on average above our market growth.
- Achieve moderate operating margin expansion (excluding RB Pharmaceuticals).

¹ Latin America, North Asia, South East Asia, and Australia and New Zealand (LAPAC), Russia and CIS.

² Adjusted to exclude the impact of exceptional items.

³ Core includes health, hygiene, home and

CATEGORY KPI

72%

of core¹ Company net revenues from health and hygiene by end of 2015

GEOGRAPHIC KPI

50%

of core¹ Company net revenues from LAPAC and RUMEA (equal to ENA) by end of 2015

NET REVENUE GROWTH KPI

200^{bps}

a year, on average, ahead of the global market growth across RB's categories and geographies

¹ Core is health, hygiene, home and portfolio brands.

RB PHARMACEUTICALS

RB Pharmaceuticals, as a pioneer of innovative prescription treatments for chronic diseases of addiction, introduced Suboxone sublingual film in 2010. The popularity of the sublingual film meant that by the end of 2012 it had a 64% market share. The sublingual film has patent protection until at least 2020. Based on the enhanced benefits of the sublingual film and the significant reduction in unintended paediatric exposure due to its unit-dose child resistant packaging, RB Pharmaceuticals are voluntarily withdrawing their Suboxone tablets from the US market on 18 March 2013.

TALENTED, GLOBAL EMPLOYEES

Our strategy is supported by hugely talented and driven people from around the world. Their diverse backgrounds and mix of nationalities foster creativity and a culture of innovative thinking in

every market. We have a highly geared, performance-driven remuneration structure for our leadership team.

Our people take a fresh view of what is possible in a market, what value they can create for consumers and how they can deliver healthier lives and happier homes

Then they take often radically different approaches to deliver it. We grant them the freedom to operate, to decide and to create; entrepreneurship is in their blood. This is combined with a high drive for achievement, a strong sense of ownership and a willingness to partner with anyone who can help deliver for consumers.

My thanks go to all our employees and contractors all over the world who have contributed to our success in 2012.

Smarter

Dettol South Africa changed the game of hand washing, which was dominated by soap bars by successfully introducing the automatic liquid hand wash dispenser. The Dettol® line shared entry with our



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achievement of planned cost savings. This has brought forward some of the planned cost savings originally targeted for 2013.

LAPAC. This area covers the markets of Latin America (including Brazil, Mexico, Chile, Argentina, the Andean Pact and Central America), North Asia (China, Korea, Japan, Taiwan, Hong Kong), South East Asia (India, Malaysia, Thailand, Singapore, Philippines, Indonesia, Sri Lanka) and Australia and New Zealand.

2012 total net revenue increased to €2,327m, with like-for-like 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 roll outs 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 Power Plus in Harpic. Vanish and Air Wick performed well in the home category.

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

RUMEA. This area covers the regions of Russia and CIS, Middle East, North Africa, Turkey and Sub-Saharan Africa.

2012 net revenue of £1,404m was ahead +8% on like-for-like basis (+7% total), driven by strong growth in Russia and 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 second 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 2013 but we remain confident about the underlying strength of the business.

Adjusted operating profit increased by +3% to £290m. This resulted in a -80 bps 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 to drive future growth.

The Group also has two non core businesses: RB Pharmaceuticals and Food.

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

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 fx, 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.

RB Pharmaceuticals recently announced its voluntary discontinuation of Suboxone tablets in the US due to increasing concerns with paediatric exposure. The Group has recently been made aware that two manufacturers have received approval to produce generic Suboxone tablets in the US. The approval of generic tablets has been anticipated since the loss of orphan status in October 2009. Whilst the Group remains confident in the success of its patient-preferred Suboxone film, we do expect that increased price pressure will lead to a material reduction in sales revenue in the US.

2012 net revenue increased +10% to €337m. 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 continued to increase with market volume share at the end of 2012 of 64%, up from 48% at the end of 2011, creating a significantly more sustainable business.

Operating profit increased +3% (constant) to €536m. The operating margin was down -400 bps to 64.0%, due to lower margins of the film variant, downward pricing pressure in Europe, and second 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.

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).

2012 net revenue increased +2% to €921m underpinned by continued growth in French's Mustard and Frank's Red Hot Sauce. The second half was flat due to weaker US market conditions and increased private label activity, particularly around French's Fried Onions. Our core French's Mustard and Frank's Red Hot franchises remain strong.

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

THE GROUP'S BRAND PORTFOLIO, MARKET POSITION AND PERFORMANCE

The Group benefits from many very strong market positions for its brand portfolio and has leading positions in selected health, hygiene and home 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 three 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

The health category consists of products that relieve or solve common health problems.

- 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 and flu (including decongestants) with the Powerbrand Mucinex.
- 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 and flu products.

2012 Results excluding RB Pharmaceuticals

In light of the announcement of generic competition to Suboxone in the US, the Group provides the following information relating to the performance of the business in 2012 excluding RB Pharmaceuticals.

	RB ex RB Pharmaceuticals		RB Pharmaceuticals		Total RB	
	€m	%	€m	%	€m	%
Net revenue	8,730	+5%*	837	+10%*	9,567	+5%*
Adjusted operating profit	2,034	+7%**	536	+3%**	2,570	+6%**
Adjusted operating margin		+23.3%		64.0%		+26.9%

* Like for like, constant exchange rates. ** Not constant exchange rates.



This report is part of an integrated approach to reporting our total performance. Our family of reports also includes the Annual Report Highlights, the Sustainability Report on our social and environmental responsibilities, and regularly updated corporate responsibility information at www.rb.com

Left: Annual Report Highlights 2012

Right: Sustainability Report 2011 (2012 report to be published at www.rb.com)

The following are trade marks of the Reckitt Benckiser group of companies:

Airborne, Air Wick, Aqua Mist, Bang, Calgon, Cherry Blossom, Clearasil, d-Con, Dermicool, Dettol, Digestive Advantage, Durex, Easywax, Filter & Fresh, Finish, Flip & Fresh, Frank's Red Hot, French's, Freshmatic, Gaviscon, Harpic, Harpic Hygienic, Lysol, MegaRed, Move Free, Mörtein, Muchex, No-Touch, Nugget, Nurofen, Our Home Our Planet, Performax Intense, Power Plus, Quantum, Quantumatic, Resolve, Schiff, Schiff Vitamins, Scholl, Spray 'n Wash, Strepsils, Suboxone, Subutex, Tiger's Milk, Vanish, Veet, Veja, Woolite as well as Reckitt Benckiser and the RB kite logos.

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