

# Innovating for a healthier future



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**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, Strepisils, 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

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 Strepisils.
- 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, Strepisils and Gaviscon, boosted by such new initiatives as Strepisils 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.