$1,000,000,000

Reckitt Benckiser Treasury Services plc

(*incorporated as a public limited company in England & Wales with registered number 5960843*)

$500,000,000 2.125% Senior Notes due 2018
$500,000,000 3.625% Senior Notes due 2023

fully and unconditionally guaranteed by

Reckitt Benckiser Group plc

(*incorporated as a public limited company in England & Wales with registered number 6270876*)

The $500,000,000 2.125% Senior Notes due 2018 (the "**2018 Notes**") and the $500,000,000 3.625% Senior Notes due 2023 (the "**2023 Notes**" and, together with the 2018 Notes, the "**Notes**") will be issued by Reckitt Benckiser Treasury Services plc (the "**Issuer**"). The payment of all amounts due in respect of the Notes will be fully and unconditionally guaranteed by Reckitt Benckiser Group plc (the "**Guarantees**" and the "**Guarantor**," respectively).

Interest on the Notes will be payable on 21 March and 21 September of each year, beginning 21 March 2014. The 2018 Notes will mature on 21 September 2018 and the 2023 Notes will mature on 21 September 2023.

The Issuer may redeem the 2018 Notes and the 2023 Notes, in whole or in part, at its option, at any time and from time to time prior to 21 September 2018 and 21 June 2023 (the day that is three months prior to the maturity date of the 2023 Notes), respectively, at the "make-whole" redemption price. In addition, the Issuer may redeem the 2023 Notes, in whole or in part, at its option, at any time on and after 21 June 2023 (the day that is three months prior to the maturity date of the 2023 Notes), and from time to time, at a redemption price equal to 100% of the principal amount of the 2023 Notes to be redeemed, together with accrued and unpaid interest (including any additional amounts) on the principal amount of the Notes to be redeemed to the redemption date. The Issuer may also redeem each series of the Notes, in whole and not in part, upon the occurrence of certain changes in tax law.

The Notes and the Guarantees will be direct, unsubordinated and unsecured indebtedness of the Issuer and the Guarantor, respectively, and will rank equally in right of payment among themselves and with all other existing and future unsubordinated and unsecured indebtedness of the Issuer and the Guarantor, respectively.

Application has been made to the UK Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**FSMA**") (the "**UK Listing Authority**") for the Notes to be admitted to the official list (the "**Official List**") of the UK Listing Authority and for the Notes to be admitted to trading on the Professional Securities Market of the London Stock Exchange plc (the "**London Stock Exchange**"). The Professional Securities Market is an unregulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). References in this Offering Memorandum to the Notes being listed (and all related references) shall mean that the Notes have been admitted to trading on the Professional Securities Market and have been admitted to the Official List.

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 16.

Offer Price for the 2018 Notes: 99.342% plus accrued interest, if any, from 23 September 2013
Offer Price for the 2023 Notes: 98.745% plus accrued interest, if any, from 23 September 2013

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state or other jurisdiction of the United States. The Notes may not be offered or sold within the United States (as defined in Regulation S under the Securities Act ("**Regulation S**")), except to qualified institutional buyers pursuant to the exemption from registration provided by Rule 144A under the Securities Act ("**Rule 144A**") and to certain persons in offshore transactions in reliance on Regulation S. Prospective purchasers of the Notes that are qualified institutional buyers are hereby notified that the seller may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes, see "Transfer Restrictions" and "Plan of Distribution."

It is expected that the Notes will be rated "A+" by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and "A1" by Moody's Investors Service Ltd. ("**Moody's**"), subject to confirmation at closing. A credit rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances in the future so warrant. In the event that a rating initially assigned to the Notes is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes and the market value of the Notes is likely to be adversely affected. Each of S&P and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**").

The Notes will be issued in the form of global notes in registered form in denominations of $200,000 and integral multiples of $1,000 in excess thereof. The Initial Purchasers expect to deliver the Notes to purchasers in book-entry form through the facilities of The Depository Trust Company ("**DTC**"), and its participants, including Clearstream Banking, *société anonyme* ("**Clearstream Banking**") and Euroclear Bank SA/NV ("**Euroclear**"), against payment in immediately available funds on or about 23 September 2013. Interests in each global note will be exchangeable for the relevant definitive notes only in certain limited circumstances. See "Book-Entry, Delivery and Form."

Joint Book-Running Managers

BofA Merrill Lynch **Citigroup** **HSBC** **J.P. Morgan** **RBS**

Co-Managers

Deutsche Bank Securities **Mizuho Securities** **Standard Chartered Bank**

The date of this Offering Memorandum is 17 September 2013.

HEALTH HYGIENE HOME

Mucinex

Strepsils

Clearasil

NUROFEN

Mortein

GAVISCON

You should rely only on the information contained or incorporated by reference in this Offering Memorandum. None of the Issuer, the Guarantor or any of the initial purchasers named in "Plan of Distribution" (collectively, the "Initial Purchasers") has authorized anyone to provide you with different information. None of the Issuer, the Guarantor or any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where this offer is not permitted. You should not assume that the information contained or incorporated by reference in this Offering Memorandum is accurate at any date other than the date on the front of this Offering Memorandum. Our business, financial condition, results of operations and prospects may have changed since the relevant date.

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In this Offering Memorandum, unless the context otherwise requires, the "**Issuer**" refers to Reckitt Benckiser Treasury Services plc, a public limited company incorporated in England and Wales with registered number 5960843; "**Reckitt Benckiser**" and the "**Guarantor**" refer to Reckitt Benckiser Group plc, a public limited company incorporated in England and Wales with registered number 6270876; and "**we**," "**us**," "**our**" and the "**RB Group**" refer to Reckitt Benckiser and its consolidated subsidiaries.

Important Information

This Offering Memorandum is confidential and has been prepared by us solely for use in connection with this offering of the Notes (the "**Offering**"). This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this Offering Memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of the Notes is unauthorized, and any disclosure of any of the contents of this Offering Memorandum, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

In making an investment decision, prospective investors must rely on their own examination of us and the terms of this Offering, including the merits and risks involved. You should base your decision to invest in the Notes solely on information contained or incorporated by reference in this Offering Memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with any different information. In addition, neither we nor any Initial Purchaser nor any of our or their respective representatives is making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this Offering Memorandum as legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the Notes. This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this Offering Memorandum, and you must obtain all applicable consents and approvals. Neither we nor the Initial Purchasers shall have any responsibility for any of the foregoing legal requirements.

The Issuer and the Guarantor accept responsibility for the information contained or incorporated by reference in this Offering Memorandum. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure such is the case), the information contained or incorporated by reference in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The information contained or incorporated by reference in this Offering Memorandum speaks only as of the date hereof and any information incorporated by reference herein speaks only as of the date of the document from which such information is incorporated by reference and each is subject to change without notice. Neither the delivery of this Offering Memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this Offering Memorandum or our affairs since the date of this Offering Memorandum.

The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Memorandum. Nothing contained or incorporated by reference in this Offering Memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers as to the past or future.

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including "Book-Entry, Delivery and Form," is subject to change in, or reinterpretation of, the rules, regulations and procedures of DTC, Euroclear and Clearstream Banking currently in effect. Such information has been sourced from the rules, regulations and procedures applicable to DTC, Euroclear and Clearstream Banking as stated in their publicly available guidance and materials. DTC, Euroclear and Clearstream Banking are not under any obligation to perform or continue to perform under such clearing arrangements and such arrangements may be modified or discontinued by any of them at any time. The Issuer will not, nor will any of its agents, have responsibility for the performance of the respective obligations of DTC, Euroclear and Clearstream

Banking or their respective participants. Investors wishing to use these clearing systems are advised to confirm the continued applicability of these arrangements.

By receiving this Offering Memorandum, you acknowledge that you have had an opportunity to request from the Issuer for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

None of the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission or any other regulatory authority has approved or disapproved of the Notes, nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offence under the laws of the United States.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold, except as permitted under the Securities Act and the applicable state securities laws, pursuant to registration or exemption therefrom. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this Offering Memorandum entitled "Plan of Distribution" and "Transfer Restrictions."

The Issuer cannot guarantee that its application for the admission of the Notes to trading on the Professional Securities Market of the London Stock Exchange and to listing of the Notes on the Official List of the UK Listing Authority and the London Stock Exchange, will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditional upon obtaining this listing.

The Issuer and the Initial Purchasers reserve the right to reject all or a part of any offer to purchase the Notes, for any reason. The Issuer and the Initial Purchasers also reserve the right to sell less than all the Notes offered by this Offering Memorandum or to sell to any purchaser less than the amount of the Notes it has offered to purchase.

IN CONNECTION WITH THIS OFFERING, CITIGROUP GLOBAL MARKETS INC., HSBC SECURITIES (USA) INC., J.P. MORGAN SECURITIES LLC, MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED AND RBS SECURITIES INC. (EACH, A "**STABILIZING MANAGER**") (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT A STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

Notice to Investors in the United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Except as permitted by the purchase agreement relating to the Notes, the Notes shall not be offered, sold or delivered (i) as part of the Initial Purchasers' distribution at any time or (ii) otherwise until 40 days after the later of the

commencement of the Offering and the latest closing date, within the United States, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A, and each dealer to which Notes have been sold during the distribution compliance period will be sent a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States. Terms used in this paragraph have the meanings given to them by Regulation S. See "Transfer Restrictions."

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION THAT YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

Information Regarding Forward-Looking Statements

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding our results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing, anticipated cost savings and the completion of strategic transactions.

Any statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely result," "are expected to," "will continue," "believe," "is anticipated," "estimated," "intends," "expects," "plans," "seek," "projection," "outlook," "aims," "may," "will," "forecast," "guidance," "plans," "potential," "predicts," "projected," "assumes," "shall," "could," or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industries in which we operate, may differ materially from those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Offering Memorandum. You are urged to read the sections entitled "Risk Factors," "Operating and Financial Review" and "Our Business" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate.

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in the forward-looking statements made in this Offering Memorandum:

- the impact of global, regional and local economic downturns, including trends that adversely affect the behavior and spending patterns of consumers, the willingness and ability of customers to buy our products, and the ability of suppliers to meet their obligations to us;

- the impact of competition, including technological advances achieved, and patents attained, by competitors, as well as new products introduced by competitors;

- the impact on our operations of financial instability in major economies, sovereign risk, possible imposition of exchange or currency controls, civil unrest and conflict, and unstable governments and legal systems;

- interruptions and breaches of computer and communications systems, including computer viruses and cyber-attacks;

- the impact of laws and regulations, including those relating to bribery, trade, monetary and fiscal policies, taxes, price controls, regulatory approval of new products, licensing and patent rights, and environmental protection;

- the impact of significant litigation or government action adverse to us, including product liability claims, patent infringement claims and antitrust claims;

- difficulties inherent in product development, including the potential inability to successfully continue technological innovation, complete clinical trials, obtain applicable regulatory approvals, gain and maintain market approval of products and the possibility of infringement claims by competitors with respect to patent or other intellectual property rights;

- difficulties and delays in manufacturing, internally or within the supply chain, including labor disruptions, that cause voluntary or involuntary business interruptions or shutdowns, product shortages, substantial modifications to our business practices and operations, withdrawals or suspensions of current products from the market, or possible civil penalties and criminal prosecution;
- product efficacy or safety concerns, whether or not based on scientific evidence, resulting in product withdrawals, recalls, regulatory action or declining sales;
- our ability to access the commercial paper funding market;
- fluctuations in interest rates and currency exchange rates and the potential effect of such fluctuations on revenues, expenses and resulting margins;
- the impact of business combinations, including acquisitions and disposals, both by us, as well as externally among our competitors;
- changes to global climate, extreme weather and natural disasters that could affect demand for our products and services, cause disruptions in our manufacturing and distribution networks, alter the availability of goods and services within the supply chain, and affect the overall design and integrity of our products and operations; and
- reliance on global supply chains and production and distribution processes that are complex, subject to increasing regulatory requirements that may adversely affect sourcing, supply and pricing of materials used in our products, and which may involve multiple third parties, require significant capital expenditures, and be subject to lengthy regulatory approvals.

The list above is not exhaustive and there are other factors that may cause our actual results to differ materially from the forward-looking statements contained in this Offering Memorandum.

Because the risk factors referred to in this Offering Memorandum could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this Offering Memorandum by us or on our behalf, you should not place undue reliance on any forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made and, unless required by applicable laws or regulations, we undertake no obligation to, and do not intend to, update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible for us to predict which factors they will be. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements and we can provide no assurance that these assumptions will prove correct or that our expectations and beliefs will be achieved.

Third Party Information

This Offering Memorandum contains information derived from, or based on information from, the following third party sources: Information Resources (UK) Ltd. ("**IRI**"); The Nielsen Company; "The Most Innovative Companies" index published by Forbes as of September 2012; and Source Healthcare Analytics' Pharmaceutical Audit Suite Weekly Data as at 28 June 2013. This Offering Memorandum also contains information based on rules, regulations and procedures of DTC, Euroclear and Clearstream Banking. Unless otherwise indicated, the market data and certain economic and industry data and forecasts used in this Offering Memorandum have been extracted from information provided by IRI or The Nielsen Company. The information was commissioned by us.

Third party information contained in this Offering Memorandum is accurately reproduced and, as far as the Issuer and the Guarantor are aware and are able to ascertain from information published by that

third party, no facts have been omitted that would render any reproduced information inaccurate or misleading. We believe that the information provided by third parties is reliable; however, we have not independently verified the information and cannot guarantee its accuracy or completeness, and only accept responsibility for accurately reproducing such information.

In addition, in many cases, we have made statements in this Offering Memorandum regarding the health, hygiene and home industry in the markets in which we operate, our position in such industries, and our market share based on our internal estimates, provided by our experience, our investigations of market conditions and our review of information made available to the public by our competitors.

Trademarks

We own or have rights to trademarks, service marks, copyrights and trade names that we use in conjunction with the operation of our business including, without limitation, RB, Airborne, Air Wick, Calgon, Cillit Bang, Clearasil, Dettol, Durex, Finish, French's, Gaviscon, Harpic, Lysol, MegaRed, Mortein, Move Free, Mucinex, Nurofen, Schiff Vitamins, Scholl, Strepsils, Veet, Vanish and Woolite.

This Offering Memorandum also includes trademarks, service marks and trade names of other companies. Each trademark, service mark or trade name of any other company appearing in this Offering Memorandum belongs to its holder. Use or display by us of other parties' trademarks, service marks or trade names is not intended to and does not imply a relationship with, or endorsement or sponsorship by us of, the trademark, service mark or trade name owner.

Presentation of Financial and Other Information

Financial statements

Our financial year ends on 31 December and references in this Offering Memorandum to "**FY**" are to the fiscal year ended 31 December of the year indicated. References in this Offering Memorandum to "**HY**" are to the six months ended 30 June of the year indicated.

The following financial information is included in this Offering Memorandum:

- unaudited half year condensed consolidated financial statements of Reckitt Benckiser Group plc as of 30 June 2013 and for the six months ended 30 June 2013 and 2012 (the "**2013 Half Year Condensed Financial Statements**");
- audited consolidated financial statements of Reckitt Benckiser Group plc as of and for the years ended 31 December 2012 and 2011 (the "**2012 Financial Statements**"), together with the audit report for the year ended 31 December 2012;
- audited non-consolidated financial statements of Reckitt Benckiser Treasury Services plc as of and for the years ended 31 December 2012 and 2011, together with the audit report for the year ended 31 December 2012; and
- audited non-consolidated financial statements of Reckitt Benckiser Treasury Services plc as of and for the years ended 31 December 2011 and 2010, together with the audit report for the year ended 31 December 2011.

The following financial information is incorporated by reference in this Offering Memorandum from our Annual Report and Financial Statements for FY 2011 (pages 36-74 (inclusive)):

- audited consolidated financial statements of Reckitt Benckiser Group plc as of and for the years ended 31 December 2011 and 2010 (the "**2011 Financial Statements**"), together with the audit report for the year ended 31 December 2011.

Such documents shall be deemed to be incorporated in, and form part of, this Offering Memorandum, except that any statement contained in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Memorandum shall not form part of this Offering Memorandum. The parts of the above mentioned documents which are not incorporated by reference into this Offering Memorandum are either not relevant for investors or covered elsewhere in the Offering Memorandum.

Copies of documents incorporated by reference in this Offering Memorandum may be obtained (without charge) from the registered office of the Guarantor or from the "Investors & media" section of the RB Group's website at www.rb.com. Except for the portions of our annual report for FY 2011 referred to above as being incorporated by reference, none of the information contained on this website shall form part of this Offering Memorandum.

For further information on how copies of these financial statements can be obtained, see "Listing and General Information – Documents Available for Inspection."

Our consolidated financial statements as of and for the years ended 31 December 2011 and 31 December 2012, and the non-consolidated financial statements of the Issuer as of and for the years ended 31 December 2011 and 2012, have been audited by PricewaterhouseCoopers LLP, our independent accountants who are members of the Institute of Chartered Accountants in England and Wales, with an address at 1 Embankment Place, London WC2N 6RH. Our consolidated financial statements as of and for the year ended 31 December 2010 were included as the comparative period in the consolidated financial statements as of and for the year ended 31 December 2011, the audit report for which had no modifications related to the comparative period ended 31 December 2010. The non-consolidated financial statements of the Issuer as of and for the year ended 31 December 2010 were included as the comparative period in the non-consolidated financial statements of the Issuer as of and for the year ended 31 December 2011, the audit report for which had no modifications related to the comparative period ended 31 December 2010. The 2013 Half Year Condensed Financial Statements have been reviewed by PricewaterhouseCoopers LLP in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*

We prepare our financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union and as issued by the International Accounting Standards Board ("**IFRS**"). IFRS differ in various significant respects from accounting principles generally accepted in the United States ("**U.S. GAAP**"). In making an investment decision, you should rely upon your own examination of the terms of the Offering and the financial information included or incorporated by reference in this Offering Memorandum. You should consult your own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and how those differences could affect the financial information included or incorporated by reference in this Offering Memorandum. Moreover, the financial information included or incorporated by reference in this Offering Memorandum is not intended to comply with the SEC requirements.

The audited non-consolidated financial statements of the Issuer included in this Offering Memorandum were prepared in accordance with Generally Accepted Accounting Practice in the United Kingdom ("**UK GAAP**").

Our financial statements are presented in pounds sterling. Unless noted otherwise, the financial information in this Offering Memorandum is presented in pounds sterling rounded to the nearest million. Therefore, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them. Certain financial data in this Offering Memorandum have been

converted for convenience purposes into U.S. dollars at the rate of $1.5213 per £1.00, the Bloomberg rate on 28 June 2013. You should not view such translations as a representation that such pound sterling amounts actually represent such U.S. dollar amounts, or could be or could have been converted into U.S. dollars at the rate indicated or at any other rate.

Use of financial statement data in this Offering Memorandum

The financial statement data of the RB Group as of and for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 included in this Offering Memorandum have been extracted from, or are based on, the 2011 Financial Statements and the 2012 Financial Statements. The financial statement data of the RB Group as of 30 June 2013 and for the six months ended 30 June 2012 and 2013 have been extracted from, or are based on, the 2013 Half Year Condensed Financial Statements.

Our income statement for FY 2011 was restated in FY 2012 to reflect a change in our accounting policies for certain consumer promotional costs. We now treat certain consumer promotional costs as cost of sales, where previously these were classified as marketing in net operating expenses. We believe that this change provides more relevant information about our performance and aligns our accounting policies with common industry practice. This restatement resulted in an increase in cost of sales and a corresponding decrease in gross profit and a decrease in net operating expenses, for FY 2011 of £213 million, from the 2011 Financial Statements to the 2012 Financial Statements. The restatement had no impact on our balance sheet or operating profit. The income statement information for FY 2011 presented in this Offering Memorandum reflects the restated income statement information for FY 2011 presented in our 2012 Financial Statements.

In FY 2012, we changed our geographical segments from those reported in the 2011 Financial Statements to reflect our increased focus on high growth emerging market clusters. The following table sets forth the components of our current segments by reference to the segments in our 2011 Financial Statements.

Current segments	Translation from 2011 Financial Statements
Europe and North America ("**ENA**")	Europe *minus* Russia and Turkey *plus* North America, Australia and New Zealand ("**NAA**") *minus* Australia and New Zealand *minus* results allocated to Food segment
Latin America, North Asia, South East Asia and Australia and New Zealand ("**LAPAC**")	Portion of Developing Markets covering the relevant geographical regions *plus* Australia and New Zealand from NAA *minus* results allocated to Food segment
Russia and the Commonwealth of Independent States ("**CIS**"), Middle East, North Africa, Turkey and Sub-Saharan Africa ("**RUMEA**")	Portion of Developing Markets covering the relevant geographical regions *plus* Russia and Turkey *minus* results allocated to Food segment
Food	Results allocated to Food segment derived from NAA and Developing Markets
RB Pharmaceuticals	RB Pharmaceuticals
Corporate	Corporate

In the 2012 Financial Statements, the comparative information for FY 2011 was restated on a consistent basis to reflect the new segments. We have not, however, restated the information for FY 2010 to reflect the new segments. Therefore, in this Offering Memorandum, the discussion of comparative information between FY 2012 and FY 2011 reflects the new segments as provided in the 2012 Financial Statements, while the discussion of comparative information between FY 2011 and FY 2010 reflects the old segments as provided in the 2011 Financial Statements.

In FY 2012, we reported the results of the Scholl Footwear business as part of RUMEA. In HY 2013, we commenced reporting the results of the Scholl Footwear business as part of ENA (the "**Scholl Footwear Reallocation**"). In addition, from HY 2013 onwards, we treat the net pension scheme interest amount as finance income/expense, which is not allocated to our segments. Previously, we classified the interest cost on pension scheme liabilities and expected return on pension scheme assets in either cost of sales or net operating expenses, which are allocated to our segments. Further, see

"Operating and Financial Review – Overview – Restatements" for details relating to the restatement of our income statement to reflect revisions to IAS 19. We refer to the reclassification of the net pension scheme interest and the restatement of the income statement to reflect revisions to IAS 19 collectively as the "**Pension Restatement**."

In our 2013 Half Year Condensed Financial Statements, we restated the comparative information for HY 2012 and FY 2012 on a consistent basis to reflect the Scholl Footwear Reallocation and the Pension Restatement. However, in this Offering Memorandum, while our discussion of comparative segment information between HY 2013 and HY 2012 reflects the Scholl Footwear Reallocation and the Pension Restatement as provided in the 2013 Half Year Condensed Financial Statements, the discussion of results for FY 2012 does not reflect the Scholl Footwear Reallocation and the Pension Restatement and, instead, reflects these items as reported in the 2012 Financial Statements.

All unaudited financial information in this Offering Memorandum has been extracted without material adjustment from our accounting records. Prospective investors should ensure that they read the whole of this Offering Memorandum and not just rely on key information or information summarized within it.

Non-IFRS financial information

This Offering Memorandum contains certain measures that we believe will assist understanding of the performance of our business. The non-IFRS measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but management has included them as these are considered to be important comparables and key measures used within the business for assessing performance and supporting the performance measures derived in accordance with IFRS.

The following are the key non-IFRS measures used in this Offering Memorandum:

- ***Like-for-like results***, which are intended to describe our performance on a comparable basis across any two periods by excluding the effect of material acquisitions and disposals, discontinued operations and foreign currency movements during either period from both periods.

- ***Constant exchange rates***, which are intended to present comparisons of certain line items in our income statement on a constant exchange rate basis. Since FY 2012, we adjust the more recent line item such that the foreign currency conversion applied to that line item is made using the same exchange rate as was applied to that same line item in the prior period. Prior to FY 2012, we adjusted the prior period line item such that the foreign currency conversion applied to that line item was made using the same exchange rate as was applied to that same line item in the more recent period.

- ***Adjusted measures***, such as adjusted net income, adjusted operating profit and adjusted operating margin, which exclude the impact of exceptional items.

- ***Adjusted EBITDA***, which we define as operating profit excluding the effect of exceptional items, depreciation of property, plant & equipment and amortization and impairment of intangible assets.

- ***Free cash flow***, which we define as net cash generated from operating activities less net capital expenditures (*i.e.*, purchases and disposals of property, plant and equipment and intangible assets).

- ***Net debt***, which we define as total borrowings less cash and cash equivalents, short-term available for sale financial assets and financing derivative financial instruments.

We present the foregoing non-IFRS financial measures because we believe these measures provide our investors with additional information about our underlying results and trends, as well as insight into some of the metrics used to evaluate management.

These non-IFRS financial measures have limitations as analytical tools, and investors should not consider them in isolation from, or as a substitute for analysis of, results of operations, as reported under IFRS. Other companies in the health, hygiene and home industry may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

See "Overview – Summary Financial Information" and "Operating and Financial Review" for reconciliations of the foregoing measures to the most directly comparable IFRS measure.

Key performance indicators

We present various key performance indicators ("**KPIs**") in this Offering Memorandum. See "Operating and Financial Review – Key Performance Indicators."

These measures may not be compatible with similarly titled measures presented by others in our industry. While the method of calculation may differ across the industry, management believes that these indicators are important to understanding our performance from period to period and have a direct impact on our results of operations. These indicators are not intended to be a substitute for, or superior to, any IFRS measures of performance.

Market position data

In this Offering Memorandum, we refer to our market positions, as well the market positions of our products, in various product categories. The market positions are based on data as of 31 December 2012, and we have no reason to believe that such market positions have changed since 31 December 2012.

Service of Process and Enforceability of Judgments

Service of Process

The Issuer and the Guarantor are each organized under the laws of England and Wales. Most of the Issuer's and the Guarantor's directors and executive officers reside outside the United States. Substantially all of the assets of these persons and substantially all of the Issuer's and the Guarantor's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer's or the Guarantor's directors and executive officers, or to enforce against any of them judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States.

Enforcement of Judgments

The United States and England currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in England. Any final and conclusive judgment for a definitive sum of money entered by any court of the State of New York or the United States located in the State of New York having jurisdiction under its own domestic laws in respect of any suit, action or proceeding against the Issuer or the Guarantor based upon the Indentures and the Notes would, however, be enforceable against the Issuer and the Guarantor by the courts of England and Wales without re-examination or re-litigation of the matters adjudicated upon, provided that:

- the judgment was not obtained by fraud;

- the enforcement of the judgment would not be contrary to English public policy;
- the judgment was not obtained in proceedings contrary to natural justice;
- the judgment is not for multiple damages;
- the enforcement proceedings were instituted within six years after the date of the judgment;
- the judgment is not inconsistent with an English judgment in respect of the same matter; and
- the essential procedures under the laws of England and Wales with respect thereto are complied with.

A foreign judgment may be "final and conclusive" though it is subject to appeal. An English court may stay proceedings if concurrent proceedings are being brought elsewhere.

Only subject to the foregoing may investors be able to enforce in England judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. Nevertheless, we cannot assure investors that those judgments will be recognized or enforceable in England. In addition, we cannot assure investors that an English court would accept jurisdiction and impose civil liability if the original action were commenced in England, instead of the United States, and predicated solely upon the U.S. federal securities laws.

Currency Presentation

In this Offering Memorandum, references to "pounds," "pounds sterling," "sterling," "£," "pence," "penny" and "p" are to the lawful currency of the United Kingdom and references to "U.S. dollars," "US$," "$," "cents" and "c" are to the lawful currency of the United States.

The following table sets out, for the periods indicated, certain information concerning the exchange rate of pounds sterling expressed in pounds sterling per U.S. dollar as provided by Bloomberg. These translations should not be construed as representations that the pound sterling amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. We do not use these rates in the preparation of our financial statements. On 13 September 2013, the Bloomberg rate was $1.5876 per £1.00.

	At Period End	**Average Rate**[1]	**High**	**Low**
		($ per £1.00)		
For each of the last six months:				
March 2013	1.5198	1.5083	1.5230	1.4903
April 2013	1.5532	1.5309	1.5532	1.5104
May 2013	1.5198	1.5287	1.5574	1.5040
June 2013	1.5213	1.5497	1.5721	1.5213
July 2013	1.5207	1.5187	1.5390	1.4867
August 2013	1.5504	1.5506	1.5668	1.5120
For each of the last five years:				
2008	1.4593	1.8524	2.0335	1.4392
2009	1.6170	1.5670	1.6989	1.3753
2010	1.5612	1.5458	1.6362	1.4334
2011	1.5543	1.6041	1.6707	1.5343
2012	1.6255	1.5852	1.6279	1.5318
2013 (up to 30 June 2013)	1.5213	1.5440	1.6255	1.4903

(1) The daily average of the exchange rates of pounds sterling as provided by Bloomberg during the relevant period.

Overview

This overview highlights selected information from this Offering Memorandum. It is not complete and does not contain all of the information that you should consider before investing in the Notes. The overview should be read in conjunction with, and is qualified in its entirety by, the more detailed information included in, or incorporated by reference to, this Offering Memorandum, including the consolidated financial statements and the related notes thereto. You should read carefully this entire Offering Memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations that are important to your decision to invest in the Notes, including the risks discussed under "Risk Factors." In addition, certain statements include forward-looking information that involves risks and uncertainties. See "Information Regarding Forward-Looking Statements."

Overview of the RB Group

We are one of the world's leading manufacturers and marketers of branded health, hygiene and home products, selling a comprehensive range of products in nearly 200 countries.

We operate in the following product categories:

- Our **Health** products consist generally of over-the-counter ("**OTC**") medications for common ailments such as pain, fever, cold, flu, sore throat and heartburn. We also produce condoms for safe and pleasurable sex and a range of footcare products to address foot, skin and nail conditions. Health products accounted for 22% of our net revenue for FY 2012.
- Our **Hygiene** products include personal hygiene products (including depilatory products for removal of body hair and acne treatments) and home hygiene products (including disinfectant cleaners, all-purpose cleaners, lavatory cleaners, detergents for automatic dishwashing and pest control products). Hygiene products accounted for 38% of our net revenue for FY 2012.
- Our **Home** product category consists of air care products, garment care products, fabric treatment products, water softeners and shoe care products. Home products accounted for 21% of our net revenue for FY 2012.
- Our **Portfolio Brands** include laundry detergents, fabric softeners, ironing aids, footwear and medical gloves that do not fit within our Health, Hygiene and Home categories and that are intended to build scale in local markets. Portfolio Brands accounted for 7% of our net revenue for FY 2012.
- Our **Food** product category consists of a largely North American food business. Food products accounted for 3% of our net revenue for FY 2012.
- Our **RB Pharmaceuticals** product category consists of Subutex and Suboxone prescription drugs, which are buprenorphine-based treatments for opiate dependence. RB Pharmaceuticals accounted for 9% of our net revenue for FY 2012.

We refer to our Health, Hygiene, Home and Portfolio Brands product categories as our "**core**" business, with Food and RB Pharmaceuticals being categorized as non-core operations.

Our product portfolio is led by 19 global "Powerbrands" that are mostly either market leaders or ranked second in their respective markets and that generated 70% of our net revenue in FY 2012. Our Powerbrands* consist of the following products, which are segmented along the product categories detailed below:

Health	Hygiene	Home
Durex – condoms and related products	Cillit Bang – power cleaning products	Air Wick – air freshener
Gaviscon – heartburn and indigestion remedy	Clearasil – acne treatment	Calgon – water softener
Mucinex – decongestant, cough suppressant and treatment of cold, flu and sinus infection	Dettol – antiseptic products, personal care products and kitchen gels	Vanish – fabric treatment
Nurofen – analgesics for relief of pain and other symptoms	Finish – automatic dishwashing and related products	Woolite – garment care
Scholl – footcare products	Harpic – toilet cleaner	
Strepsils – medicated sore throat remedies	Lysol – disinfectant cleaning products	
	Mortein – pest control	
	Veet – depilatory products	

* French's Mustard in the Food category is our 19th Powerbrand.

In addition, we have identified seven large consumer clusters across the world, and within them, 16 "Powermarkets". These are markets in which we believe we have the greatest potential for growth. A significant number of these Powermarkets are located within emerging markets. We have organized ourselves around these consumer clusters and Powermarkets accordingly as follows:

	Area Organizations	Area HQ
ENA	North America, Central Europe, Northern Europe, Southern Europe, Western Europe	Amsterdam
LAPAC	Latin America, Australia and New Zealand, North Asia, South East Asia	Singapore
RUMEA	Russia and CIS, Middle East, North Africa, Turkey, Sub-Saharan Africa	Dubai

In FY 2012, ENA, LAPAC and RUMEA accounted for 56%, 27% and 17%, respectively, of our core net revenue (55%, 29% and 16%, respectively, of HY 2013 core net revenue). In terms of total net revenue, ENA, LAPAC and RUMEA accounted for 49%, 24% and 15%, respectively, in FY 2012 (49%, 26% and 14%, respectively in HY 2013), with the balance being attributable to Food and RB Pharmaceuticals.

We operate in more than 60 countries worldwide, with 49 production facilities and approximately 36,000 employees.

As of and for the six months ended 30 June 2013, we reported net revenue of £4,994 million; net income of £661 million; total assets of £15,956 million; and total equity of £6,037 million.

Reckitt Benckiser is listed on the London Stock Exchange under the symbol "RB.", and was in the top 20 of the FTSE 100 as of the date of this Offering Memorandum.

Our Competitive Strengths

We believe that we have significant competitive strengths that position us well to deliver strong cash generation and long-term earnings growth. These competitive strengths include the following:

Portfolio of household brands with market leading positions. We benefit from strong market positions (based on market share) for many brands in our portfolio and have leading positions in selected health, hygiene and home product categories. These positions derive from the strength of our 19 Powerbrands, which are our flagship brands and on which we focus the majority of our efforts and investment:

- In the Health category, **Nurofen** and **Gaviscon** are leading analgesic and gastro-intestinal brands in Europe and Australia; **Strepsils** is the number 1 brand in medicated sore throat worldwide; **Mucinex** is the number 1 cough brand in the United States and number 2 in cold and flu products worldwide; **Durex** is the number 1 condom brand worldwide; and we also have leading positions in many markets in footcare with **Scholl**.

- In the Hygiene category, **Finish** is number 1 worldwide in automatic dishwashing; within disinfectant cleaners, **Lysol** is the number 1 brand in North America and **Dettol** is the number 1 brand outside North America; our lavatory care range is number 2 with **Lysol** in North America and **Harpic** across Europe and emerging markets; **Mortein** is the worldwide number 2 brand in pest control; and our skin care range holds the number 1 position worldwide in depilatory products with **Veet** and the number 3 position in acne treatment with **Clearasil**.

- In the Home category, we are: number 1 worldwide in fabric treatment with **Vanish** and in water softener with **Calgon**; number 2 worldwide in garment care with **Woolite**; number 2 worldwide in air care with **Air Wick**; and number 2 worldwide in shoe care with brands such as **Cherry Blossom** and **Nugget**.

In addition, **French's Mustard** is the number 1 brand of mustard in North America.

Track record of innovation. We believe that we deliver innovative products that meet consumer needs, which is a cornerstone of our success. We invest significantly in bringing new ideas to consumers, and have one of the highest innovation rates within the industry, based on our position in relation to our peers in the Forbes "The Most Innovative Companies" index as of September 2012. We have consistently been recognized in recent years in the Product of the Year awards, the world's largest consumer-voted award for product innovation, with four of our innovations receiving a mention in the United Kingdom, two in Brazil, and one in the United States.

Diversity across geography and product category. We conduct our operations in more than 60 countries, and our products are sold in nearly 200 countries worldwide. The geographic spread of our operations and the reach of our products reduce our exposure to any single country or region. In FY 2012, ENA, LAPAC and RUMEA accounted for 56%, 27% and 17%, respectively, of our core net revenue (55%, 29% and 16%, respectively, of HY 2013). In terms of total net revenue, ENA, LAPAC and RUMEA accounted for 49%, 24% and 15%, respectively, in FY 2012 (49%, 26% and 14%, respectively, in HY 2013), with the balance being attributable to Food and RB Pharmaceuticals.

Our Powerbrands are mostly either market leaders or ranked second in their respective markets and they generated 70% of our net revenue in FY 2012, with our largest Powerbrand (based on net revenue) generating 9% of our FY 2012 net revenue. In terms of product categories, our FY 2012 net revenue was derived 22% from Health products (HY 2013: 24%), 38% from Hygiene products (HY 2013: 40%), 21% from Home products (HY 2013: 20%), 7% from Portfolio Brands (HY 2013: 5%), 3% from Food products (HY 2013: 3%) and 9% from RB Pharmaceuticals (HY 2013: 8%).

Track record of identifying and integrating acquisitions. We have a track record of successfully identifying and executing acquisitions. Our acquisitions over the years have added several important brands and product categories to our portfolio.

- In FY 2006, we completed the acquisition of Boots Healthcare International, which added Nurofen, Strepsils and Clearasil to our product portfolio.

- In FY 2008, we completed the acquisition of Adams Respiratory Therapeutics, which added Mucinex to our product portfolio.

- In FY 2010, we completed the acquisition of SSL International plc ("**SSL**"), which added Durex and Scholl to our product portfolio.

- In FY 2012, we completed the acquisition of Schiff Nutrition International, Inc. ("**Schiff**"), a leading provider of branded vitamins, nutrition supplements and nutrition bars in the United States. We believe that this acquisition has given us a powerful entry into the global vitamin, minerals and supplements ("**VMS**") market, which is one of the largest consumer health categories in the world. The acquisition is also consistent with our strategic focus on the consumer health category.

We also have a strong track record of integrating our acquisitions, having fully integrated SSL and various smaller acquisitions. We are continuing to make progress in the integration of Schiff.

Track record for cost containment and cash conversion. In FY 2012, specific projects to extract cost from the ENA segment were initially expected to save £30 million annually from FY 2013; we, however, achieved the FY 2013 annual target earlier than anticipated. Our track record for cost containment is further illustrated by the fact that between FY 2010 and FY 2012, while our net revenue increased 13%, our net operating expenses (which include exceptional costs) increased only 4%.

By emphasizing working capital management, we are able to convert a high proportion of operating profit into cash. Further, our tight control over net capital expenditure (purchases less disposals of property, plant and equipment and intangible assets) means that we are able to convert a high proportion of our net cash generated from operating activities into free cash flow (*i.e.*, net cash generated from operating activities less net capital expenditure), with the conversion rate in FY 2012 being 92% (HY 2013: 91%).

Strong balance sheet. At 30 June 2013, our net debt was £2,760 million. The ratio of our net debt to Adjusted EBITDA as of 31 December 2012 was 0.9x. As of 30 June 2013, our borrowings consisted of commercial paper, and we had not drawn any amounts under our committed bank facilities.

Experienced and incentivized management team. Our management team has extensive experience in the fast moving consumer goods ("**FMCG**") and pharmaceutical sectors. Our Chief Executive Officer, Rakesh Kapoor, has more than 25 years' experience in the industry, having served at Reckitt Benckiser (then, Reckitt & Colman) since 1987. Our Chief Financial Officer, Adrian Hennah, was previously the chief financial officer of Smith & Nephew plc (for six years) and at Invensys (for four years), and spent 18 years at GlaxoSmithKline plc in various senior management roles. The members of our Executive Committee have been with us for an average of 12 years.

We believe that our culture of global mobility has helped create a diverse management team. There are eight nationalities among the nine members of our Executive Committee, and over 40 nationalities within our so-called "**Top400**" (our senior managers, which now number over 400 individuals), which is our core management team. Over 60% of the members of the Top400 are working in a country that is not their original domicile, consistent with our policy to develop a multinational management team. Turnover within the Top400, which we consider to be a KPI for our business, in FY 2012 was 8%, which we consider satisfactory given the need to retain high-quality management offset by the benefits of refreshing the team with new talent. We train and develop our management pipeline through formal training programs focusing on leadership skills, functional skills and general skills, and through a deliberate policy of training on the job. We have 23 formal training modules for middle management and the Top400.

The level and composition of remuneration across the RB Group is designed to facilitate global mobility and diversity. For example, to reinforce a performance-led culture, we position aggregate elements of fixed pay of the Executive Directors at or below median market levels, while providing significant opportunities for performance-contingent variable reward (between 66% and 81% of the total package). In addition, our top 40 international managers are required to own shares in Reckitt Benckiser worth approximately £150 million (based on a share price of £45 per share). We believe that these features align the interests of our management team with ours and ensure that our management team has significant interest in the long-term sustainability of the business.

Our Strategy

In 2012, we announced our new vision and purpose, and set out a strategy to deliver our second decade of market outperformance; that is, growth ahead of the rate prevailing in the markets in which we operate.

Our strategy consists of focusing our brand portfolio on the faster-growth and higher-margin consumer health and hygiene categories, and redeploying our resources to deliver a more evenly balanced revenue stream from emerging and developed markets.

To achieve our strategic goals, we intend to:

Focus on Powerbrands. A key pillar of our strategy is to deliver outperformance through a significant focus on our Powerbrands in the Health, Hygiene and Home categories. While our Powerbrands delivered 70% of our net revenue in FY 2012, we believe that they have significant potential for future growth through increased penetration, consumption and category expansion within markets where they already have a presence. For example, even in some of the world's most developed and highly penetrated markets, dishwashers are present in

less than 65% of homes, compared with washing machines, which are present in over 90% of homes, thereby providing growth opportunities for our dishwasher products. We believe that opportunities for growth in emerging markets are even greater.

Our Powerbrands also have potential for growth through roll-out into countries where we do not yet have a Powerbrand presence. On average, our Powerbrands are present in 47 countries out of approximately 200 countries in which our products are sold, which provides a sizeable opportunity for long-term growth.

We seek to grow our Powerbrands through various initiatives. For example, in order to increase the penetration levels of Finish, we have entered into strategic alliances with dishwasher manufacturers that include, among other things, outreach programs to spread awareness about dishwashers. In order to increase the penetration levels of Dettol, we conduct outreach programs for new mothers and children in more than 40 countries, partner with healthcare professionals, and seek to create new sub-categories of the product (for example, Dettol liquid hand wash).

Within our three main product categories, we are particularly focused on the Health and Hygiene categories due to their faster growth across the world and higher margins. Our medium-term goal is to grow our Health and Hygiene product categories faster so that they represent 72% of our core net revenue by 2015. By the end of 2012, they represented 68% of our core net revenue (HY 2013: 72%).

Focus on Powermarkets. Our brands are marketed and sold in nearly 200 markets across the world, but we expect that the vast majority of our global growth will come from certain key markets. We have, therefore, identified 16 Powermarkets in both developed and emerging countries for disproportionate investment and growth.

A key element of our Powermarkets strategy is to focus on emerging markets. In furtherance of this strategy, in FY 2012, we replaced our single Developing Market segment with two new segments for emerging markets (LAPAC and RUMEA). In addition, we merged our European and North American segments to form one segment (ENA). Our medium-term goal is to grow LAPAC and RUMEA faster so that by 2015 they together represent 50% of our core net revenues, *i.e.*, equal in size to ENA. For FY 2012, they represented 44% of our core net revenues (HY 2013: 45%). We have redeployed our resources, including targeting a larger proportion of our brand equity building initiatives, in furtherance of our LAPAC/RUMEA growth strategy.

Continue investment in innovation and brand equity. We believe that delivering innovative products that meet consumer needs is a cornerstone of our success. We invest significantly in bringing new ideas to consumers, and intend to continue doing so. We have one of the highest innovation rates within the industry, based on our position in relation to our peers in the Forbes "The Most Innovative Companies" index as of September 2012. We believe that as important as providing great innovations that give more benefits and convenience to consumers, is investing in education and communication. This forms part of what we refer to as brand equity investment ("**BEI**"), which replaced pure media spend as the measure of our brand investment in 2012. It comprises advertising in both traditional and digital media, and also investment in extensive consumer and professional education and information campaigns, such as new mother programs, in-school hand washing and hygiene programs, pharmacist education programs and health professionals' development programs.

In furtherance of this strategy, we invested an additional £100 million in BEI in FY 2012, and believe we are among the top 10 global media spenders. We also doubled our social and digital media spend in FY 2012. In HY 2013, we increased BEI by 80 basis points compared to HY 2012 to 14.4% of net revenue (excluding RB Pharmaceuticals). The increase in BEI was focused on Powerbrands, Powermarkets and new initiatives. This included an increase in investment behind our newly acquired Schiff brands.

We believe that our BEI initiatives build trust in our brands, which in turn will enable us to enjoy enduring relationships with our consumers.

Expand margins. Since FY 2012, we have undertaken a number of initiatives to deliver operating margin improvement (excluding RB Pharmaceuticals). These initiatives consist of the following elements:

- **Gross margin improvement.** We are seeking to improve gross margins through a combination of (a) improved portfolio mix, as we focus on the Health and Hygiene product categories, and roll out higher margin Powerbrands in new markets, (b) supply chain re-engineering projects or reduction in the cost of

sales of products, in each case aimed at delivering cost savings, (c) targeted price increases and (d) volume leverage.

- **Fixed cost containment.** We seek to improve efficiency and contain fixed costs where possible. We have sought to achieve this through the de-layering of management in Europe and a focus on the containment of the non-BEI related cost categories within our income statement.

The primary purpose of our gross margin expansion is to fund BEI, particularly in Powerbrands and Powermarkets. We believe that this will drive further growth and lead to operating leverage, greater scale and operating margin expansion.

We expect modest improvements in operating margins over time.

Pursue selective acquisition and disposal opportunities. While our growth strategy primarily consists of organic growth, we consider acquisitions where they offer a strategic opportunity to further accelerate growth. Our acquisition strategy is focused on opportunities in consumer health and on emerging markets. At the end of FY 2012, we completed the acquisition of Schiff, which, we believe, has provided us with a powerful entry into the global VMS market, which is one of the largest consumer healthcare categories in the world. In HY 2013, we acquired Oriental Medicine Company Limited, a manufacturer of traditional Chinese sore throat products. We also entered into a collaboration agreement with Bristol-Myers Squibb in Latin America in HY 2013, which we accounted for as a business combination.

In addition, we continue to consider potential acquisitions to build our portfolio of market leading brands in our core product categories.

Future acquisitions could be small, typically single country, acquisitions (so-called “bolt-ons”), larger regional or smaller global transactions, or transformative acquisitions.

We also seek to exit certain businesses which are not relevant to our strategy. During FY 2012, we withdrew from our private label business and sold our personal care business in Paras Pharmaceuticals Limited (“**Paras**”) in India. We will continue to review our portfolio and exit business as appropriate.

Maintain competitive balance sheet and financial flexibility. Historically, we have funded acquisitions through short-term borrowings and relied on cash flow from our operations to repay the borrowings during the 12 to 18 months following acquisition and before the next acquisition is undertaken. We have also relied on funding in the commercial paper market, and have benefited from the low interest rate environment following the financial crisis. In recent years, our gross debt has increased modestly, due principally to the increased number of acquisitions we have made. Looking forward, we consider some increase in interest rates over the coming years to be likely and anticipate additional funding needs for future acquisitions, both bolt-on acquisitions as well as acquisitions that may be more material in size, including those that may be transformative. In this context, this Offering represents a move to longer duration, and more diversified, funding arrangements for us. We target a strong investment grade “A” banded credit rating.

The Issuer

The Issuer was incorporated as a private limited company under the laws of the England and Wales on 9 October 2006 with registered number 5960843 and was re-registered as a public limited company on 7 September 2007. Its principal executive offices and registered office are located at 103-105 Bath Road, Slough, Berkshire SL1 3UH, United Kingdom. The telephone number of its registered office is +44 (0) 1753 217800.

The Issuer is a wholly owned finance company that conducts no business operations. It has limited assets and no ability to generate revenues. Upon completion of the Offering, the only significant assets of the Issuer will be various intercompany loans and its shareholding in two finance subsidiaries. The Issuer’s material liabilities include amounts owed to other members of the RB Group and commercial paper, and will include the Notes and any additional Notes or other indebtedness it may incur in the future.

The Guarantor

The Guarantor was incorporated on 6 June 2007 with the name Trushelfco (No. 3293) Limited and registered in England and Wales as a private limited company under the Companies Act 2006 (the "**Companies Act**") with registered number 6270876. On 24 July 2007, the Guarantor's name was changed to Reckitt Benckiser Group Limited and on 30 August 2007, it was re-registered as a public limited company. Its registered office is located at 103-105 Bath Road, Slough, Berkshire SL1 3UH, United Kingdom and the telephone number of its registered office is +44 (0) 1753 217 800.

The Guarantor is the listed holding company of the RB Group. It has no independent business operations, and is dependent on dividends from its subsidiaries.

The Offering

The following overview of the Offering contains basic information about the Notes and the Guarantees. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete understanding of the Notes and the Guarantees, including certain definitions of terms used in this overview, please refer to "Description of Notes."

Issuer .... Reckitt Benckiser Treasury Services plc.

Guarantor .... Reckitt Benckiser Group plc.

The Guarantor is a holding company that conducts no independent business operations, and is dependent on dividends from its operating subsidiaries.

Notes Offered .... $500 million aggregate principal amount of 2.125% Senior Notes due 2018 (the "**2018 Notes**"); and

$500 million aggregate principal amount of 3.625% Senior Notes due 2023 (the "**2023 Notes**" and, together with the 2018 Notes, the "**Notes**").

Guarantees .... The Notes will be fully and unconditionally guaranteed by the Guarantor (the "**Guarantees**"). The Notes will not be guaranteed by any of our other entities.

Issue Date .... 23 September 2013 (the "**Issue Date**").

Maturity Dates .... 2018 Notes: 21 September 2018.

2023 Notes: 21 September 2023.

Interest Payment Dates .... Semi-annually in arrears on each 21 March and 21 September, commencing 21 March 2014. Interest will accrue from and including the Issue Date.

Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Record Dates .... 6 March and 6 September of each year, whether or not a business day.

Issue Price .... 2018 Notes: 99.342%, plus accrued interest, if any, from the Issue Date.

2023 Notes: 98.745%, plus accrued interest, if any, from the Issue Date.

Denominations .... $200,000, and any integral multiple of $1,000 in excess of $200,000.

Ranking of the Notes and the Guarantees .... The Notes and the Guarantees will be direct, unsecured and unsubordinated obligations of the Issuer and the Guarantor, respectively, ranking *pari passu* among themselves and with all

other direct, unsecured and unsubordinated obligations (except those obligations preferred by statute or operation of law) of the Issuer and the Guarantor, respectively.

The Notes and the Guarantees will be effectively subordinated to any debt or other obligations of any other subsidiary of the Guarantor with respect to the earnings and assets of that subsidiary.

Optional Redemption........................ The Issuer may redeem each series of the Notes, in whole or in part, at its option, at any time and from time to time prior to 21 September 2018 in the case of the 2018 Notes and 21 June 2023 in the case of the 2023 Notes (the day that is three months prior to the maturity date of the 2023 Notes) at a "make-whole" redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) the sum of the present values of the applicable remaining scheduled payments discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at (a) with respect to the 2018 Notes, the treasury rate plus 10 basis points and (b) with respect to the 2023 Notes, the treasury rate plus 15 basis points, in each case together with accrued interest on the principal amount of the applicable Notes to be redeemed to the date of redemption.

In addition, the Issuer may redeem the 2023 Notes in whole or in part, at its option, at any time on and after 21 June 2023 (the day that is three months prior to the maturity date of the 2023 Notes) and from time to time, at a redemption price equal to 100% of the principal amount of the 2023 Notes to be redeemed, together with accrued and unpaid interest (including any additional amounts) on the principal amount of the 2023 Notes to be redeemed to the date of redemption.

See "Description of Notes – Redemption – Optional Redemption."

Additional Amounts; Tax Redemption.. Subject to certain exceptions and limitations provided for in the Indentures, the Issuer or, if applicable, the Guarantor will pay such additional amounts on the Notes (or under the Guarantees in respect thereof) as may be necessary to ensure that the net amounts received by each holder of a Note after any withholding or deductions required by law for any taxes imposed by any jurisdiction in which the Issuer (or, if applicable, the Guarantor) is incorporated, domiciled or resident for tax purposes will not be less than the amount such holder or beneficial owner would have received if such taxes had not been withheld or deducted.

Each series of the Notes is subject to redemption prior to maturity, at the option of the Issuer, in whole but not in part, at their principal amount, plus accrued interest to the date of redemption and any additional amounts, in the event of certain changes in tax laws.

See "Description of Notes – Payment of Additional Amounts"

and "Description of Notes – Redemption – Redemption for Tax Reasons."

Certain Covenants .... The Issuer and the Guarantor have agreed to certain covenants with respect to the Notes, including a negative pledge and limitation on mergers and consolidations. See "Description of Notes – Covenants of the Issuer and the Guarantor."

Further Issuances............................... The Issuer may, from time to time, without notice to or the consent of the holders of the Notes, issue as many distinct series of debt securities under the Indentures as it wishes. It may also from time to time, without notice to or the consent of the Holders of the Notes, "reopen" each series of the Notes and create and issue additional notes having identical terms and conditions as the 2018 Notes and 2023 Notes, as the case may be (or in all respects except for the issue date, the issue price, the payment of interest accruing prior to the issue date of such additional notes and/or the first payment of interest following the issue date of such additional notes) so that the additional notes are consolidated and form a single series of notes with the applicable Notes.

Use of Proceeds.................................. We expect to use the net proceeds of the Offering for general corporate purposes. See "Use of Proceeds."

Transfer Restrictions .... The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions" and "Plan of Distribution." The Issuer has not agreed, or otherwise undertaken, to register the Notes (including by way of an exchange offer) under the Securities Act.

Absence of a Public Market for the Notes .... The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed the Issuer that they intend to make a market in the Notes, they are not obligated to do so, and they may discontinue market making at any time without notice. Accordingly, the Issuer cannot assure you that a liquid market for the Notes will develop or be maintained.

Listing... Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List of the UK Listing Authority and to be admitted to trading on the Professional Securities Market of the London Stock Exchange.

Trustee, Principal Paying Agent, Registrar and Transfer Agent .... Deutsche Bank Trust Company Americas.

London Paying Agent .... Deutsche Bank AG, London Branch.

Governing Law of the Indentures,

the Notes and the Guarantees........ The State of New York.

Expected Ratings................................ It is expected that the Notes will be rated "A+" by S&P and "A1" by Moody's.

A security rating is not a recommendation to buy, sell or hold the Notes. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances in the future so warrant. In the event that a rating initially assigned to the Notes is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes and the market value of the Notes is likely to be adversely affected.

CUSIPs and ISINs.............................. 2018 Notes:

- Rule 144A: CUSIP: 75625QAA7; ISIN: US75625QAA76.
- Regulation S: CUSIP: G7420TAA4; ISIN: USG7420TAA46.

2023 Notes:

- Rule 144A: CUSIP: 75625QAB5; ISIN: US75625QAB59.
- Regulation S: CUSIP: G7420TAB2; ISIN: USG7420TAB29.

Risk Factors

Investing in the Notes involves substantial risks. In evaluating an investment in the Notes, you should carefully consider all of the information provided in this Offering Memorandum and, in particular, the specific factors set out under "Risk Factors."

Summary Financial Information

The summary financial information of the RB Group provided below has been extracted without material adjustment from our 2011 Financial Statements, 2012 Financial Statements and our 2013 Half Year Condensed Financial Statements. For a discussion of the basis of the preparation of our consolidated financial information, see note 1 to the audited consolidated financial statements and notes 2 and 3 of the unaudited condensed consolidated financial statements included or incorporated by reference in this Offering Memorandum.

Our consolidated financial statements as of and for the years ended 31 December 2011 and 31 December 2012 have been audited by PricewaterhouseCoopers LLP. Our consolidated financial statements as of and for the year ended 31 December 2010 were included as the comparative period in the 31 December 2011 financial statements, of which this opinion had no modifications related to the comparative period ended 31 December 2010. Our condensed consolidated financial statements as of 30 June 2013 and for the six months ended 30 June 2012 and 2013 are unaudited but have been reviewed by PricewaterhouseCoopers LLP in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. These statements have been prepared in accordance with IFRS. See "Presentation of Financial and Other Information." Our unaudited condensed consolidated financial statements include, in the opinion of management, all adjustments necessary to present fairly our financial results for the periods presented. Interim results are not necessarily indicative of the results that may be expected for any other interim period or for the full year. Our historical financial information is not indicative of our future results.

You should read the data below together with the information contained in "Presentation of Financial and Other Information," "Risk Factors," "Selected Historical Financial Information," "Operating and Financial Review" and our audited consolidated financial statements, the unaudited condensed consolidated financial statements and the related notes, which are included or incorporated by reference in this Offering Memorandum.

Consolidated Income Statement Data:

	FY			HY		HY
	2010	**2011**	**2012**	**2012**	**2013**	**2013**
	(£ in millions)					**($ in millions)**
				(unaudited)	(unaudited)	(unaudited)
Net revenue	8,453	9,485	9,567	4,669	4,994	7,597
Cost of sales	(3,332)	(4,036)	(4,030)	(2,038)	(2,065)	(3,141)
Gross profit	5,121	5,449	5,537	2,631	2,929	4,456
Net operating expenses	(2,991)	(3,054)	(3,102)	(1,555)	(2,015)	(3,065)
Operating profit before exceptional items	2,231	2,487	2,570	1,124	1,163	1,769
Exceptional items	(101)	(92)	(135)	(48)	(249)	(378)
Operating profit	2,130	2,395	2,435	1,076	914	1,391
Net finance income/(expense)	6	(19)	(15)	(18)	(16)	(24)
Profit on ordinary activities before taxation	2,136	2,376	2,420	1,058	898	1,367
Tax on profit on ordinary activities	(566)	(622)	(587)	(279)	(237)	(361)
Net income	1,570	1,754	1,833	779	661	1,006

Consolidated Balance Sheet Data:

	As of 31 December			As of 30 June	As of 30 June
	2010	2011	2012	2013	2013
	(£ in millions)				($ in millions)
				(unaudited)	(unaudited)
Cash and cash equivalents	588	639	887	790	1,202
Total assets	13,422	14,126	15,080	15,956	24,274
Total liabilities	(8,292)	(8,345)	(9,158)	(9,919)	(15,090)
Total equity	5,130	5,781	5,922	6,037	9,184

Consolidated Cash Flow Statement Data:

	As of and for the year ended 31 December			As of and for the six months ended 30 June		As of and for the six months ended 30 June
	2010	2011	2012	2012	2013	2013
	(£ in millions)					($ in millions)
				(unaudited)	(unaudited)	(unaudited)
Cash generated from operations ...	2,215	2,430	2,423	1,106	1,321	2,010
Net cash generated from operating activities	1,544	1,740	1,888	859	978	1,488
Net cash (used in)/generated from investing activities	(2,790)	(648)	(936)	14	(516)	(785)
Dividends paid to owners of Reckitt Benckiser....................	(773)	(873)	(916)	(511)	(561)	(853)
Net cash generated from/(used in) financing activities..................	1,471	(1,004)	(688)	(427)	(559)	(850)
Net increase/(decrease) in cash and cash equivalents	225	88	264	446	(97)	(148)
Cash and cash equivalents at the beginning of the period[1]......	334	568	634	634	882	1,342
Cash and cash equivalents at the end of the period[1]	568	634	882	1,062	781	1,188

(1) Net of overdrafts.

Other Data:

	As of and for the year ended 31 December			As of and for the six months ended 30 June		As of and for the six months ended 30 June
	2010	2011	2012	2012	2013	2013
	(£ in millions, other than %)					($ in millions)
				(unaudited)		
Gross margin[1]	60.6%	57.4%	57.9%	56.4%	58.7%	N/A
Adjusted net income[2][3]	1,661	1,818	1,938	814	864	1,314
Adjusted operating profit[2][4].......	2,231	2,487	2,570	1,124	1,163	1,769
Adjusted operating margin[2][5]............................	26.4%	26.2%	26.9%	24.1%	23.3%	N/A

	As of and for the year ended 31 December			As of and for the six months ended 30 June		As of and for the six months ended 30 June
	2010	2011	2012	2012	2013	2013
	(£ in millions, other than %)			(unaudited)		($ in millions)
Free cash flow[6]	1,219	1,552	1,733	788	893	1,359
Adjusted EBITDA[7]	2,375	2,644	2,718	1,196	1,243	1,891
Adjusted EBITDA margin[8]	28.1%	27.9%	28.4%	25.6%	24.9%	N/A
Net debt[9]	2,011	1,795	2,426		2,760	4,199
Ratio of net debt to Adjusted EBITDA	0.8x	0.7x	0.9x		N/A	N/A

(1) Represents gross profit as a percentage of net revenue.

(2) We present adjusted measures such as adjusted net income, adjusted operating profit and adjusted operating margin to exclude the impact of the exceptional items. We present these non-IFRS financial measures because we believe these measures provide our investors with additional information about our underlying results and trends, as well as insight to some of the metrics used to evaluate management. These non-IFRS financial measures have limitations as analytical tools, and investors should not consider them in isolation from, or as a substitute for analysis of, results of operations, as reported under IFRS. Other companies in the health, hygiene and home industry may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

(3) We define adjusted net income as net income attributable to owners of Reckitt Benckiser excluding the effect of exceptional items and the tax effect thereon. The following table sets forth a reconciliation of net income to adjusted net income for the periods indicated.

	FY			HY		HY
	2010	2011	2012	2012	2013	2013
	(£ in millions)			(unaudited)	(unaudited)	($ in millions) (unaudited)
Net income attributable to owners of Reckitt Benckiser	1,568	1,745	1,829	775	660	1,004
Exceptional items	104[(a)]	96[(a)]	135	48	249	379
Tax effect of exceptional items	(11)	(23)	(26)	(9)	(45)	(68)
Adjusted net income	1,661	1,818	1,938	814	864	1,314

(a) Includes exceptional costs of £3 million and £4 million included in finance expense for FY 2010 and FY 2011, respectively.

(4) We define adjusted operating profit as operating profit excluding the effect of exceptional items. The following table sets forth a reconciliation of operating profit to adjusted operating profit for the periods indicated.

	FY			HY		HY
	2010	2011	2012	2012	2013	2013
	(£ in millions)			(unaudited)	(unaudited)	($ in millions) (unaudited)
Operating profit	2,130	2,395	2,435	1,076	914	1,390
Exceptional items	101	92	135	48	249	379
Adjusted operating profit	2,231	2,487	2,570	1,124	1,163	1,769

(5) Represents adjusted operating profit as a percentage of net revenue.

(6) We define free cash flow as net cash generated from operating activities less net capital expenditure (*i.e.*, purchases and disposals of property, plant and equipment and intangible assets). Free cash flow is a supplemental measure of our liquidity that is not required by or presented in accordance with IFRS. We present free cash flow because we believe that this measure is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of which present free cash flow when reporting their results. Free cash flow is not an IFRS measure and should not be considered as a measure of cash flow from operations under IFRS or as an indicator of liquidity. Free cash flow is not intended to be a measure of cash flow available for management's discretionary use, as it does not consider cash requirements for acquisitions or debt service obligations. Further, because not all companies use identical calculations, our presentation and calculation of free cash flow may not be comparable to similarly titled

measures of other companies. The following table sets forth a reconciliation of net cash generated from operating activities to free cash flow for the periods indicated.

	FY			HY		HY
	2010	2011	2012	2012	2013	2013
	(£ in millions)			(unaudited)		($ in millions)
Net cash generated from operating activities	1,544	1,740	1,888	859	978	1,488
Purchase of property, plant & equipment	(170)	(164)	(166)	(76)	(77)	(117)
Purchase of intangible assets	(197)	(41)	(11)	(5)	(14)	(21)
Disposal of property, plant & equipment	12	5	13	1	6	9
Disposal of intangible assets	30	12	9	9	—	—
Free cash flow	1,219	1,552	1,733	788	893	1,359

(7) We define Adjusted EBITDA as operating profit excluding the effect of exceptional items, depreciation of property, plant & equipment and amortization and impairment of intangible assets. Adjusted EBITDA is a supplemental measure of our liquidity that is not required by or presented in accordance with IFRS. We present Adjusted EBITDA because we believe that this measure is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, many of which present Adjusted EBITDA when reporting their results. Adjusted EBITDA is not an IFRS measure and should not be considered as an indicator of liquidity. Adjusted EBITDA is not intended to be a measure of cash flow available for management's discretionary use. Further, because not all companies use identical calculations, our presentation and calculation of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. The following table sets forth a reconciliation of operating profit to Adjusted EBITDA for the periods indicated.

	FY			HY		HY
	2010	2011	2012	2012	2013	2013
	(£ in millions)			(unaudited)		($ in millions)
Operating profit	2,130	2,395	2,435	1,076	914	1,390
Exceptional items	101	92	135	48	249	379
Adjusted operating profit	2,231	2,487	2,570	1,124	1,163	1,769
Depreciation, amortization and impairment	144	157	148	72	80	122
Adjusted EBITDA	2,375	2,644	2,718	1,196	1,243	1,891

(8) Represents Adjusted EBITDA as a percentage of net revenue.

(9) We define net debt as total borrowings less cash and cash equivalents, short-term available for sale financial assets and financing derivative financial instruments. The presentation of net debt is not required by IFRS. Net debt should not be viewed as a substitute for indebtedness reflected in our balance sheet. Debt is shown on our balance sheet under IFRS net of debt issuance costs. The following table shows the various components of net debt as of the dates indicated.

	31 December			30 June	
	2010	2011	2012	2013	2013
	(£ in millions)			(unaudited)	($ in millions) (unaudited)
Cash and cash equivalents	(588)	(639)	(887)	(790)	(1,202)
Overdrafts	20	5	5	9	14
Borrowings (excluding overdrafts)	2,624	2,503	3,269	3,591	5,463
Other	(45)	(74)	39	(50)	(76)
Net debt	2,011	1,795	2,426	2,760	4,199

Risk Factors

An investment in the Notes to be issued in this Offering involves risk. You should carefully consider the following risk factors before purchasing the Notes in addition to the other information contained in this Offering Memorandum. The risks and uncertainties that we describe below are not the only ones that we face, but we have endeavored to present all risks that pose a material threat to our business, reputation, financial condition and results of operations. Additional risks and uncertainties of which we are not aware or that we currently believe to be immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum. *See "Information Regarding Forward-Looking Statements."*

Risks Related to our Business

We could be adversely affected by economic conditions in, and political developments affecting, the markets in which we operate.

We are one of the world's leading manufacturers and marketers of branded health, hygiene and home products, selling a comprehensive range of products through over 60 operating companies in nearly 200 countries. Consequently, our business and results of operations are affected by changes in both global economic conditions and the individual markets in which we operate. Global economic trends continue to pose challenges, and in many of our markets, austerity measures, constraints on consumer lending and slow or no economic growth continue to impede consumer purchasing power and adversely impact consumer confidence. In addition, terrorist acts, civil unrest and other similar disturbances, as well as natural catastrophes, can impact economic conditions and consumer confidence, degrade infrastructure, disrupt supply chains and otherwise result in business interruption.

In FY 2012, 39% of our net revenue (HY 2013: 40%) and 44% of our core net revenue (HY 2013: 45%) were derived from the emerging market regions of LAPAC and RUMEA, in which we seek to grow further. While these markets offer potentially greater growth opportunities than developed markets, they expose us to more volatile economic, political and social environments, which can adversely affect our growth as well as current sales. A number of countries in the LAPAC and RUMEA regions have experienced economic and political disruption and volatility in recent months.

We are also focused on growth in developed market regions of ENA, which accounted for 49% of our net revenue in FY 2012 (HY 2013: 49%) and 56% of our core net revenue in FY 2012 (HY 2013: 55%). Many countries in the ENA region are in, or are emerging out of, recession, which had an impact on consumer spending. Further uncertainty surrounding sovereign risk in the eurozone, and the related effect on the availability of credit and consumer confidence, could impact our business.

A variety of factors may adversely affect our results of operations and financial condition during periods of economic uncertainty or instability, social or labor unrest or political upheaval in the markets in which we operate. For example, our operations and supply chains may be disrupted. Consumers may purchase less or switch to purchasing generic products, private label products and economy brands, as opposed to branded products, which could impact our sales, or result in a shift in our product mix from higher margin to lower margin product offerings. In addition, we may face increased pricing pressure or competing promotional activity for lower-priced products as competitors seek to maintain sales volumes. Periods of economic upheaval may also expose us to greater counterparty risks, including with customers, suppliers and financial institutions, who may become insolvent or otherwise unable to perform their obligations. We may also experience greater fluctuations in foreign currency

movements, increased commodity prices and increased transportation and energy costs. Periods of economic and political upheaval may also lead to government actions, such as imposition of martial law, trade restrictions, foreign ownership restrictions, capital, price or currency controls, nationalization or expropriation of property or other resources, or changes in legal and regulatory requirements, including those resulting in potentially adverse tax consequences. We may also be unable to access credit markets, including the commercial paper market, on favorable terms, or at all, which could materially adversely affect our liquidity and capital resources or significantly increase our cost of capital.

Any of the foregoing, or a combination of such factors, could have a material adverse effect on our business, prospects, results of operations or financial condition.

Our Powerbrands collectively contribute a significant portion of our revenue, and any material adverse change to demand for existing Powerbrands or any future products we may develop, could have a material adverse effect on our business.

Our results of operations depend to a significant extent on our ability to launch and sell products that appeal to, and are accepted by consumers and, in particular, our Powerbrands. In FY 2012, our largest Powerbrand (based on net revenue) accounted for 9% of our net revenue, and 70% of our net revenue was generated by Powerbrands. Consumer preferences, tastes and habits are constantly evolving. Various factors, some of which are beyond our control, may have an adverse impact on demand for our Powerbrands. For example, certain products within our Health and Hygiene categories have in the past exhibited, and may in the future exhibit, seasonal fluctuations. Launch of new products, or variants of our existing Powerbrands may not neutralize the impact of weak performance of one of our Powerbrands. Similarly, our failure to differentiate our existing Powerbrands or future products from competitors, whether through quality, innovation, marketing or otherwise, may adversely impact consumer demand for our products. Certain markets, including a number of emerging markets in which we plan to focus our investment and growth efforts, exhibit more volatile demand in reaction to macro-economic factors than other markets. Similarly, if consumer patterns change within the major consumer clusters that we have identified, or fail to react as anticipated, we may have to reassess our growth plans, and alter our sales strategy.

If we are unable to respond to changes in consumer demand in a timely or adequate manner, or at all, and/or accurately predict or anticipate factors that may impact demand, and if we are unable to differentiate our brands from competitors, our business, financial condition and results of operations may be materially and adversely affected.

Our business, financial condition, and results of operations, substantially depend on our ability to improve our existing products, and successfully develop and launch new products and technologies.

Our ability to maintain and grow our market share depends to a large extent on our ability to successfully and cost-effectively introduce and market new products (whether variants of existing, or newly developed, products), and to develop equipment, technology and manufacturing processes for our products. If we are unable to successfully develop, launch and market new products that obtain consumer acceptance, in a timely manner, or at all, we may be unable to compete and maintain or grow our market share. Any new product or line extension may not generate sufficient consumer interest and sales levels to become a profitable product or to cover the costs of its development or promotion. In addition, if we decide to pursue growth opportunities in new categories and new category segments or in regions in which we have no prior experience or limited experience, we may become exposed to unexpected or greater risks and potential losses.

Product innovation and development generally involve considerable costs, and may involve a lengthy process. For example, research and development ("**R&D**") required to develop health products could take a significant period of time, from discovery to commercial product launch, and given the limited duration of patents, the longer we take to develop and launch a product, the less time for which we have

exclusivity, in which we can recoup our development costs and seek to profit. We may be unable to successfully complete clinical trials and obtain applicable regulatory approvals in a timely manner, or at all, and may fail to gain market approval for our products. Additionally, we may encounter infringement claims by competitors, which may preclude or delay commercialization of our products. Any delays could result in us not being the first to market, and could undermine our competitive advantage. If any of the products we are currently developing, or may develop in future, fail to become market-ready or to achieve commercial success at expected levels, or at all, we may incur substantial losses. If we fail to develop or upgrade our equipment, technology and manufacturing processes at least in line with our competitors, we may be unable to compete effectively and lose market share.

Any of the foregoing could have a material adverse effect on our business, prospects, results of operations and financial condition.

Substantial harm to our reputation, or the reputation of one or more of our brands, may materially adversely affect our business.

The majority of our brands have worldwide recognition. Maintaining our established reputation and trust with key stakeholders, including consumers, customers and trading partners is critical to our business. Various factors may adversely impact our reputation, including product quality inconsistencies or contamination. We have in the past faced quality-related issues, which resulted in trade and consumer recalls and such recalls may have a material adverse impact on our reputation. Raw materials that we source for production may become contaminated through the supply chain, and other product defects may occur due to human error or equipment failure, among other things. Reputational risks may also arise with respect to the methods and practices of third parties that are part of our supply chain, including labor standards, health, safety and environmental standards, raw material sourcing, and ethical standards in the countries in which we operate. We may also be the victim of product tampering. Any perceived or actual concerns related to our products, our supply chain, or the industry more generally, such as the long-term effects of household chemicals and OTC drug ingredients on human health and the environment, may be widely disseminated online, on consumer blogs or other social media sites, or via print and broadcast media. Similarly, any litigation that we face may subject us to increasing negative attention in the press. In addition, companies with global operations recently have come under criticism for corporate tax planning, and criticism of our structures or those of our peers could also generate negative publicity. Any negative publicity could significantly undermine our reputation, and current methods of dissemination of information (including the ability of reports to "go viral" online) mean that potential threats to reputation can occur in a very short period of time and reach a far broader audience than historically was the case, making it far more difficult to address.

Moreover, third parties may sell products that are counterfeit or unauthorized versions of our brands, or inferior lookalike brands that resemble ours. Consumers may confuse our products with such brands.

Any of the foregoing could have a material adverse impact on our future sales, prospects, and impair our brand equity, consequently adversely impacting our results of operations.

We could be materially adversely affected by the loss of revenue from the sales of Suboxone and Subutex.

Our RB Pharmaceuticals business, which manufactures and distributes Subutex (a buprenorphine-based treatment for opiate dependence) and Suboxone (a buprenorphine and naloxone-based treatment for opiate dependence), generated 9% of our net revenue and 21% of our operating profit before exceptional items in FY 2012 (HY 2013: 8% and 20%, respectively).

The introduction of generic products typically leads to a loss of sales of the branded product and a decrease in the price at which branded products can be sold. In the United States, the exclusivity afforded to Suboxone by its orphan drug status under the regulations of the U.S. Food and Drug Administration ("**FDA**") ended in 2009; Suboxone has marketing approval from the European

Commission for treatment in the 28 countries of the European Union, Norway and Iceland, with data exclusivity until 2016. Two manufacturers launched generic Suboxone tablets in March 2013, which have gained a 13% volume (by mg) market share (according to Source Healthcare Analytics' Pharmaceutical Audit Suite Weekly Data as at 28 June 2013) of the buprenorphine market in the United States.

In March 2013, based on the enhanced benefits of our Suboxone sublingual film (which we launched in August 2010) and the reduction in unintended paediatric exposure due to its unit-dose child resistant packaging, we voluntarily withdrew our Suboxone tablets from the U.S. market. We expect other manufacturers to introduce branded tablets that contain buprenorphine. For example, Orexo recently announced that it had received FDA approval for a buprenorphine and naloxone sublingual tablet. These tablets may capture market share from our Suboxone sublingual film. Although our Suboxone sublingual film achieved a volume market share of 69% of the U.S. buprenorphine-based opioid addiction treatment market, as of 30 June 2013, we expect that increased price pressure will lead to a material reduction in net revenue from this product and adversely affect our overall revenues and operating profit.

In addition, our patents relating to the Suboxone sublingual film expire on various dates through 2030. We have recently been informed of the filing of abbreviated new drug applications ("**ANDA**") by Par Pharmaceutical Companies, Inc. ("**Par Pharmaceutical**") and Watson Laboratories, Inc. ("**Watson Laboratories**") for generic Suboxone sublingual films in the United States. The FDA can approve an ANDA for a generic version of a branded drug without requiring the applicant to undertake the full clinical testing necessary to obtain approval to market a new drug. An ANDA applicant usually needs to only submit data demonstrating that its product has the same active ingredient(s) and is bioequivalent to the branded product, in addition to any data necessary to establish that any difference in strength, dosage form, inactive ingredients or delivery mechanism does not result in different safety or efficacy profiles, as compared to the reference drug. Although we have filed a patent infringement lawsuit against Par Pharmaceutical and two related parties, and intend to file a similar lawsuit against Watson Laboratories, which means that the FDA cannot approve the generic entrant until the earlier of 30 months or the disposition of the patent infringement proceedings, the lawsuit may not be resolved in our favor or we may choose to settle due to the unpredictable nature and significant costs of patent litigation. If Par Pharmaceutical, Watson Laboratories or any other generic company is or are able to obtain FDA approval of its generic Suboxone sublingual film, it may be able to launch its generic version of Suboxone sublingual film prior to the expiration of any or all of the applicable patents covering our Suboxone sublingual film.

Further, pharmacies may discontinue stocking, doctors may stop prescribing, and payers may reduce the reimbursement on or may stop reimbursing, Suboxone sublingual film, which may have an additional adverse impact on our revenue.

Loss of revenue from the sales of Suboxone and Subutex, whether due to competition from generic products or due to decisions not to prescribe or stock our drugs, could have a material adverse effect on our results of operations and our business.

We compete in intensely competitive industries.

We face vigorous competition worldwide. We compete with well-established local, regional, national and international companies that target the same consumer base as we do, some of whom may have more significant resources with which to establish and promote their products. We also face competition from "private label" products, and generic non-branded products, which typically are sold at lower prices, by major retail companies, some of whom may be our customers. Competition from these sources has grown in recent years. In the pharmaceutical sector, we also compete with big generic manufacturers and smaller branded firms, as well as R&D firms, which may have more significant resources than we do. Consolidation of key trade customers in the sectors in which we operate may limit opportunities for growth, and increase competitive pressures further.

Our products generally compete on the basis of product quality and performance, promotional activities, brand recognition, price, timely development and launch, or other benefits to consumers. If we are unable to offer products that consumers choose over our competitors' products, our business and results of operations may be materially adversely affected. In addition, our products compete with other products for shelf space in retail stores and for marketing focus, such as via in-store promotional activities of our brands. Our competitive position, and consequently sales of our products, may be harmed to the extent that we are unable to successfully maintain sound working relationships with our trade customers, who determine access to shelf space and product placement on shelf, set retail prices and control in-store promotional activities of our brands, and can establish pricing differentials between similar products on shelf. As the retail sector becomes more concentrated, retailers could impose downward pressure on prices and require commercial incentives before agreeing to offer our products for sale to consumers. Further, to the extent trade customers increase usage of their own distribution networks and private label brands, the competitive advantage we derive from our brand equity could be impaired. In addition, new sales channels have emerged, and continue to emerge, such as sales made through the Internet via online shopping, which may affect customer and consumer preferences, and competitive dynamics. If we are unable to effectively compete in these new channels, this could adversely impact our results and our prospects. Moreover, increased competition means that we need to spend more on promotion of our products.

Any of the foregoing could have a material adverse impact on our future sales and prospects, consequently adversely impacting our results of operations. Competition also extends to administrative and legal challenges of product claims and advertising. Responding to legal challenges and defending our products and intellectual property rights could result in significant expenses and may divert resources away from product and technological innovation, which may have a material adverse impact on our financial condition and results of operations.

We are exposed to foreign currency exchange rate risk.

We operate on a global basis, and hold assets, incur liabilities, earn revenues, pay expenses, and make investments in a number of currencies, with our non-UK operations generating a significant portion of our net revenue. In FY 2012, 93% of our net revenue was derived from markets outside the United Kingdom. The pound sterling value of our revenues, profits and cash flows from non-UK markets may be reduced or our supply costs, as measured in the pound sterling in those markets, may increase. Additionally, a number of our competitors are based in countries whose currencies fluctuate against the pound sterling, and they may benefit from having their costs incurred in weaker currencies relative to the pound sterling. We prepare our financial statements in pounds sterling, and our financial results are affected by fluctuations among the relative value of the pound sterling and other functional currencies, particularly the U.S. dollar and euro. For example, in FY 2012, we incurred a net exchange loss on foreign currency translation, net of tax, of £255 million in our statement of comprehensive income. Further, currency translations may make it more difficult for investors to understand the relative strengths or weaknesses of the underlying business on a period-to-period comparative basis.

We currently hedge some of our currency exposures using financial instruments, and we try to align our interest costs and operating profits of our major currencies where possible, which may not be effective. Hedging transactions do not eliminate the exchange rate risk entirely, and may not be fully, or at all, effective.

We are subject to the risk that countries in which we operate may impose or increase exchange controls or devalue their currency.

We operate in a number of countries, particularly emerging markets, which impose exchange controls, including, but not limited to, Argentina, Brazil, China, India, Russia and South Africa. Such controls may restrict or make it impossible to convert local currency into other currencies, restrict our ability to repatriate earnings from a country (for example, £115 million of our cash and cash equivalents as at 31 December 2012 were restricted for use by us), borrow on the international markets to fund operations in

that country or limit our ability to import raw materials or finished products, any or all of which could materially adversely affect our business, liquidity and results of operations. In addition, emerging markets are prone to currency devaluations, such as, for example, the devaluation by the government of Venezuela of its currency in February 2013, which tend to make our products more expensive in local currency terms.

We face risks of interruptions of our supply chain and disruptions in our production facilities, which could materially adversely affect our results of operations.

We source our raw and packaging materials (including bulk chemicals, plastics, pulp and metal cans) and finished goods from a wide variety of predominantly international chemical and packaging companies and co-packers. We also outsource the manufacture of some of our products to third parties. Our suppliers generally are diversified in terms of geography and supplied items, but we may face risks to continuity of supply arising from certain specialized suppliers, both of raw materials and of third party manufactured items, including specialty chemicals and components. We may also incur higher prices for raw materials than we may otherwise have to pay if we adopted a more concentrated approach to obtaining supplies. More generally, significant disruptions to our suppliers' operations, such as disruptions resulting from natural catastrophes (including as a result of the effects of climate change), pandemics or other outbreaks of diseases, acts of war or terrorism, or otherwise, may affect our ability to source raw materials on a more global basis, and negatively impact our costs. The failure of a number of third party suppliers to fulfil their contractual obligations, in a timely manner, or at all, may result in delays or disruptions to our business. Replacing suppliers may require a new supplier to be qualified under industry, governmental or our standards, which could require investment and may take time.

In addition, a number of our facilities are critical to our business and major or prolonged disruption at those facilities, whether due to accidents, sabotage or otherwise could materially adversely affect our operations. See "Our Business – Production" for a list of our key facilities. Moreover, sites in which our products are manufactured are subject to supervision by regulatory agencies, both on an ongoing and ad hoc basis. For example, Suboxone sublingual film is manufactured at a single-source production facility in the United States, and FDA approval is generally limited to the specific approved production facility. If we are unable to obtain or produce sufficient quantities of a particular product, at specifically approved facilities, whether due to disruption to, or failure of, our manufacturing processes, or otherwise, we may fail to meet customer demand on a timely basis, which could undermine our sales and result in customer dissatisfaction and damage to our reputation. In addition, any failure to comply with applicable legal requirements could lead to interruption of production, product recalls, seizures and revocation of licenses to operate at any of our facilities.

Any interruption or disruption in our supply chain, particularly if significant or prolonged, could materially adversely affect our business, prospects, results of operations and financial condition.

Volatility in the price of commodities, energy and transportation may impact our profitability.

Certain materials for the production or packaging of finished goods, such as oil-related commodities, are subject to fluctuating prices. Increases in the costs or decreases in the availability of these commodities, and increases in other costs such as energy and transportation, could adversely affect our profitability if we are unable to pass on the higher costs in the form of price increases or otherwise achieve cost efficiencies. Even if we were to increase the prices of our products, competitors may opt not to adjust their prices in response to increasing costs and customers may refuse to pay higher prices. Our inability to manage this risk effectively, or at all, could have a material adverse effect on our results of operations.

We have grown, and may continue to grow, in part, through acquisitions, joint ventures and business alliances, which involve various risks.

While we are principally focused on organic growth, we have in the past grown, and expect in the future to continue to grow, through acquisitions. Acquisitions present a range of risks and uncertainties.

Historically we have funded acquisitions through short-term borrowings, which we repaid through cash flow from our operations. In the past three years, we have moved away from this model due in part to the size of the acquisitions. We expect that future acquisitions will be funded through either additional borrowings or through equity, or a combination of the two. We are shifting our capital structure in favor of more medium-term borrowings, in part to be able to fund larger acquisitions. This in turn could result in an increase in our net debt, and will likely increase our level of interest expense as we move away from the commercial paper market, which has benefited from the low interest rate environment following the financial crisis. Material or transformative acquisitions could require shareholder approval, either due to the level of equity funding or due to corporate governance requirements. The terms of the Notes will not limit the amount of indebtedness we may incur. While we target a strong investment grade "A" banded credit rating for our debt, acquisitions of a certain size, to the extent we rely more heavily on debt funding, could place pressure on our credit rating.

Our competitors may choose to target the same acquisition candidates, and consolidation in the industry may limit available opportunities for acquisitions. We may also be restricted by applicable antitrust laws, foreign investment laws, or other laws and regulations, from pursuing acquisitions, in which case we may bear substantial out-of-pocket expenses associated with a failed acquisition.

We may fail to achieve projected financial results of acquisitions, including expected cost and revenue synergies. In making acquisitions, we make various assessments, including expected growth rates which we may fail to achieve. To the extent that economic benefits associated with our acquisitions diminish in the future, we may be required to record impairment charges to goodwill or other assets, which could affect our financial condition.

Through our acquisitions, we may also assume unknown or undisclosed business, operational, tax, regulatory and other liabilities, fail to properly assess known contingent liabilities or assume businesses with internal control deficiencies. While we seek to mitigate these risks in most of our transactions through, among other things, due diligence processes and indemnification provisions, we cannot be certain that the due diligence processes we conduct are adequate (particularly with respect to acquisitions of privately held companies and in countries where legislation and transparency make the process more difficult) or that the indemnification provisions and other risk mitigation measures we put in place will be sufficient.

We could also face significant risks related to integration of the acquired businesses into the RB Group, particularly if we attempt to simultaneously integrate multiple businesses. Acquisitions in emerging markets, such as China, where we recently completed an acquisition, may impose particular risks related to integration across different corporate cultures, systems, languages and other market and regulatory risks. In addition, acquisitions in markets in which we have limited or no prior experience may pose a greater risk. Moreover, integration of acquired businesses, as well as any attendant internal reorganization, can also require significant management attention, which may place strain on management resources and processes, and otherwise disrupt operations. Acquisitions can also place a strain on group-wide internal control systems.

If we are unable to effectively manage risks associated with acquisitions, our business, financial condition and results of operations may be materially adversely affected.

In addition, we may choose to enter into joint ventures, business alliances or collaboration agreements, which could involve the same or similar risks and uncertainties as are involved in acquisitions. For example, we recently entered into a three-year collaboration agreement with Bristol-Myers Squibb for a

number of market-leading OTC consumer healthcare brands in Brazil, Mexico and certain other parts of Latin America. Joint ventures generally involve a lesser degree of control over business operations, which have in the past presented, and may in the future present, greater financial, legal, operational and/or compliance risks.

We may be unable to attract and retain qualified personnel, including key senior management.

We invest in recruiting and training personnel and senior management. Our business depends, in part, on executive officers and senior management to provide uninterrupted leadership and direction for our business, and qualified personnel for product R&D. This need is all the more acute in the context of a growing business, and the strategic internal reorganizations and resource planning programs to promote and manage such growth. The market for talent is intensely competitive and may become increasingly more competitive. We could face challenges in sourcing qualified personnel, with the requisite training and suitable international experience, particularly in countries such as China, where the availability of skilled employees may be limited.

Further, variable pay is, and will continue to be, the major element of our current executive directors' and senior executives' total compensation package. If we achieve our target levels of performance, the variable elements will amount to 66%-81% of executive directors' total remuneration. If we are unable to achieve our performance targets, our senior management would not be entitled to such variable pay, which may operate as a disincentive for them to continue their employment with us.

The loss of key personnel, or our inability to recruit qualified personnel to meet our operational needs, may delay, or curtail the achievement of major strategic objectives, and could adversely impact our business.

A disruption to, or failure of, our information technology systems and infrastructure, may adversely affect our business.

We are increasingly dependent on information technology systems and infrastructure to support a wide variety of key businesses processes, including processing and storage of confidential data, as well as for international and external communications as part of our logistics and distribution functions with suppliers, customers and consumers. Failures or disruptions to our systems or the systems of third parties on whom we rely, due to any number of causes, particularly if prolonged, or if any failure or disruption were to impact our backup or disaster recovery plans, could result in a loss of key data and/or affect our operations.

The combination of our recently initiated strategic business reorganization and enterprise resource planning ("**ERP**") programs could result in sub-optimal implementations and reduced focus due to conflicting demands for management attention.

Our computer systems, software and networks may be vulnerable to unauthorized access (from within our organization or by third parties), computer viruses or other malicious code and other cyber threats that could have a security impact. The occurrence of one or more of these events potentially could jeopardize confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in significant losses or reputational damage.

We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. Furthermore, we routinely transmit and receive personal, confidential and proprietary information by email and other electronic means. We have discussed and worked with customers, suppliers, counterparties and other third parties to develop secure transmission capabilities, but we do not have, and may be unable to put in place, secure capabilities with all such third parties and we may

not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a customer, supplier, counterparty or other third party could result in legal liability, regulatory action and reputational harm.

Any of the foregoing could undermine our reputation, impair our competitive advantage, and could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to significant governmental regulation.

Our business and products are heavily regulated by governments and other regulatory bodies in the countries in which we operate. Regulation is imposed in respect of, but not limited to, ingredients, manufacturing standards, labor standards, product safety and quality, marketing, packaging, labeling, storage, distribution, advertising, imports and exports, social and environmental responsibility and health and safety. In addition, we are required to obtain and maintain licenses in respect of certain of our products, which must be regularly updated in order to improve our products and take into account any variations. If we are found by regulators or courts to have been non-compliant with applicable laws and regulations, we could be subject to civil remedies such as fines, injunctions or product recalls, and/or criminal sanctions, any of which could have a material adverse effect on our business, reputation, financial condition and results of operations.

We are subject to the introduction of new regulations, modification of existing regulations or changes in interpretations of existing or new regulations. Changes to the laws and regulations to which we and our operations are subject, whether as a result of new or more stringent requirements, or more stringent interpretations of existing requirements, could impact the way we conduct our business or market our products (for example, up-scheduling of an OTC product would result in its being moved from on-the-shelf to behind the counter) and could impose significant compliance costs and have a material adverse effect on our results of operations.

The laws and regulations to which we are subject may not be transparent, may be difficult to interpret, and/or may be enforced inconsistently.

In our experience, emerging markets can pose heightened risks with respect to laws and regulations, when compared with countries with more developed institutional structures. Given our focus on growth in RUMEA and LAPAC, we are exposed to heightened regulatory risks. For example, in some emerging market countries, the laws and regulations to which we are subject may not always be fully transparent, can be difficult to interpret and may be enforced inconsistently. The legal systems in such countries may not be well-established or reliable. There may be a lack of respect for the rule of law, a lack of enforcement of property rights, inconsistent or insufficient access to remedy through legal systems, lack of judicial independence and corruption, which could result in greater uncertainty in enforcing contracts, difficulties in obtaining legal redress, particularly against the state or state-owned entities, and higher operational costs and risks to our business.

We could be subject to investigations and potential enforcement action, which could have a material adverse effect on our business.

We could be subject to regulatory investigations or potential enforcement action that targets an industry, a set of business practices or our specific operations. These investigations or enforcement actions could be in respect of specific industry issues or broader business conduct issues. Moreover, these investigations or enforcement actions could be triggered by allegations of general corporate misconduct or by allegations of individual employee misconduct in violation of internal policies and procedures.

Regulatory authorities and consumer groups may, from time to time, request or conduct reviews of the use of certain ingredients that are used in manufacturing our products, the results of which may have a

material adverse effect on our business. For example, parabens, a family of chemicals commonly used as preservatives in personal care, cosmetic and pharmaceutical products, underwent a review by the European Commission's Scientific Committee on Consumer Safety in May 2013. Based on the findings of that review, restrictions were introduced to limit the use of certain parabens (butyl and propyl) and to ban others (iso) in cosmetic products sold across Europe. Furthermore, several European countries such as Denmark and France are considering banning the use of parabens altogether.

Ingredient legislation, such as the one related to parabens, could have a detrimental impact on our business, undermine our reputation and goodwill and affect consumer demand for products containing such ingredients. We may voluntarily remove, or be required to remove, certain ingredients from our products or any products that we may acquire. We may not be able to develop an alternative formulation, successfully modify our existing products or obtain necessary regulatory approvals on a timely basis or at all, which could adversely impact our business and results of operations.

Historical or future violations of antitrust and competition laws may have a material adverse impact on our business, financial condition and results of operations.

We are subject to antitrust and competition laws in the vast majority of countries in which we do business. Failure to comply with applicable antitrust and competition laws, rules and regulations in any jurisdiction in which we operate may result in civil and/or criminal legal proceedings being brought against us.

We have in the past been, currently are, and may in the future be, subject to investigations and legal proceedings with respect to antitrust and competition issues. In 2010, we were fined £10.2 million by the U.K. Office of Fair Trading ("**OFT**") following our admission that we had infringed UK and EU competition rules on abuse of dominance in respect of our supply of Gaviscon Original Liquid brand alginates/antacids to the National Health Service. Based in part on the OFT decision, we have received civil claims for damages from the health authorities of England, Wales, Scotland and Northern Ireland, and certain pharmaceutical companies. We are also involved in certain competition law-related proceedings in other countries. Competition and antitrust violations inquiries often continue for several years, can be subject to strict non-disclosure provisions, and, if laws are deemed to have been violated, can result in substantial fines and other sanctions, which may have a material adverse effect on our business, reputation, financial condition and results of operations. As part of the announcement of our HY 2013 results, we reported a provision of £225 million, principally relating to competition matters. See "Our Business – Material Governmental and Legal Proceedings." Our ultimate liability for such matters could exceed this provision.

Our strategy for growth has historically included, and continues to include, acquisition activities, which are subject to antitrust and competition laws. Such laws and regulations may impact our ability to pursue, or delay the implementation of, strategic transactions.

We operate in a number of countries in which bribery and corruption pose significant risks, and we may be exposed to liabilities under anti-bribery laws for any violations. Any violation of applicable money laundering laws could also have a negative impact on us.

We are subject to anti-bribery laws and regulations that prohibit us and our intermediaries from making improper payments or offers of payments to foreign governments, their officials and political parties or private parties, for the purpose of gaining or retaining business, including the UK Bribery Act 2010, the U.S. Foreign Corrupt Practices Act of 1977, as amended, and similar laws worldwide. Given our extensive international operations, particularly in emerging markets, where bribery and corruption may be more commonplace, we are exposed to significant risks, particularly with respect to parties that are not always subject to our control such as agents and joint venture partners. These risks may be heightened for us due to our operations in the healthcare sector, which in recent years has experienced greater compliance risks than other sectors. We may also be held liable for successor liability violations of such laws, committed by companies which we acquire, or in which we invest. Acquisitions also

expose us to risk of ongoing compliance issues until such time as we can fully integrate acquired operations into our compliance and control frameworks. Moreover, due to the significant amounts of money involved in global supply contracts, there is also potential for suppliers to attempt to bribe our employees. Actual or alleged violations of anti-bribery laws could result in severe consequences, including, but not limited to, civil and criminal sanctions, termination of contracts by our counterparties, disruptions to our business and reputational harm, all of which could materially and adversely affect our financial condition and results of operations.

We also deal with significant amounts of cash in our operations and are subject to various reporting and anti-money laundering regulations. Any violation of anti-money laundering laws or regulations by us could have a negative effect on our results of operations.

Our business is subject to product liability claims.

As a product manufacturer, we are subject, from time to time, to certain legal proceedings and claims arising out of our products, including as a result of unanticipated side effects or issues that become evident only after products are widely introduced into the marketplace. Some of our products present inherent dangers, including due to the presence of chemicals, which if mishandled or misused, could result in significant damage. We have paid in the past, and may be required in the future to pay, compensation for losses or injuries that are allegedly caused by our products. Product liability claims may arise, among other things, from claims that our products are defective, contain contaminants, provide inadequate warnings or instructions, or cause personal injury to persons or damage to property. Product liability claims, if resolved unfavorably, or if settled, could result in injunctions and/or may require us to pay substantial damages, and related costs, including punitive damages, as well as result in the imposition of civil and criminal sanctions.

If one of our products is found to be defective, we could be required to recall it, and/or we may be required to alter our trademarks, labels, or packaging, which could result in adverse publicity, significant expenses, potential disruptions in our supply chain and loss of revenue. We have in the past voluntarily implemented, and may in the future face product quality concerns and voluntarily implement, product recalls, which could expose us to product liability claims. Additionally, complaints, investigations and litigation by consumers or government authorities relating to our products, our competitors' products or individual ingredients may result in judgments that affect us and/or the industry in which we operate. A recall of a product that is similar to ours could result in confusion concerning the scope of the recall and/or a decline in consumer confidence about our products, which may consequently impact our business and results of operations. We may not be insured fully, or at all, in respect of such risks, and we have in the past, and may in the future, face disputes with our insurers in the event that they refuse to cover a particular claim. In such instances, we may be required to bear substantial losses, which could adversely impact our capital expenditures, expenses and liabilities. Any of the foregoing could materially adversely impact our business, financial condition and results of operations.

Legal proceedings in respect of claims outside the product liability area could also adversely impact our business, results of operations and financial condition.

Outside the product liability area, we are subject to legal proceedings and other claims arising out of the ordinary course of business, and we may become involved in legal proceedings, which include, but are not limited to, claims alleging intellectual property rights infringement, breach of contract, environmental laws and health and safety laws. From time to time, we face consumer complaints and/or civil or criminal investigations in respect of our products and their alleged purposes, including in respect of advertising claims that we make about our products. Significant claims, or a substantial number of small claims, may be expensive to defend and may divert management time and our resources away from our operations. Where appropriate, we establish provisions to cover potential litigation-related costs. Such provisions may turn out to be insufficient, and any insurance coverage we maintain may not cover our losses fully, or at all.

We cannot predict the outcome of individual legal actions. We may settle litigation or regulatory proceedings prior to a final judgment or determination of liability. We may do so to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when we believe we have valid defenses to liability. We may also do so when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Substantial legal liability could materially adversely affect our business, financial condition or results of operations or could cause significant reputational harm, which could seriously harm our business.

Labor disruptions may affect our results of operations.

A substantial portion of our workforce is unionized, and our relationship with unions, including labor disputes or work stoppages, could have an adverse impact on our financial results. We are a party to collective bargaining agreements covering approximately one-third of our direct employees. If, upon the expiration of such collective bargaining agreements, we are unable to negotiate acceptable contracts with labor unions, it could result in strikes by the affected workers and thereby significantly disrupt our operations. Further, if we are unable to control healthcare and pension costs provided for in the collective bargaining agreements, we may experience increased operating costs and an adverse impact on future results of operations.

Changes in tax legislation and other circumstances that affect tax calculations could adversely affect our financial condition and results of operations.

We conduct business operations in a number of countries, and are therefore subject to tax and intercompany pricing laws in multiple jurisdictions, including those relating to the flow of funds between Reckitt Benckiser and its subsidiaries. Our effective tax rate in any given financial year reflects a variety of factors that may not be present in succeeding financial years, and may be affected by changes in the tax laws of the jurisdictions in which we operate, or the interpretation of such tax laws. Certain tax positions taken by us are based on industry practice, tax advice and drawing similarities from our facts and circumstances to those in case law. In particular, international transfer pricing is an area of taxation that depends heavily on the underlying facts and circumstances and generally involves a significant degree of judgment.

Changes in tax laws, regulations and related interpretations and increased enforcement actions and penalties may alter the environment in which we do business. Increasingly, tax authorities are focused on corporate structures, intercompany transactions and how intercompany fund transfers are effected. Tax authorities are becoming more aggressive in disputing historically accepted financing and other structures, and are more actively pursuing compensation based on retroactive changes to tax laws. In addition, tax planning arrangements are frequently scrutinized by tax authorities worldwide.

We have in the past faced, and may in the future face, audits and challenges brought by tax authorities, and we are involved in ongoing tax investigations in a number of jurisdictions around the world. If material challenges were to be successful, our effective tax rate may increase, we may be required to modify structures at significant costs to us, we may also be subject to interest and penalty charges and we may incur costs in defending litigation or reaching a settlement. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

We may be unable to secure and protect our intellectual property rights.

Our business relies on protecting our brands and intellectual property rights. We may not be able to obtain and perfect our intellectual property rights, and even if obtained, these rights may be invalidated, circumvented or challenged in future. Third parties may infringe on, or misappropriate, our rights, by for example, asserting rights in, or ownership of, our trademarks, trade dress rights, designs, patents, copyrights or other intellectual property rights. If we fail to discover any infringements of our intellectual property rights, or are otherwise unable to successfully defend and enforce our rights, our business, prospects, and results of operations could be materially adversely affected. Sales of

counterfeit or unauthorized versions of our brands or inferior "lookalike" brands which resemble ours, could result in confusion among consumers between our products and such other brands. Consequently, our brand equity and reputation may be undermined. Any failure to perfect or successfully assert our intellectual property rights could make us less competitive and may have a material adverse effect on our business, operating results and financial condition.

In addition, our intellectual property rights may be undermined if one of our trademarks or brand names were to become a generic name for, or synonymous with, a general class of product or service. Should any of our trademarks become genericized, competitors may be allowed to use the genericized trademark to describe their similar products in certain countries.

See "Operating and Financial Review – Principal Factors Affecting Results of Operations – Status of Suboxone in the United States" for details relating to our intellectual property suit against Par Pharmaceutical and two related parties, and our intended intellectual property suit against Watson Laboratories, in connection with generic Suboxone sublingual films.

The loss of patent protection, ineffective protection, or expiration of our patents may impact our financial condition and results of operations.

Intellectual property laws and patent offices are still developing, particularly in emerging markets. Patent protection varies in different countries, and can be substantially weaker in emerging markets in which we operate, when compared to the United States and the European Union. We have in the past faced, and may in the future face, significant challenges in enforcing or extending our current intellectual property protections, or any protections we may obtain in future, in the same manner as in more developed regions such as the United States and European Union.

We have obtained patent protection for a variety of our intellectual property, including the composition of some of our products (such as detergent), and in respect of our prescription drug Suboxone sublingual film. Infringement of our patent-protected intellectual property may occur, particularly in emerging market countries. Certain countries may adopt measures to facilitate competition within their markets from generic manufacturers, and refuse to recognize patent protection. For example, a recent decision in India not to grant a new patent to an industry participant for a modified form of a drug that holds patent protection elsewhere, reflects the heightened risk we may face in emerging markets. Additionally, expiry of our patents may increase competition and pricing pressures, and adversely impact our sales revenue, if generic products in the same or similar product class were to emerge. We could be similarly impacted if competitors lose patent protection in a product class in which we compete.

We may face challenges to our intellectual property rights, including allegations of infringement of others' rights.

We may face challenges to our intellectual property rights from third parties, who allege that we are infringing on their rights. If we are unable to successfully defend against allegations of infringement, we may face various sanctions, including injunctions, monetary sanctions for past infringement, product recalls, alterations to our intellectual property, products, and/or packaging, which could result in significant expense and negative publicity, and may have a material adverse effect on our financial condition and results of operations.

Our business may be adversely affected by our funding requirements.

Our liquidity needs are driven by our ability to generate cash from operations and the level of borrowings (and related levels of headroom), the level of acquisition, the level of share repurchases and dividends, dispositions, target ratings for our debt and options available to us in the equity and debt markets. Historically we have obtained our funding from the commercial paper market and have benefited from the low interest rate environment following the financial crisis.

We had £3,579 million of commercial paper outstanding at 30 June 2013. At its peak during the past 12 months ended 30 June 2013, our level of commercial paper borrowings was £3,721 million. If the market for commercial paper were again to become restricted or unavailable as was the case during the early days of the financial crisis, it could have a material adverse effect on our business. Further, all of our outstanding commercial paper as at 30 June 2013 matures within one year of issuance. The short-term nature of these borrowings exposes us to increases in interest rates, which are expected as macro-economic conditions improve. To the extent we are not able to replace our maturing commercial paper on favorable terms, or at all, it could have a material adverse effect on our business.

We maintain committed back-up credit facilities, which have remained undrawn since FY 2009. At 30 June 2013, we had £4,250 million in undrawn commitments. If we are not able to access the commercial paper market to the extent that we require, or at all, we may need to drawdown amounts under our committed bilateral credit facilities, which accrue interest at floating rates based on changes in certain published rates such as LIBOR. Increases in such rates could result in significantly higher interest expense for us, which would negatively affect our results of operations.

As part of our strategy to maintain financial flexibility, as well as to procure additional funding for future acquisitions, including both bolt-on acquisitions as well as acquisitions that may be more material in size, we are seeking to increase the level of medium-term funding. This Offering is part of that strategy. Implementation of this strategy will increase our levels of interest expense compared to recent years that benefited from low interest rates since 2008.

We are subject to risks relating to estimates and assumptions that we are required to make, and that affect the reported amounts in our financial statements.

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and revenue and expenses during the reporting period. Although estimates are based on management's best knowledge at the time, actual amounts may ultimately differ from those estimates. For example, measurement of intangible assets, both in acquisitions and business combinations, requires us to identify such assets and any assumptions and estimates of future cash flows and appropriate discount rates to value identified assets may be impacted by various factors, including adverse economic conditions, or integration issues.

Risks Related to our Indebtedness, including the Notes

Our holding company structure means that the Issuer and the Guarantor are dependent on the RB Group subsidiaries' distributions to them to be able to satisfy their respective obligations with respect to the Notes and the Guarantees, and the claims of creditors of subsidiaries of the Issuer and the Guarantor will generally have priority over claims on the Notes and the Guarantees.

The Issuer is a finance vehicle, the primary business of which is the raising of money for the purpose of on-lending to other members of the RB Group. Accordingly, substantially all of the assets of the Issuer are loans and advances made to other members of the RB Group. The ability of the Issuer to satisfy its obligations in respect of the Notes depends upon payments being made to it by other members of the RB Group in respect of loans and advances made by the Issuer. The Guarantor is a holding company for the RB Group and also relies upon distributions from its subsidiaries to generate funds necessary to meet its obligations, including any payments under the Guarantees. These operating subsidiaries have not guaranteed the Notes, and have no obligation, contingent or otherwise, to pay amounts due under the Notes or the Guarantees or to make funds available for these payments, whether in the form of loans, dividends or otherwise. The ability of the operating subsidiaries to make dividend or other payments to the Issuer or the Guarantor will depend on their cash flows and earnings which, in turn, will be affected by all of the factors discussed herein. In addition, under the corporate laws of many jurisdictions, including the United Kingdom, the ability of some subsidiaries to pay dividends is limited to the amount of distributable reserves of such companies.

The Notes and the Guarantees will not be secured by any of the Issuer's or the Guarantor's assets or those of its subsidiaries. The obligations of the Issuer under the Notes are unsecured and rank equally in right of payment with all unsecured, unsubordinated obligations of the Issuer. The obligations of the Guarantor under the Guarantees are unsecured and rank equally with all unsecured, unsubordinated obligations of the Guarantor. As a result, the Notes and the Guarantees are effectively subordinated to any secured debt that the Issuer or the Guarantor may incur. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of the Issuer's or the Guarantor's secured debt may assert rights against the secured assets in order to receive full payment of their debt before the assets may be used to pay the holders of the Notes.

Holders of either series of the Notes will have a direct claim based on such series of the Notes against the Issuer and based on the Guarantees against the Guarantor, but will not have a direct claim based on either series of the Notes or the Guarantees against any of our operating subsidiaries. The right of the Holders of either series of the Notes to receive payments under the Notes and the Guarantees will be structurally subordinated to all liabilities of our operating subsidiaries. These liabilities include secured and unsecured debt that some of our subsidiaries have incurred. In the event of a bankruptcy, liquidation, reorganization or similar proceeding relating to a subsidiary, the right of Holders of either series of the Notes to participate in a distribution of the assets of such subsidiary will rank behind such subsidiary's creditors (including trade creditors) and preferred stockholders (if any), except to the extent that the Issuer or the Guarantor have direct claims against such subsidiary.

There is no assurance to holders of either series of the Notes that there will be sufficient assets to pay amounts due on the Notes or the Guarantees.

We may incur substantially more debt in the future.

We may incur substantial additional indebtedness in the future, including in connection with future acquisitions, some of which may be secured by some or all of our assets. The terms of the Notes will not limit the amount of indebtedness we may incur. Any such incurrence of additional indebtedness could exacerbate the related risks that we now face.

There may not be an active trading market for either series of the Notes, in which case your ability to sell the Notes may be limited.

Each series of the Notes comprise a new issue of securities for which there is currently no established trading market.

We cannot assure you as to the liquidity of any market in either series of the Notes; your ability to sell your Notes; or the prices at which you would be able to sell your Notes.

Future trading prices for either series of the Notes will depend on many factors, including, among other things, prevailing interest rates, currency exchange rates, economic and market conditions, our operating results and the market for similar securities. The liquidity of a trading market for either series of the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for either series of the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for either series of the Notes will be subject to disruptions. Any such disruption may have a negative effect on holders of either series of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for either series of the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application has been made for the Notes to be listed for trading on the Professional Securities Market of the London Stock Exchange, the Issuer cannot assure you that the Notes will become or remain listed. Although no assurance is made as to the liquidity the Notes as a result of the

admission to trading on the Professional Securities Market of the London Stock Exchange, failure to be approved for listing or the delisting of the Notes, as applicable, from the London Stock Exchange may have a material effect on a holder's ability to resell the Notes, as applicable in the secondary market.

Ratings for the Notes may not reflect all risks of an investment in the Notes.

The Notes will be rated by S&P and Moody's. Any rating is not a recommendation to purchase, sell or hold any particular security, including the Notes and each agency's rating should be evaluated independently of any other agency's rating. These ratings are limited in scope and do not comment as to market price or suitability for a particular investor. The ratings for the Notes may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, the Notes. In addition, ratings may at any time be lowered or withdrawn in their entirety, including as a result of developments that are beyond our control. Actual or anticipated changes or downgrades in the ratings for the Notes could affect the market value of the Notes.

Changes to our credit ratings may affect the market value of the Notes.

Our credit ratings reflect an assessment by rating agencies of our ability to pay our debts when they fall due. Consequently, any changes in our credit ratings, whether real or anticipated, including any announcement that our ratings are under further review for a downgrade, is likely to affect the market value of the Notes.

The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.

The Notes have not been registered under, and the Issuer is not obliged to register the Notes under, the Securities Act or the securities laws of any state or other jurisdiction of the United States and, unless so registered, the Notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See "Important Information – Notice to Investors in the United States." The Issuer has not agreed to, or otherwise undertaken to, register the Notes under the Securities Act or the securities laws of any state or other jurisdiction of the United States or to effect any exchange offer for the Notes in the future, and the Issuer has no intention to do so. The Notes may only be transferred to purchasers outside the United States in offshore transactions pursuant to Regulation S or to qualified institutional buyers within the United States pursuant to Rule 144A. You should read the discussion under the heading "Transfer Restrictions" for further information about the transfer restrictions that apply to the Notes. It is your obligation to ensure that your offers and sales of the Notes within the United States and other countries comply with all applicable securities laws.

Investors in the Notes may have limited recourse against the independent auditors.

See "Independent Auditor" for a description of the independent auditor's reports. In particular, in respect of their audit reports relating to the 2011 Financial Statements and 2012 Financial Statements included or incorporated by reference herein, PricewaterhouseCoopers LLP, in accordance with guidance issued by the Institute of Chartered Accountants in England and Wales, provides:

> "*This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing*."

Investors in the Notes should understand that these statements are intended to disclaim any liability to parties (such as the purchasers of the Notes) other than the members of Reckitt Benckiser with respect

to those reports. In the context of the Offering, PricewaterhouseCoopers LLP has reconfirmed to us that it does not intend its duty of care to extend to any party other than those to whom its reports were originally addressed (*i.e.*, to the members of the Reckitt Benckiser). The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the Securities Act, or in a report filed under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). If a U.S. court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Notes may have against the independent accountants based on their reports or the financial statements to which they relate could be limited.

Enforcement of U.S. judgments relating to the Notes may be difficult.

Although the Notes will be governed by the laws of the State of New York, the Issuer and the Guarantor are each organized under the laws of England and Wales. Most of the Issuer's and the Guarantor's directors and executive officers reside outside the United States. Substantially all of the assets of these persons and substantially all of the Issuer's and the Guarantor's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer's of the Guarantor's directors and executive officers, or to enforce against any of them judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. See "Service of Process and Enforceability of Judgments."

Use of Proceeds

We expect that the net proceeds to us from the sale of the Notes offered hereby will be approximately $985 million after deducting the Initial Purchasers' discounts and commissions and various other expenses related to the Offering payable by us. We expect to use the net proceeds of the Offering for general corporate purposes.

Capitalization

The following table sets out our consolidated cash and cash equivalents and capitalization as of 30 June 2013, derived from our unaudited balance sheet as of 30 June 2013 included elsewhere in this Offering Memorandum.

The following table should be read in conjunction with our consolidated financial statements and the related notes included or incorporated by reference in this Offering Memorandum and the information under "Presentation of Financial and Other Information" and "Operating and Financial Review."

As of the date of this Offering Memorandum, there have been no material changes to our capitalization since 30 June 2013.

	As of 30 June 2013	
	Actual (unaudited)	
	(£ in millions)	($ in millions)
Cash and cash equivalents	**790**	**1,202**
Current borrowings:		
Bank loans and overdrafts	16	24
Commercial paper	3,579	5,445
Finance lease obligations	2	3
Total current borrowings	3,597	5,472
Non-current borrowings:		
Finance lease obligations	3	5
Total non-current borrowings	3	5
Total borrowings	**3,600**	**5,477**
Share capital (736,535,187 equity ordinary shares)	74	113
Share premium	243	370
Merger reserve	(14,229)	(21,647)
Hedging reserve	12	18
Foreign currency translation reserve	36	55
Retained earnings	19,899	30,272
Equity attributable to owners of Reckitt Benckiser	**6,035**	**9,181**
Non-controlling interests	2	3
Total equity	**6,037**	**9,184**
Total capitalization(1)	**9,635**	**14,658**

(1) Excluding non-controlling interests.

Selected Historical Financial Information

The selected historical financial information of the RB Group provided below has been extracted without material adjustment from our 2011 Financial Statements, 2012 Financial Statements and our 2013 Half Year Condensed Financial Statements.

For a discussion of the basis of the preparation of our historical financial information, see note 1 to the audited consolidated financial statements and notes 2 and 3 of the unaudited condensed consolidated financial statements. Our consolidated financial statements as of and for the years ended 31 December 2011 and 31 December 2012 have been audited by PricewaterhouseCoopers LLP. Our consolidated financial statements as of and for the year ended 31 December 2010 were included as the comparative period in the 31 December 2011 financial statements, of which this opinion had no modifications related to the comparative period 31 December 2010. Our condensed consolidated financial statements as of 30 June 2013 and for the six months ended 30 June 2012 and 2013 are unaudited but have been reviewed by PricewaterhouseCoopers LLP in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. These statements have been prepared in accordance with IFRS. See "Presentation of Financial and Other Information." Our unaudited condensed consolidated financial statements include, in the opinion of management, all adjustments necessary to present fairly our financial results for the periods presented. Interim results are not necessarily indicative of the results that may be expected for any other interim period or for the full year. Our historical financial information is not indicative of our future results.

Consolidated Income Statement Data:

	FY			HY	
	2010	**2011**	**2012**	**2012**	**2013**
			(£ in millions)		
				(unaudited)	(unaudited)
Net revenue	8,453	9,485	9,567	4,669	4,994
Cost of sales	(3,332)	(4,036)	(4,030)	(2,038)	(2,065)
Gross profit	5,121	5,449	5,537	2,631	2,929
Net operating expenses	(2,991)	(3,054)	(3,102)	(1,555)	(2,015)
Operating profit before exceptional items	2,231	2,487	2,570	1,124	1,163
Exceptional items	(101)	(92)	(135)	(48)	(249)
Operating profit	2,130	2,395	2,435	1,076	914
Net finance income/(expense)	6	(19)	(15)	(18)	(16)
Profit on ordinary activities before taxation	2,136	2,376	2,420	1,058	898
Tax on profit on ordinary activities	(566)	(622)	(587)	(279)	(237)
Net income	1,570	1,754	1,833	779	661
Attributable to:					
Non-controlling interests	2	9	4	4	1
Owners of Reckitt Benckiser	1,568	1,745	1,829	775	660

Consolidated Balance Sheet Data:

	As of 31 December			As of 30 June
	2010	2011	2012	2013
	(£ in millions)			
				(unaudited)
Cash and cash equivalents	588	639	887	790
Current assets	2,635	2,938	3,057	3,143
Current liabilities	5,734	5,700	6,487	7,086
Total assets	13,422	14,126	15,080	15,956
Total liabilities	8,292	8,345	9,158	9,919
Total equity	5,130	5,781	5,922	6,037

Consolidated Cash Flow Statement Data:

	FY			HY	
	2010	2011	2012	2012	2013
	(£ in millions)				
				(unaudited)	(unaudited)
Cash generated from operations	2,215	2,430	2,423	1,106	1,321
Net cash generated from operating activities	1,544	1,740	1,888	859	978
Net cash (used in)/generated from investing activities	(2,790)	(648)	(936)	14	(516)
Net cash generated from/(used in) financing activities	1,471	(1,004)	(688)	(427)	(559)

Operating and Financial Review

The following discussion should be read in conjunction with our 2011 Financial Statements, 2012 Financial Statements and our 2013 Half Year Condensed Financial Statements, each prepared on the basis of IFRS, and included or incorporated by reference in this Offering Memorandum. For a discussion of the basis of the preparation of our historical financial information, see "Presentation of Financial and Other Information" and note 1 to the 2011 Financial Statements and 2012 Financial Statements, and notes 2 and 3 to the 2013 Half Year Condensed Financial Statements, included or incorporated by reference in this Offering Memorandum.

Except for the historical information contained herein, the discussion in this section contains forward-looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum, particularly in "Risk Factors" and "Information Regarding Forward-Looking Statements."

The financial information presented in tabular form in the following discussion has been rounded to the nearest whole number. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column.

Overview

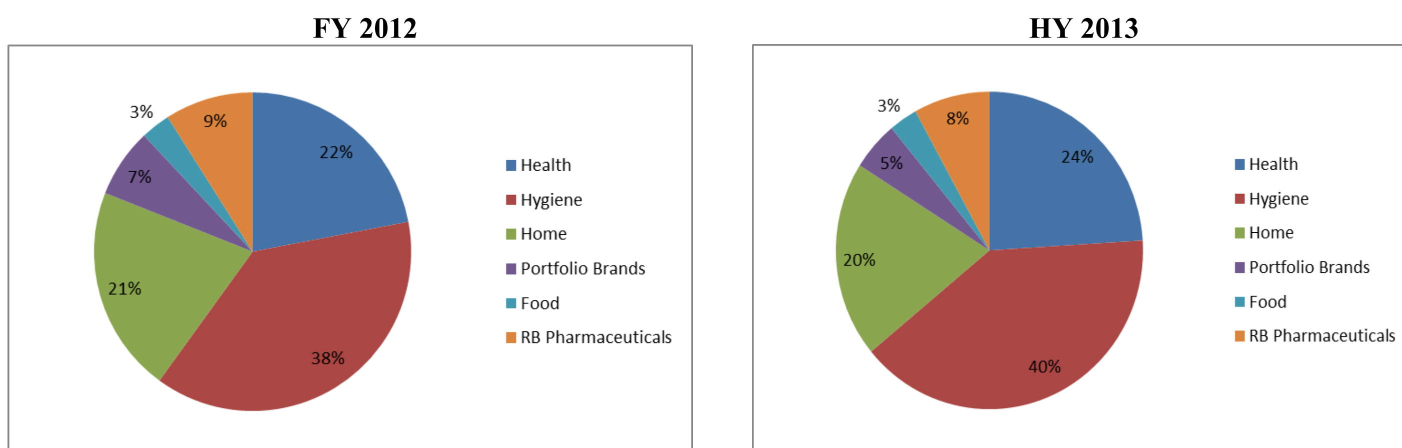
General

We are one of the world's leading manufacturers and marketers of branded health, hygiene and home products, selling a comprehensive range of products through over 60 operating companies in nearly 200 countries.

We operate in the following product categories:

- Our **Health** product category consists generally of OTC medications for common ailments such as pain, fever, cold, flu, sore throat and heartburn. We also produce condoms for safe and pleasurable sex and a range of footcare products to address foot, skin and nail conditions.
- Our **Hygiene** product category consists of personal hygiene products (including depilatory products for removal of body hair, and acne treatments) and home hygiene products (including disinfectant cleaners, all-purpose cleaners, lavatory cleaners, detergents for automatic dishwashing, and pest control products).
- Our **Home** product category consists of air care products, garment care products, fabric treatment products, water softeners and shoe care products.
- Our **Portfolio Brands** include laundry detergents, fabric softeners, ironing aids, footwear and medical gloves that do not fit within our Health, Hygiene and Home categories and that are intended to build scale in local markets.
- Our **Food** product category consists of a largely North American food business.
- Our **RB Pharmaceuticals** product category consists of Subutex and Suboxone prescription drugs, which are buprenorphine-based treatments for opiate dependence.

The following charts set forth the contribution of our product categories to net revenue during the periods indicated.



Our product portfolio is led by 19 global "Powerbrands" that are mostly either market leaders or ranked second in their respective markets, and which generated 70% of our net revenue in FY 2012. Our Powerbrands include Durex, Gaviscon, Nurofen, Mucinex, Scholl and Strepsils in the Health category, Cillit Bang, Clearasil, Dettol, Finish, Harpic, Lysol, Mortein and Veet in the Hygiene category, Air Wick, Calgon, Vanish and Woolite in the Home category, and French's Mustard in the Food category.

Segments

Management has determined our operating segments based on the reports reviewed by the Executive Committee for the purposes of making strategic decisions and assessing our performance. Our Executive Committee considers the business principally from a geographical perspective, but with the RB Pharmaceuticals and Food businesses being managed separately given the significantly different nature of these businesses and the risks and rewards associated with them.

The Executive Committee assesses the performance of the operating segments based on net revenue and operating profit before exceptional items. Finance income and expense are not allocated to segments, as they are managed on a central group basis. Items of income and expense that are not part of the results and financial position of the operating segments, and therefore reported to the Executive Committee outside of the individual segment financial information, are shown in the Corporate segment.

Changes from FY 2012 to HY 2013

In FY 2012, we reported the results of the Scholl Footwear business as part of RUMEA. In HY 2013, we commenced reporting the results of the Scholl Footwear business as part of ENA (the "**Scholl Footwear Reallocation**").

In addition, from HY 2013 onwards, we treat the net pension scheme interest amount as finance income/expense (which is not allocated to our segments). Previously, we classified the interest cost on pension scheme liabilities and expected return on pension scheme assets in either cost of sales or net operating expenses (which are allocated to our segments). Further, see "– Restatements" for details relating to the restatement of our income statement to reflect revisions to IAS 19. We refer to the reclassification of the net pension scheme interest and the restatement of the income statement to reflect revisions to IAS 19 collectively as the "**Pension Restatement**."

In our 2013 Half Year Condensed Financial Statements, we restated the comparative information for HY 2012 and FY 2012 on a consistent basis to reflect the Scholl Footwear Reallocation and the Pension Restatement. However, in this Offering Memorandum, while our discussion of comparative segment

information between HY 2013 and HY 2012 reflects the Scholl Footwear Reallocation and the Pension Restatement as provided in the 2013 Half Year Condensed Financial Statements, the discussion of results for FY 2012 does not reflect the Scholl Footwear Reallocation and the Pension Restatement and, instead, reflects the information provided in the 2012 Financial Statements.

The following table sets forth the changes to our segment results for FY 2012 due to the Scholl Footwear Reallocation and the Pension Restatement.

	FY 2012[1]		**FY 2012[2]**	
	Net revenue	**Operating profit before exceptional items**	**Net revenue**	**Operating profit before exceptional items**
		(£ in millions)		
ENA	4,678	1,156	4,744	1,156
LAPAC	2,327	464	2,327	465
RUMEA	1,404	290	1,338	296
Food	321	92	321	92
RB Pharmaceuticals	837	536	837	536
Corporate	—	32	—	32
Total	9,567	2,570	9,567	2,577

(1) As reported in 2012 Financial Statements.
(2) Reflecting the Scholl Footwear Reallocation and the Pension Restatement.

Changes from FY 2011 to FY 2012

In FY 2012, we changed our geographical segments from those reported in the 2011 Financial Statements to reflect our increased focus on high growth emerging market clusters.

Our current reportable segments comprise ENA, LAPAC, RUMEA, Food, RB Pharmaceuticals; and Corporate. Our geographical segments (ENA, LAPAC and RUMEA) derive their revenue primarily from the manufacture and sale of branded products in the health, hygiene and home categories in the respective regions. RB Pharmaceuticals derives its revenue exclusively from the sales of buprenorphine-based prescription drugs used to treat opiate dependence and Food derives its revenue from food products sold in ENA. The results of Schiff subsequent to its acquisition on 14 December 2012 are included in ENA.

The reportable segments that were presented in the 2011 Financial Statements comprised Europe; NAA; Developing Markets (comprising 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)); RB Pharmaceuticals; and Corporate.

The following table sets forth the components of our current segments by reference to the segments in our 2011 Financial Statements.

Current Segments	**Translation from 2011 Financial Statements**
ENA	Europe *minus* Russia and Turkey *plus* NAA *minus* Australia and New Zealand *minus* results allocated to Food segment
LAPAC	Portion of Developing Markets covering the relevant geographical regions *plus* Australia and New Zealand from NAA *minus* results allocated to Food segment
RUMEA	Portion of Developing Markets covering the relevant geographical regions *plus* Russia and Turkey *minus* results allocated to Food segment
Food	Results allocated to Food segment derived from NAA and Developing Markets
RB Pharmaceuticals	RB Pharmaceuticals
Corporate	Corporate

In the 2012 Financial Statements, the comparative information for FY 2011 was restated on a consistent basis to reflect our current segments. We have not, however restated the information for FY 2010 to reflect the current segments. Therefore, in this section, the discussion of comparative information between FY 2012 and FY 2011 reflects our current segments as provided in the 2012 Financial Statements, while the discussion of comparative information between FY 2011 and FY 2010 reflects the old segments as provided in the 2011 Financial Statements.

Segment contributions

The following tables set forth the contribution of our segments to net revenue and operating profit before exceptional items for the periods under review.

	Net revenue				**Operating profit before exceptional items**			
	FY 2011	**FY 2012**	**HY 2012[(1)]**	**HY 2013[(1)]**	**FY 2011**	**FY 2012**	**HY 2012[(1)]**	**HY 2013[(1)]**
				(%)				
ENA	51	49	49	49	46	45	41	45
LAPAC	23	24	25	26	17	18	19	20
RUMEA	15	15	15	14	12	11	12	12
Food	3	3	3	3	4	4	3	3
RB Pharmaceuticals	8	9	8	8	21	21	22	20
Corporate	—	—	—	—	—	1	3	—
Total	100	100	100	100	100	100	100	100

(1) Reflects the Scholl Footwear Reallocation and the Pension Restatement.

	Net revenue		**Operating profit before exceptional items**	
	FY 2010	**FY 2011**	**FY 2010**	**FY 2011**
		(%)		
Europe	41	42	37	37
NAA	27	25	27	26
Developing Markets	23	25	12	16
RB Pharmaceuticals	9	8	24	21
Corporate	—	—	—	—
Total	100	100	100	100

Product categories

In FY 2012, we reorganized our product categories from those reported in the 2011 Financial Statements.

Our current product categories consist of Health, Hygiene, Home, Portfolio Brands, Food and RB Pharmaceuticals. The product categories presented in the 2011 Financial Statements consisted of Health & personal care, Fabric care, Surface care, Home care, Dishwashing, Other, Food and RB Pharmaceuticals.

We refer to all our current product categories, excluding Food and RB Pharmaceuticals, as our "**core**" business.

In the 2012 Financial Statements, the comparative information for FY 2011 was restated on a consistent basis to reflect our current product categories. We have not, however restated the information for FY 2010 to reflect the new product categories. Therefore, in this section, the discussion of comparative information between FY 2012 and FY 2011 reflects our current product categories as provided in the

2012 Financial Statements, while the discussion of comparative information between FY 2011 and FY 2010 reflects the old product categories as provided in the 2011 Financial Statements.

The following tables set forth the contribution of our segments to net revenue and operating profit before exceptional items for the periods under review.

	Net revenue			
	FY 2011	FY 2012	HY 2012	HY 2013
	(%)			
Health	21	22	20	24
Hygiene	39	38	40	40
Home	21	21	21	20
Portfolio Brands	8	7	8	5
Core	89	88	89	89
Food	3	3	3	3
RB Pharmaceuticals	8	9	8	8
Total	100	100	100	100

	Net revenue	
	FY 2010	FY 2011
	(%)	
Health & personal care	27	33
Fabric care	19	16
Surface care	16	15
Home care	14	13
Dishwashing	10	10
Other	1	2
Core	87	89
Food	4	3
RB Pharmaceuticals	9	8
Total	100	100

Restatements

Our income statement for FY 2012 was restated in HY 2013 to reflect the revisions to IAS 19. IAS 19 (Revised) replaces the interest cost on pension scheme liabilities and expected return on pension scheme assets with a net interest amount that is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset. These unaudited restatements had no impact on our balance sheet and the following impact on our income statement for HY 2012 and FY 2012.

	HY 2012	FY 2012
	(£ in millions)	
Decrease in cost of sales	1	1
Decrease in net operating expenses	3	6
Increase in operating profit for the period	4	7
Increase in finance expense	(10)	(19)
Decrease in tax on profit on ordinary activities	2	4
Decrease in net income for the period	(4)	(8)

In this Offering Memorandum, the discussion of comparative income statement information between HY 2013 and HY 2012 reflects the income statement information for HY 2012 presented in our 2013 Half Year Condensed Financial Statements, adjusted to reflect the impact of the Pension Restatement. The discussion of information for FY 2012 reflects the income statement information as it was presented in the 2012 Financial Statements, excluding the impact of the Pension Restatement.

In addition, our income statement for FY 2011 was restated in FY 2012 to reflect a change in our accounting policy for certain consumer promotional costs. We now treat certain consumer promotional costs as cost of sales, where previously these were classified as marketing in net operating expenses. We believe that this change provides more relevant information about our performance and aligns our accounting policies with common industry practice. This restatement resulted in an increase in cost of sales and, therefore, a decrease in gross profit and a decrease in net operating expenses, for FY 2011 of £213 million in each case from the 2011 Financial Statements to the 2012 Financial Statements. The restatement had no impact on our balance sheet or operating profit. In this section, the discussion of comparative income statement information between FY 2012 and FY 2011 reflects the restated income statement information for FY 2011 presented in our 2012 Financial Statements, while the discussion of comparative information between FY 2011 and FY 2010 reflects the income statement information as published in the 2011 Financial Statements.

Performance during periods under review, trends and prospects

FY 2010 to FY 2012

Our net revenue increased from £8,453 million in FY 2010 to £9,485 million in FY 2011 and to £9,567 million in FY 2012.

From a geographical perspective, emerging market areas have contributed an increasing proportion of our net revenue during these periods. While we expect the trend to continue in the medium term, we are also focused on our go-to-market capability, and in-store execution, in developed markets via our recently created ENA area structure. We target core net revenue from the emerging market segments of LAPAC and RUMEA to equal core net revenue from the developed market ENA segment by the end of 2015 (in FY 2012, LAPAC and RUMEA contributed 44% of our core net revenue while ENA contributed 56%).

From a product category perspective, we are focused on the higher margin health and hygiene product categories, and target 72% of our core net revenue to come from these categories by 2015 (in FY 2012, they contributed 68%).

From a product perspective, our significant focus on our Powerbrands has driven net revenue growth. Powerbrands accounted for approximately 70% of our net revenue during these periods. We drive growth through a combination of constant innovation, increased penetration in countries in which we already have a presence and selective geographic roll-out in countries where there is no current presence.

In the RB Pharmaceuticals segment, net revenue growth came from continued strong volume growth in the United States. 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 United States increased, with our market volume share at 64% at the end of 2012, up from 48% at the end of 2011. We also increased investment in the clinical pipeline. We expect this gradual increase in investment to continue into 2013 and beyond as we seek to build a strong, sustainable growth business. We announced in September 2012 a voluntary discontinuation of Suboxone tablets in the United States.

HY 2012 to HY 2013

Total net revenue (excluding RB Pharmaceuticals) was £4,594 million, a like-for-like increase of 6% (+6% at constant exchange rates, excluding RB Pharmaceuticals). Net revenue growth was driven by a strong performance in our emerging market areas despite a slowing of volume market growth in certain regions. ENA also performed well in a challenging market. Our Health brands led growth from a category perspective, with strong performances from Mucinex in the United States, and Strepsils, Durex and Nurofen worldwide.

Integration and synergy delivery in respect of our recent acquisitions are on track.

Our operating profit for HY 2013 was £914 million, a decrease of 15% compared to HY 2012 (a decrease of 17% at constant exchange rates), reflecting the impact of an exceptional pre-tax charge of £249 million (HY 2012: £48 million), which related to a provision for historical regulatory issues, principally competition law, restructuring costs in relation to the new business organization, and acquisition and associated integration costs. On an adjusted basis, operating profit increased 3% (2% at constant exchange rates) to £1,163 million. The adjusted operating margin decreased by 80 basis points to 23.3%. Excluding RB Pharmaceuticals, the adjusted operating margin decreased by 10 basis points to 20.4%.

We continue to face challenging market conditions. Nonetheless, we believe that our strong HY 2013 results, our sustained investment behind the equity of our brands, together with progress on the integration of our recent acquisitions, positions us well to achieve full year total revenue growth (at constant exchange rates and including acquisitions and disposals, withdrawal from private label business and other minor items, and excluding RB Pharmaceuticals) at the upper end of +5-6% range.

Principal Factors Affecting Results of Operations

As a leading manufacturer and marketer of branded health, hygiene and home products that sells a comprehensive range of products through over 60 operating companies in nearly 200 countries, our results are impacted by a variety of factors common to the FMCG industry:

Macro conditions, both globally and in the key markets in which we operate

Our business and results of operations are affected by changes in both global economic conditions, and the individual markets in which we operate. Global economic trends continue to pose challenges, and in many of our markets, austerity measures, constraints on consumer lending and slow or no economic growth continue to impede consumer purchasing power and adversely impact consumer confidence. Further uncertainty surrounding sovereign risk in the eurozone, and the related effect on the availability of credit and consumer confidence, and slower growth in the so-called high growth markets, such as Brazil, China and India, could also impact our business.

In addition, demand for our products and our brands can be affected by political instability, terrorist and other hostile activities, and natural catastrophes, which can impact economic conditions and consumer confidence, degrade infrastructure, disrupt supply chains and otherwise result in business interruption. Certain of these factors may impact a single market or a region directly, and may have further effects to the extent supply chains are disrupted. The foregoing could impact consumer confidence and customers' abilities to fund their operations, and also impact our liquidity, exacerbate fluctuations in foreign currency movements, increase commodity prices and increase transportation and energy costs. While we cannot control most of these events, our results will be impacted by our ability to respond appropriately to these events.

Success in achieving our strategy to deliver market out-performance

Our strategic goals include a focus on brands in the faster growing and higher margin Health and Hygiene product categories and redeploying resources to deliver a more evenly balanced revenue

stream from emerging and developed markets. We focus in particular on our Powerbrands and Powermarkets, and believe that delivering innovative products that meet consumer needs is among the principal factors that influence our performance. We believe that our success, therefore, will be a function of constant innovation, increased penetration in countries in which we already have a presence and selective geographic roll-out in countries where we have no current presence, in each case underpinned by executional in-market excellence and investment in BEI programs. We expect selective and strategic M&A to also play an important part in our focus on the Health and Hygiene product categories and on emerging markets. We will need to meet the challenges posed by competitive brands and products and properly manage our acquisition and disposal programs.

Government regulation and legal matters

The health, hygiene and home sectors are heavily regulated by governments and other regulatory bodies in the countries in which we operate. Regulation is imposed in respect of, but not limited to, ingredients, manufacturing standards, labor standards, product safety, marketing, packaging, labeling, storage, distribution, advertising, imports and exports, social and environmental responsibility and health and safety. Changes to the laws and regulations to which we and our operations are subject, whether as a result of new or more stringent requirements, or more stringent interpretations of existing requirements, could impose significant compliance costs and impact the way we conduct portions of our business. Our ability to anticipate and manage legal, tax and regulatory matters, successfully resolve tax or regulatory investigations, avoid or otherwise resolve product liability claims, and resolve any other claims that might be brought against us could impact our results.

In particular, we are involved in a number of regulatory investigations by various government authorities in a number of markets (See "Our Business – Material Governmental and Legal Proceedings"). These investigations principally involve competition law inquiries, most of which include several other companies. In HY 2013, we made a provision of £225 million in respect of these matters, which is recognized under exceptional items and is part of our operating expenses.

Costs

Our results are also impacted by our ability to manage our costs, including changes in commodity prices, cost of raw materials, labor costs, foreign currency exchange rates and interest rates. Our ability to do so depends in part on management actions to improve productivity and adjust prices, the success of cost cutting initiatives, our ability to pass on cost increases to consumers, the effectiveness of hedging arrangements and the outcome of negotiations of manufacturing and supply arrangements.

Status of Suboxone in the United States

In the pharmaceuticals product category, we manufacture and distribute Subutex and Suboxone prescription drugs, which are buprenorphine-based treatments for opiate dependence. Our RB Pharmaceuticals business generated 9% of our net revenue and 21% of our operating profit before exceptional items in FY 2012 (HY 2013: 8% and 20%, respectively).

For Suboxone tablets, our exclusivity as an orphan drug in the United States under FDA regulations ended in October 2009 and our similar exclusivity protection in Europe expires in 2016. In August 2010 we launched our patent protected Suboxone sublingual film, and by 30 June 2013 achieved a volume market share of 69% of the U.S. buprenorphine-based opioid addiction treatment market.

In March 2013, based on the enhanced benefits of our Suboxone sublingual film and the reduction in unintended paediatric exposure due to its unit-dose child resistant packaging, we voluntarily withdrew our Suboxone tablets from the U.S. market. Two manufacturers launched generic Suboxone tablets in March 2013, which have gained a 13% volume (by mg) market share (according to Source Healthcare Analytics' Pharmaceutical Audit Suite Weekly Data as at 28 June 2013) of the buprenorphine market in the United States. We had anticipated the approval and launch of generic tablets since the loss of our

intellectual property protection in October 2009. We also expect manufacturers to introduce branded tablets that contain buprenorphine. For example, Orexo recently announced that it had received FDA approval for a buprenorphine and naloxone sublingual tablet.

While we remain confident in the success of our Suboxone sublingual film, we do expect that increased price pressure will lead to a material reduction in net revenue from this product in the United States.

We have recently been informed of a paragraph IV notice (to the effect that entry into the market of a generic product does not infringe patents) of the filing of ANDAs by Par Pharmaceutical and Watson Laboratories for generic Suboxone films in the United States. There is a combination of formulation and process patents surrounding the Suboxone film, the most recent of which is a formulation patent in our name that is valid until 2030. As we have previously announced, we are confident about the strength of our intellectual property protection for Suboxone film, and have filed a patent infringement lawsuit against Par Pharmaceutical and two related parties, and intend to file a patent infringement lawsuit against Watson Laboratories, to enforce our intellectual property. The FDA cannot approve the generic entrant until the earlier of 30 months or the disposition of the patent infringement proceedings.

Acquisitions, collaborations and dispositions

We consider acquisitions where they offer a strategic opportunity to further accelerate growth. These might be high-potential brands in adjacent categories or companies that strengthen our existing platform in a certain market. We also seek to exit certain businesses not relevant to our business strategy.

Among our acquisitions, collaborations and dispositions during the periods under review are the following:

- During FY 2010, we completed the acquisition of SSL, a global manufacturer and distributor of healthcare products, including Durex and Scholl, for £2.5 billion. From the date of acquisition to 31 December 2010, the acquisition contributed £90 million to our net revenues. Had the acquisition taken place at 1 January 2010, we would have had consolidated net revenue of £9,160 million (compared to reported net revenue of £8,453 million). Acquisition related costs of £22 million were included in net operating expenses and disclosed as exceptional items in the income statement.

- During FY 2011, we completed the acquisition of 50.1% of Shanghai Manon Trading Company Limited (“**Manon**”), a distributor of Durex and Scholl in China, for £8 million, plus £6 million for a non-compete agreement. In HY 2013, we completed the purchase of a further 24.95% interest in Manon. We have entered into a forward contract to purchase the balance of Manon in 2016. The present value of the expected cash outflow is recognized on our balance sheet as part of non-current liabilities.

- Also during FY 2011, we completed the acquisition of Paras for approximately £455 million. Paras was an Indian company with a portfolio of leading Indian OTC health and personal care products. From the date of acquisition to 31 December 2011, the acquisition contributed £49 million to our net revenue. Had the acquisition taken place at 1 January 2011, our consolidated net revenue for FY 2011 would have been £9,497 million (compared to reported net revenue of £9,485 million).

- During FY 2012, we sold the Paras personal care business for £81 million, net of cash disposed. We recognized a gain of £32 million in FY 2012 in the income statement, of which £15 million arose from deferred tax. In addition, we acquired for £104 million the remaining non-controlling interest in Beleggingsmaatschappij Lemore BV, the holding company of OOO Medcom MP (“**Medcom**”), our Russian distributor of condoms, footcare products, and medical gloves and devices. Further, we acquired the trade and business assets of SICO, a Mexican condom manufacturer, for £70 million.

- Also during FY 2012, we acquired Schiff for $1.3 billion (£813 million). Schiff is a provider of branded vitamins, nutrition supplements and nutrition bars and provided us with platform to enter the global vitamins, minerals and supplements market. From the date of acquisition to 31 December 2012, the Schiff acquisition contributed £14 million to our net revenue and £1 million to our operating profit. Had the acquisition taken place at 1 January 2012, our consolidated net revenues for FY 2012 would have been £9,767 million (compared to reported net revenue of £9,567 million), operating profit for FY 2012 would have been £2,422 million (compared to reported operating profit of £2,435 million) and operating profit before exceptional items would have been £2,594 million (compared to reported operating profit before exceptional items of £2,570 million). We included the costs related to the Schiff acquisition (£9 million) in net operating expenses and disclosed them as exceptional items in our income statement. Schiff's results are included within the ENA segment and the Health product category.

- During HY 2013, we completed the acquisition of Oriental Medicine Company Limited, a manufacturer of traditional Chinese sore throat products, for £102 million. A further £18 million of the purchase price is deferred over the next three years ending 2016.

- Also, during HY 2013, we received regulatory approval for a three-year collaboration agreement with Bristol-Myers Squibb, for a number of market-leading OTC consumer healthcare brands in Brazil, Mexico and certain other parts of Latin America. We secured this 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, for an upfront cash payment of $482 million. The transaction has been accounted for as a business combination under IFRS 3. We believe that the collaboration agreement provides us with an immediate healthcare platform, distribution network and infrastructure in Latin America and trusted brands with a strong fit with our existing health portfolio. We recognized acquisition related costs of £3 million, which are included in net operating expenses and exceptional items in our HY 2013 income statement. All assets and liabilities are included within the LAPAC reportable segment and the health category of our business. The option included in the transaction is exercisable by us at the end of the collaboration period, subject to certain payments to be made at that time.

Foreign currency translation

Items included in the financial statements of each of our entities are measured using the currency of the primary economic environment in which the entity operates (*i.e.,* the functional currency). We present our consolidated financial statements in pounds sterling, which is our presentation currency.

We translate foreign currency transactions into the functional currency using exchange rates prevailing at the dates of the transactions. We recognize in our income statement the foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies, except where hedge accounting is applied.

We translate the financial statements of our overseas subsidiary undertakings into pounds sterling on the following basis:

- assets and liabilities at the rate of exchange at the period-end date; and
- profit and loss account items at the average rate of exchange for the period.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity on consolidation.

As a result of the foregoing, movements in exchange rates relative to the pound sterling affect our actual reported results, and such effects can be significant. Therefore, in addition to analysing our reported results giving effect to exchange rate movements, we also present comparisons of certain line items in our results of operations on a constant exchange rate basis, which adjusts the more recent line item, such that the foreign currency conversion applied to that line item is made using the same exchange rate as was applied to that same line item in the prior period.

The following tables set forth the changes in our net revenue and operating profit before exceptional items per segment on an actual and constant exchange rate basis.

	HY 2013 compared to HY 2012			
	Net revenue		Operating profit before exceptional items	
	Actual change (%)	Constant Exchange rate change (%)	Actual change (%)	Constant Exchange rate change (%)
ENA	6	4	13	11
LAPAC	11	13	11	12
RUMEA	4	5	—	—
Food	3	—	—	—
Corporate	—	—	—	—
Total (excl. RB Pharmaceuticals)	7	6	6	5
RB Pharmaceuticals	4	2	(7)	(9)
Total before exceptional items	N/A	N/A	3	2
Total	7	6	(15)	(17)

	FY 2012 compared to FY 2011			
	Net revenue		Operating profit before exceptional items	
	Actual change (%)	Constant Exchange rate change (%)	Actual change (%)	Constant Exchange rate change (%)
ENA	(3)	—	—	3
LAPAC	5	11	11	17
RUMEA	3	7	(1)	3
Food	3	2	—	(1)
Corporate	—	—	—	—
Total (excl. RB Pharmaceuticals)	—	4	3	7
RB Pharmaceuticals	10	10	3	3
Total before exceptional items	N/A	N/A	3	6
Total	1	4	2	5

	FY 2011 compared to FY 2010			
	Net revenue		Operating profit before exceptional items	
	Actual change (%)	Constant Exchange rate change (%)	Actual change (%)	Constant Exchange rate change (%)
Europe	15	15	10	10
NAA	3	5	9	10
Developing Markets	21	24	44	48
RB Pharmaceuticals	3	6	(2)	1
Corporate	—	—	—	—
Total before exceptional items	N/A	N/A	11	13
Total	12	13	12	14

The following tables set forth the changes in our net revenue per product category on an actual and constant exchange rate basis.

	HY 2013 compared to HY 2012		FY 2012 compared to FY 2011	
	Net revenue			
	Actual change (%)	Constant Exchange rate change (%)	Actual change (%)	Constant Exchange rate change (%)
Health	32	31	3	6
Hygiene	6	6	1	5
Home	2	1	(2)	2
Portfolio brands	(31)	(33)	(9)	(4)
Food	3	—	3	2
RB Pharmaceuticals	4	2	10	10
Total	7	6	1	4

	FY 2011 compared to FY 2010	
	Net revenue	
	Actual change (%)	Constant Exchange rate change (%)
Health & personal care	36	37
Fabric care	(5)	(5)
Surface care	2	3
Home care	5	5
Dishwashing	2	3
Other	127	129
Household and health & personal care	13	14
Food	4	7
RB Pharmaceuticals	3	6
Total	12	13

Seasonality

While demand for the majority of our products is not subject to significant seasonal fluctuations, some health and pest control products do exhibit seasonal fluctuations. Peak demand in the northern hemisphere markets offsets lower demand in the southern hemisphere markets and vice-versa. The intensity of, in particular, the flu season can vary from year to year, with a corresponding influence on our revenue and profit.

Key Performance Indicators

We set forth below some of our KPIs for the periods under review. These indicators provide useful data for measuring performance and also have a direct impact on our results of operations.

KPI	Definition	Why we use the KPI
Net revenue growth	Percentage like-for-like growth of net revenue at constant exchange rates	Measures the increase in our sales
Powerbrands	Percentage of total net revenue from our 19 Powerbrands	Measures the growth and importance of our flagship brands
Gross margin %	Gross profit as a percentage of total net revenue	Measures the resources available for reinvestment or profit growth
BEI	Investment in brand equity as a percentage of total net revenue	Measures the rate of reinvestment in our brands
Adjusted operating margin %	Operating profit before exceptional items as a percentage of total net revenue	Measures our profitability

KPI	Definition	Why we use the KPI
Free cash flow	Net cash generated from operating activities less net capital expenditures (*i.e.*, purchases and disposals of property, plant and equipment and intangible assets)	Measures our ability to convert profits into cash
Net working capital(1)	Inventories, trade and other receivables and trade and other payables as a percentage of total net revenue[(1)]	Measures our ability to finance our expansion and release cash from working capital
% of total net revenue (excl. RB Pharmaceuticals) in number 1 or number 2 brand positions		Measures the health of our brand market positions

(1) We changed the definition of net working capital in FY 2012 to exclude corporate tax and other provisions. We believe that the current definition better reflects our commercial net working capital performance.

The following table sets forth our KPIs during the periods under review.

	FY 2010	FY 2011	FY 2012	HY 2012	HY 2013
	(figures other than percentages are £ in millions)				
Net revenue growth	+6%	+4%	+5%	+1%	+6%
Powerbrands	69%	70%	70%	70%	71%
Gross margin %	60.6%[(1)]	57.4%	57.9%	56.4%	58.7%
BEI	10.7%[(2)]	12.0%	12.7%	13.6%	14.4%
Adjusted operating margin %	26.4%	26.2%	26.9%	24.1%	23.3%
Free cash flow	1,219	1,552	1,733	788	893
Net working capital	-925	-701	-700	-752	-855
% of total net revenue	-10.9%	-7.4%	-7.3%	-16.1%	-17.1%
% of total net revenue (excl. RB Pharmaceuticals) in number 1 or number 2 brand positions	73%	71%	71%	N/A[(3)]	N/A[(3)]

(1) Not comparable with subsequent periods as a result of the restatement of our income statement. See "– Overview – Restatements."
(2) Reflects media investment only (*i.e.*, media investment as a percentage of total net revenue) because BEI was introduced in FY 2012.
(3) Not disclosed on a half-year basis.

Key Income Statement Items

Net revenue

We define net revenue as the amount invoiced to external customers during a period, *i.e.*, gross sales net of trade discounts, customer allowances for credit notes and returns and consumer coupons, and exclusive of VAT and other sales-related taxes. We recognise net revenue at the time that the risks and rewards of ownership of the products are transferred to the customer.

Cost of sales

Cost of sales consists of raw materials, packaging costs and production expenses.

As noted in "– Overview – Restatements" above, our income statement for FY 2011 was restated in FY 2012 to reflect a change in our accounting policy for certain consumer promotional costs. We now treat certain consumer promotional costs as cost of sales, where previously these were classified as marketing in net operating expenses.

Net operating expenses

Net operating expenses consist of distribution costs, administrative expenses and exceptional costs, net of other net operating income.

Distribution costs

Distribution costs consist primarily of distribution, selling and marketing expenses. Distribution expenses include payroll costs of the sales and marketing functions, selling expenses, advertising, warehouse costs for finished goods and transport costs for distribution of finished goods.

Administrative expenses

Administrative expenses consist of pharmaceutical research and development, other research and development, and other expenses. Other expenses consist of support function costs.

Exceptional items

Where material, non-recurring expenses or income are incurred during a period, we disclose these items as exceptional items in the income statement. Examples of such items are: (a) restructuring and other expenses relating to the integration of an acquired business and related expenses for reconfiguration of our activities; (b) impairments of current and non-current assets; (c) gains/losses on disposal of businesses; and (d) acquisition related costs. We do not present exceptional items on a segment basis.

The following exceptional costs were incurred during the periods under review:

- In FY 2010, we incurred a pre-tax exceptional charge of £104 million, of which £101 million was reflected in net operating expenses and £3 million was included in net finance costs. Of the £101 million included in net operating expenses, £79 million was related to the integration of SSL (consisting primarily of redundancy costs) and £22 million was related to acquisition-related costs. The £3 million in net finance costs related to financing costs associated with the SSL acquisition.

- In FY 2011, we incurred an exceptional pre-tax charge of £96 million, of which £92 million was reflected in net operating expenses and £4 million was included in net finance costs. Of the £92 million included in net operating expenses, £89 million was related to restructuring charges as a result of the acquisition and integration of SSL and Paras (consisting primarily of redundancy and business integration costs). The £4 million in net finance costs related to financing costs associated with the SSL acquisition.

- In FY 2012, we incurred a total pre-tax exceptional charge of £135 million, which was reflected in net operating expenses, in respect of the following: (a) remaining restructuring costs in respect of the acquisition of SSL; (b) costs associated with implementing our new strategy and private label business closure costs; and (c) acquisition costs associated with the acquisition of Schiff and other acquisitions.

- In HY 2013, we incurred a total pre-tax exceptional charge of £249 million, which was reflected in net operating expenses, in respect of the following: (a) a £225 million provision, principally relating to competition matters; and (b) £24 million relating to the acquisition and integration of Schiff, the collaboration with Bristol-Myers Squibb and our reconfiguration announced in FY 2012 relating to the implementation of our new area and category organization.

The following table sets forth a percentage breakdown of net operating expenses for the periods under review:

	FY 2010	FY 2011	FY 2012	HY 2012	HY 2013
			(%)		
Distribution costs	76	75	75	77	68
Administrative expenses	22	24	21	20	20
Other net operating income	(1)	(2)	—	—	—
Exceptional items	3	3	4	3	12
Net operating expenses	100	100	100	100	100

Net finance income/(expense)

Net finance income/(expense) comprises finance income net of finance expenses.

Finance income consists of interest income on our cash and cash equivalents.

Finance expense consists of interest payable on borrowings, amortization of issue costs of bank loans and other finance expenses.

Finance income and expense are not allocated to our segments, as they are managed on a central basis.

Tax on profit on ordinary activities

Tax on profit on ordinary activities is derived from current tax and deferred tax charges.

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, Reckitt Benckiser's profits for FY 2012 were taxed at an effective rate of 24.5% (FY 2011: 26.5%). UK income tax of £138 million (FY 2011: £161 million) was included within current tax. We calculate taxation for other jurisdictions at the rates prevailing in the relevant jurisdictions.

Following the enactment of legislation in the UK to reduce the corporation tax rate to 23% from 1 April 2013, the total tax charge in FY 2012 included the impact on the income statement of calculating the UK deferred tax balances at the lower UK corporation tax rate. The impact of this rate change was a £62 million decrease in the tax charge in the income statement.

The March 2013 Budget Statement contained the announcement of a reduction to the UK corporation tax rate from 23% to 21% from 1 April 2014, with a further reduction to 20% from 1 April 2015. The Finance Act 2013 includes the legislation to enact the future reduction in the UK tax rate to 20% but this legislation was not substantively enacted at 30 June 2013 and the effects thereof are accordingly not included in our financial statements during the periods under review.

Certain non-IFRS measures

Our discussion of financial results includes certain non-IFRS financial measures. We believe these measures provide our investors with additional information about our underlying results and trends, as well as insight into some of the metrics used to evaluate management. These measures include:

Constant exchange rates

In addition to analyzing our reported results giving effect to exchange rate movements, we also present comparisons of certain line items in our results of operations on a constant exchange rate basis. Since FY 2012, we adjust the more recent line item such that the foreign currency conversion applied to that line item is made using the same exchange rate as was applied to that same line item in the prior period.

Prior to FY 2012, we adjusted the prior period line item such that the foreign currency conversion applied to that line item was made using the same exchange rate as was applied to that same line item in the more recent period. See "– Principal Factors Affecting Results of Operations – Foreign currency translation."

Like-for-like change

We use the term "like-for-like" growth to describe the performance of our business by excluding the impact of changes in foreign currency exchange rates, acquisitions and disposals, and discontinued operations. We believe this provides readers with a more complete understanding of underlying performance of the business and enables comparison across periods on a consistent basis. Like-for-like growth is also one of the measures used to evaluate senior management and is a factor in determining their at-risk compensation.

The following tables provide a numerical reconciliation of percentage like-for-like net revenue changes to reported percentage net revenue growth per segment for the periods under review.

	HY 2013 compared to HY 2012			
	Reported Net Revenue	Impact of Exchange Rate Movements	Impact of Acquisitions and Disposals[1]	Like-for-like Change
	(%)			
ENA[2]	6	2	1	3
LAPAC	11	(2)	2	11
RUMEA[2]	4	(1)	(1)	6
Food	3	3	0	0
Total (excl. RB Pharmaceuticals)	7	1	1	6
RB Pharmaceuticals	4	2	0	2
Total	7	1	1	5

	FY 2012 compared to FY 2011			
	Reported Net Revenue Change	Impact of Exchange Rate Movements	Impact of Acquisitions and Disposals[3]	Like-for-like Change
	(%)			
ENA	(3)	(3)	(1)	1
LAPAC	5	(6)	0	11
RUMEA	3	(4)	(1)	8
Food	3	1	0	2
Total (excl. RB Pharmaceuticals)	0	(4)	(1)	5
RB Pharmaceuticals	10	0	0	10
Total	1	(3)	(1)	5

	FY 2011 compared to FY 2010			
	Reported Net Revenue Change	Impact of Exchange Rate Movements	Impact of Acquisitions and Disposals[4]	Like-for-like Change
	(%)			
Europe	15	0	16	(1)
NAA	3	(2)	2	3
Developing Markets	21	(3)	11	13
Total (excl. RB Pharmaceuticals)	13	(1)	10	4
RB Pharmaceuticals	3	(3)	0	6
Total	12	(1)	9	4

(1) Reflects the acquisitions of Schiff and other minor acquisitions, withdrawal from private label business and disposal/ discontinuation of a number of minor businesses.
(2) Includes the Scholl Footwear Reallocation.
(3) Reflects the acquisition of Paras, Schiff and other minor acquisitions, withdrawal from the private label business, disposal of the Paras personal care business and a number of minor businesses.
(4) Reflects the acquisition of SSL and Paras.

The following tables provide a numerical reconciliation of percentage like-for-like net revenue changes to reported percentage net revenue growth per product category for the periods indicated.

	HY 2013 compared to HY 2012			
	Reported Net Revenue	**Impact of Exchange Rate Movements**	**Impact of Acquisitions and Disposals[(1)]**	**Like-for-like Change**
		(%)		
Health	32	1	17	14
Hygiene	6	—	(1)	7
Home	2	1	(1)	2
Portfolio brands	(31)	2	(19)	(14)
Food	3	3	—	—
RB Pharmaceuticals	4	2	—	2
Total	7	1	1	5

	FY 2012 compared to FY 2011			
	Reported Net Revenue Change	**Impact of Exchange Rate Movements**	**Impact of Acquisitions and Disposals[(2)]**	**Like-for-like Change**
		(%)		
Health	3	(3)	—	6
Hygiene	1	(4)	(1)	6
Home	(2)	(4)	—	2
Portfolio brands	(9)	(5)	(5)	1
Food	3	1	—	2
RB Pharmaceuticals	10	—	—	10
Total	1	(3)	(1)	5

(1) Reflects the acquisitions of Schiff and other minor acquisitions, withdrawal from private label business and disposal/ discontinuation of a number of minor businesses.
(2) Reflects the acquisition of Paras, Schiff and other minor acquisitions, withdrawal from the private label business, disposal of the Paras personal care business and a number of minor businesses.

Other non-IFRS measures

We use certain adjusted measures, such as adjusted net income, adjusted operating profit and adjusted operating margin, which exclude the impact of exceptional items.

We also use Adjusted EBITDA, which we define as operating profit excluding the effect of exceptional items, depreciation of property, plant & equipment and amortization and impairment of intangible assets.

We also use free cash flow, which we define as net cash generated from operating activities less net capital expenditures (*i.e.*, purchases and disposals of property, plant and equipment and intangible assets).

We also use net debt, which we define as total borrowings less cash and cash equivalents, short-term available for sale financial assets and financing derivative financial instruments.

These non-IFRS measures are not intended to be substitutes for the equivalent measures of financial performance prepared in accordance with IFRS. These measures may differ from similarly titled non-IFRS measures of other companies in our industry.

See "Overview – Summary Financial Information" for reconciliations of these measures to the most directly comparable IFRS measures.

Results of Operations

The following table presents our selected historical income statement data, including as a percentage of revenue, for the periods under review.

	FY 2010[1]		FY 2011[2]		FY 2012[2]		HY 2012[3]		HY 2013[3]	
	(£ million)	**% of net revenue**	**(£ million)**	**% of net revenue**	**(£ million)**	**% of net revenue**	**(£ million)**	**% of net revenue**	**(£ million)**	**% of net revenue**
Net revenue	8,453	100	9,485	100	9,567	100	4,669	100	4,994	100
Cost of sales	(3,332)	(39)	(4,036)	(43)	(4,030)	(42)	(2,038)	(44)	(2,065)	(41)
Gross profit	5,121	61	5,449	57	5,537	58	2,631	56	2,929	59
Net operating expenses	(2,991)	(35)	(3,054)	(32)	(3,102)	(32)	(1,555)	(33)	(2,015)	(40)
Operating profit	2,130	25	2,395	25	2,435	25	1,076	23	914	18
Operating profit before exceptional items	2,231	26	2,487	26	2,570	27	1,124	24	1,163	23
Exceptional items	(101)	(1)	(92)	(1)	(135)	(1)	(48)	(1)	(249)	(5)
Finance income	21	—	23	—	26	—	12	—	12	-
Finance expense	(15)	—	(42)	—	(41)	—	(30)	(1)	(28)	(1)
Net finance (expense)/income	6	—	(19)	—	(15)	—	(18)	—	(16)	—
Profit on ordinary activities before taxation	2,136	25	2,376	25	2,420	25	1,058	23	898	18
Tax on profit on ordinary activities	(566)	(7)	(622)	(7)	(587)	(6)	(279)	(6)	(237)	(5)
Net income	**1,570**	**19**	**1,754**	**18**	**1,833**	**19**	**779**	**17**	**661**	**13**

(1) As presented in the 2011 Financial Statements.
(2) As presented in the 2012 Financial Statements.
(3) As presented in the 2013 Half Year Condensed Financial Statements.

Comparison of HY 2013 with HY 2012

Group results

Net revenue

Net revenue increased £325 million, or 7%, from £4,669 million in HY 2012 to £4,994 million in HY 2013. This increase reflected an increase in net revenue in all of our segments. In our core product categories the overall performance reflected increases in net revenue derived from sales of our health, hygiene and home products, partially offset by a decline in net revenue from products in the portfolio brands category. Both trends are consistent with our medium-term KPIs relating to core net revenue growth in our non-ENA geographical segments and hygiene/health product categories.

Net revenue by segments

The following table sets forth a breakdown of net revenue by segment for the periods indicated. See "–Segment results" for details relating to each segment.

	HY 2012		HY 2013	
	(£ in millions)	%	(£ in millions)	%
ENA	2,303	49	2,451	49
LAPAC	1,152	25	1,280	26
RUMEA	673	15	703	14
Food	156	3	160	3
Total (excl. RB Pharmaceuticals)	4,284	92	4,594	92
RB Pharmaceuticals	385	8	400	8
Total	4,669	100	4,994	100

Net revenue by product category. The following table sets forth a breakdown of net revenue by product category for the periods indicated.

	HY 2012		HY 2013	
	(£ in millions)	%	(£ in millions)	%
Health	904	20	1,197(1)	24
Hygiene	1,879	40	1,993	40
Home	960	21	979	20
Portfolio brands	385	8	265	5
Core	4,128	89	4,434	89
Food	156	3	160	3
RB Pharmaceuticals	385	8	400	8
Total	4,669	100	4,994	100

(1) Includes the results attributable to the collaboration agreement with Bristol-Myers Squibb.

Health. Net revenue increased £293 million, or 32%, from £904 million in HY 2012 to £1,197 million in HY 2013, with like-for-like growth of 14%. The increase in net revenue was primarily attributable to net revenue growth from Mucinex, Schiff, Durex and Strepsils. Mucinex outperformed a strong market with innovations such as SinusMax and the continued success of our Fast-Max line. Net revenue attributable to Durex increased, supported by increased digital communications (*i.e.*, online advertising and mobile device marketing) around the world. In addition, early successes of recently launched innovations such as Strepsils Children 6+ lozenges, Nurofen next generation heat patches and the roll-out of our Real Feel polyisoprene condoms in a number of markets contributed to net revenue growth. Our recent consumer health acquisitions also made a positive start—in the United States, we derived increased revenue from MegaRed and Airborne, while in China our newly acquired Myanshuning sore throat brand made a strong start.

Hygiene. Net revenue increased £114 million, or 6%, from £1,879 million in HY 2012 to £1,993 million in HY 2013, with like-for-like growth of 7%. The increase in net revenue was driven by the increase in net revenue from Dettol and Lysol in our three geographical segments. In the United States, our new "Healthing" campaign, combined with new initiatives such as Lysol Power & Free drove the increase in net revenue. In emerging market areas, net revenue growth was underpinned by BEI such as our new mums hospital visit program in over 40 countries, and successful new category extensions with Dettol Kitchen Gel. Net revenue attributable to Harpic increased in emerging markets due to penetration programs, while net revenue attributable to Mortein increased in India and Australia due to our Naturgard innovations and a good pest season. Net revenue attributable to Finish increased in a number of European markets due to the launch of Finish Quantum with power gel, and in certain emerging markets as we continued to drive penetration levels.

Home. Net revenue increased £19 million, or 2%, from £960 million in HY 2012 to £979 million in HY 2013, with like-for-like growth of 2%. The increase in net revenue was primarily due to the increase in net revenue attributable to Air Wick and Vanish. The net revenue growth in Air Wick in the United States was due to the successful launch of our new "National Parks" fragrances and the continued expansion of our candles franchise. The net revenue growth in Vanish was driven by innovation in both developed and emerging markets, with a particularly strong performance in Brazil, which is our largest Vanish market by net revenue. Net revenue in the home product category increased despite continued weakness in macro market conditions, particularly in ENA.

Portfolio brands. Net revenue decreased £120 million, or 31%, from £385 million in HY 2012 to £265 million in HY 2013, with like-for-like decline of 14%. The significant decrease in net revenue growth was largely due to our planned actions in the European Footwear business. The decrease in net revenue was also due to further weakness in the laundry detergent and fabric softener markets in southern Europe as a result of increased competition, as well as our withdrawal from our private label business.

Food. Net revenue increased £4 million, or 3%, from £156 million in HY 2012 to £160 million in HY 2013, with like-for-like results maintained compared to HY 2012. Increased net revenue growth in the first quarter of 2013 was partially offset by weak market conditions in the second quarter of 2013.

RB Pharmaceuticals. Net revenue increased £15 million, or 4%, from £385 million in HY 2012 to £400 million in HY 2013, with like-for-like growth of 2%. The increase in net revenue was due to low double digit volume growth in prescriptions in the United States, in line with recent market trends. The increase in net revenue was partially offset by the negative impact of conversion from tablets to film as we voluntarily discontinued the sale of tablets in the United States from 18 March 2013. The remaining tablet sales from early 2013 were largely lost to generic Suboxone tablets, launched into the U.S. market late in February 2013. Since their launch, generic Suboxone tablets have gained a 13% volume (by mg) market share (according to Source Healthcare Analytics' Pharmaceutical Audit Suite Weekly Data as at 28 June 2013) of the buprenorphine market in the United States. Film share of total buprenorphine prescriptions in the United States has been maintained since the launch of generic tablets, although we continue to believe that increased price pressure will lead to some loss of our film market share over time despite the clinical and patient benefits of the film format. In Europe, our net revenue was impacted by government imposed price reductions in a number of markets.

Cost of sales

Cost of sales increased £27 million, or 1%, from £2,038 million in HY 2012 to £2,065 million in HY 2013.

Gross profit

Gross profit increased £298 million, or 11%, from £2,631 million in HY 2012 to £2,929 million in HY 2013.

Total gross margin improved 230 basis points to 58.7% due to a combination of our withdrawal from the private label business, modest price increases, improved mix towards higher margin products, a more stable input environment and savings from cost optimization programs.

Net operating expenses

Net operating expenses increased £460 million, or 30%, from £1,555 million in HY 2012 to £2,015 million in HY 2013. This increase was primarily due to our recognition, as an exceptional item, of a provision of £225 million, principally relating to competition matters in a number of markets, in HY 2013. The increase was also due to the inclusion of net operating expenses attributable to Schiff in HY 2013.

The following table sets forth the breakdown of our net operating expenses for the periods indicated.

	HY 2012		HY 2013	
	(£ in millions)	%	(£ in millions)	%
Distribution costs	1,199	77	1,370	68
Administrative expenses	312	20	397	20
Other net operating income	(4)	—	(1)	—
Exceptional items:				
Legal provisions	—	—	225	11
Other	48[(1)]	3	24[(2)]	1
Total exceptional items	48	3	249	12
Total	1,555	100	2,015	100

(1) Consisted of restructuring costs relating to the implementation of our new area and category organization.

(2) Related to the acquisition and integration of Schiff, the collaboration with Bristol-Myers Squibb and our reconfiguration. Consisted primarily of legal and other professional fees, redundancy and business integration costs which have been included within net operating expenses.

Operating profit

As a result of the foregoing factors, operating profit decreased £162 million, or 15%, from £1,076 million in HY 2012 to £914 million in HY 2013.

Operating profit before exceptional items increased £39 million, or 3%, from £1,124 million in HY 2012 to £1,163 million in HY 2013, with a 2% increase at constant exchange rates. The following table sets forth a segment breakdown of operating profit before exceptional items for the periods indicated.

	HY 2012		HY 2013	
	(£ in millions)	%	(£ in millions)	%
ENA	463	41	525	45
LAPAC	209	19	233	20
RUMEA	141	12	141	12
Food	36	3	36	3
Corporate	30	3	—	—
Operating profit before exceptional items (excl. RB Pharmaceuticals)	879	78	935	80
RB Pharmaceuticals	245	22	228	20
Total	1,124	100	1,163	100

The adjusted operating margin decreased by 80 basis points to 23.3% in HY 2013.

Net finance expense

Net finance expense decreased £2 million, or 11%, from £18 million (as restated to reflect the Pension Restatement) in HY 2012 to £16 million in HY 2013.

Tax on profit on ordinary activities

Tax on profit on ordinary activities decreased £42 million, or 15.1%, from £279 million in HY 2012 to £237 million in HY 2013. Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2013 is 26% (the estimated tax rate for the six months ended 30 June 2012 was 26%).

Segment results

ENA

	HY 2012	HY 2013
	(£ in millions)	
Net revenue	2,303	2,451
Operating profit before exceptional items	463	525

Net revenue. Net revenue increased £148 million, or 6%, from £2,303 million in HY 2012 to £2,451 million in HY 2013, with like-for-like increase of 3%, reflecting net revenue growth in North America and stable net revenue in Europe despite the weak economic backdrop. Net revenue growth was driven by the strong performance of our Health Powerbrands. Mucinex outperformed a strong market in the United States, and net revenue attributable to Strepsils increased in Europe, supported by the launch of Strepsils 6+. Our significant BEI and new product innovations resulted in net revenue growth in Nurofen, Durex, Scholl Footcare and Gaviscon, particularly in Europe. In the Hygiene product category, net revenue attributable to Lysol grew in the United States, while net revenue attributable to Finish grew in Europe following the launch of the new Finish Quantum with Power Gel. In the Home product category, net revenue attributable to Air Wick grew.

Operating profit before exceptional items. Operating profit before exceptional items increased £62 million, or 13%, from £463 million in HY 2012 to £525 million in HY 2013, with an 11% increase at constant exchange rates. The increase in operating profit before exceptional items was due primarily to gross margin expansion, our withdrawal from the private label business, and cost synergies from the de-layering of the European management organization.

LAPAC

	HY 2012	HY 2013
	(£ in millions)	
Net revenue	1,152	1,280
Operating profit before exceptional items	209	233

Net revenue. Net revenue increased £128 million, or 11%, from £1,152 million in HY 2012 to £1,280 million in HY 2013, with like-for-like increase of 11%. This increase was due to broad-based net revenue growth across all regions, with particularly strong growth in Latin America and South East Asia. The increase in net revenue was due to a combination of Powerbrand roll-outs, innovation, distribution and penetration expansion, particularly in the key growth markets of India, Brazil and China. In the Health product category, net revenue growth was primarily attributable to Nurofen, Strepsils, Durex and Gaviscon, while Vanish, Air Wick and Woolite drove the net revenue growth in the Home product category. The increase in net revenue in the Hygiene product category was driven by Dettol, with the recently launched Dettol Kitchen Gel in India and Korea gaining initial market share.

Operating profit before exceptional items. Operating profit before exceptional items increased £24 million, or 11%, from £209 million in HY 2012 to £233 million in HY 2013, with a 12% increase at constant exchange rates. The adjusted operating margin increased by 10 basis points to 18.2%.

RUMEA

	HY 2012	HY 2013
	(£ in millions)	
Net revenue	673	703
Operating profit before exceptional items	141	141

Net revenue. Net revenue increased £30 million, or 4%, from £673 million in HY 2012 to £703 million in HY 2013, with like-for-like increase of 6%. On a category basis, net revenue growth in the Health product category was driven by Durex, while Dettol led the growth in the Hygiene product category, along with Harpic, Finish, Cillit Bang and Mortein. The increase in net revenue was partially offset by the up-scheduling of certain Nurofen products in Russia and operational and socio-political challenges in certain markets.

Operating profit before exceptional items. Operating profit before exceptional items remained constant at £141 million for the two periods, while the adjusted operating margin decreased 90 basis points to 20.1% in HY 2013.

Food

	HY 2012	HY 2013
	(£ in millions)	
Net revenue	156	160
Operating profit before exceptional items	36	36

Net revenue. Net revenue increased £4 million, or 3%, from £156 million in HY 2012 to £160 million in HY 2013, with like-for-like results maintained compared to HY 2012. The increase was due to favorable foreign currency movements. Increased net revenue growth in the first quarter of 2013 was partially offset by weak market conditions in the second quarter of 2013.

Operating profit before exceptional items. Operating profit before exceptional items remained constant at £36 million during the two periods, while adjusted operating margins decreased 60 basis points to 22.5%.

RB Pharmaceuticals

	HY 2012	HY 2013
	(£ in millions)	
Net revenue	385	400
Operating profit before exceptional items	245	228

Net revenue. Net revenue increased £15 million, or 4%, from £385 million in HY 2012 to £400 million in HY 2013, with like-for-like increase of 2%. The increase in net revenue was due to low double-digit volume growth in prescriptions in the United States, in line with recent market trends. The increase in net revenue was partially offset by the negative impact of conversion from tablets to film as we voluntarily discontinued the sale of tablets in the United States from 18 March 2013. The remaining tablet sales from early 2013 were largely lost to generic Suboxone tablets, launched into the U.S. market late in February 2013.

Operating profit before exceptional items. Operating profit before exceptional items decreased £17 million, or 7%, from £245 million in HY 2012 to £228 million in HY 2013. This decrease was due to market share loss, negative mix and investment in the clinical pipeline. We expect this gradual increase in clinical investment to continue for the remainder of FY 2013 and beyond as we seek to build a strong, sustainable growth business.

Comparison of FY 2012 with FY 2011

RB Group results

Net revenue

Net revenue increased £82 million, or 1%, from £9,485 million in FY 2011 to £9,567 million in FY 2012. At constant exchange rates, net revenue increased 4% while like-for-like net revenue for the RB Group, both including and excluding RB Pharmaceuticals, increased 5%.

The increase reflected increases in net revenue from the LAPAC, RUMEA, Food and RB Pharmaceuticals segments, partially offset by a decline in net revenue from ENA (principally due to foreign currency movements). Similarly, in our core product categories the overall performance reflected increases in net revenue derived from sales of our health and hygiene products, partially offset by a decline in net revenue from products in the home category due to foreign currency movements.

Net revenue by segments. The following table sets forth a breakdown of net revenue by segment for the periods indicated. See "– Segment results" for details relating to each segment.

	FY 2011		FY 2012	
	(£ in millions)	%	(£ in millions)	%
ENA	4,837	51	4,678	49
LAPAC	2,210	23	2,327	24
RUMEA	1,364	15	1,404	15
Food	312	3	321	3
Total (excl. RB Pharmaceuticals)	8,723	92	8,730	91
RB Pharmaceuticals	762	8	837	9
Total	9,485	100	9,567	100

Net revenue by product category. The following table sets forth a breakdown of net revenue by product category for the periods indicated.

	FY 2011		FY 2012	
	(£ in millions)	%	(£ in millions)	%
Health	2,000	21	2,068[(1)]	22
Hygiene	3,643	39	3,682	38
Home	2,009	21	1,966	21
Portfolio brands	759	8	693	7
Core	8,411	89	8,409	88
Food	312	3	321	3
RB Pharmaceuticals	762	8	837	9
Total	9,485	100	9,567	100

(1) Includes net revenue attributable to Schiff subsequent to the completion of its acquisition on 14 December 2012.

Health. Net revenue increased £68 million, or 3%, from £2,000 million in FY 2011 to £2,068 million in FY 2012, with like-for-like growth of 6%. Higher incidences of cold and flu in the fourth quarter of FY 2012 drove improved performances of our seasonal brands Mucinex and Strepsils. Our non-seasonal Powerbrands performed well; in particular, Durex, Paras brands and Gaviscon. New initiatives, such as the introduction of Performax Intense condoms, plus increased distribution in China, drove Durex growth, while the roll-out of Double Action in a number of emerging markets strengthened performance from Gaviscon. Growth in Nurofen was impacted by the up-scheduling of certain products in Russia.

Hygiene. Net revenue increased £39 million, or 1%, from £3,643 million in FY 2011 to £3,682 million in FY 2012, with like-for-like growth of 6%. The increase in net revenue was driven by growth in the Dettol/Lysol franchise across all three of our geographical segments. New initiatives such as Dettol Daily Care and Re-Energize in emerging markets, and the recently launched Lysol No-Touch Kitchen System in ENA, underpinned this performance. Finish continued to perform well in a number of markets worldwide, and particularly in the United States where Quantum and All-In-1 tablets and gel packs gained market share. Net revenue attributable to Veet also increased due to initiatives such as the Veet Easy Wax Electrical Roll-On. Net revenue attributable to Harpic increased in LAPAC and RUMEA by driving category penetration via consumer education and increased distribution, backed by the continued success of Harpic Power Plus and Harpic Hygienic blocks in all geographies.

Home. Net revenue decreased £43 million, or 2%, from £2,009 million in FY 2011 to £1,966 million in FY 2012, but increased 2% on a like-for-like basis. The increase in like-for-like net revenue was primarily driven by Vanish, which experienced growth in a number of emerging market countries, combined with more stable market shares in ENA. The increase in like-for-like net revenue was also driven by Air Wick, due to Freshmatic candles and "Flip & Fresh". The decline in net revenue in absolute terms was primarily a result of foreign exchange movements.

Portfolio brands. Net revenue decreased £66 million, or 9%, from £759 million in FY 2011 to £693 million in FY 2012. This decrease was due primarily to the discontinuation of the private label business.

Food. Net revenue increased £9 million, or 3%, from £312 million in FY 2011 to £321 million in FY 2012. This increase was due to continued growth in French's Mustard and Frank's Red Hot Sauce. This increase was partially offset by a flat second half of FY 2012 due to weaker U.S. market conditions and increased private label activity, particularly involving French's Fried Onions.

RB Pharmaceuticals. Net revenue increased £75 million, or 10%, from £762 million in FY 2011 to £837 million in FY 2012. Net revenue growth came from continued volume growth in the United States. This was partially offset by dilution from increased sublingual film product penetration, which is a lower priced product, and government price reductions in a number of European markets. Conversion from tablets to sublingual film in the United States continued to increase with market volume share at the end of FY 2012 of 64%, up from 48% at the end of FY 2011.

Net revenue attributable to Powerbrands. In FY 2011 and FY 2012, 70% of our net revenue was attributable to our Powerbrands.

Cost of sales

Cost of sales decreased £6 million from £4,036 million in FY 2011 to £4,030 million in FY 2012.

Gross profit

Gross profit increased £88 million, or 2%, from £5,449 million in FY 2011 to £5,537 million in FY 2012.

Total gross margin increased by 50 basis points to 57.9%, benefiting from cost optimization programs, pricing and positive mix of products.

Net operating expenses

Net operating expenses increased £48 million, or 2%, from £3,054 million in FY 2011 to £3,102 million in FY 2012. This increase was primarily due to a 1% increase in distribution costs as a result of increased BEI, and a 47% increase in exceptional costs as a result of implementing our new area and

category organizations. The increase in net operating expenses was partially offset by a 9% decrease in administrative expenses due to early achievement of fixed cost savings in ENA.

The following table sets forth the breakdown of our net operating expenses for the periods indicated.

	FY 2011		FY 2012	
	(£ in millions)	%	(£ in millions)	%
Distribution costs	2,299	75	2,318	74
Administrative expenses:				
Pharmaceuticals research and development	20	1	25	1
Other research and development	133	4	146	5
Other[(1)]	578	19	491	16
Total administrative expenses	731	24	662	22
Other net operating income	(68)	(2)	(13)	—
Exceptional items:				
Restructuring	89	3	123	4
Acquisition-related costs[(2)]	3	—	12	—
Total exceptional items	92[(3)]	3	135[(4)]	4
Total	3,054	100	3,102	100

(1) Includes, among other items, support function costs.

(2) Acquisition related costs include legal and other professional fees in relation to business combinations.

(3) Relates to the acquisition and integration of SSL and Paras. A further £4 million of exceptional charges relating to the amortization of issue costs of facilities was included in finance expense.

(4) Relates to the implementation of our new area and category organizations, integration of SSL, withdrawal of private label and further reconfiguration (consisting primarily of redundancy and business integration costs) and acquisition costs associated with the acquisition of Schiff and other acquisitions.

Operating profit

Operating profit increased £40 million, or 2%, from £2,395 million in FY 2011 to £2,435 million in FY 2012, with a 5% increase at constant exchange rates. This increase was due to the increase in our gross profit exceeding the increase in our net operating expenses.

Operating profit before exceptional items increased £83 million, or 3%, from £2,487 million in FY 2011 to £2,570 million in FY 2012, with a 6% increase at constant exchange rates. The following table sets forth a segment breakdown of operating profit before exceptional items for the periods indicated.

	FY 2011		FY 2012	
	(£ in millions)	%	(£ in millions)	%
ENA	1,157	46	1,156	45
LAPAC	417	17	464	18
RUMEA	293	12	290	11
Food	92	4	92	4
Corporate	10	—	32	1
Operating profit before exceptional items (excl. RB Pharmaceuticals)	1,969	79	2,034	79
RB Pharmaceuticals	518	21	536	21
Total	2,487	100	2,570	100

The adjusted operating margin improved 70 basis points to 26.9% in FY 2012 due in part to the early achievement of planned cost savings.

Net finance expense

Net finance expense decreased £4 million, or 21%, from £19 million in FY 2011 to £15 million in FY 2012. This decrease was due primarily to an increase in interest income on cash and cash equivalents as a result of increased cash balances.

The following table sets forth a breakdown of net finance expense for the periods indicated.

	FY 2011	FY 2012
	(£ in millions)	
Finance income:		
Interest income on cash and cash equivalents	23	26
Total finance income	23	26
Finance expense:		
Interest payable on borrowings	(30)	(30)
Amortization of issue costs of bank loans	(7)[(1)]	(6)
Other finance expense	(5)	(5)
Total finance expenses	(42)	(41)
Net finance expense	(19)	(15)

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(1) Includes exceptional costs of £4 million in connection with the acquisition of SSL.

Tax on profit on ordinary activities

Tax on profit on ordinary activities decreased £35 million, or 6%, from £622 million in FY 2011 to £587 million in FY 2012. This decrease was primarily due to the decrease in the standard rate of corporation tax in the UK from 26% to 24% with effect from 1 April 2012, associated deferred tax benefits, and the favorable settlement of certain tax cases, none of which were individually material.

Segment results

ENA

	FY 2011	FY 2012
	(£ in millions)	
Net revenue	4,837	4,678
Operating profit before exceptional items	1,157	1,156

Net revenue. Net revenue decreased £159 million, or 3%, from £4,837 million in FY 2011 to £4,678 million in FY 2012; however, on a like-for-like basis, net revenue increased 1%. The decrease in net revenue in absolute terms was primarily due to foreign currency movements. On a like-for-like basis, net revenue growth in the ENA health platform was driven by Durex, Gaviscon, Mucinex and Strepsils. Hygiene brands of Dettol, Lysol and Finish also achieved net revenue growth, particularly in Europe (due to the introduction of Dettol No-Touch), and in the United States (due to the introduction of Finish Quantum and All-in-1 gel packs and tablets). In the home category, Air Wick achieved net revenue growth in the second half of FY 2012, driven by the newly launched Filter & Fresh and Black Edition candles.

Operating profit before exceptional items. Operating profit before exceptional items decreased from £1,157 million in FY 2011 to £1,156 million in FY 2012. However, the adjusted operating margin increased 80 basis points to 24.7%, with increased BEI more than offset by gross margin and fixed cost improvements. A large portion of the fixed costs improvements arose from the early achievement of planned cost savings, which resulted in some of the planned cost savings originally targeted for FY 2013 being brought forward.

LAPAC

	FY 2011	FY 2012
	(£ in millions)	
Net revenue	2,210	2,327
Operating profit before exceptional items	417	464

Net revenue. Net revenue increased £117 million, or 5%, from £2,210 million in FY 2011 to £2,327 million in FY 2012, 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, and was partially offset by the adverse impact of foreign currency movements. In health, all of our Powerbrands grew, in particular, 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 growth as a result of initiatives such as Dettol Daily Care and Re-energize, and Power Plus in Harpic. Vanish and Air Wick also grew in the home category.

Operating profit before exceptional items. Operating profit before exceptional items increased £47 million, or 11%, from £417 million in FY 2011 to £464 million in FY 2012. The adjusted operating margin increased 100 basis points to 19.9% in FY 2012, as increased investment behind BEI was more than offset by good gross margin, volume leverage and fixed cost containment.

RUMEA

	FY 2011	FY 2012
	(£ in millions)	
Net revenue	1,364	1,404
Operating profit before exceptional items	293	290

Net revenue. Net revenue increased £40 million, or 3%, from £1,364 million in FY 2011 to £1,404 million in FY 2012, with like-for-like growth of 8%. This increase was primarily due to growth in Russia and CIS. In health, growth was driven by Durex, Gaviscon and Strepsils. Hygiene Powerbrands Dettol, Finish, Harpic and Veet also grew as a result of initiatives such as Dettol Daily Care and Re-Energize. In the home category, Air Wick grew as a result of the introduction of Freshmatic and Aqua Mist. The increase in net revenue was partially offset in the second half of FY 2012 by the up-scheduling of certain Nurofen products in Russia, an increased promotional environment and some operational and socio-political challenges in certain markets. We expect these headwinds to continue through FY 2013.

Operating profit before exceptional items. Operating profit before exceptional items decreased £3 million, or 1%, from £293 million in FY 2011 to £290 million in FY 2012. The adjusted operating margin decreased by 80 basis points to 20.7% due to adverse foreign currency movements impacting gross margin and increased investment in both BEI and the new area structure, to support the business and to drive future growth.

Food

	FY 2011	FY 2012
	(£ in millions)	
Net revenue	312	321
Operating profit before exceptional items	92	92

Net revenue. Net revenue increased £9 million, or 3%, from £312 million in FY 2011 to £321 million in FY 2012. This increase was due to continued growth in French's Mustard and Frank's Red Hot

Sauce, and was partially offset in the second half of FY 2012 due to weaker U.S. market conditions and increased private label activity, particularly involving French's Fried Onions.

Operating profit before exceptional items. Operating profit before exceptional items remained constant at £92 million during the two periods. However, the adjusted operating margin decreased by 80 basis points to 28.7% due to adverse mix and input costs.

RB Pharmaceuticals

	FY 2011	FY 2012
	(£ in millions)	
Net revenue	762	837
Operating profit before exceptional items	518	536

Net revenue. Net revenue increased £75 million, or 10%, from £762 million in FY 2011 to £837 million in FY 2012. The increase in net revenue was attributable to the continued volume growth in the United States. The increase in net revenue was partially offset by dilution from increased film penetration, which is a lower-priced product, and government price reductions in a number of European markets. Conversion from tablets to sublingual film in the United States continued to increase with market volume share at the end of FY 2012 of 64%, up from 48% at the end of FY 2011.

Operating profit before exceptional items. Operating profit before exceptional items increased £18 million, or 3%, from £518 million in FY 2011 to £536 million in FY 2012. The adjusted operating margin decreased 400 basis points to 64% due to lower margins of the sublingual film variant, downward pricing pressure in Europe, and second half increase in BEI for advertising and marketing programs to increase patient awareness about the sublingual film and treatment. We also increased investment in the clinical pipeline.

Corporate

	FY 2011	FY 2012
	(£ in millions)	
Net revenue	—	—
Operating profit before exceptional items	10	32

Operating profit before exceptional items increased £22 million from £10 million in FY 2011 to £32 million in FY 2012. For FY 2012, operating profit before exceptional items included the profit on disposals of intangible assets and the Paras personal care business, expenses for legal matters, and other corporate provisions. For FY 2011, operating profit before exceptional items comprised a profit on disposal of intangibles, miscellaneous items and regulatory costs.

Comparison of FY 2011 with FY 2010

Group results

Net revenue

Net revenue increased £1,032 million, or 12%, from £8,453 million in FY 2010 to £9,485 million in FY 2011. At constant exchange rates, net revenue increased 13%; while like-for-like net revenue for the RB Group, both including and excluding RB Pharmaceuticals, increased 4%.

The increase in net revenue reflected the increases in net revenue in all of our segments. In our core product categories the overall performance reflected increases in net revenue derived from sales of our health and personal care, surface care, homecare, dishwashing and other products offsetting a decline in net revenue from products in the fabric care category.

Net revenue by segment. The following table sets forth a breakdown of net revenue by segment for the periods indicated. See "– Segment results" for details relating to each segment.

	FY 2010		**FY 2011**	
	(£ in millions)	**%**	**(£ in millions)**	**%**
Europe	3,490	41	4,009	42
NAA	2,323	27	2,402	25
Developing Markets	1,903	23	2,312	25
Total (excl. RB Pharmaceuticals)	7,716	91	8,723	92
RB Pharmaceuticals	737	9	762	8
Total	8,453	100	9,485	100

Net revenue by product category. The following table sets forth a breakdown of net revenue by product category for the periods indicated.

	FY 2010		**FY 2011**	
	(£ in millions)	**%**	**(£ in millions)**	**%**
Health & personal care	2,318	27	3,156	33
Fabric care	1,576	19	1,503	16
Surface care	1,391	16	1,422	15
Home care	1,152	14	1,204	13
Dishwashing	875	10	896	10
Other	100	1	227	2
Core	7,412	87	8,408	89
RB Pharmaceuticals	737	9	762	8
Food	304	4	315	3
Total	8,453	100	9,485	100

Health & personal care. Net revenue increased £838 million, or 36%, from £2,318 million in FY 2010 to £3,156 million in FY 2011, with an 8% increase on a like-for-like basis. In health, the increase in net revenue was primarily driven by growth in Nurofen, Mucinex, Strepsils and Gaviscon, boosted by new initiatives such as Strepsils Warm and Mucinex Fast Max. In personal care, Dettol continued to grow well in Developing Markets and in Europe, due to the encouraging growth of the No-Touch Hand Soap System.

Fabric care. Net revenue decreased £73 million, or 5%, from £1,576 million in FY 2010 to £1,503 million in FY 2011. This decrease was primarily due to continued weakness in laundry detergents and fabric softeners in Southern Europe. We continued to invest aggressively to protect the market position of Vanish against other competitor launches and intensive promotional activity, as a result of which our market share trends improved.

Surface care. Net revenue increased £31 million, or 2%, from £1,391 million in FY 2010 to £1,422 million in FY 2011. This increase was primarily due to growth in Dettol/Lysol and Veja, as well as growth in Harpic driven by Power Plus and Max Power toilet liquids.

Home care. Net revenue increased £52 million, or 5%, from £1,152 million in FY 2010 to £1,204 million in FY 2011. In air care, the increase in net revenue was supported by the launch of Air Wick 100% natural propellant spray and Air Wick Freshmatic Odour Detect, with continued growth in candles. The pest control category also experienced growth, particularly in automatic sprays.

Dishwashing. Net revenue increased £21 million, or 2%, from £875 million in FY 2010 to £896 million in FY 2011. This increase was primarily due to the continued success of Finish Quantum and All-in-1.

Other. Net revenue increased £127 million from £100 million in FY 2010 to £227 million in FY 2011. This increase was primarily due to the inclusion of certain brands from the acquisition of SSL and Paras.

Food. Net revenue increased £11 million, or 4%, from £304 million in FY 2010 to £315 million in FY 2011. The increase in net revenue was due to growth across the portfolio, in particular further growth of French's Yellow Mustard and Frank's Red Hot Sauce.

RB Pharmaceuticals. Net revenue increased £25 million, or 3%, from £737 million in FY 2010 to £762 million in FY 2011. This increase was primarily due to continued growth in the patent-protected Suboxone sublingual film, which, by the end of December 2011, had captured a 48% volume share of the total market and had further strengthened its position as market leader, ahead of tablets. Net revenue in the North America pharmaceuticals business decreased 2% to £587 million, of which sublingual film generated £249 million. In Europe and rest of the world, the result was helped by our buyback of the sales and distribution rights in the majority of countries in July 2010.

Net revenue attributable to Powerbrands. In FY 2010 and FY 2011, 69% and 70%, respectively, of our net revenue was attributable to our Powerbrands.

Cost of sales

Cost of sales increased £491 million, or 15%, from £3,332 million in FY 2010 to £3,823 million in FY 2011. This increase was due to increased volumes following the acquisition of SSL.

Gross profit

Gross profit increased £541 million, or 11%, from £5,121 million in FY 2010 to £5,662 million in FY 2011.

The gross margin decreased by 90 basis points to 59.7%, largely as a result of benefits from cost optimization programs and a positive transaction impact from foreign exchange being more than offset by higher input costs and promotional spend.

Net operating expenses

Net operating expenses increased £276 million, or 9%, from £2,991 million in FY 2010 to £3,267 million in FY 2012. This increase was primarily due to an 11% increase in distribution costs and a 9% increase in administrative expenses resulting from the larger scope of the group following the SSL acquisition. The following table sets forth the breakdown of our net operating expenses for the periods indicated.

	FY 2010		**FY 2011**	
	(£ in millions)	**%**	**(£ in millions)**	**%**
Distribution costs	2,260	76	2,512	77
Administrative expenses:				
Research and development	125	4	133	4
Other	543	18	598	18
Total administrative expenses	668	22	731	22
Other net operating income	(38)	(1)	(68)	(2)
Exceptional items:				
Restructuring	79[(1)]	3	89[(1)]	3
Acquisition-related costs	22	1	3	—
Exceptional items	101	3	92	3
Total	2,991	100	3,267	100

(1) Relates to the acquisition and integration of SSL and Paras. This consists primarily of redundancy and business integration costs.

Operating profit

As a result of the foregoing factors, operating profit increased £265 million, or 12%, from £2,130 million in FY 2010 to £2,395 million in FY 2011, with a 14% increase at constant exchange rates.

Operating profit before exceptional items increased £256 million, or 11%, from £2,231 million in FY 2010 to £2,487 million in FY 2011, with a 13% increase at constant exchange rates.

The adjusted operating margin decreased 20 basis points to 26.2% in FY 2011, primarily due to the performance of the RB Pharmaceuticals segment. For the RB Group excluding RB Pharmaceuticals, adjusted operating profit increased 16%, equating to a 60 basis point improvement in the adjusted operating margin.

The following table sets forth a segment breakdown of operating profit before exceptional items for the periods indicated.

	FY 2010		FY 2011	
	(£ in millions)	%	(£ in millions)	%
Europe	823	37	908	37
NAA	599	27	652	26
Developing Markets	278	12	399	16
Corporate	—	—	10	—
Operating profit before exceptional items (excl. RB Pharmaceuticals)	1,700	76	1,969	79
RB Pharmaceuticals	531	24	518	21
Total	2,231	100	2,487	100

Net finance expense

Net finance expense increased £25 million from net finance income of £6 million in FY 2010 to net finance expense of £19 million in FY 2011. This primarily reflected increased interest payable on borrowings as a result of the SSL acquisition.

The following table sets forth a breakdown of net finance expense/income for the periods indicated.

	FY 2010	FY 2011
	(£ in millions)	
Finance income:		
Interest income on cash and cash equivalents	21	23
Total finance income	21	23
Finance expense:		
Interest payable on borrowings	(5)	(30)
Amortization of issue costs of bank loans	(5)[(1)]	(7)[(1)]
Other finance expense	(5)	(5)
Total finance expenses	(15)	(42)
Net finance income/(expense)	6	(19)

(1) Includes exceptional costs of £4 million in FY 2011 and £3 million in FY 2010 in connection with the acquisition of SSL.

Tax on profit on ordinary activities

Tax on profit on ordinary activities increased £56 million, 10%, from £566 million in FY 2010 to £622 million in FY 2011. This increase was primarily due to increased profit on ordinary activities before taxation (£2,376 million in FY 2011 compared to £2,136 million in FY 2010). The increase was

partially offset by the change in UK corporation tax rate (from 28% in FY 2010 to 26% from 1 April 2011).

Segment results

Europe

	FY 2010	FY 2011
	(£ in millions)	
Net revenue	3,490	4,009
Operating profit before exceptional items	823	908

Net revenue. Net revenue increased £519 million, or 15%, from £3,490 million in FY 2010 to £4,009 million in FY 2011, with a 1% decrease on a like-for-like basis due to a slight volume decline in the Fabric care category and negative net pricing in certain categories reflecting increased levels of promotional spend to protect our volume share against aggressive competition. Within health, Nurofen, Strepsils and Gaviscon delivered increased net revenue, supported by new initiatives such as Nuromol and Strepsils Warm. Growth in net revenue in personal care was driven by the continued roll-out of the Dettol No-Touch Hand Soap System. Surface care net revenue grew primarily due to the results of Dettol and Harpic. Net revenue attributable to home care increased as a result of initiatives such as the Air Wick 100% natural propellant spray and Air Wick Freshmatic Odour Detect, as well as continued growth in candles. Net revenue attributable to fabric care decreased due to continued weakness in laundry detergents and fabric softeners in Southern Europe.

Operating profit before exceptional items. Operating profit before exceptional items increased £85 million, or 10%, from £823 million in FY 2010 to £908 million in FY 2011, while the adjusted operating margin decreased 100 basis points to 22.6%, due to a combination of increased investment in price and promotion and higher input costs, partially offset by synergies realized from the SSL acquisition.

NAA

	FY 2010	FY 2011
	(£ in millions)	
Net revenue	2,323	2,402
Operating profit before exceptional items	599	652

Net revenue. Net revenue increased £79 million, or 3%, from £2,323 million in FY 2010 to £2,402 million in FY 2011, with a 3% increase on a like-for-like basis. The increase in net revenue was attributable to growth in net revenue from health & personal care, dishwashing and food. The increase in net revenue in health & personal care was largely attributable to Mucinex, which benefited from the roll-out of Mucinex Fast Max in the third quarter of 2011. In dishwashing, Finish Quantum and All-in-1 tablets and gel packs contributed to growth in net revenue. The increase in net revenue from food was attributable to consumer brands French's Yellow Mustard and Frank's Red Hot Sauce, which was supported by additional marketing activity.

Operating profit before exceptional items. Operating profit before exceptional items increased £53 million, or 9%, from £599 million in FY 2010 to £652 million in FY 2011, while the adjusted operating margin improved by 130 basis points to 27.1%. This increase was due to favorable product mix and fixed cost containment initiatives.

Developing Markets

	FY 2010	FY 2011
	(£ in millions)	
Net revenue..	1,903	2,312
Operating profit before exceptional items	278	399

Net revenue. Net revenue increased £409 million, or 21%, from £1,903 million in FY 2010 to £2,312 million in FY 2011, with a 13% increase on a like-for-like basis. By category, net revenue from health & personal care continued to grow due to the results of Dettol, Strepsils, Gaviscon and Veet. Net revenue attributable to fabric care also increased due to the results of Vanish, while Harpic and Veja were the key drivers for growth in net revenue in surface care. In home care, net revenue increased due to increased revenue from both air care and pest control.

Operating profit before exceptional items. Operating profit before exceptional items increased £121 million, or 44%, from £278 million in FY 2010 to £399 million in FY 2011. This increase was due to volume leverage, positive product mix and pricing. The increase in operating profit before exceptional items resulted in a 270 basis point improvement in the adjusted operating margin in FY 2011 to 17.3%.

RB Pharmaceuticals

	FY 2010	FY 2011
	(£ in millions)	
Net revenue..	737	762
Operating profit before exceptional items	531	518

Net revenue. Net revenue increased £25 million, or 3%, from £737 million in FY 2010 to £762 million in FY 2011. This increase was primarily due to continued growth in the patent-protected Suboxone sublingual film, which, by the end of December 2011, had captured a 48% volume share of the total market and had further strengthened its position as market leader, ahead of tablets. Net revenue in the North America pharmaceuticals business decreased 2% to £587 million, of which sublingual film generated £249 million. In Europe and rest of the world, the result was helped by our buyback of the sales and distribution rights in the majority of countries in July 2010.

Operating profit before exceptional items. Operating profit before exceptional items decreased £13 million, or 2%, from £531 million in FY 2010 to £518 million in FY 2011. The adjusted operating margin decreased 400 basis points to 68%, largely due to the lower margins on the sublingual film variant and the impact of higher rebates, primarily relating to Medicaid.

Corporate

	FY 2010	FY 2011
	(£ in millions)	
Net revenue..	—	—
Operating profit before exceptional items	—	10

In FY 2011, we recognised operating profit before exceptional items of £10 million, which comprised the net effect of profit on disposals of intangibles and regulatory costs.

Liquidity and Capital Resources

Overview

Our primary sources of funds are cash generated from operations and funds available under our credit facilities and commercial paper programs. The primary uses of funds are for cost of sales and operating

expenses, acquisitions, share repurchases and dividends, debt service and repayment, and capital expenditure.

As of 30 June 2013, we had:

- total borrowings of £3,600 million (31 December 2012: £3,274 million), substantially all of which were short-term commercial paper borrowings;
- cash and cash equivalents of £790 million (31 December 2012: £887 million);
- net debt (which we define as total borrowings less cash and cash equivalents, short-term available-for-sale financial assets and financing derivative financial instruments) of £2,760 million (31 December 2012: £2,426 million); and
- undrawn committed borrowing facilities of £4,250 million (31 December 2012: £4,000 million).

See "– Borrowings" below.

Our net working capital as of 30 June 2013 was negative £855 million (31 December 2012: negative £700 million).

Our treasury policies are primarily concerned with the protection of our revenues and assets from risks associated with movements in financial markets, together with the risk of default by third parties. Cash flow forecasting is performed by our local business units and aggregated by Group Treasury. Group Treasury monitors rolling forecasts of our liquidity requirements with the aim of ensuring that we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn committed borrowing facilities. Funds over and above those required for short-term working capital purposes by the overseas businesses are generally remitted to Group Treasury. We use the remittances to settle obligations, repay borrowings, or, in the event of a surplus, invest in short-term instruments issued by institutions with a BBB rating or higher.

We are subject to legal and foreign currency exchange restrictions that affect the ability of certain of our entities to transfer funds to Reckitt Benckiser. These restrictions resulted in £115 million of cash and cash equivalents as at 31 December 2012 being restricted for use by us.

Cash flow

	FY			HY	
	2010	**2011**	**2012**	**2012**	**2013**
			(£ in millions)		
Net cash generated from operating activities	1,544	1,740	1,888	859	978
Net cash (used in)/generated from investing activities	(2,790)	(648)	(936)	14	(516)
Net cash generated from/(used in) financing activities	1,471	(1,004)	(688)	(427)	(559)

Comparison of HY 2013 with HY 2012

Net cash generated from operating activities. Net cash generated from operating activities increased £119 million, or 14%, from £859 million in HY 2012 to £978 million in HY 2013. This increase was primarily due to an increase in payables and provisions of £370 million in HY 2013 compared to a decrease of £39 million in HY 2012. The increase in net cash generated from operating activities was partially offset by increased taxes paid (£330 million in HY 2013 compared to £238 million in HY 2012).

Net cash used in/generated from investing activities. Net cash used in investing activities increased £530 million from £14 million generated in HY 2012 to £516 million used in HY 2013. This increase was primarily due to £413 million of cash used in connection with the business collaboration

arrangement with Bristol-Myers Squibb and the acquisition of Oriental Medicine Company Limited, in each case net of cash acquired.

Net cash used in/generated from financing activities. Net cash used in financing activities increased £132 million, or 31%, from £427 million in HY 2012 to £559 million in HY 2013. This increase was primarily due to increased dividends paid (£561 million in HY 2013 compared to £511 million in HY 2012) and a decrease in proceeds from borrowings (£256 million in HY 2013 compared to £475 million in HY 2012). The increase in net cash used in financing activities was partially offset by decreased shares purchased and held in treasury (£279 million in HY 2013 compared to £352 million in HY 2012).

Comparison of FY 2012 with FY 2011

Net cash generated from operating activities. Net cash generated from operating activities increased £148 million, or 9%, from £1,740 million in FY 2011 to £1,888 million in FY 2012. This increase was due primarily to increased operating profit (£2,435 million in FY 2012 compared to £2,395 million in FY 2011) and a decrease in inventories of £19 million (compared to an increase of £131 million in FY 2011), partially offset by a decrease in payables and provisions of £160 million in FY 2012 compared to an increase of £69 million in FY 2011.

Net cash used in/generated from investing activities. Net cash used in investing activities increased £288 million, or 44%, from £648 million in FY 2011 to £936 million in FY 2012. This increase was due primarily to £877 million used in the acquisition of businesses, net of cash acquired, in FY 2012, compared to £460 million in FY 2011. During FY 2012, we completed the acquisitions of Schiff and SICO (a Mexican condom manufacturer) for cash consideration of £813 million and £70 million, respectively.

Net cash used in/generated from financing activities. Net cash used in financing activities decreased £316 million, or 31%, from £1,004 million in FY 2011 to £688 million in FY 2012. This decrease was due primarily to increased proceeds from borrowings (£887 million in FY 2012 compared to £249 million in FY 2011) and decreased repayments of borrowings (£112 million in FY 2012 compared to £400 million in FY 2011). This decrease was partially offset by £535 million used to repurchase our ordinary shares in FY 2012 (compared to nil in FY 2011) and £106 million used in the acquisition of the remaining non-controlling interest in Medcom.

Comparison of FY 2011 with FY 2010

Net cash generated from operating activities. Net cash generated from operating activities increased £196 million, or 13%, from £1,544 million in FY 2010 to £1,740 million in FY 2011. This increase was due primarily to increased operating profit (£2,395 million in FY 2011 compared to £2,130 million in FY 2010) and a decrease in trade and other receivables (£113 million in FY 2011 compared to £243 million in FY 2010).

Net cash used in/generated from investing activities. Net cash used in investing activities decreased £2,142 million, or 77%, from £2,790 million in FY 2010 to £648 million in FY 2011. This decrease was due primarily to decreased cash used in the acquisition of businesses, net of cash acquired (£460 million in FY 2011 compared to £2,466 million in FY 2010). During FY 2011, we completed the acquisition of Paras for approximately £455 million and of 50.1% of Manon for £8 million. During FY 2010, we completed the acquisition of SSL for £2.5 billion.

Net cash used in/generated from financing activities. Our cash flow from financing activities decreased £2,475 million from cash inflow of £1,471 million in FY 2010 to cash outflow of £1,004 million in FY 2011. This decrease was due primarily to reduced proceeds from borrowings (£249 million in FY 2011 compared to £2,966 million in FY 2010) and increased dividends paid (£873

million in FY 2011 compared to £773 million in FY 2010). This decrease was partially offset by decreased repayments of borrowings (£400 million in FY 2011 compared to £802 million in FY 2010).

Borrowings

Historically, we have funded acquisitions through short-term borrowings and relied on cash flow from our operations to repay the borrowings during the 12 to 18 months following acquisition and before the next acquisition is undertaken. We have also relied on funding in the commercial paper market, and have benefited from the low interest rate environment following the financial crisis. In recent years, our gross debt has increased modestly, due principally to the increased number of acquisitions we have made. Looking forward, we consider some increase in interest rates over the coming years to be likely and anticipate additional funding needs for future acquisitions, both bolt-on acquisitions as well as acquisitions that may be more material in size, including those that may be transformative. (We currently have no agreements or understandings in place with respect to any material acquisitions.) In this context, this Offering represents a move to longer duration, and more diversified, funding arrangements for us. We target a strong investment grade "A" banded credit rating.

The following table sets forth our total borrowings and net debt position at the dates indicated. It does not reflect the Offering or the expected use of net proceeds thereof.

	31 December 2012	30 June 2013
	(£ in millions)	
Current:		
Bank loans and overdrafts[1]	19	16
Commercial paper[2]	3,250	3,579
Finance lease obligations	2	2
Total current borrowings	3,271	3,597
Non-current:		
Finance lease obligations	3	3
Total borrowings	3,274	3,600
Cash and cash equivalents	(887)	(790)
Other[3]	39	(50)
Net debt	2,426	2,760

(1) See "– Bank loans and overdrafts."
(2) See "– Commercial Paper."
(3) Consists of short-term available-for-sale financial assets and financing derivative financial instruments.

Commercial paper

Commercial paper constitutes the primary source of our funding. Our commercial paper programs consist of an $8 billion and a €1 billion privately-issued unsecured commercial paper program established by the RB Group for certain acquisition and working capital needs.

The $8 billion commercial paper program was established in the name of the Issuer, with JPMorgan Chase Bank, N.A. as issuing and paying agent, and is unconditionally and irrevocably guaranteed by Reckitt Benckiser. Interest rates under the commercial paper facility are based on market conditions at the time of issuance and the duration of borrowing and recently have ranged from 0.2% per annum to less than 0.8% per annum. Maturities for notes issued under the commercial paper facility can extend up to 364 days from the date of issuance. The commercial paper facility is rated investment grade by each of Moody's and S&P and the issuance of notes under the facility is not subject to any material conditions. The commercial paper program is unsecured. At 30 June 2013, we had commercial paper outstanding under the program of the U.S. dollar equivalent of £3,579 million (31 December 2012: £3,250 million).

As of 30 June 2013, no issuances had been made under the €1 billion commercial paper program.

Bank loans and overdrafts

We have bilateral credit facilities with international banks denominated in a number of currencies. The facilities have been arranged to cover general corporate purposes, including support for commercial paper issuance in the event that we were unable to access the commercial paper market. All facilities incur commitment fees at market rates.

All of these facilities have similar or equivalent terms and conditions, and have a maintenance covenant under which the ratio of our adjusted EBIT (as defined in the facilities) to net interest expense should not be below 3:1. We do not expect the covenant to restrict our future operations. The facilities also have a negative pledge covenant. The facilities are unsecured and bear interest based on the relevant LIBOR equivalent.

At 30 June 2013, we had access to committed borrowing facilities of £4,250 million (31 December 2012: £4,000 million), of which £3,850 million (31 December 2012: £3,600 million) exceeded 12 months' maturity (assuming our exercise of an option to extend a portion of a facility terminating on December 2013). Of the total facilities at 30 June 2013, no amount was utilized.

The following table sets forth the maturity profile of our undrawn committed facilities available in respect of which all conditions precedent have been met:

	31 December 2012	**30 June 2013**
	(£ in millions)	
Expiring within one year	400	400[(1)]
Expiring between one and two years	850	850[(1)]
Expiring after more than two years	2,750	3,000
Total	4,000	4,250

(1) Assumes our exercise of an option to extend a portion of a facility terminating on December 2013.

In July 2013, we entered into two long-term borrowing facilities, each for £125 million. The facilities expire in July 2015 and October 2017, respectively. No amounts have been drawn under the facilities.

Dividends and share repurchases

The following table sets forth the dividends paid on Reckitt Benckiser's ordinary shares.

FY 2010	**FY 2011**	**FY 2012**
	(£ in millions)	
773	873	916

We recently announced an interim dividend of 60p, an increase of 7% compared to the FY 2012 interim dividend of 56p. The dividend will be paid on 26 September 2013 to shareholders on the register at the record date of 9 August 2013. The last date for election for the share alternative to the dividend was 5 September 2013.

During FY 2012, we established a share repurchase program and purchased 14,991,643 equity ordinary shares (FY 2011: nil), all of which are held as treasury shares. The total amount paid to acquire the shares was £535 million (including stamp duty) which has been deducted from shareholders' equity. We made further market purchases of 6 million shares during HY 2013 for £279 million (including stamp duty).

At our annual general meeting in May 2013, our shareholders granted us the authority to repurchase a maximum of 73,000,000 ordinary shares and set the minimum and maximum prices which may be paid.

Our present intention is to hold shares acquired under such authority in Treasury to satisfy outstanding awards under employee share incentive plans.

Capital expenditure

Our capital expenditure consists of purchases of property, plant and equipment, as well as intangible assets.

The following table sets forth our capital expenditure during the periods under review.

	FY			HY	
	2010	2011	2012	2012	2013
	(£ in millions)				
Purchases of property, plant and equipment...........	170	164	166	76	77
Purchases of intangible assets................................	197	41	11	5	14
Total capital expenditure	367	205	177	81	91

Comparison of HY 2013 with HY 2012

Capital expenditure increased £10 million, or 12%, from £81 million in HY 2012 to £91 million in HY 2013.

Comparison of FY 2012 with FY 2011

Capital expenditure decreased £28 million, or 14%, from £205 million in FY 2011 to £177 million in FY 2012.

Comparison of FY 2011 with FY 2010

Capital expenditure decreased £162 million, or 44%, from £367 million in FY 2010 to £205 million in FY 2011 largely due to the purchase of certain heath & personal care brands from Combe Incorporated and the buyback of the remaining sales, marketing and distribution rights to Suboxone, Subutex and Temgesic in Europe and Rest of World from Merck in FY 2010.

Off-Balance Sheet Arrangements

We do not have off-balance sheet financing or unconsolidated special purpose entities.

Contingencies

We are involved in a number of legal proceedings, including investigations by government authorities, and have made provisions for such legal proceedings, where appropriate. As part of the announcement of our HY 2013 results, we reported a provision of £225 million, principally relating to competition matters. Where it is too early to determine the likely outcome of these matters, we have made no provision for such potential liabilities.

We are from time to time involved in discussions in relation to ongoing tax matters in a number of jurisdictions around the world. Where appropriate, we make provisions based on the Directors' assessment of each case.

In conjunction with disposals and other transactions, we may provide typical indemnifications (e.g., indemnifications for representations and warranties and retention of previously existing environmental, tax and employee liabilities) that have terms that vary in duration and in the potential amount of the total obligation and, in many circumstances, are not explicitly defined. We have not made, nor do we believe that it is probable that we will make, any payments relating to our indemnifications, and believe

that any reasonably possible payments would not have a material adverse effect, individually or in the aggregate, on our consolidated financial statements taken as a whole.

See "Our Business – Material Governmental and Legal Proceedings."

Qualitative and Quantitative Disclosures on Market Risk

Our multinational operations expose us to a variety of financial risks that include market risks in the form of changes in foreign currency exchange rates (foreign exchange risk), market prices and interest rates.

We have in place a risk management program that uses foreign currency financial instruments, including debt, and other instruments, to limit the impact of these risks on our financial performance. Our financing and financial risk management activities are centralised into Group Treasury to achieve benefits of scale and control. Group Treasury manages our financial exposures centrally in a manner consistent with underlying business risks. Group Treasury manages only those risks and flows generated by the underlying commercial operations, and speculative transactions are not undertaken.

The Board of Reckitt Benckiser reviews and agrees policies, guidelines and authority levels for all areas of Group Treasury activity and individually approves significant activities. Group Treasury operates under the control of the Chief Financial Officer and is subject to periodic independent reviews and audits, both internal and external.

Foreign exchange risk

We operate internationally and are exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Our policy is to align interest costs and operating profit of our major currencies in order to provide some protection against the translation exposure on foreign currency profits after tax. We may undertake borrowings and other hedging methods in the currencies of the countries where most of our assets are located.

It is our policy to monitor, and only where appropriate hedge, our foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services and from the remittances of foreign currency dividends and loans. Our local business units enter into forward foreign exchange contracts with Group Treasury to manage these exposures where practical and allowed by local regulations.

Group Treasury matches our exposures, and hedges the net position where possible, using spot and forward foreign currency exchange contracts.

The notional principal amount of our outstanding forward foreign exchange contracts at 31 December 2012 was £4,303 million payable.

Cash flow hedge profile

As at 31 December 2012, we had no material individual financial instruments classified as cash flow hedges.

We held forward foreign exchange contracts denominated as cash flow hedges primarily in Australian dollars, euro, Canadian dollars, Singapore dollars and Hungarian forint. The notional value of the payable leg resulting from these financial instruments as of 31 December 2012 was as follows:

	31 December 2012
	(£ in millions)
Australian dollar	90
Euro	90
Canadian dollar	60
Singapore dollar	43
Hungarian forint	38
New Zealand dollar	12
Swedish krona	4
U.S. dollars	1
Polish zloty	—
Other	1
	339

Gains and losses recognized in the hedging reserve in other comprehensive income on forward exchange contracts in FY 2012 was a £3 million gain recognized in the income statement in the period or periods during which the hedged forecast transaction affects the income statement, which is generally within 12 months from the balance sheet date.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet. In the case of cash flow hedges, these are denominated in a diverse range of currencies, where a fluctuation in one individual currency relationship, with all others held constant, does not have a significant effect on the income statement or shareholders' equity. We performed a fluctuation analysis for all currencies at 31 December 2012. The largest potential fluctuation would be in respect of forward contracts between the Australian dollar and the Singapore dollar. If the Singapore dollar had strengthened/weakened by 5% against the Australian dollar, with all other variables held constant, the impact on shareholders' equity would have been less than £1 million.

The remaining major monetary financial instruments (liquid assets, receivables, interest and non-interest bearing liabilities) are directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives. The gains and losses from fair value movements on financing derivatives recognized in finance income and expense were nil in FY 2012.

Price risk

We are not exposed to equity securities price risk. Due to the nature of our business, we are exposed to commodity price risk related to the production or packaging of finished goods, such as oil-related, and a diverse range of other raw materials. We manage this risk primarily through medium-term contracts with certain key suppliers and, therefore, do not view this as being a material risk.

Cash flow and fair value interest rate risk

We have both interest-bearing and non-interest-bearing assets and liabilities. We monitor our interest expense rate exposure on a regular basis. We manage our interest income rate exposure on our gross financial assets by using a combination of fixed rate term deposits.

We analyze our interest rate exposure on a regular basis. We simulate various scenarios, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, we calculate the impact on the income statement of a defined interest rate shift. For each simulation, we use the same interest rate shift for all currencies, calculated on a full year and pre-tax basis.

We run these scenarios only for liabilities that represent our major interest-bearing positions. For FY 2012, based on the simulations performed, the impact on our income statement of a 50 basis-point shift in interest rates would be a maximum increase/decrease of £9 million for the liabilities covered.

We conduct the simulation on a periodic basis to verify that the maximum loss potential is within the limit given by management.

Contractual Obligations and Commitments

The following table summarises contractual obligations, commercial commitments and principal payments under debt instruments as of 30 June 2013 and is based on exchange rates at 28 June 2013.

	Payments due by period				
	Less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
	(£ in millions)				
Long-term debt obligations	—	3	—	—	3
Short-term debt obligations	3,597	—	—	—	3,597
Capital commitments	13	—	—	—	13
Operating leases	37	67	29	25	158
Minimum pension funding	35	—	—	—	35
Purchase obligations	129	66	56	27	278
Total contractual obligations	3,811	136	85	52	4,084

Pensions

We operate a number of defined benefit and defined contribution pension schemes around the world covering many of our employees, which are principally funded. Our most significant defined benefit pension scheme (UK) is funded by the payment of contributions to separately administered trust funds. We also operate a number of other post-retirement schemes in certain countries. The major scheme is in the United States, where salaried participants become eligible for retiree healthcare benefits after they reach a combined "age and years of service rendered" figure of 70, although the age must be a minimum of 55. As at 31 December 2012, there were 2,691 eligible retirees and 1,193 current employees potentially eligible. This scheme is unfunded.

The following table sets forth our pension costs for FY 2012.

	FY 2012
	(£ in millions)
Defined contribution schemes	25
Defined benefit schemes (net charge)	25
Total pension costs recognized in the income statement	50

The following table sets forth our net pension liability as of 31 December 2012.

	31 December 2012
	(£ in millions)
Non-current asset:	
Funded scheme surplus	27
Non-current liability:	
Funded scheme deficit	(184)
Unfunded scheme liability	(242)
Retirement benefit obligation	(426)
Net pension liability	(399)

Critical Accounting Policies and Use of Estimates

The preparation of our consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. Management evaluates its estimates on an ongoing

basis. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the value of such assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that, of our significant accounting policies, the following accounting policies may involve a higher degree of judgment and complexity.

- Estimates of future business performance and cash generation, discount rates and long-term growth rates supporting the net book amount of indefinite life intangible assets at the balance sheet date (see note 9 to our 2012 Financial Statements). If the actual results should differ, or changes in expectations arise, impairment charges may be required, which would adversely impact operating results.
- The determination of the carrying value of property, plant and equipment and related depreciation, and the estimation of useful economic life of these assets (see note 10 to our 2012 Financial Statements).
- The continuing enduring nature of our brands supporting the assumed useful lives of these assets (see note 9 to our 2012 Financial Statements).
- Measurement of intangible assets both in business combinations and other asset acquisitions requires management to identify such assets. Management makes assumptions and estimates about future cash flows and appropriate discount rates to value identified intangible assets (see note 26 to our 2012 Financial Statements).
- Management assumes long-term rates of return, inflation rates and discount rates in calculating the pension and other employee post-retirement benefits. If the real rates are significantly different over time to those assumed, the amounts recognized in the income statement and in the balance sheet will be impacted (see note 21 to our 2012 Financial Statements).
- Management makes assumptions as to the recoverability of tax assets, especially as to whether there will be sufficient future taxable profits in the same jurisdictions to fully utilise losses in future years (see note 11 to our 2012 Financial Statements).
- Management makes assumptions in relation to share awards, both in the Black-Scholes model used to calculate the charge and in terms of the recoverability of the deferred tax asset related to share-based payments charged to reserves (see note 23 to our 2012 Financial Statements).
- Management determines the actual tax paid on profits based on tax laws and regulations that differ across the numerous jurisdictions in which we operate. Management makes assumptions in applying these laws to the taxable profits in any given period in order to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the income statement in the period in which it is determined (see note 7 to our 2012 Financial Statements).

Our Business

Overview

We are one of the world's leading manufacturers and marketers of branded health, hygiene and home products, selling a comprehensive range of products in nearly 200 countries.

We operate in the following product categories:

- Our **Health** products consist generally of OTC medications for common ailments such as pain, fever, cold, flu, sore throat and heartburn. We also produce condoms for safe and pleasurable sex and a range of footcare products to address foot, skin and nail conditions. Health products accounted for 22% of our net revenue for FY 2012.
- Our **Hygiene** products include personal hygiene products (including depilatory products for removal of body hair and acne treatments) and home hygiene products (including disinfectant cleaners, all-purpose cleaners, lavatory cleaners, detergents for automatic dishwashing and pest control products). Hygiene products accounted for 38% of our net revenue for FY 2012.
- Our **Home** product category consists of air care products, garment care products, fabric treatment products, water softeners and shoe care products. Home products accounted for 21% of our net revenue for FY 2012.
- Our **Portfolio Brands** include laundry detergents, fabric softeners, ironing aids, footwear and medical gloves that do not fit within our Health, Hygiene and Home categories and that are intended to build scale in local markets. Portfolio Brands accounted for 7% of our net revenue for FY 2012.
- Our **Food** product category consists of a largely North American food business. Food products accounted for 3% of our net revenue for FY 2012.
- Our **RB Pharmaceuticals** product category consists of Subutex and Suboxone prescription drugs, which are buprenorphine-based treatments for opiate dependence. RB Pharmaceuticals accounted for 9% of our net revenue for FY 2012.

We refer to our Health, Hygiene, Home and Portfolio Brands product categories as our "core" business, with Food and RB Pharmaceuticals being categorized as non-core operations.

Our product portfolio is led by 19 global "Powerbrands" that are mostly either market leaders or ranked second in their respective markets and that generated 70% of our net revenue in FY 2012. Our Powerbrands* consist of the following products, which are segmented along the product categories detailed below:

Health	Hygiene	Home
Durex – condoms and related products	Cillit Bang – power cleaning products	Air Wick – air freshener
Gaviscon – heartburn and indigestion remedy	Clearasil – acne treatment	Calgon – water softener
Mucinex – decongestant, cough suppressant and treatment of cold, flu and sinus infection	Dettol – antiseptic products, personal care products and kitchen gels	Vanish – fabric treatment
Nurofen – analgesics for relief of pain and other symptoms	Finish – automatic dishwashing and related products	Woolite – garment care
Scholl – footcare products	Harpic – toilet cleaner	
Strepsils – medicated sore throat remedies	Lysol – disinfectant cleaning products	
	Mortein – pest control	
	Veet – depilatory products	

* French's Mustard in the Food category is our 19th Powerbrand.

See "– Products" for further details relating to our product portfolio.

In addition, we have identified seven large consumer clusters across the world, and within them, 16 "Powermarkets." These are markets in which we believe we have the greatest potential for growth. A significant number of these Powermarkets are located within emerging markets. We have organized ourselves around these consumer clusters and Powermarkets accordingly as follows:

ENA	North America, Northern Europe (UK, Ireland and Scandinavia), Central Europe (Germany, Austria, Switzerland, Poland, Hungary, Czech Republic, Slovakia, Adriatics), Southern Europe (Italy, Greece, Romania) and Western Europe (France, Spain, Portugal, Netherlands, Belgium)
LAPAC	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
RUMEA	Russia and CIS, Middle East, North Africa, Turkey and Sub-Saharan Africa.

In FY 2012, ENA, LAPAC and RUMEA accounted for 56%, 27% and 17%, respectively, of our core net revenue (55%, 29% and 16%, respectively, of HY 2013 core net revenue). In terms of total net revenue, ENA, LAPAC and RUMEA accounted for 49%, 24% and 15%, respectively, in FY 2012 (49%, 26% and 14%, respectively in HY 2013), with the balance being attributable to Food and RB Pharmaceuticals.

We operate in more than 60 countries worldwide, with 49 production facilities and approximately 36,000 employees.

As of and for the six months ended 30 June 2013, we reported:

- net revenue of £4,994 million (compared to £4,669 million in HY 2012);
- net income of £661 million (compared to £779 million in HY 2012);
- total assets of £15,956 million (compared to £15,080 million as of 31 December 2012); and
- total equity of £6,037 million (compared to £5,922 million as of 31 December 2012).

As of and for the year ended 31 December 2012, we reported:

- net revenue of £9,567 million (compared to £9,485 million in FY 2011);
- net income of £1,833 million (compared to £1,754 million in FY 2011);
- total assets of £15,080 million (compared to £14,126 million as of 31 December 2011); and
- total equity of £5,922 million (compared to £5,781 million as of 31 December 2011).

Reckitt Benckiser is listed on the London Stock Exchange under the symbol "RB.", and was in the top 20 of the FTSE 100 as of the date of this Offering Memorandum.

Our Competitive Strengths

We believe that we have significant competitive strengths that position us well to deliver strong cash generation and long-term earnings growth. These competitive strengths include the following:

Portfolio of household brands with market leading positions. We benefit from strong market positions (based on market share) for many brands in our portfolio and have leading positions in selected health, hygiene and home product categories. These positions derive from the strength of our Powerbrands, which are our flagship brands and on which we focus the majority of our efforts and investment:

- In the Health category, **Nurofen** and **Gaviscon** are leading analgesic and gastro-intestinal brands in Europe and Australia; **Strepsils** is the number 1 brand in medicated sore throat worldwide; **Mucinex** is the number 1 cough brand in the United States and number 2 in cold and flu products worldwide; **Durex** is the number 1 condom brand worldwide; and we also have leading positions in many markets in footcare with **Scholl**.

- In the Hygiene category, **Finish** is number 1 worldwide in automatic dishwashing; within disinfectant cleaners **Lysol** is the number 1 brand in North America and **Dettol** is the number 1 brand outside North America; our lavatory care range is number 2 with **Lysol** in North America and **Harpic** across Europe and emerging markets; **Mortein** is the worldwide number 2 brand in pest control; and our skin care range holds the number 1 position worldwide in depilatory products with **Veet** and the number 3 position in acne treatment with **Clearasil**.

- In the Home category, we are: number 1 worldwide in fabric treatment with **Vanish** and in water softener with **Calgon**; number 2 worldwide in garment care with **Woolite**; number 2 worldwide in air care with **Air Wick**; and number 2 worldwide in shoe care with brands such as **Cherry Blossom** and **Nugget**.

In addition, **French's Mustard** is the number 1 brand of mustard in North America.

Track record of innovation. We believe that we deliver innovative products that meet consumer needs, which is a cornerstone of our success. We invest significantly in bringing new ideas to consumers, and have one of the highest innovation rates within the industry, based on our position in relation to our peers in the Forbes "The Most Innovative Companies" index as of September 2012. We have consistently been recognized in recent years in the Product of the Year awards, the world's largest consumer-voted award for product innovation, with four of our innovations receiving a mention in the United Kingdom, two in Brazil, and one in the United States. Examples of our innovations in recent years include the following:

2013
- the **Mucinex Sinus-Max range** (a triple action formula aimed at relieving sinus pressure and headaches, and breaking mucus).
- **Durex Feel Real** (a condom that contains polyisoprene, a more flexible material compared to natural rubber latex condoms);
- **Gaviscon Instant Granules Tropical Flavor** (which is a winner at the Product of the Year Award 2013 in the UK);
- **Finish Quantum with Power Gel** (a new formula of Finish Quantum with a gel chamber);
- **Veet Naturals Hair Removal Cream** (which combines Veet's hair removal features with skin care ingredients); and
- **Dettol Healthy Kitchen Gel** (a dish wash gel for dishes and kitchen surfaces launched in India).

2012
- **Lysol and Dettol Power & Free with Hydrogen Peroxide** (with active oxygen, which is aimed at tackling tough stains without bleach and which breaks down into hydrogen and water);
- **Scholl 2 in 1 Corn Express Pen** (for treatment of corns without plasters);
- **Clearasil PerfectaWash** (an automatic face wash dispenser);
- **Nurofen Express 400mg Soluble Powder** (a white, lemon flavored powder form of Nurofen);
- **Muse No-Touch Foaming Hand Wash** (a dispenser launched in Japan that automatically senses hands and delivers foam); and
- **Vanish Oxi Powerlift** (a new formula aimed at removing dried-in and greasy stains).

2011
- the **Air Wick 100% natural propellant spray** (a new range of aerosols, propelled only by fresh air);

- **Clearasil Ultra Acne + Marks** (aimed at reducing appearance of visible marks left behind by pimples and aimed at reducing redness and pimple size in a few hours);
- **Durex Play Massage 2 in 1** (a pleasure gel that can also be used for body massage, in two fragrances); and
- **Scholl Fungal Nail Treatment** (which, we believe, kills 99.9% of nail fungus, helping prevent spread and recurrence of infection);
- **Nuromol** (a new ibuprofen/paracetamol combination tablet whose pre-determined release of active ingredients leads, we believe, to superior, longer pain relief); and
- **Harpic Max** (an in-the-bowl rim block, which cleans both above and below the water line and, we believe, provides fragrance for up to four weeks).

Diversity across geography and product category. We conduct our operations in more than 60 countries, and our products are sold in nearly 200 countries worldwide. The geographic spread of our operations and the reach of our products reduce our exposure to any single country or region. In FY 2012, ENA, LAPAC and RUMEA accounted for 56%, 27% and 17%, respectively, of our core net revenue (55%, 29% and 16%, respectively, of HY 2013). In terms of total net revenue, ENA, LAPAC and RUMEA accounted for 49%, 24% and 15%, respectively, in FY 2012 (49%, 26% and 14%, respectively, in HY 2013), with the balance being attributable to Food and RB Pharmaceuticals.

Our Powerbrands are mostly either market leaders or ranked second in their respective markets and they generated 70% of our net revenue in FY 2012, with our largest Powerbrand (based on net revenue) generating 9% of our FY 2012 net revenue. In terms of product categories, our FY 2012 net revenue was derived 22% from Health products (HY 2013: 24%), 38% from Hygiene products (HY 2013: 40%), 21% from Home products (HY 2013: 20%), 7% from Portfolio Brands (HY 2013: 5%), 3% from Food products (HY 2013: 3%) and 9% from RB Pharmaceuticals (HY 2013: 8%).

Track record of identifying and integrating acquisitions. We have a track record of successfully identifying and executing acquisitions. Our acquisitions over the years have added several important brands and product categories to our portfolio.

- In FY 2006, we completed the acquisition of Boots Healthcare International, which added Nurofen, Strepsils and Clearasil to our product portfolio.

- In FY 2008, we completed the acquisition of Adams Respiratory Therapeutics, which added Mucinex to our product portfolio.

- In FY 2010, we completed the acquisition of SSL, which added Durex and Scholl to our product portfolio.

- In FY 2012, we completed the acquisition of Schiff, a leading provider of branded vitamins, nutrition supplements and nutrition bars in the United States. We believe that this acquisition has given us a powerful entry into the global VMS market, which is one of the largest consumer health categories in the world. The acquisition is also consistent with our strategic focus on the consumer health category.

We also have a strong track record of integrating our acquisitions, having fully integrated SSL and various smaller acquisitions. We are continuing to make progress in the integration of Schiff.

Track record for cost containment and cash conversion. In FY 2012, specific projects to extract cost from the ENA segment were initially expected to save £30 million annually from FY 2013; we, however, achieved the FY 2013 annual target earlier than anticipated. Our track record for cost containment is further illustrated by the fact that between FY 2010 and FY 2012, while our net revenue increased 13%, our net operating expenses (which include exceptional costs) increased only 4%.

By emphasizing working capital management, we are able to convert a high proportion of operating profit into cash. Further, our tight control over net capital expenditure (purchases less disposals of property, plant and equipment and intangible assets) means that we are able to convert a high proportion of our net cash generated from operating activities into free cash flow (*i.e.*, net cash generated from operating activities less net capital expenditure), with the conversion rate in FY 2012 being 92% (HY 2013: 91%).

Strong balance sheet. At 30 June 2013, our net debt was £2,760 million. The ratio of our net debt to Adjusted EBITDA as of 31 December 2012 was 0.9x. As of 30 June 2013, our borrowings consisted of commercial paper, and we had not drawn any amounts under our committed bank facilities.

Experienced and incentivized management team. Our management team has extensive experience in the FMCG and pharmaceutical sectors. Our Chief Executive Officer, Rakesh Kapoor, has more than 25 years' experience in the industry, having served at Reckitt Benckiser (then, Reckitt & Colman) since 1987. Our Chief Financial Officer, Adrian Hennah, was previously the chief financial officer of Smith & Nephew plc (for six years) and at Invensys (for four years), and spent 18 years at GlaxoSmithKline plc in various senior management roles. The members of our Executive Committee have been with us for an average of 12 years.

We believe that our culture of global mobility has helped create a diverse management team. There are eight nationalities among the nine members of our Executive Committee, and over 40 nationalities within our Top400. Over 60% of the members of the Top400 are working in a country that is not their original domicile, consistent with our policy to develop a multinational management team. Turnover within the Top400, which we consider to be a KPI for our business, in FY 2012 was 8%, which we consider satisfactory given the need to retain high-quality management offset by the benefits of refreshing the team with new talent. We train and develop our management pipeline through formal training programs focusing on leadership skills, functional skills and general skills, and through a deliberate policy of training on the job. We have 23 formal training modules for middle management and the Top400.

The level and composition of remuneration across the RB Group is designed to facilitate global mobility and diversity. For example, to reinforce a performance-led culture, we position aggregate elements of fixed pay of the Executive Directors at or below median market levels, while providing significant opportunities for performance-contingent variable reward (between 66% and 81% of the total package). In addition, our top 40 international managers are required to own shares in Reckitt Benckiser worth approximately £150 million (based on a share price of £45 per share). We believe that these features align the interests of our management team with ours and ensure that our management team has significant interest in the long-term sustainability of the business.

Our Strategy

In 2012, we announced our new vision and purpose, and set out a strategy to deliver our second decade of market outperformance; that is, growth ahead of the rate prevailing in the markets in which we operate.

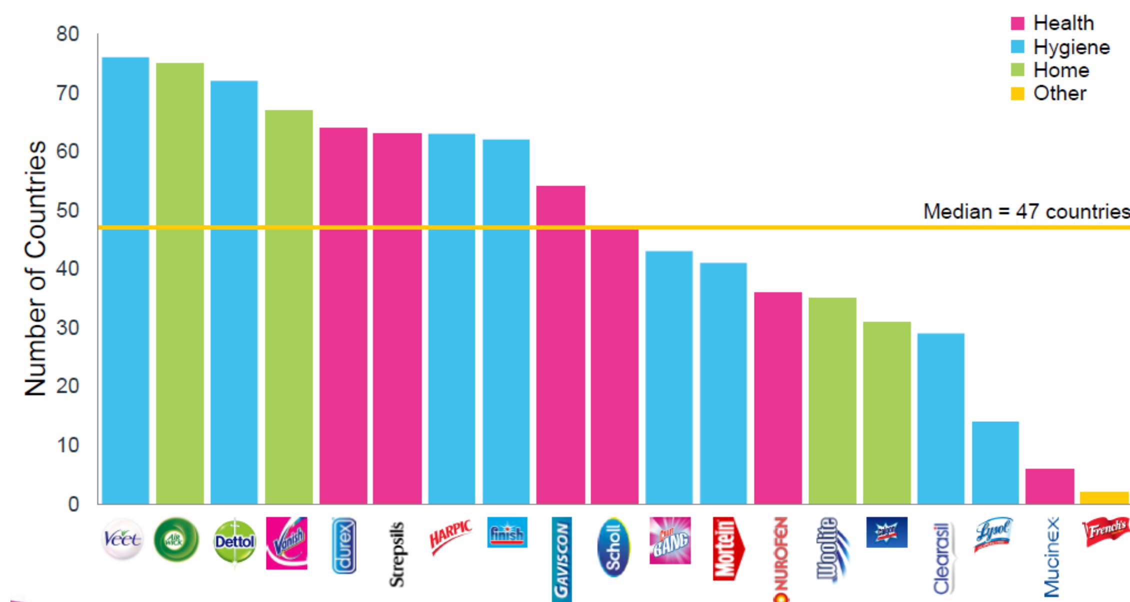
Our strategy consists of focusing our brand portfolio on the faster-growth and higher-margin consumer health and hygiene categories, and redeploying our resources to deliver a more evenly balanced revenue stream from emerging and developed markets.

To achieve our strategic goals, we intend to:

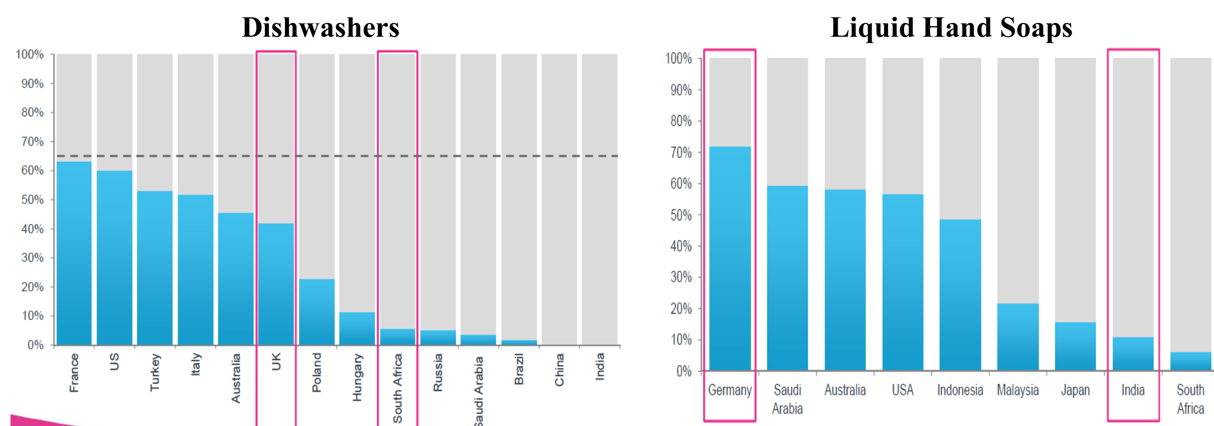
Focus on Powerbrands. A key pillar of our strategy is to deliver outperformance through a significant focus on our Powerbrands in the Health, Hygiene and Home categories. While our Powerbrands delivered 70% of our net revenue in FY 2012, we believe that they have significant potential for future growth through increased penetration, consumption and category expansion within markets where they

already have a presence. For example, even in some of the world's most developed and highly penetrated markets, dishwashers are present in less than 65% of homes, compared with washing machines, which are present in over 90% of homes, thereby providing growth opportunities for our dishwasher products. We believe that opportunities for growth in emerging markets are even greater.

The following chart sets forth the number of countries in which each of our Powerbrands is currently sold. We believe that we have the potential and sizeable opportunity for long-term growth through roll-out into many countries where we do not yet have a Powerbrand presence.



We seek to grow our Powerbrands through various initiatives. For example, in order to increase the penetration levels of Finish, we have entered into strategic alliances with dishwasher manufacturers that include, among other things, outreach programs to spread awareness about dishwashers. In order to increase the penetration levels of Dettol, we conduct outreach programs for new mothers and children in more than 40 countries, partner with healthcare professionals, and seek to create new sub-categories of the product (for example, Dettol liquid hand wash). The following charts set forth the current penetration levels of dishwashers and liquid hand soaps in selected countries and, therefore, illustrate what we believe is the potential for significant increase in penetration levels for Finish and Dettol in both developing and emerging markets.



Within our three main product categories, we are particularly focused on the Health and Hygiene categories due to their faster growth across the world and higher margins. Our medium-term goal is to

grow our Health and Hygiene product categories faster so that they represent 72% of our core net revenue by 2015. By the end of 2012 they represented 68% of our core net revenue (HY 2013: 72%).

Focus on Powermarkets. Our brands are marketed and sold in nearly 200 markets across the world, but we expect that the vast majority of our global growth will come from certain key markets. We have, therefore, identified 16 Powermarkets in both developed and emerging countries for disproportionate investment and growth.

A key element of our Powermarkets strategy is to focus on emerging markets. In furtherance of this strategy, in 2012, we replaced our single Developing Market segment with two new segments for emerging markets (LAPAC and RUMEA). In addition, we merged our European and North American segments to form one segment (ENA). Our medium-term goal is to grow LAPAC and RUMEA faster so that by 2015 they together represent 50% of our core net revenues, *i.e.*, equal in size to ENA. For FY 2012, they represented 44% of our core net revenues (HY 2013: 45%). We have redeployed our resources, including targeting a larger proportion of our brand equity building initiatives, in furtherance of our LAPAC/RUMEA growth strategy.

Continue investment in innovation and brand equity. We believe that delivering innovative products that meet consumer needs is a cornerstone of our success. We invest significantly in bringing new ideas to consumers, and intend to continue doing so. We have one of the highest innovation rates within the industry, based on our position in relation to our peers in the Forbes "The Most Innovative Companies" index as of September 2012. We believe that, as important as providing great innovations that give more benefits and convenience to consumers is investing in education and communication on how to get the most from our products. This forms part of what we refer to as BEI, which replaced pure media spend as the measure of our brand investment in 2012. It comprises advertising in both traditional and digital media, and also investment in extensive consumer and professional education and information campaigns, such as new mother programs, in-school hand washing and hygiene programs, pharmacist education programs and health professionals development programs.

In furtherance of our strategy, we invested an additional £100 million in BEI in FY 2012, and we believe we are among the top 10 global media spenders. We also doubled our social and digital media spend in 2012. In HY 2013, we increased BEI by 80 basis points compared to HY 2012 to 14.4% of net revenue (excluding RB Pharmaceuticals). The increase in BEI was focused on Powerbrands, Powermarkets and new initiatives. This included an increase in investment behind our newly acquired Schiff brands.

We believe that our BEI initiatives build trust in our brands, which in turn will enable us to enjoy enduring relationships with our consumers.

Expand margins. Since FY 2012, we have undertaken a number of initiatives to deliver operating margin improvement (excluding RB Pharmaceuticals). These initiatives consist of the following elements:

- **Gross margin improvement.** We are seeking to improve gross margins through a combination of (a) improved portfolio mix, as we focus on the Health and Hygiene product categories, and roll out higher margin Powerbrands in new markets, (b) supply chain re-engineering projects or reduction in the cost of sales of products, in each case aimed at delivering cost savings, (c) targeted price increases and (d) volume leverage.

- **Fixed cost containment.** We seek to improve efficiency and contain fixed costs where possible. We have sought to achieve this through the de-layering of management in Europe and a focus on the containment of non-BEI related cost categories within our income statement.

The primary purpose of our gross margin expansion is to fund BEI, particularly in Powerbrands and Powermarkets. We believe that this will drive further growth and lead to operating leverage, greater scale and operating margin expansion.

We expect modest improvements in operating margins over time.

Pursue selective acquisition and disposal opportunities. While our growth strategy primarily consists of organic growth, we consider acquisitions where they offer a strategic opportunity to further accelerate growth. Our acquisition strategy is focused on opportunities in consumer health and on emerging markets. At the end of FY 2012, we completed the acquisition of Schiff, which, we believe, has provided us with a powerful entry into the global VMS market, which is one of the largest consumer healthcare categories in the world. In HY 2013, we acquired Oriental Medicine Company Limited, a manufacturer of traditional Chinese sore throat products. We also entered into a collaboration agreement with Bristol-Myers Squibb in Latin America in HY 2013, which we accounted for as a business combination.

In addition, we continue to consider potential acquisitions to build our portfolio of market leading brands in our core product categories.

Future acquisitions could be small, typically single country, acquisitions (so-called "bolt-ons"), larger regional or smaller global transactions, or transformative acquisitions.

We also seek to exit certain businesses which are not relevant to our strategy. During FY 2012, we withdrew from our private label business and sold our Paras personal care business in India. We will continue to review our portfolio and exit business as appropriate.

Maintain competitive balance sheet and financial flexibility. Historically, we have funded acquisitions through short-term borrowings and relied on cash flow from our operations to repay the borrowings during the 12 to 18 months following acquisition and before the next acquisition is undertaken. We have also relied on funding in the commercial paper market, and have benefited from the low interest rate environment following the financial crisis. In recent years, our gross debt has increased modestly, due principally to the increased number of acquisitions we have made. Looking forward, we consider some increase in interest rates over the coming years to be likely and anticipate additional funding needs for future acquisitions, both bolt-on acquisitions as well as acquisitions that may be more material in size, including those that may be transformative. In this context, this Offering represents a move to longer duration, and more diversified, funding arrangements for us. We intend to target a strong investment grade "A" banded credit rating.

History and Development

While our immediate history can be traced back to 1999, when we were formed by the merger of the UK-based Reckitt & Colman plc and the Netherlands-based Benckiser NV, our roots can be traced back to 1823, when Johann A. Benckiser founded Benckiser, whose core business focused on industrial chemicals. This was followed in the 1840s by an expansion into other household products; particularly starch, washing blue and black lead for polishing. In the meantime, the UK-based Reckitt & Sons began its expansion and opened businesses around the world, first Australia, in the 1880s, and listed on the London Stock Exchange in 1888.

The 20th century witnessed a number of mergers and acquisitions and product launches for both companies.

- Major mergers and acquisitions included: Reckitt & Sons' joint venture in South America with J&J Colman to form Atlantis Ltd. (1913); the joint venture with the Mason brothers to form Chiswick Polish Company (1913), which later merged with Reckitt & Colman Ltd (1954); the purchase of Harpic Lavatory Cleaners (1932); the merger between Reckitt & Sons and J&J

Colman to form Reckitt & Colman Ltd. (1938); Benckiser's expansion into consumer goods via acquisitions and disposals (1982) and acquisition of St. Marc S.A, France (1985); Reckitt & Colman's purchase of Airwick products (1985); Reckitt & Colman's purchase of Boyle-Midway, a American household products group with brands such as Woolite, Easy-Off, Sani-Flush, Wizard and Old English, as well as its purchase of the worldwide branded business of Beecham Household Products in the United States and Canada (both in 1990); Reckitt & Colman's acquisition of Lehn & Fink Products, including Lysol, the household disinfectant brand in the United States (1994) and its sale of the Colman's food business (1995).

- In terms of products, 1932 marked a major breakthrough for Reckitt & Sons, with the decision to market a germicide, Dettol, endorsed by the medical profession. Other notable launches during the 20th century included Finish (1953); Calgon water softener **(**1956**);** Calgonit Automatic Dishwashing Detergent (1964); Quanto Fabric Softener (1966); Gaviscon (1965); Vanish Stain Removal Bar (1972) and Nurofen (1983), which is the first OTC product to use ibuprofen and is the first new OTC analgesic since 1950s.

Since the merger of Reckitt & Colman and Benckiser in 1999 to become Reckitt Benckiser, we have continued to expand our business through mergers and acquisitions and to improve our lines with the introduction of new products.

- In 2000, Reckitt Benckiser acquired Tiga Roda (an Indonesian pest control business) and Oxy (a household products business in South Korea).
- In 2004-05, Cillit Bang was launched in 68 countries in just one year.
- In 2006, we completed the acquisition of Boots Healthcare International for £1,926 million, gaining a new platform for growth in the attractive OTC healthcare market.
- In 2007, Vanish, which had been launched in the UK in 1999, became the market leader in 75% of the 57 countries in which it is now sold.
- In 2008, we completed the acquisition of Adams Respiratory Therapeutics, Inc., allowing us to enter the U.S. OTC market with Mucinex – the number 1 cough remedy in the United States.
- In 2009, we launched our new corporate brand identity "The Power behind the Powerbrands".
- In 2010, we completed the acquisition of SSL and added Durex and Scholl to our list of Powerbrands.
- In 2012, completed the acquisition of nutritional supplement and vitamin company Schiff Nutrition.
- In 2013, based on the enhanced benefits of our Suboxone sublingual film and the reduction in unintended paediatric exposure due to its unit-dose child resistant packaging, we voluntarily withdrew our Suboxone tablets from the U.S. market.

Competitive landscape

The health, hygiene and home industry is generally characterized by steady growth in demand, with some variation due to macro-economic factors, particularly in developed markets. Some emerging markets exhibit more volatile demand in reaction to macro-economic factors. The principal drivers of market growth in all markets include the rate of household formation, growth in the level of disposable income and demand for new products that offer improved performance or greater convenience.

The industry is intensely competitive, with a comparatively small number of major multinational competitors accounting for a large proportion of total global supply. We compete with numerous, well-established, local, regional, national and international companies, some of which are very large and have significant resources with which to establish and defend their products, market shares and brands. Our principal competitors include fast-moving consumer goods companies like Clorox, Colgate-Palmolive, Henkel, Procter & Gamble, SC Johnson and Unilever, and pharmaceutical companies such as Bayer, GlaxoSmithKline, Johnson & Johnson and Novartis, plus a number of strong local industry companies.

We compete in strongly branded segments by focusing on our leading positions in higher growth categories. We are typically the market leader or a close follower, a position obtained, we believe, through our ability to introduce new products (whether improved or newly developed), and supported by a rising and substantial level of BEI. Competition in the industry often focuses on competing claims for product performance, rather than price or terms. For this reason, failure to introduce new products and gain acceptance may significantly impact our operating results. We must also defend ourselves against challenges to our leadership positions in markets; this requires significant marketing expenditure and promotional activity.

Our products also compete with private label products sold by major retail companies. We do this by focusing on delivering innovative new products with real consumer benefits. Consistent BEI communicates the benefits of our brands directly to consumers.

Products

The following table sets forth information relating to our product categories.

<table>
<tr><th colspan="2">Health</th></tr>
<tr><td>Profile</td><td>Our products in this category are aimed at relieving or solving common health problems. We produce analgesics, cold/flu/sore throat and gastro-intestinal medications. These are generally OTC medications for common ailments such as pain, fever, cold, flu, sore throat and heartburn. We also produce condoms for both safe and pleasurable sex and a range of footcare products to address foot, skin and nail conditions.

Our product range in this category expanded in December 2012 through the acquisition of Schiff. Schiff is a leading provider of branded vitamins, nutrition supplements and nutrition bars in the United States and elsewhere. Schiff's VMS product portfolio includes a number of market-leading brands in the specialist product category in the United States, including:

• MegaRed (number 1 in the healthy heart segment),
• Move Free (number 2 in joint care),
• Airborne (number 2 in immune support) and
• Schiff Vitamins.

We believe the acquisition of Schiff provides us a powerful entry into the large and growing global VMS market.</td></tr>
<tr><td>Market positions</td><td>• Nurofen and Gaviscon are leading analgesic and gastro-intestinal brands in Europe and Australia.
• Strepsils is number 1 in medicated sore throat worldwide.
• Mucinex is the number 1 cough brand in the United States and number 2 in cold and flu products worldwide.
• Durex is the number 1 condom brand worldwide.
• We also have leading positions in many markets in footcare with Scholl.</td></tr>
<tr><td>Powerbrands</td><td>• Durex: Durex has been making condoms for nearly 80 years. With over 30% of the global branded condom market, it is the number 1 condom brand in the world. We have expanded the Durex product range to include Durex Play pleasure gels and devices. We continue to develop Durex condoms with new products such as</td></tr>
</table>

	Durex Tingle, Pleasuremax and Performax Intense. • **Gaviscon:** Gaviscon is a well-established heartburn and indigestion remedy that provides relief though its unique raft-forming mode of action. It is prescribed by doctors and recommended by pharmacists and sufferers alike. Gaviscon Advance is stronger and offers longer lasting relief. Following its UK launch in 1997, it is now available in a number of countries worldwide. Product innovations such as Double Action have strengthened Gaviscon's performance. • **Mucinex:** Mucinex is the leading cough and decongestion remedy in the United States, and number 2 worldwide for cold and flu. We have developed innovative Mucinex products, including the Mucinex Sinus-Max range (a triple action formula aimed at relieving sinus pressure and headaches, and breaking mucus). • **Nurofen:** Available in over 40 countries, Nurofen is the fastest growing analgesic brand worldwide and the leading analgesic brand in the UK, Australia and New Zealand. Nurofen is available in a variety of formats, including tablets, gel caps and liquids. Its range includes Nurofen for Children and heat patches for back pain and menstrual pain. • **Scholl:** Scholl footcare products address foot, skin and nail conditions; changes to foot condition due to body function or activities; and invaders to the conditions of feet, such as wart/verrucas and athlete's foot. • **Strepsils:** Strepsils is the world's leading sore throat medicine that is present in over 50 countries. From its inception as a sore throat gargle in 1950, the range has grown to a wide range of both lozenges and sprays.
Other brands	In addition to the Powerbrands discussed above, our health portfolio includes well-known brands such as Bonjela, Cepacol, Delsym, Disprin, Dobendan, E45, Lutsine, Optrex, Lemsip, Moov and Senokot.
Hygiene	
Profile	Our hygiene brands help to promote both personal hygiene and home hygiene. Our disinfectant cleaners clean and disinfect surfaces. Our all-purpose cleaners are aimed at household surfaces, particularly in the bathroom and kitchen. Our lavatory cleaners offer cleaning and disinfecting for the toilet bowl and cistern. Our speciality cleaners are designed for specific tasks, from cleaning ovens to removing limescale. In automatic dishwashing, we have a range of detergents aimed at cleaning and shining dishes, and a range of additives aimed at enhancing the performance of dishwashers and detergents. Our pest control products offer solutions to domestic infestation. Our depilatory products remove body hair and our skin products include acne treatments for clearer skin.

Market positions	• **Finish** is number 1 worldwide in automatic dishwashing.
	• We are number 1 worldwide in surface care due to leading positions across disinfectant cleaners, non-disinfectant multi-purpose cleaners, lavatory care and speciality cleaners.
	  o Within disinfectant cleaners, **Lysol** is the number 1 brand in North America and **Dettol** is the number 1 brand outside North America.
	  o Our lavatory care range is number 2 with **Lysol** in North America and **Harpic** across Europe and emerging markets.
	• **Mortein** is the worldwide number 2 in pest control.
	• Our skin care range holds a number 1 position worldwide in depilatory products

with **Veet** and a number 3 position in acne treatment with **Clearasil**.

Powerbrands

- **Cillit Bang:** Cillit Bang is a range of power cleaners launched in 2004. It is sold in over 30 countries with the following range of products: Active Foam, Lime & Grime, Degreaser and Stain & Mildew Triggers, Grease & Floor and Stain & Floor Dilutables, Stain & Toilet lavatory cleaner and kitchen dispenser.
- **Clearasil:** Clearasil is known for its range of acne treatment creams, facial washes and cleansing pads that are aimed at giving consumers visibly clearer skin. We reinforce its strong market position continuously with innovations such as the re-launch of the Stay Clear range of products, as well as launches in the Ultra range. The new Ultra 4 hour treatment cream is clinically tested to help reduce redness and spot size in four hours, while the Ultra spot blocker pen is aimed at preventing spots from appearing in the first place.
- **Dettol:** As the world's leading brand of antiseptics, Dettol products offer a high standard of germ kill and are recommended by healthcare professionals. We believe that the brand has stayed contemporary through the launch of new products and has offered consumers a breadth of products across categories, including bar soaps, hand sanitizers, liquid hand washes, shower gels and antibacterial wipes.
- **Finish:** Finish is our global brand of automatic dishwashing products. Finish offers a range of detergents and additives in many formats and variants. The most popular Finish detergents are the unique multi-benefit PowerBall Tabs with an all-inclusive system incorporating rinse aid function, salt function and glass protection. Finish PowerBall is also available as Quantum, with three chambers combined. Quantum is also available with power gel. Finish additives include Diamond Shine Rinse Aid, Special Salt, Machine Cleaner, Freshener, the glass protection product Protector and the new Turbo Dry for cupboard dry dishes.
- **Harpic:** Launched in England in the 1920s, Harpic toilet bowl cleaner has been successfully extended to 47 countries on a platform of powerful cleaning. Harpic provides a range of liquid toilet bowl cleaners, tablets, wipes, toilet bowl blocks and cistern blocks.
- **Lysol:** Lysol is the number 1 disinfectant brand in the United States, with over 50% of households using Lysol products.
- **Mortein:** Mortein was first launched in the 1880s in Australia. It has been successfully launched throughout New Zealand, South Asia and the South Pacific. This pest control brand is famous for its Louie the Fly cartoon character advertising in Australia, which has been used for over three decades. Louie is now being used in South Asia for Mortein and in Malaysia, Singapore and Thailand for Shieldtox.
- **Veet:** Veet is the world leader in depilatory products, and markets a range of products aimed at giving women smoother skin. We aim to drive its leadership positions by constant innovations; for example, Spray-On Hair Removal Creams are aimed to achieving "superior to shaving" smoothness, while the High Precision Facial Wax is aimed at achieving salon precision and long-lasting results at home. A new innovation is the Easy Wax Electrical Roll-On.

Other brands

Apart from the Powerbrands discussed above, this category includes some local and multi-country brands like Brasso, d-Con, Destop, Easy Off, Pif Paf, Pine O Clean, Rid-X, Sagrotan, Sbp, Steradent, St Marc and Veja.

Home	
Profile	Our home brands are aimed at creating more comfortable home environments. Our air care products remove malodours and fragrance the air in the home. Formats include autosprays, electrical plug-ins, aerosols, gels and candles. Our fabric treatment products remove stains from clothes, carpets and upholstery. Our garment care products are specially formulated for cleaning all clothes without risk of damaging the fabric. Our water softeners are aimed at protecting the machine and laundry against the build-up of limescale and other deposits. Our shoe care products are aimed at nourishing, protecting and cleaning all kinds of leather shoes.
Market positions	• We are number 1 worldwide in fabric treatment with **Vanish** and in water softener with **Calgon**. • We are number 2 in garment care with **Woolite**. • We are number 2 worldwide in air care with **Air Wick**. • We are number 2 in shoe care with brands such as **Cherry Blossom** and **Nugget**.
Powerbrands	• **Air Wick:** Air Wick was first launched in the United States in 1944 with the invention of Air Wick Liquid, a wick in a glass bottle of liquid, which absorbs odours as it is pulled up within the bottle. Air Wick offers consumers a large and growing range of fragrances and formats, including plug-ins, battery operated devices, candles, gels and aerosols. They are used to eliminate bad odours, freshen and fragrance the air, but also, increasingly, to create ambience. • **Calgon:** Calgon, which has been sold for over 50 years, and is currently sold in over 30 countries, is aimed at protecting all vital parts of washing machines from limescale build up. It is the only water softener recommended by leading washing machine manufacturers. • **Vanish:** Vanish is the leading global stain removal product for both fabrics and carpets. For stains on fabrics, Vanish is available in both in-wash formats and pre-treat. Recent launches in the Vanish range include Vanish Oxi Action Intelligence, with "stain seekers" aimed at removing tough, greasy stains. • **Woolite:** Sold in more than 40 countries, Woolite is a range of detergents that protects clothes against wash-related damages. Woolite protects fabrics against shape loss, as well as colours against fading and colour run accidents. The most recent innovation is Woolite Complete.
Other brands	In addition to the Powerbrands discussed above, our home category includes local and multi-country brands like Bom Ar, Cobra, Hippo, Jik, Mr Sheen, Mr Min, Napisan, Nugget, O'Cedar, Old English, Oxyclean, Poliflor, Resolve, Robin, Sole and Spray 'n Wash.
Portfolio Brands	
Profile	We have a number of local market positions in laundry detergents and fabric softeners (for example, in Spain, Italy, certain East European markets and Korea), ironing aids and medical gloves. We also sell a range of footwear under the Scholl brand name. We also had a small private label business, which principally provided laundry detergents to major multinational retailers in Europe. This business was discontinued during 2012.

We continue to market products in this category, seeking local scale and incremental profit in conjunction with our offerings in other product lines.

Food	
Profile	Our food category focuses on products that enhance the flavor of foods. Our major segments are mustard, barbecue sauce, hot sauce and French Fried Onions. While the category is focused primarily in North America, our food brands are distributed and sold in more than 55 countries. More than 90% of our food portfolio is made up of number 1 or number 2 brands.
Market positions	• **French's Mustard** is the number 1 brand of mustard in North America. • **Frank's Red Hot Sauce** is the number 1 hot wing sauce in North America.
Powerbrand	• **French's Mustard:** French's mustard has been produced for over 100 years, and has been sold in the United States since 1904, with approximately 125 million bottles sold each year. Using fine grade mustard seeds, French's Classic Yellow is the number 1 best-selling mustard in the United States. The French's family of products has grown to include a variety of flavors: Honey Dijon, Spicy Brown, Horseradish and Honey.
Other brands	• **No Salt:** No Salt is a popular alternative to salt, designed for people who enjoy the taste of salt but want to consume lower levels of salt in their diets. The product is typically used on the table, in baking and cooking. No Salt is available in two varieties: original and seasoned. • **French's Potato Sticks:** Introduced in 1935, French's Potato Sticks are a leading brand of potato sticks in U.S. Foodservice. • **French's French Fried Onions:** French's Original French Fried Onions serve over 40 million holiday tables annually. They provide a crunchy and flavorful coating for chicken, fish and pork. They are available in original and cheddar flavors. • **French's Worcestershire Sauce:** French's Worcestershire Sauce was introduced over 50 years ago and offers a wide range of uses, including as a marinade, flavor enhancer, gravy and sauce mix. Classic is available in three sizes, and Reduced Sodium in 15oz. • **Frank's Red Hot:** Introduced in 1920, Frank's Red Hot provides flavor and heat to wings, pizza, pasta and popcorn. Frank's Red Hot was the secret ingredient in the first ever Buffalo wing in Buffalo, NY in 1964. It is the top-selling hot sauce in both U.S. grocery and Foodservice. Frank's Red Hot comes in six varieties, Original, Extra Hot, Buffalo Wing Sauce, Hot Buffalo Wing Sauce, Sweet Heat BBQ Wing Sauce and Chili 'n Lime.
RB Pharmaceuticals	
Profile	RB Pharmaceuticals is responsible for the development of our 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 United States, Suboxone lost the exclusivity afforded by its orphan drug status in October 2009, but we were granted an exclusive licence in Europe that expires in 2016. In August 2010, we announced that we had received approval from the FDA to manufacture and market Suboxone sublingual film. Suboxone sublingual film has

been developed through an exclusive agreement with MonoSol Rx, utilizing 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.

We recently voluntarily discontinued the production of Suboxone tablets in the United States due to increasing concerns with paediatric exposure. Generic Suboxone tablets are being sold in the United States since February 2013. Since their launch, these generic Suboxone tablets have gained a 13% volume (by mg) market share (according to Source Healthcare Analytics' Pharmaceutical Audit Suite Weekly Data as at 28 June 2013) of the buprenorphine market in the United States. While the film share of total buprenorphine prescriptions in the United States has been maintained since the launch of the generic tablets and Suboxone has maintained its market share by volume of 69% as of 30 June 2013, we continue to believe that increased price pressure will lead to some loss of film market share over time despite the clinical and patient benefits of the film format.

Structure of Operations

We structure our business through a matrix of a centralized category development, global sales, supply and support functions (finance, human resources and information services), combined with the three area organizations: ENA, LAPAC and RUMEA, plus Food and RB Pharmaceuticals.

Our central category development function is responsible for Powerbrand strategies, brand equity programs and best practices, and new product development (including R&D) and consumer and market research), for implementation by the area organizations.

Our supply function is responsible for all procurement (raw and packaging materials and services), production and logistics worldwide, and is directly responsible for the operation of our 49 production facilities worldwide.

Our information services function is responsible for our global systems infrastructure and global systems, including our ERP systems.

Research and Development

We undertake R&D to support the development of new and improved products in all of our product categories and for increased manufacturing efficiencies.

Our R&D facilities are located in 28 different sites (many of which are situated in or alongside our production facilities). Our main R&D facilities are located in Hull (England), Wayne (New Jersey), Colorado Springs (Colorado), Salt Lake City (Utah), Ludwigshafen (Germany), New Delhi (India) and Mira (Italy).

Technological change and product improvement is a key determinant of our success. We believe that our success in introducing new and improved products stems from our focus on developing a pipeline of product innovation through consumer-focused approaches. We maintain a large category development organization (including market and consumer research, R&D and marketing/sales best practice) to fuel the innovation pipeline and share category success factors and learning. We also maintain a website titled "RB-Idealink" where consumers can submit their ideas for innovative products and technologies.

We invested £171 million in R&D in FY 2012 and £153 million in FY 2011. While we believe R&D to be a key contributor to innovative new products, we do not believe it to be the dominant performance indicator for innovation success.

Going forward, as a result of our increased focus on the health and hygiene product categories, we expect our product development pipeline to lengthen.

Suppliers

The major resources required by our business are an adequate supply of the raw and packaging materials consumed by our products and the necessary funds for developing new products and reinvestment in advertising and promoting those brands. We consider that our primary raw materials, such as bulk chemicals (including a number of petrochemicals), plastics, pulp and metal cans, are generally in adequate global supply. The cost of these items fluctuates from time to time but not at levels that seriously impinge on our ability to supply our products or generate profit.

We source our raw and packaging materials and finished goods from a wide variety of predominantly international chemical and packaging companies and co-packers. We also outsource the manufacture of certain of our products to third parties. No single supplier accounts for more than 5% of cost of sales and our global purchasing function balances the need for competitive pricing with continuity of supply.

Most product, component and raw material supply chains present a number of potential reputational risks relating to: labor standards; health, safety and environmental standards; raw material sourcing; and the social, ethical and environmental performance of third party manufacturers and other suppliers. Our Global Manufacturing Standard ("**GMS**") mandates minimum requirements regarding employment arrangements, labor standards and health, safety and environmental management, in line with international guidelines, for our own manufacturing sites and, from the end of 2012, third party manufacturers and suppliers. Management processes and controls in place include group-wide, area and regional monitoring and assessment of compliance with the GMS (and other) requirements.

Customers

Our key external relationships are broadly based with no single customer accounting for more than 10% of net revenue and the top ten customers accounting for less than one quarter of net revenue. Although these customers continue to become more concentrated in their chosen markets, we believe that our wide geographical spread and diversity of product lines provides a balance.

Production

We have 49 production facilities worldwide. These facilities are located in Europe (16 facilities) and North America (six). The remaining facilities spread across Asia (18), Latin America (five), and Africa and the Middle East (four).

The following table sets forth details relating to our main production facilities, based on contribution to overall net revenue (all of which are freehold, unless indicated otherwise):

Location	Approximate area (square footage)	Products produced
Hull, Humberside, UK	602,400	Liquids, sachets, tablets and capsules
Beeston, Nottinghamshire, UK[1]	410,555	Creams, tablets, throat lozenges, skin and eye care products
Derby, Derbyshire, UK	273,800	Liquids and aerosols
Ladenburg, Germany	275,545	Powders and tablets
Nowy Mazowieki, Poland	658,034	Powders, liquids and tablets
Mira, Italy	1,566,397	Powders, liquids, tablets and soaps
Chartres, France	319,369	Liquids, gels, pastes, waxes, creams, soaps, powders, wipes and scourers
Belle Mead, New Jersey	408,200	Liquids and aerosols
Sao Paulo, Brazil	678,126	Liquids and aerosols
St Peters, Missouri	440,000	Liquids, gels and wipes

(1) Leasehold (150 year lease until 2157).

Sales and Marketing; Distribution

We have sales and marketing operations in 60 countries, with major regional headquarters in Amsterdam, Dubai and Singapore.

Our sales strategies vary by country based on our go-to-marketing strategy, scale of operations, and the structure and complexity of the market. In certain countries, we have direct relationships with trade customers while in other countries we use distributor channels to access trade customers. In each country in which we operate, we have marketing directors and brand managers who are responsible for the execution of our global product category roll-out strategy.

We believe that our marketing investment is among the highest in the industry, with our BEI in FY 2012 at 12.7% of net revenue.

Regulatory Overview

The health, hygiene and home industry is heavily regulated by, among others, the European Union and individual country governments around the world. In the United States, federal authorities, including the FDA, the Federal Trade Commission, the Consumer Product Safety Commission and the Environmental Protection Agency, regulate different aspects of our business, along with parallel authorities at the state and local level. Ingredients, manufacturing standards, labor standards, product safety, marketing and advertising claims are all subject to detailed and developing regulation.

We have a comprehensive set of policies and procedures designed to govern our business methods and practices and protect our reputation. These cover, among other things, a comprehensive Code of Conduct, an Environment Policy, the GMS, and a Product Safety Policy, including compliance with regulatory and product quality requirements.

Employees

During FY 2012, we employed an average of 35,900 (FY 2011: 37,800) people worldwide, of whom approximately 23,300 are our direct employees and the remaining are contractors.

Approximately one-third of our direct employees are subject to collective bargaining arrangements.

It is essential to the continued improvement in efficiency and productivity throughout our business that each employee understands our strategies, policies and procedures. We believe that open and regular communication with employees at all levels is an essential part of the management process. A continuing program of training and development reinforces our commitment to employee development. We hold regular departmental meetings where opinions of employees are sought on a variety of issues. We operate internal communications programs that include the provision of a RB Group intranet and the publication of regular newsletters.

Our incentive schemes are aimed at reinforcing financial and economic factors affecting the performance of the business. All employees typically have three to five performance objectives that are directly linked to their job and their specific contribution to our overall performance. In addition, presentations, in person and by video, are given to employees on publication of our financial results.

We encourage employees to become shareholders and to participate in our employee share ownership schemes should they so wish. Our sharesave schemes give employees the opportunity to acquire shares in Reckitt Benckiser by means of regular savings.

Intellectual Property

We rely on our brand names and intellectual property. All of our major brand names are protected by nationally or internationally registered trademarks. We also maintain patents or other protection for our significant product formulations, designs and processing methods. We aggressively monitor these protections and pursue any apparent infringements.

We register our intellectual property rights strategically. For example, trademarks are registered in all countries relevant to our actual or intended use of that trademark, whereas patents are registered selectively in accordance with various legal and business factors, including patent enforceability and key intended markets. We seek to protect unregistrable intellectual property rights by contract, including through non-disclosure agreements with third parties.

We license intellectual property rights from third parties and are active in licensing in several areas of our operations, including R&D and new product development, marketing and manufacturing.

We are active in challenging third parties if they appear to be infringing intellectual property rights that are material to our business. In addition, we make careful checks while developing and before launching new products so that we have reasonable assurance that we will not infringe any third party intellectual property rights.

Sustainability

The Board regularly considers and takes account of the significance of sustainability matters, their potential risks to our business and the opportunities to enhance value that may arise from an appropriate response including risks relating to environmental impacts, employees, society and communities, as well as reputational risks. The Board undertakes a formal review of sustainability matters at least annually. This includes providing oversight to ensure that we have in place effective policies, systems and procedures for managing sustainability matters and mitigating significant sustainability risks. The Board believes that it receives adequate information and training on sustainability matters and their potential risks and opportunities to our business. Additionally, the Audit Committee regularly reviews the arrangements for, and effectiveness of, risk management and internal audit including the full range of risks facing us, such as risks relating to sustainability matters, reputational risks and risks relating to employees.

The CEO has specific responsibility for sustainability. As part of established management processes, which include appropriate remuneration incentives, senior management reports directly to the CEO on sustainability matters on a regular basis.

Our Director of Global Sustainability, Environment, Health & Safety manages the sustainability program on a day-to-day basis. Our Senior Vice President (SVP) of Corporate Communication and Affairs is secretary to the Group's Executive Committee and is responsible for our community involvement. The R&D function includes the Global Regulatory Affairs (GRA) group, which is responsible for ensuring that our products meet regulatory requirements and are safe for their intended use. Our SVP Human Resources (HR) and the global HR function manage our human resources, employee remuneration and benefits, employment practices, organizational development, training and elements of health and safety (e.g. stress management).

Key areas of sustainability performance, including sustainability disclosures, are independently reviewed and verified by both internal and external organizations, including Internal Audit, and their findings regularly reported to senior management, the CEO, the Audit Committee and the Board. The Board has identified and assessed the range of sustainability and associated reputational risks and concluded that there are limited material risks to our long- and short-term value arising from sustainability matters, other than potential risks common to similarly-sized businesses operating in our industry sectors and with similarly well-known brands.

We have a full set of policies, programs and control arrangements, building on our central Code of Conduct, that address the full range of sustainability matters and reputational risks. The Code of Conduct itself is the subject of an annual training and awareness program, and is covered by an annual review and certification process carried out by Internal Audit and the Legal Department.

Environmental matters

As a manufacturer of home, health and hygiene products, we store, and utilize, a variety of hazardous materials at each of our production and R&D locations, and each location also generates hazardous wastes. Each production and R&D site is required to comply with local legal requirements covering the storage, handling, use, and where appropriate disposal, of these materials and wastes. Additionally, we have developed a number of mandatory internal standards (called Key Items and Process Safety Standards ("**PSS**")) covering hazardous materials management and waste management, which each of our production and R&D sites (as appropriate to their operators) is required to comply with. The sites are required to self-assess, and report, their current level of compliance against each of these Key Items and PSS monthly using our online Environment, Health and Safety ("**EHS**") reporting system.

Approximately 60% of our production facilities are currently certified to ISO 14001. The remainder of our factories are due to obtain certification by the end of FY 2014 (with most expected to obtain the certification during the course of FY 2013).

Our Group Sustainability department collects monthly data on waste and hazardous waste generation levels from our production and R&D sites through Entropy. This data is reported quarterly to our Global Supply Leadership Team (GSLT), and is included in our annual sustainability report, which is assured by Ernst & Young LLP.

Our Group Sustainability department also implements a program of periodic legal and company standard EHS compliance reviews at our production facilities, warehouses and R&D facilities. The reviews are usually undertaken by an external, locally based consultant, knowledgeable in EHS legislation (often accompanied by a member of the Group Sustainability department). As part of this process, each site's self-assessed compliance status against the requirements of selected Key Items and PSS is also checked. The frequency of review is based on perceived risk.

Health & Safety management

Accidents caused through a failure of our safety management systems could potentially lead to loss of life for one or more of our employees. We maintain an external certification to OHSAS 18001 for our management of health and safety issues.

Climate Change

The effects of climate change could disrupt our supply chain by affecting our ability to source raw materials and manufacture and distribute products. Due to our industry sectors and product categories the greenhouse gas ("**GHG**") emissions originating from energy use at our direct operations are of medium-to-low impact in comparison to those of other similarly sized companies, as assessed for example in recent reports of the independent Carbon Disclosure Project; specifically, the GHG emissions from our global manufacturing operations are circa 270,000 tonnes CO-equivalents per annum.

We believe we have taken a leadership position with regard to our products' total carbon footprint, by seeking to understand, measure and reduce the GHG emissions generated by all stages of the product lifecycle for our global product portfolio, and including, among other things: the raw and packaging materials provided by our suppliers; our own direct manufacturing and other operations; transportation of both raw materials and finished products; the retail sale of our products; consumers' use of our products; and the disposal/recycling of those products and their packaging. We publicly launched this initiative in November 2007, comprising our Carbon20 program and the target to reduce our global products' total carbon footprint across their complete lifecycle by 20% per dose by 2020 versus a 2007 baseline.

Material Governmental and Legal Proceedings

As a global company selling products in nearly 200 countries, we are routinely subject to a wide variety of legal proceedings. These include proceedings relating to antitrust and trade regulation, intellectual property, product liability, marketing, advertising, foreign exchange controls, as well as labor and employment, environmental and tax matters. See "Risk Factors – Risks Related to our Business – We could be subject to investigations and potential enforcement action, which could have a material adverse effect on our business," "– Historical or future violations of antitrust and competition laws may have a material adverse impact on our business, financial condition and results of operations," "– Our business is subject to product liability claims," "– Legal proceedings in respect of claims outside the product liability area could also adversely impact our business, results of operations and financial condition" and "– We may face challenges to our intellectual property rights, including allegations of infringement of others' rights."

Competition matters. Our policy is to comply with antitrust and competition laws and cooperate fully with any related governmental inquiry in this area. Competition and antitrust law investigations often continue for several years, can be subject to strict non-disclosure provisions and can result in substantial fines for violations that are found. While we cannot predict the final financial impact of these competition law issues as these matters may change, we regularly evaluate developments in these matters. As previously announced, we have received civil claims for damages from the health authorities of England, Wales, Scotland and Northern Ireland, and certain pharmaceutical companies. The claims arise out of an OFT decision in October 2010 regarding our supply of Gaviscon Original Liquid brand alginates/antacids to the National Health Service. We had paid a fine of £10.2 million, admitted to the claim and co-operated with the OFT in its investigation. Most of the current proceedings have been brought in the High Court of Justice of England and Wales and we are in the process of presenting our defense against all of the claims. We are also involved in certain competition law-related proceedings in other countries.

We have made provisions for legal proceedings, where appropriate. As part of the announcement of our HY 2013 results, we reported a provision of £225 million, principally relating to the foregoing competition matters. Where it is too early to determine the likely outcome of these matters, we have made no provision for such potential liabilities. Based on our assessment of current governmental and legal proceedings, we believe we have adequate reserves for any such proceedings.

Except with respect to the matters covered by the £225 million provision referenced in the paragraph above, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware), during the 12 months preceding the date of

this Offering Memorandum which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer, the Issuer and its subsidiaries taken as a whole, the Guarantor or the RB Group.

Material Contracts

Except as set out below, there are no contracts, except those entered into in the ordinary course of business, that are or may be material and:

- have been entered into by members of the RB Group within the two years immediately preceding the date of this Offering Memorandum; or
- have been entered into by members of the RB Group and contain any provision under which any such member has any obligation or entitlement that is material to the RB Group as of the date of this Offering Memorandum.

Acquisition of Schiff

On 21 November 2012, Reckitt Benckiser LLC (a wholly-owned subsidiary of Reckitt Benckiser) ("**RB LLC**"), Ascot Acquisition Corp. (a wholly-owned subsidiary of Reckitt Benckiser) ("**Ascot**"), Schiff, and, for the limited purposes described therein, Reckitt Benckiser, entered into an agreement and plan of merger (the "**Merger Agreement**") pursuant to which, following the consummation of Ascot's tender offer for all of the outstanding shares of Schiff at a purchase price of $42.00 per share (the "**Tender Offer**"), the merger would be consummated and Schiff would continue as an indirect wholly-owned subsidiary of Reckitt Benckiser. The Tender Offer was conducted subject to the terms and conditions set forth in an Offer to Purchase and the related Letter of Transmittal, as amended.

The Tender Offer expired on 14 December 2012. Ascot accepted for payment shares of Schiff that were validly tendered and not validly withdrawn for payment prior to the expiration of the Tender Offer.

RB LLC completed its acquisition of Schiff through the merger of Ascot with and into Schiff, with Schiff continuing as the surviving corporation in the merger and as a direct wholly-owned subsidiary of RB LLC and an indirect wholly-owned subsidiary of Reckitt Benckiser, in accordance with the short-form merger provisions of the Delaware General Corporation Law. The merger became effective on 17 December 2012, upon the filing by Ascot of a certificate of merger with the Secretary of State of the State of Delaware.

The total cost to acquire all outstanding shares of Schiff pursuant to the Tender Offer and the merger was approximately $1.36 billion. The source of the funds for the acquisition of Schiff was provided by Reckitt Benckiser and RB LLC, which provided Ascot with sufficient funds to purchase all shares of Schiff validly tendered in the Tender Offer and provided funding for the acquisition of the remaining shares in the merger. All funding for the acquisition of the shares of Schiff in the Tender Offer and the merger were provided to Ascot by Reckitt Benckiser and its affiliates in the form of loans and/or capital contributions. The source of such funding was a combination of cash on hand and borrowings under our unsecured commercial paper program. Drawings under the commercial paper program in connection with the acquisition of the shares of Schiff are expected to be repaid in the ordinary course of operation from operating revenues of the RB Group.

Collaboration with Bristol-Myers Squibb

On 10 February 2013, Reckitt Benckiser entered into a Master Transaction Agreement (the "**Collaboration Agreement**") with Bristol-Myers Squibb Company. We received regulatory approval for the transaction in HY 2013.

The Collaboration Agreement, which has a term of three years, relates to a number of market-leading OTC consumer healthcare brands of Bristol-Myers Squibb Company in Brazil, Mexico and certain other parts of Latin America, with an option for us to purchase such brands at the end of the three-year period. The brands included in the Collaboration Agreement include Naldeon (for cough and cold), Luftal (anti-flatulence), Dermodex (for nappy rash), Tempra (for adult and pediatric pain relief), Picot (an antacid) and Graneodin-B (for sore throat).

Under the Collaboration Agreement, the RB Group has licensed the brands from Bristol-Myers Squibb Company, who will continue to manufacture the brands for three years. Under the terms of the Collaboration Agreement, we paid an initial amount of $482 million 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, based on business performance. Under the terms of a separate supply agreement, Bristol-Myers Squibb Company will be our supplier of the products during the collaboration period.

The transaction has been accounted for as a business combination. See "Operating and Financial Review – Principal Factors Affecting Results of Operations – Acquisitions, collaborations and dispositions."

Management

Reckitt Benckiser

Board of Directors

Currently, the Board of Directors of Reckitt Benckiser has nine members—the Chairman and Deputy Chairman, two executive directors and five non-executive directors. The current members of the Board of Directors are as follows:

Name	Age	Position
Adrian Bellamy	71	Chairman(2)(3)
Dr Peter Harf	67	Deputy Chairman(3)
Richard Cousins	54	Non-Executive Director(2)
Adrian Hennah	55	Chief Financial Officer
Kenneth Hydon	68	Non-Executive Director(1)(3)
Rakesh Kapoor	55	Chief Executive Officer(3)
André Lacroix	53	Non-Executive Director(1)
Judith Sprieser	60	Non-Executive Director(2)(3)
Warren Tucker	51	Non-Executive Director(1)

(1) Member of the Audit Committee.
(2) Member of the Remuneration Committee.
(3) Member of the Nomination Committee.

See "Information on the Issuer and the Guarantor – The Guarantor – Directors and Senior Managers" for the list of directorships of each of the Directors in the five years prior to the date of this Offering Memorandum.

Adrian Bellamy – Chairman. Adrian Bellamy has been Chairman of our Board of Directors since 2003 and joined our Board of Directors in December 1999. He was Chairman of The Body Shop International plc until March 2008, and was formerly Chairman and Director of Gucci Group NV and The Robert Mondavi Corporation. He currently serves on the board of directors of The Gap Inc and Williams-Sonoma Inc.

Dr Peter Harf – Deputy Chairman. Dr Peter Harf joined our Board of Directors in 1999 and currently serves as Deputy Chairman. He served as Chairman of the Remuneration Committee until June 2004. Since 1988, Dr Harf has held the position of Chief Executive Officer of Parentes Holding SE (formerly Joh. A. Benckiser SE.), a privately held investment company. He has been the Chairman of DKMS foundation and Labelux, since 1991 and 2008, respectively.

Richard Cousins – Non-Executive Director. Richard Cousins joined our Board of Directors in October 2009. He was Chief Executive Officer of BPB plc, until 2006, having held a number of positions with that company since 1990. Mr Cousins has also served on the board of directors of P&O plc and HBOS plc. He is currently Chief Executive Officer of Compass Group plc, the world's largest catering company.

Adrian Hennah – Chief Financial Officer. Adrian Hennah joined Reckitt Benckiser in January 2013, as Chief Financial Officer Designate. He was appointed Chief Financial Officer in February 2013. Previously, he was Chief Financial Officer of Invensys, and thereafter of Smith & Nephew plc. Mr Hennah also spent 18 years at GlaxoSmithKline plc, where he held a number of senior management and financial roles. He has worked at PwC and Stadtsparkasse Koeln, the German regional bank. Mr

Hennah currently serves on the board of directors of Reed Elsevier PLC and as a member of the supervisory board of Reed Elsevier NV.

Kenneth Hydon – Non-Executive Director. Kenneth Hydon joined our Board of Directors in December 2003, and was appointed Chairman of the Audit Committee in November 2006. He has also served as the Senior Independent Director between February 2005 and November 2006. Previously, Mr Hydon served as Financial Director of Vodafone Group plc, until his retirement in 2005 and served on the board of directors of Tesco plc until February 2013. He currently serves on the board of directors of Pearson plc. Mr Hydon is a Fellow of the Chartered Institute of Management Accountants, the Association of Chartered Certified Accountants and the Association of Corporate Treasurers.

Rakesh Kapoor – Chief Executive Officer. Rakesh Kapoor became Reckitt Benckiser's Chief Executive Officer in 2011. He joined our Board of Directors in September 2011, following his appointment as Chief Executive Officer. Mr Kapoor joined Reckitt Benckiser in 1987, serving in various regional and central marketing roles. In 2001, Mr Kapoor was appointed Senior Vice President, Regional Director for Northern Europe, and in 2006, Executive Vice President of Category Development, where he was responsible for global category management, research and development, media, market research and strategic alliances.

André Lacroix – Non-Executive Director. André Lacroix joined our Board of Directors and the Audit Committee in October 2008. He became the Senior Independent Director and a member of the Nomination Committee in June 2013. Previously, Mr Lacroix served as Chairman and Chief Executive Officer of Euro Disney, and also held positions at Burger King (Diageo), Colgate, PepsiCo, and Ernst & Young LLP. He currently serves as Group Chief Executive of Inchcape plc and Chairman of Good Restaurants AG.

Judith Sprieser – Non-Executive Director. Judith Sprieser joined our Board of Directors in August 2003, and was appointed Chair of the Remuneration Committee in June 2004. Previously, Ms Sprieser served as Chief Executive Officer of Transora, Inc., an e-commerce software and service company, and Executive Vice President and Chief Financial Officer of Sara Lee Corporation. She is currently serving on the board of directors of Allstate Insurance Company, InterContinental Exchange Inc., Royal Ahold NV and Experian plc.

Warren Tucker – Non-Executive Director. Warren Tucker joined our Board of Directors and the Audit Committee in February 2010. Mr Tucker is a chartered accountant and has previously held senior finance positions at Cable & Wireless plc and British Airways plc. He served as Chief Financial Officer of Cobham plc from 2003 until May 2013.

Executive Committee

Our Board of Directors has delegated the executive management of our business to the Chief Executive Officer, who has appointed an Executive Committee. The Executive Committee is headed, and its members are appointed, by the Chief Executive Officer. The Executive Committee conducts the day-to-day business operations and serves as our chief operating decision maker. The Executive Committee considers the business principally from a geographical perspective, but with the RB Pharmaceuticals and Food businesses being managed separately.

The members of our Executive Committee, their ages and current positions, as at the date of this Offering Memorandum, are as follows:

Name	Age	Position
Rakesh Kapoor	55	Chief Executive Officer
Heather Allen	45	Executive Vice President, Category Development
Amedeo Fasano	52	Executive Vice President, Supply
Roberto Funari	47	Executive Vice President, LAPAC
Rob de Groot	46	Executive Vice President, ENA
Adrian Hennah	55	Chief Financial Officer
Gareth Hill	46	Senior Vice President, Information Services
Frederic Larmuseau	43	Executive Vice President, RUMEA
Simon Nash	52	Senior Vice President, Human Resources

Rakesh Kapoor – See "– Board of Directors – Rakesh Kapoor – Chief Executive Officer."

Heather Allen – Heather Allen was appointed Executive Vice President of Category Development in May 2011. Ms Allen joined Reckitt Benckiser in 1996 and has held a number of senior marketing roles in Eastern Europe, before her appointment as Marketing Director USA in 1999. In 2003, she was appointed General Manager Canada and joined our head office in the UK in 2006, as Global Category Officer for germ protection, surface and personal care.

Amedeo Fasano – Mr Fasano was appointed Executive Vice President of Supply in March 2009. Mr Fasano joined Reckitt Benckiser in 1997, as Supply Director for Italy. He also served as Manufacturing Director for the Central, South Western and Southern Europe Regions, and in 2002, became Regional Supply Director for North America. In 2003, Mr Fasano was appointed Senior Vice President of Supply for North America, Australia and New Zealand and took over the role of Senior Vice President of Supply Development Marketing in 2007. Previously, he worked for Pirelli Tyres in multiple supply roles in Italy, Turkey, Argentina and the UK.

Roberto Funari – Mr Funari was appointed Executive Vice President of LAPAC in July 2013, where he is responsible Latin America, North Asia, South East Asia, Australia and New Zealand. Mr Funari rejoined Reckitt Benckiser in February 2013, following two years at Imperial Tobacco, where he served as Group Marketing Director and Executive Committee member. Previously, Mr Funari held various senior marketing and general management roles with us, in both emerging and developed markets, including Brazil, Netherlands, South Africa and Central Europe.

Rob de Groot – Mr de Groot was appointed Executive Vice President of ENA in January 2012, where he is currently responsible for North America, Northern Europe, Central Europe, Southern Europe and Western Europe. Mr de Groot joined Reckitt Benckiser in 1988, and has held various international roles in marketing and sales prior to serving as General Manager for The Netherlands, Senior Vice President, Regional Director Eastern Europe, Global Category Officer of surface and dish, and Executive Vice President for North America and Australia.

Adrian Hennah – See "– Board of Directors – Adrian Hennah – Chief Financial Officer."

Gareth Hill – Mr Hill was appointed Senior Vice President of Information Services in July 2006. Prior to joining Reckitt Benckiser in 2006, Mr Hill served as Information Systems Director at Arcadia Group Ltd. He has also held various positions at IBM UK Ltd, Rex Trueform Clothing Ltd in South Africa, and Arthur Andersen. Mr Hill is a qualified chartered accountant.

Frederic Larmuseau – Mr Larmuseau was appointed Executive Vice President of RUMEA in June 2013, where he is currently responsible for Russia & CIS, Middle East, North Africa, Turkey and Sub-Saharan Africa. Mr Larmuseau joined Reckitt Benckiser in 2001 as marketing director for Malaysia & Singapore. In 2003 he became regional marketing director for East Asia and in 2005 became global

category director for Vanish. In 2008 he was appointed general manager for Brazil and a year later was promoted to SVP regional director Latin America. In 2012, Frederic was appointed to SVP regional director North America.

Simon Nash **–** Mr Nash was appointed Senior Vice President of Human Resources in July 2009. He joined Reckitt Benckiser in 2009, from Novartis Consumer Health, where he was Global Head of Human Resources for the Consumer Health division based in Switzerland. Prior to that, Mr Nash held various positions at Procter & Gamble, Mars Confectionery, Kraft Foods International and Fortune Brands Inc.

Issuer

Directors

Name	Age	Position
Patrick Clements	49	Director (Senior Vice President, Fiscal Services)
Simon Edwards	52	Director (former Senior Vice President, Fiscal Services)
William Mordan	43	Director (Senior Vice President, General Counsel)

See "Information on the Issuer and the Guarantor – The Issuer – Directors" for the list of directorships of each of the Directors in the five years prior to the date of this Offering Memorandum.

Patrick Clements **–** Mr Clements joined Reckitt Benckiser in June 2013 as SVP Fiscal Services. He was previously with Shire plc, a biopharmaceutical company, between 2002 and 2013. Mr Clements left Shire plc as SVP Head of Corporate Finance, a role with responsibility for tax, treasury, insurance, corporate real estate and all aspects of finance support to M&A. Prior to Shire plc, he worked for PricewaterhouseCoopers LLP in London.

Simon Edwards **–** Mr Edwards retires from Reckitt Benckiser at the end of December 2013 and served as SVP Fiscal Services until June 2013. He joined Reckitt Benckiser as SVP of Taxation in September 2000 and became SVP Fiscal Services in September 2003 when he took on additional responsibility for Treasury and Insurance. Before joining Reckitt Benckiser, he was with Waste Management International (WMI) between 1995 and 2000, leaving as director of tax. Prior to WMI, he worked for Price Waterhouse (now PricewaterhouseCoopers LLP) in London.

William Mordan **–** Mr Mordan is SVP and General Counsel for Reckitt Benckiser. He joined Reckitt Benckiser's legal department in the United States in 2003 and moved to his current role in the central headquarters in Slough at the end of 2008. Prior to joining Reckitt Benckiser, Mr Mordan worked at Procter & Gamble in Mexico, Brazil and the United States.

Corporate Governance

The UK Corporate Governance Code ("**Corporate Governance Code**") issued by the Financial Reporting Council ("**FRC**") in May 2010 was applicable to Reckitt Benckiser throughout FY 2012. A new version of the Corporate Governance Code, which applies to financial years beginning on or after 1 October 2012, was published by the FRC in September 2012; although not immediately applicable, the Board of Directors will report to shareholders of Reckitt Benckiser on early compliance where appropriate.

Our Board of Directors believes that implementing and maintaining high governance standards underpin our business objectives and our drive to create and maximise shareholder value. In addition to compliance with the best practice advice from regulatory and governance bodies, the Board seeks to ensure that high ethical standards are reflected in business behavior and culture through Reckitt

Benckiser's global Code of Conduct, which enables management to add ethical and behavioral standards to the legal and regulatory obligations existing in the areas and communities in which we operate. All our employees and contractors are required to complete an annual conduct training course that includes the review of the global Code of Conduct policy. Statistics on employee compliance are subject to review by the Audit Committee. Reckitt Benckiser also operates an active whistleblowing hotline, the reports from which are reviewed by the Audit Committee.

Areas of non-compliance (strict interpretation)

Our Board of Directors recognizes that the objective of the Corporate Governance Code is to facilitate management's delivery of business success in a transparent and responsible manner. The Corporate Governance Code does not impose a rigid set of rules and recognizes that certain actions and behaviors do not automatically imply poor organizational governance. In connection with the Chairman's Statement on Corporate Governance for FY 2012, our Board of Directors authorized an explanation for the following areas where a strict interpretation might have led to a perception of non-compliance with certain areas of the Corporate Governance Code:

- As of 8 March 2013 (the date of the Chairman's Statement on Corporate Governance), Adrian Bellamy, as the Chairman, and Peter Harf, the Deputy Chairman and shareholder-nominated Director, had both served on the Board of Directors for more than nine years and would be offering themselves for re-election at the 2013 AGM (at which they were re-elected); and

- As of 8 March 2013, Kenneth Hydon and Judith Sprieser had been on the Board of Directors for nine years each and are currently the Chairs of the Audit and Remuneration Committees, respectively. We believe that we continue to benefit from the skills and experience they bring to their roles and they offered themselves for re-election at the 2013 AGM (at which they were re-elected). The Board of Directors will review Kenneth and Judith's chairmanship of the respective committees and will continue its efforts to refresh the membership of the Board of Directors in the short-term.

We believe that, notwithstanding the foregoing and following the detailed performance evaluation undertaken during 2012, each Director's independence of thought and actions was assured and all decisions were taken to promote the success of RB Group as a whole.

Except as explained above, Reckitt Benckiser complied with the Corporate Governance Code throughout FY 2012.

Board committees

Nomination committee

The Nomination Committee comprises the Chairman, who also chairs the committee, the Chief Executive Officer, the Deputy Chairman, the Senior Independent Director and the Chairs of both the Audit and Remuneration Committees. The Board of Directors has delegated authority to the Nomination Committee through its terms of reference. The primary focus of the Nomination Committee is to make recommendations on the composition and performance of the Board of Directors and its committees, appointments and re-elections to the Board of Directors and its committees and succession plans for the Chairman and other Directors.

Audit committee

The Audit Committee comprises three independent non-executive Directors: Kenneth Hydon, Chairman since November 2006 (whom the Board of Directors has deemed independent notwithstanding he has served nine years on the Board of Directors), André Lacroix and Warren Tucker. Kenneth Hydon, FCMA, FCCA, FCT, was chief financial officer of Vodafone Group plc until July 2005 and Warren

Tucker is the former chief financial officer of Cobham plc. Therefore, they both have relevant and recent financial experience. The Audit Committee: (a) monitors the adequacy and effectiveness of the system of internal control; (b) reviews compliance procedures and the RB Group's overall risk framework (including the RB Group's whistleblowing arrangements); (c) considers reports on Internal Audit's activities, significant legal claims and regulatory issues; (d) reviews the interim and full year financial statements before submission to the full Board of Directors; (e) makes recommendations to the Board of Directors regarding the auditors and their terms of appointment; (f) reviews and monitors the auditors' independence and services supplied and the objectivity and the effectiveness of the audit process; and (g) considers operational risk and control presentations from management covering assurance providers, geographical and functional areas.

Remuneration committee

The Remuneration Committee chaired by Judith Sprieser (whom the Board of Directors has deemed independent notwithstanding she has served nine years on the Board of Directors) comprises three members. Richard Cousins is considered independent under the Corporate Governance Code. The third member of the Remuneration Committee is the Chairman, Adrian Bellamy, who was independent on appointment but has served on the Board for more than nine years.

The Remuneration Committee's purpose is to assist the Board of Directors in fulfilling its oversight responsibility by ensuring that remuneration policy and practices reward fairly and responsibly; are linked to corporate and individual performance; and take account of the generally accepted principles of good governance. On behalf of the Board of Directors and subject to Board approval, the Remuneration Committee primarily: (a) sets and regularly reviews the RB Group's overall remuneration strategy; (b) determines the general remuneration policy for senior executives; and (c) in respect of the Chairman, the Executive Directors and members of the Executive Committee sets, reviews and approves (i) remuneration policies, including annual bonuses and long-term incentives; (ii) individual remuneration and compensation arrangements; (iii) individual benefits, including pension and superannuation arrangements; (iv) terms and conditions of employment including the Executive Directors' service agreements; (v) participation in any of the Reckitt Benckiser's bonus and long-term incentive plans; and (vi) the targets for any of Reckitt Benckiser's performance-related bonus and long-term incentive plans.

The Chairman of the Board, together with the Chief Executive Officer and Chief Financial Officer are responsible for evaluating and making recommendations to the Board on the remuneration of the Non-Executive Directors.

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Information on the Issuer and the Guarantor

The Issuer

The Issuer was incorporated as a private limited company under the laws of the England and Wales on 9 October 2006 with registered number 5960843 and was re-registered as a public limited company on 7 September 2007. Its principal executive offices and registered office are located at 103-105 Bath Road, Slough, Berkshire SL1 3UH, United Kingdom. The telephone number of its registered office is +44 (0)1753 217800.

The principal legislation under which the Issuer operates is the Companies Act and regulations made thereunder.

The principal activity of the Issuer is that of a finance subsidiary. No change in the Issuer's activities is envisaged in the foreseeable future.

The Issuer is part of the RB Group. The risks that the RB Group faces are set out in "Risk Factors," and its material contracts are disclosed under "Our Business – Material Contracts." The sole shareholder of the Issuer is Reckitt Benckiser plc, and the Guarantor is the sole shareholder of Reckitt Benckiser plc.

The Directors of the Issuer are Patrick N. Clements, Simon J. Edwards and William R. Mordan. The business address of each of the Directors is 103-105 Bath Road, Slough, Berkshire SL1 3UH, United Kingdom.

PricewaterhouseCoopers LLP, whose address is 1 Embankment Place, London WC2N 6RH, is the auditor of the Issuer. PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales.

Directors

The Directors of the Issuer and their biographies are set out in "Management – Issuer – Directors." The business address of each of the Directors is 103-105 Bath Road, Slough, Berkshire SL1 3UH, United Kingdom.

In addition to their directorships of the Issuer and companies in the RB Group, the Directors of Reckitt Benckiser hold or have held the following directorships and/or are or have been partners of the following partnerships in the five years prior to the date of this Offering Memorandum:

Name (*)	Position	Company/Partnership	Held (Y/N)
Patrick Clements	Director (SVP, Head of Corporate Finance)	Subsidiaries of Shire PLC	N
Simon Edwards		None	
William Mordan		None	

At the date of this Offering Memorandum, none of the Directors of the Issuer has at any time in the five years preceding the date of this Offering Memorandum:

(a) except as disclosed above, been a director or partner of any companies or partnerships;
(b) had any convictions in relation to fraudulent offences (whether spent or unspent);
(c) been adjudged bankrupt or entered into an individual voluntary arrangement;
(d) been a director of any company that has entered into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its

creditors;

(e) been a partner or senior manager in any partnership that has entered into any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

(f) owned any assets which have formed the subject of any receivership or has been a partner of a partnership that has had any assets thereof being the subject of a receivership;

(g) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or

(h) ever been disqualified by a court from acting as a director or other officer of a company or from acting in the management or conduct of the affairs of any company.

None of the Directors have any family relationship with another Director. None of the Directors have any potential conflicts of interest between their duties to the Issuer and their private interests or duties.

The Guarantor

Reckitt Benckiser was incorporated on 6 June 2007 with the name Trushelfco (Number 3293) Limited and registered in England and Wales as a private limited company under the Companies Act with registered number 6270876. Its registered office is located at 103-105 Bath Road, Slough, Berkshire SL1 3UH, United Kingdom and the telephone number of its registered office is +44 (0)1753 217800.

On 24 July 2007, the Guarantor's name was changed from Trushelfco (Number 3293) Limited to "Reckitt Benckiser Group Limited" and on 30 August 2007, it was re-registered as a public limited company.

The principal legislation under which Reckitt Benckiser operates is the Companies Act and regulations made thereunder.

The principal activity of Reckitt Benckiser is to serve as the listed holding company of the RB Group. As such, it has no independent business operations, and is dependent on dividends from its subsidiaries.

PricewaterhouseCoopers LLP, whose address is 1 Embankment Place, London WC2N 6RH, has been the auditor of Reckitt Benckiser since 2000. PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales.

Subsidiaries

The following table sets forth our principal subsidiaries. Each subsidiary is wholly owned, and its issued share capital is fully paid.

Name	Incorporated in	Nature of Business
Reckitt Benckiser (Australia) Pty Limited	Australia	Health, hygiene, home
Reckitt Benckiser (Brasil) Limitada	Brazil	Health, hygiene, home
Reckitt Benckiser (Canada) Inc.	Canada	Health, hygiene, home and food
Reckitt Benckiser Deutschland GmbH	Germany	Health, hygiene, home
Reckitt Benckiser España SL	Spain	Health, hygiene, home
Reckitt Benckiser France SAS	France	Health, hygiene, home
Reckitt Benckiser Healthcare (UK) Limited	UK	Health, hygiene, home
Reckitt Benckiser LLC	United States	Health, hygiene, home and food
Reckitt Benckiser Pharmaceuticals Inc.	United States	Pharmaceuticals
Reckitt Benckiser (India) Limited	India	Health, hygiene, home
Reckitt Benckiser Italia SpA	Italy	Health, hygiene, home
Reckitt Benckiser Arabia FZE	UAE (Dubai)	Health, hygiene, home
Schiff Nutrition International, Inc	United States	Health

Directors and Senior Managers

The Directors of Reckitt Benckiser and their biographies are set out in "Management – Reckitt Benckiser – Directors." The business address of each of the Directors is 103-105 Bath Road, Slough, Berkshire SL1 3UH, United Kingdom.

In addition to their directorships of Reckitt Benckiser and companies in the RB Group, the Directors of Reckitt Benckiser hold or have held the following directorships and/or are or have been partners of the following partnerships in the five years prior to the date of this Offering Memorandum:

Name (*)	Position	Company/Partnership	Held (Y/N)
Adrian Bellamy	Director	The Gap, Inc	Y
	Chairman	Williams-Sonoma, Inc	Y
	Director	Protek Lending LLC	Y
	Director	Protek LLC	Y
	Chairman	Ontex N.V.	Y
	Chairman	Total Wine & More	Y
	Chairman & Director	Mills Peninsula Health Services	Y
	Director	Labelux Group GmbH	N
	Chairman	Organic Style Limited	N
	Director	Minted LLC	N
	Executive Chairman	The Body Shop International PLC	N
Rakesh Kapoor		None	n/a
Adrian Hennah	Non-Executive Director	Reed Elsevier plc	Y
	Member, Supervisory Board	Reed Elsevier NV	Y
	CFO	Smith & Nephew plc	N
Peter Harf	CEO	Parentes Holding SE (formerly Joh. A. Benckiser SE)	Y
	Director	Coty Inc	Y
	Chairman	Labelux Group GmbH	Y
	CEO	Donata Holding SE	Y
	Executive Chairman	DKMS Foundation – non-profit	Y
	Chairman	Anheuser Busch InBev SA/NV	N
	Director	Burger King Worldwide, Inc.	N
Kenneth Hydon	Non-executive Director	Pearson plc	Y
	Non-executive Director	Tesco plc	N
	Non-executive Director	Royal Berkshire NHS Foundation Trust	N
André Lacroix	CEO	Inchcape PLC	Y
	Chairman	Good Restaurants AG	Y
Judith Sprieser	Director	Allstate Insurance Company	Y
	Director	InterContinental Exchange, Inc	Y
	Director	Royal Ahold NV	Y
	Non-executive Director	Experian plc	Y
	Member, Supervisory Board	Koninklijke Ahold NV	Y

Name (*)	Position	Company/Partnership	Held (Y/N)
	Director	USG Corporation	N
	Director	Adecco SA	N
Richard Cousins	CEO	Compass Group PLC	Y
	CEO	Compass Group Holdings Public Limited Company	Y
	Director	Hospitality Holdings Ltd	Y
	Non-executive Director	HBOS plc	N
Warren Tucker	CFO	Cobham PLC and certain Cobham subsidiaries	N

At the date of this Offering Memorandum, none of the Directors of Reckitt Benckiser has at any time in the five years preceding the date of this Offering Memorandum:

(a) except as disclosed above, been a director or partner of any companies or partnerships;
(b) had any convictions in relation to fraudulent offences (whether spent or unspent);
(c) been adjudged bankrupt or entered into an individual voluntary arrangement;
(d) been a director of any company that has entered into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
(e) been a partner or senior manager in any partnership that has entered into any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
(f) owned any assets which have formed the subject of any receivership or has been a partner of a partnership that has had any assets thereof being the subject of a receivership;
(g) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
(h) ever been disqualified by a court from acting as a director or other officer of a company or from acting in the management or conduct of the affairs of any company.

None of the Directors has any family relationship with another Director. None of the Directors has any potential conflicts of interest between his/her duties to Reckitt Benckiser and his/her private interests or other duties.

Remuneration and Benefits of Directors

Reckitt Benckiser operates a global remuneration policy for its senior executives. The remuneration is heavily weighted towards long-term variable equity components (performance-vesting shares and options) and is reviewed every three years.

Executive Directors' remuneration comprises base salary and benefits and variable remuneration incentives.

The Executive Directors and senior executives participate in share-based incentive schemes.

Directors' Service Agreements and Emoluments

The aggregate Directors' emoluments were £5,009,000 in FY 2012 (FY 2011: £6,455,000).

Variable pay is a major element of Reckitt Benckiser's current Executive Directors' and senior executives' total compensation package. The Executive Directors' compensation package comprises a base salary, an annual cash bonus and share-based long term incentives. If we achieve our target levels

of performance, the variable elements of compensation will amount to 66-81% of Executive Directors' total remuneration. If performance is unsatisfactory, no cash bonuses will be paid and long-term incentives will not vest.

Executive Directors

Service agreements. The Chief Executive Officer and Chief Financial Officer service contracts are rolling and terminable on twelve months' notice. In the event that there is a termination of either service contract, the compensation commitments in respect of each contract could amount to one year's remuneration based on base salary, benefits in kind and pension rights during the notice period. The termination payments may take the form of payments in lieu of notice.

In the event of an Executive Director leaving Reckitt Benckiser, payments may be made under the annual bonus plan. In such an instance, if the termination is by reason of voluntary resignation or 'for cause,' no bonus will be made for the financial year in which employment terminates. In all other circumstances, any bonus due will be paid as soon as possible after the end of the relevant financial year, paid on a pro-rata basis, taking account of the period actually worked. The LTIP (defined below) rules provide for vesting in certain circumstances (in line with best practice), in the event that an Executive were to leave Reckitt Benckiser.

Upon a change of control of Reckitt Benckiser, unvested LTIP awards will vest immediately, but only to the extent that any performance conditions have been satisfied, unless the Remuneration Committee determines that the conditions should not apply. Awards will be pro-rated to take into account the proportion of the performance period not completed, unless otherwise decided by the Remuneration Committee.

Base salaries. Base salaries are reviewed annually with effect from 1 January of each year. Increases to base salaries are determined by reference to competitive practice in Reckitt Benckiser's remuneration peer group, individual performance, and in the context of pay considerations across RB Group as a whole.

Annual cash bonus. The annual cash bonus is closely linked to the achievement of pre-determined targets geared to above-industry performance. In FY 2012, net revenue and net income growth were the performance measures attached to the bonus plan. Performance targets are set each year by the Remuneration Committee, with reference to prevailing growth rates in Reckitt Benckiser's peer group, and across the healthcare and fast-moving consumer goods industries more broadly. For FY 2013, the annual cash bonus plan remains unchanged.

Long-term incentives. Reckitt Benckiser's Long Term Incentive Plan ("**LTIP**") provides long-term incentives that comprise a mix of share options and performance shares. Both the levels and combination of share options and performance shares are reviewed annually, with reference to market data and the associated cost to Reckitt Benckiser.

The appropriate value of the long-term incentives is determined by benchmarking the 'fair' value of total remuneration for Executives against Reckitt Benckiser's peer group and deducting base salary and annual cash bonus. Reckitt Benckiser's long-term incentives (and those of our peer group) are valued using an expected value methodology (Black-Scholes) to enable like-for-like comparisons.

LTIP award sizes are calibrated as a fixed number. The Remuneration Committee adjusts the fixed number of shares to ensure that the fair value of total remuneration is appropriately positioned relative to Reckitt Benckiser's pay peer group. In the last six years, the Chief Executive Officer's LTIP awards have twice been revised downwards to reflect the strong growth in Reckitt Benckiser's share price and to ensure that the fair value of long-term incentives remained around or below the upper quartile of the peer group.

Long-term incentives vest subject to the achievement of earnings per share (measured on an adjusted diluted basis, as shown in our financial statements) growth targets that exceed industry performance levels. The vesting of LTIP awards granted in 2012 are subject to earnings per share performance over three consecutive financial years, starting with 2013. The structure of long-term incentives for the Executive Directors remains unchanged for 2013.

Reckitt Benckiser executive pension plan. We operate a defined contribution pension plan. Contributions to the pension plan are currently limited to £50,000 per annum, with the balance of promised pension contribution being paid as cash allowance in lieu. Base salary is the only element of remuneration that is pensionable. The Chief Executive Officer is a member of this plan, while the Chief Financial Officer receives cash in lieu of membership.

Executive share ownership policy. Executive Directors and other senior executives are subject to a compulsory share ownership policy. Executives, including those newly recruited or promoted into senior executive positions, are allowed eight years to attain these shareholdings and targets are pro-rated until they are met. If an executive does not meet the requirements within the required time period, the Remuneration Committee will not make any further awards of performance shares or options to the executive until the targets have been met. The Remuneration Committee, may, in its discretion, reduce the levels of grants and awards, if in its opinion, the executive is not making sufficient progress towards satisfying the share ownership requirements.

Non-Executive Directors

Non-Executive Directors do not have service agreements but are engaged on the basis of a letter of appointment. They are subject to re-election annually. Fee levels are determined by the Board every two years. Remuneration consists of fees for their services in connection with the Board and Board Committee meetings, and the Deputy Chairman, Senior Independent Director and Chairs of the Audit and Remuneration Committees also receive an additional fee. Non-Executive Directors are not eligible to participate in any of our bonus, share option, long-term incentive or pension schemes. An element of the basic fee is however, paid in Reckitt Benckiser shares.

Other than as described above, no benefit, payment or compensation of any kind is payable to any Director upon termination of his or her employment.

Principal Shareholders

As of 11 September 2013, the issued share capital of Reckitt Benckiser was 736,535,179 ordinary shares. The total number of voting rights at this date was 718,614,026.

As of 27 August 2013 (being the last practicable date prior to the publication of this Offering Memorandum), in so far as it is known to Reckitt Benckiser, the name of each person, other than a Director, who holds voting rights (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) representing 3% or more of the total voting rights in respect of the ordinary shares of Reckitt Benckiser is as follows:

Name	Number of Ordinary Shares	% of voting rights
JAB Holdings B.V.[(1)]	76,659,342	10.67%
Massachusetts Financial Services Company and/or its subsidiaries.....................................	39,175,825	5.45%
Invesco Limited	34,520,459	4.80%

(1) Under a shareholder agreement, JAB Holdings B.V. is entitled to nominate one and two Directors, respectively, if its shareholding in Reckitt Benckiser exceeds 10% and 20% of its outstanding ordinary shares. Peter Harf, our Deputy Chairman, is a nominee of JAB Holdings B.V.

Except as disclosed above, the Directors are not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) that represent 3% or more of the total voting rights in respect of the issued ordinary share capital of Reckitt Benckiser.

So far as Reckitt Benckiser is aware no person or persons, directly or indirectly, jointly or severally, exercises or could exercise control over Reckitt Benckiser.

There are no differences between the voting rights enjoyed by the shareholders described in this section and those enjoyed by any other holder of Ordinary Shares.

Related Party Transactions

In 2011, we entered into transactions in connection with the non-controlling interests of SSL-TTK Limited, TTK-LIG Limited and Medcom. This included sales of £1 million, the payment of packing and other charges of £1 million, and rental charges of less than £1 million. At 31 December 2011, we had receivables and payables balances of less than £1 million with the non-controlling interests.

In May 2012, we acquired the remaining non-controlling interest in Medcom from Abraca B.V. for £104 million, including transaction costs. Medcom is our Russian distributor of condoms, footcare products and medical gloves and devices. Prior to the acquisition, we paid rental charges of less than £1 million in FY 2012 to a director of the non-controlling interest.

In November 2012, we sold our investment in TTK-LIG for £18 million to the holder of the non-controlling interest (T.T. Krishnamachari & Co), and simultaneously purchased inventories of £9 million from, and paid less than £1 million to terminate an R&D agreement with, the holder of the non-controlling interest. There was no gain or loss on disposal of our investment. On the same date, we purchased the non-controlling interest in SSL-TTK Limited from T.T. Krishnamachari & Co for £2 million.

In March 2013, we purchased a further 24.95% interest in Manon from the holders of the non-controlling interests in the company. We have entered into a forward contract to purchase the balance of Manon in 2016. The present value of the expected cash outflow is recognized on our balance sheet as part of non-current liabilities. At 31 December 2012, the liability was recorded at £12 million.

Description of Notes

The following is a summary of the material provisions of the Indentures, the Notes and the Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indentures, the Notes and the Guarantees. Copies of the Indentures, the Notes and the Guarantees will be available for inspection during normal business hours at any time after the closing date of the offering of the Notes at the New York offices of the Trustee, which are currently located at 60 Wall Street, Mailstop NYC60-2710, New York, NY 10005. Any capitalized term used herein but not defined shall have the meaning assigned to such term in the Indentures.

GENERAL

The $500,000,000 2.125% Senior Notes due 2018 (the "**2018 Notes**") will be issued under an indenture (the "**2018 Notes Indenture**") dated as of 23 September 2013 (the "**Issue Date**") among, *inter alia*, Reckitt Benckiser Treasury Services plc, a public limited company incorporated under the laws of England and Wales (the "**Issuer**"), Reckitt Benckiser Group plc, a public limited company incorporated under the laws of England and Wales (the "**Guarantor**"), and Deutsche Bank Trust Company Americas, as trustee (the "**Trustee**"), principal paying agent (the "**Principal Paying Agent**") and registrar (the "**Registrar**").

The $500,000,000 3.625% Senior Notes due 2023 (the "**2023 Notes**" and, together with the 2018 Notes, the "**Notes**") will be issued under an indenture (the "**2023 Notes Indenture**" and, together with the 2018 Notes Indenture, the "**Indentures**") dated as of the Issue Date among, *inter alia*, the Issuer, the Guarantor, the Trustee, the Principal Paying Agent and the Registrar.

The Indentures are not required to be nor will they be qualified under the U.S. Trust Indenture Act of 1939, as amended (the "**Trust Indenture Act**"), and will not incorporate by reference any of the provisions of the Trust Indenture Act. Consequently, the Holders of the Notes generally will not be entitled to the protections provided under such Act to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the Holders of the Notes of certain relationships between it and the Issuer or the Guarantor. In this "Description of Notes," the terms "Holder," "Noteholder" and other similar terms refer to a "registered holder" of the Notes, and not to a beneficial owner of a book-entry interest in any Notes, unless the context otherwise clearly requires.

Citigroup Global Markets Inc., HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBS Securities Inc. (together, the "**Initial Purchasers**") propose to resell the Rule 144A Global Notes in registered form to certain institutions in the United States in reliance upon Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). The Rule 144A Global Notes may not be sold or otherwise transferred except pursuant to registration under the Securities Act or in accordance with Rule 144A or pursuant to Rule 904 of Regulation S thereunder or in a resale transaction that is otherwise exempt from such registration requirements, and will bear a legend to this effect. The Regulation S Global Notes will be resold by the Initial Purchasers only to persons located outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

PRINCIPAL, MATURITY AND INTEREST

The Notes will be unsecured and unsubordinated obligations of the Issuer and will be unconditionally guaranteed on a senior, unsecured basis by the Guarantor (the "**Guarantees**"). The 2018 Notes and the 2023 Notes are initially issuable in aggregate principal amounts not to exceed $500 million and $500 million, respectively, and will mature on 21 September 2018 and 21 September 2023, respectively. The 2018 Notes and the 2023 Notes will bear interest at 2.125% and 3.625%, respectively, per annum from the Issue Date or from the most recent interest payment date to which interest has been paid or provided for. Interest on the Notes is payable semi-annually in arrears on 21 March and 21 September, commencing 21 March 2014, (each, an "**interest payment date**") to the person in whose name any

2018 Note or 2023 Note, as applicable, is registered at the close of business on 6 March and 6 September of each year (whether or not a Business Day) (each, a "**record date**"), notwithstanding any transfer or exchange of such Notes subsequent to the record date and prior to such interest payment date, except that, if and to the extent the Issuer shall default in the payment of the interest due on such interest payment date and the applicable grace period shall have expired, such defaulted interest may, at the option of the Issuer, be paid to the persons in whose names Notes are registered at the close of business on a subsequent record date (which shall not be less than five days which are Business Days prior to the date of payment of such defaulted interest) established by notice given by mail by or on behalf of the Issuer to Holders (which term means registered holders) of the 2018 Notes or the 2023 Notes, as applicable, not less than fifteen days preceding such subsequent record date. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months. If the date on which any interest payment or principal payment is to be made is not a Business Day, such payment will be made on the next day which is a Business Day and the place of payment of such interest or principal without any further interest or other amounts being paid or payable in connection therewith.

PAYING AGENT AND REGISTRAR FOR THE NOTES

The Issuer will maintain one or more paying agents (each, a "**Paying Agent**") for the Notes, including a Paying Agent in New York City (the "**Principal Paying Agent**"). The Issuer will ensure (so long as there is such a member state), to the extent practicable, that it maintains a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC. The initial Principal Paying Agent will be Deutsche Bank Trust Company Americas, in New York City.

The Issuer will also maintain one or more registrars (each, a "**Registrar**"). The initial Registrar will be Deutsche Bank Trust Company Americas. The Issuer will also maintain a transfer agent (the "**Transfer Agent**") in New York City. The initial Transfer Agent will be Deutsche Bank Trust Company Americas, in New York City. The Registrar and the Transfer Agent will maintain a register reflecting ownership of Definitive Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfers of Definitive Notes on behalf of the Issuer.

FORM AND DENOMINATION

The Notes will be issued in fully registered form and only in denominations of $200,000 and integral multiples of $1,000 in excess thereof. The Notes will be issued initially as Global Notes.

FURTHER ISSUES

The Issuer may, from time to time, without notice to or the consent of the Holders of the Notes, issue as many distinct series of debt securities under the Indentures as it wishes. It may also from time to time, without notice to or the consent of the Holders of the Notes, "reopen" each series of the Notes and create and issue additional notes having identical terms and conditions as the 2018 Notes and the 2023 Notes, as the case may be (or in all respects except for the issue date, the issue price, the payment of interest accruing prior to the issue date of such additional notes and/or the first payment of interest following the issue date of such additional notes) so that the additional notes are consolidated and form a single series of notes with the applicable Notes (a "**Further Issue**"); *provided, however*, that if additional notes are not fungible with the applicable Notes for U.S. federal tax purposes, the additional notes will have a separate CUSIP, ISIN or other identifying number to the applicable Notes.

STATUS OF THE NOTES AND THE GUARANTEES

The Notes will be unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* in right of payment among themselves and with other unsecured and unsubordinated indebtedness of the Issuer (save for certain obligations required to be preferred by law). Upon issue, the Guarantor will unconditionally guarantee, on a senior, unsecured basis, the due and punctual payment of the principal of, premium, if any, and interest on the Notes (and the payment of additional amounts described under

"– Payment of Additional Amounts") when and as the same shall become due and payable, whether on the interest payment date, at stated maturity, by declaration of acceleration, call for redemption or otherwise, in accordance with the applicable Indenture. The Guarantees will be unsecured and unsubordinated obligations of the Guarantor and will rank *pari passu* in right of payment among themselves and with other unsecured and unsubordinated indebtedness of the Guarantor (save for certain obligations required to be preferred by law).

PAYMENT OF ADDITIONAL AMOUNTS

The Issuer or, if applicable, the Guarantor (pursuant to the terms of the Guarantees) will make payments of, or in respect of, principal and interest on the Notes or any payment pursuant to the Guarantees, as the case may be, without withholding or deduction for or on account of any and all present or future tax, levy, impost or other governmental charge whatsoever imposed, assessed, levied or collected ("**Taxes**") by or for the account of a Relevant Jurisdiction (as defined below), unless such withholding or deduction is required by law.

If the Issuer or, if applicable, the Guarantor is required by a Relevant Jurisdiction to deduct or withhold an amount of or in respect of Taxes, the Issuer or, if applicable, the Guarantor will pay to a Holder of a Note or a Guarantees or the beneficial owner thereof such additional amounts ("**Additional Amounts**") as may be necessary so that the net amount received by such Holder or beneficial owner will not be less than the amount such Holder or beneficial owner would have received if such amount of or in respect of Taxes had not been withheld or deducted; *provided, however*, that the Issuer or, if applicable, the Guarantor shall not be required to pay any Additional Amounts for or on account of:

(i) any Taxes that would not have been so imposed, assessed, levied or collected but for the fact that the Holder of the applicable Note or Guarantee (or a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such Holder, if such Holder is an estate, trust, partnership or corporation) is or has been a domiciliary, national or resident of, or engaging or having been engaged in a trade or business or maintaining or having maintained a permanent establishment or being or having been physically present in the jurisdiction in which such Taxes have been imposed, assessed, levied or collected or otherwise having or having had some connection with such jurisdiction, other than the mere holding or ownership of, or the collection of principal of, and interest on, a Note or the enforcement of a Guarantee, as the case may be;

(ii) any Taxes that would not have been so imposed, assessed, levied or collected but for the fact that, where presentation is required in order to receive payment, the applicable Note or Guarantee was presented more than 30 days after the date on which such payment became due and payable or was provided for, whichever is later, except to the extent that the Holder or beneficial owner thereof would have been entitled to Additional Amounts had the applicable Note or Guarantee been presented for payment on any day during such 30-day period;

(iii) any estate, inheritance, gift, sales, transfer, excise, personal property or similar Taxes;

(iv) any Taxes that are payable other than by deduction or withholding from payments on or in respect of the applicable Note or Guarantee;

(v) any Taxes that would not have been so imposed, assessed, levied or collected but for the failure by the Holder or the beneficial owner of the applicable Note or Guarantee to comply (following a written request addressed to the Holder or beneficial owner, as applicable), with any certification, identification or other reporting requirements concerning the nationality, residence or identity of such Holder or beneficial owner or its connection with a Relevant Jurisdiction if compliance is required by statute, regulation or administrative practice of such Relevant Jurisdiction as a condition to relief or exemption from such Taxes;

(vi) any withholding or deduction imposed on a payment to or for the benefit of an individual that is required to be made pursuant to European Union Directive 2003/48/EC, any law implementing

this Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings, or any law implementing or complying with, or introduced in order to conform to, any such Directive;

(vii) any withholding or deduction that is imposed on the applicable Note or Guarantee that is presented for payment, where presentation is required, by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting such Note or Guarantee to another paying agent in a member state of the European Union; or

(viii) any combination of the Taxes described in (i) through (vii) above.

In addition, Additional Amounts will not be paid in respect of any payment in respect of the applicable Note or Guarantee to any Holder or beneficial owner of the applicable Note or Guarantee that is a fiduciary, a partnership, a limited liability company or any person other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of a Relevant Jurisdiction to be included, for tax purposes, in the income of a beneficiary or settlor with respect to such fiduciary, a member of such partnership, an interest holder in such limited liability company or a beneficial owner that would not have been entitled to such amounts had such beneficiary, settlor, member, interest holder or beneficial owner been the Holder of such Note or Guarantee.

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or the Guarantees, the Issuer or the Guarantor, as the case may be, will deliver to the Trustee, copied to the Principal Paying Agent, on a date that is at least 30 days prior to the date of that payment (unless the Issuer or Guarantor becomes aware of the obligation to pay Additional Amounts less than 45 days prior to that payment date, in which case the Issuer or the Guarantor shall notify the Trustee and the Principal Paying Agent promptly thereafter) an officer's certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The officer's certificate must also set forth any other information reasonably necessary to enable the Principal Paying Agent to pay Additional Amounts to Holders on the relevant payment date. The Trustee shall be entitled to rely solely on such officer's certificate as conclusive proof that such payments are necessary.

The Issuer or the Guarantor will make or cause to be made all withholdings and deductions required by law and will remit or cause to be remitted the full amount deducted or withheld to the relevant tax authority in accordance with applicable law. The Issuer or the Guarantor will use its reasonable efforts to obtain tax receipts from each tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the Guarantor will furnish to the Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of tax receipts evidencing payment by the Issuer or a Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders or beneficial owners of the Notes.

The above obligations will survive any termination, defeasance or discharge of the Indentures, any transfer by a Holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated, domiciled or resident for tax purposes and any department or political subdivision thereof or therein.

Whenever in the Indentures, the Notes, the Guarantees or this Offering Memorandum reference is made to the payment of the principal of, any premium, any interest or other amounts to which a Holder or beneficial owner is entitled, if any, on or in respect of the Notes or the Guarantees, unless the context otherwise requires, such reference also includes the payment of Additional Amounts to the extent that, in context, Additional Amounts are, were or would be payable.

REDEMPTION

Redemption for Tax Reasons

Each series of the Notes will be redeemable by the Issuer, in whole but not in part, at 100% of the principal amount of such series of the Notes plus accrued and unpaid interest to the applicable date fixed for redemption (the "**Redemption Date**") and any Additional Amounts payable with respect thereto at the Issuer's option at any time prior to their maturity if due to a Change in Tax Law (as defined below) the Issuer or, if applicable, the Guarantor, in accordance with the terms of the Notes or the Guarantees, respectively, has, or would, become obligated to pay to the Holder or beneficial owner of any Note any Additional Amounts (but, in the case of the Guarantor, only if such amount cannot be paid by the Issuer without the obligation to pay Additional Amounts). In such case, the Issuer may redeem the applicable series of the Notes in whole, but not in part, upon not less than 30 nor more than 60 days' notice as provided in "– Notices" below, at 100% of the principal amount of the applicable series of the Notes plus accrued and unpaid interest, if any, to the applicable Redemption Date and any Additional Amounts payable with respect thereto; *provided* that, (a) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, if applicable, the Guarantor would be obligated to pay any such Additional Amounts were a payment in respect of the applicable series of the Notes or the Guarantees then due and (b) at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. The Issuer's right to redeem the Notes shall continue as long as the Issuer or the Guarantor, as the case may be, is obligated to pay such Additional Amounts, notwithstanding that the Issuer or the Guarantor shall have made payments of Additional Amounts. Prior to the giving of any such notice of redemption, the Issuer must deliver to the Trustee (1) an officer's certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent counsel of recognized standing selected by the Issuer or the Guarantor, as applicable, to the effect that the Issuer or the Guarantor has, or would, become obligated to pay such Additional Amounts as a result of such change or amendment.

For purposes hereof, "**Change in Tax Law**" shall mean (i) any amendment to, or change in, the laws or any regulations or rulings promulgated thereunder of a Relevant Jurisdiction; or (ii) any amendment to, or change in, an official written interpretation or application of such laws, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice); for purposes of (i) and (ii), which amendment or change becomes effective on or after the date of this Offering Memorandum (or, if the applicable Relevant Jurisdiction became a Relevant Jurisdiction on a date after the Issue Date, such later date).

The foregoing provisions will apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to either Indenture, with respect to a Change in Tax Law occurring after the time such successor Person becomes a party to either Indenture.

Optional Redemption

The Issuer may redeem each series of the Notes in whole or in part, at the Issuer's option, at any time and from time to time prior to 21 September 2018 in the case of the 2018 Notes and 21 June 2023 in the case of the 2023 Notes (the day that is three months prior to the maturity date of the 2023 Notes) at a redemption price equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed and (ii) as determined by the Independent Investment Banker, the sum of the present values of the applicable Remaining Scheduled Payments discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months or, in the case of an incomplete month, the number of days elapsed) at (a) in the case of the 2018 Notes, the Treasury Rate plus 10 basis points and (b) in the case of the 2023 Notes, the Treasury Rate plus 15 basis points, in each case together with accrued and unpaid interest (including any Additional Amounts) on the principal amount of the applicable Notes to be redeemed to the Redemption Date.

In addition, the Issuer may redeem the 2023 Notes in whole or in part, at its option, at any time and from time to time on and after 21 June 2023 (the day that is three months prior to the maturity date of the 2023 Notes), at a redemption price equal to 100% of the principal amount of the 2023 Notes to be redeemed, together with accrued and unpaid interest (including any Additional Amounts) on the principal amount of the 2023 Notes to be redeemed to the Redemption Date.

In connection with the foregoing, the following defined terms apply:

"**Treasury Rate**" means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as at the third Business Day immediately preceding that Redemption Date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

"**Comparable Treasury Issue**" means the United States Treasury security selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the 2018 Notes or the 2023 Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the 2018 Notes or the 2023 Notes, as the case may be.

"**Comparable Treasury Price**" means, with respect to any Redemption Date, (i) the average of the Reference Treasury Dealer Quotations for that Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker for the Notes obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"**Independent Investment Banker**" means one of the Reference Treasury Dealers appointed by the Issuer to act as the "Independent Investment Banker."

"**Reference Treasury Dealer**" means each of Citigroup Global Markets Inc., HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBS Securities Inc., their respective successors and one other nationally recognized investment banking firm that is a Primary Treasury Dealer specified from time to time by the Issuer; *provided, however*, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in the United States (a "**Primary Treasury Dealer**"), the Issuer shall substitute therefor another nationally recognized investment banking firm that is a Primary Treasury Dealer.

"**Reference Treasury Dealer Quotation**" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding that Redemption Date.

"**Remaining Scheduled Payments**" means, with respect to each series of Notes to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related Redemption Date but for such redemption; *provided, however*, that if that Redemption Date is not an interest payment date with respect to such series of Notes, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that Redemption Date.

Notice of any redemption will be given in accordance with "– Notices" below at least 30 days but not more than 60 days before the Redemption Date to each Holder of the Notes to be redeemed. Unless the Issuer defaults in the payment of the redemption price, on and after any Redemption Date, interest will cease to accrue on the Notes or any portion thereof called for redemption.

Upon presentation of any definitive certificated Note redeemed in part only, the Issuer will execute and instruct the Trustee (or its authenticating agent) to authenticate and deliver (or cause to be transferred by book-entry) to or on the order of the Holder thereof, at the expense of the Issuer, a new Note or Notes, of authorized denominations, in principal amount equal to the unredeemed portion of the Note so presented.

On or before any Redemption Date, the Issuer shall deposit with the Principal Paying Agent money sufficient to pay the redemption price of and accrued interest on the Notes to be redeemed on such date. If less than all the Notes of a series are to be redeemed, the Notes of such series to be redeemed shall be selected by the Trustee pro rata, by lot, or by such method prescribed by the relevant clearing system or, if no method is prescribed by the relevant clearing systems, as the Trustee shall deem fair and appropriate and is consistent with the rules of DTC and/or Euroclear and/or Clearstream Banking. The redemption price shall be calculated by the Independent Investment Banker and the Issuer, and the Trustee and any paying agent for the Notes shall be entitled to rely on such calculation without independent verification and without liability.

Final Maturity

Unless previously purchased or redeemed by the Issuer or the Guarantor or any of their Subsidiaries, and cancelled, the principal amount of the 2018 Notes and the 2023 Notes will mature and become due and payable on 21 September 2018 and 21 September 2023, respectively, in an amount equal to their principal amount, with accrued and unpaid interest to such date.

Reacquisition

There will be no restriction on the ability of the Issuer or the Guarantor or any of their respective Subsidiaries to purchase or repurchase Notes.

COVENANTS OF THE ISSUER AND THE GUARANTOR

Negative Pledge

So long as any of the Notes of a series remains outstanding, the Issuer and the Guarantor will not and will procure that none of their respective Subsidiaries will create or permit to subsist any Mortgage upon the whole or any part of its undertaking, property, assets or revenues present or future to secure any Relevant Debt of the Issuer, the Guarantor or any Person or to secure any guarantee of or indemnity in respect of any Relevant Debt of the Issuer, the Guarantor or any Person, except in each case for Permitted Interests, unless, at the same time or prior thereto, the Issuer's obligations under or in respect of the Notes of such series and the applicable Indenture or, as the case may be, the Guarantor's obligations under or in respect of the Notes of such series or the Guarantees (A) are secured equally and ratably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be or (B) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by holders of a majority of the principal amount of such series of the Notes then outstanding.

The foregoing restriction will not apply to:

- Mortgages arising by operation of law;
- Mortgages on property, assets or revenues of any Person, which liens are existing at the time such Person becomes a subsidiary; and
- Mortgages on property, assets or revenues of a Person existing at the time such person is merged with or into or consolidated with the Guarantor or any of its Subsidiaries or at the time of a sale, lease or other disposition to the Guarantor or any of its subsidiaries of the properties of a Person as an entirety or substantially as an entirety.

In connection with the foregoing, the following definitions shall apply:

"Permitted Interest" means any Mortgage, Securitization Lien or other form of encumbrance or security interest which arises in relation to any securitization or other structured finance transaction where:

(i) the primary source of payment of any obligations of the issuer is linked or otherwise related to cash flow from particular property or assets (or where payment of such obligations is otherwise supported by such property or assets); and

(ii) recourse to the issuer in respect of such obligations is conditional on cash flow from such property or assets.

"**Relevant Debt**" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other debt securities that are for the time being or are capable of being quoted, listed or ordinarily traded on any stock exchange or other organized and regulated securities market.

"**Securitization Lien**" means a customary back-up security interest granted as part of a sale, lease, transfer or other disposition of assets by the Issuer or the Guarantor to, either directly or indirectly, any issuer in a securitization or other structured finance transaction.

Limitation on Mergers and Consolidations

Each Indenture will provide that for so long as any of the Notes are outstanding under such Indenture, each of the Issuer and the Guarantor may not consolidate or amalgamate with or merge (including by way of a scheme of arrangement) into or with any other Person, or, directly or indirectly, sell, convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any Person (other than a Person satisfying the condition set forth in clause (i), below, that is directly or indirectly wholly owned by the Guarantor), unless:

(i) the Person formed by or continuing from such consolidation or amalgamation or into which the Issuer or the Guarantor is merged or the Person which acquires or leases the Issuer's or the Guarantor's properties and assets as an entirety or substantially as an entirety is organized and existing under the laws of the United States, the United Kingdom or any other country that is a member of the Organization for Economic Cooperation and Development as of the date of such succession;

(ii) the successor Person assumes, or assumes by operation of law, the Issuer's or the Guarantor's obligations under the applicable Notes, the Guarantee and the Indenture to pay Additional Amounts;

(iii) if the Issuer or Guarantor, as applicable, is not the continuing entity, the successor Person expressly assumes or assumes by operation of law all of the Issuer's or the Guarantor's obligations under the applicable Notes, the Guarantee and under the Indenture;

(iv) immediately after giving effect to such transaction, no Event of Default (as defined below) and no event which, after notice or lapse of time or both, would become an Event of Default, will have happened and be continuing; and

(v) the Issuer or the Guarantor or the successor Person, as the case may be, shall have delivered to the Trustee an officer's certificate and an opinion of counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the applicable Indenture and, if the Issuer or the Guarantor is not the surviving entity, an opinion of counsel to the effect that such supplemental indenture has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the successor Person;

provided that in giving an opinion of counsel, counsel may rely on an officer's certificate as to any matters of fact.

If, as a result of any such transaction, any of the Issuer's, the Guarantor's or any of their respective subsidiaries' undertaking, property, assets or revenues would become subject to a Mortgage, to secure payment of any Relevant Debt of the Issuer or the Guarantor which would not be permitted under the Indentures, the Issuer or the Guarantor or any of their respective subsidiaries or such successor Person, as the case may be, shall take such steps as shall be necessary to effectively secure the Notes equally and rateably with (or prior to) all Relevant Debt secured thereby.

The Notes will not contain covenants or other provisions to afford protection to Holders in the event of a highly leveraged transaction or a change in control of the Issuer or the Guarantor except as provided herein.

Upon certain mergers or consolidations involving the Issuer or the Guarantor, or upon certain sales or conveyances of the respective properties of the Issuer or the Guarantor as an entirety or substantially as an entirety, the obligations of the Issuer or the Guarantor, as the case may be, under the Notes or the Guarantees, as the case may be, shall be assumed by the Person formed by such merger or consolidation or which shall have acquired such property and upon such assumptions such Person shall succeed to and be substituted for the Issuer or the Guarantor, as the case may be, and then the Issuer or the Guarantor, as the case may be, will be relieved from all obligations under the Notes or the Guarantees, as the case may be. The terms "Issuer" and "Guarantor", as used in the Notes, the Guarantees and the Indentures, also refer to any such successors or assigns so substituted.

Provision of Financial and Other Information

For so long as any Notes are outstanding, the Guarantor shall deliver to the Trustee electronically, and post on its website, copies of any of its annual reports or periodic results announcements it files with each of the United Kingdom Financial Conduct Authority and the London Stock Exchange within 30 days after it files such documents with the United Kingdom Financial Conduct Authority or London Stock Exchange, as the case may be; *provided, however*, that this covenant shall not create any obligation to make any such filings or to make such filings in a timely manner.

Additionally, for so long as any Notes of a series remain outstanding and bear the restrictive legend set forth in the Indentures, the Guarantor will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any registered Holder of the Notes of such series (or any Holder of a book-entry interest in such Notes designated by the registered holder thereof) in connection with any sale thereof and to any prospective purchaser of the Notes of such series or a book-entry interest in Notes of such series designated by such registered holder, in each case upon request of such registered holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act. As of the date of this Offering Memorandum, the Guarantor is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

EVENTS OF DEFAULT

The following will be Events of Default (each an **"Event of Default**") with respect to the applicable Notes:

(i) default in the payment of any installment of interest and/or Additional Amounts upon any applicable Note as and when the same shall become due and payable, and continuance of such default for 30 days; or

(ii) default in the payment of all or any part of the principal of or premium (if any) on any applicable Note as and when the same shall become due and payable either at maturity, upon any redemption, by declaration or otherwise; or

(iii) default in the performance or breach of any covenant of the Issuer or the Guarantor in respect of the applicable Notes or the applicable Indenture (other than those described in paragraphs (i) and (ii) above), and continuance of such default or breach for a period of 60 days after there has been given a written notice, to the Issuer and the Guarantor by the Trustee or to the Issuer, the Guarantor and the Trustee by the Holders of at least 25% in principal amount of the outstanding Notes affected thereby, specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the applicable Indenture; or

(iv) (a) any present or future indebtedness of the Issuer, the Guarantor or any Significant Subsidiary, other than the applicable Notes, for or in respect of moneys borrowed is declared or becomes due and payable prior to its stated maturity as the result of any event of default (howsoever described) and remains unpaid, or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period or (c) the Issuer, the Guarantor or any Significant Subsidiary fails to pay, within any applicable grace period therefor, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised and which remains unpaid, *provided* that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned in this paragraph (iv) will have occurred and is or are continuing (which indebtedness, guarantees or indemnities have not been repaid or paid and as to which such default has not been cured or such acceleration has not been rescinded or annulled) exceeds $100,000,000 or its equivalent; or

(v) a distress, attachment, execution or other legal process is levied or enforced against any assets of the Issuer, the Guarantor or any Significant Subsidiary having a value exceeding $100,000,000 or its equivalent following upon a decree or judgment of a court of competent jurisdiction and (A) is not discharged or stayed within 90 days or (B) is the subject of a bona fide active dispute (for the avoidance of doubt, any such distress, attachment, execution or other legal process shall be deemed discharged upon any enforcement of a Mortgage on any such assets); or

(vi) the Issuer, the Guarantor or any Significant Subsidiary admits in writing that it is unable to pay its debts generally; a resolution is passed by the board of directors of the Issuer or the Guarantor for such entity to be wound up or dissolved; the Issuer or Guarantor is unable to pay its debts within the meaning of Section 123(2) of the Insolvency Act of Great Britain or makes a general assignment for the benefit of its creditors; an administrator is appointed in respect of, or an administration order is made in relation to, the Issuer or the Guarantor; the Issuer or the Guarantor stops payment of its obligations generally or ceases to carry on its business or substantially all thereof; or an encumbrancer takes possession or an administrative or other receiver is appointed over the whole or any material part of the either the Issuer's or the Guarantor's assets; or

(vii) certain specified events in bankruptcy, insolvency or reorganization involving the Issuer, the Guarantor or any Significant Subsidiary; or

(viii) the Guarantor ceases to own, directly or indirectly, all of the Voting Stock of the Issuer, except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation permitted hereby (including, for greater certainty, pursuant to the events described in "– Limitation on Mergers and Consolidations").

The Issuer and/or the Guarantor shall promptly notify the Trustee in writing upon becoming aware of the occurrence of a default or an Event of Default.

The Indentures provide that if an Event of Default occurs and is continuing, then and in each and every such case (other than certain Events of Default specified in paragraphs (vi) and (vii) above with respect to the Issuer or the Guarantor), unless the principal of all the applicable Notes shall have already become due and payable, either the Trustee (at the direction of the Holders) or the Holders of not less than 25% in aggregate principal amount of the applicable Notes then outstanding, by notice in writing to the Issuer and the Guarantor (and to the Trustee if given by the Holders), may, and the Trustee at the

request of such Holders shall, subject to its receiving indemnification and/or security to its reasonable satisfaction, declare the entire principal amount of all applicable outstanding Notes issued pursuant to the applicable Indenture and interest accrued and unpaid thereon, if any, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, without any further declaration or other act on the part of the Trustee or any Holder. If the Events of Default described in paragraph (vi) or (vii) above occur with respect to the Issuer or the Guarantor and are continuing, the principal amount of and accrued and unpaid interest on all the applicable outstanding Notes issued pursuant to the applicable Indenture shall become immediately due and payable, without any declaration or other act on the part of the Trustee or any Holder. Under certain circumstances, the Holders of a majority in aggregate principal amount of the applicable Notes then outstanding, by written notice to the Issuer, the Guarantor and the Trustee, may waive defaults and rescind and annul declarations of acceleration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

The Holders of a majority in aggregate principal amount of the applicable Notes then outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, subject to certain limitations to be specified in the Indentures.

The Indentures will further provide that no Holder of any Note may institute any action or proceeding at law or in equity or in bankruptcy or otherwise upon or under or with respect to the Indentures, or for the appointment of a trustee, receiver, liquidator, custodian or other similar official or for any other remedy under the Indentures (except suits for the enforcement of payment of overdue principal or interest) unless such Holder previously shall have given to the Trustee written notice of an Event of Default and continuance thereof and unless the Holders of not less than 25% in aggregate principal amount of the applicable Notes then outstanding shall have made written request upon the Trustee to institute such action or proceedings in its own name as Trustee and shall have offered the Trustee indemnity and/or security (including pre-funding) satisfactory to the Trustee, as it may require against the costs, expenses and liabilities to be incurred therein or thereby, the Trustee shall not have instituted any such action or proceeding within 90 days of its receipt of such notice, request and offer of such indemnity and/or security and the Trustee shall not have received direction inconsistent with such written request by the Holders of a majority in aggregate principal amount of the applicable Notes at the time outstanding.

An Event of Default with respect to a given series of the Notes would not necessarily constitute an event of default with respect to the securities of any other series issued in the future under the Indentures.

The Indentures shall provide that each of the Issuer and the Guarantor will furnish to the Trustee on or before 31 December in each year (commencing on 31 December 2013), if Notes are then outstanding, an officer's certificate of the Issuer's or the Guarantor's, as the case may be, compliance with all conditions and covenants under the Indentures, specifying the defaults (if any) and what is being or has been done in respect thereof.

DEFEASANCE

The Indentures will provide that the Issuer will have the option either (a) to be deemed (together with the Guarantor) to have paid and discharged the entire indebtedness represented by, and obligations under, the applicable Notes and the Guarantees and to have satisfied all the obligations under the Indentures relating to the Notes, and the Guarantees (except for certain obligations, including those relating to the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain paying agencies) on the day after the applicable conditions described below have been satisfied or (b) to cease (together with the Guarantor) to be under any obligation to comply with the covenants described under "– Covenants of the Issuer and the Guarantor – Negative Pledge" and "– Covenants of the Issuer and the Guarantor – Provision of Financial and Other Information" and the condition relating to the absence of any events of default

under "– Covenants of the Issuer and the Guarantor – Limitation on Mergers and Consolidations" under the Notes, and noncompliance with such covenants and the occurrence of certain events described above under "– Events of Default" will not give rise to any Event of Default under the Indentures, at any time after the applicable conditions described below have been satisfied.

In order to exercise either defeasance option, the Issuer must deposit with the Trustee (or such other entity designated or appointed by the Trustee for this purpose), irrevocably in trust, money or Government Obligations for the payment of principal of, premium (if any) and interest (including Additional Amounts) on the outstanding Notes of a series to and including the Redemption Date irrevocably designated by the Issuer on or prior to the date of deposit of such money or Government Obligations, and must (i) comply with certain other conditions, including delivering to the Trustee an opinion of U.S. counsel, or a ruling received from or published by the United States Internal Revenue Service, to the effect that beneficial owners of the Notes of such series will not recognize income, gain or loss for United States federal income tax purposes as a result of the exercise of such option and will be subject to United States federal income tax on the same amount and in the same manner and at the same time as would have been the case if such option had not been exercised and, in the case of (a) above, such opinion must state that it is based on a change of law or final and binding ruling received from or published by the United States Internal Revenue Service after the Issue Date and (ii) pay in full all other amounts due and owing under the Indentures.

MODIFICATION AND WAIVER

Without Consent of Noteholders

Each of the Indentures will contain provisions permitting the Issuer, the Guarantor and the Trustee, without notice to or the consent of the Holders of any of the applicable Notes at any time outstanding, from time to time and at any time, to enter into an indenture or indentures supplemental to the Indenture or to otherwise amend the applicable Indenture to:

- convey, transfer, assign, mortgage or pledge to the Trustee as security for the applicable Notes any property or assets;

- evidence the succession of another person to the Issuer or the Guarantor, as the case may be, or successive successions, and the assumption by the successor person of the covenants, agreements and obligations of the Issuer or the Guarantor, as the case may be, pursuant to the applicable Indenture;

- evidence and provide for the acceptance of appointment of a successor trustee, principal paying agent, registrar or transfer agent, as the case may be;

- add to the covenants of the Issuer and the Guarantor, as the case may be, such further covenants, restrictions, conditions or provisions as the Issuer and the Guarantor, as the case may be, shall consider to be for the protection of the Holders of the applicable Notes, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default under the applicable Indenture permitting the enforcement of all or any of the several remedies provided in the applicable Indenture, Notes or Guarantees; *provided* that, in respect of any such additional covenant, restriction, condition or provision, such supplemental indenture may provide for a particular period of grace after default (which may be shorter or longer than that allowed in the case of other defaults) or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of Holders of a majority in aggregate principal amount of the applicable Notes to waive such an Event of Default;

- modify the restrictions on, and procedures for, resale and other transfers of the applicable Notes pursuant to law, regulation or practice relating to the resale or transfer of restricted securities generally;

- cure any ambiguity or to correct or supplement any provision contained in the applicable Indenture which may be defective or inconsistent with any other provision contained therein or in any supplemental indenture or to make such other provision in regard to matters or questions arising under the applicable Indenture as the Issuer or the Guarantor may deem necessary or desirable and which will not adversely affect the interests of the Holders of the applicable Notes in any material respect (*provided*, that any modification or amendment to conform language in the applicable Indenture to that appearing in this "Description of Notes" shall be deemed not to adversely affect the interests of the Holders of the applicable Notes in any material respect); or

- issue as many distinct series of debt securities under the applicable Indenture as the Issuer wishes or to "reopen" each series of notes and create and issue additional notes having identical terms and conditions as an existing series of the Notes (or in all respects except for the issue date, issue price, the payment of interest accruing prior to the issue date of such additional notes or except for the first payment of interest following the issue date of such additional notes) so that the additional notes are consolidated and form a single series with the applicable Notes and are in compliance with the terms of the applicable Indenture.

In connection with any of the above matters, the Trustee shall be entitled to request and rely exclusively on such evidence as it deems necessary or appropriate, including officer's certificates and opinions of counsel.

With Consent of Noteholders

Each of the Indentures will contain provisions permitting the Issuer, the Guarantor and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the applicable Notes at the time outstanding (including consents obtained in connection with a tender offer or exchange offer for the applicable Notes), from time to time and at any time, to enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the applicable Indenture or any supplementary indenture or of modifying in any manner the rights of the Holders of the applicable Notes or the Guarantees, *provided* that no such indenture may, without the consent of the Holder of each of the applicable Notes so affected:

- change the stated maturity of the principal of or the date for payment of any installment of interest on any applicable Note;

- reduce the principal amount of or interest on any applicable Note or Additional Amounts payable with respect thereto or reduce the amount payable thereon in the event of redemption or default;

- change the currency or place of payment of principal of or interest on any applicable Note;

- change the obligation of the Issuer or the Guarantor, as the case may be, to pay Additional Amounts (except as otherwise permitted by such applicable Note);

- impair the right to institute suit for the enforcement of any such payment on or with respect to any applicable Note;

- reduce the aforesaid percentage in principal amount of the outstanding applicable Notes, the consent of whose Holders is required for any such supplemental indenture; or

- reduce the aforestated aggregate principal amount of any applicable Note outstanding necessary to modify or amend the applicable Indenture or any such Notes or to waive any future compliance or past default or reduce the quorum requirements or the percentage of aggregate principal amount of any such Notes outstanding required for the adoption of any action at a meeting of Holders of such Notes or reduce the percentage of the aggregate principal amount of such Notes outstanding

necessary to rescind or annul any declaration of the principal of and all accrued and unpaid interest on any Notes to be due and payable,

provided that no consent of any Holder of any applicable Note shall be necessary to permit the Trustee, the Issuer and the Guarantor to execute supplemental indentures described under "– Modification and Waiver – Without Consent of Noteholders" above.

Any modifications, amendments or waivers to the applicable Indentures or to the conditions of the applicable Notes will be conclusive and binding on all Holders of the applicable Notes, whether or not they have consented to such action or were present at the meeting at which such action was taken (other than in respect of amendments which require the consent of all Holders of such Notes), and on all future Holders of the applicable Notes, whether or not notation of such modifications, amendments or waivers is made upon such Notes. Any instrument given by or on behalf of any Holder of such a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent registered holders of such Note.

PRESCRIPTION

Under New York's statute of limitations, any legal action upon the Notes and the Guarantees in respect of interest or principal must be commenced within six years after the payment thereof is due. Thereafter any such legal action on the Notes and the Guarantees will become generally unenforceable.

LISTING

Application has been made for the admission of the Notes to listing on the Official List of the UK Listing Authority and to trading on the Professional Securities Market thereof.

The Issuer and the Guarantor will use their reasonable best efforts to have such listing and admission to trading become effective and then maintain such listing and admission to trading for so long as any of the Notes remain outstanding.

NOTICES

So long as any Global Notes representing a given series of the Notes are held in their entirety on behalf of a clearing system, or any of its participants, notices to Holders regarding the Notes will be delivered to the clearing system for communication to its participants. Any such notice shall be deemed to have been given to the participants on the third day after the day on which the said notice was given to the clearing system. If Definitive Notes have been issued, notices to Holders of the Notes will (if the Notes are in definitive, certificated form) be mailed by first-class mail (or equivalent) postage prepaid to Holders of the Notes at their last registered addresses as they appear in the Notes register. The Issuer and the Guarantor will consider any mailed notice to have been given two Business Days after it has been sent.

In addition, for so long as a given series of the Notes are listed on the Official List of the UK Listing Authority and admitted to trading on the Professional Securities Market, the Issuer and the Guarantor will comply with the notice and disclosure requirements of the UK Listing Authority and the Professional Securities Market.

CONSENT TO SERVICE, SUBMISSION TO JURISDICTION; ENFORCEABILITY OF JUDGMENTS

Each of the Issuer and the Guarantor will appoint Corporation Service Company, 1180 Avenue of the Americas, Suite 210, New York, New York 10036, as its process agent for any action brought by a Holder based on the Indentures or the Notes or Guarantees, as applicable, instituted in any state or federal court in the Borough of Manhattan, The City of New York.

Each of the Issuer and the Guarantor will irrevocably submit to the non-exclusive jurisdiction of any state or federal court in the Borough of Manhattan, The City of New York in respect of any action brought by a Holder based on the Notes, the Guarantees or the Indentures. Each of the Issuer and the Guarantor will also irrevocably waive, to the extent permitted by applicable law, any objection to the venue of any of these courts in an action of that type. Holders of the Notes may, however, be precluded from initiating actions based on the Notes, the Guarantees or the Indentures in courts other than those mentioned above.

Each of the Issuer and the Guarantor will, to the fullest extent permitted by law, irrevocably waive and agree not to plead any immunity from the jurisdiction of any of the above courts in any action based upon the Notes, the Guarantees or the Indentures.

Since a substantial portion of the assets of each of the Issuer and the Guarantor is outside the United States, any judgment obtained in the United States against the Issuer or the Guarantor, including judgments with respect to the payment of principal, premium, interest and any redemption price and any purchase price with respect to the Notes or payments due under the Guarantees, may not be collectable within the United States.

GOVERNING LAW

The Indentures, the Notes and the Guarantees shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of laws thereof.

BOOK-ENTRY SYSTEM; DELIVERY AND FORM

Upon issuance, the Notes will be represented by beneficial interests in Global Notes. Each Global Note will be deposited with a custodian on behalf of DTC and registered in the name of Cede & Co., as nominee of DTC. Except under the circumstances described below, Global Notes will not be exchangeable at the option of the Holder for certificated notes and Global Notes will not otherwise be issuable in definitive form.

Upon issuance of the Global Notes, DTC will credit the respective principal amounts of the Notes represented by the Global Notes to the accounts of institutions that have accounts with DTC or its nominee (called participants of DTC), including Euroclear and Clearstream Banking. Ownership of beneficial interests in the Global Notes will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interest in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to participants' interests) or by participants or persons that hold through participants. Such beneficial interest shall be in denominations of $200,000 and in multiples of $1,000 in excess thereof.

So long as DTC, or its nominee, is the registered owner or holder of the Global Notes, DTC or its nominee, as the case may be, will be considered the sole owner and holder of the Global Notes for all purposes under the Indentures.

Except as set forth below, owners of beneficial interests in the Global Notes:

- will not be entitled to have the Notes represented by the Global Notes registered in their names, and

- will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered the owners or holders thereof under the applicable Indenture.

Accordingly, each person owning a beneficial interest in the Global Notes must rely on the procedures of DTC, and indirectly Euroclear and Clearstream Banking, and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the applicable Indenture.

Principal and interest payments on Global Notes registered in the name of or held by DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner or holder of the Global Note. None of the Issuer, the Guarantor, the Trustee or any paying agent for such Global Notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Notes or for maintaining, supervizing or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that DTC, upon receipt of any payments of principal or interest in respect of the Global Notes, will credit the accounts of the related participants (including Euroclear and Clearstream Banking), with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on the records of DTC. Payments by participants to owners of beneficial interest in the Global Notes held through such participants will be the responsibility of the participants, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name".

Unless and until it is exchanged in whole or in part for Notes in definitive form in accordance with the terms of the applicable Indenture, a Global Note may not be transferred except as a whole by the depositary to a nominee of the depositary or by a nominee of DTC to DTC or another nominee of DTC.

If any Note, including a Global Note, is mutilated, defaced, stolen, destroyed or lost, such note may be replaced with a replacement note at the office of the registrar or any successor registrar or transfer agent, on payment by the Noteholder of such costs and expenses as may be incurred in connection with the replacement, and on such terms as to evidence and indemnity as we may reasonably require. Mutilated or defaced Notes must be surrendered before replacement Notes will be issued.

Exchanges of Global Notes for Definitive Notes

Global Notes shall be exchangeable for definitive notes registered in the names of persons other than DTC or its nominee for such Global Notes ("**Definitive Notes**") only if:

- DTC has notified the Issuer that it is unwilling or unable to continue as depositary or has ceased to be a clearing agency registered under the Exchange Act, and in either case, the Issuer has failed to appoint a successor depositary within 120 days of such notice, or

- the owner of a book-entry interest requests such an exchange in writing delivered through DTC following an Event of Default (as defined in the Indentures) with respect to the Notes.

Any Global Note that is exchangeable for definitive notes pursuant to the preceding sentence shall be exchangeable for Notes issuable in denominations of $200,000 and in multiples of $1,000 in excess thereof and registered in such names as DTC shall direct. Subject to the foregoing, a Global Note shall not be exchangeable, except for a Global Note of like denomination to be registered in the name of DTC or its nominee.

Exchanges Between and Among Global Notes

The "distribution compliance period", as defined in Regulation S under the Securities Act, will begin on the closing date and end 40 days after the closing date of the Offering.

Beneficial interests in one Global Note may generally be exchanged for interests in another Global Note. Depending on whether the transfer is being made during or after the distribution compliance period, and to which Global Note the transfer is being made, the Principal Paying Agent, Transfer Agent or Registrar may require the seller to provide certain written certifications in the form provided in the Indentures.

A beneficial interest in a Global Note that is transferred to a person who takes delivery through another Global Note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

CERTAIN DEFINITIONS

Set forth below are certain of the defined terms used in the Notes and the Indentures. You should refer to the Notes and the Indentures for the full set of definitions.

"**Business Day**" means any day which is not, in London, England, New York City, or the place of payment of interest or principal a Saturday, Sunday, a legal holiday or a day on which banking institutions in such places are authorized or obligated by law to close.

"**Government Obligations**" means money or obligations issued by the United States government.

"**Group**" means, at any time, the Guarantor together with its Subsidiaries.

"**IFRS**" means International Financial Reporting Standards as adopted by the European Union.

"**Indebtedness**" means all obligations for borrowed money represented by notes, bonds, debentures or similar evidence of indebtedness and obligations for borrowed money evidenced by credit, loan or other like agreements.

"**Mortgage**" means any mortgage, deed of trust, pledge, hypothec, lien, encumbrance, charge or other security interest of any kind.

"**Person**" means any individual, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Relevant Jurisdiction**" means any jurisdiction in which the Issuer or any Guarantor is then incorporated, domiciled or resident for tax purposes or any political subdivision thereof or therein.

"**Significant Subsidiary**" means any Subsidiary that would be a "significant subsidiary" under the definition in Article 1, Rule 1-02(w)(2) of Regulation S-X (but as calculated pursuant to IFRS), promulgated pursuant to the Securities Act, as such Regulation is in effect on the date hereof.

"**Subsidiary**" means, at any relevant time, any person of which the voting shares or other interests carrying more than 50% of the outstanding voting rights attached to all outstanding voting shares or other interests are owned, directly or indirectly, by or for the Guarantor and/or one or more Subsidiaries of the Guarantor.

Book-Entry, Delivery and Form

General

The Notes sold pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "**Regulation S Global Note**"). The Notes sold to qualified institutional buyers, pursuant to Rule 144A, will initially be represented by a global note in registered form without interest coupons attached (the "**144A Global Note**" and, together with the Regulation S Global Note, the "**Global Notes**"). On the closing date the Global Notes will be deposited with a custodian for and on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of interests in the 144A Global Note (the "**144A Book-Entry Interest**") and in the Regulation S Global Note (the "**Regulation S Book-Entry Interest**" and, together with the 144A Book-Entry Interest, the "**Book-Entry Interests**") will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream Banking or persons that may hold interests through such participants. Euroclear and Clearstream Banking will hold interests in the Regulation S Global Note on behalf of their participants through their respective depositories, which in turn will hold the interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC will credit on its book-entry registration and transfer systems a participant's account with the interest beneficially owned by such a participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holder" of the Notes under the Indentures for any purpose.

So long as the Notes are held in global form, DTC (or its nominee) will be considered the holders of Global Notes for all purposes under the Indentures. As such, participants must rely on the procedures of DTC and indirect participants must rely on the procedures of DTC and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indentures.

None of the Issuer, the Trustee, the Paying Agents or Registrar under the Indentures or any of the Issuer's respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of Definitive Registered Notes

Under the terms of the Indentures, owners of Book-Entry Interests will receive definitive Notes in registered form (the "**Definitive Registered Notes**") if:

- DTC has notified the Issuer that it is unwilling or unable to continue as depositary or has ceased to be a clearing agency registered under the Exchange Act, and in either case, the Issuer has failed to appoint a successor depositary within 120 days of such notice, or

- the owner of a book-entry interest requests such an exchange in writing delivered through DTC following an Event of Default (as defined in the Indentures) with respect to the Notes.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC or the Issuer, as applicable (in accordance with its customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "Transfer Restrictions," unless that legend is not required by the Indentures or applicable law.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear and/or Clearstream Banking, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear or Clearstream Banking, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of DTC, and, as applicable, Euroclear and Clearstream Banking, if fewer than all of the Notes are to be redeemed at any time, DTC, and, as applicable, Euroclear and Clearstream Banking, will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however,* that no Book-Entry Interest of less than $200,000, as applicable, principal amount at maturity, or less, may be redeemed in part.

Euroclear and Clearstream Banking will hold interests in the Regulation S Global Note on behalf of their participants through their respective depositaries, which in turn will hold the interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to DTC or its nominee, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indentures, the Issuer, the Trustee, the Paying Agents and the Registrar will treat the registered holder of the Global Notes (*i.e.*, the custodian for DTC or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Paying Agents, the Registrar or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream Banking or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream Banking or any participant or indirect participant, or for maintaining, supervizing or reviewing the records of DTC, Euroclear, Clearstream Banking or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or

- payments made by DTC, Euroclear, Clearstream Banking or any participant or indirect participant, or for maintaining, supervizing or reviewing the records of DTC, Euroclear, Clearstream Banking or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or

- DTC, Euroclear, Clearstream Banking or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interest in such Notes through DTC in dollars.

Transfers

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indentures.

The Global Notes will bear a legend to the effect set forth in "Transfer Restrictions." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "Transfer Restrictions."

During the period ending 40 days after the closing of the Offering (the "**40-Day Period**"), beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Principal Paying Agent and Transfer Agent a certificate (in the form provided in the Indentures) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Transfer Restrictions" and in accordance with all applicable securities laws of the United States and the states of the United States and other jurisdictions. After the expiration of the 40-Day Period, beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note only if the transferor first delivers to the Trustee a certificate to the effect that such transfer is being made in accordance with the transfer restrictions described under "Transfer Restrictions" and in accordance with all applicable securities laws of the United States and the states of the United States and other jurisdictions.

Subject to the foregoing, and as set forth in "Transfer Restrictions," Book-Entry Interests may be transferred and exchanged as described under "Description of Notes – Book-Entry System; Delivery and Form." Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Transfers involving an exchange of a Regulation S Book-Entry Interest for Rule 144A Book-Entry Interest will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding Rule 144A Global Note.

Information Concerning DTC, Euroclear and Clearstream Banking

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream Banking, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures. DTC has advised the Issuer that it is:

- a limited purpose trust company organized under New York Banking Law;
- a "banking organization" under New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC's owners are the New York Stock Exchange, Inc. the American Stock Exchange, Inc. and the Financial Industry Regulatory Authority, Inc. and a number of its direct participants. Others, such as banks, brokers and dealers and trust companies that clear through or maintain a custodial relationship with a direct participant, also have access to the DTC system and are known as indirect participants.

Like DTC, Euroclear and Clearstream Banking hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream Banking provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream Banking interface with domestic securities markets. Euroclear and Clearstream Banking participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream Banking is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream Banking participant, either directly or indirectly.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in DTC or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through DTC will receive distributions attributable to the 144A Global Notes only through DTC participants.

Global Clearance and Settlement under the Book-Entry System

Although DTC, Euroclear and Clearstream Banking currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream Banking, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Guarantor, the Trustee or the Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream Banking or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in U.S. dollars. Book-Entry Interests owned through DTC accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests may be credited to the securities custody accounts of Euroclear and Clearstream Banking holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of DTC and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Because of time zone differences, the securities account of a Euroclear participant purchasing an interest in a Global Note from any other DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear and Clearstream Banking) immediately following the DTC settlement date, and such credit of any DTC participant's interests in the Global Notes settled during such processing day will be reported to the relevant Euroclear participant on such day. Cash received in Euroclear or Clearstream Banking as a result of sales of interests in the Global Notes by or through a Euroclear or Clearstream Banking participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream Banking cash account only as of the applicable business day following settlement in DTC. Transfers between holders of Regulation S Notes and Rule 144A Notes will be effected through the registrar, the paying agent and the custodian receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Settlement between such a buyer and seller cannot be made on a delivery versus payment basis. The Notes will be delivered on a free delivery basis and arrangements for payment must be made separately.

Tax Considerations

United Kingdom Taxation

The comments below, which are of a general nature and based on current United Kingdom tax law and HM Revenue & Customs published practice, describe only the United Kingdom withholding tax treatment of payments of interest in respect of the Notes and the United Kingdom stamp duty and stamp duty reserve tax treatment of the issuance and subsequent transfer of the Notes. They do not deal with any other United Kingdom tax implications of acquiring, holding or disposing of the Notes. Prospective holders of the Notes who are unsure as to their tax position should seek their own professional advice.

Payments of interest on the Notes may be made without deduction or withholding on account of United Kingdom income tax provided that the Notes are, and continue to be, listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007 (the "**ITA**"). The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are admitted to trading on the Professional Securities Market of the London Stock Exchange. Provided, therefore, that the Notes are, and remain, so listed and the London Stock Exchange continues to be a "recognised stock exchange" within the meaning of Section 1005 of the ITA, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that either: (i) the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; or (ii) the payment falls within section 935, 936 or 937 of the ITA, provided that, in both cases, HM Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the Notes is less than 365 days from the date of issue and where Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for a year or more.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to interest paid to a noteholder, HM Revenue & Customs can issue a notice to the Issuer to pay interest to the noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The United Kingdom tax treatment of payments by the Guarantor under the terms of the Guarantees in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) is uncertain. Such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.), subject to such relief as may be available following a direction by HM Revenue and Customs pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply. Such payments by the Guarantor may not be eligible for the exemptions described above.

HM Revenue & Customs have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the

beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information in connection with transactions relating to the Notes. Information obtained by HM Revenue & Customs may be provided to tax authorities in other countries.

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issuance of the Notes Securities or on their subsequent transfer.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Directive**"), a member state is required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other member state or to certain limited types of entities established in that other member state. However, for a transitional period, certain member states are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favor of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

The EU Savings Directive does not preclude member states from levying other types of withholding tax.

Certain U.S. Federal Income Tax Considerations

To ensure compliance with Treasury Department Circular 230, you are hereby notified that any discussion of U.S. federal tax matters set forth in this Offering Memorandum was written in connection with the promotion or marketing of the transactions or matters addressed herein and was not intended or written to be used, and cannot be used by any prospective investor, for the purpose of avoiding tax-related penalties under the U.S. Internal Revenue Code of 1986, as amended. Each prospective investor should seek advice based on its particular circumstances from an independent tax advisor.

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes that are held as capital assets by a U.S. Holder (as defined below) that acquired the Notes upon original issuance at their initial offering price.

A "**U.S. Holder**" means:

- an individual citizen or resident alien of the United States as determined for U.S. federal income tax purposes;

- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), and Treasury regulations, rulings, judicial decisions and administrative pronouncements of the Internal Revenue Service (the "**IRS**") in force as of the date hereof. Those authorities may be revoked or changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income taxes that may be relevant to investors in light of their personal circumstances. In addition, it does not address the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws. For example, this summary does not address:

- tax consequences to holders that may be subject to special tax treatment, such as dealers in securities or currencies, traders in securities that elect to use the mark-to-market method of accounting for their securities, financial institutions, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities for U.S. federal income tax purposes, tax-exempt entities or insurance companies;

- tax consequences to persons holding the Notes as part of a hedging, integrated, constructive sale or conversion transaction or a straddle;

- tax consequences to U.S. tax expatriates;

- tax consequences to U.S. Holders whose "functional currency" is not the U.S. dollar;

- alternative minimum tax consequences, if any; or

- any state, local, foreign or non-income tax consequences.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership that is considering an investment in Notes, you should consult your tax advisors.

If you are considering the purchase of the Notes, you should consult your own tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership, and disposition of the Notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

Stated interest

You will be taxed on payments of stated interest on your Notes as ordinary income at the time the interest is received or accrued, depending on your method of accounting for U.S. federal income tax purposes.

Interest on a Note generally will be considered foreign source income and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Sale, retirement or other taxable disposition of the Notes

Upon the sale, retirement or other taxable disposition of a Note, you will recognize gain or loss equal to the difference between the amount you realize upon the sale, retirement or other taxable disposition (less an amount equal to any accrued and unpaid interest, which will be taxable as interest income to the extent not previously included in income as described above under "– Stated Interest") and your adjusted tax basis in the Note. Your adjusted tax basis in a Note generally will be the amount that you paid for the Note. Any gain or loss will be capital gain or loss and will generally be treated as U.S. source gain or loss. Capital gains of non-corporate holders, including individuals, derived in respect of capital assets held for more than one year are currently eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Additional tax on passive income

U.S. Holders that are individuals, trusts, or estates, and whose income exceeds certain thresholds will be required to pay an additional 3.8% tax on net investment income, including interest on and capital gain from the sale or other taxable disposition of a Note, which is not derived in the ordinary course of a trade or business, subject to certain limitations and exceptions.

Backup withholding and information reporting

Generally, information reporting requirements may apply to certain payments of principal and interest on a Note and the proceeds from a sale of a Note paid to you, unless you are an exempt recipient, such as a corporation. In general (unless you are an exempt recipient), if you fail to provide your taxpayer identification number, or otherwise fail to comply with the applicable requirements of the backup withholding rules, you may be subject to backup withholding (currently at a rate of 28%).

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the IRS. You should consult your tax advisor regarding the application of backup withholding in your particular situation, the availability of an exemption from backup withholding and the procedure for obtaining such an exemption, if available.

U.S. individuals who hold certain specified foreign financial assets in excess of $50,000 have U.S. return disclosure obligations (and related penalties for failure to disclose). The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also may include the Notes if they are not maintained at a financial institution. You should consult your tax advisor regarding the applicability of these disclosure obligations.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the purchase, ownership, and disposition of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

Plan of Distribution

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have severally agreed to purchase from the Issuer, the entire principal amount of the Notes if any of the Notes are purchased. The sale will be made pursuant to a purchase agreement among the Issuer, the Guarantor and the Initial Purchasers, dated 16 September 2013 (the "**Purchase Agreement**").

The Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have severally agreed to purchase from the Issuer, the principal amount of the Notes set forth below.

	Principal Amount	
Initial Purchaser	**2018 Notes**	**2023 Notes**
HSBC Securities (USA) Inc.	$160,000,000	$160,000,000
Citigroup Global Markets Inc.	$80,000,000	$80,000,000
J.P. Morgan Securities LLC	$80,000,000	$80,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$80,000,000	$80,000,000
RBS Securities Inc.	$40,000,000	$40,000,000
Deutsche Bank Securities Inc.	$20,000,000	$20,000,000
Mizuho Securities USA Inc.	$20,000,000	$20,000,000
Standard Chartered Bank	$20,000,000	$20,000,000
Total	**$500,000,000**	**$500,000,000**

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if any of them are purchased.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial Offering, the Initial Purchasers may change the offering price and any other selling terms at any time without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates.

Persons who purchase the Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of non-defaulting Initial Purchasers may be increased or, in some cases, the Offering may be terminated.

The Purchase Agreement provides that the Issuer and the Guarantor will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof.

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States, except to qualified institutional buyers in reliance on Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "Transfer Restrictions."

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not

be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "Transfer Restrictions."

The Issuer and the Guarantor have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

During the period beginning on the date of this Offering Memorandum and continuing to the date that is 60 days after the closing of this Offering, no member of the Group will, without the prior written consent of the Initial Purchasers, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of (except as contemplated hereunder), other than commercial paper, any debt securities of the Issuer or the Guarantor or any of its subsidiaries (or guaranteed by the Issuer or the Guarantor or any of its subsidiaries) or other securities of the Issuer or the Guarantor or any of its subsidiaries (or guaranteed by the Issuer or the Guarantor or any of its subsidiaries) that are convertible into, or exchangeable for, the Notes or other debt securities (other than the Notes).

The Notes are a new issue of securities for which there is currently no market. Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List of the UK Listing Authority and for the Notes to be admitted to trading on the Professional Securities Market of the London Stock Exchange. However, the Issuer cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised the Issuer that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, the Issuer cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "Risk Factors – Risks Relating to Our Indebtedness, including the Notes – There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited."

In connection with the Offering, a Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. Accordingly, there is no assurance that any of the Stabilizing Managers (or persons acting on behalf of a Stabilizing Manager) will undertake stabilizing action. Any stabilizing action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

Over-allotment involves sales in excess of the Offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if commenced, may be discontinued at any time at the sole discretion of the initial purchasers. These transactions may be effected in the over-the-counter market or otherwise.

Certain of the Initial Purchasers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the RB Group in the ordinary course of business, for which they have received or may receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the RB Group. If any of the Initial Purchasers or their affiliates have a lending relationship with the RB Group, certain of those Initial Purchasers or their affiliates routinely hedge, and certain other of those Initial Purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities sand instruments.

The Issuer expects that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be five business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "**T+5**"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or a succeeding business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Notice to Prospective Investors in the European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of the Prospectus Directive, as implemented in member states of the European Economic Area (the "**EEA**"), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), each Initial Purchaser has represented and agreed that an offer is not being made and will not be made to the public of any Notes which are the subject of the Offering contemplated by this Offering Memorandum in that Relevant Member State, other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall require the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the foregoing restrictions:

- the expression an "**offer of the Notes to the public**" in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes so as to enable an investor to decide to purchase the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State;
- the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and
- the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

This Offering Memorandum is for distribution only to, and is only directed at (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (ii)) high net worth entities and other persons to whom it may otherwise lawfully be communicated falling within Article 49(1) of the Financial Promotion Order or (iii) persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by anyone who is not a relevant person. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each Initial Purchaser has represented and warranted that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Hong Kong

The Notes and the Guarantees may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation

or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Singapore

This Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

Notice to Prospective Investors in Japan

The Notes have not been, and will not be, registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**"). Any resident of Japan, including any corporation or other entity organized under the laws of Japan, and, with respect to any entity organized under the laws of a jurisdiction other than Japan, its branches or offices located in Japan, may only purchase the Notes in accordance with an exemption from the registration provisions of the Securities and Exchange Law available thereunder and in compliance with the other relevant laws and regulations of Japan.

Transfer Restrictions

The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and, unless so registered, may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and in offshore transactions in reliance on Regulation S.

Each purchaser of the Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows (terms used in this section that are defined in Rule 144A or Regulation S are used herein as defined therein):

(1) It has been furnished with, and has carefully read, this Offering Memorandum and has been given the opportunity to (a) ask questions of, and receive answers from, the Initial Purchasers concerning the terms and conditions of the Offering and other matters pertaining to an investment in the Notes and (b) obtain any additional information necessary to evaluate the merits and risks of an investment in the Notes. In considering a subscription for the Notes, it has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of purchasing the Notes and has evaluated for itself such risks and merits, including the risks set forth under the caption "Risk Factors" in this Offering Memorandum, and is able to bear the economic risk of such investment, including a complete loss of capital. It has not relied upon any representations made by, or other information (whether oral or written) furnished by or on behalf of, the Issuer, the Guarantor or the Initial Purchasers or any director, officer, employee, agent or affiliate of such persons, other than as set forth in this Offering Memorandum. It has carefully considered and has, to the extent it believes necessary, discussed with legal, tax, accounting and financial advisors the suitability of an investment in the Notes in light of its particular tax and financial situation, and has determined that the Notes being subscribed for hereunder are a suitable investment for it.

(2) It understands and acknowledges that the Notes and the Guarantees have not been, and will not be, registered under the Securities Act or any other applicable securities laws, are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.

(3) It is not an "affiliate" (as defined in Rule 144A) of the Issuer or acting on the Issuer's behalf, and it is either:

  (a) a qualified institutional buyer, or QIB, within the meaning of Rule 144A and is aware that any sale of the Notes to it will be made in reliance on Rule 144A, of which the acquisition will be for its own account or for the account of another QIB; or

  (b) purchasing the Notes in an offshore transaction in accordance with Regulation S.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

(5) It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer the Rule 144A Notes or, with respect to the Regulation S Notes prior to the date (the "**Resale Restriction Termination Date**") that is 40 days (in the case of Regulation S Notes) after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply to Regulation S Notes subsequent to the Resale Restriction Termination Date.

(6) Each purchaser acknowledges that each Note being sold pursuant to Rule 144A will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE ISSUER, THE GUARANTOR OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED ONLY AT THE OPTION OF THE ISSUER.

If it purchases Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(7) Each purchaser acknowledges that each Note being sold pursuant to Regulation S will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND WILL BE REMOVED AFTER THE EXPIRATION OF FORTY DAYS FROM THE LATER OF (I) THE DATE ON WHICH THESE NOTES WERE FIRST OFFERED AND (II) THE DATE OF ISSUE OF THESE NOTES.

If it purchases Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(8) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of such Notes.

(9) It acknowledges that until 40 days after the commencement of the Offering, any offer, sale or transfer of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer, sale or transfer is made otherwise than in accordance with Rule 144A.

(10) It acknowledges that the Registrar and Transfer Agent will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to the Issuer and the Registrar and Transfer Agent that the restrictions set forth therein have been complied with.

(11) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder.

(12) It acknowledges that the Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

Legal Matters

Certain legal matters in connection with the Offering will be passed upon for us by Paul, Weiss, Rifkind, Wharton & Garrison LLP, London, England, with respect to U.S. federal and New York law and Slaughter and May, London, England, with respect to English law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Shearman & Sterling (London) LLP, London, England, with respect to U.S. federal, New York and English law.

Independent Auditor

The consolidated financial statements of Reckitt Benckiser as of and for the years ended 31 December 2011 and 2012, and the non-consolidated financial statements of Reckitt Benckiser Treasury Services plc as of and for the years ended 31 December 2011 and 2012, included or incorporated by reference in this Offering Memorandum have been audited by PricewaterhouseCoopers LLP of 1 Embankment Place, London WC2N 6RH, United Kingdom.

Where You Can Find More Information

We are not subject to the periodic reporting and other information requirements of the Exchange Act. In connection with this Offering, we do not intend to register the Notes with the SEC and thereby trigger reporting obligations under the Exchange Act.

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and, to the extent provided to the Initial Purchasers by us for such purpose, any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, Reckitt Benckiser will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial owner the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the written request of any such holder or beneficial owner. We expect to be exempt from Exchange Act reporting by reason of Rule 12g3-2(b).

Pursuant to the Indentures and so long as any series of the Notes are outstanding, we will furnish periodic information to holders of such series of the Notes. See "Description of Notes – Covenants of the Issuer and the Guarantor – Provision of Financial and Other Information." For so long as any series of the Notes are listed on the Official List of the UK Listing Authority and the London Stock Exchange and the rules of such exchange so require, copies of the Issuer's and the Guarantor's organizational documents, the Indentures (which include the Guarantees and the form of the applicable Notes), the 2011 Financial Statements and 2012 Financial Statements published by the RB Group and the financial statements of the Issuer for the years ended 31 December 2011 and 2012 may be inspected and obtained by request to the Company Secretary at the Issuer's and Guarantor's registered office at 103-105 Bath Road, Slough, Berkshire SL1 3UH United Kingdom, telephone number + 44 (0)1753 217800.

See also "Listing and General Information – Documents Available for Inspection" in respect of documents available for a period of 12 months from the date of this Offering Memorandum, including the annual reports of Reckitt Benckiser for FY 2011 and FY 2012.

Listing and General Information

Listing

Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List of the UK Listing Authority and for the Notes to be admitted to trading on the Professional Securities Market of the London Stock Exchange.

The total expenses of this Offering are approximately $5 million, of which expenses related to the admission to trading of the Notes are approximately £5,000.

Clearing Information

The Notes have been accepted for clearance through the facilities of DTC. The CUSIP and ISIN numbers are as follows:

2018 Notes:

- Rule 144A: CUSIP: 75625QAA7; ISIN: US75625QAA76.
- Regulation S: CUSIP: G7420TAA4; ISIN: USG7420TAA46.

2023 Notes:

- Rule 144A: CUSIP: 75625QAB5; ISIN: US75625QAB59.
- Regulation S: CUSIP: G7420TAB2; ISIN: USG7420TAB29.

Authorization

The issue of the Notes was duly authorized by a resolution of the Board of Directors of the Issuer, dated 26 July 2013. The giving of the Guarantees was duly authorized by resolutions of the Board of Directors of the Guarantor, dated 26 July 2013.

Yield

On the basis of the issue price of the 2018 Notes of 99.342% of their principal amount and of the 2023 Notes of 98.745% of their principal amount, the yield on the 2018 Notes and the 2023 Notes is 2.265% and 3.777%, respectively, on an annual basis.

No Significant Change

There has been no material adverse change in the prospects of the Issuer, the Guarantor or the RB Group since 31 December 2012. There has also been no significant change in the financial or trading position of (a) the Issuer, or the Issuer and its subsidiaries taken as a whole, since 31 December 2012 and (b) the Guarantor or the RB Group since 30 June 2013.

Documents Available for Inspection

Copies of the documents set out below are available for inspection during usual business hours on any weekday (public holidays excepted) for a period of 12 months from the date of this Offering Memorandum at the registered office of Reckitt Benckiser Group plc at 103-105 Bath Road, Slough, Berkshire SL1 3UH, United Kingdom, telephone number + 44(0)1753 217800:

- the constitutional documents of the Issuer and the constitutional documents of the Guarantor;
- a copy of this Offering Memorandum, together with any supplement to this Offering Memorandum;
- the Annual Reports and Financial Statements of Reckitt Benckiser Group plc for the year ended 31 December 2011 and the year ended 31 December 2012;
- the Directors' Reports and Financial Statements of Reckitt Benckiser Treasury Services plc for the year ended 31 December 2011 and the year ended 31 December 2012; and
- the Indentures.

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RECKITT BENCKISER GROUP PLC

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The above-mentioned financial statements have been extracted without modification from various UK statutory annual reports and financial statements of Reckitt Benckiser Group plc and Reckitt Benckiser Treasury Services plc, and the interim financial statements of Reckitt Benckiser Group plc (see "Presentation of Financial and Other Information"). There are references in these extracts to page numbers in such annual reports and financial statements, which will not correspond to the page numbers in this Offering Memorandum.

Half Year Condensed Financial Statements

Group Income Statement
For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 £m	30 June 2012 (restated)[a] £m	Year ended 31 December 2012 (restated)[a] £m
Net revenue	4	**4,994**	4,669	9,567
Cost of sales		**(2,065)**	(2,038)	(4,029)
Gross profit		**2,929**	2,631	5,538
Net operating expenses		**(2,015)**	(1,555)	(3,096)
Operating profit	4	**914**	1,076	2,442
Operating profit before exceptional items		**1,163**	1,124	2,577
Exceptional items	5	**(249)**	(48)	(135)
Operating profit		**914**	1,076	2,442
Finance income		**12**	12	26
Finance expense		**(28)**	(30)	(60)
Net finance expense		**(16)**	(18)	(34)
Profit on ordinary activities before taxation		**898**	1,058	2,408
Tax on profit on ordinary activities	6	**(237)**	(279)	(583)
Net income for the period		**661**	779	1,825
Attributable to non-controlling interests		**1**	4	4
Attributable to owners of the parent		**660**	775	1,821
Net income for the period		**661**	779	1,825
Earnings per ordinary share:				
Basic earnings per share	7	**91.9p**	106.5p	251.4p
Diluted earnings per share	7	**90.4p**	105.2p	248.4p

[a] refer to note 3 for further details.

Group Statement of Comprehensive Income
For the six months ended 30 June 2013

	Six months ended		Year ended
	30 June 2013	30 June 2012 (restated)[(a)]	31 December 2012 (restated)[(a)]
	£m	£m	£m
Net income for the period	**661**	779	1,825
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
Net exchange adjustments on foreign currency translation, net of tax	**167**	(204)	(255)
Gains on cash flow hedges, net of tax	**10**	-	3
Reclassification of foreign currency translation reserves on disposal of subsidiary, net of tax	**-**	9	9
	177	(195)	(243)
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurements of defined benefit pension plans, net of tax	**1**	(24)	(41)
	1	(24)	(41)
Other comprehensive income for the period, net of tax	**178**	(219)	(284)
Total comprehensive income for the period	**839**	560	1,541
Attributable to non-controlling interests	**1**	2	(1)
Attributable to owners of the parent	**838**	558	1,542
	839	560	1,541

[(a)] refer to note 3 for further details.

Group Balance Sheet
As at 30 June 2013

	Note	**30 June 2013 £m**	30 June 2012 £m	31 December 2012 £m
ASSETS				
Non-current assets:				
Goodwill and other intangible assets		**11,711**	10,005	11,175
Property, plant and equipment		**753**	716	737
Deferred tax assets		**62**	115	49
Available for sale financial assets		**2**	10	2
Retirement benefit surplus		**20**	27	27
Other receivables		**265**	38	33
		12,813	10,911	12,023
Current assets:				
Inventories		**785**	739	735
Trade and other receivables		**1,466**	1,355	1,407
Derivative financial instruments		**40**	36	4
Current tax receivables		**41**	1	20
Available for sale financial assets		**21**	7	4
Cash and cash equivalents		**790**	1,063	887
		3,143	3,201	3,057
Total assets		**15,956**	14,112	15,080
LIABILITIES				
Current liabilities:				
Borrowings		**(3,597)**	(2,948)	(3,271)
Provisions for liabilities and charges		**(239)**	(53)	(128)
Trade and other payables		**(3,106)**	(2,846)	(2,842)
Derivative financial instruments		**(11)**	(4)	(43)
Current tax liabilities		**(133)**	(265)	(203)
		(7,086)	(6,116)	(6,487)
Non-current liabilities:				
Borrowings		**(3)**	(3)	(3)
Deferred tax liabilities		**(1,854)**	(1,659)	(1,814)
Retirement benefit obligations		**(395)**	(494)	(426)
Provisions for liabilities and charges		**(186)**	(125)	(100)
Non-current tax liabilities		**(342)**	(211)	(311)
Other non-current liabilities		**(53)**	(35)	(17)
		(2,833)	(2,527)	(2,671)
Total liabilities		**(9,919)**	(8,643)	(9,158)
Net assets		**6,037**	5,469	5,922
EQUITY				
Capital and reserves:				
Share capital	10	**74**	73	73
Share premium		**243**	155	184
Merger reserve		**(14,229)**	(14,229)	(14,229)
Hedging reserve		**12**	(1)	2
Foreign currency translation reserve		**36**	(83)	(131)
Retained earnings		**19,899**	19,548	20,022
		6,035	5,463	5,921
Non-controlling interests		**2**	6	1
Total equity		**6,037**	5,469	5,922

Group Statement of Changes in Equity
For the six months ended 30 June 2013

Restated [a]	Share capital £m	Share Premium £m	Merger reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2012	**73**	**86**	**(14,229)**	**(1)**	**110**	**19,672**	**5,711**	**70**	**5,781**
Net income						775	775	4	779
Other comprehensive income					(193)	(24)	(217)	(2)	(219)
Total comprehensive income	**-**	**-**	**-**	**-**	**(193)**	**751**	**558**	**2**	**560**
Transactions with owners									
Proceeds from share issue		69					69		69
Share-based payments						28	28		28
Current tax on share awards						11	11		11
Shares repurchased and held in Treasury						(352)	(352)		(352)
Dividends						(511)	(511)	(4)	(515)
Acquisition of non-controlling interest						(51)	(51)	(53)	(104)
Reclassification of non-controlling interest following loss of control and subsequent disposal								(9)	(9)
Total transactions with owners	**-**	**69**	**-**	**-**	**-**	**(875)**	**(806)**	**(66)**	**(872)**
Balance at 30 June 2012	**73**	**155**	**(14,229)**	**(1)**	**(83)**	**19,548**	**5,463**	**6**	**5,469**
Net income						1,046	1,046		1,046
Other comprehensive income				3	(48)	(17)	(62)	(3)	(65)
Total comprehensive income	**-**	**-**	**-**	**3**	**(48)**	**1,029**	**984**	**(3)**	**981**
Transactions with owners									
Proceeds from share issue		29					29		29
Share-based payments						21	21		21
Current tax on share awards						12	12		12
Shares repurchased and held in Treasury						(183)	(183)		(183)
Dividends						(405)	(405)		(405)
Acquisition of non-controlling interest								(2)	(2)
Total transactions with owners	**-**	**29**	**-**	**-**	**-**	**(555)**	**(526)**	**(2)**	**(528)**
Balance at 31 December 2012	**73**	**184**	**(14,229)**	**2**	**(131)**	**20,022**	**5,921**	**1**	**5,922**
Net income						660	660	1	661
Other comprehensive income				10	167	1	178		178
Total comprehensive income	**-**	**-**	**-**	**10**	**167**	**661**	**838**	**1**	**839**
Transactions with owners									
Proceeds from share issue	1	59					60		60
Share-based payments						29	29		29
Deferred tax on share awards						7	7		7
Current tax on share awards						20	20		20
Shares repurchased and held in Treasury						(279)	(279)		(279)
Dividends						(561)	(561)		(561)
Total transactions with owners	**1**	**59**	**-**	**-**	**-**	**(784)**	**(724)**	**-**	**(724)**
Balance at 30 June 2013	**74**	**243**	**(14,229)**	**12**	**36**	**19,899**	**6,035**	**2**	**6,037**

[a] refer to note 3 for further details.

Group Cash Flow Statement
For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013	Six months ended 30 June 2012 (restated)[a]	Year ended 31 December 2012 (restated)[a]
		£m	£m	£m
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from operations				
Operating profit		**914**	1,076	2,442
Depreciation, amortisation and impairment		**80**	72	148
Fair value losses / (gains)		**1**	(1)	(7)
Gain on sale of property, plant & equipment and intangible assets		**-**	(13)	(13)
Gain on sale of businesses		**-**	(32)	(32)
(Increase) / decrease in inventories		**(39)**	(8)	19
(Increase) / decrease in trade and other receivables		**(34)**	23	(16)
Increase / (decrease) in payables and provisions		**370**	(39)	(167)
Share based payments		**29**	28	49
Cash generated from operations:		**1,321**	1,106	2,423
Interest paid		**(26)**	(21)	(34)
Interest received		**13**	12	27
Tax paid		**(330)**	(238)	(528)
Net cash generated from operating activities		**978**	859	1,888
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant & equipment		**(77)**	(76)	(166)
Purchase of intangible assets		**(14)**	(5)	(11)
Disposal of property, plant & equipment		**6**	1	13
Disposal of intangible assets		**-**	9	9
Acquisition of businesses, net of cash acquired	13	**(413)**	-	(877)
Disposal of businesses, net of cash disposed		**-**	81	81
(Purchase) / maturity of short-term investments		**(18)**	3	7
Maturity of long-term investments		**-**	7	14
Net cash outflow on deconsolidation of a subsidiary		**-**	(6)	(6)
Net cash generated (used in) / from investing activities		**(516)**	14	(936)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of ordinary shares		**60**	69	98
Shares purchased and held in Treasury	10	**(279)**	(352)	(535)
Proceeds from borrowings		**256**	475	887
Repayments of borrowings		**(7)**	-	(112)
Dividends paid to owners of the parent	11	**(561)**	(511)	(916)
Dividends paid to non-controlling interest		**-**	(4)	(4)
Acquisition of non-controlling interest	15	**(28)**	(104)	(106)
Net cash used in financing activities		**(559)**	(427)	(688)
Net (decrease) / increase in cash and cash equivalents		**(97)**	446	264
Cash and cash equivalents at beginning of period		**882**	634	634
Exchange losses		**(4)**	(18)	(16)
Cash and cash equivalents at end of the period		**781**	1,062	882
Cash and cash equivalents comprise				
Cash and cash equivalents		**790**	1,063	887
Overdrafts		**(9)**	(1)	(5)
		781	1,062	882

[a] refer to note 3 for further details.

Notes to the Half Year Condensed Financial Statements
For the six months ended 30 June 2013

1. General Information

Reckitt Benckiser Group plc is a public limited company listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is 103-105 Bath Road, Slough, Berkshire SL1 3UH.

The Half Year Condensed Financial Statements were approved by the Board of Directors on 26 July 2013. The Half Year Condensed Financial Statements have been reviewed, not audited.

2. Basis of Preparation

The Half Year Condensed Financial Statements for the six months ended 30 June 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 *Interim financial reporting* as endorsed by the European Union. The Half Year Condensed Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2012, which have been prepared in accordance with European Union endorsed International Financial Reporting Standards (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements for the year ended 31 December 2012 are also in compliance with IFRS as issued by the International Accounting Standards Board.

These Half Year Condensed Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2012 were approved by the Board of Directors on 8 March 2013 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The Group has considerable financial resources together with a diverse customer and supplier base across different geographical areas and categories. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis of accounting in preparing its Half Year Condensed Financial Statements.

3. Accounting Policies and Estimates

Except as described below, the accounting policies adopted in the preparation of the half year condensed financial statements are consistent with those described on pages 43-46 of the Annual Report and Financial Statements for the year ended 31 December 2012.

The Group applies, for the first time, amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13 *Fair Value Measurement* and IAS 19 (Revised) *Employee Benefits.*

Amendments to IAS 1 require items of other comprehensive income that may be reclassified to profit or loss to be presented separately from items that will never be reclassified. The statement of comprehensive income has been revised accordingly.

IFRS 10 replaces previous guidance on control and consolidation, IFRS 11 requires joint arrangements to be accounted for as a joint operation or as a joint venture depending on the rights and obligations of each party to the arrangement, and IFRS 12 requires enhanced disclosures of the nature, risks and financial effects associated with the Group's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The impact on the Group of applying these standards is not material.

IFRS 13 explains how to measure fair value and enhances fair value disclosures. The standard does not significantly change the measurement of fair value but codifies it in one place. The impact on the Group is not material.

3. Accounting Policies and Estimates (continued)

IAS 19 (Revised) replaces the interest cost on pension scheme liabilities and expected return on pension scheme assets with a net interest amount that is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability / asset.

In addition, the Group now treats the net pension scheme interest amount as finance income / expense. Previously the interest cost on pension scheme liabilities and expected return on pension scheme assets were classified in either cost of sales or 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.

These unaudited restatements had no impact on the balance sheet and the following impact on the income statement and statement of comprehensive income.

	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Group Income Statement		
Decrease in cost of sales	1	1
Decrease in net operating expenses	3	6
Increase in operating profit for the period	**4**	**7**
Increase in finance expense	(10)	(19)
Decrease in tax on profit on ordinary activities	2	4
Decrease in net income for the period	**(4)**	**(8)**
Group Statement of Comprehensive Income		
Decrease in actuarial losses, net of tax	4	8
Increase in other comprehensive income	**4**	**8**
Net impact on total comprehensive income	**-**	**-**

Basic, diluted, adjusted basic and adjusted diluted earnings per share all decreased 0.6 pence for the six months ended 30 June 2012 and 1.1 pence for the year ended 31 December 2012 as a result of the adoption of IAS 19 (Revised).

The Cash Flow statement was restated as a result of the change in operating profit, with an offsetting decrease in payables and provisions.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the accounting policies applied in preparing the annual consolidated financial statements of the Group, or the half year condensed financial statements. Furthermore, there are no standards, amendments or interpretations that are not yet effective that would be expected to have a material impact on the Group.

In preparing these Half Year Condensed Financial Statements the significant estimates and judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

Income tax expense in the interim period is accrued using the tax rate that would be applicable to the expected total annual profit. Refer to note 6 for further details.

4. Operating Segments

The Executive Committee is the Group's Chief Operating Decision Maker (CODM). Management has determined the operating segments based on the reports reviewed by the Executive Committee for the purposes of making strategic decisions. The Executive Committee considers the business principally from a geographical perspective, but with the Pharmaceuticals (RBP) and Food businesses being managed separately given the significantly different nature of these businesses and the risks and rewards associated with them.

4. Operating Segments (continued)

The geographical segments, comprising Europe and North America (ENA); Latin America, North Asia, South East Asia and Australia & New Zealand (LAPAC); and Russia & CIS, Middle East, North Africa, Turkey and Sub-Saharan Africa (RUMEA), derive their revenue primarily from the manufacture and sale of branded products in the Health, Home & Hygiene categories. RBP derives its revenue exclusively from the sales of buprenorphine-based prescription drugs used to treat opiate dependence and Food derives its revenue from food products sold in ENA.

As previously announced the Scholl Footwear business, previously reported as part of RUMEA, is now reported as part of ENA. Comparatives have been restated on a consistent basis.

The Executive Committee assesses the performance of the operating segments based on net revenue and operating profit before exceptional items. Finance income and expense are not allocated to segments, as they are managed on a central Group basis.

Items of income and expense which are not part of the results and financial position of the operating segments, and therefore reported to the Executive Committee outside of the individual segment financial information, are shown in the Corporate segment. For the six months ended 30 June 2013 this is £nil. For the six months ended 30 June 2012 this included profit on disposals of intangible assets and the Paras Personal Care business and other corporate provisions with a net effect of £30m.

Six months ended 30 June 2013	**ENA**	**LAPAC**	**RUMEA**	**Food**	**Corporate**	**Total ex RBP**	**RBP**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Net revenue	**2,451**	**1,280**	**703**	**160**	**-**	**4,594**	**400**	**4,994**
Operating profit before exceptional items	**525**	**233**	**141**	**36**	**-**	**935**	**228**	**1,163**
Exceptional items (note 5)								**(249)**
Operating profit								**914**
Net finance expense								**(16)**
Profit on ordinary activities before taxation								**898**

Six months ended 30 June 2012 restated[c]	**ENA**	**LAPAC**	**RUMEA**	**Food**	**Corporate**	**Total ex RBP**	**RBP**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Net revenue	2,303	1,152	673	156	-	4,284	385	4,669
Operating profit before exceptional items	463	209	141	36	30	879	245	1,124
Exceptional items (note 5)								(48)
Operating profit								1,076
Net finance expense								(18)
Profit on ordinary activities before taxation								1,058

Year ended 31 December 2012 restated[c]	**ENA**	**LAPAC**	**RUMEA**	**Food**	**Corporate**	**Total ex RBP**	**RBP**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Net revenue	4,744	2,327	1,338	321	-	8,730	837	9,567
Operating profit before exceptional items	1,156	465	296	92	32	2,041	536	2,577
Exceptional items (note 5)								(135)
Operating profit								2,442
Net finance expense								(34)
Profit on ordinary activities before taxation								2,408

[c] restated for Scholl Footwear segment change and the impact of the accounting policy change discussed in note 3.

4. Operating Segments (continued)

Analysis of Categories

The Group also analyses its revenue by the following categories.

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Health	**1,197**	904	2,068
Hygiene	**1,993**	1,879	3,682
Home	**979**	960	1,966
Portfolio Brands	**265**	385	693
Food	**160**	156	321
	4,594	4,284	8,730
RB Pharmaceuticals	**400**	385	837
	4,994	4,669	9,567

5. Exceptional Items

Exceptional items totalling £249m have been recognised in the six months to 30 June 2013.

This includes £225m relating to legal provisions discussed in note 9.

The remaining £24m relates to the acquisition and integration of Schiff, the collaboration with Bristol-Myers Squibb (BMS) and the reconfiguration of the Group announced last year (six months ended 30 June 2012: £48m; year ended 31 December 2012: £135m relating to the implementation of the Group's new area and category organisation, integration of SSL, withdrawal of private label and further reconfiguration of the Group). This consists primarily of legal and other professional fees, redundancy and business integration costs which have been included within net operating expenses.

6. Income Taxes

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2013 is 26% (the estimated tax rate for the six months ended 30 June 2012 was 26%).

The March 2013 Budget Statement contained the announcement of a reduction to the UK corporation tax rate from 23% to 21% from 1 April 2014, with a further reduction to 20% from 1 April 2015. The Finance Act 2013 includes the legislation to enact the future reduction in the UK tax rate to 20% but this legislation was not substantively enacted at the balance sheet date and the effects of which are not included in these financial statements.

7. Earnings per Share

	Six months ended	
	30 June 2013	30 June 2012 (restated)[a]
	pence	pence
Basic earnings per share	**91.9**	106.5
Diluted earnings per share	**90.4**	105.2
Adjusted basic earnings per share	**120.3**	111.9
Adjusted diluted earnings per share	**118.3**	110.5

[a] refer to note 3 for further details.

Basic
Basic earnings per share is calculated by dividing the net income attributable to owners of the parent (six months to 30 June 2013: £660m; six months to 30 June 2012 (restated): £775m) by the weighted average number of ordinary shares in issue during the period (six months to 30 June 2013: 718,069,986; six months to 30 June 2012: 727,389,222).

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 dilutive potential ordinary shares: Executive Options 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 30 June 2013 there were nil (30 June 2012: nil) Executive Share Options excluded from the dilution.

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:

	Six months ended	
	30 June 2013	30 June 2012 (restated)[a]
	£m	£m
Net income attributable to owners of the parent	**660**	775
Exceptional items	**249**	48
Tax effect of exceptional items	**(45)**	(9)
Adjusted net income attributable to owners of the parent	**864**	814

[a] refer to note 3 for further details.

	30 June 2013 Average number of shares	30 June 2012 Average number of shares
On a basic basis	**718,069,986**	727,389,222
Dilution of Executive Options outstanding and Executive Restricted Share Plan	**11,142,889**	8,292,794
Dilution for Employee Sharesave Scheme Options outstanding	**858,718**	677,949
On a diluted basis	**730,071,593**	736,359,965

8. Net Debt

Analysis of net debt	**30 June 2013 £m**	30 June 2012 £m	31 December 2012 £m
Cash and cash equivalents	**790**	1,063	887
Overdrafts	**(9)**	(1)	(5)
Borrowings (excluding overdrafts)	**(3,591)**	(2,950)	(3,269)
Other	**50**	42	(39)
	(2,760)	(1,846)	(2,426)

Reconciliation of net debt	**30 June 2013 £m**	30 June 2012 £m	31 December 2012 £m
Net debt at beginning of period	**(2,426)**	(1,795)	(1,795)
Net (decrease) / increase in cash and cash equivalents	**(97)**	446	264
Repayment of borrowings	**7**	-	112
Proceeds from borrowings	**(256)**	(475)	(887)
Borrowings acquired in business combination	**-**	-	(99)
Exchange and other adjustments	**12**	(22)	(21)
Net debt at the end of the period	**(2,760)**	(1,846)	(2,426)

9. Provisions for Liabilities and Charges

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, it is more likely than not that there will be an outflow of resources to settle that obligation, and the amount can be reliably estimated.

Provisions for liabilities and charges include restructuring and other provisions.

The restructuring provision of £33m (30 June 2012, £32m; 31 December 2012, £66m) relates principally to redundancies, the majority of which is expected to be utilised within one year.

Within other provisions the Directors have recognised some exceptional legal provisions. The Group is involved in a number of historic regulatory investigations by various government authorities in a number of markets. These investigations involve mainly competition law inquiries, most of which include several other companies. The Directors have made a provision of £225m in respect to these matters. Other provisions include onerous lease provisions and environmental and other obligations throughout the Group, the majority of which are expected to be used within five years. Total other provisions as at 30 June 2013 are £392m (30 June 2012, £146m; 31 December 2012, £162m).

10. Share Capital

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2013	734,210,757	73	2	-
Allotments	2,324,430	1	-	-
At 30 June 2013	**736,535,187**	**74**	**2**	**-**

In the six months to 30 June 2013 the Group acquired 6,000,000 of its own equity ordinary shares through purchases on the London Stock Exchange. The total amount paid to acquire the shares was £279m (including stamp duty) which has been deducted from shareholders' equity. The shares are now held as 'Treasury shares' and the Company has the right to re-issue these shares at a later date. All shares were fully paid.

11. Dividends

A final dividend of 78.0 pence per share for the year ended 31 December 2012 was paid on 30 May 2013 to shareholders who were on the register on 22 February 2013. This amounted to £561m.

The Directors are proposing an interim dividend in respect of the year ending 31 December 2013 of 60.0 pence per share which will absorb an estimated £431m of shareholders' funds. It will be paid on 26 September 2013 to shareholders who are on the register on 9 August 2013.

12. 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, or to make a reliable estimate, the Directors have made no provision for such potential liabilities.

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.

13. Business Combinations

Collaboration with Bristol-Myers Squibb (BMS)
On 8 May 2013 the Group received regulatory approval for a three-year collaboration agreement with BMS for a number of market-leading over-the-counter consumer health care brands in Brazil, Mexico and certain other parts of Latin America. This 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, was secured for an upfront cash payment of $482m (£311m). This transaction is accounted for as a business combination under IFRS 3 (Revised) *Business Combinations.*

The collaboration agreement provides the Group with an immediate healthcare platform, distribution network and infrastructure in Latin America and trusted brands with a strong fit with the Group's existing health portfolio.

All assets and liabilities were recognised at the following provisional fair values. The amount of consideration transferred over the net assets acquired is recognised as goodwill in the Group financial statements.

	Provisional fair value £m
Intangible asset	57
Deferred tax assets	4
Provisions	(16)
Net assets acquired	45
Goodwill	36
Consideration transferred for net assets and goodwill	81
Payment for prepaid option	250
Total consideration transferred	331
Cash consideration	311
Deferred consideration	20
Total consideration transferred	331

Related to the transaction, payments totalling £250m were made to BMS in relation to the future option to acquire legal title to the related intellectual property. The option is exercisable by the Group at the end of the collaboration period, subject to certain payments, in addition to the £331m, to be made at that time. The prepayment of this option is not an asset purchased as part of the business combination under IFRS 3 (Revised), and is therefore disclosed separately.

13. Business Combinations (continued)

The intangible asset acquired relates to the 3-year collaboration agreement.

Goodwill represents the strategic premium to establish an immediate platform, infrastructure and distribution network in the Latin American over-the-counter consumer health care market, the value of expected synergy savings, and assembled workforce.

Acquisition related costs of £3m are included in net operating expenses and exceptional items in the income statement.

The fair values of identifiable net assets are stated at provisional amounts which will be finalised within the 12-month hindsight period following acquisition. Provisional fair value adjustments cover the recognition of acquired intangibles and their associated deferred tax and accounting policy alignment.

All assets and liabilities are included within the LAPAC reportable segment and the health category.

Acquisition of Oriental Medicine Company Limited
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.

14. Financial Instruments

Carrying amounts versus fair values
The carrying amounts of all financial assets and financial liabilities in the Group balance sheet, listed below, as at 30 June 2013 and 30 June 2012 are a reasonable approximation of their fair value.

- Auction rate securities
- Short-term deposits
- Trade and other receivables
- Derivative financial instruments – FX forward contracts
- Cash and cash equivalents
- Borrowings (including finance lease obligations)
- Trade and other payables
- Other non-current liabilities

The Group's financial instruments carried at fair value are not considered material, and as such, the valuation methods and fair value hierarchy levels are not disclosed as at 30 June 2013. For further information on valuation methods refer to the Group's Annual Report and Financial Statements for the year ended 31 December 2012.

The Group's financial risk management objectives and policies are consistent with those disclosed in the Annual Report and Financial Statements for the year ended 31 December 2012.

15. Related Parties

On 19 March 2013 the Group purchased a further 24.95% interest in Shanghai Manon Trading Limited from the non-controlling interests. The Group has a forward contract to purchase the remaining non-controlling interest in 2016 and the present value of the expected cash outflow is included in other non-current liabilities. There were no other related party transactions.

16. Seasonality

Demand for the majority of the Group's products is not subject to significant seasonal fluctuations. Some health and pest control products do exhibit seasonal fluctuations. Peak demand in the northern hemisphere markets offsets lower demand in the southern hemisphere markets and vice-versa. The intensity of, in particular, the influenza season can vary from year to year with a corresponding influence on the Group's performance.

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge, these Half Year Condensed Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union and as issued by the International Accounting Standards Board, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the Half Year Condensed Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last annual report.

The Directors of Reckitt Benckiser Group plc are listed in the Reckitt Benckiser Group plc Annual Report and Financial Statements for 31 December 2012. A list of current Directors is maintained on the Reckitt Benckiser Group plc website: www.rb.com.

By order of the Board

Rakesh Kapoor
Chief Executive Officer

Adrian Bellamy
Director

26 July 2013

Independent Review Report to Reckitt Benckiser Group plc

Introduction

We have been engaged by the company to review the Half Year Condensed Financial Statements in the half-yearly financial report for the six months ended 30 June 2013, which comprise the Group income statement, the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Half Year Condensed financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board. The Half Year Condensed Financial Statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and as issued by the International Accounting Standards Board.

Our responsibility

Our responsibility is to express to the company a conclusion on the Half Year Condensed Financial Statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Half Year Condensed Financial Statements in the half-yearly financial report for the six months ended 30 June 2013 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and as issued by the International Accounting Standards Board, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
26 July 2013

Notes:

(a) The maintenance and integrity of the Reckitt Benckiser Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the members of Reckitt Benckiser Group plc

We have audited the Group financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our Report.

Opinion on Financial Statements

In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate Opinion in Relation to IFRSs as issued by the IASB

As explained in note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which We are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 30, in relation to going concern;
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- Certain elements of the report to Shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the Parent Company financial statements of Reckitt Benckiser Group plc for the year ended 31 December 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ian Chambers (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2013

Group income statement

For the year ended 31 December	Notes	2012 £m	2011 (restated)[1] £m
Net revenue	2	**9,567**	9,485
Cost of sales	3	**(4,030)**	(4,036)
Gross profit		**5,537**	5,449
Net operating expenses	3	**(3,102)**	(3,054)
Operating profit	2	**2,435**	2,395
Operating profit before exceptional items		**2,570**	2,487
Exceptional items	3	**(135)**	(92)
Operating profit		**2,435**	2,395
Finance income	6	**26**	23
Finance expense[2]	6	**(41)**	(42)
Net finance expense		**(15)**	(19)
Profit on ordinary activities before taxation		**2,420**	2,376
Tax on profit on ordinary activities	7	**(587)**	(622)
Net income		**1,833**	1,754
Attributable to non-controlling interests		**4**	9
Attributable to owners of the parent		**1,829**	1,745
Net income		**1,833**	1,754
Earnings per ordinary share			
Basic earnings per share	8	**252.5p**	239.8p
Diluted earnings per share	8	**249.5p**	237.1p

[1] Refer to note 1 for further details.

[2] 2011 includes a £4m exceptional charge relating to finance expenses associated with the acquisition of SSL.

Group statement of comprehensive income

For the year ended 31 December	Notes	2012 £m	2011 £m
Net income		**1,833**	1,754
Other comprehensive income			
Actuarial losses, net of tax	7	**(49)**	(49)
Gains on cash flow hedges, net of tax	7	**3**	3
Net exchange losses on foreign currency translation, net of tax	7	**(255)**	(226)
Reclassification of foreign currency translation reserve on disposal of subsidiary, net of tax	7	**9**	–
Other comprehensive income, net of tax		**(292)**	(272)
Total comprehensive income		**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	Notes	2012 £m	2011 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets	9	**11,175**	10,258
Property, plant and equipment	10	**737**	732
Deferred tax assets	11	**49**	150
Available for sale financial assets	14	**2**	10
Retirement benefit surplus	21	**27**	32
Other receivables		**33**	6
		12,023	11,188
Current assets			
Inventories	12	**735**	758
Trade and other receivables	13	**1,407**	1,442
Derivative financial instruments	14	**4**	67
Current tax receivables		**20**	21
Available for sale financial assets	14	**4**	11
Cash and cash equivalents	15	**887**	639
		3,057	2,938
Total assets		**15,080**	14,126
LIABILITIES			
Current liabilities			
Borrowings	16	**(3,271)**	(2,505)
Provisions for liabilities and charges	17	**(128)**	(60)
Trade and other payables	20	**(2,842)**	(2,901)
Derivative financial instruments	14	**(43)**	(7)
Current tax liabilities		**(203)**	(227)
		(6,487)	(5,700)
Non-current liabilities			
Borrowings	16	**(3)**	(3)
Deferred tax liabilities	11	**(1,814)**	(1,772)
Retirement benefit obligations	21	**(426)**	(502)
Provisions for liabilities and charges	17	**(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			
Share capital	22	**73**	73
Share premium		**184**	86
Merger reserve	24	**(14,229)**	(14,229)
Hedging reserve	24	**2**	(1)
Foreign currency translation reserve	24	**(131)**	110
Retained earnings		**20,022**	19,672
		5,921	5,711
Non-controlling interests		**1**	70
Total equity		**5,922**	5,781

The financial statements on pages 39 to 74 were approved by the Board and signed on its behalf on 8 March 2013 by:

Adrian Bellamy
Director

Rakesh Kapoor
Director

Group statement of changes in equity

For the year ended 31 December	Notes	Share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2011		**73**	**59**	**(14,229)**	**(4)**	**331**	**18,828**	**5,058**	**72**	**5,130**
Comprehensive income										
Net income							1,745	1,745	9	1,754
Other comprehensive income										
Actuarial losses, net of tax	7						(49)	(49)		(49)
Gains on cash flow hedges, net of tax	7				3			3		3
Net exchange losses on foreign currency translation, net of tax	7					(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	23						61	61		61
Deferred tax on share awards							(13)	(13)		(13)
Current tax on share awards							2	2		2
Dividends	27						(873)	(873)	(7)	(880)
Non-controlling interest arising on business combination									1	1
Put option issued to non-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**
Comprehensive income										
Net income							1,829	1,829	4	1,833
Other comprehensive income										
Actuarial losses, net of tax	7						(49)	(49)		(49)
Gains on cash flow hedges, net of tax	7				3			3		3
Net exchange losses on foreign currency translation, net of tax	7					(250)		(250)	(5)	(255)
Reclassification of foreign currency translation reserves on disposal of subsidiary, net of tax	7					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	23						49	49		49
Current tax on share awards							23	23		23
Shares repurchased and held in Treasury	22						(535)	(535)		(535)
Dividends	27						(916)	(916)	(4)	(920)
Acquisition of non-controlling interest							(51)	(51)	(55)	(106)
Reclassification of non-controlling interest on disposal	25								(9)	(9)
Total transactions with owners		**–**	**98**	**–**	**–**	**–**	**(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 31 December	Notes	2012 £m	2011 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations			
Operating profit		**2,435**	2,395
Depreciation, amortisation and impairment		**148**	157
Fair value (gains)/losses		**(7)**	1
Gain on sale of property, plant and equipment and intangible assets		**(13)**	(9)
Gain on sale of businesses	26	**(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
CASH FLOWS FROM INVESTING ACTIVITIES			
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	26	**(877)**	(460)
Disposal of businesses, net of cash disposed	26	**81**	-
Maturity/(purchase) of short-term investments		**7**	(2)
Maturity of long-term investments		**14**	2
Net cash outflow on deconsolidation of a subsidiary	1	**(6)**	–
Net cash used in investing activities		**(936)**	(648)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares	22	**98**	27
Shares purchased and held in Treasury	22	**(535)**	–
Proceeds from borrowings		**887**	249
Repayments of borrowings		**(112)**	(400)
Dividends paid to owners of the parent	27	**(916)**	(873)
Dividends paid to non-controlling interest		**(4)**	(7)
Acquisition of non-controlling interest	25	**(106)**	–
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 the year		**634**	568
Exchange losses		**(16)**	(22)
Cash and cash equivalents at end of the year		**882**	634
Cash and cash equivalents comprise:			
Cash and cash equivalents	15	**887**	639
Overdrafts	16	**(5)**	(5)
		882	634
RECONCILIATION OF NET CASH FLOW FROM OPERATIONS			
Net cash generated from operating activities		**1,888**	1,740
Net purchases of property, plant and equipment		**(153)**	(159)
Net cash flow from operations		**1,735**	1,581

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

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

Basis of Preparation

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRSs) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are also in compliance with IFRS as issued by the International Accounting Standards Board. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit or loss. A summary of the Group's more important accounting policies is set out below.

The Directors continue to adopt the going concern basis for accounting in preparing these financial statements. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The preparation of financial statements that conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge at the time, actual amounts may ultimately differ from those estimates.

Following a deterioration in the relationship between the Group and the local management of TTK-LIG Limited (TTK), the Group considered it no longer had the power to govern the financial and operating policies of TTK. Effective from 1 January 2012 the results, non-controlling interest and net assets of TTK were deconsolidated from the Group results. The Group subsequently disposed of its investment in TTK on 9 November 2012.

There were no new standards, amendments and interpretations that were adopted by the Group and effective for the first time for the financial year beginning 1 January 2012 that were material to the Group.

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 January 2013 and have not yet been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group, with the exception of the amendments to IAS 19, *Employee Benefits*. This standard will replace the interest cost on pension scheme liabilities and expected return on pension scheme assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. Had this standard been applied in preparing the financial statements for the year ended 31 December 2012, the net impact would have been an additional charge of £12m to the income statement.

Basis of Consolidation

The consolidated financial statements include the results of Reckitt Benckiser Group plc, a company registered in the UK, and all its subsidiary undertakings made up to the same accounting date. Subsidiary undertakings are those entities controlled by Reckitt Benckiser Group plc. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In the case of acquisitions and disposals of businesses, the results of trading are consolidated from or to the date upon which control passes.

Inter-company transactions, balances and unrealised gains on transactions between Group companies have been eliminated on consolidation. Unrealised losses have also been eliminated to the extent that they do not represent an impairment of a transferred asset. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Change in Accounting Policy

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. This restatement had no impact on the balance sheet and the following impact on the income statement.

	Year ended 31 December 2011 £m
Increase in cost of sales	213
Decrease in gross profit	(213)
Decrease in net operating expenses	(213)
Net impact on operating profit	–

Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee. Items of income and expense which are not part of the results and financial position of the operating segments and therefore reported to the CODM outside of the individual segment financial information, are shown in the Corporate segment.

Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied.

The financial statements of overseas subsidiary undertakings are translated into Sterling on the following basis:

- Assets and liabilities at the rate of exchange ruling at the year end date.
- Profit and loss account items at the average rate of exchange for the period.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity on consolidation.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, with the exception of freehold land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. Except for freehold land and assets under construction, the cost of property, plant and equipment is written off on a straight-line basis over the period of the expected useful life of the asset. For this purpose, expected lives are determined within the following limits:

- Freehold buildings: not more than 50 years;
- Leasehold land and buildings: the lesser of 50 years or the life of the lease; and
- Owned plant and equipment: not more than 15 years (except for environmental assets which are not more than 20 years).

In general, production plant and equipment and office equipment are written off over 10 years or less; motor vehicles and computer equipment over five years or less.

Assets' residual values and useful lives are reviewed, and adjusted if necessary, at each balance sheet date. Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be appropriate. Freehold land is reviewed for impairment on an annual basis.

Gains and losses on the disposal of property, plant and equipment are determined by comparing the asset's carrying value with any sale proceeds, and are included in the income statement.

Business Combinations

The acquisition method is used to account for the acquisition of subsidiaries. Identifiable net assets acquired (including intangibles) in a business combination are measured initially at their fair values at the acquisition date.

1 ACCOUNTING POLICIES (CONTINUED)

Business Combinations (continued)

Where the measurement of the fair value of identifiable net assets acquired is incomplete at the end of the reporting period in which the combination occurs, the Group will report provisional fair values. Final fair values are determined within a year of the acquisition date and retrospectively applied.

The excess of the consideration transferred and the amount of any non-controlling interest over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (including intangibles) is recorded as goodwill.

The consideration transferred is measured as the fair value of the assets given, equity instruments issued (if any), and liabilities assumed or incurred at the date of acquisition.

Acquisition related costs are expensed as incurred.

The results of the subsidiaries acquired are included in the Group financial statements from the acquisition date.

For acquisitions before 1 January 2010 goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities with acquisition related costs capitalised as part of the cost of acquisition.

Non-Controlling Interests

On an acquisition by acquisition basis the non-controlling interest is measured at either fair value or a proportionate share of the acquiree's net assets.

Purchases from non-controlling interests are accounted for as transactions with the owners and therefore no goodwill is recognised as a result of such transactions.

Goodwill and Intangible Fixed Assets

Goodwill on acquisitions of subsidiaries since 4 January 1998 is included in intangible assets. Goodwill written off to reserves prior to this date has not been reinstated. Goodwill is allocated to the cash generating unit, or group of cash generating units, to which it relates and is tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

Separately acquired brands are shown at cost less accumulated amortisation and impairment. Brands acquired as part of a business combination are recognised at fair value at the acquisition date, where they are separately identifiable. Brands are amortised over their useful economic life, except when their life is determined as being indefinite.

Applying indefinite lives to certain acquired brands is appropriate due to the stable long-term nature of the business and the enduring nature of the brands. A core element of the Group's strategy is to invest in building its brands through an ongoing programme of product innovation and sustained and rising marketing investment. Within RB, a brand typically comprises an assortment of base products and more innovative products. Both contribute to the enduring nature of the brand. The base products establish the long-term positioning of the brand while a succession of innovations attracts ongoing consumer interest and attention. Indefinite life brands are allocated to the cash generating units to which they relate and are tested annually for impairment.

The Directors also review the useful economic life of brands annually, to ensure that these lives are still appropriate. If a brand is considered to have a finite life, its carrying value is amortised over that period.

Payments made in respect of product registration, acquired and re-acquired distribution rights are capitalised where the rights comply with the above requirements for recognition of acquired brands. If the registration or distribution rights are for a defined time period, the intangible asset is amortised over that period. If no time period is defined, the intangible asset is treated in the same way as acquired brands.

Acquired computer software licences are capitalised at cost. These costs are amortised over a period of seven years for Enterprise Resource Planning systems and five years or less for all other software licences.

Research and Development

Research expenditure is written off in the year in which it is incurred.

Development expenditure is written off in the year in which it is incurred, unless it meets the requirements of IAS 38 to be capitalised and then amortised over the useful life of the developed product.

Exceptional Items

Where material, non-recurring expenses or income are incurred during a period, these items are disclosed as exceptional items in the income statement. Examples of such items are:

- Restructuring and other expenses relating to the integration of an acquired business and related expenses for reconfiguration of the Group's activities.
- Impairments of current and non-current assets.
- Gains/losses on disposal of businesses.
- Acquisition related costs.

The Group also presents an alternative adjusted earnings per share calculation to exclude the impact of the exceptional items.

Management believes that the use of adjusted measures such as adjusted operating profit, adjusted net income and adjusted earnings per share provide additional useful information on underlying trends to Shareholders.

Impairment of Assets

Assets that have indefinite lives are tested annually for impairment. All assets are tested for impairment if there is an event or circumstance that indicates that their carrying value may not be recoverable. If an asset's carrying value exceeds its recoverable amount an impairment loss is recognised in the income statement. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Value in use is calculated with reference to the future cash flows expected to be generated by an asset (or group of assets where cash flows are not identifiable to specific assets). The pre-tax discount rate used in brand impairment reviews is based on a weighted average cost of capital for comparable companies operating in similar markets and geographies as the Group including, where appropriate, an adjustment for the specific risks associated with the relevant cash generating unit.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises materials, direct labour and an appropriate portion of overhead expenses (based on normal operating capacity) and is determined on a first in, first out (FIFO) basis. Net realisable value is the estimated selling price less applicable selling expenses.

Trade Receivables

Trade receivables are initially recognised at fair value and subsequently held at amortised cost, less provision for impairment. If there is objective evidence that the Group will not be able to collect the full amount of the receivable, an impairment is recognised through the income statement. Significant financial difficulties of the debtor, probability that a debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The impairment is calculated as the difference between the carrying value of the receivable and the present value of the related estimated future cash flows, discounted at the original interest rate.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and other deposits with a maturity of less than three months when deposited.

For the purpose of the cash flow statement, bank overdrafts that form an integral part of the Group's cash management, and are repayable on demand, are included as a component of cash and cash equivalents.

Bank overdrafts are included within borrowings in the balance sheet.

Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

1 ACCOUNTING POLICIES (CONTINUED)

Income Tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss at that time. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities within the same tax jurisdiction are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where there is an intention to settle these balances on a net basis.

Pension Commitments

Group companies operate defined contribution and (funded and unfunded) defined benefit pension schemes.

The cost of providing pensions to employees who are members of defined contribution schemes is charged to the income statement as contributions are made. The Group has no further payment obligations once the contributions have been paid.

The liability or surplus recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows by the yield on high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have a maturity approximating to the terms of the pension obligations. The costs of providing these defined benefit schemes are accrued over the period of employment. Actuarial gains and losses are recognised immediately in other comprehensive income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Post-Retirement Benefits Other than Pensions

Some Group companies provide post-retirement medical care to their retirees. The costs of providing these benefits are accrued over the period of employment and the liability recognised in the balance sheet is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related asset is deducted.

Employee Share Schemes

Incentives in the form of shares are provided to employees under share option and restricted share schemes. Any shortfall between the cost to the employee and the fair market value of the awards at date of grant is charged to the income statement over the period to which the performance criteria relate, with the credit taken directly to retained earnings. Additional employer costs in respect of options and awards are charged to the income statement over the same period with the credit included in payables. Where awards are contingent upon non-market performance conditions, an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and reflected in the accounting entries made.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that there will be an outflow of resources to settle that obligation; and the amount can be reliably estimated. Provisions are valued at the present value of the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Financial Instruments Held For Trading

Financial instruments held for trading are classified as current assets and current liabilities, and are stated at fair value, with any gain or loss resulting from changes in fair value recognised in the income statement.

The fair value of financial assets classified as held for trading is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading are recognised/de-recognised by the Group on the date it commits to purchase/sell the instrument.

Derivative Financial Instruments and Hedging Activity

The Group may use derivatives to manage its exposures to fluctuating interest and foreign exchange rates. These instruments are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. Derivatives that qualify for hedge accounting are treated as a hedge of a highly probable forecast transaction (cash flow hedge).

At inception the relationship between the hedging instrument and the hedged item is documented, as is an assessment of the effectiveness of the derivative instrument used in the hedging transaction in offsetting changes in the cash flow of the hedged item. This effectiveness assessment is repeated on an ongoing basis during the life of the hedging instrument to ensure that the instrument remains an effective hedge of the transaction.

1. Derivatives classified as cash flow hedges: the effective portion of changes in the fair value is recognised in other comprehensive income. Any gain or loss relating to the ineffective portion is recognised immediately in the income statement.

   Amounts recognised in other comprehensive income are recycled to the income statement in the period when the hedged item will affect profit or loss. If the hedging instrument expires or is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income, and is recognised when the forecast transaction is ultimately recognised in the income statement. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in other comprehensive income is immediately transferred to the income statement.

2. Derivatives that do not qualify for hedge accounting: these are classified at fair value through profit or loss. All changes in fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Net Revenue

Net revenue is defined as the amount invoiced to external customers during the year that is gross sales net of trade discounts, customer allowances for credit notes and returns and consumer coupons, and exclusive of VAT and other sales-related taxes. Net revenue is recognised at the time that the risks and rewards of ownership of the products are transferred to the customer.

1 ACCOUNTING POLICIES (CONTINUED)

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at lease inception at the lower of the asset's fair value and the present value of the minimum lease payments. Obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate within borrowings. The interest element of the finance cost is charged to the income statement over the life of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant, property and equipment are depreciated on the same basis as owned plant and equipment or over the life of the lease, if shorter.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals (net of any related lease incentives) are charged against profit on a straight line basis over the period of the lease.

Share Capital Transactions

When the Group purchases equity share capital, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Purchased shares are either held in Treasury, in order to satisfy employee options, or cancelled and, in order to maintain capital, an equivalent amount to the nominal value of the shares cancelled would be transferred from retained earnings to the capital redemption reserve.

Dividend Distribution

Dividends to owners of the parent are recognised as a liability in the period in which the dividends are approved by the Company's Shareholders. Interim dividends are recorded in the period in which they are approved and paid.

Accounting Estimates and Judgements

The Directors make a number of estimates and assumptions regarding the future, and make some significant judgements in applying the Group's accounting policies. These include:

- Estimates of future business performance and cash generation, discount rates and long-term growth rates supporting the net book amount of indefinite life intangible assets at the balance sheet date (note 9). If the actual results should differ, or changes in expectations arise, impairment charges may be required which would adversely impact operating results.
- The determination of the carrying value of property, plant and equipment and related depreciation, and the estimation of useful economic life of these assets (note 10).
- The continuing enduring nature of the Group's brands supporting the assumed useful lives of these assets (note 9).
- Measurement of intangible assets both in business combinations and other asset acquisitions requires the Group to identify such assets. Assumptions and estimates are made about future cash flows and appropriate discount rates to value identified intangible assets (note 26).
- Long-term rates of return, inflation rates and discount rates have been assumed in calculating the pension and other employee post-retirement benefits. If the real rates are significantly different over time to those assumed, the amounts recognised in the income statement and in the balance sheet will be impacted (note 21).
- Assumptions are made as to the recoverability of tax assets especially as to whether there will be sufficient future taxable profits in the same jurisdictions to fully utilise losses in future years (note 11).
- Assumptions are made in relation to share awards, both in the Black-Scholes model used to calculate the charge and in terms of the recoverability of the deferred tax asset related to share-based payments charges to reserves (note 23).
- The actual tax paid on profits is determined based on tax laws and regulations that differ across the numerous jurisdictions in which the Group operates. Assumptions are made in applying these laws to the taxable profits in any given period in order to calculate the tax charge for that period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the income statement in the period in which it is determined (note 7).

2 OPERATING SEGMENTS

The Executive Committee is the Group's Chief Operating Decision Maker (CODM). Management has determined the operating segments based on the reports reviewed by the Executive Committee for the purposes of making strategic decisions and assessing performance. The Executive Committee considers the business principally from a geographical perspective, but with the RB Pharmaceuticals (in table referred to as RBP) and Food businesses being managed separately given the significantly different nature of these businesses and the risks and rewards associated with them.

As a result of the Group's strategy for continued outperformance, announced in February 2012, the geographical segments have changed from those reported in the Annual Report and financial statements for the year ended 31 December 2011 to reflect the Group's increased focus on high growth emerging market clusters. The new geographical segments comprise Europe and North America (ENA); Latin America, North Asia, South East Asia and Australia and New Zealand (LAPAC); and Russia and CIS, Middle East, North Africa, Turkey and Sub-Saharan Africa (RUMEA). Comparative information has been restated on a consistent basis.

The geographical segments derive their revenue primarily from the manufacture and sale of branded products in the health, hygiene and home categories. RB Pharmaceuticals derives its revenue exclusively from the sales of buprenorphine-based prescription drugs used to treat opiate dependence and Food derives its revenue from food products sold in ENA.

The results of Schiff Nutrition International, Inc. (Schiff) subsequent to its acquisition on 14 December 2012 are included in ENA.

The Executive Committee assesses the performance of the operating segments based on net revenue and operating profit before exceptional items. Finance income and expense are not allocated to segments, as they are managed on a central Group basis.

The Executive Committee do not review inter-segment revenue information, nor is it included in the measure of segment profit or loss reviewed by the Executive Committee. As such this is no longer included in the Group's operating segments' disclosures.

Items of income and expense which are not part of the results and financial position of the operating segments, and therefore reported to the Executive Committee outside of the individual segment financial information, are shown in the Corporate segment. For the year ended 31 December 2012 this includes profit on disposals of intangible assets and the Paras personal care business, expenses for legal matters, and other corporate provisions with a net effect of £32m. For the year ended 31 December 2011 this comprised a profit on disposal of intangibles, miscellaneous items and regulatory costs with a net effect of £10m.

Reportable Segments

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2012 is as follows:

2012	**ENA £m**	**LAPAC £m**	**RUMEA £m**	**Food £m**	**Corporate £m**	**Total Ex-RBP £m**	**RBP £m**	**Total £m**
Net revenue	**4,678**	**2,327**	**1,404**	**321**	**–**	**8,730**	**837**	**9,567**
Depreciation, amortisation and impairment	**95**	**32**	**8**	**5**	**–**	**140**	**8**	**148**
Operating profit before exceptional items	**1,156**	**464**	**290**	**92**	**32**	**2,034**	**536**	**2,570**
Exceptional items								**(135)**
Operating profit								**2,435**
Net finance expense								**(15)**
Profit on ordinary activities before taxation								**2,420**

2011 (Restated)	ENA £m	LAPAC £m	RUMEA £m	Food £m	Corporate £m	Total Ex-RBP £m	RBP £m	Total £m
Net revenue	4,837	2,210	1,364	312	–	8,723	762	9,485
Depreciation, amortisation and impairment	99	30	8	5	–	142	15	157
Operating profit before exceptional items	1,157	417	293	92	10	1,969	518	2,487
Exceptional items								(92)
Operating profit								2,395
Net finance expense								(19)
Profit on ordinary activities before taxation								2,376

2 OPERATING SEGMENTS (CONTINUED)

The Executive Committee reviews net working capital by segment and other assets and liabilities on a Group basis. The split of assets and liabilities by segment provided to the Executive Committee is as follows. Assets and liabilities of the Corporate segment are not presented to the Executive Committee and are shown below as a reconciling item.

2012	**ENA £m**	**LAPAC £m**	**RUMEA £m**	**Food £m**	**RBP £m**	**Total £m**
Inventories	**385**	**250**	**118**	**4**	**108**	**865**
Trade and other receivables	**601**	**363**	**217**	**–**	**178**	**1,359**
Total segment assets	**986**	**613**	**335**	**4**	**286**	**2,224**
Trade and other payables	**(1,428)**	**(661)**	**(283)**	**(13)**	**(241)**	**(2,626)**

2011 (Restated)	ENA £m	LAPAC £m	RUMEA £m	Food £m	RBP £m	Total £m
Inventories	412	227	112	5	135	891
Trade and other receivables	693	341	178	2	178	1,392
Total segment assets	1,105	568	290	7	313	2,283
Trade and other payables	(1,550)	(698)	(293)	(14)	(186)	(2,741)

The assets and liabilities are allocated based upon the operations of the segment and the physical location of the asset or liability. There are a number of unallocated assets and liabilities that comprise corporate items that are not specifically attributable to one segment. Reconciliation of these assets and liabilities to total assets or liabilities in the balance sheet is shown below:

	2012 £m	2011 £m
Inventories for reportable segments	**865**	891
Unallocated:		
Elimination of profit on inter-company inventory	**(130)**	(133)
Total inventories per the balance sheet	**735**	758
Trade and other receivables for reportable segments	**1,359**	1,392
Unallocated:		
Corporate items	**48**	50
Total trade and other receivables per the balance sheet	**1,407**	1,442
Total inventories and trade and other receivables per the balance sheet	**2,142**	2,200
Other unallocated assets	**12,938**	11,926
Total assets per the balance sheet	**15,080**	14,126
Trade and other payables for reportable segments	**(2,626)**	(2,741)
Unallocated:		
Corporate items	**(216)**	(160)
Total trade and other payables per the balance sheet	**(2,842)**	(2,901)
Other unallocated liabilities	**(6,316)**	(5,444)
Total liabilities per the balance sheet	**(9,158)**	(8,345)

Unallocated assets include goodwill and intangible assets, property, plant and equipment and cash equivalents, while unallocated liabilities include borrowings, deferred tax liabilities and retirement benefit obligations.

2 OPERATING SEGMENTS (CONTINUED)

Analysis of Categories

Following the revised category focus announced in February 2012, the Group analyses its revenue by the following categories: health, hygiene, home and portfolio brands together with RB Pharmaceuticals and Food. Comparative information has been restated on a consistent basis.

The results of Schiff subsequent to its acquisition on 14 December 2012 are included in health.

	Net revenues	
	2012 £m	2011 (restated) £m
Health	**2,068**	2,000
Hygiene	**3,682**	3,643
Home	**1,966**	2,009
Portfolio brands	**693**	759
Food	**321**	312
	8,730	8,723
RB Pharmaceuticals	**837**	762
Total	**9,567**	9,485

Health, hygiene, home and portfolio brands categories are all split across the three geographical segments of ENA, LAPAC and RUMEA. Food (which is sold exclusively in ENA) and RB Pharmaceuticals are recognised within their own reportable segments.

The Company is domiciled in the UK. The split of revenue from external customers and non-current assets (other than financial instruments, deferred tax assets and retirement benefit surplus assets) between the UK, the US (being the single biggest country outside the country of domicile) and that from all other countries is:

2012	**UK £m**	**US £m**	**All other countries £m**	**Total £m**
Net revenue	**643**	**2,480**	**6,444**	**9,567**
Goodwill and other intangible assets	**1,536**	**4,287**	**5,352**	**11,175**
Property, plant and equipment	**137**	**125**	**475**	**737**
Other receivables	**4**	**4**	**25**	**33**

2011	UK £m	US £m	All other countries £m	Total £m
Net revenue	685	2,304	6,496	9,485
Goodwill and other intangible assets	1,536	3,252	5,470	10,258
Property, plant and equipment	133	131	468	732
Other receivables	–	–	6	6

The net revenue from external customers reported on a geographical basis above is measured in a manner consistent with that in the reportable segments.

Major customers are typically large grocery chains, mass market and multiple retailers. The Group's customer base is diverse with no single external customer accounting for more than 10% of net revenue, and the top ten customers accounting for less than a quarter of total net revenue.

3 ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	2012 £m	2011 (restated)* £m
Cost of sales	**(4,030)**	(4,036)
Distribution costs	**(2,318)**	(2,299)
Administrative expenses:		
Pharmaceuticals research and development	**(25)**	(20)
Other research and development	**(146)**	(133)
Other	**(491)**	(578)
Total administrative expenses	**(662)**	(731)
Other net operating income	**13**	68
Exceptional items	**(135)**	(92)
Net operating expenses	**(3,102)**	(3,054)

* Refer to note 1 for further details.

Included within cost of sales is a fair value loss of £nil (2011: loss of £7m) transferred from the hedging reserve. Total foreign exchange losses of £nil (2011: losses of £7m) have been recognised through the income statement. These amounts exclude financial instruments fair valued through the income statement and amounts recognised directly in the foreign currency translation reserve.

Exceptional items	2012 £m	2011 £m
Restructuring	**123**	89
Acquisition related costs	**12**	3
Total exceptional items	**135**	92

The Group incurred restructuring charges of £123m relating to the implementation of the Group's new area and category organisations, integration of SSL, withdrawal of private label and further reconfiguration of the Group. This consists primarily of redundancy and business integration costs which have been included within net operating expenses. Acquisition related costs include legal and other professional fees in relation to business combinations.

4 AUDITORS' REMUNERATION

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates.

	2012 £m	2011 (restated)* £m
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and consolidated financial statements	**1.9**	1.8
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	**3.8**	3.8
Audit related assurance services	**0.4**	0.3
Taxation compliance services	**0.2**	0.1
Taxation advisory services	**4.3**	1.4
Other assurance services	**0.2**	0.2
All other non-audit services	**0.1**	0.1
	10.9	7.7

* Restated for change in categories disclosed.

Included in the above is £0.1m (2011: £0.2m) in relation to the audit of the financial statements of associated pension schemes of the Group.

5 EMPLOYEES

(a) Staff costs	Notes	2012 £m	2011 £m
The total employment costs, including Directors, were:			
Wages and salaries		**923**	950
Social security costs		**174**	184
Net pension costs	21	**50**	51
Share-based payments	23	**49**	61
		1,196	1,246

Details of Directors' emoluments are included in the Directors' Remuneration Report on pages 31 to 37, which forms part of the financial statements.

Compensation awarded to key management (the Executive Committee):

	2012 £m	2011 £m
Short-term employee benefits	**11**	11
Post-employment benefits	**1**	1
Share-based payments	**15**	22
Termination benefits	**4**	–
	31	34

Termination benefits and share-based payments include contractual commitments made to key management in 2012, comprising cash payments and shares to vest in 2013.

(b) Staff numbers

The monthly average number of people employed by the Group, including Directors, during the year was:

	2012 '000	2011 (restated)[1] '000
ENA	**13.9**	13.8
RUMEA	**7.1**	7.2
LAPAC	**13.7**	15.7
RB Pharmaceuticals	**0.6**	0.6
Other	**0.6**	0.5
	35.9	37.8

[1] Restated for the change in reportable geographic segments disclosed in note 2.

6 NET FINANCE EXPENSE

Finance income	2012 £m	2011 £m
Interest income on cash and cash equivalents	**26**	23
Total finance income	**26**	23
Finance expense		
Interest payable on borrowings	**(30)**	(30)
Amortisation of issue costs of bank loans	**(6)**	(7)
Other finance expense	**(5)**	(5)
Total finance expense	**(41)**	(42)
Net finance expense	**(15)**	(19)

Included within amortisation of issue costs of bank loans is an exceptional finance cost of £nil (2011: £4m).

7 INCOME TAX EXPENSE

	2012 £m	2011 £m
Current tax	**662**	625
Prior year adjustments	**(21)**	(8)
Total current tax	**641**	617
Origination and reversal of temporary differences	**26**	70
Impact of changes in tax rates	**(80)**	(65)
Total deferred tax (note 11)	**(54)**	5
Tax on profit on ordinary activities	**587**	622

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Company's profits for the year ended 31 December 2012 are taxed at an effective rate of 24.5% (2011: 26.5%).

UK income tax of £138m (2011: £161m) is included within current tax and is calculated at 24.5% (2011: 26.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total tax charge for the year can be reconciled to the accounting profit as follows:

	2012 £m	2011 £m
Profit on ordinary activities before taxation	**2,420**	2,376
Tax at the notional UK corporation tax rate of 24.5% (2011: 26.5%)	**593**	630
Effects of:		
Tax at rates other than the UK corporation tax rate	**11**	(9)
Adjustments to amounts carried in respect of unresolved tax matters	**77**	47
Incurrence/(utilisation) of tax losses	**7**	(2)
Withholdings and local taxes	**16**	25
Adjustment in respect of prior periods	**(58)**	(11)
Impact of changes in tax rates	**(80)**	(65)
Exceptional items	**8**	2
Other permanent differences	**13**	5
Tax on profit on ordinary activities	**587**	622

The tax charge is expected to be impacted by items in the nature of those listed above for the foreseeable future.

Following the enactment of legislation in the UK to reduce the corporation tax rate to 23% from 1 April 2013, the total tax charge in 2012 includes the impact on the income statement of calculating the UK deferred tax balances at the lower UK corporation tax rate. The impact of this rate change is a £62m reduction in the tax charge in the income statement. The proposed future reduction in the UK tax rate to 21% will be reflected when the relevant legislation is substantively enacted.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

			2012			2011
	Before tax £m	**Tax credit/ (charge) £m**	**After tax £m**	Before tax £m	Tax credit/ (charge) £m	After tax £m
Net exchange adjustments on foreign currency translation	**(256)**	**1**	**(255)**	(227)	1	(226)
Actuarial losses (note 21)	**(64)**	**15**	**(49)**	(84)	35	(49)
Gains/(losses) on cash flow hedges	**4**	**(1)**	**3**	4	(1)	3
Reclassification of foreign currency translation reserve on disposal of subsidiary	**9**	**–**	**9**	–	–	–
Other comprehensive income	**(307)**	**15**	**(292)**	(307)	35	(272)
Current tax		**(2)**			–	
Deferred tax (note 11)		**17**			35	
		15			35	

8 EARNINGS PER SHARE

	2012 pence	2011 pence
Basic earnings per share	**252.5**	239.8
Diluted earnings per share	**249.5**	237.1
Adjusted basic earnings per share	**267.6**	249.9
Adjusted diluted earnings per share	**264.4**	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 dilutive potential ordinary shares: Executive Share Options 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	**135**	92
Exceptional charge included in finance expense	**–**	4
Tax effect of exceptional items	**(26)**	(23)
Adjusted net income attributable to owners of the parent	**1,938**	1,818

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

9 GOODWILL AND OTHER INTANGIBLE ASSETS

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2012	7,106	3,080	48	236	10,470
Additions	2	–	9	–	11
Arising on business combinations	880	374	–	–	1,254
Disposals	(37)	(17)	–	–	(54)
Exchange adjustments	(198)	(85)	–	(1)	(284)
At 31 December 2012	**7,753**	**3,352**	**57**	**235**	**11,397**
Accumulated amortisation and impairment					
At 1 January 2012	80	30	21	81	212
Amortisation and impairment charge	3	–	1	9	13
Disposals	–	(1)	–	–	(1)
Exchange adjustments	(1)	(1)	–	–	(2)
At 31 December 2012	**82**	**28**	**22**	**90**	**222**
Net book amount at 31 December 2012	**7,671**	**3,324**	**35**	**145**	**11,175**

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2011	6,934	2,890	24	209	10,057
Additions	–	–	19	22	41
Arising on business combinations	305	260	–	6	571
Reclassifications	–	–	6	–	6
Exchange adjustments	(133)	(70)	(1)	(1)	(205)
At 31 December 2011	7,106	3,080	48	236	10,470
Accumulated amortisation and impairment					
At 1 January 2011	75	30	21	66	192
Amortisation and impairment charge	8	–	1	16	25
Exchange adjustments	(3)	–	(1)	(1)	(5)
At 31 December 2011	80	30	21	81	212
Net book amount at 31 December 2011	7,026	3,050	27	155	10,258
Net book amount at 1 January 2011	6,859	2,860	3	143	9,865

The amount stated for brands represents the fair value of brands acquired since 1985 at the day of acquisition. Other includes product registration, distribution rights and capitalised product development costs.

The reclassification of £6m in 2011 relates to the transfer of completed assets from plant and equipment. Software includes intangible assets under construction of £31m (2011: £22m).

The majority of brands, all of goodwill and certain other intangibles are considered to have indefinite lives for the reasons noted in the Accounting Policies and therefore are subject to an annual impairment review. A number of small non core brands are deemed to have a finite life and are amortised accordingly.

The net book amounts of indefinite and finite life intangible assets are as follows:

Net book amount	**2012 £m**	2011 £m
Indefinite life assets:		
Brands	**7,646**	7,000
Goodwill	**3,324**	3,050
Other	**36**	36
Total indefinite life assets	**11,006**	10,086
Finite life assets:		
Brands	**25**	26
Software	**35**	27
Other	**109**	119
Total finite life assets	**169**	172
Total net book amount of intangible assets	**11,175**	10,258

Goodwill and other intangible assets with indefinite lives are allocated to a cash generating unit (CGU) for the purposes of impairment testing. Goodwill is allocated to the CGU, or group of CGUs, that is expected to benefit from the related acquisition.

9 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Cash Generating Units

RB's 'Strategy for Continued Outperformance' has fundamentally changed the way the Group operates. The Group has taken this as an opportunity to reassess the appropriateness of the Group's CGUs under IAS 36 *Impairment of Assets*. After considering all the evidence available, including how brand and production assets generate cash inflows and how management monitors the business, the Directors have concluded that the Group's CGUs with goodwill and indefinite life intangible assets should now be defined as health (sexual wellbeing), health (other), hygiene, home, Food and portfolio brands.

Previously the CGUs were defined as the Group's product groups (health & personal care, fabric care, surface care, home care, dishwashing, Food, and other).

The acquired Schiff business is treated as its own CGU in 2012 called health (VMS). This will be reassessed following integration into the Group's operations in 2013.

An analysis of the net book amount of indefinite life assets and goodwill by CGU is shown below:

CGU	Key brands	2012 Indefinite life assets £m	2012 Goodwill £m	2012 Total £m	2011 (restated)* Indefinite life assets £m	2011 (restated)* Goodwill £m	2011 (restated)* Total £m
Health (sexual wellbeing)	Durex	**1,952**	**976**	**2,928**	1,909	988	2,897
Health (other)	Gaviscon, Mucinex, Nurofen, Scholl, Strepsils	**2,926**	**1,783**	**4,709**	3,017	1,843	4,860
Health (VMS)	Airborne, MegaRed, Move Free	**811**	**374**	**1,185**	–	–	–
Hygiene	Bang, Clearasil, Dettol, Finish, Harpic, Lysol, Mortein, Veet	**1,176**	**149**	**1,325**	1,232	157	1,389
Home	Air Wick, Calgon, Vanish, Woolite	**786**	**42**	**828**	807	45	852
Portfolio Brands		**–**	**–**	**–**	39	17	56
Food	French's	**31**	**–**	**31**	32	–	32
		7,682	**3,324**	**11,006**	7,036	3,050	10,086

* Restated for changes in CGUs described above.

Indefinite life assets allocated to the Food CGU are not considered significant relative to the Group's total indefinite life assets. As such the disclosures below do not include discussion on the assumptions specific to Food.

On acquisition the indefinite life intangible assets and goodwill of health (VMS) were provisionally valued at fair value. Subsequent to acquisition there has been no evidence that this fair value is impaired. The key assumptions applied in determining these fair values are summarised in the table below.

Value in use and key assumptions

The annual impairment review for goodwill and other intangible assets with indefinite lives is based on an assessment of each CGU's value in use. Value in use is calculated from cash flow projections, based on historical operating results and short-term budgets and medium-term business plans approved by management covering a four-year period. These projections exclude any estimated future cash inflows or outflows expected to arise from restructuring not yet implemented.

Cash flows beyond the four-year period are extrapolated using the estimated long-term growth rates stated below. Individual long-term growth rates are applied to each product type within a CGU, and as such ranges are provided in some cases below. The long-term growth rates applied do not exceed the long-term average growth rate for the market and countries in which the CGU operates.

Management has assessed the appropriate discount rate for each individual CGU, using a Weighted Average Cost of Capital (WACC) for comparable companies operating in similar markets and geographies as the Group as the base discount rate, adjusted for risks specific to each CGU. Due to the similar geographic and product diversification of their respective markets and risks associated with each CGU, a pre-tax discount rate of 11% was determined for each of the health (sexual wellbeing), health (other), hygiene and home CGUs (2011: 11%). Health (VMS) is predominantly concentrated in one market, being the US, and a blended pre-tax discount rate of 14% was applied in the provisional fair value exercise, reflecting the increased risk associated with this CGU from its market concentration and the fact that this is a new business to the Group.

Key assumptions (which are kept under constant review by management) in the impairment review include future sales volumes, revenue growth rates and prices, and future levels of marketing support required to sustain, grow and further innovate brands. The cash flow projections also take account of the expected impact from new product initiatives, efficiency initiatives and the maturity of the markets in which each CGU operates. These key assumptions are based on past performance and our experience of volumes, growth rates and prices in our key markets.

CGU	Growth %	Discount rate %
Health (sexual wellbeing)	4	11
Health (other)	0-4	11
Health (VMS)	2	14
Hygiene	0-4	11
Home	0-2	11

Impairment Review

In October 2012 an impairment review was performed by comparing the recoverable amount of each CGU with its carrying amount, including goodwill. This review was updated during December, taking into account significant events that occurred between October and December. No impairment was considered necessary.

Any reasonably possible change in the key assumptions on which the recoverable amounts of the health (other), hygiene and home CGUs is based would not cause their carrying values to exceed their recoverable amounts.

With a recoverable amount exceeding its carrying value by £388m, the heath (sexual wellbeing) CGU is the most sensitive to reasonably possible changes to key assumptions. This is expected of a recent acquisition where the acquired intangible assets were valued at fair value. Increasing the pre-tax discount rate from 11% to 12%, or halving the short-term revenue growth expectations in the management approved short- and medium-term budgets, or reducing the long-term (terminal growth) rate from 4% to 3% would be required to reduce the recoverable amount to equal the carrying value.

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2012	**512**	**1,272**	**1,784**
Additions	**13**	**153**	**166**
Arising on business combination	**1**	**8**	**9**
Disposals	**(8)**	**(65)**	**(73)**
Deconsolidation of subsidiary	**(2)**	**(9)**	**(11)**
Reclassifications	**21**	**(21)**	**-**
Exchange adjustments	**(12)**	**(52)**	**(64)**
At 31 December 2012	**525**	**1,286**	**1,811**
Accumulated depreciation and impairment			
At 1 January 2012	**189**	**863**	**1,052**
Charge for the year	**24**	**111**	**135**
Disposals	**(3)**	**(57)**	**(60)**
Deconsolidation of subsidiary	**(1)**	**(6)**	**(7)**
Exchange adjustments	**(4)**	**(42)**	**(46)**
At 31 December 2012	**205**	**869**	**1,074**
Net book amount at 31 December 2012	**320**	**417**	**737**

	Land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2011	514	1,215	1,729
Additions	9	155	164
Arising on business combination	4	2	6
Disposals	(6)	(44)	(50)
Reclassifications	8	(14)	(6)
Exchange adjustments	(17)	(42)	(59)
At 31 December 2011	**512**	**1,272**	**1,784**
Accumulated depreciation and impairment			
At 1 January 2011	177	817	994
Charge for the year	21	111	132
Disposals	(3)	(39)	(42)
Exchange adjustments	(6)	(26)	(32)
At 31 December 2011	189	863	1,052
Net book amount at 31 December 2011	323	409	732
Net book amount at 1 January 2011	337	398	735

The net book amount of assets under construction is £62m (2011: £64m). Assets under construction are included within plant and equipment.

The reclassification from plant and equipment to land and buildings of £21m (2011: £8m) shows the transfer of completed assets. A further £6m was reclassified to intangible assets on completion in 2011.

Capital expenditure which was contracted but not capitalised at 31 December 2012 was £20m (2011: £52m).

11 DEFERRED TAX

Deferred tax liabilities	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2011	19	1,918	(202)	(8)	(13)	1,714
Charged/(credited) to the income statement	–	(6)	12	2	(2)	6
Credited to other comprehensive income	–	–	–	–	(19)	(19)
Charged directly to equity	–	–	2	–	–	2
Arising on business combination	–	101	–	–	–	101
Exchange differences	–	(34)	4	–	(2)	(32)
At 31 December 2011	19	1,979	(184)	(6)	(36)	1,772
Charged/(credited) to the income statement	12	(92)	(29)	–	(47)	(156)
Credited to other comprehensive income	–	–	–	–	(14)	(14)
Arising on business combination	1	299	(23)	(9)	–	268
Disposal of business	–	(15)	–	–	–	(15)
Exchange differences	(1)	(46)	4	–	2	(41)
At 31 December 2012	**31**	**2,125**	**(232)**	**(15)**	**(95)**	**1,814**

Deferred tax assets	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2011	(4)	(20)	107	10	53	146
(Charged)/credited to the income statement	(1)	5	(15)	24	(12)	1
Credited to other comprehensive income	–	–	–	–	16	16
Charged directly to equity	–	–	(11)	–	–	(11)
Exchange differences	–	(1)	1	(2)	–	(2)
At 31 December 2011	(5)	(16)	82	32	57	150
(Charged)/credited to the income statement	14	8	(44)	(32)	(48)	(102)
Credited to other comprehensive income	–	–	2	–	1	3
Exchange differences	–	1	(2)	–	(1)	(2)
At 31 December 2012	**9**	**(7)**	**38**	**–**	**9**	**49**

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority.

Certain deferred tax assets in respect of overseas corporation tax losses and other temporary differences totalling £152m (2011: £115m) have not been recognised at 31 December 2012 as the likelihood of future economic benefit is not sufficiently assured. These assets will be recognised if utilisation of the losses and other temporary differences becomes reasonably certain.

No deferred tax liability has been recognised on the unremitted earnings of overseas subsidiaries as no tax is expected to be payable on them in the foreseeable future based on the current repatriation policy of the Group.

12 INVENTORIES

	2012 £m	2011 £m
Raw materials and consumables	**157**	167
Work in progress	**27**	31
Finished goods and goods held for resale	**551**	560
Total inventories	**735**	758

The cost of inventories recognised as an expense and included as cost of sales amounted to £3,821m (2011 (restated*): £3,828m). This includes inventory write offs and losses of £23m (2011: £19m).

The Group inventory provision at 31 December 2012 was £81m (2011: £97m).

* Refer to note 1 for further details.

13 TRADE AND OTHER RECEIVABLES

Amounts falling due within one year	2012 £m	2011 £m
Trade receivables	**1,269**	1,294
Less: Provision for impairment of receivables	**(47)**	(47)
Trade receivables – net	**1,222**	1,247
Other receivables	**131**	135
Prepayments and accrued income	**54**	60
	1,407	1,442

Trade receivables consist of a broad cross-section of our international customer base for whom there is no significant history of default. The credit risk of customers is assessed at a subsidiary and Group level, taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors.

As at 31 December 2012, trade receivables of £92m (2011: £89m) were past due but not impaired. The ageing analysis of trade receivables past due but not impaired is as follows:

	2012 £m	2011 £m
Up to 3 months	**92**	89

As at 31 December 2012, trade receivables of £77m (2011: £80m) were considered to be impaired. The amount of provision at 31 December 2012 was £47m (2011: £47m). It was assessed that a portion of the receivables is expected to be recovered due to the nature and historical collection of trade receivables. The ageing analysis of these receivables is as follows:

	2012 £m	2011 £m
Up to 3 months	**37**	40
Over 3 months	**40**	40
	77	80

The movement in the provision for impaired receivables consists of increases for additional provisions offset by receivables written off and unused provision released back to the income statement. The gross movements in the provision are considered to be insignificant.

The other receivables do not contain impaired assets. They consist of items including reclaimable turnover tax and are from a broad range of countries within the Group.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2012 £m	2011 £m
Sterling	**99**	115
Euro	**305**	361
US dollar	**388**	369
Other currencies	**615**	597
	1,407	1,442

The maximum exposure to credit risk at the year end is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments by Category

At 31 December 2012	**Loans and receivables £m**	**Derivatives used for hedging £m**	**Fair value through the P&L £m**	**Available for sale £m**	**Carrying value total £m**	**Fair value total £m**
Assets as per the balance sheet						
Auction rate securities[1]	–	–	–	**2**	**2**	**2**
Short-term deposits[2]	–	–	–	**4**	**4**	**4**
Trade and other receivables[3]	**1,366**	–	–	–	**1,366**	**1,366**
Derivative financial instruments – FX forward exchange contracts	–	**4**	–	–	**4**	**4**
Cash and cash equivalents	**887**	–	–	–	**887**	**887**

	Derivatives used for hedging £m	**Fair value through the P&L £m**	**Other financial liabilities at amortised cost £m**	**Carrying value total £m**	**Fair value total £m**
Liabilities as per the balance sheet					
Borrowings (excluding finance lease obligations)[4]	–	–	**3,269**	**3,269**	**3,269**
Finance lease obligations[4]	–	–	**5**	**5**	**5**
Derivative financial instruments – FX forward exchange contracts	**43**	–	–	**43**	**43**
Trade and other payables[5]	–	–	**2,698**	**2,698**	**2,698**
Other non-current liabilities[6]	–	–	**17**	**17**	**17**

At 31 December 2011	Loans and receivables £m	Derivatives used for hedging £m	Fair value through the P&L £m	Available for sale £m	Carrying value total £m	Fair value total £m
Assets as per the balance sheet						
Auction rate securities	–	–	–	10	10	10
Short-term deposits	–	–	–	11	11	11
Trade and other receivables[3]	1,368	–	-	–	1,368	1,368
Derivative financial instruments – FX forward exchange contracts	–	67	–	–	67	67
Cash and cash equivalents	639	–	–	–	639	639

	Derivatives used for hedging £m	Fair value through the P&L £m	Other financial liabilities at amortised cost £m	Carrying value total £m	Fair value total £m
Liabilities as per the balance sheet					
Borrowings (excluding finance lease obligations)[4]	–	–	2,504	2,504	2,504
Finance lease obligations[4]	–	–	4	4	4
Derivative financial instruments – FX forward exchange contracts	7	–	–	7	7
Trade and other payables[5]	–	–	2,756	2,756	2,756
Other non-current liabilities[6]	–	–	39	39	39

[1] These investments are auction rate securities issued by US state authorities, denominated in US dollars with redemption dates falling beyond 2013. They are typically traded on a secondary market, however due to the current inactivity of this market there is uncertainty over whether they are likely to be redeemed within one year and therefore have been classified as non-current.

[2] These short-term deposits do not meet the requirements to be classified as cash equivalents as they have maturities greater than three months. They are however highly liquid assets.

[3] Prepayments and accrued income and employee benefit assets are excluded from the trade and other receivables balance as the analysis above is required only for financial instruments.

[4] The categories in this disclosure are determined by IAS 39. Finance leases are outside the scope of IAS 39, but they remain within the scope of IFRS 7. Therefore finance leases have been shown separately.

[5] Social security liabilities and other employee benefit liabilities are excluded from trade and other payables as the analysis above is required only for financial instruments.

[6] Included in other non-current liabilities is £12m (2011: £34m) to purchase the remaining shares of Shanghai Manon Trading Ltd.

The carrying value less impairment provision of investments, current borrowings, cash at bank, trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The fair value measurement hierarchy levels have been defined as follows:

1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2). If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

	2012 Level 2 £m	**2012 Level 3 £m**	**2012 Total £m**	2011 Level 2 £m	2011 Level 3 £m	2011 Total £m
Assets as per the balance sheet						
Auction rate securities	**–**	**2**	**2**	–	10	10
Short term deposits	**4**	**–**	**4**	11	–	11
Derivative financial instruments – FX forward exchange contracts	**4**	**–**	**4**	67	–	67
Total assets	**8**	**2**	**10**	78	10	88
Liabilities as per the balance sheet						
Derivative financial instruments – FX forward exchange contracts	**43**	**–**	**43**	7	–	7
Total liabilities	**43**	**–**	**43**	7	–	7

Specific valuation techniques used to value financial instruments include:

1) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

2) Discounted cash flow analysis is used to determine the fair value for the remaining financial instruments.

As the value of the level 3 instruments at 31 December 2012 is not material, no further level 3 disclosures have been made.

Financial Risk Management

The Group's multinational operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates (foreign exchange risk), market prices, interest rates, credit risks and liquidity. The Group has in place a risk management programme that uses foreign currency financial instruments, including debt, and other instruments, to limit the impact of these risks on the financial performance of the Group.

The Group's financing and financial risk management activities are centralised into Group Treasury (GT) to achieve benefits of scale and control. GT manages financial exposures of the Group centrally in a manner consistent with underlying business risks. GT manages only those risks and flows generated by the underlying commercial operations and speculative transactions are not undertaken.

The Board of Directors reviews and agrees policies, guidelines and authority levels for all areas of Treasury activity and individually approves significant activities. GT operates under the close control of the CFO and is subject to periodic independent reviews and audits, both internal and external.

1. Market Risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's policy is to align interest costs and operating profit of its major currencies in order to provide some protection against the translation exposure on foreign currency profits after tax. The Group may undertake borrowings and other hedging methods in the currencies of the countries where most of its assets are located.

It is the Group's policy to monitor and only where appropriate hedge its foreign currency transaction exposure. These transaction exposures arise mainly from foreign currency receipts and payments for goods and services and from the remittances of foreign currency dividends and loans.

The local business units enter into forward foreign exchange contracts with GT to manage these exposures where practical and allowed by local regulations. GT matches the Group exposures, and hedges the net position where possible, using spot and forward foreign currency exchange contracts.

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2012 was £4,303m payable (2011: £3,175m payable).

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash Flow Hedge Profile

As at 31 December 2012, the Group had no material individual financial instruments classified as cash flow hedges. The same was true as at 31 December 2011.

The Group held forward foreign exchange contracts denominated as cash flow hedges primarily in Australian dollars, Euro, Canadian dollars, Singapore dollars and Hungarian forint. Notional value of the payable leg resulting from these financial instruments was as follows:

	2012 £m	2011 £m
Australian dollar	**90**	47
Euro	**90**	12
Canadian dollar	**60**	40
Singapore dollar	**43**	-
Hungarian forint	**38**	-
New Zealand dollar	**12**	11
Swedish krona	**4**	13
US dollars	**1**	14
Polish zloty	**–**	53
Other	**1**	4
	339	194

These forward foreign exchange contracts are expected to mature over the period January 2013 to January 2014 (2011: January 2012 to December 2012).

There is no ineffective portion recognised in the income statement arising from cash flow hedges (2011: £nil).

Gains and losses recognised in the hedging reserve in other comprehensive income on forward exchange contracts in 2012 of £3m gain (2011: £3m gain) are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement, which is generally within 12 months from the balance sheet date.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

In the case of cash flow hedges, these are denominated in a diverse range of currencies, where a fluctuation in one individual currency relationship, with all others held constant, does not have a significant effect on the income statement or Shareholders' equity. A fluctuation analysis has been performed for all currencies. The largest potential fluctuation would be in respect of forward contracts between the Australian dollar and the Singapore dollar. If the Singapore dollar had strengthened/weakened by 5% against the Australian dollar, with all other variables held constant, the impact on Shareholders' equity would have been less than £1m (2011: £nil). As at 31 December 2012 if all other currencies had strengthened/weakened by 5% against Sterling with all other variables held constant, this would have had an insignificant effect on the income statement or Shareholders' equity (2011: insignificant).

The remaining major monetary financial instruments (liquid assets, receivables, interest and non-interest bearing liabilities) are directly denominated in the functional currency or are transferred to the functional currency through the use of derivatives.

The gains and losses from fair value movements on financing derivatives recognised in finance income and expense were £nil (2011: £nil).

(b) Price risk

The Group is not exposed to equity securities price risk. Due to the nature of its business the Group is exposed to commodity price risk related to the production or packaging of finished goods, such as oil related, and a diverse range of other, raw materials. This risk is, however, managed primarily through medium-term contracts with certain key suppliers and is not therefore viewed as being a material risk.

(c) Cash flow and fair value interest rate risk

The Group has both interest-bearing and non interest-bearing assets and liabilities. The Group monitors its interest expense rate exposure on a regular basis. The Group manages its interest income rate exposure on its gross financial assets by using a combination of fixed rate term deposits.

The Group analyses its interest rate exposure on a regular basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on the income statement of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies, calculated on a full year and pre-tax basis.

The scenarios are only run for liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on the income statement of a 50 basis-point shift in interest rates would be a maximum increase of £9m (2011: £10m) or decrease of £9m (2011: £10m), respectively for the liabilities covered. The simulation is done on a periodic basis to verify that the maximum loss potential is within the limit given by management.

2. Credit Risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers. The credit quality of trade and other receivables is detailed in note 13. Financial institution counterparties are subject to approval under the Group's counterparty risk policy and such approval is limited to financial institutions with a BBB rating or above. The Group uses BBB+ and higher rated counterparties to manage risk and uses BBB rated counterparties by exception. The amount of exposure to any individual counterparty is subject to a limit defined within the counterparty risk policy, which is reassessed annually by the Board. Derivative financial instruments are only traded with counterparties approved in accordance with the Board approved policy. Derivative risk is measured using a risk weighting method.

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below summarises the Group's major financial institution counterparties by credit rating (lower of S&P and Moody's) and balances (cash equivalents, derivative financial instruments, deposits) at the balance sheet date.

Counterparty Risk

Counterparty	2012 Credit rating	2012 Limit £m	2012 Exposure £m	2011 Credit rating	2011 Limit £m	2011 Exposure £m
Bank A	**AA**	**175**	**157**	AA	175	96
Bank B	**A**	**125**	**125**	A	125	93
Bank C	**AAA**	**225**	**124**	AAA	300	100
Bank D	**A**	**125**	**105**	A	125	3
Bank E	**A**	**100**	**97**	A	100	60
Bank F	**A**	**100**	**89**	AA	175	38
Bank G	**A**	**100**	**84**	A	125	86
Bank H	**A**	**100**	**64**	A	100	76
Bank I	**A**	**100**	**48**	A	125	96
Bank J	**A**	**75**	**36**	A	100	10

3. Liquidity Risk

Cash flow forecasting is performed by the local business units and aggregated by GT. GT monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities. Funds over and above those required for short-term working capital purposes by the overseas businesses are generally remitted to GT. The Group uses the remittances to settle obligations, repay borrowings, or, in the event of a surplus, invest in short-term instruments issued by institutions with a BBB rating or better.

Borrowing Facilities

The Group has various borrowing facilities available to it. The Group has bilateral credit facilities with high-quality international banks. All of these facilities have similar or equivalent terms and conditions, and have a financial covenant, which is not expected to restrict the Group's future operations.

At the end of 2012, the Group had, in addition to its long-term debt of £3m (2011: £3m), committed borrowing facilities totalling £4,000m (2011: £3,600m), of which £3,600m exceeded 12 months' maturity. Of the total facilities at the year end, £nil (2011: £nil) was utilised. The committed borrowing facilities, together with available uncommitted facilities and central cash and investments, are considered sufficient to meet the Group's projected cash requirements.

The undrawn committed facilities available, in respect of which all conditions precedent have been met at the balance sheet date, were as follows:

	2012 £m	2011 £m
Undrawn committed borrowing facilities:		
Expiring within one year	**400**	–
Expiring between one and two years	**850**	850
Expiring after more than two years	**2,750**	2,750
	4,000	3,600

All borrowing facilities are at floating rates of interest.

The facilities have been arranged to cover general corporate purposes including support for commercial paper issuance. All facilities incur commitment fees at market rates.

Headroom between net debt and available facilities at 31 December 2012 was £1,574m (2011: £1,805m).

The Group's borrowing limit at 31 December 2012 calculated in accordance with the Articles of Association was £60,468m (2011: £59,823m).

The table below analyses the Group's financial liabilities and the derivatives which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date, including interest to be paid.

At 31 December 2012	**Total £m**	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Commercial paper	**(3,250)**	**(3,250)**	**–**	**–**	**–**
Other borrowings	**(24)**	**(21)**	**–**	**(3)**	**–**
Trade payables	**(948)**	**(948)**	**–**	**–**	**–**
Other payables	**(1,767)**	**(1,750)**	**–**	**(17)**	**–**

At 31 December 2011	Total £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Commercial paper	(2,469)	(2,469)	–	–	–
Other borrowings	(39)	(36)	–	(3)	–
Trade payables	(1,002)	(1,002)	–	–	–
Other payables	(1,793)	(1,754)	(22)	(17)	–

14 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below analyses the Group's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period between the balance sheet and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows which have been calculated using spot rates at the relevant balance sheet date.

At 31 December 2012	**Less than 1 year £m**	**Between 1 and 2 years £m**	**Between 2 and 5 years £m**	**Over 5 years £m**
Forward exchange contracts				
Outflow	**(4,233)**	**(70)**	**–**	**–**
Inflow	**4,190**	**70**	**–**	**–**

At 31 December 2011	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Forward exchange contracts				
Outflow	(3,175)	–	–	–
Inflow	3,242	–	–	–

4. Capital Management

The Group considers capital to be net debt plus total equity. Net debt is calculated as total borrowings less cash and cash equivalents, short-term available for sale financial assets and financing derivative financial instruments (refer to note 16). Total equity includes share capital, reserves and retained earnings as shown in the consolidated balance sheet.

	2012 £m	2011 £m
Net debt (note 16)	**2,426**	1,795
Total equity	**5,922**	5,781
	8,348	7,576

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital.

In maintaining an appropriate capital structure and providing returns for Shareholders, the Company provided returns to Shareholders in 2012 in the form of dividends and the buy back of shares. Refer to notes 27 and 22 respectively.

The Group monitors net debt and at year end the Group had net debt of £2,426m (2011: £1,795m). The Group seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

15 CASH AND CASH EQUIVALENTS

	2012 £m	2011 £m
Cash at bank and in hand	**371**	312
Short-term bank deposits	**516**	327
Cash and cash equivalents	**887**	639

The Group operates in a number of territories, where there are either foreign currency exchange restrictions or where it is difficult for the Group to extract cash readily and easily in the short-term. As a result £115m (2011: £67m) of cash included in cash and cash equivalents is restricted for use by the Group.

16 FINANCIAL LIABILITIES – BORROWINGS

Current	2012 £m	2011 £m
Bank loans and overdrafts[1]	**19**	35
Commercial paper[2]	**3,250**	2,469
Finance lease obligations	**2**	1
	3,271	2,505

Non-current	2012 £m	2011 £m
Finance lease obligations	**3**	3
	3	3

[1] Bank loans are denominated in a number of currencies, all are unsecured and bear interest based on relevant LIBOR equivalent.

[2] Commercial paper was issued in US dollars, is unsecured and bears interest based on relevant LIBOR equivalent.

Maturity of debt	2012 £m	2011 £m
Bank loans and overdrafts repayable:		
Within one year or on demand	**19**	35
Other borrowings repayable:		
Within one year:		
Commercial paper	**3,250**	2,469
Finance leases	**2**	1
Between two and five years:		
Finance leases (payable by instalments)	**3**	3
	3,255	2,473
Gross borrowings (unsecured)	**3,274**	2,508

Analysis of net debt	2012 £m	2011 £m
Cash and cash equivalents	**887**	639
Overdrafts	**(5)**	(5)
Borrowings (excluding overdrafts)	**(3,269)**	(2,503)
Other	**(39)**	74
	(2,426)	(1,795)

Reconciliation of net debt	2012 £m	2011 £m
Net debt at beginning of year	**(1,795)**	(2,011)
Net increase in cash and cash equivalents	**264**	88
Repayment of borrowings	**112**	400
Proceeds from borrowings	**(887)**	(249)
Borrowings acquired in business combination	**(99)**	–
Exchange and other movements	**(21)**	(23)
Net debt at end of year	**(2,426)**	(1,795)

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring provision £m	Other provisions £m	Total provisions £m
At 1 January 2011	93	216	309
Charged to the income statement	92	23	115
Utilised during the year	(156)	(89)	(245)
Exchange adjustments	1	(2)	(1)
At 31 December 2011	30	148	178
Charged to the income statement	123	42	165
Arising on business combination	–	45	45
Utilised during the year	(87)	(49)	(136)
Released to the income statement	–	(23)	(23)
Exchange adjustments	–	(1)	(1)
At 31 December 2012	**66**	**162**	**228**

Provisions have been analysed between current and non-current as follows:

	2012 £m	2011 £m
Current	**128**	60
Non-current	**100**	118
	228	178

Other provisions include onerous lease provisions expiring between 2014 and 2016 of £7m (2011: £12m). The remainder of the balance relates to various legal, regulatory, environmental and other obligations throughout the Group, the majority of which are expected to be utilised within five years. The restructuring provision principally relates to redundancies, the majority of which are expected to be utilised within one year.

18 OPERATING LEASE COMMITMENTS

	2012 £m	2011 £m
Total future minimum lease payments under non-cancellable operating leases due:		
Within one year	**37**	41
Later than one and less than five years	**72**	92
After five years	**32**	28
	141	161

Operating lease rentals charged to the income statement in 2012 were £54m (2011: £62m).

As at 31 December 2012, total amounts expected to be received under non-cancellable sub-lease arrangements were £5m (2011: £6m).

Amounts credited to the income statement in respect of sub-lease arrangements were £2m (2011: £2m).

19 CONTINGENT LIABILITIES

Contingent liabilities comprising guarantees relating to subsidiary undertakings, at 31 December 2012 amounted to £3m (2011: £4m).

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 UK regarding alleged anti-competitive activity involving the Gaviscon brand. The claim is under review and although it is at an early stage, 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 disputes 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.

20 TRADE AND OTHER PAYABLES

	2012 £m	2011 £m
Trade payables	**948**	1,002
Other payables	**119**	71
Other tax and social security payable	**98**	106
Accruals	**1,677**	1,722
	2,842	2,901

21 PENSION AND OTHER POST-RETIREMENT COMMITMENTS

The Group operates a number of defined benefit and defined contribution pension schemes around the world covering many of its employees, which are principally funded. The Group's most significant defined benefit pension scheme (UK) is funded by the payment of contributions to separately administered trust funds. The Group also operates a number of other post-retirement schemes in certain countries. The major scheme is in the US (US Retiree Health Care Scheme), where salaried participants become eligible for retiree health care benefits after they reach a combined 'age and years of service rendered' figure of 70, although the age must be a minimum of 55. As at 31 December 2012 there were 2,691 (2011: 2,584) eligible retirees and 1,193 (2011: 1,312) current employees potentially eligible. This scheme is unfunded.

Pension costs for the year are as follows:

	2012 £m	2011 £m
Defined contribution schemes	**25**	26
Defined benefit schemes (net charge)	**25**	25
Total pension costs recognised in the income statement (note 5)	**50**	51

For the largest UK scheme, a full independent actuarial valuation was carried out at 5 April 2010 and updated at 31 December 2012. For the US scheme, a full independent actuarial valuation was carried out at 1 January 2012 and updated at 31 December 2012. The projected unit valuation method was used for the UK and US scheme valuations. The major assumptions used by the actuaries for the two major schemes as at 31 December 2012 were:

	2012		2011	
	UK %	**US (medical) %**	UK %	US (medical) %
Rate of increase in pensionable salaries	**4.5**	–	4.6	–
Rate of increase in deferred pensions during deferment	**2.9**	–	3.1	–
Rate of increase in pension payments – pensioners	**2.7**	–	3.1	–
Rate of increase in pension payments – non-pensioners	**2.7**	–	3.1	–
Discount rate	**4.3**	**4.1**	4.8	4.7
Inflation assumption	**3.0**	–	3.1	–
Annual medical cost inflation	–	**5.0–9.0**	–	5.0–9.0
Long-term expected rate of return on:				
Equities	**7.0**	–	8.1	–
Bonds	**4.3**	–	4.8	–
Other	**5.7**	–	6.6	–

The expected rate of return on plan assets is based on market expectations at the beginning of the period for returns over the entire life of the benefit obligation. Assumptions regarding future mortality experience are set in accordance with published statistics and experience in each territory. For the UK scheme the mortality assumptions were based on the following tables; the average life expectancy in years of a pensioner retiring at aged 60 on the balance sheet date is as follows:

	2012 years	2011 years
Male	**28.2**	28.0
Female	**30.1**	29.8

For the UK scheme the mortality assumptions were based on the standard SAPS mortality table 1NMA for males and 1NFA for females. The average life expectancy in years of a pensioner retiring at aged 60, 15 years after the balance sheet date, is as follows:

	2012 years	2011 years
Male	**30.0**	29.8
Female	**31.9**	31.7

For the US scheme the mortality assumptions were determined using the RP2000 combined table. The average life expectancy in years of a pensioner retiring at age 60 on the balance sheet date is 24.1 years (2011: 24.0 years) for males and 25.8 years (2011: 25.8 years) for females.

Impact of medical cost trend rates

A one percentage point change in the assumed health care cost trend rates would have the following effects:

	2012		2011	
	+1% £m	**-1% £m**	+1% £m	-1% £m
Effect on service cost and interest cost	**2**	**(1)**	2	(1)
Effect on post-retirement benefit obligation	**20**	**(16)**	20	(16)

21 PENSION AND OTHER POST-RETIREMENT COMMITMENTS (CONTINUED)

The amounts recognised in the balance sheet are determined as follows:

	2012				2011			
	UK £m	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (medical) £m	Other £m	Total £m
Total equities	**407**	**-**	**143**	**550**	397	–	114	511
Total bonds	**521**	**-**	**102**	**623**	436	–	73	509
Total other assets	**76**	**-**	**32**	**108**	63	–	29	92
Fair value of plan assets	**1,004**	**-**	**277**	**1,281**	896	–	216	1,112
Present value of scheme liabilities	**(1,181)**	**(128)**	**(371)**	**(1,680)**	(1,092)	(133)	(357)	(1,582)
Net liability recognised in the balance sheet	**(177)**	**(128)**	**(94)**	**(399)**	(196)	(133)	(141)	(470)

Other represents the total of post-retirement benefits and Group defined benefit schemes not material for individual disclosure.

The net pension liability is recognised in the balance sheet as follows:

	2012 £m	2011 £m
Non-current asset:		
Funded scheme surplus	**27**	32
Non-current liability:		
Funded scheme deficit	**(184)**	(265)
Unfunded scheme liability	**(242)**	(237)
Retirement benefit obligation	**(426)**	(502)
Net pension liability	**(399)**	(470)

None of the pension schemes' assets includes an investment in shares or other instruments of the Company.

The amounts recognised in the income statement are as follows:

	2012				2011			
	UK £m	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (medical) £m	Other £m	Total £m
Current service cost	**(8)**	**(3)**	**(11)**	**(22)**	(8)	(3)	(9)	(20)
Curtailment gain	**–**	**4**	**–**	**4**	–	–	–	–
Expected return on pension scheme assets	**48**	**–**	**16**	**64**	56	–	16	72
Interest on pension scheme liabilities	**(51)**	**(6)**	**(14)**	**(71)**	(55)	(6)	(16)	(77)
Total charge to the income statement	**(11)**	**(5)**	**(9)**	**(25)**	(7)	(9)	(9)	(25)

Cumulative actuarial gains and losses recognised in other comprehensive income:

	2012 £m	2011 £m
At 1 January	**(298)**	(214)
Net actuarial loss recognised in the year (note 7)	**(64)**	(84)
At 31 December	**(362)**	(298)

The movements in the amounts recognised in the balance sheet are as follows:

	2012				2011			
Movement of net liability during the year	**UK £m**	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (medical) £m	Other £m	Total £m
Deficit at 1 January	**(196)**	**(133)**	**(141)**	**(470)**	(193)	(121)	(139)	(453)
Current service cost	**(8)**	**(3)**	**(11)**	**(22)**	(8)	(3)	(9)	(20)
Curtailment gain	**–**	**4**	**–**	**4**	–	–	–	–
Contributions	**70**	**6**	**75**	**151**	45	6	36	87
Other finance income/(costs)	**(3)**	**(6)**	**2**	**(7)**	1	(6)	–	(5)
Actuarial loss	**(40)**	**(2)**	**(22)**	**(64)**	(41)	(7)	(36)	(84)
Exchange adjustments	**–**	**6**	**3**	**9**	–	(2)	7	5
Deficit at 31 December	**(177)**	**(128)**	**(94)**	**(399)**	(196)	(133)	(141)	(470)

The actual return on plan assets was a gain of £83m (2011: £34m gain) for the UK scheme. Included within contributions above are employee contributions of £1m (2011: £1m).

21 PENSION AND OTHER POST-RETIREMENT COMMITMENTS (CONTINUED)

Changes in the present value of scheme liabilities are as follows:

	2012				2011			
	UK £m	**US (medical) £m**	**Other £m**	**Total £m**	UK £m	US (medical) £m	Other £m	Total £m
Present value of liabilities at 1 January	**1,092**	**133**	**357**	**1,582**	1,051	121	335	1,507
Current service cost	**8**	**3**	**11**	**22**	8	3	9	20
Curtailment gain	–	**(4)**	**–**	**(4)**	–	–	–	–
Interest cost	**51**	**6**	**14**	**71**	55	6	16	77
Employee contributions	**1**	**–**	**–**	**1**	1	–	–	1
Benefits paid	**(46)**	**(6)**	**(20)**	**(72)**	(42)	(6)	(20)	(68)
Actuarial losses	**75**	**2**	**22**	**99**	19	7	26	52
Exchange adjustments	**–**	**(6)**	**(13)**	**(19)**	–	2	(9)	(7)
Present value of liabilities at 31 December	**1,181**	**128**	**371**	**1,680**	1,092	133	357	1,582

Changes in the fair value of plan assets are as follows:

	2012			2011		
	UK £m	**Other £m**	**Total £m**	UK £m	Other £m	Total £m
Fair value of plan assets at 1 January	**896**	**216**	**1,112**	858	196	1,054
Expected rate of return	**48**	**16**	**64**	56	16	72
Contributions	**71**	**81**	**152**	46	42	88
Benefits paid	**(46)**	**(26)**	**(72)**	(42)	(26)	(68)
Actuarial gains/(losses)	**35**	**–**	**35**	(22)	(10)	(32)
Exchange adjustments	**–**	**(10)**	**(10)**	–	(2)	(2)
Fair value of plan assets at 31 December	**1,004**	**277**	**1,281**	896	216	1,112

History of experience gains and losses:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Experience adjustments arising on scheme assets:					
Amount	**35**	(32)	31	70	(191)
Percentage of scheme assets	**2.7%**	(2.9%)	2.9%	8.7%	(26.9%)
Experience adjustments arising on scheme liabilities:					
Amount	**(99)**	(52)	(36)	(172)	106
Percentage of scheme liabilities	**(5.9%)**	3.3%	2.4%	14.7%	(10.5%)
Present value of scheme liabilities	**(1,680)**	(1,582)	(1,507)	(1,172)	(1,011)
Fair value of scheme assets	**1,281**	1,112	1,054	801	710
Net pension liability	**(399)**	(470)	(453)	(371)	(301)

Expected employer contributions to be paid to funded defined benefit schemes in 2013 are £97m for the UK and £3m for other schemes.

22 SHARE CAPITAL

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2012	728,621,602	73	2	–
Allotments	5,589,155	–	–	–
At 31 December 2012	**734,210,757**	**73**	**2**	**–**

	Equity ordinary shares	Nominal value £m	Subscriber ordinary shares	Nominal value £m
Issued and fully paid				
At 1 January 2011	725,853,970	73	2	–
Allotments	2,767,632	–	–	–
At 31 December 2011	728,621,602	73	2	–

The holders of ordinary shares (par value 10p) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Parent Company.

The holders of subscriber ordinary shares (par value £1) have no entitlement to dividends. Holders have no right to attend or vote at any general meeting of the Company unless a resolution is proposed to wind up the Company or vary the rights attached to the subscriber shares.

Allotment of ordinary shares

During the year 5,589,155 ordinary shares (2011: 2,767,632 ordinary shares) were allotted to satisfy vestings/exercises under the Group's various share schemes as follows:

	2012		2011	
Ordinary shares of 10p	**Number of shares**	**Consideration £m**	Number of shares	Consideration £m
Executive Share Options – exercises	**3,024,735**	**74**	931,462	22
Restricted Shares Awards – vesting	**1,405,345**	**–**	1,493,061	–
Total under Executive Share Option and Restricted Share Schemes	**4,430,080**	**74**	2,424,523	22
Senior Executives Share Ownership Policy Plan – vesting	**20,000**	**–**	70,000	–
Savings-Related Share Option Schemes – exercises	**1,139,075**	**24**	273,109	5
Total	**5,589,155**	**98**	2,767,632	27

Market purchases of shares

During 2012, the Company established a share buy back programme and purchased 14,991,643 equity ordinary shares (2011: nil) all of which are held as Treasury shares. The total amount paid to acquire the shares was £535m (including stamp duty) which has been deducted from Shareholders' equity. No Treasury shares were released in 2012, leaving a balance held at 31 December 2012 of 14,991,643 (2011: nil).

23 SHARE-BASED PAYMENTS

The Group operates a number of incentive schemes, including a share option scheme, a restricted share scheme, and other share award schemes. All schemes are equity settled. The charge for share-based payments for the year was £49m (2011: £61m).

Executive Share Awards

Share options and restricted shares (Executive Share Awards) are awarded to the Top400 Management Group. Executive share awards have a contractual life of 10 years but vest according to the following compound average annual growth (CAAG) rates in earnings per share over a three-year period:

CAAG per year (%)	Earnings per share growth over three years (%)	% of options and shares vesting
9	29.5	100
8	26.0	80
7	22.5	60
6	19.1	40

The cost is spread over the three years of the performance period. For Executive Committee and Top40 members vesting conditions are not retested. For remaining Top400 members the targets can be retested over four or five years. If any target has not been met any remaining shares or options which have not vested will lapse.

Other Share Awards

Other share awards represent SAYE Schemes (offered to all staff within the relevant geographic area) and a number of Senior Executive Share Ownership Policy Plan (SOPP) awards. Other share awards have contractual lives of three to seven years and are generally not subject to any vesting criteria other than the employee's continued employment.

Individual tranches of these other share awards are not material for detailed disclosure and therefore have been aggregated in the tables below.

All outstanding Executive and Other share awards as at 31 December 2012 and 31 December 2011 are included in the tables below which analyse the charge for 2012 and 2011. The Group has used the Black-Scholes model to calculate the fair value of one award on the date of the grant of the award.

Table 1: Fair value

				Black-Scholes model assumptions					
Award	Grant date	Exercise price £	Performance period	Share price on grant date £	Volatility %	Dividend yield %	Life years	Risk-free interest rate %	Fair value of one award £
Share options									
2002	17 December 2001	9.50	2002-04	9.70	25	2.7	4	4.50	1.95
2003	22 November 2002	11.19	2003-05	10.96	25	2.7	4	4.50	2.05
2004	08 December 2003	12.76	2004-06	12.80	24	2.6	4	4.50	2.46
2005	06 December 2004	15.47	2005-07	15.44	23	2.3	4	4.88	2.99
2006	05 December 2005	18.10	2006-08	18.16	22	2.4	4	4.69	3.33
2007	08 December 2006	22.57	2007-09	23.00	20	2.2	4	4.65	4.23
2008	11 December 2007	29.44	2008-10	29.72	20	1.8	4	5.53	5.99
2009	08 December 2008	27.29	2009-11	27.80	25	3.1	4	2.78	4.69
2010	07 December 2009	31.65	2010-12	31.80	26	3.5	4	1.69	4.70
2011	01 December 2010	34.64	2011-13	34.08	26	4.3	4	2.16	4.49
2012	05 December 2011	32.09	2012-14	32.19	25	5.4	4	1.00	3.18
2013	03 December 2012	39.14	2013-15	39.66	20	4.3	4	0.61	3.29
Restricted shares									
2006	05 December 2005	–	2006-08	18.16	22	2.4	4	4.69	16.38
2007	08 December 2006	–	2007-09	23.00	20	2.2	4	4.65	21.01
2008	11 December 2007	–	2008-10	29.72	20	1.8	4	5.53	27.55
2009	08 December 2008	–	2009-11	27.80	25	3.1	4	2.78	24.31
2010	07 December 2009	–	2010-12	31.80	26	3.5	4	1.69	27.23
2011	01 December 2010	–	2011-13	34.08	26	4.3	4	2.16	28.22
2012	05 December 2011	–	2012-14	32.19	25	5.4	4	1.00	25.30
2013	03 December 2012	–	2013-15	39.66	20	4.3	4	0.61	32.76

23 SHARE-BASED PAYMENTS (CONTINUED)

Table 2: Share awards movements 2012

Award	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2012 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2012 number
			Movement in number of options				
Share options							
2003	22 November 2002	2.05	67,319	–	–	(67,319)	–
2004	08 December 2003	2.46	263,000	–	–	(196,000)	67,000
2005	06 December 2004	2.99	398,511	–	–	(233,000)	165,511
2006	05 December 2005	3.33	581,971	–	–	(318,671)	263,300
2007	08 December 2006	4.23	1,516,358	–	(1,000)	(355,000)	1,160,358
2008	11 December 2007	5.99	2,790,669	–	(3,000)	(943,590)	1,844,079
2009	08 December 2008	4.69	2,991,334	–	(5,353)	(813,696)	2,172,285
2010	07 December 2009	4.70	3,229,322	–	(182,958)	(91,202)	2,955,162
2011	01 December 2010	4.49	3,559,047	–	(496,841)	(6,257)	3,055,949
2012	05 December 2011	3.18	4,020,400	(686,800)	(147,161)	–	3,186,439
2013	03 December 2012	3.29	–	4,022,000	–	–	4,022,000
Restricted shares							
2009	08 December 2008	24.31	1,338,916	–	(2,000)	(1,336,916)	–
2010	07 December 2009	27.23	1,493,830	–	(86,447)	(63,197)	1,344,186
2011	01 December 2010	28.22	1,620,015	25,000	(243,371)	(5,232)	1,396,412
2012	05 December 2011	25.30	2,010,200	(461,550)	(71,079)	–	1,477,571
2013	03 December 2012	32.76	–	1,986,000	–	–	1,986,000
Other share awards							
UK SAYE	Various	Various	754,823	152,282	(77,753)	(166,366)	662,986
US SAYE	Various	Various	722,362	203,972	(109,551)	(173,047)	643,736
Overseas SAYE	Various	Various	1,975,152	7,956	(99,103)	(799,662)	1,084,343
SOPP	Various	Various	100,000	110,000	(10,000)	(20,000)	180,000
Weighted average exercise price (share options)			£29.53	£38.11	£33.46	£24.37	£32.13

Table 3: Share awards movements 2011

Award	Grant date	Fair value of one award £	Options outstanding at 1 Jan 2011 number	Granted/ adjustments number	Lapsed number	Exercised number	Options outstanding at 31 Dec 2011 number
			Movement in number of options				
Share options							
2002	17 December 2001	1.95	22,843	–	–	(22,843)	–
2003	22 November 2002	2.05	149,811	–	–	(82,492)	67,319
2004	08 December 2003	2.46	284,000	–	–	(21,000)	263,000
2005	06 December 2004	2.99	443,450	–	–	(44,939)	398,511
2006	05 December 2005	3.33	664,971	–	–	(83,000)	581,971
2007	08 December 2006	4.23	1,743,730	–	(2,000)	(225,372)	1,516,358
2008	11 December 2007	5.99	3,213,685	1,283	(11,899)	(412,400)	2,790,669
2009	08 December 2008	4.69	3,129,345	924	(104,473)	(34,462)	2,991,334
2010	07 December 2009	4.70	3,424,162	–	(189,886)	(4,954)	3,229,322
2011	01 December 2010	4.49	4,030,100	(373,250)	(97,803)	–	3,559,047
2012	05 December 2011	3.18	–	4,020,400	–	–	4,020,400
Restricted shares							
2008	11 December 2007	27.56	1,449,177	–	(5,000)	(1,444,177)	–
2009	08 December 2008	24.31	1,427,350	–	(45,334)	(43,100)	1,338,916
2010	07 December 2009	27.23	1,589,734	–	(90,120)	(5,784)	1,493,830
2011	01 December 2010	28.22	2,000,050	(334,150)	(45,885)	–	1,620,015
2012	05 December 2011	25.30	–	2,010,200	–	–	2,010,200
Other share awards							
UK SAYE	Various	Various	651,679	321,297	(88,724)	(129,429)	754,823
US SAYE	Various	Various	653,105	243,704	(85,416)	(89,031)	722,362
Overseas SAYE	Various	Various	1,058,240	1,157,569	(186,008)	(54,649)	1,975,152
SOPP	Various	Various	130,000	40,000	–	(70,000)	100,000
Weighted average exercise price (share options)			£28.75	£31.83	£31.14	£23.54	£29.53

For options outstanding at the year end the weighted average remaining contractual life is 5.69 years (2011: 5.59 years). Options outstanding at 31 December 2012 that could have been exercised at that date were 5,672,533 (2011: 5,617,828) with a weighted average exercise price of £26.08 (2011: £24.42).

23 SHARE-BASED PAYMENTS (CONTINUED)

The assumptions made within the valuation calculation with respect to the achievement of performance criteria are based on the Directors' expectations in light of the Group's business model and relevant published targets.

Under the terms of the plans, early exercise may only be granted in exceptional circumstances and therefore the effect of early exercise is not incorporated into the calculation.

The calculation also assumes that there will be no leavers in the following year. No material modifications have been made to the plans in 2012 or 2011 for the purposes of the valuation.

Volatility: An estimate of future volatility is made with reference to historical volatility over a similar time period to the performance period or the contractual life as appropriate.

Historical volatility is calculated based on the annualised standard deviation of the Group's daily share price movement, being an approximation to the continuously compounded rate of return on the share.

National Insurance contributions are payable in respect of certain share-based payment transactions and are treated as cash-settled transactions. The contribution in 2012 was £27m (2011: £19m).

The weighted average share price for the year was £35.79 (2011: £33.07).

Options and restricted shares granted during the year

Options and restricted shares which may vest or become exercisable at various dates between 2014 and 2020 are as follows:

	Price to be paid £	Number of shares under option
Reckitt Benckiser Senior Executives Share Ownership Policy Plan	–	110,000
Long-Term Incentive Plan 2007 – share options (July)	34.78	1,600
Long-Term Incentive Plan 2007 – restricted shares (July)	–	800
Long-Term Incentive Plan 2007 – share options (December)	39.14	4,020,400
Long-Term Incentive Plan 2007 – restricted shares (December)	–	1,985,200
Total		**6,118,000**
Savings-Related Share Option Schemes		
UK Scheme	28.36	152,282
US Scheme	28.36	203,972
Total		**356,254**

Options and restricted shares unvested/unexercised at 31 December 2012

Options and restricted shares which have vested or may vest at various dates between 2013 and 2020 are as follows:

	Price to be paid £		Number of shares under option	
Executive share option and restricted share schemes	From	To	2012	2011
Reckitt Benckiser 1999 Share Option Plan – Annual Grant	12.76	18.10	**495,811**	1,310,801
Reckitt Benckiser Long-term Incentive Plan 2006 – Annual Grant – options		22.57	**1,160,358**	1,516,358
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – options	27.29	39.14	**17,235,914**	16,590,772
Reckitt Benckiser Long-term Incentive Plan 2007 – Annual Grant – restricted shares		–	**6,204,169**	6,462,961
Reckitt Benckiser Senior Executives Share Ownership Policy Plan		–	**180,000**	100,000
			25,276,252	25,980,892

	Price to be paid £		Number of shares under option	
Savings-related share option schemes	From	To	2012	2011
UK Scheme	13.71	28.36	**662,986**	754,823
Overseas Scheme	21.95	27.99	**1,084,343**	1,975,152
US Scheme	22.88	28.36	**643,736**	722,362
Total			**2,391,065**	3,452,337

Executive Share Options are awarded at an exercise price determined on grant and payable on exercise following satisfaction of performance criteria.

Restricted share awards entitle the recipient to receive shares at no cost following satisfaction of performance criteria.

24 RETAINED EARNINGS AND OTHER RESERVES

Within all subsidiaries of the Group there were statutory, contractual or exchange control restrictions limiting the Parent Company's access to distributable profits of £3,616m (2011: £4,137m). The reserves of subsidiary undertakings have generally been retained to finance their businesses.

Reserves

The merger reserve relates to the 1999 combination of Reckitt & Colman plc and Benckiser N.V. and a Group reconstruction in 2007 treated as a merger under Part 27 of the Companies Act 2006.

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedge transactions that are extant at year end.

The foreign currency translation reserve contains the accumulated foreign exchange differences from the translation of the financial statements of the Group's foreign operations arising when the Group's entities are consolidated. The reserve also contains the translation of liabilities that hedge the Group's net exposure in a foreign currency.

25 RELATED PARTY TRANSACTIONS

On 31 May 2012 the Group acquired the remaining non-controlling interest in Beleggingsmaatschappij Lemore BV (BLBV), the holding company of OOO Medcom MP (Medcom) from Abraca B.V., for £104m including transaction costs. Medcom is the Group's Russian distributor of condoms, footcare products and medical gloves and devices. Prior to acquisition the Group paid rental charges of less than £1m to a director of the non-controlling interest.

On 9 November 2012 the Group sold its investment in TTK-LIG for £18m to the non-controlling interest (T.T. Krishnamachari & Co) and simultaneously purchased inventories of £9m from, and paid less than £1m to terminate an R&D agreement with the non-controlling interest. There was no gain or loss on disposal. On the same date the Group purchased the non-controlling interest in SSL-TTK Limited from T.T. Krishnamachari & Co for £2m.

In 2011 the Group transacted with the non-controlling interests of SSL-TTK Limited, TTK-LIG Limited and OOO Medcom MP. This included sales of £1m, the payment of packing and other charges of £1m, and rental charges of less than £1m. At 31 December 2011 the Group had receivables and payables balances of less than £1m with the non-controlling interests.

Key management compensation is disclosed in note 5a.

The principal subsidiary undertakings included in the consolidated financial statements at 31 December 2012 are disclosed in note 2 to the Parent Company financial statements.

26 BUSINESS ACQUISITIONS AND DISPOSALS

a. Acquisition of Schiff

On 14 December 2012 the Group acquired control of Schiff by acquiring 100% of the issued share capital for a consideration of $1.3bn (£813m). Schiff is a leading provider of branded vitamins, nutrition supplements and nutrition bars predominantly in the US. Schiff's vitamins, minerals and supplements (VMS) product portfolio includes a number of market leading brands in the specialist product category in the US.

The Schiff acquisition provides a powerful entry into the large and growing global VMS market and is an ideal addition to the Group's strategic focus in global health and hygiene, providing immediate scale in VMS in the US.

This transaction has been accounted for by the acquisition method.

From the date of acquisition to 31 December 2012 the acquisition contributed £14m to net revenue and £1m to operating profit. Had the acquisition taken place at 1 January 2012, the enlarged Group would show consolidated net revenues of £9,767m, operating profit of £2,422m and operating profit before exceptional items of £2,594m.

All assets and liabilities were recognised at the following provisional fair values. The amount of consideration transferred over the net assets acquired is recognised as goodwill in the Group financial statements.

	Provisional fair value £m
Intangible assets	811
Property, plant and equipment	9
Inventories	27
Trade and other receivables	27
Current tax receivable	9
Cash and cash equivalents	6
Borrowings	(99)
Provisions for liabilities and charges (current)	(42)
Trade and other payables	(37)
Deferred tax liabilities	(268)
Provisions for liabilities and charges (non-current)	(3)
Other non-current liabilities	(1)
Net assets acquired	439
Goodwill	374
Total consideration transferred	813

Total cash consideration	813
Total consideration transferred	813

Acquisition related costs of £9m are included in net operating expenses and disclosed as exceptional items in the income statement.

The intangible assets acquired include the brand assets associated with Airborne, Digestive Advantage, MegaRed, Move Free and Schiff Vitamins.

26 BUSINESS ACQUISITIONS AND DISPOSALS (CONTINUED)

The fair value of trade and other receivables is £27m. The gross contractual amount for trade and other receivables due is £29m of which £2m is expected to be uncollectable.

Included within provisions are contingent liabilities of £26m, which has been recognised in respect of a number of legal claims arising in the normal course of business, the majority of which is expected to be utilised in less than 12 months.

Goodwill represents the strategic premium to enter and establish critical mass in the VMS market in the US, the value of expected synergy savings, and assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

The fair value of identifiable net assets are stated at provisional amounts which will be finalised within the 12-month hindsight period following acquisition. These balances remain provisional due to the proximity of the acquisition to the year end date. Provisional fair value adjustments cover the recognition of acquired intangibles and their associated deferred tax, accounting policy alignment and other fair value adjustments on net working capital, property, plant and equipment, provisions and borrowings.

All assets and liabilities are included within the ENA reportable segment and the health category.

b. Acquisition of SICO
On 17 September 2012 the Group acquired a 100% interest in SICO by acquiring the trade and business assets of the leading Mexican condom manufacturer for cash consideration of £70m. Net cash acquired was £nil.

c. Disposal of Paras personal care
On 29 May 2012 the Group sold the Paras personal care business for £81m, net of cash disposed. A gain of £32m is recognised in the income statement, of which £15m arises from deferred tax.

Refer to note 25 for acquisition and disposals with related parties.

27 DIVIDENDS

	2012 £m	2011 £m
Dividends on equity ordinary shares:		
2011 Final paid: 70p (2010: Final 65p) per share	**511**	472
2012 Interim paid: 56p (2011: Interim 55p) per share	**405**	401
Total dividends for the year	**916**	873

In addition, the Directors are proposing a final dividend in respect of the financial year ended 31 December 2012 of 78p per share which will absorb an estimated £561m of Shareholders' funds. If approved by Shareholders it will be paid on 30 May 2013 to Shareholders who are on the register on 22 February 2013, with an ex-dividend date of 20 February 2013.

28 POST BALANCE SHEET EVENTS

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 for cash consideration of £102m. A further £18m of cash consideration is deferred over the next three years.

On 10 February 2013, the Group entered into a three-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 (c.£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.

Independent Auditors' Report to the Members of Reckitt Benckiser Treasury Services plc

We have audited the financial statements of Reckitt Benckiser Treasury Services plc for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out in page 1 of the Directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

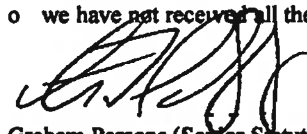
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditors' Report to the Members of Reckitt Benckiser Treasury Services plc

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Graham Parsons (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCooper LLP
Chartered Accountants and Statutory Auditors
London

28 June 2013

Reckitt Benckiser Treasury Services plc

Profit and Loss Account for the Year Ended 31 December 2012

	Note	2012 £ 000	2011 £ 000
Administrative expenses		(6,837)	(9,303)
Other operating income		-	300
Interest receivable and similar income	3	359,990	260,505
Interest payable and similar charges	4	(216,706)	(189,745)
Profit on ordinary activities before taxation		136,447	61,757
Tax on profit on ordinary activities	5	(1,343)	(4,134)
Profit for the financial year	13	135,104	57,623

Notes:

1) The results for the current and prior year derive entirely from continuing operations

2) There is no material difference between the profit on ordinary activities before taxation and the retained profit for the current and prior year stated above and their historical cost equivalents

3) There are no recognised gains or losses in the current or prior years other than the profit reported above Consequently no seperate statement of total recognised gains and losses is presented

4) In accordance with FRS23, the Directors have decided to report the net foreign exchange gains and losses, and have restated 2011's results on a comparable basis

The notes on pages 9 to 18 form an integral part of these financial statements

Reckitt Benckiser Treasury Services plc

(Registration number: 5960843)

Balance Sheet at 31 December 2012

	Note	2012 £ 000	2011 £ 000
Fixed assets			
Investments	6	3,610,237	3,610,237
Current assets			
Debtors due within one year	7	17,810,996	14,291,302
Debtors due after more than one year	8	6,097,794	5,245,631
Investments	9	394,006	185,659
Cash at bank and in hand		41,060	1,335
		24,343,856	19,723,927
Creditors amounts falling due within one year	10	(16,276,703)	(12,000,849)
Net current assets		8,067,153	7,723,078
Total assets less current liabilities		11,677,390	11,333,315
Creditors amounts falling due after more than one year	11	(7,308,854)	(8,352,383)
Net assets		4,368,536	2,980,932
Capital and reserves			
Called up share capital	12	2,000	1,000
Share premium account	13	3,975,335	2,723,835
Profit and loss account	13	391,201	256,097
Total shareholders' funds	14	4,368,536	2,980,932

Approved by the Board on 28 June 2013 and signed on its behalf by

S J Edwards
Director

The notes on pages 9 to 18 form an integral part of these financial statements

Reckitt Benckiser Treasury Services plc

Notes to the Financial Statements for the Year Ended 31 December 2012

1 Accounting policies

Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards The principal accounting policies, which have been applied consistently throughout the current and prior year, are set out below

Debtors

Debtors are initially recorded at cost If there is objective evidence that the Company will not be able to collect the full amount of the debtor, an impairment is recognised through the profit and loss account

Fixed asset investments

Fixed asset investments are stated at the lower of cost and their recoverable amount, which is determined as the higher of net realisable value and value in use A review for the potential impairment of an investment is carried out by the directors if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable Such impairment reviews are performed in accordance with FRS 11' Impairment of fixed assets and goodwill'

Current asset investments

Current asset investments are included at the lower of cost and net realisable value

Taxation

The tax charge/credit is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax liabilities are provided for in full and deferred tax assets are recognised to the extent that they are considered recoverable

Foreign currency balances

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by a forward exchange contract Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate ruling on the balance sheet date or, if appropriate, at a forward contract rate

Exchange differences arising on foreign currency borrowings used to finance equity investments in foreign currencies, together with exchange differences on derivatives used to hedge investments in foreign currencies, have been dealt with through reserves to the extent that they are covered by exchange differences arising on the investments All other exchange differences are included in the profit and loss account

Interest

Interest payable is charged to the profit and loss account as incurred and interest receivable is credited as it falls due

Reckitt Benckiser Treasury Services plc

Notes to the Financial Statements for the Year Ended 31 December 2012

Pension commitments

The Company contributes to a defined contribution scheme on behalf of its employees Payments to the scheme are charged to the profit and loss account in the year that they are incurred

Consolidation

The financial statements contain information about Reckitt Benckiser Treasury Services plc as an individual company and do not contain consolidated financial information as the parent of a group The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent company, Reckitt Benckiser Group plc, a company registered in England and Wales

Creditors

Creditors are initially recorded at cost If there is objective evidence that the Company will not be required to fulfil the liabilities the creditor will be written off through the profit and loss account

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments

2 Staff

The average number of persons employed by the Company during the year, analysed by category was as follows

	2012 No.	2011 No.
Administration and support	6	6

The aggregate payroll costs were as follows

	2012 £ 000	2011 £ 000
Wages and salaries	471	465
Social security costs	50	52
Other staff pension costs	53	54
	574	571

Reckitt Benckiser Treasury Services plc

Notes to the Financial Statements for the Year Ended 31 December 2012

3 Interest receivable and similar income

	2012 £ 000	2011 £ 000
Bank interest receivable	12,414	12,270
Interest receivable from fellow group undertakings	347,576	247,648
Exchange gains - net	-	587
	359,990	260,505

4 Interest payable and similar charges

	2012 £ 000	2011 £ 000
Interest payable to fellow group undertakings	187,248	160,350
Exchange losses - net	40	-
Interest payable on third party borrowings	29,418	29,395
	216,706	189,745

In accordance with FRS23, the Directors have decided to report the net foreign exchange gains and losses, and have restated 2011's results on a comparable basis

5 Taxation

Tax on profit on ordinary activities

	2012 £ 000	2011 £ 000
Current tax		
Corporation tax charge	-	2,470
Prior year adjustment	1	-
UK Corporation tax	1	2,470
Foreign withholding tax	1,342	1,664
Total tax on profit on ordinary activities	1,343	4,134

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24 5% (2011 - 26 49%)

The differences are reconciled below

	2012 £ 000	2011 £ 000
Profit on ordinary activities before taxation	136,447	61,757
Corporation tax at standard rate	33,430	16,361
Non-taxable worldwide debt cap income	(32,088)	(14,757)
Higher rate of tax on overseas earnings	-	61
Prior year adjustment	1	2,469
Total current tax	1,343	4,134

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012 Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 24 5% A further reduction to the main rate has been enacted, reducing the rate by 1% to 23% as at 1 April 2013 Future profits will be taxed at the appropriate rate

Further reductions to the main tax rate have been proposed to reduce the rate by 2% to 21% as at 1 April 2014 and by a further 1% to 20% as at 1 April 2015 Proposed future rate reductions will be reflected when the relevant legislation is substantively enacted No deferred tax is recognised in the Company

Worldwide debt cap

Worldwide debt cap legislation allows the Company to treat intercompany interest income as non-taxable when it is allocated against non-deductible intercompany interest expense within other group companies

6 Fixed asset investments

	2012 £ 000	2011 £ 000
Shares in fellow group undertakings and participating interests	3,610,237	3,610,237

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000	Total £ 000
Net book amount		
At 31 December 2012	3,610,237	3,610,237

Details of undertakings

Details of the investments in which the Company holds share capital are as follows

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings				
Reckitt Benckiser Jersey (No 1) Limited	Jersey	Ordinary	100%	Group finance company
Reckitt Benckiser Jersey (No 2) Limited	Jersey	Ordinary	100%	Group finance company

The directors believe that the carrying value of the investments is supported by their net assets

The Company takes advantage of the exemption under Section 410(2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements A complete list of subsidiary and associated undertakings will be included in the next Reckitt Benckiser Group plc annual return filed with the Registrar of Companies

7 Debtors due within one year

	2012 £ 000	2011 £ 000
Amounts owed by fellow group undertakings	17,808,798	14,288,507
Other debtors	1,035	1,876
Prepayments and accrued income	1,163	919
	17,810,996	14,291,302

Most of the amounts owed by fellow group undertakings are unsecured, interest bearing at LIBOR plus a variety of margins and have no fixed dates of repayment or are repayable within one year (2011 - LIBOR plus a variety of margins)

8 Debtors due after more than one year

	2012 £ 000	2011 £ 000
Amounts owed by fellow group undertakings	6,097,794	5,245,631

The amounts owed by fellow group undertakings are unsecured, interest bearing at LIBOR plus a margin of various rates and have different dates of repayment (2011 - LIBOR plus a variety of margins)

9 Current asset investments

	2012 £ 000	2011 £ 000
Short term deposits	394,006	185,659

10 Creditors: amounts falling due within one year

	2012 £ 000	2011 £ 000
Amounts owed to fellow group undertakings	12,980,656	9,583,201
Accruals and deferred income	57,915	12,087
Bank overdrafts	371	83
Commercial paper issued by the Company	3,237,761	2,405,478
	16,276,703	12,000,849

The amounts owed to fellow group undertakings are unsecured, interest free or interest bearing at LIBOR minus or plus a margin of various rates, and are repayable on demand or within one year (2011 - LIBOR plus a margin) The Commercial Papers are unsecured short term debt instruments, taken out against short term funding

11 Creditors: amounts falling due after more than one year

	2012 £ 000	2011 £ 000
Amounts owed to fellow group undertakings	7,308,854	8,352,383

The amounts owed to fellow group undertakings are unsecured, interest bearing at LIBOR minus or plus a margin of various rates (2011 - LIBOR plus a margin)

Included in the amounts owed to fellow group undertakings are Eurobonds, quoted on the Channel Islands Stock Exchange, of £196,862k (2011 - £1,261,784k) issued to subsidiary undertakings that have an early redemption option attached to them The fair value of each Eurobond is similar to the carrying value and therefore they are disclosed at their carrying value

12 Called up share capital

On 23 May 2012 1,000,000 ordinary shares were issued for cash The nominal value of these shares was £1,000,000 and the consideration received was £1,252 5m

Allotted and fully paid shares

	2012		2011	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	2,000	2,000	1,000	1,000

13 Reserves

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2012	1,000	2,723,835	256,097	2,980,932
Profit for the financial year	-	-	135,104	135,104
Premium on issue of shares	-	1,251,500	-	1,251,500
Issue of share capital	1,000	-	-	1,000
At 31 December 2012	2,000	3,975,335	391,201	4,368,536

14 Reconciliation of movement in shareholder's funds

	2012 £ 000	2011 £ 000
Profit for the financial year	135,104	57,625
New share capital subscribed	1,252,500	-
Net addition to shareholder's funds	1,387,604	57,625
Shareholder's funds at 1 January	2,980,932	2,923,307
Shareholder's funds at 31 December	4,368,536	2,980,932

15 Cash flow statement

The Company is a wholly owned subsidiary of Reckitt Benckiser Group plc which has presented a group cash flow statement in its 2012 group financial statements Therefore, as permitted by Financial Reporting Standard No 1, (revised 1996) 'Cash Flow Statements', the directors have not prepared a cash flow statement for the Company

16 Directors and staff

During the year the Company had 4 directors resident in the UK, none of whom received any emoluments in respect of services to the Company (2011 - 4 directors, no emoluments)

17 Ultimate parent undertakmg and controlling party

The ımmedıate parent company ıs Reckıtt Benckıser plc

The ultımate parent company and controllıng party ıs Reckıtt Benckıser Group plc, whıch ıs the parent undertakıng of the smallest and largest group to consolıdate these financıal statements Copıes of the group financıal statements of Reckıtt Benckıser Group plc can be obtaıned from 103-105 Bath Road, Slough, Berkshıre, SL1 3UH or at http //www rb com

18 Auditors' Remuneratıon

The audıtors' remuneratıon ıs met by the ultımate parent company, Reckıtt Benckıser Group plc and ıs dısclosed ın total ın the group financıal statements No recharge ıs made to ıts subsıdıarıes as ıt ıs not practıcal to make an allocatıon of the audıt fee to each subsıdıary entıty ındıvıdually

19 Related party transactıons

The Company ıs a wholly owned subsıdıary of Reckıtt Benckıser Group plc The Company has taken advantage of the exemptıon wıthın Fınancıal Reportıng Standard No 8 "Related Party Dısclosures", not to dısclose related party transactıons wıth other wholly owned members of the Reckıtt Benckıser group of companıes There were no other related party transactıons (2011 - none)

Independent Auditors' Report to the Members of Reckitt Benckiser Treasury Services plc

We have audited the financial statements of Reckitt Benckiser Treasury Services plc for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out in page 1 of the Directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

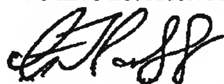
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditors' Report to the Members of Reckitt Benckiser Treasury Services plc

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Graham Parsons (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCooper LLP
Chartered Accountants and Statutory Auditors
London

15 June 2012

Reckitt Benckiser Treasury Services plc

Profit and Loss Account for the Year Ended 31 December 2011

	Note	2011 £ 000	2010 £ 000
Administrative expenses		(9,303)	(4,522)
Other operating income		300	300
Interest receivable and similar income	3	272,298	193,544
Interest payable and similar charges	4	(201,538)	(183,872)
Profit on ordinary activities before taxation		61,757	5,450
Tax on profit on ordinary activities	5	(4,134)	(2,381)
Profit for the financial year	13	57,623	3,069

Notes:

1) The results for the current and prior financial year derive entirely from continuing operations

2) There is no material difference between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents

Administrative expenses includes in 2011 £5,224k of exceptional costs (2010 - £3,538k) relating to the financing of the acquisition of SSL International plc by another group company

The notes on pages 9 to 18 form an integral part of these financial statements

Reckitt Benckiser Treasury Services plc

Statement of Total Recognised Gains and Losses for the Year Ended 31 December 2011

	2011 £ 000	2010 £ 000
Profit for the financial year	57,623	3,069
Exchange differences arising on the translation of fixed asset investments	-	(126,785)
Net exchange differences on foreign currency borrowings and derivatives	-	126,185
Total recognised gains and losses relating to the year	57,623	2,469

The notes on pages 9 to 18 form an integral part of these financial statements

Reckitt Benckiser Treasury Services plc
(Registration number: 5960843)
Balance Sheet at 31 December 2011

	Note	2011 £ 000	2010 £ 000
Fixed assets			
Investments	6	3,610,237	3,610,237
Current assets			
Debtors due within one year	7	14,291,302	11,880,885
Debtors due after more than one year	8	5,245,631	6,789,669
Investments	9	185,659	246,058
Cash at bank and in hand		1,335	4,957
		19,723,927	18,921,569
Creditors amounts falling due within one year	10	(12,000,849)	(10,109,373)
Net current assets		7,723,078	8,812,196
Total assets less current liabilities		11,333,315	12,422,433
Creditors amounts falling due after more than one year	11	(8,352,383)	(9,499,124)
Net assets		2,980,932	2,923,309
Capital and reserves			
Called up share capital	12	1,000	1,000
Share premium account	13	2,723,835	2,723,835
Profit and loss account	13	256,097	198,474
Total shareholder's funds	14	2,980,932	2,923,309

Approved by the Board on 15 June 2012 and signed on its behalf by

S J Edwards
Director

The notes on pages 9 to 18 form an integral part of these financial statements

Reckitt Benckiser Treasury Services plc

Notes to the Financial Statements for the Year Ended 31 December 2011

1 Accounting policies

Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards The principal accounting policies, which have been applied consistently throughout the current and prior financial year, are set out below

Debtors

Debtors are initially recorded at cost If there is objective evidence that the Company will not be able to collect the full amount of the debtor, an impairment is recognised through the profit and loss account

Fixed asset investments

Fixed asset and current asset investments are stated at the lower of cost and their recoverable amount, which is determined as the higher of net realisable value and value in use A review for the potential impairment of an investment is carried out by the directors if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable Such impairment reviews are performed in accordance with FRS 11' Impairment of fixed assets and goodwill'

Current asset investments

Current asset investments are included at the lower of cost and net realisable value

Taxation

The tax charge/credit is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax liabilities are provided for in full and deferred tax assets are recognised to the extent that they are considered recoverable

Deferred tax

A net deferred tax asset is considered recoverable if it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Foreign currency balances

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by a forward exchange contract Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate ruling on the balance sheet date or, if appropriate, at a forward contract rate

Exchange differences arising on foreign currency borrowings used to finance equity investments in foreign currencies, together with exchange differences on derivatives used to hedge investments in foreign currencies, have been dealt with through reserves to the extent that they are covered by exchange differences arising on the investments All other exchange differences are included in the profit and loss account

Interest

Interest payable is charged to the profit and loss account as incurred and interest receivable is credited as it falls due

Pension commitments

The Company contributes to a defined contribution scheme on behalf of its employees Payments to the scheme are charged to the profit and loss account in the year that they are incurred

Consolidation

The financial statements contain information about Reckitt Benckiser Treasury Services plc as an individual company and do not contain consolidated financial information as the parent of a group The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent company, Reckitt Benckiser Group plc, a company registered in England and Wales

Creditors

Creditors are initially recorded at cost If there is objective evidence that the Company will not be required to fulfil the liabilities the creditor will be written off through the profit and loss account

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments

Reckitt Benckiser Treasury Services plc

Notes to the Financial Statements for the Year Ended 31 December 2011

2 Staff

The average number of persons employed by the Company during the year, analysed by category was as follows

	2011 No	2010 No
Administration and support	6	5

The aggregate payroll costs were as follows

	2011 £ 000	2010 £ 000
Wages and salaries	465	469
Social security costs	52	55
Other staff pension costs	54	49
	571	573

3 Interest receivable and similar income

	2011 £ 000	2010 £ 000
Bank interest receivable	12,270	8,702
Interest receivable from group undertakings	247,648	121,163
Exchange gains	12,380	61,599
Stock lending fee	-	2,080
	272,298	193,544

4 Interest payable and similar charges

	2011 £ 000	2010 £ 000
Interest payable to group undertakings	160,350	113,295
Exchange losses	11,793	62,654
Interest payable on third party borrowings	29,395	7,923
	201,538	183,872

Reckitt Benckiser Treasury Services plc

Notes to the Financial Statements for the Year Ended 31 December 2011

5 Taxation

Tax on profit on ordinary activities

	2011 £ 000	2010 £ 000
Current tax		
Corporation tax charge	2,470	1,526
Foreign tax	1,664	855
Total tax on profit on ordinary activities	4,134	2,381

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2010 - higher than) the standard rate of corporation tax in the UK of 26 5% (2010 - 28%)

The differences are reconciled below

	2011 £ 000	2010 £ 000
Profit on ordinary activities before taxation	61,757	5,450
Corporation tax at standard rate	16,361	1,526
Non-taxable worldwide debt cap income	(14,757)	-
Higher rate of tax on overseas earnings	61	-
Prior year adjustment	2,469	-
Foreign tax credit	-	(332)
Foreign tax suffered	-	1,187
Total current tax	4,134	2,381

Reckitt Benckiser Treasury Services plc

Notes to the Financial Statements for the Year Ended 31 December 2011

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changed from 28% to 26% with effect from 1 April 2011 Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 26 5% Further reductions to the main rate have been enacted, reducing the rate by 2% to 24% as at 1 April 2012 Future profits will be taxed at the appropriate rate

Further reductions to the main tax rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014 Proposed future rate reductions will be reflected when the relevant legislation is substantively enacted No deferred tax is recognised in the Company

6 Fixed asset investments

	2011 £ 000	2010 £ 000
Shares in group undertakings and participating interests	3,610,237	3,610,237

Shares in group undertakings and participating interests

	Subsidiary undertakings £ 000	Total £ 000
Net book amount		
At 31 December 2011	3,610,237	3,610,237

Details of undertakings

Details of the investments in which the Company holds share capital are as follows

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings				
Reckitt Benckiser Jersey (No 1) Limited	Jersey	Ordinary	100%	Group finance company
Reckitt Benckiser Jersey (No 2) Limited	Jersey	Ordinary	100%	Group finance company

The directors believe that the carrying value of the investments is supported by their net assets

The Company takes advantage of the exemption under Section 410(2) of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements A complete list of subsidiary and associated undertakings will be included in the next Reckitt Benckiser Group plc annual return filed with the Registrar of Companies

7 Debtors due within one year

	2011 £ 000	2010 £ 000
Amounts owed by fellow group undertakings	14,288,507	11,876,327
Other debtors	1,876	652
Prepayments and accrued income	919	3,906
	14,291,302	11,880,885

Most of the amounts owed by fellow group undertakings are unsecured, interest bearing at LIBOR plus a variety of margins and have no fixed dates of repayment or are repayable within one year (2010 LIBOR plus a variety of margins)

Included in amounts owed by fellow group undertakings is £302k (2010 £768k) which is unsecured, repayable on demand and non-interest bearing

The 2010 figures have been restated to correct the 'Amounts owed by fellow group undertakings'

Reckitt Benckiser Treasury Services plc

Notes to the Financial Statements for the Year Ended 31 December 2011

8 Debtors due after more than one year

	2011 £ 000	2010 £ 000
Amounts owed by fellow group undertakings	5,245,631	6,789,669

The amounts owed by fellow group undertakings are unsecured, interest bearing at LIBOR plus a margin of various rates and have different dates of repayment (2010 LIBOR plus a variety of margins)

9 Current asset investments

	2011 £ 000	2010 £ 000
Short term deposits	185,659	246,058

Reckitt Benckiser Treasury Services plc

Notes to the Financial Statements for the Year Ended 31 December 2011

10 Creditors. amounts falling due within one year

	2011 £ 000	2010 £ 000
Amounts owed to fellow group undertakings	9,583,200	7,507,373
Accruals and deferred income	12,088	6,960
Bank overdrafts	83	137
Commercial paper issued by the Company	2,405,478	2,594,903
	12,000,849	10,109,373

The amounts owed to fellow group undertakings are unsecured, interest free or interest bearing at LIBOR minus or plus a margin of various rates and are repayable on demand or within one year (2010 LIBOR plus a margin)

Included in the amounts owed to fellow group undertakings are quoted Eurobonds of £1,261,784k (2010 - £1,634,944k) issued to subsidiary undertakings that have an early redemption option attached to them The fair value of each Eurobond is similar to the carrying value and therefore they are disclosed at their carrying value

11 Creditors amounts falling due after more than one year

	2011 £ 000	2010 £ 000
Amounts owed to fellow group undertakings	8,352,383	9,499,124

The amounts owed to fellow group undertakings are unsecured, interest bearing at LIBOR minus or plus a margin of various rates (2010 LIBOR plus a margin)

12 Called up share capital

Allotted and fully paid shares

	2011		2010	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

Reckitt Benckiser Treasury Services plc

Notes to the Financial Statements for the Year Ended 31 December 2011

13 Reserves

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2011	1,000	2,723,835	198,474	2,923,309
Profit for the financial year	-	-	57,623	57,623
At 31 December 2011	1,000	2,723,835	256,097	2,980,932

14 Reconciliation of movement in shareholder's funds

	2011 £ 000	2010 £ 000
Profit for the financial year	57,623	3,069
Other recognised gains and losses relating to the year	-	(600)
New share capital subscribed	-	900,000
Net addition to shareholder's funds	57,623	902,469
Shareholder's funds at 1 January	2,923,309	2,020,840
Shareholder's funds at 31 December	2,980,932	2,923,309

Reckitt Benckiser Treasury Services plc

Notes to the Financial Statements for the Year Ended 31 December 2011

15 Cash flow statement

The Company is a wholly owned subsidiary of Reckitt Benckiser Group plc which has presented a group cash flow statement in its 2011 group financial statements Therefore, as permitted by Financial Reporting Standard No 1, (revised 1996) 'Cash Flow Statements', the directors have not prepared a cash flow statement for the Company

16 Directors and staff

During the year the Company had 4 directors resident in the UK, none of whom received any emoluments in respect of services to the Company (2010 - 4 directors, no emoluments)

17 Ultimate parent undertaking and controlling party

The immediate parent company is Reckitt Benckiser plc

The ultimate parent company and controlling party is Reckitt Benckiser Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements Copies of the group financial statements of Reckitt Benckiser Group plc can be obtained from 103-105 Bath Road, Slough, Berkshire, SL1 3UH

18 Auditors' Remuneration

The auditors' remuneration is met by the ultimate parent company, Reckitt Benckiser Group plc and is disclosed in total in the group financial statements No recharge is made to its subsidiaries as it is not practical to make an allocation of the audit fee to each subsidiary entity individually

19 Related party transactions

The Company is a wholly owned subsidiary of Reckitt Benckiser Group plc The Company has taken advantage of the exemption within Financial Reporting Standard No 8 "Related Party Disclosures", not to disclose related party transactions with other wholly owned members of the Reckitt Benckiser group of companies There were no other related party transactions (2010 none)

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London EC2N 1DW
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$1,000,000,000

Reckitt Benckiser Treasury Services plc

fully and unconditionally guaranteed by

Reckitt Benckiser Group plc

$500,000,000 2.125% Senior Notes due 2018

$500,000,000 3.625% Senior Notes due 2023

OFFERING MEMORANDUM

Joint Book-Running Managers

BofA Merrill Lynch

Citigroup

HSBC

J.P. Morgan

RBS

Co-Managers

Deutsche Bank Securities

Mizuho Securities

Standard Chartered Bank

17 September 2013

Reckitt Benckiser Treasury Services plc

$500,000,000 2.125% Senior Notes due 2018
$500,000,000 3.625% Senior Notes due 2023