

## On Track for a Strong 2016

### Trading Update

Results at a glance	Q3 £m	% change actual exchange	% change LFL*	YTD £m	% change actual exchange	% change LFL*
<b>Net Revenue - Group</b>	<b>2,562</b>	<b>+17</b>	<b>+2</b>	<b>7,131</b>	<b>+9</b>	<b>+4</b>
<b>Net Revenue by Segment</b>						
-ENA	1,678	+14	-	4,607	+8	+2
-DvM	788	+22	+7	2,245	+10	+8
-Food	96	+26	+6	279	+14	+4
<b>Net Revenue by Category</b>						
-Health	864	+17	+2	2,365	+12	+6
-Hygiene	1,046	+21	+5	2,980	+10	+5
-Home	493	+11	-2	1,327	+4	-
-Portfolio brands	159	+8	-2	459	-2	-3

#### Highlights: (Q3 and at constant rates unless otherwise stated)

- +2% LFL growth in Q3, impacted by expected headwinds. Total Q3 growth +17% benefitting from positive FX impact.
- YTD +4% LFL. We are targeting full year LFL growth\* of +4%.
- ENA (Europe, North America, ANZ) – resilient performance across regions – despite materially lower Scholl / Amopé, and weak consumer environment, particularly in Russia.
- DVM (Developing Markets) – continuing strong LFL growth, reduced by Korea. Strong growth in India and China. Brazil remains a challenging market.
- Category growth – similar trends to Q2, with strong, broad-based growth across consumer health except for weakness in Scholl / Amopé. Hygiene saw continued strength, particularly in Dettol, Harpic and Finish. Home / Portfolio impacted by Korea.

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

**“In an environment where market growth rates have softened, we continue to make good strategic progress in all of our Powermarkets, particularly in India, and in China where we are driving strong development of our e-commerce channels. We also had broad-based growth across our consumer health brands and continued improvement in our Hygiene portfolio. Our Q3 performance has been adversely impacted by the flagged issues in Korea, Russia and our Scholl innovation.**

**These challenges will impact the near term. We are targeting full year LFL net revenue growth\* of +4%. We remain very confident that our medium and longer term strategic choices are right and will continue to drive shareholder returns.”**

\* Like-for-like (“LFL”) growth excludes the impact of changes in exchange rates, acquisitions and disposals



## Operating Segment Review

Q3 2016	£'m	Like-for-like*	Net M&A**	FX	Reported
North America	659	-	-	+17%	+17%
Rest of ENA	1,019	-1%	-1%	+14%	+12%
<b>Total ENA</b>	<b>1,678</b>	<b>-</b>	<b>-1%</b>	<b>+15%</b>	<b>+14%</b>
DvM	788	+7%	-	+15%	+22%
Food	96	+6%	-	+20%	+26%
<b>Total</b>	<b>2,562</b>	<b>+2%</b>	<b>-1%</b>	<b>+15%</b>	<b>+17%</b>

YTD Sept 2016	£'m	Like-for-like*	Net M&A**	FX	Reported
North America	1,707	+1%	-	+10%	+11%
Rest of ENA	2,900	+2%	-1%	+6%	+6%
<b>Total ENA</b>	<b>4,607</b>	<b>+2%</b>	<b>-1%</b>	<b>+7%</b>	<b>+8%</b>
DvM	2,245	+8%	-	+2%	+10%
Food	279	+4%	-	+10%	+14%
<b>Total</b>	<b>7,131</b>	<b>+4%</b>	<b>-1%</b>	<b>+6%</b>	<b>+9%</b>

\* Like-for-like ("LFL") growth excludes the impact of changes in exchange rates, acquisitions and disposals.

\*\* Reflects the net impact acquisitions and disposals.

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

### ENA                      Q3: (+0% LFL)                      YTD: (+2% LFL)                      (65% of net revenue)

- The US saw strong growth in the Durex / KY franchise and Mucinex, building on recent innovations. Good growth also in Finish, Airborne and Move Free. This growth was offset by decline in Amopé following high comparatives and a much lower than expected consumer uptake of our recently launched "Wet & Dry" innovation.
- European markets showed resilience in slowing market conditions, but were also impacted by lower than expected consumer uptake of Scholl innovation.
- In Russia the combined effect of limited pricing and a significant decline in consumer demand created a material drag on "Rest of ENA" growth rates for both the quarter and year to date. The outlook for Russia remains uncertain given the current challenging market conditions.

### DvM                      Q3: (+7% LFL)                      YTD: (+8% LFL)                      (31% of net revenue)

- India continues to be a major growth engine in our DvM business with strong penetration gains fueled by innovation (Dettol Gold / Harpic bathroom cleaner) and several go to market initiatives.
- Continued strong growth in China, led by e-commerce, across our brand portfolio, including our Guilong business. E-commerce now represents over 30% of our business in China and we are on track with our ambition to grow this to 50% by 2020.
- Underlying macro trends and competitive challenges in Brazil continue to be tough, however the quarter benefitted from improved performance in Veja.
- In other emerging markets the picture remains mixed. Strong growth in Mexico, Pakistan, Egypt, Thailand and Indonesia was offset by market-related softness in Turkey and much of Africa.
- The HS issue had a significant impact on our Korean business. It has adversely impacted our Group LFL performance by around -1.5% in the quarter and DvM by mid-single digits.

### Food                      Q3: (+6% LFL)                      YTD: (+4% LFL)                      (4% of net revenue)

- Continued solid growth in the quarter behind Frank's Red Hot, French's Ketchup in Canada, and international expansion.

## Category Review

Q3 2016	£'m	Like-for-like	Net M&A	FX	Reported
Health	864	+2%	-	+15%	+17%
Hygiene	1,046	+5%	-	+16%	+21%
Home	493	-2%	-	+13%	+11%
Portfolio (incl Food)	159	-2%	-6%	+16%	+8%
<b>Total</b>	<b>2,562</b>	<b>+2%</b>	<b>-1%</b>	<b>+15%</b>	<b>+17%</b>

YTD Sept 2016	£'m	Like-for-like	Net M&A	FX	Reported
Health	2,365	+6%	-	+6%	+12%
Hygiene	2,980	+5%	-	+6%	+10%
Home	1,327	-	-	+5%	+4%
Portfolio (incl Food)	459	-3%	-6%	+8%	-2%
<b>Total</b>	<b>7,131</b>	<b>+4%</b>	<b>-1%</b>	<b>+6%</b>	<b>+9%</b>

### Health Q3: (+2% LFL) YTD: (+6% LFL) (33% of net revenue)

- Broad-based growth across our Consumer Health portfolio in both Q3 and YTD. Particularly strong performances in Durex behind recent innovations such as Invisible extra thin condoms. VMS brands performed well in the US, and Move Free from the launch in China. Gaviscon and Strepsils also grew well in the quarter.
- Mucinex had a strong quarter, led by our Fast Max gelcap innovation and private label supply issues. We continue to expect Private Label entry to impact Mucinex sales in the coming periods.
- The strong, broad-based growth across the majority of our brands within health was significantly impacted in Q3 by weakness in the Scholl / Amopé franchise. This was due to the combination of a high comparative and lower than expected consumer uptake of our recently launched innovation.

### Hygiene Q3: (+5% LFL) YTD: (+5% LFL) (42% of net revenue)

- Dettol continues to be a strong growth driver across many emerging and developed markets. We have been focussing hard on driving both our consumer education and penetration improvement programmes, plus our strong innovation pipeline. Dettol Gold is performing particularly well in many of our emerging market countries.
- Finish had another strong quarter, as did many of our other brands such as Harpic, Mortein, Veet and Veja, driven by innovation and other initiatives.

### Home Q3: (-2% LFL) YTD: ( 0% LFL) (19% of net revenue)

- The HS issue impacts disproportionately the Home growth.

### Portfolio Brands Q3: (-2% LFL) YTD: (-3% LFL) (6% of net revenue)

- Our Food business performed well.
- Laundry detergents and fabric softeners suffered from the twin impact of weakness in Southern Europe and South Korea.

## Financial Position and other matters

There has been no material change to the financial position of the Company since the published 2016 Interim Statement. We provide an update to certain matters raised in our 2016 interim statement as follows:

### Contingent liabilities

#### HS Issue

There have been no material changes to our expectations surrounding the HS issue in South Korea since 29 July and up to 19 October 2016. An initial tranche of Round 3 applicants have now been assessed with respect to the link between the use of HS and lung related injury by the Korean authorities:

- On 18 August the Korea Environmental Industry and Technology Institute (KEITI) issued a press release noting that 165 out of the 752 Round 3 applicants had been assessed.
- Of these 165 assessments, 35 applicants (21%) were categorised as category I or II.
- Of the 35 category I&II victims, 31 indicated they have used the Oxy RB product either on its own or in conjunction with other HS products.

Two applicants from round 2 have been re-categorised from cat. III to cat II.

No official applicant numbers have been published for Round 4. However a draft report issued by the National Assembly Special Committee ("NASC") in October 2016 has noted approximately 3,000 applicants as of the end of August.

The status of the four rounds of applications established to date is therefore as follows:

Round	Total applicants	Category I & II	RB Oxy users – Category I & II*
1	361	172	136
2	169	51	47
3	752	35 (of 165)	31
4	TBD	TBD	TBD

\* Of the 183 Oxy RB Round 1&2, category I&II victims, approximately 50 used both RB Oxy and at least one other PHMG manufacturer's product.

We continue our efforts to discuss with the South Korean National Assembly, government ministries, other manufacturers and suppliers, an industry wide approach on compensation. These discussions are required to help shape any new compensation plan for Category I & II victims from Rounds 3 & 4, and to respond to persons in Categories III or IV. We understand that the Korean government is considering assessing the possibility of whether the HS issue has non-pulmonary impacts.

HS related criminal proceedings are ongoing or contemplated in South Korea, some of which involve Oxy RB employees or ex-employees as defendants.

There also remains the possibility of wider legal or governmental investigation or actions which may give rise to further liability for RB.

#### Indivior / RB Pharma related matters:

We noted in our 2015 Annual Report and 2016 interim announcement that the Group was involved in ongoing investigations by the US Department of Justice and the US Federal Trade Commission and related litigation proceedings in relation to certain matters relating to the RB Pharmaceuticals business prior to its demerger in December 2014 to form Indivior PLC and may incur liabilities in relation to such matters. These investigations and related

proceedings are continuing and the outcome for the Group at this stage remains uncertain. The Company continues to work to ensure that these investigations and related proceedings are concluded or resolved satisfactorily.

In addition:

### **Investment in China Resources Pharmaceutical Group**

As part of RB's long-term commitment to growth in China, we are making a cornerstone investment of US\$50m in the global offering of China Resources Pharmaceutical Group Limited (CRP), representing less than 1% of its shares in issue, which is expected to list on the Hong Kong Stock Exchange on 28 October 2016. We have also entered into a non-binding memorandum of understanding with CRP, the largest manufacturer of OTC drugs in China, in relation to a potential strategic cooperation with respect to certain designated OTC, medical devices and healthcare products in the PRC market. The cornerstone investment is conditional upon the successful listing of CRP.

<b>2016 Targets</b>
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We are targeting full year LFL growth<sup>1</sup> of +4%, the lower end of the original target for the year.

<sup>1</sup> At constant exchange rates, excluding the impact of acquisitions and disposals.

### **For further information, please contact:**

#### **Reckitt Benckiser**

**+44 (0)1753 217800**

#### **Richard Joyce**

SVP, Investor Relations, Communications & External Affairs

#### **Patty O'Hayer**

Director, External Relations and Government Affairs

#### **Brunswick (Financial PR)**

**+44 (0)20 7404 5959**

#### **David Litterick**

### **Cautionary note concerning forward-looking statements**

This document contains statements with respect to the financial condition, results of operations and business of RB and certain of the plans and objectives of the Group with respect to these items. These forward-looking statements are made pursuant to the "Safe Harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing to the Company, anticipated cost savings or synergies and the completion of strategic transactions are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors discussed in this report, that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside Reckitt Benckiser's control. Past performance cannot be relied upon as a guide to future performance.