1 March 2023

STRONG DELIVERY IN 2022. CONTINUING MOMENTUM IN 2023

	Q4 2022			FY 2022		
		Change[3]			Change[3]	
	£m	Actual	Constant	£m	Actual	Constant
Net Revenue[1]	3,830	+14.0%	+5.6%	**14,453**	**+9.2%**	**+3.9%**
Like-for-Like (LFL)[2]			*+6.2%*			***+7.6%***
Adjusted[2] ex IFCN China						
Operating Profit				**3,439**	**+16.8%**	**+9.2%**
Operating Profit Margin				**23.8%**	**+90bps**	
Adjusted[2] inc IFCN China						
Operating Profit				**3,439**	**+19.5%**	**+11.7%**
Total EPS (diluted)				**341.7p**	**+18.4%**	
IFRS						
Operating Profit				**3,249**	***Nm***	
Operating Profit Margin				**22.5%**	***Nm***	
Total EPS (diluted)				**324.7p**	***Nm***	

1. *Group excluding IFCN China net revenue growth on an IFRS basis of +14.4% in Q4 and +12.5% for the full year.*
2. *Adjusted measures are defined on page 28*
3. *Change vs prior year presented. Constant measured on a constant exchange rate basis (see page 28)*

Q4 Highlights

- **Q4 like-for-like (LFL) net revenue growth of +6.2**. Our Hygiene GBU returned to growth in the quarter (+1.3%) due to further improved trends in Lysol, and mid-single digit growth in the rest of the portfolio. Health (+6.7%) saw strong growth in OTC brands, offset by weaker demand in China Intimate Wellness. Nutrition delivered another strong quarter (+19.4%) with strong demand in the US and the continued turn around in developing markets. On an IFRS basis net revenue grew by +14.0%.

FY Highlights:

- **Group LFL net revenue growth of +7.6%.** Growth was broad-based and led by our market-leading brands across the Auto Dishwash, Fabric Additives, OTC, Intimate Wellness, VMS and Nutrition categories. The positive impact on net revenue from the US Nutrition competitor supply issue is approximately +2.5%. On an IFRS basis net revenue grew by +9.2%.

- **The Group delivered a three-year CAGR of +8.2% on a LFL net revenue basis.** This includes two consecutive years of mid-single digit growth from 70% of the portfolio less sensitive to Covid dynamics. During the year, these brands grew high-single digits**.** Excluding the positive impact from US IFCN, growth was mid-single digits.

- **Hygiene LFL net revenue decline of -3.1%,** mostly due to tough comparatives in Lysol. Excluding Lysol, the business delivered mid-single digit growth. Lysol saw improving trends throughout the year, and delivered net revenue growth of around +45% above pre-pandemic levels. On an IFRS basis net revenue grew by +0.8%.
- **Health LFL net revenue growth of +14.7%**, driven by a combination of strong demand and share gains in our OTC portfolio, and continued momentum in our Intimate Wellness and VMS brands with a stable performance in Germ Protection, which remains around +40% ahead of pre-pandemic levels. On an IFRS basis net revenue grew by +18.6%.
- **Nutrition LFL net revenue growth of +22.9%**, driven by mid-single digit growth in our Developing Markets business and around +40% growth in the US with strong execution amidst temporary competitor supply issues. On an IFRS basis net revenue grew by +10.2%.
- **Double-digit adjusted operating profit (excluding IFCN China) growth of +16.8%** (+9.2% on a constant FX basis) driven by strong top line growth, productivity and positive product mix. Adjusted operating margin (excluding IFCN China) grew by +90bps to 23.8%. The benefit on adjusted operating profit in 2022 from the US Nutrition competitor supply issue is approximately +80bps. 2022 IFRS operating margin was 22.5%.
- **Double-digit adjusted EPS (diluted) growth +18.4% to 341.7p,** driven by net revenue growth, operating margin expansion, and foreign exchange tailwinds. On an IFRS basis total diluted EPS was 324.7p.
- **Strong balance sheet with net debt reduced to 2.1x adjusted EBITDA.** Free cash flow generation of £2.0bn (2021: £1.3bn) and cash conversion of 83% (2021: 61%).
- **Full year dividend increased by 5% to 183.3p** (2021: 174.6p), with the aim to deliver sustainable dividend growth in future years.

2023 Outlook

- We target LFL net revenue growth of mid-single digits for the Group, excluding the lapping of a circa 2.5% impact of the competitor supply disruption in our US Nutrition business in 2022 (“US Nutrition impact”).
- We expect adjusted operating margins to be in line with or slightly above 2022 levels when excluding the one-off benefit of circa 80bps in 2022 related to US Nutrition. Within our guidance we expect to significantly increase BEI to support an exciting innovation programme in 2023.

Commenting on the results, Nicandro Durante, Chief Executive Officer, said:

“Reckitt delivered a year of strong growth in net revenue, earnings, and free cash flow conversion amidst a continued challenging environment. We are now 28% larger than we were in 2019. Our healthy balance sheet underpins our financial strength, and we are delighted to grow the dividend in 2022 with the aim to deliver sustainable dividend growth in future years.

We enter 2023 as a strengthened business with enhanced financial, operational and brand resilience, and continued growth momentum. The benefits of our reinvigorated innovation pipeline and operational improvements are coming through – including a more agile supply chain and improved customer relationships.

We have more to achieve, and will continue to see macroeconomic and consumer pressures in the year ahead. However, our financial, operational and brand strength position us well for the future. We have a strong innovation pipeline in 2023 which will be supported by increased brand equity investment. We remain fully focused on the delivery of our strategy, to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world.”

FY 2022 RESULTS PRESENTATION TODAY

There will be a results presentation for analysts and investors at 08:30 GMT which will be held at The Auditorium, Bank of America, 2 King Edward Street, London, EC1A 1HQ.

To attend in person, please email your details to ir@reckitt.com to register.

For those wishing to follow the webcast please click on the link below:

https://www.reckitt.com/investors/results-and-presentations/

Alternatively, dial in details are as follows:

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Cautionary note concerning forward-looking statements

This announcement contains statements with respect to the financial condition, results of operations and business of Reckitt Benckiser Group plc and the Reckitt group of companies (the "Group") and certain of the plans and objectives of the Group that are forward-looking statements. Words such as ''intends', 'targets', or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including targets for net revenue, operating margin and cost efficiency, are forward-looking statements. Such statements are not historical facts, nor are they guarantees of future performance.

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 that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside the Group's control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political, geopolitical and social conditions in the key markets in which the Group operates; the Group's ability to innovate and remain competitive; the Group's investment choices in its portfolio management; the ability of the Group to address existing and emerging environmental and social risks and opportunities; the ability of the Group to manage regulatory, tax and legal matters, including changes thereto; the reliability of the Group's technological infrastructure or that of third parties on which the Group relies including the risk of cyber-attack; interruptions in the Group's supply chain and disruptions to its production facilities; economic volatility including increases in the cost of labour, raw materials and commodities; the execution of acquisitions, divestitures and business transformation projects; product safety and quality, and the reputation of the Group's global brands; and the recruitment and retention of key management.

These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

LEI: 5493003JFSMOJG48V108

OUTLOOK

2023 outlook

Our outlook is as follows:

- We target LFL net revenue growth of mid-single digits for the Group, excluding the lapping of a circa 2.5% impact of the competitor supply disruption in our US Nutrition business in 2022 ("US Nutrition impact").
- Our target includes a return to growth in our disinfection portfolio from a circa +40% larger base versus pre-pandemic levels.
- We expect adjusted operating margins to be in line with or slightly above 2022 levels when excluding the one-off benefit of circa 80bps in 2022 related to US Nutrition. Within our guidance we expect to significantly increase BEI to support an exciting innovation programme in 2023.
- In the medium-term, as previously guided, we expect adjusted operating profit to grow ahead of net revenue growth, achieving mid-20s margins by the mid-2020s.

Other technical guidance

- Adjusted net finance expense is expected to be in the range of £270m to £310m (2022: £256m). The increase versus 2022 is primarily due to the higher interest expense to be incurred on our variable rate debt.
- The adjusted tax rate is expected to increase to around 24% (2022: 22%).
- Capital expenditure is expected to be around 3% of net revenue (2022: 3.1%).

GROUP OVERVIEW

Net Revenue	£m	Volume	Price / Mix	LFL[1]	Net M&A	FX	Actual
FY 2022	**14,453**	**-2.2%**	**+9.8%**	**+7.6%**	**-3.8%**	**+5.4%**	**+9.2%**
Q4 2022	3,830	-5.8%	+12.0%	+6.2%	-0.5%	+8.3%	+14.0%

Group net revenue

- Q4 LFL net revenue growth was +6.2%. Price / mix improvements were +12.0% and volume declined by -5.8%, with similar trends to Q3 but weaker volumes in China Intimate Wellness due to Covid related lockdown. Our Hygiene GBU returned to growth in the quarter (+1.3%) due to further improved trends in Lysol, and mid-single digit growth in the rest of the portfolio. Health (+6.7%) saw strong growth in OTC brands, offset by weaker demand in China Intimate Wellness. Nutrition delivered another strong quarter (+19.4%) with strong demand in the US and the continued turn around in Developing Markets.

- Group net revenue of £14,453m grew by +7.6% on a LFL basis in 2022, reflecting price / mix improvements of +9.8% and volume decline of -2.2%, driven by continued broad-based growth and momentum. Excluding the negative impact of Lysol and positive impact from US Nutrition, volume growth was +1.3%.

- Total net revenue on an IFRS basis was up +9.2%, reflecting net M&A impact of -3.8% and foreign exchange tailwinds of +5.4%.

- In 2022, the Group is +28% larger than 2019 on a LFL net revenue basis with around 18% price / mix improvements and around 10% volume growth, with growth being broad-based across our three GBUs (Hygiene +24%, Health +32%, and Nutrition +27%).

- Our in-market competitiveness remains strong. 62% of our Core Category Market Units (CMUs) held or gained share. In Hygiene it was 43% and in Health and Nutrition it was 62% and 100%, respectively (weighted by net revenue).

- 70% of the portfolio less sensitive to Covid dynamics have two consecutive years of mid-single digit growth. During the year, these brands grew high-single digits. Excluding the positive impact from US IFCN, growth was mid-single digits driven by continued innovation, in-market execution and pricing across the portfolio.

- E-commerce net revenue grew by +14% in 2022. It has more than doubled over the past three years on a LFL basis, and now accounts for 13% of Group net revenue.

Group operating margins and profit

- Adjusted gross margin was 57.8% (2021: 58.5% excluding IFCN China), a reduction of -70bps. The reduction in gross margin was principally driven by around 17% inflation in our cost of goods base (-660bps), significantly mitigated by productivity efficiencies (+230bps) and other factors including pricing and positive product mix (+360bps).
- Brand equity investment (BEI) (excluding IFCN China) increased by +5.7% on an actual basis as we continue to invest behind the long-term strength of our brands. Our BEI percentage of net revenue was 11.8% (2021: 12.6%). The reduction of 80bps in 2022 was driven by a combination of leverage from the strong growth in both our OTC and US Nutrition businesses, cessation of investment in Russia, and productivity efficiencies.
- Adjusted operating profit (excluding IFCN China) was £3,439m (2021: £2,944m) at an adjusted operating margin of 23.8% (2021: 22.9%). The increase of +90bps was principally driven by strong top line growth, strong productivity and positive mix. This drove BEI (+80bps) and fixed cost (+80bps) leverage and efficiencies, offset by modest gross margin decline (-70bps).
- A non-cash goodwill impairment charge of £152m was recognised during the year, in respect of our Biofreeze acquisition, as a result of a short-term category slowdown and increased discount rates due to current macroeconomic conditions. Good progress has been made in the second half of the year and we expect continued momentum for Biofreeze in 2023 and beyond. Our growth plans remain in line with our expectations. Further details of the impairment are set out on page 23 of this statement.
- The IFRS operating profit was £3,249m (2021: £804m loss). In 2022, the IFRS operating profit was impacted by the non-cash impairment of our Biofreeze acquisition. The IFRS operating loss in 2021 included a pre-tax loss of £3,353m in relation to the strategic review and disposal of IFCN China and pre-tax losses of £234m from the sale of Scholl and EnfaBebé brand in Argentina.

EPS and dividends

- Total adjusted diluted EPS was 341.7p in 2022 (IFRS: 324.7p), +18.4% above 2021 due to growth in net revenue and operating margins, and the positive impact of foreign exchange.
- Full year dividend increased by 5% to 183.3p (2021: 174.6p) per share, with the aim to deliver sustainable dividend growth in future years, subject to any significant internal or external factors. Final dividend 110.3p (2021: 101.6p) per share.

Free cash flow

- Free cash flow was £2,031m in 2022 (2021: £1,258m). The improvement is due primarily to growth in adjusted operating profit. Capital investment to support our growth and margin ambitions was £443m, 3.1% of Group net revenue (2021: 3.4% of Group net revenue).
- Net debt ended the year 2.1x adjusted EBITDA (2021: 2.6x adjusted EBITDA).

OPERATING SEGMENT REVIEW

Hygiene

41% of net revenue in 2022

Net Revenue	£m	Volume	Price / Mix	LFL[1]	Net M&A	FX	Actual
FY 2022	**5,960**	**-12.6%**	**+9.5%**	**-3.1%**	**-**	**+3.9%**	**+0.8%**
Q4 2022	1,554	-13.4%	+14.7%	+1.3%	-	+7.0%	+8.3%

Operating Profit	£m	Constant FX (CER)[1]	Actual
Adjusted Operating Profit[1]	**1,214**	**-17.9%**	**-13.3%**
Adjusted Operating Profit Margin[1] %	**20.4%**		**-330bps**

[1] *Adjusted measures are defined on page 28*

Hygiene net revenue declined -3.1% on a LFL basis to £5,960m for the full year (excluding Lysol, LFL net revenue grew +5.1%). Volume declined by -12.6% driven by high comparatives in disinfection and some market softness in the air care category. Price / mix increased by +9.5% in the year with price increases taken to mitigate the impact of inflation. 43% of Core Hygiene CMUs (weighted by net revenue) gained or held share in 2022.

In 2022, Hygiene was +24% larger than 2019 on a LFL net revenue basis (+7.6% three-year CAGR), with each of its core categories growing at mid-single to double digit CAGR.

Lysol net revenue declined around -25%, but performance improved sequentially throughout the year, and is around +45% higher than 2019 levels, driven by expansion in both core and new markets and adjacent categories over the past three years. Consumer hygiene behaviours also remain well above pre-pandemic levels. Importantly, Lysol continues to outperform the market and has gained +300bps global market share since 2019. We now have a larger, stronger portfolio, and following a year of consumption normalisation, are targeting the return to a growth trajectory in 2023.

Finish delivered low-double digit growth in LFL net revenue. Growth was particularly strong in Europe and Developing Markets driven by our continued focus on category growth through consumer preferred innovation, premiumisation, and penetration.

Air Wick is broadly holding share in a declining market post confinement. Vanish and Harpic showed strong double digit growth benefitting from innovation and improved execution, both demonstrating strong growth in our Developing Markets.

Adjusted operating profit for Hygiene at £1,214m was down -17.9% on a constant FX basis and -13.3% on an actual basis. Adjusted operating margin was 20.4%, down -330bps due to the unprecedented inflationary impact on our cost of goods sold as well as volume de-leverage from Lysol. These were partially mitigated by productivity and pricing.

Fourth Quarter Performance

The Hygiene business delivered an improving net revenue profile through the course of 2022, with Q4 returning to growth (+1.3%). Volume declined -13.4%, mostly due to Lysol, and price / mix improvements contributed +14.7% in the quarter. Excluding Lysol, our Hygiene business grew mid-single digits on a LFL net revenue basis. Lysol continued to show improving net revenue trends with -10% decline in Q4 versus down around -30% in H1 and -15% in Q3.

Health

42% of net revenue in 2022

Net Revenue	£m	Volume	Price / Mix	LFL[1]	Net M&A	FX	Actual
FY 2022	**5,992**	**+6.5%**	**+8.2%**	**+14.7%**	**-1.5%**	**+5.4%**	**+18.6%**
Q4 2022	1,639	-1.6%	+8.3%	+6.7%	-0.8%	+7.7%	+13.6%

Operating Profit	£m	Constant FX (CER)[1]	Actual
Adjusted Operating Profit[1]	**1,648**	**+24.3%**	**+32.7%**
Adjusted Operating Profit Margin[1] %	**27.5%**		**+290bps**

[1] *Adjusted measures are defined on page 28*

Health net revenue grew +14.7% on a LFL basis to £5,992m for the full year. Volume increased +6.5%, with strong growth in our OTC portfolio. Price / mix improvements were +8.2%. Growth was driven by strong performances in our OTC brands, VMS and Intimate Wellness portfolio, with a stable performance from our Dettol Germ Protection portfolio.

In 2022, Health was +32% larger than 2019 on a LFL net revenue basis (+9.0% three-year CAGR), reflecting a significantly larger Dettol business, the combination of higher incidences of cold and flu and strong market share gains in our upper respiratory portfolio (Mucinex and Strepsils) and a larger Intimate Wellness portfolio.

62% of Core Health CMUs (weighted by net revenue) gained or held share during the year.

Our OTC portfolio of brands, including Mucinex, Nurofen, Strepsils and Gaviscon grew by over 35% in the year. This very strong performance reflected both a longer and stronger cold and flu season which was approximately 13% above a three-year average season in the US (on a category unit volume basis), and strong share gains across most of the portfolio. Mucinex further grew penetration in the sore throat category with Mucinex InstaSoothe lozenges and has achieved 6% penetration in the 18 months since launch.

Dettol net revenue of £1.4bn was broadly flat in 2022 on a LFL basis, and around +40% above pre-pandemic levels. Innovation launches included Dettol Cool in India, and Dettol Laundry Sanitiser 4in1 Pods in China. We increased total distribution points share by +70bps in India, with penetration building initiatives such as a tenth year of Banega Swasth ("Clean up India"). Growth in adjacent categories and new geographies have all contributed to building a larger, stronger health disinfection portfolio from which we plan to grow in 2023.

The Biofreeze acquisition is our entry into the pain relief category in the US, the world's largest pain relief market. Following some supply challenges in the first half, we grew market share in the second half from leveraging Reckitt's strong US infrastructure and go-to-market capability with increased consumer facing activities and innovation launches such as our new overnight patches. In addition, we commenced our international rollout programme with the commercial relaunch of Biofreeze products in France in Q4. In spite of some short-term category slow down, we are targeting double digit growth for Biofreeze in the near and medium-term, underpinned by category growth, innovation and improved execution in the US market, combined with international rollouts in select markets.

Intimate Wellness delivered mid-single digit growth in 2022. Growth was driven by the execution of our Durex lifestyle campaign, which drove distribution gains across multiple channels. Developing Markets growth was negatively impacted by Covid related lockdowns in China throughout the year.

Our Vitamins, Minerals and Supplements portfolio grew high-single digits, led by Airborne and Neuriva in the US and Move Free in China.

Adjusted operating profit for Health at £1,648m increased +24.3% on a constant FX basis and +32.7% on an actual basis. Adjusted operating margin was 27.5%, an increase of +290bps year-on-year. Cost inflation was more than offset by a combination of operating leverage on mid-teens top line growth, positive product mix from a strong performance in our high margin OTC portfolio, productivity efficiencies and pricing.

Fourth Quarter Performance

Net revenue grew by +6.7% on a LFL basis in Q4 with -1.6% decline in volume, and price / mix improvements of +8.3%. OTC delivered a strong quarter of high teens growth driven by higher incidences of cold and flu and continued market share gains. Dettol returned to growth in the quarter with a strong performance from South Asia and China, offset by weakness in ASEAN. Intimate Wellness brands declined by low-single digits, driven by China Covid related lockdowns, and VMS was soft with growth in China more than offset by category-led weakness in the US. We expect to see a positive impact from our business in China in 2023 as the country emerges from lockdown restrictions.

Nutrition

17% of net revenue in 2022

Net Revenue	£m	Volume	Price / Mix	LFL[1]	Net M&A	FX	Actual
FY 2022	**2,501**	**+8.1%**	**+14.8%**	**+22.9%**	**-21.8%**	**+9.1%**	**+10.2%**
Q4 2022	637	+4.1%	+15.3%	+19.4%	-1.5%	+14.0%	+31.9%

Operating Profit	£m	Constant FX (CER)[1]	Actual
Adjusted Operating Profit[1]	**577**	**+122.2%**	**+146.6%**
Adjusted Operating Profit Margin[1] %	**23.1%**		**+1,280bps**
Adjusted Operating Profit Margin[1] ex IFCN China %	**23.1%**		**+710bps**

[1] *Adjusted measures are defined on page 28*

Nutrition net revenue grew by +22.9% on a LFL basis to £2,501m for the full year. Underlying growth was approximately +5.4% with the impact from the competitor supply shortage adding approximately +17.5% to growth in the year (+2.5% growth for the Group). Volume growth was +8.1% driven by strong demand in the US and price / mix was +14.8%. In 2022, Nutrition was +27% larger than 2019 on LFL net revenue basis (+8.1% three-year CAGR).

Market share performance was strong, with 100% of our Core Nutrition CMUs – of which seven of these ten CMUs are outside of North America – holding or gaining market share for the year.

US net revenue grew around +40% on a LFL basis in the year, with strong growth across both our core Infant Formula and Specialty segments. Significant market share growth was driven by strong execution in response to increased demand. Our Enfamil brand is currently the Number One Recommended Infant Formula by Paediatricians and the Number One Trusted by Consumers in the US.

Our focus remains on doing everything possible to put more infant formula products on shelves, addressing concerns of parents across North America, while safeguarding quality and safety.

The competitor supply shortages in the US started to reduce in Q4, which resulted in a lower benefit from WIC sales in states where Reckitt does not hold the government contract. We exit 2022 in the US with a larger, stronger business, and as the market leader in Infant Formula.

Our Developing Markets business grew net revenue mid-single digits for the year, and for the first time since the acquisition of Mead Johnson, with market share improvements in our key markets.

The net effect of M&A was a -21.8% reduction in net revenue, representing the disposal of IFCN China and EnfaBebé in Argentina during 2021.

Adjusted operating profit (excluding IFCN China) for Nutrition at £577m was +122.2% higher on a constant FX basis and +146.6% higher on an actual basis. Adjusted operating profit margin (excluding IFCN China) was 23.1%, up +710bps year-on-year reflecting the positive leverage benefit from the competitor supply shortage during the year.

Fourth Quarter Performance

Nutrition net revenue grew by +19.4% on a LFL basis in the quarter, with growth in the US of +35% aided by the US competitor supply issue, and continued mid-single digit growth in our Developing Markets businesses driven by improved in-market execution.

Performance by Geography

Net revenue	£m	Volume	Price / Mix	LFL[1]	Net M&A	FX	Actual
FY 2022							
North America	4,954	-4.4%	+10.1%	+5.7%	+0.7%	+11.6%	+18.0%
Europe / ANZ	4,589	+0.9%	+8.6%	+9.5%	-1.9%	-1.3%	+6.3%
Developing Markets	4,910	-2.9%	+10.6%	+7.7%	-9.5%	+5.9%	+4.1%
Total	**14,453**	**-2.2%**	**+9.8%**	**+7.6%**	**-3.8%**	**+5.4%**	**+9.2%**
Q4 2022							
North America	1,369	-3.8%	+12.4%	+8.6%	-0.5%	+15.0%	+23.1%
Europe / ANZ	1,205	-8.4%	+11.6%	+3.2%	-0.3%	+2.2%	+5.1%
Developing Markets	1,256	-5.2%	+12.1%	+6.9%	-0.9%	+7.9%	+13.9%
Total	**3,830**	**-5.8%**	**+12.0%**	**+6.2%**	**-0.5%**	**+8.3%**	**+14.0%**

[1] *Adjusted measures are defined on page 28*

North America LFL net revenue grew by +5.7% for the full year with strong growth in our OTC brands due to higher incidences of cold and flu and market share gains, and our Nutrition portfolio of brands. Our VMS brands of Airborne and Neuriva also delivered a strong result with high-single digit LFL net revenue growth. This growth was offset by declines in Lysol, and category-led weakness in Air Wick. Q4 saw strong growth in cough, cold, and flu brands, offset by weakness in Lysol, and category-led weakness in our Air Care and VMS segments.

In Europe / ANZ LFL net revenue grew by +9.5% for the full year with strong growth in Australia, the Nordics, Poland, and Turkey, and modest growth in a number of Western European markets. Q4 delivered +3.2% LFL net revenue growth as certain of our Health markets lapped strong OTC comparatives from Q4 2021 and experienced some temporary supply challenges. In addition, a number of our Hygiene Western European markets experienced some short-term market share loss and category-led weakness in Air Wick.

Developing Markets LFL net revenue grew by +7.7% for the full year with broad-based growth across Latin America, Africa Middle East, South Asia, ASEAN and Greater China. Q4 saw similar trends, but experienced weakness in our Intimate Wellness business in China due to Covid related lockdowns during the period.

OTHER MATTERS

Russia

Reckitt is continuing the process aimed at transferring ownership of its Russian business, which may include a transfer to a third party or to local employees.

ADDITIONAL FINANCIAL COMMENTARY

The following section should be read in conjunction with the full-year financial review from page 4 and the alternative performance measures section from page 28.

Group operating profit

Adjusted operating profit was £3,439 million (2021: £2,877 million) at an adjusted operating margin of 23.8%, 210bps higher than the prior year (2021: 21.7%) or 90bps higher excluding IFCN China. The increase of 90 bps was principally driven by strong top line growth, strong productivity and positive mix. This drove BEI (+80bps) and fixed cost (+80bps) leverage and efficiencies, offset by modest gross margin declines (-70bps). Adjusted operating profit in both 2022 and 2021 also included the favourable effect of adjustments to trade spend and operational expenditure accruals, certain of which were subject to significant estimation uncertainty when originally recorded, in part due to the ongoing effect of the Covid pandemic.

IFRS operating profit was £3,249 million (2021: £804 million IFRS operating loss) at an IFRS operating margin of 22.5% (2021: -6.1%). IFRS operating profit in 2022 was impacted by a charge of £152 million from impairment of goodwill relating to the acquisition of Biofreeze. IFRS operating loss in 2021 included a pre-tax loss of £3,353 million in relation to the strategic review and disposal of IFCN China.

Net finance expense

Adjusted net finance expense was £256 million (2021: £220 million). Adjusted net finance expense was higher in 2022 due to rising interest rates and foreign exchange losses on certain financing liabilities. Adjusted net finance expense in 2021 included a credit on revaluation of a put option liability.

IFRS net finance expense of £161 million (2021: net finance income of £547 million) includes a gain of £69 million from translational foreign exchange gains resulting from the liquidation of subsidiaries to simplify the Group's legal entity structure (2021: £766 million net gain).

Tax

The adjusted effective tax rate (ETR) was 21.9% (2021: 22.0%). Both the current and prior year included a benefit from the reassessment of uncertain tax positions following progress on and conclusions of tax authority audits.

The IFRS tax rate was 23.2% (2021: -80.0%). The IFRS ETR in 2021 benefited from the effect of non-taxable net foreign exchange gains on the liquidation of subsidiaries, the deferred tax effect of disposals in the period, and the impact of the UK tax rate change on deferred tax on intangible assets.

Discontinued operations

The Group recognised a loss from discontinued operations of £7 million (2021: income of £31 million), in relation to the Group's disposal of the RB Pharmaceuticals business (now Indivior plc).

Earnings per share (EPS)

Total adjusted diluted EPS was 341.7 pence (2021: 288.5 pence). The increase of 18.4% was driven by higher adjusted operating profit and the positive impact of foreign exchange.

Total IFRS diluted EPS was 324.7 pence (2021: loss per share of 4.5 pence). The loss per share in 2021 resulted from the net loss incurred in relation to the IFCN China strategic review.

Balance sheet

At 31 December 2022, the Group had total equity of £9,483 million (31 December 2021: £7,453 million).

Current assets of £5,278 million (31 December 2021: £4,862 million) increased by £416 million, due to foreign exchange appreciation of non-Sterling assets and reflecting higher inventory values as a result of increased input costs.

Current liabilities of £8,341 million (31 December 2021: £8,088 million) increased by £253 million. This increase is primarily driven by the reclassification of £722 million of uncertain tax provisions from non-current to current liabilities during the year. Whilst the underlying disputes may take several years to resolve, the presentation of uncertain tax provisions has been reassessed to reflect that there is not an unconditional right to defer settlement of these liabilities. This increase was offset by lower short-term borrowings, which decreased by £764 million. At 31 December 2022, the Group had £413 million of bonds due within one year (31 December 2021: £2.4 billion) in addition to £1.2 billion of commercial paper (31 December 2021: £nil).

Non-current assets of £23,457 million (31 December 2021: £21,941 million) primarily comprise goodwill and other intangible assets of £20,203 million (31 December 2021: £18,868 million) and property, plant and equipment. The increase of £1,516 million is predominantly due to the foreign exchange retranslation of USD-denominated assets.

Non-current liabilities of £10,918 million (31 December 2021: £11,405 million) have decreased by £487 million. This is principally due to the reclassification of uncertain tax provisions to current liabilities, offset by adverse foreign exchange movements on USD-denominated debt.

Net working capital
During the period, net working capital decreased by £347 million from negative £1,882 million to negative £1,535 million. Net working capital as a percentage of 12-month net revenue is -11% (31 December 2021: -14%) due to higher inventory values resulting from input cost inflation only being partially offset by lower trade and other payables (as a percentage of net revenue) driven by lower non-product cost liabilities.

Cash flow

	31 Dec 2022 £m	31 Dec 2021 £m
Adjusted operating profit	3,439	2,877
Depreciation, share-based payments and gain on disposal of fixed assets (net of proceeds)	521	410
Capital expenditure	(443)	(450)
Movement in working capital and provisions	(408)	(356)
Cash flow in relation to adjusting items	(38)	(86)
Interest paid	(209)	(222)
Tax paid	(831)	(915)
Free cash flow	**2,031**	**1,258**
Free cash flow conversion	**83%**	**61%**

Free cash flow (FCF) is the amount of cash generated from continuing operating activities after net capital expenditure on property, plant and equipment and intangible software assets. Free cash flow reflects cash flows that could be used for payment of dividends, repayment of debt or to fund acquisitions or other strategic objectives.

Free cash flow increased by £773 million due to higher operational profit being converted into cash. Free cash flow conversion was 83% (2021: 61%), largely driven by lower tax paid in the year, as 2021 included tax paid as a result of the sale of IFCN China. In 2021, excluding the cash outflows and transaction costs relating to the sale of IFCN China, FCF conversion was 71%. In 2022, a greater proportion of net income was converted into free cash, due to higher non-cash charges in the year.

Net cash generated from operating activities has increased by £700 million to £2,397 million (2021: £1,697 million), reflecting higher operating profits and lower tax paid in the period.

Net debt

	31 Dec 2022 £m	31 Dec 2021 £m
Opening net debt	(8,378)	(8,954)
Free cash flow	2,031	1,258
Shares reissued	54	80
Acquisitions, disposals and purchase of investments	220	694
Dividends paid	(1,284)	(1,263)
New lease liabilities in the period	(134)	(109)
Exchange and other movements	(500)	(82)
Cash flow attributable to discontinued operations	7	(2)
Closing net debt	**(7,984)**	**(8,378)**

At 31 December 2022, net debt was £7,984 million, a decrease of £394 million from 31 December 2021, as free cash flows of £2.0 billion were offset by £1.3 billion of dividends and unfavourable foreign exchange movements on USD-denominated debt. This decrease results in net debt being 2.1 times adjusted EBITDA at 31 December 2022 (31 December 2021: 2.6 times).

The Group regularly reviews its banking arrangements and currently has adequate facilities available to it. The Group has committed facilities totalling £4,500 million (31 December 2021: £4,500 million), £4,450 million of which expire after more than two years, which are undrawn and available to draw. The Group remains compliant with its banking covenants. The committed borrowing facilities, together with cash and cash equivalents, are considered sufficient to meet the Group's projected cash requirements.

Dividends

The Board of Directors recommends a final 2022 dividend of 110.3 pence (2021: 101.6 pence). The ex-dividend date will be 6 April 2023 and the dividend will be paid on 24 May 2023 to shareholders on the register at the record date of 11 April 2023. The last date for election for the share alternative to the dividend is 2 May 2023. The final 2022 dividend will be accrued once approved by shareholders.

Return on Capital Employed (ROCE)

ROCE in 2022 was 13.2% (2021: 10.1%), an increase of 310bps from 2021, as adjusted operating profit has increased against lower average capital employed. The lower capital employed reflects the disposal of IFCN China over a full year, following its removal from capital employed in September 2021.

Capital returns policy

Reckitt has consistently communicated its intention to use its strong cash flow for the benefit of shareholders. Our priority remains to reinvest our financial resources back into the business, including through value-adding acquisitions, in order to deliver sustainable growth in net revenue and improving earnings per share over time.

In managing the balance sheet, we intend to maintain key financial ratios in line with those expected of an A-grade credit-rated business. This will broadly define acceptable levels of leverage over time.

Repatriating cash to shareholders through a growing dividend remains a long-term goal of the business. In February 2020, the Board committed to maintain the dividend at 2019 levels as investments were made to benefit long-term sustainable growth. The Board has updated its dividend policy and now aims to deliver sustainable dividend growth in future years, subject to any significant internal or external factors. Accordingly, the 2022 dividend has been increased by 5% in line with this objective.

We will return surplus cash to shareholders as appropriate.

Condensed Financial Statements

Group Income Statement
For the 12 months ended 31 December 2022

For the year ended 31 December	**2022** **£m**	2021 £m
CONTINUING OPERATIONS		
Net Revenue	**14,453**	13,234
Cost of sales	**(6,092)**	(5,558)
Gross profit	**8,361**	7,676
Gain/(loss) on disposal of intangible assets and related businesses	**14**	(3,518)
Other net operating expenses	**(5,126)**	(4,962)
Total net operating expenses	**(5,112)**	(8,480)
Operating profit/(loss)	**3,249**	(804)
Foreign exchange net gain on liquidation of subsidiaries	**69**	766
Other net finance expense	**(230)**	(219)
Net finance (expense)/income	**(161)**	547
Impairment of equity-accounted investments	**(19)**	–
Share of loss of equity-accounted investments, net of tax	**(2)**	(3)
Profit/(loss) before income tax	**3,067**	(260)
Income tax (charge)/credit	**(711)**	208
Net income/(loss) from continuing operations	**2,356**	(52)
Net (loss)/income from discontinued operations	**(7)**	31
Net income/(loss)	**2,349**	(21)
Attributable to non-controlling interests	**19**	11
Attributable to owners of the parent company	**2,330**	(32)
Net income/(loss)	**2,349**	(21)
Basic earnings/(loss) per ordinary share		
From continuing operations (pence)	**326.7**	(8.8)
From discontinued operations (pence)	**(1.0)**	4.3
From total operations (pence)	**325.7**	(4.5)
Diluted earnings/(loss) per ordinary share		
From continuing operations (pence)	**325.7**	(8.8)
From discontinued operations (pence)	**(1.0)**	4.3
From total operations (pence)	**324.7**	(4.5)

Group Statement of Comprehensive Income
For the 12 months ended 31 December 2022

For the year ended 31 December	**2022** **£m**	2021 £m
Net income/(loss)	**2,349**	(21)
Other comprehensive income/(expense)		
Items that have or may be reclassified to the Income Statement in subsequent years		
Net exchange gain/(loss) on foreign currency translation, net of tax	**1,065**	(374)
Reclassification of foreign currency translation reserves on disposal or liquidation of foreign operations, net of tax	**(56)**	(550)
(Losses)/gains on net investment hedges, net of tax	**(115)**	84
Gains on cash flow hedges, net of tax	**2**	30
	896	(810)
Items that will not be reclassified to the Income Statement in subsequent years		
Remeasurements of defined benefit pension plans, net of tax	**24**	133
Revaluation of equity instruments, net of tax	**(87)**	(1)
	(63)	132
Other comprehensive income/(expense), net of tax	**833**	(678)
Total comprehensive income/(expense)	**3,182**	(699)
Attributable to non-controlling interests	**20**	11
Attributable to owners of the parent company	**3,162**	(710)
Total comprehensive income/(expense)	**3,182**	(699)

Total comprehensive income/(expense) attributable to owners of the parent company arising from:		
Continuing operations	**3,169**	(741)
Discontinued operations	**(7)**	31
	3,162	(710)

Group Balance Sheet
For the 12 months ended 31 December 2022

As at 31 December	**2022 £m**	2021 £m
ASSETS		
Non-current assets		
Goodwill and other intangible assets	**20,203**	18,868
Property, plant and equipment	**2,473**	2,178
Equity instruments	**86**	194
Deferred tax assets	**244**	197
Retirement benefit surplus	**294**	355
Other non-current receivables	**157**	149
Total non-current assets	**23,457**	21,941
Current assets		
Inventories	**1,825**	1,459
Trade and other receivables	**2,082**	1,926
Derivative financial instruments	**59**	61
Current tax recoverable	**155**	155
Cash and cash equivalents	**1,157**	1,261
Total current assets	**5,278**	4,862
Assets held for sale	**7**	143
Total assets	**28,742**	26,946
LIABILITIES		
Current liabilities		
Short-term borrowings	**(1,721)**	(2,485)
Provisions for liabilities and charges	**(227)**	(191)
Trade and other payables	**(5,547)**	(5,267)
Derivative financial instruments	**(55)**	(52)
Current tax liabilities	**(791)**	(93)
Total current liabilities	**(8,341)**	(8,088)
Non-current liabilities		
Long-term borrowings	**(7,163)**	(7,078)
Deferred tax liabilities	**(3,037)**	(2,806)
Retirement benefit obligations	**(240)**	(318)
Provisions for liabilities and charges	**(59)**	(44)
Derivative financial instruments	**(249)**	(71)
Non-current tax liabilities	**(54)**	(826)
Other non-current liabilities	**(116)**	(262)
Total non-current liabilities	**(10,918)**	(11,405)
Total liabilities	**(19,259)**	(19,493)
Net assets	**9,483**	7,453
EQUITY		
Capital and reserves		
Share capital	**74**	74
Share premium	**254**	253
Merger reserve	**(14,229)**	(14,229)
Other reserves	**(294)**	(1,189)
Retained earnings	**23,638**	22,490
Attributable to owners of the parent company	**9,443**	7,399
Attributable to non-controlling interests	**40**	54
Total equity	**9,483**	7,453

Group Statement of Changes in Equity
For the 12 months ended 31 December 2022

	Share capital £m	Share premium £m	Merger reserves £m	Other reserves £m	Retained earnings £m	Total attributable to owners of the parent company £m	Non-controlling interests £m	Total £m
Balance at 1 January 2021	**74**	**252**	**(14,229)**	**(379)**	**23,397**	**9,115**	**44**	**9,159**
Comprehensive income								
Net (loss)/income	–	–	–	–	(32)	(32)	11	(21)
Other comprehensive (expense)/income	–	–	–	(810)	132	(678)	–	(678)
Total comprehensive (expense)/income	**–**	**–**	**–**	**(810)**	**100**	**(710)**	**11**	**(699)**
Transactions with owners								
Treasury shares reissued	–	1	–	–	79	80	–	80
Purchase of ordinary shares by employee share ownership trust	–	–	–	–	(5)	(5)	–	(5)
Issuance of shares to non-controlling interest	–	–	–	–	–	–	7	7
Share-based payments	–	–	–	–	30	30	–	30
Cash dividends	–	–	–	–	(1,246)	(1,246)	(17)	(1,263)
Transactions with non-controlling interests	–	–	–	–	135	135	–	135
Disposal of non-controlling interest in IFCN China	–	–	–	–	–	–	9	9
Total transactions with owners	**–**	**1**	**–**	**–**	**(1,007)**	**(1,006)**	**(1)**	**(1,007)**
Balance at 31 December 2021	**74**	**253**	**(14,229)**	**(1,189)**	**22,490**	**7,399**	**54**	**7,453**
Comprehensive income								
Net income	–	–	–	–	2,330	2,330	19	2,349
Other comprehensive income/(expense)	–	–	–	895	(63)	832	1	833
Total comprehensive income	–	–	–	**895**	**2,267**	**3,162**	**20**	**3,182**
Transactions with owners								
Treasury shares reissued	–	1	–	–	53	54	–	54
Issuance of shares to non-controlling interest	–	–	–	–	–	–	1	1
Share-based payments	–	–	–	–	78	78	–	78
Tax on share awards	–	–	–	–	(1)	(1)	–	(1)
Cash dividends	–	–	–	–	(1,249)	(1,249)	(35)	(1,284)
Total transactions with owners	**–**	**1**	**–**	**–**	**(1,119)**	**(1,118)**	**(34)**	**(1,152)**
Balance at 31 December 2022	**74**	**254**	**(14,229)**	**(294)**	**23,638**	**9,443**	**40**	**9,483**

Group Cash Flow Statement
For the 12 months ended 31 December 2022

For the year ended 31 December	**2022** **£m**	2021 £m
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**3,067**	(260)
Net finance expense/(income)	**161**	(547)
Share of loss and impairment of equity-accounted investments	**21**	3
Operating profit/(loss) from continuing operations	**3,249**	(804)
(Profits)/losses on sale of property, plant and equipment and intangible assets	**(82)**	3,442
Depreciation, amortisation and impairment	**607**	481
Share-based payments	**78**	30
Increase in inventories	**(254)**	(57)
Increase in trade and other receivables	**(23)**	(130)
Decrease in payables and provisions	**(145)**	(126)
Cash generated from continuing operations	**3,430**	2,836
Interest paid	**(243)**	(251)
Interest received	**34**	29
Tax paid	**(831)**	(915)
Net cash flows attributable to discontinued operations	**7**	(2)
Net cash generated from operating activities	**2,397**	1,697
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(362)**	(373)
Purchase of intangible assets	**(81)**	(77)
Proceeds from the sale of property, plant and equipment	**84**	9
Proceeds from sale of intangible assets and related businesses, net of cash disposed	**247**	1,622
Acquisition of businesses	**(12)**	(915)
Other investing activities	**(15)**	(27)
Net cash (used in)/generated from investing activities	**(139)**	239
CASH FLOWS FROM FINANCING ACTIVITIES		
Treasury shares reissued	**54**	80
Purchase of ordinary shares by employee share ownership trust	–	(5)
Proceeds from borrowings	**2,274**	38
Repayment of borrowings	**(3,807)**	(1,044)
Dividends paid to owners of the parent company	**(1,249)**	(1,246)
Dividends paid to non-controlling interests	**(35)**	(17)
Other financing activities	**383**	(92)
Net cash used in financing activities	**(2,380)**	(2,286)
Net decrease in cash and cash equivalents	**(122)**	(350)
Cash and cash equivalents at beginning of the year	**1,259**	1,644
Exchange gains/(losses)	**19**	(35)
Cash and cash equivalents at end of the year	**1,156**	1,259
Cash and cash equivalents comprise:		
Cash and cash equivalents	**1,157**	1,261
Overdrafts	**(1)**	(2)
	1,156	1,259

Notes to Condensed Financial Statements

1 ACCOUNTING POLICIES

General
Reckitt Benckiser Group plc is a public limited company listed on the London Stock Exchange and incorporated and domiciled in England. The address of its registered office is 103-105 Bath Road, Slough, Berkshire, SL1 3UH.

Basis of Preparation
The financial information for the year ended 31 December 2022 is derived from the full Annual Report which was approved by the Board of Directors on 28 February 2023. The consolidated financial statements in the full Annual Report are prepared in accordance with UK-adopted International Financial Reporting Standards ('IFRS'), with IFRS as issued by the International Accounting Standards Board ('IASB') and with the requirements of the Companies Act 2006.

The auditor's report on those consolidated financial statements was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006. This financial information does not comprise statutory accounts within the meaning of section 434(3) of the Companies Act 2006. The Annual Report for the year ended 31 December 2022 will be delivered to the Registrar of Companies following the Group's Annual General Meeting on 3 May 2023. The Annual Report for the year ended 31 December 2021 has been delivered to the Registrar of Companies.

This financial information does not itself contain sufficient information to comply with IFRS. A separate announcement will be made in accordance with Disclosure and Transparency Rules (DTR) 6.3 when the annual report and audited financial statements for the year ended 31 December 2022 are made available on the Group's website on 22 March 2023.

The preparation of this financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Going Concern
The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated Financial Statements. When reaching this conclusion, the Directors took into account the Group's overall financial position, exposure to principal risks and future business forecasts. At 31 December 2022, the Group had cash and cash equivalents of £1.2 billion. The Group also had access to committed borrowing facilities of £4.5 billion, which were undrawn at year end and of which £4.45 billion are not subject to renewal until 2025 onwards.

Accounting Estimates
The Group's critical accounting judgements and estimates are disclosed in the Group's Annual Report for the year ended 31 December 2022.

New Standards, Amendments and Interpretations
On 1 January 2022, the Group adopted certain new accounting policies where necessary to comply with amendments to IFRS, none of which had a material impact on the consolidated results, financial position or cash flows of the Group. Further details are provided in the Group's Annual Report for the year ended 31 December 2022.

2 OPERATING SEGMENTS

The Group's operating segments comprise of the Hygiene, Health and Nutrition business units reflecting the way in which information is presented to and reviewed by the Group's Chief Operating Decision Maker (CODM) for the purposes of making strategic decisions and assessing Group-wide performance. The CODM is the Group Executive Committee. This Committee is responsible for the implementation of strategy (approved by the Board), the management of risk (delegated by the Board) and the review of Group operational performance and ongoing business integration.

The Group Executive Committee assesses the performance of these operating segments based on Net Revenue from external customers and segment profit being adjusted operating profit. Intercompany transactions between operating segments are eliminated. Finance income and expense are not allocated to segments, as each is managed on a centralised basis.

The segment information for the operating segments for the year ended 31 December 2022 and 31 December 2021 is as follows:

	Hygiene	**Health**	**Nutrition**	**Adjusting Items**	**Total**
Year ended 31 December 2022	**£m**	**£m**	**£m**	**£m**	**£m**
Net revenue	**5,960**	**5,992**	**2,501**	**–**	**14,453**
Depreciation and amortisation	**(135)**	**(177)**	**(90)**	**(35)**	**(437)**
Operating profit	**1,214**	**1,648**	**577**	**(190)**	**3,249**
Net finance expense					**(161)**
Impairment of equity-accounted investments					**(19)**
Share of loss of equity-accounted investments, net of tax					**(2)**
Profit before income tax					**3,067**
Income tax charge					**(711)**
Net income from continuing operations					**2,356**

	Hygiene	Health[1]	Nutrition[1,2]	Adjusting Items	Total
Year ended 31 December 2021 (restated)[1]	£m	£m	£m	£m	£m
Net revenue	5,911	5,053	2,270	–	13,234
Depreciation and amortisation	(111)	(155)	(96)	(61)	(423)
Operating loss	1,401	1,242	234	(3,681)	(804)
Net finance income					547
Share of loss of equity-accounted investments, net of tax					(3)
Loss before income tax					(260)
Income tax credit					208
Net loss from continuing operations					(52)

1. Segmental information for the year ended 31 December 2021 has been restated to reflect the Group's current operating segments, the composition of which changed with effect from 1 January 2022 when the Vitamins, Minerals and Supplements (VMS) business was moved from Nutrition to Health.

2. Following the start of the strategic review of IFCN China, the CODM also reviewed financial information for net revenue and adjusted operating profit excluding IFCN China (which was disposed in September 2021). In the year ended 31 December 2021, Nutrition net revenue based on current operating segments and excluding IFCN China was £1,887 million and Nutrition adjusted operating profit excluding IFCN China was £301 million.

3 NET FINANCE (EXPENSE)/INCOME

	2022 £m	2021 £m
Foreign exchange net gain on liquidation of subsidiaries		
Gains on liquidation	**69**	1,048
Losses on liquidation	**–**	(282)
Total foreign exchange net gain on liquidation of subsidiaries	**69**	766
Other finance income		
Interest income on cash and cash equivalents	**29**	29
Pension net finance income	**5**	1
Movement on put option liability	**–**	14
Finance income on tax balances	**26**	1
Other finance income	**1**	–
Total other finance income	**61**	45
Other finance expense		
Interest payable on borrowings	**(233)**	(244)
Foreign exchange losses on intercompany financing, net of hedging	**(24)**	–
Other finance expense	**(34)**	(20)
Total other finance expense	**(291)**	(264)
Other net finance expense	**(230)**	(219)
Net finance (expense)/income	**(161)**	547

As a result of the simplification of the Group's legal entity structure, a number of entities have been liquidated. Upon liquidation, the cumulative foreign exchange reserves were recycled to the Income Statement, resulting in a net foreign exchange gain of £69 million (2021: gain of £766 million), principally from the liquidation of intermediate financing and holding companies.

4 INCOME TAXES

	2022 £m	2021 £m
Current tax	**766**	711
Adjustment in respect of prior periods	**(23)**	53
Total current tax	**743**	764
Origination and reversal of temporary differences	**(20)**	(1,089)
Impact of changes in tax rates	**(5)**	185
Total deferred tax	**(25)**	(904)
Cumulative foreign exchange on deferred tax balances reclassified to the Income Statement	**(7)**	(68)
Income tax charge/(credit)	**711**	(208)

5 EARNINGS PER SHARE

	2022 pence	2021 pence
Basic earnings/(loss) per share		
From continuing operations	**326.7**	(8.8)
From discontinued operations	**(1.0)**	4.3
Total basic earnings/(loss) per share	**325.7**	(4.5)
Diluted earnings/(loss) per share		
From continuing operations	**325.7**	(8.8)
From discontinued operations	**(1.0)**	4.3
Total diluted earnings/(loss) per share	**324.7**	(4.5)

Basic

Basic earnings per share is calculated by dividing the net income/(loss) attributable to owners of the parent company from continuing operations (2022: £2,337 million income, 2021: £63 million loss) and discontinued operations (2022: £7 million loss; 2021: £31 million income) by the weighted average number of ordinary shares in issue during the year (2022: 715,284,629; 2021: 713,758,909)

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 the following categories of potentially dilutive ordinary shares: Executive Share Awards (including Executive Share Options and Executive Restricted Share Scheme Awards) and Employee Sharesave Scheme Options. 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 2022 there were 14,219,133 (2021: 10,683,109) Executive Share Awards excluded from the dilution because the exercise price for the options was greater than the average share price for the year or the performance criteria have not been met.

	2022 Average number of shares	2021 Average number of shares
On a basic basis	**715,284,629**	713,758,909
Dilution for Executive Share Awards	**1,858,996**	–
Dilution for Employee Sharesave Scheme Options outstanding	**350,982**	–
On a diluted basis	**717,494,607**	713,758,909

As there was a loss in 2021, the effect of potentially dilutive shares was anti-dilutive.

6 GOODWILL AND INTANGIBLE ASSETS

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2021	17,673	11,408	490	185	29,756
Additions	5	–	72	–	77
Arising on business combinations	596	370	–	76	1,042
Disposals	(4,494)	(1,543)	(2)	–	(6,039)
Reclassifications to held for sale	(112)	(28)	–	–	(140)
Exchange adjustments	(220)	5	(13)	5	(223)
At 31 December 2021	**13,448**	**10,212**	**547**	**266**	**24,473**
Additions	–	–	77	4	81
Arising on business combinations	–	(2)	–	7	5
Disposals	(59)	(6)	(3)	–	(68)
Reclassifications	–	–	16	(16)	–
Exchange adjustments	1,136	832	16	17	2,001
At 31 December 2022	**14,525**	**11,036**	**653**	**278**	**26,492**
Accumulated amortisation and impairment					
At 1 January 2021	449	6,039	190	99	6,777
Amortisation and impairment	39	–	66	27	132
Disposals	(143)	(1,176)	(2)	–	(1,321)
Exchange adjustments	(3)	21	(2)	1	17
At 31 December 2021	**342**	**4,884**	**252**	**127**	**5,605**
Amortisation and impairment	21	167	68	19	275
Disposals	–	–	(1)	–	(1)
Reclassifications	–	–	8	(8)	–
Exchange adjustments	16	376	8	10	410
At 31 December 2022	**379**	**5,427**	**335**	**148**	**6,289**
Net book value					
At 31 December 2021	**13,106**	**5,328**	**295**	**139**	**18,868**
At 31 December 2022	**14,146**	**5,609**	**318**	**130**	**20,203**

Annual Impairment Review
Goodwill and other indefinite life intangible assets must be tested for impairment on at least an annual basis. An impairment loss is recognised when the recoverable amount of a group of cash generating units (GCGU) or cash generating unit (CGU) falls materially below its net book value at the date of testing.

The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, is inherently judgemental and requires management to make multiple estimates, for example around individual market pressures and forces, future price and volume growth, future margins, terminal growth rates and discount rates.

When forecasting the annual cash flows that support the recoverable amount, the Group generally uses its short-term budgets and medium-term strategic plans, with additional senior management and Board-level review. Cash flows beyond the five-year period are projected using terminal growth rates. These rates do not exceed the long-term average growth rate for the products and markets in which the GCGU or CGU operates.

The cash flows are discounted back to their present value using a pre-tax discount rate considered appropriate for each GCGU and CGU. These rates have been derived from management's views on the relevant weighted average cost of capital, subsequently converted to the pre-tax equivalent discount rate.

Biofreeze
On 12 July 2021, the Group acquired 100% of the equity interests in Lanai Holdings, owner of the Biofreeze and TheraPearl brands, for cash consideration of $1,060 million (£766 million). Biofreeze is a leader in over-the-counter topical pain relief, with a strong footprint in the North America retail and clinical channels and a growing international presence.

2022
During 2022, Biofreeze performed below expectations following a short term category slowdown, in part due to the current macroeconomic conditions. The outlook for the category remains positive and the Group remains confident in the long-term potential for Biofreeze.

This underperformance, together with the current macroeconomic environment, has introduced additional uncertainty into future Biofreeze cash flows. To reflect this uncertainty, management has increased the pre-tax discount rate used to determine value-in-use to 12.0%. This resulted in the book value of the Biofreeze CGU exceeding its recoverable amount at 31 December 2022, therefore management has recorded a goodwill impairment of £152 million to record Biofreeze at its recoverable amount of £698 million ($843 million).

The recoverable amount for the Biofreeze CGU at 31 December 2022 has been determined on a value-in-use basis using a discounted cash flow approach, with future cash flows derived from a detailed five-year plan. Cash flows beyond the five-year plan have been projected using a terminal growth rate of 2.5%.

The determination of the recoverable amount for Biofreeze at 31 December 2022 incorporates certain key assumptions, some of which are subject to considerable uncertainty. These assumptions include but are not limited to anticipated market share improvement, the commercial success of new product launches and international market expansion. As no headroom exists between the Biofreeze recoverable amount and net book value, any changes to these assumptions, or any deterioration in other macroeconomic or business-level assumptions supporting the Biofreeze recoverable amount could necessitate the recognition of impairment losses in future periods.

The key assumptions used in the estimation of value-in-use of Biofreeze are outlined below.

	2022
Pre-tax discount rate	12.0%
Terminal growth rate	2.5%
Net revenue compound annual growth rate (CAGR) for the period 2022-2027	11%
Gross margin CAGR for the period 2022-2027	14%

The key estimates incorporated within the determination of the Biofreeze recoverable amount are summarised below:

Key estimates	**Commentary**
Net Revenue	In the short to medium term, the valuation model assumes a five-year CAGR of 11%, to be delivered through category growth and market share growth driven by a mix of innovation arising from format expansion of existing products and international expansion.
Margins	In the short to medium term, the valuation model assumes Biofreeze margins (both gross and operating) to increase from current levels as the temporary factors which impacted margins in 2022 unwind and Biofreeze benefits from productivity initiatives on integrating into Reckitt.
Discount rate	Management determined the Biofreeze specific weighted average cost of capital (WACC) and the implied pre-tax discount rate with the support of a third-party expert. For valuation purposes management used the upper end of the calculated range to reflect uncertainty in certain key assumptions.
Terminal growth rate	Management is satisfied with the reasonableness of the terminal growth rate when compared against independent market growth projections and long-term country inflation rates.

The table below shows the sensitivity of the 2022 recoverable amount to reasonably possible changes in key assumptions. The table assumes no related response by management (e.g., to drive further cost savings) and is hence theoretical in nature.

	2022 **£m**
Expected Net Revenue growth rates (2023 to 2027) adjusted by 100bps	+40 / -35
Expected EBIT growth rates (2023 to 2027) adjusted by 100bps	+25 / -25
Terminal growth rate (applied from 2028) adjusted by 50bps	+25 / -25
Pre-tax discount rate adjusted by 50bps	+40 / -35

7 FINANCIAL LIABILITIES - BORROWINGS

Current	**2022 £m**	2021 £m
Bank loans and overdrafts[1]	**40**	22
Commercial paper	**1,190**	–
Bonds	**413**	2,401
Lease liabilities	**78**	62
Total short-term borrowings	**1,721**	2,485
Bonds	**5,461**	5,568
Senior notes	**1,369**	1,229
Other non-current borrowings	**22**	15
Lease liabilities	**311**	266
Total long-term borrowings	**7,163**	7,078
Total borrowings	**8,884**	9,563
Derivative financial instruments	**257**	76
Less overdrafts presented in cash and cash equivalents in the Cash Flow Statement	**(1)**	(2)
Total financing liabilities	**9,140**	9,637

1. Bank loans are denominated in a number of currencies: all are unsecured and bear interest based on market short-term interest rates.

The Group uses derivative financial instruments to hedge certain elements of interest rate and exchange risk on its financing liabilities. The split between these items and other derivatives on the Balance Sheet is shown below:

	Assets		**Liabilities**	
2022 (£m)	**Current**	**Non-current**	**Current**	**Non-current**
Derivative financial instruments (financing liabilities)	**25**	**–**	**(34)**	**(248)**
Derivative financial instruments (non-financing liabilities)	**34**	**–**	**(21)**	**(1)**
At 31 December 2022	**59**	**–**	**(55)**	**(249)**

	Assets		Liabilities	
2021 (£m)	Current	Non-current[1]	Current	Non-current
Derivative financial instruments (financing liabilities)	31	–	(36)	(71)
Derivative financial instruments (non-financing liabilities)	30	1	(16)	–
At 31 December 2021	61	1	(52)	(71)

1. Included within Other non-current receivables on the Balance Sheet

Reconciliation of movement in financing liabilities to Cash Flow Statement	**2022**	2021
	£m	£m
At 1 January	**9,637**	10,598
Proceeds from borrowings	**2,274**	38
Repayment of borrowings[1]	**(3,807)**	(1,044)
Other financing cash flows[2]	**383**	(92)
Total financing cash flows	**(1,150)**	(1,098)
New lease liabilities	**134**	109
Exchange, fair value and other movements	**519**	28
Total non-cash financing items	**653**	137
At 31 December	**9,140**	9,637

1. In 2021, £1,190 million proceeds from borrowings with maturities greater than three months are presented net within repayment of borrowings above. In 2022, the equivalent amounts are presented gross between proceeds from and repayment of borrowings.

2. Other financing cash flows are principally composed of cash receipts and payments on derivative contracts used to hedge foreign exchange gains or losses on non-Sterling financing assets and financing liabilities between the Group's treasury company and fellow Group subsidiaries.

8 CURRENT AND NON-CURRENT TAX ASSETS AND LIABILITIES

	2022 £m	2021 £m
Current tax liabilities	**791**	93
Non-current tax liabilities	**54**	826
Total current and non-current tax liabilities	**845**	919

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 judgement. Tax assets and liabilities are offset where there is a legally enforceable right to do so.

Included within current tax liabilities is an amount of £722 million (2021: £770 million) relating to uncertain tax positions primarily in respect of transfer pricing. Within this, £194 million (2021: £155 million) relates to amounts recognised using the most likely outcome method, where the resolution of the uncertainty is concentrated on one binary outcome. There is no individual tax uncertainty calculated with this method that is material to the Financial Statements.

Also within uncertain tax positions is an amount of £528 million (2021: £615 million) recognised using the expected value method. The liabilities calculated using this method are not material in isolation, are individually assessed and cover multiple jurisdictions and issues. Therefore, it is not meaningful to provide aggregated sensitivity estimates.

The recognition of uncertain tax positions is reviewed regularly for changes in circumstances and estimates are updated as potential resolutions for the tax uncertainties are encountered through specific audits or wider case law. As a result, given the size, possible range of outcomes and timing of resolution, there is a significant risk of material adjustment to the aggregate carrying amount of these liabilities within the next financial year.

The disputes underlying the liability recognised in respect of uncertain tax positions may take several years to resolve. Notwithstanding this, the presentation of corporation tax liabilities has been reassessed to reflect that there is not an unconditional right to defer settlement of these liabilities and the carrying amount of £722 million (2021: £770 million) has been presented as a current liability (2021: non-current). The associated interest accrued on uncertain tax positions of £105 million (2021: £135 million) has also been presented as a current liability (2021: non-current).

The remaining non-current tax liability in 2022 relates to the U.S. transition tax (introduced as part of the 2017 Tax Cuts and Jobs Act) on non-US earnings and profits not previously taxed in the U.S. as of 31 December 2017. The Group has a right to defer this liability until after 31 December 2023.

9 DIVIDENDS

	2022 £m	2021 £m
Cash dividends on equity ordinary shares:		
2021 Final paid: 101.6p (2020: Final 101.6p) per share	**726**	725
2022 Interim paid: 73p (2021: Interim 73p) per share	**523**	521
Total dividends for the year	**1,249**	1,246

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2022 of 110.3 pence per share which will absorb an estimated £789 million of Shareholders' funds. If approved by Shareholders it will be paid on 24 May 2023 to Shareholders who are on the register on 11 April 2023, with an ex-dividend date of 6 April 2023.

10 CONTINGENT LIABILITIES AND ASSETS

Humidifier Sanitiser issue

The Humidifier Sanitiser (HS) issue in South Korea was a tragic event. The Group continues to make both public and personal apologies to the victims who have suffered lung injury as a result of the Oxy HS product and the role that the Oxy HS product played in the issue.

As previously reported, over the last several years the South Korean government has designated a number of diseases as HS injuries, in addition to the HS lung injury for which Reckitt Korea's compensation plan was established. These include asthma, toxic hepatitis, child interstitial lung disease (ILD), bronchitis, upper airway disease, pneumonia, skin disease (accompanied by respiratory injuries) and depression (accompanied by respiratory injuries). On 29 October 2021, the Ministry of Environment (MOE) published a report that concluded epidemiological correlation exists between HS use and asthma, ILD and pneumonia. On 24 October 2022, the MOE published a second edition of the EC report which updated the epidemiological studies supporting asthma, ILD and pneumonia, while designating two new HS injuries, bronchiectasis and acute upper respiratory inflammation. Our expert advisors are currently reviewing the second edition EC report, but their initial assessment remains that it does not clearly support causation between HS use and the above injuries.

The Korean National Assembly passed a bill on 6 March 2020 to amend the HS law. The amendment became effective on 25 September 2020. The main changes in the amendment relate to: (i) the definition of HS injury (removing the requirement for 'substantial causation' with HS exposure); (ii) the legal presumption of causation (shifting the burden of proof for causation to the defendant if the plaintiff demonstrates 'epidemiological correlation' between HS exposure and their injury), and (iii) amendments to the fund set up by the government and funded by the government and HS companies (the Special Relief Fund (SRF), now called the Injury Relief Fund (IRF)) to provide expanded support payments to HS victims (which would cover all elements of court awarded damages except mental distress, aside from KRW 100 million consolation payments for death cases, and partial lost income). The government can also impose on HS manufacturers an additional levy for the IRF up to the amount previously collected for the SRF. In December 2022, the MOE began the process to review the second IRF levy and the levy notice was issued to Reckitt Korea on 27 February 2023.

The pending civil actions filed by HS claimants against Reckitt Korea has also been impacted by the amended HS law, for example due to the lowered causation standard of 'epidemiological correlation'. Thus, we have seen the number of civil claimants increase, primarily seeking awards for mental distress and lost income (for portions not already covered by the IRF). Recently, however, the trend has steadily declined to about 2 to 4 new civil actions per month, which we expect to continue.

The HS mediation committee (HSMC) was established in October 2021 and has been meeting with claimant groups and HS companies to discuss various issues related to designing a comprehensive mediation plan to cover all HS victims. In March 2022, the HSMC communicated a mediation proposal to the HS industry, including Reckitt Korea. Reckitt Korea has rejected the mediation proposal as it did not provide a comprehensive resolution to the HS issue. In addition, Reckitt Korea could not accept this or any future mediation proposals from HSMC without financial support from the Group.

The Group currently has a provision of £77 million (2021: £75 million) in relation to the HS issue in South Korea. In addition, there are further potential costs that are not considered probable and cannot be reliably estimated at the current time. The impact of the HS law amendments will require further monitoring and analysis, in particular those which will be subject to court interpretation, such as the new epidemiological correlation standard, any limitation applied by courts to damage awards, the interest rate applied by individual courts to damage awards and external factors such as the rate of future IRF applications/recognitions. Accordingly, it is not possible to make any reliable estimate of liability for individuals recognised by the government as having HS injuries.

Necrotizing Enterocolitis (NEC)

Product liability actions relating to NEC have been filed against the Group, or against the Group and Abbott Laboratories, in state and federal courts in the United States. The actions allege injuries relating to NEC in preterm infants. Plaintiffs contend that human milk fortifiers (HMF) and preterm formulas containing bovine-derived ingredients cause NEC, and that preterm infants should receive a diet of exclusively breast milk. The Company has denied the material allegations of the claims. It contends that its products provide critical tools to expert neonatologists for the nutritional management of preterm infants for whom human milk, by itself, is not nutritionally sufficient. The products are used under the supervision of medical doctors. Any potential costs relating to these actions are not considered probable and cannot be reliably estimated at the current time.

Other
From time to time, the Group 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.

11 POST BALANCE SHEET EVENTS

There have been no events subsequent to the Balance Sheet date which require disclosure.

APPENDIX - ALTERNATIVE PERFORMANCE MEASURES

The financial information included in these preliminary results is prepared in accordance with International Financial Reporting Standards (IFRS) as well as information presented on an adjusted (non-IFRS) basis.

Financial information presented on an adjusted basis excludes certain cash and non-cash items. These items have a pattern of recognition that is largely uncorrelated with the trading performance of the business. Management reviews the business on this basis for the purpose of making operating decisions and showing these adjusted measures in addition to the IFRS measures provides useful additional information on trading performance to the users of the Financial Statements. These adjusted measures should not be considered in isolation from, as substitutes for, or superior to the financial measures prepared in accordance with IFRS.

The following items (adjusting items) are excluded from IFRS earnings in calculating adjusted earnings.

- **Impact of business combinations** where IFRS accounting results in the recognition of certain costs that are not comparable with those for internally generated assets, (although the net revenues and other costs of these business combinations are not adjusted for):
  - Amortisation of (a) acquired brands, trademarks and similar assets and (b) certain other intangible assets recorded as the result of a business combination;
  - Inventory fair value adjustments;
  - Professional and advisor costs recorded as the result of a business combination; and
  - Changes to deferred tax liabilities relating to (a) acquired brands, trademarks and similar assets and (b) certain other intangible assets recorded as the result of a business combination as the amortisation or profit on disposal of these brands would be treated as an adjusting item.
- **Profits or losses relating to the sale of brands and related intangible assets** as the continued active management of our portfolio results in the recognition of profits or losses relating to disposals of brands and related intangible assets which are largely uncorrelated with the trading performance of the business.
- **Re-cycled foreign exchange translation reserves** upon the sale, liquidation, repayment of share capital or abandonment of a subsidiary previously controlled by the Group, as the gain or loss relates to mainly exchange movements in previous periods rather than the current period.
- **The reclassification of finance income/(expenses) on tax balances into income tax expense**, to align with the Group's tax guidance. As a result, the income/(expenses) are presented as part of income tax expense on an adjusted basis.
- **Other individually material items of expense or income**. Some of these items are resolved over a period of time such that the impact may affect more than one reporting period.

Adjusted measures

- **Adjusted Operating Profit and Adjusted Operating Profit margin:** Adjusted operating profit reflects the IFRS operating profit/(loss) excluding items in line with the Group's adjusted items policy. See page 29 for details on the adjusting items and a reconciliation between IFRS operating profit/(loss) and adjusted operating profit. The adjusted operating profit margin is the adjusted operating profit expressed as a percentage of net revenue.
- **Adjusted tax rate:** The adjusted tax rate is defined as the adjusted continuing income tax expense as a percentage of adjusted profit before tax.
- **Adjusted diluted EPS:** Adjusted diluted EPS is the IFRS diluted EPS excluding items in line with the Group's adjusted items policy. See page 29 for details on the adjusting items and a reconciliation between IFRS net income/(loss) and adjusted net income. The weighted average number of shares for the period is the same for both IFRS diluted EPS and adjusted diluted EPS.
- **Adjusted EBITDA (earnings before interest depreciation and amortisation):** Adjusted operating profit less depreciation and amortisation (excluding adjusting items).

Other non-GAAP measures

- **Like-for-like (LFL):** Net revenue growth or decline at constant exchange rates (see below) excluding the impact of acquisitions, disposals and discontinued operations. Completed disposals are excluded from LFL revenue growth for the entirety of the current and prior years. Acquisitions are included in LFL revenue growth twelve months after the completion of the relevant acquisition. LFL growth also excludes countries with annual inflation greater than 100% (Venezuela).
- **Constant exchange rate (CER):** Net revenue and profit growth or decline adjusting the actual consolidated results such that the foreign currency conversion uses the same exchange rates as were applied in the prior period.
- **Brand Equity Investment (BEI):** BEI is the marketing support designed to capture the voice, mind and heart of our consumers.
- **Net working capital (NWC):** NWC is the total of inventory, trade and other receivables and trade and other payables less interest accrued on tax balances. NWC is calculated as a % of last twelve months net revenue to compare changes in NWC to the growth of the business.
- **Net Debt:** The Group's principal measure of net borrowings being a total of cash and cash equivalents, short-term and long-term borrowings, lease liabilities and derivative financial instruments on debt.
- **Free Cash Flow and Free Cash Flow Conversion:** The Group's principal measure of cash flow defined as net cash generated from continuing operating activities less net capital expenditure. A reconciliation of cash generated from operations to Free Cash Flow is shown on page 32. The Group tracks Free Cash Flow as a % of adjusted net income to understand the conversion of adjusted profit into cash.

Other definitions and terms

- **Category Market Unit (CMU):** Reckitt analyses its market share by CMUs, which represent country and either brand or category, e.g., US Lysol. This allows us to analyse the components of market share growth taking into account both geography and brand/category. Management has identified those Core CMUs that are the most strategically important. The list of Core CMUs is kept under continual review and will change over time based on strategic decisions. Currently, Core CMUs cover c.65% of Group net revenue and between c.55% to c.80% of each Global Business Unit's (GBU) net revenue. As a measure of competitiveness, management tracks the percentage of Core CMUs holding or gaining market share, weighted by net revenue.
- **E-commerce:** E-commerce channel net revenue is direct sales from Reckitt to online platforms or directly to consumers. Estimates of total e-commerce sales as a percentage of Group net revenues are calculated by adding e-commerce channel net revenue to an estimate of e-commerce sales achieved by our brands through omnichannel distributors and retailer websites.
- **Discontinued operations:** Includes credits or charges related to the previously demerged RB Pharmaceuticals business that became Indivior plc. Net (loss)/income from discontinued operations is presented as a single line item in the Group Income Statement.
- **Return on Capital Employed (ROCE):** Defined as adjusted operating profit after tax divided by monthly average capital employed. Capital employed comprises total assets less current liabilities other than borrowings-related liabilities. Total assets exclude cash, retirement benefit surplus, current tax and a technical gross-up to goodwill that arises because of deferred tax liabilities recorded against identified assets acquired in business combinations. Total assets has been adjusted to add back impairments of Goodwill except where the impaired asset has been disposed or partially disposed. Current liabilities exclude legal provisions recorded as a result of exceptional items and current tax.
- **Net revenue attributable to 'more sustainable' products:** A product is defined as 'more sustainable' when it scores 'better' on one of the five parameters (carbon, water, plastics, packaging and ingredients) at time of launch using our Sustainable Innovation Calculator (a streamlined Lifecycle Assessment tool that models the environmental impacts of products). The net revenue from 'more sustainable' products is expressed as a percentage of total net revenue. The calculation is done on the basis of a 12 month period ending September (to allow assembling the related data).

The table below reconciles the Group's IFRS measures to its adjusted measures for the year ended 31 December 2022.

		Adjusting items					
	IFRS £m	Impact of business combinations £m	Gain on disposal of brands £m	Reclassified foreign exchange translation on liquidation of subsidiaries £m	Finance income reclass £m	Other individually material items of income and expense £m	Adjusted £m
Net revenue	14,453	–	–	–	–	–	14,453
Cost of sales	(6,092)	–	–	–	–	–	(6,092)
Gross profit	**8,361**	–	–	–	–	–	**8,361**
Net operating expenses	(5,112)	33	(14)	-	-	171	(4,922)
Operating profit	**3,249**	**33**	**(14)**	–	–	**171**	**3,439**
Net finance expense	(161)	–	–	(69)	(26)	–	(256)
Share of loss and impairment of equity-accounted investments	(21)	–	–	–	–	–	(21)
Profit before income tax	**3,067**	**33**	**(14)**	**(69)**	**(26)**	**171**	**3,162**
Income tax charge	(711)	(11)	(7)	-	26	12	(691)
Net income from continuing operations	**2,356**	**22**	**(21)**	**(69)**	–	**183**	**2,471**
Less: Attributable to non-controlling interests	(19)	–	–	–	–	–	(19)
Net income from continuing operations attributable to owners of the parent company	**2,337**	**22**	**(21)**	**(69)**	–	**183**	**2,452**
Net loss from discontinued operations	**(7)**	–	–	–	–	**7**	–
Total net income attributable to owners of the parent company	**2,330**	**22**	**(21)**	**(69)**	–	**190**	**2,452**
Earnings per share (EPS)							
Continuing operations[1]							
Basic	326.7	3.1	(2.9)	(9.6)	–	25.5	342.8
Diluted	325.7	3.1	(2.9)	(9.6)	–	25.4	341.7
Discontinued operations[1]							
Basic	(1.0)	–	–	–	–	1.0	–
Diluted	(1.0)	–	–	–	–	1.0	–
Total operations[1]							
Basic	325.7	3.1	(2.9)	(9.6)	–	26.5	342.8
Diluted	324.7	3.1	(2.9)	(9.6)	–	26.4	341.7

[1] EPS is calculated using 715.3 million shares (basic) and 717.5 million shares (diluted)

Impact of business combinations of £33 million relates principally to amortisation of acquired intangible assets recognised through historical business combinations. Income tax relates to an £11 million tax credit in relation to this amortisation.

Gain on disposal of brands and related intangible assets of £14 million relates to the disposal of Dermicool (£49 million loss) and E45 and related brands (£63 million gain). Included within income tax expense is a deferred tax credit of £28 million arising on the derecognition of deferred tax liabilities, offset by a £21 million tax charge incurred in relation to the disposals.

Reclassified foreign exchange translation on liquidation of subsidiaries of £69 million is the gain following the liquidation of legal entities as part of simplification of the Group's legal entity structure.

Reclassification of finance income of £26 million relates to the reclassification of net interest income on income tax balances from net finance expense to income tax.

Other individually material items of income and expense of £171m is composed of:

- £152 million expense relating to the impairment of Biofreeze goodwill
- £14 million expense relating to the reorganisation of the Nutrition business subsequent to the disposal of IFCN China in 2021.
- £5 million expense relates to costs incurred in relation to the Korean HS issue.

Included within income tax expense is a £12 million net tax charge in relation to the IFCN China strategic review.

The table below reconciles the Group's IFRS measures to its adjusted measures for the year ended 31 December 2021.

		Adjusting items					
	IFRS £m	Impact of business combinations £m	Loss on disposal of brands £m	Reclassified foreign exchange translation on liquidation of subsidiaries £m	Finance income reclass £m	Other individually material items of income and expense £m	Adjusted £m
Net revenue	13,234	–	–	–	–	–	13,234
Cost of sales	(5,558)	14	–	–	–	–	(5,544)
Gross profit	**7,676**	**14**	–	–	–	–	**7,690**
Net operating expenses	(8,480)	77	234	–	–	3,356	(4,813)
Operating (loss)/profit	**(804)**	**91**	**234**	–	–	**3,356**	**2,877**
Net finance income/(expense)	547	–	–	(766)	(1)	–	(220)
Share of loss of equity-accounted investments	(3)	–	–	–	–	–	(3)
(Loss)/profit before income tax	**(260)**	**91**	**234**	**(766)**	**(1)**	**3,356**	**2,654**
Income tax credit/(charge)	208	170	(117)	–	1	(846)	(584)
Net (loss)/income from continuing operations	**(52)**	**261**	**117**	**(766)**	–	**2,510**	**2,070**
Less: Attributable to non-controlling interests	(11)	–	–	–	–	–	(11)
Net (loss)/income from continuing operations attributable to owners of the parent company	**(63)**	**261**	**117**	**(766)**	–	**2,510**	**2,059**
Net income from discontinued operations	**31**	–	–	–	–	**(31)**	–
Total net (loss)/income attributable to owners of the parent company	**(32)**	**261**	**117**	**(766)**	–	**2,479**	**2,059**
Earnings per share (EPS)							
Continuing operations[1]							
Basic	(8.8)	36.6	16.4	(107.3)	–	351.6	288.5
Diluted	(8.8)	36.6	16.4	(107.3)	–	351.6	288.5
Discontinued operations[1]							
Basic	4.3	–	–	–	–	(4.3)	–
Diluted	4.3	–	–	–	–	(4.3)	–
Total operations[1]							
Basic	(4.5)	36.6	16.4	(107.3)	–	347.3	288.5
Diluted	(4.5)	36.6	16.4	(107.3)	–	347.3	288.5

[1] EPS is calculated using 713.8 million shares (basic) and 713.8 million shares (diluted)

Impact of business combinations is composed of:

- Amortisation of acquired intangibles of £61 million relates to the amortisation of certain intangible assets recognised through historical business combinations. Included within income tax expense is a £14 million tax credit in respect of this amortisation.
- Acquisition advisor costs relate to acquisition related costs of £19 million as a result of acquisitions in 2021, £3 million of which has been charged to cost of sales. Included within income tax expense is a £4 million tax credit in relation to these costs.
- Inventory fair value adjustment of £11 million relates to the amount charged to cost of sales for the fair value step-up of acquired inventories as these inventories are sold. Included within income tax expense is a £1 million tax credit in relation to these charges.
- Changes to deferred tax liabilities of £189 million relate principally to the revaluation of deferred tax liabilities for acquired intangible assets due to the change in the UK corporate tax rate, which was substantively enacted during the year.

R**eclassified foreign exchange translation on liquidation of subsidiaries** of £766 million is the net gain following the liquidation of legal entities as part of simplification of the Group's legal entity structure.

Reclassification of finance income of £1 million relates to the net interest income on tax liabilities that is shown within the adjusted tax charge.

Losses related to disposals of brands and related intangible assets: the pre-tax loss of £234 million relates to the disposal of Scholl (£165 million) and the disposal of EnfaBebé (£69 million). Included within income tax expense are associated tax credits of £94 million in relation to these disposals, and a deferred tax credit of £23 million on classification of the E45 brand as held for sale at 31 December 2021.

Other individually material items of income and expense principally relate to charges in relation to the strategic review of IFCN China, which resulted in the disposal of the IFCN China business, the closure of factories in Australia dedicated to IFCN China and the subsequent re-organisation of the remaining Reckitt Nutrition business. Amounts charged to the IFRS operating loss in relation to the IFCN China strategic review include:

- Loss on disposal of IFCN China of £3,284 million;
- Impairment of the Australian factory assets, £48 million along with associated termination fee £3 million; and
- Costs of £18 million relating to the subsequent restructuring of the Reckitt Nutrition business.

Included within income tax expenses is a £846 million net tax credit in relation to the IFCN strategic review.

Also included within the IFRS operating loss is a charge of £3 million in relation to the Korea HS issue. Income from discontinued operations of £31 million relates to amounts agreed with Indivior plc to settle indemnity claims relating to the DoJ settlement in 2019.

Reconciliation of IFRS to Like-for-Like Net Revenue (by GBU)

	For the year ended 31 December			
Net revenue	**Hygiene £m**	**Health £m**	**Nutrition £m**	**Group £m**
2021 IFRS	5,911	5,053	2,270	13,234
M&A	–	(142)	(403)	(545)
Exchange	–	–	–	–
2021 Like-for-like	**5,911**	**4,911**	**1,867**	**12,689**
2022 IFRS	5,960	5,992	2,501	14,453
M&A	–	(90)	–	(90)
Exchange	(231)	(268)	(206)	(705)
2022 Like-for-like	**5,729**	**5,634**	**2,295**	**13,658**
Like-for-like growth	**(3.1%)**	**14.7%**	**22.9%**	**7.6%**

Reconciliation of IFRS to Like-for-Like Net Revenue (by Geography)

	For the year ended 31 December			
Net revenue	**North America £m**	**Europe/ANZ £m**	**Developing Markets £m**	**Group £m**
2021 IFRS	4,200	4,316	4,718	13,234
M&A	(16)	(101)	(428)	(545)
Exchange	–	–	–	–
2021 Like-for-like	**4,184**	**4,215**	**4,290**	**12,689**
2022 IFRS	4,954	4,589	4,910	14,453
M&A	(48)	(30)	(12)	(90)
Exchange	(485)	58	(278)	(705)
2022 Like-for-like	**4,421**	**4,617**	**4,620**	**13,658**
Like-for-Like Growth	**5.7%**	**9.5%**	**7.7%**	**7.6%**

Adjusted measures excluding IFCN China (Group)

	2022 Adjusted £m	2021 Adjusted £m	2021 Adjusted ex. IFCN China £m
Net revenue	**14,453**	13,234	12,851
Adjusted operating profit	**3,439**	2,877	2,944
Adjusted operating margin	**23.8%**	21.7%	22.9%
Adjusted operating margin vs prior year excluding IFCN China	**90bps**		

Adjusted measures excluding IFCN China (Nutrition)

	2022 Adjusted £m	2021 Adjusted £m	2021 Adjusted ex. IFCN China £m
Net revenue	**2,501**	2,270	1,887
Adjusted operating profit	**577**	234	301
Adjusted operating margin	**23.1%**	10.3%	16.0%
Adjusted operating margin vs prior year excluding IFCN China	**710bps**		

Reconciliation of operating cash flow to free cash flow

	31 Dec 2022 £m	31 Dec 2021 £m
Cash generated from continuing operations	**3,430**	2,836
Less: interest paid	**(209)**	(222)
Less: tax paid	**(831)**	(915)
Less: purchase of property, plant & equipment	**(362)**	(373)
Less: purchase of intangible assets	**(81)**	(77)
Plus: proceeds from the sale of property, plant & equipment	**84**	9
Free cash flow	**2,031**	1,258
Free cash flow conversion	**83%**	61%

12 months Adjusted EBITDA to Net Debt

Adjusted EBITDA	31 Dec 2022 £m	31 Dec 2021 £m
Operating profit/(loss)	**3,249**	(804)
Less: adjusting items	**190**	3,681
Adjusted operating profit	**3,439**	2,877
Less: adjusted depreciation and amortisation	**402**	362
Adjusted EBITDA	**3,841**	3,239

Net debt	31 Dec 2022 £m	31 Dec 2021 £m
Cash and cash equivalents (inc. overdrafts)	**1,156**	1,259
Financing liabilities	**(9,140)**	(9,637)
Net debt	**(7,984)**	(8,378)
Adjusted EBITDA/Net debt (times)	**2.1**	2.6

Dividend Cover

	31 Dec 2022 £m	31 Dec 2021 £m
Interim dividend paid in year	**523**	521
Final dividend proposed	**789**	726
Total dividends	**1,312**	1,247
Adjusted net income	**2,452**	2,059
Dividend cover (times)	**1.9**	1.7

Net Working Capital

	31 Dec 2022 £m	31 Dec 2021 £m
Inventories	**1,825**	1,459
Trade and other receivables	**2,082**	1,926
Trade and other payables	**(5,547)**	(5,267)
Less: Interest accrued on tax balances	**105**	–
Net working capital	**(1,535)**	(1,882)
Net working capital as percentage of 12-month net revenue	**(11%)**	(14%)

ROCE Calculation

	31 Dec 2022 £m	31 Dec 2021 £m
Adjusted operating profit	**3,439**	2,877
Less: taxation on adjusted operating profit	**(753)**	(633)
Adjusted net operating profit after tax	**2,686**	2,244
IFRS total assets	**28,742**	26,946
IFRS total current liabilities	**(8,341)**	(8,088)
IFRS total assets less current liabilities	**20,401**	18,858
Less IFRS items not included in capital employed:		
Short-term borrowings	**1,721**	2,485
Current tax liabilities	**791**	93
Legal provisions	**90**	86
Interest accrued on tax balances	**105**	–
Cash and cash equivalents	**(1,157)**	(1,261)
Current tax recoverable	**(155)**	(155)
Retirement benefit surplus	**(294)**	(355)
IFRS balances included in capital employed	**21,502**	19,751
Add: impact back unrealised impairments	**3,490**	3,143
Less: goodwill due to deferred tax on intangibles	**(4,385)**	(4,133)
Impact of average in year vs closing balance	**(289)**	3,442
Average capital employed	**20,318**	22,203
Return on capital employed	**13.2%**	10.1%