28 July 2020

RECKITT BENCKISER (RB.L)
TRUSTED BRANDS AND EXECUTION DRIVE STRONG PERFORMANCE IN UNCERTAIN TIMES
HY 2020 RESULTS & Q2 TRADING STATEMENT

	H1 2020		
	£m	LFL[1]	Reported
Hygiene	2,737	+16.1%	+13.9%
Health	4,174	+9.3%	+8.8%
Net Revenue	6,911	+11.9%	+10.8%

	£m	Constant FX (CER)[1]	Reported
Operating Profit – Adjusted[1]	1,696	+15.7%	+15.0%
Operating Profit Margin – Adjusted[1]	24.5%		+90bps
Operating Profit – Reported	1,595	+14.0%	+13.4%
Operating Profit Margin – Reported	23.1%		+60bps
EPS (diluted) – Adjusted[1]	166.5p		+14.5%
EPS (diluted) – Reported	144.2p		+4.6%
Free Cash Flow[1]	1,902		+104.7%
Net Debt[1]	10,202		

[1] Non-GAAP measures and definitions are defined on page 17

Commenting on the first half of 2020, Laxman Narasimhan, Chief Executive Officer, said:

"The world has changed beyond recognition in 2020. COVID-19 is likely to be with us for the foreseeable future and, as a society, we are embedding new hygiene practices to protect our way of life. RB's purpose, to protect, heal and nurture in the relentless pursuit of a cleaner and healthier world, has never been more relevant, and the efforts of our people have never been more important. I am extremely grateful to them.

The first six months of 2020 have been underpinned by resilience, agility and strong execution. I'm incredibly proud of the effort of our people who have worked tirelessly, while staying safe, with focus and dedication in an environment that's been changing daily.

We have the largest portfolio of surface disinfectant brands, including Dettol, Lysol and Sagrotan. Our largest brands are trusted by our consumers, as evident in their performance. Our supply chain has withstood the challenge of unprecedented demand, demonstrating agility and flexibility, albeit with additional costs and investments. Our Hygiene and base Health businesses have both performed well, with strong volume growth in challenging circumstances. At the same time, our infant and child nutrition business has delivered important operational and executional improvements, although focus remains on delivering revenue growth through innovation and navigating headwinds such as Hong Kong. Overall, our leadership in e-commerce has helped deliver very strong sales growth of over 60 per cent[1], with e-commerce sales now estimated to account for 12 per cent[1] of first half group net revenue.

Building on the strengths of our brand portfolio, we've also created a new professional service business from a standing start. Since March we have signed new agreements with Hilton, Avis, and Delta Airlines, among others, to help keep their customers safe and protected.

Our strategy to rejuvenate sustainable growth at RB is unchanged and we have made good progress in the first six months of the year, albeit there is still a lot to do. Our strong outperformance will allow us to expand our plan to make incremental investments to capture new growth opportunities for the near- and long-term. While uncertainties remain for the second-half of the year, on both the public health and economic fronts, we have increased confidence in the successful delivery of our medium term goals."

Strategic Highlights

- Company's **Purpose, Fight** and **Compass** already driving change in RB; ***RB Fight for Access Fund*** has allocated the equivalent of 1% of expected 2020 operating profit to benefit communities; new environmental ambitions announced in June; **Reckitt Global Hygiene Institute** announced in July
- **Strong start to our plans to Rejuvenate Sustainable Growth at RB:**
  - new structure with three global business units in place from 1 July 2020
  - strong execution; supply chain performance exceeded expectations under exceptional circumstances; sustained efforts by RB's teams delivered increased capacity and sought to maintain customer service to help meet exceptional demand due to COVID-19
  - investment in core growth capabilities underway; work from home environment has led to some investments now phased to start later in the year and next year
- **Expanded plan to capture additional growth opportunities** for Dettol and Lysol, in professional channels and accelerated e-commerce investments

Half Year Financial Highlights

- **Group LFL growth of +11.9%:** sustained strong demand[2] for many of our hygiene and health products more than offsetting impact of social distancing behaviours; strong volume growth, up 11%
- **Hygiene LFL growth of +16.1%:** strong growth for Lysol and Finish in most markets, with strong double digit growth in North America, Europe / ANZ and most emerging markets
- **Health LFL growth of +9.3%:** strong second quarter for Dettol and Airborne which more than offset some pantry unloading in OTC and parts of IFCN, weaker demand for Durex and the expected headwinds in IFCN in Latin America and Hong Kong
- **Strong e-commerce sales growth of over 60%[1]:** estimated to be c.12%[1] of half year group net revenue; record gross merchandise value of over $1.5bn in first six months of 2020
- **Interim Dividend** of 73.0p (2019: 73.0p), in line with policy and guidance from February 2020

Second Quarter Highlights

- Group LFL growth of +10.5%; Hygiene LFL growth of +19.4%, Health LFL growth of +5.0%

Full Year Outlook

- **2020 performance** now expected to be better than April expectations, although the outlook for the balance of 2020 remains uncertain; detailed guidance set out on page 5

2 Latest available market share data to the end of May 2020

GROUP REVIEW - SIX MONTHS ENDED 30 JUNE 2020

COVID-19

The global health crisis has created a challenging environment for our people, customers and consumers, as well as trusted suppliers, partners and other stakeholders. We continue to focus our efforts on meeting the needs of our customers and consumers, while ensuring our people and partners have a safe working and living environment for themselves and their families.

As we set out in April, RB is uniquely positioned to help build healthier communities with a portfolio that includes not only leading brands such as Dettol, Lysol, Sagrotan, Napisan, Cillit Bang, Harpic and Muse, which break the chain of infection, but also Mucinex, Lemsip, Durex, Nurofen and Strepsils, as well as our Nutrition portfolio.

We have responded to these challenges through dedicated teams, working closely with customers and suppliers, to ensure we increase capacity and sustain continuity of supply across the critical parts of our product range. This has involved significant investment to ensure a safe working environment and reprioritising our manufacturing activities; temporarily simplifying our product ranges to maximise throughput and expediting raw material and finished product shipments as needed. In all aspects of this work we have been working closely with local authorities, aligning with their specific needs.

At the same time, the unprecedented situation has created new growth opportunities for RB; strong demand for Dettol and Lysol, among others, looks set to remain at higher than pre-COVID-19 levels, driven by a greater health awareness. Professional opportunities are also opening up with service providers (e.g. accommodation, ground transport, aviation, recreational services, etc.) looking to provide consumers with the highest standards of hygiene and safety. In addition, the development of e-commerce has proceeded at pace, with record levels of activity through new and existing channels.

Financial performance highlights

As a result of both a strong tailwind and better execution, RB has outperformed early expectations in the first half of the year. Net revenues were £6,911m (2019: £6,240m) with LFL net revenue growth of 11.9%, with improved underlying growth (refer to definition on page 17), estimated to be around 3-4%, and a tailwind from COVID-19 effects of around 9-10%, partially offset by the deferral of net revenue for certain shipments (see page 10) of 1.4%. Total estimated e-commerce sales grew over 60%[1], with the channel now estimated to account for c.12%[1] of the Group's net revenues.

The strong sales growth, principally reflecting higher volumes (up 11%), resulted in a good margin improvement in the half. Overall, adjusted operating profits were up 15.0% on a reported basis, at £1,696m (2019: £1,475m) with adjusted operating margins of 24.5% (2019: 23.6%). Within this, Brand Equity Investment (BEI) was 13.8% of net revenue, lower than expected for the year as a whole, largely reflecting the exceptional revenue growth in the half and a proactive approach to media buying as priorities and pricing changed. In the first half, COVID-19 related-costs were £69m, including investments in temporary social distancing infrastructure for the safety of our people, co-packing costs to increase short term capacity, and additional freight and warehousing costs. These estimated costs are incremental to our planned investments and we expect them to continue in the foreseeable future.

Adjusted diluted earnings per share in the first half were 166.5p (2019: 145.4p), up 14.5%. Consistent with our dividend policy and the comments made in February 2020 in respect of maintaining a 50% payout over time, we are declaring an interim dividend per share of 73.0p, unchanged on 2019. Reflecting the strong net revenue growth and our negative working capital position, free cash flow was very strong in the first half of the year at £1,902m (2019: £929m).

A more detailed review of Group performance, including gross margin and reported results, is included in the Group Financial Review.

Rejuvenating Sustainable Growth

On 27 February 2020 we set out our strategy for rejuvenating sustainable growth at RB. Our objective is to rebuild a strong earnings model and outperform with mid-single digit organic revenue growth, mid-20s margins and 7-9 percent EPS growth. We outlined in detail how we would achieve this through a temporary margin reduction and enhanced multi-year productivity programme.

Our social purpose and growth drivers are clearly benefiting the business

What makes RB distinctive is that the functionality of many of our brands authentically serve a large social need - be it in hygiene, over the counter health, sexual well-being or nutrition - and operate at the frontlines to give our consumers a better life. This ties into our purpose - to protect, heal and nurture in our relentless pursuit of a cleaner and healthier world - and our fight - of making access to the highest quality hygiene, wellness and nourishment a right, not a privilege.

During the first six months of the year we have invested in this social purpose for our business and brands, increased by many initiatives around COVID-19 as we have sought to address consumer and societal needs. In March we launched our ***RB Fight for Access Fund**,* through which we will invest the equivalent of 1% per annum of our adjusted operating profit in a wide range of initiatives, working with partner organisations, to help frontline health workers, promote behaviour change, and help the communities in which we work and live.

We have already mobilised this in a number of ways in 2020, to meet urgent needs, including funding 20 initiatives across 41 countries with organisations like the CDC Foundation, the NHS in the UK, the UNAIDS effort, the International Rescue Committee and specific product donations in several countries around the world. Our Dettol India handwash challenge, launched in April with TikTok, has now reached in excess of 120 billion views. Some of our savings from areas like travel have been donated by our teams to local organisations consistent with our purpose. Additionally, we have expressed our strong support for racial equality, and instituted 100 four-year scholarships for STEM and public health through the United Negro College Fund, as well as directed our Lysol Schools program to support 58,000 US Title 1 schools, impacting over 15 million children with the greatest need.

In July, we launched the ***Reckitt Global Hygiene Institute*** with a number of key partners in medical science, health and education. The aim of the Institute is to generate high-quality scientific evidence to inform public health recommendations and promote behaviours that improve global hygiene. We have committed over $25 million to Yale School of Public Health, Cambridge University, London School of Hygiene and Tropical Medicine, All India Institute of Medical Sciences, Tsinghua University and the National University of Singapore to support globally - and locally - relevant research programs to promote hygiene and other non-pharmaceutical interventions over the next five years.

Within the business, our purpose, fight and compass has resonated strongly with our teams. Feedback to date has been very positive, with strong recognition of the direction they provide and engagement at very high levels. It is encouraging to see a company steeped in history, with a strong entrepreneurial culture, re-engage with purpose in making things happen and doing it the right way.

Good progress on productivity and investments in the first six months of 2020

Despite COVID-19, we have made good progress on delivering our targeted productivity savings and investments this year. As we set out in February, the first phase of our plan, starting this year, is about addressing competitive gaps, fixing foundations and launching the productivity program, with targeted capability investments.

We are on-track to delivering our productivity goals in 2020. Our first half targets were met, with savings of £165m delivered, despite some elements of the programme being delayed as a result of COVID-19. Major areas of productivity include cost of goods sold procurement, supply chain improvements, network and cost optimisation and strategic supplier partnerships.

Similarly, our investment programme, while well developed in terms of planning, is behind plan in terms of spend, contributing to a higher operating margin performance in the first half. The impact has been most seen with projects involving physical activities e.g. some of our supply chain transformation initiatives and global sales channel development. At the same time, where possible we have also accelerated investments where opportunities have been greater, for example, launching Lysol in Brazil in the first half of the year to help build on the market demands for effective COVID-19 protection.

In addition, our new organisation was introduced, as planned, on 1 July, with the executive team announced and the vast majority of senior global business unit leadership in place. Despite COVID-19 challenges, we have also made good progress strengthening our core capabilities in product innovation, customer and sales channel development, digital and e-commerce and supply chain. As an example, we have rolled out our sales excellence program to over 50 countries over the last six months, with the consequent positive impact on execution.

Overall, we expect that many P&L investments will be higher in the second half of 2020, although some will flow into 2021. We expect to deliver the same level of investment over the two years as originally planned.

New opportunities to invest and grow - increasing confidence in our medium term goals

The outbreak of COVID-19 has both challenged our business but also presented an opportunity to expand our plans and capture new growth. This includes upsides to grow our disinfectant category, increase our investments to capture growth in e-commerce and build out capabilities to grow in a new professional channel, for example, with hotel groups, airlines and ground transportation companies. With the new growth opportunities, our confidence in achieving our medium-term goals is higher than before.

Our strong first half performance and positive expectations for the year as a whole provides additional resources to invest and capture new sources of revenues over the next few years, strengthening our growth plans. Therefore, over the next two years we will invest a further £100m to accelerate growth in our disinfectant brands, in our digital and e-commerce channel and to develop our professional sales capabilities. Additionally, we will increase our capital investments by £100m to ensure our supply chain capacity and capabilities, improve overall product availability and meet new levels of demand for our products, particularly Dettol and Lysol.

As a result, we will increase our investments from £2.0bn to £2.2bn in an expanded plan over the next three years, optimising our programme to establish consistent performance, then build revenue momentum and finally achieve sustained outperformance.

Outlook

After a strong first half, we now expect our net revenue, margin and earnings performance to be better than our expectations in February and April (Q1), notwithstanding a cautious outlook for the balance of 2020 and an uncertain macro-economic environment. Our underlying revenue performance (pre-COVID-19) has been ahead of our early expectations for the year and overall, including favourable tailwinds from COVID-19, we now expect high single digit growth for the year as a whole. Looking to the second half, net revenue growth is expected to reflect the benefit of COVID-19 tailwinds for Dettol and Lysol, improving trends in IFCN, offset by likely ongoing uncertainties of pantry-unloading, particularly for our OTC portfolio when combined with a likely weaker cough / cold and flu season and ongoing headwinds caused by social distancing.

Overall, we expect our investments to be more heavily weighted to the second half of the year and to continue into 2021. While this will still result in a 350 basis point delta to our 2019 margins, we expect that to be rephased over 2020 and 2021, with the majority of the investment occurring in the second half of this year. In addition, we expect the COVID-19 costs to be incremental to our investments and to continue in the second half of 2020 as well as 2021. As a result, 2020 margins are expected to be in line with current consensus expectations.

Looking to the medium term, our outlook for sustained mid-single digit organic revenue growth and mid-20's margin by 2025 remains unchanged.

Our outlook in more detail

	2020	**2021**	**Medium term**
Net revenue growth	High single digit (3-4% underlying) (previously better growth than 2019)	Expected COVID-19 headwinds of 5-6% (new)	Mid-single digit (unchanged)
Adjusted operating margin	2020 in line with expectations; expect to reflect the full 350bps investment vs 2019 over 2 years (previously over 1 year) Expect incremental COVID-19 costs to continue in H2 2020 and 2021 (new)		Rebuild to mid-20's (unchanged)
Capital expenditure	c.3.0 - 3.5% of NR (previously c.4%)	>4% of NR for 2021/22 (previously c.4%)	3.0 - 3.5% of NR (unchanged)
Free cash flow conversion	Focus on delivering sustainable strong free cash flow conversion in the medium term (unchanged)		

Other technical guidance

- Our full year net finance expense is expected to remain around 3% of average net debt
- Our ongoing adjusted tax rate is expected to remain at approximately 23%

BUSINESS REVIEW – SIX MONTHS ENDED 30 JUNE 2020

Hygiene **40% of net revenue in H1 2020**

By Geography	H1 2020			
	%	£m	LFL[1]	Reported
North America	36%	993	+29.1%	+32.2%
Europe / ANZ	42%	1,148	+11.4%	+10.0%
Developing Markets (DvM)	22%	596	+7.8%	-1.8%
Total	**100%**	**2,737**	**+16.1%**	**+13.9%**

	£m	Constant FX (CER)[1]	Reported
Adjusted Operating Profit[1]	**687**	**+31.4%**	**+30.4%**
Adjusted Operating Profit Margin[1] %	**25.1%**		**+320bps**

[1] *Non-GAAP measures are defined on page 17*

- Strong category growth driven by exceptional conditions created by COVID-19 and market share gains; particularly benefiting our portfolio of leading surface disinfectant brands, including Lysol and Sagrotan
- Good strategic progress reconfirms medium term strong growth expectations; Lysol added record market share with COVID-19 increasing penetration and innovations helping enter new adjacencies (e.g. laundry sanitiser); focus on core category market unit (CMU) expansion, growing from 40 to 50, generating significant incremental growth; new professional channel developing fast, including agreements with Hilton Hotels, Delta Airlines and Avis Budget Group
- Net revenue of £2,737m in the half, with LFL growth of +16.1%, comprising +15% volume and +1% price/mix; strong volume growth led by increased underlying consumption (penetration and usage e.g. for Lysol) and 'stay at home' conditions (e.g. for Finish) in key markets
- Strong underlying performance reflects the sustained progress made in 2019, with broad-based growth; around 60% of core CMUs gained market share in 2020; continued strong positive trends since mid-2019
- North America LFL net revenue up 29% in the half; Lysol exceptionally strong, around 70%, reflecting consistent high demand since early March and large share gains; Finish also grew strongly (up over 30%), with Air Wick up mid-single digits
- Europe / ANZ LFL net revenue up 11% in the half; strong growth from Finish, Sagrotan and Napisan, reflecting good underlying growth with strong COVID-19 related demand; solid performance from most powerbrands
- Developing Markets LFL net revenue up 8% in the half; Lysol, Finish and Mortein consistently strong, with solid growth from Harpic and Veja as well; strong growth in Latin America, the Middle East and South East Asia

E-commerce

- Total estimated e-commerce sales[1] up over 90% in the first half, led by growth from the consumer switching to online channels, particularly in the COVID-19 'stay at home' conditions that have prevailed in many markets since March; total estimated e-commerce sales now represent around 7% of the total net revenue for the Business Unit

Profit items

- Adjusted operating profit was £687m, up 30.4% on a reported basis, with an adjusted operating margin of 25.1%, up 320 basis points; margin performance reflected the strong volume growth in the first half, a very strong contribution from the productivity programme, with related investments deferred into the second half and lower BEI spend as a percentage of net revenue; partially offset by higher ongoing COVID-19 related costs. Second half costs are expected to be materially higher, largely reflecting the rephasing of investments and higher BEI spend

New product launches planned for second half of 2020:

Notable products for launch in the second half include:

- **Finish Hygienic Dishwasher Cleaner:** an improved product with a formula that makes dishwashers 100% hygienically cleaner, removing hidden dirt and limescale

- **Mortein Pest Control:** powered by 100% plant-based active ingredients, formulated with safety in mind to use around kids and pets

- **Aeroguard Personal Insect Repellent:** specifically designed for kids, with ColourFade technology so that you don't miss a spot

- **New Vanish Multi Power:** with the trusted power of Oxi, re-formulated to not only remove tough stains even in cold water, but also odours, prevents colour transfer and disinfect / hygienically cleans

- **Vanish Crystal White:** strengthening the whitening system, whilst also removing stains, bad odours and disinfecting / hygienically cleaning

Health **60% of net revenue in H1 2020**

By Category	H1 2020			
	%	£m	LFL[1]	Reported
Over the Counter (OTC)	23%	970	+11.8%	+10.9%
Other Health	43%	1,765	+22.7%	+22.0%
Infant and Child Nutrition (IFCN)	34%	1,439	-4.8%	-5.1%
Total	**100%**	**4,174**	**+9.3%**	**+8.8%**

By Geography	H1 2020			
	%	£m	LFL[1]	Reported
North America	26%	1,075	+20.8%	+23.6%
Europe / ANZ	25%	1,048	+7.2%	+6.2%
Developing Markets (DvM)	49%	2,051	+5.4%	+3.5%
Total	**100%**	**4,174**	**+9.3%**	**+8.8%**

	£m	Constant FX (CER)[1]	Reported
Adjusted Operating Profit[1]	**1,009**	**+7.0%**	**+6.4%**
Adjusted Operating Profit Margin[1] %	**24.2%**		**-50bps**

[1] Non-GAAP measures are defined on page 17

- Strategic execution improving to build platform for sustainable growth; supply chain agility and SKU rationalisation supported strong market share gains for Dettol, with growth of 62% in H1; good performances from Mucinex and Nurofen in the early stages of the pandemic; better e-commerce execution through enhanced delivery partnerships; professional channel developing fast around Dettol's brand strengths in Asia, Australia and the Middle East; operational improvements undertaken at IFCN to improve resilience and support future growth

- Net revenue was £4,174m in the half, with LFL growth of +9.3%, comprising +7% volume and +2% price/mix

- Market share performance was mixed, reflecting volatile underlying markets, impacted to varying degrees by COVID-19 effects including ‘stay at home’ behaviours, social distancing and a greater awareness of the need for good hygiene practices; ongoing investment in brand equity and innovations are expected to improve trends over time, as more normal market conditions return

OTC (Over the Counter / Health Relief products)

- Our OTC category grew 11.8% on a LFL basis in the half, largely reflecting the strong first quarter, led by exceptional pantry-loading for Mucinex in North America and Nurofen in Europe, Australia and New Zealand; the second quarter reflected significant volume reductions as retailers reacted to the sharply lower sell-out

- Despite the second quarter correction, Mucinex reported strong growth as expected, lapping the weak first quarter in 2019; with 'stay at home' conditions reducing the incidence of coughs and colds, Strepsils revenues were around 10% lower than H1 2019; Gaviscon sales were ahead of the same period in 2019

- Further pantry-unloading and healthy retail stocks suggest that second half demand for OTC products may be weaker than in the same period in 2019, despite lapping a weak Mucinex performance in the last four months of the prior year

Other Health (Wellness and Health Hygiene brands)

- Our Wellness and Health Hygiene brands grew 22.7% on a LFL basis in the half led by exceptional demand for Dettol and VMS, more than offsetting modest declines for Durex and Scholl

- Dettol grew strongly, up 62% compared to the same period in 2019, with growth in both developed and emerging markets, led by COVID-19 demand fuelling greater product penetration and frequency of use; Dettol became the number one soap brand in India, the United Arab Emirates, Saudi Arabia and Malaysia

- Durex saw modest declines as 'stay at home' and 'social distancing' effects impacted demand in both Europe and Developing Markets, after solid growth in the first two months of the year

- Our VMS category grew strongly across the first half, reflecting strong demand particularly for Airborne, reflecting an increased health awareness, but also for Digestive Advantage; more discretionary supplements, like Move Free, were impacted by shifting consumer priorities

Infant and Child Nutrition (IFCN)

- IFCN declined 4.8% on a LFL basis in the first half, largely reflecting known headwinds; momentum expected to improve in the second half

- North American net revenue was ahead in the half, reflecting steady underlying demand across the period, despite the effects of pantry loading and unloading as a result of COVID-19; Nutramigen performed well over the half with Enfamil also ahead

- As expected, Developing Market net revenue declined in the half, largely reflecting cross-border closures and unrest in Hong Kong and the dryer overhaul in Latin America which together impacted revenue by around £40m in the half; our business in mainland China benefited from positive consumer trends, largely offsetting the year on year impact of the restocking in 2019

- We remain focused on delivering a number of key product innovations and production transitions in both Greater China and Latin America during the course of 2020, the benefits of which should be seen during the second half of the year

E-commerce

- Total estimated e-commerce sales[1] grew strongly in the first half, up over 50%, with growth across all major platforms and market places; particularly strong channel growth in Amazon, Direct to Consumer, Bricks and Clicks omnichannel customers, with broad based growth across all geographies and brands resulting in strong double-digit growth; total estimated e-commerce sales now represent around 15% of the total net revenue for the Business Unit

Profit items

- Adjusted operating profit was £1,009m, up 6.4% on a reported basis, with an adjusted operating margin of 24.2%, down 50 basis points; margin performance reflected the good volume growth in the first half and associated lower BEI spend as a percentage of net revenue, partially offset by higher COVID-19 related costs, the expected increases in variable pay and increased investment in fixed costs, albeit lower than originally planned. Second half costs are expected to be materially higher, largely reflecting the rephasing of investments and higher BEI spend

[1] *Non-GAAP measures are defined on page 17*

New product launches planned for second half of 2020:

In the second half, we are planning over 40 market launches in Health and Nutrition. Notable products include:

Health

- **Mucinex**: new Night Shift range for Cold & Flu and Sinus
- **Mucinex Junior**: smaller caplet size to complement Adult Mucinex Fast Max Tablets range
- **Strepsil Fabulous**: development and launch of a new flavour of Strefen direct spray containing 8.75mg Flurbiprofen per dose. This SKU will be incremental and sit alongside the existing flavour of Strefen direct spray
- **Dettol "Co-Created with Moms" range**: delivering the best germ protection with no compromise on safety, transparency and authenticity
- **Durex ECom condoms**: large pack box for easy delivery and storage. Premium look and available in different SKUs
- **Durex Featherlight**: superior thinness upgrade across our Featherlight range

Nutrition

- **Enfagrow Grassfed** with high quality natural milk source: represents a sourcing innovation with milk sourced from grass-fed cows to support digestion and holistic development
- **Enfa TotalGrow**: launch of an exclusive line in the fast growing e-commerce space; supports the triple benefits of brain, digestion and self defence
- **Enfamil Earth A2**: naturally easy to digest with the A2 protein for tiny tummies, global expert recommended amount of DHA, unique dual prebiotics blend for immune health support; extending launch in the United States and South East Asia
- **Enfagrow Pro Mental and NeuroPro**: extending the successful Neuro Pro model in Hong Kong and Latin America
- **Enfamil / Enfinitas Stage 4**: to best meet the needs of children over the age of 3 years

GROUP FINANCIAL REVIEW – SIX MONTHS ENDED 30 JUNE 2020

The following section should be read in conjunction with the condensed financial statements and the adjusted and other non-GAAP measures, definitions and terms section.

Net revenue

On a total Group basis, bringing Hygiene and Health together, total half year (HY) net revenue was £6,911m, representing +11.9% growth on a LFL basis of which +11% was volume and +1% price/mix. Within this, we delivered improved estimated underlying growth of 3-4%, together with an estimated 9-10% tailwind from COVID-19 related volume demand, partially offset by the deferral of net revenue for certain shipments of 1.4%. Total net revenue growth at actual exchange rates was +10.8%, reflecting a foreign exchange headwind of 1.1%.

Net revenue in the period reflects the deferral of certain shipments not reaching customers by 30 June 2020, consistent with the passing of control requirements under IFRS. Prior period net revenues included these shipments, the period-on-period impact of which was not significant. The deferral reduced net revenue for the Group by £88.5m in H1 2020, of which £49.6m related to Health and £38.9m related to Hygiene.

Gross margin

Gross margin improved by +70bps to 60.9% largely due to product mix effects and lower oil-related costs. These were partially offset by a marked increase in COVID-19 related costs needed to ensure safe working practices across the business. The impact of the deferral of shipments, as disclosed above, was negligible on gross margin.

Net operating expenses

Brand Equity Investment (BEI) was 13.8% of net revenue, -160bps lower than the prior year, due to the strong net revenue tailwinds from COVID-19 related volumes. In absolute terms BEI was broadly unchanged but lower than expected for the year as a whole, largely reflecting the exceptional net revenue growth in the half. Investment behind the long-term strength of our brands continues to be a priority during this unusual period and there is no change to our long term commitment to sustain BEI as a percentage of underlying sales.

Other costs increased by +140bps as a percentage of net revenue, reflecting higher variable pay costs and costs associated with the Group's ongoing investment programmes. The phasing in our investment programme, has been impacted by COVID-19, and is now expected to be materially second half weighted. Additional commentary on other costs for the balance of 2020 is included in our Outlook.

Group operating profit

For the six months ended 30 June 2020 group adjusted operating profit was £1,696m (H1 2019: £1,475m) with a group adjusted operating margin of 24.5% (H1 2019: 23.6%). The increase in adjusted operating profit margin of 90bps is driven by an improving underlying performance and operational leverage from COVID-19 tailwinds, offset in part by COVID-19 related-costs of £69m. These costs are incremental to our planned investments and we expect them to continue in the foreseeable future.

Reported operating profit for the six months ended 30 June 2020 was £1,595m (H1 2019: £1,406m) with a group reported operating margin of 23.1% (H1 2019: 22.5%). For the six months ended 30 June 2020, adjusting items of £101m expense are included in reported operating profit (H1 2019: £69m expense). Adjusting items comprise £20m of costs relating to the MJN / RB 2.0 restructuring programme (H1 2019: £29m), which is now ceased, amortisation of £41m relating to certain acquired intangibles (H1 2019: £40m) and a charge of £40m (H1 2019: £nil) relating to additional provisions for the Korea HS issue. Further details of these items can be found on page 19.

Net finance expense

Net finance expense was £157m (H1 2019: £144m). The increase principally reflects the interest element of a sales tax provision.

Adjusted finance expense excludes £16m (H1 2019: £25m) of finance expenses on tax balances which is presented within adjusted income tax expense. Refer to page 19 for further details of adjusting items.

Tax

The adjusted tax rate, which excludes the effect of adjusting items, was 23% (H1 2019: 23%) in line with expectations.

The reported tax rate was 28% (H1 2019: 21%). Income tax expense is recognised based on management's best estimate of the effective tax rate (ETR) expected for the full financial year. The increase to 28% from 21% in H1 2019 is principally attributable to the impact of the enacted increase in the UK corporation tax rate from 17% to 19% on deferred tax liabilities recorded on intangible assets.

Earnings per share (EPS)

Adjusted diluted EPS from continuing operations was 166.5p (H1 2019: 145.4p) the increase of 14.5% driven primarily by higher adjusted operating profit.

Reported diluted EPS from continuing operations was 144.2p (H1 2019: 137.9p), an increase of 4.6%, a lower increase than on the adjusted basis reflecting the higher reported tax rate.

Discontinued operations

Income from discontinued operations of £48m (H1 2019: £867m expense) relates to a partial release of a provision relating to the prior year settlement with the Department of Justice (DoJ) in relation to Indivior PLC matters. This follows a review of outstanding items relating to the DoJ settlement and the associated provisions. The prior period expense reflects the charge to the Income Statement for the $1.4bn settlement agreed with the (DoJ), which was paid in full by the end of 2019, and amounts deemed necessary to cover any remaining litigation exposure. See Note 14 for further details.

Balance sheet

At 30 June 2020, the Group had total equity of £10,019m (31 December 2019: £9,407m).

Current assets of £6,178m (31 December 2019: £5,033m) comprise of inventories, trade and other receivables, derivative financial instruments, current tax recoverable and cash and cash equivalents. The increase in current assets of £1,145m is principally driven by an increase in cash and cash equivalents of £1,008m to £2,557m as at 30 June 2020, discussed further on page 12. The Group's working capital movements are described below.

Current liabilities of £7,474m (31 December 2019: £8,931m) comprise of short-term borrowings, provisions, trade and other payables, derivative financial instruments and current tax liabilities. The decrease in current liabilities of £1,457m is due to lower short term borrowings by £2,039m following the repayment of commercial paper in the period, offset by higher trade and other payables by £787m. The Group's working capital movements are described below.

Non-current assets of £28,248m (31 December 2019: £27,106m) primarily comprises of £25,375m of goodwill and other intangibles (31 December 2019: £24,261m) and property, plant and equipment of £2,213m (31 December 2019: £2,140m). Other non-current assets include equity instruments, deferred tax assets, retirement benefit surplus and other non-current receivables which did not move significantly since 31 December 2019. The movement in non-current assets is driven by goodwill and intangibles which increased by £1,114m primarily due to retranslation of foreign currency denominated assets following the devaluing of pound sterling since year-end.

Non-current liabilities of £16,933m (31 December 2019: £13,801m) comprise of long-term borrowings, deferred tax liabilities, retirement benefit obligations, provisions, non-current tax liabilities and other non-current liabilities. The increase in non-current liabilities of £3,132m is driven predominantely by a £2,651m increase in long term borrowings. During the six months ended 30 June 2020, the Group issued new bonds of just under £2bn which are further explained on page 12.

Net working capital

During the period, inventories increased to £1,518m (31 December 2019: £1,314m), trade and other receivables decreased to £1,938m (31 December 2019: £2,079m), and trade and other payables increased to £5,607m (31 December 2019: £4,820m). The increase in trade and other payables of £787 is principally due to higher levels of manufacturing activity and volume related increases in trade spend accruals as payable days outstanding remained in line with historic levels. This led to an improvement in adjusted net working capital to negative £2,151m (31 December 2019: negative £1,427m). Adjusted net working capital as a percentage of rolling 12 month net revenue is -16% (31 December 2019: -11%).

Cash Flow

	30 June 2020 £m	30 June 2019 £m
Cash generated from continuing operations	2,582	1,525
Less: net interest paid	(147)	(129)
Less: tax paid	(391)	(305)
Less: purchase of property, plant & equipment	(114)	(131)
Less: purchase of intangible assets	(32)	(50)
Plus: proceeds from the sale of property, plant & equipment	4	19
Free Cash Flow	**1,902**	**929**
Free Cash Flow Conversion	**160%**	**90%**

Cash generated from continuing operations was £2,582m (H1 2019: £1,525m), higher by £1,057m, primarily driven by higher operating profit of £189m and favourable net working capital movements of £724m. Net cash generated from operating activities was £2,034m (H1 2019: £1,091m) after net interest payments of £147m (H1 2019: £129m) and tax payments of £391m (H1 2019: £305m).

Free cash flow is the amount of cash generated from operating activities after capital expenditure on property, plant and equipment and intangible assets and any related disposals. 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 as a percentage of continuing adjusted net income was 160% (H1 2019: 90%).

Net debt

	30 June 2020 £m	30 June 2019 £m
Opening net debt	(10,749)	(10,746)
Free cashflow from continuing operations	1,902	929
Shares reissued	48	33
Purchase of investments and acquisition of businesses	-	(24)
Dividends paid	(732)	(724)
Movement in lease liabilities	(66)	(36)
Exchange and other movements	(595)	23
Cash flow attributable to discontinued operations	(10)	-
Closing net debt	**(10,202)**	(10,545)

At 30 June 2020 net debt was £10,202m. This reflected the strong free cash flow generation in H1 2020 of £1,902m offset by dividend payments of £732m and foreign exchange movements on foreign currency denominated debt of £595m. The Group regularly reviews its banking arrangements and currently has adequate facilities available to it.

In May 2020, the Group issued two €850m bonds due in 2026 and 2030 and one £500m bond due in 2032, for total proceeds (net of issue fees) of £1,969m. Concurrent with the issue of the 2026 bond, the Group entered into a €850m cross currency swap on similar terms to the 2026 bond to mitigate foreign exchange currency risk, for which hedge accounting has been applied. In addition, the 2026 and 2030 bonds were swapped from fixed to floating rate, with the 2032 bond remaining at fixed rate with a 1.750% coupon. The 2030 bond has been placed in a net investment hedge relationship hedging the foreign exchange currency risk of the value of certain of the Group's Euro investments.

The Group has committed facilities totaling £5,500m (31 December 2019: £5,500m) which are undrawn and available to draw. The Group remains compliant with its banking covenants. The committed facilities are not subject to renewal until from 2022 onwards. During the six months ended 30 June 2020, the Group temporarily drew down part of its committed facilities due to short term illiquidity in the commercial paper market. This has now been repaid in full.

Dividends

The Board of Directors has declared an interim dividend of 73.0 pence (H1 2019: 73.0 pence), consistent with its policy and guidance from February 2020. The ex-dividend date will be 20 August 2020 and the dividend will be paid on 29 September 2020 to shareholders on the register at the record date of 21 August 2020. The last date for election for the share alternative to the dividend is 8 September 2020.

Capital returns policy

RB 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 overtime.

Repatriating cash to shareholders through a growing dividend remains a long term goal of the business. As a result of the investments being made over 2020 and 2021, which will benefit long-term sustainable growth, our payout for 2020 is expected to be in excess of our policy of paying an ordinary dividend equivalent to around 50% of total adjusted net income. As set out in February 2020, we will maintain the current dividend payout per share until we rebuild dividend cover to target levels, at which time we will be able to resume growth in dividends in line with the growth in adjusted net income.

In line with the investment priorities, incremental capital expenditure of £400m is expected for the next few years.

We will continue to rigorously evaluate our portfolio to actively migrate it to higher growth.

BUSINESS REVIEW – Q2 2020

Hygiene **41% of net revenue in Q2 2020**

By Geography	Q2 2020			
	%	£m	LFL[1]	Reported
North America	39%	538	+38.8%	+43.5%
Europe / ANZ	41%	567	+12.1%	+11.4%
Developing Markets (DvM)	20%	277	+7.1%	-6.4%
Total	**100%**	**1,382**	**+19.4%**	**+17.1%**

- Strong category growth driven by exceptional conditions created by COVID-19
- Net revenue £1,382m in the quarter, with LFL growth of +19.4%, comprising +17% volume and +2% price/mix; strong volume growth led by increased underlying consumption and higher sustained demand due to COVID-19 led behaviour changes
- Underlying performance remained strong, sustaining progress made in 2019, with broad-based growth
- North America LFL net revenue up 38.8% in the quarter; Lysol exceptionally strong, up over 70%, benefiting from higher sustained demand as a result of greater health and hygiene awareness; and strong growth from Finish and Air Wick
- Europe / ANZ LFL net revenue up 12.1% in the quarter; strong growth from Finish, Sagrotan and Napisan, reflecting good underlying growth and COVID-19 demand and a solid performance from nearly all other powerbrands; partially offset by a weaker performance from Vanish led by reduced usage as people have been 'nesting at home'
- Developing Markets LFL net revenue up 7.1% in the quarter; Lysol and Finish strong, with solid growth from Harpic, Mortein and Veja; strong growth in Latin America, Middle East and South Asia, and India saw growth in May and June as lock-down eased, although the outlook remains uncertain

E-commerce

- Total estimated e-commerce sales[1] up strongly in the quarter, led by growth from consumers switching to online channels

Health **59% of net revenue in Q2 2020**

By Category	%	£m	Q2 2020 LFL[1]	Reported
Over the Counter (OTC)	18%	352	-12.7%	-13.1%
Other Health	47%	940	+28.2%	+27.0%
Infant and Child Nutrition (IFCN)	35%	693	-8.1%	-8.6%
Total	**100%**	**1,985**	**+5.0%**	**+4.3%**

By Geography	%	£m	Q2 2020 LFL[1]	Reported
North America	25%	487	+5.1%	+8.2%
Europe / ANZ	24%	471	-1.9%	-2.3%
Developing Markets (DvM)	51%	1,027	+8.3%	+5.8%
Total	**100%**	**1,985**	**+5.0%**	**+4.3%**

- Strong quarter led by sustained demand for Dettol products and supplements, partially offset by the expected weaker performance from IFCN

- Net revenue £1,985m in the quarter, with LFL growth of +5.0%, comprising +5% volume and +0% price/mix

- North American growth was 5.1%, led by sustained demand for VMS (particularly Airborne) and Mucinex, the latter notwithstanding the high levels of pantry loading seen in the first quarter; Europe / ANZ declined 1.9%, reflecting the impact of COVID-19 and 'stay at home' behaviours on Scholl, Durex and Strepsils, the reversal of pantry loading on Nurofen, mostly offset by strong growth for Dettol and a recovery in the quarter for Veet; Developing Market growth was +8.3%, reflecting strong growth for Dettol, partially offset by the expected weaker sales for IFCN

OTC (Over the Counter / Health Relief products)

- Our OTC category declined 12.7% on a LFL basis in the quarter, led by lower sales of Strepsils and Nurofen in Europe, Australia and New Zealand, largely reflecting the effect of pantry unloading of pain relief products after the strong first quarter; these were partially offset by a solid performance from Mucinex in North America

Other Health (Wellness and Health Hygiene brands)

- Our Wellness and Health Hygiene brands grew 28.2% on a LFL basis in the quarter led by exceptional demand for Dettol and VMS, along with strong performance from Veet, more than offsetting modest declines for Durex and Scholl as consumers continue to 'stay at home' or social distance

- Dettol grew very strongly in both developed and emerging markets, led by COVID-19 demand fueling greater product penetration and frequency of use across UK, India and Greater China, in particular

- Durex saw modest declines as 'stay at home' effects impacted demand in both Europe and Developing Markets, although partially offset by double-digit sales in China post lockdown

- Our VMS category grew strongly, reflecting particularly strong demand for Airborne

Infant and Child Nutrition (IFCN)

- IFCN declined 8.1% on a LFL basis in the quarter, reflecting the expected weak sales across North America, Greater China and Latin America

- North American revenue decline was primarily led by pantry unloading for both Enfamil and Nutramigen after the strong first quarter

- Developing Market revenue declined, largely reflecting lower sales in Hong Kong as disruption continued and borders remained shut as a result of COVID-19, together with the expected impact of the dryer overhaul in Latin America; this was partially offset by solid growth in mainland China, supported by the strength of our e-commerce channel, the continued success of our premium brand Enfinitas, and some encouraging signs from our innovation launches like Grassfed

E-commerce

- Total estimated e-commerce sales[1] channels grew strongly in the second quarter, with growth across all major platforms and market places; with broad based growth across geographies

Total Group

	Q2 2020			
	%	£m	LFL[1]	Reported
Hygiene	41%	1,382	+19.4%	+17.1%
Health	59%	1,985	+5.0%	+4.3%
Total	**100%**	**3,367**	**+10.5%**	**+9.2%**

- Net revenue in the second quarter was £3,367m, up by 10.5% on an LFL basis, after adjusting for the deferral of certain shipments not reaching customers by 30 June 2020 consistent with the passing of control requirements. This reduced net revenue growth by 2.9% in the quarter (a full explanation is included in the Group Financial Review). Volume growth was +10% and price/mix growth was +1%

- Total reported growth of 9.2% includes the impact of foreign exchange translation of -1.3%

OTHER MATTERS

The Humidifier Sanitiser (HS) issue in South Korea is a tragic event, with many parties involved. We continue to make both public and personal apologies to victims. Details of existing provisions and contingent liabilities relating to the HS issue can be found on page 30 of the Half Year Financial Statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks and uncertainties are detailed on pages 66-76 of the Annual Report for the year ended 31 December 2019. These are grouped as strategic, operational, compliance and other risks as shown below.

Strategic: Innovation and disruption

Operational: Product safety, supply disruption, cyber-security, fatality or major employee safety incident, people, sustainability and adherence to product quality standards

Compliance: Tax disputes, product regulations, legal & compliance and South Korea Humidifier Sanitiser (HS)

Other: 'Black Swan' event.

Emerging risks were COVID-19, digital capability, change execution (Health) and China.

During the six months ended 30 June 2020, two of these emerging risks have been elevated to principal risks:

COVID-19: The COVID-19 event has impacted supply continuity and workforce management in key markets, and we continue to face operational challenges across the global network, specifically for essential products in high demand. Six months into what may be a prolonged period of social and economic disruption, keeping our people safe whilst meeting the significant increase in demand for COVID-19 essential products remains our focus. We continue to respond appropriately to changing consumer expectations and new opportunities created by COVID-19 across the portfolio.

China: We are facing increased economic, geopolitical and regulatory risk across China. Potentially escalating trade conflicts and regional disputes in combination with likely further changes to the regulatory environment could impact how we supply and sell products, and potentially disrupt our operations in this market.

ADJUSTED AND OTHER NON-GAAP MEASURES, DEFINITIONS AND TERMS

The financial information included in the half year results are prepared in accordance with International Financial Reporting Standards (IFRS) as well as information presented on an adjusted basis.

Financial information presented on an adjusted basis excludes certain cash and non-cash items which management believe are not reflective of the underlying financial performance of the business. Financial information on an adjusted basis is consistent with how management reviews the business for the purpose of making operating decisions. Adjusting items comprise exceptional items, other adjusting items, and the reclassification of finance expenses on tax balances.

- Exceptional items are material, non-recurring items of expense or income.
- Other adjusting items relate to expenses or income that the Group adjust for because their pattern of recognition is largely uncorrelated with the underlying performance of the business. From 2020, this includes the following:
    - Amortisation of acquired brands, trademarks and similar assets;
    - Amortisation of certain other intangible assets recorded as the result of a business combination;
    - 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; and
    - Re-cycled foreign exchange translation reserves upon the sale, liquidation, repayment of share capital or abandonment of a subsidiary previously controlled by the Group.
- Adjusting items include a reclassification of finance expenses on tax balances into income tax expense, to align with the Group's tax guidance. As a result, these expenses are presented as part of income tax expense on an adjusted basis.

Adjusted measures

- **Adjusted Operating Profit and Adjusted Operating Profit margin:** Adjusted operating profit reflects the IFRS operating profit excluding items in line with the group's adjusted items policy. See page 19 for details on the adjusting items and a reconciliation between IFRS operating profit 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 adjusting policy. See page 19 for details on the adjusting items and a reconciliation between IFRS net income and adjusted net income. The weighted average number of shares for the period is the same for both IFRS EPS and adjusted EPS.

- **Adjusted net working capital:** Adjusted net working capital excludes the impact of the DoJ accrual in respect of the prior year settlement with the Department of Justice (DoJ) in relation to Indivior PLC matters.

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. LFL growth also excludes Venezuela.

- **Constant exchange rate ("CER"):** Net revenue 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. 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 operating activities less net capital expenditure. A reconciliation of cash generated from operations to Free Cash Flow is shown on page 12. The Group tracks Free Cash Flow on a % of adjusted net income to understand the conversion of adjusted profit into cash.

Other definitions and terms

- **E-commerce:** E-commerce channel net revenue is defined as direct sales from RB to online platforms or directly to consumers. Estimates of total e-commerce sales as a percentage of group revenues includes direct sales and an estimate of sales achieved by our brands corresponding to sales through our omnichannel distributors and retailer' websites.

- **Underlying Revenue growth:** Estimated net revenue growth excluding the impact of COVID-19 related demand, calculated using external historical market growth, market share data and internal company estimates for channels not covered by external market data.

- **Continuing operations:** Continuing operations excludes any credits or charges related to the previously demerged RB Pharmaceuticals business that became Indivior PLC. Net income / (loss) from discontinued operations is presented as a single line item in the Group Income Statement.

Reconciliation of IFRS and Adjusted Measures

The table below reconciles the Group's IFRS measures to its adjusted measures for the six months ended 30 June 2020.

		Adjusting items			
	Reported	Exceptional items[1]	Other Items[2]	Finance Expense Reclass[3]	Adjusted
Six months ended 30 June 2020	£m	£m	£m	£m	£m
Operating Profit	**1,595**	**60**	**41**	**-**	**1,696**
Net finance expense	(157)	-	-	16	(141)
Profit before income tax	**1,438**	**60**	**41**	**16**	**1,555**
Income tax expense	(399)	(2)	60	(16)	(357)
Net income from continuing operations	**1,039**	**58**	**101**	**-**	**1,198**
Less: Attributable to non-controlling interests	(12)	-	-	-	(12)
Net income from continuing operations attributable to owners of the parent company	**1,027**	**58**	**101**	**-**	**1,186**
Net income for the period from discontinued operations	**48**	**(48)**	**-**	**-**	**-**
Total net income for the year attributable to owners of the parent	**1,075**	**10**	**101**	**-**	**1,186**
Diluted earnings per share (EPS) from continuing operations	**144.2**				**166.5**

1. Exceptional items within Operating Profit include £20 million relating to previously announced restructuring projects (principally RB 2.0 costs) and a charge of £40 million (H1 2019: £nil) relating to the Korea HS issue charged during the period ended 30 June 2020. Included within income tax expense is a £2 million tax credit for these exceptional costs.

2. Other adjusting items of £41 million relate to the amortisation of certain intangible assets recognised as a result of the acquisition of MJN. Included within income tax expense is a net £60 million charge, being a £10 million tax credit in respect of this amortisation offset by a £70 million tax charge to adjust deferred tax liabilities for intangible assets for the UK tax rate change.

3. Adjusting items of £16 million relate to the reclassification of interest on income tax balances from finance expense to income tax in the adjusting measure.

The table below reconciles the Group's IFRS measures to its adjusted measures for the six months ended 30 June 2019.

		Adjusting items			
	Reported	Exceptional items[1]	Other Items[2]	Finance Expense Reclass[3]	Adjusted
Six months ended 30 June 2019	£m	£m	£m	£m	£m
Operating Profit	**1,406**	**29**	**40**	**-**	**1,475**
Net finance expense	(144)	-	-	25	(119)
Profit before income tax	**1,262**	**29**	**40**	**25**	**1,356**
Income tax expense	(271)	(7)	(9)	(25)	(312)
Net income from continuing operations	**991**	**22**	**31**	**-**	**1,044**
Less: Attributable to non-controlling interests	(12)	-	-	-	(12)
Net income from continuing operations attributable to owners of the parent company	**979**	**22**	**31**	**-**	**1,032**
Net loss for the period from discontinued operations	**(867)**	**867**	**-**	**-**	**-**
Total net income for the year attributable to owners of the parent	**112**	**889**	**31**	**-**	**1,032**
Diluted earnings per share (EPS) from continuing operations	**137.9**				**145.4**

1. Exceptional items within Operating Profit of £29 million relate to previously announced restructuring projects, principally RB 2.0 costs. Exceptional items within discontinued operations relate to the current year charge of the settlement amount for US Department of Justice ("DoJ") and the US Federal Trade Commission. Included within income tax expense is a £7 million tax credit for these exceptional costs.

2. Other adjusting items of £40 million relate to the amortisation of certain intangible assets recognised as a result of the acquisition of MJN, charged during the period ended 30 June 2019. In addition, there is a £9 million income tax credit in respect of these costs.

3. Adjusting items of £25 million relate to the reclassification of interest on income tax balances from finance expense to income tax in the adjusting measure.

FURTHER INFORMATION AND CONTACTS

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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 RB (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 and social conditions in the key markets in which the Group operates; 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; interruptions in the Group's supply chain and disruptions to its production facilities; 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

Reckitt Benckiser Group plc (RB)

28 July 2020

Half Year Condensed Financial Statements

Group Income Statement
For the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 £m	30 June 2019 £m
Net revenue		**6,911**	6,240
Cost of sales		**(2,699)**	(2,483)
Gross profit		**4,212**	3,757
Net operating expenses		**(2,617)**	(2,351)
Operating profit	4	**1,595**	1,406
Finance income		**50**	51
Finance expense		**(207)**	(195)
Net finance expense		**(157)**	(144)
Profit before income tax		**1,438**	1,262
Income tax expense	5	**(399)**	(271)
Net income from continuing operations		**1,039**	991
Net income/ (loss) from discontinued operations	14	**48**	(867)
Net income		**1,087**	124
Attributable to non-controlling interests		**12**	12
Attributable to owners of the parent company		**1,075**	112
Net income		**1,087**	124
Basic earnings/ (loss) per ordinary share:			
From continuing operations (pence)	6	**144.6**	138.3
From discontinued operations (pence)	6	**6.8**	(122.5)
From total operations (pence)	6	**151.4**	15.8
Diluted earnings/ (loss) per ordinary share:			
From continuing operations (pence)	6	**144.2**	137.9
From discontinued operations (pence)	6	**6.7**	(122.1)
From total operations (pence)	6	**150.9**	15.8

Group Statement of Comprehensive Income
For the six months ended 30 June 2020

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m
Net income	**1,087**	124
Other comprehensive income/ (expense)		
Items that may be reclassified to the income statement in subsequent periods		
Net exchange gains on foreign currency translation, net of tax	**370**	287
(Losses)/ gains on net investment hedges, net of tax	**(122)**	2
Gains/ (losses) on cash flow hedges, net of tax	**14**	(7)
	262	282
Items that will not be reclassified to the income statement in subsequent periods		
Remeasurements of defined benefit pension plans, net of tax	**(82)**	(26)
Revaluation of equity instruments - FVOCI	**(9)**	(6)
	(91)	(32)
Other comprehensive income	**171**	250
Total comprehensive income	**1,258**	374
Attributable to non-controlling interests	**13**	12
Attributable to owners of the parent company	**1,245**	362
Total comprehensive income	**1,258**	374
Total comprehensive income/ (expense) attributable to owners of the parent company arising from:		
Continuing operations	**1,197**	1,229
Discontinued operations	**48**	(867)
	1,245	362

Group Balance Sheet
As at 30 June 2020

	Note	**30 June 2020 £m**	31 December 2019 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets		**25,375**	24,261
Property, plant and equipment		**2,213**	2,140
Equity instruments - FVOCI		**49**	58
Deferred tax assets		**245**	224
Retirement benefit surplus		**221**	268
Other non-current receivables		**145**	155
		28,248	27,106
Current assets			
Inventories		**1,518**	1,314
Trade and other receivables		**1,938**	2,079
Derivative financial instruments		**89**	30
Current tax recoverable		**76**	61
Cash and cash equivalents		**2,557**	1,549
		6,178	5,033
Total assets		**34,426**	32,139
LIABILITIES			
Current liabilities			
Short-term borrowings	7	**(1,611)**	(3,650)
Provisions for liabilities and charges	8	**(179)**	(178)
Trade and other payables		**(5,607)**	(4,820)
Derivative financial instruments		**(36)**	(138)
Current tax liabilities		**(41)**	(145)
		(7,474)	(8,931)
Non-current liabilities			
Long-term borrowings	7	**(11,196)**	(8,545)
Deferred tax liabilities		**(3,768)**	(3,513)
Retirement benefit obligations		**(428)**	(351)
Provisions for liabilities and charges	8	**(85)**	(56)
Non-current tax liabilities		**(1,066)**	(969)
Other non-current liabilities		**(390)**	(367)
		(16,933)	(13,801)
Total liabilities		**(24,407)**	(22,732)
Net assets		**10,019**	9,407
EQUITY			
Capital and reserves			
Share capital	9	**74**	74
Share premium		**245**	245
Merger reserve		**(14,229)**	(14,229)
Hedging reserve		**12**	(2)
Foreign currency translation reserve		**169**	(78)
Retained earnings		**23,702**	23,353
Attributable to owners of the parent company		**9,973**	9,363
Attributable to non-controlling interests		**46**	44
Total equity		**10,019**	9,407

Group Statement of Changes in Equity
For the six months ended 30 June 2020

	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 equity £m
Balance at 1 January 2019	74	245	(14,229)	437	28,197	14,724	47	14,771
Net income	-	-	-	-	112	112	12	124
Other comprehensive income	-	-	-	282	(32)	250	-	250
Total comprehensive income	-	-	-	282	80	362	12	374
Transactions with owners								
Share-based payments	-	-	-	-	35	35	-	35
Current tax on share awards	-	-	-	-	4	4	-	4
Treasury shares re-issued	-	-	-	-	33	33	-	33
Cash dividends	-	-	-	-	(709)	(709)	(15)	(724)
Transactions with non-controlling interests	-	-	-	-	(18)	(18)	-	(18)
Total transactions with owners	-	-	-	-	(655)	(655)	(15)	(670)
Balance at 30 June 2019	74	245	(14,229)	719	27,622	14,431	44	14,475

	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 equity £m
Balance at 1 January 2020	**74**	**245**	**(14,229)**	**(80)**	**23,353**	**9,363**	**44**	**9,407**
Net income	**-**	**-**	**-**	**-**	**1,075**	**1,075**	**12**	**1,087**
Other comprehensive income	**-**	**-**	**-**	**261**	**(91)**	**170**	**1**	**171**
Total comprehensive income	**-**	**-**	**-**	**261**	**984**	**1,245**	**13**	**1,258**
Transactions with owners								
Share-based payments	**-**	**-**	**-**	**-**	**19**	**19**	**-**	**19**
Current tax on share awards	**-**	**-**	**-**	**-**	**5**	**5**	**-**	**5**
Deferred tax on share awards	**-**	**-**	**-**	**-**	**14**	**14**	**-**	**14**
Treasury shares re-issued	**-**	**-**	**-**	**-**	**48**	**48**	**-**	**48**
Cash dividends	**-**	**-**	**-**	**-**	**(721)**	**(721)**	**(11)**	**(732)**
Total transactions with owners	**-**	**-**	**-**	**-**	**(635)**	**(635)**	**(11)**	**(646)**
Balance at 30 June 2020	**74**	**245**	**(14,229)**	**181**	**23,702**	**9,973**	**46**	**10,019**

Group Cash Flow Statement
For the six months ended 30 June 2020

	Note	Six months ended **30 June 2020 £m**	30 June 2019 £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit from continuing operations		**1,595**	1,406
Gains on sale of property, plant and equipment and intangible assets		**-**	(4)
Depreciation, amortisation and impairment		**230**	214
Share-based payments		**19**	35
Increase in inventories		**(168)**	(43)
Decrease/ (increase) in trade and other receivables		**166**	(6)
Increase/ (decrease) in payables and provisions		**740**	(77)
Cash generated from continuing operations		**2,582**	1,525
Interest paid		**(196)**	(179)
Interest received		**49**	50
Tax paid		**(391)**	(305)
Net cash flows attributable to discontinued operations		**(10)**	-
Net cash generated from operating activities		**2,034**	1,091
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		**(114)**	(131)
Purchase of intangible assets		**(32)**	(50)
Proceeds from the sale of property, plant & equipment		**4**	19
Acquisition of businesses, net of cash acquired		**-**	(18)
Other investing activities		**-**	(6)
Net cash used in investing activities		**(142)**	(186)
CASH FLOWS FROM FINANCING ACTIVITIES			
Treasury shares reissued		**48**	33
Proceeds from borrowings		**2,904**	495
Repayment of borrowings		**(3,205)**	(496)
Dividends paid to owners of the parent company	10	**(721)**	(709)
Dividends paid to non-controlling interests		**(11)**	(15)
Other financing activities		**74**	(6)
Net cash used in financing activities		**(911)**	(698)
Net increase in cash and cash equivalents		**981**	207
Cash and cash equivalents at beginning of period		**1,547**	1,477
Exchange gains		**26**	24
Cash and cash equivalents at end of the period		**2,554**	1,708
Cash and cash equivalents comprise:			
Cash and cash equivalents		**2,557**	1,713
Overdrafts		**(3)**	(5)
		2,554	1,708

1. General Information

Reckitt Benckiser Group plc (the 'Company') is a public limited company listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is 103-105 Bath Road, Slough, Berkshire SL1 3UH. These condensed consolidated interim financial statements ('Half Year Condensed Financial Statements') as at and for the six months ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as 'the Group').

The Half Year Condensed Financial Statements were approved by the Board of Directors on 28 July 2020. The Half Year Condensed Financial Statements have been reviewed by our independent auditor KPMG LLP (see page 33).

2. Basis of Preparation

The Half Year Condensed Financial Statements for the six months ended 30 June 2020 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 *Interim Financial Reporting* as endorsed by the European Union. The Half Year Condensed Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2019, which have been prepared in accordance with European Union endorsed International Financial Reporting Standards (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements for the year ended 31 December 2019 are also in compliance with IFRS as issued by the International Accounting Standards Board (IASB).

These Half Year Condensed Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 26 March 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The directors are satisfied that the Group has adequate resources to continue in operation for a period of not less than twelve months from the date of this report. Consequently, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the Half Year Condensed Financial Statements. When reaching this conclusion, the directors took into account the Group's overall financial position and exposure to principal risks, including the ongoing impact of COVID-19. At 30 June 2020, the Group had cash and cash equivalents of £2.6bn. The Group also had access to committed borrowing facilities of £5.5bn. These facilities were undrawn at period-end and are not subject to renewal until 2022 onwards.

3. Accounting Policies and Estimates

The accounting policies adopted in the preparation of the Half Year Condensed Financial Statements are consistent with those described on pages 157 - 163 of the Annual Report and Financial Statements for the year ended 31 December 2019.

In preparing these Half Year Condensed Financial Statements, the significant estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group Financial Statements for the year ended 31 December 2019.

The following amended standards and interpretations were adopted by the Group on 1 January 2020. They have not had a significant impact on the Group Financial Statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

4. Operating Segments

The Group's operating segments comprise of the Hygiene and Health business units reflecting the way in which information was presented to and reviewed by the Group's Chief Operating Decision Maker (CODM) over the six months ending 30 June 2020 and 30 June 2019 for the purposes of making strategic decisions and assessing group-wide performance. In the second half of 2020, it is expected that the Group's operating segments will change as the information presented to and reviewed by the CODM is aligned with the organisational changes that were implemented by the Group on 1 July 2020.

The CODM is the Group's 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.

The Executive Committee assesses the performance of these operating segments based on net revenue from external customers and 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 provided to the Executive Committee for the periods ended 30 June 2020 and 30 June 2019 is as follows:

Six months ended 30 June 2020	**Hygiene**	**Health**	**Adjusting Items**	**Total**
	£m	**£m**	**£m**	**£m**
Net revenue	**2,737**	**4,174**	**-**	**6,911**
Depreciation and amortisation	**(63)**	**(126)**	**(41)**	**(230)**
Operating profit	**687**	**1,009**	**(101)**	**1,595**
Net finance expense				**(157)**
Profit before income tax				**1,438**
Income tax expense				**(399)**
Net income from continuing operations				**1,039**

Six months ended 30 June 2019	Hygiene[1]	Health	Adjusting Items	Total
	£m	£m	£m	£m
Net revenue	2,402	3,838	-	6,240
Depreciation and amortisation	(60)	(114)	(40)	(214)
Operating profit	527	948	(69)	1,406
Net finance expense				(144)
Profit before income tax				1,262
Income tax expense				(271)
Net income from continuing operations				991

1 Previously Hygiene Home

Financial information for the Hygiene and Health operating segments is presented on an adjusted basis, which excludes certain cash and non-cash items which management believe are not reflective of the underlying financial performance of the business. Financial information on an adjusted basis is consistent with how management reviews the business for the purpose of making operating decisions. Adjusting items to operating profit comprise exceptional items and other adjusting items.

- Exceptional items are material, non-recurring items of expense or income.
- Other adjusting items include the amortisation of certain fair value adjustments recorded in respect of finite-life intangible assets recognised in the purchase price allocation for the acquisition of MJN. These are not classified as exceptional items because of their recurring nature.

5. Income Taxes

The reported tax rate for the six months to 30 June 2020 is 28% (H1 2019: 21%). Income tax expense is recognised based on management's best estimate of the effective tax rate ('ETR') expected for the full financial year. The increase to 28% from 21% in H1 2019 is principally attributable to the impact of the enacted increase in the UK corporation tax rate from 17% to 19% on deferred tax liabilities recorded on intangible assets.

6. Earnings Per Share (EPS)

	Six months ended 30 June 2020	30 June 2019
Net income/ (loss) attributable to owners of the parent company (£m)		
From continuing operations	**1,027**	979
From discontinued operations	**48**	(867)
	1,075	112
Weighted average number of shares (millions)		
Basic	**710.2**	708.0
Diluted	**712.5**	709.9
Basic earnings/ (loss) per share (pence)		
From continuing operations	**144.6**	138.3
From discontinued operations	**6.8**	(122.5)
Total basic earnings per share	**151.4**	15.8
Diluted earnings/ (loss) per share (pence)		
From continuing operations	**144.2**	137.9
From discontinued operations	**6.7**	(122.1)
Total diluted earnings per share	**150.9**	15.8

7. Borrowings

	30 June 2020 £m	31 December 2019 £m
Short-term borrowings		
Borrowings (commercial paper, bank loans & overdrafts)	**942**	3,009
Senior notes	**594**	569
Lease liabilities	**75**	72
	1,611	3,650
Long-term borrowings		
Bonds	**8,659**	6,201
Senior notes	**1,368**	1,265
Term loans	**884**	826
Lease liabilities	**285**	253
	11,196	8,545
Total borrowings at end of the period	**12,807**	12,195

In May 2020 the Group issued two €850 million bonds due in 2026 and 2030 and one £500 million bond due in 2032, for total proceeds (net of issue fees) of £1,969 million. Concurrent with the issue of the 2026 bond, the Group entered into a €850 million cross currency swap on similar terms to the 2026 bond to mitigate foreign exchange currency risk, for which hedge accounting has been applied. In addition, the 2026 and 2030 bonds were swapped from fixed to floating rate, with the 2032 bond remaining at fixed rate with a 1.750% coupon. The 2030 bond has been placed in a net investment hedge relationship hedging the foreign exchange currency risk of the value of certain of the Group's Euro investments.

At 30 June 2020, the Group had committed facilities totalling £5,500 million (31 December 2019: £5,500 million), which are currently undrawn and available to draw. The Group remains compliant with its banking covenants. The committed facilities are not subject to renewal until from 2022 onwards.

8. Provisions for Liabilities and Charges

Six months ended 30 June 2020	Legal provisions £m	Restructuring provisions £m	Other provisions £m	Total provisions £m
At 1 January 2020	151	12	71	234
Charged to the income statement	81	-	29	110
Utilised during the period	(9)	(8)	(2)	(19)
Released to the income statement	(57)	-	(7)	(64)
Exchange adjustments	3	-	-	3
At 30 June 2020	**169**	**4**	**91**	**264**

Provisions have been analysed between current and non-current as follows:

	30 June 2020 £m	31 December 2019 £m
Current	**179**	178
Non-current	**85**	56
	264	234

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that there will be an outflow of resources to settle that obligation, and the amount can be reliably estimated.

Legal provisions of £169 million (31 December 2019: £151 million) include exceptional legal provisions of £106 million (31 December 2019: £126 million) in relation to historic regulatory matters in a number of markets, including the HS issue in South Korea (see note 11).

9. Share Capital

	Equity ordinary shares	Nominal value £m
Issued and fully paid		
At 1 January 2020 and 30 June 2020	736,535,179	74

At 30 June 2020, issued ordinary shares were 736,535,179 (31 December 2019: 736,535,179), of which 25,431,033 shares were held as Treasury shares (31 December 2019: 26,788,535). All shares were fully paid.

10. Dividends

A final dividend of 101.6 pence per share for the year ended 31 December 2019 was paid on 28 May 2020 to Shareholders who were on the register on 17 April 2020, amounting to £721 million.

The Directors have declared an interim dividend in respect of the year ending 31 December 2020 of 73.0 pence per share which will absorb an estimated £519 million of shareholders' funds. It will be paid on 29 September 2020 to shareholders who are on the register on 21 August 2020.

11. Contingent Liabilities and Assets

HS South Korea

The Humidifier Sanitiser ("HS") issue in South Korea was a tragic event. The Group continues to make both public and personal apologies to victims. There are a number of further expected costs relating to the issue that either cannot be reliably estimated or are not considered probable at the current time. In particular:

1. Round 4 lung injury: The South Korean government opened Round 4 to new applicants on 25 April 2016 for an indefinite period. It has received 5,526 applications to participate in Round 4 as at 13 July 2020 and continues to receive applications. Oxy RB has continued to make payments under a compensation plan during 2020 and made provision for the Round 4 Oxy RB Category I & II users categorised to date. The number of additional victims in Round 4 cannot be reliably estimated at the current time as it is open for an indefinite period.

2. On 9 August 2017, the Humidifier Sanitiser Injury Special Relief Act ("HS Law") became effective, setting out a mechanism for providing government support to HS victims, while also creating a Special Relief Fund ("SRF") to support selected cases who did not receive designation as a HS victim. The SRF was mainly funded by the HS companies, through a government levy authorised by the HS Law. Among other provisions, the HS Law also lowered the burden of proof required for claimants in litigation against HS companies. A bill to amend the HS Law was also passed by the Korean National Assembly on 6 March 2020, mainly affecting the HS injury definition and legal presumption of causation, while also creating a unified fund to support both HS victims and SRF recipients. We currently expect the amendment to take effect in late September 2020. As many of the amended terms are subject to court interpretation and much of the details are left to the lower regulations to be later enacted, the impact of these amendments will require further monitoring and analysis.

12. Financial Instruments

The fair value measurement hierarchy levels have been defined as follows:

1. Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2). If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
3. Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

Other than for the Group's bonds and senior notes, the fair values of other financial assets and liabilities at amortised cost approximate their carrying values.

The fair value of bonds at 30 June 2020 is a liability of £9,107 million (31 December 2019: £6,325 million), and the fair value of the senior notes at 30 June 2020 is a liability of £2,170 million (31 December 2019: £1,950 million). These values are derived using a quoted market rate in an active market (level 1 classification). The book value of bonds at 30 June 2020 is a liability of £8,659 million (31 December 2019: £6,201 million) and the book value of senior notes at 30 June 2020 is a liability of £1,962 million (31 December 2019: £1,834 million).

	30 June 2020		31 December 2019	
Fair value and book value of derivatives	**Asset £m**	**Liability £m**	Asset £m	Liability £m
FX forward exchange contract derivatives [1]				
used for hedging	**23**	**(10)**	26	(28)
classified as fair value through the income statement	**38**	**(26)**	4	(109)
Interest rate swap derivatives used for hedging [2]	**5**	-	-	(1)
Cross currency swap used for hedging[1]	**23**	-	-	-
Total derivatives on balance sheet	**89**	**(36)**	30	(138)

[1] Fair value determined using forward exchange rates derived from market sourced data at the balance sheet date, with the resulting value discounted back to present value (level 2 classification).

[2] Fair value determined by discounting future cash flows at floating market rates (level 2 classification).

The fair value of equity instruments – FVOCI at 30 June 2020 is £49 million (31 December 2019: £58 million). The fair value is derived using both quoted share price information (level 1 classification) and other non-market information (level 3 classification).

The Group's financial risk management objectives and policies are consistent with those disclosed in the Annual Report and Financial Statements for the year ended 31 December 2019.

13. Related Party Transactions

Transactions with non-controlling shareholders

Within the Health operating segment, there are symmetrical put and call options existing over the non-controlling shareholdings in RB & Manon Business Co. Ltd, RB & Manon Business Limited and RB (China Trading) Limited. Similarly, within the Hygiene operating segment, there are symmetrical put and call options existing over the non-controlling shareholdings in RB (Hygiene Home) HK Limited, RB & Manon Hygiene Home (HK) Limited and RB & Manon Hygiene Home (Shanghai) Limited.

The Health options are scheduled to expire on 31 December 2023 while the Hygiene options are scheduled to expire on 31 December 2024. In the event that the options are not exercised in accordance with the agreement, they are automatically extended for a further six years.

At 30 June 2020, the total present value of these put option liabilities was £146 million (31 December 2019: £135 million).

14. Discontinued Operation

On 11 July 2019, the Group announced it had reached agreements with the U.S. Department of Justice ("DoJ") and the Federal Trade Commission ("FTC") to resolve the long-running investigation into the sales and marketing of Suboxone Film by its former prescription pharmaceuticals business Indivior, a business that was wholly demerged from the Group in 2014. Under the terms of the agreements, the Group paid a total of $1.4 billion (£1.1 billion).

In the period ended 30 June 2020, the Group recorded income of £48 million (H1 2019: £867 million loss) in discontinued operations. This income relates to the partial release of a provision relating to the prior year settlement with the Department of Justice (DoJ) in relation to Indivior PLC matters, following a review of outstanding items relating to the DOJ settlement and the associated provisions. The prior period expense reflects the charge to the Income Statement for the $1.4bn settlement agreed with the (DoJ), which was paid in full by the end of 2019 and amounts deemed necessary to cover any remaining litigation exposure.

15. Seasonality

Demand for some of the Group's products is subject to significant seasonal fluctuations. In particular some cold and influenza and pest control products exhibit seasonal fluctuation. The intensity of seasons can vary from year to year with a corresponding impact on the Group's performance. In the first half of 2020, the Group's results have benefitted from increased demand as a result of COVID-19. Refer to the Group review on page 3 for further details.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- the condensed set of Financial Statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of Reckitt Benckiser Group plc are listed in the Reckitt Benckiser Group plc Annual Report and Financial Statements, for the year ended 31 December 2019, with the exception of Margherita Della Valle who was appointed as a Non-Executive Director on 1 July 2020. Warren Tucker stepped down from the Board following the conclusion of the 2020 Annual General Meeting, on 12 May 2020. A current list of Directors is maintained on the Reckitt Benckiser Group plc website: www.rb.com.

By order of the Board

Laxman Narasimhan
Chief Executive Officer

Christopher Sinclair
Chairman

28 July 2020

INDEPENDENT REVIEW REPORT TO RECKITT BENCKISER GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises of condensed Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Changes in Equity and Group Cash flow Statement, and the related explanatory notes to the interim financial information.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Directors’ responsibilities Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are also in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Richard Broadbelt
for and on behalf of
KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf,
London
E14 5GL

28 July 2020