19 February 2018

A SOLID FINISH. MJN INTEGRATION ON TRACK & ADDITIONAL SYNERGIES EXPECTED

Results at a glance (unaudited)	**Q4 £m**	**% change actual exchange**	**% change constant exchange**	**FY £m**	**% change actual exchange**	**% change constant exchange**
Continuing operations*						
Net Revenue	**3,289**	+25%	+29%	**11,512**	+21%	+15%
*- Like-for-like growth***			*+2%*			*0%*
Operating profit – reported				**2,737**	+21%	+14%
Operating profit – adjusted***				**3,122**	+18%	+12%
Net income – reported				**3,376**	+95%	+88%
Net income – adjusted***				**2,253**	+10%	+4%
EPS (diluted) – reported				**474.7**	+96%	
EPS (diluted) – adjusted***				**316.9**	+10%	
Total operations (including discontinued operations)						
Net income – reported				**6,172**	+237%	+230%
Net income – adjusted****				**2,308**	+7%	+1%
EPS (diluted) – reported				**867.9**	+238%	
EPS (diluted) – adjusted****				**324.6**	+7%	

Notes:

* Continuing operations attributable to owners of the parent, which includes Mead Johnson Nutrition ("MJN") since its acquisition on 15 June 2017 and excludes RB Food and charges related to the previously demerged RB Pharmaceuticals business that became Indivior PLC. Both RB Food and charges related to the previously demerged RB Pharmaceuticals business are presented as discontinued operations. Net income from discontinued operations is presented as a single line item in the Group Income Statement. Comparative figures have been restated to exclude discontinued operations.

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

*** Continuing adjusted results excludes adjusting items of £385m (expense) in operating profit, £65m (expense) in net finance expenses, and £1,573m (income) in income taxes (refer to Note 3).

**** Total adjusted results exclude adjusting items for both continuing and discontinued businesses of £3,864m (2016: £325m). Refer to the reconciliation of total reported results to adjusted results in Note 3.

Highlights:

- **Base business delivered a solid end to the year with +2% like-for-like net revenue growth in Q4, driven by +5% growth in Health.** MJN acquisition means more than 50% of revenue comes from higher margin consumer health brands.
- **MJN integration is firmly on track.** Growth has returned after nine quarters without growth, $25m of synergies have been delivered earlier than planned, and today we are raising our synergy expectations to around $300m, up from $250m announced at the time of the acquisition.
- **RB has created two business units to drive long term growth –Health and Hygiene Home.** New structure in place from January 2018.

Operational

- Flat LFL Net Revenue in line with guidance, and a return to volume-led growth in Q4 (+2% LFL). Total Net Revenue growth (at actual rates) of +21% reflecting the net positive impact of translational FX and M&A.
- MJN Net Revenue growth of -1% (pro-forma, constant). Q4 (+3%), led by double digit Net Revenue growth in greater China. Refer to page 9 and 10 for further detail.
- Total Group adjusted operating margin of -70bps to 27.1%. Base business (defined on page 3) +30bps to 28.1%. MJN pro-forma adjusted operating margin -390bps (H2: -270bps) – improvement vs H1 due to achievement of cost synergies.
- Continuing adjusted net income growth of +10% (+4% constant); adjusted diluted EPS of 316.9p (+10%).
- Operating profit adjusting items of £385m, principally in respect of the MJN acquisition. The gain on disposal of RB Food and provisions taken on discontinued operations are detailed in Note 12.

- Total reported net income increased by +237% (+230% constant); reported diluted EPS of 867.9p (+238%), significantly impacted by a net tax credit of £1,421m following US Tax Reform, and the profit on sale of the RB Food business (Note 12).
- Strong free cash flow generation of £2,129m. The Board recommends a final dividend of 97.7p per share (2016: 95.0p). Total dividend for 2017 164.3p (2016: 153.2p), an increase of +7%.

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

"2017 was a significant year in RB's journey to become a global leader in consumer health. We returned to growth after a solid finish to the year, our acquisition of MJN is firmly on track and the creation of two business units – RB Health and RB Hygiene Home – will drive long-term growth.

For 2018 we are targeting +13-14% total revenue growth[1] (implying +2-3% LFL revenue growth). Whilst 2018 will see some specific factors impacting margin, we reiterate our medium-term target of moderate operating margin[2] expansion."

The acquisition of MJN means more that 50% of revenue now comes from higher margin consumer healthcare brands. We have returned the business to growth, and are making strong progress in addressing the operating margin decline. We fully expect to achieve the margins targeted in our business case through additional improvements throughout the earnings model, including incremental synergies which we now expect to be in the region of $300m (previously $250m), over the next three years.

Our base business ended the year in line with our expectations, in what was a challenging, volatile environment. Our Q4 growth rate reflects an important step in our targeted return to outperformance with a volume-led +2% like-for-like increase in revenue in Q4. This was underpinned by broad-based growth of +5% in consumer health and +2% in hygiene, aided by a strong start to the flu season. The combination of our strong cash generation and proceeds from the sale of the RB Food have enabled us to reduce debt by £4.0bn in the second half of the year.

Innovation continues to be central to our DNA and we saw some strong performances from a number of our recently launched innovations, including our thinnest ever condom, Durex Invisible, Dettol Siti air pollution masks as well as our Finish dishwashing range (particularly in China and the US).

The creation of *RB 2.0* - two focused and agile Business Units – RB Health and RB Hygiene Home – also provides the dedicated leadership and investment to *leverage* the structural shift we are seeing in retail channels and consumers' shopping behaviours. We firmly believe we are building the right platform to unlock long term growth and value creation. The new structure, people and operating model are already in place since January 2018, and the speed of executing change is once again a testament to RB's culture and people.

[1] At constant rates.
[2] Excluding the impact of adjusting items.

Basis of Presentation and Non-GAAP measures

Throughout the report, certain measures are used to describe RB's financial performance which are not recognised under IFRS. The Executive Committee of the Group assesses the performance of the operating segments based on Net Revenue and Adjusted Operating Profit, which excludes the effect of adjusting items. Management believes that the use of adjusted measures such as Adjusted Operating Profit, Adjusted Net Income and Adjusted Earnings per Share provide additional useful information about underlying trends to Shareholders. References to the "base business" pertain to continuing Group results (as reported) excluding MJN results since acquisition date.

Non-GAAP measures:

Like-for-Like ("LFL") growth on Net Revenue excludes the impact of changes in exchange rates, acquisitions, disposals and discontinued operations. A reconciliation of LFL to reported Net Revenue growth by operating segment is shown on page 6 and by category on page 10.

Constant exchange rate adjusts the actual consolidated results such that the foreign currency conversion applies the same exchange rates as was applied in the prior year.

As described in Note 3, the Group has made two refinements to its accounting policy in respect of its adjusted earnings measures. Firstly, as a consequence of the acquisition of MJN, adjusting items now include the amortisation of acquired, finite-life intangible assets ("other adjusting items"). Secondly, adjusting items now include a reclassification of finance expenses on tax balances into income tax expense.

All 'adjusted' measures exclude the impact of adjusting items.

The table below provides a reconciliation of the Group's reported statutory earnings measures to its adjusted measures for the year ended 31 December 2017. Descriptions of the adjusting items are included in Note 3.

In addition to the breakdown of adjusting items detailed in Note 3, a reconciliation of Adjusted Net Income is given in Note 5, which is used in the calculation of Adjusted EPS.

Adjusted Earnings per share is defined as Adjusted Net Income attributable to owners of the parent divided by weighted average of ordinary shares (refer to Note 5).

The adjusted tax rate is defined as the adjusted continuing income tax expense as a percentage of adjusted profit before tax.

The Group's principal measure of cash flow is Free Cash Flow, which is 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 16.

Year ended 31 December 2017	**Reported**	**Adjusting: Exceptional items**	**Adjusting: Other items**	**Adjusting: Finance expense reclassification**	**Adjusted**
	£m	**£m**	**£m**	**£m**	**£m**
Operating profit	2,737	342	43	-	3,122
Net finance expense	(238)	35	-	30	(173)
Profit before income tax	2,499	377	43	30	2,949
Income tax expense	894	(1,527)	(16)	(30)	(679)
Net income for the year from continuing operations	3,393	(1,150)	27	-	2,270
Less: Attributable to non-controlling interests	(17)	-	-	-	(17)
Net income for the year attributable to owners of the parent (continuing)	3,376	(1,150)	27	-	2,253
Net income for the year from discontinued operations	2,796	(2,741)	-	-	55
Total net income for the year attributable to owners of the parent	6,172	(3,891)	27	-	2,308

Other measures and terms:

Actual exchange rates show the statutory performance and position of the Group, which consolidates the results of foreign currency transactions at period end closing rates (Balance Sheet) or average rates (Income Statement).

BEI represents our Brand Equity Investment and is the marketing support designed to capture the voice, mind and heart of our consumers.

Project Fuel is our ongoing cost optimisation programme within cost of goods sold ("COGS").

Detailed Operating Review: Total Group

Full Year 2017

Total full year ("FY") Net Revenue was £11,512m. This was a flat result on a LFL basis, and was positively impacted by a weaker sterling and net M&A, resulting in total reported growth at actual rates of +21%. The devaluation of sterling following the UK referendum in June 2016 had a significant positive impact on reported results, particularly in H1, as the majority of the Group's revenue and profits are earned outside of the UK. The positive foreign exchange on translation increased Net Revenue by +6%. The acquisition of MJN on 15 June 2017 and disposal of the RB Food business on 17 August 2017 had a net positive impact on reported results, increasing Net Revenue by approximately +15%.

The base business had a flat year on a LFL basis, negatively impacted by a number of known issues during the first three quarters of 2017, detailed in previous announcements. Growth returned in Q4 with our performance for the base business approximately in-line with underlying market growth of around +2%. MJN had a stronger finish to the year, delivering a relatively flat revenue growth performance for the year (pro-forma), and +2% constant rate growth under the ownership of RB.

From a geographic growth perspective, our developed market area of ENA delivered a LFL decline for the year of -2% with North America delivering a flat performance and the rest of ENA -3%, driven to a material extent by both pricing pressure and declines in Scholl / Amopé across many markets. Our emerging market area (DvM) delivered +3% LFL growth in mixed market conditions. India and China continue to be strong, offset by challenging market conditions in the Middle East and Brazil.

On a category basis, consumer health was flat on an LFL basis. Broad-based growth across the majority of our Powerbrands was offset by a significant decline in Scholl / Amopé due to our Wet & Dry express pedi innovation, which failed to deliver against our expectations. Excluding Scholl / Amopé, the underlying growth in consumer health for the year was in the middle of long term category growth rates of +4-6%. Hygiene brands grew by +1% LFL for the year with good growth in Finish, Harpic and Lysol impacted by a slowdown in a number of Dettol's major markets like India (GST / cyber impact) and the Middle East (geopolitical issues). Home care was weak, although Air Wick had a strong finish to the year, driven by the launch of our new Essential Mist innovation, and early success of our recently launched ViPoo product.

Adjusted Gross Margin declined by 10bps to 61.1%, with the base business declining by 20bps. The consolidation of MJN for half a year contributed a slightly positive mix effect. The base business margin decline was driven by the combination of a tougher pricing environment in developed markets, and input cost headwinds (both of which we expect to continue in the near term). MJN Adjusted Gross Margin declined by -210bps on a pro-forma basis for FY17. This was driven by a combination of channel and product mix in Greater China, and higher input and logistics costs. We continue to focus on the drivers of gross margin expansion, such as positive mix from stronger consumer health growth, gross margin accretive innovations, and our cost optimisation programme (Project Fuel). We expect gross margin accretion to be a key driver of our medium term, moderate operating margin expansion target.

Investment behind our brands (as defined by our BEI metric), was 14.0% of Net Revenue, a +40bps increase on a Group basis, and -20bps decline for the base business. Investment increased across the majority of our brands, with this increase offset by reduced investment behind the Scholl / Amopé Wet & Dry pedi. MJN BEI increased by approximately +50bps for the year, driven by higher investments in key markets.

Our fixed cost base was relatively stable, as we continue with fixed cost efficiencies. On a Group basis, costs were up by +10bps, impacted by a mix effect from the consolidation of MJN. We have made good progress on MJN cost synergies. Synergies achieved in 2017 were approximately $25m and we are now expecting to achieve in the region of $300m in annual cost savings by the end of the third full year of ownership, an increase over our original target of $250m (£200m). For 2018 we expect MJN cost synergies to slightly exceed the additional infrastructure costs associated with our new BUs.

Operating profit as reported was £2,737m, +21% versus FY 2016 (+14% constant), reflecting the margin accretion on the base business, the acquisition of MJN and a positive translational FX impact. Operating profit adjusting items were a pre-tax charge of £385m (2016: £367m). These items relate mainly to the acquisition of MJN. Further details of adjusting items are set out in Note 3. On an adjusted basis, operating profit was ahead +18% (+12% constant) to £3,122m. The Adjusted Operating Margin for the Group declined -70bps to 27.1%, due to margin expansion on the base business of +30bps, more than offset by a negative mix impact from the acquisition of MJN (-100bps). MJN adjusted operating margin declined on a pro-forma basis by -390bps to 20.7%, driven by declining gross margin from mix and input costs, increased BEI, and higher fixed costs. The margin decline in H2 was -270bps (versus -500bps in H1) as progress was made on cost synergies, operational improvements, and the lapping of reinvestment in the business in H2 2016.

Net finance expense was £238m (2016: £16m) reflecting principally the cost of increased net debt required to finance the acquisition of MJN.

The adjusted tax rate was 23% and in line with our guidance. We continue to expect our adjusted tax rate to be in the region of 23%. £30m of payments to tax authorities that would previously have been included within the tax charge was included within net finance expense following an IFRIC statement in 2017. We have included this within adjusted income tax and the adjusted tax rate.

Continuing net income attributable to owners of the parent as reported was £3,376m, an increase of +95% (+88% constant) versus 2016. On an adjusted basis, net income was £2,253m +10% (+4% constant). Diluted earnings per share from continuing operations of 474.7 pence was +96% on a reported basis; on an adjusted basis, the growth was +10% to 316.9 pence.

Total reported net income attributable to owners of the parent was £6,172m, an increase of +237% (+230% constant) versus 2016. This included exceptional items in relation to the profit on sale of the RB Food business of £3,024m, a tax credit relating to the effect of US Tax Reform of £1,421m, and a charge of £296m in respect of ongoing investigations by the US Department of Justice ("DoJ"). On an adjusted basis, total net income was £2,308m, +7% (+1% constant) versus 2016.

Fourth Quarter 2017

Q4 Net Revenue was £3,289m, an increase of +2% on a LFL basis and +25% on a total basis, reflecting the positive net benefit from M&A (acquisition of MJN / sale of Food) and negative translational FX due to a recent strengthening of sterling versus the US dollar and a number of emerging market currencies. On a geographic basis ENA had a solid quarter (+1% LFL), underpinned by a strong performance in North America. The rest of ENA was stable, with Russia benefitting from a strong seasonal sell-in. DvM growth was +3% LFL, with strong, double digit growth in India and China offset by weakness in the Middle East and Brazil.

Health had a stronger finish to the year with +5% LFL growth in the quarter. Growth was broad-based with strong performances from Mucinex and Strepsils, Durex and Nurofen. Hygiene grew by

+2% with strong growth in Finish, Harpic and Lysol impacted by declining sales of Dettol in the Middle East and weakness in Brazil (Vanish, Veja and Pest brands). Home saw growth in Air Wick behind the launch of ViPoo offset by weakness in Vanish and other smaller brands.

FY 2017 Business Review

Summary: % Net Revenue growth (continuing)

	Q4					**FY17**				
	LFL	**GST***	**Net M&A****	**FX**	**Reported**	**LFL**	**GST***	**Net M&A****	**FX**	**Reported**
North America	*+2%*	-	-	*-4%*	*-2%*	-	-	-	*+5%*	*+5%*
Rest of ENA	*+1%*	-	-	*+1%*	*+2%*	*-3%*	-	-	*+7%*	*+4%*
ENA	+1%	-	-	-1%	-	-2%	-	-	+6%	+4%
DvM	+3%	-2%	-	-8%	-6%	+3%	-1%	+1%	+4%	+6%
IFCN***	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Group	**+2%**	**-**	**+28%**	**-4%**	**+25%**	**-**	**-**	**+16%**	**+6%**	**+21%**

* Impact of the Goods and Service Tax ("GST") implemented by the Indian Government from 1 July 2017.
** Reflects the impact of acquisitions and disposals within continuing operations.
*** IFCN is the Infant Formula and Child Nutrition operating segment (the acquired MJN business).

Note: due to rounding, this table will not always cast

Analyses by operating segment of Net Revenue and Adjusted Operating Profit, and of Net Revenue by product group are set out below. The Executive Committee of the Group assesses the performance of the operating segments based on Net Revenue and adjusted operating profit. This measurement basis excludes the effect of adjusting items.

Review by Operating Segment

Quarter ended 31 Dec					Full Year ended 31 Dec			
2017 £m	2016** (restated) £m	% change exch. Rates actual	const.		2017 £m	2016** (restated) £m	% change exch. Rates Actual	const.
				Total Net Revenue				
738	*753*	*-2*	*+2*	*North America*	***2,588***	*2,460*	*+5*	*-*
1,071	*1,050*	*+2*	*+1*	*Rest of ENA*	***4,103***	*3,950*	*+4*	*-3*
1,809	1,803	-	+1	ENA	**6,691**	6,410	+4	-2
771	824	-6	+1	DvM	**3,266**	3,070	+6	+2
709	-			IFCN*	**1,555**	-		
3,289	2,627	+25	+29	**Total**	**11,512**	9,480	+21	+15

Operating profit				
ENA	**2,040**	1,962	+4	-2
DvM	**753**	674	+12	+6
IFCN*	**329**	-		
Operating profit - adjusted* **	**3,122**	2,636	+18	+12
Adjusting items	**(385)**	(367)		
Total Operating profit	**2,737**	2,269	+21	+14

Operating margin – adjusted* **	**%**	%	
ENA	**30.5**	30.6	*-10bp*
DvM	**23.1**	22.0	*+110bp*
IFCN*	**21.2**		
Total	**27.1**	27.8	*-70bp*

* IFCN is the Infant and Child Nutrition operating segment (comprising solely of the entire MJN business).
** Restated to exclude discontinued operations.
*** Adjusted to exclude the impact of adjusting items.

In the following Business Review growth rates are given on a like-for-like basis, unless otherwise stated. Margins are at actual rates.

ENA 58% of Net Revenue

FY 2017 total Net Revenue was £6,691m, with LFL decline of -2%. North America had a flat LFL performance. Mucinex delivered a strong performance driven by recent innovations of Fastmax Clear and Cool and targeted consumer education surrounding the benefits of 12 hour relief. Lysol saw robust growth, following a very strong Q4, driven by the launch of our new laundry sanitiser and Wave ITB innovations. Finish also had a strong year, aided by the launch of our latest generation Finish Quantum tablets. Air Wick was negatively impacted by both challenging category growth and competitive market conditions. Amopé was also weak due to the Wet & Dry pedi innovation.

Russia had a strong finish to the year with double digit LFL growth. Durex delivered an excellent performance following improved distribution and launch of our new Emoji campaign, aimed at turning the awkward moment of introducing condoms to fun. Nurofen and Strepsils had strong performance, and Finish benefitted from penetration improvement programmes. Russia remains a volatile market and current growth rates may not be sustainable.

The rest of ENA had a tough year with a LFL decline of -3%, impacted by the combination of weakness in Scholl, supply challenges associated with the cyber-attack in June and pricing pressures. Despite these issues, a number of brands displayed good, innovation-led, growth – including Strepsils, Veet (with the new precision trimmer), Finish, and Air Wick (with the launch of ViPoo).

FY Adjusted Operating Profit was £2,040m, a decline of -2% (constant), and in line with the decline in Net Revenue; the adjusted operating margin decreased -10bps to 30.5%, due to pricing pressures, negative product mix and unfavourable operational leverage.

Q4 total Net Revenue was £1,809m, a LFL increase of +1%. Within North America (+2% LFL) Mucinex and Lysol delivered a strong performance, as did Finish behind the launch of the new generation of Quantum tablets. Russia was very strong, both lapping a weak comparative and delivering a strong in-market performance, helping the rest of ENA return to growth.

DvM 28% of Net Revenue

FY17 total Net Revenue was £3,266m, with LFL growth of +3%. This was a soft result, well below our medium-term expectations of these markets as a whole which exhibit rising middle class incomes and the increasing ability of consumers to afford products in the categories in which we operate. Growth was negatively impacted in the first half by known issues in Korea and had an annual impact on the area's growth rate of around -1.5%. In addition, geopolitical issues in the Middle East saw this region decline substantially during the year, and particularly in H2. Brazil experienced challenging market conditions.

There were also successes. China delivered strong double-digit growth. This was led by our Powerbrand, Durex, and supported well by Dettol, Veet, Move Free and the recent launch of our new Finish dishwashing tablets, specifically designed for compact (table-top) dishwashers. Online sales in China now represent 50% of total turnover. India saw a strong underlying performance, having been disrupted during the year by the introduction of GST, exacerbated by cyber-attack issues. These disruptions are now behind us and the Q4 growth rate – both in terms of Net Revenue growth and underlying in-market sales was strong. South Africa and Turkey also had strong performances in 2017.

FY Adjusted Operating Profit was £753m, an increase of +6% constant. The adjusted operating margin was +110bps higher at 23.1%, with some gross margin decline more than offset by reductions in SG&A costs.

Q4 total Net Revenue was £771m, with LFL growth of +3%. Trends seen throughout the year continued in the final quarter. Strong growth in India and China was offset by weakness in the Middle East and Brazil.

IFCN 14% of Net Revenue

Reported Net Revenue was £1,555m, relating to the period from acquisition date of 15 June 2017 through to year end. In Q4, reported Net revenue was £709m.

Adjusted Gross Margin for the period, which excludes the cost of sales adjusting item per Note 3, was £959m.

Adjusted Operating Profit for the period was £329m, resulting in a reported adjusted operating margin of 21.2%.

A review of IFCN results on a pro-forma basis (assuming ownership since 1 January 2016) is set out on the following page.

Acquisition and Performance of Mead Johnson Nutrition ("MJN")

On 15 June 2017, RB completed the acquisition of Mead Johnson Nutrition ("MJN") and it has been consolidated into RB's group results since that date. In order to facilitate an understanding of the trends in the MJN business, we have included Net Revenue and adjusted operating profit of MJN on a pro-forma basis (see basis of preparation below), consistent with the presentation of the Group's other operating segments.

Quarter ended 31 December					Full Year ended 31 December			
2017 (pro-forma) £m	2016 (pro-forma) £m	% change exch. Rates Actual	const.*		**2017 (pro-forma) £m**	2016 (pro-forma) £m	% change exch. rates actual	const.*
				Total Net Revenue				
351	*354*	*-1*	*+5*	*Asia*	***1,416***	*1,371*	*+3*	*-*
232	*246*	*-6*	*-1*	*North America / Europe (ENA)*	***941***	*916*	*+3*	*-3*
126	*125*	*+1*	*+6*	*Latin America*	***500***	*475*	*+5*	*+2*
709	725	-2	+3	Total	**2,857**	2,762	+3	-1
				Operating profit – adjusted	**591**	679	-13	-16
				Operating margin – adjusted	**20.7%**	24.6%	-390bps	

* Constant growth has been calculated in accordance with the methodology used for the rest of the Group, as defined on page 3.

Review of MJN's pro-forma results (at constant rates unless otherwise noted):

MJN Net Revenue declined by -1% in 2017, with a weak start to the year more than offsetting the return to growth in H2 (+2%) and a strong finish to the year (Q4: +3%).

Asia saw Net Revenue growth in H2 at +4% with a strong performance in Greater China, offset by declines in South Asian markets. The macro trends in China, which we saw during H1, continue as expected. Specialist retail and e-commerce channels saw strong growth, together with premiumisation into imported brands. Offline cross-border sales between Hong Kong and China declined, as did locally manufactured products within the Enfa range. Market growth in China is buoyant, benefitting from both premiumisation and modest volume growth from relaxation of the one child policy.

ENA, which is predominantly the US, declined by -3% in 2017. We have taken steps to address share loss, through improved focus on innovation, on consumer education and strengthening the new mums programme. We see early progress with a flat share performance, sequentially, over the last three months.

LATAM grew +2% for the year, including a stronger finish to the year with +6% in Q4. Growth was led by Mexico following the launch of new Enfamil containing DHA and MFGM.

Adjusted operating profit margin for MJN (at actual rates) fell by -390bps to 20.7% (H1: -500bps, H2: -270bps). The decline was driven by a decrease in adjusted gross margin due to increased commodity input costs, especially for full fat milk powder, pricing corrections taken in a number of markets and adverse mix. Advertising and promotion costs increased due to additional investment behind brands, especially in China and the US. Fixed costs also increased as a proportion of Net Revenue, largely as a result of negative operational leverage. Cost synergies of $25m were achieved in H2, helping to drive the improving trend in operating margin.

Basis of Preparation of MJN's pro-forma results

The summary pro-forma financial information for MJN is presented, using RB Group accounting policies, to show the Net Revenue and adjusted operating profit as if the acquisition had completed on 1 January 2016. This allows a comparison between the full year 2016 and 2017 results. Constant exchange rates are calculated and presented in accordance with the methodology used for the rest of the Group, as described on page 3.

FY 2017 Category Review

Summary: % Net Revenue growth by Category (continuing)

	Q4					FY17				
	LFL	**GST***	**Net M&A****	**FX**	**Reported**	**LFL**	**GST***	**Net M&A****	**FX**	**Reported**
Health	+5%	-	+76%	-5%	+77%	-	-	+46%	+7%	+53%
Hygiene	+2%	-1%	-	-4%	-3%	+1%	-1%	-	+5%	+6%
Home	-3%	-	-	-4%	-7%	-3%	-	-	+5%	+2%
Portfolio	-15%	-	-	+1%	-14%	-9%	-	-	+7%	-2%
Group	**+2%**	**-**	**+28%**	**-4%**	**+25%**	**-**	**-**	**+16%**	**+6%**	**+21%**

* Impact of the Goods and Service Tax (GST) implemented by the Indian Government from 1 July 2017.
** Reflects the impact of acquisitions and disposals within continuing operations.

Note: due to rounding, this table will not always cast.

Quarter ended 31 December					Year ended 31 December			
2017 £m	2016 (restated) £m	% change exch. Rates actual	const.		**2017 £m**	2016 (restated) £m	% change exch. Rates Actual	const.
				Net Revenue by category				
1,704	965	+77	+82	Health	**5,090**	3,332	+53	+46
1,054	1,086	-3	+1	Hygiene	**4,313**	4,066	+6	+1
466	500	-7	-3	Home	**1,860**	1,828	+2	-3
65	76	-14	-15	Portfolio Brands	**249**	254	-2	-9
3,289	2,627	+25	+29	**Total**	**11,512**	9,480	+21	+15

In the following Category Review, growth rates are given on a like-for-like basis, unless otherwise stated.

Health 44% of Net Revenue

FY 2017 total Net Revenue was £5,090m, with a flat LFL performance for the year. The performance of this category was significantly impacted in 2017 by both the failure of the Scholl / Amopé Wet & Dry pedi innovation following an extremely successful initial product offering (the Velvet Smooth express pedi), and the cyber-attack in June. The underlying Health performance however was robust with growth, excluding Scholl / Amopé in the middle of the +4-6% long term category growth rates.

Growth was broad-based across the portfolio with Mucinex and Durex as the top performers, driven by successful innovations of Durex Air and Mucinex clear and cool. In addition, the local sexual wellbeing brands acquired in Brazil of Jontex, Olla and Lovetex benefited from improved in-market execution. Our first full year of ownership of the acquired Bristol Myers Squibb ("BMS") brands in Latin America enabled us to leverage the innovation pipeline of our global Nurofen brand, with the launch of TempraFen (equivalent to Nurofen for Children) and Tempra Forte in Mexico during the year.

Q4 total Net Revenue was £1,704m, with LFL growth of +5%. We saw strong innovation-led growth in Durex, Nurofen, Mucinex and Strepsils. Scholl / Amopé remained weak.

We believe we are well positioned to outperform long-term category growth within Consumer Health, led by our market leading, trusted brands, strong consumer centric innovation pipeline and significant investment behind medical professional and consumer education programmes. The acquisition of MJN during 2017 has enabled us to enter a new category of Infant Formula and Child Nutrition ("IFCN") giving us critical mass in Consumer Health. The creation of a new "RB Health" business unit from Q1 2018 will enable even greater focus as we continue our journey as a global leader in consumer health.

A review of IFCN results on a pro-forma basis (assuming ownership since 1 January 2016) is set out on page 9.

Hygiene 38% of Net Revenue

FY 2017 total Net Revenue was £4,313m, with LFL growth of +1%. Growth was broad-based although at more subdued rates in 2017. Dettol growth was negatively impacted by the slowdown in the Middle East, and disruption in India during the year. We saw strong growth in a number of other emerging markets as we continue to innovate (for example, the launch of Siti – powered by Dettol – a protective ecosystem against pollution) and undertake penetration building initiatives. Finish had a strong year, particularly in the US (launch of latest generation Quantum tablets) and China (launch of All-in-1 compact tablets, specifically designed for table-top dishwashers in China). Harpic performed well as we continue to innovate and build penetration in emerging markets, and Veet saw continued success with its precision trimmer rolling out in more markets. Our pest care brands had a weak year, including Brazil with tough, Zika related comparatives.

Q4 delivered a slight improvement in growth with +2% LFL. Strong performances from Lysol (launch of our best ever disinfecting wipes), Finish and Harpic were offset by weakness in pest and a slowdown in Veet as we lap the successful launch of the precision trimmer.

Home 16% of Net Revenue

FY 2017 total Net Revenue was £1,860m with a LFL decline of -3%. Air Wick remained challenging primarily in the US where we continued to see increased competitive pressure. Our Essential Mist test launch in France has proven successful and we are now rolling this out to all markets in Q1 2018. ViPoo is doing well across several markets and in the US retailers are now expanding distribution after the early success. Vanish had a tough year, partially impacted by retailer de-listings in Korea, impacting H1. We saw increased competitive pressure in Brazil.

Q4 saw a decline of -3% on a LFL basis. Air Wick delivered strong growth in the UK and a number of European markets behind the rollout of Essential Mist and ViPoo following a successful test launch in Belgium. Vanish remained challenging, particularly in Brazil.

Portfolio **2% of Net Revenue**

FY 2017 total Net Revenue was £249m, with a LFL decline of -9% versus the prior year. Performance was negatively impacted by Korea earlier in the year. With the disposal of the Food business, portfolio brands is a small part of our business (< 2% on a pro-forma basis) and consists mainly of laundry detergents, fabric softeners and ironing aids.

Q4 declined by 15% in Q4, with a stable performance from laundry detergents but weakness in fabric softeners and ironing aids.

New Product Initiatives: H1 2018

RB announces a number of new product initiatives for the first half of 2018:

Hygiene Home:

- Finish: Quantum – new three chamber tab that scrubs, degreases and shines.
- Lysol: New daily cleanser and daily cleansing wipes – trusted germ killer with no harsh chemical residue.
- Lysol / Harpic: Power 6 - Cleaning Wave for a visibly hygienic and fresh toilet.
- Vanish: New news on Pink - removes over 100 stains, even body marks.
- Air Wick Essential Mist: Transforms natural essential oils into mist.

Health:

- Enfamil NeuroPro - A fat-protein blend of MFGM and DHA – previously only found in breast milk
- Scholl: Electronic Foot Care System - Improved Electronic Foot Care System – plus now also with Dry Skin Exfoliation
- Durex "Say it with an Emoji" - Durex Condom range and digital-lead campaign. Turn the awkward moments of introducing condoms, into fun, with Durex.
- Move Free Ultra 2in1 - Faster Comfort than Glucosamine Chondroitin. Plus Comfort gets Better over Time
- Digestive Advantage Prebiotic + Probiotic - Probiotics add good bacteria to your body and prebiotics feed the good bacteria that's already there.
- Nurofen Medicated Plaster - 24hour relief in a single patch – fits and sticks to the body all day long

Reorganising for Growth

We have made significant progress during the past five years on portfolio transformation, in particular more recently with the acquisition of MJN and the sale of RB Food. Consumer health now represents, on a pro-forma basis, more than 50% of our total business.

At our Q3 trading update we announced our plan to combine the IFCN division with the health and some hygiene brands, to form the RB Health Business Unit ("BU"), and the home and other hygiene brands to form the RB Hygiene Home BU.

We have made excellent progress in establishing the BUs, each focused on and fully end-to-end accountable for its business – from innovation through brand development and supply to the customer. The BUs were effective from 1 January 2018, and most people are now operating in their new roles. It is a testament to the RB culture and mindset that we have been able to execute this important organisational move so quickly.

Key phases to the reorganisation

The expected timings for the key phases of the new organisation are as follows:

Time frame	Activity
Effective 1 January 2018	- Organisation structure in place - People moved and operating in new roles
During H1 2018	- Customer management changes - New operating model in place
2018 – 2020	- Completion of infrastructure

Key financials associated with the reorganisation and integration of MJN

Synergies achieved in 2017 were approximately $25m (£20m) and we now expect to achieve in the region of $300m in annual cost savings by the end of the third full year of ownership, an increase over our original target of $250m (£200m). Through increased synergies and other improvements in the earnings model, we expect to achieve margins in line with those in our acquisition model, notwithstanding the lower than expected margins on closing.

For 2018 we expect cost synergies to slightly exceed the additional infrastructure costs associated with our new BUs.

Non-recurring costs associated with the new organisation will be included within the £450m integration cost budget announced with the acquisition of MJN.

Details of the new structure

Health

- Rakesh Kapoor is President of the RB Health Business Unit, in addition to his role as CEO of RB Group.
- RB Health will represent approximately 60% of Group Net Revenue and include Enfamil, Nutramigen, Nurofen, Strepsils, Gaviscon, Dettol, Mucinex, Durex, Veet, Scholl, MegaRed, Airborne, Move Free, Digestive Advantage and Clearasil.

Hygiene Home

- Rob de Groot is President of the RB Hygiene Home Business Unit, reporting to Rakesh Kapoor, and will continue to sit on the Group Executive Committee. Until 1 January 2018, Rob was Executive Vice President for RB Europe and North American (“ENA”).
- RB Hygiene Home will represent approximately 40% of Group Net Revenue and include Air Wick, Finish, Calgon, Cillit Bang, Harpic, Lysol, Mortein, Vanish and Woolite.

The two Business Units together form one RB – a single company devoted to delivering on our mission of creating healthier lives and happier homes.

The Humidifier Sanitiser (“HS”) Issue in South Korea

The HS issue in South Korea is a tragic event. We continue to make both public and personal apologies to victims. Since our Q3 trading update, the following updates have occurred:

- The Government has assessed a further tranche of Round 3 applicants (round 3.5) and two further tranches of Round 4 applicants (rounds 4.2 and 4.3). Details are set out in the table below.
- Round 4 remains open and the applicant numbers are reported on the Korea Environmental Industry & Technology Institute ("KEITI") website. The number of applicants reported as at 2 February 2018 was 4,701.
- An HS Damage Relief committee set up by the Ministry of Environment ("MoE") announced a recognition standard for asthma caused by HS, based on the increased incidence of asthma in HS users. No detailed underlying data has yet been made available, although six victims have been announced by the MOE, of which one was an existing lung injury victim.
- A Special Act on fact finding of social tragedies and establishment of a safe society was enacted in December 2017. The purpose of this act is to ascertain the facts and responsible parties in respect of certain social tragedies, including the HS issue.

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

Round	Total applicants	Applicants Assessed	Category I & II	Cat I&II percentage	RB Oxy users – Category I & II**	Assessment completion (expected)
1	361	361	172	48%	139	Completed
2	169	169	51	30%	44	Completed
3	752	669	80	12%	72	March 18
3.1		*165*	*38*	*23%*	*35*	
3.2		*188*	*21*	*11%*	*20*	
3.3		*99*	*3*	*3%*	*2*	
3.4		*205*	*18*	*9%*	*15*	
3.5		*12*	*0*	*0%*	*0*	
4	4,701*	1,884	94	5%	87	June 18
4.1		*1,009*	*79*	*8%*	*73*	
4.2		*339*	*7*	*2%*	*7*	
4.3		*536*	*8*	*1%*	*7*	

* Round 4 remains open to applicants. The number of applicants shown in the table are the applicants set out on the KEITI website as at 2 February 2018.

** Both sole Oxy RB users and users of multiple manufacturers' products, including Oxy RB.

In 2016, a provision was made for certain costs arising as a result of the HS issue, including costs arising from compensating Oxy HS category I and II victims classified within Rounds 1, 2 and 3 of the Korean Centre for Disease Control ("KCDC") classification process.

In addition, there are a number of further costs / income relating to the HS issue that are either not able to be estimated or quantified or are considered not probable at the current time, including those relating to Round 4 applicants, potential recognition of victims of HS related asthma injuries, and costs associated with the wider HS issue. Oxy RB continues to work hard to engage other stakeholders, including the Korean government, and other manufacturers and ingredient suppliers, to try and find a long-term and sustainable industry-wide solution for all Category I&II victims in the fourth round of the categorisation process. Resolving this issue is a matter of urgency, and requires everyone to participate and learn from their mistakes.

Further details of these contingent liabilities are set out in Note 10 to our interim statement.

US Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act ("the Act") in the US was enacted on 22 December 2017. Our analysis of the Act is ongoing. We have estimated the economic impact of this recently enacted legislation to be broadly as follows:

"One-off" impacts:

- A non-cash credit of £1,595m, principally relating to a reduction in deferred tax liabilities in respect of US held intangible assets.
- A transitional tax charge, mainly in respect of Mead Johnson undistributed overseas earnings, of £174m, payable over eight years.

The net positive impact of these one-off items due to the change in US tax legislation has been reflected in our Q4 numbers as exceptional and excluded from our adjusted performance measures.

"Ongoing" impacts:

The Group will benefit from the reduction the US federal corporate tax rate under the Act. It will also be impacted by other provisions eliminating or reducing some tax deductions currently available to the Group. We are currently working through the detail of these. We are also seeing a number of other changes in tax regulations and practice across the countries in which we operate. We currently continue to expect an ongoing adjusted tax rate of around 23%.

Financial Review

Net finance expense. Net finance expense was £238m (2016: £16m) reflecting the cost of debt undertaken to finance the acquisition of MJN. This includes adjusting items of £65m comprising the accelerated write-off of certain facility fees (£35m) and an adjustment to reclassify finance expense on tax balances into income tax expense (£30m). Refer to Note 3 for further details of adjusting items.

Tax. The adjusted tax rate, which excludes the effect of adjusting items, was 23% (2016: 21%). We expect the ongoing adjusted tax rate to remain approximately 23%.

Adjusting items. In 2017, adjusting items comprised of £385m of expenses recorded in operating profit (2016: £367m), £65m of expenses recorded in net finance expense (2016: nil), £1,573m of income recorded in income tax expense (2016: £42m income), and £2,741m of income recorded as discontinued operations (2016: nil). Further details of these items can be found in Note 3.

Discontinued operations: The results of the RB Food business are reported as a discontinued operation. RB Food net income was £55m (2016: £103m) and the after-tax gain on disposal was £3,037m (2016: nil). The adjusting item in respect of Indivior PLC of £296m (2016: nil) is also reported within discontinued operations (refer to Note 12).

Net working capital. During the year, inventories increased to £1,201m (2016: £770m), trade and other receivables increased to £2,004m (2016: £1,623m), and trade and other payables increased to £4,629m (2016: £3,495m). These increases were principally driven by the acquisition of MJN. There was an improvement in net working capital to minus £1,424m (2016: minus £1,102m). Net working capital as a percentage of Net Revenue is -12% (2016: -12%, restated to exclude RB Food). On a pro-forma basis (including 12 months of Net Revenue for MJN) 2017 NWC as a percentage of Net Revenue would be -11%.

Cash flow. Cash generated from continuing operations was £3,153m (2016: £2,808m, restated to exclude RB Food). Net cash generated from operating activities was £2,491m (2016: £2,422m, restated to exclude RB Food) after net interest payments of £167m (2016: £16m) and tax payments of £543m (2016: £490m, restated to exclude RB Food).

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 94% (2016: 93%, restated for disposal of RB Food).

	31 December 2017 £m	31 December 2016 (restated)[1] £m
Cash generated from continuing operations	**3,153**	2,808
Less: net interest paid	**(167)**	(16)
Less: tax paid	**(543)**	(490)
Less: purchase of property, plant & equipment	**(286)**	(176)
Less: purchase of intangible assets	**(63)**	(214)
Plus: proceeds from the sale of property, plant & equipment	**35**	7
Free cash flow	**2,129**	1,919

1. Restated for the impact of discontinued operations. Refer to Note 12 for further details.

Net debt at the end of the year was £10,746m (2016: £1,391m). This reflected strong free cash flow generation and cash inflow from the disposal of RB Food, offset by the payment of dividends totalling £1,145m (2016: £1,036m), net share purchases of nil (2016: £723m), net M&A of £11,817m (2016: £158m) and debt acquired of £2,525m (2016: nil). The Group regularly reviews its banking arrangements and currently has adequate facilities available to it.

Balance sheet. At the end of 2017, the Group had total equity of £13,573m (2016: £8,426m), an increase of 61%. Net debt was £10,746m (2016: £1,391m).

This finances non-current assets of £31,589m (2016: £14,569m), of which £1,754m (2016: £878m) is property, plant and equipment, the remainder being goodwill, other intangible assets, deferred tax, retirement benefit surplus, available for sale assets and other receivables. The Group has net working capital of minus £1,424m (2016: minus £1,102m), current provisions of £517m (2016: £251m) and long-term liabilities other than borrowings of £5,349m (2016: £3,388m).

The Group continues to focus on employing capital appropriately, to drive long term value creation for its shareholders. We continue to seek to optimise our brand portfolio and in 2017 sold our Frenchs Food business and, in June, acquired MJN. As a result, Group ROCE as at 31 December 2017 was 8% using year end capital employed (10% on average capital employed). The acquisition of MJN is on track to exceed our weighted average cost of capital (WACC) by the end of the fifth year of ownership, as targeted in our acquisition model and communicated to shareholders.

The Group’s financial ratios remain strong. Return on Shareholders’ funds (total net income attributable to owners of the parent divided by total Shareholders’ funds) was 45.5% on a reported basis and 17.0% on an adjusted basis (2016: 21.7% on a reported basis and 25.6% on an adjusted basis).

Dividends. The Board of Directors recommends a final dividend of 97.7 pence (2016: 95.0 pence), to give a full year dividend of 164.3 pence (2016: 153.2 pence). The dividend, if approved by shareholders at the AGM on 3 May 2018, will be paid on 24 May 2018 to shareholders on the register at the record date of 13 April 2018. The ex-dividend date is 12 April 2018. The final dividend will be accrued once approved by Shareholders.

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. The Group has net debt of approximately £10,746m. It is not possible to be definitive on future needs, but we consider that this provides the Group with appropriate liquidity.

We intend to continue our current policy of paying an ordinary dividend equivalent to around 50% of total adjusted net income.

Legal provisions. The Group is involved in litigation, disputes and investigations in multiple jurisdictions around the world. It has made provisions for such matters, where appropriate. Where it is too early to determine the likely outcome of these matters, or to make a reliable estimate, the Directors have made no provision for such potential liabilities. Further details can be found in Note 8.

Contingent liabilities. The Group is involved in a number of civil and/or criminal investigations by Government authorities as well as litigation proceedings and has made provisions for such matters where appropriate. Where it is too early to determine the likely outcome of these matters, or to make a reliable estimate, the Directors have made no provision for such potential liabilities. Further details can be found in Note 10.

Targets

For 2018 we are targeting +13%-14% total revenue growth at constant rates (which implies a LFL growth in the range of +2-3%).

For operating margin[1], we reiterate our medium-term target of moderate margin expansion. 2018 will see a number of specific factors, including the arithmetic impact of a full year of MJN consolidation, the operating costs of the new organisation, and increased synergies relating to the integration of MJN.

[1] Adjusted to exclude the impact of exceptional items.

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Notice to shareholders

Cautionary note concerning forward-looking statements

This presentation 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.

Group Income Statement
For the 12 months ended 31 December 2017 (unaudited)

For the year ended 31 December	Note	Unaudited 2017 £m	Unaudited 2016 (restated)[1] £m
CONTINUING OPERATIONS			
Net Revenue	2	**11,512**	9,480
Cost of sales		**(4,642)**	(3,679)
Gross profit		**6,870**	5,801
Net operating expenses		**(4,133)**	(3,532)
Operating profit	2	**2,737**	2,269
Adjusted operating profit		**3,122**	2,636
Adjusting items	3	**(385)**	(367)
Operating profit		**2,737**	2,269
Finance income		**60**	42
Finance expense		**(298)**	(58)
Net finance expense		**(238)**	(16)
Profit before income tax		**2,499**	2,253
Income tax benefit/(expense)	4	**894**	(520)
Net income from continuing operations		**3,393**	1,733
Net income from discontinued operations	12	**2,796**	103
Net income		**6,189**	1,836
Attributable to non-controlling interests		**17**	4
Attributable to owners of the parent		**6,172**	1,832
Net income		**6,189**	1,836
Basic earnings per ordinary share			
From continuing operations (pence)	5	**480.6**	245.6
From discontinued operations (pence)	5	**398.1**	14.6
From total operations (pence)	5	**878.7**	260.2
Diluted earnings per ordinary share			
From continuing operations (pence)	5	**474.7**	242.1
From discontinued operations (pence)	5	**393.2**	14.4
From total operations (pence)	5	**867.9**	256.5

1. Restated for the impact of discontinued operations. Refer to Note 12 for details.

Group Statement of Comprehensive Income
For the 12 months ended 31 December 2017 (unaudited)

For the year ended 31 December	Unaudited 2017 £m	Unaudited 2016 (restated)[1] £m
Net income	**6,189**	1,836
Other comprehensive (expense)/income		
Items that may be reclassified to profit or loss in subsequent years		
Net exchange (losses)/gains on foreign currency translation, net of tax	**(310)**	1,618
Gains/(losses) on net investment hedges, net of tax	**44**	(128)
Gains/(losses) on cash flow hedges, net of tax	**3**	(22)
Revaluation of available for sale financial assets	**6**	(2)
Reclassification of foreign currency translation reserves on disposal of foreign operations, net of tax	**145**	-
	(112)	1,466
Items that will not be reclassified to profit or loss in subsequent years		
Remeasurements of defined benefit pension plans, net of tax	**12**	(138)
	12	(138)
Other comprehensive (expense)/income, net of tax	**(100)**	1,328
Total comprehensive income	**6,089**	3,164
Attributable to non-controlling interests	**15**	4
Attributable to owners of the parent	**6,074**	3,160
Total comprehensive income	**6,089**	3,164
Total comprehensive income attributable to owners of the parent arising from:		
Continuing operations	**3,133**	3,052
Discontinued operations	**2,941**	108
	6,074	3,160

1. Restated for the impact of discontinued operations. Refer to Note 12 for details.

Group Balance Sheet
As at 31 December 2017 (unaudited)

As at 31 December	Note	Unaudited 2017 £m	Audited 2016 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets		**29,487**	13,454
Property, plant and equipment		**1,754**	878
Available for sale financial assets		**41**	39
Deferred tax assets	6	**118**	81
Retirement benefit surplus		**90**	36
Other non-current receivables		**99**	81
		31,589	14,569
Current assets			
Inventories		**1,201**	770
Trade and other receivables		**2,004**	1,623
Derivative financial instruments		**18**	158
Current tax recoverable		**58**	14
Short-term investments		**-**	3
Cash and cash equivalents		**2,125**	882
		5,406	3,450
Assets classified as held for sale		**18**	-
		5,424	3,450
Total assets		**37,013**	18,019
LIABILITIES			
Current liabilities			
Short-term borrowings		**(1,346)**	(1,585)
Provisions for liabilities and charges	8	**(517)**	(251)
Trade and other payables		**(4,629)**	(3,495)
Derivative financial instruments		**(19)**	(58)
Current tax liabilities		**(65)**	(12)
		(6,576)	(5,401)
Non-current liabilities			
Long-term borrowings		**(11,515)**	(804)
Deferred tax liabilities	6	**(3,443)**	(1,983)
Retirement benefit obligations		**(393)**	(361)
Provisions for liabilities and charges	8	**(81)**	(174)
Derivative financial instruments		**(12)**	-
Non-current tax liabilities		**(1,012)**	(740)
Other non-current liabilities		**(408)**	(130)
		(16,864)	(4,192)
Total liabilities		**(23,440)**	(9,593)
Net assets		**13,573**	8,426
EQUITY			
Capital and reserves			
Share capital		**74**	74
Share premium		**243**	243
Merger reserve		**(14,229)**	(14,229)
Hedging reserve		**(1)**	(4)
Foreign currency translation reserve		**407**	526
Retained earnings		**27,039**	21,811
Attributable to owners of the parent		**13,533**	8,421
Attributable to non-controlling interests		**40**	5
Total equity		**13,573**	8,426

Group Statement of Changes in Equity
For the 12 months ended 31 December 2017 (unaudited)

	Notes	Share capital £m	Share premium £m	Merger reserves £m	Other reserves £m	Retained earnings £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2016		**74**	**243**	**(14,229)**	**(946)**	**21,762**	**6,904**	**2**	**6,906**
Comprehensive income									
Net income		-	-	-	-	1,832	1,832	4	1,836
Other comprehensive income/(expense)		-	-	-	1,468	(140)	1,328	-	1,328
Total comprehensive income		**-**	**-**	**-**	**1,468**	**1,692**	**3,160**	**4**	**3,164**
Transactions with owners									
Treasury shares re-issued		-	-	-	-	79	79	-	79
Share-based payments		-	-	-	-	66	66	-	66
Current tax on share awards		-	-	-	-	14	14	-	14
Deferred tax on share awards		-	-	-	-	(4)	(4)	-	(4)
Shares repurchased and held in Treasury		-	-	-	-	(702)	(702)	-	(702)
Cash dividends	9	-	-	-	-	(1,035)	(1,035)	(1)	(1,036)
Transactions with non-controlling interests		-	-	-	-	(61)	(61)	-	(61)
Total transactions with owners		**-**	**-**	**-**	**-**	**(1,643)**	**(1,643)**	**(1)**	**(1,644)**
Balance at 31 December 2016		**74**	**243**	**(14,229)**	**522**	**21,811**	**8,421**	**5**	**8,426**
Comprehensive income									
Net income		**-**	**-**	**-**	**-**	**6,172**	**6,172**	**17**	**6,189**
Other comprehensive (expense)/income		**-**	**-**	**-**	**(116)**	**18**	**(98)**	**(2)**	**(100)**
Total comprehensive (expense)/income		**-**	**-**	**-**	**(116)**	**6,190**	**6,074**	**15**	**6,089**
Transactions with owners									
Treasury shares re-issued		**-**	**-**	**-**	**-**	**94**	**94**	**-**	**94**
Share-based payments		**-**	**-**	**-**	**-**	**72**	**72**	**-**	**72**
Current tax on share awards		**-**	**-**	**-**	**-**	**20**	**20**	**-**	**20**
Deferred tax on share awards		**-**	**-**	**-**	**-**	**(14)**	**(14)**	**-**	**(14)**
Cash dividends	9	**-**	**-**	**-**	**-**	**(1,134)**	**(1,134)**	**(11)**	**(1,145)**
Arising on business combination	11	**-**	**-**	**-**	**-**	**-**	**-**	**31**	**31**
Total transactions with owners		**-**	**-**	**-**	**-**	**(962)**	**(962)**	**20**	**(942)**
Balance at 31 December 2017		**74**	**243**	**(14,229)**	**406**	**27,039**	**13,533**	**40**	**13,573**

Group Cash Flow Statement
For the 12 months ended 31 December 2017 (unaudited)

For the year ended 31 December	Note	**Unaudited 2017 £m**	Unaudited 2016 (restated)[1] £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit from continuing operations		**2,737**	2,269
Depreciation, amortisation and impairment		**223**	177
(Increase)/decrease in inventories		**(108)**	12
Increase in trade and other receivables		**(210)**	(25)
Increase/(decrease) in payables and provisions		**192**	(9)
Non-cash adjusting items		**247**	318
Share-based payments		**72**	66
Cash generated from continuing operations		**3,153**	2,808
Interest paid		**(226)**	(56)
Interest received		**59**	40
Tax paid		**(543)**	(490)
Net cash flows attributable to discontinued operations	12	**48**	120
Net cash generated from operating activities		**2,491**	2,422
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(286)**	(176)
Purchase of intangible assets		**(63)**	(214)
Proceeds from the sale of property, plant and equipment		**35**	7
Acquisition of businesses, net of cash acquired	11	**(11,817)**	(158)
Purchase of available for sale financial assets		**-**	(36)
Reduction in/(purchase of) short-term investments		**3**	(3)
Net cash flows attributable to discontinued operations	12	**3,232**	(3)
Net cash used in investing activities		**(8,896)**	(583)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased and held in Treasury		**-**	(802)
Treasury shares re-issued		**94**	79
Proceeds from borrowings		**19,523**	469
Repayment of borrowings		**(10,723)**	(695)
Dividends paid to owners of the parent	9	**(1,134)**	(1,035)
Dividends paid to non-controlling interests		**(11)**	(1)
Other financing activities		**(12)**	219
Net cash generated from/(used in) financing activities		**7,737**	(1,766)
Net increase in cash and cash equivalents		**1,332**	73
Cash and cash equivalents at beginning of the year		**873**	737
Exchange (losses)/gains		**(88)**	63
Cash and cash equivalents at end of the year		**2,117**	873
Cash and cash equivalents comprise:			
Cash and cash equivalents		**2,125**	882
Overdrafts		**(8)**	(9)
		2,117	873

1. Restated for the impact of discontinued operations. Refer to Note 12 for further details.

1 ACCOUNTING POLICIES

General

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

These condensed Financial Statements have not been audited.

Basis of Preparation

These condensed Financial Statements for the year ended 31 December 2017 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. They have been prepared in accordance with EU endorsed International Financial Reporting Standards ("IFRSs") but do not comply with the full disclosure requirements of these standards. The condensed Financial Statements are also in compliance with IFRS as issued by the IASB but do not comply with full disclosure requirements.

These condensed Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year to 31 December 2016 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified and did not contain statements under 498 (2) or (3) of the Companies Act 2006 and did not contain any emphasis of matter.

The Group has considerable financial resources together with a diverse customer and supplier base across different geographical areas and categories. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence. The Group therefore continues to adopt the going concern basis of accounting in preparing these condensed Financial Statements.

Accounting Policies and Estimates

In September 2017, the IFRS Interpretations Committee clarified that finance expenses on income tax balances should be reported within interest expense and certain penalties arising on settlements with tax authorities within administrative expenses. The Group had previously reported finance expenses and penalties on income tax balances as part of income tax expense. With effect from 2017, the Group has updated its treatment of these balances in accordance with this new guidance. The impact of this change on the opening Balance Sheet is not material and a restatement to the carrying values at 31 December 2016 has not been made. The impact on the Balance Sheet at 31 December 2017 inclusive of those tax liabilities assumed on the acquisition of Mead Johnson Nutrition ("MJN") is a reclassification of £189 million from tax liabilities to other liabilities.

With the exception of the update above, and the revision for adjusting items described in Note 3, the accounting policies adopted in the preparation of the condensed Financial Statements are consistent with those described on pages 110-114 of the Annual Report and Financial Statements for the year ended 31 December 2016.

The Group has applied amendments to *IAS 7: Statement of Cash Flows*. The impact has been to revise the disclosure of Net Debt to separately identify cash flows relating to Financing Liabilities (refer to Note 7).

In these Financial Statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

> *IFRS 15: Revenue from Contracts with Customers* will be effective for annual periods beginning on or after 1 January 2018. The standard deals with revenue recognition and establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenues and cash flows arising from the Group's contracts with its customers. The standard provides clarification about when control of goods is passed to customers and contains more guidance about the measurement of revenue contracts which have discounts, rebates and other payments to customers. During 2017, the Group completed a detailed review of the requirements of IFRS 15 against current accounting policies. The

areas the Group considered included payments to customers, the timing of revenue recognition based on control of goods, principal and agent relationships and consignment inventories. The Group has concluded that there will be no material impact of adopting IFRS 15. Taken together, the items above would have reduced reported 2017 Net Revenue by less than 1%, most of which is a reclassification of payments to customers recorded elsewhere in the Income Statement. The impact on profit would not have been material.

- *IFRS 9: Financial Instruments* will be effective for annual periods beginning on or after 1 January 2018. The standard includes requirements for classification and measurement, impairment and hedge accounting. The Group has evaluated the impact of IFRS 9 and concluded that it does not expect a material impact on the recognition and measurement of income and costs in the income statement or of assets and liabilities in the balance sheet. The Group has assessed the classification and measurement of certain financial assets on the balance sheet and concluded that that whilst there will be changes in classification, such as money market funds there is no expected material impact on results. Further, the nature of the Group's current hedging activities and the quantum of its bad debt risk means that the impact of IFRS 9 will be immaterial in respect of these items. IFRS 9 mandates certain additional disclosures, which the Group will make in the future.

- *IFRS 16: Leases* will be effective for annual periods beginning on or after 1 January 2019. The standard changes the principles for the recognition, measurement, presentation and disclosure of leases. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise lease liabilities and 'right of use' assets on the Balance Sheet, with exemptions for low value and short-term leases. The Group is in the process of evaluating the impact of IFRS 16 on its current lease arrangements, which mainly consists of office and warehouse properties.

A number of other new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2018 and have not yet been applied in preparing these Financial Statements. None of these are expected to have a significant effect on the Financial Statements of the Group.

In preparing these 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 2016. However, the acquisition of MJN has significantly increased the carrying value of goodwill and other intangible assets, for which the measurement at initial recognition on 15 June 2017 is subject to estimation uncertainty and subsequent impairment review.

2 OPERATING SEGMENTS

The Executive Committee is the Group's Chief Operating Decision-Maker ("CODM"). The Group's operating segments are reported based on the segmental information reviewed by the Executive Committee for the purposes of making strategic decisions and assessing performance. As a result of the acquisition of MJN, the Group has created a new operating segment, Infant Formula and Child Nutrition ("IFCN"). In addition, because of its classification as a discontinued operation, the previously reported operating segment for RB Food is no longer presented and the comparatives have been restated.

The Group's geographical segments comprise ENA and DvM. ENA comprises Europe, Russia/CIS, Israel, North America, Australia and New Zealand. DvM principally comprises North Africa, Middle East (excluding Israel) and Turkey, Africa, South Asia, North Asia, Latin America, Japan, South Korea and ASEAN.

ENA and DvM derive their revenue primarily from the sale of branded products in the Health, Hygiene and Home categories. IFCN forms part of the Health category.

The Executive Committee assesses the performance of the 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 they are managed on a central Group basis.

The segment information provided to the Executive Committee for the operating segments for the year ended 31 December is as follows:

Year ended 31 December 2017	**ENA £m**	**DvM £m**	**IFCN £m**	**Total £m**
Net Revenue	**6,691**	**3,266**	**1,555**	**11,512**
Depreciation, amortisation and impairment	**109**	**63**	**51**	**223**
Adjusted operating profit	**2,040**	**753**	**329**	**3,122**
Adjusting items				**(385)**
Operating profit				**2,737**
Net finance expense				**(238)**
Profit before income tax				**2,499**

Year ended 31 December 2016[1.]	ENA £m	DvM £m	IFCN £m	Total £m
Net Revenue	6,410	3,070	-	9,480
Depreciation, amortisation and impairment	117	60	-	177
Adjusted operating profit	1,978	681	-	2,659
Reallocation of central costs	(16)	(7)	-	(23)
Adjusted operating profit (restated)[1]	1,962	674	-	2,636
Adjusting items				(367)
Operating profit				2,269
Net finance expense				(16)
Profit before income tax				2,253

1. Restated for reallocation of centrally incurred costs following the disposal of RB Food.

Analysis of Categories

The primary analysis within the information provided to the Executive Committee is based on the geographical areas above. An analysis of Net Revenue by Category is given below.

	Net Revenue	
	2017 £m	2016 (restated)[1] £m
Health	**5,090**	3,332
Hygiene	**4,313**	4,066
Home	**1,860**	1,828
Portfolio Brands	**249**	254
	11,512	9,480

1. Portfolio Brands is restated following the disposal of RB Food.

3 ADJUSTING ITEMS

The Group uses certain adjusted earnings measures, including Adjusted Operating Profit and Adjusted Net Income, to provide additional clarity about the underlying performance of the business.

The Group has refined its accounting policy to make reference to adjusting items in presenting the Group's principal adjusted earnings measures. Adjusting items are significant items included in operating profit, net finance expense or income tax expense, which are relevant to an understanding of the underlying performance of the business. These comprise exceptional items, other adjusting items, and the reclassification of finance expenses on tax balances:

- Exceptional items, which remain as previously defined, are material, non-recurring items of expense or income incurred during a year.
- Other adjusting items comprise the amortisation of certain fair value adjustments recorded in respect of finite-life intangible assets recognised in the provisional purchase price allocation for the acquisition of MJN (refer to Note 11). These are not classified as exceptional items because of their recurring nature.
- As explained in Note 1, the Group has changed its treatment of finance expenses on income tax balances. These were previously treated as income tax but are now presented as finance expenses. There was no material impact resulting from the change in accounting for penalties. Adjusting items now include a reclassification of finance expenses on tax balances into income tax, to align with previous guidance that focused on the pre-exceptional tax rate, and with the way the expenses are managed by the Group. Therefore, these expenses are presented as part of income tax in the adjusted profit before income tax measure.

The table below provides a reconciliation of the Group's reported statutory earnings measures to its adjusted measures for the year ended 31 December 2017:

Year ended 31 December 2017	Reported £m	Adjusting: Exceptional items £m		Adjusting: Other items £m		Adjusting: Finance expense reclassification £m		Adjusted £m
Operating profit	**2,737**	**342**	1	**43**	5	**-**		**3,122**
Net finance expense	**(238)**	**35**	2	**-**		**30**	6	**(173)**
Profit before income tax	**2,499**	**377**		**43**		**30**		**2,949**
Income tax expense	**894**	**(1,527)**	3	**(16)**	5	**(30)**	6	**(679)**
Net income for the year from continuing operations	**3,393**	**(1,150)**		**27**		**-**		**2,270**
Less: Attributable to non-controlling interests	**(17)**	**-**		**-**		**-**		**(17)**
Net income for the year attributable to owners of the parent (continuing)	**3,376**	**(1,150)**		**27**		**-**		**2,253**
Net income for the year from discontinued operations	**2,796**	**(2,741)**	4	**-**		**-**		**55**
Total net income for the year attributable to owners of the parent	**6,172**	**(3,891)**		**27**		**-**		**2,308**

1. Exceptional items within operating profit of £342 million include £219 million relating to the acquisition of MJN, which comprise the following:
   - transaction fees of £60 million
   - unwinding of fair value adjustment made to inventories recorded on the purchase price allocation of £159 million, recorded in cost of sales in the Group Income Statement.

   The remaining exceptional costs within operating profit relate to previously announced restructuring projects, including:
   - MJN integration/RB 2.0 of £90 million
   - Supercharge and other projects of £33 million.

2. Exceptional costs included within net finance expense comprises £23 million for the accelerated write-off of facility fees as a result of the acquisition of MJN in June 2017, when short-term bridge facilities were replaced with the issuance of $7,750 million of fixed and floating rate loan notes, and £12 million for the accelerated write-off of facility fees as a result of the early repayment of certain term loans using the proceeds from the disposal of RB Food.

3. Included within income tax credit is a £1,421 million tax credit resulting from the US Tax Reform (Note 4) and £106 million, representing the tax credit for the exceptional costs noted above.

4. Adjusting items included in discontinued operations comprise the gain on the disposal of RB Food of £3,024 million, a tax credit of £13 million on this gain, and a charge of £296 million in respect of provision for settlement of the ongoing investigations by the US Department of Justice ("DoJ") arising from certain matters relating to the RB Pharmaceuticals business prior to its demerger in December 2014.

5. Other adjusting items of £43 million relate to the amortisation of certain intangible assets recognised as a result of the acquisition of MJN, charged over the period since the acquisition up to 31 December 2017. In addition, there is a £16 million income tax credit in respect of these costs.

6. Adjusting items of £30 million relate to the reclassification of interest on income tax balances from finance expense to income tax in the adjusting measure (Note 1).

The table below provides a reconciliation of the Group's reported statutory earnings measures to its adjusted measures for the year ended 31 December 2016:

Year ended 31 December 2016	Reported £m	Adjusting: Exceptional items £m		Adjusted £m
Operating profit	2,269	367	1	2,636
Net finance expense	(16)			(16)
Profit before income tax	2,253	367		2,620
Income tax expense	(520)	(42)	2	(562)
Net income for the year from continuing operations	1,733	325		2,058
Less: Attributable to non-controlling interests	(4)	-		(4)
Net income for the year attributable to owners of the parent (continuing)	1,729	325		2,054
Net income for the year from discontinued operations	103	-		103
Total net income for the year attributable to owners of the parent	1,832	325		2,157

1. Exceptional items in the year ended 31 December 2016 comprised £300 million of costs related to the HS issue in South Korea (primarily compensation for Rounds 1, 2 and 3, commitments to the Humanitarian Fund, and legal costs directly linked to the issue) and £67 million related to restructuring and integration costs.

2. Included within income tax expense is a £42 million tax credit on the exceptional items.

4 INCOME TAXES

	2017 £m	2016 (restated)[1] £m
Current tax	**760**	492
Adjustment in respect of prior periods	**(52)**	16
Total current tax	**708**	508
Origination and reversal of temporary differences	**(38)**	48
Impact of changes in tax rates	**(1,564)**	(36)
Total deferred tax	**(1,602)**	12
Income tax (benefit)/expense	**(894)**	520

1. Restated for the impact of discontinued operations. Refer to Note 12 for further details.

The table above includes an exceptional tax credit relating to the effect of US Tax Reform of £1,421 million.

The reported tax rate was -36% (2016: 23%). The adjusted tax rate on ordinary activities, which excludes the impact of adjusting items, was 23% (2016: 21%, restated to exclude RB Food), as per Note 3.

5 EARNINGS PER SHARE

	2017 pence	2016 (restated)[1] pence
Basic earnings per share		
From continuing operations	**480.6**	245.6
From discontinued operations	**398.1**	14.6
Total basic earnings per share	**878.7**	260.2
Diluted earnings per share		
From continuing operations	**474.7**	242.1
From discontinued operations	**393.2**	14.4
Total diluted earnings per share	**867.9**	256.5
Adjusted basic earnings per share		
From continuing operations	**320.8**	291.7
From discontinued operations	**7.8**	14.6
Total adjusted basic earnings per share	**328.6**	306.3
Adjusted diluted earnings per share		
From continuing operations	**316.9**	287.6
From discontinued operations	**7.7**	14.4
Total adjusted diluted earnings per share	**324.6**	302.0

1. Restated for the impact of discontinued operations.

Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the parent from continuing operations (2017: £3,376 million; 2016: £1,729 million) and discontinued operations (2017: £2,796 million; 2016: £103 million) by the weighted average number of ordinary shares in issue during the year (2017: 702,379,197; 2016: 704,164,106).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has the following categories of potentially dilutive ordinary shares: Executive Share Awards (including Executive Share Options and Executive Restricted Share Scheme Awards) and Employee Sharesave Scheme Options. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2017 there were 69,200 (2016: nil) Executive Share Awards excluded from the dilution because the exercise price for the options was greater than the average share price for the year.

	2017 Average number of shares	2016 Average number of shares
On a basic basis	**702,379,197**	704,164,106
Dilution for Executive Share Awards	**8,054,213**	9,405,777
Dilution for Employee Sharesave Scheme Options outstanding	**691,174**	730,750
On a diluted basis	**711,124,584**	714,300,633

Adjusted earnings

Details of the adjusted net income attributable to owners of the parent are as follows:

Continuing operations	2017 £m	2016 (restated)[1] £m
Net income attributable to owners of the parent	**3,376**	1,729
Exceptional items, net of tax (Note 3)	**(1,150)**	325
Other Adjusting items, net of tax (Note 3)	**27**	-
Adjusted net income attributable to owners of the parent	**2,253**	2,054

1. Restated for the impact of discontinued operations. Refer to Note 12 for further details.

Discontinued operations	2017 £m	2016 £m
Net income attributable to owners of the parent	**2,796**	103
Exceptional items, net of tax (Note 3)	**(2,741)**	-
Adjusted net income attributable to owners of the parent	**55**	103

6 DEFERRED TAX

Deferred tax assets	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2017	9	(32)	88	-	16	81
(Charged)/credited to the Income Statement	(2)	6	(7)	(2)	-	(5)
Credited/(charged) to other comprehensive income	1	(1)	(5)	-	-	(5)
Arising on business combinations	3	2	37	7	4	53
Exchange differences	(1)	1	(5)	(1)	-	(6)
At 31 December 2017	**10**	**(24)**	**108**	**4**	**20**	**118**

Deferred tax liabilities	Accelerated capital allowances £m	Intangible assets £m	Short-term temporary differences £m	Tax losses £m	Retirement benefit obligations £m	Total £m
At 1 January 2017	14	2,303	(261)	(8)	(65)	1,983
(Credited)/charged to the Income Statement	(15)	(1,670)	68	2	13	(1,602)
Charged to other comprehensive income	-	-	-	-	26	26
Charged directly to equity	-	-	14	-	-	14
Arising on business combinations	48	3,399	(175)	(2)	(23)	3,247
Divestment of discontinued operations	(3)	(17)	-	-	6	(14)
Exchange differences	(5)	(228)	16	1	5	(211)
At 31 December 2017	**39**	**3,787**	**(338)**	**(7)**	**(38)**	**3,443**

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority.

Certain deferred tax assets in respect of corporation tax losses and other temporary differences of £363 million (2016: £326 million) have not been recognised at 31 December 2017 as the likelihood of future economic benefit is not sufficiently assured. These assets will be recognised if utilisation of the losses and other temporary differences becomes sufficiently probable.

7 NET DEBT

Analysis of net debt	2017 £m	2016 £m
Cash and cash equivalents	**2,125**	882
Overdrafts	**(8)**	(9)
Cash and cash equivalents	**2,117**	873
Borrowings (excluding overdrafts)	**(12,853)**	(2,380)
Derivative financial instruments (debt)	**(10)**	113
Financing liabilities	**(12,863)**	(2,267)
Short-term investments	**-**	3
Net debt at end of year	**(10,746)**	(1,391)

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

	Assets		Liabilities	
	Current	**Non-Current**	**Current**	**Non-Current**
Derivative financial instruments (debt)	5	-	(3)	(12)
Derivative financial instruments (non-debt)	13	2	(16)	-
At 31 December 2017	**18**	**2**	**(19)**	**(12)**

Note that non-current derivative assets are presented within other non-current other receivables on the Balance Sheet.

	Cash and cash equivalents £m	Financing liabilities £m	Short term investments £m	2017 Net Debt £m	2016[1] Net Debt £m
At 1 January	873	(2,267)	3	**(1,391)**	(1,620)
Net increase in cash and cash equivalents	1,332	-	-	**1,332**	73
Proceeds from borrowings	-	(19,523)	-	**(19,523)**	(469)
Repayment of borrowings	-	10,723	-	**10,723**	695
Arising on business combinations	-	(2,525)	-	**(2,525)**	-
Other financing cash flows	-	(12)	-	**(12)**	219
Reduction in/(purchase of) short-term investments	-	-	(3)	**(3)**	3
Exchange, fair value and other movements	(88)	741	-	**653**	(292)
At 31 December	2,117	(12,863)	-	**(10,746)**	(1,391)

1. 2016 net debt is presented in line with the new requirements of IAS 7 (Note 1).

8 PROVISIONS FOR LIABILITIES AND CHARGES

	Legal provisions £m	Restructuring provisions £m	Other provisions £m	Total provisions £m
At 1 January 2016	141	33	170	344
Charged to the Income Statement	264	23	12	299
Charged to equity	-	-	702	702
Utilised during the year	(90)	(33)	(806)	(929)
Released to the Income Statement	-	(2)	(8)	(10)
Exchange adjustments	14	1	4	19
At 31 December 2016	**329**	**22**	**74**	**425**
Charged to the Income Statement	**352**	**17**	**15**	**384**
Arising on business combinations	**-**	**7**	**-**	**7**
Utilised during the year	**(142)**	**(20)**	**(9)**	**(171)**
Released to the Income Statement	**(44)**	**-**	**(9)**	**(53)**
Exchange adjustments	**6**	**-**	**-**	**6**
At 31 December 2017	**501**	**26**	**71**	**598**

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

	2017 £m	2016 £m
Current	**517**	251
Non-current	**81**	174
	598	425

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

Legal provisions of £501 million (2016: £329 million) include exceptional legal provisions of £465 million (2016: £277 million) in relation to a number of historic regulatory matters in a number of markets, predominantly the HS issue in South Korea and the "DoJ" investigation referenced in Note 10. During the year, a number of payments were made to claimants in respect of Rounds 1, 2 and 3 of the HS issue in South Korea, partially utilising the provision held for this matter.

The restructuring provision relates principally to business integration costs associated with the acquisition of MJN and subsequent RB 2.0 reorganisation, the majority of which is expected to be utilised within one year.

Other provisions include environmental and other obligations throughout the Group, the majority of which are expected to be used within five years.

9 DIVIDENDS

Cash dividend distributions

	2017	2016
	£m	£m
Cash dividends on equity ordinary shares:		
2016 Final paid: 95.0p (2015: Final 88.7p) per share	**666**	625
2017 Interim paid: 66.6p (2016: Interim 58.2p) per share	**468**	410
Total dividends for the year	**1,134**	1,035

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2017 of 97.7p per share which will absorb an estimated £688 million of Shareholders' funds. If approved by Shareholders it will be paid on 24 May 2018 to Shareholders who are on the register on 13 April 2018, with an ex-dividend date of 12 April 2018.

10 CONTINGENT LIABILITIES AND ASSETS

As noted in Note 3, the Group remains involved in ongoing investigations by the US Department of Justice ("DoJ") and the US Federal Trade commission and related litigation proceedings in the US arising from certain matters relating to the RB Pharmaceuticals ("RBP") business prior to its demerger in December 2014 to form Indivior PLC, and may incur liabilities in relation to such matters. On 4 September 2017, the Group received notice of a further investigation by the State of California Department of Insurance in relation to similar matters.

These investigations and related proceedings are continuing and we have been in discussions with the DoJ. As a consequence of these discussions the Group recorded a charge of £296 million at 31 December 2017 within our discontinued operations line.

The Group remains committed to ensuring these issues are concluded or resolved satisfactorily but we cannot predict with any certainty whether we will be able to reach any agreement with the DoJ or other parties who are involved in any other investigation or related proceedings. The final cost for the Group may be materially higher than this reserve.

HS South Korea

There are a number of further expected costs and income relating to the Humidifier Sanitiser ("HS") issue that either cannot be reliably estimated or which are not considered probable at the current time. In particular:

1. Round 4 lung injury, asthma related injury and other potential lung or non-lung injuries: The South Korean government opened Round 4 to new applicants on 22 April 2016 for an indefinite period. It has received 4,701 applications to participate in Round 4 as at 2 February 2018 and continues to receive applications. Additionally, a damage relief committee set up by the Ministry of Environment ("MOE") announced a recognition standard for asthma caused by HS, based on the increased incidence of

asthma in HS users. The Group is currently unable to reliably determine how many applicants may be eligible for compensation in respect of these items because:

a. The total number of applicants, and therefore total number of potential victims has not been assessed for Round 4 lung injuries, potential asthma injuries for all rounds or for any other injuries that the MOE may decide to recognise.
b. No detailed underlying data has yet been made available in respect of general causation of asthma injuries by HS, although six victims have been announced by the MOE as at 28 December 2017.

2. The Group continues to assess and, where appropriate, pursue rights which Oxy RB may have to recover sums from other involved parties.

3. On 9 August 2017, the Humidifier Sanitiser Injury Special Relief Act became effective. Further, amendments to that Act were introduced in October 2017 and are currently being considered by the Korean government. Given the high profile and complex nature of this issue, the amendments to this Act, the rules and regulations issued pursuant to this Act and other legal or governmental proposals or developments in South Korea may give rise to further financial liability for RB.

11 ACQUISITIONS

On 15 June 2017, the Group acquired 100% of the issued share capital of Mead Johnson Nutrition for cash consideration of £13,044 million ($16,642 million).

MJN is a leader in global infant formula and children's nutrition. The acquisition of MJN is aligned with the Group's well-established strategic focus on growing in consumer health and on investing in Powerbrands with attractive growth prospects. Provisional goodwill of £8,023 million arises on the acquisition, of which £3,194 million is a consequence of the requirement to record deferred tax liabilities for certain acquired assets. Goodwill represents the potential for further synergies arising from combining the acquired business with the Group's existing businesses, together with the value of the workforce acquired. None of the goodwill is expected to be deductible for income tax purposes.

The following table summarises the consideration paid and the fair values of assets acquired and liabilities assumed. The amount of consideration transferred in excess of the value of total identifiable net assets is recorded as goodwill.

Recognised amounts of identifiable assets acquired and liabilities assumed	**£m**
Intangible assets	9,169
Property, plant and equipment	921
Inventories	547
Trade and other receivables	354
Cash and cash equivalents	1,224
Borrowings	(2,525)
Retirement benefit obligations	(77)
Deferred tax liabilities, net	(3,194)
Trade and other payables	(1,018)
Provisions	(7)
Current tax liabilities	(342)
Total identifiable net assets	**5,052**
Non-controlling interest	(31)
Goodwill	8,023
Total	**13,044**
Cash consideration	13,044
Total consideration transferred	**13,044**

Acquisition-related transaction costs of £60 million have been included in net operating expenses and disclosed as exceptional items in the Group Income Statement (Note 3).

Included within intangible assets are brands of £9,169 million, substantially comprising Enfamil (£6,328 million) and Nutramigen (£1,718 million). The fair values of current tax liabilities and provisions are stated at provisional amounts which will be finalised within the twelve-month measurement period following the acquisition.

From the date of acquisition to 31 December 2017, the acquisition contributed £1,555 million to Net Revenue and £329 million to adjusted operating profit. Had the acquisition taken place at 1 January 2017, the enlarged Group consolidated Net Revenue would have been £12,814 million and adjusted operating profit would have been £3,384 million.

The provisional fair values relating to the acquisition of Nances Holdings S.A. in 2016 were revised during 2017, following a £3 million refund of the cash consideration. This reduced Goodwill by £3 million.

12 DISCONTINUED OPERATIONS

On 17 August 2017, the Group sold the RB Food business to McCormick & Company, Inc. for $4.2 billion (£3.2 billion) in cash. This transaction disposed of current assets of £99 million, non-current assets of £66 million, current liabilities of £65 million and non-current liabilities of £34 million. RB Food was a major line of business and therefore meets the definition of a discontinued operation.

In addition, and as described in Note 3, the Group has recorded an exceptional charge of £296 million in respect of its legacy RB Pharmaceuticals business ("RBP"), which was demerged to form Indivior PLC in 2014.

Financial information relating to the operations of RB Food and RB Pharmaceuticals for the year is set out below. The Group Income Statement and Group Cash Flow Statement distinguish discontinued operations from continued operations. Comparative figures have been restated.

For the year ended 31 December	2017 RB Food £m	2017 RBP £m	2017 Total £m	2016 £m
Revenue	**249**	-	**249**	411
Expenses	**(175)**	**(296)**	**(471)**	(270)
Profit before tax of discontinued operations	**74**	**(296)**	**(222)**	141
Tax	**(19)**	**-**	**(19)**	(38)
Profit after tax of discontinued operations	**55**	**(296)**	**(241)**	103
Pre-tax gain recognised on disposal of RB Food	**3,024**	**-**	**3,024**	-
Tax credit	**13**	**-**	**13**	-
Profit for the year from discontinued operations	**3,092**	**(296)**	**2,796**	103

The major classes of cash flows related to RB Food are as follows:

For the year ended 31 December	2017 £m	2016 £m
Cash flows from operating activities	**48**	120
Cash flows from investing activities	**3,232**	(3)
Cash flows from financing activities	**-**	-
Net increase in cash and cash equivalents from discontinued operations	**3,280**	117

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