HEALTH • HYGIENE • HOME

24 July 2017

SIGNIFICANT PROGRESS ON PORTFOLIO TRANSFORMATION

Results at a glance (unaudited)	Q2 £m	% change actual exchange	% change constant exchange	HY £m	% change actual exchange	% change constant exchange
Continuing operations*						
Net revenue	**2,479**	14%	3%	**5,017**	14%	2%
*- Like-for-like growth***			*-2%*			*-1%*
Operating profit – reported				**1,063**	50%	27%
Operating profit – adjusted***				**1,190**	16%	1%
Net income – reported				**777**	61%	34%
Net income – adjusted***				**888**	14%	-1%
EPS (diluted) – reported				**109.3**	62%	
EPS (diluted) – adjusted***				**124.9**	15%	
Total operations (including discontinued operations)						
Net income – reported				**505**	-4%	-20%
Net income – adjusted****				**934**	14%	-1%
EPS (diluted) – reported				**71.0**	-3%	
EPS (diluted) – adjusted****				**131.4**	15%	

Notes:

* Continuing operations includes Mead Johnson Nutrition ("MJN") since its acquisition on 15 June 2017 and excludes RB Food and the charge related to the previously demerged RB Pharmaceuticals business that became Indivior. Both RB Food and 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 £127 million in operating profit and £23 million of adjusting items in net finance costs, as well as their associated tax impacts (refer to Note 5).

**** Total adjusted results excludes adjusting items for both continuing and discontinued businesses of £429 million (HY 2016: £296 million). Refer to the reconciliations of total reported results to adjusted results in Basis of Presentation and Non-GAAP Measures (Note 5).

Highlights: Half Year (HY) and continuing unless otherwise stated

- Significant progress on our portfolio transformation:
  - Mead Johnson Nutrition (MJN) acquired on 15 June, earlier than expectations and integration progressing well.
  - Food disposal announced. Proceeds to be used to reduce debt.
  - RB base business on track in a challenging environment.
- LFL net revenue decline of -1% (Q2: -2%) – in line with our announcement on 6 July. (specific issues: Scholl, Korea, GST and cyber-attack)
- ENA (-3% LFL) and DvM (+3% LFL growth) – impacted by specific issues in challenging market conditions.
- Health (-2% LFL) – continuing strong dynamics offset by specific issues. Hygiene (+1% LFL growth), Home (-3% LFL).
- Adjusted operating margin expansion of +30bps to 23.7%, (ex MJN: +50bps to 23.9%).
- Adjusted net income growth of +14% (-1% at constant rates); adjusted diluted EPS of 124.9p (+15%).
- Adjusting items of £127m principally in respect of the MJN acquisition.
- £318m provision in respect of Indivior / DoJ discussions taken within discontinued operations. Further details on p15, 26.
- Reported net income increased by +61% (+34% constant); reported diluted EPS of 109.3p (+62%).
- Strong free cash flow generation of £1,251m. Further details on p13.
- Full year net revenue target adjusted to +2% (previously +3%) as previously announced. MJN net revenue target for H2 of -2% to flat.
- The Board declares an interim dividend of 66.6p per share (2016: 58.2p), an increase of 14%.

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

"In the first half of the year, we have made significant progress on portfolio transformation and becoming a more focused consumer health and hygiene business, with both the acquisition of Mead Johnson Nutrition, and the agreed sale of our Food business.

We completed the acquisition of Mead Johnson Nutrition a quarter earlier than expected. Our integration team have done an excellent job in anticipating an earlier close such that we are now targeting accelerated phasing of our cost synergies. The strategic review of our Food division has been completed, culminating in the agreed sale of this high quality business.

From an operational perspective, as expected we had a tough first half, with challenging conditions exacerbated by a sophisticated cyber-attack. Notwithstanding this, the business remains strong and our earnings model intact. We saw broad-based growth across the majority of our consumer health brands. We continue to innovate strongly across our Hygiene segment with good success, and Home (ex-Korea) continues to perform in line with our expectations.

I expect the RB business to return to growth progressively over the second half of the year. As set out in our statement of 6 July, we are targeting full year net revenue +2% LFL growth for the RB base business. I see this as a challenging target. We are experiencing tough market conditions, and we still have work to do on addressing the full implications of the recent cyber-attack. Operating margin continues to make satisfactory progress and we reiterate our medium-term target of moderate expansion.**

For Mead Johnson Nutrition, we target -2% to flat LFL net revenue growth in H2. Operating margin prior to closing was slightly weaker than initially expected. We see significant opportunity within the business and remain confident that operating margin expansion over the medium term will be in line with our plan.

There is no doubt that despite the operational issues RB is becoming a better, stronger company. The strategic transformation enabled by the recent acquisition of Mead Johnson Nutrition and disposal of Food will position RB well to deliver superior shareholder returns for years to come."

Basis of Presentation and Non-GAAP Measures

Throughout the Interim 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.

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 5 and by category on page 7.

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

As described in Note 5, the Group has refined its accounting policy in respect of its adjusted earnings measures as a consequence of the acquisition of Mead Johnson Nutrition. Adjusting items now include the amortisation of acquired, finite-life intangible assets as well as exceptional items previously included.

The table below provides a reconciliation of the Group's reported statutory earnings measures to its adjusted measures for the six months ended 30 June 2017. Descriptions of the adjusting items are included in Note 5.

Six months ended 30 June 2017	**Reported**	**Adjusting: Exceptional items**	**Adjusting: Other items**	**Adjusted**
	£m	**£m**	**£m**	**£m**
Operating profit	**1,063**	**123**	**4**	**1,190**
Net finance expense	(47)	23	-	(24)
Profit before income tax	**1,016**	**146**	**4**	**1,166**
Income tax expense	(232)	(39)	-	(271)
Net income for the period from continuing operations	**784**	**107**	**4**	**895**
Attributable to non-controlling interests	(7)	-	-	(7)
Net income for the period attributable to owners of the parent (continuing)	**777**	**107**	**4**	**888**
Net income for the period from discontinued operations	(272)	318	-	46
Total net income for the period attributable to owners of the parent	**505**	**425**	**4**	**934**

In addition to the breakdown of adjusting items detailed in Note 5, a reconciliation of Adjusted Net Income is given in Note 7, 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 7).

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 13.

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.

<u>Project Fuel</u>

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

Detailed Operating Review: Total Group (continuing operations)

Group

Note: This section describes our continuing operations. It therefore excludes commentary in respect of our Food business and the exceptional charge relating to RB Pharmaceuticals (also discontinued), but includes two weeks of MJN as the acquisition completed on 15 June. Commentary on discontinued operations is set out on p14.

Half year ("HY") 2017

HY net revenue was £5,017m, a LFL decrease of -1%. Mead Johnson Nutrition ("MJN") was acquired on 15 June and half a month of trading has been consolidated within the RB Group results. This combined with the Hypermarcas acquisition from last year added approximately £140m in Net Revenue for the period, taking total constant growth for the continuing business to +2%. The weakening of the pound versus many currencies added a further +12% to growth, taking the total reported growth to +14%.

ENA net revenue declined by -3% on a LFL basis, with North America flat and "Rest of ENA" -5%. Weakness was primarily driven by the known issue of Scholl / Amopé Wet & Dry Express Pedi launch in 2016, which failed to meet our expectations, and the recent, cyber-attack on 27 June (refer p11 for further details on this issue). Russia showed an improved performance, returning to growth in the half. DvM grew at +3% on a LFL basis against a backdrop of continued mixed market conditions. Volatility has been seen in India, particularly in Q2 as many customers delayed their orders due to the implementation of GST (refer to details on p7). China remained strong, as did parts of Africa.

The issues noted above have impacted category growth rates also. Most of our powerbrands in Health grew well. However, this growth was more than offset by Scholl / Amopé decline and the cyber-attack halting production, shipping and invoicing in a number of sites across Europe shortly before the close of the half. For these reasons, LFL growth reported in the half was -2% despite broad-based growth and strong performance across much of our consumer health portfolio. Hygiene grew at +1% LFL led by Dettol and Harpic in our emerging markets, and Veet across both developed and emerging markets. Home declined -3% LFL due to a combination of Vanish declines in Korea and weakness of Air Wick in the US.

HY gross margin increased by +10bps to 60.4%. Innovation-led mix improvement and Project Fuel initiatives were offset by input cost headwinds.

We remain committed to investing in the long-term growth of our brands and in HY 2017 we invested 14.9% of our net revenue in brand equity investment ("BEI"). This represents -40bps decline versus the prior year (actual rates) and an absolute decline of £26m (constant) for our base RB business. Investment behind most brands increased in the half with the exception of Scholl / Amopé where we reduced investment behind the Wet & Dry Express pedi.

Overhead costs remained relatively stable in HY, with a small reduction in the RB base business offset by a higher fixed cost base in the MJN business.

Operating profit was £1,063m, +50% versus HY 2016 (+27% constant). The reported performance was positively impacted by a net reduction in adjusting items of £192m to £127m (HY 2016: £319m). These items largely relate to the acquisition of MJN (HY 2016: costs associated with the HS issue in Korea). A more detailed description of the adjusting items is set out on pages 26-28 of this report. On an adjusted basis, operating profit was up +16% (+1% constant) to £1,190m. The adjusted operating margin increased +30bps to 23.7%. Excluding MJN, adjusted operating margin increased by +50bps.

Net finance expense was £47m (HY 2016: £11m), reflecting the cost of increased net debt required to finance the acquisition of MJN. The underlying tax rate was 23% (HY 2016: 23%). The effective tax rate is 23% (HY 2016: 30%), in the prior period the difference driven by tax on adjusting items.

Net income attributable to owners of the parent (as reported) was £777m, an increase of 61% versus HY 2016 (+34% constant), impacted by exceptional items. On an adjusted basis, net income grew +14% at actual exchange rates, and declined by -1% on a constant basis. Diluted earnings per share of 109.3 pence +62% on a reported basis; on an adjusted basis, +15% to 124.9 pence.

Second quarter ("Q2") 2017

Total Q2 net revenue was £2,479m, a LFL decrease of -2%. Total growth at constant rates was +3% due to the additive impact of the MJN and Hypermarcas acquisitions, and a positive translational FX impact of +11% drove total reported growth at actual rates of +14%.

ENA (-4% LFL) saw a resilient performance from North America (flat LFL) and a weak quarter from the rest of ENA (-6% LFL). Western Europe was impacted by a combination of slower market growth, a decline in the Scholl brand across many markets, and delays in shipping and invoicing due to the cyber-attack which occurred on 27 June. Russia / CIS had a good quarter of growth, although the market remains fragile.

DvM grew by +2% in the quarter on a LFL basis with strong performances from China, South Africa, Nigeria and Pakistan. Growth was impacted by India, which declined in the quarter due to some customers delaying orders ahead of the implementation of GST on 1 July. The issues in South Korea also impacted trading in the quarter, albeit to a lesser extent than Q1. The underlying performance of our DvM business remains strong.

On a category basis Health was weak at -4% LFL in the quarter. Whilst we continued to see strong growth in Durex and Mucinex, a number of Western European weighted brands were impacted by the cyber-attack and Scholl continued to be weak. Hygiene growth was -1% LFL decline, with a slowdown in Dettol in India and weak pest (lapping the outbreak of the Zika virus) more than offsetting strong growth in Veet and Harpic in DvM. Vanish and a number of local laundry detergent brands are a significant part of the South Korean portfolio, which impacted the performance in Home and portfolio brands.

HY 2017 Business Review (continuing operations)

Summary: % net revenue growth by Operating Segment

	Q2				H1			
	LFL	**Net M&A***	**FX**	**Reported**	**LFL**	**Net M&A***	**FX**	**Reported**
North America	*-*	*-*	*+12%*	*+12%*	*-*	*-*	*+14%*	*+14%*
Rest of ENA	*-6%*	*-*	*+9%*	*+3%*	*-5%*	*-*	*+11%*	*+6%*
ENA	-4%	-	+10%	+6%	-3%	-	+12%	+9%
DvM	+2%	+1%	+11%	+13%	+3%	+1%	+13%	+17%
IFCN**	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Group – continuing operations	**-2%**	**+5%**	**+11%**	**+14%**	**-1%**	**+3%**	**+13%**	**+14%**

* 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

Analysis of net revenue and adjusted operating profit by operating segment, and of net revenue by category 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 – continuing operations

Quarter ended 30 June					Half Year ended 30 June			
		% change exch. rates					% change exch. rates	
2017 £m	2016** (restated) £m	Actual	const.		**2017 £m**	2016** (restated) £m	actual	const.
				Total Net revenue				
562	*502*	*+12%*	*0%*	*North America*	***1,193***	*1,048*	*+14%*	*0%*
958	*931*	*+3%*	*-6%*	*Rest of ENA*	***1,996***	*1,881*	*+6%*	*-5%*
1,520	1,433	+6%	-4%	ENA	**3,189**	2,929	+9%	-3%
833	738	+13%	+2%	DvM	**1,702**	1,457	+17%	+4%
126	-			IFCN*	**126**	-		
2,479	2,171	+14%	+3%	**Total**	**5,017**	4,386	+14%	+2%

	2017 £m	2016** (restated) £m	actual	const.
Operating profit				
ENA	**827**	740	+12%	-2%
DvM	**344**	287	+20%	+4%
IFCN*	**19**	-		
Operating profit – adjusted* **	**1,190**	1,027	+16%	+1%
Adjusting items	**(127)**	(319)		
Total Operating profit	**1,063**	708	+50%	+27%

Operating margin – adjusted* **	**%**	%	
ENA	**25.9**	25.3	*+60bps*
DvM	**20.2**	19.7	*+50bps*
IFCN*	**15.1**	-	
Total	**23.7**	23.4	*+30bps*

* IFCN is the Infant Formula 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.

The Business Review below is given at constant exchange rates.

ENA **64% of Net Revenue**

HY 2017 total net revenue was £3,189m, with LFL performance of -3%.

North America performance was resilient, net revenue was flat versus the prior year supported by Mucinex growth but offset by declines in the Amopé franchise and continued market challenges in Air Wick

In the rest of ENA performance in Russia was strong particularly in Durex and in Nurofen. Across Europe market conditions remain challenging. The impact of the cyber-attack in the run up to our half year end was felt most strongly in our European markets and these markets have been significantly impacted by the decline in Scholl as we continue to lap the strong sell in of our Wet & Dry initiative in H1 2016.

HY Adjusted Operating Profit decreased -2% (constant) to £827m; the adjusted operating margin increased by +60bps to 25.9% driven by gross margin expansion and BEI savings from reduced spending on Scholl / Amopé.

Q2 total net revenue was £1,520m, with LFL performance of -4%. The recent cyber-attack impeded our ability to ship and invoice orders in the days leading up to half year and Scholl / Amopé declines continued to have an impact. Russian performance in Q2 was encouraging.

DvM **34% of Net Revenue**

HY 2017 total net revenue was £1,702m, with LFL growth of +3%.

The underlying performance in India business remains strong and in growth for the half year but has been negatively impacted by demonetisation and, to a greater extent, destocking by our customers in the lead up to GST changes introduced on 1 July 2017.

Our Africa region saw strong and broad growth across our portfolio, with some weakness in Middle East, particularly Saudi. In China we continued to see strong growth primarily in Durex and particularly through growth in online sales channels. We also saw a boost from the growth of Move Free.

Elsewhere in DvM market conditions remain challenging including in Brazil, which also benefitted in the prior year comparative from increased demand for pest products resulting from the Zika virus. The integration of the Jontex and Olla brands following the acquisition which completed in Q4 2016 has given us a leading market position in the Sexual Wellbeing category.

HY Adjusted Operating Profit increased +4% (constant) to £344m; the adjusted operating margin increased by +50bps to 20.2%.

Q2 total net revenue was £833m, with LFL performance of +2%. The remaining impact from HS in Korea was supplemented by the shipping losses of the cyber-attack and the de-stocking by customers in India in relation to GST.

The Indian Government implemented a Goods and Service Tax (GST) from 1 July 2017. The GST will be deducted from the sales value invoiced to customers and replaces the multiple taxes previously levied through the supply chain and accounted for in cost of sales. The full year accounting impact of the move to GST is expected to be a reduction of c.£50m in Net Revenue – which, as previously flagged, we will adjust for in our LFL net revenue reporting. The ongoing impact on profit is expected to be small.

Infant Formula and Child Nutrition 2% of Net Revenue

HY 2017 total net revenue was £126m for the period between completion of the acquisition on 15 June and 30 June.

HY 2017 Category Review (continuing operations)

Summary: % net revenue growth by Category

	Q2				H1			
	LFL	**Net M&A***	**FX**	**Reported**	**LFL**	**Net M&A***	**FX**	**Reported**
Health**	-4%	+16%	+12%	+25%	-2%	+8%	+13%	+20%
Hygiene	-1%	-	+10%	+10%	+1%	-	+13%	+14%
Home	-2%	-	+10%	+8%	-3%	-	+12%	+9%
Portfolio Brands***	-8%	-	+12%	+3%	-15%	-	+10%	-4%
Group – continuing operations	**-2%**	+5%	+11%	+14%	**-1%**	+3%	+13%	+14%

* Reflects the impact of acquisitions and disposals within continuing operations
** Health now includes the Infant Formula and Child Nutrition (IFCN) business.
*** 2016 Portfolio Brands has been restated to exclude RB Food, which is a discontinued operation.
Note: due to rounding, this table will not always cast.

Quarter ended 30 June					Half Year ended 30 June			
2017 £m	2016 £m	% change exch. Rates actual	const.		**2017 £m**	2016 £m	% change exch. Rates actual	const.
				Net revenue by category				
893	715	+25%	+13%	Health	**1,797**	1,501	+20%	+6%
1,072	978	+10%	-1%	Hygiene	**2,196**	1,934	+14%	+1%
454	420	+8%	-2%	Home	**912**	834	+9%	-3%
60	58	+3%	-8%	Portfolio Brands*	**112**	117	-4%	-15%
2,479	2,171	+14%	+3%	**Total**	**5,017**	4,386	+14%	+2%

* Health now includes the Infant Formula and Child Nutrition (IFCN) business.
** 2016 Portfolio Brands has been restated to exclude RB Food, which is a discontinued operation.

In the following Category Review, growth rates are given at constant exchange rates. Margins are at actual rates.

Health 36% of Net Revenue

HY 2017 total net revenue was £1,797m, with LFL performance of -2%.

A strong underlying performance across our Health categories offset by the lapping of strong sell-in of Scholl/Amopé in the prior period.

Mucinex delivered strong growth both as a result of the increased incidence of cold and flu this year and our Cool & Clear innovation. Our GI relief products had good growth particularly Gaviscon in Turkey and Picot in Mexico.

Our Durex Powerbrand grew strongly, driven by our 'Invisible' range. Durex growth is particularly strong in China and Russia but we also saw good growth in European markets.

Q2 2017 total net revenue was £893m, with LFL performance of -4%. Scholl/Amopé declines continued to have an impact on growth and cyber-attack issues at the very end of the quarter contributed to the decline.

Hygiene 44% of Net Revenue

HY 2017 total net revenue was £2,196m, with LFL growth of +1%.

Growth continues to be led by our Hygiene Health brand of Dettol particularly across DvM including the successful launch of Dettol Deep Cleanse soap. Harpic also saw strong growth in emerging markets such as India where penetration continues to benefit from our involvement in the Banega Swachh campaign

Innovation has helped drive success in Veet with the continued strong performance of our recently launched Sensitive Precision Hair Trimmer, in particular in ENA markets. Finish grew in the HY helped by a Quantum relaunch and penetration-led growth in emerging markets.

Pest category declines were a result of lapping the strong performance due to the Zika virus in 2016.

Q2 total net revenue was £1,072m with LFL performance of -1%. The significant de-stocking by customers in India in relation to GST was felt most strongly in Hygiene and the cyber-attack at the end of Q2 also contributed to Hygiene declines in the Quarter.

Home 18% of Net Revenue

HY 2017 total net revenue was £912m, with LFL performance of -3%.

Vanish declines were predominantly driven by the Korea HS issue but DvM outside of Korea showed good growth particularly from Brazil, and in Turkey behind innovative new products such as Vanish Gold. Within ENA our growth in the UK was a result of our recently launched Platinum powder and gel innovation but in the US competitive pressure led to a decline in the period.

Challenging market conditions in the US also contributed to declines in Air Wick but revenue in the Rest of ENA grew in H1 helped by the recent innovation which extended our Pure range of aerosols to Freshmatic. The Pure aerosol range helped deliver good performance in DvM, particularly in Brazil and Mexico.

Q2 total net revenue was £454m with LFL performance of -2%. Air Wick performance in DvM was encouraging with strong growth in Brazil, Turkey and Mexico. The Korea HS issue had a lower impact than in Q1 but the cyber-attack at the very end of the quarter reduced revenue to below expectations.

Portfolio Brands (ex. Food) 2% of Net Revenue

HY 2017 total net revenue was £112m, with LFL performance of -15%.

Portfolio Brands now exclude Food and mainly comprise Laundry Detergents, Fabric Softeners and certain sales to institutional customers. The nature of the brands and the route-to-market leads to a high level of volatility in revenue. The Korea HS issue has contributed significantly to the decline.

Q2 total net revenue was £60m with LFL performance of -8%.

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

On the 15 June 2017, RB completed the acquisition of Mead Johnson Nutrition ("MJN") for cash consideration of £13.0 billion. Taking into account MJN net debt, this transaction increased the Group's net debt by £14.3 billion. Two weeks have been consolidated into RB's group results in Q2 and H1.

In order to facilitate an understanding of the trends in the MJN business we have disclosed net revenue on a pro-forma basis consistent with the previously disclosed segments, and pro-forma Non-GAAP EBIT for the total company.

Quarter ended 30 June					**Half Year ended 30 June**			
2017 (pro-forma) $m	2016 (pro-forma) $m	% change exch. rates actual	% change exch. rates const.*		**2017 (pro-forma) $m**	2016 (pro-forma) $m	% change exch. rates actual	% change exch. rates const.*
				Total Net Revenue				
450	*456*	*-1%*	*+2%*	*Asia*	***884***	*957*	*-8%*	*-5%*
305	*319*	*-4%*	*-4%*	*North America / Europe (ENA)*	***598***	*620*	*-4%*	*-3%*
158	*167*	*-5%*	*-3%*	*Latin America*	***315***	*327*	*-4%*	*+1%*
913	942	-3%	-1%	Total	**1,797**	1,904	-6%	-3%
				Non-GAAP EBIT	**357**	474	-25%	-19%
				Non-GAAP EBIT margin	**19.9%**	24.9%	-500bps	

*Constant growth has been calculated on an MJN 'constant dollar' basis which excludes the impact of changes in foreign currency exchange rates

Review of MJN's pro-forma results (at constant rates for H1 unless otherwise noted):

MJN net revenue declined by -3% in H1 comprising a -5% decline in Q1 and a -1% decline in Q2.

Asia returned to growth in Q2 with a strong performance in China, offset by declines in South Asian markets, most notably Philippines. The macro trends in China, which we saw through our due diligence process, continue as expected. Specialist retail and e-commerce channels saw strong growth, as did MJN's premium imported brands. Offline cross-border sales between Hong Kong and China declined, as did locally manufactured products within the Enfa range.

ENA, which is predominantly the US, declined by -4% in Q2 and -3% in H1. The US business has taken steps to address market share loss, through increased investment in consumer education and reaching new mums. However, the H1 result was somewhat weaker than expected.

LATAM saw a decline of -3% in Q2 and +1% in H1. This fragmented region saw weakness in Argentina in Q2, and competitive pressures / category weakness in Central America, somewhat offset by growth in Mexico behind a new product launch.

Non-GAAP EBIT margins for the MJN business fell by -500bps to 19.9%. The decline was driven by a gross margin decline due to increased commodity input costs, especially for full fat milk powder, pricing corrections taken in a number of markets, and lower margins for the growing channel in China. Advertising and promotion costs increased due to additional investment behind brands, especially China and USA. Fixed costs also increased as a proportion of net revenue, largely as a result of negative operational leverage.

Basis of Preparation of MJN's pro-forma results

The summary pro-forma financial information about MJN has been extracted from its underlying accounting records, prepared in accordance with US Generally Accepted Accounting Principles ("US GAAP"). There are no differences between US GAAP and IFRS in respect of Total Net Revenue. The Group's most comparable measure to Non-GAAP EBIT used by MJN is Adjusted Operating Profit. Non-GAAP EBIT excludes the impact of MJN's specified items, which approximate the Group's adjusting items. MJN's constant exchange rates eliminate the impact of both translational foreign exchange and certain transactional exchange differences, whereas the Group's constant exchange rate calculation does not adjust for transactional foreign exchange.

New Product Initiatives

The H1 presentation will feature a selection of new product initiatives for the second half of 2017:

In Health:

- Scholl ® value priced electronic foot file. Soft feet effortlessly. More convenient than a manual foot file, offering a visible difference
- Durex ® Naturals Intimate Gel - Water based lubricant – uses 100% natural ingredients with pre-biotics that support natural flora and pH balance
- Digestive Advantage ® Probiotic Bites Dark Chocolate - The probiotic that survives stomach acid 100x better - now available in great tasting dark chocolate bites
- MegaRed ® Advanced Triple Absorption - Absorbed by your body 3x better than standard fish oil, so you can get more Omega-3 power from just one softgel
- Mucinex® - new news on FastMax - Powerful multi-symptom relief - One Dose addressing 9 Symptoms
- SiTi® powered by Dettol® - a protective ecosystem against air pollution - connected at the heart

In Hygiene:

- Lysol® Disinfecting Wipes - Our best yet - new & improved wipe that kills 99.9% of germs Also available in a new range of fragrances
- Finish® - All-in-1 Compact tablets launch in China - Tablets specifically designed for China and compact (table-top) dishwashers
- Veja® Gold – Re-launch across the range - Best ever Veja formula with increased actives to provide 2x more cleaning power, throughout the house

In Home:

- VIPoo by Air Wick® - keep nasty smells in your bowl!
- Vanish® Gold – new initiative - “whites instantly whiter after one wash”. There's nothing nicer than crisp whites when it comes to shirts, linen and towels

Cyber-Attack

On Tuesday 27 June many companies, including RB, were impacted by a new type of sophisticated cyber-attack. We believe the attack was focused on companies that do business with the Ukraine.

Once activated, the virus was able to avoid many of the measures in place to prevent its spread. As a consequence it rendered many systems and servers, using a certain operating system, inoperable very quickly.

Systems were recovered progressively from 3 July. By 11 July most of our manufacturing sites were producing close to normal capacity. There are, however, a number of activities which will take until the end of August to complete in full and we continue to face some operational disruption.

Key impacts have been reduced factory operations, delayed shipping and invoicing, and in some circumstances, lost sales.   We believe we have materially quantified the impact of this cyber-attack on our trading.   The recovery is however ongoing.

RB has significant cyber security measures in place. With attacks becoming ever more sophisticated in nature, we are reviewing what further measures can be implemented to minimize both the likelihood and potential impact of any future attacks.

The Humidifier Sanitiser ("HS") Issue in South Korea

There have been no material changes to our expectations surrounding the tragic HS issue in South Korea since our Q1 trading update in April.

- No additional assessments have been reported by the Government since our Q1 trading update. The status to date is set out in the table below:

- Following a consultation process with currently identified Round 3 victims, Oxy RB has initiated a compensation plan for the 52 Oxy RB category I or II users identified in tranches 3.1 – 3.3. The terms of this plan are broadly the same as Rounds 1 & 2.

- Round 4 remains open and the applicant numbers are reported on the Korea Environmental Industry & Technology Institute (KEITI) website. The number of applicants as at 17 July was 4,380.

The status of the four rounds of applications established to date is therefore 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	452	57	13%	52	Dec 17
3.1		*165*	*35*	*21%*	*32*	
3.2		*188*	*19*	*10%*	*18*	
3.3		*99*	*3*	*3%*	*2*	
4	4,380*	0	TBD	TBD	TBD	Dec 17

* 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 17 July 2017.

** 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.

There are in addition 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 and costs associated with the wider HS issue. Further details of these contingent liabilities are set out in note 13.

Financial Review

Basis of preparation. The unaudited financial information is prepared in accordance with *IAS 34 Interim Financial Reporting*, and with the accounting policies to be applied in the Group's consolidated financial statements for the year ending 31 December 2017. These are not materially different from those set out in the Group's 2016 Annual Report and Accounts, unless separately disclosed. Unless otherwise stated, information contained herein is in respect of continuing operations.

Net finance expense. Net finance expense is £47 million (2016: £11 million), including £23m of accelerated finance fees recorded as a direct result of the MJN acquisition which have been treated as an exceptional adjusting item.

Tax. The continuing statutory effective tax rate is 23% (2016: 30%). The continuing adjusted effective tax rate is 23% (2016: 23%).

Net working capital Largely as a result of the MJN acquisition, inventories increased to £1,322 million (2016: £752 million), trade and other receivables increased to £1,846 million (2016: £1,377 million) and trade and other payables increased to £4,783 million (2016: £3,400 million). This has led to a decrease in net working capital to minus £1,615 million (2016: minus £1,271 million). Net working capital as a percentage of net revenue is -16% (2016: -14%). On a pro-forma basis, excluding the fair value adjustment made to inventory on acquisition and including 12 months of net revenue for MJN, then NWC as a percentage of net revenue would be -14%.

Cash flow. Cash generated from operations was £1,603 million (2016: £1,389 million). The increase largely reflects the operating performance and improved working capital position.

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 our strategic objectives. Free cash flow conversion as a percentage of continuing adjusted net income was 141% (2016: 114%).

	30 June 2017 £m	30 June 2016 £m (restated)[1]
Cash generated from operations	**1,603**	1,389
Net Interest paid	**(35)**	(8)
Tax paid	**(227)**	(230)
Purchase of property, plant & equipment	**(91)**	(62)
Purchase of intangible assets	**(12)**	(198)
Proceeds from the sale of property, plant & equipment	**4**	1
Proceeds from the sale of intangible assets	**9**	-
Free cash flow	**1,251**	892

Net debt at the end of the half year was £14,751 million (31 December 2016: £1,391 million), an increase of £13,360 million. This reflected the acquisition of MJN and the payment of the final 2016 dividend, offset by strong free cash flow generation. The Group regularly reviews its banking arrangements and has adequate facilities available.

Adjusting items. In HY 2017 pre-tax adjusting items of £127 million were recorded in operating profit (HY 2016: £319 million), relating primarily to the acquisition of Mead Johnson Nutrition. Further details of these items can be found in Note 5 to this report.

Discontinued operations: The results of the Food business are reported as a discontinued operation. Food net income was £46 million. (HY 2016: £42 million). The adjusting item (see Note 5) in respect of Indivior of £318 million (HY 2016: nil) is also reported within discontinued operations.

Balance sheet. The acquisition of MJN resulted in an increase of £17.3 billion to goodwill and intangible assets and an associated deferred tax liability of £3.2 billion (see note 15). The Group acquired MJN for cash consideration of £13.0 billion, which together with the net debt acquired increased the Group's net debt by £14.3 billion.

At 30 June 2017, the Group had shareholders' funds of £8,269 million (31 December 2016: £8,426 million), a decrease of 2%. Net debt was £14,751 million (31 December 2016: £1,391 million) and total capital employed in the business was £23,020 million (31 December 2016: £9,817 million).

This finances non-current assets of £32,165 million (31 December 2016: £14,569 million), of which £1,810 million (31 December 2016: £878 million) is property, plant and equipment, the remainder being goodwill, other intangible assets, deferred tax, retirement benefit surplus and other receivables. The Group has net working capital of minus £1,615 million (31 December 2016: minus £1,102 million), current provisions of £659 million (31 December 2016: £251 million) and long-term liabilities other than borrowings of £6,910 million (31 December 2016: £3,388 million).

Assets held for sale. At 30 June 2017, the Group's assets held for sale of £146 million and liabilities held for sale of £109 million comprises the carrying value of RB Food, which meets the definition of a disposal group at 30 June 2017.

Dividends. The Board of Directors declares an interim dividend of 66.6p (2016: 58.2p) in line with its stated policy to pay out about 50% of basic adjusted earnings per share.

The ex-dividend date will be 17 August 2017 and the dividend will be paid on 28 September 2017 to shareholders on the register at the record date of 18 August 2017. The last date for election for the share alternative to the dividend is 7 September 2017.

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.

From time to time the Group is involved in discussions in relation to ongoing tax matters in a number of jurisdictions around the world. Where appropriate, the Directors make provisions based on their assessment of each case.

As a matter of policy and practice, the Group co-operates with all government investigations. The Group maintains and continues to improve a robust compliance training programme and ensures that all executive managers sign a periodic disclosure and reporting document certifying compliance with the Group's Code of Conduct.

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. Contingent liabilities are explained in Note 13.

Discontinued Operations

As explained elsewhere in this report, the following are treated as discontinued operations for the six months ended 30 June 2017, in accordance with IFRS 5:

- RB Food
- An exceptional cost relating to the Group's previously demerged RB Pharmaceuticals business

Comparatives have also been restated.

A breakdown of the discontinued result for H1 is as follows:

	Half Year ended 30 June			
	2017	2016*	% change exch. Rates	
	£m	£m	actual	const.
Net Revenue	**208**	183	+14%	0%
Net Income (adjusted)	**46**	42	+10%	-4%
Adjusting items – RB Pharmaceuticals (net of tax)	**(318)**	-		
Net (loss) / income (reported)	**(272)**	42		

* 2016 adjusted operating profit has been restated to exclude an allocation of RB central costs of £11m. The annualised value of RB "stranded" fixed costs is £23m and has been allocated to ENA and DvM on a pro-rata basis.

RB Food

The assets and liabilities related to RB Food have been presented as held for sale at 30 June 2017 having met the IFRS 5 criteria. On 19 July, the Group announced that it had agreed to sell the Food business to McCormick, with completion of the transaction expected during Q3 2017.

H1 net revenue was £208 million, a flat performance versus the prior year. Adjusted operating profit was £62 million, a 29.8% margin and +30bps versus the prior year.

Quarter ended 30 June					Half Year ended 30 June			
		% change exch. rates					% change exch. rates	
2017 £m	2016 £m	actual	const.		**2017 £m**	2016 £m	actual	const.
103	95	+8%	-3%	Net revenue	**208**	183	+14%	0%
				Operating profit - adjusted	**62**	54	+15%	+2%
				Operating margin - adjusted	**29.8%**	29.5%	+30bps	

Indivior – litigation matters

We noted in our 2016 annual report that the Group was involved in ongoing investigations by the US Department of Justice (DoJ) and the US Federal Trade Commission and related litigation proceedings 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.

These investigations and related proceedings are continuing and we are in active discussions with the DoJ. As a consequence of these discussions we have recorded a charge of £318 million in our second quarter results. It has been recorded within our discontinued operations line, as RBP was demerged in December 2014.

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 the related proceedings. The final cost for the Group may be materially higher than this reserve.

2017 Targets

Following the acquisition of Mead Johnson Nutrition we target the following:

Net Revenue target (Full Year)

- As set out in our statement of 6 July, we are now targeting full year net revenue +2% LFL growth[1] for the RB base business.
- For Mead Johnson Nutrition, we target -2% to flat LFL growth[1] in H2.

Operating margin (medium term)

- For the RB base business operating margin continues to make satisfactory progress and we reiterate our medium-term target of moderate margin expansion[2].
- For Mead Johnson Nutrition, operating margin prior to closing was slightly weaker than initially expected. We see significant opportunity within the business and remain confident that operating margin expansion[2] over the medium term will be in line with our plan.

[1] At constant rates, excluding the impact of acquisitions, disposals and discontinued operations.

[2] Adjusted to exclude the impact of adjusting items.

Principal Risks and Uncertainties

Except for the impact of the recently completed acquisition of Mead Johnson Nutrition, the Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining six months of 2017 are largely the same as those described on pages 46 to 53 of the Annual Report and Financial Statements for the year ended 31 December 2016. These include:

- Risk of not having a robust process for assessment of product safety, this may result in customer safety issues, reputational damage, significant financial losses and possible criminal liability for RB senior management.
- Risk that non-compliance with regulations (e.g. licences, manufacturing, products and laws) results in significant financial losses arising from regulator-enforced factory closures, product recalls, delayed launches, penalties, possible criminal liability etc.
- Risk of financial and reputational risk as a result of health issues in South Korea, caused by prolonged inhalation of a humidifier sanitiser product acquired in 2001.
- Risk that targets cannot be delivered due to technology failures or a lack of growth-enabling systems and infrastructure capabilities, leading to business disruption.
- Risk that our business continuity plans, including monosourcing (materials and products) are inadequate and we face interruptions to our supply chain and disruptions in our production facilities, which could materially adversely affect our results of operations.
- Risk that we are not fully compliant with UK and local laws including the UK Bribery Act, Competition laws and Data and Privacy Protection laws, resulting in damage to RB's reputation, significant potential fines and possible criminal liability.
- Risk of significant unprovisioned cash outflows as a result of tax authority challenge to filed positions in key territories.
- Risk that RB cannot implement its strategies and meet objectives as a result of key management leaving the business who cannot be readily replaced by equally experienced / qualified candidates.
- Risk of significant reputational impact as a result of systemic product quality issues resulting in undermining of consumer confidence in our brands, particularly in the growing Health Care portfolio.

- Risk that work accidents harm RB employees or other workers on RB premises, or premises under RB supervision in the case of outsourced operations, result in loss of life or other injuries, factory closure, reputational damage and possible criminal liability.
- Risk that RB is subject to increasingly sophisticated cyber-attacks aimed at causing business disruption, capture of data for financial gain, general embarrassment and reputational damage or that RB's data privacy protective measures are considered by regulators to be inadequate.

The acquisition of Mead Johnson Nutrition will have an impact on the Group's principal risks and uncertainties. The Directors will be incorporating this into a more complete risk assessment in the second half of 2017, as the two businesses begin to integrate. That said, based on our preliminary assessment of risk and uncertainty, and as highlighted in the Shareholder Circular dated 5 May 2017, the principal risks and uncertainties expected to be incorporated as a result of the acquisition are:

- Risk of greater exposure to certain developing markets and, in particular, China.
- Heightened risks associated with a new portfolio of products and the associated regulations, including compliance with US FDA requirements as well as similar regulations in other territories, including China, as well as related product quality and liability risks.
- An increased exposure to commodity price risk.
- Increased risks posed by the increase in the Group's borrowings used to fund the acquisition.

The Group's Annual Report and Financial Statements for the year ended 31 December 2016 is available on the Group's website at www.rb.com.

The Group at a Glance – continuing operations (unaudited)

Quarter ended 30 June 2017 £m	Quarter ended 30 June 2016** (restated) £m		Half year ended 30 June 2017 £m	Half year ended 30 June 2016** (restated) £m
2,479	2,171	**Net revenue – total**	**5,017**	4,386
-2%	+4%	Net revenue growth – like-for-like	**-1%**	+5%
+3%	+3%	Net revenue growth – constant	**+2%**	+4%
+14%	+4%	Net revenue growth – total	**+14%**	+5%
		Gross margin	**60.4%**	60.3%
		EBITDA – adjusted*	**1,279**	1,107
		EBITDA margin – adjusted*	**25.5%**	25.2%
		EBIT	**1,063**	708
		EBIT margin	**21.2%**	16.1%
		EBIT – adjusted*	**1,190**	1,027
		EBIT margin – adjusted*	**23.7%**	23.4%
		Profit before tax	**1,016**	697
		Net income	**777**	484
		Net income – adjusted*	**888**	780
		EPS, basic, as reported	**110.8p**	68.6p
		EPS, adjusted and diluted*	**124.9p**	108.8p

* Adjusted to exclude the impact of adjusting items.
** Restated to exclude discontinued operations.

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Disclaimers

Cautionary note concerning forward-looking statements

This document 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.

Half Year Condensed Financial Statements

Group Income Statement
For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 £m	30 June 2016 (restated)[1] £m
Net revenue	**4**	**5,017**	4,386
Cost of sales		**(1,989)**	(1,742)
Gross profit		**3,028**	2,644
Net operating expenses		**(1,965)**	(1,936)
Operating profit	**4**	**1,063**	708
Adjusted operating profit		**1,190**	1,027
Adjusting items	**5**	**(127)**	(319)
Operating profit		**1,063**	708
Finance income		**21**	19
Finance expense	**5**	**(68)**	(30)
Net finance expense		**(47)**	(11)
Profit before income tax		**1,016**	697
Income tax expense	**6**	**(232)**	(211)
Net income for the period from continuing operations		**784**	486
Net (loss) / income from discontinued operations	**5,10**	**(272)**	42
Net income for the period		**512**	528
Attributable to non-controlling interests		**7**	2
Attributable to owners of the parent		**505**	526
Net income for the period		**512**	528
Basic earnings per ordinary share:			
From continuing operations (pence)	**7**	**110.8**	68.6
From discontinued operations (pence)	**7**	**(38.8)**	5.9
From total operations	**7**	**72.0**	74.5
Diluted earnings per ordinary share:			
From continuing operations (pence)	**7**	**109.3**	67.5
From discontinued operations (pence)	**7**	**(38.3)**	5.9
From total operations	**7**	**71.0**	73.4

[1]Restated for the impact of discontinued operations (see note 10)

Group Statement of Comprehensive Income
For the six months ended 30 June 2017

	Six months ended 30 June 2017 £m	30 June 2016 (restated)[1] £m
Net income for the period	**512**	528
Other comprehensive income / (expense)		
Items that may be reclassified to profit or loss in subsequent periods		
Net exchange (losses) / gains on foreign currency translation, net of tax	**(179)**	1,099
Gains / (losses) on net investment hedges, net of tax	**23**	(78)
Gains / (losses) on cash flow hedges, net of tax	**3**	(55)
Revaluation of available for sale financial assets	**4**	-
	(149)	966
Items that will not be reclassified to profit or loss in subsequent periods		
Remeasurements of defined benefit pension plans, net of tax	**4**	(126)
	4	(126)
Other comprehensive (loss) / income for the period, net of tax	**(145)**	840
Total comprehensive income for the period	**367**	1,368
Attributable to non-controlling interests	**6**	2
Attributable to owners of the parent	**361**	1,366
Total comprehensive income for the period	**367**	1,368
Total comprehensive income attributable to owners of the parent arising from:		
Continuing operations	**639**	1,324
Discontinued operations	**(272)**	42
	367	1,366

[1]Restated for the impact of discontinued operations (see note 10)

Group Balance Sheet
As at 30 June 2017

	Note	30 June 2017 £m	31 December 2016 £m
ASSETS			
Non-current assets			
Goodwill and other intangible assets		**30,139**	13,454
Property, plant and equipment		**1,810**	878
Available for sale assets		**42**	39
Deferred tax assets		**38**	81
Retirement benefit surplus		**42**	36
Other non-current receivables		**94**	81
		32,165	14,569
Current assets			
Inventories		**1,322**	770
Trade and other receivables		**1,846**	1,623
Derivative financial instruments		**52**	158
Current tax recoverable		**28**	14
Short term investments		**1**	3
Cash and cash equivalents		**2,462**	882
		5,711	3,450
Assets of disposal group classified as held for sale	10	**146**	-
		5,857	3,450
Total assets		**38,022**	18,019
LIABILITIES			
Current liabilities			
Short-term borrowings		**(1,200)**	(1,585)
Provisions for liabilities and charges	9	**(659)**	(251)
Trade and other payables		**(4,783)**	(3,495)
Derivative financial instruments		**(36)**	(58)
Current tax liabilities		**(29)**	(12)
		(6,707)	(5,401)
Liabilities of disposal group classified as held for sale	10	**(109)**	-
		(6,816)	(5,401)
Non-current liabilities			
Long-term borrowings		**(16,027)**	(804)
Deferred tax liabilities		**(4,993)**	(1,983)
Retirement benefit obligations		**(439)**	(361)
Provisions for liabilities and charges	9	**(112)**	(174)
Non-current tax liabilities		**(1,170)**	(740)
Other non-current liabilities		**(196)**	(130)
		(22,937)	(4,192)
Total liabilities		**(29,753)**	(9,593)
Net assets		**8,269**	8,426
EQUITY			
Capital and reserves			
Share capital	11	**74**	74
Share premium		**243**	243
Merger reserve		**(14,229)**	(14,229)
Hedging reserve		**-**	(4)
Foreign currency translation reserve		**370**	526
Retained earnings		**21,772**	21,811
Attributable to owners of the parent		**8,230**	8,421
Attributable to non-controlling interests		**39**	5
Total equity		**8,269**	8,426

Group Statement of Changes in Equity
For the six months ended 30 June 2017

	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 2017	**74**	**243**	**(14,229)**	**522**	**21,811**	**8,421**	**5**	**8,426**
Net income for the period	**-**	**-**	**-**	**-**	**505**	**505**	**7**	**512**
Other comprehensive income	**-**	**-**	**-**	**(152)**	**8**	**(144)**	**(1)**	**(145)**
Total comprehensive income	**-**	**-**	**-**	**(152)**	**513**	**361**	**6**	**367**
Transactions with owners								
Share-based payments					**36**	**36**		**36**
Deferred tax on share awards					**(3)**	**(3)**		**(3)**
Current tax on share awards					**-**	**-**		**-**
Arising on business combination					**-**	**-**	**31**	**31**
Re-issue of Treasury shares					**81**	**81**		**81**
Dividends					**(666)**	**(666)**	**(3)**	**(669)**
Total transactions with owners					**(552)**	**(552)**	**28**	**(524)**
Balance at 30 June 2017	**74**	**243**	**(14,229)**	**370**	**21,772**	**8,230**	**39**	**8,269**
Balance at 1 January 2016	**74**	**243**	**(14,229)**	**(946)**	**21,762**	**6,904**	**2**	**6,906**
Net income for the period					**526**	**526**	**2**	**528**
Other comprehensive income				**966**	**(126)**	**840**		**840**
Total comprehensive income	**-**	**-**	**-**	**966**	**400**	**1,366**	**2**	**1,368**
Transactions with owners								
Share-based payments					**33**	**33**		**33**
Deferred tax on share awards					**5**	**5**		**5**
Current tax on share awards					**6**	**6**		**6**
Transactions with non-controlling interests					**(52)**	**(52)**		**(52)**
Shares repurchased and held in Treasury					**(500)**	**(500)**		**(500)**
Re-issue of Treasury shares					**61**	**61**		**61**
Dividends					**(625)**	**(625)**		**(625)**
Total transactions with owners	**-**	**-**	**-**	**-**	**(1,072)**	**(1,072)**	**-**	**(1,072)**
Balance at 30 June 2016	**74**	**243**	**(14,229)**	**20**	**21,090**	**7,198**	**4**	**7,202**

Group Cash Flow Statement
For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 (restated) £m
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit from continuing operations		**1,063**	708
Depreciation, amortisation and impairment		**89**	80
Increase in inventories		**(29)**	(4)
Decrease in trade and other receivables		**13**	157
Increase in payables and provisions		**352**	110
Non-cash adjusting items	5	**79**	305
Share-based payments		**36**	33
Cash generated from operations		**1,603**	1,389
Interest paid		**(55)**	(26)
Interest received		**20**	18
Tax paid		**(227)**	(230)
Net cash flows attributable to discontinued operations		**47**	48
Net cash generated from operating activities		**1,388**	1,199
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		**(91)**	(62)
Purchase of intangible assets		**(12)**	(198)
Proceeds from the sale of intangible assets		**9**	-
Proceeds from the sale of property, plant & equipment		**4**	1
Acquisition of businesses, net of cash acquired	15	**(11,848)**	(42)
Disposal / (purchase) of short-term investments		**1**	(106)
Net cash flows attributable to discontinued operations		**(1)**	(1)
Net cash used investing activities		**(11,938)**	(408)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased and held in Treasury	11	**-**	(400)
Treasury shares reissued		**81**	61
Proceeds from borrowings		**19,120**	200
Repayment of borrowings		**(6,390)**	(41)
Dividends paid to owners of the parent	12	**(666)**	(625)
Dividends paid to non-controlling interests		**(3)**	-
Other financing activities		**8**	114
Net cash from financing activities		**12,150**	(691)
Net increase / (decrease) in cash and cash equivalents		**1,600**	100
Cash and cash equivalents at beginning of period		**873**	737
Exchange (losses) / gains		**(35)**	55
Cash and cash equivalents at end of the period		**2,438**	892
Cash and cash equivalents comprise:			
Cash and cash equivalents		**2,462**	894
Overdrafts		**(24)**	(2)
		2,438	892

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

The Half Year Condensed Financial Statements were approved by the Board of Directors on 24 July 2017. The Half Year Condensed Financial Statements have been reviewed, not audited.

2. Basis of Preparation
The Half Year Condensed Financial Statements for the six months ended 30 June 2017 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 *Interim Financial Reporting* as endorsed by the European Union. The Half Year Condensed Financial Statements should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2016, which have been prepared in accordance with European Union endorsed International Financial Reporting Standards (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements for the year ended 31 December 2016 are also in compliance with IFRS as issued by the International Accounting Standards Board (IASB).

These Half Year Condensed Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016 were approved by the Board of Directors on 22 March 2017 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

3. Accounting Policies and Estimates

With the exception of the revision for adjusting items described in Note 5, the accounting policies adopted in the preparation of the Half Year 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.

There are no new standards, amendments or interpretations which have been adopted for the first time which have a significant impact on the accounting policies applied in preparing the Half Year Condensed Financial Statements.

Management continues to assess the impact of *IFRS 15 Revenue from contracts with customers*, which will be effective for annual periods beginning on or after 1 January 2018, the revised issuance of *IFRS 9 Financial Instruments*, which will be effective for annual periods beginning on or after 1 January 2018 and *IFRS 16 Leases* which will be effective for annual periods beginning or after 1 January 2019. A number of other new standards, amendments and interpretations are effective for annual periods beginning on or after 1 January 2018 and have not been applied in preparing these financial statements.

In preparing these Half Year Condensed Financial Statements, the significant estimates and judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group financial statements for the year ended 31 December 2016. However, the acquisition of Mead Johnson Nutrition 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.

Income tax expense for the six months is accrued using the expected tax rate that would be applicable to the total annual profit, before the impact of adjusting items, for the year ending 31 December 2017. Refer to Note 6 for further details.

4. Operating Segments

The Executive Committee is the Group's Chief Operating Decision-Maker (CODM). The Group's operating segments are reported based on the segment information reviewed by the Executive Committee for the purposes of making strategic decisions and assessing performance. As a result of the acquisition of Mead Johnson Nutrition, 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 Food is no longer presented and the comparatives have been restated. The ENA and DvM operating segments remain unchanged.

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

ENA and DvM derive their revenue primarily from the sale of branded products in the Health, Hygiene and Home categories. IFCN revenue is allocated to 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 periods ending 30 June 2017 and 30 June 2016 is as follows:

Six months ended 30 June 2017	**ENA**	**DvM**	**IFCN**	**Total**
	£m	**£m**	**£m**	**£m**
Net revenue	**3,189**	**1,702**	**126**	**5,017**
Depreciation, amortisation and impairment	**53**	**32**	**4**	**89**
Adjusted operating profit	**827**	**344**	**19**	**1,190**
Adjusting items				**(127)**
Operating profit				**1,063**
Net finance expense				**(47)**
Profit before income tax				**1,016**

Six months ended 30 June 2016 (restated)	ENA	DvM	IFCN	Total
	£m	£m	£m	£m
Net revenue	2,929	1,457	-	4,386
Depreciation, amortisation and impairment	54	26	-	80
Adjusted operating profit	747	291	-	1,038
Reallocation of central costs	(7)	(4)	-	(11)
Adjusted operating profit restated[1]	740	287	-	1,027
Adjusting items				(319)
Operating profit				708
Net finance expense				(11)
Profit before income tax				697

[1]Restated to exclude discontinued operations.

4. Operating Segments (continued)

Analysis of Categories
The Group also analyses its revenue by the following categories.

	Six months ended	
	30 June 2017 £m	30 June 2016 £m
Health	**1,797**	1,501
Hygiene	**2,196**	1,934
Home	**912**	834
Portfolio Brands[1]	**112**	117
Total	**5,017**	4,386

[1]Restated to exclude discontinued operations.

5. Adjusting items

The Group uses certain adjusted earnings measures, including adjusted operating profit to provide additional clarity about the underlying performance of the business. As a consequence of the acquisition of Mead Johnson Nutrition, the Group has refined its accounting policy to make reference to adjusting items in presenting the Group's principal adjusted earnings measures. Adjusting items comprise exceptional items, which have historically been excluded from the Group's adjusted earnings measures, and the amortisation of acquired finite-life intangible assets.

Exceptional items, which remain as previously defined, are material, non-recurring items of expense or income incurred during a period. Examples of exceptional items include the following:

- Restructuring and other expenses relating to the integration of an acquired business and related expenses for reconfiguration of the Group's activities;
- Impairments of current and non-current assets;
- Gains/losses on disposals of businesses;
- Acquisition-related costs, including advisor fees and certain financing fees incurred for significant transactions and adjustments to the fair values of assets and liabilities that result in non-recurring charges to the income statement; and
- Costs arising because of material and non-recurring regulatory and litigation matters.

Other Adjusting items comprise the amortisation of certain acquired finite-life intangible assets.

5. Adjusting items (continued)

The table below provides a reconciliation of the Group's reported statutory earnings measures to its adjusted measures for the six months ended 30 June 2017:

Six months ended 30 June 2017	Reported	Adjusting: Exceptional items		Adjusting: Other items		Adjusted
	£m	£m		£m		£m
Operating profit	**1,063**	**123**	1	**4**	4	**1,190**
Net finance expense	(47)	23	2	-		(24)
Profit before income tax	**1,016**	**146**		**4**		**1,166**
Income tax expense	(232)	(39)	3	-		(271)
Net income for the period from continuing operations	**784**	**107**		**4**		**895**
Attributable to non-controlling interests	(7)	-		-		(7)
Net income for the period attributable to owners of the parent (continuing)	**777**	**107**		**4**		**888**
Net income for the period from discontinued operations	(272)	318	5	-		46
Total net income for the period attributable to owners of the parent	**505**	**425**		**4**		**934**

[1] Exceptional items within operating profit of £123 million include £108 million relating to the acquisition of Mead Johnson Nutrition, which comprise the following:

- transaction fees of £70 million
- severance costs incurred to date of £20 million
- integration costs incurred to date of £4 million
- unwinding of fair value adjustments made to inventories recorded on the provisional purchase price allocation of £14 million

The remaining exceptional costs within operating profit of £15 million relate to costs incurred in respect of previously announced restructuring projects, including Project Supercharge.

[2] Exceptional costs included within net finance expense of £23 million comprise certain accelerated finance fees recorded as a direct result of the acquisition of Mead Johnson Nutrition, when short-term bridge facilities were replaced with the issuance of $7,750 million of fixed and floating rate loan notes, during June 2017.

[3] Included within income tax expense is £39 million, representing the tax credit for the exceptional costs enumerated above.

[4] Adjusting items of £4 million relate to the amortisation of certain intangible assets recognised as a result of the acquisition of Mead Johnson Nutrition, charged over the two-week period since the acquisition and up to 30 June 2017.

[5] Adjusting items included in discontinued operations comprise the exceptional charge recorded in the six months ended 30 June 2017 of £318 million (six months ended 30 June 2016: £nil), in respect of the provision for the ongoing investigations by the US Department of Justice (DOJ) and the US Federal Trade Commission, and related litigation proceedings, arising from certain matters relating to the RB Pharmaceuticals business prior to its demerger in December 2014. See Note 9.

5. Adjusting items (continued)

The table below provides a reconciliation of the Group's reported statutory earnings measures to its adjusted measures for the six months ended 30 June 2016:

Six months ended 30 June 2016	Reported £m	Adjusting: Exceptional items £m		Adjusting: Other items £m	Adjusted £m
Operating profit	708	319	6	-	1,027
Net finance expense	(11)	-		-	(11)
Profit before income tax	697	319		-	1,016
Income tax expense	(211)	(23)	7	-	(234)
Net income for the period from continuing operations	486	296		-	782
Attributable to non-controlling interests	(2)	-		-	(2)
Net income for the period attributable to owners of the parent (continuing)	484	296		-	780
Net income for the period from discontinued operations	42	-		-	42
Total net income for the period attributable to owners of the parent	526	296		-	822

[6] Exceptional items in the six months ended 30 June 2016 substantially comprise costs related to the HS issue in Korea.

[7] Included within income tax expense is £23 million, representing the tax credit for the exceptional costs.

6. Income Taxes (continuing operations)

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate applying to profits before the impact of exceptional items expected for the full financial year. The estimated average annual tax rate for continuing operations before exceptional items for the year to 31 December 2017 is 23% and therefore the estimated tax rate before exceptional items for the six months ended 30 June 2017 was 23%. The income tax credit arising on exceptional items for the six months ended 30 June 2017 is £39 million, giving an effective tax rate for the period ended 30 June 2017 of 23%.

7. Earnings per Share

		Six months ended
	30 June 2017 pence	30 June 2016 (restated)[1] pence
Basic earnings per share		
From continuing operations	**110.8**	68.6
From discontinued operations	**(38.8)**	5.9
Total basic earnings per share	**72.0**	74.5
Diluted earnings per share		
From continuing operations	**109.3**	67.5
From discontinued operations	**(38.3)**	5.9
Total diluted earnings per share	**71.0**	73.4

7. Earnings per Share (continued)

	30 June 2017 pence	Six months ended 30 June 2016 (restated)[1] pence
Adjusted basic earnings per share		
From continuing operations	**126.6**	110.5
From discontinued operations	**6.6**	5.9
Total adjusted basic earnings per share	**133.2**	116.4
Adjusted diluted earnings per share		
From continuing operations	**124.9**	108.8
From discontinued operations	**6.5**	5.9
Total adjusted diluted earnings per share	**131.4**	114.7

[1]Restated for impact of discontinued operations (see note 10)

Basic
Basic earnings per share is calculated by dividing the net income attributable to owners of the parent from continuing operations (six months to 30 June 2017: £777 million; six months to 30 June 2016: £484 million) and discontinued operations (six months to 30 June 2017: net loss of £272 million; six months to 30 June 2016: net income of £42 million) by the weighted average number of ordinary shares in issue during the period (six months to 30 June 2017: 701,174,683; six months to 30 June 2016: 705,932,934).

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 30 June 2017 there were nil (30 June 2016: nil) Executive Share Awards, excluded from the dilution.

Adjusted earnings
The Directors believe that diluted earnings per ordinary share, which excludes the impact of adjusting items, provides additional useful information on underlying trends to Shareholders in respect of earnings per ordinary share.

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

Continuing operations		30 June 2017 £m	Six months ended 30 June 2016 (restated)[1] £m
Net income attributable to owners of the parent		**777**	484
Adjusting items included within operating profit	5	**127**	319
Adjusting items included within net finance costs	5	**23**	-
Tax effect of adjusting items	5	**(39)**	(23)
Adjusted net income attributable to owners of the parent from continuing operations		**888**	780

[1]Restated for impact of discontinued operations (see note 10)

Adjusting items included within net finance costs of £23 million comprise certain accelerated finance fees recorded as a direct result of the acquisition of Mead Johnson Nutrition when short-term bridge facilities were replaced with the issuance of $7,750 million of fixed and floating rate loan notes during June 2017.

7. Earnings per Share (continued)

Discontinued operations		Six months ended 30 June 2017 £m	30 June 2016 £m
Net (loss) / income attributable to owners of the parent		**(272)**	42
Adjusting items	5	**318**	-
Tax effect of adjusting items		**-**	-
Adjusted net income attributable to owners of the parent from discontinued operations		**46**	42

Average number of shares

	30 June 2017 Average number of shares	30 June 2016 Average number of shares
On a basic basis	**701,174,683**	705,932,934
Dilution of Executive Share Awards	**8,967,931**	9,958,562
Dilution for Employee Sharesave Scheme Options outstanding	**705,402**	706,585
On a diluted basis	**710,848,016**	716,598,081

8. Net Debt

Analysis of net debt	30 June 2017 £m	31 December 2016 £m
Cash and cash equivalents	**2,462**	882
Overdrafts	**(24)**	(9)
Borrowings (excluding overdrafts)	**(17,203)**	(2,380)
Short term investments	**1**	3
Debt related derivative financial instruments	**13**	113
	(14,751)	(1,391)

Short term investments constitute financial instruments that are not readily convertible into cash.

Reconciliation of net debt	30 June 2017 £m	31 December 2016 £m
Net debt at beginning of period	**(1,391)**	(1,620)
Net increase in cash and cash equivalents	**1,600**	73
Proceeds from borrowings	**(19,120)**	(469)
Repayment of borrowings	**6,390**	695
Arising on business combination	**(2,525)**	-
Transferred to disposal group classified as held for sale	**-**	-
(Disposal) / purchase of short term investments	**(2)**	3
Exchange and other movements	**297**	(73)
Net debt at the end of the period	**(14,751)**	(1,391)

9. Provisions for Liabilities and Charges

Six months ended 30 June 2017	Legal provisions £m	Restructuring provisions £m	Other provisions £m	Total provisions £m
At 1 January 2017	329	22	74	425
Charged to the income statement	374	4	16	394
Arising on business combination	-	56	-	56
Utilised during the year	(53)	(19)	-	(72)
Released to the income statement	(26)	-	-	(26)
Transferred to disposal group classified as held for sale	(2)	-	-	(2)
Exchange adjustments	(2)	(1)	(1)	(4)
At 30 June 2017	**620**	**62**	**89**	**771**

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

	30 June 2017 £m	31 December 2016 £m
Current	**659**	251
Non-current	**112**	174
	771	425

We noted in our 2016 Annual Report that the Group was involved in ongoing investigations by the US Department of Justice (DOJ) and the US Federal Trade Commission and related litigation proceedings 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. The matters covered include alleged marketing and promotion practices by RBP, paediatric safety claims allegedly made by RBP and the Group, and alleged overprescribing of medication by certain physicians, as well as alleged violations by RBP (and Reckitt Benckiser Healthcare (UK) Limited) of antitrust laws in attempting to delay generic entry of alternatives to the tablet form of its Suboxone treatment for opioid addiction.

These investigations and related proceedings are continuing and we are in active discussions with the DOJ. As a consequence of these discussions we have recorded a charge of £318 million in our second quarter results. It has been recorded within our discontinued operations, as RBP was demerged in December 2014.

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 the related proceedings. The final cost for the Group may be materially higher than the amount provided.

Legal provisions of £620 million (31 December 2016: £329 million) include £557 million (31 December 2016: £277 million) of exceptional legal provisions. As well as the matter referred to above, legal provisions relate to certain historical regulatory matters in a number of markets, including a provision with respect to the HS issue in South Korea.

The provision for certain costs arising as a result of the HS issue was originally made at 30 June 2016, 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. At 30 June 2017, the provision model has been updated to reflect the most recent settlement experience and other developments.

At 30 June 2017, all Round 1 and 2 and 452 of 752 (60%) of Round 3 claimants have now been categorised. The proportion classified as Category I or II has steadily declined from 48% in Round 1, 30% in Round 2 and is currently 13% in the Round 3 population assessed to date.

Of the 183 Category I and II claimants in Rounds 1 and 2, 180 registered by the closing date, of which 161 have been assessed in accordance with the compensation plan and 153 have accepted their settlement offer.

The restructuring provision principally relates to business integration costs, the majority of which are expected to be utilised within one year.

9. Provisions for Liabilities and Charges (continued)

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

10. Assets Held for Sale and Discontinued Operations

The assets and liabilities of RB Food have been presented as held for sale at 30 June 2017 having met the IFRS 5 criteria. On 19 July, the Group announced that it had agreed to sell the Food business to McCormick & Company Inc., with completion of the transaction expected during Q3 2017. RB Food is a major line of business and therefore meets the definition of a discontinued operation.

In addition, and as described in Note 5 the Group has recorded an exceptional charge of £318 million in respect of its legacy RB Pharmaceuticals business ("RBP"), which was demerged to form Indivior in 2014. This charge is included within the results of discontinued operations set out in (c) below.

(a) Assets of disposal group classified as held for sale

	30 June 2017 £m	31 December 2016 £m
Other intangible assets	39	-
Property, plant and equipment	21	-
Deferred tax assets	6	-
Trade receivables	50	-
Inventories	30	-
Total	**146**	-

(b) Liabilities of disposal group classified as held for sale

	30 June 2017 £m	31 December 2016 £m
Trade and other payables	(85)	-
Current tax liabilities	(4)	-
Deferred tax liabilities	(18)	-
Provisions	(2)	-
Total	**(109)**	-

(c) Analysis of the results of discontinued operations is as follows:

	30 June 2017 RB Food £m	**30 June 2017 RBP £m**	**30 June 2017 Total £m**	30 June 2016 Total £m
Revenue	208	-	208	183
Expenses	(145)	(318)	(463)	(129)
Profit / (loss) before tax	**63**	**(318)**	**(255)**	**54**
Tax	(17)	-	(17)	(12)
Profit / (loss) for the year	**46**	**(318)**	**(272)**	42

Total discontinued operations in the six months ended 30 June 2016 comprises RB Food.

10. Assets Held for Sale and Discontinued Operations (continued)

(d) Cash flows

	30 June 2017 £m	30 June 2016 £m
Cash flows from operating activities	47	48
Cash flows from investing activities	(1)	(1)
Cash flows from financing activities	-	-
Total cash flows – discontinued operations	**46**	47

Cash flows from discontinued operations all relate to RB Food.

11. Share Capital

	Equity ordinary shares	Nominal value £m
Issued and fully paid		
At 1 January 2017	736,535,179	74
Allotments	-	-
At 30 June 2017	**736,535,179**	**74**

At 30 June 2017, of the issued share capital, 33,073,907 shares were held as Treasury shares (31 December 2016: 36,458,967). All shares were fully paid.

12. Dividends

A final dividend of 95.0 pence per share for the year ended 31 December 2016 was paid on 25 May 2017 to Shareholders who were on the register on 18 April 2017, this amounted to £666 million.

The Directors are proposing an interim dividend in respect of the year ending 31 December 2017 of 66.6 pence per share which will absorb an estimated £468 million of shareholders' funds. It will be paid on 28 September 2017 to shareholders who are on the register on 18 August 2017.

13. Contingent Liabilities and Assets

As disclosed in Note 9, the Group has recorded an exceptional charge of £318 million with respect to ongoing investigations by the US DOJ and the US Federal Trade Commission. The matters being investigated are also subject to a class action by certain state attorneys general in the US.

The Group remains committed to ensuring that these issues are concluded or resolved satisfactorily but we cannot predict with any certainty whether we will be able to reach any agreement with parties who are involved in the various proceedings. The final cost to the Group may be materially higher than the provision of £318 million recorded at 30 June 2017.

From time to time, the Group is involved in discussions in relation to ongoing tax matters in a number of jurisdictions around the world. Where appropriate, the Directors make provisions based on their assessment of each case.

In addition, the Group is involved in certain 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.

13. Contingent Liabilities and Assets (continued)

HS South Korea

In addition to the matters described in Note 9, there are a number of further expected costs and income relating to the HS issue that either cannot be reliably estimated or which are not considered probable at the current time. These are as follows:

1. Round 4 applicants: The South Korean government opened Round 4 to new applicants on 22 April 2016 for an indefinite period. It has received 4,380 applications to participate in Round 4. Given no categorisation has been published for Round 4, we are currently unable to determine how many applicants may be eligible for compensation through the Compensation Plan.

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

3. Given the high profile and complex nature of this issue, rules and regulations to be determined under the Act and other legal or governmental proposals or developments in South Korea may give rise to further financial liability for RB.

14. Financial Instruments

Except for the Group's bonds, the fair values of other financial assets and liabilities approximate their carrying values.

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

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

There were no changes in valuation techniques or transfers between hierarchy categories during the period.

The fair value of bonds at 30 June 2017 is a liability of £9,181 million (31 December 2016: £821 million). This value is derived using a quoted market rate in an active market (level 1 classification). The book value of bonds at 30 June 2017 is a non-current liability of £9,189 million (31 December 2016: £804 million).

The fair value and book value of derivatives used for hedging at 30 June 2017 is a liability of £32 million (31 December 2016: £47 million) and an asset of £25 million (31 December 2016: £36 million). The fair value (and book value) of derivatives classified as fair value through profit or loss at 30 June 2017 is a liability of £8 million (31 December 2016: £11 million) and an asset of £31 million (31 December 2016: £125 million). This value is determined using forward exchange rates derived from market sourced data at the balance sheet date, with the resulting value discounted back to present value (level 2 classification).

The carrying value of assets and liabilities classified as held for sale are disclosed in Note 10.

The Group's financial risk management objectives and policies are consistent with those disclosed in the Annual Report and Financial Statements for the year ended 31 December 2016.

15. Acquisition of Mead Johnson Nutrition

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)

Mead Johnson Nutrition is a leader in global infant and children's nutrition. The acquisition of Mead Johnson Nutrition 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 £8.1 billion arises on the acquisition, of which £3.2 billion 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 provisional 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	922
Inventories	556
Trade and other receivables	340
Cash and cash equivalents	1,196
Borrowings	(2,525)
Retirement benefit obligations	(77)
Deferred tax liabilities	(3,209)
Trade and other payables	(962)
Provisions	(56)
Tax liabilities	(396)
Total identifiable net assets	**4,958**
Non-controlling interest	(31)
Goodwill	8,117
Total	**13,044**
Cash consideration	13,044
Total consideration transferred	**13,044**

Acquisition-related costs of £70 million have been included in net operating expenses and disclosed as exceptional items in the consolidated income statement.

Provisional intangible assets of £9,169 million, substantially comprise the Enfa (£6,328 million) and Nutramigen (£1,718 million) brands. The fair values of identifiable net assets are stated at provisional amounts which will be finalised within the twelve-month measurement period following the acquisition. The amounts recorded are provisional because of the proximity of the acquisition to the balance sheet date.

From the date of acquisition to 30 June 2017 the acquisition contributed £126 million to net revenue and £19 million to adjusted operating profit. Had the acquisition taken place at 1 January 2017, using the pro-forma financial information (p10), the enlarged Group consolidated net revenue would have been £6,319 million and adjusted operating profit would have been £1,455 million.

16. Related Party Transactions

RB & Manon Business Co. Ltd (Manon)

A dividend of £3m (HY 2016: nil) was paid to the non-controlling shareholders of RB & Manon Business Co. Ltd.

The parties are subject to symmetrical put and call options over the non-controlling shareholdings, exercisable after a period of six years, with possible extensions available at the agreement of the parties. The present value of the put option at 30 June 2017 was a liability of £94m.

Indivior PLC

Subsequent to the demerger of RB Pharmaceuticals on 23 December 2014, the Group continues to lease part of a building and provide operational services to Indivior PLC. The transitional services between the Group and Indivior PLC are on an arm's length basis. The amount included in other operating income in respect of these services is £2m (2016: £2m). Adrian Hennah, the Reckitt Benckiser Group plc CFO, also sat on the Board of Directors of Indivior PLC until his resignation in May 2016. Rupert Bondy, the Group's General Counsel also sat on the Board of Directors of Indivior PLC, prior to his resignation in September 2016 and commencing employment with RB Group plc in January 2017.

Other

The Group has related party relationships with its directors and key management personnel and pension schemes. There are no further related party transactions.

17. Seasonality

Demand for the majority of the Group's products is not subject to significant seasonal fluctuations. Some health and pest control products do exhibit seasonal fluctuations. The intensity of, in particular, the influenza season can vary from year to year with a corresponding influence on the Group's performance.

18. Post Balance Sheet Events

On 19 July 2017, the Group announced that it had agreed to sell its Food business, including the French's, Frank's RedHot and Cattlemen's brands, to McCormick & Company Inc., for cash consideration of approximately $4.2 billion (£3.2 billion). Tiger's Milk, a nutritional bar brand, will also be sold as part of the transaction.

This announcement follows a comprehensive strategic review of our Food business and the completion of a highly competitive sale process. Completion is expected in Q3 2017.

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge, these Half Year Condensed Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union and as issued by the International Accounting Standards Board, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the Half Year Condensed Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last annual report.

The Directors of Reckitt Benckiser Group plc are listed in the Reckitt Benckiser Group plc Annual Report and Financial Statements for 31 December 2016. A list of current Directors is maintained on the Reckitt Benckiser Group plc website: www.rb.com.

By order of the Board

Rakesh Kapoor
Chief Executive Officer

Adrian Bellamy
Chairman

23 July 2017

Independent review report to Reckitt Benckiser Group plc

Report on the half year condensed financial statements

Our conclusion

We have reviewed Reckitt Benckiser Group plc's half year condensed financial statements (the "interim financial statements") in the half-yearly financial report of Reckitt Benckiser Group plc for the six month period ended 30 June 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Group Balance Sheet as at 30 June 2017;
- the Group Income Statement and the Group Statement of Comprehensive Income for the period then ended;
- the Group Cash Flow Statement for the period then ended;
- the Group Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and as issued by the International Accounting Standards Board and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as issued by the International Accounting Standards Board.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
23 July 2017

a) The maintenance and integrity of the Reckitt Benckiser Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.