17 February 2022

STRONG 2021 REVENUE, AHEAD OF EXPECTATIONS.
STRENGTHENED PORTFOLIO. TRANSFORMATION FIRMLY ON TRACK

	Q4 2021			FY 2021		
		Change			Change	
	£m	Actual FX	Constant FX	£m	Actual FX	Constant FX
Net Revenue	3,361	-5.8%	-2.4%	**13,234**	**-5.4%**	**-0.3%**
Like-for-like (LFL)			*+3.3%*			***+3.5%***
Adjusted[1]						
Ex IFCN China						
Net Revenue				**12,851**	**-2.1%**	**+3.3%**
Operating Profit				**2,944**	**-8.5%**	**-2.6%**
Operating Margin				**22.9%**	**-160bps**	
Inc IFCN China						
Operating Profit				**2,877**	**-12.8%**	**-7.1%**
Operating Margin				**21.7%**	**-190bps**	
Total EPS (diluted)				**288.5p**	**-11.8%**	
IFRS						
Operating Loss				**-804**	***Nm***	
Operating Margin				**-6.1%**	***Nm***	
Total EPS (diluted)				**-4.5p**	***Nm***	

[1] Adjusted measures are defined on page 30.
All amounts shown in £m and including IFCN China, with the exception of LFL net revenue and unless otherwise stated. LFL net revenue excludes IFCN China, EnfaBebé, Scholl and Biofreeze for the entirety of the current and prior periods.

Highlights

- **Full year LFL net revenue growth of +3.5% (+17.4% on a two-year stacked basis[1]) ahead of expectations** led by a strong performance in Hygiene and a recovery in Health as we exited the year.
- **Q4 LFL net revenue growth of +3.3%** with Health (+17.5%) offsetting Hygiene (-6.1%) lapping tough prior year comparators.
- **Strong momentum:** Brands less sensitive to COVID dynamics, representing c.70% of the portfolio grew, on average, by mid-single-digits in each quarter of 2021.
- **Strong progress in repositioning our business towards higher growth.** Key highlights include the divestments of IFCN China and Scholl, the proposed disposal of E45, and the acquisition of Biofreeze. Approximately 9% of the portfolio repositioned.
- **Adjusted operating margin (ex IFCN China) of 22.9%** in line with guidance. Adjusted operating loss related to IFCN China of £67m, reflecting difficult trading throughout the year and c.£40m of exit costs incurred immediately prior to the disposal of the business.

- **IFRS operating loss of £804m** (2020: £2,160m profit) reflects the loss in relation to the strategic review and disposal of IFCN China.
- **Proposed full year dividend of 174.6p** (2020: 174.6p) reflecting Board recommendation of a final dividend of 101.6p.

Outlook

- For 2022 we are targeting **LFL net revenue growth of between 1-4%.**
- We are targeting **growth in adjusted operating margins in 2022**, from our base of 22.9%, underpinned by multiple levers, despite significant commodity inflationary pressures.
- **Transformation firmly on track.** We expect to exit 2022 with mid-single-digit LFL net revenue growth and progress towards medium-term adjusted operating margin target in the mid-20s by the mid-20s.

Commenting on the results, Laxman Narasimhan, Chief Executive Officer, said:

"Our journey to rejuvenate sustainable growth is well on track as evidenced by strong LFL growth of 3.5% in 2021, building on the outstanding growth in 2020, for a two-year stack of 17.4%.

Over the last two years, we've significantly strengthened our business. Our innovation pipeline is 50% larger, our brands are stronger and more relevant, and our ability to serve our customers and consumers is greatly improved. We've taken Reckitt's strong performance-driven culture, with its unique sense of ownership, and are evolving it for the better. We've also been active in managing our portfolio, repositioning for faster growth.

The business is showing positive momentum with 62% of our core CMUs holding or gaining share, underpinned by the investments we have already made. We are therefore targeting both growth in LFL net revenue and an increase in adjusted operating margin in 2022, despite an unprecedented inflationary environment and ongoing uncertainties created by COVID.

We have a unique portfolio of trusted, market-leading brands in structurally attractive categories with significant headroom for growth. This, combined with our progress to date, gives me the confidence in both our near term and medium-term prospects."

FY 2021 Results Presentation Today

There will be a results presentation for analysts and investors at **09.30 GMT** which will be held at The Auditorium, UBS, 5 Broadgate, London, EC2M 2QS.

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

For those wishing to follow the webcast please click on the link below: https://www.reckitt.com/investors/results-and-presentations/. For those who wish to participate in the Q&A, dial in details are as follows:

United Kingdom	0800 640 6441
United Kingdom (Local)	020 3936 2999
All other locations	+44 20 3936 2999
Participant access code	819626

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Cautionary note concerning forward-looking statements

This announcement contains statements with respect to the financial condition, results of operations and business of Reckitt (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, Reckitt 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.

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GROUP OVERVIEW

Strategy and operating model update – on track to achieve medium term targets

- In February 2020 we set out our strategy to rejuvenate sustainable growth.
- **We play an important role in addressing four of the world's largest problems**. How can hygiene be the foundation for health? How do we support intimate wellness and eradicate the menace of sexually transmitted diseases? How do we enable consumers to self-care at a time when health systems are under significant pressure? How do we provide engineered nutrition for infants and for the increasing number of seniors in society?
- **Our purpose is therefore to protect, heal and nurture** in the relentless pursuit of a cleaner, healthier world.
- The **financial drivers which underpin our strategy are compelling**. We operate in categories with significant headroom for long-term structural growth and a large total addressable market. Our medium-term growth aspirations in the categories and geographies in which we operate are:

Hygiene	Health	Nutrition
- Surface and disinfection c.4-6% - Auto-dish c.3-5% - Air c.3-5% - Laundry additives c.2-4% - Sanitisation and bathroom c.3-6% - Pest c.2-4%	- Germ protection c.4-6% - OTC c.2-4% - Intimate wellness c.7-9% - Personal care c.2-3%	- Core Enfa c.0-2% - Specialty Infant c.7-10% - Adult +100bps contribution - VMS c.4-6%
Medium term net revenue growth +4-5%pa	**Medium term net revenue growth +4-6%pa**	**Medium term net revenue growth +3-5%pa**

- **We have strong, market-leading brands** across the categories in which we operate.
- **We have a focussed growth model** centred around the four key pillars of penetration (capturing new consumers and households), market share gains (through superior solutions), and expanding into new places (new geographies and channels) and new spaces (capturing new adjacencies).
- Our business is stronger:
  - **Our execution has improved** and has been recognised by both customers and suppliers. Based on the most recent Advantage survey of retailers, the percentage of our markets rated 'top tier' by our customers improved by 20 percentage points, to 46%.
  - **Our regulatory capability has improved** in both the quality and the speed with which we operate. Our innovation pipeline is 50% larger than the previous year and our investment in digital has driven continued high growth in our eCommerce platforms.
  - **Our productivity capabilities are now firmly embedded** within the business, and our teams are increasingly approaching productivity as a business-as-usual activity. Productivity increasingly goes hand in hand with our efforts in sustainability.
  - **We are making progress on our sustainability objectives** through the year and are pleased that this has been recognised externally, with our MSCI ESG rating improving to AA, and Sustainalytics currently at 22.9, ranking us in the top 15% of our peers.
- **We are actively managing our portfolio towards higher growth**. We disposed of our IFCN China business and Scholl during 2021 and announced the sale of E45, expected to complete in the second quarter of 2022, and acquired Biofreeze – a US based, double digit net revenue growth, topical analgesic business. Importantly this also provides us with a strategically important entry into the world's largest pain management market.
- **We are on track** to deliver sustainable mid-single-digit LFL net revenue growth as we exit 2022, and to generate adjusted operating margins in the mid-20s by the mid-2020s.

Our Culture

- Our **culture builds on a strong base**, by keeping what made us successful in the past, and enhancing it for future success.
- We are a **company of owners** - led by a senior management team with significant share ownership requirements. In addition, c.50% of our employees own shares in the company.
- **We create** – enhanced by investment in science platforms, building a bigger innovation pipeline.
- **We deliver** – and focus on both financial and non-financial metrics to deliver value to all of our stakeholders.
- And **we have added "care"** – for our consumers, customers, communities and the environment.

FY 2021 review

Group net revenue

- Group net revenue of £13,234m grew by 3.5% on a LFL basis in 2021, reflecting volume growth of 0.6% and price / mix improvements of 2.9%. Performance was driven by strong growth in Hygiene, particularly in North America. Lysol saw good growth off the back of an outstanding 2020, as core consumption remained strong, and we gained further penetration in the laundry sanitiser segment.
- Total net revenue at actual exchange rates was down 5.4%, reflecting net M&A impact of -3.8% and foreign exchange headwinds of 5.1%.
- The two-year stacked LFL net revenue growth for 2021 vs 2019 (the summation of the year-on-year growth rates for 2021 and 2020) for the group was 17.4%. This was driven by two-year stacked LFL net revenue growth of 27% in Hygiene, and 12% and 6% in Health and Nutrition, respectively.
- Our in-market competitiveness remains strong. 62% of our Core Category Market Units (CMUs), excluding IFCN China, held or gained share. In Hygiene it was 57% and in Health and Nutrition it was 61% and 72%, respectively (weighted by net revenue).
- During the year, COVID continued to impact net revenue. Around 70% of our portfolio, representing brands less sensitive to COVID dynamics, grew mid-single-digits. The remaining 30% of our portfolio which includes Lysol, Dettol and our cold and flu brands (Mucinex, Strepsils and Lemsip) have been more volatile reflecting fluctuations in COVID related demand.
- eCommerce net revenue, excluding IFCN China, grew by 17% in 2021 and now accounts for 12% of group net revenue. The two-year stacked growth is over 85%.
- Our Global Business Solutions ('GBS') has further developed its channel and geographic footprint through partnerships with operators such as Diversey. We have taken market share within the sectors in which we participate, although overall performance in 2021 was impacted by a slower return to travel and workplaces than originally anticipated.
- In Q4 we grew 3.3% on an LFL basis. Our Health business saw strong growth of 17.5% led by growth of over 40% in our OTC portfolio, with a strong start to the 'flu season, a continued strong performance from our Intimate Wellness portfolio and stabilisation in Dettol.

Group operating margins and profit

- Adjusted gross margin (excluding IFCN China) was 58.5%, (2020: 60.5%) a reduction of 200bps. The reduction in gross margin was principally driven by c.11% cost inflation, partially mitigated by productivity initiatives (+250bps) and pricing and mix (+80bps).
- Adjusted operating profit (excluding IFCN China) was £2,944m (2020: £3,216m) at an adjusted operating margin of 22.9% (2020: 24.5%) in line with our guidance of 22.7-23.2%. The reduction of -160bps was principally driven by gross margin (-200bps) partially offset by productivity efficiencies in BEI spend (60bps).
- Adjusted operating margin (including IFCN China) was 21.7% (2020: 23.6%). As previously communicated, IFCN China experienced challenging trading throughout the nine months of ownership in 2021, as well as c.£40m of exit costs incurred just prior to the transfer of the business which diluted adjusted operating margin in 2021.

- The IFRS operating loss was £804m (2020: £2,160m profit). The IFRS operating loss in 2021 included a pre-tax loss of £3,353m in relation to the strategic review and disposal of IFCN China and pre-tax losses of £234m from the sale of Scholl and EnfaBebé brand in Argentina.

EPS and dividends

- Total adjusted diluted EPS was 288.5p in 2021 (IFRS: -4.5p loss per share), 11.8% lower than 2020 due to the lower adjusted operating profit and the adverse impact of foreign exchange.
- The 2021 proposed dividend of 174.6p remains in line with 2020 consistent with our approach of sustaining 2019 levels to rebuild dividend cover to two times. Thereafter, we will grow the dividend progressively in line with adjusted net income.

Free cash flow and net debt

- Free cash flow was £1,258m in 2021 (2020: £3,052m). As expected, this was lower than the prior year due to the partial unwind of significant working capital favourability experienced in 2020. Capital investment to support our growth and margin ambitions was £441m, 3.3% of Group net revenue.
- Net debt ended the year 2.6x Adjusted EBITDA (2020: 2.4x Adjusted EBITDA).

ESG

- Good progress on the delivery of our 2030 Sustainability Ambitions, with continued strong third party ratings:
    - **Healthier Planet**: we have now achieved our 2030 target of reducing carbon by 65% in 2021 versus 2015 levels, driven primarily by the purchase of 100% renewable electricity for all our manufacturing sites. Reflecting our commitment to climate-related and nature-related financial disclosure, during the year we established partnerships with the Cambridge Centre for Risk and Nature-based Insetting at the Universities of Cambridge and Oxford. We also had significant presence at the COP26 summit in Glasgow, as official Hygiene Partner, addressing the connection between climate change and health.
    - **Sustainable Products**: 29.3% of net revenue, excluding Nutrition, from more sustainable products (see definition on page 32) with the slight reduction versus 2020 impacted by changes in our product mix. We remain firmly on track to deliver on our 2030 target of 50%.
    - **Fairer Society**: we invested £38m in our Fight for Access Fund in 2021, with 12 global strategic partners, including WWF, Red Cross and London School of Hygiene and Tropical Medicine, reaching c.80m people across 50 countries. We also launched our partnership with Fair Rubber Association to support latex producers in Thai and Malaysian supply chains.
- We will be hosting an ESG capital markets event on 6 April as we publish our new Sustainability Insights.

Portfolio

- We continue to actively manage our portfolio, to reposition towards higher growth. In 2021, we repositioned approximately 9% of the portfolio (as measured by 2020 net revenue).
    - In June 2021, we completed on the sale of Scholl for an enterprise value of £275m. The sale brings greater focus to our personal care portfolio.
    - In July 2021, we completed the acquisition of Biofreeze for $1.1bn. The acquisition has enabled us to enter the fast-growing topical pain treatment category in the US – the world's largest analgesic market. The integration is progressing well and we continue to refine plans for geographic and product expansion.
    - In September 2021, we completed the sale of our IFCN China business for an implied enterprise value of $2.2bn, completing the transaction 96 days following agreement and in November 2021, completed the sale of EnfaBebé in Argentina. These transactions represent a major step forward in our strategy to rejuvenate sustainable growth, focussing

our Nutrition business on the structurally more attractive markets of North America, Latin America and ASEAN.
    - In December 2021, we announced the proposed sale of E45 and related sub-brands for £200m.
- In 2022, we will move our VMS business into our Health Global Business Unit (GBU). This will better align the self-care needs of consumers, whilst leveraging the capabilities and scale of our Health business.

2022 and medium-term outlook

- For 2022, we are targeting LFL net revenue growth of between 1-4% with mid-single digit growth in 70% of our portfolio offset by uncertainty related to COVID, primarily in Lysol.
- We expect to exit 2022 with mid-single digit LFL net revenue growth.
- We are targeting growth in Adjusted Operating Profit margins, from a base of 22.9%, despite significant commodity inflationary pressures. We will apply appropriate pricing and net revenue growth management actions in 2022 to offset these pressures and will continue to deliver on our strong productivity programme. Finite life transformation costs will phase out in 2022 and, additionally, the margin of our Health business unit is expected to benefit from an improved mix due to stronger cold and flu sales.
- Our medium-term margin target of AOP margins in the mid 20's by the mid-2020s is unchanged.
- We expect both net revenue growth and margin expansion in 2022 to be second half weighted due to both the phasing of pricing initiatives and the strong prior year comparatives in Hygiene in Q1 2021.

Other 2022 technical guidance

- Net finance expense is expected to be in the range of £220m-£240m.
- The adjusted tax rate is expected be in the range of 23-24%.
- Capital expenditure is expected to be c.4% of net revenue.
- If exchange rates were to hold at the December 2021 closing rates for 2022, the estimated impact on 2022 Sterling net revenue and adjusted diluted EPS is flat.

OPERATING SEGMENT REVIEW

Hygiene

45% of net revenue in 2021

	£m	Volume	Price / Mix	LFL[1]	FX	Actual
FY 2021	**5,911**	**+5.1%**	**+2.4%**	**+7.5%**	**-5.9%**	**+1.6%**
Q4 2021	1,435	-7.6%	+1.5%	-6.1%	-3.6%	-9.7%

Operating Profit	£m	Constant FX (CER)[1]	Actual
Adjusted Operating Profit[1]	**1,401**	**-1.3%**	**-6.9%**
Adjusted Operating Profit Margin[1] %	**23.7%**		**-220bps**

[1] Adjusted measures are defined on page 30

Hygiene net revenue grew 7.5% on a LFL basis to £5,911m for the full year. Volume grew by 5.1% and price/mix improved by 2.4%. Price increases taken in the latter half of 2021 were offset by a return to more normalised promotion levels, especially in North America. On a two-year stacked LFL basis, net revenue is up 27%.

Growth was broad-based across our core categories and regions, with over 57% of Core Hygiene CMUs (weighted by net revenue) growing or holding share. eCommerce net revenue grew by 28%

and we continue to have better market share positions online, driven by our improved capabilities in go-to-market and digital demand creation.

Lysol continued the positive momentum, with net revenues up high-single-digits on a LFL basis in 2021 following well over 70% growth in 2020. Growth was driven by increased consumption due to the pandemic as well as strong growth in new spaces (e.g. Laundry Sanitisers) and new places. Lysol has continued to gain market share and significantly contributed to category growth, especially in Laundry Sanitisers, where we see significant further penetration growth potential. Overall, Lysol revenue was c.90% higher than 2019.

Finish continued its growth momentum with net revenue growing by mid-single-digits in 2021. Revenue growth was particularly strong in Europe and Developing Markets driven by our focus on category building, and penetration growth with superior solutions in our premium Finish Quantum product. eCommerce significantly contributed to the brand's success.

Air Wick net revenue grew double-digits. This was led by the US driven by strong market growth and market share gains. Air Wick's scented oils natural range together with the launch of purpose inspired marketing campaigns in partnership with the World Wildlife Fund significantly accelerated Air Wick's growth momentum.

Vanish net revenue grew double-digits driven by reduced confinements of consumers versus the prior year and the success of our purpose led marketing campaign. Harpic grew mid-single-digits as a result of continued penetration activities in key markets. Our Pest business delivered low-single-digits growth.

Adjusted operating profit for Hygiene at £1,401m was down 1.3% on a constant FX basis and 6.9% on an actual basis. Our industry leading adjusted operating margin was 23.7%. Higher raw material and transportation costs were partially mitigated by record productivity savings, pricing and volume leverage leading to a -220bps decline in adjusted operating margin versus the prior year.

Fourth Quarter Performance

Net revenue declined by 6.1% on a LFL basis in the fourth quarter, reflecting volume decline of 7.6% and price/mix improvements of 1.5%. Lysol demand was significantly above 2019, however, declined double-digits versus 2020 lapping strong comparators. Lysol continued to gain market share. Finish increased market share in the quarter and grew high-single-digits despite very strong prior year comparatives. Air Wick saw double-digit growth and Vanish grew high-single-digits driven by market growth and market share gains.

Health

35% of net revenue in 2021

	£m	Volume	Price / Mix	LFL[1]	Net M&A	FX	Actual
FY 2021	**4,646**	**-2.1%**	**+2.0%**	**-0.1%**	**-0.4%**	**-4.5%**	**-5.0%**
Q4 2021	1,316	+13.0%	+4.5%	+17.5%	-1.4%	-3.7%	+12.4%

Operating Profit	£m	Constant FX (CER)[1]	Actual
Adjusted Operating Profit[1]	**1,187**	**-5.5%**	**-11.0%**
Adjusted Operating Profit Margin[1] %	**25.5%**		**-180bps**

[1] *Adjusted measures are defined on page 30*

Health net revenue of £4,646m was broadly flat in 2021 versus 2020 on a LFL basis. Volume declined 2.1%, reflecting primarily the reduction in Dettol volumes. Price / mix improved by 2.0%.

On a two-year stacked LFL basis, net revenue is up 12%, reflecting the higher consumption rates for some of our brands, the broadening of our brands to new places and spaces, and the actions we have taken on portfolio management to create a faster growth business.

The disposal of Scholl and acquisition of Biofreeze, combined, contributed 40bps decline to reported Health net revenue growth for the full year.

In 2021 Health delivered strong market share gains, with 61% of Core Health CMUs (weighted by net revenue) growing or holding share.

Dettol net revenue declined low double-digits in the year following exceptional growth in 2020. The brand has continued to stabilise with net revenue up over 40% compared to 2019, for both the year as a whole and in the fourth quarter. We delivered a number of successful product launches during the year, including 'Dettol Tru Clean' – our first plant-based disinfectant, quickly establishing itself as one of the larger eco brands in the UK. We have a strong pipeline of innovations launching in 2022 and are targeting Dettol to continue its strong, sustainable growth trajectory.

Intimate Wellness delivered strong mid-teens growth in both 2021 and on a two-year stack, led by our flagship brands of Durex and KY. Growth is underpinned by a renewed focus on execution fundamentals, innovation, investment behind omnichannel growth across eCommerce and new "impulse access models". In particular, we have seen strong growth in China from our recent and successful polyurethane Durex condom launch. KY has driven renewed momentum from its digital-first, culturally connected advertising and media strategy, which has sparked new points of trial and captured incremental households in the US during the year. Growth in a number of our developing markets has also been strong, with increased distribution and improved display execution, to win in impulse points. As a result, Durex has now become the number 2 condom brand in India. We see significant growth opportunities within our Intimate Wellness business as we pivot from a brand focus to a category centric portfolio of global lifestyle brands.

OTC net revenue grew by low-single-digits in 2021 but declined by low-single-digits on a two-year stack basis, driven predominantly by very low incidences of cold & flu in 2020 and the spring of 2021. Within OTC our less seasonally impacted brand of Gaviscon delivered strong growth in both 2020 and 2021 driven by market share gains, and increased distribution into new places such as India and parts of Latin America. Our cold and flu relief brands, including Mucinex, Strepsils and Lemsip, were adversely impacted by extremely low incidences of cold and flu, and resultant high levels of retailer stock in the first half of the year, offset by strong start to the season in the second half. Importantly we have made good progress in our growth pillars during 2021; we entered into an adjacent category (new space) with the successful launch of Mucinex InstaSoothe, sore throat relief, in the second half of the year. We also launched into new places with the rollout of Nuromol – a unique and exclusive formulation of Nurofen and Paracetamol - into Brazil – a top 5 market globally for analgesics. And we made a strategically important entry into the world's large analgesic market with the acquisition of Biofreeze in the US. Biofreeze a fast growing, efficacious, topical analgesic brand, will benefit from Reckitt's strong distribution platform in the US, and its global category expertise and innovation capability. Since the acquisition Biofreeze has delivered double-digit LFL growth.

Our personal care portfolio, following the sale of Scholl in H1 2021, has grown mid-single-digits led by our Veet brand. Growth was driven by our focus on new channels with high-single-digit growth in our eCommerce platforms, the expansion of Veet for Men, and our entry into new spaces such as Veet Minima / Pure.

Adjusted operating profit for Health at £1,187m was down 5.5% on a constant FX basis. Adjusted operating margin was 25.5%, a reduction of 180bps year-on-year. The decline is due to the impact of a weak cold and flu season, further investment behind capabilities and a deteriorating input cost environment. This was partially mitigated by our productivity programme and some pricing taken in the second half of 2021.

Fourth Quarter Performance

Net revenue grew by 17.5% on a LFL basis in Q4 with 13.0% growth in volume, driven in particular by our strong growth in OTC and Intimate Wellness and a 4.5% improvement in price / mix. A strong start to the cold & flu season against a weak comparative, combined with continued strong performance in Gaviscon and overall share gains, has delivered over 40% growth in our OTC portfolio in the quarter. Dettol net revenue was stable in the quarter.

Nutrition

20% of net revenue in 2021

	£m	Volume	Price / Mix	LFL[1]	Net M&A	FX	Actual
FY 2021	**2,677**	**-4.9%**	**+5.5%**	**+0.6%**	**-14.4%**	**-4.8%**	**-18.6%**
FY 2021 (ex IFCN China)	**2,294**	**-4.9%**	**+5.5%**	**+0.6%**	**+0.2%**	**-6.2%**	**-5.4%**
Q4 2021	610	-3.5%	+5.1%	+1.6%	-23.7%	-2.5%	-24.6%
Q4 2021 (ex IFCN China)	602	-3.5%	+5.1%	+1.6%	-0.5%	-3.1%	-2.0%

Operating Profit	£m	Constant FX (CER)[1]	Actual
Adjusted Operating Profit[1]	**289**	**-31.2%**	**-37.4%**
Adjusted Operating Profit Margin[1] %	**10.8%**		**-330bps**
Adjusted Operating Profit[1] ex IFCN China	356	+2.4%	-5.6%
Adjusted Operating Profit Margin[1] ex IFCN China %	15.5%		Unchanged

[1] *Adjusted measures are defined on page 30*

Nutrition net revenue grew by 0.6% on a LFL basis in the full year at £2,677m, and grew 6% on a two-year stack. Within this, our IFCN business grew consistently over the past two years at low-single digit growth, with our VMS business delivering very strong growth in 2020, offset by a weaker 2021 as it lapped the very strong comparatives. For 2021 volume declined 4.9% and we delivered price / mix improvements of 5.5% as pricing was taken in a number of markets. Actual net revenue declined 18.6% primarily as a result of the performance and disposal of IFCN China which completed in September.

Market share performance was strong, with 72% of our Core Nutrition CMUs (weighted by net revenue) holding or gaining market share for the year, excluding IFCN China.

IFCN net revenue grew 3% on a LFL basis. The US business, which represents around half of IFCN net revenue, grew mid-single-digits. Growth in our speciality brands was strong, we gained share in the important non-WIC portion of the market, and further expanded our adult nutrition offering with the launch of Provital in ASEAN and Sustagen in the developing markets. Latin America grew low single-digits, whilst ASEAN was down slightly, with better momentum in the second half of the year in part driven by improvements in competitiveness in key ASEAN markets.

Net revenue in our Vitamins, Minerals and Supplements business declined high-single-digits. This was primarily the result of a reduction in demand for Airborne following exceptional growth in 2020, plus increased competitive challenges. Despite these challenges, net revenue in 2021 significantly exceeded 2019 levels. Move Free grew strongly in both the US and China, and Neuriva, has become the leader in the US for household penetration in the brain category, with net revenue doubling in 2021.

Adjusted operating profit for Nutrition at £289m was 31.2% lower on a constant FX basis and 37.4% lower on an actual basis. Adjusted operating margin was 10.8%, down 330bps year-on-year reflecting principally the negative leverage related to the significant decline in IFCN China net revenue. Excluding IFCN China, adjusted operating profit for Nutrition was £356m (15.5% margin).

IFCN China

The disposal of IFCN China completed on 9 September 2021. The business contributed net revenue of £383m and an adjusted operating loss of £67m in 2021 to the date of sale, with a challenging and competitive trading environment throughout the year, and c.£40m of exit costs incurred immediately prior to the transfer of the business.

Fourth Quarter Performance

Nutrition net revenue grew by 1.6% on a LFL basis in the quarter with continued growth in IFCN offset by a single digit decline in VMS. Consumer demand across the US IFCN category was particularly strong relative to births and historical consumption patterns.

Performance by Geography

	£m	Volume	Price / Mix	LFL[1]	Net M&A	FX	Reported
FY 2021							
North America	4,200	+0.5%	+2.4%	+2.9%	+1.1%	-6.4%	-2.4%
Europe / ANZ	4,316	+0.4%	+1.1%	+1.5%	-1.5%	-3.5%	-3.5%
Developing Markets	4,718	+1.0%	+5.0%	+6.0%	-10.2%	-5.3%	-9.5%
Total	**13,234**	**+0.6%**	**+2.9%**	**+3.5%**	**-3.8%**	**-5.1%**	**-5.4%**
Q4 2021							
North America	1,112	-3.7%	-1.3%	-5.0%	+2.2%	-2.0%	-4.8%
Europe / ANZ	1,146	+5.4%	+3.4%	+8.8%	-2.9%	-5.0%	0.9%
Developing Markets	1,103	-1.8%	+8.7%	+6.9%	-16.3%	-3.4%	-12.8%
Total	**3,361**	**+0.1%**	**+3.2%**	**+3.3%**	**-5.7%**	**-3.4%**	**-5.8%**

[1] *Adjusted measures are defined on page 30*

North America LFL net revenue grew by +2.9% for the full year with strong growth in Air Wick, Lysol and IFCN offset by declines in Mucinex.

In Europe/ANZ LFL net revenue grew by +1.5% for the full year with strong growth in the Nordics, Poland, Russia and Turkey, offset by declines in Germany, Benelux, and UK.

Developing markets LFL net revenue growth was +6.0% for the full year with broad-based growth across our regions, in particular India and Middle East.

ADDITIONAL FINANCIAL COMMENTARY

The following section should be read in conjunction with the FY 2021 Review from page 4 and the Adjusted Performance Measures section from page 30.

Group operating profit

Adjusted operating profit was £2,877m (2020: £3,301m) at an adjusted operating margin of 21.7%, 190bps lower than the prior year (2020: 23.6%). Adjusted operating margin excluding IFCN China was 22.9% (2020: 24.5%), 160bps lower than prior year.

IFRS operating loss was £804m (2020: £2,160m profit) at an IFRS operating margin of minus 6.1% (2020: 15.4%). The IFRS operating loss in 2021 was principally driven by the loss of £3,353m in relation to the IFCN China strategic review. The IFRS operating profit in 2020 included impairment charges of £985m in relation to IFCN goodwill.

Net finance expense

Adjusted net finance expense was £220m (2020: £260m). The decrease in 2021 is due to lower average net debt, a credit on revaluation of a put option liability and a favourable comparison with prior year adjusted net finance expense which included the interest element of a sales tax provision.

IFRS net finance income of £547m (2020: £286m net finance expense) was principally driven by a £766m net foreign exchange gain resulting from the liquidation of a number of subsidiaries to simplify the Group's legal entity structure.

Tax

The adjusted effective tax rate was 22.0% (2020: 22.7%). The rate in 2021 benefited from favourable updates to estimates in relation to certain historical matters.

The IFRS tax rate was -80.0% (2020: 38.4%). The IFRS tax rate in 2021 was impacted by the effect of non-taxable net foreign exchange gains on the liquidation of subsidiaries, the deferred tax effect of disposals in the period and the impact of the UK tax rate change on deferred tax on intangible assets.

Discontinued operations

Income from discontinued operations of £31m (2020: £50m) relates to the Group's RB Pharmaceuticals (now Indivior) business demerged in 2014. The amount in 2021 principally relates to income from an agreement with Indivior plc to settle indemnity claims relating to the Group's settlement with the DoJ in 2019, and related matters.

Earnings per share (EPS)

Total adjusted diluted EPS was 288.5p (2020: 327.0p). The decrease in 2021 was principally due to lower adjusted operating profit and the adverse impact of foreign exchange.

IFRS total diluted EPS was a loss per share of 4.5p (2020: earnings per share of 166.3p), principally due to the net loss in relation to the strategic review of IFCN China.

Balance sheet

At 31 December 2021, the Group had total equity of £7,453m (31 December 2020: £9,159m).

Current assets of £4,862m (31 December 2020: £5,314m) decreased by £452m, principally as the result of lower cash and cash equivalents and lower inventories.

Current liabilities of £8,088m (31 December 2020: £6,938m) increased by £1,150m. The increase is principally due to the re-classification from non-current to current liabilities of $3.2 billion (£2,401m) of bonds which mature in June 2022, offset by lower trade and other payables and the repayment of commercial paper in 2021.

Non-current assets of £21,941m (31 December 2020: £25,978m) are primarily comprised of goodwill and other intangible assets of £18,868m (31 December 2020: £22,979m) and property, plant and equipment. The decrease of £4,037m is predominantly due to the disposal of goodwill and other intangible assets relating to IFCN China and Scholl, partially offset by the recognition of goodwill and other intangible assets on the acquisition of Biofreeze.

Non-current liabilities of £11,405m (31 December 2020: £15,195m) decreased by £3,790m. This decrease is principally due to the re-classification from non-current to current liabilities of $3.2 billion (£2,401m) of bonds which mature in June 2022, the early repayment of term loans and the reduction in deferred tax liabilities as a result of the disposal of IFCN China.

Net working capital

Negative net working capital was reduced by £347m to negative £1,882m (2020: negative £2,229m), or a reduction of £194m excluding IFCN China which was disposed in 2021. Negative NWC as a percentage of Net Revenue was 14% (2020: 16%).

The reduction in negative NWC excluding IFCN China was the result of higher inventory and receivables, and as expected lower payables following the partial reversal of the favourable impact on NWC in 2020.

Cash Flow

£m	31 Dec 2021	31 Dec 2020
Adjusted Operating Profit	2,877	3,301
Depreciation and share-based payments	401	407
Capital expenditure	(441)	(476)
Movement in working capital and provisions	(356)	895
Exceptional cash flow	(86)	(46)
Interest paid	(222)	(267)
Tax paid	(915)	(762)
Free cashflow	**1,258**	**3,052**
Free cashflow conversion	*61%*	*131%*

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

Free cash flow as a percentage of continuing adjusted net income was 61% (2020: 131%). The lower free cash conversion in 2021 was expected, principally resulting from the partial unwind of significant working capital favourability experienced in the prior year. Free cash flow in 2021 includes £203m of transaction costs and cash tax relating to the disposal of IFCN China. Excluding cash outflows relating to the disposal of IFCN China, free cashflow conversion was 71% in 2021.

Net cash from operating activities was £1,697m (2020: £3,518m), down £1,821m.

Net debt

£m	31 Dec 2021	31 Dec 2020
Opening net debt	**(8,954)**	**(10,749)**
Free cashflow	1,258	3,052
Shares reissued	80	131
Acquisitions, disposals and purchase of investments	694	(36)
Dividends paid	(1,263)	(1,257)
New lease liabilities in the year	(109)	(86)
Exchange and other movements	(82)	1
Cash flow attributable to discontinued operations	(2)	(10)
Closing net debt	**(8,378)**	**(8,954)**

Net debt at 31 December 2021 was £8,378m (31 December 2020: £8,954m), a decrease of £576m, as free cashflow and net proceeds from M&A more than offset the dividend payments in 2021.

The Group regularly reviews its banking arrangements and currently has adequate facilities available to it. The Group has committed facilities totalling £4,500m (31 December 2020: £5,500m), £3,500m of which expire after more than two years, which are undrawn and available to draw. The Group remains compliant with its banking covenants. The committed borrowing facilities, together with cash and cash equivalents, are considered sufficient to meet the Group's projected cash requirements.

Dividends

The Board of Directors recommends a final 2021 dividend of 101.6 pence (2020: 101.6 pence), consistent with its policy and guidance from February 2020. The ex-dividend date will be 28 April 2022 and the dividend will be paid on 9 June 2022 to shareholders on the register at the record date of 29 April 2022. The last date for election for the share alternative to the dividend is 17 May 2022. The final 2021 dividend will be accrued once approved by shareholders.

Return on Capital Employed (ROCE)

ROCE in 2021 was 10.1%, in line with the prior year (2020: 10.1%), as lower adjusted operating profit was offset by lower average capital employed. The lower capital employed principally resulted from the disposal of IFCN China, which has been removed from capital employed from the date of disposal in September 2021.

Capital returns policy

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

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

Repatriating cash to shareholders through a growing dividend remains a long-term goal of the business. As a result of the investments being made during 2021, which will benefit long-term sustainable growth, our pay-out for 2021 is in excess of our policy of paying an ordinary dividend equivalent to c.50% of total adjusted net income.

As set out in February 2020, we will maintain the dividend pay-out per share at 2019 levels until we rebuild dividend cover to target levels, at which time we will be able to resume growth in dividends in line with the growth in adjusted net income.

We will return surplus cash to shareholders as appropriate.

Condensed Financial Statements

Group Income Statement
For the 12 months ended 31 December 2021 (unaudited)

For the year ended 31 December	**2021 £m unaudited**	2020 £m audited
CONTINUING OPERATIONS		
Net Revenue	**13,234**	13,993
Cost of sales	**(5,558)**	(5,558)
Gross profit	**7,676**	8,435
Loss on disposal of intangible assets and related businesses	**(3,518)**	–
Impairment of goodwill and other intangible assets	–	(985)
Other net operating expenses	**(4,962)**	(5,290)
Total net operating expenses	**(8,480)**	(6,275)
Operating (loss)/profit	**(804)**	2,160
Foreign exchange net gains on liquidation of subsidiaries	**766**	–
Other net finance expense	**(219)**	(286)
Net finance income/(expense)	**547**	(286)
Share of loss of equity-accounted investees, net of tax	**(3)**	(1)
(Loss)/profit before income tax	**(260)**	1,873
Income tax credit/(charge)	**208**	(720)
Net (loss)/income from continuing operations	**(52)**	1,153
Net income from discontinued operations	**31**	50
Net (loss)/income	**(21)**	1,203
Attributable to non-controlling interests	**11**	16
Attributable to owners of the parent company	**(32)**	1,187
Net (loss)/income	**(21)**	1,203
Basic (loss)/earnings per ordinary share		
From continuing operations (pence)	**(8.8)**	160.0
From discontinued operations (pence)	**4.3**	7.0
From total operations (pence)	**(4.5)**	167.0
Diluted (loss)/earnings per ordinary share		
From continuing operations (pence)	**(8.8)**	159.3
From discontinued operations (pence)	**4.3**	7.0
From total operations (pence)	**(4.5)**	166.3

Group Statement of Comprehensive Income
For the 12 months ended 31 December 2021 (unaudited)

For the year ended 31 December	**2021 £m unaudited**	2020 £m audited
Net (loss)/income	**(21)**	1,203
Other comprehensive expense		
Items that have or may be reclassified to the Income Statement in subsequent years		
Net exchange losses on foreign currency translation, net of tax	**(374)**	(207)
Reclassification of foreign currency translation reserves on disposal or liquidation of foreign operations, net of tax	**(550)**	–
Gains/(losses) on net investment hedges, net of tax	**84**	(75)
Gains/(losses) on cash flow hedges, net of tax	**30**	(17)
	(810)	(299)
Items that will not be reclassified to the Income Statement in subsequent years		
Remeasurements of defined benefit pension plans, net of tax	**133**	(60)
Revaluation of equity instruments – FVOCI	**(1)**	19
	132	(41)
Other comprehensive expense, net of tax	**(678)**	(340)
Total comprehensive (expense)/income	**(699)**	863
Attributable to non-controlling interests	**11**	16
Attributable to owners of the parent company	**(710)**	847
Total comprehensive (expense)/income	**(699)**	863
Total comprehensive (expense)/income attributable to owners of the parent company arising from:		
Continuing operations	**(741)**	797
Discontinued operations	**31**	50
	(710)	847

Group Balance Sheet
As at 31 December 2021 (unaudited)

As at 31 December	**2021 £m unaudited**	2020 £m audited
ASSETS		
Non-current assets		
Goodwill and other intangible assets	**18,868**	22,979
Property, plant and equipment	**2,178**	2,233
Equity instruments	**194**	136
Deferred tax assets	**197**	258
Retirement benefit surplus	**355**	226
Other non-current receivables	**149**	146
Total non-current assets	**21,941**	25,978
Current assets		
Inventories	**1,459**	1,592
Trade and other receivables	**1,926**	1,921
Derivative financial instruments	**61**	30
Current tax recoverable	**155**	125
Cash and cash equivalents	**1,261**	1,646
Total current assets	**4,862**	5,314
Assets held for sale	**143**	-
Total assets	**26,946**	31,292
LIABILITIES		
Current liabilities		
Short-term borrowings	**(2,485)**	(763)
Provisions for liabilities and charges	**(191)**	(243)
Trade and other payables	**(5,267)**	(5,742)
Derivative financial instruments	**(52)**	(118)
Current tax liabilities	**(93)**	(72)
Total current liabilities	**(8,088)**	(6,938)
Non-current liabilities		
Long-term borrowings	**(7,078)**	(9,794)
Deferred tax liabilities	**(2,806)**	(3,562)
Retirement benefit obligations	**(318)**	(372)
Provisions for liabilities and charges	**(44)**	(49)
Non-current tax liabilities	**(826)**	(1,021)
Other non-current liabilities	**(333)**	(397)
Total non-current liabilities	**(11,405)**	(15,195)
Total liabilities	**(19,493)**	(22,133)
Net assets	**7,453**	9,159
EQUITY		
Capital and reserves		
Share capital	**74**	74
Share premium	**253**	252
Merger reserve	**(14,229)**	(14,229)
Other reserves	**(1,189)**	(379)
Retained earnings	**22,490**	23,397
Attributable to owners of the parent company	**7,399**	9,115
Attributable to non-controlling interests	**54**	44
Total equity	**7,453**	9,159

Group Statement of Changes in Equity
For the 12 months ended 31 December 2021 (unaudited)

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total attributable to owners of the parent company £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2020	**74**	**245**	**(14,229)**	**(80)**	**23,353**	**9,363**	**44**	**9,407**
Comprehensive income								
Net income	–	–	–	–	1,187	1,187	16	1,203
Other comprehensive (expense)/income	–	–	–	(299)	(41)	(340)	–	(340)
Total comprehensive income/(expense)	–	–	–	(299)	1,146	847	16	863
Transactions with owners								
Treasury shares re-issued	–	7	–	–	124	131	–	131
Share-based payments	–	–	–	–	15	15	–	15
Purchase of ordinary shares by employee share ownership trust	–	–	–	–	(4)	(4)	-	(4)
Tax on share awards	–	–	–	–	4	4	–	4
Cash dividends	–	–	–	–	(1,241)	(1,241)	(16)	(1,257)
Total transactions with owners	**–**	**7**	**–**	**–**	**(1,102)**	**(1,095)**	**(16)**	**(1,111)**
Balance at 31 December 2020	**74**	**252**	**(14,229)**	**(379)**	**23,397**	**9,115**	**44**	**9,159**
Comprehensive income								
Net (loss)/income	**–**	**–**	**–**	**–**	**(32)**	**(32)**	**11**	**(21)**
Other comprehensive (expense)/income	**–**	**–**	**–**	**(810)**	**132**	**(678)**	**-**	**(678)**
Total comprehensive (expense)/income	**–**	**–**	**–**	**(810)**	**100**	**(710)**	**11**	**(699)**
Transactions with owners								
Treasury shares reissued	**–**	**1**	**–**	**–**	**79**	**80**	**–**	**80**
Purchase of ordinary shares by employee share ownership trust	**–**	**–**	**–**	**–**	**(5)**	**(5)**	**–**	**(5)**
Issuance of shares to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**7**	**7**
Share-based payments	**–**	**–**	**–**	**–**	**30**	**30**	**–**	**30**
Cash dividends	**–**	**–**	**–**	**–**	**(1,246)**	**(1,246)**	**(17)**	**(1,263)**
Transactions with non-controlling interests	**–**	**–**	**–**	**–**	**135**	**135**	**–**	**135**
Disposal of non-controlling interest in IFCN China	**–**	**–**	**–**	**–**	**–**	**–**	**9**	**9**
Total transactions with owners	**-**	**1**	**-**	**-**	**(1,007)**	**(1,006)**	**(1)**	**(1,007)**
Balance at 31 December 2021	**74**	**253**	**(14,229)**	**(1,189)**	**22,490**	**7,399**	**54**	**7,453**

Group Cash Flow Statement
For the 12 months ended 31 December 2021 (unaudited)

For the year ended 31 December	**2021 £m unaudited**	2020 £m audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss)/profit from continuing operations	**(804)**	2,160
Losses on sale of intangible assets and related business and property, plant and equipment	**3,442**	3
Depreciation, amortisation and impairment	**481**	1,457
Share-based payments	**30**	15
Increase in inventories	**(57)**	(317)
(Increase)/decrease in trade and other receivables	**(130)**	94
(Decrease)/increase in payables and provisions	**(126)**	1,145
Cash generated from continuing operations	**2,836**	**4,557**
Interest paid	**(251)**	(323)
Interest received	**29**	56
Tax paid	**(915)**	(762)
Net cash flows attributable to discontinued operations	**(2)**	(10)
Net cash generated from operating activities	**1,697**	**3,518**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(373)**	(394)
Purchase of intangible assets	**(77)**	(92)
Proceeds from the sale of property, plant and equipment	**9**	10
Proceeds from sale of intangible assets and related businesses, net of cash disposed	**1,622**	-
Acquisition of businesses	**(915)**	-
Purchase of equity instruments and convertible notes	**(27)**	(36)
Net cash generated from / (used in) investing activities	**239**	**(512)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Treasury shares reissued	**80**	131
Purchase of ordinary shares by employee share ownership trust	**(5)**	(4)
Proceeds from borrowings	**38**	2,903
Repayment of borrowings	**(1,044)**	(4,583)
Dividends paid to owners of the parent company	**(1,246)**	(1,241)
Dividends paid to non-controlling interests	**(17)**	(16)
Other financing activities	**(92)**	(47)
Net cash used in financing activities	**(2,286)**	**(2,857)**
Net (decrease) / increase in cash and cash equivalents	**(350)**	**149**
Cash and cash equivalents at beginning of the year	**1,644**	1,547
Exchange losses	**(35)**	(52)
Cash and cash equivalents at end of the year	**1,259**	**1,644**
Cash and cash equivalents comprise:		
Cash and cash equivalents	**1,261**	1,646
Overdrafts	**(2)**	(2)
	1,259	1,644

1 ACCOUNTING POLICIES

General

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

These condensed Financial Statements have not been audited.

Basis of Preparation

The condensed Financial Statements have been prepared in accordance with the recognition, measurement and presentation requirements of UK-adopted International Accounting Standards and in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2021 or 2020. The financial information for 2020 is derived from the statutory accounts for 2020 which have been delivered to the registrar of companies. The auditor has reported on the 2020 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2021 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated Financial Statements. When reaching this conclusion, the Directors took into account the Group’s overall financial position, exposure to principal risks and future business forecasts. At 31 December 2021, the Group had cash and cash equivalents of £1.3bn. The Group also had access to committed borrowing facilities of £4.5bn which were undrawn at year-end and are not subject to renewal until 2024 onwards.

Accounting Policies and Estimates

With the exception of those changes described below, the accounting policies adopted in the preparation of the condensed Financial Statements are consistent with those described on pages 179-184 of the Annual Report and Financial Statements for the year ended 31 December 2020.

The following amended standards and interpretations were adopted by the Group on 1 January 2021. They have not had a significant impact on the condensed Financial Statements:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16)

In preparing these condensed Financial Statements, the significant estimates and judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group financial statements for the year ended 31 December 2020.

As a result of certain activities in the year ended 31 December 2021, the Group will include the following additional information in its accounting policies:

Assets held for sale and disposal groups
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale and presented separately in the balance sheet when the following criteria are met: the Group is committed to selling the asset or disposal group, it is available for immediate sale in its current condition, an active plan of sale has commenced and approved in line with Group policy, and in the judgement of Group management it is highly probable that the sale will be completed within 12 months.

Immediately before the initial classification of the assets and disposal groups as held for sale, the carrying amounts of the assets (or all the assets and liabilities in the disposal groups) are measured in accordance with the applicable accounting standards. Goodwill (including cost and accumulated impairment) is allocated to the disposal group using a relative value approach, unless a different method better reflects goodwill associated with the disposal.

Assets held for sale and disposal groups are subsequently measured at the lower of their carrying amount and fair value less costs of disposal. Impairment losses on initial classification as held –for sale, and subsequent gains and losses on remeasurement to fair value less costs of disposal, are recognised in the Income Statement. Once classified as held – for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Disposals of intangible assets and subsidiaries
The financial performance of subsidiaries and businesses are included in the Group Financial Statements up to the point on which the Group ceases to have control over that subsidiary. Intangible assets not disposed of through the sale of shares in subsidiaries are treated as disposed at the point that the Group ceases to control the asset.

The difference between the fair value of the consideration (net of costs) and the carrying value of the assets and liabilities disposed is recognised as a gain or loss in the Income Statement. Any amounts previously recognised in other comprehensive income in respect of that subsidiary or asset, including exchange gains or losses on foreign currency translation, are accounted for as if the Group had directly disposed of related assets and liabilities. This results in a reclassification of amounts previously recognised in other comprehensive income to the Income Statement and included within the loss on disposal of intangible assets and related businesses.

Where the assets and liabilities disposed represent a partial disposal of a cash generating unit to which goodwill has been allocated, goodwill is allocated using a relative value approach to the disposal group, unless a different method better reflects goodwill associated with the disposal.

Where the tax base will not be transferred with the disposed assets, the deferred tax balances relating to the intangible assets are not considered part of the assets disposed and are instead credited or charged to the Income Statement within income tax expense.

Liquidation of subsidiaries
The Group liquidates subsidiaries that are no longer required in order to simplify the group structure. As part of this process, the Group ensures any outstanding matters relating to the subsidiary are resolved. Once this is completed, control is passed to the liquidator and any amounts previously recognised in other comprehensive income in respect of that subsidiary, including exchange gains or losses on foreign currency translation, are reclassified to the Income Statement, and included within net finance income/(expense).

2 OPERATING SEGMENTS

The Group's operating segments comprise of the Hygiene, Health and Nutrition business units reflecting the way in which information is presented to and reviewed by the Group's Chief Operating Decision Maker (CODM) for the purposes of making strategic decisions and assessing group-wide performance.

The CODM is the Group Executive Committee. This Committee is responsible for the implementation of strategy (approved by the Board), the management of risk (delegated by the Board) and the review of group operational performance and ongoing business integration.

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

The segment information for the operating segments for the year ended 31 December 2021 and 31 December 2020 is as follows:

Year ended 31 December 2021	**Hygiene £m**	**Health £m**	**Nutrition £m**	**Adjusting Items £m**	**Total £m**
Net Revenue	**5,911**	**4,646**	**2,677**	**-**	**13,234**
Depreciation & amortisation	**(111)**	**(146)**	**(105)**	**(61)**	**(423)**
Operating profit/(loss)	**1,401**	**1,187**	**289**	**(3,681)**	**(804)**
Net finance income					**547**
Share of loss from associates					**(3)**
Loss before income tax					**(260)**
Income tax credit					**208**
Net loss from continuing operations					**(52)**

Year ended 31 December 2020	Hygiene £m	Health £m	Nutrition £m	Adjusting Items £m	Total £m
Net Revenue	5,816	4,890	3,287	-	13,993
Depreciation & amortisation	(128)	(142)	(122)	(80)	(472)
Operating profit	1,505	1,334	462	(1,141)	2,160
Net finance expense					(286)
Share of loss from associates					(1)
Profit before income tax					1,873
Income tax charge					(720)
Net income from continuing operations					1,153

Following the start of the strategic review of IFCN China, the CODM also reviewed financial information for net revenue and adjusted operating profit excluding IFCN China. In 2021, Nutrition net revenue excluding IFCN China was £2,294m (2020: £2,426m) and Nutrition adjusted operating profit excluding IFCN China was £356m (2020: £377m).

Financial information for the Hygiene, Health and Nutrition operating segments is presented on an adjusted basis which excludes certain cash and non-cash items. These items have a pattern of recognition that is largely uncorrelated with the trading performance of the business. Financial information on an adjusted basis is consistent with how management reviews the business for the purpose of making operating decisions.

3 NET FINANCE INCOME/(EXPENSE)

	2021 £m	2020 £m
Gains on liquidation	**1,048**	–
Losses on liquidation	**(282)**	–
Total foreign exchange net gain on liquidation of subsidiaries	**766**	–
Other finance income		
Interest income on cash and cash equivalents	**29**	61
Movement on put option liability	**14**	–
Finance credit on tax balances	**1**	–
Other finance income	**1**	16
Total other finance income	**45**	77
Other finance expense		
Interest payable on borrowings	**(244)**	(276)
Finance expense on tax balances	**–**	(26)
Movement on put option liability	**–**	(9)
Other finance expense	**(20)**	(52)
Total other finance expense	**(264)**	(363)
Other net finance expense	**(219)**	(286)
Net finance income/(expense)	**547**	(286)

During 2021, as a result of the simplification of the Group's legal entity structure, a number of entities were liquidated and the cumulative foreign exchange reserves were recycled to the Income Statement, resulting in a net foreign exchange gain of £766m, principally from the liquidation of intermediate financing and holding companies.

4 INCOME TAXES

	2021 £m	2020 £m
Current tax	**711**	740
Adjustment in respect of prior periods	**53**	(45)
Total current tax	**764**	695
Origination and reversal of temporary differences	**(1,089)**	(56)
Impact of changes in tax rates	**185**	81
Total deferred tax	**(904)**	25
Cumulative foreign exchange on deferred tax balances reclassified to the Income Statement	**(68)**	-
Income tax (credit)/charge	**(208)**	720

5 EARNINGS PER SHARE

	2021 pence	2020 pence
Basic (loss)/earnings per share		
From continuing operations	**(8.8)**	160.0
From discontinued operations	**4.3**	7.0
Total basic (loss)/earnings per share	**(4.5)**	167.0
Diluted (loss)/earnings per share		
From continuing operations	**(8.8)**	159.3
From discontinued operations	**4.3**	7.0
Total diluted (loss)/earnings per share	**(4.5)**	166.3

Basic

Basic earnings per share is calculated by dividing the net (loss)/income attributable to owners of the parent company from continuing operations (2021: £63m loss; 2020: £1,137m income) and discontinued operations (2021: £31m income; 2020: £50m income) by the weighted average number of ordinary shares in issue during the year (2021: 713,758,909; 2020: 710,907,200).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has the following categories of potentially dilutive ordinary shares: Executive Share Awards (including Executive Share Options and Executive Restricted Share Scheme

Awards) and Employee Sharesave Scheme Options. The options only dilute earnings when they result in the issue of shares at a value below the market price of the share and when all performance criteria (if applicable) have been met. As at 31 December 2021 there were 10,683,109 (2020: 1,865,524) Executive Share Awards excluded from the dilution because the exercise price for the options was greater than the average share price for the year or the performance criteria have not been met.

	2021 Average number of shares	2020 Average number of shares
On a basic basis	713,758,909	710,907,200
Dilution for Executive Share Awards[1]	-	61,251
Dilution for Employee Sharesave Scheme Options outstanding[1]	-	2,778,499
On a diluted basis	713,758,909	713,746,950

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

6 GOODWILL AND INTANGIBLE ASSETS

	Brands £m	Goodwill £m	Software £m	Other £m	Total £m
Cost					
At 1 January 2020	17,811	11,516	416	175	29,918
Additions	3	–	84	5	92
Disposals	–	–	(1)	–	(1)
Reclassifications	–	–	(10)	10	–
Exchange adjustments	(141)	(108)	1	(5)	(253)
At 31 December 2020	**17,673**	**11,408**	**490**	**185**	**29,756**
Additions	5	-	72	-	77
Arising on business combinations	596	370	-	76	1,042
Disposals	(4,494)	(1,543)	(2)	-	(6,039)
Reclassifications to held for sale	(112)	(28)	-	-	(140)
Exchange adjustments	(220)	5	(13)	5	(223)
At 31 December 2021	**13,448**	**10,212**	**547**	**266**	**24,473**
Accumulated amortisation and impairment					
At 1 January 2020	390	5,054	136	77	5,657
Amortisation and impairment	63	985	55	25	1,128
Disposals	–	–	(1)	–	(1)
Exchange adjustments	(4)	–	–	(3)	(7)
At 31 December 2020	**449**	**6,039**	**190**	**99**	**6,777**
Amortisation and impairment	39	-	66	27	132
Disposals	(143)	(1,176)	(2)	-	(1,321)
Exchange adjustments	(3)	21	(2)	1	17
At 31 December 2021	**342**	**4,884**	**252**	**127**	**5,605**
Net book value					
At 31 December 2020	**17,224**	**5,369**	**300**	**86**	**22,979**
At 31 December 2021	**13,106**	**5,328**	**295**	**139**	**18,868**

Additional information on Amounts arising on business combinations and Disposals in the year can be found in note 10.

7 FINANCIAL LIABILITIES - BORROWINGS

	2021 £m	2020 £m
Bank loans and overdrafts[1]	**22**	20
Commercial paper	**-**	671
Bonds	**2,401**	-
Lease liabilities	**62**	72
Total short-term borrowings	**2,485**	763
Bonds	**5,568**	8,041
Senior notes	**1,229**	1,221
Term loans	**-**	291
Other non-current borrowings	**15**	-
Lease liabilities	**266**	241
Total long-term borrowings	**7,078**	9,794
Total borrowings	**9,563**	10,557
Derivative financial Instruments	**76**	43
Less overdrafts presented in cash and cash equivalents in the cash flow statement	**(2)**	(2)
Total financing liabilities	**9,637**	10,598

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

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

	Assets		Liabilities	
2021 (£m)	**Current**	**Non-Current[1]**	**Current**	**Non-Current[2]**
Derivative financial instruments (financing liabilities)	**31**	**-**	**(36)**	**(71)**
Derivative financial instruments (non-financing liabilities)	**30**	**1**	**(16)**	**-**
At 31 December 2021	**61**	**1**	**(52)**	**(71)**

[1]Included within Other non-current receivables on the Balance Sheet.
[2]Included within Other non-current liabilities on the Balance Sheet

	Assets		Liabilities	
2020 (£m)	**Current**	**Non-Current[1]**	**Current**	**Non-Current**
Derivative financial instruments (financing liabilities)	6	19	(68)	-
Derivative financial instruments (non-financing liabilities)	24	-	(50)	-
At 31 December 2020	30	19	(118)	-

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

Reconciliation of movement in financing liabilities to cash flow statement	2021 £m	2020 £m
At 1 January	**10,598**	12,298
Proceeds from borrowings	**38**	2,903
Repayment of borrowings	**(1,044)**	(4,583)
Other financing cash flows	**(92)**	(47)
Total financing cash flows	**9,500**	10,571
New lease liabilities	**109**	86
Exchange, fair value and other movements	**28**	(59)
Total non-cash financing items	**137**	27
At 31 December	**9,637**	10,598

8 DIVIDENDS

	2021 £m	2020 £m
Cash dividends on equity ordinary shares:		
2020 Final paid: 101.6p (2019: Final 101.6p) per share	**725**	721
2021 Interim paid: 73p (2020: Interim 73p) per share	**521**	520
Total dividends for the year	**1,246**	1,241

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2021 of 101.6p per share which will absorb an estimated £726m of Shareholders' funds. If approved by Shareholders it will be paid on 9 June 2022 to Shareholders who are on the register on 29 April 2022, with an ex-dividend date of 28 April 2022.

9 CONTINGENT LIABILITIES AND ASSETS

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

As previously reported, over the last several years the South Korean government has designated a number of diseases as HS injuries, in addition to the HS lung injury for which RB Korea's (RBK) compensation plan was established. These include asthma, toxic hepatitis, child interstitial lung disease, bronchitis and upper airway disease. On 29 October 2021, the South Korean Government published a report that concluded epidemiological correlation exists between HS use and asthma, ILD and pneumonia. Our expert advisors have reviewed the report and concluded that it does not clearly support causation between HS use and the above injuries.

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

Further, under the amended HS law, HS victims will no longer be classified as Categories 1 to 5 based on the likelihood that HS exposure caused their lung injury. As RBK's compensation plan was dependent on the previous classification system, it will no longer be possible for the compensation plan to operate and it is now closed. The pending civil actions filed by HS claimants against RBK will also be impacted by the amended HS law, e.g. due to the lowered causation standard of "epidemiological correlation". Thus, we have seen the number of civil claimants to increase, primarily seeking awards for mental distress and lost income (for portions not already covered by the IRF).

The HS mediation committee (HSMC) was established in October 2021 and has been meeting with claimant groups and industry companies to discuss various issues related to designing a comprehensive mediation plan to cover all HS victims. It is our current understanding that the HSMC plans to announce a mediation proposal in the first quarter of 2022. Reckitt Korea will not be bound to accept its mediation proposal and could not do so without financial support from the Group.

The Group currently has a provision of £75m (2020: £83m) in relation to the HS issue in South Korea. In addition, there are further potential costs that either are not considered probable or cannot be reliably estimated at the current time. The impact of the HS law amendments will require further monitoring and analysis, in particular those which will be subject to court interpretation, such as the new epidemiological correlation standard, any limitation applied by courts to damage awards and the interest rate applied by individual courts to damage awards and external factors such as the rate of future IRF applications/recognitions. Accordingly, it is not possible to make any reliable estimate of liability for individuals recognised by the government as having HS injuries.

Other

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

10 ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2021, the Group completed several acquisitions, accounted for as business combinations, and disposals. In each case, 100% of the businesses were acquired or disposed unless stated otherwise. The Group did not have business disposals or acquisitions during the year ended 31 December 2020.

Acquisitions

Acquisition of Biofreeze

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

Included within the identifiable assets acquired are brands of £596m, comprising Biofreeze (£564m) and TheraPearl (£32m), customer relationships of £24m and inventories of £26m.

Goodwill of £271m has been recorded on the acquisition, of which £151m is a consequence of the requirement to record deferred tax liabilities for certain acquired assets. Goodwill represents the future value which the Group believes it will obtain from innovation arising from combining the acquired business with the Group's existing businesses, which has not been recognised as an intangible asset at the acquisition date. None of the goodwill is deductible for income tax purposes.

The Biofreeze acquisitions contributed £55m to Group net revenue and £9m to Group operating profit since acquisition, with transaction costs of £12m. If the acquisition had taken place at the beginning of the year, Group net revenue would have been increased by c.£50m and the impact on Group net income would have been immaterial.

Other acquisitions

The Group also completed the following acquisitions during 2021 for cash consideration, all of which have been accounted for as business combinations:

- 1 April 2021, the Maple Island USA dry processing plant, previously a co-packer for Enfagrow stage 3 and Metabolics, as an asset purchase.
- 4 May 2021, through a trade and asset purchase, a business distributing Reckitt products in the United Arab Emirates.
- 31 May 2021, a Chinese PU condom business through an acquisition of an 80% equity interest in Lanzhou Keshi Xixili Healthcare Technologies Co Ltd.

The results of other acquisitions have been included in the Group's financial statements since the relevant acquisition dates. The effect of these other acquisitions was immaterial to the Group.

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

	Biofreeze £m	Others £m	Total £m
Brands and other intangible assets	620	52	672
Property, plant and equipment	-	20	20
Inventories	26	-	26
Deferred tax liabilities	(151)	-	(151)
Total identifiable net assets	**495**	**72**	**567**
Goodwill	271	99	370
Total	**766**	**171**	**937**
Cash consideration	766	149	915
Deferred consideration	-	22	22
Total consideration	**766**	**171**	**937**

Disposals

The Group completed three disposals in 2021, for a total consideration, net of disposal costs, of £1,704m, resulting in a total pre-tax loss on disposal of £3,518m reported within total net operating expenses. None of the disposals meets the definition of a discontinued operation under IFRS as each disposal does not represent the disposal of either a separate major line of business or a geographical area of operations for Reckitt. As such, the results of the disposed businesses are included in the continuing operations up to their date of disposal.

IFCN China

On 9 September 2021, the Group completed the sale of IFCN China to Primavera Capital Group for total consideration, net of disposal costs, of £1,436m. The consideration was principally represented by cash of £1,513m and a 8% shareholding in the purchaser's acquisition entity. The disposal followed a comprehensive strategic review of IFCN China announced by the Group in February 2021. The transaction was structured as a sale of the entirety of IFCN China (China, Hong Kong and Taiwan), including the manufacturing plants in Nijmegen, the Netherlands and Guangzhou, China. The disposal included a royalty-free perpetual and exclusive license of the Mead Johnson and Enfa family of brands in China. Reckitt continues to own the Mead Johnson and Enfa family of brands globally and operates these brands in the rest of the world. On completion of the disposal, the Group recognized a pre-tax loss on disposal of £3,284m included within total net operating expenses. IFCN China formed part of the Nutrition segment.

Other disposals

In 2021, the Group completed two other transactions:

- On 1 June 2021 the Group completed the sale of Scholl and certain other brands to Yellow Wood Partners, for cash consideration of £272m. Scholl formed part of the Health operating segment.
- On 1 November 2021 the EnfaBebé brand was sold to the Roemmers Group. EnfaBebé formed part of the Nutrition operating segment.

The following table sets out the effect of the disposals completed in the year ended 31 December 2021:

	IFCN China £m	Others £m	Total £m
Cash consideration	**1,513**	**279**	**1,792**
Non-cash consideration:			
- Fair value of equity instrument	33	-	33
- Fair value of seller's indemnities	(48)	-	(48)
Disposal costs	(62)	(11)	(73)
Total consideration, net of disposal costs	**1,436**	**268**	**1,704**
Goodwill and other intangible assets	4,276	442[1]	4,718
Property, plant and equipment	173	-	173
Inventories	154	24	178
Cash and cash equivalents	168	2	170
Trade receivables and other assets	97	8	105
Trade payables and other liabilities	(408)	(7)	(415)
Net Assets disposed	**4,460**	**469**	**4,929**
Non-controlling interest	(9)	-	(9)
Cumulative foreign exchange reclassified to the Income Statement	(251)	(33)	(284)
Loss on disposal, before tax	**(3,284)**	**(234)**	**(3,518)**

[1] The £442m comprises of £374m relating to Scholl, and £68m relating to EnfaBebé

Assets Held for Sale

On 24 December 2021, the Group entered into an agreement for the proposed sale of the E45 brand and related sub-brands to Karo Pharma AB for £200m. The proposed sale is dependent upon completion of French works council consultation and the satisfaction of other conditions. Associated intangible assets of £140m (including £28m of Goodwill) have accordingly been presented within assets held for sale at the balance sheet date. The E45 brand and related sub-brands form part of the Health operating segment.

Assets held for sale at 31 December 2021 also includes the carrying value of certain property assets which are being actively marketed for sale.

11. Related Party Transactions

The Group has symmetrical put and call options over the non-controlling shareholdings of RB & Manon Business Co. Ltd, RB & Manon Business Limited, RB (China Trading) Limited, RB (Hygiene Home) HK Limited, RB & Manon Hygiene Home (HK) Limited and RB & Manon Hygiene Home (Shanghai) Limited (together "the Manon entities").

During the year ended 31 December 2021, the options were measured at fair value and as a result £14m was credited to the income statement during the year (see Note 3).

On 31 December 2021, notice to exercise the put and call options was not provided. As a result of the option notice not being received, this option expired. As a result of the expiry of these options, the related liabilities of £135m were de-recognised with their carrying value credited to equity.

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

In the prior year, for presentational purposes adjusting items were split into exceptional items, other adjusting items and the reclassification of finance expenses on tax balances. The change to presentation of these items in the current year is to provide a clearer view of the nature of the Group's adjusting items. There has been no change in individual items classified as adjusting items.

Adjusted measures

- **Adjusted Operating Profit and Adjusted Operating Profit margin:** Adjusted operating profit reflects the IFRS operating (loss)/profit excluding items in line with the Group's adjusted items policy. See page 31 for details on the adjusting items and a reconciliation between IFRS operating (loss)/profit and adjusted operating profit. The adjusted operating profit margin is the adjusted operating profit expressed as a percentage of net revenue.
- **Adjusted tax rate:** The adjusted tax rate is defined as the Adjusted continuing income tax expense as a percentage of Adjusted profit before tax.
- **Adjusted diluted EPS:** Adjusted diluted EPS is the IFRS diluted EPS excluding items in line with the Group's adjusting policy. See page 31 for details on the adjusting items and a reconciliation between IFRS net (loss)/income and adjusted net income. The weighted average number of shares for the period is the same for both IFRS EPS and adjusted EPS.
- **Adjusted EBITDA (earnings before interest depreciation and amortisation):** Adjusted operating profit less depreciation and amortisation (excluding adjusting items).

Other non-GAAP measures

- **Like-for-Like (LFL):** Net revenue growth or decline at constant exchange rates (see below) excluding the impact of acquisitions, disposals and discontinued operations. Completed disposals are excluded from LFL revenue growth for the entirety of the current and prior years. Acquisitions are included in LFL revenue growth twelve months after the completion of the relevant acquisition. LFL growth also excludes countries with annual inflation greater than 100% (Venezuela).
- **Constant exchange rate (CER):** Net revenue and profit growth or decline adjusting the actual consolidated results such that the foreign currency conversion uses the same exchange rates as were applied in the prior period.
- **Brand Equity Investment (BEI):** BEI is the marketing support designed to capture the voice, mind and heart of our consumers.
- **Net working capital (NWC):** NWC is the total of inventory, trade and other receivables and trade and other payables. NWC is calculated as a % of last twelve months net revenue to compare changes in NWC to the growth of the business.
- **Net Debt:** The Group's principal measure of net borrowings being a total of cash and cash equivalents, short-term and long-term borrowings, lease liabilities and derivative financial instruments on debt.
- **Free Cash Flow and Free Cash Flow Conversion:** The Group's principal measure of cash flow defined as net cash generated from continuing operating activities less net capital expenditure. A reconciliation of cash generated from operations to Free Cash Flow is shown on page 34. The Group tracks Free Cash Flow as a % of adjusted net income to understand the conversion of adjusted profit into cash.

Other definitions and terms

- **Stacked Net Revenue Growth:** The summation of the like-for-like net revenue growth for the relevant period in 2021 and 2020 (excluding IFCN China), to provide visibility of growth versus periods prior to the start of the COVID-19 pandemic.
- **Category Market Unit (CMU):** Reckitt analyses its market share by CMUs, which represent country and either brand or category, e.g. US Lysol. This allows us to analyse the components of market share growth taking into account both geography and brand / category. Management has identified those Core CMUs that are the most strategically important. The list of Core CMUs is kept under continual review and will change over time based on strategic decisions. Currently, Core CMUs cover c.70% of Group net revenue and between c.65% to c.80% of each GBU's net revenue. As a measure of competitiveness, management tracks the percentage of Core CMUs holding or gaining market share, weighted by net revenue.
- **eCommerce:** eCommerce channel net revenue is direct sales from Reckitt to online platforms or directly to consumers. Estimates of total eCommerce sales as a percentage of Group net revenues are calculated by adding eCommerce channel net revenue to an estimate of eCommerce sales achieved by our brands through omnichannel distributors and retailer websites.
- **Discontinued operations:** Includes credits or charges related to the previously demerged RB Pharmaceuticals business that became Indivior plc. Net income from discontinued operations is presented as a single line item in the Group Income Statement.
- **Return on capital employed (ROCE)** is defined as adjusted operating profit after tax divided by monthly average capital employed. Capital employed comprises total assets less current liabilities other than borrowings-related liabilities. Total assets exclude cash, retirement benefit surplus, current tax and a technical gross-up to goodwill that arises because of deferred tax liabilities recorded against identified assets acquired in business combinations. Total assets has been adjusted to add back impairments of Goodwill except where the impaired asset has been disposed or partially disposed. Current liabilities exclude legal provisions recorded as a result of exceptional items and current tax.
- **Net revenue attributable to 'more sustainable' products.** A product is defined as 'more sustainable' when it scores 'better' on one of the five parameters (carbon, water, plastics, packaging and ingredients) at time of launch using our Sustainable Innovation Calculator (a streamlined Life Cycle Assessment tool that models the environmental impacts of products). The Net Revenue from 'more sustainable' products is expressed as a percentage of total net revenue. The calculation is done on the basis of a 12 month period ending September (to allow assembling the related data). This percentage does not apply to infant formula.

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

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

Earnings per share (EPS) is calculated using 713.8m shares (basic) and 713.8m shares (diluted)

Impact of business combinations is composed of:

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

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

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

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

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

Amounts charged to IFRS operating loss in relation to the IFCN China strategic review include:

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

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

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

The table below reconciles the Group's reported IFRS measures to its adjusted measures for the year ended 31 December 2020.

		Adjusting Items					
	IFRS £m	Impact of business combinations £m	Losses on disposal of brands £m	Reclassified foreign exchange translation on liquidation of subsidiaries £m	Finance expense reclass £m	Other individually material items of income and expense £m	Adjusted £m
Net Revenue	13,993	-	-	-	-	-	13,993
Cost of sales	(5,558)	-	-	-	-	-	(5,558)
Gross profit	**8,435**	**-**	**-**	**-**	**-**	**-**	**8,435**
Net operating expenses	(6,275)	80	-	-	-	1,061	(5,134)
Operating profit	**2,160**	**80**	-	-	-	**1,061**	**3,301**
Net finance expense	(286)	-	-	-	26	-	(260)
Share of loss of associate	(1)	-	-	-	-	-	(1)
Profit before income tax	**1,873**	**80**	-	-	**26**	**1,061**	**3,040**
Income tax (expense)/credit	(720)	59	-	-	(26)	(3)	(690)
Net income from continuing operations	**1,153**	**139**	-	-	-	**1,058**	**2,350**
Less: Attributable to non-controlling interest	(16)	-	-	-	-		(16)
Net income for the year attributable to owners of the parent	**1,137**	**139**	-	-	-	**1,058**	**2,334**
Net income from discontinued operations	**50**	**-**	-	-	-	**(50)**	**-**
Total net income for the year attributable to owners of the parent	**1,187**	**139**	-	-	-	**1,008**	**2,334**
Earnings per share (EPS) from continuing operations							
Basic	160.0	19.6	-	-	-	148.7	328.3
Diluted	159.3	19.5	-	-	-	148.2	327.0
Earnings per share (EPS) from discontinued operations							
Basic	7.0	**-**	-	-	-	(7.0)	**-**
Diluted	7.0	**-**	-	-	-	(7.0)	**-**
Earnings per share (EPS) from total operations							
Basic	167.0	19.6	-	-	-	141.7	328.3
Diluted	166.3	19.5	-	-	-	141.2	327.0

Earnings per share (EPS) is calculated using 710.9m shares (basic) and 713.7m shares (diluted)

Impact of business combinations is composed of :

- Amortisation of acquired intangibles of £80m relates to the amortisation of certain intangible assets recognised as a result of historical business combinations. Included within income tax expense is a £19m tax credit in relating to intangible amortisation.

- Changes to deferred tax liabilities of £78m relate to principally to the change in the UK corporate tax rate which was substantially enacted during the year (which is netted against the £19m tax credit).

Reclassification of finance expenses of £26m relates to the net interest charge on tax liabilities that is shown within the adjusted tax charge.

Other individually material items of income and expense include:

- IFCN impairment of goodwill, £985m;
- Costs relating to the Korea HS issue, £69m; and
- Costs relating to previously announced restructuring projects (principally RB 2.0 costs), £7m.

Income tax expense is a £3m tax credit for these items.

Adjusted measures excluding IFCN China

The table below reconciles the Group's reported IFRS measures to its adjusted measures excluding IFCN China for the years ended 31 December 2021 and 31 December 2020.

Year ended 31 December 2021	IFRS £m	Adjusting Items £m	Adjusted £m	IFCN China £m	Adjusted exc. IFCN China £m
Net Revenue	13,234	-	13,234	(383)	12,851
Cost of sales	(5,558)	14	(5,544)	214	(5,330)
Gross profit	**7,676**	**14**	**7,690**	**(169)**	**7,521**
Net operating expenses	(8,480)	3,667	(4,813)	236	(4,577)
Operating (loss) / profit	**(804)**	**3,681**	**2,877**	**67**	**2,944**
Operating margin	-6.1%				22.9%
Operating margin vs PY	(2,150 bps)				(160 bps)

Year ended 31 December 2020	IFRS £m	Adjusting Items £m	Adjusted £m	IFCN China £m	Adjusted exc. IFCN China £m
Net Revenue	13,993	-	13,993	(861)	13,132
Cost of sales	(5,558)	-	(5,558)	375	(5,183)
Gross profit	**8,435**	**-**	**8,435**	**(486)**	**7,949**
Net operating expenses	(6,275)	1,141	(5,134)	401	(4,733)
Operating profit	2,160	1,141	3,301	(85)	3,216
Operating margin	15.4%				24.5%

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

Net Revenue *31 December 2021*	Hygiene £m	Health £m	Nutrition £m	Group £m
2020 IFRS	**5,816**	**4,890**	**3,287**	**13,993**
Disposals	-	(176)	(885)	(1,061)
2020 Like for Like	5,816	4,714	2,402	12,932
2021 IFRS	**5,911**	**4,646**	**2,677**	**13,234**
Acquisitions and disposals	**-**	**(142)**	**(403)**	**(545)**
Exchange	**340**	**207**	**143**	**690**
2021 Like for Like	**6,251**	**4,711**	**2,417**	**13,379**
Like for Like Growth	**7.5%**	**(0.1)%**	**0.6%**	**3.5%**

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

Net Revenue *31 December 2021*	North America £m	Europe/ ANZ £m	Developing Markets £m	Group £m
2020 IFRS	**4,304**	**4,474**	**5,215**	**13,993**
Disposals	(17)	(143)	(901)	(1,061)
2020 Like for Like	4,287	4,331	4,314	12,932
2021 IFRS	**4,200**	**4,316**	**4,718**	**13,234**
Acquisitions and disposals	**(61)**	**(74)**	**(410)**	**(545)**
Exchange	**271**	**156**	**263**	**690**
2021 Like for Like	**4,410**	**4,398**	**4,571**	**13,379**
Like for Like Growth	**2.9%**	**1.5%**	**6.0%**	**3.5%**

Reconciliation of Adjusted EBITDA to Net Debt

	31 Dec 2021 £m	31 Dec 2020 £m
Operating (Loss) / Profit	(804)	2,160
Less: Adjusting items	3,681	1,141
Adjusted Operating Profit	2,877	3,301
Less: Adjusted Depreciation and Amortisation	362	392
Adjusted EBITDA	**3,239**	**3,693**

	31 Dec 2021 £m	31 Dec 2020 £m
Cash and cash equivalents including overdrafts	1,259	1,644
Financing liabilities	(9,637)	(10,598)
Net Debt	(8,378)	(8,954)
Adjusted EBITDA / Net Debt	**2.6x**	**2.4x**

Reconciliation of operating cash flow to free cash flow.

	31 Dec 2021 £m	31 Dec 2020 £m
Cash generated from continuing operations	**2,836**	4,557
Less: net interest paid	(222)	(267)
Less: tax paid	(915)	(762)
Less: purchase of property, plant & equipment	(373)	(394)
Less: purchase of intangible assets	(77)	(92)
Plus: proceeds from the sale of property, plant & equipment	9	10
Free Cash Flow	**1,258**	**3,052**
Free Cash Flow Conversion	**61%**	**131%**

Return on Capital Employed (ROCE) Calculation

	31 Dec 2021 £m	31 Dec 2020 £m
Adjusted operating profit	2,877	3,301
Less: Taxation on adjusted operating profit	(633)	(750)
Adjusted net operating profit after tax	**2,244**	**2,551**
IFRS total assets	26,946	31,292
IFRS total current liabilities	(8,088)	(6,938)
IFRS total assets less current liabilities	18,858	24,354
Less IFRS items not included in capital employed:		
Short-term borrowings	2,485	763
Current tax liabilities	93	72
Legal provisions	86	127
Cash and cash equivalents	(1,261)	(1,646)
Current tax recoverable	(155)	(125)
Retirement benefit surplus	(355)	(226)
IFRS balances included in capital employed	19,751	23,319
Add impact back unrealised impairments	3,143	5,116
Less Goodwill due to deferred tax on intangibles	(4,133)	(5,301)
Impact of average in year vs closing balance	3,442	2,023
Average capital employed	**22,203**	**25,157**
Return on capital employed	**10.1%**	**10.1%**

Dividend Cover

	31 Dec 2021 £m	31 Dec 2020 £m
Interim dividend paid in year	521	520
Final dividend proposed	726	725
Total dividends	**1,247**	**1,245**
Adjusted Net Income	2,059	2,334
Dividend cover	**1.7**	**1.9**