

2007 was a great year!

We made excellent progress in making our 18 Power Brands stronger global market leaders. Bar one, that held flat, all Power Brands gained market share due to high levels of brand investment and the launch of exciting new products like Air Wick Freshmatic Mini and Vanish Oxi Action Multi. Not only did the Power Brands gain in the markets where they are sold, they are increasingly becoming global leaders as we roll these brands out to new markets.

Power Brands now account for 61% of Reckitt Benckiser's total net revenues, up from 40% in 2001. The continued strong development behind these increasingly clear global leaders in categories with strong growth potential positions the Company well for the future.

We also started to realise our ambition of becoming a real global player in consumer healthcare, another area where we believe the Company can achieve good growth at very attractive margins.

In February 2006, we acquired the Boots Healthcare International (BHI) business. In 2007, not only did we complete the integration of BHI, delivering more than the originally targeted synergies and one year ahead of schedule, we managed to grow the BHI business by 10% on a true like-for-like basis, well ahead of ingoing assumptions. Most of this growth was driven by the three new Power Brands that came with the BHI acquisition: Nurofen, Strepsils and Clearasil.

Towards the end of 2007, we announced our intent to acquire Adams Respiratory Therapeutics, Inc., a transaction which completed on 30 January 2008. Adams allows us to enter the USA, the largest consumer healthcare market in the world with Mucinex, the clear No.1 in the US Cough Relief market. Mucinex will become our 19th Power Brand. Its unique and patent-protected formulas and consumer claims of 12-hour relief provide clear opportunities for further growth for the brand in the USA and in new geographies.

As we are looking forward, we are excited by the growth and margin potential the Power Brands in consumer healthcare can bring to Reckitt Benckiser.

Strong in-market results drove our financial success in the year. 2007 was the eighth consecutive year of above industry average net revenue and profit growth for Reckitt Benckiser. Net revenues at constant exchange grew by 10% in total and 9% on a like-for-like basis, with exchange reducing both numbers by 3%. Adjusted profit for the year advanced by 15% at actual exchange.

The strong financial results and confidence in the continued momentum of the Company led the Board to increase 2007 dividends by 21% and continue with a £300m share buy back programme.

Investors often ask us why we have been successful and even more importantly if we can continue our track record. Since the formation of Reckitt Benckiser in 1999, the Company has delivered consistently above industry average growth in net revenues and profits. We believe at the heart of our success lies our consumer-centric vision, a clear and consistent strategy, the strength of our organisation and culture and our ever stronger product portfolio of globally leading brands in attractive categories. We believe the same elements position us well for future success.

A consumer-centric vision

Our vision is to deliver consumers and customers better solutions for that short period of time every day that they use household cleaning, health or personal care products. Our enduring passion to make continuous progress in this area forms the foundation of our success.

A clear and consistent strategy

Disproportionate focus on our 18 Power Brands to realise our vision and drive above industry average growth

We narrowly focus on these 18 brands as they typically are global market leaders in categories with strong growth potential. These are the brands that receive the lion's share of new products to realise our vision and the bulk of our media and marketing investment to consistently grow them ahead of the market and company average.

Our Power Brands now account for 61% of our total business – up from 40% in 2001. Many of them are world leaders like Vanish in Fabric Treatment, Finish and Calgonit in Automatic Dishwashing or Lysol and Dettol in Disinfection.

We use high levels of brand investment and innovation to nurture our Power Brands to above industry and company average growth rates. Our innovation rate at almost 40% of net revenue from products launched in the prior three years strengthens the positions of our Power Brands within their categories, continually enhancing their consumer appeal. These innovations are then supported with a marketing investment that is amongst the highest in our industry – with our media investment alone running at 12.4% of net revenues.

Due to the historical way our business has been built over the years, through mergers and acquisitions, our Power Brands are not yet present in all markets around the world. However, our dedication to rolling them out into new geographies is reaping rewards. In 1999, Vanish was mostly a UK brand, but it is now in 57 countries and the clear No.1 worldwide in Fabric Treatment. Veet was in 27 and with its presence now in 73 countries has become the global leader in depilatories. Air Wick was in 11 and it is now in 70 making it a strong No.2 in Air Care.

Globalising our Power Brands not only makes them stronger market leaders, it further enhances our corporate net revenue growth.

Transforming growth into profit and cash flow

We focus on turning the growth of the business into attractive profit and cash flow through margin expansion and cash conversion.

We expand margins through an unrelenting attention to cost optimisation, from removing unnecessary components in packaging to creative approaches in manufacturing and logistics. We also drive margins by focusing on higher margin products and categories. Margin expansion not only fuels profit growth, but it also provides the funds to reinvest back into the business to pursue more growth opportunities.

The proof of our success is that we have continued to expand margins even in a period of volatility in commodity prices, and this is due to our persistence in seeking internal cost reduction opportunities not as a one-off exercise, but as a way of everyday business.

We convert all of this into cash through tight control and management of our net working capital and relentless attention to cash.

Our management, people and culture make it happen

A strong management team, and a highly driven group of people, bound together by a common culture bring this vision and strategy to life.

At Reckitt Benckiser, we work together with passion to excite consumers. We truly live our business, it is fun and therefore rewarding and it is an obsession that goes beyond just being a job. Our culture breeds pride in achievement, a truly personal commitment to deliver, pleasure in co-operating in teams and the excitement of taking calculated risks in the search for better solutions. Not for us a culture of consensus, rather we enjoy constructive conflict if it leads to better decision making. Ours is a culture that works for us. That is why we work very hard on recruiting and developing our talent to fit with our culture.

Delivering shareholder value

...in the short-term

The result of our vision, strategy and values brought to life by our passionate people is a performance that has delivered growing profit and cash flow for shareholders. Our growth has outpaced our industry consistently over the past eight years. And shareholders have been rewarded for this with consistent growth in the value of their shares, in a progressive dividend policy, and continuing share buy backs.

...in the long-term

We are also driving the long-term value of the business for shareholders by making our business more sustainable, through building our reputation as a responsible company, and through taking actions to improve upon the social and environmental impact of our business.

Reckitt Benckiser now consistently scores at the head of industry on external measures of sustainability. With programmes such as Trees for Change (a carbon offset programme) and our continuing partnership with Save the Children worldwide, we are already putting back some of the benefits of our business.

In 2007 we launched a major and far-reaching programme, Carbon 20, to make a real and measurable reduction in our products' Total Carbon Footprint, from cradle-to-grave. This programme tackles not just the easy wins of carbon reduction in the areas under the control of our own business, but the much larger, if less straightforward, issues in our supply chain and in consumer use of our products. Success in reducing our products' Total Carbon Footprint by 20% by the year 2020 will make a real contribution to the world's efforts on climate change, effectively taking the equivalent of nearly a million cars off the roads.

Seeing is believing

We always analyse and review the reasons for our past success.

These 2007 financial results and the progress of our Power Brands and categories are evidence that our approach works.

We have a compelling vision and strategy alongside a dynamic group of Power Brands with an exciting array of growth opportunities ahead. This is brought to life by our 23,400 people, incentivised and motivated, working in a collaborative and energising environment, and in a Company they are proud to work for.

I believe these attributes are the foundations of our past success and will continue to be the fundamental drivers to our future success. However, seeing is believing, and I hope the pages that follow will allow you to share my confidence in that future.

Bart Becht

Chief Executive