UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 7, 2017

McCormick & Company, Incorporated
(Exact name of registrant as specified in its charter)

Maryland	**001-14920**	**52-0408290**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

18 Loveton Circle **Sparks, Maryland**	**21152**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (410) 771-7301

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 8.01 Other Events.

As previously disclosed on Item 1.01 of its Current Report on Form 8-K filed on July 19, 2017, on July 18, 2017, McCormick & Company, Incorporated, a Maryland corporation ("McCormick"), entered into a Stock Purchase Agreement (the "Agreement") with The R.T. French's Food Group Limited, a private limited company incorporated in England and Wales ("French's Seller"), Reckitt Benckiser LLC, a Delaware limited liability company ("Tiger's Milk Seller" and, together with French's Seller, the "Sellers"), and Reckitt Benckiser Group plc ("Sellers' Parent").

Pursuant to the terms and conditions of the Agreement, at the closing, McCormick will acquire 100% of the outstanding equity interests of each of (i) The French's Food Company LLC, a Delaware limited liability company ("French's US"), (ii) The French's Food Company, Inc., a Canadian corporation ("French's Canada"), (iii) The R.T. French's Food Company Limited, a private limited company incorporated in England and Wales ("French's UK"), and (iv) Tiger's Milk LLC, a Delaware limited liability company ("Tiger's Milk", and together with French's US, French's Canada and French's UK, the "Acquired Business"), which is referred to herein as the "Acquisition". The aggregate purchase price payable by McCormick is $4.2 billion in cash, subject to customary purchase price adjustments related to the amount of the Acquired Business' cash, debt, net working capital, and transaction expenses as described in the Agreement.

The closing of the transaction is subject to customary closing conditions, including the expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The Agreement contains certain termination rights for the Sellers and McCormick, including if the closing does not occur before 5:00 p.m. New York City time on January 18, 2018, subject to certain extension rights. Subject to the satisfaction of these conditions, McCormick expects to complete the Acquisition before the end of the fiscal year ending November 30, 2017.

In connection with the Acquisition, Sellers have prepared historical financial information for Reckitt Benckiser Group plc's food business (the "Food Business"). The Food Business was historically managed together with certain other financing legal entities which are not being acquired in the Acquisition. Amounts included in the historical financial information related to those entities that are not being acquired as part of the Acquired Business are eliminated as a pro forma adjustment in our unaudited pro forma condensed combined financial information.

This Current Report on Form 8-K is being filed in connection with the Acquisition to provide the combined financial statements of the Food Business and pro forma financial information set forth under Item 9.01 below, which are incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired

The historical audited combined balance sheets of the Food Business as of December 31, 2016 and December 31, 2015 and the related audited combined statements of income and comprehensive income, combined statements of changes in parent company equity and combined statements of cash flows for the fiscal years ended December 31, 2016, December 31, 2015 and December 31, 2014, together with the notes thereto and the independent auditor's report thereon, are filed as Exhibit 99.1 to this Current Report on Form 8-K and are incorporated herein by reference.

The historical unaudited combined balance sheet of the Food Business as of June 30, 2017, and the related unaudited combined statements of income and comprehensive income, combined statements of changes in parent company equity and combined statements of cash flows for the six-month periods ended June 30, 2017 and 2016, together with the notes thereto, are filed as Exhibit 99.2 to this Current Report on Form 8-K and incorporated herein by reference.

(b) Pro forma financial information

The following unaudited pro forma financial information is filed as Exhibit 99.3 hereto and is incorporated herein by reference.

- Unaudited Pro Forma Condensed Combined Balance Sheet as of May 31, 2017;
- Unaudited Pro Forma Condensed Combined Income Statement for the fiscal year ended November 30, 2016;
- Unaudited Pro Forma Condensed Combined Income Statement for the six months ended May 31, 2017; and
- Notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

(d) Exhibits

Exhibit Number	Description
23.1	Consent of PricewaterhouseCoopers LLP.
99.1	Audited combined balance sheets of the Food Business as of December 31, 2016 and 2015 and the related combined statements of income and comprehensive income, combined statements of changes in parent company equity and combined statements of cash flows for each of the years ended December 31, 2016, 2015 and 2014, together with the notes thereto and the independent auditor’s report thereon.
99.2	Unaudited combined balance sheets of the Food Business as of June 30, 2017 and the related combined statements of income and comprehensive income, combined statements of changes in parent company equity and combined statements of cash flows for each of the six-month periods ended June 30, 2017 and 2016, together with the notes thereto.
99.3	Unaudited Pro Forma Condensed Combined Financial Information.

Cautionary Note Concerning Forward-Looking Statements

Certain information contained herein and in the exhibits that are not statements of historical or current fact constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements may be identified by the use of words such as “may,” “will,” “expect,” “should,” “anticipate,” “intend,” “believe” and “plan.” The forward-looking statements contained in this Form 8-K include, without limitation, statements related to: the planned acquisition of the Acquired Business and the timing and financing thereof; the ability to obtain regulatory approvals and meet other closing conditions for the planned acquisition. These and other forward-looking statements are based on management’s current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as: risks associated with acquisitions generally, such as the inability to obtain, or delays in obtaining, required approvals under applicable antitrust legislation and other regulatory and third party consents and approvals; potential volatility in the capital markets and its impact on the ability to complete the proposed debt and equity financing necessary to satisfy the purchase price; failure to retain key management and employees of the Acquired Business; issues or delays in the successful integration of the Acquired Business' operations with those of McCormick, including incurring or experiencing unanticipated costs and/or delays or difficulties; difficulties or delays in the successful transition of the Acquired Business' business from the information technology systems of the Sellers to those of McCormick as well as risks associated with other integration or transition of the operations, systems and personnel of the Acquired Business, each, as applicable, within the term of the six-month post-closing transition services agreement between McCormick and the Sellers; future levels of revenues being lower than expected and costs being higher than expected; failure or inability to implement growth strategies in a timely manner; unfavorable reaction to the acquisition by customers, competitors, suppliers and employees; conditions affecting the industry generally; local and global political and economic conditions; conditions in the securities market that are less favorable than expected; and changes in the level of capital investment, and other risks described in McCormick's filings with the Securities and Exchange Commission, including McCormick's Annual Report on Form 10-K for the year ended November 30, 2016.

Actual results could differ materially from those projected in the forward-looking statements. McCormick undertakes no obligation to update or revise publicly, any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

McCORMICK & COMPANY, INCORPORATED

By: /s/ Michael R. Smith
Michael R. Smith
Executive Vice President & Chief Financial Officer

Date: August 7, 2017

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-207757 and 333-200347) and Registration Statements on Form S-8 (Nos. 333-187703, 333-186250, 333-158573, 333-155775, 333-150043, 333-114094, 333-93231, 33-33724 and 33-24658) of McCormick & Company, Incorporated of our report dated July 7, 2017 relating to the financial statements of Reckitt Benckiser Group Plc's Food Business, which appears in this Current Report on Form 8-K of McCormick & Company, Incorporated.

/s/ PricewaterhouseCoopers LLP
London, United Kingdom
August 7, 2017

Exhibit 99.1

Food Business
(A carve out of the Food business of Reckitt Benckiser Group plc)

COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2016, 2015, and 2014

INDEX TO COMBINED FINANCIAL STATEMENTS

FOOD BUSINESS
INDEPENDENT AUDITOR'S REPORT

To: The Directors of Reckitt Benckiser Group plc

We have audited the accompanying combined financial statements of Reckitt Benckiser Group plc's food business (the "**Food Business**"), which comprise the combined balance sheets as of 31 December 2016 and 31 December 2015, and the related combined statements of income and comprehensive income, the combined statements of changes in parent company equity and of the combined statements of cash flows for each of the three years in the period ended 31 December 2016 (the "**combined financial statements**").

Management's responsibility for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Food Business' preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Food Business' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Food Business as of 31 December 2016 and 31 December 2015, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2016 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP
London
July 7, 2017

FOOD BUSINESS
COMBINED BALANCE SHEETS
As of December 31 2016 and 2015

(Expressed in millions of U.S. Dollars)	2016	2015
ASSETS		
Current assets:		
Accounts receivable, net	49.3	32.8
Inventories, net	32.6	33.4
Prepaid expenses and other current assets	5.4	3.7
Due from related parties	430.1	279.3
Total current assets	**517.4**	**349.2**
Property, plant and equipment, net	29.1	32.9
Intangible assets	36.0	36.0
Goodwill	9.7	9.7
Deferred income tax assets	17.0	16.1
Total assets	**609.2**	**443.9**
LIABILITIES AND PARENT COMPANY EQUITY		
Current liabilities:		
Accounts payable	47.1	34.9
Payable income taxes	27.6	11.2
Due to related parties	30.5	43.8
Accrued expenses and other current liabilities	47.5	41.2
Total current liabilities	**152.7**	**131.1**
Deferred income tax liabilities	19.1	19.3
Pension and other post retirement liabilities	22.6	18.6
Total liabilities	**194.4**	**169.0**
Commitments & Contingencies		
Invested equity:		
Parent's net investment	415.9	276.0
Accumulated other comprehensive income/(loss)	(1.1)	(1.1)
Total invested equity	**414.8**	**274.9**
Total liabilities and invested equity	**609.2**	**443.9**

The accompanying notes form an integral part of these combined financial statements.

FOOD BUSINESS
COMBINED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the years ended December 31 2016, 2015, 2014

(Expressed in millions of U.S. Dollars)	2016	2015	2014
Net revenue	564.2	539.9	526.9
Cost of products sold	257.7	248.8	251.4
Gross profit	**306.5**	**291.1**	**275.5**
Operating expenses:			
Selling expenses	50.0	45.5	47.0
Distribution expenses, net	12.0	11.6	10.2
Administrative expenses	64.6	56.8	58.5
Research and development	3.1	2.7	2.7
Operating profit	**176.8**	**174.5**	**157.1**
Other income/(expense):			
Interest income	1.7	0.5	0.1
Interest expense	—	—	(20.2)
Other income/(expense), net	**1.7**	**0.5**	**(20.1)**
Income before taxes	**178.5**	**175.0**	**137.0**
Provision for income taxes	44.2	41.3	36.2
Net income	**134.3**	**133.7**	**100.8**
Other comprehensive income/(loss), pre-tax:			
Foreign currency translation movements	0.1	(1.3)	(0.7)
(Losses)/gains on cash flow hedges	(0.1)	0.9	—
Other comprehensive loss	—	**(0.4)**	**(0.7)**
Total comprehensive income	**134.3**	**133.3**	**100.1**

The accompanying notes form an integral part of these combined financial statements.

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FOOD BUSINESS
COMBINED STATEMENTS OF CHANGES IN PARENT COMPANY EQUITY
For the years ended December 31 2016, 2015, 2014

(Expressed in millions of U.S. Dollars)	*Parent's net investment*	*Accumulated other comprehensive income*	*Total invested equity*
Balance at 1 January 2014	**128.4**	**—**	**128.4**
Net income	100.8	—	100.8
Other comprehensive loss	—	(0.7)	(0.7)
Net transfers from Parent	17.6	—	17.6
Balance at 31 December 2014	**246.8**	**(0.7)**	**246.1**
Net income	133.7	—	133.7
Other comprehensive loss	—	(0.4)	(0.4)
Net transfers to Parent	(104.5)	—	(104.5)
Balance at 31 December 2015	**276.0**	**(1.1)**	**274.9**
Net income	134.3	—	134.3
Other comprehensive loss	—	—	—
Net transfers from Parent	5.6	—	5.6
Balance at 31 December 2016	**415.9**	**(1.1)**	**414.8**

The accompanying notes form an integral part of these combined financial statements.

FOOD BUSINESS
COMBINED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016, 2015 and 2014

(Expressed in millions of U.S. Dollars)	2016	2015	2014
OPERATING ACTIVITIES:			
Net income	134.3	133.7	100.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8.5	8.2	8.4
Deferred income taxes	(1.1)	0.4	(8.6)
Net change in assets and liabilities:			
Accounts receivable	(16.8)	(1.9)	9.3
Prepaid expenses and other current assets	(1.9)	(0.7)	0.7
Inventories	0.7	(1.0)	(0.8)
Related parties	(11.2)	(4.8)	60.2
Accounts payable	12.0	(0.5)	(18.2)
Accrued expenses and other liabilities	6.2	(15.3)	41.0
Income taxes payable	16.7	2.4	9.2
Long term retirement benefits and other liabilities	4.1	0.9	3.0
Net cash provided by operating activities	**151.5**	**121.4**	**205.0**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(4.7)	(9.3)	(8.7)
Net cash used in investing activities	**(4.7)**	**(9.3)**	**(8.7)**
FINANCING ACTIVITIES:			
Net advances to related parties	(152.4)	(7.6)	(217.2)
Net transfers to/(from) parent	5.6	(104.5)	17.6
Net cash provided by financing activities	**(146.8)**	**(112.1)**	**(199.6)**
Effect of exchange rate fluctuations on cash and cash equivalents	—	—	—
Decrease in cash and cash equivalents	—	—	(3.3)
Cash and cash equivalents at the beginning of the year	—	—	3.3
Cash and cash equivalents at end of year	—	—	—
Supplemental cash flow disclosures:			
Income taxes paid	(31.1)	(42.9)	(31.2)
Interest received/(paid)	1.7	0.5	(20.1)

The accompanying notes form an integral part of these combined financial statements.

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FOOD BUSINESS
Notes to Combined Financial Statements

1. Organization

The accompanying combined financial statements represent the operations and related net assets of Reckitt Benckiser Group plc's ("RB") food business ("the Food Business").

The Food Business consists of the following legal entities, branches, brands and other assets and liabilities:

- The R.T. French's Food Group Limited;
- The French's Food Company LLC;
- The French's Food Company Inc.;
- The R.T French's Food Company Limited;
- The French's Food Finance Company Limited;
- The French's Food Finance Co Ltd Lux Branch;
- The French's Food Company Sarl;
- The French's Food Company (2016) Ltd (UK);
- Assets and liabilities, and operations relating to the Tiger's Milk Trademark;
- The Springfield LC leased warehouse; and
- A defined benefit obligation, the Union Pensions Plan

The Food Business is engaged in the consumer foods business and primarily manufactures sauces, with a manufacturing facility located in Springfield, USA.

Basis of Preparation

The Food Business has not comprised a separate legal entity or group of entities for the years ended 31 December 2016, 2015 and 2014. The combined financial statements have been prepared on a "carve-out" basis from the accounting records of RB using historical results of operations, assets and liabilities attributable to the Food Business and include allocations of expenses from RB. On such basis, these combined financial statements of the Food Business set out the combined balance sheet as at 31 December 2016 and 2015 and the results of operations and cash flows for the three years then ended.

These combined financial statements may not be indicative of the Food Business' future performance and do not necessarily reflect what the results of operations, financial position and cash flows would have been had it operated as a standalone business during the periods presented.

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

These combined financial statements are presented in millions of dollars ('$') and are prepared on a historical cost and going concern basis.

The following summarizes the accounting and other principles applied in preparing the Food Business' combined financial statements:

- These combined financial statements were prepared using the RB Group's historical records of its assets and liabilities, and includes all sales, costs, assets and liabilities directly attributable to the Food

Business. Costs directly associated with the Food Business, for example, the costs associated with manufacturing, are separately identifiable and have been included directly within these combined financial statements. See “Allocation from Parent” below.

- In addition, there are a number of other indirect central costs which have been allocated to the Food Business to reflect the fact that it operated as part of the wider RB Group. See “Allocation from Parent” below.
- The Food Business has not in the past constituted a separate legal group and therefore it is not meaningful to show share capital or an analysis of reserves for the Food Business. The net assets of the Food Business are represented by the cumulative investment of the RB Group in the Food Business (shown as “Total invested equity”). All intracompany transactions within the Food Business have been eliminated. All inter-company transactions between the Food Business, RB and other related entities not settled during the year are considered to be outstanding at the balance sheet date and have been included in these combined financial statements as due from or to related parties.
- Parent’s net investment in the Food Business as shown in the combined balance sheet includes certain non-contractual amounts due to / from RB. Contractual intercompany receivables / payables with RB have been shown as financial assets / liabilities in the combined financial statements.
- Unless invoiced and unsettled at a period end, all such costs and expenses have been deemed to have been settled by the Food Business to RB in the period in which the costs were incurred.
- RB uses a centralized approach to cash management and financing its operations. Transactions between RB and the Food Business are accounted for through related parties. Accordingly, none of the cash, cash equivalents, debt or related interest expense at the corporate level has been assigned to the Food Business in these combined financial statements, with the exception of that cash and inter-company debt that is held by the legal entities that comprise the Food Business.
- Certain aspects of the Food Business’ operations have historically been included in the tax returns filed by the respective parent entities of which the Food Business is a part. The provision for/benefit from taxes and other income tax related information contained in these combined financial statements are presented on a separate return basis as if the Food Business filed its own tax returns. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if the Food Business were a separate taxpayer and a standalone enterprise for the periods presented. The tax charges recorded in the income statement may not necessarily be representative of the charges that may arise in the future.

Allocation from Parent

The combined financial statements include expense allocations for certain functions provided by RB, including, but not limited to, general corporate expenses related to finance, tax, information technology, human resources, communications, employee benefits and incentives. These expenses are in the underlying books and records and are allocated on the basis of revenue, headcount, activity or other relevant measures. These costs have been allocated to the Food Business in all periods presented and are included within administrative expenses within the combined financial statements. These cost allocations amounted to $23.6 million, $22.9 million and $22.5 million for the years ended 2016, 2015 and 2014, respectively.

Additionally, the financial statements of the Food Business also reflect a portion of RB group costs relating to its operations as a public company including, but not limited to, corporate governance and board oversight. These costs have not historically been allocated to the Food Business, however they have been included in the combined carve out financial statements in all periods presented. These cost allocations are included within administrative expenses within the combined financial statements and amounted to $10.7 million, $12.8 million and $10.9 million for the years ended 2016, 2015 and 2014, respectively.

Management believes the assumptions and allocations underlying the combined financial statements are reasonable and appropriate under the circumstances. The expenses and cost allocations have been determined on a basis that the Food Business considers to be a reasonable reflection of the utilization of services provided or the benefit received by the Food Business during the periods presented.

Further, amounts of $10.9 million, $11.0 million and $13.0 million for the years ended December 31, 2016, 2015 and 2014, respectively have been recharged to another part of RB as a result of fully including the cost base related to the Springfield LC leased warehouse within the combined financial statements. The amounts recharged out are considered a reasonable reflection of overall utilization of the warehouse and are included as a deduction to distribution expenses within the combined financial statements.

The amounts recorded for the allocations are not necessarily representative of the amounts that would have been reflected in the combined financial statements had the Food Business been an entity that operated independently.

2. Summary of Significant Accounting Policies

Principles of Combination

The combined financial statements include the global historical assets, liabilities and operations of the Food Business for which it is responsible. Intracompany transactions within the Food Business have been eliminated. Transactions between the Food Business and other businesses of RB are included in these combined financial statements.

Use of Estimates

The Food Business prepares its combined financial statements in accordance with U.S. GAAP, which requires the Food Business to make accounting policy elections, estimates, and assumptions that affect a number of amounts in the combined financial statements. Management bases its estimates on historical experience and other assumptions that management believes are reasonable. If actual amounts differ from estimates, management includes the revisions in the combined results of operations in the period the actual amounts become known. The aggregate differences, if any, between the Food Business' estimates and actual amounts in any year have not had a material effect on the combined financial statements.

Foreign Currency Translation and Transactions

The presentation currency and functional currency of these combined financial statements is the United States Dollar ("USD"). The financial statements of entities, branches and operations whose functional currency is not USD are translated into USD on the following basis:

- Assets and liabilities at the rate of exchange ruling at the year-end date.
- Revenue and expenses at the average rate of exchange for the year.

The net effect of these translation adjustments is shown in the combined financial statements as a component of accumulated other comprehensive income within the combined statement of changes in parent company equity.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the combined statement of income within administrative expenses. The amount of exchange differences recognized in the combined statement of income and comprehensive income during the years ended December 31, 2016, 2015 and 2014 was $0.1 million, $(1.3) million and $(0.7) million, respectively.

Accounts Receivable

Accounts receivable are measured at their net realizable value after allowance for doubtful accounts. Allowance for doubtful accounts are established when there is objective evidence that the Food Business will not be able to collect all amounts due according to the original terms of the receivables. This allowance is used to reduce gross trade receivables to their net realizable values. Significant financial difficulties of the debtor, probability that a debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

As of December 31, 2016 and 2015, the allowance for doubtful accounts was $0.4 million and $0.3 million respectively.

	2016	2015
Trade receivables	49.7	33.1
Allowance for doubtful accounts	(0.4)	(0.3)
Accounts receivables	**49.3**	**32.8**

The maximum exposure to credit risk at the period end is the carrying value of each class of receivable mentioned above. The Food Business does not hold any collateral as security.

Concentrations of Credit Risk

Financial instruments that potentially subject the Food Business to significant concentrations of credit risk consist principally of trade receivables. The Food Business controls credit risk through credit approvals, credit limits and monitoring procedures. The Food Business does not require collateral for trade accounts receivable. As at December 31, 2016 one customer accounted for 16% of the total accounts receivable. There were no customer accounts receivable balances over 10% as at December 31, 2015.

Concentrations of credit risk with respect to trade receivables are limited due to the wide variety of customers and markets into which the Food Business' products are sold, as well as their dispersion across different geographic areas, primarily in the United States. One customer accounted for 15%, 16% and 16% of the total net revenue for the years ending December 31, 2016, 2015 and 2014, respectively. There were no other individual customers that accounted for more than 10% of the Group's net revenue during the years ended December 31, 2016, 2015 and 2014.

Inventories

Inventories are carried at the lower of cost or market value. The cost of inventories is determined by the first-in, first-out ("FIFO") method. Cost comprises materials, direct labor and an appropriate portion of overhead expenses (based on normal operating capacity) required to get the inventory to its present location and condition. Inventory is evaluated at each balance sheet date to ensure that it is carried at the lower of cost or market value. This evaluation includes an analysis of historical physical inventory results, a review of excess and obsolete inventories based on inventory aging and anticipated future demand. Periodically, perpetual inventory records are adjusted to reflect declines in net realizable value below inventory carrying cost.

Inventories at the end of the year were as follows:

	2016	2015
Raw materials	2.1	1.8
Work in-progress	0.7	0.7
Finished goods	31.0	31.9
Inventories at lower of cost or market value	33.8	34.4
Inventory reserves	(1.2)	(1.0)
Inventories, net	**32.6**	**33.4**

The cost of inventories recognized as an expense and included as cost of products sold amounted to $164.8 million, $162.1 million and $164.2 million in 2016, 2015 and 2014, respectively. Inventory write offs and losses of $2.6 million, $3.3 million and $1.6 million in 2016, 2015 and 2014, respectively have been recognized.

Property, Plant and Equipment

Major classes of property, plant and equipment stated at cost were as follows:

	2016	2015
Land	1.2	1.2
Buildings and improvements	27.0	25.2
Machinery and equipment	95.6	91.2
Construction in progress	0.9	2.4
Property, plant and equipment	**124.7**	**120.0**
Accumulated depreciation	(95.6)	(87.1)
Property, plant and equipment, net	**29.1**	**32.9**

Property, plant and equipment are recorded at cost and depreciated using the straight-line method based on the following estimated useful lives of the assets:

- Freehold buildings: not more than 50 years;
- Leasehold land and buildings: the lesser of 50 years or the period of the lease;
- Owned plant and equipment: not more than 15 years.

The cost of property, plant and equipment and related accumulated depreciation are written off upon the retirement or disposal of such assets and the resulting gain or loss is recognized at the time of disposition. Maintenance and repairs that do not improve efficiency or extend the estimated economic life are expensed as incurred. Depreciation expense for the years ended December 31, 2016, 2015 and 2014 was $8.5 million, $8.2 million and $8.4 million, respectively. No interest was capitalized during any of the periods presented.

Impairment of Long-Lived Assets

The Food Business reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Food Business evaluates the potential impairment of long-lived assets or asset groups based on undiscounted cash flow expectations for the related assets or asset group relative to its carrying value. These future estimates are based on historical results, adjusted to reflect management's best estimate of future market and operating conditions. If impairment is determined to exist, any related impairment loss is calculated based upon comparison of the estimated fair value to the net carrying value of the assets. There was no impairment loss recorded in any of the years presented in the combined financial statements.

Leases

Leases are reviewed for capital or operating classification at their inception under the guidance of Accounting Standard Codification ("ASC") 840, Leases. Leases classified as operating leases are recorded as rent expense on a straight-line basis, over the lease term in the combined statement of income.

Goodwill and Indefinite-lived Intangible Assets

Goodwill arose from a past business combination. Indefinite-lived intangible assets, comprising of trademarks, were also acquired by way of past acquisitions and were initially recorded at fair value and subsequently measured at cost.

Goodwill and indefinite-lived assets of the Food Business at December 31, 2016 and 2015 consisted of the following:

	2016	2015
	Gross/Net Carrying Amount	Gross/Net Carrying Amount
Goodwill	9.7	9.7
Trademarks	36.0	36.0
Total	**45.7**	**45.7**

The Food Business performs an annual impairment test of goodwill and indefinite-lived intangible assets at the end of each financial year or more frequently if impairment indicators are present. If impaired, the carrying value of goodwill and indefinite-lived intangible assets are written down to fair value.

In performing the impairment test of goodwill the Food Business assesses relevant qualitative factors to determine whether it is more likely than not that the fair value of the relevant reporting unit is less than its carrying amount. The qualitative factors that the Food Business considers include, but are not limited to, general economic conditions, outlook for the food industry and the Food Business' recent and forecasted financial performance. After considering such factors, the Food Business concludes whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If it is determined as a result of the qualitative assessment, that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, the provisions of the authoritative guidance require that the Food Business performs a quantitative impairment test.

Similarly the Food Business assesses the relevant qualitative factors to determine whether it is more likely than not that the fair value of its indefinite-lived intangible assets are less than their carrying values.

At the end of 2016 and 2015, the Food Business performed its annual impairment test. The results of the qualitative assessment indicated that there were no triggering events and that the fair value of the Food Business' reporting unit and the indefinite-lived intangible assets were more likely than not in excess of their carrying value. Therefore goodwill and indefinite-lived intangible assets were not impaired.

Revenue Recognition

The Food Business recognizes revenue when the title and risk of loss are passed to the customer. In line with U.S. GAAP the Food Business recognizes revenue when all of the following conditions are met: persuasive evidence of an agreement exists, delivery has occurred, the Food Business' price to the buyer is fixed and determinable and collectability is reasonably assured. Net Revenue is defined as the amount invoiced to external customers during the year and comprises gross revenue net of trade spend, customer allowances for credit notes, returns and consumer coupons. The methodology and assumptions used to estimate credit notes, returns and consumer coupons are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions.

Trade spend, which consists primarily of customer pricing allowances, placement/listing fees and promotional allowances, are governed by sales agreements with trade customers (retailers and distributors). Accruals are recognized under the terms of these agreements, to reflect the expected promotional activity and historical experience. These accruals are reported within accrued expenses and other current liabilities.

Provisions for estimated returns and allowances and customer rebates are recorded when the related products are sold.

Value added tax and other sales taxes are excluded from Net Revenue.

Cost of Products Sold

Cost of sales includes all costs directly related to bringing products to their final selling destination. It includes purchasing and receiving costs, direct and indirect costs to manufacture products, including materials, labor, and overhead expenses necessary to acquire and convert purchased materials and supplies into finished goods. Cost of sales also includes inspection costs, depreciation, freight charges in and out and costs to operate equipment.

Shipping and Handling Costs

All amounts billed to customers in a sales transaction for shipping and handling are classified as revenue. Shipping and handling costs are also a component of cost of products sold.

Advertising Costs

Selling expenses comprise of advertising costs and were $50.0 million in 2016, $45.5 million in 2015, and $47.0 million in 2014. The policy is to expense advertising costs as incurred.

Distribution expenses

Distribution expenses comprise warehousing and other related costs.

Research and Development

Research and development expenses include direct, research related overhead costs for internal projects, which are expensed as incurred. Research and development expense was $3.1 million in 2016, $2.7 million in 2015 and $2.7 million in 2014.

Income Taxes

Income taxes are recorded under the asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Food Business recognizes tax benefits from uncertain tax positions only if that tax position is more likely than not to be sustained on examination by the taxing authorities, based on the technical merits of the position. The Food Business then measures the tax benefits recognized in the financial statements from such positions based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Food Business' policy for recording interest and penalties associated with unrecognized tax benefits is to record such items as a component of income before taxes. Penalties and interest are recorded in administrative expenses, in the accompanying combined statement of income. There were no interest or penalties associated with unrecognized tax benefits for the years ended December 31, 2016, 2015 or 2014.

The Food Business establishes valuation allowances against its deferred tax assets when it is more likely than not, that all or a portion of a deferred tax asset will not be realized. There were no valuation allowances associated with unrecognized tax assets for the years ended December 31, 2016 and 2015.

Certain aspects of the Food Business' operations have historically been included in the tax returns filed by the respective parent entities of which the Food Business is a part. The provision for/benefit from taxes and other income tax related information contained in these combined financial statements are presented on a separate return basis as if the Food Business filed its own tax returns. The separate return method applies the accounting guidance for income taxes to the standalone financial statements as if the Food Business were a separate taxpayer and a standalone enterprise for the periods presented. The tax charges recorded in the income statement may not necessarily be representative of the charges that may arise in the future.

Pension Plans

Employees of the Food Business participate in both defined contribution pension plans and defined benefit pension plans.

Defined contribution plans

Contributions made by the Food Business to defined contribution pension plans are expensed in the period in which they occur.

Defined benefit plans

Eligible employees of the Food Business are members of the Retirement Plan for Union Employees of Reckitt Benckiser, LLC (the "Union Pension Plan"), which is a defined benefit pension plan. Certain other current and former employees of the Food Business are members of a multi-employer plan operated by RB, the non-union defined benefit pension plan. Additionally, certain senior employees are members of the Reckitt Benckiser LLC executive pension plan.

The Food Business applies defined benefit plan accounting for its participation in the Union Pension Plan. The Food Business measures its plan assets at fair value and the obligations at the present value of the estimated payments to plan participants. Participants earn benefits based on their service and pay. Those estimated payment amounts are determined based on assumptions. Actuarial gains and losses are fully recognized in the combined statement of income at the end of the year.

The Food Business accounts for its participation in the non-union defined benefit pension plan and the Reckitt Benckiser LLC executive pension plan as multi-employer pension plans. In respect of the multi-employer defined benefit pension plans it is not possible to identify the Food Business' share of the underlying assets and liabilities on a consistent and reliable basis. Therefore, payments made to these plans are treated as though they were payments to a defined contribution scheme and charged to the combined statement of income in the year that they are incurred.

Employees are also members of other post-retirement plans in the USA. The US retiree health care plan is a scheme operated by RB, whereby RB is ultimately responsible for paying the claims related to the medical benefits, therefore the plan is considered a fully insured plan where RB is the insurer. Fully insured plans are treated as multi-employer pension plans with expenses paid charged to the combined statement of income in the year that they are incurred.

Share-Based Compensation

Certain employees of the Food Business participate in RB's share-based compensation plans. Incentives in the form of shares are provided to employees under share option and restricted share schemes vested in accordance with non-market conditions. The Food Business' share-based compensation expense is the estimated fair value of options granted by RB, amortized on a straight line basis over the requisite service period. The fair value of the share option awards is estimated as of the date of grant using the Black-Scholes option-pricing model. This model requires input assumptions for expected dividend yield, expected share price volatility, risk-free interest rate and the expected option term.

The awards are treated as equity settled by RB. Social security taxes incurred by the Food Business due to the grant of share based compensation are expensed to the combined Income Statement in the period incurred with a corresponding liability recognized.

See also Note 4, "Share-based Compensation".

Fair Value of Financial Instruments

The fair value of financial instruments is the amount at which the instruments could be exchanged in a current transaction between willing, market participants. Financial instruments principally consist of cash, accounts receivable from customers, accounts payable to vendors and related party balances.

The Food Business evaluates fair values based on the guidance noted within Accounting Standards Codification ("ASC") Topic 820 Fair Value Measurement and Disclosures. This guidance emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC Topic 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within levels one and two of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level three of the hierarchy).

Level one inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Food Business has the ability to access. Level two inputs are inputs other than quoted prices included in level one that are observable for the asset or liability, either directly or indirectly. Level two inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability, other than quoted prices, such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals. Level three inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Food Business' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Parent's Net Investment

Parent's net investment in the combined balance sheets represents RB's historical investment in the Food Business, the Food Business' accumulated net earnings after income taxes, and the net effect of transactions with and certain allocations from RB.

Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)". This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. This standard will be adopted on January 1, 2018. The impact of the new standard is still being assessed and may have an impact on the combined financial statements.

In July 2015, the FASB issued ASU 2015-11, “Inventory (Topic 330)”. This guidance amends the subsequent measurement of inventory to the lower of cost and net realizable value. This standard is effective for fiscal years beginning after December 15, 2016 and is to be applied prospectively, early application is permitted. The Food Business adopted this ASU on January 1, 2017. The new standard did not have a material impact on the combined financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”. The standard requires lessees to recognize lease assets and lease liabilities on the balance sheet and requires expanded disclosures about leasing arrangements. This standard will be adopted on January 1, 2019. The impact of the new standard is still being assessed as to whether or not there will be a material impact on the combined financial statements. For additional details on our operating leases, see Note 6.

In March 2016, the FASB issued ASU 2016-09, “Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting”. The standard amends several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. This standard was adopted on January 1, 2017. The new standard did not have a material impact on the combined financial statements.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments”. This update is intended to reduce diversity in practice in the classification of certain cash receipts and payments in the statement of cash flows. The updated standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The impact of the new standard is still being assessed but it is not expect to have a material impact on the combined financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, “Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” which eliminates the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. The new standard is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for annual or interim goodwill impairment testing performed after January 1, 2017. The new standard did not have a material impact on the combined financial statements.

In June 16, 2016, the FASB issued ASU 2016-13, “Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”. The standard will replace the “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount under the other-than-temporary impairment model. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. The amendments in this update are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The impact of the new standard is still being assessed but it is not expected to have a material impact on the combined financial statements.

In May 2016 the FASB issued ASU No. 2016-12 “Narrow-Scope Improvements and Practical Expedients”. This new guidance amends certain aspects of the new revenue standard, ASU 2014-09 ‘Revenue From Contracts With Customers’. The ASU’s effective date and transition provisions are aligned with the requirements in the new revenue standard, January 1, 2018, which is not yet effective. The impact of the new standard is still being assessed but it is not expected to have a material impact on the combined financial statements.

In April 2016 the FASB issued ASU 2016-10 “Identifying Performance Obligations and Licensing”, which amends certain aspects of the Board’s new revenue standard, ASU 2014-09 ‘Revenue From Contracts With Customers’. The ASU’s effective date and transition provisions are aligned with the requirements in the new revenue standard, January 1, 2018, which is not yet effective. The impact of the new standard is still being assessed but it is not expected to have a material impact on the combined financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes". The new guidance eliminates the requirement to separate deferred income tax liabilities and assets into current and noncurrent amounts. The amendments will require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The updated guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within those annual periods. Early adoption is permitted, and the amendments may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The new standard did not have a material impact on the combined financial statements.

In August 2014, the FASB issued ASU 2014-15, which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if "conditions or events raise substantial doubt about the entity's ability to continue as a going concern." The ASU applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The new standard did not have a material impact on the combined financial statements.

3. Employee Benefit Plans

The measurement date for defined benefit plan assets and liabilities is December 31, the fiscal year-end of the Food Business. A summary of the elements of key employee benefit plans is as follows:

Defined Benefit Plans

Union Pension Plan

The Retirement Plan for Union Employees of Reckitt Benckiser LLC (the "Union Pension Plan") is a defined benefit pension plan which is still open to new members. Only members of the trade union are eligible for membership. Benefit obligations, fair value of plan assets, funded status of the plan, and accumulated benefit obligation were as follows:

	Union Pension Plan	
	2016	2015
Benefit obligation at the end of year	52.7	49.8
Fair value of plan assets at end of year	30.1	31.2
Underfunded	**22.6**	**18.6**
Accumulated benefit obligation at the end of the year	44.5	42.1

The following table sets forth the amounts recognized in the combined balance sheets as of December 31, 2016 and 2015:

	Years ended December 31,	
	2016	2015
Amounts recognised in the combined balance sheets:		
Noncurrent liabilities	(22.6)	(18.6)
Net amount recognized in the balance sheet	**(22.6)**	**(18.6)**

The net periodic benefit cost in respect of the Union Pension Plan includes:

	Years ended December 31,		
	2016	2015	2014
Net Pension Cost for the year			
Service cost	2.7	2.8	2.0
Expected expenses	0.5	0.3	0.3
Total Service Cost	3.2	3.1	2.3
Interest cost	1.9	2.0	2.0
Expected return on plan assets	(2.2)	(2.6)	(2.8)
Amortization of transition (asset)/obligation	—	—	—
Amortization of prior service cost	—	—	—
Loss/(gain)	1.0	(1.6)	1.6
Net Periodic Pension Cost	**3.9**	**0.9**	**3.1**

Actuarial assumptions

The underlying assumptions for the Union Pension Plan are as follows:

	Years ended December 31,		
	2016	2015	2014
Weighted-average assumptions to determine benefit obligation:			
Discount rate	4.00%	4.10%	
Rate of benefit level increase	4.00%	4.00%	
Weighted-average assumptions to determine net periodic pension cost			
Discount rate	4.10%	3.80%	4.70%
Expected return on plan assets	7.60%	7.40%	8.00%
Rate of benefit level increase	4.00%	4.00%	4.00%

The discount rate was determined based on the yield to maturity of high-quality corporate bonds and considering the duration of the pension plan obligations.

The expected rate of return on plan assets (EROA), as selected by Reckitt Benckiser, was developed for 2016 expense assuming 66% of the portfolio is invested in equities, 29% in fixed income and 5% in real estate. The expected asset return assumption was based on an analysis of long term expected returns for the asset classes in which the plans assets were invested as of the measurement date. The assumed earnings rate was determined gross of expenses based on input from the plan sponsor and reflects information and the plan's asset allocation as of the valuation date.

Plan assets

The Union Pension Plan assets consist of a mix of equities, fixed income funds and real estate funds in order to achieve returns over a market cycle which reduces contribution and expense to an acceptable level of risk. The target asset allocation as of December 31, 2016 was 66% equity, 29% fixed income funds and 5% real estate funds. Cash flow (i.e., cash contributions, benefit payments) is used to rebalance back to the targets as necessary. Investments are well diversified within each of the asset categories. All of the plan assets are actively managed.

The fair values of the Union Pension Plan assets by major asset categories as of December 31, 2016 and 2015 were as follows:

	Fair value, determined using fair value measurement inputs (Level 2)	
	2016	**2015**
Equity securities	20.0	20.4
Fixed income fund	8.5	9.2
Real estate funds	1.6	1.6
Total	**30.1**	**31.2**

Benefit payments

The Food Business made benefit payments under the Union Plan of $2.5 million, $6.1 million, and $3.1 million in 2016, 2015, and 2014, respectively. The table below provides the expected future benefit payments:

Year ending December 31,	Union Pension Plan
2017	3.4
2018	3.5
2019	4.1
2020	3.1
2021	3.9
2022-2026	20.2

Contributions

The Food Business' policy for funding the Union Pension Plan is to contribute amounts sufficient to meet minimum funding requirements under employee benefit and tax laws. The Food Business may decide to contribute additional amounts beyond this level. The Food Business did not make any contributions to the Union Pension Plan in 2016, 2015, and 2014 and does not expect to make any contributions to the Union Pension Plan in 2017.

Other Post Employment Benefit Plans

Non-Union Pension Plan

The Non-Union Pension Plan is a plan for RB employees. It meets the definition of a defined benefit scheme due to a defined benefit service component but leavers are entitled to roll their investment in the plan into a defined contribution scheme of their choice, subject to a three year vesting period. The Food Business accounts for its participation in this plan as a multi-employer pension plan. The scheme was closed to new members in 2010 and to new contributions from existing members in 2017.

US Retiree Health Care Plan

Salaried participants become eligible for retiree health care benefits after they reach a combined 'age and years of service rendered' figure of 70, although the age must be a minimum of 55. The Plan was closed to new members in 2009. A Benefits Committee of the plan is appointed by RB and is responsible for the governance of the Plan, including paying all administrative costs and compliance with regulations. The Plan is unfunded and treated as fully insured.

Defined Contribution Plans

SIPs (401k)

This is a defined contribution scheme where employees pay in and the employer makes a contribution equal to 75% of the employee contribution up to a cap of 6% of gross pay. This scheme is open to all RB employees in the US. The plan provides that profit sharing contributions will only be due at the end of the plan year and will only be made for employees who remain employees of a participating employer as of the end of the plan year. The plan also provides employees a share ownership program benefit, which is linked to the RB share price but is settled in cash when the employee receives distributions under the scheme.

Executive Pension Plan

This is an unqualified defined contribution pension scheme open only to RB executives. The Food Business executives are members of the plan. The plan includes participant deferrals and company contributions. The plan is funded.

On sale of the Food Business all benefits due to these members will immediately vest for those over 55. Those under 55 will have the benefits deferred. The assets and liabilities for these plans are held separately from the Food Business.

Total amounts for post-employment benefits excluding the Union Pension Plan are included in administrative expenses within the combined statement of income and totalled $4.7 million, $4.8 million and $4.7 million for the years ended December 31, 2016, 2015 and 2014, respectively.

4. Share-based Compensation

Certain of the Food Business' employees participate in RB's various incentive plans. Net income for 2016, 2015 and 2014 included pre-tax share-based compensation expense, within administrative expenses, of $1.3 million, $1.5 million and $1.5 million, respectively, which related to share options and a restricted share scheme.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Purchase of goods	15.3	11.4
Rebates	8.7	12.0
Marketing and advertising	11.0	10.0
Payroll and other employee related costs	9.2	5.7
Sales returns	0.2	1.1
Overdraft	0.5	0.6
Other, net	2.6	0.4
	47.5	**41.2**

6. Commitments and Contingencies

Legal Proceedings

The United Food and Commercial Workers and Employers Food Trades and Industrial Health and Welfare Plan and its trustees (the "Fund") filed a suit against Reckitt Benckiser LLC ("RB LLC") in the federal District Court for the Western District of Missouri in April 2017 alleging that RB LLC violated the Employee Retirement Income Security Act of 1974 (ERISA) by failing to make adequate contributions to the Fund for the years 2014 through 2016 and early 2017. Settlement discussions are in process. The settlement demand is for an amount of $2.8 million which has been recognized within accrued payroll and other employee related costs as at December 31, 2016.

Additionally, the Food Business is involved in other litigation proceedings and has made provisions for such matters where appropriate. Where it is too early to determine the likely outcome of these matters and the matters are not considered significant, the Food Business has made no provision for such potential liabilities.

Operating Leases

Rental expenses for leases of certain land and buildings, equipment, vehicles, warehouse, office facilities and equipment were $3.1 million in 2016, $2.7 million in 2015, and $2.6 million in 2014.

Minimum rental commitments under non-cancelable operating leases in effect at December 31, 2016 were:

Year Ending December 31	
2017	2.6
2018	2.6
2019	2.5
2020	1.7
2021	0.8
Thereafter	1.6
Total	**11.8**

Purchase Obligations

At December 31, 2016, the Food Business has various commitments related to property, plant and equipment, materials, supplies, storage based on projected needs to be utilized in the normal course of business. As of December 31, 2016, purchase obligations were as $58.9 million for 2017. There are no other purchase obligations beyond 2017.

7. Income Taxes

The following tables present components of the provision for income taxes, the principal items of deferred taxes, and a reconciliation of the US federal statutory income tax rate to the effective income tax rate for the years or dates indicated, as applicable:

	2016	2015	2014
Income before income tax expense:			
US	106.1	103.4	80.7
Foreign	72.4	71.6	56.3
Total	**178.5**	**175.0**	**137.0**
Provision for income taxes:			
Current			
US	39.8	34.7	38.9
Foreign	5.9	6.6	6.5
	45.7	41.3	45.4
Deferred			
US	(1.6)	(0.2)	(9.2)
Foreign	0.1	0.2	—
Net provision for income taxes	**44.2**	**41.3**	**36.2**

The components of deferred income tax assets and liabilities are summarized as follows at December 31, 2016 and 2015:

	2016	2015
Deferred income tax assets:		
Share based compensation	1.7	1.7
Defined benefit obligation	8.4	6.9
Interest accrual	6.0	6.0
Inventory reserves	0.2	0.1
Temporary differences	0.7	0.6
Other, net	—	0.8
Deferred income tax assets	**17.0**	**16.1**
Deferred income tax liabilities:		
Intangible assets	13.4	13.4
Property, plant and equipment	5.6	5.6
Other, net	0.1	0.3
Deferred income tax liabilities	**19.1**	**19.3**

As of December 31, 2016 and 2015, there were no unrecognized deferred tax assets or liabilities. At the same dates there are no operating loss or tax credit carryforwards.

The reconciliation of the US federal statutory income tax to the effective income tax rate is summarized as follows:

	2016	2015	2014
US federal statutory tax rate	35%	35%	35%
Increase/(decrease) resulting from:			
State tax	2%	2%	2%
Provisions for uncertain tax provisions	2%	1%	2%
Other deductions	(3%)	(4%)	(3%)
US effective tax rate	36%	34%	36%
Profits taxed in foreign jurisdictions	(11%)	(10%)	(11%)
Effective tax rate	**25%**	**24%**	**25%**

The provision for income taxes consists of provisions for federal, state and foreign income taxes. The Food Business operates in an international environment, accordingly, the combined effective tax rate is a composite rate reflecting the earnings in various locations and the applicable tax rates. Additionally, the calculation of the percentage point impact of domestic manufacturing deductions and other items on the effective tax rate shown in the table above are affected by income before income taxes. Fluctuations in the amount of income generated across locations outside of the US could impact comparability of reconciling items between periods.

The Food Business had no unrecognized tax benefits as of December 31, 2016 and 2015. During the years ended December 31, 2016, 2015 and 2014, the Food Business did not incur any significant interest or penalties on its tax returns. The Food Business is not currently under examination by any US federal, state or non-US tax authorities. Changes in tax laws, regulations and related interpretations (including those arising from the EU's investigations into potential breach of State Aid rules) may alter the environment in which we do business and adversely affect the financial condition and results of the Food Business.

As of December 31, 2016 the earliest years that remain subject to examination by tax authorities are 2014, 2015 and 2016 for the US, Canada and UK operations, respectively, these are expected to remain open until 2018, 2019, and 2020, respectively. With respect to income taxes, the Group does not anticipate any adjustments that would result in a material change to its financial position within the next twelve months.

8. Related Party and Parent Company Transactions

Historically, RB has provided services to the Food Business. These services and expenses include finance, legal, tax, treasury, information technology, human resources, communications, employee benefits and incentives, insurance and share based compensation. The combined statements of income also include a portion of RB's group costs relating to its operations as a public company, including, but not limited to, corporate governance and board oversight, not historically allocated to the Food Business.

These service charges and corporate expense allocations are based on a number of utilization measures including headcount, revenue, and operating profit. Management believes that the methods used to allocate expenses to the Food Business are reasonable.

The following table sets out the total expenses included in the combined statement of income for corporate allocations:

	2016	2015	2014
Costs historically allocated to the Food Business: Cost of products sold	5.8	5.3	5.3
Costs historically allocated to the Food Business: Distribution expenses	8.3	8.0	6.0
Costs historically allocated to the Food Business — Administrative expenses	9.5	9.6	11.2
Total costs historically allocated to the Food Business	23.6	22.9	22.5
Costs not historically allocated to the Food Business — Administrative expenses	10.7	12.8	10.9
Total corporate allocations	**34.3**	**35.7**	**33.4**

The following table sets out the total recharges out to other parts of RB included in the combined statement of income related to the Springfield LC leased warehouse:

	2016	2015	2014
Total corporate recharges out included in:			
Distribution expenses	**10.9**	**11.0**	**13.0**

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The following table sets out the total amount of trading transactions and balances with other RB entities (excluding allocations and recharges out as set out above), included in the combined statement of income and balance sheet, respectively:

	Receivable		Payable	
	2016	2015	2016	2015
Reckitt Benckiser (Canada) Inc.	3.8	5.5	(1.8)	(0.7)
Reckitt Benckiser LLC	46.8	47.8	(25.7)	(39.5)
Reckitt Benckiser Healthcare (UK) Ltd	—	—	(0.8)	(1.9)
RB Manufacturing LLC	—	—	(0.1)	(0.3)
Reckitt Benckiser Corporate Services Ltd	0.3	0.1	—	—
Reckitt Benckiser Treasury Services plc	379.2	225.9	(2.1)	(1.2)
RB UK Commercial Ltd	—	—	—	(0.2)
Total	**430.1**	**279.3**	**(30.5)**	**(43.8)**

	Income			Expenses		
	2016	2015	2014	2016	2015	2014
Reckitt Benckiser LLC	—	—	—	0.9	0.9	20.9
RB Manufacturing LLC	—	—	—	0.1	0.1	0.1
Reckitt Benckiser Corporate Services Ltd	—	—	—	0.1	—	—
Reckitt Benckiser (Brasil) Ltd	0.3	0.4	0.2	—	—	—
Reckitt Benckiser Treasury Services plc	1.7	0.5	0.2	—	—	—
Total	**2.0**	**0.9**	**0.4**	**1.1**	**1.0**	**21.0**

The interest income/expense on related party loans was $1.7 million, $0.5 million and $(20.1) million in 2016, 2015 and 2014, respectively. Interest is recognized in the combined statement of income in the period to which it relates. Interest is charged at LIBOR less 0.125% p.a. on balances with Reckitt Benckiser Treasury Services plc. Outstanding balances with related parties are repayable on demand.

The interest charge of $20.1 million in 2014 relates to the first three months of that year and arose as a result of the previous funding arrangement with RB that was restructured at the start of April 2014.

Parent Net Investment

Net transfers (to)/from Parent are included within the combined statement of changes in parent company equity. The components of the net transfers (to)/from Parent as of 31 December 2016, 2015, 2014 are as follows:

	2016	2015	2014
Attribution of Tiger's Milk	1.2	(0.8)	(0.1)
Attribution of Springfield LC	(1.1)	(0.4)	(1.1)
Costs not historically allocated	10.7	12.8	10.9
Income tax	(3.2)	(4.1)	4.8
Dividends paid to RB	—	(110.8)	—
Share based payment	(0.6)	(0.3)	(0.3)
Other	(1.4)	(0.9)	3.4
Total net transfers from/(to) Parent	**5.6**	**(104.5)**	**17.6**

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9. Fair Values

The carrying value and estimated fair value of the Food Business' financial instruments which at December 31, 2016 and 2015 are as follows:

	2016		2015	
	Fair value	Carrying value	Fair value	Carrying value
Assets:				
Accounts receivable	49.3	49.3	32.8	32.8
Due from related parties	430.1	430.1	279.3	279.3
Liabilities:				
Accounts payable	(47.1)	(47.1)	(34.9)	(34.9)
Due to related parties	(30.5)	(30.5)	(43.8)	(43.8)

The carrying amount of accounts receivable, accounts payable and amounts due from/to related parties, including the non-current amounts, approximates fair value due to the short-term maturity of the amounts. All related party balances are due on demand.

10. Subsequent Events

The Food Business did not have any subsequent events through July 7, 2017, which is the date its combined financial statements were available to be issued, that would require recording or disclosure in the combined financial statements for the period ending December 31, 2016, except as disclosed below.

On April 3, 2017, RB announced a strategic review of the Food Business which may lead to the eventual outright sale of the business.

Food Business
(A carve out of the Food business of Reckitt Benckiser Group Plc)

UNAUDITED COMBINED INTERIM FINANCIAL STATEMENTS
For the six-month periods ended June 30, 2017 and 2016

INDEX TO UNAUDITED COMBINED INTERIM FINANCIAL STATEMENTS

FOOD BUSINESS
UNAUDITED COMBINED BALANCE SHEETS

(Expressed in millions of U.S. Dollars)	June 30, 2017	December 31, 2016
ASSETS		
Current assets		
Accounts receivable, net	48.6	49.3
Inventories, net	41.6	32.6
Prepaid expenses and other current assets	6.7	5.4
Due from related parties	493.5	430.1
Total current assets	**590.4**	**517.4**
Property, plant and equipment, net	27.0	29.1
Intangible assets	36.0	36.0
Goodwill	9.7	9.7
Deferred income tax assets	17.1	17.0
Total assets	**680.2**	**609.2**
LIABILITIES AND PARENT COMPANY EQUITY		
Current liabilities:		
Accounts payable	57.4	47.1
Payable income taxes	19.6	27.6
Due to related parties	43.2	30.5
Accrued expenses and other current liabilities	47.2	47.5
Total current liabilities	**167.4**	**152.7**
Deferred income tax liabilities	18.4	19.1
Pension and other post retirement liabilities	23.3	22.6
Total liabilities	**209.1**	**194.4**
Commitments & Contingencies		
Invested equity		
Parent's net investment	472.5	415.9
Accumulated other comprehensive loss	(1.4)	(1.1)
Total invested equity	**471.1**	**414.8**
Total liabilities and invested equity	**680.2**	**609.2**

The accompanying notes form an integral part to these Unaudited Combined Interim Financial Statements.

FOOD BUSINESS
UNAUDITED COMBINED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Expressed in millions of U.S. Dollars)	Six months ended	
	June 30, 2017	**June 30, 2016**
Net revenue	264.9	266.2
Cost of products sold	125.4	127.6
Gross profit	**139.5**	**138.6**
Operating expenses:		
Selling expenses	28.8	29.8
Distribution expenses, net	8.1	6.0
Administrative expenses, net	28.3	39.0
Operating profit	**74.3**	**63.8**
Other income:		
Interest income	0.9	0.6
Interest expense	—	—
Other income, net	**0.9**	**0.6**
Income before taxes	**75.2**	**64.4**
Provision for income taxes	19.2	15.7
Net income	**56.0**	**48.7**
Other comprehensive income/(loss), pre-tax:		
Foreign currency translation movements	0.1	0.1
Losses on cash flow hedges	(0.4)	(0.6)
Other comprehensive loss	**(0.3)**	**(0.5)**
Total comprehensive income	**55.7**	**48.2**

The accompanying notes form an integral part to these Unaudited Combined Interim Financial Statements.

FOOD BUSINESS
UNAUDITED COMBINED STATEMENTS OF CHANGES IN PARENT COMPANY EQUITY

(Expressed in millions of U.S. Dollars)	*Parent's net investment*	*Accumulated other comprehensive income*	*Total invested equity*
Balance at December 31, 2016	415.9	(1.1)	414.8
Net income	56.0	—	56.0
Other comprehensive loss	—	(0.3)	(0.3)
Net transfers from Parent	0.6	—	0.6
Balance at June 30, 2017	**472.5**	**(1.4)**	**471.1**

(Expressed in millions of U.S. Dollars)	*Parent's net investment*	*Accumulated other comprehensive income*	*Total invested equity*
Balance at December 31, 2015	276.0	(1.1)	274.9
Net income	48.7	—	48.7
Other comprehensive loss	—	(0.5)	(0.5)
Net transfers from Parent	2.4	—	2.4
Balance at June 30, 2016	**327.1**	**(1.6)**	**325.5**

The accompanying notes form an integral part to these Unaudited Combined Interim Financial Statements.

FOOD BUSINESS
UNAUDITED COMBINED STATEMENTS OF CASH FLOWS

(Expressed in millions of U.S. Dollars)	Six months ended June 30, 2017	June 30, 2016
OPERATING ACTIVITIES:		
Net income	56.0	48.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3.8	4.4
Deferred income taxes	(0.7)	(1.6)
Net change in assets and liabilities:		
Accounts receivable	0.9	(5.6)
Prepaid expenses and other current assets	(1.6)	(4.6)
Inventories	(9.0)	(6.1)
Related Parties	14.2	(5.6)
Accounts payable	10.3	21.0
Accrued expenses and other liabilities	(0.5)	0.1
Income taxes payable	(8.1)	2.5
Long term retirement benefits	0.7	8.4
Net cash provided by operating activities	**66.0**	**61.6**
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1.7)	(2.0)
Net cash used in investing activities	**(1.7)**	**(2.0)**
FINANCING ACTIVITIES:		
Net advances to related parties	(64.9)	(62.0)
Net transfers from parent	0.6	2.4
Net cash provided by financing activities	**(64.3)**	**(59.6)**
Effect of exchange rate fluctuations on cash and cash equivalents	—	—
Decrease in cash and cash equivalents	—	—
Cash and cash equivalents at the beginning of period	—	—
Cash and cash equivalents at end of period	—	—

The accompanying notes form an integral part to these Unaudited Combined Interim Financial Statements.

1. Nature of operations and basis of presentation

The Reckitt Benckiser food business ("the Food Business") consists of legal entities, a branch and certain assets and liabilities which are fully owned by Reckitt Benckiser Group plc ("RB").

The Food Business is engaged in the consumer foods business and manufactures primarily sauces, with a manufacturing facility located in Springfield, USA.

The Food Business has not comprised a separate legal entity or group of entities for the six month periods ended June 30, 2017 and 2016.

The unaudited combined interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim information. The unaudited combined interim financial statements have been prepared on a "carve-out" basis from the accounting records of RB using historical results of operations, assets and liabilities attributable to the Food Business and include allocations of expenses from RB. The combined interim financial statements are unaudited and in the opinion of management, they contain all adjustments (consisting primarily of normal recurring adjustments) necessary for a fair statement of the Food Business's financial position as of June 30, 2017 and December 31, 2016, the results of operations for the six month periods ended June 30, 2017 and June 30, 2016, and the cash flows for the six month periods ended June 30, 2017 and June 30, 2016. The results of operations are not necessarily indicative of the results to be expected for the full fiscal year. The balance sheet at December 31, 2016, has been derived from the audited combined financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The accompanying combined interim financial statements and notes thereto should be read in conjunction with the audited combined financial statements and notes thereto for the fiscal year ended December 31, 2016.

These combined interim financial statements are presented in millions of dollars ('$').

Allocation from Parent

The combined interim financial statements include expense allocations for certain functions provided by RB, including, but not limited to, general corporate expenses related to finance, tax, information technology, human resources, communications, employee benefits and incentives. These expenses have been allocated on the basis of revenue, headcount, activity or other relevant measures. These costs have been allocated to the Food Business in all periods presented and are included within cost of goods sold, distribution costs and administrative expenses in the combined interim financial statements. Cost allocations amounted to $13.9 million and $11.9 million for the six month periods ended June 30, 2017 and 2016 respectively.

Additionally, the combined interim financial statements of the Food Business also reflect a portion of RB group costs relating to its operations as a public company including, but not limited to, corporate governance and board oversight. These costs have not historically been allocated to the Food Business, however they have been included in the combined interim carve out financial statements in all periods presented. These cost allocations are included in administrative expenses within the combined interim financial statements and amounted to $4.5 million and $6.1 million for the periods ended June 30, 2017 and 2016, respectively.

Management believes the assumptions and allocations underlying the combined interim financial statements are reasonable and appropriate under the circumstances. The expenses and cost allocations have been determined on a basis that the Food Business considers to be a reasonable reflection of the utilization of services provided or the benefit received by the Food Business during the periods presented.

Further, amounts of $4.3 million and $5.3 million for the periods ended June 30, 2017 and 2016, respectively have been recharged to another part of RB as a result of fully including the cost base related to the Springfield LC leased warehouse within the combined interim financial statements. The amounts recharged out are considered a reasonable reflection of overall utilization of the warehouse and are included as a deduction to distribution expenses within the combined interim financial statements.

However, the amounts recorded for the allocations are not necessarily representative of the amounts that would have been reflected in the combined interim financial statements had the Food Business been an entity that operated independently.

2. Summary of accounting principles

The combined interim financial statements have been prepared for the Food Business on the basis that it was historically managed by RB. All significant intercompany transactions and balances between entities within the Food Business have been eliminated. All significant outstanding balances between the Food Business and RB entities are included in the combined interim financial statements within net assets, included within due to/from Related parties on the face of the Balance Sheet.

The accounting policies of the Food Business are described in the audited combined financial statements of the Food Business for the year ended December 31, 2016 and have been applied consistently in these unaudited combined interim financial statements. There are no new accounting pronouncements that have been issued but not adopted in these unaudited combined interim financial statements that are expected to have a material impact on the unaudited combined interim financial statements.

3. Balance Sheet information

Accounts Receivable

	June 30, 2017	December 31, 2016
Trade receivables	49.2	49.7
Allowance for doubtful accounts	(0.6)	(0.4)
Accounts receivables	**48.6**	**49.3**

The maximum exposure to credit risk at the period end is the carrying value of each class of receivable mentioned above. The Food Business does not hold any collateral as security.

Inventories

	June 30, 2017	December 31, 2016
Raw materials	2.2	2.1
Work in-progress	0.7	0.7
Finished goods	40.0	31.0
Inventories at lower of cost or market value	**42.9**	**33.8**
Inventory reserves	(1.3)	(1.2)
Inventories, net	**41.6**	**32.6**

Property, Plant and Equipment

	June 30, 2017	December 31, 2016
Land	1.2	1.2
Buildings and improvements	27.1	27.0
Machinery and equipment	96.1	95.6
Construction in progress	0.9	0.9
Property, Plant and Equipment	**125.3**	**124.7**
Accumulated depreciation	(98.3)	(95.6)
Property, Plant and Equipment, net	**27.0**	**29.1**

Property, plant and equipment is carried at cost less accumulated depreciation. Depreciation expense for the periods ended June 30, 2017 and June 30, 2016 was $3.8 million and $4.4 million, respectively. No interest was capitalized during any of the periods presented.

Accrued Expenses and Other Current Liabilities

	June 30, 2017	December 31, 2016
Purchase of goods	18.8	15.3
Rebates	5.3	8.7
Marketing and advertising	16.1	11.0
Payroll and other employee related costs	5.6	9.2
Sales returns	—	0.2
Overdraft	0.5	0.5
Other, net	0.9	2.6
	47.2	**47.5**

Goodwill and Indefinite-lived Intangible Assets

The carrying amounts of goodwill and trademarks were as follows:

	Trademarks	Goodwill	Total
At June 30, 2017 and December 31, 2016	36.0	9.7	45.7

The Food Business performs an annual impairment test at the end of each financial year or more frequently if impairment indicators are present in Goodwill or indefinite-lived intangibles.

4. Pension and Retirement Plans

Employees of the Food Business participate in both defined contribution pension plans and defined benefit pension plans.

Defined benefit plans

Eligible employees of the Food Business are members of the Retirement Plan for Union Employees of Reckitt Benckiser, LLC (the “Union Pension Plan”), which is a defined benefit pension plan. Certain other current and former employees of the Food Business are members of a multi-employer plan operated by RB, the non-union defined benefit pension plan. Additionally, certain senior employees are members of the Reckitt Benckiser LLC executive pension plan.

The Food Business’s accounts for pension and retirement plans in accordance with the authoritative guidance for retirement benefit compensation.

The Food Business applies defined benefit plan accounting for its participation in the Union Pension Plan. The Food Business measures its plan assets at fair value and the obligations at the present value of the estimated payments to plan participants. Plan assets consist of a mix of equities, fixed income funds and real estate funds. Participants earn benefits based on their service and pay. Those estimated payment amounts are determined based on assumptions. Actuarial gains and losses are fully recognized in the combined statement of income.

The following represents the components of net periodic (benefit) cost:

	June 30, 2017	June 30, 2016
Service cost	1.7	1.6
Interest cost	1.0	1.0
Expected return on plan assets	(1.0)	(1.1)
(Gain)/loss	(1.0)	6.9
Net pension (credit)/cost	**0.7**	**8.4**

The Food Business accounts for its participation in the non-union defined benefit pension plan, the Reckitt Benckiser LLC executive pension plan and other post-retirement plans as multi-employer plans.

Contributions

The Food Business' policy for funding the Union Pension Plan is to contribute amounts sufficient to meet minimum funding requirements under employee benefit and tax laws. No contributions were made in the interim period to June 30, 2017 and 2016.

Amounts for post-employment benefits excluding the Union Pension Plan are included in administrative expenses within the combined statement of income and totaled $1.7 million and $1.6 million for the six month periods ended June 30, 2017 and 2016, respectively.

5. Share-based Compensation

Certain of the Food Business' employees participate in RB's various incentive plans. Net income for June 30, 2017 and 2016 included pre-tax share-based compensation expense, within administrative expenses, of $0.7 million and $0.7 million, respectively, which related to share options and the restricted share scheme.

6. Commitments and Contingencies

On July 15, 2017, the Food Business executed a settlement agreement with the United Food and Commercial Workers and Employers Food Trades and Industrial Health and Welfare Plan and its trustees (the "fund") regarding the disputed Health & Welfare contributions due under the Collective Bargaining Agreement. The settlement agreement comprised of $2.8 million for the period to June 30, 2017 plus an interest charge of $0.3 million. Additionally, an amount of $2.7 million was also agreed for the years 2018 – 2021.

The combined interim financial statements for the six-month period ended June 30, 2017 include a charge within administrative expenses of $0.3 million. The liability recognized at June 30, 2017 was $3.1 million and is included within accrued payroll and other employee related costs. The charge for the year ended December 31, 2016 and the liability recognized at December 31, 2016 was $2.8 million.

As of June 30, 2017, there were no other material changes in the Food Business's legal proceedings, contractual obligations and commercial commitments outside the ordinary course of business, as set out in the audited combined financial statements and notes thereto for the fiscal year ended December 31, 2016, 2015 and 2014 respectively.

7. Income Taxes

The effective income tax rate was 26% for the six months to June 30, 2017 and 24% for the six months to June 30, 2016.

The Food Business operates in an international environment, accordingly, the combined effective tax rate is a composite rate reflecting the earnings in various locations and the applicable tax rates. Appropriate provisions have been made in respect of any uncertain tax positions that exist in relation to the Food Business.

8. Related Party and Parent Company Transactions

Historically, RB has provided services to the Food Business. These services and expenses include finance, legal, tax, treasury, information technology, human resources, communications, employee benefits and incentives, insurance and share based compensation. The combined statements of income also include a portion of RB's group costs relating to its operations as a public company, including, but not limited to, corporate governance and board oversight, not historically allocated to the Food Business.

These service charges and corporate expense allocations are based on a number of utilization measures including headcount, revenue, and operating profit. Management believes that the methods used to allocate expenses to the Food Business are reasonable.

The following table sets out the total expenses included in the combined statement of income for corporate allocations:

	June 30, 2017	June 30, 2016
Costs historically allocated to the Food Business: Cost of products sold	3.2	2.7
Costs historically allocated to the Food Business: Distribution expenses	6.5	4.3
Costs historically allocated to the Food Business: Administrative expenses	4.2	4.9
Total costs historically allocated to the Food Business	13.9	11.9
Costs not historically allocated to the Food Business: Administrative expenses	4.5	6.1
Total corporate allocations	**18.4**	**18.0**

The following table sets out the total recharges out to other parts of RB included in the combined statement of income related to the Springfield LC leased warehouse:

	June 30, 2017	June 30, 2016
Total corporate recharges out included in:		
Distribution expenses	**4.3**	**5.3**

RB uses a centralized approach to cash management and financing its operations. Accordingly, none of the cash, cash equivalents, debt or related interest expense at the corporate level has been assigned to the Food Business in these combined financial statements, with the exception of that cash and inter-company debt that is held by the legal entities that comprise the Food Business. All intracompany transactions within the Food Business have been eliminated. All inter-company transactions between the Food Business, RB and other related entities not settled during the year are considered to be outstanding at the balance sheet date and have been included in these combined financial statements as due from or to related parties.

The following table sets out the total amount of trading transactions and balances with other RB entities (excluding allocations and recharges out as set out above) included in the combined statement of income and balance sheet, respectively:

	Receivable		Payable	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Reckitt Benckiser (Canada) Inc.	5.1	3.8	(6.5)	(1.8)
Reckitt Benckiser LLC	41.4	46.8	(30.7)	(25.7)
Reckitt Benckiser Healthcare (UK) Ltd	—	—	(1.3)	(0.8)
RB Manufacturing LLC	0.3	—	—	(0.1)
Reckitt Benckiser Corporate Services Ltd	—	0.3	—	—
Reckitt Benckiser Treasury Services Ltd	446.7	379.2	(4.7)	(2.1)
Total	**493.5**	**430.1**	**(43.2)**	**(30.5)**

	Income		Expense	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Reckitt Benckiser LLC	—	—	(0.2)	(0.7)
Reckitt Benckiser (Brasil) Ltd	0.1	0.2	—	—
Reckitt Benckiser Treasury Services Ltd	0.9	0.6	—	—
Reckitt Benckiser (Brands) Ltd	—	—	—	(0.5)
RB Manufacturing LLC	—	—	—	(0.1)
Total	**1.0**	**0.8**	**(0.2)**	**(1.3)**

The interest income on related party loans was $0.9 million and $0.6 million on June 30, 2017 and 2016, respectively. Interest is recognized in the combined statement of income in the period to which it relates. Interest is charged at LIBOR less 0.125% p.a. on balances with Reckitt Benckiser Treasury Services plc. Outstanding balances with related parties are repayable on demand.

9. Parent's Net Investment

Parent's net investment in the combined balance sheets represents RB's historical investment in the Food Business, the Food Business' accumulated net earnings after income taxes, and the net effect of transactions with and allocations from RB.

Net transfers (to)/from Parent are included within the combined statement of changes in parent company equity. The components of the net transfers (to)/from Parent as of June 30, 2017 and 2016 are as follows:

	June 30, 2017	June 30, 2016
Attribution of Tiger's Milk	(2.6)	(0.8)
Attribution of Springfield LC	0.8	0.2
Cost allocations	4.5	6.1
Income tax	(1.3)	(1.7)
Share based payment	(0.5)	(0.4)
Other	(0.3)	(1.0)
Total net transfers from Parent	**0.6**	**2.4**

10. Fair Values

Financial assets and liabilities subject to fair value measurements on a recurring basis are as follows:

	June 30, 2017		December 31, 2016	
	Fair value	Carrying value	Fair value	Carrying value
Assets:				
Accounts receivable	48.6	48.6	49.3	49.3
Due from related parties	493.5	493.5	430.1	430.1
Liabilities:				
Accounts payable	57.4	57.4	47.1	47.1
Due to related parties	43.2	43.2	30.5	30.5

The carrying amount of accounts receivable, accounts payable and due from/to related parties approximates fair value due to the short-term maturity of the amounts.

11. Subsequent Events

The Food Business did not have any subsequent events through August 4, 2017, which is the date its unaudited combined interim financial statements were available to be issued, that would require recording or disclosure in the combined financial statements for the period ending June 30, 2017, except as disclosed below and as set out in Note 6.

On July 19, 2017, RB announced that it has entered into an agreement to sell its Food business to McCormick & Company Inc.

Unaudited Pro Forma Condensed Combined Financial Information

On July 18, 2017, McCormick & Company, Incorporated, a Maryland corporation ("McCormick"), entered into a Stock Purchase Agreement (the "Agreement") with The R.T. French's Food Group Limited, a private limited company incorporated in England and Wales ("French's Seller"), Reckitt Benckiser LLC, a Delaware limited liability company ("Tiger's Milk Seller" and, together with French's Seller, the "Sellers"), and Reckitt Benckiser Group plc ("Sellers' Parent").

Pursuant to the terms and conditions of the Agreement, at the closing, McCormick will acquire 100% of the outstanding equity interests of each of (i) The French's Food Company LLC, a Delaware limited liability company ("French's US"), (ii) The French's Food Company, Inc., a Canadian corporation ("French's Canada"), (iii) The R.T. French's Food Company Limited, a private limited company incorporated in England and Wales ("French's UK"), and (iv) Tiger's Milk LLC, a Delaware limited liability company ("Tiger's Milk"), and together with French's US, French's Canada and French's UK, the "Acquired Business", which is referred to herein as the "Acquisition". The aggregate purchase price payable by McCormick is $4.2 billion in cash, subject to customary purchase price adjustments related to the amount of the Acquired Business' cash, debt, net working capital, and transaction expenses as described in the Agreement.

The closing of the transaction is subject to customary closing conditions, including the expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The Agreement contains certain termination rights for the Sellers and McCormick, including if the closing does not occur before 5:00 p.m. New York City time on January 18, 2018, subject to certain extension rights. Subject to the satisfaction of these conditions, McCormick expects to complete the Acquisition before the end of the fiscal year ending November 30, 2017. McCormick's obligation to consummate the transaction is not subject to any condition related to the availability of financing.

In connection with McCormick's entry into the Agreement, McCormick has entered into a commitment letter, dated July 18, 2017 (the "Commitment Letter"), with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A. ("Bank of America"), and Credit Suisse Securities (USA) LLC and Credit Suisse AG ("Credit Suisse"), pursuant to which and subject to the terms and conditions set forth therein, Bank of America and Credit Suisse have agreed to provide a senior unsecured 364-day bridge loan facility (the "Bridge Facility") of up to $4.2 billion in the aggregate for the purpose of providing the financing necessary to fund all or a portion of the consideration to be paid pursuant to the terms of the Agreement and related fees and expenses (the "Bridge Loan Commitment").

The Bridge Loan Commitment will be reduced in equivalent amounts upon any incurrence by McCormick of term loans and/or the issuance of equity or notes in a public offering or private placement prior to the consummation of the transaction and loans under the Bridge Facility will be prepaid in equivalent amounts upon the incurrence by McCormick of term loans and/or the issuance of equity or notes in a public offering or private placement and upon other specified events, in each case subject to certain exceptions set forth in the Commitment Letter. Although we do not currently expect to make any borrowings under the Bridge Facility, there can be no assurance that such borrowings will not be made.

McCormick expects to permanently finance the transaction with $3.7 billion of new debt, which will include pre-payable terms loans and senior unsecured notes issued in the capital markets, and the issuance of $500 million of McCormick common stock non-voting, no par value ("Common Stock Non-Voting").

In connection with the Acquisition, Sellers have prepared historical financial information for Reckitt Benckiser Group plc's food business (the "Food Business"). The Food Business was historically managed together with certain other financing legal entities which are not being acquired in the Acquisition. Amounts included in the historical financial information related to those entities that are not being acquired as part of the Acquired Business are eliminated as a pro forma adjustment in the unaudited pro forma condensed combined financial information.

The following unaudited pro forma condensed combined financial information is based on the historical financial information of McCormick and the Food Business and has been prepared to reflect the pending Acquisition and related financing transactions, as previously described. The unaudited pro forma condensed combined financial information is provided for informational purposes only.

The unaudited pro forma condensed combined income statements are not necessarily indicative of operating results that would have been achieved had the Acquisition been completed as of December 1, 2015 and does not intend to project the future financial results of McCormick after the Acquisition. The unaudited pro forma condensed combined balance sheet does not purport to reflect what our financial condition would have been had the Acquisition closed on May 31, 2017 or for any future or historical period. The unaudited pro forma condensed combined income statements and balance sheet do not reflect the cost of any integration activities or benefits from the Acquisition and synergies that may be derived, both of which may have a material effect on our consolidated results in periods following completion of the Acquisition.

McCormick's fiscal year ends on November 30, while the Food Business' fiscal year ends on December 31. Pursuant to Rule 11-02(c)(3) of Regulation S-X, the fiscal years are not being conformed for the purpose of presenting unaudited pro forma condensed combined financial statements, because the two fiscal year ends are not separated by more than 93 days.

The unaudited pro forma condensed combined interim balance sheet combines the unaudited condensed consolidated balance sheet of McCormick as of May 31, 2017 and the unaudited combined balance sheet of the Food Business as of June 30, 2017. The unaudited pro forma condensed combined income statement for the year ended November 30, 2016 combines the consolidated income statement of McCormick for the fiscal year ended November 30, 2016 with the combined statement of income of the Food Business for the year ended December 31, 2016. The interim unaudited pro forma condensed combined income statement for the six months ended May 31, 2017 combines the unaudited condensed income statement of McCormick for the six months ended May 31, 2017 and the unaudited combined statement of income of the Food Business for the six months ended June 30, 2017.

The unaudited pro forma condensed combined financial information should be read in conjunction with the following information:

- Notes to the unaudited pro forma condensed combined financial information.
- McCormick's Item 1.01 Current Report on Form 8-K filed on July 19, 2017, including the exhibit thereto, which describes the Acquisition, as filed with the Securities Exchange Commission ("SEC").

- Audited consolidated financial statements of McCormick as of and for the fiscal year ended November 30, 2016, which are included in McCormick's' Annual Report on Form 10-K for the year ended November 30, 2016, as filed with the SEC.
- Unaudited interim consolidated financial statements of McCormick as of May 31, 2017, and for the six months then ended, which are included in McCormick's Quarterly Report on Form 10-Q for the quarterly period ended May 31, 2017, as filed with the SEC.
- Audited combined financial statements of the Food Business as December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, which are included in Exhibit 99.1 to McCormick's Current Report on Form 8-K filed on August 7, 2017.
- Unaudited interim combined financial statements of the Food Business as of June 30, 2017 and for the six months ended June 30, 2017 and 2016, which are included as Exhibit 99.2 to McCormick's Current Report on Form 8-K filed on August 7, 2017.

Unaudited Pro Forma Condensed Combined Balance Sheet
May 31, 2017
(dollars in millions)

	McCormick May 31, 2017	Food Business June 30, 2017	Pro Forma Adjustments		Pro Forma Combined
Assets					
Cash and cash equivalents	$ 130.0	$ —	$ (42.7)	(c)	$ 87.3
Trade accounts receivable, net	429.7	48.6	—		478.3
Inventories	779.8	41.6	24.0	(a)	845.4
Due from related parties	—	493.5	(493.5)	(b)	—
Prepaid expenses and other current assets	86.4	6.7	—		93.1
Total current assets	1,425.9	590.4	(512.2)		1,504.1
Property, plant and equipment, net	703.8	27.0	6.4	(a)	737.2
Goodwill	1,894.8	9.7	2,579.8	(a)	4,484.3
Intangible assets, net	489.0	36.0	2,559.0	(a)	3,084.0
Investments and other assets	358.6	17.1	(17.1)	(c)(h)	358.6
Total assets	$ 4,872.1	$ 680.2	$ 4,615.9		$10,168.2
Liabilities					
Short-term borrowings	$ 656.2	$ —	$ (257.0)	(c)	$ 399.2
Current portion of long-term debt	250.6	—	75.0	(c)	325.6
Trade accounts payable	453.1	57.4	8.8	(h)	519.3
Due to related parties	—	43.2	(43.2)	(b)	—
Other accrued liabilities	441.5	66.8	(18.7)	(c)(g)(h)	489.6
Total current liabilities	1,801.4	167.4	(235.1)		1,733.7
Long-term debt	804.3	—	3,900.0	(c)	4,704.3
Other long-term liabilities	457.0	41.7	972.9	(a)(h)	1,471.6
Total liabilities	3,062.7	209.1	4,637.8		7,909.6
Shareholders' / parent's equity					
Common stock, no par value	409.3	—	—		409.3
Common stock – non-voting, no par value	693.9	—	482.0	(d)	1,175.9
Parent's investment	—	472.5	(472.5)	(b)	—
Retained earnings	1,074.2	—	(32.8)	(c)(g)	1,041.4
Accumulated other comprehensive loss	(379.3)	(1.4)	1.4	(b)	(379.3)
Non-controlling interests	11.3	—	—		11.3
Shareholders' / parent's equity	1,809.4	471.1	(21.9)		2,258.6
Total liabilities and shareholders' / parent's equity	$ 4,872.1	$ 680.2	$ 4,615.9		$10,168.2

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

Unaudited Pro Forma Condensed Combined Income Statement
For the Year Ended November 30, 2016
(in millions, except per share data)

	McCormick November 30, 2016	Food Business December 31, 2016	Pro Forma Adjustments		Pro Forma Combined
Net sales	$ 4,411.5	$ 564.2	$ —		$ 4,975.7
Cost of goods sold	2,579.8	257.7	(18.2)	(f)(h)	2,819.3
Gross profit	1,831.7	306.5	18.2		2,156.4
Selling, general and administrative expenses	1,175.0	129.7	25.4	(e)(h)	1,330.1
Special charges	15.7	—	—		15.7
Operating income	641.0	176.8	(7.2)		810.6
Interest expense	56.0	—	129.5	(c)	185.5
Other income, net	4.2	1.7	(0.8)	(b)	5.1
Income from consolidated operations before income taxes	589.2	178.5	(137.5)		630.2
Income taxes	153.0	44.2	(28.6)	(i)	168.6
Net income from consolidated operations	436.2	134.3	(108.9)		461.6
Income from unconsolidated operations	36.1	—	—		36.1
Net income	$ 472.3	$ 134.3	$ (108.9)		$ 497.7
Earnings per share – basic	$ 3.73	—	—		$ 3.77
Earnings per share – diluted	$ 3.69	—	—		$ 3.73
Average shares outstanding:					
Basic	126.6	—	5.3	(d)	131.9
Diluted	128.0	—	5.3	(d)	133.3

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

Unaudited Pro Forma Condensed Combined Income Statement
For the Six Months Ended May 31, 2017
(in millions, except per share data)

	McCormick May 31, 2017	Food Business June 30, 2017	Pro Forma Adjustments		Pro Forma Combined
Net sales	$ 2,158.0	$ 264.9	$ —		$ 2,422.9
Cost of goods sold	1,300.4	125.4	(8.7)	(f)(h)	1,417.1
Gross profit	857.6	139.5	8.7		1,005.8
Selling, general and administrative expenses	582.5	65.2	13.5	(e)(g) (h)	661.2
Special charges	8.3	—	—		8.3
Operating income	266.8	74.3	(4.8)		336.3
Interest expense	29.4	—	64.4	(c)	93.8
Other income, net	1.3	0.9	(0.4)	(b)	1.8
Income from consolidated operations before income taxes	238.7	75.2	(69.6)		244.3
Income taxes	60.6	19.2	(17.1)	(i)	62.7
Net income from consolidated operations	178.1	56.0	(52.5)		181.6
Income from unconsolidated operations	15.4	—	—		15.4
Net income	$ 193.5	$ 56.0	$ (52.5)		$ 197.0
Earnings per share – basic	$ 1.55	—	—		$ 1.51
Earnings per share - diluted	$ 1.53	—	—		$ 1.49
Average shares outstanding:					
Basic	125.0	—	5.3	(d)	130.3
Diluted	126.7	—	5.3	(d)	132.0

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

Notes to Unaudited Pro Forma Condensed Combined Financial Information

1. Basis of Presentation and Accounting Policies

Basis of Presentation

The unaudited pro forma condensed combined financial information presented herein is based on the historical audited consolidated and unaudited condensed consolidated financial information of McCormick and the audited and unaudited combined financial information of the Food Business, or is derived therefrom. McCormick's fiscal year ends on November 30, while the Food Business' fiscal year ends on December 31. Pursuant to Rule 11-02(c)(3) of Regulation S-X, the fiscal years are not being conformed for the purpose of presenting unaudited pro forma condensed combined financial statements, because the two fiscal year ends are not separated by more than 93 days.

The unaudited pro forma condensed combined balance sheet combines the unaudited condensed consolidated balance sheet of McCormick as of May 31, 2017 and the unaudited combined balance sheet of the Food Business as of June 30, 2017. The unaudited pro forma condensed combined income statement for the year ended November 30, 2016 combines the consolidated income statement of McCormick for the fiscal year ended November 30, 2016 with the combined statement of income of the Food Business for the fiscal year ended December 31, 2016. The interim unaudited pro forma condensed combined income statement for the six months ended May 31, 2017 combines the unaudited condensed consolidated income statement of McCormick for the six months ended May 31, 2017 and the unaudited combined statement of income of the Food Business for the six months ended June 30, 2017.

Pro forma adjustments reflected in the unaudited pro forma condensed combined balance sheet are based on items that are directly attributable to the pending Acquisition and related financings that are factually supportable. Pro forma adjustments reflected in the unaudited pro forma condensed combined income statements are based on items directly attributable to the pending Acquisition and related financings, and that are factually supportable and expected to have a continuing impact on McCormick.

The unaudited pro forma condensed combined income statements are not necessarily indicative of operating results that would have been achieved had the Acquisition been completed as of December 1, 2015 and does not intend to project the future financial results of McCormick after the Acquisition. The unaudited pro forma condensed combined balance sheet does not purport to reflect what our financial condition would have been had the Acquisition closed on May 31, 2017 or for any future or historical period. Additionally, the unaudited pro forma condensed combined income statements and balance sheet do not reflect the cost of any integration activities from the Acquisition and synergies that may be derived from any integration activities, both of which may have a material effect on our consolidated results in periods following completion of the Acquisition.

Accounting Policies

The Acquisition will be accounted for under the acquisition method of accounting in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, *Business Combinations*. As the acquirer, McCormick has estimated the fair value of the Food Business' assets acquired and liabilities assumed and conformed the accounting policies of the Food Business to its own accounting policies.

The accounting policies used in the preparation of the unaudited pro forma condensed combined financial information are those set out in McCormick's consolidated financial statements as of and for the fiscal year ended November 30, 2016. With the information currently available, McCormick has determined that, other than those pro forma adjustments identified, and as more fully described in (h) in Note 4, no other significant adjustments are necessary to conform the Food Business' combined financial statements to the accounting policies used by McCormick in the preparation of the unaudited pro forma condensed combined financial information. Certain reclassification adjustments have been made to the Food Business' historical unaudited combined balance sheet as of June 30, 2017 and unaudited combined statement of income for the six months ended June 30, 2017 and year ended December 31, 2016 to conform to McCormick's presentation.

At this time, McCormick has not completed detailed valuation analyses to determine the fair values of the acquired assets and liabilities of the Food Business. Accordingly, the unaudited pro forma condensed combined financial information includes a preliminary allocation of the purchase price based on assumptions and estimates that, while considered reasonable under the circumstances, are subject to changes, which may be material.

McCormick has not yet completed the due diligence necessary to identify all of the adjustments required to conform the Food Business' accounting policies or classifications to McCormick's accounting policies or to identify other items that could significantly impact the purchase price allocation or the assumptions and adjustments made in preparation of this unaudited pro forma condensed combined financial information. Upon completion of this due diligence and detailed valuation analyses, there may be additional increases or decreases to the recorded book values of acquired assets and liabilities of the Acquired Business, including, but not limited to pension liabilities; property, plant and equipment; and brands and other intangible assets, each of which may give rise to future amounts of depreciation and amortization expense that are not reflected in this unaudited pro forma condensed combined financial information. Accordingly, once the necessary due diligence and valuation analyses have been performed, the final purchase price has been determined and the purchase price allocation has been finalized, actual results may differ materially from the information presented in this unaudited pro forma condensed combined financial information.

2. Financing Transactions and Assumptions

In connection with McCormick's entry into the Agreement, McCormick entered into a commitment letter, dated July 18, 2017 (the "Commitment Letter"), with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A. ("Bank of America"), and Credit Suisse Securities (USA) LLC and Credit Suisse AG ("Credit Suisse"), pursuant to which and subject to the terms and conditions set forth therein, Bank of America and Credit Suisse have agreed to provide a senior unsecured 364-day bridge loan facility (the "Bridge Facility") of up to $4.2 billion in the aggregate for the purpose of providing the financing necessary to fund all or a portion of the consideration to be paid pursuant to the terms of the Agreement and related fees and expenses. The unaudited pro forma condensed combined financial information presented herein does not contemplate the need for drawing under the Bridge Facility prior to permanent financing being put in place.

McCormick expects to permanently finance the Acquisition with $3.7 billion of new debt, which will include pre-payable terms loans and senior unsecured notes issued in the capital markets, and $500 million in Common Stock Non-Voting. The unaudited pro forma condensed combined financial information assumes that the financing will consist of:

- $750.0 million three-year term loans with a variable interest rate and an assumed interest rate of 2.90%;
- $750.0 million five-year term loans with a variable interest rate and an assumed interest rate of 3.25%;

- $2,500.0 million aggregate amount of five-, seven-, ten- and thirty-year senior unsecured notes with a fixed interest rate and an assumed aggregate weighted-average interest rate of 3.250%; and
- $500.0 million of Common Stock Non-Voting, at an assumed offering price of $94.51 per share (which was the closing price of McCormick's Common Stock Non-Voting on The New York Stock Exchange on August 4, 2017) which would result in the issuance of approximately 5.3 million shares of Common Stock Non-Voting and an increase in pro forma weighted-average shares outstanding by such amount of shares.

The final financing and terms of such financing will be subject to market conditions and may change materially from the assumptions described above. Changes in the assumptions previously described would result in changes to various components of the unaudited pro forma condensed combined balance sheet, including cash and cash equivalents, long-term debt and Common Stock Non-Voting, and to various components of the unaudited pro forma condensed consolidated income statements, including interest expense, earnings per share and weighted average shares outstanding. Depending upon the nature of the changes, the impact on the pro forma condensed combined financial information could be material.

- Each 0.125% increase (decrease) in each of the respective previously stated interest rates assumed for the term loans and senior unsecured notes would increase (decrease) pro forma interest expense by approximately $5.0 million and $2.5 million for the fiscal year ended November 30, 2016 and the six months ended May 31, 2017, respectively, provided the aggregate principal balances do not change from those assumed as described herein.
- Each $1.00 increase (decrease) in the assumed offering price of $94.51 per share, the closing price of McCormick's Common Stock Non-Voting on The New York Stock Exchange on August 4, 2017, would (decrease) increase the number of shares of Common Stock Non-Voting to be issued by approximately 0.1 million shares and would increase (decrease) pro forma earnings per share (basic and diluted) by less than $0.01 for the fiscal year ended November 30, 2016 and the six months ended May 31, 2017, respectively, assuming the aggregate dollar amount of the shares of Common Stock Non-Voting offered by us remains the same as described herein.

3. Preliminary Purchase Price Allocation

The following is a summary of the preliminary reconciliation of the book value of the net assets acquired, liabilities assumed and certain valuation adjustments relating to the Acquisition to the purchase consideration (in millions):

Historical book value of the Food Business	$ 471.1
Preliminary adjustment to eliminate book value for assets and liabilities not acquired	(456.3)
Preliminary valuation adjustments to inventories	24.0
Preliminary valuation adjustments to property, plant and equipment	6.4
Preliminary valuation adjustment to identifiable intangible assets	2,559.0
Preliminary current and deferred income tax impact of valuation adjustments	(984.0)
Preliminary residual adjustment to goodwill	2,579.8
Total consideration	$4,200.0

This preliminary reconciliation is based on the unaudited combined balance sheet of the Food Business as of June 30, 2017 and has been used to prepare pro forma adjustments in the pro forma unaudited condensed combined financial information.

At this time, McCormick has not completed detailed valuation analyses to determine the fair values of the acquired assets and liabilities of the Food Business. Accordingly, the unaudited pro forma condensed combined financial information includes a preliminary allocation of the purchase price based on assumptions and estimates that, while considered reasonable under the circumstances, are subject to changes, which may be material. The purchase price will be primarily allocated to indefinite-lived intangible assets, finite-lived intangible assets and goodwill. The preliminary allocation of the purchase price results in approximately $2,475 million and $120 million being allocated to indefinite-lived intangible assets and finite-lived intangible assets, respectively.

4. Unaudited Pro Forma Adjustments to Historical Financial Information

The unaudited pro forma condensed combined income statements include adjustments made to historical financial information that were calculated assuming the Acquisition had been completed as of December 1, 2015. The unaudited pro forma condensed combined balance sheet includes adjustments made to historical financial information that were calculated assuming the Acquisition had been completed as of May 31, 2017. We have based the unaudited pro forma adjustments upon available information and certain assumptions that we believe are reasonable under the circumstances. The adjustments reflect our preliminary estimates of the purchase price allocation, which may change materially upon finalization of appraisals and other valuation studies that are in process. Additionally, the unaudited pro forma condensed combined income statements and balance sheet do not reflect the cost of any integration activities from the Acquisition and synergies that may be derived from any integration activities, both of which may have a material effect on our consolidated results in periods following the completion of the Acquisition.

The following adjustments have been reflected in the unaudited pro forma condensed combined financial information:

(a) The unaudited pro forma condensed combined balance sheet reflects the expected purchase price of the Acquisition and a preliminary allocation of the purchase price, as more fully detailed in Note 3, based on assumptions and estimates that, while considered reasonable under the circumstances, are subject to changes, which may be material. The purchase price will be primarily allocated to indefinite-lived intangible assets, finite-lived intangible assets and goodwill. Finite-lived intangible assets are expected to be amortized over weighted average lives of approximately 15 years. The purchase accounting adjustment of approximately $984 million in Other long-term liabilities is primarily related to the estimated deferred tax liability associated with indefinite-lived and finite-lived intangible assets related to the Acquisition.

(b) The unaudited pro forma condensed combined balance sheet and income statements include pro forma adjustments to eliminate of certain assets, liabilities and interest income (as included in other income, net) associated with the Food Business that were not part of the Acquisition. The eliminated assets and liabilities consist of related party receivables and payables of $493.5 million and $43.2 million, respectively, and a $6.0 million deferred tax asset. The unaudited condensed combined balance sheet and income statements include pro forma adjustments to eliminate the Food Business' parent's net investment and accumulated other comprehensive loss.

(c) The unaudited pro forma condensed combined balance sheet reflects the expected issuance of new term debt and senior unsecured notes in principal amounts of $1.5 billion and $2.5 billion, respectively, net of debt issue costs of $25.0 million, as shown in the following table. The unaudited pro forma condensed combined balance sheet reflects the payment of the Bridge Loan Commitment fee of $14.7 million described below and estimated transaction expenses of $28.0 million (see (g)) as a reduction of cash and cash equivalents. The unaudited pro forma condensed combined balance sheet reflects the utilization of the excess proceeds to repay outstanding commercial paper borrowings. The excess proceeds of $257.0 million represent the inflow from the Acquisition financing through the debt issuance and the equity issuance (see (d)), less payments of the expected purchase price of the Acquisition of $4.2 billion. The unaudited pro forma condensed combined income statement reflects the estimated interest expense on the new debt expected to be issued, as follows (dollars in millions).

			Estimated Interest Expense	
	Assumed Interest Rate	Amount	Six Months Ended May 31, 2017	Year Ended November 30, 2016
3-Year term loan	2.90%	$ 750.0	$ 10.9	$ 21.8
5-Year term loan	3.25%	750.0	12.2	24.4
Senior unsecured notes	3.25%[1]	2,500.0	40.6	81.2
Debt issuance costs		(25.0)	1.7	3.4
Total		$3,975.0	$ 65.4	$ 130.8

1 Represents weighted average interest rate.

We anticipate that the 5-year term loan will require annual principal repayments of 10% of the initial outstanding principal amount, or approximately $75.0 million per year. The unaudited pro forma condensed combined balance sheet reflects that amount as current portion of long-term debt. For the purposes of these unaudited pro forma condensed combined financial statements, we have assumed that senior unsecured notes will include $700.0 million of 5-year senior unsecured notes, $750.0 million of 7-year senior unsecured notes, $750.0 million of 10-year senior unsecured notes and $300.0 million of 30-year senior unsecured notes.

The rates shown above reflect management's current estimates of the interest rates for the new term loans and senior unsecured notes. A change of 0.125% in the assumed interest rates would change interest expense on a pro forma basis by $2.5 million for the six months ended May 31, 2017 and $5.0 million for the fiscal year ended November 30, 2016.

The unaudited pro forma condensed combined income statement reflects the estimated reduction in interest expense approximately $1.3 million and $1.0 million for the fiscal year ended November 30, 2016 and the six months ended May 31, 2017, respectively, associated with the expected repayment of outstanding commercial paper with the excess proceeds of $257.0 million previously described.

The unaudited pro forma condensed combined balance sheet also includes pro forma adjustments to reduce retained earnings by $9.1 million to reflect the after-tax impact of the $14.7 million of fees associated with the Bridge Loan Commitment, incurred upon commitment of the Bridge Facility, that had not been recognized in McCormick's historical unaudited condensed balance sheet as of May 31, 2017. We would incur additional fees if we were to draw on the Bridge Facility.

(d) The unaudited pro forma condensed combined balance sheet reflects our anticipated issuance of Common Stock Non-Voting to partially finance the Acquisition. McCormick intends to raise $500 million from the issuance of Common Stock Non-Voting (excluding any exercise by the underwriters of their option to purchase additional shares). McCormick expects the costs associated with this anticipated issuance of Common Stock Non-Voting will be approximately $18.0 million. Based on the closing market price of McCormick's Common Stock Non-Voting on The New York Stock Exchange on August 4, 2017 of $94.51 per share, McCormick estimates the issuance of this Common Stock Non-Voting would result in an approximate 5.3 million share increase to pro forma basic and diluted shares outstanding for both the fiscal year ended November 30, 2016 and the six months ended May 31, 2017. Each $1.00 increase (decrease) in the assumed offering price of $94.51 per share, the closing price of McCormick's Common Stock Non-Voting on The New York Stock Exchange on August 4, 2017, would (decrease) increase the number of shares of Common Stock Non-Voting to be issued by approximately 0.1 million shares and would increase (decrease) pro forma earnings per share (basic and diluted) by less than $0.01 for the fiscal year ended November 30, 2016 and the six months ended May 31, 2017, respectively, assuming the aggregate dollar amount of the shares of Common Stock Non-Voting offered by us remains the same as described herein.

(e) The unaudited pro forma condensed combined income statements include pro forma adjustments for estimated amortization expense of approximately $8.0 million and $4.0 million for the fiscal year ended November 30, 2016 and the six months ended May 31, 2017, respectively, resulting from the purchase accounting valuation adjustments to finite-lived intangible assets (see (a)). A 10% change in the valuation of finite-lived intangible assets would cause a corresponding increase or decrease in the balance of goodwill and amortization expense of approximately $0.8 million, assuming an overall weighted-average useful life of approximately 15 years.

(f) The unaudited pro forma condensed combined income statements include pro forma adjustments for estimated depreciation expense of approximately $0.2 million and $0.1 million for the fiscal year ended November 30, 2016 and the six months ended May 31, 2017, respectively, resulting from the purchase accounting valuation adjustments to property, plant and equipment (see (a)).

(g) The unaudited pro forma condensed combined income statement for the six months ended May 31, 2017 include pro forma adjustments to eliminate costs directly associated with the Acquisition, including $0.3 million of transaction costs, including legal, advisory and other professional services, incurred in that six-month period. The unaudited pro forma condensed combined balance sheet also includes pro forma adjustments for $27.7 million of additional transaction costs expected to be incurred that had not been recognized in McCormick's historical unaudited condensed balance sheet as of May 31, 2017. The pro forma adjustment to reduce retained earnings by $23.7 million represents the after-tax effect of the $28.0 million of transaction costs.

(h) The unaudited pro forma condensed combined balance sheet and income statements include pro forma adjustments to conform certain of the Food Business' accounting policies with those of McCormick. Included in these adjustments is the reclassification of the Food Business' deferred tax assets from Investments and other assets to Other long-term liabilities in the amount of $11.1 million as of May 31, 2017. Included in these adjustments is the reclassification of certain liabilities of the Food Business' from Other accrued liabilities and other assets to Trade accounts payable in the amount of $8.8 million as of May 31, 2017. Included in these adjustments is the reclassification of the Food Business' shipping and handling cost from Cost of goods sold to Selling, general and administrative expense in the amount of $21.3 million and $10.5 million for the fiscal year ended November 30, 2016 and the six months ended May 31, 2017, respectively. Also, included in these adjustments is the elimination of actuarial gains (losses) associated with the Food Business' pension plan in the amount of $(1.0) million and $1.0 million for the fiscal year ended November 30, 2016 and the six months ended May 31, 2017, respectively (such pro forma adjustment is necessary to conform to McCormick's use of the corridor approach with respect to recognition of its pension-related actuarial gains (losses)). Included in these adjustments is the reclassification of the Food Business' pension cost, after the elimination of actuarial gains (losses), from Selling, general and administrative expense to Cost of goods sold in the amount of $2.9 million and $1.7 million for the fiscal year ended November 30, 2016 and the six months ended May 31, 2017, respectively.

(i) The unaudited pro forma adjustments to Income taxes have been calculated using the applicable incremental statutory rates in effect during the respective periods. The estimate of pro forma adjustments to Income taxes, including deferred tax assets and liabilities, is preliminary and subject to change in McCormick's final determination of the fair value of the assets acquired and liabilities assumed by jurisdiction.