Rentokil Initial

28 July 2016

RENTOKIL INITIAL PLC (RTO)
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

Results £m	**H1 2016 AER**	**Growth AER**	**Growth CER**
Revenue	**987.1**	**15.4%**	**10.6%**
Revenue - ongoing operations[1]	**979.5**	**16.3%**	**11.5%**
Adjusted operating profit[2]	**114.0**	**16.9%**	**11.7%**
Adjusted operating profit[2] **- ongoing operations**[1]	**114.3**	**16.2%**	**11.0%**
Adjusted profit before tax[2]	**98.3**	**22.5%**	**16.9%**
Profit before tax	**80.4**	**14.4%**	**9.2%**
Free cash flow[3]	**57.1**		
Adjusted EPS[4]	**4.20p**	**23.5%**	**17.1%**
EPS	**3.56p**	**16.7%**	**10.4%**
Dividend per share	**0.99p**	**13.8%**	

Highlights (at CER unless stated otherwise)

- **Strong overall performance in H1** - ongoing revenue +11.5%, ongoing adjusted operating profit +11.0% and free cash flow of £57.1m (at AER) on track to meet £110m+ target for the year
- **Improved organic growth** - total organic revenue growth +2.5% year on year (FY 2015: +1.8%). Pest Control +5.5%, Hygiene +2.5%; lower level of organic decline in Workwear business of -1.8% (FY 2015: -3.2%) impacted by continued challenging conditions in France and Benelux
- **Continued strong M&A execution** – 20 acquisitions to 30 June 2016 (16 in Pest Control):
  - In addition, further expansion in North America with acquisition of pest control and turf products distribution business Residex LLC for US$30m on 1 July 2016. Acquisition doubles in size our existing products business
  - Combined annualised revenues for acquisitions (including Residex) of c. £100m:
  - Integration of Steritech continues to progress well – on track to meet $25m to $30m profit target for 2016
- **Pest Control now accounts for over 50% of group revenue and profit, total North America revenue accounts for over 30% of group revenue, post Residex acquisition**
- **Declared 13.8% increase in interim dividend to 0.99p**
- **Expectations for the full year unchanged**

Commenting on the 2016 interim results Andy Ransom, CEO of Rentokil Initial plc, said:

"I am pleased with our performance in the first half, and particularly encouraged by the performance of our pest control business and by our continued expansion into our key growth market of North America, which is set to achieve revenues of around $1bn by the end of 2016, some two years ahead of our expectations. Organic growth in Pest Control was 5.5%, with North America Pest Control growing organically by 4.7%.

"Acquisitions continue to play an important part in our growth strategy and the 21 businesses we have acquired year to date have added £100m of incremental revenue to the group and further strengthened our international presence.

"While conditions in certain parts of Europe remain challenging, particularly in France and Benelux, prospects in the majority of our key markets are good and we are on track to achieve our 2016 revenue, profit and cash expectations."

Revenue (at CER)

H1 revenue from ongoing operations increased by 11.5%, comprising organic growth of 2.5% and growth from acquired businesses of 9.0%. Pest control revenue grew strongly at 25.1%, of which 5.5% was organic (FY 2015: +4.6%). Growth in the Emerging (+17.4%) and Growth (+18.8%) quadrants was driven by good performances from North America, the UK & Ireland, Latin America, Asia and Pacific. Revenue in the Protect & Enhance quadrant declined by 1.2%, largely driven by France, with the Manage for Value quadrant broadly flat at +0.5%. In H1 we closed two very small non-core operations and these, together with other businesses divested in 2015, reduced revenue growth by 0.9% resulting in total revenue growth of 10.6%. Total revenue at AER increased by 15.4%.

Profit (at CER)

Adjusted operating profit from ongoing operations of £107.1m (which now includes restructuring costs which were previously excluded from APBITA) increased by 11.0% in H1, reflecting growth in North America, the UK & Ireland, Latin America, Asia and Pacific, but offset principally by lower profits in France. Adjusted operating profit includes restructuring costs of £3.8m (2015: £1.8m) consisting mainly of costs in respect of initiatives focused on driving operational efficiency in Europe and North America. The £2.0m increase over the prior year is due to the phasing of projects and the full year outcome is expected to be in line with our guidance of £7m. One-off items of £2.0m (H1 2015: £1.1m credit) primarily relate to the integration costs of the Steritech acquisition and are excluded from APBITA as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. Adjusted profit before tax at AER increased by 22.5% to £98.3m and was favourably impacted by foreign exchange of £6.6m due mainly to the weakness of Sterling against the Euro and USD. Profit before tax at AER of £80.4m increased by 14.4% reflecting an increase in amortisation of intangible assets following the Steritech acquisition.

Cash (at AER)

Free cashflow from continuing operations of £57.1m in H1 was £1.7m higher than in the prior year with the improvement in operating profit partially offset by increased capital expenditure (in part due to foreign exchange and phasing) and the beneficial settlement of a legacy legal claim in the prior year (£10.8m cash inflow). As a result of the expenditure on current and prior-year acquisitions of £34.9m (including net debt acquired) and adverse exchange rates movements of £142.8m (principally due to the weakening of Sterling against the Euro and USD), net debt increased by £157.6m versus 31 December 2015 to £1,184.2m.

M&A

In line with our strategy we have continued our M&A programme to pursue targets in higher growth markets and in areas which add local density to our existing operations. The Company has acquired 20 highly-targeted, city-based businesses in H1 - 16 in Pest Control, three in Hygiene and one in Plants. In North America we have continued to expand our presence with the purchase of eight businesses, including the Residex acquisition on 1 July 2016, details of which can be found on page five. In addition, we have acquired small businesses in Asia, Pacific and Europe. Combined annualised revenues of the above businesses including Residex total c. £100m in the 12 months prior to acquisition. The integration of all acquisitions is progressing well and the pipeline remains strong with opportunities to create value, particularly in Pest Control. Given the cash spend on acquisitions in the year to date, total cash spend for M&A for the full year is now likely to be in the region of £70m to £80m.

Enquiries:

Investors / Analysts:	Katharine Rycroft	Rentokil Initial plc	01276 536585 / 07811 270734
Media:	Malcolm Padley John Sunnucks	Rentokil Initial plc Bell Pottinger	07788 978 199 0203 772 2549

A presentation for investors and analysts will be held on Thursday 28 July 2016 at 9.15am in the Sidney Suite Conference Room, 1st Floor, **The Grange Tower Bridge Hotel**, 45 Prescot Street, London E1 8GP. This will be available via a live audio web cast at www.rentokil-initial.com.

AER – actual exchange rates; CER – constant 2015 exchange rates

[1]ongoing revenue and profit exclude the financial performance of disposed and closed businesses but include results from acquisitions
[2]before amortisation and impairment of intangibles (excluding computer software), one-off items and net interest credit from pensions
[3]cash flow before acquisitions, disposals, dividends and discontinued operations. A reconciliation of adjusted operating profit to free cash flow and movement in net debt is provided on page 7
[4]earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), one-off items and net interest credit from pensions
[5]Net debt comprises bank and other borrowings, cash and cash equivalents, other investments – loans and receivables and the fair value of debt related derivatives

This announcement contains statements that are, or may be, forward-looking regarding the group's financial position and results, business strategy, plans and objectives. Such statements involve risk and uncertainty because they relate to future events and circumstances and there are accordingly a number of factors which might cause actual results and performance to differ materially from those expressed or implied by such statements. Forward-looking statements speak only as of the date they are made and no representation or warranty, whether expressed or implied, is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Other than in accordance with the Company's legal or regulatory obligations (including under the Listing Rules and the Disclosure and Transparency Rules), the Company does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. Information contained in this announcement relating to the Company or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance. Nothing in this announcement should be construed as a profit forecast.

Basis of preparation

Segmental information has been presented in accordance with IFRS 8 "Operating Segments". In order to assist with year on year comparisons, all references to revenue and profit are at constant 2015 exchange rates (CER) unless stated otherwise. All comparisons are at 2015 full year average exchange rates. References to ongoing revenue and profit are from continuing operations and include the results from acquisitions but exclude revenue and profit from businesses disposed and closed. Unless otherwise stated references to 'profit' and 'operating profit' are 'adjusted' measures and are shown before amortisation, impairment of intangible assets (excluding computer software), restructuring costs and one-off items. These costs have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. A reconciliation of ongoing revenue and adjusted ongoing operating profit at CER to statutory GAAP equivalents is provided in Note 4.

REGIONAL PERFORMANCE OVERVIEW

In the section below all references to revenue and profit are for ongoing operations and references to profit are adjusted profit as defined above.

In the **North America** region revenue grew 39.9% in H1, driven by the continuing acquisition programme (+35.9%) including the acquisition of Steritech in Q4 2015, and organic revenue growth of +4.0%. Organic revenue growth from Pest Control of 4.7% was partly impacted by favourable weather conditions in Q1. Strong profit growth of 64.8% reflects the leverage impact from higher revenues and acquisitions, including synergy delivery in Steritech. This has improved net operating margins by 1.8% points (versus the first half of 2015). The integration of the Steritech business continues to go well and the business is on track to meet its profit target of \$25m to \$30m for the full year.

Total revenue for **Europe** was broadly flat at +0.5% (organic revenue growth +0.3%), with good growth in central Europe, notably Germany (+2.9%), partially offset by declines in France (-1.0%) and Benelux (-1.0%). Revenue in Southern Europe grew by 1.1% and Latin America grew by 15.3%. Profit for Europe declined by 4.3% primarily due to revenue reduction and pricing pressure in Workwear across the region and France in particular. Workwear ongoing revenues declined by 1.8% with net margins lower by 1.5% points.

Market conditions remain difficult in our workwear business across the region. Competitive market and pricing pressures in France in particular have adversely impacted revenue and margins. To mitigate this we have implemented a quality initiative in our workwear business which has led to higher customer retention and our focus is now on building sales in small and medium sized customers. Our European hygiene operations grew by 0.6%, driven by growth in France in particular, and revenues from our pest control businesses grew by 4.1%. We expect these mixed conditions in the region to continue for the remainder of the year and hence the rate of profit decline in Europe for the full year is anticipated to be in line with H1.

In the **UK & Rest of World** region revenue rose by 4.1%, reflecting organic growth of 3.7% and acquisition growth of 0.4%. The UK Region continued its trend of growth in Pest Control and Hygiene through the first half of 2016. Further growth in jobbing work, in both pest control and property services, has been strong along with portfolio growth in Hygiene. The Rest of World operations delivered good revenue growth of 3.7% across all of its regional clusters in the Nordics, Caribbean, Africa and MENAT. Profit in the region grew by 7.7%, reflecting leverage from the higher revenue growth with net margins up by 0.7% points.

The **Asia** region has had another strong performance with revenue increasing by 11.9% (+7.9% organic) with both the pest control and hygiene businesses performing well. Our operations in the less established markets of India, China and Vietnam continue to deliver strong growth (+23.9%). Double-digit revenue increases were also delivered in the more developed markets of Indonesia (+12.2%) and Malaysia (+16.0%, of which 6.4% was organic and 9.6% was growth through acquisitions). Profit in the region grew by 34.3% in the first half, reflecting the leverage from higher revenues and this, together with service productivity improvements from greater density, contributed to an increase in net margins of 1.7% points.

In the **Pacific** region revenue grew by 9.4% in H1 (+3.6% organic), driven by additional contract revenue from acquisitions, higher levels of jobbing work in Pest Control and improved retention in Hygiene. Profit in the region grew 10.8% with productivity gains supplementing the strong revenue growth.

STRATEGY UPDATE

In February 2014 we announced our RIGHT WAY plan to deliver sustainable revenue and profitable growth. Our plan is based upon a clear, fixed business model for the company which includes **five distinct regions**: North America, Europe, UK & Rest of World, Asia and Pacific. We have **three core competencies:** our colleagues as experts, our business leadership and our lean multi-business model. We use a **quadrant analysis tool for**

capital allocation and operational management and group our businesses and geographies into a four-box growth potential grid. Finally, we aim to consistently meet our three **medium-term financial targets:** mid-single-digit revenue growth, high-single-digit profit growth and sustainable delivery of free cash flow of £110m+ per annum.

Our top three strategic priorities are:

1. **Accelerating Growth in Pest Control**
2. **Executing Now in Hygiene**
3. **Focusing on Quality in Workwear**

Accelerating Growth in Pest Control

Pest Control is our core business line and engine for growth. The business has grown strongly in the first half of 2016, growing ongoing revenue and ongoing adjusted profit by 25.1% and 28.1% respectively. Since 2013 the business has delivered a compound annual growth rate of 14.7%.

Following the acquisition of Residex on 1 July 2016 Pest Control now accounts for over 50% of group revenues and profits.

We plan to deliver continued acceleration of our business through:

- Deployment of new pest products and services from our innovation pipeline;
- Roll-out of our performance-enhancing web presence across the group;
- Our leadership in the 'Internet-of-Things' for pest control, for example monitoring devices covering a range of pests and risk-based reporting through extranets/apps;
- Leverage of our North America position and growth in emerging markets; and
- Continued M&A programme to build greater density.

Pest control is an attractive and growing market offering sustainable, long-term growth prospects. It is expected to deliver a compound annual growth rate of between 4% and 5%* through to 2026. Structural growth drivers include: economic activity in growth markets (offices, housing etc.); population expansion and urbanisation, particularly in Emerging markets; a growing middle class demanding higher standards of hygiene; rising international standards in food safety and hygiene regulation; increasing pressure from pest species such as mosquitoes through climate change (for example the Zika virus) and; legislation and regulatory change.

* *Source: Various industry market reports*

Driving organic growth in Pest Control

As the world's leading pest control business we have the scale and expertise to drive organic revenue growth, which rose by 5.5% in H1. We provide an update on some of our organic growth levers from H1 below.

1. Global and national accounts

We are making good progress in targeting global customers particularly in the food processing and hospitality sectors. Our acquisition of Steritech in North America, combined with our increasingly active participation in the Global Food Safety Initiative, has strengthened our global brand presence in these sectors. In H1 we signed our first major contract with a global food production and agricultural products organisation with a geographic footprint that closely matches our own. In addition, we have a strong pipeline of further new business opportunities within the food production, pharmaceutical, hotels, hospitality, transportation and logistics sectors.

The acquisition of Steritech last year has also significantly enhanced our capability in the US national accounts market, currently estimated to be worth $680m and representing 28% of the total US commercial pest control market. While Rentokil has an 8% share of the commercial market, we have less than 3% of the national accounts opportunity. Now with greater national scale and density, we are more competitive and a key component of our sales strategy is to grow our national accounts portfolio rapidly through:

- Targeting specific national account prospects within the most attractive industry segments such as food and pharmaceuticals;
- Taking a standardised and focused approach to sales execution with common performance metrics and sales processes;
- Leveraging the combined national sales expertise of both Rentokil and Steritech; and,
- Maximizing cross-selling opportunities across brands.

Year to date we have increased our national account sales by over 60% and, as with our global accounts, our pipeline of prospects is strong.

2. Technical expertise shared across markets

Across the world we combat the dangers to public health from mosquitoes and believe our depth of expertise and experience in global mosquito control is unrivalled. In July we were awarded a contract by the U.S. Centers for Disease Control and Prevention to help control the species of mosquito that could potentially carry the Zika virus across the USA and its protectorates. Rentokil has a network of experts available for deployment as required alongside its global technical resource to target affected or high-risk areas. It will also provide additional services that entail community outreach, surveillance and inspection, and support for the distribution of materials and educational information. The contract will run to June 2018, subject to government review.

In Central and Latin America and across the Caribbean, Rentokil is also undertaking monitoring and control services to support its customers against the potential threat of Zika and in Asia we have over 30 years' experience in helping customers to combat the threat of Dengue fever.

3. Digital leadership and web expertise

The world is becoming increasingly focused on digital applications and Rentokil is leading the pest control industry in the commercialisation of the 'Internet-of-Things' through connected devices. We now have digital expertise at every stage of the customer journey from web searching through to e-billing. In addition over the last three years we have been developing, testing and deploying our range of remote monitoring sensors and connected devices.

PestConnect, our remote monitoring system for rodents, is the world's smartest mouse trap. It is now used in over 20,000 customer premises across 12 countries has sent us over three million individual messages relating to the presence of rodent activity and service productivity (such as battery life and the level of mobile connectivity). The system also guides our technicians to the exact unit that has signaled rodent activity – particularly useful on sites which use multiple units.

During the first half our web platform handled over four million visits (over 10m visits within the last 12 months) with double digit visitor growth in key markets. One new website was launched every three weeks. In addition the myRentokil online customer portal was rolled out to 20 countries with over 60,000 customers registered. The same platform has been used to deliver customer portals in Hygiene and Plants - myInitial and myAmbius.

Growth through M&A

In the first half of the year we have acquired 16 pest control companies in the US, Canada, Australia, New Zealand, Hong Kong, China, Honduras, Germany, Austria, Switzerland and Spain. In addition, on 1 July 2016 we completed the acquisition of pest and turf products distribution company Residex (see below). The integration of all acquisitions is progressing well and the pipeline remains strong with further opportunities to create value. M&A is a core component of our strategy and we will continue to look for attractive targets to further build density, particularly in North America and in Emerging markets.

Acquisition of Residex

Our Target Specialty Products business (which accounts for approximately 10% of our North American revenue) is a leading US distributor of pest control and turf products. At the beginning of July we announced the acquisition of US pest control and turf products distribution business Residex LLC for US$30m. Residex is the largest independent products distribution company in the US, with annualised revenues for the 12 months prior to acquisition of $113m. The acquisition increases the scale of our US pest products operation, more than doubling its size to $200m in revenue. We now have the second largest products business of this type in the US, delivering national coverage and a greater density footprint. The acquisition also provides entry into the Canadian pest products market. The addition of Residex means that our total business in North America is set to deliver annualised revenues of around $1 billion by the end of the year - some two years ahead of our expectations.

Integration of Steritech

The integration of Steritech is progressing well. All integration work streams are on track, management integration is complete and our IT infrastructure migration and application roadmap is in place. Both back office rationalisation and procurement savings programmes are running to plan. The business is on track to deliver its 2016 profit target of $25m - $30m.

Executing Now in Hygiene

Initial Hygiene is the world's leading hygiene services company. Key revenue KPIs in the first half of the year show ongoing progress: revenue grew by 4.2% (+2.5% organic); gross sales were 16.3% of opening portfolio; terminations fell by 1.8% points; organic net gain was 3.7%; contract revenue grew by 3.9%; job revenue rose by 9.7% and; revenue from products grew by 17.0%. Over the last three years Hygiene has delivered a compound annual growth rate of 2.8%.

We are pursuing an **'Execute Now'** growth strategy to leverage our strengths in our 45+ countries of operation by:

- Building on the strength of our leading hygiene brand and strong market positions;
- Selling with confidence – including new product ranges such as Reflection, Signature, Colour, No Touch and Premium Scenting;
- Leading on innovation through 'Internet-of-Things' for hygiene, for example sensing, hand hygiene compliance, particularly in the food and health market sectors; and
- Building city density and extending our footprint through organic growth and targeted M&A.

The hygiene services market offers good growth opportunities as organisations demand increasing standards of hygiene. Our hygiene business is highly profitable and margin growth, as in Pest Control, is driven by **customer density** (servicing as many customers as possible in a tight geographic zone) and **product density** (selling multiple service lines to customers). What we seek, therefore, is more customers on the route and more products on the washroom wall.

Customer and product density

We are currently working on the development of a new web-based route planning tool for our hygiene operations. Already used within our pest control operations, the Service+ route planner is a web-based planning system for optimising both territory and daily route planning. Customer service visits, our driving routes and working days are automatically pre-planned and optimised, then service visits requiring further planning can be appointed, automatically confirmed and the plans updated. The first time use of Service+ territory planning typically delivers a 10% efficiency saving. In M&A we are adopting the same route density, city-focused strategy for our hygiene business as we have for our pest control business, seeking small, highly-targeted acquisitions in Growth and Emerging markets to build density and grow margins. In H1 we acquired three small hygiene businesses in New Zealand, Malaysia and the Republic of Ireland. The three businesses combined generated annualised revenue of £8m in the year prior to acquisition.

Significant leverage is gained in Hygiene through selling multiple services per customer premises. We have high-quality product ranges now in place and are offering our sales colleagues specialist training to help them sell multiple services to customers, supported by promotional campaigns to highlight our range proposition. In addition, we are putting in place country-specific incentive programmes with local rewards to focus our sales force and front line colleagues on achieving greater product density. We continue to strengthen our washroom range to maximise our selling capabilities through additional product launches and the continued roll-out of the range across our operations. Our digital sales and service tools are also being utilised to build customer awareness of Initial's multiple product offerings, for instance, the new customer portal, MyInitial, is being developed to highlight the full spectrum of hygiene solutions on its home page.

Focusing on Quality in Workwear

Our workwear business operates across the major European markets of Germany, France and the Benelux. It is a profitable and highly cash-generative business with a good overall market share. However it has been operating under significant pricing pressure particularly in France and also within highly competitive markets in Benelux. Margins remain under pressure with profit down by 14.3% on revenue decline of 1.8% in H1. We believe that implementation of our Quality initiative is the best approach to mitigate these ongoing challenges.

Our **Workwear Quality Plan** involves:

- Best-in-class processing – highest standards in washing & repair quality, new higher quality detergents;
- Greater responsiveness to customer needs - shorter lead time between contract and deployment;
- Smarter selling - "selling a service rather than a product";
- Creation of product and service innovation action group; and
- Leveraging European scale and best practice - to create a more effective organisation through best practice sharing in supply chain, R&D, processing, sales and marketing.

Since implementation of the plan last year we have made encouraging operational progress with improvements in service quality and customer retention, however there is still much to achieve. State of Service is at its highest level in over five years, Missing Item Complaints are down in all markets and good progress has been achieved in complaint resolution. In addition, customer satisfaction scores have risen for six consecutive quarters. Standards in washing quality are rising and new work flow tools have been introduced across all regions to reduce the timeframe from contract to deployment. Underpinning this progress is the rigorous application of processes to measure quality of service and sales performance, improved product visibility through the entire service process and the development of new products and innovations.

FINANCIAL REVIEW

Central and regional overheads (at CER)

First half central and regional overheads at £34.4m (2015: £32.3m) largely reflect increased charges for Long Term Incentive Plans as a result of the recent share price performance of the Company.

Restructuring costs and one-off items (at CER)

At our Preliminary results in February this year we announced that, from 2016, with the exception of integration costs for significant acquisitions, we will report restructuring costs within APBITA. Integration costs associated with significant acquisitions will be reported as one-off items and excluded from APBITA. In 2016 this will include costs in relation to Steritech which are estimated at c. £5m.

Restructuring costs of £3.8m (2015: £1.8m) consisted mainly of costs in respect of initiatives to deliver operational efficiencies and service quality improvements in Europe and North America. The increase over the prior year is due to the phasing of projects and the full year is expected to be in line with our guidance of £7m compared to £7.9m in 2015.

One-off items of £2.0m (H1 2015: £1.1m credit) primarily relate to the integration costs of the Steritech acquisition.

Details of restructuring costs and one-off items are set out in Note 4.

Interest (at AER)

Net interest payable (excluding the net interest credit from pensions) for the first half of 2016 was £18.7m compared to £19.9m in the prior year, a net decrease of £1.2m. The interest reduction was due to the refinancing of the 5.75% £300m bond offset by additional interest on the term loan to fund the Steritech acquisition and the impact of exchange due to the weakening of Sterling against the Euro and US. The average cost of gross debt for the group was c. 3.5% for H1 2016.

Tax (at AER)

The income tax expense for the half at actual exchange rates was £15.3m on the reported profit before tax of £80.4m. After adjusting profit for the amortisation of intangible assets (excluding computer software), one-off items and the net interest credit from pensions, the effective tax rate for the half was 22.1% (2015: 23.4%). This compares with a blended rate of tax for the countries in which the group operates of 26% (2015: 26%). The lower adjusted tax rate compared to the blended tax rate is principally due to the benefit of previously unrecognised brought forward tax losses being set off against UK profits.

Net debt and cash flow (at AER)

£m at actual exchange rates	Year to Date		
	2016 HY £m	2015 HY £m	*Change £m*
Adjusted operating profit[1]	**114.0**	97.4	*16.6*
One-off items	**(2.1)**	0.9	*(3.0)*
Depreciation	**93.8**	85.4	*8.4*
Other non-cash	**1.6**	7.9	*(6.3)*
EBITDA	**207.3**	191.6	*15.7*
Working capital	**(2.9)**	(8.0)	*5.1*
Movement on provisions	**(5.4)**	(5.1)	*(0.3)*
Capex – additions	**(104.6)**	(88.5)	*(16.1)*
Capex – disposals	**3.3**	3.6	*(0.3)*
Operating cash flow – continuing operations	**97.7**	93.6	*4.1*
Interest	**(22.8)**	(23.5)	*0.7*
Tax	**(17.8)**	(14.7)	*(3.1)*
Free cash flow – continuing operations	**57.1**	55.4	*1.7*
Free cash flow – discontinued operations	**-**	(0.6)	*0.6*
Free cash flow	**57.1**	54.8	*2.3*
Acquisitions	**(34.9)**	(32.7)	*(2.2)*
Disposal of companies and businesses	**0.5**	-	*0.5*
Dividends	**(37.5)**	(33.1)	*(4.4)*
Foreign exchange translation and other items	**(142.8)**	56.2	*(199.0)*
(Increase) / decrease in net debt	**(157.6)**	45.2	*(202.8)*
Opening net debt	**(1,026.6)**	(775.0)	*(251.6)*
Closing net debt	**(1,184.2)**	(729.8)	*(454.4)*

[1] *before amortisation and impairment of intangibles (excluding computer software) and one-off items*

Operating cash inflow (£97.7m at AER for continuing operations) was £4.1m higher than 2015 largely due to the increase in APBITA partly offset by the beneficial impact from the settlement of a legacy legal claim (£10.8m) in H1 2015 and increased capital expenditure.

Capital expenditure from continuing operations of £104.6m was £16.1m higher than 2015 due to the impact of exchange rate movements and the phasing of certain projects from 2015 into 2016.

Interest payments (including finance lease interest) were £0.7m lower than last year which combined with a £3.1m increase in tax paid, resulted in free cash flow from continuing operations of £57.1m, an increase of £1.7m on the prior year.

Cash spent on acquisitions totalled £34.9m (including net debt acquired) and the Company made dividend payments of £37.5m in 2016 (a 13.3% increase on the prior year). Foreign exchange translation and other items increased net debt by £142.8m (primarily due to the weakening of Sterling against the Euro and US dollar), leaving an overall increase in net debt of £157.6m compared to 31 December 2015 and closing net debt of £1,184.2m.

Pensions (at AER)

At 30 June 2016 the Company's UK defined benefit pension scheme, which is closed to new members, was valued at an accounting surplus of £337.4m on the Company's balance sheet. The Trustees value the scheme on a different basis and the most recent triennial actuarial valuation as at 31 December 2015 is now substantially complete. The Trustee and the Company have agreed that the Scheme is now fully funded on a technical provisions basis. The Trustees have therefore agreed that the annual payments of £3.2m that the Company has been paying into an escrow arrangement each January will not be required going forward. In accordance with the terms of the escrow arrangement, because the Scheme is fully funded on a technical provisions basis, the £9.6m currently held in escrow will also be released to the Company. The position will be reviewed at the next actuarial valuation, which is scheduled for 31 December 2018.

Funding (at AER)

At 30 June 2016 the group had net debt of £1,184.2m, £75m of centrally held funds, and £130m of available undrawn committed facilities. The ratio of net debt to EBITDA at 30 June 2016 was 2.5x (calculated using exchanges rates as at 30 June 2016). On 29 June 2016 Standard & Poor's revised its outlook on the Company from Negative to Stable and reaffirmed its BBB credit rating as a reflection of our continued good progress in the execution of the Steritech integration. Based on our expectations for the remainder of the year, our strong cash flow projections for 2016 and into 2017 and further progress with Steritech, we are confident of maintaining our credit rating at our committed BBB level.

The Directors continue to adopt the going concern basis in preparing the accounts on the basis that the group's strong liquidity position and ability to reduce capital expenditure or expenditure on bolt-on acquisitions are sufficient to meet the group's forecast funding needs, including those modelled in a downside case.

Dividend

The Board has declared an interim dividend of 0.99p per share, amounting to £18.1m, payable on 14 September 2016 to shareholders on the register at the close of business on 12 August 2016. This is an increase of 13.8% on the interim dividend for 2015.

GUIDANCE AND OUTLOOK FOR 2016 (at CER unless otherwise stated)

Central and divisional overheads are now expected to be c. £3m higher than the prior year reflecting increased charges for Long Term Incentive Plans as a result of the recent share price performance of the Company. We estimate that restructuring costs (reported within APBITA) in 2016 will be c. £7m. One-off costs (excluded from APBITA) are estimated at c. £5m and include integration costs in relation to Steritech and the recent acquisition of Residex. Interest costs are estimated at £37m, reflecting the impact of the Company's recent refinancings (cash interest at AER will be around £15m higher than the P&L impact as a result of the timing of interest payments and the weakening of Sterling).

In respect of the outcome of last month's EU Referendum and the UK's decision to leave, we advise that approximately 90% of the Company's revenues are derived from outside the UK and there is minimal cross-border trading across its global businesses. Sterling has weakened significantly since the announcement and, if recent exchange rates were to continue for the rest of the year, the estimated favourable impact of currency movements on our profit for 2016 would be around £26m.

Our current estimate for adjusted effective tax rate is around 22% (2015: 23.8%) with cash tax payable in the region of £35m to £40m. Working capital outflow is anticipated to be around £10m, with net capex in the region of £210m to £220m (subject to foreign exchange movements). The group is targeting free cashflow in excess of £110m. Cash spend on acquisitions is expected to be in the region of £70m to £80m.

While conditions in certain parts of Europe remain challenging, particularly in France and the Netherlands, the prospects in the majority of our key markets are good and we are on track to achieve our 2016 revenue, profit and cash expectations.

Appendix 1

FINANCIAL SUMMARY

£million	Half Year		
	2016	**2015**	***change***
Continuing Operations[1]			
At 2015 constant exchange rates[2]			
Revenue – ongoing operations[3]	**928.4**	832.6	*11.5%*
Revenue - disposed and closed businesses	**7.1**	12.9	*(45.0%)*
Revenue	**935.5**	845.5	*10.6%*
Adjusted operating profit[4]– ongoing operations[3]	**107.1**	96.4	*11.0%*
Adjusted operating profit[4]– disposed and closed businesses	**(0.3)**	(0.9)	*66.7%*
Adjusted operating profit[4]	**106.8**	95.5	*11.7%*
One-off items[5]	**(2.0)**	1.1	-
Amortisation and impairment of intangible assets	**(19.1)**	(13.8)	*(37.8%)*
Operating profit	**85.7**	82.8	*3.5%*
Share of profit from associates (net of tax)	**2.6**	2.7	*(3.8%)*
Net interest payable (excluding pensions)	**(17.7)**	(19.9)	*11.0%*
Net interest credit from pensions	**4.3**	3.0	*42.5%*
Profit before tax	**74.9**	68.6	*9.2%*
Adjusted profit before tax[4]	**91.7**	78.3	*16.9%*
Operating cash flow[6]	**91.7**	92.0	*(0.4%)*
Basic earnings per share	**3.30p**	2.99p	*10.4%*
Basic adjusted earnings per share[7]	**3.90p**	3.33p	*17.1%*
Continuing Operations[1]			
At actual exchange rates			
Revenue – ongoing operations[3]	**979.5**	842.5	*16.3%*
Revenue - disposed and closed businesses	**7.6**	12.8	*(40.7%)*
Revenue	**987.1**	855.3	*15.4%*
Adjusted operating profit[4]– ongoing operations[3]	**114.3**	98.3	*16.2%*
Adjusted operating profit[4]– disposed and closed businesses	**(0.3)**	(0.9)	*64.6%*
Adjusted operating profit[4]	**114.0**	97.4	*16.9%*
One-off items[5]	**(2.1)**	0.9	-
Amortisation and impairment of intangible assets	**(20.1)**	(13.9)	*(44.1%)*
Operating profit	**91.8**	84.4	*8.7%*
Share of profit from associates (net of tax)	**3.0**	2.7	*10.5%*
Net interest payable (excluding pensions)	**(18.7)**	(19.9)	*6.1%*
Net interest credit from pensions	**4.3**	3.0	*42.2%*
Profit before tax	**80.4**	70.2	*14.4%*
Adjusted profit before tax[4]	**98.3**	80.2	*22.5%*
Operating cash flow[6]	**97.7**	93.6	*4.2*
Basic earnings per share	**3.56p**	3.05p	*16.7%*
Basic adjusted earnings per share[7]	**4.20p**	3.40p	*23.5%*
Dividend per share (proposed/paid)	**0.99p**	0.87p	*13.8%*

[1] all figures are for continuing operations unless otherwise stated
[2] results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2015. £/$ average rates: H1 2016 1.4258; FY 2015 1.5288, £/€ average rates: H1 2016 1.2864; FY 2015 1.3770
[3] ongoing revenue and profit exclude the financial performance of disposed and closed businesses but include results from acquisitions
[4] before amortisation and impairment of intangibles (excluding computer software), one-off items and net interest credit from pensions
[5] see Note 2 for further details
[6] cash flow before interest, tax, acquisitions, disposals, dividends and discontinued operations
[7] earnings per share before the after tax effects of amortisation and impairment of intangibles (excluding computer software), one-off items and net interest credit from pensions

Appendix 2

Regional Analysis – ongoing operations

£m	Revenue				Adjusted operating profit			
	6 months to 30 June 2016		Change from HY 2015		6 months to 30 June 2016		Change from HY 2015	
	CER	**AER**	**CER**	**AER**	**CER**	**AER**	**CER**	**AER**
France	149.5	160.0	(1.0%)	5.0%	19.5	20.9	(11.0%)	(5.6%)
Benelux	93.5	100.1	(1.0%)	5.1%	15.0	16.1	(1.6%)	4.4%
Germany	85.1	91.0	2.9%	8.9%	20.9	22.3	(2.0%)	3.6%
Southern Europe	30.3	32.4	1.1%	7.2%	4.5	4.8	4.0%	10.4%
Latin America	10.6	10.6	15.3%	6.6%	1.4	1.4	15.7%	9.4%
Total Europe	**369.0**	**394.1**	**0.5%**	**6.1%**	**61.3**	**65.5**	**(4.3%)**	**1.2%**
UK & Ireland	114.9	115.5	4.3%	4.8%	21.2	21.4	10.3%	10.9%
Rest of World	55.1	56.1	3.7%	2.3%	11.9	11.9	3.4%	0.1%
UK & Rest of World	**170.0**	**171.6**	**4.1%**	**3.9%**	**33.1**	**33.3**	**7.7%**	**6.8%**
Asia	**57.9**	**60.6**	**11.9%**	**13.0%**	**5.8**	**6.0**	**34.3%**	**31.1%**
North America	**264.9**	**283.4**	**39.9%**	**49.8%**	**31.4**	**33.6**	**64.8%**	**76.5%**
Pacific	**66.6**	**69.8**	**9.4%**	**10.5%**	**13.7**	**14.4**	**10.8%**	**11.8%**
Central and regional overheads	**-**	**-**	**-**	**-**	**(34.4)**	**(34.4)**	**(6.7%)**	**(6.7%)**
Restructuring costs	**-**	**-**	**-**	**-**	**(3.8)**	**(4.1)**	**(114.1%)**	**(126.6%)**
Ongoing operations	**928.4**	**979.5**	**11.5%**	**16.3%**	**107.1**	**114.3**	**11.0%**	**16.2%**
Disposed businesses	7.1	7.6	(45.0%)	(40.7%)	(0.3)	(0.3)	66.7%	64.6%
Continuing operations	**935.5**	**987.1**	**10.6%**	**15.4%**	**106.8**	**114.0**	**11.7%**	**16.9%**

Appendix 2

Category Analysis – ongoing operations

£m	Revenue				Adjusted operating profit			
	6 months to 30 June 2016		Change from HY 2015		6 months to 30 June 2016		Change from HY 2015	
	CER	**AER**	**CER**	**AER**	**CER**	**AER**	**CER**	**AER**
Pest Control	**454.4**	**479.5**	**25.1%**	**30.5%**	**80.4**	**84.7**	**28.1%**	**33.1%**
Hygiene	**219.8**	**230.0**	**4.2%**	**7.2%**	**39.9**	**41.8**	**0.5%**	**3.4%**
Workwear	**171.0**	**183.1**	**(1.8%)**	**4.2%**	**18.6**	**19.9**	**(14.3%)**	**(9.1%)**
Other	**83.2**	**86.9**	**(1.3%)**	**2.5%**	**6.4**	**6.4**	**0.6%**	**(0.8%)**
Central and regional overheads	**-**	**-**	**-**	**-**	**(34.4)**	**(34.4)**	**(6.7%)**	**(6.7%)**
Restructuring costs	**-**	**-**	**-**	**-**	**(3.8)**	**(4.1)**	**(114.1%)**	**(126.6%)**
Ongoing operations	**928.4**	**979.5**	**11.5%**	**16.3%**	**107.1**	**114.3**	**11.0%**	**16.2%**
Disposed businesses	7.1	7.6	(45.0%)	(40.7%)	(0.3)	(0.3)	66.7%	64.6%
Continuing operations	**935.5**	**987.1**	**10.6%**	**15.4%**	**106.8**	**114.0**	**11.7%**	**16.9%**

Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 30 June

	Notes	6 months to 30 June 2016 £m	Restated* 6 months to 30 June 2015 £m
Revenue	4	**987.1**	855.3
Operating profit		**91.8**	84.4
Finance income		**10.0**	8.3
Finance cost		**(24.4)**	(25.2)
Share of profit from associates, net of tax of £1.4m (2015: £1.3m)		**3.0**	2.7
Profit before income tax		**80.4**	70.2
Income tax expense[1]		**(15.3)**	(14.4)
Profit for the year from continuing operations		**65.1**	55.8
Profit for the year attributable to the Company's equity holders (including non-controlling interests of £0.2m (2014: £0.3m)		**65.1**	55.8
Other comprehensive income:			
Items that are not reclassified subsequently to the income statement:			
Re-measurement of net defined benefit asset/liability	9	**95.9**	8.0
Tax related to items taken to other comprehensive income		**(19.2)**	(1.7)
Items that may be reclassified subsequently to the income statement:			
Net exchange adjustments offset in reserves		**(0.7)**	11.6
Other items		**(0.8)**	0.1
Total comprehensive income for the year (including non-controlling interests of £0.2m (2015: £0.3m)		**140.3**	73.8
Earnings per share attributable to the Company's equity holders:			
Basic		**3.56p**	3.05p
Diluted		**3.54p**	3.04p

Non-GAAP measures[2]			
Operating profit		**91.8**	84.4
Adjusted for:			
Amortisation and impairment of intangible assets[3]	4	**20.1**	13.9
One-off items – operating	4	**2.1**	(0.9)
Adjusted operating profit		**114.0**	97.4
Finance income		**10.0**	8.3
Add back: Net interest credit from pensions		**(4.3)**	(3.0)
Finance cost		**(24.4)**	(25.2)
Share of profit from associates, net of tax of £1.4m (2014: £1.3m)		**3.0**	2.7
Adjusted profit before income tax		**98.3**	80.2
Adjusted Basic Earnings per share attributable to the Company's equity holders		**4.20p**	3.40p

The weighted average number of ordinary shares in issue is 1,823m (HY 2015: 1,819m). For the diluted calculation the adjustment for share options and LTIPs is 8.3m (HY 2015: 6.2m).

1 taxation includes £13.9m (HY 2014: £13.3m as restated) in respect of overseas taxation

2 the group reports a number of additional performance measures that are designed to assist with the underlying performance of the group (not defined under IFRS). Such measures include adjusted operating profit, adjusted profit before income tax and adjusted earnings per share

3 excluding computer software

* 2015 comparative results have been restated due to restructuring costs now being reported within APBITA.

Consolidated balance sheet

	Notes	At 30 June 2016 £m	At 31 December 2015 £m
Assets			
Non-current assets			
Intangible assets		**935.0**	818.3
Property, plant and equipment		**553.5**	477.1
Investments in associated undertakings		**26.7**	17.7
Other investments		**0.1**	0.1
Deferred tax assets		**1.0**	2.0
Retirement benefit assets	9	**337.4**	237.0
Other receivables		**9.7**	8.5
Derivative financial instruments	8	**-**	1.4
		1,863.4	1,562.1
Current assets			
Other investments		**4.9**	99.3
Inventories		**68.8**	55.7
Trade and other receivables		**383.3**	329.8
Current tax assets		**12.5**	10.5
Derivative financial instruments	8	**6.7**	0.8
Cash and cash equivalents		**116.9**	102.6
		593.1	598.7
Liabilities			
Current liabilities			
Trade and other payables		**(472.1)**	(404.4)
Current tax liabilities		**(77.1)**	(73.3)
Provisions for other liabilities and charges		**(23.5)**	(20.6)
Bank and other short-term borrowings	7	**(172.7)**	(332.6)
Derivative financial instruments	8	**(43.3)**	(21.7)
		(788.7)	(852.6)
Net current liabilities		**(195.6)**	(253.9)
Non-current liabilities			
Other payables		**(17.7)**	(15.4)
Bank and other long-term borrowings	7	**(1,086.2)**	(865.4)
Deferred tax liabilities		**(141.0)**	(112.8)
Retirement benefit obligations		**(26.6)**	(24.1)
Provisions for other liabilities and charges		**(60.1)**	(60.8)
Derivative financial instruments	8	**(18.7)**	(17.6)
		(1,350.3)	(1,096.1)
Net assets		**317.5**	212.1
Equity			
Capital and reserves attributable to the company's equity holders			
Called up share capital		**18.3**	18.2
Share premium account		**6.8**	6.8
Other reserves		**(1,770.3)**	(1,768.8)
Retained profits		**2,062.5**	1,956.1
		317.3	212.3
Non-controlling interests		**0.2**	(0.2)
Total equity		**317.5**	212.1

Consolidated statement of changes in equity

	Called up share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Non controlling interests £m	Total equity £m
At 1 January 2015	18.2	6.8	(1,772.0)	1,847.2	(0.2)	100.0
Profit for the period	-	-	-	55.5	0.3	55.8
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	11.6	-	-	11.6
Remeasurement of net defined benefit asset/liability	-	-	-	8.0	-	8.0
Effective portion of changes in fair value of cash flow hedge	-	-	0.1	-	-	0.1
Tax related to remeasurement of net defined benefit asset/liability	-	-	-	(1.7)	-	(1.7)
Total comprehensive income for the period	-	-	11.7	61.8	0.3	73.8
Transactions with owners:						
Dividends paid to equity shareholders	-	-	-	(33.1)	-	(33.1)
Cost of share options and long-term incentive plan	-	-	-	0.9	-	0.9
At 30 June 2015	18.2	6.8	(1,760.3)	1,876.8	0.1	141.6
At 1 January 2016	**18.2**	**6.8**	**(1,768.8)**	**1,956.1**	**(0.2)**	**212.1**
Profit for the period	**-**	**-**	**-**	**64.9**	**0.2**	**65.1**
Other comprehensive income:						
Issue of ordinary shares	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Amounts received from minority interests	**-**	**-**	**-**	**-**	**0.2**	**0.2**
Net exchange adjustments offset in reserves	**-**	**-**	**(0.7)**	**-**	**-**	**(0.7)**
Remeasurement of net defined benefit asset/liability	**-**	**-**		**95.9**	**-**	**95.9**
Effective portion of changes in fair value of cash flow hedge	**-**	**-**	**(0.8)**	**-**	**-**	**(0.8)**
Tax related to remeasurement of net defined benefit asset/liability	**-**	**-**		**(19.2)**	**-**	**(19.2)**
Total comprehensive income for the period	**0.1**	**-**	**(1.5)**	**141.6**	**0.4**	**140.6**
Transactions with owners:						
Dividends paid to equity shareholders	**-**	**-**	**-**	**(37.5)**	**-**	**(37.5)**
Cost of share options and long-term incentive plan	**-**	**-**	**-**	**2.3**	**-**	**2.3**
At 30 June 2016	**18.3**	**6.8**	**(1,770.3)**	**2,062.5**	**0.2**	**317.5**

Treasury shares represent 5.4m (HY 2015: 3.8m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 30 June 2016 was £10.4m (HY 2015: £5.6m). Dividend income from, and voting rights on, the shares held by the Trust have been waived.

Analysis of other reserves

	Capital reduction reserve £m	Legal £m	Cash flow hedge reserve £m	Translation reserve £m	Total £m
At 1 January 2015	(1,722.7)	10.4	-	(59.7)	(1,772.0)
Net exchange adjustments offset in reserves	-	-	-	11.6	11.6
Effective portion of changes in fair value of cash flow hedge	-	-	0.1	-	0.1
Total comprehensive income for the period	-	-	0.1	11.6	11.7
At 30 June 2015	(1,722.7)	10.4	0.1	(48.1)	(1,760.3)
At 1 January 2016	**(1,722.7)**	**10.4**	**0.2**	**(56.7)**	**(1,768.8)**
Net exchange adjustments offset in reserves	**-**	**-**	**-**	**(0.7)**	**(0.7)**
Effective portion of changes in fair value of cash flow hedge	**-**	**-**	**(0.8)**	**-**	**(0.8)**
Total comprehensive income for the period	**-**	**-**	**(0.8)**	**(0.7)**	**(1.5)**
At 30 June 2016	**(1,722.7)**	**10.4**	**(0.6)**	**(57.4)**	**(1,770.3)**

Consolidated cash flow statement

	Notes	**6 months to 30 June 2016 £m**	6 months to 30 June 2015 £m
Profit for the period		**65.1**	55.8
Adjustments for:			
- Tax		**15.3**	14.4
- Share of profit from associates		**(3.0)**	(2.7)
- Net interest credit from pensions		**(4.3)**	(3.0)
- Interest income		**(5.7)**	(5.3)
- Interest expense		**24.4**	25.2
Reversal of non-cash items:			
- Depreciation and impairment of property, plant and equipment		**87.8**	80.4
- Amortisation and impairment of intangible assets[1]		**20.1**	13.9
- Amortisation of computer software		**6.0**	5.0
- Other non-cash items		**1.6**	7.9
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
- Inventories		**(6.8)**	(2.0)
- Trade and other receivables		**(16.0)**	(12.0)
- Trade and other payables and provisions		**14.5**	0.3
Cash generated from operating activities		**199.0**	177.9
Interest received		**6.3**	5.0
Interest paid		**(28.5)**	(28.1)
Income tax paid		**(17.8)**	(14.7)
Net cash generated from operating activities		**159.0**	140.1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(89.0)**	(77.4)
Purchase of intangible fixed assets		**(8.8)**	(5.1)
Proceeds from sale of property, plant and equipment		**3.3**	3.6
Acquisition of companies and businesses, net of cash acquired	10	**(27.6)**	(32.7)
Disposal of companies and businesses		**0.5**	-
Net cash flows from investing activities		**(121.6)**	(111.6)
Cash flows from financing activities			
Issue of ordinary share capital		**0.1**	-
Dividends paid to equity shareholders		**(37.5)**	(33.1)
Interest element of finance lease payments		**(0.6)**	(0.4)
Capital element of finance lease payments		**(6.6)**	(4.5)
Cash inflow/(outflow) on settlement of debt related foreign exchange forward contracts		**22.5**	(0.3)
Proceeds from issue of debt		**239.4**	36.6
Net investment in term deposits		**94.4**	(47.1)
Net loan repayments		**(341.4)**	-
Net cash flows from financing activities		**(29.7)**	(48.8)
Net increase/(decrease) in cash and cash equivalents		**7.7**	(20.3)
Cash and cash equivalents at beginning of year		**100.5**	194.1
Exchange gains/(losses) on cash and cash equivalents		**6.8**	(6.5)
Cash and cash equivalents at end of the financial period		**115.0**	167.3

[1] *excluding computer software*

1. General information

The Company is a limited liability company incorporated and domiciled in the UK with a listing on the London Stock Exchange. The address of its registered office is Rentokil Initial plc, Riverbank, Meadows Business Park, Blackwater, Camberley, Surrey, GU17 9AB.

The consolidated half-yearly financial information for the half-year to 30 June 2016 was approved for issue on 28 July 2016.

On pages 60 to 61 of the Annual Report 2015 we set out the group's approach to risk management and on pages 35 to 37 we define the principal risks that are most relevant to the group. These risks are described in detail and have mitigating actions assigned to each of them. In our view the principal risks remain unchanged from those indicated in the Annual Report 2015 and actions continue to be taken to substantially mitigate the impact of such risks, should they materialise.

These interim financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006, and should be read in conjunction with the Annual Report 2015. Those accounts have been reported upon by the group's auditors and delivered to the registrar of companies. The report of the auditors was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

For all information relating to 2015 results please refer to the Annual Report 2015 which can be accessed here: http://www.rentokil-initial.com/investors/year-in-review.aspx

2. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2015 except for the changes described in note 3.

After reviewing group cash balances, borrowing facilities and projected cash flows, the directors believe that the group has adequate resources to continue operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those financial statements.

The preparation of the interim financial information for the half-year ended 30 June 2016 requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the statement. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the statement, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Significant seasonal or cyclical variations in the group's total revenues are not experienced during the financial year.

Changes in accounting policies

The group has adopted the following amendments to standards with effect from 1 January 2016:

- Annual improvements to IFRS: September 2014 cycle – amendments to IFRS 5, IFRS 7, IFRS 10, IFRS 11, IFRS 12, IAS 19 and IAS 34
- Amendments resulting from the disclosure initiative – IAS 1
- Amendments regarding the clarification of acceptable methods of depreciation and amortisation – IAS 16 and IAS 38
- Amendments regarding the application of the consolidation exception – IAS 28

These standards have had no impact on the financial position or performance of the group. Consequently, no adjustment has been made to the comparative financial information as at 31 December 2015 or 30 June 2015. The group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

4. Segmental information

Segmental information has been presented in accordance with IFRS 8 "Operating Segments". Reporting segments reflect the internal management organisation and reporting structures. Each segment is headed by a Regional Managing Director who reports directly to the Chief Executive and is a member of the Company Executive Board responsible for the review of group performance. The operating businesses within each segment report to the Regional Managing Directors.

Profit is shown before amortisation and impairment of intangible assets (excluding computer software) and one-off items that have had a significant impact on the results of the group. These costs have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. From January 2016 it was decided that all restructuring costs will now be reported within APBITA (with the exception of integration costs for significant acquisitions which will be reported as one-off items and excluded from APBITA). Restructuring costs consist mainly of costs relating to initiatives to deliver operational efficiencies and service quality improvements in Europe and North America.

4. Segmental information (continued)

Revenue and profit excludes revenue and profit from businesses disposed or closed but includes revenue and profit from acquisitions. Constant exchange rates (CER) are used to assist with the year on year comparisons.

Revenue

Ongoing operations	**6 months to 30 June 2016 £m**	6 months to 30 June 2015 £m
France	**149.5**	151.0
Benelux	**93.5**	94.4
Germany	**85.1**	82.7
Southern Europe	**30.3**	30.0
Latin America	**10.6**	9.2
Europe	**369.0**	367.3
UK & Ireland	**114.9**	110.2
Rest of World	**55.1**	53.1
UK & Rest of World	**170.0**	163.3
Asia	**57.9**	51.8
North America	**264.9**	189.4
Pacific	**66.6**	60.8
Ongoing operations at constant exchange rates	**928.4**	832.6
Disposed businesses[1]	**7.1**	12.9
Continuing operations at constant exchange rates	**935.5**	845.5
Foreign exchange	**51.6**	9.8
Continuing operations at actual exchange rates	**987.1**	855.3

Operating Profit Restated

Ongoing operations	**Adjusted profit before restructuring 6 months to 30 June 2016 £m**	**Restructuring costs 6 months to 30 June 2016 £m**	**Adjusted operating profit 6 months to 30 June 2016 £m**	Adjusted profit before restructuring 6 months to 30 June 2015 £m	Restructuring costs 6 months to 30 June 2015 £m	Adjusted operating profit 6 months to 30 June 2015 £m
France	**19.5**	**(0.8)**	**18.7**	21.9	(1.2)	20.7
Benelux	**15.0**	**(1.4)**	**13.6**	15.3	-	15.3
Germany	**20.9**	**(0.2)**	**20.7**	21.3	-	21.3
Southern Europe	**4.5**	**(0.3)**	**4.2**	4.3	(0.2)	4.1
Latin America	**1.4**	**-**	**1.4**	1.2	-	1.2
Europe	**61.3**	**(2.7)**	**58.6**	64.0	(1.4)	62.6
UK & Ireland	**21.2**	**-**	**21.2**	19.2	(0.1)	19.1
Rest of World	**11.9**	**-**	**11.9**	11.5	(0.1)	11.4
UK & Rest of World	**33.1**	**-**	**33.1**	30.7	(0.2)	30.5
Asia	**5.8**	**-**	**5.8**	4.3	-	4.3
North America	**31.4**	**(1.1)**	**30.3**	19.1	(0.1)	19.0
Pacific	**13.7**	**-**	**13.7**	12.4	(0.1)	12.3
Central and regional overheads	**(34.4)**	**-**	**(34.4)**	(32.3)	-	(32.3)
Ongoing operations at constant exchange rates	**110.9**	**(3.8)**	**107.1**	98.2	(1.8)	96.4
Disposed businesses[1]	**(0.3)**	**-**	**(0.3)**	(0.3)	(0.6)	(0.9)
Continuing operations at constant exchange rates	**110.6**	**(3.8)**	**106.8**	97.9	(2.4)	95.5
Foreign exchange	**7.5**	**(0.3)**	**7.2**	1.8	0.1	1.9
Continuing operations at actual exchange rates	**118.1**	**(4.1)**	**114.0**	99.7	(2.3)	97.4
One-off items			**(2.1)**			0.9
Amortisation and impairment of intangible assets[2]			**(20.1)**			(13.9)
Operating profit			**91.8**			84.4
Interest payable and similar charges			**(24.4)**			(25.2)
Interest receivable			**5.7**			5.3
Net interest credit from pensions			**4.3**			3.0
Share of profit from associates (net of tax) - Asia			**3.0**			2.7
Profit before income tax			**80.4**			70.2

[1] *disposed businesses are those businesses that have been disposed or exited and therefore are not included as an ongoing operation*
[2] *excluding computer software*

4. Segmental information (continued)

One-off items and amortisation and impairment of intangible assets (at actual exchange rates)

	Amortisation and impairment 6 months to 30 June 2016 £m	Amortisation and Impairment 6 months to 30 June 2015 £m	**One-off items 6 months to 30 June 2016 £m**	One-off items 6 months to 30 June 2015 £m
Europe	**2.7**	3.4	**0.3**	8.0
UK & Rest of World	**2.6**	2.6	**0.2**	2.0
Asia	**1.2**	0.8	**0.4**	0.1
North America	**11.6**	6.1	**1.3**	(0.3)
Pacific	**0.4**	0.2	**(0.2)**	-
Central and regional	**1.6**	0.8	**0.1**	(10.7)
	20.1	13.9	**2.1**	(0.9)

One-off items include £1.0m for the costs associated with the integration of Steritech in North America.

5. Discontinued operations and disposals

There are no discontinued operations as at 30 June 2016. There were disposals of two small non-core businesses in Australia and Malaysia for consideration totalling £0.5m. These do not meet the definition of discontinued operations but have been excluded from ongoing operations in the segmental analysis (note 4).

6. Dividends

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	Year to 31 December 2015 £m
2014 final dividend paid – 1.82p per share	**-**	33.1	33.1
2015 interim dividend paid – 0.87p per share	**-**	-	15.8
2015 final dividend paid – 2.06p per share	**37.5**	-	-
	37.5	33.1	48.9

The directors have declared an interim dividend of 0.99p per share amounting to £18.1m payable on 14 September 2016 to shareholders on the register at 12 August 2016. The Company has a progressive dividend policy and will take a view on the level of any growth for 2016 based on the year-end results. These interim financial statements do not reflect this dividend payable.

7. Bank and other borrowings

	At 30 June 2016 £m	At 31 December 2015 £m
Non-current		
RCF and other bank borrowings	**318.2**	198.8
Bond debt	**746.7**	653.0
Finance lease liabilities	**21.3**	13.6
	1,086.2	865.4
Current		
Bank overdrafts	**1.9**	2.1
Bank borrowings	**139.4**	0.6
Bond debt	**-**	302.3
Bond interest accruals	**17.7**	18.3
Finance lease liabilities	**13.7**	9.3
	172.7	332.6
Total bank and other borrowings	**1,258.9**	1,198.0

Medium-term notes and bond debt comprises:

	Bond interest coupon	**Effective hedged interest rate**
Non-current		
€500m bond due September 2019	Fixed 3.375%	Fixed 3.62%
€350m bond due October 2021	Fixed 3.25%	Fixed 3.52%
€50m bond due March 2018[1]	Float 3M EURIBOR+0.48%	Fixed 0.68%
£1.3m debentures	Fixed 5.00%	Fixed 5.00%
£0.3m debentures	Fixed 4.50%	Fixed 4.50%
Average cost of bond debt at period end rates		3.46%

[1] The €50m bond due March 2018 was fixed at 0.57% payable quarterly. The effective hedge rate is higher than the annual coupon on our bonds due to discount and fees paid on issuance

Under the £315m RCF with a maturity date of January 2021, a maximum of £270m can be drawn in cash and the remainder available for guarantees. The marginal cost of borrowing under the facility at the period end was 0.96%. During the six months to 30 June 2016, £139.4m of the facility was drawn.

Under the Term loan providing cash drawings of up to £200m and $157m with a maturity date of December 2018, they were fully drawn during the six months to 30 June 2016. The cost of borrowing under the £200m and $157m loans were 1.52% and 1.46% respectively.

The carrying values and the fair values of the group's non-current borrowings are shown on the next page. Fair values are based on cashflows discounted at the current market rates:

7. Bank and other borrowings (continued)

	Carrying amount 30 June 2016 £m	Carrying amount 31 December 2015 £m	**Fair Value 30 June 2016 £m**	Fair Value 31 December 2015 £m
Bank borrowings	**318.2**	198.8	**318.2**	198.8
€500m bond due September 2019	**415.1**	363.0	**455.5**	396.1
€350m bond due October 2021	**289.0**	252.6	**325.9**	278.7
€50m bond due March 2018	**41.6**	36.4	**41.6**	36.6
£1.6m debentures	**1.0**	1.0	**1.7**	1.7
Finance lease liabilities	**21.3**	13.6	**21.3**	13.6
	1,086.2	865.4	**1,164.2**	925.5

8. Derivative financial instruments

For all financial instruments held by the group, those that are held at fair value are to be classified by reference to the source of inputs used to derive the fair value. The following hierarchy is used:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly as prices or indirectly through modelling based on prices;
Level 3 – inputs for the asset or liability that are not based on observable market data.

The group holds all derivatives at fair value using discounted cash flow models based on market rates which are observable. Therefore all derivative financial instruments and available-for-sale assets held by the group fall into Level 2. Contingent consideration payable on acquisitions by the group falls into Level 3. No financial instruments have moved between levels in the period.

	Fair value assets 30 June 2016 £m	Fair value assets 31 December 2015 £m	**Fair value liabilities 30 June 2016 £m**	Fair Value liabilities 31 December 2015 £m
Interest rate swaps:				
- non-hedge	**5.7**	-	**(13.2)**	(6.4)
- cash flow hedge	**0.8**	1.7	**(0.7)**	(5.8)
- net investment hedge	**-**	0.4	**(44.5)**	(26.1)
Foreign exchange forwards:				
- non-hedge	**-**	-	**(0.6)**	-
Foreign exchange swaps:				
- non-hedge	**0.2**	0.1	**(3.0)**	(1.0)
	6.7	2.2	**(62.0)**	(39.3)
Analysed as follows:				
Current portion	**6.7**	0.8	**(43.3)**	(21.7)
Non-current portion	**-**	1.4	**(18.7)**	(17.6)
	6.7	2.2	**(62.0)**	(39.3)

9. Retirement benefit obligations

Apart from the legally required social security state schemes, the group operates a number of pension schemes around the world covering many of its employees. The major schemes are of the defined benefit type with assets held in separate trustee administered funds.

The principal scheme in the group is the Rentokil Initial 2015 Pension Scheme in the United Kingdom ("the scheme"). It has a number of defined benefit sections which are all now closed to new members. At 30 June 2016 the scheme was valued at an accounting surplus of £337.4m (December 2015: £237.0m) on the group's balance sheet.

The scheme is re-appraised semi-annually by independent actuaries based upon actuarial assumptions in accordance with IAS 19 requirements. The principal assumptions used for the scheme are shown below.

	30 June 2016 £m	31 December 2015 £m
Weighted average %		
Discount rate	**2.7%**	3.8%
Future salary increases	**N/A**	N/A
Future pension increases	**3.0%**	3.3%
RPI Inflation	**3.0%**	3.4%
CPI Inflation	**1.9%**	2.3%

The triennial actuarial valuation of the Rentokil Initial 2015 Pension Scheme as at 31 December 2015 is substantially complete with the Trustees and the Company agreeing that the Scheme is now fully funded on a technical provisions basis. The Trustees have therefore agreed that the annual payments of £3.2m the Company has been paying into an escrow arrangement each January will not be required going forward.

In accordance with the terms of the escrow arrangement, the £9.6m currently held in escrow will also be released back to the Company. The position will be reviewed at the next actuarial valuation, which is expected to be carried out at 31 December 2018.

10. Business combinations

The group purchased 100% of the share capital or the trade and assets of 20 companies and businesses in the period. The total consideration in respect of acquisitions in the current year was £32.4m. Details of goodwill and the fair value of net assets acquired are as follows:

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m
Purchase consideration:		
- Cash paid	**25.6**	26.6
- Deferred and contingent consideration	**6.8**	8.0
Total purchase consideration	**32.4**	34.6
Fair value of net assets acquired	**(19.8)**	(12.8)
Goodwill from current period acquisitions	**12.6**	21.8

Goodwill represents the synergies, workforce and other benefits expected as a result of combining the respective businesses.

Deferred consideration of £2.4m is payable in respect of the above acquisitions. Contingent consideration of £4.4m is payable based on a variety of conditions including revenue and profit.

The provisional fair value of assets and liabilities arising from acquisitions in the period are shown below. The provisional fair values will be finalised in the 2016 financial statements. The fair values are provisional as the acquisition accounting has not yet been finalised as a result of the proximity of the acquisitions to the period end.

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m
Non-current assets		
- Intangible assets	**21.3**	12.8
- Property, plant and equipment	**1.0**	1.7
Current assets	**2.2**	1.3
Current liabilities	**(1.5)**	(0.5)
Non-current liabilities	**(3.2)**	(2.5)
Net assets acquired	**19.8**	12.8

From the dates of acquisition to 30 June 2016, these acquisitions contributed £6.2m to revenue and £1.4m to operating profit. If the acquisitions had occurred on 1 January 2016, the revenue and operating profit of the combined entity would have amounted to £989.5m and £91.9m respectively.

In relation to the Steritech acquisition in October 2015 there has been an adjustment to the provisional fair values resulting in an increase in Goodwill of £4.2m.

In addition £2.2m was paid in respect of deferred and contingent consideration for prior year acquisitions resulting in the total cash outflow in the period from current and past period acquisitions, net of cash acquired, of £27.6m.

11. Events occurring after the balance sheet date

There were no significant events occurring after the balance sheet date.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU

- the interim management report includes a fair review of the information required by:

    - DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

    - DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so

By Order of the Board

Andy Ransom
Chief Executive
27 July 2016

The directors of Rentokil Initial plc are listed in the Rentokil Initial plc Annual Report for 31 December 2015. A list of the current directors is maintained on the Rentokil Initial website: www.rentokil-initial.com

INDEPENDENT REVIEW REPORT TO RENTOKIL INITIAL PLC

Introduction

We have been engaged by the Company to review the financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The financial statements included in this half-yearly financial report have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Paul Sawdon
for and on behalf of KPMG LLP,
Chartered Accountants
15 Canada Square
London
E14 5GL

27 July 2016