Rentokil Initial

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Continued positive momentum across our businesses with full year guidance unchanged.

Results £m	H1 2018 AER	Growth AER	Growth CER
Ongoing Revenue	**1,166.5**	**10.5%**	**14.2%**
Revenue	**1,176.1**	(4.7%)	(1.8%)
Ongoing Operating Profit	**134.5**	**10.7%**	**13.1%**
Operating Profit	**108.5**	(24.6%)	(23.3%)
Adjusted profit before tax	**124.5**	**(1.5%)**	**0.9%**
Profit before tax	**109.5**	(81.5%)	(81.3%)
Free Cash Flow	**73.0**		
Adjusted EPS	**5.25p**	**(1.9%)**	**(0.1%)**
EPS	4.69p	(85.2%)	(85.0%)
Dividend per share	**1.311p**	**15.0%**	

This statement includes certain financial performance measures which are not GAAP measures as defined under International Financial Reporting Standards (IFRS). Ongoing Revenue and Ongoing Operating Profit measures represent the performance of the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses, including the impact of the businesses transferred to the Haniel joint venture on 30 June 2017. An explanation of the measures used along with reconciliation to the nearest IFRS measures is provided in Note 11 on page 24.

H1 Highlights (at CER unless otherwise stated)

- **Revenue and profit in excess of medium-term financial targets** - Ongoing Revenue growth of 14.2% and Ongoing Operating Profit growth of 13.1%
- **Ongoing Organic Revenue growth of 3.0% in line with financial targets** but impacted by continued disruption of Pest Control services in Puerto Rico and an unseasonably cold March and April in North America. Adjusting for Puerto Rico, Group Organic growth of 3.4%
- **Pest Control revenue up 13.0%** (+4.0% Organic, ex. Puerto Rico +4.7%) driven by strong innovation and digital performance, as recognised by The Queen's Award for Enterprise - Innovation
- **Hygiene revenue up 30.8%** (+2.1% Organic) reflecting acquisitions of CWS Italy and Cannon Hygiene
- **Encouraging performance in France which returned to profitable growth in H1** – well placed to deliver full year profitable growth by the end of 2018
- **Free Cash Flow of £73.0m at AER,** a £4.9m increase on H1 2017, representing 91% cash conversion over the last 12 months
- **Continued strong execution of M&A** - 23 businesses acquired with combined annualised revenues of £117.3m. Cash spend on current and prior year M&A of £164.9m
  - 20 Pest Control acquisitions and 3 in Hygiene
    - 8 Pest Control acquisitions in North America, with combined annualised revenues of c. £27m
    - 12 other Pest Control acquisitions in Emerging and Growth markets inc. Brazil and Costa Rica
    - Acquisition of Cannon Hygiene in H1 with annualised revenues of £77m across 9 countries – all operations performing well. Cannon UK business continues to be run separately from our UK Initial business pending ongoing review by the CMA
    - M&A pipeline strong for H2, remain on track to spend £200m to £250m for the year funded by cash held on the balance sheet
- **15.0% increase in interim dividend** of 1.311p per share
- Our **guidance for the full year is unchanged**

Andy Ransom, CEO of Rentokil Initial plc, said:

"I am pleased with our performance in the first half, with revenue, profit and cash all in excess of our medium-term targets. Pest Control has performed well, despite a late start to the pest season in North America. Encouragingly, our Europe region has continued to improve, with France returning to profitable growth after three years of decline.

"M&A has again been strong in the period, with 20 Pest Control companies acquired in Growth and Emerging markets and 3 high-quality Hygiene acquisitions. We continue to see a full pipeline of value-enhancing acquisition opportunities going forward.

"As a result of our performance in H1, our guidance for the full year is unchanged."

This statement includes certain financial performance measures which are not GAAP measures as defined under International Financial Reporting Standards (IFRS). Ongoing Revenue and Ongoing Operating Profit represent the performance of the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses, including the impact of the businesses transferred to the Haniel joint venture on 30 June 2017. Ongoing measures enable the users of the accounts to focus on the performance of the businesses retained by the Group and that will therefore contribute to the future performance. Ongoing Revenue and Ongoing Operating Profit are presented at CER unless otherwise stated. An explanation of the measures used along with reconciliation to the nearest IFRS measures is provided in Note 11 on page 24.

Joint ventures: *the term 'joint venture' is used to describe the Company's relationship with Haniel, however our 17.8% interest in CWS-boco is accounted for as an associate. The term is also used to describe the Company's relationship with PCI, however our interest in PCI has been consolidated in our Financial Statements.*

Revenue

Ongoing Revenue, which excludes disposed businesses, increased by 14.2% in H1, with all regions contributing to growth. Organic Revenue growth of 3.0% has been affected by the ongoing impact of last September's hurricane on our operations in Puerto Rico and unseasonably cold weather in March and April in North America. Adjusting for the impact of Puerto Rico, Group Organic growth was 3.4%, in line with our medium-term target of 3% to 4%. Acquisitions have performed well during the period, contributing 11.2% to Ongoing Revenue in H1.

Ongoing Revenue in Pest Control grew by 13.0% during the half (4.0% Organic), performance once again impacted by Puerto Rico and a late start to the pest season in North America. Adjusting for the impact of Puerto Rico, Pest Control Organic growth was 4.7%. Hygiene reported increased revenues of 30.8%, up 2.1% on an Organic basis, aided by the acquisition of Cannon Hygiene Services in January and CWS Italy. Ongoing Revenue in our Protect & Enhance businesses increased by 0.2%, reflecting continued good improvement in our French Workwear business but offset by ongoing pressures in UK Property Care.

Total Revenue of £1,176.1m declined by 1.8% at constant exchange rates (down 4.7% at actual exchange rates) reflecting the disposal of businesses to the Haniel joint venture and the sale of eight French laundries to RLD in the prior year.

Profit

Ongoing Operating Profit, which excludes the results of disposed businesses, increased by 13.1% in the first six months of the year, reflecting growth in all regions. Restructuring costs amounted to £4.3m at CER (2017: £3.9m) consisting mainly of costs in respect of initiatives focused on driving operational efficiency in North America, France and the UK.

Profit before tax at actual exchange rates amounted to £109.5m (H1 2017: £592.9m), £483.4m lower than last year which benefited from a £462.5m net profit on the disposal of the Group's Hygiene and Workwear assets to the Haniel joint venture. A net one-off credit of £2.4m at CER (2017: £7.7m one-off cost) primarily relates to the acquisition and integration costs of Cannon Hygiene Services (acquired in January this year) and the ongoing acquisition programme in the US, offset by a £6.0m non-cash gain as a result of member options exercises on the UK defined benefit pension scheme.

Adjusted profit before tax at actual exchange rates of £124.5m fell by 1.5% year on year, reflecting the impact of the Haniel joint venture transaction and the negative impact of foreign exchange movements of £2.9m due to the strengthening of sterling against the US dollar. Adjusting for the joint venture, adjusted profit before tax at actual exchange rates grew by 11.4%.

Cash

Operating cash inflow (£105.3m at AER for continuing operations) was £11.4m higher than in 2017. Lower levels of EBITDA were more than offset by improved working capital and a reduction in capex levels following the transfer of the Workwear and Hygiene assets to Haniel and RLD. The first cash dividend from the Haniel joint venture in relation to the six months ended 31 December 2017 of €9.5m is due to be received in Q3 2018. Interest payments of £7.3m are £1.0m higher than in the prior year and tax payments increased by £5.5m. This has resulted in Free Cash Flow from continuing operations of £73.0m, an increase of £4.9m on the prior year. Cash spent on acquisitions totalled £164.9m. Dividend payments amounted to £50.2m (a £6.7m, 15.4% increase on the prior year). Foreign exchange translation and other items increased net debt by £21.3m, leaving an overall increase in net debt of £163.4m and closing net debt of £1,090.7m.

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. We have acquired 23 businesses - 20 in Pest Control and three in Hygiene - with combined annualised revenues in the year prior to acquisition of £117.3m. Total spend, including prior-year acquisitions, was £164.9m. In North America we have continued to reinforce our presence as the number three player in the world's largest pest control market through the acquisition of eight businesses. We will continue to seek further acquisition opportunities in the second half of 2018 in both Pest Control and Hygiene and the pipeline of prospects remains strong. Our guidance for M&A spend this year remains in the range of £200m to £250m which will be funded by cash held on the balance sheet at the beginning of the year.

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A presentation for investors and analysts will be held on **Tuesday 31 July 2018 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.

REGIONAL PERFORMANCE

Due to the international nature of the Group, foreign exchange movements can have a significant impact on regional performance. In order to help understand the underlying trading performance, unless otherwise stated, percentage movements in Ongoing Revenue and Ongoing Operating Profit are presented at constant exchange rates.

In **North America** Ongoing Revenue grew 12.8% in H1, of which 10.3% was growth through acquisition and 2.5% was organic. Pest Control grew 13.8% (+2.5% Organic). Organic Revenue growth in H1 was lower than the 5.6% achieved in H1 2017 and reflects a number of factors including the impact of Hurricane Irma last September on our Puerto Rico business, an unseasonably cold March and April which delayed the start of the pest season and strong comparatives in 2017 (especially in product sales). Adjusting for the impact of Puerto Rico, Pest Control Organic growth from January to the end of April was 3.3% but improved to 4.4% when weather patterns returned to normal from May. With the impact from Puerto Rico lapping in Q4 and with less challenging comparatives than in H1, we expect Organic Revenue growth to improve in North America in the second half.

Ongoing Operating Profit growth of 9.4% reflects the combined impact from higher revenues and acquisitions. Net Operating Margins at 11.6% were 0.3% points below the prior year, reflecting in part the dilutive impact of acquisitions but also reflecting lower levels of Organic Revenue growth. Eight Pest Control businesses were acquired in the region in the first half with combined annualised revenues of c. £27m in the year prior to purchase.

Our plan in North America is to create a business with £1.5bn revenue and margins of 18% by the end of 2020. In H1 we have made good progress towards this with strong revenue from businesses acquired in the region during 2017 and the addition of a further $35m (£27m) of annualised revenues from new businesses acquired in the first six months of 2018. Our Best of Breed programme, details of which can be found on page 6, is proceeding well. As stated above, we expect Organic Revenue growth to improve in H2 assuming the resumption of normal weather patterns for the remainder of the year.

Ongoing Revenue for **Europe** rose by 12.1% (+3.3% Organic), reflecting an excellent performance in Southern Europe (+60.2%), continued strong growth in Germany (+12.4%) and an improved performance in France, which grew by 1.2%. Latin America, managed by the Europe region, once again performed well rising by 17.9%. Ongoing Revenue from our European Hygiene operations grew by 35.4%, benefiting strongly from the contribution from CWS Italy which was acquired in 2017. Ongoing Revenue from our Pest Control businesses grew by 7.4%. Overall Ongoing Operating Profit for the Europe region grew by 10.8%, with good growth in Southern Europe and Germany. Profits in France grew in H1 and the business is well placed to achieve its plan to return to profitable growth in 2018 as a whole. Net Operating Margins for the region fell by 0.2% points to 17.9%, reflecting improvements in France, Germany and Latin America but offset by a decline in Southern Europe as a result of the dilutive effect of the CWS acquisition. However, this business, which was loss-making prior to acquisition, returned to profit during the period. The Europe region acquired six new businesses in the first half in Europe and Latin America, including four in Pest Control and two in Hygiene, with combined annualised revenues of c. £8.7m in the year prior to purchase.

The **UK & Rest of World** region delivered a good performance during the period, with an overall increase in Ongoing Revenue of 17.1%, comprising Organic Revenue growth of 1.7% and growth through acquisition of 15.4%. The region delivered continued growth from UK Pest Control and Hygiene, which grew organically by 4.2%, with Pest Control continuing to benefit from increased jobbing work. The otherwise good performances in the region were, however, dampened by UK Property Care which continues to experience weak market conditions. The Rest of World operations delivered good Ongoing Revenue growth of 13.1% across all of its regional clusters in the Nordics, Caribbean, Africa and MENAT. Overall Ongoing Operating Profit for the region grew by 13.9%, reflecting higher revenues. Net Operating Margins for the region fell by 0.5% points to 19.3%, again impacted by reduced profits in UK Property Care.

In January the region acquired the UK businesses of Cannon Hygiene Services. We are holding the Cannon business separate from our existing Hygiene operations while we respond to further queries from the Competition & Markets Authority. The business is trading well and we retain all profits accruing under our ownership. The region also acquired two Pest Control companies in Sweden and the United Arab Emirates which generated c. £4.6m of revenues in the year prior to purchase.

The **Asia** region has had a good first half. Ongoing Revenue increased by 23.5% (+6.9% Organic Revenue growth) with both Pest Control and Hygiene performing well. An overall good performance in the first half was impacted in part by strong 2017 comparatives associated with the introduction of Goods and Services Tax last July in India. Ongoing Operating Profit in the region grew by 25.6% in H1 2018, reflecting the leverage from higher revenues. Net Operating Margins increased by 0.1% points to 9.9%, with growth in Hygiene margins being offset by the dilutive effect of the lower-margin PCI business. The region acquired three Pest Control businesses in the half in Singapore and Malaysia with combined annualised revenues of c. £1.5m in the year prior to purchase.

In the **Pacific** region Ongoing Revenue grew by 12.1%, (+3.1% organic), driven by solid performances across our core Pest Control and Hygiene categories and the acquisition of the Cannon Hygiene businesses in New Zealand and Australia. Ongoing Operating Profit in the region grew by 5.6%. Net Operating Margins declined by 1.2% points to 19.7% as a result of the dilutive impact of the Cannon acquisition. In addition to Cannon, we acquired three small Pest Control companies in New Zealand with combined annualised revenues of c. £0.6m in the year prior to purchase.

STRATEGY UPDATE

Since February 2014 we have implemented an effective and consistent strategy – called our **RIGHT WAY** plan - at pace and this strategy has delivered consistent progress against our financial targets. We are now a stronger and more focused business, operating in higher growth markets, with improving levels of organic growth, reduced capital intensity and high levels of cash generation. The proceeds we have received from our joint venture with Haniel gives us greater flexibility to invest in our higher growth categories of Pest Control and Hygiene, which in H1 represented just over 90% of Ongoing Operating Profit.

Pest Control - a resilient and growing market

Pest Control is an attractive, non-cyclical growth market worth c. $18bn and expected to deliver a CAGR of around 5%* through to 2023*. Approximately 46% of the global market is Commercial pest control, 35% is Residential and 19% is Termite. North America is the world's single largest market and worth 50% of the total. The market is highly fragmented and comprises some 40,000 pest control operators globally. Pest control has multiple growth drivers including increasing pest pressures, climate change, urbanisation, growing middle classes, rising consumer expectations for hygiene standards and increasing workplace and food regulations.

Vector control is an important growth sector within the global pest control market and is estimated to be worth an additional $3.1bn. Vector control interrupts or eliminates local transmission of diseases, reduces vulnerability to disease and prevents secondary infection from introduced diseases to prevent further outbreaks. The most frequent vector control activity is mosquito control. Asia and Latin America are considered to be particularly important markets because of the dangers to public health from mosquito-borne diseases, notably dengue fever, Zika, and malaria,

* *Source: Various market reports including Allied Market Research and Genesis Market Research.*

Rentokil – the world's largest commercial pest control company

We are strengthening our position as global leaders in pest control through increased organic growth and by establishing stronger market positions particularly in Growth and Emerging markets, and through digital expertise, innovation and acquisitions. The business has delivered a four-year revenue CAGR of 18.2%. Pest Control accounts for 63% of Ongoing Revenue and 68% of Ongoing Operating Profit and generated a Net Operating Margin of 16.4% in H1. In the first six months of the year Ongoing Revenue and Ongoing Operating Profit in Pest Control grew by 13.0% and 9.2% respectively. Organic Revenue rose by 4.0% (+4.7% adjusting for Puerto Rico) with growth through acquisition of 9.0%.

Growth markets

These markets include North America, the UK, Australia, New Zealand and the Caribbean. North America is particularly important to us as the world's largest pest control market. Rentokil North America provides national pest control coverage, supported by 300+ branches, 45 distribution centres and over 8,000 colleagues. 75% of revenues are contracted with the remaining 25% comprised of jobbing revenue. Our strategy in this region is to build density through organic initiatives and successful M&A. Organic initiatives include growth in national and international accounts, product innovation, harnessing the digital opportunity and leveraging our B2B sales capability in our core sectors of food processing, food retail, healthcare and offices. We have a proven track record in M&A, achieved through high quality and disciplined target identification, due diligence, integration and performance evaluation. North America is a key market for M&A and, as the 'buyer of choice', our pipeline remains particularly strong.

North America has delivered a four-year revenue CAGR of 24.9%. Through a balanced programme of organic and acquisitive growth, we plan to generate $1.5bn revenues and Net Operating Margins of c. 18% across the entire business by the end of 2020. We plan to achieve this through organic growth of 4% to 6% per annum, additional revenues from M&A of 8% to 10% (each year, every year for three years) and improvements in service quality and productivity delivered through our Best of Breed programme. This programme is focused on harmonising our IT platform across North America, and delivering transformational change programmes focused on enhanced service productivity, better procurement, streamlining the back office, and reducing property numbers in order to move further towards a virtual branch operating model.

In H1 we have made good progress with the plan, with strong revenue from businesses acquired in the region during 2017 and the addition of a further \$35m (£27m) of annualised revenues from new businesses acquired in the first six months of 2018. In addition, our Best of Breed programme is proceeding well. As stated on page 4, we expect Organic Revenue growth to improve in H2.

Emerging markets

We have an unrivalled position the markets of Asia, Latin America, MENAT, Kenya, Fiji and Central America, which combined represent a strong platform for delivering sustainable, profitable growth. Asia made good progress in the first half of the year, delivering 8.2% Organic growth in Pest Control. We now have 7,200 pest technicians and 131 field biologists working from 580 locations across 12 countries in this Region. Latin America has seen a continuation of its strong performance, delivering Ongoing Revenue growth of 17.9% in the half. We entered the Costa Rican market for the first time in February through the acquisition of Fumigadora which extends our coverage in Latin America to nine countries. We also acquired ISS Brazil in Sao Paulo to build further density in this key city. In addition, we continue to explore opportunities presented by the opening up of public sector Vector Control contracts in Brazil and will provide an update at the 2018 Preliminary results in February 2019. Rentokil is the clear market leader in MENAT, and acquired in Q1 National Pest Control, the market leader in the UAE with 180 colleagues. We now have the capacity and footprint to operate across all of the main Emirates.

Innovation

Innovation underlines our brand positioning as the experts in pest control and continues to differentiate the business. It is also an important driver of organic growth and enables us to enhance our product offering while at the same time meeting emerging threats and new regulatory requirements. We have a strong pipeline of innovations in place which target key pest groups of rodents and insects.

Following the success of our first Lumnia insect light trap product (the world's first to use LED lighting in place of fluorescent tubes), we extended the range to include the Lumnia Ultimate in H1, with Lumnia Compact to follow in H2. Lumnia can reduce energy consumption for customers by up to 60% versus traditional units. Sales have been strong, with over 17,000 units shipped in the first half.

Later this year, we will extend our Connect range with the launch of multi-catch rodent devices and we will also undertake the first customer trials, starting in North America, of an innovative Bed Bug Monitor.

We were delighted to have been awarded **The Queen's Award for Enterprise – Innovation** during the first half for our RADAR and PestConnect system.

Digital products and services

We continue to see unprecedented levels of change in the impact of technology on our customers and our front-line and back office colleagues and use IT to improve the quality and consistency of service delivery, drive innovation and reduce costs. We believe we are leading the pest control industry in the commercialisation of the 'Internet-of-Things' through connected devices and have digital expertise at every stage of the customer journey from web searching through to e-billing.

We have made further progress in digital pest control in H1. Our myRentokil online customer portal is now being used in over 750,000 customer sites across 30 countries and in H1 a further 63,000 new customers began to use the portal. Approximately 1.5m incidents of pest activity were recorded in the first half of the year. Connected devices, such as PestConnect, our award-winning remote monitoring system for rodents, open up opportunities to revolutionise our business and provide customers with a complete pest detection solution and full traceability. We now have devices being used in over 3,500 customer premises across ten countries.

The first half of this year has seen a record number of visits to our web estate, with 2.14m organic visits to Rentokil sites in the month of June alone. Visitor growth has risen by 17% this year.

We have also made excellent progress in the continued roll out of smartphone and apps across the group to drive service and sales productivity in both Pest Control and Hygiene. ServiceTrak is our smartphone field service app used by technicians to record service visits – for example, start time, services performed, customer recommendations, customer signatures and end time. This has now been deployed in 14 countries and used for 2.3m service visits in H1. In addition, our service colleagues created 35,000 sales leads through the app in the first six months of the year. In Hygiene our new colleagues from Cannon are using the app which brings total number of users to just over 2,000 globally. In addition, we have completed a pilot study for a new ServiceTrak app for Ambius colleagues in New Zealand.

Initial Hygiene

Initial Hygiene is the world's largest hygiene services business and we see it as a strong complementary business to our Pest Control operations. Both businesses service the same types of customers and also share country management, technology, infrastructure and back office services. Both are route-based businesses where profit growth is driven by a fundamental understanding of the importance of density. The megatrends in the hygiene industry - and the importance of being able to prevent the spread of diseases, germs and bacteria – such as an increasing ageing population and adult incontinence, more women at work requiring feminine hygiene products and services and reputational risk from poor hygiene standards, are fuelling demand for our services.

Since 2013 we have delivered an improvement in revenue growth, established a strong product range, launched the myInitial customer portal for enhanced customer insight and engagement and have begun to make acquisitions to build scale and density. Hygiene has delivered a four-year revenue CAGR of 10.4%. The business is highly profitable with margins being driven by post code density (servicing as many customers as possible in any tight geographic zone) and customer penetration (selling multiple service lines to customers). Hygiene accounts for 22% of Group revenue and 23% of Group profits. Ongoing Revenue grew strongly by 30.8% in H1 through a combination of acquisitive and organic growth. Ongoing Operating Profit grew by 19.2%.

Our plan for growth in Hygiene

We aim to deliver continued growth in our Hygiene business through a combination of strong operational focus and targeted M&A to build city-density. At the heart of our strategy is the delivery of excellent customer service and product innovation. Our Initial brand is a leader within the industry and particularly important in Emerging markets. As with Pest Control, productivity can be enhanced through the overlay of digital technology. Finally, 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 and margin expansion.

As our confidence in our Hygiene model grows, so too has our focus on securing attractive hygiene acquisitions. In 2017 we acquired the hygiene business of CWS Italy and in January this year we acquired Cannon Hygiene Services which, with operations in nine countries, represents a particularly good fit with our existing Hygiene businesses. We also acquired a small hygiene business called Mauco Products in Chile in May and purchased Cleanstation in Portugal at the end of June.

We have made excellent operational progress this year with the integration of CWS Italy, establishing 49 separate projects to enhance our capability in service, IT, operational excellence, products and people. Cannon Hygiene Services has businesses in the UK, Ireland, Spain, Portugal, South Africa, India, Thailand, Australia and New Zealand. The acquisition increases our coverage in key markets enabling us to gain a good level of synergies from enhanced density and combined infrastructures and all operations are performing very well under our ownership. The transaction also marks our entry into the attractive Indian hygiene market where Cannon is the market leader. Cannon adds £77m of global Hygiene revenues to the Group and replaces a high proportion of the European Hygiene revenues contributed to the joint venture with Haniel. In the UK we are holding the Cannon business separate from our existing Hygiene operations while we respond to further queries from the Competition & Markets Authority, which has referred the transaction to a Phase 2 review. We estimate the review will complete within six months.

Protect & Enhance

The four businesses in this category are Workwear, Ambius, Property Care and a very small Dental Services operation. Combined, the businesses represented 9.0% of Ongoing Operating Profit in H1.

Our Workwear operations in France specialise in the supply and laundering of workwear, uniforms, cleanroom uniforms and personal protective garments. After three years of declining profitability, the business returned to profitable growth in the first half of the year, some six months ahead of plan. This has been achieved through an outstanding execution of strategy by our new management team which has focused on service and product quality to drive customer retention, together with profit improvement and margin protection initiatives. While we are greatly encouraged by our performance in H1, we continue to work towards returning the business to full year profitable growth by the end of 2018.

Ambius operates in 15 countries with leadership positions in the US, Canada, Australia and New Zealand. Its product offering includes interior landscaping, Christmas decorations and premium scenting. Its strategic focus is on higher-margin green (living) walls and premium scenting, expanding and exploiting international agreements and driving lead generation through digital applications. We are very encouraged by Ambius's performance in the first half and its return to profitable growth of 7.5% on revenues up 1.7% during the period.

Our Property Care business is based in the UK. Services include dry rot and woodworm treatment and damp proofing. We have a leading position in the industry and have developed a strong operational capability with certified teams undertaking work in commercial and social housing. While the business has a defensive cash position with advance payment required before work is undertaken, trading continues to be significantly impacted by the slowdown in the UK property market. The business is small, generating revenues of £11.3m in the first half, but its decline of 22% has pulled back Organic growth in the UK and RoW region by 2% points. We have a good business improvement plan for the second half based on better revenue, leveraging our digital expertise from Pest Control and a focus on cost and on efficiency measures.

Employer of Choice

One of our key challenges in 2018 is to improve colleague engagement, enablement, talent and retention (especially short-term retention) through implementation of our Employer of Choice programme. We have made good progress in our key project this year – Project 365 – which has been designed to increase short-term sales and service colleague retention to 90% by 2020. This would lead to an annual cost saving of £10m. Actions in the first half of this year included setting regional targets ranging from a 10% to 20% improvement by the year end, regional workshops to launch the project, the creation of a new global careers portal for colleagues and the introduction of a new Line Manager Development Programme. We measure line manager effectiveness through a confidential survey for all colleagues. Those line managers achieving a rating of below 60% are required to participate in a two-day programme to improve their feedback, communications, recognition and coaching skills and will receive ongoing support to help them meet their targeted improvement score of more than 10%.

Annual General Meeting (AGM)

The Company noted in May the outcome of the voting at the AGM on the resolutions in relation to the proposed Directors' Remuneration Policy, namely that shareholders representing 75% of the votes cast voted in favour; 25% voted against. The Company understands that this outcome was attributable, in large part, to concerns regarding the increase in bonus opportunity for the CEO and CFO and the increase in the share plan award for the CEO. Following a detailed shareholder consultation exercise, the majority of the Company's shareholders indicated they were supportive of the new Directors' Remuneration Policy. On that basis the Company remains of the view that it is in the best interests of the Company and its shareholders, and has therefore now implemented the new Directors' Remuneration Policy. This will be reported on in detail in the 2018 Directors' Remuneration Report.

M&A

Acquisitions are core to our strategy - we have the in-house capability to identify, evaluate and execute acquisitions at pace. Our model for value-creating M&A is structured around disciplined evaluation of targets, detailed integration programmes and careful governance of new businesses under our ownership.

The first six months of this year has seen further strong activity in M&A, particularly in Pest Control in Growth and Emerging markets. For the six months year to date we have acquired 23 businesses - 20 in Pest Control and three in Hygiene, including the January acquisition of Cannon Hygiene Service - with combined annualised revenues of £117.3m in the year prior to purchase. Total spend, including prior year acquisitions, was £164.9m. Countries in which we have acquired new businesses include Brazil, Canada, Chile, Costa Rica, Malaysia, the Netherlands, New Zealand, Portugal, Singapore, Sweden, UAE and the US.

In North America we target companies in cities where we are sub-scale or have expertise in preferred growth sectors and we are making steady progress towards our goal of generating revenues of $1.5bn and margins of 18% by the end of 2020. Key to our success is delivering organic growth of between 4% and 6% for the next three years and targeting 8% to 10% growth from acquisitions each year until the end of 2020. We have had a good first six months of M&A, acquiring eight Pest Control companies across the region, which combined generated annualised revenues of c. £27m in the year prior to purchase. The pipeline of opportunities remains very strong and we are confident of further high quality acquisitions in the second half of the year.

In March we acquired California-based Lake Management business Aquatic Environments. This follows our 2017 entry into this sector through the purchase of Vector Disease Acquisition LLC which has Lake Management operations as well as mosquito services. The transaction represents a strategic entry into Lake Management on the west coast of the US and will create a platform on which we can build density through subsequent bolt-on deals.

Going forward, we will continue to execute a differentiated approach to capital investment and M&A, with clear expectations and IRRs by business line. We will continue to seek further acquisition opportunities in the second half of 2018 in both Pest Control and Hygiene and the pipeline of prospects remains strong. Cash spend on current and prior-year acquisitions amounted to £164.9m in the first half and our anticipated spend on acquisitions for the whole of 2018 is estimated to be in the region of £200m to £250m.

M&A analysis

We monitor the integration and performance of acquired businesses very closely to ensure that they are continuing to meet our financial hurdles. We have acquired 54 businesses between October 2015 and March 2017 and the M&A programme continues to meet expectations and deliver returns in line with its targeted levels of IRR.

FINANCIAL REVIEW

Central and regional overheads

Central and regional overheads of £39.7m at CER were £2.0m higher than prior year (2017: £37.7m) reflecting the central cost reduction programme following the Haniel joint venture offset by investments in digital capability and deployment costs.

Restructuring costs

With the exception of integration costs for significant acquisitions, the Company reports restructuring costs within operating profit. Integration costs associated with significant acquisitions are reported as one-off items and excluded from operating profit.

Restructuring costs of £4.3m at CER (2017: £3.9m) consisted mainly of costs in respect of initiatives focused on driving operational efficiency in North America, France and the UK.

One-off items

A net one-off credit of £2.4m at CER (2017: £7.7m one-off cost) primarily relates to the acquisition and integration costs of Cannon Hygiene Services (acquired in January this year) and the ongoing acquisition programme in the US, offset by a £6.0m non-cash gain as a result of member options exercises on the UK defined benefit pension scheme.

Interest

Net interest payable (excluding the net interest credit from pensions) at actual exchange rates was £22.2m compared to £20.6m in the prior year, a net increase of £1.6m reflecting movements as a result of the strengthening of sterling against the US dollar and a change in the net debt currency mix (higher coupon US dollar debt). The average cost of net debt for the Group in the first half was 4.1%.

Profit from associates

Of the share of profit from associates at CER of £12.2m (2017: £3.7m), £8.0m (2017: £nil) relates to our CWS-boco International GmbH associate and £4.2m (2017: £3.7m) to our Japanese associate. Both businesses are performing well, and we are particularly encouraged by the Haniel joint venture.

Tax

The income tax expense for the half year at actual exchange rates was £23.2m on the reported profit before tax of £109.5m. After adjusting the reported profit before tax for the amortisation and impairment of intangible assets (excluding computer software), one-off items and the net interest credit from pensions, the Adjusted Effective Tax Rate (ETR) for H1 2018 at AER was 22.3% (2017: 22.3%). This compares with a blended rate of tax for the countries in which the Group operates of 22% (2017: 24%).

Net debt and cash flow

£m at actual exchange rates	Year to Date		
	H1 2018 £m	H1 2017 £m	*Change £m*
Adjusted Operating Profit	**134.5**	143.1	*(8.6)*
One-off items – operating	**2.6**	(7.7)	*10.3*
Depreciation	**72.8**	107.3	*(34.5)*
Other	**0.8**	3.1	*(2.3)*
EBITDA	**210.7**	245.8	*(35.1)*
Working capital	**(14.0)**	(24.1)	*10.1*
Movement on provisions	**(7.0)**	(6.0)	*(1.0)*
Capex – additions	**(85.8)**	(124.8)	*39.0*
Capex – disposals	**1.4**	3.0	*(1.6)*
Operating cash flow – continuing operations	**105.3**	93.9	*11.4*
Interest	**(7.3)**	(6.3)	*(1.0)*
Tax	**(25.0)**	(19.5)	*(5.5)*
Free Cash Flow – continuing operations	**73.0**	68.1	*4.9*
Acquisitions	**(164.9)**	(206.8)	*41.9*
Disposal of companies and businesses	**-**	396.1	*(396.1)*
Dividends	**(50.2)**	(43.5)	*(6.7)*
Foreign exchange translation and other items	**(21.3)**	(0.7)	*(20.6)*
(Increase) / decrease in net debt	**(163.4)**	213.2	*(376.6)*
Opening net debt	**(927.3)**	(1,238.7)	*311.4*
Closing net debt	**(1,090.7)**	(1,025.5)	*(65.2)*

Operating cash inflow (£105.3m at AER for continuing operations) was £11.4m higher than in 2017. Lower levels of EBITDA were more than offset by improved working capital and a reduction in capex levels following the transfer of the Workwear and Hygiene assets to Haniel and RLD. The first cash dividend from the Haniel joint venture in relation to the six months ended 31 December 2017 of €9.5m is due to be received in Q3 2018.

Interest payments of £7.3m are £1.0m higher than in the prior year, reflecting the increased charge to the Profit & Loss account and tax payments increased by £5.5m, reflecting phasing issues and the impact of the US tax reforms. This resulted in Free Cash Flow from continuing operations of £73.0m, an increase of £4.9m on the prior year.

Cash spent on acquisitions totalled £164.9m. Dividend payments amounted to £50.2m (a £6.7m, 15.4% increase on the prior year). Foreign exchange translation and other items increased net debt by £21.3m, leaving an overall increase in net debt of £163.4m and closing net debt of £1,090.7m.

Pensions

At 30 June 2018 the Company's UK defined benefit pension scheme ('the Scheme'), which is closed to new members, was valued at an accounting surplus of £373.2m on the Company's balance sheet. Following the most recent triennial actuarial valuation as at 31 December 2015 the Trustee and the Company agreed that the Scheme is now fully funded on a technical provisions basis. The Trustee has therefore agreed annual payments will not be required going forward. Because the Scheme is fully funded on a technical provisions basis, £9.0m of payments previously held in escrow was released to the Company in February 2017. The funding position will be reviewed at the next actuarial valuation, which is scheduled for 31 December 2018.

The Scheme is in a strong financial position and, given this, the Trustee has been considering the future of the Scheme. At 31 December 2017 the Scheme was estimated to be close to the level at which it would be able to secure member's benefits using insurance policies – known as 'buy-out'. No decision has yet been made on this but carrying out a buy-out would replace Rentokil Initial plc as sponsor of the Scheme with a fully authorised UK insurance company which would become responsible for paying pensions in line with the Scheme rules. This would remove the pension Scheme from the Company's balance sheet without any cash payments being required by the Company.

Funding

At 30 June 2018 the Group had net debt of £1,090.7m representing an increase of £163.4m in net debt as at 31 December 2017. At 30 June 2018 the Group had £454m of centrally held funds and available undrawn committed facilities. On 13 March 2018 the Group repaid a €50m bond using cash on the balance sheet. The Company is currently working with its banks to amend and extend its revolving credit facility with a view to increasing the committed amount available for cash drawings from £360m to £600m and extending the term to 2023 with two one-year extension options. This will cover any refinancing risk associated with the maturity of the €500m bond in September 2019, which is the next debt maturity.

The ratio of net debt to EBITDA at 30 June 2018 was 2.4x and reflects the timing of acquisition spend in H1. We are committed to maintaining a BBB credit rating and, based on our expectations for the remainder of 2018, we are confident in doing so.

Going Concern

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

Following an encouraging performance in the first half of 2018, and in anticipation of further progress for the remainder of the year, the Board is declaring an interim dividend of 1.311p per share, payable to shareholders on the register at the close of business on 10 August 2018, to be paid on 12 September 2018.

GUIDANCE FOR 2018 (at CER unless otherwise stated)

With the exception of foreign exchange, our previous guidance for the year is unchanged. Central and regional overheads are expected to be £4m above the prior year. We estimate that restructuring costs (reported within Ongoing Operating Profit) will be at c. £7m, in line with 2017.

Profit from associates, including our share of the adjusted profit from the Haniel joint venture, is estimated to be in the region of £20m to £25m.

Interest costs are estimated to be c. £46m with cash interest estimated to be broadly in line with the P&L impact.

Recent movements on exchange rates have reduced the negative impact of currency movements on our profit (and Free Cash Flow) and this is now expected to be in the region of £5m to £10m, versus our previous guidance in February of negative £10m to £15m. However, this potential £5m improvement is expected to be largely offset by higher fuel prices which have increased fuel costs by c. £2m in the first half.

Our current estimate for the Adjusted Effective Tax Rate in 2018 is 22.5% (in line with 2017) with cash tax payable in the region of £45m to £50m.

Capital expenditure is estimated to be in the region of £165m to £175m and working capital outflow is anticipated to be £15m.

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

	Notes	6 months to 30 June 2018 £m	6 months to 30 June 2017* £m
Revenue	4	**1,176.1**	1,233.6
Operating profit		**108.5**	143.8
Net profit on disposal of businesses		**-**	462.5
Profit before interest and income tax		**108.5**	606.3
Finance income		**15.2**	7.2
Finance cost		**(26.4)**	(24.4)
Share of profit from associates, net of tax of £5.2m (2017: £1.9m)		**12.2**	3.8
Profit before income tax		**109.5**	592.9
Income tax expense[1]		**(23.2)**	(13.3)
Profit for the year attributable to the Company's equity holders (including non-controlling interests of £0.1m (2017: £0.1m))		**86.3**	579.6
Other comprehensive income:			
Items that are not reclassified subsequently to the income statement:			
Re-measurement of net defined benefit asset	7	**37.7**	(9.5)
Tax related to items taken to other comprehensive income		**(8.1)**	1.7
Items that may be reclassified subsequently to the income statement:			
Net exchange adjustments offset in reserves		**(4.1)**	(22.5)
Other items		**10.4**	(36.0)
Total comprehensive income for the year (including non-controlling interests of £0.1m (2017: £0.1m))		**122.2**	513.3

[1] taxation includes £15.2m (HY 2017: £13.3m) in respect of overseas taxation.

Earnings per share attributable to the Company's equity holders:		
Basic	**4.69p**	31.62p
Diluted	**4.66p**	31.49p

Non-GAAP measures			
Operating profit		**108.5**	143.8
Adjusted for:			
Amortisation and impairment of intangible assets (excluding computer software)	4	**28.6**	25.9
One-off items – operating	4	**(2.6)**	7.7
Reversal of depreciation – assets held-for-sale		**-**	(34.3)
Adjusted operating profit		**134.5**	143.1
Finance income		**15.2**	7.2
Add back: Net interest credit from pensions		**(4.0)**	(3.4)
Add back: Interest fair value adjustments		**(7.0)**	-
Finance cost		**(26.4)**	(24.4)
Share of profit from associates, net of tax of £5.2m (2017: £1.9m)		**12.2**	3.8
Adjusted profit before income tax		**124.5**	126.3
Basic adjusted earnings per share attributable to the Company's equity holders		**5.25p**	5.36p

The weighted average number of ordinary shares in issue is 1.839m (HY 2017: 1,833m). For the diluted EPS calculation the adjustment for share options and LTIPs is 12.9m (HY 2017: 7.7m).

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen comparative information is not restated. See Note 3.

Consolidated balance sheet

	Notes	**At 30 June 2018 £m**	At 31 December 2017* £m
Assets			
Non-current assets			
Intangible assets		**1,361.2**	1,220.2
Property, plant and equipment		**408.1**	390.2
Investments in associated undertakings		**290.9**	278.7
Other investments		**0.2**	0.2
Deferred tax assets		**3.9**	3.4
Contract costs	3	**46.9**	-
Retirement benefit assets	7	**374.2**	326.2
Other receivables		**11.3**	11.0
Derivative financial instruments	9	**14.9**	13.7
		2,511.6	2.243.6
Current assets			
Other investments		**1.4**	0.5
Inventories		**100.4**	84.3
Trade and other receivables		**491.1**	449.8
Current tax assets		**17.0**	13.1
Derivative financial instruments	9	**1.5**	6.3
Cash and cash equivalents		**161.4**	310.1
		772.8	864.1
Liabilities			
Current liabilities			
Trade and other payables		**(593.3)**	(535.7)
Current tax liabilities		**(79.4)**	(79.5)
Provisions for other liabilities and charges		**(28.4)**	(25.3)
Bank and other short-term borrowings	8	**(37.7)**	(68.0)
Derivative financial instruments	9	**(1.1)**	(5.3)
		(739.9)	(713.8)
Net current assets		**32.9**	150.3
Non-current liabilities			
Other payables[1]		**(76.3)**	(76.0)
Bank and other long-term borrowings	8	**(1,210.5)**	(1,166.9)
Deferred tax liabilities		**(130.5)**	(109.3)
Retirement benefit obligations	7	**(24.7)**	(26.1)
Provisions for other liabilities and charges		**(47.3)**	(55.0)
Derivative financial instruments	9	**(24.6)**	(26.6)
		(1,513.9)	(1,459.9)
Net assets		**1,030.6**	934.0
Equity			
Capital and reserves attributable to the company's equity holders			
Called up share capital		**18.4**	18.4
Share premium account		**6.8**	6.8
Other reserves		**(1,842.3)**	(1,848.6)
Retained profits		**2,847.3**	2,757.1
		1,030.2	933.7
Non-controlling interests		**0.4**	0.3
Total equity		**1,030.6**	934.0

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen comparative information is not restated. See Note 3.

[1] non-current other payables includes £49.0m of contingent consideration related to the PCI India acquisition (2017: £47.7m).

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 2017	18.3	6.8	(1,763.5)	2,099.0	0.1	360.7
Profit for the period	-	-	-	579.5	0.1	579.6
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	(22.5)	-	-	(22.5)
Remeasurement of net defined benefit asset	-	-		(9.5)	-	(9.5)
Effective portion of changes in fair value of cash flow hedge	-	-	6.2	-	-	6.2
Cumulative exchange recycled to income statement on disposal of foreign operations	-	-	(42.2)	-	-	(42.2)
Tax related to remeasurement of net defined benefit asset	-	-		1.7	-	1.7
Total comprehensive income for the period	-	-	(58.5)	571.7	0.1	513.3
Transactions with owners:						
Dividends paid to equity shareholders	-	-	-	(43.5)	-	(43.5)
Issue of ordinary shares	0.1	-	-	-	-	0.1
Cost of share options and long-term incentive plan	-	-	-	3.6	-	3.6
At 30 June 2017	18.4	6.8	(1,822.0)	2,630.8	0.2	834.2
At 1 January 2018	**18.4**	**6.8**	**(1,848.6)**	**2,757.1**	**0.3**	**934.0**
Adjustment on initial application of IFRS 15	**-**	**-**	**-**	**25.2**	**-**	**25.2**
Adjusted balance at 1 January 2018	**18.4**	**6.8**	**(1,848.6)**	**2,782.3**	**0.3**	**959.2**
Profit for the period	**-**	**-**	**-**	**86.2**	**0.1**	**86.3**
Other comprehensive income:						
Net exchange adjustments offset in reserves	**-**	**-**	**(4.1)**	**-**	**-**	**(4.1)**
Remeasurement of net defined benefit asset	**-**	**-**	**-**	**37.7**	**-**	**37.7**
Effective portion of changes in fair value of cash flow hedge	**-**	**-**	**10.4**	**-**	**-**	**10.4**
Tax related to remeasurement of net defined benefit asset	**-**	**-**	**-**	**(8.1)**	**-**	**(8.1)**
Total comprehensive income for the period	**-**	**-**	**6.3**	**115.8**	**0.1**	**122.2**
Transactions with owners:						
Dividends paid to equity shareholders	**-**	**-**	**-**	**(50.2)**	**-**	**(50.2)**
Cost of share options and long-term incentive plan	**-**	**-**	**-**	**2.8**	**-**	**2.8**
Movement in the carrying value of put options	**-**	**-**	**-**	**(3.4)**	**-**	**(3.4)**
At 30 June 2018	**18.4**	**6.8**	**(1,842.3)**	**2,847.3**	**0.4**	**1,030.6**

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen comparative information is not restated. See Note 3.

Shares of £0.1m (2017: £0.1m) have been netted against retained earnings. This represents 9.5m (HY 2017: 7.9m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 30 June 2018 was £32.7m (HY 2017: £21.6m). 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 reserve £m	Cash flow hedge reserve £m	Translation reserve £m	Total £m
At 1 January 2017	(1,722.7)	10.4	(5.9)	(45.3)	(1,763.5)
Net exchange adjustments offset in reserves	-	-	-	(22.5)	(22.5)
Effective portion of changes in fair value of cash flow hedge	-	-	6.2	-	6.2
Cumulative exchange recycled to income statement on disposal of foreign operations	-	-	-	(42.2)	(42.2)
Total comprehensive income for the period	-	-	6.2	(64.7)	(58.5)
At 30 June 2017	(1,722.7)	10.4	0.3	(110.0)	(1,822.0)
At 1 January 2018	**(1,722.7)**	**10.4**	**(8.5)**	**(127.8)**	**(1,848.6)**
Net exchange adjustments offset in reserves	**-**	**-**	**-**	**(4.1)**	**(4.1)**
Effective portion of changes in fair value of cash flow hedge	**-**	**-**	**10.4**	**-**	**10.4**
Total comprehensive income for the period	**-**	**-**	**10.4**	**(4.1)**	**6.3**
At 30 June 2018	**(1,722.7)**	**10.4**	**1.9**	**(131.9)**	**(1,842.3)**

Consolidated cash flow statement

	Notes	**6 months to 30 June 2018 £m**	6 months to 30 June 2017* £m
Profit for the period		**86.3**	579.6
Adjustments for:			
- Tax		**23.2**	13.3
- Share of profit from associates		**(12.2)**	(3.8)
- Net interest credit from pensions		**(4.0)**	(3.4)
- Interest fair value adjustments		**(7.0)**	-
- Interest income		**(4.2)**	(3.8)
- Interest expense		**26.4**	24.4
Reversal of non-cash items:			
- Depreciation and impairment of property, plant and equipment		**63.2**	66.6
- Amortisation and impairment of intangible assets[1]		**28.6**	25.9
- Amortisation of computer software		**9.6**	6.4
- Other non-cash items		**0.8**	3.1
- Profit on sale of businesses		**-**	(462.5)
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
- Inventories		**(12.1)**	(7.6)
- Contract costs		**(0.8)**	-
- Trade and other receivables		**(29.0)**	(38.5)
- Accrued income		**(12.4)**	-
- Trade and other payables and provisions		**15.8**	16.0
- Deferred income		**17.5**	-
Cash generated from operating activities		**189.7**	215.7
Interest received		**1.0**	8.2
Interest paid[2]		**(8.3)**	(14.5)
Income tax paid		**(25.0)**	(19.5)
Net cash generated from operating activities		**157.4**	189.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(72.2)**	(107.3)
Purchase of intangible fixed assets		**(10.3)**	(7.4)
Proceeds from sale of property, plant and equipment		**1.4**	3.0
Acquisition of companies and businesses, net of cash acquired	5	**(164.9)**	(206.8)
Disposal of companies and businesses (net of disposal costs)		**-**	396.1
Net cash flows from investing activities		**(246.0)**	77.6
Cash flows from financing activities			
Issue of ordinary share capital		**-**	0.1
Dividends paid to equity shareholders		**(50.2)**	(43.5)
Capital element of finance lease payments		**(7.0)**	(8.5)
Cash outflow on settlement of debt related foreign exchange forward contracts		**2.9**	(43.5)
Proceeds from issue of debt		**44.5**	225.0
Net investment in term deposits		**(0.9)**	6.4
Net loan repayments		**(44.3)**	(10.5)
Net cash flows from financing activities		**(55.0)**	125.5
Net (decrease)/increase in cash and cash equivalents		**(143.6)**	393.0
Cash and cash equivalents at beginning of year		**304.1**	105.9
Exchange losses on cash and cash equivalents		**(5.1)**	(4.5)
Cash and cash equivalents at end of the financial period		**155.4**	494.4

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen comparative information is not restated. See Note 3.

[1] excluding computer software.
[2] interest paid includes interest on finance lease payments of £0.7m (2017: £0.7m).

1. General information

The Company is a public limited 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 2018 was approved for issue on 30 July 2018.

On pages 69 to 70 of the Annual Report 2017 we set out the Group's approach to risk management and on pages 42 to 47 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 2017 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 2017. Those accounts have been reported upon by the Group's auditor and delivered to the registrar of companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor 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 2017 results please refer to the Annual Report 2017 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 2017 except for the changes described in Note 3.

This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are 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 preparation of the interim financial information for the half-year ended 30 June 2018 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation and uncertainty related to the application of IFRS 15 and IFRS 9, which are described below.

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

Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (see A) and IFRS 9 Financial Instruments (see B) from 1 January 2018.

The effect of initially applying IFRS 15 Revenue from Contracts with Customers is the capitalisation and amortisation of commission fees previously expensed as incurred (see A below). There was no material effect of initially applying IFRS 9 Financial Instruments (see B below).

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has applied IFRS 15 using the cumulative effect method (adopting all practical expedients); therefore, comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. Substantially all of the Group's revenue is within the scope of IFRS 15, but no material changes to the timing of revenue recognition are required. Under IFRS 15 revenue is recognised when a customer obtains control of goods or services in line with identifiable performance obligations. In the majority of cases the Group considers that the contracts it enters into are contracts for bundled services which should be

3. Accounting policies (continued)

accounted for as a single performance obligation. Therefore as under IAS 18 previously the majority of revenue across the Group will continue to be recognised evenly over the course of the contract because this reflects the timing of the provision of the service.

The Group previously recognised commission fees payable related to contracts as selling expenses when they were incurred. Under IFRS 15, the Group capitalises these commission fees, when they are incremental, as costs of obtaining contracts and, if they are expected to be recovered, it amortises them consistently over the lives of the contracts to which they relate. The value of the initial adjustment was £30.1m net of £11.8m tax. The related amortisation for the reporting period was £10.5m with the net impact on the income statement being a reduction in costs of £1.7m. Where the expected amortisation period is one year or less, the Group has adopted the available practical expedient to expense these commission fees as incurred. Due to the high volume of contracts entered into by the Group, when calculating the commission fees to be capitalised judgements are made at a country and category level as to the amounts capitalised and the duration of the amortisation.

The following table summarises the impacts of adopting IFRS 15 on the Group's interim balance sheet as at 30 June 2018. There was no material impact on the Group's interim statement of profit or loss and other comprehensive income or statement of cash flows for the six month period ended 30 June 2018.

Impact on the interim consolidated balance sheet

30 June 2018	**As reported £m**	**Adjustments £m**	**Amounts without adoption of IFRS 15 £m**
Assets			
Contract costs	46.9	46.9	-
Non-current assets	46.9	46.9	-
Trade and other receivables	46.9	(5.0)	51.9
Accrued income (1 January 2018: £16.7m)	9.2	-	9.2
Current assets	56.1	(5.0)	61.1
Liabilities			
Deferred income (1 January 2018: (£114.8m))	(132.4)	(4.9)	(127.5)
Current liabilities	(132.4)	(4.9)	(127.5)
Liabilities			
Deferred tax liabilities	(133.5)	(11.8)	(121.7)
Non-current liabilities	(133.5)	(11.8)	(121.7)
Equity			
Retained profits	(2,847.3)	(25.2)	(2,822.1)
Total equity	(2,847.3)	(25.2)	(2,822.1)

B. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities, and the adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see (ii) below).

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

IFRS 9 eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified at: measured at:

- amortised cost;
- fair value through other comprehensive income (FVTOCI) – debt investment;
- FVTOCI – equity investment; or
- fair value through profit or loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets are subject to new rules regarding provisions for impairment, however as the Group has minimal financial assets (other than trade debtors), and a history of minimal impairments against these assets, the impact on transition is not material.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

3. Accounting policies (continued)

i. Classification and measurement of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 £m	New carrying amount under IFRS 9 £m
Financial assets				
Interest rate swaps used for hedging	Fair value – hedging instrument	Fair value – hedging instrument	19.0	19.0
Forward exchange contracts used for hedging	Fair value – hedging instrument	Fair value – hedging instrument	1.0	1.0
Trade and other receivables	Loans and receivables	Amortised cost	449.8	449.8
Cash and cash equivalents – Cash and short term deposits	Loans and receivables	Amortised cost	225.2	225.2
Cash and cash equivalents – Liquidity funds	Loans and receivables	FVTPL	84.9	84.9
Derivatives	FVTPL	FVTPL	-	-
Total financial assets			779.9	779.9

ii. Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy, and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings, receivables, sales and inventory purchases. The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

Under IAS 39, the change in fair value of the forward element of the forward exchange contracts ('forward points') was recognised immediately in profit or loss. Under IFRS 9 the forward points are accounted for as a cost of hedging and are recognised in OCI. The Group has not changed the accounting for forward contracts under IFRS 9.

The Group generally uses cross currency interest rate swaps to achieve appropriate net debt currency mix. Cross currency swaps are generally either a cash flow hedge or a net investment hedge accounting relationship expect where there is a natural translation risk offset in the profit and loss account. A cross currency swap in a net investment hedge will be accounted on the forward basis where all changes in fair value will be reported to reserves except basis risk which is amortised over the remaining term of the swap contract.

Under IAS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affected profit or loss. The same approaches also apply under IFRS 9 to the amounts accumulated in the cost of hedging reserve.

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Changes to hedge accounting policies have been applied prospectively.
- All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

Other changes in accounting policies

The Group is considering the impact on the financial statements of IFRS 16 Leases (effective 1 January 2019). As a result of the changes within IFRS 16, the majority of existing operating leases will be accounted for as right of use assets, which will be largely offset by corresponding lease liabilities. The lease liability will increase net debt. It is anticipated that operating expenses will decrease and financing costs will increase as the operating lease expense is replaced by depreciation and interest. Depreciation will be straight-line over the life of the lease but the financing charge will decrease over the lease term. The overall phasing impact on net profit is not expected to be material.

A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

The Group has adopted the following amendments to standards with effect from 1 January 2018:

- Amendments to IFRS 2 Share Based Payments
- Annual Improvements to IFRSs – 2014-2016 Cycle (IAS 28 Investments in Associates and Joint Ventures)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

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 2017 or 30 June 2017. 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 Leadership Team responsible for the review of Group performance. The operating businesses within each segment report to the Regional Managing Directors.

Given the international nature of the Group, foreign exchange movements can have a significant impact on regional performance and as a result the segmental analysis is presented at constant currency rates. Restructuring costs and Central and Regional overheads are also presented centrally as they are not directly attributable to any reportable segment. The basis of presentation is consistent with the information reviewed by internal management. Revenue and profit are from Ongoing operations which is defined and reconciled to the nearest equivalent GAAP measure in Note 11.

	Revenue 30 June 2018 £m	Revenue 30 June 2017* £m	**Operating profit 30 June 2018 £m**	Operating profit 30 June 2017* £m
France	**147.7**	146.0	**21.9**	20.9
Benelux	**42.8**	41.7	**11.4**	11.9
Germany	**44.2**	39.3	**13.0**	11.3
Southern Europe	**61.7**	38.5	**7.9**	6.0
Latin America	**24.9**	21.1	**3.2**	1.8
Europe	**321.3**	286.6	**57.4**	51.9
UK & Ireland	**147.0**	123.2	**26.1**	22.7
Rest of World	**73.1**	64.5	**16.3**	14.5
UK & Rest of World	**220.1**	187.7	**42.4**	37.2
Asia	**106.4**	86.1	**10.6**	8.4
North America	**452.3**	401.0	**52.3**	47.8
Pacific	**97.4**	86.9	**19.1**	18.1
Central and regional overheads	**-**	-	**(39.7)**	(37.7)
Restructuring costs	**-**	-	**(4.3)**	(3.9)
Ongoing operations at constant exchange rates	**1,197.5**	1,048.3	**137.8**	121.8
Disposed businesses[1 2]	**9.6**	181.3	**-**	55.7
Continuing operations at constant exchange rates	**1,207.1**	1,229.6	**137.8**	177.5
Foreign exchange	**(31.0)**	4.0	**(3.3)**	(0.1)
Continuing operations at actual exchange rates	**1,176.1**	1,233.6	**134.5**	177.4
One-off items – operating			**2.6**	(7.7)
Amortisation of intangible assets[3]			**(28.6)**	(25.9)
Operating profit			**108.5**	143.8

* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen comparative information is not restated. See Note 3.

[1] disposed business for 2017 is restated for businesses disposed in 2018.
[2] includes revenue of £7.9m (2017: £nil) from product sales by the Group to CWS-boco International GmbH. Prior to 30 June 2017, this revenue was classified as intergroup revenue and eliminated on consolidation.
[3] excluding computer software.

Amortisation and impairment of intangible assets

	Amortisation and impairment of intangibles[1] 30 June 2018 £m	Amortisation and impairment of intangibles[1] 30 June 2017 £m
Europe	**3.0**	3.1
UK & Rest of World	**5.6**	3.5
Asia	**1.5**	1.4
North America	**15.4**	13.4
Pacific	**1.7**	1.2
Central and regional	**2.4**	1.9
Total at constant exchange rates	**29.6**	24.5
Foreign exchange	**(1.0)**	1.4
Total at actual exchange rates	**28.6**	25.9

[1] excluding computer software.

One-off items - operating income of £2.6m (2017: £7.7m one-off cost) primarily relates to the acquisition and integration costs of Cannon Hygiene Services (acquired in January this year) and the ongoing acquisition programme in the US, offset by a £6.0m non-cash gain as a result of member options exercises on the UK defined benefit pension scheme.

5. Business combinations

The Group purchased 100% of either the share capital or the trade and assets of 23 companies and businesses in the period. The total consideration in respect of acquisitions in the current year was £163.8m. Details of goodwill and the fair value of net assets acquired are as follows:

	6 months to 30 June 2018 £m	6 months to 30 June 2017 £m
Purchase consideration:		
- Cash paid	**148.8**	207.5
- Deferred and contingent consideration	**15.0**	74.1
Total purchase consideration	**163.8**	281.6
Fair value of net assets acquired	**(67.9)**	(56.5)
Goodwill from current period acquisitions	**95.9**	225.1

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

Deferred consideration of £4.1m and contingent consideration of £10.9m is payable in respect of the above acquisitions. Contingent consideration is payable based on a variety of conditions including revenue and profit targets being met.

The provisional fair value of assets and liabilities arising from acquisitions in the period are shown below. The fair values are provisional as the acquisition accounting has not yet been finalised, primarily due to the proximity of the acquisitions to the period end.

	6 months to 30 June 2018 £m	6 months to 30 June 2017 £m
Non-current assets		
- Intangible assets	**54.9**	45.9
- Property, plant and equipment	**11.3**	11.7
Current assets	**20.7**	25.6
Current liabilities	**(15.3)**	(20.0)
Non-current liabilities	**(3.7)**	(6.7)
Net assets acquired	**67.9**	56.5

From the dates of acquisition to 30 June 2018, these acquisitions contributed £49.1m to revenue and £8.1m to operating profit. If the acquisitions had occurred on 1 January 2018, the revenue and operating profit of the combined entity would have amounted to £1,182.1m and £112.4m respectively.

In relation to prior period acquisitions, there has been an adjustment to the provisional fair values of acquired intangibles resulting in a decrease to goodwill of £20.2m.

In addition £19.7m was paid in respect of deferred and contingent consideration for current and prior year acquisitions resulting in the total cash outflow in the period from current and past period acquisitions, net of cash acquired, of £164.9m.

6. Dividends

	6 months to 30 June 2018 £m	6 months to 30 June 2017 £m	Year to 31 December 2017 £m
2016 final dividend paid – 2.06p per share	**-**	43.5	43.5
2017 interim dividend paid – 1.14p per share	**-**	-	20.8
2017 final dividend paid – 2.74p per share	**50.2**	-	-
	50.2	43.5	64.3

The directors have declared an interim dividend of 1.311p per share amounting to £24.2m payable on 12 September 2018 to shareholders on the register at 10 August 2018. The Company has a progressive dividend policy and will take a view on the level of any growth for 2018 based on the year-end results. These interim financial statements do not reflect this dividend payable.

7. 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 and future accrual of benefits. At 30 June 2018 the scheme was valued at an accounting surplus of £373.2m (December 2017: £325.4m) on the Group's balance sheet.

Other schemes currently in an accounting surplus position total £1.0m and other schemes currently in an accounting deficit position total £24.7m

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:

	At 30 June 2018 £m	At 31 December 2017 £m
Weighted average %		
Discount rate	**2.8%**	2.5%
Future salary increases	**N/A**	N/A
Future pension increases	**3.4%**	3.4%
RPI Inflation	**3.4%**	3.5%
CPI Inflation	**2.3%**	2.4%

The trustees of the scheme value the liabilities on a different basis and in the most recent valuation at 31 December 2015, it was agreed that the scheme is now fully funded and no contributions are required from the company at this time. The funding position will be reviewed at the next triennial actuarial valuation, which is due to be carried out at 31 December 2018.

8. Bank and other borrowings

	At 30 June 2018 £m	At 31 December 2017 £m
Non-current		
RCF and other bank borrowings	**84.3**	37.0
Bond debt	**1,101.5**	1,102.2
Finance lease liabilities	**24.7**	27.7
	1,210.5	1,166.9
Current		
Bank overdrafts	**6.0**	6.0
Bank borrowings	**1.2**	0.7
Bond debt	**-**	44.9
Bond interest accruals	**20.8**	6.8
Finance lease liabilities	**9.7**	9.6
	37.7	68.0
Total bank and other borrowings	**1,248.2**	1,234.9

At 30 June 2018, the Group has a £420m revolving credit facility (RCF) which is available for cash drawings up to £360m, and for guarantees and letters of credit up to £60m. The maturity date is January 2022. As at 30 June 2018 £nil was drawn under the part of the facility available for cash drawings and £35m under the part available for guarantees.

The Group also has a US$25m revolving credit facility, maturing December 2019, on terms in line with the main RCF. At 30 June 2018, nothing was drawn on this facility.

In addition the Group has a Term Loan of USD $50m, fully drawn at 30 June 2018. The cost of borrowing on this facility was 2.16%.

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 4.05%
€400m bond due November 2024	Fixed 0.95%	Fixed 3.12%
$50m term loan	Floating (3m Libor+0.05%)	Fixed 2.16%
£1.3m perpetual debentures	Fixed 5.00%	Fixed 5.00%
£0.3m perpetual debentures	Fixed 4.50%	Fixed 4.50%
Average cost of bond debt at period end rates		3.54%

8. Bank and other borrowings (continued)

The carrying values and the fair values of the Group's non-current borrowings are shown in the table below. Fair values are based on cash flows discounted at the current market rates.

	Carrying amount 30 June 2018 £m	Carrying amount 31 December 2017 £m	**Fair Value 30 June 2018 £m**	Fair Value 31 December 2017 £m
Bank borrowings	**84.3**	39.4	**84.3**	39.4
€500m bond due September 2019	**441.7**	443.0	**460.7**	469.7
€350m bond due October 2021	**307.8**	308.6	**338.1**	341.8
€400m bond due November 2024	**351.0**	347.2	**350.1**	351.0
£1.6m perpetual debentures	**1.0**	1.0	**1.7**	1.7
Finance lease liabilities	**24.7**	27.7	**24.7**	27.7
	1,210.5	1,166.9	**1,259.6**	1,231.3

9. 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.

Financial instrument	**Hierarchy level**	**Valuation method**
Financial assets traded in active markets	1	Current bid price
Financial liabilities traded in active markets	1	Current ask price
Long-term debt	1	Quoted market prices or dealer quotes for similar instruments
Interest rate/currency swaps	1	Market swap rates at the balance sheet date
Forward foreign exchange contracts	1	Forward exchange market rates at the balance sheet date
Liquidity fund	1	Quoted market prices or dealer quotes for similar instruments
Borrowings not traded in active markets	2	Cash flows discounted at current market rates
Financial instruments not traded in active markets	2 or 3	Valuation assumptions based on market conditions at the balance sheet date
Trade payables and receivables	3	Nominal value less estimated credit adjustments
Other financial instruments	3	Variety of techniques including discounted cash flows

The Group holds all derivatives at fair value, using discounted cash flow models based on market rates that 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 2018 £m	Fair value assets 31 December 2017 £m	**Fair value liabilities 30 June 2018 £m**	Fair Value liabilities 31 December 2017 £m
Interest rate swaps:				
- non-hedge	**9.9**	-	**(13.3)**	(4.6)
- cash flow hedge	**6.2**	4.9	**-**	(12.2)
- net investment hedge	**0.2**	14.1	**(11.8)**	(9.9)
- fair value hedge	**-**	-	**-**	(5.0)
Foreign exchange swaps:				
- non-hedge	**0.1**	0.1	**(0.6)**	(0.2)
- net investment hedge	**-**	0.6	**-**	-
Foreign exchange swaps:				
- non-hedge	**-**	0.3	**-**	-
	16.4	20.0	**(25.7)**	(31.9)
Analysed as follows:				
Current portion	**1.5**	6.3	**(1.1)**	(5.3)
Non-current portion	**14.9**	13.7	**(24.6)**	(26.6)
	16.4	20.0	**(25.7)**	(31.9)

10. Events occurring after the balance sheet date

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

11. Alternative performance measures

Definitions and reconciliation of non-GAAP measures to GAAP measures

The Group uses a number of measures to present the financial performance of the business that are not GAAP measures as defined under IFRS. Management believes these measures provide valuable additional information for users of the financial statements in order to understand the underlying trading performance. The Group's internal strategic planning process is also based on these measures and they are used for incentive purposes. They should be viewed as complements to, and not replacements for, the comparable GAAP measures.

Constant exchange rates (CER)

Given the international nature of the Group's operations, foreign exchange movements can have a significant impact on the reported results of the Group when they are translated into sterling (the functional reporting currency of the Group). In order to help understand the underlying trading performance of the business, unless otherwise stated, percentage movements for revenue and profit measures are presented at constant exchange rates (CER). Constant exchange rates are calculated by retranslating current year reported numbers at the full year average exchange rates for the prior year, in order to give management and other users of the accounts better visibility of underlying trading performance against the prior period. The major exchange rates used are £/$ FY 2017 1.2968 (FY 2016 1.3556) and £/€ FY 2017 1.1461 (FY 2016 1.2299). Comparisons are to the six months ended 30 June 2017 (H1 2017) unless otherwise stated.

Ongoing Revenue and Ongoing Operating Profit

Ongoing Revenue and Ongoing Operating Profit represent the performance of the continuing operations of the Group (including acquisitions) after removing the effect of disposed or closed businesses. Ongoing Operating Profit is an adjusted measure and is presented before items including amortisation and impairment of intangible assets (excluding computer software), one-off items and net profit on disposal of businesses (see below for full details).

Ongoing measures enable the users of the accounts to focus on the performance of the businesses retained by the Group and that will therefore contribute to the future performance. Ongoing Revenue and Ongoing Operating Profit are presented at CER unless otherwise stated. A reconciliation of Ongoing Revenue and Ongoing Operating Profit measures to the equivalent GAAP measure is provided in the table below and in the segmental analysis in Note 4.

Adjusted profit and earnings per share measures

Adjusted profit measures are used to give management and other users of the accounts a clear understanding of the underlying profitability of the business over time. Adjusted profit measures are calculated by adding the following items back to the equivalent GAAP profit measure:

- Amortisation and impairment of intangible assets (excluding computer software)
- One-off items (operating and associates)
- Net interest credit from pensions
- Fair value adjustments to derivatives recognised as finance income/cost

Intangible assets (excluding computer software) are recognised on the acquisition of businesses that, by their nature, can vary by size and amount each year. As a result, amortisation of intangibles is added back to assist with the understanding of the underlying trading performance of the business and to allow comparability across regions and categories.

One-off items are significant expenses or income that will have a distortive impact on the underlying profitability of the Group. Typical examples are costs related to the acquisition of businesses (including aborted acquisitions), gain or loss on disposal or closure of a business, material gains or losses on disposal of fixed assets, adjustments to legacy property-related provisions (vacant property and environmental liabilities), and payments or receipts as a result of legal disputes. Similar adjustments where appropriate are also made to the share of profits from associates.

Where fair value adjustments to derivatives are recognised in the income statement, these are adjusted for in adjusted profit measures to reflect the underlying business performance at contracted prices.

Prior to 2016 restructuring costs were adjusted in arriving at adjusted profit measures. Although they are no longer adjusted for, they are presented in the segmental analysis in order to provide comparability.

Adjusted earnings per share is calculated by dividing adjusted profit after tax from continuing operations attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

11. Alternative performance measures (continued)

A reconciliation of non-GAAP measures to the comparable GAAP equivalents is provided below at both AER and CER:

	H1 2018 AER £m	H1 2018 CER £m	H1 2017 AER £m	H1 2017 CER £m	% change AER	% change CER
Ongoing Revenue	**1,166.5**	**1,197.5**	**1,055.2**	1,048.3	*10.5%*	*14.2%*
Revenue - disposed and closed businesses[1]	**9.6**	**9.6**	**178.4**	181.3	*(94.6%)*	*(94.7%)*
Revenue	**1,176.1**	**1,207.1**	**1,233.6**	1,229.6	*(4.7%)*	*(1.8%)*
Ongoing Operating Profit	**134.5**	**137.8**	**121.5**	121.8	*10.7%*	*13.1%*
Operating Profit – disposed and closed businesses	**-**	**-**	**55.9**	55.7	-	-
Operating profit - continuing operations	**134.5**	**137.8**	**177.4**	177.5	*(24.2%)*	*(22.4%)*
Depreciation – held for sale assets	**-**	**-**	**(34.3)**	(34.3)	-	-
Adjusted Operating Profit	**134.5**	**137.8**	**143.1**	143.2	*(6.0%)*	*(3.8%)*
One-off items – Operating	**2.6**	**2.4**	**(7.7)**	(7.7)	-	-
Depreciation – held for sale	**-**	**-**	**34.3**	34.3	-	-
Amortisation and impairment of intangible assets	**(28.6)**	**(29.6)**	**(25.9)**	(25.5)	*(10.4%)*	*(15.8%)*
Operating profit	**108.5**	**110.6**	**143.8**	144.3	*(24.6%)*	*(23.3%)*
Profit on disposal of businesses	**-**	**-**	**462.5**	463.5	-	-
Share of profit from associates (net of tax)	**12.2**	**12.2**	**3.8**	3.7	*220.6%*	*227.7%*
Net interest payable (excluding pensions)	**(22.2)**	**(22.6)**	**(20.6)**	(20.7)	*(7.6%)*	*(9.4%)*
Net interest credit from pensions	**4.0**	**4.0**	**3.4**	3.4	*16.8%*	*17.0%*
Interest fair value adjustments	**7.0**	**7.0**	**-**	-	-	-
Profit before tax	**109.5**	**111.2**	**592.9**	594.2	*(81.5%)*	*(81.3%)*
Net interest credit from pensions	**(4.0)**	**(4.0)**	**(3.4)**	(3.4)	*16.8%*	*17.0%*
Interest fair value adjustments	**(7.0)**	**(7.0)**	**-**	-	-	-
One-off items – operating	**(2.6)**	**(2.4)**	**7.7**	7.7	-	-
Profit on disposal of businesses	**-**	**-**	**(462.5)**	(463.5)	-	-
Depreciation – held-for-sale assets	**-**	**-**	**(34.3)**	(34.3)	-	-
Amortisation and impairment of intangible assets	**28.6**	**29.6**	**25.9**	25.5	*(10.4%)*	*(15.8%)*
Adjusted profit before tax	**124.5**	**127.4**	**126.3**	126.2	*(1.5%)*	*0.9%*
Basic earnings per share	**4.69p**	**4.76p**	**31.62p**	31.68p	*(85.2%)*	*(85.0%)*
Basic adjusted earnings per share	**5.25p**	**5.37p**	**5.36p**	5.38p	*(1.9%)*	*(0.1%)*

[1] includes revenue of £7.9m (2017: £nil) from product sales by the Group to CWS-boco International GmbH. Prior to 30 June 2017, this revenue was classified as intergroup revenue and eliminated on consolidation.

11. Alternative performance measures (continued)

Organic Revenue Measures

Acquisitions are a core part of the Group's growth strategy. Organic Revenue growth measures are used to help understand the underlying performance of the Group. Organic Revenue growth represents the growth in Ongoing Revenue excluding the effect of businesses acquired during the year. Acquired businesses are included in organic measures in the year following acquisition, and the comparative period is adjusted to include an estimated full year performance for growth calculations (pro forma revenue).

	Europe		UK and RoW		Asia		North America		Pacific		Total	
	£m	%	**£m**	%	**£m**	%	**£m**	%	**£m**	%	**£m**	%
H1 2017 Ongoing Revenue (as reported)	286.6	-	187.7	-	86.1	-	401.0	-	86.9	-	1,048.3	-
Pro forma revenue from 2017 and 2018 acquisitions	25.4	8.8	29.0	15.4	14.3	16.6	41.3	10.3	7.8	9.0	117.8	11.2
Organic Revenue growth	9.3	3.3	3.4	1.7	6.0	6.9	10.0	2.5	2.7	3.1	31.4	3.0
H1 2018 Ongoing Revenue (as reported)	**321.3**	**12.1**	**220.1**	**17.1**	**106.4**	**23.5**	**452.3**	**12.8**	**97.4**	**12.1**	**1,197.5**	**14.2**

	Pest Control		Hygiene		Protect & Enhance		Total	
	£m	%	**£m**	%	**£m**	%	**£m**	%
H1 2017 Ongoing Revenue (as reported)	663.8	-	201.5	-	183.0	-	1,048.3	-
Pro forma revenue from 2017 and 2018 acquisitions	59.6	9.0	57.8	28.7	0.4	0.2	117.8	11.2
Organic growth	27.0	4.0	4.4	2.1	0.0	0.0	31.4	3.0
H1 2018 Ongoing Revenue (as reported)	**750.4**	**13.0**	**263.7**	**30.8**	**183.4**	**0.2**	**1,197.5**	**14.2**

11. Alternative performance measures (continued)

Segmental analysis

Segmental information has been presented in accordance with IFRS 8 Operating Segments (Note 4). The "Geographic" reporting segments reflect the internal management organisation and reporting structure of the Group. The "Category" reporting segment has been revised in 2017 and now combines with the quadrant analysis to give new operational categories of Pest Control, Hygiene, and Protect & Enhance (made up of the businesses of workwear, plants and property care). Segmental analysis is presented at CER unless otherwise stated.

Regional Analysis

	Ongoing Revenue				Ongoing Operating Profit			
	H1 2018		Change from HY 2017		H1 2018		Change from HY 2017	
	AER £m	CER £m	AER %	CER %	AER £m	CER £m	AER %	CER %
France	149.2	147.7	4.0	1.2	22.1	21.9	11.1	4.9
Benelux	43.2	42.8	5.4	2.6	11.5	11.4	(2.0)	(4.7)
Germany	44.3	44.2	14.1	12.4	13.0	13.0	16.4	15.0
Southern Europe	62.3	61.7	64.6	60.2	8.0	7.9	37.7	34.1
Latin America	23.9	24.9	11.9	17.9	3.1	3.2	74.8	79.8
Total Europe	**322.9**	**321.3**	**14.3**	**12.1**	**57.7**	**57.4**	**14.5**	**10.8**
UK & Ireland	147.1	147.0	19.6	19.3	26.6	26.1	18.6	14.8
Rest of World	71.9	73.1	10.5	13.1	16.0	16.3	9.6	12.5
UK & Rest of World	**219.0**	**220.1**	**16.4**	**17.1**	**42.6**	**42.4**	**15.1**	**13.9**
Asia	**102.9**	**106.4**	**17.9**	**23.5**	**10.3**	**10.6**	**20.6**	**25.6**
North America	**429.0**	**452.3**	**4.7**	**12.8**	**49.6**	**52.3**	**1.6**	**9.4**
Pacific	**92.7**	**97.4**	**5.5**	**12.1**	**18.2**	**19.1**	**(0.7)**	**5.6**
Central and regional overheads	**-**	**-**	**-**	**-**	**(39.7)**	**(39.7)**	**(5.4)**	**(5.5)**
Restructuring costs	**-**	**-**	**-**	**-**	**(4.2)**	**(4.3)**	**(7.1)**	**(10.6)**
Ongoing operations	**1,166.5**	**1,197.5**	**10.5**	**14.2**	**134.5**	**137.8**	**10.7**	**13.1**
Disposed businesses	9.6	9.6	(94.6)	(94.7)	-	-	-	-
Continuing operations	**1,176.1**	**1,207.1**	**(4.7)**	**(1.8)**	**134.5**	**137.8**	**(24.2)**	**(22.4)**
Depreciation – held for sale	-	-	-	-	-	-	**-**	**-**
Adjusted - Continuing operations	**1,176.1**	**1,207.1**	**(4.7)**	**(1.8)**	**134.5**	**137.8**	**(6.0)**	**(3.8)**

Category Analysis

	Ongoing Revenue				Ongoing Operating Profit			
	H1 2018		Change from HY 2017		H1 2018		Change from HY 2017	
	AER £m	CER £m	AER %	CER %	AER £m	CER £m	AER %	CER %
Pest Control	**723.3**	**750.4**	**7.6**	**13.0**	**119.8**	**123.1**	**5.3**	**9.0**
- Growth	617.3	640.0	6.8	12.0	105.1	107.9	5.6	9.1
- Emerging	106.0	110.4	12.9	19.1	14.7	15.2	3.3	8.3
Hygiene	**261.2**	**263.7**	**29.7**	**30.8**	**41.7**	**42.3**	**17.3**	**19.2**
Protect & Enhance	**182.0**	**183.4**	**-**	**0.2**	**16.9**	**16.4**	**22.4**	**9.9**
Central and regional overheads	**-**	**-**	**-**	**-**	**(39.7)**	**(39.7)**	**(5.4)**	**(5.5)**
Restructuring costs	**-**	**-**	**-**	**-**	**(4.2)**	**(4.3)**	**(7.1)**	**(10.6)**
Ongoing operations	**1,166.5**	**1,197.5**	**10.5**	**14.2**	**134.5**	**137.8**	**10.7**	**13.1**
Disposed businesses	9.6	9.6	(94.6)	(94.7)	-	-	-	-
Continuing operations	**1,176.1**	**1,207.1**	**(4.7)**	**(1.8)**	**134.5**	**137.8**	**(24.2)**	**(22.4)**

11. Alternative performance measures (continued)

Operating Margin

Operating Margin is calculated by dividing Ongoing Operating Profit by Ongoing Revenue, expressed as a percentage. Net operating margin by region and category is shown in the tables below:

	H1 2018 %	H1 2017 %	Variance % points
France	**14.9**	14.3	0.6
Benelux	**26.5**	28.6	(2.1)
Germany	**29.4**	28.7	0.7
Southern Europe	**12.9**	15.4	(2.5)
Latin America	**12.8**	8.4	4.4
Total Europe	**17.9**	18.1	(0.2)
UK & Ireland	**17.8**	18.5	(0.7)
Rest of World	**22.2**	22.4	(0.2)
UK & Rest of World	**19.3**	19.8	(0.5)
Asia	**9.9**	9.8	0.1
North America	**11.6**	11.9	(0.3)
Pacific	**19.7**	20.9	(1.2)
Ongoing operations[1]	**11.5**	11.6	(0.1)
Disposed businesses	**-**	11.8	(11.8)
Continuing operations[1]	**11.4**	11.6	(0.2)

	H1 2018 %	H1 2017 %	Variance % points
Pest Control	**16.4**	17.0	(0.6)
- Growth	**16.9**	17.3	(0.4)
- Emerging	**13.8**	15.1	(1.3)
Hygiene	**16.0**	17.6	(1.6)
Protect & Enhance	**9.0**	8.2	0.8
Ongoing operations[1]	**11.5**	11.6	(0.1)
Disposed businesses	**-**	11.8	(11.8)
Continuing operations[1]	**11.4**	11.6	(0.2)

[1] Operating Margin for ongoing operations and continuing operations is calculated after central and regional overheads and restructuring costs.

Free Cash Flow

The Group aims to generate sustainable cash flow (Free Cash Flow) in order to support its acquisition programme and to fund dividend payments to shareholders. Free Cash Flow is measured as net cash from operating activities, adjusted for cash flows related to the purchase and sale of property, plant, equipment and intangible fixed assets, and dividends received from associates. These items are considered by management to be non-discretionary, as continued investment in these assets is required to support the day-to-day operations of the business. A reconciliation of Free Cash Flow from Net Cash from Operating Activities is provided in the table below:

	H1 2018 AER £m	H1 2017 AER £m
Net cash from operating activities	**157.4**	189.9
Purchase of property, plant, equipment and intangible fixed assets	**(82.5)**	(114.7)
Leased property, plant and equipment	**(3.3)**	(10.1)
Proceeds from sale of property, plant, equipment and software	**1.4**	3.0
Free Cash Flow	**73.0**	68.1
Free Cash Flow – continuing operations	**73.0**	68.1

11. Alternative performance measures (continued)

Adjusted Free Cash Flow Conversion

Adjusted Free Cash Flow Conversion is calculated by dividing Adjusted Profit from continuing operations attributable to equity holders of the Company (further adjusted for any post tax profits and one-offs from the CWS-boco International GmbH associate) by Adjusted Free Cash Flow, expressed as a percentage. Adjusted Free Cash Flow is measured as Free Cash Flow adjusted for one-off items - operating and product development additions.

	H1 2018 AER £m	H1 2017 AER £m
Adjusted profit after tax from continuing operations attributable to equity holders of the Company	**96.7**	98.2
Share of profit of CWS-boco International GmbH associate (net of tax)	**(8.1)**	-
	88.6	98.2
Free Cash Flow from continuing operations	**73.0**	68.1
One-off items – operating[1]	**3.4**	7.7
Product development additions	**2.0**	2.0
	78.4	77.8
Adjusted Free Cash Flow conversion	**88.5%**	79.2%

[1] excluding £6.0m (2017: £nil) non-cash gain as a result of member options exercises on the UK defined benefit pension scheme.

Effective Tax Rate

Effective Tax Rate is calculated by dividing adjusted income tax expense by adjusted profit before income tax, expressed as a percentage. The measure is used by management to assess the rate of tax applied to the Group's adjusted profit before tax from continuing operations.

	H1 2018 AER £m	H1 2017 AER £m
Income tax expense	**23.2**	13.3
Tax adjustments on:		
Amortisation and impairment of intangible assets (excluding computer software)	**6.9**	8.3
One-off items – operating	**(0.3)**	2.3
Disposal of businesses	**-**	4.8
Net interest credit from pensions	**(0.7)**	(0.6)
Interest fair value adjustments	**(1.3)**	-
Adjusted income tax expense (a)	**27.8**	28.1
Adjusted profit before income tax (b)	**124.5**	126.3
Effective Tax Rate (a/b)	**22.3%**	22.3%

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 Guidance 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 Guidance 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
30 July 2018

The directors of Rentokil Initial plc are listed in the Rentokil Initial plc Annual Report for 31 December 2017. A list of the current directors is maintained on the Rentokil Initial website: rentokil-initial.com

INDEPENDENT REVIEW REPORT TO RENTOKIL INITIAL PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises consolidated statement of profit or loss and other comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, analysis of other reserves, consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

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 International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

Michael Maloney
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL