Rentokil Initial

This announcement contains inside information and the person responsible for making this announcement is Daragh Fagan, Group General Counsel and Company Secretary.

2020 Interim Results

A highly resilient performance in H1, despite the global COVID-19 crisis.
We have continued to deliver our core Pest and Hygiene services and have moved at pace to generate new revenues from disinfection services. Decisive action on costs has contained profit reduction from lower revenues, while tight focus on capex and working capital has resulted in very good Free Cash Flow

Results £m	H1 2020 AER	Growth AER	CER
Ongoing Revenue	**1,283.3**	**0.5%**	**1.0%**
Revenue	**1,291.0**	(0.6%)	(0.1%)
Ongoing Operating Profit	**138.8**	(10.2%)	(9.4%)
Operating Profit	**100.5**	(19.9%)	(19.5%)
Adjusted profit before tax	**125.6**	**(11.3%)**	**(10.5%)**
Profit before tax	**61.8**	(45.7%)	(45.2%)
Free Cash Flow	**143.5**		
Adjusted EPS	**5.30p**	**(11.5%)**	**(10.4%)**
EPS	2.54p	(46.5%)	(46.2%)

2020 Interim Highlights (at CER unless otherwise stated)

- **1.0% increase in Ongoing Revenue** (Q1 2020: +7.2%, Q2: -4.4%) despite major disruption from COVID-19 crisis across Group operations
  - **1.0% growth** in **Pest Control** (Q1 2020: +9.3%, Q2: -5.9%), reflecting our essential service status and ability to continue to serve customers during the crisis
  - **10.5% growth in Hygiene** (Q1 2020: +4.6%, Q2: +16.3%), strong global demand for hygiene products and disinfection services has more than offset washrooms service declines from temporary business closures
  - **International expansion of Hygiene** category in 2020 – 20 new markets, including the US
  - H1 Revenue from **disinfection services** of £49m - in addition to our existing c.1,000 Specialist Hygiene colleagues, we trained c.7,000 colleagues in H1 to provide this service alongside their existing roles in Hygiene, Pest Control and Ambius - now available in 66 countries
  - **12.9% decline** in **Protect & Enhance** (Q1: +1.9%, Q2: -27.3%), principally driven by weak performance from France Workwear (down 18.5% year on year)
- **9.4% decline in Ongoing Operating Profit** reflecting a £23m increase in bad debt provision and additional costs of personal protective equipment (PPE)
- **Strong Free Cash Flow of £143.5m,** delivered through tight controls over costs, capex and working capital
- **Liquidity headroom in excess of £800m** following repayment of the Group's revolving credit facility (RCF) in Q2 and COVID Corporate Financing Facility (CCFF) in July
- **M&A:**
  - 8 businesses acquired in Q1: 7 in Pest Control, 1 in Hygiene - with combined annualised revenues of c.£19m. Cash spend on current and prior year M&A of £50.3m
  - Capital allocation model reinstated for H2 with resumption of M&A programme – anticipated spend of at least £100m for the remainder of the year
- **Dividend** – no interim dividend but we would expect to propose a dividend for 2020 if trading continues in line with our expectations in H2

Andy Ransom, CEO of Rentokil Initial plc, said:

"We have delivered an excellent performance in H1, keeping our essential services on the road for our customers who remained open during the pandemic. We also moved at pace to develop new revenues to offset service shortfalls, particularly in our Hygiene business, and have taken decisive action on costs, with many of our people

making personal sacrifices, and enabling us to contain the profit reduction on lower revenue in Q2. We have also tightly controlled costs, capex and working capital to deliver a very good performance on Free Cash Flow.

"Despite a severe global pandemic and associated country lockdowns, we delivered H1 ongoing revenues ahead of the same period last year. This is tribute to our 43,000 colleagues around the world, who have demonstrated a remarkable ability to adapt to an unprecedented change in their daily working environment, while remaining focused on delivering excellent customer service. On behalf of the Board, I would like to publicly thank all our colleagues for their commitment over the last few months, which has been nothing short of outstanding.

"While the COVID-19 pandemic is far from over and our thoughts remain with everyone affected, at Rentokil Initial we have moved from the Crisis Phase into the Recovery Phase. The majority of our colleagues are now back at work, we have repaid the Bank of England's CCFF and our own RCF, and we have resumed our M&A programme.

"Our purpose at Rentokil Initial is Protecting People, Enhancing Lives and never has this been more important than in the last three months. Our Pest Control operations have been steady and reliable, supporting our customers through the crisis and into restart. Our Hygiene business, which was more impacted by customer shutdowns, has moved from being considered a low interest (but nonetheless required service) to arguably one of the world's most important business categories. We are now expanding our Hygiene category into new countries as well as launching additional services. Further, Hygiene disinfection services are playing a vital role for customers as part of the restart period.

"While it is impossible to predict the future development of the COVID-19 pandemic, or its economic impact, ours is a high quality and resilient business and we are entering the second half of 2020 with positive momentum."

Non-GAAP measures

This statement includes certain financial performance measures which are not GAAP measures as defined under International Financial Reporting Standards (IFRS). These include Ongoing Revenue, Ongoing Operating Profit, Adjusted profit before tax and Free Cash Flow. Management believes these measures provide valuable additional information for users of the financial statements in order to understand the underlying trading performance. 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, and 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 Profit and Adjusted profit before tax exclude certain items that could distort the underlying trading 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 13 on page 24.

Joint ventures: the term 'joint venture' is used to describe the Company's 57% ownership of Rentokil PCI, however our interest in PCI has been consolidated in our Financial Statements.

Summary of performance (at CER unless stated otherwise)

Ongoing Revenue rose by 1.0% to £1,294.7m in H1 (Q1 2020: +7.2%, Q2: -4.4%), a very good performance despite the disruption from the COVID-19 crisis across our Group operations. Total Revenue of £1,302.4m declined by 0.1% and by 0.6% at actual exchange rates. Ongoing Operating Profit declined by 9.4% during the half to £140.5m, reflecting an increase in bad debt provisions of £23m and additional costs of personal protective equipment. We delivered a very good Free Cash Flow performance in the half of £143.5m reflecting tight control over costs, capex and working capital.

Revenue (at CER)

Regional analysis of performance in Q1 and Q2 vs. 2019

	Ongoing Revenue at CER			
	Q1 £m	Q2 £m	Q1 % change	Q2 % change
France	74.5	57.4	(1.4)	(25.6)
Benelux	23.1	22.6	4.6	(3.4)
Germany	26.3	29.1	7.3	7.9
Southern Europe	33.6	33.3	2.6	(1.6)
Latin America	15.5	15.2	23.7	3.1
Total Europe	**173.0**	**157.6**	**3.3**	**(10.5)**
UK & Ireland	77.3	59.6	3.4	(21.2)
Rest of World	41.0	37.6	9.8	(4.5)
UK & Rest of World	**118.3**	**97.2**	**5.5**	**(15.5)**
Asia	**63.6**	**56.2**	**12.2**	**(5.5)**
North America	**241.6**	**299.8**	**10.4**	**5.7**
Pacific	**47.9**	**39.5**	**3.2**	**(14.5)**
Ongoing operations	**644.4**	**650.3**	**7.2**	**(4.4)**

Category analysis of performance in Q1 and Q2 vs 2019

	Ongoing Revenue at CER			
	Q1 £m	**Q2 £m**	**Q1 % change**	**Q2 % change**
Pest Control	**411.6**	**424.2**	**9.3**	**(5.9)**
- Growth	345.8	373.6	8.6	(3.7)
- Emerging	65.8	50.6	13.3	(19.3)
Hygiene	**139.8**	**157.4**	**4.6**	**16.3**
Protect & Enhance	**93.0**	**68.7**	**1.9**	**(27.3)**
Ongoing operations	**644.4**	**650.3**	**7.2**	**(4.4)**

Our Pest Control category grew by 9.3% in Q1, declined by 5.9% in Q2 reflecting temporary business shut downs, and delivered overall growth of 1.0% for the half. This resilient performance reflects our essential service status in the majority of our markets (allowing our frontline services to continue to operate), the largely contractual nature of the portfolio and the fact that it is has been somewhat less impacted by temporary business shutdowns than our Hygiene and Protect & Enhance (P&E) categories.

Our core Hygiene operations, also designated essential services, have been more impacted than Pest Control because of our inability to perform regular weekly washroom services for a substantial number of customers (particularly in the Hospitality and Leisure sector) which closed their premises during the crisis. Shortfalls in washrooms service provision have been more than offset however by strong global demand from both Hygiene and Pest Control customers for hygiene products (such as hand sanitisers) and other hygiene services including general & specialist biohazard disinfection, deep clean services and precautionary disinfection risk assessment surveys. As a result, Ongoing Revenue increased by 10.5% in H1 (Q1: +4.6%, Q2: +16.3%), with disinfection revenues in H1 amounting to £49m.

Ongoing Revenue in our Protect & Enhance category declined by 12.9% in H1 (Q1: +1.9%, Q2: -27.3%), principally driven by France Workwear which was significantly impacted by disruption in the HORECA sector, and which saw a revenue decline of 18.5% in H1. Our Ambius and Property Care businesses also declined during the period by 6.2% and 26.6% respectively, reflecting the more discretionary nature of Ambius products and the continued weakness in the UK housing market impacting our Property Care business.

Revenues have been recognised in compliance with IFRS 15 and reflect invoices raised less credit note provisions. We consider our approach to be prudent and do not expect any revenue reversals in H2.

Greater detail of how our categories were impacted by the COVID-19 crisis can be found in the regional performance reviews on page 6 and 7 and in the Strategic Review on pages 7 to 11.

Profit (at CER)

Profits were impacted in the first half by the impact of COVID-19 related net revenue reductions in Q2, with Ongoing Operating Profit falling by 9.4% in H1. Significant actions were taken to mitigate the revenue reductions with cost savings in the half of £87m. These savings were offset however by an increased bad debt provision of £23m, increased costs of personal protective equipment of £8.8m (predominantly driven by the need for comprehensive PPE during the provision of disinfection services), and increased restructuring costs (of £5m versus £3m in the prior year).

Our bad debt provision in the half reflects the increased risk of bad debts as a result of the COVID-19 crisis. We note that insolvencies to date have been low, however we have provided based on the risk of future insolvencies.

Adjusted profit before tax at actual exchange rates of £125.6m, which excludes the impact of one-off items, fell by 11.3%. Adjusted interest of £17.7m was £5.2m lower than in the prior year, reflecting lower interest charge on borrowings and despite the impact of drawing on our £550m RCF.

One-off items were a £4.5m net credit at actual exchange rates which includes £7m of acquisition and integration costs, a cash receipt of £2m related to a prior-year disposal, a non-cash credit of £7m relating to the closure of a pension scheme in North America and profit on the sale and leaseback of a property of £2m.

Cost reduction, cash preservation and liquidity (at AER)

Our key priority at the peak of the crisis was the preservation of the ongoing cash flow of the business and we therefore identified £100m+ of cost savings and £400m of cash savings for 2020. These measures, some of which were temporary, have enabled us to be highly cash generative in the first half of the year. Given our positive trading position and strong balance sheet, we now intend to reinstate our capital allocation model and to invest in the Recovery Phase of the crisis, steadily increasing our levels of capex and resuming M&A.

Cost savings of £87m during the half included salary reductions across senior management grades, cancellation of H1 bonus schemes and postponement of the 2020 LTIP grant, as well as tight control over discretionary spend. Cash savings included withdrawal of dividend payments and suspension of our M&A programme, reducing cash tax payments in line with local statutory schemes and tight control over capital expenditure.

We have heightened our focus on working capital management in order to optimise inventory levels and mitigate the increased risk around the delay and non-payment of receivables. Collection of receivables has been impacted by the crisis and our collection rate reduced by 9.0% versus last year during the early months of the crisis. The trend has improved towards the end of Q2, with the June collection rate up 2% on the prior year, with some variation across the regions. In line with local statutory schemes we deferred £73m of payments for taxes and social security costs. The majority of these amounts will be paid in H2. The H1 impact of these measures is Free Cash Flow delivery of £143.5m.

Cash spent on current and prior year acquisitions totalled £50m, with proceeds from disposals of £2m. The reduced level of M&A, combined with the suspension of dividend payments and the Free Cash Flow noted above, resulted in an underlying decrease in net debt of £95m. Sterling has weakened significantly in H1 and this was the main reason for an increase in debt of £124m from foreign exchange translation and other items. Consequently, taking all of the above into account, there was an overall increase in net debt of £29m and closing net debt of £1,102m.

Dividend

As announced on 25 March 2020, we made the very difficult decision to suspend dividend payments and therefore we will not be paying an interim dividend. However, we are a strong business, now in the Recovery Phase, and would expect to propose a dividend for 2020 if trading continues in line with our expectations in H2.

Funding

On 16 June 2020 the Group repaid £550m drawn under its RCF at the start of the COVID-19 pandemic. This amount can be re-drawn at any time up to and including 22 July 2024. On 27 July 2020 the Group repaid the £600m borrowed under the Bank of England's CCFF scheme. All RCF and CCFF repayments were made using cash. Following the repayment of the RCF and CCFF the Group has liquidity headroom in excess of £800m. As at 30 June 2020 the net debt to EBITDA ratio was 1.9x, in line with the ratio at 31 December 2019. We remain committed to maintaining a BBB credit rating and are confident in doing so.

M&A

Prior to suspending our M&A activity in Q2, we acquired eight businesses - seven in Pest Control (including three in North America and a new market entry in Tanzania) and one in Hygiene - with combined annualised revenues of c.£19m in the year prior to purchase for a cash spend of £29m. In addition a further £23m of deferred payments were made relating to prior year acquisitions bringing the total cash outflow, net of cash acquired, to £50m.

While the COVID-19 pandemic is far from over, we have moved from the Crisis Phase into the Recovery Phase and are therefore reinstating our capital allocation model and resuming M&A activity. We are engaging with pipeline opportunities and, as before, will continue to target high-quality bolt-ons in areas where we can build density that have demonstrated their resilience through the pandemic. While M&A remains an opportunistic activity with no guarantees or certainties, we would expect to spend at least £100m on acquisitions for the remainder of this year.

Outlook for H2 2020

Given the prevailing uncertainties around the COVID-19 situation and its impact on our performance, we withdrew guidance in our statement on 25 March 2020. Since then, we have traded resiliently in H1 with the sequential trend through Q2 encouraging. Some significant uncertainties remain, in particular with regard to how the demand for our services will unfold as more countries emerge from lockdown and as businesses deal with the economic reality post COVID-19, and this therefore makes providing specific guidance for 2020 and beyond difficult at this time. Based on the items below, and notwithstanding continued uncertainty, we would currently expect the outcome for the full year to be moderately better than anticipated.

Profit:

- Revenues were down 12.1% in April due to COVID-19, but rose by 4.2% in June. Assuming a continued gradual resumption in business activity we expect to make further progress in the second half. However, there is a risk that a second wave of the virus and/or economic pressures arising from the virus will impact revenues adversely;
- Revenue from disinfection services in H1 amounted to £49m. These revenues are directly related to the impact of the virus and hence it is difficult to forecast the quantum of these for H2 and beyond;
- We generated cost savings of £87m in the first half as a response to the crisis. Following from our expectation of a reduced impact of the virus in H2, we are looking to return colleagues to work and restore normal salaries. Consequently H2 cost savings are expected to reduce to £35m;
- As noted above, the impact of the virus on the global economy is impossible to forecast. We have increased our provision for bad debts in H1 by £23m against receivable balances at the half year and estimate that we will require a further £15m increase in the provision in H2; and
- Current economic uncertainty around the virus, as well as Brexit arrangements, has resulted in a significant weakening in sterling in H1. As a result, based on current exchange rates, there would be a minimal FX impact on our 2020 profits compared with the £10m to £15m adverse impact from foreign exchange previously guided to at the time of our preliminary results on 27 February 2020.

Cash:

Similar to profit guidance, providing guidance on aspects of cash flow is also challenging given the uncertainty created by COVID-19. However we have more control over certain items, such as investment in capex and M&A:

- Working capital outflow for the year is expected to be in the range of £10m to £20m - while working capital flows have been strong in the first half, we expect that there will be a net outflow in the second half;
- Net capex is estimated to amount to £225m to £235m - given our strong cash performance in H1, we are planning to increase our investment levels in H2 and therefore our guidance on this has increased;
- Cash interest is expected to be in the region of c.£40m - this reflects the carry costs of holding the RCF and CCFF during Q2, both of which are now repaid;
- Cash tax payments of £50m to £60m - given our strong cash performance in H1 we now restore our original guidance for cash tax payments for the year; and
- M&A expenditure of £100m+ in H2 - having resumed our M&A activity we plan to spend at least £100m on acquisitions during the remainder of the year.

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A presentation of the Company's 2020 interim results will be held today via a webcast at 9.00am. To access the webcast, please go to our website, www.rentokil-initial.com. The formal presentation of results will be followed by Q&A. To ask a question, please dial:
From the UK: 020 3936 2999
All other locations: +44 20 3936 2999
Access code: 282756
An operator will register your details and put you through to ask questions in turn. To listen only, please remain on the webcast.

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

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.

Our North America region has to date been the least affected of all our regions by the COVID-19 crisis and as a result has performed very robustly in H1. While we saw more significant impacts in coastal states including New York and California, the mid-west and south east regions were less impacted. However, there has been an increase in COVID-19 cases in July in certain states, including Florida and Texas. Demand for Residential pest control (which accounts for 40% of Pest Services revenue) was strong but Commercial pest services were impacted to an extent by business closures. Ambius and Brand Standards have been the most impacted by the crisis, reflecting the more discretionary nature of Ambius products and Brand Standards' exposure to the fast food sector, which has suffered from temporary business closures. The region launched disinfection services in late March 2020 to generate new revenues and mitigate the impact of the pandemic on the core business.

Ongoing Revenue in the region grew by 7.8% to £541.4m in H1 (+10.4% in Q1 and +5.7% in Q2), aided by a steady performance in Pest Control and very good demand for disinfection services. Pest Control revenue grew 4.1% in the half (+10.3% in Q1, -0.6% in Q2). Pest services revenue increased by 10% driven by strong Residential performance. Ongoing Operating Profit growth of 15.7% reflects revenue growth and rapid and effective cost control to offset the impact of the COVID-19 crisis. Three pest control businesses were acquired in the region in Q1 with combined annualised revenues of c.$10m (c.£7m) in the year prior to purchase.

Our stated ambition for our North American business is for it to become a $1.5bn revenue, 18% Net Operating Margin business. Despite delivering a good revenue performance in H1 in challenging conditions, the crisis has inevitably impacted on growth – both organic and through lower levels of M&A activity – meaning that the achievement of our 2020 revenue goal of $1.5bn revenue may be deferred into 2021.

We have continued to make progress towards our 18% margin target, growing by 90 basis points to 13% in H1, partly attributable to short-term cost actions taken to mitigate the revenue impact of COVID-19. As we have stated previously, the underlying drivers of our margin improvement plan are organic and acquisitive revenue growth, greater service density and our IT-enabled Best of Breed programme. As noted above, the crisis has impacted on growth in H1 and we also suspended our Best of Breed programme in Q2 to preserve cash. This has resulted in a delay to a number of IT initiatives designed to improve sales and service productivity. Additionally the migration of acquisitions onto the core operating systems was paused during Q2. Despite this, we remain confident in achieving our 18% margin target, although the timing of this may be slightly delayed.

Our Europe region has seen a mixed impact from the COVID-19 crisis. While some countries were less impacted by the crisis due to early and effective lockdowns, such as Germany, other countries including France and parts of Southern Europe were more severely impacted. COVID-19 reached Latin America (which is reported within the Europe region) later than other countries and our businesses there continue to be impacted by the crisis at this time. Hygiene was the region's best performing category, aided by disinfection and product sales. Pest Control delivered a steady performance during the period with France Workwear most impacted by the impact of the virus, being particularly affected by temporary business closures in the French HORECA sector.

Ongoing Revenue in the Europe region fell by 3.8% in H1 (-10.5% in Q2), largely attributed to France Workwear which declined by 18.5% in H1 (-34.3% in Q2). Hygiene grew by 4.9% in H1 (+11.3% in Q2), while Pest Control grew by 0.7% (-8.9% in Q2). Both categories saw net gains to their portfolios from new business and additional sales to existing customers, with Pest Control growing 3.5% and Hygiene by 1.5%. On a country basis, our operations in Germany delivered a robust performance, growing by 7.7% in H1 and 7.9% in Q2. Southern Europe and Benelux were broadly flat year on year (but fell by 1.6% and 3.4% respectively in the second quarter). Latin America performed well overall in H1, growing by 12.5%, but by only 3.1% in Q2 as COVID-19 began to take hold across the region.

Ongoing Operating Profit for the Europe region declined by 27.3% in H1, with good growth in Germany offset by a fall in profits from France and in Southern Europe. The region acquired three businesses in Q1 – one hygiene business in Spain, one pest control business in Colombia and one further pest control business in the Netherlands – with total combined annualised revenues of c.£7m in the year prior to purchase.

Our **UK and ROW** region was significantly impacted by the crisis, principally our UK and Ireland Washrooms businesses, which were unable to service customers within many sectors, but primarily the HORECA sector. Conversely, our Specialist Hygiene, Medical Hygiene and Products businesses performed well during the period, benefiting from increased disinfection services. UK Pest Control saw declines in both quarters, impacted by temporary business closures and suspensions. Ambius and Property Care were most impacted as a result of customers cutting their spend on more discretionary services such as interior landscaping and plants, and Property Care being impacted by the stall in the UK housing market.

Regional Ongoing Revenue for UK and ROW declined by 5.1% in H1 (-15.5% in Q2), impacted by UK and Ireland Washrooms (down 15.9% in H1, -34.3% in Q2). UK Pest Control declined by 9.1% in H1 (-18.7% in Q2), Revenues were supported during the period by new contract wins, including a new contract win with a major UK retailer to install PestConnect - our digital connected pest control monitoring system – across two thirds of its UK estate. Regional Ongoing Operating Profit declined by 17.2% in H1 reflecting lower revenues in UK and Ireland Washrooms and Property Care. Our Rest of World operations acquired a small pest control business in Dar es Salaam, Tanzania in Q1, with annualised revenues in the year prior to purchase of c.£1m.

In our **Asia** region, China, Hong Kong and South Korea were among the first countries in our Group to be impacted by the COVID-19 crisis and as a result, were the first to emerge, with strong demand for disinfection and hygiene product sales offsetting falls in contract revenue from other countries. India and Malaysia experienced the worst impacts from the crisis reflecting the nature of their lockdowns. Regional Ongoing Revenue rose by 3.2% in H1 (Q2: -5.5%), aided by very strong performances from Indonesia (+41%), Hong Kong (+22%) and South Korea (+26%), but was held back by India and Malaysia. Ongoing Operating Profit in Asia increased by 1% in H1 with good performances in Singapore, Indonesia, Hong Kong and South Korea but once again offset by weaker performances in India and Malaysia. The region made one acquisition during H1, acquiring a pest control business in Singapore with annualised revenues in the year prior to purchase of c.£3m.

In the **Pacific** region Ongoing Revenue fell by 5.7% (-14.5% in Q2), with all operations in the region impacted by the crisis as a result of government restrictions, particularly in New Zealand which entered into extreme lockdown in late March. Pacific Pest Control fell by 3.5% in H1 (-9.1% in Q2) while Hygiene declined by 6.9% in H1 (Q2: -18.8%). Ongoing Operating Profit in the region fell by 10.2% in H1, reflecting lower revenues. No businesses have been acquired by the region this year to date.

Our share of **Profits from Associates** at AER amounted to £4.3m (2019: £12.3m), £nil (2019: £8.0m) relating to our disposed joint venture with Haniel and £4.3m (2019: £4.3m) to our Japanese associate.

STRATEGIC REVIEW

Our approach to managing through the COVID-19 crisis has been to address the challenge through three phases: 1. the **Crisis Phase**; 2. the **Recovery Phase**; and 3. **Strategic Opportunities in the medium-term.** We provide a summary of these phases below.

Crisis Phase

We had a good start to the year with Ongoing Revenues in line with last year, despite the unprecedented speed of the COVID-19 crisis, which disrupted our operations most severely from mid-March and throughout April. April was our most difficult month, during which Ongoing Revenues fell by 12.1% year on year. However, the rate of revenue decline improved in May to 5.7% and we returned to positive growth of 4.2% in June.

We took decisive actions to protect our colleagues and customers, and to support our financial stability during this time. We moved 8,500 colleagues to home working, and implemented strict protocols and additional PPE for our frontline technicians so that they could safely continue to serve our customers during the crisis. We moved rapidly to train around 7,000 colleagues to carry out disinfection services across 60 countries in less than one month. We also acted swiftly to reduce costs, conserve cash and boost liquidity. Approximately 45% of colleagues shared the sacrifice with pay waiver, furlough, temporary layoff and/or bonus suspension. We identified c.£100m+ of cost savings and c.£400m of cash preservation measures for the full year, suspending our M&A and dividend programmes, and applying for the Bank of England's CCFF.

Recovery Phase

We are now into the Recovery Phase. While some customer sectors have been less affected by the crisis (notably supermarkets), others, such as hotels, will likely take longer to recover.

As businesses begin to reopen their premises, we anticipate some of our customers will have an increased requirement for our Pest Control and Hygiene services, and we are supporting them by offering pre-opening specialist disinfection and hand hygiene services as well as advice on how to adhere to stricter hygiene protocols.

The crisis has also highlighted the benefits to the Group from different ways of working and these will be reviewed as to which of these should be made permanent in the future. One notable example is the greater productivity and performance by several of our Accounts Receivables teams who worked from home during the crisis.

Our purpose at Rentokil Initial is **Protecting People, Enhancing Lives** and never has this been more important than in the last three months. Our Pest Control operations have been steady and reliable, supporting our customers through the crisis and into restart. Our Hygiene business, which was more impacted by customer shutdowns, has moved from being considered a low interest (but nonetheless required service) to arguably one of the world's most important business categories. Further, Hygiene disinfection services are playing a vital role for customers as part of the restart period.

Strategic Opportunities in the medium term

As the world emerges from the crisis, we have a strategic hand to play that is stronger than before - particularly in Hygiene - and are ideally placed to provide services that a post-pandemic world will require. These include supporting customers in the 'new normal' as consumer expectations for hygiene standards increase and potential new workplace regulations. We will expand our digital range of products, while moving increasingly towards digital sales and customer engagement. Finally, we will extend our Hygiene services beyond the washroom with a focus on hand, air and surface sanitising. We aim to support these activities by brand campaigns to underscore the expertise and experience of Rentokil and Initial.

We plan to increase our international footprint into 20 new Hygiene markets by the end of this year – with new markets in North America, Latin and Central America, MENAT and Europe.

Supporting our colleagues, customers and communities

Our priority during this crisis has been to protect our people, our customers and the communities we serve. Our people are our business and prioritising their health and safety, while maintaining back office effectiveness and reducing costs, has been our aim throughout. As at 30 June, 178 colleagues had been tested positive for COVID-19, including one colleague who was on long-term sick leave with a serious health condition, sadly passing away.

We have protected our operational colleagues by implementing strict safety protocols and providing additional PPE. Back-office teams were moved to working from home. We have minimised redundancies by making a collective sacrifice across the Group with regards to pay waivers, suspension of bonus payments and the Company's LTIP scheme, furloughs and temporary lay-offs. These measures have delivered £87m of cost savings in H1. The majority of our colleagues are now back at work on normal pay and conditions and we expect to have our workforce very close to its full complement by the end of the third quarter.

We achieved a record safety and training performance in Q2, with Lost Time Accidents reduced by 20% and Working Days Lost down by 23% year on year. Online training was at an all-time high, up 63% on the prior year, with new U+ (our online university) courses including 'Leading Remotely – Teams, Performance Management and Hiring' and the development of a new virtual classroom.

We also undertook a survey in Q2 to assess whether colleagues felt safe, productive, and sufficiently supported by their managers and systems to enable them to effectively fulfil their roles during the crisis, with c.90% of colleagues answering that they believed the Company was doing the right things to succeed.

We have continued to demonstrate our values and commitment to the communities we serve. We held over 250 local events in May to publicly thank health and other public sector workers, and have donated disinfection services to emergency services, pest control treatments to care homes, and sanitiser and care packages to hospital staff.

One of the first actions we took as the crisis deepened in March was to take immediate steps to ensure our key services were authorised as 'essential'. Government and state level liaison across the world allowed our technicians in Pest Control, Hygiene, Medical and disinfection to continue to serve customers, including supermarkets, hospitals, food producers and pharmaceuticals. In the US, all 50 states identified Pest Control as an essential service.

Rentokil Pest Control

Overall, Pest Control has been less impacted by the crisis. This is because as an essential service, it is part of the public health agenda allowing our customers license to trade. It is also because as a portfolio business, and with c.80% of our revenues being contracted, any shortfalls in service during certain months can often be made up in subsequent months, if required. Throughout the period jobbing work has remained strong, aided in part by warmer weather and also by the fact that residential customers remaining within their homes during lockdown are seeking to have identified pest problems swiftly dealt with. In commercial Pest Control we have experienced four different scenarios during the pandemic:

1. Customer premises closed and the customer requested a suspension of all pest control services;
2. Customer premises closed but they requested a continuation of exterior/perimeter pest control services;
3. Customer premises closed but they requested both exterior work and interior work to protect valuable internal infrastructures (such as IT systems); and
4. Customers have remained operational throughout the crisis, requiring normal levels of pest control service provision.

Pest Control performance has varied by country and reflects the severity and duration of lockdowns. Trading was most impacted in April, improved in May and strengthened further in June. Ongoing Revenue rose by 1.0% in H1 with Ongoing Operating Profit declining by 10.0%. As outlined within the regional performance review, countries which performed most strongly include Germany (+5.4%), Indonesia (+52.7%), Sweden (+16.3%), Thailand (+12.9%) and the US (4.6%). Our operations in those countries which have had the most extreme lockdown regimes have been considerably more impacted and these include India (-24.5%), Ireland (-11.3%) and New Zealand (-6.7%).

Different customer segments have also been impacted differently. While offices and the HORECA segment have been the most affected, demand from other customers including food retail, pharmaceutical companies and residential customers have typically increased. We saw no discernible impact on customer retention, pricing, bad debt or business failures in Q2, but clearly we will be very focused on the impacts of the economic environment over the coming months.

Rising customer demand for digital and remote monitoring services

We are the leaders in digital pest control and are seeing greater customer focus on digital devices and reporting. This reflects demand for less physical contact between customers and service providers, greater speed of response and 24/7 remote monitoring for a fast reaction to a public health threat. Our myRentokil online customer portal provides secure access to real-time information that provides easy access to documentation required for pest control, including service recommendations and responding to audits. Currently c.96% of commercial customers use the portal in over 40 countries.

PestConnect is our award-winning remote monitoring system for rodents and the “world’s smartest mousetrap”. It provides our customers with a complete remote pest detection solution and full traceability. We have a growing range of units, mainly rodents but also other pests such as insects. We have seen increased demand for the product in Q2 as customers (including hospitals) have sought to minimise physical on-site interactions with service providers and we installed 40,000 PestConnect units across 2,200 customer locations around the world. We are currently installing our largest contract to date for a major retailer. This customer’s stated requirements were for rapid, proactive and sustainable pest control.

We are strongly positioned to capitalise on a ‘digital first’ approach post the COVID-19 crisis and to use our expertise in digital sales and customer engagement in a more socially distanced world. Our plans include major brand marketing campaigns, dedicated COVID web pages, email campaigns, enhanced social media content, live webinars for customers, blogs and campaigns through Google My Business. In addition, we are conducting customer account review meetings online and developing digital selling skills training for our sales colleagues across the Group.

During the second quarter we conducted a series of sector-specific digital marketing campaigns to highlight the services we can offer to customers as part of their restart programmes and for a post COVID-19 world. For example we sent 900,000 emails in the UK with a very high ‘open rate’ of over 60% (versus an average services sector rate of 22%). In the US, online sessions of our Western and JC Ehrlich websites rose by 48% and 26% respectively. We also undertook a series of webinars to build engagement with customers on key Pest Control and Hygiene topics. Post the pandemic, we anticipate a greater degree of digital sales and marketing activity rather than face-to-face interaction where we will benefit from our trusted brands, service expertise and digital leadership.

Initial Hygiene

Our Hygiene washrooms operations, while also designated as essential services, have typically been more impacted than Pest Control because of our customer lockdowns, particularly in the HORECA, Offices and Schools sectors, which were closed and which had no requirements therefore for services such as soap refills or collection of waste bins. However, service shortfalls have been more than offset by increased global demand for hygiene products (such as hand sanitisers) and other hygiene services, particularly disinfection services.

As a result, Ongoing Revenue for the category rose by 10.5% in H1 (+16.3% in Q2). While we anticipate demand for disinfection services will continue in Q3 and Q4, if the COVID crisis recedes then it is likely to slow down towards the end of the year as more businesses reopen.

As with Pest Control, performance from our Hygiene business has varied by geography and lockdown regime. April was also our weakest month, but trading improved in May and June. Strong performances in Benelux (+16.9%), Germany (+35.3%), Hong Kong (+46.6%), Philippines (+86.7%) and Spain (+68.0%) have been offset by more impacted countries such as France (-5.2%), Italy (-9.9%) and New Zealand (-13.3%).

While the COVID-19 crisis has brought the short-term impact of lockdowns, it has also brought what we believe will be a longer-term change in attitudes towards the importance of hygiene. Initial Hygiene is a high-quality business ideally positioned to capitalise on new growth opportunities as increased importance of hand, surface and air hygiene, tighter regulation, higher standards and increased usage of hygiene products and services rise around the world. The hand sanitiser market, for example, is projected to grow by 11.5% every year for the next five years, to reach c.$3bn by 2025 *(source: Infinium Global Research).*

Unprecedented demand for hand hygiene products in Q2

Customer demand for soaps, hand drying products and sanitisers rose significantly in the second quarter. We sold around 400,000 dispensers (soaps and sanitisers) in H1, twice that of our total sales in 2019, while refills of soaps and hand sanitisers were ten times greater than for the full year 2019. Hand sanitiser revenues of c.£9m in H1 – were up by c.£6.5m year on year. As the world adapts to a 'new normal' of particularly high standards of hygiene, empty or missing soap dispensers will no longer be acceptable, hand drying facilities must be available at all times and sanitisers will become a vital third step in ensuring effective hand hygiene.

Hygiene and opportunities for growth

We see four main opportunities for growth for our Hygiene category. They are:

1. **Inside washrooms** - which are high-risk areas for COVID-19 and other viruses. We offer a complete range of products and services, particularly no-touch, to avoid cross infection;
2. **Digital leadership** - we continue to develop digital products for enhanced services combined with greater reporting and insight;
3. **International expansion** - by entering new markets in both established and emerging markets; and
4. **Using our expertise outside washrooms** - and expanding into additional hand hygiene products and services, surface hygiene and disinfection services.

Washrooms are high risk areas for COVID-19 and other viruses – they are small spaces, with smooth surfaces and often high levels of traffic. 'No touch' washrooms are the most effective way to avoid cross-contamination, particularly prevalent within the cubicle setting. Toilet paper dispensers that seal away paper until use, 'no-touch' feminine hygiene units and toilet seat cleaners all prevent cross-contamination. Our Signature Range of washrooms products have been designed with antimicrobial surfaces which also reduce cross contamination, as do our 'no touch' auto-lift lids on bins and auto dispense of paper towels and soaps. Air care quality is also an important indicator of washroom cleanliness, with air sterilisers providing an ongoing method of removing potentially harmful pathogens from the air.

We are of the view that the COVID-19 pandemic will provide a potential springboard for increased **Digital Hygiene** services and we are taking our digital expertise from Pest Control and expanding it into Hygiene. Increased regulations and the threat of fines and reputational damage drove early take up of digital pest control and we anticipate the same trend will occur within digital hygiene. Our connected hygiene solutions currently comprise digital taps and soap dispensers, hand wash and footfall monitoring and air care. In addition, our myInitial online reporting platform provides transparency of service, including signature capture, service history and details, dates of visits and reporting facilities.

By the end of 2020 we will have launched Hygiene in c.20 new countries, bringing the total number of countries in which we provide hygiene services to c.66. We launched our first hygiene services in North America in June 2020 with hand and air hygiene products. Initially, this is being delivered through Ambius which has considerable expertise in wellbeing and an existing business of scale. We currently operate in 10 markets in Latin and Central America, providing hygiene services in Colombia and Chile and we enhanced this in June by providing hygiene services (including hand sanitisers, surface wipes and air care) in the remaining eight markets. In MENAT we have launched hygiene services in the UAE, Saudi Arabia, Jordan and Turkey. As part of the Haniel JV announced in 2016 we exited 10 European hygiene markets: Belgium, Netherlands, Luxembourg, Germany, Austria, Switzerland, Czech Republic, Slovakia, Poland and Sweden. Post the sale of our remaining stake in the JV in 2019 and, as of June 2020, we are now free to re-enter these markets.

We have been actively seeking to **expand our services outside of washrooms**, specifically into air care, which is a valuable and high growth market and estimated to be worth $17.5bn, with a CAGR of 10.5% to 2024. *(source: Technavio).* From a relatively low interest sector, hygiene has now become one of the world's most important, presenting opportunities for us to provide hand, air and surface hygiene products in multiple environments, including offices, kitchens and reception areas. Since the pandemic, awareness of how viruses are transmitted via droplets produced by coughs and sneezes has risen. In addition, indoor air quality affects health, wellbeing and productivity. Our current air care product range features air purification, air sterilisation and air scenting products. We are also due to launch our new air filtration product, InspireAir72 which utilises a medical grade, multi-layer filter to capture 99.97% of harmful particulates and which can clean a 36m^2 office space in 10 minutes.

Hygiene disinfection services

We are proud of the way our teams across the world pivoted at great speed to provide disinfection services in more than 60 countries. In addition to our existing c.1,000 Specialist Hygiene colleagues, we trained c.7,000 colleagues in H1 to provide this service alongside their existing roles in Hygiene, Pest Control and Ambius, sourced PPE and began selling disinfection to customers within three weeks. £49m of revenues were generated in the first half of the year with Net Operating Margins broadly comparable to those in Pest Control. The service, used within multiple customer sectors including offices, shops, schools, airports, emergency vehicles and public transport, involves targeting hygiene hots spots like door handles and washrooms, and then uses ultra-low disinfection fogging to thoroughly disinfect the area. As experts in hygiene, we have developed Standard Operating Procedures to ensure maximum service efficacy and consistent global standards. These included a 19-stage donning sequence for PPE and removal of all waste from sites in line with guidance set out by public health authorities in order to prevent cross contamination.

Customers who have used our disinfection services during the pandemic have done so to protect their people and their customers and to keep their business fully operational during the pandemic. Ensuring their premises are safe and hygienic is also vital in protecting their brand and reputation. Customers using our service in Q2 included a global distributor requiring weekly disinfection of its centres at specific times of the night. In addition, we are carrying out daily disinfection services for a public transport customer, disinfecting 4,000 buses every day, seven days a week, until the end of 2020. We would expect disinfection service revenues to continue in Q3 and into Q4.

Protect & Enhance

Our Protect & Enhance businesses have been the most impacted by the COVID-19 crisis. The businesses within the category are Workwear, Ambius, UK Property Care and Dental Waste. Ongoing Revenue declined by 12.9% in H1, principally driven by France Workwear which declined by 18.5%. Ambius' Ongoing Revenue fell by 6.2% in H1, with Property Care and Dental declining by 15.9%. Ongoing Operating Profit for the category fell by 51.3%.

The category has a high exposure to the HORECA sector - for which we supply interior plants, ambient scenting and workwear – and hotels, bars and restaurant chains have been predominantly closed during the crisis and in many places will be the last to be reopened. Our UK Property Care business was impacted by both ongoing weakness in the property market and also by customers unwilling to allow external service providers into their homes.

As with our other categories, April was the weakest month for France Workwear, with May and June seeing progressive improvements in performance. Volumes in Q2 were down 40.3% across all customer segments versus their pre-COVID average. Actions taken by the business to protect cost and cash have included reducing working hours for around 1,500 employees and cutting spend on capital expenditure by 19% on H1 2019.

Despite the disruption caused by the crisis, our project to separate the Hygiene and Workwear businesses in France is proceeding well and we are on track to transfer the Washrooms portfolio currently within the Workwear business to Hygiene by the end of this year. We will also be opening five dedicated Hygiene branches in France in the second half which will complete national coverage of hygiene service provision in the country.

Brand strength and expertise

Our brands are widely recognised and trusted around the world and this, together with our reputation as experts in our field, is differentiating us further from other industry players in a post-COVID world.

Demand for better hygiene products and services is set to increase and our recent survey of UK office workers has shown that 88% of responders expect companies to provide them with hand sanitiser, 56% stated ‘they will now consciously wash their hands more thoroughly’ and 54% now expect companies to provide regular disinfection services. The strength of our brands, our unrivalled training and expertise in products and treatments, and the quality of our service delivery gives our customers complete reassurance of a job well done.

Financial Review

Central and regional overheads

Central and regional overheads of £37.5m at CER were £4.6m lower than prior year (2019: £42.1m) with the cost saving actions offsetting the impact of increased LTIP costs, centrally sourced PPE and the flow through of prior year investment in innovation.

Restructuring costs

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

Restructuring costs of £5.2m at CER (2019: £3.3m) consisted mainly of costs in respect of initiatives focused on our North America transformation programme from Q1, together with severance costs as a result of COVID-19.

One-off items and amortisation (at CER)

One-off items were a £4.5m net credit at actual exchange rates which includes £6.7m of acquisition and integration costs, a cash receipt of £2.0m related to a prior year disposal, a non-cash credit of £7.4m relating to the closure of a pension scheme in North America and profit on the sale and leaseback of a property of £1.8m.

The amortisation charge of £43m for the period includes £8m relating to an impairment of goodwill arising from the acquisition of PCI reflecting the impact of COVID-19 on the business in the first half of the year.

UK defined benefit pension scheme buy-out

In December 2018 the Company reached agreement for a bulk annuity insurance buy-in for its UK Defined Benefit Pension Scheme (“the Scheme”) with Pensions Insurance Corporation. The buy-in has been secured in contemplation of a full buy-out and winding up of the Scheme with an expected pre-tax cash surplus of c£30m. COVID-19 has made the process for winding-up the scheme more challenging and while we still anticipate that the surplus will be returned to the company in 2020, there is a risk that this may slip into 2021.

Interest (at AER)

Adjusted interest of £17.7m was £5.2m lower than in the prior year, reflecting the impact of our 2019 refinancing and despite the impact of drawing down our RCF at the start of the COVID-19 pandemic.

Tax

The income tax charge for the year at actual exchange rates was £14.7m on the reported profit before tax of £61.8m. After adjusting the reported profit before tax for the amortisation and impairment of intangible assets (excluding computer software), one-off items and net interest adjustments, the Adjusted Effective Tax Rate for 2020 at AER was 22% (2019: 22%). This compares with a blended rate of tax for the countries in which the Group operates of 23% (2019: 23%).

Net debt and cash flow

£m at actual exchange rates	Year to Date		
	H1 2020 £m	H1 2019 £m	*Change £m*
Adjusted Operating Profit	**139.0**	152.2	*(13.2)*
One-off items – operating	**4.5**	9.8	*(5.3)*
Depreciation	**109.3**	105.5	*3.8*
Other	**(3.2)**	3.5	*(6.7)*
EBITDA	**249.6**	271.0	*(21.4)*
Working capital	**19.1**	(27.8)	*46.9*
Movement on provisions	**1.8**	(4.0)	*5.8*
Capex – additions	**(102.3)**	(113.9)	*11.6*
Capex – disposals	**5.0**	1.7	*3.3*
Operating cash flow – continuing operations	**173.2**	127.0	*46.2*
Interest	**(16.2)**	(11.8)	*(4.4)*
Tax	**(13.5)**	(19.3)	*5.8*
Free Cash Flow – continuing operations	**143.5**	95.9	*47.6*
Acquisitions	**(50.3)**	(120.9)	*70.6*
Disposal of companies and businesses	**2.0**	-	*2.0*
Dividends	**-**	(58.1)	*58.1*
Underlying (decrease)/increase in net debt	**95.2**	(83.1)	*178.3*
Foreign exchange translation and other items	**(124.2)**	(21.3)	*(102.9)*
IFRS 16 lease obligations on transition	**-**	(184.0)	*184.0*
Increase in net debt	**(29.0)**	(288.4)	*259.4*
Opening net debt	**(1,073.0)**	(1,153.5)	*80.5*
Closing net debt	**(1,102.0)**	(1,441.9)	*339.9*

Operating cash inflow (£173.2m at AER for continuing operations) was £46.2m higher than in 2019, principally driven by favourable working capital of £46.9m and capex savings of £11.6m as a result of a freeze on any non-essential capex from the second quarter onwards. This was partially offset by a £13.2m decrease in Adjusted Operating Profit.

Interest payments of £16.2m are £4.4m higher than in the prior year due to phasing but also reflecting the drawdown of the RCF and CCFF in Q2, while tax payments decreased by £5.8m due to the phasing of payments agreed with the relevant authorities as part of COVID-19 cash protection measures. This resulted in Free Cash Flow from continuing operations of £143.5m, an increase of £47.6m on the prior year.

Cash spent on current and prior year acquisitions totalled £50.3m, with proceeds from disposals of £2.0m. This resulted in an underlying decrease in net debt of £95.2m. Foreign exchange translation and other items of £124.2m is primarily due to the weakening impact of Sterling against the Euro and Dollar as well as the non-cash impact of reduced US interest rates on derivatives used to fix the rates on our US$ debt. Overall this led to an overall increase in net debt of £29.0m and closing net debt of £1,102.0m.

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 severe but plausible downside case. Further detail can be found in Note 2 on page 18.

Brexit

We are a global business with c.90% of revenues derived from outside the UK and with minimal cross-border trading. The global economic environment, and in particular the Brexit arrangements, continues to drive uncertainty with high levels of volatility in exchange and commodity markets and with international trading arrangements potentially subject to significant change. We continue to monitor the potential implications of geopolitical change on our trading and financing environment and in relation to Brexit we are taking short term measures to ensure we have access to adequate stock and equipment in both the UK and Europe in 2020. We remain of the view that the defensive nature of our core categories, combined with the geographic location and spread of our operations, place us in a relatively strong position to mitigate such risks going forward and to take advantage of any potential opportunities that the changes may bring.

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

	Notes	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m
Revenue	4	**1,291.0**	1,298.9
Operating profit		**100.5**	125.5
Finance income		**3.4**	2.0
Finance cost		**(46.4)**	(26.0)
Share of profit from associates, net of tax of £2.1m (2019: £5.4m)		**4.3**	12.3
Profit before income tax		**61.8**	113.8
Income tax expense[1]		**(14.7)**	(25.8)
Profit for the period attributable to the Company's equity holders (including non-controlling interests of £0.1m (2019: £nil))		**47.1**	88.0
Other comprehensive income:			
Items that are not reclassified subsequently to the income statement:			
Re-measurement of net defined benefit asset		**(10.3)**	(0.1)
Tax related to items taken to other comprehensive income		**3.1**	-
Items that may be reclassified subsequently to the income statement:			
Net exchange adjustments offset in reserves		**23.9**	(2.8)
Effective portion of changes in fair value of cash flow hedge		**(6.0)**	0.6
Total comprehensive income for the period (including non-controlling interests of £0.1m (2019: £nil))		**57.8**	85.7
Earnings per share attributable to the Company's equity holders:			
Basic		**2.54p**	4.75p
Diluted		**2.52p**	4.73p

Non-GAAP measures			
Operating profit		**100.5**	125.5
Adjusted for:			
Amortisation and impairment of intangible assets (excluding computer software)	4	**43.0**	36.5
One-off items	4	**(4.5)**	(9.8)
Adjusted operating profit		**139.0**	152.2
Finance income		**3.4**	2.0
Finance cost		**(46.4)**	(26.0)
Share of profit from associates, net of tax of £2.1m (2019: £5.4m)		**4.3**	12.3
Net interest adjustments		**25.3**	1.1
Adjusted profit before income tax		**125.6**	141.6
Basic adjusted earnings per share attributable to the Company's equity holders		**5.30p**	5.99p

The weighted average number of ordinary shares in issue is 1,852m (HY 2019: 1,847m). For the diluted EPS calculation the adjustment for share options and LTIPs is 8.4m (HY 2019: 10.3m).

[1] Taxation includes £15.8m (HY 2019: £13.4m) in respect of overseas taxation.

Consolidated balance sheet

	Notes	At 30 June 2020 £m	At 31 December 2019 £m
Assets			
Non-current assets			
Intangible assets		**1,763.7**	1,673.4
Property, plant and equipment		**406.6**	391.7
Right-of-use assets		**223.0**	221.2
Investments in associated undertakings		**36.5**	29.7
Other investments		**0.3**	0.3
Deferred tax assets		**30.6**	29.3
Contract costs		**69.7**	65.4
Retirement benefit assets	8	**31.8**	37.4
Other receivables		**12.9**	12.7
Derivative financial instruments	11	**1.3**	7.6
		2,576.4	2,468.7
Current assets			
Other investments		**2.7**	1.7
Inventories		**148.6**	106.5
Trade and other receivables		**593.0**	500.7
Current tax assets		**7.0**	7.0
Derivative financial instruments	11	**0.8**	0.2
Cash and cash equivalents		**973.6**	309.6
		1,725.7	925.7
Liabilities			
Current liabilities			
Trade and other payables		**(806.3)**	(660.7)
Current tax liabilities		**(77.0)**	(72.9)
Provisions for other liabilities and charges		**(25.7)**	(25.1)
Bank and other short-term borrowings	10	**(663.7)**	(84.6)
Lease liabilities		**(76.4)**	(72.0)
Derivative financial instruments	11	**(0.5)**	(0.5)
		(1,649.6)	**(915.8)**
Net current assets		**76.1**	9.9
Non-current liabilities			
Other payables[1]		**(48.6)**	(57.7)
Bank and other long-term borrowings	10	**(1,134.4)**	(1,059.3)
Lease liabilities		**(141.8)**	(144.7)
Deferred tax liabilities		**(114.7)**	(110.8)
Retirement benefit obligations	8	**(37.3)**	(37.5)
Provisions for other liabilities and charges		**(38.0)**	(34.0)
Derivative financial instruments	11	**(64.5)**	(32.3)
		(1,579.3)	(1,476.3)
Net assets		**1,073.2**	1,002.3
Equity			
Capital and reserves attributable to the company's equity holders			
Called up share capital		**18.5**	18.5
Share premium account		**6.8**	6.8
Other reserves		**(1,849.8)**	(1,867.7)
Retained profits		**2,897.0**	2,844.1
		1,072.5	1,001.7
Non-controlling interests		**0.7**	0.6
Total equity		**1,073.2**	1,002.3

[1] Non-current other payables includes £27.4m Put Option liability related to the PCI India acquisition (2019: £37.3m).

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 2019	18.4	6.8	(1,824.2)	2,631.2	0.4	832.6
Profit for the period	-	-	-	88.0	-	88.0
Other comprehensive income:						
Net exchange adjustments offset in reserves	-	-	(2.8)	-	-	(2.8)
Remeasurement of net defined benefit asset	-	-	-	(0.1)	-	(0.1)
Effective portion of changes in fair value of cash flow hedge	-	-	0.6	-	-	0.6
Total comprehensive income for the period	-	-	(2.2)	87.9	-	85.7
Transactions with owners:						
Shares issued in the period	0.1	-	-	-	-	0.1
Dividends paid to equity shareholders	-	-	-	(58.1)	-	(58.1)
Dividends paid to non-controlling interests	-	-	-	-	(0.1)	(0.1)
Cost of share options and long-term incentive plan	-	-	-	2.8	-	2.8
Movement in the carrying value of put options	-	-	-	(4.3)	-	(4.3)
At 30 June 2019	18.5	6.8	(1,826.4)	2,659.5	0.3	858.7
At 1 January 2020	**18.5**	**6.8**	**(1,867.7)**	**2,844.1**	**0.6**	**1,002.3**
Profit for the period	**-**	**-**	**-**	**47.0**	**0.1**	**47.1**
Other comprehensive income:						
Net exchange adjustments offset in reserves	**-**	**-**	**22.5**	**-**	**-**	**22.5**
Cost of hedging	**-**	**-**	**1.4**	**-**	**-**	**1.4**
Remeasurement of net defined benefit asset	**-**	**-**	**-**	**(10.3)**	**-**	**(10.3)**
Effective portion of changes in fair value of cash flow hedge	**-**	**-**	**(6.0)**	**-**	**-**	**(6.0)**
Tax related to items taken directly to other comprehensive income	**-**	**-**	**-**	**3.1**	**-**	**3.1**
Total comprehensive income for the period	**-**	**-**	**17.9**	**39.8**	**0.1**	**57.8**
Transactions with owners:						
Cost of share options and long-term incentive plan	**-**	**-**	**-**	**2.8**	**-**	**2.8**
Movement in the carrying value of put options	**-**	**-**	**-**	**10.3**	**-**	**10.3**
At 30 June 2020	**18.5**	**6.8**	**(1,849.8)**	**2,897.0**	**0.7**	**1,073.2**

Shares of £0.1m (2019: £0.1m) have been netted against retained earnings. This represents 9.7m (HY 2019: 9.8m) shares held by the Rentokil Initial Employee Share Trust. The market value of these shares at 30 June 2020 was £50.0m (HY 2019: £38.7m). 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	Cost of hedging £m	Total £m
At 1 January 2019	(1,722.7)	10.4	1.0	(112.9)	-	(1,824.2)
Net exchange adjustments offset in reserves	-	-	-	(2.8)	-	(2.8)
Effective portion of changes in fair value of cash flow hedge	-	-	0.6	-	-	0.6
Total comprehensive income for the period	-	-	0.6	(2.8)	-	(2.2)
At 30 June 2019	(1,722.7)	10.4	1.6	(115.7)	-	(1,826.4)
At 1 January 2020	**(1,722.7)**	**10.4**	**0.5**	**(155.9)**	**-**	**(1,867.7)**
Net exchange adjustments offset in reserves	**-**	**-**	**-**	**22.5**	**-**	**22.5**
Effective portion of changes in fair value of cash flow hedge	**-**	**-**	**(6.0)**	**-**	**-**	**(6.0)**
Cost of hedging	**-**	**-**	**-**	**-**	**1.4**	**1.4**
Total comprehensive income for the period	**-**	**-**	**(6.0)**	**22.5**	**1.4**	**17.9**
At 30 June 2020	**(1,722.7)**	**10.4**	**(5.5)**	**(133.4)**	**1.4**	**(1,849.8)**

Consolidated cash flow statement

	Notes	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m
Profit for the period		**47.1**	88.0
Adjustments for:			
- Tax		**14.7**	25.8
- Share of profit from associates		**(4.3)**	(12.3)
- Interest income		**(3.4)**	(2.0)
- Interest expense		**46.4**	26.0
Reversal of non-cash items:			
- Depreciation and impairment of property, plant and equipment		**101.8**	99.1
- Amortisation and impairment of intangible assets[1]		**43.0**	36.5
- Amortisation of computer software		**7.5**	6.4
- Other non-cash items		**(3.2)**	(13.1)
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):			
- Inventories		**(36.1)**	(9.8)
- Contract costs		**(1.0)**	(1.9)
- Trade and other receivables		**(73.9)**	(55.2)
- Accrued income		**9.5**	3.3
- Trade and other payables and provisions		**102.2**	22.4
- Deferred income		**20.2**	9.4
Cash generated from operating activities		**270.5**	222.6
Interest received		**3.3**	2.0
Interest paid[2]		**(19.5)**	(13.8)
Income tax paid		**(13.5)**	(19.3)
Net cash generated from operating activities		**240.8**	191.5
Cash flows from investing activities			
Purchase of property, plant and equipment		**(61.5)**	(72.6)
Purchase of intangible fixed assets		**(11.6)**	(12.6)
Proceeds from sale of property, plant and equipment		**5.0**	1.7
Acquisition of companies and businesses, net of cash acquired	5	**(50.3)**	(120.8)
Disposal of companies and businesses		**2.0**	-
Dividends received from associates		**-**	16.6
Net cash flows from investing activities		**(116.4)**	(187.7)
Cash flows from financing activities			
Dividends paid to equity shareholders		**-**	(58.1)
Capital element of lease payments		**(41.7)**	(40.1)
Cash outflow on settlement of debt related foreign exchange forward contracts		**1.1**	0.2
Net investment in term deposits		**(1.0)**	(0.5)
Proceeds from new debt		**1,153.4**	434.8
Debt repayments		**(592.2)**	(17.0)
Net cash flows from financing activities		**519.6**	319.3
Net increase in cash and cash equivalents		**644.0**	323.1
Cash and cash equivalents at beginning of year		**273.9**	100.9
Exchange losses on cash and cash equivalents		**8.7**	5.1
Cash and cash equivalents at end of the financial period		**926.6**	429.1

[1] Excluding computer software.
[2] Interest paid includes interest on lease payments of £3.6m (2019: £4.0m).

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 2020 was approved on 29 July 2020 for issue on 30 July 2020.

On page 86 of the Annual Report 2019 we set out the Group's approach to risk management and on pages 55 to 59 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 2019 other than in respect of the emergence of COVID-19. The impact of the COVID-19 pandemic has been mitigated by taking action to reduce cost, preserve cash and introduce new revenue streams until such time as the business can operate normally again. More details of the impact of COVID-19 are discussed in the regional performance section of this statement.

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 2019. 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 2019 results please refer to the Annual Report 2019 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 2019 except for the changes described in Note 3.

The interim financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

- The directors have prepared cash flow forecasts for the period ending December 2021, taking account of severe but plausible downside scenarios including the impact of COVID-19, whereby the group has assumed:
  - a decline in revenue and earnings throughout the remainder of 2020 with quarterly revenues reducing by up to 20% versus the same period last year;
  - the possibility of a second COVID lock-down which could reduce revenue and earnings in 2021, revenue up to 14% lower than 2019 pre-COVID levels.

  Even if these downside scenarios were to occur the Group forecasts that it will have sufficient funds to meet its liabilities as they fall due for this period.

- The Group utilised its Revolving Credit Facility (RCF) and the Bank of England COVID Corporate Financing Facility (CCFF) to support its liquidity position during lockdown. Additionally the Group applied further mitigations to support its cash position, for example through deferring future acquisitions and the suspension of the 2019 dividend as announced in April 2020.

  The Group has since repaid the RCF and the CCFF and its assessment of the severe but plausible downside scenario forecast is that it will remain within its borrowing facilities headroom and in compliance with all its banking covenants.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

3. Accounting policies

The preparation of the interim financial information for the half-year ended 30 June 2020 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.

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

Changes in 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 2019. 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 2020.

3. Accounting policies (continued)

A number of new standards are effective from 1 January 2020 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 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 – definition of a business
- Amendments to IAS 1 and IAS 8 – definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7 – interest rate benchmark reform

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 2019 or 30 June 2019. 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 Group's Executive Leadership Team responsible for the review of Group performance. The operating businesses within each segment report to the Regional Managing Directors.

Disaggregated revenue under IFRS 15 is the same as the segmental analysis below. Restructuring costs and central and regional overheads are also presented centrally as they are not targeted or managed at reportable segment level. 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 13.

	Revenue 30 June 2020 £m	Revenue 30 June 2019 £m	Operating profit 30 June 2020 £m	Operating profit 30 June 2019 £m
France	**131.4**	152.7	**4.3**	22.0
Benelux	**45.5**	45.5	**12.4**	12.3
Germany	**55.4**	51.4	**17.1**	14.7
Southern Europe	**66.6**	66.6	**8.6**	10.2
Latin America	**27.0**	27.8	**2.3**	3.0
Europe	**325.9**	344.0	**44.7**	62.2
UK & Ireland	**136.9**	150.4	**23.5**	30.9
Rest of World	**75.2**	76.8	**15.1**	16.7
UK & Rest of World	**212.1**	227.2	**38.6**	47.6
Asia	**117.7**	115.2	**11.9**	11.7
North America	**543.9**	496.8	**70.6**	60.1
Pacific	**83.7**	93.2	**15.7**	18.4
Central and regional overheads	**-**	-	**(37.5)**	(42.1)
Restructuring costs	**-**	-	**(5.2)**	(3.3)
Ongoing operations at actual exchange rates	**1,283.3**	1,276.4	**138.8**	154.6
Disposed businesses[1 2]	**7.7**	22.5	**0.2**	(2.4)
Continuing operations at actual exchange rates	**1,291.0**	1,298.9	**139.0**	152.2
One-off items – operating			**4.5**	9.8
Amortisation of intangible assets [3]			**(43.0)**	(36.5)
Operating profit			**100.5**	125.5

[1] Disposed business for 2019 is restated for businesses disposed in 2020.
[2] Includes revenue of £4.2m (2019: £5.5m) from product sales by the Group to CWS-boco International GmbH.
[3] Excluding computer software.

One-off items

One-off items - operating is a gain of £4.5m (2019: gain of £9.8m). In April 2020 the recently acquired Florida Pest Control defined benefit pension scheme was closed to future accrual of benefits realising a non-cash gain of £7.4m. Additionally, a sale and leaseback arrangement on a property in the US resulted in a gain of £1.8m and there were additional proceeds received for the sale of the MPCL business of £2.0m. This is offset by other one-off costs of £6.7m which primarily relate to the ongoing acquisition programme.

Analysis of revenue by business category

	Revenue 30 June 2020 £m	Revenue 30 June 2019 £m
Pest Control	**829.8**	822.0
Hygiene	**292.6**	269.1
Protect & Enhance	**160.9**	185.3
Disposed businesses	**7.7**	22.5
Total	**1,291.0**	1,298.9

4. Segmental information (continued)

Analysis of revenue by type

	Revenue 30 June 2020 £m	Revenue 30 June 2019 £m
Recognised over time		
Contract service revenue	**886.0**	920.0
Recognised at a point in time		
Job work	**263.7**	237.9
Sale of goods	**141.3**	141.0
Total	**1,291.0**	1,298.9

Amortisation and impairment of intangible assets

	Amortisation and impairment of intangibles[1] 30 June 2020 £m	Amortisation and impairment of intangibles[1] 30 June 2019 £m
Europe	**4.6**	6.6
UK & Rest of World	**5.7**	5.5
Asia	**11.7**	2.7
North America	**15.9**	17.2
Pacific	**1.8**	1.9
Central and regional	**3.3**	2.6
Total	**43.0**	36.5

[1] Excluding computer software.

5. Business combinations

The Group purchased 100% of either the share capital or the trade and assets of eight companies and businesses in the period. An overview of the acquisitions in the year can be found on page 4 under the M&A heading. The Group acquires companies and businesses as part of its growth strategy.

The total consideration in respect of acquisitions in the current year was £37.4m. Details of goodwill and the fair value of net assets acquired are as follows:

	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m
Purchase consideration:		
- Cash paid	**29.3**	102.1
- Deferred and contingent consideration	**8.1**	18.2
Total purchase consideration	**37.4**	120.3
Fair value of net assets acquired	**(15.2)**	(24.0)
Goodwill from current period acquisitions	**22.2**	96.3

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

Deferred consideration of £1.7m and contingent consideration of £6.4m 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 provisional fair values will be materially finalised in the 2020 financial statements. 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.

5. Business combinations (continued)

	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m
Non-current assets		
- Intangible assets	**16.1**	19.3
- Property, plant and equipment	**1.4**	4.4
Current assets	**5.2**	6.2
Current liabilities	**(4.2)**	(4.6)
Non-current liabilities	**(3.3)**	(1.3)
Net assets acquired	**15.2**	24.0

Acquired receivables are disclosed at fair value and represent the best estimate of the contractual cash flows expected to be collected. From the dates of acquisition to 30 June 2020, these acquisitions contributed £6.0m to revenue and £1.2m to operating profit. If the acquisitions had occurred on 1 January 2020, the revenue and operating profit of the combined entity would have amounted to £1,292.8m and £100.6m respectively.

In relation to prior period acquisitions, there has been an adjustment to the provisional fair values resulting in an increase to goodwill of £0.2m.

In addition £23.1m was paid in respect of deferred and contingent consideration for prior year acquisitions resulting in the total cash outflow in the period from current and past period acquisitions, net of cash acquired, of £50.3m.

Two small acquisitions were made in July, however the initial accounting is incomplete at the date these accounts are authorised for issue and therefore not included in the above information.

6. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. It is recognised as an intangible asset. Goodwill arising on the acquisition of an associate is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Due to the unprecedented global situation brought about by the COVID-19 pandemic and the global economic impact, the Group has taken the decision perform additional goodwill impairment reviews at the half year for selected cash generating units (CGUs). The goodwill balance at 30 June 2020 is £1,433.2, and of this balance £1,155.0m was reviewed covering 81% of the total goodwill and 17 CGUs.

For the purpose of impairment testing, goodwill is allocated to CGUs identified according to country of operation and reportable business unit. The way in which CGUs are identified has not changed from prior periods. Newly acquired entities might be a single CGU until such time that they can be integrated. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The recoverable amount of a CGU is determined based on the higher of value-in-use calculations using cash flow projections and fair value less costs to sell if appropriate. The cash flow projections in year one are based on financial budgets approved by management, which are prepared as part of the Group's normal planning process. Cash flows for years two to five use management's expectation of sales growth, operating costs and margin, based on past experience and expectations regarding future performance and profitability for each CGU. Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates (LTGR).

For the Rentokil PCI CGU in India the assumptions made in estimating the value of the future cash flows are an LTGR of 3.99%, a post-tax discount rate of 10.9% and cash flows based on a short-term average growth in revenue 7.6%. The impairment assessment has revealed an impairment of £8.1m. A one percentage point reduction in the terminal operating margin assumption would have resulted in an impairment of £13.2m and a one percentage point increase to the post-tax discount rate would have resulted in an impairment of £19.4m.

For all other goodwill balances reviewed it can be demonstrated that there is headroom in the recoverable amount of the CGU goodwill balances based on the assumptions made, and there is not considered to be any reasonably likely scenario under which material impairment could be expected to occur based on the testing performed. A further review will be undertaken at the year end.

7. Dividends

	6 months to 30 June 2020 £m	6 months to 30 June 2019 £m	Year to 31 December 2019 £m
2018 final dividend paid – 3.16p per share	**-**	58.1	58.1
2019 interim dividend paid – 1.51p per share	**-**	-	27.7
	-	58.1	85.8

The final dividend proposed in the Annual Report 2019 was withdrawn due to the COVID-19 pandemic and therefore not paid. The directors have not declared an interim dividend for 2020. The Company has a progressive dividend policy; however this has been temporarily suspended due to the global COVID-19 pandemic. The directors will consider the level of final dividend for 2020 based on the year-end results.

8. 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 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. On 4 December 2018 the Group signed an agreement with Pension Insurance Corporation plc (PIC) for PIC to take over the payment of the liabilities in the scheme via a buy-in, which is anticipated to convert to a full buy-out before the end of 2020. The trustee purchased an insurance policy that covers all retirement benefit obligations within the scheme, thereby removing exposure to the significant risks within the scheme (including changes in bond yields, inflation and longevity). The scheme's insurer (PIC) is now responsible for ensuring there are sufficient assets to meet all future pension obligations, and is subject to EU solvency regulations. There is no volatility associated with the insurance policy asset as under IAS 19 its value is deemed to match the scheme liabilities. Asset volatility is limited only to the assets remaining in the scheme following this transaction which are expected to be returned to the company on wind-up of the scheme.

The Group achieved buy-in within the value of the assets held by the scheme and was not required to make any further contributions. While there are still some adjustments expected to the final price it is anticipated that there will be surplus assets when the scheme finally winds up in 2020. These assets are recognised as a retirement benefit asset. This asset has been recognised at management's estimate of the value of surplus that will be returned from the scheme to the Group (subject to tax at 35%). At 30 June 2020 the retirement benefit asset amounted to £31.1m (December 2019: £36.6m). It remains subject to certain estimates and assumptions made at the balance sheet date which could lead the overall surplus available to change.

Other schemes currently in an accounting surplus position total £0.7m and other schemes currently in an accounting deficit position total £37.3m.

9. Net debt

	At 30 June 2020 £m	At 31 December 2019 £m
Current		
Cash and cash equivalents in the Consolidated Balance Sheet	**973.6**	309.6
Other investments	**2.7**	1.7
Fair value of debt-related derivatives	**-**	(0.3)
Bank and other short-term borrowings:		
- Bank overdraft	**(47.0)**	(35.7)
- Term loan	**-**	(37.7)
- Commercial Paper (CCFF)	**(597.0)**	-
- Other overseas loans	**(9.7)**	(6.4)
- Bond accrual	**(10.0)**	(4.8)
Lease liabilities	**(76.4)**	(72.0)
	236.2	154.4
Non-current		
Other investments	**-**	0.1
Fair value of debt-related derivatives	**(62.0)**	(23.5)
Bank and other long-term borrowings:		
- Bond debt	**(1,126.9)**	(1,051.5)
- Other overseas loans	**(7.5)**	(7.8)
Lease liabilities	**(141.8)**	(144.7)
	(1,338.2)	(1,227.4)
Total net debt	**(1,102.0)**	(1,073.0)

Fair value is equal to carrying value for all elements of net debt with the exception of bond debt which has a carrying value of £1,126.9m (2019: £1,051.5m) and a fair value of £1,140.4m (2019: £1,082.7m).

10. Bank and other borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the Group has a continuing right to defer settlement of the liability for at least 12 months after the balance sheet date.

The Group's bank debt comprises:

	Facility amount £m	Drawn at 30 June 2020 £m	Headroom £m	Interest rate at 30 June 2020 %
Non-current				
£550m RCF due August 2024	550.0	-	550.0	1.85%
Average cost of bank debt at period end rates				1.85%

The Group has a committed £550m revolving credit facility (RCF) which is available for cash drawings up to £550m. The maturity date is August 2024 with a one-year extension option. As at 30 June 2020 the facility was undrawn (2019: £nil).

The Group repaid a $50m Term Loan on maturity in June 2020.

The Group's short-term note debt comprises:

	Facility amount £m	Drawn at 30 June 2020 £m	Headroom £m	Interest rate at 30 June 2020 %
Current				
£600m Commercial Paper due April 2021	600.0	600.0	-	0.51%
Average cost of short-term note debt at period end rates				0.51%

At 30 June 2020, the Group has issued a £600m short-term Commercial Paper with a maturity date of April 2021 under the Bank of England's COVID Corporate Financing Facility (CCFF) scheme.

The Group's medium-term notes and bond debt comprises:

	Bond interest coupon	Effective hedged interest rate
Non-current		
€350m bond due October 2021	Fixed 3.25%	Fixed 3.35%
€400m bond due November 2024	Fixed 0.95%	Fixed 1.65%
€500m bond due May 2026	Fixed 0.875%	Fixed 1.24%
Average cost of bond debt at period end rates		1.95%

In May 2020 the Group redeemed £1.6m of perpetual debentures.

The effective interest rate reflects the interest rate after the impact of cross currency interest rate swaps.

11. Derivative financial instruments

The Group uses derivative financial instruments in support of its hedging strategy which is to hold debt in proportion to the Group profit and cash flow which are mainly EUR and USD.

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; and
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
Liquidity fund	1	Quoted market prices or dealer quotes for similar instruments
Interest rate/currency swaps	2	Market swap rates at the balance sheet date
Forward foreign exchange contracts	2	Forward exchange market rates at the balance sheet date
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.

11. Derivative financial instruments (continued)

	Fair value assets 30 June 2020 £m	Fair value assets 31 December 2019 £m	Fair value liabilities 30 June 2020 £m	Fair Value liabilities 31 December 2019 £m
Interest rate swaps (level 2):				
- non-hedge	0.1	-	(23.5)	(3.1)
- cash flow hedge	1.1	0.1	(1.0)	(20.5)
- net investment hedge	0.1	7.6	(40.0)	(9.1)
Foreign exchange swaps (level 2):				
- non-hedge	0.4	0.1	(0.5)	(0.1)
Metal hedging option (level 2):				
- non-hedge	0.4	-	-	-
	2.1	7.8	(65.0)	(32.8)
Analysed as follows:				
Current portion	0.8	0.2	(0.5)	(0.5)
Non-current portion	1.3	7.6	(64.5)	(32.3)
	2.1	7.8	(65.0)	(32.8)

12. Events occurring after the balance sheet date

On 27 July 2020 the Group repaid the £600m borrowed under the Bank of England's CCFF scheme.

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

13. 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, often revenue and profit measures are presented at CER. CER is calculated by translating 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 2019 1.2790 and £/€ FY 2019 1.1419. Comparisons are to the six months ended 30 June 2019 (H1 2019) 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); and
- Net interest adjustments.

Intangible assets (excluding computer software) are recognised on the acquisition of businesses which, 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.

Other non-cash gains and losses that can cause material fluctuations and distort understanding of the performance of the business such as net interest on pension schemes, interest fair value adjustments and the excess IFRS 16 interest above the operating profit benefit reported in the year. These adjustments are made to aid year-on-year 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.

13. Alternative performance measures (continued)

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

	H1 2020 AER £m	H1 2020 CER £m	H1 2019 AER £m	H1 2019 CER £m	*% change* AER	*% change* CER
Ongoing Revenue	**1,283.3**	**1,294.7**	**1,276.4**	1,281.9	*0.5%*	*1.0%*
Revenue - disposed and closed businesses	**7.7**	**7.7**	**22.5**	22.4	*(65.8%)*	*(65.6%)*
Revenue	**1,291.0**	**1,302.4**	**1,298.9**	1,304.3	*(0.6%)*	*(0.1%)*
Ongoing Operating Profit	**138.8**	**140.5**	**154.6**	155.1	*(10.2%)*	*(9.4%)*
Operating Profit – disposed and closed businesses	**0.2**	**0.2**	**(2.4)**	(2.4)	*108.3%*	*108.3%*
Adjusted Operating Profit	**139.0**	**140.7**	**152.2**	152.7	*(8.7%)*	*(7.9%)*
One-off items – Operating	**4.5**	**4.4**	**9.8**	9.7	*(54.0%)*	*(54.6%)*
Amortisation and impairment of intangible assets[1]	**(43.0)**	**(43.8)**	**(36.5)**	(36.7)	*(17.8%)*	*(19.4%)*
Operating profit	**100.5**	**101.3**	**125.5**	125.7	*(19.9%)*	*(19.5)%*
Share of profit from associates (net of tax)	**4.3**	**4.2**	**12.3**	12.4	*(65.0%)*	*(66.1%)*
Net interest payable (excluding pensions/IFRS 16)	**(17.7)**	**(17.8)**	**(22.9)**	(23.0)	*22.8%*	*22.6%*
Net interest adjustments	**(25.3)**	**(25.3)**	**(1.1)**	(1.2)	-	-
Profit before tax	**61.8**	**62.4**	**113.8**	113.9	*(45.7%)*	*(45.2)%*
Net interest adjustments	**25.3**	**25.3**	**1.1**	1.2	-	-
One-off items – operating	**(4.5)**	**(4.4)**	**(9.8)**	(9.7)	*54.0%*	*54.6%*
Amortisation and impairment of intangible assets[1]	**43.0**	**43.8**	**36.5**	36.7	*17.8%*	*19.4%*
Adjusted profit before tax	**125.6**	**127.1**	**141.6**	142.1	*(11.3%)*	*(10.5%)*
Basic earnings per share	**2.54p**	**2.56p**	**4.75p**	4.76p	*(46.5%)*	*(46.2%)*
Basic adjusted earnings per share	**5.30p**	**5.36p**	**5.99p**	5.98p	*(11.5%)*	*(10.4%)*

[1] Excluding computer software.

13. Alternative performance measures (continued)

Regional Analysis

	Ongoing Revenue				Ongoing Operating Profit			
	H1 2020		Change from HY 2019		H1 2020		Change from HY 2019	
	AER £m	CER £m	AER %	CER %	AER £m	CER £m	AER %	CER %
France	131.4	131.9	(14.0)	(13.7)	4.3	4.3	(80.5)	(80.4)
Benelux	45.5	45.7	0.1	0.5	12.4	12.5	0.9	1.3
Germany	55.4	55.4	7.9	7.7	17.1	17.0	16.0	15.5
Southern Europe	66.6	66.9	-	0.5	8.6	8.6	(16.2)	(15.8)
Latin America	27.0	30.7	(2.9)	12.5	2.3	2.8	(22.5)	(3.3)
Total Europe	**325.9**	**330.6**	**(5.3)**	**(3.8)**	**44.7**	**45.2**	**(28.3)**	**(27.3)**
UK & Ireland	136.9	136.9	(9.0)	(9.0)	23.5	23.6	(23.9)	(23.3)
Rest of World	75.2	78.6	(2.1)	2.5	15.1	15.7	(9.5)	(5.9)
UK & Rest of World	**212.1**	**215.5**	**(6.7)**	**(5.1)**	**38.6**	**39.3**	**(18.8)**	**(17.2)**
Asia	**117.7**	**119.8**	**2.2**	**3.2**	**11.9**	**12.0**	**1.3**	**1.0**
North America	**543.9**	**541.4**	**9.5**	**7.8**	**70.6**	**70.3**	**17.5**	**15.7**
Pacific	**83.7**	**87.4**	**(10.1)**	**(5.7)**	**15.7**	**16.4**	**(14.4)**	**(10.2)**
Central and regional overheads	**-**	**-**	**-**	**-**	**(37.5)**	**(37.5)**	**11.0**	**11.0**
Restructuring costs	**-**	**-**	**-**	**-**	**(5.2)**	**(5.2)**	**(56.6)**	**(56.1)**
Ongoing operations	**1,283.3**	**1,294.7**	**0.5**	**1.0**	**138.8**	**140.5**	**(10.2)**	**(9.4)**
Disposed businesses	7.7	7.7	(65.6)	(65.6)	0.2	0.2	108.6	108.6
Continuing operations	**1,291.0**	**1,302.4**	**(0.6)**	**(0.1)**	**139.0**	**140.7**	**(8.7)**	**(7.9)**

Category Analysis

	Ongoing Revenue				Ongoing Operating Profit			
	H1 2020		Change from HY 2019		H1 2020		Change from HY 2019	
	AER £m	CER £m	AER %	CER %	AER £m	CER £m	AER %	CER %
Pest Control	**829.8**	**835.8**	**0.9**	**1.0**	**125.1**	**125.4**	**(9.8)**	**(10.0)**
- Growth	718.3	719.4	2.4	1.8	115.0	115.4	(6.1)	(6.4)
- Emerging	111.5	116.4	(7.5)	(3.6)	10.1	10.0	(37.4)	(37.4)
Hygiene	**292.6**	**297.2**	**8.7**	**10.5**	**49.2**	**50.2**	**7.9**	**10.0**
Protect & Enhance	**160.9**	**161.7**	**(13.2)**	**(12.9)**	**7.2**	**7.6**	**(54.4)**	**(51.3)**
Central and regional overheads	**-**	**-**	**-**	**-**	**(37.5)**	**(37.5)**	**11.0**	**11.0**
Restructuring costs	**-**	**-**	**-**	**-**	**(5.2)**	**(5.2)**	**(56.6)**	**(56.1)**
Ongoing operations	**1,283.3**	**1,294.7**	**0.5**	**1.0**	**138.8**	**140.5**	**(10.2)**	**(9.4)**
Disposed businesses	7.7	7.7	(65.6)	(65.6)	0.2	0.2	108.6	108.6
Continuing operations	**1,291.0**	**1,302.4**	**(0.6)**	**(0.1)**	**139.0**	**140.7**	**(8.7)**	**(7.9)**

13. 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 2020 %	H1 2019 %	Variance % points
France	**3.3**	14.4	(11.1)
Benelux	**27.3**	27.0	0.3
Germany	**30.8**	28.7	2.1
Southern Europe	**12.9**	15.3	(2.4)
Latin America	**8.9**	10.4	(1.5)
Total Europe	**13.7**	18.1	(4.4)
UK & Ireland	**17.3**	20.5	(3.2)
Rest of World	**20.0**	21.8	(1.8)
UK & Rest of World	**18.3**	20.9	(2.6)
Asia	**10.0**	10.2	(0.2)
North America	**13.0**	12.1	0.9
Pacific	**18.8**	19.7	(0.9)
Ongoing operations[1]	**10.9**	12.1	(1.2)
Disposed businesses	**2.6**	(10.5)	13.1
Continuing operations[1]	**10.8**	11.7	(0.9)

	H1 2020 %	H1 2019 %	Variance % points
Pest Control	**15.0**	16.8	(1.8)
- Growth	**16.0**	17.4	(1.4)
- Emerging	**8.6**	13.3	(4.7)
Hygiene	**16.9**	16.9	-
Protect & Enhance	**4.7**	8.4	(3.7)
Ongoing operations[1]	**10.9**	12.1	(1.2)
Disposed businesses	**2.6**	(10.5)	13.1
Continuing operations[1]	**10.8**	11.7	(0.9)

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

Adjusted Interest

Adjusted interest is calculated by adjusting the reported finance income and costs by the net interest credit from pensions, interest fair value adjustments and IFRS 16 interest adjustments.

	H1 2020 AER £m	H1 2019 AER £m
Net finance costs	**(43.0)**	(24.0)
Net interest credit from pensions	**0.1**	0.1
Interest fair value adjustments	**24.1**	(1.0)
IFRS 16 interest adjustment	**1.1**	2.0
Adjusted interest	**(17.7)**	(22.9)

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 2020 AER £m	H1 2019 AER £m
Net cash from operating activities	**240.8**	191.5
Purchase of property, plant, equipment and intangible fixed assets	**(73.1)**	(85.2)
Leased property, plant and equipment	**(29.2)**	(28.7)
Proceeds from sale of property, plant, equipment and software	**5.0**	1.7
Dividends received from associates	**-**	16.6
Free Cash Flow	**143.5**	95.9

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 2020 AER £m	H1 2019 AER £m
Income tax expense	**14.7**	25.8
Tax adjustments on:		
Amortisation and impairment of intangible assets (excluding computer software)	**8.4**	9.1
One-off items – operating	**(0.7)**	1.8
One-off items - pension	**-**	(6.2)
Net interest adjustments	**4.8**	0.3
Adjusted income tax expense (a)	**27.2**	30.8
Adjusted profit before income tax (b)	**125.6**	141.6
Effective Tax Rate (a/b)	**21.7%**	21.8%

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
29 July 2020

The directors of Rentokil Initial plc are listed in the Rentokil Initial plc Annual Report for 31 December 2019. 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 2020 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 2020 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