

30th August 2001

Rentokil Initial plc

Interim Results for the half year to 30th June 2001

RENTOKIL INITIAL DELIVERING STRONG GROWTH AFTER

MAJOR RESTRUCTURING

- Turnover (continuing businesses) +8.6% to £1101.0m
- Operating profits (continuing businesses) +7.7% to £206.1m
- Earnings per Share +12.1% to 6.10p
- Dividend +10.0% to 1.43p
- Excellent performances in Hygiene and Parcels Delivery businesses and geographically in Continental Europe.
- New business model improves management performance.
- Board continues to expect strong growth in Earnings per Share for 2001.

Following the major restructuring of our business last year, our strategy to concentrate on accelerating organic growth whilst maintaining and, where possible, improving operating margins, has produced very encouraging results in the first half of 2001. These results reinforce our expectations for the full year.

Our new business model, introduced in the second half of last year, has resulted in strong improvements in management performance. This new model involves revised budgeting procedures, new incentives, and a greater concentration upon sales and service productivity using new technology. Increased geographic density of customers, in order to further improve productivity, is a specific priority. e-Business initiatives continue to improve service, sales and procurement.

Specifically, turnover of continuing businesses increased by 8.6% to £1101.0m, up 7.7% at constant exchange rates. Operating profits of continuing businesses increased by 7.7% to £206.1m, up 8.0% at constant exchange rates.

Pre tax profit comparisons are difficult to make due to the sale of a large number of businesses in 2000 and the share buy-back programme increasing the company's interest payments.

Earnings per share increased by 12.1% to 6.10p, benefiting from the good increase in operating profits, the strong cash flow and the share buy-back programme.

Segmental Commentary (at constant exchange rates)

Hygiene Services was up by 10.1% in turnover at £333.6m and 10.3% in operating profits at £93.3m. Continental Europe was up by 16.3% in turnover at £190.6m, with strong performances in France, The Netherlands, Italy, Portugal, Spain and Switzerland. Germany was also strong, helped by last year's acquisition. UK turnover was up by 2.8% at £98.4m, North America up 4.7% at £3.7m with a good performance in USA, and Asia Pacific up by 2.8% at £40.9m with sound performances in Australia, Malaysia, South Korea, Hong Kong, Indonesia and Thailand.

Security Services turnover was up by 4.3% at £247.3m with operating profits flat at £22.5m. Both turnover and operating profits were adversely impacted by the restructuring of our Belgian cash-in-transit business. Continental Europe turnover was up 1.1% at £56.5m with good performances in France and The Netherlands. North America turnover was up by 6.3% at £72.1m with a good performance in USA. UK turnover was up by 4.7% at £118.7m.

Pest Control Services turnover was up by 4.3% at £100.4m and operating profits up by 8.0% at £36.6m. UK turnover was up by 2.1% at £33.5m and Continental Europe up by 6.1% at £42.9m, with good performances in France, Ireland, Italy, Portugal and Norway. North America turnover was up by 2.9% at £7.7m and Asia Pacific and Africa turnover up by 4.5% at £16.3m, with good performances in South Africa, Thailand and Indonesia.

Tropical Plants turnover grew by 33.0% to £60.4m and operating profits by 6.9% to £9.3m. North America turnover was up by 52.2% at £36.9m, helped by last year's acquisition in USA which, itself, adversely impacted on operating profits due to a number of loss making branches which are being restructured over the next nine months. Continental Europe turnover was up by 23.9% at £11.8m with excellent performances across the region. UK turnover was flat at £6.5m in comparison with a very successful performance in 2000 linked to millennium celebrations. Asia Pacific turnover was up by 2.6% at £5.2m with a sound performance in South Africa.

Conferencing turnover grew by 12.5% to £36.1m with operating profits up by only 5.6% to £13.3m due to first time impact of FRS 15 and set up costs of a number of major new developments.

Parcels delivery turnover was up by an outstanding 32.5% at £91.0m with operating profits at £12.6m up by 35.5% with our UK business enjoying the benefits of a number of new and former customer gains and productivity benefits from our new distribution hub.

Facilities Management continued to improve, with the decline in turnover caused by the remnants of the two large contracts lost in 1999 slowing to 3.3% and with operating profits down by 3.6% to £18.5m. New contract gains should produce growth in turnover in the second half.

Geographic Commentary (at constant exchange rates)

As a result of the major restructuring of 2000, the company's activities should be resilient to any downturn in the world's economies.

UK turnover grew by 3.7% to £540.0m and operating profits by 3.6% to £107.5m. Hygiene turnover was up by 2.8% at £98.4m, Security up by 4.7% to £118.7m, Tropical Plants flat at £6.5m, Pest Control up by 2.1% at £33.5m, with Conferencing up by 12.5% to £36.1m, Facilities Management improving and excellent growth from Parcels Delivery.

Continental Europe turnover was up by 11.6% to £323.5m with operating profits up 14.1% to £64.6m. Hygiene turnover was up by 16.3% to £190.6m, Security up by 1.1% at £56.5m, Tropical Plants up by 23.9% to £11.8m and Pest Control up by 6.1% to £42.9m.

North America turnover was up by 13.3% to £159.5m and operating profits by 2.2% to £9.4m. Hygiene turnover was up by 4.7% to £3.7m, Security was up by 6.3% to £72.1m, Tropical Plants up by 52.2% to £36.9m and Pest Control up by 2.9% to £7.7m.

Asia Pacific and Africa turnover at £78.0m was up by 9.1% and operating profits by 15.5% to £24.6m. Hygiene turnover was up by 2.8% to £40.9m, Tropical Plants turnover up by 2.6% to £5.2m, with Pest Control turnover up by 4.5% to £16.3m.

Cash Flow before acquisitions, disposals, dividends and share buy-backs, has been very strong at £109m.

Acquisitions Seven bolt-on acquisitions have been made (in our Tropical Plants and Security businesses) at a total cost of £8m.

Share buy-back We have purchased 120 million shares this year at a cost of £236m although no purchases have been made for three months.

Borrowings Net borrowings at the half year were £1145.6m

Dividend The Board has announced a 10% increase in the Interim Dividend to 1.43 p.

Prospects for 2001

We expect the favourable trends exhibited in the first six months to broadly continue throughout the year.

Our new business model and other initiatives, together with bolt-on acquisitions, are leading to accelerating organic turnover growth and improved operating margin.

Our concentration on bolt-on acquisitions will continue to be directed principally towards Hygiene and Security, primarily in North America, UK and Continental Europe.

With this improving performance, strong cash flow and the benefits of our share buy-back programme to date, the Board continues to expect strong earnings per share growth in 2001 over the 11.71p achieved in 2000.

Issued for: **Rentokil Initial plc, Felcourt, East Grinstead, West Sussex**

Press enquiries: **Sir Clive Thompson, Chief Executive) (01342) 833022**
R C Payne, Finance Director)

SEGMENTAL ANALYSIS

	6 months to 30th June 2001 £m	6 months to 30th June 2000 £m	Year to 31st December 2000 £m	
At June 2001 average exchange rates				
Business Analysis	Turnover			
	Continuing operations:			
	Hygiene	333.6	303.0	622.1
	Security	247.3	237.1	484.0
	Pest Control	100.4	96.3	195.7
	Tropical Plants	60.4	45.4	108.3
	Conferencing	36.1	32.1	67.9
	Parcels Delivery	91.0	68.7	157.5
	Facilities Management	232.2	240.1	467.4
	Total continuing operations at June 2001 average rates	1,101.0	1,022.7	2,102.9
	Exchange	-	(8.7)	(15.9)
	As reported	1,101.0	1,014.0	2,087.0
	Discontinued operations at June 2001 average rates			
	-	428.7	558.0	
	Exchange	-	(18.3)	(12.9)
	As reported	-	410.4	545.1
	Total as reported	1,101.0	1,424.4	2,632.1
	Operating Profits			
	Continuing operations:			
	Hygiene	93.3	84.6	180.8
	Security	22.5	22.6	47.7
	Pest Control	36.6	33.9	70.3
	Tropical Plants	9.3	8.7	22.3
	Conferencing	13.3	12.6	25.7
	Parcels Delivery	12.6	9.3	27.1
	Facilities Management	18.5	19.2	37.1
	Total continuing operations at June 2001 average rates	206.1	190.9	411.0
	Exchange	-	0.4	0.1
	As reported	206.1	191.3	411.1
	Discontinued operations at June 2001 average rates			
	-	17.6	18.0	
	Exchange	-	(1.0)	(0.7)
	As reported	-	16.6	17.3
	Share of profit of other associate	0.1	0.2	0.4
	Exceptional items	-	7.0	7.0
	Total as reported	206.2	215.1	435.8

* 2000 turnover has been restated to exclude the share of turnover of an associate which is not considered to be a mainstream business. The share of profit for that associate is also now shown separately from other associates and excluded from the business and geographic analysis.

SEGMENTAL ANALYSIS

		6 months to 30th June 2001 £m	6 months to 30th June 2000 £m	Year to 31 st December 2000 £m	
At June 2001 average exchange rates					
Geographic Analysis	Turnover				
	Continuing operations:				
	United Kingdom	540.0	520.6	1,053.2	
	Continental Europe	323.5	289.8	600.5	
	North America	159.5	140.8	302.5	
	Asia, Pacific & Africa	78.0	71.5	146.7	
	Total continuing operations at June 2001 average rates	1,101.0	1,022.7	2,102.9	
	Exchange	-	(8.7)	(15.9)	
	As reported	1,101.0	1,014.0	2,087.0	
	Discontinued operations at June 2001 average rates	-	428.7	558.0	
	Exchange	-	(18.3)	(12.9)	
	As reported	1,101.0	410.4	545.1	
	Total as reported	1,101.0	1,424.4	2,632.1	
	Operating Profit				
	Continuing operations:				
United Kingdom	107.5	103.8	220.0		
Continental Europe	64.6	56.6	123.4		
North America	9.4	9.2	19.9		
Asia, Pacific & Africa	24.6	21.3	47.7		
Total continuing operations at June 2001 average rates	206.1	190.9	411.0		
Exchange	-	0.4	0.1		
As reported	206.1	191.3	411.1		
Discontinued operations at June 2001 average rates	-	17.6	18.0		
Exchange	-	(1.0)	(0.7)		
As reported	-	16.6	17.3		
Share of profit of other associate	0.1	0.2	0.4		
Exceptional items	-	7.0	7.0		
Total as reported	206.2	215.1	435.8		

* 2000 turnover has been restated to exclude the share of turnover of an associate which is not considered to be a mainstream business. The share of profit for that associate is also now shown separately from other associates and excluded from the business and geographic analysis.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	6 months to 30th June 2001 £m	6 months to 30 th June 2000 £m	Year to 31st December 2000 £m
Turnover (including share of associate and franchisees)			
Continuing operations	1,097.0	1,014.0	2,087.0
Acquisitions	4.0	-	-
Total continuing operations	1,101.0	1,014.0	2,087.0
Discontinued operations	-	410.4	545.1
	1,101.0	1,424.4	2,632.1
Less:			
Share of turnover of associate	(9.6)	(9.9)	(19.7)
Turnover of franchisees	(36.0)	(26.1)	(67.3)
Turnover	1,055.4	1,388.4	2,545.1
Operating expenses	(851.1)	(1,175.2)	(2,113.1)
Operating profit			
Continuing operations	204.0	189.6	407.7
Acquisitions	0.3	-	-
Total continuing operations	204.3	189.6	407.7
Discontinued operations	-	16.6	17.3
Exceptional items	-	7.0	7.0
	204.3	213.2	432.0
Share of profit of associates			
Continuing	1.8	1.7	3.4
Other	0.1	0.2	0.4
Profit on ordinary activities before interest	206.2	215.1	435.8
Interest payable (net)	(31.5)	(7.6)	(34.7)
Profit on ordinary activities before taxation	174.7	207.5	401.1
Tax on profit on ordinary activities	(50.1)	(59.1)	(114.3)
Profit on ordinary activities after taxation	124.6	148.4	286.8
Minority interests	(0.7)	(0.7)	(1.2)
Profit attributable to shareholders	123.9	147.7	285.6
Dividends	(25.7)	(29.4)	(93.2)
Profit retained	98.2	118.3	192.4
Earnings per 1p share	6.10p	5.44p	11.71p
Diluted earnings per 1p share	6.08p	5.43p	11.69p
Dividends per 1p share	1.43p	1.30p	4.53p
Weighted average number of shares (million)	2,031	2,715	2,439

* 2000 turnover has been restated to exclude the share of turnover of an associate which is not considered to be a mainstream business. The share of profit for that associate is also now shown separately from other associates and excluded from the business and geographic analysis.

CONSOLIDATED BALANCE SHEET

	6 months to 30th June 2001 £m	6 months to 30th June 2000 £m	Year to 31st December 2000 £m
Fixed assets			
Intangible assets	126.6	58.6	120.2
Tangible assets	555.1	604.4	561.7
Interest in associates	12.3	11.5	11.3
Other investments	146.5	316.6	146.5
	840.5	991.1	839.7
Current assets			
Stocks	47.0	49.2	44.2
Debtors	480.5	521.8	489.7
Short term deposits and cash	162.5	506.5	271.1
	690.0	1,077.5	805.0
Creditors – amounts falling due within one year			
Creditors	(628.7)	(860.2)	(675.3)
Bank and other borrowings	(1,275.9)	(299.2)	(312.2)
	(1,904.6)	(1,159.4)	(987.5)
Net current (liabilities)/assets	(1,214.6)	(81.9)	(182.5)
Total assets less current liabilities	(374.1)	909.2	657.2
Creditors – amounts falling due after more than one year			
Creditors	(9.1)	(8.7)	(10.7)
Bank and other borrowings	(32.2)	(732.9)	(921.7)
	(41.3)	(741.6)	(932.4)
Provisions for liabilities and charges			
Provisions for liabilities and charges	(247.5)	(277.3)	(246.7)
Net (liabilities)/assets	(662.9)	(109.7)	(521.9)
Equity capital and reserves			
Called up share capital	19.6	30.9	20.8
Share premium account	39.1	36.0	36.7
Capital redemption reserve	18.2	5.8	17.0
Other reserves	4.1	5.2	4.8
Profit and loss account	(749.6)	(364.7)	(606.7)
Equity shareholders' funds	(668.6)	(286.8)	(527.4)
Equity minority interests	5.7	177.1	5.5
Capital employed	(662.9)	(109.7)	(521.9)

CONSOLIDATED CASH FLOW STATEMENT

		6 months to 30th June 2001 £m	6 months to 30th June 2000 £m	Year to 31st December 2000 £m
Operating activities	Operating profit	204.3	213.2	432.0
	Depreciation charge	73.1	92.3	165.1
	Net movement in working capital	(6.4)	(11.4)	(12.6)
	Exceptional items	-	(7.0)	(7.0)
		271.0	287.1	577.5
Associates' dividends	Dividends received from associates	-	-	1.5
Interest/ Dividends	Interest received	8.9	20.0	24.5
	Interest paid	(42.0)	(29.6)	(61.8)
	Dividends paid to minority interests	(0.4)	(0.5)	(0.8)
		(33.5)	(10.1)	(38.1)
Taxation	Tax paid	(50.6)	(53.6)	(136.9)
Capital expenditure and financial investment	Purchase of tangible fixed assets	(86.9)	(121.3)	(214.3)
	Less: financed by leases	3.7	4.6	8.1
		(83.2)	(116.7)	(206.2)
	Sale of tangible fixed assets	5.2	12.2	21.6
		(78.0)	(104.5)	(184.6)
	Purchase of own shares for employee share option scheme	-	(2.0)	(2.0)
		(78.0)	(106.5)	(186.6)
Acquisitions and disposals	Purchase of companies and businesses	(7.9)	(1.1)	(103.4)
	Less: debt acquired	-	-	22.3
		(7.9)	(1.1)	(81.1)
	Disposal of companies and businesses	4.3	518.2	605.4
	Less: - loan notes received	-	(145.6)	(157.0)
	- net debt disposed	-	(9.5)	(10.2)
		4.3	363.1	438.2
Equity dividends paid	Dividends paid to shareholders	(64.3)	(80.9)	(109.1)
Net cash inflow	Before use of liquid resources and financing	41.0	398.0	465.4
Management of liquid resources	Movement in short term deposits with banks	(30.1)	(1.7)	(4.5)
Financing	Issue of ordinary share capital	2.4	0.3	1.0
	Own shares purchased for share buy-back	(236.4)	(820.1)	(1,303.8)
	Net loan movement	185.3	537.9	649.7
	Finance lease movements	(6.3)	(7.0)	(14.6)
	Net cash (outflow)/inflow from financing	(55.0)	(288.9)	(667.7)
Net cash	Increase in net cash	(44.1)	107.4	(206.8)

CONSOLIDATED CASH FLOW STATEMENT

		6 months to 30th June 2001 £m	6 months to 30th June 2000 £m	Year to 31st December 2000 £m
Reconciliation to net debt	Net debt at 1st January	(962.8)	(88.8)	(88.8)
	Cash flows	(44.1)	107.4	(206.8)
	Acquired with subsidiaries	-	-	(22.3)
	Net debt disposed with subsidiaries	-	9.5	10.2
	Movement in loans and deposits	(155.2)	(536.2)	(645.2)
	Movements in finance leases	2.6	2.4	6.5
	Exchange adjustments	13.9	(19.9)	(16.4)
	Closing net debt	(1,145.6)	(525.6)	(962.8)

SHAREHOLDERS' FUNDS MOVEMENTS

	6 months to 30th June 2001 £m	6 months to 30th June 2000 £m	Year to 31 st December 2000 £m
Profit attributable to shareholders	123.9	147.7	285.6
Dividends	(25.7)	(29.4)	(93.2)
New share capital issued	2.4	8.3	1.0
Own shares purchased/cancelled	(236.4)	(1,002.1)	(1,303.8)
Write off of Ratin investment	-	(11.0)	(14.2)
Goodwill written back on disposed businesses	(9.0)	142.8	144.4
Exchange translation adjustments	3.6	5.3	1.2
Net movement in equity shareholders' funds	(141.2)	(738.4)	(979.0)
Opening equity shareholders' funds	(527.4)	451.6	451.6
	Closing equity shareholders' funds	(668.6)	(527.4)

NOTES

- The profit and loss accounts and cash flow statements for the half years to 30th June 2000 and 2001 and for the year to 31st December 2000 have been translated at average rates of exchange for the relevant periods. Balance sheets have been translated at period end rates.
- Between 1st January 2001 and 30th June 2001, the company had purchased 120m of its own shares in the market (representing 5.8% of the company's issued share capital at 1st January 2001) under the authority given by shareholders at the extraordinary general meeting held on 26th September 2000. These shares have been (or were being) cancelled and their nominal value transferred to the capital redemption reserve on the balance sheet. They have been excluded in calculating the weighted average number of shares in issue after the date of their purchase by the company. Since the start of the buy-back programme in March 2000, the company has purchased 898m of its own shares in the market, representing 31.3% of the company's issued share capital at 1st March 2000. The shareholders, at the annual general meeting on 31st May 2001, authorised further buy-backs of up to 294m shares representing 15% of the company's issued share capital at that date.

**NOTES
(continued)**

3. Goodwill represents the excess of the fair value of the consideration paid over the aggregate of the fair values of the net tangible assets acquired. Goodwill in respect of acquisitions made since 1st January 1998 is shown as an asset and (in accordance with FRS 10) each acquisition is assessed to determine the useful economic life of the business and the goodwill. Normally, it is considered that the goodwill relating to the acquisitions made by the company is an inseparable part of the total value of the relevant business and that such businesses, if properly managed, should grow in value over the years and hence neither the value of the business nor the goodwill have a measurable economic life. Where it is considered that the value of the business or its goodwill do have a measurable economic life, the goodwill will be amortised through the profit and loss account by equal annual instalments over such useful economic life. The potential economic lives of businesses and goodwill are reviewed annually and revised where appropriate.

Where the useful economic life does not exceed 20 years, goodwill will be subject to an impairment review at the end of the year of acquisition and at any other time if the directors believe that an impairment may have occurred. Where the goodwill is assigned a useful economic life which is in excess of 20 years or is indefinite, the value of the businesses and goodwill are assessed for impairment against carrying values on an annual basis in accordance with FRS 11. Any impairment will be charged to the profit and loss account in the period in which it arises. The directors have reviewed the acquisitions made in the six months to 30th June 2001 and determined that these businesses have indefinite useful lives and hence the goodwill is not being amortised.
4. The financial information has been prepared on the basis of the accounting policies set out in the full year 2000 accounts. Full year 2000 figures are taken from the accounts filed with the Registrar of Companies. The results for the six months to 30th June 2001 and 30th June 2000 have not been audited but have been reviewed by PricewaterhouseCoopers, the company's auditors.
5. Tax comprises UK Corporation Tax (less double taxation relief) £21.4m (2000: £33.2m) and overseas tax £28.7m (2000: £25.9m).
6. The financial information in this statement does not constitute statutory accounts within the meaning of s.240 of the Companies Act 1985.
7. Copies of the interim report will be dispatched to shareholders and will also be available from the company's registered office at Felcourt, East Grinstead, West Sussex, RH19 2JY.

Financial Calendar

- Interim dividend to be paid on 2nd November 2001 to shareholders on the register on 5th October 2001.
- Interim report expected to be despatched to shareholders in early September 2001.

INDEPENDENT REVIEW REPORT TO RENTOKIL INITIAL PLC

Introduction

We have been instructed by the company to review the financial information as set out on pages 5 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reason for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th June 2001.



PricewaterhouseCoopers
Chartered Accountants
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29th August 2001

Notes:

- a) The maintenance and integrity of the Rentokil Initial plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.