

**RENTOKIL INITIAL PLC (RTO)**  
**TRADING UPDATE FOR THIRD QUARTER ENDED 30 SEPTEMBER 2009**

Results	Q3 2009 AER	Growth		YTD 2009 AER	Growth	
		AER	CER		AER	CER
Revenue	<b>£622.6m</b>	<b>3.6%</b>	<b>(3.2%)</b>	<b>£1,883.2m</b>	5.9%	(2.5%)
Operating profit <sup>1</sup>	<b>£59.8m</b>	<b>53.7%</b>	<b>34.9%</b>	<b>£129.0m</b>	20.4%	2.0%
Adjusted profit before tax <sup>2</sup>	<b>£49.6m</b>	<b>114.7%</b>	<b>81.5%</b>	<b>£104.7m</b>	47.1%	15.7%
Operating cash flow <sup>3</sup>	<b>£104.2m</b>	<b>207.4%</b>	<b>165.8%</b>	<b>£220.9m</b>	206.0%	166.6%

AER – actual exchange rates; CER – constant 2008 exchange rates

<sup>1</sup> before amortisation and impairment of intangibles

<sup>2</sup> before amortisation and impairment of intangibles and one-off items

<sup>3</sup> cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments

### Highlights – Q3 2009

Trading conditions continue to be challenging – revenue down 3.2% at constant exchange rates

Adjusted profit before tax (at actual exchange rates) more than doubled:

- Further improvement in operations
- Prior year adversely affected by £6m bad debt provision in UK Washrooms
- Benefit from 70% Euro earnings stream as Sterling weakens

Continued excellent progress on cash:

- Operating cash flow of £104.2m represents 159% cash conversion
- £125m Revolving Credit Facility retired ahead of schedule on 3 September 2009
- Company on track to beat Days Sales Outstanding (DSO) target for full year

City Link full year guidance – operating loss forecast reduced from £12m to £7m, though benefit from postal strike expected to be marginal

European Textiles and Washrooms restructuring under way:

- Belgium textiles plant consolidation commenced
- Further initiatives under way in Spain, Switzerland, Italy and at Divisional Head Office
- Creation of new divisional Executive Supply Chain organisation to manage procurement

Turnaround of UK Pest Control gathering momentum, but still much to do:

- State of service now 99.9%
- Client retention 76% in August and September – highest rate since Q1 2008
- Q3 sales from SME contracts - highest level since Q1 2008
- Improvements in sales and service colleague retention

Group strategic plan updated during the quarter – focus on growth agenda and 'Programme Olympic', a series of initiatives targeting industry-leading service quality and the reduction of administration and overhead costs across the group

### Alan Brown, Chief Executive Officer of Rentokil Initial plc, said:

"Our operational agenda has been in full flow during Q3 and continues to deliver to expectation on service, capability, cost and especially cash. We anticipate a further quarter of good delivery in Q4 despite few signs of economic recovery in our major markets.

"Looking further ahead, it is essential that we continue to drive operational excellence through service productivity initiatives and through 'Programme Olympic', which targets industry-leading service quality whilst reducing administration & overhead costs. Above all, we are focusing on the development of a strong growth agenda. I intend to update our shareholders on these important initiatives with our year end results."

## **Enquiries**

### **Shareholder/analyst enquiries:**

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A conference call for analysts and shareholders will be held today at 09.00am. To join this call, please dial +44 (0) 20 7806 1953 (UK), +33 (0) 1 70 99 42 97 (France), +852 3002 1355 (Hong Kong), and +1 718 354 1385 (US) quoting **reference code 9274810**. A recording of the call will be available for 14 days on the following numbers: UK: +44 (0) 20 71111 1244 , France: +33 (0) 1 74 20 28 00, Hong Kong: +852 3011 4669 and US: +1 347 366 9565 quoting access code 9274810#.

## Financial Summary

£million	Third Quarter			Year to Date		
	Q3 09	Q3 08	change	YTD 09	YTD 08	change
<b>Pro forma Continuing Operations<sup>1</sup></b>						
<b>At 2008 constant exchange rates<sup>2</sup></b>						
Revenue	<b>583.0</b>	602.2	(3.2%)	<b>1,754.4</b>	1,800.2	(2.5%)
Operating profit before amortisation and impairment of intangible assets <sup>3</sup> and one-off items <sup>4</sup>	<b>58.2</b>	39.0	49.2%	<b>130.5</b>	113.1	15.4%
One-off items <sup>4</sup>	<b>(5.3)</b>	0.2	-	<b>(18.4)</b>	(3.2)	-
Operating profit before amortisation and impairment of intangible assets <sup>3</sup>	<b>52.9</b>	39.2	34.9%	<b>112.1</b>	109.9	2.0%
Amortisation and impairment of intangible assets <sup>3</sup>	<b>(13.0)</b>	(12.4)	(4.8%)	<b>(42.6)</b>	(39.5)	(7.8%)
Operating profit	<b>39.9</b>	26.8	48.9%	<b>69.5</b>	70.4	(1.3%)
Share of profit from associates (net of tax)	<b>0.8</b>	0.7	14.3%	<b>2.1</b>	2.0	5.0%
Net interest payable	<b>(16.7)</b>	(16.4)	(1.8%)	<b>(46.9)</b>	(41.0)	(14.4%)
Profit before income tax	<b>24.0</b>	11.1	116.2%	<b>24.7</b>	31.4	(21.3%)
Adjusted profit before income tax <sup>5</sup>	<b>42.3</b>	23.3	81.5%	<b>85.7</b>	74.1	15.7%
Operating cash flow <sup>6</sup>	<b>93.3</b>	35.1	165.8%	<b>197.3</b>	74.0	166.6%
<b>Continuing Operations<sup>1</sup></b>						
<b>At actual exchange rates</b>						
Revenue	<b>622.6</b>	600.8	3.6%	<b>1,883.2</b>	1,778.9	5.9%
Operating profit before amortisation and impairment of intangible assets <sup>3</sup> and one-off items <sup>4</sup>	<b>65.4</b>	38.8	68.6%	<b>148.8</b>	110.3	34.9%
One-off items <sup>4</sup>	<b>(5.6)</b>	0.1	-	<b>(19.8)</b>	(3.2)	-
Operating profit before amortisation and impairment of intangible assets <sup>3</sup>	<b>59.8</b>	38.9	53.7%	<b>129.0</b>	107.1	20.4%
Amortisation and impairment of intangible assets <sup>3</sup>	<b>(14.0)</b>	(12.4)	(12.9%)	<b>(46.7)</b>	(38.9)	(20.1%)
Operating profit	<b>45.8</b>	26.5	72.8%	<b>82.3</b>	68.2	20.7%
Share of profit from associates (net of tax)	<b>0.9</b>	0.7	28.6%	<b>2.7</b>	1.9	42.1%
Net interest payable	<b>(16.7)</b>	(16.4)	(1.8%)	<b>(46.8)</b>	(41.0)	(14.1%)
Profit before income tax	<b>30.0</b>	10.8	177.8%	<b>38.2</b>	29.1	31.3%
Adjusted profit before income tax <sup>5</sup>	<b>49.6</b>	23.1	114.7%	<b>104.7</b>	71.2	47.1%
Operating cash flow <sup>6</sup>	<b>104.2</b>	33.9	207.4%	<b>220.9</b>	72.2	206.0%

<sup>1</sup>All figures are for continuing operations and are unaudited

<sup>2</sup>Results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2008. £/\$ average rates: Q3 2009 1.5407; Q3 2008 1.9474; FY 2008 1.8527. £/€ average rates: Q3 2009 1.1218; Q3 2008 1.2853, FY 2008 1.2597

<sup>3</sup>Other than computer software

<sup>4</sup>See Appendix 4 for further details

<sup>5</sup>Before amortisation and impairment of intangible assets and one-off items

<sup>6</sup>Cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments

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

## Basis of preparation

Segmental information has been presented in accordance with IFRS 8 "Operating Segments" which the group has implemented with effect from 1 January 2009. This statement also reflects internal organisation changes made this quarter resulting in some businesses moving from Pest Control to Textiles and Washroom Services. Prior year comparisons and prior year periods have been restated. In all cases references to operating profit are for continuing businesses before amortisation and impairment of intangible assets (other than computer software). References to adjusted operating profit and adjusted profit before income tax also exclude items of a one-off nature, totalling a net cost of £18.4 million (2008: £3.2 million) that have had a significant impact on the results of the group. They relate directly to the group's various performance improvement initiatives and consist mainly of redundancy and other reorganisation costs including consultancy, plant and office closure costs net of the profit on sale of certain properties and acquisition integration cost. They have been separately identified as they represent an investment in the future performance of the group and are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. An analysis of these costs by division is provided in Appendix 4. All comparisons are at constant 2008 full year average exchange rates.

## DIVISIONAL PERFORMANCE

### Textiles and Washroom Services

£ million	Third Quarter			Year to Date		
	Q3 09	Q3 08	change	YTD 09	YTD 08	change
<b>At 2008 constant exchange rates:</b>						
Revenue	192.9	187.4	2.9%	576.9	562.3	2.6%
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	32.0	32.3	(0.9%)	80.8	90.9	(11.1%)
<b>At actual exchange rates:</b>						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	35.3	32.3	9.3%	89.9	89.3	0.7%

<sup>1</sup> Other than computer software

Q3 divisional revenue increased by 2.9% primarily due to a particularly strong performance from France (up 5.4%) and the benefit of the Raywerk acquisition in Austria made at the end of last year. These solid performances were partly offset by market declines and competitive pressure in the Benelux where revenue for the quarter was marginally below last year. Pressure continues to be high on pricing of new contracts across all categories with some evidence of low competitor pricing in certain countries.

Adjusted operating profit decreased by £0.3m on the prior year. Margins continue to be under pressure due to wage inflation, increases in depreciation costs due to new garment rental contracts and cost increases on longer-term energy contracts not being fully covered by price increases. In addition, margins were further adversely affected by asset write-offs in certain countries.

Q3 annualised net portfolio growth, although at a modest 0.7%, was encouraging considering the challenging economy.

Operating cash flow continues to be very strong with excellent performances in working capital management and in capital expenditure.

The restructuring programme is gaining momentum with initiatives being agreed in Italy, Spain, Dudley Industries, Switzerland and Divisional Central Overheads, leading to additional one-off restructuring costs of £2.9m in the quarter. The processing restructuring in Spain is already delivering. In Belgium discussions with unions are underway and associated capital expenditure programmes have been initiated. There has been some limited strike action but this has not had a material impact on customer service. Dudley Industries in the UK has implemented a number of redundancies.

The Italian Pest Control and Washrooms operating units have been consolidated under one management team within the division and the Swiss Textiles and Washrooms unit is now managed as an integral part of our German operations.

A divisional Executive Supply Chain organisation is being finalised enabling initiatives to be leveraged across the broader procurement, warehousing and distribution arena.

## Facilities Services

£ million	Third Quarter			Year to Date		
	Q3 09	Q3 08	change	YTD 09	YTD 08	change
<b>At 2008 constant exchange rates:</b>						
Revenue	146.1	161.1	(9.3%)	458.0	488.6	(6.3%)
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	6.4	(1.9)	-	14.7	9.2	59.8%
<b>At actual exchange rates:</b>						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	6.6	(1.9)	-	15.0	9.2	63.0%

<sup>1</sup> Other than computer software

Market conditions continue to be challenging in both the UK and Spain with severe price cutting from some competitors. Revenue decreased by 9.3% in Q3 due to a number of contract terminations, primarily in the retail sector. Adjusted operating profit moved from a loss of £1.9m in Q3 2008 to a £6.4m profit in 2009. Excluding the bad debt provision taken in UK Washrooms in Q3 2008 profit improved by 56.1%, the result of ongoing cost saving initiatives. Further excellent progress has been made on cash with debtors showing significant improvement in all business units.

Q3 Cleaning revenue fell by 9.6% on the prior year largely reflecting retail contract losses as a result of pricing pressure and a number of administrations in Q1 2009. However, we have won some significant contracts during the period.

Catering revenue fell by 5.6% following the loss of a large schools contract in H1. This has now been replaced with other contracts which are due to commence in Q4. Profit is ahead of the prior year due to the exit of unprofitable contracts in 2008 and new profitable business wins in the latter part of 2008 and H1 2009.

Hospital Services revenue fell 11.3% in Q3 due to the loss of two large hospital contracts at the end of 2008. The business continues to focus on its food offering and innovative products specific for this market sector.

Whilst market conditions remain challenging for the UK Washrooms business, contract additions are starting to improve and terminations are slowing. Revenue declined by 8.6%, a slight improvement on H1. Cost saving initiatives continued in Q3 and the business is expected to deliver an improvement in profit over last year. The business has had continued success in the collection of debt, with DSO down 32 days since December 2008 and over 90-day debt reduced by 50%.

## City Link

£ million	Third Quarter			Year to Date		
	Q3 09	Q3 08	change	YTD 09	YTD 08	change
<b>At 2008 constant exchange rates:</b>						
Revenue	85.1	93.5	(9.0%)	252.2	284.7	(11.4%)
Adjusted operating loss (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	(1.3)	(11.6)	88.8%	(8.3)	(39.5)	79.0%

<sup>1</sup> Other than computer software

City Link's Q3 operating loss of £1.3m is £10.3m (88.8%) better than the corresponding loss in 2008, despite an £8.4m (9.0%) reduction in reported revenue to £85.1m. The business's operating loss of £8.3m year to date represents a £31.2m (79%) improvement on 2008 despite an 11.4% decline in revenue.

Third quarter parcels volumes increased by 1.1% on Q2, a decline of 3.5% year-on-year. This compares favourably to the 10.2% volume decline reported in H1. Revenue per consignment (RPC) weakened 3.6% year-on-year, consistent with the RPC attrition seen in Q1 and Q2 of this year.

Customer service levels have remained consistently above 98.5%.

Depot numbers have reduced from 97 to 85 during the year. Vehicle fleet numbers are over a third lower than this time last year and total employee numbers have fallen below 5,500; an 18% reduction since December 2008 and a 6.5% reduction on Q2 2009. Productivity is being driven not only by reduction in depot numbers but also by systems improvements, in particular the continued rollout of new hand held terminals.

DSO improved by one day during the quarter to 38 days.

Since the quarter end we have benefited indirectly and to a modest extent from postal disruption in the UK as existing customers switch more traffic to City Link. However, the cost of handling sudden peaks in demand whilst maintaining service is high.

## Pest Control

£ million	Third Quarter			Year to Date		
	Q3 09	Q3 08	change	YTD 09	YTD 08	change
<b>At 2008 constant exchange rates:</b>						
Revenue	105.7	101.2	4.4%	300.3	289.9	3.6%
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	22.7	22.2	2.3%	57.0	58.5	(2.6%)
<b>At actual exchange rates:</b>						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	25.5	22.0	15.9%	64.3	57.3	12.2%

<sup>1</sup> Other than computer software

Pest Control revenue grew 4.4% during Q3 and profit grew 2.3%. New contract sales declined 7.7% during the period but this represents an improvement on H1's decline of 15.1%.

Divisional retention improved by 2.7% to 83.3% year-on-year as a result of continued focus on customer service. Retention rose in both North America and the UK.

Job sales, which fell 3.6% during H1, recovered in Q3 growing by 3.8%, with contributions from the UK, the US and Germany.

European revenue was flat with good performances from France, Belgium, the Netherlands and Germany being offset by weaker performances in Ireland, Spain and Portugal. Profit in Spain fell by 50% year-on-year due to financial control issues identified towards the end of last year and has affected overall European profitability; down 5.9% on the prior year. Excluding Spain, profit grew by 2.5%.

Although still at an early stage, the turnaround programme in the UK business is gaining momentum: state of service is at 99.9%; customer retention continues to strengthen; and the business is seeing improvements in retention of its sales and service colleagues. Investment in training and development is also beginning to deliver results. Q3 revenue decline of 2.9% was a solid improvement on H1's decline of 10.2%.

North America had an excellent quarter, with revenue up 3.9% and profit up 32.8%, the result of continued improvements in labour productivity positively impacting gross margin in the peak summer months.

The business's three-year contract with the Libyan government is proving to be very successful at an operational level. We have materially reduced rat infestation in Tripoli in particular and made a major contribution to the containment of an outbreak of bubonic plague in Tobruk during the quarter.

The division made further progress on cash generation, with contributions from accounts receivable, creditors and capital expenditure despite delayed payment from Libya.

## Asia Pacific

£ million	Third Quarter			Year to Date		
	Q3 09	Q3 08	change	YTD 09	YTD 08	change
<b>At 2008 constant exchange rates:</b>						
Revenue	45.2	51.4	(12.1%)	138.9	150.2	(7.5%)
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	6.5	6.2	4.8%	17.9	17.7	1.1%
<b>At actual exchange rates:</b>						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	7.2	6.2	16.1%	19.0	17.8	6.7%

<sup>1</sup> Other than computer software

Q3 revenue in Asia Pacific declined 12.1% year-on-year partly as a result of the disposal of the water business in Malaysia and the exit of a low-margin Hong Kong government contract. Excluding these, revenue was down 4.8% due to the non-repeat of the Olympics-related government sales in China, weaker residential jobbing in Australian Pest Control and portfolio losses in Ambius and Pink, our Australian Washrooms business. Adjusted operating profit rose by 4.8% with both Asia and Pacific reporting growth. Strong cost savings across the region offset shortfalls at the top line.

## Pacific

In the Pacific region revenues were 4.5% below the prior year but profits were up 7.6%. Overall profit growth for the region was held back by poor performances from our smaller Ambius businesses.

Service levels in the Australian Pest Control businesses in Q3 were high at over 98% but revenue fell 3.7% due to lower residential jobbing revenue. Profit rose 35.1% on the prior year, the result of steady cost optimisation including benefits from branch consolidation. The residential business has been affected by weaker consumer sentiment. Cash collection has remained strong with good reductions in receivables.

In Pink washrooms service remains consistently high at over 96% but Q3 revenue fell by 3.9%. This decline was driven by portfolio loss in H1 partially offset by reduced credits from improved service. Profit grew 22.6% on Q3 2008, the result of cost saving initiatives and excellent cash collection driving down bad debt provisions.

Our Pest Control and Washrooms businesses in New Zealand increased profit by 1.9%.

Continued strong progress has been made on accounts receivable, reduction in overhead costs and procurement savings.

## Asia

Revenues fell by 20.3%, primarily as a result of the disposal of the Malaysian water business, cancellation of the Hong Kong contract and weaker government business in China (including the non-repeat of the Olympic pest control contracts). Excluding these items, revenue fell by 1%. There has been severe decline in the fumigation business in Singapore and Malaysia as a result of slowing international trade.

In contrast, profit rose by 1.6% with strong cost control initiatives more than compensating for top line losses. Gross margins improved by 4%, benefiting from a positive mix effect of exiting lower margin businesses. Our Pest Control and Washrooms businesses increased profit by 23.4%.

## Ambius

£ million	Third Quarter			Year to Date		
	Q3 09	Q3 08	change	YTD 09	YTD 08	change
<b>At 2008 constant exchange rates:</b>						
Revenue	24.1	27.7	(13.0%)	76.3	84.1	(9.3%)
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	1.2	1.7	(29.4%)	3.3	5.0	(34.0%)
<b>At actual exchange rates:</b>						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets <sup>1</sup> )	1.4	1.8	(22.2%)	3.9	4.9	(20.4%)

<sup>1</sup> Other than computer software

Ambius has continued to experience exceptionally difficult market conditions in Q3. Revenue fell 13.0% as a result of increasing contract terminations and a 29.2% decline in job sales. Adjusted operating profit fell 29.4%. Although overall customer retention fell from 84.5% in Q3 2008 to 80.6%, it has shown an improving trend over the last five months (H1 2009: 75.2%).

North America continues to be weak with a 14.9% decline in revenue. The challenging economy continues to impact the portfolio and retention has fallen to 78.6% (Q3 2008: 83.0%). Job sales have declined 30.6% on the prior year. The business implemented a service reorganisation in Q3 to improve customer service while at the same time managing costs.

Turnover in Europe declined 10.1%. Most countries continue to experience difficult economic conditions. Customer retention has however improved to 82.9% from lower levels experienced earlier this year. Profit was adversely impacted by increased redundancy costs as the business adjusts service headcount in line with portfolio movement, an increase in bad debts and a 27.8% reduction in job sales.

Sales of brand extension services, including ambient scenting and fresh fruit delivery, have continued to rise during the period and now account for 10.5% of total contract sales, compared to 7.0% this time last year.

Operating cash flow improved significantly over Q3 2008. This has been achieved through a focus on working capital and tight control over capital expenditure. DSO continues to be excellent and has reduced by three days year-on-year.

## Central Costs

£ million	Third Quarter			Year to Date		
	Q3 09	Q3 08	change	YTD 09	YTD 08	change
<b>At 2008 constant exchange rates:</b>						
Central costs	(9.3)	(9.9)	6.1%	(34.9)	(28.7)	(21.6%)
<b>At actual exchange rates:</b>						
Central costs	(9.3)	(10.0)	7.0%	(35.0)	(28.7)	(22.0%)

Central costs for the nine months were £6.2m higher than last year primarily due to higher provisions for incentive scheme costs and profits on sale of properties in 2008 not repeated in 2009, together with central accruals to cover specific exposures.

## One-Off items

Details of one-off items incurred in the period are set out in Appendix 4. They relate directly to the group's various performance improvement initiatives and consist mainly of redundancy and other reorganisation costs including consultancy, plant and office closure costs net of the profit on sale of certain properties and acquisition integration cost. They have been separately identified as they represent an investment in the future performance of the group and are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. Year to date these have amounted to £18.4m (2008: £3.2m) and represent the reorganisation

of Textiles and Washrooms plants in Belgium, the costs associated with the closure and relocation of the London corporate office and redundancy costs relating to the continued integration of the City Link and Target Express businesses.

## Interest

Net interest payable at actual rates of exchange of £46.8m for the nine months was £5.8m higher than in 2008. Higher average net debt, mainly as a result of the devaluation of Sterling, accounted for £7.5m of the increase, partially offset by lower interest rates amounting to £2.4m. 2009 pension interest income for the first nine months was £0.6m lower than in the same period in 2008. 2009 derivative mark to market and foreign exchange adjustments accounted for the balance of the increase in interest payable of £0.1m.

## Net debt and cash flow

£ million at actual exchange rates	Year to Date		
	2009 Q3 £m	2008 Q3 £m	Change £m
Adjusted profit before amortisation, interest and income tax	148.8	110.3	38.5
One-off items	(19.8)	(3.2)	(16.6)
Depreciation	162.3	135.9	26.4
Other non-cash	6.7	2.3	4.4
EBITDA	298.0	245.3	52.7
Working capital	52.1	(11.5)	63.6
Capex - additions	(138.9)	(173.7)	34.8
Capex - disposals	9.7	12.1	(2.4)
Operating cash flow	220.9	72.2	148.7
Interest	(56.1)	(64.4)	8.3
Tax	(8.3)	(17.7)	9.4
Free cash flow	156.5	(9.9)	166.4
Dividends	-	(94.9)	94.9
Acquisitions/disposals	(10.9)	(36.7)	25.8
Special pension payment	-	(33.6)	33.6
FX and fair value adjustments	46.5	(53.0)	99.5
Decrease/(increase) in net debt	192.1	(228.1)	420.2
Closing net debt	(1,170.1)	(1,175.2)	5.1

Operating cash flow, year to date 2009, at actual rates of exchange was £148.7m higher than 2008 due to higher EBITDA (£52.7m), improved working capital management (£63.6m) and lower net capex (£32.4m). The resultant operating cash flow from profit conversion was 148.5%, compared to 65.5% last year.

Tax and interest payments (including finance lease interest) were £17.7m lower than last year due to timing differences on bond payments and the receipt of tax refunds in respect of prior periods. Resultant free cash was £166.4m higher than last year at £156.5m.

Deferred acquisition and disposal cash flows consumed £10.9m and foreign exchange gains and fair value adjustments added a further £46.5m, producing a total cash inflow of £192.1m and leaving net debt at £1,170.1m at 30 September 2009.

## Funding update

During the quarter the group achieved its objective of generating sufficient cash flow to allow the early retirement of its £125m wholly unused credit facility on 3 September 2009. The facility was due to mature in December 2009, but was extendable to 30 September 2010 at the group's option.

## ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

## 3 Months to 30 September 2009

<u>£m at constant 2008 exchange rates</u>	<u>1.7.09</u>	<u>New Business / Additions</u>	<u>Terminations/ Reductions</u>	<u>Net Price Increases</u>	<u>Acquisitions</u>	<u>30.9.09</u>	<u>30.9.09 at actual exchange</u>
Textiles & Washroom							
Services	673.4	25.9	(23.9)	(0.8)	-	674.6	753.6
Facilities Services*	542.8	18.1	(29.0)	1.2	-	533.1	541.0
Pest Control	288.5	11.9	(11.9)	1.0	-	289.5	327.0
Asia Pacific	141.3	6.2	(7.3)	0.3	-	140.5	152.3
Ambius	89.4	2.5	(4.6)	(0.1)	-	87.2	99.1
<b>TOTAL</b>	<b>1,735.4</b>	<b>64.6</b>	<b>(76.7)</b>	<b>1.6</b>	<b>-</b>	<b>1,724.9</b>	<b>1,873.0</b>

## 9 Months to 30 September 2009

<u>£m at constant 2008 exchange rates</u>	<u>1.1.09</u>	<u>New Business / Additions</u>	<u>Terminations / Reductions</u>	<u>Net Price Increases</u>	<u>Acquisitions</u>	<u>30.9.09</u>	<u>30.9.09 at actual exchange</u>
Textiles & Washroom							
Services	663.2	81.4	(81.1)	10.3	0.8	674.6	753.6
Facilities Services*	575.9	54.9	(102.7)	5.0	-	533.1	541.0
Pest Control	286.6	35.2	(38.7)	6.1	0.3	289.5	327.0
Asia Pacific	152.0	19.1	(32.1)	1.5	-	140.5	152.3
Ambius	95.0	7.9	(16.4)	0.6	0.1	87.2	99.1
<b>TOTAL</b>	<b>1,772.7</b>	<b>198.5</b>	<b>(271.0)</b>	<b>23.5</b>	<b>1.2</b>	<b>1,724.9</b>	<b>1,873.0</b>

\*Includes net adjustment of £62.8m at 1 January 2009 for the addition of catering, which has been reclassified to a portfolio business.

## Notes

**Contract portfolio definition:** Customer contracts are usually either “fixed price”, “as-used” (based on volume) or mixed contracts. Contract portfolio is the measure of the annualised value of these customer contracts.

**Contract portfolio valuation:** The contract portfolio value is typically recorded as the annual value from the customer contract. However, in some cases – especially “as-used” (based on volume) and mixed contracts – estimates are required in order to derive the contract portfolio value. The key points in respect of valuation are:

**“As-used” contracts:** These are more typical in Textiles and Washroom Services and Catering, where elements of the contract are often variable and based on usage. Valuation is based on historic data (where available) or forecast values.

**Income annualisation:** In some instances, where for example the underlying contract systems cannot value portfolio or there is a significant “as-used” element, the portfolio valuation is calculated using an invoice annualisation method.

**Inter-company:** The contract portfolio figures include an element of inter-company revenue.

**Job work and extras:** Many of the contracts within the contract portfolio include ad hoc and/or repeat job work and extras. These values are excluded from the contract portfolio.

**Rebates:** The contract portfolio value is gross of customer rebates. These are considered as a normal part of trading and are therefore not removed from the portfolio valuation.

**New business/Additions:** Represents new contractual arrangements in the period with a new or existing customers and additional business added to existing contracts.

**Terminations/Reductions:** Represent the cessation or reduction in value of an existing customer contract or the complete cessation of business with a customer.

**Net Price Increases:** Represents the net change in portfolio value as a result of price increase and decreases.

**Acquisitions/Disposals:** Represents the net value of customer contracts added or lost as a result of businesses acquired or disposed in the period.

**Retention rates:** With effect from Quarter one 2009, retention rates are calculated on total terminations (terminations and reductions) with prior years restated to a comparable basis. In prior years these were based on terminations excluding reductions.

## Appendix 2

### Divisional Analysis (at constant exchange rates)

	3 months to 30 September 2009	3 months to 30 September 2008	9 months to 30 September 2009	9 months to 30 September 2008
(at 2008 constant exchange rates)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)
<b>Business Analysis</b>				
<b>Revenue</b>				
Textiles & Washroom Services	192.9	187.4	576.9	562.3
Facilities Services	146.1	161.1	458.0	488.6
City Link	85.1	93.5	252.2	284.7
Pest Control	105.7	101.2	300.3	289.9
Asia Pacific	45.2	51.4	138.9	150.2
Ambius	24.1	27.7	76.3	84.1
Segmental revenue	599.1	622.3	1,802.6	1,859.8
Inter group trading	(16.1)	(20.1)	(48.2)	(59.6)
Continuing operations at constant exchange rates	583.0	602.2	1,754.4	1,800.2
Exchange	39.6	(1.4)	128.8	(21.3)
Continuing operations at actual exchange rates	622.6	600.8	1,883.2	1,778.9
<b>Adjusted operating profit</b>				
Textiles & Washroom Services	32.0	32.3	80.8	90.9
Facilities Services	6.4	(1.9)	14.7	9.2
City Link	(1.3)	(11.6)	(8.3)	(39.5)
Pest Control	22.7	22.2	57.0	58.5
Asia Pacific	6.5	6.2	17.9	17.7
Ambius	1.2	1.7	3.3	5.0
Central costs	(9.3)	(9.9)	(34.9)	(28.7)
Segmental profit	58.2	39.0	130.5	113.1
One-off items (Appendix 4)	(5.3)	0.2	(18.4)	(3.2)
Amortisation of intangible assets*	(13.0)	(12.4)	(39.2)	(37.8)
Impairment of goodwill	-	-	(3.4)	(1.7)
Continuing operations at constant exchange rates	39.9	26.8	69.5	70.4
Exchange	5.9	(0.3)	12.8	(2.2)
Continuing operations at actual exchange rates	45.8	26.5	82.3	68.2

\* Other than computer software

## Divisional Analysis (at actual exchange rates)

	3 months to 30 September 2009	3 months to 30 September 2008	9 months to 30 September 2009	9 months to 30 September 2008
(at actual exchange rates)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)
<b>Business Analysis</b>				
<b><u>Revenue</u></b>				
Textiles & Washroom Services	212.7	186.9	640.9	552.4
Facilities Services	148.1	161.0	464.1	487.6
City Link	85.1	93.5	252.2	284.7
Pest Control	116.5	100.6	336.7	283.1
Asia Pacific	49.9	51.3	151.2	149.0
Ambius	26.6	27.5	86.7	81.6
Segmental revenue	638.9	620.8	1,931.8	1,838.4
Inter group trading	(16.3)	(20.0)	(48.6)	(59.5)
Continuing operations at actual exchange rates	622.6	600.8	1,883.2	1,778.9
<b><u>Adjusted operating profit</u></b>				
Textiles & Washroom Services	35.3	32.3	89.9	89.3
Facilities Services	6.6	(1.9)	15.0	9.2
City Link	(1.3)	(11.6)	(8.3)	(39.5)
Pest Control	25.5	22.0	64.3	57.3
Asia Pacific	7.2	6.2	19.0	17.8
Ambius	1.4	1.8	3.9	4.9
Central costs	(9.3)	(10.0)	(35.0)	(28.7)
Segmental profit	65.4	38.8	148.8	110.3
One-off items (Appendix 4)	(5.6)	0.1	(19.8)	(3.2)
Amortisation of intangible assets*	(14.0)	(12.4)	(42.7)	(37.2)
Impairment of goodwill	-	-	(4.0)	(1.7)
Continuing operations at actual exchange rates	45.8	26.5	82.3	68.2

\* Other than computer software

## One-off Items

	3 months to 30 September 2009	3 months to 30 September 2008	9 months to 30 September 2009	9 months to 30 September 2008
	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)
Textiles & Washroom Services	(2.9)	1.3	(11.8)	0.7
Facilities Services	(0.9)	-	(0.9)	-
City Link	(1.0)	(0.4)	(2.0)	(1.9)
Pest Control	-	-	-	-
Asia Pacific	(0.1)	(0.7)	(0.1)	(2.0)
Ambius	(0.1)	-	(0.2)	-
Central costs	(0.3)	-	(3.4)	-
At constant exchange rates	(5.3)	0.2	(18.4)	(3.2)
Exchange	(0.3)	(0.1)	(1.4)	-
At actual exchange rates	(5.6)	0.1	(19.8)	(3.2)

One-off items relate directly to the group's various performance improvement initiatives and consist mainly of redundancy and other reorganisation costs including consultancy, plant and office closure costs net of the profit on sale of certain properties and acquisition integration cost. They have been separately identified as they represent an investment in the future performance of the group and are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. All comparisons are at constant 2008 full year average exchange rates.