

RENTOKIL INITIAL PLC (RTO)
INTERIM MANAGEMENT STATEMENT
4 May 2012

Results (£m)	Q1 2012	Growth	
	AER	AER	CER
Revenue	624.4	2.4%	3.6%
Adjusted operating profit ¹	33.3	(10.5%)	(6.7%)
Adjusted profit before tax ¹	26.3	(4.0%)	1.1%
Profit before tax	13.4	148.1%	175.9%
Operating cash flow ²	(19.0)	-	-

Q1 Highlights

- Group revenue up 3.6%* in challenging trading conditions:
 - Asia +8.6%, Textiles & Hygiene +4.5%, Pest Control +3.7%, Initial Facilities +3.5%, City Link +1.7%,
 - Further improvement in organic growth trend +1.7%** in Q1
 - Acquisitions continue to perform well contributing 2.4% of revenue growth
- Adjusted operating profit down 6.7% or £2.5m at CER of which £2.6m central costs and £2.0m City Link with category gains from Pest Control, Textiles and Facilities Services
- Profit before tax growth driven in part by a £2.1m increase in pension interest credit but offset by an adverse foreign exchange movement
- Cash flow impacted by seasonality factors but expected to strengthen during the year

* at CER

** excluding Initial Facilities Spain, where we have decided to scale down the business to reduce financial exposure

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

"The momentum in sales growth generated during 2011 has continued into 2012, with further improvement in organic growth rates and strong performance from our recent acquisitions. Market conditions have generally remained challenging, especially in our Southern European businesses. However, Pest North America benefited from relatively mild weather.

"City Link losses were higher than prior year but performance improved through the quarter as the new management team gained traction. We expect a significant improvement in year-on-year financial performance in the second half. Textiles & Hygiene had a strong start to the year with continued progress in the Benelux business supported by robust performances in France and Germany. The Pest Control Division has been more mixed, with strong performances in North America and UK Pest offset by weaker results in our operations in Southern Europe. Asia has performed well with strong momentum in Singapore, Indonesia and Malaysia coupled with continued progress in emerging markets. As indicated at the time of our 2011 results, central costs were higher than in the prior year reflecting increased investment in Programme Olympic.

"Assuming economic conditions do not deteriorate further, we anticipate continued organic growth and that this, coupled with productivity improvement at City Link, will convert into a year-on-year improvement in financial performance in the second half of the year."

Financial position

Operating cash outflows in Q1 were £19.0m compared to an outflow of £6.9m in Q1 2011. The group typically incurs operating cash outflows in the first quarter due to the seasonality of the business. Cash outflows were higher than the prior year due to increased capital expenditure and the phasing of working capital. Operating cash flows are anticipated to improve for the remainder of the year. Net debt at 31 March 2012 was £966.8m. There have been no further changes in the financial position of the group in the period since 31 December 2011.

AER – actual exchange rates; CER – constant 2011 exchange rates

¹ before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items

² cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments

Financial Summary

£million	First Quarter		
	2012	2011	change
Continuing Operations¹			
At 2011 constant exchange rates²			
Revenue	633.4	611.6	3.6%
Adjusted operating profit ³	34.9	37.4	(6.7%)
Reorganisation costs and one-off items ⁴	(6.0)	(10.3)	41.7%
Amortisation and impairment of intangible assets	(7.0)	(11.9)	41.2%
Operating profit	21.9	15.2	44.1%
Share of profit from associates (net of tax)	1.2	1.1	9.1%
Net interest payable	(8.2)	(10.9)	24.8%
Profit before tax	14.9	5.4	175.9%
Adjusted profit before tax ³	27.9	27.6	1.1%
Operating cash flow ⁵	(18.2)	(6.6)	(175.8%)
Continuing Operations¹			
At actual exchange rates			
Revenue	624.4	609.7	2.4%
Adjusted operating profit ³	33.3	37.2	(10.5%)
Reorganisation costs and one-off items ⁴	(5.9)	(10.3)	42.7%
Amortisation and impairment of intangible assets	(7.0)	(11.7)	40.2%
Operating profit	20.4	15.2	34.2%
Share of profit from associates (net of tax)	1.2	1.1	9.1%
Net interest payable	(8.2)	(10.9)	24.8%
Profit before tax	13.4	5.4	148.1%
Adjusted profit before tax ³	26.3	27.4	(4.0%)
Operating cash flow ⁵	(19.0)	(6.9)	(175.4%)

¹ all figures are for continuing operations and are unaudited

² results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2011. £/\$ average rates: Q1 2012 1.5808; FY 2011 1.6057, £/€ average rates: Q1 2012 1.2002; FY 2011 1.1532

³ before amortisation and impairment of intangibles (excluding computer software), reorganisation costs and one-off items

⁴ see Appendix 2 for further details

⁵ 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.

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Textiles Investor Seminar

Rentokil Initial plc is today hosting an Investor Seminar focused on the group's Textiles operations. The event will include presentations on the continental European textiles market, our growth initiatives, strategy and capability development. Peter Slator, Managing Director, will confirm that current trading is in line with the comments made in today's Q1 trading update.

The majority of the presentations will be web cast live and will be available on the Rentokil Initial web site. The day will begin with a brief update on Q1 which will commence at 8.45am. The full web cast will be available after the event.

Divisional Analysis

£million	3 months to 31 March 2012 AER	Change from Q1 2011 AER	Change from Q1 2011 CER	Organic growth CER
Revenue				
Textiles & Hygiene	226.1	2.7%	4.5%	2.3%
Pest Control	145.5	2.0%	3.7%	2.4%
Asia	24.1	8.6%	8.6%	9.5%
Ambius	23.1	1.8%	2.2%	(3.1%)
City Link	73.5	1.7%	1.7%	1.7%
Initial Facilities	151.6	3.2%	3.5%	(2.8%)
Segmental revenue	643.9	2.7%	3.8%	1.1%
Inter group trading	(19.5)	(12.7%)	(13.3%)	
At actual exchange rates	624.4	2.4%		
Exchange	9.0			
At constant exchange rates	633.4		3.6%	1.1%
Adjusted operating profit				
Textiles & Hygiene	32.5	7.6%	9.5%	9.8%
Pest Control	18.9	(7.4%)	(3.9%)	(4.4%)
Asia	1.1	-	-	8.2%
Ambius	(0.1)	N/A	N/A	N/A
City Link	(12.7)	(18.7%)	(18.7%)	(18.7%)
Initial Facilities	6.3	1.6%	1.6%	(0.6%)
Central Costs	(12.7)	(27.0%)	(26.0%)	(26.0%)
Segmental profit	33.3	(10.5%)	(6.7%)	(7.7%)
Reorganisation costs and one-off items	(5.9)	42.7%	41.7%	
Amortisation of intangible assets ¹	(7.0)	40.2%	41.2%	
At actual exchange rates	20.4	34.2%		
Exchange	1.5			
At constant exchange rates	21.9		44.1%	(7.7%)

¹ excluding computer software

Category Analysis

£million	3 months to 31 March 2012 AER	Change from Q1 2011 AER	Change from Q1 2011 CER	Organic growth CER
Revenue				
Pest Control	129.4	5.9%	6.4%	4.5%
Hygiene	128.3	(1.3%)	0.2%	(0.4%)
Textiles	109.8	1.5%	4.9%	4.9%
Interior Plants	32.1	1.3%	1.9%	(2.1%)
Facilities Services	145.4	2.9%	3.1%	(2.8%)
Parcel Delivery	73.5	1.7%	1.7%	1.7%
Other	25.4	19.2%	21.0%	1.2%
Total	643.9	2.7%	3.8%	1.1%
Adjusted operating profit				
Pest Control	19.6	(1.0%)	0.5%	(0.6%)
Hygiene	24.1	(2.8%)	(1.2%)	(1.6%)
Textiles	14.6	23.7%	27.7%	27.7%
Interior Plants	1.4	-	-	(11.1%)
Facilities Services	5.7	5.6%	7.4%	6.7%
Parcel Delivery	(12.7)	(18.7%)	(18.7%)	(18.7%)
Other	(19.4)	(26.8%)	(26.0%)	(24.7%)
Total	33.3	(10.5%)	(6.7%)	(7.7%)

¹ excluding computer software

ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

3 Months to 31 March 2012

<u>£m at constant 2011 exchange rates</u>	<u>1.1.12</u>	<u>New Business / Additions</u>	<u>Terminations/ Reductions</u>	<u>Net Price Increases</u>	<u>Acquisitions /(Disposals)</u>	<u>31.3.12</u>	<u>31.3.12 at actual exchange</u>
Textiles & Hygiene	760.6	26.0	(21.4)	4.5	-	769.7	747.7
Pest Control	489.8	19.0	(20.3)	4.2	-	492.7	484.1
Asia	77.6	5.7	(3.8)	0.2	-	79.7	79.9
Ambius	81.6	2.3	(3.4)	0.6	0.6	81.7	81.4
Initial Facilities	523.4	23.0	(27.2)	1.2	-	520.4	518.5
TOTAL	1,933.0	76.0	(76.1)	10.7	0.6	1,944.2	1,911.6

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 Hygiene 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. Also includes the net volume related changes for the textiles businesses, where it is common practice for customers to increase or decrease service volumes according to their daily operational requirements.

Retention rates: Retention rates are calculated on total terminations (terminations and reductions).

Reorganisation costs and one-off items

	3 months to 31 March 2012 £m	3 months to 31 March 2011 £m
Textiles & Hygiene	(1.1)	(1.1)
Pest Control	(0.4)	(5.5)
Asia	0.3	-
Ambius	(0.1)	-
City Link	(1.9)	(1.6)
Initial Facilities	(1.9)	(1.2)
Central Costs	(0.9)	(0.9)
At constant exchange rates	(6.0)	(10.3)
Exchange	0.1	-
At actual exchange rates	(5.9)	(10.3)

Net reorganisation costs and one-off items amounted to £6.0m (2011: £10.3m). £6.4m (2011: £5.5m) of these relate directly to the group's major reorganisation program, including Olympic, and consists mainly of redundancy costs, consultancy and plant and office closure costs net of the profit on sale of certain properties, offset by a £0.4m profit on disposal of a small business in Asia. Also included in 2011 is a provision of £4.8m against our full financial exposure arising from the suspension of our Libyan pest control business.