

RENTOKIL INITIAL PLC (RTO) **INTERIM MANAGEMENT STATEMENT** 9 November 2012

Results (£m)	Q3 2012	Growth		YTD 2012	Growth	
	AER	AER	CER	AER	AER	CER
Revenue	626.7	(1.6%)	2.2%	1,883.1	(0.1%)	2.7%
Adjusted operating profit ¹	61.4	(3.6%)	3.9%	148.7	(5.2%)	1.2%
Adjusted profit before tax ¹	53.2	0.2%	7.4%	126.7	0.1%	7.3%
Profit before tax	36.3	0.8%	9.9%	82.9	26.2%	39.2%
Operating cash flow ²	44.6	(21.1%)	(11.4%)	65.4	(19.3%)	(7.8%)

Q3 Highlights (at CER)

- Group revenue +2.2% (+0.2%* organic) in softening European markets:
 - Asia +4.2%, Initial Facilities +5.3%*, City Link +2.4%, Pest Control +2.1%, Textiles & Hygiene +1.3%
 - Acquisitions performing well, contributing 2.3% (£14.7m) of revenue growth
- City Link revenue +2.4%, 19.1% reduction in operating loss. Recovery plan remains on track but Q3 financial performance impacted by adverse customer mix and volume decline during the Olympics
- Adjusted operating profit up 3.9%, with improvement in City Link partly offset by increased central investment in marketing, innovation and capability development
- Profit before tax up 9.9%, 39.2% year to date reflecting reduced amortisation and interest
- Cost savings of £37.2m year to date; expect to exceed £50m target for 2012
- Acquisition of Western Exterminator Pest Control for \$114.6m positions Rentokil as third largest player in key US market - completion expected in Q4

* excluding Initial Facilities Spain, where the business is being scaled down to reduce financial exposure and has impacted group performance by 0.3%

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

"Challenging conditions across Europe, including the UK, have limited group revenue growth in Q3. Outside Europe our businesses are considerably more buoyant.

"City Link's operational recovery continued during Q3 with a 12% year-on-year reduction in cost per delivery. Volume grew 15% and operating losses fell by 19% year on year, though both were adversely impacted by lower than expected demand during the Olympics. We have also continued to see a reduction in revenue per consignment as a result of adverse customer mix. The impact of this is now expected to result in a small loss for Q4.

"We continue to invest strongly in capability and in market position. We are optimistic about both our innovation and our acquisition pipeline, though cautious in respect of trading. Nevertheless we anticipate further year-on-year improvement in profit performance at constant exchange rates in Q4."

Financial position and funding update

Operating cash flow of £44.6m was £10.9m lower than Q3 2011 primarily due to the phasing of working capital. Net debt at 30 September was £943.2m. The Company raised a new seven-year €500m bond paying 3.375% in September 2012. This provides financing for the acquisition of Western Exterminator, our 2013 maturities, and partially finances the €500m March 2014 bond. In October 2012 the Company repurchased its £75m bond with potential first maturity in 2013 for its fair value of £104m, representing an exceptional cash loss of £29m which will be recognised in Q4. A further loss of £2m was crystallised on the related hedge accounted interest rate swaps at the same time. There have been no further changes in the financial position of the group in the period since 30 June 2012. The group intends to refinance the remainder of the €500m March 2014 bond in the coming months.

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	Third Quarter			Year to Date		
	2012	2011	change	2012	2011	change
Continuing Operations¹						
At 2011 constant exchange rates²						
Revenue	649.0	635.2	2.2%	1,931.6	1,881.2	2.7%
Adjusted operating profit ³	65.8	63.3	3.9%	157.7	155.8	1.2%
Reorganisation costs and one-off items ⁴	(12.7)	(6.2)	(104.8%)	(27.4)	(26.3)	(4.2%)
Amortisation and impairment of intangible assets	(4.8)	(10.9)	56.0%	(17.4)	(34.6)	49.7%
Operating profit	48.3	46.2	4.5%	112.9	94.9	19.0%
Share of profit from associates (net of tax)	1.2	1.0	20.0%	3.7	3.3	12.1%
Net interest payable	(10.5)	(11.7)	10.3%	(26.8)	(33.7)	20.5%
Profit before tax	39.0	35.5	9.9%	89.8	64.5	39.2%
Adjusted profit before tax ³	56.5	52.6	7.4%	134.6	125.4	7.3%
Operating cash flow ⁵	49.6	56.0	(11.4%)	73.7	79.9	(7.8%)
Continuing Operations¹						
At actual exchange rates						
Revenue	626.7	637.0	(1.6%)	1,883.1	1,885.9	(0.1%)
Adjusted operating profit ³	61.4	63.7	(3.6%)	148.7	156.9	(5.2%)
Reorganisation costs and one-off items ⁴	(12.1)	(6.3)	(92.1%)	(26.7)	(26.4)	(1.1%)
Amortisation and impairment of intangible assets	(4.8)	(10.8)	55.6%	(17.1)	(34.5)	50.4%
Operating profit	44.5	46.6	(4.5%)	104.9	96.0	9.3%
Share of profit from associates (net of tax)	1.3	1.0	30.0%	3.8	3.3	15.2%
Net interest payable	(9.5)	(11.6)	18.1%	(25.8)	(33.6)	23.2%
Profit before tax	36.3	36.0	0.8%	82.9	65.7	26.2%
Adjusted profit before tax ³	53.2	53.1	0.2%	126.7	126.6	0.1%
Operating cash flow ⁵	44.6	56.5	(21.1%)	65.4	81.0	(19.3%)

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: Q3 2012 1.5829; FY 2011 1.6057, £/€ average rates: Q3 2012 1.2307; 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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City Link Investor Seminar - The Grange Tower Bridge Hotel, 45 Prescott Street, London E1 8GP

Rentokil Initial plc is today hosting an Investor Seminar focused on the group's City Link operations. The event will include presentations on the UK domestic parcels market, City Link's growth initiatives, strategy and capability development. David Smith, Managing Director, will confirm that current trading is in line with the comments made in today's Q3 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 Q3 which will commence at 8.45am. The full web cast will be available after the event.

Divisional Analysis

3 months to 30 September 2012
£million

	3 months to 30 September 2012 AER	Change from Q3 2011 AER	Change from Q3 2011 CER	Organic growth CER
Revenue				
Textiles & Hygiene	212.7	(5.8%)	1.3%	(0.3%)
Pest Control	187.0	(1.5%)	2.1%	0.6%
Asia	24.6	3.4%	4.2%	6.1%
City Link	76.2	2.4%	2.4%	2.4%
Initial Facilities	146.1	2.9%	3.7%	(2.8%)
Segmental revenue	646.6	(1.4%)	2.3%	(0.1%)
Intra group trading	(19.9)	(4.7%)	(6.8%)	
At actual exchange rates	626.7	(1.6%)		
Exchange	22.3			
At constant exchange rates	649.0		2.2%	(0.1%)

Adjusted operating profit

Textiles & Hygiene	34.9	(6.9%)	0.8%	0.8%
Pest Control	36.5	(0.3%)	4.4%	3.0%
Asia	1.6	100.0%	88.9%	88.9%
City Link	(5.5)	19.1%	19.1%	19.1%
Initial Facilities	6.9	3.0%	4.5%	5.6%
Central Costs	(13.0)	(17.1%)	(16.2%)	(17.4%)
Segmental profit	61.4	(3.6%)	3.9%	3.2%
Reorganisation costs and one-off items	(12.1)	(92.1%)	(104.8%)	
Amortisation of intangible assets ¹	(4.8)	55.6%	56.0%	
At actual exchange rates	44.5	(4.5%)		
Exchange	3.8			
At constant exchange rates	48.3		4.5%	3.2%

¹ excluding computer software

9 months to 30 September 2012
£million

	9 months to 30 September 2012 AER	Change from YTD 2011 AER	Change from YTD 2011 CER	Organic growth CER
Revenue				
Textiles & Hygiene	657.6	(2.6%)	2.7%	0.9%
Pest Control	544.5	(0.2%)	2.6%	0.9%
Asia	73.2	5.9%	6.4%	7.7%
City Link	225.7	3.1%	3.1%	3.1%
Initial Facilities	441.1	1.9%	2.5%	(3.0%)
Segmental revenue	1,942.1	-	2.8%	0.5%
Intra group trading	(59.0)	(5.5%)	(6.4%)	
At actual exchange rates	1,883.1	(0.1%)		
Exchange	48.5			
At constant exchange rates	1,931.6		2.7%	0.5%

Adjusted operating profit

Textiles & Hygiene	99.2	(1.9%)	3.9%	4.1%
Pest Control	88.5	(3.4%)	1.0%	0.1%
Asia	4.0	42.9%	46.4%	46.4%
City Link	(24.0)	2.4%	2.4%	2.4%
Initial Facilities	19.2	7.3%	7.8%	6.2%
Central Costs	(38.2)	(19.7%)	(19.4%)	(19.7%)
Segmental profit	148.7	(5.2%)	1.2%	0.6%
Reorganisation costs and one-off items	(26.7)	(1.1%)	(4.2%)	
Amortisation of intangible assets ¹	(17.1)	50.4%	49.7%	
At actual exchange rates	104.9	9.3%		
Exchange	8.0			
At constant exchange rates	112.9		19.0%	0.6%

¹ excluding computer software

Category Analysis

3 months to 30 September 2012

£million	3 months to 30 September 2012 AER	Change from Q3 2011 AER	Change from Q3 2011 CER	Organic growth CER
<u>Revenue</u>				
Pest Control	146.1	1.7%	4.7%	3.3%
Hygiene	125.9	(6.7%)	(1.5%)	(1.5%)
Textiles	102.4	(7.2%)	2.0%	2.3%
Interior Plants	31.7	(1.6%)	0.9%	(1.3%)
Facilities Services	142.8	3.3%	4.2%	(2.6%)
Parcel Delivery	76.2	2.4%	2.4%	2.4%
Other	21.5	(3.6%)	0.4%	(15.3%)
Total	646.6	(1.4%)	2.3%	(0.1%)

Adjusted operating profit

Pest Control	33.4	0.3%	4.5%	2.7%
Hygiene	26.7	(6.0%)	0.4%	0.4%
Textiles	18.1	(3.7%)	5.4%	5.4%
Interior Plants	2.5	8.7%	13.0%	8.1%
Facilities Services	5.2	(17.5%)	(18.8%)	(19.8%)
Parcel Delivery	(5.5)	19.1%	19.1%	19.1%
Other	(19.0)	(2.2%)	(2.7%)	(1.0%)
Total	61.4	(3.6%)	3.9%	3.2%

9 months to 30 September 2012

£million	9 months to 30 September 2012 AER	Change from YTD 2011 AER	Change from YTD 2011 CER	Organic growth CER
<u>Revenue</u>				
Pest Control	420.4	3.2%	5.2%	3.6%
Hygiene	384.7	(4.1%)	(0.1%)	(0.3%)
Textiles	314.5	(4.4%)	2.7%	2.9%
Interior Plants	96.1	(0.1%)	1.5%	(1.9%)
Facilities Services	430.6	1.9%	2.5%	(3.0%)
Parcel Delivery	225.7	3.1%	3.1%	3.1%
Other	70.1	5.1%	8.4%	(7.9%)
Total	1,942.1	-	2.8%	0.5%

Adjusted operating profit

Pest Control	84.2	(1.8%)	1.5%	0.5%
Hygiene	75.2	(4.0%)	0.8%	0.6%
Textiles	48.1	2.6%	10.1%	10.0%
Interior Plants	6.3	10.5%	16.1%	8.5%
Facilities Services	16.9	(1.2%)	(1.7%)	(3.5%)
Parcel Delivery	(24.0)	2.4%	2.4%	2.4%
Other	(58.0)	(11.1%)	(11.3%)	(9.9%)
Total	148.7	(5.2%)	1.2%	0.6%

ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

3 Months to 30 September 2012

<u>£m at constant 2011 exchange rates</u>	<u>1.7.12</u>	<u>New Business / Additions</u>	<u>Terminations / Reductions</u>	<u>Net Price Increases</u>	<u>Acquisitions /(Disposals)</u>	<u>30.9.12</u>	<u>30.9.12 at actual exchange</u>
Textiles & Hygiene	775.2	20.4	(18.7)	2.4	(0.1)	779.2	740.0
Pest Control	583.0	21.1	(22.1)	1.9	5.6	589.5	573.1
Asia	81.6	5.3	(3.6)	0.2	-	83.5	83.0
Initial Facilities	517.8	13.5	(27.3)	0.4	7.7	512.1	509.2
TOTAL	1,957.6	60.3	(71.7)	4.9	13.2	1,964.3	1,905.3

9 Months to 30 September 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>30.9.12</u>	<u>30.9.12 at actual exchange</u>
Textiles & Hygiene	760.6	69.8	(63.2)	12.5	(0.5)	779.2	740.0
Pest Control	576.7	65.7	(69.1)	8.4	7.8	589.5	573.1
Asia	77.6	16.2	(10.9)	0.6	-	83.5	83.0
Initial Facilities	518.1	58.0	(73.6)	1.9	7.7	512.1	509.2
TOTAL	1,933.0	209.7	(216.8)	23.4	15.0	1,964.3	1,905.3

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: Represents 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 30 September 2012 £m	3 months to 30 September 2011 £m	9 months to 30 September 2012 £m	9 months to 30 September 2011 £m
Textiles & Hygiene	(8.7)	(1.8)	(14.2)	(6.1)
Pest Control	(1.1)	(1.0)	(1.7)	(7.6)
Asia	0.3	(0.3)	0.3	(0.7)
City Link	(0.4)	(0.5)	(1.6)	(4.2)
Initial Facilities	(2.2)	(1.8)	(7.1)	(4.9)
Central Costs	(0.6)	(1.0)	(3.1)	(2.9)
At constant exchange rates	(12.7)	(6.4)	(27.4)	(26.4)
Exchange	0.6	0.1	0.7	-
At actual exchange rates	(12.1)	(6.3)	(26.7)	(26.4)

Net reorganisation costs and one-off items amounted to £27.4m (2011: £26.4m). £25.1m (2011: £21.5m) 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.