Rentokil Initial

RENTOKIL INITIAL PLC (RTO)
TRADING UPDATE FOR THIRD QUARTER ENDED 30 SEPTEMBER 2010
5 November 2010

Results	**Q3 2010 AER**	**Growth** AER	CER	**YTD 2010 AER**	**Growth** AER	CER
Revenue	**622.3**	**-**	**0.1%**	**1,854.1**	**(1.5%)**	**(1.5%)**
Operating profit[1]	**64.6**	**8.0%**	**8.7%**	**149.7**	**16.0%**	**15.5%**
Adjusted profit before tax[2]	**57.3**	**15.5%**	**16.2%**	**133.8**	**27.8%**	**27.3%**
Operating cash flow[3]	**65.6**	**(37.0%)**	**(36.0%)**	**134.6**	**(39.1%)**	**(39.5%)**

Highlights

- Q3 revenue flat year on year, adjusted profit before tax[2] up 16%
- Textiles & Washrooms adjusted operating profit[2] down 2.5% in Q3 at CER (mainly due to higher than anticipated running costs in Belgium and tough trading conditions in the Netherlands) but up 4.2% year to date
- Pest Control adjusted operating profit[2] up 12.8% in Q3 and 13.4% year to date at CER, reflecting good performances across the division
- City Link Q3 loss[2] of £1.3m in line with last year. Shortfall in revenue and savings delivery despite successful hub & depot closure programme and excellent service performance in recent weeks. Profit expectations reduced to no better than breakeven for 2010 but substantial opportunity for further savings in 2011
- Group savings for 2010 revised downward to £70m as a result
- Strong operating cash flow[3] of £134.6m year to date at AER, representing cash conversion[4] of 101.4%
- Further reduction in net debt to £1,013m, down from £1,108m at the start of the year

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

"We have delivered 16% profit growth in Q3 despite some setbacks arising in part from tough market conditions but also from high subcontractor costs in City Link. Pest Control in particular has delivered good profit growth driven by strong performances in both the UK and US.

"We expect trading performance in Q4 to remain difficult for City Link and for our Netherlands Textiles & Washrooms business. Notwithstanding this, we expect group full year performance to be in line with current market expectations.

"We remain focused on our growth agenda, with recent output from our growth pilots and other initiatives giving some room for optimism from H2 2011. We continue to expect major cost savings from City Link in 2011 as the hub & depot network and new IT infrastructure stabilise after a year of exceptional change."

AER – actual exchange rates; CER – constant 2009 exchange rates
[1] before amortisation and impairment of intangibles
[2] before amortisation and impairment of intangibles and one-off items
[3] cash flow before interest, tax, acquisitions, disposals and foreign exchange adjustments
[4] after adjusting for one-off cash flows of £5.8m in Q3, £39.9m year to date

Financial Summary

£million	Third Quarter			Year to Date		
	2010	**2009**	***change***	**2010**	**2009**	***change***
Continuing Operations[1]						
At 2009 constant exchange rates[2]						
Revenue	**627.7**	627.1	*0.1%*	**1,857.5**	1,885.4	*(1.5%)*
Operating profit before amortisation and impairment of intangible assets[3] and one-off items[4]	**69.9**	65.8	*6.2%*	**172.5**	149.4	*15.5%*
One-off items[4]	**(4.6)**	(5.7)	*19.3%*	**(22.9)**	(19.9)	*(15.1%)*
Operating profit before amortisation and impairment of intangible assets[3]	**65.3**	60.1	*8.7%*	**149.6**	129.5	*15.5%*
Amortisation and impairment of intangible assets[3]	**(13.2)**	(14.2)	*7.0%*	**(40.0)**	(46.8)	*14.5%*
Operating profit	**52.1**	45.9	*13.5%*	**109.6**	82.7	*32.5%*
Share of profit from associates (net of tax)	**1.1**	1.0	*10.0%*	**2.9**	2.7	*7.4%*
Net interest payable	**(12.9)**	(16.8)	*23.2%*	**(41.5)**	(46.9)	*11.5%*
Profit before income tax	**40.3**	30.1	*33.9%*	**71.0**	38.5	*84.4%*
Adjusted profit before income tax[5]	**58.1**	50.0	*16.2%*	**133.9**	105.2	*27.3%*
Operating cash flow[6]	**66.2**	103.4	*(36.0%)*	**134.2**	221.8	*(39.5%)*
Continuing Operations[1]						
At actual exchange rates						
Revenue	**622.3**	622.6	-	**1,854.1**	1,883.2	*(1.5%)*
Operating profit before amortisation and impairment of intangible assets[3] and one-off items[4]	**69.0**	65.4	*5.5%*	**172.1**	148.8	*15.7%*
One-off items[4]	**(4.4)**	(5.6)	*21.4%*	**(22.4)**	(19.8)	*(13.1%)*
Operating profit before amortisation and impairment of intangible assets[3]	**64.6**	59.8	*8.0%*	**149.7**	129.0	*16.0%*
Amortisation and impairment of intangible assets[3]	**(13.6)**	(14.0)	*2.9%*	**(41.2)**	(46.7)	*11.8%*
Operating profit	**51.0**	45.8	*11.4%*	**108.5**	82.3	*31.8%*
Share of profit from associates (net of tax)	**1.1**	0.9	*22.2%*	**3.0**	2.7	*11.1%*
Net interest payable	**(12.8)**	(16.7)	*23.4%*	**(41.3)**	(46.8)	*11.8%*
Profit before income tax	**39.3**	30.0	*31.0%*	**70.2**	38.2	*83.8%*
Adjusted profit before income tax[5]	**57.3**	49.6	*15.5%*	**133.8**	104.7	*27.8%*
Operating cash flow[6]	**65.6**	104.2	*(37.0%)*	**134.6**	220.9	*(39.1%)*

[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 2009. £/$ average rates: Q3 2010 1.5412 ; Q3 2009 1.5407; FY 2009 1.5620. £/€ average rates: Q3 2010 1.1644; Q3 2009 1.1218; FY 2009 1.1196
[3] Other than computer software.
[4] See Appendix 4 for further details.
[5] Before amortisation and impairment of intangible assets and one-off items.
[6] 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.

Enquiries:

Investors / Analysts enquiries:

Katharine Rycroft, Head of Investor Relations	Rentokil Initial plc	01293 858 166

Media enquiries:

Malcolm Padley, Head of Corporate Communications	Rentokil Initial plc	01293 858 165
Kate Holgate, Wendel Verbeek	Brunswick Group	020 7404 5959

A conference call for shareholders and analysts will be held today at 09.15am. To join this call, please dial +44 (0) 20 7806 1950 (UK), +33 (0) 1 70 99 43 03 (France), +852 3002 1355 (Hong Kong), and +1 718 354 1385 (US) quoting reference code 4434015. A recording of the call will be available for 14 days on the following numbers: UK: +44 (0) 20 7111 1244, France: +33 (0) 1 74 20 28 00, Hong Kong: +852 3011 4669 and US: +1 347 366 9565 quoting access code 4434015#.

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 on 1 July 2010 resulting in the UK Washrooms and Ireland Healthcare businesses moving from Textiles and Washroom Services to the Pest Control division. Prior year comparisons 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 £22.9m (2009: £19.9m) 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, acquisition costs and profit or loss on the disposal of businesses. 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 2009 full year average exchange rates.

DIVISIONAL PERFORMANCE

Textiles and Washroom Services

£ million	**Third Quarter**			**Year to Date**		
	2010	**2009**	***change***	**2010**	**2009**	***change***
At 2009 constant exchange rates:						
Revenue	**211.6**	214.8	*(1.5%)*	**635.1**	642.3	*(1.1%)*
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets[1])	**34.8**	35.7	*(2.5%)*	**94.0**	90.2	*4.2%*
At actual exchange rates:						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets[1])	**33.2**	35.3	*(5.9%)*	**90.9**	89.9	*1.1%*

[1] Other than computer software

Market conditions continued to be depressed in Q3. Sales of new contracts are taking longer to secure and pricing pressure remains, especially in France and the Netherlands.

Revenue fell 1.5%, an organic decline of 0.8% after adjusting for the disposal of the Spanish linen business and acquisition of a dental reclamation business in Sweden. France declined by 0.6%, reflecting contract losses earlier in the year. The Netherlands continues to be impacted by competitive pressures with revenue falling 11.2%. Revenue from Medical Services increased by 19.1%, of which 6.2% was attributable to the acquisition of the dental reclamation business in Sweden.

Portfolio has declined by 5.6% year to date, a decline of 2.6% after adjusting for disposals. This is largely due to a shortfall in new business, down 9.2% year to date. Terminations have however improved by 17.2% Q3 on Q2, and by 1.0% year to date on the prior year. Customer retention for the year to date improved further primarily due to Belgium and Germany.

Profit declined by 2.5%. France, Spain, Italy and Hygiene grew profits year on year, reflecting the impact of new management, robust cost control and restructuring plans. This was offset by profit decline in the Benelux, impacted by higher processing and distribution costs associated with the ongoing restructuring in Belgium, and tough trading conditions in the Netherlands. Good results were recorded in the Nordics, Germany and Medical units.

The reorganisation programme in France and its associated benefits is nearing completion, ahead of plan and at a lower cost than initially anticipated. The plant rationalisation programme in Belgium is complete but implementation and initial plant running costs remain higher than anticipated. A significant number of smaller restructuring projects across the Division are delivering expected benefits. We expect trading conditions in the Netherlands to remain difficult in Q4.

Pest Control

£ million	Third Quarter			Year to Date		
	2010	**2009**	***change***	**2010**	**2009**	***change***
At 2009 constant exchange rates:						
Revenue	**135.3**	135.1	*0.1%*	**387.3**	388.7	*(0.4%)*
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets[1])	**30.0**	26.6	*12.8%*	**74.7**	65.9	*13.4%*
At actual exchange rates:						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets[1])	**29.8**	26.4	*12.9%*	**74.7**	65.9	*13.4%*

[1] Other than computer software

Pest Control revenue rose by 0.1% in Q3. While North America grew by 6.0%, lower levels of growth were recorded elsewhere and, consistent with contract structure, revenue from the Libyan contract declined following a move in Q1 to locally resourced service provision. Performance was also impacted by a decline in the UK & Ireland Washrooms businesses. Contract sales grew by 3.4% and jobs by 1.8%. Divisional retention continued its trajectory of growth, rising by 1.9% to 84.0%. Profit grew by 12.8% with strong performances in most territories.

Trading conditions remained mixed in Europe resulting in revenue decline of 0.3%. The Northern countries continue to outpace operations in the South. Retention climbed to 87.1% (H1 2010: 84.7%). Profit rose by 8.1%, reflecting a focus on cost, with all areas except Ireland and Greece growing year on year.

UK Pest continued to improve. Profit grew 18.6% on revenue growth of 2.3%. Jobs growth has been a major driver of recovery with a 12% uplift on Q3 2009 with contract sales also growing by 3.2%. Retention improved by 2.5% to 76.8% but was held back by the loss of some national accounts, largely on price, offsetting significant improvement in retention of SMEs.

UK & Ireland Washrooms grew profit by 15.4% in Q3, supported by cost reductions, while revenue fell 7.3%, impacted by portfolio decline. Although retention improved to 78.2% (Q3 2009: 75.4%) and contract sales by 4.0%, these improvements failed to reverse a 9.2% decline in portfolio, largely due to legacy service issues and, despite the improvement over 2009, weak contract sales. Increased investment has been made in service resource and processing quality to support retention, and a strategy is being implemented to improve contract sales.

North America had another excellent quarter, increasing revenue by 6.0% and profit by 19.9%. Encouragingly, new contract sales (an area of previous concern) grew by 7.5%, reflecting investment in sales capability and training. Retention improved to 86.2%, a 1.2% increase on last year.

The Caribbean and East Africa businesses grew revenue and profit by 5.7% and 12.2% respectively.

The Libyan contract performed well but the timing of payments remains variable. We expect this to be an ongoing feature of this contract.

Asia Pacific

£ million	Third Quarter			Year to Date		
	2010	**2009**	***change***	**2010**	**2009**	***change***
At 2009 constant exchange rates:						
Revenue	**48.0**	49.8	*(3.6%)*	**143.2**	153.2	*(6.5%)*
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets[1])	**5.7**	7.1	*(19.7%)*	**18.7**	19.4	*(3.6%)*
At actual exchange rates:						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets[1])	**6.6**	7.2	*(8.3%)*	**21.4**	19.0	*12.6%*

[1] Other than computer software

Underlying quarterly revenue was flat year on year, with reported revenue down by 3.6%, due to the disposal of the Electronic Security business. In Asia, the Malaysia business continues to progress well and Indonesia grew by 11.9%. Weaker China government sales dampened overall Asian growth to 1.3%. In Pacific, Washrooms contract revenues fell due to prior year contract losses. This was compounded by weaker Pest job revenue, only partially compensated for by a strong performance from New Zealand, giving an overall Pacific revenue decline of 0.3%.

Asia Pacific grew its portfolio by 1.2% in Q3 driven by Asia at 2.5% and Pacific at 0.3%. All countries posted a net gain other than New Zealand. Retention rates in Q3 improved to 83.9% from 77.7% last year.

Adjusted operating profit fell 19.7%, primarily as a result of balance sheet provisions in the Philippines and Singapore relating to acquisitions made prior to 2008 outweighing the positive impact of continued strong cost control.

Ambius

£ million	**Third Quarter**			**Year to Date**		
	2010	**2009**	***change***	**2010**	**2009**	***change***
At 2009 constant exchange rates:						
Revenue	**26.3**	27.2	*(3.3%)*	**80.4**	86.2	*(6.7%)*
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets[1])	**1.4**	1.4	-	**3.7**	3.8	*(2.6%)*
At actual exchange rates:						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets[1])	**1.5**	1.4	*7.1%*	**3.8**	3.9	*(2.6%)*

[1] Other than computer software

The difficult trading conditions experienced in H1 showed some signs of easing in Q3. While revenue fell 3.3% as a result of portfolio erosion during 2009, this was a significant improvement on the previous two quarters. Retention rate improved to 85.0% (Q2 2010: 82.3%, Q3 2009: 79.3%). Gross sales and job sales rose by 13.8% and 8.3% respectively, reflecting a stabilisation of market conditions. Q3 adjusted operating profit was flat at £1.4m.

Revenue in North America fell 3.4% due to portfolio losses in 2009. Market conditions have however continued to improve and retention increased to 86.2% (Q3 2009: 76.6%). Job sales rose 14.8%.

Revenue in Europe declined 3.8%, again due to portfolio erosion in 2009. Similar to North America, economic conditions appear to have eased and retention has risen from 82.6% to 83.6%.

Sales of brand extension services, including ambient scenting and fresh fruit delivery, have continued to be strong and accounted for 12.9% of total contract sales in Q3, compared to 10.0% in Q3 2009.

City Link

£ million	**Third Quarter**			**Year to Date**		
	2010	**2009**	***change***	**2010**	**2009**	***change***
At 2009 constant exchange rates:						
Revenue	**80.8**	85.1	*(5.1%)*	**247.9**	252.2	*(1.7%)*
Adjusted operating loss (before one-off items and amortisation & impairment of intangible assets[1])	**(1.3)**	(1.3)	-	**(6.0)**	(8.3)	*27.7%*
At actual exchange rates:						
Adjusted operating loss (before one-off items and amortisation & impairment of intangible assets[1])	**(1.3)**	(1.3)	-	**(6.0)**	(8.3)	*27.7%*

[1] Other than computer software

City Link's operating loss for the quarter of £1.3m was flat year on year despite a £4.3m (5.1%) reduction in revenue to £80.8m. The year-to-date operating loss of £6.0m represents a 27.7% improvement on 2009, albeit on revenue which has declined by 1.7%.

The market remains extremely competitive with price cutting continuing across the industry in Q3. Parcel volumes were down 1.8% on Q3 2009 while revenue per consignment weakened by 3.3%.

A major structural change programme was implemented in Q3. The hub and trunking operations have been restructured to provide a single unified platform, enabling the business to offer more flexible collection times for customers, drive handling and trunking efficiencies and underpin excellent service levels. The business closed and sold the Wednesbury hub and opened two new regional hubs in Warrington and Peterborough. Its previously partially-wheeled cage operation has been fully converted to pallet cages, enabling greater parcel numbers to be carried in fewer trunking vehicles. It also successfully completed the conversion of its trunking fleet from hard sided to curtain sided vehicles. Three depots were closed and a combined depot for post operations opened in Q3 to reduce total depot numbers to 75.

Alongside these changes the business also unified its IT platform in the quarter. It has introduced 'sign on screen' and GPRS technology for parcel deliveries, enabling instant intraday view of delivery status across the network. Parallel testing is underway on route optimisation to drive further efficiencies and give customers estimated delivery times. This technology, together with a new pricing and billing system (also in parallel testing), will be rolled out to customers in Q1 2011.

The security of parcels in transit has been significantly enhanced with the piloting of camera technology in delivery vans. The installation of cameras to the front, inside and rear of the van allows live streaming of on-road parcel operations and has significantly reduced incidences of parcel loss, theft and road traffic accidents. The business also introduced automatic tracking of its trunking trailer operations, further strengthened its centralised network security control centre and introduced industry-leading on-line fraud detection systems.

In addition field sales and customer account management has been restructured and a new CRM system introduced.

Great progress has been made during Q3 in strengthening City Link's operational and IT capability, enabling it to further improve service and driver efficiencies. However delays in delivering savings arising from an over-reliance on the use of sub-contractors have resulted in a significant savings shortfall. As a result, the business is expected to perform no better than break even for the full year, with volumes in October remaining below the prior year. We believe the UK parcels market will remain competitive into 2011 but we anticipate major cost savings next year.

Initial Facilities Services

£ million	**Third Quarter**			**Year to Date**		
	2010	**2009**	***change***	**2010**	**2009**	***change***
At 2009 constant exchange rates:						
Revenue	**140.3**	131.3	*6.9%*	**407.8**	411.3	*(0.9%)*
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets[1])	**6.8**	5.7	*19.3%*	**16.7**	13.4	*24.6%*
At actual exchange rates:						
Adjusted operating profit (before one-off items and amortisation & impairment of intangible assets[1])	**6.7**	5.7	*17.5%*	**16.6**	13.4	*23.9%*

[1] Other than computer software

Market conditions remained challenging in Q3. For the first time this year, however, quarterly revenue grew year on year by 6.9%, largely due to the contribution of Knightsbridge Guarding, acquired in June. Excluding Knightsbridge, revenue was marginally below last year, the result of new contract wins offsetting contract losses in late 2009. Adjusted operating profit grew by 19.3% (14.0% excluding Knightsbridge), reflecting actions taken in H2 2009 to streamline the business and the turnaround in the Retail and Window Cleaning businesses.

Cleaning revenue fell by 1.7%, a significant improvement on H1's decline of 5.2%. This is due to the contribution from the London Underground contract and contract losses in H1 2009 dropping out in H2. Profit rose 18.1% following the successful restructuring of the Retail and Window Cleaning operations.

Catering revenue grew by 12.3% reflecting the start of a significant new contract in Q3. Profit grew by some 150% due to revenue increases, better food purchasing and improved profitability on schools catering contracts during the summer close period.

Hospital Services revenue declined 3.5% due to the loss of three large hospital contracts in 2009. Profit fell by 6.7% but is expected to be fully recovered in Q4.

Knightsbridge performed very well in its first full quarter, winning a new integrated services contract alongside the Cleaning business. We see great potential for further gains through cross-selling activities across the existing portfolio.

Peter Lloyd, Divisional Managing Director, retired in September and was succeeded by Mike Brown, formerly Group Director of Operations of Serco. Under his leadership the Division is being restructured to improve operating efficiency and drive growth. Implementation is under way and expected to be completed by January 2011.

Central Costs

£ million	**Third Quarter**			**Year to Date**		
	2010	**2009**	***change***	**2010**	**2009**	***change***
At 2009 constant exchange rates:						
Central costs	**(7.5)**	(9.4)	*20.2%*	**(29.3)**	(35.0)	*16.3%*
At actual exchange rates:						
Central costs	**(7.5)**	(9.3)	*19.4%*	**(29.3)**	(35.0)	*16.3%*

Year-to-date central costs are £5.7m lower than last year. This now excludes £3.5m of costs incurred year to date associated with Programme Olympic which have been classified as one-off items.

One-Off items

Details of one-off items incurred in the period, for which adjustments have made, 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, acquisition costs and the profit or loss on the disposal of businesses. 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. In the first nine months these amounted to £22.9m (2009: £19.9m) and represent the reorganisation of Textiles and Washrooms plants in Europe, the loss on sale of the Spanish Textiles business, the costs associated with programme Olympic, the creation of shared service centres in Europe, impairment of the City Link hub and other reorganisation costs associated with the continued integration of the City Link and Target Express businesses.

Interest

Net interest payable of £41.3m at actual exchange rates was £5.5m lower than in 2009. Lower interest rates reduced the overall charge by £11.3m and lower average net debt by another £2.0m. These benefits were partly offset by higher net pension costs of £4.1m, year-on-year mark to market changes of £2.0m and £1.7m of foreign exchange movements and other items.

Discontinued non-trading activity

We have received notification of the liquidation of a company which was previously a subsidiary of BET plc. This non-core company was sold by BET plc prior to its acquisition by Rentokil Initial in 1996. BET Limited (formerly BET plc) - a current subsidiary of Rentokil Initial plc had made certain guarantees in respect of the company's obligations under a leased property. The landlord of that property has now requested that BET, as guarantor, must pay rents and other sums due under that lease. The lease has an unexpired term of 10 years with gross obligations amounting to £3.2m per annum.

Although we are still investigating the circumstances surrounding the claim, it is possible that we may have to make a provision for the potential liability in quarter four of this year.

Net debt and cash flow

£ million at actual exchange rates	Year to Date		
	2010 Q3 £m	2009 Q3 £m	*Change £m*
Adjusted profit before amortisation[1], interest and income tax	**172.1**	148.8	*23.3*
One-off items	**(22.4)**	(19.8)	*(2.6)*
Depreciation	**159.9**	162.3	*(2.4)*
Other non-cash	**10.7**	6.7	*4.0*
EBITDA	**320.3**	298.0	*22.3*
Working capital	**(62.6)**	52.1	*(114.7)*
Capex - additions	**(133.8)**	(138.9)	*5.1*
Capex - disposals	**10.7**	9.7	*1.0*
Operating cash flow	**134.6**	220.9	*(86.3)*
Interest	**(42.7)**	(56.1)	*13.4*
Tax	**(26.5)**	(8.3)	*(18.2)*
Free cash flow	**65.4**	156.5	*(91.1)*
Acquisitions/disposals	**(5.5)**	(10.9)	*5.4*
Foreign exchange translation and other items	**35.4**	46.5	*(11.1)*
Decrease in net debt	**95.3**	192.1	*(96.8)*
Closing net debt	**(1,012.8)**	(1,170.1)	*157.3*

[1] Other than computer software.

Operating cash flow continues to be strong with a year to date conversion rate of 101.4% after adjusting for one-off cash flows of £39.9m. Despite this strong performance, operating cash flow was £86.3m lower than 2009 due to lower inflows from working capital partly offset by higher EBITDA and lower net capital expenditure.

Inflows from working capital were £114.7m lower than last year due to lower debtor inflows (2009 benefiting from unusually high debtors at the end of 2008) and the spend against restructuring provisions made in 2009. EBITDA was £22.3m higher than last year due mainly to improved trading performance. Lower capital expenditure amounted to £6.1m, mainly in Textiles and Washrooms.

Tax and interest payments (including finance lease interest) were £4.8m higher than last year with 2009 benefiting from tax repayments not repeated in 2010. Lower interest payments reflected lower debt, interest rates and the timing of payments under various facilities. Free cash flow was therefore £91.1m lower than last year at £65.4m inflow.

Acquisition and disposal cash flows (acquisition of Knightsbridge Guarding, acquisition of the dental reclamation business in Sweden and the disposal of the Textiles business in Spain) amounted to a £5.5m outflow. Foreign exchange translation and other items reduced net debt by £35.4m, leaving net debt at £1,012.8m at 30 September 2010.

Appendix 1

ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

3 Months to 30 September 2010

£m at constant 2009 exchange rates	1.7.10	New Business / Additions	Terminations/ Reductions	Net Price Increases	Acquisitions /(Disposals)	30.9.10	30.9.10 at actual exchange
Textiles & Washroom Services	**742.1**	**38.3**	**(35.8)**	**(1.2)**	**(17.7)**	**725.7**	**701.1**
Pest Control	**390.0**	**15.8**	**(15.5)**	**0.9**	**-**	**391.2**	**392.6**
Asia Pacific	**152.4**	**7.7**	**(6.4)**	**0.6**	**-**	**154.3**	**173.2**
Ambius	**94.5**	**3.1**	**(3.5)**	**0.1**	**0.3**	**94.5**	**95.1**
Facilities Services	**535.8**	**20.3**	**(33.7)**	**1.3**	**(0.1)**	**523.6**	**521.3**
TOTAL	**1,914.8**	**85.2**	**(94.9)**	**1.7**	**(17.5)**	**1,889.3**	**1,883.3**

9 Months to 30 September 2010

£m at constant 2009 exchange rates	1.1.10	New Business / Additions	Terminations / Reductions	Net Price Increases	Acquisitions /(Disposals)	30.9.10	30.9.10 at actual exchange
Textiles & Washroom Services	**757.5**	**124.0**	**(134.3)**	**(3.6)**	**(17.9)**	**725.7**	**701.1**
Pest Control	**387.0**	**46.5**	**(48.5)**	**5.6**	**0.6**	**391.2**	**392.6**
Asia Pacific	**149.1**	**22.1**	**(18.4)**	**1.5**	**-**	**154.3**	**173.2**
Ambius	**95.8**	**9.3**	**(11.7)**	**0.8**	**0.3**	**94.5**	**95.1**
Facilities Services	**467.9**	**86.3**	**(69.3)**	**4.1**	**34.6**	**523.6**	**521.3**
TOTAL	**1,857.3**	**288.2**	**(282.2)**	**8.4**	**17.6**	**1,889.3**	**1,883.3**

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 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.

Divisional Analysis (at constant exchange rates)

	3 months to 30 September 2010 £m	3 months to 30 September 2009 £m	**9 months to 30 September 2010 £m**	9 months to 30 September 2009 £m
(at 2009 constant exchange rates)				
Revenue				
Textiles & Washroom Services	**211.6**	214.8	**635.1**	642.3
Pest Control	**135.3**	135.1	**387.3**	388.7
Asia Pacific	**48.0**	49.8	**143.2**	153.2
Ambius	**26.3**	27.2	**80.4**	86.2
City Link	**80.8**	85.1	**247.9**	252.2
Facilities Services	**140.3**	131.3	**407.8**	411.3
Segmental revenue	**642.3**	643.3	**1,901.7**	1,933.9
Inter group trading	**(14.6)**	(16.2)	**(44.2)**	(48.5)
Continuing operations at constant exchange rates	**627.7**	627.1	**1,857.5**	1,885.4
Exchange	**(5.4)**	(4.5)	**(3.4)**	(2.2)
Continuing operations at actual exchange rates	**622.3**	622.6	**1,854.1**	1,883.2

	3 months to 30 September 2010 £m	3 months to 30 September 2009 £m	**9 months to 30 September 2010 £m**	9 months to 30 September 2009 £m
Adjusted operating profit				
Textiles & Washroom Services	**34.8**	35.7	**94.0**	90.2
Pest Control	**30.0**	26.6	**74.7**	65.9
Asia Pacific	**5.7**	7.1	**18.7**	19.4
Ambius	**1.4**	1.4	**3.7**	3.8
City Link	**(1.3)**	(1.3)	**(6.0)**	(8.3)
Facilities Services	**6.8**	5.7	**16.7**	13.4
Central Costs	**(7.5)**	(9.4)	**(29.3)**	(35.0)
Segmental profit	**69.9**	65.8	**172.5**	149.4
One-off items (Appendix 4)	**(4.6)**	(5.7)	**(22.9)**	(19.9)
Amortisation of intangible assets[1]	**(13.2)**	(14.2)	**(40.0)**	(42.9)
Impairment of goodwill	**-**	-	**-**	(3.9)
Continuing operations at constant exchange rates	**52.1**	45.9	**109.6**	82.7
Exchange	**(1.1)**	(0.1)	**(1.1)**	(0.4)
Continuing operations at actual exchange rates	**51.0**	45.8	**108.5**	82.3

[1] other that computer software

Divisional Analysis (at actual exchange rates)

	3 months to 30 September 2010 £m	3 months to 30 September 2009 £m	**9 months to 30 September 2010 £m**	9 months to 30 September 2009 £m
(at actual exchange rates)				
<u>Revenue</u>				
Textiles & Washroom Services	**201.5**	212.7	**614.5**	640.9
Pest Control	**134.6**	133.4	**388.1**	389.6
Asia Pacific	**54.4**	49.9	**160.9**	151.2
Ambius	**26.2**	26.6	**80.9**	86.7
City Link	**80.8**	85.1	**247.9**	252.2
Facilities Services	**139.4**	131.2	**406.0**	411.2
Segmental revenue	**636.9**	638.9	**1,898.3**	1,931.8
Inter group trading	**(14.6)**	(16.3)	**(44.2)**	(48.6)
Continuing operations at actual exchange rates	**622.3**	622.6	**1,854.1**	1,883.2
<u>Adjusted operating profit</u>				
Textiles & Washroom Services	**33.2**	35.3	**90.9**	89.9
Pest Control	**29.8**	26.4	**74.7**	65.9
Asia Pacific	**6.6**	7.2	**21.4**	19.0
Ambius	**1.5**	1.4	**3.8**	3.9
City Link	**(1.3)**	(1.3)	**(6.0)**	(8.3)
Facilities Services	**6.7**	5.7	**16.6**	13.4
Central Costs	**(7.5)**	(9.3)	**(29.3)**	(35.0)
Segmental profit	**69.0**	65.4	**172.1**	148.8
One-off items (Appendix 4)	**(4.4)**	(5.6)	**(22.4)**	(19.8)
Amortisation of intangible assets[1]	**(13.6)**	(14.0)	**(41.2)**	(42.7)
Impairment of goodwill	**-**	-	**-**	(4.0)
Continuing operations at actual exchange rates	**51.0**	45.8	**108.5**	82.3

[1] other than computer software

One-off Items

	3 months to 30 September 2010 £m	3 months to 30 September 2009 £m	**9 months to 30 September 2010 £m**	9 months to 30 September 2009 £m
Textiles & Washroom Services	**-**	(3.2)	**(7.8)**	(13.2)
Pest Control	**(0.2)**	(0.3)	**(1.3)**	(0.3)
Asia Pacific	**0.3**	(0.2)	**0.3**	(0.2)
Ambius	**-**	(0.1)	**-**	(0.2)
City Link	**(0.8)**	(1.0)	**(9.7)**	(2.0)
Facilities Services	**(0.4)**	(0.6)	**(0.9)**	(0.6)
Central Costs	**(3.5)**	(0.3)	**(3.5)**	(3.4)
At constant exchange rates	**(4.6)**	(5.7)	**(22.9)**	(19.9)
Exchange	**0.2**	0.1	**0.5**	0.1
At actual exchange rates	**(4.4)**	(5.6)	**(22.4)**	(19.8)

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, acquisition costs and the profit or loss on the sale of businesses. 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 amounted to £22.9m (2009: £19.9m) and represent the reorganisation of Textiles and Washrooms plants in Europe, the loss on sale of the Spanish Textiles business, the costs associated with programme Olympic, the creation of shared service centres in Europe, impairment of the City Link hub and other reorganisation costs associated with the continued integration of the City Link and Target Express businesses.