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PRESENTATION

Alan Brown *- Rentokil Initial plc - CEO*

Morning, everyone. Thank you very much for coming to Rentokil Initial's interim results presentation.

(technical difficulty) before I hand over to Jeremy, highlights are that we have seen revenue growth in all categories, despite challenging markets; up 2.9%, of which about 1.3% is organic growth, adjusting for the reduction in scale of our Spanish FM business.

Acquisitions are all performing well, contributing about 2% to the revenue increase.

City Link recovery plan is progressing in line with the expectations we outlined earlier on this year. We have seen revenue up 5%, volumes up about 14%. And we've got an 18% reduction in operating loss, and we would expect to see further reduction in losses, year on year, in Q3 and into profitability in Q4. And I think if we get that, then we'll be pretty confident of getting into profit for the year as a whole in 2013.

Further expansion of our Pest Control footprint during the quarter. We've made some further entries into South America, with a small acquisition in Brazil complementing that in Mexico late last year. And we've now got a toehold in the Middle East, as well as our recent acquisitions in Turkey. And we continue to fill out our footprint in North America. And, as I will comment on later, I am pleased that the pipeline for the rest for the year in acquisition looks very strong.

With that, I'll hand over to Jeremy to talk you through the financial results.

Jeremy Townsend *- Rentokil Initial plc - CFO*

Thank you, Alan. I'll now run through the key financial highlights for the first half. Unless I state to the contrary, all numbers are at a constant rate of exchange.

Revenue in the first half grew by 2.9%, with organic growth of 1.3%, excluding Initial Facilities' Spanish business.

Adjusted profit before interest for the half was down 0.6%, with growth in Textiles & Hygiene and Initial Facilities offset by slightly higher losses in City Link and increased central costs.

Adjusted profit after interest at actual exchange rates was the same as 2011, with reduced interest costs offset by adverse exchange movements.

And operating cash flows of GBP20.8 million were slightly below last year.

Drilling into the financials in a bit more detail, excluding Initial Facilities in Spain, each of the divisions achieved growth of 3% or more. Organic growth was 1.3% in the half, although Q2 was weaker than Q1, reflecting weaker market conditions.

Our recent acquisitions continue to perform well, and the net impact of acquisitions and disposals contributed 2.1% of revenue growth.

Adjusted operating profit of GBP87.3 million; with increased profits in Textiles & Hygiene of GBP3.6 million, offset by an increase in central costs of GBP4.4 million.

One-off and restructuring costs were around GBP15 million, including a GBP3 million charge relating to backdated compensation payments in Australia.

And cost savings of GBP22 million were achieved, and we remain on target to exceed our GBP50 million target for the year.

Looking now at performance by division, revenue in the Textiles & Hygiene division was up 3.3% in the first half; 1.5% on an organic basis. There were strong performances in Germany, France and Benelux, albeit growth was slower in Q2 than in Q1.

Profit performance was driven by the continued turnaround of the Benelux business, with profits up by GBP3.4 million in the half. Excluding Benelux, profits in the division were in line with 2011, with declines in the Medical businesses offsetting gains elsewhere. The UK Medical business was particularly hit by cutbacks in the NHS in quarter 1, but the situation has stabilized in quarter 2.

The Pest Control division achieved revenue growth of 3%, with organic growth of 1.3%. Performance was polarized between strong growth in North America and most Northern European countries, but with weaker revenues in Southern Europe and the UK Hygiene business.

Profits were down 0.9%, reflecting weaker margins in Southern Europe.

The Ambius division has now been merged into the Pest Control division and its performance is incorporated within the division's figures. Revenues and profits for the businesses transferred into the division were broadly in line with last year.

In Asia, revenue growth continues to be strong; up 8.6% on an organic basis, driven by strong performance in the established markets of Singapore and Malaysia, and supported by growth in the emerging businesses, with 20% growth achieved in China and 30% in India, albeit from a small base.

Profit growth was 26% in the half, but driven in part by weak comparatives in the first half last year.

City Link incurred losses of GBP18.5 million in the first half on revenues up GBP5 million, or 3.5%. The revenue increase, as Alan said, was driven by increased volumes of 14%, offset by a reduction in revenue per consignment of 9%, due to an increase in the mix of larger B2C customers.

A good start has been made to the recovery plan, with the implementation of new volume-based driver contracts supporting a significant reduction in direct delivery costs. Cost savings have also been delivered in trunking and property costs.

The business is well prepared for the Olympics. There has been minimal impact to date from congestion. However, initial indications are that sales volumes have been adversely affected by the tournament.

Assuming that the current slowdown is a temporary issue, we expect further improvements in financial performance in Q3 and a small profit in Q4.

Turning now to Initial Facilities, the division has continued to trade strongly, despite continuing difficult trading conditions. Revenue was up by 3.7% in the first half, excluding Spain, largely due to the Santia and MSS acquisitions. Excluding acquisitions in Spain, organic growth was marginally down 0.4%.

Profits were up 8.7%, reflecting margin improvement, cost-saving reductions and the acquisitions noted above. Mike, Guy and the team will provide more insights shortly.

Interest costs were GBP5.7 million lower than the previous year, driven mainly by movements on pension scheme interest. Adjusting for this, underlying interest was slightly below the prior year, reflecting reduced average net debt levels.

Operating cash flow of GBP20.8 million in the first half was slightly below last year, with EBITDA, working capital and net CapEx all broadly in line with 2011. I expect the rate of CapEx to pick up in the second half as investment in IT expenditure on Project Olympic ramps up.

Net debt increased by GBP41 million to GBP960 million in the half. The increase is seasonal and was GBP30 million lower than the increase in the first half of 2011, due to the phasing of cash tax payments, lower expenditure on acquisitions and favorable foreign exchange movements. These were offset by increased payments into the pension scheme.

We have a number of bonds maturing and potentially maturing over the next 18 months, including a GBP75 million puttable bond, which potentially matures in August 2013; a GBP50 million sterling bond, maturing in September 2013; and a GBP500 million Eurobond, which matures in 2014. We are currently reviewing how best to refinance these bonds.

Given the pre-funding requirements of the rating agencies, there is a risk that our blended rate of interest will increase in late 2012 and 2013, due to increased carry costs, and we are looking at various options to mitigate this.

I also note that we have a strong acquisition pipeline, which will increase net debt and interest charges if the opportunities are realized.

Before I hand back to Alan, here are some numbers for your models in relation to the second half.

As I've said previously, given progress made year to date, we are on track to exceed our cost-savings target of GBP50 million.

Central costs are estimated at GBP52 million for the year, reflecting increased investment in Program Olympic and the creation of a central marketing and innovation function.

Given that the majority of our debt has a fixed rate of interest, I would expect the same interest rate in the second half as in the first half, subject to any refinancing or M&A, as I've previously discussed.

The rather esoteric pension interest benefit of GBP12.3 million is now firmed up for the year. We are considering stripping this out of underlying earnings in 2013 and will provide an update in due course once we've clarified what we're planning to do with that one.

The declining euro exchange rate has had a significant impact on operating profit in the first half and is anticipated to do so in the second half as well. At the current rate of around EUR1.27 to GBP1, the adverse exchange rate impact for the year is estimated at around GBP15 million.

Cash CapEx guidance remains at GBP220 million to GBP240 million, with the rate of expenditure anticipated to ramp up in the second half.

The half-year adjusted effective tax rate of 24.6% is based on our estimated tax rate for the year as a whole and, hence, I would not anticipate any change in the second half at this stage. I expect the cash tax rate to be in line with the effective tax rate for the year, with the phasing of payments weighted towards the second half.

And, finally, we have declared an interim dividend of 0.67p per share and we will look at any opportunity to grow the final dividend based on performance in the second half.

Thank you very much. I now hand back to Alan.

Alan Brown - *Rentokil Initial plc - CEO*

Thanks, Jeremy. I'm going to give a fairly brief update today, given that we're swinging into the IF Seminar straight after Q&A.

We set ourselves four objectives for 2012; turnaround of City Link; big improvement in customer care; focus on cost savings; and, of course, pursuit of our growth agenda.

I'm not going to talk about cost saving any further than Jeremy already has done, but I am going to touch on the other three points fairly briefly.

So turnaround of City Link, as I remarked earlier, we already committed to getting 70% of our initiatives in place by the half year. We have about 20 initiatives in the business and we've picked out five of them, five really important ones, on this chart. And we've made pretty good progress here.

New management team is in place, new Managing Director, David Smith from Parcel Force, the CFO from Parcel Force, the Operations Director, surprise, surprise from Parcel Force, and we've got some other new members in the senior team as well. And they're all in and contributing very strongly.

We were able to put through some price increases in the beginning of Q2 and they have been executed well.

The big contributor to the turnaround this year is the move to paying owner drivers on the basis of parcels delivered rather than on days worked, and that has now been largely implemented. We had a few bumps on the road in Q2, as we were doing it, but it is now going pretty well and we're now very close to the target cost rates we set ourselves for that final mile delivery, which is the biggest part of our cost base.

Linehaul efficiency is related to the costs of the regional and central warehouses, plus the trunking fleet. We're a bit behind in that, but that is a smaller contributor to the overall turnaround and productivity this year than the owner-driver initiative, and we hope to catch that up by the time we get to October.

Centralization of our customer care initiative. We made a big investment November last year in customer care in each depot. We're now central -- we're now forming a series of regional customer care operations rather than having customer care in every depot, which is driving significant overhead savings, and that is on target.

So, overall, in City Link, the underlying initiatives are going well. If I look at the risks going forward in the business over the next three to six months, we believe that the productivity agenda is on track and we'd be reasonably confident that we will meet the productivity targets we set ourselves.

If we look at the assumptions made on new business for the rest of the year, that's pretty well signed up and that looks fairly robust.

The area which I think is a little less certain is the general economic outlook and, indeed, the rate of customer attrition.

We certainly have seen volumes down over the last 10 days by about 5% to 10%, but we do anticipate that that is a very specific issue related to the general attention of the British population generally on the Olympics and we very much hope that things will pick up again once we are through the next 10 days or so.

Really, you could actually pinpoint the day on which the volume went down to the announcement of the Olympic route network taking place in London. It was that Wednesday before the Games started that we started to see volume decline. But, as I said, we're reasonably confident that will pick up again once we get through this period.

Now, on customer care, you are probably aware from previous presentations that we place a lot of emphasis on what is known in the industry at net promoter score. It's a research mechanism where we take a dipstick of what our customers are thinking of us. We call this, internally, Customer Voice Counts, but it uses the net promoter score methodology, which is used quite widely across the service industry.

And what we have seen is, partly because we've made improvement in Customer Voice Counts in part bonusable for the senior management teams, we have seen some good improvements in the scores over the first six months of 2012 compared to the last six months of 2011.

So really right across the Group, with the exception of Ambius, we have seen our Customer Voice Counts scores moving in the right direction. These scores are carried out, for the greater part, by a third party, so they're independent of our management teams. And we think they give a pretty objective view of what the world is thinking of us.

I haven't shown here the underlying scores; they require quite a bit of interpretation. But, in general, our Pest division would have very high underlying scores, and we'd expect the rate of improvement in Pest to be relatively modest because they're already at a very, very high level.

The areas where we would be looking for more significant improvement would be in City Link and would be in the Textiles & Hygiene area, where we've got a lot more to do. But, overall, we're pretty pleased at the general rate of progress we're making.

Our growth agenda is supported by the commencement of the global Marketing and Innovation team, under the leadership of Xuemei Bennink-Bai, who continues to run Asia as well as looking after the global team.

We've got a number of initiatives underway. I have outlined these to you before. I would really emphasize the importance of these initiatives and the impact they're going to have on the business will be primarily in 2013, as they begin to gain traction. And they will, in particular, benefit the Hygiene business across the world.

So we would expect to see some significant impact coming from these initiatives when we get to about Q2 next year.

Now, the initiatives we've already taken are continuing to give us a pretty consistent improvement in organic growth. This chart we showed you at the year end and we gave you an update at the end of the first quarter. And I think we see here a pretty consistent trend emerging, where we're seeing our organic growth rates growing half year by half year pretty steadily.

This chart shows that we grew by 0.8% in the first half of 2012. This actually includes the adverse effect of the Spanish FM business. If we exclude that, and, as I said earlier, we are deliberately reducing the scale of that business, the rate of increase would have been 1.3% in half 1 2012.

So I think the second half of the year is going to be tougher, I have to say, given the economic conditions we are currently experiencing. But we're still looking for some further modest improvement as the year progresses.

Just moving now to touch briefly on acquisitions, which are an important contributor to our growth agenda. I think you know most of this already.

Our core focus is on Pest, generally, of course, and in particular regions; North America and Latin America. And we're also looking to expand our presence in the Middle East, North Africa and Turkey. And that is where we are reasonably hopeful of landing some more opportunities in the second half of the year.

If you look at what we've achieved so far, you can see that we are being consistent with the strategy we outlined. We've announced a couple of small deals, again, in North America; Jones Pest Control and Braemar.

And we are pleased to have been able to find an opportunity in Brazil, which is a very, very difficult market to acquire, and we've had many targets that we've looked at and have fallen through for various reasons. So we're delighted to have been able to acquire the number 3 brand in Brazil.

And we've got a very small acquisition in Abu Dhabi and Dubai, but we'd expect there will be more to come on that market as well, as the year progresses.

So let me then finish with a quick wrap up and give you the outlook for the second half of 2012.

Very challenging market conditions in Southern Europe; Spain, Portugal and Greece really, really suffering; Italy doing a little bit better, I have to say amongst that group.

Softening conditions in Northern Europe; Germany was more difficult in Q2, although it did, I must say, pick up a bit again for us in June. And the UK market continues to be really quite tough.

But we are pleased that we've got growth in pretty well every category, despite that. Pest, Hygiene, Textile, Facilities Management all are looking reasonably okay for the second half year. FM perhaps a bit stronger, as you'll hear shortly.

On City Link, which, of course, is really a key to our turnaround in 2012, we are confident about the productivity agenda and we are hopeful that we will see material improvement in half 2.

Our cost savings are likely to exceed the GBP50 million target we set ourselves, linked to the City Link profit improvement, of course.

And the operational excellence agenda, including Program Olympic, including the Marketing and Innovation function are, I think, a sign of our underlying commitment to growth going forwards. And we would expect that, though there is some cost of these initiatives in 2012, the contribution that these initiatives will make in the second half of this year, but particularly in 2013, will be significant.

So, with that, I and Jeremy would be delighted to take any questions you might have. Please?

QUESTIONS AND ANSWERS

Rob Plant - *JPMorgan - Analyst*

It's Rob Plant from JPMorgan. Two questions, please. You said that City Link should return to profit in Q4. I assume it should return to profit because that's your busiest period with Christmas. How confident are you that, for 2013 as a whole, it will return to profit?

And secondly, Project Olympic; has Lord Coe been on to you about the use of the word Olympic? (laughter)

Alan Brown - *Rentokil Initial plc - CEO*

On City Link, I'm pretty sure that if we got into profit in Q4, then we're set fair, going forward. We're really pretty sure about that. The productivity is improving at a really good clip now. And the economics of the business, I think, then become pretty assured if we're able to deliver Q4.

Going forward, I think, given that we'd have the cost base pretty well sorted, I think then the level of profitability the business can attain is very much driven then by the customer mix.

And I think in the medium term, there is more work to be done on the customer mix. We've not done as well as we should have done with small customers. And that has been an ongoing weakness in the business over a number of years, really stemming back to the time that the business moved away from the franchise operators, who did look after the small customers quite well.

So I think there's more work to be done there. But I think, given the underlying economics of the business, and given the underlying efficiencies that we're achieving or expect to achieve in Q4, we'd be pretty confident that 2013 would be profitable.

With regard to Lord Coe, no he hasn't called me yet. I don't think he sees me as any great candidate for Team GB. (laughter) As we saw yesterday in the rowing, there's still some time for some of the old men around the place to make a contribution.

David Brockton - *Espirito Santo - Analyst*

It's David Brockton from Espirito Santo. I was just wondering if I could pick up on the softening in growth for Pest and Textiles through the quarter. I was just wondering if you can break it out, potentially month by month, just so we can understand the phasing of that. And is it worsening month on month, and potentially early indications for July?

Jeremy Townsend - *Rentokil Initial plc - CFO*

So, the -- in our businesses we pretty much saw it from April onwards. It's been reasonably steady. There's been a couple of potentially contributing factors in Europe around Bank Holidays and the like, but -- and the weather, particularly Northern Europe, for Pest Control and the UK -- anybody who's been in the UK the last three months will realize it's not been great for pests.

So there have been contributing factors, but, having said that, what we have seen is a steadily slowing across all of our geographies, which tells you there has been some economic slowdown. And it's been steady throughout the three months. Going into July --

Alan Brown - *Rentokil Initial plc - CEO*

July's been -- the dipstick tests I've taken have been actually okay. UK has been quite strong in July, as it happens. Germany's been okay. So I wouldn't, apart from City Link, I wouldn't say that we've seen any great softening in July, further softening.

Jaime Brandwood - *UBS - Analyst*

It's Jaime Brandwood from UBS. Just wanted to start with a couple of questions on City Link. I think you mentioned the Customer Voice Count there had improved; yet, at the same time, that you were a little bit concerned about attrition. I'm just wondering what the issue around attrition is if your Customer Voice Count is improving?

Alan Brown - *Rentokil Initial plc - CEO*

I am not saying that the Customer Voice Counts score is at all satisfactory, Jaime; it's not satisfactory. But it's going in the right direction.

We're giving very good service to our large customers, no doubt about that. And we've won a lot of large customer business; Marks and Spencer's, John Lewis, Direct Lines. And our business with those customers is growing.

But our account management and our service consistency to the small customers is not good enough. We know that, and we need to sort that out. We've really had to focus on the essentials, and we're really working from the top down. I think we've now really got some really good account management and good service to big customers. We're now trying to roll that agenda down the organization, but it will take time. It's absolutely number 1 on David's agenda at this particular moment.

Jaime Brandwood - *UBS - Analyst*

And then you talked about the price increase at, again, at City Link and I think there was a number on the slide of GBP4.9 million. Is that actually a benefit that you're expecting to accrue in the second half, or have those price increases not yet stuck? So is that on the scenario that the price increases stick or have the price increases already stuck?

Alan Brown - *Rentokil Initial plc - CEO*

We've had about three months benefit, in the first half year, from those price increases. (multiple speakers). Yes, absolutely.

Jaime Brandwood - *UBS - Analyst*

Okay, great. And then a couple of financial questions. The cost savings, the GBP50 million plus for the year, I think you've delivered GBP22 million in the first half. I don't know if those two numbers are comparable, if they're on the same basis, but when you talk about what's left now for the second half, so GBP28 million plus, should we think about that as a sort of year-on-year reduction in your cost base, everything else being equal? Or how should we think about what's left?

Jeremy Townsend - *Rentokil Initial plc - CFO*

So these are gross cost savings prior to inflation, so there'll be an adverse inflation impact.

The GBP22 million is actually slightly ahead of where you'd expect to be to deliver GBP50 million in the year, because you start off on day one putting the projects through. So we're reasonably pleased with the level of progress we're making.

But I think, all in all, Jaime, what we'd anticipate is you'd like to think with that second-half improvement that there's an opportunity for some slight margin improvement in the second half, everything else being equal.

Jaime Brandwood - *UBS - Analyst*

You're certainly talking about from a year-on-year perspective, greater level of cost-saving benefit in the second half than in the first half?

Jeremy Townsend - *Rentokil Initial plc - CFO*

That's absolutely right. Yes, that's absolutely right.

Jaime Brandwood - *UBS - Analyst*

And then just on free cash flow. It's looking the way the year is tracking so far like free cash --

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Alan Brown - *Rentokil Initial plc - CEO*

Sorry, can I just -- just really on that point, we've lost GBP18 million in the first half in City Link. And we would expect the second half we're not going to be far away from breakeven. The cost savings are one of the key contributors to that.

Jaime Brandwood - *UBS - Analyst*

And other than City Link, is there anywhere else where you're incrementally quite positive on bigger cost savings in the second half versus the first half?

Jeremy Townsend - *Rentokil Initial plc - CFO*

Two areas. So I think Guy will talk more to the fantastic work that the IF team are doing in terms of driving cost saving into the Initial Facilities. And Textiles & Hygiene, there's some quite big structural projects driving savings there.

Alan Brown - *Rentokil Initial plc - CEO*

But the rest of the Group is probably equivalent to City Link, to give you some sense of perspective on that.

Jaime Brandwood - *UBS - Analyst*

And then just lastly on free cash flow, it's looking the way the year is tracking like free cash flow is probably going to come in well under GBP100 million for the year as a whole. I think you were at GBP65 million of free cash flow last year.

What are the prospects for a more substantial improvement in free cash flow in FY '13? What levers can you pull on working capital? Or can CapEx start to normalize? Or any other things that we should think about?

Jeremy Townsend - *Rentokil Initial plc - CFO*

I would expect CapEx to remain at relatively high levels as we continue to deploy Olympic, and we've got continued investment opportunities there. So I wouldn't see CapEx coming down in 2013. And working capital I would expect to be in the same line.

What will drive an improvement in cash flow is if we deliver profitability into City Link, as clearly there's a big delta there in terms of the EBITDA.

Jaime Brandwood - *UBS - Analyst*

Thanks very much.

Alan Brown - *Rentokil Initial plc - CEO*

Just on the CapEx side, to state the obvious, by far the greatest part of our CapEx is in our Textiles business, so we have a natural hedge. If the euro was down the CapEx would go down as well.

David Hancock - *Morgan Stanley - Analyst*

It's David Hancock from Morgan Stanley. First one is on acquisition activity. We've clearly seen a bit of a step up in activity already this year. How much of that is being driven by the number of opportunities picking up? And how much of it is you pushing that agenda harder?

And then, in terms of pipeline, you talk about the quality and quantity improving; and you touched on financing and thoughts around that, given the pipeline. Could you give us a sense of what the kind of scale of deals might be that you have in the pipeline, and how ready you think the business is to integrate larger businesses?

Alan Brown - *Rentokil Initial plc - CEO*

Yes. I think what is driving the acquisition agenda is that there are a number of really interesting regional businesses, that may be regions in a large country or actually regions in a European context, who are seeing that they have to be part of a larger organization longer term, to be able to keep

-- being just on a regional basis would limit them. And they are looking for the opportunity to join a larger group. I think that's really what's driving it, David.

And the opportunities that we have, if I look at a pipeline in terms of, let's say, those where the probability is more than 50%, would be in the region of GBP100 million in the second half of the year.

So it is a substantial step up from where we've been, and, of course, we would only be looking at investment of that magnitude if it was absolutely core to our Group, and was absolutely core to strategies we have really outlined.

And I can assure you that the deals that are in that pipeline, if anyone had attended and even been half awake at our investor seminars over the last six months, they wouldn't be at all surprised at the specific deals that we would hope to be able to announce the second half of the year.

David Hancock - *Morgan Stanley - Analyst*

Great, thank you. And then just a second one on Ambius and the integration of Ambius into the Pest business. How easy or difficult is that to execute? And how much would you expect to anticipate as benefits from either costs or from revenues of bringing the two together?

Alan Brown - *Rentokil Initial plc - CEO*

The integration in North America is one that we're sort of all over like a rash to make sure that goes smoothly, because that's the big one, of course; half of the Ambius business is in North America. We've put a lot of thought into that, and let's see how it goes, but I think we've been very thoughtful about it and I think it will work well.

We would, of course, hope to see some growth synergies in that, but the benefit in terms of cost synergies is in the region of GBP3 million, but that will accrue in 2013.

Jeremy Townsend - *Rentokil Initial plc - CFO*

I think when you look, David, when you look at the category growth in Ambius, we've delivered a reasonable amount of growth in the first half, and that's been in the Pacific region, and Ambius was actually integrated in the Pacific last year.

And what we've found is actually we've managed some reasonable top line growth and some really quite substantial cost savings by backing it together. So that's a good indication of what might be available there.

David Hancock - *Morgan Stanley - Analyst*

Thank you.

Alan Brown - *Rentokil Initial plc - CEO*

Any more for any more? Terrific. Thanks very much.

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