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PRESENTATION

Alan Brown *- Rentokil Initial plc - CEO*

Morning, everyone. Welcome to Rentokil Initial's Q3 interim management statement presentation. Jeremy and I are going to do a very, very short summary of results and then we will go straight in to the City Link investor presentation, led by David Smith and his team.

So highlights for Q3. We have experienced further softening of market conditions across Europe. Revenue growth across the Group has been limited to just over 2%; just marginally positive in terms of organic growth in the quarter. Nevertheless, Asia and North America continue to be reasonably buoyant.

City Link itself grew by 2.4% in the quarter and reduced operating losses by 19%. The recovery plan remains on track, though Q3 was held back by an adverse movement in customer mix, which David will talk about in some detail, and also we did experience a volume decline during the Olympic period; albeit the volume has recovered subsequently.

Acquisitions are performing well across the Group. We have had a number of bolt-ons in the course of this year; Turkey, Italy most recently, but Brazil, Middle East earlier on in the year. And we've made some good acquisitions in our UK FM business as well, which have performed particularly well.

And we continue to work towards completion of the acquisition of the Western Exterminator Company in California which, as you know, would really then give us coast-to-coast coverage in the US in pest control.

I'm just going to ask Jeremy to pop up to give you some more detail about the results and also talk about our financing, which has moved on quite a lot during the quarter.

Jeremy Townsend *- Rentokil Initial plc - CFO*

So, just as Alan said, just a little bit more color on the financials for Q3. Revenue is at 2.2% with organic growth of 0.2%; positive but had a bit of slowdown in the quarter with challenging European markets, both Southern and Northern.

All the divisions achieved positive growth; Initial Facilities of 5.3%; City Link up 2.4%; Pest Control, 2.1%; Textiles & Hygiene, 1.3%; and continued good growth in Asia at 4.2%.

And again, as Alan said, the acquisitions that we've made in 2012 and the 2011 acquisitions flowing through, continue to perform well, contributing GBP15 million, or 2.3%, of the revenue growth in the quarter.

The City Link operational recovery continues, as Alan said, with revenue up by 2.4%, but the adverse customer mix driving revenue per consignment down, with volumes up 15%.

The adverse customer mix and volume decline in the Olympics did impact Q3 performance, but, nevertheless, we achieved a 19% reduction in operating losses, driven by a 12% reduction in cost per delivery.

With the improvement in City Link operating losses, adjusted operating profit overall was up 3.9%. The benefit from City Link offset by some increase in central costs, reflecting our investment in marketing innovation and capability in general.

At an unadjusted level, profits were up 9.9% and 39.2% year to date, reflecting a reduction in amortization and interest charges.

And cost savings were GBP37.2 million year to date, and we're well on track to exceed our GBP50 million target for 2012.

As Alan said, I think it would be useful just to provide an update on where we are on financing.

Since the half year we've managed to raise EUR500 million in the market, at a very reasonable rate compared to our previous bond. The previous yield on the bond was 4.9% and the yield on this Bond is roughly 3.4%. Raising the bond has enabled us to cancel our GBP75 million puttable bond.

We incurred a cash loss on that transaction of GBP29 million, which will be treated as an exceptional item. But the bond was at 8.1% and that enables us to significantly reduce our underlying debt costs. So our underlying debt costs, as the chart shows, has now effectively reduced from 5.2% at the half year to 4.4%.

Unfortunately that benefit won't flow through immediately, and the reason for that is that we are pre-funding our March 2014 EUR500 million bond and will effectively have cash on the balance sheet, under the requirements of Standard & Poor's, for the next 15 to 18 months or so until we can settle the 2014 bond.

And the impact of that is in the short term that we'll have extra interest costs in 2012 in the region of GBP2 million. The 2013 is a little bit more difficult to estimate, partly because it depends on when we re-finance the remainder of the debt, but I'm estimating at the moment that will be in the region of GBP12 million or so, with an assumption that we'll re-finance the remainder of the debt in late 2012 or early 2013.

Beyond that, though, in 2014 onwards, everything else being equal, one would expect our underlying interest cost to reduce, given the lower inherent interest rates.

Just the other point to [five] on guidance, while we're in this zone, is 2013 interest charges will also depend on where the pension credit works its way through. We're looking at the treatment of the pension credit for 2013, whether we should treat that as an exceptional or not, but that item is subject to where yield rates and bond rates are at the end of 2012.

So we'll give more guidance on that, as well as the cash interest element, when we get to the prelims in February 2013.

Okay, so just to wrap up, I'll hand back to Alan who will look at the outlook.

Alan Brown - *Rentokil Initial plc - CEO*

So in summary, then, for Q4 we don't expect that you might anticipate any improvement in the European economic conditions over the last quarter. We also expect that the adverse customer mix that we've experienced in City Link over the last six months will carry through into Q4 and we now expect a loss in the region of GBP2 million for Q4 and City Link.

Full-year cost savings are slightly ahead of target. We'll probably exceed GBP50 million. We continue to invest in capability and in market position, and that's really driven through an optimism about our innovation agenda and, indeed, about further acquisition opportunities, particularly in Pests, flowing through over the next six to nine months.

So that is the background, I think, for our continued investment, albeit that we are cautious about trading conditions in Europe moving forward into 2013.

Overall, we anticipate further year-on-year improvement in profit performance at constant exchange rates for Q4.

So, with that, I think Jeremy and I would be happy to take any questions on the results and then we will start on the City Link presentation and there will be another opportunity for Q&A at the end of the morning. But let's take some questions on the results now.

QUESTIONS AND ANSWERS

Rob Plant - *JPMorgan - Analyst*

It's Rob Plant from JPMorgan. Two City Link questions. First of all, you're going to make a loss now in the crucial Christmas period. Does that change your view that you might make a profit in 2013?

And secondly, there has been some press spec that, with today's seminar, this could be a day when you announced possibly the sale or the disposal of City Link to management, or closing it down. What's your view on keeping, closing, selling City Link?

Alan Brown - *Rentokil Initial plc - CEO*

On 2013, Robert, we are forecasting break even for the year and I think that David will set out very clearly a road map to profitability in 2013 in the course of the morning, and then you can take your own judgment on the viability or otherwise of that. But we continue to pursue the operational excellence agenda for the business very strongly indeed.

This seminar, of course, is part of a series of seminars that we have conducted on the Rentokil Initial divisions over the last 12 months, starting with Pest, then we focused on Textiles, on the Facilities Management business and now on City Link.

And though we will probably not do one with the full-year results, given how busy you all are, and how busy we are, we will come back in Q1 with a further seminar on our Hygiene business. That will be, in effect, in May 2013. And that would pretty well, then, complete the cycle of business reviews.

So I think any speculation that there is going to be a major announcement about City Link's future this morning are misplaced completely. And I would certainly absolutely discount any prospect of closing the business down. That was never, certainly, on my thoughts. We continue to pursue the operational excellence agenda for the business.

As I have always said, with the entirety of our portfolio, if clearly an opportunity came up where we could streamline the portfolio to focus more on the Pest and Hygiene core of the business, then obviously we would look at that. But that is not what we're focusing on today. We're focusing very much on the operational excellence agenda for City Link.

Charles Wilson - *Goldman Sachs - Analyst*

Charles Wilson from Goldmans. I'm just following up from Rob's question. I had in the back of my mind, or I'd some recollection, that by the end of this year you'd make a strategic decision on City Link. Is that -- was I -- am I mistaken in that, or is that still the case?

Alan Brown - *Rentokil Initial plc - CEO*

Well, I think the strategic decision is very much that we would obviously like to pursue on our core portfolio. But, at the moment, we don't see an immediate prospect of being able to focus purely on Pest and Hygiene. We think there's more work to be done on City Link to get it in good order.

So what we are really pursuing very strongly is our continued mission to fix City Link. In the longer term, I think that City Link will be better to participate in a consolidation of the UK market. I'm quite clear about that. But, at the moment, I don't see an immediate prospect of that happening.

Tom Sykes - *Deutsche Bank - Analyst*

Tom Sykes from Deutsche Bank. Just on City Link, what is the revenue per consignment down by?

And then, ex-City Link, you talk about the year-on-year profit improvement in Q4, but what do you see happening, actually, organically and organically to the profitability of the business, excluding City Link, over Q4 and into the new year, please?

Alan Brown - *Rentokil Initial plc - CEO*

The detailed numbers on the City Link revenue per consignment will be shown very clearly in the charts which follow -- it's round about 10%.

With regard to organic progress in the last quarter, we would hope to see a marginal improvement in the underlying business. And I think that would be really a reflection of improvement in most of the operating divisions, but some further investment in central costs to support the innovation agenda, which, as I've said several times, I think is particularly powerful for 2013.

But we are having to invest to drive that innovation agenda, particularly for the Hygiene and Pest businesses.

Tom Sykes - *Deutsche Bank - Analyst*

And, as you move towards the end of the year, what's your view on total future potential cost savings of the Group? And what might we see in 2013?

Alan Brown - *Rentokil Initial plc - CEO*

We will come back and confirm that, but I wouldn't expect it would be less than the GBP50 million target we will achieve for this year -- 2013, but not less than the GBP50 million we're achieving in 2012.

Tom Sykes - *Deutsche Bank - Analyst*

Thank you.

Hector Forsythe - *Oriel Securities - Analyst*

Hector Forsythe, Oriel Securities. Just following through from that, exceptional costs, or one-off costs, have gone up to about GBP27 million so far this year. Where do you see it ending up in this year?

And, as you're talking about significant cost savings again next year, can you give an indication of what you might think the exceptional, the one-off items might appear for next year?

Jeremy Townsend - *Rentokil Initial plc - CFO*

My estimate for one-off costs in the current year would be somewhere between GBP30 million and GBP35 million. There was a particularly large one-off in the third quarter in Textiles & Hygiene around our reorganization of Benelux.

We're just in the planning process at the moment, 2013, so I'll be able to give you better guidance on one-offs for 2013 in February. But I would have thought it would be lower than the GBP35 million. I'd guide in the GBP20 million to GBP25 million level at this stage, but that's indicative, and we'll firm that up in due course.

Andrew Ripper - *BofA Merrill Lynch - Analyst*

Andrew Ripper from Merrills. Just thinking about the non-City Link businesses and momentum, and what you're trying to do for 2013. I note from the contract pool analysis there doesn't seem to be much incremental progress in terms of driving new business up, or terminations down. I appreciate it's a pretty tough environment to improve the growth profile.

Is there anything that you're doing internally in terms of the growth agenda, performance improvement agenda, that you can share with us, that could make a difference for '13, assuming that macro remains tough?

Alan Brown - *Rentokil Initial plc - CEO*

Andrew, I think that the main focus for 2013 is on the innovation agenda. We have a major launch of a range of Hygiene initiatives which will go into the market April time. And we will cover these off in our May seminar. And I would see that as being something which will give us significant impetus on the top line.

I think, looking more broadly than that, we continue to see good prospects through the merging of our business units at country level. And we have not, by any means, fully capitalized on those benefits as yet.

We are seeing, for example, in the UK business some very promising early signs, through bringing together our Pest, Washroom, Specialist Hygiene, Medical, Ambius businesses all into one business unit.

They say it's cross selling. I think this is really understating it. It really does give you ability then to go to market with a whole range of services.

And we are seeing significant synergy opportunities, particularly in the back office, and particularly in property, as we merge all of those business units under one leadership team.

And that model is being replicated really across the world. And I think that, by the time we get into early 2013, we will have pretty well merged all of our operating Company units in every country except the UK, of course, where we've got the City Link and FM businesses remaining separate.

So that is a big agenda driver for us. And that's why I think I'm reasonably confident about the ongoing cost-saving program for 2013, and beyond, to be honest with you. I think it will take two to three years before we fully get the benefit of that agenda.

Andrew Ripper - *BofA Merrill Lynch - Analyst*

Okay. And then just looking at revenue performance on the different categories, it looks like Textiles is holding up reasonably well, despite what's happening in Europe. You had growth of around 2% for the quarter, but Hygiene's off 1.5%. And I guess there's a two-part question there.

In Textiles, is that down to your performance in Germany, which I know has been pretty good to date? And how are you feeling about the French business, which obviously is the biggest driver there? The economic news out of France has not been great on the industrial side of the economy, and do you feel a little bit vulnerable in relation to where that side of the business goes, going into 2013?

Jeremy Townsend - *Rentokil Initial plc - CFO*

Yes, you're right; Textiles has been stronger than Hygiene. Actually France has been fine. It's been -- the more challenging area has been Benelux within those three countries. Germany continues to be okay, but France has been fine.

On the Hygiene side, that area's been more susceptible for Southern Europe, and the UK Hygiene business has -- it's been fine. But that continues to be in decline. So that contributes to that negative category.

But it's Southern Europe impact on the Hygiene business. Textiles isn't exposed to Southern Europe, so that's been relatively strong.

Andrew Ripper - *BofA Merrill Lynch - Analyst*

Okay. And then just finally from me, just on the finance charges. Just remind us, I know you got a very good rate on the bond that you issued in September, but why did you go so early, given that the other bond isn't due to be redeemed until 2014?

Jeremy Townsend - *Rentokil Initial plc - CFO*

So you have to go 12 months early, Andrew, to make sure you don't have an adverse credit rating impact with Standard & Poor's.

And, given that our year ends at the end of December, the risk is -- you're raising money in March, if you don't want to be doing it in a -- given you can't do it in a closed period. Given where the rates were in September, they were at an exceptionally low level, and we felt that the net benefit of getting 1.5% lower costs outweighed the carry cost for that extra extended period.

So we knew we had the Western transaction to finance. We got the puttable bond that we wanted to finance, and there's another GBP50 million bond that we'd like to finance in 2013.

So we had some bonds maturing in 2013, not 2014. So, within that timeframe, it made sense to do a big slug, get it relatively cheaply, take two-thirds of the financing away, and then we'll leave the remainder of the 2014 for later on in the year.

So net-net, NPV-wise it made sense, even though there's an accounting cost next year.

Andrew Ripper - *BofA Merrill Lynch - Analyst*

Thank you.

Alan Brown - *Rentokil Initial plc - CEO*

It is a very frustrating situation, Andrew. I think that we're now really all carrying the cost of the Standard & Poor's exposure that they suffered in 2008/2009, when they made a number of bad calls. They are now putting in place really very demanding requirements in liquidity.

And I agree with you, I think to end up having to pre-fund 18 months ahead, effectively, of when the money is needed is really a significant cost to industry generally. And it's not just us. I think everyone's going to be hit by this, going forward.

Well, if there are no further questions we will then just take a minute or so to get set up, and then we'll be off with the City Link seminar.