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PRESENTATION

Alan Brown *- Rentokil Initial Plc - CEO*

Morning, everyone. Thank you very much for coming to the Rentokil Initial interim results presentation. I'm Alan Brown, Chief Executive Officer, for a few weeks longer.

Interim highlights, we've seen a strong performance in our core businesses outside Continental Europe. I'm pleased to say that the acquisition of Western Exterminator in California is proceeding to plan.

Also pleased to report that our core UK business is running pretty well. It's been the real showcase for a lot of our organizational and technological innovations and it's driven a strong improvement in profit growth, despite quite tough markets here.

Asia also has performed well with profits up over 40% in the quarter 2 period with notably strong performances from the three really strong growing economies in Asia; China, India and Vietnam.

And we continue to acquire a number of small acquisitions; French Guyana, Portugal, Canada and the US and notably Brazil. We've now made a second acquisition of the sister company of the business we bought last year and I'm really pleased that we've managed to, from a standing start last year, get to about a number three position in this wonderful market; Brazil not growing quite as strongly as the 35% we're seeing in China, India and Vietnam but certainly growing 20% plus.

Europe, we do not see an inflection point, I have say, in trading in our Continental businesses. The conditions remain really tough in both volume and particularly pricing terms. We are seeing our French business, in really difficult conditions, trading reasonably well nevertheless; Netherlands, really tough and is struggling; Germany going okay. I'll come back and talk about that later.

Pleased also, however, we've reduced our exposure to the flat linen market with the sale of our EUR27 million revenue Flat Linen business at the end of Q1.

Our Initial Facilities business is continuing to transition out of some of the low profitable single service cleaning contracts, in particularly also some of the catering contracts. And that will enable to reduce infrastructure costs over time as we focus more on the big metropolitan areas with major

FM contracts. But the short term, we're suffering a bit of pain from that, both in revenue terms and profit terms but we expect the business will move forward, particularly in 2014 and a somewhat better performance in the second half 2013.

And finally, we've accelerated investment in restructuring, which has been really facilitated by the move to the integration of our operations in country under one managing director, and that is leading to increased cost savings.

So I think the tag line for these results is good progress in Q2 and momentum expected to continue in half 2.

And with that I'm going to hand over to Jeremy, who will give you some more of the financial perspective on the results, and I'll come back to give you a short piece on strategy.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Thank you, Alan. I'll now run through the key financial highlights for the first half. And unless I say to the contrary, all numbers are at a constant exchange rate and also exclude the performance of City Link, which is reported within discontinued operations.

Revenue in the first half grew by 3.7%, driven by growth from acquisitions of 6% but with organic sales down by 1.6%.

Adjusted profit before interest for the half was up 5.2%, reflecting improved performance in the second quarter.

Adjusted profit after interest at actual exchange rates was up 3.1% due to higher interest costs arising from the prefunding of the 2014 bond, partially mitigated by favorable exchange movements.

Operating cash outflows, excluding discontinued items at GBP1 million, were GBP37 million adverse to last year, reflecting higher CapEx, phasing of working capital and higher levels of restructuring costs. A significant improvement in cash flows is expected, anticipated in H2.

Drilling now into the Group financials in a bit more detail, our recent acquisitions, as Alan said, are performing well, led by Western Exterminator, which contributed to first half revenue growth in North America of GBP53.7 million, or 46.9%.

Challenging economic conditions in the UK, Northern Europe, combined with adverse weather conditions in Central and Eastern parts of North America resulted in the organic revenue decline of 1.6%.

Profit growth in Q2 was ahead of Q1, reflecting synergies delivered from our acquisitions, and Western Exterminator in particular, as well as the delivery of cost savings, as Alan's already mentioned, from our implementation of the Integrated Country Operating Model across our key territories in the UK, North America and Northern Europe.

This implementation has resulted in acceleration in our investment in restructuring costs and we incurred a charge to profit of GBP24.6 million in the first half and have revised our estimate for total restructuring costs for the year up to GBP50 million. The integration projects are going very well and we now expect to exceed our cost saving target for the year of GBP40 million.

As noted earlier, first-half cash flow has been impacted by increased restructuring costs, as well as higher CapEx and the phasing of working capital. Given the seasonality of the business, we anticipate significantly improved cash flows in the second half.

And finally, we've declared an interim dividend of 0.7p per share, which has been calculated as exactly one-third of the total 2012 dividend. And this results in a 4.5% increase on last year's interim dividend.

Looking now at performance by region. Profit in the East Region was the same as the prior half year, on revenues down 1.8%, in trading conditions that continue to be difficult.

Benelux, and in particular Holland, have been particularly difficult, with strong pricing pressure and especially in the low margin Flat Linen business. We have reduced our exposure to the flat linen market with our disposal of our business in Belgium at the end of Q1.

Revenues in France have also been impacted by pricing pressure, although profit performance has been robust, due to savings arising from the implementation of our Integrated Operating Model.

And performance in Germany has been resilient, aided by growth in the Cleanroom Workwear business. Profit growth in Germany has also been supported by savings arising from our Integrated Operating Model implementation.

Performance in Pacific has been held back by poor Pest job sales; in part due to the poor summer in Pacific earlier on in the year in Australia.

Overall, the implementation of restructuring programs has helped sustain profits in continued challenging trading conditions in this region.

In the West Region, revenue growth of 18.4% was achieved, with profit growth of 14.6%. The revenue and profit growth was driven largely by North America, with the benefits of the acquisition of Western Exterminator starting to flow through in the second quarter.

Revenue in the UK & Ireland was adversely impacted by tough economic conditions and poor weather. However, cost savings following the implementation of the Integrated Operating Model have enabled profit growth of 17.8% in the first half.

In the Rest of the World, good performance in East Africa, the Nordics and the Caribbean were offset by weaker trading in South Africa.

And, as Alan has already mentioned, there were further small pest control acquisitions in the half; in French Guyana, Portugal, Brazil, Canada and the United States.

In Asia, revenue growth was up 6.6% with profit growth up 43.5%. Revenue growth was particularly strong, over 35%, in the emerging markets of China, India and Vietnam.

Malaysia delivered 5% growth in H1, building on its very strong performance in 2012.

And the strong profit performance in Asia reflects the leverage on the sales growth, combined with continuing productivity improvements.

In Initial Facilities, revenue was down 2.9%, with profit down a similar amount. Revenue has been impacted by the loss of some low margin catering contracts, as well as the planned withdrawal from a number of single service contracts.

GBP30 million pipeline of potential contract wins should support revenue in the second half.

The impact of revenue losses on profit has been mitigated by continued strong cost control in this division.

Looking now at operating cash flow. As I've mentioned, operating cash flow, excluding discontinued operations in the first half, cash outflow of GBP1 million, was GBP37 million adverse the prior year.

EBITDA was GBP3 million stronger than the prior year, with stronger cash flows from underlying trading, offset by increased expenditure on restructuring costs.

Working capital outflows were GBP23 million greater than the prior year, reflecting phasing issues, particularly in our FM business.

As previously guided, net CapEx was higher than the prior year by GBP15 million.

And cash outflows associated with the disposal and pre-disposal trading of City Link amounted to GBP23 million, compared to GBP15 million in 2012.

Taking into account interest payments, tax, pension and dividends, as well as adverse exchange rate movements, net debt at the half year was GBP1.122 billion, compared to GBP960 million at the same time in 2012, and GBP990 million at the 2012 year-end.

As noted previously, we have a GBP500 million Eurobond maturing in March 2014. And we will be reviewing the refinancing of this bond towards the end of this year.

Before I hand back to Alan, just some numbers for your models in relation to the second half. As I said previously, given progress made year to date, we are on track to exceed our cost savings target of GBP40 million.

Central Head Office costs are estimated around GBP54 million for the year, in line with the restated costs for the prior year.

Interest guidance remains unchanged, within a range of GBP56 million to GBP58 million.

The euro exchange rate, which has been stronger in 2013 than 2012, is having a positive impact on operating profit. At the current rate of around EUR1.16 to EUR1.17 to GBP1, the favorable impact is estimated at some GBP5 million to GBP6 million for the year.

Net cash CapEx guidance remains at GBP230 million to GBP250 million. As previously noted, the phasing of working capital is anticipated to improve in H2, reducing the outflow for the year to a range of GBP20 million to GBP30 million, as previously guided.

And the half-year adjusted effective tax rate of 26% is based on our estimated tax rate for the year as a whole, and hence I wouldn't anticipate any significant change in the second half.

From a cash perspective, I anticipate cash tax payments for the year of around GBP40 million, in line with my previous guidance.

I'd now like to hand back to Alan to take you through the strategic framework.

Alan Brown - *Rentokil Initial Plc - CEO*

Thanks, Jeremy. Given the imminent change in leadership at Rentokil Initial, we decided not to proceed with the investor seminar. But what I am going to do is give you a very short overview of some of the key points that we were going to show you in the investor seminar, as we had discussed these fairly extensively with the Board.

Now, this chart really is a summary of where we've got to. I hope that none of it will surprise you because this is not a new beginning by any means. This is really the culmination of a journey that we've been on over the last five years.

And we've made some pretty clear choices on our core categories; none of this will surprise you, I'm sure.

Pest Control is the lead category for our business. We are interested in investing in any metropolitan, politically stable area, with temperate to tropical climates. And we have been pursuing that, I think, quite speedily through our acquisitions, which I'll come on to in a minute.

Our Hygiene business we view as a strong business, and will, by and large, follow Pest into new territories where we can manage that.

Workwear, we will continue to focus on Continental Europe. We won't, certainly at this stage of our evolution, intend to take Workwear outside Continental Europe.

Our Plants business, equally, will focus on the 11 existing markets, where we have leadership positions, and we'll stay within that.

Initial Facilities will run increasingly as a standalone operation, focusing on the United Kingdom facilities management market.

We have certainly considered selling the business. We came to the view that we would not get value from the business at this time. And we are now recommitting to running Initial Facilities within the Group for another two to three-year period at least, during which period of time we will continue to invest in that business.

And we'll continue to acquire bolt-on acquisitions for the IF business, which had been very successful for us, as we've expanded our FM offering through acquisitions over the last three to five years.

So, that is the portfolio question, which I think we've addressed pretty clearly and openly. In terms of the direction we're taking the portfolio in, we are doing our utmost best to increase our exposure to high growth markets, which I'll come on to demonstrate.

We have designed an organization to leverage global scale and to capitalize on local density. Again, I'll come back to talk about that. And we're building differentiating capability against the competition in operational excellence, technology and innovation, to drive growth.

And I think the final point, which I would like to really emphasize, is that this model lends itself to acquisitions. And we're really good, so far, at executing them.

So, with that background, let me set out our strategic framework for growth. It's deceptively simple. It consists of two main components. One addressing the Where To Play initiative, and secondly how we're going to win.

On Where To Play there are three vectors; we assess which sectors and which customers we want to address. We assess which markets and countries we want to compete in. And we assess which services and products we want to compete with.

And How To Win, again three vectors; we look at how we can leverage local density which is really important in a route-based business. We assess how we can leverage our global scale which is a unique capability to Rentokil Initial because we really are the only global player in our markets. And then we work out how we're going to drive both service and product differentiation against the competition.

I'm not going to cover all of these vectors today, but I'm going to start with the Where To Play dimension. I'm going to focus in particular here on the markets and country trends; I'll leave the sector and service vectors for another day.

But this sets out our current footprint, based on pro-forma 2012 revenue, in other words including the benefit of the Western acquisition. And you can see here that we have a very good geographic spread of both our Pest -- in particular our Pest category, but also our Hygiene category, across the world.

Our North American business is now our biggest Pest business, we've got a strong position in the UK and Continental Europe and we have pretty attractive positions in Africa, Asia and the Pacific.

Our Hygiene business mirrors our Pest business very closely indeed, everywhere except North America. And then we've got a big Workwear business in Continental Europe, as you know; and then a Plants business which is strong in North America and Europe.

Our Pest category is very well positioned. This chart makes, I think, three or four big points.

First point is that just over half of our Pest business is in three markets, the US, UK and Australia. And these are attractive markets to be in.

The US is the fastest growing developed pest market in the world, and also the largest, and we've gone from a $27 million business in that market to about $350 million in the last five to six years, and that business is doing pretty well for us.

The UK business, though not in a great market, is a resurgent business where we have thrown the -- our best ideas and we use that now as our development business for much of the rest of the world; and it really is on fire at the moment, very excited about that business.

And the Australian business is benefitting from a pretty good economic situation. The yellow line at the bottom of these charts shows the 2013 estimated GDP growth, and you can see Australia continues to be pretty buoyant. And we've seen that business growing pretty strongly in terms of its core business over the last two to three years.

So we're really happy with our positioning in our Pest categories in our three big markets.

But above and beyond that, we have built a tremendous presence in what most people would recognize as seven of the eight big emerging markets of the world; the only we're not in is Russia and that's largely because the climactic conditions don't really favor our type of business there.

But we're in all the rest; Indonesia, China, Brazil, India, Mexico, Turkey and South Korea. The GDP growth is good, our businesses are without exception performing very well in these markets. I only wish they were bigger than they are, but I'm delighted we're there and I'm delighted we're on the right track in all of those markets. I think that is a great legacy for Rentokil and going forward in the future.

And the third area is admittedly more challenging. We are a very strong business in Continental Europe, we make good margins in this marketplace and the business has traded very stably.

But we can't really look to these markets for growth in the short term, albeit we have some other attractive businesses such as Malaysia, not maybe in one's mind as a big growing economy, but certainly a fantastic business for us, which is an important source of leadership for our business in Asia.

So, overall, I think a terrific Pest portfolio in terms of geographic exposure.

We're less well based in the Hygiene category at this time; our top seven markets all face economic challenges with the possible exception of Australia. They are increasingly good businesses, even the UK is starting to come round; our business in the UK is now really beginning to make good progress against the competition in this market. But nevertheless we cannot expect to see much help from the economies in these markets, which account for 75% of our Hygiene revenue.

So we have, as you know, focused quite strongly on innovation I'll come on and talk about that in a moment, because that's the only way we're going to really get growth in these markets.

We do however have some pretty attractive growth markets, namely Malaysia and Indonesia, where we performed pretty well. I think moving forward over time, as we see our Pest businesses mature in the big emerging economies, it is probable that we will introduce our Hygiene offering into these markets on the back of the base built by our Pest operations.

Our Workwear category is predominantly in the four big Continental countries. France accounts for 55% of the business, is number two position. Our German business although number five has a very strong regional presence and has been by some way the most successful of our Workwear businesses over the last two to three years; it's made great inroads against the competition.

Benelux is a strong business, but has gone through a big restructuring period over the last two to three years which now is starting to come out. So again we're very much dependent on innovation to drive growth in these markets.

We have however reduced our exposure to Flat Linen considerably, it's now down to just over 20% of the category revenue. Almost all of it's in our French business and is quite inter-woven with the customers we serve with our Workwear business.

It is a challenging segment; we're delighted we've managed to withdraw from the business in Belgium and we will continue to withdraw from our small operations in Flat Linen outside France as we move forward.

We have a very attractive but small category in Cleanrooms, accounting for over GBP25 million of revenue now, going very strongly. We're investing strongly in that sector, and we see this sector focusing in the pharma and micro-electronic sectors in particular as being a real driver for growth going forward.

And finally our Plant business; we are going to focus on 11 markets. US accounts for 40% odd of the category revenue. The next four, which are Netherlands, Australia, Sweden and United Kingdom, account for a further 33% of revenue, so you've technically got 75% of revenue in five markets.

We have integrated these businesses very closely with our Pest and our Hygiene operations; they're now really running a fully integrated model and they're starting to perform quite well as the Integrated Country Operating Model develops.

We have a further six businesses where we have reasonable scale and leading positions in these smaller markets, and we'll continue to support these businesses going forward.

I made the comment that acquisitions are important in the Where To Play strategic framework, they are the tool by which you can really change the Where To Play dimension. We've done 33 deals over the last two years.

At this relatively early stage, I have to say, in the maturity of these acquisitions, we expect every one of them to meet their hurdle rates, which I think it's quite an achievement, and goes to show that we have real skill in acquiring businesses at the right price on the right terms. We're also very good, have become very good at integrating them.

Western Exterminator, of course, tends to dominate the value of these acquisitions and you can see that the acquisitions are very much skewed toward the Pest category, accounting for 70% by number and 85% by value.

This has been a particularly important tool in increasing our exposure to developing markets, so strategically, acquisitions are really a big play for us. So I'm very much hoping that Andy and the team will continue to get support from our shareholders and investors going forward to continue to acquire businesses.

I think this is a really core capability that Rentokil Initial has developed. It's come on a long way from where we were five years, when we were hampered by some of the acquisitions that we had made. We now are really generating, in my view, strategic value and financial value through our ability to acquire well and to integrate well.

Let me briefly then turn to the How To Win agenda. As I said before, there are three dimensions to this; leveraging local density, leveraging global scale, as well as driving service and product differentiation.

But I want to show one pretty complicated chart which I think will emphasize what we're doing to both leverage local density and leverage global scale.

What we have done through the Integrated Country Operating Model is to leverage density. We now have effectively eight big countries and sub-regions in our business, each headed up by one leader, or certainly will be; Benelux is not quite there yet, but will move to a single leadership by the end of this year.

So we've got basically eight countries and regions and the managing directors in each of those eight areas very much responsible for driving the Rentokil operations, the core Rentokil operations together, driving to the customers with one Rentokil Initial and looking for all of the operational synergies that come through having one leader in a country.

I was talking to our property people last week who told me that five years ago in the UK, we had 404 properties. Today we have 82, which is an indicator of how much we've simplified our business over the past five years.

At the same time as driving local density through the Integrated Country Operating Model, we have also been pushing very hard to leverage global scale through the establishment of the global marketing and innovation functions and the establishment of category teams for each of the Pest, Hygiene and Workwear and Plant categories.

These are the mechanisms through which we are then able to roll out best practice and roll out innovation initiatives across these eight big markets, the primary exemplar of which is the Signature Hygiene range, which is now going to market as of June/July time.

We're having really excellent early success with the launch of this range of 32 products into the washroom category. Too early to say what the numbers are going to look like, but certainly, the market is enthused and our marketing and sales people are very much enthused by the quality of this global initiative which was hatched by the central marketing and innovation team about two years ago and is now going to market with the fully proven product line.

Just to flick back to the previous chart, of course, alongside the local density and global scale, we are trying to drive service from valid differentiation. There are numerous examples of this across the organization at the moment. I'm picking really only the key one, the Signature Hygiene range.

But service and product differentiation is not only about big throws, such as the Signature Hygiene range launch, it's also many, many small initiatives which culminate, I think, in increasing customer satisfaction if one gets them all right.

I've talked again many times before about our focus on a customer voice counts measure, known better in the B2B industry as net promoter score. This is our -- is a net promoter score measure, we brand it customer voice counts internally. And what I've been really pleased to see is that over the last 24 months, we have seen a positive trend in every category in our customer voice counts quarterly survey.

We survey tens of thousands of customers every quarter across the world and across every category. And though the results vary markedly by category, the trend, as you can see in this chart, is quite encouraging. I'm particularly pleased that the area we've done most work in, which is Hygiene, is the one that responded the most rapidly to the ministrations of many small initiatives focusing, for example, on managing of complaints, focusing on the big investment we've made in technology for front-line workforce to measure service and to measure compliance at really a grass roots level.

We've still got a lot of work to do; although the Pest scores are really terrific, the Workwear category as a whole is not where I would like it to be. This is no different from the competition I have to say in the rest of the industry, but I think this shows that there are substantial opportunities in Workwear, if we can really get the absolute levels of customer satisfaction to a different level from where they are now.

But in the meantime, I am pleased that we have made substantial progress right across the organization in this really important underlying statistic.

So, with that very brief run through our new framework, where to win, how to play, and I'm sure that Andy will come back to that when he succeeds me as we move forward to give you more detail of what we're doing, I would then like to first summarize on the outlook for the rest of the year.

We expect conditions to remain tough in many markets, Continental Europe in particular. But we've seen market success through the introduction of the Integrated Country Operating Model right across our business, in terms of both cost reduction and speed of implementation.

The integration of the Western Exterminator acquisition on the West Coast of the US is proceeding in line with expectations.

And we remain ever hopeful about our positive impact from the major innovations in Hygiene, through Signature and Workwear, through the new range launches in Q3 and Q4.

So our overall take on the rest of the year is that, despite the ongoing market challenges in Continental Europe where we don't see much change of direction, I have to say, in terms of the underlying economies, we expect that the momentum we have achieved in Q2 with a 10% increase in operating profit to be maintained in the second half.

So, with that, I would now be happy, with Jeremy, to take any questions you might have.

QUESTIONS AND ANSWERS

Rob Plant - *JP Morgan - Analyst*

Rob Plant, JP Morgan. Do you have organic revenue growth figures, Q1 and Q2, preferably also by division as well?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Let me look at, Rob, and take that offline in terms of what the specifics are. But what I can tell you is that the -- obviously the major impact on the difference between the organic and the non-organic was the US acquisition. That's the big driver of the difference.

If you look at the North American figures, pretty much it is North America that is driving the difference between the organic and the non-organic, both from a profit and a revenue point of view. So from a profit point of view, about half of the profit is driven by organic and half of it is driven by the acquisition. From a revenue point of view, pretty much all of that delta is driven by the Western acquisition.

Rob Plant - *JP Morgan - Analyst*

And did Q2 show a better organic than Q1? Of revenue?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Yes. I think that's right. I think in terms of the phasing, that's right. We've had slightly better trends in the market in the underlying organic, that's right, yes.

Alan Brown - *Rentokil Initial Plc - CEO*

I think the other thing maybe, just to indicate about organic growth, is that there has been a mix effect, a slightly positive mix effect. The stronger categories, such as Pest, are holding up better. The areas where we were less successful in organic growth was in the Facilities Management business, and also to a certain extent, the Workwear business.

So we have had a slightly -- the impact on organic growth has not come through to the negative impact on profit so much because of the positive mix.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

That's right. And the weather impact was less in Q2 than in Q1, particularly in the US; so March, where there was a much bigger weather impact in Q1.

George Gregory - *UBS - Analyst*

George Gregory, UBS. Two questions from me, please, firstly, just on four-year PBTA. Consensus I think is at [GBP213 million], if I'm right. What's your view on that?

And second question, are you able to tell us -- I think, Alan, you said that the Belgian Flat Linen business generated revenues of EUR37 million -- be able to tell us what the losses of that business were, please? Thanks.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

So the Belgian [level] was GBP27 million in 2012, and it was largely break even, slightly negative, so not a big impact.

In terms of consensus, GBP213 million, I wouldn't expect that to move. We're slightly ahead at the first half with cost savings offsetting margin pressure and obviously the organic growth decline. And I think what we're looking at is continued cost savings. That's why we've moved the guidance on that for the second half, but we'd see that being offset by continued pricing pressure, particularly in the Benelux, but also in France.

George Gregory - *UBS - Analyst*

Thank you very much.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

So we'd expect that [I would say] broadly the same.

Andrew Ripper - *Merrill Lynch - Analyst*

Andrew Ripper, Merrill Lynch. I wonder if you could talk about the Hygiene rollout in terms of new range; what the plan is as far as introductions across the different geographies is and when are we going to start to see it impact that new business number that you give us in the portfolio evolution. Thanks.

Alan Brown - *Rentokil Initial Plc - CEO*

Andrew, we've made the first sales in Singapore, in Germany, in France. Those are the markets that saw the earlier rollout, mid-June time. It will come to the UK in September, and I think pretty well every market that we have in Hygiene will have launched by latest November this year.

The execution, I think, has been really terrific. It's not just about having a robust range of 32 products, and it is very robust because it's been through an amount of testing that we couldn't have conceivably considered when we were trying to do things at a country level. It's a global range, globally sourced, globally designed, with global specifications.

But I think the marketing package that's gone with it has been really superb. We are going to market with a concept-selling, bundle-selling package. Whereas previously we tended to sell SKU by SKU, we're going with a range-selling concept, because Signature really is a complete range of white wear products.

And we are obviously looking very carefully at our pricing as we're doing that. It is a more premium positioning than we had with the Elite range. We're hoping to see some benefit from that.

And the early contract wins have been most encouraging. They've been large, they've been significant. But I think it really now will take some months before we see whether, in the SME markets, we're seeing the success that we're seeing with some of the big customers. We have had some really high profile wins within weeks of starting off, but the real test will be whether in the SME markets it goes as well. And that we won't know, to be honest with you, until well into September/October.

So at the moment, all the signs are really good. The stock situation is good. The quality of the range looks excellent, and we're delighted with the consistency and quality of the marketing.

So obviously, we will know from some of the countries how we're getting on quicker than the results we show, and I'm sure we'll be able to give you some update on that with the Q3 results in November.

Andrew Ripper - *Merrill Lynch - Analyst*

So by November, you'll have a better sense, basically.

Alan Brown - *Rentokil Initial Plc - CEO*

I think there will be some lead indicators by November. Absolutely, yes.

Andrew Ripper - *Merrill Lynch - Analyst*

Okay. And then just in terms of the more generic sales and marketing agenda, I know in the past when you've answered questions about how to drive new business and better growth in the business, it's been about doing smarter things rather than putting more resource into the business.

Just wondering in terms of the cost savings agenda, are you reinvesting some of that into sales and marketing? Or do you see it still about being more productive rather than putting more pounds into it?

Alan Brown - *Rentokil Initial Plc - CEO*

The challenge is to deliver the productivity dimension in sales, which is very real and very live, and is being executed. And that dimension is being driven by technology.

You will have heard us talking endlessly about the Advantage sales tool we have, which enables not only better control of pricing, but also gives us straight-through processing through to the service and the billing side of the business, rather than dependent on salesmen to fill out numerous sales dockets. And that we continue to roll out strongly and I think we're seeing much more attentive management of sales productivity as a result.

But at the same time, I believe strongly that our Rentokil Initial has really just not focused on key accounts with anything like the degree of professionalism that we need to going forward. Rentokil Initial has built its business on the SME markets, and it should never walk away from that because they're great markets to be in; they're very profitable.

But if we look at the size of our Continental European business, which has been stable for some time, GBP170 million, I still believe there's a substantial opportunity to go after, albeit at lower margin, but nevertheless a very attractive business in the key account area. So we really have to move in terms of developing this key account sales capability.

But that's not particularly expensive. You don't need a lot of skills people to run a key account capability, but you do have to invest in high quality people to do that. So that's more of a management challenge, I would say, than a cost challenge, Andrew, going forward, to do that.

That issue is at its most clear cut now in the US where we have built a coast-to-coast delivery capability. We're one of only four players; Terminix, Orkin, Ecolab and ourselves who can do that. We've now really got to move in terms of capitalizing on that servicing capability coast to coast. So I think you'll hear more about that going forward.

But I wouldn't say it's got a big impact on cost. It's more about the time taken to develop that capability than a cost issue.

Andrew Ripper - *Merrill Lynch - Analyst*

And then just trying to bring it all together in terms of growth outlook for maybe next year, I know you've never given us any targets while you've been --

Alan Brown - *Rentokil Initial Plc - CEO*

Well, I can do that now (laughter). What do you want? What number do you want me --?

Andrew Ripper - *Merrill Lynch - Analyst*

What would you say to your successor in terms of what he should be aiming for in '14?

Alan Brown - *Rentokil Initial Plc - CEO*

I will give him very clear guidance when I'm sitting on your side of this table in about two months' time, Andrew, I'm sure. But I certainly wouldn't do that now. But Andy's very clear that his real mandate from the Board is to now deliver growth into the business. I think we've got a really good infrastructure to do it.

I think, clearly, a lot will depend on how well this innovation capability now delivers to the market and whether we see a slight easing of the economic situation in Continental Europe. That's motherhood, I'm afraid, but that's all you're going to get from me. I'm sorry. I'm not going to hang my successor on my last results announcement. But those are clearly the two big factors.

But as I said earlier on, I think the business is increasingly well positioned geographically, much better geographic positioning than it had four or five years ago, to take advantage of any improvement we see in the world economy.

Andrew Ripper - *Merrill Lynch - Analyst*

Thanks.

Andy Grobler - *Credit Suisse - Analyst*

Andy Grobler, Credit Suisse. Just a couple from me. In the Facilities business, you talked about GBP30 million of potential contract wins in the second half. I just want --

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Actual. They've actually been won rather than potential, so they -- if I said potential, that was wrong. GBP30 million actual.

Andy Grobler - *Credit Suisse - Analyst*

Okay.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Apologies.

Andy Grobler - *Credit Suisse - Analyst*

That was an easy one. And then the second one just on the Hygiene business. You said that was making very good progress in the UK against the competition. I guess that's ahead of the Signature range coming in. What is driving that?

Alan Brown - *Rentokil Initial Plc - CEO*

One, we've really stepped up our game on key account management. As I said in my presentation, the UK is really at the lead of most of our initiatives, and they really are getting on with building key account capability. And we're beginning now to worry the competition quite seriously.

We've had some terrific wins from really big names in the UK, which is the first time in almost a decade we've been starting to win business and key accounts.

Secondly, you saw that chart of customer voice count scores, you saw Hygiene rising. The biggest single factor in the increase of the Hygiene trend line is the UK business, which uniquely now across the world is really matching its Pest sister company, in terms of customer satisfaction scores. We are delivering a fantastic service into the UK market.

And that, again, is indicative of the huge investment in technology, which I'm sure you will see at a future investor seminar, because we had it lined up for this time. We have wired our guys to the moon in the UK, with smartphones, with PDAs, with everything. And they know exactly what's going on; everyone knows what's happening in the UK business. They know the quality of the service the second it happens.

And that impact on the business has led to really superb service, really great customer appreciation, and coupled now with a real business winning capability, even before Signature, that business is really starting to move. I'm absolutely thrilled with that.

If I think back to where we were five years ago, other than City Link, and I had to mention it somewhere, didn't I, the business which was most troubled in the organization was the UK Hygiene business. And I'm now delighted to say that business is really flying.

Andy Grobler - *Credit Suisse - Analyst*

Because your key competitor in the UK is reporting margins over 40%-odd.

Alan Brown - *Rentokil Initial Plc - CEO*

And we're nowhere near that, of course. We've got a long way to go. We're still at the single-digit margin, but I think we're now moving in the right direction.

Andy Grobler - *Credit Suisse - Analyst*

Great. Thank you very much.

Sylvia Foteva - *Deutsche Bank Research - Analyst*

Sylvia, Deutsche Bank. Congratulations on the results. I just have a few questions please. Firstly, on the profit. You mentioned that organically there was -- sorry, I just want to double check. Was that North America, or for the Group you said?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

So of the whole Group, of the 5.2% growth, roughly half of that was organic and half of it was through acquisitions. And the majority of the acquisitions was through North America.

Sylvia Foteva - *Deutsche Bank Research - Analyst*

Okay. All right, thank you. Secondly on M&A potential. Now that you're not thinking of selling more, just exiting IFS, what kind of potential spend do you foresee? And how much can you add to earnings via acquisitions, given your cash generative ability organically, please?

Alan Brown - *Rentokil Initial Plc - CEO*

I don't think that we've ever felt that capital was really the constraint on acquisition. It's more about identifying enough quality targets. It's difficult to spend more than GBP25 million to GBP50 million per annum, given the targets that are available to us.

And I think that, although our net debt has increased, I think that our creditworthiness has improved, actually, quite a lot through divesting of the uncertainty around City Link. So I don't feel that really the availability of cash is a constraint. It's about identifying sufficient quality targets; and making sure we acquire at a rate where we can integrate securely is a constraint for us.

Sylvia Foteva - *Deutsche Bank Research - Analyst*

Thank you. Your net debt target for the year-end, has that changed?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

So yes, given the increased restructuring costs, and also the cash costs associated with City Link, my guidance relative to where we were at the prelims, probably net debt GBP20 million to GBP30 million higher than it was previously. But I wouldn't -- all the other items, working capital, CapEx, etc., are where I previously guided.

So I think we're looking at net debt, subject to exchange rates, at around about GBP1 billion.

Sylvia Foteva - *Deutsche Bank Research - Analyst*

Okay. All right, that's clear. Thank you. And just finishing up on the pricing trends, what is your feel about the pricing trends in H2? And then, finally, just the client retention rate, please, in Q2.

Alan Brown - *Rentokil Initial Plc - CEO*

I think pricing tends to be more of a first half game in our business of contract renewals. A lot of the activity really is quarter 1, quarter 2. So I think we'll see pricing pretty stable in the second half. We'd hope to get some benefit from the new product introductions, but that's at the margin.

Sylvia Foteva - *Deutsche Bank Research - Analyst*

So just the client retention rate, please.

Alan Brown - *Rentokil Initial Plc - CEO*

Well, that is being supported by the improvement in customer satisfaction, which is absolutely inarguable. But on the other hand, tough economic conditions in Europe continue to mean that we are losing people who -- business is not surviving, who are really cutting back on every conceivable cost. So you've got these two trends going on.

We wouldn't see any particular change in trends in the second half of the year, versus the first half. I think the second half of the year is more about can we win new business with the innovation agenda.

Sylvia Foteva - *Deutsche Bank Research - Analyst*

Thank you.

Mike Murphy - *Numis Securities - Analyst*

Mike Murphy, Numis Securities. A couple of questions, please. First of all, on the cost savings, you said over GBP40 million for the year. Can you narrow that down a bit to maybe GBP40 million to GBP45 million, GBP45 million to GBP50 million?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Yes, okay.

Mike Murphy - *Numis Securities - Analyst*

And then, secondly, can you give us what your expected cash cost of reorganization and one-off items are for the full year? It's GBP26.9 million in H1.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Cash costs, I guided to GBP50 million. So the GBP50 million -- restructuring costs will be in the region of GBP50 million.

Mike Murphy - *Numis Securities - Analyst*

And cash costs as well?

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Yes. Because there's a lag effect, you're paying partly for 2012 into 2015. But I think, given it was GBP50 million last year, GBP50 million cash [in the] P&L.

And sorry, your first question again?

Mike Murphy - *Numis Securities - Analyst*

Yes, the cost savings, you said over GBP40 million

Jeremy Townsend - *Rentokil Initial Plc - CFO*

The cost savings, about GBP45 million.

Mike Murphy - *Numis Securities - Analyst*

GBP45 million. And then finally, just on organic growth. One gets the sense that -- at the final figures last year, you showed a chart showing the improving trend of organic growth from negative to a small positive. And in the first half of this year, you've gone negative again. Is there a sense of disappointment?

Because one got the sense at that final figures that you'd turned the corner, and that we might see positive organic growth. You've had economies slightly picking up from where they were, and I just wondered is there -- can you put your finger on why you've moved back into negative organic growth.

Alan Brown - *Rentokil Initial Plc - CEO*

Yes, we can, Mike. I think there's no doubt -- we did indicate it last year that we did a very good weather year last year on Pest, we flagged that in the North American business in the first half, which helped us a lot. And this year, we had a very bad weather year in the North American Pest business, and more generally, actually. So there has been, I think, some weather effect.

I think the second impact has been the -- in the Initial Facilities business, we have decided to really walk away from much of our non-metropolitan infrastructure, from a lot of these really small cleaning contracts which we had historically. And that has had an adverse impact on organic growth.

But I think we will get the benefit from that, as we get into the -- into Q4 this year, into next year, through a much more focused business on FM.

Those have been the two big factors, along with, of course, increasing the challenging situation in Continental Europe, and in the Netherlands, in particular, from the economies.

Mike Murphy - *Numis Securities - Analyst*

Okay. And if I can just --

Alan Brown - *Rentokil Initial Plc - CEO*

Sorry, I would, again, emphasize that we remain excited about the prospects for the second half of this year, in terms of organic growth, in terms of what the innovation can delivery.

Mike Murphy - *Numis Securities - Analyst*

And just following on from that, and an earlier question on the contract pipeline. The GBP30 million that's coming through in the Facilities Services, the annual review of that business is over -- it's over GBP500 million, isn't it, thereabouts?

Alan Brown - *Rentokil Initial Plc - CEO*

It's GBP570 million.

Mike Murphy - *Numis Securities - Analyst*

That would represent, on an annualized basis, 6% organic growth.

Alan Brown - *Rentokil Initial Plc - CEO*

Yes, that's gross sales. There are also some terminations to come off that, which we're not expecting, by the way, anything significant. But that's a gross number, rather than a net number.

Mike Murphy - *Numis Securities - Analyst*

So you seem to be indicating that, for Facilities Services for the full year, that that ought to be moving back into positive growth, as opposed to the negative we've seen. I'm just trying to get some sense of [the customers you're losing] (multiple speakers).

Alan Brown - *Rentokil Initial Plc - CEO*

Yes, and I think that's probably right when we get to quarter 4, yes.

Jane Sparrow - *Barclays - Analyst*

Jane Sparrow, Barclays. Two questions, if I may. The chart on customer voice count trends, do you have access to the industry data to tell us for each of those categories where you stand in relation to the industry?

Alan Brown - *Rentokil Initial Plc - CEO*

Jane, it's a really -- it's a point that we are very conscious of, and we do spot checks of key competitors in key markets. So I can't give you the competition data on the same weighted basis, but what I can give you is a subjective view where we would be at.

We would, in North America, be generally number one; quite clear. In the UK, we would be number one. In Continental Europe, we would see a mixed picture. The Dutch are notoriously miserable in viewing service from anyone, and it's extremely hard to get any sense of appreciation from a Dutchman.

Jane Sparrow - *Barclays - Analyst*

We've obviously got some Dutch people in the room.

Alan Brown - *Rentokil Initial Plc - CEO*

I love them dearly, they're not that different from the Northern Irish Protestants, so I can relate to that, I can assure you.

If you look at all the countries, and suddenly you see the Dutch numbers down here, and everyone's down there. And it's a very depressing place to work, full stop. And they've now got the economy they deserve. So there we will be more even-Stevens than a lot of the rest of the market.

In the Workwear category, I think that we are middle of the pack and we don't have the advantage that we have with some of our other categories, and there we've got a lot of work to do. A lot of work to do.

I think our Workwear business has still got -- it's been focusing on restructuring of our plants, and we need to become more customer facing, which we will now do, because the plant restructuring has all -- is pretty well at an end, actually.

The area where we've got the biggest competitive advantage is probably in some of the Hygiene markets, and particularly now the UK and in Australia. We've got really significant competitive advantage against the competition.

So I can't give you a generic answer. I can only give you those spot checks of where we're at.

Jane Sparrow - *Barclays - Analyst*

Then the second one was just on the Integrated Country Operation Model. Obviously, you get wave one of the cost saving benefits from moving to that structure. Wave two of the benefits is probably harder to define.

But can you talk us through what you see are the longer-term benefits of moving to that country based-model versus the previous structure?

Alan Brown - *Rentokil Initial Plc - CEO*

Clearly, growth. We would want to be able to move, particularly in Pest and Hygiene, much more together. In our more advanced countries such as Italy, where they were an early adopter of the model, we have integrated the sales management in Pest and Hygiene.

The sales representatives are still category-specific. But what we've been trying to do then is to really move the leads from one category into the other category. And we've seen some success on this. A lot more we can achieve.

And we've also, to really pick up on this local density dimension, which I highlighted as one of the key vectors in How To Win, we are doing now much more work to prioritize individual cities within countries where we really feel that we can move on.

There are some cities where you may be so far out you may decide just not to compete at all. There are other cities where you've got a dominant position and you can really live with that. And then you've got the middle group of cities where there's still a game to be won, and you can really drive economics of scale by getting ahead of the competition.

So we need to be more shrewd in where we put our resources, in a micro market sense. And that's the type of advantage that we will be able to deliver now we've got really just so much more resources in country.

And if I look at where we were, the change is amazing. And we've now got, effectively, an organization which will take us to having eight big country or sub-regional leaders going forward. When I came into this organization, you'd have had 80 or 90 people with resources fragmented accordingly.

So I think we've really got an organization that can dance going forward.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

I think the opportunity, Jane, in the next wave, is to look at then, based on getting that capability at the country level, what do we need at a regional overhead and a central overhead?

And I think that the other opportunity for us to start to look at into 2014 is that central divisional overhead, and looking to address that, now that we've got the capability at a country level.

So I think that's the other wave that can come through, from an overhead saving point of view.

Jane Sparrow - *Barclays - Analyst*

Thank you.

Hector Forsythe - *Oriel Securities - Analyst*

Hector Forsythe, Oriel. A couple of questions, they are related.

Can you just walk us through the main lines in terms of the cash flow statement and how you see that developing through this year and into next year? I think you've movements in working capital and CapEx spend.

And the second question is, in your cost savings and spend on cost savings, you've upped that to GBP50 million. What does that mean for future expenditure in terms of restructuring? You just mentioned regional reorganization in Europe, but are we getting to the end of that at this point? Thank you.

Jeremy Townsend - *Rentokil Initial Plc - CFO*

Thanks, Hector. We'll, we're putting the 2014 plan together at the moment.

But in terms of overall guidance, I think, with the structure of the business the way it is, I would see working capital being not dissimilar in terms of the outflows as we move from SMEs to key accounts. That tends to have a negative working capital impact.

And net CapEx probably in the same region in 2014, but coming down thereafter; so in that GBP230 million to GBP250 million.

In terms of the other areas, just the one to note. Interest costs should come down in 2014 once we've refinanced the bond. I think that pretty much -- without giving you a profit forecast, that gives you pretty much all of the constituent parts.

In terms of the restructuring cash costs and then linking that to the second part, I would expect those cash costs to come down. As Alan said, we've done most of the heavy lifting on the plant side of the restructuring. I still think there are some people cost benefits to be had.

But, as we head into 2014, we should be reducing against the GBP50 million. And, to some extent, the increase in this year is us being able to deliver some of the restructuring that we'd anticipated taking place in 2014 and 2015 anyway, particularly in Northern Europe, so we've been able to get on with that faster than we'd originally anticipated.

So the cash costs associated with restructuring, I think, should come down there by maybe GBP20 million, GBP25 million.

Hector Forsythe - *Oriel Securities - Analyst*

Thanks very much.

Alan Brown - *Rentokil Initial Plc - CEO*

I think we're all done. Thank you very much for those of you who have been to all 22 of my quarterly presentations. I've enjoyed it. Thank you.