

7 November 2008

**RENTOKIL INITIAL PLC (RTO)
TRADING UPDATE FOR THIRD QUARTER ENDED 30 SEPTEMBER 2008**

Q3 headline financials

- Revenue maintained at £562.4 million, up 3.2% year to date at constant exchange rates (CER)
- Adjusted operating profit £32.3 million at CER (after increasing bad debt provision in UK Washrooms by £6 million in order to deal with legacy service issues)
- Adjusted profit before tax £16.6 million at CER, £23.1 million at actual exchange rates (AER)
- Operating profit of £26.5million at AER

Operational developments

- **Stable Q3 performance despite worsening economic backdrop**
 - Revenue growth: Pest Control & Asia Pacific
 - Revenues in line with prior year: Textiles & Washrooms, Facilities Services, Ambius
 - Although still loss making, City Link making excellent progress in customer service and all aspects of seven-point recovery plan
- **Significant customer service improvement in turnaround businesses:**
 - City Link: 98.7% (Q2: 98%)
 - UK Washrooms: 95% (Q2: 85%)
 - Australia Pest Control: 93% (Q2: 89%)
 - Australia Washrooms: 93% (Q2: 59%)
- **2008 outlook unchanged**

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

“I am pleased to report further strong improvement in customer service across the group, with every division performing close to or above target. We are now focusing strongly on cash, and on accounts receivable in particular, where we have made some progress. We have also extended the maturity of our financing facilities by raising £125 million of new five-year money during Q3 and we have sufficient funding in place to support our plans.

“The deteriorating economic backdrop makes it particularly difficult to predict future trading conditions. Nevertheless, our guidance for 2008 remains unchanged and our operational agenda for 2009 is now clear.”

Financial Summary

£million	Third Quarter			Year to Date		
	Q3 08	Q3 07	change	YTD 08	YTD 07	change
Pro forma Continuing Operations¹						
At 2007 constant exchange rates²						
Revenue	562.4	562.4	-	1,683.0	1,631.2	3.2%
Operating profit before amortisation and impairment of intangibles ³	32.3	66.2	(51.2%)	91.7	188.6	(51.4%)
Add back: one-off items	-	7.1	-	3.2	10.3	(68.9%)
Adjusted operating profit ⁴	32.3	73.3	(55.9%)	94.9	198.9	(52.3%)
Share of profit from associates (net of tax)	0.6	0.6	-	1.6	1.7	(5.9%)
Interest	(16.3)	(15.3)	(6.5%)	(40.6)	(54.0)	24.8%
Adjusted profit before income tax ⁴ at constant exchange rates	16.6	58.6	(71.7%)	55.9	146.6	(61.9%)
Continuing Operations¹						
At actual exchange rates						
Revenue	600.8	560.6	7.2%	1,778.9	1,623.7	9.6%
Operating profit before amortisation & impairment of intangibles ⁵	38.9	66.0	(41.1%)	107.1	187.1	(42.8%)
Amortisation of intangible assets ⁶ & impairment of goodwill	(12.4)	(10.1)	(22.8%)	(38.9)	(28.4)	(37.0%)
Operating profit	26.5	55.9	(52.6%)	68.2	158.7	(57.0%)
Share of profit from associates (net of tax)	0.7	0.5	40.0%	1.9	1.6	18.8%
Net interest payable	(16.4)	(15.4)	(6.5%)	(41.0)	(54.0)	24.1%
Profit before income tax	10.8	41.0	(73.7%)	29.1	106.3	(72.6%)
Adjusted profit before income tax⁷ at actual exchange rates	23.1	58.2	(60.3%)	71.2	145.0	(50.9%)
Free cash flow ⁸				(9.9)	97.2	-

¹All figures are for continuing operations and are unaudited.

²Results at constant exchange rates have been translated at the full year average exchange rates for the year ended 31 December 2007. £/\$ average rates: Q3 2008 1.9474; Q3 2007 1.9930; FY 2007 2.0038. £/€ average rates: Q3 2008 1.2853; Q3 2007 1.4765, FY 2007 1.4586.

³Year to date, before amortisation of intangible assets (other than computer software and development costs) of £34.9m (2007: £28.9m) and goodwill impairment charges of £1.5m (2007: nil).

⁴Year to date, before amortisation of intangible assets (other than computer software and development costs) of £34.9m (2007: £28.9m), goodwill impairment charges of £1.5m (2007: nil) and items of a one-off nature of £3.2m (2007: £10.3m) and after the £6m provision of additional bad debt within the UK washrooms business. See appendix 4 for further details of one-off items.

⁵Year to date, before amortisation of intangible assets (other than computer software and development costs) of £37.2m (2007: £28.4m), goodwill impairment charges of £1.7m (2007: nil) and after the £6m provision of additional bad debt within the UK washrooms business.

⁶Other than computer software and development costs.

⁷Year to date, before amortisation of intangible assets (other than computer software and development costs) of £37.2m (2007: £28.4m), goodwill impairment charges of £1.7m (2007: nil), items of a one-off nature of £3.2m (2007: £10.3m) and after the £6m provision for additional bad debts within the UK washrooms business. See appendix 4 for further details of one-off items.

⁸Cash flow before acquisitions, disposals, equity dividend payments and special pension contribution.

For further information

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A conference call for analysts and shareholders will be held on 7 November at 9:00am. To join this call, please dial +44 (0)20 7806 1957 (UK), +33 (0)1 70 99 43 00 (France), +852 3002 1356 (Hong Kong) quoting the confirmation code: 4125683. A recording of the call will be available for 31 days on the following numbers: UK: +44 (0)20 7806 1970, France: +33 (0)1 7123 0248, Hong Kong: +852 3002 1607 and US: +1 718 354 1112. The pass code for all replay numbers is 4125683#.

This announcement contains statements that are, or may be, forward-looking regarding the group's financial position and results, business strategy, plans and objectives. Such statements involve risk and uncertainty because they relate to future events and circumstances and there are accordingly a number of factors which might cause actual results and performance to differ materially from those expressed or implied by such statements.

Performance

In all cases references to operating profit are for continuing businesses before amortisation of intangible assets (other than computer software and development costs). References to adjusted operating profit and adjusted profit before income tax also exclude items of a one-off nature, totalling a net cost of £3.2 million (2007: £10.3 million) that have impacted the results for the year to date. They relate mainly to the group's restructuring programme and consist of consultancy, redundancy and reorganisation costs net of the profit on sale of certain properties. They have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods. An analysis of these costs by division is provided in appendix 4. This commentary reflects the management divisional structure and not the statutory segmental information. All comparisons are at constant 2007 full year average exchange rates.

In 2008 certain shared service, IT and other costs that were treated as central costs in 2007 are being charged to the businesses that benefit from them. In the nine months to September 2008 such costs totalled £5.5 million and have principally been recharged to Textiles and Washroom Services (£1.2 million), Pest Control (£2.0 million), Facilities Services (£1.6 million) and Asia Pacific (£0.4 million). Comparative figures have not been restated.

Third quarter review

In the third quarter the group maintained revenues at 2007 levels against an economic backdrop of intense and heightened anxiety about global recession. Group profitability continues to be adversely affected by a number of factors largely within the group's own control, although the worsening economy is beginning to impact new contract sales within a number of businesses.

Our historic difficulty in implementing major change programmes continued to affect the financial performance of key businesses within the group. City Link continues to make excellent progress in customer service, relationship management and new business but remains significantly loss making. The problems associated with the restructuring of our Initial Washrooms business in the UK and the integration of our washrooms and pest control acquisitions in Australia continued throughout the third quarter but these businesses are showing pleasing signs of operational improvement, most notably in the areas of customer service and in systems and processes. Although still a major concern within our UK washrooms business, they are also showing signs of improvement in cash collection.

Trading in our continental European Textiles and Washrooms businesses improved Q3 on Q2, although divisional performance continues to be held back by the UK. We believe it sensible to remain cautious about trading conditions for at least the remainder of the year.

Third quarter financial review

Group revenue of £562.4 million at constant exchange rates was maintained at Q3 2007 levels. Despite the challenges presented by both the weakening global economy and a number of factors within the group's own control, Asia Pacific and Pest Control grew revenues by 14.3% and 9.8% respectively during the quarter, while revenue from Textiles & Washrooms, Facilities Services and Ambius remained broadly in line with prior year. Revenue from City Link was 13.2% lower than Q3 2007 following a significant loss of small customers in Q4 2007 and Q1 2008 and also reflecting a downturn in the parcels market since June this year. Our customer base is now stable and we continue to make excellent progress in customer service and on all aspects of the seven-point recovery plan

During the quarter the contract portfolio decreased by £3.5 million, impacted largely by customer terminations and contract reductions within the UK cleaning and UK washrooms businesses. The contract portfolio comprised £46.9 million from new business and net acquisitions of £7.2 million, offset by net reductions of £9.8 million and terminations of £47.8 million. Net portfolio gain in continental European Textiles and Washrooms of 4.4% annualised is attributed to both good levels of retention, currently up 1.2 percentage points at an annualised rate of 91.5% from Q2 2008, and strong sales in France and Germany. With the exception of the UK, retention within Pest Control has improved across Europe and North America. In the interim statement we reported that we had been given notice of £19.0 million of contract reductions in our UK cleaning business which would take effect in Q3. As a result, and although a number of new cleaning contracts have recently been secured, the Facilities Services division's contract portfolio reduced by a net £14.2 million over the

quarter. UK Washrooms continued to suffer from high levels of terminations as a result of legacy service issues. Nevertheless service levels rose very significantly and are now operating at target levels. The rate of terminations has slowed as a result.

As reported in the interim statement accounts receivable remains a significant issue in UK Washrooms. In light of the continuing difficulty in collecting debt associated with historic poor service, we have increased bad debt provisions by £6.0 million during the quarter which we believe will deal with the legacy issues. At 30 September provisions totalled £8.3 million against total receivables of £21.3 million.

Group operating profit (before amortisation and impairment of intangible assets of £36.4 million) of £32.3 million at constant exchange rates was 51.2% lower than in 2007 and was adversely affected by City Link's loss of £12.0 million (2007: £11.4 million profit) and UK Washrooms loss of £7.2 million (2007: £1.50 million profit) in the period. Adjusted operating profit (before amortisation and impairment of intangible assets) of £32.3 million showed a decrease of 55.9% year on year. Adjusted profit before income tax (again, before amortisation and impairment of intangible assets) fell 71.7 % to £16.6 million.

The group's revenue and profit at actual rates of exchange benefited from the weakness of Sterling compared to 2007, particularly against the Euro which strengthened 13% year-on-year. In the third quarter of 2008 approximately £190 million of revenue and £40 million of operating profit originated in Euros. The bulk of the benefit arose in the Textiles and Washrooms division. Q3 revenue growth at actual exchange rates was 7.2% (flat at constant rates) and the decline in adjusted operating profit was 46.9% (59.9% at constant rates). Statutory operating profit of £26.5 million was 52.6% lower.

Year to date financial review

For the year to date revenue of £1,683.0 million was 3.2% above the same period last year, 9.6% at actual exchange rates. Organic revenue decline was 0.9% for the nine months, held back by City Link. All divisions with the exception of City Link reported increased revenue for the year to date, with Asia Pacific and Pest Control showing the strongest improvement. The contract portfolio increased by 2.2% over the nine months. Group operating profit (before amortisation and impairment of intangible assets) declined by 51.4% to £91.7 million and adjusted operating profit (again before amortisation and impairment of intangible assets) amounted to £94.9 million, a decrease of 52.3% on prior year. Year to date adjusted profit before tax and amortisation fell 61.9% to £55.9 million.

Funding

In September and October the Company raised a total of £125 million by issuing new debt securities. On 30 September we raised £75 million through the issue of 25-year Floating Rate Reset Notes (the "Reset Notes"). From issue until 20 August 2013 the Reset Notes will bear interest at three-month LIBOR + 3.98%. Thereafter the interest rate will be 4.55% plus a credit spread which will be reset every two years by auction. Noteholders may put the Reset Notes back to the issuer, at par, on 20 August 2013 and on each biennial interest reset date thereafter. We may call the Reset Notes at fair market value on interest payment dates from 20 August 2011. If not put or called, the Reset Notes will mature on 20 August 2033.

On 23 October we raised a further £50 million through the issue of Floating Rate Notes due 2013 (the "FRNs"). The FRNs were issued at par under the Company's existing Euro Medium Term Note Programme and carry a coupon of LIBOR + 3.25%. The net proceeds of both issues are being used to repay drawings under the Company's bank facilities.

Rentokil Initial 1927 plc, a wholly owned subsidiary of the Company, currently guarantees the obligations of the Company to its bondholders, banks and certain other financial counterparties. These guarantees were due to expire on 19 November 2008 but will now be extended to the later of the maturity of the £300 million 5.75% Notes due 2016 and the maturity of any other notes that may be issued between 23 October and 31 December 2008.

The Company has a £250 million 6.125 per cent. bond which will mature on 19 November 2008 and will be repaid from bank facilities. We estimate that we will have at least £350 million of headroom in our committed facilities after repaying this bond. At least £100 million of that headroom is provided by a £500 million revolving credit facility which matures in October 2012. The balance is provided by a second facility of £252 million which is extendable at our option to 31 January 2010.

The group's bank facilities contain a single financial covenant based on the ratio of EBITDA to net interest payable (after making the adjustments required by the facility documentation). We have significant headroom within this covenant for 2008. Looking ahead to 2009, if EBITDA next year were to be at the same level as our forecast for 2008 (implying no recovery in profits) and if net interest were to increase by £10 million (despite falling rates) then we would still have approximately £50 million of EBITDA headroom within our covenant.

Three-year operational plan

As the Company has stated since the appointment of its new leadership team earlier this year, its strategic focus is on operational excellence. Over the past few months a three-year operational plan has been constructed for the group as a whole and for each division and function. The plan focuses on five strategic thrusts:

1. Delivering outstanding customer service
2. Developing the capability of our organisation and people
3. Delivering operational excellence in all our processes and functions
4. Operating at lowest possible cost consistent with our service objectives
5. Delivering profitable growth through organic actions and bolt-on acquisitions

More detail will be given with the full year results.

2008 outlook

Our guidance for the full year 2008 remains unchanged from that given at the half year.

DIVISIONAL PERFORMANCE

Initial Textiles and Washroom Services

£ million	Third Quarter			Year to Date		
	Q3 08	Q3 07	change	YTD 08	YTD 07	change
At 2007 constant exchange rates:						
Portfolio – net movement (appendix 1)	6.5	5.2		19.3	2.8	
Revenue	152.4	150.7	1.1%	456.6	452.6	0.9%
Operating profit ² (before amortisation of intangible assets ¹)	17.5	24.0	(27.1%)	62.3	77.6	(19.7%)
One-off items	(1.1)	4.0	-	(1.1)	3.9	-
Adjusted operating profit ² (before one-off items and amortisation of intangible assets ¹)	16.4	28.0	(41.4%)	61.2	81.5	(24.9%)
At actual exchange rates:						
Adjusted operating profit ² (before one-off items and amortisation of intangible assets ¹)	20.0	27.8	(28.1%)	70.3	80.6	(12.8%)

¹ Other than computer software and development costs

² After charging additional central costs of £1.2 million in 2008 year to date

There was a marked difference between the performance of the UK and continental European Textiles and Washroom businesses in the third quarter. On the continent revenue was up 4.6% and profit up 0.6%, but revenue from UK Washrooms declined 14.3% and the business incurred a loss of £7.2 million after adding a further £6 million to its bad debt provisions. Overall third quarter revenue for the division was up 1.1% on prior year and adjusted operating profit of £16.4 million was down 41.4% on Q3 2007.

Europe

Approximately 75% of the division's revenue is generated in France, Germany and Benelux. In the third quarter revenue in these countries grew 5.4% on the prior year as a result of strong sales growth in France and Germany, price indexation in Belgium, and excellent retention rates in France and the Netherlands over the last 12 months. Customer retention rates have continued to improve during Q3 with an annualised 0.4% increase on Q2. The closing portfolio at the end of the third quarter improved by 5.9% over the corresponding period last year, mainly attributable to the improving retention rate but also in part to stronger new business sales (most notably in France) and acquired portfolios in the Nordic. Year to date profit is flat with 2007, with Q3 performance improving compared to Q1 and Q2, but cost pressures continue to be strong.

Growth has been weak in Spain, which continues to be affected by a difficult market environment for linen services, and Italy where pricing pressure from competitors continues to impact margin. For continental Europe as a whole, third quarter profits were in line with last year, with the business continuing to face margin pressure caused by the inability to pass cost increases through to customers in many markets.

UK Washrooms

As the business works to overcome legacy operational issues, the third quarter financial performance has continued to be affected by terminations and service credits. Revenues fell by 14.3% in Q3, 4.1% of which relates to credits. However, service levels have continued to improve during the period, consistently reaching 95% for the last five weeks and have improved steadily from a low point of 70% in June 2008. As a result the rate of contract terminations and credits has slowed during the quarter. The new management team remains heavily focused on customer service and while there remains significant work to be done, recent initiatives have delivered significant operational improvement.

As reported at the half year, accounts receivable has been a major issue in UK Washrooms. In light of the continuing difficulty in collecting aged debt, we have increased bad debt provisions by £6.0 million in the third quarter which we believe will deal with the legacy issues. At 30 September provisions totalled £8.3 million against total receivables of £21.3 million.

Rentokil Pest Control

£ million	Third Quarter			Year to Date		
	Q3 08	Q3 07	change	YTD 08	YTD 07	change
At 2007 constant exchange rates:						
Portfolio – net movement (appendix 1)	2.1	21.9		10.2	28.7	
Revenue	88.7	80.8	9.8%	253.2	223.8	13.1%
Operating profit ² (before amortisation of intangible assets ¹)	18.3	19.4	(5.7%)	47.5	47.1	0.8%
One-off items	-	0.1	-	-	0.7	-
Adjusted operating profit ² (before one-off items and amortisation of intangible assets ¹)	18.3	19.5	(6.2%)	47.5	47.8	(0.6%)
At actual exchange rates:						
Adjusted operating profit ² (before one-off items and amortisation of intangible assets ¹)	20.3	19.4	4.6%	51.9	47.5	9.3%

¹ Other than computer software and development costs

² After charging additional central costs of £2.0 million in 2008 year to date

In Q3 the Pest Control division performed well in mainland Europe and North America despite a backdrop of deteriorating economic conditions. However the UK continued to prove challenging. Divisional revenue grew by 9.8% but adjusted operating profit decreased by 6.2%, held back by the UK and the recharge this year of an additional £2.0 million of central costs.

Across continental Europe revenue grew by 11.9%. Retention improved slightly on Q3 2007 from an already strong base. The weakening economic environment was most felt in new contract sales which grew by only 4.4% year on year although this was compensated for by a 13.5% increase in job sales. The region saw strong organic performance in all the major countries with any weakness confined to the smaller markets. Profit increased by 12.2% for the quarter and 9.4% year-to-date.

The UK had a poor quarter with revenue declining by 6.1% on prior year and profit declining by £1.8 million. This decline is largely attributable to a 6.5% decline in job sales. The business has experienced a significant downturn in sales enquiries during the summer, reflecting the weakening economy and poor summer weather. However, revenues have also been negatively impacted by legacy service issues resulting in customer terminations and service credits. To address this, UK Pest Control has continued to improve service quarter on quarter (Q1 2008: 92.2%, Q3 2008: 98.5%) and these problems are now reducing.

North America grew revenue by 19.1% and profits by 4.6% during the quarter, which includes the contribution from Presto-X acquired in August 2007. Retention has weakened marginally more in residential than in commercial year-on-year. The commercial business was impacted by the enforced exit from Copesan at the end of Q1 which reduced the contract portfolio by £2.7 million.

During Q3 the UK business secured its first major contract in Libya with a three-year governmental contract worth some £25 million in total with the General Corporation for Housing & Utilities. The contract will cover rodent control in the major cities of Tripoli, Benghazi and Misratah and is one of a number of government initiatives to improve standards of living, not only for the benefit of Libyan nationals, but also with a view to improving foreign investment and promoting tourism.

Ambius

£ million	Third Quarter			Year to Date		
	Q3 08	Q3 07	change	YTD 08	YTD 07	change
At 2007 constant exchange rates:						
Portfolio – net movement (appendix 1)	(0.1)	1.2		2.5	1.8	
Revenue	25.1	25.5	(1.6%)	76.5	74.9	2.1%
Operating profit (before amortisation of intangible assets ¹)	1.3	1.3	-	3.5	3.8	(7.9%)
One-off items	-	-	-	-	-	-
Adjusted operating profit (before one-off items and amortisation of intangible assets ¹)	1.3	1.3	-	3.5	3.8	(7.9%)
At actual exchange rates:						
Adjusted operating profit (before one-off items and amortisation of intangible assets ¹)	1.4	1.3	7.7%	3.9	3.8	2.6%

¹ Other than computer software and development costs

Ambius, our tropical plants division, delivered a solid performance from its European businesses during Q3 but, as with Q2, continues to suffer in North America from poor new business and increasing terminations directly influenced by the poor US economy. In Q3 divisional revenue fell by 1.6% but profit was unchanged at £1.3 million.

Europe has continued to perform well during the period. Organic portfolio growth was 3.0% annualised and job revenues were up 17.3%. The UK business continues to show signs of improvement, with a positive organic net gain in Q3 and gross sales 29% ahead of prior year. European profits and revenues were both ahead of last year.

We remain cautious about revenue and profit performance in North America as the economic downturn continues to show signs of softening portfolio and job sales across the region. In Q3 US revenues were down 7.9% on prior year with profit £0.4 million lower. The outlook for the full year will be dependent on the business's performance during the US holiday season. Holiday sales are currently tracking our forecasts and are in line with 2007 levels.

European sales in new brand extension services, including ambient scenting and fresh fruit delivery, accounted for 10.3% of portfolio sales year to date. We continue to aim to offset any downturn in core trading with service extensions and view these as a factor in the European performance in 2008. The roll-out of brand extension services in the important US market commenced at the beginning of Q3.

City Link

£ million	Third Quarter			Year to Date		
	Q3 08	Q3 07	change	YTD 08	YTD 07	change
At 2007 constant exchange rates:						
Revenue	93.4	107.6	(13.2%)	284.7	310.6	(8.3%)
Operating profit (before amortisation of intangible assets ¹)	(12.0)	11.4	-	(41.4)	32.8	-
One-off items	0.4	3.0	-	1.9	5.7	-
Adjusted operating profit (before one-off items and amortisation of intangible assets ¹)	(11.6)	14.4	-	(39.5)	38.5	-
At actual exchange rates:						
Adjusted operating profit (before one-off items and amortisation of intangible assets ¹)	(11.6)	14.4	-	(39.5)	38.5	-

¹ Other than computer software and development costs

At City Link further progress has been made on the implementation of the seven-point recovery plan. Service levels in Q3 remained consistently above our internal target of 98.5%, customer relationships continue to strengthen and significant improvements have been made to systems and processes. Successful introduction of new technology has led to greater route productivity, improved visibility on costs and better cash collection. Further systems improvements will be introduced over the next 12 to 18 months and will allow the full benefits of the recovery plan to be achieved. Physical unification of the depot/hub network will remain on hold until management is confident it can be achieved without comprising service.

Network service levels remain at excellent levels, aided by the roll-out across the network of new hand held scanners (MC70s) on time and to budget. Feedback from customers, drivers and depot operational staff has been excellent. Roll-out across the remaining depots is ahead of schedule and will be complete by the end of Q1 2009.

Despite service improvements, the revenue trend weakened during the quarter, down 2.9% from Q2 2008 to £93.4 million, which we believe to be the result of generally weakening demand. This represents approximately 10% volume decline year-on-year, although Q3 2007 benefited marginally from the postal strike. Our customer base has remained broadly constant over the past two quarters. Though year to date trading across seven of our top 10 customers remains well ahead of last year, the majority of customers are trading below last year. We anticipate the seasonal trading spike will occur very late in Q4 as consumers defer decisions on spending as long as possible.

Average revenue per consignment (RPC) was £8.08, a decline of 2.9% year-on-year, largely in line with historic experience.

The business has continued to improve route and warehouse productivity levels. In anticipation of softening demand steps have been taken to right-size the business. Total employee numbers have been reduced from 7,600 at the start of the year to approximately 6,600 at the end of October. Year to date the vehicle fleet has been reduced by over 10% without compromising service.

At depot level visibility on cost trends has improved following the successful implementation of a new weekly depot management information system. The full benefit of this system, currently on trial across the network, will be felt in 2009. By the year end City Link will have reduced vehicle and staff costs by an annualised £25 million compared with April 2008. As stated at the half year the in-year profit effect will be limited with the full benefit being felt during 2009.

Despite weakening economic conditions progress continued to be made on cash collections in Q3, with a seven-month positive trend of progressive improvements extending into October. Customer debt which is more than 90 days old is now at its lowest level for more than a year and less than half of its peak at the end of Q1. At the end of September accounts receivables represented 43 days sales. Collections remain a key focus.

City Link will continue to drive a successful execution of its seven-point recovery plan. This involves: moving customer service closer to the customer; developing reliable and integrated information systems; improving financial control systems and reporting; optimising hub and depot networks; developing organisational people capability; and capitalising on growth opportunity initiatives.

While the softening economy is making it increasingly difficult to predict revenue, volumes and traffic mix across the customer base, our forecast loss for the year remains unchanged.

Initial Facilities Services

£ million	Third Quarter			Year to Date		
	Q3 08	Q3 07	change	YTD 08	YTD 07	change
At 2007 constant exchange rates:						
Portfolio – net movement (appendix 1)	(14.2)	30.9		(8.5)	35.7	
Revenue	148.4	150.1	(1.1%)	452.9	434.7	4.2%
Operating profit ² (before amortisation of intangible assets ¹)	10.2	8.8	15.9%	27.3	27.4	(0.4%)
One-off items	-	-	-	0.6	-	-
Adjusted operating profit ² (before one-off items and amortisation of intangible assets ¹)	10.2	8.8	15.9%	27.9	27.4	1.8%
At actual exchange rates:						
Adjusted operating profit ² (before one-off items and amortisation of intangible assets ¹)	10.5	8.8	19.3%	28.5	27.4	4.0%

¹ Other than computer software and development costs

² After charging additional central costs of £1.6 million in 2008 year to date

Revenue from Initial Facilities Services decreased 1.1% during the quarter. Excluding revenues from the Netherlands' Cleaning business, which was sold in 2007, the top line was flat. Adjusted operating profit increased by 15.9% (after the re-allocation of central charges of £1.6 million. This is principally as a result of good performances in Hospital Services and Medical and our supplies business. Profit fell by £0.7 million in the core UK cleaning business as a result of the recharge of additional central costs in 2008.

In UK Cleaning market conditions remain tough, particularly in the retail sector. Q3 revenue declined 5.5% reflecting contract losses and reductions since the second half of last year. Operating profit for both the quarter and year to date is in line with 2007 after allowing for the reallocation of central costs; volume shortfall has been offset by initiatives to streamline the cost base. Despite challenging conditions in the retail sector, a number of new contracts have recently been secured in this market. Lancaster, our office cleaning company, continues to perform well despite the turmoil in the financial sector where this business is strong. Despite the economic background there are no new major losses to report in Q3 but, as reported at the interims, previously notified contract reductions of £19.0 million have now taken effect and this was the major cause of the £14.2 million decline in the division's contract portfolio over the quarter. While the new business pipeline remains good, it is not as strong as in the first half of the year as clients are demonstrating an increasing tendency not to tender but to negotiate price reductions with existing suppliers.

Rentokil Initial Asia Pacific

£ million	Third Quarter			Year to Date		
	Q3 08	Q3 07	change	YTD 08	YTD 07	change
At 2007 constant exchange rates:						
Portfolio – net movement (appendix 1)	1.1	8.3		7.2	24.7	
Revenue	47.1	41.2	14.3%	137.5	115.0	19.6%
Operating profit ² (before amortisation of intangible assets ¹)	5.0	6.8	(26.4%)	14.7	21.1	(30.3%)
One-off items	0.7	-	-	1.8	-	-
Adjusted operating profit ² (before one-off items and amortisation of intangible assets ¹)	5.7	6.8	(16.2%)	16.5	21.1	(21.8%)
At actual exchange rates:						
Adjusted operating profit ² (before one-off items and amortisation of intangible assets ¹)	6.3	6.9	(8.7%)	17.8	20.9	(14.8%)

¹ Other than computer software and development costs

² After charging additional central costs of £0.4 million in 2008 year to date

Revenue in Asia Pacific increased by 14.3% in Q3, held back (as in the first half) by operational issues in Australia. Divisional profit declined by 16.2%. Excluding Australia, regional revenue and profit increased by 19.7% and 13.7% respectively during the quarter, and by 30.7% and 18.3% year to date.

Australia washrooms

In the Australian washrooms business revenue and profit is behind plan this year due to the legacy of poor customer service and the badly executed integration of the Pink Healthcare business. This has led to high levels of contract terminations, the issue of credits to customers for missed service and poor debt collection. The recovery plan reported at the half year is progressing well and there are clear signs that it is beginning to work. Accountability for customers and service is being restored to branch level and additional supervisors and technicians have been employed to address service shortfalls. Staff turnover has slowed across the network. Customer service has continued to improve, rising from 59% in Q2 to 93% in Q3 and terminations, although high, have shown a declining trend since July. Revenues, new contract sales and profits are all higher in the third quarter than the second. Credit control has been decentralised and cash collection and day sales outstanding have shown improvements during the quarter. Day sales outstanding at the end of October were at 53, the lowest level since August 2007.

Australian pest control

At the half year we reported that Campbell Bros., our residential pest control business, was job-based (i.e. non-contract), had an inflexible cost base and was being impacted by poor revenue (due in part to bad weather). We stated that it was proving difficult to integrate Campbell's with our commercial business as under-utilised residential technicians could not be easily transferred across to commercial activities because of sector inexperience and mismatched skill sets.

As with washrooms the recovery plan is well underway. A new operational structure resulting in fewer locations, reduced administrative personnel and increased service productivity has been implemented. Operations are now focused on five major cities (Melbourne, Sydney, Adelaide, Brisbane and Perth). We have begun to consolidate expertise within branches for both residential and commercial business. The business has begun to show greater ability to flex costs and technicians are now being encouraged to take leave in non-peak periods, a fuel surcharge is being implemented and materials are now being sourced from a single supplier. State of service continued to improve during the quarter, reaching 93.1% at September (March: 77%, June: 89%). We have also put greater credit control resources into underperforming branches and as a result, cash collection is showing signs of improvement with levels in September the highest over the last six months. Day sales outstanding at 31 October 2008 were at 53, the lowest level since the beginning of this year.

Performance excluding Australia

Outside Australia adjusted profit grew by 13.7% on revenue up 19.7%. Pest control revenue grew 15.6% but adjusted profit declined 8.0% on 2007, held back by disappointing performances in Malaysia, Singapore and Taiwan which can be attributed in part to lower than anticipated fumigation jobbing revenues. This may be a reflection of slowing international trade. Rentokil Pest Control continued to demonstrate strong revenue and profit growth in New Zealand, Indonesia, Thailand, Philippines and China, boosted by the Hong Kong government pest control contract which commenced on 1 April 2007. Initial Washrooms achieved a 16.0% growth in revenue and 18.7% growth in adjusted profit in Q3 with New Zealand, Indonesia, Hong Kong and Singapore achieving double digit growth in profit.

Other (South Africa)

£ million	Third Quarter			Year to Date		
	Q3 08	Q3 07	change	YTD 08	YTD 07	change
At 2007 constant exchange rates:						
Portfolio – net movement (appendix 1)	1.1	-		2.8	1.6	
Revenue	7.3	6.5	12.3%	21.6	19.6	10.2%
Operating profit (before amortisation of intangible assets ¹)	2.3	2.5	(8.0%)	7.2	7.3	(1.4%)
One-off items	-	-	-	-	-	-
Adjusted operating profit (before one-off items and amortisation of intangible assets ¹)	2.3	2.5	(8.0%)	7.2	7.3	(1.4%)
At actual exchange rates:						
Adjusted operating profit (before one-off items and amortisation of intangible assets ¹)	2.2	2.4	(8.3%)	6.8	7.2	(5.6%)

¹ Other than computer software and development costs

Other businesses comprise the group's activities in South Africa, principally washroom services, pest control and plants. Overall, revenue grew by 12.3% but profit declined by 8.0% as a result of a poor performance from the Initial washrooms business which offset continued encouraging growth in the Rentokil pest control business. Actions are now underway to improve the performance of the washrooms business.

Central Costs

£ million	Third Quarter			Year to Date		
	Q3 08	Q3 07	change	YTD 08	YTD 07	change
At 2007 constant exchange rates:						
Central costs ¹	(10.3)	(8.0)	(28.8%)	(29.4)	(28.5)	(3.2%)
One-off items	-	-	-	-	-	-
Central costs before one-off items ¹	(10.3)	(8.0)	(28.8%)	(29.4)	(28.5)	(3.2%)
At actual exchange rates:						
Central costs before one-off items ¹	(10.3)	(7.9)	(30.4%)	(29.4)	(28.5)	(3.2%)

¹ After charging additional central costs of £5.5 million in 2008 year to date

Year to date central costs were £0.9 million higher than the prior year. This is the net effect of a number of factors. Severance costs were incurred (net of provision releases for forfeited long-term incentives) in early 2008 associated with the changes in the group's leadership and there has been a higher than normal level of professional fees. These costs were partly offset by the recharge of £5.5 million of certain IT, shared service and other expenses that were borne centrally in 2007 to businesses in 2008.

Interest

Year to date net interest payable of £41.0 million was £13.0 million lower than 2007 at actual rates of exchange. Lower average net debt, mainly as a result of the disposal proceeds from the sale of Electronic Security last year, accounted for £8.4 million of the reduction. A further £4.6 million year-on-year benefit came from IAS 19 net pension interest and £0.1 million from mark to market related credits. These were partially offset by rate increases of £0.1 million.

Net debt and cash flow

£ million	Year to Date		
	YTD 08	YTD 07	Change£m
Earnings before interest, tax, depreciation and amortisation	245.3	321.1	(75.8)
Net capex	(161.6)	(123.0)	(38.6)
Working capital	(11.5)	(47.7)	36.2
Operating cash flow	72.2	150.4	(78.2)
Interest	(64.4)	(37.3)	(27.1)
Tax	(17.7)	(15.9)	(1.8)
Free cash flow	(9.9)	97.2	(107.1)
Acquisitions/disposals	(36.7)	342.2	(378.9)
Dividends	(94.9)	(94.9)	-
Special pension payment	(33.6)	(30.0)	(3.6)
Share issues	-	1.1	(1.1)
FX	(53.0)	(32.0)	(21.0)
Opening net debt	(947.1)	(1,188.2)	241.1
Closing net debt	(1,175.2)	(904.6)	(270.6)

Operating cash flow at actual rates of exchange was £78.2 million lower than 2007 due to lower EBITA and higher net capex partly offset by a better working capital movement. EBITDA was £75.8 million lower than last year at £245.3 million due to lower operating profit in the current year and the absence of profit from the Electronic Security division which was sold in H2 2007. Lower disposal proceeds in 2008 accounted for the higher net capex over the previous year – gross capex was 6.3% ahead of last year at £171.6 million. The working capital outflow was lower than last year mainly as a result of a £28 million payment made in 2007 to exit from a legacy property.

Tax and interest payments (including finance lease interest) were £28.9 million higher than last year, primarily due to the different phasing of interest payments (in particular the annual payment of interest on the €500 million bond issued in March 2007). Free cash was therefore an outflow of £9.9 million (£16.4 million outflow at the half year) compared with an inflow of £97.2 million in 2007.

Acquisitions and disposals consumed a further £36.7 million, dividend payments amounted to £94.9 million, a further special pension contribution was made of £33.6 million and fair value and foreign exchange losses of £53.0 million produced a total cash outflow of £228.1 million to leave net debt at £1,175.2 million at the end of the quarter.

ANNUAL CONTRACT PORTFOLIO - CONTINUING BUSINESSES

3 Months to 30 September 2008

£m at constant 2007 exchange rates	<u>1.7.08</u>	<u>New Business</u>	<u>Terminations</u>	<u>Net Additions/ Reductions</u>	<u>Acquisitions / Disposals</u>	<u>30.9.08</u>	<u>30.9.08 at actual exchange</u>
Textiles & Washroom Services	591.1	13.9	(12.6)	4.5	0.7	597.6	669.6
Pest Control	249.5	9.6	(10.5)	1.7	1.3	251.6	269.9
Ambius	89.0	1.6	(2.4)	0.7	-	88.9	94.6
Facilities Services*	467.7	16.4	(16.1)	(19.0)	4.5	453.5	462.2
Asia Pacific**	138.9	4.4	(4.9)	0.9	0.7	140.0	150.9
Other	27.4	1.0	(1.3)	1.4	-	28.5	26.9
TOTAL	1,563.6	46.9	(47.8)	(9.8)	7.2	1,560.1	1,674.1

9 Months to 30 September 2008

£m at constant 2007 exchange rates	<u>1.1.08</u>	<u>New Business</u>	<u>Terminations</u>	<u>Net Additions/ Reductions</u>	<u>Acquisitions / Disposals</u>	<u>30.9.08</u>	<u>30.9.08 at actual exchange</u>
Textiles & Washroom Services	578.3	44.9	(40.4)	14.8	-	597.6	669.6
Pest Control	241.4	30.2	(32.4)	6.9	5.5	251.6	269.9
Ambius	86.4	5.1	(7.5)	2.9	2.0	88.9	94.6
Facilities Services*	462.0	45.1	(45.7)	(12.1)	4.2	453.5	462.2
Asia Pacific	132.8	14.8	(12.5)	3.6	1.3	140.0	150.9
Other**	25.7	2.8	(3.5)	3.5	-	28.5	26.9
TOTAL	1,526.6	142.9	(142.0)	19.6	13.0	1,560.1	1,674.1

Notes

Contract portfolio definition: Customer contracts are usually either “fixed price”, “as-used” (based on volume) or mixed contracts. Contract portfolio is the measure of the annualised value of these customer contracts.

Contract portfolio valuation: The contract portfolio value is typically recorded as the annual value from the customer contract. However, in some cases – especially “as-used” (based on volume) and mixed contracts – estimates are required in order to derive the contract portfolio value. The key points in respect of valuation are:

“As-used” contracts: These are more typical in Textiles and Washroom Services, where elements of the contract are often variable and based on usage. Valuation is based on historic data (where available) or forecast values.

Income annualisation: In some instances, where for example the underlying contract systems cannot value portfolio or there is a significant “as-used” element, the portfolio valuation is calculated using an invoice annualisation method.

Inter-company: The contract portfolio figures include an element of inter-company revenue.

Job work and extras: Many of the contracts within the contract portfolio include ad hoc and/or repeat job work and extras. These values are excluded from the contract portfolio.

Rebates: The contract portfolio value is gross of customer rebates. These are considered as a normal part of trading and are therefore not removed from the portfolio valuation.

New business: Represents new contractual arrangements in the period, which can either be new contracts with an existing customer or with a new customer.

Terminations: Represent the cessation of either a specific existing customer contract or the complete cessation of business with a customer, in the period.

Net additions/reductions: Represents net change to the value of existing customer contracts in the period as a result of changes (either up or down) in volume and/or pricing.

Acquisitions: Represents the valuation of customer contracts obtained from acquisitions made in the period.

Segmental Analysis (at constant exchange rates)
(Management basis)

(at 2007 constant exchange rates)	3 months to 30 September 2008	3 months to 30 September 2007	9 months to 30 September 2008	9 months to 30 September 2007
	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)
Revenue				
Textiles & Washroom Services	152.4	150.7	456.6	452.6
Pest Control	88.7	80.8	253.2	223.8
Ambius	25.1	25.5	76.5	74.9
City Link	93.4	107.6	284.7	310.6
Facilities Services	148.4	150.1	452.9	434.7
Asia Pacific	47.1	41.2	137.5	115.0
Other	7.3	6.5	21.6	19.6
Continuing operations at 2007 constant exchange rates	562.4	562.4	1,683.0	1,631.2
Exchange	38.4	(1.8)	95.9	(7.5)
Continuing operations at actual exchange rates	600.8	560.6	1,778.9	1,623.7
Operating profit*				
Textiles & Washroom Services	17.5	24.0	62.3	77.6
Pest Control	18.3	19.4	47.5	47.1
Ambius	1.3	1.3	3.5	3.8
City Link	(12.0)	11.4	(41.4)	32.8
Facilities Services	10.2	8.8	27.3	27.4
Asia Pacific	5.0	6.8	14.7	21.1
Other	2.3	2.5	7.2	7.3
Central costs	(10.3)	(8.0)	(29.4)	(28.5)
Continuing operations at 2007 constant exchange rates	32.3	66.2	91.7	188.6
Exchange	6.6	(0.2)	15.4	(1.5)
Continuing operations at actual exchange rates	38.9	66.0	107.1	187.1
Adjusted operating profit**				
Textiles & Washroom Services	16.4	28.0	61.2	81.5
Pest Control	18.3	19.5	47.5	47.8
Ambius	1.3	1.3	3.5	3.8
City Link	(11.6)	14.4	(39.5)	38.5
Facilities Services	10.2	8.8	27.9	27.4
Asia Pacific	5.7	6.8	16.5	21.1
Other	2.3	2.5	7.2	7.3
Central costs	(10.3)	(8.0)	(29.4)	(28.5)
Continuing operations at 2007 constant exchange rates	32.3	73.3	94.9	198.9
Exchange	6.5	(0.2)	15.4	(1.5)
Continuing operations at actual exchange rates	38.8	73.1	110.3	197.4

* Before amortisation of intangible assets other than computer software and development costs

** Before amortisation of intangible assets other than computer software and items of a one-off nature (see appendix 4 for further details).

Segmental Analysis (at actual exchange rates)
(Management basis)

(at actual exchange rates)	3 months to 30 September 2008 £m (unaudited)	3 months to 30 September 2007 £m (unaudited)	9 months to 30 September 2008 £m (unaudited)	9 months to 30 September 2007 £m (unaudited)
Revenue				
Textiles & Washroom Services	173.4	149.9	511.6	447.9
Pest Control	96.5	80.4	270.5	222.9
Ambius	27.4	25.3	81.3	74.8
City Link	93.4	107.6	284.7	310.6
Facilities Services	151.8	150.0	461.8	433.9
Asia Pacific	51.2	41.0	148.6	114.1
Other	7.1	6.4	20.4	19.5
Continuing operations at actual exchange rates	600.8	560.6	1,778.9	1,623.7
Operating profit*				
Textiles & Washroom Services	21.3	23.8	71.6	76.7
Pest Control	20.3	19.3	51.9	46.8
Ambius	1.4	1.3	3.9	3.8
City Link	(12.0)	11.4	(41.4)	32.8
Facilities Services	10.5	8.8	27.9	27.4
Asia Pacific	5.5	6.9	15.8	20.9
Other	2.2	2.4	6.8	7.2
Central costs	(10.3)	(7.9)	(29.4)	(28.5)
Continuing operations at actual exchange rates	38.9	66.0	107.1	187.1
Adjusted operating profit**				
Textiles & Washroom Services	20.0	27.8	70.3	80.6
Pest Control	20.3	19.4	51.9	47.5
Ambius	1.4	1.3	3.9	3.8
City Link	(11.6)	14.4	(39.5)	38.5
Facilities Services	10.5	8.8	28.5	27.4
Asia Pacific	6.3	6.9	17.8	20.9
Other	2.2	2.4	6.8	7.2
Central costs	(10.3)	(7.9)	(29.4)	(28.5)
Continuing operations at actual exchange rates	38.8	73.1	110.3	197.4

* Before amortisation of intangible assets other than computer software and development costs.

** Before amortisation of intangible assets other than computer software and development costs and items of a one-off nature (see appendix 4 for further details).

One-off Items

	3 months to 30 September 2008	3 months to 30 September 2007	9 months to 30 September 2008	9 months to 30 September 2007
	£m	£m	£m	£m
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Textiles & Washroom Services	1.1	(4.0)	1.1	(3.9)
Pest Control	-	(0.1)	-	(0.7)
Ambius	-	-	-	-
City Link	(0.4)	(3.0)	(1.9)	(5.7)
Facilities Services	-	-	(0.6)	-
Asia Pacific	(0.7)	-	(1.8)	-
Other	-	-	-	-
Central costs	-	-	-	-
At 2007 constant exchange rates	-	(7.1)	(3.2)	(10.3)
Exchange	0.1	-	-	-
At actual exchange rates	0.1	(7.1)	(3.2)	(10.3)

One-off items relate mainly to the group's restructuring programme and consist of consultancy, redundancy and reorganisation costs net of the profit on sale of certain properties. They have been separately identified as they are not considered to be "business as usual" expenses and have a varying impact on different businesses and reporting periods.