Many small steps on the road to profitable growth

2009 Preliminary Results

19 February 2010

Introduction

John McAdam
Chairman

Highlights

Alan Brown
Chief Executive Officer

2009 Financial Highlights

- 54% increase in adjusted profit before tax[1] at AER at £166.5m
- Operating cash flow £317m (2008: £130m) = 143% cash conversion at AER
- Year-on-year reduction in net debt from £1.36bn to £1.11bn
- 5% revenue increase at AER, 2.2% decline at CER
- Cost savings of £82m (of which £54m City Link)
- Turnarounds inc. City Link, UK Pest & Washrooms - making strong progress
- A further £75m cost savings target for 2010

Delivering on Our Promises in 2009

[1] before amortisation of intangible assets and one-off items

Operating & Financial Review

Michael Murray
Chief Financial Officer

Financial Highlights

	Q4			FULL YEAR		
	2009 £m	2008 £m	△	2009 £m	2008 £m	△
Revenue at CER	601	610	(1.4)%	2,356	2,410	(2.2)%
Adjusted PBITA at CER	65	54	20%	195	167	17%
Adjusted PBTA at CER	54	34	61%	140	108	30%
Adjusted PBTA at AER	62	37	68%	167	108	54%
Operating Cash Flow at AER	96	57	67%	317	130	144%

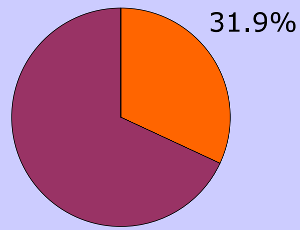
CER = constant exchange rates
AER = actual exchange rates

Textiles and Washrooms

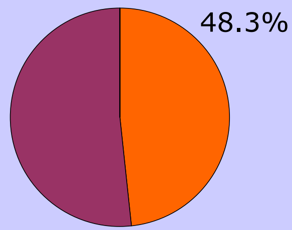
At constant exchange rates

	Q4 2009	FY 2009	Δ Q4	Δ FY
Revenue	£195.2m	£772.1m	2.0%	2.5%
Adj. PBITA at CER[1]	£34.3m	£115.1m	5.9%	(6.7)%
OCF at CER	£37.7m	£139.5m	43.3%	63.3%

% Revenue



% Adj. PBITA[2]



- Revenue up 2.5% - primarily France (+4.9%), Germany (+2.4%) & contribution from Raywerk
- Overall performance held back by market declines & competitive pressure in Benelux
- Adjusted profit down 6.7% - result of investments in change & poor performance in Benelux
- 63% increase in cash flow, reflecting drive on DSO, lower capex & tighter stock management
- European restructuring – £26m one-off charge in 2009, £6m cash outflow in 2009, £26m in 2010, £12m cost savings in 2011
- Divisional leadership team significantly strengthened but procurement & innovation agendas still at an early stage of development

Rentokil Initial

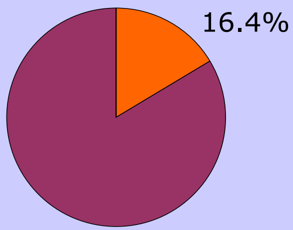
[1] before amortisation of intangible assets and one-off items
[2] % excludes central costs

Rentokil Pest Control

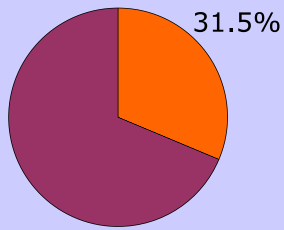
At constant exchange rates

	Q4 2009	FY2009	Δ Q4	Δ FY
Revenue	£96.4m	£396.7m	2.3%	3.3%
Adj. PBITA at CER[1]	£18.2m	£75.2m	19.0%	1.9%
OCF at CER	£21.2m	£82.1m	(14.5)%	11.1%

% Revenue



% Adj. PBITA[2]



- Profit up 1.9% on 3.3% revenue growth (of which 2.3% Libya)
- Stable revenue performance in Europe, but profit held back by UK
- UK Pest: FY decline in revenue, profit & portfolio but growth in Q4
- North America – 16% improvement in profit on 4% revenue increase
- Libya contract proceeding well - technology leveraged to create customer focused & responsive service, however continued delays in payment
- 11% increase in cashflow – reduced accounts receivables & lower capex

Rentokil Initial

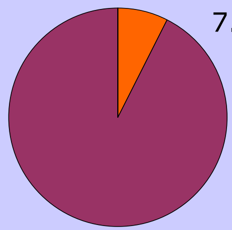
[1] before amortisation of intangible assets and one-off items
[2] % excludes central costs

Asia Pacific

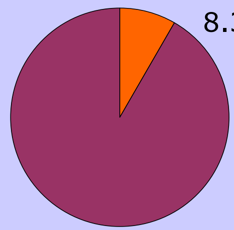
At constant exchange rates

	Q4 2009	FY 2009	△ Q4	△ FY
Revenue	£44.5m	£183.4m	(3.9)%	(6.7)%
Adj. PBITA at CER[1]	£1.9m	£19.8m	(67.8)%	(16.1)%
OCF at CER	£7.0m	£35.2m	62.8%	200.9%

% Revenue



% Adj. PBITA[2]



- **Asia:**
  - Revenue down 13% - result of exit of HK Pest contract, non-repeat of Olympics sales & decline in fumigation
  - Profit down £5m reflecting charges taken for control / acquisition issues (now most resolved) & revenue decline
- **Pacific:**
  - Revenue down 2% due to weaker residential jobbing in Pest and lost portfolio in Ambius
  - Profit up 4% - led by strong profit growth in Pest, steady performance in Washrooms & cost savings
  - Recovery largely complete with businesses now focusing on profitable growth
- **Management strengthened by appointment of new MD, CFO and other senior country heads**

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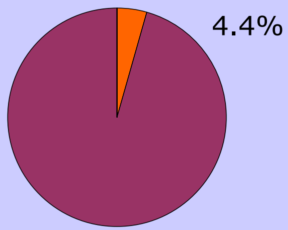
[1] before amortisation of intangible assets and one-off items
[2] % excludes central costs

Ambius

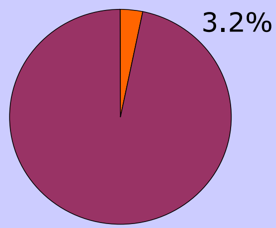
At constant exchange rates

	Q4 2009	FY 2009	△ Q4	△ FY
Revenue	£30.5m	£106.8m	(13.4)%	(10.5)%
Adj. PBITA at CER[1]	£4.3m	£7.6m	(12.2)%	(23.2)%
OCF at CER	£3.4m	£12.6m	142.9%	57.5%

% Revenue



% Adj. PBITA[2]



- Exceptionally challenging market conditions impacting portfolio & sales
- Revenue down 10.5%, profit down 23% year on year
- Retention down but an improving trend H2 on H1
- Cash flow a key focus in 2009 – 165% conversion through focus on working capital & capex
- 2-day year-on-year reduction in day sales outstanding (DSO) – now 37 days

Rentokil Initial

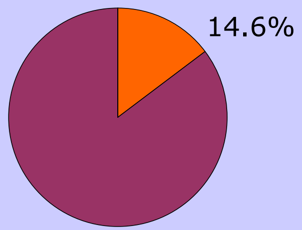
[1] before amortisation of intangible assets and one-off items
[2] % excludes central costs

City Link

At constant exchange rates

	Q4 2009	FY 2009	△ Q4	△ FY
Revenue	£100.9m	£353.1m	3.8%	(7.5)%
Adj. PBITA [1]	£2.7m	(£5.6)m	-	87.1%
OCF	£8.5m	£1.9m	-	-

% Revenue



- 2009 operating loss of £5.6m (2008: £43.5m loss), return to profitability in Q4
- FY revenue down £29m due to difficult economic conditions, pricing competition and full year effect of poor service in 2008
- Q4 revenue and volume growth reflecting seasonal uplift particularly in B2C business
- £54m cost savings achieved in 2009:
  - 97 to 84 depots, 16% reduction in headcount, 30% reduction in vehicles
- Service consistently above 98.5% except during periods of heavy snow
- Strong cash flow performance and ten-day improvement on DSO - now 34 days

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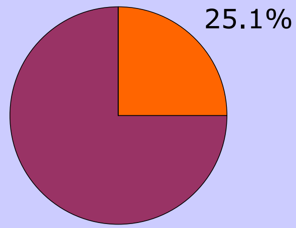
[1] before amortisation of intangible assets and one-off items

Initial Facilities Services

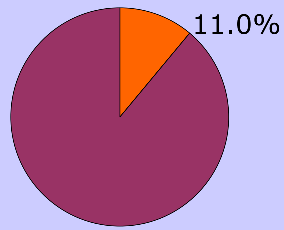
At constant exchange rates

	Q4 2009	FY 2009	△ Q4	△ FY
Revenue	£150.6m	£608.6m	(8.4)%	(6.8)%
Adj. PBITA at CER[1]	£11.6m	£26.3m	26.1%	42.9%
OCF at CER	£20.2m	£46.4m	2.0%	113.8%

% Revenue



% Adj. PBITA[2]



- Revenue down 7%, of which 2% Retail
- Cleaning, Catering & Hospitals revenues down due to contract losses – however over 75% of lost portfolio recovered by recent contract wins which take effect in Q2 2010
- Strong cost management across Division to mitigate loss of revenue
- Profit up £7.9m YOY, almost entirely due to improvement in UK Washrooms profitability
- Excellent progress on cash – 176% conversion and 13-day improvement in DSO
- Bad debt exposure dramatically reduced

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[1] before amortisation of intangible assets and one-off items
[2] % excludes central costs

Interest

At actual exchange rates

	£ million	
	FY 2009	**FY 2008**
Net interest on bank/bond/finance lease debt*	(63.6)	(66.1)
Net return on Pension Scheme	5.9	7.6
Mark-to-market/forex adjustments	(2.1)	0.1
Other	2.2	(3.5)
Per income statement	(57.6)	(61.9)
Average interest rate on bank/bond/ finance/lease debt	5.2%	5.9%
Average net debt	£1,213m	£1,125m

* Interest paid on forward rate agreements

Operating Cash Flow

At actual exchange rates

	£ million	
	FY 2009	**FY 2008**
Adjusted PBITA	221	172
One-off items	(40)	(20)
Depreciation	216	191
Non-cash items[1]	7	5
EBITDA	404	348
Working capital	92	3
Capex	(189)	(237)
Fixed asset disposal proceeds[2]	10	16
Operating cash flow	317	130

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[1] Profit on sale of fixed assets, IFRS 2 etc.
[2] Property, plant, vehicles

Free Cash Flow and Movement in Net Debt

At actual exchange rates

	£ million	
	FY 2009	**FY 2008**
Operating cash flow	317	129
Cash interest	(62)	(67)
Cash tax	(17)	(27)
Other	(1)	-
Free cash flow	237	35
Dividend	-	(107)
Acquisitions & Disposals[1]	(7)	(43)
Special pension payment	-	(33)
FX [2]	24	(267)
Decrease/ (increase) in net debt	254	(415)
Opening net debt	(1,362)	(947)
Closing net debt	(1,108)	(1,362)

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[1] Cash consideration plus acquired debt
[2] Most of the group's debt is either denominated or hedged into Euro or US Dollars

Strategy Update
& Growth Objectives

Alan Brown
Chief Executive Officer

Execution of the Strategic Plan in 2009

2009 Progress

1. Outstanding Customer Service
2. Developing Capability
3. Delivering Operational Excellence
4. Lowest Cost and Maximum Cash
5. Profitable Growth

= strong progress = progress = limited progress

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Group Goals & KPIs

COLLEAGUES

CUSTOMERS

SHAREHOLDERS

Group Goals	2008	2009
Colleague engagement*	N/A	**71%**
Sales colleagues retention	54.6%	**63.5%**
Service colleague retention	74.2%	**74.4%**
H&S LTA rate	1.82	**1.53**
Gross sales % of opening portfolio	18.8%	**15.2%**
Customer retention	81.0%	**79.6%**
Net gain % of opening portfolio	2.8%	**-3.6%**
Job sales % of total revenue	25.2%	**24.0%**
State of Service	88.5%	**98.1%**
Customer satisfaction (NPS)	N/A	**21**
Organic revenue growth	-1.7%	**-3.1%**
Total revenue growth (incl acquisitions)	2.5%	**-2.2%**
APBITA margin (%)	6.9%	**8.3%**
Debtors (DSO – days)	61	**49**
Cost savings delivered in year	-	**£82m**
Cash conversion targets as % op. profit	75.2%	**143%**
Gross capex as % of depreciation	**116%**	**83%**

	2009 Target	2010 Target
Debtors (DSO – days)	55	47
Cost savings delivered in year	£70m	£75m
Cash conversion targets as % op. profit	95%	102%**

* Colleague engagement surveyed across group for the first time in 2009 - previously, only Rentokil (78% 08 to 81% in 09) & Ambius (70% in 08 to 73% in 09) were surveyed

** Excluding restructuring costs

1. Outstanding Customer Service

- **Drive customer service across all our businesses:**
  - Group State of Service 98.1%, +96% in turnaround businesses
  - Improve Contract State of Service to 97.5%

- **Values & Behaviours: Service, Relationships & Teamwork:**
  - Excellent group take up of “Service, Relationships & Teamwork” ethos

- **Ensure personal accountability for Customer Contact Management:**
  - Personal accountability for relationships in place
  - Outstanding customer queries falling rapidly
  - More pro-active customer management needed:
    - Improve query resolution times, Welcome Packs Pilots, Account Management Cycles

- **Net Promoter Score (Customer Satisfaction Measurement):**
  - Cascade country objectives down to branch level
  - Launch competitor benchmarking

2. Developing Capability

- **Drive Performance Management, Global Grading & HRIS:**
  - PDRs rolled out to 1,900 managers via HR global information system
  - Global grading implemented across group
  - Talent Review roll out to top 500 in Q2 2010

- **Upgrade functional & operational management:**
  - New senior management teams in Pest (Divisional, UK & US) TWS, Asia Pacific
  - Recruitment of higher calibre staff but gaps in sales leadership, procurement & innovation

- **Develop Service & Sales capability:**
  - Successful implementation of Technician Performance Assessment programme (TPA)
  - Launch and roll-out Sales Performance Assessment (SPA)
  - Define development programmes for sales / service supervisors & managers
  - Launch best practice "First 42 Days" technician induction & training program

3. Developing Operational Excellence

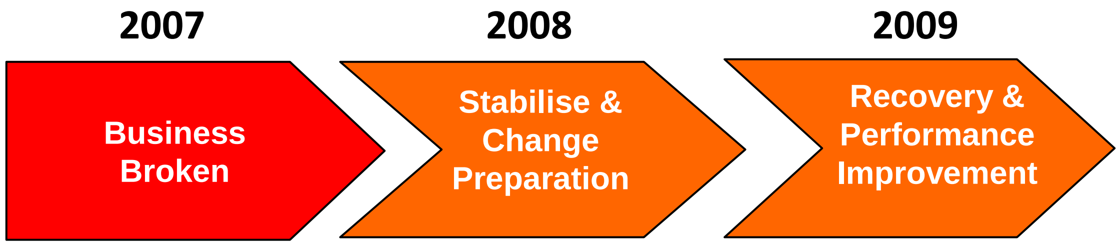
- **Turnaround businesses off critical list and focused for growth:**
  - City Link growth agenda in development
  - UK Pest & Washrooms: roll out of Brand & Customer Proposition strategy
- **Develop common information systems & processes:**
  - Further roll out of iCABS across Europe, US & SA (Pest Control & TWS)
  - Common country finance systems (complete Navision implementation in NA)
  - Common Textiles operating system across Europe
  - Global roll out of Google Mail
  - Capitalise on PDA investment
  - Inter-division co-operation and information sharing (including customer lists)
- **Consistent KPIs across and down the Organisation**
- **Updating Group Governance Framework:**
  - Central policy framework upgraded in 2009
  - Governance and business conduct rules reinforced Q1 2010

3. Developing Operational Excellence

TWS Starting Point for Finance Systems

	General Ledger	Receivables	Payables	Fixed Assets	Inventory	Payroll
France	Eurocomptos	Eurocomptos	Eurocomptos	ImmoWin	Sacha / Atlas	Anaël
Germany	Schilling	Schilling	Schilling	Schilling	None	Schilling Topas
Belgium	FIS 2000	FIS 2000	FIS 2000	FIS 2000	Excel	Attentia
Italy	ACG / AS400	ACG / AS400	ACG / AS400	CESPITI / AS400	None	INAZ-PAGHE
Netherlands	FIS 2000	KAS	FIS 2000	FIS 2000	None	EMIS
Spain	IPG/PG400	IPG / PG400	IPG / PG400	IPG / PG400	IPG / PG400	A3
Portugal	JBA / System21	JBA / System 21	JBA / System 21	Primavera	JBA / System 21	Primavera
Switzerland	**Navision 4.1**	**Navision 4.1**	**Navision 4.1**	**Navision 4.1**	Excel	**Navision 4.1**
Austria	BMD 5.5	BMD 5.5	BMD 5.5	BMD 5.5	Handel, Advantex	BMD 5.5
Norway	**Navision 4.0**	**Navision 4.0**	**Navision 4.0**	**Navision 4.0**	**Navision 4.0**	Huldt & Lillevik
Sweden	Copernicus	Copernicus	Copernicus	Excel	Excel	Kontek
Denmark	**Navision 5.0**	**Navision 5.0**	**Navision 5.0**	**Navision 5.0**	Excel	External system
Finland	Sonet	Sonet	Sonet	Sonet	Sonet	Sonet
Czech Rep.	**Navision**	**Navision**	**Navision**	**Navision**	**Navision**	**Navision**
UK	Open Accounts	Open Accounts	Open Accounts	Open Accounts	Open Accounts	North Gate

3. Developing Operational Excellence: City Link



- **Return to profitability Q4 2009, full year loss of £5.6m**
- **Cost savings of £54m:**
  - Depot rationalisation from 97 to 84
  - Reductions in headcount (down 16%) and vehicles (down 30%)
- **Consistent delivery of customer service and care:**
  - Apart from snow disruption February & December, service consistently over 98.5%
  - Restoration of customer call handling to depots receiving excellent feedback
  - New scanners, route scheduling tool and website underpinning productivity & service
- **Ten-day improvement in DSO – 34 days at year end**

3. Developing Operational Excellence: City Link

2007	2008	2009	2010	2011
Business Broken	Stabilise & Change Preparation	Recovery & Performance Improvement	Network Unification	Deliver Sustainable Growth

- **One Hub:** 2 to 1 Hubs
- **One Linehaul:** Move from hard-sided to curtain-sided fleet
- **One System:** Single manifest & billing
- **Fewer Depots:** 84 to 70 Depots
- **Better Service:** From 98.5% service to 99.0% and driver scheduling
- **More Growth:** Develop strategic sales approach by end Q2 2010

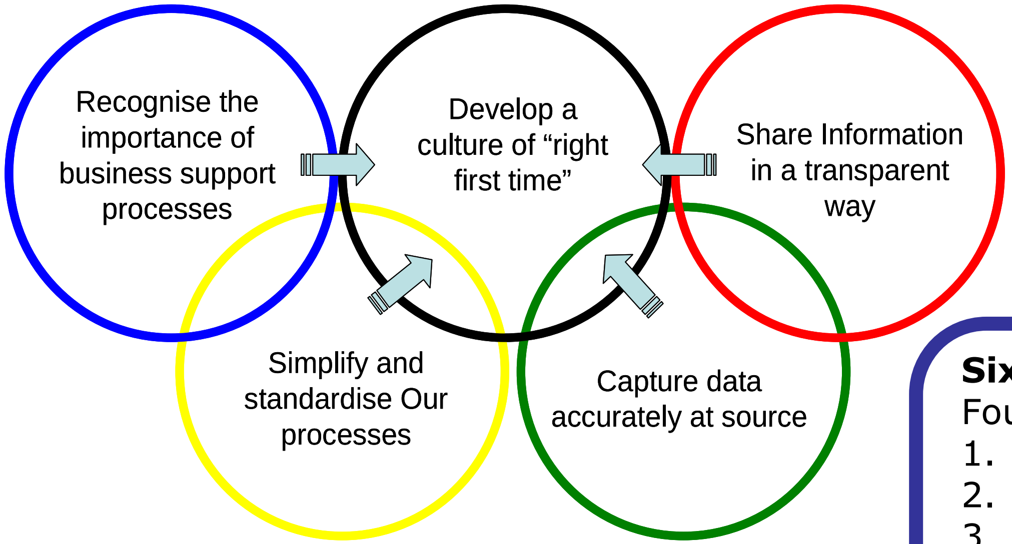
4. Lowest Possible Cost, Maximum Cash

- **£82m cost savings in 2009:**
  - £54m (City Link)
  - £28m (IFS, Pest Control, TWS, Ambius, AsiaPac & Group Centre)
- **£317m operating cash flow:**
  - Target beating 12-day reduction in DSO = 61 to 49 days
  - Capex reduction = £179m (83% of depreciation at AER)
- **Driving down administration costs:**
  - Reduction in admin & overhead from 19% to 17.9% of revenue
  - Programme Olympic at high level design phase, plus some pilots commencing
- **Increasing European Textile processing productivity:**
  - Restructuring underway in Belgium, France agreed, further programmes ongoing
- **Delivering procurement savings:**
  - Washrooms savings proceeding well, a slower start to Textiles

4. Lowest Cost, Maximum Cash: Initiatives for 2010

- **£75m cost savings in 2010:**
  - City Link depot & hub consolidation
  - TWS procurement programme & plant rationalisation
  - Divisional & Centre cost savings programmes, including £17m indirect procurement savings
- **Reduction in admin & overhead from 17.9% to 16% of revenue by 2012:**
  - Successfully implement Navision in North America and Open Accounts in UK
  - Commence implementation of 3 of 5 finance shared service centre initiatives
- **DSO: 49 to 47 days**
- **102% cash conversion, capex 95% of depreciation, 15% reduction in stock**

4. Lowest Cost, Maximum Cash: Programme Olympic



Six broad programmes

Four process focused

1. Prospect to Cash
2. Procure to Pay
3. Recruit to Reward
4. Record to Report

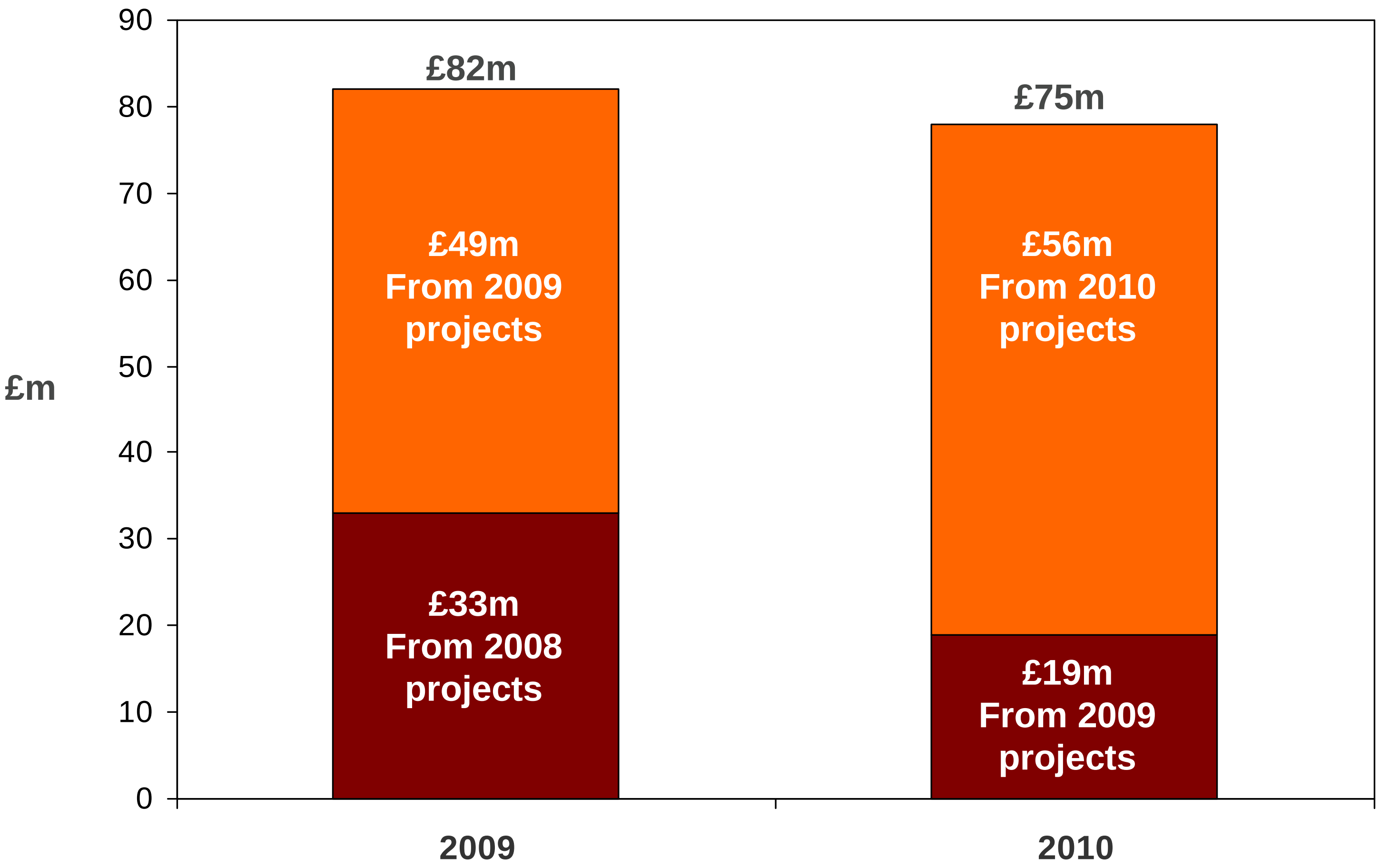
And two that are big drivers of administration

5. Property
6. Organisational Development

Olympic – Being the Best at What We Do

4. Lowest Cost, Maximum Cash: Cost Savings

Cost savings achieved vs. prior year



5. Profitable Growth

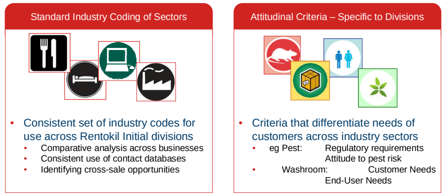
- **Market Segmentation & Brand Development**
  - Industry Classification
  - Attitudinal Segmentation
  - Brand Development
  - Customer Proposition
- **Sales Effectiveness**
  - Organisation, Recruitment & Training
  - Prospect Identification
  - Prospect Development
  - Cross Selling
  - Customer Contact Management
- **Service expansion**
  - Manned Guarding
  - Product & Service Innovation
- **Developing markets**
  - Libya, Middle East, China & India
- **Acquisitions**

Many small steps on the road to profitable growth

5. Profitable Growth: Market Segmentation

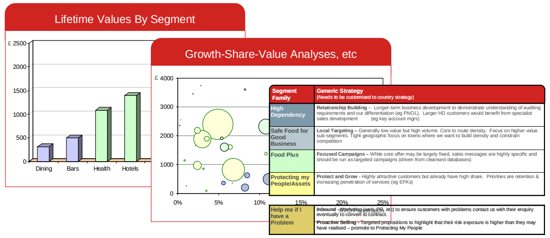
Consistent Industry segmentation across RI

- An enabler to cross-selling
- Common processes
- Scale in building marketing databases



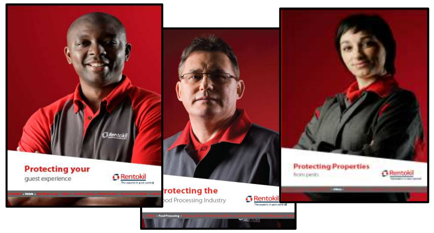
Identifying the most Attractive Segments

- Economic value by segment
- Sales strategies aligned to priority segments



Matching Our Offers to Customer Needs

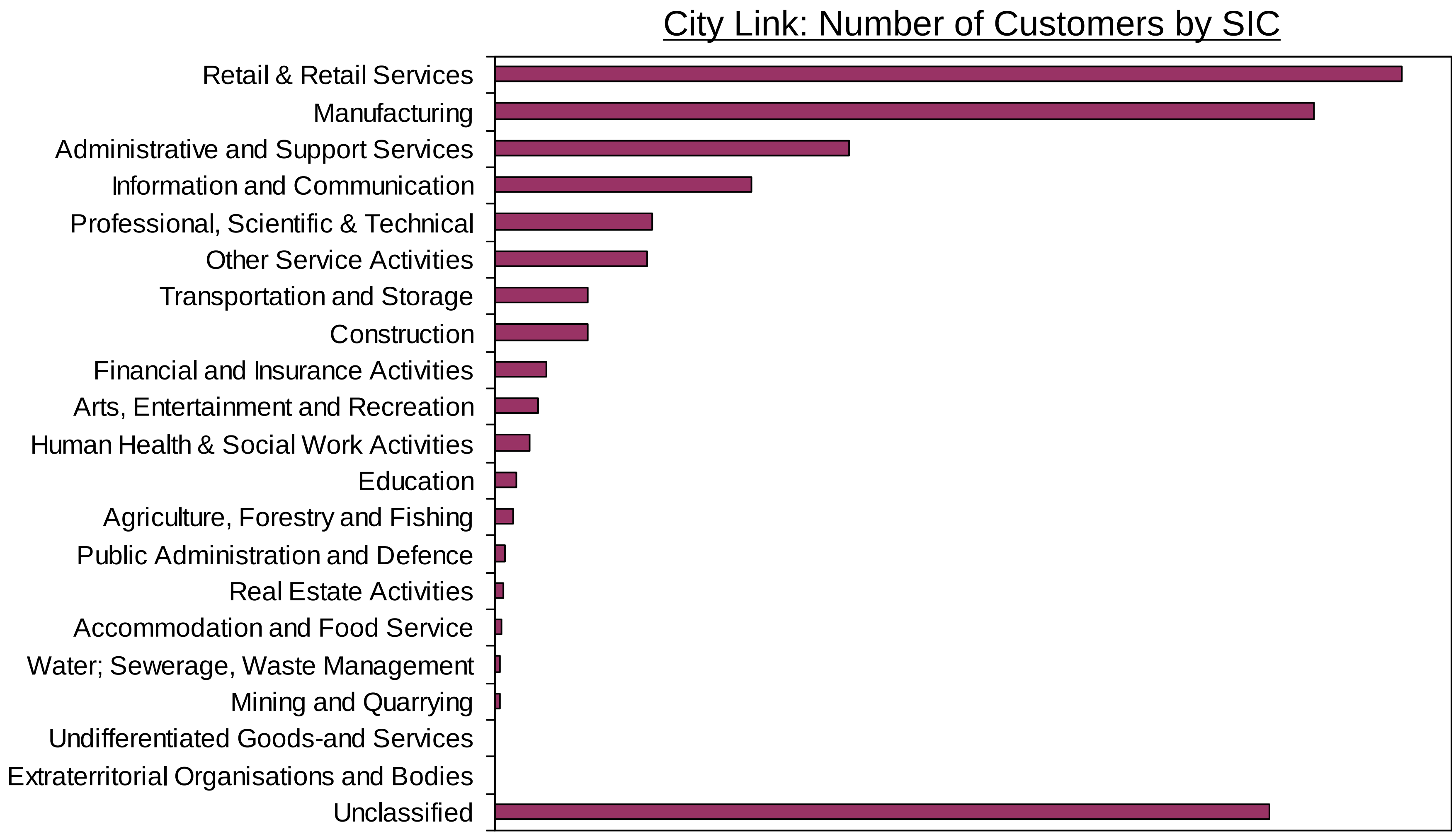
- Increase in
  - Win Rate
  - Price Point
  - Retention



Segments must be distinct, defined by customer needs and measurable; Ideally there should also be alignment across divisions

5. Profitable Growth: Industry Segmentation

Example – Industry Coding for City Link



5. Profitable Growth: Attitudinal Segmentation

Example – Selling Pest Control to Hospitality Customers

	Traditional Offer to Hospitality Customers	**Our New Proposition**
Our Offer	Generic pest control service	Focused pest control service including hygiene advice (leveraging wider capabilities)
Customer Benefits	"Tick in the Box" to keep EHOs happy	1. Improving hygiene standards 2. Achieving higher star ratings 3. Improving reputation and ultimately revenue
Sales Approach	Indiscriminately selling to pubs, restaurants or hotels	Proactively targeting hospitality customers with propensity to invest in their reputation

5. Profitable Growth: Prospect Identification

- **Current challenges:**
  - Inadequate management of sales diaries (gaps, planning time, admin)
  - Inconsistent response times to inbound enquiries & leads
  - Failure to capture and prioritise Prospect data

- **Productivity initiatives:**
  - ‘Indoor’ sales support roles
  - Research & screening of prospects & logging all quotations on country database
  - Diarise pre-qualified sales appointments to increase conversion rates
  - Immediate assignment of enquiries & leads
  - Telephone sales for less complex service lines
  - “Sell to a friend” & inter-company information sharing

5. Profitable Growth: Sales Effectiveness

Example - UK Washrooms Pilots (South West Region)

PILOT 1 PRIMARY GOAL:
Sales pipelines full of high potential Prospects

Critical Success Factors

Improve quantity, quality & accuracy of Prospects, with first priority to internal Prospect sources

Collate Prospects into one place for Sales staff to access

Most productive sources of Prospects are identified

Prioritisation/Qualification rules are validated through pilots

PILOT 2 PRIMARY GOAL:
Maximise high quality prospects per sales person per day

Critical Success Factors

Introduce telesales for simple services

Introduce tele-appointment and pre-qualification for complex sales

Increase appointments/sales rep/day by 50%

Improve ratio of quotes to conversion

Increase new business/sales rep/day

5. Profitable Growth: Sales Effectiveness

UK Washrooms Pilots cont'd

PILOTS 3 & 4 PRIMARY GOAL:
To Improve Retention & Sales to Existing Customers

Critical Success Factors

Tele-care team appointed at branch/regional level

Dramatic improvement in first time resolution of service queries

Create appointments for Account Managers to up-sell

Contact details checked and all leads passed to the Prospect pipeline

Increase Account Manager visits (current average 3.5 goal to reach 6 visit per day) to mitigate loss & to grow

Significant improvement in Retention & in new business from existing customers

5. Profitable Growth

- **Market Segmentation & Brand Development**
  - Industry Classification
  - Attitudinal Segmentation
  - Brand Development
  - Customer Proposition
- **Sales Effectiveness**
  - Organisation, Recruitment & Training
  - Prospect Identification
  - Prospect Development
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  - Customer Contact Management
- **Service expansion**
  - Manned Guarding
  - Product & Service Innovation
- **Developing markets**
  - Libya, Middle East, China & India
- **Acquisitions**

Outlook

- Trading conditions continue to be challenging but we target modest revenue growth at constant exchange rates
- Group-wide focus on ongoing development & mobilisation of growth agenda
- £75m cost savings offset in part by investment in growth and competitiveness
- Cash flow impacted by £53m restructuring costs
- Further progress on five strategic thrusts

Many small steps on the road to profitable growth

Questions

Net Debt

Debt		Maturity	Coupon	Net debt at 31/12/09[1] £m
£500m RCF	→	2012	LIBOR +0.5%	(225)[2]
£50m FRN	→	2013	LIBOR +3.25%	(50)
£75m Reset Bond	→	2013-33	LIBOR +3.98%	(75)
€500m Bond	→	2014	4.625%	(453)
£300m Bond	→	2016	5.75%	(337)
				+ 32[3]
				(1,108)

Rentokil Initial

[1] IAS 39 fair values
[2] Headroom £280m; EBITDA / interest covenant is 4x minimum, actual 7.0x
[3] Cash less finance leases and other debt

Taxation

At actual exchange rates

	£ million	
	FY 2009	**FY 2008**
Profit before tax (continuing ops)	65.0	22.8
<u>Explanation of tax charge</u>		
Expected charge[1]	17.6	7.2
Recurring factors affecting tax charge	1.0	(0.2)
	18.6	7.0
Deferred tax on unremitted profits	(6.8)	-
Other items[2]	-	12.4
Prior year adjustments	4.3	(13.0)
Actual tax charge	16.1	6.4
Tax rate	24.8%	28.1%
Cash tax paid	17.5	27.3

Rentokil Initial

[1] Expected charge – profit before tax x blended rate.

[2] Principally non-deductible expenses, deferred tax associated with goodwill impairments, write-off of deferred tax amount due to withdrawal of Industrial Buildings Allowances

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2009 Preliminary Results

19 February 2010