Rentokil Initial

2010 Preliminary Results

18 February 2011

Introduction

John McAdam
Chairman

Highlights

Alan Brown
Chief Executive Officer

2010 Highlights

- 15% growth in Adjusted PBTA at £192.3m;
  - Strong performances from Pest Control, Facilities Services and Asia Pacific
  - Poor performance from City Link and Textiles & Hygiene (Benelux)
- 18% growth in adjusted EPS at 7.81p
- Revenue down 1.4% although trend improving
- Cost savings of £60m in year, 2011 target £60m
- Continued excellent cash generation at 114% conversion from profit
- Net debt in-year reduction of £154m to £954m
- Programme Olympic driving capability improvement on a broad front
- Resumption of dividend remains under review pending turnaround of City Link and Textiles & Hygiene Benelux

Operating & Financial Review

Jeremy Townsend
Chief Financial Officer

Financial Highlights

	Q4			FULL YEAR		
	2010 £m	2009 £m	△	2010 £m	2009 £m	△
Revenue at CER	642	645	(0.5%)	2,500	2,531	(1.2%)
Adjusted PBITA at CER	67	71	(6.6%)	239	221	8.3%
Adjusted PBTA at CER	58	61	(5.7%)	192	167	15.1%
Adjusted PBTA at AER	59	62	(5.3%)	192	167	15.5%
Operating Cash Flow at AER	86	96	(10.8%)	220	317	(30.5%)
Adjusted EPS at AER				7.81p	6.61p	18.2%

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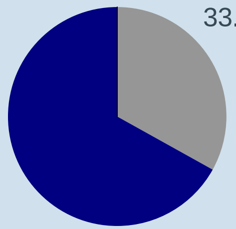
CER = constant exchange rates AER = actual exchange rates

Textiles & Hygiene

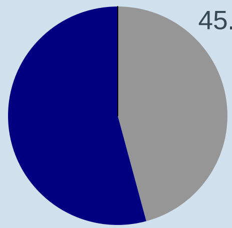
At constant exchange rates

- Revenue -1.5% (-0.5% organic) held back by operational control issues in the Benelux and challenging market conditions:
  - Poor operational control and pricing pressure in Netherlands & Belgium, competitive pricing in France
  - Robust performance from Germany, Nordics, Medical & Hygiene units
- Profit -2.7% (-3.7% organic) impacted principally by the Benelux:
  - Growth in all territories (excluding Benelux & Portugal) reflecting new management, robust cost control & restructuring
  - Benelux impacted significantly by higher restructuring implementation costs in Belgium & pricing pressure

% Group Revenue



% Adj. PBITA[2]



	Q4 2010	FY 2010	Δ Q4	Δ FY
Revenue	£211.9m	£847.0m	(2.5%)	(1.5%)
Adj. PBITA[1]	£30.9m	£124.9m	(19.1%)	(2.7%)

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

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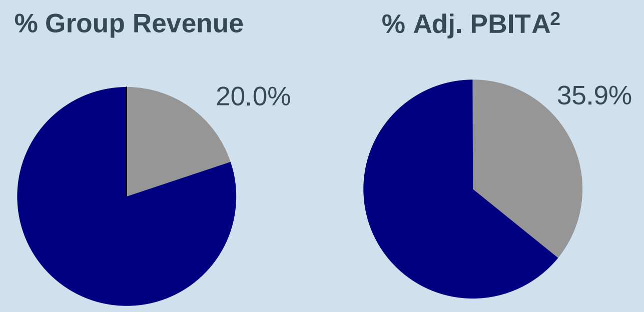
Pest Control

At constant exchange rates

- Revenue -0.3%:
  - Growth in Europe, North America, UK, East Africa and Caribbean (EAC)
  - Offset by 8.5% decline in UK & Ireland Hygiene and lower revenue from Libyan contract*
  - Excellent performance in North America: +5.2% reflecting new contract sales, reduced terminations & 7.5% growth in products distribution
  - Continued success in turnaround of UK Pest: +1.7% against prior year decline of -5.8%
- 10.0% increase in profit reflecting strong performances in most areas:
  - UK Pest:+21.1%, Europe:+13.1%, North America:+13.7%
  - But held back by decline in UK & Ireland Hygiene



	Q4 2010	FY2010	△ Q4	△ FY
Revenue	£123.8m	£511.1m	(0.2%)	(0.3%)
Adj. PBITA[1]	£23.4m	£98.1m	0.4%	10.0%

[1] before amortisation and impairment of intangible assets and one-off items
[2] % excludes central costs
* Consistent with contract structure

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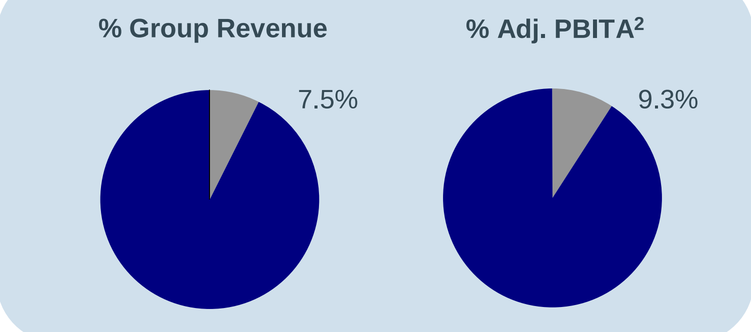
Asia Pacific

At constant exchange rates

- Revenue -4.9% impacted by 2009 exit of low-margin government contract
- Underlying revenue broadly flat year on year:
  - Asia +1.4%:
    - Solid growth momentum in established markets (Indonesia & Thailand)
    - Double digit growth in emerging markets (Vietnam, India & Brunei)
    - Fast-growing commercial business in China
  - Pacific -1.1%:
    - Good performance in New Zealand held back by prior year contract losses (Australia Hygiene & Ambius) and weaker residential job work in Aus. Pest
- Profit +20.4%, supported by strong cost control measures



	Q4 2010	FY 2010	Δ Q4	Δ FY
Revenue	£49.0m	£192.2m	0.2%	(4.9%)
Adj. PBITA[1]	£6.7m	£25.4m	294.1%	20.4%

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

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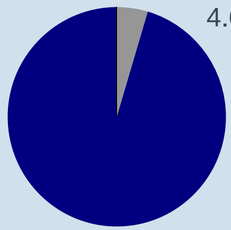
Ambius

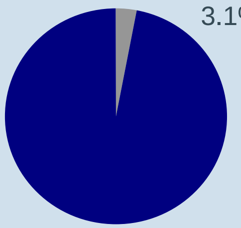
At constant exchange rates

- Despite ongoing market challenges, an improving revenue trend on 2009:
  - FY -3.6% (2009: -10.5%), return to growth in Q4 (+4.0%) reflecting easing of conditions in H2
  - Strong uplift in jobs revenue in UK, France, Netherlands and North America
  - Good increases in US Christmas job sales
  - Encouraging trends but not yet compensating significant portfolio erosion in 2009
- Profit down 4.5%:
  - 2009 portfolio reductions offsetting cost savings & adjustments to service headcount

% Group Revenue



% Adj. PBITA[2]



	Q4 2010	FY 2010	△ Q4	△ FY
Revenue	£36.2m	£116.6m	4.0%	(3.6%)
Adj. PBITA[1]	£4.7m	£8.4m	(6.0%)	(4.5%)

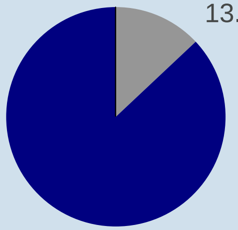
[1] before amortisation and impairment of intangible assets and one-off items
[2] % excludes central costs

City Link

At constant exchange rates

- Major structural change undertaken in 2010:
  - Hub & Trunking restructuring complete, conversion of fleet to curtain sided trailers, roll out of new unified IT platform, further reductions in depot numbers
- However poor performance impacted by:
  - Over-reliance on expensive subcontractors leading to cost savings shortfall of over £10m
  - Exacerbated by heavy snow during peak Christmas trading - in-year impact £4m
- Market highly competitive in 2010 with price cutting across the industry:
  - City Link volumes down 1.8%, revenue per consignment down 3.3%

% Group Revenue



	Q4 2010	FY 2010	△ Q4	△ FY
Revenue	£87.6m	£335.5m	(13.2%)	(5.0%)
Adj. PBITA[1]	(£3.6m)	(£9.6m)	(233.3%)	(71.4%)

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

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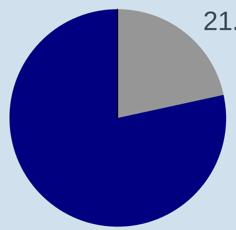
Initial Facilities Services

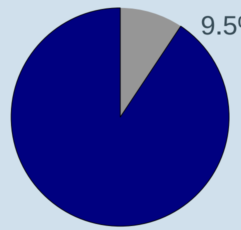
At constant exchange rates

- Excellent profit & cash performance in difficult conditions
- Improving revenue line as year progressed:
  - FY +1.6% reflecting Knightsbridge contribution
  - +1.6% in Q4, aided by strong Catering performance
- Profit +21.6% reflecting contract wins, margin improvement & cost reductions
- Restructure of Division to improve efficiency and drive growth now underway and led by new MD

% Group Revenue



% Adj. PBITA[2]



	Q4 2010	FY 2010	Δ Q4	Δ FY
Revenue	£148.6m	£556.4m	9.0%	1.6%
Adj. PBITA[1]	£9.1m	£25.9m	7.1%	21.6%

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

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Interest

At actual exchange rates

	£ million	
	FY 2010	FY 2009
Net interest on bank/bond/finance lease debt*	(50.4)	(63.6)
Net (loss)/return on Pension Scheme	0.1	5.9
Mark-to-market/forex adjustments	-	(2.1)
Other	(0.8)	2.2
Per income statement	(51.1)	(57.6)
Average net debt	**£1,039m**	**£1,213m**
Average interest rate on bank/bond/ finance/lease debt	4.9%	5.2%

* Interest paid on forward rate agreements

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Operating Cash Flow

At actual exchange rates

	£ million	
	FY 2010	FY 2009
Adjusted PBITA	239	221
One-off items	(25)	(40)
Depreciation	213	216
Non-cash items[1]	11	7
EBITDA	438	404
Working capital - one off	(22)	20*
- underlying	(11)	72*
Capex	(198)	(189)
Fixed asset disposal proceeds[2]	13	10
Operating cash flow	220	317

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

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Free Cash Flow and Movement in Net Debt

At actual exchange rates

	£ million	
	FY 2010	FY 2009
Operating cash flow	220	317
Cash interest	(44)	(62)
Cash tax	(35)	(17)
Other	-	(1)
Free cash flow	141	237
Acquisitions & Disposals	(8)	(7)
FX and other	21	24
Decrease in net debt	154	254
Opening net debt	(1,108)	(1,362)
Closing net debt	(954)	(1,108)

Net Debt

Debt	Maturity	Coupon	Net debt at 31/12/10[1,2] £m
£500m RCF	2012	LIBOR +0.4%	(110)
£50m FRN	2013	LIBOR +3.25%	(50)
£75m Reset Bond	2013-33	LIBOR +3.98%	(75)
€500m Bond	2014	4.625%	(439)
£300m Bond	2016	5.75%	(333)
		+	53[3]
			(954)

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[1] IAS 39 fair values
[2] Headroom £390m; EBITDA / interest covenant is 4x minimum, actual 8.3x
[3] Cash less finance leases and other debt

Tax

At actual exchange rates

	£ million			
	FY 2010	Tax charge	**FY 2009**	Tax charge
Profit before one-off costs and amortisation of intangibles	**192.3**	**48. 1**	**166.5**	**45.6**
Goodwill impairment	(97.8)	-	(4.3)	-
Lease guarantee claim	(29.2)	-	-	-
Amortisation of other intangibles	(54.9)	(16.6)	(57.0)	(17.4)
Other one-off costs (net)	4.1	3.3	(40.2)	(12.1)
Profit before tax	14.5	34.8	65.0	16.1
Adjusted effective tax rate		**25.0%**		**27.4%**
Cash tax paid		35.0		17.5

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Strategic Review

Alan Brown
Chief Executive Officer

Execution of the Strategic Plan

	2009 progress	2010 progress
1. Customer Service/Care		
2. Developing Capability		
3. Delivering Operational Excellence		
4. Lowest Cost and Maximum Cash		
5. Profitable Growth – existing/new		

strong progress   progress   limited progress

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Strategic Plan Progress 2008 to 2010

1. **Customer service/care**
   - **Service** has moved from frequently extremely poor to generally good
   - **Customer Care** – good with Tier 1 customers but Tier 2 and 3 still frequently poor and rarely measured
2. **Capability**
   - Strengthened the **management team** and made some promising organisation changes
   - Implemented a wide ranging programme of **systems and process** improvement
   - But not yet made a material impact on the **front line** – Sales especially an area of slow progress
3. **Operational excellence**
   - **Turnarounds** well advanced with the exception of T&H Benelux and City Link
4. **Lowest cost and maximum cash**
   - Successful delivery of major **cost savings** programme - some disappointments in City Link and T&H
   - Financial strength of the business has improved greatly as **cash flow** has increased
5. **Profitable growth**
   - Good progress on **retention** – Customer Voice Counts (CVC) also showing improvement
   - **New business capability** yet to be proven in a very competitive environment
   - Significant room for improvement to **marketing, sales and service leadership**

strong progress | progress | limited progress

Group Goals & KPIs

	Group Goals	2008	2009	2010	2011 Target
Colleagues	Colleague engagement*	N/A	70%	70%	
	Sales colleague retention	54.6%	63.5%	63.8%	
	Service colleague retention	74.2%	74.4%	75.9%	
	H&S LTA rate	1.82	1.53	1.72	
Customers	Gross sales % of opening portfolio	18.8%	14.6%	16.3%	
	Customer retention %	81.0%	80.8%	83.9%	
	Net gain % of opening portfolio	2.8%	-3.6%	1.8%	
	State of Service	88.5%	98.1%	97.2%	
	Customer satisfaction (CVC)	N/A	N/A	19%	
Shareholders	Organic revenue growth	-1.7%	-3.1%	-1.6%	
	Total revenue growth (incl acquisitions)	2.5%	-2.2%	-1.2%	
	APBITA margin (%)	6.9%	8.3%	9.6%	
	Debtors (DSO – days)	61	49	47	45
	Cost savings delivered in year	N/A	£82m	£60m	£60m
	Cash conversion targets as % op. profit	75.2%	143%	114%	100%
	Gross capex as % of depreciation	116%	83%	87%	95%

* Colleague engagement surveyed across group for the first time in 2009

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2011 Key Objectives

1. Turnaround City Link and Textiles & Hygiene Benelux:

- City Link Operational Improvement Programme in place by October 2011 but short-term financial performance will be worse than prior year
- T&H Benelux stabilised and profitable – further update with Q1 results

2. Customer care – immediate, effective, surprising:

- To move the customer service agenda on to customer care – to be pro-active in contacting, listening to and responding to all our customers, not just the very large

3. Growth - consistent & profitable:

- To deliver consistent and profitable organic growth through excellent retention and greatly improved marketing, sales & innovation capability

4. Cost savings:

- Deliver cost savings of £60m

Objective 1: Textiles & Hygiene Benelux

- Background
  - Weak general management over a number of years
  - Unsustainable price position, particularly in Netherlands
  - Poor operational control, particularly restructuring in Belgium
  - Financial control issues uncovered during 2010 as we implemented Benelux shared service centre
- Plan
  - New management team installed from 1 January 2011
  - Financial control stabilised
  - Operational plans being put together to improve profitability
  - Pricing pressures have eased
  - Further update Q1 2011

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Objective 1: City Link Improvement Plan

1. Operations

- Physical restructuring limited to Hatfield area in Q2 plus a few depot upgrades
- Depot Blueprint designed & implemented by Q3
- Move from 50% employed drivers to 75%, reducing reliance on ad hoc subcontractors to below 5%
- Rollout of training and certification programme for all front line colleagues
- Implementation of new Pricing & Billing system in Q2
- Closure of Camberley Head Office end Q1 2011

2. Contingency Planning for Peak

- Major benefit from implementation of Customer Care & Operations initiatives
- Development of pre-determined guidelines for:
  - Depot & hub closure to new collections & deliveries in severe weather conditions
  - Activation of Command team and of a range of contingency measures, based on weather forecast or other major infrastructure disruption
- Activate other RI resources across UK at short notice – drivers & vehicles, warehouse resource, call centre resource

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Objective 1: City Link Improvement Plan

3. Customer Care

- Rentokil Initial (RI) investment in state of art Telephony & Customer Care tools
  - Implementation by October 2011
  - Permitting load transfer between central call centre & depots & ultimately other RI sites
  - Complemented by appointment of Customer Care Director who will lead Customer Care function in CL
- Deployment of My City Link in Q2 giving real time, detailed information on parcel delivery to customers
- Consignee Web site upgrade to improve accuracy of parcel tracking information and to give ETA information +/- 1 hour by end Q2
- Round Optimisation to be completed by Q2

4. Sales & Marketing

- Target profitable growth in 4 key sectors
  - Healthcare
  - Technology
  - Media
  - Retail/Online
- My City Link launched in market in April
- Disciplined programme of Account visits

  launched across Tier 1 Tier 2 and Tier 3 by Q2

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Objective 2: Customer Care

Customer care – immediate, effective, surprising

Be pro-active in contacting, listening to
and responding to all our customers,
not just the very large

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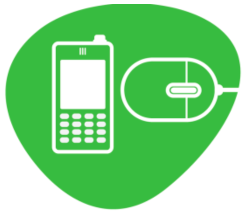
Objective 2: Customer Care

The plan of action

Reward & Recognition for Front Line Colleagues

Customer Contact Management programme



Customer Contact Management systems

Route Optimisation – scheduling & optimising workload

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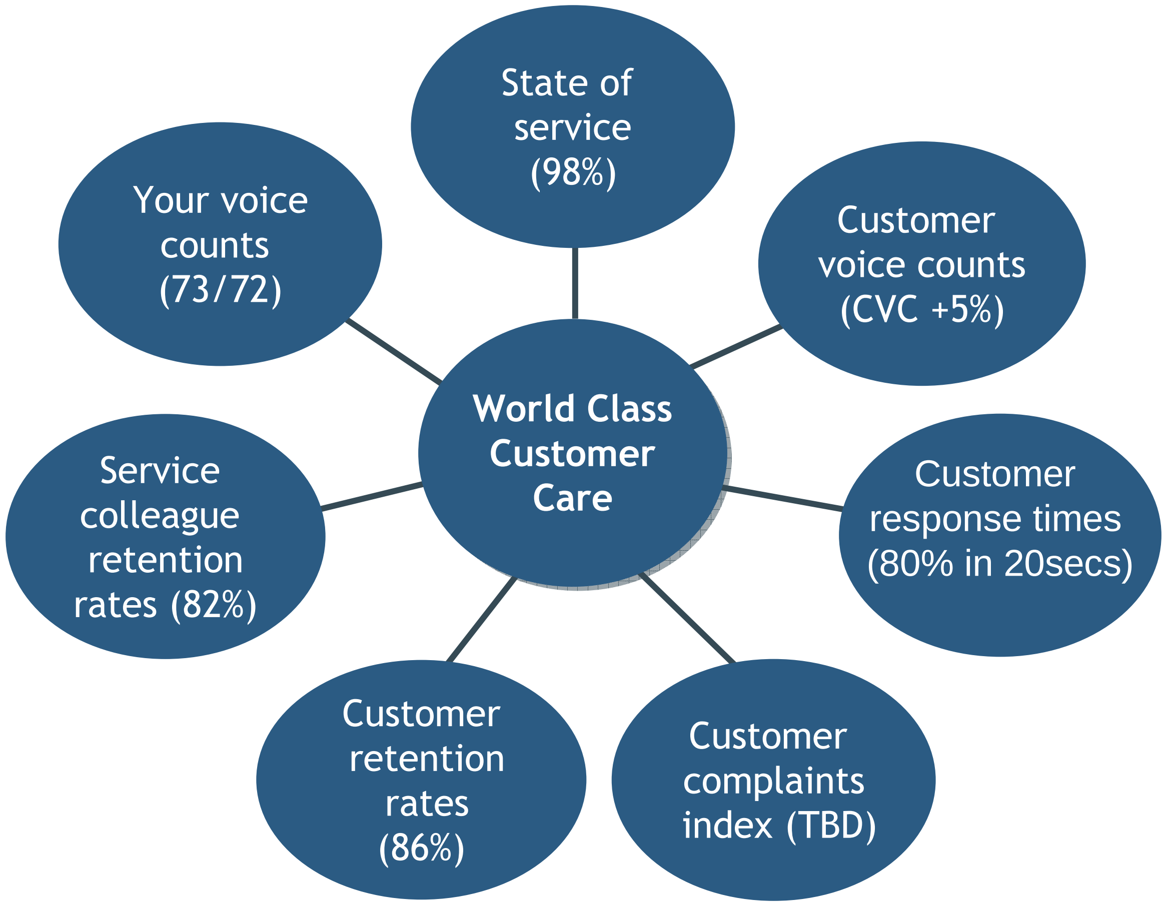
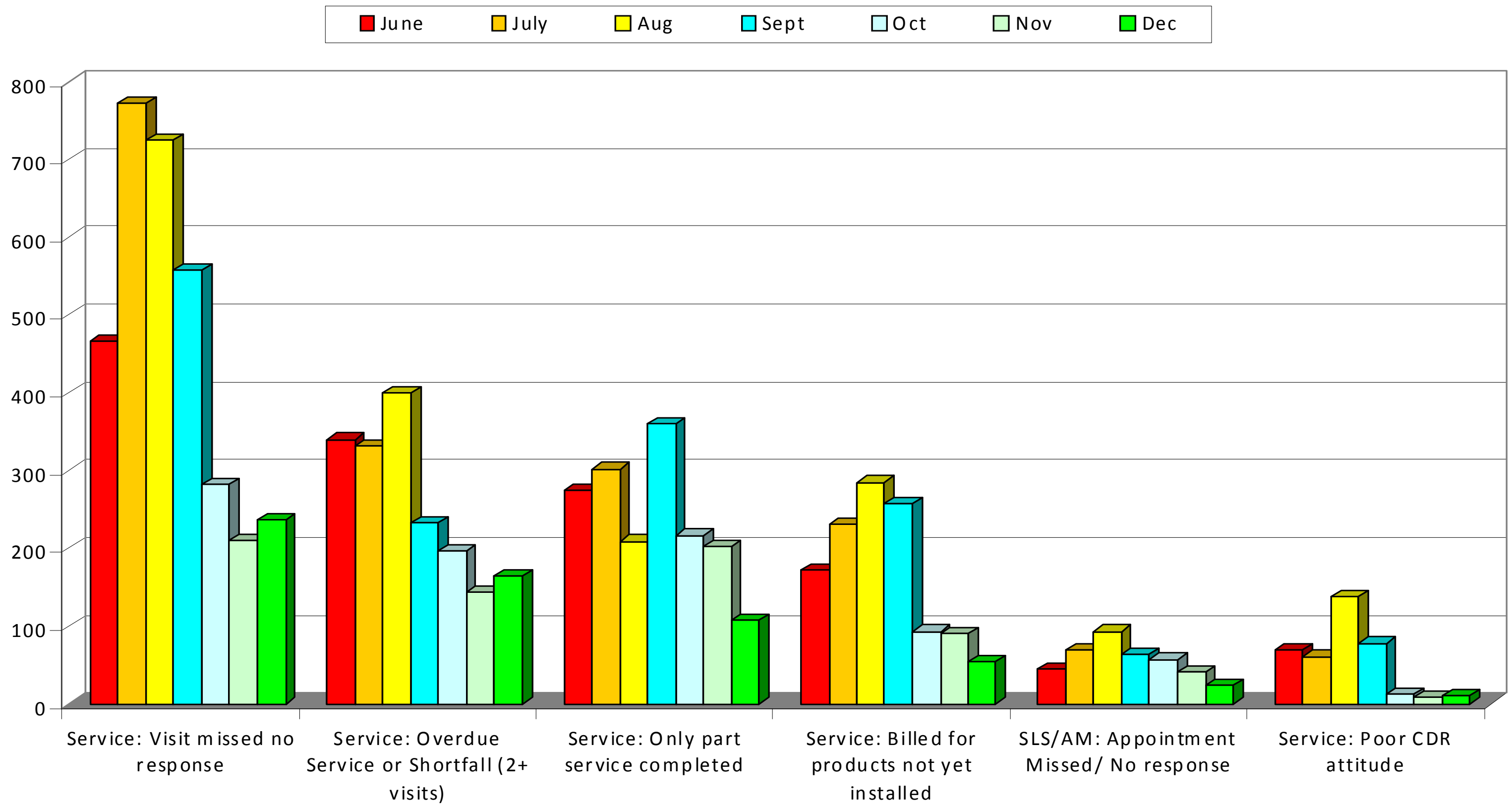
Objective 2: Customer Care - Measuring Progress



Objective 2: Customer Care - Complaints Management

Example from UK Washrooms



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Objective 3: Consistent and Profitable Growth

More & Improved……………..:

Existing customers	New customers	New service lines
• Service & Customer Care • Cross selling • Service lines per customer • Up-selling	• Selling Propositions • Targeted marketing effort • Prospect lists • Sales Efficiency & Effectiveness • Bids & Tenders	• Product and service innovation • Related service propositions e.g. Vector Control • Acquisitions

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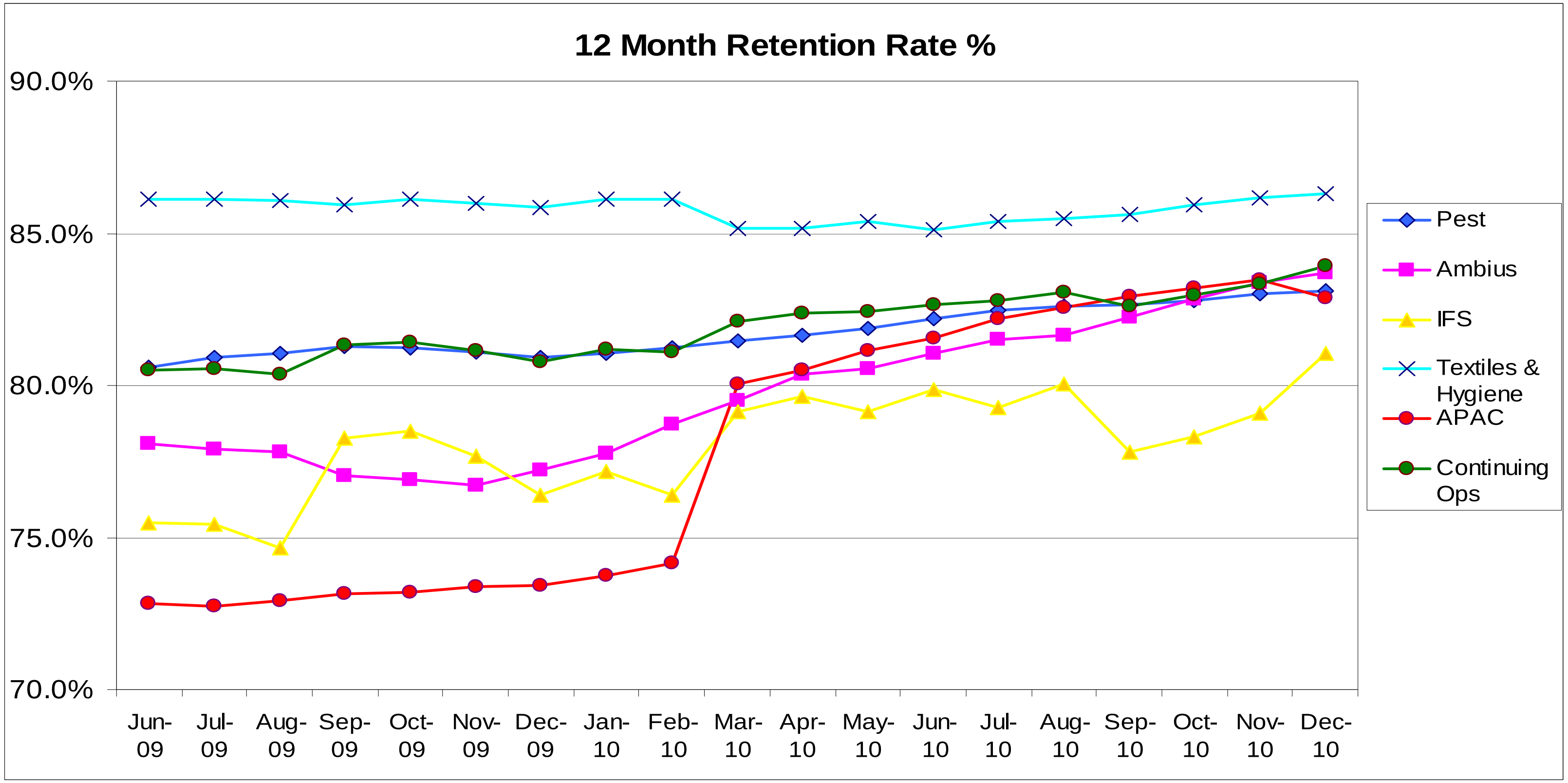
Existing Customers – Retention Rates



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Objective 3: Consistent and Profitable Growth

More & Improved……………..:

Existing customers

- Service & Customer Care
- Cross selling
- Service lines per customer
- Up-selling

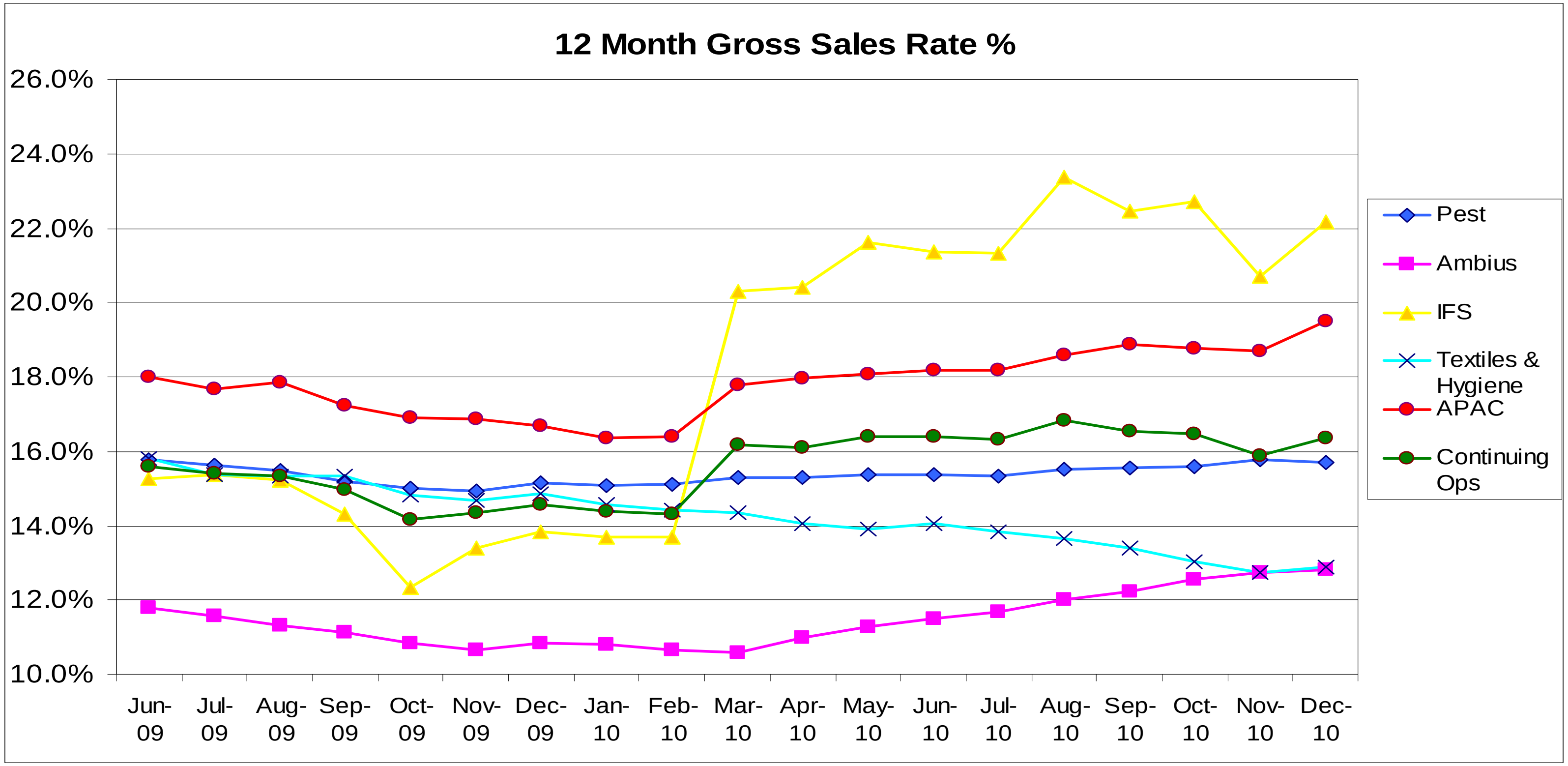
New customers

- Selling Propositions
- Targeted marketing effort
- Prospect lists
- Sales Efficiency & Effectiveness
- Bids & Tenders

New service lines

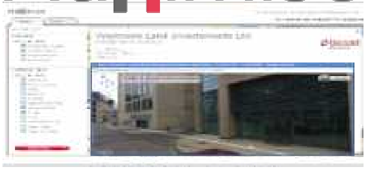
- Product and service innovation
- Related service propositions e.g. Vector Control
- Acquisitions

New Business – Contract Sales %



Programme Olympic: Update on Progress

- Advantage
- Atlas
- Maximize
- Customer Account Management
- Customer Complaints Management



Customer Hero of the Month

As a result of our customer satisfaction survey, Douglas Montgomery, one of our Technicians in Scotland received this fantastic feedback from a food retailer in Scotland.
Well done Douglas!

Douglas Montgomery

"Douglas is just absolutely fabulous. He gives advice and is always happy. I think the customer service from start to finish is just first class. Douglas is just so damn cheery. No problems at all."

Don't let **the bed bugs bite**

According to a recent survey of a thousand pest control firms (carried out at the University of Kentucky with the United States National Pest Management Association), bed bugs are booming all around the world. Factors such as climate change and travel make preventing the spread impossible. Rentokil has seen a 24% increase in the number of call outs received in the UK over the last year.

Telltale signs of an infestation include:

- Blood spots
- Bites
- Distinctive smell
- Faecal pellets
- Cast nymphal skins

If you would like to find out more about bed bugs, you can request a free copy of Rentokil's bed bug guide by contacting us on **thepestpost@rentokil.com** or **0800 917 1982**

Top Tips

How to help keep rodents away

- **Ensure food and drink items are stored in containers**
- **Garbage bins must be regularly cleaned and kept sealed**
- **Seal any small holes and openings around the premises to stop rodents from entering**
- **Check gutters and drainpipes are in good condition**
- **Ensure food doesn't remain in pet feeding dishes overnight**

CONTACT US

If you would like further information on anything you've read in this newsletter or would like to give your feedback or suggestions, please contact us on **thepestpost@rentokil.com** or **0800 917 1982**

If you prefer to receive this newsletter by email instead please let us know on **thepestpost@rentokil.com**

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The experts in pest control

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Objective 3: Consistent and profitable growth

More & Improved……………..:

Existing customers

- Service & Customer Care
- Cross selling
- Service lines per customer
- Up-selling

New customers

- Selling Propositions
- Targeted marketing effort
- Prospect lists
- Sales Efficiency & Effectiveness
- Bids & Tenders

New service lines

- Product and service innovation
- Related service propositions e.g. Vector Control
- Acquisitions – priorities North America Pest Control, Facilities Services and market consolidation

Objective 4: Cost Savings

2011 target £60m…………..:

1. Service Productivity

- Route optimisation
- Depot & hub rationalisation
- Reduction in use of subcontractors

2. Procurement

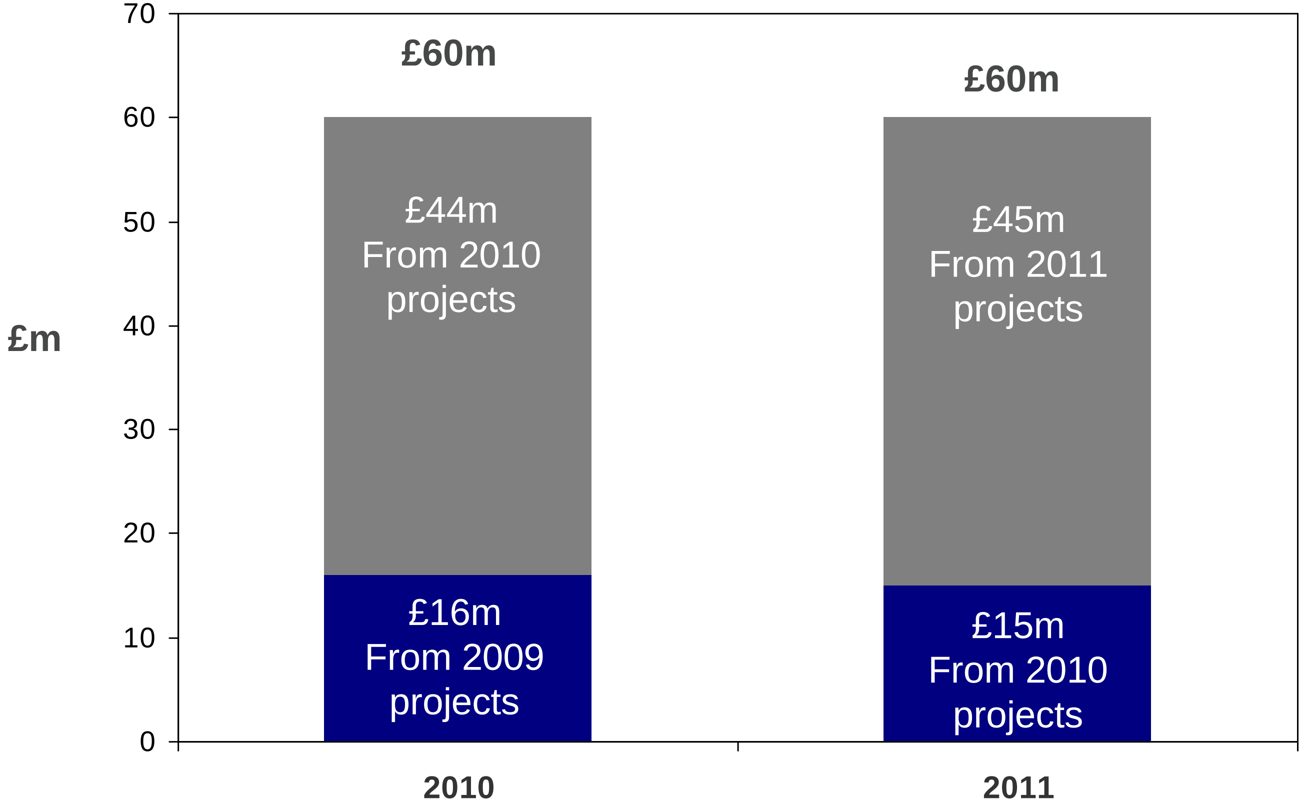
- Rationalisation of Textiles & Hygiene ranges
- Further savings in indirect costs driven by procurement team

3. Overheads

- Continued back office rationalisation
- Re-platforming of systems & processes through Programme Olympic work streams

4. Lowest, Cost, Maximum Cash: Cost Savings

Cost savings achieved vs. prior year



Outlook

- Continued progress in Pest Control, Textiles & Hygiene (excluding Benelux) Facilities Services and Asia Pacific
- Operational issues in City Link resolved by October 2011 but financial delivery weak until then
- Textiles & Hygiene Benelux performing satisfactorily under new management but more to do
- Ongoing development of capability and infrastructure to underpin growth & efficiency agenda
- £60m cost savings target from service productivity, procurement and overheads
- Strong cash flow in 2011 with view to mitigating 2012 refinancing requirement
- Resumption of dividend remains under review pending turnaround of City Link and Textiles & Hygiene Benelux

Questions

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2010 Preliminary Results

18 February 2011