



**Many small steps on the road to
profitable growth**

**2010 Interim Results
30 July 2010**

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H1 Highlights

- **39% increase in adjusted profit before tax¹ at £77m at AER**
- **2.3% revenue decline at AER; improving trend Q2**
- **Cost savings of £40m running ahead of £75m full year target**
- **Operating cash flow of £69m (2009: £117m) = 100% cash conversion² at AER**
- **Net debt £1,044m (Dec 2009: £1,108m), Pension Fund deficit £19m (Dec 2009: £64m)**
- **Customer retention improving across the group, though much still to be done**
- **Sharp focus on growth agenda in challenging market conditions:**
 - Seven growth pilots underway in UK
 - Service expansion through acquisition of Knightsbridge Guarding

A creditable performance in a period of high structural change

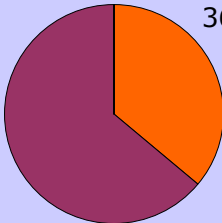
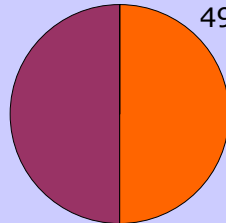
Financial Highlights

	Q2			H1		
	2010 £m	2009 £m	△	2010 £m	2009 £m	△
Revenue at CER	626.6	631.6	(0.8)%	1,229.8	1,258.3	(2.3)%
Adjusted PBITA at CER	60.7	51.3	18.3%	102.6	83.6	22.7%
Adjusted PBTA at CER	46.3	33.8	37.0%	75.8	55.2	37.3%
Adjusted PBTA at AER	46.1	33.5	37.6%	76.5	55.1	38.8%
Operating Cash Flow at AER	40.3	59.1	(31.8)%	69.0	116.7	(40.9)%

CER = constant exchange rates
AER = actual exchange rates

Textiles and Washrooms

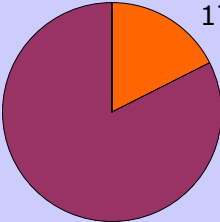
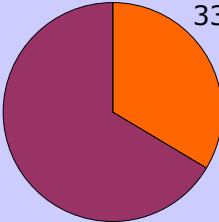
At constant exchange rates

	Q2 2010	H1 2010	\triangle Q2	\triangle H1	% Group Revenue	% Group APBITA ²
Revenue	£228.7m	£455.5m	(1.3)%	(1.7)%		
Adj. PBITA¹	£31.4m	£62.1m	5.4%	12.5%		

- Revenue down 1.7% - difficult trading conditions & competitive pressures, particularly France and Benelux
- Profit up 12.5% reflecting impact of new management, robust cost control & restructuring
- Retention³ stable at 74.8% for H1 but improvement in Q2 following France contract loss in Q1
- European restructuring:
 - France nearing completion, Belgium completed ahead of schedule but higher implementation costs
 - Garment procurement & range rationalisation programme demonstrating high potential - significant benefits from H2 2011
 - Significant number of smaller projects delivering expected benefits

Pest Control

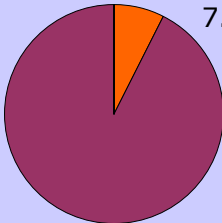
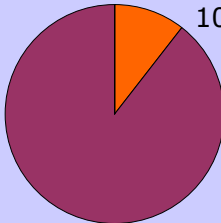
At constant exchange rates

	Q2 2010	H1 2010	\triangle Q2	\triangle H1	% Group Revenue	% Group APBITA ²
Revenue	£117.5m	£220.0m	0.3%	1.1%		
Adj. PBITA¹	£25.8m	£41.8m	4.0%	8.3%		

- Europe profit up 16% (stabilisation of Spanish business) but mixed trading conditions suppressing revenue, up 0.1%
- Excellent performance from UK Pest:
 - Profit up 25% on 2.8% revenue growth
 - Contract sales up 32.4%, job sales up 17.5%, 4.2% rise in retention to 75.4%
- North America robust - profit up 5.7% on 4.5% revenue increase, sales capability now key focus
- Libya: contract issues resolved, revenue & profit down consistent with contract structure
- Improvement in retention – from 81.6% at June 2009 to 83.4%

Asia Pacific

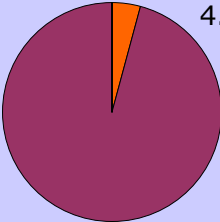
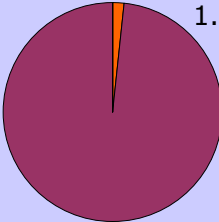
At constant exchange rates

	Q2 2010	H1 2010	△ Q2	△ H1	% Group Revenue	% Group APBITA ²
Revenue	£48.0m	£95.2m	(4.6)%	(7.9)%		
Adj. PBITA¹	£6.7m	£13.0m	-	5.7%		

- Asia:
 - Revenue down 14.9% - exit of HK Pest contract, weaker government business in China, decline in fumigation and exit of Security businesses. Excluding these, revenue grew 0.8%
 - Profit up 17.1% - revenue growth & cost savings in Malaysia, the Philippines, Indonesia, Taiwan, Thailand, China & Vietnam
 - Improvement in retention – from 50.4% at June 2009 to 81.5%
- Pacific:
 - Revenue down 2.3% - contract revenue decline in Aus. Washrooms and Ambius, weaker residential jobbing in Pest
 - Profit up 3.7% reflecting tight control on costs
 - Improvement in retention – from 79.9% at June 2009 to 85.5%

Ambius

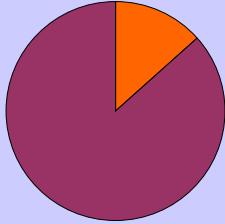
At constant exchange rates

	Q2 2010	H1 2010	△ Q2	△ H1	% Group Revenue	% Group APBITA ²
Revenue	£27.0m	£54.1m	(5.9)%	(8.3)%		
Adj. PBITA¹	£1.4m	£2.3m	16.7%	(4.2)%		

- Some stabilisation of market conditions, however H1 performance impacted by 2009 portfolio erosion
- Revenue down 8.3%, profit down 4.2% year on year
- Continued weakness in job sales across most regions
- Improvement in retention from 75% to 83%, marginal improvement in gross sales
- Close to achieving net gain in portfolio

City Link

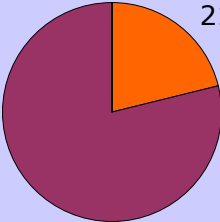
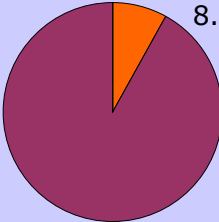
At constant exchange rates

	Q2 2010	H1 2010	\triangle Q2	\triangle H1	% Group Revenue
Revenue	£83.6m	£167.1m	1.8%	-	 13.3%
Adj. PBITA¹	£(0.3)m	£(4.7)m	66.7%	32.9%	

- Reduction in H1 operating loss to £4.7m (H1 2009: £(7.0m))
- Revenue flat on 2009, 1.8% growth in Q2
- Volumes up 4% but pricing pressure continues - revenue per consignment down 4.3%
- Mid-year cost savings £15m:
 - Depots 84 to 77, closure of Wednesbury Hub, move from hard sided to curtain sided trailers
- Delivery costs impacted by volume increase & planning inefficiencies leading to high sub-contractor costs
- Reduction of sub-contractors and improvement in routing efficiency targeted for H2
- Industry & customer recognition of service improvement: Triangle Report and Motor Transport Awards

Initial Facilities Services

At constant exchange rates

	Q2 2010	H1 2010	△ Q2	△ H1	% Group Revenue	% Group APBITA ²
Revenue	£137.1m	£267.5m	(0.4)%	(4.5)%		
Adj. PBITA¹	£5.5m	£9.9m	48.6%	28.6%		

- Revenue down 4.5%, of which 2.2% Retail
- Cleaning, Catering & Hospitals revenue down due largely to contract losses in H2 2009
- Majority of portfolio recovered by the London Underground contract win – positive contribution from Q2 2010 and progressing well
- 28.6% growth in profit reflecting 2009 actions to restructure and streamline operations & management
- Acquisition of Knightsbridge Holdings and Perception UK for £10m (total consideration):
 - Offers opportunity to cross-sell manned guarding across existing portfolio

Operating Cash Flow

At actual exchange rates

	£ million	
	H1 2010	H1 2009
Adjusted PBITA	103.1	83.4
One-off items	(18.0)	(14.2)
Depreciation	115.6	108.4
Non-cash items¹	2.3	3.0
EBITDA	203.0	180.6
Working capital²	(48.8)	28.7
Capex²	(88.6)	(99.1)
Fixed asset disposal proceeds³	3.4	6.5
Operating cash flow	69.0	116.7

¹ Profit on sale of fixed assets, IFRS 2 etc.

² After one-off working capital flows of £25.0m and one-off capex flows of £9.1m relating to restructuring programmes

³ Property, plant, vehicles

Free Cash Flow and Movement in Net Debt

At actual exchange rates

	£ million	
	H1 2010	H1 2009
Operating cash flow	69.0	116.7
Cash interest	(40.1)	(44.0)
Cash tax	(19.1)	(5.0)
Free cash flow	9.8	67.7
Acquisitions & Disposals ¹	(4.9)	(9.7)
FX ²	59.7	87.3
Decrease/ (increase) in net debt	64.6	145.3
Opening net debt	(1,108.1)	(1,362.2)
Closing net debt	(1,043.5)	(1,216.9)



Strategy Update

Execution of the Strategic Plan

1. Outstanding Customer Service



2. Developing Capability



3. Delivering Operational Excellence



4. Lowest Cost and Maximum Cash



5. Profitable Growth



= strong progress



= progress

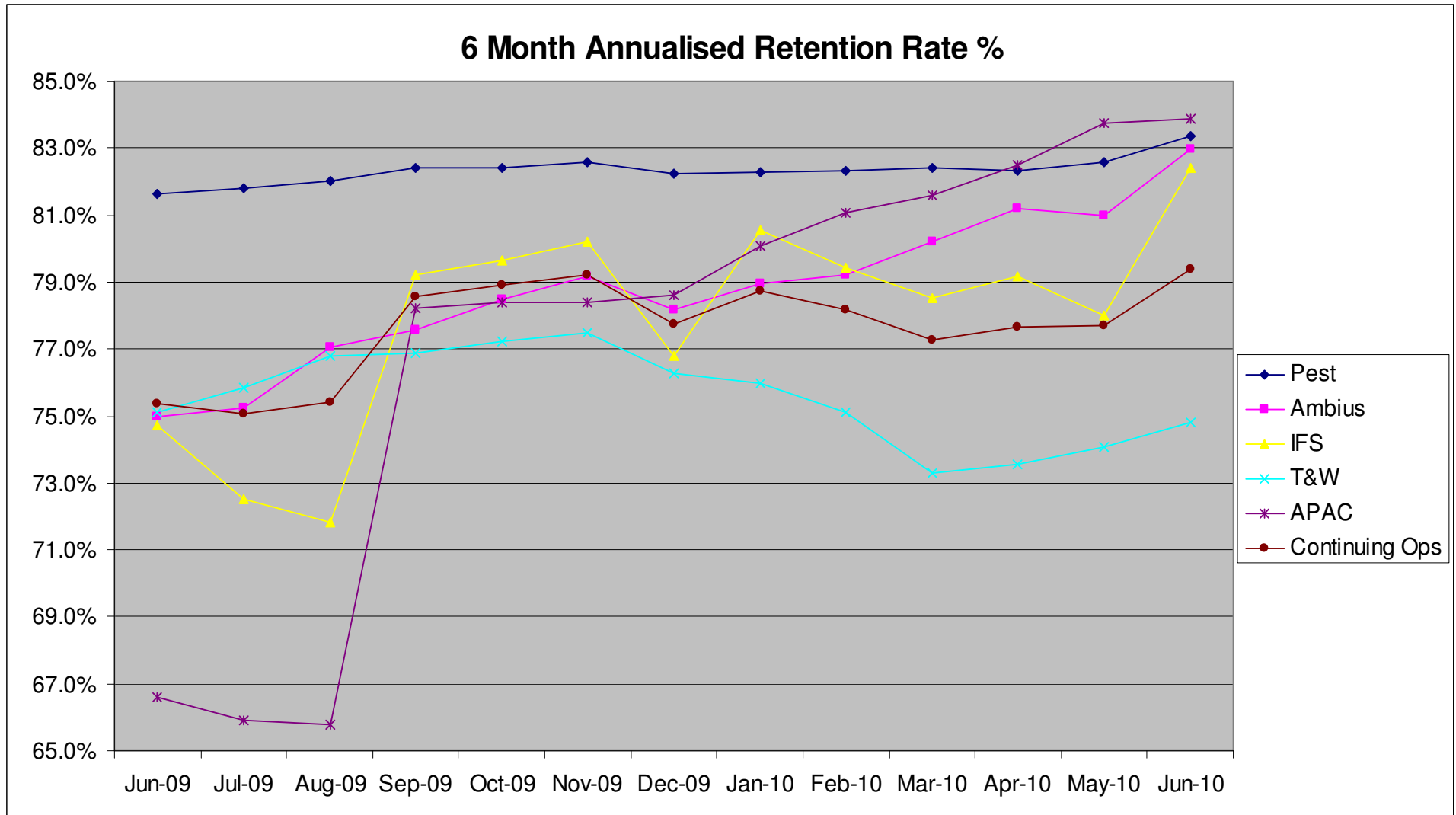


= limited progress

1. Customer Service

- **Ongoing drive on customer service:**
 - Group State of Service 97.5% across route- based businesses
- **Industry & customer recognition of City Link service improvement:**
 - Winner of '2010 Customer Care Award' at Motor Industry Awards
- **Retention showing improving trend:**
 - But volatility in TWS and IFS due to scale of contract losses in 2009
- **Progress in accountability for customer contact management across all businesses**
- **Improvements in responsiveness, proactive customer contact, tailored propositions:**
 - Initiatives in City Link, TWS and in UK Pest and Washrooms growth pilots

1. Customer Service – Retention Improvements



2. Developing Capability

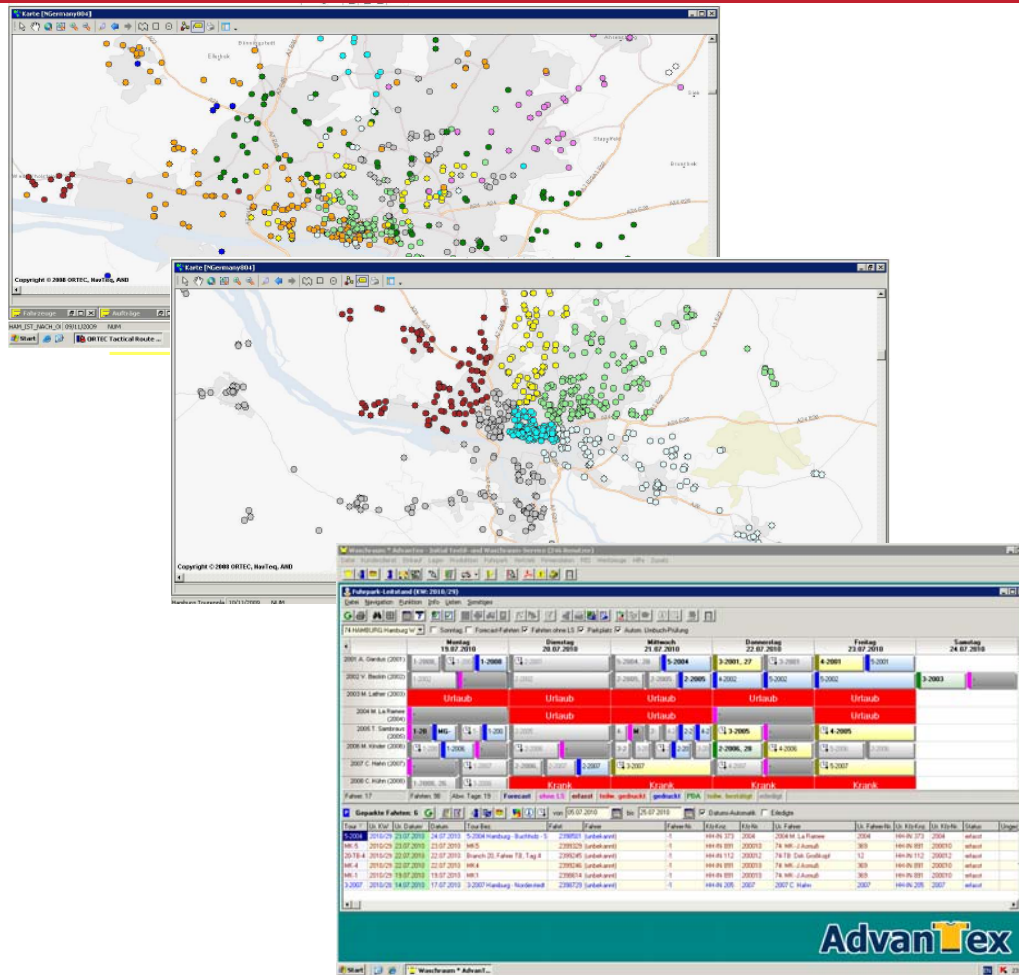
- **Upgrades to Functional & Operational Management:**
 - New CFO, Jeremy Townsend, joins 31st August
 - Mike Brown, Group Director Operations, Serco, appointed new MD Facilities Services
 - Further strengthening of IT, HR, Sales & Marketing teams
 - Performance Management, Global Grading, Talent Reviews, Leadership Development Pilots
- **Sales – organisation & roles, solution selling, people, process productivity:**
 - Traction in Pest Control & Ambius, Washrooms slightly behind
- **Ongoing evolution of organisation to:**
 - Increase Functional expertise –marketing, sales, customer care, service, finance, HR, IT, procurement & supply chain
 - Increase Category expertise – in Washrooms, Textiles & Pest
 - Develop transfer mechanisms for the sharing of best practice
 - Increase the scale of our country operations to drive efficiency
- **Merger of Pest & Washrooms UK & Ireland**
- **Co-ordination of Marketing & Sales agendas across the group**

3. Developing Operational Excellence

- **Consistent KPIs across the group, new measures to drive sales & productivity**
- **Good progress in turnaround businesses, all focused for growth**
- **Transfer and sharing of best practice: cross-divisional attitude improvement**
- **Ongoing development & roll-out of common systems & processes:**
 - iCABS roll-out driving improved control in Pest & Washrooms
 - Google Aps on track for completion by year end
 - Implementation of Navision finance system
- **Integration of City Link's fragmented systems close to completion:**
 - Over half of depots fully integrated
 - Benefits from improved route planning and cost reductions in H2
- **Route optimisation software pilots in TWS and City Link:**
 - Benefits during 2011

3. Developing Operational Excellence

Ortec – Route Optimisation Pilots



Proposition

- Systems to optimise routes & working schedules for service agents
- Set minimum planning standards, including daily time/distance targets for drivers & branches
- Simulation tool for better defining of fleet types, changes of services offering and branch network

Anticipated Results

- More efficient routes, estimated between 5-20% less time on the road
- Improved customer retention through better measurement & management of service agent & branch performance

Initial Results

- Proven technology, branch roll-out can now be implemented
- Brings focus on service management discipline

4. Lowest Possible Cost, Maximum Cash

- **£40m cost savings running ahead of £75m target, of which:**
 - £15m - City Link depot & hub consolidation
 - £25m - divisional & group centre, includes £7.5m indirect procurement savings
- **£69m operating cash flow = 100% cash conversion at AER¹:**
 - DSO = 51 days, YOY reduction in capex from 85.4% of depreciation to 73.7% at AER
- **European Textiles processing productivity programme ongoing:**
 - Belgium complete but higher implementation costs, France near completion, smaller projects delivering benefits
- **Procurement savings:**
 - High potential from garment procurement & range rationalisation programme
 - Significant benefits from H2 2011
- **Programme Olympic leading the way in administration processes improvements:**
 - Benefits anticipated in 2012 and beyond

5. Profitable Growth – Current Focus & Initiatives

- *Existing Customers* – better retention, cross selling & up selling
- *New Customers* - improved sales productivity & targeting
- *New Service Lines* – Manned Guarding, Entotherm

Laying the foundations for profitable growth from 2011 and beyond

5. Profitable Growth - Initiatives

Existing Customers

Retention

Customer Contact Management

- **Proactive Account Management strategy**
 - Pest risk, review & recommendations
- **Customers tiered by premise and value**
- **Acct Mgrs owner by premise (within Tier)**
- **Standard Proactive review approach**
 - training / reporting / technical / QA
 - Welcome Pack

Tier 3 Acct Management

- **Desk based field support for Tier 3**
- **Standard review approach & systems**
- **Escalation process**
- **Welcome Pack process owner**
- **Tech changeover**

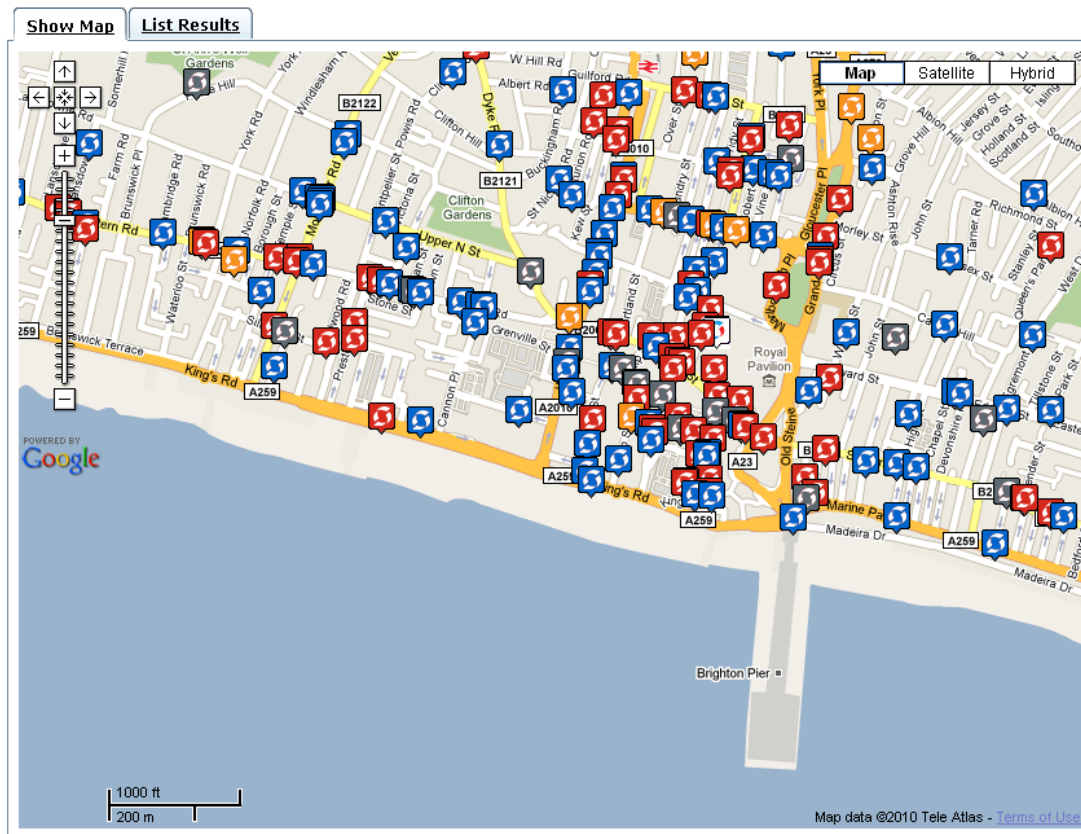
Customer Complaint Management

- **Complaint recording process through dedicated team**
- **Team owns investigation process into complaints – standard investigation process**
- **Identify cause of failure , permanent corrective actions and lessons learned**

5. Profitable Growth - Initiatives

Existing Customers

Cross selling using Google plus Mash Up Technology



Proposition

- Visualisation of existing customer data based around GEO information
- Merged data from existing systems and 3rd party marketing sources
- Virtual collaboration space for local cross divisional sales teams

Anticipated Results

- Improved cross-selling opportunities
- Possible up-selling opportunities
- Increased conversion from prospect to sales

Other Opportunities

- Route optimisation
- Real-time mapping information
- Infestation mapping

5. Profitable Growth - Initiatives

New Customers - Improved Sales Productivity

Mobile Sales Device – ‘Advantage’

The screenshot displays the Rentokil Advantage mobile application interface. At the top, there's a status bar with a signal icon and a battery level indicator. Below it, the Rentokil logo is on the left, and three tabs are visible: 'Survey' (selected), 'Risk assessment', and 'Customer Presentation'. The main content area is titled 'Survey Summary' and is divided into several sections:

- Recommendations:** Lists 'Luminos 1 Maintenance' with edit and delete icons. Below it, a 'Guide Price: £120:00' is shown.
- Preventative Treatment:** Lists 'Cockroaches, IMUs * 6' and 'Mice, MMUs * 10', each with edit and delete icons. Below it, a 'Guide Price: £140.00' is shown.
- Advisory Options:** Contains the text 'Kitchen wall sheeting is loose allowing pest access, e.g. Cockroach. Please fix securely' with a delete icon.
- Prompts:** Includes two questions: 'Is this customer at risk from Rats?' and 'Would this customer benefit from using Radar?'. Below these are buttons for 'Add Pest', 'Survey Zones', and 'Add Photos'.
- Show presentations:** Lists 'Luminos 3 Overview' and 'Vole damage video'.
- Bottom Bar:** Features buttons for 'End visit' and 'Customer Presentation', along with a 'Log Out' button on the far left.

At the bottom of the screen, a red status bar shows 'Your last sync was 10:20am 26/05/10.' and the 'advantage' logo.

Proposition

- Tablet device with touch screen, offline application to improve sales productivity
- Entire sales process (prospecting, surveying, conversion, payment) recorded in the field and offsite
- Access to technical & marketing support
- Produce paperwork on site & get signature
- Standard tool for contact management & customer reviews

Key Objectives

- Increased conversion rates & sales
- Improved pricing / transparent price control

5. Profitable Growth - Initiatives

New Customers - Improved Sales Productivity

Pest Control Residential Self Service - “Click & Pay”

The screenshot shows the Rentokil United Kingdom website. At the top, there's a red header with the Rentokil logo and a search bar. Below the header, there's a navigation menu with links: Home, About Rentokil, Blog, Careers, Contact Us, and News. The main content area is divided into several sections:

- Residential Pest Control:** Features a phone icon, the number 0800 218 2210, and a form with the question "Q: I have a pest problem" and a dropdown menu for "My problem is...".
- Commercial Pest Control:** Features a phone icon, the number 0800 917 1989, and a form with the question "Q: I have a pest problem" and a dropdown menu for "My Problem is...".
- Woodworm, Rot and Damp:** Features a phone icon, the number 0800 0121 437, and a form with the question "Q: Services for my home" and a dropdown menu for "My problem is...".
- Our Expertise:** A list of services: Home Pest Control, Technical Support, and Pest Guides.
- Wasp Nest Service:** A section with a yellow and black wasp image. It lists benefits: Next day service, Easy to book online or by phone, Delivered by local, expert Technicians, and Guaranteed lorem ipsum dolor sit amet adipiscing. It includes a "Book Online Now" button and logos for American Express, Visa, MasterCard, and Maestro.
- Welcome to Rentokil:** A section with a paragraph about being Britain's leading provider of pest control, timber care and damp proofing, and a paragraph about having more than 650 technicians across the country.
- Hot Topics:** A section with four sub-sections: Rodent Control (with a mouse image), Bird Control (with a bird image), Woodworm Treatment (with a wood image), and Pest Control Products (with a product image). Each sub-section has a title and a brief description.

Proposition

- Web-based sales of wasps & ants
- Customer ordering & payment online
- Dedicated section on website
- Operational model to support

Key Objectives

- Target 40% of wasp sales from online
- Negligible cost per sales transaction

Initial Results

- 100% effective end-to-end process
- Over 2,000 site hits in first three weeks
- Now selling out of hours & at weekends
- Transactions set to increase from August during heavy wasp season

5. Profitable Growth - Initiatives

New Customers - Improved Sales Productivity

Bids & Tenders



Proposition

- Identify which customers require “bids”
- Put in place a process to manage bids from reception to completion, and gateways
- Standard collateral library to complete bids
- Pricing & implementation model
- Appropriately allocate Management time

Key Objectives

- Greater level of bids into UK Pest, win more customers

5. Profitable Growth - Initiatives

New Customers - Improved Sales Productivity

Indoor Sales



Proposition

- Desk based field support
- Make sure opportunities are attractive
- Put all sales opportunities from whatever source into one pipeline - & manage it
- Provide surveyors with collateral
- Tele-appoint where appropriate

Key Objectives

- Field team to do more productive calls
- Sell more than the base period

5. Profitable Growth - Initiatives

New Service Lines - Manned Guarding

- **UK Facilities Services market worth £60bn:**
 - Cleaning 19%, Catering 18%, Manned Guarding 14%
- **UK Cleaning sector moving from single service supply to bundled services & facilities management:**
 - Presents opportunity to strengthen integrated services offering to existing & new customers
 - Increases ability to up-sell and cross-sell additional group services
 - Strengthens and protects client relationships
- **Acquisition of Knightsbridge Guarding Holdings & Perception UK in June 2010**
 - Total consideration of £10 million
 - £33.8m combined revenues in last financial year
 - Knightsbridge 17th largest security provider in the UK providing high-calibre, bespoke security for the corporate sector
 - Like Lancaster, blue-chip clients based in the City of London and West End

5. Profitable Growth - Initiatives

New Service Lines - Innovation

Entotherm – Award Winning Pest Treatment



Proposition

- Innovative insect treatment – chemical-free, environmentally friendly, mobile
- Unique to Rentokil & available across the UK
- Kills all life stages of insects from eggs to fully grown adults
- Winner of the 'Best Business Award for Best Innovation in the Private Sector'
- Described by judges as *“a major step forward in pest control...we applaud the way Rentokil and Revival Environmental have worked together to bring this innovation to market.”*

Outlook

- Trading conditions largely unchanged – continental Europe challenging
- Cost savings running ahead of £75m full year target
- City Link full year profitability - heavily weighted to Q4
- Good progress on debt – likely to be below £1bn by the year end
- Seven growth pilots underway – updates in due course
- Full year expectations unchanged, subject to potential adverse impact of weakening Euro on translation of results to Sterling



Questions

Interest

At actual exchange rates

	£ million	
	H1 2010	H1 2009
Net interest on bank/bond/finance lease debt*	(25.3)	(33.6)
Net return on Pension Scheme	(0.1)	2.9
Mark-to-market/forex adjustments	(2.6)	2.1
Other	(0.5)	(1.5)
Per income statement	(28.5)	(30.1)
Average interest rate on bank/bond/ finance/lease debt	4.7%	5.3%
Average net debt	£1,088m	£1,280m

Net Debt

<u>Debt</u>		<u>Maturity</u>	<u>Coupon</u>	<u>Net debt at 30/06/10¹ £m</u>
£500m RCF	➡	2012	LIBOR +0.5%	(220) ²
£50m FRN	➡	2013	LIBOR +3.25%	(50)
£75m Reset Bond	➡	2013-33	LIBOR +3.98%	(75)
€500m Bond	➡	2014	4.625%	(409)
£300m Bond	➡	2016	5.75%	(326)
				<u>+ 36³</u>
				<u>(1,044)</u>

Taxation

At actual exchange rates

	£ million	
	H1 2010	H1 2009
Profit before tax (continuing ops)	30.9	8.2
<u>Explanation of tax charge</u>		
Expected charge at blended rate	9.0	2.5
Recurring factors affecting tax charge	0.4	(0.5)
	9.4	2.0
Unrelieved losses	0.8	1.6
One-off items	2.3	0.8
Prior year adjustments	(5.3)	(2.8)
Actual tax charge	7.2	1.6
Tax rate	23.3%	19.5%
Cash tax paid	19.1	5.0