



Interim Results
24 August 2006

Doug Flynn
Chief Executive

Key Themes

- Good progress against our priorities to restart top line growth and improve customer retention
- Building stronger strategic positions in key markets through structural changes and acquisitions
- Focus moving to productivity and process improvement initiatives
- Stronger and fitter – but still much to do

First Half Highlights

- First half in line with expectations
- Substantial one-offs
- Performance improvement initiatives progressing
- Customer retention up
- City Link transformation
- Platform for growth in US pest control
- Asia Pacific investment
- Disposal of guarding; closure of UK textiles

Andrew Macfarlane
Chief Financial Officer

Basis of Preparation

UK, Canada, Belgium manned guarding	<ul style="list-style-type: none">• Discontinued
US manned guarding	<ul style="list-style-type: none">• Discontinued in P&L• 'Held for sale' in balance sheet; sold in Q3
UK linen and workwear	<ul style="list-style-type: none">• Closure costs taken in Q2• Discontinued in P&L• Surplus properties held at cost; profit on sale in Q3

Financial Summary

Continuing operations
Actual exchange rates

	Q2		H1	
	2006	vs LY	2006	vs LY
Revenue (£m)	523.6	+11.9%	1,018.6	+11.1%
Operating profit ¹ (£m)	71.1	-1.5%	132.3	-9.3%
Interest/associates (£m)	(9.5)	+41.4%	(19.8)	+23.6%
PBTA ² (£m)	61.6	+10.0%	112.5	-6.2%
Profit before tax (£m)	55.9	+9.2%	102.1	-6.8%
EPS (pence)			4.09	-6.8%
DPS (pence)			2.13	-
Free cash flow			44.0	-53.4%

¹ Before amortisation and exceptional items

² Profit before tax, amortisation and exceptional items

Profit Before Tax & Amortisation

Continuing operations
Constant exchange rates

	Q2		H1	
	2006	vs LY	2006	vs LY
	£m	%	£m	%
Profit before tax	56.0	+8.5	101.8	-7.2
<i>Add back:</i> Exceptional costs	-	-	-	-
Amortisation	5.6	+12.0	10.3	-1.0
PBTA	61.6	+8.8	112.1	-6.7
<i>Add back:</i> One-off costs charged against operating profit	3.1	-50.0	6.6	-8.3
Adjusted PBTA	64.7	+3.0	118.7	-6.8
Effect of acquisitions on PBTA ¹	3.5		3.8	

¹ PBTA in 2006 from 2006 acquisitions and incremental benefit of 2005 acquisitions. See appendix for details.

Revenue Trends

	%			
	Headline		Organic	
	Q2	H1	Q2	H1
Textiles & Washroom Services	-1.2	-0.1	-1.4	-0.8
Pest Control	+42.6	+28.8	-1.5	+1.1
Tropical Plants	+2.9	+5.1	+0.8	+1.9
Electronic Security	+3.0	+7.5	-4.4	-0.7
City Link	+48.6	+42.3	+9.5	+11.1
Facilities Services	+10.1	+12.0	+8.6	+10.4
Asia Pacific	+6.3	+6.4	+4.6	+5.3
Other	+2.6	+3.2	+2.6	+3.2
	<u>+11.1</u>	<u>+10.5</u>	<u>+1.9</u>	<u>+3.5</u>

Adjusted PBTA

Constant exchange rates	Q1		Q2		H1	
	£m	%	£m	%	£m	%
Textiles & Washroom Services	27.4	-16.5	27.9	-21.0	55.3	-18.8
Pest Control	14.3	-5.3	19.1	+14.4	33.4	+5.0
Tropical Plants	0.8	-27.3	1.4	-26.3	2.2	-26.7
Electronic Security	7.6	-5.0	8.7	-8.4	16.3	-6.9
City Link	5.7	+9.6	8.0	+11.1	13.7	+10.5
Facilities Services	7.5	-20.2	7.6	+2.7	15.1	-10.1
Asia Pacific	5.0	-9.1	5.6	-5.1	10.6	-7.0
Other	2.9	-6.5	3.1	-3.1	6.0	-4.8
Central costs	(6.8)	-13.3	(7.3)	+9.9	(14.1)	-
Group operating profit ¹	64.4	-13.2	74.1	-6.2	138.5	-9.6
Associates	0.6	-	0.5	-28.6	1.1	-15.4
Interest	(11.0)	-6.8	(9.9)	+41.4	(20.9)	+23.2
Adjusted PBTA	54.0	-16.3	64.7	+3.0	118.7	-6.8

¹Before customer list amortisation

UK Washroom

Continuing operations

	£ million		
	H1 2005	H2 2005	H1 2006
Revenue	<u>44.6</u>	<u>42.5</u>	<u>40.9</u>
EBITA change vs H1 2005, before one-off items			(6.2)
One-off items			<u>(1.8)</u>
Headline change in EBITA			<u>(8.0)</u>

Likely H2 restructuring costs £6 million

Textiles & Washroom Services (inc UK)

	£ million	
	Revenue	Adjusted EBITA
H1 2005	296.4	68.1
Changes due to		
• UK washroom	(3.7)	(6.2)
• France/Netherlands/Belgium/Germany	0.7	(4.6)
• Other – mainly divisional costs	2.8	(2.0)
H1 2006	296.2	55.3
Change on prior year	-0.8%	-18.8%

Textiles & Washroom Services

	£m		%	
	H1 2006 Revenue	Revenue growth vs H1 2005	Margin decline vs H1 2005 ¹	Portfolio growth vs 31-12-05
France	106.7	+0.9	-2.1	+2.3
Germany	36.2	+3.4	-4.8	+1.6
Netherlands	37.1	-4.4	+1.2	+0.2
Belgium	32.8	+0.9	-0.8	-0.3
Total Continental Europe	251.4	+2.0	-2.9	+1.7

¹Before one-off items

Pest Control

	£ million	
	Revenue	Adjusted EBITA
H1 2005	103.4	31.8
Changes due to		
• Ehrlich	27.7	3.4
• UK	(1.1)	(2.3)
• Other	3.2	0.5
H1 2006	133.2	33.4
Change on prior year	+28.8%	+5.0%

City Link

	£ million	
	Revenue	Adjusted EBITA
H1 2005	57.5	12.4
Estimated changes due to:		
• Acquisitions H2 2005	9.1	0.3
• Acquisitions H1 2006	8.8	0.3
• Organic growth	6.4	0.7
H1 2006	81.8	13.7
Change on prior year	+42.3%	+10.5%
Acquisition capex H1 2006	£14.8m	

Facilities Services

	£ million	
	Revenue	Adjusted EBITA
H1 2005	227.0	16.8
Changes due to:		
• Cleaning	25.5	1.4
• Catering and hospital services	0.5	(1.2)
• Other businesses	1.2	(1.9)
H1 2006	254.2	15.1
Change on prior year	+12.0%	-10.1%

Asia Pacific

- Pink Healthcare acquired on 30-06-06. 2005 revenue A\$22.5m
- CWS branded washroom & dustmat businesses will be acquired on 31-08-06. 2005 revenue £8.3m.
- Will add £18-20m pa full year revenues
- Pro forma regional business mix will be ~60% washrooms

Interest

Actual exchange rates

£ million

	Q2		H1	
	2006	2005	2006	2005
Net interest on bank/bond/ finance lease debt ¹	(11.6)	(11.8)	(22.1)	(23.9)
Expected return on pension scheme assets ²	14.3	9.9	25.8	19.9
Interest on pension scheme liabilities ²	(12.3)	(11.3)	(24.5)	(22.3)
	2.0	(1.4)	1.3	(2.4)
Ashtead amortisation/write-off	-	(0.5)	-	1.8
Mark-to-market adjustments/ unwind of discounts on provisions	(0.3)	(3.2)	(0.1)	(2.7)
Per income statement	(9.9)	(16.9)	(20.9)	(27.2)
Period-on-period change	7.0		6.3	

¹ After interest received on fair value hedges
and Ashtead loan note in 2005

² UK plus overseas schemes

Pensions - UK

2006 £ million

	Actual		Estimate		
	Q1	Q2	Q3	Q4	FY
Service cost - DB	(3.3)	(3.3)	(1.6)	-	(8.2)
Normalised DC cost			(0.8)	(2.4)	(3.2)
Notional interest on scheme assets ¹	11.4	14.1	10.6	10.6	46.7
Notional interest on scheme liabilities ²	(12.0)	(12.0)	(11.9)	(11.8)	(47.7)
One-off costs (P&L)	-	-	(1.7)	-	-
One-off curtailment benefit (P&L) ³	-	-	14.9	-	-

¹ Gilts 4.0%, equities 7.5%

² AA bonds 4.5%

³ Estimate subject to actuarial confirmation

Pensions - UK

	UK DB scheme balance sheet £ million	
	30-06-06	31-12-05
Assets		
Cash	8.0	198.7
Equities	170.4	531.5
Fixed income	689.7	129.2
Swaps	5.9	-
	<u>874.0</u>	<u>859.4</u>
Liabilities	(950.1)	(1,029.2)
	<u>(76.1)</u>	<u>(169.8)</u>
IAS 19 deficit (pre-tax)		

Operating Cash Flow

	£ million		
	H1 2006	H1 2005	FY 2005
Operating profit ¹			
- Continuing operations	121.9	135.5	270.1
- Discontinued operations	(15.9)	(16.8)	(3.6)
Depreciation and amortisation	90.4	98.3	195.0
Non cash items/other ²	(6.4)	26.6	24.6
EBITDA³	190.0	243.6	486.1
Working capital	(24.2)	8.6	(11.2)
Capex (net of disposal proceeds) ⁴	(80.6)	(95.9)	(187.9)
Operating cash flow	85.2	156.3	287.0
Operating profit before amortisation/non-cash exceptionals	117.8	158.2	320.8
OCF conversion rate	72%	99%	89%

¹ Continuing + discontinued activities, after exceptionals

² Non-cash exceptionals + impairment charges less profit on sale of fixed assets

³ Continuing + discontinued businesses, before non-cash exceptional items

⁴ Including finance leases

Free Cash Flow

	£ million		
	H1 2006	H1 2005	FY 2005
Operating cash flow	85.2	156.3	287.0
Interest ¹	(21.1)	(20.6)	(46.1)
Tax	(20.1)	(41.3)	(80.5)
Free cash flow	44.0	94.4	160.4
Acquisitions ²	(124.3)	(39.0)	(55.8)
Disposals	106.8	2.4	323.8
Equity dividend	(94.8)	(86.2)	(124.7)
Ashtead loan note	-	-	129.8
Special pension contribution	-	-	(200.0)
Share options/buy back	-	0.4	5.7
FX/other	23.9	8.0	9.6
(Increase)/reduction in debt	(44.4)	(20.0)	248.8
Profit after tax before amortisation/ non-cash exceptional items	70.4	94.6	192.7
FCF conversion rate	63%	100%	83%

¹ Including finance leases

² Cash plus acquired debt

Modelling Guidance

- H2 one-off items £15-20m¹ (excluding pensions curtailment), includes £6m UK washroom H2 branch rationalisation
- UK pensions – see slide 19
- UK linen & workwear surplus property sales
 - proceeds £21m, profit £16m, Q3 – discontinued line
- City Link
 - H2 acquisition spend ~£25m
- European textiles
 - Plant capex: 2006 £5m; 2007 £20-25m
- UK surplus property disposal
 - cash outflow Q3 £10m, no P&L impact

¹ Continuing businesses

Doug Flynn
Chief Executive

Recap of Priorities for 2006

Strategic

- Active business portfolio management
- Systematic growth plans for all businesses

People and structure

- Establish high performance, outward looking, innovative culture
- Develop & upgrade next management level
- Introduce appropriate incentives

Operations

- Progress performance improvement initiatives
- Productivity improvements
- Return to growth trajectory through marketing & sales effectiveness

Active Portfolio Management

Acquisitions

- JC Ehrlich (US pest)
- Pink (Aust. washroom)
- CWS branded AsiaPac washroom & dustmat
- 4 City Link franchises
- 13 bolt-ons

Total consideration:
£128m

Disposals

- Manned guarding
 - UK
 - Canada
 - USA
 - Belgium

Total proceeds:
£150m

Note: as at 24 August 2006

Removing Corporate Clutter

- 75 surplus properties
- UK textiles surplus properties
- Other minor businesses exited
 - Ailsa environmental remediation
 - UK timber preserving
- Sale of Felcourt

Note: as at 24 August 2006

City Link

Transformation from hub/trunker operator to integrated parcels business ahead of schedule

- Expected to be completed in 2007
- Franchise buy-back
 - At 30 June owned 41 of 70 branches
- Customer-facing structure being introduced
 - Regional customer centres
 - Integrated systems from consignor to consignee
- Continuing to take market share
 - H1 parcel volume up 10% vs 4% estimated market growth in our sector

Asia Pacific

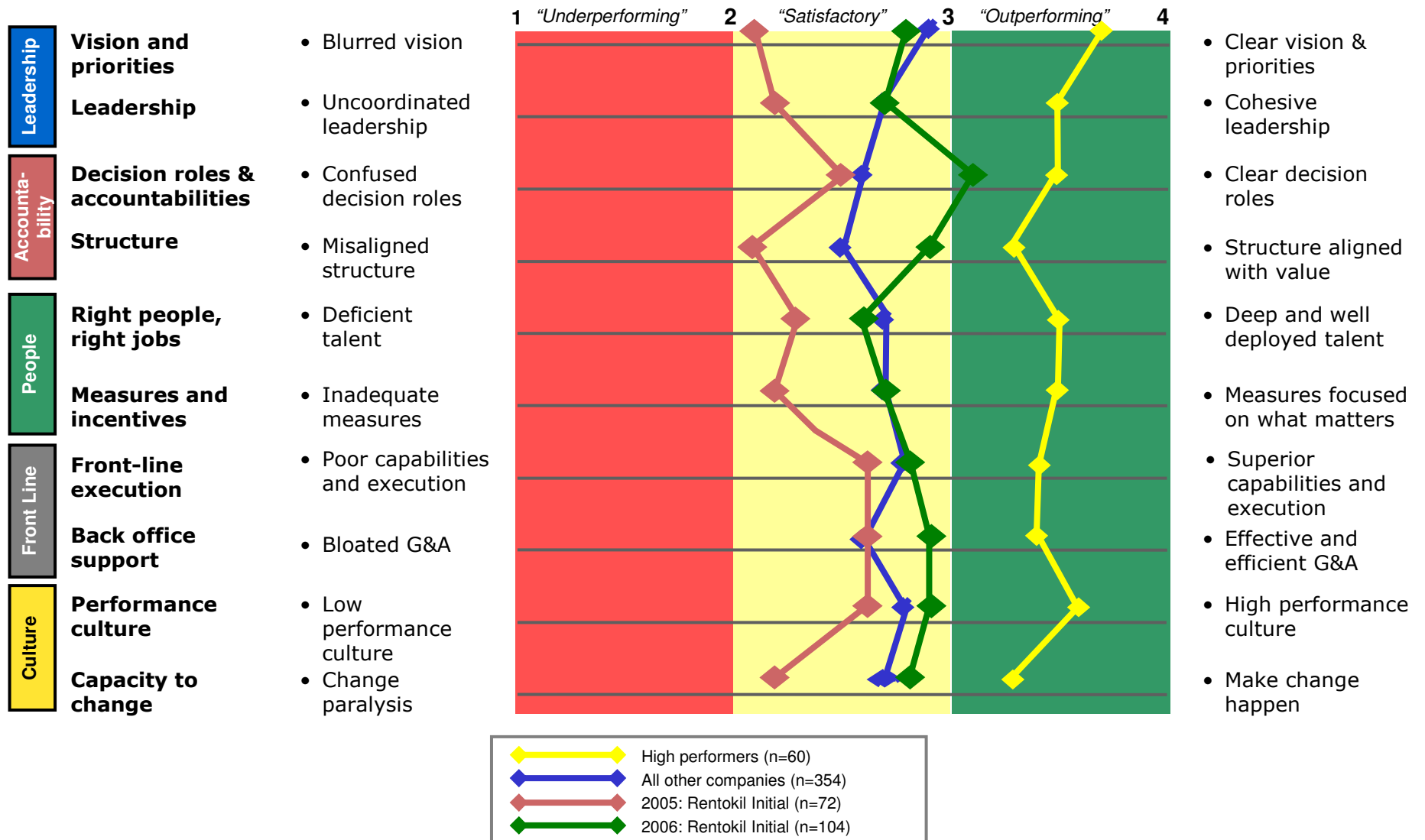
Transforming scale, market position and shape to allow us to play bigger and more dynamic role in rapidly growing region

- Strong senior management team
- Develop and upgrade next management level
- Acquisitions to build strategic positions
 - Pink Healthcare
 - CWS branded washroom and dust mat business
 - Other key deals in Taiwan, China, Singapore and New Zealand

People & Structure

- Culture
 - Leadership development
 - Creating high performance, customer focused culture; still a long way to go to embed throughout company
- Develop and upgrade next management level
 - Leadership evaluation completed
 - Key appointments at business unit head level
- Introduce appropriate incentives
 - LTIP approved by shareholders at AGM in May

Changing Culture



Sources : Rentokil Initial organisation survey – self-reported (May 2005, May 2006); Benchmark data - Bain & Company high performance organisation database (n=414) – March 2006

Major Performance Improvement Projects

French Textiles

Build upon strong strategic position to create more dynamic, efficient and commercially capable operations

- Reorganisation complete; yet to achieve full benefits
- Improvement in retention
- Mid-year price increases to recover higher fuel/energy costs
- Some signs of volume recovery with existing customers
- Improvement in processing productivity

Major Performance Improvement Projects

UK Washroom

Rebuild quality washroom services business and fully integrate old operations with processes which will deliver customer needs effectively

- Winning new business – new sales up year-on-year
- Improvement in productivity of service and field sales
- Retention being impacted by combined washroom/textiles customers
- Branch reduction: 50 → 35 → 20
- CRM and service enquiries being centralised
- Systems integration to be completed in Q4

Major Performance Improvement Projects

UK Pest Control

Recapture the high ground; retain and win customers through service knowledge and customer focus with efficient delivery

- New management team
- Changes planned now deeper and more wide-reaching
- Solid upward trend in retention
- Early signs of revenue growth
- Reversing downward trend in large customer accounts
- Management layer removed

Major Performance Improvement Projects

European Washroom

Create revitalised, efficient and customer focused growing business

- Integration complete
- New lines of business and new products introduced
- Portfolio gains in some markets
- Efforts to increase number of customers having some success
- Some markets reorganised

Productivity and Process Improvements

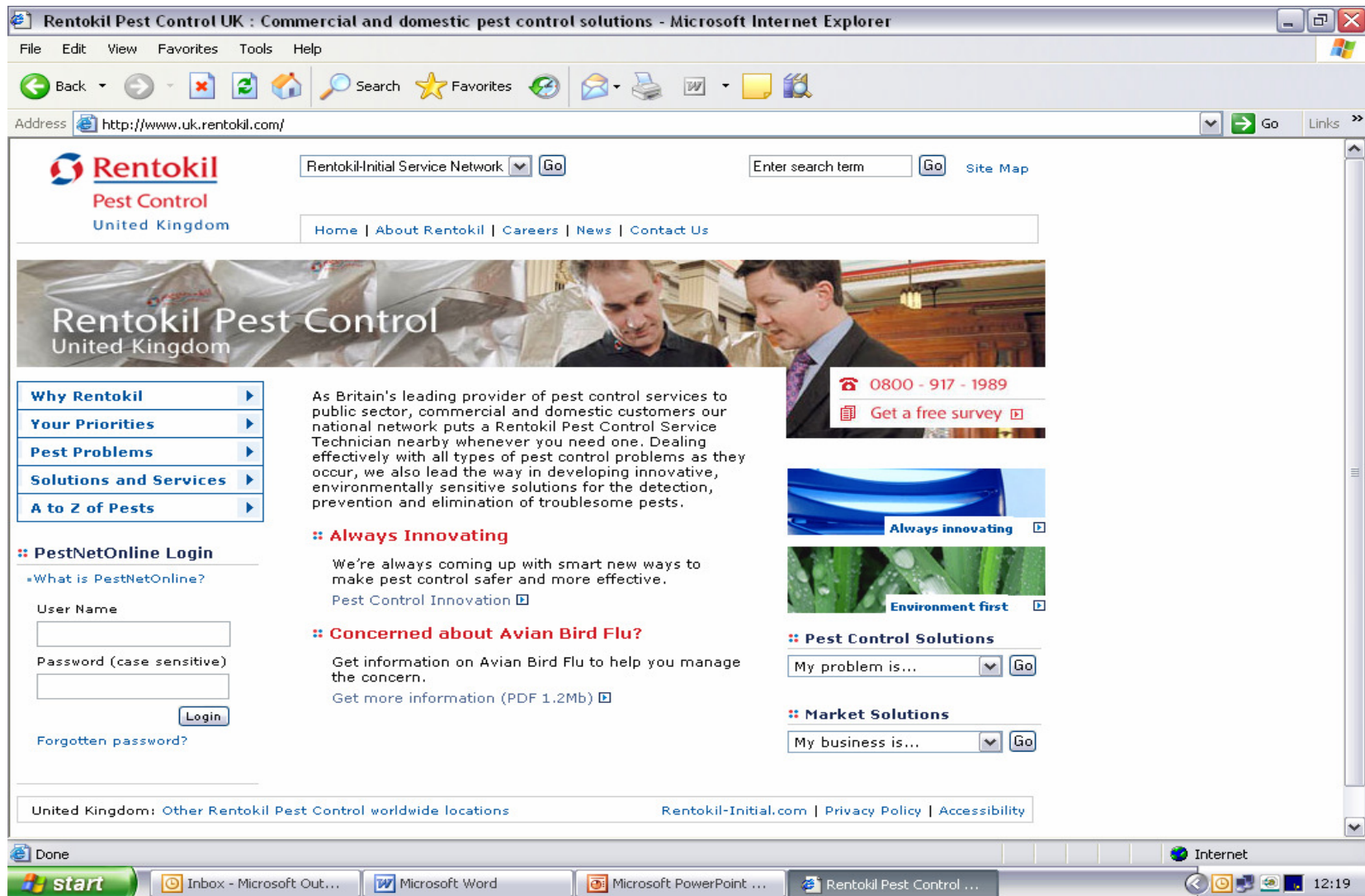
Opportunity to improve quality, customer responsiveness and costs through processes we employ

- Administrative efficiency - 'Work Smarter'
 - Oracle is key enabler
 - Process structure includes shared service centres
 - Reduce low value payments/invoices
 - Reduction in paper-based processes
- Service efficiency
 - Route optimisation
 - Capturing service & client data digitally
- Processing and site rationalisation
 - E.g. UK Washroom

Productivity and Process Improvements

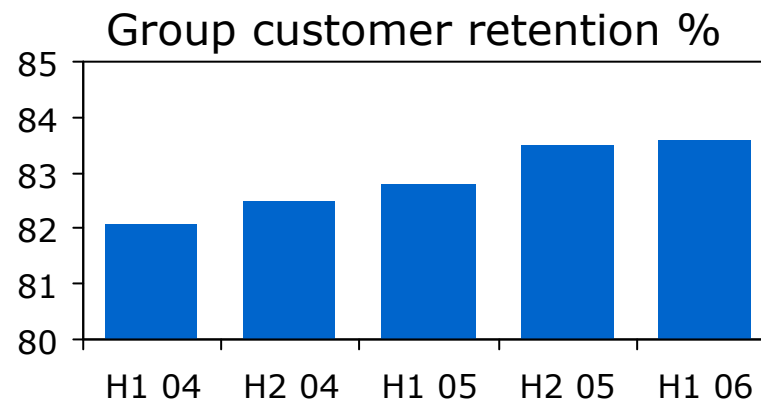
- Management efficiency
 - Span of control and layers of management
 - In business organisation
- Head office activities and headcount
 - Rationalisation in corporate affairs, procurement, legal, real estate
- Sales efficiency and routes to market
 - Tele-sales
 - Review of sales heads vs market opportunity and sales volumes
 - On-line presence for pest control effective in improving sales
 - Programme underway for initial.com

www.rentokil.com/uk



Customer Retention

- Actions taken resulted in good progress in some businesses
 - European pest control
 - European washroom
 - Some parts of Asia Pacific
- Overall improvement in retention for fifth consecutive half



- Continues to be important area for attention
 - Absolute value
 - Indicator of health of service business
 - Lead indicator of sales

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Outlook

- H2 textiles & washroom services profit likely to be broadly flat with H1
- Other divisions expected to demonstrate improving profit trends during H2
- Anticipate return to modest PBTA growth in 2007 as result of initiatives taken
- Expect to maintain dividend in 2006



Interim Results
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