

WELCOME TO THE
 **Rentokil Initial**

2004 INTERIM RESULTS

26th August 2004



Notes:

Executive Chairman

Brian McGowan



1.

Notes:

2004 INTERIM RESULTS

CONTENTS

- Interim Results
- Chairman's Review
- Sector Managing Directors' Review
- Appendices



2.

Notes:

Finance Director

Roger Payne



3.

Notes:

2004 INTERIM RESULTS

OVERVIEW

- Greater disclosure and openness
- H1 results reflect the trends outlined in May
- Market conditions remain challenging
- Increasing levels of investment continue
- On-going and accelerating initiatives yet to demonstrate clear and sustained success
- Strong June 2003 and cost of recent management changes impact on May and June comparisons
- Several large businesses pose significant challenges



4.

Notes:

2004 INTERIM RESULTS

SUMMARY OF RESULTS

	<u>£m</u>	<u>% increase over 2003</u>	
		<u>Actual</u>	<u>Constant **</u> <u>exchange</u>
TURNOVER *	1,200.5	+ 0.6%	+ 2.4%
OPERATING PROFIT*	201.1	- 10.6%	- 9.9%
PROFIT BEFORE TAX	180.4	- 10.0%	- 9.1%
OPERATING CASH FLOW	119.7	+ 1.4%	
EARNINGS PER SHARE	7.26p	- 7.5%	
DIVIDEND	1.93p	+ 10.3%	

* from continuing operations

** at constant 2003 average exchange rates



5.

Notes:

2004 INTERIM RESULTS

SEGMENTAL ANALYSIS

	Turnover £m	% Increase	Operating Profits £m	% Increase
<u>HYGIENE</u>				
- Hygiene Services	381.9	+ 1.5%	88.5	- 14.1%
- Pest Control	112.4	+ 1.5%	39.4	- 5.5%
<u>SECURITY</u>	290.6	+ 2.3%	27.0	- 1.8%
<u>FACILITIES MANAGEMENT</u>				
- Facilities Management Services	231.6	+ 2.5%	17.9	- 6.8%
- Tropical Plants	52.2	- 3.5%	4.9	- 38.0%
- Conferencing	43.7	+ 4.3%	12.1	- 6.2%
<u>PARCELS DELIVERY</u>	109.6	+ 9.7%	13.6	+ 1.5%
TOTAL	<u>1,222.0</u>	<u>+ 2.4%</u>	<u>203.4</u>	<u>- 9.9%</u>

at constant 2003
average exchange rates



6.

Notes:

2004 INTERIM RESULTS

PROSPECTS FOR 2004

The Board re-affirms:-

- That profit before tax for 2004, at constant average 2003 exchange rates, should not be less than £350m.

AND

- Its intention to recommend a total dividend of 6.71p for 2004, an increase of 10.0% over 2003.



7.

Notes:

2004 INTERIM RESULTS

CASH FLOW

	H1 2004 £m	H1 2003 £m	% Change over H1 2003
PROFIT	180.4	200.5	- 10.0
DEPRECIATION	79.7	78.6	+ 1.4
WORKING CAPITAL	0.4	(22.5)	-
PROVISION SPEND	(5.9)	(5.9)	-
OTHER	0.6	1.8	- 66.7
TAX	(46.5)	(50.2)	- 7.4
CAPEX (NET)	(85.7)	(84.2)	+ 1.8
SUB-TOTAL	123.0	118.1	+ 4.1
ASSTEAD INTEREST RECEIVED	3.5	-	-
PENSION CONTRIBUTION	(6.8)	-	-
OPERATING CASH FLOW	119.7	118.1	+ 1.4
DIVIDENDS	(78.7)	(72.6)	+ 8.4
CASH FLOW BEFORE ACQUISITIONS	41.0	45.5	- 9.9
ACQUISITIONS	(15.2)	-	-
DISPOSALS	4.5	-	-
PURCHASE OF OWN SHARES (NET)	(23.9)	-	-
NET CASH FLOW	6.4	-	-
FOREX	15.0	-	-
CLOSING NET DEBT	(1,186.5)	-	-

*at actual average
rates of exchange*



8.

Notes:

Executive Chairman

Brian McGowan



9.

Notes:



Notes:

- No major changes to portfolio at present



11.

Notes:

- No major changes to portfolio at present
- Portfolio to be reviewed regularly



12.

Notes:



Notes:

- Culture and transparency



14.

Notes:

- Culture and transparency
- Rewarding and motivating our people



15.

Notes:

- Culture and transparency
- Rewarding and motivating our people
- Accelerating IT development



16.

Notes:

- Culture and transparency
- Rewarding and motivating our people
- Accelerating IT development
- Marketing our inventions



17.

Notes:

- Culture and transparency
- Rewarding and motivating our people
- Accelerating IT development
- Marketing our inventions
- Making acquisitions happen



18.

Notes:

Culture and transparency



19.

Notes:

Rewarding and motivating our people



20.

Notes:

Accelerating IT development



21.

Notes:

Marketing our inventions



22.

Notes:

Making acquisitions happen



23.

Notes:

No further share buy-backs at present



24.

Notes:

Dividends

- 2004 +10% as announced to 6.71p
- 2005 +10% to 7.38p
- 2006 and beyond - broadly in line with eps growth



25.

Notes:



Notes:

UK Hygiene Sector

Henry Chandler



27.

Notes:

Seminar Summary

- **Overlapping services and territories**
- **Two competing washroom businesses**
- **Declining portfolios and deteriorating mix**
- **Inward facing...not customer focused**
- **Services being sold as products**



28.

Notes:

Medium-Term Goals

- Deliver portfolio and turnover grow whilst protecting the margin
- A turnaround plan for each stream...with primary focus on washroom
- Avoiding another cost cutting, short-term or quick fix solution



29.

Notes:

Challenges for UK Textiles

- High level of management change
- Linen volume growth
- Declining pricing and margin
- High fixed cost base
- Appointed Consultants



30.

Notes:

Progress since April

- New Divisional Managing Director
- Sales headcount up 14%
- Investment in Telemarketing and sales
- National Account wins
- Routing initiative & replacement vehicle
- IT System roll-out



31.

Notes:

Turnaround Programme Update

H2	Routing initiative trial IT system trial
2004	Telemarketing & sales team established Improve sales team performance Improve customer retention
H1	Routing evaluation IT systems roll-out commences
2005	Consistent portfolio growth
H2	Routing system implementation / roll-out IT system installed Turnover, margin and profit growth



32.

Notes:

Pest Control

Ted Brown



33.

Notes:

UK Pest Control

- Challenges for UK Pest Control
- Identifying the Opportunities
- Taking action
- Measuring progress



34.

Notes:

The challenges we face

- Lack the right profile
- Subsistence selling rather than relationship selling
- High salesforce turnover
- Need to get closer to customers
- Limited resource for medium-term growth



35.

Notes:

Opportunities

- Growing markets and new markets
- Demand from specifiers
- Demand for new products and innovative services



36.

Notes:

What we are doing?

- Reshaping sales teams (Jan 2004)
- Greater customer focus (March 2004)
- Strengthening Marketing & PR (Jan - Sep 2004)
- Investment in IT and infrastructure (March 2004)



37.

Notes:

What is success?

- Growing portfolio in target markets
- Reduced termination rates
- Expand key sales and customer service teams



38.

Notes:

Pest Control Around the World

- Address changed market structures in a different way
- Expand presence in key markets
- Strengthen our relationship with specifiers
- Increase acquisitions as bolt-on for density



39.

Notes:

European Textiles

Henri Hendrickx



40.

Notes:

European Textiles

- Strong growth in most territories
- Margin maintained
- Real concerns in German Hospital Services



41.

Notes:

German Hospital Services ... cause for concern

- Most services already outsourced, little room for growth
- Highly consolidated market
- Public sector spending cuts and fewer hospital beds
- Volatile market, little customer loyalty
- Prices fallen by 20%



42.

Notes:

Taking action

- New management team
- Expanded sales team
- Focus on larger hospitals and larger contracts
- Continuing cost efficiencies
- Transferring best practice
- Investigating future options



43.

Notes:

European Textiles

- Organic growth in Washroom Services, Garment Services and Mat Services
- Organic growth in Hospital Services ... except Germany
- Opportunities for future growth including acquisitions



44.

Notes:

Security

Clive Ward



45.

Notes:

Overview

- 24% of Group turnover
- 58% Guarding (23% of profits) – 23,000 security guards in 4 countries
- 42% Electronic Security (77% of profits) – in 5 countries
- 7% growth in Europe and North America
- UK market highly competitive (44% of turnover, 63% of profits)



46.

Notes:

Tough trading conditions in UK Market

- Emergence of Facilities Management
- Fixed price contracts being sought ahead of new regulation
- Increased price pressure from customers
- Fragmented market – difficult to maintain margins



47.

Notes:

Strengthening our offer

- **Developing new alliances with Facilities Management companies**
- **Strengthening management team for UK Guarding**
- **Centralising major accounts operations**
- **Expanded sales resource**



48.

Notes:

More needs to be done ...

- Acquisitions and new sales initiative to improve portfolio mix
- Exploring new routes to market
- Increased investment outside UK
- Looking to benefit in the UK post regulatory fall-out



49.

Notes:

... But we are well positioned to grow

- **Strong market presence:**
Top 3 in UK, Top 7 in US, Top 7 in Europe, Top 4 in Canada
- **New IT systems offering clients access**
- **Guarding expertise**
- **Market leading systems integrator**
- **Ready to benefit from UK regulation**



50.

Notes:

Summary

- **Committed to Security**
- **Accelerated acquisition strategy outside UK**
- **Positioned to benefit from move to combined security**



51.

Notes:

APPENDICES



52.

Notes:

2004 INTERIM RESULTS

SEGMENTAL ANALYSIS

	Turnover £m	% Increase	Operating Profits £m	% Increase
HYGIENE	494.3	+ 1.5%	127.9	- 11.6%
SECURITY	290.6	+ 2.3%	27.0	- 1.8%
FACILITIES MANAGEMENT	327.5	+ 1.7%	34.9	- 12.7%
PARCELS DELIVERY	109.6	+ 9.7%	13.6	+ 1.5%
TOTAL	<u>1,222.0</u>	<u>+ 2.4%</u>	<u>203.4</u>	<u>- 9.9%</u>

*at constant 2003
average exchange rates*



53.

Notes:

2004 INTERIM RESULTS

HYGIENE

Hygiene Services

SEGMENTAL ANALYSIS

	H1 2004 Turnover £m	% increase over 2003	H1 2004 Operating profits £m	% increase over 2003
- UK	87.5	- 4.7%	17.3	- 39.6%
- CONTINENTAL EUROPE	249.6	+ 4.1%	55.6	- 2.3%
- NORTH AMERICA	3.0	- 1.7%	0.7	- 26.8%
- ASIA PACIFIC & AFRICA	41.8	+ 0.5%	14.9	- 9.3%
TOTAL	381.9	+ 1.5%	88.5	- 14.1%

at constant 2003
average exchange rates

KEY ISSUES

- In the UK, significant restructuring continues, including further senior management changes.
- Of particular concern within the UK textiles operation are the results of the linen business and external consultants have recently been appointed to review the options for this part of the business.
- Germany continued to regress in turnover (- 1.8%) and operating profit (- 23.7%) due to general economic pressures, increased investment and continuing difficulties in the hospital linen sub sector, where a new managing director is reviewing the future options.

KEY FEATURES

- Strong turnover growth in Malaysia.
- Good performance from joint ventures in Japan and South Korea.



54.

Notes:

2004 INTERIM RESULTS

SEGMENTAL ANALYSIS

HYGIENE

Pest Control

	H1 2004 Turnover £m	% increase over 2003	H1 2004 Operating profits £m	% increase over 2003
- UK	34.5	+ 0.6%	16.1	- 6.3%
- CONTINENTAL EUROPE	52.4	+ 0.6%	17.0	- 5.0%
- NORTH AMERICA	8.1	+ 4.2%	1.4	- 1.3%
- ASIA PACIFIC & AFRICA	17.4	+ 5.3%	4.9	- 4.9%
TOTAL	112.4	+ 1.5%	39.4	- 5.5%

*at constant 2003
average exchange rates*

KEY ISSUES

- A continuing softness in the highly profitable job sector in the UK.
- Disappointing turnover growth in Switzerland and Scandinavia.

KEY FEATURES

- Turnover growth excellent in Italy and good in Belgium and Portugal.
- Strong turnover performance in Canada.



55.

Notes:

2004 INTERIM RESULTS

SEGMENTAL ANALYSIS

SECURITY

	H1 2004 Turnover £m	% increase over 2003	H1 2004 Operating profits £m	% increase over 2003
- UK	128.7	- 3.5%	17.0	- 6.8%
- CONTINENTAL EUROPE	70.3	+ 7.2%	6.5	+ 8.4%
- NORTH AMERICA	91.6	+ 7.7%	3.5	+ 7.8%
TOTAL	290.6	+ 2.3%	27.0	- 1.8%

*at constant 2003
average exchange rates*

KEY ISSUES

- Flat performance in UK electronic turnover being offset by a reduction in manned guarding turnover.

KEY FEATURES

- Excellent performance in Belgium.
- Good growth in France and a sound performance in The Netherlands.
- Excellent result in Canada and strong growth in the USA, each assisted by bolt-on acquisitions.



56.

Notes:

2004 INTERIM RESULTS

SEGMENTAL ANALYSIS

FACILITIES MANAGEMENT

Facilities Management Services

	H1 2004 Turnover £m	% increase over 2003	H1 2004 Operating profits £m	% increase over 2003
- UK	193.6	+ 2.2%	16.0	- 7.2%
- CONTINENTAL EUROPE	25.2	+ 7.0%	1.3	- 15.1%
- NORTH AMERICA	10.9	-	(0.4)	-
- ASIA PACIFIC & AFRICA	1.9	-	1.0	71.8%
TOTAL	231.6	+ 2.5%	17.9	- 6.8%

at constant 2003
average exchange rates

KEY ISSUES

- UK operating profit regressing by 7.2% as a consequence of margin erosion on re-tenders and new business wins.
- In Continental Europe declining operating profit, due, in particular, to intense margin pressure in Spain.
- Flat turnover in North America and Asia Pacific Africa.



57.

Notes:

2004 INTERIM RESULTS

SEGMENTAL ANALYSIS

FACILITIES MANAGEMENT

Tropical Plants

	H1 2004 Turnover £m	% increase over 2003	H1 2004 Operating profits £m	% increase over 2003
- UK	6.3	+ 0.9%	1.2	- 42.8%
- CONTINENTAL EUROPE	13.9	- 6.6%	2.0	- 7.4%
- NORTH AMERICA	27.3	- 2.7%	0.9	- 61.5%
- ASIA PACIFIC & AFRICA	4.7	- 4.4%	0.8	- 39.4%
TOTAL	52.2	- 3.5%	4.9	- 38.0%

at constant 2003
average exchange rates

KEY ISSUE

- Turnover and operating profit in Continental Europe fell.

KEY FEATURES

- The Netherlands showed marginal growth assisted by an acquisition.
- Good growth in South Africa being negated by a significant reduction in Australia.



58.

Notes:

2004 INTERIM RESULTS

SEGMENTAL ANALYSIS

FACILITIES MANAGEMENT

Conferencing

	H1 2004 Turnover £m	% increase over 2003	H1 2004 Operating profits £m	% increase over 2003
TOTAL	43.7	+ 4.3%	12.1	- 6.2%

KEY ISSUE

- Operating profit declined due to continuing softness in weekend bookings, higher margin discretionary spend and pricing in some of the quieter periods.

• KEY FEATURE

The business continues to attract long-term contract interest from 'blue chip' companies.



59.

Notes:

2004 INTERIM RESULTS

SEGMENTAL ANALYSIS

PARCELS DELIVERY

	H1 2004 Turnover £m	% increase over 2003	H1 2004 Operating profits £m	% increase over 2003
TOTAL	109.6	+ 9.7%	13.6	+ 1.5%

*at constant 2003
average exchange rates*

KEY ISSUE

- The previously reported mix issues continuing.



60.

Notes:

PRO-FORMA ANNUALISED VALUE OF CONTRACT PORTFOLIO OF CONTINUING BUSINESSES

APPENDIX 1

<u>£m at constant 2003 average exchange rates</u>	<u>1.1.04</u>	<u>New Business</u>	<u>Terminations</u>	<u>Net Additions/ Reductions (note 1)</u>	<u>Acquisitions</u>	<u>30.6.04</u>
Hygiene Services	726.5	41.1	(41.0)	6.8	3.3	736.7
Pest Control	179.8	16.6	(17.5)	3.2	0.3	182.4
Total Hygiene	906.3	57.7	(58.5)	10.0	3.6	919.1
Electronic	81.5	4.0	(3.5)	2.6	2.5	87.1
Manned Guarding	314.2	24.7	(25.6)	1.7	-	315.0
Total Security	395.7	28.7	(29.1)	4.3	2.5	402.1
Facilities Management Services	380.1	28.8	(29.7)	5.5	-	384.7
Tropical Plants	91.7	5.4	(7.3)	2.0	0.5	92.3
Conferencing	35.8	-	(0.1)	0.3	-	36.0
Total Facilities Management	507.6	34.2	(37.1)	7.8	0.5	513.0
TOTAL	1,809.6	120.6	(124.7)	22.1	6.6	1,834.2

Notes:-

1. This represents the net of additions to existing contracts, price increases on existing contracts and reductions to existing contracts.
2. The above include, on a consistent basis, certain estimates where there are regular, variable, elements of revenue contained within the contracts.
3. In addition to the above, many of the contracts within the contract portfolio generate periodic, ad hoc and/or repeat job work and extras.



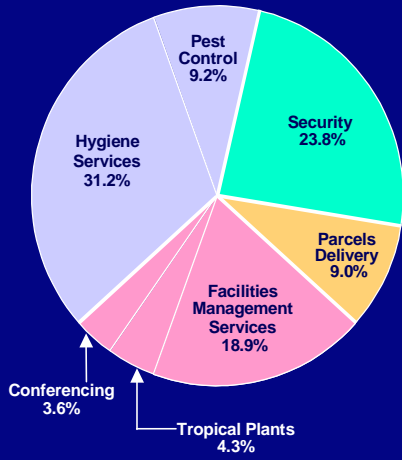
61.

Notes:

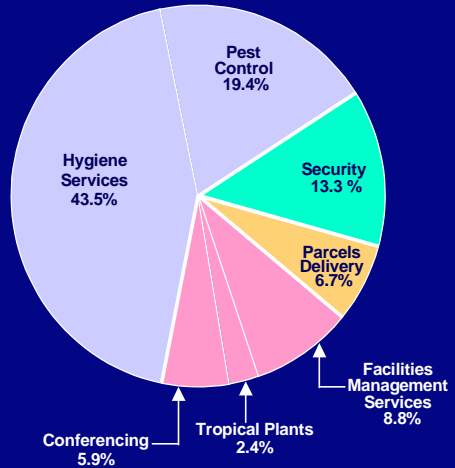
2004 INTERIM RESULTS

SECTOR ANALYSIS

Turnover £1,222.0m



Operating Profits £203.4m



at constant 2003 average exchange rates



62.

Notes:

2004 INTERIM RESULTS

GEOGRAPHIC ANALYSIS

	Turnover £m	% Increase	Operating Profit £m	% Increase
U.K.	603.4	+ 1.2%	93.1	- 15.1%
CONTINENTAL EUROPE	411.4	+ 3.9%	82.4	- 2.5%
NORTH AMERICA	140.9	+ 4.3%	6.1	- 21.8%
ASIA PACIFIC & AFRICA	66.3	+ 1.4%	21.8	- 7.6%
TOTAL	<u><u>1,222.0</u></u>	<u><u>+ 2.4%</u></u>	<u><u>203.4</u></u>	<u><u>- 9.9%</u></u>

*at constant 2003
average exchange rates*



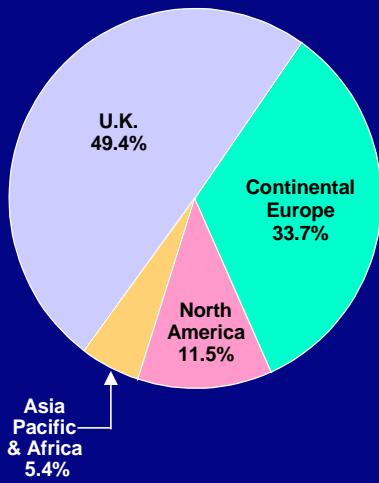
63.

Notes:

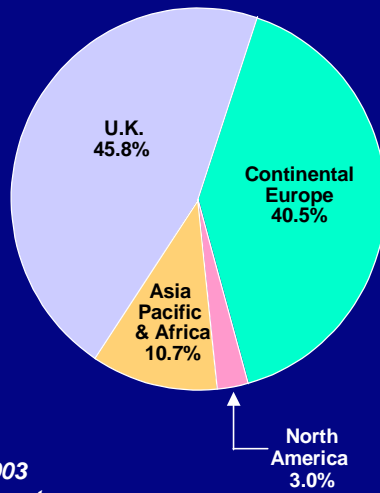
2004 INTERIM RESULTS

GEOGRAPHIC ANALYSIS

Turnover £1,222.0m



Operating Profits £203.4 m



at constant 2003
average exchange rates



64.

Notes:

2004 INTERIM RESULTS

BALANCE SHEET

	<u>H1 2004</u>	<u>31.12.03</u>
	<u>£m</u>	<u>£m</u>
FIXED ASSETS	643.8	662.8
WORKING CAPITAL	(20.0)	(21.7)
DIVIDEND	(34.8)	(79.0)
LONG TERM LIABILITIES/PROVISIONS	<u>(177.0)</u>	<u>(186.2)</u>
NET OPERATING ASSETS	412.0	375.9
INVESTMENTS	11.9	11.7
NET DEBT.	<u>(1,186.5)</u>	<u>(1,207.9)</u>
NET TANGIBLE LIABILITIES	(762.6)	(820.3)
INTANGIBLE ASSETS	<u>204.1</u>	<u>195.7</u>
NET LIABILITIES	<u>(558.5)</u>	<u>(624.6)</u>
EQUITY SHAREHOLDERS FUNDS	(565.5)	(631.1)
EQUITY MINORITY INTERESTS	<u>7.0</u>	<u>6.5</u>
CAPITAL EMPLOYED	<u>(558.5)</u>	<u>(624.6)</u>

at actual rates of exchange



65.

Notes: