



31 March 2009

Compass Group PLC
Trading Update

This statement updates investors on the Group's progress in the current year, ahead of the announcement on 13 May 2009 of its half year results for the six months to 31 March 2009.

Group

Compass has had a positive first half with profitability running well ahead of expectations.

Organic revenue growth, which is the combination of net new business and like for like revenue growth, is expected to be around 2.5% for the first half and constant currency revenue growth, including acquisitions, around 3%. Encouragingly, the level of new business wins in all sectors has remained strong, consistent with last year. As expected, like-for-like revenue has continued to weaken in parts of the Business & Industry (B&I) and Sports & Leisure sectors, as volumes have been affected by reduced levels of employment and lower levels of client discretionary spend. However, like-for-like revenue in the Education, Healthcare and Remote Site sectors has continued to perform well.

Our ability to flex our largely variable cost base has enabled us to manage our costs in line with the changes in demand. Furthermore, the continued focus on the MAP framework is helping us to deliver incremental efficiency gains in each of our major unit costs; food, labour and overhead. We have also continued to deliver savings in above-unit costs. In the first six months to 31 March 2009, we are therefore expecting an operating margin improvement of around 50 basis points with all four geographic segments contributing to this strong performance. Cash flow conversion remains at high levels.

In addition, we expect an overall favourable impact of around £70 million on operating profit from the movement of our key currencies for the six months to 31 March 2009, compared with the same period last year – translating the profits of last year to this year's first half actual exchange rates. The combination of margin improvement and the favourable currency translation impact is expected to result in first half growth in underlying earnings per share of over 30%.

North America

In North America we have had a good first half, benefiting from strong revenue and profit performances in our significant Healthcare and Education businesses. We continue to win good quality new business, including in the first half new contracts with the University of Maryland Baltimore County and Eastern Connecticut State University. In B&I we have seen a reduction in like-for-like volumes, but with good levels of net new business we expect to deliver organic revenue growth of around 3%. Careful management of variable costs should result in a good improvement in overall operating profit. In Sports & Leisure we are seeing a reduction in like-for-like volumes, but again expect to achieve an improvement in operating profit.

Overall, we expect good organic revenue growth of around 4-5% and a further operating margin improvement of around 40 basis points in the first half.

Continental Europe

The picture in Continental Europe is mixed. The B&I businesses in Italy, Germany and parts of Eastern Europe have been affected by the slowdown in the automotive and related industries. The impact of the Christmas / New Year holiday period was particularly pronounced with many large clients introducing extended closures compared with the same period last year. Our Healthcare businesses in France, Belgium and Portugal are all performing well and the oil and gas related business in the Nordic region continues to deliver strong organic revenue growth. Across all areas new business remains encouraging and in the first half we have won an exciting new multi-service contract at Electrolux's Head Office in Sweden and extended our relationship with Shell providing multi-services across several new countries.

Overall, we expect constant currency revenues to be broadly level with last year. The continued focus on cost efficiency however, should enable us to deliver an improvement in operating margin of around 20 basis points in the first half.

UK

The UK is performing well in a difficult environment. In the B&I and Sports & Leisure sectors, like-for-like volumes are lower than last year. Again, we experienced extended Christmas / New Year closures and also lost some significant revenues due to the bad weather in February. However, like for like revenues in Healthcare, Education and the Defence and Offshore businesses remain strong. Although we have seen some additional site closures in the B&I sector, we are continuing to win new business in all sectors at similar levels to last year. In the first half we have extended our relationship with the National Grid to provide multi-service business and we have recently announced a landmark deal with the Jockey Club to provide foodservices at all 14 of their racecourses.

Overall, we expect revenues to be around 4% lower than last year. The extensive re-structuring of this business over the past two years has enabled us to significantly improve the efficiency of our operations and, despite the difficult economic conditions, we expect to deliver increased operating profit and around 40 basis points of operating margin improvement in the first half.

Rest of the World

In the Rest of the World geographic segment we continue to see very good levels of new business, including in the first half a new contract with Google in Australia and extended our relationship with Wal-Mart in Brazil. The Defence, Offshore and Remote businesses are continuing to perform well as we are benefiting from the better management focus on a smaller number of countries, where we are typically aligned with large and established corporates. Our business in Australia continues to perform well and in Japan we continue to make good progress on improving its operating margins.

We expect organic revenue growth in the first half of around 5%, with an improvement in operating margin of around 70 basis points.

Overheads

Across the entire organisation we are continuing to drive further efficiencies in our above-unit overheads. We have taken extensive actions in the first half and would therefore expect a benefit to flow through in the second half with a further absolute saving in the overheads.

Acquisitions

Since 1 October 2008, we have committed to spend a total of approximately £110m on acquisitions. We have considerably strengthened our ability to offer support services in two key markets, the US and Germany, through the acquisitions of KIMCO for £52m and Plural for £25m. Furthermore, we have continued to expand our foodservice capability in Germany through the acquisition of LPS for a consideration of up to £4m. In the UK, the acquisition of McColls food and retail outlets within UK hospitals for a consideration of up to £19m builds on our ambition to provide additional services to our core markets. We now own 100% of our business in Japan, through the acquisition of the remaining 5% of shares for a cost of £11m.

Full Year Outlook

Against the background of an increasingly difficult economic environment in most of our key countries, we have made good progress in the first half.

Whilst we are expecting economic conditions to remain challenging through the rest of the year, we are confident that our business model will continue to deliver. We have good visibility in our pipeline and as such we are confident in our continued ability to generate new business. Indeed, in times of economic uncertainty, outsourcing is an attractive option. The Group benefits from a very broad spread of business; geographically across 55 countries, across clients, and across multiple sectors and sub sectors. In addition, we have considerable flexibility in the cost base which gives us the ability and capacity to deliver further cost savings. The strength of our cash flow and balance sheet gives us a sound platform from which we will continue to invest in growing the business.

Note to Editors:

- (a) Compass Group is the world's largest foodservice company with annual revenues in 2008 of over £11 billion operating in 55 countries. For more information visit www.compass-group.com
- (b) MAP (Management and Performance) is a simple, but clearly defined Group operating framework. MAP focuses on five key value drivers, enabling the businesses to deliver disciplined, profitable growth with the focus more on organic growth and like for like growth.

The five key value drivers are:

MAP 1: Client sales and marketing

MAP 2: Consumer sales and marketing

MAP 3: Cost of food

MAP 4: Unit costs

MAP 5: Above unit overheads

- (c) Organic revenue growth, a term used throughout the announcement, is calculated by adjusting for acquisitions (excluding current period acquisitions and including a full period in respect of prior period acquisitions), disposals (excluded from both periods) and exchange rate movements (translating the prior period at current period exchange rates) and compares the current period results against the prior period.
- (d) Operating profit, a term used throughout this announcement, includes share of profit of associates and is wholly consistent with the presentation in the Group's 2008 Annual Report and Accounts.
- (e) This Press Release contains forward looking statements within the meaning of Section 27A of the Securities Act 1933, as amended, and Section 21E of the Securities Exchange Act 1934, as amended. These statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those currently being anticipated as reflected in such forward looking statements. The terms 'expect', 'should be', 'will be', 'is likely to' and similar expressions identify forward looking statements. Factors which may cause future outcomes to differ from those foreseen in forward looking statements include, but are not limited to: general economic conditions and business conditions in Compass Group's markets; exchange rate fluctuations; customers' and clients' acceptance of its products and services; the actions of competitors; and legislative, fiscal and regulatory developments.

A copy of this release, together with all other recent announcements can be found on Compass Group's website at www.compass-group.com. Copies of the presentation given to institutional investors and analysts are also available at this site.

Enquiries:

Investors / Analysts
Media

Andrew Martin / Sarah John
Chris King

+44 (0) 1932 573000
+44 (0) 1932 573116

Website:

www.compass-group.com