



29 September 2011

Compass Group PLC
Trading Update

This statement updates investors on the Group's progress in the current year, ahead of the announcement on 23 November 2011 of its results for the year to 30 September 2011.

Group

Compass has delivered another good performance in the fourth quarter of the financial year and our expectations for the full year remain unchanged. In the fourth quarter, organic revenue growth is expected to be over 4%. For the full year, including the contribution from acquisitions, constant currency revenue growth is expected to be around 9% and organic revenue growth is expected to be around 5%. After absorbing the impact of the tragic events in Japan and the impact of infill acquisitions, the operating profit margin for the full year is expected to be at the same level as last year. Excluding these, the underlying margin is expected to increase by around 20 basis points. Free cash flow conversion remains strong.

Organic revenue growth in the year has been driven by strong levels of new business wins, an improvement in the underlying rate of retention to around 94% and modest inflationary price increases. Overall for the year, like for like volumes are expected to be broadly flat reflecting marginally positive growth in the first half and marginally negative like for like volumes in the second half of the year.

Through the application of our operating framework, MAP, we have generated further efficiencies in the year. These are helping to partially offset the impact of rising food costs and allow for reinvestment to capture the significant growth opportunities around the world.

North America

Organic revenue growth has continued to be driven by good levels of new business wins across all sectors, but in particular in Business & Industry, Healthcare and Sports & Leisure. We are also seeing good growth in support services. Retention rates remain high across the business and like for like revenue is positive. Overall, for the full year we expect organic revenue growth to be around 7% and an operating margin improvement of around 20 basis points.

Continental Europe

We have seen good levels of new business wins and a slight improvement in retention rates during the year. However, challenging economic conditions in parts of Continental Europe continue to impact like for like volume. We expect organic revenue growth for the full year to be around 1% and an improvement in the underlying operating margin of around 20 basis points. After absorbing the impact of around £10 million of acquisition integration costs mainly relating to the acquisition in the Netherlands, the reported operating profit margin is expected to be marginally lower than last year.

UK & Ireland

Organic revenue for the full year is expected to decline by around 1%. Whilst new business remains solid and retention rates are continuing to improve, difficult economic conditions are resulting in modest contraction in like for like volumes. The operating margin is expected to decline by around 50 basis points, but this is after absorbing the impact of acquisitions and associated integration costs, primarily relating to Vision Security Group.

Rest of the World

Organic revenue growth for the full year is expected to be around 9%, with an underlying improvement in the operating margin of around 20 basis points. This strong performance has been driven by good levels of new business wins and like for like revenue growth across most countries, in particular Australia and the emerging markets of Brazil, Latin America, UAE, China and India.

As expected we have seen some signs of recovery in Japan. This, together with the actions we have taken to reduce costs, should enable us to limit the impact on profit in the full year to £15 to £20 million. This is a slightly better outcome than our previous expectations. After absorbing the impact of Japan, the reported operating profit margin is expected to be around 20 basis points lower than last year.

Acquisitions

In the second half of the year, we have committed an additional circa £300 million to acquisitions. This includes the acquisitions of SOFRA and Obasan, which have strengthened our capabilities in Turkey, and in the UK, Cygnet Foods, which will further enhance our Education business. The total committed spend on acquisitions in the year is expected to be around £425 million.

Whilst our primary focus remains on driving organic growth, we continue to evaluate infill acquisition opportunities that will enable us to take advantage of the significant growth opportunities in our core food and fast growing support services markets in both developed and emerging countries.

Financial position

Approximately £600 million of Compass' existing debt is due to mature in May 2012. During the fourth quarter, we raised \$1 billion (c. £640 million) of new debt through a private placement with US institutional investors at a lower annual coupon than the existing debt. These new funds will be applied to repay the existing debt on maturity. Whilst the early refinancing will result in a short term increase in the interest charge, this impact will reverse once the existing debt is repaid.

Summary and Outlook

Compass has had a good year. Strong organic revenue growth has been driven by good levels of new business wins across the Group and an improvement in the underlying rate of retention. Ongoing cost efficiencies are driving further improvement in the underlying operating margin and infill acquisitions are making a meaningful contribution to growth. The strong performance in the year is despite the impact of the tragic events in Japan, rising food costs and economic weakness in some of our markets. The fundamentals of the business are working well.

Whilst the current economic uncertainty is likely to put ongoing pressure on like for like volume in parts of the business, as we look forward, we remain very positive about the opportunities to grow the business. We are well placed to capitalise on the significant structural growth opportunities in both food and support services around the world and we are encouraged by the pipeline of new business. We see great potential across all our geographies and we are increasing our focus on expanding our presence in the fast growing and emerging economies. We are continuing to drive cost efficiency. This underpins our expectation of further progress in the operating margin over the medium-term. Strong cash flows should continue to enable us both to reward shareholders and invest in value creating infill acquisitions.

Note to Editors:

- (a) Compass Group is a world leading food and support services company, which generated annual revenues of £14.5 billion in the year to 30 September 2010. It operates in around 50 countries, employs over 430,000 people and serves over 4 billion meals every year. The company specialises in providing food and a range of support services across the core sectors of Business & Industry, Defence, Offshore & Remote Site, Healthcare, Education, Sports & Leisure and Vending with an established brand portfolio.
- (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) Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the foodservice and support services markets in the jurisdictions in which the Group operates, fluctuations in food and other product costs and prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

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 presentations given to institutional investors and analysts are also available at this site.

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