



26 July 2012

Compass Group PLC
Interim Management Statement

This statement updates investors on the Group's performance in the period since 31 March 2012.

Group

Compass delivered another good performance in the third quarter of the year and our expectations for the full year remain positive and unchanged. North America and the Fast Growing & Emerging regions grew strongly, with several large new contracts commencing, whilst conditions in Europe were difficult. Including the contribution from acquisitions, constant currency revenue for the Group increased by 7.8% in the quarter compared to the same period last year, with organic revenue growth of 5.7% (5.3% for the nine months to 30 June 2012).

Our ongoing focus on driving efficiencies in food and labour costs delivered further benefits. These were partly reinvested in growth opportunities, in particular in the Fast Growing & Emerging markets, and they also helped us to manage the difficult economic conditions and negative like for like volume trends in parts of Europe. Overall, the operating profit margin in the third quarter was slightly above the same period last year. Free cash flow conversion was strong.

North America

The trading momentum in the first half of the year accelerated in the third quarter, with year on year organic revenue growth of 9.0%. This particularly strong growth was driven by both the ongoing roll out of the Ascension Health multi-services contract and an exceptional performance in our Sports & Leisure business, which benefited from the remaining catch up games following the NBA strike earlier in the year. Aside from these two sectors, we saw good performances across the rest of North America. Outsourcing trends remained positive and we have recently won a 10 year contract for food and support services with Texas A&M University, which is the largest Higher Education outsourcing contract ever awarded in the US.

The ongoing drive to generate efficiencies and leverage the overhead base resulted in an improvement in the operating profit margin. Including the impact of mobilising the Ascension contract, the reported operating profit margin in the third quarter increased by 10 basis points on the same period last year.

Europe & Japan

In the third quarter, organic revenue declined by 0.9%, as the impact of the tougher economic environment in Europe was partially offset by a stronger performance in Japan relative to last year.

Economic conditions in Europe, and particularly in southern Europe, were difficult. As a result, we saw increasingly negative like for like volume growth during the quarter. In the Nordics, we won good levels of new business and trends in like for like volume remained positive. In other countries, such as France and Spain, new business was healthy but like for like volume came under increasing pressure. We are working hard to identify ways to reduce the cost base further and we are encouraged by the opportunities we see to drive greater efficiencies across the region.

The year on year performance in Japan was relatively strong due to the weak comparative, as the third quarter of last year was the most severely affected by the earthquake and tsunami. Underlying trading in Japan continued to improve gradually.

Overall, the operating profit margin was in line with the third quarter of last year. Whilst negative like for like volume in Europe put pressure on the operating profit margin, this was mitigated by the weak prior year profit comparative in Japan.

Fast Growing & Emerging

Organic revenue growth remained high at 12.2% in the third quarter, and we saw good levels of new business and robust like for like revenue growth across the region. Strong growth in Australia continued to be driven by the energy and extraction sector and, in the third quarter, we benefited from the mobilisation of several new contracts in this industry. Our businesses in Brazil, Turkey, India and Latin America also delivered strong double digit organic growth as they won high levels of good quality new business.

As in the first half of the year, the efficiencies we generated have been reinvested in a wide range of growth opportunities and we have had some mobilisation costs associated with the start up of new contracts in Australia. The operating profit margin in the third quarter was therefore in line with the same period last year.

Financial Position

We have invested £189 million in acquisitions in the financial year to date. During the period, the Group continued with its £500 million share buyback programme. As at 25 July 2012, 40 million shares have been purchased for cancellation for £256 million, and the programme remains on track to complete within the calendar year.

Other than the above, there has been no significant change in the strong financial position of the Group in the period since 31 March 2012.

Summary and Outlook

The positive momentum in top line growth was maintained in the third quarter, driven by strong performances in North America and Fast Growing & Emerging, which account for two thirds of Group revenue. As we look out to the remainder of the year, we expect to see continued good performances in these regions and the pipeline looks encouraging. However, the challenging economic conditions in Europe will continue to put pressure on like for like volume and we are working hard to identify more efficiencies to manage this.

Overall, we believe Compass is very well placed to capitalise on the significant structural growth opportunities in both food and support services around the world. We have an excellent business in North America and we are expanding our presence in the Fast Growing & Emerging markets, which will remain a focus for future growth. We will drive further cost efficiencies and this underpins our expectation of delivering margin growth over the medium term.

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Note to Editors:

- (a) Compass Group PLC is a world leading food and support services company, which generated annual revenues of £15.8 billion in the year to 30 September 2011. It operates in around 50 countries, employs over 470,000 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).
- (d) Forward looking statements

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 and presentations can be found on Compass Group's website at www.compass-group.com.