



29 September 2014

Compass Group PLC **Trading Update**

This statement updates investors on the Group's progress in the current financial year, ahead of the announcement on 26 November 2014 of its results for the year to 30 September 2014.

Group

Compass has delivered another good performance in the fourth quarter of the financial year with further strong growth in its North America and Fast Growing & Emerging regions and a continued improvement in Europe & Japan. Organic revenue growth in the year has been driven by strong levels of new business wins, good retention rates and inflationary price increases. For the full year, organic revenue growth at constant currency is expected to be 4% and the operating profit margin is expected to increase by 10 basis points.

We have continued to drive efficiencies across the business using our management and performance framework, MAP. As well as enabling us to deliver further improvement in the operating profit margin, these efficiencies are helping us to manage the negative volumes in parts of Europe and are being reinvested in exciting growth opportunities around the world. Free cash flow conversion remains strong.

North America

The strong organic revenue growth seen in the first half has accelerated in the second half, with particularly high levels of new business wins and excellent retention rates. We have seen good growth in Healthcare & Seniors and Sports & Leisure and the sales pipeline across all sectors remains encouraging. Overall, for the full year, we expect organic revenue growth to be around 6.5%. We continue to generate good levels of efficiencies which we have partly invested to drive and support this higher than average growth, notably in the fourth quarter. We therefore expect to deliver a 5 basis points improvement in the operating margin for the full year.

Europe & Japan

Conditions in Europe & Japan continued to improve throughout the year. Increasing rates of net new business and a healthy sales pipeline reflect the investments we have made in our sales and retention teams. The contract exits related to the 2012 cost reduction programme have now been completed and volumes, although still negative overall, are declining at a slower rate than the same period last year. For the full year, we are encouraged by the expected decline of 1.5%, which is half the rate of the previous year. We expect the full year operating profit margin to increase by 20 basis points compared to last year.

Fast Growing & Emerging

We have delivered good organic revenue performance throughout the year in Fast Growing & Emerging despite a softening of volumes in some markets. We have accelerated revenue growth in the emerging markets with strong levels of new business in the second half driven by the ongoing structural shift to outsourcing. As outlined in our third quarter Interim

Management Statement in July, growth in the region has been moderated by the second half slowdown in the Australian offshore and remote sector and, as a result, organic revenue growth in the region overall is expected to be around 8.0% for the full year.

The operating profit margin has benefitted in the second half from the investments made at the end of last year, improving by around 50 basis points compared to the first half of this year. The full year margin is therefore expected to be flat compared to full year 2013.

Financial position

We have committed around £115 million to infill acquisitions in the financial year to date. In the third quarter, we also received US\$40million (approximately £23million) relating to the disposal of a small non-core support services business in North America.

The £500 million share buyback programme announced in November 2013 was resumed on 31 July 2014 following the completion of the £1 billion Return of Cash. As at 26 September 2014, 18.4 million shares have been purchased for cancellation for £174.5 million, and the programme remains on track to complete during 2015. The Company intends to continue the share buyback programme during its close period between 1 October 2014 and 25 November 2014. The repurchases made during the period will be managed by an independent third party.

Other than the above, there has been no significant change in the strong financial position of the Group in the period since our Interim Management Statement on 30 July 2014.

Currency

Trading results from our overseas operations are converted at the average exchange rates for the year. Over the 2014 financial year, sterling has strengthened significantly against many of the Group's key currencies (including the US, Canadian and Australian dollars, the euro, yen, and Brazilian real). At the current spot rates, we would expect a negative currency impact of 6.7% or £1,176 million on the 2013 full year revenue and a 7.0% or £89 million impact on the 2013 full year underlying operating profit. The impact of currency movements on revenue and profit is translation only.

Summary and Outlook

Compass has had a good year, delivering solid organic revenue growth and further margin progression. Our expectations for the full year therefore remain positive and unchanged, notwithstanding the translation impact of ongoing movements in foreign currencies. For the full year, we expect North America and Fast Growing & Emerging to deliver healthy levels of organic growth and we are encouraged by the improvement seen through the year in Europe & Japan.

Looking to the longer term, we remain excited about the significant structural growth opportunities in our markets globally and the potential for further revenue and margin growth.

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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 £17.6 billion in the year to 30 September 2013. It operates in around 50 countries, employs over 500,000 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, Healthcare & Seniors, Education, Defence, Offshore & Remote, 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 Conduct 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.

- e) 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.