

press release

18 May 2011

Compass moves in the right direction for lower risk investors

- Compass reports a sharp rise in pre-tax profits and revenues
- Investors receive an increased interim dividend
- The catering giant spends £300m on mergers and acquisitions so far this year

As Compass Group's results beat expectations Nick Raynor, investment adviser at The Share Centre, explains what this means for investors.

"The world's largest catering contractor reported a rise in figures for the past six months after implementing efficiency measures to boost margins. Pre-tax profits increased from £462m last year to £531m and revenues climbed from £7.9bn from £7.1bn. Also investors will be pleased with the interim dividend of 6.5p, a 1.5p increase from 2010.

"The company has spent £300m on acquisitions so far this year and although these haven't been significantly large, we expect there will be more to come. It is encouraging to see sensible deals taking place rather than the company overstretching. Compass announced today that it will acquire the remaining 50% of its business in Turkey.

"As we see good signs of improvement in Latin America emerging markets are still important for Compass and offer considerable development opportunities. The company's expansion overseas continues to offer lower risk investors international exposure.

"Some analysts expected a potential change in forecasted figures after the events in Japan, however the company's strong performance meant it was able to absorb the expected impact on profit and the disaster did not have a detrimental affect overall. We continue to recommend Compass as a 'buy' for investors as the company is certainly moving in the right direction."

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For further information please contact:

The Share Centre

Rebecca Kempzell

PR Executive

01296 439 426

Rebecca.kempzell@share.co.uk

Stephanie Reynolds

PR Manager

01296 439 256

Stephanie.reynolds@share.co.uk

Lansons Communications

Inez de Koning / Lucy Willatt / Lisa Grando

0207 294 3623 / 020 7566 9717 / 0207 294 3669

Inezd@lansons.com / lucyw@lansons.com / Lisag@lansons.com

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The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPP's are also available.

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