

**BERENDSEN**

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# Berendsen

## **Interim Results**

For the six months to 30th June 2011

# Highlights

## Financial

- Revenue up 2% to £495.9 million
- Adjusted operating profit\* up 12% to £61.6 million
- Margin on Textile Maintenance businesses up 100bps
- Adjusted EPS\* up 18% to 20.8p
- Free cash flow of £37.6 million (£37.9 million): 107% conversion of profit
- Dividend per share up 14%

## Operational

- Good progress in implementation of Strategic Review
- Successful refinancing of Revolving Credit Facilities

\* Before exceptional charges of £5.9 million (£0.9 million) and amortisation of customer contracts of £12.1 million (£11.3 million)

## Income Statement (adjusted)

£ million	Six months to 30th June 2011	Six months to 30th June 2010	Growth %
Revenue	495.9	488.5	+2
Operating profit*	61.6	54.8	+12
Net interest expense	(13.2)	(13.8)	
Profit before taxation*	48.4	41.0	+18
Taxation	(12.9)	(10.9)	
Tax rate	26.5%	26.6%	
Non-controlling interest	(0.3)	(0.3)	
Adjusted profit for the period	35.2	29.8	+18
Average number of shares (million)	168.8	169.1	
Adjusted earnings per share (pence)*	20.8p	17.7p	+18

- 26.5% tax rate similar to last year and expected for full year 2011
- Exceptional items in our statutory presentation (see Appendix 1) as discussed in February: final restructuring in German Healthcare (£2.9m) and strategy implementation costs (£3.0m)

\* Before exceptional items and amortisation of customer contracts

## Revenue and Adjusted Operating Profit Bridge

£ million	Revenue	Adjusted operating profit*
Interim 2010	488.5	54.8
Currency	7.0	1.0
(Disposals)/acquisitions	(11.0)	1.0
Provision for losses on decontamination contracts	–	2.5
Underlying growth	11.4	2.3
<b>Interim 2011</b>	<b>495.9</b>	<b>61.6</b>

- (Disposals)/acquisitions relate to the disposal of the Björnkläder (direct sales) business in Sweden in December 2010 and purchase of the Scandinavian washroom business of ISS also in December 2010
- Provision for estimated future losses on decontamination contracts was made in December 2010
- Underlying revenue growth of 2% and adjusted operating profit of 4%

\*Before exceptional items and amortisation of customer contracts

## Revenue and Adjusted Operating Profit

£ million	Six months to 30th June 2011		Six months to 30th June 2010	
	Revenue	Operating profit*	Revenue	Operating profit*
Textile maintenance				
– Nordic	172.4	29.6	171.9	25.3
– Continent	120.0	16.2	121.0	15.4
UK & Ireland				
– Textile maintenance	167.6	18.1	162.3	18.1
– Clinical Solutions and Decontamination	35.9	1.9	33.3	(0.7)
Central overheads	–	(4.2)	–	(3.3)
	<b>495.9</b>	<b>61.6</b>	<b>488.5</b>	<b>54.8</b>

- Nordic underlying revenue and profit growth of 4% and 6% adjusting for acquisition/disposal\*\*. Margin up 250bps to 17.2%
- 80bps adjusted operating margin improvement in region Continent. Workwear and facility revenue 3% ahead of 2010
- Revenue 3% higher in UK and Ireland textile maintenance
- Clinical Solutions and Decontamination reflects utilisation of provision for future losses on our decontamination contracts

\* Before exceptional items and amortisation of customer contracts

\*\* Acquisition of ISS washroom business in Scandinavia and disposal of Björnkläder both in December 2010

## Free Cash Flow

£ million	Six months to 30th June 2011	Six months to 30th June 2010
Cash flow generated from operations*	141.4	139.4
Net interest paid	(12.9)	(13.5)
Tax paid	(11.5)	(14.9)
Net capital expenditure	(79.4)	(73.1)
<b>Free cash flow</b>	<b>37.6</b>	<b>37.9</b>

- 107% conversion of adjusted profit after tax
- Strategic objective of > 100% conversion remains in place
- Progress on capital efficiency project

\* Adjusted to add back £1.0 million German restructuring cash cost

## Net Capital Expenditure

£ million	Six months to 30th June 2011		Six months to 30th June 2010	
	Capex	Depreciation	Capex	Depreciation
Tangible assets				
– Textiles plant and equipment	15.9	23.1	20.2	21.2
– Textiles	64.2	59.2	53.2	58.7
– Clinical Solutions and Decontamination	0.4	0.9	0.4	0.9
Intangible assets (primarily software)	1.0	2.8	2.2	2.4
Asset disposals	(2.1)	–	(2.9)	–
	<b>79.4</b>	<b>86.0</b>	<b>73.1</b>	<b>83.2</b>

- Well invested plant base
- Capacity expansion in Norway, workwear and facility, completed
- Increase in textile investments driven by growth of our contract base
- Inflation in textile prices eased from its peak but higher than norms: effects mitigated by improved sourcing strategies

## Cash Flow and Debt

£ million	Six months to 30th June 2011	Six months to 30th June 2010
Free cash flow	37.6	37.9
Acquisitions*	(6.9)	(38.9)
Restructuring cost	(1.0)	–
Additional pension contribution	(2.5)	(4.0)
Purchase of own shares for Employee Benefit Trust	–	(2.5)
Dividend	(24.8)	(22.9)
Other	(0.5)	(1.7)
Movement in net debt	1.9	(23.1)
Translation difference	6.1	11.6
Net debt at 1st January	(540.2)	(484.9)
Net debt at 30th June	(532.2)	(528.6)

- Net pension liability of £8.8 million (£3.6 million at December 2010)
- New 5 year revolving credit facility for Euro 535 million signed 15 July 2011 replacing existing facilities
- US Private Placement notes totalling £343 million due 2014-2021 remain in place

\* Includes net debt assumed in relation to acquisitions

# Segment Revenue Analysis

Workwear



Healthcare



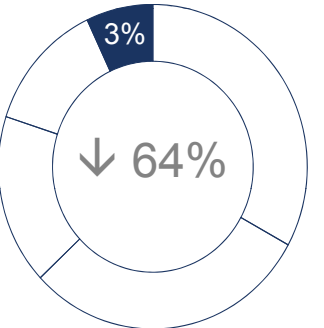
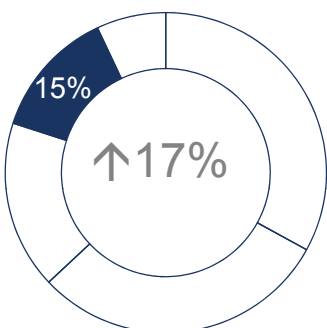
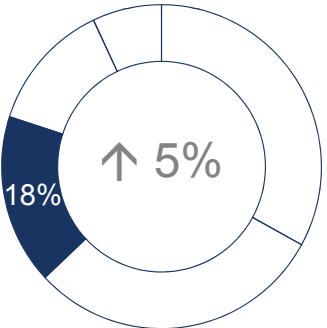
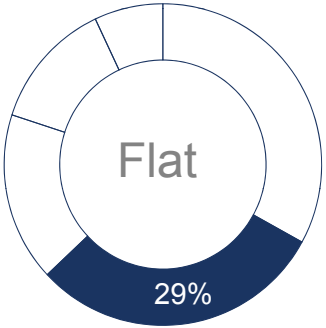
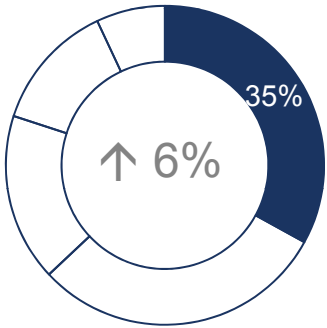
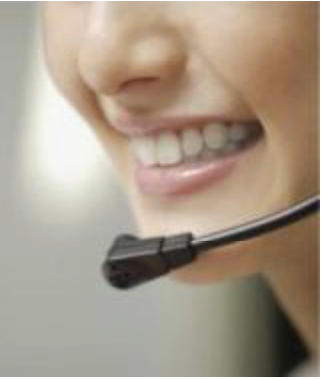
Hotels and restaurants



Facilities



Sales and production



↑↓ Change in revenue (up or down) compared to 6 months to 30 June 2010. At constant currency.

## Financial Summary

- Good first half with underlying improvement in trading
- Improvement in operating margins
- Strong free cash flow
- Robust balance sheet and Revolving Credit Facilities refinanced
- 14% increase in interim dividend

## Divisional Performance – Nordic Region

£ million	Six months to 30th June 2011	Six months to 30th June 2010	Growth %	
			Actual rates	Constant rates**
Revenue	172.4	171.9	–	4%
Operating profits*	29.6	25.3	17%	6%
Operating margin	17.2%	14.7%	250bps	30bps

- Sweden grew strongly, improving margins
- Good performance from our Danish team: double-digit increase in adjusted operating profit
- Norway growing revenue: integration of acquired contracts continuing
- Baltic growing revenue double-digit: back to break-even
- Overall, improved revenue growth and a significant operating margin improvement delivered through focus on core growth businesses

\* Before exceptional items and amortisation of customer contracts

\*\* Adjusted for disposal of Björnkälder business and ISS acquisition

## Divisional Performance – Continent Region

£ million	Six months to 30th June 2011	Six months to 30th June 2010	Growth %	
			Actual rates	Constant rates
Revenue	120.0	121.0	(1)%	–
Operating profits*	16.2	15.4	5%	5%
Operating margin	13.5%	12.7%	80bps	80bps

- Holland, Poland and Czech Republic delivered encouraging results
- Targeting improved performance in German Workwear; management changes
- German Healthcare realising the benefits of restructuring
- Overall, a good performance, improving operating margin with revenue growth in workwear and facility

\* Before exceptional items and amortisation of customer contracts

## Divisional Performance – UK and Ireland Textile Maintenance

£ million	Six months to 30th June 2011	Six months to 30th June 2010	Growth rates %
Revenue	167.6	162.3	3%
Operating profits*	18.1	18.1	–
Operating margin	10.8%	11.2%	(40)bps

- Hotel linen volumes modestly higher
- Healthcare: good operational performance
- Workwear stable
- Ireland challenging but benefiting from restructuring
- Overall, benefiting from the operational improvements we made last year

\* Before exceptional items and amortisation of customer contracts

## Divisional Performance – Clinical Solutions and Decontamination

£ million	Six months to 30th June 2011	Six months to 30th June 2010
Revenue – Clinical Solutions	30.3	28.8
Revenue – Decontamination	5.6	4.5
	35.9	33.3
Operating profit* – Clinical Solutions	1.9	1.9
Operating loss* – Decontamination**	–	(2.6)
	1.9	(0.7)

- Revenue growth of 4% in Clinical Solutions
- Progress on resolving issues in decontamination contracts

\* Before exceptional items and amortisation of customer contracts

\*\* £2.5m of provision for estimated future losses on decontamination contracts utilised in first half of 2011

# Strategic Review – Update

## Strategic Review – Key actions proposed

### Group

- Re-name Davis – Berendsen
- More active management of the portfolio
- Move to Business Line structure
- Group-wide capital efficiency review
- Focus on sales effectiveness
- Development of expansion/consolidation strategies

### Operating Divisions

- Accelerate top line growth in core business lines
- Leverage operational efficiency and widen application of best practice
- Improve cash deliveries
- Support from shared services

# Strategic Review – Implementation

## Recent Group Developments

- Business line structure and management realignment
  - Key appointments to business line management teams now concluded
  - UK workwear managed by Peter Havéus from 1 July
  - Top management conference in May 2011
  - Group Director, Human Resources, appointed to Executive Board
  - Programmes to develop management pool agreed
- Group-wide capital efficiency review
  - Diagnostic and action planning phases completed
  - Commenced implementation of detailed actions to deliver benefits
  - Initial results encouraging

# Strategic Review – Implementation

## Recent Divisional Developments

- Accelerate top line growth in core Business Lines
  - Sales directors appointed to each of the core business lines
  - Top sales managers attended management conference
  - Closer cooperation leading to contract wins
- Leverage operational efficiency
  - Review of procurement strategies and processes initiated
- Widen application of best practice
  - Contract and commercial terms management programme agreed across business lines

## Outlook

Implementation of the Strategic Review we announced last November has developed well and our medium and longer term ambitions for the Group remain clear as the benefits of the various initiatives materialise. The Board expects first half trends to continue for the balance of 2011 resulting in good year on year progress.

**BERENDSEN**

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# Statutory Income Statement

## Appendix 1

£ million	Six months to 30th June 2011	Six months to 30th June 2010
Revenue	495.9	488.5
Operating profit	61.6	54.8
Exceptional items	(5.9)	(0.5)
Amortisation of customer contracts	(12.1)	(11.3)
Operating profit	43.6	42.6
Net interest expense	(13.2)	(13.8)
Taxation	(8.3)	(7.4)
Profit for the period	22.1	21.4
Non-controlling interest	(0.3)	(0.3)
Profit for the period	21.8	21.1
Earnings per share (pence)	12.9p	12.5p