

## Textiles and Washroom Services

### Market conditions

Difficult trading conditions were experienced throughout 2009 in the textiles and washrooms market in Europe. These macro economic issues have been reflected in lower volumes and continuing price pressure. Some first signs of recovery began to emerge in late Q4 2009, with a slow improvement expected through 2010.

£m	Fourth quarter 2009	2008	Change	Full year 2009	2008	Change
<b>At 2008 constant exchange rates:</b>						
Revenue	<b>195.2</b>	191.3	2.0%	<b>772.1</b>	753.6	2.5%
APBITA*	<b>34.3</b>	32.4	5.9%	<b>115.1</b>	123.3	(6.7%)
<b>At actual exchange rates:</b>						
APBITA*	<b>38.5</b>	34.0	13.2%	<b>128.4</b>	123.3	4.1%

\*Adjusted profit before interest, one-off items and amortisation and impairment of intangible assets, other than computer software.

Revenue increased by 2.5% primarily due to a robust performance from France (up 4.9%), modest growth in Germany (up 2.4%) and the benefit of the Raywerk acquisition in Austria at the end of 2008. Excluding Raywerk underlying growth was 1%. Performance was impacted by market declines and competitive pressure in the Benelux, where revenue was marginally below the prior year, and reflected strong price competition coupled with poor retention rates. Reduced demand and changes in the pricing structure in the UK manufacturing business also had an adverse impact on revenue. Divisional portfolio growth of 2% was encouraging given on-going market challenges.

Adjusted operating profit decreased by 6.7% on the prior year (up 5.9% in Q4) reflecting unusual items associated with reorganisation costs and post-acquisition integration costs for Raywerk. Excluding these and the contribution from Raywerk, underlying profit fell by 2.0%. Profits in France and Germany were ahead, driven by the above-mentioned revenue growth, but this was offset by reduced profits in the Benelux due to severe pricing competition and the inability to cover various cost increases such as wage inflation. Margins were under pressure during the year due to increases in depreciation costs due to new garment rental contracts and cost increases on longer-term energy contracts not fully covered by price increases.

Operating cash flow increased by 63% reflecting the division's drive on DSO, lower capital expenditure and tighter stock management.

A review of the division's processing footprint and its procurement strategy identified cost savings of around €30 million (of which €20 million is anticipated to come from procurement).

In Belgium two textiles and one hospitals services plant are due to be closed by the end of Q1 2010 with annualised cost savings of £3.7 million from 2011. In France the closures of one textiles plant, one hospitals services plant and flat linen operations have been agreed with annualised cost savings of £4.4 million in 2011. Union negotiations in both countries have proceeded in line with plan and associated capital expenditure and change programmes are largely on track.

Operating units in Italy, the Nordics and the UK manufacturing operations have been consolidated under single management teams. The Swiss Textiles and Washrooms unit is now managed as an integral part of our German operations. Further management structures and cost cutting initiatives have been approved in the French Hygiene operations, Spain and the Divisional Team.

One-off investments in these restructuring plans represent a £26.3 million charge in 2009, £6 million cash outflow in 2009, £26.4 million in 2010, to realise £12.4 million cost savings in 2011.

A divisional Executive Supply Chain organisation was created during the year to enable initiatives to be leveraged across the broader procurement, warehousing and distribution arena. However, the procurement and innovation agendas remain at an early stage of development.

The leadership of the division was significantly strengthened during the year with a number of key appointments including a new Managing Director and Finance Director.

### 2010 preview

A number of initiatives have been put in place to improve the competitiveness of the Textiles and Washrooms division during this period. Significant restructuring programmes are underway in Belgium and France, which should start to yield benefits in 2010. Extensive cost-savings programmes will also be on-going through the year across all businesses.