JOHNSON SERVICE GROUP PLC

Interim Results for the 6 months ended 30 June 2012

John Talbot, Executive Chairman

Yvonne Monaghan, Finance Director

Highlights

- Good progress and solid trading performance bolstered by strategic acquisitions
  - Textile Rental trading well, with integration of Cannon ahead of schedule
  - Facilities Management trading in line with expectations and Nickleby integration largely complete
  - Restructuring of Drycleaning division proceeding to plan
- Adjusted PBT[1] of £6.0 million (H1 2011: £6.5 million)
- Adjusted fully diluted EPS[1] increased to 1.9 pence (H1 2011: 1.8 pence)
- Net debt of £57.5 million (December 2011: £49.7m):
  - £8.6m cash outflow relating to acquisitions and associated costs
  - both divisions cash generative
  - no corporation tax expected to be paid until H2 2013
- 9.1% increase in interim dividend to 0.36 pence (H1 2011: 0.33 pence) reflects Board's progressive dividend policy and confidence in the business going forward

Notes:
1 Before intangibles amortisation and impairment (excluding software amortisation) and exceptional items

Financial Results

JOHNSON SERVICE GROUP PLC

Income Statement

Continuing operations	**2012**	**2011**	**Change**
Revenue[1]	£120.7m	£113.6m	6.3%
Adjusted operating profit[2]	£7.7m	£8.4m	(8.3%)
Adjusted operating margin[2]	6.4%	7.4%	
Exceptional items	£(3.7)m	-	
Adjusted PBT[2]	£6.0m	£6.5m	(7.7%)
Adjusted EPS[2]	1.9p	1.8p	
Fully diluted number of shares[3]	272.1m	270.8m	
Dividend per share	0.36p	0.33p	9.1%

Notes:

1 Excluding costs recharged to customers

2 Before intangibles amortisation and impairment (excluding software amortisation) and exceptional items

3 Basic number of shares of 253,614,135 plus potential dilutive Ordinary Shares re. warrants and share options

Cash Flow at 30 June 2012

£m		2012	2011
Adjusted operating profit		7.7	8.4
Depreciation and software amortisation (excl. exceptionals)		11.7	9.9
Working capital (excl. exceptionals)		(0.4)	(1.3)
Capital expenditure	– Fixed assets	(3.6)	(2.0)
	– Rental stocks (net)	(8.6)	(6.5)
	– Fixed asset proceeds	-	0.3
Interest and tax		(3.0)	4.1
2012 exceptional items (cash effect)		(1.4)	-
Dividends		(1.7)	(1.4)
Additional pension contributions		(1.0)	(0.5)
Other		(0.6)	(2.4)
Net cash inflow		(0.9)	8.6
Equity issue (net)		0.3	0.1
Acquisitions less disposals		(7.2)	(0.2)
Net debt movement		(7.8)	8.5
Net debt		57.5	51.0

Divisional Performance

JOHNSON SERVICE GROUP PLC

Textile Services

Revenue[1] (£m)	2012	2011	Change
Textile Rental	64.0	58.0	10.3%
Drycleaning	37.0	37.9	(2.4%)
Total	**101.0**	**95.9**	**5.3%**

Adjusted operating profit[2] (£m)	2012	2011
Textile Rental	7.7	7.7
Drycleaning	(0.2)	0.6
Total	**7.5**	**8.3**
Margin	7.4%	8.7%

Notes:
1 Excluding costs recharged to customers
2 Before intangibles amortisation and impairment (excluding software amortisation) and exceptional items

Divisional Performance

JOHNSON SERVICE GROUP PLC

Textile Rental

Revenue[1] (£m)	2012	2011	Change
Existing Business	60.4	58.0	4.1%
Cannon	3.6	-	
Total	**64.0**	**58.0**	**10.3%**
Adjusted operating profit[2] (£m)			
Existing Business	7.6	7.2	5.6%
Cannon	(0.4)	-	
Allocated income	0.5	0.5	- %
Total	**7.7**	**7.7**	**- %**
Margin	12.0%	13.3%	

Notes:
1 Excluding costs recharged to customers
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Divisional Performance – Textile Services

Textile Rental

Johnsons Apparelmaster

- Improved new business sales and reduced number of customer terminations
- Transfer of work to existing laundries on track
- Four Cannon plants to be closed by the end of September 2012

Stalbridge Linen Services

- Corporate hospitality market remains challenging
- Improved revenue and adjusted operating profit

Textile Rental business

- Organic revenue growth of 4.1%
- Improved margin from existing business
- Increased garment purchases due to new business sales, customer renewals and enlarged business
- Laundries are well invested
- Cannon business expected to be profitable in H2 2012

Divisional Performance – Textile Services

Drycleaning

Retail

£m	2012	2011
Revenue[1]	33.1	33.7
Adjusted operating (loss) / profit[2]	(0.1)	0.5
Margin	(0.3%)	1.5%

- Total like for like sales decrease of 0.4% (2011 H1: decrease of 0.7%; 2011 FY: decrease of 0.3%)
- Branches now closed had like for like sales decrease of 3.1%[3], whilst core estate was up 0.2%[3]
- Number of branches reduced to 359 (Dec 2011: 463; June 2011: 475) as at today
- 103 branches closed following strategic review
- Sufficient GreenEarth® machines available within the Group to convert all remaining branches

Alex Reid

- Loss[2] of £0.1m (2011: Profit of £0.1m) on revenue[1] of £3.9m (2011: £4.2m)

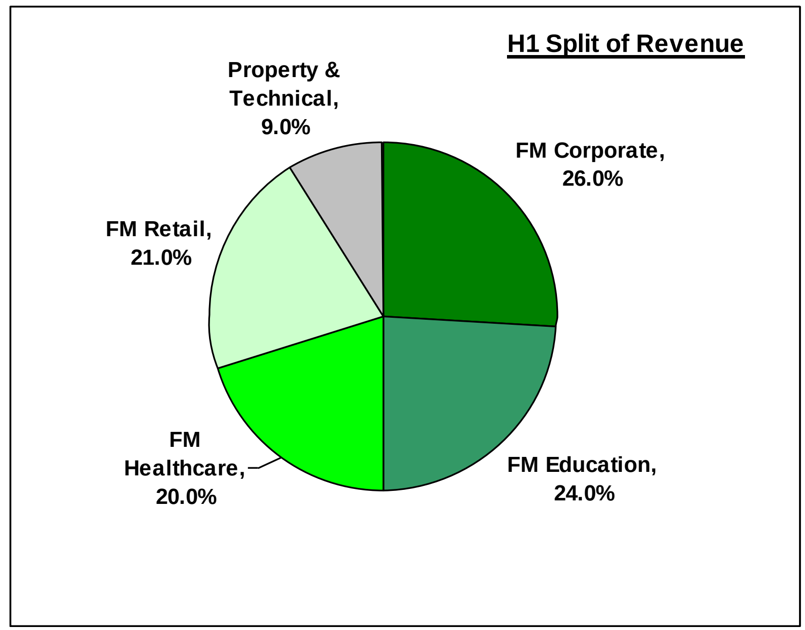
Notes:
1 Excluding costs recharged to customers
2 Before intangibles amortisation and impairment (excluding software amortisation) and exceptional items
3 July 2012 YTD performance

Divisional Performance - FM

Facilities Management

£m	2012	2011	Change
Revenue[1]	19.7	17.7	11.3%
Adjusted operating profit[2]	2.0	2.0	-%
Margin	10.2%	11.3%	

- Significant increase in revenue including £1.6 million from the Nickleby acquisition
- Integration of Nickleby on track and largely complete
- Almost 60% of revenue derived from long term contracts
- Project work remains at low levels



Notes:
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2 Before intangibles amortisation and impairment (excluding software amortisation) and exceptional items

Group Costs

£m	2012	2011
Administration costs	1.4	1.4
Management incentive costs	0.4	0.4
Carbon Reduction Commitment (CRC)	-	0.1
Total	1.8	1.9

- Underlying cost base held at 2011 levels

Exceptional Items – H1 2012

Continuing, £m	2012	2011
Acquisition related costs (fees)	0.7	-
Restructuring costs	2.7	-
Pension costs	0.3	-
Total	3.7	-

- Acquisition costs in respect of Cannon and Nickleby
- Full year restructuring cost estimated at £3.3m relating to the acquisitions and £23.9m relating to Drycleaning
- 2012 Pension charge largely relating to costs and expenses of an enhanced pension transfer exercise offered to certain categories of DB members

Exceptional Items – Drycleaning Restructuring

- Estimated £23.9m to be recognised in 2012 H2
- Estimated £3.7m is non-cash and only £3.4m represents an incremental cash requirement, which will be funded from existing facilities
- Restructuring not expected to increase debt levels significantly or to impact progressive dividend policy
- Closed 103 underperforming branches
- Increased flexibility on future lease renewals
- Expected cost synergies from combined ‘Textile Services’ division through streamlined head office function
- Facilitates aggressive overhead reduction & synergy benefits on branding and marketing
- Remaining portfolio more resilient to market and consumer demands

Bank Facilities

Facility is currently £78.5m (December 2011: £71.95m) and expires May 2015

- Term loan: £53.5m at LIBOR + margin, reducing by £1.5m in December 2012 and June 2013 and by £3.0m per half year from December 2013
- RCF: £25.0m at LIBOR + margin, reducing by £2.5m in December 2013.
- Margin ranges from 2.5% to 3.0%, 2.5% for most of H1 2012. Future adjustment depending on gearing.
- Hedging swaps LIBOR for an average fixed rate of 3.0% in 2012 and 1.8% in 2013 to 2015 on £40.0m of debt
- Continue to have significant headroom under existing facilities

Interest cost reduced to £1.7m (2011: £1.9m)

£m	**2012**	**2011**
Bank / lease interest and fees	1.7	2.3
Notional pension interest credit	-	(0.4)
Total	1.7	1.9

- Effect of lower margin on lower average borrowings
- 2012 H1 interest cover 4.5 times (2011 H1: 4.4 times, 2011 FY: 5.3 times)
- Change in pension accounting for 2013 – would have been a charge of £0.5m in H1 2012 on new basis

Pensions and Tax

Pensions

- Net IAS 19 Pension liability of £12.9m (Dec 2011: £14.1m)
  - higher than assumed return on assets
  - lower discount rate assumption increasing liabilities
  - additional pension contributions, or equivalent, of £2.0m from continuing Group in 2012, and 2013
  - partial transfer values paid to reduce the size of the schemes
  - further actions underway to continue de-risking

Tax

- Underlying tax rate[1] of 25.9% (2011: 25.6%) compared to substantively enacted rate of 24% (2011: 26%)
  - In addition prior year tax credits of £0.7m (2011: £0.1m)
- De-grouping tax repayment of £5.0m received in February 2011 now agreed with £0.5m repaid to HMRC in July 2012. £3.0m credit to income statement in H1 2012 and £1.5m credit in H2 2011 both within discontinued operations.
- No quarterly payments expected in relation to 2012 earnings

Notes:
1 Before intangibles amortisation and impairment (excluding software amortisation) and exceptional items and prior year charges/credits

The Group Moving Forward

Textile Services

- Textile Rental
  - Completion of Cannon closures by the end of September ahead of plan
  - Efforts continue to drive margin improvement from transferred work
  - Revenue growth remains a focus
- Drycleaning
  - Closure of 103 branches completed
  - Focus on driving revenue growth in remaining branches, which are now the basis for a resilient and profitable Drycleaning business
  - Relocation of Head Office provides the opportunity for significant cost savings going forward

Facilities Management

- Further opportunities from Nickleby acquisition
- FM service proposition and systems expertise significantly enhanced
- Encouraging new business pipeline
- Project work remains challenging

Conclusion

- Strong performance from Textile Rental
- Full benefit of acquisitions yet to be realised
- Bank facilities in place to May 2015
- Targeted investment in the businesses to continue
- Continuing progressive dividend policy reflects Board's confidence in the prospects of the Group going forward

Appendix 1 - Segmental Results

	2012		2011	
	Revenue[1] £m	Operating Profit[2] £m	Revenue[1] £m	Operating Profit[2] £m
Textile Rental				
- Existing Business	60.4	7.6	58.0	7.2
- Cannon	3.6	(0.4)	-	-
- Allocated Income	-	0.5	-	0.5
	64.0	**7.7**	**58.0**	**7.7**
Drycleaning				
- Retail Drycleaning	33.1	(0.1)	33.7	0.5
- Alex Reid	3.9	(0.1)	4.2	0.1
	37.0	**(0.2)**	**37.9**	**0.6**
Facilities Management				
- SGP	19.7	2.0	17.7	2.0
	19.7	**2.0**	**17.7**	**2.0**
Unallocated Costs				
- Head Office Overheads	-	(1.8)	-	(1.9)
	-	**(1.8)**	**-**	**(1.9)**
TOTAL	**120.7**	**7.7**	**113.6**	**8.4**

Notes:
1 Excluding costs recharged to customers
2 Before intangibles amortisation and impairment (excluding software amortisation) and exceptional items