



INTERIM REPORT FOR THE PERIOD 1 JANUARY – 30 JUNE 2018

August 16, 2018

Company announcement

Copenhagen, 16 August 2018

No. 07/2018

Solid organic growth and continued impact from contract phasing in H1 2018

ISS (ISS.CO, ISS DC, ISSDY), a leading global provider of facility services, announces its interim financial report for the first six months of 2018:

Highlights

- Organic revenue growth of 3.2% in H1 and Q2 (Q1 2018: 3.1%), supported by contract launches and expansion of Global Key Account contracts as well as continued demand for non-portfolio services.
- Total revenue decreased by 1.0% in H1 and 1.6% in Q2 (Q1 2018: 0.4%). The decrease in H1 was driven by negative currency effects of 5.0% partly offset by organic growth and a positive net impact from acquisitions and divestments of 0.8%.
- Operating margin of 4.4% in H1 (H1 2017: 5.0%) and 4.8% in Q2 (Q2 2017: 5.4%) reflecting mainly the impact of contracts phasing in and out, which peaked in H1. The net impact of acquisitions and divestments as well as currency translation effects was negative by 6 bps for H1 and 5 bps for Q2.
- Operating profit before other items amounted to DKK 1,712 million in H1 (H1 2017: DKK 1,954 million), including negative currency translation effects of DKK 107 million, and DKK 949 million in Q2 (Q2 2017: DKK 1,079 million).
- Net profit (adjusted) decreased to DKK 703 million in H1 (H1 2017: DKK 1,056 million), mainly due to lower operating profit before other items, higher financial income and expenses, net, and higher other income and expenses, net.
- Net profit was a loss of DKK 130 million in H1 (H1 2017: positive DKK 839 million) mainly as a consequence of goodwill impairment due to remeasurement of businesses classified as held for sale in the Netherlands, Argentina and Uruguay as well as France.
- Cash conversion over the last twelve months of 97% (Q1 2018: 102%).
- Free cash flow was an outflow of DKK 1,401 million for H1 (H1 2017: an outflow of DKK 865 million), mainly driven by lower cash flow from operating activities.
- Net debt decreased to DKK 14,258 million at 30 June 2018 (30 June 2017: DKK 14,717 million). Leverage at 30 June 2018 was 2.9x (30 June 2017: 2.8x), impacted by lower operating profit before other items mainly driven by negative currency translation effects. Our capital allocation and leverage objectives remain unchanged.
- Revenue from Key Account customers corresponded to 53% of Group revenue in H1 (Q1 2018: 52%).
- Revenue from Global Key Accounts increased by 1% in constant currency in H1 and represents 12% of Group revenue (Q1 2018: 13%).
- Revenue generated from IFS increased by 9% in constant currency in H1 leading to a total share of 39% of Group revenue (Q1 2018: 38%).
- Sharpening our focus on Key Account customers led to non-core activities in the Netherlands being classified as held for sale at 30 June 2018. In France, we continued the implementation of GREAT and on 30 July 2018, we announced that we entered into exclusive discussions with a view to divest the non-core route-based Hygiene and Prevention business. Further, the transition and mobilisation of the Deutsche Telekom contract remains on track.
- The Group is committed to maintain a nominal ordinary dividend paid in 2019 at least equal to 2018.
- The 2018 outlook for organic revenue growth, operating margin and cash conversion remains unchanged.

Jeff Gravenhorst, Group CEO, ISS A/S, said:

"ISS's steady performance continued, delivering solid organic growth, driven by contract start-ups and expansions of Integrated Facility Service contracts with both local and international Key Account customers – among others LEGO Group and ABB. As expected, our margin remained impacted by short term headwinds, including contract phasing. We also continued to refine our business platform through commercial focus and divestments in line with our strategy to focus on key accounts. Based on our performance in H1 and our expectations for the rest of the year, we maintain our full-year outlook for organic growth, operating margin and cash conversion."

Lord Allen of Kensington Kt CBE

Chairman

Jeff Gravenhorst

Group CEO

Conference call details

A conference call will be held on 16 August 2018 at 10:00 CEST.

Presentation material will be available online prior to the conference call.

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About ISS

The ISS Group was founded in Copenhagen in 1901 and has grown to become one of the world's leading Facility Services companies. ISS offers a wide range of services such as: Cleaning, Catering, Security, property and Support Services as well as Facility Management. Global revenue amounted to DKK 79.9 billion in 2017 and ISS has more than 488,000 employees and activities in more than 70 countries across Europe, Asia, North America, Latin America and Pacific, serving thousands of both public and private sector customers. For more information on the ISS Group, visit www.issworld.com.

ISS A/S, ISIN DK0060542181

ISS A/S, ISIN US4651472056

ISS Global A/S, ISIN XS1145526585

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ISS Global A/S, ISIN XS1145526825

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Attachments

- [ISS Announcement - Interim Report Q2 2018, 16082018](#)
- [ISS AS - Interim Report Q2 2018, 160818](#)