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Corporate Participants

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ISS - Head of Investor Relations

Jeff Gravenhorst

ISS - Group CEO

Jakob Stausholm

ISS - Group CFO

***Barbara* Plucnar Jensen**

ISS - Group Treasurer

Presentation

Operator

Ladies and gentlemen, welcome to the ISS conference all. At this time all participants are in a listen only mode; later we will conduct a question and answer session. Please note that this conference is being recorded. I will now hand over to Head of Investor Relations, *Søren* Møller, please go ahead.

***Søren* Møller**

Thank you. Ladies and gentlemen, welcome to the ISS investor call and presentation of the second quarter and half year results, which we released earlier today. Please be aware that our announcement as well as the slides that will accompany the speakers' comments can be downloaded from our website, where this webcast also will be made available after this call.

With me on the call today are Group CEO Jeff Gravenhorst, Group CFO Jakob Stausholm and Group Treasurer *Barbara* Plucnar Jensen. Now first I'd like to draw your attention to slide number two regarding forward looking statements. Then on slide three I'd like quickly to go through the agenda for today. In a moment I'll hand over the presentation to Jeff Gravenhorst who will give the business update and go through key events. After that Jeff will give a short strategy update, then Jakob Stausholm will take us through the financials and outlook and finally Barbara Plucnar Jensen will give an update on our capital structure. After the presentation we'll open up for the Q&S session. But first let me hand over the presentation to Group CEO Jeff Gravenhorst.

Jeff Gravenhorst

Thank you Søren and welcome everybody to our interim results for the first half year of 2011. I will start out today with just drawing the attention to that back in March we were going for the listing of the company and we chose not to go through with it, and thereby postpone the IPO. The reason why this is important is, of course, that in relation to what we did at the time of the IPO. Of course, the company today is a slightly different company; the most important part of being different is, of course, the capital structure.

This capital structure that we have today has actually also led to that some of the priorities we've gone through, throughout the last few months, have of course been related to that. We will come back to the refinancing of our capital structure with Barbara at a later stage but I just want to make absolutely sure that that is probably the only thing which is really different. The core strategy of the company, the way that we go around our business, is really to make sure that we create value from an operating perspective. This is exactly the same strategy and exactly the same ISS way as it was at the time of the IPO.

So overall our strategy is, of course, a growth strategy, is to make sure we become the preferred supplier of facility services throughout the world. We have achieved, in the first six months, a very good organic growth; it is 6% organic growth for the first six months, the last quarter actually a little bit above that. We have good growth in our operating profit and basically the overall organic growth comes not only from the emerging markets but also a very good development in our mature markets in Europe and in the US. And actually these are very good results also compared to the developments in the marketplace and some of our competitors.

But let me just draw you to the attention of the key features of ISS that makes this possible. So if I can ask you to go to page number five; these key features, of course, the exact same features as it was last time. The key thing for us is that we have built up a company that today is one of the global leaders with a very unique service offering. We're positioning ourselves to capture some of the high growth opportunities that we see in the facility services market. The key elements of these features and unique service offerings are actually the ability to be able to provide more than one service to our chosen customer segment. We have the ability to provide the broad service spectrum, i.e. taking over all of the operations of the facilities of our customers. This gives us an opportunity to cross sell and up sell, and also make some significant contract wins throughout the world. These features, of course, also drive the fact that we can take best practices across the world, apply to our operations, and thereby improve our margins.

We have proven to be like most of the facility services industry, a very resilient business. We are a very good, stable business with a good cash generation, year in and year out, for the last ten years, showing that on our cash conversions. To do that, of course, you have to have an experienced management team, which we, of course, also have in place.

If I could ask you to turn to page number six, they key events for the last six months related to these features and overall development of ISS is, of course, the fact that we have continued our very strong organic growth. This is fuelled by some of the major contract wins that we announced last year, but certainly, and more importantly, by the growth country by country. In the individual countries almost everywhere in the world we've had good development in our organic growth; we have shown the efforts of taking from an acquisition led growth structure to an organic growth structure, where we utilise the platform we have built up. This has actually also been proven by the integration or the implementation of the last contracts that we won last, so we'll come a little bit more back to those in a second. But they are all progressing according to plan.

Emerging markets, still a very important market for us, and it is continuing to fuel our profitable organic growth. We're going to talk a little bit more about our turnaround in France, which is on track although it's a little bit slower pace. The margin is up by 14%, our operating profit's up by 15%; we're actually quite pleased with the results of the first six months. We have, as I said, gone through a free financing, which gives us a little bit more flexibility going forward. But all of this is still driving and being driven by our ISS Way strategy. I will go through each one of these points in a little bit more detail over the next few minutes.

Please turn to page number seven. The organic growth that we have seen, as I said already, is not only fuelled by emerging markets but certainly also by Europe. We're seeing growth rates between 3 and 4% in Europe, organic growth rates albeit, which is quite good in the mature markets. We've actually added on several thousand new employees in our Western European markets; this actually means that we have a very good volume growth in our business in Western Europe. Overall, for the world, we've added on more than 9,000 employees so, again, it's a very good volume growth in the business.

These are a fuelled by larger IFS contracts but certainly also by larger individual single service contracts, which is really our bread and butter also. But what is most important is that we are seeing and harvesting the effect of our commercial strategies; this is part of our ISS Way. Focusing on customers and going a little bit away from being single service, product oriented to be more oriented towards what's the customer really want. So we've had good success in particularly in airports, in hospitals, in the food processing sector, and also in the business services and IT, both from a local perspective, a retail perspective, and an international perspective, again over the last six months. That is why we keep, we believe that we can continue the growth that we're seeing right now also for the rest of the year it is that is a good, sound basis. Some of the major wins that we've had are listed on the slides here but Belgacom, in the telecom industry, Carlsberg. We won a number of other major contracts within airports and in businesses and services, as I said. So a key focus on this; it's a commercial strategy linked into the fact we want to identify the customer who wants to buy more than one service and then fulfil their needs.

One page eight our implementation of the large IFS contracts is, of course, extremely important. These contracts are fairly complex; these are both large contracts in the individual countries. That could be the RAF contract that we won in the UK; that has been started [up] quite successfully. That includes the HP contract that we started up in North America. They're all operating very efficiently. Citigroup for EMEA, the FCO contract across Asia. All of these contracts, complex, you have to be able to deliver the same level of services throughout a number of our countries. And because of the alignment of the way that we work with processes with ISS, we've been able to actually have these contracts up and running on time.

Operating margin on these contracts are pretty much in line; of course we have some start-up costs, so it's a little bit more expensive to start a contract this size. And that does give a margin dilutive expected albeit margin dilutive on our North American market, which can also be seen from the numbers. Nevertheless the progress in the overall implementation of these large IFS contracts is happening according to plan.

One of the most important things or one of the very important that happened in the first half year is that we have now been recognised not as only a [top] supplier of services as ISS. IOAP, the International Association of Outsourcing Providers, they make a list every year of the top 100 outsourcing companies throughout the world. This includes all the process outsourcing companies; in order to be even on the list you need to be actively supporting clients with process outsourcing. We entered this list a number of years back, starting in the position as number 37 or thereabouts; we're actually now up at number two. We took a jump from number six last year to number two this year and we're extremely proud of this. And it actually just goes to the testimony of us being capable of taking over some of the very [close] processes for our clients and helping them to create value.

Please turn to page number nine. Our emerging markets, it's a very important part of our overall strategy. On its own the emerging markets creates a lot of value for us and for our shareholders. But also it is important to remember that this is part of a global concept. So the fact that we actually have a very good presence in Latin America; a very good presence in Eastern Europe; a very good presence in Asia; in some of the Mediterranean countries, gives us the ability to service global accounts. And retail accounts who want to have the blue chip delivery of services where you can make sure that you actually get services delivered according to corporate social responsibilities. That's part of our core strategy, but so it is very, very exciting for us that we continue the significant and profitable growth that we have in these regions. So today actually 60% of our organic growth comes from the emerging markets; more than half of our employees are now working in our emerging markets. And only 19% actually of our total revenue. This, of course, means that since last year we've gone from 18% of our turnover to 19% of our turnover coming from emerging markets. I will say though that the developed markets organic growth (unclear) held up pretty well within around 3 to 4% again in growth, as I said before, so very proud of that. But of course, it is a very, very important part of our value creation, our location and successes in the emerging markets.

Turning to France, on page ten. Our French business. We've been in France for a long time and it's still one of our big businesses and we are definitely making some progress in the turnaround in France. It is still a challenge for us; it is still a slow progress. We have shown some stabilisation in the organic growth so it's improved over last year. We've got some good successes with our customer focus also in the automotive industry [property administration], our [supports] production logistics is doing quite well. All as a result of our implementation of stronger commercial strategies and our customer segmented approach. Margin-wise, we're still working on implementing our best practices in cleaning, our best practices in the pest control parts of business. So albeit that the margin's better than last year we still have some ways to go to get that up to margin targets of the Group.

And continuing the theme of the margin, on page 11, our operating margin has actually held up pretty well. Our sales and the start up, of course, we've had some start up costs from the major contracts throughout the world, as we also mentioned earlier this year. But overall our operating profit has grown by 4% and the operating profit after other items has actually grown by 15%. So we're quite pleased with the results also and the development in our operating margin.

We have a couple of areas that we want to just highlight. Obviously we have some impact from the crisis in the PIGS countries around the world, and around the Mediterranean. So Spain is impacted a little bit where there is a lower spend on the retail catering, some higher food prices that gives us a little bit lower margin in Spain in our catering business. We have also Greece business is, of course, impacted mainly because of the national or international crisis that we all know from Greece. There are certain businesses we are deliberately exiting in Greece; in Spain it's simply just a matter of getting through in the best possible way. We have a plan for how we actually get back to the margins in Spain but in Greece there are certain businesses that we will be going away from, from contracts probably also in the public sector.

We have, of course, also operating margin, the impact from the large international contracts, as I said, there are some start up costs on that. So we're on our way with coming up to the run rates on that by the end of the year. In Netherlands we had a little bit of a setback after we made a good turnaround last year; in a couple of businesses within our cleaning division we were a little bit too fast on some of the restructuring. So we've gone back to the old structure and put the management team in place, so that will only be an interim effect. In the Nordic region we had less one off income on our snow removal in 2011 than we had in 2010, also a bit less, a little bit less than we expected for this year. So that actually has hit our margin. At the same time some of the re-tendering in particularly Denmark has given a little bit lower margin, so we're working our way back up to the margins of last year also in Denmark. Apart from that, very strong operations throughout the world; some of the very, very strong performance in Australia, Switzerland and UK I just want to highlight. These are also countries with good organic growth, so basically we can see that we have, that we're getting good traction on the strategy that we have set about to carry through. So overall satisfied with both, of course, the growth, which I believe is very good, and the development in our operating margin.

If I then can turn your attention to the ISS Way, our strategy and the implementation of where we are actually going with the company and draw your attention to slide number 14. It is important to remind us all that the direction of the company is exactly the same as the direction that we laid out well, actually, a number of years ago now but definitely also in connection with our IPO earlier this year. The key for us is, of course, that we have built the platform; we have a platform where we have the capability to cross sell. We have the capability of cross selling more integrated facility services throughout the world. So also global accounts for that matter, we have the platform to build our emerging markets. And if you look at it from a numbers perspective we can actually still see that this strategy is coming through. If you just look at the ratio of our emerging market revenue, back in 2004 it was only 6% of our revenue albeit of a much smaller platform. So we were only DKK40 billion turnover; 6% of that was the emerging markets. Today we have actually almost six times that in the emerging markets; now 18% of our 74 billion turnover is present now in emerging markets. This is exactly what we wanted to build and we're seeing the fruit from that effort, from this focus. Non-cleaning services: we now have 48% of our services which are non-cleaning, and we have 19%, close to 20%, of our revenue now is IFS, all of it really showing the success of implementing our strategy. International contracts: we have 11 contracts and they're all running basically according to plan. So we're quite thrilled with the achievements that we've done.

How we do this is, of course, with believing in a very differentiated offering, which you can see on page 15. This is basically the same story as I have been repeating for the last few years but it clearly is our aim to go towards a self delivery model. Self delivery model of every service that we provide, whether it is a single service, a multi-service, or the full integrated facility services offering. At page 15, on the lower left hand corner, we have described the traditional model of outsourcing in facilities management; this is where you have a number of subcontractors, which either are supplying directly into your facilities or via an FM provider that basically just buys it from a subcontractor. Our belief is that this supply chain is not the optimum supply chain to our customers. Our belief is that the interest of our customers, that by us delivering services on the customer's site, with our people, with our employees, actually creates a better environment for us to deliver the services. Because it is our values, it our leadership, for instance, it is our training systems, that goes into all of the employees supporting the customer's facilities as opposed to different sub-suppliers. This gives the ability to give a consistent delivery both locally, regionally and globally; it gives the flexibility in the model where if the customer increases we can increase, if the customer decreases we can decrease. We have the critical mass to supply this flexible delivery model.

It also, of course, gives a brand protection because it is our people did that supply of services to the customer i.e. it is a credible and effective risk transfer of actually handling the services on the site. We are accountable for everything that happens on the site; we will protect the customer's brand and we will deliver the single service excellence, all of it with a capability of combining it into one point of contact, one point of contact to the customer, giving the convenience, of course. But certainly also the efficiencies and also the financial certainties for the customer. These are the value propositions that we know customers are looking for today and we see an increasing demand for all the customers throughout the world. Obviously we are not alone in this market; and in connection with the IPO, on page 16, we had a survey done by an outside consultancy company, of course, that mapped out the capabilities of the market. And as you can see, clearly ISS is in a very good position with very good skills and leadership, market leadership within all of the services that it takes to service full facilities. You can judge for yourself with the rest of the competitors here; some have more capabilities than others, but clearly our point is to say that we are fully equipped to take all services on board for our customers. And we're clearly proving that also by the fact that we can have 11 international contracts running across the globe with a steady and consistent service delivery.

All of this is done through alignment, so page 17 is how do we fulfil our ISS Way strategy. We have a company here with 535,000 people now; we've added on another 9,100 employees this year, which is quite a number of employees. This can only be done, and we can only achieve our steady and consistent service delivery, through an alignment of the way in which we deliver our services. This alignment means that we all have a shared vision, so it is important that everybody shares the same vision within our company, the same values and leadership principles. We all work according to the same Group policies. These are not just accounting policies; these are health and safety policies; these are CRS policies. The way in which we operate the company through our operations process framework, so that we speak a common language also from an operational perspective. It can only be done by having common strategic cornerstones; the cornerstones with the customer focus in mind, the service excellence in mind, the multi-services and the integrated facilities service model. That everybody works towards that same target is extremely important. Then, in the individual country, we then translate that into the specific aims of that country: what are the customer segments in one country that are more attractive than other customer segments. This is key to our success, it's to continue to build this one brand, one company and one culture, and that is the way forward to achieving our mid-term targets.

So if you look at page 18, how are we doing on this? The customer focus is our key strategic cornerstone number one. We are continuing to build the pipeline of international customers; we continue our commercial strategy focusing on customer segments, driving the company from being a product focused company to a customer focused company. We have this year on our top management conference, our university used a lot of time on what does that mean from value propositions, how do we make sure that we have the right value propositions and we deliver the right value proposition to the chosen customer segments. It does take some change management; still does within ISS, and we're very focused on what it is that we need to continue to change in the business in order to have success. People management: we can only deliver this through people. So they key for us is that everybody in ISS understands how they can contribute to actually fulfilling the customer focus and the customer need. So, of course, we keep working on performance management, health and safety, better environments and better involvement of all our employees throughout the world.

The IFS strategy is a key point of our cornerstones; clearly continue to working on how to become better at the I, the integration of our facility services is key. The service provider who's the best at integration has to be the best at single services at the same time; those are the ones who are going to win this market. So we're continuing our roll out of our best practices; we're continuing our investment and our excellence forums throughout the world. But all of this is only doable because we have a multi-local approach; this means that everything we do we do based on our country focus. Every activity in every country is focused through one country manager, and they will make sure within that country we align according to the Group strategies and policies. But clearly we need to have the accountability and the knowledge of the local labour market in order to have the right motivation for our employees and the right focus on our cost. This is how we're going to continue the success that we've had for the first half year of 2011. And with that I would like to turn it over to the financials and give the word to our CFO, Jakob Stausholm.

Jakob Stausholm

Thank you Jeff and good afternoon to everybody. Let me just at the outset, and perhaps particularly to those of you listening in who also followed us when we prepared the IPO earlier this year, remind you of, and I know I might be repeating Jeff a bit. That ISS and in particular its balance sheet is, of course, different from what we anticipated when we prepared the IPO earlier this year. Therefore a particular highlight for the second quarter for ISS was that we completed our refinancing in June. I think, in hindsight, we were pretty lucky with the timing but the most important thing here is that the refinancing actually gives us full flexibility to pursue our ISS strategy and develop our business to its full strength independent of the timing of our postponed IPO. Barbara who will go after me will tell you a bit more about the details of the refinancing.

So let me turn over to the performance of our business, of our operation. First of all, first half of 2011 was six months of growth both at the top line and at the profit line. You can see it on chart number 20, that our revenue from continuing business grew by 8%, mainly stemming from organic growth of 6%. Our operating profit before other items grew by 4% whereas the operating profit after the other items grew by 15%, as we had less other items despite expensing all the IPO expenses herein the first half. As always, we review our performance against our three financial priorities: organic growth, operating margin and cash conversion. You can see, on chart 20, the main explanations and the overview of the numbers on chart number 21.

First of all, the organic growth is a particular highlight for the first half. As Jeff said, we started off in the first quarter with 5.8% and we recorded 6.2% in the second quarter, giving a total of 6% in the first half, which compares to 3.5% for the full year of 2010. And I think what you see with the organic growth is, yes, it's driven by emerging markets but it's also very much a widespread organic growth stemming from a good development in our contract portfolio across the world. It gives us reassurance that the implementation of our ISS strategy, focusing on organic development, is happening and is paying off. The operating profit has not grown by the same percentage as the organic growth, so the operating margin, expressed in per cent, is a similar level or to be very precise, is 0.1% lower than the same period last year. I will revert to more detail on that one.

And on the cash conversion: we measure the cash conversion on a last 12 months basis. And ISS has consistently delivered high cash conversion and only exceptionally being below 90%. In Q2 though we recorded 87%. It is though very important to see that in the light of that there was reversal of the government that extended payment terms as some measures introduced back in 2008 and 2009; those reversals that happened earlier this year is hitting us as a once off item here in 2011. If I just look at the impact from four of our European country operations it has an impact of 5% and I think this is really a once only impact. So if you adjust for that you have a cash conversion of 92%, which is still lower than our longer term average but I think what you see is partly an impact from the higher growth that clearly has an impact on the cash conversion. And we also had a slightly higher debtor days.

If you turn to chart number 22, there you can see up in the upper left corner the development in the organic growth and in fact the second quarter of 2011 is the seventh quarter in a row with an increase in the organic growth rate, basically taking it from around zero in the middle of 2009 to now, 6.2%. This is a very steady development and it's just... one has to remind oneself that it is, of course, a portfolio business. So when you have momentum in developing your portfolio you can see that you can have such steady, positive development. On the right hand side of the chart you see a breakdown of the growth components; I think overall what is important to see here is that the major part of the growth is stemming from organic growth. We still have, on the half year, positive impact from forex but it is less and it is significantly less than last year. And finally to see from the chart is that we are divesting more revenue than we have acquired revenue.

And to expand a little bit on that I suggest you to turn to chart number 23 where you see both the organic and the inorganic growth of the company by region. In the first half we (unclear) some divestments really to narrow our focus, to make sure that, so to say, businesses that are not at the heart of our strategy is not standing in our way of totally focusing and executing in the best possible way our strategy. I would like to mention that the most significant divestment so far this year has still not come out of the books of the half year results; that was the divestment of the damage control business in Germany, Vatro. It's [held] for sale end of June, the divestment was successfully completed in July. And it's a good example of helping the German business to focus on its facility services; all the management resources can now go to that. And it also helped our overall objective of creating deleverage. We have been a little bit more cautious in the first half of this year on doing acquisitions. We are looking at opportunities, primarily in the emerging markets but I think it should be seen in the light of first we were pursuing the IPO. And then we needed to refinance, to do the refinancing; and now we are in a, so to say, different and more comfortable position, from a balance sheet point of view.

Overall, on the growth, what you see here is still the move towards emerging markets. The acquisitions have been emerging markets; the divestments have been in mature markets. And we have significantly higher organic growth in the emerging markets particularly in Latin America and in Asia. If you look at Asia we continue to see very good growth, some of the markets are really growing very significantly. For example, India has recorded organic growth of 43%; if you look at Latin America there's also very strong organic growth. Actually throughout all the countries, all countries have double digit organic growth in Latin America. Another significant growing region is North America, and it's mainly due to our major contract win and implementation of that contract, of HP in the Americas. But I would say even excluding that contract there is organic growth in the US business. If we look at the mature part of the business we are actually seeing an improved organic growth as well in Western Europe and in the Nordic region.

Moving on to chart number 24, and talking about the operating profit before other items. As I mentioned earlier on, it's in line with the level of last year, 0.1 percentage point lower. And what we see here is an improvement in Western Europe, which is heartening because they're still not at the level where we'd like it to be. But I think, as you heard Jeff said, some of the turnaround has gone slower than expected. So we probably had hoped for a slightly quicker recovery, mainly related so the Netherlands, where we had an excellent turnaround last year, but unfortunately a little bit of a setback in one or two divisions in the Netherlands. The biggest variance that we have is in the Nordic region, and the Nordic region recorded 4.5 percentage operating profit in the first half of this year, 0.5% lower than last year. That's partly due to snow removal where we made a lot of money last year and much less this year, but it's also due to renewal of some major contracts in particular in Denmark, at least initially at lower levels than what they used to be. We are … the snow removal should be seen as once only and we're following the development closely in the Nordics and expect the margin to further improve from here. There is a lot of healthy development happening in the Nordics.

A highlight obviously not only on the growth but also on the margin side, is the emerging markets; overall, we see emerging markets improving its margin from 6.6% to 6.7% driven by the improved margin in Asia to 7.5% compared to 7.2% last year. We also have healthy development in the margins in the Pacific and in Eastern Europe. It's not that significant change we see in Latin America, it's 0.2% less but I think that should be seen in the light of the very significant growth we have had quite a lot of start up of major contracts in Latin America.

Moving to chart number 25, where you see the development over time in the overall Group margin and you see the seasonality of the business. What has happened in Q2 is, as we had anticipated, that the margin would pick up; it picked up significantly in Q2 compared to Q1, just a little bit less than the pick up we experienced seasonally last year. And that's the reason why we are at the 0.1% lower than last year. On page number 26 I will skip that fairly quickly because it's just basically showing you the numbers that I have talked about earlier, on, where you see the positive development, both at the revenue line, at the operating profit and perhaps particularly the operating profit line of +15%.

And then I'd like you to move to chart number 27, on the outlook statement. I think what we have done is we have done a very slight change of the outlook, just to be as precise as possible, really looking carefully at what have we achieved in the first half; what is the latest trading since the first half; and how does the outlook for the remaining part of the year. And I think we are now comfortable to confirm that the higher than anticipated organic growth experienced in the first half, that should continue in the second half unless macroeconomic factors should turn worse. And I like to say at this point in time at least we don't see the current turmoil directly affecting our business; it might have an impact but we're not able to see that in, as yet. Secondly, the strong organic growth means that yes, we have had higher profit and we expect that to improve, but the operating margin is now expected to be slightly below the level realised in 2010. On the cash conversion, as I spoke about earlier on, we have this year this once only impact of reversals in payment terms some governments in Europe, and therefore we expect the cash conversion for 2011 to be slightly below the level realised in 2010. We are making progress towards our medium term targets and they remain intact, with an organic growth of at least 6% and on operating margin of 6.5% in the medium term.

So let me now hand over to our Treasurer, *Barbara* Plucnar Jensen to further dive into the capital structure and our refinancing.

***Barbara* Plucnar Jensen**

Thank you Jakob. Yes, if you please turn to slide number 29, I would like to give you a static overview of what has happened with the capital structure of ISS over the last couple of years. As you can see, a (unclear) we announced a couple of years ago, a focus area was definitely to focus on the deleveraging. This we have demonstrated quarter by quarter, as you can see in this chart, where you can see just comparing to a year ago, for instance, we are now down half a turn on the leverage of the company at this point of time. So continued focus on deleveraging is a high priority of the company.

If you turn to slide number 30 you will see the components of our capital structure as it looks today. Not much changes has happened here, as Jeff said; this is the main part of the company, which has not sort of been part of or sort of moved in the direction as we set it out in the IPO given that, of course, the IPO was postponed. But, as you can see here, I think it's really important to look at year-on-year the absolute level of our total net debt is down, with about 700 million, and as mentioned the leverage is down also with half a turn. We usually see an increase of our debt in first half of the year, given the seasonality; but if you adjust for the changes in working capital you can see that we're now below six times on our overall leverage.

If you turn to slide number 31 this is sort of the main components of the refinancing. Given the postponement we judged that since the markets would continue to be very uncertain and the volatility was tending to increase during Q2, we assessed that it was an important time to address some of the upcoming maturities that we had with the company. If you remember, we had some parts of the senior facilities expiring in 2012 and a significant part of the senior facilities expiring in 2013. We decided to address the upcoming maturities with the refinancing and in this way we have made sure that we have solved a very important issue for the company. If you look at the main components of the amend and extend of the senior facilities, first of all it is to extent the maturities to now expiring in 2014 and 2015 instead of before, where it was 12 and 13. So an important longer maturity of these facilities. When the senior facilities were put up back in 2005, it was based on the size of the company as it was at that point of time. As you have also seen, we have demonstrated a significant growth, which even outweighed the projections made when the original documentation was put in place. So one of the major achievements also in the refinancing was to adjust the baskets and the operational flexibility that we have in this credit facility so it now reflects the size and the performance of the ISS Group. This also takes into account the future growth that we envisage in front of us.

When you look at the covenants, which are an important part of our senior facilities, they also have been reset to reflect the higher costs of our debt. And, of course, it also has addressed the outdated performance that was the base for covenant path as it was back in 2005. The last point that was included in the covenants is the securitisation programme, which originally was not part of the covenants but which we have now included so that all of our important parts of the financing is included in the covenants calculated. So all in all we have achieved both technical adjustments, we have achieved operational flexibility and then the very important extension of the maturities.

Another part of our debt that we have addressed since the last quarter was presented is our securitisation of trade receivables. Despite this impacting effectively only from July 1st, so post the half year results, I think it’s important to mention that we have also extended this programme to mature now in 2013. And following the extension there we have assessed that the size of the credit facility should be reduced to only €400 million and achieved to negotiate also lower margin. Thereby we have addressed all the upcoming refinancing issues as we see them in front of us.

If you turn to slide number 32, this gives a very good overview of our maturity profile following the extensions. Here you can see that we don’t have any refinancing issues before we need to address the senior notes that are due in 2014. Bear in mind that the securitisation programme is structured according to the Standard & Poor’s methodology and can simply be rolled for an additional year at a time. The maturities that you see upcoming in 11, 12 and the blue part of 2013, those are first of all the remaining parts of the A facilities, which we didn’t include in the amend and extend. And also the scheduled amortisations of the B facilities. Finally, we have 4% of the B facilities that weren’t extended in the refinancing and 2% of the revolving credit facility and (unclear) credit facility, and those also expire according to the original maturities.

So all in all I think we are quite proud about the refinancing. We got extremely good support from our lenders and I think that also supports the overall company story that you have been following with us. So on this not I would like to open for the Q&A session, so over to the speaker.

Questions and Answers

Operator

Thank you. We will now begin the question and answer session. If you have a question please press * and then 1 on your touch tone phone. If you wish to be removed from the queue please press the # key or the £ sign. If you are using a speaker phone you may need to pick up the handset before pressing the numbers. Once again, if you have a question please press * and then 1 on your touch tone phone. Once again, ladies and gentlemen, if you have a question please press * and then 1 on your touch tone phone.

Your first question comes from Nicola Davies from Bluebay, please go ahead.

Nicola Davies - *Bluebay*

Hi, I wonder if you could give me a little more detail on the government payment reversals that you were discussing, that impacted your working capital, and what your expectation is now for the full year. And also if you can just clarify in Denmark. You mentioned that you lost a couple of contracts but you also managed to renegotiate some at sort of lower levels. If you could just provide a little more detail on those, that will be great, thanks.

Jakob Stausholm

Yes, thank you, I'm not sure I can give you all the details of the government reversals but we have seen a change in some VAT tax payments in Denmark, in France, in Sweden and in the Netherlands. So those, the aggregated impact of that, as I said, is around 5 percentage points in cash conversion. And that is a once only, I mean, that will just be the new payment terms for the future. So we gained some benefits back in 2008, and now it's coming back to us. And therefore if you look over a three or four years period it has no impact but it does have an impact for our cash conversion this year. And on the contracts, Jeff?

Jeff Gravenhorst

On the elaboration on Denmark, I think the first thing and the most important thing is that we had lower snow income in Denmark than we had the year before, which is quite a significant amount this year. The other point is the IFS contracts and the re-tender, there has been some more pressure on the competitive scene in Denmark than we have seen before on the larger contracts. That's why we stepped away from one of the big contracts from last year. We also won some contracts and, of course, when we start that it does start, in Denmark it has started a little bit lower run rate than what we'll see at the end of the year. So that's the main impact.

Nicola Davies - *Bluebay*

And is the competitive pressure coming from a new entrant or from an existing player?

Jeff Gravenhorst

No, I have to say in this industry it does come and go. You will have years where in some countries some competitors are a little bit more aggressive than others. It is part of it, and that's, this is only in Denmark and you'll probably see the opposite picture that we have very good competitive conditions in other countries, where we make good margin. So it is just a little bit of the explanation of the shortfall in the Nordic market but predominantly this is the one off income.

Nicola Davies - *Bluebay*

Right, thanks.

Operator

Thank you. Your next question comes from Mitch Reznick from Hermes, please go ahead.

Mitch Reznick - *Hermes*

Hi, thanks for taking my questions, just a couple. Obviously we've seen over the past quarter or so the growth is slowing in Europe and obviously there's a chance that we could slip into recession. So I'm just wondering if you can talk a little bit about how well poised the company is to go through a recession, particularly given you've done so much cost [clearing] over the last couple of years. So just some thoughts on how you would manage through that.

Jeff Gravenhorst

I would say, of course, it's extremely difficult to predict exactly how much and so forth; it really depends on how deep the recession gets or not, for that matter. But, I think, in the short term the, I'd say the macroeconomic conditions right now actually is to a certain extent an advantage to the service industry. Because you will see more and more tendency to outsource, and we've said this now for a long period of time, since 2009 actually. In 2009, when we had low organic growth, a lot of it was because we had the once onlys going away.

We haven't seen that come back actually, so the big incremental spend that really was to reduce the [09, 10], some of it has come back but not a lot. So key was, back then, our growth was still actually in the portfolio basis of our business, so the base contracts. That's where we see our organic growth come from this year. So there is some evidence that we do see more and more outsourcing; we do see customers bundle more services and integrate more, which is to our advantage. And that's why we, right now, can see that the growth actually continues.

Now, of course, depending on how bad it becomes then, of course, we can also be hit. But I actually believe that we're in a good position as the portfolio business, stable business going forward, probably good growth in our portfolio to continue the growth. And I would say that, of course, we are positioned better for a recession now than we were at the time, because it is the portfolio business that is increasing. If that decreases then you also decrease your costs, so it's less impact in our once onlys. You can see, if you make a lot of money on snow, then it comes in and out every year but on the overall scheme it doesn't really matter that much. In Spain it hurts us a little bit on the retail side but that's only in Spain we have that. So in general I think we are pretty good placed for whether it goes one way or another right now.

Mitch Reznick - *Hermes*

And then it sounds like margins are a little softer in the second half but it looks like some of that sort of one time item start ups in the Netherlands. Do you envision that, you know, assuming that there is sort of moderate growth, that margins rebound in 2012?

Jeff Gravenhorst

Our mid-term targets are the same, so yes, we don't see any structural issues; it is just a matter of that we have some start up costs. We do need to get the Dutch business back on track; I'm quite convinced that we'll do that over the coming months, so yes, I see that in 12.

Mitch Reznick - *Hermes*

Okay, and just confirmation of strategy, I mean, the IPO has obviously been delayed. You've finished the refinancing; you're happy with the balance sheet. You've confirmed that you, you know, you want to continue to delever, but just (unclear) confirmation: you're not going to revert back to the acquisition led growth strategy are you?

Jakob Stausholm

Well, I think we have been pretty clear earlier on what we, what our spend was. We haven't spent money on acquisitions this year but I think we said earlier this year and that's basically where we are today as well, that we will spend up to DKK0.5 billion on acquisitions a year. That's what we have spent on average the last two years and that's how we could see things going forward. But, you know, this goes up and down by the quarter.

So it is an organic scenario, with deleveraging, but it's also about grabbing a few good opportunities particularly in the emerging markets to further strengthen that part of our business and build our platform where we don't' have the business platform in place.

Mitch Reznick - *Hermes*

That's clear, thank you very much.

Operator

Thank you. Once again, ladies and gentlemen, if you wish to ask a question, that's * and 1; * and 1 to ask a question. Your next question comes from the line of Rebecca Clements from Knight Capital, please go ahead.

Rebecca Clements - *Knights Capital*

Good afternoon, just one question. Was there a reason why you reduced the amount of your accounts receivable securitisation to 400 million?

Barbara **Plucnar Jensen**

It was simply a realisation that for now the programme stands at €350 million and we don't [foresee] to go into other regions to expand the programme by going to, let's say, Australia or US.

And therefore we found that with the potential we have in the countries where we are right now, €400 million would be an appropriate level. And therefore it was appropriate to reduce the programme once we also expanded it with one year. So that was the only reason.

Rebecca Clements - *Knights Capital*

So it was a decision by ISS it wasn't anything driven by what the banks wanted?

Barbara **Plucnar Jensen**

Not at all, it was a decision driven by us, yes.

Rebecca Clements - *Knights Capital*

Okay, thank you.

Operator

Thank you. As a final reminder, ladies and gentlemen, that's * and 1 to ask a question. We seem to have no further questions at this time, please continue.

Jeff Gravenhorst

All right, thank you very much. This concludes the presentation today and our Q&A session. Thank you very much and have a good day.

Operator

Thank you ladies and gentlemen, this concludes today's conference. Thank you all for participating and you may now disconnect.