

# ***A WORLD OF SERVICE***

## **Investor Presentation H1 2011 Results**

25 August 2011



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# Forward-looking statements

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## Forward-looking statements

This presentation contains forward-looking statements, including, but not limited to, the statements and expectations contained in the “Outlook” section of this presentation. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words “may”, “will”, “should”, “expect”, “anticipate”, “believe”, “estimate”, “plan”, “predict,” “intend” or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. ISS has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS. Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in the annual report 2010 of ISS A/S and other information made available by ISS.

As a result, you should not rely on these forward-looking statements. ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

The Annual Report 2010 of ISS A/S is available from the Group’s website, [www.issworld.com](http://www.issworld.com).

# Agenda

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- Business update and key events
- Strategy update
- Financials
- Capital structure
- Q&A



**Business update and key events**



## Key features of ISS

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**Global leader with unique service offering**

**Positioned to capture high growth opportunities**

**Margin upside through operational efficiencies,  
business mix and recovery**

**Resilient business model**

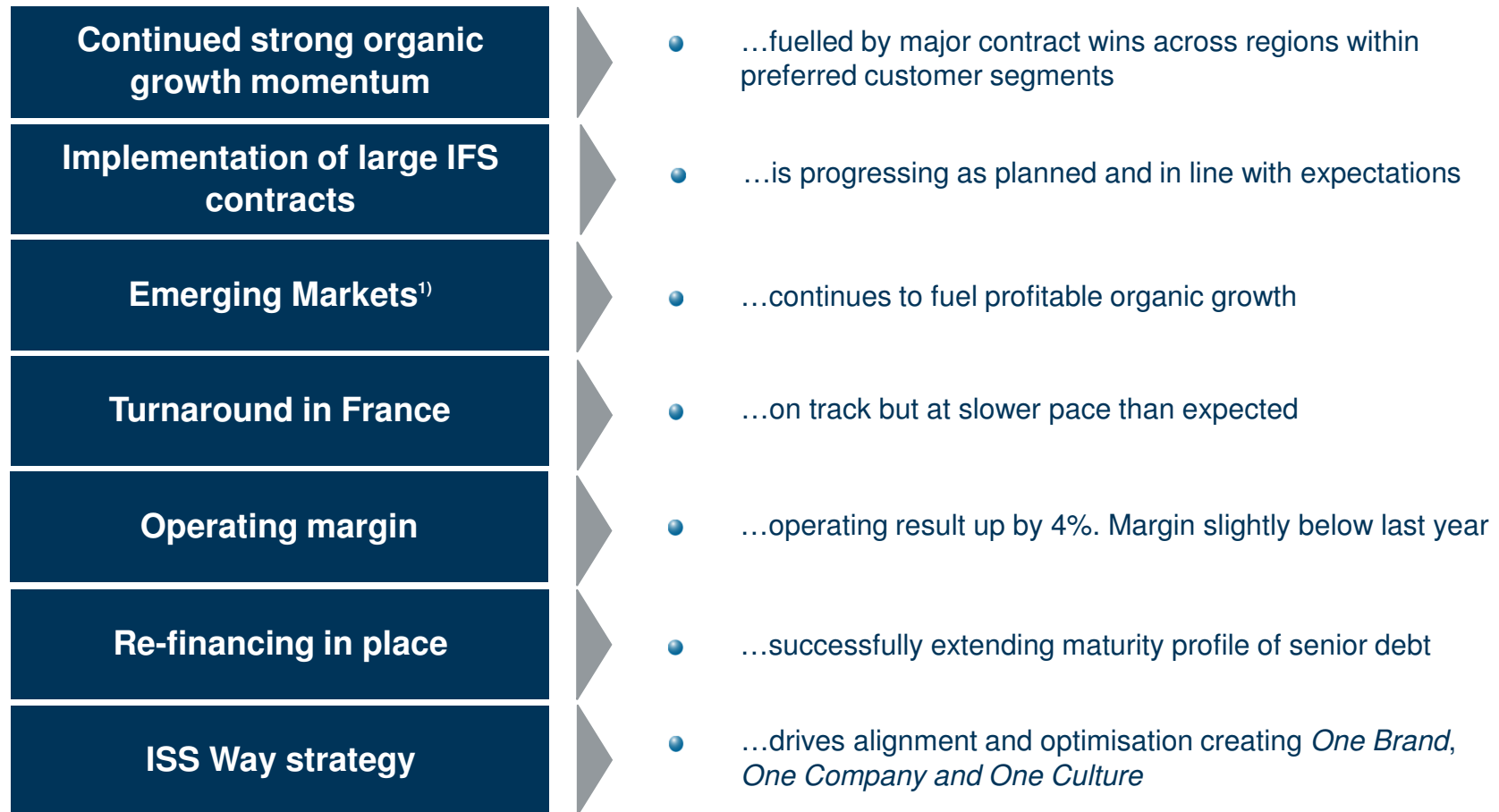
**Robust cash generation and low capital  
requirements**

**Experienced management team with solid track-  
record and in-depth sector expertise**

**Driving  
performance**

# Key events

"ISS delivers 6.2% organic growth for second quarter and 6.0% organic growth for the first six months of 2011".



1. Emerging markets comprise Asia, Eastern Europe, Latin America, Israel, South Africa and Turkey

# Continued strong organic growth momentum

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- Continued contract wins within large integrated facility services contracts complemented by continued solid development in multi-services and single service contracts across regions
- Several regions beginning to harvest on commercial strategies and on implementing customer segmented sales strategies targeting customer segments where ISS offer value added service concepts and solutions
- Preferred customer segments vary across regions, but include industries such as
  - Automotive, Business Services & IT, Energy & Resources, Healthcare, Hotel, Leisure & Entertainment, Public Administration, Retail and Wholesale and Transportation & Infrastructure
- Contract wins in Q2 include:
  - BAE Systems (UK), Belgacom (Belgium), Carlsberg (UK), CORREOS (Spain), Suomen Lähikauppa (Finland), Johnson & Johnson (Brazil), Philip Morris International (Russia) and Tesco (Czech)

# Implementation of large IFS contracts

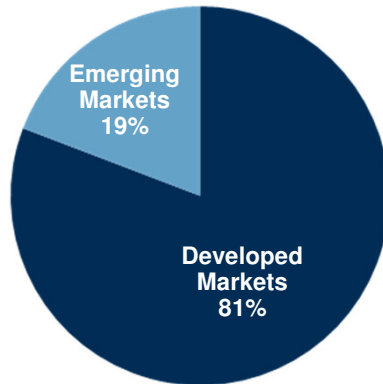
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- Key focus for 2011 is ensuring the successful start-up of several international IFS contract wins such as
  - Hewlett-Packard in North America, Citi for EMEA, United Kingdom Foreign & Commonwealth Office for APAC and Royal Air Force in the United Kingdom
- Operating margin is impacted by start-up costs on new contracts and investments in building the platform to support and deliver on major contracts in particular in North America
- Implementation of large IFS contracts is progressing well and operating margins and debtor days are improving gradually towards the anticipated run rate levels
- During the second quarter ISS received a number 2 ranking on IAOP's list of the world's leading outsourcing providers - The Global Outsourcing 100 - following Accenture stepping up four places from last year and underlining ISS as a professional and reliable outsourcing partner of choice



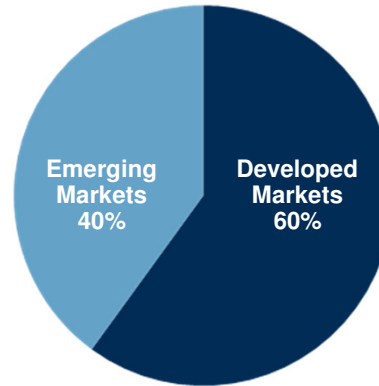
# Continued strong development in Emerging Markets

Revenue



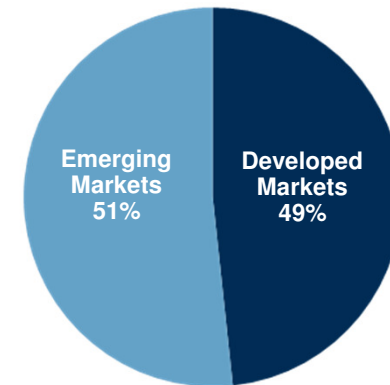
EM: DKK 7.4bn

Organic Growth



EM: DKK 0.9bn

Employees



EM: ~275,000

## Key Developments

- Continued strong development in Emerging Markets, delivering organic growth of 14% and 17% growth in operating profit before other items in H1
- High double digit organic growth development in Asia and Latin America. India largest contributor with organic growth rate of 43% in H1 2011
- In H1 Emerging markets contributed 40% of organic growth, more than 19% of revenues and 51% of total employees
- BRIC countries delivered 28% organic growth contributing 15% of total organic growth and 4% of total revenues

# Turnaround in France

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- France still experiences challenges albeit France is making some progress in terms of the operational turnaround
- France improved organic growth overall and showed good organic growth in certain focused customer segments
- Automotives, Public Administration and Production & Logistics sectors harvesting on the implementation of commercial strategies and customer segmented sales strategies
- Operating margin up on last year despite tough business environment

# Operating margin

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- Operating profit up by 4%. Operating margin for H1 2011 slightly below last year
- Impacted negatively by overall economic conditions in Mediterranean countries such as Spain, Portugal, Italy and Greece
- Impact from the start-up of large national and international IFS contracts
- Operational challenges in the Netherlands
- Operating margin in the Nordic region 0.5%-point lower than H1 2010
- Strong performance and increased operating margins in countries like Australia, Switzerland and the UK



**Strategy update**





**THE *ISS* WAY**

**Strategic Direction**

**The ISS Way strategy drives alignment**

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## ISS has created a platform...

		ISS 2004 <sup>(1)</sup> (pre-acquisition)	ISS today – 2010	
Overall growth	Revenue	DKK 40 Bln	DKK 74.1 Bln	+85%
	Operating profit (margin) <sup>(2)</sup>	DKK 2.3 Bln (5.6%)	DKK 4.3 Bln (5.8%)	+87%
	Employees	~ 274,000	~ 522,000	+91%
Geography	Countries <sup>(3)</sup>	42	50	+19%
	Emerging markets revenue <sup>(4)</sup>	DKK 2.3 Bln (6%)	DKK 13.6 Bln (18%)	x5.9
	Emerging markets employees <sup>(4)</sup>	~ 65,000 (24%)	~ 267,000 (51%)	x4.1
Business mix	Non-cleaning services as % of total	33%	48%	Δ15%
	IFS revenue	DKK 1.2 Bln (3%)	DKK 13.9 Bln (19%)	x12
	# of international contracts <sup>(5)</sup> (% of total revenue)	2 (0.3%)	11 (2.8%)	x5.5x

1. 2004 revenue represents the last annual revenue prior to ISS being taken private

2. Operating profit refers to operating profit before other items

3. Excludes 13 countries in which ISS currently provide services without any local management presence or registered office

4. EM defined as Asia, Eastern Europe, Latin America, Turkey, Israel, and South Africa

5. Defined as contract involving operations in more than 1 country and centrally procured



...with a truly differentiated offering ...

### Integrated facility services

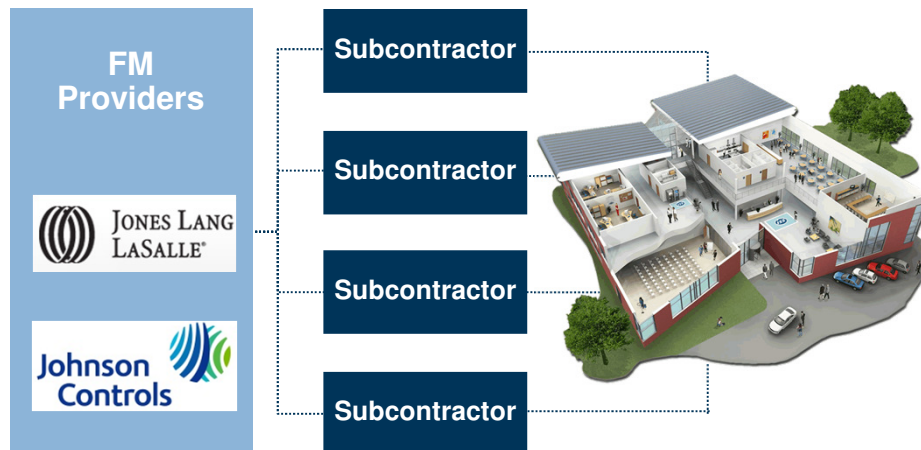


### ISS Value Proposition & Competencies

#### Value added offering

- Single service excellence
- Brand protection
- Credible and effective risk management, including local labour law management

### Facility management










#### Delivery capabilities

- Consistent delivery globally
- Flexible delivery model

#### Integration of services

- One point of contact - convenience
- Efficiencies and financial certainty

## ...which is unique in the market place

	Self-delivery model					Sub-contracting model	
							
Cleaning Services	✓ ✓ ✓	✓ ✓	✓ ✓	×	×	×	×
Support Services	✓ ✓ ✓	✓ ✓	✓ ✓	×	✓ ✓	(✓)	×
Property Services	✓ ✓ (✓)	×	×	×	×	✓ ✓ ✓	×
Catering Services	✓ ✓	✓ ✓ ✓	✓ ✓ ✓	×	×	×	×
Security Services	✓ ✓	✓ ✓	×	✓ ✓ ✓	✓ ✓ ✓	×	×
FM	✓ ✓ (✓)	✓	✓ ✓	×	×	✓ ✓	✓ ✓ ✓
# of Countries <sup>(1)</sup>	50 <sup>(2)</sup>	50	80	120	45	75 <sup>(3)</sup>	n/a
# of Employees <sup>(1)</sup> ('000)	536	428	380	625	280	>18 <sup>(3)</sup>	n/a

### By estimated 2009 revenues

- ✓ ✓ ✓ Top 3 globally
- ✓ ✓ Top 4 - 6 globally
- ✓ Top 7- 10 globally
- × Not in top 10 globally

Source: Publicly available data

1. As per latest reported

2. Excludes 13 countries in which ISS currently provide services without any local management presence or registered office

3. Global Workplace Solutions division

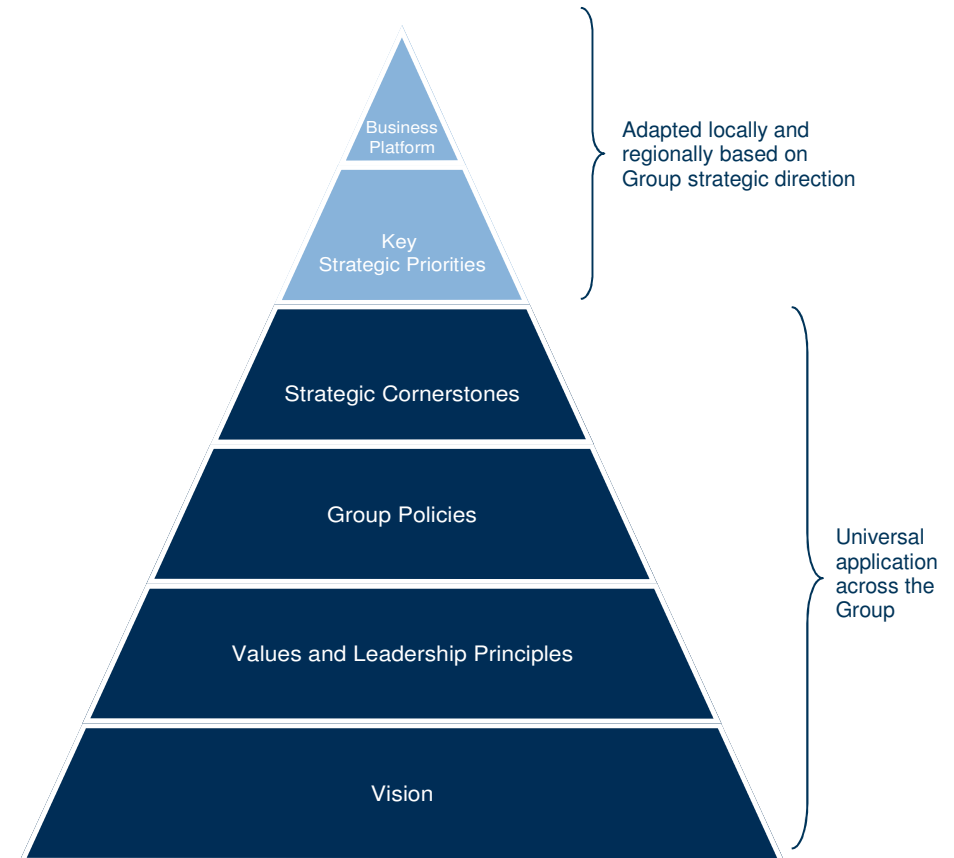


# The ISS Way strategy

## - Driving alignment and optimisation



- A framework for aligning and optimising our business
- Our business fundamentals are common for all our operations – defines how the business is run
- Each region has certain freedom to execute the strategy tailored to its market, through leveraging the know-how and best practices of the Group



**We are creating One Brand and One Company by applying The ISS Way strategy**

# The ISS Way implementation status

ISS strategic cornerstones	<b>Customer focus</b>	<ul style="list-style-type: none"> <li>Continued strong pipeline of international contracts – bid management process well embedded</li> <li>Strategy process 2011 confirmed a continued local, national and global focus of human and financial resources on attractive customer segments where we have a strong value proposition</li> <li>Continued development and deployment of customer segment best practice through Excellence Centres</li> <li>Top Management Conference themes for 2011 were “Value Propositions” and “Change Management”</li> </ul>
	<b>People management</b>	<ul style="list-style-type: none"> <li>Strategy and the Value Chain and Leadership Development programmes for senior management are being run region-by-region</li> <li>Other key initiatives such as Performance Management and Health, Safety and Environment standardisation are progressing</li> </ul>
	<b>IFS strategy</b>	<ul style="list-style-type: none"> <li>Existing Single Service Excellence programmes continue to be rolled out and new initiatives have been launched</li> <li>Strategic evaluation of potentially non-core activities is ongoing – we recently sold our German damage control business which had limited synergy with our core service offering and did not fit with our strategic focus on Integrated Facility Services solutions in the German market</li> <li>Global IFS Forum is driving the roll-out of IFS best practice which is progressing</li> </ul>
	<b>Multi-local approach</b>	<ul style="list-style-type: none"> <li>Standard processes covering the entire customer contract lifecycle from Sales to Operation have been developed and are being deployed</li> <li>ISS Business Solutions to support the customer contract lifecycle are now available and are actively being used - CRAM@ISS, SIM@ISS, eMON@ISS and FMS@ISS. CRM@ISS – a standard CRM system – was piloted in 1H2011</li> <li>Dynamic NAV ERP system roll-out has been completed or is ongoing in major countries such as Brazil, the Netherlands, Portugal and Austria</li> </ul>



## **Financials**

January – June 2011



# Summary of Financials H1 2011

- Revenue from continuing business grew by 8%, while total revenue increased by 7%
- Operating profit before other items was up 4%
- Operating profit increased by 15% equaling DKK 242 million to DKK 1,830 million - the highest ever January to June profit in ISS' history

## Organic Growth

- Organic growth at 6.2% in Q2 2011, up from 5.8% in Q1 2011 and 3.8% in Q2 2010
- Organic growth of 6.2% marks the seventh consecutive quarter with an increase in our organic growth rate
- 6 of 7 regions achieved positive organic growth for H1 2011, with North America, Latin America and Asia delivering double-digit organic growth

## Operating Margin

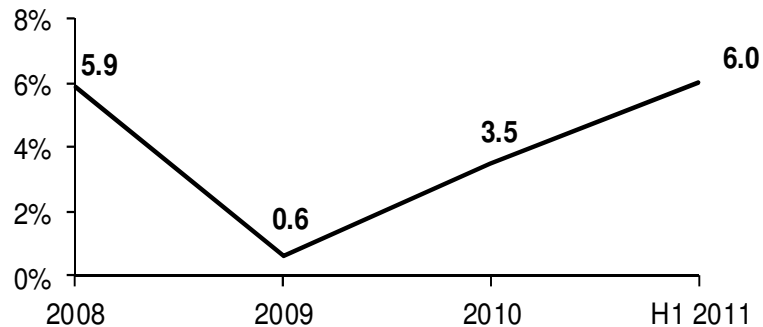
- Operating margin of 5.1% compared to 5.2% in H1 2010
- Western Europe delivered higher operating margin despite the negative impact from overall economic conditions in Mediterranean countries and operational challenges in the Netherlands
- Impact from the start-up of large national and international IFS contracts
- A decrease of 0.5%-point in operating margin in the Nordic region
- Emerging markets delivered operating margin of 6.7% well above most mature markets

## Cash Flow

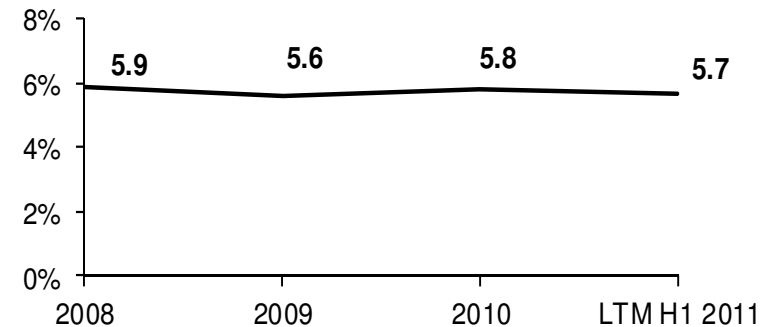
- The LTM cash conversion for H1 2011 was 87% impacted by approx. 5 cash conversion percentage points stemming from a change in payment terms of VAT and payroll and social taxes in certain countries
- Furthermore, cash conversion affected by strong organic growth and an increase in debtor days of less than one day compared with 30 June 2010

# Key operational objectives

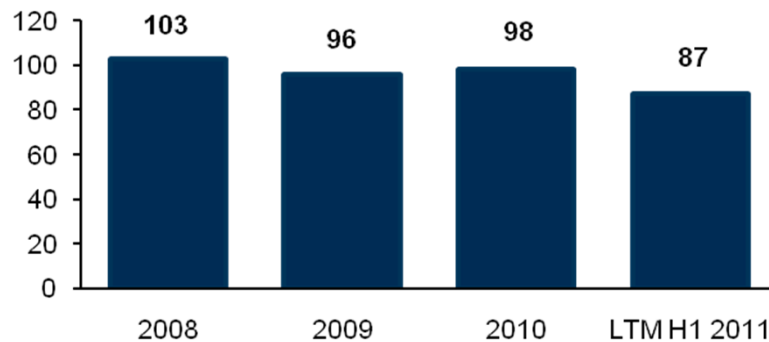
Organic Growth (%)



Operating Margin (% revenue)



LTM Cash Conversion (%)<sup>1</sup>



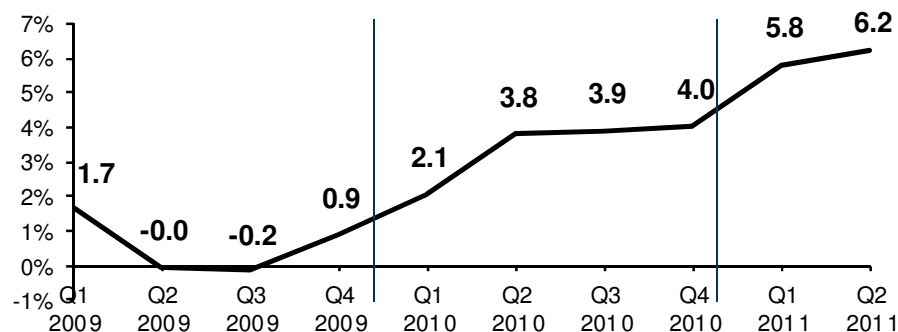
## ● Operational Performance

- 7% top line growth
- Organic growth of 6.0%
- Operating margin of 5.1% (H1 2010 = 5.2%) resulting in a 5.7% LTM operating margin
- 4% growth in operating profit before other items
- LTM cash conversion of 87%

1. Cash conversion is defined as operating profit before other items plus Changes in working capital as a percentage of operating profit before other items

# Revenue development in H1

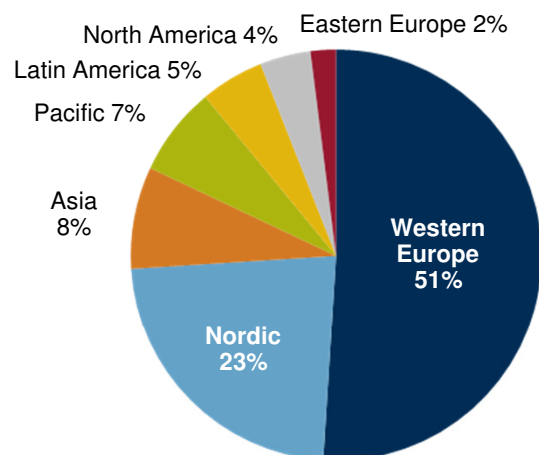
Organic Growth (%)



Q2 2011 Revenue growth

	Q2 2011	Q2 2010
Organic growth	6.2%	3.8%
FX	(0.2%)	5.2%
Acquisitions	0.5%	0.2%
Growth from continuing business	6.5%	9.2%
Divestments	(1.4%)	(1.9%)
Revenue growth	5.1%	7.3%

2011 YTD Revenue by ISS Region

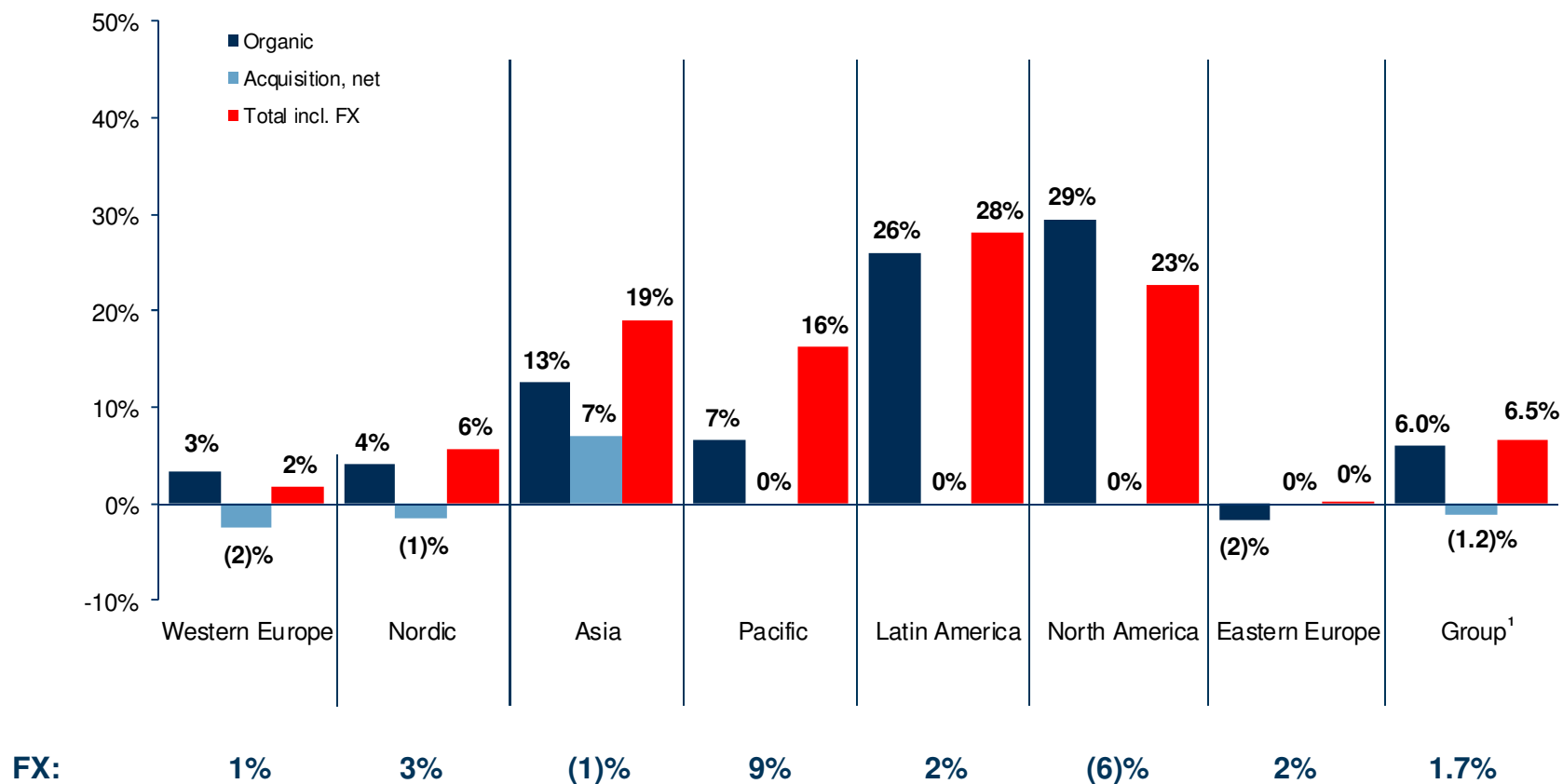


2011 YTD Revenue growth

	H1 2011	H1 2010
Organic growth	6.0%	3.0%
FX	1.7%	4.3%
Acquisitions	0.5%	0.5%
Growth from continuing business	8.2%	7.8%
Divestments	(1.7%)	(1.4%)
Revenue growth	6.5%	6.4%

# H1 revenue growth by ISS region

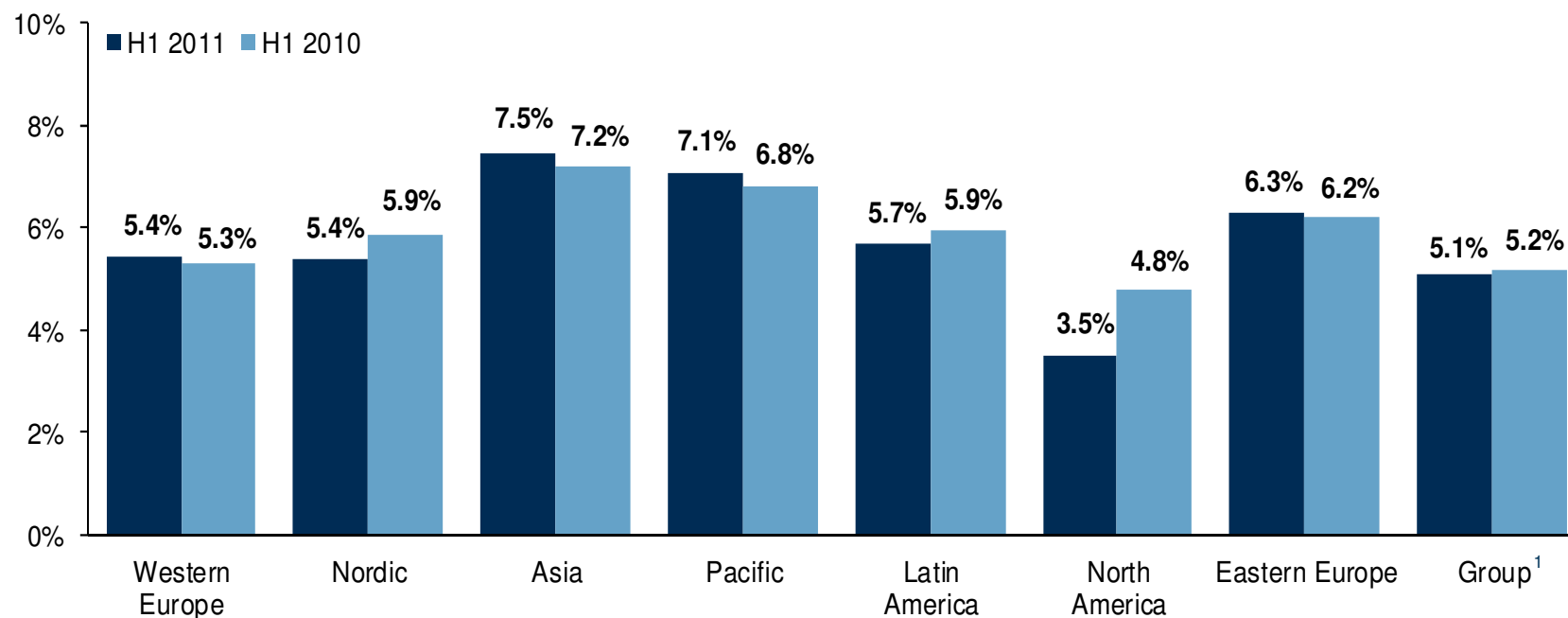
Revenue growth by component



1. Other Countries, which include Bahrain, Egypt, Nigeria, Pakistan, South Africa, Ukraine and United Arab Emirates, are not shown as a separate region but included in Group figures

# H1 Operating Margin by ISS region

## Operating Profit before Other Items (%)

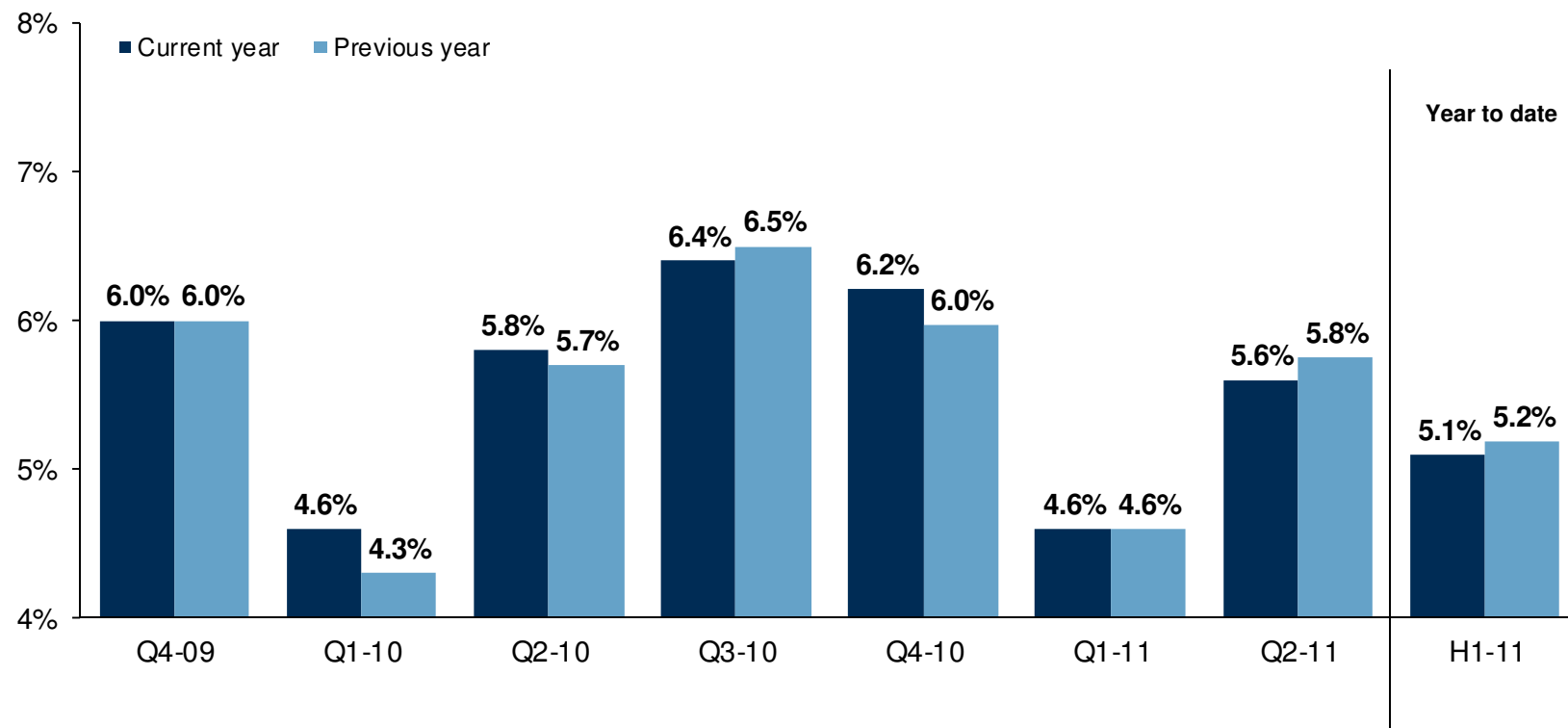


<sup>1</sup> Other Countries, which include Bahrain, Egypt, Nigeria, Pakistan, South Africa, Ukraine and United Arab Emirates, are not shown as a separate region but included in Group figures



# Seasonality of Operating Margin

Operating Profit before Other Items (%)



# H1 2011 summary overview - key figures

DKKm	2011	2010	Δ	FX	C <sup>1</sup>
Revenue	38,559	36,193	+7%	+2%	+5%
Operating profit before other items	1,959	1,877	+4%	+1%	+3%
Operating margin before other items	5.1%	5.2%			
Operating profit	1,830	1,588	+15%	+1%	+14%
Organic growth	6.0%	3.0%			

1. C: Growth at constant exchange rates

# Outlook<sup>1</sup>

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## Change in Outlook for 2011

- The high organic growth in the first six months of 2011 is considered sustainable and is expected to continue during 2011 unless macroeconomic factors should turn worse. Consequently, ISS expects organic revenue growth in 2011 to be in line with the level realised for the first six months of 2011
- The organic growth has been stronger than anticipated and operating profit before other items and operating profit is in 2011 expected to be above the level realised in 2010. However, the operating margin is now expected to be slightly below the level realised in 2010, also reflecting tougher business conditions in certain Mediterranean countries and the operational challenges in the Netherlands.
- Cash conversion for 2011 is expected to be slightly below the level realised in 2010

## Medium term targets

- Organic growth of at least 6%
- Operating margin of 6.5%

1. See the Outlook section on page 9 in the interim report

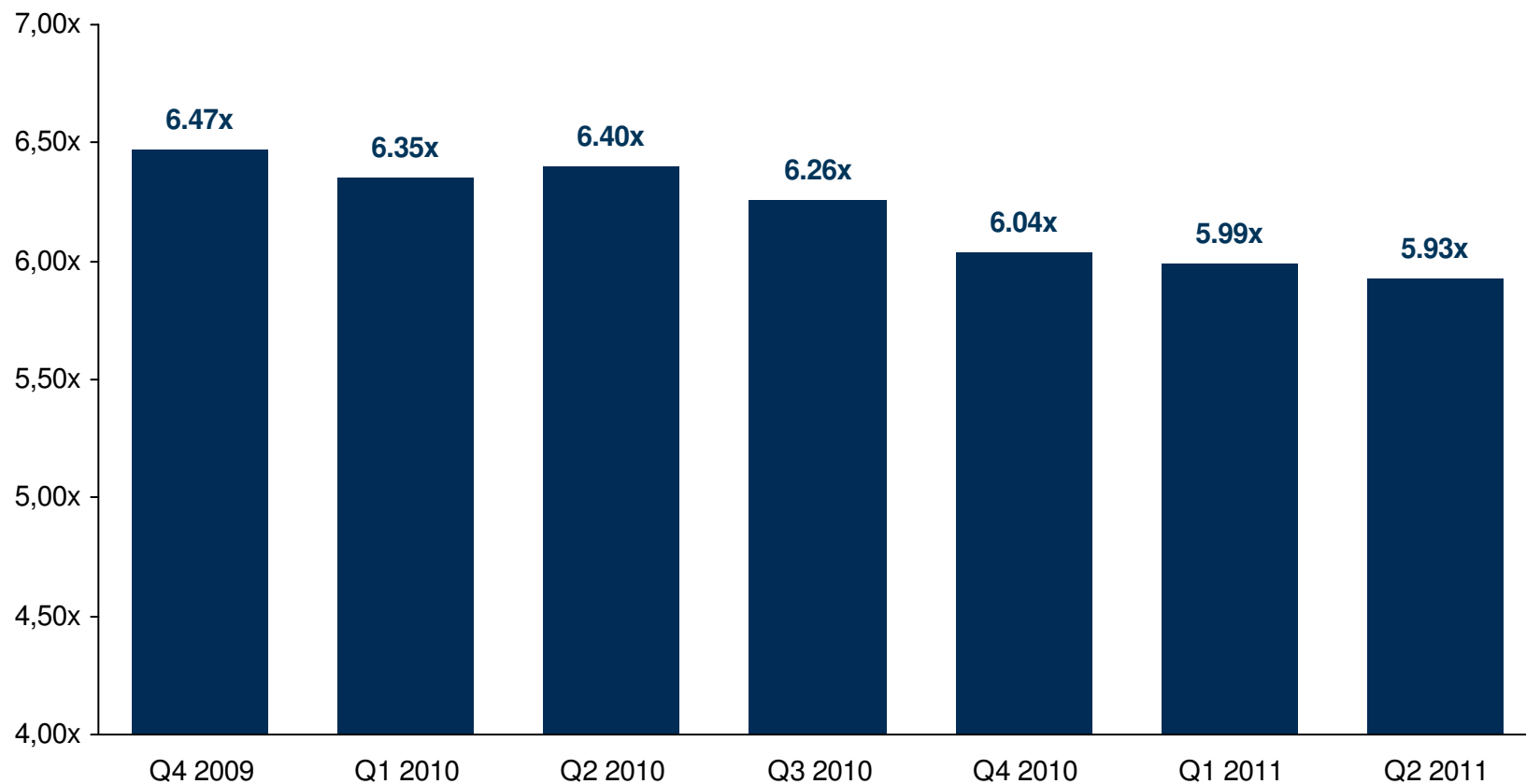


## Capital structure



# Continued deleverage

Pro forma Credit Ratios<sup>1</sup>



1. Seasonality adjusted carrying amount of net debt measured to Pro forma adjusted EBITDA

# Capital structure

Net debt – 30 June, 2011 <sup>1</sup>	DKKm <sup>2</sup>	Leverage <sup>3</sup>	% of Total
Cash, cash equivalents and securities	(2,542)	(0.49)x	(8%)
Senior Facilities	17,715	3.42x	56%
Second Lien	4,462	0.86x	14%
Senior Subordinated Notes due 2016	4,269	0.82x	14%
Senior Notes due 2014	3,789	0.73x	12%
Securitisation	2,482	0.48x	8%
Medium Term Notes due 2014	753	0.15x	2%
Interest rate swaps	48	0.01x	0%
Other Indebtedness	520	0.10x	2%
<b>Total Net Debt</b>	<b>31,496</b>	<b>6.08x</b>	<b>100%</b>
Seasonality changes in working capital	(769)		
<b>Seasonality adjusted Net Debt</b>	<b>30,727</b>	<b>5.93x</b>	

1. Measured at carrying amount of net debt.

2. Converted to DKK as per exchange rate of 30 June, 2011.

3. Measured to Pro forma adjusted EBITDA.

# Refinancing

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## **Amend and Extend of the Senior Facilities Agreement (effective 24 June, 2011)**

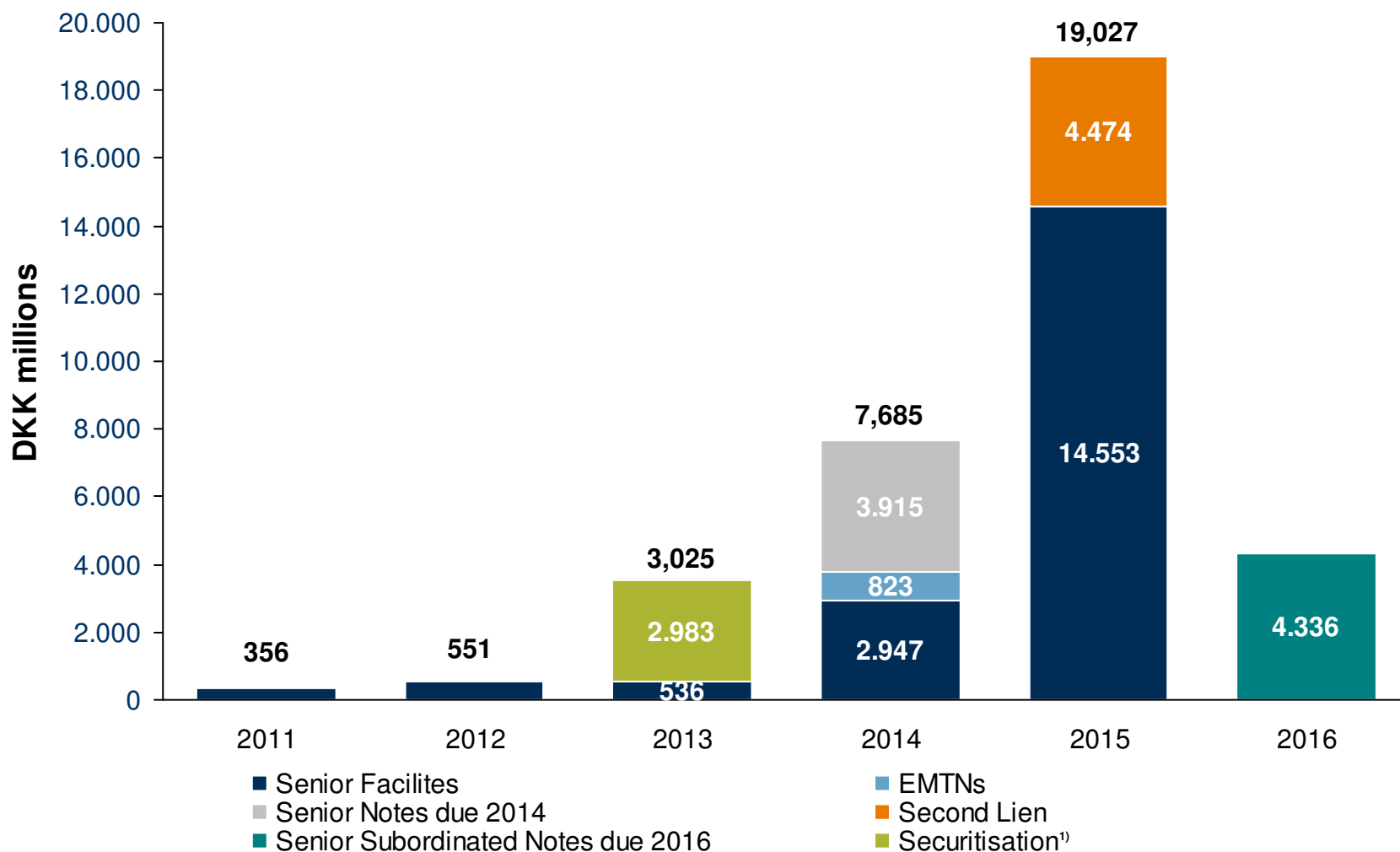
- ISS received extremely good support from the current lenders to extend the maturity of the RCF/LC facilities (2012 to December 2014) and TL B / Acquisition B (2013 to April 2015)
- Increased baskets and RCF capacity to reflect the doubling in size of the ISS Group since 2005 when such restrictions were put in place
- Selected covenants have been reset to reflect the higher cost of the debt (extended tranches + 150bps, consenting second lien lenders + 50bps), that securitisation now is included in the covenants, and to address an outdated covenant path originally set back in 2005

## **Securitisation of Trade Receivables (effective 1 July, 2011)**

- The programme has been extended with one year to September 2013, the size of the credit facility is reduced to EUR400m and the margin is down by 25 bps

**All upcoming refinancing issues have been addressed**

# Maturity of the credit facilities following extensions



1. The maturity of the securitisation programme was extended effectively 1 July 2011 from 2012 to September 2013.

2. The maturity profile above is based on the principal commitment values of the debt and does not reflect the actual drawn amount of debt



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## **Q&A**

### **Investor Presentation H1 2011 Results**

25 August 2011



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