



Investor Presentation Q3 2017 Results

8 November 2017

Forward-looking statements

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The Annual Report 2016 of ISS A/S is available at the Group’s website, www.issworld.com.

Agenda

- Highlights
- Regional Performance
- Financials
- Outlook
- Q&A
- Appendix

Highlights



Business Highlights Q3 2017

Financial Highlights

- Total revenue growth of 2% (Q2 2017: 2%)
- Organic revenue growth of 2.3% (Q2 2017: 1.0%)
- Operating margin of 6.3% (Q3 2016: 6.5%)
- Last twelve months (LTM) cash conversion of 99% (Q2 2017: 92%)
- Net profit (adjusted) of DKK 764 million (Q3 2016: DKK 789 million)
- Financial leverage of 2.7x (Q3 2016: 2.4x and Q2 2017: 2.8x)
- We are committed to delivering a nominal ordinary dividend in 2018 at least equal to 2017

Commercial and Operational Developments

- Revenue from Integrated Facility Services (IFS) increased 4% year-to-date in local currency (37% of Group revenue)
- Revenue from Global Corporate Clients (GCC) increased 12% year-to-date in local currency (12% of Group revenue)
- Organic growth supported by continued strength across several countries, notably Turkey, the USA and Switzerland, as well as a pick-up in non-portfolio from a low level in Q2
- Margins negatively impacted by FX and net acquisitions/divestments (combined 0.1% negative) as well as ongoing challenges in North America and Sweden
- Important new contract wins/expansions/extensions announced with the Deutsche Telekom (Germany), the Danish Defence (Denmark), Fulham Road Collaborative (UK) and Adana Hospital (Turkey)

Strategic Initiatives

- Ongoing Key Account focus and implementation of GREAT continues to deliver positive results...
- ...including securing the largest contract in ISS's history
- Continued investment in technology, including the roll-out of Intergration@ISS
- Integration of Guckenheimer, Evantec and Signal developing according to plan

Key contract updates



- Our contract with **DXC Technology** ceased as of 1 October...
- ...although c. 10% of the contract value has been retained for a 6-month period (principally Cleaning & Support Services in Europe)...
- ... we expect slightly more than a 1% negative impact on Group organic growth in Q4 and a negative impact on group margin (loss of mature contract)
- Our contract with **HP Inc.** will cease, on a phased basis, starting 1 February 2018
- We continue our efforts to secure some ongoing services for HP Inc. beyond Q1 2018



- Our contract with Shire was successfully launched in North America in June...
- ...and we continue to ramp-up our service delivery to 20,000+ Shire employees across more than 40 countries
- More than 1,200 sub-contractors have been consolidated under ISS
- Performance to-date is in line with expectations with a 'run-rate' of c. 70% during Q3
- Shire will account for c. 1% of group revenue when fully operational



FORSVARSMINISTERIETS
EJENDOMSSTYRELSE

- 6-year IFS contract signed with the Danish Defence
- Starting in February 2018 it will become the largest facility services contract ever outsourced in Denmark (c. DKK 0.5bn per annum) amounting to a near doubling of the contract value
- The partnership builds on an initial contract won in 2014 covering Western Denmark
- Under the new contract covering the entire country, ISS will deliver a range of services (across more than 500 sites)
 - Technical services
 - Building maintenance
 - Cleaning
 - Catering

Regional Performance



Regional performance Q3 2017

Continental Europe 38% of Group



4%

organic growth
(vs. 1% in Q2 2017)

- Growth mainly driven by contract launches in Turkey and Austria, as well as projects in Switzerland...
- ... partly offset by ongoing reduction of public sector exposure in Greece
- Sequential improvement driven mainly by Spain (successful expansion in Technical Services) as well as the contract launches in Turkey

6.8%

operating margin⁽¹⁾
(vs. 6.1% in Q3 2016)

- Improvement mainly driven by project work in Switzerland and Turkey, as well as improved performances in Spain and the Netherlands
- The Netherlands continues to see benefits from the GREAT implementation
- Improvements partly offset by Israel and Greece as a result of lower activity
- 9M 2017: 5.9% (9M 2016: 5.3%)

Northern Europe 31% of Group



1%

organic growth
(vs. 1% in Q2 2017)

- Growth supported by contract launches, notably in Denmark and Norway ...
- ... partly offset by contract losses and downscaling in the Industry & Manufacturing segment in Sweden
- Organic growth slower in the UK

8.6%

operating margin⁽¹⁾
(vs. 8.9% in Q3 2016)

- Decrease due to Sweden – operational challenges (Cleaning and Healthcare) and investment in building-out Technical Services credentials
- Margin increases in Norway, Finland and Denmark
- 9M 2017: 6.9% (9M 2016: 7.3%)

(1) Operating profit before other items and corporate costs

Regional performance Q3 2017

Asia Pacific 18% of Group



1%

organic growth
(vs. 0% in Q2 2017)

- Organic growth was mainly driven by contract launches in India, Indonesia and Singapore partly offset by expected negative organic growth in China and Australia.
- Negative organic growth in China resulting from structural adjustments to our operating model
- Sequential improvement driven by ongoing annualisation of 2016 contract losses in Australia

7.6%

operating margin⁽¹⁾
(vs. 7.8% in Q3 2016)

- Decline driven mainly by China as a result of the structural revenue reduction, as well as Australia ...
- ... partly offset by margin increases in India and Singapore
- 9M 2017: 7.5% (9M 2016: 7.1%)

Americas 13% of Group



3%

organic growth
(vs. 1% in Q2 2017)⁽²⁾

- Organic growth mainly driven by a strong performance in North America, benefiting from the launch of Shire and other new IFS contracts, as well as non-portfolio services
- Contract launches in Mexico and Chile
- Growth remains materially negative in Brazil, as expected, following structural adjustments of our business platform
- Sequential improvement in organic growth driven by North America and Brazil

2.5%

operating margin⁽¹⁾
(vs. 4.7% in Q3 2016)⁽²⁾

- Decline driven by IFS contract start-up costs and continued underperformance within the Specialised Services division in North America
- Margin in Brazil remains negatively impacted by the structural adjustments of our business platform
- One-off costs related to contract exits faced across the region
- 9M 2017: 2.9% (9M 2016: 4.0%)

⁽¹⁾ Operating profit before other items and corporate costs

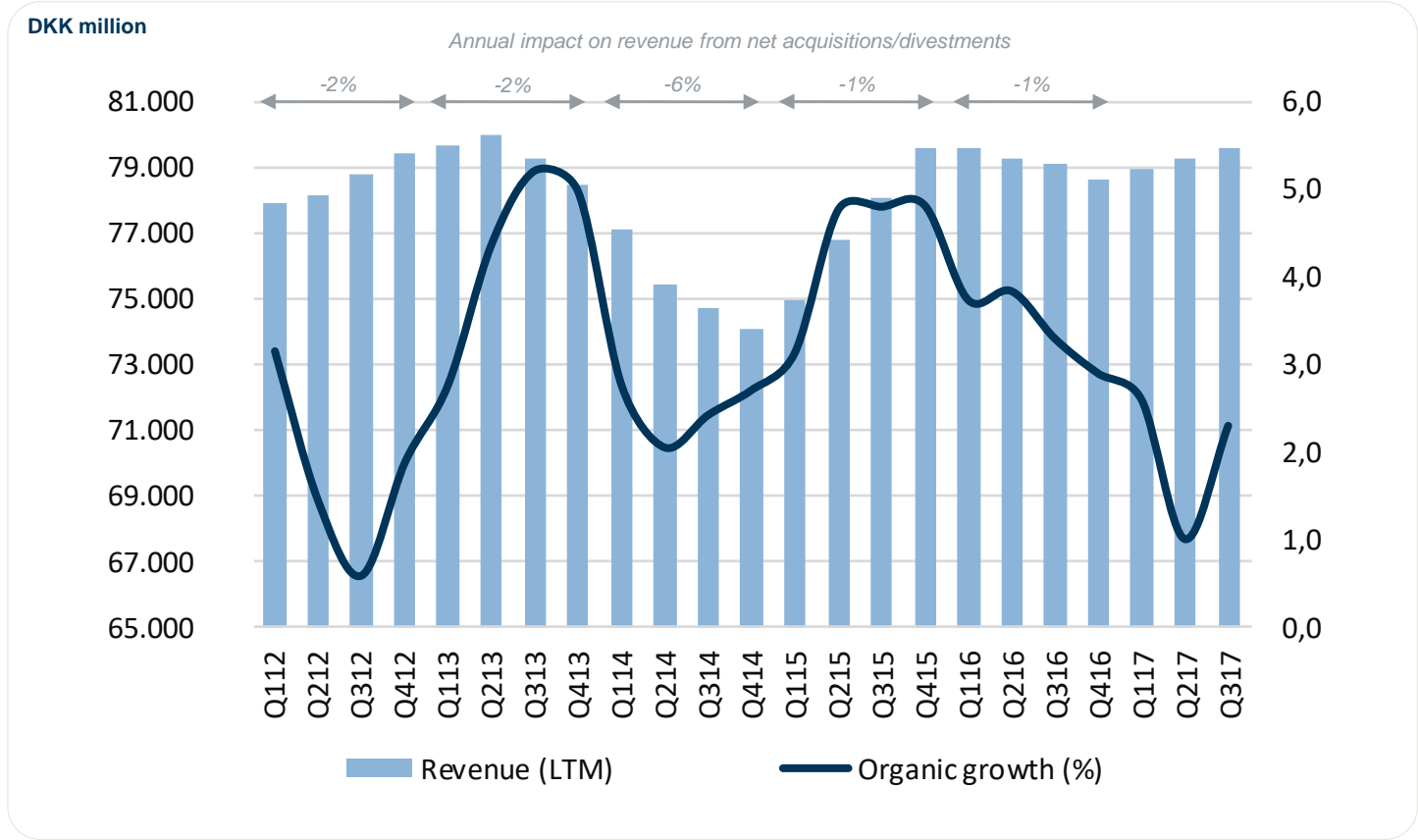
⁽²⁾ As of 30 June 2017, Argentina and Uruguay have been classified as discontinued operations. Comparative figures have been restated accordingly

Financials



Organic growth

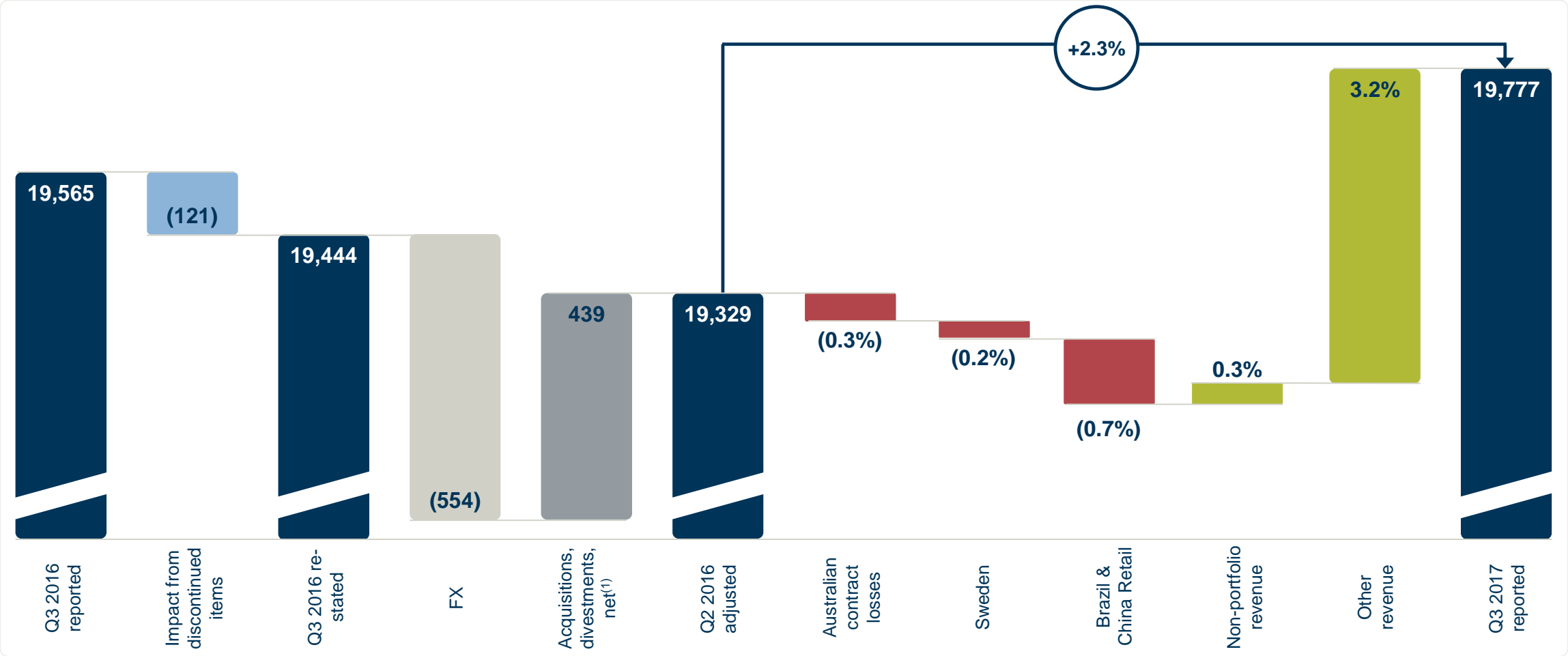
Q3 2017 organic growth of 2.3%



Pick-up, as expected, from the low-point in Q2



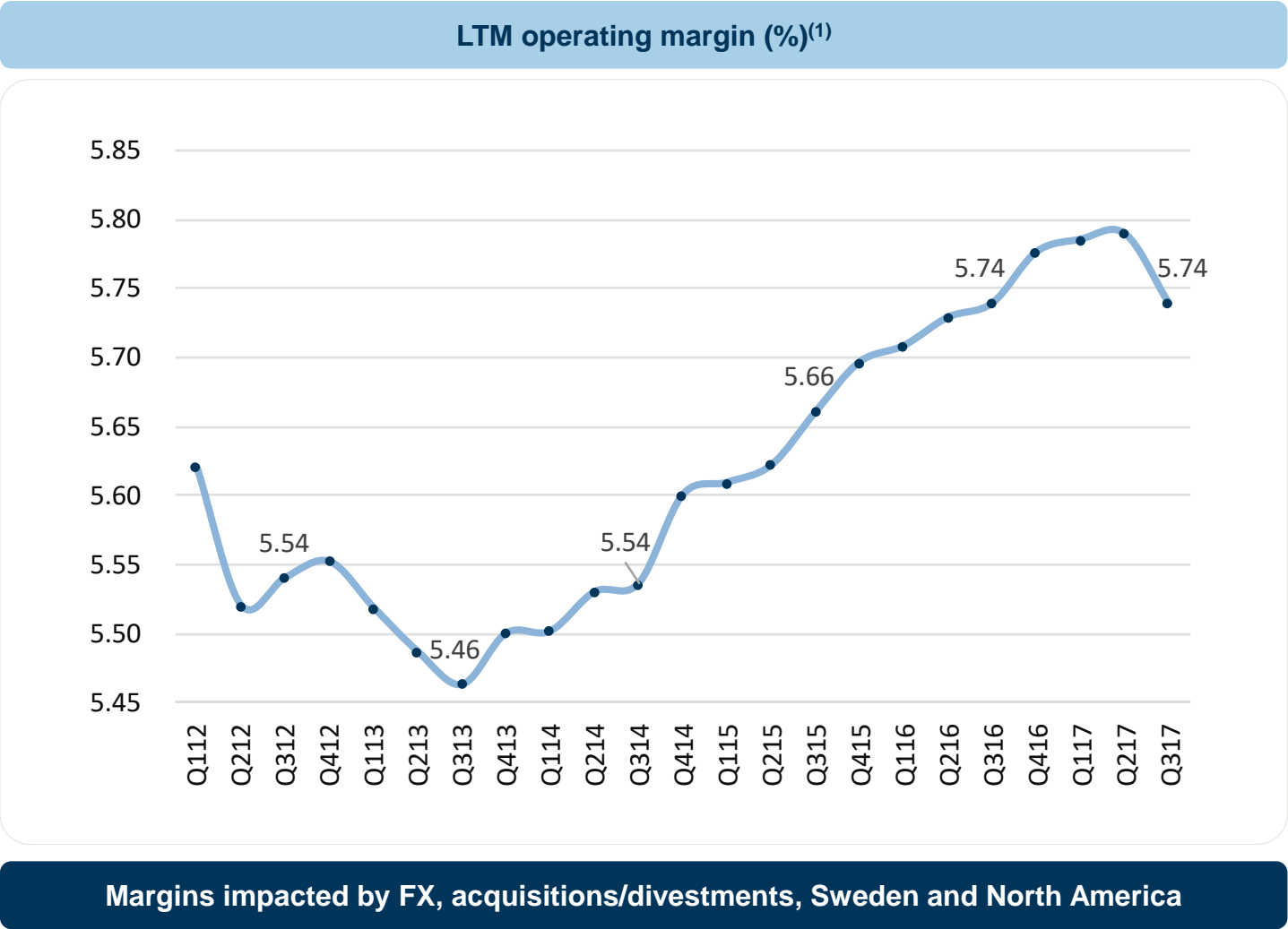
Q3 2017 organic growth drivers (DKK m)



(1) Any acquisitions or divestments completed after 30 June 2016 are included within the Q3 2016 adjusted revenue but only for the equivalent period of time that they impact the Q3 2017 reported result.



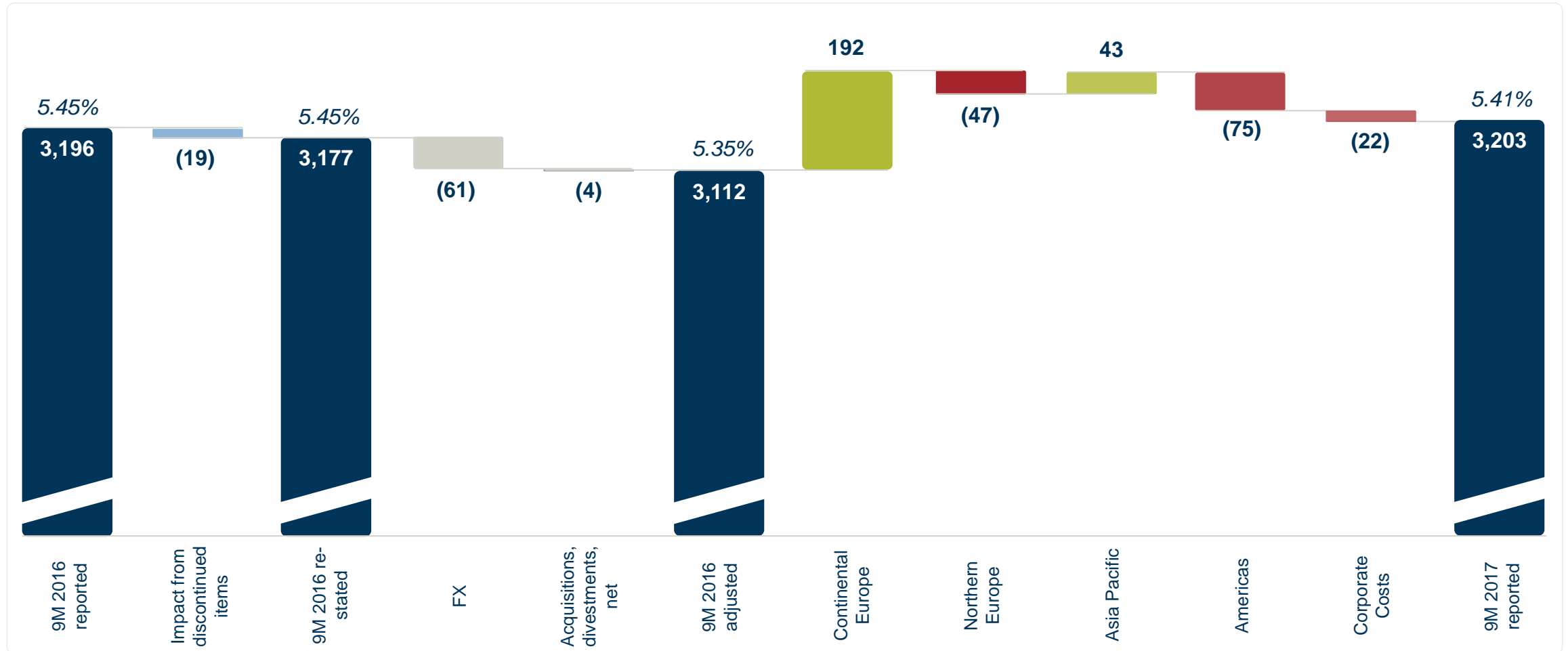
Operating margin



(1) Operating profit before other items. As of 30 June 2017, Argentina and Uruguay have been classified as discontinued operations. Comparative figures from Q4 2016 have been restated accordingly

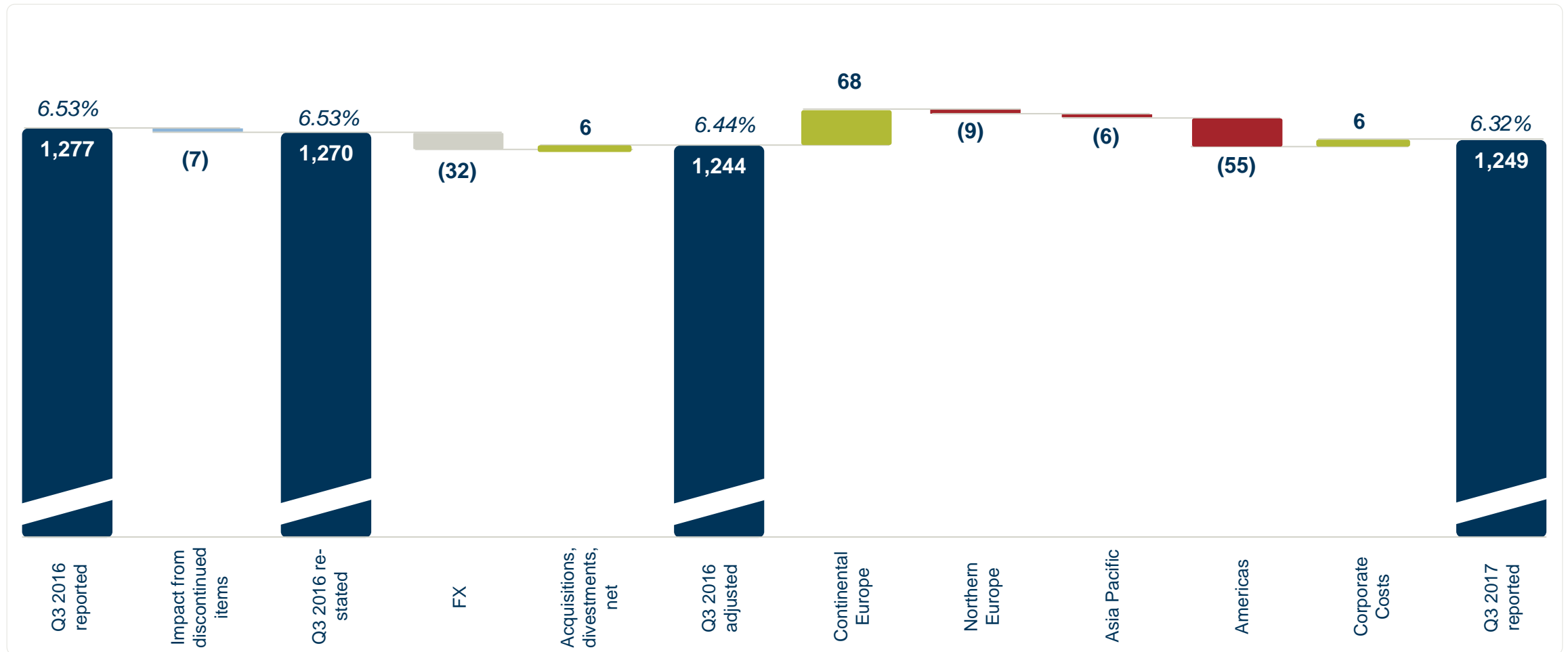


9M 2017 operating profit drivers (DKK m)



(1) Any acquisitions or divestments completed after 1 January 2016 are included within the 9M 2016 adjusted operating profit but only for the equivalent period of time that they impact the 9M 2017 reported result.

Q3 2017 operating profit drivers (DKK m)



(1) Any acquisitions or divestments completed after 30 June 2016 are included within the Q3 2016 adjusted operating profit but only for the equivalent period of time that they impact the 3Q 2017 reported result.

Income Statement

DKK million	Q3 2017	Q3 2016	Δ	YTD 2017	YTD 2016	Δ
Revenue	19,777	19,444	333	59,245	58,274	971
Operating expenses	(18,528)	(18,174)	(354)	(56,042)	(55,097)	(945)
Operating profit before other items	1,249	1,270	(21)	3,203	3,177	26
Other income and expenses, net	(81)	(35)	(46)	(292)	(123)	(169)
Operating profit	1,168	1,235	(67)	2,911	3,054	(143)
Financial income and expenses, net	(143)	(139)	(4)	(392)	(356)	(36)
Profit before tax	1,025	1,096	(71)	2,519	2,698	(179)
Income taxes	(261)	(307)	46	(642)	(754)	112
Net profit (adjusted)	764	789	(25)	1,877	1,944	(67)
Goodwill impairment	-	-	-	-	(24)	24
Amortisation and impairment of brands and customer contracts	(131)	(157)	26	(393)	(474)	81
Income tax effect	29	40	(11)	87	123	(36)
Net profit from continuing business	662	672	(10)	1,571	1,569	2
Net profit/(loss) from discontinued operations	0	(0)	0	(70)	(0)	(70)
Net profit	662	672	(10)	1,501	1,569	(68)
Adjusted EPS, DKK ⁽¹⁾	4.1	4.3	(0.2)	9.8	10.5	(0.7)
Adjusted EPS from continuing operations, DKK ⁽²⁾	4.1	4.3	(0.2)	10.1	10.5	(0.4)

- DKK 113m of restructuring projects driven by Sweden and implementation of GREAT, most importantly France and Netherlands
- DKK 26m income related to adjustment to prior years' acquisitions mainly related to final settlements in relation to the acquisition of GS Hall in 2015

DKK million	Q3 2017	Q3 2016
Net interest expense	(94)	(87)
Amortisation of financing fees	(16)	(9)
Other ⁽³⁾	(22)	(27)
FX	(11)	(16)
Financial income and expenses, net	(143)	(139)

Effective tax rate of 25.5% positively impacted by significant non-taxable gains on divestments.
Effective underlying tax rate c.26%.

DKK million	Q3 2017	Q3 2016
Revenue	87	121
Operating profit before other items	1	7
Net profit (adjusted)	0	(0)
Net profit	0	(0)

(1) Calculated as Net profit (adjusted) divided by the average number of shares (diluted)

(2) Calculated as Net profit from continuing operations (adjusted) divided by the average number of shares (diluted)

(3) Includes recurring items – for example interest on defined benefit obligations and local banking fees



Cash Flow

DKK million	Q3 2017	Q3 2016	Δ	YTD 2017	YTD 2016	Δ
Operating profit before other items	1,249	1,270	(21)	3,203	3,177	26
Operating profit from discontinued operations	1	7	(6)	4	19	(15)
Depreciation and amortisation	182	158	24	535	513	22
Changes in provisions, pensions and similar obligations	(9)	(15)	6	(146)	(96)	(50)
	1,423	1,420	3	3,596	3,613	(17)
Share based payments	(15)	23	(38)	7	68	(61)
Changes in working capital	49	(286)	335	(1,746)	(1,833)	87
Other expenses paid	(133)	(39)	(94)	(290)	(124)	(166)
Net interest paid/received	(32)	(40)	8	(220)	(168)	(52)
Income taxes paid	(177)	(160)	(17)	(653)	(607)	(46)
Cash flow from operating activities	1,115	918	197	694	949	(255)
Cash flow from investing activities	(237)	(181)	(56)	(2,106)	(496)	(1,610)
Cash flow from financing activities	(25)	(655)	630	883	(2,110)	2,993
Total cash flow	853	82	771	(529)	(1,657)	1,128
Free Cash Flow⁽¹⁾	867	742	125	2	498	(496)

Change mainly driven by quarterly timing differences as well as a negotiated reduction in a pension obligation in Continental Europe (approximately DKK 60m)

Q3 LTM cash conversion at 99% (Q2 LTM 92%)

Increase driven by restructuring expenses paid in Sweden as well as timing of restructuring expenses paid related to the ongoing roll out of GREAT in especially the Netherlands and France

Investments in intangible assets and property, plant and equipment, net, of DKK 238m or 1.2% of group revenue (9M 2017: 1.1%)

Net cash inflow of DKK 883 m mainly related to the issuance of the 10-year, EUR 600m bond in August, partly offset by the repayment of EUR 300 million Term Loan B and dividends paid to shareholders

(1) Cash flow from operating activities + (Cash flow from investing activities less acquisition/divestment of businesses, net)

Outlook

Outlook 2017

Organic Growth 'around 2%'

*Previously: 1.5% - 2.5%
(2016 3.4%)*

- The narrowing of the organic growth expectation is mainly a result of our increased visibility on full year performance
- Overall growth will continue to be supported by the positive developments across a number of our countries and further success in IFS, driven by both expansion of existing customer relationships and new customer wins
- The growth continues to be impacted by weaker 2017 revenue in Sweden and China, a generally weaker demand for non-portfolio services and a negative impact from the reduction in revenue with DXC Technology, commencing in Q4 2017

Impact on total revenue from divestments, acquisitions and foreign exchange rates in 2017

- We expect a negative impact from development in foreign exchange rates of approximately 2%⁽²⁾
- We expect a positive impact from divestments and acquisitions of approximately 1%⁽³⁾

Operating Margin 'In line with the 2016 level excl. acquisitions, divestments and FX'

*Previously: 'Above the level
realised in 2016'
(2016: 5.78%⁽¹⁾)*

- The reduction of the operating margin expectation is mainly a result of the continued significant negative impact from acquisitions and divestments as well as negative currency translation effects of around net 0.1%-point
- Furthermore, the weaker margin performance seen in especially Sweden and North America is expected to continue into the first half of 2018
- In addition, we are impacted by a change in mix of our contract portfolio as a number of our mature contracts have either been replaced by new contracts or have been renewed

Cash Conversion 'Above 90%' (2016: 98%)

- Unchanged from Annual Report 2016 outlook

⁽¹⁾ Re-stated for the reclassification of discontinued operations (Argentina and Uruguay)

⁽²⁾ The forecasted average exchange rates for the financial year 2017 are calculated using the realised average exchange rates for the first ten months of 2017 and the average forward exchange rates (as of 1 November, 2017) for the last two months of 2017

⁽³⁾ Based on divestments and acquisitions completed by 31 October 2017

Q&A

Appendix

Income Statement 2016 - Restated for discontinued operations

<i>DKK million</i>	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Revenue	19,062	19,768	19,444	20,384	78,658
Operating expenses	(18,213)	(18,710)	(18,174)	(19,018)	(74,115)
Operating profit before other items	849	1,058	1,270	1,366	4,543
Other income and expenses, net	(28)	(60)	(35)	(9)	(132)
Operating profit	821	998	1,235	1,357	4,411
Financial income and expenses, net	(103)	(114)	(139)	(109)	(465)
Profit before tax	718	884	1,096	1,248	3,946
Income taxes	(200)	(247)	(307)	(311)	(1,065)
Net profit (adjusted)	518	637	789	937	2,881
Goodwill impairment	-	(24)	-	(178)	(202)
Amortisation and impairment of brands and customer contracts	(161)	(156)	(157)	(168)	(642)
Income tax effect	42	41	40	68	191
Net profit from continuing business	399	498	672	659	2,228
Net profit/(loss) from discontinued operations	(0)	(0)	(0)	(8)	(8)
Net profit	399	498	672	651	2,220
Group, Organic growth	3.6%	3.7%	3.2%	2.9%	3.4%
Americas, Organic growth	1%	3%	7%	12%	6%
Group, Operating margin ⁽¹⁾	4.5%	5.4%	6.5%	6.7%	5.8%
Americas, Operating margin ⁽²⁾	3.1%	4.1%	4.7%	4.5%	4.1%

(1) Operating profit before other items.

(2) Operating profit before other items and corporate costs