TRADING UPDATE FOR 1 JANUARY – 30 SEPTEMBER 2019

Strong organic growth. Outlook for operating margin and free cash flow reduced

ISS (ISS.CO, ISS DC, ISSDY), a leading workplace experience and facility management company, announces its trading update for the first nine months of 2019.

HIGHLIGHTS

- Revenue increased by 6.3% in the first nine months of 2019 and 8.9% in Q3 (Q2 2019: 5.0%).
- Organic growth of 6.8% in the first nine months of 2019 and 8.4% in Q3 (Q2 2019: 5.8%) was driven by the launch of the Deutsche Telekom contract, strong commercial momentum with a high level of key account contract wins, extensions and expansions as well as projects and above-base work. Organic growth from key accounts was 9.7% in the first nine months of 2019 and 12.9% in Q3, representing 62% of Group revenue (H1 2019: 61%).
- On 1 July 2019, Deutsche Telekom, the single largest contract in ISS history, was launched on time across all sites, hereby driving close to 4% organic growth in Q3. The operational stabilisation following the launch is progressing and is expected to be completed in the coming months. On that basis, contract revenue and profitability expectations for 2019 remain unchanged.
- On 27 May 2019, we announced that our current contract with Novartis maturing 31 December 2019, with an annual revenue of around DKK 2.0 billion, is not likely to be extended. There are ongoing discussions with the customer and the new provider. We now expect to continue service delivery in a few key countries.
- The 2019 outlook for organic growth remains unchanged from our Q2 Interim Report 2019, whereas outlook for operating margin and free cash flow is adjusted:
    - Organic growth expectations for 2019 remain unchanged at 6.5%-7.5%, and we are on track to deliver organic growth of more than 4% in 2020.
    - Operating margin is, however, negatively impacted by delayed operational improvements in France. In addition, one loss-making contract in Denmark and one in Hong Kong are not recovering according to plan, which is expected to require a one-off provision for onerous contracts. As a result, the outlook for operating margin for 2019 is adjusted to above 4.2% (previously 5.0%-5.1%). In 2020, we expect operating margin to be around 5.0%.
    - We have made good progress on a number of free cash flow improvement initiatives, among others debtor days, supplier payment terms and capital investments. However, our free cash flow is expected to be impacted by the lower operating margins as well as a stricter factoring policy, leading to an expected reduction of factoring in 2019 of around DKK 1 billion (previously an expected reduction of around DKK 200 million). As such, the outlook for free cash flow for 2019 is adjusted to DKK 0.6-1.0 billion (previously DKK 1.8-2.2 billion) and to DKK 1.6-2.0 billion excluding the variation in factoring (previously DKK 2.0-2.4 billion). In 2020, we expect free cash flow to be DKK 2.1-2.5 billion with a broadly neutral impact from factoring.
- Our medium-term targets remain unchanged with 4%-6% organic growth, around 5.5% operating margin and around DKK 3.0 billion in free cash flow. However, as a result of our decision to spread the transformational investment programme over 2019-2021 (previously 2019-2020), we may not reach these medium-term targets until 2022 (previously 2021).

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GROUP PERFORMANCE

REVENUE DEVELOPMENT [1)]

January – September 2019

Group revenue for the first nine months of 2019 was DKK 57.7 billion, an increase of 6.3% compared with the same period last year. Organic growth was 6.8% and currency effects were 0.8%, while acquisitions and divestments, net reduced revenue by 1.3%.

The strong organic growth was driven by the launch of the Deutsche Telekom contract as well as generally strong commercial momentum with a high level of key account contract wins, extensions and expansions. In addition, the contribution from projects and above-base work remained solid, albeit with a slow-down towards the end of the period. All regions delivered positive organic growth with double-digit rates in Continental Europe and mid-single digit rates in Northern Europe and Asia & Pacific. Americas also delivered positive growth despite revenue reductions on the back of planned exits from small specialised services contracts.

[1)] All comments covering revenue and organic growth are on continuing operations.

Q3 2019

Group revenue in Q3 was DKK 19.8 billion, an increase of 8.9% compared with the same period last year. Organic growth was 8.4% (Q2 2019: 5.8%), currency effects were 1.2%, while acquisitions and divestments, net reduced revenue by 0.7%.

Organic growth was supported by the launch of the Deutsche Telekom contract on 1 July driving close to 4% organic growth, as well as generally strong commercial momentum with a high level of key account contract wins, extensions and expansions. Organic growth from projects and above-base work was broadly neutral as a result of high 2018 comparator performance and lower demand in a few countries. All regions delivered positive organic growth with significant double-digit growth rates in Continental Europe. Northern Europe and Asia & Pacific delivered strong growth in the mid-single digit range. Americas continued to deliver organic growth despite revenue reductions on the back of planned exits from small specialised services contracts.

REVENUE AND GROWTH YTD SEPTEMBER 2019

DKK million	2019	2018	Organic growth	Acq./div.	Currency adj.	Growth 2019
Continental Europe	22,354	20,700	11 %	(2)%	(1)%	8 %
Northern Europe	18,412	17,979	4 %	(1)%	(1)%	2 %
Asia & Pacific	10,179	9,414	5 %	-	3 %	8 %
Americas	6,229	5,770	2 %	-	6 %	8 %
Other countries	558	483	9 %	4 %	3 %	16 %
Corporate / eliminations	(36)	(52)	-	-	-	-
Group	**57,696**	**54,294**	**6.8 %**	**(1.3)%**	**0.8 %**	**6.3 %**

REVENUE AND GROWTH Q3 2019

DKK million	Q3 2019	Q3 2018	Organic growth	Acq./div.	Currency adj.	Growth Q3 2019
Continental Europe	7,977	6,889	16 %	(2)%	2 %	16 %
Northern Europe	6,068	5,956	3 %	(0)%	(1)%	2 %
Asia & Pacific	3,461	3,198	5 %	-	3 %	8 %
Americas	2,122	2,006	1 %	(0)%	5 %	6 %
Other countries	191	164	8 %	4 %	4 %	16 %
Corporate / eliminations	(9)	(16)	-	-	-	-
Group	**19,810**	**18,197**	**8.4 %**	**(0.7)%**	**1.2 %**	**8.9 %**

BUSINESS DEVELOPMENT

Delivering service solutions to our key account customers, especially Integrated Facility Services (IFS), is a key part of our strategy.

In total, key accounts represented 62% of Group revenue in the first nine months of 2019 (H1 2019: 61%). Organic growth from key accounts was 9.7% (Q3 2019: 12.9%) significantly supported by the launch of the Deutsche Telekom contract on 1 July, the single largest contract in ISS history. The launch was on time and on all sites. The operational stabilisation following the launch is progressing and is expected to be completed in the coming months. On that basis, contract revenue and profitability expectations for 2019 remain unchanged.

Revenue from global key accounts represented 16% of Group revenue in the first nine months of 2019 and organic growth was 7.9% (Q3 2019: 9%).

Growth was driven by contracts launched in 2018, primarily with an international food and beverage company and a company in the Industry & Manufacturing segment.

Furthermore, growth was driven by the start-up of a new contract with a technology service company and the expansion with Vattenfall, as well as recent expansion of the Barclays contract, partly driven by our strengthened capabilities within catering and workplace management and design. We also experienced high demand for non-portfolio services across our global key account contracts.

Since full year results published in February 2019, we have signed a significant new key account contract with the Danish Building and Property Agency in Denmark. In addition, we extended and expanded a number of contracts, see the contract overview below.

On 27 May 2019, we announced that our current contract with Novartis maturing 31 December 2019, with an annual revenue of around DKK 2.0 billion, is not likely to be extended. The annualised first year net negative margin impact, including exit-related costs, is expected to be 0.1-0.2%-points. There are ongoing discussions with the customer and the new provider. We now expect to continue service delivery in a few key countries.

MAJOR KEY ACCOUNT DEVELOPMENTS [1]	COUNTRIES	SEGMENT	TERM	EFFECTIVE DATE
WINS				
Public Administration Company	Iberia	Public Administration	1 year	Q3 2019
The Danish Building and Property Agency	Denmark	Public Administration	7 years	Q4 2019
EXTENSIONS/EXPANSIONS				
CITI Americas	Mexico	Business Services & IT	5 years	Q1 2019
Santander	UK	Business Services & IT	5 years	Q2 2019
Singapore General Hospital	Singapore	Healthcare	5 years	Q2 2019
Food and beverage company	Global	Industry and Manufacturing	5 years	Q2 2019
International bank	Italy	Business Services & IT	5 years	Q2 2019
Danske Bank	Global	Business Services & IT	3 years	Q2 2019
National University Health Systems	Singapore	Healthcare	3 years	Q2 2019
Roy Hill Holdings	Australia	Energy and Resources	3 years	Q2 2019
Financial services company	Spain	Business Services & IT	5 years	Q3 2019
International manufacturing company	Global	Industry and Manufacturing	5 years	Q3 2019
Global professional services company	Nordic	Business Services & IT	5 years	Q4 2019
International Bank	Switzerland	Business Services & IT	5 years	Q4 2019
Hotel chain	Norway	Hotel, Leisure & Entertainment	5 years	Q1 2020
Energy and resource company	Germany	Energy and Resources	2 years	Q1 2020
Vattenfall	Germany	Industry and Manufacturing	2 years	Q1 2020
Foreign Commonwealth Office	Asia & Pacific	Business Services & IT	1 year	Q1 2020
Brisbane Airport	Asia & Pacific	Transportation and storage	3 years	Q4 2019
LOSSES/REDUCTIONS				
Novartis	Global	Pharmaceuticals	-	Q1 2020
Norwegian Defence	Norway	Public Administration	-	Q1 2020
ICA	Sweden	Retail and Wholesale	-	Q4 2019

[1] Update since Annual Report 2018.

REGIONAL PERFORMANCE

CONTINENTAL EUROPE

Revenue increased 8% to DKK 22,354 million in the first nine months of 2019. Organic growth was 11% (H1 2019: 8%), while acquisitions and divestments, net and currency effects reduced revenue by 2% and 1%, respectively. Growth was mainly driven by Germany due to the launch of the Deutsche Telekom contract as well as high demand for non-portfolio services in the automotive and pharma divisions. Organic growth was also supported by key accounts in especially Turkey, Iberia and the Netherlands as well as price increases in Turkey due to high inflation. Adjusted for price increases in Turkey, organic growth in Continental Europe was 9%.

In Q3, revenue increased 16% to DKK 7,976 million driven by organic growth of 16% (Q2 2019: 9%) and positive currency effects of 2%, while the impact from acquisitions and divestments, net decreased revenue by 2%. The organic growth was especially driven by the contract launch of Deutsche Telecom, which went live on 1 July. Furthermore, organic growth was supported by key accounts in Turkey, Spain and Belgium and generally strong growth across the region with several countries reaching double-digit growth rates. Growth was partly offset by lower demand for projects and above-base work.

NORTHERN EUROPE

Revenue increased 2% to DKK 18,412 million in the first nine months of 2019. Organic growth was 4% (H1 2019: 5%), while acquisitions and divestments, net reduced revenue by 1% and currency effects had a negative impact of 1%. Growth was mainly supported by several contract launches in the UK and Denmark as well as a generally solid demand for projects and above-base work.

In Q3, revenue increased 2% to DKK 6,068 million, reflecting an organic growth of 3% (Q2 2019: 4%) and a negative currency impact of 1%. The organic growth was mainly driven by key account contract launches in the UK. The demand for projects and above-base work was broadly unchanged compared to the same period last year.

ASIA & PACIFIC

Revenue increased 8% to DKK 10,179 million in the first nine months of 2019. Organic growth was 5% (H1 2019: 5%) and currency effects were 3%. Almost all countries in the region delivered positive organic growth though mainly driven by contract launches in the second half of 2018 in Australia and global key account contract launches in China. Furthermore, growth was supported by project work in Singapore and price increases in Indonesia.

In Q3, revenue increased 8% to DKK 3,461 million representing an organic growth of 5% (Q2 2019: 5%) and positive currency effects of 3%. The organic growth was mainly due to contract launches, especially in Australia, as well as price increases in Indonesia. The demand for projects and above-base work was broadly unchanged compared to the same period last year.

AMERICAS

Revenue increased 8% to DKK 6,229 million in the first nine months of 2019. Organic growth was 2% and currency effects increased revenue by 6%. North America delivered positive organic growth driven by key account contract expansions and launches in Food Services and the aviation segment. This was partly offset by the planned exits from small specialised services contracts. Mexico delivered positive organic growth due to key account contract launches.

In Q3, revenue increased 6% to DKK 2,122 million reflecting organic growth of 1% (Q2 2019: 2%) and positive currency effects of 5%. Organic growth was negatively impacted by the planned exits from small specialised services contracts. Excluding these exits, organic growth was 5%, mainly driven by key account contract launches on the back of strengthening capabilities within Food Services and workplace management and design. The aviation segment in North America also delivered solid growth, while the demand for projects and above-base work was broadly unchanged compared to the same period last year.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

In December 2018, we announced our intention to divest 13 countries (in addition to Argentina and Uruguay) and a number of business units. The strategic divestment programme, to be completed by 2020, is proceeding according to plan.

Argentina and Uruguay were divested in January and Estonia was divested in July. Additionally, the divestment of the Group's activities in Israel was completed in October. Thus, by the end of October 2019, four of the 15 countries classified as discontinued operations had been divested.

During the first nine months of 2019, we divested some minor non-core cleaning activities in Spain and in October, we divested some minor non-core activities in Germany.

Furthermore, on 4 September 2019 we reached an agreement to divest the Group's Hygiene & Prevention business in France.

As communicated in the Q2 Interim Report 2019, we acquired JH Catering Ltd. in Austria and the Front of House activities of Avarn Security Oy with an estimated annual revenue of DKK 63 million and DKK 61 million, respectively and around 240 employees in total.

STATEMENT OF FINANCIAL POSITION

There have been no material changes in our statement of financial position since the announcement of our Q2 Interim Report 2019.

On 14 October 2019, we announced the early redemption of EUR 700 million bonds (maturing 9 January 2020), with the purpose of reducing gross debt and excess liquidity, using EUR 200 million in surplus cash from operations together with net proceeds from the 11 June 2019 issuance of EUR 500 million bonds.

OUTLOOK

OUTLOOK 2019 AND EXPECTATIONS FOR 2020

This outlook should be read in conjunction with “Forward-looking statements”, cf. the table on next page.

The 2019 outlook for organic growth remains unchanged from our Q2 Interim Report 2019, whereas outlook for operating margin and free cash flow is adjusted.

Organic growth expectations for 2019 remain unchanged at 6.5%-7.5%, and we are on track to deliver organic growth of more than 4% in 2020.

Operating margin is, however, negatively impacted by delayed operational improvements in France. In addition, one loss-making contract in Denmark and one in Hong Kong are not recovering according to plan, which is expected to require a one-off provision for onerous contracts. As a result, the outlook for operating margin for 2019 is adjusted to above 4.2% (previously 5.0%-5.1%). In 2020, we expect operating margin to be around 5.0%.

We have made good progress on a number of free cash flow improvement initiatives, among others debtor days, supplier payment terms and capital investments. However, our free cash flow is expected to be impacted by the lower operating margins as well as a stricter factoring policy, leading to an expected reduction of factoring[1)] in 2019 of around DKK 1 billion (previously an expected reduction of around DKK 200 million). As such, our outlook for free cash flow for 2019 is adjusted to DKK 0.6-1.0 billion (previously DKK 1.8-2.2 billion) and to DKK 1.6-2.0 billion excluding the variation in factoring[1)] (previously DKK 2.0-2.4 billion). In 2020, we expect free cash flow to be DKK 2.1-2.5 billion with a broadly neutral impact from factoring[1)].

EXPECTED IMPACT FROM DIVESTMENTS, ACQUISITIONS AND FOREIGN EXCHANGE RATES IN 2019

We expect the divestments and acquisitions completed by 31 October 2019 (including in 2018) to negatively impact the revenue growth in 2019 by approximately 1%-point. Based on the forecasted average exchange rates for the year 2019[2)] we expect a positive impact on revenue growth in 2019 of approximately 0%-1%-point from the development in foreign exchange rates.

2019 OUTLOOK			
	Trading Update 30 September 2019	Interim report 30 June 2019	Annual report 2018
Organic growth	6.5%-7.5%	6.5%-7.5%	5%-7%
Operating margin	Above 4.2%	5.0%-5.1%	5.0%-5.2%
Free cash flow	DKK 0.6-1.0 bn	DKK 1.8-2.2 bn	DKK 1.8-2.2 bn

EXPECTATIONS FOR 2020 AND MEDIUM-TERM		
	2020	Medium-term
Organic growth	Above 4%	Industry-leading organic growth of 4%-6%
Operating margin	Around 5.0%	Stable operating margins around 5.5%
Free cash flow	DKK 2.1-2.5 bn	Strong free cash flow around DKK 3.0 bn

MEDIUM-TERM TARGETS

Our medium term targets remain unchanged with 4%-6% organic growth, around 5.5% operating margin and around DKK 3.0 billion in free cash flow.

However, as a result of our decision to spread the transformational investment programme over 2019-2021 (previously 2019-2020), we may not reach these medium-term targets until 2022 (previously 2021).

1) Factoring and participation in certain customers’ supply chain finance arrangements.

2) The forecasted average exchange rates for the financial year 2019 are calculated using the realised average exchange rates for the first ten months of 2019 and the average forward exchange rates (as of 1 November 2019) for the remaining two months of 2019.

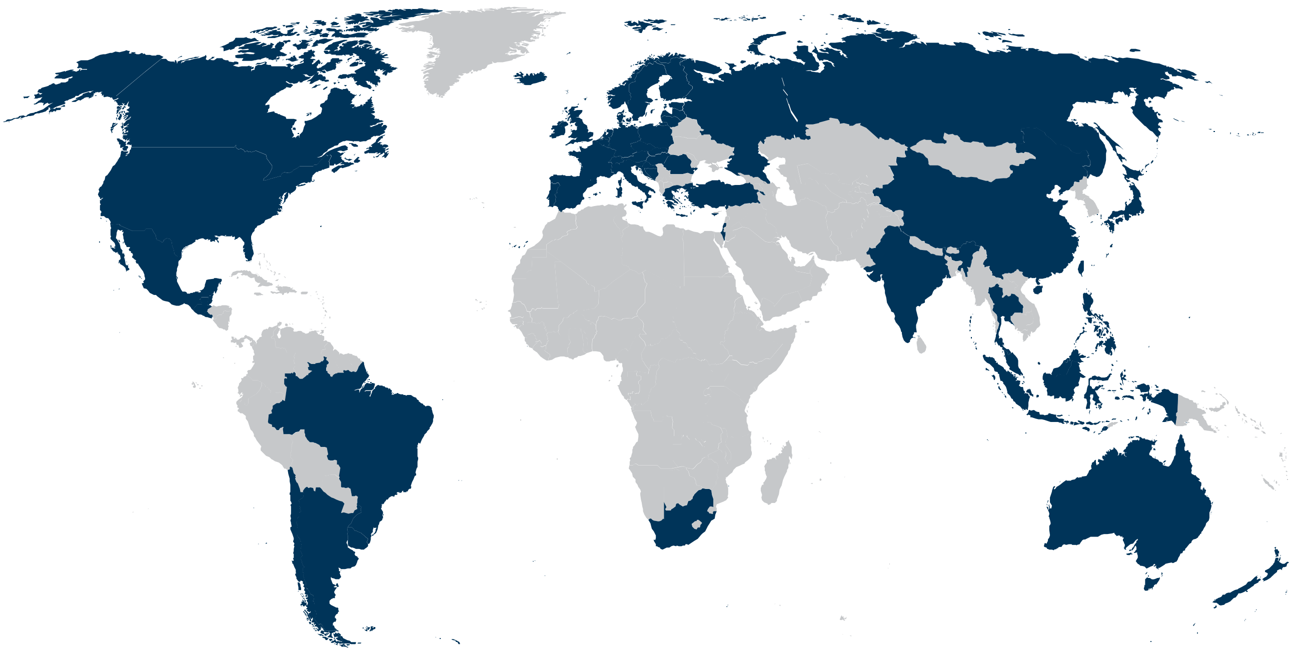
FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook. Statements herein, other than statements of historical fact, regarding future event or prospects, are forward-looking statements. The words may, will, should, expect, anticipate, believe, estimate, plan, predict, intend or variations of such words, and other statements on matters that are not historical fact or regarding future events or prospects, are forward-looking statements. ISS has based these statements on its current views with respect to future events and financial performance. These views involve risks and uncertainties that 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 this report 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, expect to the extent required by law.

The Annual Report 2018 of ISS A/S is available at the Group's website, www.issworld.com.

OUR GLOBAL FOOTPRINT



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