STANDARD & POOR'S
RATINGS SERVICES

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ISS A/S

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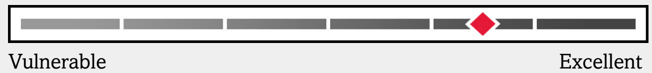
ISS A/S

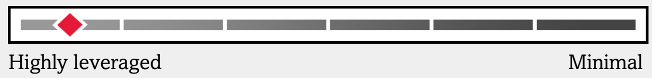
Corporate Credit Rating	BB-/Positive/--

Profile Assessments

BUSINESS RISK	STRONG



FINANCIAL RISK	HIGHLY LEVERAGED



Rationale

Business Risk: Strong

- Leading player in the facilities services industry.
- Wide geographic and customer diversity.
- Resilient nature of basic services business.
- Competitive industry with relatively low margins.
- Little flexibility in pricing.

Financial Risk: Highly leveraged

- Improved forecasted cash flow following late 2012 debt repayment.
- High adjusted debt levels.
- Strong cash generation from business operations, with low fixed asset intensity and capital expenditure needs.
- High cash conversion rates.

Outlook: Positive

The positive outlook reflects our view that ISS' operating performance will remain steady in the near term, thanks to the flexibility of its cost base and as a result of management's current policy of deleveraging with proceeds of disposals. We anticipate that credit measures will improve in the medium term, supported by continued organic growth in the low single digits. The outlook also reflects our view that ISS could sustainably achieve metrics consistent with an "aggressive" financial risk profile by the end of 2014.

Downside scenario

Downside risk is most likely to arise from a change in acquisition strategy toward debt-financed acquisitions or a tightening in operating profit margins.

Upside scenario

We could raise the rating if ISS achieves further significant deleveraging. A sustained adjusted FFO to debt to around 15% could lead us to raise the rating.

Standard & Poor's Base-Case Scenario

Our base-case scenario includes a modest improvement in EBITDA margins and credit metrics

Assumptions	Key Metrics
• Low-single-digit revenue growth in 2013 and 2014 resulting from difficult trading conditions in Europe. • A small improvement in Standard & Poor's-adjusted EBITDA margin. • Successful closing of the sale of pest control assets; total receipt of proceeds in 2013 estimated at DKK2 billion.	see table below

	2012A	2013E	2014E
EBITDA Margin	6.6%	6.6%-7.0%	6.6%-7.0%
FFO/Debt	9.7%	12-13%	13-15%
Debt/EBITDA	6.3x	5.7x-5.4x	5.2x-4.8x

*Fully Standard & Poor's-adjusted. A--Actual. E--Estimated.

Company Description

ISS is a large and long-established facilities services group with operations in over 50 countries in Europe, Asia, Latin America, Asia Pacific, and North America. ISS provides single services, multi-services, or integrated facilities services for private and public entities locally, regionally, and globally, including: cleaning, property services, office support, catering, security, and facilities management.

Business Risk: Strong

ISS holds leading market positions across its key geographies, mainly throughout the Nordic region and Western Europe, as well as in emerging markets. ISS has good geographic diversity, with operations in more than 50 countries, and a highly diverse customer base comprising thousands of private and public customers. ISS has continued to deliver either flat or positive organic growth despite recent tough economic conditions. It has also managed to maintain broadly stable operating margins. Historically, ISS has had a strong track record of integrating its many acquisitions, which has produced a solid global service delivery platform with critical mass to support future organic growth opportunities. The group exhibits good contract retention, which has remained stable for some years at about 85%-90%.

The facilities management sector is highly competitive and fragmented with low barriers to entry in single services while integrated facilities management can offer some barriers due to the necessary scale required for global offerings. The competitive nature of the sector leaves limited pricing flexibility for service providers and relatively low operating margins of about 4%-7% throughout the sector. Hence, ongoing efforts to control overheads, staff costs, and food price inflation are necessary.

There is some exposure to economic cycles mainly from wage inflation, which could weigh negatively on ISS' cost base as there can be a time lag in passing along related cost increases to customers.

S&P Base-Case Operating Scenario

Standard & Poor's base-case scenario for ISS A/S indicates an improvement in EBITDA driven largely by modest growth in revenues. Key elements of our base-case scenario are:

- Broadly stable revenues in 2013; limited growth in Western Europe stemming from our view of no GDP growth in the eurozone; continued good growth in Asia and the Pacific; and the disposal of certain pest control activities.
- Low-single-digit revenue growth in the Nordic region.
- Higher growth in Eastern Europe and Latin America than in 2012.
- Adjusted EBITDA margin in the 6.6%-7.0% range.

Peer comparison

Table 1

ISS A/S -- Peer Comparison

Industry Sector: Business Services

	ISS A/S	**Rentokil Initial PLC**	**G4S PLC**	**Compass Group PLC**
Rating as of May 15, 2013	BB-/Positive/--	BBB-/Stable/(A-3)	BBB-/Stable/A-3	A/Stable/(A-1)
	--Fiscal year ended Dec. 31, 2012--			**--Fiscal year ended Sep. 30, 2012--**
(Mil. £)				
Revenues	8,637.2	2,546.3	7,501.0	16,905.0
EBITDA	573.8	439.7	695.6	1,501.7
Net income from cont. oper.	(48.6)	51.4	111.0	605.0
Funds from operations (FFO)	350.7	426.1	563.0	1,204.4
Capital expenditures	240.2	208.2	217.7	559.6
Free operating cash flow	123.2	193.1	220.3	708.7
Discretionary cash flow	123.2	156.1	81.3	324.7
Cash and short-term investments	233.2	30.0	102.0	169.1
Debt	3,591.7	1,251.5	2,896.4	1,895.9
Equity	546.0	(149.1)	901.8	3,240.3
Adjusted ratios				
EBITDA margin (%)	6.6	17.3	9.3	8.9
EBITDA interest coverage (x)	2.1	7.2	4.3	13.0
EBIT interest coverage (x)	1.4	3.5	2.9	10.1
Return on capital (%)	8.7	18.5	11.8	21.6
FFO/debt (%)	9.7	34.0	19.4	63.5
Free operating cash flow/debt (%)	3.1	15.4	7.6	37.4
Debt/EBITDA (x)	6.3	2.8	4.2	1.3
Total debt/debt plus equity (%)	86.8	113.5	76.3	36.9

N.M. - Not Meaningful.

Financial Risk: Highly leveraged

The group's financial metrics have been weak historically but are clearly improving. The group's adjusted debt to EBITDA averaged 7.0x over the past three years, ending 2012 at 6.3x. We anticipate it will continue to decline over the medium term to 5.2x-4.8x. ISS' adjusted ratio of debt to debt plus equity continues to be high and stood at 87% at Dec. 31, 2012. Further, more than one-half of ISS' total assets are intangible, the bulk of which comprises goodwill--which leaves little asset protection, in our view. ISS' adjusted interest expense stood at DKK2.5 billion on Dec. 31, 2012, reducing free operating cash flow (FOCF) to roughly DKK1 billion and producing a weak FOCF-to-adjusted debt ratio of 3.1%.

ISS will benefit from lower interest costs in 2013 as a result of the early repayment of high cost 2014 senior notes in December. We anticipate that FOCF will nearly double in 2013. The group's low ratio of capital expenditure (capex) to revenues of between 1.0%-1.5% supports cash flow generation.

S&P Base-Case Cash Flow And Capital Structure Scenario

Our base-case suggests a strengthening of credit measures over 2013. Our forecast assumptions for full-year 2013 include the following key elements:

- Low capex of roughly 1.2% of revenues, supporting relatively stable and predictable revenues, margins, and cash flow; and
- Total estimated proceeds from disposals of DKK2.0 billion.

Financial summary

Table 2

ISS A/S -- Financial Summary

Industry Sector: Business Services					
	--Fiscal year ended Dec. 31--				
	2012	**2011**	**2010**	**2009**	**2008**
Rating history	BB-/Positive/--	BB-/Stable/--	BB-/Stable/--	BB-/Stable/--	BB-/Stable/--
(Mil. Dkr)					
Revenues	79,454.0	77,644.0	74,073.0	69,004.0	68,829.0
EBITDA	5,275.3	5,457.2	5,378.0	4,952.1	5,086.1
Net income from continuing operations	(447.0)	(514.0)	(552.0)	(1,647.0)	(641.0)
Funds from operations (FFO)	3,204.9	3,379.1	3,322.3	3,245.9	3,144.4
Capital expenditures	2,306.1	2,160.3	2,388.4	2,345.3	1,653.0
Free operating cash flow	1,014.8	901.9	846.9	763.6	1,600.3
Discretionary cash flow	1,014.8	901.9	846.9	763.6	1,600.3
Cash and short-term investments	2,145.3	2,096.7	2,000.0	2,017.0	1,821.0
Debt	33,040.6	36,479.3	37,294.2	37,118.8	35,556.9
Equity	5,023.0	2,082.0	2,651.0	2,213.0	3,544.3

Table 2

ISS A/S -- Financial Summary (cont.)					
Adjusted ratios					
EBITDA margin (%)	6.6	7.0	7.3	7.2	7.4
EBITDA interest coverage (x)	2.1	2.1	2.4	2.3	1.9
EBIT interest coverage (x)	1.4	1.4	1.2	0.9	1.1
Return on capital (%)	8.7	8.5	6.7	4.6	7.0
FFO/debt (%)	9.7	9.3	8.9	8.7	8.8
Free operating cash flow/debt (%)	3.1	2.5	2.3	2.1	4.5
Debt/EBITDA (x)	6.3	6.7	6.9	7.5	7.0
Debt/debt and equity (%)	86.8	94.6	93.4	94.4	90.9

N.M. - Not Meaningful.

Liquidity: Adequate

We assess that ISS' liquidity will remain "adequate", under our criteria, over full-years 2013 and 2014. We forecast that the group's sources of liquidity will exceed its uses by more than 2x over the next 24 months. The group benefits from large recurring cash balances, good free cash flow generation, and no significant medium-term debt maturities due to the completed amend-and-extend exercise.

Principal Liquidity Sources	Principal Liquidity Uses
• Cash on the balance sheet of about DKK3.5 billion for 2013; • An undrawn committed revolving credit facility of DKK1.7 billion maturing in 2017; • Unadjusted FFO of about DKK2.4 billion; and • Proceeds from disposal of DKK2.0 billion.	• Contractual debt repayments of DKK0.5 billion; • Debt reduction of DKK2.0 billion; • Capital expenditures and working capital movements of just over DKK1.0 billion; and • Minor amount of DKK0.1 billion for our acquisition assumptions.

Debt maturities

Table

ISS Debt Maturities as of Dec. 31, 2012 (DKK mil.)	
Pro forma the recent Amend and Extend	
2013	523
2014	4,208
2015	1,366
2016	4,843
Thereafter	20,625

Covenant Analysis

ISS' senior facilities include financial maintenance covenants such as senior debt cover, debt cover, interest cover, and cash flow cover.

Compliance Expectations

We anticipate that ISS will continue to maintain adequate headroom (15%-30%) under its various covenants.

Recovery Analysis

- The issue rating on ISS' DKK17.3 billion senior secured facilities and the new €600 million senior secured term loan due 2018 is 'BB-', in line with our corporate credit rating on the company. Both are issued by ISS under the existing senior secured facilities agreement. The recovery rating on these senior secured credit facilities is '3', indicating our expectation of meaningful (50%-70%) recovery for debt holders in the event of a payment default.
- The issue rating on ISS' remaining debt, comprising the €110.4 million 4.5% senior unsecured EMTN due 2014 and €581.5 million 8.875% subordinated notes due 2016, is 'B', two notches below the corporate credit rating. The recovery rating on these senior unsecured and subordinated notes remains at '6', indicating our expectation of negligible (0%-10%) recovery for debt holders in the event of a payment default.
- The recovery rating of '3' on the senior secured credit facilities (including existing and new tranches) is underpinned by the company's good valuation, itself a function of its "strong" business risk profile. It also reflects the senior secured credit facilities' security and the favorable jurisdiction of Denmark. The recovery rating is constrained at '3', however, by the high levels of first lien debt, which dilutes overall recovery prospects. The '6' recovery rating on the senior unsecured and subordinated notes reflects their structural and contractual subordination to the senior facilities.
- We have valued the business as a going concern. Given what we see as ISS' good market position and valuable customer base, under our simulated default scenario we believe that a default would occur in 2016. This would most likely be triggered by high leverage and significant debt maturities, an inability to manage the cost base, and reduced free cash flow as a result of deteriorating operating performance. In our opinion, the time lag between any decline in the group's revenues and an appropriate reduction in its cost base would hamper its profitability and ability to generate free cash flow. Our default scenario would take place in 2016.

Simulated default and valuation assumptions

- Year of default: 2016
- EBITDA at default: about DKK2.8 billion
- Implied enterprise value multiple: 6.5x
- Jurisdiction: Denmark

Simplified waterfall

- Gross enterprise value at default: about DKK18.2 billion
- Administrative costs: about DKK1.6 billion
- Net value available to creditors: about DKK16.6 billion
- Priority claims: about DKK4.0 billion
- Senior secured credit facilities: about DKK24.2 billion*
- --Recovery expectation: 50%-70%
- Senior unsecured notes claims: about DKK840 million*
- --Recovery expectation: 0%-10%
- Subordinated notes claims: about DKK4.5 billion*

- --Recovery expectation: 0%-10%

*All debt amounts include six months' prepetition interest.

Reconciliation

Table 3

Reconciliation Of ISS A/S Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. Dkr)

	--Fiscal year ended Dec. 31, 2012--									
ISS A/S reported amounts										
	Debt	**Shareholders' equity**	**Revenues**	**EBITDA**	**Operating income**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	29,618.0	5,013.0	79,454.0	4,956.0	4,103.0	2,299.0	3,855.0	3,855.0	--	881.0
Standard & Poor's adjustments										
Operating leases	3,655.6	--	--	178.9	178.9	178.9	1,268.1	1,268.1	--	1,425.1
Postretirement benefit obligations	1,155.8	--	--	(76.0)	(76.0)	14.0	84.8	84.8	--	--
Surplus cash and near cash investments	(1,398.7)	--	--	--	--	--	--	--	--	--
Share-based compensation expense	--	--	--	1.4	--	--	--	--	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	153.0	--	--	--	--	--
Reclassification of interest, dividend, and tax cash flows	--	--	--	--	--	--	(2,236.0)	(2,236.0)	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	(116.0)	--	--
Minority interests	--	10.0	--	--	--	--	--	--	--	--
Debt - Fair value adjustments	10.0	--	--	--	--	--	--	--	--	--
EBITDA - Restructuring costs	--	--	--	187.0	187.0	--	--	--	--	--
EBITDA - Business Divestments	--	--	--	(41.0)	(41.0)	--	--	--	--	--
EBITDA - Integration and one off setup costs	--	--	--	69.0	69.0	--	--	--	--	--
D&A - Impairment charges/(reversals)	--	--	--	--	(1,064.0)	--	--	--	--	--
FFO - Restructuring Costs	--	--	--	--	--	--	349.0	349.0	--	--
Total adjustments	3,422.6	10.0	0.0	319.3	(593.1)	192.9	(534.1)	(650.1)	0.0	1,425.1

Table 3

Reconciliation Of ISS A/S Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. Dkr) (cont.)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	33,040.6	5,023.0	79,454.0	5,275.3	3,509.9	2,491.9	3,320.9	3,204.9	0.0	2,306.1

Business And Financial Risk Matrix

Business Risk	Financial Risk: Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Excellent	AAA/AA+	AA	A	A-	BBB	--
Strong	AA	A	A-	BBB	BB	BB-
Satisfactory	A-	BBB+	BBB	BB+	BB-	B+
Fair	--	BBB-	BB+	BB	BB-	B
Weak	--	--	BB	BB-	B+	B-
Vulnerable	--	--	--	B+	B	B- or below

Note: These rating outcomes are shown for guidance purposes only. The ratings indicated in each cell of the matrix are the midpoints of the likely rating possibilities. There can be small positives and negatives that would lead to an outcome of one notch higher or lower than the typical matrix outcome. Moreover, there will be exceptions that go beyond a one-notch divergence. For example, the matrix does not address the lowest rungs of the credit spectrum (i.e., the 'CCC' category and lower). Other rating outcomes that are more than one notch off the matrix may occur for companies that have liquidity that we judge as "less than adequate" or "weak" under our criteria, or companies with "satisfactory" or better business risk profiles that have extreme debt burdens due to leveraged buyouts or other reasons. For government-related entities (GREs), the indicated rating would apply to the standalone credit profile, before giving any credit for potential government support.

Ratings Detail (As Of May 28, 2013)

ISS A/S	
Corporate Credit Rating	BB-/Positive/--
Subordinated	B
Corporate Credit Ratings History	
17-Aug-2012	BB-/Positive/--
02-Nov-2011	BB-/Stable/--
19-Oct-2011	BB-/Watch Pos/--
23-Mar-2011	BB-/Stable/--
18-Feb-2011	BB-/Watch Pos/--
30-May-2008	BB-/Stable/--
Related Entities	
ISS Global A/S	
Issuer Credit Rating	BB-/Positive/--
Senior Secured	BB-
Senior Unsecured	B
ISS World Services A/S	
Issuer Credit Rating	BB-/Positive/B

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.