

Rating Action: FS Funding A/S

MOODY'S DOWNGRADES TO P(B2) THE CORPORATE FAMILY RATING OF FS FUNDING A/S; OUTLOOK STABLE.

London, 28 April 2006 -- Moody's today downgraded to P(B2) the corporate family rating of FS Funding A/S, the holding company of ISS A/S and ISS Global, and to (P)Caa1 the rating for the proposed EUR 1,300 million high yield notes. The outlook on all ratings is stable.

The downgrade reflects the company's stated intention to increase its bond issuance, originally targeted at EUR 975 million, by c.EUR 325 million to EUR 1,300 million, of which EUR 134 million will replace the proposed PIK note. The remaining EUR 191 million will increase the size of the debt in the overall capital structure beyond what Moody's had originally factored into the P(B1) corporate family rating. At the time that the initial P(B1) rating was assigned, and prior to the more recently stated increase in issuance, Moody's had noted that the ratings were weakly positioned.

Approximately one third of the issuance is expected to be fixed rate and two thirds floating rate. The new borrowings are expected to increase the cash balance post issuance, but eventually to be used towards acquisitions, thereby increasing leverage and potentially slowing the eventual deleveraging process on which the previous ratings were predicated. On the basis of the new issue size, Adj. Total Debt/EBITDA is expected to be in excess of 8 times. The (P)Caa1 rating for the proposed bond, two notches below the corporate family rating, continues to reflect their subordination to priority debt representing about 73% total debt within the revised capital structure.

The rating outlook is stable. As before, nominal debt is expected to continue to rise in coming years. In addition, the increased borrowing, and the replacement of the PIK loan with issued debt, will result in higher upfront cash interest payments after the transaction, which could delay any eventual deleveraging. Moody's therefore notes that the company and its shareholders have opted for a more aggressive financial policy which will render the company more vulnerable to potential industry and economic volatility.

Moody's believes that the company is adequately positioned within the current rating category. A sustainable reduction in Adj. Total Debt/EBITDA towards the 6.5x range accompanied by financial policies supportive of further deleveraging could be positive for the rating. The ratings would come under negative pressure if operating performance or liquidity concerns develop as regards the company's ability to service its debt obligations. In addition, Moody's will closely monitor liquidity and working capital management given that interest payments will absorb a significant portion of cash flows.

ISS is one of the world's leading providers of facility services, based in Copenhagen, Denmark. Its services are categorised as cleaning, office support, property, catering and integrated facilities services. In 2005, the company reported revenues and operating profits of DKK 46.44 billion (EUR 624 million) and DKK 2.650 billion (EUR 355 million), respectively, under IFRS.

London
David G. Staples
Managing Director
Corporate Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

London
Richard Morawetz
Vice President - Senior Analyst
Corporate Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

© Copyright 2006, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from \$1,500 to \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody's.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

Moody's Investors Service Pty Limited does not hold an Australian financial services licence under the Corporations Act. This credit rating opinion has been prepared without taking into account any of your objectives, financial situation or needs. You should, before acting on the opinion, consider the appropriateness of the opinion having regard to your own objectives, financial situation and needs.