

# ***A WORLD OF SERVICE***

## **Investor Presentation Q1 2012 Results**

10 May 2012



# Forward-looking statements

## 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 2011 of ISS A/S and other information made available by ISS.

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The Annual Report 2011 of ISS A/S is available from the Group’s website, [www.issworld.com](http://www.issworld.com).

# Agenda

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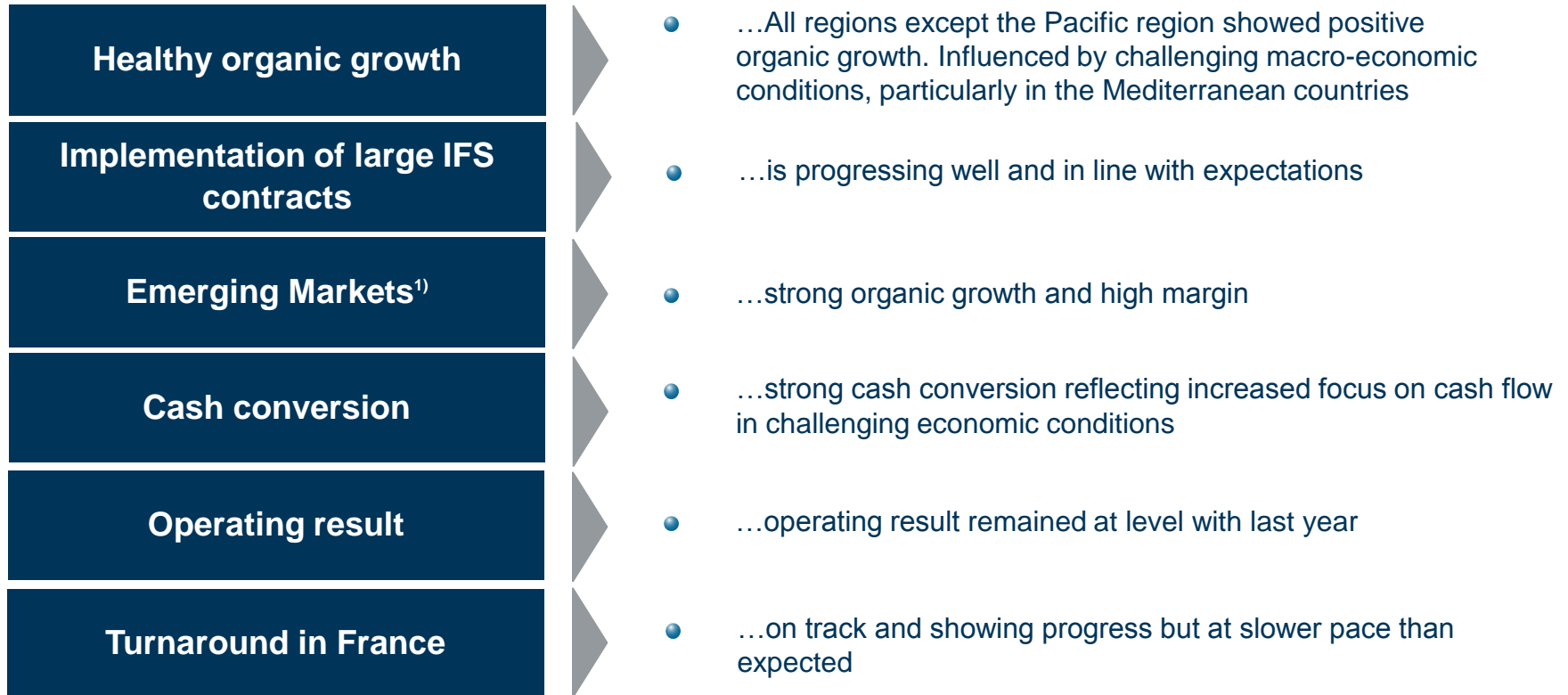
- Business update and key events
- Financials
- Capital structure
- Outlook
- Q&A



**Business update and key events**

# Key events

"ISS demonstrates healthy organic growth, operating profit in line with last year and strong cash conversion"



**Overall good performance in a difficult business environment**

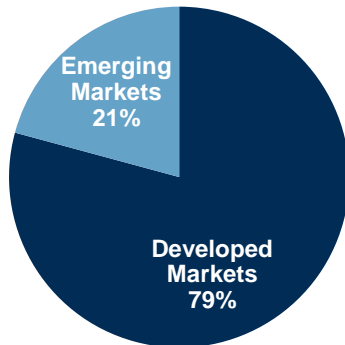
1. Emerging markets comprise Asia, Eastern Europe, Latin America, Israel, South Africa and Turkey

# Healthy organic growth

- Clear focus on healthy organic growth and even with a focus on cash conversion – especially in the Mediterranean countries where main focus is on ensuring a customer contract base with satisfactory payment and profitability conditions
- The continued implementation of commercial and sales strategies which target customer segments, where ISS offers value added service concepts and solutions, has positively impacted growth in many countries. Particularly evidenced by new wins or expansions within the Healthcare segment
- Organic growth particularly strong in countries such as the United Kingdom, Finland, Italy, Turkey, India, China and the Latin America region
- Q1 Contract wins include:
  - Large single service and IFS contracts with hospitals in Spain and Singapore, a large catering contract with Carlsberg in Denmark, a large cleaning contract with Continental Automotive in France as well as a significant increase in the IFS contract with The Royal Air Force in the United Kingdom

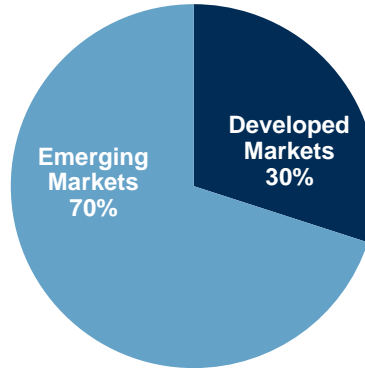
# Continued strong development in Emerging Markets

Revenue



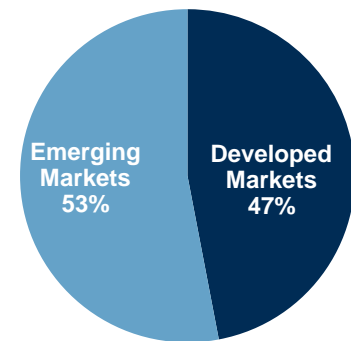
EM: DKK 4.0bn

Organic Growth



EM: DKK 0.4bn

Employees



EM: ~286,000

## Key Developments

- Continued strong development in Emerging Markets, delivering organic growth of 11% - equivalent to 70% of the total organic growth
- High double digit organic growth development in Asia and Latin America. India delivered organic growth rate of 28%
- Operating profit before other items slightly lower than in Q1 2011 resulting in margin of 6.4%, well above most mature markets

# Operating margin

- Operating profit before other items of DKK 868 million remained at level with Q1 2011. Operating margin slightly below last year
- Operating margin was supported by strong margins in Switzerland, the United Kingdom, Turkey, Mexico and the Asia region in particular
- The margin was negatively impacted by challenging economic conditions in Mediterranean region as well as operational challenges in the Netherlands
- The divestment of certain activities in 2011, impacted margins negatively, but in line with our ISS Way Strategy





# **Financials**

January – March 2012

# Summary of Financials

- Revenue from continuing business grew by 4% - organic growth of 3.1%
- Operating profit before other items was on level with 2011 at DKK 868 million
- Strong cash conversion in challenging macro-economic environment

## Organic Growth

- Organic growth at 3.1% in Q1 2012, down from 5.8% in Q1 2011 and up from 2.1% in Q1 2010
- 6 of 7 regions achieved positive organic growth for Q1 2012, with Asia delivering double-digit organic growth
- Influenced by geographies with challenging macro-economic conditions

## Operating Margin

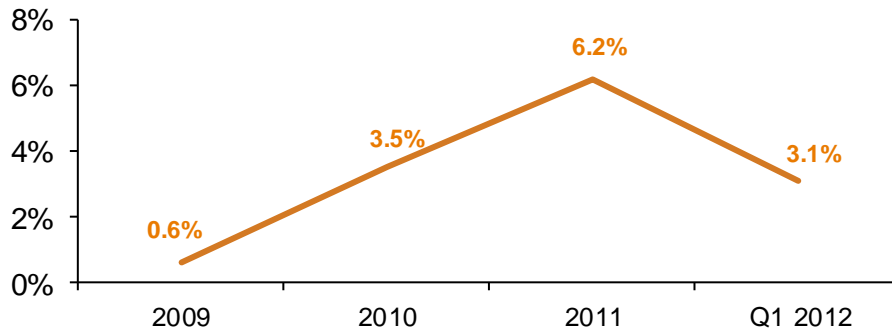
- Operating margin of 4.5% YTD compared with 4.6% in Q1 2011
- Margin increases especially in Sweden, Norway, several countries in Latin America and North America
- Negative impact from economic conditions in Mediterranean region as well as operational challenges in the Netherlands
- Negative impact from divestments in 2011
- Emerging markets delivered operating margin of 6.4% well above most mature markets

## Cash Flow

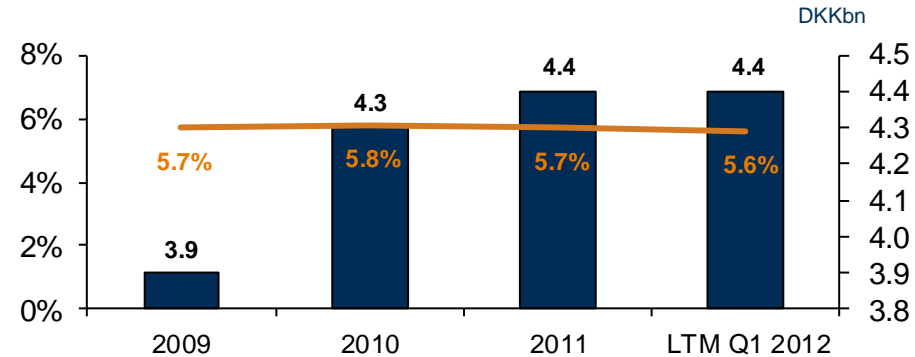
- The LTM Cash Conversion for Q1 2012 was 97% as a result of strong working capital performance across all regions
- Continuous focus on securing payments for work performed and exiting contracts with unsatisfactory payment conditions

# Key operational objectives

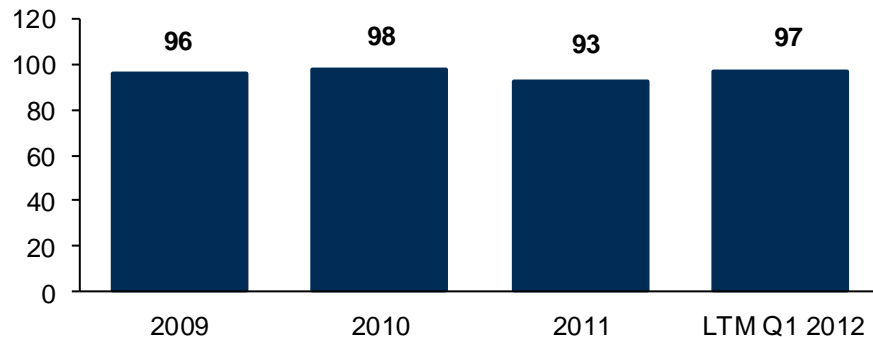
Organic Growth (%)



Operating Margin (%) and  
Operating profit before other items<sup>1</sup>



Cash Conversion (%)<sup>2</sup>



## Operational Performance Q1 2012

- 2% top line growth
- Organic growth of 3.1%
- Operating profit before other items at level with Q1 2011
- Operating margin of 4.5% (2011: 4.6%)
- LTM Cash Conversion of 97%

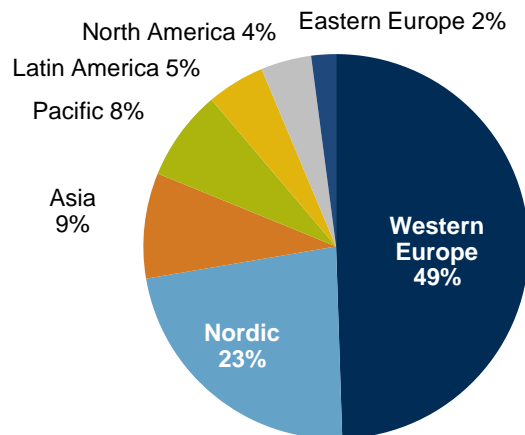
1. Includes reclassification in Q4 2011 of interest on defined benefit plans (interest on obligation and expected return on plan assets) and interest on Other long-term employee benefits, from Staff costs to Financial expenses to reflect more appropriately the nature of these items and the way they affect the business. Comparative figures have been reclassified for consistency

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

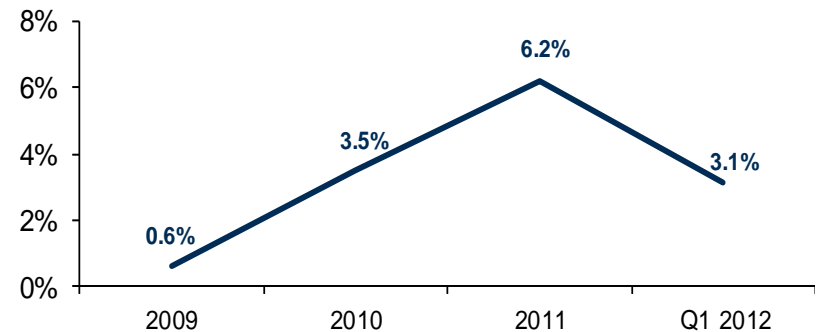
# Revenue development in Q1

- Revenue in continuing business grew by 4% and total revenue grew 2% compared with Q1 2011
- 6 of 7 regions achieved positive organic growth for Q1 2012, with Asia delivering double-digit organic growth
- 2011 was positively impacted by early large contract wins

## 2012 YTD Revenue by ISS Region



## Organic Growth (%)

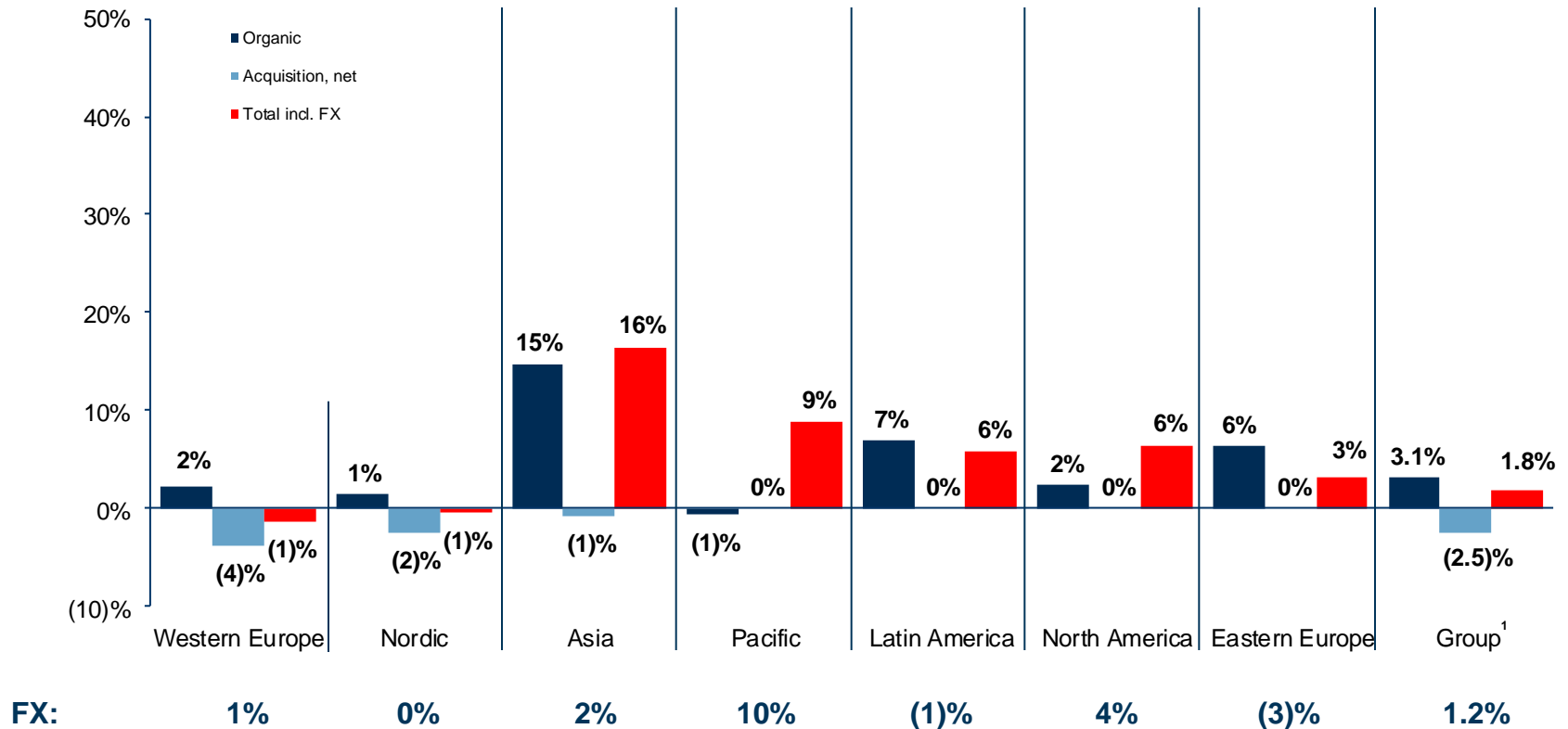


## 2012 YTD Revenue growth

	Q1 2012	Q1 2011
Organic growth	3.1%	5.8%
FX	1.2%	3.6%
Acquisitions	0.0%	0.5%
Growth from continuing business	4.3%	9.9%
Divestments	(2.5%)	(1.9%)
Revenue growth	1.8%	8.0%

# Q1 revenue growth by ISS region

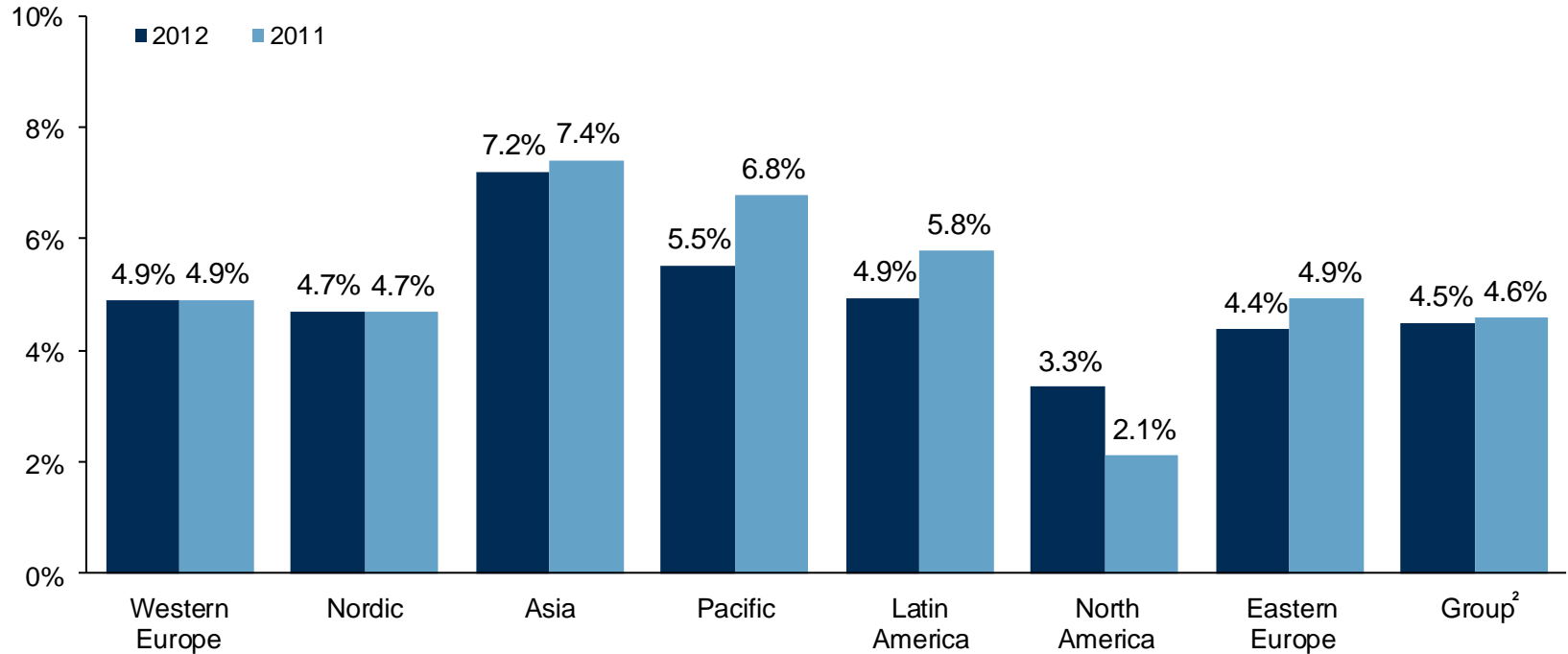
## Revenue growth by component



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

# Q1 Operating Margin by ISS region

## Operating Profit before Other Items (%)<sup>1</sup>

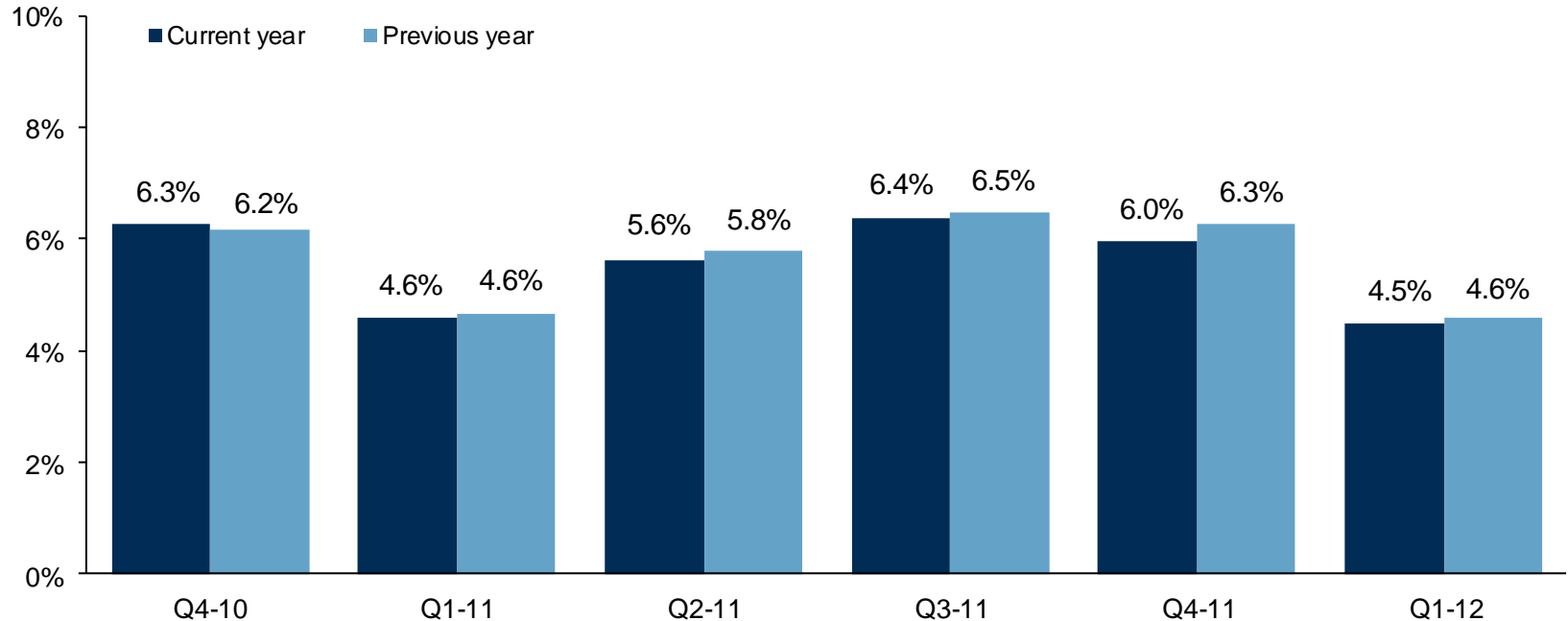


1. Includes reclassification in Q4 2011 of interest on defined benefit plans (interest on obligation and expected return on plan assets) and interest on Other long-term employee benefits, from Staff costs to Financial expenses to reflect more appropriately the nature of these items and the way they affect the business. Comparative figures have been reclassified for consistency.

2. 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.

# Quarterly Seasonality of Operating Margin

## Operating Profit before Other Items (%)<sup>1</sup>



1. Includes reclassification in Q4 2011 of interest on defined benefit plans (interest on obligation and expected return on plan assets) and interest on Other long-term employee benefits, from Staff costs to Financial expenses to reflect more appropriately the nature of these items and the way they affect the business. Comparative figures have been reclassified for consistency.

# Q1 summary overview - key figures

DKKm	2012	2011	Δ	FX	C <sup>1</sup>
Revenue	19,301	18,984	+2%	+1%	+1%
Operating profit before other items	868	872	(0)%	+3%	(3)%
Operating margin before other items	4.5%	4.6%			
Operating profit	870	859	+1%	+2%	(1)%
Organic growth	3.1%	5.8%			

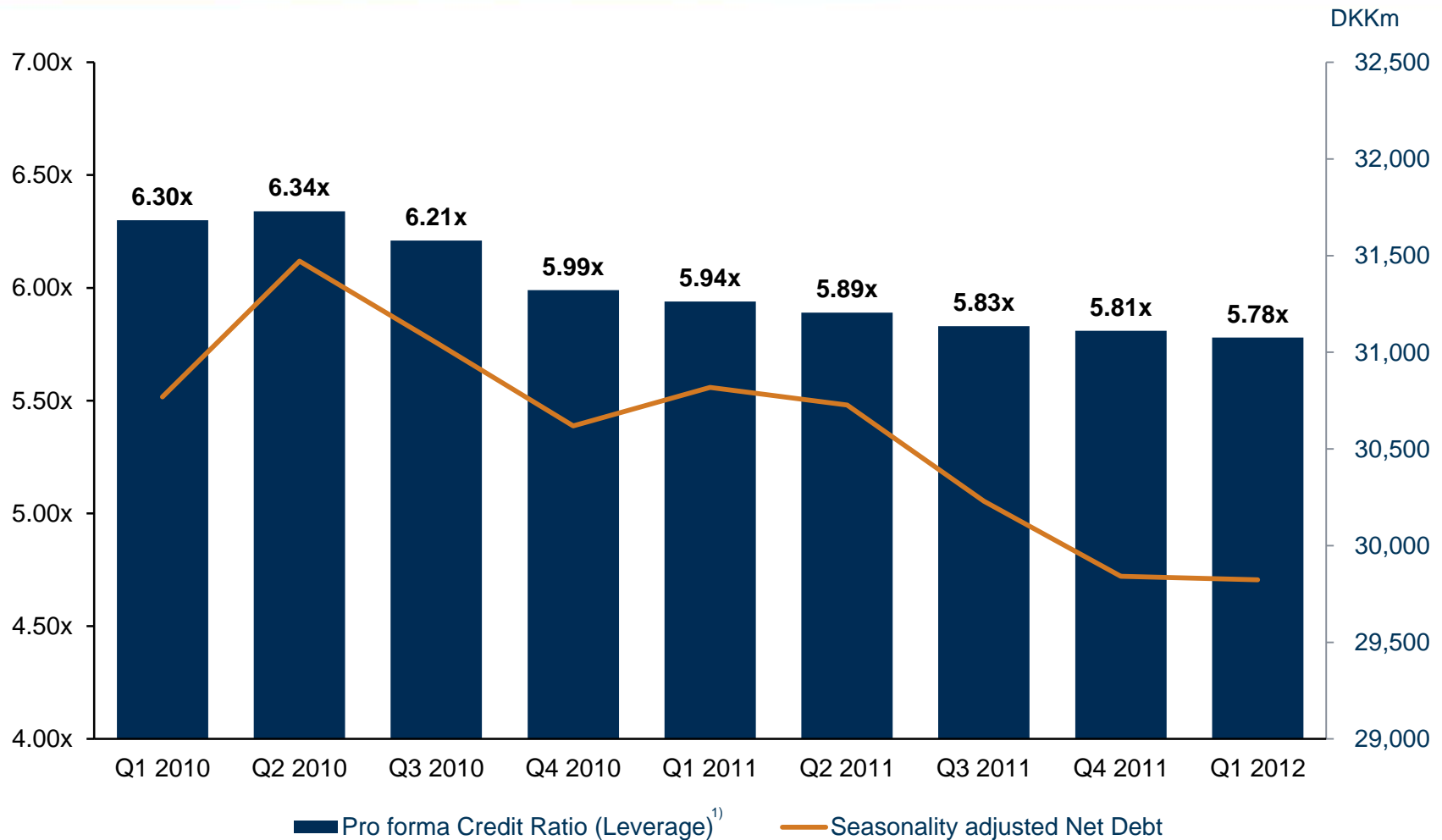
1. C: Growth at constant exchange rates





**Capital structure**

# Continued deleverage



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

# Capital structure

## Capital Structure – 31 March, 2012 <sup>1</sup>

	DKKm <sup>2</sup>	Leverage <sup>3</sup>	% of Total
Cash, cash equivalents and securities	(3,508)	(0.68)x	(11%)
Senior Facilities	17,808	3.45x	59%
Securitisation	2,601	0.50x	8%
Derivatives <sup>4</sup>	48	0.01x	0%
Other Indebtedness	524	0.10x	2%
<b>Total Net Senior Debt</b>	<b>17,473</b>	<b>3.38x</b>	<b>58%</b>
Second Lien	4,450	0.87x	14%
Senior Subordinated Notes due 2016	4,268	0.83x	14%
Senior Notes due 2014	3,811	0.74x	12%
Medium Term Notes due 2014	766	0.15x	2%
<b>Total Net Debt</b>	<b>30,768</b>	<b>5.97x</b>	

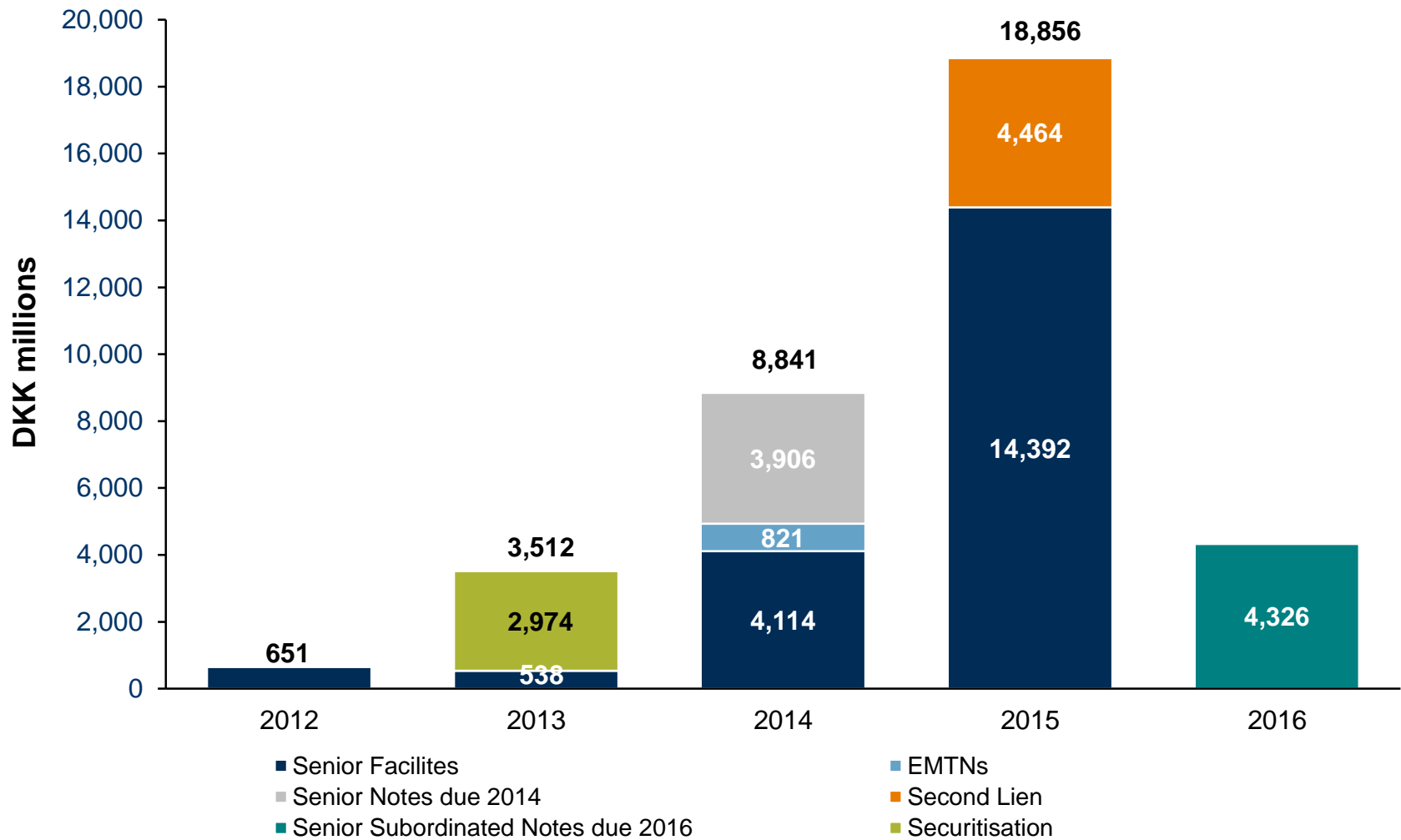
1. Measured at carrying amount of net debt.

2. Converted to DKK as per exchange rate of 31 March 2012.

3. Measured to Pro forma adjusted EBITDA.

4. Includes Interest and Currency swaps

# Maturity of the credit facilities<sup>1</sup>



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



**Outlook**

## Outlook for 2012

- The outlook for 2012 is based on a continued challenged macroeconomic outlook and difficult market conditions in Europe – in particular certain Mediterranean countries. We expect a continued strong growth in emerging markets
- A sound development in the contract portfolio in late 2011 is expected to ensure a continuation of the organic growth which in 2012 is expected to be in the 3-5 % range
- In 2011, ISS achieved an increase in operating profit before other items compared with 2010. However the operating profit was slightly below the level realised in 2010. In 2012, the operating margin is expected to be around the level realised in 2011
- ISS will continue to prioritise cash flow and we will focus on managing the absolute level of debt supported by a continued low level of acquisition spending, divestment of selected non-core activities and continued robust cash conversion, which in 2012 is expected to be around 90%

1. See the Outlook on page 25 in the Annual Report for 2011

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**Q&A**

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