Investor Presentation

Q2 2017 Results

17 August 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
- Commercial Update
- Outlook
- Q&A
- Appendix

Highlights

Business Highlights Q2 2017

Operating Performance

- Total revenue growth of 2% (Q1 2017: 2%)
- Organic revenue growth of 1.0% (Q1 2017: 2.6%)
- Operating margin of 5.4% (Q2 2016: 5.4%)
- Last twelve months (LTM) cash conversion of 92% (Q1 2017: 98%)
- Net profit (adjusted) of DKK 510 million (Q2 2016: DKK 637 million)
- Financial leverage of 2.8x (Q2 2016: 2.5x and Q1 2017: 2.3x)

Commercial Developments

- Revenue from Integrated Facility Services (IFS) increased 4% year-to-date in local currency (36% of Group revenue)
- Revenue from Global Corporate Clients (GCC) increased 10% year-to-date in local currency (11% of Group revenue)
- Phasing of contract losses, contract annualisations and new contract wins/expansions is negatively impacting the current organic growth rate
- Growth will be negatively impacted by reduced scope of services with DXC Technology (from Q4 2017) and HP Inc. (from Q1 2018), although exact scale and timing of revenue reduction remains uncertain
- Important new contract wins/expansions announced with National Westminster Bank, ABB, BHP, Huawei and South Warwickshire NHS Foundation Trust…and extension of global agreement with Barclays until 2022 is confirmed

Strategic Initiatives

- Ongoing implementation of GREAT and a continued sharpening of our focus on customer segmentation and organisational structure
- ISS Argentina and ISS Uruguay now treated as discontinued operations as we seek to optimise the allocation of capital and resource
- Successful early integration of recent acquisitions: Guckenheimer (Catering, US), Evantec (Technical Services, Germany), Signal (Workplace Management, Group)

Regional Performance

Regional performance Q2 2017

Continental Europe

1%
organic growth
(vs. 4% in Q1 2017)

- Growth supported by contract launches in Turkey, Switzerland and the Netherlands
- Partly offset by contract losses in France and Spain, as well as ongoing reduction of public sector exposure within Eastern Europe and Greece
- Sequential slowdown driven mainly by lower non-portfolio demand – most notably in Germany
- Pipeline encouraging across the region

6.2%
operating margin[11)]
(vs. 5.5% in Q2 2016)

- Improvement mainly driven by a negotiated reduction in our pension obligation secured on the back of reduced interest rates
- The Netherlands is seeing early benefits from the GREAT implementation
- Improvements partly offset by Israel as a result of lower activity
- H1 2017: 5.5% (H1 2016: 4.9%)

Northern Europe

1%
organic growth
(vs. 2% in Q1 2017)

- Growth supported by strong performance within the Business Services & IT and Industry & Manufacturing segments in the UK & Ireland, as well as contract launches in Norway and Denmark…
- … partly offset by contract losses and downscaling in the Industry & Manufacturing segment in Sweden
- Sequential slowdown reflects timing of contract launches and lower non-portfolio demand,as well ongoing challenges in Sweden

6.6%
operating margin[(1)]
(vs. 7.1% in Q2 2016)

- Decrease mainly due to Sweden – operational challenges (Cleaning and Healthcare), reduced high margin project work (Nuclear), one-off costs and investment in building-out Technical Services credentials
- Negative currency translation effect, due to a depreciation of GBP against DKK
- Margin increases in Denmark and Norway
- H1 2017: 6.1% (H1 2016: 6.5%)

(1) Operating profit before other items and corporate costs

Regional performance Q2 2017

Asia Pacific

0%
organic growth
(vs. -1% in Q1 2017)

- Negative organic growth in Australia, as expected, due to contracts lost in 2016 - Royal North Shore (ended April 2016), Rio Tinto (ended August 2016) and Citic Pacific (ended October 2016)
- Organic growth in Asia, excluding China, remained strong, driven by strong growth in Singapore, India and Indonesia
- Negative organic growth in China resulting from structural adjustments to our operating model
- Sequential improvement supported by early annualisation of contract losses in Australia

7.1%
operating margin(1)
(vs. 6.9% in Q2 2016)

- Improvement was mainly driven by strong performances in Singapore, India and Hong Kong, supported by operational efficiencies and cost savings…
- … partly offset by margin decreases in Thailand and China
- H1 2017: 7.4% (H1 2016: 6.7%)

Americas

1%
organic growth
(vs. 3% in Q1 2017)(2)

- Organic growth driven by contract start-ups within the IFS division and Guckenheimer in the USA…
- … and stronger demand for non-portfolio services in Mexico and solid growth in Chile
- Organic growth in Brazil remained materially negative – as expected – reflecting our decision to downsize the business and refocus on Key Accounts…
- …and this headwind is expected to remain throughout 2017
- Sequential slowdown driven by lower non-portfolio demand and timing of contract launches in the USA

3.6%
operating margin(1)
(vs. 4.1% in Q2 2016)(2)

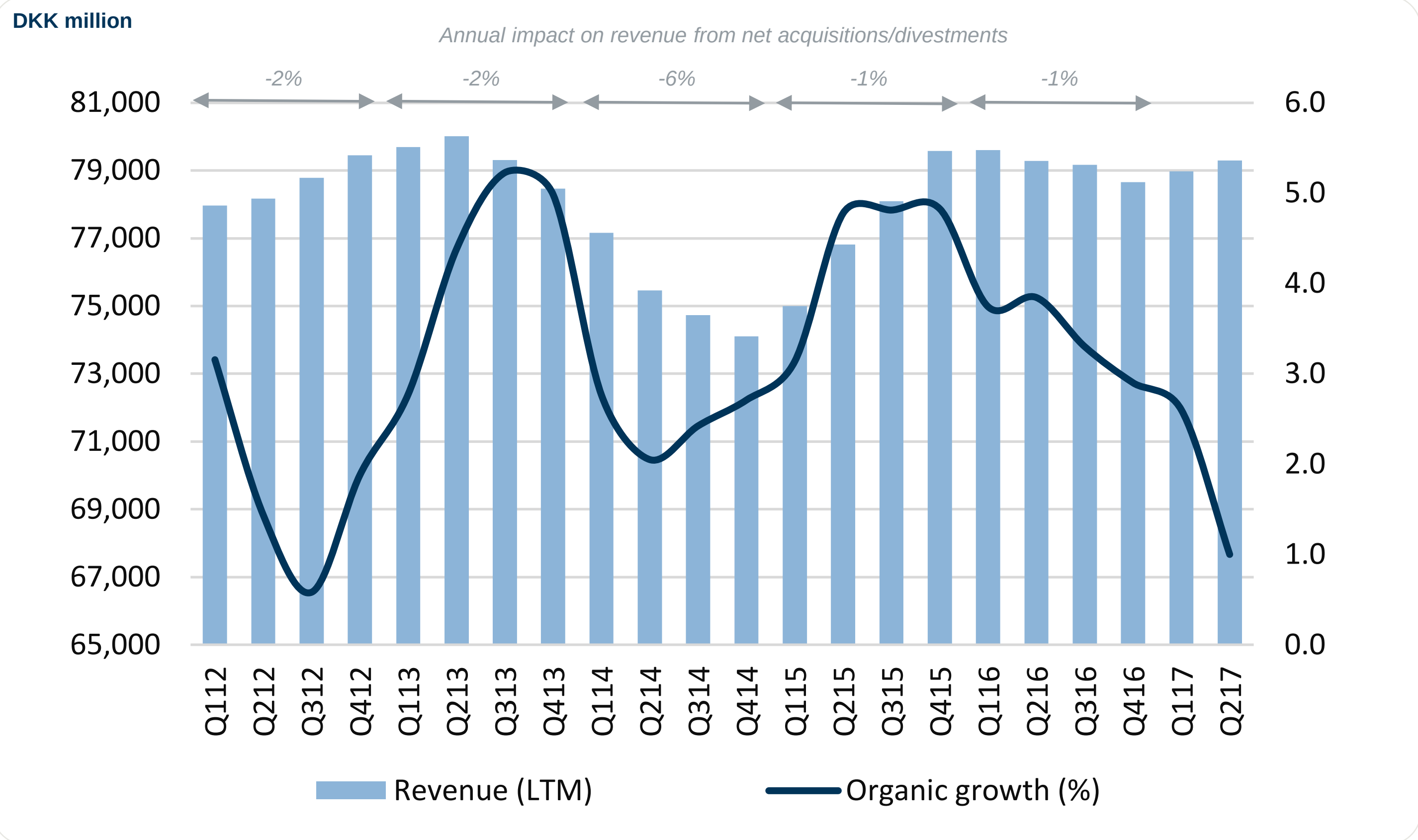
- Decline driven mainly by the USA, due to IFS contract start-up costs and under-performance within the Specialised Services division
- Partly offset by margin improvements in Brazil, including a positive impact from a customer settlement
- H1 2017: 3.1% (H1 2016: 3.6%)

(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

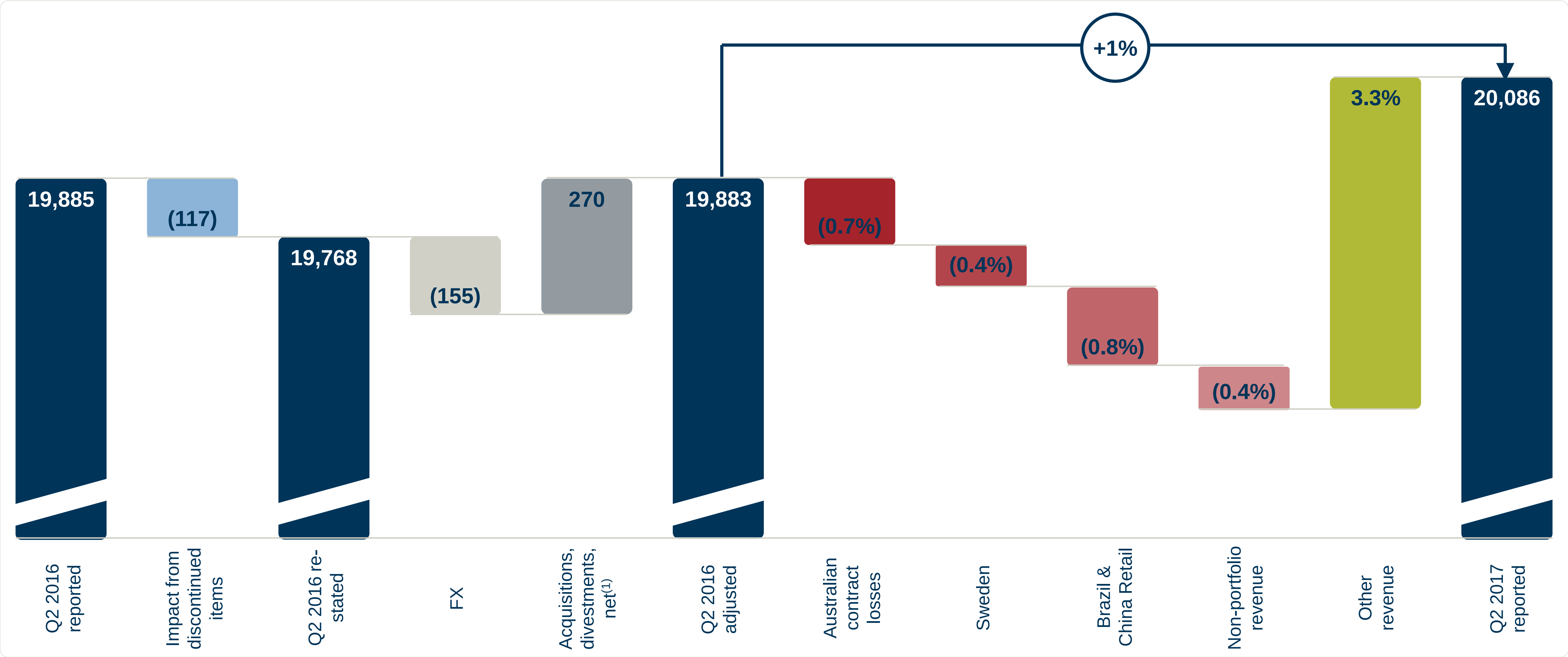
Organic growth

Q2 2017 organic growth of 1.0%



Q2 expected to be the low-point for 2017 organic growth

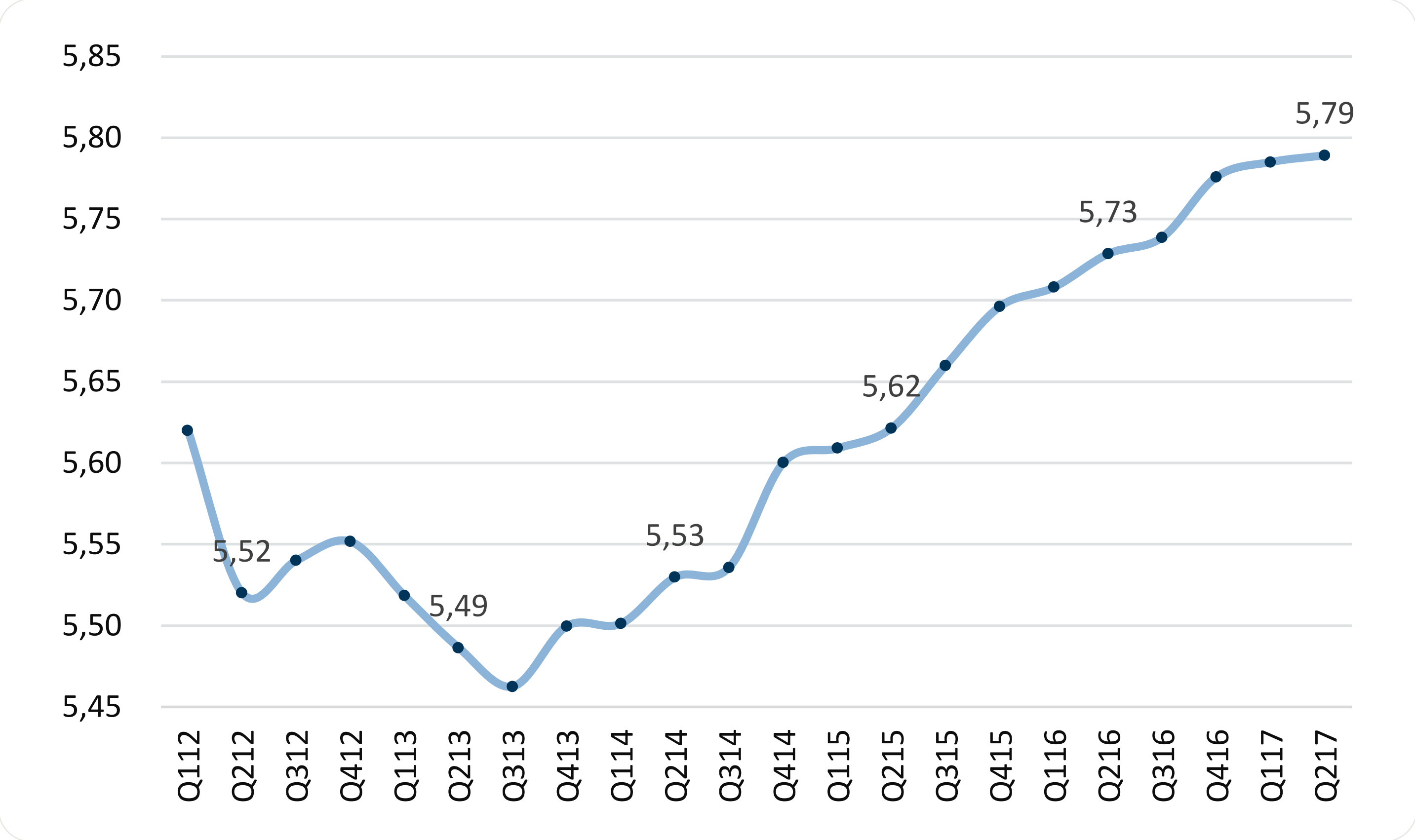
Q2 2017 organic growth drivers (DKK m)



(1) Any acquisitions or divestments completed after 31 March 2016 are included within the Q2 2016 adjusted revenue but only for the equivalent period of time that they impact the Q2 2017 reported result.

Operating margin

LTM operating margin (%)(1)

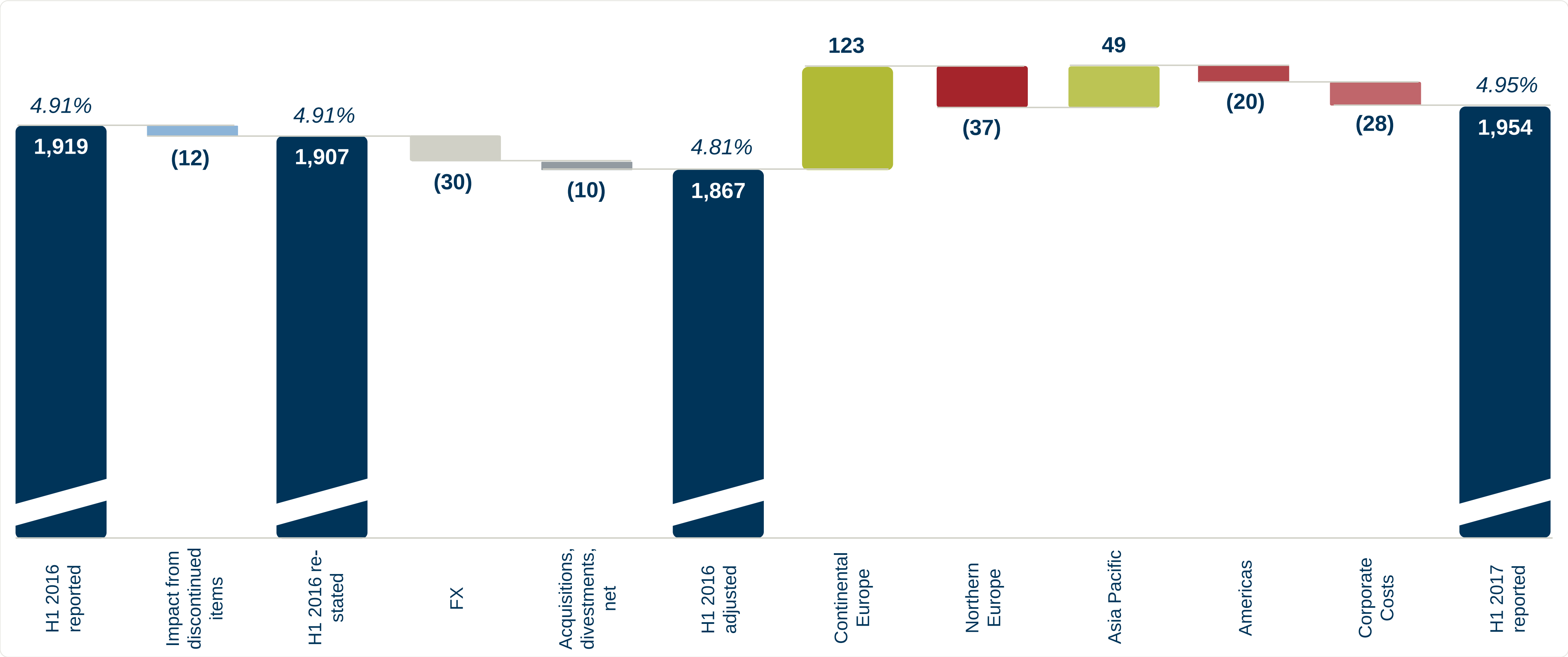


Continued solid margin development

(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

THE POWER OF THE HUMAN TOUCH

H1 2017 operating profit drivers (DKK m)



(1) *Any acquisitions or divestments completed after 1 January 2016 are included within the H1 2016 adjusted operating profit but only for the equivalent period of time that they impact the H1 2017 reported result.*

Income Statement

DKK million	Q2 2017	Q2 2016	*Δ*	H1 2017	H1 2016	*Δ*
Revenue	**20,086**	**19,768**	***318***	**39,468**	**38,830**	***638***
Operating expenses	(19,007)	(18,710)	*(297)*	(37,514)	(36,923)	*(591)*
Operating profit before other items	**1,079**	**1,058**	***21***	**1,954**	**1,907**	***47***
Other income and expenses, net	(207)	(60)	*(147)*	(211)	(88)	*(123)*
Operating profit	**872**	**998**	***(126)***	**1,743**	**1,819**	***(76)***
Financial income and expenses, net	(138)	(114)	*(24)*	(249)	(217)	*(32)*
Profit before tax	**734**	**884**	***(150)***	**1,494**	**1,602**	***(108)***
Income taxes	(180)	(247)	*67*	(381)	(447)	*66*
Net profit (adjusted)	**554**	**637**	***(83)***	**1,113**	**1,155**	***(42)***
Goodwill impairment	-	(24)	*24*	-	(24)	*24*
Amortisation and impairment of brands and customer contracts	(132)	(156)	*24*	(262)	(317)	*55*
Income tax effect	30	41	*(11)*	58	83	*(25)*
Net profit from continuing business	**452**	**498**	***(46)***	**909**	**897**	***12***
Net profit/(loss) from discontinued operations	(57)	(0)	*(57)*	(70)	(0)	*(70)*
Net profit	**395**	**498**	***(103)***	**839**	**897**	***(58)***
Adjusted EPS, DKK(1)	2.7	3.4	*(0.7)*	5.7	6.2	*(0.5)*
Adjusted EPS from continuing operations, DKK(2)	3.0	3.4	*(0.4)*	6.0	6.2	*(0.2)*

- DKK 130m net loss on divestments mainly related to the remeasurement of a business classified as held for sale in the Northern Europe region
- DKK 63m of restructuring projects mainly related to the implementation of GREAT, most importantly France and Netherlands
- DKK 17m of acquisition and integration costs
- DKK 3m of other income

DKK million	Q2 2017	Q2 2016
Net interest expense	(103)	(89)
Amortisation of financing fees	(9)	(9)
Other(3)	(20)	(22)
FX	(6)	6
Financial income and expenses, net	**(138)**	**(114)**

Effective tax rate of 24.5%, positively impacted by significant non-taxable gains on divestments.
Effective underlying tax rate c.26%.

DKK million	Q2 2017	Q2 2016
Revenue	110	117
Operating profit before other items	10	7
Net profit (adjusted)	(43)	0
Net profit	(57)	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	Q2 2017	Q2 2016	Δ	H1 2017	H1 2016	Δ
Operating profit before other items	1,079	1,058	*21*	1,954	1,907	*47*
Operating profit from discontinued operations	4	7	*(3)*	3	12	*(9)*
Depreciation and amortisation	178	176	*2*	354	355	*(1)*
Changes in provisions, pensions and similar obligations	(132)	(26)	*(106)*	(137)	(81)	*(56)*
	1,129	**1,215**	**(86)**	**2,174**	**2,193**	**(19)**
Share based payments	21	23	*(2)*	22	45	*(23)*
Changes in working capital	(417)	(133)	*(284)*	(1,795)	(1,547)	*(248)*
Other expenses paid	(104)	(34)	*(70)*	(157)	(85)	*(72)*
Net interest paid/received	(48)	(36)	*(12)*	(188)	(128)	*(60)*
Income taxes paid	(221)	(233)	*12*	(477)	(447)	*(30)*
Cash flow from operating activities	**360**	**802**	***(442)***	**(421)**	**31**	***(452)***
Cash flow from investing activities	(1,764)	(155)	*(1,609)*	(1,869)	(315)	*(1,554)*
Cash flow from financing activities	408	(1,047)	*1,455*	908	(1,455)	*2,363*
Total cash flow	**(996)**	**(400)**	***(596)***	**(1,382)**	**(1,739)**	***357***
Free Cash Flow(1)	**111**	**658**	***(547)***	**(865)**	**(244)**	***(621)***

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

Q2 LTM cash conversion at 92% (Q1 LTM 98%) – in line with ambitions to have a healthy cash conversion above 90%

Increase driven by restructuring expenses paid related to the ongoing roll out of GREAT, adjustments to our business platform (Brazil) and exit costs (Argentina, Uruguay)

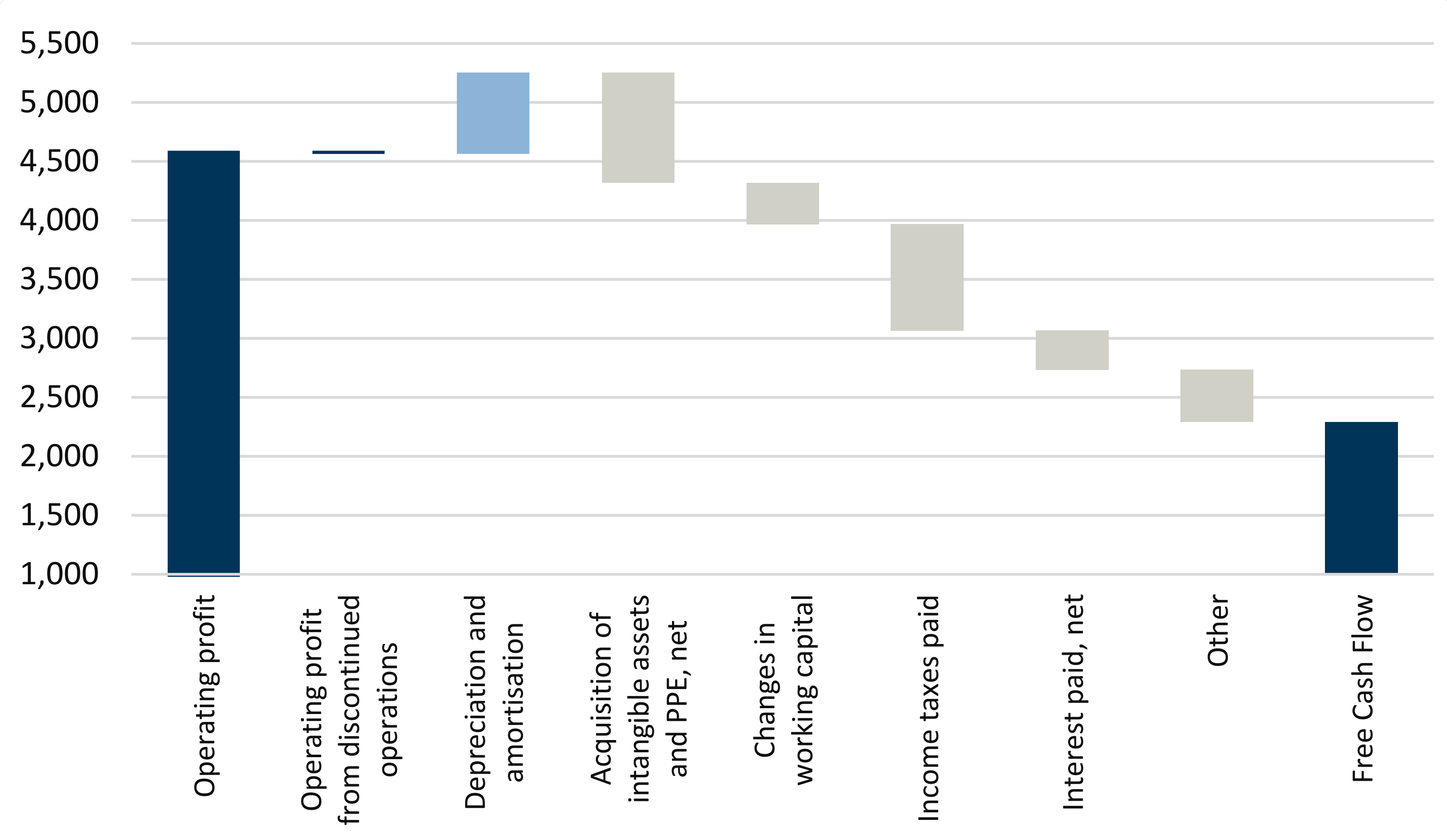
- Investments in intangible assets and property, plant and equipment, net, of DKK 245m or 1.2% of group revenue (H1 2017: 1.1%)
- Cash outflow from acquisitions/divestments of businesses, net of DKK 1,515m

Driven by payment of ordinary dividend, offset by drawing on credit facilities due to the payment of Guckenheimer

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

Free Cash Flow

LTM conversion of Operating Profit[(1)] to Free Cash Flow[(2)] (DKK m)

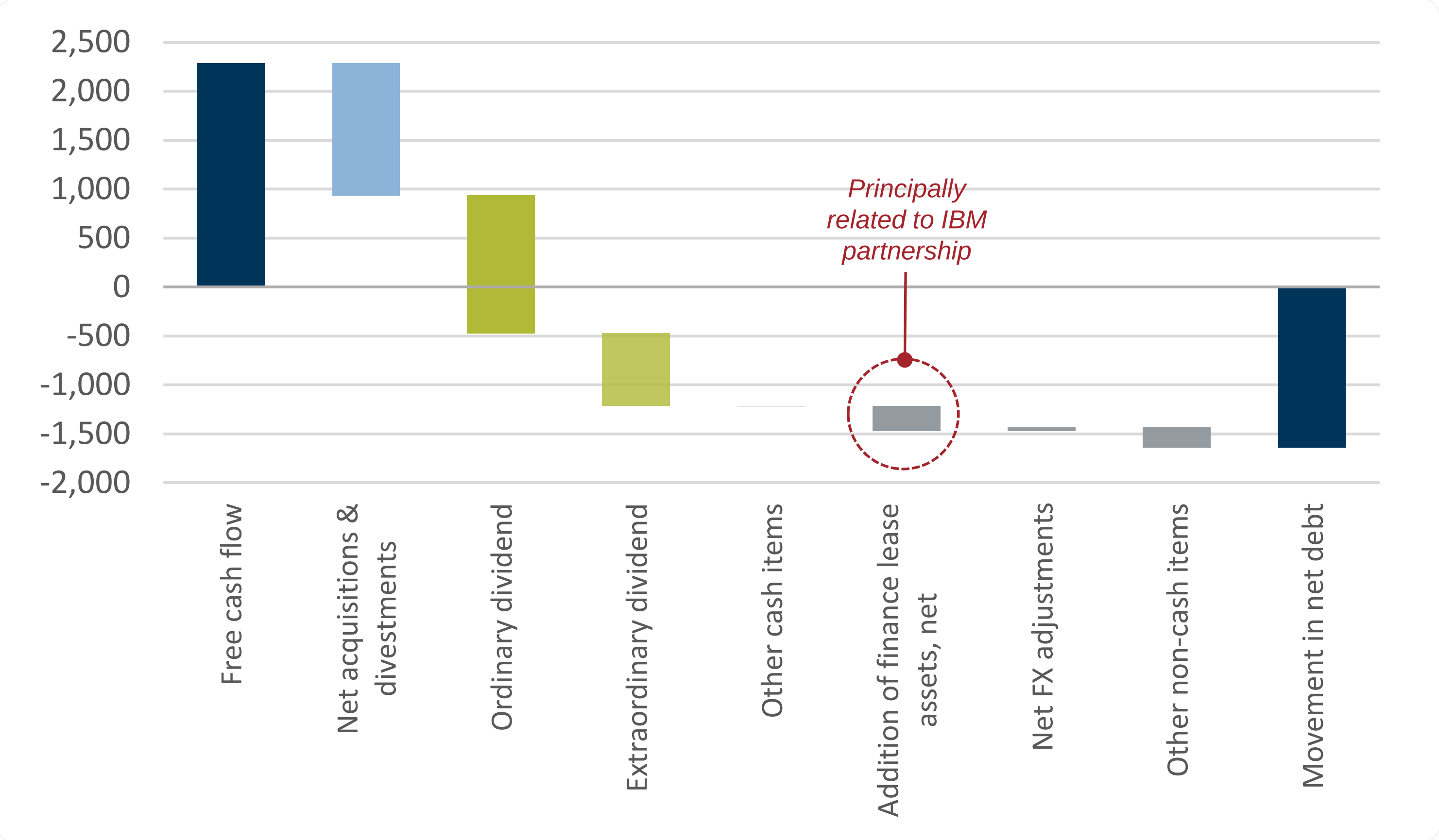


(1) Operating profit before other items
(2) Cash flow from operating activities + (Cash flow from investing activities less acquisition/divestment of businesses, net)

LTM free cash flow impacted by working capital and capital expenditure

Capital allocation

Q2 2017 (LTM) allocation of Free Cash Flow(1) (DKK m)

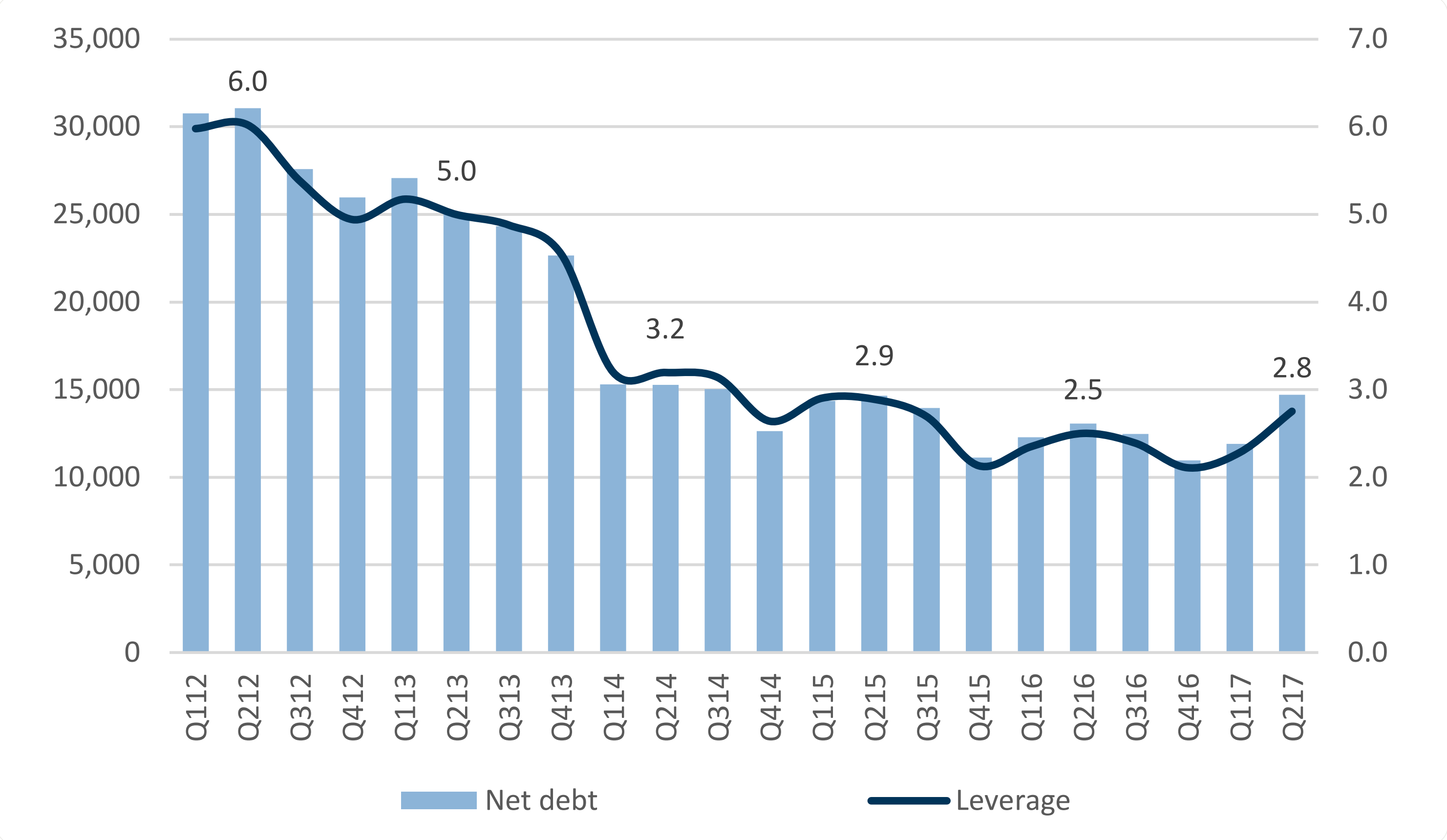


(1) Cash flow from operating activities + (Cash flow from investing activities less acquisition/divestment of businesses, net)

Capital allocation priorities unchanged

Net debt and leverage

Net debt (DKK m) and leverage[1]



(1) Net debt / Pro-forma adjusted EBITDA

Leverage target remains 'below 2.5x'

Commercial Update

Global Corporate Clients: Renewal Update

	2017	2018	2019
Number of GCC contracts due to expire within the year	2	4	3
Annual revenue of these contracts(1)	3.9%	4.0%	3.0%
Comments	Includes Barclays where we can now confirm our global agreement has been extended until 2022.	Includes DXC, HP Inc. and HP Enterprise where contracts were due to expire in December 2018. However, DXC and HP Inc. have triggered early termination options and we face a (still uncertain) reduction in scope/services from Q4 2017 (DXC) and end Q1 2018 (HP Inc.)	

(1) Based on 2016 client revenue (portfolio and non-portfolio) and shown as a percentage of the 2016 ISS Group revenue from continuing operations.

Key contract wins/expansions

NatWest

- ISS has delivered Cleaning Services for NatWest/RBS since 2003, steadily broadening our coverage of their UK real estate portflio
- Under a new 3-year contract starting in November, we will also deliver technical services (planned preventative maintenance and reactive maintenance) across approximately 2,000 UK properties
- This represents a significant uplift in our contract value, with ongoing potential to grow
- This win is also a strong vindication of our UK technical services credentials and our 2015 acquisition of GS Hall

ABB

- ABB have shifted their FM strategy towards first generation, regional outsourcing deals
- ISS has secured the Asia Pacific region comprising China, India, Australia, Singapore (and South Africa)
- The 5-year IFS contract will ramp-up from November 2017
- This represents an important, early success for ISS post recent initiatives to build our pan-regional sales and operational credentials…
- …with our self-delivery capability being a major differentiator
- It also vindicates our strategy of focusing on multinational clients

HUAWEI

- ISS's relationship with Huawei commenced in 2015 with an IFS contract at the 640,000m^2 employee campus in Shenzhen
- During 2017, our relationship has extended to 9 European countries with another 8 planned to transition in the coming quarters
- We have now started services in Mexico and have potential to expand further in LatAm
- Huawei has relationships with a number of global and local FM providers…
- …and are very focused on employee experience
- As such, there are clear opportunities for ISS to grow further

bhpbilliton

- ISS has won a 5-year IFS contract at the Leinster and Mount Keith villages in Western Australia
- ISS will provide the full suite of village services, commencing September 2017
- After a challenging 2016, ISS Australia has now won remote site, resource contracts at 4 villages in 2017 – clearly demonstrating that our value proposition remains compelling in this important segment
- We have an excellent management team at ISS Australia…
- …and they are on track to deliver a strong year of new sales and retentions in 2017

NHS South Warwickshire NHS Foundation Trust

- ISS has won a 5-year IFS contract with the South Warwickshire NHS Foundation Trust covering 563 beds at 4 hospitals (Warwick, Leamington Spa, Ellen Badger and Stratford)
- This is a former customer of ISS but one we have not served since 2007
- Customer priorities include improved quality and consistency of services, improved patient experience and the freeing up of clinical resource to focus on patient care
- ISS's proven capabilties in this sector, coupled with a good historic relationship with the customer were key…
- …and the contract will launch in November

Outlook

Outlook 2017

Organic Growth

Expectation narrowed from

'1.5% – 3.5%'

to

'1.5% – 2.5%'

(2016 3.4%)

Reflects lower organic growth seen in Q2 2017, combined with our expectations for the remainder of 2017. Relative to our previous expectations, we now foresee

- **Weaker 2017 revenue in Sweden and China**
- **Weaker demand for non-portfolio services**
- **A negative impact from the reduction in revenue with DXC Technology, commencing in Q4 2017**

Overall growth will continue to be supported by the positive developments across a number of our countries and further success in IFS, drive by both expansion of existing customer relationships and new customer wins

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%

Operating Margin

'Above the level realised in 2016'

(2016: 5.78%[(1)])

- **Continued focus on sustainable margin improvement and selectivity over our growth**
- **Development will be supported by ongoing strategic initiatives**
  - **Procurement**
  - **Customer segmentation, including Key Account focus**
  - **Organisational structure**
  - **Business Process Outsourcing (BPO)**

Cash Conversion

'Above 90%'

(2016: 98%)

- **Cash conversion will remain a priority in 2017**

(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 seven months of 2017 and the average forward exchange rates (as of 11 August, 2017) for the last five months of 2017

Q&A

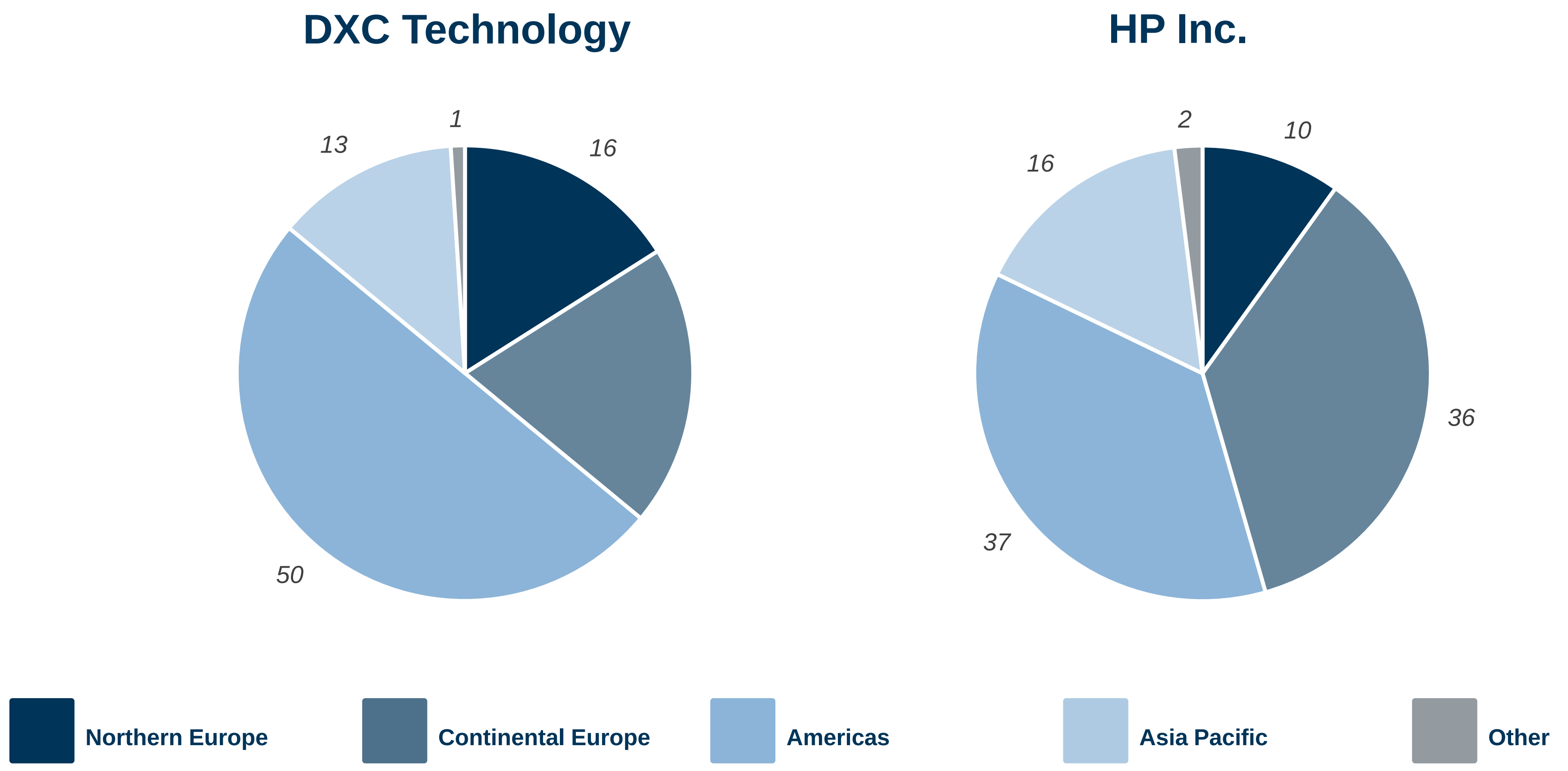
Appendix

Income Statement – 2016 Restated

DKK million	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*

DXC Technology and HP Inc: Regional Revenue Split[1]



(1) Approximate portfolio and non-portfolio revenue split by ISS region, H1 2017