Q3 2019 Trading Update

Investor Presentation

6 November 2019

THE POWER OF THE HUMAN TOUCH

Forward-looking statements

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Summary

Organic growth

- Strong organic growth of 6.8% YTD 2019 and 8.4% in Q3 2019
- Deutsche Telekom contributed with 3.8% in Q3 2019, in line with expectations
- Organic growth generally driven by Key Accounts (9.7% YTD 2019)
- Service delivery to Novartis expected to continue in a few key countries

Operating performance

- Divestment programme progressing well (42% signed/completed)
- Stabilisation of Deutsche Telekom following launch 1 July 2019 progressing well
- Two loss making contracts (Denmark and Hong Kong)
- Delayed recovery in France
- Launch of efficiency plan targeting around DKK 400 million in cash savings

Outlook

- Outlook adjusted to reflect operating performance, including significant one-offs, as well as the implementation of a stricter factoring policy

Organic growth

Revenue growth YTD 2019

Total growth	Organic growth	Currency	Acq./Div.
6.3% ***Q2 2019:*** *5.0%,* ***Q3 2019:*** *8.9%*	**6.8%** ***Q2 2019:*** *5.8%,* ***Q3 2019:*** *8.4%*	**0.8%** ***Q2 2019:*** *0.5%,* ***Q3 2019:*** *1.2%*	**-1.3%** ***Q2 2019:*** *-1.3%,* ***Q3 2019:*** *-0.7%*

Organic growth

Major contract developments[1)]

0.9 pp.

Q2 2019: *-0.2 pp.* ***Q3 2019:*** *3.8 pp.*

Other contract developments

5.2 pp.

Q2 2019: *4.9 pp.* ***Q3 2019:*** *4.6 pp.*

Projects and above base

0.7 pp.

Q2 2019: *1.1 pp.* ***Q3 2019:*** *0.0 pp.*

Currency

- Mainly driven by USD, CHF and HKD…
- … partly offset by TRY

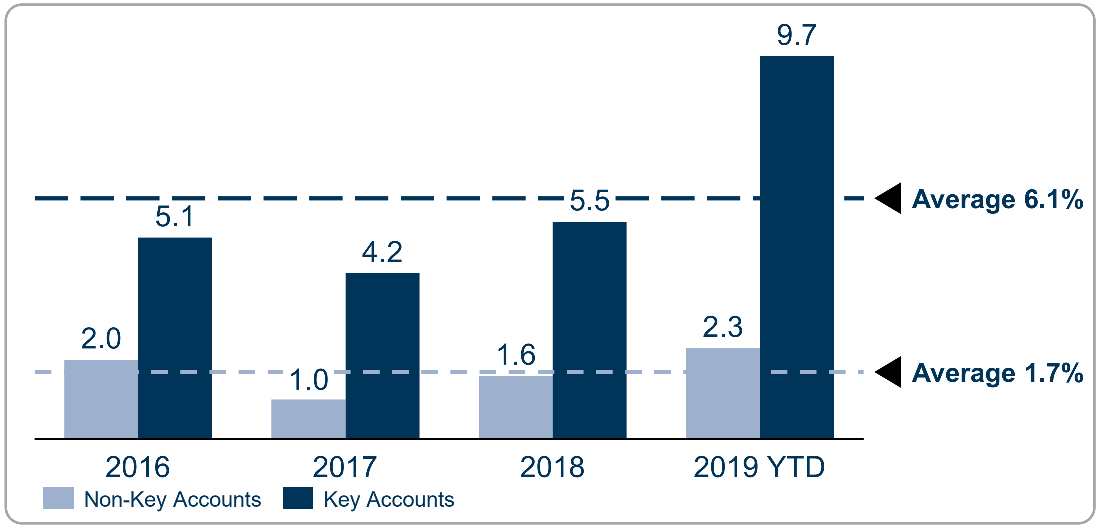
Acq./Div.

- Mainly driven by divestment of non-core activities in the Netherlands, UK landscaping activities and public hospitals in Spain

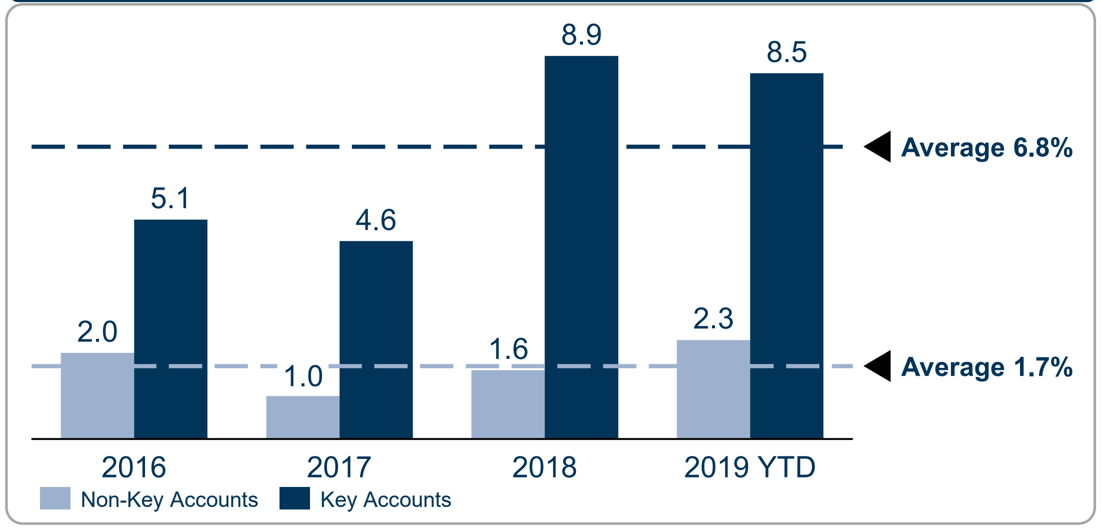
(1) Includes the loss of DXC Technology (Oct. 2017), HP Inc. (Feb. 2018) and the EMEA region of an International Bank (Jan. 2018) as well as the launch of Deutsche Telekom (Jul. 2019)

Becoming a structurally higher organic growth company

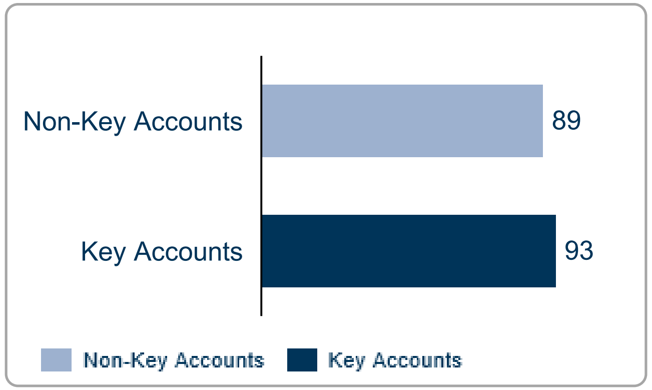
Organic growth (%), reported



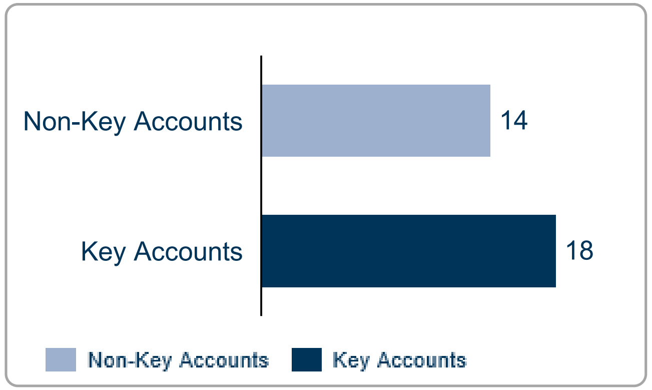
Organic growth (%), excl. major contract developments[2]



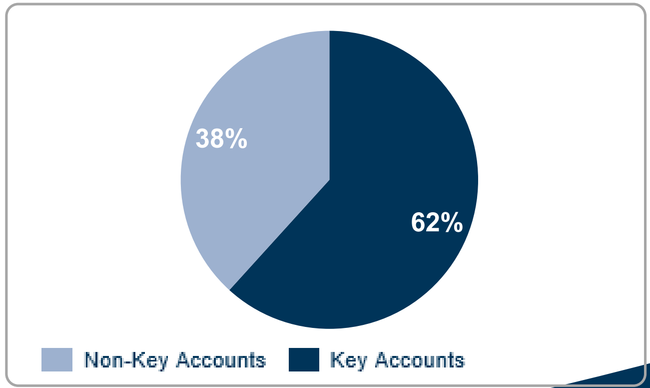
Retention Rates[1] (%)



Projects and above base revenue[1] (%)



Key Account Revenue 2019 YTD (%)



1) 3-year average (FY2016-2018)
2) Includes the loss of DXC Technology (Oct. 2017), HP Inc. (Feb. 2018) and the EMEA region of an International Bank (Jan. 2018) as well as the launch of Deutsche Telekom (Jul. 2019)

Organic growth by region YTD 2019

Continental Europe *(39% of group revenue)*

11%
YTD 2019

Q2 2019: 9%
Q3 2019: 16%

- Solid Key Account growth in especially Turkey, Iberia and the Netherlands
- Deutsche Telekom launched in Germany in July, contributing with 3% YTD 2019 (10% in Q3 2019)
- Price increases in Turkey on the back of high wage inflation. Adjusted for price increases in Turkey, organic growth was 9% YTD 2019.
- Continued growth in the demand for projects and above base work YTD 2019, despite a slow-down in Q3 2019.

Northern Europe *(32% of group revenue)*

4%
YTD 2019

Q2 2019: 4%
Q3 2019: 3%

- Solid growth in the UK and Denmark driven by Key Account contract launches and expansions in 2018 and 2019
- Continued growth in the demand for projects and above base work YTD 2019, driven in particular by Norway and Finland. Sequential slow-down in Q3 2019, with broadly neutral contribution to growth.

Asia Pacific *(18% of group revenue)*

5%
YTD 2019

Q2 2019: 5%
Q3 2019: 5%

- Solid growth across most countries in the region
- Particularly strong growth in Australia as a result of strong commercial momentum with Key Accounts
- Upselling and cross-selling to Global Key Accounts in China on the back of strengthening capabilities within Workplace Management & Design
- Price increases in Indonesia
- Broadly stable demand for projects and above base work

Americas *(11% of group revenue)*

2%
YTD 2019

Q2 2019: 2%
Q3 2019: 1%

Organic growth remains negatively impacted by the exit of small contracts in the US legacy business. Excluding these exits, the Americas delivered 5% organic growth YTD and in Q3 driven by:

- New sales and upselling on the back of strengthening capabilities within Food Services and Workplace Management & Design
- Sharpening Key Account focus paying off. Solid performance especially in the aviation segment.
- Broadly stable demand for projects and above base work

Recent commercial developments

Large Key Account contract developments since H1 results

Deutsche Telekom

- Single largest contract in ISS history
- Launched on time 1 July 2019 across more than 42,000 sites, hereby driving 3.8% Group organic growth in Q3 2019
- The operational stabilisation following launch is progressing and is expected to complete in the coming months. On that basis, profitability expectations remain unchanged.

Novartis

- As previously announced, the contract with Novartis maturing 31 December 2019, with an annual revenue of around DKK 2 billion, will not be extended in full.
- We expect to continue service delivery in a few key countries
- The expected annualised first year net negative margin impact, including exit-related costs, remains 0.1-0.2 pp. on Group margins

Other Large Key Accounts

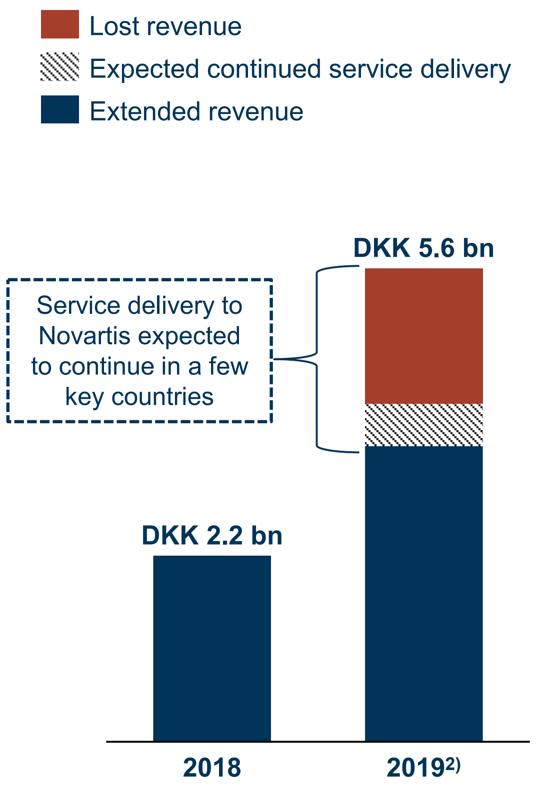
Wins:
- Public sector (Iberia)

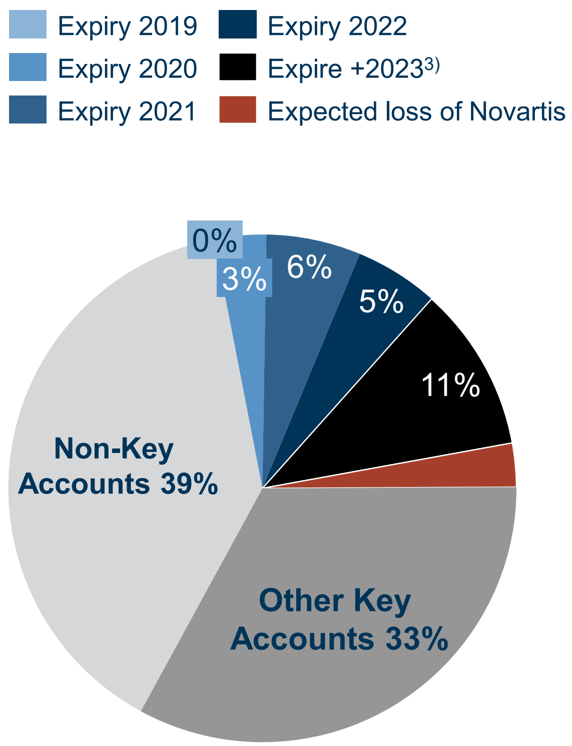
Extensions & expansions:
- International Bank (Switzerland)
- Brisbane Airport (Australia)

Revenue reduction:
- Norwegian Defence (Norway)

Losses:
- None

Large key account[1)] contract maturity profile





(1) Existing Global Corporate Clients and Key Accounts generating revenue above DKK 200m in 2018
(2) Based on 2018 revenue figures
(3) Based on 2018 revenue figures. Proforma adjusted for Deutsche Telekom

Update on performance

Operational challenges and consequences

Challenges

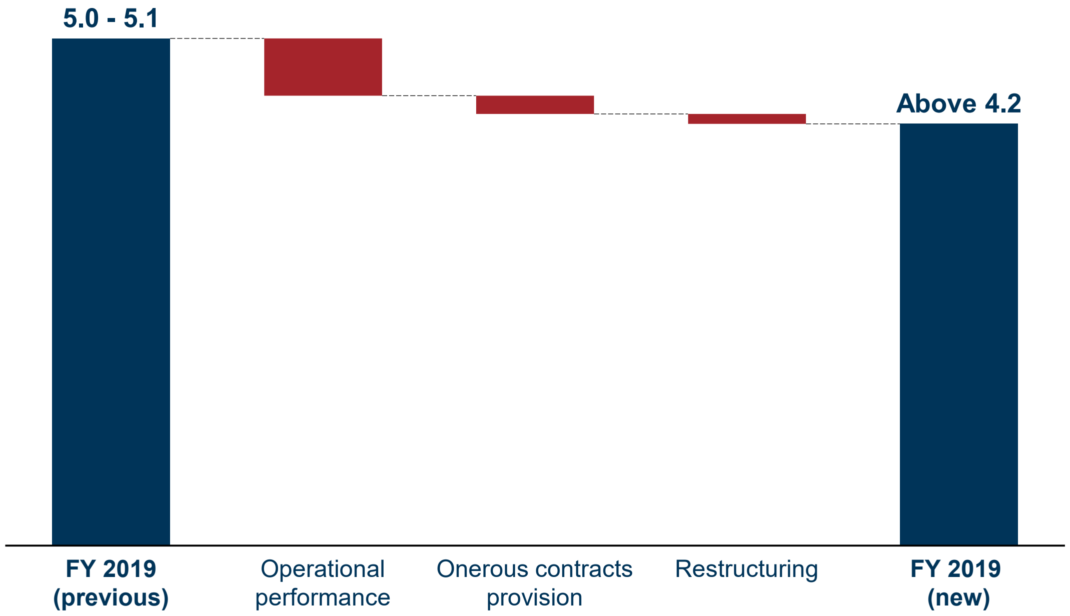
Two loss-making contracts	• Denmark: Challenging transition and misalignment of expectations • Hong Kong: Mispriced contract challenged further by political turmoil
Strategic transformation in France	• The control of operations has been impacted by the execution of restructuring • Performance has not yet improved as expected and we remain in recovery mode

Consequences

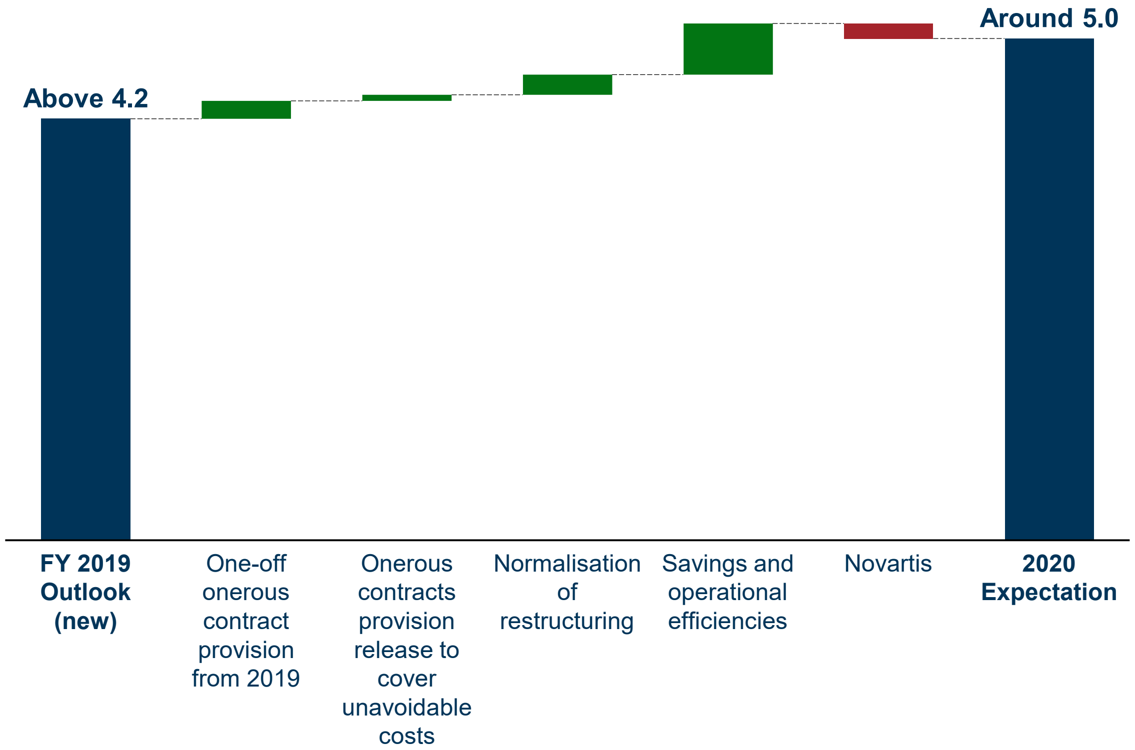
Immediate actions	• Detailed execution plans in France and on both contracts to improve profitability have been reinforced • Leadership changes in France and Hong Kong
Launch of efficiency plan	• Further focus and simplifications of the organisation • Launch of efficiency plan targeting around DKK 400 million in cash savings • In-year P&L benefit in FY2020 expected at around DKK 200 million • As a consequence, restructuring in FY2019 is expected at around DKK 300 million (previously DKK 200-250 million)
Onerous contract provision	• One-off onerous contract provision for the loss making contracts in Denmark and Hong Kong, as required under IFRS
Transformation execution	• Strengthening of commercial sign-off and transition processes • Decision to spread part of our transformational investments over 2019-2021 (previously 2019-2020)

Operating margins 2019-2020

Drivers behind the adjusted 2019 margin outlook (%)

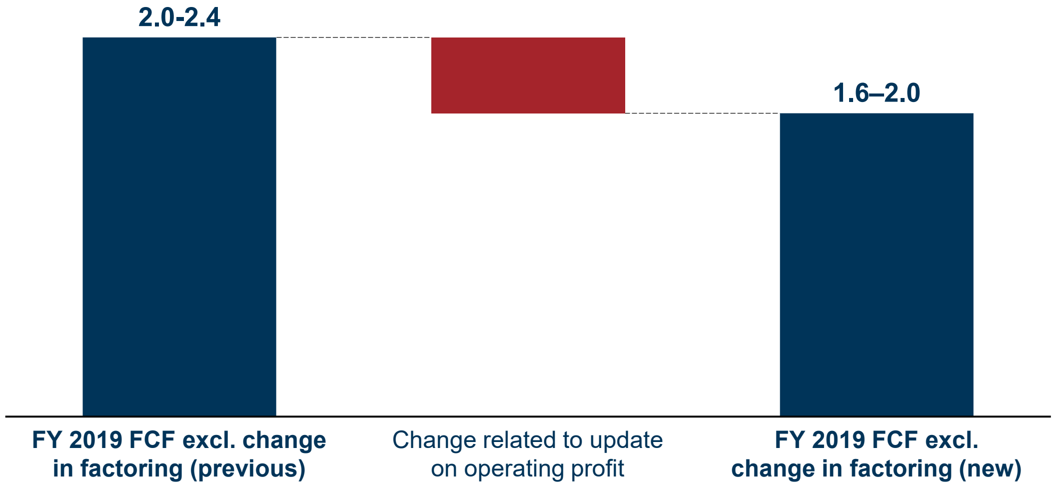


Key margin drivers from 2019 to 2020 (%)

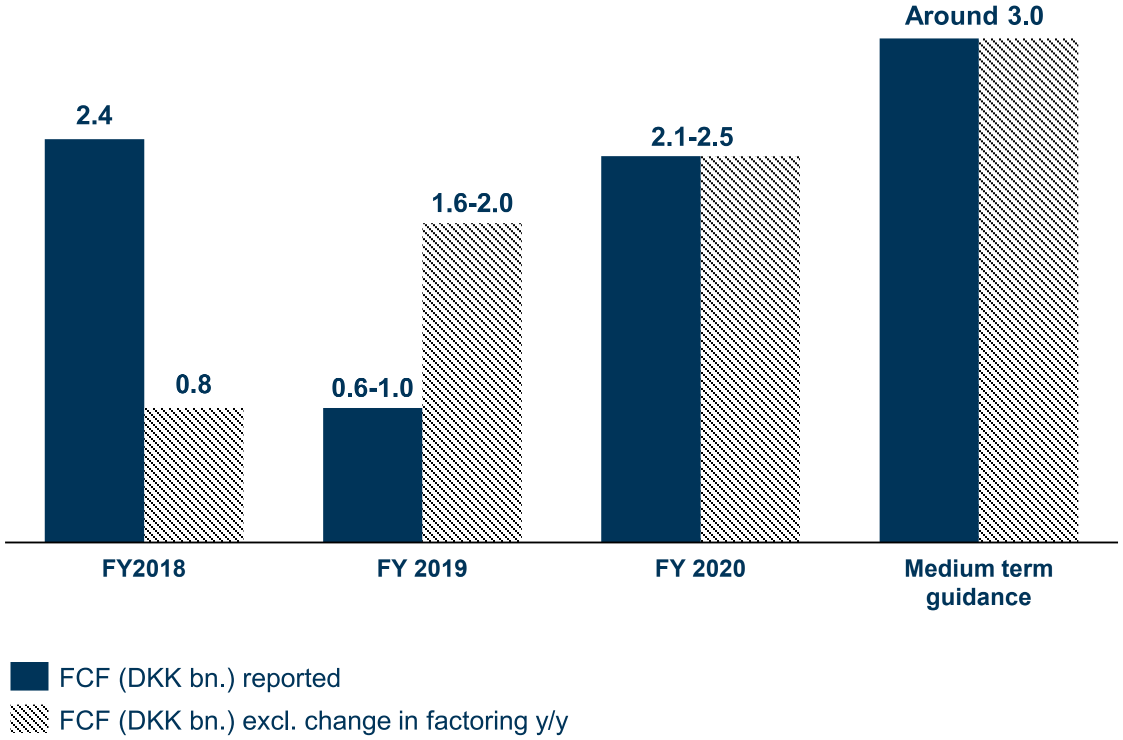


Free cash flow 2019-2020

FCF excluding the variation in factoring (DKK bn)



FCF Outlook (DKK bn)



(1) Fully non-recourse (no credit risk). Includes being part of certain customers' Supply Chain Financing programs. ISS does not make use of any reverse factoring towards payables. Combined factoring utilisation: FY 2017: DKK 1.0 bn., H1 2018: DKK 1.2 bn., FY 2018: DKK 2.5 bn, H1 2019: DKK 1.8 bn, FY 2019 expectation of around DKK 1.5 bn +/- DKK 200m (previously around DKK 2.3 billion)

Outlook

	2019 outlook	2020 expectation	Medium term
Organic Growth	6.5% - 7.5%	Above 4%	Industry leading organic growth of 4% - 6%
Operating Margin	Above 4.2%	Around 5.0%	Stable operating margins around 5.5%
Free Cash Flow[1)]	Reported: DKK 0.6-1.0 bn Excl. factoring: DKK 1.6-2.0 bn	Reported: DKK 2.1-2.5 bn Excl. factoring: DKK 2.1-2.5 bn	Strong Free Cash Flow around DKK 3.0 bn[2)]

Impact on total revenue from divestments, acquisitions and foreign exchange rates in 2019

- We expect the impact on revenue growth from development in foreign exchange rates to be between 0% to 1%[3)]
- We expect the net impact on revenue growth from divestments and acquisitions to be approximately -1%[4)]

1) *Definition: Cash flow from operations + cash flow from investments – cash flow from acquisitions/divestments, net – additions/disposals from leased assets*
2) *In constant currency relative to 10 December 2018 when the medium-term target was originally set.*
3) *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.*
4) *Includes divestments and acquisitions completed by 31 October 2019 (including in 2018)*

Capital allocation policy remains unchanged

	Objective	Comment
1.	Capital structure	Strong and efficient balance sheet with an investment grade financial profile and leverage < 2.8x
2.	Capital expenditure/net working capital	Meet the modest, ongoing capital needs of the business
3.	Ordinary dividend	Targeted payout ratio of c. 50% of net income (adjusted). Minimum DKK 7.70 per share throughout our transformation
4.	Acquisitions and divestments	Further portfolio optimisation and highly selective acquisitions
5.	Additional shareholder returns	Extraordinary dividends or share buy-backs. At least 25% of net divestment proceeds (DKK 2.0-2.5 bn) to be returned to shareholders

Q&A

Appendix

Divestment programme progressing well (42% signed/completed[1])

Status

In preparation: 12%, Transaction phase: 46%

Signed: 9%, Completed: 33%

The final large scale divestment programme for ISS was announced in December 2018:

- DKK 9.6 bn. of revenue to be divested[1]:
  - DKK 6.3 bn related to 13 countries[2]
  - DKK 3.3 bn related to a number of business units[3]
- Expected net divestment proceeds[4]: DKK 2.0-2.5 bn:
  - We will comply with our capital allocation policy
  - We reserve DKK 700-800m for our transformational investments…
  - … and intend to allocate at least 25% (min. DKK 500m) to share buy-backs or extraordinary dividends

Countries

In preparation: 15%, Transaction phase: 55%

Signed: 0%, Completed: 30%

Brunei
Israel ✓
Thailand
Estonia ✓
Chile
Philippines
Malaysia
Czech Republic
Romania
Brazil
Slovenia
Hungary
Slovakia

Business Units

In preparation: 7%, Transaction phase: 26%

Signed: 29%, Completed: 38%

- ✓ Route based cleaning in Germany
- ✓ Route based cleaning in Netherlands
- ✓ Route based cleaning in Austria
- ✓ Route based cleaning in Denmark
- ✓ Promotional Services in Portugal
- ✓ Public hospitals in Spain

(1) Based on 2017 revenue
(2) Countries have been classified as held for sale and discontinued operations. As such, the final divestment will not further impact reported revenue and operating profit
(3) Business units will gradually be classifies as held for sale but will remain part of reported numbers until divested. As such, the divestment of business units will impact revenue and operating profit upon divestment.
(4) Divestment proceeds net of divestment costs and restructuring