THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

ISS.CO - ISS A/S Capital Markets Day

EVENT DATE/TIME: SEPTEMBER 17, 2015 / 11:30AM GMT

CORPORATE PARTICIPANTS

Nick Ward *ISS A/S - Head - IR*

Lord Allen *ISS A/S - Chairman*

Jeff Gravenhorst *ISS A/S - Group CEO*

Troels Bjerg *ISS A/S - Regional CEO - Northern Europe*

Christian Kofoed Jakobsen *ISS A/S - CFO - Nordics*

Andrew Price *ISS A/S - Group CCO*

John Peri *ISS A/S - Regional CEO - Americas*

Heine Dalsgaard *ISS A/S - Group CFO*

CONFERENCE CALL PARTICIPANTS

Emily Roberts *Deutsche Bank - Analyst*

Paul Checketts *Barclays Capital - Analyst*

Rory Mckenzie *UBS - Analyst*

Keith Tice *GoDaddy - VP, CPO*

Michael Dozal *Polycom - Facility Manager*

Kristian Godiksen *SEB - Analyst*

Michael Rasmussen *ABG - Analyst*

Matija Gergolet *Goldman Sachs - Analyst*

Daniel Patterson *Danske Capital - Analyst*

Jonas Hansen *Carnegie - Analyst*

Allen Wells *Morgan Stanley - Analyst*

Henry Alexander *BNP - Analyst*

PRESENTATION

Nick Ward - *ISS A/S - Head - IR*

Okay. Great. I think we're ready to start. A warm welcome from me, first of all. I'm Nick Ward, Head of Investor Relations. And my colleague, Martin Hansen, Investor Relations, sits down here as well, so come and grab us if you have any issues during the course of the day.

Two or three very quick housekeeping points. Obviously, please turn off your mobile phones, or at least turn on to silent. We are having a live webcast, so we'd be grateful if you can sure that your phones don't disturb proceedings. Secondly, there are no plans, fire alarms, or a test during in the course of the day, if the alarm does go off marshals will safely escort you out of the building.

We're also very grateful that our Chairman, Lord Allen, is here today. And with that, I'd like to welcome him to the stage to say a few introductory remarks. Thank you very much, everybody.

Lord Allen - *ISS A/S - Chairman*

Thanks, Nick. Good afternoon, ladies and gentlemen, and welcome to the ISS Capital Markets' Day.

As you're aware, ISS successfully [posted] on the NASDAQ OMX in March last year. And I'm pleased to say that since then our operation performance has been pretty strong, and particularly in this financial year.

I think this performance has been achieved against a fairly challenging macroeconomic backdrop. And I think the strength of the results is a testament to two things -- our strategy and a resilient business model.

ISS, as you're aware, is diverse across many geographies, many different types of clients and service segments. And our growth is underpinned by a very strong trend towards integrated facilities, service contracts, and self-delivery. And Jeff will take you through that in more detail later.

We're absolutely determined to consistently deliver over time. And we really remain very excited about the potential for growth in the global facilities market.

This is our first Capital Markets' Day, and we hope it will provide a real opportunity to get to understand our business in a lot more detail and meet many of the senior management team. As most of you will know, Jeff and Heine -- Jeff, our CEO, and Heine, our CFO -- they'll be joined on stage today by Troels, Andrew and John. In addition, they'll be joined by other members of the senior management team as well as colleagues from strategy, finance, communication and people.

I really would encourage you to use today as an opportunity, not just to sit and listen but to meet colleagues, ask questions both in the room and during the breaks, because that will give you a real understanding. Being Scottish, there's no daft questions -- only from the chairman usually.

The presentations will really be focusing on a number of things -- the market, our positioning within the market, our strategy, and our key priorities. And I hope that will give you confidence that we're committed to be delivering day in, day out, and deliver not only our quarterly results but over the next number of years.

Our 2015 guidance is unchanged from that given at the Q2 results, and therefore there'll be no new guidance today.

ISS is a leading global service provider operating through its own subsidiaries in 48 countries. We really are a people business, employing 510,000 colleagues throughout the world. These people are our key asset. They'll determine how successful we are. And we believe that through investment in them, investment in developing them, training them, and supporting them really makes a difference.

We also think it's our culture that really drives the business. And hopefully, you get a sense of the commitment of the senior team to actually deliver for our customers.

Thank you very much for coming today. We hope you enjoy the day. And I would like to hand it over to our group CEO, Jeff Gravenhorst. Jeff.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Thank you, Charles. And a warm welcome from me as well to this Capital Markets' Day, the first of its kind for ISS. Hosted here at Barclays, and that's of course a special pleasure for us to be standing here, one of our largest international customers representing what we'll talk a lot more about today, the integrated facilities servicing offer that we have as one of the unique selling points for ISS.

So you will be seeing a lot of the services that we deliver day in and day out, not only at 1 CP here at Canary Wharf but throughout the entire world, almost, for Barclays. Whether it's the receptionist that you checked in with this morning or the security guards, the food that you just enjoyed outside -- I hope you did enjoy -- all prepared by ISS employees, and of course, the whole set-up of this room and the technical -- not the IT side of it, but all the technical set-up surrounding the building that we're in today. But more about that later on.

Obviously, this is our first Capital Markets' Day. As Charles just said, this gives us a good opportunity to give a little bit more in-depth about who we are. What is this company really about? Why are we making the choices that we make? And why do we believe that this is the right path for the company going forward?

Now, in this, I can reassure you upfront that there is no change to the story of that we listed this company on. It's the same strategy. We strongly believe that this is the right path for this company to take. There is a great opportunity out there. So from a market perspective, from a position perspective, from a value position perspective, from a differentiating factor perspective, there is no change in our strategy to what we actually launched the IPO on and what we have reiterated over the last many quarters of road shows.

So with that in mind, what are we going to cover today? Basically, I'm going to start off. We'll give a little bit more in-depth knowledge of the high level picture of the vision and the strategy of the company. Then we'll go into more operational proof points with Troels Bjerg who will represent the operational excellence, how do we drive best practices to our group, how do we continue to grow sales with our current customers.

That will be followed up with commercial development from Andrew Price, our head of commercial development in the group now. Also giving more color to how do we sell, what is the market perspective, how does the customer look at us, and the market overall. Then we will have a Q&A session, so we will encourage that we keep the questions to the Q&A part so we can get it all under one [hat], then we'll have a break after that.

Coming back after the break, we'll go into some of the key strategic focus areas. So one, Americas. John Peri who's the head of the Americas region now, of course, will take us through that. I will then take you through how do we look at acquisitions and disposals going forward. And then we'll finalize with Heine taking us through the financial overview of the company, follow up by another Q&A session.

And then after that, of course, and during the breaks, you have plenty of opportunity to mingle with a lot of my colleagues that are here today, also in the back there, when you want to have more color to the performance and the strategy and the elements of ISS also going forward.

So that's how we're going to deal with today. But without further ado, I would like to get into what are the key priorities of ISS. It's pretty straightforward. There is only one priority that matters.

ISS is about generating shareholder value. Now, I know that that's probably not a big surprise to any of you in this room here, but we have to talk about what does that mean to a company like ISS. Well, ISS is a very strong [cash flow] company, so of course it's about generating cash flow growth. That's the way we look at it. That's how we can make sure to get more capital that we can then allocate between shareholder return or putting back into the business.

Because of the strong cash flow, we've committed ourselves to the 50% dividend payout. The other 50% we'll consider how can we live, where shall we put more investments into the business to make a further improvement of the organization.

Those investments, of course, go into processes. They go into people development, of course, how can we become smarter and leaner to deliver the services to our clients. And that, of course, means also investments into technology. Technology solutions is going to be one of the factors also for the future.

1:14:27

Now, with those investments, of course, it's quiet important to say that we will only make those investments if we know that they will generate better organic growth and better margins. And that, of course, has in turn created better cash flow. So again, relatively short-term focus in terms of payback period. So whatever investments we make, whether it's in the acquisitions, whether it is in a restructuring project, whether it's a people development, it's in process and technology, we need to see a relatively quick cash flow return on those investments.

Ending the whole cycle means, of course, we got more cash available. And when we look at that cash availability, of course we have to be very strict on how do we look at the allocation. Can we pay out more to the shareholders? Can we up the shareholder returns in terms of cash, either via share buybacks or special dividends? And/or where do we invest more into the business to again improve cash flow going forward?

That is the focus. That is the driver for ISS going forward.

Now in that allocation, we need to, of course, have a balanced view. The balanced view in that allocation is we have to have a strong balance sheet. We have to have the flexibility also for the future. So that's why we're pretty dedicated to get the deleverage down to below the 2.5 times EBITDA.

Now Heine will get into more details around this allocation later on this afternoon. But to put it straight upfront, this is the way we think. We need to have a proper balance sheet that's why we set below the 2.5 times EBITDA. We need to be paying out the 50% dividend, that's for sure. Some investment back into the business, albeit we are a capital light business, and then we look at how can we put additional cash back out to the shareholders as we go forward.

That's our focus. That is our primary job for our shareholders.

Now, having said that, we need to have a business that can actually generate that cash flow. So what is the business that we've chosen to do and what market do we work with in order to generate this cash flow? So that's what we're now turning to.

Now overall, we're a service organization. We have a very strong commitment, a very ambitious goal. We want to become the world's greatest service organization.

That's a bull statement. World's greatest service organization, it's about creating service value moments that happens every day on our clients' premises to ensure that we keep customers longer than anybody else does. That the customers don't get, from a service ability point of view, any reason why they will change us with anybody else.

The only reason you can get to that is if you have an ambitious goal of being the best service organization in the world. That means competing up against other types of industries which are really having this under control.

The Disney Worlds of the world. The Singapore Airlines. These are the places where we get the inspiration of creating those service value moments of really closing down and getting closer to the clients relationship and meeting the clients' demands.

But it's a big, bold, hairy statement. And you need to have that to drive an organization with 511,000 employees. You need to have something that get everybody to get out of the bed every morning and make it real interesting to work with what we're working with.

But what does that mean? We need to give it a little bit more color. It's easy to say we want to be the world's greatest service organization, but there are ways to do this. And of course we have the mission statement.

It's about service performance. It's not about service delivery. We come from an industry where everybody talks about -- I want to buy 100 cleaners to come and clean our factory.

Why? Why do you that? Why do you want 100 cleaners? Are you the expert? No, you're not.

So what you want is to buy somebody who can assure that you have uptime in your factory. So somebody who's willing to put their money where their mouth is and then, of course, depending on the service outcome, you will pay us. You will see a lot more about that in Troels' presentation a little bit later on what end user centricity really means. Putting your money where your mouth is.

Now we deliver services as an output, as an outcome, not as an input. It's about what comes out of it.

Now, what comes out of it? Of course, the whole point is to create better conditions for clients. So that if you're a hospital, obviously, we facilitate the purpose of the hospital through the first service performance.

What does that mean? Well, we do cleaning in hospital. I'll bet you that we can actually guarantee that people are healed better or the opposite in a hospital. If we don't do our job, if we do it right, if we do it wrong, it can be detrimental to the reputation of the hospital and the outcome of the hospital. We got to make sure that our service performance is above the nutrition conditions, it's above the hygienic conditions.

When we work for a bank, it's about creating the proper business environment to develop the business in. uptime of data center -- if a data center goes down somewhere, of course it could destroy the business for the client. Our job is to make sure that the service performance is focused on the outcome, is facilitating the customer's purpose.

The only way you could do that and be sure that it happens is through people, environment, and then it's through people self-delivery models. It is my people, our organization that is delivering these services on a day in and day out basis. This is the organization or employees that we train.

We are not depending on self-suppliers. If you are, you have no clue what's going to happen on your side. You just hope that they live up to the contract they signed.

I don't have to hope. I actually have to do something. I need to train the employees to be able to do the job. I need to train them in service value [moments] so we do it with the proper attitude. That's what this company is about.

Turning now into what market do we then work with. Because again, it's a little bit fluffy. The fluffiness is whatever we do, we do it inside, delivering the services with our own employees within facility service market.

So let's have a lot of [take] on what is the facility service market. And I want to do this a little bit more educational in the sense of you know there's a lot of players in the market and how do they actively pan out against each other? But if we start by looking at it from a customer perspective -- so we can take the customer in this house.

The customer in this house is Vivienne Grafton. Vivienne Grafton is the head of CRES, that is corporate real estate. So her job is of course to take care about all real estate and premises-related matters within Barclays.

That focuses into three categories, that job. On the left-hand side is about the real estate. So do we have the right properties and the right spots? Now, we're all showing to India, so we need to have the right properties in India in order for us to carry out the services there. And do we have too much space when we look at the market in the UK, for example, and what do we do that?

Secondly, of course, her job is to make sure that if we need a building somewhere, we have to construct them and of course also design new buildings. And part of this is about -- what is the workflow of the future?

Now the young generations are not going to work in the same way as we did in the past. Open offices have become more popular. We've done that ourselves in our own head office. We don't have any offices anymore. I don't have an office anymore.

New ways of working is part of the workplace management part. That's also part of responsibility.

And when you go over to the right-hand side, of course once you have the right footprint in the right locations, you got to make sure that every single day services are delivered to consistent manner and driving out efficiencies, but at the same assuring that the clients get the right uptime, the right focus on the end users that uses the building. That's the [FM] part.

And when you look at that, you can split it into two parts. A market in the real estate side that sits here on the left-hand side was really an asset-led market. You think about assets. That's what you are as a core business, you're thinking assets all the time. This is the [CPRE, the JLLs], these kind of businesses.

But on the right-hand side, it's about the end user centricity. It's the people using the building. So the focus on the right-hand side is about having the right [proper], the right catering offering to be an attractive place of work. It's about having the right environment, the right temperatures in the room, the right layout, the right workplace management, and so forth to make sure that our clients can attract the right clientele to come and work for them and at the same time portray the brand in a proper way to the market.

That's where we work. We work on the end user side, and this is the reason why we have a self-delivery model. The interaction of our 511,000 people on a worldwide scale on a day-to-day basis with our clients' employees, our clients directly, and our clients' clients, and patients, for that matter, also in the hospitals.

That's where our key focus is. That's the empowerment. That's about the people focus in the organization.

Now if we click on this market, then of course there are different guidance of competitors in it. We can split them in two, as I just said. The asset-focused market which are the lower part of this, which are subcontracting. So yes, they will go to clients and they'll say -- you know what, I could give you the one stop shop solution. You give me all your facility services and facility management contracts and then I can subcontract cleaning and catering and public service and receptionists, whatever it is, to thousands of sub-suppliers.

It's an option. Or you can go into a self-delivery model. And in the self-delivery model, you can either choose single services or the ones who are doing integrated services. Here you can see that the strength of ISS, of the broad service performance that we have, is clearly one of the value proposition differentiators of our company up against the other self-delivering companies. And again, the value proposition differentiator up against the [FM] companies.

So just looking at the sheer scale, we have 511,000 people working for ISS doing very broad services that can take care of a whole building like this. If you look at the FM organizations where they're a little bit in between, should they self-deliver, should they not self-deliver, clearly they don't have the breadth to do so. Much more less employees, so they need to subcontract more. Subcontracting compliance is not always a great thing to do, at least not from our perspective.

So with that in mind, this is the focus of the company. The focus of ISS has been to build up that strength so we could do the service on selected customers, having the broad scale services doing the receptionist, doing the technical maintenance, doing the cleaning, the receptionist, et cetera. And that we've done by acquisitions from around year 2000 up to around 2008. From 2008 onwards, we focused very heavily on integrating those services in order for us to have clients like Barclays Worldwide, HP Worldwide, the GoDaddys of the US, and a lot of clients that you'll also see later on today.

Now, has it come through? Obviously, that's also come through on our revenue. If you look at the overall revenue development of our company over the last eight years, from 2006 until today, we had a combined annual organic growth of 4%, remembering that this actually includes the worst financial crisis that we've ever seen in the world, basically. So during the worst years, we had positive organic growth. The reason why we could do that is because of the breadth of the services of that we had and our ability to build or sell IFS at the same time.

If you look at it from a service perspective, of course it's also had a profound impact on -- what do we look like? What do we represent today? Clearly, if you look at this picture, the cleaning part, the legacy part of our organization, is a much smaller part of our business today.

But when you look at these graphs here or these tables or pie charts, when we look at these pie charts, of course it's masked a little bit when you look into [public] services, that it's a completely different kind of quality on the upper graph than it is on the lower pie chart here. Why? Because we sold of a lot of the public services that doesn't belong to this strategy.

We sold off landscaping in France. Really, building golf courses, building football pitches, building roundabouts is not part of our value proposition. We sold that off.

We also sold off pest control businesses because it's not part of our onsite daily proposition. That's about logistics. It's about killing pests. That's not what we're about.

We're about the onsite, people intensive, taking care of the end users on sites like this. We will buy in the room pay services from Anticimex. We'll buy in the laundry services from the likes of [PLC], for example. We are very focused on the onsite people intensive businesses.

And all of this is of course underpinned by our development in integrated facility services. So our development is really underpinned by the fact that today about a third of our revenue sits within integrated facility services.

But more importantly, since 2006, we have grown integrated facility services by 14.4% on annual compound growth. That is a proxy of organic growth. We have not bought IFS companies. We have created IFS market. So this is a stunning growth opportunity that continues to go on.

The first half-year this year, 10% organic growth within IFS. So it is a growth machine. And why is it a growth machine? Because it's replying to the customer needs. The customers are asking for this, so we need to listen to them.

What is it exactly they're asking for? It's quite clear. The customers are asking for the ability to focus on their own business. There is no doubt that outsourcing is here to stay.

Outsourcing is now well above the 50% market on a worldwide scale. Every year that increases. Why? Because it makes sense to focus on your own core business and let somebody else be the experts in cleaning and catering and what have you. We should be able to drive a better service than anybody else in this.

So that's our focus, of course, is to make sure that we live up to the fact that the customers could be left alone focused on their bank business or focused on the hospital business or focused on whatever business they're in. Our job is to fit in, understand their business, and provide and support their business in the best possible way, facilitating the customer's purpose, and then deliver it with our own employees, so we better understand on a daily basis that it could be done.

Clearly, that's what they ask for. In that focus, they're asking for a number of things. But one of the things that comes from -- let's take the practices and compliance. Compliance is of course -- well, a lot of you work within banks so you will know that compliance is becoming more and more important.

It is not just compliance within the banking business. It is compliance within facility services business. So we need to guarantee, of course, that everybody that works onsite are [better in a proper way].

Now, if you use subcontracting models, you don't have a clue. You don't know who's actually hired to do the job, you don't know who's walking around in here. And from a Barclays perspective, that's actually quite important. It's quite important that you don't then end up with that there are illegal immigrants working on a site like this who's not getting paid by the going rate, who's not living up to the health and safety requirements and the training and so forth.

That, we can guarantee with a self-delivery model. That's what they want. That's what the clients are asking for.

Of course, they're asking for efficiency improvements. So how do they get that? Well, they get that if we can do services in a different way. If you subcontract, you don't do stuff in a different way. You just continue to do what you did because you outsourced it and they'll figure out how to do it.

We can do things in a different way. We can integrate the services on an ongoing basis. We can continuously improve efficiency onsite. That's what the clients are asking for. They want this kind of models.

And the only way you can do this or the main objective of all of this, maximize the uptime of this asset. That's all it is. It's a tool.

This building is a tool for Barclays. We're going to maximize the uptime for this asset. That's our job. We minimize the risk. We manage the risk for the customers.

THOMSON REUTERS

Now you can only do this if you're in control of the processes. If you're not in control of the processes, you have a leap of faith into all those subcontractors that's carrying out the work.

Today, our clients are asking for self-delivery. Andrew will come back to the requirements from the customer perspective a little bit later on. But there's no doubt that in more and more bids across the world, you have to put in how much are you going to self-deliver.

And why are they asking for that? Because this acts as a proof point. They don't trust the compliance. They don't trust the fact that we can deliver on a consistent basis if we don't have control of the actual employees doing the job day in and day out.

Now, we do that, of course, by our self-delivery model. Investing into people, developing the capabilities across, investing into processes where we can integrate the services, of course, and investing into technology that means modern ways of working -- that not just brainless going through and working full-time every day and cleaning exactly the same spot that nobody actually uses. Technology can help us to measure through sensors, where do we need to do this and where not.

Benchmarking abilities to get better efficiency across the piece is what we focused on. Our value proposition to deliver this, self-delivery, capabilities of integrating the services and taking out efficiency, and that will bring us to a very close relationship with our clients. The strategic partnership will last for many, many years, and you'll see some of those today.

Fifty-one years history with the Danish Railways, again now a big contract. We have HP development now with the split up. We're in both camps right now. So these are of course a big part of the value proposition and the differentiators from an ISS perspective.

Now, this is quite a complicated product. Believe me or not, try to deliver all the services on the site, from the receptionist, catering, technical maintenance, everything, of course is a complicated product. Integrating it as well under one management or one contract is a complicated product. It's a sophisticated product, believe it or not.

Now in that, of course, we have to be focused. We can't do this to everybody everywhere in the world. We have to be very selective. And that's the focus of our company right now -- which clients are really appreciating this. Now, there's a lot of single service key account where you have cleaning only which is about compliance, delivering consistently, self-delivery model. But once you get to the integrated model, we have to be very focused on where do we do this and what type of clients.

So our focus is on key accounts. And when you talk about key accounts, we have been talking about this for a long period of time. This value propositions has been relevant for some global group of client that we are been delivering to on a daily basis. HP, Barclays, Citigroup, all the clients that you heard about for a while. And that's underpinning and showing that the direction we have is the right direction, no doubt about that.

We got very good compound growth, again, 10% organic growth, again, this year on global corporate clients and development. Very good overall, extremely well in this market.

But it's not only on global corporate clients. Our success within integrated facility services overall, to now have around a third of business within IFS, ISS again, 10% organic growth this year, is more driven by the large regional and large country bases IFS contracts. So the focus now is of course on continuing to build this.

This is a big reason for our success in Europe this year. The 5% organic growth in the second quarter comes from exactly this. It comes from winning the Vattenfall, the UBS at Broadgate Street. It comes from winning the banks here in Spain. It comes from the Danske Bank over the next quarters as well. This is really coming through because they want the value proposition as I just said.

So going forward, key accounts is the driver of our growth for the future and the driver for our margin expansion also for the future. 61% of our revenue today is actually constituted by 1,700 customers. That's 1% of our costumers representing 61% of our revenue. But it's still 1,722, to be exact, customers across the group that generates this.

THOMSON REUTERS

This is a key focus for us. This is where we drive stickiness through our value proposition. This is where we keep the customers for longer and where we, over a longer period of time, can drive margin expansion and, of course, up-selling. And that means about developing key account managers that can take advantages of this kind of market.

So, overall, a very, very strong focus on accelerating the best practice sharing between the 1,722 accounts, counting as we speak, across the world. That's doable. That's the focus that we have and that we are today focused on generating also for the future, and that we do with five strategic initiatives.

So the five strategic initiatives are exactly the same as we launched at the IPO. We're a strong believer in that this, of course, like any business, demands leadership. So on this slide, in the printout, there's a lot of details in there. It's for you to take away with you. I'm not going to go through all these lines.

But the point is to say, to really drive a key account organization with this sophisticated product across the world, leadership is key. So our, of course, development within this is to drive key account development programs, is to drive front line service value moments program -- that means it's about the front liners as much as the key accounts across the world. Key account managers have to be really in tune with what's the need of the customer, really understanding how we can facilitate the customer's purpose in an even better way.

Having said that, as I just said, 1% of our customer base actually generates 61% of our revenue. That's a very strong base. 1,722 accounts' best practice sharing really can give us big benefits. You will see some of that in John's presentation later on, how much we improved the margin on some of our key accounts because of best practice sharing.

So transforming our customer base is quite important. It does not mean that we don't need or want the mid size customers. But it's because it takes a different structure to support 1,722 accounts, so the fit-for-purpose organization which is the third part is about organizing the 1,722 accounts so that there is a path and a quick highway of sharing best practice across. Then we have the mid sector which is the middle size contract single-service purpose, and then we sometimes have direct business. This total, we'll give you a little bit more collar to later on.

And then, of course, integrated facility services. We invented integrated facilities services many years ago. We are definitely taking our market sharing in there. We got double digit growth year over year over year of developing this market.

This is the future of ISS, that's for sure. And we strongly believe in investing in this, and there're a lot of technology solutions out there that can support even better efficiency gains within this particular segment. So investing into that key, also, for the future, and then, of course, at the end of it, continue to drive excellence within cleaning, benchmark tools, et cetera, basically within catering and within technical maintenance. That is all of it, of course, to drive vital output, outcome of the services that we do. And at the end of the day, it will generate better cash flow, and from that perspective, better shareholder value.

Now, to do this, you need to have the highways so you can implement. We're big organization, 511,000 people across 50 countries. How can you actually implement anything across the countries?

Now the one thing you have to do is make sure the countries actually look alike, otherwise there's no easy way through the organization. That, we've done, but we said we'd done and then I told you to come back to more details on that. But we also have to take some responsibility of how do we drive that even harder from a group perspective?

So we have just recently announced a new group structure that is only made to support the strategy of enhancing and driving out the synergies and best practice sharing across the world in a better way. Now, we are country-based and we will continue to be country-focused, as opposed to some of our competitors are verticals, so they're going across the world. But it's impossible to sit in Denmark and know the labor market in Poland.

In a market way, you're living off the front line, you have to be local. It's the local labor market, there's a knowledge very close to it. Global customer market -- very close to the customer development within the individual countries.

So we're a strong believer of driving our organization first and foremost from a country-focused perspective to make sure that we're in control of labor, in control of the customer need development in the country. But we need to drive the excellence. We need to drive the synergies across the group. So that's why we created these four streams that goes across the organization more heavily than we've ever done before. Very clearly a responsibility, having global operations that goes across the organization, driving best practice sharing in a much more hard or much harder way and much more assertive way across the entire organization.

The same thing goes for our commercial development. Our strategic focuses are very clear, and they fall within three different boxes, of course, but the main driver being key accounts. Driving key account sales structure is different from driving a direct source structure. Of course, enterprise is now heading up this [entire]. We'll hear more about that from Andrew in a second.

Thirdly, from a people and culture perspective. This is, of course, HR for most people, but in our organization it really is about culture. It's about the front line, it's about the service value moment, it's about the interaction that happens here and now between whoever it is that stands in front of you. That is a key driver for us and that's why we need to be even more assertive in how we develop our people and culture throughout this whole organization. And then, of course, underpinned by the very strong financial controls that we've had for many, many years within ISS.

That's what's going to give us the focus, the drive to harvest more synergies, to get more out of our scale, but also to drive the top line growth over the next years.

That's in a nutshell what ISS is about. But let me get back to what's the purpose of this organization, is like cash flow. So when we look at our cash flow, over the last few years, we are very cash generative, but at the end of the day we use the cash on different things.

So just to get you through a couple of eras within ISS, recent history, if we go back to when these were all in percentages, it goes back to the era from 2006 to 2009. This was really where we had the private equity ownership startup. We had a lot of acquisitions, highly leveraged, relatively expensive debt in the middle of the worst financial crisis, but nevertheless we had strong enough cash flow to manage that situation.

So, of course, in that period, we used most of our free cash flow to pay for the interest on the high debt and also relatively high interest rates. At the same time, we were still building on capabilities. So we made a lot of acquisitions. Of course, resulting in that we had an increase in our debt in this period.

In 2008, I became the COO. In 2010 I became the CEO. My philosophy at the time was we need to use all the acquisitions that we had made in an even better way. More alignment, getting more organic growth out of this organization, and that, of course, led to the second phase.

We stopped acquisitions, we looked at the portfolio of services that we had. Some of them it didn't belong to us - the roundabouts, the golf courses, or whatever -- sold that of. So the cash flow we got in. We still had relatively high leverage, still high interest rates, but we disposed of some companies which of course, net inflow, given net inflow in cash, which again reduce debt over this period of time.

And then, of course, this leads us to the latest period, which of course is the post-IPO situation where, now, we have a restructure of the debts. Of course, we completed that kind of set up, the interest levels is very low, and now we don't spend a lot of money on net outflow of interest.

Now, the acquisitions and disposals pretty much even out. This includes the GS Hall acquisition we did at the beginning of this year. And then, of course, we paid out dividends for the first time. We didn't pay any dividends out in the first two points of era.

So dividends, very committed to that, paid that out. But at the same time we used the rest of the cash to deliver the company to go towards the targeted below 2.5 times EBITDA in our overall point. But the point of this is to say that with this cash flow, of course, there is still a significant potential of paying out more cash from this cash generation also going forward to be on the 50% dividend as we see it. Again, Heine will come back to more details on that later on.

Overall, that's the entry point. That's the vision. That's the reason why we are here. What I would like to do now is to take us into more details. That means operational excellence across the group -- how does it work, with some life examples.

We're going to be joined here on the stage by Troels Bjerg, and also one of his associates, one of our colleagues from the Nordic region running the Nordea account, Christian Kofoed Jakobsen. And just to give a short introduction, Troels has been with ISIS in 2009. He has run in different regions and now runs in Northern European region, was about 28% of our revenue. So quite an important part of our business. Also the spearheading region from both a great perspective, the organization perspective, but also from an operational excellence perspective.

Troels has a background within the Daimler group, has worked both in Germany and abroad for Daimler, and comes to us back in 2009 with a vast international experience in also driving excellence across countries. When Troels is done, then we move from operation excellence into commercial excellence and then we'll be joined by Andrew Price.

Andrew Price is a longstanding veteran, more than 20 years with ISS. And back then we stole him from a competitor. And the reason why we stole him was because he was winning too many bids for ISS at the time. So at the end of the day, Andrew joined what was called Mediclean at the time, which was the first integrated facility service offering business we had in ISS.

He's instrumental to build on a very successful hospital sector within the UK. Then he moved on, when I was also here in the UK, moved on to become head of integrated facility services to the larger private enterprises and did a stunning job with that on build up. So today, UK, which is the biggest organization within ISS, is more than 60% integrated facility services offering. A big part of that is through Andrews' fantastic work. Now, for the last few years, he's been instrumental for driving the global corporate client growth and for the future will drive commercial development.

So with that, I would like to hand it over to Troels Bjerg who'll take us into operation excellence.

Troels Bjerg *- ISS A/S - Regional CEO - Northern Europe*

Thank you. Thank you, Jeff, and good afternoon, ladies and gentlemen. I am going to explore a little bit on operational excellence and during this session I'm going to talk about -- why is operational excellence important to ISS? And what is operational excellence. And in that also come with a practical case.

So we've just looked at ISS from sort of above then ISS is on a journey. So we have a 114 years history of organic growth. And as you also know, some time back, a number of acquisitions. And in more recent years, we have done quite a number of investments in order to really sharpen our focus on those services that we think are key to our facility services strategy.

But for the whole M&A part, Jeff is going to talk more about that later, so I will jump that one and just talk about that in 2008 we launched the ISS rate strategy and really started the process towards alignment. This transformation has really gotten momentum with the strategy execution program that we call great -- Jeff also mentioned it just a while ago in his introduction. And a country by country focus has always been important to ISS and still is very important to ISS.

However, local market needs or in-depth local market expertise, culture adaptation, and flexibility is obviously key to the model that we have. But at the same time, our operational model must help getting our value proposition to our customer sites and facilitate synergies across the globe.

The synergies that we offer our customers really come in three different ways. The first synergy is our people. So you already know by now that we have 510,000 people across 48 countries across the globe. And self-delivery is central to our model. We are investing massively in people development to ensure that we continue to differentiate our model versus our peers at all levels of our organization. Michelle, my colleague on people and culture, is heading up and leading that work.

The second synergy is about scale. So obviously, we are in a relatively low margin business, you all know that. But we are able to bring cost leadership to our customer sites when we leverage our scale as part of our value proposition.

And finally, the third synergy concepts with around 1700 -- well, to be precise we have 1,722 key account customers worldwide, many of them with global leadership positions in their respective industries and thousands of skilled employees. A high number of innovations and best practices are developed everyday across ISS to facilitate our customer's purpose even better.

Our ability to, let's say, industrialize these best practices and make them into service concept and share them across our organization and our customer sites is a key part of our value proposition. So operational excellence is essentially about how we prioritize. It's about how we organize. It's about how we execute to get these three types of synergies across our organization, our countries, and to excite our customers to stimulate growth and margin.

The fits-for-purpose country organizational blueprint is designed to effectively bring operational excellence in form of people scale and concepts to our customer sites. It focuses on the different needs of large key account customers often within IFS solutions. Not necessarily, but many of them have the specialized service customers with single service delivery and the small customers in ISS direct with a [root-based] service delivery.

Our 1700 key account customers count for us, as we've mentioned 61%, of our group revenues. That figure is probably going to go up in the future, not necessarily because we'll get a lot -- well, Andrew will probably disagree because he will talk about something else. Not necessarily because there will be a lot more customers but because there is a big, big potential for us to grow the customers we have on that. So along there, there's a big growth potential.

With the blueprint structure that we have now introduced in some of our countries, all our key accounts are organized according to an industry logic. And there's only one organization level between the country manager and each of our key account customers. And this, of course, ensures the focus on exactly that part of our customer base where most of our organic growth is going to come from in the future.

The three parts of the organization, so the key accounts, the specialized services and also direct with different business logics also makes it possible to, you could say, right size the overheads we have to competitive levels within each of those particular segments. In the pilot countries, we have one through so far. We have in some countries seen some significant reductions in overheads from that.

And finally, the excellence in that which we have in the middle gives us one launch pad for getting operational excellence across the in-country organizations and into our customers' sites.

In some countries, the implementation of the organizational blueprint will incur redundancy and other restructuring charges. But it is, of course, not enough for us to get operational excellence across one country. We need to get it across all our countries. We need what we in ISS sometimes refer to as an execution highway to bring our strategy to our customer sites.

Implementing the organizational blueprint across ISS effectively means that we are building an operational excellence execution highway across the country organizations. So people, scale, and concept can travel and effectively be shared. So it also means that no matter where you sit in a country organization, you will always have counterparts in the other countries with exactly the same responsibilities, opportunities, and sometimes challenges. And this is an effective way to really get best practice across and also to get an enterprise mindset.

This catering concept just landed on my desk. It's about three weeks ago, and it's essentially made by a number of catering specialists in the Nordic countries that just got together and said -- well, we have the same needs. Why don't we just utilize our resources together in order to produce an effective catering concept?

So it's not a headquarter project but it's just coming from, in this case, four countries that wanted to work together. They can do that because they have the organizational blueprint implemented. And I would say, it's just operational excellence in motion right there. And we do see quite a lot of that.

So with the new group structure that Jeff introduced you to a little while ago, we built a complete and coherent execution highway across the entire ISS organization. And this will enable us to implement central concepts effectively across the group. But also to identify, to lift up, and to industrialize best practices from site to group standards. So, effectively, you could say that it's not only an execution highway, but it's a two-way execution highway.

In this way, we'll be able to get all of these synergies in terms of people, scale, and concepts across. But I would like us just to have a look at a couple of examples of these synergies and, obviously, the first one is about people.

ISS is all about people, with self-delivery as a fundamental part of our value proposition that we are consistently working with programs for driving employee engagement, instilling service culture, talent pipeline management, and building leadership. This is what essentially drives the power of the human touch. We're aligning more and more of our people programs across the group and the new people and culture function will be an important motor in really making sure that we deliver on the people part of operational excellence.

Clearly, within procurement, that's key to deliver scale to the organization and to contracts. You're all familiar with our procurement program and the figures I have here behind me, there's nothing new in this. We have approximately $22 billion in addressable spends. And in the first to waves, we have addressed 8 billion out of this addressable spent.

We are planning gross savings of $350 million to $450 million and we will progressively realize these savings over a six-year period ending 2018. The anticipated phasing of these cumulative gross benefits is illustrated on this chart which is also in the binder.

A significant proportion of these savings will be reinvested or passed on to customers. However, the savings are there, and they have been a key element in the margin improvement we have seen in recent quarters. And I'm sure that Heine will come back to that.

Some of the key categories that we have in wave 1 and 2 that you see on these slides, but we're also launching wave 3, but at this time the expected savings are yet to be confirmed. So far, our procurement initiatives are focused on Europe, but we will roll these initiatives out into the rest of our regions, and all of our procurement initiatives are on plan.

Further, in generating scale effects, we are pursuing opportunities around business process, outsourcing with our partner [company centers]. We're outsourcing certain roles within transactional finance to Hyderabad in India. And so far, we have outsourced 83 FTE roles. We get an immediate effect, of course, in terms of labor arbitrage, but more importantly, we should see benefits in terms of process optimization, de-risking of our back office processors, and better transparency.

All the back office outsourcing processes have gone well and we are going to continue that program in 2016 with a prudent step by step approach.

Now, having illustrated some of our initiatives to create synergies with people and scale, I would like to turn to the third area, namely concepts. And to help do that, I would like to see my colleague, Christian Kofoed Jakobsen here on stage.

Yes, I think it's more safe for me. So thank you, Christian, for joining us. And maybe you could just start giving a little bit of background to your career with ISS.

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

Of course. Thank you, Troels. It's a pleasure to be here. And it's particularly a pleasure to be here amongst bankers, investors, and analysts. It's also a pleasure and a privilege to have my CV displayed up here. And I'll try to boil down the last 26 years down to some 30 seconds or 45 seconds.

I'm raised in the banking sector and I started there some 26 years ago. And after that very positive experience, I joined ISS in 2004 after having been involved in the structuring of the very famous [ECM] program with that lack [of change of controlled loss]. Then it was quite interesting, so I needed to see how that worked on the other side and getting exposed to the investors, et cetera. But I had six fantastic years in ISS when I was (inaudible). After that period, I went off to Saxo Bank to help them to develop a private banking franchise, so I stayed over in the banking sector.

And then I rejoined ISS in 2012 where I had the time of my life because I was working very closely with Troels for two years, running a number of different projects in my capacity as regional CFO. And then last year, I took up the task of being responsible for our partnership with Nordea.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

Yes. And it is of course in that capacity that you're here with me today. And thank you very much for that.

We have been discussing Nordea also with you before. But just to recap our relationship with Nordea goes back 40 years when we started to clean some branches in Denmark. And it has evolved ever since then, and in 2013, we entered into a very large scale IFS contract that basically involves all types of services, so 11 service lines across 39 headquarter buildings in the Nordic region.

And I believe that the real significance of that customer relationship is that it truly is a strategic partnership. And maybe, Christian, if you could just allude to that this strategic partnership, what does that mean to the dialogue you have with Nordea?

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

Well, the dialogue we have is predominantly concentrated around the strategic and the tactical issues as opposed to operational issues. We are concentrating on, say, three key items. The first one is compliance, as you have also alluded to and described in the beginning of the presentation. And that is how we actually can assist Nordea in making sure that they live up to the compliance requirements that they are exposed to within the facility services.

The second point is cost control. And that is in our continuous quest in helping Nordea to create even more visibility and predictability on the cost that they have within the facility services, but also how we continuously can help them to take out more costs.

Last but not least, the third part we're discussing with Nordea, how we can help them to actually continue to create an even more attractive working environment for their employees.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

Yes. And I think it's actually on the work place. Let's discuss that a little bit more, and could you describe for us, how do we make the link between the services we deliver, and the feedback from Nordea's employees, so the end users --

---

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

Yes. I think it's important to bear in mind that as a leading European bank, Nordea is of course very much focused on -- and very important to Nordea, to be able to retain and to attract talent, thereby also being able to create an attractive work place for their employees.

And if we look at what we do, we're actually creating a very well working or well functioning, working environment for their employees. So that means that we are the ones being responsible for -- that's everything works for people when they're sitting at their desks. So we are the ones making sure that the temperature is right, the [heat] is not too high, etcetera. We're also the ones taking care of all the meeting facilities, are managed in an efficient manner, and also making sure that everything is ready whenever a meeting room, and meeting facility is being bought.

So I think there are a number of thing that we actually have a direct influence on Nordea's employees and their work time. That is also why we are measuring our success in actually creating happy end users. And to make sure that we actually do that in the right manner, we have followed the employees around in the buildings in the Nordics to find out exactly how their all work days map. And that has led to the definition of nine touch points where we see our direct interactions between the services that we provide to Nordea, the interactions directly with the employees.

And those nine touch points it's not very easy to read up here, but you got that in your hard copies, so it's just sort of spanning from entering the building to going for lunch, working in building, etcetera, etcetera.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

Okay, so that means obviously that the feedback from Nordea's employees to us is important. Could you talk a little bit about how exactly do we collect this feedback from the end users?

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

Yes. It's actually started in a structured manner -- we conduct this survey three times a year where we are randomly selecting a thousand Nordea employees, are selected for each survey three times a year. Then they're asked, approximately 50 questions, and these questions are categorized around these nine touch points.

And we actually have a response rate of approximately 65%, so it is really a proof and an evidence of very highly appreciative process from Nordea's and the employee side.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

So I guess the logical question is, does it work?

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

It does indeed, otherwise we probably would not have been standing here. It does indeed, and what we actually see is that whenever we get the results, we are sitting together not just me, but the site, the countries responsible, and also the site managers, and involving also the front liners are sitting, looking at the scores, looking at all the comments which are in each of these touch points.

So we engage our people through that, so we take the results, and actually engage the people and motivate our people to make sure that they are a part of this solution so we know what we need to do more of, and what we need to do less of. And then on the back of that, we are [sitting] of course, together with Nordea to find out or at least to make sure that we're aligning our efforts in order to improve the future end user satisfaction scores.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

So you could say, I suppose that effectively, this program supports us in delivering our mission to Nordea, so service performance facilitating Nordea's purpose through people empowerment as Jeff just alluded to in his introduction.

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

I have a very long list in terms of answering that question. The shortened answers, is yes.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

That's good.

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

It really makes it tangible, and it really makes it real for the employees that they can see that we're not just talking about -- it's important for us to engage them, but it really is transforming, and also really making sure that our people understand that they are making a difference, that our people actually understand that they have a direct influence on the end users. So Nordea's perception of our service and thereby, they also are understanding Nordea's purpose, i.e., in creating an attractive workplace. I'm done.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

Good. Is there any financial incentive for us, so for ISS in this?

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

No. Of course, there is a financial incentive. We do have a scheme in the [game] here, and that means that some of our KPIs are directly linked to their performance and to the outcome of the end user satisfaction surveys.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

Could you describe a little bit about how does this approach help us to manage our service delivery to Nordea better?

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

I think one of the most important things in this tool is that it actually, it gives us a pretty clear view and insight as to which components in our service delivery that really matters to the employees and which does not really -- now I'm taking the Nordea employees and which are not so important. And that also enable us to find out whether we should invest, I mean what is it that drives [a high] end user satisfaction score and what is it that perhaps is less important to the end users.

So it does indeed give us a clear view in terms of what it is that matters to Nordea's employees and whatnot. And ultimately, that also means that we will be able to drive higher end users scores at lower costs because we are then not investing in things that is not creating value.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

So anything you would say that it's higher user satisfaction at lower cost?

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

Effectively, yes.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

Okay. Is it important for the success of this program that it's a complete IFS contract that we deliver?

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

I think it's fair to say that we have not been able to deploy this tool if we haven't had the tool, set of services so if it hadn't been an IFS contract, we wouldn't have been able to deploy the tools so successfully as we have done now.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

I don't seem to be able to --

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

Got to make that work, because the next one is very important.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

There we go.

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

But at least you have it in your pack.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

So question being, how has the relationship with Nordea evolved as a result of this user-centricity program?

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

It's very clear that Nordea's senior management really recognizes that we are actively supporting them in creating even more attractive and more efficient workplace at a lower cost.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

Has this certainly in any way increased our business with Nordea?

Christian Kofoed Jakobsen - *ISS A/S - CFO - Nordics*

Before I answer that question, I think it's important for me to state that with quarter on quarter, since the beginning of this contract, have actually improved the end user satisfaction score. And if you then look at this picture which you also have in your pack. I think it's fair to say that we have been extremely privileged that we have been awarded a number of additional services, quarter in, quarter out. And I think that is of course has a direct link to the fact that we have been able to continuously improve the end users goals.

And if you transform that beautiful picture up there into some tangible measures, it represents an annual average organic growth rate of 15%. So that's high in the 14.4% that IFS has grown from 2006 to 2014.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

Good. So thank you very much Christian for giving us some tangible insights to how we work with operational excellence in the Nordea account. And maybe just as a bonus, and so we could share with the room that as we speak, we are working on -- I use the expression industrialized or packaged this program into a service concept that we are currently offering to all the key account directors, key account managers around the globe that are running large banking accounts.

And as you know, we are very well represented in exactly that sector, so obviously partly is Nordea, and [CD], UBS, Deutsche Bank, Danske Bank, [SEP], and many, many, many more. Let's see if this works now. Here we go.

And I would like to end with a testimonial that I received in my email just last Friday. From one of these banking key accounts directors, it's from [Greg Daniel] who joins the ISS business in August this year, so about a month ago. And he is heading up our new partnership in the UK with UBS which we also briefed on when we launched our Q2.

And clearly I would say that Greg sees the operational excellence coming through. So in summary, we are putting in place an interim fit for purpose organization across contracts, countries, regions, and the group. We are building an execution highway. This will enable us to effectively share synergies with our customers in terms of people, scale and concepts. And these initiatives are real, and they are driving tangible improvements to our financial performance. And I guess with that, we have talked about operational excellence, and obviously at the end of the day, it also needs to be solved, so with that, I conclude my part, and hand over to Andrew Price. Thank you.

Andrew Price - *ISS A/S - Group CCO*

Okay. Good afternoon. Of course, to sell business, you need partners like Troels and Christian in order to create value on a site because the real testaments and the real challenge when you are selling new business and growing a business is that you have those testaments in place to support that.

What I'd like to talk about this afternoon are a number of things. Firstly, I'm really delighted to be leading our commercial result globally in ISS going forward. And I'm really delighted to do that because there is no change to our growth strategy fundamentally. We're about delivering our single services under the single service value propositions, but we're also about really enhancing out value proposition towards our IFS customers, and supporting that through our self delivery.

The real purpose of my role is therefore just to get better at what we have done before, and to provide real focus to the commercial agenda across the business. And of course, it's great to take on a commercial role when you have a market place which is as large as the one that we currently work in.

I don't really have to stay awake at night figuring out how I can create demand in order to then persuade an organization to come and place that demand with us. We're working in a trillion dollar environment, and naturally, in dollar environment from a total market perspective, is growing at around 4% or 5% on an annual basis. Now if you take out that market place, the element which relates to what strategy is all about on a global basis, then you take around 8% of that market place out, and that represents the IFS opportunity today.

And of course that market place thankfully is growing at 1.5 times to 2 times the market place overall, so that gives us a real opportunity to leverage the power of our concepts, the power of our people, and the power of our organization to developing that area.

We currently have a market share of around 6% within that part. And we're actually very confident that the types of things that Troels has talked about in the last half an hour or so, the types of things that Jeff was talking about in terms of our core purposes, and organization, will mean that we can take our fair share of that market place going forward.

And that's supported by the fact that over the last few years from 2006 to where we are today, that we have grown on an compound annual growth rate basis up 14.4%.

So why are we so confident? Well, we're confident because we think we know what our customers want to buy. In fact, we don't think we know, we know what our customers want to buy, at least those customers who we have segmented and wish ultimately to work with.

Our market place has changed quite a lot over the last few years. We've gone through the simplification process where companies really want to just to work with a fewer number of supplies and simplify their processes. We've been, and are still, to some degree in the standardization process where organizations are looking to have buildings across their portfolio which look and feel the same.

And the newer part of the market is really focused on customization. It's taking that standardization envelop, and allowing the services that are delivered through our value proposition to represent either specific cultures on a country by country basis, or specific needs of the people that are working inside that building.

And of course, that means we need to understand how we can sell that proposition into a customer base. Now, clearly, our customers are really keen to know that we can match geographic footprint. And I think an organization like ours doesn't have to spend too much time demonstrating that.

They're also very keen to make sure that we can support them from a reputational perspective. Our health and safety agenda, our corporate social responsibility agendas, how we do with the work we've mentioned, a number of times said this afternoon already, and compliance with law, and in deed, with regulations and individual industries.

But in the top five things which are really important in that decision making is this notion of self delivery. And all of the value proposition that we talked about so far, the purpose of our organization and the reason we're here, the thing that makes us tick as individuals around our people means that self delivery allows us to do that.

Now against our competitive base, I'd like say and think that we're actually leading that charge. If I look around the world at the various submissions we make to customers. On average, our self delivery percentage is somewhere between 65% and 75%. And in certain countries, even up to the 85% mark.

Now clearly, as we move forward, there are one or two countries, and one or two services particularly the technical service and the food service where we would like to enhance that capability. And that will even more allow us to show to our potential buyers that IFS and self delivery are highly valued in that growth agenda.

And of course, there are other ways that we can grow our business too. And surely, one thing is obvious. We grow by creating new relationships with new customers. But what this also shows is the opportunity to really grow our international key account businesses and our key account businesses in countries through expansion of scope and expansion of service range.

If you look at the chart here and you've seen it earlier in Jeff's presentation, and if you look at the group overall from a service split perspective, you see the 50% or around half of our business in our legacy cleaning business and the other 50% in our newer services developed over the last 15 years or so.

However when you compare that with a similar pie chart of service range within our IFS contract, you can see two upsides. Firstly, orange box which represents the technical maintenance part of the business, grows significantly in comparison to the cleaning part.

And that, together with the [FN] management element, as well as with the food service element, really gives us as we move into IFS, a real opportunity to enhance service delivery on sight, and to create this customer experience that we've been talking about.

It also means, secondly that our share of wallet within each individual customer and targeted customer is significantly enhanced by moving from one or two services with them into this full range. And clearly, it's much easier to grow your business with an organization and with a group of individuals on the client side who you got to know, and who were those -- a trust which has been created between. So we're pretty sure that this is fundamental to our ability to grow our business over time.

And if you look at it, and we've already mentioned, on a constant currency basis, in Q2. Growth in the international contracts, 13%, and likewise in our IFS business overall, 10% in Q2. Both of those percentages outperforming the group average, and certainly outperforming the market place in terms of average growth rates in competing businesses.

Now there is another angle to this as well which is how we grow, how we use our international customer base to drive best practice. We've already spoken from an operational perspective about driving concepts and people, and so on and so forth.

Now here, we can clearly say that our introduction into the international world has been a real success for our business over the last few years. If we go back to 2008, we virtually had zero revenues on an international basis. Today, we're approaching 10% of the group. And we've added significantly to those contracts as we've gone over the cycle.

But it's not just about the new wins. It's also about our ability to expand existing customers either from a scope perspective, or indeed from a geographic perspective. And you can see some examples here on the left hand side.

If you look for example, we've mentioned already UBS and we'll do so, I'm sure, in a moment again. UBS has had a long standing relationship with ISS in Switzerland. Leveraging that relationship allowed us to win the work here in the UK. If you look at [Battenfeld], Battenfeld, again, a long standing relationship with ISS in Sweden, and that resulted in our ability to drive the extremely large contracts that we won recently in Germany, and I'm sure will allow us to continue that conversation and look for future growth opportunities with that organization too.

Of if you look at Danske Bank, starting with individual country relationship on a limited number of services, expanding the services and now, soon to be across the whole portfolio of their business in Europe.

So three examples there of how we can both grow scale, and both geography and scope to add real growth to our business. And then final piece really is the [above base], the non-portfolio work. When we are very close to our customers, and when we're working with them on a day to day basis, there is a real opportunity for us to drive the above base revenues, and those above base revenues in general are usually margin accretive to the overall deal.

And some of our international customers represent significant growth in their own right. And this is, if you look at the right hand side of the chart here, it shows you what's been going on within the HP portfolio. Now HP as you well know is one of our largest customers. And we stared with them back in 2008 in Europe, and also in Asia.

We subsequently grew the business as they acquired new businesses themselves, and added a full global geography in 2011. So that curve of the base volume continues, and of course, this is through a period where HP was re-evaluating its business model, and it's been through ups and downs in that period of time, and even where perhaps it's contracted, and you may well have seen a recent announcement that they're looking to contract their [staff] base again. Even through that cycle, we've continued to grow our business by funding new opportunities to support our customer as they change.

And it's also relevant to other parts of our portfolio. If you take Citi Bank for example, we started with Citi in London about 20 years ago with a single service in a single location. Today, we've moved that to a full European portfolio, a full Asian portfolio, and lately, we've moved into Mexico with them. So as we move around the world with our customers helping them deal with the specific needs that they have at any one point in time in their strategy, provided we stay close and we're understanding the value proposition of the needs of that particular customer, we can certainly grow with them around the world. And that's why we're really confident that we can take this experience and drive it across the totality of our key accounts over the coming months and years, and really upgrade our performance based on the good practices that we've learned through this cycle.

Then I think I should just stop for a moment and think about what's going to happen next. And this is for me, this is the really exciting piece because this is where we can really get into the teeth of what goes on in a site like this on a day to day basis. Our industry, as Jeff has already alluded to, has moved through the output driven cycle were customer tells us exactly the number of people that they wish, and they pay us by the hour for those people coming.

It doesn't actually engage our brains, it doesn't actually engage our partnership, and it doesn't actually make us feel emotionally one or the same with our customers. We've gone into this output driven environment where from an output perspective, the customer defines the service outcome, and essentially pays us against the delivery of that outcome to the business. But increasingly, and this aligns with this notion of customization, our customers are asking us to look at outcome based contracts. Essentially, the ones that are very mature and have gone through this particular cycle.

You might ask, what the heck is the difference between an output and an outcome? And I have to say, well, based on what first came up, I did just the same, but think about it rather than saying, here's the challenge our delivering a service to a certain standard, they're not asking us, can you deliver our business outcomes? So rather than them telling us that they want something and we respond, we're sitting down together at the outset, we're defining what the business outcomes and the business objectives might be, and we're being paid on our ability to deliver those business outcomes, and business objectives for our customer. We've already heard examples of that through Christian's analyst of Nordea.

Compliance is a business outcome, [cost then], is a business outcome, and customer satisfaction is a business outcome. And our ability to influence those, and get behind the ways to influence those is essential to our ability to grow, and earn from that growth going forward. In other words, we're moving from an industry that's been very, very focused on assets, how do we maintain a building, the bricks, the mortar, the heating, the lighting, to an environment where like a hotel, it's increasingly service driven, and it's about the people who inhabit that space, rather than the physical space itself.

And in that regard, there's two real differentiators for ISS going forward. And I'd just like to take a moment just to maybe talk a little bit about those two.

The first one is, we really do have to dominate the space around this notion of workplace solutions. And we do that by really leveraging from the knowledge that we get, and the feedback and the data we get from end users. And we already talked about some of the processes we put in place to make that happen.

And the other area which is equally, I guess exciting, is how we move from being a data driven industry, to being an information, and ultimately, a knowledge driven industry which allows us then to unlock the continuous improvement cycle.

Those two things are really, really fundamental to our future value proposition to our customers. And we really understand this thing at workplace. And by the way, workplace, just in case you are confused, it's not a service, it's not something which is a discrete service. It's a way that we articulate our value proposition to our customers.

We know that something like in the recent study, more than two-thirds of CEOs are fundamentally concerned about the war on talent. We equally know how a building is designed, how a workplace is set out, how the services that are delivered in that workplace have an impact on the satisfaction of the user.

And there's now data available both within our systems and others, to be able to serve this design in a way that maximizes and optimizes the impact of those three things.

Why do we do that? We do that because can then start to make an impact on the ability of our customers to attract talent into their business. Then we can have an impact on the productivity and the efficiency of our clients business, and then we can have an impact on the brands reputation and standing of that organization in its market place. All of that clearly at the right price.

And when we do, do that, all of a sudden, facilities management is no longer a single line on the P&L that says cost. It's actually creating real value for our business. It's moving some of the metrics which have historically been associated with the delivery of facilities management into the boardroom.

The second area I think which is vital for us is this whole notion of transparent technology. I think you must all at some stage have had a loyalty card for a retail outlet. And we're all probably quite familiar with what the retail does with all of the information that comes from that loyalty card. They know where you're going to go in the shop, the know what you're going to buy, they know when you're going to buy it, and they can set their business dynamics, their logistics according to that knowledge and that information.

Historically in facilities management, we measured service standards looking backwards. We've never had the ability to think about being predictive about what happens inside a building. So take for example and just imagine if we understood how this building was used, this building here, how it was used everyday by its occupants, where they went, what they consumed, what they needed, where they were on a Monday as opposed to a Wednesday, and so on and so forth.

So taking the principles from that retail environment and bringing them into facilities management, means again, that we can regulate our labor and our imports to best meet the needs in the optimized way.

It also means therefore that we can move with technology, we can move from being very historical, in terms of our data, to being predictive with knowledge. It means that we can move from being focused on asset performance to actually measure service performance. It means we can move from being very reactive to the needs, to being much more planned.

Now all of these things create value for our customers both financially, and from a [qualitative] perspective. And I'd like to think and in fact, I'm pretty sure, today, we're actually leading the market when it comes to our technology solutions. We're already measuring stuff on a real time basis across the globe with an ability to drill into individual sites and individual services.

And this vision we have for where we take our technology model will push us even further ahead of our competitive field. But don't just take it from me. Let's just have a look at couple of cases.

This case relates to the UBS recent win that we've already alluded to. And what this really does is evidence that all of the things that we're thinking about pursuing, and all of the strategies that we have in place, are very much supported by our customers. Why did they [buy] us? Well, they first [saw] we're moving several offices, I think it was six or seven offices across London, into our new brand new single site.

They needed help with figuring out how should they design that work place. They needed help with figuring out how should they design the services to deliver great user satisfaction once they were in the new buildings. And of course, were engaged in doing that.

And so, in so doing, we're helping from the very outset to protect their reputation and to drive their brand value.

The second thing that they were clearly very concerned about was protecting their investment. Now this is an asset strategy having moved to a new building, [their outlay] was significant. And so building an asset maintenance strategy linked to a life cycle maintenance strategy that was fundamental to our ability to show how we would protect that investment in years to come.

They also fell in love with our user centricity strategy. And we saw real value in the ability to understand and get constant feedback from their own employees as to how -- feeling about their new workplace.

Clearly, they need the safety and security, and particularly from a compliance perspective, security of assets, but also security of information and data within the banking environment. And lastly, they are also very, very focused on sustainability, how do we drive programs both in terms of energy usage, how do we drive programs in terms of waste output, and diversity, and things of that nature.

All of those things together prove to be a very powerful and winning combination. And I think the great feedback and more than anything else was not just that this value proposition resonate, but this value proposition was clear blue water between ourselves, and the competition. So that's one example. And the lastly, I mentioned the Vattenfall situation where we moved from business and relationship in Sweden, to executing this large contract in Germany. And I thought I'd just take a few moments to show you a video directly from the customer who chose us in order for you to get a flavor of what that's like.

So please, queue the video.

(video playing)

Unidentified Speaker

We have to focus or set a strong focus on the customer. We want to build out a more customer centric business organization. The second thing is, we want to create a more sustainable energy portfolio, we want to be the leader in wind for example. And the third thing is, we have to increase the business focus on our operation so that means optimization of cost structure is one key thing.

We designed and implemented a model where we set in-house a very strong focus on strategic real estate, [tasks], and we have a small team that is managing the facility demand, but al the delivery of facility services on an operational basis, should be provided by external service providers. That was a key trigger also to start the outsourcing relationship.

I met ISS 37 times, and my team and me, right from the first meeting, we had a very, very good impression from ISS really showed off at the very high professional Company with a high committed and motivated team. And this first impression so to say, stayed throughout the entire process until the end.

Size was a criteria at the beginning of the process, finally to find the right partner in the later stage of the process, the criteria to find a partner where commercial criteria, price and cost on one hand, and then more conceptual criteria like transition concept, transformation concept, how to generate really the saving, how to take care of our people. That was very, very important for us. And ISS fulfilled the size criteria and fulfilled in the best way the commercial and conceptual criteria.

Very good. So no, in general, we are really very happy with the contract, and I'm happy to have a very constructive and open relationship on a very strong partnership level.

Yes, we searched a strategic partner, and we found it with ISS. The fundament for this partnership for us is this contract, and we see this contract as a platform and we want to use this platform to bring more volume on it, to empower it, to utilize it. And this platform should have [us] to drive further optimization and continued improvement.

This spirit is also reflected if you look the duration time of the contract that we have, five years, plus two years [promulgation] so that means, we want to work five to seven years together. And I'm looking forward to work on this level long term besides ISS.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Thank you very much. And that concludes the first part of the presentations today. Basically, we've gone through what is the overall vision, what is the strategy of the Company, what we said at the outset. It is unchanged from when we launched the Company at the IPO. We have, hopefully with the presentation we've done here, displayed why we still believe that this is the right way to go.

This is a big market, we make some choices, this is the choice we made. There's a big strategic element in this journey, that is to create very, very strong relationship with our clients, delivering all of the services that they need to support their own business doing this with our own employees.

So all of these initiative we've gone through, and now of course, we're available for the first Q&A session which is really about the strategic, the drivers and the operation drivers and so forth. We'll come back to the financial details later on, so you can hold those back for a second, and then we'll take them later on. So with that, I would like to open up for the Q&A for the first part.

Unidentified Speaker

Thanks. Jeff, can I just ask for the Q&A, there's a microphone floating around so for those listening on the web, we need you to speak into the microphone to ask your questions and also if I could politely ask you to just announce your name and institution as you ask your question. Thank you.

QUESTIONS AND ANSWERS

Emily Roberts - *Deutsche Bank - Analyst*

Hi, I think three please. Sorry, Emily Roberts, Deutsche Bank. My first question is, just looking at that outsourcing dynamic, of your new wins in the past let's say 18 months, what percentage would you estimate has come from first time outsourcing versus winning market share from competitors, and then growing sales of existing customers? Do you have an idea of that split?

Jeff Gravenhorst - *ISS A/S - Group CEO*

Let me take it one at a time. It's very difficult to actually say because if you take Vattenfall for example, a large part of that was in house, if we take Danske Bank, a large part of that was in house, but of those elements that has been outsourced before, more than once, so with Vattenfall some of [cleaning] we outsourced before, but on the technical side, everything was active from in house.

In Danske Bank, we are the one who's been cleaning the most of the branches, of course there, we're taking all the reception part, we're taking all of the catering part, and so forth, which most of that have been in house before.

We don't really have the numbers for it, and we don't split up like that, the wins is a win obviously. If you take it from a generic perspective, there's no doubt that the world has an outsourcing rate which is around, into the 50s around the 60s on the whole. So of course, the bulk is already been outsourced.

What we have with this strategy here is an opportunity to get close to the client, that can go even closer to the client, that means taking some of the stuff that's never been outsourced before typically within support services. So support services are receptions, which are typically in house, it is [room] service, it has everything to do with low hanging fruit on the handyman's side and so forth, which is typically, you know. And it is about just continuing to look for new opportunities for taking all the support services.

That's different in a hospital than it is in the manufacturer side, than it is on the hotel and so forth. But us being on site constantly gives us that opportunity to take those services over. So I guess the answer is, I can't give you a number, and it's really not that relevant, but it gives us a [hunting] license once we're there. So it's probably an even split.

Emily Roberts - *Deutsche Bank - Analyst*

Very helpful. Thank you. My second question would be on IFS, where we've seen a 14% CAGR going back several years, so just obviously very impressive. What do you see going forward maybe 5, 10 years, is that going to stay at the same level for another five? Do you see an acceleration slowdown? What can we expect there?

Jeff Gravenhorst - *ISS A/S - Group CEO*

Yes. I'll ask Andrew to give a little bit of color on that in a second. But I just want to make sure of one thing. So technically, we all follow the same picture. When we say 14% CAGR, of course, it's about IFS developed or the IFS revenue growing.

Sometimes, it's cannibalizing our single service. So if we take for example the Danske Bank, we have the cleaning before, now (technical difficulty).

Unidentified Company Representative

-- clearly we're giving them the advice that it makes more sense from a value creation perspective and the data cost base perspective, to gather a group of services together. And to be honest I don't see a huge amount of pushback against those types of notions at this point in time.

So I'm very confident that the market demand growth will allow us to have sufficient opportunity to grow as we move forward in a positive way.

Emily Roberts - *Deutsche Bank - Analyst*

Thank you. And then my last question is, obviously, you've highlighted that IFS is a very complicated product and that's where you're focusing on this [GCC price], is your IT system good enough to give you the visibility that you want on these contract as it stands? Or do you need any IT upgrades at any time in the future?

Jeff Gravenhorst - *ISS A/S - Group CEO*

I think overall, we have probably some of the best IT solutions in this field and clear facilities management system that goes across the world. We also have our own [bespoke] systems which Andrew actually is showing as we go through the presentation.

I think obviously going forward, maybe you can elaborate a little bit more on the other efficiency tools that we have that goes forward -- that we use today?

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

Yes, I'm happy to. We actually have a lot and in operational excellence, IT is an important motor to some extent in that and Andrew talked about the inside system that we have which basically sits on top of our facility management system in order to give the sort of intelligence that we, but also very importantly our customers need in order to work strategically with the delivery but also with the suite of the solutions that we deliver.

We have other types of IT systems, we work with for example our [SIMI] system which is a benchmark in productivity benchmarking system that we have developed and which we use. Currently we have about 30,000 contracts or calculations you could say predominantly in cleaning in that system. And that's simply just a way of benchmarking productivity across sites but also of setting productivity of one type of delivery in cleaning up against another one in terms of an indexed solution. With that, we have been, in some of our countries, able to increase the productivity on contracts really substantially.

Jeff Gravenhorst - *ISS A/S - Group CEO*

So if you combine that with, do we need more investments in technology going forward? Yes, we do. Technology is a driver of industry in many shapes or forms. Obviously, from a technical services point of view it's a lot of [centers] that you can look at preventive maintenance, it's a lot easier to work with when you have that in. But even just to share workflow off of a building like this knowing exactly where the building's being used or when it's not being used. That means that you can make much more a working program going forward.

These solutions we have available today and there are lots of small vendors that can -- small and big vendors who wants to work with us. The benefit we have is we don't have to develop these services or these technology solutions ourselves. We are appliers. So when IBM comes up with new solutions they would love to do it with us, the 511,000 people on this exposure that we have for the market with a shared number of contracts we have, of course, we can get the latest and the greatest technology also at decent prices.

The mobility solutions that we see today is that it's not massively expensive to make these solutions. It's not likely they're making in [SAP] implementation, these are more simple solutions that we have today that we can build around the technology investments in the future. So, yes, we will invest more, but it won't make us -- capital intensive business that's for sure. Number one.

Number two is, often some of these investments are of course put into the price so it's part of the price to the clients. Overall, just to give the -- can today, give you, as Andrew was saying, on a 2-hour updated basis on our [IPAX] here what is the Barclays cost on any site that we provide and what is the outstanding tickets, green, red, yellow, whether there's a [Mars bar sitting in stock] in a vending machine somewhere in the world, I can actually see that how quick, and hopefully [it's out now], I could see how quick it gets resolved on a 2-hour updated basis.

That's for us to figure out. I'll be delivering our value proposition, but there's also decline here to show that having one vendor gives transparency.

Emily Roberts - *Deutsche Bank - Analyst*

Okay, thanks very much.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Paul, sorry.

Paul Checketts - *Barclays Capital - Analyst*

Thanks it's Paul Checketts from Barclays Capital. Two questions please, first regarding customer retention KPIs can you tell us where you are today with customer attention? How that's trended and what is a realistic level that you'd like to get to? And the second is on the competitive picture, if you look at some of these subcontract models they're making acquisitions to add services, do you see that as a competitive threat? Thanks.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Yes, if we start from the back clearly what we show now and the intention was to show does a real estate-led market which is really landlord-led so these are the, we call it agent market. So FM would be they could take the one-stop shopping option, and go to the clients so you want the convenience so you don't have to deal with thousands of suppliers then deal with us.

What these (inaudible) so forth, the ability they then have is to provide some intelligence to the client to say what's the cost to proceed in Mumbai, what's the cost to proceed somewhere else. So that intelligence part that both Troels and Andrew was talking about can actually be provided by these guys. The problem they have is that as soon as they go into, how can you then optimize? How can you make improvements inside the delivery side or how can you guarantee compliance? It becomes only on a piece of paper that I have guarantees from my 5,000 sub-suppliers. They've all signed a piece of paper that will live off to the local labor law but they don't actually know.

And running an audit like for example the banks have to do today it must be a shear nightmare to go through when you have to have thousands of sub-suppliers on a global contract to do so. So that's the reason why some of the players within the real estate market or the major agent market are going into self-delivery because they have to prove to their clients that they're in control of this and it's much easier to do.

So if you go to the [US] to set for example when you're on UNICO, UNICO is a self-delivery company on cleaning and technical services as well. So that's been the move that we've seen over the last few months. We've seen [JCI] being bought by CBRE clearly giving them more self-delivering capabilities within technical services and you can continue with that. There's a lot of these movements going on and it's the testimony of the fact that the clients are asking for it. So yes of course it will create a competitive platform.

The thing is, we started some 15 years ago. We built up with 600 acquisitions over 6 years. Now, that cost a big effort to do so but we did that by 2008 or 2009. What our focus has been since then is to become better, and better, and better, and better, and actually to be able to use all these different services and focus these [keys]. So we had to buy tons of new services and then we sold off again to become more streamlined in our services. What does it really take in technical services? Well, of course it doesn't take a land field in France, you don't need that to sell that off.

It doesn't -- actually who pays services, it means site pay services because it's on-site we want to deliver those services. So that whole discipline we've gone through for a much longer period than most of the other competitors, let alone the FM partners.

So yes, they will get there. I see that as a testimony of the clients, all clients wanting this basically. So I see it as a welcome, it will take some time that's for sure. So that's what clears the one that is the furthest along on this and they come from the self delivery side. They know what it means to drive people engagement day in and day out. You don't necessarily know that when you come from the asset side. So driving that engagement is more difficult for this than their type of competitors so overall, yes that will drive it.

First question Paul?

Paul Checketts - *Barclays Capital - Analyst*

Customer retention.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Retention. The retention rate of course the whole aim of the key account focus is of course that it becomes much more sticky. So the stickiness of the relationship with the clients overtime is driving up the retention rate. So carving out that we would like -- is also showing into the key account focus means of course we get the right development of key account manager. The key account managers understands the complicated products we are doing but they also understand as you can see for [Princeton] the interaction with the client. And the interaction of really understanding what the service is all about means of course as you could see from Christian from Vattenfall that you get a much more than a profound relationship on a strategic and tactical terms.

Now, of course you have to deliver on a day to day basis but that's what we're good at. Getting that strategic piece in place of course will drive retention up. Our retention is now above that 90%. Now you got to remember that a large part of our business is still with single service cleaning [part] which has a high return rate. If you look at the key accounts we are well up towards our targets. Now, we haven't given specific targets but we said we'll drive towards that 95 point. If you look at the businesses which are more key account focused within our industry that's what they're like. We have of course the legacy business that drives it down a little bit. But we are on the right path and that's also part of our success for organic growth this year.

Paul Checketts - *Barclays Capital - Analyst*

Thanks.

Unidentified Company Representative

Rory, please.

Rory Mckenzie - *UBS - Analyst*

Good afternoon it's Rory Mckenzie from UBS. So looking forward to the new building. On that categorization that Jeff mentioned of the single service accounts, and how far through your client base have you got with the up selling and is that pipeline running out, I guess there's some clients will never convert to IFS. And then second question, is cash flow a key dynamic tool for the larger account? Please, thanks.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Will you take the first piece of it and I'll follow you, [you give your] color on that?

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

Yes, I guess on the pipeline side, today we see a stronger pipeline as we've never seen towards IFS. In fact, I think inquiries as I mentioned earlier at the earlier stage of client's decision-making processes, are increasing, and there is more interest around moving to an IFS portfolio. We see similar levels of pipeline activity at all stages of the pipeline whether that be early or middle or indeed towards the latter end of that pipeline. So certainly in the near to medium term I don't expect to see any significant change in terms of the opportunity from that perspective. Then of course if you look at it in the individual country pipeline from the, especially services perspective or the single services perspective, if you have a look at our pipeline reporting over the last few years, again, we see pretty constant and similar levels of activity across the piece. And so the pipeline is not a major concern for us. What we would like to get better at, and the real focus I guess of having focus on commercial is, how much is that pipeline we turn into a top-line billable revenue.

Jeff Gravenhorst - *ISS A/S - Group CEO*

I think the point also was how much have we converted our single service into IFS. Just to give you a little bit of an idea of that from a numbers perspective. Today, 33% of our revenue is IFS, 61% of our revenue are key accounts. So it's still a pretty large part of key accounts [than] a single service-led. This could be slaughterhouses for example where cleaning is extremely important and as I always half joke about, the cleanliness in the slaughter house is actually better than it is in the hospital, so it's quite important of course because it could kill the factory if something is wrong.

So that's a very, very specialized part of our cleaning. Very lucrative and we're good at that. But that is a sync -- that is by and large single service today. Of course it's a bit positive potential to expand that out. so the difference between the 33 and the 61 of course is, the better we get a key account in management and up selling scales and capabilities, of course we could tap into that. So that's quite a significant potential also going forward.

Will they all go that route? Probably not. There will always be some who will continue and go for the single service delivery. A lot of the reasons why you will do that is because you protect your own jobs. You got to remember that when we come in, in-house FM organization is actually not needed because we run the whole thing. And that's a part of it, and I think that will always be the element of that in the market. And the other part was, Sir?

The other part was? Sorry.

Paul Checketts - *Barclays Capital - Analyst*

Cash flow consideration for key accounts --

Jeff Gravenhorst - *ISS A/S - Group CEO*

Cash flow. Yes, so you know it's quite a funny thing with the cash flow on this because at the end the cash flow is very, very key to us, so we've very alert to it. The key accounts they will ask on paper for longer payment terms. [Thought out about that], they use their power to actually to put up a longer payment service.

The good thing about it is, they pay on time. So when you, at the same time you look at global account, typically South Europe pays slowly, right? But if it's a global account, suddenly the days are much shorter. So the global accounts, the [interest] is possible of actually building up, has lowered our average day to day. So overall, it gives us a very strong cash flow and they are, they pay us on time, and there's never any issues with it. So overall, it really is a very strong cash flow generation as well.

Unidentified Audience Member

(Inaudible), three questions if I may. The first one on your people, so you obviously are very labor intensive business. So what is the churn rate of your employees today? And how do you manage that from the HR point of view? I mean how do you retain people?

Jeff Gravenhorst - *ISS A/S - Group CEO*

Yes, staff turnover is always a key thing in a business like ours. Labor intensive, we do have a lot of employees that comes in at, you say the start rate, so that could be minimum wage or relatively low wages. And that means you will have an element of staff turnover which is deliberate simply to drive cost down. But it's typically the real front line job so the relatively simple paying jobs which are at relatively low pay and then they, after a period of time -- relatively short period of time, can go on and take another job. So you can imagine, and if it's a first-time immigration for example, then they start with us, after 3 years and 4 months, they can move on to others. So the numbers today runs around 40% on staff turnover, globally.

However, if you then go to the key account sector, the key account part is completely different. You get the relationship, you get the on-site management team and then it drives the staff turnover down.

So you want some staff turnover that's for sure, to make sure cost is under control, you make sure to keep the best people on board, and then you start investing in their development as you go forward. But as you get to key accounts, I could tell you that the staff turnover on Barclays -- on Time Square at Barclays is about 4%. So it really is and even this building, relatively low. So much, much lower than that 40% average. Sometimes too low, to be honest. But that's something you have to work with in order to make sure you optimize the contracts.

Where can you get it to and watch the optimal? I don't know. It's little bit depending on what sector we're in, but on an average, around 25%. So I think, as we go towards the more key account, we'll probably move a bit ourselves down towards that target.

Unidentified Audience Member

Okay. So one question on margins. So when I look at the rising contribution from IFS, large accounts, EM, it should be obviously accretive for margins. And I think that margin has been more or less [better] over time. I know that there was some disposal components, but how do you explain that? And is it right to say that the single service is -- I mean, is -- and operational from a pricing point of view?

Jeff Gravenhorst - *ISS A/S - Group CEO*

I think there's a lot of different element to it. And I could give you some big headlines now and then if we leave it, then Heine will cover some of that a little bit later on. But the headlines of course is, one, we've based on disposal of some margin accretive businesses, which is of course depressed the margin somewhat. We disposed about DKK12 billion -- north to DKK12 billion top line, which of course, puts some pressure on the fixed cost structure.

But at the same time, we have improved the margins over the last seven quarters, I think it is, in a row. But you will not see massive jumps. It will be a steadily improvement, as you see that comes through from the IFS improvements, from the procurement benefits, efficiency benefits, which is then offset by the competitiveness that we also continue to improve. So if we can leave that for now, with all senses, and then give a little color as we get the through Heine's presentations.

Unidentified Audience Member

Thank you and --

Unidentified Company Representative

One more question, if we may, sir. And I'd just like to come down to Allen who's been waiting patiently here at the front. Sorry, but that's okay.

Allen Wells - *Morgan Stanley - Analyst*

Here you go. Allen Wells from Morgan Stanley. Just a couple for me, quickly. The first one's from self-delivery. Obviously, you made a point that that's a focus for you guys, and I just saw one of the earlier slides, in 77 countries, of which 48 you self-deliver with your own people. Is that a number that you're happy with? Is there a target to self-deliver in all countries? What's the aim there? Where does it not make sense to do it? And maybe, you could talk about that number from a revenue perspective, in terms of self-delivery.

And then quickly, on the second question. You focused on IFS and demand through IFS. I wonder if you could just maybe elaborate a little about what the inhibitors to IFS. And when you sit down with a customer, why would they not take the IFS contract? Why would they not add additional services? What are the challenges when you need to convince people on there as well?

Jeff Gravenhorst - *ISS A/S - Group CEO*

Okay. All right. If I take the first part. On self-delivery part, across the world, we have no intention of self-delivering across the world. We cover about 90%. With the 48 countries of where we are pressing right now, it covers about 90% of the world's GDP. And that's sufficient, that's for sure. When we look at the large international clients that Andrew is working with, obviously, we can cover the most important countries where we have the biggest operations across the world. You can argue that there is a little bit of Korea, you can argue that there is a market like Vietnam, probably coming across. And we will look at them in due time. But overall, we're pretty happy with the 48 countries where we can do the significant part of the self-delivery.

Our focus is within those part that really makes a difference, and John will cover some of them in Americas. We need to become even better in self-delivery. So we don't need to be covering everything. What we need to do, though, is being able to manage the services in countries where we're not. So we do that for HP, for Barclays and so forth. We managed in some of those countries and we have partners. So it's [Greg and Scull], it's [Cevo] is called now. In South Africa, for example, we have no interest there right now, but we have a partner that's called Cevo.

So pretty happy with where we are now. We are going to make major differences in the geographical portfolio. Something will happen over time.

Maybe on the second question, Andrew, if you can talk about that. If you remember --

---

Andrew Price - *ISS A/S - Group CCO*

Yes.

Jeff Gravenhorst - *ISS A/S - Group CEO*

-- why would customers not just take IFS?

Andrew Price - *ISS A/S - Group CCO*

Yes. Yes. I'm going to struggle with that question because clearly, I'm not very used to it. And I think the feedback I would get from customers if I generalize their responses are -- and I think, first and foremost, you probably need to look at on a sector by sector basis. So where is segment and industry sector or segment is more centralized in terms of its management structures from a general perspective. And then, there aren't many inhibitors in all honesty.

If you were take the manufacturing sector, however, where it's significantly more decentralized where a factory [leads a king] within the organization, then the decision making around control is potentially a threat if you're moving to an integrated service. So I think there's some control aspect which generally translate into, do we trust a company outside of our organization to do this stuff for us?

Then, of course, there is an argument which strangely I don't hear that much around, does that mean I get best in class in terms of the individual services. And probably the reason I don't get it that much is because the amount of time and effort we put investing in our service excellence competencies, both of the center and in the countries, so that we can demonstrate you lose nothing in terms of best in class, by coming into an IFS solution. And I'll tell you those are probably the two strongest arguments that people throw back at us against that type of the thing.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Maybe just a little bit on that. If you had a portfolio of companies in Asia, for example, all the countries in Asia or in Africa, there is no one that could do the self-delivery in all of those countries. So with that, you might go for one of the managing agent solutions, so that could be one solution.

Andrew Price - *ISS A/S - Group CCO*

Yes.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Just to reminder everybody that even when we look at technical service and catering, we're not small providers. We're probably the fifth provider in both of those services, among there. So behind the Aramark, the Sodexo, Compass and the [Alils], we have 45,000 people working within catering today in the world. So we're not a small caterer. We're a big caterer.

When we look at technical, again, we have thousands and thousands roaming around DKK10 billion of technical and building services across the world. So again, one of the major players in the world. We might have like the [Colflis] of the world or the [Spees] of the world that's out there. But ISS is the top provider from a global perspective.

Nick Ward - *ISS A/S - Head - IR*

Great. Thanks everybody. Sorry, not time to answer all the questions. So we have a couple in line around balance sheet, but we'll address those in the second half. We're going have a coffee break now, but the plan is start back here sharply if possible at 3 o'clock. Thank you.

(break)

PRESENTATION

Jeff Gravenhorst - *ISS A/S - Group CEO*

Welcome back. After this break, hopefully you will experience some of the services that we are doing within the catering side, of course. That's part of the programs today.

We're now going through the big picture. And we've gone through operation's excellence and the commercial development. We're going to some of the strategic initiatives or focus points that we have. Americas being one, particularly in North America. I want to give you a little bit more color to what is our -- what is the market like in North America. It is different than in Europe. And John Peri's going to take us through that.

John is familiar to all of you. John has been with the company for a few years now. Comes out of another outsourcing organization out of Canada for work with that, very successfully for many, many years. John is taking all the responsibility for Americas to really hone in on how can we drive the buildup of the self-delivery capabilities and get the North American plot into proper organic role for the sustainable basis over the coming years. So, obviously a challenge.

Also, the south part of Americas, where are pressing? What are the key challenges that we have there? He will take us through that journey in just a moment.

After John, I'll come back and talk about the acquisitions and disposals. And then, we'll finalize with Heine, that should be familiar to all of you, taking us through the financials of the organization. And then, we'll take the q-and-a again, as we did before. And I'll make sure we have enough time for the q-and-a for all of your -- hopefully, all of the answers to be fulfilled as we leave tonight.

So with that, John, please, if you could take us through Americas.

John Peri *- ISS A/S - Regional CEO - Americas*

That's great. Thank you. All right. Thank you, Jeff. Happy Thursday, everyone.

I'm delighted here to represent the Americas. As Jeff said, I'd like to start in some detail on our North America position. Yes, clearly, that's a really exciting part of the market for ISS. And I hope to convey that to you with our presentation. And I would spend a little bit of time by covering our position in Latin America. All right?

So let's start with North America. A little bit of an overview of the market. And Jeff showed the structure earlier, and what we've done is placed the different competitors, in terms of where they're prominent, in terms of the market. See at the real-estate players and then, the self-delivery players on the other side of the spectrum. And clearly, as Jeff mentioned, the North America is different than in Europe. And there's a number of characteristics that make it so.

First of all, it's a traditionally an agent-led market. And the driver for that is you have many of these multitenant buildings in North America. The landlord typically contracts out the services for the building. However, there's a lot of tenant-owned buildings in the market. And that's really a huge opportunity for companies like ISS.

And then lastly, the real estate players traditionally have played a very strong role in this North American Market. What they provide an addition to the real estate services is what we call the service like. They do a subcontracting model for the services within many multitenant and some tenant-owned buildings, as an offshoot of their primary service being the real estate.

But the market is enormous. This is a very large market with lots of opportunity. And from an ISS perspective, a lot of the things that Andrew talked about and Jeff talked about, in terms, the war for talent, compliance and workplace management, these are the characteristics that we see right now from a customer standpoint that are very, very strong and give us some opportunities.

All right. In terms of our positioning in the market, the left-hand side of the chart shows where ISS is positioned amongst our competitors on a worldwide turnover. So you see, we fair very competitively or very favorably against our global competitors. But then on the right-hand side of the chart, it shows where ISS is positioned within North America. And within that part of the market, we represent about a half of percent of the North American market. Again, that's a $200 billion market. Circled there is the Johnson Controls division called GWS. That's been acquired by CBRE. At the end of the day, really, we represent 5% of the group turnover.

Now, how did we get there? When we entered the market back in 2007, we chose to do this in a very low risk way which meant doing the thing that we knew best back then which was primarily janitorial. So, we built a very broad branch network serving primarily janitorial business. And as Jeff mentioned, we made the choice through 2009 not to do acquisitions and at the end of the day, we're left with a business that didn't get the benefit of many acquisitions. So today, we're 5% of the group turnover and I'll show you how we've been starting to transform our revenue base and the opportunities going forward.

This has been our performance over the last three years. The first chart there is organic growth and the middle is the margin. And then lastly, it's the distribution of our revenue between IFS multiservice and single service.

If you look at the growth, this really reflects the choices that we've made. Back in 2011, we won the HP contract. That's why we have the spike in growth. And really, over the last number of quarters, our growth has been fairly flat. As you look at that, you need to look at that chart on the right-hand side because we've actually been transforming that revenue. A lot of our revenues as I've mentioned was commoditized janitorial, and over the last number of quarters, we've been migrating that to a larger IFS profile. And we're pretty proud right now that we have about 30%, almost a third of our business is IFS business which gives us very strong reference accounts in the market.

At the same time, from the margin standpoint, you start to see over the last few quarters an improving trend. And what we managed to do there is as we've done the transformation to IFS, have dealt with some of the legacy infrastructure for janitorial, at least the commoditized portion. But the leveraging, a lot of the work that Troels talked about in terms of operation excellence. We started on our IFS contracts and it really moved the needle in terms of performance of those contracts and that will continue as we go through time. So, once again, we're benefiting from the scale of ISS given that we're transitioning the revenue base within the US.

Now, looking forward, while a large part of the single service is as offerings in the US are commoditized, we see some real opportunities and Andrew talked about these as did Jeff. It is this theme on compliance and we read about it in the papers on a regular basis, is my partner following labor legislation? Or am I going to end up in the paper because they did something wrong? There is a whole corporate social responsibility agenda that's really moved up on the CEO's plate.

And all those elements force you to really think about how you're going to provide transparency, governance and compliance to your clients. And I think on the scale of risk, trying to do it on a subcontracted way over many partners is much more difficult than if you're providing in a self-delivery single-stop shopping. And that's what we're hearing from customers.

On the other side, it's all about this war for talent. And I'm going to show you an example here through a video about how real that is, where we can take our services and partner with our customers, we can directly help them to engage our employees to make workplaces that are attractive, for them to hire in what is a very challenging market in the US. Because you've read about it, you see it every day. This war for talent is very, very real amongst many of the customers that we serve in the US.

So, with that, I've got two case studies. Two customers, these are brands that are well-known in the US -- GoDaddy, which is an internet registrar and Polycom that provides a lot of the videoconferencing services that we've used. And in that, they will speak to the value proposition from the customers' lens about what ISS provides then I'll come back in summarize this, so queue the video please.

(video playing)

Keith Tice - *GoDaddy - VP, CPO*

I'm Keith Tice, Vice President and Chief Procurement Officer at GoDaddy.

GoDaddy is the world's largest domain registrar. That's what we're known for. We are also the largest holder of domains worldwide with more than 60 million. We service roughly 13.4 million customers today and that's growing rapidly. You'll see as you notice at GoDaddy, the culture is very unique. It's not a traditional manufacturing. It's not even traditional for tech. When someone comes to work every day, they need to be comfortable. They need to feel free. And they need to have fun. If you look around our buildings, you'll see things from slides to rock walls to Ping Pong tables. People have that flexibility to do what they need to do and in a very comfortable and inviting environment. GoDaddy has historically been very much North American-centric but over the past few years, growth has started to expand for us. We're in Belfast. We're in Amsterdam. We're in Singapore. We're opening in China now.

As we continue to grow, I wanted a service provider that can grow with us. In all the geographical regions where GoDaddy is going to go, I assess what's present. And that was important for me.

Michael Dozal - *Polycom - Facility Manager*

My name is Michael Dozal, Facilities Manager here at Polycom. Polycom helps more than 400,000 companies and institutions worldwide. We defy distance with video, voice and content solutions. We needed some continuity and consistency in what we did and we started looking at companies that could provide us that type of service.

We had ISS look at our portfolio nationally in the services that we were currently using. They put together pretty well-rounded program that we've been able to rollout over the last two years. Services include janitorial, shipping and receiving, secured threading, and server maintenance. Having ISS as a partner has allowed us to do what we do best.

Keith Tice - *GoDaddy - VP, CPO*

The services that we determined were necessary to outsource to ISS including grounds facilities management, facilities maintenance, food service which is a big one for us. We wanted to make sure that it was one integrated supplier that touched everything across the boards. I wouldn't have to manage a variety of suppliers. One managing landscaping in our locations in the Midwest, another managing landscaping our locations in the West Coast, one supplier doing it all.

Michael Dozal - *Polycom - Facility Manager*

When you're dealing with so many sites globally, ISS is going to be instrumental in rolling out our locations in EMA and APAC.

Keith Tice - *GoDaddy - VP, CPO*

Having one vendor also adds a lot of consistency. If we've got a certain service that we're required to have in Phoenix, then we know that that vendor is going to supply the exact same thing at the other locations and that makes it simple for myself, it makes it simple for anyone within GoDaddy.

Michael Dozal - *Polycom - Facility Manager*

When we started using ISS at a few sites, it became obvious that the quality service we were getting should be shared or utilized at all of our sites here in the United States. We often have customers visiting our sites here in the US and consistency is key in delivering that customer experience.

Keith Tice - *GoDaddy - VP, CPO*

As we started expanding facilities in different locations and started really understanding for ourselves how we're going to make our facilities work and how are they going to look and how are people going to feel? One of the things that came to mind was the story about a little girl who came to our family day here in this office that you see behind me. And after she had toured this building throughout the day, she was asked, what do you think? And she said, I want to live here. And that resonated with people because what ISS has done in understanding the GoDaddy culture, has created an environment where people are comfortable.

John Peri *- ISS A/S - Regional CEO - Americas*

Those are terrific examples of our value proposition in action. And think about the words that Keith mentioned. It's how does the ISS partner with us to develop the culture. And then we talked about the role that we have in improving the overall customer experience. They also talked about consistency in delivering the service amongst our sites, and how do we help them take that same platform in going international. So very key proof points of our value proposition with those accounts.

Okay. So, where are we? If you look at our customer segmentation here, we look at it in the same way that we presented earlier which is our key accounts and then our specialized services which are usually single service and then our direct which is a composite of our small customers.

So, on the key accounts, we've managed to migrate our business in North America so that our top 25 accounts represent 50% of our business. So while the overall revenue has been generally flat, we've been transforming the customers set. Similarly, on the specialized services, those have been growing as well. And we've been de-focusing on the small customers. And when I come back and show you the network, obviously, the US is a huge geography. And unless you're only solely focused on small, having a branch network to support, small customers becomes very expensive.

So, part of our story and our strategy in North America is about focus. So, similar to the words that Jeff used, it's focusing on the key accounts or larger accounts, it's in focusing on market segments. So, in North America, we've chosen three market segments to focus on. It's business services and IT, it's industry and manufacturing and it's in aviation. And with those three segments, we can scale our business and continue to grow.

But in specialized services, again, it's focusing on two services. It's on janitorial and then as we make the investments in catering, that will be a focus area as well.

So remember in the video, the reason Keith Tice said, I want ISS to have food services. He wants an integrated approach where he can drive the culture at GoDaddy and that's part of our strategy to make investments in catering so that we can address that part of the market. At the same time, we're already outsourcing $30 million to $40 million at catering today to other partners. So, assuming we make an investment either through an acquisition or do it organically, we already have a strong base of revenue to put into that. That means, at the end of the day, that our focus is on rolling our key accounts and on specialized services and de-focusing on the small.

Again, looking at our network, if I were to show our branch network here across the US, you would see a lot of dots, probably 40 plus of them, representing our branch network. And part of that focus agenda is to take that branch network and size it to these three segments and where we see the strongest growth in the US. And what that'll mean is that our branch network will focus around the West Coast through the Sunbelt then up the East Coast then into the Midwest. And that makes how we run our operations in the US much simpler. And so we'll be prioritizing that as we go through time.

Okay, what's our progress report? Our scorecard here. We have really three primary agendas. First is to increase our capabilities within IFS so that means catering and technical services. Today, we're really at the start in terms of our catering capabilities and that's going to require investment.

Jeff will come back and talk about our M&A strategy but that will be on the agenda for that. As summary, technical, we have well over 600 technical engineers or resources in the US today. So it's not at a start but we're seeing a strong demand for technical capabilities in the market. And that's everything from some of the handyman things that Jeff talked about through critical environments. We actually support quite a number of critical environments, datacenters, et cetera, already in the US but we see the demand there to be fairly strong and some investments will be required.

The second part is our IFS revenue. As I mentioned, it's about 30% today and we really see that opportunity to grow in terms of the number of our accounts that we can serve there. And then finally, it is about focusing on the larger accounts, which means that at the end of the day, how do we address the tale of smaller accounts which today, tends to drive quite a bit of the revenue overall?

So, to summarize the North America market, this is again a big opportunity for us. It is about focus -- focus on markets, focus on the value proposition, it's focus on how we deliver it through the market. We have terrific proof points through the market and our pipeline is showing that these are the kinds of opportunities that we can address.

All right, with that, let me step in to Latin America. So, let's start with an overview of the market. This is a $35 billion to $40 billion market, so about a fifth the size of what we have in North America. And really, you have some countries which are fairly well-developed and then others where they're developing and some that are immature and some where the legislation prevents you from actually doing outsourcing.

If you look at our footprint today, we by and large cover the bulk of the [$35 billion to $40 million]. And we're in Brazil, Mexico, Chile, Argentina and Uruguay.

Next one, we look at our competitors, we really got two kinds of competitors. We do see the global competitors throughout the region. Some cover the entire region, some cover some of the countries within the region but we do see them. In addition, we have a lot of local companies that cover either single countries or a couple of countries within the region. So, fairly competitive particularly in developed markets.

There are some high growth countries. However, we don't see a lot of demand from our international clients to have us take a footprint there and they don't drive a bulk of the $35 billion to $40 billion today. So they're growing but growing on small numbers. Where we do see real good growth, that's in both Chile and Mexico. And we are very strong players in both of those markets. And we're able to ride on that growth.

Then finally, we have a couple of countries that we do see long term growth and opportunity with, but they have some macroeconomic challenges today and that's Brazil and Argentina.

When you look at our performance in Latin America, while our growth has flattened out from the 30% back in 2011, a lot of that is by choice. When you're growing at 30% in the kind of under or developing countries, you can outstrip your operational capability and that's what happened to us when we're growing at 30%. So around the 10% seems to be a good fit. Over the last couple of quarters, we're seeing the headwinds of Brazil affecting that overall growth. And so we're in the 5% to 6% ranger today.

Again, you see the impact of the significant growth on the margin back in 2011 as we exited contracts that just weren't right for us at the time and we're starting to see the improvement in the margin. And that's despite some of the challenges that we've had in Brazil given the decline in the economy there.

Similar to what you saw in North America is the trend on IFS, so we are very large player of IFS n the market and that continues to show growth. And again, it's about focusing on the large accounts. So much like the ISS strategy, where do we target? We target the business services in IT, we target manufacturing, food and beverage, we target healthcare where we're strong in both Brazil and in Mexico, transportation infrastructure. And in Mexico, we are a partner to PPP providers, private-public partnerships, but we don't make asset investments, so we're there just as the service provider within Mexico. And those look like IFS contracts at the end of the day for us.

Our priorities, very similar to the group strategy and that's to grow IFS on the back of large key accounts. And as Andrew mentioned, as you go from developing to developed, it's going from input to output, and then at some point also, to outcome. So in the market in the Lat-Am, I would say, the bias has been, at least initially, input moving to output and there's lots of opportunity to continue to grow that. And then finally, it's on both the regional and international accounts within the market.

And finally, let's talk about Brazil. Brazil has had its economic challenges. But just to frame that for you, Brazil as a country represents 2% of our group turnover today. So it's small from that standpoint. We're facing in to the challenges of the economic trend and that's by focusing on cost reduction and pruning customers that we don't think will make it long term, in other words, putting more emphasis on the blue chip customers.

And we've also upgraded the skill within the country, the leadership team, by hiring very seasoned local leaders that know the market and know how to transform the business and deal with the economic slowdown.

So that's a quick summary of Latin America. We stand from the message here. We're executing ISS strategy in North America. Clearly, in North America, the opportunity is rich. We have very strong value proposition, very strong references. And that will happen through our self-delivery model through the investments that we're making in both in catering and in technical services and through our empowered employees.

With that, I'll pass it back to Jeff.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Thank you, John. And obviously, North America is the one area that we are focused on building our stronger competences and that means, of course, stronger self-delivery through proposition through acquisition. So I would like to take through a little of the defaults and what can you expect from an acquisition perspective going forward, also, what are the rationale behind the disposals that we've done and a little bit on what do we expect from that going forward.

The number one thing when we talk about acquisitions and disposals within ISS, there is absolutely no doubt that the strategy of ISS is to organically develop this company -- organically ensure that with the products that we have on our shelves, the offerings we have on our shelves, the development of the IFS concepts as we see it, we have an opportunity to grow our business from an organic perspective.

But we also have to look at where do we need and where does it make sense to invest into some competence improvement. So every time we look at whether we make an acquisition or disposal, then of course, it goes back to strategic rationale and then it comes back to strict financial criterias. So on the first point, of course, it has to fit in to the business model of ISS.

So everything we look at now, when we make a disposal of landfills and farms or we make a disposal of landscaping in farms or pest control across the piece or damage control in the Nordic region, it really is because we're looking at this picture. What fits in to our strategic direction of delivering the services that we've seen from GoDaddy? We've seen it from the [Duder] account, we've seen it from Vattenfall, all of the concerns we talked about today. Or what fits into our single service delivery, the key account approach and focus that we have in the organization.

That goes whether it is disposals or acquisitions. We need to look at how do we enhance this picture. And part of the enhancement of disposals is if you sell off businesses which is not your gold, of course, it gives us more time to focus on the services that is gold. And it's very clear to us taking $12 billion to $13 billion out of our top line has made our company a higher quality company because the disposal or the mix of revenue we have today is much more in line with this picture than it was some six to eight years ago.

Going forward, we will be looking at opportunities to acquire. And we've seen some of that already. But in that, strategically, criterias, of course, as I said, it important. That means when we look at it, it has to be onsite, it has to be labor intensive, it's not about capital incentive businesses. It has to be something where we can see integration possibilities immediately. And that means, of course, that the driver for this strategy is to build better conditions for organic growth going forward. Or, of course, margin enhancement through cost synergies.

The cost synergies can be driven, of course, by integration. It can also be that we can convert some of the $40 million we have in subcontract to catering sitting in the US. That's going right now to our competitors. Of course, we can convert that in to self-delivery. That would immediately give us both revenue and, of course, also cost savings.

So that's very straightforward on the strategic side, but it is the main driver. And the reason for this, to drive, again, additional cash flow from these investments coming through, through better organic growth or better margins.

At the same time, of course, it has to fit in to some very strict financial criterias. Now, they're not particularly complicated. We all know that the return on capital employed has to, of course, outperform the cost of the capital. I think that's pretty evident to everybody. The question is, of course, that how can you ensure and how safe are you on that return on capital employed. That comes from, can we see very tangible, very visible synergies that could be immediately employed and then we could put that in to the equation or making a proper price and therefore of course ensure that we will get better return on capital than the cost of capital.

Now, the buffer between those two, obviously, is an element of what kind of market are we in? Now, if we take it from a market risk, that of course is different from country to country, depending on where we are. The risk free premium is of course much higher in certain parts of the world than in others. So that goes as a normal block rate calculation.

But we also have a prerequisite of saying, how big should the buffer be between that local operator and the return on capital employed. That depends on the risk that we go into, what services do we get into. And how big a leap of faith do we take on synergies being in cost synergies, being in sales synergies.

It is not one size fits all. So I can't give you the numbers. But I can give you a guarantee that this is what we go through every single time we look at disposals as well as every time we look at acquisitions. And then on the acquisitions, you know it's being one single time. I'll come back to that in a moment.

But let's first look at on the investment side because it's equally important when we look at that. Really building a business that could be focused on delivering the value proposition of taking the leap of faith of delivering not only output but also the future outcome related contracts, we have to be very focused. With that, we've looked at very, very hard on all the businesses that we have across the piece and saying, there are some of these businesses that we acquired where we didn't need the whole thing. Some of it is just left alone and we kept running it. But we, over the last six years, disposed of the parts of the businesses that does not fit the business that we are developing right now.

So out of the 600 plus acquisitions, we have now made 60 divestments over the last few years. As I said, it's not only about the business we bought and then we sold again. There are certain parts we've been in and then retracted from, example, the pest control business. But overall, it's predominantly about parts of the business that we're selling off that doesn't belong to our future.

To give you a little bit of color to what kind of business are we selling, I've said it already with the landfill and so forth. But it falls into different categories. But we've given you this list in order to give you a little bit of color to it. And as you can see here, there are a lot of divestments within property. So, again, if you remember, when we look at property before and property now, you can't really see from the number that we have developed the property sector quite significantly. But today, the concept of our property is predominantly driven by technical services which is what the customers need and building services which is about refurbishing rooms at the ones we're in right now, for example.

As opposed to, in the past, some property was about pest, damage control, cleaning off after dead people or the landfills around the world. So it's a completely different composite. The quality of the revenue today is much, much, much improved on the back of this.

Now, as you can see, we have these numbers up. It's some north of some DKK12 billion worth of top line. And when Heine goes through the numbers in a second, of course, it's part of the one that actually puts a little bit of strain on the percentage margin as we look at it.

But, of course, the same thing applies here. Strategically, it doesn't fit but there are also finance and particulars. You got to get the proper price and sell things at the right point in time when the market is buoyant. And we've been very, very alert to that. So of course, it's not just about selling things off at any given time. We got to make sure we do it at the proper time at the proper valuation and thereby ensuring proper shareholder value.

The bulk of the development for the disposals has been done. When you look into the accounts, you can see that there are three assets that are for sale at the end of June. So there are still some businesses to be sold. But by large, the majority of the disposals as we see them now has been done.

Going forward, I'm quite sure that now and again, there'll be some parts of the business that has either matured or going into sort of a satellite and that actually doesn't belong to us and we'll sell that of on an ongoing basis. We're very alert to that. And as you can see, that's also the reason why we made some 60 divestments by now.

So that's the divestment part. At the same time, we need to look at where do we need to get stronger. And one example of that is the only acquisition that we've done for the past five to six years. GS Hall, a technical engineer business both here and the UK with some presence also in Europe. And this is where we go through some the rationale of why is that such a strategic, important acquisition and what are the criterias that they've gone through from a strategic perspective.

Now, we're listed on the left hand side. Obviously, what kind of company is it? The revenue we're talking about here is about DKK700 million, obviously, a sizeable organization, not a massive acquisition, but a sizeable acquisition. And it's a business that is focused on key accounts. We have no interest in buying a technical business that does electrical installation at Mr. And Mrs. Smith or mom and pop shops. We have an interest in buying somebody where we know that the value proposition that comes onboard are geared towards key account development of technical services on site.

So what does that mean? What kind of services is it? Well, that's what we listed up here. It's technical engineering, compliance and energy. Those are the three points that we are focused in, in our technical services delivery to our clients. This is not painters, this is not the carpenters, these are some electrician in there or at least educated in the energy sector. But this is really driving energy management and driving the maintenance of all of the technical installations in larger accounts.

Customers like Aviva, E.ON, Fujitsu, and Thomas Cook, consider it, you could see some of the clients that we took over with them. (Inaudible) Siemens as an example.

This was an organization that are used to key account management. That means it fits into the structure in UK. Remember that the UK is 60% IFS business. It is in the 70%'s to 80%'s if not more on key account focus. So the fit between those two companies is quite remarkable.

Immediately, looking for synergies, obviously. So when we look at what about the, strategically fits, 100%, that's for sure. Financially, we could immediately see synergies coming through. Cost synergies, pretty simple. The back offices, very easy to integration. So cost synergies, very quickly, obviously. But that is not a big surprise to anybody. The legal teams, the financial teams, all amalgamated and consolidated within the first months.

Secondly, of course, and much more important to us, are the revenue signatures. Immediate revenue synergies is the contract that we're in right now. The Barclays network, we could cook on relatively short period of time, convert the outsource delivery of technical services that we had from the branch infrastructure and Barclays converted into a self-delivery model really, really quickly. And today, that is carried out by GS Hall employees has now taken the branch infrastructure of Barclays.

Continuing to winning and being an instrumental part of acquiring GS Hall was in the midst of actually going for the UBS contracts at Broadgate that Andrew just showed. A big, important win for us here in the UK and part of the GS Hall acquisition was instrumental in winning that, of course. So obviously, that gives us some synergies going forward on self-delivery and technical services on that plot.

National Australian Group, a new technical service contract that we won the National Australian Group, again, Yodel, Anglian Water, American Express, they're either customers of GS Hall, a customer of ISS and we've been cross selling our services across. So that's already happened. And these synergies are coming through as we speak.

Going forward, it really is about continuing to deliver on those synergies. It's about continued focus on what is the portfolio of customers within GS Hall, how can we sell our services into those and at the same point, where can we introduce the services on energy management from a GS Hall into our current lines. This work is also going on. And it's expected to come through in the beginning of 2016 on the European sites as well.

So quite important that we immediately can see that we can drive synergies across the group either from a cost perspective or from a revenue perspective and not just pies in the sky. So far, this is going according to plan. We're very happy with the acquisition of GS Hall and this is an exact example of what does it mean when we acquire companies in ISS going forward. And there will be few enough of them so that I will be standing up here and telling you, what is it? Why are we doing it? And what's coming out of it one by one? That's the strategy of ISS's acquisition strategy going forward. The key focus, though, going forward is, as we mentioned, self-delivery capabilities in Americas which is focused on catering but is also enhancing our delivery of self-delivery across the group within technical services.

Now, before I get into the catering, I'll just remind you that today, we're now close to DKK10 billion technical and building service organization with a high quality of revenue within that mark, making us one of the world's largest providers within this. We are not a mister nobody within the sector.

Going forward, as I said, catering is key. Today, some 12% of our revenue sits within catering, 45,000 employees within catering across the group. Somewhat concentrating around Europe, but there's also a good presence in some of the Asian countries where it's relevant. It's not all markets where catering is actually relevant. Some cultures, you just don't dine at the customer or at your workplace, you go out. So of course, it's not really that relevant. But in the areas where it is relevant, we have a good presence also within the markets where we are today, except for, as I said, within North America.

So, again, a good, strong presence within catering will roll making us a top five player in the world, 45,000, 12% of our revenue. Focusing going forward, though, you can see that the weak spot here is North America. We have started self-delivery on GoDaddy. You heard Keith talk about it in the video. It's an instrumental part for them, not just because of cost, more so because of culture.

They want it to be our employees. They want it to be an integrated model. They wanted to be one family that actually provides for their family of employees. That's the key driver. The customers we have in the US, they all have a request that we go for self-delivery over time. So they're very keen on us taking on this endeavor going forward.

Now, the key thing is we are looking for candidates. We are working with the life pipeline. We have not concluded any deals yet, as you would probably know. We would of course been announcing it. And it is with this -- like so many other things, when you have very strict strategic criterias and very strict financial criterias, it's difficult to time this exactly. We will do these acquisitions when they fit both parts of the equation. We are very selective and the process takes longer than if you just go out and mindlessly buy companies. That's the philosophy of our acquisitions today that we are adamant and determined and we will find the right partner at the right price and then time will tell exactly when that's going to happen.

In the meantime, we're not standing still. So we're building up our self-delivery capability organically. We've done that in a number of our countries, so a big presence in catering within the Nordic region. It's predominantly organically driven.

Our growth within catering in just the business we have today, again, is beyond the 10% organic growth on year-on-year for the last many, many years. So we are doing quite a good job already in organic development. That expertise, right now, we have UK people sitting in the GoDaddy accounts and, of course, also looking at what do we do from an organic perspective while we're looking for candidates to acquire within the sector.

So that's the focus on how we dispose. That's the focus on how we acquire. I think GS Hall is a great example both on the strategic element and from the financial criteria perspective, but also from a size perspective when you go forward, what type are we looking for, what are the size we're looking for? It could be plus, minus, sum, but it's around that element. And that's basically the approach that we have on disposals and acquisitions.

With that, I would like to hand over to Heine to take us through the financial development of the company and the financial overview. So Heine, please. Welcome to the stage.

Heine Dalsgaard - *ISS A/S - Group CFO*

Thank you, Jeff. So good afternoon, everybody. This is the last part of the presentation today so please stay focused on the next 30 minutes or so then we are done with the presentation. So if we start here, today, we have explained to in some details, our strategic objectives and how we are making selective investments into our business primarily within people processes and technology. All of these investments are made in order to ensure strong organic growth and in order to ensure strong operating market going forward. That is over the short. So the medium and it's over the long-term areas.

However, as you all know, our relentless focus on creating shareholder value, of course, also requires us to make sure that we convert the stable organic growth, the stable operating profit into cash. This is the cash that we can then, either reinvest into the business or give back to our shareholders as additional cash.

So in my presentation, I would therefore go through how it is that we convert operating profit into cash illustrating our policies and all our initiatives in and exactly that, either to reinvest into the business or to give back to our shareholders.

So let's start the journey with looking at the operating margins. We have a strong track record in ISS, of the brilliancy in our operating margin over the longer term. In recent years, as we've already discussed, we have seen some margin headwinds. And this is primarily because of the significant divestment program that we've been through.

As already said by Jeff, since 2009, we have divested 16% of our total revenues. We have divested more than DKK12 billion in annual sales. All our divestments have been made because they are non-strategic from an activity point of view to our core strategy of delivering onsite the synergy services and because the price tag in our evaluation has been right.

Included in our divestment have also been some rather significant margin accretive businesses. So that's the one part. The other part is that when you divest to the magnitude that we have done it, so over DKK12 billion in annual sales, of course, there is a lot of stranded cost and it takes time either to cut this cots or to make sure that it's covered with revenue elsewhere. So this is the logic.

Throughout this slide, I would also like to highlight the considerable challenges that ISS have been through from 2010 up until 2014, including working in a highly leveraged environment, including also a failed IPO process in 2011, including a failed bid from [D4S] in 2012, including boarding on new investors in 2012. And then here, lastly, in 2014, including the process and the successful process of reintroducing ISS on the Copenhagen Stock Exchange and the subsequent refinancing that we've been through.

These have, of course, not been easy initiatives to go through. And it's not been very easy to run the business through these times. It is clear that many of the initiatives that we're looking at right now and working on right now would ideally have been pursued early on as well. All of the initiatives that we're working on and have initiated over the last few years in terms of improving our operating margins or delivering as expected, no doubt it.

Looking as you can see from the chart up here, looking at operating margin on the LTM basis, we have now been trading upwards for seven consecutive quarters in a row and it's only because of a strategic initiatives are coming through. It's because we saw the benefits coming from the customer segmentation, the organizational structure, the procurement, the excellence, the BPO and so on and so on.

With regards to future margin development, it's clear that we do continue to see margin upside. We believe that we will see benefits coming through from the increased focus on key accounts. We believe that we will see benefits in terms of margin from the increased focus on IFS, so the changed portfolio mix. And we also believe that better customer retention rates will drive the higher margins. And in addition to this, we also strongly believe that as the European market economy recovers, we will see a benefit in particular in our non-portfolio businesses across Europe.

On the negative side, it's clear that we will continue to invest in our business. We will continue to invest in our people. We've been through that in our processes and now, technology.

This is key to us in order to make sure that we can continue to deliver on the differentiated strategy that we are sort of following. In addition, it is also clear that the competitive environment across the world remains a challenge. This has been the case for many years, still the case. And as we normally say in ISS, one thing is for certain, and that is if we stand still, then the margins will go down. So we do not standstill. Our goal in terms of margin remains unchanged compared to what we've said before. We intend to deliver further margin upside in the short and medium term. And we will do so.

But how to stable margins operating profit been translated into cash flow? Let's start here by looking at our working capital. So our track record in terms of work and capital is relatively good. We run a very efficient working capital machine.

On an LTM basis, this measure of cash conversion actually average 99% over the last 10 years. So we have been converting 99% of our profits into cash. As a matter of fact, out of 38 quarters over the last 10 years, only one quarter has shown a cash conversion which is below our usual high standards. This consistency has been delivered despite significant changes in both our customer mix and our product mix despite a significant growth in emerging markets, GCC, IFS and so on.

So while some of our customers are demanding more complex solutions, it is also clear that the key account focus allows us to implement more advanced and more effective cash management systems. We will remain a cash effective machine. Working capital is part of our DNA in ISS. We are focused on maintaining the strong cash performance and maintaining the stability in our working capital across the entire group and also throughout the cycle.

Then moving on to the next part which is our CapEx requirements. So we are, as we've said before, we are people intensive and we are an asset-light business. As such, our capital expenditure has been relatively modest and also relatively consistent throughout the cycle. The level of CapEx in ISS relative to the turnover has been between 1% and 1.5%. As we've been through it before, our annual spend is still predominantly related to equipment and hardware required to deliver our services. It's for instance, tools and machines for cleaning and for catering.

You can also see up there our IT expenditure is higher today. This is one of the questions from before. Our IT expenditure is higher today than it was, not dramatically so, but still it is higher. And IT in our case covers exactly what we've just been through. It covers investments in, for example, contract management systems like FMS, like Insight, all in order to be able to deliver IFS solution to our customers.

IT also is part of our CIM systems and it covers the continued rollout of the standardization of our [E&P platform on novision]. We do not expect to see our capital requirements change dramatically in the years to come. We will remain people-intensive and we will remain a capital-light business.

Now, let's move on to taxation. We have stated earlier that for 2015, we expect our effective tax rate to be around 30%. This is still the case. The main changes from 2014 to 2015 primarily are two-fold. It's, one, related to the fact that we've seen a reduction in our non-tax deductible expenses primarily related to IPO cost. And it's, two, related to the fact that we have now removed the native effect from limitation on interest deductibility. In Denmark, primarily, thanks to our post-IPO capital structure.

And then we have also seen some benefit coming from, in particular, Denmark, from a reduction in the corporate taxation. Moving forward, we do see a number of drivers in terms of tax both negative and also some positives.

We continue on the positive signs to be proactive in our tax spending. We always work on the long list of different tax initiatives both aiming at tax optimization and also aiming at compliance. That includes optimizing the capital structure throughout the ISS group. However, we are also conscious that in terms of local tax authorities, we so see local tax authorities becoming more and more aggressive on a global scale. It is becoming more and more a fight for tax base. It's becoming more and more a negotiation. And I think it's a natural consequence of the significance out of popping indebtedness following the financial crisis.

But we remain proactive and we remain open in our approach to local tax authorities. Going forward, tax remains a key priority for us both from a compliance cost but also from an optimization point of view. We do see some scope for a reduction in the effective tax rate in 2016 and onwards. Our tax cash rate will be a bit long, but it will long-term also follow the effective tax rate, no doubt about that.

If we then move on to the other topic here, which is other operating income and expenses. We have incurred other operating income and expenses over the past many years. We define these as items that are not part of the normal ordinary business. Other income and expenses in 2014 and 2015 primarily includes gain, loss on divestments, acquisition and integration costs, costs related to the exit process of the IPO process and then also restructuring projects.

Moving forward, we expect to continue to see effects coming through our P&L from divestments and from acquisition and also, and more importantly so, we do continue to see restructuring projects that are linked to the rollout of our great initiatives clearly linked through the customer segmentation, to the organizational structure and the BPO rollout.

Looking in detail, as you can see from the stock chart up here, restructuring charges on an LCM basis, you can see over the last quarters, we have had an average of around DKK150 million to DKK180 million a year. These costs are real and they primarily consist of redundancy payments, of termination of lease holds, of relocation, all related to the rollout of our great strategic initiatives.

Now let's take a closer look at our overall free cash flow performance over these years. Our absolute free cash flow generation pre-interest, pre-acquisition, pre-disposals has been impacted by the significant reduction in our revenues as a consequence of the divestment program. The free cash flow has been very stable and consistent at level throughout the [sign] of just below DKK3 billion a year. When you look at the graph, it is worth noticing that for 2014, the dip in free cash flow primarily has to do with a one-off tech payment related to a specific divestment made in previous years.

And just then to recap on some of the items that we've just been through, our focus in terms of working capital will continue. We will continue to maintain our high cash conversion throughout the cycle. We will continue to be a people-intensive and CapEx light business and we do not see that changing over the coming years. And as I said, our cash tax rate should be reduced in 2015 with a potential for further reduction also as we go into 2016.

Therefore, if we conclude a list sort of from a financial perspective, ISS is all about stable organic growth, resilient operating margins with an upward trend. It's about low CapEx. It's about consistently high cash conversion, all of which translates into strong and high cash generation. And this is really ISS in a financial nutshell.

Now let's take a close look at how we then allocate our capital and cash. So when setting our financial policy, we take account of the following key objectives. One, we target to maintain a financial profile in line with being investment rate. Two, we target an efficient balance sheet and a financial leverage before 2.5 times pro forma adjusted EBITDA. Three, we will ensure adequate liquidity and flexibility in order to realize our vision of becoming the world's greatest service organization. Four, we will ensure sufficient focus on dividend policy. And as I said, we are targeting a payout ratio of 50% as ordinary dividend. And then point number five up here, we will maintain a balance between floating and fixed rates and between bank and bond financing.

Today, our funding structure is split between two bonds issued under the EUR2 billion [EMGN] program both, by the way, with fixed interest rates, as you can see up here. And then our term loan and pro bono facilities with our bank syndicate. It is our policy to maintain at least 50% of our borrowings in a fixed rate environment. And as you see, we are there.

In terms of maturity, the current debt structure matures between 2019 and 2024, so from our point of view, stable and relatively long maturities. We will continue to monitor the debt capital markets on an ongoing basis. And in that consideration, taking into account of course maturity profiles, interest cost and interest viability. And if we, at a point in time, consider the debt capital markets attract, that's not today, but if we are upon a time consider the debt capital markets attractive, we will of course take action and refinance as we find it appropriate.

So over recent years, as we've been through it before, we have demonstrated our ability to delever our balance sheet. And we will continue to delever our balance sheet also in years to come. We target a leverage ratio of below 2.5 times pro forma adjusted EBITDA, taking seasonality in our cash flow into account. Our current leverage level is, as you know, by the end of June, 2.9 times. That is 30 basis points higher than year end but it is 30 basis points lower than the same period last year. And if you use the same logic for year end, meaning that we should be around 0.3 below last year. Then that would mean that we would close this year with a leverage level of around 2.3.

However, and due to normal seasonality in our cash flow as well as the dividend that we pay out in April, the leverage would then increase towards the end of Q2. And the end of Q2 is an important date because of the interest test determining the margin grid that you've seen on the facilities that we have with the syndicate banks. The timing and the magnitude of these different divestments and acquisitions that we've been through will of course also have a significant effect on our leverage profile.

Finally, as you can see up here, we have provided an illustration of the key components of our Q2 2015 net financial expenses which gives you an indication of the current run rate in terms of net financial expenses. It is worth mentioning here of course that net financial expenses also going forward will continue to have an element of banking fees, an element on interest, on pension and also an element of amortization of capitalized financing fees.

As a reminder, the FX losses that we had in our net financials in Q2 was modest, DKK6 million. But if you measure it for the first half year for 2015, it's DKK60 million, which of course is an amount that you have to take into account when you measure the full year net financial expenses.

I'll wrap up then in my part of the presentation with running through our capital allocation principles and how we expect then to return additional cash to our shareholders.

As Jeff stated at the outset of today's presentation, we have clear objectives when it comes to capital allocation and we will prioritize accordingly. To repeat, the balance sheet and our capital structure is of course a key priority to us. Without high level of stability, we cannot confidently make commitments elsewhere.

We have operated on the far higher leverage levels than what we have to date during the private ownership and deliver, by the way, solid results throughout. But it's clear this was not optimal and certainly not suited for being a listed company. We need to ensure that we have the flexibility to adapt and to capitalize on changing circumstances in the future.

Secondly, as mentioned up here, we must of course commit to our ongoing working capital and CapEx requirements as these are the lifeblood of our business. Thirdly, we take our 50% ordinary dividend commitment very, very seriously. It is our full intention to deliver this through cycle. In addition, as you can see, we also look to reallocate capital by appropriate divestments and acquisitions. We have demonstrated our willingness to divest even high market businesses if they don't fit strategically and if the price tag is right. And we will continue to do that also going forward. We will, as Jeff said before, also continue to do selective competence, enhancing acquisitions here and there, [stuff that could tie] strategic and financial filters.

Finally, when we have reached our targeted leverage ratio of below 2.5 times pro forma adjusted EBITDA, we will give additional cash back to our shareholders. We see no reason to continue to delever. But we're not there yet. But given our current leverage ratio, also what we can see for the remainder of 2015 and the beginning of 2016, we have sufficient time to consider and take appropriate mechanisms.

Special dividends and share buybacks are both possibilities in order to return additional cash to our shareholders. That said, of course we will look at the share price and we will look at the absolute valuation as part of this process. We are not in a position right now to offer further insight as we haven't taken the final decision on this. But of course we will update you all in due time.

This now ends my part of the presentation. And with that, I would like to hand back to Jeff.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Thank you, Heine. So this is basically concluding the presentations of today. As we started with the outset, we have one aim. And the aim is of course to create shareholder value. And that aim is about cash flow. We will grow with cash flow in the organization. So whatever we do, being it additional assets, contracts, international contracts, international contracts, local assets contract or any other business we do, we are focusing on improving the cash flow of this organization in order for us to allocate it in the way that you just heard Heine go through it and the way that I described it in the beginning of today.

During today's presentation though, you had also heard that there are opportunities to invest into this company. So the cash flow that comes through and the improved cash flow of course also has to go back into the business. There are certain parts. People development is absolutely key. Frontline engagement of our 511,000 people and growing of course is a key point of delivering a self-delivery strategy as we talked about today.

Secondly, process is becoming more and more important. Lean processes, taking out efficiencies to make even better cost product, also outlined, is key also for the future, so investments into technology is key. But all these investments, being it also acquisitions or restructuring for that matter, is always about improving organic growth and/or improving our margin. Over that perspective, again generate more cash flow.

That's the focus of all decisions that we make from being a self-delivery front end oriented to whatever acquisitions or investments in IT that we will make. That is what we can guarantee you with a focus of creating more shareholder value.

That concludes the cycle of the presentations and I hope that we've given you some light and better insight into the company. But of course we will now open up for a further Q&A and we will take, I will always guarantee, all questions and we will continue until you're sort of done with your questioning. I hope that I said that without staying here until midnight. But if that's what it takes, that's what it takes. Okay?

So if I will be joined by the team of course with Heine and John with Lord Allen on stage for opening up Q&A. And of course there are also opportunities to ask questions to the rest of the team as we go forward.

QUESTIONS AND ANSWERS

Kristian Godiksen - *SEB - Analyst*

Yes, hi. Kristian Godiksen from SEB, a couple of questions. First of all, I think it's very interesting that you state in regarding that you will distribute cash back to shareholders but it's especially interesting that you will say that you will make up your mind depending on where the share price and valuation is. And firstly, can you comment a bit on that? Will you have your own [TZF] model or will you look at what we analysts say or what is your thinking regarding that?

That was the first one. Secondly is also regarding timing. So Heine you said that when you are below the 2.5 times, so what does that mean specifically? Is that when you go just below or do you need to be below 2.5 every quarter? We know your seasonality and your cash flow profile, maybe a bit more comment on that.

And then just thirdly, if you could comment a bit too on the non-portfolio business. Does it still make up the low range of the 15% to 20% of your revenue? And is this the new normal or what should we expect here? And maybe also just on a different account, so I guess it makes up more the global corporate clients, a few comments on that as well.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Thank you. I think maybe, Heine, if you will take on the leverage side and the payer.

Heine Dalsgaard - *ISS A/S - Group CFO*

Clear. In terms of leverage, we really reiterate what we have said ever since the IPO. We will continue to delever until we are below 2.5. And that we're also saying that takes into account normal seasonality. And since our seasonality goes up 30 to 40 basis points throughout the year, it's not only measured at the end. So it has to be below 2.5 throughout the cycle. Whether it's then one quarter 2.55, it doesn't really matter as long as we can see a clear road to go below again.

So this is in line with what we said all along. Once we have reached this level, so sustainably below 2.5 or around 2.5 so we don't go significantly above, once we are there, we see no reason to continue to delever our balance sheet. It's simply we don't see any reason why we should. And at that point in time, we will then repay cash to our shareholders. This is in line with the logic that we have said ever since the IPO.

In terms of timing, it's really the same. We have said, again, ever since the IPO that we will first delever to below 2.5. And once we are there, we will come back with additional color. We are not there yet. And we also do our models, you're absolutely right. And once we are there sort of on a sustainable basis, which should be sort of during 2016, we will of course come back with more color.

In terms of how it is then that we are going to return the cash to the shareholders which is another one of your questions, it's clear that there are two ways of doing it. Either special dividends or doing share buybacks. It's just a bit difficult to stand here sometime ahead of when it is that we do it and be very specific as to whether we do it one or the other. And it's clear we will look at the share price. We will look at the absolute valuation. We will look at our multiple relative colors. But we can't be more specific at this point in time.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Good. So of course that also means that we will take in whatever input there is from the marketplace also and the multiples. It's difficult to know whether it's a high price or low price. But we'll get back to that when we get closer to that situation.

I think from a non-portfolio point of view, today, it is around 20%, so you're always running around that. You have to think of it in two parts. On a traditional single service contract, being it a cleaning contract for that matter, of a certain size, you would typically add 10% above the base, typically. And that 10% above base is really just [work] because there is a flooding or there's a move or there's a deep cleaning that needs to be done or they've had a Christmas party and then we clean up after that, which is not in the base. Now, there's been a refurbishment project that we go in and we do something about that.

That's clearly where they ask them to do extra jobs on or above the base. So when you go back in the history a little bit when we were the world's largest cleaning company, we also had some 10% in above base work.

The part that fluctuates more is the project part of the above base work. So of course the bigger the clients we're working with, so for example Barclays or HP or these kind of large integrated services contract, there, we are present to take the projects that comes along. Sometimes we have exclusivity, most times we have a right of refusal or at least a right to bid. But of course, Barclays will say it has to be a competitive bid so they'll go out and measure your [gives] over the years. We have the convenience benefit, obviously, that we're here. So the smaller part of the projects we get because they don't have to go out and do the competitive bid. On the large run, when they have to do it, of course we have the cost benefit that a lot of the cost that we need to use for that already is embedded in the contract.

So from that perspective, you will see that on those contracts, we do get a much higher part of project work. That part can actually vary from 20% to 30% on top of the base, right. So as we go more towards the key accounts, you should see a relative increase also in the non-portfolio part. That's on those key accounts part.

However, the world is complicated. So there's also things going the other way. Right now in Europe, the macroeconomic conditions are giving us less of those low-hanging fruit because there is less activity there. So it depends a little bit on the cycle. And then on top of that, of course, we have disposed of the number of the businesses which are purely project related. So for example, landscaping business that we disposed in France, of course was mainly one soft job, project jobs, not a lot of portfolio. So of course as we dispose that, our non-portfolio dropped.

So as you can see on what I talked about today is that the quality of the earnings within our normal base work, so the portfolio of technical services has improved because it's much more in where we want to be, the [three] part of technical services to build maintenance as opposed to landscaping and so forth. But the same thing goes for the above base that is becoming cleaner and cleaner of jobs we do for existing clients on the side, either the up and down on this village and these Christmas parties and then project extra works for the large accounts. So that part means it should increase over time, okay?

Kristian Godiksen - *SEB - Analyst*

Right.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Michael, please here at the front.

Michael Rasmussen - *ABG - Analyst*

Yes, hi, it's Michael Rasmussen from ABG. Three questions. So maybe the first one is actually for Troels because he was the one presenting the first two waves of the strategic initiatives.

So first of all, I think you were addressing DKK8 billion in cost savings in the first two waves. Can you talk about the third wave, how much of cost is it going to address? And what about the residual after to the DKK22 billion that you were talking about in total?

Second question goes to -- I know you're not going to say how much you're reinvesting in the top line, but if you can give us a broad indication, are we closer to 0, to 50% or to 100% and how is the phasing of that?

And the final question is for Heine on the tax rate potentially going down. 2016, are we talking about a percentage point, more or less, and what is driving this?

Jeff Gravenhorst - *ISS A/S - Group CEO*

Okay, Troels. So if you could just pass, Michael, the mic.

Troels Bjerg - *ISS A/S - Regional CEO - Northern Europe*

So the first question about the DKK22 billion that is dispensed that we could address are the spend we have. What I said was that we, in phase one and two, addressed DKK8 billion worth of debt. I also said that we will start the third wave now but we, at this point, cannot disclose exactly how much of the rest, so the residual between the DKK8 billion and the DKK22 billion we are addressing in that.

Obviously, there will be a long tail in this. So where does it stop? I don't know as we stand here. But we see a big, big potential in procurement over and above of course the DKK8 billion that we already have addressed. You will see that of the DKK8 billion that we have addressed, some of those will -- when the contract expire, we expect that we will be able to renegotiate those. I talked about that we will go to outside of FMEA, so outside of Europe, and see some effects there.

And we believe that there are many effects to have still in this. Did that answer your question?

Jeff Gravenhorst - *ISS A/S - Group CEO*

And can I take the second part, amount that we reinvest into the top line. It's quite complicated, Michael, because at the end of the day, when you start a procurement program, so from two, three years ago, when you price a new contract today, if we go ahead and price it on the procurement prices that we had three years ago in order to get that savings in, then obviously you run a risk of not winning the bid. So as time goes on, you pass on, of course, more and more debt effectiveness passes as they come through. That's just the reality of life.

How much is exactly you're going on? The way we do it is that we have an element that will hit the frontline and we have an element that we keep inside of a [repay] pool, which of course gets in more centrally into the fund. But you can't make that repay pool, keep that in the company for the next 10 years because then you are definitely not competitive in the frontline. So we don't have a measure for how much it is. But it's typically a significant part of it that will be reinvested into the business.

So give it a number? Yes, it's more than 50% but we don't have an exact figure to give you. Some competitors out there are actually giving a more specific number and they give back 75%. But that's the companies which are not delivering it themselves. Those are typically the ones that are [sub-contact].

So that's on the procurement side. I think what's extremely important here is that the DKK22 billion, the part that's not addressable is of course either because it's very local, so it's taken care of locally. That's not part of the central procurement program. That's always been on the forefront of our mind. And a big part of that is of course rental expenses for leases, for houses and so forth which is not amalgamated into a big savings if you put together. Taxes and stuff like that, not. So that's an element of that locally.

We will continue to fill this as Troels was saying. What's very important here is we did not have this organization four years ago. So we have now a global procurement organization centrally. We also have it regionally, and that is now forming and evaluating the country-specific procurement fund. So as we speak, compliance is becoming higher and higher throughout the group and we have no intention of stopping that. It's not a project. That's ongoing way of life also within ISS. So we'll continue the path of improving our profitability and our competitiveness through that over time.

Last question was --

Heine Dalsgaard - *ISS A/S - Group CFO*

Tax.

Jeff Gravenhorst - *ISS A/S - Group CEO*

-- sorry, tax, yes. Heine?

Heine Dalsgaard - *ISS A/S - Group CFO*

So in terms of tax, we do see, as I tried to illustrate, a lot of moving parts here. On the one side, on the positive side, we work on a lot of different initiatives, of course to ensure compliance but also to reduce our tax rate. We work with a capital structure across the entire group. But there are a lot of moving parts.

On the negative side, what we see is, as I said, tax authorities are becoming more and more aggressive and it's basically a negotiation whenever we meet with local tax authorities. So we are also building a bit more prudency into our accounts. So what we will see going forward is that there will be a modest adoption in our tax rate. It's going to be on a sustainable controlled reduction. So it's not going to be massive but it will be one that we can sustain and hopefully continue the journey downwards and not jumping up and down from year to year.

So more specifically, we will come back.

Nick Ward - *ISS A/S - Head - IR*

Okay, great. I'm going to come to Matija in a second but I'm going to take a question that's been submitted online and I think this question probably goes to a combination of Jeff and John. It's around catering and catering in the US.

Do you have any specific catering targets? Are there a range of options? What kind of size are you looking at? If you've had discussions thus far, why did they end? Why have we not seen an acquisition to date? And if you don't close the acquisition in the next 12 to 24 months, how likely is it that you can fill this gap organically?

John Peri - *ISS A/S - Regional CEO - Americas*

I think, first of all, we're making investment in catering. And that's important because our customers need it as part of the IFS solution. You saw that with the GoDaddy video. And in that case, we did it organically.

As Jeff mentioned, we have started the process of looking through targets. And it has to make sense for us from a financial as well as operational standpoint. And today, we're just not at the point where we can make any announcements. So that process will continue and I would say it's very active from that standpoint.

In terms of the last part of that question, what happens in 6 to 12 months, well, we've already started the process of building a capability organically where customers are very strong in terms of wanting that capability. We have the wherewithal globally to support that growth. The challenge is how to get the procurement benefit unless you've got the scale. So we could do it organically but our preference would be to have some scale to go to market with.

Jeff Gravenhorst - *ISS A/S - Group CEO*

The targets, John, we do have the target list and we do have --

---

John Peri - *ISS A/S - Regional CEO - Americas*

Yes, we're working through a pipeline of targets. And as we work through that list, we do see potentials in the market to acquire.

Nick Ward - *ISS A/S - Head - IR*

Great, thank you. I'm going to come to the front here, if I may, with Matija.

Matija Gergolet - *Goldman Sachs - Analyst*

Matija Gergolet from Goldman Sachs. My question is about growth, medium term growth for the group which you have commented like on the organic growth and the IFS, you have commented on organic growth in catering. But now, would you also give some view, some color about your now medium term, say, growth targets and visions?

And also perhaps you can just now take us on the perspective that, yes, now, as you say, 30% of your business is IFS growing organically double-digit, some cannibalization but not roughly 10%, should give you 3% organic growth. You mentioned that catering 12% of the business growing at 10% organically, so another 1%. So is 4% kind of the starting point or is the rest not growing? Some comments on this, thank you.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Can I give that a bit of color? Obviously there's some overlapping in that calculation because the big part of our catering sits within the IFS portfolio of course. And a big part of the growth comes from there.

So you're absolutely right. If you just take the IFS part, just the 3%, that's enough to start with and so that's the basis point. It is of course though cannibalizing some of the existing business. So we take, as I said, the Danske Bank for example, it's a relatively big cleaning contract. So I think it's about a fourth -- is it about a fourth or third that converts in, so it gets three or four times up when you convert that contract from what we have existing today into IFS. So we need to have that in mind when we make that calculation.

Now, specific targets for the future, obviously we have a specific target for 2015 which is part of the outlook, which has been upgraded this year and then mainly driven by our success with the larger accounts in the IFS sector. And driven underpinned by the IFS underlying growth.

Now what we can see with that of course is that the European market where we have the growth is really in that large account, key account IFS market where it's much more competitive on the single service businesses. So there the growth is in there, of course one with the capitalization, but just in general, the commodity there is -- or the single services are much more commodity driven.

Now we don't give targets for 2016 yet. We'll come back to that in due course. You know that. So I think overall, I cannot see why IFS wouldn't continue. So the question is of course how much of it is cannibalizing in, how much headwind will we see from Europe. That's why are a little bit cautious also when we look at this year with a relatively big range within a percentage point right now. We're saying -- I don't actually see that Europe is a better place. I just don't. And we can see patches. Europe needs reforms. So if you look at it from a political macroeconomic perspective, the reform is not being made.

There's been smaller changes made in the Netherlands. There have been smaller changes made in Spain. But overall, we need to really get together on the reforms throughout Europe, not the least on all these refugees that we see right now [EUS and going], right. For that to be competitive in the bigger marketplace, obviously that needs to change. We do have a big exposure to Europe.

I see good opportunities in our IFS part of the business. I see good opportunities with our relationship-driven, so the key accounts. But I also see that we won't get a lot of tailwind. And that's why we're a little bit cautious also on the outlook of this. But on the IFS side, I'm very, very confident in our growth capabilities. I'm very confident in our emerging markets exposure and growth possibilities. We could have that integration, but I am cautious about Europe despite the fact we right now have grown 5% in the last quarter.

Daniel Patterson - *Danske Capital - Analyst*

Daniel Patterson from Danske Capital. I have a question for Lord Allen. Could you talk a little bit about how the board works not only in relation to management, what's on the agenda for the board at the moment? Is it all about M&A as the strategy?

Then also perhaps on the shareholder base, very recently there was a significant shareholder that's quite a bit larger than we are that sold down. So does the company need a new large shareholder? And what's your interaction with the other main shareholders? So those two points, if you could, please.

Lord Allen - *ISS A/S - Chairman*

If you look at the board structure, we have two key strategy meetings a year. So those are two-day strategy meetings twice a year. And then we have eight board meetings a year. And in the board meeting, we split it into three key areas that we focus on so that every board will be reviewing an element of strategy. Every board will be reviewing performance, and not just looking back but actually understanding what are we doing to, of course, correct and move it forward. And every board, we actually then focus on governance.

And each board, five board meetings a year, one of the regional CEOs will come and take us through their region in a bit more detail. And if appropriate, they will also bring the managing director of that particular country, so maybe the managing director of France or the managing director of Holland or whatever. So we drill down to quite a level of detail.

Every board, we actually review the pipeline in terms of where we are, is there enough opportunities in the pipeline. That's globally, regionally, and locally. Because that's something, if you haven't got enough opportunities there, you're not going to come out sufficiently. So that's a big issue.

We get a very detailed presentation from Heine in terms of that, in terms of the finances. We, twice a year, review in detail the people agenda, so succession is really important. So from a strategic perspective, have we go the right people coming through, have we got the right succession in place. So that's very important to us.

And that gives you the shape of what the board does. In addition to that, what we've attempted to do in terms of governance is we're trying to bring the best of what I would call an Anglo-Saxon board structure and how we work that, and a continental board structure. What do I mean by that? We put quite a lot of emphasis on the committees. So we have very strong board of committee with Henrik Poulsen, CEO of DONG Energy. We have a remuneration committee. We have nominations committee. And also we have a transaction committee.

So anything, before it comes to the board, goes through a very thorough review with the new and exec directors on -- and transaction would be M&A activity with acquisitions and disposals, big contracts, any contract that we think might have elements of risks. And that can be two or three hours on one issue. And that then comes through to the board.

On shareholders, I think we're fortunate that we've got very good long term shareholders. And as you saw, (inaudible) pension fund, so half the shares which I think is what you're referring to, is that 11 million shares. And they return that as part of their portfolio either from a liquidity perspective. I believe they invested something like 430 with dividends and taking 558 and still have 11 million shares. So they're a good long term investor.

I'm delighted and Heine might give you a bit more detail that half of those shares were actually bought by our existing shareholders who are, in the discussions I've had with them, see this as a long term debt and then bought that into the overall strategy that Jeff's calculated. And [you'd really want that on time] but that's the right number, half with our existing shareholders?

Daniel Patterson - *Danske Capital - Analyst*

Yes, it is it that --

Lord Allen - *ISS A/S - Chairman*

And we saw that as a sign of confidence. And I think the feedback I've had from shareholders is this genuine quarterly delivery of what we said from when we went to market I think has helped drive the share price. And I mean that in terms of consistent cash, consistent margin improvement, and consistent growth is what this -- this is a big annuity with a real upsize that can come from purchasing, real upsize from IFS, and real upsize from that structure you saw earlier in terms of right-sizing the overhead. I think it is the board confidence that can move forward. And it's a very close relationship the board have with the management. Did that answer your question?

Daniel Patterson - *Danske Capital - Analyst*

Thank you. That was very helpful.

Nick Ward - *ISS A/S - Head - IR*

Thanks. That's great. Let's go to, [Jesper now, the male] in the middle table.

Unidentified Audience Member

Thank you. I have a couple of questions. The first one is relating to M&A in the US and catering. Obviously, big M&A is on the agenda. Front page of newspapers again in the United States. But you have an opportunity as well, I guess to go really big in the US. And I just wanted to make sure that you haven't got that one on your target, just can you [discuss that out] for us now?

Nick Ward - *ISS A/S - Head - IR*

Do you want to take that?

Jeff Gravenhorst - *ISS A/S - Group CEO*

Okay, absolutely. This is a good question, yes. But don't get me wrong but I was one day asked by a journalist whether Aramark would be a great target. It's a good company but it's not a target for us, that's for sure.

I think it's very important to us that what we are portraying to you is an organically-grown organization. And with an organically-grown organization, it's also very important the size of what you acquire. It is our culture, it is our philosophy that we want to prevail. So obviously, also in the US, we are building up a line of services and delivery mechanism that is not normal for the American market. As John was displaying, it really is a landlord-led market, so it's a real estate led market. But there are great opportunities for companies who are very focused on the end user attraction, so being attractive and retaining their own employees. So that end user [transity] is where we can fit a whole, where we can't really see any major competitors in the US.

So with that, it is important that when we make acquisitions, they are in the size of the GS Halls where we can take them on board and make sure that they can be integrated fully and totally. So that's the key focus that we have. We don't have an intention of going big, that's for sure. And we don't have an intention of going big in volume of acquisition either. It will be selected. It will go through the criteria and they have to be edible.

I've just shown you the list of disposals. That list of disposals is also a result of when you go a little bit too aggressive. You do actually also end up with stuff that doesn't belong to the family. We have no intention of having to go through that whole program one more time. So right now, the quality of our revenue is better than it's ever been before. So going forward, that's key when we look at acquisitions as well.

Unidentified Audience Member

Very good. Thank you. Second question is for John on Brazil. Do you actually expect Brazil to go negative during the second half of this year, maybe first half of next year? It seems to be things are deteriorating quite rapidly in terms of macro.

John Peri - *ISS A/S - Regional CEO - Americas*

From two parts of that, from a profitability standpoint, I don't see that. From a growth standpoint, I think it will be fairly flat over the back half. We have recently gotten some pretty good winds that may change that positively but I don't see a big swing either positive or negative there for the back half.

Unidentified Audience Member

Okay. And the last question is for you Heine. I'm just looking at slide number 24 where you have your gross savings profile from the procurement program and it seems like at least year-on-year the biggest step-up in savings is realized in '15 and it's a lot smaller going into '16. And given it's been a very important driver in terms of your margin progress, are you still confident about the 10 basis points year-on-year in terms of this sort of medium term margin profile for the group?

Heine Dalsgaard - *ISS A/S - Group CFO*

So we don't give medium term guidance in terms of margin. What we do give is a guidance year-over-year. And what we've said for 2015 is that we will deliver a margin higher in 2015 than it was in 2014. Now, whether that's a level as well for [7 or 8], there are a lot of moving parts in that one. But we will deliver an uplift in market.

It also hangs together with ends connected with the growth that we have. It's connected with a lot of other different factors. So we stick to our guidance which we firmly believe in and that is that we will continue to increase the margin short term and also medium term. Specifically for 2015, we will be up compared to last year. And that's most likely also going to be the target for the coming year. Whether it's then 7 or 8 or 10 or 11, there are a lot of moving parts here, it's difficult to say.

Jeff Gravenhorst - *ISS A/S - Group CEO*

On the procurement part specifically on that slide, you have to be aware of that's not in-year effect. This is run rate effect. So the big step-up is still to come through from that run rate. What does that mean is that when you change the [cast], for example, then the benefit comes as we go forward. It's not realized. It's coming through. So there'll still be some upside from that.

Nick Ward - *ISS A/S - Head - IR*

Great. Let's just keep on that table, please, with Jonas.

Jonas Hansen - *Carnegie - Analyst*

Yes. Hi, Jonas from Carnegie. Looking at this input-based, output-based contracts and the shift going on there, could you give us the split of your revenue under these contracts, where it's coming from and where it's going to? Second question would be on the restructuring projects. Should we read the slide as we should expect the run rate of [103] million to 180 million going forward? And then maybe on the IFS share in Latin America, it seems like it's quite volatile. Maybe we could get some color on the volatility there.

Jeff Gravenhorst - *ISS A/S - Group CEO*

Yes. If I start with -- sorry, just the first part was the --

Jonas Hansen - *Carnegie - Analyst*

Input-based, output --

Jeff Gravenhorst - *ISS A/S - Group CEO*

Input, output, sorry. Yes. On the input-output side, overall, the European market is now more output spec than it is input spec. The way to look at this is we've got 33% of our revenue is within IFS. That's predominantly output spec. When you look at our key accounts, it can be input spec but it's typically output spec-oriented because when you have a key account, obviously that's what you look at in Europe. If you go to Latin America or Asia, the key accounts can still have an element of input. I don't have a number I can give to you off the top of my mind right now but really it is from 33% output up to a part of that 60% of our key account. And it's moving upwards.

There can be elements of input in some of these contracts when you also have the output, but predominantly, it's moving towards output and then towards outcome, as also Andrew was talking about.

That's on the one part. The second part was on the restructuring cost?

Heine Dalsgaard - *ISS A/S - Group CFO*

So in terms of restructuring projects, it's not a run rate. It's an average that we've had over the last few years of 150 through 180. We don't give guidance as to where it's going to be for the coming period. But what you can rest assure is point one, that there is a very detailed process before we approve restructuring projects. All restructuring projects in details are approved by [EDM].

Point two, that we review very detailed the payback time. So if there is not a good payback time, they're not going to be approved. And again, they approved each and every one of them by EDM and so executive [movement] and board.

THOMSON REUTERS

Point three, we provide full transparency in our accounts as to what it is so you can see what it is. And it's all related to the implementation of [grade]. It's not a big box where everything just goes into. It's a detailed governance structure. It's a detailed process and it all relates to the implementation of grade. And then the conclusion again, we don't give guidance on it. But you should expect some.

Jeff Gravenhorst - *ISS A/S - Group CEO*

And, John, on the other side.

John Peri - *ISS A/S - Regional CEO - Americas*

Sure. Just on the question regarding Lat-Am IFS, the general trend in IFS in Lat-Am is that IFS is growing. We do have a particular quarter where we classified some of the revenue as multi versus IFS and that's really the only swing. But the general trend is that that's a growing piece of our pie.

Nick Ward - *ISS A/S - Head - IR*

Great. Anymore questions?

Unidentified Audience Member

Yes.

Nick Ward - *ISS A/S - Head - IR*

I beg your pardon. Yes, come forward. To Allen again, if we may, at the front here.

Allen Wells - *Morgan Stanley - Analyst*

Allen Wells again from Morgan Stanley. A couple of questions on wage inflation, if I can. Obviously you have reasonable exposure to the UK. You've seen government announcement on minimum wage. I'd just be interested to just hear your thoughts on how you're looking at dealing with part and cetera. Maybe not just necessarily direct to minimum wage inflation but also the potential knock-on effects with wage adaption for senior employees looking to be implemented as well.

And maybe just sort of second question sort of follow on from that as well. In general, how you think of that wage inflation globally within the business. You have some nice slides showing margin improvement at the EBITDA level but if you go back and take pick-ups to gross margin, it's a little bit tougher. So your cost savings procurement coming through the SG&A line, maybe not necessarily the wage inflation coming through, being able to be offset at least at a very high level. That's what you could assume from that. I mean is that observation correct? How does that picture mold and how do you think about that moving forward as maybe later the markets tighten a little bit from here?

Jeff Gravenhorst - *ISS A/S - Group CEO*

I think I will answer that in two-folds, so maybe John can take because he's used to the emerging market part also where there's a lot more of it going on. And I'll just start with the UK in specific. It really isn't only UK. I mean minimum wages has come into the marketplace over the last many, many years. I actually lived here when the first time came in back in the '90s in the UK.

To us, believe it or not, minimum wage is actually quite a good thing because it means it's an even playing field. But, as we said, we are frontline on our orientation. We need to pay a decent pay, a respectable pay for frontliners in order to be engaged to do the delivery of the services of day in and day out basis.

So having a minimum wage either by labor agreements or union agreements or by law -- by law can actually be even more [effectful] -- means that companies like us which have blue-chipped deliveries with full compliance of course has better conditions to work on them.

Now, what it can mean of course is does it have a knock-on effect or an effect on our earnings, particularly with the steep sort of rise in the minimum wage in the UK? Number one, we are already paying 50% of our labor in the UK, it's on the minimum wage. We're one of the founding members within our sector of the minimum wage association to make sure that we are working with our clients to accept the fact that we need to have a decent pay for our frontliners in order for a living wage where you can actually afford to live in London. We have the London wage before, now we have the minimum wage.

So we're working very heavily on that. From the rest of it, basically we always have a clause to pass on one way or another to either get to the negotiation table or to pass it on to our clients. And if we don't, obviously if we stepped away, the ones who come in obviously have new salaries to deal with as long as it's compliant. But just maybe from a different perspective from an emerging point, a market point of view.

John Peri - *ISS A/S - Regional CEO - Americas*

Okay. Probably the best example, Jeff, is looking at our Asia performance through time. You take a look at countries like Indonesia, like China, like Thailand where you do see wage inflations 10%, 20% a year. If you look at our operating margin performance, it's been really rock-steady quarter by quarter. And what does that say? It says we've got a very strong commercial model to negotiate with customers on wage inflation. Some of it, as Jeff said, is contractual and some of it is negotiated by scope changing. That's why it's so important to deal with the key account kind of structure.

The other benefit we're getting is the whole CSR wave that's going through. None of those key accounts are blue chips, one I read about in the paper that their supplier is paying below minimum wage, so that we have a forced discipline through the system. Yet the last point on the margin, you can't just pass on wage increase directly because you have the overhead structure that you have to pass on. And that's really the commercial model, really works on that place. So if you just look at the margin through , despite all the wage inflation, says that that operating model works.

Jeff Gravenhorst - *ISS A/S - Group CEO*

The DNA of an ISS employee is to defend your margin percentages or expand it. So at any given situation you go in with a negotiation which could be you might not get the salary increase or the price increase but you come up with a percentage that's the same or higher. That means sell more in or re-scope. It can have, when we are weak in our performances, a sort of a dip for a period of time. If we're not on the ball, if the management team for some reason in some part of the world hasn't been on it, then it can have an impact. But it's a timing impact. Yes.

Nick Ward - *ISS A/S - Head - IR*

Great. Let's shift on to Emily [over] there.

Emily Roberts - *Deutsche Bank - Analyst*

Emily Roberts, Deutsche Bank. Two very quick ones from me. The first is -- sorry to give out this topic, but on the M&A in the US, what is the reason as to why you're not quite sure about the timing of this? Is it because of the pricing at the moment that you're seeing in the market or is it more that you're looking at small mom-and-pop shops that perhaps depends on their timing and it has nothing to do with you guys?

John Peri - *ISS A/S - Regional CEO - Americas*

Okay. I think you've always got two parties in the negotiation. So, one, it's finding the right target; two, it's the financial equation and then their readiness and timing to go do that. It's a simple answer.

Lord Allen - *ISS A/S - Chairman*

If you mind, also a really important point. Having run Compass, actually, you have to build a relationship. If you've built this business up from scratch and you're now in your 70s and your kids don't want to run it, you want to hand it on to people. So I always think it was a bit of a courtship where they want to see the senior team, and that just takes time. You don't make a brand new relationship overnight.

Jeff Gravenhorst - *ISS A/S - Group CEO*

They're not necessarily out there on a shelf for sale. So it's a longer process. We have to define the ones we want and then make sure we would create those relationships.

Emily Roberts - *Deutsche Bank - Analyst*

And then my second question, just around that cash return that you've mentioned as a potential option in the future. You've been very clear on the working capital guidance, the CapEx guidance, the fact that there's no huge M&A in the pipeline. What, in your view, Heine, is the biggest threat to that or the biggest reason why shareholders might not see a cash return? Is it the fact that you might have to reinvest money back in? Or what could make that become less of an option for you in the future?

Heine Dalsgaard - *ISS A/S - Group CFO*

You mean in terms of additional --

Emily Roberts - *Deutsche Bank - Analyst*

Yes. Sorry, on top of the normal --

Heine Dalsgaard - *ISS A/S - Group CFO*

Yes. But to be honest, it's difficult to see.

Emily Roberts - *Deutsche Bank - Analyst*

Thank you.

Nick Ward - *ISS A/S - Head - IR*

All right. And to back and [Henry's] got a question, I think.

Henry Alexander - *BNP - Analyst*

[Henry Alexander, BNP]. Just one question for me to be sure to get the answer. And a follow-up on M&A. So IFS is at the core of your strategy. You have developed your capabilities so far organically and for bolt-on. Now, there was a tentative measure with G4S recently. And from what I've understood, the rationale was to develop position to target these IFS markets. So what's your view on it and is there not a risk to make a bigger deal at some points?

Jeff Gravenhorst - *ISS A/S - Group CEO*

The risk or opportunity? I'm not sure I get it.

Henry Alexander - *BNP - Analyst*

Tell me.

Jeff Gravenhorst - *ISS A/S - Group CEO*

No. So if I understand your question right, whether there is an opportunity to go out and make a big acquisition to be even stronger in this field or to pursue the strategy? Is that the way you would look at it?

I think it's the same answer as what I get before is we have to be very, very careful. This is not something where -- it's got a lot to do with culture. Driving a frontline strategy like we're doing now where the impact of the self-delivery and the motivation of a frontline is to understand the need of our clients. It's quite an important part but it's also quite a heavy task to do. I mean, the day that we are done with this strategy, we have 511,000 people across the world thinking, facilitating, [pass] for the customer's purpose.

I think that's a long way until that actually happens. But I'm not going to stop until it does, because there is no reason why we shouldn't be able to do this. But that takes a really, really hard drive on being clear on visions, ambitions, or passion, on being onsite where you can touch employees to enlighten the fact that it does make a difference to your work if you know why you're doing it. I'm a strong believer in that.

Now, if you make big acquisitions all over the place, I think you sort of have to start over again. Today, we can deliver the services. The biggest impact we can do is to have even better engagement on the frontline. So that's why the organic development of this is quite important to us. We talked about this past turnover on the larger accounts. We need to get that down to the right level. The better that comes down, the higher employee engagement; the higher employing engagement, the better customer satisfaction and customer engagement, the higher loyalty we can drive up. We have retentions of frontlines. That will drive the margin up.

It will drive more sales and it will drive less cost of recruitment, replacement, public liability, employee liabilities, health and safety cost because people know what they're doing. That's the philosophy. That takes culture change and that's what we're doing right now, have been doing for a while. So, massive acquisitions, no. Tons of them, no. It has to be selected, fitted in, get it properly integrated, and executed. That's the philosophy of what we're doing now.

I can't say it any clearer than that.

Now, if somebody put a bid in on us, I don't know that. Charles needs to get into the equation.

Nick Ward - *ISS A/S - Head - IR*

Anymore questions before we think about wrapping up? We've got one more from Paul here at the front.

Paul Checketts - *Barclays Capital - Analyst*

Hi, it's Paul Checketts again from Barclays. I've got two, please. Can I talk about the US? And I don't want to be a cynic here, but it looks to me like that market, the way it's structured doesn't really suit the whole ISS model. And that's due this landlord model. And I can't see any evidence from your growth rates or elsewhere that customers actually want this. Can you tell me what you think maybe the market size is that is addressable for you? And if you look forward to the next few years, what would be cash marks from your perspective for your business then?

John Peri - *ISS A/S - Regional CEO - Americas*

Okay, let's start. It's a $200 billion market. I mean, it is the world's largest FM market. And there's going to be enough market size for different models.

If you take a look at accounts like HP, we have a footprint in HP in the US. They're looking for that model. Barclays, it's not only here, it's in the US. They're looking for that model. Think about the companies that exist in industry manufacturing, they're primarily tenant-owned. They own their manufacturing site, they own their office buildings, they're looking for those kinds of solutions. If you think about a lot of the tech companies, I gave you two strong examples. The companies that say -- look, in our facilities, in terms of how we want to build our culture and that war for talent, we need a different solution. And if I look at the pipeline that we have, it's very strong coming from that frame of reference.

So we're very encouraged about the ISS model in the market. The other good part is that, within those selected markets, our largest competitors are focused in healthcare and education, and we see this as a pretty prime opportunity for a new or differentiated value proposition. So I'm not sure if I've answered your question. It is a very big market.

Paul Checketts - *Barclays Capital - Analyst*

Okay. What would you hope to achieve in the next few years?

John Peri - *ISS A/S - Regional CEO - Americas*

Well, that comes into our strategy. I think we're trying to grow faster than the market, which is an opportunity for us. The base market itself is going to grow at 3.5%. That's pretty well documented out there. And given our size, we ought to be able to grow faster than the market. In terms of specifics, as we get into providing guidance for future years, that will be all part of that.

Jeff Gravenhorst - *ISS A/S - Group CEO*

I think it's important for all to remember that when we had the IFS development in Europe, it really came out of originally the [PFI] structures. It was forced through by [fatca] when all of this happened, combining the services into one because there was one service provider as a player within the PFI structure. You probably remember part of that.

In the US, it's not the PFIs that's driving it. But within certain parts of the market -- medical, [prisons], et cetera, there is integrated facility service offerings there. So what we need to see is of course is that the better we become at delivering it, then there will be more reference size and that will take on the market. The same things we've seen in this market here. So, yes, the landlord-led market; of course, the multitenant, but it's not our market. But there are a lot of single tenant buildings in the US representing a high potential for us also in the future, the ones focusing on the end users.

So, the other options is, can you work with some of the real estate led companies. That's a different perspective. We'll see how that market pans out. But there's no doubt, the compliance is just as important in the US and becoming even more important. And of course, end users and trustees also. So as John was saying, the potential is there. Market is picking up for us to get a big chunk of business in the US.

Paul Checketts - *Barclays Capital - Analyst*

And the last one is on margins. In that past, I think you said that IFS is about 100 basis points higher. Is that still the case? And the argument that some people make is that a lot of the portfolios, and it's in the first generation of contracts and on renewal, some of that will erode. Is that what you're seeing or perhaps that's not the case? Could you just talk a bit about that?

Jeff Gravenhorst - *ISS A/S - Group CEO*

Yes. When you look at key accounts, where you're focusing key accounts, typically are higher margin, everything loaded it. It's less expensive to run from all structure costs that sits outside. So when we'll go through this with the great structure that Troels was showing, having a proper fit for purpose organization supporting key accounts away from the single service business, away from direct. Having that split is what gives us higher margin on all three elements.

The key account site is typically a 6% to 7% fully loaded margin. So somewhat higher than you will see it in the rest of the business. Having said that, as we go through the great structure, when we fit the structure in, so you don't blur that thing in. Then obviously, the margin's on direct can be higher, but the part of the business is smaller. So as we go through, I do believe that the whole thing can actually rise. It's fit for purpose of organization's structure, which somewhat also our colleagues in the industry has done over the last few years. But really having a strong focus on key accounts, not necessarily only IFS, will drive that margin improvement as well.

Now, getting through the second or the third or the fourth. Well, we can look at the ones where we are in the second or the third or the fourth renegotiation. And it's not the case because you get cleverer as you go along. So of course it's about picking up more revenue, making sure that you get more regions cover, but of course more service cover on site by site.

And there is, to date, I can't -- I mean I don't know of anywhere, we've exaggerated all of the possibilities but without naming names, the margins are not necessarily differently. Of course, when you do the renegotiation, you also have a little bit of [diff]. And then you can, of course, work on process improvements. No difference for making mobile phones. It has to be cheaper, it has to be smaller, every single time you come up with a new one. Same thing with our industry, technology, new processes, the alignment as we're seeing is driving that competitiveness also going forward. I have no reason to believe that the margin will go down. It's not as if we're start at 40%. That would be a different thing.

Nick Ward - *ISS A/S - Head - IR*

Great. I think, by the looks of it, we're don. So maybe, Jeff, you want to say a final word?

Jeff Gravenhorst - *ISS A/S - Group CEO*

Sure. So, thank you very much for your attention. Thank you for spending time with us this afternoon. Hopefully, you get a little bit more granularity into who we are, why believe in our strategy. And as I said at the beginning, there's really no change to the story that we launched this company with. It's exactly the same thing. And we're just even stronger in our proof points of the customers that we landed over the recent time.

So thank you very much. I think there's still opportunity for you to mingle around. More questions if you have that on one on one basis. The whole team is also available here in the back. So, enjoy the rest of the day. Thank you very much.