



Company announcement

Copenhagen, 15 August 2019

No. 11/2019

Strong organic growth for the first six months of 2019

INTERIM REPORT FOR THE PERIOD 1 JANUARY – 30 JUNE 2019

ISS (ISS.CO, ISS DC, ISSDY), a leading global provider of facility services, announces its interim financial report for the first six months of 2019.

Highlights

- Revenue increased by 5.0% in H1 and 5.0% in Q2 (Q1 2019: 4.9%), driven by organic growth and positive currency effects, partly offset by negative net impact from acquisitions and divestments of 1.5%.
- Organic revenue growth of 6.0% in H1 and 5.8% in Q2 (Q1 2019: 6.1%), driven by wins and expansions of key account contracts following strong commercial momentum and continued solid non-portfolio demand in the first half of 2019.
- Revenue from key accounts grew organically by 7.9% in H1 and 7.7% in Q2 and represented 61% of Group revenue (Q1 2019: 60%).
- Operating profit before other items amounted to DKK 1,418 million in H1 (H1 2018: DKK 1,395 million).
- Operating margin of 3.7% in H1 (H1 2018: 3.9%) reflecting the launch of the announced transformational investments (2019-2020), renewals and start-ups of a number of significant key account contracts as well as operational challenges in certain countries.
- Net profit (adjusted) increased to DKK 822 million in H1 (H1 2018: DKK 704 million) due to improved net profit from discontinued operations.
- Net profit was DKK 402 million in H1 (H1 2018: loss of DKK 130 million) mainly driven by lower goodwill impairment.
- Free cash flow was an outflow of DKK 2,671 million for H1 (H1 2018: an outflow of DKK 1,401 million) driven by the usual seasonality as well as a significant reduction in the use of non-recourse factoring leading to a higher cash outflow from operating activities.
- Leverage at 30 June 2019 was 3.4x (30 June 2018: 3.2x), the increase driven by higher net debt and lower operating performance in discontinued operations.
- Our strategic divestment programme is proceeding as planned with three of the 15 countries presented as discontinued operations being divested by the end of July. The divestment process for the remaining countries and business units continue according to plan.
- The accelerated investment programme to further strengthen our delivery capabilities to key accounts covering DKK 700-800 million over 2019-2020 is progressing according to plan. The investment in the first six months of 2019 was approximately DKK 200 million.
- On 1 July, the Group went live with Deutsche Telekom, the single largest contract in ISS history. Although still in ramp-up phase, the go-live was on time and on all sites. Stabilisation is expected to be completed in the coming months and on that basis revenue and profitability expectations for 2019 remain unchanged.

- As a result of the stronger than expected organic growth, the 2019 outlook for organic growth is adjusted to 6.5%-7.5% (previously 5%-7%), operating margin is adjusted to 5.0%-5.1% (previously 5.0%-5.2%) and free cash flow remains unchanged at DKK 1.8-2.2 billion.

Jeff Gravenhorst, Group CEO, ISS A/S, said:

"We continued our consistent and strong commercial momentum with the extension of large key account contracts like Danske Bank and an international manufacturing company. On 1 July 2019, we launched our Integrated Facility Services partnership with Deutsche Telekom at approximately 9,000 buildings across Germany, making it the largest partnership in the history of ISS. Our focus on key accounts is paying off and we are on track to deliver industry leading organic growth of 6.5%-7.5% in 2019. As expected, margins were slightly lower in the first half of the year, reflecting the contract start-ups and expansions as well as the launch of the announced transformational investments (2019-2020). We are making good progress on our divestment programme, where we expect divestments and proceeds to step up in the second half of 2019".

Lord Allen of Kensington Kt CBE

Chairman

Jeff Gravenhorst

Group CEO

Conference call details

A conference call will be held on 15 August 2019 at 9:00 CEST.
Presentation material will be available online prior to the conference call.

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About ISS

ISS is a leading workplace experience and facility management company. In partnership with customers, ISS drives the engagement and well-being of people, minimises the impact on the environment, and protects and maintains property. ISS brings all of this to life through a unique combination of data, insight and service excellence at offices, factories, airports, hospitals and other locations across the globe. In 2018, ISS Group's global revenue amounted to DKK 73.6 billion. For more information on the ISS Group, visit www.issworld.com

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Page 2/2