# Investor Presentation
# 2016 Results

23 February 2017

# Forward-looking statements

This presentation contains forward-looking statements, including, but not limited to, the statements and expectations contained in the "Outlook" section of this presentation. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words ''may'', "will", "should", ''expect'', ''anticipate'', ''believe'', ''estimate'', ''plan'', "predict," ''intend' or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. ISS has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS. Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in the Annual Report 2016 of ISS A/S and other information made available by ISS.

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The Annual Report 2016 of ISS A/S is available at the Group's website, www.issworld.com.

# Agenda

- Highlights
- Regional Performance
- Financials
- Business Update
- Outlook
- Q&A

# Highlights

# 2016: ISS has once again delivered against stated objectives

| Key financial metrics | Outlook 2016 | Result | |
|---|---|---|---|
| Organic growth | March 2016: 2.0 - 4.0%<br>August 2016: 2.5 - 4.0%<br>November 2016: 'around 3%' | 3.4% | ✓ |
| Operating margin | 'above 5.7%' | 5.77% | ✓ |
| Cash conversion | 'above 90%' | 98% | ✓ |

| Other financial metrics | Objective | Outcome | |
|---|---|---|---|
| Balance sheet | Maintain leverage below 2.5x(1) | 2.1x at year-end<br>(Q1: 2.3x Q2: 2.5x Q3: 2.4x) | ✓ |
| Additional shareholder returns | Maintain an efficient balance sheet by returning surplus capital(2) | DKK 4.00 per share extraordinary dividend (Nov-16) | ✓ |
| Ordinary Dividend | Approximate 50% payout(3) | Proposed DKK 7.70 per share<br>(+4% versus 2015) | ✓ |

*(1) Objective is to remain below 2.5x, taking seasonality into account.*
*(2) Our priority remains investing in selective acquisitions but we will maintain an efficient balance sheet by periodically returning surplus capital to shareholders*
*(3) ISS dividend policy is a payout of 'approximately 50% of Profit before amortisation/impairment of acquisition-related intangibles'.*

# 2016: Key drivers

## Organic Growth 3.4%

**Organic growth supported by ongoing focus on IFS and Key Account customers**

- IFS represented 37%(1) of 2016 group revenue (2015: 34%)
- IFS contract launches/expansions(2) included: Novartis, Swisscom, DSB, Danske Bank, Homerton Hospital
- Revenue from Global Corporate Clients represented 11% of 2016 group revenue (2015: 10%), amounting to local currency growth of 19%
- Organic growth impacted by material contract losses (Australia) and contract exits (Brazil and Eastern Europe)

## Margin +7bps

**Margin increase driven by our strategic initiatives (GREAT)**

- Empowering people through **leadership**
  - *eNPS 59.2 (2015: 56.4)*
- Optimising our **customer** base
  - *cNPS 43.2 (2015: 36.7)*
- Fit-for-purpose **organisational structures**
  - *70% of group revenue addressed*
- Broad-based **IFS** readiness
- Striving for **excellence**
  - *e.g. Operational Excellence Centres, Technology, Benchmarking, Procurement, BPO*

## Cash Generation

**Our discipline and focus on maximising our cash generation is unwavering**

- Cash conversion(3) of 98% (2015: 99%)
  - Consistent focus to ensure timely payment for work performed
- Disciplined capital expenditure
- Free cash flow(4) of DKK 2,910m (2015: 2,835m)

*(1) As part of the GREAT initiative, the classification of customers in the UK within the technical services and security segments led to a one-off step-up in the share of IFS in 2016 of 1%-point*
*(2) Contract launches/expansions which made a notable contribution to 2016 organic growth*
*(3) (Operating profit before other items last twelve months (LTM) + Changes in working capital LTM) x 100 / Operating profit before other items (LTM)*
*(4) Cash flow from operating activities + (Cash flow from investing activities less acquisition/divestment of businesses, net)*

# Upgrading our portfolio…

## The ISS Way
*(launched 2008)*

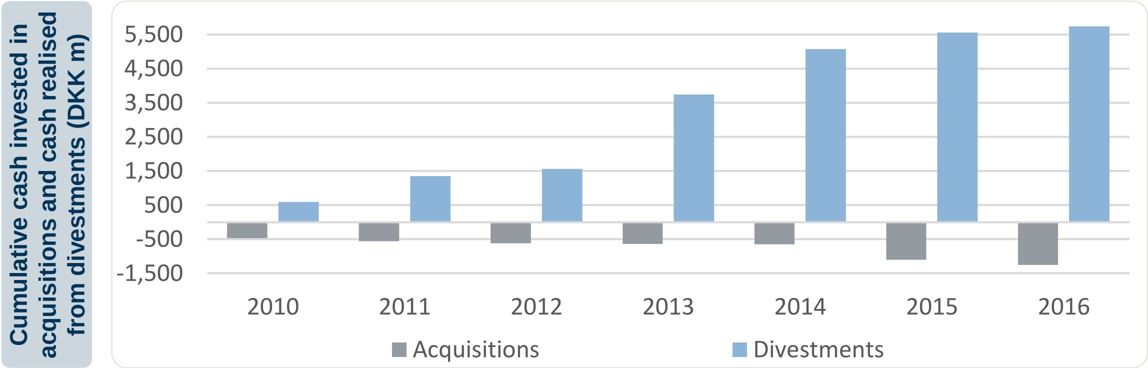
**Strategic choices…**

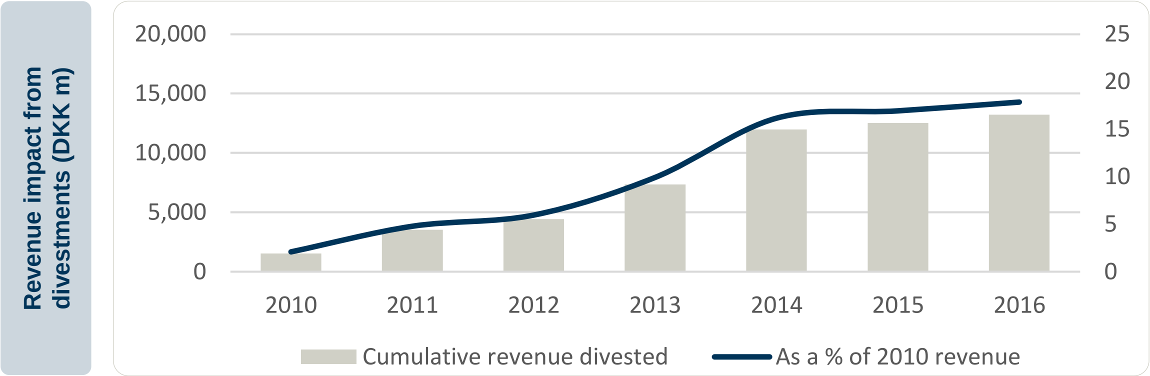
**Services**
*(e.g. site-based, not route-based)*

**Customers**
*(e.g. focus on Key Accounts)*

**Geographies**

## Financial impact from acquisitions/divestments, 2010-2016




## Summary

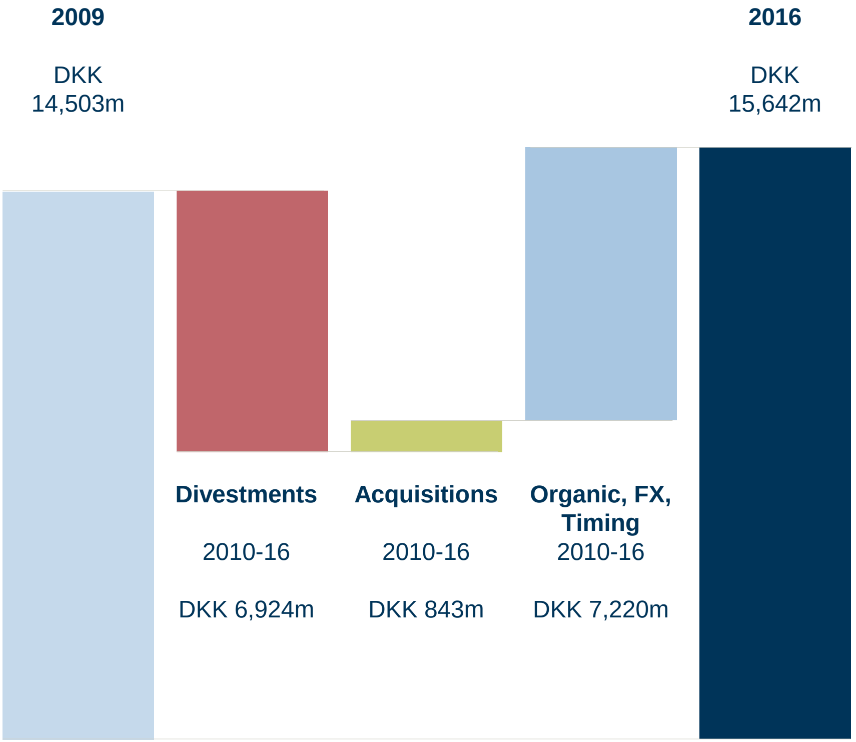
- DKK 5.7bn realised from divestments over the 2010-16 period…
- …of which DKK 1.3bn has been reinvested in acquisitions
- DKK 13.2bn of annual revenue divested over the 2010-16 period (equal to 18% of our 2010 group revenue)
- Countries exited
  - Croatia
  - Bosnia & Herzegovina
  - Greenland
  - Iceland[1] (pending completion)
- Recent acquisitions
  - GS Hall (Technical Services, UK)
  - Apunto (Catering, Chile)
  - Evantec[1] (Technical Services, Germany)
  - Signal[1] (Workplace Management, Group)

*(1) Acquisitions / divestments in 2017*

**Our priority is to reinvest capital back in the business subject to strict strategic and financial filters**

# …with a significant shift towards Technical Services…

## Property Services
*Revenue drivers, 2009-16*




## Key Property Services Divestments
*Annual revenue*

- **Landscaping,** France (2014) — *DKK 2,071m*
- **VATRO,** Germany (2011) — *DKK 1,133m*
- **Pest Control,** Global (2013) — *DKK 1,042m*
- **Waste Management,** France (2010) — *DKK 698m*
- **Landscaping,** Norway (2013) — *DKK 398m*
- **Industrial Services,** Belgium (2011) — *DKK 269m*
- **Landscaping,** Netherlands (2012) — *DKK 268m*
- **Industriservice,** Norway (2010) — *DKK 205m*

## Technical Services
*Daily operations*

**Basic**

**Maintenance of electrical & mechanical systems**
- *HVAC systems*
- *Lifts & escalators*
- *Security & fire prevention systems*

**Maintenance and engineering of building fabric**
- *Rebuilding & refurbishing*

**Advanced**

**Operation of building management systems (BMS)**
- *Monitoring & management of conditions*
- *Control of lighting & power*

**Management & maintenance of critical environments**
- *Monitoring & management of conditions*
- *Maintenance & engineering*

**Data analytics**

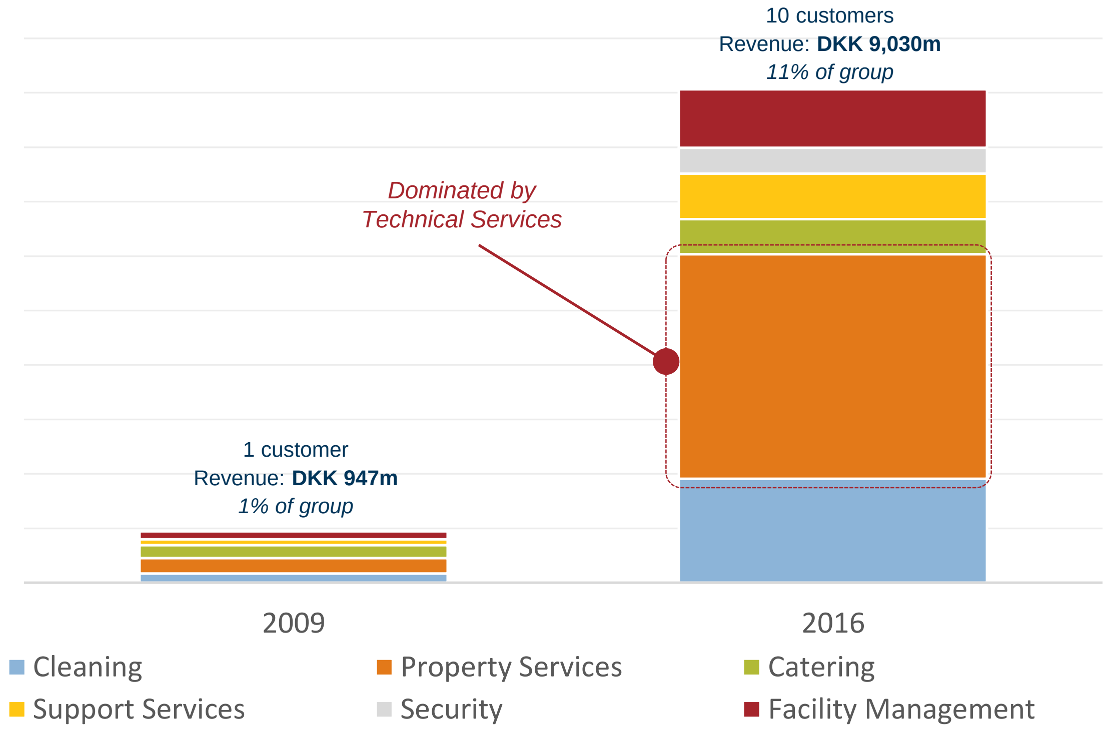
**Management of energy & environment**
- *Consultancy on energy reduction*
- *Optimisation of water supply*

**Data hub and helpdesk services**
- *Collection, benchmarking & analysis of data*
- *Receiving & answering help requests*

**Signficant repositioning of our Property Services business towards Technical Services**

# …to meet the needs of our Key Account customers

## Global Corporate Clients
2009 & 2016 Revenue by Service




*2016 GCC customer list includes one, unnamed global financial services client*

## Future priorities

**The ISS Way strategy continues to determine our investment priorities**

- We will continue to exit business that is not consistent with our strategic choices and seek to reallocate capital more effectively
- We continue to pursue acquisitions that will enhance our IFS service credentials – e.g. Technical Services, Catering, Workplace Management
- We will remain focused on our chosen customers and industry segments…
- …and primarily in existing geographies (although we will monitor opportunities outside of our current geographic footprint to support growth with our Key Accounts)

**Technical Services key to our growth in IFS and with Key Account customers**

# Regional Performance

# Regional performance Q4 2016

## Continental Europe

**2%**
**organic growth**
(vs. 4% in Q3 2016)

- Q4 organic growth driven by Turkey, Switzerland, Belgium & Luxembourg and Austria
- Softer organic growth in Germany (vs. Q3) due to non-portfolio revenue developments (timing) and some annualisation of contract wins
- Ongoing reduction of public sector exposure within Eastern Europe (notably Greece)
- Pipeline encouraging across the region

**8.1%**
**operating margin[1]**
(vs. 7.1% in Q4 2015)

- Q4 operating margin underpinned by strong performances from Switzerland, Turkey, Germany, Spain
- Year-on-year improvement driven by Spain (timing differences and non-portfolio work in IFS) and Germany (strength in the Energy sector, price increases in the Industry segment)
- Germany a clear beneficiary of the GREAT restructuring implemented in 2015
- Continental Europe FY 2016 operating margin 6.1% (2015: 5.8%) – driven by Germany, the Netherlands and France

## Northern Europe

**5%**
**organic growth**
(vs. 3% in Q3 2016)

- Q4 organic growth driven by the UK & Ireland, Norway and Denmark
- Growth in Denmark slowed (vs. Q3) due to the annualisation of contracts (Danske Bank, DSB)
- The UK & Ireland experienced its strongest quarter of the year in Q4, supported by healthy levels of non-portfolio revenue (projects) and new contract wins
- At this point, we are yet to see any meaningful Brexit-related impact on our activities or our pipeline

**8.1%**
**operating margin[1]**
(vs. 8.5% in Q4 2015)

- Generally solid Q4 margin development across the region…
- …offset by weakness in Sweden where growth and margins have been under some pressure
- Northern Europe FY 2016 operating margin 7.5% (2015: 7.5%)

*(1) Operating profit before other items and corporate costs*

# Regional performance Q4 2016

## Asia Pacific

**-3%**
**organic growth**
(vs. 1% in Q3 2016)

- Q4 organic growth in Asia was 3% (FY 2016 8%) – India, Indonesia and the Philippines notably strong
- Q4 organic growth in Singapore was negatively impacted by the timing of project work in 2015 (heavily weighted to Q4) versus 2016 (weighted through Q1-Q3)
- China organic growth currently under pressure
- As expected, revenue in Australia declined further with Q4 being impacted by the lost contracts with Royal North Shore (ended April), Rio Tinto (ended August) and now Citic Pacific (ended October)

**8.8%**
**operating margin(1)**
(vs. 8.2% in Q4 2015)

- Efficiency gains drove improvements in Singapore and India
- Q4 operating margin supported by net positive, one-off effects in Indonesia, including curtailment gains related to pensions
- Australia operating margin slightly higher for the full year – as expected
- Asia Pacific FY 2016 operating margin 7.5% (2015: 7.2%)

## Americas

**11%**
**organic growth**
(vs. 7% in Q3 2016)

- Q4 organic growth driven by notable strength in North America, driven by contract launches and sizable non-portfolio revenue (projects)
- Supported by good performances in Mexico and Chile
- Organic growth in Brazil was materially negative in Q4 (reflecting our decision to downsize the business and exit contracts)…
- …and this headwind is expected to remain throughout 2017

**4.4%**
**operating margin(1)**
(vs. 4.3% in Q4 2015)

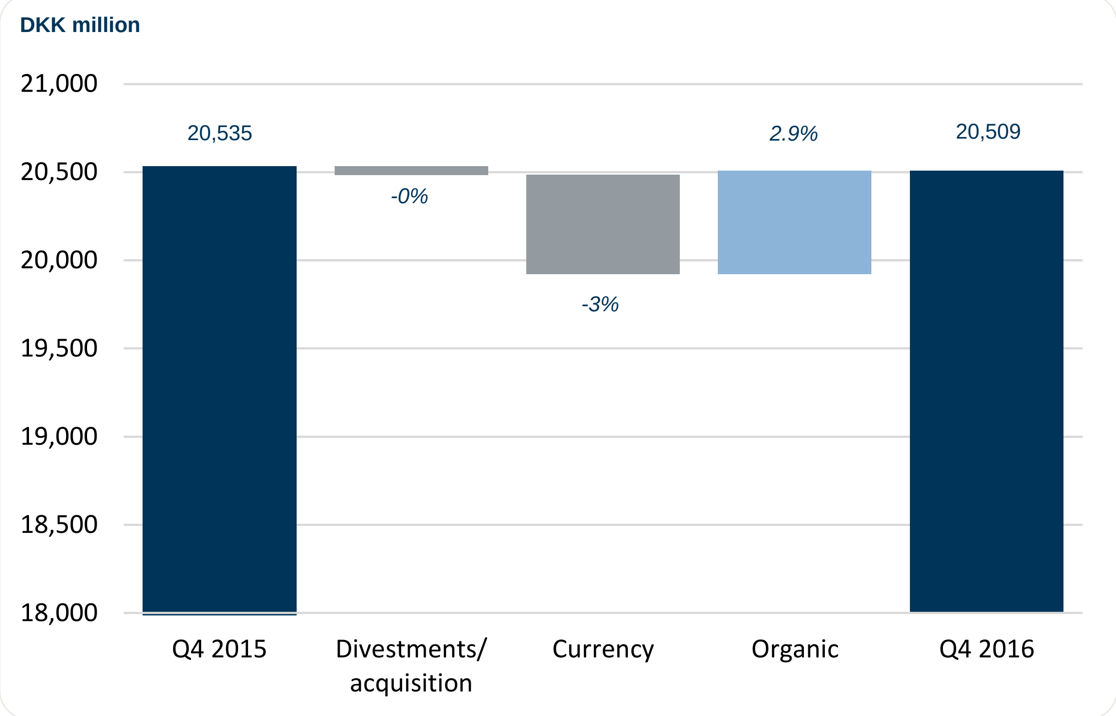
- Stable year-on-year margin performance across the region
- Brazil 'around break-even' for the year
- Americas FY 2016 operating margin 4.2% (2015: 4.2%)

*(1) Operating profit before other items and corporate costs*

# Financials

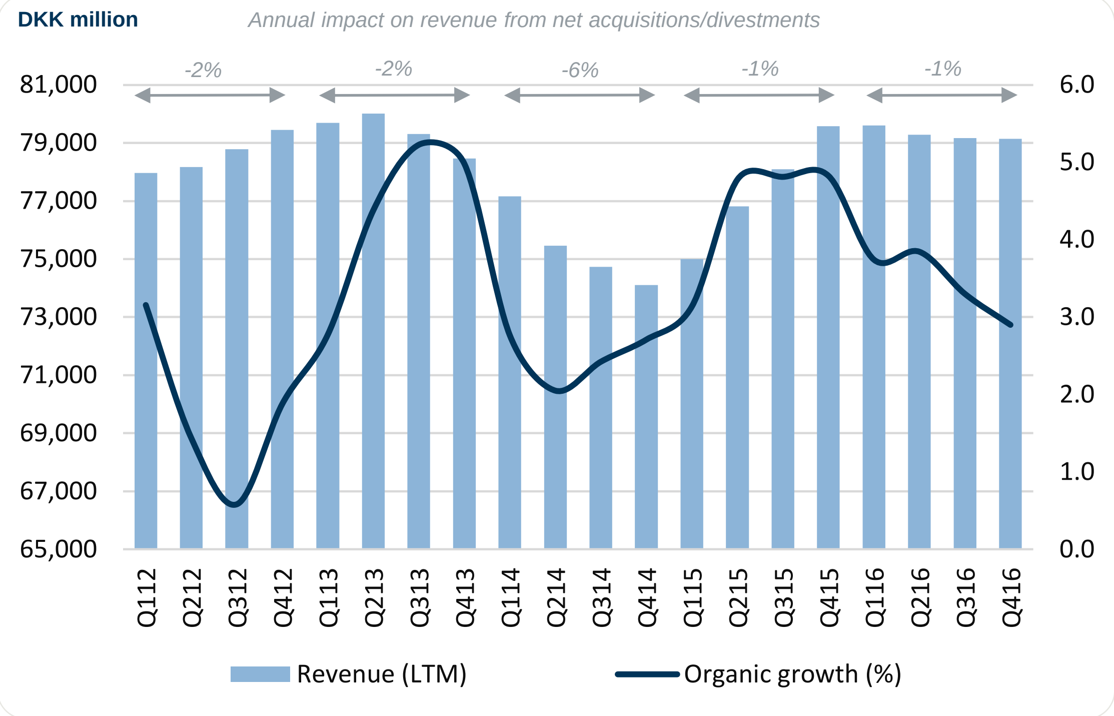
# Revenue

## Q4 2016 revenue growth of 0%



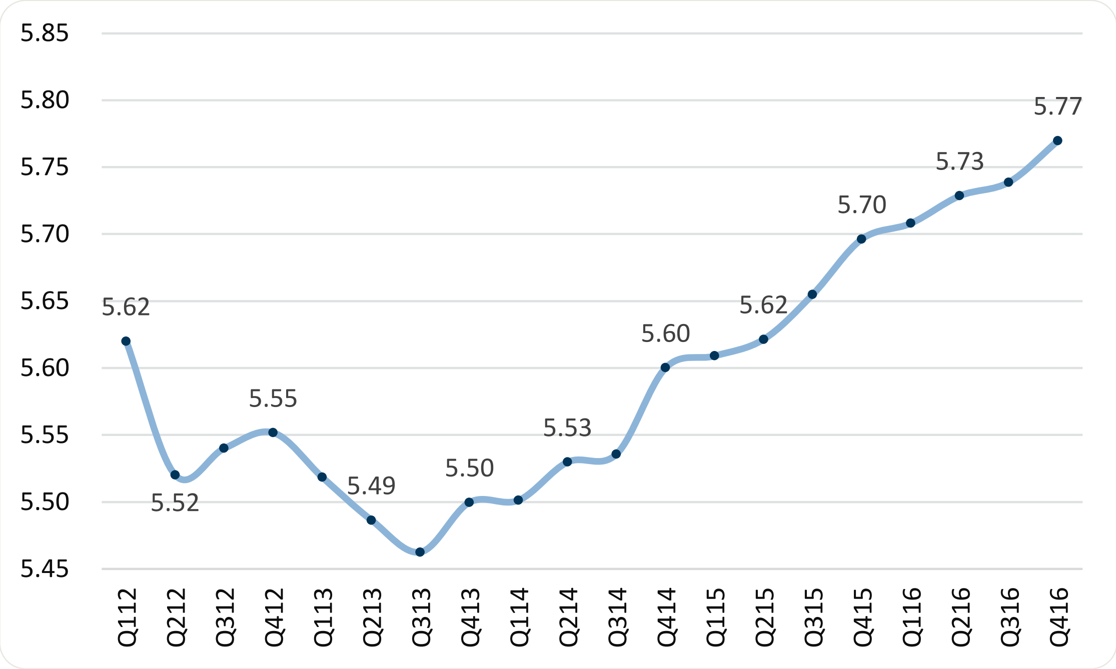

*Note net currency impact due primarily to GBP, TRY, ARS, SEK*

## Q4 2016 organic growth of 2.9%

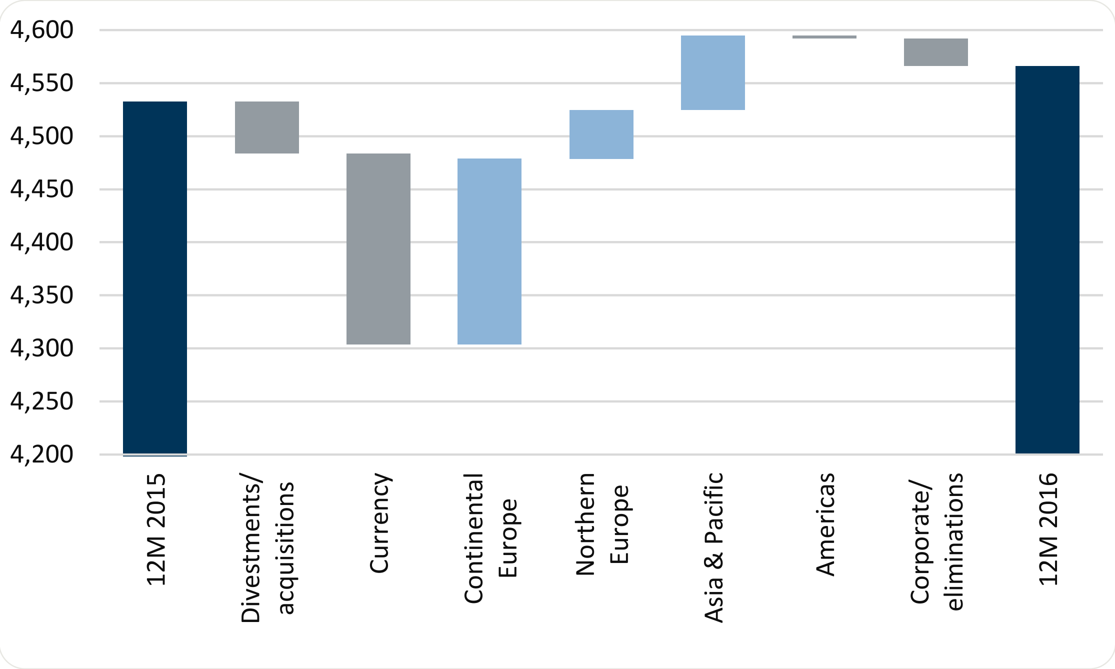


# Operating profit before other items

## LTM operating margin (%)(1)




## Drivers of LTM operating profit (DKK m)(1)




*(1) Operating profit before other items*

**Continued solid margin development**

THE POWER OF THE HUMAN TOUCH

# Income Statement

| *DKK million* | Q4 2016 | Q4 2015 | *Δ* | 2016 | 2015 | *Δ* |
|---|---|---|---|---|---|---|
| **Revenue** | **20,509** | **20,535** | ***(26)*** | **79,137** | **79,579** | ***(442)*** |
| Operating expenses | (19,139) | (19,188) | *49* | (74,571) | (75,046) | *475* |
| **Operating profit before other items** | **1,370** | **1,347** | ***23*** | **4,566** | **4,533** | ***33*** |
| Other income and expenses, net | (14) | 162 | *(176)* | (139) | 44 | *(183)* |
| **Operating profit** | **1,356** | **1,509** | ***(153)*** | **4,427** | **4,577** | ***(150)*** |
| Financial income and expenses, net | (115) | (161) | *46* | (486) | (709) | *223* |
| **Profit before tax** | **1,241** | **1,348** | ***(107)*** | **3,941** | **3,868** | ***73*** |
| Income taxes | (312) | (327) | *15* | (1,068) | (1,083) | *15* |
| **Net profit (adjusted)** | **929** | **1,021** | ***(92)*** | **2,873** | **2,785** | ***88*** |
| Goodwill impairment | (178) | (89) | *(89)* | (202) | (95) | *(107)* |
| Amortisation and impairment of brands and customer contracts | (168) | (160) | *(8)* | (642) | (654) | *12* |
| Income tax effect | 68 | 54 | *14* | 191 | 182 | *9* |
| **Net profit** | **651** | **826** | ***(175)*** | **2,220** | **2,218** | ***2*** |
| | | | | | | |
| **Adjusted earnings per share, DKK[1]** | **5.0** | **5.5** | ***(0.5)*** | **15.5** | **15.0** | ***0.5*** |

- DKK 140m gain on divestments (mailnly related to the sale of security actitivities in Finland)
- DKK 140m of restructuring projects mainly related to the implementation of GREAT, most importantly Brazil
- DKK 101m of loss on divestments (adjustments to prior years' divestments and remeasurement of one business classified as held for sale)
- DKK 12m of acquisition and integration costs
- DKK 26m of other costs

- FY 2016 interest rate on net debt of 2.1% (FY 2015 2.3%)

| *DKK million* | Q4 2016 | Q4 2015 |
|---|---|---|
| Net interest expense | (88) | (88) |
| Amortisation of financing fees | (8) | (10) |
| Other[2] | (26) | (31) |
| Refinancing | - | (27) |
| FX | 7 | (5) |
| **Financial income and expenses, net** | **(115)** | **(161)** |

Effective tax rate of 27.1%, positively impacted by significant non-taxable gains on divestments (largely related to the security activities in Finland). Adjusted for this, the effective tax rate was approximately 28.0% - in line with expectations.

Related to the divestments of:
- The remaining landscaping activities in the USA (DKK 55m)
- The Group's activities in Greenland (DKK 25m)
- The security activities in Ireland (DKK 39m)

Additionally, a remeasurement of businesses classified as held for sale resulted in an impairment loss of DKK 83m

*(1) Calculated as Net profit (adjusted) divided by the average number of shares (diluted)*
*(2) Includes recurring items – for example interest on defined benefit obligations and local banking fees*

# Cash Flow

| DKK million | Q4 2016 | Q4 2015 | Δ | 2016 | 2015 | Δ |
|---|---|---|---|---|---|---|
| Operating profit before other items | 1,370 | 1,347 | *23* | 4,566 | 4,533 | *33* |
| Depreciation and amortisation | 179 | 169 | *10* | 692 | 736 | *(44)* |
| **Adjusted EBITDA** | **1,549** | **1,516** | **33** | **5,258** | **5,269** | **(11)** |
| Share based payments (non-cash) | 27 | 25 | *2* | 95 | 90 | *5* |
| Changes in provisions, pensions and similar obligations | (95) | (51) | *(44)* | (191) | (95) | *(96)* |
| | **1,481** | **1,490** | **(9)** | **5,162** | **5,264** | **(102)** |
| Changes in working capital | 1,719 | 1,615 | *104* | (114) | (34) | *(80)* |
| Other expenses paid | (87) | (92) | *5* | (211) | (312) | *101* |
| Net interest paid/received | (108) | (110) | *2* | (276) | (345) | *69* |
| Income taxes paid | (264) | (242) | *(22)* | (871) | (867) | *(4)* |
| **Cash flow from operating activities** | **2.741** | **2,661** | ***80*** | **3,690** | **3,706** | ***(16)*** |
| Cash flow from investing activities | (252) | 269 | *(521)* | (748) | (840) | *92* |
| Cash flow from financing activities | (977) | (826) | *(151)* | (3,087) | (1,931) | *(1,156)* |
| **Total cash flow** | **1,512** | **2,104** | ***(592)*** | **(145)** | **935** | ***(1,080)*** |
| | | | | | | |
| **Free Cash Flow[(1)]** | **2,412** | **2,435** | ***(23)*** | **2,910** | **2,835** | ***75*** |

Q1 2015 positively impacted by pension obligations related to new contracts.

98% LTM cash conversion

Driven by lower restructuring expenses during 2016

ISS Bonds: Annual interest payments
- 5-year (2020): Interest paid in January
- 5-year (2021): Interest paid in January (starting 2017)
- 10-year (2024): Interest paid in December

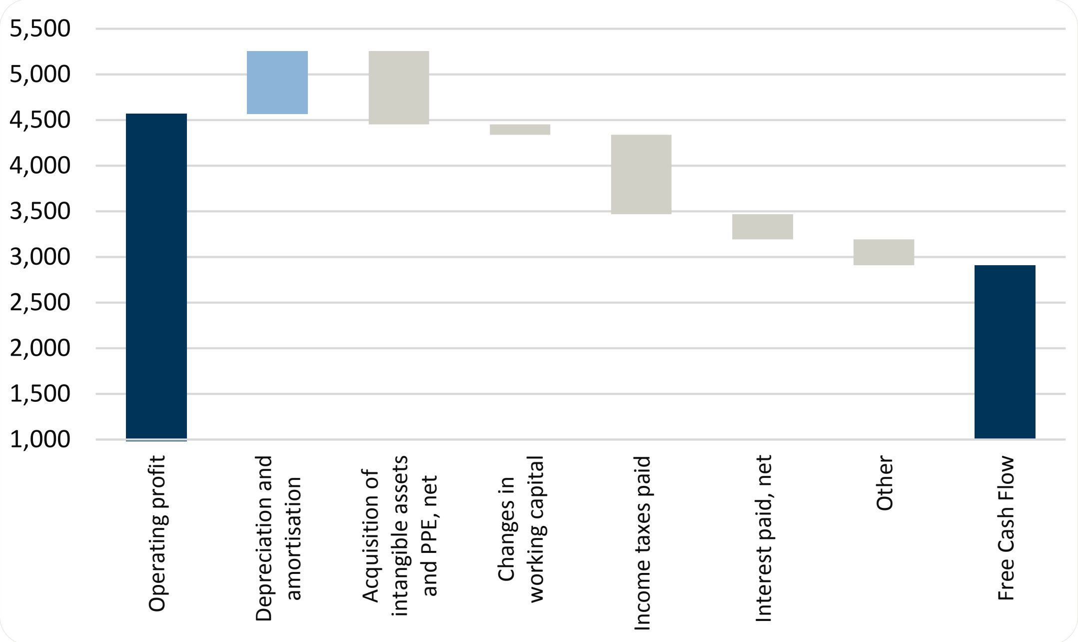
- Investments in intangible assets and property, plant and equipment, net, of DKK 805m or 1.0% of group revenue (versus 1.1% of revenue in 2014 and 2015)
- Cash inflow from acquisitions/divestments of businesses, net of DKK 32m

101% conversion of Net Profit (adjusted) into Free Cash Flow (2015: 102%)

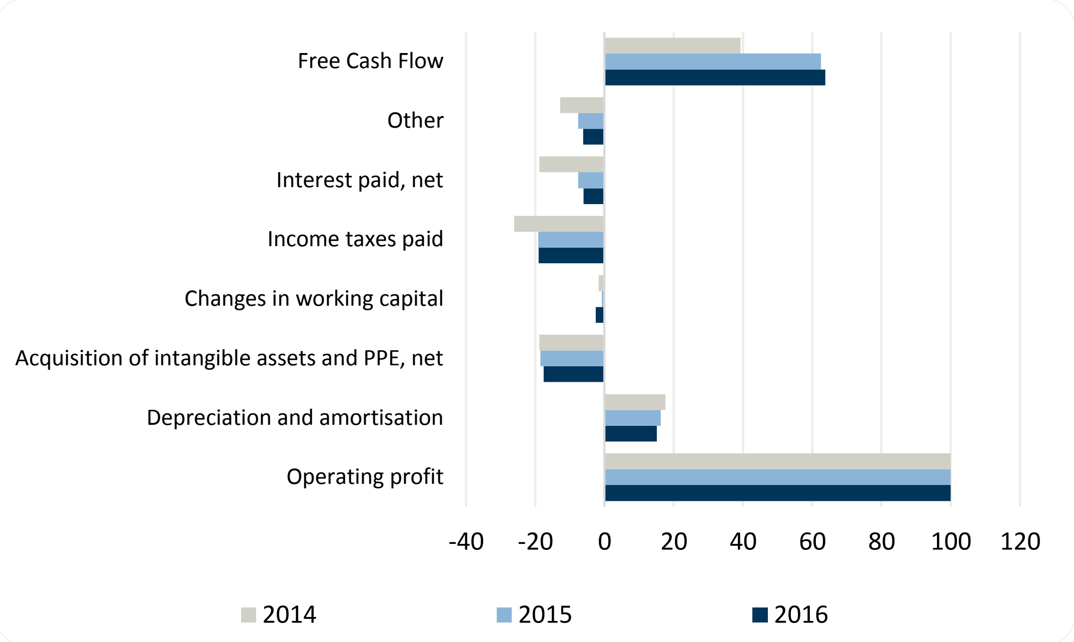
*(1) Cash flow from operating activities + (Cash flow from investing activities less acquisition/divestment of businesses, net)*

# Free Cash Flow

**2016 conversion of Operating Profit(1) to Free Cash Flow(2) (DKK m)**




**Components of Free Cash Flow(2) as a % of Operating Profit(1)**

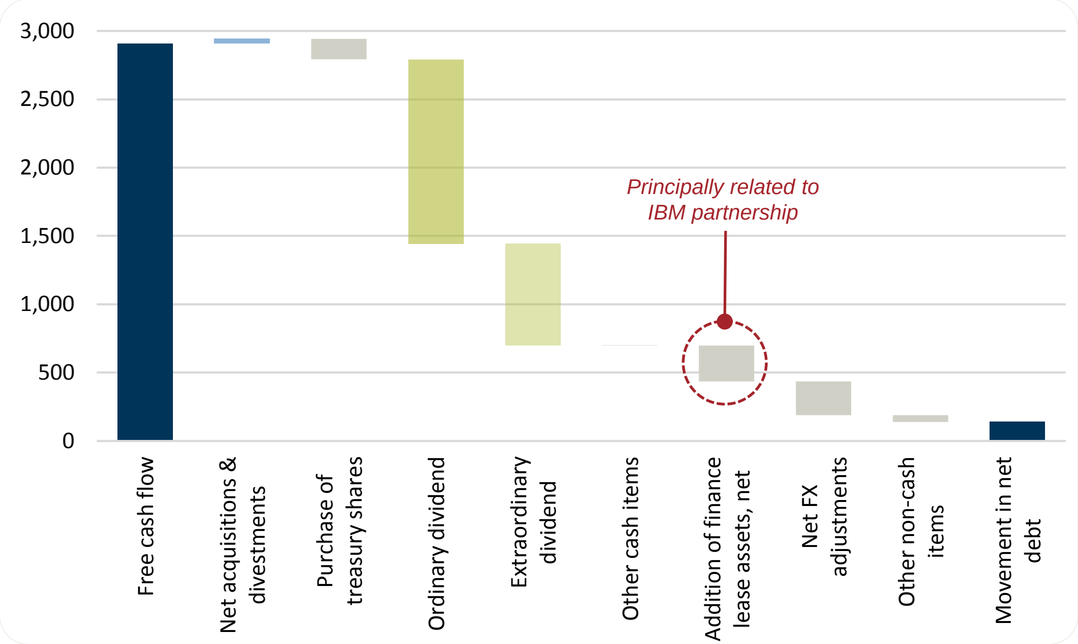



*(1) Operating profit before other items*
*(2) Cash flow from operating activities + (Cash flow from investing activities less acquisition/divestment of businesses, net)*

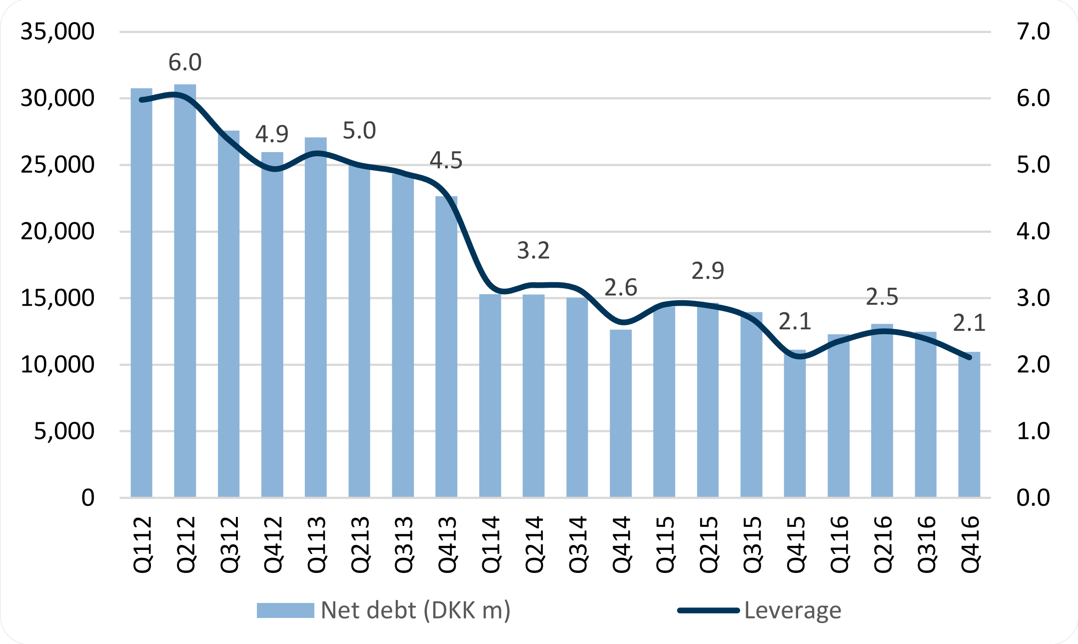
**Another year of very strong cash generation**

# Capital allocation

## 2016 allocation of Free Cash Flow[1] (DKK m)




## Net debt and leverage[2]




*(1) Cash flow from operating activities + (Cash flow from investing activities less acquisition/divestment of businesses, net)*
*(2) Net debt / Pro-forma adjusted EBITDA*

**Leverage objectives and capital allocation priorities unchanged and entirely consistent with previous communication**

# Business Update

# Cost leadership

*Current wage developments in our 6 largest countries*

- Minimum wage to increase from £7.20 to £7.50 in April
- c. 50% of ISS UK employees on *Living Wage* (£8.45 or £9.75 in London)
- Apprentice Levy (0.5% on wages) from May 2017

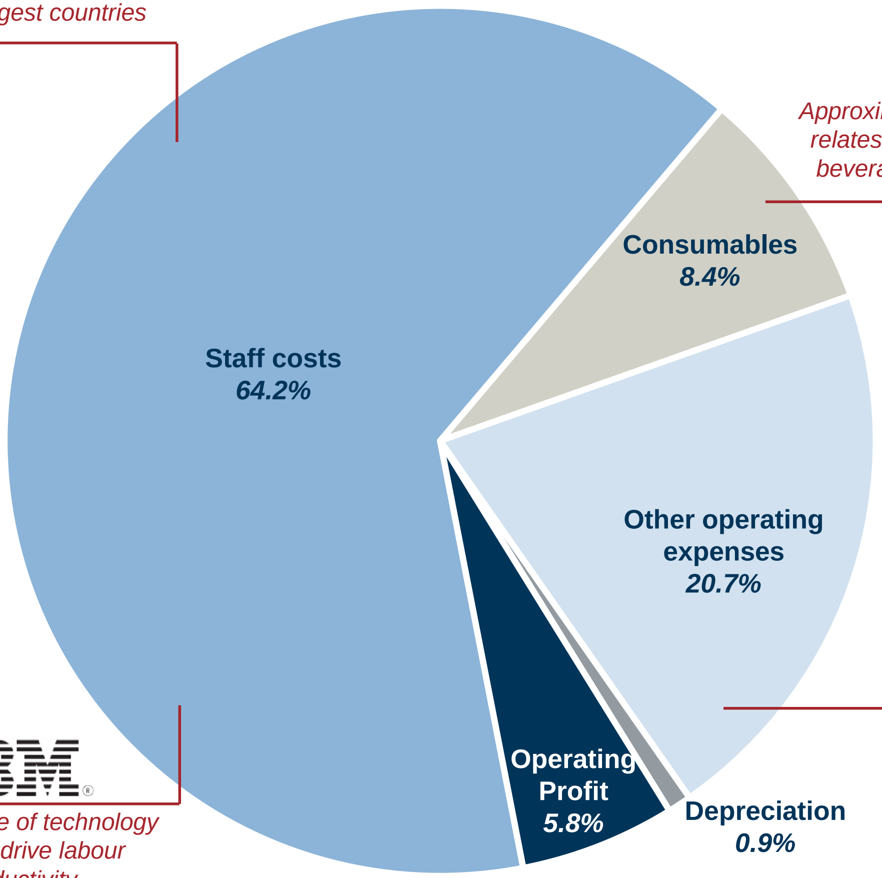
- Cleaning wages determined by CLAs
- Otherwise, wages typically market-driven and often CPI-linked
- Wage inflation currently modest

- Wages typically driven by (1) collective bargaining with unions, (2) minimum wages, (3) supply & demand
- A number of States planning to increase minimum wages

- Minimum wage fixed by French Cleaning Association (FEP) after agreement with unions (+0.7% in 2017)
- Social charges broadly stable vs. 2016

- Wages typically driven by CLAs (153 across Spain)
- Most public sector contracts linked to CPI

- CLAs and minimum wage changes are the key drivers
- Regulatory changes in January 2017 will see a small increase in pension costs




*Growing use of technology will help drive labour productivity*

*Approximately half relates to food & beverage costs*

- Catering contracts vary by country but full P&L (i.e. ISS takes revenue and cost risk) is the most common
- Market insight re pricing developments is critical…
- …followed by effective communication with customers and provision of clear evidence
- Food inflation offset through menu re-engineering and selected price increases
- Current inflationary developments viewed as 'business as usual'

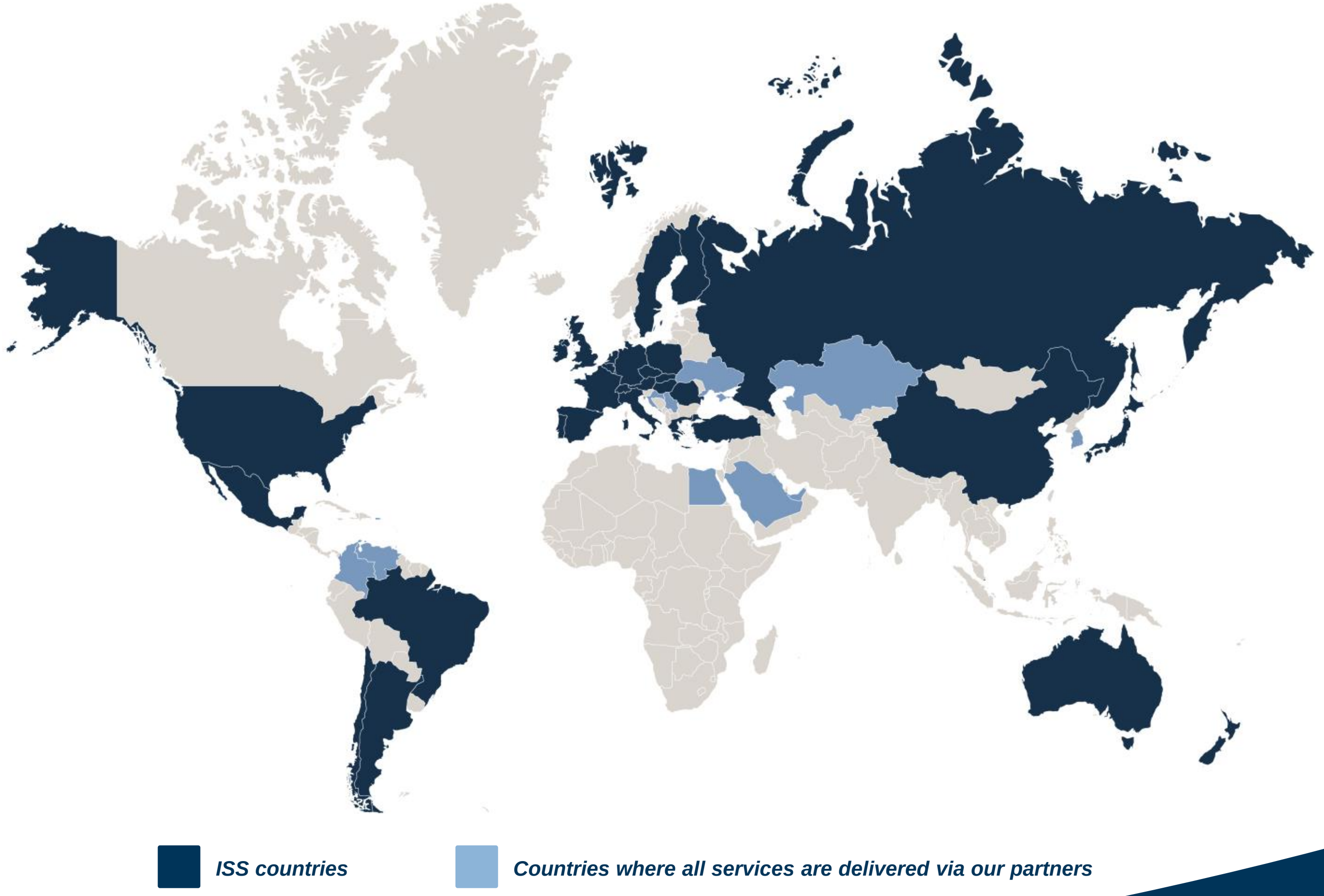
- Within our large Key Account contracts we typically seek protection from inflationary pressures via each of the following mechanisms
  - General indexation clauses
  - Wage inflation clauses
  - Protection against statutory change
- Across most of our local contracts we would typically have index-linked pricing mechanisms…
- …and would be confident of offsetting all inflationary pressures via higher prices and/or ongoing efficiency initiatives

**Ongoing focus on cost leadership and margin accretion**

# New Global Corporate Client

**5-year IFS contract signed with global biotech company, Shire**

- ISS to service 20,000+ employees through a contract covering more than 40 countries
- Will build on an existing relationship but with a significant increase in scope and geographic footprint
- ISS to optimise and standardise all of the customer's non-core services within facilities management, maintenance and engineering.
- This development strengthens ISS's position as a leading provider of facility services to the pharma and biotech industry
- Phased contract roll-out starting 1 June



# Outlook

# Outlook 2017

**Organic Growth**

**'1.5 – 3.5%'**

***(2016 3.4%)***

- **Expectation of continued strong growth in IFS, driven by expansion of existing customer relationships and new customer wins**
- **Negative impact from contract losses in Australia and contract exits in Brazil and Eastern Europe will continue in 2017, particularly in the first half**
- **Increased uncertainty posed by Brexit in the UK and levels of unrest in Turkey**
- **Outside of Brazil, good growth expected from Emerging Markets in both Latin America and Asia**

Impact on total revenue from divestments, acquisitions and foreign exchange rates in 2017

- We expect a neutral impact from development in foreign exchange rates[(1)]
- We expect a negative impact from the divestments and the acquisition of 0-1%

**Operating Margin**

**'Above the level realised in 2016'**

***(2016: 5.77%)***

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

**Cash Conversion**

**'Above 90%'**

***(2016: 98%)***

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

*(1) The forecasted average exchange rates for the financial year 2017 are calcuated using the realised average exchange rates for the first month of 2017 and the average forward exchange rates (as of 15 February, 2017) for the last eleven months of 2017*

# Q&A