Trading update for 1 January – 30 September 2021

Upgrade of financial outlook driven by fundamental business improvements

Highlights

- Organic growth was 0.7% in the first nine months of 2021 and 2.6% in Q3 2021. Organic growth improved through the third quarter, predominantly in September, as customers started to return to office in some geographies, which impacted activity levels positively.
- Portfolio revenue showed initial signs of recovery, which more than offset a smaller decline in projects and above-base work due to lapsed ad-hoc Covid-19 related services.
- Execution of the OneISS strategy progressed as planned with ISS being further streamlined and standardised for enhanced future execution.
- The turnaround initiatives driving recovery of the underperforming contracts and countries and the restructurings initiated in response to Covid-19 continued to progress as planned.
- 12 divestments were signed or completed in the first nine months of 2021 corresponding to total net proceeds of approximately DKK 1.4 billion.
- The outlook for organic growth is confirmed and still expected to be positive. The outlook is upgraded for operating margin and free cash flow as a result of the continued progress of the underperforming contracts and countries and progress of the Covid-19 restructuring initiatives:
  - Operating margin is now expected to be around 2.5% compared to previously "above 2%"
  - Free cash flow is now expected to be around DKK 1.5 billion compared to previously "above DKK 1 billion"

Jacob Aarup-Andersen Group CEO, ISS A/S, says:

"In the third quarter, we continued our work to create a healthier and fundamentally stronger ISS. I am very pleased with our ability to execute on our OneISS strategy while simultaneously navigating a challenging environment with volatile activity levels as well as high wage inflation and scarcity of qualified employees in certain regions.

We are seeing customers gradually returning to the office, albeit at varying pace across geographies. We expect a continued measured pace of return in the coming period as infection levels remain high in many countries creating a sense of caution.

Our turnaround initiatives are clearly paying off and the success of our execution allows us to upgrade our outlook on operating margin and free cash flow. Progress on these two financial metrics is key to create a healthy foundation and reach our turnaround targets for 2022. I want to thank all employees for achieving this important milestone and for staying agile and passionate in their support to our customers."

Revenue overview

DKKm (unless otherwise stated)	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Revenue	17,479	16,943	51,882	52,424
Organic growth	2.6 %	(8.8)%	0.7 %	(5.0)%
Acquisitions & Divestments	(0.2)%	(2.3)%	(0.4)%	(1.9)%
Currency adjustment	0.8 %	(2.5)%	(1.3)%	(1.2)%
Revenue growth	**3.2 %**	**(13.6)%**	**(1.0)%**	**(8.1)%**

Strategic update

The OneISS strategy, announced in December 2020, outlines the current strategic direction with dual priorities of ensuring long-term improvement of the operating model, while simultaneously delivering a short-term turnaround.

In Q3 2021, focus was on the continued implementation of the organisational blueprints and the creation of the global IT organisation. The new Chief Information and Digital Officer has finalised the strategy and structure for Global IT, Digitalisation & Services focusing on three clear priorities 1) insourcing and centralisation of resources to create best-in-class in-house software development teams, 2) delivering the right digital applications for customers and employees and 3) building on scalable and cybersecure tech platforms with a "cloud-first" principle.

The investments into commercial, IT and operational excellence are progressing according to plan and will strengthen the business model. As an example, the Operations Performance function has rolled out a benchmarking tool for enhanced productivity of daily office cleaning in selected countries and contracts. The tool allows operators and specialists to identify improvement potential as well as the required actions to achieve it.

Turnaround initiatives

Recovery of the underperforming contracts and countries is progressing well with financial run-rate improvement compared to 2020.

The UK continued to develop favourably with financial performance improving ahead of plan, positively impacted by an initial re-opening effect in September. The new leadership team focuses on streamlining the organisation and refining the commercial structure.

The large restructuring plan in France continued to progress with cost savings materialising in line with plan, independently from Covid-19 recovery. However, the French business is still heavily impacted by Covid-19 restrictions and the recovery pace of revenue volumes within the most impacted customer segments remains slow.

The execution programme for the Deutsche Telekom contract continued to develop in line with the plan to improve contract performance in one of the largest and most refined contracts in the Facility Management industry.

ISS entered into an agreement with the Danish Defence to exit the partnership agreement gradually from November 2021 to the end of May 2022. The Danish Defence will take over all services being handled by ISS during the transition period. Transition has been initiated and is progressing according to plan.

Divestment programme

The strategic divestment programme had good momentum in the first nine months of 2021 with 12 divestments (including business units) being signed or completed corresponding to net proceeds of approximately DKK 1.4 billion.

The proceeds mainly related to the divestments of five Eastern European businesses, the Swiss sewer maintenance business, Kanal Services, as well as two large business units signed in Q3 2021. The completion of one of the business units is subject to several closing conditions being met.

Since programme inception, agreements have now been reached to divest activities in 13 countries out of the 18 countries in the programme scope.

ISS continues to target approximately DKK 2 billion in total net proceeds from the divestment programme in 2021 and 2022.

Group performance

Group revenue

January – September 2021

Group revenue in the first nine months of 2021 was DKK 51.9 billion, a decrease of 1% compared with the same period last year. Organic growth was slightly positive at 0.7%. The impact from acquisitions and divestments, net was (0.4)% and currency effects reduced revenue by 1.3%, mainly due to depreciation of TRY and USD against DKK.

Organic growth was 0.7% (H1 2021: (0.2)%) in the first nine months of 2021 as a result of the negative impacts from Covid-19, especially in Q1 2021. In Q3 2021, organic growth continued to improve mainly due to initial signs of recovery from Covid-19 with customers slowly returning to office in some countries.

Revenue from key accounts generated organic growth of 2.4%. Projects and above-base work grew organically by around 10%, especially due to solid demand for deep-cleaning and disinfection.

In the first nine months of 2021, the adverse impact from Covid-19 on revenue continued to vary across service type, customer segment and geographies. The services suffering the most were those depending on our customers' employees being on site. Consequently, total revenue from food services declined approximately 14% (H1 2021: declined 26%) compared with the same period last year to account for around 10% of Group revenue. All other service lines were less impacted. From a customer segment perspective, the most significant revenue impact was within Aviation (part of the Transportation segment). However, compared with previous quarters, the adverse impact from Covid-19 in the first nine months of 2021 was reduced as the initial signs of recovery continued in Q3 in some countries.

Continental Europe and Northern Europe reported positive organic growth in the first nine months of 2021. Asia & Pacific reported slightly negative organic growth as Covid-19 continued to impact the region negatively. Americas generated double-digit negative growth rates, primarily due to the high exposure to food services.

Revenue and growth YTD September 2021

DKK million	2021	2020	Organic growth	Acq./ div.	Currency adj.	Growth 2021
Continental Europe	20,637	20,654	4 %	(1)%	(3)%	(0)%
Northern Europe	17,227	16,851	1 %	(0)%	1 %	2 %
Asia & Pacific	9,214	9,397	(1)%	(0)%	(1)%	(2)%
Americas	4,409	5,154	(10)%	-	(4)%	(14)%
Other countries	424	391	12 %	0 %	(4)%	8 %
Corporate / eliminations	(29)	(23)	-	-	-	-
Group	51,882	52,424	0.7 %	(0.4)%	(1.3)%	(1.0)%

Group revenue Q3 2021

Group revenue in Q3 2021 was DKK 17.5 billion, an increase of 3.2% compared with the same period last year. Organic growth was 2.6% (Q2 2021: 5.8%), currency effects were positive by 0.8% while acquisitions and divestments, net reduced revenue by 0.2%.

The initial signs of recovery from Q2 continued in Q3 2021 with customers slowly returning to office in some countries and leading to positive impacts on portfolio revenue, especially in the month of September. Revenue from key accounts generated organic growth of 5.6% in the third quarter of 2021.

The demand for projects and above-base work continued to be at a high level, albeit slowing down in some countries compared with previous quarters. Across the Group, organic growth from projects and above-base work in Q3 2021 was (1)%.

All regions reported positive organic growth, supported by portfolio recovery as tight Covid-19 restrictions were eased across Europe and led customers to slowly initiate a return to office. In Americas, growth was supported by initial recovery in food services and the continued gradual start-up of the five-year IFS contract with a large international manufacturing customer. In Asia & Pacific, growth was supported by key accounts contract launches in Australia and Hong Kong.

Revenue and growth Q3 2021

DKK million	Q3 2021	Q3 2020	Organic growth	Acq./ div.	Currency adj.	Growth Q3 2021
Continental Europe	6,871	6,951	2 %	(1)%	(2)%	(1)%
Northern Europe	5,829	5,508	3 %	(0)%	3 %	6 %
Asia & Pacific	3,054	2,983	1 %	0 %	1 %	2 %
Americas	1,589	1,446	8 %	-	2 %	10 %
Other countries	146	67	1 %	117 %	(0)%	118 %
Corporate / eliminations	(10)	(12)	-	-	-	-
Group	17,479	16,943	2.6 %	(0.2)%	0.8 %	3.2 %

Key account development January – September 2021

Revenue from key accounts was 69% of Group revenue in the first nine months of 2021 (2020: 67%) and generated organic growth of 2.4%, which was better than the Group's organic growth. As such, key accounts continued to show resilience, despite Covid-19 lockdowns and restrictions, with continued demand for above-base work related to Covid-19. In addition, initial signs of recovery of portfolio revenue in some countries with customers slowly returning to office supported the growth. Launch of a few large contracts also continued to contribute to the growth, most significantly the commencement of a five-year contract with Iberdrola in Spain, and the launch of a Hospital Authority contract in the healthcare segment in Hong Kong. Furthermore, Australia had several new smaller key account contracts going live in the first nine months of 2021. Additionally, the Americas region continued the gradual start-up of the five-year IFS contract with a large international manufacturing customer.

ISS secured a few significant contract-wins as well as continued to proactively work with customers to seek renewals ahead of expiry. This led to a number of extensions and expansions in the first nine months of 2021.

In Norway, ISS won a five-year contract with Equinor with a possible extension of additional five years. ISS extended the global contract with Barclays for five years and the Rolls Royce contract for two years. In Australia, ISS signed a one-year extension of the contract with Victorian Department of Education and Training and extended a contract with an airport customer for four years. Additionally, a five-year extension with DSB was obtained in Denmark. In Americas, an international technology customer extended their contract by one year. Further, a global manufacturing customer extended their contract by two years, one year ahead of original expiry. Finally, ISS expanded the global contract with Philip Morris to also include workplace services in 31 countries starting from Q1 2022. The relationship with Philip Morris began in 2015 in Eastern Europe and has continued to increase in scope ever since. The expansion is a testimony to ISS's ability to expand contracts through consistent performance and a true partnership mindset.

Major key account developments [1)]	Countries	Segment	Term	Effective
Wins				
Equinor	Norway	Energy & Resources	5 years	Q4 2021
Extensions/expansions				
Rolls Royce	8 countries	Industry & Manufacturing	2 years	Q1 2021
Barclays	Global	Business Services & IT	5 years	Q2 2021
Victorian Department of Education and Training	Australia	Public Administration	1 year	Q2 2021
DSB	Denmark	Transportation & Infrastructure	5 years	Q4 2021
Airport customer	Australia	Transportation & Infrastructure	4 years	Q4 2021
Industry & Manufacturing customer	Global	Industry & Manufacturing	2 years	Q4 2021
International technology customer	Americas	Business Services & IT	1 year	Q1 2022
Philip Morris	Global	Industry & Manufacturing	5 years	Q1 2022
Exits/losses				
Transportation customer	Australia	Transportation & Infrastructure	-	Q4 2021
Danish Defence	Denmark	Public Administration	-	Q2 2022

[1)] Annual revenue above DKK 100 million.

Regional performance

Continental Europe
January – September 2021

Revenue in the first nine months of 2021 was DKK 20,637 million, which was flat compared with the same period last year, reflecting an organic growth of 4% (H1 2021: 5%). Acquisitions and divestments, net decreased revenue by 1% and currency effects impacted negatively by 3%.

Organic growth in Continental Europe was mainly driven by strong performance in Turkey, Spain, Switzerland and Italy, albeit with a low comparison base in 2020. In Turkey, growth in local currency was supported by price increases as a result of cost inflation passed on to customers as well as the continued growth from launches of new hospital contracts in the second half of 2020. In Spain, Italy and Switzerland growth was mainly due to new contract launches and expansions with key accounts as well as continued high demand for projects and above-base work, especially deep-cleaning and disinfection. Across the region, projects and above-base work increased around 15% organically. This was partly offset by revenue reductions due to contract exits in Germany and the Netherlands as well as the impact from Covid-19 related lockdowns which continued to negatively impact the region, most significantly in the Netherlands due to high exposure to food services.

Q3 2021 Revenue amounted to DKK 6,871 million, a decrease of 1% compared to same quarter last year, supported by organic growth of 2% (Q2 2021: 13%), while currency effects and acquisitions and divestments, net decreased revenue by 2% and 1%, respectively. Organic growth was supported by portfolio revenue showing initial signs of recovery with customers slowly returning to office in some countries as well as continued demand for projects and above-base work. Most countries delivered positive organic growth with Turkey, Austria, Italy and Switzerland contributing most, despite a tougher comparison base in Q3 2020 than Q2 2020.

Northern Europe
January – September 2021

Revenue amounted to DKK 17,227 million in the first nine months of 2021, which was an increase of 2% compared with the same period last year. Organic growth was 1% (H1 2021: (1)%) and currency effects were positive with 1%.

Organic growth was supported by continuing signs of recovery from Covid-19 and high demand for projects and above-base work, mainly deep-cleaning and disinfection. Projects and above-base work for the region increased 9% organically compared with the same period last year. The region continued to be impacted by Covid-19 due to the relatively high exposure to food services, where total revenue decreased by 6% compared with the same period last year. Denmark and Finland reported positive organic growth, whereas organic growth in Norway was negative due to high exposure to food services and customers in the Hotels and Aviation segments.

Q3 2021 Revenue amounted to DKK 5,829 million, an increase of 6% compared to the same quarter last year, driven by organic growth of 3% (Q2 2021: 3%) and currency effects increasing revenue by 3%. Organic growth was supported by initial signs of Covid-19 recovery continuing from last quarter with customers slowly returning to offices in some countries, especially in September. Additionally, food services and the Hotel segment developed positively in the quarter, especially in Norway. Furthermore, in the UK a dispute in relation to remuneration under a PFI contract was resolved, which impacted organic growth positively. On the other hand, the demand for above-base work in the form of deep-cleaning and disinfection slowed down in Q3 2021 as a result of the continuing Covid-19 recovery across the region.

Asia & Pacific
January – September 2021

Revenue in the first nine months of 2021 amounted to DKK 9,214 million, which was a decrease of 2% compared with the same period last year, reflecting a negative organic growth of 1% (H1 2021: (1)%), and negative currency effects of 1%.

Covid-19 impacted the region negatively in the first nine months of 2021, albeit with a sequential improvement throughout the year. The countries being most significantly impacted were India, Indonesia and Singapore, and especially the Aviation segment in Indonesia. This was partly offset by positive organic growth in Hong Kong and Australia, mainly due to continued high demand for projects and above-base work, mostly related to deep-cleaning and disinfection. In Australia, this was further driven by several smaller key account contract launches offsetting the continued negative impact from Covid-19 in the Aviation segment. Across the region, projects and above-base work increased around 12% organically.

Q3 2021 Revenue amounted to DKK 3,054 million, an increase of 2% compared to the same quarter last year, representing an organic growth of 1% (Q2 2021: (0)%), while currency effects had a positive impact on revenue of 1%. Australia delivered strong organic growth, whereas growth in the quarter was flat or slightly negative in the rest of the countries mainly due to continued negative impact from Covid-19. In Australia, the strong organic growth was primarily related to Covid-19 above-base work. Furthermore, launch of several smaller key account contracts earlier in the year contributed positively.

Americas
January – September 2021

Revenue amounted to DKK 4,409 million in the first nine months of 2021, which was a decrease of 14% compared with the same period last year. Organic growth was (10)% (H1 2021: (17)%) and negative currency effects were 4%.

Due to high exposure to food services and the Aviation segment, the Americas region reported a significant revenue decline. As such, revenue from food services declined by 35% compared to the same period last year and accounted for around 23% of the region's revenue (2020: 29%) compared to 10% of revenue for the Group (2020: 11%). Initial signs of recovery from Covid-19 were seen towards the end of H1 2021, and continued in Q3 2021. Mexico delivered organic growth of 9.6%, mainly due to solid revenue growth from new sales to key accounts.

Q3 2021 Revenue amounted to DKK 1,589 million, an increase of 10% compared to the same period last year, driven by organic growth of 8% (Q2 2021: (1)%) and positive currency effects of 2%. The positive organic growth was driven by the gradual start-up of the five-year IFS contract with a large international manufacturing customer, growth in Mexico and continued recovery from Covid-19 in food services and the Aviation segment.

Acquisitions

On 28 September 2021, ISS announced the acquisition of 100% of the shares in Rönesans Facility Management Company in Turkey.

The transaction builds on the OneISS strategy strengthening ISS Turkey. The strengthened leadership position in healthcare in Turkey will create a platform for further growth into this attractive segment. As a result of the transaction, ISS will provide Facility Management services, in a Public-Private-Partnership at four newly built hospitals in Turkey until 2045. The agreement builds on an already successful partnership, as ISS Turkey is already operating two of the four hospitals as subcontractor. As such the net revenue impact will be around 0.5% to group revenue (to be reported as acquired growth).

As part of the transaction, ISS will partner with the leading Turkish Private Equity Company, Actera. Actera has in-depth expertise in the Turkish market, a strong operational track record and will become shareholder of ISS Turkey with a 40% ownership.

Management changes

On 13 April 2021 at the Annual General Meeting, Niels Smedegaard was elected as new Chair of the Board of Directors (Board), as Lord Allen of Kensington, previous Chair, did not seek re-election. Furthermore, Kelly Kuhn was elected as new member of the Board, as Claire Chiang did not seek re-election.

On 1 May 2021, Liz Benizon took up the position as Country Manager of ISS UK & Ireland and joined the Executive Group Management.

On 1 June 2021, Markus Sontheimer took up the position as Chief Information and Digital Officer and joined the Executive Group Management.

Outlook

Outlook 2021

This section should be read in conjunction with "Forward-looking statements" as shown in the table on page 10.

Based on the financial performance in the first nine months of 2021, the outlook for operating margin and free cash flow is upgraded. The upgrade is a result of the success of the execution of the OneISS strategy, including recovery of underperforming contracts and countries and progress of the Covid-19 restructuring initiatives.

Global activity levels continue to recover but remain unpredictable and volatile, as the pace of customers returning to office varies across geographies.

Organic growth outlook is confirmed and still expected to be positive in 2021 (2020: (6.5)%). Portfolio revenue increased in Q3 and this trend is expected to continue in Q4. Above-base revenue is inherently subject to high uncertainty due to the continued impact from Covid-19.

Operating margin is now expected to be around 2.5% in 2021 compared to previously "above 2%" (2020: (4.6)%). The change is driven by continued progress on the underperforming contracts and countries and progress of the Covid-19 restructuring initiatives, which is especially visible in the US food business.

Free cash flow is now expected to be around DKK 1.5 billion in 2021 compared to previously "above DKK 1 billion" (2020: DKK (1.8) billion). The upgrade is a result of the upgrade of the operating margin and a continued positive development of working capital. The factoring level is still expected to increase slightly in 2021 compared to 2020.

Outlook 2021

	Annual Report 2020	Interim report H1 2021	Trading update Q3 2021
Organic growth	Positive	Positive	Positive
Operating margin [1)]	Above 2%	Above 2%	Around 2.5%
Free cash flow	Slightly positive	Above DKK 1bn	Around DKK 1.5bn

[1)] Based on operating profit before other items

Turnaround targets

ISS confirms the turnaround targets announced as part of the launch of the OneISS strategy in December 2020. The expectation for free cash flow in 2022 is unchanged but due to the changed outlook for 2021, the wording has been amended from "strongly improving in 2022" to "continued solid positive free cash flow in 2022".

The turnaround targets focus on the short-term recovery of the business and are outlining a healthy recovery with focus on profitability and cash generation:

- Operating margin above 4% as run-rate when entering 2023
- Net debt / Pro forma adjusted EBITDA to be reduced to below 3x by the end of 2022
- Around DKK 1.5 billion free cash flow in 2021 and continued solid positive free cash flow in 2022

Expected revenue impact from divestments, acquisitions and foreign exchange rates in 2021

Divestments and acquisitions completed by 31 October 2021 (including in 2020) are expected to have a negative impact on revenue growth in 2021 of approximately 0-1%-point. In the absence of further acquisitions, the negative revenue impact is likely to increase during the year as we execute on the strategic divestment programme. Business units to be divested are included in Group revenue until the time of divestment. Countries to be divested continue to be reported as discontinued operations. Consequently, only business units will impact revenue growth upon divestment. Based on the current exchange rates, a negative impact on revenue growth of 0-1%-point is expected in 2021 from the development of foreign exchange rates.

[1)] The forecasted average exchange rates for the financial year 2021 are calculated using the realised average exchange rates for the first ten months of 2021 and the average forward exchange rates (as of 1 November 2021) for the remaining two months of 2021.

Forward-looking statements

This report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook. Statements herein, other than statements of historical fact, regarding future event or prospects, are forward-looking statements. The words may, will, should, expect, anticipate, believe, estimate, plan, predict, intend or variations of such words, and other statements on matters that are not historical fact or regarding future events or prospects, are forward-looking statements. ISS has based these statements on its current views with respect to future events and financial performance. These views involve risks and uncertainties that 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 this report and other information made available by ISS. As a result, you should not rely on these forward-looking statements. ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, expect to the extent required by law.

The Annual Report 2020 of ISS A/S is available at the Group's website, www.issworld.com.

Contacts

Conference Call

A conference call will be held on 4 November 2021 at 10:00 am CEST. Presentation material will be available online prior to the conference call.

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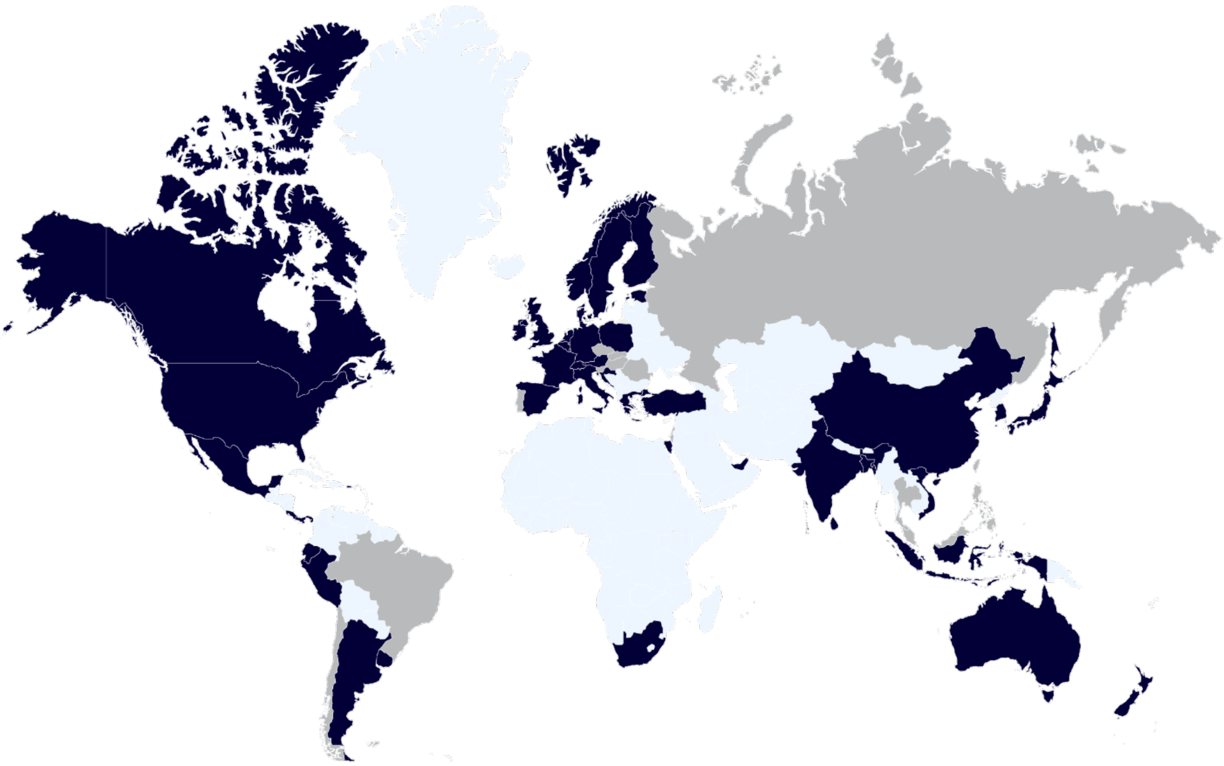
Our global footprint



ISS is a leading, global provider of workplace and facility service solutions. 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 2020, Group revenue was DKK 69.8 billion.