Final Transcript

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Corporate Participants

Barbara Jensen
ISS – Group Treasurer

Jeff Gravenhorst
ISS – Group CEO

Hendrik Andersen
ISS – Group CFO

Presentation

Operator

Welcome To the ISS Conference Call. At this time all participants are in a listen-only mode. Later, we will conduct a question and answer session. Please note that this conference is being recorded. Your conference will begin momentarily. A short introduction will now be played before the presentation begins, and after the introduction the call will be turned over to Group Treasurer, Barbara Jensen.

Introduction

The world is changing at increasing speed. New economies are booming, corporations are becoming truly global. Yet, at the same time, the world is getting smaller. We interact and integrate more and more. One company has set itself the goal of helping its customers excel in their specialities by making their non-core jobs its main concern, and they're doing it with great success.

Today's management must stay focussed to remain competitive. By concentrating on core competencies and keeping a high level of flexibility in cost structures, companies can maintain a lean organisation and stay ahead of the competition. Outsourcing to ISS is one way of maintaining that all important focus and optimising resources while achieving a consistently high service level for employees and visitors at company facilities around the world.

Sony Ericsson is a global leader in mobile entertainment and telephones, and in 2009, they decided to outsource their facility management to ISS through an IFS solution. We feel ourselves as a fully integrated part of Sony Ericsson and we focus our services on everything that can improve their business.

We actually do deliver services to more than 200,000 customers every day. In that we invent new things every day and they… the beauty is can you take these concepts and then bottle them, and then put them into another country and get the advantage of that.

ISS's most important resource is its people, and its unique processes designed to manage this great pool of skills and talent. It has more than half a million dedicated employees, the people you meet when you visit ISS's customers.

ISS – a world of service.

Barbara Jensen – *ISS Group Treasurer*

Ladies and gentlemen, welcome to the investor call and presentation of the ISS Annual Results for 2011, released earlier today. Please be aware that our announcements, the report, as well as the slide used for this call can be found on our website, where the webcast will also available following the call.

If you look at the presentation, I would like to draw your attention to slide number two regarding the forward looking statements. With me today I have Group CEO, Jeff Gravenhorst and Group CFO, Hendrik Anderson, and if you turn to slide number three, you can see our agenda for this call.

Jeff will give you an update on the latest changes to senior management, before he will give you an update on our business and key events. Hendrik will then present the annual results before I will go through details on the capital structure. Finally, Jeff will present what we define as the new beginning in our outlook.

Please note that the lines will be open for questions at the end of the presentation. I will now hand over to Group CEO, Jeff Gravenhorst.

Jeff Gravenhorst – *ISS Group CEO*

Thank you, Barbara, and welcome, everybody, to our announcement of our annual results for 2011. I'm very pleased with the overall outcome of our results, but I'll talk more about that in a moment. If I can just draw your attention to slide number four, I will just start with the organisational changes that we made here in the beginning of 2011.

It is an appointment of another senior member, a member of the Group Management Board, Thomas Hinnerskov, will take over the responsibility as a Regional CEO for Asia and Pacific Region. And we've done… it was effective by 1st February. Thomas comes from the inside. He's been with the company for over eight years, held various positions in Head Office, but recently post of a Country Manager in Ireland and as a Country Manager in Austria. Prior to that, various positions, among others, McKinsey Consultant. Thomas is a very well-known character within our group and has a lot of experience, and I'm very, very pleased that he is now moving to Singapore and will be driving the very exciting emerging market for us out there.

So with that we go through the business update and the key events, if you can turn to page number six. It's, of course, 2011 was an extremely eventful year for ISS. We had a number of major activities going on both with the IPO and with the G4S combination in the autumn and in between we had a refinancing. I think sometimes we forget a little bit about what the company actually is about when we talk about the IPO and so forth, so if I can just draw your attention to the key features of ISS before we get going with the actual results.

We have, over the last few years, built a company who's focussing on fulfilling the needs of our customers. We've seen a need in the market where customers are really wanting to outsource what is non-core of their activities, particularly in relation to facility services, so basically running their premises on a daily basis in order for the customers then to focus on their own business. That could be hospitals for that matter, it could be hotels, it could be offices, business services and IT. All of this we have created a product where we can deliver all the services, both hard and soft, to run the premises for our customers.

That is basically a unique offering that we created because we can do this by self-delivery on a global scale, so basically everywhere in the world we can run the facilities, the premises for our customers with our own staff. This is, of course, important because that means it's within our value system, it's our education of our employees. We make sure that what has been paid is paid according to the local laws, etc, all of it done in the correct, social responsible way, which is one of the major value propositions that we offer to our customers, and one which the customers are looking more and more towards, combined with, of course, a good price quality service.

So we have today this unique offering. We've been able to really take advantage of that and we'll see then the numbers in a second, but we also positioned ourselves in the emerging market so high growth opportunities by being present in Latin America, present in Asia, and we have a very good presence in Eastern Europe. And even though we haven't seen that much growth in that region over the last few years, actually in 2011, at the end of the year we came back to good organic growth, and we do believe that this is a region which also represents some emerging platforms.

We do have… with the capability of providing many services to our customers, we can actually take advantage of some of the synergies that lie between these services, and with that, of course, work on a marginal upside over time. We have, in these last few years, also made major investments into our sales forces, into our [excellent] centres, in order to capitalise on that, and then also particularly this year we have invested a lot in the US platform, which of course, also has an impact on the margin in 2011. But we are, above all, a very resilient business model, both in terms of our cash generation – again, we're above the 90s, so 93% cash conversion in 2011. We have a portfolio business where we have… retaining our business with the customers makes us a very, very resilient business even throughout macroeconomic turmoil, which we have experienced from all of us during the last few years.

On top of that, of course, we have a very good management team, people around me; they're all very experienced within this industry. I'm very happy with that, so all of these are the reasons why we exist, that's what we work with day in and day out, to make sure that we get a better and better company, and thereby more and more satisfied customers, and more and more satisfied employees, which at the end will also make more satisfied shareholders and then stakeholders.

So, turning to page seven, the key events from all the efforts during 2011 actually resulted in the highest organic growth that we've seen for the past ten years, 6.2%, very satisfied with that, of course fuelled by some major contracts that we won last year and started up. HPUS is one, Citigroup across Europe. We have the Foreign Commonwealth Office, all of these contracts, the Royal Airforce also started on the UK, so basically all our regions showed good organic growth and positive organic growth.

We have the big international contracts, so IFS contract we started up, also the local ones; they started up pretty well. They're in line with expectations. Emerging markets continue to grow and also a very profitable growth in those regions. Cash conversions sits strong in Europe above the 90s and this is in a very, very challenging economic market where property customers are not as timely as they used to be on the payment terms, particularly maybe in the Southern Europe, so with that, we're actually very pleased with the cash conversion.

Operating results: actually also the highest operating result that we've had. The margin's up by 2%; the operating result up by 2%; the margin 5.7 against 5.8, and I'll come back to it a little bit more explanation on that in a second.

Turnaround in France is still progressing, it's still slow. The labour market there is difficult to work with but we are turning around nice and quiet in France, so overall, very happy with the results for 2011, strong performance, and seen in the light of relatively difficult business environment conditions like the property markets, the debt situation in the Eurozone, and, of course, with all the big events that we have gone through on the beginning of the year, refinancing and G4S in the end of the year, overall very, very good results and I'm very satisfied with that.

Turning to page eight, the strength of the year is, of course, the strong organic growth. The most important message here is that it's not just the emerging markets that actually drive this. We've had very, very good organic growth, particularly in the UK, but also in Germany, Italy, throughout Europe, so the benefit and the growth in 2000 or the development in the growth in 2011 compared to ten is not really because we've done better in emerging markets but actually because we've done better in Western Europe and the US, so Western Europe growth 4%, the Nordic growth 4%, organic… the US above 30% organic growth, which all in all, fantastic results in our industry.

Of course some of this is because we have invested quite a lot in our commercial strategies and implementing segmented sales approach and also delivery approach, so we are a strong believer in segmentation, that running a hotel, selling a hotel is completely different than offices, of course. With our line of services we're very focussed on the various sectors so we have implemented new sales structures, we have implemented new delivery structures that are actually bearing fruit, and this is the reason why we've had good growth. This growth coming particularly, as I said, US, UK, Finland, Germany, Turkey, India, Latin America, all of them very strong.

In Q4, we have continued our wins with corporate accounts, so Deutsche Bank has come onto the list and we've started that up in Italy and Iberia. We won an IFS contract with Exxon in France, catering contracts in university hospitals of Antwerp, amongst a whole host of other major contracts, so overall, very good development in the growth side, but as I said, particularly in also in Western Europe and North America.

But if we take a little big into the importance of our emerging markets to ISS today, if you turn to page nine, this is something that we set about also some eight, ten years ago, is to really make sure that we are where the domestic growth actually is coming across also in the world, so focussing on the emerging markets now gives us a platform where almost a fifth of what we do today is in the emerging markets from a revenue perspective; 19% of our sales is in the emerging markets.

But if you look at how much it generates out of organic growth, it's 37% of organic growth and it's actually 53% of our employees today, so very strong development. I'm very… I'm sure that it will continue this development throughout the next years. It is growth which has led not just from Western European and the American companies moving through emerging markets but actually from the domestic growth in these regions themselves, generated by the vast population and the growing middle classes of Indonesia, India, China and Latin America of course. So strong growth, 13% of organic growth in the year, and this we expect to continue. If you just look at the BRIC countries on its own, they have 21% organic growth in the year and represents about 4% of our total revenue, so very pleased with that.

And if we then turn to our operating margin on page ten, overall, as I said it's actually the highest margin in cash terms so 4,388 billion is the highest we've ever achieved and from that perspective we're very satisfied with it. The margin itself went from 5.8 to 5.7 so only up by 2% means of course that we have a lower ratio than the year before.

This actually has to be seen in light of some difficult economic conditions in the Mediterranean countries, so Spain, where we've had in the catering business, a lower spend by our customers in the hospitals, Portugal is a little bit under pressure, Greece, of course, is a country under pressure, and then we have some operational challenges in Netherlands. We also talked about those in Q3. These are predominantly to do with our labour market conditions which are not just ISS but in general in Netherlands and we are working very hard on that.

The upside is Switzerland, UK, Turkey, Asia, all of them moving along quite nicely on the margin side. I've also seen the Nordic margin still holding up, the high margins, so very pleased with that. We also invested in some start-ups of national, international IFS contracts during the year, and particularly in the US where we've started up a very big contract with a big international IT provider. We have made some further investments to make sure we can capitalise on that contract with the investment infrastructure so it's a choice, it's a deliberate choice that we made early in the year to make sure that we're ready for new contract, and actually we've already won two major other IFS contracts in North America, so this is building additional muscles. In the past we used to do that by making acquisitions. This is an area where we're spending a little bit of our operational margin on making sure that we expand our capabilities.

All in all, very happy with that, very happy with the capabilities we're building up, very happy with the margin overall, of course with a little bit less in percentage terms of sales but within exactly what we said at third quarter, and particularly taking into account that we also strengthened our capabilities by investing organically as opposed to via acquisitions. This is exactly what we wanted to do.

So, of course, we are still focussed very heavily on our operational focus, particularly still in France and in the Netherlands, but also in the rest of the world, particularly in Mediterranean region; we have to be very careful what businesses to go into. Public services is not as attractive as it used to be but in general we're doing quite well on following up on all of our businesses across the world, hence the good results also on the operating margin.

So let's hear a little bit more about the numbers from Hendrik, so I would like to welcome Hendrik Andersen who joined us last year and was introduced at the last call. This time; first time Hendrik gets the responsibility of CFO going through the presentation. Welcome, Hendrik, and please take us through the numbers for the year.

Hendrik Andersen – *ISS Group CFO*

Thank you so much, Jeff, probably couldn't be a bigger pleasure with the set of numbers in front of us here, so if we just turn to slide 12, if we just, as Jeff alluded to, our revenue from continuing business grew by 7%, which also had an underlying organic growth of 6.2. The operating profit is 4 billion, 388 million, which is the highest in the history of ISS and, of course, we have delivered a strong cash conversion in what we call the challenged macroeconomic environment, and I'm sure we'll come back to that a little later.

Just below, you will see sort of a bit more highlights on the organic growth operating margin and cash flow, and I will just say here I think on the organic growth side it's the third bullet which is that all regions achieved positive organic growth in 2011 with both North America, Latin America and Asia delivering double-digit organic growth as the real highlight.

In the operating margin it's clear that we came out at 4.7 in 2011 versus the 5.8 in '10, and I will say here, highlight is clearly the emerging markets delivering an operating margin of 6.9, well above most mature markets, and therefore also supports the whole group very well Negative impact was the economic conditions in the Mediterranean region, and of course as we have had start-up of last national and international contracts, they will always influence us in negative, at least for the start-up period of it.

When we look at cash flow and cash conversion we came out in 93%. As a result we are very pleased with. It is due to very strong working capital performance and control, especially in the Western Europe and the Pacific regions where they actually came through Q4 and delivered exceptionally good results up towards the yearend.

This despite of that we can say the cash conversion has been affected negatively by the strong organic growth. We would always have a tied-in to debtors which will probably in the year 2011 have affected us somewhere around 15 points in cash conversion. Over and above that, we saw our debtor base go up by two days by the end of 2011 compared to the end of 2010, and that's something we have our focus on now.

If we go to page 13, this is just illustrative of where we're coming from, comparing back to where we were in 2008, and on the line, the orange line shows the organic growth which started in '8 at 5.9, in '9 where we 0.6, which was really the year where we were hit hardest by the recession, came back 2010 at three and a half, and in 2011, as we just said, at 6.2%, and the bar shows that we are now at a group turnover of 77.6 billion [Danish] in turnover.

Take the chart next to it where we see the operating margin, operating margins since 2008, variances between 5.9, 5.7, 5.8 and 5.7, but I think here we all know that the real importance is the size of the bars in terms of the operating profit which then turned from 3.9 in 2009 to today, 4.4 billion rounded in 2011.

In terms of cash conversion, we can say in the previous years we've always said we'll be close, fairly close to 95, 95 to 100, which we have been for the last many, many years, since the start of 2001/2, but if we look at '11, we came in at 93, and as I said earlier, I think actually it's a number we can be very pleased with in the current macroeconomic situation.

Turn to the next page, slide 14, this is just showing quarter by quarter our development in organic growth where we have seen that the organic growth in '11, quarter by quarter, came out at 5.8, 6.2, 7.0 and 5.7 end of the year, and of course Q4 also being the quarter where we had large start-up in 2010 that quarter, so we'll always be comparing like for like, quarter by quarter.

The Q4 revenue growth in the chart above, you see 4.7% in the Q4 2011. We didn't do any acquisition and we had a small adjustment for FX of 0.1. We did divestments of two and a half percent which meant that our revenue growth came in at net 3.1% in here. If we take the divestments you will see that from the note in the annual report, but it's predominantly [Vatro] it's the washroom services in the Nordic, and then we've done some industrial services in Belgium, so that was the primary, and then we haven't had a 2011 effect yet of the divestment of House of Coffee but that will come for 2012. So overall we ended up having 7.1% from the continuing business and then we will have an overall revenue growth of 4.9% in 2011, which we are very pleased with.

Turn to slide number 15: this just coming back to Jeff's point that we had a positive organic growth in all regions, and clearly people focussing on the Asia, Latin American, North America, where we have double digit growth. I think take away from here also that we had a Western Europe doing 4%. That was where we also had some divestments. We had 4% in the Nordic and then Eastern Europe came back with 2% for the year, but in reality Eastern Europe started the year by being below zero, and then in the second half of the year Eastern Europe came back with very positive organic growth, and some of that you will see also highlighted in the text in the annual report from some of the contract wins. So overall 6.2%, and as I said, very pleased with that.

Operating margin by ISS region on page 16, you will see there Western Europe is a tenth down compared to '10, and as Jeff referred to, that's predominantly Netherlands. It's Spain, Portugal and it's Germany. In the Nordic we are slightly lower, from 7.2 to 7.0, which is down to a shortfall in Denmark particularly, and then rest of it, Asia is forward generally across the piece doing very well, Pacific slightly backwards which is down to only two countries, but Australia in that sense, and in Latin America we are a tenth forward. North America we are from 5 to 3.4, and I think we, during the quarterly last year, all talked about the reason for it and that's the big start-up in our investment in the IFS over there.

Eastern Europe slightly below. I think the first half of the year we all had a lot of focus on how to address the contracts, especially in the countries where we were hard hit in Eastern Europe, so they were slightly below 2010, but we believe that that will do, and do better in '12, going forward, so overall, group 5.8 to 5.7 is the percentage, so end of it.

If we go to slide 17, just showing you the overview of the financials where the operating profit, as we've alluded to a number of times, is 4, 388 billion versus 4,310, comes to operating margin of 5.7 versus 5.8. Operating profit of the other items came in at 4,165 versus 4,192, and especially there you will notice from the other expense and income side that that is the exit and IPO cost having an effect there. Organic growth, 6.2 versus 3.5 on that one.

I think this is the time I'll just take the opportunity to hand to Barbara, for Barbara to go through the capital structure and the maturity graph.

Barbara Jensen – *ISS Group Treasurer*

Thank you, Hendrik. If you change to slide number 19, you can see that we are still demonstrating that we are committed to the deleveraging of the company. At yearend 2011 we were looking at a leverage and at that CBDA of 5.81, and I think what is important to bear in mind is the absolute, absolute level of debt. If you look at the level of net debt, it was paid down with 714 million in 2011, which is more than two and a half times more than what we did deleveraged back in 2010, so clearly demonstrating that deleveraging is a high priority of the company.

The total net debt level in 2011 ended also, for the first time for a number of years, below 30 billion, namely at 29,905 DKK. Bear in mind this chart is looking at the seasonality adjusted carrying amount of our net debt and there is a small change compared to previous years of the classification of our interest on defined benefit plans and interest on other long term benefits, and the explanation on this can be seen in the full annual report.

If you turn to slide number 20, you have a full breakdown of the capital structure. What I would like to highlight here is, of course, that 2011 was very important for ISS because since the IPO did not go through, we managed to address the maturity profile and the upcoming maturities in ’12 and ’13 given the amend and extend, and there we have now made sure that we have a comfortable level of maturity on the various debts we have on our capital structure.

The repayment and amortisations on our senior facilities amounted to 987 million DKK, but also we had some additional drawings on the working capital facilities and on our securitisations so as mentioned before, when it comes to the amount of our carrying, amount of net debt, that ended at the 29,955 DKK.

If you turn to slide number 21 you can see here the maturity of our credit facilities. As mentioned we don’t have any short term refinancing needs ahead of us. What is maturing in 2012 and 2013 with the blue bars are all the scheduled amortisations on our senior facilities where the acquisition A and term loan A are maturing this year, and otherwise it is also the portion of our B facilities, as well as the revolving credit facility, that were not rolled in the amend and extend last year, so definitely something that we will be able to meet with our operational cash flow.

Securitisation was extended with one year to 2013 in the summer of 2011, and as you know we have the ability to roll the programme once a year with an additional year, so as it is right now, the upcoming maturities that would be relevant to refinance, don’t occur until 2014.

If you turn to slide number 22, we would like to give you some additional information regarding how we work with working capital. As both Hendrik and Jeff alluded to, 2011 was another turbulent year, not only for ISS but also when looking at the economic climate, and in general the access to liquidity.

We like to be in control, we like to have a top priority around the cash flows of the company, and therefore we still continue to work very intensely with our working capital management, prioritising workshops to ensure that we have best practices around the company, making sure that we exchange and learn from each other, from the various regions because we can see that the deterioration of the economic climate hits various places in the world around us, so definitely a… one of the key priority and focus areas also ahead of us.

Having gone through the results, the key events and priorities of 2011, I’d now like to hand over to Jeff who will give you some insight on the road ahead of us.

Jeff Gravenhorst – *ISS Group CEO*

Thank you, Barbara. If I can draw the attention to page 24: no doubt we're happy with what we're presenting today. I think it has been a very eventful year as I said earlier. We came out strong, fast-growing company. Clearly, what we want to make absolutely sure is that our strategic direction for the company is completely unchanged. We are really focussed on servicing our customers, both from a local, regional and global level, with a platform where we are delivering the services with a self-delivery model; that means with our own employees, thereby having the delivery system under control, the way in which we ethically deliver all our services, but also the way that we can harvest on the synergies on the services that are delivered on site.

This is what we said for a long period of time. This is exactly what we want to do going forward. We keep getting confirmation that this is the right thing to do. The customers are asking for these products, both in terms of single service, but definitely the demand for bundling services and actually integrating the services is increasing, and we can see the interest in going forward regionally, and global is also going up quite significantly. So we are here to service the customers both locally, regionally and globally with a broad service offering, and we will continue to do this, as we call it, the ISS way.

But, of course, there are certain things that change because we have the IPO attempt in 2011. Clearly that was stopped by the tsunami… the earthquake and tsunami in Japan where we all remember that absolutely the whole world stood still for a week and we chose not to go ahead with our IPO. Then we, of course, also went through the events with G4S at the end of the year, and I think it's very important that we just come out and confirm that the strategic direction that we have is basically the reason why there was this interest, so basically again also the investors confirm that what we are doing are the right things to do.

So we will continue to do that but it, of course, has some impact and one is that we are now focussing our business for the next couple of years, our owners and my management team, myself, we've promised each other now we'll focus on harvesting on the platform that we built up over so many years, continue to just focus on that, focus even harder on the operations, and therefore we are waiting with the intent of listing until 2015.

Basically that's been our preferred route. We said that for the last six to eight months now also. It is that this is where we're going, so the key target now is to go for that in 2015. There's, of course, nothing set in stone on that, but that's the internal ambition and that just means that we will work on internally deleveraging the company, and making sure the cash flow will go into deleveraging, but also we will accelerate our strategic alignment and this basically means that what we've been very successful over the years is to build our platform, focussing on exactly delivering those services to our customers, and that is what's made us successful so far.

We still have some non-core activities that sort of is in the business, and we will, of course, divest those as we've done in 2011. The level of divestments in 2011 was 2.2% and basically we'll continue to make divestments to align our business. These divestments will, of course, also help us in the deleveraging of our… of the absolute debt in ISS and that is, of course, also something we want to do over the next few years.

So basically all of this can make… can actually lead to that we'll do some adjustments of our mid-term targets for what we presented when we did the IPO back in early 2011. We're not changing anything right now. We're just saying that with the divestments coming through, of course we will, on an on-going basis, say that the top line might be a little bit higher or a little bit lower, depending on whether we make acquisitions or what we divest.

So this is something we'll keep you abreast with. There's nothing new to say at this point in time, but we just want to make sure that everybody puts it into the perspective of now we're going towards a different target than the target at the IPO all the time, and obviously we will live a few years with a different leverage than we would expect to have, had we done the IPO in early 2011. So of course this is just prudent behaviour. It is to make sure that everybody understands that this is what we're focussed on.

So with a very good year, we say thank you very much from us here, and then we'll turn over to the question and answer session. Thank you.

Questions and Answers

Operator

Thank you. We will now begin the question and answer session. If you have a question, please press * then 1 on your touchtone phone. If you wish to be removed from the queue, please press the # key or the pound sign. If you're using a speaker phone, you may need to pick up the handset before pressing the numbers. Once again, if you have a question, please press * then 1 on your touchtone phone. Mr Mitch Reznick from Hermes is on the line with a question. Please go ahead.

Mitch Reznick - *Hermes*

Good morning and thanks for taking my questions. Just on regards to the IPO, I think the message is pretty consistent except for there does seem to be one small change to it. In the past you said, I think in the last quarter that you expect an IPO… target IPO within two years; now you're statistically targeting 2015, so can you just clarify why you've made the change?

Jeff Gravenhorst – *ISS Group CEO*

Yes. In all honesty it's not really a change. We said around two years when we came out of… after G4S when we did the announcement last time. It's simply just to give us the time to focus on the business. 2015 is a good target. None of us knows exactly where the world's going to go over the next few years. I think it's been extremely volatile the last few years. I expect it to be volatile going forward. But it's a target which we… where we can say let's not discuss the IPO because it is about actually focussing on our business and then as we deliver exactly what we say, then we can go back and look at the exit.

Now, this is combined with the fact that we have two very good owners, and these owners are, of course, [looking] us and we're very content with what we have. We believe in the business so we are fine with saying 2015.

Mitch Reznick - *Hermes*

Does it imply that you can't… obviously you described the reason, the principal reason behind the point of the IPO was the event of last spring with the tsunami, etc, but was part of it you felt that, you know, leverage was just too high to extract the kind of value that you want, and this gives you more time to deliver to a point that you find is more amenable?

Jeff Gravenhorst – *ISS Group CEO*

I think we could have done the IPO in the spring but, of course, with the leverage it's… everything has to go exactly to plan and with the tsunami, of course that wasn't planned. I don't think anybody would ever plan that of course, but of course it makes our choices and the flexibility set-up different if we have lower leverage, so it is a positive outcome of focussing the business over the next few years. Partly that's what it is and partly the outcome, giving us more flexibility.

Mitch Reznick - *Hermes*

Okay, and then sort of on that point, you mentioned a debt reduction in absolute terms. Just in the absolute terms, just for avoidance of doubt, are you referring to cash generated, you know, from whether it's working capital or net divestments; is that the reduction in the [gross] debt? Is that… just for the avoidance of doubt? In other words, it's not just cash building, but actually paying down debt?

Hendrik Andersen – *ISS Group CFO*

If… it's Hendrik here, if you could just go to page or slide 19, you'll see that we'll do both, so if we don't do any acquisitions, which we don't… we plan to have as a minimum, and you do divestments, they… exactly the pattern you have on slide 19 is what you would get, would happen over the next three years as well. So it will happen in absolute debt term and it will happen in ratio terms, on a ratio leverage as well.

Mitch Reznick - *Hermes*

And then just one on the operating side, the organic growth range of 4-6% seems fairly wide considering you came in, you know, above 6% for 2011. Can you talk about sort of the breadth of that range and what does that mean also on an overall revenue growth target?

Jeff Gravenhorst – *ISS Group CEO*

I mean the range is wide; I think we all appreciate that. But I think the appreciation is that it is a very, very in-transparent world at the moment so it's basically reflecting that there's a lot of instability in the market I think combined with the fact that the Mediterranean market we are actually looking at it very, very carefully. The public service… the property market has been a very good market for us in the past. It still is a good market but in some of these southern European countries we have to be careful on what growth we have on that, so it really is us being sort of prudent in the way of saying okay, it's difficult to really predict these times, but also that there will be some contracts where we need to be very careful and maybe even exit it in some of the Mediterranean countries, so that's allowing us, giving that space to allow us to do so.

Mitch Reznick - *Hermes*

That kind of implies that, given you some scope on the lower end, if, for example, there's certain, you know, business that you want to exit and divestments?

Jeff Gravenhorst – *ISS Group CEO*

I think this is without divestments. It's organic. It could be that we don't… there's certain public contracts we don't want to continue with if conditions don't improve; that's one thing, but in general we see still good growth opportunities for the company so we'll continue with emerging markets and continue with a strong growth in the rest of Europe.

Mitch Reznick - *Hermes*

And so what does that mean as an overall revenue growth for the year you reckon? That's the organic numbers – what would it be overall revenue growth?

Jeff Gravenhorst – *ISS Group CEO*

It will be within the same range.

Mitch Reznick - *Hermes*

And then…

Jeff Gravenhorst – *ISS Group CEO*

Depending, I'm sorry, we have to just say depending on divestments of course.

Hendrik Andersen – *ISS Group CFO*

If you just look back and say… if you take slide 14, I think you should probably assume that we'll be around the same level in net acquisition of divestments, so that means probably we'll be around the 2% from divestments negative, so therefore you can then adjust on your growth number. I think the real important thing here for us and for you is the organic growth side. The divestment is more… that's not really something we can sit here and plan for upfront.

Mitch Reznick - *Hermes*

And just one last question I get out, and get back in with: on the [bond] of return in 2014, the market is certainly more open than the last call. Just give me your thoughts around that. I know it's touchdown in December. Are you looking to do anything on those bonds this year?

Barbara Jensen – *ISS Group Treasurer*

We always review how the markets look and address the refinancing possibilities we have when we find them appropriate, so I can't give you any conclusions on that at this point.

Mitch Reznick - *Hermes*

Come on, Barbara, that's such a neutral statement.

Barbara Jensen – *ISS Group Treasurer*

Absolutely.

Mitch Reznick - *Hermes*

I can't get anything out of you. All right, thanks very much.

Hendrik Andersen – *ISS Group CFO*

One which is just saying look at the maturity graph and say we are in a perfect shape. We can repay what we have and what is maturing in the next two years and that's actually what gives the stability to the company and continues our path, and that's what we want to do.

Mitch Reznick - *Hermes*

All right. Thank you very much.

Operator

Thank you. And the next, Julien Rerolle from Spread Research is on the line with a question. Please go ahead.

Julien Rerolle – *Spread Research*

Yes. Hello. I'd like to know if you could disclose your [EBITDA] and leverage target for 2015 when you would like to do your IPO, and the other question is related to the Mediterranean [self] and EBITDA, whether you could disclose what is the actual business you do in this region, thank you.

Hendrik Andersen – *ISS Group CFO*

The very short answer to above them are no but the [more] is saying we will have no intent of releasing a three years' forecast of an EBITDA or [EBIDA] number for '15, so we'll take that within a normal outlook guidance and work throughout our plan.

Julien Rerolle – *Spread Research*

Thanks.

Operator

Thank you. Once again, ladies and gentlemen, please press *1 on your telephone to ask a question. Next online it's Andrew Louw from Limestone Advisors. Please go ahead with your question.

Andrew Louw – *Limestone Advisors*

Good morning. In terms of the payment terms from governments in Southern Europe, could you give me indication in terms of debtor days, what the increase has been?

Hendrik Andersen – *ISS Group CFO*

I don't think I will give increase specifically on certain clients or generally. What we have experienced is that we have seen an increase in debtor days in the southern region. However, we're addressing both the four countries there, which are of course Greece, Italy, Spain and

Portugal, directly, and we are also talking directly with the government bodies there because of course we know that they will release some of that when we're coming into part of the packages being released to the countries in 2012, so we are aware of it and we know exactly how we do it because we take it customer by customer.

Andrew Louw – *Limestone Advisors*

Okay, and is it in particular sectors?

Hendrik Andersen – *ISS Group CFO*

It's public sector and we are predominantly public offices and then also the healthcare segments; those are the two big segments we're talking about.

Andrew Louw – *Limestone Advisors*

Okay, and I don't want to push you too hard for an exact number, but if you could just give me a ballpark figure or maybe an order of magnitude of change, that would be very helpful.

Hendrik Andersen – *ISS Group CFO*

In terms of from one year to the other or on those countries?

Andrew Louw – *Limestone Advisors*

Yes, the debt data, you know, did they double, did they increase significantly? What is sort of the ballpark range?

Hendrik Andersen – *ISS Group CFO*

We can say the group went up with two days, some of those countries going up with individual specific targets. But on the other hand we shouldn't forget that when we actually do reduce our top lines in a couple of the areas, debtor days goes up. That's just pure mathematics, so therefore you can't just look at the debtor days. We're quite pleased with how we're able to track it. We're quite pleased with the progress and we are being paid in some of the areas, but only via the normal direct approach to customer by customer.

Andrew Louw – *Limestone Advisors*

Thanks very much. Good luck.

Operator

Thank you and a follow up question from Mitch Reznick from Hermes. Please go ahead.

Mitch Reznick - *Hermes*

No, the question that I had has been asked and answered, so all good, thank you.

Operator

Thank you. There are no further questions at this time.

Jeff Gravenhorst – *ISS Group CEO*

Okay, with that, thank you very much, and I wish you all a good day. Thank you.

Operator

Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.