TRADING UPDATE FOR 1 JANUARY – 31 MARCH 2020

Solid organic growth and strong liquidity despite significant COVID-19 impact towards the quarter-end

HIGHLIGHTS

- Revenue increased by 2.4% year-over-year in Q1 2020 with solid organic growth of 4.1% driven in particular by key account organic growth of 9.1% and strong demand for deep-cleaning and disinfection services.
- Our number one priority is the health and safety of our colleagues. At the same time, we are taking a central role in the business continuity plans of thousands of customers around the world.
- With the COVID-19 crisis unfolding, we have seen an increasing impact on our operations over the last weeks. The estimated negative organic growth in April was around 20%. In isolation the estimated negative organic growth impact from COVID-19 was around 25% with an operating profit drop-through of around 25%.
- As a result of the sudden short-term reduction in activity, we focus on cost control and cash generation. We are adjusting our cost base and investments and have had to furlough or lay-off many hard-working employees.
- Total readily available liquidity was strong at above DKK 11 billion at 30 April 2020 (20 March 2020 announcement: above DKK 8 billion) positively impacted since our update 20 March 2020 by additional undrawn liquidity facilities of DKK 2.2 billion and broadly neutral free cash flow. We have no financial covenants and no short-term debt maturities.
- Following the IT malware attack, we have now regained control of the vast majority of our IT infrastructure and have relaunched business-critical systems in the vast majority of operations. The negative impact in 2020 on organic growth and operating profit before other items, as a result of the IT security incident, is estimated to be immaterial. The net negative one-off impact in 2020-2021 on free cash flow is estimated to be DKK 500-750 million (previously DKK 450-800 million).
- On 20 March 2020 we withdrew the proposal to pay an ordinary dividend in 2020 and also withdrew the outlook for 2020 as the short-term negative consequences and duration of COVID-19 remain too uncertain to estimate.

Jeff Gravenhorst Group CEO, ISS A/S, said:
"Our number one priority is the health and safety of our employees and our customers. Our solid organic growth, our ability to adapt swiftly to unprecedented circumstances, as well as the central role we take in the business continuity plans of our customers are all the result of our strategic focus towards key accounts. I am immensely proud of the hard work of all of my colleagues and the role ISS currently plays in society at large. The awareness and perception of the role of facility services and the work of our employees have changed significantly. With our international reach, flexible costs base and solid liquidity, ISS is well positioned to come out as an even stronger company."

Lord Allen of Kensington Kt CBE
Chairman

Jeff Gravenhorst
Group CEO

GROUP PERFORMANCE

REVENUE DEVELOPMENT [1)]

Group revenue for Q1 2020 was DKK 19.1 billion, an increase of 2.4% compared with the same period last year. Organic growth was 4.1%, while acquisitions and divestments, net reduced revenue by 1.7%.

Organic growth was driven by key accounts including the Deutsche Telekom contract launched in July 2019. The demand for projects and above-base work was strong, especially with regards to specialised deep cleaning and disinfection. While performance was stronger than expected for most of the quarter, we faced double-digit negative organic growth during the second half of March 2020 as COVID-19 lockdowns started to spread.

Despite these negative effects, most regions delivered positive organic growth with Continental Europe delivering double-digit growth.

BUSINESS DEVELOPMENT

Delivering service solutions to our key account customers, especially Integrated Facility Services (IFS), is a key part of our strategy. Our key account customers comprise all our global key accounts as well as regional and country key accounts. In total, key accounts represented 65% of Group revenue in Q1 2020 (2019: 63%).

Revenue from key accounts increased organically by 9.1% in Q1 2020 to DKK 12.5 billion, supported by the launch of the Deutsche Telekom contract in July 2019 as well as strong key account growth, especially in the UK, Australia and the US. This was partly offset by negative growth due to the expiry of the Novartis contract per 31 December 2019 with approximately 25% of the service delivery being retained.

Since full-year results published in February 2020, we have signed a new key account contract with Vestel City in Turkey. In addition, we extended, expanded or lost a few other key contracts, see the contract overview below. The general bidding environment has recently slowed down materially across the globe as a result of COVID-19. As such, in the short term we expect a low level of new wins but also a high retention rate.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing this Trading Update, management made various judgements, estimates and assumptions concerning recognition and measurement of the Group's revenue. Due to the current elevated global uncertainties on the back of COVID-19, these judgements, estimates and assumptions could result in outcomes that require an adjustment to recognised revenue in future periods.

REVENUE AND GROWTH Q1 2020

DKK million	Q1 2020	Q1 2019	Organic growth	Acq./div.	Currency adj.	Growth Q1 2020
Continental Europe	7,505	7,083	10 %	(4)%	(0)%	6 %
Northern Europe	5,948	6,061	(1)%	(0)%	(1)%	(2)%
Asia & Pacific	3,440	3,357	3 %	(0)%	(1)%	2 %
Americas	2,115	2,013	2 %	-	3 %	5 %
Other countries	134	179	(11)%	(16)%	2 %	(25)%
Corporate / eliminations	(11)	(12)	-	-	-	-
Group	**19,131**	**18,681**	**4.1 %**	**(1.7)%**	**0.0 %**	**2.4 %**

MAJOR KEY ACCOUNT DEVELOPMENTS [2)]	COUNTRIES	SEGMENT	TERM	EFFECTIVE DATE
WINS				
Vestel City	Turkey	Industry & Manufactoring	5 years	Q1 2020
EXTENSIONS/EXPANSIONS				
The Co-operative Group	UK	Retail and Wholesale	5 years	Q1 2020
Hotel Customer	Norway	Hotels, Leisure & Entertainment	4 years	Q2 2020
LOSSES/REDUCTIONS				
Belgian Railways	Belgium	Transportation and Infrastructure	-	Q2 2020
GLH Hotels	UK	Hotels, Leisure & Entertainment	-	Q2 2020

[1)] All comments covering revenue and organic growth are on continuing operations.
[2)] Update since Annual Report 2019.

REGIONAL PERFORMANCE

CONTINENTAL EUROPE

Revenue increased 6% to DKK 7,505 million in the first three months of 2020 compared with the same period last year. Organic growth was 10% (Q4 2019: 15%), while acquisitions and divestments, net decreased revenue by 4%. Growth was mainly driven by Germany and Turkey. In Germany, the strong organic growth was driven by the launch of the Deutsche Telekom contract 1 July 2019. While the stabilisation plan on Deutsche Telekom is still ongoing, and somewhat behind plan as a result of the IT malware attack, we are seeing an increasing amount of projects and above-base work. Furthermore, growth in Turkey was driven by price increases due to high inflation and launch of a new contract with a customer in the Industry and Manufacturing segment. This was partly offset by negative growth in France, mainly due to contract exits and impacts relating to the malware attack as well as negative growth in Switzerland and Austria following the expiry of the Novartis contract per 31 December 2019 with approximately 25% of the service delivery being retained.

NORTHERN EUROPE

Revenue decreased 2% to DKK 5,948 million in Q1 2020 compared with the same period last year. Organic growth was negative 1% (Q4 2019: 3%) and currency effects impacted revenue negatively by 1%. All countries, except the UK, experienced negative organic growth. In both Norway and Denmark, the negative growth was among others due to less projects and above-base work, partly as a result of the IT malware attack as well as COVID-19. Norway in particular was negatively impacted by early COVID-19 measures as a result of a higher than average exposure to food services, hotels and airports. This was partly offset by solid growth in the UK based on continuing high demand for projects and above-base work from key account customers.

ASIA & PACIFIC

Revenue increased 2% to DKK 3,440 million in Q1 2020 compared with the same period last year. Organic growth was 3% (Q4 2019: 5%), while currency effects reduced revenue by 1%. Most countries delivered positive organic growth with Australia, Singapore and Indonesia as the biggest contributors. In Australia, growth was driven by solid commercial momentum with key accounts as well as demand for projects and above-base work, including deep cleaning and disinfection due to COVID-19. Growth was further supported by Singapore and Indonesia, especially within projects and above-base work. This was partly offset by negative COVID-19 impacts in China and Hong Kong.

AMERICAS

Revenue increased 5% to DKK 2,115 million in the first three months of 2020 compared with the same period last year. Organic growth was 2% (Q4 2019: 4%) and currency effects impacted revenue positively by 3%. North America delivered positive organic growth driven by strong demand from key account customers for projects and above-base work. This was partly offset by negative impacts from COVID-19 in food services as well as continued impact from the planned exits from small specialised services contracts.

DIVESTMENT PROGRAM

In 2018, we announced our intention to divest 15 countries and a number of business units. By the end of 2019, four of these countries had been divested.

During the first three months of 2020, we divested some minor non-core activities in Austria and Singapore. We also completed the divestment of Parking Management in Indonesia, which was classified as held for sale at 31 December 2019.

The strategic divestment programme has been progressing well, but most negotiations are effectively now on hold as a result of COVID-19. We remain committed to finalising the divestment program while focusing on executing divestments at adequate valuations, although with a potential delay against our 2020 completion target date.

COVID-19 UPDATE

PEOPLE ARE OUR PRIORITY

As a responsible company, we remain committed to the highest social standards. Our number one priority is the health and safety of our customers and employees, many of whom are doing incredible work on the frontline, supporting vital public and private sector organisations in the response to the crisis.

CONTINUING TO SUPPORT OUR CUSTOMERS

ISS currently takes on a central role in the business continuity plans of thousands of customers around the world – helping them react swiftly and consistently across services, sites and countries. While we face significant short-term net negative impacts on activity levels from Q2 2020, we are also seeing high demand for specialised deep cleaning and disinfection. As the world’s largest provider of these services, as well as other key facility services, our more than 400,000 employees across the globe often take on business critical tasks for our customers and society at large.

FINANCIAL IMPACT

The financial implications of COVID-19 remained marginal at Group level until March, with mainly a few countries in Asia being impacted. However, during the second half of March we faced double-digit negative organic growth as a result of an increasing amount of customer sites being locked down across the globe.

In April 2020, the estimated negative organic growth was 20%. In isolation, the estimated negative organic growth impact from COVID-19 was 25% with an operating profit drop-through of around 25%.

Services most severely impacted by the lockdowns are food services (2019: approximately 15% of Group revenue) as well as projects and above-base work (2019: approximately 15% of Group revenue). Other services are also negatively impacted, albeit to a lesser extent. In terms of customer segments, Hotels, Leisure, Sports & Entertainment, Education and Airports (2019: approximately 10% of Group revenue) are most significantly impacted.

OUR WORKFORCE IN LIGHT OF COVID-19

As a result of the sudden short-term drop in activity, like many other businesses, we have had to furlough many hard-working employees. Regretfully, this has also meant some redundancies. We expect most of these to return as the situation normalises.

LIQUIDITY AND CASH FLOW

We have solid liquidity, no cash burn, no financial covenants and no imminent debt maturities.

As a precautionary measure we have in 2020 secured extra liquidity lines, which are fully undrawn.

Total readily available liquidity at 30 April 2020 was above DKK 11 billion (20 March 2020 announcement: above DKK 8 billion). The DKK 3 billion increase since the latest update on 20 March 2020 was supported by additional secured liquidity lines of DKK 2.2 billion and broadly neutral free cash flow – despite the sudden drop in activity. Including benefits from postponed VAT and social contributions offered under government support schemes, cash flow was positive by around DKK 1 billion.

Furthermore, on 20 March 2020, we withdrew the proposal to pay an ordinary dividend of DKK 7.70 per share, in light of the extraordinary circumstances and as an additional precautionary measure. We will assess the appropriate amount to be returned to shareholders in 2020 once we gain more clarity around the ramifications of COVID-19.

We have no financial covenants in our capital structure. In addition, we have no debt maturities in 2020 and the vast majority of our debt (around 90%) does not mature until 2024 onwards.

IT SECURITY INCIDENT

As announced on 19 February 2020, ISS was the target of an IT malware attack on 17 February 2020, and on 20 March 2020, we announced an update on the incident.

The nature of our business is to deliver services on customer sites, mainly through our people, and as such we have been able to continue our service delivery uninterrupted to the vast majority of customers. As such, the negative impact in 2020 on organic growth and operating profit before other items, as a result of the IT security incident, is estimated to be immaterial. There is no indication that any customer data or sensitive personal employee data has been compromised as a result of the malware attack.

We have now regained control of the vast majority of our IT infrastructure and have relaunched business-critical systems in the vast majority of operations.

Incremental costs related to the following activities: remediation of the IT incident, workarounds to enable the continuous delivery of service to our customers, duplication of costs associated with operating our contracts and service underperformance as a consequence of system down-time are estimated to be DKK 300-500 million. These costs will be reported within ‘Other income and expenses, net’.

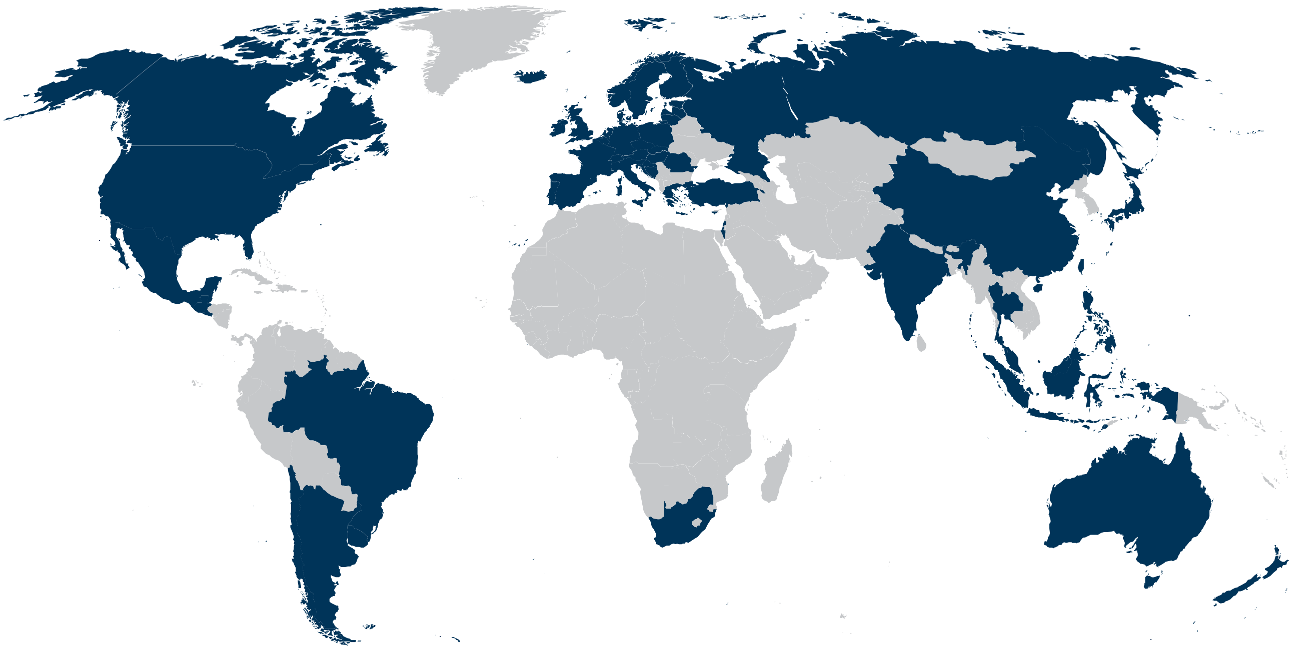
As a consequence of damages to some of our IT assets, a write down and rebuild of part of the IT infrastructure is required. The assessment is ongoing, but the non-cash write-down, which will be reported within ‘Other income and expenses, net’, is expected to be up to DKK 350 million. The net incremental capital expenditure related to the rebuild is expected to be DKK 150-300 million.

In summary, the isolated, combined net negative impact on free cash flow related to the IT security incident in 2020-2021 is estimated to be DKK 500-750 million (previously DKK 450-800 million), of which approximately DKK 400-600 million of the impact is expected in 2020.

OUTLOOK

On 20 March 2020, we announced the withdrawal of the outlook for 2020 as a result of the current elevated global uncertainties on the back of COVID-19. Currently, we are facing negative impacts, but the magnitude remains too uncertain to estimate. Consequently, the outlook for 2020 is pending further clarification of the market developments and the actual financial impact on our business.

OUR GLOBAL FOOTPRINT



ISS is a leading workplace experience and facility management company. In partnership with customers, ISS drives the engagement and well-being of people, minimises the impact on the environment, and protects and maintains property. ISS brings all of this to life through a unique combination of data, insight and service excellence at offices, factories, airports, hospitals and other locations across the globe. In 2019, ISS Group's global revenue amounted to DKK 78.6 billion.