Investor Presentation
2017 Results

22 February 2018

Forward-looking statements

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The Annual Report 2017 of ISS A/S is available at the Group’s website, www.issworld.com.

Agenda

- Highlights
- Regional Performance
- Strategy Update
- Financials
- Outlook
- Q&A
- Appendix

Highlights

Successful strategy evidenced by commercial progress

Selected key contract win and extension in 2017

Shire

BARCLAYS

T

ABB

NatWest

HUAWEI

FORSVARSMINISTERIETS EJENDOMSSTYRELSE

Retail and wholesale company

Solid start to 2018

LEGO

International food and beverage company

Hewlett Packard Enterprise

THE POWER OF THE HUMAN TOUCH

Highlights Q4 2017

Financial Highlights

- Total revenue growth of 1.4% (Q3 2017: 1.7%) *(FY2017: 1.6% vs. FY2016: -0.6%)*
- Organic revenue growth of 3.6% (Q3 2017: 2.3%) *(FY2017: 2.4% vs. FY2016: 3.4%)*
- Operating margin of 6.4% (Q4 2016: 6.7%) *(FY2017: 5.7% vs. FY2016: 5.8%)*
- Last twelve months (LTM) cash conversion of 104% (Q3 2017: 99%)
- Net profit (adjusted) of DKK 604 million (Q4 2016: DKK 929 million) *(FY2017: DKK 2.4 bn. vs. FY2016: DKK 2.9 bn.)*
- Financial leverage of 2.2x (Q4 2016: 2.1x and Q3 2017: 2.7x)
- Proposed ordinary dividend of DKK 7.70 per share

Commercial Highlights

- Revenue from Integrated Facility Services (IFS) increased 6% in Q4 2017 (FY2017: 6%) in local currency (38% of Group revenue in FY2017)
- Revenue from Global Key Accounts increased 6% in Q4 2017 (FY2017: 10%) in local currency (12% of Group revenue in FY2017)
- Significant recent contract wins and expansions include LEGO Group (Global Key Account), an International Production Company (Global Key Account), Department for Business, Energy and Industrial Strategy (UK) and MTR (Hong Kong)
- Partnership with Hewlett Packard Enterprise (Global Key Account) successfully extended to 2021
- Transition and mobilisation of Deutsche Telekom successfully started
- Pipeline remains strong

Regional Performance

Regional performance Q4 2017

Continental Europe
39% of Group

6%
organic growth
(vs. 4% in Q3 2017)

- Growth mainly driven by contract launches in especially Turkey, Germany and Austria…
- … as well as generally strong non-portfolio demand…
- … partly offset by ongoing reduction of public sector exposure in Eastern Europe – Greece in particular
- Sequential improvement driven mainly by non-portfolio demand and higher activity in France
- FY 2017: 4% (FY 2016: 3%)

8.2%
operating margin(1)
(vs. 8.1% in Q4 2016)

- Continued strong margin performance across most countries in the region
- Slight margin improvement supported by higher non-portfolio demand…
- … as well as operational efficiencies across the region
- FY 2017: 6.5% (FY 2016: 6.1%)

Northern Europe
31% of Group

0%
organic growth
(vs. 1% in Q3 2017)

- Growth supported by contract launches, notably in Denmark and Finland …
- … offset by contract losses and downscaling in the Industry & Manufacturing segment in Sweden…
- … as well as the loss of DXC in the UK and lower non-portfolio demand mainly in Norway
- Sequential slow-down driven mainly by the UK and Norway
- FY 2017: 1% (FY 2016: 3%)

7.8%
operating margin(1)
(vs. 8.1% in Q4 2016)

- Decrease due to Sweden – operational challenges (Cleaning and Healthcare)…
- … as well as timing of contract start-ups and contract losses across the region…
- … and our investments in building-out Technical Services credentials
- FY 2017: 7.1% (FY 2016: 7.5%)

(1) Operating profit before other items and corporate costs

Regional performance Q4 2017

Asia Pacific
18% of Group

4%
organic growth
(vs. 1% in Q3 2017)

- Organic growth was mainly driven by contract launches in Australia, Singapore and Indonesia…
- … partly offset by expected negative organic growth in China as a result of our strategic structural adjustments to our operating model
- Sequential improvement driven mainly by the annualisation of 2016 contract losses in Australia
- FY 2017: 1% (FY 2016: 2%)

6.2%
operating margin(1)
(vs. 8.8% in Q4 2016)

- Decline driven mainly by China as a result of the strategic structural revenue reduction and certain one-off cost in the region…
- … as well as contract launches and extensions in Australia…
- … and normalisation of margins in Indonesia (one-off pension related income in Q4 2016)
- … partly offset by solid performance in other countries in the region
- FY 2017: 7.1% (FY 2016: 7.5%)

Americas
12% of Group

8%
organic growth
(vs. 3% in Q3 2017)(2)

- Strong organic growth in North America, driven by project work, contract launches and Guckenheimer, offsetting the loss of DXC in the quarter. Continued strong growth in Mexico and Chile.
- Growth remains materially negative in Brazil, as expected, following strategic structural adjustments
- Sequential improvement driven mainly by particularly strong project work in North America as well as Guckenheimer, supported by insourcing, upselling and new business
- FY 2017: 4% (FY 2016: 6%)

5.4%
operating margin(1)
(vs. 4.5% in Q4 2016)(2)

- Margin negatively impacted by significant contract launches/losses and continued underperformance within the Specialised Services division in North America…
- …more than off-set by strong non-portfolio demand in North America, solid performance in Chile
- FY 2017: 3.6% (FY 2016: 4.1%)

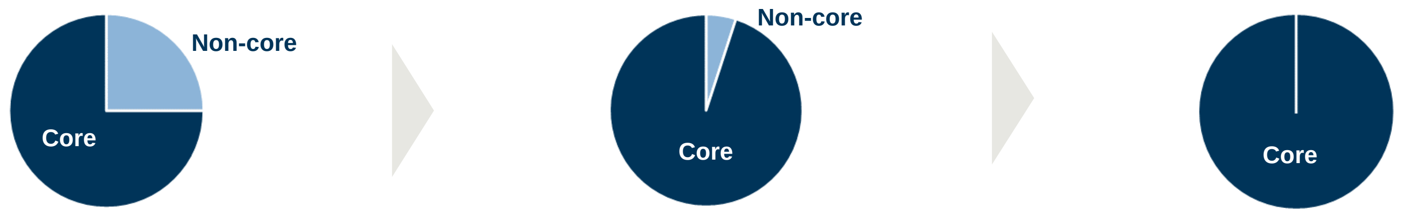
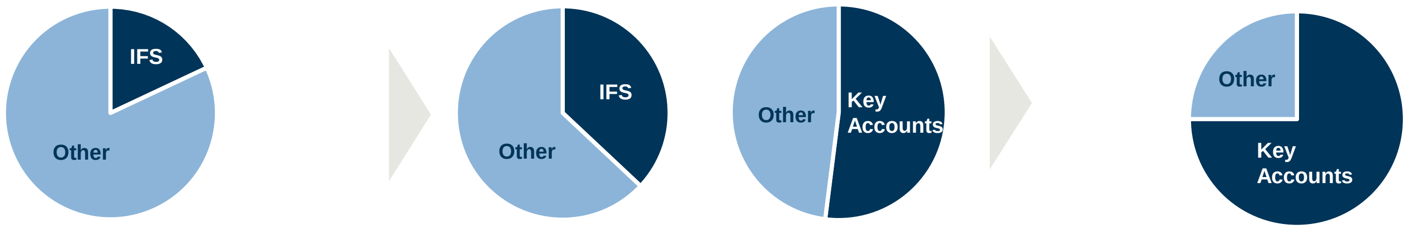
(1) Operating profit before other items and corporate costs
(2) As of 30 June 2017, Argentina and Uruguay have been classified as discontinued operations. Comparative figures have been restated accordingly

Strategy Update

The ISS Way strategy has transformed our business

THE ISS WAY

Strategic choices…

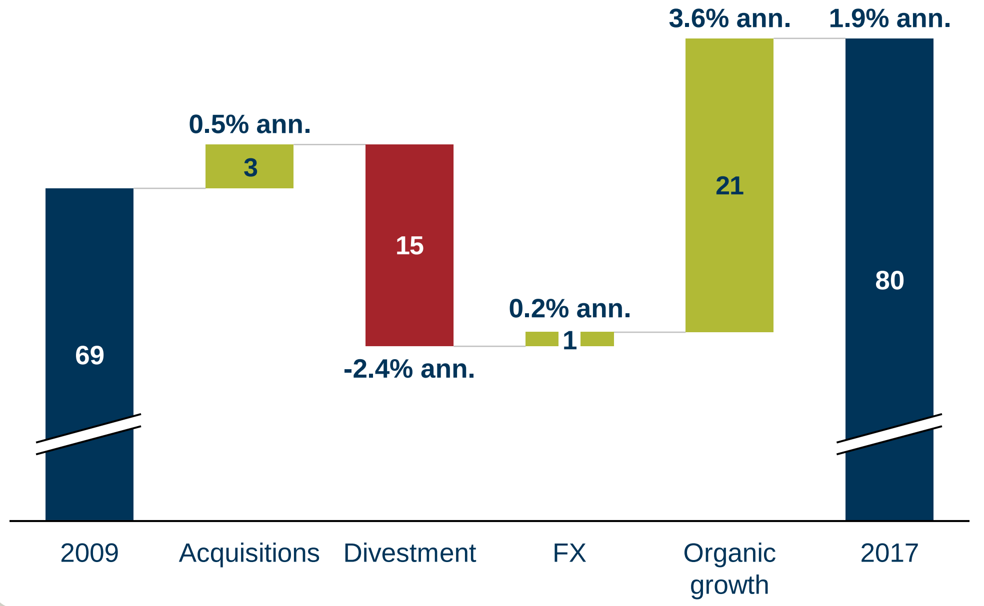
	2009	2017	Long-term aspiration *(for illustrative purpose only)*
Services *(e.g. site-based, not route-based)*			
Geographies	**48** Countries **48** Operating clusters	**44** Countries[1] **32** Operating clusters[1]	Our presence will continue to match the needs of our international Key Accounts
Customers *(e.g. focus on Key Accounts)*			

Our transformation increases quality of revenue and will enable us to capture higher organic growth and robust margins

1) Excluding discontinued operations (Argentina and Uruguay)

Our transformation has had a material impact on revenue…

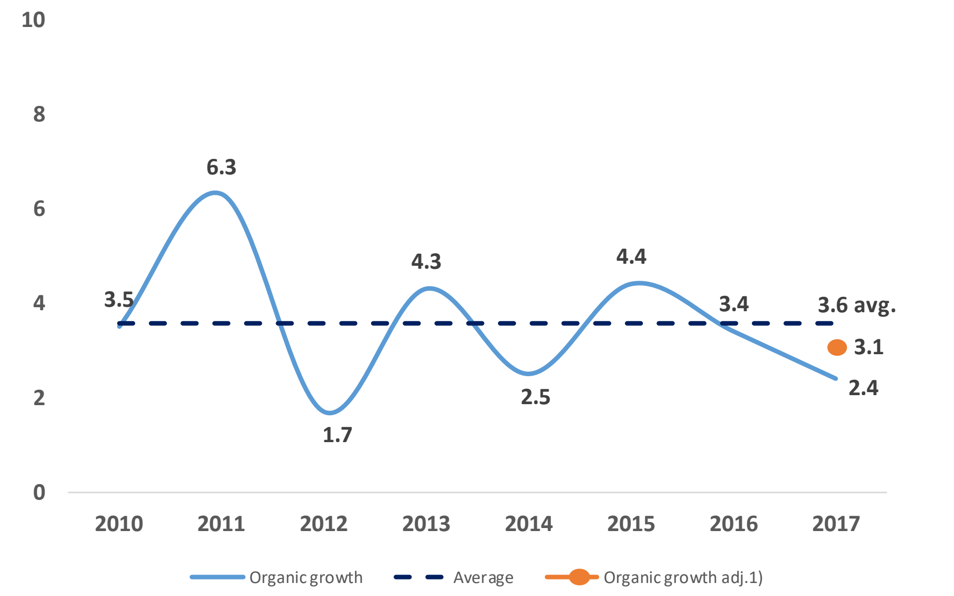
Revenue development



- Strategic divestment of non-core activities (c. 20% of 2009 revenues)…
- … to sharpen our focus on target customers, services and geographies

1) Adjusted for strategic structural adjustments in Brazil and China

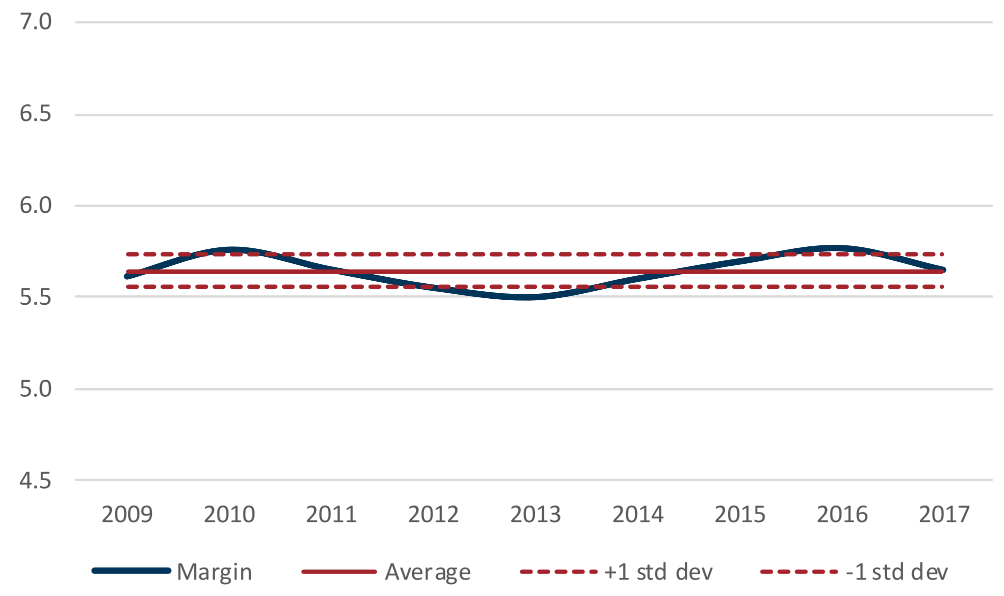
Organic growth (%)



- Resilient organic growth, through the cycle
- 2017 impacted by strategic structural adjustments in Brazil and China (2.4% reported / 3.1% adjusted)

… yet margins have remained robust …

Long-term track record of margin stability...



… despite headwinds

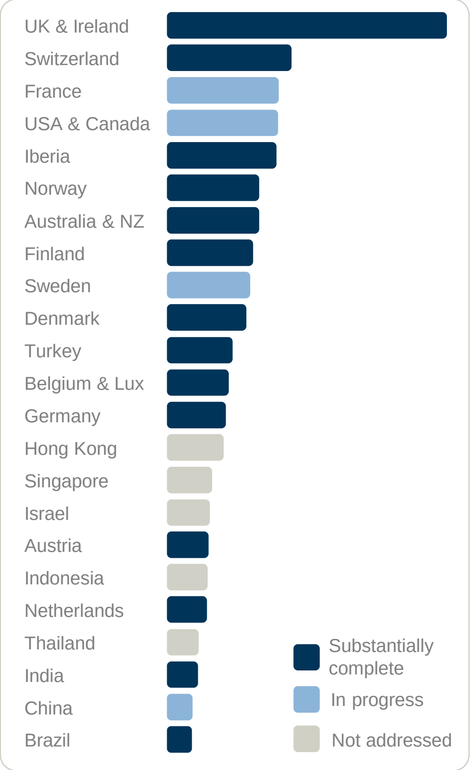
- **Combined margin improvement** of 15 bps.[1)] since IPO (March 2014) despite:
  - Currency translation effects (-6 bps.[2])
  - Strategic divestments and acquisition (-10 bps.[3])
- **Underlying margin** continues to be supported among others by:
  - Key Account focus
  - Roll-out of GREAT
  - Procurement savings
  - Ongoing operational efficiencies

ISS' margin will remain robust

1) Margin development since FY2013 (5.50%)
2) Accumulated annual impact from currency translation effects
3) Accumulated annual impact from acquisitions and divestments

… as ISS is becoming a stronger and more focused organisation

GREAT implementation
Countries covering 81% of revenue in progress or complete



Key countries on the agenda for 2018 include…

North America

- Leverage growth momentum to develop our Key Account organisation…
- … while addressing the legacy business of smaller accounts
- Continue to utilise our acquired catering platform to drive cross-selling...
- … and investigating options to add Technical Services capabilities

Sweden

- Continuing to address the central cost base
- Reorganising the business to shift focus further towards Key Accounts…
- … and leveraging the new pan-Northern Europe Cleaning Excellence team to drive best practice and productivity

France

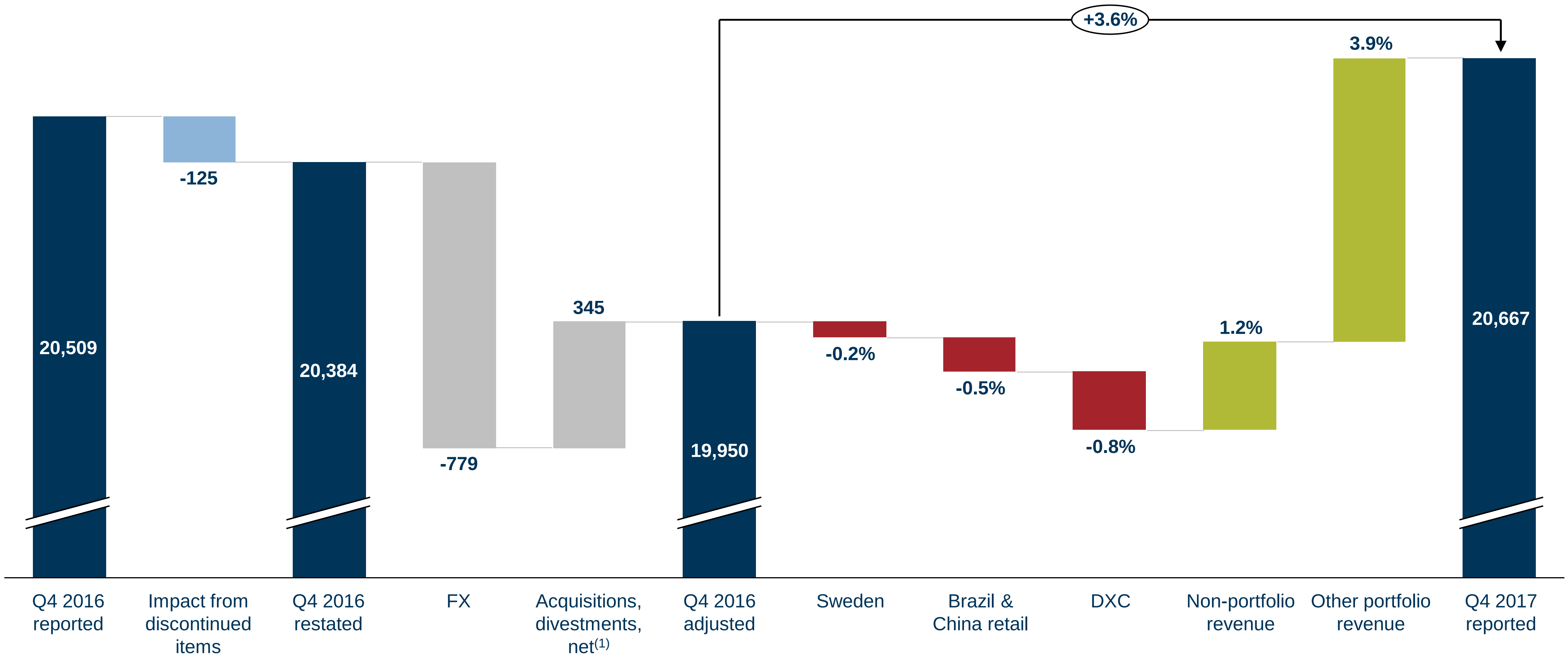
- Significant operational improvements delivered within the current organisational structuring over the last 5 years (Phase 1)…
- … but to unleash the full potential we need to accelerate the GREAT implementation, including a strengthening of our Key Account focus, an adjustment of our service offering and a simplification of the business (Phase 2)

- During 2018-2020, we expect to invest DKK 400-450 million in our GREAT implementation in France and Sweden…
- … with a healthy pay-back on our investment
- 2018 P&L impact of around DKK 300 million heavily weighted towards Q1 2018…
- … with the cash impact phased towards H2 2018
- Investments will lead to significant permanent improvements for the benefit of both growth and margins

Following implementation in these countries our GREAT transformation will be largely complete

Financials

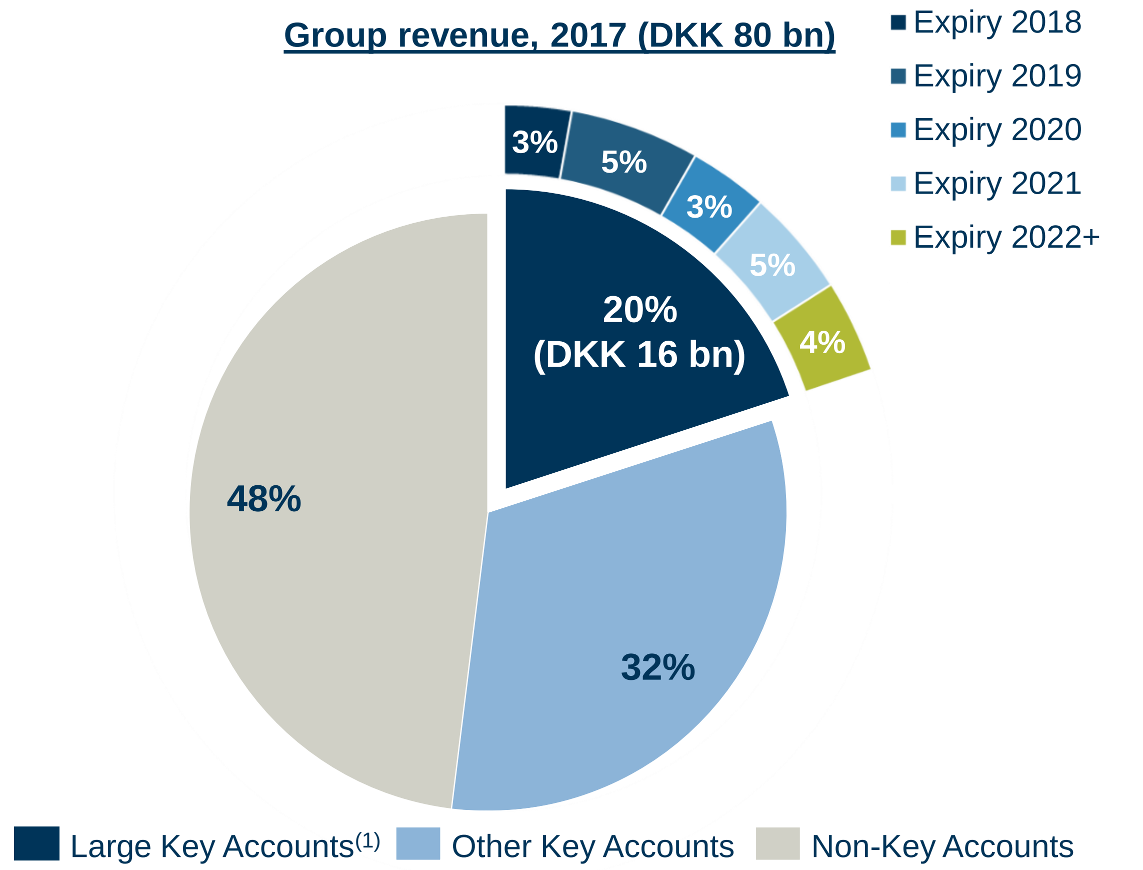
Q4 2017 organic growth drivers (DKK m)



(1) Any acquisitions or divestments completed after 1 October 2016 are included within the adjusted revenue but only for the equivalent period of time that they impact the 2017 reported result..

Less revenue with key contracts up for renewal in 2018

Key contract maturity profile

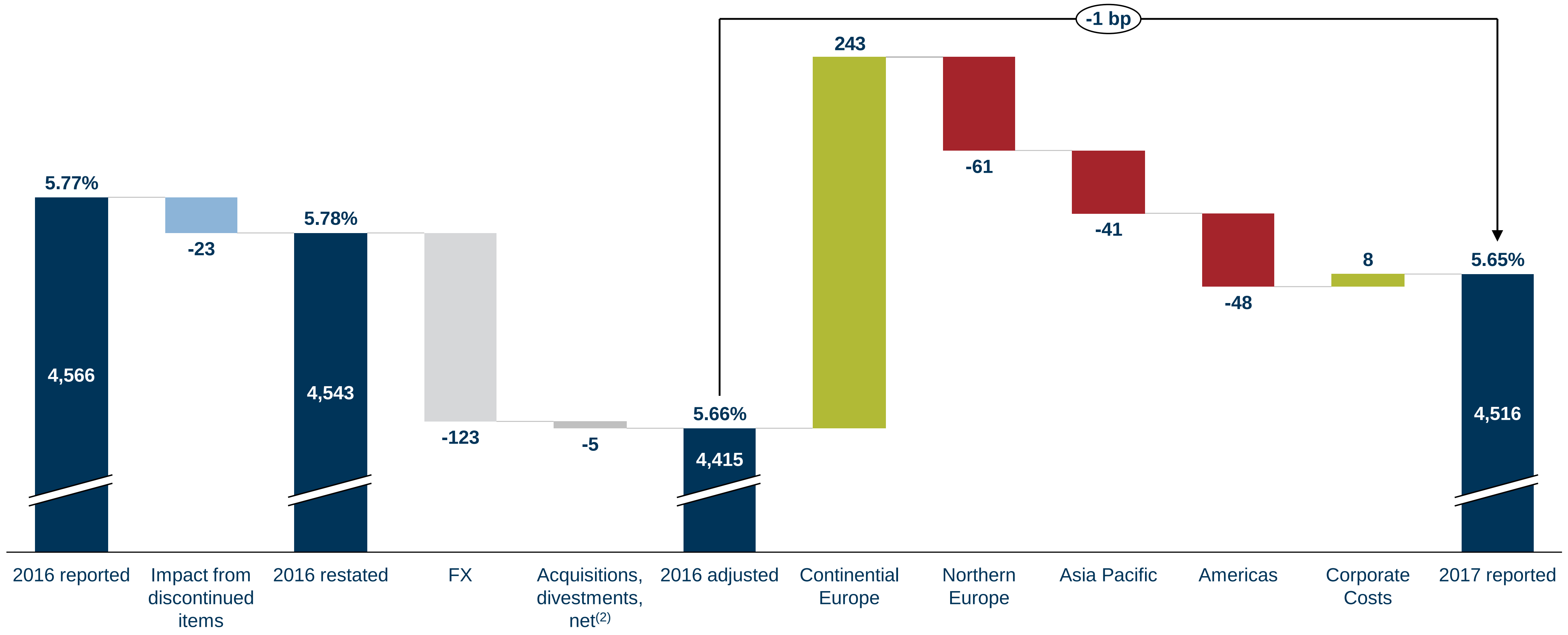


Comments

- Following a year of significant extensions, expansions and reductions with large Key Accounts…
- .. 2018 is set to be a lower than average year in terms of revenue up for renewal…
- … as just 15% of the DKK 16 billion generated by existing large key accounts is up for renewal (average year around 20%)

(1) Existing Global Corporate Clients and Key Accounts with revenue above DKK 200m in 2017 (excl. confirmed losses)

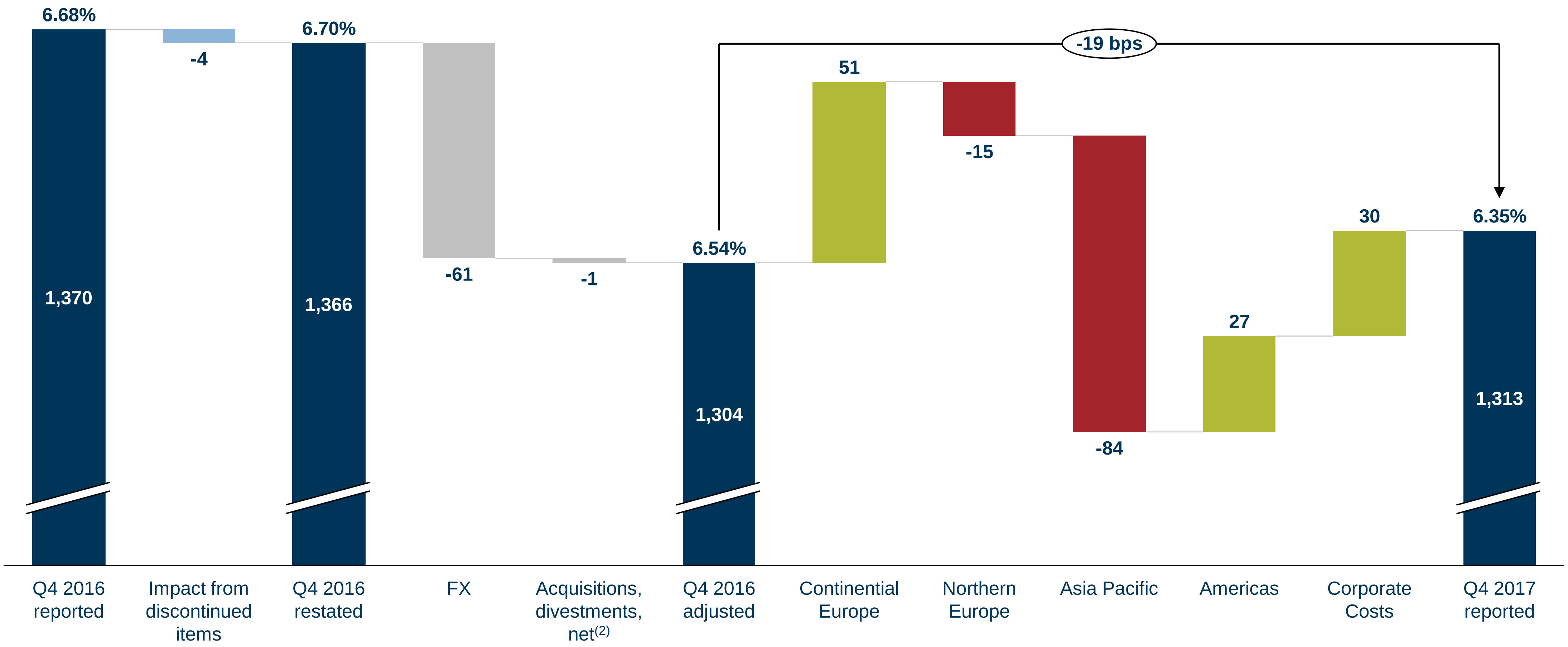
FY2017 operating profit drivers[1)] (DKK m)



(1) Operating profit before other items

(2) Any acquisitions or divestments completed after 1 January 2016 are included within the 2016 adjusted operating profit but only for the equivalent period of time that they impact the 2017 reported result.

Q4 2017 operating profit drivers[1)] (DKK m)



(1) Operating profit before other items

(2) Any acquisitions or divestments completed after 1 January 2016 are included within the Q4 2016 adjusted operating profit but only for the equivalent period of time that they impact the Q4 2017 reported result.

Income Statement

DKK million	Q4 2017	Q4 2016	Δ	2017	2016	Δ
Revenue	**20,667**	**20,384**	**283**	**79,912**	**78,658**	**1,254**
Operating expenses	(19,354)	(19,018)	(336)	(75,396)	(74,115)	(1,281)
Operating profit before other items	**1,313**	**1,366**	**(53)**	**4,516**	**4,543**	**(27)**
Other income and expenses, net	(256)	(9)	(247)	(548)	(132)	(416)
Operating profit	**1,057**	**1,357**	**(300)**	**3,968**	**4,411**	**(443)**
Financial income and expenses, net	(146)	(109)	(37)	(538)	(465)	(73)
Profit before tax	**911**	**1,248**	**(337)**	**3,430**	**3,946**	**(516)**
Income taxes	(278)	(311)	33	(920)	(1,065)	145
Net profit (adjusted) from continuing operations	**633**	**937**	**(304)**	**2,510**	**2,881**	**(371)**
Net profit/(loss) (adjusted) from discontinued operations	(29)	(8)	**(21)**	(86)	(8)	**(78)**
Net profit (adjusted)	**604**	**929**	**(325)**	**2,424**	**2,873**	**(449)**
Goodwill impairment	(90)	(178)	88	(90)	(202)	112
Amortisation and impairment of brands and customer contracts	(128)	(168)	40	(521)	(642)	121
Income tax effect	120	68	52	194	191	3
Net profit (reported)	**506**	**651**	**(145)**	**2,007**	**2,220**	**(213)**
Adjusted EPS, DKK[1]	3.3	5.0	(1.7)	13.1	15.5	(2.4)
Adjusted EPS from continuing operations, DKK[2]	3.4	5.1	(1.6)	13.5	15.6	(2.0)

- DKK 125m net loss on divestments mainly related to the remeasurement of a business held for sale in Northern Europe
- DKK 64m of restructuring projects driven by Sweden as well as implementation of GREAT in other countries
- DKK 42m of acquisition and integration costs (among others Guckenheimer)

DKK million	Q4 2017	Q4 2016
Net interest expense	(95)	(83)
Amortisation of financing fees	(6)	(8)
Refinancing	(20)	-
Other[3]	(21)	(24)
FX	(4)	6
Financial income and expenses, net	**(146)**	**(109)**

Tax impact on Net Profit (Adjusted):
- Effective tax rate of 27% in 2017 (Q4 2017: 31%) impacted by net one-offs – especially the revaluation of deferred tax asset following the US tax reform
- Effective underlying tax rate c.26%

Tax impact on Net Profit (Reported):
- Positively impacted by the revaluation of deferred tax liabilities on brands and customer contracts following the US tax reform
- Net impact from US tax reform on Net Profit (Reported) of DKK -8m

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

Cash Flow

DKK million	Q4 2017	Q4 2016	Δ	2017	2016	Δ
Operating profit before other items	1,313	1,366	(53)	4,516	4,543	(27)
Operating profit from discontinued operations	(6)	4	(10)	(2)	23	(25)
Depreciation and amortisation	177	179	(2)	712	692	20
Changes in provisions, pensions and similar obligations	(100)	(95)	(5)	(246)	(191)	(55)
Cash flow from Operations	**1,384**	**1,454**	**(70)**	**4,980**	**5,067**	**(87)**
Share based payments	5	27	(22)	12	95	(83)
Changes in working capital	1,915	1,719	196	169	(114)	283
Other expenses paid	(106)	(87)	(19)	(396)	(211)	(185)
Net interest paid/received	(120)	(108)	(12)	(340)	(276)	(64)
Income taxes paid	(159)	(264)	105	(812)	(871)	59
Cash flow from operating activities	**2,919**	**2,741**	**178**	**3,613**	**3,690**	**(77)**
Cash flow from investing activities	(229)	(252)	23	(2,335)	(748)	(1,587)
Cash flow from financing activities	55	(977)	1,032	938	(3,087)	4,025
Total cash flow	**2,745**	**1,512**	**1,233**	**2,216**	**(145)**	**2,361**
Free Cash Flow(1)	**2,697**	**2,412**	**285**	**2,699**	**2,910**	**(211)**

Change mainly driven by quarterly timing differences as well as a negotiated reduction in a pension obligation in Continental Europe (approximately DKK 60m)

Cash conversion of 104% (2016: 98%), driven by generally strong performance as well as timing of year-end collections and payments

DKK 57m of transition and migration expenses paid in 2017 related to Deutsche Telekom

Increase driven by ongoing implementation of GREAT - most notably in the Netherlands and France, restructuring in Sweden and Brazil as well as Acquisition and integration cost among others related to Guckenheimer

Higher net interest paid mainly due to timing of the first annual interest payment in Q1 2017 of 5-year EMTM bond maturing in 2021

Lower cash tax mainly due to lower on-account payments in a few countries as well as a tax refund in Q4 related to acquired tax assets of Guckenheimer

Increase driven by acquisition of Guckenheimer of DKK 1.5bn

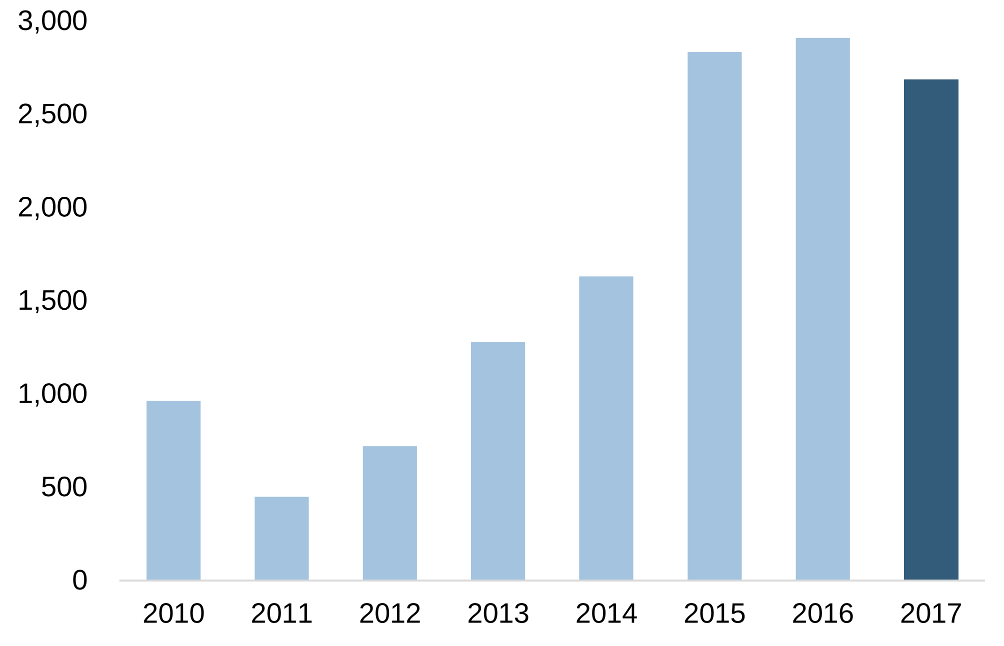
Net cash inflow of DKK 938m mainly related to the issuance of the 10-year of EUR 600m bond in August, partly offset by the repayment of EUR 300m Term Loan B and dividends paid to shareholders

Reduction driven mainly by higher CAPEX (+DKK 102m) and higher restructuring (+DKK 128m) cash outflow

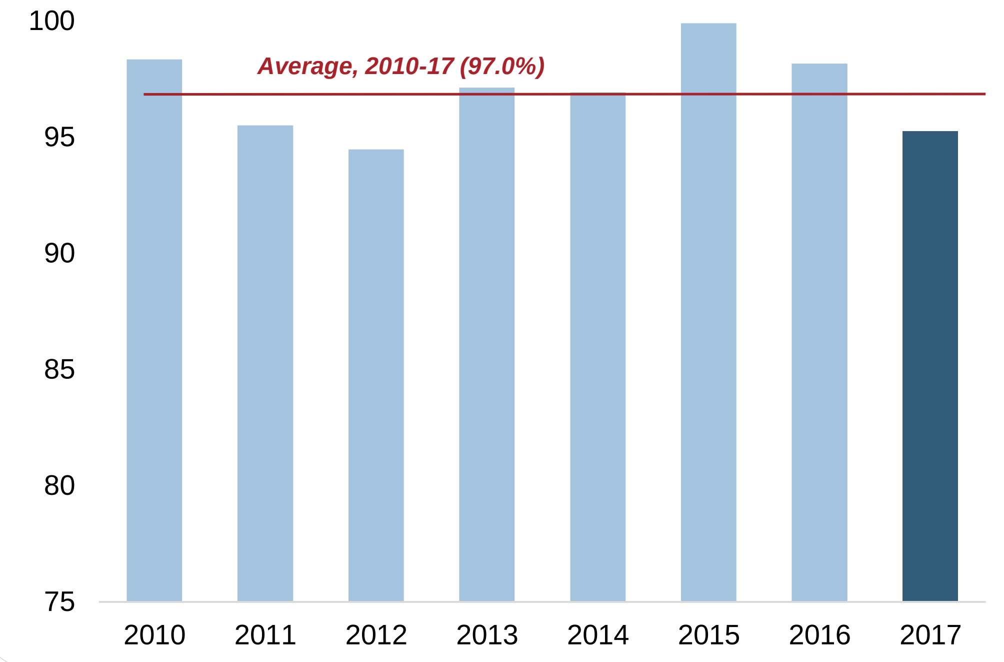
(1) Cash flow from operating activities + (Cash flow from investing activities less acquisition/divestment of businesses, net)

Continued strong cash flow

Free Cash Flow(1)



Conversion of EBITDA (Adjusted) to Operating Cash Flow(2) *(%)*



Earnings quality illustrated by a consistently strong conversion of EBITDA into Operating Cash Flow

(1) Cash flow from operating activities + (Cash flow from investing activities less acquisition/divestment of businesses, net)
(2) EBITDA before other items – Share based payments – Changed in provisions, pensions and similar obligations

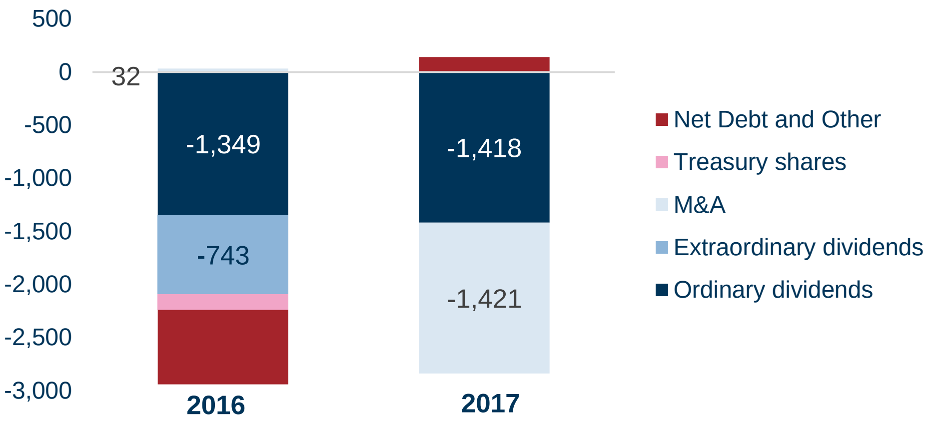
Capital allocation: Proposing DKK 7.70 per share ordinary dividend

What we have communicated….

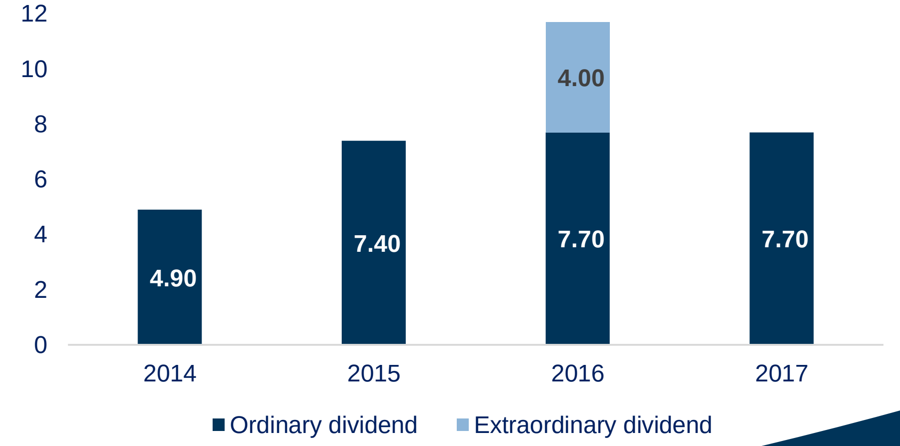
	Objective	Comment
1.	Capital structure	Maintain a strong and efficient balance sheet with an investment grade financial profile and leverage < 2.5x
2.	Capital expenditure/net working capital	Meet the modest, ongoing capital needs of the business
3.	Ordinary dividend	Targeted payout ratio of approximately 50% of net income (adjusted)
4.	Acquisitions and divestments	Further portfolio optimisation and highly selective acquisitions
5.	Additional shareholder returns	Extraordinary dividends or share buy-backs

What we delivered on in 2017…

Allocation of FCF (DKKm)



Dividends (DKK per share)



Outlook

Outlook 2018

Organic Growth
'1.5 - 3.5%'
(2017: 2.4%)

- **In most of our major countries, current macroeconomic conditions appear broadly supportive, with the exception of the UK where BREXIT-related uncertainty persists**
- **As such, we expect continued strong growth from key accounts, driven by both expansion of existing customer relationships and new customer wins**
- **The negative effect from lost revenue with DXC, HP Inc. and the EMEA operations of one other global key account will impact most of the year and will partially offset progress elsewhere**
- **We see continued healthy growth coming from our Emerging Market countries**

Impact on total revenue from divestments, acquisitions and foreign exchange rates in 2018
- We expect a negative impact on revenue growth from development in foreign exchange rates of approximately 4%[1)]
- We expect a neutral impact on revenue growth from divestments and acquisitions[2)]

Operating Margin
'Around 5.6% excl. acquisitions, divestments and FX'
(2017: 5.65%)

- **We expect the loss of mature and sizable contracts to have a dilutive impact which will be partially mitigated by our ongoing focus on cost and efficiency initiatives.**

Cash Conversion
'Above 90%'
(2017: 104%)

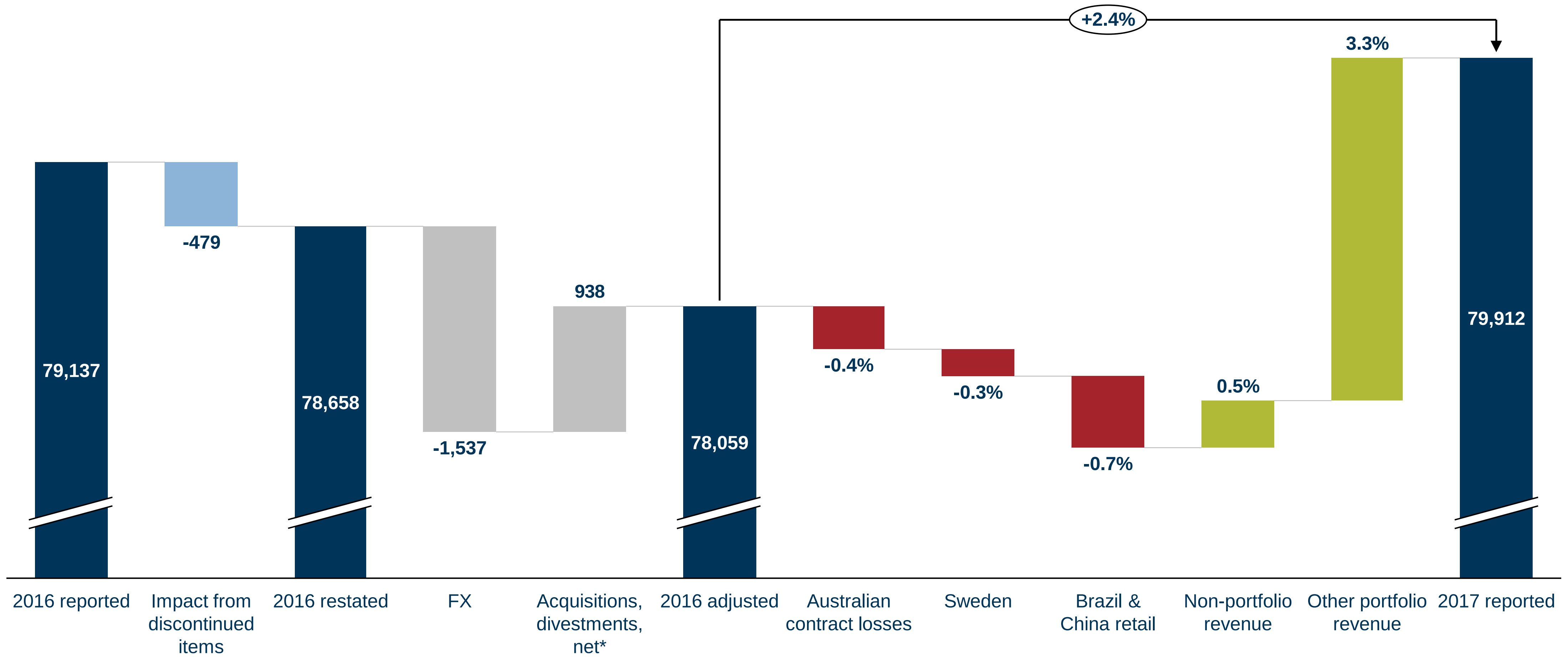
- **Cash conversion will continue to be a priority in 2018**

1) *The forecasted average exchange rates for the financial year 2018 are calculated using the realised average exchange rates for the first month of 2018 and the average forward exchange rates for the last eleven months of 2018.*
2) *Includes divestments and acquisitions completed by 15 February 2018 (including in 2017).*

Q&A

Appendix

FY2017 organic growth drivers (DKK m)



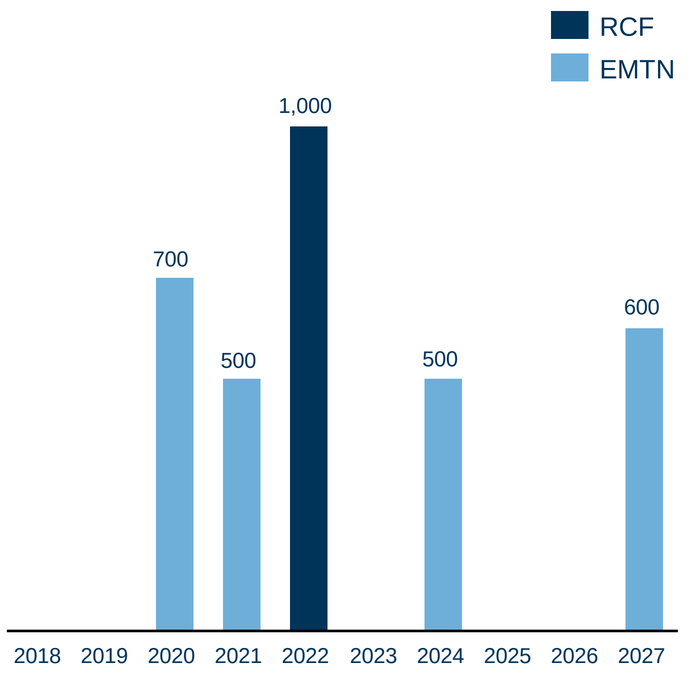
(1) Any acquisitions or divestments completed after 1 January 2016 are included within the adjusted revenue but only for the equivalent period of time that they impact the 2017 reported result..

Solid investment grade capital structure

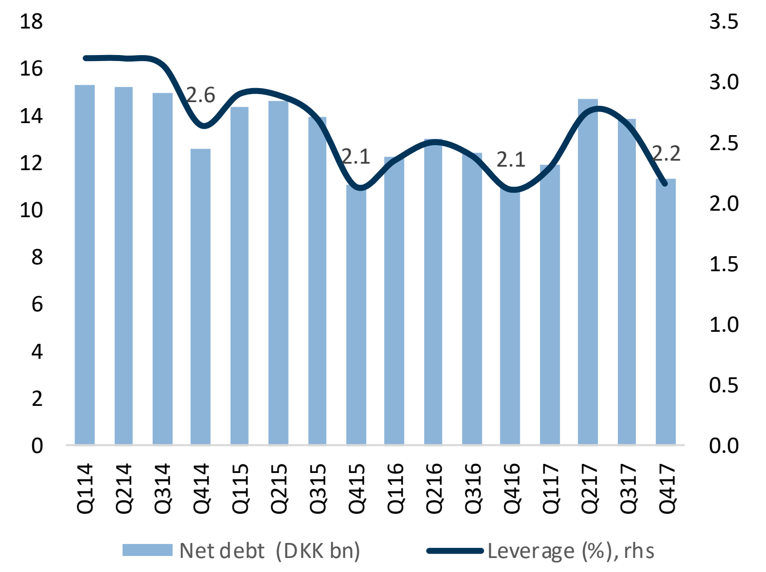
Issued bonds and bank loans

EMTN	• EUR 700m • 1.125% senior unsecured • Maturing 2020
EMTN	• EUR 500m • 1.125% senior unsecured • Maturing 2021
EMTN	• EUR 500m • 2.125% senior unsecured • Maturing 2024
EMTN	• EUR 600m • 1.500% senior unsecured • Maturing 2027
Revolving Credit Facility (1)	• EUR 1,000m • Libor + 0.45% • Maturing 2022

Maturity profile (EUR m)



Leverage



ISS continually reviews its financing and will remain pro-active in exploiting opportunities when relevant

(1) The facility includes a margin grid where the margin is dependent on the Group's leverage. The current margin of 0.45% will decrease to 0.35% if leverage is below 2.0x and increase to 0.60% if leverage is above 2.5x. At 31 December 2017, leverage was 2.2x. In addition to the margin, an utilisation fee applies depending on the utilisation of the facility. For utilisation up to 33% the fee is 0.10%, for utilisation between 33% and 66% the fee is and 0.20%, and for utilisation above 66% the fee is 0.30%