TRADING UPDATE FOR 1 JANUARY – 30 SEPTEMBER 2020

IMPACT FROM COVID-19 PANDEMIC CONTINUES. OUTLOOK CONFIRMED.

HIGHLIGHTS

- Organic growth of (4.9)% in the first nine months of 2020 and (8.7)% in Q3 2020, negatively impacted by COVID-19, where we started to see second wave impacts, but supported by continued strong demand for projects and above-base work, especially deep cleaning and disinfections.
- Key account organic growth of (1.8)% in the first nine months of 2020 and (9.3)% in Q3 2020. During COVID-19, the strength of our value proposition has become even more apparent and we continue to benefit from our key account focus.
- On 28 October 2020, we announced the win of a 5-year IFS contract with a large international manufacturing customer across the Americas corresponding to 1% of Group revenue. Service delivery will be initiated in Q1 2021.
- We expect COVID-19 related restructuring costs of DKK 1.2-1.4 billion. In addition, we expect one-off costs of DKK 1.8-2.1 billion covering among others provisions related to a large loss-making contract in Denmark and impacts related to delayed mobilisation and operational challenges on the Deutsche Telekom contract. Following a comprehensive risk review of our balance sheet, we expect total restructuring and one-off costs of DKK 3.0-3.5 billion in FY 2020 (H1 2020: DKK 0.8bn).
- Our strategic divestment programme is progressing with the divestment of ISS Brazil completed on 8 October 2020, ISS Malaysia being divested on 30 October 2020 and an agreement reached to divest ISS Thailand on 21 October 2020. Combined net proceeds of around DKK 500 million are expected to be received in 2020.
- Total readily available liquidity increased to above DKK 15 billion at 30 September 2020 (30 June 2020: above DKK 11 billion) supported by cash flow from operations and EUR 500 million EMTNs raised in July. On 2 November 2020, we completed the early redemption of EUR 300 million EMTNs maturing 2021, which equally reduces the available liquidity position.
- Despite continued high uncertainty and increasing COVID-19 second wave impacts, we confirm the existing mid-range outlook for 2020: Organic growth of (6)%-(8)%, marginally positive operating margin excluding restructurings and one-off costs and free cash flow of around DKK (2) billion.
- On 16 December 2020, we will host an investor call to provide a Strategy Refresh. Initial review confirms the focused key account strategy.

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

"We face an unprecedented and challenging environment with new COVID-19 infection waves and lockdowns in most of our geographies. Our focus remains on serving customers and society in a safe manner through this difficult time. As a global leader, we have a responsibility to help society break the chain of infection and we are using our knowledge of large-scale cleaning, disinfection and workplace experience to support our customers with products like Pure Space. I thank all my colleagues – our frontline heroes – who serve our customers every single day, going above and beyond.

Despite the tough global environment, we today confirm our guidance for the full year. We are not satisfied with our operational performance in the past year and are working hard to prepare the business for the coming years, including focusing on ensuring that all growth comes with the right profitability and cash flow. While the direction of our strategy is right, we are currently undergoing a strategy and operating model review and will share key conclusions in December. I am confident that we will emerge from the current headwinds as a stronger global leader in services, innovation and people."

Lord Allen of Kensington Kt CBE
Chairman

Jacob Aarup-Andersen
Group CEO

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GROUP PERFORMANCE

The third quarter of 2020 continued to be significantly affected by the ongoing COVID-19 pandemic. We started to see impacts from a second wave, which underpinned that uncertainty remains high, including around prospects for recovery.

ISS has continued to support customers across industries and geographies, adapting and responding to these unprecedented times to deliver outstanding service. Given the circumstances with customers reducing their demand for our services, our 9-month revenues showed notable resilience. Our increased focus on key accounts has been further vindicated during COVID-19, and the strength of our value proposition has become even more apparent.

REVENUE DEVELOPMENT

JANUARY – SEPTEMBER 2020

Group revenue for the first nine months of 2020 was DKK 53.1 billion, a decrease of 8.1% compared with the same period last year. Organic growth was (4.9)%, acquisitions and divestments, net reduced revenue by 1.9%, and currency effects impacted revenue negatively by 1.3%.

Organic growth of (4.9)% in the first nine months of 2020 was negatively impacted by COVID-19 from the second half of March 2020 due to lockdowns. Our key accounts continued to show some resilience with organic growth of (1.8)%. Projects and above-base work grew organically by 12%, especially due to strong demand for deep-cleaning and disinfection.

As a result of COVID-19, all regions delivered negative organic growth in the first nine months of 2020, albeit only marginally in Continental Europe and Asia & Pacific.

The services impacted the most from COVID-19 are those depending on our customers' employees being on site. As a result, Food Services (2019: approximately 15% of Group revenue) reported a decrease in revenue of 31% in the first nine months of 2020 compared to the same period last year and even more so in Q2 2020 and Q3 2020 with a drop in revenue of approximately 45% compared to same periods last year. All other service lines were less impacted. Generally, the prospects for full recovery within the short term seem limited, especially within Food Services.

In terms of customer segments, the most significant revenue impact was within Hotels, Leisure, Sports & Entertainment, Education (part of the Public Administration segment) and Aviation (part of the Transportation segment) (2019: approximately 10% of Group revenue).

Q3 2020

Group revenue in Q3 was DKK 17.1 billion, a decrease of 13.5% compared with the same period last year. Organic growth was (8.7)% (Q2 2020: (9.9)%), currency effects were negative 2.5%, and acquisitions and divestments, net reduced revenue by 2.3%.

Organic growth was negatively impacted by COVID-19 due to continued lockdowns and second wave impacts in a number of countries, partly offset by a strong organic growth of 13% in projects and above-base work, especially due to strong demand for deep-cleaning and disinfection. In terms of service lines, food services was most significantly impacted with a reported drop in total revenue of 47% compared to the same quarter last year.

All regions reported negative organic growth in Q3 2020, most significantly Americas delivering double-digit negative rates due to the high exposure to Food Services.

REVENUE AND GROWTH YTD SEPTEMBER 2020

DKK million	2020	2019	Organic growth	Acq./div.	Currency adj.	Growth 2020
Continental Europe	21,029	22,354	(1)%	(4)%	(1)%	(6)%
Northern Europe	16,851	18,412	(7)%	-	(1)%	(8)%
Asia & Pacific	9,772	10,179	(1)%	(1)%	(2)%	(4)%
Americas	5,154	6,229	(16)%	-	(1)%	(17)%
Other countries	292	558	(32)%	(29)%	13 %	(48)%
Corporate / eliminations	(23)	(36)	-	-	-	-
Group	**53,075**	**57,696**	**(4.9)%**	**(1.9)%**	**(1.3)%**	**(8.1)%**

REVENUE AND GROWTH Q3 2020

DKK million	Q3 2020	Q3 2019	Organic growth	Acq./div.	Currency adj.	Growth Q3 2020
Continental Europe	7,066	7,977	(5)%	(3)%	(3)%	(11)%
Northern Europe	5,508	6,068	(9)%	-	-	(9)%
Asia & Pacific	3,110	3,461	(5)%	(1)%	(4)%	(10)%
Americas	1,446	2,122	(27)%	-	(5)%	(32)%
Other countries	31	191	(73)%	(59)%	48 %	(84)%
Corporate / eliminations	(12)	(9)	-	-	-	-
Group	**17,149**	**19,810**	**(8.7)%**	**(2.3)%**	**(2.5)%**	**(13.5)%**

KEY ACCOUNT DEVELOPMENT

Revenue from key accounts (66% of Group revenue) reported negative organic growth of 1.8% in the first nine months of 2020 and (9.3)% in Q3 2020. As such, the demand from key accounts has proved to be somewhat resilient despite COVID-19 lockdowns. Growth was supported by the launch of the Deutsche Telekom contract in July 2019, partly offset by the expiry of the Novartis contract on 31 December 2019. The net impact was around 1%-point on Group organic growth in the first nine months of 2020. Furthermore, we experienced strong key account growth, especially in Australia, Turkey, the USA, Italy, China and Poland. These positives were offset by the negative impact from COVID-19.

Since full-year results published in February 2020, we have signed three new key account contracts in Turkey. Additionally, we have signed a five-year IFS contract with a large international manufacturing customer across the Americas corresponding to approximately 1% of Group revenue. We also signed a 5-year extension of a financial services customer in the Business Services & IT segment across 14 countries. Furthermore, we signed a 1-year extension until end of 2022 with a global key account customer in the Business Services & IT segment. In addition, we extended, expanded or lost a few contracts, as per the contract overview below. The general bidding environment has slowed down materially across the globe as a result of COVID-19. As such, we expect a low level of new wins in 2020, but also a high retention rate.

MAJOR KEY ACCOUNT DEVELOPMENTS [1]	COUNTRIES	SEGMENT	TERM	EFFECTIVE DATE
WINS				
Vestel City	Turkey	Industry & Manufacturing	5 years	Q1 2020
Başakşehir İkitelli Entegre Sağlık Kampüsü	Turkey	Healthcare	1 year	Q2 2020
Konya Şehir Hastanesi	Turkey	Healthcare	1 year	Q3 2020
International manufacturing company	Americas	Industry & Manufacturing	5 years	Q1 2021
EXTENSIONS/EXPANSIONS				
The Co-operative Group	UK	Retail and Wholesale	5 years	Q1 2020
Financial Services customer	14 countries	Business Services & IT	5 years	Q1 2020
Hotel customer	Norway	Hotels, Leisure & Entertainment	4 years	Q2 2020
Software and IT customer	US	Business Services & IT	1.5 years	Q2 2020
Hospital Authority (Kowloon West Cluster)	Hong Kong	Healthcare	3 years	Q2 2020
UBS	23 countries	Business Services & IT	5 years	Q3 2020
Homerton University Hospital	UK	Healthcare	2 years	Q4 2020
Senaatti	Finland	Business Services & IT	6 years	Q1 2021
Technology company	Global	Business Services & IT	1 year	Q4 2021
LOSSES/REDUCTIONS				
Belgian Railways	Belgium	Transportation and Infrastructure	-	Q2 2020
GLH Hotels	UK	Hotels, Leisure & Entertainment	-	Q2 2020
DSB	Denmark	Transportation and Infrastructure	-	Q3 2020
U.S. Bank	US	Business Services & IT	-	Q4 2020
Denver International Airport	US	Transportation and Infrastructure	-	Q1 2021
Public Administration organisation	7 countries	Business Services & IT	-	Q2 2021

[1] Update since Annual Report 2019.

DIVESTMENT PROGRAMME

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 nine months of 2020, we divested some minor non-core activities in Austria, Singapore, Sri Lanka and Poland as well as Parking Management in Indonesia, which was classified as held for sale at 31 December 2019. Furthermore, one additional business in Asia & Pacific was classified as held for sale, whereas we reclassified one business unit in Northern Europe as held for use.

With the outbreak of COVID-19 earlier in 2020, most negotiations were effectively put on hold. However, negotiations have recently been reinitiated for a number of businesses. As a result, we completed the divestment of ISS Brazil on 8 October 2020, ISS Malaysia was divested on 30 October 2020 and an agreement was reached to divest ISS Thailand on 21 October 2020. Completion of the divestment of ISS Thailand is subject to customary closing conditions. Combined net proceeds of around DKK 500 million for the three divestments are expected to be received in 2020.

We remain committed to finalising the divestment programme while focusing on executing divestments at adequate valuations. We expect the divestment programme to complete in 2021.

RESTRUCTURING AND ONE-OFF COSTS

We are continuously reviewing our business platform, especially in light of the ongoing COVID-19 crisis and the uncertainty around prospects for recovery of the business.

In response, we are initiating certain actions and expect COVID-19 related restructuring and other one-off costs of DKK 3.0-3.5 billion in FY 2020 (H1 2020: DKK 0.8bn).

Restructuring is ongoing, or in the process of being initiated, in a number of large European countries to adjust our cost structure to the lower activity level. The initiatives include contract exits, dismissal of redundant employees and various reductions of overhead costs, mainly in countries, services or customer segments that are heavily impacted by COVID-19. In total, restructurings are expected to amount to DKK 1.2-1.4 billion in 2020 (H1 2020: DKK 200 million).

In addition, we expect to incur one-off costs of DKK 1.8-2.1 billion in 2020 (H1 2020: DKK 600 million) covering among others provisions related to a large loss-making contract in Denmark, where fundamental changes are being discussed with the customer. Further, we expect one-off costs related to delayed mobilisation and operational challenges on the Deutsche Telekom contract. Firstly, despite progress made in Q3, it is clear that we will not complete the transition before summer 2021. Due to the delay and significant cost overrun, we expect to write off capitalised transition costs of approximately DKK 600 million in Q4 2020. Secondly, we have identified certain contract-related risks that we are assessing and expect to provide for in Q4 2020.

Restructuring and other one-off costs cover both cash items and non-cash items. Around half of the total of DKK 3.0-3.5 billion is expected to have a cash flow impact in 2020 to 2022, weighted towards 2021.

LIQUIDITY AND CASH FLOW

Total readily available liquidity at 30 September was above DKK 15 billion (30 June 2020: above DKK 11 billion) supported by additional credit facilities of EUR 700 million, maturing 31 March 2022, secured by a club of five banks earlier in the year.

The increase in liquidity since 30 June 2020 was supported by cash flow from operations and the EUR 500 million 5-year bond raised in July 2020. The net proceeds will be used for repayment of EUR 300 million EMTNs maturing in January 2021 and to further strengthen the Group's liquidity position. The early redemption was completed at par on 2 November 2020 equally reducing the available liquidity position.

We have no financial covenants in our capital structure. In addition, we have no unaddressed meaningful debt maturities until 2024 onwards.

IT SECURITY INCIDENT

As previously announced, ISS was the target of an IT malware attack on 17 February 2020. We have regained control of the vast majority of our IT infrastructure and have relaunched business critical systems in the vast majority of operations. Rebuilding certain IT assets and finalising the full recovery will continue into the early part of 2021 and will lead to a significantly stronger and more secure IT platform going forward.

As previously announced, incremental costs in 2020, including software write-downs related to the IT malware attack, are estimated to be around DKK 850 million reported within Other income and expenses, net.

The combined net negative impact on free cash flow related to the IT security incident in 2020-2021 is estimated to be around DKK 750 million. Approximately DKK 500 million of the impact is expected in 2020.

MANAGEMENT CHANGES

On 1 September 2020, Jacob Aarup-Andersen took up the position as Group CEO, succeeding Jeff Gravenhorst who retired from ISS.

On 7 October 2020, ISS announced that Lord Charles Allen of Kensington, Chairman of the Board of Directors, does not intend to seek re-election at the Annual General Meeting in April 2021. An ad hoc Chair Selection Committee has been established to nominate a successor for the Annual General Meeting.

REGIONAL PERFORMANCE

CONTINENTAL EUROPE

Revenue decreased 6% in the first nine months of 2020 to DKK 21,029 million. Organic growth amounted to (1)% (H1 2020: 1%), while acquisitions and divestments, net decreased revenue by 4% and currency effects reduced revenue by 1%. The negative growth was caused by lockdowns due to COVID-19 in the majority of countries, most significantly in France and Iberia. Contract exits as well as impacts relating to the IT security incident also contributed to the negative growth, particularly in Belgium, France and Iberia. In Switzerland and Austria, the negative growth was mainly due to the expiry of the Novartis contract on 31 December 2019. This was partly offset by positive growth in Germany following the launch of the Deutsche Telekom contract on 1 July 2019. The net impact from the launch of Deutsche Telekom and expiry of Novartis was around 3%-points on organic growth in the first nine months of 2020. Furthermore, in Turkey growth was supported by price increases due to high inflation as well as the launch of a large hospital and a new contract with a customer in the Industry & Manufacturing segment. In addition, organic growth continued to be supported by projects and above-base work, which increased with around 13% organically, positively impacted by the demand for deep cleaning and disinfection.

In Q3, revenue decreased 11% to DKK 7,066 million driven by organic growth of (5)% (Q2 2020: (7)%), negative currency effects of 3%, and acquisitions and divestments, net decreasing revenue by 3%. Most countries experienced negative organic growth, mainly as a result of lockdowns due to COVID-19. This was partly offset by strong key account growth in Turkey as well as high demand for projects and above-base work in Iberia, France, Germany and Belgium.

NORTHERN EUROPE

Revenue decreased 8% to DKK 16,851 million in the first nine months of 2020 compared with the same period last year. Organic growth was negative 7% (H1 2020: (7)%) and currency effects reduced revenue by 1%. All countries experienced negative organic growth. Norway was significantly negatively impacted as a result of a higher than average exposure to Food Services, hotels and airports. In Norway and Denmark, organic growth was also impacted by less projects and above-base work, as a result of the IT malware attack and COVID-19. In the UK, the negative COVID-19 impact was partly offset by continued high demand for projects and above-base work from key account customers.

In Q3, revenue decreased 9% to DKK 5,508 million, reflecting an organic growth of negative 9% (Q2 2020: (12)%). All countries reported negative organic growth mainly as a result of COVID-19 continuing to impact the business, especially Food Services, hotels and airports. This was partly offset by the continued demand for projects and above-base work.

ASIA & PACIFIC

Revenue decreased 4% to DKK 9,772 million in the first nine months of 2020 compared with the same period last year. Organic growth was (1)% (H1 2020: 0%), acquisitions and divestments, net decreased revenue by 1% and currency effects reduced revenue by 2%. Lockdowns due to COVID-19 was the cause of negative organic growth in India, Hong Kong and Singapore. This was partly offset by Australia and China delivering positive organic growth. 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. In China, growth was driven by strong demand for projects and above-base work. All in all, projects and above-base work increased around 30% organically as a result of strong demand for deep-cleaning and disinfection.

In Q3, revenue decreased 10% to DKK 3,110 million representing an organic growth of (5)% (Q2 2020: (2)%), acquisitions and divestments, net reducing revenue by 1% and negative currency effects of 4%. Most countries experienced negative organic growth, mainly as a result of increasing lockdowns due to COVID-19, most significantly in India. This was partly offset by positive organic growth in China and continued high demand for deep cleaning and disinfection in Australia.

AMERICAS

Revenue decreased 17% to DKK 5,154 million in the first nine months of 2020 compared with the same period last year. Organic growth was negative 16% (H1 2020: (11)%) and currency effects impacted revenue negatively by 1%. North America delivered negative organic growth mainly due to COVID-19, especially in Food Services and the Aviation segment. This was partly offset by strong demand from key account customers. In addition, projects and above-base work increased by around 38% organically, especially due to the demand for deep-cleaning and disinfection.

In Q3, revenue decreased 32% to DKK 1,446 million reflecting organic growth of (27)% (Q2 2020: (24)%) and negative currency effects of 5%. The continuing trend of negative organic growth in Americas is due to the impact of COVID-19, especially in Food Services and the Aviation segment. The negative organic growth was partly offset by continued high demand for projects and above-base work throughout the region.

OUTLOOK

Global uncertainties remain high as COVID-19 continues to spread and we start to see second wave impacts, including governments re-imposing certain workplace restrictions.

Our outlook for 2020 presented at half-year 2020 was based on three scenarios with various assumptions on the development of the pandemic. The mid-range scenario took the risk of selective local second wave impacts into account. With this risk materialising, we confirm our existing mid-range outlook for 2020.

2020 OUTLOOK [1]	Trading update Q3 2020	Interim report H1 2020
Organic growth	(6)% - (8)%	(2)% - (10)%
Operating margin [2]	Marginally positive, excluding restructurings and one-off costs	Marginally positive, excluding restructurings and one-off costs
Free cash flow	Around DKK (2) billion	DKK (0.3) - (3.5) billion

[1] Excluding any impact from acquisitions and divestments completed subsequent to 31 October 2020 as well as currency translation effects.

[2] Operating profit before other income and expenses

The previous high-case and low-case scenarios are now seen as unlikely.

ORGANIC GROWTH

Organic growth is expected to be within the previously guided mid-range of (6)%-(8)% for 2020.

Organic growth momentum from September 2020 at around (10)% is expected to deteriorate slightly into Q4 2020 as a result of second wave impacts.

OPERATING MARGIN [2]

The operating margin expectation is unchanged at “marginally positive, excluding restructurings and one-off costs”. The margin is supported by positive seasonality in H2 2020 as well as early signs of underlying margin recovery across a number of countries.

The operating margin outlook excludes COVID-19 related restructurings and other one-off costs reported within operating costs, which are estimated in the range of DKK 3.0-3.5 billion in 2020 (H1 2020: around DKK 0.8 billion). In H2 2020, the COVID-19 related restructurings will peak and in addition, we expect one-off costs covering among others provisions related to a large loss-making contract in Denmark and write-downs and provisions related to delayed mobilisation and operational challenges on the Deutsche Telekom contract. Restructurings and other one-off costs cover both cash items and non-cash items. Around half of the DKK 3.0-3.5 billion will have a cash flow impact in the period 2020-2022, weighted towards 2021.

FREE CASH FLOW

Free cash flow expectation remains at around DKK (2) billion in 2020, impacted especially by the reduction in operating performance mainly as a result of COVID-19.

Guidance assumes no postponed VAT and social contribution by the end of the year (30 June 2020: DKK 1.6 billion postponed) and that we retain a strict supplier payment discipline in order to support a healthy payment environment in the midst of COVID-19. Further, we expect a slight reduction in factoring to around DKK 1.2 billion (YE 2019: DKK 1.4 billion) at the end of 2020 reflecting especially the expiry of the Novartis contract.

EXPECTED REVENUE IMPACT FROM DIVESTMENTS, ACQUISITIONS AND FOREIGN EXCHANGE RATES IN 2020

We expect the divestments and acquisitions completed by 31 October 2020 (including in 2019) to have a negative impact on revenue growth in 2020 of approximately 1-2%-points. In the absence of acquisitions, the negative revenue impact is likely to increase during the year as we execute on the strategic divestment programme in relation to non-core business units. Countries to be divested continue to be reported as discontinued operations and will not impact revenue growth upon divestment. Based on the forecasted average exchange rates for the year 2020[1] we expect a negative impact on revenue growth in 2020 of approximately 2%-points from the development in foreign exchange rates.

[1] The forecasted average exchange rates for the financial year 2020 are calculated using the realised average exchange rates for the first ten months of 2020 and the average forward exchange rates (as of 1 November 2020) for the remaining two months of 2020.

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.

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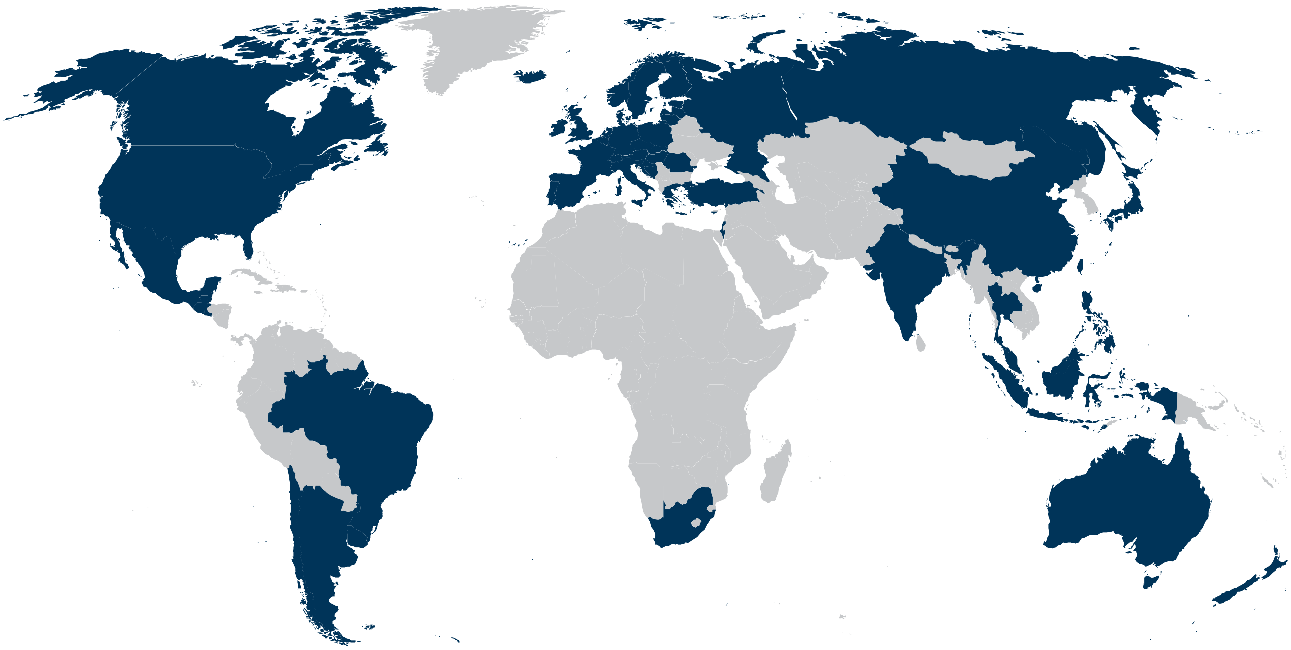
The Annual Report 2019 of ISS A/S is available at the Group’s website, www.issworld.com.

OUR GLOBAL FOOTPRINT



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