



Company announcement

Copenhagen, 21 August 2014

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Interim report for the period 1 January – 30 June 2014

Profitable growth and improved margin

ISS (ISS.CO, ISS DC), one of the world's leading facility services companies, announces its Interim Results for H1 2014:

Highlights

- Resilient profitable organic revenue growth of 2.4% in H1 (2013: 3.6%) and 2.0% in Q2 (2013: 4.4%).
- Strong operating margin of 4.8% in H1 (2013: 4.8%) and 5.2% in Q2 (2013: 5.1%). Adjusted for the impact of the divested pest control activities in 2013 the operating margin increased from 4.6% in H1 2013 to 4.8% in H1 2014.
- Strong cash conversion over the last twelve months of 98% (2013: 98%) as a result of continued cash focus across the Group.
- Profit before goodwill impairment and amortisation/impairment of brands and customer contracts increased to DKK 559 million in H1 (2013: DKK 400 million).
- The strategic initiatives within customer segmentation and central procurement are progressing according to plans and are supporting margin progression.
- Emerging markets now represent 23% of total revenue for the Group (2013: 22%) and delivered 10% organic growth (2013: 10%) and 6.0% operating margin in H1 (2013: 6.0%). Western Europe delivered flat organic growth against a backdrop of difficult market conditions in H1 (2013:4%).
- Revenue generated from Integrated Facility Services contracts amounted to DKK 10.8 billion representing 29% of overall revenue (2013: 26%). Significant contract wins included BASF, Swisscom and a European based international bank.
- ISS Global Corporate Clients extended the global contract with HP until the end of 2018 and won a new contract with a large international food producer.
- Net debt reduced to DKK 15,278 million during H1 as a result of the IPO proceeds, an improved capital structure and proceeds from divestments.
- We now expect organic revenue growth in 2014 to be around the level realised for the first six months of 2014 (from 3%-4% previously). Our operating margin (above 5.5%) and cash conversion (above 90%) expectations are unchanged.

Jeff Gravenhorst, Group CEO, ISS A/S, said:

“Our first half results show we continue to build a strong global platform in the USD 1 trillion facility services market, enabling our worldwide clients to focus on their core businesses. We expect that ISS will continue to benefit from the increased outsourcing trends by global clients, especially in emerging markets where we saw double digit growth in the first half of the year. Our recent strategic initiatives such as customer segmentation and central procurement are progressing well and have had a positive impact on our margin. Together, this gives us confidence in the continued delivery of resilient organic growth, strong and improving operating margins with excellent cash conversion.

“While organic growth for Q2 was impacted by weaker economic conditions in Europe, we continue to grow in both emerging and developed markets. We are satisfied with our increasing margin in Q2, our strong cash conversion and our significantly improved net result for the first half of 2014. We have further optimised our business through successful divestments of non-core activities allowing us to focus on the activities we are best at.

“When we set guidance for 2014, we did so against a backdrop of an improving macroeconomic outlook in Europe. The recent economic data has shown significant weakening in Europe. This has had an effect on some of our customers’ decision-making and leads us to change our organic growth expectations for the full year to be around the level of the first half of 2014. Our operating margin and cash conversion targets are unchanged.”

Lord Allen of Kensington CBE
Chairman

Jeff Gravenhorst
Group CEO

Conference call details

A conference call will be held on 21 August 2014 at 10:00 CET. Presentation material will be available online prior to the conference call.

Link: <http://inv.issworld.com/events.cfm>

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About ISS

The ISS Group was founded in Copenhagen in 1901 and has grown to become one of the world’s leading Facility Services companies. ISS offers a wide range of services such as: Cleaning, Catering, Security, Property and Support Services as well as Facility Management. Global revenue amounted to DKK 78.5 billion in 2013 and ISS has more than 520,000 employees and local operations in more than 50 countries across Europe, Asia, North America, Latin America and Pacific, serving thousands of both public and private sector customers. For more information on the ISS Group, visit www.issworld.com.