# Investor Presentation

# **Q1 Interim Results**

15 May 2013

# Forward-looking statements

This presentation contains forward-looking statements, including, but not limited to, the statements and expectations contained in the "Outlook" section of this presentation. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words ''may'', "will", "should", ''expect'', ''anticipate'', ''believe'', ''estimate'', ''plan'', "predict," ''intend' or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. ISS has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS. Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in the Annual Report 2012 of ISS A/S and other information made available by ISS.

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The Annual Report 2012 of ISS A/S is available at the Group's website, www.issworld.com.

# Agenda

- **Key Events**
- **Management Changes**
- **Financial Results**
- **Capital Structure**
- **Outlook**
- **Q&A**

# Key Events

# Key Events

***"ISS continues the transformation towards becoming the world's greatest service organisation"***

| | |
|---|---|
| **Operational performance** | ISS continues to focus on generating profitable organic growth with satisfactory payment conditions. In Q1 ISS reports an increasing organic growth, flat operating margin, positive net profit and a continued strong cash conversion |
| **Refinancing** | ISS successfully refinanced its EUR600m Second Lien facility, as well as amended and extended the maturities on the predominant part of its Senior Secured Credit Facilities with 3 years (amounting to DKK 17.1bn) and obtaining relevant flexibilities |
| **Divestment of Pest Control** | ISS continued the execution of divesting non-core activities by the divestment of Pest control activities in 12 countries for an enterprise value of approximately DKK 2 billion in March. The divestment is expected to close at the end of May |
| **International recognition** | The vision of ISS to create the world's greatest service organisation was acknowledged by the recent top ranking by the International Association of Outsourcing Professionals' (IAOP) list of the world's leading outsourcing providers |

# Operational Performance

- ISS continues to focus on generating profitable organic growth with satisfactory payment conditions. In Q1 ISS reports an increased organic growth compared with 2012, flat operating margin, positive net profit as well as a continued strong cash conversion
- Emerging Markets continue to be a strong driver with double digit organic growth and an operating margin well above most mature markets
- In 2012, ISS won three new multinational IFS contracts with Barclays, Novartis, and Citi Asia-Pacific. These contracts are some of the largest in the history of ISS and provide a good starting point for 2013
- The Novartis contract was successfully launched in January 2013
- The Barclays and Citi Asia-Pacific contracts were 90% operational by the end of Q1 and will be fully mobilised during 2013
- ISS continued its track record of significant contract wins among others demonstrated by a new IFS contract with an international food producer in Europe

# Refinancing

## Refinancing of the EUR 600m Second Lien facility completed in parallel with the Amendment and Extension (A&E) of the Senior Facilities Agreement

The refinancing was completed 22 April 2013, following receiving commitments for the refinancing well in excess of the required EUR600m and strong support for its A&E of its senior secured credit facilities. The A&E has:

- extended the maturity of ISS's senior credit facilities by 3 years to mature in 2017 and 2018
- introduced amendments to increase the operational and financial flexibility
- increased flexibility in order to use proceeds from divestment of non-core activities against the most expensive part of the debt
- ensured that the senior credit facilities have sufficient flexibility to last through and post a potential IPO

The Second Lien facility has been refinanced by a EUR 330m and a USD 350m senior term loan with maturities to April 2018

# Divestment of Non-Core Activities

- The strategic rationale and fit of our business units continue to be reviewed on an on-going basis in the light of The ISS Way strategy, which leads to the identification and evaluation of certain activities that are non-core
- As part of this evaluation, ISS has in Q1 sold the pest control activities in Australia, Austria, Belgium, Denmark, Germany, Italy, the Netherlands, New Zealand, Norway, Portugal, Spain and Switzerland for an enterprise value of approximately DKK 2 billion
- Proceeds are expected to be used against the most expensive part of our debt
- The transaction is subject to approval from the relevant authorities and closing is expected at the end of May 2013
- The divestment reflects an increased strategic focus in the affected countries resulting in a more focused business platform and will furthermore contribute to the continued deleveraging of ISS
- Further, ISS holds another eight businesses for sale at 31 March 2013

# International Recognition

- On May 7 it was announced that ISS had been ranked number one by the International Association of Outsourcing Professionals' (IAOP) list of the world's leading outsourcing providers
- This is the best ranking ever, which acknowledges the vision of ISS to create the world's greatest service organisation

# Management Changes

# Management Changes

- In March 2013, ISS announced two key appointments strengthening the Executive Group Management Board. The appointments allow ISS to further align the organisation and gain a sharper focus on the ISS markets in Europe
- Henrik Andersen was appointed to the new position of Group Chief Operating Officer (COO) Europe
- Heine Dalsgaard was appointed Group Chief Financial Officer (CFO) replacing Henrik Andersen, and will take up his new position during the third quarter of 2013. Henrik will continue to act as Group CFO until then

# Financial Results

# Summary of Key Objectives

## Organic Growth 2.7%

- **Organic growth increased to 2.7% in Q1 2013 compared with 1.7% for FY 2012 and 1.9% in Q4 2012**
- Both developed and emerging markets delivered positive organic growth, with Asia once again reporting double-digit organic growth
- The growth was mainly driven by the start-up of contracts as well as the continued strong growth in the emerging markets, partly offset by a continued low level of non-portfolio services and challenging macro-economic conditions, particularly in some European countries

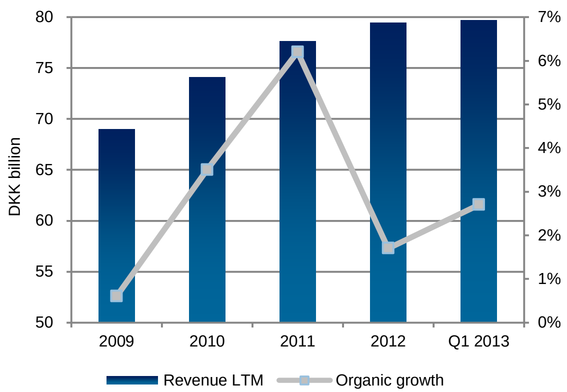
## Operating Margin[1)] 4.4%

- **Operating margin was 4.4% compared with 4.5% in Q1 2012**
- The operating margin was in line with expectations and was affected positively by margin increases especially in the Nordic region and certain countries in Asia
- This was offset by the negative impact from operational challenges in certain countries and the strategic divestment of certain non-core activities in 2012

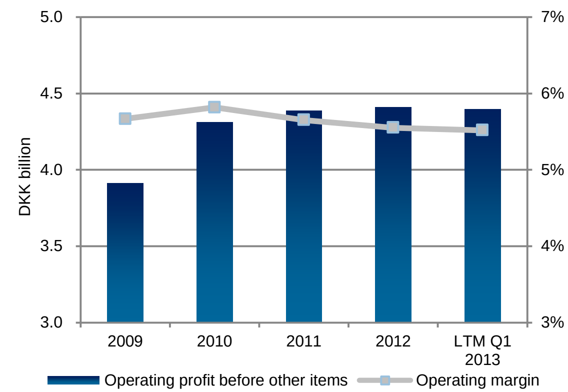
## Cash Conversion[2)] 99%

- **LTM cash conversion was 99% in Q1 2013 compared with 97% for Q1 2012**
- The development was due to strong cash flow performance in all regions reflecting the continued focus on securing payments for work performed and exiting customer contracts with unsatisfactory conditions

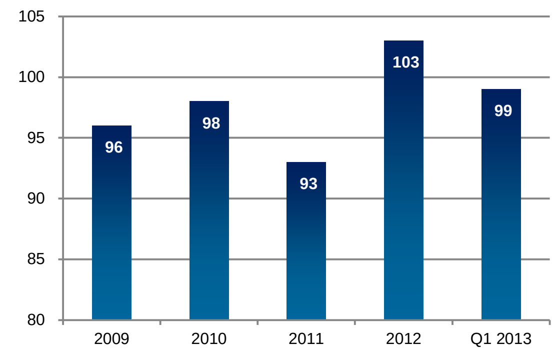
REVENUE AND ORGANIC GROWTH




OPERATING PROFIT AND OPERATING MARGIN



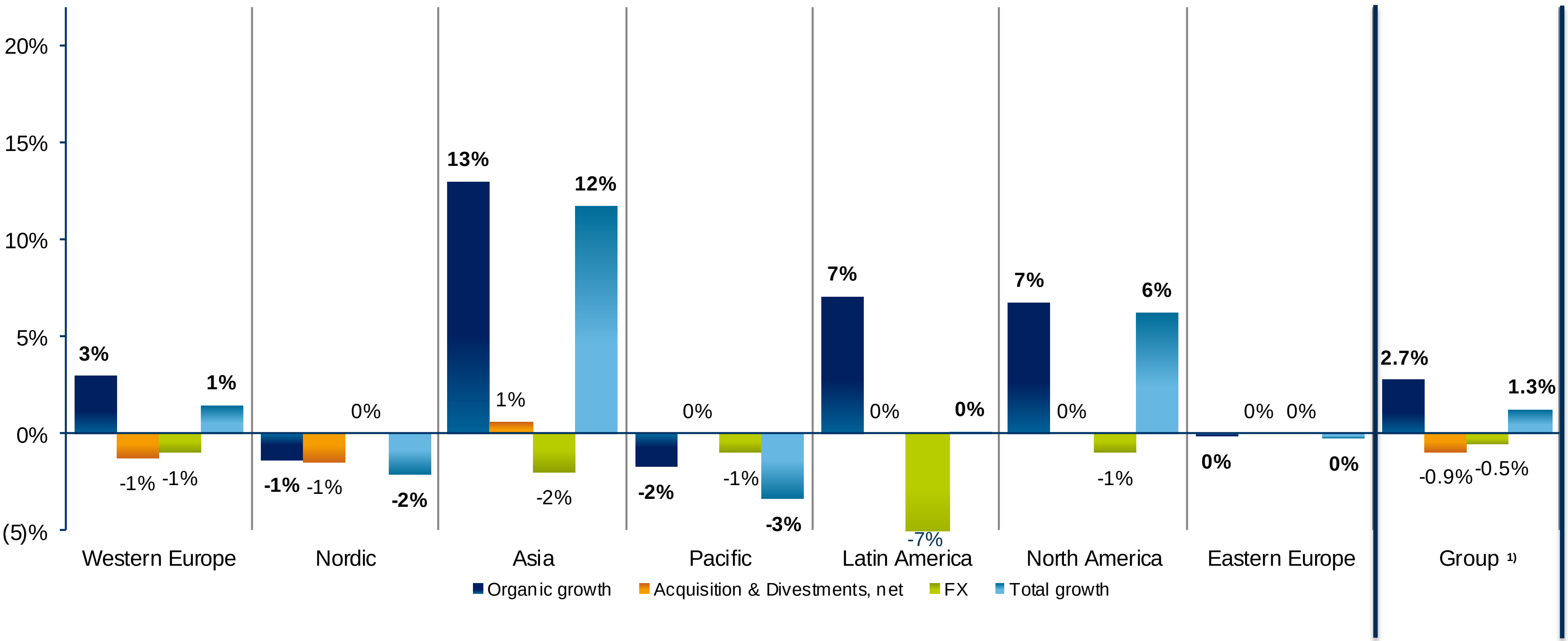

CASH CONVERSION (LTM)




1) The Group uses Operating profit before other items for the calculations instead of Operating profit. Consequently, the Group excludes from the calculations those items recorded under. Other income and expenses, net, in which the Group includes income and expenses that it believes do not form part of the Group's normal ordinary operations, such as gains and losses arising from divestments, the winding up of operations, acquisition and integration costs, disposals of property and restructurings.

2) Cash conversion is defined as Operating profit before other items plus Changes in working capital as a percentage of Operating profit before other items

# Revenue growth by region




1) Other Countries, which include Bahrain, Cayman Islands, Cyprus, Egypt, Nigeria, Pakistan, South Africa, South Korea, Ukraine and United Arab Emirates, are not shown as a separate region but included in Group figures

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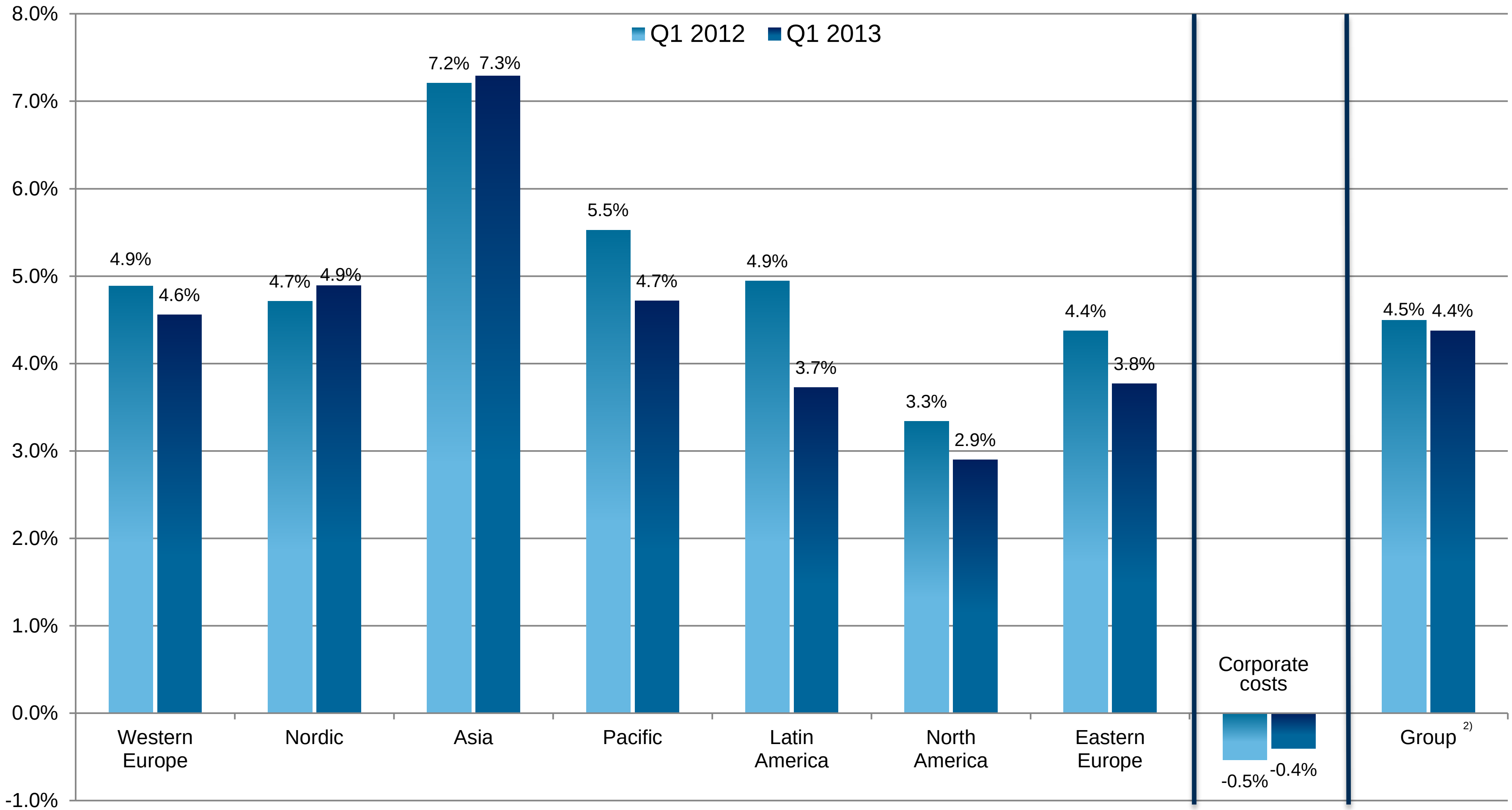
# Operating Margin[1)]

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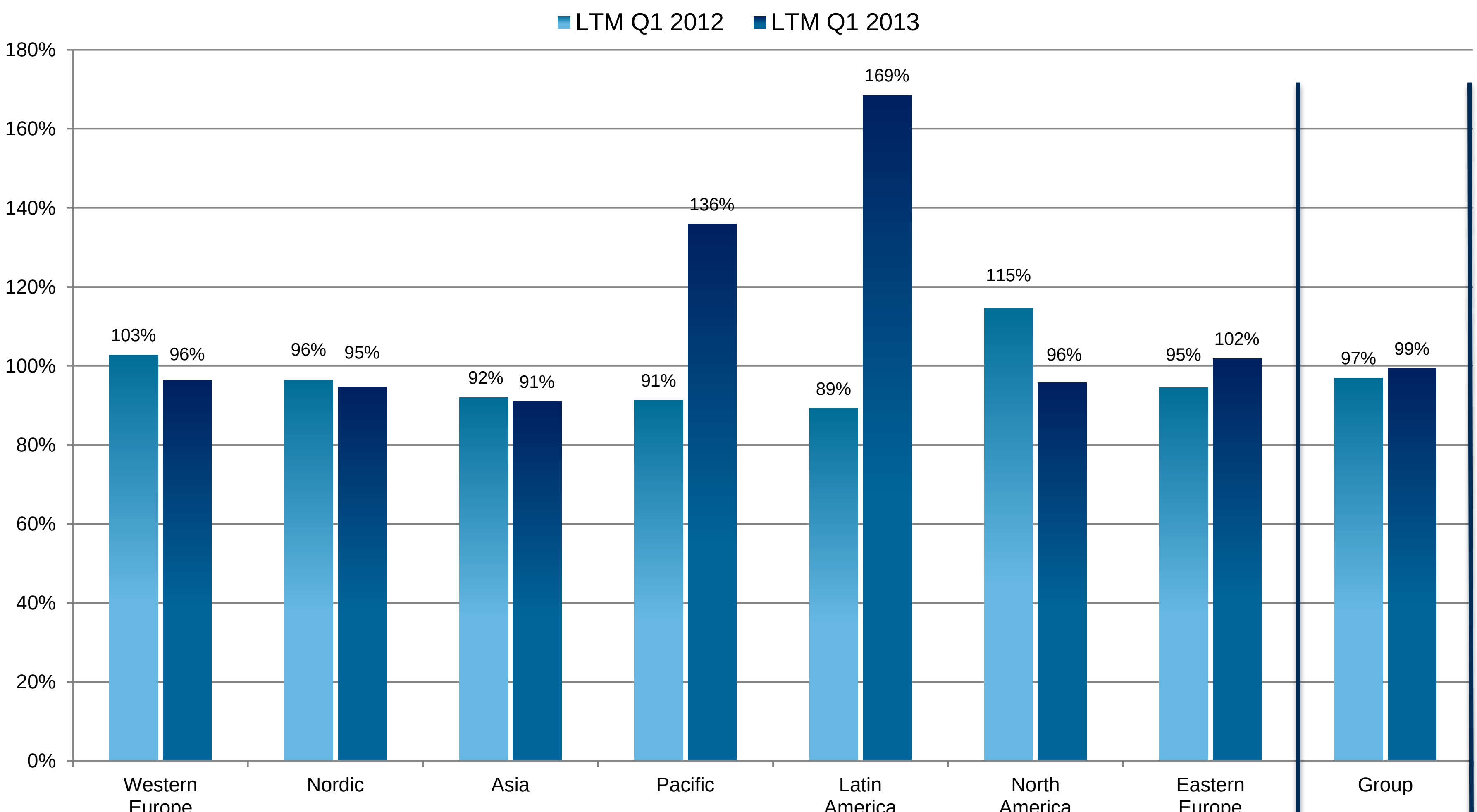
# Cash Conversion[1)]

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# Income Statement

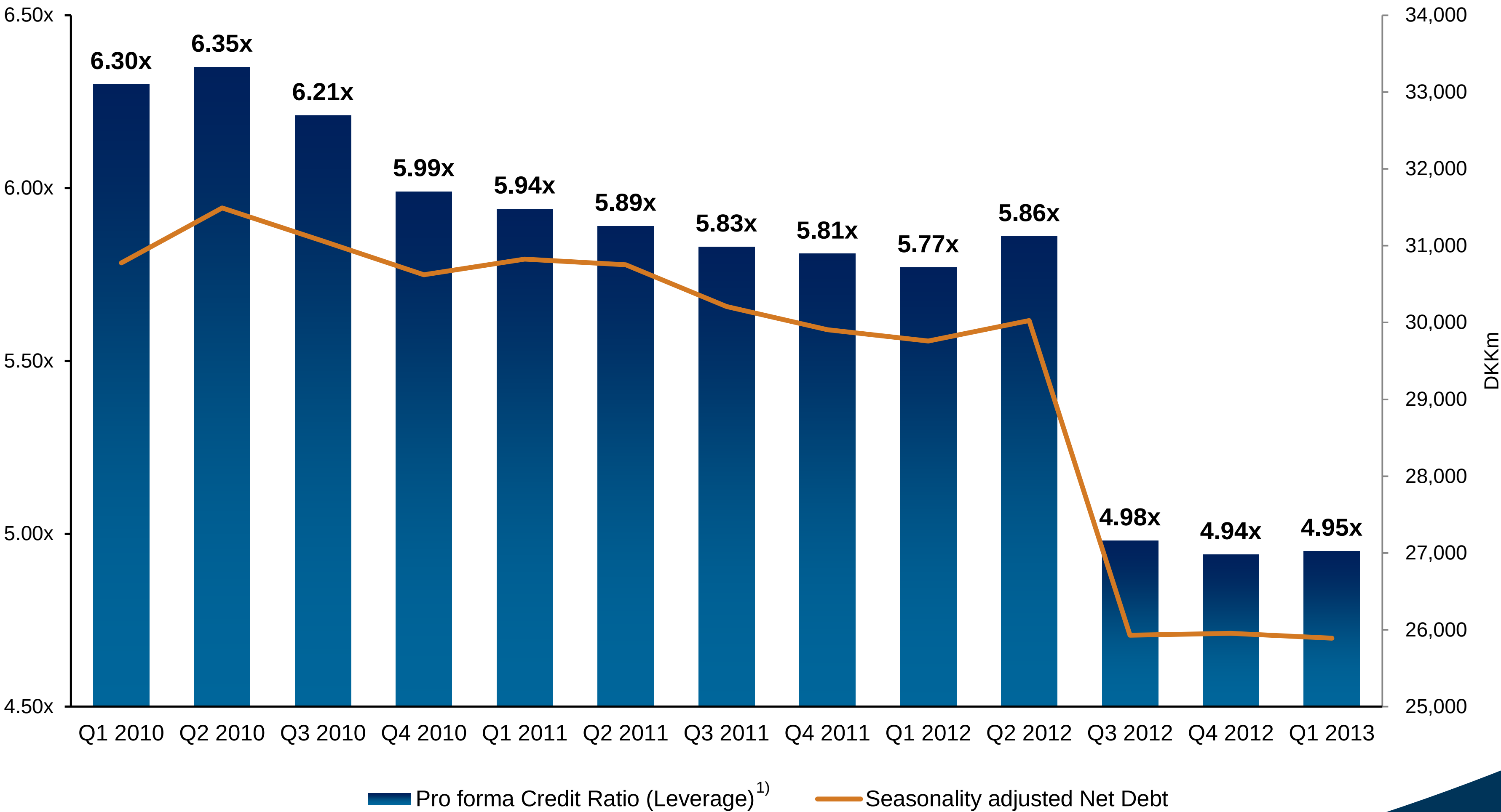
## Improved capital structure starting to flow through to net profit

| DKK million | Q1 2013 | Q1 2012 | Change | |
|---|---|---|---|---|
| **Revenue** | **19,545** | **19,301** | **+244** | |
| Operating expenses | (18,690) | (18,433) | *(257)* | |
| **Operating profit before other items** | **855** | **868** | ***(13)*** | |
| Other income and expenses, net | (57) | 2 | *(59)* | |
| **Operating profit** | **798** | **870** | ***(72)*** | |
| Share of result from associates | 0 | 0 | *0* | |
| Financial income and expenses, net | (444) | (627) | *+183* | *-29.2%* |
| **Profit before tax and goodwill impairment/ amortisation and impairment of brands and customer contracts** | **354** | **243** | ***+111*** | ***+45.7%*** |
| Income taxes | (120) | (118) | *(2)* | |
| **Profit before goodwill impairment/ amortisation and impairment of brands and customer contracts** | **234** | **125** | ***+109*** | ***+87.2%*** |
| Goodwill impairment | (63) | (123) | *+60* | |
| Amortisation and impairment of brands and customer contracts | (136) | (163) | *+27* | |
| Income tax effect | 36 | 45 | *(9)* | |
| **Net profit/(loss) for the period** | **71** | **(116)** | ***+187*** | |

Primarily due to the repayment of 11% Senior Notes due 2014 in December 2012 and the average lower Net Debt of ISS

# Capital Structure

# Continued Focus on Deleveraging




[1)] Seasonality adjusted carrying amount of net debt measured to Pro forma adjusted EBITDA

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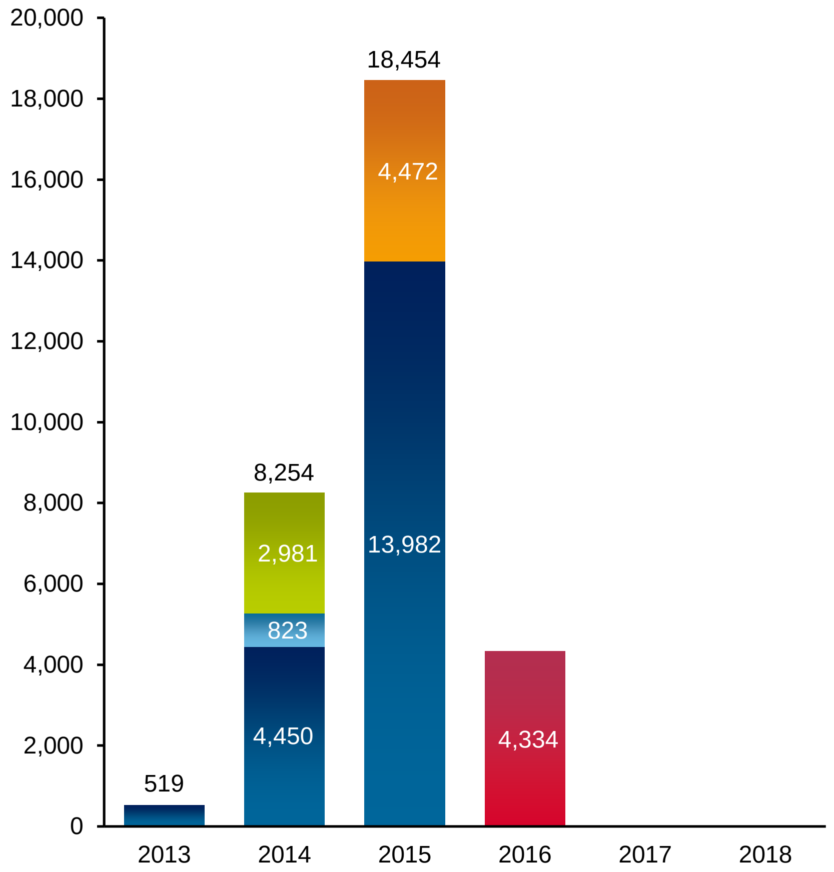
# Capital Structure

| 31 March 2013 [1] | DKKm[2] | Leverage[3] | % of Total |
|---|---|---|---|
| Cash, cash equivalents and securities | (3,186) | (0.61)x | (12%) |
| Senior Facilities | 17,265 | 3.30x | 64% |
| Securitisation | 2,632 | 0.50x | 10% |
| Derivatives | 118 | 0.02x | 0% |
| Other Senior Indebtedness | 416 | 0.08x | 2% |
| **Total Net Senior Debt** | **17,244** | **3.29x** | **64%** |
| Medium Term Notes due 2014 | 788 | 0.15x | 3% |
| Second Lien[4] | 4,462 | 0.85x | 16% |
| Senior Subordinated Notes due 2016 | 4,290 | 0.82x | 16% |
| Other Indebtedness | 298 | 0.06x | 1% |
| **Total Net Debt** | **27,083** | **5.17x** | **100%** |
| Seasonality changes in working capital | (1,193) | | |
| **Seasonality adjusted Net Debt** | **25,890** | **4.95x** | |

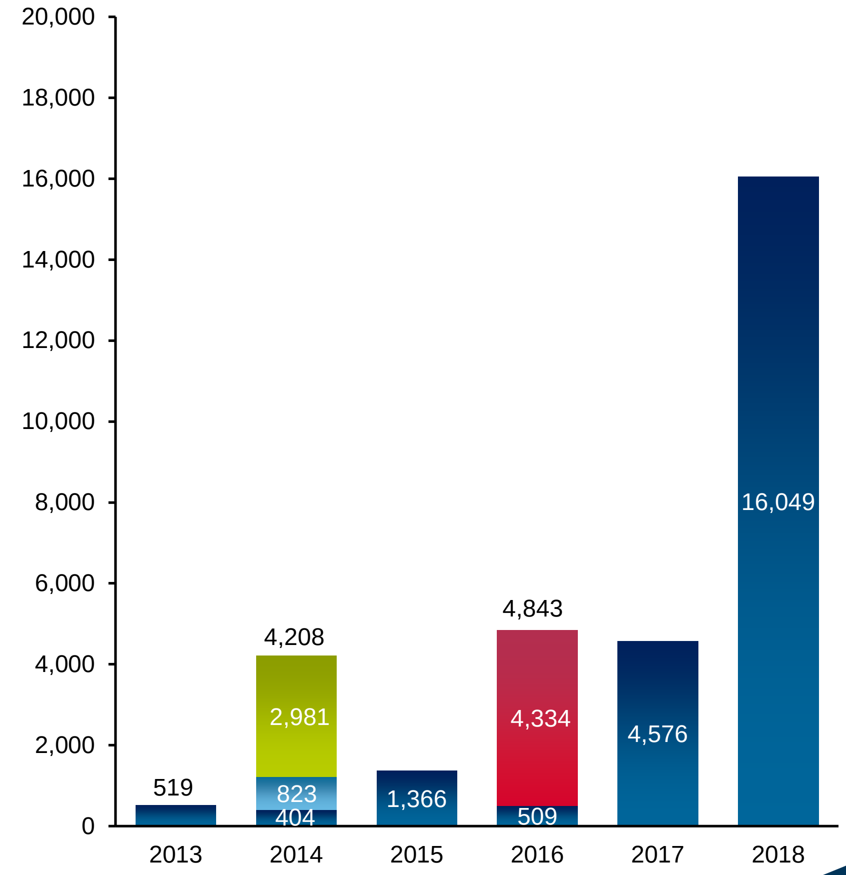
[1] Measured as carrying amount of net debt
[2] Converted to DKK as per 31 March 2013
[3] Measured to Pro forma adjusted EBITDA
[4] Second Lien was refinanced with new senior debt on 22 April 2013

# Maturity Profile as per 31 March 2013[1)]

**Debt maturity profile as per 31 March 2013**
*mDKK*




**Debt maturity profile pro forma for the refinancing and extension**
*mDKK*




[1)] The maturity profile above is based on the principal commitment values of the debt and does not reflect the actual drawn amount of debt

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# Outlook

# Outlook 2013

*The outlook is unchanged and based on a mixed global macroeconomic outlook with continued strong growth in emerging markets combined with weak growth and difficult macroeconomic conditions in large parts of Europe, including the uncertainty surrounding current and future austerity measures.*

**Organic growth**

Around 3%

*(2012: 1.7%)*

In 2013, we had a solid start following the wins of several large IFS contract in 2012. Combined with the underlying business development, we therefore expect to realise around 3% organic growth in 2013.

**Operating margin**

Maintained at the level realised in 2012

*(2012: 5.6%)*

Despite the expected difficult macroeconomic conditions the operating margin for 2013 is expected to be maintained at the level realised in 2012.

**Cash conversion**

Above 90%

*(2012:103%)*

Continuing the deleveraging of ISS in accordance with The ISS Way strategy, cash flows will remain a priority in 2013, and we expect our cash conversion for 2013 to be above 90%.

# Q&A