



Company Announcement

Copenhagen, 21 August 2013

ISS reports increased organic growth

- Revenue in the first half of 2013 was DKK 39.6 billion – driven by an organic growth of 3.5%. Organic growth in Q2 was 4.3%
- Operating margin for H1 was 4.8% compared with 4.9% in the same period in 2012. Operating margin in Q2 was 5.1%
- Net profit in the first six month of 2013 was DKK 131 million compared with a loss of DKK 297 million in the same period in 2012
- The LTM (Last Twelve Months) cash conversion for June 2013 was 98%

Jeff Gravenhorst, ISS Group CEO, said:

“In Q2 we delivered solid results and increased organic growth, although we continue to experience overall challenging macroeconomic conditions. In the second quarter our business grew organically by 4.3%. We are growing in both developed and emerging markets, partly driven by the successful implementation of large contracts like Barclays, Novartis, Citibank and H.J. Heinz. We continue executing our strategy, with divestments of several non-core businesses, including our pest control activities in 12 countries and our Nordic damage control activities. The divestments have led to further financial deleverage. I am very pleased that we now have our new Executive Group Management Board in place with two new chief operating officers, and a new CFO. This is a significant strengthening of our management resources enabling a sharper focus on our global operations.”

Group Performance

Group revenue amounted to DKK 39.6 billion in the first six months of 2013, an increase of 1.4% compared with the same period in 2012. This was driven by organic growth of 3.5%, but partly offset by the successful divestment of non-core activities amounting to 1.1% and a negative effect from exchange rate movements of 1.1%.

The organic growth was driven by both developed and emerging markets. Western Europe, Asia, Latin America, North America and Eastern Europe delivered positive organic growth rates, with Asia continuing to report double-digit organic growth.

Operating profit before other items amounted to DKK 1,883 million (H1 2012: DKK 1,904 million) in the first six months of 2013 and was negatively impacted by both currency effects and divestments. The negative effect from exchange rate movements reduced the operating profit by DKK 16 million compared with the same period in 2012.

The operating margin (operating profit before other items as a percentage of revenue) was 4.8% in the first six months of 2013 compared with 4.9% in the same period in 2012. The operating margin was in line with expectations and was positively impacted by margin increases especially in the Nordic region and certain countries in Asia. This was offset by the strategic divestments of non-core activities including the washroom activities in the Netherlands, Belgium and Luxembourg and the pest control activities in 12 developed countries, as well as the start-up of multinational IFS contracts and the negative impact from operational challenges in certain countries in Europe and the Americas.

The net profit amounted to DKK 131 million in the first six months of 2013 compared with a loss of DKK 297 million in the first six months of 2012, positively impacted by growth in revenue, other income and expenses, net, lower financial expenses, net, and lower non-cash expenses related to goodwill impairment and amortisation of customer contracts.

The LTM (last twelve months) cash conversion for June 2013 was 98% as a result of a strong cash flow performance in all regions. Ensuring a strong cash performance continues to be a key priority, and the result reflects the efforts regarding payments for work performed and exiting customer contracts with unsatisfactory payment conditions. This led to a decrease in debtor days of 0.5 day compared with 30 June 2012.

The emerging markets comprising Asia, Eastern Europe, Latin America, Israel, South Africa and Turkey, where we have more than half of our employees, delivered organic growth of 10% and represent 22% of total revenue for the Group. In addition to fuelling the Group's organic growth, the emerging markets delivered an operating margin of 5.9% in the first six months of 2013.

ISS will continue the evaluation of its activities in the light of accelerating The ISS Way strategy to ensure clear focus on the core businesses. At the end of June 2013, we had six businesses classified as held for sale as a result of this on-going review of our business platform. The proceeds from the divestments have been and will be used to repay debt, thereby contributing to the continued deleveraging of ISS.

During the quarter ISS announced two key appointments strengthening the Executive Group Management Board. Henrik Andersen was appointed

to the new position of Group Chief Operating Officer (COO) Europe. Heine Dalsgaard was appointed Group Chief Financial Officer (CFO) and replaced Henrik Andersen in August 2013. Furthermore, on 8 July 2013 ISS announced the appointing of John Peri as Group Chief Operating Officer (COO) Americas and Asia Pacific. The appointments allow ISS to further align the organisation and focus deeper on the markets in which ISS operates.

Outlook

The outlook for 2013 is 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.

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

The divestment of the margin accretive pest control activities in 12 developed markets in May 2013 has been followed by restructuring activities to align the cost structures in the impacted countries. We expect a negative impact on the operating margin from these divestments of around 0.2 percentage point for the Group in 2013. As a result, the operating margin for 2013 is expected to be slightly lower than the level realised in 2012. Cash conversion is expected to be maintained above 90%.

Ole Andersen
Chairman of the Board

Jeff Gravenhorst
Group CEO

Telephone conference

ISS will host a conference call on Wednesday, 21 August 2013 at 10:00 CET (09:00 GMT).

Dial-in-numbers: **+45 35 44 55 80 (Denmark)**
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Live webcast

The conference call will also be available on live webcast. In order to listen to the conference call and view the presentation simultaneously, please visit <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 almost DKK 80 billion in 2012 and ISS has more than 530,000 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.