



Company announcement

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INTERIM REPORT FOR THE PERIOD 1 JANUARY – 31 MARCH 2018

The first three months of 2018 reflect significant contract phasing

ISS (ISS.CO, ISS DC, ISSDY), a leading global provider of facility services, announces its interim financial report for the first three months of 2018:

Highlights

- Organic revenue growth of 3.1% in the first three months (Q4 2017: 3.6%), supported by non-portfolio revenue and better than expected timing in contract transitions.
- Total revenue decreased by 0.4% in the first three months (Q4 2017: 1.4%) driven by negative currency effects of 5.6% partly offset by organic growth and a positive net impact from acquisitions and divestments of 2.1%.
- Operating margin of 4.0% in the first three months (Q1 2017: 4.5%) reflecting mainly the impact of contracts phasing in and out. The net impact of acquisitions and divestments as well as currency translation effects was negative by 6 bps.
- Operating profit before other items decreased to DKK 763 million in the first three months (Q1 2017: DKK 875 million).
- Cash conversion over the last twelve months of 102% (Q4 2017: 104%).
- Net profit (adjusted) decreased to DKK 296 million in the first three months (Q1 2017: DKK 546 million), mainly due to increased other income and expenses, net and lower operating profit before other items.
- Net profit decreased to DKK 185 million in the first three months (Q1 2017: DKK 444 million).
- Free cash flow was an outflow of DKK 1,250 million for the first three months (Q1 2017: an outflow of DKK 976 million). The decrease was driven by lower cash flow from operating activities.
- Leverage at 31 March 2018 was 2.5x (31 March 2017: 2.3x), impacted among others by the acquisition of Guckenheimer in 2017. Our capital allocation and leverage objectives remain unchanged.
- Revenue from Key Account customers corresponded to 52% of Group revenue (Q4 2017: 52%)
- Revenue from Global Key Accounts increased by 4% in constant currency in the first three months and represents 13% of Group revenue (Q4 2017: 12%).
- Revenue generated from IFS increased by 11% in constant currency in the first three months leading to a total share of 38% of Group revenue (Q4 2017: 40%).

- Strategic initiatives, including sharper focus on key customers, continue to be implemented according to plan. Implementation of GREAT in France was successfully initiated and the transition and mobilisation of Deutsche Telekom remains on track.
- The 2018 outlook for organic revenue growth, operating margin and cash conversion remains unchanged.

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

“Our results for the first three months of 2018 were encouraging. We delivered solid organic growth, supported by contract launches and demand for non-portfolio services within our strategic customer segments. Our margin performance was as expected impacted by acquisitions and divestments and currency effects, as well as phasing in and out of significant contracts. We launched a number of major contracts, such as LEGO Group and an international food and beverage company, and we saw several new wins during the quarter, among others Royal Philips, a major international air carrier and a new customer in the pharmaceutical industry. We will continue to strengthen our business with the implementation of strategic initiatives and our focus on key accounts. We are proud that our efforts were once again recognised on the IAOP Global Outsourcing Top 100 list where we achieved the highest possible rating for the sixth year in a row.”

Lord Allen of Kensington Kt CBE

Chairman

Jeff Gravenhorst

Group CEO

Conference call details

A conference call will be held on 9 May 2018 at 10:00 CEST.

Presentation material will be available online prior to the conference call.

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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 79.9 billion in 2017 and ISS has more than 488,000 employees and activities in more than 70 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.