



Company announcement

Copenhagen, 8 November 2017

No. 20/2017

INTERIM REPORT FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2017

Continued stable performance for the first nine months of 2017

ISS (ISS.CO, ISS DC, ISSDY), a leading global provider of facility services, announces its interim financial report for the first nine months of 2017:

Highlights

- Organic revenue growth of 2.0% in the first nine months and 2.3% in Q3 (Q2 2017: 1.0%).
- Total revenue increased by 2% in the first nine months as well as in Q3 (Q2 2017: 2%), driven by organic growth and a positive net impact from acquisitions and divestments, partly offset by a negative impact from foreign exchange effects.
- Operating margin of 5.4% in the first nine months (2016: 5.5%) and 6.3% in Q3 (Q3 2016: 6.5%). The net impact of acquisitions and divestments as well as currency translation effects on margin was negative by 0.1%-point both for the first nine months and Q3. The operating profit before other items increased to DKK 3,203 million in the first nine months (2016: DKK 3,177 million) and decreased to DKK 1,249 million in Q3 (Q3 2016: 1,270 million).
- Cash conversion over the last twelve months of 99% (Q2 2017: 92%).
- Net profit (adjusted) decreased to DKK 1,820 million in the first nine months (2016: DKK 1,944 million), due to a DKK 212 million loss related to remeasurement of a business classified as held for sale in Northern Europe.
- Net profit decreased to DKK 1,501 million in the first nine months (2016: DKK 1,569 million).
- Leverage at 30 September 2017 was 2.7x (30 September 2016: 2.4x), impacted by the acquisition of Guckenheimer. Capital allocation and leverage objectives remain unchanged.
- As announced 18 October, ISS will deliver Integrated Facility Services to Deutsche Telekom at approximately 9,000 sites across Germany with more than 6,000 employees starting 2019 until 2029. Once fully operational the contract will amount to approximately 4% of 2016 Group revenue.
- Revenue generated from IFS increased by 4% in local currency in the first nine months (H1 2017: 4%), leading to a total share of 37% of Group revenue (H1 2017: 36%).
- Revenue from Global Corporate Clients increased by 12% in local currency in the first nine months (H1 2017: 10%) and represents 12% of Group revenue (H1 2017: 11%).

- Strategic initiatives, including sharper focus on key customers, the procurement programme and our global concepts and tools, continue to be implemented according to plan and support the margin. In addition, our restructuring of certain operations continues.
- The Group is committed to maintain a nominal ordinary dividend in 2018 at least equal to 2017.
- The 2017 outlook for organic revenue growth is narrowed from 1.5%-2.5% to be around 2%. The Group's expectation for operating margin has been reduced from being above the 5.78% realised in 2016 to being in line with the level realised in 2016, excluding the impact from acquisitions and divestments as well as currency translation effects. Our expectation for cash conversion remains unchanged (above 90%).

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

“As expected, our organic revenue growth improved in Q3, driven by contract wins and expansions with key account customers and within IFS. Our margin performance has been impacted by acquisitions, divestments and currency effects, together with short-term challenges in certain markets. This has led to an adjustment of our 2017 operating margin expectation. However, the underlying business performance has been positive. Our recent contract wins with Deutsche Telekom and the Danish Defence are highly encouraging. The IFS contract with Deutsche Telekom will start in July 2019, becoming the single largest contract in ISS's history. The new 6-year contract with the Danish Defence starts in February 2018 and will become the largest outsourced facility services contract in Denmark. These developments add to our conviction in the ISS Way strategy and our key account focus.”

Lord Allen of Kensington Kt CBE
Chairman

Jeff Gravenhorst
Group CEO

Conference call details

A conference call will be held on 8 November at 10:00 CET.

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 billion in 2016 and ISS has more than 490,000 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.

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