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## ISS intends to launch an IPO

ISS, one of the world's leading facility services companies, announces its intention to launch an Initial Public Offering (IPO) of its shares and to list on NASDAQ OMX Copenhagen.

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*of such securities to trading and official listing on NASDAQ OMX Copenhagen A/S (“NASDAQ OMX Copenhagen”). Copies of any such offering circular will, following publication, be available from ISS’ registered office and on the website of the Company.*

The intended IPO is expected to consist primarily of an issue of new shares to raise proceeds of approximately DKK 8 billion. Proceeds from the IPO are proposed, together with amounts drawn under a new banking facilities agreement put in place subject to the IPO, to repay existing credit facilities<sup>1</sup> during the course of 2014.

In connection with the IPO, a partial sell-down of existing ordinary shares is expected by certain funds advised by EQT Partners (“EQT”) and funds advised by affiliates of Goldman Sachs Group, Inc. (“GSCP” or “Goldman Sachs Capital Partners”) indirectly through a co-owned entity. OTPP and KIRKBI do not intend to sell shares in connection with the IPO.

**Jeff Gravenhorst, Group CEO, ISS A/S** commented:

“We have focused our business on the delivery of our market leading value proposition. Progress in the implementation of our strategy since 2011 is evident in our focused business platform, organic growth, resilient margins and strong deleveraging profile.

“From a growth perspective, the demand for our integrated facility services offering is increasing, not least among major multinational corporations. We have enjoyed continued growth in our emerging markets and are seeing promising signs of improvement in the European economy which represents approximately three-quarters of our revenue.

“Our margins have demonstrated their resilience despite a tough trading environment and a material divestment programme which has included high margin businesses.

“We welcomed two new investors, OTPP and KIRKBI, in 2012 and, combined with our strong cash conversion and proceeds from divestments, we have reduced debt and thereby significantly increased our financial flexibility.

“The intended IPO is expected to support our operational strategy, advance our public and commercial profile, provide us with improved access to public

capital markets and a diversified base of new private and institutional shareholders both in Denmark and internationally.”

**Lord Allen, Chairman, ISS A/S**, commented:

“ISS is in very good shape. The company has consistently reported solid financial results and we have the right strategy for future growth. ISS has a strong governance structure in place and an international board with deep service sector experience. Looking ahead, we expect to benefit from increasing tailwinds from the successful execution of our strategy, and we are therefore excited about inviting investors to participate in ISS’s further success.

“It is an honour to chair this company. When I joined the Board, I was enormously impressed by the quality of the management and by the culture of customer focus which permeates the entire company. The management leads an incredibly dedicated team of more than 530,000 individuals, relentlessly focused on our customers.”

On behalf of shareholders, **Morten Hummelose, Partner and Head of EQT Denmark, ISS’ largest shareholder**, commented:

“Since we entered the ownership structure of ISS in 2005, the company has embarked on an exciting journey. We have enjoyed supporting management in the establishment of a global leader in facility services and are proud of the development that ISS has achieved during our ownership. ISS has doubled in size since 2005 and has pioneered the development of the IFS market, winning ground-breaking international contracts with blue-chip customers.”

### **Information on ISS**

ISS is a leading global provider of facility services, with operations in developed and emerging markets. ISS is one of the world’s largest private employers with more than 530,000 employees. ISS provides a full range of facility services including cleaning, support services, property services, catering, security and facility management.

These services are delivered to customers as either single services, multi-services or integrated facilities services (“IFS”).

Services to customers are delivered mainly through the use of ISS’ own employees (self-delivery). ISS focuses on providing on-site services that are

personnel intensive, asset light and suitable for integration into its IFS model. ISS has a large and diversified portfolio of business-to-business customers across the globe, industry segments and customer sizes. ISS is one of the few service providers capable of providing a full range of service lines globally and has a presence in over 50 countries, including operations in Western Europe, Eastern Europe, the Nordic region, Asia, the Pacific region, Latin America and North America.

### **Key strengths**

#### *ISS is a global facility services market leader*

The ISS platform combines broad capabilities and a global footprint. A differentiated value proposition, based on a self-delivery model, enables ISS to combine people leadership skills with processes and enabling technology to establish a compelling offering. ISS' leading value proposition is consistently confirmed by winning large international and local contract tenders and extending existing contracts. In 2013, ISS was named the world's best outsourcing company by the International Association of Outsourcing Professionals.

#### *A history of resilient and attractive growth*

ISS has maintained a steady and positive organic growth profile despite difficult macro-economic conditions in recent years. The portfolio business, representing approximately 80% of annual revenue, is recurring and increases operational and financial visibility and predictability.

With a track record of organic growth (compound annual growth rate) or "CAGR" of 4% since 2006, ISS has outperformed the underlying facility services market growth.

The outperformance has been driven by the high growth IFS business and solid emerging markets<sup>2</sup> footprint. IFS revenue has grown at a CAGR of 15% from 2006 to 2013 and revenue in emerging markets has grown at a CAGR of 19% in the same period. In addition to boosting growth, both the IFS business and emerging market activities are accretive to the 2013 Group operating margin.

#### *Consistently delivering superior cash conversion*

ISS has a history of delivering high and consistent cash conversion, primarily supported by a recurring and visible revenue stream and stable operating margins. ISS also has a business model with low working capital and capital

expenditure requirements.

From 2006 to 2013, ISS had very resilient operating margins ranging from 5.5% to 6.0% despite a difficult trading environment in Europe. In the same period ISS generated a non-weighted average cash conversion of 99% demonstrating a track record of excellent cash generation.

*A clear strategy driving enhanced profitable growth*

The ISS Way strategy, launched in 2008, provides the foundation on which ISS pursues the vision of becoming “The world’s greatest service organisation”.

The strategy focuses on five themes: Empowering people through leadership; Transforming the customer base; Establishing fit for purpose organisations; Securing IFS readiness and Striving for excellence. Continued successful implementation of these strategic themes will increase employee engagement and customer satisfaction, optimise the delivery of the value proposition to chosen customers, drive the continued profitable growth of the IFS business and extract efficiencies through, for example, procurement benefits.

As such, the ISS Way strategy has demonstrable and tangible levers both to extract further operating efficiencies and improve market competitiveness as well as to enhance profitability and financial results.

**2013 Financial Highlights**

Separately today ISS has announced its preliminary results for 2013. Group revenue amounted to DKK 78.5 billion and organic growth was a robust 4.3% compared with 1.7% in 2012. Organic growth was driven by both developed and emerging markets. All regions but one delivered positive organic growth rates. Western Europe, our largest region, delivered strong organic growth of 5% and Asia delivered double-digit organic growth rates for the 34th consecutive quarter.

Emerging markets now represent 23% of total Group revenue, 55% of total Organic growth in 2013 and 56% of ISS’ employee base.

Total Group revenue was down 1.3% compared with 2012 as the organic growth was more than offset by the successful strategic divestment of non-

core activities and a negative effect from exchange rate movements which decreased revenue by 2% and 3%, respectively.

Operating profit before other items decreased by 2.2% to DKK 4.3 billion in 2013 compared with 2012 and was negatively affected by both the successful divestments of non-core activities and currency effects. The operating profit before other items as a percentage of revenue, i.e. the operating margin, decreased to 5.5% from 5.6% in 2012. The operating margin was in line with expectations. The divestment of the large and margin accretive pest control business in May 2013 negatively affected the operating profit margin. Adjusted for the divestment of the pest control activities, the operating margin was slightly improved from 2012 to 2013. Operating profit increased by 3% to DKK 4,215 million in 2013 from DKK 4,103 million in 2012.

### **Global co-ordinators and bookrunners**

Nordea, Goldman Sachs International and UBS Investment Bank have been appointed to act as Joint Global Coordinators for the intended IPO, and as Joint Bookrunners along with Barclays and Morgan Stanley, while Carnegie, Danske Bank and SEB have been appointed as Co-lead Managers. Lazard is acting as financial advisor to ISS and FS Invest II S.à r.l., which currently holds 100% of the shares in ISS A/S.

### **Notes:**

1 Credit facilities including senior facilities, a securitisation programme, subordinated notes due 2016 and EMTNs due 2014 2 Asia, Eastern Europe, Latin America, Israel, South Africa and Turkey

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The Joint Bookrunners, Co-lead Managers and Lazard and their affiliates are acting exclusively for ISS and FS Invest II S.à r.l. and no-one else in connection with the intended IPO. They will not regard any other person as their respective clients in relation to the intended IPO and will not be responsible to anyone other than ISS and the FS Invest II S.à r.l. for providing the protections afforded to their respective clients, nor for providing advice in relation to the intended IPO, the contents of this announcement or any transaction, arrangement or other matter referred to herein.

In connection with the contemplated IPO, the Joint Bookrunners and Co-lead Managers and any of their affiliates, acting as investors for their own accounts, may subscribe for or purchase shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such shares and other securities of ISS or related investments in connection with the contemplated IPO or otherwise. Accordingly, references in any prospectus, if published, to the shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, such Joint Bookrunners and Co-lead Managers and any of their affiliates acting as investors for their own accounts. The Joint Bookrunners and Co-lead Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

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