



Company Announcement

Copenhagen, 10 August 2022

No. 15/2022

Interim report for 1 January – 30 June 2022

Accelerating growth momentum and upgrade of 2022 outlook

Highlights

- Organic growth was 8.0% in Q2 2022 (Q1 2022: 5.4%) and 6.7% in H1 2022 (H1 2021: (0.2)%). Total revenue of DKK 18.9 billion in Q2 was 3% above pre-pandemic revenue in Q2 2019 adjusted for M&A and FX.
- The growth was driven by continued return-to-office trends, customers' increased investments in the attractiveness of the workplaces and implemented price increases. In Q2 2022, portfolio revenue grew organically by 11%.
- Operating margin before other items was 2.9% in H1 2022 (H1 2021: 1.6%). The improvement was primarily due to the execution of the turnaround initiatives in the underperforming contracts and countries.
- The rising inflation was managed tightly through price increases and cost control with a margin neutral effect.
- Free cash flow in H1 2022 was DKK 0.6 billion (H1 2021: DKK 1.6 billion). As expected, free cash flow was negatively affected by DKK 0.4 billion of one-off payments of provisions accounted for in 2020.
- The progress towards the turnaround targets continued to be driven by the execution of the OneISS strategy. Two out of four hotspots have achieved their turnaround targets, and financial leverage was reduced to 3.0x pro forma adjusted EBITDA (LTM).
- With the divestment of Portugal, the divestment programme is now considered completed. The target of accumulated net proceeds of DKK 2 billion has been achieved.
- IAS 29 (hyperinflation accounting) was implemented in Q2 2022 for Turkey with effect from 1 January 2022. The impact on the Group's key financial KPIs (organic growth, operating margin and free cash flow) was immaterial. The implementation has no influence on ISS's underlying cash flow generation.

- ISS will host a Capital Markets Day on 7 November 2022 in London, where the next phase of the OneISS strategy and new financial targets will be presented.
- Based on the performance in H1 2022, outlook is upgraded for all financial KPIs. Organic growth is now expected to be above 5%, operating margin is expected to be above 3.75% and free cash flow is expected to be above DKK 1.5 billion. All metrics are before any effects of IAS 29.

Jacob Aarup-Andersen Group CEO, ISS A/S, says:

“The results in the first half of 2022 mark another important milestone in our financial turnaround. I am pleased to see how this has been executed in volatile markets, while also establishing a new operating model for future performance. This is a testament to all the hard work from every ISS colleague during this important period. As we are emerging well from the pandemic, the foundation of ISS has substantially improved - we have completed the divestment programme, recovered financial performance and reduced financial leverage faster than targeted. This leaves us well positioned to gain further momentum in the marketplace, manage inflation and support our customers in a continued dynamic business environment”.

Financial overview	Q1 2022	Q2 2022	H1 2022	H1 2021 ¹⁾
DKK million (unless otherwise stated)				
Revenue	18,075	18,868	36,943	34,893
Organic growth, %	5.4	8.0	6.7	(0.2)
Operating profit before other items			1,061	549
Operating profit before other items, excl. IAS 29			1,073	549
Operating margin (before other items), %			2.9	1.6
Operating margin (before other items), %, excl. IAS 29			2.9	1.6
Free cash flow			644	1,645

¹⁾ Restated due to Chile being reclassified to continuing operations as of 31 December 2021.

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About ISS

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