



Stock Exchange Release

Stock Exchange Release No. 12/02

23 April 2002

ISS acquires Eurogestion, an international provider of pest control services

ISS acquires 100% of the shares in FPI S.A., parent company of the Eurogestion group. The acquisition will strengthen ISS' Facility Services offering as Eurogestion is one of the leading international providers of pest control services and also offers hygiene and washroom services, pipes draining and ventilation services. In 2001, Eurogestion had turnover of DKK 902 million and operating profit of DKK 106 million.

ISS has reached an agreement with the owners of the Eurogestion Group ("Eurogestion") to acquire 100% of the shares in FPI S.A., the parent company of Eurogestion. The acquisition will strengthen ISS' Facility Services offering as Eurogestion is a major international provider of pest control services, regarded as one of the market leaders in France and Italy and with a solid presence in Australia. In addition to pest control services, Eurogestions' service offering includes hygiene and washroom services, pipes draining services and maintenance of ventilation systems. The Group is present in nine countries in Europe, Asia and Australia, trading under names such as Prohygiene, Flick and Libco.

In 2001, Eurogestion generated a turnover of DKK 902 million and an operating profit of DKK 106 million. In 2002, Eurogestion is estimated to generate a turnover of DKK 919 million and an operating profit of DKK 120 million.

The purchase price for 100% of the share capital of Eurogestion is agreed at DKK 1,152 million (EUR 155 million). In addition, the sellers have an earn-out of DKK 15 million (EUR 2 million) depending upon the financial results for 2002. The purchase price assumes that Eurogestion on a consolidated basis has a no cash/no debt position at the date of take-over.

The parties have agreed that a part of the purchase price, EUR 72 million (DKK 535 million) equivalent to approximately 46.5% of the purchase price, will be financed by issuance of new ISS shares. Due to the fragmented ownership structure of Eurogestion, the parties have agreed that the new ISS shares will be subscribed for by Deutsche Bank, which may then place the shares in the market.

At the extraordinary general meeting on 19 April 2001 ISS' Board of Directors were authorised to issue up to 10 million new shares in ISS and empowered to decide that the whole or part of such increase of the share capital be reserved to one or more investors in consideration of the take-over of an existing business or part hereof. The Board will issue the above-mentioned new shares pursuant to this authorisation.

ISS will announce when the share price and the total number of issued shares have been determined. This announcement is expected no later than on Wednesday 24 April 2002.

Eurogestion will be consolidated in the ISS Group's accounts with effect from 1 April 2002.

Background

Currently, the service industry is undergoing a rapid development. ISS views the outsourcing trend as being unchanged but sees the nature of the service delivery changing, as still larger and more complex contracts are being outsourced. This requires the service providers to be capable of offering a wider range of services.

A main element of ISS' strategy, **create2005**, is the increased focus on Facility Services. ISS' Facility Services concept involves the performance of a range of support service tasks in connection with the operation of factories, offices, hospitals, means of transport etc. Services offered by ISS include cleaning, reception and mailroom services, canteen services, washroom services, pest control services, landscaping, ventilation and sewage services, light maintenance of buildings etc., services which are all a normal part of a Facility Services concept. The range of services offered varies from country to country and not all of the above-mentioned services are currently offered in all countries.

Today, ISS offers pest control in a number of countries, including Brunei, Central Europe, Portugal and Singapore, while ISS in a number of countries engages subcontractors when delivering pest control services to Facility Services customers. The same applies for washroom services, a service ISS today offers in Denmark, the Netherlands, Portugal, Singapore and the

UK. Thus, it is ISS' experience that many customers as a normal part of the service delivery request ISS to manage the delivery of pest control and washroom services. In addition, ISS believes that there are considerable synergies and profitability potential in offering pest control and washroom services as part of the service delivery.

In summary, the take-over of Eurogestion gives ISS the following benefits:

- ISS strengthens its Facility Services offering by establishing itself as an important provider of pest control services in a number of countries
- ISS strengthens its Facility Services offering by establishing itself as a provider of hygiene and washroom services in Australia and Belgium
- Pest control and washroom services can be expanded to other parts of ISS, using ISS' current country organisations and customer base
- ISS obtains cost synergies, primarily related to combination of certain premises

The market for pest control

ISS views pest control as a natural part of the Facility Services offering. ISS estimates that the European Facility Services market exceeds DKK 750 billion.

Non-agricultural pest control broadly covers the tracing, removal and deterrence of pests such as rats and mice with techniques primarily involving pesticides.

The potential pest control market worldwide is estimated at approximately DKK 54 billion, of which approximately 65%-70%, equivalent to approximately DKK 35 billion, is estimated to be outsourced.¹

The European market is fairly fragmented with three market leaders Rentokil, ServiceMaster and Eurogestion. The rest of the market is shared between numerous smaller players focusing on pest control and, increasingly, major cleaning companies.

The growth rates of pest control in developed economies have been similar to GDP over the past decade. The principal growth driver has been outsourcing, secondarily rising food safety and public health standards.

¹ Source: The Support Services Handbook. WestLB Panmure, August 2001

Eurogestion

Eurogestion was established in 1965 through the creation of Europe Services. In 1985 a subsidiary of Compagnie Générale des Eaux, Esys Montenay, acquired 100% of the shares in Eurogestion. After two LBOs, the owners of the company are three private equity funds (owning 80%) and management (owning 20%). Bridgepoint Capital is the leading shareholder with 52% of the share capital while Quartus Gestion and Gresham Private Equity owns 20% and 8%, respectively.

Top management in Eurogestion is characterised by professionalism, experience and market knowledge. The current CEO of Eurogestion, Claude Lavaud, has been managing director of the company since 1985, while the CFO and the head of international activities have 11 and 9 years seniority with the company, respectively. After the take-over, top management will continue in ISS, where they will be assigned responsibility for operations and the development of the pest control business segment as part of Facility Services.

Over the years, Eurogestion has made a number of acquisitions. The most significant are the 1994 acquisition of Flick in Australia and the 2001 acquisition of Libco in Italy.

Eurogestion is one of the leading international providers of pest control services. The company is regarded as one of the market leaders in France and Italy and has a solid presence in Australia. The three countries represent approximately 44%, 12% and 25%, respectively, of the 2001 turnover. Furthermore, the company is present in Belgium, Switzerland, Hungary, Romania, Singapore and Malaysia.

Eurogestion provides a range of pest control services including treatment with insecticide, eradication of rodents, disinfections of buildings, wood treatment and pigeon control services. The activities within pest control accounted for 65% of the turnover in 2001. In addition, the company provides pipes draining services (13%), hygiene and washroom services (9%), maintenance of ventilation systems (5%) and other services (8%).

Key figures, Eurogestion

DKK, million	1997	1998	1999	2000	2001	2002e
Turnover	569	578	671	725	902	919
Operating profit	68	75	83	76	106	120
Operating margin	11.9%	13.0%	12.4%	10.5%	11.8%	13.0%

During 1997-2001 Eurogestion has increased turnover by 58% (equivalent to an annual growth rate of 12%), mainly due to the acquisition of Libco in Italy in 2001. During the same period, operating profit margin ranged between 10.5% and 13.0%.

In 2001, Eurogestion generated a turnover of DKK 902 million and employed 2,200 employees, mainly working full-time.

ISS Group

Headquartered in Denmark, ISS is one of the world's leading Facility Services providers with a Group turnover in 2001 of DKK 34.8 billion. The portfolio exceeds 75,000 business-to-business customers and the Group employs approximately 260,000 employees in 36 countries in Europe, Asia, the Middle East and South America.

During recent years ISS has been one of the leading players in the consolidation of the European service industry, thereby creating a solid platform for adding on competences and services. The results of an accelerated integration in 2001 of the major continental-European acquisitions have now started to materialise.

A characteristic of ISS is that the country organisations most advanced in the development of a comprehensive Facility Services concept also have the highest profitability. This supports the positive correlation between the range of the service offering and the operating margin, particularly demonstrated by ISS' activities in the Nordic region, France, Austria and ISS Mediclean in the UK.

Since the launch of **create2005**, ISS' acquisition strategy has been focused on competence enhancing acquisitions.

Financial impact on ISS

The acquisition of Eurogestion is expected to increase annual turnover by more than DKK 900 million and add some 2,200 employees to the Group. ISS expects that the transaction will not only lead to a strategic strengthening of the development of the Facility Services concept, but also have a positive influence on operating profit and Group EVA[®].

Eurogestion will be consolidated in the ISS Group's accounts with effect from 1 April 2002. As a consequence, the transaction is in 2002 expected to lead to an increase in Group turnover and operating profit of 2% and 5.5%, respectively, compared to Group turnover and operating profit in 2001. The transaction is expected to be positive on earnings per share before goodwill amortisation in 2002.

Further information:

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Forward-looking Statements

This Stock Exchange Release contains forward-looking statements within the meaning of US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development, in particular future sales, operating efficiencies and business expansion. Such statements are subject to risks and uncertainties as various factors, many of which are beyond ISS' control, may cause the actual development and results to differ materially from the expectations contained in the Stock Exchange Release. Factors that might affect such expectations include, among others, overall economic and business conditions, fluctuations in currencies, the demand for ISS' services, competitive factors in the service industry and uncertainties concerning possible acquisitions and divestments. See also the description of risk factors set out on page 37-41 of the Annual Report 2001.