Annual Report 2003

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ISS A/S

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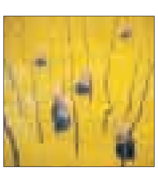

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Erik Sørensen and
Eric S. Rylberg (standing)

Letter to our Stakeholders

Due to divestments, declining currency exchange rates and contract trimming in 2002, turnover declined. In spite of that, ISS achieved the targets we set at the beginning of the year. The operating margin exceeded the goal defined in our strategy plan **create2005** two years earlier than targeted and it was the highest the Group has had since it listed on the Copenhagen Stock Exchange in 1977. Cash conversion was above 100% for the fifth consecutive year.

The Group's development continued along the strategic path defined in **create2005**. Overall, the Group's operating units performed in accordance with management's expectation. Some business units, however, did not live up to expectations and actions have been taken to improve performance.

The offering of facility services gained momentum, supported by a growing demand from large customers for integrated service solutions, comprising an ever-broadening range of services. We therefore continued the transition towards facility services to ensure that ISS is in a position to serve its customers and benefit from market developments.

Another focal area was the continued investment in our people. New courses were rolled out at ISS University, the Group's vehicle for teaching new service concepts, and operational training as well as management development continued to be areas of investment.

The agenda for 2004 is to sustain the results we achieved in 2003 and grow top-line, organically and through acquisitions. ISS stands well prepared to pursue new opportunities and we see a potential for an increase in acquisition driven growth in 2004.

The results in 2003 could not have been achieved without our 245,000 dedicated employees who are the foundation for value creation for all our stakeholders. We would like to take this opportunity to thank each of them for their contribution to the Group's progress and we look forward to further developing our Group together.

Erik Sørensen
Chairman

Eric S. Rylberg
CEO

Basic Rhythm II, Michael Kvium
(Oil on canvas)

The painting shows strange forms that do not resemble any real beings. The painting is a part of a one-year study of human perception. Some of the forms portrayed are harmonious and likeable while others are not. And it is exactly this natural sense of aesthetics, or tendency to perceive some forms as pleasing and others as offending, which is being questioned since none of the shapes actually exist in reality.

Report from Management

Key Figures

Amounts in DKKm, except per share data	2003	2002	2001	2000	1999
Turnover	36,165	37,984	34,852	28,719	19,802
Operating profit [1)]	2,032	2,010	1,633	1,454	1,021
Financial income and expenses, net	(265)	(361)	(310)	(244)	(128)
Ordinary profit before goodwill amortisation	1,179	1,115	898	830	622
Extraordinary items, net of tax and minorities	-	-	-	-	4
Loss from discontinued business, net of tax	-	-	(5)	-	-
Net profit for the year	286	246	222	210	237
Investments in tangible assets, gross	499	579	615	439	420
Cash flow from operating activities	2,345	2,264	1,510	1,265	732
Free cash flow [2)]	1,942	1,739	1,058	874	795
Total assets	23,385	22,412	22,419	17,164	13,696
Goodwill	12,465	12,669	12,022	9,522	7,576
Interest-bearing debt, net [2)]	4,784	5,604	6,317	4,357	3,050
Total equity	7,633	7,331	6,621	5,678	4,415
Market capitalisation	12,894	11,202	17,351	21,730	18,773
Enterprise value [2)]	17,678	16,806	23,668	26,087	21,823
Financial ratios [2)]					
Operating margin, %	5.6	5.3	4.7	5.1	5.2
Interest coverage	9.9	7.2	7.0	7.9	10.7
Earnings per share before goodwill amortisation	26.8	25.8	21.6	21.1	18.6
Cash conversion, % [3)]	150	167	118	105	128
Free cash flow per share	44.1	40.2	25.5	22.3	23.7
Equity ratio, %	32.6	32.7	29.5	33.1	32.2
Debt to book equity ratio, %	62.7	76.4	95.4	76.7	69.1
Debt to total enterprise value ratio, %	27.1	33.3	26.7	16.7	14.0
Lease adjusted financial figures [2)]					
Interest coverage	6.1	5.1	5.1	5.8	7.5
Debt to book equity ratio, %	89.2	101.9	122.3	97.2	90.6
Implied off-balance sheet financing	2,027	1,863	1,780	1,160	950
Interest-bearing debt, net	6,811	7,467	8,097	5,517	4,000
Free funds from operations to net debt ratio, %	38.7	32.4	23.4	30.5	27.2
Employees on full-time, %	55	53	53	53	53
Number of employees	245,000	248,500	259,800	253,200	216,700
Growth					
Organic growth, % [4)]	(2)	1	4	7	7
Acquisitions, net, %	(0)	8	18	35	37
Currency adjustments, %	(3)	0	(1)	3	(1)
Total turnover, %	(5)	9	21	45	43
Operating profit, % [1)]	1	23	12	42	39

[1)] Before other income and expenses.

[2)] Please refer to page 125 of this report for definitions.

[3)] In 2003, cash conversion was adjusted for the cash inflow from tax repayment of DKK 168 million related to employee share issues. In 2002, cash conversion was adjusted for the after-tax gain of DKK 74 million on the sale of Sophus Berendsen shares.

[4)] Organic growth in 2001, 2002 and 2003 was 6%, 5% and 0%, respectively, before the effect of the contract trimming carried out in 2001 and 2002.

Company Report

FOCUS OF THE YEAR

Market conditions in 2003 were harder than ISS has experienced for a long time. The stagnating or even recession-like macroeconomic conditions in many countries put prices under pressure and induced customers to cut back in general and reduce demand for one-off jobs. Other external factors such as the SARS-outbreak and declining currency exchange rates were among the challenges the Group had to deal with during 2003.

In this environment and taking into consideration that ISS operates in an industry affected late in the economic cycle, ISS maintained its focus on profitability and cash generation, recording an improvement in the operating margin and a cash conversion ratio above 100%. Due to divestments, declining currency exchange rates and contract trimming in 2002, turnover declined.

Having delivered on its two primary goals, ISS expanded the agenda during 2003 to include a stronger focus on organic growth. This was reflected in investments and other initiatives throughout the Group aimed at accelerating organic growth, whilst consolidating the achievements in operating margin and cash conversion. The effect hereof is expected to materialise gradually in the years ahead.

While the Group as a whole and most of the Group's businesses performed according to plan, certain businesses did not live up to expectations and management action was taken.

In the fourth quarter of 2003, initiatives were implemented to strengthen management at country level and re-allocate resources to organic growth investments. This involved management changes in several countries, disposal of vacant office space and a merger of marketing, sales, communication and training functions of the Group's Danish operation and the corporate head office.

The SARS-outbreak was a significant, external event, which gave rise to operational challenges in a number of ISS' operations in Asia. At the same time, it provided an opportunity for ISS to demonstrate its commitment to serving the interests of all stakeholders. At hospitals in Hong Kong and Singapore, ISS employees, demonstrating loyalty and dedication, helped in the efforts to prevent the virus from spreading.

Performance highlights

Turnover declined 5%, impacted by divestments, declining currency exchange rates and contract trimming

Excluding currency effects, the continuing business grew 4%, driven by acquisitions

Operating margin increased to 5.6% from 5.3% in 2002

Free cash flow increased to DKK 1.9 billion, up DKK 0.2 billion compared to 2002

Cash conversion was 150%, above 100% for the fifth consecutive year

Earnings per share up by 4% to DKK 26.8

Proposed dividends doubled from DKK 2 to DKK 4 per share

During 2003, ISS experienced an enhanced interest from customers in exploiting the advantages of the facility services concept offered by ISS.

In May 2003, the Group won a comprehensive pan-European facility services contract with Computer Science Corporation (CSC). In a partnership with CSC, ISS will deliver a range of facility services to CSC, and CSC will provide IT services to ISS. Under the 10-year agreement, ISS will assume responsibility for delivering a full range of facility services comprising cleaning services, property services, canteen services and office support services at CSC-sites in a number of European countries. The responsibility for the service tasks will be assumed by ISS gradually, commencing at CSC's offices in Germany, the Netherlands and the Nordic countries. The agreement is expected to be fully implemented over a period of three to five years.

The trend towards facility services was also apparent on the international level and ISS secured a number of new integrated facility services contracts, both in Northern Europe and in countries where such contracts were not previously part of the portfolio. Examples of new customers with an integrated facility services solution include Delta Lloyd in the Netherlands, Sonofon in Denmark, Siemens in Norway, Arina in Finland, OMV in Austria, and SBB in Switzerland.

The new contracts with CSC and other large customers illustrated the progress of ISS' facility services concept on an international level and fuelled the interest of a number of potential facility services customers.

GROUP PERFORMANCE

Due to divestments, declining currency exchange rates and contract trimming in 2002, turnover declined. As stated above, ISS delivered on its two primary goals for 2003, operating margin and cash conversion. The operating margin of 5.6% was the highest since ISS was listed in 1977 and cash conversion again exceeded 100%. When comparing with historical performance, it should also be taken into account that ISS today leases most of its cars and buildings. As the funding costs of leased assets are included in operating expenses, the current operating margin is negatively impacted on a comparable basis.

Despite a generally weak market, overall Group performance was in line with the goals announced at the outset of the year. However, with operations in 38 countries it is likely that some business units will disappoint. The most significant disappointments and challenges in 2003 are discussed below.

OPERATIONAL CHALLENGES

Denmark ISS Denmark enhanced its profitability in 2003. However, excluding the facility services contracts with CSC and Sonofon, new sales and contract losses were at unsatisfactory levels and Group Management found that a new approach to customer focus and sales was needed. Consequently, in December 2003, a number of management positions were strengthened and certain functions were merged with functions at ISS head office, thereby freeing resources for investments in organic growth.

Germany The goals set out for ISS Germany in regard to profitability enhancement and organic growth were not met. During 2003, ISS decided to strengthen the country management by transferring experienced ISS-managers with proven track records to key positions at ISS Germany. The new management team initiated a range of actions with the aim of stabilising the organisation, strengthening sales and improving profitability at contract level. The results of these efforts are expected to feed through in the years ahead. As a consequence of the performance issues and the difficult macroeconomic environment, goodwill amortisation relating to Facility Services in Germany was accelerated.

Switzerland The business in Switzerland performed below expectations and local forecasts. Due to integration issues, the newly acquired landscaping activities diluted the financial performance. Therefore, steps have been taken to strengthen operational and financial management in ISS Switzerland with the objective to improve performance and enhance the capacity to handle integration of acquired companies effectively.

Damage Control Business conditions were tough for Damage Control in Norway in 2003. Due to unusually dry weather conditions and over-capacity in the market, the activity level declined. The financial performance was adversely impacted by a failure to adjust the organisation in time. A new management team was appointed and a downsizing of operations and strengthening of management systems are being implemented. Furthermore, in an expansive move, ISS acquired the damage control activities of one of its competitors, Anticimex Building Environment, in December 2003 in an attempt to build critical mass. Effective 1 February 2004, activities related to industrial services with an annual turnover of approximately DKK 28 million were divested, thereby strengthening the focus of Damage Control on its core activities.

Health Care The health care activities were impacted by downsizing of the Swedish public health care sector. ISS' operations were not sufficiently adapted to the new market situation, causing financial performance to fall below expectations. A new experienced management team has been appointed and adjustments of the cost base are being implemented.

Organic growth The macroeconomic climate meant that organic growth came under pressure in some countries. This resulted from a general reduction in demand for services. As described on pages 53-73 of this report, various initiatives have been taken in each country to counter this challenge.

FINANCIALS

Total turnover in 2003 was DKK 36.2 billion against DKK 38.0 billion in 2002, a decrease of 5%. The decrease was due to currency adjustments, divestments of non-core activities and to a lesser extent contract trimming in 2002. Together, these factors lowered the turnover base for 2003 by approximately DKK 3.1 billion to DKK 34.9 billion. From this base, ISS realised acquisition driven growth of 4% and flat organic growth.

Divestments of non-core activities, primarily related to the activities within airside aviation and elderly care services in 2002, reduced the turnover base by DKK 1.5 billion. The contract trimming in Belgium, Brazil, Denmark, France, Germany and the Netherlands lowered the turnover base by DKK 0.6 billion. The contract trimming was finalised in 2002, except for Brazil where it was initiated in late 2002, as described in the Annual Report 2002, and concluded in the beginning of 2003. Consequently, the Group's 2004 turnover will not be impacted by extraordinary contract trimming.

Turnover 2002-2003

Amounts in DKK billion	Northern Europe		Continental Europe		Overseas		Group [2]	
Turnover 2002	18.3	111 %	17.8	106 %	1.9	121 %	38.0	109 %
Currency adjustments	(0.6)	(4)%	(0.1)	(0)%	(0.3)	(19)%	(1.0)	(3)%
Divestments	(1.2)	(7)%	(0.4)	(2)%	(0.0)	(1)%	(1.5)	(4)%
Contract trimming [1]	(0.0)	(0)%	(0.5)	(3)%	(0.0)	(1)%	(0.6)	(2)%
Turnover base [2]	**16.4**	**100 %**	**16.9**	**100 %**	**1.6**	**100 %**	**34.9**	**100 %**
Acquisitions	0.5	3 %	0.6	4 %	0.2	11 %	1.3	4 %
Organic growth, continuing business	(0.2)	(1)%	0.1	1 %	0.1	6 %	0.0	0 %
Turnover 2003 [2]	**16.7**	**102 %**	**17.6**	**105 %**	**1.9**	**117 %**	**36.2**	**104 %**
Total growth 2003		(9)%		(1)%		(3)%		(5)%

[1] Comprises contract trimming in 2002 in Belgium, Denmark, France, Germany and the Netherlands and contract trimming in Brazil initiated in December 2002.
[2] Due to rounding, the sum of the growth components may differ from the total figure.

Operating margin by region

	2003	2002
Northern Europe	6.0 %	6.1 %
Continental Europe	6.1 %	5.8 %
Overseas	6.1 %	4.4 %
Corporate	(0.4)%	(0.5)%
Group	**5.6 %**	**5.3 %**

Currency adjustments amounted to DKK (1.0) billion. The currency adjustments were in particular related to the Pound Sterling, Norwegian kroner, the Brazilian real and Asian currencies linked to the US dollar.

Operating profit before other income and expenses increased by 4% in local currencies. In Danish kroner, operating profit before other income and expenses increased by 1% to DKK 2,032 million after currency adjustments of DKK (52) million. The operating margin was 5.6%, up from 5.3% in 2002. This was in line with the expectations announced in the Group's Interim Report, January - September 2003, in November 2003.

Cash flow from operating activities was DKK 2,345 million and the free cash flow was DKK 1,942 million, lifted by a tax repayment of DKK 168 million relating to a reopening of prior years' tax assessments concerning employee shares, and DKK 33 million interest related thereto. The cash conversion ratio was 150%, thus remaining above 100% for the fifth consecutive year; a performance which of course cannot continue in the long run. Interest-bearing debt, net was reduced from DKK 5,604 million to DKK 4,784 million at year-end 2003. The implied off-balance sheet financing through operational leasing increased from DKK 1,863 million to DKK 2,027 million.

REGIONAL DEVELOPMENT

Turnover in Northern Europe, comprising the UK, Sweden, Denmark, Norway, Finland, Ireland, Iceland and Greenland decreased from DKK 18.3 billion in 2002 to DKK 16.7 billion. The turnover development was impacted by a reduction in the turnover base of DKK 1.9 billion, primarily due to the divestments of the elderly care activities and the airside aviation activities, which in total reduced turnover by DKK 1.2 billion. Currency adjustments related to Pound Sterling and Norwegian kroner reduced turnover by 4%. On this basis, growth in the continuing business was 2%. Overall organic growth in the region was mixed with positive growth rates in Finland, Ireland and the UK and negative growth in the other countries. Total organic growth was negative at 1%. The operating margin was 6.0%, a slight decrease from 2002. All Facility Services businesses in the region achieved increasing operating margins but the performance in Damage Control and Health Care offset this improvement. Once again, the countries with the most advanced facility services concepts generated operating margins above Group average. Facility Services in Norway and Finland were prime examples, with operating margins of 7.1% and 8.7%, respectively.

Continental Europe includes France, the Netherlands, Belgium, Germany, Switzerland, Spain, Austria, the Czech Republic, Italy, Greece, Portugal, Slovenia, Slovakia, Poland, Hungary, Romania, Luxembourg and Croatia. Turnover in the region was DKK 17.6 billion, marginally down compared with 2002. The continued focus on profitability impacted growth, in particular in Belgium, France, Germany and the Netherlands. Organic growth in the continuing business was 1%. Due to contract trimming, overall organic growth was (2)%. The operating margin increased from 5.8% to 6.1%, driven by performance enhancement in Austria, Belgium, the Netherlands and Spain.

Overseas, consisting of Asia, South America, Australia and Israel, had a turnover of DKK

1.9 billion in 2003, down 3% from 2002. Organic growth in the continuing business amounted to 6% due to positive developments in all countries except for Japan. Currency adjustments reduced turnover by DKK 0.3 billion while acquisitions added 11% to the turnover base, partly due to the full consolidation of ISS Israel in the second half of 2003. The operating margin increased from 4.4% to 6.1%, primarily due to the effects of a turnaround in Brazil and the full-year effect of the Eurogestion acquisition in 2002.

COMPETENCE ENHANCEMENT

A main priority for ISS in 2003 was to continue the development of the facility services concept as defined in the strategy plan **create2005**. The Group's 38 country organisations are at different stages in the transformation but all are progressing towards the same goal – to be able to offer an integrated service solution comprising a broad range of services to their customers.

The transformation to facility services was reflected in the nature of the acquired businesses and a number of concept development initiatives throughout the Group. A Facility Services Development Centre was established as a centre of excellence for the entire Group in the field of facility services and implementation. Other initiatives included a centrally coordinated project to organically develop washroom services in Denmark, Hong Kong, Norway, Singapore, Sweden, and Thailand, a project that includes the launch of a range of hygiene solutions, aiming at both new and existing customers. A substantial business has been built in landscaping. The pest control segment was strengthened organically and through selective acquisitions in Australia, France, Ireland, the Netherlands, Spain and Switzerland.

In order to bring the enhanced service offering and competencies to the market place, approximately 120 new sales people were recruited throughout the Group. This added some 19% to the sales force.

ACQUISITIONS

Acquisition activity remained relatively low. This reflects that geographical platforms have been established in almost all European countries and that the focus in 2003 was on integration and performance enhancement.

In 2003, ISS made 51 bolt-on acquisitions that, going forward, are expected to add annual turnover of approximately DKK 1.3 billion, equivalent to approximately 3% of Group turnover. ISS uses EVA® (Economic Value Added) as the principal criteria when evaluating the financial implications of acquisitions, and most acquisitions carried out in 2003 are expected to be EVA® accretive within 12 months.

Acquisition efforts focused on companies with the potential to strengthen ISS' competencies and enhance the service offering. The majority of acquisitions were in facility services and particular focus was devoted to landscaping and pest control. Acquisitions within these services accounted for 53% of the acquired turnover on an annualised basis.

1 January - 4 March 2004, 25 acquisitions have been made, adding turnover of approximately DKK 883 million on an annualised basis. Acquisitions are listed on pages 130-131 of this report and continuously updated on the Group's website: www.issworld.com.

In 2004, ISS will aim at increasing the acquisition activity compared with 2003. The primary focus will remain on bolt-on acquisitions, defined as acquisitions that do not exceed 5% of Group turnover on an individual basis. Acquisitions that strengthen the Group's competencies, enhance its service offering or enable the Group to establish critical mass will be targeted.

OUTSOURCING OF IT

In May 2003, ISS signed a 10-year IT outsourcing agreement with CSC simultaneously with CSC signing a facility services contract with ISS. Under the contract, CSC assumes responsibility for ISS' IT systems including the development, maintenance and operations of applications and infrastructure at ISS-sites in Europe. A plan for the transfer of responsibility to CSC has been agreed; as per 31 December 2003, CSC managed IT systems for ISS in 18 countries. As part of the future relationship, ISS and CSC intend to launch an IT transformation plan to develop, implement and operate a common IT platform for all ISS businesses.

CORPORATE BOND PROGRAMME

ISS Global A/S, a wholly owned subsidiary of ISS A/S, listed a Euro Medium Term Note (EMTN) programme in September 2003 and subsequently launched its inaugural bond issue. The bond issue was assigned a BBB+ rating with Stable Outlook by Standard & Poor's.

The EUR 850 million bond issue has a maturity of seven years and an annual coupon of 4.75%. Following the launch of the bond issue, ISS swapped the fixed interest rate of the bond into a floating rate. The purpose of establishing the EMTN programme is to gain access to an efficient and flexible source of financing. Accordingly, the proceeds from the bond issue were used to repay existing bank loans.

DE-LISTING FROM THE LONDON STOCK EXCHANGE

ISS' shares have been listed on the Copenhagen Stock Exchange since 1977 and on the London Stock Exchange as a secondary listing since 1989. To consolidate trading on the Copenhagen Stock Exchange, ISS decided to discontinue its secondary listing on the London Stock Exchange in 2003. The de-listing took effect on 15 August 2003.

UNITED NATIONS GLOBAL COMPACT

ISS' commitment to the UN Global Compact principles was enacted through daily operations and accentuated in the ISS Code of Conduct adopted by the Board of Directors in June 2003. For details please refer to the section describing stakeholder relations on pages 30-40 of this report.

CHANGES TO THE BOARD OF DIRECTORS

At the annual general meeting in April 2003, the Chairman of ISS for the last 12 years, Arne Madsen, retired from the Board of Directors. Claus Høeg Madsen was elected new Board member. Following the annual general meeting, Erik Sørensen and Sven Riskær were elected Chairman and Vice-chairman of the Board, respectively, thus constituting the Chairmanship.

SUBSEQUENT EVENTS

Apart from the events described in this Annual Report, Group Management is not aware of events subsequent to 31 December 2003 which are expected to have a material impact on the Group's financial position or outlook.

PROPOSALS FOR THE ANNUAL GENERAL MEETING

At the annual general meeting to be held on 31 March 2004, the Board of Directors will propose that a dividend of DKK 4 per share be paid in respect of the 2003 financial year. The proposed dividend implies that net profit for 2003 of DKK 286 million will be appropriated to the effect that DKK 177 million (62% of Net profit for the year) is paid out as dividends and DKK 109 million is allocated to reserves.

This proposal is consistent with the below dividend policy, which was announced in the Annual Report 2002.

In line with the objective of **create2005** of increased employee ownership, the Board of Directors will seek shareholder authorisation to issue up to 400,000 new employee shares, equivalent to DKK 8 million nominal value. The authorisation would be valid for five years.

DIVIDEND POLICY

ISS continuously monitors its capital structure. The aim is to strike a balance between optimising the cost of capital and ensuring a credit-worthiness that allows flexible access to a range of debt instruments.

Accounting rules concerning goodwill amortisation affect ISS' ability to consolidate equity through retained earnings. The International Accounting Standards Board (IASB) is currently considering a change of these rules so that goodwill is no longer amortised but tested for impairment.

Provided these new rules are adopted by the IASB in its current form and the financial situation of ISS develops as planned, the Board of Directors will seek to increase the dividend in the years ahead.

The Board of Directors will generally determine payout ratios as a percentage of the company's net profit. Decisions on the payout ratio will, among other factors, take into consideration the following long-term targets: An equity ratio of 35-40%, satisfactory interest coverage and a debt to equity ratio not exceeding one.

Should ISS at any given time find it appropriate to adjust its capital structure further, a share buy-back would likely be the preferred method.

OUTLOOK

The outlook set out below should be read in conjunction with "Forward-looking statements" on this page and the description of risk factors set out on pages 41-47 of this report.

At the prevailing forward currency exchange rates, ISS in 2004 expects:

- Turnover to exceed DKK 38 billion
- Ordinary profit before goodwill amortisation (after tax) to exceed DKK 1.25 billion

Forward-looking statements

This Annual Report contains forward-looking statements within the meaning of the 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 actual development and results to differ materially from the expectations contained in the Annual Report. Factors that might affect such expectations include, but are not limited to, overall economic and business conditions, fluctuations in currencies, the demand for ISS' services, competitive factors in the service industry, operational problems in one or more of the Group's business units and uncertainties concerning possible acquisitions and divestments. Reference is made to the description of risk factors on pages 41-47 of this report.

Governing text

The Annual Report has been translated from Danish into English. The Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish version shall prevail.

Corporate Governance

ISS A/S is a company incorporated with limited liability and operating under Danish law. The company has a two-tier board structure consisting of a Board of Directors (the Board) and an Executive Management Board (EMB). The Board supervises the performance of the company, its management and organisation on behalf of the shareholders. The EMB is responsible for ISS' day-to-day operations. The two bodies are separate and do not have overlapping members in common. The EMB members and certain senior and executive vice presidents constitute the Group Management.

ISS' Board of Directors is committed to good corporate governance. Good corporate governance is recognised as fundamental to all ISS' activities as it benefits stakeholders and the business itself. Consequently, ISS monitors international developments in the area and continuously seeks to improve its governance practices. Responsibility for the ongoing development of corporate governance practices is a task charged to the entire Board.

For ISS, openness towards stakeholders plays an instrumental role in good corporate governance and the **create2005** strategy aims at increasing the transparency of the business. In January 2004, the Danish Society of Investment Professionals awarded ISS the "Information Award 2003". The prize – awarded to ISS three times since 1992 – is given to the Danish listed company, which, in the opinion of the Society, shows the highest standards of market information.

At the initiative of the Danish government, "The Nørby committee's report on corporate governance in Denmark – recommendations for good corporate governance in Denmark" was presented at the end of 2001. In January 2004, a corporate governance committee under the Copenhagen Stock Exchange (the CSE committee) presented a "Report on corporate governance in Denmark". This report contains proposed revisions to the recommendations of the Nørby committee. The sections below set out ISS' corporate policies and procedures on the basis of the eight headings defined as the main areas of recommendations in the CSE committee's report. ISS complies with the recommendations with a few exceptions: The election period for Board members exceeds one year, ISS has no maximum on the number of times a Board member can be re-elected, and ISS has no restrictions on other directorships of ISS' Board members (see description below).

SHAREHOLDERS

The general meeting has supreme authority in all the company's affairs. General meetings must be convened at not more than four weeks' and not less than eight days' notice. The convening notice must briefly state the agenda of the general meeting. Any shareholder is entitled to attend a general meeting provided an admission card has been obtained. The general meeting provides an opportunity for shareholders to address the entire Board and the EMB directly. Normally all members of the two bodies are present. Proposals from the shareholders to be considered at the annual general meeting must be submitted to the company no later than 15 February.

At any general meeting, resolutions can be passed by a simple majority of votes, unless otherwise provided in the Articles of Association or by law (such as the passing of resolutions amending the Articles of Association or resolutions dissolving the company). Voting rights can generally be exercised using separate proxies for each item on the agenda.

ISS' Articles of Association contain no voting rights differentiation, no restrictions on the number of votes that can be cast, and no other restrictions of shareholder rights.

The CSE committee recommends that the Board should not take steps to counter takeover attempts without prior acceptance from the shareholders. The Articles of Association do not contain clauses that enable the Board to counter takeover attempts. In any case, it is ISS' policy to act in the interest of its shareholders.

STAKEHOLDERS

ISS is committed to creating value for all its key stakeholders, i.e. investors, customers, employees, suppliers and the societies in which it operates. The commitment is vested in ISS' four corporate values: honesty, entrepreneurship, responsibility and quality. This is based on the recognition that stakeholder value is directly connected to the financial performance.

ISS has developed a corporate code of conduct endorsed by the Board. The code applies to all ISS' directors, executives, managers and employees assisting them in carrying out their duties and responsibilities to high ethical standards. The code of conduct is available from the corporate website: www.issworld.com.

The stakeholder approach is also put into practice in dialogues and partnerships with the United Nations (the Global Compact initiative), the European Works Council and Amnesty International's Business Club. Relations with stakeholders are described in further detail in the Stakeholder Review on pages 30-40 of this report.

OPENNESS AND TRANSPARENCY

ISS believes that objective, sufficient and timely disclosure of information to the market is a prerequisite for a fair valuation of ISS' shares and in turn, the generation of value for ISS' shareholders. For this purpose, ISS has an investor relations department, reporting to the EMB. The framework for the investor relations activities is contained in a manual describing ISS' investor relations policy. The policy also provides guidelines for market communication and rules to ensure compliance with stock exchange disclosure obligations etc.

ISS is committed to giving all investors comprehensive and equal access to information about the company's affairs. In addition to its country-specific websites, the Group has a corporate website (www.issworld.com). Financial statements and other stock exchange announcements are posted on the Group's website immediately after they have been released to the Copenhagen Stock Exchange. The website also contains a description of investor relations activities and material used at investor presentations. ISS endeavours to keep the website up to date at all times. Considering ISS' international relations, the website is in English but the Articles of Association, financial statements and stock exchange announcements are also available in Danish.

Through meetings, webcasts, presentations and sector seminars, ISS informs investors, analysts and the press about relevant issues. In addition, investors, analysts and other stakeholders are always welcome to contact ISS' investor relations department.

ISS prepares its annual reports in accordance with the provisions of Danish accounting regulations and the guidelines of the Copenhagen Stock Exchange, including Danish accounting standards. The annual reports include non-financial information. ISS will prepare its Annual Report 2005 in accordance with International Financial Reporting Standards (IFRS). For more information about the adoption of IFRS, please see pages 87-89 of this report.

ISS' in-house rules on trading in the company's shares generally stipulate that a defined group of persons may only trade in the company's shares during a four-week period following the release of ISS' interim or annual financial statements. The relevant persons are defined as members of the Board of ISS A/S; members of the EMB; all employees of ISS A/S and of such subsidiaries which share premises with ISS A/S; members of the Board of Directors and the Board of Management of ISS' largest subsidiaries, and managers and employees of ISS companies, as identified by the managing directors of such companies. Furthermore, the rules apply to the Group's external auditors. All transactions with a market value of more than DKK 50,000 involving ISS shares and any exercise of stock options and warrants by the aforementioned persons (including connected persons and corporate bodies under their control) are reported to the Copenhagen Stock Exchange following the transaction. In addition, the total number of shares held by this group of people is reported to the Copenhagen Stock Exchange at the end of each four-week period following the disclosure of interim and annual financial results. All transactions involving the company's shares carried out by employees of ISS A/S, also during the four-week window, must be approved in advance by the Corporate Legal Department.

As part of the company's share based incentive schemes, ISS issues warrants/options on an ongoing basis (e.g. to newly appointed senior managers and particularly qualified employees), subject to authorisations being granted to the Board by the shareholders. Following consultation with the Copenhagen Stock Exchange, ISS believes that the disclosure rules of the Copenhagen Stock Exchange apply in connection with new issues amounting to more than 10% of outstanding warrants/options.

THE TASKS OF THE BOARD

The rules of procedure for the Board set out guidelines for the Board's work in general and prescribe any special duties assigned to the Chairmanship and the committees of the Board. The rules of procedure are reviewed annually and adapted to ISS' requirements on an ongoing basis.

The Board is generally accountable to shareholders for the performance of ISS. The Board has defined its role as follows:

"To pursue the ongoing prosperity of ISS and its constituencies, create maximum shareholder value and maintain the trust and confidence of all ISS' global stakeholders."

This role entails the following main tasks of the Board:

- Ensure that ISS has a viable vision and meaningful values
- Ensure that ISS' strategic objectives reflect the vision
- Ensure that a competent EMB is in place and retained
- Ensure effective execution, proper reporting systems and financial controls and cost discipline
- Ensure proper interaction and division of tasks between the Board and the EMB
- Ensure an appropriate financial structure and reserves in order to utilise relevant growth opportunities and overcome risks
- Ensure the development of a properly balanced strategy for growth versus risk/return
- Ensure an open and honest business conduct in compliance with ISS' values
- Ensure and recommend to the shareholders a composition of the Board that adequately addresses strategic issues in a constructive dialogue with the EMB
- Ensure an independent audit

The corporate strategy, and any update thereof, is presented by the EMB at an annual strategy seminar and discussed and approved by the entire Board. The current strategy approved by the Board is described in the **create2005** document, which is available on the Group's website: www.issworld.com. It contains the Group's visions, goals, core values etc. In addition, detailed plans and business procedures are described in manuals and guidelines for a number of functions.

The monthly reporting is the primary, formal communication vehicle between the EMB and the Board. In addition to detailed financial information, the reporting contains information concerning the Group's controlling, investor relations and risk management.

The Board approves the annual budget and receives recommendations on potential large or strategic acquisitions, certain draft stock exchange announcements and other information as and when required. In addition, the CEO might convey additional information to the Chairman of the Board. The Chairman decides at his discretion whether such information needs to be communicated to all Board members.

The Board can take independent professional advice at the company's expense if deemed necessary in the discharge of its duties.

The Board seeks to uphold an understanding of the dynamics and trends in the equity markets as well as major shareholders' views about the company. Once a year, an equity analyst is invited to present the current market focus and concerns to the Board.

The Board meets formally at least five times a year according to a pre-defined schedule. One meeting is devoted to consideration and formulation of the corporate strategy and another meeting is devoted to the adoption of the annual budget. In 2003, seven Board meetings were held on 11 March, 13 March, 9 April, 16 June, 20 August, 27 October, and 10 December. The Board is briefed about any important matter in the period between Board meetings. Extraordinary meetings are convened whenever specific matters need attention between scheduled meetings. Meeting agendas are determined jointly by the Chairman and the CEO and Board papers are circulated ahead of meetings. Board members are expected to participate in discussions and to bring their independent judgements to bear on the issues and decisions at hand.

The Board performs an annual self-evaluation with respect to the following:

- The conduct of meetings
- Contributions by individual Board members
- The Board's competencies
- The role of the Chairman
- Material for Board meetings
- The relationship with the EMB and the split of tasks between the Board and the EMB

Formal meetings are held at EMB level every fortnight. The entire Group Management meets on a monthly basis to discuss the day-to-day operations.

COMPOSITION OF THE BOARD

The Board determines the number of seats on the Board subject to shareholder approval and the limits imposed by the Articles of Association. ISS' Articles of Association require that a minimum of four and a maximum of seven members be elected by the shareholders. Currently, five shareholder-elected members sit on the Board.

According to Danish law, employees of ISS A/S are entitled to elect a number of representatives to the Board equal to half of the total number of Board members elected by the shareholders. The three current employee representatives on the Board were elected in 2003 for a four-year period as prescribed by Danish legislation. The comments below relate exclusively to the members elected by the shareholders.

Nomination and recruitment of candidates for the Board are given high priority as it is deemed essential to ISS' long-term success. The Board has established a nomination committee consisting of all shareholder-elected Board members. External consultants are engaged to identify and review the qualifications of prospective candidates from various disciplines and backgrounds. Before presenting candidates for election by the shareholders, the nomination committee reviews their qualifications against a range of criteria including their professional skills, business experience, personal qualifications, whether their profiles match the company's needs, and their ability to commit themselves to the Board's activities and enhance their knowledge of the industry.

Newly elected Board members meet with the CEO for an introduction to the Group and to enhance the members' knowledge of the Group, the strategy and current Board issues. Board members receive supplementary training as required, and they are invited to visit local ISS operations.

Having an independent Board elected by the shareholders with no conflicts of interest between Board members and the company is essential to good corporate governance. Accordingly, neither members of the EMB nor members of Group Management are Board members. ISS believes that all shareholder-elected members are independent. The definition of independence implies that the member

- has not been employed by ISS in the last five years
- has not been a member of the EMB
- is not a professional consultant to ISS
- is not employed by a company with significant business relationship with ISS
- does not have other significant strategic interest in the company

Claus Høeg Madsen, who joined the Board in 2003, is a partner with law firm Jonas Bruun, which provides legal services to ISS. Jonas Bruun is not ISS' principal legal advisor and the extent of the business relationship is insignificant for Jonas Bruun as well as for ISS.

Peter Lorange has been a Board member of ISS since 1998. He is President of the International Institute for Management Development (IMD) in Switzerland. ISS uses IMD and

Shareholdings of the Executive Management Board and the Board of Directors

	Executive Management Board				
	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff	Board of Directors
Number of shares as at 1 January 2003	7,851	5,563	2,661	1,995	4,281 [1]
Additions in 2003	156	156	156	156	3,639
Number of shares as at 31 December 2003	8,007	5,719	2,817	2,151	7,920
Market value as at 31 December 2003, DKKm	2.3	1.7	0.8	0.6	2.3

[1] At 1 January 2003, members of the Board of Directors held a total of 6,397 shares. The difference to the number of shares stated reflects a change in the composition of the Board.

other institutions for management development programmes as a supplement to ISS' internal development programmes provided by ISS University. As part of the cooperation, ISS pays an annual fee to IMD amounting to approximately DKK 0.5 million in 2003. ISS' development activities are not dependent on IMD and the business relationship is insignificant for IMD and ISS.

Tom Knutzen has been a Board member of ISS since 2002. He is President and CEO of NKT Holding A/S, parent company of the cleaning equipment manufacturer Nilfisk-Advance A/S. ISS purchases cleaning equipment from a number of suppliers, including Nilfisk-Advance. ISS' operation is not dependent on equipment from Nilfisk-Advance.

Board members are elected for two-year terms. One half of the Board is elected in one year and the other half is elected the following year to ensure continuity. Shareholders are provided with information about candidates in order to be able to make informed decisions in the election. ISS does not restrict the number of times a Board member can stand for re-election, as it is deemed irrelevant in the assessment of a candidate's qualifications. Members must retire at the first annual general meeting after having reached the age of 70.

ISS has no rules in respect of Board members' directorships in other companies. The company believes that the present Board members' directorships in such companies do not conflict with good corporate governance. The composition of the current Board with details of each member's other present directorships is set out on pages 136-137 of this report.

ISS' in-house rules stipulate that no member of the EMB and Group Management can hold more than three directorships in companies outside the Group. Directorships held in companies outside the Group are detailed on pages 138-139 of this report. Fees received in respect of directorships in companies outside the Group by members of the EMB and Group Management are retained by the member and ISS assumes no liability for such directorships.

REMUNERATION

Before a proposal to change the remuneration of the Board is submitted to the general meeting, an independent consultant is conferred with to ensure that the Board's remuneration conforms to market practice and reflects the work required.

In 2003, the Board decided to abolish stock options as part of its remuneration. Five members of the Board currently hold stock options granted in 2000 but due to unfavourable taxation rules, stock options already granted will not be cancelled.

The Board considers it appropriate that a remuneration committee establishes the remuneration package for the EMB. The committee, consisting of three shareholder-elected Board members, reviews the emoluments once a year to ensure that the compensation package reflects market salaries and the results achieved.

Members of the EMB have individual bonus schemes based on operating margin, cash flow and EVA®. In addition, members of the EMB are remunerated in the form of share options that are granted out-of-the-money. The Board believes this structure provides the holders with an incentive to pursue long-term results.

Eric S. Rylberg's and Thorbjørn Graarud's contracts are subject to two years' notice of termination, and Karsten Poulsen's and Flemming Schandorff's contracts are subject to one year's notice. If Eric S. Rylberg's employment ceases other than by virtue of his resignation (provided that such resignation is not attributable to a takeover of the company or a material breach of his service contract by the company) he is entitled to special compensation equivalent to 10% of his annual salary multiplied by his commenced years of service counted from 1 January 2003. The compensation is payable in monthly instalments commencing in the month following his departure and continuing until he reaches the age of 62 or his death, whichever occurs first. In case he retires from the company at the age of 62, the compensation is payable in full as a lump sum.

All members of the EMB have a golden parachute. Should the company be taken over, the members may terminate their employment at short notice. Should they elect to do so, Eric S. Rylberg, Karsten Poulsen and Flemming Schandorff are entitled to compensation equivalent to the salaries which would have been payable to them had their employment been terminated by the company, while Thorbjørn Graarud is entitled to compensation equivalent to one year's salary. If the company is taken over, members of the EMB may also exercise any share options prematurely or receive settlement of such options. In addition, they will receive the amounts, if any, vested in their individual EVA® bonus accounts (please see page 23 of this report).

Remuneration to the Executive Management Board and the Board of Directors

	Executive Management Board [1]				Board of Directors [2]		
Amounts in DKK	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff	Chairman	Vice-chairman	Other members
2002:							
Salaries/ fees	5,000,000	3,375,550	2,423,237	3,033,331	500,000	300,000	200,000
Bonus	881,479	1,069,653	705,183	1,266,937	-	-	-
Pension	500,000	-	-	-	-	-	-
Total	**6,381,479**	**4,445,203**	**3,128,420**	**4,300,268**	**500,000**	**300,000**	**200,000**
2003:							
Salaries/ fees	5,400,000	3,850,000	3,000,000	3,500,000	625,000	375,000	250,000
Bonus	862,798	341,798	1,190,239	1,431,977	-	-	-
Pension	540,000	-	-	-	-	-	-
Total	**6,802,798**	**4,191,798**	**4,190,239**	**4,931,977**	**625,000**	**375,000**	**250,000**

[1] The EMB received stock options as described on page 27 of this report. In addition, each member of the EMB has a car at his disposal. The total costs of the EMB's car arrangements were approximately DKK 880,000 in 2003. The total actuarial value of the EMB's pension schemes is nil at 31 December 2003.
[2] The 2003 annual remuneration was effective from 1 April 2003.

Remuneration received in 2003 by the Executive Management Board from directorships outside the ISS Group

	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff
Remuneration, DKK [1]	-	-	-	130,000

[1] Flemming Schandorff held two directorships outside the ISS Group in 2002. The stated figure is the total remuneration received in 2003 from these directorships.

RISK MANAGEMENT

ISS strives to identify risk factors that may have an adverse effect on the Group's activities, financial position, results and future growth. Some of the risk factors that may have an adverse impact on ISS are described on pages 41-47 of this report.

ISS considers strong controls to be an essential management tool. Accordingly, reasonable care is taken to ensure that a sound framework of controls is in place for safeguarding the business. However, such controls are designed to manage rather than eliminate the risks and can provide only reasonable and not absolute assurance against material misstatements or losses.

The internal control system and the risk management system are subject to an annual review by the Board. The policies and procedures set out below reflect the principal features of the Group's control environment.

Overall, the operational and financial risk is managed in accordance with a policy adopted by the Board. Operational risk management principally focuses on procedures for claims management, entering into contracts, occupational safety, the environment and the safeguarding of physical assets. Operational risk is assessed on the basis of the activities of each operating company, historic and current claims events, and the markets in which the companies operate. Operational risk is monitored and hedged in accordance with Group standards for risk management, risk financing and good operational practice. Operational risk financing is based on insurance and own funding, in part through local insurance programmes and in part through global schemes coordinated centrally.

The Group's currency and interest rate exposure is managed and controlled in accordance with a treasury policy approved by the Board. According to this policy, Corporate Treasury is responsible for ensuring that financial transactions and positions comply with pre-defined guidelines and risk limits.

The policies for operational and financial risk management and the Group's standards are documented in manuals that are distributed to the operating companies. Corporate Risk Management and Corporate Treasury supervise compliance with the standards. The monthly reporting to the Board contains an overview of the status in these areas, and the results are discussed at Board meetings at least once a year.

Operational responsibility is delegated to the operating companies under the supervision of regional management. In order to ensure that adequate internal control procedures are maintained locally, controllers employed by ISS A/S visit the subsidiaries regularly. The controller visits take place according to a plan for the year approved by the Board and in accordance with the control procedures and standards defined in ISS' controlling manual. The findings and conclusions of the visits, which include recommendations on how to improve the control environment, are presented in reports addressed to local and regional managements and the external auditors. The controllers perform follow-up visits to ensure that the recommendations are implemented. The monthly reporting to the Board contains a summary of the status in these areas, and the results are discussed at Board meetings at least once a year.

Other key elements of the framework constituting ISS' control environment are:

- Strategy reviews – annual meetings between the EMB and country/Business Build managers at which the strategy is discussed and priorities and plans for the coming year are defined
- Business reviews – monthly meetings between regional management and country/Business Build managers with focus on the current performance and state of the business
- Budgets and financial plans – all countries/Business Builds must prepare budgets and plans for the next financial year in a predefined format. Regional management

reviews the budgets and plans with the countries/Business Builds

- Acquisitions – all acquisition proposals must be presented to the EMB in a predefined model for approval. Board approval is required for large or strategic acquisitions
- Reporting of cash flow forecasts – all countries/Business Builds must report the daily cash flow forecast for the coming month on the third working day of each month. Subsequently, Corporate Treasury continuously monitors for deviations in actual figures
- Reporting of financial results – all countries/Business Builds must report a full profit and loss account, balance sheet, portfolio analysis etc. on a monthly basis. Any significant variance from budgets must be explained
- Full year forecasts – all countries/Business Builds must update and report their year-end estimates on a quarterly basis

AUDITORS

The Board nominates the external auditors for election at each annual general meeting. The nomination is made upon consultation with the EMB and after an assessment of the competencies, objectivity and independence of the external auditors and the effectiveness of the audit process.

An independent business relationship with the Group's external auditors is essential for ISS' control environment.

ISS continuously monitors that the external auditors do not perform non-audit services that may compromise their independency. In the evaluation of independence, ISS reviews the development in corporate governance recommendations and legislation.

As part of the safeguards related to independence, the external auditors may not be used for certain non-audit services for ISS including, but not limited to, preparation of accounting records and financial statements and recruitment for senior management positions.

The company collaborates with its external auditors in relation to risk management by exchanging controller reports and audit reports, and by generally sharing relevant knowledge.

The internal control system and the risk management system are subject to an annual review by the Board. As part of the external auditors' reporting to the Board, comments are provided on the Group's procedures and internal control systems. In addition, the external auditors review expense claims of the EMB members and report findings, if any, to the Board.

Since all members of the Board share responsibility for the relationship with the Group's auditors, an audit committee has not been established.

All Board members receive the external auditors' long-form audit reports in connection with the auditors' review of the half-year accounts, the audit of the annual accounts and any other long-form report.

The Board reviews the annual report at a meeting with the external auditors. The findings of the external auditors and major issues that arose during the course of the audit are discussed and key accounting principles and audit judgments are reviewed.

Incentive Schemes

To promote operational excellence throughout the organisation, ISS defined the people model Encentivise™ as part of **create2005**. Increased employee ownership and incentives for management form integral parts of Encentivise™.

EMPLOYEE SHARES

ISS recognises that the company's single most important resource is its employees. To recognise and further increase the commitment of the employees, ISS has on several occasions offered employee shares to employees, officers and executives at all levels of the organisation.

In accordance with Danish legislation, employee shares must be held in blocked custody accounts until the end of the fifth calendar year following subscription. Thus, the shares cannot be sold or otherwise disposed of prior to this date, except in case of the employee shareholder's death or permanent disability.

In the period from 1999 to 2002, ISS launched three employee share programmes under which a total of 1,192,065 new shares were subscribed for.

The 2003 programme

In 2003, ISS launched another employee share programme under which 381,827 new shares were subscribed for. The subscription price was DKK 69 per share, equivalent to one third of the average ISS share price on the Copenhagen Stock Exchange from 13-19 March 2003, i.e. a five day trading period following the release of the Group's financial statements for 2002.

BONUS SCHEMES

Members of the Executive Management Board (EMB) have individual bonus schemes based on Economic Value Added (EVA®), operating margin and cash flow. The EMB members receive a bonus of up to 1.25% of the increase in EVA® in a given year.

The WACC rate applied for measuring EVA® performance is determined from the Capital Asset Pricing Model (CAPM).

In the member's first year on the EMB, one third of the EVA® bonus earned is paid to the EMB member and the remaining two thirds deposited in the member's personal EVA® bonus account. In the following years, the bonus result of the year is added or deducted, as the case may be, to/from the bonus account and one third of the resulting balance in the

EVA® bonus accounts for the Executive Management Board [1]

Amounts in DKK	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff
Balance, 1 January 2003	0	645,838	0	0
+ EVA® bonus for 2002	2,644,438	763,120	2,115,550	1,400,810
- Paid out in 2003	(881,479)	(469,653)	(705,183)	(466,937)
Balance, 31 December 2003	**1,762,959**	**939,305**	**1,410,367**	**933,873**
EVA® bonus for 2003	825,437	86,090	660,350	962,059
- To be paid out in March 2004	(862,798)	(341,798)	(690,239)	(631,977)
Balance carried forward	**1,725,598**	**683,597**	**1,380,478**	**1,263,955**

[1] EVA® measures the value creation and is calculated as operating profit less tax and a capital charge.

Employee share programmes	1999	2001	2002	2003	Total
Number of shares subscribed	449,868	345,705	396,492	381,827	1,573,892
% of total share capital	1.0%	0.8%	0.9%	0.9%	3.6%
Expiry of lock-up period	31 Dec. 2004	31 Dec. 2006	31 Dec. 2007	31 Dec. 2008	

E=MC² leauge table 2003

Countries (Facility Services) and Business Builds	E = MC²	Margin, %	Organic growth, %	Cash conversion [1]
Star [2] *(All parameters are positive and E=MC² > 36)*				
Indonesia	488	9.0	43	1.25
Sri Lanka	170	5.1	23	1.47
Austria	99	7.4	11	1.25
Ireland	84	6.3	14	0.94
Portugal	82	6.8	9	1.42
Central Europe	76	7.3	9	1.10
Finland	72	8.7	8	1.06
Australia	66	13.5	4	1.15
Plus [2] *(All parameters are positive)*				
Thailand	28	6.8	5	0.86
Spain	26	5.9	7	0.62
Italy	24	13.1	2	0.87
United Kingdom	18	6.1	2	1.29
China and Hong Kong	15	5.4	3	0.93
Israel	15	6.3	5	0.45
Malaysia	15	9.6	1	1.76
Brunei	13	24.3	1	0.79
Brazil	13	3.5	4	0.96
Singapore	5	5.9	1	0.76
Damage Control	3	3.5	0	1.83
Single Minus [3] *(One parameter is negative)*				
France	(0)	6.7	(0)	1.08
Sweden	(1)	5.4	(1)	0.95
Food Hygiene	(1)	7.1	(1)	0.92
Norway	(2)	7.1	(2)	1.01
Health Care	(2)	6.9	(2)	1.64
Belgium and Luxembourg	(2)	5.5	(2)	1.45
Switzerland	(3)	3.8	(3)	1.65
Japan	(3)	2.8	(3)	1.74
Denmark	(9)	5.8	(9)	0.95
The Netherlands	(10)	6.3	(10)	0.99
Germany	(16)	3.6	(16)	1.45
Double minus [4] *(Two parameters are negative)*				
Argentina	(21)	(11.5)	36	(0.84)

[1] For the purpose of this calculation, cash conversion is defined as (operating profit before other income and expenses + changes in working capital)/operating profit before other income and expenses.
If the formula produces a negative cash conversion, the cash conversion to be applied in the E-calculation is (cash conversion minus 1).
[2] E = margin x organic growth x cash conversion.
[3] E = the value of the negative parameter.
[4] E = -1 x (the product of the negative parameters).

bonus account is paid to the EMB member. The accumulated balance of the bonus account is forfeited if the EMB member retires (other than due to age or take-over of the company) or if the EMB member's contract is terminated due to a material breach by the member. In no event can a negative balance on the bonus account entitle the company to claim any payment from the EMB member or entitle the company to set-off such amount against other payments that it is otherwise obligated to pay the EMB member. In the Group accounts, the EVA® bonus amount to be paid out in 2004 is expensed and provided for in the balance sheet at 31 December 2003. The unpaid balance carried forward is included in contingent liabilities.

For the purpose of measuring and rewarding the operational managers outside the EMB for their contribution to value creation, ISS has identified a set of prime EVA® drivers from which a simplified performance measure is derived. Hence, the Group has defined the E=MC² formula based on the following key value drivers:

- Margin
- Continuous organic growth
- Cash conversion

To increase focus on the three E-parameters and comparability across borders, countries and Business Builds are ranked by E=MC² performance and categorised according to their E-results every month. The results are reported to country managers and Group Management in a monthly "league table".

PERFORMANCE AWARDS

Each year, a conference is held for senior managers of the Group. On this occasion, top performing country managers and management teams are rewarded. Country managers are rewarded based on the E=MC² performance.

To qualify for a performance reward, a country manager is required to

- produce E=MC² above the common Group target of at least 36 and
- at least meet the country's budgeted E=MC² target

Country management teams are rewarded on the basis of a range of performance measures. At the conference held in April 2003, approximately 200 senior managers witnessed the management team from ISS Norway winning the award for best country performance overall in 2002. With the award, ISS Norway was recognised for its long-term performance and persistent and visionary efforts to develop the company in line with the Group strategy; today being one of the Facility Services "role-model" countries in ISS. In 2003, ISS Norway achieved a Facility Services operating margin of 7.1% and had in the preceding six-year period from 1997 to 2002 achieved an average operating margin of 6.5%, with no year being below 6%, and an average annual organic growth of 9%. Even including the 2% negative organic growth in 2003, which is primarily due to an unfavourable macroeconomic development, the average annual organic growth from 1997 to 2003 exceeded 7%. The Norwegian team members won a weekend trip to the UK with their spouses, comprising various sport and entertainment events.

The management teams from Austria, Finland and Indonesia won the prizes for best performance in Continental Europe, Northern Europe and Overseas, respectively. In addition, special awards were given for remarkable achievements and a number of managers had their performance rewarded in the form of warrants.

Employees at the Group's head office held their annual meeting in December 2003. At the meeting, the CEO granted performance awards to the best performing employees at head office in 2003.

WARRANT AND STOCK OPTION PROGRAMMES

ISS has set up share based incentive schemes for senior management, particularly qualified employees, the EMB and the Board of Directors.

Senior management Since 1999, ISS has issued warrants to senior managers. The Board of Directors has used authorisations to launch five warrant programmes to the effect that at 31 December 2003, 257 senior managers held a total of 1,893,117 warrants.

Senior managers are granted warrants on the basis of their position and performance after being nominated by the local country manager.

The warrants entitle the holder to subscribe for ISS shares at specific dates within the exercise period. The subscription price is higher than the market price of the shares at the time of the grant and the warrants are not re-priced in case of a decline in the share price.

The Executive Management Board At 31 December 2003, the present members of the EMB held a total of 400,000 stock options. Former members of the EMB held 137,500 stock options: Theo Dilissen, former COO, held 50,000 stock options; 25,000 granted in 1998 and 25,000 granted in 1999. Stuart W. Graham, former COO, held 62,500 stock options; 25,000 granted in 1998, 25,000 granted in 1999 and 12,500 granted in 2000. Former CEO, Waldemar Schmidt, held 25,000 stock options granted in 1999. The stock options were granted out-of-the-money and are not re-priced in case of a decline in the share price.

Three EMB-members, Thorbjørn Graarud, Karsten Poulsen and Flemming Schandorff, held a total of 132,000 warrants, all of which granted before they joined the EMB.

Board of Directors At 31 December 2003, the current members of the Board of Directors held a total of 27,500 stock options. The stock options entitle the holder to acquire ISS shares from the company at a price of DKK 598 per share within a period of 30 days following the announcement of the financial results for the years 2002-2006. The stock options are not re-priced in case of a decline in the share price. A retired member of the Board of Directors held 12,500 stock options, which are exercisable within a period of 30 days following the announcement of the financial results for 2003 at a price of DKK 598.

At the annual general meeting in April 2002, the shareholders authorised the Board of Directors to issue up to 60,000 warrants to the Board members. However, the Board of Directors has decided not to exercise this authorisation and stock options and warrants are not seen as a part of their future remuneration. The stock options already granted will remain in force.

Warrant programmes	1999	2000	2001	2002	2003
1999 Warrant programme [1]					
Number of warrants granted	458,000	412,000	-	-	-
Subscription price (DKK) [6]	547	550-861	-	-	-
Number of warrants forfeited	-	(100,000)	(94,600)	(76,400)	(51,600)
Outstanding at 31 December	**458,000**	**770,000**	**675,400**	**599,000**	**547,400**
2000 Warrant programme [2]					
Number of warrants granted	-	-	279,000	135,000	-
Subscription price (DKK) [6]	-	-	514-522	514	-
Number of warrants forfeited	-	-	(14,000)	(56,000)	(23,500)
Outstanding at 31 December	**-**	**-**	**265,000**	**344,000**	**320,500**
2001 Warrant programme [3]					
Number of warrants granted	-	-	-	322,050	146,987
Subscription price (DKK) [6]	-	-	-	440	418
Number of warrants forfeited	-	-	-	(10,000)	(30,499)
Outstanding at 31 December	**-**	**-**	**-**	**312,050**	**428,538**
2002 Warrant programme [4]					
Number of warrants granted	-	-	-	-	328,513
Subscription price (DKK) [6]	-	-	-	-	247
Number of warrants forfeited	-	-	-	-	(23,334)
Outstanding at 31 December	**-**	**-**	**-**	**-**	**305,179**
2003 Warrant programme [5]					
Number of warrants granted	-	-	-	-	291,500
Subscription price (DKK) [6]	-	-	-	-	319
Outstanding at 31 December	**-**	**-**	**-**	**-**	**291,500**

[1] No further warrants can be subscribed for under this programme. The warrants are exercisable within a period of 30 days following the announcement of the annual results for the years 2002-2005.

[2] No further warrants can be subscribed for under this programme. The warrants are exercisable within a period of 30 days following the announcement of the annual results for the years 2003-2006.

[3] No further warrants can be subscribed for under this programme. The warrants are exercisable within a period of 30 days following the announcement of the annual results for the years 2004-2007.

[4] The Board of Directors has used an authorisation from the shareholders to issue up to 400,000 warrants under the 2002 Warrant Programme. The minimum subscription price is 10% above the share price at the time of allocation. The warrants are exercisable within a period of 30 days following the announcement of the annual results for the years 2005-2008.

[5] The Board of Directors has used an authorisation from the shareholders to issue up to 400,000 warrants under the 2003 Warrant Programme. The minimum subscription price is 10% above the share price at the time of allocation. The warrants are exercisable within a period of 30 days following the announcement of the annual results for the years 2006-2009.

[6] Unadjusted subscription prices. If changes in the company's capital structure are made, an adjustment of the subscription price and/or the number of ISS shares which can be subscribed for by virtue of the warrants, shall be made according to the circumstances. Examples include certain capital increases and decreases, bonus shares to the current shareholders, mergers and demergers.

ACCOUNTING

As described above, ISS has issued stock options as well as subscription rights, i.e. warrants and employee shares.

Stock options ISS has in the past hedged the intrinsic value of stock options. The intrinsic value equals the positive difference between the market price

Stock options granted to the Executive Management Board

	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff	Former members	Exercise price [1]	Exercise period
Granted in 1998	25,000	–	–	–	75,000	385	1.1.02-31.12.05
Granted in 1999	25,000	–	–	–	100,000	650	1.1.02-31.12.05
Granted in 1999	25,000	–	–	–	–	470	1.1.03-31.12.06
Granted in 1999	25,000	–	–	–	–	500	1.1.04-31.12.07
Granted in 2000	–	–	–	–	25,000	650	1.1.03-31.12.06
Granted in 2000	–	–	–	–	25,000	700	1.1.04-31.12.07
Granted in 2000	25,000	–	–	–	25,000	585	1.1.04-31.12.08
Granted in 2002	25,000	–	–	–	25,000	480	1.1.03-31.12.08
Granted in 2002	50,000	25,000	25,000	25,000	–	315	1.1.06-31.12.09
Discontinued in 2002	–	–	–	–	(137,500)		
Granted in 2003	50,000	25,000	25,000	25,000	–	319	1.1.07-31.12.10
Outstanding at 31 Dec. 2003	**250,000**	**50,000**	**50,000**	**50,000**	**137,500**		

[1] Unadjusted exercise prices. The exercise price may be adjusted: if accumulated dividends in excess of DKK 2 per share (adjusted for inflation) are paid; if the nominal value of the shares is changed; if shares are issued below market price; or in case of an exceptional non-performance related share price increase.

Warrants granted to the Executive Management Board [1]

	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff	Exercise Price	Exercise period
1999 Warrant programme	10,000	3,000	-	547	Mar 2003 - Apr 2006
1999 Warrant programme	10,000	17,000	-	654	Mar 2003 - Apr 2006
1999 Warrant programme	8,000	8,000	8,000	739	Mar 2003 - Apr 2006
1999 Warrant programme	-	-	20,000	744	Mar 2003 - Apr 2006
2000 Warrant programme	10,000	10,000	10,000	514	Mar 2004 - Apr 2007
2000 Warrant programme	6,000	6,000	6,000	522	Mar 2004 - Apr 2007
Outstanding at 31 Dec. 2003	**44,000**	**44,000**	**44,000**		

[1] For detailed information about the warrant programmes, see the table on page 26 of this report.

Stock options granted to the Board of Directors [1]

	2000	2001	2002	2003
Number of options granted	55,000	-	-	-
Number of options forfeited	-	(5,000)	(10,000)	-
Outstanding at 31 December	**55,000**	**50,000**	**40,000**	**40,000**

[1] Exercise prices are adjusted on the same basis as stock options granted to the EMB.

and the exercise price. If this difference is negative, the intrinsic value is nil. ISS may buy a number of ISS shares in the market (hedge position) corresponding to the number of stock options with a positive intrinsic value. Hence, in theory, the change in intrinsic value is exactly offset by the change in value of the hedge position. Consequently, the hedging costs incurred by ISS consist of financial expenses relating to the capital tied up in the hedge position. Such costs are expensed under financial expenses in the profit and loss account. Hedge positions established in relation to stock options with a positive intrinsic value are generally maintained if the share price declines to a level below the exercise price, i.e. if the intrinsic value returns to nil after having been "in-the-money".

Subscription rights Employee shares and warrants are subscription rights issued to the Group's employees and managers. Under employee share programmes, the employee has a right to subscribe for employee shares at a discount to the market price, while warrants provide the warrantholder with the right to subscribe for shares at a fixed subscription price at specific future dates. ISS accounts for employee shares and exercise of warrants as a share issue, which is taken to equity. No costs are expensed in the profit and loss account since no cash outflow would be included in the cash flow statement in case the warrants were exercised.

From a shareholder's perspective, the exercise of subscription rights implies value dilution. The value dilution after tax related to employee shares issued in 2003 was approximately 0.4%. Assuming all outstanding warrants with a positive intrinsic value were exercised at 31 December 2003, the dilution from warrants amounted to approximately 0.1%, equalling the aggregate intrinsic value of all of the outstanding warrants. The maximum potential value dilution from warrants amounts to approximately 4.3%. However, a value dilution of this magnitude would require an infinite share price. If, for example, the share price had been DKK 800 rather than DKK 291 on 31 December 2003 and all warrants were exercised, the value dilution would be approximately 1.8% as illustrated in the graph on page 29.

BLACK-SCHOLES VALUATION

It is market practice to value equity based incentive schemes using option-pricing models, such as the Black-Scholes formula. These models are subject to a number of assumptions and the valuation will to a certain extent be subjective. At 31 December

2003, the applied Black-Scholes model produced a theoretical total market value of ISS' warrant and option schemes of DKK 105 million. This is equivalent to 0.8% of the Group's total market capitalisation. As at 31 December 2002, the theoretical market value of the schemes was DKK 29 million.

The annualised volatility derived from standard deviation of weekly observations in the 52-week period ending 31 December 2003 was approximately 41%. The sensitivity of the Black-Scholes valuation to the volatility assumption is shown in the graph.

The risk free interest rate was 3.9% at 31 December 2003, which is equal to an estimated five-year zero coupon interest rate. The sensitivity of the Black-Scholes valuation to the interest rate assumption is shown in the graph.

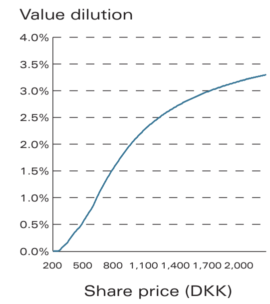
Assumptions applied in the valuation of stock options and warrants	2003	2002
Market value at 31 Dec. (DKKm)	105	29
Share price (DKK)	291	255
Volatility	41%	45%
Risk free interest rate	3.9%	3.8%
Assumed dividend per share (DKK)	4	0 [1]

[1] For 2002, the dividend applied in the model was assumed to be nil as the effect on the estimated total market value of the proposed dividend was insignificant.

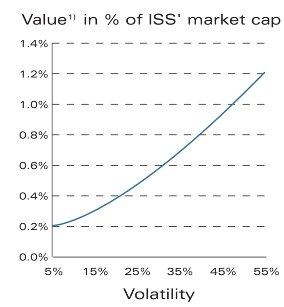
A key assumption in the Black-Scholes model is that warrants and options are transferable assets. However, warrants and options issued by ISS are not transferable. Consequently, ISS uses an expected life of warrants and options when applying the Black-Scholes model. The expected life is estimated to one year from the start of the exercise period or, if the exercise period has commenced, one year from the reporting date. If the remaining contracted life is less than one year, the expected life is equal to the remaining contracted life.

The share price at 31 December 2003 was DKK 291 and an annual dividend of DKK 4 per share is assumed in the applied model.

Potential value dilution from outstanding warrants at 31 December 2003

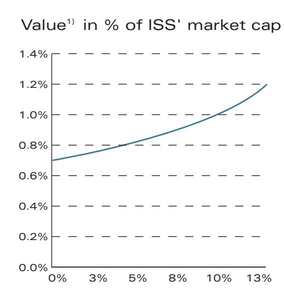


Sensitivity of Black-Scholes valuation to volatility assumption



[1] Value of outstanding options and warrants at 31 December 2003.

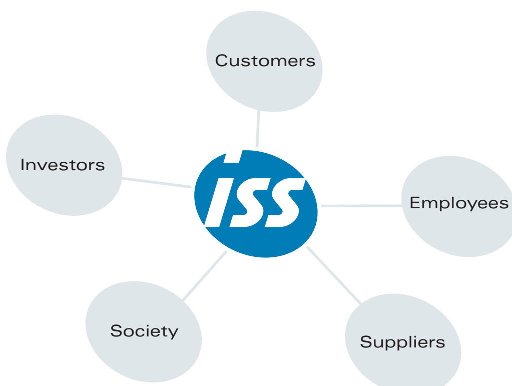
Sensitivity of Black-Scholes valuation to interest rate assumption



[1] Value of outstanding options and warrants at 31 December 2003.

Stakeholder Review

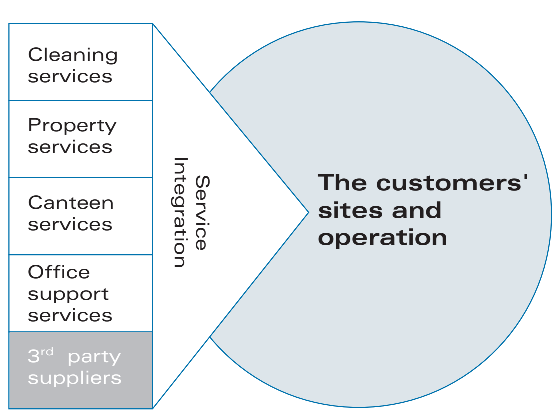
This section of the report explores ISS' relations with five selected stakeholder groups, which are all contributors to and beneficiaries from the value creation at ISS.



CUSTOMERS

Service integration and extension It is ISS' experience that both owners and users of properties are able to benefit from outsourcing non-core support services. The size of potential cost savings generally depends on whether they outsource single services, opt for a facility management model or outsource a range of services to a supplier of integrated facility services solutions. The more services and the higher level of service integration, the larger the potential savings. Therefore, ISS' ability to integrate and deliver a broad range of support services to customers through a single point of contact is considered a competitive advantage. As part of the service solution, ISS can manage the entire service delivery and ensure staff flexibility, service quality and reliability in a cost efficient manner, whilst the customer can direct his resources to developing and managing the core business.

The customer interface in facility services



The year 2003 saw a continued strengthening of ISS' service integration skills, and new services were developed or acquired in a number of countries. The service extension ensures that customers can benefit from a growing range of integrated services. Within the area of cleaning services, ISS further developed washroom services, dust control services, and indoor air quality services. In property services, landscaping businesses were acquired in key markets such as the UK and the Netherlands. ISS Hygiene Services (pest control) opened up operations in Ireland, the Netherlands, Spain and Switzerland, and specialised office support skills were acquired in Norway. Other service development projects were undertaken in several countries.

In the Business Builds, Damage Control opened a technical centre in Germany to service customers across Europe in case of major damages. Food Hygiene expanded its competencies in industrial kitchen cleaning and non-cleaning services, such as maintenance of production equipment and facilities.

Contracts ISS' customer base is broadly diversified across industries and geographies, and includes a mix of public sector and business to business customers. At Group level, ISS has no major exposure to a single customer. Annualised turnover derived from the ten largest contracts in 2003 amounted to less than 5% of Group turnover.

Quality Customer relations rely on ISS' ability to deliver the quality agreed upon. For larger contracts, the quality of the service delivery is often measured against defined quality benchmarks stipulated in Service Level Agreements (SLA).

More than 90% of ISS' operations have adopted a formalised quality approach. Generally, ISS uses ISO certified quality management systems, and a growing number of countries have implemented quality models such as Business Excellence. In 2003, new quality measures and audit systems were developed in a number of countries.

Knowledge sharing Knowledge sharing with customers is integral to the Group's partnership approach, and ISS is continuously developing its ability to offer professional advice in areas such as indoor climate, building logistics and waste management. In 2003, the international intranet, Business Insight, which is used to facilitate best practice exchange and networking, was enhanced to increase usage. Furthermore, new portal solutions were implemented enabling customers and employees to use the online media as their primary source of information.

The ISS Collaboration Extranet was extended from four to twelve countries in 2003. This web-based solution enables ISS and its customers to communicate through one channel, exchanging documents, contract and service information, quality documentation, tailored news etc.

International customers ISS' geographical presence can add value for international customers. In 2003, several customers opted for a coordinated cross-border service delivery. In addition to the CSC contract, other contract wins in 2003 included EADS/Airbus (involving ISS operations in France, Germany, Spain and the UK), window cleaning at 270 JYSK stores throughout Denmark, Norway and Sweden, and the PACCAR contract, which charges ISS with the provision of cleaning and related services at the truck manufacturing sites of DAF, Leyland and Foden in Belgium, the Netherlands and the UK.

Cross-border co-operation secures major account

In the spring 2003, ISS in Austria and Germany won a service contract with Austrian energy company OMV. The service delivery involves OMV sites in Austria and in southern Germany. The contract includes cleaning of administrative buildings and oil refineries as well as the provision of flexible service staff for meetings, laundry services and other services.

ISS' ability to offer services across the Austro-German border played a key role in winning the contract, explains Erich Steinreiber, regional manager at ISS Austria.

"OMV invited service companies to place individual bids for the Austrian and the German contract or to present a combined offer. Together with our German colleagues, we decided to prepare a cross-border offer and this undoubtedly gave us a competitive advantage."

This is confirmed by Klaus Samwald, Senior Expert in the OMV Purchasing Department: "The contract with ISS has enabled us to cut down on the number of service suppliers and get a single point of contact for a number of integrated services. The complexity has been reduced."

"As far as I know, this is the first time we have co-operated with ISS Germany to make a joint contract bid. It was very effective, and it is something we could do more of in the future to leverage the geographical coverage of ISS. We are discussing other services with OMV, and we look forward to developing our relationship," says Erich Steinreiber.

OMV supplies petrol and natural gas in Central and Eastern Europe countries through a large chain of petrol stations. OMV is one of the largest companies listed on the Vienna stock exchange.

EMPLOYEES

A dedicated and skilled workforce makes all the difference for a service business like ISS.

This is reflected in the **create2005** ambition of being the premier employer in the industry.

Human capital The Group-wide employee strategy Encentivise™ is designed to motivate, educate and reward employees at all levels.

Training is a cornerstone in this strategy. ISS invests considerable resources in staff and management development - ranging from basic skills training through middle management programs to a full corporate MBA. The philosophy is to offer tailored training at all functional levels to enhance employee competencies and upward mobility of staff. In particular, ISS has in recent years devoted much attention to the development of the first management layer - e.g. team leaders, supervisors and contract managers, who have the immediate staff and customer interface. Most training is conducted at ISS academies and training facilities in national and local operations.

2003 was a busy year for the corporate ISS University in Copenhagen. Nine new programmes were launched within the areas of management development (e.g. leadership skills), business proficiency (e.g. contract portfolio management and working capital optimisation), qualification programmes (MBA in partnership with Henley Management College) and hands-on concepts and tools (washroom and cleaning concepts). Some programmes were entirely developed at ISS University, others inspired by or designed in cooperation with suppliers such as IMD, INSEAD, Ashrigde, DDI and Miller Heiman. During the year, close to 450 senior managers from 32 countries attended a total of 27 workshops and programmes at ISS University. Some operations now have local managers, who are certified to run core ISS University programmes locally in their own languages.

Talent management is an area of growing attention. Increasingly, operations use a proven system for management assessment. In addition, corporate talent management software, which includes the profiles of the top 300 ISS managers, was implemented in 2003. The system facilitates Group-wide career and succession planning. The system supports the Group's efforts to use internal cross-border recruitments as a means to enhance management competencies and facilitate internal knowledge sharing between countries. Currently, 15 internal candidates hold senior positions in an ISS operation outside their home country as a result of the ISS career exchange.

Employee loyalty The service industry is characterised by relatively high levels of employee turnover, as the industry is often considered for short-term or secondary employment. ISS pursues a range of strategies to retain its employees, including the offering of more full-time and day-time work, multi-task jobs, teamwork, skills development, career

People indicators	2003 [1]	2002	2001
Number of employees	245,000	248,500	259,800
Share of employees on full-time	55%	53%	53%
Staff turnover blue collar workers	50%	51%	-
Staff turnover white collar workers	19%	18%	-
Total staff turnover	49%	49%	-
Share of employees with less than one year seniority	31%	-	-
Share of employees with one to five years of seniority	42%	-	-
Share of employees with more than five years of seniority	27%	-	

[1] Approximate figures derived on the basis of 98% of the total number of employees.

opportunities, leisure activities, employee shares etc.

In 2003, the share of full-time employees (working 25 hours or more per week) rose to 55%. This indicator is significant, as full-time employees on average develop stronger ties with ISS. The distribution of employee seniority (in years) provides another perspective on employee loyalty at ISS. In 2003, 69% of the Group's employees had been with ISS for more than one year.

Training fuels Finnish move towards facility services
ISS Finland is determined to rapidly transform the business, targeting a turnover from integrated services of 50% in 3-4 years.

"Facility services represents a major challenge and opportunity for us. Our future growth and ability to attract the best people in the industry depend on how we manage the transformation to a facility services company," says Pekka Lindeman, Director of HR, sales and concept development.

To pave the way for the business transformation, ISS Finland has begun to implement a large-scale facility services training programme, which will involve more than 3,000 employees. The programme consists of four separate initiatives:

- Road shows across the country, targeting team leaders and service staff
- Seven-month programme for contract managers and selected supervisors
- Two-day training programme for all supervisors
- Executive workshop on how to lead the business transformation

"It is crucial that employees at all levels of our organisation understand the benefits for all parties in working towards facility services. If we can generate this kind of understanding we will be able to sell more and create an even stronger ability to deliver what we promised the customer," explains Pekka Lindeman.

Managing attendance Health and safety is a Group-wide focus area, and a number of countries have implemented projects to minimise sick leave and increase the well-being of employees. In 2003, the absence rate (sick leave as a percentage of productive hours) for the Group was 8%.

Equal opportunities ISS rewards its people on the basis of merits, and ISS operations are aligned to focus on individual capabilities rather than the sex, age, ethnic origin, religion, political views etc. of a candidate when taking decisions about recruitment, development and promotion.

Thanks to the corporate culture and aided by language courses and adapted training materials, ISS is today an employer of choice for many immigrants and ethnic minorities. In countries such as Belgium, Denmark, France, Norway and the UK, ISS is among the largest employers of non-natives.

European Works Council As a people centered business, ISS emphasises its relations with employees and trade unions. The corporate policy of involvement and dialogue is put into practice locally in the country operations. Established in 1995, the European Works Council (EWC) serves as a forum for dialogue between ISS executives and employee representatives from across Europe. A total of 25 representatives from 13 countries took part in the EWC dialogue in 2003. The key issue on the agenda was a proposal to restructure the forum and open it for employee representatives from the new EU member countries. The Council agreed to expand the number of member countries while limiting the number of representatives per country.

SUPPLIERS

Supplier relations are an integral part of ISS' service delivery. At Group level and locally, ISS is working towards reducing the overall number of suppliers and establishing strategic

Partners enjoy win-win situation

ISS and JohnsonDiversey (JD) signed a strategic framework agreement in 2002. Since then, country operations have been busy stepping up the level of cooperation. One of the operations to move up the partnership ladder is ISS UK.

"Our partnership with JD has started on a very positive note," says David Weddell, managing director, Business Support Services at ISS in the United Kingdom. Part of the reason is that JD has set up a nationwide team, exclusively to look after the ISS account. "The fact that this team is dedicated to ISS makes it much easier for us to share sensitive information and explore the benefits of a full-scale partnership," says David Weddell.

Co-operation will cover a number of areas, such as:

- *Product standardisation.* Introduction of a standard product range for all of facility services and a standard support package for small office cleaning sites
- *Innovation.* A team of JD and ISS managers is to meet regularly to discuss and try out concrete product and service innovations
- *Productivity optimisation.* Assisted by JD, ISS will test and potentially implement a new range of productive cleaning methods
- *Staff training.* JD and ISS will work together to develop a training programme and information material to push the implementation of best practice cleaning methods across the country

"I am delighted with the operational and strategic partnership that we have entered with JD," says David Weddell. "It will surely benefit both companies involved."

Corporate work wear In mid-2002, ISS initiated a Group-wide uniform programme to enhance corporate branding and self-esteem of staff, while (visually) supporting the transformation from a cleaning company to a facility services provider. In a joint project with the work wear supplier, Alexandra Plc., a full product range was developed. The rollout started in 2003 with the introduction of the programme in more than 20 countries, and total purchases under the programme exceeded 500,000 pieces.

supplier partnerships in relevant areas such as cleaning materials, IT, cars, uniforms, washroom products etc. Working with few selected suppliers has a positive impact on cost-efficiency and other operational targets.

Corporate procurement manual In 2003, the corporate procurement function developed a procurement manual. In providing a Group-wide framework for procurement activities, the manual enables ISS to use its full leverage in supplier negotiations by streamlining and coordinating purchases. Ideally, ISS wants to meet its suppliers as one single large customer.

The use of one strategic supplier of work wear has resulted in larger purchase volumes, and provided ISS with logistical benefits. In support of ISS' strategy of minimising inventories, Alexandra delivers the goods directly to the local ISS office or customer site, thus eliminating the need for central inventories at ISS.

Q3E cleaning methods Based on tests of cleaning tools conducted in 2002, a team of ISS' technical specialists has defined a common standard for cleaning methods and tools. The standard was dubbed "Q3E", which stands for Quality, Efficiency, Employees and Environment. The Q3E standard is described in a manual, which demonstrates how the right choice of methods and tools can improve cost-

Supplier partnership supports international expansion

"We have a demanding, yet excellent partnership with ISS," explains Julian Budd, CEO of Alexandra – ISS' strategic supplier of work wear and uniforms – and he continues: "Delivering to more than 20 ISS country operations challenged us to adapt our ordering and delivery processes to overcome language barriers and logistical complexity. By working with ISS, we have developed both our systems and our thinking. Today, Alexandra is better positioned to service, let alone win, pan-European accounts."

efficiency and quality, while at the same time ensuring better ergonomics and minimising environmental impacts. The standard benefits customers, employees and the environment, and it represents an example of Group-wide best practice sharing. The standard has been introduced to all country organisations, and several large country organisations have started implementation. An ISS University programme, "Optimising Productivity", has been launched to spearhead local implementation.

SOCIETY

Sustainability Corporate sustainability is a priority for ISS. To maintain firm, trust based relations with its stakeholders, and reap operational benefits, ISS aims at setting high social, environmental and ethical standards. This includes demonstrating leadership within the facility services industry.

In 2003, the Board of Directors adopted an ISS Code of Conduct, which articulates Group-wide standards in the areas of employee conduct, anti-corruption and bribery, compliance with competition rules, customer relations and supplier relations, workplace standards and corporate responsibility. The code serves as an operational framework for ISS' commitment to sustainability.

United Nations Global Compact ISS has been a signatory and supporter of the Global Compact since its inception in 1999. As a member, ISS endeavours to comply with the nine Global Compact principles and publishes examples of how this implementation is undertaken. As requested by the Global Compact, the paragraph below describes selected implementation measures taken in 2003 within the areas of human rights, labour rights and environmental protection. For more information, visit www.issworld.com.

Human rights *The Global Compact asks companies to support and protect international human rights, and ensure the companies are not complicit in abuses.*

In 2003, the ISS Code of Conduct and a policy on corporate social responsibility were launched. ISS' commitment to human rights protection has been communicated to suppliers, major customers and employees by means of leaflets, meetings, management training sessions, employee magazines etc. Responsibility for compliance rests with local managing directors. Implementation of the code of conduct will be discussed at business reviews and monitored by corporate officers.

ISS joined the Amnesty Business Club in 2002 to discuss human rights protection with Amnesty International Denmark and a group of companies headquartered in Denmark. In 2003, ISS took part in network activities and maintained a close dialogue with Amnesty International regarding the scope and outreach of the ISS Code of Conduct. The co-operation with Amnesty International is expected to expand into joint risk assessments in exposed countries.

ISS confirms workplace principles
In 2003, ISS and Union Network International (UNI) signed an agreement concerning twelve fundamental workplace principles.

"This is a global first for the sector and it represents a major step forward in establishing human rights in the workplace worldwide," Philip Jennings, UNI General Secretary said in a comment to the agreement, and continued: "Conventions get signed by governments but, together, employers and unions can put them into practice."

An outstanding commitment to ISS corporate values
In the spring of 2003, the spread of SARS – Severe Acute Respiratory Syndrome – made headlines all over the world. In Hong Kong and Singapore – two of the countries most severely affected – ISS employees were in the frontline, fighting the virus.

A high level of hygiene and clean surroundings are key factors in battling SARS, and ISS worked around the clock to meet the increased demand for specialised cleaning services. Approximately 1,400 ISS employees worked at hospitals and wards affected by the SARS virus.

The health and safety of the entire ISS staff was the paramount objective for ISS. Immediately after the outbreak of the virus, exhaustive safety precautions were taken and clearly communicated to all employees. With their gowns, mask, gloves and additional equipment, front-line workers resembled astronauts rather than service staff. The service staff went through health screening each morning before work and had access to a 24-hour medical hotline.

"The swift response reduced the insecurity of our employees, and we were able to retain our staff. Our people have demonstrated a very high degree of responsibility and courage," says CC Woon, Managing Director of ISS Singapore.

Local management and Group CEO Eric Rylberg alike have praised the outstanding commitment and loyalty of ISS' employees. Also, the Hong Kong Council of Social Service presented ISS with its 2003/4 "Caring Company" logo, in appreciation of ISS' contribution.

During the SARS-outbreak, seven ISS employees were diagnosed with the virus. They were all released from hospital in good health.

Labour rights *The Global Compact asks companies to uphold the freedom of association, recognition of collective bargaining, elimination of forced labour, child labour and discrimination at work.*

ISS recognises labour rights and maintains good and open ties with unions. ISS' approach to union relations was confirmed in 2003 with the signing of a letter of agreement with Union Network International (UNI). Under the agreement, ISS commits itself to 12 fundamental principles in the workplace. UNI in turn pledges to address and disclose companies which are undermining fundamental standards in the service industry.

ISS uses no forced, compulsory or child labour. ISS tolerates no form of discrimination and the Group has supported a number of public anti-discrimination campaigns and equal opportunity initiatives. Furthermore, ISS takes an active role in efforts to improve the employability of vulnerable groups in the labour market. In several countries, ISS runs training and reintegration programmes for long-term unemployed – often in partnership with local authorities. In countries like Austria, Hong Kong, Portugal and Spain, special attention is given to employment of disabled persons. In 2003, ISS Spain celebrated its 25th anniversary as employer of people with disabilities. ISS Spain runs four certified Special Employment Centres and currently employs in excess of 300 disabled staff.

Environmental protection *The Global Compact asks companies to support a precautionary approach to environmental challenges, promote environmental responsibility and environmentally friendly technologies.*

Environmental protection is a key component in ISS' overall approach to sustainable development. In 2003, ISS adopted a corporate environmental policy to create a Group-wide framework based on local policies and initiatives in the field of environmental protection. The policy spells out ISS' key environmental objectives:

- Minimise emissions and effluents (primarily arising from transport and use of chemicals in cleaning)

■ Minimise the use of energy and water
■ Reduce, manage and recycle waste
■ Use safe products and materials

On the basis of the corporate environmental policy, ISS' country organisations are implementing local environmental polices and management systems to meet corporate and local objectives. In most countries, the environmental policies and systems are already in place and many of them are certified to the ISO 14001 standard. In addition, environmental responsibility is promoted through staff training.

ISS runs several projects to introduce technologies that reduce environmental impact. One example is the new range of Q3E cleaning methods, which offers savings on chemicals and water usage. Going forward, ISS will aim at improving the ability to document the environmental performance in areas like transportation, chemicals and water.

Sustainability in the market During the year, ISS was included in two new public stock indices based on sustainability values. The Norwegian insurer Storebrand gave ISS a "Best in Class Award" for its environmental and social performance, which makes the ISS share eligible for investments in Storebrand's own investment fund, earmarked for investments in companies with an environmental and social profile. Furthermore, a Nordic survey commissioned by the Nordic Council and Danish ministries selected ISS and 39 other companies as regional leaders in corporate governance and sustainable business performance. The 40 companies in the "Nordic Sustainability Index" have been chosen from top 500 companies listed on the stock exchanges in Copenhagen, Helsinki, Oslo and Stockholm. For more information on share indices, please see the section "Share indices" on page 38 of this report.

INVESTORS

The ISS share At 31 December 2003, ISS' share capital amounted to DKK 886.2 million consisting of 44,309,894 shares of DKK 20 each. ISS has one class of shares and no shares carry special rights. The shares are freely transferable, negotiable instruments.

In June 2003, ISS requested the UK Listing Authority to cancel the listing of ISS' shares on the Official List of the UK Listing Authority and notified the London Stock Exchange to cancel the admission of ISS shares to trading on the market for listed securities. This step was taken because the Group prefers to capitalise on the benefits of consolidating its listing on the Copenhagen Stock Exchange in terms of trading volume and liquidity. The delisting took effect on 15 August 2003.

During the year, the ISS share price increased by 14% compared with an average share price increase of 2% in the defined peer group. The peer group comprises the international service companies Aramark, Compass, Group 4 Falck, Rentokil, Securitas, Serco and Sodexho.

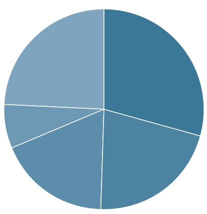
Due to the increase in the share price and the issue of 381,827 employee shares, ISS' market capitalisation increased by 15% from DKK 11.2 billion at the end of 2002 to DKK 12.9 billion at the end of 2003. ISS advanced to 10th position on the Copenhagen Stock Exchange in terms of market capitalisation at 31 December 2003 from a position as number 12 in 2002.

Share price in 2003
(index linked to ISS)

Selected stock exchange releases in 2003

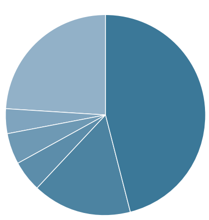
13 March	Financial Report 2002
22 May	Interim Report, January - March 2003
26 June	ISS cancels its secondary listing on the London Stock Exchange
20 August	Interim Report, January - June 2003
4 September	ISS Global A/S completes EUR 850 million bond issue
20 November	Interim Report, January - September 2003

Shareholders
by geography



- Denmark 29%
- US 21%
- The UK 18%
- Other Europe 8%
- Unregistered shareholders 24%

Shareholders
by type



- Foreign private investors and institutions 46%
- Danish pension funds 16%
- Danish private investors, trusts and foundations 5%
- Other Danish institutions 5%
- Restricted employee shares 4%
- Unregistered shareholders 24%

Aggregate turnover of the share amounted to DKK 13.4 billion on the Copenhagen Stock Exchange, which made ISS the seventh largest stock in terms of turnover. In terms of trading volume, approximately 52.7 million shares were traded, corresponding to 119% of the share capital.

Shareholders ISS has three shareholders holding more than 5% of the company's total share capital. One shareholder holds more than 10%. At 31 December 2003, approximately 16,000 shareholders representing about 76% of the share capital were registered in the company's register of shareholders. Data from the register indicated that Danish investors held 29% of the shares at the end of 2003 compared with 26% at the end of 2002. Investors in the US and the UK held 21% and 18%, respectively, while other European investors outside Denmark held 8%. ISS has no detailed information on the unregistered holders of the remaining 24% of the capital, but ISS believes that the majority of these shareholders were based outside Denmark. ISS encourages all shareholders to register their holdings in the register of shareholders.

Through ISS' employee share programmes, employees have acquired approximately 4% of the share capital. As described on page 23 of this report, employee shares are subject to a lock-up period during which the shares cannot be sold.

Own Shares At 31 December 2003, the Group held 155,675 own shares, unchanged from 31 December 2002. The shares were held in order to hedge incentive schemes. The total market value was DKK 45.3 million.

Share indices In 2003, ISS was again included in the Dow Jones Sustainability World Index, the FTSE4Good Global Index and the Ethibel Sustainability Indices. In addition, ISS was included in the Nordic Sustainability Index. Furthermore, ISS is included in the following Danish and international share indices: KFX, Dow Jones STOXX, Standard & Poor's Global 1200, Standard & Poor's Europe 350, Morgan Stanley MSCI and FTSEEuroMid. The weight of the ISS share in the leading Danish stock index, KFX, was 2.3% at 31 December 2003.

Dividends The Board of Directors will propose to the annual general meeting that a dividend of DKK 4 per share be paid in respect of the 2003 financial year. Please see pages 12-13 of this report.

Bonds ISS Global A/S, a wholly owned subsidiary of ISS A/S, listed a Euro Medium Term Note (EMTN) programme in September 2003 and subsequently launched its inaugural bond issue. The bond programme was assigned a BBB+ rating with Stable Outlook by Standard & Poor's.

Shareholders holding more than 5% of ISS' shares	Capital and votes	As at
Fidelity Investments [1]	15.0%	31 Dec. 2003
ATP, the Danish Labour Market Supplementary Pension Scheme	9.9%	7 Jan. 2004
Franklin Templeton	5.3%	23 Dec. 2003

[1] The Copenhagen Stock Exchange has not been notified as the shareholding is just below 15%.

Investor relations ISS' investor relations department is responsible for upholding and developing the contact to investors and analysts. Through a dialogue with market participants, ISS seeks to provide objective, sufficient and timely information on the Group's performance and strategic development. To support the liquidity of the share, ISS promotes broad analyst coverage. A total of 20 equity analysts, 9 based in Denmark and 11 in the UK, and 6 credit analysts follow ISS on a regular basis.

A key factor in the Group's investor relations policy is to ensure that all investors have uniform access to all published information. The website (www.issworld.com) is a primary source of information.

ISS presents consensus estimates on the Group's website from independent analysts prior to the release of each interim and annual profit announcement. ISS has no influence on these estimates, which are compiled as a simple average of the analysts' estimates.

ISS continuously monitors advances in information technology that may be used to improve communications with shareholders. In March 2003, ISS launched an SMS service on the website. Subscribers are alerted via SMS messages when stock exchange releases have been sent to the Copenhagen Stock Exchange. In addition, it is possible to subscribe to an e-mail notification service, which distributes electronic versions of stock exchange releases after they have been made public. In order to provide cost-efficient access to conference calls for all stakeholders, ISS began to webcast presentations following earnings releases in 2003. An indexed replay is available on the website shortly after the conclusion of the presentation. As a novelty,

The ISS share

ISIN securities code	DK0010267046
Number of shares outstanding, 31 Dec. 2003	44,309,894
Average number of shares 2003	43,995,124
Own shares, 31 Dec. 2003	155,675
Free float	100%
Price, 31 Dec. 2002	DKK 255
Lowest price in 2003	DKK 167
Highest price in 2003	DKK 325
Price, 31 Dec. 2003	DKK 291
Dividend per share, 2003	DKK 2.00
Total shareholder return, 2003 [1]	14.9%
Listing	Copenhagen Stock Exchange
Bloomberg	ISSDC
Reuters	ISS.CO

[1] (Share price, 31 Dec. 2003 + dividend per share, 2003 - share price, 31 Dec. 2002)/(share price, 31 Dec. 2002).

ISS Global A/S bonds

Issuer	ISS Global A/S
Issue amount	EUR 850 million
Maturity date	18 September 2010
Coupon	4.75%
S&P rating	BBB+
Listing	Luxembourg
ISIN securities code	XS0176317054
Bloomberg	ISSDC
Reuters	DK017631705=
Lead managers	HSBC, Nordea, Société Generale

ISS will offer webcasting of its upcoming annual general meeting on the Group's website.

ISS publishes scheduled and completed investor relations events. Presentations and webcasts related to such events are also available.

The website contains further information on ISS' investor relations. In addition, shareholders, bondholders, analysts and other interested parties are always welcome to contact ISS' investor relations department:

e-mail: ir@group.issworld.com
Website: www.investor.issworld.com
Telephone: +45 38 17 00 00

Financial calendar 2004

31 March	Annual general meeting
18 May	Interim Report, January - March 2004
26 August	Interim Report, January - June 2004
18 November	Interim Report, January - September 2004

Analysts following ISS

Equity analysts

Denmark

Alm. Brand Børs	Michael Drøscher Jørgensen
Carnegie	Carsten Leth
Danske Bank	Lars Heindorff
Enskilda Securities	Jeff Saul
GP Børsmæglerselskab	Johannes Møller
Handelsbanken	Torben Sand
Jyske Bank	Michael Nielsen
Nordea Securities	Lars Larsen
Sydbank	Bjørn Schwarz

UK

ABG Sundal Collier	Jonas Pålsson
ABN Amro	Matthew Lloyd
CAI Cheuvreux	Knut Lovstad
Cazenove	Mike Yates
Citigroup	Nick Williamson
Deutsche Bank	Morten Andersen
Dresdner Kleinwort Wasserstein	Keith Watson
Goldman Sachs International Ltd.	Yves P. Meyer-Bülow
Merrill Lynch	Paul Steegers
Morgan Stanley Dean Witter	Oisin Crawley
UBS	Lindy Newton

Credit analysts

ABN Amro	Richard Morawetz
Danske Bank	Ashton Parker
Deutsche Bank	James Maxwell
HSBC	Simon Cowie
Nordea Markets	Johan Sahlström
Société Generale	Sonia van Dorp

Risk Factors

ISS strives to counter and reduce the risks which the Group is able to impact. However, ISS wishes to emphasise that any investment in shares or bonds will be subject to risk. Such factors as developments in the financial markets, the Group's operating performance etc. could cause an investment to be loss making. An investor could lose all of his or her investment. In addition to the financial market risk, ISS' risk profile reflects both the Group's day-to-day operations and its continued expansion. Some of the risk factors which may adversely affect the Group's future growth, activities, financial position and results, are described below. This is not an exhaustive description of the risk factors to which the Group or an investment in ISS' shares or bonds is subject, nor are they listed in any order of priority.

MARKET TRENDS

The potential underlying growth in the demand for services offered by ISS is estimated to be on a level equalling the long-term growth in the gross domestic products of the relevant countries. The development of the outsourced part of the market, which is available to ISS, is considered more volatile than the total market for facility services, as it may be impacted by political decisions, public opinions, positive and negative experiences of companies, public institutions and individual users, media coverage of isolated events etc. These factors may dampen growth in outsourcing, cause contracts to be discontinued or reduce the Group's ability to achieve satisfactory growth rates in the future. In any of these cases, the Group's growth and earnings and general financial position may be adversely affected.

The service industry is normally considered to be less sensitive to economic cycles than certain other industries. However, ISS is not immune to the external economy and macroeconomic cyclicality – both low and high economic activity – represents a challenge to ISS. Periods of recession may have an adverse impact on prices and on the demand for services, e.g. if customers downscale their business or reduce demand for one-off jobs. In periods of rapid economic growth, ISS may encounter problems in recruiting qualified employees or of generally increasing staff costs.

Government intervention aiming at improving pay and working conditions may increase the costs incurred by the Group. ISS is also subject to political risks concerning changes to legislation governing taxation, duties and social charges etc, which may cause ISS to incur higher costs or reduce its competitive strength relative to in-house service providers. Among other issues, problems concerning deductibility of input VAT may reduce ISS' competitiveness relative to in-house service providers. ISS expects that it will be possible over time to offset part of the effects of changes in pay and working conditions, taxation and social charges when renegotiating contracts with customers, but there can be no assurance that this will be possible. Therefore, changes to legislation may adversely affect the Group's earnings.

In many countries, the public sector is an important segment for ISS. The Group's business with public sector customers is affected by political and administrative decisions concerning the level of public spending. Thus, decisions to cut down on public spending may have an adverse impact on the Group's growth and earnings.

COMPETITION

Competition in ISS' markets is characterised by many service providers, especially within the area of general cleaning. Therefore, there is a risk that over-capacity and increased price competition may have a material, adverse impact on the Group. ISS strives to counter this risk by focusing on integrated facility services solutions targeted at and tailored to individual customers in selected customer segments. Such service solutions comprise a number of more or less specialised services, some of which include cleaning, property services, canteen services and office support. One of the factors that make facility services contracts attractive is that they often enable ISS to forge closer ties with the customer. However, competition may intensify if service providers, who have historically focused mainly on providing single services, move into the market for facility services. Moreover, there is a risk that new competitors and a changed competitive environment may affect ISS' competitiveness. Thus, there can be no assurance that the Group's facility services strategy will enable ISS to achieve satisfactory operating profits.

Although the Group has issued internal guidelines concerning compliance with competition law, individual local managers may act against Group instructions and deliberately violate the rules and engage in illegal, punishable activities such as price fixing or allocation of markets or customers with competitors; activities for which ISS may be held responsible and which may have a negative impact on ISS' reputation, market position and financial position. Likewise, an ISS subsidiary may inadvertently be charged for illegal collaboration with its competitors simply by virtue of its participation in the activities of an industry association.

MANAGING CONTRACTS

ISS strives to increase the share of turnover generated from integrated facility services contracts. Generally, such contracts place greater demands on the service provider due to their scope and complexity compared to single service contracts. ISS' efforts to penetrate new service areas increase the risk of mismanagement and other difficulties during the initial phase because of the Group's limited experience in such new service areas and markets. When negotiating contracts, ISS endeavours to counter such risks by obtaining a clear understanding of the customer's expectations for the services being outsourced, including definitions of success criteria.

The profitability of large, long-term contracts depends on ISS' ability to integrate services, calculate prices and manage day-to-day operations. Miscalculations in large contracts or subsequent problems in the management of contracts may have a material, adverse impact on the Group. In addition to the direct adverse financial impact, the discontinuance of contracts may have indirect, adverse effects on, for example, ISS' reputation and may affect the Group's ability to win similar contracts.

The Group's conclusion of major Private Finance Initiative (PFI) contracts and other similar contracts is in some cases subject to ISS participating with an equity stake in the company signing the PFI contract with the public authorities. This affects the risk for the Group. The ever-increasing scope of the Group's contracts, including existing PFI contracts, some of which are for 30-year terms, imply a general risk for the Group. Large contracts often subject the Group to penalties or fines in the event that the quality of the services provided fails to meet agreed standards or if the Group otherwise fails to comply with the contracts. Terms and conditions of major contracts may, accordingly, adversely affect the Group in the event that the agreed benchmarks are not met or if contracts are otherwise not complied with due to conditions for which ISS is responsible or for which ISS bears the risk. Equally, inflation, deflation, wage inflation etc. might negatively affect ISS if the service contract does not provide for adequate price compensation.

ISS may contract with sub-contractors for the provision of services, inter alia, in connection with certain integrated facility services contracts. In such cases, the Group is exposed to risk relating to managing sub-contractors and the risk that the sub-contractors are not able to provide services that meet the customer's quality benchmarks or generally comply with legislative requirements. Furthermore the Group is exposed to the risk that sub-contractors have inadequate insurance cover or inadequate financial strength to honour financial claims resulting from damages or losses inflicted on the customer by sub-contractors.

GROWTH AND ACQUISITIONS

Organic growth and acquisitions place the Group's management and financial resources under pressure. ISS uses growth models as a management tool in making financial assessments of the Group's growth potential, both from organic growth and from acquisitions. Such assessments are subject to a number of assumptions concerning profitability, growth, interest rates, valuation of companies and other assumptions. There can be no assurance that the applied models and management's assessment of the growth potential take all relevant factors into consideration. Other factors not accounted for in the models and management assessments, may cause actual developments to differ significantly and adversely from expectations.

ISS' ability to manage growth relies on the Group's ability to integrate operations acquired. A rapid integration of acquired companies is important in order to maintain an efficient organisation. The risk that the integration takes longer than anticipated or otherwise creates problems may cause actual results to deviate from expectations.

Acquisitions are generally priced on the basis of a number of assumptions, which are subject to substantial uncertainty. There can be no assurance that, following integration into the Group, an acquired operation will be able to maintain its customer base, operate at the assumed margins or generate the expected cash flows. Furthermore, acquisitions of companies expose the Group to the risk of unforeseen obligations towards employees, customers, suppliers, sub-contractors, public authorities or other parties. Such obligations may adversely affect the Group.

INTERNATIONAL OPERATIONS

ISS currently operates in 38 countries. In 2003, approximately 90% of the Group's total turnover was generated outside Denmark. Because of the international scope of the activities, the Group is subject to a number of risks and challenges, including the management of a decentralised international business operation and the fulfilment of legislative requirements, including tax rules and social security legislation, in many different jurisdictions. Especially, conflicting and/or complicated tax rules and social security legislation – and changes in such rules and legislation – mean that there is a risk that the Group in one or more countries inadvertently makes less optimal choices or commits mistakes when filing tax returns etc. Equally, the risk of inadvertently making business decisions that lead to unforeseen tax consequences exists, since tax rules can be complex and are often subject to uncertainty as to their interpretation. In spite of the fact that ISS employs people with special expertise within the tax area and/or uses external specialist assistance, there can be no assurance that circumstances as described above will not lead to significant expenses that were neither foreseen nor intended.

ISS A/S delegates considerable responsibility to its subsidiaries. The management and performance of the subsidiaries are subject to controlling activities performed by ISS A/S' controlling function. These controls are described on page 21 of this report. The company strives to reduce the risk of irregularities by, inter alia, making regular visits to the individual subsidiaries accompanied by the Group's external auditors and applying a comprehensive reporting system covering all subsidiaries. Despite these efforts, there can be no assurance against the occurrence of irregularities, unintended accounting misstatements or breaches of local legislation, which could have a material adverse effect.

CURRENCY AND INTEREST RATE EXPOSURE

The Group's currency and interest rate exposure is managed and controlled in accordance with a treasury policy approved by the Board of Directors. The financial risk and the hedge of risks are described on pages 85-86 of this report. Most often, currency fluctuations have no immediate impact on the Group's subsidiaries as the turnover and costs are normally denominated in the same currency. Currency movements may, however, materially affect the economic environment in which the subsidiaries operate. Currency fluctuations may also have a significant impact on the year-on-year growth of sales, earnings and cash flow, when measured in the Group's reporting currency, Danish kroner. Currency fluctuations may cause actual growth rates to fall short of forecasts in management's outlook.

ISS monitors and assesses trends in interest rates on a current basis and, based on the approved policy, the Group is prepared to adjust its interest rate exposure relative to the Group's expectations of future developments in interest rates. However, there can be no assurance that the Group will not misjudge trends or for other reasons be materially, adversely affected by changes in the level of interest rates.

KEY FIGURES AND CREDIT RATINGS

Investors and other financing sources and credit rating agencies traditionally use a range of financial key figures such as operating margin, earnings per share, cash flow from operating activities, cash conversion, cash earnings per share, interest coverage, equity ratio and debt ratio to evaluate the Group's financial position and performance. Macroeconomic trends, changes in legislation, implementation of IT, shortage of manpower and other operational issues are factors which may cause the Group's financial key figures to fluctuate substantially. An adverse development in ISS' financial key figures and credit ratings may affect the Group's ability to finance operations, development and growth. This may have a material, adverse effect on the Group's financial development. ISS seeks to reduce this risk by regularly evaluating the Group's capital structure. It is company policy to seek to ensure an appropriate development in its financial key figures so as to enable the Group to, inter alia, uphold its credit rating and comply with the covenants specified in the Group's loan agreements. For this purpose, the Group has established a set of financial management tools that support ISS in evaluating future requirements for capital contributions by means of equity and debt. However, there can be no assurance that ISS will always be able to uphold the credit rating or comply with the minimum limits in loan agreements. Material adverse effects could stem from such breaches.

IT

The administrative part of the Group's operations is increasingly dependent on the use of IT. System failures or disruptions resulting from computer viruses, acts of hackers or other causes, may have a material, adverse effect on the Group. The Group's development plans include increased development and use of IT in all countries. This places demands on the compatibility of the Group's computer systems and software applications and on the reliability of such systems and applications. Non-compatibility between the Group's computer systems and software applications may require additional IT investments. This may also be the case if systems reliability is unsatisfactory. These problems may, to the extent they materialise, adversely affect the Group.

The levels of required IT-related investments and future costs depend on technological opportunities, market demands, competitive actions and other factors. To protect its competitiveness, ISS may have to allocate further resources to the development of the Group's IT infrastructure and IT-related business processes. This may have an adverse effect on the Group's financial position.

ISS outsources IT as a means of ensuring effective management of IT resources and improving cost efficiency of the Group's IT infrastructure, systems and applications. ISS relies on the ability of outsourcing partners to deliver agreed services. Failure by an outsourcing partner to perform according to the contract may have an adverse impact on ISS' operation and its financial position.

QUALIFIED EMPLOYEES

Employee costs make up ISS' largest single cost item, and the Group's competitive strength depends, among other factors, on its ability to attract, train and retain employees with the right qualifications and experience. The service industry in general is characterised by a relatively high staff turnover. To the extent that the Group is unable to offer satisfactory pay and working conditions, there is a risk that ISS will experience a shortage of labour and this may have an adverse effect on the Group. Such situations may also occur in a tight labour market to the effect that it may be necessary to use more temporary staff, thereby increasing the Group's staff costs. ISS is working to counter this risk partly through targeted efforts to increase employee satisfaction, and partly through an active effort to professionalise the service industry and to enhance the general standing of the industry. ISS' possible inability to attract and retain the required number of qualified employees may have a material, adverse effect on the Group's growth and earnings.

MANAGEMENT RESOURCES

The ability to attract and retain managers at middle and senior level is important to ISS. ISS' possible inability to attract and retain an adequate number of qualified managers may have a material, adverse effect on the Group's ability to meet targets. The ability to retain key management resources in acquired companies is also important in order to ensure effective integration into the Group and thus minimise the costs of integration. The resignation of key managers may have a material, adverse effect on the profitability of the relevant companies.

ENVIRONMENTAL ISSUES

The environmental requirements applying to the service industry, made by legislators, customers as well as unions, are becoming ever more rigorous. ISS anticipates that an increasing number of countries will introduce environmental taxes on the use of chemicals, e.g. in the cleaning materials used by the

Group. To the extent ISS is unable to pass the costs of the stricter requirements and higher taxes on to its customers, such factors may have an adverse effect on the Group.

The possible presence of pollution on properties owned or rented by ISS may also result in claims arising from cleaning of such properties, and may have an adverse impact on the Group. Likewise, the value of properties owned by ISS may decrease significantly due to pollution and thus result in financial losses.

WORKING ENVIRONMENT

Having a large number of employees in many different countries and cultures involves a potential risk for the Group of being subjected to litigation relating to violations of social and working environment legislation. The effects of new services, detergents, tools, machinery etc. on the working environment or any currently unknown long-term effects of existing products or work processes may have an adverse effect on the Group. ISS seeks to reduce risks related to the working environment and the environment in general by choosing detergents, materials and equipment, which ISS considers to be environmentally friendly, and by running training programmes on personal protection for employees and by monitoring the indoor and outdoor environment. However, despite the Group's efforts, there is a risk that claims against ISS in relation to the working environment may have an adverse impact on the Group's financial position.

DAMAGE TO PROPERTY AND BUSINESS INTERRUPTIONS

It is a characteristic of many service providers that employees deliver the services in buildings and at locations owned or operated by the customers. This involves a risk of claims in connection with damage to property, business interruptions, unauthorised use of the customer's property or other tortious acts.

DIVESTMENT OF OPERATIONS

In the 1990s, ISS began a development, which involved the divestment of activities not directly related to its core services. A significant divestment was that of ISS Inc. in 1996. In the accounts, ISS makes provisions for claims from purchasers or other parties in connection with divestments. In the opinion of management, the provisions at 31 December 2003 are adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestments of companies will not adversely affect the Group.

RETIREMENT BENEFIT PLANS

In certain countries, the Group has pension plans under which the Group has an obligation to provide agreed benefits to current and former employees. The Group's future liabilities under defined benefit plans may be significantly impacted by changes in the discount rate, the expected return on plan assets, the social security rate, the future salary increase, the future pension increase, changes in demographic variables or other circumstances. There can be no assurance that the Group will not be significantly, negatively impacted by adverse developments in the above factors.

RISK MANAGEMENT

ISS' central risk management function evaluates the Group's risks on an ongoing basis and implements initiatives aimed at reducing the scope and consequence of risks to the Group. Insurance taken out include cover in respect of liability, industrial injury, environmental issues, pension liabilities and personal injury. Insurance is taken out after advice from the Group's global insurance broker. The insurance programmes contain Group programmes for major and uniform risks. Local insurance is established, where this is legally required and in accordance with practice in the individual country. However, there can be no assurance that the Group will not experience major incidents of a nature for which no insurance cover is established. Furthermore, the occurrence of several events resulting in substantial claims for damages within one calendar year may have a material, adverse effect on the Group. In addition, the Group's insurance costs may increase over time in response to a potential negative development in the Group's claims statistics or due to material price increases in the insurance market in general.

Self-insurance instruments may be used as a result of the Group's policy with regard to insurance. This may affect the Group's risk profile. In general, there can be no assurance that the Group has correctly anticipated all its risks and/or taken out sufficient insurance, or is at all able to take out adequate insurance at a reasonable price. Thus, material, adverse effects from insufficient insurance may occur.

EXTERNAL EVENTS

The impact of natural disasters, major diseases, epidemics, war, terror or other external events are difficult to quantify. Thus, there can be no assurance that such factors will not have a significant adverse operational or financial impact on the Group.

FORWARD LOOKING STATEMENTS

In connection with ISS' financial reports and other public announcements, ISS may express statements concerning the company's expectations with regard to growth, earnings, cash flow and other financial and non-financial performance measures. Any statement concerning the Group's future overall performance or the development of individual measures or the occurrence of expected events, whether financially, operationally or otherwise, are subject to uncertainty, and there can be no assurance that such expected developments or events will occur.

Furthermore, statements issued by ISS may be subject to journalistic interpretation and other public restatements, which may provide the company's stakeholders with information that is not consistent with the information communicated to the market by ISS itself. ISS is generally not in a position to comment, correct or deny, as the case may be, any wrong, inadequate or misleading information about the Group that may appear in the media or on Internet-based news services, chat-rooms or elsewhere. Therefore, the lack of comments, corrections and clarifications from ISS in relation to any such information cannot be interpreted as ISS confirming such information.

For information on the Group's general disclaimer concerning forward looking statements, please see the text-box "Forward looking statements" shown in connection with the Outlook section on page 13 of this report.

Stream of Betrayals, Michael Kvium
(Oil on canvas)

The painting portraits the five senses. Senses through which we perceive our reality. The senses are the foundation for all our knowledge, wisdom and how we act. But the senses can easily be betrayed and through this we realise how lost, fragile and dependant we are.

Operational Review

create2005

create2005 was launched in the autumn of 2000 to clearly communicate the Group's strategy for the five-year period; a strategy based on ISS' fundamental objective of creating value for investors, employees, customers and other stakeholders.

create2005 maps out how the Group intends to advance its business further and states the overall aspiration of ISS:

Advance the Facility Services industry and lead it - globally

For ISS, the aspiration has the following implications:

- Moving from multi-services to facility services
- Delivering global concepts through strong local presence
- Partnering with customers to enhance their competitiveness
- Being the premier employer in the industry

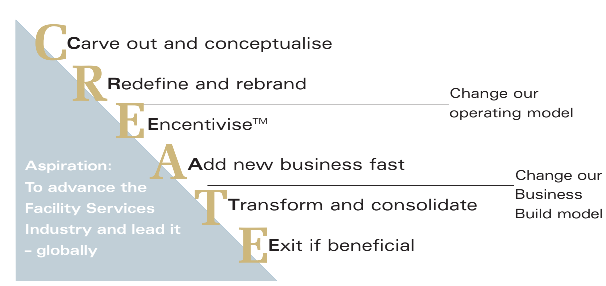
Along with the aspiration, **create2005** outlines goals for ISS' development over the five-year period – in terms of financial, operating and people goals.

Financial goals – in the period 2000-2005:
- At least double earnings per share (before goodwill amortisation)
- At least double top line
- At least double operating profit

Operating goals – by 2005 to reach:
- At least 6% annual organic growth on average
- At least 6% margin in business units with critical mass

People goals – by 2005 to reach:
- Continuous growth in full-time employment
- Increased employee ownership

These goals for the five-year period were initially stated in 2000, based on then prevailing circumstances and expectations. Obviously, in the event of significant changes to expected business fundamentals, management will consider the impact of such changes on stated goals, priorities and strategies, to ensure that business decisions at any given time support the overall objective of maximising value creation for shareholders, employees, customers and other stakeholders. Therefore, in light of the weak macro-economic conditions prevailing in many countries, and in order to ensure that the Group advances in a balanced and sustainable way, ISS has deliberately lowered short-term growth targets compared with the growth rate of 15% p.a., implied in the strategic goal of doubling turnover over the horizon of **create 2005**.



Each of the six letters of "create" outlines specific strategic initiatives that have been or are being taken to push the transformation of the Group to becoming a facility services provider – and in essence substantiate the aspiration and how to achieve the goals.

In 2003 – three years into the strategy – the main focus was on refining the concept of facility services and establishing the operational platform required in each of the country operations to provide facility services. This implied developing the required service offerings, shaping the organisational model and educating management and key staff. In the spring of 2003, a Facility Services Development Centre was established as a centre of excellence for the entire Group on the facility services concept and to lead the thinking of facility services implementation.

Most of the significant steps to rebrand ISS have now been taken. This is reflected in a Group-wide standard for branding. Going forward, continuous focus on branding of ISS will push the Group further in the direction of a uniform identity across borders.

To promote Encentivise™, ISS University was further developed during the year through an expanded course offering. A new employee share programme and a warrant programme to senior managers were undertaken as part of the efforts to align the interests of shareholders, employees and managers.

From a strategic perspective, the addition of new businesses in 2003 has been focused on competence enhancing bolt-on acquisitions.

At country level, the transformation of the business along the lines laid out in **create2005** continued, and in several countries smaller operating units were merged to create larger entities that would be better positioned to serve the larger and more complex contracts targeted by the Group strategy.

OPERATING MODEL

The operating model with dedicated, local Facility Services organisations and international Business Builds is a core element of **create2005**. The purpose of carving out dedicated, cross-border Business Builds is to strengthen transparency and focus throughout the Group. As a key element of the model, Business Builds maintain close relations with the Facility Services organisation. Country managers are members of the board of the local Business Builds in order to forge closer links with the individual countries.

Segmental Summary

Business area	Turnover DKKm	Operating profit [1] DKKm	Operating margin	Organic growth	Employees
Facility Services	32,576	2,033	6.2 %	(2)%	236,318
Damage Control	1,818	64	3.5 %	0 %	2,417
Food Hygiene	1,075	76	7.1 %	(1)%	5,377
Health Care	568	39	6.9 %	(2)%	763
Innovation	128	(19)	(14.9)%	(13)%	78
Total operations	**36,165**	**2,193**			**244,953**
Corporate		(161)			68
Group	**36,165**	**2,032**	**5.6 %**	**(2)%**	**245,021**

Country					
France	6,858	463	6.7 %	0 %	35,859
United Kingdom	4,545	282	6.2 %	2 %	36,207
Sweden	3,717	215	5.8 %	(2)%	11,135
Denmark (incl. Iceland and Greenland)	3,586	232	6.5 %	(7)%	13,148
The Netherlands	3,062	187	6.1 %	(10)%	22,849
Norway	3,035	160	5.3 %	(3)%	7,934
Belgium and Luxembourg	1,801	100	5.5 %	(2)%	11,510
Germany	1,733	78	4.5 %	(8)%	13,047
Central Europe	1,667	122	7.3 %	9 %	18,644
Finland	1,520	124	8.1 %	7 %	6,772
Switzerland	1,149	44	3.8 %	(3)%	6,869
Spain	983	58	5.9 %	7 %	9,160
China and Hong Kong	388	21	5.4 %	3 %	4,322
Brazil	353	12	3.5 %	4 %	11,895
Singapore	305	18	5.9 %	1 %	3,820
Israel	287	18	6.3 %	5 %	5,842
Ireland	259	16	6.3 %	14 %	1,950
Australia	201	27	13.5 %	4 %	410
Italy	186	24	13.0 %	2 %	597
Portugal	182	12	6.8 %	9 %	2,449
Thailand	80	5	6.8 %	5 %	5,992
Japan	79	2	2.8 %	(3)%	493
Malaysia	76	7	9.6 %	1 %	2,497
Indonesia	60	5	9.0 %	43 %	5,982
Argentina	24	(3)	(11.5)%	36 %	1,089
Sri Lanka	15	1	5.1 %	23 %	4,330
Brunei	14	3	24.3 %	1 %	151
Regional costs, not allocated to countries		(40)			
Total operations	**36,165**	**2,193**			**244,953**
Corporate		(161)			68
Group	**36,165**	**2,032**	**5.6 %**	**(2)%**	**245,021**

[1] Before other income and expenses.

Review of Business Performance

FACILITY SERVICES

ISS offers a range of services in connection with the operation of factories, offices, hospitals, means of transportation etc. The service offering is divided into four general areas of related services: Cleaning services (including general cleaning, specialised cleaning, window cleaning and washroom services), property services (including maintenance and technical services, landscaping, ventilation services, pest control and sewage services), canteen services (including conference services), and office support services (including call centres, reception and mail room services, tropical plants and in-house services).

Facility Services accounted for 90% of the Group's turnover in 2003. Organic growth was negative at 2%, comprising (1)% in Northern Europe, (3)% in Continental Europe and 4% in Overseas. The organic growth was impacted by trimming of the contract portfolio in 2002 in Belgium, Brazil, Denmark, France, Germany and the Netherlands. Excluding the effect from extraordinary trimming, organic growth was 2%.

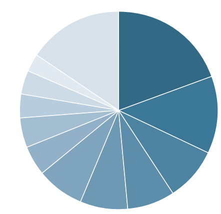
The operating margin in the Facility Services organisations was 6.2%, up from 5.7% in 2002 with the major countries ranging from 3.6% in Germany to 8.7% in Finland. The overall improvement in the operating margin was due to improved margins in all regions. In Northern Europe, the operating margin rose from 5.7% to 6.4% with 0.3 percentage point of the improvement being due to inclusion of the aviation activities in the 2002-figures. Continental Europe increased its operating margin from 5.9% to 6.1% while Overseas lifted its margin from 4.4% to 6.1%. Continuing the trend of recent years, the country organisations with the most advanced facility services concepts were top performers in terms of operating margin in 2003, thus supporting the Group's facility services strategy as outlined in **create2005**.

The gradual transformation of ISS from a cleaning and multi-services supplier to a provider of facility services continued in 2003, spearheaded by those ISS organisations with the most developed facility services concepts. A number of new facility services contracts were won, some of which comprised a range of integrated services. In previous years, such contracts were mainly demanded by customers in Northern Europe but in 2003, a number of complex, integrated contracts were secured in Continental Europe.

Examples of new facility services contracts in 2003 include CSC on a pan-European level, Sonofon in Denmark, Siemens in Norway, Arina in Finland, Delta Lloyd in the Netherlands, OMV in Austria, and SBB in Switzerland.

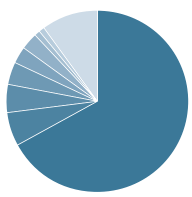
All ISS countries participated to some extent in the transformation process towards facilities services. However, due to local conditions and organisations being at different stages of development, the initiatives differed from one country to the next. Thus, for some countries the focal area was the initial development of a key account organisation while others gave top priority to training of facility service managers. Some countries took a leap within the provision of facility services by adding competences and expanding the service offering through acquisitions. Examples include Austria, the Netherlands and the UK adding

Facility Services turnover 2003



	2003	2002	2001
Turnover, DKKm	32,576	33,740	31,129
Organic growth	(2)%	1 %	3 %
Operating margin	6.2 %	5.7 %	5.0 %
Employees at year-end	236,318	239,814	248,352

Group turnover
by service type 2003



landscaping; Ireland, Spain and Switzerland moving into pest control; and Norway expanding into office support and dust control. Organic development of services, in particular washroom services, was also on the agenda in a number of countries.

ISS' facility services concept is not a rigid standard service package, but a flexible range of services tailored to meet customer-specific requirements. Thus, the customer portfolio both includes customers to whom ISS provides large, integrated service solutions and other customers to whom ISS provides a single or a few services.

The Group's transformation to facility services is a gradual process, and delivery of cleaning and other services on a single service basis will continue to be an important source of turnover and a basis for development of more extensive customer relationships. As cleaning is often used as the starting point for developing more comprehensive facility services contracts, the cleaning service is also seen as a major activity for the Group going forward.

INNOVATION

ISS Innovation is the Group's vehicle for capturing business ideas both inside and outside the organisation and turning them into value. In addition, ISS Innovation supports business concept development within ISS' core business during the initial phases of development.

During 2003, ISS Innovation primarily consisted of coffee and vending machine activities in Denmark and Norway. Until May 2003, ISS Innovation also comprised ISS Data, the Group's internal provider of IT-services. In May 2003, that company was taken-over by CSC in connection with the outsourcing of IT services.

In 2003, ISS Innovation also undertook investments in regard to development of service concepts, particularly washroom services.

DAMAGE CONTROL

By responding quickly to damages and emergencies caused by fire, water, storms, vandalism or otherwise, ISS Damage Control supports its customers in controlling, remedying, restoring and cleaning up after damage to buildings, furniture, machinery and IT equipment.

Insurance companies are increasingly adopting a one-stop-shopping approach to damage control activities, seeking business partners who can offer an efficient claims handling process and effective delivery of damage control services. Damage Control aims at meeting the changing demands of insurance companies and turning the above trend into a strategic competitive advantage.

In 2003, Damage Control continued to establish an international presence with cross-border cooperation between business units. On the back of this strategy, Damage Control secured a number of contracts. The international presence was key when Damage Control in Germany won a contract in connection with a large fire in Ireland and drew on resources of Damage Control in other European countries. Further enhancing the international presence, a task force has been established to swiftly respond to requests for assistance. In 2003, the unit was operative in areas such as Bahrain, Brazil, Georgia, Mexico and Romania.

In the UK, Damage Control secured a contract with Royal & SunAlliance. Under the contract, Damage Control will manage damage events incurred by private households insured by Royal & SunAlliance.

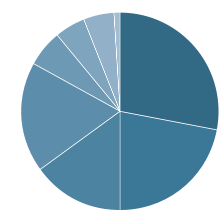
In 2003, Damage Control generated turnover of DKK 1,818 million, an increase of 5% over 2002. Organic growth was neutral, with positive organic growth in the Netherlands, the UK and Germany, where Damage Control increased its market share and opened new branch offices. In the Scandinavian countries, organic growth was negative, primarily due to unusually dry weather, which reduced the occurrence and magnitude of damage caused by rain and flooding.

Growth from acquisitions amounted to 6% in the continuing business. In the UK, ISS acquired Rainbow International UK, which provides a range of disaster restoration services. In December 2003, ISS acquired the damage activities of Anticimex in Norway in order to establish critical mass in the market. Other acquisitions were made in Finland, Germany and Sweden.

The operating margin was 3.5% against 6.8% in 2002. The decrease was primarily due to an unsatisfactory performance by Damage Control in Norway, which recorded a declining turnover and one-off charges of approximately DKK 22 million relating to reorganisation and downsizing. Excluding Norway, the margin was 6.1% compared with 7.3% in 2002. Damage Control in Sweden also contributed to the declining margin, as the depreciation of the US dollar and a weak macro-economic environment led to lower demand in the industrial services segment.

Effective 1 February 2004, the industrial services activities of Damage Control Norway were divested, thereby strengthening focus on its core activities. The divested activities had an annual turnover of approximately DKK 28 million.

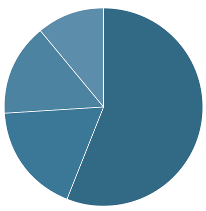
Damage Control turnover 2003



	2003	2002	2001
Turnover, DKKm	1,818	1,731	1,307
Organic growth	0 %	12 %	11 %
Operating margin	3.5 %	6.8 %	8.0 %
Employees at year-end	2,417	2,416	2,143

FOOD HYGIENE

Food Hygiene turnover 2003



Nordic	56%
The UK	18%
The Netherlands	15%
Belgium	11%

ISS Food Hygiene offers services such as specialised cleaning to meet specific standards of hygiene in companies that produce or process food. In addition, the services include evaluation of risk profile, bacteriological testing and advice on food hygiene quality control systems such as HACCP (Hazard Analysis of Critical Control Points). ISS' service offering also includes a full facility services package to the food processing industry.

The Group's Business Build serving the food industry was renamed from ISS Food Services to ISS Food Hygiene at the beginning of 2003. The new name was chosen to enhance the brand value and add content to the name.

	2003	2002	2001
Turnover, DKKm	1,075	1,058	1,088
Organic growth	(1)%	(3)%	6 %
Operating margin	7.1 %	6.9 %	6.3 %
Employees at year-end	5,377	5,375	4,303

In 2003, Food Hygiene increased turnover by 2% to DKK 1,075 million. Organic growth amounted to (1)% while acquisitions contributed 4% and currency adjustments reduced turnover by 2%. Organic growth was negatively impacted by a continuing consolidation of the abattoir industry in Denmark and an outbreak of avian influenza in the Netherlands, causing several poultry dressing stations to be closed down.

In response to the difficult market conditions, Food Hygiene took a number of steps to improve organic growth and profitability.

A project was initiated with the goal of defining operational standards and procedures to be applied by Food Hygiene internationally, thus supporting the ability to deliver a uniform, high quality service across borders. The benefits of a uniform international food hygiene concept was evidenced by the signing of a contract to provide services for the Danish meat processing company, Tulip International, at one of its UK facilities, thereby extending the customer relationship with Tulip to an international level. Other new contracts were secured with Young's Bluecrest in the UK and Atria in Sweden.

To support organic growth, the sales force was increased and a new incentive scheme, focusing on the sale of additional services to existing customers, was introduced. A mobile kitchen-cleaning unit was developed and put into service. The mobile units enables Food Hygiene to serve temporary facilities or add capacity on a flexible basis to existing contracts, thus adding to turnover growth.

The operating margin increased to 7.1% from 6.9% in 2002. The margin enhancement was a result of improved performance in all countries, except the UK.

The market position and international geographical coverage of Food Hygiene were improved by acquisitions in Belgium, Greenland and Iceland, adding a total of DKK 40 million on an annualised basis.

HEALTH CARE

ISS Health Care offers diagnostic competencies and medical treatment, including clinical physiology, MR scanning, X-ray and ultrasound, eye operations and fitting of hearing aids. In addition, ISS operates institutions providing treatment of abuse and psychiatric care. The services are performed in hospitals and clinics set up in rented facilities. Health Care operates in Sweden.

In 2002, ISS sold 51% of the elderly care activities, which until then were part of ISS CarePartner. ISS retained a minority stake in the elderly care activities. Following the sale, the remaining activities of ISS CarePartner were merged with ISS' health care activities in Sweden under the name ISS Health Care. The business of Health Care is based on close cooperation with the public health care sector and the City of Stockholm is the single largest customer.

In 2003, the turnover amounted to DKK 568 million against DKK 1,288 million in 2002. The decrease was primarily due to the deconsolidation of the elderly care activities, reducing turnover by DKK 860 million on an annual basis. The turnover was negatively affected by budget constraints and downsizing of the Swedish public health care sector. This led to a reduction in the number of incoming patients, in particular at local hospitals and radiology clinics. Other activities, such as clinical physiology and fitting of hearing aids performed in line with expectations, producing positive organic growth.

To strengthen the position within rehabilitation, Health Care acquired the rehabilitation centres Rånäs Rehabiliteringscenter AB and Knivsta Rehabilitering AB in 2003.

The operating margin was 6.9% against 7.7% in 2002. The margin was impacted by one-off restructuring charges of DKK 29 million (see below) and reduced activity at local hospitals and radiology clinics. As these activities carry a higher proportion of fixed costs than ISS overall, the turnover decrease in these segments had a considerable impact on profitability.

The divestment of the low-margin elderly care activities in 2002 improved the product mix from a profitability perspective. However, this effect was not enough to offset the negative development in the hospital and radiology activities.

	2003	2002	2001
Turnover, DKKm	568	1,288	1,156
Organic growth	(2)%	7 %	41 %
Operating margin	6.9 %	7.7 %	3.8 %
Employees at year-end	763	679	4,796

Following the unsatisfactory performance, a new experienced management team was appointed in the third quarter of 2003 and a thorough review of the business was conducted. This led to one-off charges amounting to DKK 29 million. Under the new management, a number of profitability enhancing measures have been initiated aiming at adapting the operations to current market conditions and improve the cost efficiency.

With effect from the beginning of 2004, the Stockholm County Council implemented new standards for the use of hospitals. The new standards require more extensive use of referrals from general practitioners as a means of admission to treatment at a hospital. This will affect approximately 7-10% of Health Care's current business. The management is in the process of aligning the business to the new market conditions.

Review of Country Performance

FRANCE

ISS France consolidated its position as the Group's largest country operation both in terms of turnover and operating profit.

	2003	2002	2001
Turnover, DKKm	6,858	6,839	5,820
Organic growth	(0)%	(2)%	2 %
Operating margin	6.7 %	6.9 %	6.5 %
Employees at year-end	35,859	36,412	37,759

In France, no Business Builds have been carved out

Turnover was DKK 6,858 million, on a level with 2002. The difficult competitive situation in France continued in 2003, primarily caused by customers implementing cost reduction measures, particularly in the public sector. ISS France generally abstained from taking part in the price-driven competition as the company focused on initiatives to sustain profitability. Together with the carry-over effect of contract trimming in 2002 of approximately 3%, this had a negative impact on turnover. Consequently, organic growth was slightly negative.

The tough market conditions and a 5.5% increase in the minimum wage, which took effect on 1 July 2003, impacted the operating margin. However, new labour market legislation, reducing social charges on low salaries, and one-off income compensated partly for the adverse effect and the overall operating margin thus only decreased from 6.9% in 2002 to 6.7%.

Management devoted more attention to sales during 2003. Their personal involvement in the sales process and a generally more aggressive approach were reflected in a positive portfolio development during the second half of 2003. The cleaning division, which was most exposed to the difficult trading conditions, showed particularly improved performance, winning several large contracts towards the end of the year. The most significant of these was a new 18-year waste management contract with the municipality of Vesoul. A cross-border framework agreement was entered into with the European Aeronautic Defence and Space Company (EADS) involving cleaning and related services at their sites in France, Germany, Spain and the UK.

The development of the facility services concept in France continued with the appointment of a new facility services director to lead the transition. The already comprehensive service offering of ISS France was further developed during 2003, with particular focus on the landscaping business as three acquisitions expanded the geographical platform. Landscaping now represents approximately 20% of ISS' turnover in France. Another focal area, pest control, also continued its expansion with three minor acquisitions.

THE UNITED KINGDOM

ISS UK accelerated the development of its facility services concept aimed at the commercial sector. A range of initiatives were launched, including a new facility services competence centre, appointment of a Facility Services Development Director, a development programme for potential facility services managers, and the merger of operating entities into a single unit, ISS Facility Services Ltd. In support of the transition towards facility services, ISS UK acquired Waterers Landscape, thereby becoming a nationwide landscaping provider.

ISS UK generated turnover of DKK 4,545 million, down 10% on 2002. The decrease was mainly due to currency adjustments, which lowered turnover measured in Danish kroner by 9%. Divestments of the airside aviation business and other smaller activities in 2002 reduced turnover by 7%, partly offset by acquisitions accounting for turnover growth of 5%. Organic growth was 2%.

The hospital business achieved organic growth of more than 10% after the start-up of eight contracts, including several PFI contracts and other integrated contracts. In total, by the end of 2003, ISS UK had signed PFI contracts with an aggregate annual turnover of approximately DKK 600 million. In 2003, PFI contracts contributed turnover of approximately DKK 444 million. Additional PFI-turnover will be phased in as construction works are completed and hospitals are put into service over the next couple of years.

In Facility Services, the operating margin increased from 5.1% in 2002 to 6.1%. This reflected a strengthening of the management structure during 2003, which led to a general improvement in the contract performance, and the divestment of the airside aviation activities, which diluted the 2002-margin by 0.5 percentage point. In the cleaning segment, ISS won a contract for cleaning at around 1,500 branches of the Royal Bank of Scotland.

	2003	2002	2001
Turnover, DKKm	4,545	5,065	4,531
Organic growth	2 %	6 %	5 %
Operating margin	6.2 %	5.3 %	4.8 %
Employees at year-end	36,207	37,272	36,341
Of which Facility Services			
Turnover, DKKm	4,265	4,778	4,307
Operating margin	6.1 %	5.1 %	4.7 %

Damage Control expanded its activities with the acquisition of Rainbow, a company specialising in providing a range of disaster restoration services through more than 130 branches throughout the UK. The operating margin was maintained at the 2002 level.

SWEDEN

During 2003, ISS Sweden focused on rationalising and streamlining its Facility Services organisation. This included profit-enhancing measures at contract level as well as overhead reductions. Particular focus was on the performance of Ecuro, the facility management company acquired at the end of 2001. The efforts to improve Ecuro's performance continue in 2004 because of unsatisfactory results for 2003. The Facility Service performance was affected by one-off income and expenses. This improved the operating margin from 5.2% in 2002 to 5.4% in 2003. Excluding Ecuro, the margin increased from 6.2% in 2002 to 7.1% in 2003.

The focus on the facility services concept continued with additional resources allocated to strengthen the key account organisation. The service range was expanded with organic start-up of washroom services, and new contracts with a wider range of services were won in the hospital sector. A new contract with the head office of Posten, the national postal service, marked a breakthrough for ISS in the market for canteen services and in particular for the concept "Mat och Människor" (Food and People).

	2003	2002	2001
Turnover, DKKm	3,717	4,272	3,443
Organic growth	(2)%	4 %	17 %
Operating margin	5.8 %	7.0 %	7.6 %
Employees at year-end	11,135	12,311	16,349
Of which Facility Services			
Turnover, DKKm	2,721	2,767	2,223
Operating margin	5.4 %	5.2 %	7.7 %

ISS Sweden's overall turnover was DKK 3,717 million, a decrease of 13% relative to 2002.

This was primarily due to the divestment of the elderly care business and the aviation activities. Organic growth was negative as the general economic environment induced a number of larger companies, particularly in the manufacturing sector, to rationalise and reduce their demand for facility services. Another effect of the economic environment was a reduction in one-off jobs, a factor, which also had a negative impact on the operating margin.

In the Business Builds, the divestment of low-margin elderly care activities at the end of 2002 led to a higher margin in Health Care in 2003. However, the results were not satisfactory and a new management team of the Health Care Business Build is implementing corrective actions. Damage Control recorded a lower operating profit than in 2002 as both turnover and operating margin were impacted by reduced activity with customers in the industrial segment.

DENMARK (INCLUDING ICELAND AND GREENLAND)

The year 2003 marked a breakthrough for ISS Denmark in Facility Services with the commencement of two large integrated facility services contracts. The largest was the start-up of the Danish part of the CSC-contract, a 10-year contract with 120 full-time employees and an annual turnover exceeding DKK 50 million. The contract includes a range of services in the following areas: cleaning, property services/technical maintenance, catering and office support. The contract commenced on 1 October, the same day as a contract to service eight office facilities of Sonofon, a Danish telecommunications company, was started up. Under this latter contract, ISS provides integrated services in terms of cleaning, property services/technical maintenance and office support, employing more than 70 people on a full-time basis.

	2003	2002	2001
Turnover, DKKm	3,586	4,008	4,175
Organic growth	(7)%	(2)%	4 %
Operating margin	6.5 %	5.9 %	5.7 %
Employees at year-end	13,148	14,022	14,816
Of which Facility Services			
Turnover, DKKm	2,431	2,676	2,878
Operating margin	5.8 %	5.1 %	4.8 %

To support the transformation to facility services, new services such as washroom and dust control services were introduced while office support was established as an independent business unit, thus creating a stronger operating platform and an enhanced market presence. Another focal area was Company Care, which in essence is integrated services, targeted at small customers. The concept has become increasingly popular, representing a growing part of business with small and medium sized private sector customers.

In 2003, the emphasis was on performance enhancement. Contract rationalisation, cost cuts and cancellation of low-performing contracts, particularly in the Catering segment were at the top of the agenda. These initiatives helped to increase the operating margin of Facility Services from 5.1% to 5.8%, thereby enabling ISS Denmark to sustain the operating profit in nominal terms, despite a decrease in turnover.

The turnover for ISS Denmark overall fell 11% compared with 2002. Net divestments represented 4% while negative organic growth accounted for 7%. The negative organic growth was due to the effects of contract trimming in 2002 and a revised approach towards customers in the public sector, emphasising quality and profitability rather than growth.

The managing director of the Food Hygiene Business Build was appointed country manager, and several other positions on the country management team were strengthened.

Other organisational changes included a series of initiatives to strengthen the customer-focused organisation and build sales competences. As part of this process, the Group's Danish and international sales organisations were merged and close links have been established between ISS Denmark and the head office in areas such as marketing, communication and management development. Other initiatives to further improve internal coordination and cost efficiency will be implemented in 2004.

Turnover of the two Danish Business Builds, Damage Control and Food Hygiene, decreased relative to 2002. Damage Control was impacted by weather conditions as low rainfalls meant less water damage. This also had an impact on the operating margin, which decreased year-on-year. Food Hygiene managed to increase its operating margin through rationalisation and a focus on costs, despite a lower level of activity due to a consolidation in the Danish abattoir industry.

THE NETHERLANDS

ISS Netherlands continued to develop the facility services concept, which is attracting growing attention and interest from customers. In this process, landscaping services were added to the service range through two acquisitions. In December 2003, ISS also added pest control services to the service package. The increased focus on and promotion of integrated solutions paid off in the form of new contracts, including a comprehensive, integrated contract with the insurance company Delta Lloyd. The contract with Delta Lloyd, a former cleaning customer, exemplifies how the facility services concept enables ISS to multiply the size of existing customer relationships by adding new services such as catering, landscaping and reception services to the contracts.

The focus on margin enhancement continued in 2003. Facility Services continued the positive performance of 2002 with the operating margin advancing to 6.3%. At the same time, the focus on cash conversion continued, as reflected in a reduction of debtor days from 43 to 22 over a two-year period.

The market conditions in the Netherlands, marked by general economic stagnation, led to fierce price competition and the loss of some significant contracts. Sales to both new and existing customers were as anticipated but could not offset the higher losses. Turnover was also impacted by the discontinuation of aviation activities (accounting for 5% of turnover) and the carry-over effect of contract trimming in 2002. In aggregate, the above factors caused turnover to decrease by 12% to DKK 3,062 million.

	2003	2002	2001
Turnover, DKKm	3,062	3,468	3,631
Organic growth	(10)%	(5)%	5 %
Operating margin	6.1 %	4.2 %	1.8 %
Employees at year-end	22,849	26,270	29,883
Of which Facility Services			
Turnover, DKKm	2,787	3,208	3,320
Operating margin	6.3 %	4.6 %	2.1 %

During the last part of 2003, the sales organisation was strengthened with more sales people being taken on, a new customer relationship management system being implemented, increased sales training etc. On the basis of these initiatives, the focus of ISS Netherlands for 2004 is to maintain the operating margin around its current level while at the same time improving the growth performance.

Both Business Builds in the Netherlands, Food Hygiene and Damage Control, improved their performance relative to last year. Food Hygiene experienced a difficult year in terms of growth as an outbreak of avian influenza in March caused the closure of several poultry dressing stations. In spite of this, Food Hygiene improved its operating margin relative to 2002. After being restructured in 2002, Damage Control progressed during 2003 with an increased market share and an enhanced operating margin. Since both Business Builds continued to operate with an operating margin below that of Facility Services, the operating margin for ISS Netherlands overall stood at 6.1%.

NORWAY

ISS Norway is one of the Group's most advanced country organisations with regard to integrated facility services. The concept was further enhanced by a strategic move into office support through an acquisition at the end of 2003. Furthermore, ISS Norway aquired a 48% stake in the catering company Grødegaard, thereby strenghtening the market position in this segment.

	2003	2002	2001
Turnover, DKKm	3,035	3,304	2,629
Organic growth	(3)%	13 %	3 %
Operating margin	5.3 %	6.7 %	6.4 %
Employees at year-end	7,934	8,032	7,462
Of which Facility Services			
Turnover, DKKm	2,707	2,854	2,214
Operating margin	7.1 %	7.0 %	6.4 %

The portfolio of integrated contracts increased when a cleaning and catering contract with Siemens in four Norwegian cities was expanded with other services such as waste management, reception, switchboard, mail room, photocopying, handling of goods, landscaping and snow removal. ISS now has around 70 employees on the contract.

An unfavourable development in the general economic environment in Norway had a negative impact on ISS' activities in 2003. Price competition toughened, new sales slowed and a number of existing customers asked for a reduction in the services provided. This was particularly the case in regard to the large customer, Posten Norway AS, which reduced the demand for services following an internal rationalisation process.

Turnover overall was DKK 3,035 million, a decrease of 8% relative to 2002 with currency adjustment accounting for 6% and negative organic growth for 3%.

Despite the difficult market conditions, the operating margin in Facility Services increased to 7.1%. This was achieved as a result of cost cutting programmes and a systematic review of contracts in order to improve efficiency and profitability, particularly in the cleaning portfolio.

For ISS Norway overall, the operating margin decreased compared with 2002 due to losses incurred in the Damage Control business. Damage Control experienced weaker activity, both in the industrial sector and in after-damage, partly due to over-capacity and fierce competition and partly due to weather conditions. Following a management change, various organisational measures were implemented and the management systems strengthened. In this connection, charges of around DKK 22 million were incurred.

Late in the year, the damage control activities of Anticimex Building Environment were acquired in order to add more volume to the business and establish critical mass.

BELGIUM AND LUXEMBOURG

ISS Belgium retained its focus on profitability during 2003. The operating margin increased from 4.8% to 5.5% as a result of efforts to improve cost efficiency at contract level.

Turnover of DKK 1,801 million was on a level with 2002. Although still negative, organic growth improved compared with 2002. The turnover development was impacted by the effects of the contract trimming process in 2002, which led to the cancellation of a number of contracts with low profitability. In order to attract more attention to growth, a centralised sales organisation was established and a new sales and marketing director recruited. In addition, initiatives were taken to launch new services and establish a new organisational structure in order to better support the sale and delivery of facility services.

In January 2003, ISS Belgium became the first country organisation in the Group to commence the implementation of ISS' SAP-based corporate systems package (CSP). As part of the implementation, ISS Belgium also acted as a pilot country for the Group's SAP-based customer relationship management system. The experience with CSP has been positive and will be used in connection with the ongoing development and implementation of the CSP in other countries.

The Food Hygiene Business Build progressed with 9% organic growth and operating margin improvement. The other Business Build, Damage Control, which constitutes a small part of the overall business, experienced a lower level of activity and a negative operating margin as a result of a significant contract loss.

	2003	2002	2001
Turnover, DKKm	1,801	1,789	1,852
Organic growth	(2)%	(10)%	(1)%
Operating margin	5.5 %	4.8 %	2.1 %
Employees at year-end	11,510	11,511	13,092
Of which Facility Services			
Turnover, DKKm	1,676	1,689	1,759
Operating margin	5.5 %	4.7 %	1.9 %

GERMANY

Germany remained a difficult market for ISS in 2003. The general economic downturn continued and competition was keen. Turnover amounted to DKK 1,733 million, a decrease relative to 2002. To a large extent, the decrease was due to a low level of new sales and the contract trimming carried out in previous years. Another factor was a continued in-sourcing of contracts in the hospital segment. Due to German VAT-regulations, which do not allow public sector hospitals to deduct VAT, the hospitals increasingly prefer cooperation models, under which ISS receives a management fee rather than consolidating the full turnover.

Operating profit in Facility Services was affected by the reduced level of activity and

	2003	2002	2001
Turnover, DKKm	1,733	1,897	1,980
Organic growth	(8)%	(8)%	(5)%
Operating margin	4.5 % [1]	4.1 %	3.7 %
Employees at year-end	13,047	14,185	17,988
Of which Facility Services			
Turnover, DKKm	1,401	1,716	1,926
Operating margin	3.6 % [1]	3.6 %	3.6 %

[1] Including cost compensation from the Group, cf. text below.

lower contribution margin at contract level. The overall margin of Facility Services remained at the 3.6% level recorded in 2002. Facility Services incurred one-off costs related to the implementation of a JohnsonDiversey-solution and the pan-European CSC-contract. In this connection ISS Germany received cost compensation from the Group. One-off items in total had a positive net effect of approximately 1.4 percentage points on the operating margin.

In response to the negative performance, management changes were made during the year. A manager from ISS Netherlands was appointed new country manager and another internal recruit was given the responsibility for the business in the Berlin-area. In addition, a new sales director was recruited with the aim of ensuring increased focus on growth.

The German labour market is currently undergoing reform and new collective labour agreements are expected to reduce wages for service staff. In addition, the reform is expected to encourage employers to use low-cost, temporary workers. It is too early to determine the financial impact of these reforms on ISS.

On the background of the weak economic outlook in Germany and the uncertainty of the German service market, it was decided in 2003 to accelerate amortisation of goodwill relating to Facility Services in Germany.

Damage Control continued its solid performance, thus contributing to an overall margin increase in Germany. Organic growth of DKK 119 million, or more than 66%, was driven by geographical expansion and a number of new contract wins.

CENTRAL EUROPE

	2003	2002	2001
Turnover, DKKm	1,667	1,556	1,318
Organic growth	9 %	11 %	10 %
Operating margin	7.3 %	7.3 %	6.2 %
Employees at year-end	18,644	18,199	16,663

In Central Europe, no Business Builds have been carved out.

In 2003, ISS Central Europe comprised Austria, the Czech Republic, Greece, Slovenia, Slovakia, Poland, Hungary, Romania and Croatia. Turnover in ISS Central Europe was DKK 1,667 million, an increase of 7%. Of this, 9% was attributable to organic growth and currency adjustments accounted for (2)%. Operating margin was 7.3%, unchanged from 2002.

Austria ISS Austria reported turnover of DKK 931 million in 2003, representing a 13% improvement over 2002. Organic growth accounted for more than 10%. During 2002 and 2003, ISS Austria changed the organisation by implementing a key account structure with competence centres for all services. Together with the implementation of a new customer relationship management system, this has strengthened the sales organisation and facilitated several new contract wins. In addition, a number of large contracts with existing customers, such as OMV in the oil industry, Magna-Steyr in the automotive industry and Austrian Telekom, were expanded with additional services. The range of the facility services was extended to include landscaping services through an acquisition. Following the increased activity and focus on costs, the operating margin increased from 6.5% to 7.4%.

The Czech Republic Turnover in the Czech Republic increased by 6% to DKK 197 million with organic growth contributing 7%. Following an acquisition in 2002, ISS offers a wide range of facility services to its customers and the development of the catering services business continued in 2003. The operating margin was lower than in 2002 but remained above Group average, reflecting the net impact of savings on overheads and redundancy payments.

Greece ISS Greece generated turnover of DKK 185 million. Organic growth was 11%, following extensions to existing contracts as well as a number of new contracts. Several facility services contracts went into operation, such as a pilot project with Hewlett-Packard/Compaq, in which ISS delivers a range of services, including technical maintenance, washroom and mail services. During 2003, the existing manpower contracts were established as a separate business unit. The operating margin increased year-on-year as a result of improved operating efficiency at contract level and better utilisation of overheads due to the turnover growth.

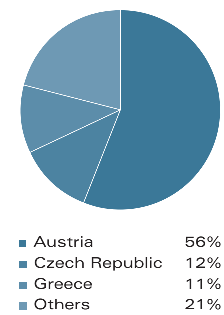
Slovenia In Slovenia, turnover declined by 9% to DKK 110 million. The market became increasingly competitive, particularly in the public sector, and a large contract was lost. In addition, ISS cancelled several low performing contracts as part of an effort to improve profitability and cash generation. The efforts to establish and expand catering services, which were initially offered in 2002, continued in 2003. The operating margin was slightly down on last year.

Slovakia ISS Slovakia increased its turnover by 19% to DKK 74 million, almost exclusively due to organic growth resulting from high retention of existing customers and new sales. The automotive segment grew organically 21%, while the traditional facility services also achieved organic growth of more than 10%. A number of large contracts were secured in the key accounts segment including a facility services contract with Slovak Telecom for cleaning, housekeeping, reception services, washroom services, landscaping and other services. With the Slovak Telecom contract, ISS Slovakia entered the washroom services market through organic development. An improvement in operating efficiency led to an increase in the operating margin, while enhanced focus on receivables led to a reduction of debtor days and improved cash conversion.

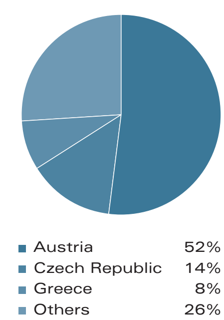
Poland Turnover in Poland was DKK 65 million, down 8% from last year due to negative currency adjustments of 12%. Organic growth was 4%, resulting from new contracts in the hospital segment. Impacted by start-up costs on two large contracts commencing in the fourth quarter of 2003, the operating margin decreased marginally year-on-year.

Hungary During 2003, ISS Hungary concentrated on reorganising the business. A new country manager was appointed and a key account organisation established. Turnover declined to DKK 48 million due to the divestment of part of the activities taken over through Eurogestion in April 2002. The facility services concept was further developed and services such as waste management and internal transport were added to the range of services. The operating margin declined from 2002.

Turnover Central Europe 2003



Operating profit Central Europe 2003



Romania The business in Romania contributed turnover of DKK 42 million in 2003. The activities are based on a contract with the City of Bucharest, under which ISS provides pest control services for the council. An increase of the activities led to organic growth of 19%, while the operating margin was slightly down on last year.

Croatia Having started operations only a few years ago, ISS Croatia has grown to a turnover of DKK 15 million. In 2003, organic growth was 60%, among the highest in the Group, and the operating margin increased. ISS Croatia has implemented the facility services concept and has several contracts on which to build future growth. In 2003, a new facility services contract was signed with the shopping and entertainment centre Banimir Center, in Zagreb.

FINLAND

During the last couple of years, ISS Finland has consistently delivered the Group's highest operating margin among the larger country operations while, at the same time, showing solid organic growth. This was repeated in 2003.

The results were achieved on the back of the continuous development of the facility services concept, which in recent years has been broadened to cover the entire life cycle of a property, from project and planning to its day-to-day operations. In 2003, special attention was devoted to the further development of catering services and the geographical expansion of technical services.

	2003	2002	2001
Turnover, DKKm	1,520	1,374	1,251
Organic growth	7 %	6 %	7 %
Operating margin	8.1 %	7.0 %	7.4 %
Employees at year-end	6,772	6,538	6,469
Of which Facility Services			
Turnover, DKKm	1,421	1,242	1,137
Operating margin	8.7 %	7.8 %	7.5 %

The focus on facility services was reflected in the development of the contract portfolio, as more and more customers recognise the benefits of integrated service solutions. Further services were added to existing contracts and a number of new important facility services contracts were signed, including contracts for a range of services with the security systems company Setec, the chemical industrial company Kemira and the retail chain Arina.

Turnover in ISS Finland overall increased by 10% to DKK 1,520 million, with organic growth of 7% and acquisition driven growth of 3%, net.

The systematic implementation of the facility services concept and a customer specific organisation helped ISS Finland to increase its Facility Services operating margin to 8.7%. This was achieved in spite of difficult market conditions.

After divestments of low performance businesses at the end of 2002, the Damage Control Business Build enhanced its operating margin in 2003. However, the impact from this part of the business continued to be below the facility services business, thus leading to an overall operating margin in Finland of 8.1%.

SWITZERLAND

Turnover amounted to DKK 1,149 million, on a level with 2002, despite a negative currency adjustment of 3%. In local currency, turnover increased by 4%, representing the net effect of acquisitions, a downsizing at the significant aviation-customer, Swiss, and negative organic growth in the landscaping business. In the traditional cleaning segment, turnover was stable.

The facility services concept in Switzerland was further developed with the acquisition of a small pest control company. Technical building services and special property services, aimed at train stations, were developed and resulted in a new integrated contract with SBB, the Swiss Railways, commencing 1 January 2004.

The process of improving profitability and operational efficiency that started in 2002, continued in 2003 with a thorough review of the overhead structure. As a result, organisational changes were implemented aiming at a simplified regionally oriented structure with a stronger sales organisation. These measures contributed to an improvement in the operating margin in the traditional facility services business. Despite a lower level of activity, the aviation segment also enhanced performance. However, due to losses in the landscaping business, the operating margin of 3.8% was a decrease for Switzerland overall. Excluding the landscaping business, the margin was unchanged from 2002 to 2003. A new, internally recruited, country manager for ISS Switzerland was appointed in December 2003.

	2003	2002	2001
Turnover, DKKm	1,149	1,152	1,196
Organic growth	(3)%	(3)%	(1)%
Operating margin	3.8 %	5.2 %	3.3 %
Employees at year-end	6,869	7,145	7,546

In Switzerland, no Business Builds have been carved out.

SPAIN

ISS Spain continued the geographical expansion with acquisitions in the areas of Navarra, Catalonia and the Balearic Islands. These acquisitions created new geographical platforms and added pest control to the service range. Turnover increased by 25% to DKK 983 million and surpassed the DKK 1 billion mark on annualised basis. Concurrently with growing the business through acquisitions, ISS Spain secured organic growth of 7% due to a number of contract wins and efforts to retain contracts.

With an operating margin of 5.9%, ISS Spain was able to grow organically while at the same time enhancing its operating margin. The margin increase was achieved on the back of a portfolio review carried out in 2002 as well as continuous cost control. Furthermore, the expansion allowed ISS Spain to better utilise country level overheads.

	2003	2002	2001
Turnover, DKKm	983	780	659
Organic growth	7 %	6 %	14 %
Operating margin	5.9 %	5.0 %	3.7 %
Employees at year-end	9,160	6,660	6,897

In Spain, no Business Builds have been carved out.

CHINA AND HONG KONG

In China, ISS has activities in Hong Kong and a smaller operation in Beijing. In the beginning of 2003, the economic environment in Hong Kong was adversely affected by the outbreak of SARS. For ISS, this had an initial positive effect because of an increase in the demand for one-off jobs, particularly related to indoor air quality services. However, subsequently, ISS experienced pressure from customers to recoup the additional costs they had incurred.

	2003	2002	2001
Turnover, DKKm	388	455	486
Organic growth	3 %	(2)%	(5)%
Operating margin	5.4 %	5.7 %	5.6 %
Employees at year-end	4,322	4,316	4,064

In China and Hong Kong, no Business Builds have been carved out.

The services ISS provided during the SARS-outbreak enhanced the reputation of the company and ISS was awarded a "Workplace Hygiene and Good Housekeeping Certificate" by the Occupational Safety and Health Council as well as the "Caring Company Logo 2003/04" by the Hong Kong Council of Social Service.

The increased demand for one-off jobs contributed to an organic growth of 3%. Measured in Danish kroner, turnover decreased to DKK 388 million, primarily due to negative currency adjustments of 16%.

The operating margin decreased to 5.4%, from 5.7% in 2002 due to intensified competition and the generally weak economy in Hong Kong.

BRAZIL

At the end of 2002, a comprehensive restructuring of the Brazilian operation was initiated. This included a detailed review of the contract portfolio, and a number of contracts were renegotiated in order to adjust the price level or the service delivery. In some cases, contracts were cancelled altogether. In addition, increased profitability thresholds for acceptance of new contracts were implemented and costs saving initiatives were taken throughout the organisation. As a result, the operating margin improved from being negative in 2002 to 3.5% in 2003, although negatively impacted by redundancy costs incurred in the beginning of 2003.

	2003	2002	2001
Turnover, DKKm	353	433	577
Organic growth	4 %	(3)%	7 %
Operating margin	3.5 %	(1.2)%	4.0 %
Employees at year-end	11,895	12,189	14,686

In Brazil, no Business Builds have been carved out.

In spite of the steps taken to improve the operating margin, ISS Brazil achieved organic growth of 4% in 2003, primarily derived from price increases and the sale of additional services to existing customers.

Turnover declined due to negative currency adjustments of 22%. The depreciation of the Brazilian real stabilised during the second half of the year.

After completion of the restructuring in August 2003, the country COO was appointed new country manager.

SINGAPORE

The business of ISS Singapore was affected by the outbreak of SARS. Customers were impacted by a general business downturn and resorted to cost cutting to compensate for lost income. This had a negative effect on the activities of ISS. Acting with valour and dedication, many ISS employees were through their work at Singapore's hospitals directly involved in preventing the SARS-virus from spreading. Under the difficult circumstances, ISS had its name confirmed as a competent and reliable service provider.

Organic growth and acquisitive growth were both 1%, while total turnover declined by 12% to DKK 305 million due to negative currency adjustments. The operating margin developed better than expected due to tight cost control, which meant that the level of 5.9% from 2002 was sustained. A reduction in employers' pension contributions (Central Provident Fund) from 16% to 13% did not have any major effect as most of the benefit was passed on to customers.

	2003	2002	2001
Turnover, DKKm	305	347	341
Organic growth	1 %	4 %	1 %
Operating margin	5.9 %	5.9 %	5.6 %
Employees at year-end	3,820	3,930	3,722

In Singapore, no Business Builds have been carved out.

ISRAEL

Since 1 July 2003, ISS has held a controlling interest in the joint venture with the Hashmira Group in Israel. Therefore, as from that date, the operations of the joint venture are fully consolidated in the Group accounts. As a result, ISS' recorded turnover in Israel increased to DKK 287 million despite negative currency adjustments of almost 20%. Organic growth was 5%, in spite of a difficult economic situation characterised by deflation, high unemployment and increasing price pressure from customers. The business in Israel is broadening its facility services offering with organic development of landscaping services. The operating margin decreased slightly from 6.5% in 2002 to 6.3%. The margin was impacted by seasonality as the second half-year, which was fully consolidated in the Group accounts, typically generates lower margins than the first half-year, which was consolidated on a pro-rata basis. On a comparable basis, the operating margin increased compared to 2002 due to tight cost control and improved results from the after-damage business.

	2003	2002	2001
Turnover, DKKm	287	210	225
Organic growth	5 %	12 %	10 %
Operating margin	6.3 %	6.5 %	7.0 %
Employees at year-end	5,842	5,302	4,902

In Israel, no Business Builds have been carved out.

IRELAND

	2003	2002	2001
Turnover, DKKm	259	220	175
Organic growth	14 %	24 %	14 %
Operating margin	6.3 %	5.4 %	4.7 %
Employees at year-end	1,950	1,906	1,857

In Ireland, no Business Builds have been carved out.

ISS Ireland continued the positive performance from 2002, generating organic growth of 14% and lifting turnover to DKK 259 million. A focused effort to develop the key account business led to a number of new large contracts and the sale of additional services to existing customers.

ISS Ireland entered the pest control business with two small acquisitions and introduced the new service to existing customers. The operating margin increased from 5.4% in 2002 to 6.3% as a result of improved operating efficiency in the existing portfolio.

AUSTRALIA

	2003	2002	2001
Turnover, DKKm	201	138	-
Organic growth	4 %	-	-
Operating margin	13.5 %	11.7 %	-
Employees at year-end	410	371	-

In Australia, no Business Builds have been carved out.

After operations commenced in Australia in the spring of 2002, a full year's results were included in 2003 for the first time. This explains the majority of the turnover growth to DKK 201 million. The platform in pest control was expanded during the year with three smaller acquisitions. Organic growth was 4%, mainly derived from the washroom and mat rental services. The operating margin developed positively, increasing to 13.5%, as a reflection of seasonality; the first quarter is traditionally the strongest. On a like-for-like basis, the margin decreased slightly as ISS Australia allocated resources to marketing, thereby investing in future growth.

ITALY

	2003	2002	2001
Turnover, DKKm	186	145	46
Organic growth	2 %	29 %	(5)%
Operating margin	13.0 %	15.4 %	3.9 %
Employees at year-end	597	617	368

In Italy, no Business Builds have been carved out.

In Italy, ISS is represented by ISS Hygiene Services, which provides pest control, and by Robustelli and Garavaglia, both offering facility services, mainly cleaning, in the northern part of the country. To create a stronger platform for developing and offering integrated facility services, Robustelli and Garavaglia merged in 2003 to form ISS Facility Services. The costs of the merger and the loss of a large cleaning customer caused the operating margin to decrease relative to 2002. In terms of turnover, the contract loss was more than compensated for by other contract wins, and organic growth was 2%. Together with the full-year effect of the Eurogestion acquisition in 2002, this led to a turnover increase of 28% to DKK 186 million.

PORTUGAL

Over the last four years, ISS Portugal has consistently achieved organic growth above Group average.

In 2003, ISS Portugal generated turnover of DKK 182 million, equivalent to an increase of 9%. The increase was entirely attributable to organic growth derived from sales to new customers and one-off jobs. The organic development of landscaping services and washroom services continued. The operating margin increased to 6.8%.

	2003	2002	2001
Turnover, DKKm	182	168	154
Organic growth	9 %	9 %	15 %
Operating margin	6.8 %	6.7 %	6.6 %
Employees at year-end	2,449	2,448	2,398

In Portugal, no Business Builds have been carved out.

THAILAND

ISS Thailand continued to develop its facility services offering. New large contracts were added with integrated delivery of services including pest control, building maintenance, reception and mailroom services, call centres and photocopying. In the last quarter of 2003, the facility services concept was broadened with the organic start-up of washroom services. The sale of new contracts secured organic growth of 5%. Turnover of DKK 80 million was lower than last year due to negative currency adjustments of 13%. Because of a tight economic situation in Thailand, an increase in wages and social security payments could not be fully offset by price increases and the operating margin decreased to 6.8%.

	2003	2002	2001
Turnover, DKKm	80	88	90
Organic growth	5 %	2 %	0 %
Operating margin	6.8 %	7.3 %	7.5 %
Employees at year-end	5,992	5,412	5,700

In Thailand, no Business Builds have been carved out.

JAPAN

ISS' business in Japan is based on a joint venture equally owned by ISS and Mitsui & Co Ltd., one of Japan's largest companies. Consequently, ISS consolidates half of the operation in the Group accounts. Due to an excess supply of office space in the Tokyo area, price competition among facility services providers intensified in 2003 and price adjustments on existing contracts led to negative organic growth. Furthermore, measured in Danish kroner, turnover was negatively affected by currency adjustments of approximately 10%, resulting in a turnover of DKK 79 million. Despite the difficult trading conditions, cost reduction measures enabled ISS in Japan to increase the operating margin to 2.8%.

	2003	2002	2001
Turnover, DKKm	79	91	81
Organic growth	(3)%	(13)%	-
Operating margin	2.8 %	1.2 %	4.9 %
Employees at year-end	493	502	467

In Japan, no Business Builds have been carved out.

MALAYSIA

	2003	2002	2001
Turnover, DKKm	76	86	71
Organic growth	1 %	7 %	2 %
Operating margin	9.6 %	10.1 %	10.0 %
Employees at year-end	2,497	2,554	2,198

In Malaysia, no Business Builds have been carved out.

In the first half of the year, the Malaysian economy was impacted by the war in Iraq and the SARS-outbreak. This led to increasing cost consciousness from the customer side as well as fierce price competition among service providers. Responding to the situation, ISS Malaysia reshaped its sales organisation by recruiting a new sales manager and taking other initiatives to foster organic growth. Such initiatives include enlargement of the sales force and implementation of an improved sales management system.

Despite the challenging trading conditions, ISS Malaysia secured organic growth of 1%. Measured in Danish kroner, turnover decreased by 12%, after negative currency adjustments of 17%. Acquisitive growth was 6%, which was due to the pest control business acquired in 2002 as part of Eurogestion. The operating margin of 9.6% was lower than 2002 due to increased pressure on prices.

INDONESIA

	2003	2002	2001
Turnover, DKKm	60	46	28
Organic growth	43 %	58 %	44 %
Operating margin	9.0 %	8.5 %	7.8 %
Employees at year-end	5,982	5,500	3,727

In Indonesia, no Business Builds have been carved out.

The uncertain economic and political situation in Indonesia persisted in 2003. Nevertheless, ISS Indonesia grew the business to a turnover of DKK 60 million after organic growth of 43%, marking the fourth consecutive year with organic growth exceeding 30%. The growth performance was the result of a continuous development of the sales organisation in which a combination of loyalty programmes, service excellence and key account management led to a customer retention rate of more than 95%. Combined with the operating margin increasing to 9.0% and a cash conversion of 125%, ISS Indonesia contributed the Group's highest $E=MC^2$ performance.

ARGENTINA

	2003	2002	2001
Turnover, DKKm	24	22	64
Organic growth	36 %	(1)%	29 %
Operating margin	(11.5)%	(42.7)%	(4.3)%
Employees at year-end	1,089	872	858

In Argentina, no Business Builds have been carved out.

Turnover of ISS Argentina increased to DKK 24 million, resulting from organic growth of 36% and positive currency adjustments. Profitability improved following a comprehensive restructuring of the business in 2002, which led to enhanced cost focus and productivity gains. However, this could not fully compensate for the after-effects of the depression in Argentina, and the operating margin remained negative. Management is confident that the business in Argentina will continue the trend towards profitability.

SRI LANKA

The business in Sri Lanka is managed though a joint venture. Consequently, ISS consolidates half of the operation in the Group accounts. In 2003, ISS' part of the turnover was largely unchanged when measured in Danish kroner, as organic growth of 23% was offset by adverse currency adjustments. The organic growth was supported by market growth and the win of two new waste management contracts with the Colombo Municipality. Due to wage increases of 15%, which could not be fully compensated for, the operating margin declined to 5.1%.

	2003	2002	2001
Turnover, DKKm	15	15	14
Organic growth	23 %	24 %	21 %
Operating margin	5.1 %	7.6 %	6.9 %
Employees at year-end	4,330	3,794	3,382

In Sri Lanka, no Business Builds have been carved out.

BRUNEI

The economy in Brunei was impacted by the SARS-outbreak, which caused a slow-down in investments and business activities in general. This affected the ISS business and reduced organic growth to 1%. Measured in Danish kroner, turnover fell by 14% to DKK 14 million due to negative currency adjustments. The operating margin increased to 24.3% as a larger share of the turnover was derived from contracts covering a range of hygiene services with better profitability. ISS Brunei commenced services in the area of kitchen hood and air duct cleaning. Within existing services, pest control was expanded to the neighbouring State of Sabah.

	2003	2002	2001
Turnover, DKKm	14	16	15
Organic growth	1 %	11 %	(5)%
Operating margin	24.3 %	23.9 %	30.1 %
Employees at year-end	151	155	145

In Brunei, no Business Builds have been carved out.

Flood of Lethal Sins, Michael Kvium
(Oil on canvas)

The painting portraits strange beings, showing idiotic and almost diabolic characteristics. The beings are not what you would expect to see in reality, at least not in reality as you see it. But the beings exist through this painting, therefore the perception of reality is questioned and your eyes opened for the less than perfect reality.

Accounts

Signatures to the Accounts

COPENHAGEN, 11 MARCH 2004

The Board of Directors and the Executive Management Board have today discussed and approved the Annual Report 2003 of ISS A/S. The Annual Report has been prepared according to the Danish Financial Statements Act and the rules and regulations of the Copenhagen Stock Exchange, including Danish Accounting Standards.

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2003 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows of the Group for the financial year 1 January - 31 December 2003.

The Annual Report is presented for approval at the annual general meeting on 31 March 2004.

EXECUTIVE MANAGEMENT BOARD

Eric Søe Rylberg Group Chief Executive Officer	Thorbjørn Graarud Group Chief Operating Officer	Karsten Poulsen Group Chief Financial Officer	Flemming Schandorff Group Chief Operating Officer

BOARD OF DIRECTORS

Erik Sørensen Chairman	Sven Riskær Vice-chairman	Tom Knutzen	Peter Lorange
Claus Høeg Madsen	Karina Deacon	Flemming Quist	Lars Vestergård

Auditors' Report

COPENHAGEN, 11 MARCH 2004

TO THE SHAREHOLDERS OF ISS A/S

We have audited the Annual Report 2003 of ISS A/S.

The Annual Report is the responsibility of the Company's Board of Directors and Executive Management Board. Our responsibility is to express an opinion on the Annual Report based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with Danish and International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and the Executive Management Board, as well as evaluating the overall Annual Report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

OPINION

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2003 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows of the Group for the financial year 1 January - 31 December 2003 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Finn L. Meyer
State Authorized
Public Accountant

Søren Thorup Sørensen
State Authorized
Public Accountant

Deloitte
Statsautoriseret Revisionsaktieselskab

Jens Rudkjær
State Authorized
Public Accountant

Jesper Jørgensen
State Authorized
Public Accountant

Financial Review

The financial information provided in this report has been prepared in accordance with the same accounting policies as were applied in 2002. ISS' accounting policies are set out on pages 90-95 of this report.

PROFIT AND LOSS ACCOUNT

Total **turnover** in 2003 was DKK 36.2 billion, a decrease of DKK 1.8 billion. Currency adjustments, divestments and contract trimming in 2002 reduced the turnover base by DKK 1.0 billion, DKK 1.5 billion and DKK 0.6 billion, respectively. On the basis of the reduced turnover of the continuing business, acquisitions added 4% while organic growth was neutral. Total organic growth, including the effects of contract trimming in 2002, was (2)%. Facility Services contributed 90% of Group turnover in 2003, while the Business Builds and Innovation contributed a total of 10%.

Facility Services In Facility Services, currency adjustments, divestments and contract trimming carried out in 2002 reduced the turnover base to DKK 31.4 billion. On this basis, organic growth in the continuing business added DKK 0.1 billion and acquisitions added 4% to turnover.

Business Builds Damage Control generated turnover of DKK 1,818 million in 2003, an increase of 5% over 2002. Acquisitions added 6% to turnover, while organic growth was neutral, as positive organic growth in Germany was offset by the impact of adverse weather conditions in Norway and a weak macro-economic situation in Sweden.

Food Hygiene increased turnover by 2% to DKK 1,075 million. Currency adjustments reduced the turnover base by 2%, while acquisitions added 4% and organic growth accounted for (2)% on the continuing turnover base and (1)% on the 2002 turnover. Organic growth was impacted by the consolidation of the Danish abattoir industry and an outbreak of avian influenza in the Netherlands.

Turnover 2002-2003

Amounts in DKK billion	Facility Services		Damage Control		Food Hygiene		Health Care		Group [2) 3)]	
Turnover 2002	33.7	107 %	1.7	102 %	1.1	102 %	1.3	229 %	38.0	109 %
Currency adjustments	(1.0)	(3)%	0.0	(1)%	0.0	(2)%	0.0	0 %	(1.0)	(3)%
Divestments	(0.8)	(2)%	0.0	0 %	0.0	0 %	(0.7)	(129)%	(1.5)	(4)%
Contract trimming [1)]	(0.6)	(2)%	-	0 %	-	0 %	-	0 %	(0.6)	(2)%
Turnover base [2)]	**31.4**	**100 %**	**1.7**	**100 %**	**1.0**	**100 %**	**0.6**	**100 %**	**34.9**	**100 %**
Acquisitions	1.1	4 %	0.1	6 %	0.0	4 %	0.0	5 %	1.3	4 %
Organic growth, continuing business	0.1	0 %	0.0	0 %	0.0	(2)%	(0.0)	(4)%	0.0	0 %
Turnover 2003 [2)]	**32.5**	**104 %**	**1.8**	**107 %**	**1.1**	**102 %**	**0.6**	**101 %**	**36.2**	**104 %**
Total growth		(4)%		5 %		0 %		(56)%		(5)%

1) Comprises contract trimming in 2002 in Belgium, Denmark, France, Germany and the Netherlands and contract trimming in Brazil initiated in December 2002.
2) Due to rounding, the sum of the growth component may differ from the total figure.
3) Including Innovation.

In Health Care, turnover amounted to DKK 568 million against DKK 1,288 million in 2002. The decrease was primarily due to the divestment of the elderly care activities. On the continuing turnover base, acquisitions added 5% while organic growth accounted for (4)%, resulting from fewer patients in radiology and local hospitals.

Operating profit before other income and expenses was up by 1% to DKK 2,032 million after currency adjustments of DKK (52) million. In local currencies, the increase was 4%.

The combination of the lower turnover and the increase in operating profit lifted the operating margin to 5.6% from 5.3% in 2002.

Facility Services The operating margin in Facility Services increased from 5.7% to 6.2%, comprising 6.4% in Northern Europe, 6.1% in Continental Europe and 6.1% in Overseas.

Facility Services in Northern Europe improved its margin relative to 2002 with progress in all countries of the region. The UK had the largest impact, lifting its operating margin by a full percentage point from 5.1% in 2002 to 6.1%. The divestment of the aviation activities, which diluted the margin in 2002, accounted for 0.5 percentage point of the improvement in the UK. Facility Services in Finland continued to improve profitability and posted an operating margin of 8.7%, the highest among the Group's larger Facility Services organisations.

In Continental Europe, the picture in Facility Services was somewhat mixed. The focus on profitability enhancement in Belgium, the Netherlands and Spain led to sustained progress and margin increases of 0.8, 1.7, and 0.9 percentage points, respectively. Margin improvements were also achieved in Austria, Croatia, Greece, Portugal and Slovakia. The overall margin performance in Continental Europe was impacted by a lower operating margin in Switzerland where losses in the landscaping business caused the operating margin for Facility Services in Switzerland to decrease from 5.2% in 2002 to 3.8%.

Overseas improved its operating margin by 1.7 percentage points from 4.4% to 6.1%. The improved performance was primarily due to the turnaround of the business in Brazil. ISS Brazil improved its operating profit by DKK 17 million, corresponding to an operating margin increase of 4.7 percentage points. Other contributors to the improvement were Argentina, Australia, Brunei and Indonesia.

Business Builds Damage Control was impacted by adverse weather conditions in Scandinavia, low activity in the industrial segment in Sweden and restructuring in Norway leading to one-off charges of approximately DKK 22 million. The operating margin was 3.5% compared with 6.8% in 2002. Excluding Norway, the operating margin of Damage Control was 6.1%. Food Hygiene developed in line with expectations, posting an increase in operating margin from 6.9% to 7.1%. The operating margin of Health Care was adversely impacted by downsizing in the Swedish public health care sector and one-off charges

Operating results by business area [1]

	Turnover DKKm			Operating profit [2] DKKm			Operating margin	
	2003	2002	Change	2003	2002	Change	2003	2002
Facility Services	32,576	33,740	(3)%	2,033	1,918	6 %	6.2 %	5.7 %
Damage Control	1,818	1,731	5 %	64	118	(46)%	3.5 %	6.8 %
Food Hygiene	1,075	1,058	2 %	76	73	4 %	7.1 %	6.9 %
Health Care	568	1,288	(56)%	39	100	(61)%	6.9 %	7.7 %
Innovation	128	167	(23)%	(19)	9	-	(14.9)%	5.4 %
Corporate	-	-	-	(161)	(208)	23 %	(0.4)%	(0.5)%
Group	**36,165**	**37,984**	**(5) %**	**2,032**	**2,010**	**1%**	**5.6%**	**5.3%**

[1] A reclassification between segments has been made compared with 2002. Comparative figures have been restated. Please refer to page 101 of this report for further details.
[2] Before other income and expenses.

of DKK 29 million primarily related to restructuring etc. On this background, Health Care recorded an operating margin of 6.9%.

Staff costs amounted to DKK 24,414 million, a decrease of 5% compared with 2002. Staff costs relative to turnover were 67.5% compared with 67.7% in 2002. **Cost of goods sold** was DKK 2,686 million. This was equal to 7.4% of turnover, unchanged from 2002. **Other operating expenses** amounted to DKK 6,446 million or 17.8% of turnover, down from 18.0% in 2002. The decrease reflected the ongoing rationalisation of the overhead structure.

Other income and expenses, net amounted to DKK (75) million, the majority of which related to management and structural changes in several countries. These changes included the disposal of vacant office space and merger of marketing, sales, communication and training functions in ISS Denmark and the Group's head office. The total cost of the structural changes amounted to DKK 52 million in the fourth quarter of 2003, comprising redundancy costs of DKK 42 million and costs of DKK 10 million incurred in regard to disposal of vacated office space. The structural changes will be finalised during the first quarter of 2004 and are expected to lead to additional redundancy costs of approximately DKK 5 million and approximately DKK 10 million of costs related to office space.

A net charge of DKK 16 million was incurred primarily in regard to earlier divestment and termination decisions to cover costs associated with the transfer of employees, transfer/closure of lease contracts and other exit costs.

Income from associates of DKK 7 million reflected ISS' share of the results in associated companies eg. CarePartner AB, Fernley Airport Services Ltd. and Grødegaard AS.

Financial income and expenses, **net** improved to DKK (265) million from DKK (361) million in 2002. The improvement was due to a combination of a lower level of interest rates and lower net debt. Interest income amounted to DKK 125 million and comprised interest income and gains on listed Danish mortgage bonds. The Group realised a currency exchange loss of DKK 13 million compared with a loss of DKK 1 million in 2002.

Other financial income, **net** was DKK 33 million, representing interest compensation received in connection with a tax repayment related to the reopening of prior years' tax assessments. This is further described under shareholders' equity.

Interest coverage improved to 9.9 compared with 7.2 in 2002.

Financial income and expenses, net and interest coverage do not include amounts stated under Other financial income, net since ISS believes that doing so would not provide a true and fair view.

Ordinary profit before tax and goodwill amortisation was DKK 1,732 million compared with DKK 1,643 million in 2002. Excluding the impact of management and structural changes of DKK 52 million in 2003, this was equivalent to a 9% increase over 2002.

Tax on ordinary profit before goodwill amortisation was DKK 553 million, up by DKK 25 million over 2002. The increase was due to the improvement in Ordinary profit before tax and goodwill amortisation. The effective tax rate decreased slightly to 31.9% from 32.1% in 2002.

Ordinary profit before goodwill amortisation was up by 6%, from DKK 1,115 million in 2002 to DKK 1,179 million in 2003.

Goodwill amortisation was DKK 894 million against DKK 890 million in 2002. Goodwill amortisation included a write-down of goodwill related to discontinued business of DKK 11 million and accelerated amortisation of goodwill in Germany.

Tax effect of goodwill amortisation of DKK 31 million were on level with 2002. Tax effect of goodwill amortisation arises in countries where goodwill related to acquired activities can be amortised for tax purposes. For 2003, the impact primarily stems from Denmark, Finland, Norway, Sweden and Spain. To show the effective tax percentage before goodwill amortisation impact, tax effect of goodwill amortisation is separated in the profit and loss account.

Net profit for the year was DKK 286 million against DKK 246 million in 2002, an increase of 16%.

Earnings per share (before goodwill amortisation) increased by 4% to DKK 26.8.

CASH FLOW STATEMENT

Changes in working capital amounted to a cash inflow of DKK 319 million. This was mainly driven by debtors, which thereby sustained the improvement seen in 2002.

In 2003, the Group ran several projects aiming at optimising working capital with particular emphasis on outstanding debtors. The aim was to develop faster and more effective processes to handle all elements of the customer relationship from the moment of the initial contact until the customer's payment is registered in the Group's bank account. These efforts have resulted in improved internal paper-flows, enhanced use of information technology and revised procedures for follow-up on outstanding debtors in a number of countries. The results were reflected in the number of debtor days, which, at Group level, decreased by two days.

Corporation tax paid was positively affected by the tax repayment of DKK 168 million. Furthermore, the Group benefited from the joint taxation with foreign subsidiaries, leading to a deferral of tax payments. As at 31 December 2003, deferred tax liabilities relating to such subsidiaries amounted to DKK 147 million.

Payments related to other income and expenses included DKK 8 million of the costs related to management and structural changes. The remaining DKK 44 million of this charge are expected to be paid during the first half of 2004.

Cash flow from operating activities was DKK 2,345 million compared with DKK 2,264 million in 2002, lifted by a tax repayment of DKK 168 million relating to the reopening of prior years' tax assessments and DKK 33 million of interest related thereto.

Investments in intangible and tangible assets, net amounted to DKK 403 million, a 23% reduction from DKK 525 million in 2002. Relative to turnover, investments in intangible and tangible assets, net amounted to 1.1% while depreciation amounted to 1.6%. Investment in intangible and tangible assets, net included a cash inflow of approximately DKK 50 million related to CSC's takeover of IT-assets as part of the outsourcing-contract established in May 2003.

The **free cash flow** increased 12% to DKK 1,942 million from DKK 1,739 million in 2002. The free cash flow is defined as Cash flow from operating activities less Investments in intangible and tangible assets, net.

In 2003, **cash conversion** was 150%, marking the fifth consecutive year with cash conversion above 100%. Cash conversion is defined as Free cash flow divided by Ordinary profit before goodwill amortisation. In 2003, the free cash flow was adjusted for the tax repayment of DKK 168 million relating to employee shares, as this item was not reflected in Ordinary profit before goodwill amortisation.

Acquisition of businesses, net amounted to a cash outflow of DKK 1,065 million. The largest acquisitions were the landscaping companies Waterers Landscape in the UK and Drielanden Groep in the Netherlands.

Proceeds from the issuance of share capital of DKK 25 million related to the issue of employee shares in June 2003.

BALANCE SHEET

Total assets amounted to DKK 23,385 million as at 31 December 2003 compared with DKK 22,412 million at the end of 2002.

The Group's **Goodwill** relates to several hundred acquisitions carried out in recent years under varying circumstances and at different stages of macro-economic cycles. The goodwill is distributed among most of the 38 countries in which Group operates. The acquired companies, to which the goodwill relates, comprise a diverse portfolio of service types, customer segments, geographical regions, contract sizes and management skills. The largest amount of goodwill relates to the Group's operations in France. At 31 December 2003, the goodwill stood at DKK 12,465 million, a decrease of DKK 204 million, being the net effect of goodwill amortisation of DKK 894 million and addition of new goodwill of DKK 813 million and other adjustments, primarily related to currency, of DKK (123) million. Capitalised goodwill is subject to impairment tests on a quarterly basis. The impairment tests comprise an evaluation of the units' contribution to the Group's future cash flows resulting from local and cross-border service contracts. Goodwill is written down if the carrying value exceeds the higher of estimated net selling price and estimated value in use. The impairment tests as at 31 December 2003 did not result in write-downs apart from a write-down related to discontinued business.

Investments in associates amounted to DKK 67 million as at 31 December 2003, primarily comprising the investments in CarePartner AB, Fernley Airport Services Ltd. and the catering company Grødegaard AS in Norway.

Shareholders' equity increased by DKK 302 million to DKK 7,633 million at 31 December 2003.

Following a decision by the Danish Supreme Court, ISS has received DKK 168 million and adjusted deferred tax assets by DKK 4 million following the reopening of prior years' tax assessments. This led to an increase in equity of DKK 172 million as it relates to employee shares issued in the period from 1994 onwards. The tax amount received comprised DKK 111 million relating to the years 1994-2001 and DKK 57 million relating to 2002 and 2003. In addition, a compensation of DKK 33 million for lost interest was received and is included under Other financial income, net.

The increase in equity was also attributable to the net profit for the year amounting to DKK 286 million and proceeds of DKK 25 million received from the issue of employee shares. Currency adjustments, relating to investments in foreign subsidiaries net of hedges, reduced equity by DKK 99 million as at 31 December 2003. The decrease comprised a negative foreign exchange adjustment of DKK 161 million on investments in foreign subsidiaries and a gain on related hedge positions of DKK 62 million, net of tax.

The **Share premium account** stood at DKK 17 million at 31 December 2003, down from DKK 583 million at year-end 2002. The annual general meeting in april 2003 resolved to transfer the opening balance of DKK 583 million to Reserves. The year-end balance arose in connection with the employee share issue in 2003.

The equity ratio, defined as shareholders' equity relative to total assets, was 32.6%, largely unchanged from 2002. As stated in Dividend Policy on page 13 of this report, ISS targets an equity ratio of at least 35% in the long run.

Pensions and similar obligations amounted to DKK 253 million against DKK 216 million in 2002. The majority of the Group's pension plans are defined contribution plans. ISS' contributions to such plans are accrued and expensed on an ongoing basis.

In certain countries, mainly in the Netherlands, Norway, Sweden and the UK, ISS has defined benefit plans. ISS uses the accounting principle known as the corridor approach in the recognition of actuarial gains and losses to ensure that random, positive as well as negative, changes in the obligations and plan assets are levelled out over a number of years. This implies that any actuarial gain or loss of each individual plan exceeding 10% of the higher of plan assets and the present value of the obligations at the beginning of the year is amortised on a straight line basis over the expected average remaining working lives of the employees comprised by the schemes. ISS' time horizon in this respect is between 9 and 16 years due to differences in the individual pension schemes.

The net liability for the defined benefit plans amounted to DKK 225 million at 31 December 2003, an increase from DKK 189 million in 2002. DKK 17 million of the increase was attributable to a reclassification of provisions related to a pension plan in Austria, which were previously included under Other provisions.

Pension costs related to defined benefit plans amounted to DKK 80 million in 2003, a decrease of DKK 5 million compared with 2002.

Based on the current discount rates ranging between 2.5% and 5.5%, pension costs are expected to amount to approximately DKK 98 million in 2004. A simultaneous change in the discount rates of 0.25 percentage point is estimated to increase or decrease, as the case may be, the costs in 2004 to approximately DKK 105 million or approximately DKK 87 million, all other things being equal. For detailed information on pension obligations, please refer to note 24 to the consolidated financial statements on pages 111-112 of this report.

Other provisions were DKK 530 million as at 31 December 2003. Provisions related to acquired companies amounted to DKK 61 million, a decrease of DKK 16 million compared with 2002. The remaining provisions comprise various obligations incurred in the ordinary course of business, e.g. labour related obligations, legal obligations, contract closures etc.

Interest-bearing debt, net was DKK 4,784 million against DKK 5,604 million in 2002. The net debt comprised debt of DKK 7,065 million and liquid funds/securities of DKK 2,281 million. The net interest bearing debt was mainly affected by the free cash flow of DKK 1,942 million and cash outflow for acquisitions, net of DKK 1,065 million.

Return on equity before tax, amounted to 23.1%, a decrease of 0.5 percentage point compared with 2002.

FUNDING AND FINANCIAL RISK MANAGEMENT

The primary aim of the Group's funding strategy is to ensure sufficient financial flexibility to support the strategy outlined in **create2005**. Therefore, it is important to have access to multiple sources of financing and long-term commitments on the Group's borrowing facilities.

The Group's financial risk management is handled at corporate level, based on policies approved by the Board of Directors that specifies guidelines and risk limits for the Group's financial transactions and positions. The majority of the external funding is obtained by ISS Global A/S, a 100% owned subsidiary of ISS A/S. ISS Global A/S owns – directly or indirectly – the Group's operating companies.

Funding The Group's funding was changed in the autumn of 2003 when ISS Global A/S listed a Euro Medium Term Note (EMTN) programme and subsequently launched its inaugural bond issue of EUR 850 million. The proceeds were used to repay the majority of the Group's existing bank loans. After the bond issue, the Group's funding comprises a mix of corporate bonds and bank financing. The outstanding bond issue has a coupon of 4.75% (equal to a spread of 0.68% to the EURO midswap rate at the time of issue) and expires in 2010. Concurrently with issuing of the bonds, ISS entered into an interest rate swap under which ISS receives a fixed rate and pays a floating rate. Hence, the net effect for ISS is a floating rate funding structure.

The Group's bank facilities are primarily established with its core banks, currently comprising 12 international banks. The borrowing facilities are established with individual bilateral agreements based on ISS' standard documentation. The Group aims at renegotiating and extending the loan agreements on an annual basis in order to ensure sufficient borrowing capacity and a continuing long-term commitment on the funding, thereby reducing the refinancing risk. After the launch of the bond issue, certain bank facilities were reduced in size but extended in terms of commitment period.

At 31 December 2003, ISS had total long-term credit facilities of DKK 14.2 billion including the bond issue, of which DKK 6.4 billion had been drawn. The comparative figures for 2002 were DKK 11.1 billion and DKK 5.5 billion, respectively. The average commitment period for the long-term facilities was 5.1 years, up from 3.2 years in 2002.

Financing structure The majority of the Group's external borrowing is centralised with ISS Global A/S, which functions as an intragroup bank for the operating companies. According to the Group's internal treasury policies, operating companies place surplus cash with ISS Global A/S in order to ensure central management of the Group's liquid funds. Surplus cash is primarily invested in listed Danish mortgage bonds and bank deposits.

To ensure that surplus cash and debt are netted at country level, country-based cash pools with overdraft facilities are established in countries where the Group has more than one operating company.

Credit rating ISS A/S and ISS Global A/S are rated BBB+ with Stable Outlook from Standard & Poor's. The bond issue has the same rating.

Capital planning The Group's capital planning aims at reducing the cost of capital subject to maintaining financial flexibility. To ensure the right mix of equity and debt in the medium term, ISS prepares rolling multi-year plans, which take into account the use and generation of capital under different strategic growth scenarios.

The Group evaluates its financial position and credit-worthiness on an ongoing basis using various financial planning and credit rating models. A key purpose is to ensure that the credit rating supports the Group's growth ambitions. The planning models incorporate a number of variables, including acquisitions, operating margins, organic growth, working capital levels, dividend policy, etc.

In the assessment of the credit worthiness, off-balance sheet liabilities are taken into account in accordance with principles used by credit rating agencies. These are primarily contingent liabilities relating to operational leasing or renting of cars and buildings. At the end of 2003, such contingent liabilities amounted to DKK 2,620 million compared with DKK 2,396 million in 2002.

The following key financial ratios are applied as credit strength indicators when assessing the Group's financial strength:

- Free funds from operations to net debt ratio
- Net debt to book equity ratio
- Interest coverage

Based on the Group's strategy and the current business environment, ISS' financial planning incorporates the following guidelines: Free funds from operations to net debt ratio above 30%; net debt to book equity ratio below 1 and an interest coverage of at least 4.5. The ratios are adjusted for operational leasing and rental of assets as defined on page 125 of this report. ISS continuously evaluates the relevance of the applied ratios and adjusts if deemed necessary.

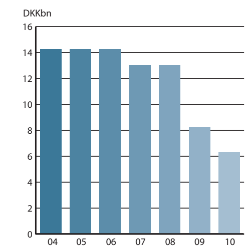
As at 31 December 2003, the Free funds from operation to net debt ratio was 39% compared with 32% at the end of 2002. Net debt to book equity ratio was 89% compared with 102% in 2002. Interest coverage was 6.1, up from 5.1 in 2002.

Financial risk management The Group's financial risk management is based on policies approved by the Board of Directors, specifying guidelines and risk limits for the Group's financial transactions and positions. ISS may use derivatives to hedge financial risks and may invest surplus cash in securities. Hedging of financial risks is managed at corporate level.

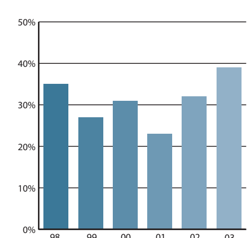
Interest rate risk is measured by the duration of the net debt. The duration reflects the effect of a simultaneous increase or decrease in the general level of interest rates for the currencies included in the debt portfolio. As at 31 December 2003, the duration of net debt was approximately 0.3 years. Thus, all other things being equal, an increase (decrease) of one percentage point in the relevant interest rates would reduce (increase) the market value of net debt by approximately DKK 14 million. Based on the net debt and taking into account the effect of hedging instruments as at 31 December 2003, a general decrease (increase) in relevant interest rates would reduce (increase) the annual net interest expense by approximately DKK 36 million, all other things being equal.

The Group's loan portfolio primarily consists of bonds issued under the EMTN-programme.

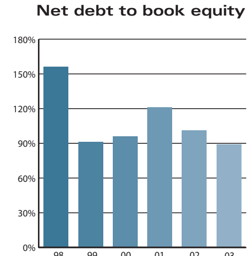
Commitment curve



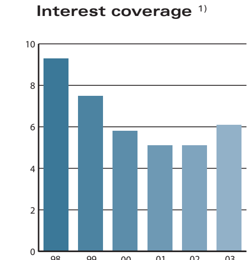
Free funds from operations to net debt [1]



Net debt to book equity [1]

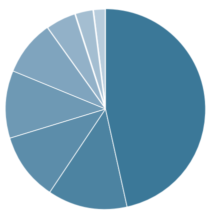


Interest coverage [1]



[1] Lease adjusted.

Turnover



EUR	47%
GBP	13%
SEK	11%
DKK	11%
NOK	9%
USD related	5%
CHF	3%
Central Europe	2%

The bond issue has been swapped into floating rate. To manage the duration of the net debt, ISS uses derivatives, such as interest rate swaps, futures and options. ISS has hedged the interest rate on a part of the loan portfolio for 2004 by using interest rate swaps. The deferred gain or loss on the interest rate instruments will in accordance with the matching principle be charged to the profit and loss account as a financial item at the time when the hedged interest expense is recognised in the profit and loss account. Please refer to note 26 to the consolidated financial statements for further information.

Currency risk can be classified in three categories: economic, transaction and translation.

In practical terms, the economic currency risk is somewhat limited for ISS, as ISS and its competitors generally have similar cost structures. However, currency movements may have an adverse effect on the general economic situation of countries in which ISS operates and ISS may be impacted from such events.

The service industry is characterised by a relatively low level of transaction risk, since the services are produced and delivered in the same local currency with minimal exposure from imported components. ISS' transaction risk primarily relates to payment of royalties and service fees to ISS A/S, which are made in the local currencies of the paying companies. Thus, a currency risk exists in relation to the exchange of these payments into Danish kroner.

The main currency exposure relates to the risk involved in translating the profit and loss accounts of foreign subsidiaries into Danish kroner based on average exchange rates for the year and in relation to the risk of translating the equity in foreign subsidiaries into Danish kroner based on year-end exchange rates.

Corporate Treasury may choose to hedge the currency exposure on foreign investments by funding such investments in local currencies or entering into hedging transactions.

In 2003, the currencies in which the Group's turnover was denominated depreciated by an average of 3% relative to Danish kroner, reducing the Group's turnover by DKK 1,009 million. Currency movements affected the operating profit by DKK (52) million. The effect of the translation of investments in foreign subsidiaries, including the effect of hedge transactions, net of tax, reduced equity by DKK 99 million.

Credit risk represents the risk of the accounting loss that would be recognised if counterparties failed to perform as contracted. Losses on bad debt relating to individual customers or counterparties have historically been relatively low. To reduce the credit risk exposure, ongoing credit evaluations of the financial condition of the Group's counterparties are performed.

International Financial Reporting Standards

In accordance with European regulation, ISS will prepare its consolidated financial statements for 2005 in accordance with International Financial Reporting Standards (IFRS).

In its consolidated financial statements for 2004, ISS expects to apply accounting policies that are consistent with the policies applied in the consolidated financial statements for 2003.

The consolidated interim and full-year financial statements for 2005 will comply with IFRS and include a restatement of comparative figures for 2004.

ISS' consolidated financial statements will be impacted in two steps, initially at the IFRS opening balance date 1 January 2004 (see "IFRS 1 First Time Application" below) and secondly when applying the IFRS standards (see "IFRS convergence process" below).

The expected accounting implications of implementing IFRS are described below. It should be emphasised that the implications are based on a preliminary evaluation, and the actual accounting consequences resulting from the IFRS implementation in 2005 may differ from present expectations.

IFRS 1 FIRST TIME APPLICATION

The effect of ISS' transition to IFRS in 2005 is determind by the provisions set out in IFRS 1 *First Time Application*, which contains transitional rules for companies adopting IFRS for the first time.

The Group has not completed its quantification of the differences discussed below.

Business Combinations In accordance with IFRS 1, ISS has the option to recognise the existing carrying amount of assets and liabilities for business combinations made prior to 1 January 2004.

If IAS 22 *Business Combinations* was applied without using the exemption provided by IFRS 1, goodwill related to certain acquisitions made prior to 1 January 2002 should be reassessed. In accordance with Danish Accounting legislation prevailing at the time, ISS included integration costs in both the acquired and the acquiring company in the calculation of goodwill arising on acquisitions. A recalculation of goodwill in accordance with IAS 22 would not have included integration costs in the acquiring company. As a result, the carrying value of goodwill and equity would be affected.

Employee Benefits ISS' accounting for defined benefit plans is inspired by IAS 19 *Employee Benefits*. This includes the use of the corridor method for unrecognised actuarial gains and losses. In regard to defined benefit plans, ISS had unrecognised actuarial losses amounting to DKK 307 million as at 31 December 2003.

In accordance with IFRS 1, any unrecognised actuarial gains and losses, as calculated at the IFRS conversion in 2005, will be included in equity in the IFRS opening balance as at 1 January 2004.

If IAS 19 *Employee Benefits* had been applied without using the exemption provided by IFRS 1, any unrecognised actuarial gain or loss on each individual plan exceeding 10% of the higher of plan assets and plan liabilities at the beginning of the year, should have been recognised in the profit and loss account over the expected average remaining working lives of the employees.

Cumulative currency translation differences
In accordance with IFRS 1, ISS will neutralise

cumulative currency translation differences related to foreign subsidiaries in the opening balance on 1 January 2004.

This means that only currency translation differences arising after 1 January 2004 will be included in the calculation of gains and losses arising from any future divestment of foreign subsidiaries.

If IAS 21 *Effects of Changes in Foreign Exchange Rates* had been applied without using the exemptions provided by IFRS 1, the cumulative currency translation difference arisen both prior to and after 1 January 2004 should be included in the calculation of gains and losses arising from any divestment of foreign subsidiaries.

The cumulative currency translation loss amounted to DKK 209 million as at 31 December 2003. In the hypothetical event that ISS A/S sold all subsidiaries to which such differences relate, the use of the provisions of IFRS 1 would increase the accounting gain resulting from such divestments by DKK 209 million.

IFRS CONVERGENCE PROCESS

The 2003 financial statements have been prepared in accordance with the accounting policies described on pages 90-95 of this report. The differences between these current accounting polices and IFRS identified to date as potentially having a significant impact on the consolidated financial statements are summarised below. The summary should not be taken as an exhaustive list of all the differences between ISS' accounting polices and IFRS that could have a significant impact upon the consolidated financial statements since no attempt has been made to identify all differences that would affect the manner in which transactions or events are presented.

The body that establishes IFRS (IASB) has ongoing projects that could affect the differences between ISS' accounting polices and IFRS described below. The actual impact on the consolidated financial statements of the adoption of IFRS will depend on the standards applicable and the particular circumstances prevailing on adoption of IFRS in 2005.

The Group has not completed its quantification of the differences discussed below.

ISS is awaiting the final wording of the standards concerning ED 3 *Business Combinations* (including expected changes to IAS 36 *Impairment of Assets,* and IAS 38 *Intangible Assets)* as well as ED 4 *Disposal of Non-current Assets and Presentation of Discontinued Operations*. Furthermore, the impact of an IFRS improvement project, comprising 13 standards and the expected revision of IAS 39 *Financial Instruments* is subject to further analysis by the Group.

IFRS 2 Share-based Payment ISS' current treatment of share-based payments is described on pages 26-28 of this report.

According to the transitional provisions in IFRS 2, warrants granted after 7 November 2002 with vesting date after 1 January 2005 must be treated in accordance with the provisions of IFRS 2.

ISS has granted warrants to certain managers and employees in June 2003 and November 2003. Based on the nature of the programmes and other factors such as the development in legislation in certain jurisdictions in regard to share-based payment the warrants could eventually be considered vested at grant date. If so, they will not impact the profit and loss account.

The fair value of any of the abovementioned warrants not considered vested at grant date must be expensed in the profit and loss account over the vesting period.

The exact number of warrants deemed to be vested at grant date has not yet been quantified. However, irrespectively of when the warrants granted in 2003 are considered vested, the amount to be expensed in the profit and loss account, regarding these warrants, in the period from 2004 (restated) to 2007 is estimated to an average of DKK 0-10 million per year.

Since 7 November 2002 ISS has also issued options to members of the Executive Management Board and offered employee shares at a discount to market price. These options and employee shares were vested at the time of grant and subscription, i.e. prior to 1 January 2005. Therefore, the IFRS 2 transitional provisions will not impact the Group's consolidated financial statements in regard to these options and employee shares.

ED 3 Business Combinations ED 3 stipulates that goodwill resulting from business combinations should not be amortised in the profit and loss account. In 2003, ISS amortised goodwill amounting to DKK 883 million in the profit and loss account (excluding write-down in regard to discontinued activities). Thus, the implementation of ED 3 will impact ISS' consolidated financial statements. In particular, goodwill amortisation and the carrying value of goodwill and equity will be affected.

According to IAS 36 Impairment of Assets, goodwill impairment tests must be made at the lowest level of cash generating units to which the carrying amount of goodwill can be allocated on a reasonable and consistent basis.

It is ISS' strategy to integrate acquired companies as quickly as possible to benefit from synergies. Acquired companies are typically merged with (or activities transferred to) existing ISS companies shortly after the completion of the acquisition. Furthermore, synergies and other effects resulting from cooperation with existing ISS companies in its geographical or business area normally affect the financial performance of an acquired company. Consequently, after a short period of time, it is generally not possible to track and measure the value of goodwill of acquired companies (or activities) with any reasonable certainty.

On this background, ISS believes that the lowest level of cash generating units to which the carrying amount of goodwill can be allocated in the ISS Group is the Facility Services segment per country or Business Build per country. Quarterly impairment tests of goodwill are currently being conducted at these levels.

IAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries
IAS 27 and SIC 12 from the Standing Interpretations Committee under IASB implies that certain of ISS' associates might have to be consolidated as ISS under IFRS is considered to control the associates if ISS holds the majority of risks and rewards. This will impact consolidated turnover and operating profit but not net profit for the year.

IAS 39 Financial Instruments The strict hedging requirement in IAS 39 *Financial Instruments* may imply that the current use of hedging derivatives does not qualify for cash flow hedge accounting. If so, value adjustment must be recognised in the profit and loss account at the balance sheet date and not at the same time as the hedged item. The deferred loss on hedging derivatives amounted to DKK 29 million as at 31 December 2003.

Accounting Policies

BASIS OF PREPARATION

The Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act, Reporting Class D, and the regulations for companies listed on the Copenhagen Stock Exchange, including Danish Accounting Standards. The accounting policies are consistent with last year.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include ISS A/S ("the Company") and all subsidiaries (together with the Company referred to as "the Group") in which the Company, directly or indirectly, holds more than 50% of the voting rights or otherwise has a controlling interest.

The consolidated financial statements are based on the financial statements of the Company and the individual subsidiaries by adding items of a similar nature. Intra-group income and expenses, shareholdings, dividends and balances as well as realised and unrealised gains and losses on intra-group transactions are eliminated.

Minority interests' proportionate share of profit and equity in subsidiaries is recognised separately in the profit and loss account and balance sheet.

Investments in associates Enterprises, which are not regarded as subsidiaries, but in which the Group holds investments and exercises a significant, but not a controlling influence are regarded as associates. The proportionate share of the associate's result is recognised in the profit and loss account under the equity method. A proportionate share of transactions with the Group is eliminated, including realised and unrealised gains and losses.

Joint ventures The Group's interests in jointly controlled entities are regarded as joint ventures and recognised in the consolidated financial statements by including the Group's proportionate share of the operation's assets, liabilities, income and expenses on a line-by-line basis with items of a similar nature. The proportionate share of transactions with the Group, including realised and unrealised gains and losses, is eliminated.

Acquisition and divestment of businesses
Acquired enterprises are included in the consolidated financial statements as from the date of acquisition. Enterprises that are divested or wound up are included until the date of divestment.

Acquisitions are treated in accordance with the purchase method, under which identifiable assets and liabilities of acquired enterprises are recognised in the balance sheet at fair value at the date of acquisition. Provisions are recognised for obligations concerning planned restructuring in the acquired enterprise arising at the date of acquisition as a direct consequence of the acquisition, including severance payments and expenses related to the closing down of branches and offices. Any tax impact related to revaluations and provisions regarding restructuring is taken into account.

Any excess cost of acquisition over the fair value of net assets acquired is capitalised as goodwill and amortised in the profit and loss account over the expected useful economic life with a maximum of 20 years.

The carrying amount of goodwill is evaluated on an ongoing basis and written down to the recoverable amount in the profit and loss account if the carrying amount exceeds the higher of net selling price and value in use (the present value of expected future cash flows) from the entity to which the goodwill belongs.

Where the fair value of acquired net assets subsequently proves to differ from the value computed at the date of acquisition, the initial recognised goodwill is adjusted until the end of the financial year following the year of acquisition.

Changes in the purchase price after the acquisition as well as reversal of restructuring provisions made at the date of acquisition are accounted for as adjustments to goodwill.

Gains or losses on divestment or winding up of subsidiaries or associates are measured as the difference between the sales or winding up sum adjusted for directly related sales or winding up costs and the carrying amount of the net assets at the time of the disposal or winding up (including any unamortised goodwill). Any accumulated foreign exchange rate adjustments previously recognised in equity are included in the profit and loss account under Financial income and expenses, net.

Danish Accounting Standard 18 is applied to business combinations which have taken place after the implementation of the standard as of 1 January 2002. In previous years, certain integration costs in the acquiring companies were included in the calculation of goodwill in accordance with Danish Accounting legislation prevailing at the time.

Foreign currency Transactions in foreign currency are translated into Danish kroner at the exchange rate ruling at the date of transaction. Assets and liabilities in foreign currency are translated into Danish kroner at the exchange rate ruling at the balance sheet date.

The profit and loss accounts of foreign subsidiaries are translated into Danish kroner using the average exchange rates prevailing during the year, whereas the balance sheet items are translated by applying the exchange rates ruling at the balance sheet date. Goodwill arising on the acquisition of foreign subsidiaries/joint ventures is treated as an asset belonging to the foreign subsidiaries/joint ventures and translated into Danish kroner at the exchange rates ruling at the balance sheet date.

Realised and unrealised exchange gains and losses are included in the profit and loss account under Financial income and expenses, net except gains/losses arising from the translation of:

- the opening balances of net assets of foreign subsidiaries/joint ventures and investments in associates to exchange rates prevailing at the balance sheet date,
- the profit and loss accounts of foreign subsidiaries/joint ventures and income from investments in associates from average exchange rates to exchange rates prevailing at the balance sheet date,
- long-term inter-company balances which are considered as an addition to the net assets of subsidiaries/joint ventures, and
- loans in foreign currency and derivatives hedging net investments in foreign subsidiaries/joint ventures.

Realised and unrealised exchange gains and losses related to the translation of the above four groups of transactions are taken directly to equity. Any related tax impact is taken into account.

PROFIT AND LOSS ACCOUNT

Turnover comprises the value of services provided during the year less VAT and duties as well as price and quantity discounts. Contract work in progress is recognised using the percentage-of-completion method based on the value of work completed at the balance sheet date.

Operating expenses **Staff costs** comprises salaries and wages, pensions, social security expenses and other employee-related expenses. **Cost of goods sold** comprises material consumption related to the recorded turnover. **Other operating expenses** includes expenses related to the operation of service equipment and other fixed assets, external assistance as well as other selling, distribution and administrative expenses, including expenses related to marketing, transportation, operating leases, subcontractors, audit, legal assistance, losses and loss provisions on accounts receivable etc.

Other income and expenses, net comprises items which do not form part of the Group's normal ordinary operations, including gains/losses and costs related to divestment or winding up of subsidiaries, joint ventures and associates and gains/losses arising from disposal of properties.

Income from associates comprises the share of profit on ordinary operations before tax in associates after proportionate elimination of intra-group profit and loss. The Group's share of tax in associates is recognised under Tax on ordinary profit before goodwill amortisation.

Financial income and expenses, net comprises interest, realised and unrealised gains and losses regarding foreign currency, securities and certain derivatives. Furthermore, interest on certain insurance and pension provisions as well as commitment fees are included under financial expenses. Financial income and expenses for the year are included in the profit and loss account irrespective of payment dates.

Tax on ordinary profit consists of income tax and changes in deferred tax. Deferred tax is recognised based on the balance sheet liability method and comprises all temporary differences between accounting and tax values of assets and liabilities. Furthermore, a deferred tax provision is recognised for expected retaxation of tax-deductable losses realised in foreign subsidiaries under Danish joint taxation. Re-taxation occurs in case of withdrawal of the foreign subsidiaries from the Danish joint taxation or in case of future taxable income in the foreign subsidiaries.

Where the tax base can be calculated using different tax regulations, deferred tax is measured based on the planned use of the asset or the unwinding of the liability, respectively.

Deferred tax is computed based on the tax rate expected to apply when the temporary differences are balanced out. No deferred tax provisions are made for undistributed profits of subsidiaries and goodwill not deductible for tax purposes. Deferred tax assets, including the tax value of losses carried forward, are recognised at the value at which they are expected to be applied either by eliminating tax on future earnings or by setting off deferred tax liabilities within the same legal tax unit and jurisdiction.

The recognised income tax is allocated to Tax on ordinary profit before goodwill amortisation, Tax effect of goodwill amortisation and Equity, as applicable.

The Company is jointly taxed with a number of wholly owned Danish and foreign subsidiaries. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are included in the Danish tax on account scheme. Additions, deductions and allowances are recognised under Financial income and expenses, net.

CASH FLOW STATEMENT

The cash flow statement shows the Group's cash flows for the year stemming from operating, investing and financing activities, the change in cash position during the year as well as the Group's cash position at the beginning and the end of the year.

The cash flow statement is prepared using the indirect method based on Operating profit before other income and expenses.

The liquidity effect of acquisitions and divestments of businesses, including related restructuring costs (see "Acquisition and divestment of businesses" above), is shown separately under Cash flow from investing activities. The cash flow statement includes cash flows from acquired enterprises from the date of acquisition and cash flows from divested enterprises until the date of divestment.

Cash flow from operating activities comprises operating profit before other income and expenses adjusted for non-cash items, changes in working capital and payments regarding provisions, interest, corporation tax and other income and expenses. Working capital consists of current assets less current liabilities excluding liquid funds, securities, bank loans, interest receivable/payable and tax receivable/payable.

Cash flow from investing activities comprises cash flow from acquisition and divestment of businesses as well as purchase and sale of fixed assets.

Cash flow from financing activities comprises the proceeds from and the repayment of loans, dividends, proceeds from share issues, purchase and sale of own shares, cash flow related to derivatives hedging net investments and dividends to minorities.

Cash and cash equivalents comprises cash and highly liquid securities, including listed Danish mortgage bonds, which are held as part of the Group's current cash management.

BALANCE SHEET

Intangible and tangible assets are measured at cost less accumulated amortisation, depreciation, impairment loss and write-down. Cost of intangible and tangible assets includes cost price as well as costs directly associated with the purchase until the asset is ready to be brought into use.

When measuring the value of software developed for internal use, external costs to consultants and software as well as internal direct and indirect costs related to the development phase are capitalised. Other development costs for which it cannot be rendered probable that future economic benefit will flow to the Group are recognised in the profit and loss account as and when incurred.

Amortisation and depreciation is provided at rates to write off the cost less estimated residual value on a straight-line basis over the following periods:

Goodwill .... maximum of 20 years
Software .... maximum of 5 years
Buildings .... 20-40 years
Leasehold improvements....over the lease term
Vehicles, fixtures, service
and IT equipment .... 3-10 years

Short-life assets and less valuable assets are charged to the profit and loss account in the year of purchase. Gains and losses arising on the disposal or retirement of fixed assets are measured as the difference between the sales price less direct sales costs and the net carrying amount, and are recognised in the profit and loss account under Other operating expenses in the year of sale, except gains and losses arising on disposals of properties, which are recognised under Other income and expenses, net.

Assets held under finance leases are measured in the balance sheet at the lower of the fair value and the present value of future lease payments. When calculating the present value, the interest rate implicit in the lease or an approximated rate is applied as the discount rate. Assets held under finance leases are depreciated in accordance with the policy for fixed assets acquired by the Group.

Financial assets Investments in subsidiaries and associates are measured in accordance with the equity method. Subsidiaries and associates with a negative net asset value are stated at zero, and amounts owed to the Company by such enterprises are written down by the Company's share of the negative net asset value to the extent it is considered uncollectible. Should the negative net asset value exceed the receivable, the residual amount is recognised under provisions to the extent the Company has a legal or constructive obligation to cover the negative balance.

Costs related to tenders for public offers for PPP (Public Private Partnership)/PFI (Private Finance Initiative) contracts are recognised in the profit and loss account when incurred. If the Group is awarded status as preferred bidder, directly attributable costs and investments, if any, are recognised in Other securities and investments. For PPP/PFI contracts awarded, the costs are amortised over the term of the contract. If the Group is not awarded the contract, all costs are recognised in the profit and loss account.

Other securities and investments are measured at fair value at the balance sheet date.

Inventories Raw materials and supplies are measured at the lower of cost under the FIFO principle and net realisable value. Finished goods and Work in progress are measured at the lower of cost plus attributable overhead and net realisable value. The cost price of raw materials and supplies includes the purchase price plus costs directly related to the purchase. Net realisable value is the estimated selling price less costs of completion and sales costs.

Accounts receivable are measured at amortised cost less a provision for doubtful debts based on an individual assessment. Provisions and realised losses during the year are recognised under Other operating expenses.

Contract work in progress for the account of third parties is measured at the sales value of the proportion of work completed at the balance sheet date. The sales value is calculated based on the stage of completion and the total amount expected to be received for each individual contract. On account invoices related to the completed proportion of work to be performed are deducted from the recognised value, while on account invoices exceeding the completed proportion of work to be performed are recognised as Prepayments from customers under Current liabilities.

Securities include highly liquid securities, such as listed Danish mortgage bonds, which are used in the Group's current cash management. These securities are measured at fair value at the balance sheet date.

Own shares Proceeds related to the acquisition or disposal of own shares are taken directly to equity under Reserves. When calculating the Group's key figures, the number of shares is reduced by the number of own shares.

Dividends are recognised in the period in which they are declared at the annual general meeting.

Provisions comprise expected obligations related to employee retirement plans and restructurings of acquired businesses etc. The provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Employee retirement plans and similar obligations as well as contributions to defined contribution plans are recognised in the profit and loss account as incurred. Any difference between the charge to the profit and loss account and the contribution payable is included in Other payables and accrued expenses.

For defined benefit plans, the amount recognised under Pensions and similar obligations is determined as the present value of the defined benefit obligation adjusted for unrecognised actuarial and transition gains and losses and less any past service costs not yet recognised. The present value of the defined benefit obligation and the related service costs are based on actuarial calculations.

Financial liabilities Debt to financial institutions etc. is initially measured at the value of the proceeds received less related transaction costs. Subsequently, financial liabilities are measured at amortised cost, equal to the capitalised value when applying a constant effective rate of interest, and the difference between the proceeds initially received and the nominal value is recognised in the profit and loss account over the loan period. Lease commitments on finance leases are capitalised and recognised under financial liabilities at the lower of fair value of the leased asset and the present value of future lease payments.

Derivatives are measured at fair value and recognised in Prepayments and accrued income or Other payables and accrued expenses. Gains/losses are recognised as Financial income and expenses, net except for derivatives designated as hedges.

Changes in the fair value of derivatives hedging the fair value of recognised assets and liabilities are recognised in the profit and loss account together with changes in the value of the hedged asset or hedged liability. Derivatives that qualify as net investment hedges in subsidiaries, joint ventures and associates are recognised directly in equity, net of tax.

Changes in the fair value of derivatives hedging future transactions are recognised directly in equity, net of tax. On realisation of the hedged item, value changes recognised under equity are reversed and recognised together with the hedged item.

For derivatives which do not comply with the hedge accounting conditions changes in fair value are recognised in the profit and loss account on a regular basis.

Operating leases Operating lease costs are recognised in the profit and loss account on a straight-line basis over the term of the lease. The obligation for the remaining lease period is disclosed in the notes under Contingent liabilities.

Incentive schemes Proceeds from the disposal of own shares or issuing of shares in the Company in connection with the exercise of stock options or warrants are recognised in equity. A more detailed description of the accounting treatment of incentive schemes is set out on pages 26-28 of this report.

Segment information Information is provided by business segments (Primary segments) and geographical segments (Secondary segments). Segment information follows the Group's accounting policies and internal financial management.

Consolidated Accounts

CONSOLIDATED PROFIT AND LOSS ACCOUNT

1 January – 31 December. Amounts in DKKm

Note		2003	2002	2001
1	**Turnover**	**36,165**	**37,984**	**34,852**
2	Staff costs	(24,414)	(25,705)	(24,365)
	Cost of goods sold	(2,686)	(2,825)	(2,422)
	Other operating expenses	(6,446)	(6,841)	(5,881)
12, 13	Depreciation and amortisation	(587)	(603)	(551)
1	**Operating profit before other income and expenses**	**2,032**	**2,010**	**1,633**
3	Other income and expenses, net	(75)	5	(24)
	Operating profit	**1,957**	**2,015**	**1,609**
5, 14	Income from associates	7	(11)	1
4	Financial income and expenses, net	(265)	(361)	(310)
	Other financial income, net	33	-	-
	Ordinary profit before tax and goodwill amortisation	**1,732**	**1,643**	**1,300**
5	Tax on ordinary profit before goodwill amortisation	(553)	(528)	(402)
	Ordinary profit before goodwill amortisation	**1,179**	**1,115**	**898**
6, 12	Goodwill amortisation	(894)	(890)	(695)
5	Tax effect of goodwill amortisation	31	39	39
20	Minority interests	(30)	(18)	(15)
	Net profit from ordinary activities	**286**	**246**	**227**
	Discontinued business, net of tax	-	-	(5)
	Net profit for the year	**286**	**246**	**222**
30	Earnings per share before goodwill amortisation (DKK)	26.8	25.8	21.6

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January – 31 December. Amounts in DKKm

	2003	2002	2001	Note
Operating profit before other income and expenses	2,032	2,010	1,633	
Depreciation and amortisation	587	603	551	12, 13
Changes in working capital	319	412	52	7
Changes in provisions	(36)	(98)	4	
Interest paid, net	(215)	(333)	(328)	
Corporation tax paid	(323)	(263)	(377)	5
Payments related to other income and expenses	(19)	(67)	(25)	
Cash flow from operating activities	**2,345**	**2,264**	**1,510**	
Acquisition of businesses	(1,065)	(1,898)	(3,098)	8
Divestment of businesses	20	16	13	8
Investments in intangible and tangible assets, net	(403)	(525)	(452)	9
Investments in financial assets, net	29	269	(180)	9
Cash flow from investing activities	**(1,419)**	**(2,138)**	**(3,717)**	
Financial payments, net [1]	556	(782)	2,131	10
Proceeds from issuance of share capital	25	569	789	
Purchase/disposal of own shares, net	-	(5)	-	
Dividend paid to shareholders	(88)	-	-	
Minority interests	(8)	(5)	(15)	20
Cash flow from financing activities	**485**	**(223)**	**2,905**	
Total cash flow	**1,411**	**(97)**	**698**	
Cash and cash equivalents at beginning of year	891	1,023	324	
Total cash flow	1,411	(97)	698	
Foreign exchange adjustments	(21)	(35)	1	
Cash and cash equivalents at end of year	**2,281**	**891**	**1,023**	11

[1] Proceeds from bank debt and issue of bonds less repayment of bank debt.

CONSOLIDATED BALANCE SHEET

At 31 December. Amounts in DKKm

Note	**Assets**	2003	2002	2001
	Goodwill	12,465	12,669	12,022
	Software and other intangible assets	164	194	108
12	**Total intangible assets**	**12,629**	**12,863**	**12,130**
	Land and buildings	156	168	162
	Vehicles, fixtures, service and IT equipment	1,313	1,341	1,501
13	**Total tangible assets**	**1,469**	**1,509**	**1,663**
14	Investments in associates	67	35	9
14, 23	Receivables from associates	23	25	-
14	Other securities and investments	37	45	233
14, 23	Other receivables	141	160	163
5, 15	Deferred tax assets	327	360	299
	Total financial assets	**595**	**625**	**704**
	Total fixed assets	**14,693**	**14,997**	**14,497**
16	Inventories	178	170	147
23	Accounts receivable	5,420	5,517	5,970
17	Contract work in progress	102	113	91
23	Other receivables	325	229	360
18	Prepayments and accrued income	360	389	330
5	Corporation tax	26	106	1
11, 23	Securities	38	618	643
11, 23	Liquid funds	2,243	273	380
	Total current assets	**8,692**	**7,415**	**7,922**
	Total assets	**23,385**	**22,412**	**22,419**

Equity and liabilities	2003	2002	2001	Note
Share capital	886	878	844	19
Share premium account	17	583	48	
Reserves	6,730	5,870	5,729	
Total equity	**7,633**	**7,331**	**6,621**	
Minority interests	**108**	**88**	**57**	20
Pensions and similar obligations	253	216	213	24
Deferred tax liabilities	310	308	206	5, 15
Other provisions	530	573	547	21
Total provisions	**1,093**	**1,097**	**966**	
Long-term debt	**6,446**	**5,642**	**5,853**	22, 23
Current portion of long-term debt	5	1	6	22, 23
Interest-bearing loans and borrowings	614	852	1,481	23
Prepayments from customers	126	104	60	
Trade creditors	1,355	1,290	1,328	23
Corporation tax	189	259	-	5
Tax withholdings, VAT etc.	1,955	1,977	2,110	
Accrued wages and holiday allowances	2,463	2,520	2,604	
Other payables and accrued expenses	1,398	1,251	1,333	
Total current liabilities	**8,105**	**8,254**	**8,922**	
Total long-term debt and current liabilities	**14,551**	**13,896**	**14,775**	
Total equity and liabilities	**23,385**	**22,412**	**22,419**	
Contingent liabilities				25
Derivatives				26
Related party transactions				27
Interests in joint ventures				28
Fees to Group auditors				29

CONSOLIDATED STATEMENT OF EQUITY

At 31 December. Amounts in DKKm

Note	Equity	Share capital	Share premium	Retained earnings	Own shares	Foreign exch. adj.	Total equity
	2001						
	Equity at 1 January 2001	803	1,003	3,890	(66)	48	5,678
	Transfer	-	(1,703)	1,699	4	-	-
	Foreign exchange adj. of subsidiaries [1]	-	-	-	-	(52)	(52)
	Deferred losses on hedging derivatives	-	-	(16)	-	-	(16)
19	Share issue	34	700	-	-	-	734
19	Employee shares	7	48	-	-	-	55
	Net profit for the year	-	-	222	-	-	222
	Equity at 31 December 2001	**844**	**48**	**5,795**	**(62)**	**(4)**	**6,621**
	2002						
	Equity at 1 January 2002	844	48	5,795	(62)	(4)	6,621
	Foreign exchange adj. of subsidiaries [1]	-	-	-	-	(106)	(106)
	Deferred gains on hedging derivatives	-	-	6	-	-	6
19	Share issue	26	492	-	-	-	518
19	Employee shares	8	43	-	-	-	51
	Purchase/disposal of own shares, net [2]	-	-	(39)	34	-	(5)
	Net profit for the year	-	-	246	-	-	246
	Equity at 31 December 2002	**878**	**583**	**6,008**	**(28)**	**(110)**	**7,331**
	2003						
	Equity at 1 January 2003	878	583	6,008	(28)	(110)	7,331
	Dividends paid	-	-	(88)	-	-	(88)
	Transfer	-	(583)	583	-	-	-
	Foreign exchange adj. of subsidiaries [1]	-	-	-	-	(99)	(99)
	Deferred gains on hedging derivatives	-	-	6	-	-	6
19	Employee shares	8	17	-	-	-	25
	Tax regarding employee shares	-	-	172	-	-	172
	Net profit for the year [3]	-	-	286	-	-	286
	Equity at 31 December 2003	**886**	**17**	**6,967**	**(28)**	**(209)**	**7,633**

[1] Net of hedges.
[2] Including options settled.
[3] At 31 December 2003, retained earnings included DKK 177m in proposed dividends (2002: DKK 88m).

Amounts in DKKm

1. Segment information

The business segments of the Group reflect the operating model in **create2005** and consist of Facility Services and the Business Builds: Damage Control, Food Hygiene, Health Care and Innovation (Primary segment).

Compared to 2002, the following reclassifications between Facility Services and Business Builds have been made: 1 January 2003, Aviation was discontinued as a separate Business Build following the discontinuation of airside activities. The remaining activities were transferred to Facility Services. Furthermore, Aqua-wall was transferred from Innovation to Facility Services. Comparative figures in the notes and the Operational Review on pages 49-73 of this report have been restated accordingly.

The business segments are managed on an international basis, but operate in three principal geographical areas: Northern Europe, Continental Europe and Overseas (Secondary segment).

Business - Primary segment [1]	Facility Services	Damage Control	Food Hygiene	Health Care	Inno- vation	Corporate functions	Group
2003							
Turnover	32,576	1,818	1,075	568	128	-	36,165
Operating profit [2]	2,033	64	76	39	(19)	(161)	2,032
Operating margin	6.2 %	3.5 %	7.1 %	6.9 %	(14.9)%	-	5.6 %
Total fixed assets [3]	12,661	817	280	820	67	48	14,693
Total assets	18,694	1,244	431	927	104	1,985	23,385
Total provisions [3]	864	46	17	15	2	149	1,093
Total current liabilities [4]	7,167	362	171	158	55	192	8,105
Cash flow from operating activities	2,098	103	68	32	(23)	67	2,345
Investments in intangible and tangible assets, net	(328)	(45)	(18)	(19)	(2)	9	(403)
Depreciation and amortisation	469	62	18	19	4	15	587
Employees at year-end	236,318	2,417	5,377	763	78	68	245,021
2002							
Turnover	33,740	1,731	1,058	1,288	167	-	37,984
Operating profit [2]	1,918	118	73	100	9	(208)	2,010
Operating margin	5.7 %	6.8 %	6.9 %	7.7 %	5.4 %	-	5.3 %
Total fixed assets [3]	13,154	701	246	787	39	70	14,997
Total assets	19,200	1,138	397	882	84	711	22,412
Total provisions [3]	840	30	12	17	3	195	1,097
Total current liabilities [4]	7,426	272	162	101	58	235	8,254
Cash flow from operating activities	2,159	105	93	32	20	(145)	2,264
Investments in intangible and tangible assets, net	(381)	(57)	(25)	(29)	(3)	(30)	(525)
Depreciation and amortisation	491	54	15	20	8	15	603
Employees at year-end	239,825	2,416	5,375	679	130	64	248,489

[1] After elimination of intra-group transactions, shareholdings and balances.
[2] Before other income and expenses.
[3] Includes deferred tax assets and deferred tax liabilities, respectively.
[4] Includes short-term interest-bearing loans and borrowings.

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1. Segment information (continued)

Geographical - Secondary segment [1]	Northern Europe	Continental Europe	Overseas	Corporate functions	Group
2003					
Turnover	16,662	17,621	1,882	-	36,165
Operating profit [2]	1,000	1,078	115	(161)	2,032
Operating margin	6.0 %	6.1 %	6.1 %	-	5.6 %
Total fixed assets [3]	5,178	8,812	655	48	14,693
Total assets	7,564	12,764	1,072	1,985	23,385
Total provisions [3]	356	541	47	149	1,093
Total current liabilities [4]	3,428	4,206	279	192	8,105
Cash flow from operating activities	1,043	1,126	109	67	2,345
Investments in intangible and tangible assets, net	(232)	(153)	(27)	9	(403)
Depreciation and amortisation	305	240	27	15	587
Employees at year-end	77,146	120,984	46,823	68	245,021
2002					
Turnover	18,243	17,794	1,947	-	37,984
Operating profit [2]	1,109	1,024	85	(208)	2,010
Operating margin	6.1 %	5.8 %	4.4 %	-	5.3 %
Total fixed assets [3]	5,229	9,012	686	70	14,997
Total assets	7,611	13,022	1,068	711	22,412
Total provisions [3]	277	586	39	195	1,097
Total current liabilities [4]	3,479	4,282	258	235	8,254
Cash flow from operating activities	1,210	1,089	110	(145)	2,264
Investments in intangible and tangible assets, net	(251)	(211)	(33)	(30)	(525)
Depreciation and amortisation	313	244	31	15	603
Employees at year-end	80,081	123,447	44,897	64	248,489

[1] After elimination of intra-group transactions, shareholdings and balances.
[2] Before other income and expenses.
[3] Includes deferred tax assets and deferred tax liabilities, respectively.
[4] Includes short-term interest-bearing loans and borrowings.

2. Staff costs

	2003	2002
Wages and salaries	(18,559)	(19,938)
Pensions	(602)	(582)
Social charges and other costs	(5,253)	(5,185)
Staff costs	**(24,414)**	**(25,705)**
Average number of employees	246,073	256,573

Remuneration to the Board of Directors of the Company amounted to DKK 2.5m (DKK 2.0m in 2002). Salaries to the Company's Executive Management Board (EMB) amounted to DKK 21.8m (DKK 27.0m in 2002). Remuneration to the EMB and the Board of Directors is specified on page 20 of this report. Warrants and stock option programmes are described and specified on pages 25-29 of this report.

3. Other income and expenses, net	2003	2002
Gain on sale of Sophus Berendsen shares, net	-	106
Gain/(loss) on sale of the elderly care segment	6	(25)
Loss on discontinuation of aviation businesses	(10)	(75)
Loss on sale and closure of other businesses, net	(12)	(10)
Divestments and closures, net [1)]	**(16)**	**(4)**
Disposal of vacated office space	(10)	-
Redundancy payments relating to organisational adjustments	(42)	-
Management and structural changes	**(52)**	**-**
Concept development (washroom services and pest control)	-	(6)
Costs related to downscaling of head office	-	(13)
Gain on restructuring of PFI project	-	15
(Loss)/gain on sale of properties	(4)	17
Other, net	(3)	(4)
Miscellaneous, net	**(7)**	**9**
Other income and expenses, net	**(75)**	**5**

[1)] Excluding goodwill write-down.

4. Financial income and expenses, net	2003	2002
Interest income etc.	125	142
Foreign currency exchange gain	6	11
Financial income	**131**	**153**
Interest expenses etc.	(367)	(495)
Interest on pension provisions	(10)	(7)
Foreign currency exchange loss	(19)	(12)
Financial expenses	**(396)**	**(514)**
Financial income and expenses, net	**(265)**	**(361)**

5. Tax	2003			2002		
	Tax in the profit and loss account	Corporation tax payable/ (receivable)	Deferred tax liability/ (asset)	Tax in the profit and loss account	Corporation tax payable/ (receivable)	Deferred tax liability/ (asset)
Balance at 1 January	-	153	(52)	-	(1)	(93)
Foreign exchange adjustments	-	(5)	(3)	-	2	1
Additions from acquired companies, net	-	11	(16)	-	32	(42)
Adjustments relating to prior years	-	8	(5)	-	(74)	29
Tax regarding employee shares	-	(168)	(4)	-	-	-
Tax regarding other equity movements	-	28	-	-	21	-
Tax on ordinary profit before goodwill amortisation	(558)	490	63	(528)	475	53
Tax on income from associates	5	-	-	0	-	-
Tax effect of goodwill amortisation	31	(31)	-	39	(39)	-
	(522)	**486**	**(17)**	**(489)**	**416**	**(52)**
Paid relating to prior years	-	103	-	-	(1)	-
Tax regarding employee shares	-	(168)	-	-	-	-
Paid on account for the year	-	388	-	-	264	-
Paid during the year	**-**	**323**	**-**	**-**	**263**	**-**
Tax at 31 December	**(522)**	**163**	**(17)**	**(489)**	**153**	**(52)**
Corporation tax receivable/ deferred tax assets		(26)	(327)		(106)	(360)
Corporation tax payable/ deferred tax liabilities		189	310		259	308
Corporation tax, net/deferred tax, net		**163**	**(17)**		**153**	**(52)**

Computation of effective tax rate	2003	2002
Statutory corporation tax rate in Denmark	30.0 %	30.0 %
Non-tax deductible expenses less non-taxable income	1.1 %	1.9 %
Foreign tax rate differential	1.0 %	0.7 %
Effect of change in foreign tax rates	0.2 %	0.5 %
Other	(0.4)%	(1.0)%
Effective tax rate (excl. effect from goodwill amortisation)	**31.9 %**	**32.1 %**

6. Goodwill amortisation	2003	2002
Amortisation	(883)	(788)
Write-down	(11)	(102)
Goodwill amortisation	**(894)**	**(890)**

The goodwill write-down relates to winding up and divestment of businesses.

7. Changes in working capital	2003	2002
Changes in inventories	(3)	4
Changes in debtors etc.	303	670
Changes in creditors etc.	19	(262)
Changes in working capital	**319**	**412**

8. Acquisition and divestment of businesses

As described on page 130 of this report, the Group made 51 acquisitions during 2003 (31 during 2002). The total purchase price amounted to DKK 990m (DKK 1,724m in 2002). The accumulated annual turnover of the acquisitions amounted to approximately DKK 1,280m (DKK 1,930m in 2002). The balance sheet items etc. relating to acquisitions and divestments (including adjustments to acquisitions and divestments in prior years) are specified below:

	2003		2002	
	Acquisitions	Divestments	Acquisitions	Divestments
Fixed assets	(191)	38	(206)	71
Accounts receivable	(242)	14	(324)	161
Other current assets	(150)	31	(227)	100
Other provisions	(11)	(4)	101	(1)
Pensions, deferred tax and minorities	(13)	(9)	54	(5)
Long-term debt	47	(9)	24	(1)
Short-term interest-bearing loans	71	(14)	36	(107)
Other current liabilities	274	(19)	380	(164)
Net identifiable assets	(215)	28	(162)	54
Goodwill on acquisitions	(845)	-	(1,626)	-
Loss on divestment of businesses	-	(4)	-	(17)
Acquisition and integration costs [1]	78	-	87	-
Deferred tax on acquisition and integration costs	(8)	-	(23)	-
(Purchase)/sales price [2]	**(990)**	**24**	**(1,724)**	**37**
Acquisition and integration costs paid in the year, net of tax	(87)	-	(160)	-
Payments deferred to next year	94	-	60	-
Payments relating to prior years	(64)	-	(176)	(6)
Payments relating to acquisitions taken over in 2004	(136)	-	-	-
(Purchase)/sales price and acquisition costs paid	**(1,183)**	**24**	**(2,000)**	**31**
Liquidity in acquired/(divested) businesses	118	(4)	102	(15)
Cash flow from (acquisition)/divestment of businesses	**(1,065)**	**20**	**(1,898)**	**16**

[1] The amount in 2003 of DKK 78m (DKK 87m in 2002) consisted of acquisition costs of approximately DKK 34m (DKK 57m in 2002) and integration costs of approximately DKK 44m (DKK 30m in 2002). The costs mainly related to the acquisitions of Anticimex Building Environment in Damage Control, Drielanden Groep in the Netherlands as well as Cosmo and Limpiezas Garayalde Baleares in Spain.

[2] In order to respect the interest of the sellers/buyers, the purchase/sales price is not disclosed for each individual transaction.

9. Investments in fixed assets	2003	2002
Purchase of intangible and tangible assets	(585)	(667)
Proceeds on sale of intangible and tangible assets	182	142
Investments in intangible and tangible assets, net	**(403)**	**(525)**
Purchase of financial assets	(61)	(94)
Proceeds on sale of financial assets	90	363
Investments in financial assets, net	**29**	**269**

10. Financial payments, net	2003	2002
Interest-bearing debt at 1 January	(6,495)	(7,340)
Foreign exchange adjustments	81	15
Additions from acquired companies, net	(95)	48
Interest-bearing debt at 31 December	7,065	6,495
Financial payments, net	**556**	**(782)**

11. Cash and cash equivalents	2003	2002
Securities	38	618
Liquid funds	2,243	273
Cash and cash equivalents	**2,281**	**891**

Securities consist of listed Danish mortgage bonds. Liquid funds comprise bank and cash balances.

12. Intangible assets	Goodwill	Software and other intangible assets	Total
Cost at 1 January 2003	16,118	356	16,474
Foreign exchange adjustments	(180)	(8)	(188)
Additions	813	86	899
Additions from acquired companies, net	(10)	6	(4)
Disposals	(18)	(75)	(93)
Transfer from Tangible assets	-	55	55
Cost at 31 December 2003	**16,723**	**420**	**17,143**
Amortisation at 1 January 2003	(3,449)	(162)	(3,611)
Foreign exchange adjustments	57	5	62
Amortisation	(894)	(89)	(983)
Amortisation from acquired companies, net	10	(3)	7
Disposals	18	26	44
Transfer from Tangible assets	-	(33)	(33)
Amortisation at 31 December 2003	**(4,258)**	**(256)**	**(4,514)**
Carrying amount at 31 December 2003	**12,465**	**164**	**12,629**
Carrying amount at 31 December 2002	**12,669**	**194**	**12,863**

13. Tangible assets	Land and buildings	Vehicles, fixtures, service and IT equipment	Total
Cost at 1 January 2003	229	4,031	4,260
Foreign exchange adjustments	(2)	(104)	(106)
Additions	5	494	499
Additions from acquired companies, net	36	199	235
Disposals	(39)	(647)	(686)
Transfer to Intangible assets and from Other receivables [1]	(23)	(26)	(49)
Cost at 31 December 2003	**206**	**3,947**	**4,153**
Depreciation at 1 January 2003	(61)	(2,690)	(2,751)
Foreign exchange adjustments	1	76	77
Depreciation	(10)	(488)	(498)
Depreciation from acquired companies, net	(4)	(110)	(114)
Disposals	15	554	569
Transfer to Intangible assets	9	24	33
Depreciation at 31 December 2003	**(50)**	**(2,634)**	**(2,684)**
Carrying amount at 31 December 2003	**156**	**1,313**	**1,469**
Carrying amount at 31 December 2002	**168**	**1,341**	**1,509**

Land and buildings with a carrying amount of DKK 40m (DKK 50m in 2002) have been provided as collateral for mortgage debt of DKK 15m (DKK 9m in 2002). Service equipment with a carrying amount of DKK 7m (DKK 13m in 2002) has been provided as collateral for interest-bearing loans and borrowings of DKK 18m (DKK 20m in 2002). The Group has some service equipment under finance lease agreements. The carrying amount of service equipment under finance leases was DKK 78m (DKK 32m in 2002). The official rateable value for land and buildings in Denmark amounted to DKK 0m (DKK 7m in 2002).

[1] DKK 55m has been transferred to Intangible assets and DKK 6m has been transferred from Other receivables.

14. Financial assets	Investments in associates	Receivables from associates	Other securities and investments	Other receivables
Cost at 1 January 2003	46	25	46	160
Foreign exchange adjustments	(1)	(2)	(1)	(7)
Additions	27	-	-	34
Additions from acquired companies, net	4	-	2	7
Disposals	(5)	-	(11)	(53)
Cost at 31 December 2003	**71**	**23**	**36**	**141**
Revaluation at 1 January 2003	(11)	-	(1)	-
Foreign exchange adjustments	0	-	0	-
Net profit for the year	12	-	(3)	-
Dividends received	(2)	-	-	-
Disposals	(3)	-	5	-
Revaluation at 31 December 2003	**(4)**	**-**	**1**	**-**
Carrying amount at 31 December 2003	**67**	**23**	**37**	**141**
Carrying amount at 31 December 2002	**35**	**25**	**45**	**160**

Investments in associates are listed on pages 134-135 of this report.

15. Deferred tax	2003	2002
Tax loss carried forward, net	320	407
Provisions	157	206
Set-off within legal tax units and jurisdictions	(150)	(253)
Deferred tax assets	**327**	**360**
Goodwill	191	308
Fixed assets	82	99
Losses in foreign subsidiaries under Danish joint taxation	147	47
Other	40	107
Set-off within legal tax units and jurisdictions	(150)	(253)
Deferred tax liabilities	**310**	**308**

Deferred tax assets, gross, amounted to approximately DKK 400m of which DKK 327m was recognised in the balance sheet as at 31 December 2003.

A deferred tax liability associated with investments in subsidiaries, joint ventures and associates has not been recognised, because the Group is able to control the timing of the reversal of the temporary differences and does not expect the temporary differences to reverse in the foreseeable future.

16. Inventories	2003	2002
Raw materials and supplies	92	84
Work in progress	-	2
Finished goods	86	84
Inventories	**178**	**170**

17. Contract work in progress	2003	2002
Contract expenses	132	165
Recognised profits	33	33
Contract work in progress, gross	**165**	**198**
Advances and prepayments from third parties	(63)	(85)
Contract work in progress, net	**102**	**113**

18. Prepayments and accrued income

Prepayments and accrued income primarily consists of prepaid costs and accrued interest.

19. Share capital	2003	2002	2001	2000	1999
Share capital (in DKKm)					
Share capital at 1 January	878	844	803	764	595
Share issues	-	26	34	39	160
Employee shares	8	8	7	-	9
Share capital at 31 December	**886**	**878**	**844**	**803**	**764**
Share capital (in thousands of shares)					
Number of shares at 1 January	43,928	42,217	40,167	38,214	29,764
Issued during the year	382	1,711	2,050	1,953	8,450
Number of shares at 31 December - fully paid	**44,310**	**43,928**	**42,217**	**40,167**	**38,214**

In June 2003, the Company issued 381,827 new shares in an employee share programme. The total costs of the share issue amounted to approximately DKK 2m and comprise fees to banks, lawyers and auditors. The costs have been charged to the Share premium account.

Own shares	Number of shares (thousands)	Nominal value DKKm	Purchase price DKKm	% of share capital
Own shares at 1 January 2003	156	3	28	0.4 %
Own shares at 31 December 2003	**156**	**3**	**28**	**0.4 %**

The carrying amount of own shares was DKK 0m (DKK 0m in 2002) in accordance with the Group's accounting policy for own shares. The market value of own shares at 31 December 2003 amounts to DKK 45m (DKK 40m in 2002). At 31 December 2003, all own shares were held by wholly owned subsidiaries. The Group has not purchased or sold own shares during the year.

20. Minority interests	2003	2002
Minority interests at 1 January	88	57
Foreign exchange adjustments	(5)	1
Additions from acquired companies, net	3	17
Dividends paid	(8)	(5)
Net profit for the year	30	18
Minority interests at 31 December	**108**	**88**

21. Other provisions	Labour-related items	Self-insurance	Acqui-sitions	Other	Total
Carrying amount at 1 January 2003	67	28	77	401	573
Foreign exchange adjustments	-	(2)	(1)	-	(3)
Transfers	5	-	1	(6)	0
Additions from acquired companies, net	1	-	-	10	11
Provisions included in goodwill during the year	-	-	85	-	85
Provisions made during the year	28	21	-	84	133
Provisions used during the year	(17)	(9)	(90)	(84)	(200)
Provisions not used (reversed against profit and loss)	(1)	-	-	(38)	(39)
Provisions not used (reversed against goodwill)	-	-	(11)	(19)	(30)
Carrying amount at 31 December 2003	**83**	**38**	**61**	**348**	**530**
Current	61	9	54	154	278
Non-current	22	29	7	194	252
	83	**38**	**61**	**348**	**530**

Provisions are not discounted, because the effect of time value of money is not material.

Labour-related items: The provision mainly relates to obligations in Belgium, Brazil, France, the Netherlands, Spain and the UK.

Self-insurance: In Ireland and the UK, ISS carries an insurance provision on employers liability. ISS is self-insured up to DKK 38m for employers liability.

Acquisitions: The provision includes obligations arising as a direct consequence of acquisitions, mainly related to transaction costs, redundancy payments and termination of rental of properties.

Other: The provision comprises various obligations incurred in the normal course of business, e.g. costs related to changes in local working and social regulations etc., provision for operational issues, closure of contracts and legal cases.

22. Long-term debt	Carrying amount 2003	2002
Facilities [1]		
DKK 11,137m [2]	-	5,543
DKK 1,861m (maturity in 2009)	24	-
Revolving loan facilities [3]	**24**	**5,543**
Bond loan	6,323	-
Mortgage loans	16	9
Other bank loans	27	54
Obligations under finance leases	61	37
Current portion of long-term debt	(5)	(1)
Total long-term debt	**6,446**	**5,642**

In addition to the revolving loan facilities listed above, the Group has at 31 December 2003 unused facilities of DKK 1,228m and DKK 4,838m with maturity in 2006 and 2008, respectively.

[1] Loan facilities are denominated in several currencies and translated using year-end exchange rates to Danish kroner.
[2] Facility cancelled during 2003.
[3] All revolving loan facilities carry floating interest rates.

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22. Long-term debt (continued)

The Group's total long-term loans and borrowings at 31 December are denominated in the following original currencies:

	2003	2002
EUR	98.9 %	89.8 %
DKK	0.5 %	2.4 %
SEK	0.3 %	2.8 %
NOK	0.1 %	0.2 %
USD related	0.0 %	3.8 %
Others	0.2 %	1.0 %
	100.0 %	**100.0 %**

The Group has no subordinated debt and no debt convertible into equity.

23. Financial assets and liabilities

Repayment periods and effective interest rates applying to the Group's financial assets and liabilities are stated below:

	Repayment period				Effective
			More than		interest
	0-1 year	1-5 years	5 years	Total	rate [1]
Receivables from associates [2]	-	23	-	23	5.9 %
Other receivables [3]	-	121	20	141	-
Accounts receivable	5,420	-	-	5,420	-
Other receivables (current) [4]	325	-	-	325	-
Securities	38	-	-	38	2.6 %
Liquid funds	2,243	-	-	2,243	2.2 %
Long-term debt [5]	(5)	(89)	(6,357)	(6,451)	2.8 %
Interest-bearing loans and borrowings	(614)	-	-	(614)	4.0 %
Trade creditors	(1,355)	-	-	(1,355)	-

[1] Weighted average taking the effect of interest rate hedges into account.
[2] Loan to Fernley Airport Services Ltd.
[3] Consists of various receivables, e.g. deposits and financial leasing (lessor).
[4] Includes prepayments of DKK 136m regarding the acquisitions of Muraka Groep BV in the Netherlands, AGS Gebäudereinigung GmbH in Austria as well as Adviso Office AS and Clean Tekstil Service in Norway.
[5] Including current portion of long-term debt.

24. Pensions and similar obligations

The Group contributes to defined contribution plans as well as defined benefit plans. The majority of the pension plans are funded through payments of annual premiums to independent insurance companies responsible for the pension obligation towards the employees (defined contribution plans). In these plans the Group has no legal or constructive obligation to pay further contributions irrespective of the funding of these insurance companies. Pension costs related to such plans are recorded as expenses when incurred.

In some countries, most significantly, the Netherlands, Norway, Sweden and the UK, the Group has pension schemes where the actuarially determined pension obligations are recorded in the consolidated balance sheet (defined benefit plans). The defined benefit plans are primarily based on years of service, and benefits are generally determined on the basis of salary and rank. The majority of the obligations are funded, but in some countries, mainly Sweden, the obligation is unfunded.

The Group participates in the Finnish TEL pension scheme, which covers employees in the private sector. The scheme is accounted for as a defined contribution plan. However, the accounting treatment of this scheme is currently debated in Finland and may result in the accounting treatment being revised in the future.

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24. Pensions and similar obligations (continued)

In Sweden, the Group participates in a multi-employer pension scheme. The fund is currently not able to provide the necessary information in order for ISS to account for the scheme as a defined benefit plan.

In 2003, provisions related to a defined benefit plan in Austria have been reclassified from Other provisions to Net liability for defined benefit plans.

For a further discussion of Pensions and similar obligations, please refer to page 83 of this report.

Principal actuarial assumptions for defined benefit plans at the balance sheet date are as follows:

	2003	2002
Discount rate at 31 December [1]	2.5-5.5 %	2.5-6.0 %
Expected return on plan assets	2.5-7.2 %	2.5-7.0 %
Social security rate	2.0-3.0 %	2.0-2.8 %
Future salary increase	2.0-4.0 %	2.5-3.5 %
Future pension increase	1.6-3.0 %	1.6-2.5 %

The amounts recognised in the consolidated profit and loss account for defined benefit plans are as follows:

	2003	2002
Current service costs	62	80
Interest on obligation	79	79
Expected return on plan assets	(63)	(77)
Recognised transition, past service and actuarial losses, net	2	3
Recognised in the profit and loss account	**80**	**85**

The amounts recognised in the consolidated balance sheet for defined benefit plans are as follows:

	2003	2002
Present value of funded obligations	1,329	1,294
Fair value of plan assets	(1,084)	(1,147)
Funded obligations, net	245	147
Present value of unfunded obligations	285	245
Unrecognised actuarial losses	(307)	(198)
Unrecognised transition gains/(losses)	1	(6)
Unrecognised past service income	1	1
Net liability for defined benefit plans at 31 December	**225**	**189**

Movements in the net liability recognised in the consolidated balance sheet are as follows:

	2003	2002
Net liability at 1 January before reclassification	189	82
Reclassification	17	96
Net liabilities at 1 January	206	178
Foreign exchange adjustments	3	(2)
Additions from acquired companies, net	3	31
Net expenses recognised	80	85
Contributions	(67)	(103)
Net liability for defined benefit plans at 31 December	**225**	**189**
Other pensions and obligations	28	27
Pensions and similar obligations at 31 December	**253**	**216**

[1] Based on high quality corporate bonds.

25. Contingent liabilities

Operating leases
Operating leases consist of leases and rentals of properties, vehicles (primarily cars) and other equipment. The total expense under operating leases in the profit and loss account amounted to DKK 1,154m (DKK 1,121m in 2002). Assuming the current car fleet etc. is maintained, the future minimum lease payments under operating leases at 31 December 2003 are (DKK 2,396m in 2002):

2004	2005	2006	2007	2008	After 2008	Total lease payment
824	571	413	293	194	325	2,620

DKK 37m of the total future lease payment relates to sub-leasing of properties and cars to associates (CarePartner).

Guarantee commitments
Indemnity and guarantee commitments at 31 December 2003 amounted to DKK 59m (DKK 62m in 2002) of which DKK 31m related to associates (CarePartner).

Bonus schemes and stock options
Members of the Executive Management Board have individual bonus schemes based on EVA® as described on pages 23-24 of this report. The total accumulated balance of their bonus accounts not provided for in the balance sheet amounted to DKK 5m at 31 December 2003 (DKK 5m in 2002).

As described on pages 25-29 of this report, the Company has implemented share-based incentive schemes for members of the Group's Board of Directors and Executive Management Board. As at 31 December 2003, the intrinsic value of these schemes amounted to DKK 0m (DKK 0m in 2002) based on the share price at year-end.

Performance guarantees
The Group has issued performance guarantee bonds for service contracts with an annual turnover of DKK 586m (DKK 524m in 2002) of which DKK 446m (DKK 394m in 2002) are bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry. These performance bonds included DKK 2m related to associates (CarePartner). The Group has not paid any compensation under such performance bonds in recent years.

Outsourcing of IT
As described on page 12 of this report, the Group has signed a 10-year IT-outsourcing agreement with CSC. ISS can terminate the agreement no earlier than with effect from 1 January 2005. The Group's contractual obligation related to the agreement amounted to approximately DKK 209m at 31 December 2003.

Divestments
ISS makes provisions for claims from purchasers or other parties in connection with divestments. Management believes that provisions made at 31 December 2003 are adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestment of companies will not adversely affect the Group's activities, results of operations and financial position.

In 2002, ISS disposed 51% of the airside aviation activities in the UK. The buyer and ISS have agreed that at a subsequent sale of the company to a third party, the proceeds will be allocated to the effect that the original buyer up-front is allocated DKK 5m. Furthermore, the proceeds must compensate the original buyer for any under-funding of defined benefit plan at the time of the third-party sale with an amount of up to DKK 7m.

Legal proceedings
The Group is party to certain legal proceedings. Management believes that these proceedings (which are to a large extent labour cases incidental to its business) will not have a material impact on the Group's financial position.

Other contingent liabilities
In the Annual Report 2002 it was mentioned that ISS Brazil in the first half of 2000 received an enquiry from the local authorities on corporate tax issues for the fiscal year 1989-90. There has been no further development during 2003. ISS has a number of counter-claims and the matter has been investigated by the ISS Brazil management, by KPMG Brazil and by local lawyers. The conclusions from the risk evaluation are that ISS has strong arguments of defence.

26. Derivatives

Contractual values and unrealised gains and losses are specified below for financial instruments used to hedge the foreign exchange risk and the interest rate risk:

Financial instruments	Contractual values	Unrealised gains/(losses) on revaluation to fair value	Included in the profit and loss account for 2003	Taken directly to equity on 31 December 2003	Maturity
Forward foreign currency, purchases:					
EUR	1,720	1	1	-	2004
SEK	246	-	-	-	2004
SGD	74	-	-	-	2004
HKD	69	-	-	-	2004
NOK	54	-	-	-	2004
GBP	52	-	-	-	2004
AUD	23	-	-	-	2004
Others	14	-	-	-	2004
	2,252	**1**	**1**	**-**	
Forward foreign currency, sales:					
EUR	2,446	(1)	(1)	-	2004
SEK	1,403	(5)	(4)	(1)	2004
GBP	876	-	-	-	2004
AUD	266	(17)	-	(17)	2004
CHF	265	-	-	-	2004
USD related	137	1	-	1	2004
SGD	89	(4)	-	(4)	2004
Others	50	-	-	-	2004
	5,532	**(26)**	**(5)**	**(21)**	
Interest rate instruments:					
Interest rate options (EUR) [1]	442	-	-	-	2004
Interest rate futures (EUR) [1]	(1,503)	(3)	(3)	-	2004
Interest rate swaps (EUR), payer	298	(12)	-	(12)	2005
Interest rate swaps (EUR), receiver [2]	6,328	85	78	7	2010
		70	**75**	**(5)**	
Total financial instruments		**45**	**71**	**(26)**	

Hedging of net investments in foreign subsidiaries	Net investments in foreign subsidiaries in DKKm	Hedging in DKKm	Net investments with translation risk in DKKm	Net investments with translation risk in local currency
EUR	2,108	22	2,130	286
GBP	650	(370)	280	26
SEK	527	(336)	191	233
USD related	428	(77)	351	59
AUD	271	(267)	4	1
CHF	220	(134)	86	18
SGD	114	(63)	51	15
Others	510	(46)	464	-
	4,828	**(1,271)**	**3,557**	

For a description of foreign exchange risk, credit risk and interest rate risk, please refer to pages 85-86 of this report.

[1] The underlying assets have a duration of approximately 8 years.
[2] The swap converts the fixed interest rate on the bond loan into a floating interest rate.

27. Related party transactions

None of the Group's related parties have controlling influence. Related parties to the Group with a significant, but not controlling influence are defined as:

Members of the Executive Management Board and the Board of Directors
Apart from remuneration as described on pages 19-20 of this report, there have been no significant transactions with members of the Executive Management Board or the Board of Directors during the year. For a description of business relationships see pages 18-19 of this report.

Joint ventures and associates (specified on pages 134-135 of this report)
Apart from the loan described in note 23, guarantee commitments as described in note 25 and limited transactions related to shared service agreements, there have been no significant transactions with joint ventures or associates during the year. All transactions are made on market terms.

In addition to the above and except from intra-group transactions, which have been eliminated in the consolidated accounts, there have been no material transactions with related parties and major shareholders during the year.

28. Interests in joint ventures

The Group has interests in five joint ventures (six in 2002), which are specified on pages 134-135 of this report. The Group's interests in the five joint ventures' net profit for the year and the balance sheet items are included in the Group's consolidated profit and loss account and balance sheet with the following amounts:

	2003	2002
Turnover	210	428
Operating profit	11	23
Ordinary profit before goodwill amortisation	9	16
Net profit for the year	9	15
Intangible assets [1]	1	13
Tangible assets	15	21
Financial assets	3	1
Deferred tax assets	1	4
Current assets	49	143
Total assets	**69**	**182**
Equity	33	93
Total provisions and Long-term debt	3	26
Current liabilities	33	63
Total equity and liabilities	**69**	**182**

[1] Excluding goodwill arising from the acquisition of the joint venture.

29. Fees to Group auditors

	2003	2002
Audit fees: [1]		
KPMG	26	28
Deloitte	1	1
	27	**29**
Fees, other than audit fees: [2]		
KPMG	12	15
Deloitte	0	0
	12	**15**

[1] Audit fees comprise audit of the Consolidated Financial Statements and local statutory audit.
[2] Fees, other than audit fees primarily include assistance in relation to acquisitions and divestments, tax advisory services and other advisory services.

30. Earnings per share	2003	2002
Ordinary profit before goodwill amortisation	**1,179**	**1,115**
Weighted average number of shares:		
Number of shares 1 January	43,928,067	42,217,075
Own shares, average	(155,675)	(151,419)
Share issue, average	-	985,875
Share issue to employees, average	222,732	231,287
Weighted average number of shares	**43,995,124**	**43,282,818**
Basic earnings per share, DKK	**26.8**	**25.8**

Diluted earnings per share

At the existing hedging by own shares the dilution per share from warrants/options being "in-the-money" was DKK 0.0 as at 31 December 2003 (DKK 0.0 in 2002). At the existing hedging by own shares the maximum potential dilution from warrants/options as at 31 December 2003 amounted to approximately 5.0% (3.5% in 2002). The theoretical value dilution from warrants/options as at 31 December 2003 amounts to approximately 0.8% (0.3% in 2002) of the Group's market capitalisation using the Black-Scholes formula (please refer to pages 28-29 of this report for further details).

Parent Company Accounts

PROFIT AND LOSS ACCOUNT OF THE PARENT COMPANY

1 January – 31 December. Amounts in DKKm

	2003	2002	2001	Note
Revenue, net	**405**	**529**	**472**	1
Staff costs	(96)	(108)	(92)	2
Other operating expenses	(90)	(56)	(66)	
Depreciation and amortisation	(15)	(14)	(11)	6, 7
Operating profit before other income and expenses	**204**	**351**	**303**	
Other income and expenses, net	(8)	80	4	3
Operating profit	**196**	**431**	**307**	
Income from subsidiaries	525	233	201	
Financial income and expenses, net	54	71	77	4
Other financial income, net	33	-	-	
Ordinary profit before tax	**808**	**735**	**585**	
Tax on ordinary profit	(522)	(489)	(363)	5
Net profit for the year	**286**	**246**	**222**	
Proposed appropriation of net profit:				
Dividends	177	88	-	
Retained earnings	109	158	222	
	286	**246**	**222**	

BALANCE SHEET OF THE PARENT COMPANY

At 31 December. Amounts in DKKm

Note	**Assets**	2003	2002	2001
6	Software	22	50	34
	Total intangible assets	**22**	**50**	**34**
7	Fixtures, IT equipment etc.	21	17	15
	Total tangible assets	**21**	**17**	**15**
8	Investments in subsidiaries	5,980	5,997	5,729
8	Other securities and receivables	5	3	172
	Total financial assets	**5,985**	**6,000**	**5,901**
	Total fixed assets	**6,028**	**6,067**	**5,950**
	Receivables from subsidiaries	114	970	171
	Other receivables	17	30	40
	Securities	17	596	643
	Liquid funds	1,819	2	35
	Total current assets	**1,967**	**1,598**	**889**
	Total assets	**7,995**	**7,665**	**6,839**

Equity and liabilities	2003	2002	2001	Note
Share capital	886	878	844	9
Share premium account	17	583	48	
Reserves	6,730	5,870	5,729	
Total equity	**7,633**	**7,331**	**6,621**	
Deferred tax liabilities	148	128	36	5
Other provisions	2	2	3	10
Total provisions	**150**	**130**	**39**	
Trade creditors and accrued expenses	132	90	86	
Amounts owed to subsidiaries	6	1	2	
Corporation tax	74	113	91	5
Total current liabilities	**212**	**204**	**179**	
Total equity and liabilities	**7,995**	**7,665**	**6,839**	
Contingent liabilities				11
Fees to Company auditors				12

STATEMENT OF EQUITY OF THE PARENT COMPANY

At 31 December. Amounts in DKKm

Note	Equity	Share capital	Share premium	Retained earnings	Own shares	Foreign exch. adj.	Total equity
	2001						
	Equity at 1 January 2001	803	1,003	3,890	(66)	48	5,678
	Transfer	-	(1,703)	1,699	4	-	-
	Foreign exchange adj. of subsidiaries [1]	-	-	-	-	(52)	(52)
	Deferred losses on hedging derivatives	-	-	(16)	-	-	(16)
	Share issue	34	700	-	-	-	734
	Employee shares	7	48	-	-	-	55
	Net profit for the year	-	-	222	-	-	222
	Equity at 31 December 2001	**844**	**48**	**5,795**	**(62)**	**(4)**	**6,621**
	2002						
	Equity at 1 January 2002	844	48	5,795	(62)	(4)	6,621
	Foreign exchange adj. of subsidiaries [1]	-	-	-	-	(106)	(106)
	Deferred gains on hedging derivatives	-	-	6	-	-	6
	Share issue	26	492	-	-	-	518
	Employee shares	8	43	-	-	-	51
	Purchase/disposal of own shares, net [2]	-	-	(67)	62	-	(5)
	Net profit for the year	-	-	158	-	-	158
	Proposed dividends	-	-	88	-	-	88
	Equity at 31 December 2002	**878**	**583**	**5,980**	**-**	**(110)**	**7,331**
	2003						
	Equity at 1 January 2003	878	583	5,980	-	(110)	7,331
	Dividends paid	-	-	(88)	-	-	(88)
	Transfer	-	(583)	583	-	-	-
	Foreign exchange adj. of subsidiaries [1]	-	-	-	-	(99)	(99)
	Deferred gains on hedging derivatives	-	-	6	-	-	6
9	Employee shares	8	17	-	-	-	25
	Tax regarding employee shares	-	-	172	-	-	172
	Net profit for the year	-	-	109	-	-	109
	Proposed dividends	-	-	177	-	-	177
	Equity at 31 December 2003	**886**	**17**	**6,939**	**-**	**(209)**	**7,633**

[1] Net of hedges.
[2] Including options settled.

Amounts in DKKm

1. Revenue, net	2003	2002
Revenue from subsidiaries	436	530
Paid to subsidiaries	(31)	(1)
Revenue, net	**405**	**529**

2. Staff costs	2003	2002
Wages and salaries	(95)	(106)
Pensions	(1)	(2)
Social charges and other costs	(0)	(0)
Staff costs	**(96)**	**(108)**
Average number of employees	65	71

Remuneration to the Company's Board of Directors amounted to DKK 2.5m (DKK 2.0m in 2002). Salaries to the Company's Executive Management Board (EMB) amounted to DKK 21.8m (DKK 27.0m in 2002).

3. Other income and expenses, net	2003	2002
Concept development (washroom services and pest control)	-	(6)
Costs related to downscaling of head office	-	(13)
Gain on sale of Sophus Berendsen shares, net	-	106
Redundancy payments relating to organisational adjustments	(5)	-
Other, net	(3)	(7)
Other income and expenses, net	**(8)**	**80**

4. Financial income and expenses, net	2003	2002
Interest income on loans to subsidiaries	0	1
Other interest income	57	73
Financial income	**57**	**74**
Financial expenses	(3)	(3)
Financial expenses	**(3)**	**(3)**
Financial income and expenses, net	**54**	**71**

5. Tax	2003			2002		
	Tax in the profit and loss account	Corporation tax payable/ (receivable)	Deferred tax liability/ (asset)	Tax in the profit and loss account	Corporation tax payable/ (receivable)	Deferred tax liability/ (asset)
Balance at 1 January	-	113	128	-	91	36
Adjustments relating to prior years	3	(5)	-	(1)	1	(4)
Tax regarding employee shares	-	(168)	(2)	-	-	-
Tax on ordinary profit	(76)	86	(10)	(151)	147	4
Tax on income from subsidiaries	(449)	-	-	(337)	-	-
	(522)	**26**	**116**	**(489)**	**239**	**36**
Adjustment regarding joint taxation	-	-	(32)	-	-	(92)
Paid relating to prior years	-	(40)	-	-	94	-
Tax regarding employee shares	-	(168)	-	-	-	-
Paid on account for the year	-	160	-	-	32	-
Paid in the year	**-**	**(48)**	**(32)**	**-**	**126**	**(92)**
Tax at 31 December	**(522)**	**74**	**148**	**(489)**	**113**	**128**

6. Intangible assets	Software
Cost at 1 January 2003	69
Additions	22
Disposals	(47)
Cost at 31 December 2003	**44**
Amortisation at 1 January 2003	(19)
Amortisation	(9)
Disposals	6
Amortisation at 31 December 2003	**(22)**
Carrying amount at 31 December 2003	**22**
Carrying amount at 31 December 2002	**50**

7. Tangible assets	Fixtures, IT equipment etc.
Cost at 1 January 2003	35
Additions	11
Disposals	(4)
Cost at 31 December 2003	**42**
Depreciation at 1 January 2003	(18)
Depreciation	(6)
Disposals	3
Depreciation at 31 December 2003	**(21)**
Carrying amount at 31 December 2003	**21**
Carrying amount at 31 December 2002	**17**

8. Financial assets	Investments in subsidiaries	Other securities and receivables
Cost at 1 January 2003	8,397	3
Additions	-	0
Cost at 31 December 2003	**8,397**	**3**
Revaluation at 1 January 2003	(2,400)	-
Foreign exchange adjustments, net of hedges	(99)	-
Deferred gains on hedging derivatives	6	-
Net profit for the year	76	2
Revaluation at 31 December 2003	**(2,417)**	**2**
Carrying amount at 31 December 2003	**5,980**	**5**
Carrying amount at 31 December 2002	**5,997**	**3**

9. Share capital

In June 2003, the Company issued 381,827 new shares in an employee share programme. The total costs of the share issue amounted to approximately DKK 2m and comprise fees to banks, lawyers and auditors. The costs have been charged to the Share premium account.

The share capital consists of 44,309,894 shares of DKK 20 nominal value each. As at 31 December 2003, the shares were officially quoted at DKK 291. As at 31 December 2003, Fidelity Investments, ATP (the Danish Labour Market Supplementary Pension Scheme) and Franklin Templeton each held more than 5% of the Company's share capital.

As at 31 December 2003, members of the Executive Management Board and the Board of Directors held a total of 26,614 shares (2002: 24,467 shares).

For a specification of the development in the share capital, please refer to note 19 of the Consolidated Financial Statements.

10. Other provisions	
Carrying amount at 1 January 2003	2
Provisions used during the year	-
Carrying amount at 31 December 2003	**2**

11. Contingent liabilities

Operating leases
Operating leases consist of leases and rentals of properties, cars and other equipment. The total expense under operating leases in the profit and loss account amounted to DKK 13m (DKK 10m in 2002). Assuming the current car fleet etc. is maintained, the future minimum lease payments under operating leases at 31 December 2003 are (DKK 24m in 2002):

2004	2005	2006	2007	2008	After 2008	Total lease payment
12	4	3	2	1	3	25

Bonus schemes and stock options
Members of the Executive Management Board have individual bonus schemes based on EVA® as described on pages 23-24 of this report. The total accumulated balance of their bonus accounts not provided for in the balance sheet amounted to DKK 5m at 31 December 2003 (DKK 5m in 2002).

As described on pages 25-29 of this report, the Company has implemented share-based incentive schemes for members of the Group's Board of Directors and Executive Management Board. As at 31 December 2003, the intrinsic value of these schemes amounted to DKK 0m (DKK 0m in 2002) based on the share price at year-end.

Tax and VAT
The Company and the other Danish jointly-taxed companies are jointly liable for the taxes on the income subject to joint taxation. Furthermore, the Company and some of the Danish subsidiaries are jointly registered for VAT and are jointly liable for the payments hereof.

Declarations to banks
The Company has issued Parent Company declarations to the core banks related to bilateral committed loan agreements between the banks and ISS Global A/S. The Parent Company declarations constitute an undertaking by ISS A/S not to take certain actions.

12. Fees to Company auditors

	2003	2002
Audit fees: [1]		
KPMG	1	1
Deloitte	1	1
	2	**2**
Fees, other than audit fees: [2]		
KPMG	1	1
Deloitte	-	0
	1	**1**

[1] Audit fees comprise statutory audit of the Consolidated Financial Statements and of the Company's Financial Statements.

[2] Fees, other than audit fees primarily include assistance in relation to acquisitions and divestments, tax advisory services and other advisory services.

Definitions

$$\text{Cash conversion, \%} = \frac{\text{Free cash flow} \times 100}{\text{Ordinary profit before goodwill amortisation}}$$

$$\text{Debt to book equity ratio, \%} = \frac{\text{Interest-bearing debt, net} \times 100}{\text{Total equity}}$$

$$\text{Debt to total enterprise value ratio, \%} = \frac{\text{Interest-bearing debt, net} \times 100}{\text{Enterprise value}}$$

$$\text{Dividends per share} = \frac{\text{Dividends declared}}{\text{Average number of shares}}$$

$$\text{Earnings per share before goodwill amortisation} = \frac{\text{Ordinary profit before goodwill amortisation}}{\text{Average number of shares}}$$

$$\text{Earnings per share} = \frac{\text{Net profit from ordinary activities}}{\text{Average number of shares}}$$

Enterprise value = Interest-bearing debt, net + Market capitalisation

$$\text{Equity ratio, \%} = \frac{\text{Total equity} \times 100}{\text{Total assets}}$$

Free cash flow = Cash flow from operating activities - Investments in intangible and tangible assets, net

$$\text{Free cash flow per share} = \frac{\text{Free cash flow}}{\text{Average number of shares}}$$

Interest-bearing debt, net = Long-term debt + Current portion of long-term debt + Interest-bearing loans and borrowings - Liquid funds - Securities

$$\text{Interest coverage} = \frac{\text{Operating profit before other income and expenses + Depreciation and amortisation}}{\text{Financial income and expenses, net}}$$

$$\text{Operating margin, \%} = \frac{\text{Operating profit before other income and expenses} \times 100}{\text{Turnover}}$$

$$\text{Return on equity before tax, \%} = \frac{\text{Ordinary profit before tax and goodwill amortisation} \times 100}{\text{Average Total equity}}$$

Lease adjusted figures

Operating leases are adjusted for according to the methodology used by Standard & Poor's. The adjustments are summarised below. Details about the methodology are available from Standards & Poor's on request.

$$\text{Free funds from operations to net debt ratio, \%} = \frac{\text{(Cash flow from operating activities – Changes in working capital + lease depreciation)} \times 100}{\text{Interest-bearing debt, net}}$$

Interest-bearing debt, net = Interest-bearing debt, net + implied off-balance sheet financing

$$\text{Interest coverage} = \frac{\text{(Operating profit before other income and expenses + Depreciation and amortisation + implied interest charge)} \times 100}{\text{Financial expenses, net + implied interest charge}}$$

The implied interest charge is the estimated financial cost that would have been incurred, if leased assets were debt financed. Lease depreciation is calculated by subtracting the implicit interest charge from the lease payment. Implied off-balance sheet financing is the net present value of future minimum lease payments using a discount rate of 10%.

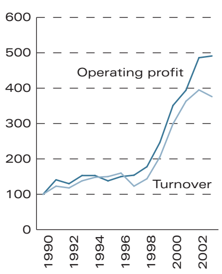
River of Ignorance, Michael Kvium
(Oil on canvas)
The painting shows how lost we are as humans. In the great picture of life we are but a split-second of being, naked and ignorant while nature (the trees) surpass us and remain.

Company Information

ISS in Brief

Turnover and operating profit 1990 - 2003

Index 1990 = 100



With more than 125,000 business-to-business customers, ISS is a leading facility services provider with operations in 38 countries in Europe, Asia, Australia and South America.

ISS employs approximately 245,000 people, the vast majority in the front-line delivery of services.

Through a network of local operations, ISS offers facility services on an international scale, leveraging knowledge and experience between countries to the benefit of its customers. It is ISS' ambition to develop partnerships with its customers, enabling them to focus attention and resources on their core business by outsourcing a broad range of support services to ISS.

HISTORY

ISS originates back to the beginning of the 20th century. Selected key milestones of the Group's history are listed below.

ISS milestones

1901	The basis for the ISS Group is created by the establishment of a small guarding company
1934	Det Danske Rengørings Selskab A/S (The Danish Cleaning Company) is established as an independent subsidiary of the guarding company
1943	Activities commence in Sweden – the Group's first geographical expansion outside Denmark
1973	The Group changes its name to ISS
1975	Group turnover reaches DKK 1 billion
1977	Listing of ISS shares on the Copenhagen Stock Exchange
1979	ISS acquires a company in the US
1996	ISS divests its US activities
1997	The strategy *aim2002* is launched. This strategy focuses on multi-services – selling a number of services to the same customer
1999	ISS acquires Abilis, the second largest European provider of cleaning and specialised services, in a DKK 3.6 billion acquisition, the Group's largest ever. Abilis had about 50,000 employees and an annual turnover of DKK 5.2 billion in 1998
2000	Eric S. Rylberg appointed CEO. A new five-year strategy **create2005** is launched introducing the facility services concept
2003	ISS' first major pan-European facility services contract signed

BUSINESS AREAS

Facility Services

Approximately 90% of ISS' turnover is derived from the business area Facility Services, which coveres a range of business support services within cleaning, property services, canteen and office support services.

Business Builds

Approximately 10% of ISS' operations are organised in three separate international business units, which have been carved out of the Facility Services organisations:

- Damage Control:
  After-damage restoration services
- Food Hygiene:
  Hygiene service solutions to customers in the food industry
- Health Care:
  Operation of private hospitals and clinics

ORGANISATION

ISS' head office is located in Copenhagen, Denmark. The Facility Services business is managed through a country-based organisation while the three Business Builds are organised as international operations.

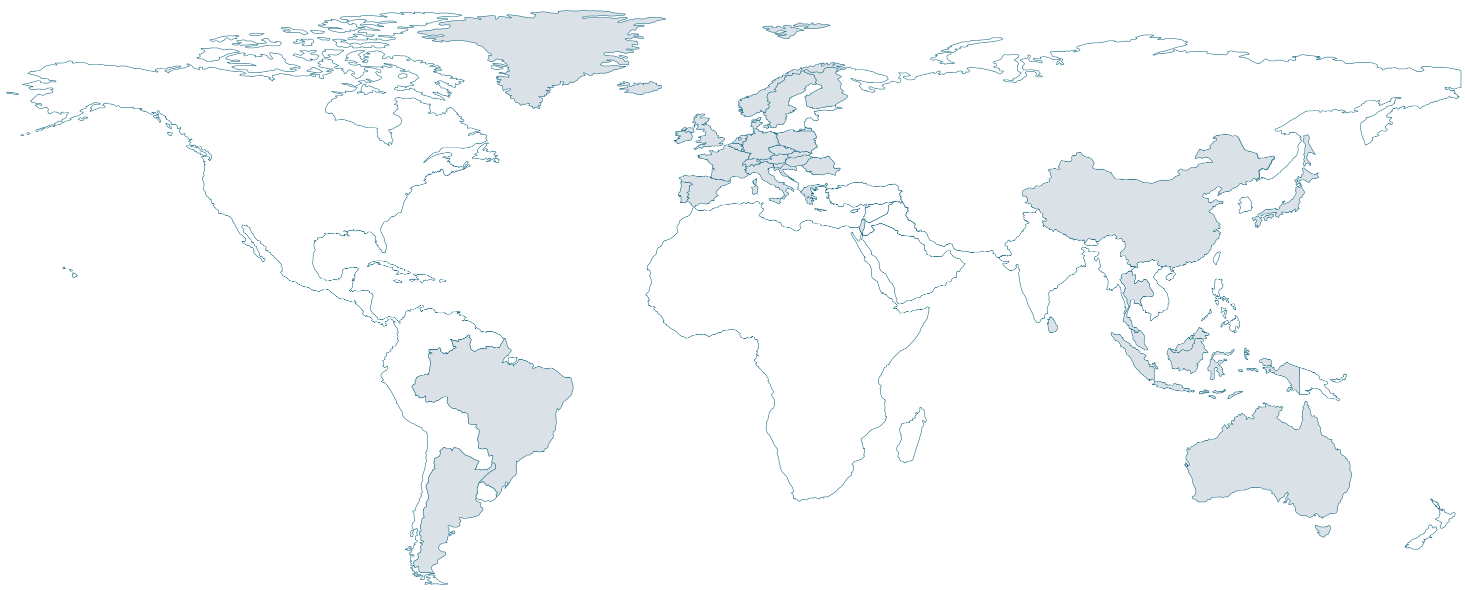
This structure enables the Group to customise its service offering to meet local demands while at the same time offering cross-border solutions.

OWNERSHIP

The parent company, ISS A/S, is listed on the Copenhagen Stock Exchange and has approximately 16,000 shareholders. Approximately 70% of the shares are held by investors based outside Denmark.

VISION

Advance the Facility Services industry and lead it - globally



FACT SHEET

Key figures 2003

Turnover	DKK 36 billion (EUR 4.9 billion)
Operating profit	DKK 2 billion (EUR 273 million)
Market capitalisation, 31 Dec.	DKK 12.9 billion (EUR 1.7 billion)
Enterprise value, 31 Dec.	DKK 17.7 billion (EUR 2.4 billion)
Employees	245,000

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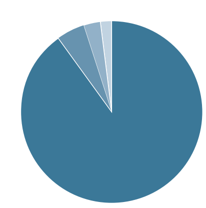
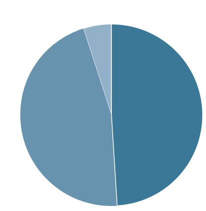
Turnover 2003



Facility Services	90%
Damage Control	5%
Food Hygiene	3%
Health Care	2%

Turnover 2003



Continental Europe	49%
Northern Europe	46%
Overseas	5%

Acquistions and Divestments

During 2003, the Group made 51 acquisitions [1)]

Company	Service segment	Country	Profit and loss consolidated from	Turnover DKKm [2)]	Goodwill DKKm [2)]	Acquisition and integration costs, DKKm [2)]	Number of employees [2)]
Spectrum Holding Ltd. (Rainbow)	Damage Control	UK	January	44	107	6	51
Fioso Oy	Facility Services	Finland	February	9	3	0	20
Partasen Talohuolto Oy	Facility Services	Finland	February	3	2	0	16
Steinbauer GmbH	Facility Services	Austria	February	31	28	0	47
Ocab i Östergötland AB	Damage Control	Sweden	February	6	1	0	10
Group 3S NV	Facility Services	Belgium	February	32	6	0	160
FAURE Sarl	Facility Services	France	March	4	1	0	9
Securitas Grønland A/S	Facility Services	Greenland	March	23	18	1	33
Arribox SBE	Facility Services	Italy	March	16	19	2	20
Bavaria Brandsanierung GmbH	Damage Control	Germany	April	44	19	5	24
Abbey Pest Control Services Ltd.	Facility Services	Ireland	April	4	7	0	7
UKT Group	Damage Control	Finland	April	14	12	1	29
Lilja & Co	Facility Services	Sweden	April	27	11	0	110
Kiinteistöhuolto Sormunen Oy	Facility Services	Finland	May	4	2	0	13
Grupo Garcia	Facility Services	Spain	May	82	56	3	654
Ketol AG	Facility Services	Switzerland	June	27	32	3	26
Pest Consult International	Facility Services	Spain	June	6	8	1	20
Force Sud Hygiene Sarl	Facility Services	France	July	9	11	1	21
ELAPARC	Facility Services	France	July	21	5	0	60
Rånäs Rehabiliteringscenter AB and Knivsta Rehabilitering AB	Health Care	Sweden	July	52	41	1	105
Drielanden Groep	Facility Services	Netherlands	July	124	29	6	217
Rengøringsselskabet, Aasiaat	Food Hygiene	Greenland	July	6	2	0	20
Impressions Cleaning Scotland Ltd	Facility Services	UK	July	36	15	2	600
A. J. Sjong	Facility Services	Norway	August	36	8	0	46
Waterers Landscape (Holdings) Plc	Facility Services	UK	August	217	103	2	598
Jyväskylän Aulapalvelut Oy	Facility Services	Finland	August	2	1	0	5
Airmatic Group	Facility Services	Finland	August	8	4	0	13
Wizard Pest Control	Facility Services	Australia	August	3	4	0	5
Cosmo	Facility Services	Spain	August	67	42	3	708
Limpiezas Garayalde Navarra S.A	Facility Services	Spain	August	15	10	2	322
Ballina Contract Cleaners	Facility Services	Ireland	September	2	1	0	20
Celtic PHS	Facility Services	Ireland	September	2	3	0	2
Desma S.A.	Facility Services	Spain	September	10	9	1	25
Jardin des Pierres Dorées	Facility Services	France	September	34	12	0	49
Limpiezas Garayalde Baleares S.A.	Facility Services	Spain	September	23	11	3	386
Jäävuori Group	Facility Services	Finland	October	12	3	0	24
Alpha Services Hygiène SARL	Facility Services	France	October	5	4	0	12
Food Hygiene Technics	Food Hygiene	Belgium	October	29	12	0	175
Hygiéne Contrôle S.A.	Facility Services	France	October	2	2	0	5
Mjöll ræstingardeild	Food Hygiene	Iceland	October	5	4	0	63
Blineau Espaces Verts	Facility Services	France	October	15	5	0	33
De Punt	Facility Services	Netherlands	October	75	12	3	165
Hjem og Industrirenhold	Facility Services	Norway	November	3	1	0	10
Svalbard Reiser AS	Facility Services	Norway	November	6	3	0	8
Swan Group	Facility Services	Australia	November	1	2	0	2
L&T Kotka and Karhula	Facility Services	Finland	November	5	2	0	14
Sanico Hygiene Services	Facility Services	Australia	November	5	10	0	15
Group Tesson	Facility Services	France	November	52	26	0	98
HF-Siivous Oy	Facility Services	Finland	December	7	2	0	148
Muraka Groep BV	Facility Services	Netherlands	December	7	4	0	13
Grupo Serdesa	Facility Services	Spain	December	8	9	1	19
Total				**1,280**	**744**	**47**	**5,255**

From 1 January to 4 March 2004, the Group has made 25 acquisitions [1)]

Company	Service segment	Country	Profit and loss consolidated from	Turnover DKKm [2)]	Number of employees [2)]
Anticimex Building Environment	Damage Control	Norway	January	64	158
Adviso Office AS	Facility Services	Norway	January	82	67
Clean Tekstil Service	Facility Services	Norway	January	10	19
AGS Gebäudereinigung GmbH	Facility Services	Austria	January	100	700
Pohjolan Euroilma Oy	Facility Services	Finland	January	21	17
Hygiene Haut-Rhinoise	Facility Services	France	January	1	0
Assainic SNC	Facility Services	France	January	15	28
Harrwood Services Ltd.	Facility Services	UK	January	43	897
MTH-Palvelu	Facility Services	Finland	January	4	20
Kiinteistöhuolto Suoknuuti	Facility Services	Finland	January	4	15
HS-Maalaus OY	Facility Services	Finland	January	3	7
Novipam	Facility Services	Italy	January	1	3
Erik Nilsen Rengjøring	Facility Services	Norway	January	3	14
ABB MGT	Facility Services	Portugal	January	9	27
Group Force Securité International	Facility Services	France	January	82	400
ServicePartneren	Facility Services	Denmark	February	1	5
STHH-HDH	Facility Services	France	February	4	8
Donegal Vermin Controls	Facility Services	Ireland	February	1	2
Het Groene Team	Facility Services	Netherlands	February	19	50
Cap Invest	Facility Services	France	February	18	350
Party & Dinner N.V.	Facility Services	Belgium	February	99	225
Haagan Putki Oy	Facility Services	Finland	March	19	31
Olssons Städ AB	Facility Services	Sweden	March	17	135
Eaton Fine Dining Limited	Facility Services	UK	March	214	560
Melin Participations	Facility Services	France	March	49	52
Total				**883**	**3,790**

During 2003, the Group has divested the following activities [1)]

Company/activity	Service segment	Country	Month of disposal	Turnover DKKm [2)]
Cofor	Facility Services	France	January	68
Runway	Facility Services	Austria	April	1
AICO	Facility Services	Slovenia	April	4
Valet Services	Facility Services	Israel	May	2
Babolna Bio	Facility Services	Hungary	May	61
ISS Data	Innovation	Denmark	June	17
Kleesattel	Facility Services	Germany	July	68
Total				**221**

Effective in February 2004, ISS has divested the industrial services activities of Damage Control in Norway with an annual turnover of approximately DKK 28 million.

1) As a general rule, acquisitions or divestments are notified to the Copenhagen Stock Exchange if the turnover of the acquired or divested company is above 2% of Group turnover. Smaller acquisitions and divestments are announced on the Group's website, www.issworld.com, when they are signed.

2) Approximate figures based on information available at the time of acquisition or divestment.

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MARCH 2004

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Subsidiaries, Joint Ventures and Associates [1)]

ISS A/S

ISS GLOBAL A/S 100%

ISS FINANS A/S 100%

ISS GLOBAL A/S

Argentina

ISS Argentina S.A.	100%

Australia

WA Flick & Co. Pty. Ltd.	100%

Austria

ISS Airest Bodenabfertigungsdienste GmbH	51%
ISS Central Europe Holding GmbH	100%
ISS Hygiene Dienstleistungs GmbH	100%
ISS Servisystem GmbH	100%
Steinbauer GmbH	100%

Belgium

ISS Food N.V.	100%
ISS N.V.	100%
Prohygiena S.A.	100%

Brazil

ISS Servisystem Com.e Ind. Ltda.	100%

Brunei

ISS Thomas Cowan Sdn. Bhd.	50%

China

ISS ESGO Beijing Xin Sha Building Services Co. Ltd.	50%**

Croatia

ISS Multiservice d.o.o.	70%

Czech Republic

ISS Automotive spol s.r.o.	100%
ISS Ceská Republika spol s.r.o.	100%

Denmark

Albertslund Kloakservice ApS	100%
Fjordkøkkenet A/S	51%
House of Coffee A/S	100%
Interfurn A/S	50%
ISS Danmark A/S	100%
ISS Food Hygiene A/S	100%
ISS Funding A/S	100%
ISS Industri- og Skadeservice A/S	100%
ISS Venture A/S	100%
Slotsholmen Teknik A/S	50%

Finland

ISS Suomi Oy	100%
ISS Tekniset Palvelut Oy	100%
ISS Vahinkosaneeraus Oy	100%
Lounas-Suomi Oy	52%
Projektikonsultit Oy	100%
Rauman Siivouskeskus Oy	80%
Suomen Laatutakuu Palvelut Oy	100%

France

Alpha Services Hygiene Sarl	100%
Arden Espaces Verts SAS	100%
ATB SAS	100%
Atlantique Paysages SAS	100%
Blineau SA	100%
Boissur SA	100%
Brio SAS	100%
CGEV SA	100%
Channel P.S. SAS	100%
CSCOM SARL	100%
ElaParc SAS	100%
Espaces Verts Méd. SAS	100%
Eurogestion SAS	100%
FCF Sarl	100%
Force Sud Hygiene Sarl	100%
Intergreen SA	100%
ISS Abilis France	100%
ISS Bati Services SAS	100%
ISS Energie SAS	100%
ISS Holding Paris SA	100%
ISS Hygiene Services SA	100%
ISS Logistique et Production SA	100%
Jardem SAS	100%
Jardin des Pierres Dorées SA	100%
Miège et Piollet SAS	100%
NCI Abilis SAS	100%
Paraxilocentre SA	100%
Paysages de France SAS	100%
Qualitec SA	100%
Sédico SAS	100%
Sema Hygiene SAS	100%
Setap SAS	100%
Sol Verts SAS	100%
Solnet SAS	100%
SSDN SAS	100%
Tesson Paysages SAS	100%
Verts P. Aménagement SAS	100%
ViaPark SAS	100%

Germany

Bavaria Brandsanierung GmbH	100%
ISS Damage Control Deutschland GmbH	100%
ISS Deutschland GmbH	100%
ISS Holding GmbH	100%
ISS HWD GmbH	100%
ISS HWS GmbH & Co. KG	100%
ISS Personaldienst GmbH	100%
ISS Wäscheservice GmbH & Co. KG	100%
Klaus Harren GmbH	100%
Vatro Trocknungs- und Sanierungstechnik GmbH & Co. KG	80%
Vatro Verwaltungs GmbH	80%

Greece

ISS Human Resources S.A.	100%
ISS Servisystem S.A.	100%

Greenland

ISS Grønland A/S	100%

Hong Kong

ISS Environmental Services (HK) Ltd.	100%
ISS Hong Kong Services Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
Reliance Airport Cleaning Services Ltd.	100%
Roboclean (HK) Co. Ltd.	80%

Hungary

ISS Servisystem Kft.	100%

Iceland

ISS Island HF	100%

Indonesia

Pt. ISS Servisystem	100%

Ireland

Contract Cleaners Ltd.	100%
ISS Hygiene Services Ltd.	100%
ISS Ireland Ltd.	100%

Israel	
ISS-Ashmoret Ltd.	50%
Italy	
ISS Facility Services srl	100%
Libco srl	100%
Japan	
ISS Nesco Ltd.	50% *
Luxembourg	
ISS Servisystem Luxembourg S.A.	100%
Malaysia	
ISS Hygiene Services Sdn. Bhd.	100%
ISS Servisystem Sdn. Bhd.	30%
The Netherlands	
De Punt B.V.	100%
Drielanden Groep B.V.	100%
Het Groene Team Vof	50%
ISS Arbo Plus B.V.	100%
ISS Catering Services B.V.	100%
ISS Damage Services B.V.	100%
ISS Food Hygiene B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Hospital Services B.V.	100%
ISS Integrated Services B.V.	100%
ISS Nederland B.V.	100%
ISS Reception Services B.V.	100%
Muraka Groep B.V.	100%
Norway	
ForvaltningsCompagniet AS	51%
Grødegaard AS	48% **
Hero Mottak og Kompetanse AS	50% *
House of Coffee Norge AS	100%
ISS Norge AS	100%
ISS Serveringspartner AS	100%
ISS Skaaret AS	100%
ISS Skadeservice AS	100%
PSP-Procuro Servicepartner AS	100%
Raufoss Beredskap AS	51%
Serveringspartner AS	50%
Telenor Renhold og Kantine AS	50%
Vaktmester Kompaniet AS	100%
Poland	
ISS Multiservice Sp. z.o.o.	100%
Portugal	
ISS Servisystem Serviços de Limpeza, Lda.	100%
Romania	
3D Romania S.A.	98%
Singapore	
Essential Services Pte. Ltd.	100%
ISS Hygiene Services Pte. Ltd.	100%
ISS Sanitation Services Pte. Ltd.	100%
ISS Servisystem Pte. Ltd.	100%
Serve1st Services Pte. Ltd.	100%
Slovakia	
ISS Automotive s.r.o.	100%
ISS Security s.r.o.	100%
ISS Servisystem s.r.o.	100%
Slovenia	
ISS Servisystem d.o.o.	100%
Spain	
Desma S.A.	100%
Gelim S.A.	100%
Integrated Service Solutions Holding Spain S.L.	100%
ISS European Cleaning System S.A.	100%
Pest Control International S.A.	100%
Serdesa S.A.	100%
Sri Lanka	
ISS Abans Environmental Services (PT) Ltd.	50% *
Sweden	
CarePartner Sverige AB	49% **
FysiologLab i Stockholm AB	100%
ISS Ecuro Sverige AB	100%
ISS Health Care AB	100%
ISS Industri- och Skadeservice AB	100%
ISS Rehab AB	100%
ISS Sverige AB	100%
ISS TraffiCare AB	100%
Lemonia AB	100%
M & M Medical Holding AB	100%
Teleoffice Call Center Scandinavia AB	100%
Switzerland	
Anderhub AG	100%
Deratex S.A.	100%
E. Fritz AG	100%
Ewald Benz AG	100%
ISS Aviation AG	72%
ISS Aviation SA	72%
ISS Bernasconi SA	100%
ISS COMMultiservice AG	80%
ISS Facility Services AG	100%
ISS Facility Services AG (Liechtenstein)	100%
ISS Holding AG	100%
Ketol AG	100%
Thailand	
ISS Facility Services Co. Ltd.	100%
UK	
Fernley Airport Services Ltd.	49% **
ISS Damage Control Limited	100%
ISS Damage Control (Scotland) Limited	76%
ISS Facility Services Ltd.	100%
ISS Finance and Investment (Bishop Auckland) Ltd.	100%
ISS Food Hygiene Ltd.	100%
ISS Mediclean Ltd.	100%
ISS UK Ltd.	100%
Spectrum Ltd.	100%
Spectrum Franchising Limited	100%
Waterers Landscape (Holdings) Plc	100%

ISS FINANS A/S

Denmark	
ISS Reinsurance A/S	100%

[1] Undertakings of immaterial interest are left out.

* Joint Venture
** Associate

Board of Directors

Erik Sørensen (59)
Chairman.
Member of the Board of
ISS A/S since 1996.
Latest re-election in 2003.
Election period expires in 2005.
President and CEO of
Chr. Hansen Holding A/S.
Number of shares: 2,000 (2002: 1,000).
Stock options: 7,500 (2002: 7,500).
Member of the remuneration committee
and the nomination committee.

Claus Høeg Madsen (58)
Member of the Board of ISS A/S since 2003.
Election period expires in 2005.
Partner in the law firm Jonas Bruun.
Member of the Board of Nordea AB,
Genpack A/S, Singer Danmark A/S,
Scanbox Entertainment Danmark A/S and
Ejendomsselskabet Ny Mårumvej 260 A/S.
Number of shares: 120 (2002: 0).
Member of the nomination committee.

Lars Vestergård*) (29)
Member of the Board of
ISS A/S since 2003.
Election period expires in 2007.
Vice President, Treasurer.
Joined ISS in 2000.
Number of shares: 621 (2002: 414).

Tom Knutzen (41)
Member of the Board of
ISS A/S since 2002.
Election period expires in 2004.
President and CEO of NKT
Holding A/S.
Chairman of the Board of NKT Flexibels I/S.
Member of the Board of FLS
Industries A/S.
Number of shares: 1,052 (2002: 552).
Member of the remuneration committee
and the nomination committee.

Sven Riskær (65)
Vice-chairman.
Member of the Board of ISS A/S since 1987.
Latest re-election in 2002.
Election period expires in 2004.
Managing Director of The Industrialization Fund for Developing Countries (IFU), The Investment Fund for Central and Eastern Europe (IØ) and the Investment Fund for the Emerging Markets (IFV);
Chairman of the Board of Dansk Olie og Naturgas A/S and Kapacitet A/S; Member of the Board of Air Liquide/Hede Nielsen A/S, C.L. Davids Legat and Ejendomsselskabet Vennelyst A/S.
Number of shares: 700 (2002: 700).
Stock options: 5,000 (2002: 5,000).
Member of the remuneration committee and the nomination committee.

Flemming Quist*) (39)
Member of the Board of ISS A/S since 1999.
Latest re-election in 2003.
Election period expires in 2007.
Finance Manager.
Joined ISS in 1996.
Number of shares: 856 (2002: 700).
Stock options: 5,000 (2002: 5,000).

Karina Deacon*) (34)
Member of the Board of ISS A/S since 1999.
Latest re-election in 2003.
Election period expires in 2007.
Senior Vice President, Corporate Finance and Control.
Joined ISS in 1997.
Number of shares: 1,071 (2002: 915).
Stock options: 5,000 (2002: 5,000).
Warrants: 5,000 (2002: 0).

Peter Lorange (61)
Member of the Board of ISS A/S since 1998.
Latest re-election in 2003.
Election period expires in 2005.
President of International Institute for Management Development (IMD), Switzerland;
Member of the Board of Stream Serve AB, Christiania Eiendomsselskap A/S, Copenhagen Business School, Intentia AB and S. Ugelstad Skipsrederi A/S.
Number of shares: 1,500 (2002: 0).
Stock options: 5,000 (2002: 5,000).
Member of the nomination committee.

*) Elected by the employees.

Group Management

Eric S. Rylberg (47)
Group Chief Executive Officer.
Chairman of the Executive
Management Board.
Member of the Executive
Management Board since 1997.
Joined ISS in 1997.
Number of shares: 8,007 (2002: 7,851).
Stock options: 250,000 (2002: 200,000).

Thorbjørn Graarud (50)
Group Chief Operating Officer.
Member of the Executive
Management Board since 2002.
Joined ISS in 1985.
Number of shares: 5,719 (2002: 5,563).
Stock options: 50,000 (2002: 25,000).
Warrants: 44,000 (2002: 44,000).

Jesper E. Møller (48)
Executive Vice President,
External Affairs and Human Capital.
Joined ISS in 1999.
Member of the Board of Pebas Scandinavia as.
Number of shares: 2,286 (2002: 2,130).
Warrants: 54,000 (2002: 44,000).

Søren Kongsbak (46)
International Business Director.
Joined ISS in 1997.
Number of shares: 1,931 (2002: 1,140).
Warrants: 25,900 (2002: 15,900).

Stig Pastwa (36)
International Business Director.
Joined ISS in 1998.
Number of shares: 916 (2002: 760).
Warrants: 26,400 (2002: 16,400).

Jens E. Olesen (41)
Executive Vice President,
Mergers and Acquisitions.
Joined ISS in 1998.
Number of shares: 1,818 (2002: 1,662).
Warrants: 21,700 (2002: 11,700).

Karsten Poulsen (40)
Group Chief Financial Officer.
Member of the Executive
Management Board since 2002.
Joined ISS in 1998.
Number of shares: 2,817 (2002: 2,661).
Stock options: 50,000 (2002: 25,000).
Warrants: 44,000 (2002: 44,000).

Flemming Schandorff (55)
Group Chief Operating Officer.
Member of the Executive
Management Board since 2002.
Employed with ISS from 1973-1994
and since 2000.
Member of the Board of Modulex A/S.
Number of shares: 2,151 (2002: 1,995).
Stock options: 50,000 (2002: 25,000).
Warrants: 44,000 (2002: 44,000).

Kristian Tuft (42)
International Business Director.
Joined ISS in 1999.
Number of shares: 1,101 (2002: 945).
Warrants: 26,900 (2002: 16,500).

Henrik Andersen (36)
Senior Vice President,
Corporate Treasury.
Joined ISS in 2000.
Number of shares: 1,174 (2002: 1,018).
Warrants: 22,200 (2002: 12,200).

Henrik Juul Nordenlund (40)
International Business Director.
Joined ISS in 1999.
Number of shares: 1,795 (2002: 1,639).
Warrants: 25,000 (2002: 19,000).

Carsten Rich (59)
Senior Vice President,
General Councel.
Joined ISS in 1990.
Number of shares: 2,448 (2002: 1,992).
Warrants: 19,200 (2002: 9,200).

Quarterly Financial Figures [1)]

Amounts in DKKm	Q1 2003		Q2 2003		Q3 2003		Q4 2003	
Turnover								
Facility Services	8,046		8,143		8,014		8,373	
Damage Control	430		437		497		454	
Food Hygiene	262		265		262		286	
Health Care	141		137		130		160	
Innovation	38		31		28		31	
Group	**8,917**		**9,013**		**8,931**		**9,304**	
Northern Europe	4,182		4,150		4,045		4,285	
Continental Europe	4,297		4,411		4,389		4,524	
Overseas	438		452		497		495	
Group	**8,917**		**9,013**		**8,931**		**9,304**	
Operating profit before other income and expenses		*Operating margin*		*Operating margin*		*Operating margin*		*Operating margin*
Facility Services	402	*5.0 %*	543	*6.7 %*	538	*6.7 %*	550	*6.6 %*
Damage Control	7	*1.7 %*	10	*2.3 %*	32	*6.4 %*	15	*3.3 %*
Food Hygiene	17	*6.6 %*	19	*7.2 %*	17	*6.5 %*	23	*8.0 %*
Health Care	26	*18.3 %*	14	*10.2 %*	7	*5.4 %*	(8)	*(5.0)%*
Innovation	(7)	*(19.5)%*	(6)	*(19.4)%*	(2)	*(7.1)%*	(4)	*(12.9)%*
Corporate	(39)	*(0.4)%*	(38)	*(0.4)%*	(29)	*(0.3)%*	(55)	*(0.6)%*
Group	**406**	***4.6 %***	**542**	***6.0 %***	**563**	***6.3 %***	**521**	***5.6 %***
Northern Europe	235	*5.6 %*	266	*6.4 %*	248	*6.1 %*	251	*5.9 %*
Continental Europe	183	*4.3 %*	288	*6.5 %*	318	*7.2 %*	289	*6.4 %*
Overseas	27	*6.1 %*	26	*5.8 %*	26	*5.2 %*	36	*7.3 %*
Corporate	(39)	*(0.4)%*	(38)	*(0.4)%*	(29)	*(0.3)%*	(55)	*(0.6)%*
Group	**406**	***4.6 %***	**542**	***6.0 %***	**563**	***6.3 %***	**521**	***5.6 %***
Other income and expenses, net	0		(25)		0		(50)	
Operating profit	**406**		**517**		**563**		**471**	
Income from associates	0		0		4		3	
Financial income and expenses, net	(72)		(71)		(53)		(69)	
Other financial income, net	-		28		5		-	
Ordinary profit before tax and goodwill amortisation	**334**		**474**		**519**		**405**	
Tax on ordinary profit before goodwill amortisation	(107)		(148)		(165)		(133)	
Ordinary profit before goodwill amortisation	**227**		**326**		**354**		**272**	
Goodwill amortisation	(217)		(224)		(219)		(234)	
Tax effect of goodwill amortisation	6		9		6		10	
Minority interests	(2)		(8)		(8)		(12)	
Net profit for the period	**14**		**103**		**133**		**36**	
Cash flow from operations	127		279		794		1,145	
Free cash flow	17		167		724		1,034	
Total Assets, end of period	23,495		23,353		24,793		23,385	
Total Equity, end of period	7,297		7,485		7,626		7,633	
Interest-bearing debt, net, end of period	5,742		5,747		5,516		4,784	

[1)] The quarterly financial figures are unaudited.

Amounts in DKKm	Q1 2002		Q2 2002		Q3 2002		Q4 2002	
Turnover								
Facility Services	8,252		8,623		8,398		8,467	
Damage Control	366		400		502		463	
Food Hygiene	258		252		270		278	
Health Care	371		366		325		226	
Innovation	53		42		26		46	
Group	**9,300**		**9,683**		**9,521**		**9,480**	
Northern Europe	4,493		4,623		4,601		4,526	
Continental Europe	4,313		4,542		4,454		4,485	
Overseas	494		518		466		469	
Group	**9,300**		**9,683**		**9,521**		**9,480**	
Operating profit before other income and expenses		*Operating margin*		*Operating margin*		*Operating margin*		*Operating margin*
Facility Services	389	*4.7 %*	513	*5.9 %*	542	*6.5 %*	474	*5.6 %*
Damage Control	17	*4.6 %*	22	*5.5 %*	43	*8.6 %*	36	*7.8 %*
Food Hygiene	16	*6.2 %*	17	*6.7 %*	17	*6.3 %*	23	*8.3 %*
Health Care	19	*5.2 %*	29	*7.9 %*	23	*7.1 %*	29	*12.8 %*
Innovation	4	*7.5 %*	10	*23.8 %*	(5)	*(19.2)%*	0	*0.0 %*
Corporate	(49)	*(0.5)%*	(43)	*(0.4)%*	(36)	*(0.4)%*	(80)	*(0.8)%*
Group	**396**	***4.3 %***	**548**	***5.7 %***	**584**	***6.1 %***	**482**	***5.1 %***
Northern Europe	223	*5.0 %*	291	*6.3 %*	299	*6.5 %*	296	*6.5 %*
Continental Europe	197	*4.6 %*	277	*6.1 %*	298	*6.7 %*	252	*5.6 %*
Overseas	25	*5.1 %*	23	*4.4 %*	23	*4.9 %*	14	*3.0 %*
Corporate	(49)	*(0.5)%*	(43)	*(0.4)%*	(36)	*(0.4)%*	(80)	*(0.8)%*
Group	**396**	***4.3 %***	**548**	***5.7 %***	**584**	***6.1 %***	**482**	***5.1 %***
Other income and expenses, net	100		(23)		(66)		(6)	
Operating profit	**496**		**525**		**518**		**476**	
Income from associates	0		0		0		(11)	
Financial income and expenses, net	(90)		(107)		(82)		(82)	
Other financial income, net	-		-		-		-	
Ordinary profit before tax and goodwill amortisation	**406**		**418**		**436**		**383**	
Tax on ordinary profit before goodwill amortisation	(129)		(128)		(120)		(151)	
Ordinary profit before goodwill amortisation	**277**		**290**		**316**		**232**	
Goodwill amortisation	(186)		(230)		(203)		(271)	
Tax effect of goodwill amortisation	2		5		6		26	
Minority interests	(3)		(5)		(3)		(7)	
Net profit for the period	**90**		**60**		**116**		**(20)**	
Cash flow from operations	(136)		466		714		1,220	
Free cash flow	(237)		341		598		1,037	
Total Assets, end of period	23,431		23,992		24,354		22,412	
Total Equity, end of period	6,740		7,279		7,373		7,331	
Interest-bearing debt, net, end of period	7,044		6,983		6,556		5,604	

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Amounts in DKKm (unless otherwise stated)

Financial highlights	EURm [5] 2003	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Turnover	4,858	36,165	37,984	34,852	28,719	19,802	13,801	11,782	10,738	9,198	8,053
Operating profit [1]	273	2,032	2,010	1,633	1,454	1,021	735	639	553	405	364
Financial income and expenses, net	(36)	(265)	(361)	(310)	(244)	(128)	(80)	(54)	(76)	6	(3)
Net profit for the year	38	286	246	222	210	237	211	451	(1,856)	20	323
Free cash flow [2]	261	1,942	1,739	1,058	874	795	460	309	302	294	248
Depreciation and amortisation	79	587	603	551	468	351	255	228	234	212	233
Total assets	3,141	23,385	22,412	22,419	17,164	13,696	7,139	4,668	4,639	6,118	5,764
Goodwill	1,674	12,465	12,669	12,022	9,522	7,576	2,995	1,615	1,697	1,787	1,409
Total equity	1,025	7,633	7,331	6,621	5,678	4,415	1,408	1,295	871	2,717	2,863
Interest-bearing debt, net [2]	643	4,784	5,604	6,317	4,357	3,050	1,898	338	678	670	545
Dividends declared [3]	–	–	88	–	–	–	–	60	–	66	66
Key figures [2]											
Operating margin, %	5.6	5.6	5.3	4.7	5.1	5.2	5.3	5.4	5.1	4.4	4.5
Interest coverage [4]	9.9	9.9	7.2	7.0	7.9	10.7	12.4	16.1	10.4	–	–
Earnings per share, DKK	0.9	6.5	5.7	5.5	5.4	7.0	9.3	8.3	3.4	6.6	5.0
Earnings per share before goodwill amortisation, DKK	3.6	26.8	25.8	21.6	21.1	18.6	16.4	13.3	8.1	10.7	8.3
Free cash flow per share, DKK	5.9	44.1	40.2	25.5	22.3	23.7	15.5	10.4	10.2	9.9	9.2
Dividends per share, DKK	–	–	2.0	–	–	–	–	2.0	–	2.2	2.2
Equity ratio, %	32.6	32.6	32.7	29.5	33.1	32.2	19.7	27.7	18.8	44.4	49.7
Debt to book equity ratio, %	62.7	62.7	76.4	95.4	76.7	69.1	134.9	26.1	77.8	24.7	19.1
Debt to total enterprise value ratio, %	27.1	27.1	33.3	26.7	16.7	14.0	13.2	4.4	12.9	15.1	10.0
Quoted share price, 31 December											
ISS-shares, DKK	39	291	255	411	541	–	–	–	–	–	–
A-shares, DKK	–	–	–	–	–	440	390	237	149	132	165
B-shares, DKK	–	–	–	–	–	497	422	251	154	126	165
Average number of shares, m	44.00	44.00	43.28	41.50	39.23	33.50	29.76	29.76	29.76	29.76	27.10
Number of shares end of period, m	44.31	44.31	43.93	42.22	40.17	38.21	29.76	29.76	29.76	29.76	29.76
Market capitalisation	1,732	12,894	11,202	17,351	21,730	18,773	12,437	7,417	4,564	3,773	4,911
Enterprise value [2]	2,375	17,678	16,806	23,668	26,087	21,823	14,335	7,755	5,242	4,443	5,456
Number of employees at year-end	245,000	245,000	248,500	259,800	253,200	216,700	137,800	106,600	103,400	96,650	78,300

Note: The Annual Report 2003 is audited and has been prepared in accordance with the same accounting principles as were applied in the Annual Report 2002. Comparative figures for 1994-1996 are exclusive of ISS Inc.

[1] Before other income and expenses.
[2] See page 125 for definitions.
[3] For 2003, a dividend of DKK 177 million (EUR 24 million) is proposed.
[4] Interest coverage prior to 1996 omitted due to lack of comparability.
[5] The exchange rate used is of 31 December 2003 (EUR/DKK = 7.4446).

About the artist Michael Kvium

Michael Kvium, a graduate from the Royal Danish Academy of Fine Arts, Copenhagen (1979 – 1985), was born 1955 in Horsens, Denmark. Today he lives and works in Copenhagen.

Michael Kvium works as a painter, multimedia, and performance artist whose work is generally disturbing, provocative and strangely humorous at the same time.

Kvium is one of the few in his generation who through painting has disclosed the extreme shapes and forms of being. He has done it with figurative paintings and a twisted form-language, which stands in clear contrast to the perfectionism of the classical Dutch and Spanish paintings from the 17th century. Through these contrasts Michael Kvium has formulated his own "Aesthetics of ugliness" which form of expression often has been seen as provocative.

His figurative paintings are populated by a cast of characters who seem vaguely familiar, no matter how odd their circumstance or distorted their anatomy. Very often these personages are variations on the appearance of the artist himself.

Michael Kvium's artworks are included in major museum collections throughout Scandinavia.

Scholarships and recognitions

Gerda Iversen 1982; The Danish Arts Foundation 1985, 1991; Villiam H. Michaelsen 1985; Carl Møller 1987; Bielke 1988; The Danish Arts Foundation (three year scholarship) 1990; Jyllands-Posten's art prize 1990; Jens Søndergaard 1991; Pacht 1992; The Niels Wessel Bagge Art Foundation 1994; The Golden Gate Award, San Francisco 1995; Torjussen 1998; The Danish Arts Foundation 1998; Eckersberg Medallion 2001.

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