Annual Report 2011

Performance highlights 2011

Revenue 77,644 DKK million	Total revenue growth 5%	Organic revenue growth 6.2%
Operating profit before other items 4,388 DKK million	Growth in operating profit before other items 2%	Operating margin 5.7%
Net profit/(loss) (507) DKK million	Cash conversion 93%	Number of employees 534,500

ISS at a glance

ISS is all about providing service. We have delivered service for more than 110 years and today we cover more than 50 countries worldwide. We clean, we cook and we provide care – serving more than 200,000 public and private-sector customers every day. Our focus is on how we can add to the success of our customers.

It all started with a small group of employees in Copenhagen, Denmark in 1901, and since then ISS has grown to become one of the world's leading providers of facility services.

Service offering

ISS is built on the basic insight that for most companies cleaning services, support services, property services, catering services, security services and facility management do not form a core part of their business processes. At ISS, we have made these services our core business. We provide our customers with a compelling value proposition built around efficient, reliable and flexible services.

Even a basic service – like cleaning a floor – can be done in many ways. Because providing facility services is our core business, we have become real experts. Our service offering is built on a strong foundation of service excellence tailor-made to specific customer needs. We are keen on ensuring that our customers constantly benefit from partnering with a facility services expert.

ISS's service offerings are constantly being developed to meet customer needs. In recent years our customers have realised the benefit of having fewer suppliers taking care of their facilities. In response, we have expanded our service offering and developed a full range of services, including our integrated facility services (IFS) concept. This gives the customer a single point of contact and only one company delivering all facility services instead of having many different service providers on their premises. This is not only convenient for the customers, IFS is also more flexible and efficient and it provides our customers with a consistent delivery model across all their operations – locally or across borders.

Employees

Some service providers primarily work through subcontractors. At ISS, on the contrary, we are strong believers in self-delivery. By delivering our services through staff employed directly by ISS, we have much better control of the quality of the service delivered to our customers. ISS aspires to be a great employer by focusing on corporate responsibility and being a good corporate citizen as we believe that it is the best way to also keep our customers engaged. The self-delivery model has made ISS one of the world's biggest private-sector employers providing jobs and stable income to more than 530,000 employees. In 2011, we created almost 12,000 new jobs.

Organisation

From our head office in Copenhagen, Denmark, we ensure a coherent direction for the Group by providing strategic direction, managerial support and financial control combined with functional leadership. At the same time, ISS maintains a decentralised organisational structure and our country operations have significant autonomy, led by a strong regional management structure. The multi-local structure ensures a coherent and yet entrepreneurial organisation that is highly responsive to market conditions everywhere in the world.

Ownership

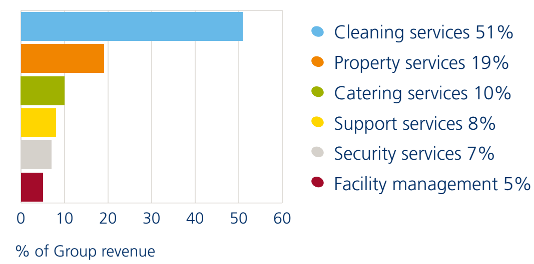
ISS A/S is owned by FS Invest II S.à r.l (Luxembourg), a company indirectly owned by funds advised by EQT Partners and Goldman Sachs Capital Partners. ISS A/S has no operating activities of its own and its primary assets consist of shares in ISS World Services A/S.

ISS MILESTONES

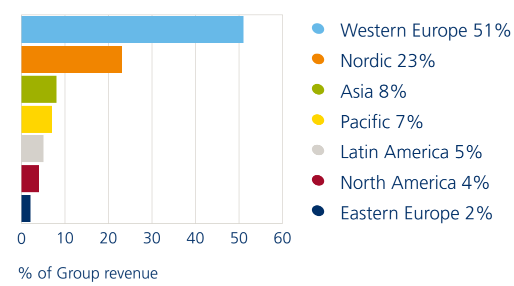
1901	ISS was founded in Copenhagen, Denmark as a small security company with 20 night watchmen named København-Frederiksberg Nattevagt (Copenhagen-Frederiksberg Night Watch)
1934	ISS entered the cleaning business with the establishment of Det Danske Rengørings Selskab A/S (The Danish Cleaning Company) as an independent subsidiary of the security company
1946	The first geographical expansion outside Denmark: Swedish subsidiary established
1968	The Group adopted the ISS name
1973	Expansion into the Netherlands, France and Brazil
1975	Group revenue reached DKK 1 billion
1977	ISS shares listed on the Copenhagen Stock Exchange
1989	The total number of employees in the Group reached 100,000
1997	Strategy 'aim 2002' was launched. This strategy focused on multi-services – selling a number of services to the same customer
1999	ISS acquired 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 annual revenue of DKK 5.2 billion in 1998. The total number of employees in the Group reached 200,000
2000	A new five-year strategy 'create2005' was launched, introducing the facility service concept
2005	A new strategy was introduced aiming at continuous transformation of ISS towards an integrated facility service company. The total number of employees in the Group reached 300,000
2005	The Group was acquired by funds advised by EQT Partners and Goldman Sachs Capital Partners, and was de-listed from the Copenhagen Stock Exchange
2006	Group revenue passed DKK 50 billion
2007	Group revenue passed DKK 60 billion. Establishment of the Corporate Clients organisation. ISS entered the US market through the acquisition of Sanitors Inc. The total number of employees in the Group reached 400,000
2008	Introduction of ISS's strategy plan 'The ISS Way', which is built on four strategic cornerstones: customer focus, people management, the IFS strategy and a multi-local approach. ISS's largest ever international integrated facility service contract was signed
2010	Group revenue passed DKK 70 billion. The total number of employees in the Group surpassed 500,000
2011	ISS delivered organic growth of 6.2%, the highest in more than 10 years

REVENUE 2011

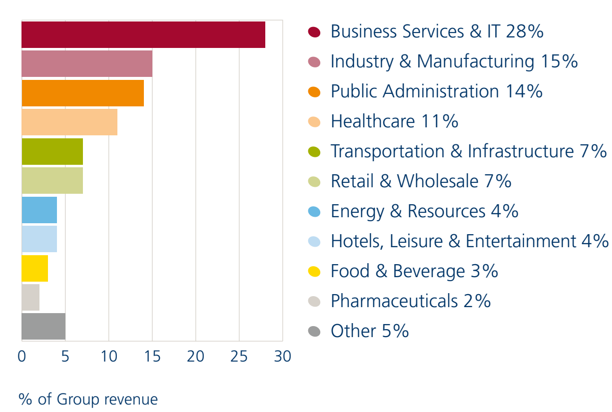
By service



By region



By customer segment



Pedro José da Silva, Site Operative, Bauducco, ISS Brazil

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Dragan Stojanovski & Louis Cinto, Site Security Manager and Security Officer,
Supreme Court of Victoria, ISS Australia

Management review

Letter to our stakeholders

Despite times of uncertainty and macroeconomic volatility ISS continued, and accelerated, its growth momentum in 2011 and delivered the highest organic growth rate in more than 10 years.

We see our strong performance in 2011 as a clear sign that ISS is on the right track implementing The ISS Way strategy. More and more customers are interested in outsourcing in search of efficient solutions taking care of their facilities in a way which provides greater flexibility, cost efficient solutions, and at the same time manages risk and ensures safe working environment for all staff on site. Business processes like catering, cleaning, security and facility services which are non-core to our customers are core to ISS. We have built a platform enabling ISS to self-deliver single, multi- and integrated services across the world. We continue the work of improving on this platform and still have a journey ahead of us in terms of developing even better value propositions and fully aligned processes, globally, based on international best practices and standardised business processes. The strength of our business model has been proven by our prominent contract wins and start-up of several new major single, multi- and integrated facility services (IFS) contracts in 2011.

Group revenue amounted to DKK 77.6 billion in 2011, an increase of 5% over 2010, driven by organic growth of 6.2%, the highest organic growth rate in more than 10 years. Operating profit before other items increased by 2% compared with 2010 to DKK 4,388 million in 2011, reflecting the highest level of operating profit before other items in ISS history. The operating margin was 5.7% and slightly below 2010 of 5.8%. ISS continued to have a robust cash generation leading to a cash conversion of 93% in 2011. The strong organic growth in 2011 was a continuation of the positive organic growth trend seen in 2010, fuelled by the start-up of several large integrated facility services (IFS) contracts in 2011. North America, Latin America and Asia delivered double-digit organic growth rates combined with strong organic growth in Western Europe.

An important milestone was achieved in 2011 when ISS was ranked no. 2 on the International Association of Outsourcing Professionals (IAOP) Global Outsourcing 100 list. This reflects ISS's continued mission to become the world's best outsourcing provider. Published in Fortune Magazine, the 2011 ranking from IAOP marks the fourth consecutive year of improvement for ISS.

ISS has demonstrated that by pursuing The ISS Way strategy, we have in recent years both transformed our business platform and delivered a solid financial performance. With our current focus on growth and the continual strengthening of our core business, ISS successfully divested certain non-core activities in 2011, including the damage control business in Germany and the coffee vending business in Denmark and Norway.

In March 2011, ISS launched an initial public offering (IPO) process, but although the IPO was fully subscribed our owners decided to cancel it, due to very unstable global capital markets following the tsunami in Japan. In June, we successfully amended and extended ISS's Senior Credit Facilities to ensure ISS maximum financial flexibility and allow time to focus on realising The ISS Way strategy. In October, a proposal from G4S to combine the two companies was pursued, as it had strong industrial and commercial rationale. However, it became evident after the announcement that G4S's shareholders would not support the acquisition of ISS and both companies agreed not to proceed.

In December, Henrik Andersen, former CEO of ISS in the United Kingdom, replaced Jakob Stausholm as our new Group CFO. In addition, Harry Klagsbrun and Jennie Chua were elected new members of the Board of Directors and replaced Peter Korsholm and Jørgen Lindegaard. The Board wishes to thank Jakob, Peter and Jørgen for their contribution to ISS.

During the past year, significant focus and management resources throughout the organisation have been devoted to the IPO process, the process with G4S as well as on the start-up of several large contracts while we simultaneously kept focus on our business, delivering a strong performance with industry leading organic growth in a challenging economic environment. Taking these circumstances into consideration we are pleased with the results of 2011. We would like to express our gratitude to all of our stakeholders, especially our customers and employees, for their support and commitment throughout the year. Our dedicated employees are the main reason for our successful performance.

Yours faithfully

Ole Andersen
Chairman

Jeff Gravenhorst
Group Chief Executive Officer

Key figures and financial ratios

DKK million (unless otherwise stated)	2011	2010	2009	2008	2007
Key figures					
Income statement					
Revenue	77,644	74,073	69,004	68,829	63,922
Operating profit before other items [1) 2)]	4,388	4,310	3,911	4,075	3,852
EBITDA [2)]	5,020	5,042	4,182	4,636	4,501
Adjusted EBITDA [2) 3)]	5,243	5,160	4,779	4,944	4,697
Operating profit [2) 4)]	4,165	4,192	3,314	3,767	3,656
Financial income	197	198	223	242	199
Financial expenses [2)]	(3,004)	(2,609)	(2,568)	(2,987)	(3,233)
Profit before goodwill impairment/amortisation and impairment of brands and customer contracts	471	1,031	385	494	376
Net profit/(loss) for the year	(507)	(532)	(1,629)	(631)	(442)
Cash flow					
Cash flow from operating activities	3,676	4,036	3,732	4,334	3,713
Acquisition of intangible assets and property, plant and equipment not related to acquisitions, net	(1,010)	(886)	(897)	(718)	(715)
Financial position					
Total assets	55,023	55,455	54,354	53,605	55,348
Goodwill	27,170	27,747	27,434	27,259	27,593
Additions to property, plant and equipment not related to acquisitions, gross	938	861	954	964	938
Carrying amount of net debt	29,905	30,623	30,886	29,639	29,086
Total equity (attributable to owners of ISS A/S)	2,070	2,626	2,190	3,498	5,459
Employees					
Number of employees at 31 December	534,500	522,700	485,800	472,800	438,100
Full-time employees, %	73	73	71	69	68
Financial ratios					
Growth, %					
Organic growth	6.2	3.5	0.6	5.9	6.0
Acquisitions	0	0	3	7	10
Divestments	(2)	(2)	(1)	(2)	(1)
Currency adjustments [5)]	1	5	(3)	(3)	(0)
Total revenue growth	5	7	0	8	15
Other financial ratios, %					
Operating margin [3)]	5.7	5.8	5.7	5.9	6.0
Equity ratio	3.8	4.7	4.0	6.5	9.9
Interest coverage [3)]	1.9	2.1	2.0	1.8	1.5
Cash conversion [3)]	93	98	96	103	99
Basic earnings per share (EPS), DKK	(5.1)	(5.5)	(16.5)	(6.4)	(4.7)
Diluted earnings per share, DKK	(5.1)	(5.5)	(16.5)	(6.4)	(4.7)
Adjusted earnings per share, DKK	4.7	10.3	3.9	4.9	3.8

1) Excluding Other income and expenses, net, Goodwill impairment and Amortisation and impairment of brands and customer contracts.

2) With effect from 31 December 2011 the Group changed the classification of interest on defined benefit plans (interest on obligation and expected return on plan assets) and interest on other long-term employee benefits from Staff costs to Financial expenses to reflect more appropriately the nature of these items and the way they affect the business. In 2011, the change in reclassification increased Operating profit before other items with DKK 36 million but had zero impact on Net profit/(loss) for the year. Comparative figures were reclassified for consistency.

3) The Group uses Operating profit before other items for the calculations instead of Operating profit. Consequently, the Group excludes from the calculations those items recorded under Other income and expenses, net, in which the Group includes income and expenses that it believes do not form part of the Group's normal ordinary operations, such as gains and losses arising from divestments, the winding up of operations, acquisition and integration costs, disposals of property and restructurings. Some of these items are recurring and some are non-recurring in nature.

4) Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts.

5) Calculated as total revenue growth less organic growth and less net acquisition/divestment growth. Currency adjustments thereby include the effect stemming from exclusion of currency effects from the calculation of organic growth and net acquisition/divestment growth.

Definitions

ACQUISITIONS, %

$$= \frac{\text{Revenue from acquired businesses}^{1)} \times 100}{\text{Revenue prior year at current year's exchange rates}}$$

1) Revenue from acquired businesses is based on management's expectations at the acquisition date.

ADJUSTED EARNINGS PER SHARE

$$= \frac{\text{Profit before goodwill impairment/amortisation and impairment of brands and customer contracts}}{\text{Average number of shares, diluted}}$$

ADJUSTED EBITDA

= Operating profit before other items + Depreciation and amortisation

BASIC EARNINGS PER SHARE (EPS)

$$= \frac{\text{Net profit/(loss) for the year attributable to owners of ISS A/S}}{\text{Average number of shares}}$$

CARRYING AMOUNT OF NET DEBT

= Non-current loans and borrowings + Current loans and borrowings - Receivables from companies within the ISS Group - Securities - Cash and cash equivalents - Positive fair value of interest rate swaps

CASH CONVERSION, %

$$= \frac{\text{(Operating profit before other items + Changes in working capital)} \times 100}{\text{Operating profit before other items}}$$

DILUTED EARNINGS PER SHARE

$$= \frac{\text{Net profit/(loss) for the year attributable to owners of ISS A/S}}{\text{Average number of shares, diluted}}$$

DIVESTMENTS, %

$$= \frac{\text{Revenue from divested businesses}^{1)} \times 100}{\text{Revenue prior year at current year's exchange rates}}$$

1) Revenue from divested businesses is based on estimates or actual revenue where available at the divestment date.

EBITDA

= Operating profit + Depreciation and amortisation

EQUITY RATIO, %

$$= \frac{\text{Total equity attributable to owners of ISS A/S} \times 100}{\text{Total assets}}$$

INTEREST COVERAGE

$$= \frac{\text{Operating profit before other items + Depreciation and amortisation}}{\text{Financial income and financial expenses, net}}$$

OPERATING MARGIN, %

$$= \frac{\text{Operating profit before other items} \times 100}{\text{Total revenue}}$$

ORGANIC GROWTH, %

$$= \frac{\text{(Comparable revenue}^{1)} \text{ current year - comparable revenue}^{1)} \text{ prior year)} \times 100}{\text{Comparable revenue}^{1)} \text{ prior year}}$$

1) Comparable revenue implies the exclusion of changes in revenue attributable to businesses acquired or divested and the effect of changes in foreign exchange rates. In order to present comparable revenue and thereby organic growth excluding any effect from changes in foreign currency exchange rates, comparable revenue in the prior year is calculated at the subsequent year's foreign currency exchange rates. Acquisitions of businesses are treated as having been integrated into ISS upon acquisition, and ISS's calculation of organic growth includes changes in revenue of these acquired businesses compared with revenue expectations at the date of acquisition. Organic growth is not a measure of financial performance under Danish GAAP or IFRS and the organic growth figures have not been audited.

TOTAL REVENUE GROWTH, %

$$= \frac{\text{(Revenue current year - revenue prior year)} \times 100}{\text{Revenue prior year}}$$

"I enjoy feeding those who feed people in need"

Kate Bola Abu, Catering Assistant, Salvation Army, ISS United Kingdom

SALVATION ARMY Territorial Headquarters in London, UK consists of 9 main buildings plus additional annex buildings. There are approximately 455 Salvation Army staff located here and ISS provides a wide range of services like cleaning, security, reception, meeting room management, food and hospitality, building maintenance, helpdesk, archiving, mail room/courier services and grounds maintenance.

Operational review

In 2011, ISS demonstrated strong results driven by successful execution of The ISS Way strategy, generating strong organic growth through a customer-focused commercial strategy and our unique ability to win and deliver on large global integrated facility services (IFS) contracts.

Performance highlights

Organic growth – was 6.2% or DKK 4.6 billion in 2011, the highest in more than 10 years

Operating margin – was 5.7% in 2011 resulting in the highest operating profit before other items in the history of ISS

Cash conversion – continued high cash conversion of 93% in 2011

Number of employees – surpassed 530,000, creating almost 12,000 new jobs in 2011

Highlights of the year

In 2011, ISS continued the growth momentum experienced late in 2010, generating enhanced organic growth and operating profit.

Group revenue amounted to DKK 77.6 billion in 2011, an increase of 5% compared with 2010, driven by organic growth of 6.2% and a positive effect from exchange rate movements of 1% which was offset by negative net effect from acquisitions and divestments of 2%.

The organic growth of 6.2% in 2011, which is the highest organic growth rate in more than 10 years, was a continuation of the positive organic growth trend seen in 2010, fuelled by the start-up of several large integrated facility services (IFS) contracts in 2011. North America, Latin America and Asia all delivered double-digit organic growth rates.

Operating profit before other items increased by 2% to DKK 4,388 million in 2011 compared with 2010 reflecting the highest level in ISS history. The operating margin (operating profit before other items as a percentage of revenue) was 5.7% in 2011 compared with 5.8% in 2010. The operating margin in 2011 was supported by strong margins in Switzerland, the United Kingdom, Turkey, and the Asia region in particular. However, this was offset by the negative impact resulting from challenging economic conditions in the Mediterranean region, operational challenges in the Netherlands and the start-up of large national and international IFS contracts. In order to adapt to the challenging economic conditions in mainly the Mediterranean region we responded with a strict operational focus including exiting some contracts which were challenged by the macroeconomic conditions in the region.

Operating profit increased by 2% to DKK 4,276 million excluding costs of DKK 111 million related to exit processes, including the IPO process. Including the costs related to exit processes, operating profit decreased by 1% from DKK 4,192 million in 2010 to DKK 4,165 million in 2011.

Net loss improved from a loss of DKK 532 million in 2010 to a loss of DKK 507 million in 2011, and was positively impacted by growth in revenue and higher operating profit before other items, combined with lower non-cash expenses related to goodwill impairment and amortisation and impairment of brands and customer contracts compared with 2010. These positive effects were partly offset by DKK 155 million related to amendment and extension of debt as well as IPO financing and DKK 111 million related to exit processes as well as an increase in income taxes.

The cash conversion for 2011 was 93%, as a result of a strong cash flow performance in especially the Western Europe region, despite the negative effect from the strong organic growth. In addition, cash conversion was affected by a slight increase in debtor days compared with 31 December 2010.

Emerging markets, comprising Asia, Eastern Europe, Latin America, Israel, South Africa and Turkey where we have more than half of our employees, delivered organic growth of 13% and represent 19% of total revenue and 37% of total organic growth for the Group. In addition to boosting organic growth, the emerging markets delivered an operating margin of 6.9% in 2011, well above most mature markets and an improvement of 0.1 percentage-point over 2010.

We continued to promote a strong and uniform commercial culture by focusing on meeting customer needs and thereby delivering a larger share of our customers' facility services requests, including demand from multinational corporations for integrated facility service (IFS) solutions. Our focus has been on further developing and refining the value propositions for customers within selected customer segments, such as Business Services & IT, Public Administration and Healthcare, while at the same time aligning values, leadership principles and business processes. With more than 530,000 employees this is not an easy task and we have a long journey ahead of us implementing best practices and standardised business processes globally.

The ISS Way strategy is based on our four strategic cornerstones; customer focus, people management, the IFS strategy and a multi-local approach. Combined with our corporate values and leadership principles, these cornerstones provide the foundation on which we pursue our vision to "Lead facility services globally – by leading facility services locally".

ISS has, over the past decade, built global capabilities in the delivery of a well defined set of services which are equally well suited as a single-service delivery or as part of an integrated offering. We are focused on leveraging this unique platform by the global implementation of best practices and standard processes. We promote a strong and uniform commercial culture and crafting market leading value propositions by customer segment. We are uniquely positioned to grasp the huge opportunities in our local markets and in addition we are putting our global footprint to work by meeting increased demand from multinational corporations for the delivery of integrated facility services (IFS) across borders.

We continue to make progress in the implementation of The ISS Way strategy. With customer needs in focus we deploy best practices globally in order to align our organisation behind the consistent delivery of excellence. Efforts are being made to align our human resources and commercial cultures. Within human resources we continue to embed our leadership principles and values as well as deploying group-wide employee engagement initiatives, performance, and talent management systems, and succession planning. In the commercial arena, we are driving excellence in the customer segment, service and business system dimensions to enhance our ability to deliver on our value propositions. Excellence programmes in customer segments such as the remote site and hospital sectors have been completed and are being implemented. We are also adding to our library of best practice from a service perspective – for example, having initiated a Catering Excellence programme.

Our strategic focus on delivering portfolio based services has led to sustained organic growth in the portfolio business. Historically, the portfolio business' share of total revenue has been 75% – 80% and during the period 2009 to 2011 our portfolio business increased the share of total revenue within this range.

Across ISS regions, we saw strong demand for our integrated facility services (IFS) offering in 2011. Multi-service and IFS, where we deliver two or more services to the same customer comprised 39% of total Group revenue in 2011 compared with 35% in 2010. Multi-service and IFS revenues allow ISS to exploit synergies in the provision of services and create stronger customer relationships.

In 2011, ISS continued the strong focus on the Global Corporate Clients organisation leading to the win of an IFS contract with Deutsche Bank covering Italy and Iberia. In addition, key focus has in 2011 been on ensuring a successful start-up of several international IFS contract wins such as the contracts with a large technology company in North America and Latin America, Citi

REVENUE GROWTH [1] 2011

	Revenue growth, %				
	Organic	Acq.	Div.	Currency	Total
Western Europe	4	-	(3)	0	1
Nordic	4	-	(2)	3	5
Asia	12	4	(0)	(3)	13
Pacific	3	-	-	7	10
Latin America	21	-	-	(2)	19
North America	35	-	-	(7)	28
Eastern Europe	2	-	-	0	2
Other Countries	58	-	-	(8)	50
Total	**6.2**	**0**	**(2)**	**1**	**5**
Emerging Markets	13	1	(0)	(3)	11

[1] See page 9 for definitions.

OPERATING RESULTS

DKK million	Revenue 2011	Revenue 2010	Revenue Change	Operating profit before other items 2011	Operating profit before other items 2010	Operating profit before other items Change	Operating margin 2011	Operating margin 2010
Western Europe	39,321	39,101	1 %	2,268	2,302	(1)%	5.8 %	5.9 %
Nordic	18,085	17,301	5 %	1,268	1,237	3 %	7.0 %	7.2 %
Asia	6,090	5,401	13 %	486	409	19 %	8.0 %	7.6 %
Pacific	5,525	5,018	10 %	358	339	6 %	6.5 %	6.8 %
Latin America	3,648	3,070	19 %	215	178	21 %	5.9 %	5.8 %
North America	3,369	2,625	28 %	116	132	(12)%	3.4 %	5.0 %
Eastern Europe	1,641	1,602	2 %	107	113	(5)%	6.5 %	7.1 %
Other Countries	30	20	50 %	(1)	2	(150)%	(3.5)%	8.7 %
Corporate / eliminations	(65)	(65)	-	(429)	(402)	7 %	(0.6)%	(0.5)%
Total	**77,644**	**74,073**	**5 %**	**4,388**	**4,310**	**2 %**	**5.7 %**	**5.8 %**
Emerging Markets	15,014	13,574	11 %	1,032	927	11 %	6.9 %	6.8 %

for EMEA, United Kingdom Foreign & Commonwealth Office for APAC as well as an IFS contract with Statoil in Norway. The implementation of these contracts are in aggregate progressing well and operating margins and debtor days are improving gradually towards the anticipated run rate levels. The start-up of the large IFS contract in North America has implied an investment in building an IFS infrastructure and consequential margin dilution in the region in 2011. We already see evidence of the interest for IFS solutions in North America and we expect to continue to move towards a more complex integrated facility services organisation.

As a result of our outsourcing capabilities which have been built up over the years, the International Association of Outsourcing Professionals (IAOP) announced that ISS in 2011 was ranked no. 2 on IAOP's list of the world's leading outsourcing providers – The Global Outsourcing 100. ISS thereby stepped up four places from 2010 which underlines that ISS is considered a professional and reliable outsourcing partner of choice not only within the facility services industry but measured against all outsourcing companies across industries.

The strategic rationale and fit of business units continue to be reviewed on an ongoing basis in the light of The ISS Way strategy, which has led to the identification and evaluation of certain activities that were either non-core to The ISS Way strategy or lacked critical mass. Following this evaluation, ISS has completed the divestments of the industrial services business in Belgium, the damage control business in Germany, and the coffee vending business in Denmark and Norway. The industrial services business in Belgium and the damage control business in Germany were classified as held for sale at 31 December 2010.

In August 2010, it was decided to pursue an IPO of ISS, but in March 2011, the project was cancelled due to the underlying level of volatility and uncertainty in the financial markets and the existing shareholders' and the Group's desire for a successful IPO with an orderly aftermarket. Costs of DKK 111 million related to the exit processes have been expensed in 2011.

Following the cancellation of the IPO, ISS decided to take two actions, primarily to extend the maturity of its financing and thereby address any near term refinancing requirement. Firstly on 24 June 2011, ISS extended certain tranches under its Senior Facilities Agreement from maturities in 2012 and 2013 to end 2014 and 2015, and implemented other amendments intended to enhance the operational flexibility of the ISS Group considering the fact that the Group has almost doubled in size in terms of revenue, EBITDA and assets since the original agreement was put in place in 2005. Remaining financing fees of DKK 117 million recognised as part of the debt were expensed. Secondly, effective 1 July 2011 the maturity of the securitisation programme was extended by a year to September 2013.

On 17 October 2011, G4S plc ("G4S") announced the proposed acquisition of ISS A/S from FS Invest II S.à.r.l. ("FS Invest"), which is indirectly owned by funds advised by EQT Partners and by GS Capital Partners. The transaction valued ISS at around £5.2 billion equal to an enterprise value of approximately DKK 44 billion. The acquisition was subject to approval by G4S's shareholders. On 1 November, G4S and FS Invest announced that they had agreed to terminate the Share Purchase Agreement because it had become evident that G4S's shareholders would not support the acquisition, due to the size and perceived complexity of the deal against the current economic backdrop.

By the end of 2011, ISS had more than 530,000 employees worldwide. Since year-end 2010, the Group's headcount has increased by almost 12,000 employees as a result of organic growth and in spite of 12 divestments being made during the period.

Regional development

The "ISS world" consists of seven regions: Western Europe, Nordic, Asia, Pacific, Latin America, North America and Eastern Europe. The principle for the regional grouping generally follows the geographical split, but the Nordic region is presented separately from the Western Europe region. In addition, in order to highlight the performance of emerging markets, ISS discloses certain information for emerging markets.

The description of regions below comprises countries generating significant revenue. In addition, ISS operates in a number of countries which due to the size of their revenue are not included in the presentation. Those countries are: Bahrain, Bosnia and Herzegovina, Bulgaria, Colombia, Costa Rica, Ecuador, Egypt, Latvia, Lithuania, Nigeria, Pakistan, Panama, Peru, Puerto Rico, South Africa, Ukraine, United Arab Emirates and Venezuela.

Western Europe

The Western Europe region comprises the United Kingdom, France, Spain, Switzerland, the Netherlands, Belgium & Luxembourg, Germany, Turkey, Israel, Austria, Greece, Portugal, Ireland and Italy.

The markets included in the Western Europe region are generally characterised as developed markets but with differences in terms of IFS market maturity from country to country. Market conditions have generally been stable during 2011 but the market conditions in some Mediterranean countries such as Greece and Spain remain difficult as a result of the economic instability in the region. In 2011 we have therefore focused on utilising the well established service platforms and delivery models in Western Europe. This includes continued implementation and further refinement of country-specific sales strategies and developing tailor-made value propositions to selected customer segments on the basis of specific customer needs. In addition, the focus in certain countries, mainly France and the Netherlands, has been on resolving certain structural and operational challenges.

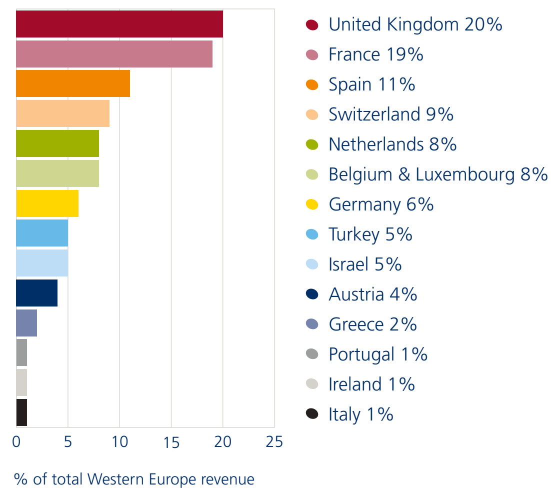
Revenue in the Western Europe region increased by 1% to DKK 39,321 million (2010: DKK 39,101 million) in 2011. Organic growth was positive by 4% which was partly offset by 3% negative growth from divestments. Operating profit before other items in Western Europe decreased by 1% to DKK 2,268 million (2010: DKK 2,302 million) resulting in an operating margin of 5.8%, 0.1 percentage point lower than in 2010.

The development and performance across the region is diverse with strong performances in countries such as Switzerland, the United Kingdom and Turkey while Spain, the Netherlands, Greece and France are facing challenging markets albeit France is making some progress in terms of the operational turnaround. France showed a steady development with a flat revenue development, including positive organic growth in certain focused customer segments as well as a slight increase in operating margin. The macroeconomic conditions in Spain impact the catering business in particular while the Netherlands is experiencing a very competitive market combined with operational challenges, mainly in parts of the cleaning business.

WESTERN EUROPE 2011

Revenue

39.3 DKK billion 51% of Group revenue



Employees

214.4 in thousands 40% of Group employees

All countries in Western Europe except for Ireland, Portugal, France and the Netherlands delivered positive organic growth rates and double-digit organic growth rates were seen in Italy, Turkey and Germany. Generally, the Western Europe region is beginning to harvest the benefits of commercial strategies and the customer-segmented sales strategy, which continue to be rolled out across the region. Major contract wins in 2011 included ATOS, BAE, Carlsberg and the re-tender of the hospital contract with Fulham Road Collaborative in the United Kingdom, Novartis in Switzerland, retention of the IFS hospital contract with Delta Lloyd in the Netherlands, a new facility services contract with the public postal services company, CORREOS in Spain, an IFS contract with Exxon in France and a large catering contract with University Hospital of Antwerp.

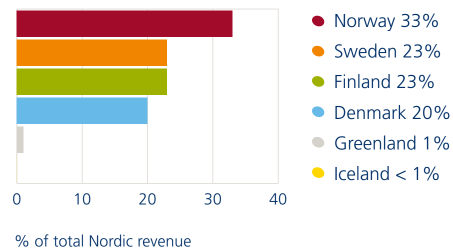
The decrease in operating margin was the result of the challenging economic conditions in the Mediterranean countries and the operational challenges in the Netherlands partly offset by strong performances in Switzerland, the United Kingdom and Turkey.

NORDIC 2011

Revenue

18.1 DKK billion

23% of Group revenue



Employees

43.8 in thousands

8% of Group employees

Nordic

The Nordic region, comprising Norway, Sweden, Finland, Denmark, Greenland and Iceland, is among the most developed of our regions. ISS is the leader within the facility services market throughout the region.

The markets of the Nordic region are mature and developed markets and ISS holds a relatively high market share. The strategic focus is unchanged and continued to be on leveraging this strong position mainly through implementation of best practises and utilising the footprint to develop customer segment specific solutions and concepts and at the same time utilising the size of the business by centralising certain functions and processes. In 2010, the three customer sectors Retail, Hotels and Hospitals were identified as focus segments and during 2011 the regional Business Development function has been the driving force behind developing and implementing these segmented solutions. In 2011, progress has also been made in terms of aligning and centralising processes and organisations throughout the region, including procurement processes and service standardisation initiatives.

Revenue in the Nordic region increased by 5% to DKK 18,085 million in 2011 (2010: DKK 17,301 million). Organic growth amounted to 4% and currency adjustments mainly stemming from an appreciation of SEK and NOK against DKK increased revenue for the region by approximately 2%. The negative growth from divestments reduced revenue by 2%. Operating profit before other items was DKK 1,268 million (2010: DKK 1,237 million), reflecting an operating margin of 7.0% which was 0.2 percentage point lower than in 2010.

The organic growth of 4% was mainly driven by good development in Finland and to some extent by Norway partly offset by negative organic growth in Denmark. The development in Finland was achieved through a successful execution of the sales strategy targeting specific customer segments, mainly Retail & Wholesale. The positive performance in the region was achieved despite a lower level of non-recurring services such as snow removal in the first part of 2011 compared with the same period in 2010. Contract wins in the region included the provision of cleaning and property services to Suomen Lähikauppa Oy, a large retail chain in Finland, the successful start-up of the IFS contract with Statoil in Norway and a strategic cleaning contract with a large hotel chain in Sweden.

The operating margin of the Nordic region was 7.0% in 2011 and thereby reflects the second highest margin of all ISS regions. The decrease in operating margin from 7.2% to 7.0% was the result of margin decreases, mainly in Denmark and Finland, resulting from the loss on re-tender of a few large IFS contracts in Denmark combined with the start-up of new contracts in both Denmark and Finland where the margin is improving gradually towards the anticipated run rate. In addition, the margin was negatively impacted by the lower level of non-recurring services (snow removal, manpower etc.) in most countries of the region. The operating margin in 2011 was positively impacted by one off income related to sale of certain assets.

Asia

The Asia region comprises Hong Kong, Singapore, Indonesia, India, Thailand, China, Taiwan, the Philippines, Malaysia, Japan and Brunei.

The Asia region includes large and developed markets such as Hong Kong and Singapore and emerging markets such as India and Indonesia. The ambition for the Asia region is to remain one of the growth engines for the ISS Group and to continue the sales strategy intended to push IFS penetration within selected customer segments as quickly as local markets mature. During 2011, progress has been made in respect of alignment and standardisation of processes through sharing of best practises which contributed to a strong margin development. Going forward, alignment and standardisation will continue to be a focus area combined with the development of an even more clear definition of the most attractive customer segments in each country. Sourcing and training of employees will continue to be a focus area in the coming years as good employee retention and sourcing of employees with the right skills is important in order to continue the strong organic growth and to deliver services at the required quality.

The Asia region delivered a strong performance in 2011. Revenue was DKK 6,090 million (2010: DKK 5,401 million), an increase of 13%, driven by organic growth of 12% and acquisition growth, net of 4%. Operating profit before other items increased by 19% to DKK 486 million reflecting an operating margin of 8.0%, whereby Asia again delivered the highest margin of any ISS region and achieved a 0.4 percentage point margin increase compared with 2010.

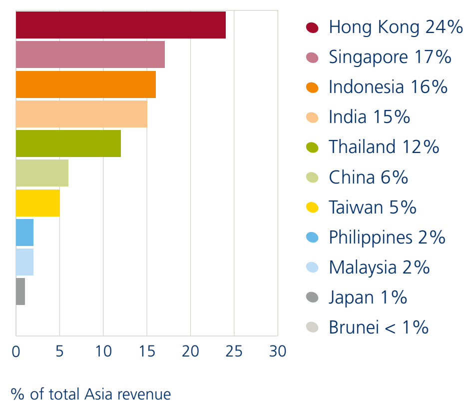
Double-digit organic growth rates were seen in several countries, positively impacted by the successful implementation of a sales strategy targeting e.g. the Transportation & Infrastructure segment and the Energy & Resources segment. India was the largest contributor to organic growth in the region with an organic growth rate of 31%, positively impacted by the development within security services where the company, SDB Cisco Ltd., acquired in August 2010, enabled ISS India to win a number of contracts including a contract for delivering security services to 23 airports in the country. China also showed positive developments and delivered organic growth of 31%, supported by contract wins within the Transportation & Infrastructure segment, e.g. a contract with Shenzen metro station and a significant scope increase on the contract with Shanghai Pudong airport. During the last part of 2011, ISS Singapore won a significant multi-service contract with the Ministry of Defence in Singapore comprising mainly cleaning and maintenance of several camps.

ASIA 2011

Revenue

6.1 DKK billion

8% of Group revenue



Employees

174.8 in thousands

32% of Group employees

The positive margin development was driven by double-digit growth rates, a continued focus on contract efficiencies and a good ability to pass on wage increases to customers. Positive developments were primarily seen in China, Singapore and India partly offset by Hong Kong, Taiwan and Thailand which was negatively impacted by the flooding in the Bangkok area.

Pacific

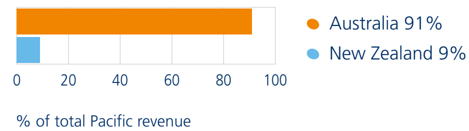
The Pacific region comprises Australia and New Zealand. ISS Australia delivers more than 90% of the revenue in this region.

In 2011, ISS Australia continued the strategic focus on further developing and refining the IFS value proposition within the remote site resource sector, the Healthcare and the Transportation & Infrastructure segments (mainly airports). In addition, a stronger focus on customer loyalty has led to enhanced customer retention illustrated by a significant number of re-tender wins. The operational focus will be on the roll-out of best practice projects within cleaning and security combined with a focus on realising procurement savings and synergies.

Revenue in the Pacific region increased by 10% to DKK 5,525 million (2010: DKK 5,018 million) driven by organic growth of 3% and positive currency adjustments of 7%.

PACIFIC 2011

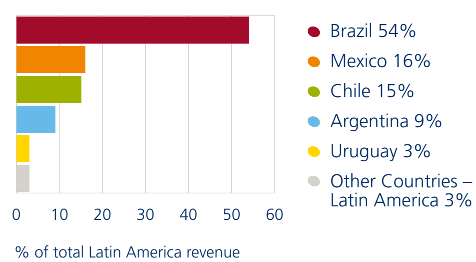
Revenue
5.5 DKK billion — 7% of Group revenue



Employees
14.7 in thousands — 3% of Group employees

LATIN AMERICA 2011

Revenue
3.6 DKK billion — 5% of Group revenue



Employees
51.4 in thousands — 10% of Group employees

Operating profit before other items increased by 6% to DKK 358 million (2010: DKK 339 million) equal to an operating margin of 6.5%, which was 0.3 percentage lower compared with 2010.

Organic growth was driven in particular by the strong retention of existing customers combined with the effect of large contract wins during the last part of 2010. In Australia, significant re-tender wins included a cleaning contract with public schools in New South Wales and a number of contracts within the remote site mining sector. During the last part of 2011, Australia won an additional IFS contract within the remote site mining sector. The operating margin in New Zealand was negatively impacted by the earthquake in Christchurch in 2011 and the effects from initiatives aimed at increasing the margin within the cleaning business have not been realised yet.

Latin America

The Latin America region comprises Brazil, Mexico, Chile, Argentina and Uruguay.

ISS has built a unique position in Latin America with a strong geographical presence and a developed service offering which means that no other competitor is able to self-deliver a comparable number of services in the countries in which ISS is present. Focus is on exploiting our first mover advantage and selectively expanding the geographical platform as markets mature. In 2011, the systematic and customer-focused sales approach was the driver behind impressive organic growth which was achieved on top of the region's all time high organic growth of 29% in 2010. Looking ahead the main focus is on pursuing and further developing the successful sales strategy while increasing margins through increased contract efficiency and efficient management of wage increases.

Revenue was DKK 3,648 million (2010: DKK 3,070 million), an increase of 19%, driven by organic growth of 21%. Operating profit before other items increased by 21% to DKK 215 million reflecting an operating margin of 5.9%, 0.1 percentage point higher than in 2010.

All countries of the region delivered significant double-digit organic growth rates driven by a continued high level of new sales. In 2011, a subcontractor model was started in seven countries in Latin America in which ISS has no presence in order to address the demand from regional and global customers. ISS began to supply services under the contract with a large technology company in 11 countries in Latin America in February 2011 in a full service delivery model with more than 800 dedicated employees. Brazil was the largest absolute contributor to the organic growth of the region with an organic growth rate of 14%, positively impacted by a strong performance across most customer segments but particularly by the Industry & Manufacturing and Healthcare segments through the contract wins of e.g. GM, Garoto, Johnson & Johnson and Hospital Sao Paulo. In Uruguay we won a large multi-service contract with Montes del Plata paperplant which is a joint venture between Store Enso and Arauco. The increase in the margin for the region was a result of strong performance in all countries which was partly offset by Brazil which was impacted by start-up costs on a number of new large contracts combined with costs related to exiting three larger contracts.

North America

The North America region comprises the USA and Canada.

ISS has established good geographical coverage in several parts of the USA experiencing economic growth and continues to focus on enhancing its geographical footprint in selected targeted metropolitan areas. In 2011, the IFS contract with a large technology company started and investments were made in building up the necessary IFS delivery capabilities to capitalise further on market opportunities within IFS solutions. Furthermore, the region continued the development of more customer-focused and segmented value propositions, targeting specific customer segments such as Healthcare, Transportation & Infrastructure and Retail & Wholesale which led to contract wins covering parts of a large retail chain and cleaning contracts with San Antonio and Portland airports.

Revenue in the North American region increased by 28% to DKK 3,369 million (2010: DKK 2,625 million) in 2011. Organic growth was 35% while currency adjustments reduced revenue by 7%. Operating profit before other items in North America amounted to DKK 116 million (2010: DKK 132 million) in 2011 resulting in an operating margin of 3.4% compared with 5.0% in 2010.

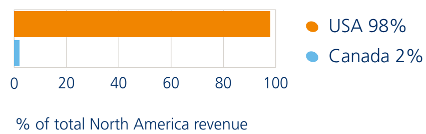
The strong organic growth was driven by the start-up of the contract with the large technology company mentioned above. The start-up of this contract was also the driver behind the margin decrease from 5.0% to 3.4% as the margin in the early phase of the contract has still not reached its full potential. The margin in the existing business was slightly above the level realised in 2010. In order to gain the necessary IFS delivery capabilities to support and deliver on major contracts in North America, costs have been incurred in relation to the build-up of the IFS platform, which has already resulted in two IFS contract wins. Due to the investment nature of the costs related to building the platform, these are classified as Other income and expenses, net.

NORTH AMERICA 2011

Revenue

3.4 DKK billion

4% of Group revenue



Employees

15.6 in thousands

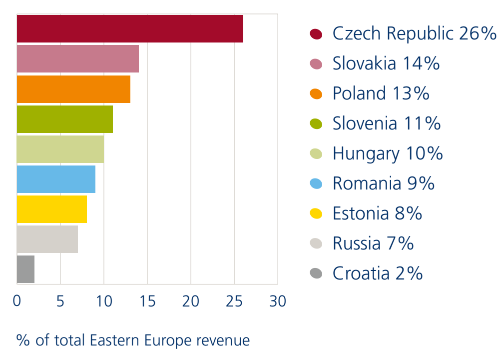
3% of Group employees

EASTERN EUROPE 2011

Revenue

1.6 DKK billion

2% of Group revenue



Employees

19.6 in thousands

4% of Group employees

Eastern Europe

The Eastern Europe region comprises the Czech Republic, Slovakia, Poland, Slovenia, Hungary, Romania, Estonia, Russia and Croatia.

ISS has established a wide geographical reach and a unique service platform in Eastern Europe with the capabilities to self-deliver a full range of services. The strategic goal of ISS Eastern Europe is to provide integrated service solutions to multi-national blue chip companies. In recent years focus has been on strengthening the management teams and leadership capabilities throughout the region combined with developing and implementing a more focused sales approach targeting mainly the segments Healthcare, Business Services & IT and Industry & Manufacturing. During 2011, alignment of processes and implementation of best practices within sales, contract and risk management, single-service excellence, HR minimum standards and procurement continued to be a priority.

> ISS's strong organic growth demonstrates the success of our strategic direction and our focus on developing commercial value propositions based on customer needs combined with our broad and integrated service offering, unique self-delivery model and global presence. Through a clear strategic direction ISS has come a long way in the transition from a company driven by acquired growth to a company driven by organic growth.

Jeff Gravenhorst
Group CEO

Revenue in Eastern Europe increased to DKK 1,641 million (2010: DKK 1,602 million) in 2011, driven by organic growth of 2%. Operating profit before other items decreased slightly to DKK 107 million (2010: DKK 113 million) reflecting an operating margin of 6.5%, 0.6 percentage point lower than in 2010, mainly as a result of start-up costs on new large IFS contracts.

The development and performance varies across the region, mainly as a result of different market conditions from country to country. The sales strategy focused on delivering services to blue chip companies is progressing according to plan, as illustrated by a strong portfolio development in the last part of 2011 with material IFS contract wins mainly in the Czech Republic illustrated by the win of the contracts with the Czech National Bank and Tesco. Russia delivered organic growth of 60%, mainly as a result of revenue growth from blue chip customers within the customer segments Business Services & IT and Industry & Manufacturing, primarily as a result of the start-up of contracts with Citi, Philip Morris and a large technology company. This positive development was offset by mainly Romania and Slovakia which delivered negative organic growth due to difficult market conditions and despite a positive development in the contract portfolio during the last part of 2011 which has yet to fully feed through to organic growth.

Business developments in 2011

During 2011, we continued to make progress in developing our business. Focused on customer needs, ISS continued to deploy best practices globally in order to align the organisation behind the consistent delivery of excellence. ISS continued to drive excellence in the customer segment, service and business system dimensions to enhance our ability to deliver on our value propositions. Excellence programmes in customer segments such as the remote sites and hospitals sectors have been completed and are being implemented and new best practises from a service perspective such as a Catering Excellence programme have been initiated.

ISS measures and monitors the overall business development based on the following three measures:

- Revenue by customer segment
- Revenue by service delivery type
- Revenue by service type

The development within these three categories is described in the following.

Revenue by customer segment

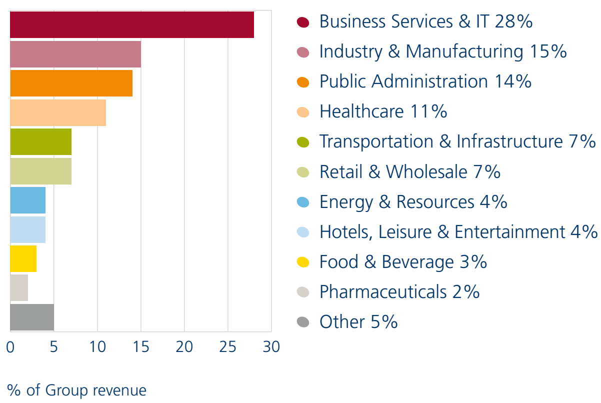
Revenue is classified into ten customer segments identified by ISS based on the section classification level of the International Standard Industrial Classification.

Our service offerings are increasingly tailored to specific customer segments in order to address these customers' explicit needs in order to provide added value to our customers. ISS focuses on promoting a strong and uniform commercial culture through deployment of a commercial strategy methodology and to leverage its platform towards selected customer segments.

The Business Services & IT, Public Administration and Healthcare segments are among our most important and largest customer segments, and we focus on developing service solutions for these segments. Simultaneously, we focus on service delivery to the public sector, which includes both the Public Administration segment as well as part of the revenue from Healthcare, Transportation & Infrastructure and Energy & Resources.

In line with expectations, the revenue split by customer segment in 2011 is quite stable compared with 2010. Many of the recent major contract wins such as the contract with a large technology company and Citi have increased revenue within Business Services & IT which remained the largest customer segment in 2011 representing 28% compared with 26% in 2010. The share of revenue from Public Administration decreased from 16%

REVENUE BY CUSTOMER SEGMENT 2011



in 2010 to 14% in 2011, adversely affected by reduced public spending in many countries while revenue from Industry & Manufacturing increased from 14% in 2010 to 15% in 2011, positively impacted by large contract wins such as BMW in Germany combined with an increase in the manufacturing industry in some countries of the Western Europe region. The revenue share from Healthcare remained unchanged at 11%.

Revenue by service delivery type

Fundamentally, ISS's delivery model includes three different ways of delivering services to customers. Service solutions are offered either as single-services, multi-services or integrated facility services (IFS). We continue to focus on strengthening the single-service excellence concepts, while at the same time enhancing our integrated facility services capabilities.

In 2011, single-services, including key accounts, multi-services and integrated facility services (IFS) generated 61%, 18% and 21% of our revenue, respectively, compared with 65%, 16% and 19% in 2010. The development illustrates that the share of revenue origin from delivering two or more services or integrated service solutions increased by 4 percentage points in 2011 with a similar reduction in the share of revenue stemming from delivery of single-services. This is a continuation of the trend in recent years and fully in line with the strategic aim of becoming the leading global provider of integrated facility services (IFS). The relative share of revenue origin from delivering two or more services or integrated service solutions is increasing in all regions with the largest increases seen in North America, Asia and Western Europe (primarily in Germany, Turkey, Israel and Italy) driven by large international contracts such as the contract with a large technology company but also by large local multi-service and IFS contracts, e.g. the contract with BMW in Germany.

Revenue by service type

Cleaning services Cleaning services has been at the heart of ISS in many years and we have developed a wide range of services within cleaning – from providing basic general cleaning to highly specialised niche cleaning services. The ISS cleaning services offering encompasses a range of services within daily office and facility cleaning, industrial cleaning, cleaning in transport systems, dust control, washroom services and specialised cleaning, such as cleaning of nuclear plants, hospitals or food production facilities.

In 2011, cleaning services remained ISS's largest business area with revenue of DKK 39.5 billion, representing 51% of total Group revenue and slightly lower than in 2010. In line with the strategy to broaden the service platform, cleaning services' relative share of total Group revenue has consistently declined in recent years, while the revenue share from support services, catering services and security services in particular has consistently increased. In 2011, the cleaning services share of revenue was only slightly lower than in 2010 as a result of the change in focus from building the service platform through acquisitions in services other than cleaning to utilising the existing service platform to grow organically.

Property services The ISS property services offering encompasses building maintenance, technical maintenance, landscaping, pest control and damage control.

In 2011, revenue from property services amounted to DKK 15.0 billion, representing 19% of total Group revenue, a slight decrease compared with 20% in 2010. Property services revenue was adversely affected in 2011 by a number of divestments completed in 2010, most significantly the waste management business in France, the non-core building maintenance business in Spain and the non-core property services business in Norway as well as by divestments completed during 2011 such as the damage control business in Germany and the industrial services business in Belgium. These divestments all involved non-portfolio-based services and thereby underline the strategic focus on portfolio-based on-site services. Adjusted for the effect from divestments, revenue within property services increased by almost DKK 2 billion.

Catering services The ISS catering services offering includes in-house restaurants, hospital canteens, catering services to remote sites, corporate catering and office catering services including coffee solutions.

In 2011, revenue from catering services increased by 0.7 billion to DKK 7.7 billion equal to 10% of total Group revenue, which was unchanged from last year. In 2011, catering services continued to be positively impacted by cross selling to existing customers combined with a gradual recovery in revenue from non-portfolio-based catering services, such as event catering which was offset by lower public spend, especially in the public sectors of certain Mediterranean countries.

Support services The ISS support services offering encompasses the operation of receptions, internal mail handling, scanning and other office logistics, call centres, manpower supply and outplacement services.

In 2011, support services accounted for approximately 8% of total Group revenue, unchanged from 2010. In absolute figures, revenue in support services increased from DKK 5.6 billion in 2010 to DKK 6.2 billion in 2011. In 2011, support services were positively impacted by greater demand for outplacement services and cross-selling of services mainly to cleaning customers, which was offset by lower demand for manpower supply services.

Security services The ISS security services offering includes manned guarding, access control and patrolling of customer facilities and the installation of alarm and access systems.

Revenue increased by DKK 0.5 billion to DKK 5.8 billion, equivalent to 7% of total Group revenue in 2011, unchanged compared with 2010. The increase in revenue from security services was mainly due to the full year effect of the acquisition of the Indian company SDB Cisco Ltd. in August 2010 which added approximately DKK 400 million in annual revenue.

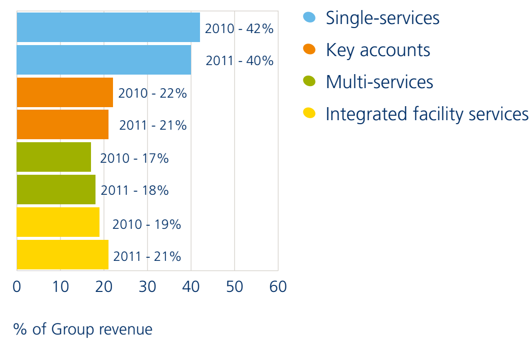
Facility management The ISS facility management offering includes on-site management of facility services, change management, space management and consulting. In 2011, revenue from facility management services increased by DKK 0.3 billion to DKK 3.5 billion, equivalent to 5% of total Group revenue, the same relative share as in 2010. The increase was mainly driven by the start-up of remote site mining contracts in Australia and new FM contracts in Latin America.

Acquisitions and divestments

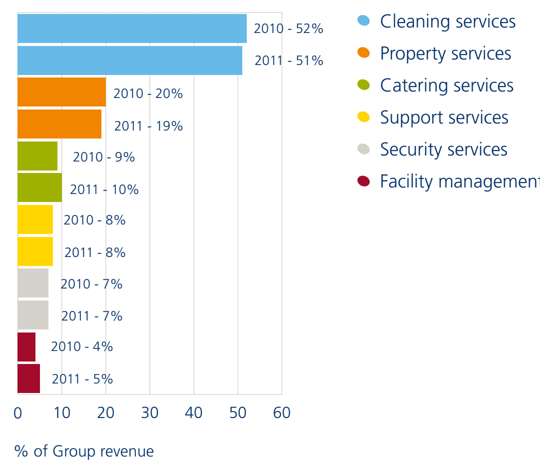
The transition from a company building on predominantly acquisitions to a company driven by organic growth taking advantage of our global platform has come a long way and we made no acquisitions in 2011.

DEVELOPMENT IN REVENUE

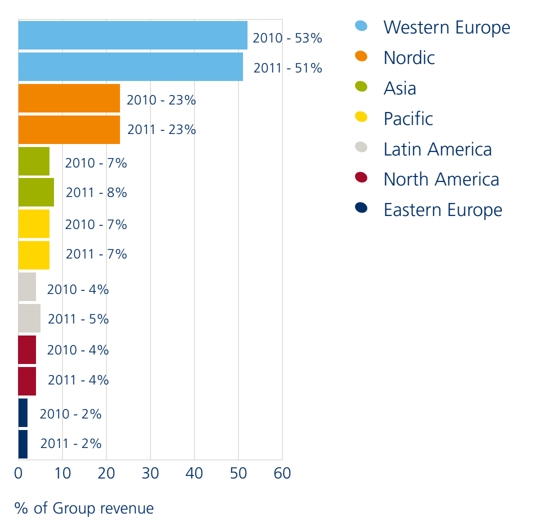
By delivery



By service



By region



We expect to continue the disciplined acquisition policy going forward and expect that any acquisition activities will primarily take place in emerging markets, either by expanding our presence in existing markets through bolt-on acquisitions or by establishing a service platform in new markets. Future acquisitions might also include selective competence-enhancing acquisitions in developed markets.

We review the strategic rationale and fit of business units on an on-going basis and in the light of our strategy and customer needs, which has led to the identification and evaluation of certain activities that were either non-core to The ISS Way strategy or lacked critical mass. Some of these activities were divested in 2009 and 2010, and an additional 12 divestments were completed in 2011. The divestments completed in 2011 comprised the divestment of the industrial services business in Belgium, the damage control business in Germany and the coffee vending business in Denmark and Norway as well as five minor businesses in Western Europe and the Nordic region.

We expect to continue evaluating our activities in the light of our plan to accelerate The ISS Way strategy focusing on our core businesses and to deleverage debt.

The divestments completed in 2011, resulted in a positive effect of DKK 66 million on other income and expenses, net and an impairment loss on goodwill of DKK 83 million. In addition, classification of certain non-core activities in Western Europe as held for sale during 2011 has resulted in a non-cash impairment loss on goodwill of DKK 218 million.

Financing

On 22 June 2011, ISS announced that it had successfully received lender consent to extend certain tranches under its Senior Facilities Agreement and to implement other amendments intended to increase the operational flexibility. Extensions were accepted by 96.5% of the lenders in the tranches for which ISS had requested extension, meaning that approximately DKK 17.9 billion of ISS's Senior Facilities was extended from 2012 and 2013 to either December 2014 or April 2015.

Consequently, 96% of the Term Facility B and Acquisition Facility B was extended from 2013 to April 2015, and 98% of the Revolving Credit Facility and Letter of Credit Facility was extended from 2012 to December 2014. An interest margin increase of 150 bps applies across these extended tranches, and furthermore an interest margin increase of 50 bps applies for the lenders in the Second Lien Facility that consented to the amendments. As part of the amendments lenders approved the capacity to increase its revolving credit facility by an additional DKK 1.5 billion and implemented other amendments intended to increase the operational flexibility. The refinancing was executed effective 24 June 2011 as a non-cash transaction. Remaining financing fees of DKK 117 million recognised as part of the amended and extended debt were expensed.

Effective 1 July 2011, the securitisation programme was extended by one year to September 2013, the size of the credit facility was reduced from DKK 3,725 million (EUR 500 million) to DKK 2,977 million (EUR 400 million) and the pricing of the programme was improved by the interest margin being reduced by 25 bps.

Following these extensions, ISS has no significant short-term financing maturities. For further information, see Capital Structure on pages 159-163.

Management changes

After the Annual General Meeting of ISS A/S on 3 March 2011, Pernille Benborg, Joseph Nazareth, Palle Fransen Queck and Flemming Quist joined the Board of Directors as employee representatives. On 1 December 2011, Peter J. Jørgensen replaced Flemming Quist as employee representative.

On 15 December 2011, Harry Klagsbrun and Jennie Chua were elected new members of the Board of Directors and replaced Peter Korsholm and Jørgen Lindegaard.

On 4 November 2011, ISS announced that Henrik Andersen, who has held several positions within ISS, most recently the position as CEO of ISS in the United Kingdom, replaced Jakob Stausholm as Group CFO with effect from 1 December 2011.

Other than as set out above, there have been no changes to the Executive Group Management Board and the Board of Directors of ISS during 2011.

Subsequent events

Other than as set out above and apart from the events described in this Annual Report, the Group is not aware of events subsequent to 31 December 2011, which are expected to have a material impact on the Group's financial position.

"I'm two weeks here and two weeks at home. When at work my talented colleagues are like family"

Anders Kroon, Sous-Chef, Statoil, ISS Norway

THE STATOIL complex in Mongstad, is located north of Bergen in Norway. The Mongstad facility is the country's largest refinery and also includes a large storage terminal for crude oil and a power plant. ISS provides the Statoil complex with different services through the Norwegian service concept 'ISS Camp Services', where services such as catering, cleaning and accommodation are the most important. ISS produces more than 5,000 meals each day to the residents at the complex.

"I believe a presentable hospital makes people feel better"

Miguel Ordoñez González, Gardener, Hospital Regional de Alta Especialización de Ixtapaluca, ISS Mexico

HOSPITAL REGIONAL DE ALTA ESPECIALIZACIÓN DE IXTAPALUCA in Mexico is a modern specialised hospital founded in 2011. The hospital consists of one main building plus one additional annex building and heliport. The hospital has about 9,000 patients each month. ISS provides the hospital with a wide range of services such as cleaning, maintenance, landscaping, pest control, security, warehouse, catering, front desk, valet parking, office support, help desk, clinical records handling, waste management, energy management and facility management.

Outlook

The outlook set out below should be read in conjunction with "Forward-looking statements" (see opposite) and the description of risk management on pages 52-53.

In 2012, ISS will maintain its focus on the key operational objectives; (i) cash conversion, (ii) operating margin and (iii) organic growth.

The outlook for 2012 is based on expectations of challenging macroeconomic outlook and difficult market conditions in Europe – in particular certain Mediterranean countries. We expect a continued strong growth in emerging markets.

ISS experienced a strong positive trend in organic growth in 2011 following the start-up of several large integrated facility services (IFS) contracts leading to organic growth of 6.2% for the Group. A sound development in the contract portfolio in late 2011 is expected to ensure a continuation of the organic growth rate which in 2012 is expected to be in the 4–6% range.

In 2011, ISS achieved an increase in operating profit before other items compared with 2010. However, the operating margin was slightly below the level realised in 2010. In 2012, the operating margin is expected to be around the level realised in 2011.

ISS will continue to prioritise cash flow and we will focus on managing the absolute level of debt supported by a continued low level of acquisition spending and continued robust cash conversion, which in 2012 is expected to be around 90%.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements, including, but not limited to, the guidance and expectations contained in the "Outlook" section on this page. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words "may", "will", "should", "expect", "anticipate", "believe", "estimate", "plan", "predict", "intend" or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. ISS has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties that could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS. Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in this report and other information made available by ISS.

As a result, you should not rely on these forward-looking statements. ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

“I make sure the aisles are clean – when the customers are happy, I’m happy”

Kalkanov Serzod, Cleaning Worker, Tesco, ISS Czech Republic

TESCO is one of the world’s largest retailers with operations in 14 countries, employing over 492,000 people and serving millions of customers every week. In the Czech Republic, Tesco has 158 stores and almost 13,000 employees. ISS provides cleaning services to the 64 largest Tesco stores in the Czech Republic as well as winter cleaning/snow removal.

Financial review

ISS accelerated its growth momentum in 2011, recording the highest organic growth rate in more than a decade despite uncertainty and volatility in the macroeconomic environment in most of its markets of operation.

Income statement

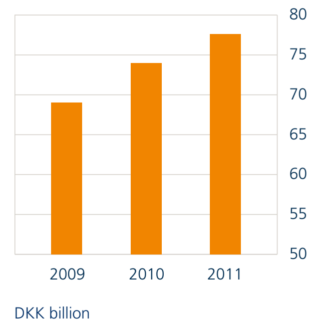
Revenue amounted to DKK 77,644 million representing year-on-year revenue growth of 5%. Revenue growth was driven by organic growth of 6.2% with all seven regions delivering positive organic growth rates, including double-digit organic growth rates in North America, Latin America and Asia. Revenue was also positively impacted by exchange rate movements of 1%, mainly stemming from an appreciation of CHF, AUD, NOK and SEK against DKK. Revenue growth was impacted by 2% negative growth from acquisitions and divestments, net.

Staff costs increased by DKK 1,950 million, or 4%, from DKK 48,139 million in 2010 to DKK 50,089 million in 2011. The change was due primarily to an increase in the overall number of employees resulting from organic growth which was partly offset by the effect from completed divestments. Staff costs as a percentage of revenue decreased slightly from 65.0% in 2010 to 64.5% in 2011.

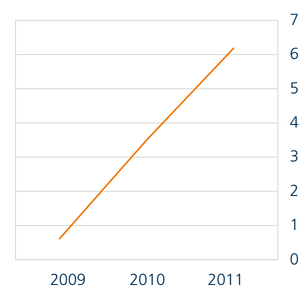
Consumables increased by DKK 392 million, or 6%, from DKK 6,359 million in 2010 to DKK 6,751 million in 2011. Consumables which comprise items such as chemicals, food costs and uniforms amounted to 8.7% of revenue in 2011, a slight increase compared with 8.6% in 2010.

Other operating expenses increased by DKK 1,146 million, or 8%, from DKK 14,415 million in 2010 to DKK 15,561 million in 2011, equal to 20.0% of revenue, up from 19.5% in 2010. The increase was the result of higher costs related to subcontractors which rose from 8.0% of revenue in 2010 to 8.9% in 2011, mainly as a

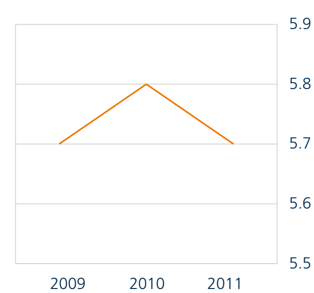
REVENUE



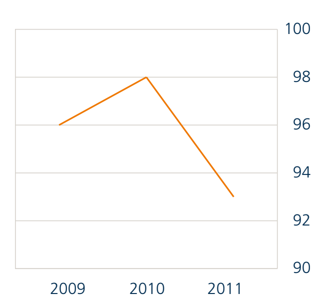
ORGANIC GROWTH, %



OPERATING MARGIN, %



CASH CONVERSION, %



result of the increase in the number of global contracts. Albeit our business is based upon our self-delivery model we do rely on the use of subcontractors in certain countries with no ISS operation.

Operating profit before other items amounted to DKK 4,388 million in 2011, an increase of 2% from DKK 4,310 million in 2010, driven by the increase in revenue resulting from the strong organic growth. The operating margin was 5.7%, a slight decrease compared with 5.8% in 2010. The operating margin in 2011 was supported by strong margin increases in Switzerland, the United Kingdom, Turkey, and the Asia region, in particular. However, this was more than offset by the negative impact resulting from challenging economic conditions in the Mediterranean region, operational challenges in the Netherlands and the start-up of large national and international IFS contracts. Corporate overhead costs increased slightly from 0.5% of revenue in 2010 to 0.6% of revenue in 2011.

Other income and expenses, net was a net expense of DKK 223 million in 2011 compared with a net expense of DKK 118 million in 2010. The net expense of DKK 223 million consisted mainly of DKK 111 million in costs related to the exit processes, including the IPO, DKK 52 million related to a strategic build-up of IFS capabilities in North America, DKK 47 million related to a revised estimate for social security contributions in prior years, DKK 43 million related to restructuring projects in Brazil, Finland, Norway, the Netherlands and at head office and DKK 23 million related to redundancy and severance payments in respect of senior management changes. The expenses were partly offset by a net gain of DKK 66 million related to divestments, primarily of the coffee vending business in Norway and Denmark, the non-core industry service activities in Finland and the industrial services business in Belgium.

In 2010, other income and expenses, net amounted to a net expense of DKK 118 million which mainly consisted of expenses of DKK 113 million related to prior year adjustments in Norway, DKK 16 million related to redundancy and severance payments in respect of senior management changes and DKK 17 million in costs related to the IPO process. Partly offsetting these expenses was a net gain of DKK 46 million related to divestments, mainly stemming from a gain from the divestment of the washroom activities in Denmark, Norway and Sweden and partly offset by divestment losses, mainly stemming from the waste management activities and the security activities in France.

Financial income and expenses, net increased by DKK 396 million, or 16%, to a net expense of DKK 2,807 million in 2011 from DKK 2,411 million in 2010. The main reasons for the increase were an increase in net interest expenses of DKK 301 million, mainly following the margin increase as a result of the amendment and extension of senior debt, an increase in the effect from foreign exchange losses, net of DKK 172 million combined with an increase in amortisation of financing fees of DKK 134 million which were partly offset by a decrease of DKK 153 million related to a net change in the fair value of cash flow hedges transferred from equity.

In 2011, financial income and expenses, net mainly comprised DKK 2,271 million of net interest expenses, DKK 124 million in net losses on foreign exchange and DKK 257 million in non-cash amortisation of financing fees, including DKK 117 million in additional non-cash amortisation of financing fees related to the amendment and extension of certain tranches under the Senior Facilities Agreement as all remaining financing fees recognised as part of the amended and extended debt were expensed. In addition, financial income and expenses, net included financing fees of DKK 38 million related to the IPO financing package which was not executed due to cancellation of the IPO. Financial income and expenses, net also included an expected return on plan assets and interest expenses on defined benefit pension plans equal to a net expense of DKK 29 million.

Income taxes increased from DKK 760 million in 2010 to DKK 887 million in 2011. The effective tax rate in 2011 was 65.3% compared with 42.4% in 2010, calculated as the consolidated tax expense of DKK 887 million divided by Profit before tax and goodwill impairment / amortisation and impairment of brands and customer contracts of DKK 1,358 million. The increase in the effective tax rate compared with 2010 was mainly due to non-deductible refinancing costs in 2011 and a valuation allowance on deferred tax assets in France. The rules on limitation on the deductibility of financial expenses, including refinancing costs, in Denmark impacted the tax expense in 2011 adversely by approximately DKK 290 million. The effective tax rate amounted to 44% when adjusted for the impact of the limitation on deductibility of financial expenses. In addition, the tax expense was adversely impacted by Contribution economique territoriale (CET) in France as well as non-deductible costs related to the IPO process. With amended tax legislation in France limiting the use of tax losses carry forward, a valuation allowance on deferred tax assets in France of DKK 100 million has been expensed in 2011. The effective tax rate amounted to 58.0% when adjusted for the effect of the valuation allowance on the deferred tax assets in France.

PURCHASE PRICE ALLOCATION IN MAY 2005

The purchase price paid for the shares in ISS World Services A/S acquired in May 2005 was approximately DKK 22 billion. When preparing consolidated financial statements for the acquiring company, ISS A/S the purchase price paid was allocated to all identifiable assets, liabilities and contingent liabilities which were adjusted to fair value in accordance with applicable International Financial Reporting Standards (IFRSs). The residual amount was allocated to goodwill.

As the carrying amount of the net assets of the acquired company was approximately DKK 9 billion at the time of acquisition, the adjustment of assets, liabilities and contingent liabilities to fair value resulted in an increase in the carrying amount, mainly for the intangible assets. Apart from a material increase in intangible assets such as brands, customer contracts and goodwill there was an increase in deferred tax liabilities primarily as a result of the increase in the value of customer contracts and brands. The fair value of non-current loans and borrowings was lower than the carrying amount due to a decrease in the market value of the Medium Term Notes following the acquisition of ISS World Services A/S.

DKK million	Fair value adjust-ments following acquisition	Fair value adjust-ment remaining at 31 December
Goodwill	6,443	4,497
Brands	1,657	1,609
Customer contracts	6,665	2,702
Other non-current and current assets	(156)	22
Pensions	(30)	-
Deferred tax liabilities	(2,960)	(1,175)
Non-current loans and borrowings	1,811	64
Non-controlling interests and other non-current and current liabilities	(299)	(1)
Total identifiable net assets including goodwill	**13,131**	**7,718**

In accordance with applicable IFRSs the allocation of the purchase price was done at country level (ISS's relevant Cash Generating Unit) which implied that net assets of each ISS country were adjusted to fair value in May 2005. This allocation is binding and subsequent impairment tests have been performed at country level based on these higher values of net assets. The fact that impairment tests have been performed at country level based on these higher values of net assets has led to recognition of impairment losses in certain individual countries despite the fact that the aggregate value of net assets at Group level would not lead to an impairment. This illustrates that impairment losses in certain countries have been more than offset by positive developments in other countries but according to the IFRSs only the negative effects should be reflected in the income statement and the statement of financial position.

The table above presents the aggregate fair value adjustments (i.e. change in carrying amount due to the takeover) following the acquisition and such fair value adjustments remaining at 31 December 2011. The table below illustrates how the fair value adjustments made in May 2005 impact the financial results for 2010 and 2011. The column "Actual excl. adj." reflects the financial result if no fair value adjustments were made in May 2005.

	2011			2010		
DKK million	Actual	Fair value adj.	Actual excl. adj.	Actual	Fair value adj.	Actual excl. adj.
Operating profit before other items	**4,388**	**-**	**4,388**	**4,310**	**-**	**4,310**
Other income and expenses, net	(223)	(3)	(220)	(118)	-	(118)
Operating profit	**4,165**	**(3)**	**4,168**	**4,192**	**-**	**4,192**
Share of result from associates	0	-	0	10	-	10
Financial income and financial expenses, net	(2,807)	(22)	(2,785)	(2,411)	(72)	(2,339)
Profit before tax and goodwill impairment/amortisation and impairment of brands and customer contracts	**1,358**	**(25)**	**1,383**	**1,791**	**(72)**	**1,863**
Income taxes	(887)	5	(892)	(760)	18	(778)
Profit before goodwill impairment/amortisation and impairment of brands and customer contracts	**471**	**(20)**	**491**	**1,031**	**(54)**	**1,085**
Goodwill impairment	(501)	(179)	(322)	(938)	(679)	(259)
Amortisation and impairment of brands and customer contracts	(708)	(342)	(366)	(869)	(434)	(435)
Income tax effect	231	114	117	244	128	116
Net profit/(loss) for the year	**(507)**	**(427)**	**(80)**	**(532)**	**(1,039)**	**507**

Goodwill impairment amounted to DKK 501 million of which DKK 200 million derived from impairment tests at 30 June 2011 and DKK 301 million derived from the divestment of businesses. Impairment losses derived from impairment tests of DKK 200 million related to ISS's business in Spain and were caused by an increase in the discount rate applied following the amendment and extension of the Senior Facilities Agreement combined with the macroeconomic impact on the catering business. Impairment losses derived from the divestment of businesses of DKK 301 million mainly related to the re-measurement of net assets of non-core activities in Western Europe, which were classified as held for sale at 30 September 2011, resulting in an impairment loss of DKK 218 million. Furthermore, a re-measurement of net assets of the divested damage control business, VATRO in Germany, which was classified as held for sale at 31 December 2010 and subsequently divested in July, resulted in a loss of DKK 61 million. The remaining loss of DKK 22 million related to three minor divestments in Norway.

In 2010, goodwill impairment amounted to DKK 938 million, of which DKK 929 million derived from impairment tests and DKK 9 million derived from the divestment of businesses. Impairment losses derived from impairment tests of DKK 929 million related to ISS France (DKK 335 million), ISS Greece (DKK 329 million), ISS Spain (DKK 150 million) and ISS Ireland (DKK 115 million). The loss in France was mainly the result of a slight extension of the turnaround plan compared with prior expectations. The loss in Greece was mainly the result of an increase in the discount rate applied following an increase in the interest rate as well as challenging market conditions. The losses in Spain and Ireland were mainly due to higher interest rates. Impairment losses of DKK 9 million derived from the divestment of businesses related to the divestment of the non-strategic call centre activities in Denmark and the property services activities in Ireland.

Of the total goodwill impairment in 2011 and 2010, expenses of DKK 179 million and DKK 679 million, respectively, resulted from charges relating to the purchase price allocation in May 2005 in connection with the acquisition of ISS World Services A/S. See Purchase price allocation in May 2005 on page 29.

A detailed specification is included in note 11 to the consolidated financial statements.

Amortisation and impairment of brands and customer contracts amounted to DKK 708 million in 2011, down from DKK 869 million in 2010. The decrease of DKK 161 million compared with 2010 was mainly a result of a general decrease in the amortisation of customer contracts due to the use of the declining balance method.

> I am very pleased with our 2011 results which demonstrate that the strong execution of our customer-focused strategy has enabled us to deliver industry-leading organic growth and growing operating profit in a still challenging market.
>
> Henrik Andersen
> Group CFO

Of the total amortisation and impairment of brands and customer contracts in 2011 and 2010, expenses of DKK 342 million and DKK 434 million, respectively, resulted from charges relating to the purchase price allocation in May 2005 in connection with the acquisition of ISS World Services A/S. See Purchase price allocation in May 2005 on page 29.

Tax effect of goodwill impairment and amortisation and impairment of brands and customer contracts, which is presented separately in the income statement to show the effective tax percentage before impairment and amortisation of intangibles, was DKK 231 million in 2011 compared with DKK 244 million in 2010. The decrease was due to the decrease in amortisation and impairment of brands and customer contracts which was partly offset by the effect from a reduction in corporate tax rates in a number of countries in 2011.

Net loss improved from a loss of DKK 532 million in 2010 to a loss of DKK 507 million in 2011, and was positively impacted by growth in revenue and higher operating profit before other items, combined with lower non-cash expenses related to goodwill impairment and amortisation and impairment of brands and customer contracts compared with 2010. These positive effects were partly offset by higher financial expenses, net, an increase in expenses recognised as other income and expenses, net and an increase in income taxes. A loss of DKK 514 million was attributable to the owners of ISS, whereas a profit of DKK 7 million was attributable to non-controlling interests.

Of the total net losses in 2011 and 2010, respectively, expenses of DKK 427 million and DKK 1,039 million resulted from charges relating to the purchase price allocation in May 2005 in connection with the acquisition of ISS World Services A/S. See Purchase price allocation in May 2005 on page 29.

Statement of cash flows

Cash flow from operating activities was DKK 3,676 million in 2011, down by DKK 360 million from DKK 4,036 million in 2010. The decrease was due primarily to an increase in outflow from changes in working capital of DKK 230 million, an increase in outflow from changes in provisions, pensions and similar obligations of DKK 107 million which were partly offset by an increase in operating profit before other items of DKK 78 million.

The cash outflow from changes in working capital of DKK 317 million was due to a negative cash flow from trade receivables as a result of the high organic growth of 6.2% and a slight increase in debtor days partly driven by the start-up of new large contracts as well as a challenging economic environment. This negative effect was partly offset by a positive impact from trade payables mainly stemming from the increase in the level of activity.

The cash outflow from changes in provisions, pensions and similar obligations of DKK 235 million was mainly related to pension payments and re-assessment of provisions.

Payments related to other income and expenses, net of DKK 266 million were mainly related to restructuring projects initiated and expensed in 2010, build-up of IFS capabilities in North America as well as costs related to the exit processes, including the IPO.

Income taxes paid increased from DKK 697 million in 2010 to DKK 749 million in 2011 as a result of improved performance in 2010 leading to higher tax payments in 2011.

Cash flow from investing activities in 2011 was a net outflow of DKK 332 million with DKK 1,010 million relating to investments in intangible assets and property, plant and equipment, net (excluding acquisition-related intangibles) and representing 1.3% of revenue, DKK 89 million relating to payment of earn-outs and deferred payments on acquisitions completed in previous years which was partly offset by a cash inflow of DKK 761 million from divestments, most significantly in Germany, Belgium and Norway.

Cash flow from investing activities in 2010 was a net outflow of DKK 717 million, of which DKK 470 million related to acquisitions completed during 2010 and payment of earn-outs and deferred payments on acquisitions completed in prior years. The sole acquisition completed in 2010 was the 49% interest in SDB Cisco Ltd. in India. The cash outflow from acquisitions was more than offset by proceeds from divestments of DKK 591 million that related primarily to the divestment of non-core activities in the Nordic region and in France. Investments in intangible assets and property, plant and equipment, net (excluding acquisition-related intangibles) amounted to DKK 886 million in 2010, representing 1.2% of revenue. Investments in financial assets, net amounted to an inflow of DKK 48 million in 2010 primarily from the sale of government bonds in ISS's insurance captive company which activities ceased in the second half of 2010.

Cash flow from financing activities in 2011 was a net cash outflow of DKK 2,874 million. This was mainly a result of interest payments, net of DKK 2,224 million and repayment of borrowings of DKK 987 million, partly offset by proceeds from borrowings of DKK 345 million. Repayment of borrowings was mainly related to repayments on the Senior Facilities while proceeds from borrowings were related to drawings under the securitisation programme and drawings on working capital facilities.

Cash flow from financing activities in 2010 was a net cash outflow of DKK 3,186 million. This was mainly due to the repayment of borrowings of DKK 3,395 million and interest payments, net of DKK 2,278 million, partly offset by proceeds from borrowings of DKK 2,496 million. Repayment of borrowings was a result of DKK 2,606 million related to repayment of the 2010 EMTNs and repayment of DKK 789 million on the Acquisition and Term Loan facilities. Proceeds from borrowings mainly related to the issuance of DKK 950 million (EUR 127.5 million) in debt through a tap issue in the existing High Yield Notes 2016 and additional debt raised under the securitisation programme of DKK 1,529 million since year-end 2009.

Cash conversion Changes in working capital was an outflow of DKK 317 million, which resulted in a cash conversion of 93% in 2011 compared with 98% in 2010.

Cash conversion ratios for individual years may vary. The cash flows from operations for the individual periods depend on the timing of a number of payments towards the end of the individual months and years. For a definition of cash conversion, see page 9.

Statement of financial position

Total assets amounted to DKK 55,023 million at 31 December 2011, of which DKK 37,032 million was non-current assets, primarily acquisition-related intangible assets, and DKK 17,991 million was current assets, primarily trade receivables of DKK 11,871 million.

Intangible assets decreased by DKK 1,261 million from DKK 35,358 million at 31 December 2010 to DKK 34,097 million at 31 December 2011. Intangible assets primarily comprise goodwill, customer contracts and brands related to the acquisition of ISS World Services A/S in May 2005, when a carrying amount of DKK 31,844 million of intangible assets, of which DKK 22,035 million related to goodwill, was recognised in ISS's statement of financial position. Furthermore, a significant number of acquisitions over the years have added more intangible assets.

At 31 December 2011, goodwill amounted to DKK 27,170 million, a decrease of DKK 577 million or 2% from last year. The decrease was mainly due to goodwill impairment of DKK 501 million that related to impairment losses of DKK 200 million derived from impairment tests in Spain and impairment losses of DKK 301 million derived from divestments, mainly related to the re-measurement of net assets of non-core activities in Western Europe leading to an impairment loss of DKK 218 million and a re-measurement of net assets of VATRO in Germany leading to an impairment loss of DKK 61 million.

Goodwill is related to acquisitions, including the acquisition of ISS World Services A/S, carried out under varying circumstances and at different stages of macroeconomic cycles. The goodwill is distributed on most of the countries in which the 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, representing approximately 14% of the total carrying amount of goodwill.

Customer contracts decreased by DKK 723 million to DKK 4,889 million at 31 December 2011, mainly due to amortisation of customer contracts of DKK 696 million.

Non-current assets other than intangible assets amounted to DKK 2,935 million at 31 December 2011, a slight decrease from DKK 3,009 million at 31 December 2010. The slight decrease of DKK 74 million was a consequence of amended tax legislation in France limiting the use of tax losses carry forward and leading to a valuation allowance on deferred tax assets in France of DKK 100 million in 2011.

Trade receivables increased from DKK 10,896 million at 31 December 2010 to DKK 11,871 million at 31 December 2011. The change was a result of the organic growth of 6.2% and a slight increase in debtor days from 31 December 2010 to 31 December 2011.

Other current assets, comprising inventories, contract work in progress, tax receivables, other receivables, prepayments and securities amounted to DKK 1,918 million at 31 December 2011, an increase of DKK 156 million from 31 December 2010. Other receivables comprising pass-through invoices and various refunds and recoverable payments increased from DKK 333 million at 31 December 2010 to DKK 434 million at 31 December 2011 while prepayments comprising prepayments to suppliers, sign-on fees etc. increased from DKK 581 million at 31 December 2010 to DKK 674 million at 31 December 2011.

Cash and cash equivalents increased from DKK 3,606 million at 31 December 2010 to DKK 4,037 million at 31 December 2011, of which DKK 2,498 million resided at Group level with the remainder at country level. The cash position was positively impacted by the inflow of working capital in Q4 2011. The cash position may fluctuate significantly from month to month due to the frequency and timing of cash collection and outgoing payments, e.g. salary payments.

Assets and liabilities held for sale amounted to DKK 165 million and DKK 90 million, respectively, and included the assets and liabilities attributable to three non-core activities in Western Europe for which sales processes have been initiated.

Total equity decreased from DKK 2,651 million at 31 December 2010 to DKK 2,082 million at 31 December 2011, of which DKK 2,070 million was equity attributable to the equity holders of ISS A/S. The total change in equity for the year attributable to the equity holders of ISS was a decrease of DKK 556 million.

Net income and expenses recognised in equity reduced equity by DKK 550 million. This included a net loss of DKK 507 million for the year, actuarial losses, net, including the effect of the asset ceiling on defined benefit pension schemes that amounted to DKK 62 million and negative currency adjustments of DKK 50 million relating to investments in foreign subsidiaries. Partly offsetting this was a positive effect of DKK 92 million related to hedges net of tax.

The equity ratio, defined as total equity attributable to owners of ISS A/S relative to total assets was 3.8% at 31 December 2011 compared with 4.7% at 31 December 2010.

Non-current loans and borrowings decreased from DKK 29,032 million at 31 December 2010 to DKK 28,181 million at 31 December 2011 primarily due to the reclassification of parts of the Acquisition and Term Loan facilities to current loans and borrowings.

Other non-current liabilities comprise pensions and similar obligations, deferred tax liabilities and provisions, and amounted to DKK 3,561 million at 31 December 2011 compared with DKK 3,843 million at 31 December 2010. The decrease was mainly the result of a decrease in deferred tax liabilities and non-current provisions.

Pensions and similar obligations amounted to DKK 1,172 million at 31 December 2011, compared with DKK 1,177 million at 31 December 2010. The majority of the Group's pension plans are defined contribution plans. The Group's contributions to such plans are accrued and expensed on an ongoing basis. ISS has defined benefit plans in certain countries, mainly France, Germany, the Netherlands, Sweden, Switzerland, Norway and the United Kingdom. As mentioned above, actuarial losses of DKK 62 million, net of tax, including the net effect of the asset ceiling, were taken directly to equity. The losses were primarily a result of actuarial losses in the United Kingdom and Sweden, driven by a reduction of the discount rate applied and of the value of plan assets. Despite actuarial losses of DKK 62 million net of tax and including the net effect from the asset ceiling, the net obligation decreased by DKK 5 million from 31 December 2010 to 31 December 2011, mainly due to higher pension contributions in the United Kingdom.

Provisions amounted to DKK 593 million at 31 December 2011, of which DKK 338 million had an estimated maturity of more than one year. Comparative figures at 31 December 2010 were DKK 740 million and DKK 361 million, respectively. The provisions comprise acquisition-related provisions and various obligations incurred in the course of business, e.g. self-insurance obligations, labour-related obligations, legal obligations, restructurings, contract closures, etc.

Other current liabilities comprising current loans and borrowings, trade payables, tax payables and provisions, amounted to DKK 9,921 million at 31 December 2011 compared with DKK 8,836 million at 31 December 2010. The increase was driven by an increase in trade payables of DKK 636 million resulting from the increase in the level of activity and by an increase in current loans and borrowings of DKK 562 million resulting from an increase in drawings under the securitisation programme and drawings on working capital facilities.

Other liabilities amounted to DKK 11,188 million at 31 December 2011 compared with DKK 10,838 million at 31 December 2010. Other liabilities consist mainly of accrued wages and holiday allowances, tax withholdings, VAT and other payables and accrued expenses.

The carrying amount of net debt amounted to DKK 29,905 million at 31 December 2011, down by DKK 718 million from DKK 30,623 million at 31 December 2010. The decrease was mainly related to the cash inflow from operations and proceeds from acquisitions and divestments, net which was partly offset by the negative effects of payment of interest as well as investments in intangible assets and property, plant and equipment, net (excluding acquisition-related intangibles). At 31 December 2011, non-current loans and borrowings amounted to DKK 28,181 million, current loans and borrowings amounted to DKK 5,778 million while securities, cash and cash equivalents totalled DKK 4,054 million.

"I'm proud of my job. I know my efforts give people a better stay"

Cristina Radulescu, Service Assistant,
Adina Apartment Hotel, ISS Denmark

ADINA APARTMENT HOTEL is a four-star hotel located in Copenhagen, Denmark, only a stone's throw from Hans Christian Andersen's Little Mermaid. The 128 hotel apartments include studios and one or two-room apartments with bathroom and kitchen. ISS provides housekeeping, maintenance, window cleaning and night porter service to Adina Apartment Hotel.

Strategy – The ISS Way

Since launching The ISS Way strategy in 2008, we have made substantial headway in the process of implementing the strategy. Now we are harvesting the rewards.

ISS corporate values

Honesty – We respect
Our honesty is not negotiable. We respect our customers, our colleagues and our company. Honesty comes first.

Entrepreneurship – We act
Action speaks louder than words. All our employees have a 'licence to act' and are expected to do so.

Responsibility – We care
Indifference is immoral. We care about what we do and for whom we do it.

Quality – We deliver
We are professionals with a passion for quality. We deliver on our promises.

Strategy and business model

It all starts with customer needs. Fundamental needs, such as a compelling quality/price proposition, reliable and flexible service and convenience. We cater for our customers looking for innovative solutions such as the ability to procure a bundled set of services from a single provider delivered consistently, as well as an offering which addresses the challenges they are faced with in terms of environment, health and safety. Finally, ISS can deliver solutions which meet the customers' specific individual needs.

The ISS business model is based on offering a range of facility services within cleaning services, support services, property services, catering services, security services and facility management which can be delivered as either a single-service, multi-service or integrated service solution. Our value proposition offers customers the efficiencies and financial certainty which emerge from our ability to share best practices across our operations in the individual services, our ability to provide flexible solutions through our self-delivery model and our ability to provide an integrated solution as well as one point of contact. Through our philosophy of self-delivery we can also provide a flexible service solution delivered in a consistent manner across all customer sites. We are acutely aware of the increased demands being put on customers from a corporate responsibility perspective and design our offerings to address these demands and help our customers to better achieve their objectives.

In addition to meeting these fundamental needs, we support our customers in delivering on their specific value proposition – from health care providers to those operating in remote sites – through a segmented approach and deep insight into our customers' markets.

In the case of Hospitals, for example, we provide a set of services that are tailored specifically to address what is most important for a hospital aiming at faster patient recovery. We do not see our service only as cleaning operating theatres or maintaining the premises but as contributing to the recovery of patients and the well-being of staff and visitors. For example, our catering solution for a hospital reflects the very different needs of three user groups; patients, staff and visitors. We also provide reception and portering services and our personnel are thereby often the first people patients meet when arriving at the hospital. Backed by their special training and our tailored processes, our personnel can contribute to putting patients at ease by ensuring that their first encounter is a pleasant and efficient one. These segment specific value propositions which are developed in close cooperation with our Excellence Centres enables us to transfer these unique skills to other contracts and segments via global knowledge transfer.

Our strategy is defined by customer needs and to a great extent it revolves around a few key themes – the most important of which is alignment. To deliver our

> Our success in Corporate Clients is a tribute to the organisation's ability to drive the implementation of the strategy and deliver on our unique offering to large blue-chip companies. All-in-all, 2011 was a breakthrough year in strategy implementation.

Todd O'Neill
Head of Group Strategy and Corporate Development

value proposition our organisation must be aligned behind the same vision, set of values and leadership principles. Furthermore, alignment is driving the implementation of a core set of policies and processes. This alignment results in, for example, a well-defined health and safety system and culture being established which will help us minimise corporate responsibility risk for our customers and safeguard our employees. Similarly, by having common processes we are able to provide a consistent and uniform customer experience across all sites using the same delivery methods, tools and training. These are elements of service delivery that are important to our customers, which means that they are also important to us. With over 530,000 employees working on site at customer premises every day, ensuring alignment is no easy task. Nonetheless, we have made good progress in implementing the strategy – awareness is high and knowledge of the concepts of The ISS Way strategy and their rationale are in place. We are becoming more aligned and the evidence is clear. We have clear and consistent strategic roadmaps by country. We are winning ground breaking contracts with global, regional and local clients and we are advancing in our customer segmentation approach. And we are increasingly able to demonstrate the advantages of implementing the basket of core global policies, processes and best practices launched as part of The ISS Way.

How we operate our business

Our corporate values, leadership principles and strategic cornerstones, together with The ISS Way strategy, provide the roadmap by which we operate our business.

Corporate values

Ultimately, The ISS Way strategy is founded on the four corporate values on which we base our strategic, operational and financial plans and actions:

- Honesty
- Entrepreneurship
- Responsibility
- Quality

Leadership principles

Our set of international leadership principles define the attitudes and behaviour ISS expects from its leaders:

In ISS we
- put the customer first
- have a passion for performance
- encourage innovation
- treat people with respect
- lead by example
- lead by empowerment
- develop ourselves and others
- believe teamwork is at the heart of our performance
- are one company with shared values, one brand and one strategy.

These principles, which are integrated in the recruitment, appraisal, development and talent management processes, are applicable for all ISS leaders and are supported by an ISS University programme on the leadership principles. As the principles translate our values into actions and behaviours by describing successful leaders, this initiative will further enhance our leadership capabilities.

Our strategic cornerstones

The ISS Way strategy is built on our strategic cornerstones: customer focus, people management, the IFS strategy, and our multi-local approach:

Customer focus We focus on our customers. We serve selected customer segments locally, regionally and globally with specific value propositions through focusing on identifying customer needs and wants. We build sustainable partnerships with customers who value our approach to service.

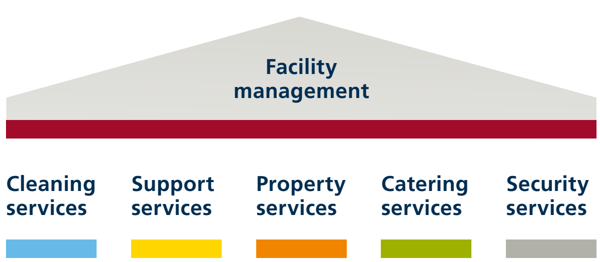
People management People management is our core competence. We excel in people management in order to deliver excellence in our service offerings to our chosen customer segments. We mitigate risks and volatility transferred from our customers by applying leadership skills, Human Resource and HSE policies, employee training and skills in complying with local labour legislation. We achieve these benefits by sharing knowledge and best practices within the Group.

IFS strategy IFS is our strategic aim. We advance our service offering towards IFS by building the ISS House of services and developing our facility management capabilities. We self-deliver multiple site-based services within the ISS House and we integrate our service deliveries seamlessly in our customers' organisations and facilities.

Multi-local approach We strike a balance between autonomy and alignment. We operate with strong local leadership and autonomy to ensure timely responses to operational demands and to benefit from knowledge of local market conditions. We implement our fundamental Group policies and strategic direction to enable us to exploit best practices and leverage our geographical footprint. We are disciplined and use tight financial control.

Our service offering

The ISS service offering is designed to meet customer needs. Our fundamental offering is illustrated by the five pillars of the ISS House: cleaning services, support services, property services, catering services and security services. The 'roof', facility management, represents the sixth service and our capabilities within the integration of service deliveries. The ISS House is built on a strong foundation of service excellence, which means that our customers enjoy the benefits of partnering with a service expert – a company that truly understands customer needs and provides the services required to meet them.



Our service concepts are developed to address specific customer needs. This entails defining versions of the ISS House built on ISS's fundamental competencies and presenting an integrated solution of services customised for a given segment.

ISS focuses primarily on delivering site-based services based on portfolio contracts, where ISS employees become an integrated part of the customers' daily operations. ISS also offers selected route-based services, such as pest control.

The delivery model

ISS distinguishes between services offered and the way in which these services are delivered. The three delivery models are: single-services, multi-services and integrated facility services (IFS). During 2011, we continued to develop and strengthen our single-service excellence and integrated facility service (IFS) capabilities.

In a single-service outsourcing, the customer buys one service solution from ISS, outsourcing of catering services, for instance.

In a multi-service outsourcing, which consists of two or more services but not a fully integrated solution, the customer achieves the same benefits as with single-service outsourcing but with the additional benefits of service integration where possible.

In an integrated facility service (IFS) solution, ISS delivers two or more services under one contract with a single point of contact on-site, which allows ISS to integrate the facility service functions taken over by ISS at the customer's premises. The customer receives both the full potential of single-service outsourcing and the advantages of integrating services, including cost efficiencies and a more efficient and flexible service set-up.

The ISS Way strategy – Implementation status

Our focus is to unleash the full potential of our unique business platform. Our robust strategy process has resulted in a clear roadmap for ISS. We know where we are going, how we are going to get there and when. We are well underway in implementing The ISS Way strategy based on a number of key strategic priorities, the central themes being alignment and focus.

To this end, we are focusing on securing a cohesive business platform through the divestment of non-core activities. In 2011, we divested 12 businesses with an aggregate annual revenue of DKK 2 billion. We are developing service concepts tailored to specific customer segments and ensuring the delivery of a strong value proposition. We continue to invest in employee training at all levels of the organisation, as well as accelerating our efforts within Health, Safety and Environment.

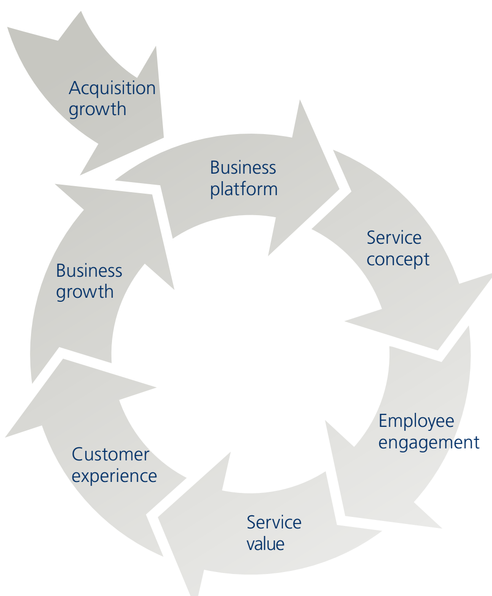
We have established common processes – based on tried and true internal best practice – for all the phases of the customer contract lifecycle. These processes are demonstrating their worth through enhanced customer experience and improved employee satisfaction.

We are also driving alignment in leadership and now have a Leadership programme at our ISS University to supplement the existing programmes for top management and expect this to be reflected in every employee's lifecycle within ISS.

Our success in Corporate Clients is a tribute to the organisation's ability to drive the implementation of the strategy and deliver on our unique offering to large international blue-chip companies. All-in-all, 2011 was a breakthrough year in strategy implementation.

The ISS value chain

Our strategy, The ISS Way, is being implemented by the application of our management tool, the ISS value chain.



The links in the ISS value chain are best illustrated by starting at the Business growth end. The shared purpose of our existence at ISS is to create shareholder value. This emerges from profitable growth which in turn is driven by satisfied customers who expand their business with ISS and renew their contracts. Customer satisfaction is founded on capable employees who are engaged in their jobs and motivated by being part of a strong team. Capable employees are employees who have been trained to deliver clearly defined and operational service concepts. Strong and attractive service concepts are the result of informed decisions made regarding the business platform, which determines the customer segments we should serve and the services we choose to deliver to these segments. Acquisitions are a useful tool in the continued development of ISS, and they will be used selectively to improve ISS's competitiveness, build critical mass and enhance service capabilities and capacity where and when appropriate. At the same time divestments are made when activities do not contribute to our core business or lack critical mass.

The ISS value chain is our primary management tool applied across the organisation designed to ensure a structured and robust approach to the implementation of The ISS Way at a strategic, tactical and operational level. It forms a central part of The ISS Way of thinking and working. Management at all levels of the organisation have shared points of reference deeply embedded in the organisation that enable them to see their actions from a broader perspective, thus creating a well-founded, valuable and homogenous service culture at ISS.

Implementation of The ISS Way strategy and the application of the ISS value chain are supported by an ISS University programme for top management that addresses our strategy and implementation tools – all of which drive focus and alignment.

Operational objectives

ISS seeks to maintain and enhance operational efficiency by focusing on three well-established operational objectives which are used throughout the Group: (i) cash conversion, (ii) operating margin and (iii) organic growth.

Cash conversion
ISS's objective is to continue to maintain a robust rate of cash conversion primarily by operating in a manner that optimises working capital. Through this approach, ISS expects to continue to generate a high level of positive cash flow from operations.

Operating margin
ISS's objective is to maintain or improve its operating margin. ISS seeks to improve operational efficiencies by implementing group-wide excellence and best practice initiatives combined with specific initiatives aimed at increasing the margin in certain countries.

Organic growth
ISS's objective is to focus on organic growth through new sales and cross-selling of services to both new and existing customers. ISS will aim to continue to leverage its international market position and service offering in order to increase its local market positions. We work with a wide range of initiatives, including further development of the Corporate Clients organisation, enhancing our focus on specific customer segments and implementing commercial planning processes and tools.

"I like the diversity of my job – one day I'm working on the ground and the next I'm way up in the air cutting trees"

Manuel Valdez, Tree Climber, Los Angeles County, ISS United States

LOS ANGELES COUNTY is a county in the U.S. state of California. The county has a population of about 10 million making it the most populous county in the United States. ISS has a contract with the county to prune about 15,000 trees for maintenance.

"My wonderful colleagues motivate me. It is easier to go an extra mile if you don't do it alone"

Roy Lai Hei Oi, Cleaning Supervisor, Kerry Centre, ISS Hong Kong

KERRY CENTRE is a 32 floor commercial building with a floor area of approx. 450,000 sq.ft. Surrounded by financial and business facilities and an excellent transportation network, Kerry Centre is a unique property of international standards. ISS provides cleaning services for the Kerry Centre.

Corporate Responsibility

As a global company with more than 530,000 employees serving more than 200,000 customers in more than 50 countries, ISS influences the lives of many people through providing employment and training as well as providing safe and healthy work environments for millions of employees and customers in the facilities we service.

More than a century in the service industry has made ISS well aware that our long-term sustainable business success depends on a high level of Corporate Responsibility (CR), as economic, social and environmental issues are inevitably interconnected. Therefore CR is an integral part of our values and business strategy and closely linked to the ISS value chain.

At ISS we believe that having sound CR policies embedded in the way we conduct our business is the best way to take care of our key resource – our employees. If our employees are safe and satisfied, our customers are satisfied. Furthermore, CR is increasingly becoming an important area for our customers as they strive to improve their performance, make a positive impact on their society and reduce their risks. The leading global companies require a consistent CR performance from their partners, which is a key factor in winning and retaining contracts with most customers. For many customers CR is a key part of the value proposition they are demanding from us. By being proactive, we can demonstrate that we understand the issues at hand and are already addressing it through our CR efforts. While our customers may have different needs, they all request a consistent service product. Our systematic approach, such as our Group Health, Safety and Environment Management system supports this in the delivery of our services and thereby help our customers to reduce their risks and making us a preferred partner. Our Corporate Responsibility performance may inspire customer trust in our company and lead to an increase in business opportunities.

Research clearly shows that employees find that focus on Corporate Responsibility contributes to providing a sense of purpose and a source of pride in working for the company. As our company is based on human capital, we need capable and engaged employees who are motivated and proud of working at ISS. We strongly believe our efforts on Corporate Responsibility will provide our employees with a sense of purpose. Our capable, engaged and motivated ISS team members also contribute to a positive customer experience.

ISS respects, supports and promotes human rights as stated in the United Nations Declaration of Human Rights and the Core Conventions of the International Labour Organisation.

ISS has made a strong commitment as a signatory and supporter of the United Nations Global Compact since its inception in 1999. In line with membership regulations, ISS is committed to aligning strategy and operations with the ten Global Compact principles on human rights, labour rights, environmental protection and anti-corruption.

Our approach to Corporate Responsibility

At ISS, we have adopted a principles-based approach to CR that contributes to sustainable development as defined by the international community. This approach effectively integrates universally accepted principles into

COMPULSORY REPORTS

This CR chapter does not constitute ISS's full report on Corporate Responsibility. The full CR Report as per section 99a of the Danish Financial Statements Act is available at www.responsibility.issworld.com/report2011 and in accordance with guidelines from the UN Global Compact to the members; the CR Report also serves as ISS's communication on progress in implementing the ten principles of the Global Compact.

the way we conduct our business, forming a foundation that is embedded in our corporate values, our Code of Conduct and our business strategy, The ISS Way.

ISS holds a unique position in contributing to the following focus areas:

- facilitating the right to work;
- non-discrimination, equal opportunities and diversity; and
- access to education.

Our initiatives and actions

Following the establishment of the Group function for Health, Safety and Environment (HSE) and CR, a strategy was developed and rolled out across the Group covering these areas. This strategy is consistent with the overall Group strategy, The ISS Way, and the HSE Vision.

OUR HSE VISION IS CALLED '100'

1: We aim to be number 1 in our industry and recognised as an industry leader in the way we deliver Health, Safety and Environmental performance;

0: We operate with 0 fatalities at our workplaces; and

0: We incur 0 serious incidents and occupational injuries at our workplaces.

A Group HSE Manual setting minimum requirements for the countries to develop and tailor their HSE management system to their specific activities and risk exposure levels was launched in 2010. In the course of 2011, countries have developed action plans for closing any gaps with the Group HSE Manual.

In order to have a systematic approach to our HSE and CR reporting ISS invested in an HSE-IT system in 2011. The system has now been implemented and gone live in the USA, Ireland and the Latin American countries.

ISS has developed a whistleblower policy to enable all ISS employees, business partners and other stakeholders to report suspected violations or concerns relating to any matter of exceptional gravity or sensitivity. The policy was approved by the Danish Data Protection Agency in 2011.

In terms of responsible procurement, ISS developed a supplier self-assessment that was sent to our major vendors covering issues such as our Code of Conduct, forced labour, non-discrimination, human rights, and child labour. This is to ensure that we also include the supply chain in our scope.

"The health and safety of our employees is important as we consider them part of a family and we want all members of our family to arrive to work and leave work safely.

Joseph Nazareth
Head of Group Health, Safety & Environment and Corporate Responsibility

In order to stay on course and keep HSE and CR in constant focus, a 'Me and You' campaign was launched in March, June and September 2011 covering safety, health and the environment. The safety campaign focused on working at height, slips, trips and falls and driving safely. The health campaign focused on a healthy back, chemicals and personal protection equipment while the environmental campaign focused on reducing energy, reducing waste and conserving water.

To improve our overall HSE and CR performance, a Group HSE and CR Action Plan was developed and implemented in 2011. Based on our HSE and CR performance, the stated targets and actions will be reviewed and amended annually as deemed appropriate to meet our HSE Vision. The objective of this Group HSE and CR Action Plan are targets and actions to:

- improve our HSE and CR culture;
- improve our HSE management systems; and
- to monitor our HSE and CR performance.

There are actions that countries were required to incorporate in their country action plans in 2011 such as:

- implement the ISS Safety Rules in their operations;
- develop and report on their environmental performance and plans for improvement;
- translate the ISS Code of Conduct in their local languages and to make this available to every employee during induction;
- investigate incidents to prevent reoccurrence.

Our targets

Consistent with the ISS values, our highest priority is to protect our colleagues from getting hurt. Therefore, we will be steadfast in our commitment to making our workplaces free from hazards, and we will operate under the assumption that all injuries can be prevented and that injuries in the workplace are unacceptable. Our goal will always be zero injuries and zero environmental incidents, and this must be clear to everyone in the organisation.

The following Group targets were established for 2011:

1 In accordance with the HSE Vision, our first priority is to prevent fatalities at our work places. Our Group target is 0.
2 In terms of Lost Time Incidents Frequency (LTIF), the Group target was to reduce LTIF by 25% to below 10, with further reductions in the coming years.
3 In terms of Total Reportable Cases Frequency (TRCF), the Group target was to reduce our TRCF by at least 25% from the baseline of 23 with further reductions in the following years.
4 At least one management review by country management of the suitability, adequacy and effectiveness of the country's HSE Management system as per the Group HSE Manual.
5 To have a minimum of 350 of our top managers across the Group take the e-learning modules on anti-corruption and competition laws in 2011.
6 To carry out audits on least 20% of countries we operate in regarding compliance with child labour and working time regulations.

Our performance

In 2011, the Group HSE and CR Reporting Manual was amended to increase the number of reporting parameters and to provide guidance on reporting. The primary purpose of gathering HSE and CR data is to manage HSE and CR risks by monitoring performance. The data will also be used to inform ISS management and external stakeholders of our performance and track progress towards the achievement of our HSE and CR commitments.

Sadly, the 2011 reporting shows a number of fatalities associated with our operations: seven people have died at our workplaces in 2011. The number of fatalities is not acceptable and to achieve our HSE Vision of zero fatalities, we have improved our investigation techniques to ensure that we determine the root causes of such incidents, learn from them and prevent them from re-occurring. To prevent future fatalities in our operations, the overall safety culture as well as safety procedures throughout the workforce will be further strengthened. Improvements require the full commitment from the country management as well as the operational level management and this is a vital requirement of our Group HSE Manual.

HSE PERFORMANCE

	Target	Performance
Lost Time Incident Frequency (LTIF)	less than 10	10
Total Recordable Case Frequency (TRCF)	17.25	16
Management Reviews (% of countries)	100	98
E-learning module on anti-corruption and competition laws (number of top managers)	350	762
Audits on Corporate Responsibility (% of countries)	20	25

Going forward

Going forward, our objective is to roll out the HSE-IT system to all countries and regions to help us improve the quality of the data. In 2012, we will also expand on our data parameters including on the environmental impact of waste. Our initiatives and actions in 2011 and our plans for 2012 are steps in our journey towards embedding CR in our business. We have built a solid foundation and will be building on this foundation both in terms of implementation and reporting.

Employees

ISS is one of the world's largest private employers with more than 530,000 employees located in Europe, Asia, Pacific, Latin America and North America.

PEOPLE INDICATORS

	2011	2010
Total employees	534,500	522,700
Full time employees	73%	73%
Part time employees	27%	27%
Total employees > 1 year	66%	61%

At the end of 2011 our employees in emerging markets comprised more than half of our workforce.

Human Resources – Vision and strategy

The ISS Human Resources vision was updated in 2011. The new Human Resources vision is "that all leaders at every level of the organisation lives and breathes according to the ISS Leadership Principles – promoting teamwork and collaboration across borders and business

– ensuring that each and every one of our more than 530,000 employees work towards our shared vision of being the Greatest Facility Service Company Globally".

With the ISS Leadership Principles applied in our HR endeavours, the vision ensures that ISS has capable and motivated leaders capable of implementing and living The ISS Way strategy.

Implementation of the updated Human Resources strategy is supported by the "The Role and Direction of HR", developed in 2011, which aligned the global Human Resources to focus on five core priorities:

- Leadership Development
- Performance Management
- Employee Engagement
- Succession Planning
- Talent Management

At all times, the HR strategy will be aligned to the business strategy so these priorities may change.

"The Role and Direction of HR" describes the link between HR competencies, the Human Resources strategy, the ISS strategic cornerstones and The ISS Way – ultimately linking to shareholder return. More competencies are identified than the five core priorities and successful HR performance in ISS depends on all local HR organisations being able to deliver satisfactory operational services, like recruitment and salary adjustment, while maintaining momentum in the strategic priorities. Furthermore, The Role and Direction of HR includes the "ISS International HR Standards" launched in 2007 to ensure a continued drive towards implementation of these in all countries. The ISS International HR standards comprise the framework for local initiatives covering the following 12 topics:

- Recruitment
- Employee appraisals and reviews
- Motivation and loyalty
- Employee relations
- Training and development
- Talent management
- Managing sickness and absenteeism
- Reporting and monitoring
- HR Support for M&A and contract integration
- Health and safety
- Remuneration, benefits and incentives
- Succession planning

ISS's performance management system plays an important role in all of the above key initiatives. The system is the principal tool for assessing individual capabilities. Feedback during an annual performance evaluation and target-setting process, including a mid-year review, help to develop the full potential of the individual managers. In addition to facilitating the process, the performance management system provides ISS with a basis for talent management and succession planning.

Training and development

Leadership development is a must-win battle for ISS and people management is a strategic cornerstone in order to deliver excellence in service offerings. The ability of our leaders, at all levels, to guide and motivate must be based on human understanding, respect and responsibility.

It is a core HR discipline to ensure that we have appropriate training and leadership development programmes in place, at all levels of management. Training and leadership development is a priority as we build human resource excellence because we believe that an investment in our people is an investment in our customers and our business.

The ISS Way of managing and leading is described in our nine leadership principles. These outline how we relate to our clients, how we bring out the best in our people and how we ensure that everyone is treated fairly and with respect. All leadership programmes are closely linked to our Leadership Principles and work as a daily guideline for all managers in ISS so that they can guide their employees in how to create customer value.

The philosophy is to offer tailored training at all functional levels to enhance employee skills and encourage upward staff mobility. Much attention is devoted to developing the first level of management e.g. team leaders, supervisors and contract managers, in their responsibilities towards their immediate staff and customer interfaces. Most training is conducted at ISS academies and training facilities in national and local operations.

Additionally, in order to implement strategic initiatives, such as cleaning excellence and the integrated facility service (IFS) concept, ISS continues to develop key specialists and leaders for train-the-trainer. This is supplemented by local initiatives.

The ISS University focuses on continuously enhancing the competencies of ISS executives. The 'ISS Advantage' management induction programme for executives of the Group highlights The ISS Way strategy and our ISS value chain management tool. As in previous years, the ISS University programme portfolio consisted of internal and external seminars designed in cooperation with institutions such as IMD and Henley Management College.

Employee engagement

The success of each service delivered depends on the people delivering it. With more than 530,000 employees worldwide, this makes employee engagement one of the most important elements at ISS. Employee engagement exists when every level of the organisation is staffed with people who understand what is expected of them and are capable of and desire to deliver services in a way that strengthens the customers' experience of service value. We therefore focus on two main aspects of employee engagement:

- Motivation
- Capability

Our company requires many different sets of people skills. This places great emphasis on our ability to train and develop employees. While some employees may want to stay in their current jobs, we need to encourage development whenever we see the possibility. Every business unit must ensure that employees are properly skilled through local training and development programmes. This enables us to offer our employees flexibility in their job functions, thereby strengthening our collaboration with our customers.

In 2011, ISS piloted a Global Employee Engagement Survey to gain insight into where we can improve employee engagement in order to improve ISS profitability and customer satisfaction. Around 150,000 employees were surveyed using the same process and questionnaire. By December 2012, all countries are expected to have conducted their first Employee Engagement Survey after the global standard process. This survey will assist in measuring and thereby quantifying our success and progress in capturing the hearts and minds of our employees. The survey should be linked to carrying out a customer satisfaction survey as this enables ISS's leaders to combine the results from both surveys.

The service industry generally has a high degree of employee turnover, as part of the industry is often considered suitable for short-term or secondary employment. ISS pursues a range of strategies to retain its employees by offering training and development, more full-time and daytime work, multi-task jobs, teamwork, career opportunities, leisure activities, etc.

In 2011, the share of full-time employees (working 30 hours or more a week) was 73%, unchanged from 2010. This indicator is important, as in general, full-time employees develop stronger ties with ISS. The distribution of employee seniority (in years) provides another perspective for employee loyalty within ISS. In 2011, approximately 66% of the Group's employees had been with ISS for more than one year, an increase from 61% in 2010.

Equal opportunities

ISS rewards its people solely on the basis of merit. When recruiting, developing and promoting, ISS focuses on the individual capabilities and qualifications of a candidate and not on the person's gender, age, ethnic origin, religion, political views, etc.

Thanks to our corporate culture, and aided by language courses and adapted training materials, ISS is an employer of choice for many immigrants and ethnic minorities. In all regions but especially in Western Europe, ISS is among the largest employers of ethnic minorities. For ISS, diversity is a strength.

Employee and trade union relations

Employee and trade union relations are a natural part of a people-centred business such as ISS. The corporate policy of involvement and dialogue is applied locally in the country operations. Established in 1995, the European Works Council (EWC) is an in-house forum for dialogue between ISS executives and ISS employee representatives from across Europe.

In June 2009, the EWC and ISS signed a new four-year EWC agreement. The EWC meeting agenda includes information and consultation on matters relating to the ISS Group in Europe, in particular concerning the structure, financial situation, development of ISS, the current situation and probable trends of employment. Discussions have also involved the introduction of new working methods and processes, training and HSE issues, provided that such issues may affect the interests of the employees of the ISS Group in more than one country in Europe. A total of 22 representatives from 16 counties took part in the EWC annual meeting in 2011.

The global agreement between Union Network International (UNI) and ISS was renewed in 2008. The agreement aims at enabling all ISS employees worldwide to exercise rights to union membership and collective bargaining. As part of the agreement, ISS and UNI created the Global UNI-ISS Foundation in 2009 for the purpose of monitoring and improving employment standards within the service industry globally. In 2011, the foundation initiated a project to raise standards for low-wage janitors in Mexico City through improved labour law enforcement. The project, the agreement and collaboration between ISS and UNI has prompted UNI to name ISS as an employer that treats its workers well and one that sets a good example for other global employers.

“I take care of the customers’ goods and keep things on track”

Johan Hellman, Truck Driver,
Årsta Kombiterminal, ISS Sweden

ÅRSTA KOMBITERMINAL in Stockholm, Sweden is the most central intermodal terminal in the largest consumption area of the Nordic region. ISS provides services such as lifting units, storing units before departure, rail wagon care, graffiti cleanup on trucks, units and rail wagons. The shunting department coordinates and controls the flow of waggons at the track yard.

Corporate governance and risk management

1) Certain members of the Board of Directors, members of the Executive Group Management Board and a number of senior officers of the Group have invested, directly or indirectly, in shares and warrants in FS Invest S.à r.l. (FS Invest), ISS's ultimate parent company. The total number of shares held by these directors and officers is below 2% of the total share capital.

Corporate governance

The Board of Directors regularly reviews the Group's corporate governance in relation to the Group's activities, business environment and statutory requirements. Good corporate governance practices at ISS are implemented in a dynamic process with the Board of Directors continuously assessing the need for adjustments to benefit ISS stakeholders and the Group itself.

Corporate governance policies and procedures at ISS take into account the Danish Companies Act, the Danish Financial Statements Act, International Financial Reporting Standards (IFRS), the Action Plan for Corporate Social Responsibility (CSR), the Danish Venture Capital and Private Equity Association's (DVCA) Guidelines for Responsible Ownership and Good Corporate Governance as well as good corporate governance practices for companies of ISS's size and global reach. The DVCA Guidelines for Responsible Ownership and Good Corporate Governance are available at www.dvca.dk.

Shareholders

ISS A/S is a limited liability company incorporated and operating under Danish law. The company's share capital is indirectly owned by funds advised by EQT Partners (EQT) and Goldman Sachs Capital Partners (GS Capital Partners). EQT and GS Capital Partners are together referred to as the Principal Shareholders and hold 54% and 44% of the share capital respectively. The remaining approximately 2% of the share capital is held by certain members of the Board of Directors, the Executive Group Management Board and a number of senior officers of the Group through director and management participation programmes.

EQT is the leading private equity group in Northern Europe with close to EUR 18 billion in raised capital and multiple investment strategies. Together with a network of industrial advisers, EQT implements its business concept by acquiring or financing high-quality medium-sized to large companies in Northern and Eastern Europe, Asia and the United States, developing them into leading companies. Development is achieved by applying an industrial strategy with focus on growth. Since inception, EQT has invested more than EUR 10.5 billion in around 100 companies and exited around 50.

EQT Partners, acting as investment advisor to the managers of each EQT fund, has around 120 investment professionals with an extensive industrial and financial competence. EQT Partners has offices in Copenhagen, Frankfurt, Helsinki, Hong Kong, Oslo, London, Munich, New York, Shanghai, Singapore, Stockholm, Warsaw and Zurich.

GS Capital Partners is managed by Goldman, Sachs & Co. or an affiliate thereof. Goldman, Sachs & Co. is a wholly owned subsidiary of the Goldman, Sachs Group Inc. ("Goldman Sachs"). Goldman Sachs is a leading global investment banking, securities and investment management firm that provides a wide range of services worldwide to a substantial and diversified client base that includes corporations, financial institutions, governments and high net worth individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in London, Frankfurt, Tokyo, Hong Kong and other major financial centres around the world.

Management

ISS has a two-tier management structure consisting of:

- the Board of Directors (the Board), and
- the Executive Group Management Board (the EGM).

The Board determines the overall Group strategy and supervises the company's activities, its management and organisation. The EGM is responsible for ISS's day-to-day operations. The two bodies are separate and have no overlapping members.

Board of Directors

The Board has seven members appointed by the general meeting for a period of one year. Re-election may take place. Board members have been nominated jointly by the Principal Shareholders. Five members are independent, while two members are representatives of the Principal Shareholders.

In addition to the Board members elected by the general meeting, there are four employee representatives on the Board. They have been elected on the basis of a voluntary arrangement regarding Group representation for employees of ISS World Services A/S as further described in the articles of association. The employee representatives joined the Board following the annual general meeting on 1 March 2011 for a term of four years. The employee representatives hold the same rights and obligations as other members of the Board.

The Board functions in accordance with the rules of the Danish Companies Act, the articles of association and its rules of procedure, which provide guidelines for the Board's work in general. Board resolutions are generally passed by a simple majority, and in the event of an equality of votes, the Chairman casts the deciding vote.

The Board convenes at least six times a year. Extraordinary meetings are convened whenever specific matters require attention between scheduled meetings. A total of 13 Board meetings were held in 2011. The Board receives a monthly financial and operational reporting package and is briefed about important matters between Board meetings. The Board approves the strategy plan, the annual budget and certain large acquisitions, divestments and integrated facility services contracts based on recommendations from the Transaction Committee (see Board Committees below).

In a process led by the Principal Shareholders and the Chairman an appraisal of the Board is carried out annually to assess the competencies of the Board, the effectiveness of its work and how the Board ensures that good corporate governance is in place.

More details on the Board members are available on pages 55-57. Remuneration to the Board is disclosed in note 5 to the consolidated financial statements.

Board Committees

Currently the Board has three subcommittees that report to the Board.

The Audit Committee evaluates the external financial reporting, and monitors and challenges the main accounting policies and estimates as well as the systems of internal controls and risk management. Its duties also include supervision of the external auditor and the internal audit function in addition to considering the relationship with the external auditors and reviewing the audit process. The Board appoints the committee members and the chairman of the committee who cannot be the Chairman of the Board. The committee consists of three members of the Board (currently John Allan, Michel Combes and Steven Sher), and meetings are also attended by the Group CFO, the Head of Group Controlling, the Head of Group Internal Audit and the Group General Counsel. John Allan is chairman of the committee, which held four meetings in 2011.

The Transaction Committee (previously the Acquisition Committee) considers ISS's procedures for acquisitions, divestments and larger integrated facility services contracts, reviews the transaction pipeline, approves certain large transactions in accordance with adopted procedures, and evaluates selected effected transactions. The committee consists of two members of the Board (currently Harry Klagsbrun and Steven Sher), and meetings are also attended by the Group CEO, the Group CFO, and, as applicable, the Head of Group Strategy and Corporate Development and the Head of

Global Corporate Clients. Steven Sher is chairman of the committee, which held three meetings in 2011.

The Remuneration Committee recommends the remuneration packages and incentive schemes for the Group CEO, and provides input on remuneration in respect of other EGM members, certain senior officers, and compensation levels and bonus systems in general. The committee consists of three members of the Board (currently Ole Andersen, Harry Klagsbrun and Steven Sher), and the Group CEO participates in meetings, where the Group CEO's remuneration is not tabled for discussion. Ole Andersen is chairman of the committee. The committee held two meetings in 2011.

The Financing Committee, which was discontinued in 2011, considered ISS's capital structure, financing of future investments and hedging policies. The committee held 6 meetings in 2011. The Finance Committee has been replaced by a finance working group that reports to the Board via the Group CFO.

The Nomination Committee was discontinued in 2011 due to the cancellation of the IPO.

Executive Group Management Board

The EGM consists of Group CEO Jeff Gravenhorst and Group CFO Henrik Andersen. The primary tasks of the EGM are to carry out day-to-day management of the Group, develop new strategic initiatives, develop Group policies, monitor Group performance and evaluate investments as well as acquisitions, divestments and large integrated facility services contracts.

Group Management Board

The Group Management Board (the GMB) is headed by the Group CEO, and includes the Group CFO, Regional CEOs, COO-Projects, Head of Global Corporate Clients, Head of Group Human Resources, Head of Group Strategy and Corporate Development and the Group General Counsel. The primary tasks of the GMB are to develop and execute new strategic initiatives, develop and implement Group policies, monitor Group performance, review financial matters, coordinate and evaluate acquisitions, divestments and large integrated facility services contracts and to provide the EGM with input for decision making.

No member of the GMB is permitted to hold directorships in companies outside the ISS Group unless specific consent is granted.

An overview of heads of Group functions of the ISS Group head office is available on page 167.

Country Management

In each of the countries in which ISS operates, country management teams are appointed to manage the business in accordance with ISS Group policies and procedures as well as local legislation and practice. ISS delegates substantial autonomy and considerable power to the country management teams including management of operations in their relevant markets, financial reporting, local tax and compliance with local legislation and practices.

An overview of the country managers of the ISS Group is available on pages 168-170. The country management teams for each relevant country are described on the ISS website at www.issworld.com.

Remuneration

Each Board member (except representatives of the Principal Shareholders) receives a fixed annual fee and members of the Board committees receive an additional fixed fee.

Remuneration to the Board is reported in note 5 to the consolidated financial statements. The investment by certain Board members in the Directors' Participation Programme is described below.

The members of the EGM and the GMB are remunerated with a combination of fixed salary, standard benefits in accordance with market standards and, for most members, a performance-based bonus of up to 60% of their fixed salary. All employment contracts of the EGM and the GMB members may be terminated with 6-24 months notice. One employment contract includes a severance payment of 2 years salary. No other members of the EGM or the GMB are entitled to severance payments. The employment contracts contain no special termination rights.

Directorships in companies in the ISS Group held by members of the EGM and the GMB are not remunerated separately.

Detailed reporting on remuneration made to the members of the EGM is included in note 5 to the consolidated financial statements. The investment by the EGM and certain senior officers of the Group in the Management Participation Programme is described below.

Directors' and Management Participation Programme

The Principal Shareholders have established a Management Participation Programme in which the EGM and a number of senior officers of the Group have invested. The programme is structured as a combination of direct and indirect investments in a mix of shares and warrants in FS Invest. At the introduction of the programme in 2006, warrants in FS Invest were granted free of charge to certain senior officers of the Group with a vesting schedule (based on value of shares and time) of which 277,632 were outstanding as of 31 December 2011.

Certain members of the Board participate in a Directors' Participation Programme and a Co-investment Scheme, under which they have invested in a mix of shares and warrants in FS Invest.

As of 31 December 2011, the investments under the programmes were as follows:

PARTICIPATION PROGRAMMES

DKK million	Number of persons	Investment measured at cost
Board of Directors	4	15.7
Executive Group Management Board	2	6.5
Corporate Officers	26	45.3
Country Management	104	109.9

In December 2011, a change of the Directors' and Management Participation Programmes was initiated and it is expected that the change of the programmes will be completed by the end of the first quarter of 2012.

Internal control and risk management systems relating to financial reporting

Overall control environment

The Board and the EGM have overall responsibility for the Group's internal control and risk management systems for the financial reporting process including compliance with applicable laws and other regulations related to financial reporting.

ISS considers internal controls to be an essential management tool. Accordingly, care is taken to ensure that a sound framework of controls is in place for safeguarding the business, the ISS Group's assets and shareholder investments as well as its financial reporting.

The Group's internal control and risk management systems are developed to mitigate rather than eliminate risks identified in relation to the financial reporting process and thus assist in ensuring that the consolidated financial statements provide a true and fair view of the financial performance and financial position of the Group without material errors.

The Board has approved policies, standards and procedures in key areas related to financial reporting, including the Code of Conduct, Accounting and Reporting Policies, Treasury Policies and Procedures, and Control Procedures.

The Audit Committee is responsible for monitoring the internal controls and risk management systems as well as challenging the EGM in its assessment of material financial reporting risks. A material financial reporting risk is considered to be a risk that may cause a material error in the consolidated financial statements of the Group.

The Audit Committee has set up a Group Internal Audit department that is responsible for providing assurance concerning the internal control environment in accordance with an approved internal audit plan.

The EGM has established a Group Controlling department that is responsible for controlling the financial reporting from subsidiaries and preparing the consolidated financial reporting.

Internal control procedures at Group level have been established to assess on an ongoing basis the Group's internal control environment and to manage identified risks. However, as a risk of misuse of assets, unexpected losses, etc. always exists, such controls can provide only reasonable and not absolute assurance against material misstatements, omissions or losses.

The aim of the established control environment is therefore to provide the Board and the EGM with reasonable assurance that:

- management reporting is reliable and in compliance with internal policies and procedures and gives a true and fair view of the financial performance and financial position;
- material risks are identified and minimised;
- internal controls are in place to support the quality and efficiency of the business processes and to safeguard the Group's business and assets; and
- ISS's business is conducted in compliance with applicable legislation, regulation and ISS policies.

Risk assessment

Risks related to the financial reporting process are identified and assessed annually based on a materiality test including a risk assessment of the impact of quantitative and qualitative factors. The evaluation of the risks includes an assessment of the likelihood that an error will occur and whether such an error may be material.

The risk of errors is relatively higher for accounting areas that require management judgement and/or are transactions that are generated through complex accounting processes. Accounting areas that require management judgement are described in note 2 to the consolidated financial statements, Critical accounting estimates and judgements.

On an ongoing basis the Audit Committee discusses:

- material and relevant new accounting pronouncements and implementation of such;
- evaluation of the overall effectiveness of the internal controls for financial reporting; and
- accounting for material legal and tax issues and significant accounting estimates.

Control activities

In order to sustain a sound control environment, specific control activities are designed to obtain the desired assurance. These measures must ensure that all relevant aspects of a specific area are covered, and that the combination of control activities monitors all relevant aspects of the business. The control activities are based on the risk assessment made by the EGM. The purpose of the control activities is to ensure that material errors in the financial reporting are prevented, detected and corrected.

The Group has implemented a formalised financial reporting process that includes:

- reporting of financial performance and financial position – all countries must report a full income statement, balance sheet, cash flow statement, portfolio analysis and three-months forecasts etc. on a monthly basis. The reporting is monitored and controlled by Group Controlling. Any significant variance from budgets must be explained;
- reporting of cash flow forecasts – all countries must report bi-weekly their daily cash flow forecasts for a rolling three-months period. Subsequently, actual figures are continuously monitored by Group Treasury for deviations from the forecasted figures;
- business reviews – monthly meetings between regional management and country management with a focus on the current performance and the state of the business;
- budgets and financial plans – all countries must prepare budgets and plans for the following financial year in a pre-defined process and format. Regional management teams review the proposed budgets and plans with the countries;
- full-year forecasts – all countries must update and report their full-year estimates twice a year;
- strategy reviews – annual meetings with country managers at which the strategy is discussed, and priorities and plans for the coming year are agreed;
- acquisitions and divestments – all acquisition and divestment proposals must be presented in a pre-defined acquisition or divestment report format and valuation model for approval. Board or Transaction Committee approval is required for large or strategic acquisitions and divestments; and
- control self assessments – country management must self-assess every six months the implementation of certain key internal control activities and develop action plans to close any implementation gaps.

Information and reporting systems

All countries use a standardised financial reporting tool. Due to the decentralised structure, various ERP platforms exist within the Group. However, the number of different ERP platforms is continuously being reduced.

Information and communication systems to ensure accounting and internal control compliance have been established, including an Accounting Manual, Reporting Instructions, Budgeting Manual and other relevant guidelines. The aim is to ensure that all employees receive the relevant information on a timely basis to ensure efficient and reliable execution of tasks including carrying out the established control activities.

Monitoring

Each month the Group's subsidiaries report financial information on financial developments to Group Controlling. This information is used to prepare consolidated financial statements and reports submitted to the Board and the EGM. Financial reporting from the subsidiaries is controlled on a monthly basis (see Control activities).

The country management teams are responsible for ensuring that the control environment in each operating country is sufficient to prevent material errors in the country's financial performance and financial position reported for consolidation purposes. The regional management teams provide governance of the country operations.

Additionally, in order to independently evaluate the adequacy of the local internal control environment and procedures, Group Internal Audit visits the country organisations regularly. The visits take place according to a plan for the year approved by the Audit Committee. The findings and conclusions of internal audits, including recommendations on how to improve the control environment, are presented in reports addressed to country and regional management teams, representatives of EGM and the external auditor.

Group Internal Audit performs follow-up audits to ensure that the recommendations are implemented. The key findings from internal audits are presented to the Audit

Committee, which evaluates the results reported and uses the conclusions to assess the general control environment and performance and financial position when reviewing the internal audit plan for the coming year.

External audit

The Board nominates the external auditors for election. The nomination follows an assessment of the competencies, objectivity and independence of the external auditor and the effectiveness of the audit process.

An independent business relationship with the Group's external auditors is essential for the control environment. As part of the safeguards to ensure independence, the external auditors cannot perform certain non-audit services for ISS including, but not limited to, the preparation of accounting records and financial statements and in recruitment for senior management positions.

The company collaborates with its external auditors at country level and at Group level in relation to procedures and internal controls by exchanging internal audit reports and by generally sharing relevant knowledge.

All Board members receive the external auditor's long-form audit reports in connection with the audit of the annual consolidated financial statements and any other long-form audit reports. Auditor reports are discussed in detail by the Audit Committee.

The Board reviews the Annual Report at a Board meeting attended by the external auditor. The findings of the external auditor and any major issues arising during the course of the audit are discussed and significant accounting principles and critical accounting estimates and judgements are reviewed.

Risk management

ISS continuously seeks to identify, evaluate and mitigate risks that may have an adverse effect on the Group's ability to achieve the strategic objectives, including financial performance, financial position and growth.

Overall, operational and financial risks are managed in accordance with policies adopted by the Board. Detailed plans and business procedures for a number of functions are also described in manuals and guidelines. The policies for operational and financial risk management and ISS Group standards are documented and distributed to the operating companies. ISS's Group Controlling, Group Internal Audit, Group Risk Management, Group Legal and Group Treasury departments supervise compliance with these standards.

Operational risk management

ISS is exposed to operational risks through its actions and activities at our own premises as well as at our customers' premises. Operational risk is assessed based on the activities of each operating company, historic and current claims events, and the markets in which the companies operate. Furthermore, operational risk is assessed on an individual site-by-site basis at customer premises where we provide our services. Operational risk is monitored and mitigated in accordance with ISS Group standards for risk management, risk financing, HSE management and good operational practice.

Operational risk is managed based on insurance and own funding, primarily through global insurance programmes managed centrally by ISS.

ISS believes that the Group is not subject to material operational risks except for risks common in the ordinary course of business in the service industry.

Financial risk management

ISS is exposed to financial risks as a result of its operating activities, investing activities and financing activities. The Group's financial risks are managed centrally in Group Treasury based on policies approved by the Board. The Group's financial risk management is described in detail in note 36 to the consolidated financial statements.

Risk factors

The risks discussed below are those that the Board and the Group Management Board currently view as being the most significant to our business.

Macro-economy We believe that the growth in demand for our services generally correlates with economic conditions, including growth in gross domestic product, in the countries in which we operate. We believe that the facility services industry is less sensitive to macroeconomic cycles than a number of other industries. However, economic downturns or otherwise uncertain economic outlooks in the markets in which we operate or on a global scale could adversely affect the demand for outsourcing facility services.

Periods of recession or deflation may adversely impact prices, payment terms and demand for services particularly if customers downsize their businesses or reduce their demand for services.

During the recent economic downturn, in certain regions and in certain customer segments, we experienced reduced activity levels that negatively impacted our revenue and put pressure on our operating margins. Generally speaking, however, we were able to off-set these factors by taking appropriate steps to adapt our cost structure. Our portfolio business tends to be more resilient and was less affected during the recent economic downturn than our once-only business.

Risk associated with our growth strategy Our organic growth strategy is dependent on various factors including our ability to cross- and up-sell, the increased trend among multinational companies to outsource facility services and procure cross-border contracts and our ability to subsequently provide these services in a global, effective and price-efficient manner. Sustaining the organic growth of our business requires us to adapt continuously to meet the needs of our existing and potential customers. In particular, our success will depend on:

- the continued growth in demand for the outsourcing of facility services, either as single-services, multi-services or integrated facility services;
- our ability to continue to self-deliver integrated facility services (IFS) to local and multi-national customers and the recognition by such customers that we are one of very few service providers positioned to provide such services, also on a global scale; and
- our ability to establish our presence in new markets and to grow our market share in existing markets.

We strive to meet all these requirements by adapting appropriate sales processes to reflect the needs of our customers, evaluate our existing business platform – in terms of the services delivered, our capabilities and the geographies in which we operate – on an ongoing basis to ensure it reflects both the current and future requirements of our customers.

Risks associated with our customer contracts The profitability of our contracts generally depends on our ability to successfully calculate prices by taking into consideration all economic factors, use of subcontractors, direct as well as inherent liabilities, and our ability to manage our day-to-day operations under these contracts. We may not be able to accurately predict the costs of and identify all risks associated with our contracts or the complexity of the services delivered, which may result in lower-than-expected margins, losses under these contracts or even the loss of customers.

We seek to mitigate these risks by applying best operational practices when entering into contractual agreements with our customers. This is supported by a contract risk assessment module which is being implemented across the Group.

Qualified local managers and employees Our continued success depends strongly on our effective decentralised organisational structure in which country and regional managers retain substantial autonomy regarding the management of operations in their local markets. As a result, we depend strongly on these local managers. Qualified local and regional managers are also important in order to ensure best practices being shared across the Group, effective management continuity and the implementation and management of our growth strategies. Our competitive strength also depends partly upon our ability to attract, train and retain employees.

Competition risk The facility services market is fragmented with relatively low barriers to entry and there is significant competition from local, regional, national and international companies of varying sizes and financial abilities offering an array of service capabilities. We also face competition from in-house providers.

We believe that our self-delivering capabilities, our ability to deliver reliable and flexible service concepts and services across borders, group-wide HSE standards, credible risk transfer as well as our general process and management systems all contribute towards positioning ISS very favourably in the markets in which we operate. Furthermore, the market for large and complex international contracts generally has higher barriers to entry than the facility services market in general.

Regulatory risks Due to the nature of our industry and the global reach of our operations, we are subject to a variety of laws and regulations governing areas such as labour, employment, immigration, health and safety, tax (including social security and salary taxes), corporate governance, customer protection, business practices, and the environment. Changes in such laws and regulations may constrain our ability to provide services to customers or increase the costs of providing the services.

To the extent that we are unable to pass on to our customers the costs of compliance with stricter or changing requirements (e.g. increases in labour costs mandated by law or collective bargaining agreements) and taxes, our margins may decline. In particular, because of our large workforce, laws and regulations relating to labour, employment (including the transfer of employees), social security, health and safety of employees and immigration affect our operations and the cost of compliance significantly affects our results and financial condition.

Financial risks The Group is exposed to a number of financial risks including currency risk, interest rate risk, liquidity risk and credit risk. The financial risks and management thereof are described in note 36 to the consolidated financial statements.

"It's my business making the customers' business run smoothly"

Maria Helena Jesus Ferreira Silva, Cleaning Technician, Fertagus, ISS Portugal

FERTAGUS, a company of the Barraqueiro Group, is located in Almada and is the first private railways operator in Portugal transporting 85,000 passengers daily. Besides cleaning, ISS provides Fertagus with technical maintenance, washroom services, landscaping and pest control.

Board of Directors

NAME	FIRST ELECTED	END OF TERM [1]	BORN	INDEPENDENCE
Ole Andersen (Chairman)	2005	2012	1956	Independent
Leif Östling (Deputy Chairman)	2005	2012	1945	Independent
John Allan	2008	2012	1948	Independent
Jennie Chua	2011	2012	1944	Independent
Michel Combes	2010	2012	1962	Independent
Harry Klagsbrun	2011	2012	1954	Not independent
Steven Sher	2007	2012	1970	Not independent
Pernille Benborg (E)	2011	2015	1970	Not independent
Peter J. Jørgensen (E)	2011	2015	1978	Not independent
Joseph Nazareth (E)	2011	2015	1960	Not independent
Palle Fransen Queck (E)	2011	2015	1975	Not independent

[1] All members of the Board of Directors, except employee representatives (E) are nominated for re-election at the Annual General Meeting.

1 Ole Andersen (chairman)
Elected in March 2005. Ole Andersen is currently chairman and board member of various companies, including listed companies. He was previously a senior partner and head of the Copenhagen office of EQT Partners (September 2003 to May 2008) and has worked for various international companies, including SEB Corporate Finance as head of the Copenhagen Branch (1997 to 2000) and as global head of corporate finance (2000 to 2003).

Ole Andersen is currently chairman of the boards of directors of Danske Bank A/S, Chr. Hansen Holding A/S, Bang & Olufsen A/S and Bang & Olufsen Operations A/S.

Furthermore, Ole Andersen is Managing Director of OGA Holding ApS and two of its subsidiaries.

Educational background: Master of Science in Business Administration and Auditing from the Copenhagen Business School. He is also a State Authorised Public Accountant.

Competence profile: Professional experience in managing large financial and international companies, financial and economic expertise and extensive board experience including from listed companies.

2 Leif Östling (Deputy chairman)
Elected in October 2005. He is currently the President and Group CEO of Scania AB, a position he has held since 1995. Prior to that, Leif Östling held various positions with Scania.

Leif Östling is currently Chairman of the Board of Directors of AB SKF and The Association of Swedish Engineering Industries (Teknikföretagen) and member of the Board of Directors of Scania AB and the Confederation of Swedish Enterprise (Svenskt Näringsliv) and a member of an advisory board to Toyota Industries Cooperation.

Educational background: Master of Science in Engineering from Chalmers University of Technology in Gothenburg, Master of Business Administration from the Gothenburg School of Economics and two honorary doctorate degrees in engineering science from the Royal Institute of Technology in Stockholm and Luleå University of Technology.

Competence profile: Executive management experience from international companies, management and marketing experience from different cultures, extensive board experience including from listed, international companies.

3 John Allan
Elected in June 2008. John Allan is currently chairman of the boards of Worldpay (UK) Ltd, Dixons Retail Plc. and Care UK Plc. and a member of the boards of Natakate Ltd. John Allan is a former CFO of Deutsche Post World Net and has also served as a member of that company's management board. John Allan was previously chairman of the board of Samsonite Corporation, a non-executive director of PHS Group Plc., Wolseley Plc., Hamleys Plc., Connell Plc., 3i Plc., and a member of the supervisory boards of Lufthansa AG and Deutsche Postbank AG.

Educational background: Degree in Mathematical Science from Edinburgh University.

Competence profile: Executive management experience from international companies, financial and accounting expertise, management experience from the service industry, extensive board experience, including from listed, international companies in the United Kingdom, the USA and Germany.

4 Jennie Chua
Elected in December 2011. Jennie Chua is currently the Chief Corporate Officer of CapitaLand Limited. Prior hereto, she has served in a number of management positions in the hotel and tourism industry, including Chairman and CEO of Raffles Holdings Ltd. and Raffles International Ltd. respectively.

Jennie Chua is currently chairman of Community of Chest of Singapore, The Old Parliament House Limited, a member of the board of directors in eight of CapitaLand Limited's subsidiaries as well as member of the boards of directors of Sentosa Development Corporation (and two of its subsidiaries), MOH Holdings Pte Ltd (and two of its subsidiaries), Pas De Deux Holdings Pte Ltd, Nanyang Technological University, Singapore International Chamber of Commerce, Cornell-Nanyang Institute of Hospitality Management, NYU Tisch School of the Arts, Asia, Ltd., Temasek Foundation CLG Limited and Beeworks Inc.

Educational background: BS from the School of Hotel Administration, Cornell University.

Competence profile: Executive management experience from international companies, strategic planning, extensive board experience, property and facility management, management expertise from the service and hotel industry.

5 Michel Combes
Elected in July 2010. Michel Combes is currently CEO for the Europe Region of Vodafone Plc. He was appointed to this position and joined Vodafone in October 2008 and joined the board in June 2009. Prior to that he held various executive positions, most recently as chairman and CEO of TDF, Group Senior Executive Vice President of NExT, Senior Vice President and CFO of French Telecom and CEO of Assystem SA.

Michel Combes is chairman of the supervisory board of Assystem SA.

Educational background: École Polytechnique and École National Supérieure des Télécommunications in France and holds an MBA from Paris Dauphine University.

Competence profile: Executive management experience from international companies, expertise in international strategy, sales and marketing and in-depth knowledge of French industry and business.

6 Harry Klagsbrun
Elected in December 2011. Harry Klagsbrun is currently Senior Partner in the Stockholm office of EQT Partners AB. He joined EQT in 2006. Prior to that, Harry Klagsbrun was an Executive Vice President at SEB, the CEO of Alfred Berg Group and Head of Corporate Finance at Svenska Handelsbanken.

Harry Klagsbrun is currently a member of the boards of directors of Gambro AB and AcadeMedia AB.

Educational background: B.A. in Journalism from Stockholm University, M.Sc. in Business from the Stockholm School of Economics and MBA from New York University.

Competence profile: Professional experience in investing in large international companies, broad experience within banking and private equity, expertise in complex financing structures and M&A.

7 Steven Sher
Elected in December 2007. Steven Sher is currently Managing Director of Goldman Sachs International in the Merchant Banking Division. Prior to joining Goldman Sachs in 1997, Steven Sher was with Price Waterhouse in London, where he qualified with the Institute of Chartered Accountants in England and Wales.

Steven Sher is a member of the boards of directors of Ahlsell AB, Edam Acquisition I B.V. Cooperatief U.A., Endemol B.V., Nybrojarl New 1 AB and Nybrojarl New 3 AB.

Educational background: Bachelor of Commerce and a post graduate Bachelor of Accounting from the University of Witwatersrand.

Competence profile: Professional experience in investing in large international companies, broad experience within banking and private equity, expertise in finance and accounting and M&A.

8 Pernille Benborg (E)
Joined the Board in March 2011 as employee representative. Head of Compliance at ISS World Services A/S since January 2007. Previously, Pernille Benborg held various positions with the ISS Group. She joined the ISS Group in 2000.

Educational background: Master of Science in Business Administration and Auditing from Copenhagen Business School.

9 Peter J. Jørgensen (E)
Joined the Board in December 2011 as employee representative. Treasury Manager at ISS World Services A/S since February 2010. Previously, Peter J. Jørgensen held various positions with the ISS Group. He joined the ISS Group in 2004 from Ernst & Young.

Educational background: Master of Science in Business Administration and Auditing from Copenhagen Business School.

10 Joseph Nazareth (E)
Joined the Board in March 2011 as employee representative. Head of Group Health, Safety and Environment and Corporate Responsibility at ISS World Services A/S since February 2010. Joseph Nazareth joined the ISS Group in 2010 from A.P. Møller-Mærsk.

Educational background: Civil Engineering degree from McGill University and MBA from University of Ottawa.

11 Palle Fransen Queck (E)
Joined the Board in March 2011 as employee representative. Head of Process Innovation at ISS World Services A/S since May 2009. Previously, Palle Fransen Queck held various positions with the ISS Group. He joined the ISS Group in 2000.

Educational background: Bachelor in Engineering from Copenhagen University College of Engineering and a Master of Business Administration from Henley Business School.

Executive Group Management Board

Henrik Andersen (1967)
Group Chief Financial Officer since December 2011, Chief Executive Officer of ISS UK from 2009 to 2011, Chief Financial Officer of ISS UK from 2005 to 2009. Prior Henrik Andersen held various positions with the ISS Group, including as Executive Vice President and International Business Director, Northern Europe, from 2004 to 2005 and Group Treasurer from 2000 to 2004.

Prior to joining ISS in 2000, Henrik Andersen held various positions with Jyske Bank Markets and was Director for large Nordic Corporate Clients with Jyske Bank Markets from 1997 to 2000.

Henrik Andersen does not hold any external directorships.

Educational background: Graduate Diploma in International Trade and Finance from Aarhus School of Business and Master of Law from Aarhus University.

Jeff Gravenhorst (1962)
Group Chief Executive Officer since April 2010, Group Chief Operating Officer from 2008 to 2010, Group Chief Financial Officer from 2005 to 2008 and the Chief Financial Officer of ISS UK from 2002 to 2005.

Prior to joining ISS in 2002, Jeff Gravenhorst was Managing Director of ALTO Danmark A/S (a subsidiary of Incentive A/S), heading up the European divisions, from 2000 to 2002. From 1998 to 1999, he was Vice President of ALTO U.S. Inc. He has also served as Finance Director of Wittenborg UK Ltd (a subsidiary of Incentive A/S) as well as a Manager at Arthur Andersen, Denmark.

Jeff Gravenhorst is currently a member of the Board of Directors of Danish Crown Holding A/S, Danish Crown AMBA and Rambøll Gruppen A/S.

Educational background: Master of Science in Business Administration and Auditing from the Copenhagen Business School.

Group Management Board

1 **Andrew Price (1964)**
Head of Global Corporate Clients

2 **Daniel Brennan (1956)**
Head of Group Human Resources

3 **David Openshaw (1949)**
Regional CEO
North America, United Kingdom, Ireland, South Africa & Middle East

4 **Bjørn Raasteen (1964)**
Group General Counsel

5 **Jacob Götzsche (1967)**
Regional CEO
Central Europe

6 **Thomas Hinnerskov (1971)**
Regional CEO
Asia-Pacific

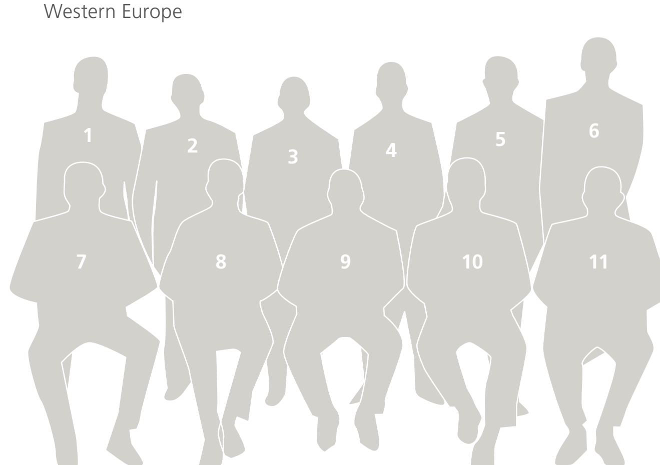
7 **Todd O'Neill (1966)**
Head of Group Strategy and Corporate Development

8 **Martin Gaarn Thomsen (1970)**
Regional CEO
Western Europe

9 **Luis Andrade (1960)**
Regional CEO
Iberia & Latin America

10 **Henrik Langebæk (1966)**
COO Projects

11 **Troels Bjerg (1963)**
Regional CEO
Nordic & Eastern Europe



Royke F. Mangundap & Sukindar Kurniawan, Security Officers,
Pondok Indah Apartments, ISS Indonesia

Financial statements

Group

"I'm proud of my two gold medals but nothing beats a smile or a 'thank you' from my customers"

Onur Sağlam, Junior Chef,
Tekfen Plaza, ISS Turkey

TEKFEN TOWER in Istanbul, Turkey is a 26 storey office building equipped with superior technology, built on the land of Tekfen's old light bulb factory in Levent. Tekfen Tower provides office space and takes care of the daily needs of more than 2,000 employees, as well as organising seminars, forums and concerts. ISS provides security and catering services to the Tekfen Tower. ISS Junior Chef Onur Sağlam has won two gold medals from an international chefs competition in Turkey.

Consolidated income statement

1 January – 31 December

DKK million	Note	2011	2010
Revenue	3, 4	**77,644**	**74,073**
Staff costs	5, 6	(50,089)	(48,139)
Consumables	21	(6,751)	(6,359)
Other operating expenses	7	(15,561)	(14,415)
Depreciation and amortisation [1]	15, 17	(855)	(850)
Operating profit before other items [2]		**4,388**	**4,310**
Other income and expenses, net	8	(223)	(118)
Operating profit [1]	3	**4,165**	**4,192**
Share of result from associates	18	0	10
Financial income	9	197	198
Financial expenses	9	(3,004)	(2,609)
Profit before tax and goodwill impairment/ amortisation and impairment of brands and customer contracts		**1,358**	**1,791**
Income taxes [3]	10	(887)	(760)
Profit before goodwill impairment/ amortisation and impairment of brands and customer contracts		**471**	**1,031**
Goodwill impairment	11, 15, 16	(501)	(938)
Amortisation and impairment of brands and customer contracts	15	(708)	(869)
Income tax effect [4]	10, 19	231	244
Net profit/(loss) for the year		**(507)**	**(532)**
Attributable to:			
Owners of ISS A/S		(514)	(552)
Non-controlling interests		7	20
Net profit/(loss) for the year		**(507)**	**(532)**
Earnings per share:			
Basic earnings per share (EPS), DKK	12	(5.1)	(5.5)
Diluted earnings per share, DKK	12	(5.1)	(5.5)
Adjusted earnings per share, DKK [5]	12	4.7	10.3

[1] Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[2] Excluding Other income and expenses, net, Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[3] Excluding tax effect of Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[4] Income tax effect of Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[5] Calculated as Profit before goodwill impairment/amortisation and impairment of brands and customer contracts divided by the average number of shares (diluted).

Consolidated statement of comprehensive income

1 January – 31 December

DKK million	Note	2011	2010
Net profit/(loss) for the year		**(507)**	**(532)**
Other comprehensive income			
Foreign exchange adjustments of subsidiaries and non-controlling interests		(50)	911
Fair value adjustment of hedges, net	37	(14)	(138)
Fair value adjustment of hedges, net, transferred to Financial expenses	37	106	259
Actuarial gains/(losses)	30	(91)	(129)
Impact from asset ceiling regarding pensions	30	8	(20)
Tax on other comprehensive income	10	(2)	6
Total other comprehensive income		**(43)**	**889**
Total comprehensive income for the year		**(550)**	**357**
Attributable to:			
Owners of ISS A/S		(557)	336
Non-controlling interests		7	21
Total comprehensive income for the year		**(550)**	**357**

Consolidated statement of cash flows

1 January – 31 December

DKK million	Note	2011	2010
Operating profit before other items		4,388	4,310
Depreciation and amortisation	15, 17	855	850
Changes in working capital	13	(317)	(87)
Changes in provisions, pensions and similar obligations		(235)	(128)
Other expenses paid		(266)	(212)
Income taxes paid	24	(749)	(697)
Cash flow from operating activities		**3,676**	**4,036**
Acquisition of businesses	14	(89)	(470)
Divestment of businesses	14	761	591
Acquisition of intangible assets and property, plant and equipment		(1,103)	(987)
Disposal of intangible assets and property, plant and equipment		93	101
(Acquisition)/disposal of financial assets		6	48
Cash flow from investing activities		**(332)**	**(717)**
Proceeds from borrowings		345	2,496
Repayment of borrowings		(987)	(3,395)
Interest received		137	105
Interest paid		(2,361)	(2,383)
Non-controlling interests		(8)	(9)
Cash flow from financing activities		**(2,874)**	**(3,186)**
Total cash flow		**470**	**133**
Cash and cash equivalents at 1 January		3,606	3,364
Total cash flow		470	133
Foreign exchange adjustments		(39)	109
Cash and cash equivalents at 31 December	26	**4,037**	**3,606**

Consolidated statement of financial position

At 31 December

DKK million	Note	2011	2010
Assets			
Intangible assets	15, 16	34,097	35,358
Property, plant and equipment	17	2,077	2,055
Investments in associates	18	7	9
Deferred tax assets	19	551	655
Other financial assets	20	300	290
Non-current assets		**37,032**	**38,367**
Inventories	21	334	318
Trade receivables	22	11,871	10,896
Contract work in progress	23	129	125
Tax receivables	24	330	386
Other receivables	25	434	333
Prepayments		674	581
Securities	26	17	19
Cash and cash equivalents	26	4,037	3,606
Assets classified as held for sale	27	165	824
Current assets		**17,991**	**17,088**
Total assets		**55,023**	**55,455**

DKK million	Note	2011	2010
Equity and liabilities			
Total equity attributable to owners of ISS A/S		2,070	2,626
Non-controlling interests		12	25
Total equity	28	**2,082**	**2,651**
Loans and borrowings	29	28,181	29,032
Pensions and similar obligations	30	1,172	1,177
Deferred tax liabilities	19	2,051	2,305
Provisions	31	338	361
Non-current liabilities		**31,742**	**32,875**
Loans and borrowings	29	5,778	5,216
Trade payables		3,466	2,830
Tax payables	24	422	411
Other liabilities	32	11,188	10,838
Provisions	31	255	379
Liabilities classified as held for sale	27	90	255
Current liabilities		**21,199**	**19,929**
Total liabilities		**52,941**	**52,804**
Total equity and liabilities		**55,023**	**55,455**

Consolidated statement of changes in equity

1 January – 31 December

DKK million	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve	Total	Non-controlling interests	Total equity
	Attributable to owners of ISS A/S							
Equity at 1 January 2011	**100**	**7,772**	**(5,276)**	**227**	**(197)**	**2,626**	**25**	**2,651**
Comprehensive income for the year								
Net profit/(loss) for the year	**-**	**-**	**(514)**	**-**	**-**	**(514)**	**7**	**(507)**
Other comprehensive income								
Foreign exchange adjustments of subsidiaries and non-controlling interests	-	-	-	(50)	-	(50)	0	(50)
Adjustment relating to previous years	-	-	(96)	-	96	-	-	-
Fair value adjustment of hedges, net	-	-	-	-	(14)	(14)	-	(14)
Fair value adjustment of hedges, net, transferred to Financial expenses	-	-	-	-	106	106	-	106
Actuarial gains/(losses)	-	-	(91)	-	-	(91)	-	(91)
Impact from asset ceiling regarding pensions	-	-	8	-	-	8	-	8
Tax on other comprehensive income	-	-	21	-	(23)	(2)	-	(2)
Total other comprehensive income	**-**	**-**	**(158)**	**(50)**	**165**	**(43)**	**0**	**(43)**
Total comprehensive income for the year	**-**	**-**	**(672)**	**(50)**	**165**	**(557)**	**7**	**(550)**
Transactions with owners								
Impact from acquired and divested companies, net	-	-	-	-	-	-	(12)	(12)
Dividends paid	-	-	-	-	-	-	(8)	(8)
Share-based payments	-	-	1	-	-	1	-	1
Total transactions with owners	**-**	**-**	**1**	**-**	**-**	**1**	**(20)**	**(19)**
Total changes in equity	**-**	**-**	**(671)**	**(50)**	**165**	**(556)**	**(13)**	**(569)**
Equity at 31 December 2011	**100**	**7,772**	**(5,947)**	**177**	**(32)**	**2,070**	**12**	**2,082**

Dividends

No dividends have been proposed or declared before the Annual Report was issued.

Consolidated statement of changes in equity

1 January – 31 December

DKK million	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve	Total	Non-controlling interests	Total equity
	Attributable to owners of ISS A/S							
Equity at 1 January 2010	**100**	**7,772**	**(4,711)**	**(683)**	**(288)**	**2,190**	**23**	**2,213**
Comprehensive income for the year								
Net profit/(loss) for the year	**-**	**-**	**(552)**	**-**	**-**	**(552)**	**20**	**(532)**
Other comprehensive income								
Foreign exchange adjustments of subsidiaries and non-controlling interests	-	-	-	910	-	910	1	911
Fair value adjustment of hedges, net	-	-	-	-	(138)	(138)	-	(138)
Fair value adjustment of hedges, net, transferred to Financial expenses	-	-	-	-	259	259	-	259
Actuarial gains/(losses)	-	-	(129)	-	-	(129)	-	(129)
Impact from asset ceiling regarding pensions	-	-	(20)	-	-	(20)	-	(20)
Tax on other comprehensive income	-	-	36	-	(30)	6	-	6
Total other comprehensive income	**-**	**-**	**(113)**	**910**	**91**	**888**	**1**	**889**
Total comprehensive income for the year	**-**	**-**	**(665)**	**910**	**91**	**336**	**21**	**357**
Transactions with owners								
Remission of debt to parent company	-	-	98	-	-	98	-	98
Impact from acquired and divested companies, net	-	-	-	-	-	-	(10)	(10)
Dividends paid	-	-	-	-	-	-	(9)	(9)
Share-based payments	-	-	2	-	-	2	-	2
Total transactions with owners	**-**	**-**	**100**	**-**	**-**	**100**	**(19)**	**81**
Total changes in equity	**-**	**-**	**(565)**	**910**	**91**	**436**	**2**	**438**
Equity at 31 December 2010	**100**	**7,772**	**(5,276)**	**227**	**(197)**	**2,626**	**25**	**2,651**

Dividends

No dividends have been proposed or declared before the Annual Report was issued.

Notes to the consolidated financial statements

Accounting policies

Income statement

Statement of cash flows

Statement of financial position

Other

NOTE 1 Significant accounting policies

ISS A/S is a company domiciled in Denmark. The consolidated financial statements of ISS A/S as of and for the year ended 31 December 2011 comprise ISS A/S and its subsidiaries (together referred to as "the Group") and the Group's interests in jointly controlled entities and associates.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for consolidated financial statements (class D).

In addition, the consolidated financial statements have been prepared in compliance with the IFRSs issued by the IASB.

The consolidated financial statements were discussed and approved by the Executive Group Management Board and the Board of Directors on 5 March 2012 and issued for approval at the Annual General Meeting on 19 March 2012.

Basis of preparation

The consolidated financial statements are presented in Danish kroner (DKK) (rounded to nearest DKK million), which is also ISS A/S's functional currency.

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities, which are measured at fair value: derivatives, financial instruments designated as fair value through the income statement and financial assets classified as available-for-sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of the carrying amount before the changed classification and fair value less costs to sell.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the changes as explained below in "Changes in accounting policies". However, based on new information minor adjustments to comparative figures in primary statements and notes have been implemented.

Change in accounting policies

With effect from 1 January 2011, the Group has implemented:

- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement";
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments";
- Revised IAS 24 "Related Party Disclosures";
- Amendments to IAS 32 "Classification of Rights Issues";
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"; and
- Improvements to IFRSs (May 2010).

The adoption of these Standards and Interpretations did not affect recognition and measurement in the consolidated financial statements for 2011 including earnings per share and diluted earnings per share.

Change in classification In 2011, the Group changed the classification of interest on defined benefit plans (interest on obligation and expected return on plan assets) and interest on other long-term employee benefits from Staff costs to Financial expenses to reflect more appropriately the nature of these items and the way they affect the business. The change in classification increased Operating profit before other items with DKK 36 million but had zero impact on Net profit/(loss) for the year. Comparative figures were reclassified for consistency, which resulted in DKK 43 million being reclassified from Staff costs to Financial expenses, i.e. Operating profit before other items was increased by DKK 43 million but Net profit/(loss) for the year was unchanged.

Basis of consolidation

The consolidated financial statements comprise the parent company ISS A/S and subsidiaries in which ISS A/S has control of financial and operating policies in order to obtain a return or other benefits from its activities. Control is presumed to exist when ISS A/S owns, directly or indirectly, more than 50% of the voting rights of an entity or otherwise has a controlling interest, e.g. by virtue of a statute or agreement.

Special purpose entities (SPEs) The Group has established a number of SPEs with the purpose of raising external funding to the Group. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

Loss of control Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Associates Entities in which the Group has a significant influence, but which it does not control, are considered associates. Significant influence is presumed to exist when the Group owns directly or indirectly more than 20% of the voting rights but less than 50%. When assessing whether ISS A/S has control or significant influence, potential voting rights that are exercisable at the reporting date are taken into account.

Joint ventures The Group's interests in jointly controlled entities are regarded as joint ventures and are consolidated proportionally, and the individual accounting entries are recognised in proportion to the ownership share.

A group chart is included in note 42, Subsidiaries, associates, joint ventures and SPEs.

The consolidated financial statements have been prepared as a consolidation of the financial statements of ISS A/S, subsidiaries, SPEs and proportionally consolidated entities prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated. Unrealised gains on transactions with associates and proportionally consolidated entities are eliminated in proportion to the Group's ownership share of the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that impairment has not taken place.

Investments in subsidiaries and proportionally consolidated entities are set off against the proportionate share of the subsidiaries' fair value of identifiable net assets, including recognised contingent liabilities, at the acquisition date.

NOTE 1 Significant accounting policies (continued)

The accounting items for subsidiaries are included in full in the consolidated financial statements. The non-controlling interest's share of the net profit/loss for the year and of the equity of subsidiaries, which are not wholly owned, are included in the Group's net profit/loss and equity respectively, but is disclosed separately. By virtue of agreement certain non-controlling shareholders are only eligible of receiving benefits from their non-controlling interest when ISS as controlling shareholder has received their initial investment and compound interest on such. In such instances the subsidiaries' result and equity are fully allocated to ISS until the point in time where ISS has recognised amounts exceeding their investment including compound interest on such.

Business combinations Acquired businesses or entities formed during the year are recognised in the consolidated financial statements from the acquisition date or date of formation. Businesses which are divested or wound up are recognised in the consolidated financial statements until the date of divestment or winding-up. Comparative figures are not restated for businesses acquired, divested or wound up.

For acquisitions where the Group obtains control of the acquired business the acquisition method is applied. The identifiable assets, liabilities and contingent liabilities of acquired businesses are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if separable or if they arise from contractual or other legal rights. Deferred tax related to fair value adjustments is recognised.

The acquisition date is the date when the Group effectively obtains control of the acquired business.

Any excess of the fair value of the consideration transferred, the recognised amount of any non-controlling interests and the fair value of any existing equity interest in the acquiree over the fair value of identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill under Intangible assets. Goodwill is not amortised but tested for impairment annually. The first impairment test is performed no later than at the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the presentation currency used in the Group are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date. When the excess is negative, a bargain purchase gain is recognised in profit for the year at the acquisition date.

The consideration transferred comprises the fair value of the assets transferred and the liabilities and contingent liabilities incurred. If parts of the consideration are conditional upon future events (contingent consideration) or satisfaction of agreed terms, these parts are recognised at fair value at the acquisition date. Transaction costs that the Group incurs in connection with the business combination are expensed as incurred.

If uncertainties exist at the acquisition date regarding identification or measurement of acquired identifiable assets, liabilities and contingent liabilities or regarding the consideration transferred, initial recognition will take place on the basis of provisionally determined fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up until 12 months after the acquisition date and comparative figures are restated accordingly. Thereafter no adjustments are made to goodwill.

Changes in estimates of contingent consideration relating to business combinations effected on or after 1 January 2010 are generally recognised in the income statement under Other income and expenses, net. However, if new information becomes available within 12 months from the acquisition date and provides evidence of conditions relating to the contingent consideration or circumstances that existed at the acquisition date, then the acquisition accounting is adjusted with effect on goodwill. For business combinations effected prior to 1 January 2010 subsequent adjustments to estimates of contingent consideration and transaction costs continue to be recognised in goodwill.

Gains or losses on the divestment or winding-up of subsidiaries, associates or joint ventures are measured as the difference between the consideration received adjusted for directly related divestment or winding-up costs and the carrying amount of the net assets at the time of disposal or winding-up including any carrying amount of allocated goodwill.

Non-controlling interests At initial recognition a non-controlling interest is measured at fair value or at its proportionate interest in the fair value of the net assets acquired. Measurement at fair value means that goodwill includes a portion attributable to the non-controlling interest while measurement at its proportionate interest in the fair value of the net assets acquired, means that goodwill relates only to the controlling interest acquired. The measurement principle is elected on a transaction-by-transaction basis and is disclosed in the notes together with the description of the acquired businesses.

Written put options relating to business combinations effected prior to 1 January 2010 and held by non-controlling shareholders are accounted for in accordance with the anticipated acquisition method, i.e. as if the put option has been exercised already. Such options are recognised as Other liabilities initially at fair value. Fair value is measured at the present value of the exercise price of the option. At each reporting date the liability is remeasured at fair value and changes in the carrying amount, i.e. excluding the effect of unwind of discount, which is accounted for as a financial expense, are recognised by adjusting the carrying amount of goodwill.

Written put options relating to business combinations effected after 1 January 2010 are recognised as Other liabilities initially at fair value. At each reporting date the liability is remeasured at fair value and the change in fair value is recognised in equity.

Foreign currency For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange adjustments arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement under Financial income or Financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date at which the receivable or payable arose or the exchange rate in the latest financial statements is recognised in the income statement under Financial income or Financial expenses.

On recognition in the consolidated financial statements of entities with a functional currency other than the presentation currency of ISS A/S (DKK), the income statements and statements of cash flows are translated at the exchange rates at the transaction date and the statements of financial position are translated at the exchange rates at the reporting date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this

NOTE 1 Significant accounting policies (continued)

does not significantly deviate from the exchange rate at the transaction date. Foreign exchange adjustments arising on translation of the opening balance of equity of foreign entities at the exchange rates at the reporting date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income and presented in equity under a separate translation reserve.

Foreign exchange adjustment of intra-group balances which are considered part of the investment in the foreign entity is recognised in the consolidated financial statements in other comprehensive income and presented in equity under a separate translation reserve. Foreign exchange gains and losses on the part of loans and derivative financial instruments which are designated as hedges of investments in foreign entities with a functional currency different from ISS A/S's and which effectively hedge against corresponding foreign exchange gains and losses on the investment in the entity are also recognised in other comprehensive income and presented in equity under a separate translation reserve.

On recognition in the consolidated financial statements of associates with a functional currency other than the presentation currency of ISS A/S, the share of profit or loss for the year is translated at average exchange rates and the share of equity, including goodwill, is translated at the exchange rates at the reporting date. Foreign exchange adjustments arising on the translation of the share of the opening balance of equity of foreign associates at the exchange rates at the reporting date, and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates at the reporting date, are recognised in other comprehensive income and presented in a separate translation reserve in equity.

Foreign exchange adjustments of foreign entities are recognised in other comprehensive income, and presented in the separate translation reserve in equity. However, if the foreign entity is a non-wholly-owned subsidiary, the relevant proportionate share of the foreign exchange adjustment is allocated to the non-controlling interests. When a foreign entity is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign entity is transferred to the income statement under Financial income or Financial expenses.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign entity while retaining control, the relevant proportion of the cumulative amount is allocated to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that include a foreign entity while retaining significant influence or joint control, the relevant proportion of the cumulative amount is transferred to the income statement under Financial income or Financial expenses.

Repayment of intra-group balances, which constitute part of the net investment in the foreign entity, is not in itself to be considered a partial disposal of that subsidiary.

Derivative financial instruments are recognised in the statement of financial position on the transaction date and measured at fair value. Positive and negative fair values of derivative financial instruments are included in Other receivables or Loans and borrowings, respectively. Positive and negative values are only offset when the Group has the legal right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are calculated on the basis of current market data and according to generally accepted valuation methods.

Fair value hedges Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Hedging of future cash flows in accordance with a firm commitment, except for foreign currency hedges, is treated as a fair value hedge of a recognised asset or liability.

Cash flow hedges Changes in the portion of the fair value of derivative financial instruments designated as and qualifying for recognition as a cash flow hedge, and which effectively hedges changes in the value of the hedged item, are recognised in other comprehensive income and presented in a separate hedging reserve in equity until the hedged transaction is realised. At this time, gains or losses concerning such hedging transactions are transferred from other comprehensive income to the income statement and recognised under the same line item as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The accumulated change in fair value recognised in other comprehensive income is transferred to the income statement in the same period that the hedged item affects the income statement. If the forecasted transaction is no longer expected to occur, then the accumulated change in fair value is transferred to the income statement.

For **other derivative financial instruments** that do not qualify for hedge accounting, changes in fair value are recognised in the income statement under Financial income or Financial expenses.

Consolidated income statement

Presentation The consolidated income statement is presented in accordance with the "nature of expense" method. Goodwill impairment and Amortisation and impairment of brands and customer contracts as well as the Income tax effect hereof are presented in separate line items after Operating profit. This income statement presentation is considered most appropriately to reflect the Group's profitability.

Revenue from rendering services is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. Revenue is recognised when the amount of revenue can be measured reliably, the recovery of the consideration is probable, the stage of completion can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

In assessing whether revenue should be reported on a gross or a net basis (i.e. net of related costs), the Group considers whether it: (i) is the primary obligor in the arrangement; (ii) has the general inventory risk; (iii) has latitude in establishing price; (iv) changes the product or performs part of the service; (v) has discretion in supplier selection; (vi) is involved in the determination of product or service specifications; (vii) has physical loss inventory risk; or (viii) carries the credit risk. If these assumptions are fulfilled revenue is reported on a gross basis.

Contract revenue is recognised in the income statement in proportion to the stage of completion of the contract when the outcome of the contract can be estimated reliably. Contract revenue includes the initial amount agreed in the contract plus any variations in the contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. Contract costs are recognised as incurred unless they create an asset related to future contract activity. When the outcome of a contract can not be measured reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

The stage of completion of a contract is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

NOTE 1 Significant accounting policies (continued)

Revenue from the sale of goods in the course of the ordinary activities is recognised in the income statement provided that all significant risks and rewards of ownership have been transferred to the customer, and that the amount of revenue can be measured reliably.

Revenue is measured at fair value of the consideration received less VAT and duties as well as price and quantity discounts.

Government grants mainly comprises wage subventions. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are incurred.

Staff costs comprises salaries and wages, pensions, social security costs and other employee related expenses.

Consumables comprises material consumption related to the recognised revenue, e.g. food costs, chemicals, cloths, uniforms etc.

Other operating expenses includes expenses related to the operation of service equipment and other non-current assets, external assistance as well as other selling, distribution and administrative expenses, including expenses related to marketing, transportation, operating leases, subcontractors, audit, legal assistance and impairment losses on receivables etc.

Depreciation and amortisation includes depreciation and amortisation of intangible and tangible assets excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts, which are presented in separate line items after Profit before goodwill impairment/amortisation and impairment of brands and customer contracts.

Other income and expenses, net consists of income and expenses, both recurring and non-recurring, that the Group does not consider to be part of normal ordinary operations, such as gains and losses arising from divestments, remeasurement of disposal groups classified as held for sale, the winding-up of operations, disposals of property, restructurings and acquisition and integration costs. Acquisition costs comprise earn-out adjustments, direct acquisition costs related to external advisors and other acquisition related costs such as reversal of provisions in opening balances. Integration costs comprise costs incurred as a consequence of the integration such as termination of employees, contract termination costs mainly related to leasehold and advisory fees.

Share of result from associates comprises the share of the associates' result after tax and non-controlling interests. Share of result from associates is recognised in the income statement after elimination of the proportionate share of unrealised intra-group profits/losses.

Financial income and financial expenses comprises interest income and expense, gains and losses on securities, foreign exchange gains and losses, amortisation of financial assets and liabilities, including finance lease and unwind of discount, expected return on plan assets and interest on obligations related to defined benefit plans as well as interest on other long-term employee benefits. Additionally realised and unrealised gains and losses on derivative financial instruments which are not designated as hedging arrangements and the ineffective portion of those designated as hedging arrangements are also included.

Dividends paid to non-controlling shareholders holding a put option are recognised under Financial expenses using the effective interest method.

Income taxes for the year consists of current tax and changes in deferred tax and is recognised in profit for the year, other comprehensive income or equity.

ISS A/S is jointly taxed with all Danish resident 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 or Financial expenses.

Goodwill impairment includes impairment losses arising from impairment tests as well as impairment of goodwill in connection with divestments and classification of disposal groups as held for sale.

Amortisation and impairment of brands and customer contracts includes amortisation of acquired brands and acquired customer contract portfolios and related customer relationships, impairment losses arising from impairment tests and impairment losses in connection with divestments and classification of disposal groups as held for sale.

Income tax effect of Goodwill impairment and Amortisation and impairment of brands and customer contracts is presented in a separate line item in connection with these two line items.

Consolidated statement of cash flows

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

The liquidity effect of acquisition and divestment of businesses is shown separately under Cash flow from investing activities. The statement of cash flows includes cash flows from acquired businesses from the date of acquisition and cash flows from divested businesses until the date of divestment.

Cash flow from operating activities is calculated using the indirect method and comprises Operating profit before other items adjusted for non-cash items, changes in working capital and provisions and payments regarding income taxes and other income and expenses.

Cash flow from investing activities comprises payments in connection with acquisition and divestment of businesses and the purchase and sale of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not recognised as cash and cash equivalents.

Acquisition of assets by means of finance leases are treated as non-cash transactions.

Cash flow from financing activities comprises proceeds from and repayment of loans, dividends, proceeds from share issues, cash flow related to derivatives hedging net investments and dividends to non-controlling shareholders. Furthermore, interest paid and received is included in cash flow from financing activities as this better reflects the distinction between operating and financing activities following the acquisition of ISS World Services A/S by ISS A/S.

Cash flows relating to assets held under finance leases are recognised as payment of interest and repayment of debt.

Cash and cash equivalents comprises cash and marketable securities, with maturity of less than three months that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash flows in currencies other than the functional currency are translated using average exchange rates unless these deviate significantly from the exchange rate at the transaction date.

NOTE 1 Significant accounting policies (continued)

Consolidated statement of financial position

Goodwill is initially recognised in the statement of financial position at cost as described under "Business combinations". Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date and tested at least annually as part of the annual impairment test for non-current assets. Identification of cash-generating units is based on the management structure and internal financial control, i.e. generally equal to country level.

Brands Acquisition related brands are recognised at fair value at the acquisition date. Subsequently, acquired brands with indefinite useful lives are measured at historical cost less any accumulated impairment losses while acquired brands with finite useful lives are measured at historical cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over the expected useful life of the brand, which is usually in the range 2-5 years.

A deferred tax liability is calculated at the local tax rate on the difference between the carrying amount and the tax value. The initial recognition of this deferred tax liability increases the amount of goodwill.

The value of brands is allocated to cash generating units and tested for impairment as part of the annual impairment test of non-current assets.

Customer contract portfolios and related customer relationships ("Customer contracts") Acquisition related customer contracts are recognised at fair value at the acquisition date and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The value is amortised based on the churn rate of the acquired portfolio using the declining balance method. This churn rate is calculated on a contract by contract basis and has historically averaged approximately 12% to 13% annually. In certain cases the value of customer contracts is amortised on a straight line basis based on the legal duration of the acquired contract.

A deferred tax liability is calculated at the local tax rate on the difference between the carrying amount and the tax value. The initial recognition of this deferred tax liability increases the amount of goodwill.

The value of customer contracts is allocated to cash generating units and tested for impairment as part of the annual impairment test of non-current assets.

Software and other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

The cost of software developed for internal use includes external costs to consultants and software as well as internal direct and indirect costs related to the development. Other development costs for which it cannot be rendered probable that future economic benefits will flow to the Group are recognised in the income statement as and when incurred.

Amortisation is based on the cost of the asset and recognised in the income statement on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives for the current and comparative years are as follows:

	Estimated useful life
Software	5-10 years
Other intangible assets	5-10 years

Amortisation methods and useful lives are reassessed at each reporting date and adjusted if appropriate. When changing the amortisation period due to a change in the useful life, the effect on the amortisation is recognised prospectively as a change in accounting estimates.

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost of assets comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to operate in the manner intended. The net present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost of the asset to the extent that this cost is recognised as a provision.

The cost of assets held under finance leases is stated at the lower of fair value of the asset and the net present value of future minimum lease payments. When calculating the net present value, the interest rate implicit in the lease or an approximated rate is applied as the discount rate.

Subsequent costs of replacing part of an item are recognised as an asset if it is probable that the future economic benefits embodied by the item will flow to the Group. The remaining carrying amount of the replaced item is derecognised in the statement of financial position and transferred to the income statement. All other costs for common repairs and maintenance are recognised in the income statement as and when incurred.

Depreciation is based on the cost of an asset less its residual value. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The residual value is determined at the acquisition date and reassessed at each reporting date. If the residual value exceeds the carrying amount depreciation is discontinued.

Depreciation of property, plant and equipment is recognised in the income statement on a straight-line basis over the estimated useful lives of the assets. Assets under finance lease are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives for current and comparative years are as follows:

	Estimated useful life
Buildings	5-40 years
Leasehold improvements	(the lease term) 5-12 years
Plant and equipment	3-10 years

Land is not depreciated.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

NOTE 1 Significant accounting policies (continued)

Gains and losses arising on the disposal or retirement of property, plant and equipment are measured as the difference between the selling price less direct sales costs and the carrying amount, and are recognised in the income statement under Other operating expenses in the year of sale, except gains and losses arising on disposals of property, which are recognised under Other income and expenses, net.

Investment in associates are recognised initially at cost and subsequently accounted for using the equity method. Investments in associates are measured at the proportionate share of the entities' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group profits and losses plus the carrying amount of goodwill. Investments in associates are tested for impairment if indications of impairment exists.

Investments in associates with a negative net asset value are measured at zero. If the Group has a legal or constructive obligation to cover a deficit in the associate, the deficit is recognised under Provisions.

Receivables from associates are recognised initially at fair value and subsequently measured at amortised cost, less any impairment losses.

Acquisition of associates are accounted for using the acquisition method, see description under Business combinations.

Other financial assets comprises mainly deposits and regulatory long-term loans. Other financial assets are initially recognised at cost and subsequently measured at amortised cost with any resulting adjustment being recognised in the income statement.

Impairment of non-current assets Goodwill and brands with an indefinite useful life are subject to annual impairment tests, initially before the end of the acquisition year. Similarly, brands with definite useful life and customer contracts are tested for impairment annually.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated. If the carrying amount exceeds the recoverable amount an impairment loss is recognised in a separate line in the income statement. The recoverable amount is generally calculated as the present value of the expected future cash flows (value in use) from the cash-generating unit to which goodwill is allocated.

Deferred tax assets are subject to impairment tests annually and recognised only to the extent that it is probable that they will be utilised.

The carrying amount of other non-current assets is tested annually for indications of impairment. If such an indication exists, the recoverable amount of the asset is determined. The recoverable amount is the higher of the fair value of the asset less anticipated costs of disposal and its value in use. The value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses are only reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Inventories 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 overheads and net realisable value. The cost 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 selling costs and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables are recognised initially at fair value. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses. An impairment loss is recognised when objective evidence indicates that a receivable or a portfolio of receivables is impaired. Objective evidence that receivables are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that would not otherwise be considered or indications that a debtor will enter bankruptcy.

The Group considers evidence of impairment at both a specific receivable and portfolio level. All individually significant receivables are assessed for specific impairment. Receivables, that are found not to be specifically impaired, are collectively assessed for impairment on portfolio level by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Impairment losses during the year are recognised under Other operating expenses and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Contract work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at the contract revenue of the work completed (i.e. cost plus profit recognised to date) less progress billings and recognised losses.

The contract revenue is calculated in proportion to the stage of completion at the reporting date and the total contract revenue to be received for each individual contract. The stage of completion is determined on the basis of an assessment of the work performed, which is measured as the proportion of contract costs incurred for work performed on each individual contract relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

When the outcome of a contract cannot be determined reliably, the realisable value is measured as the contract costs incurred that are likely to be recovered.

Where on a contract-by-contract basis the realisable value of work performed exceeds progress billings and anticipated losses, the excess is recognised under Contract work in progress. If progress billings and anticipated losses exceed the realisable value of a construction contract, the deficit is recognised under Other liabilities.

NOTE 1 Significant accounting policies (continued)

Prepayments from customers are recognised under Other liabilities.

Costs relating to sales work and securing contracts are recognised in the income statement as incurred.

Other receivables are recognised initially at cost and subsequently at amortised cost. Other receivables comprises various receivables, e.g. receivable divestment proceeds, outlays for customers, employee receivables and certain contract costs. Capitalised contract costs are amortised over the term of the contract. Contract costs relate to PPP (Public Private Partnership)/PFI (Private Finance Initiative) contracts and certain other significant contracts. Costs related to tenders for public offers for PPP/PFI contracts are generally recognised in the income statement as incurred. However, if the Group is awarded status as preferred bidder, directly attributable contract costs from that date, if any, are capitalised. If the Group is not awarded the contract, all costs are recognised in the income statement.

Prepayments comprises various prepaid expenses such as prepayments to suppliers, sign-on fees, rent, leasing and insurance as well as accrued interest expenses. Prepayments are measured at cost.

Securities that are designated as fair value through profit or loss upon initial recognition are measured at fair value. Attributable transaction costs are recognised in the income statement as incurred. Changes in fair value are recognised in the income statement.

Equity

Share premium comprises amounts above the nominal share capital paid by shareholders when shares are issued by the Group.

Translation reserve The translation reserve comprises all foreign exchange differences arising from the translation of financial statements of subsidiaries/joint ventures and investments in associates with another functional currency than DKK as well as from the translation of non-current balances which are considered part of the investment in subsidiaries/joint ventures, loans and borrowings in foreign currency and derivatives hedging net investments in foreign subsidiaries/joint ventures.

Hedging reserve The hedging reserve comprises the effective portion of the cumulative net change after tax in the fair value of cash flow hedging instruments which fulfil the criteria for hedging of future cash flows, when the hedged transactions have not yet occurred.

Dividends are recognised as a liability at the date when they are adopted at the Annual General Meeting (declaration date). Dividends proposed for the year are shown in a separate reserve under Equity.

Interim dividends are recognised as a liability at the date when the decision to pay interim dividend is made.

Retirement benefit obligations and similar long-term obligations The Group has entered into retirement benefit schemes and similar arrangements with the majority of the Group's employees.

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions to defined contribution plans are recognised in the income statement under Staff costs in the periods during which services are rendered by employees. Any contributions outstanding are recognised in the statement of financial position as Other liabilities.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit Method. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The actuarial present value less the fair value of any plan assets is recognised in the statement of financial position under Pensions and similar obligations.

Pension costs for the year are recognised in the income statement on the basis of actuarial estimates and financial expectations at the beginning of the year. Differences between the expected development in pension assets and liabilities and the realised amounts at the end of the year are designated actuarial gains or losses and are recognised in other comprehensive income.

If changes in benefits relating to services rendered by employees in previous years result in changes in the actuarial present value, the changes are recognised as historical costs. Historical costs are recognised immediately if employees have already earned the changed benefits. If employees have not earned the benefits, the historical costs are recognised in the income statement over the period in which the changed benefits are earned by the employees.

If a pension plan constitutes a net asset, the asset is only recognised to the extent that it represents future refunds from the plan, or it will lead to reductions in future contributions to the plan.

Interest on defined benefit plans and the expected return on plan assets are recognised under Financial expenses.

Other long-term employee benefits are recognised based on an actuarial calculation. Actuarial gains and losses are recognised in the income statement immediately under Staff costs. Interest on long-term employee benefits are recognised under Financial expenses. Other long-term employee benefits comprise jubilee benefits, long-service or sabbatical leave etc.

Share-based payments The value of services received in exchange for granted warrants is measured at the fair value of these warrants. The fair value of equity-settled programmes is measured at grant date and recognised in the income statement under Other income and expenses, net over the vesting period with a corresponding increase in equity.

The fair value of the warrants granted is measured using the Black-Scholes option pricing model based on the terms and conditions on which they were granted. Service and non-market vesting conditions are not taken into account when estimating the fair value, but are considered when estimating the number of warrants expected to vest.

At each reporting date, the Group revises the estimate of number of warrants expected to vest. The impact of this revision, if any, is recognised in the income statement, and a corresponding adjustment is made to equity over the remaining vesting period. Accordingly, total recognition is based on the number of warrants ultimately vested. Adjustments relating to prior years are included in the income statement in the year of adjustment.

Current tax receivable/payable and deferred tax Current tax payable and receivable is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income for previous years and for tax paid on account.

Deferred tax is measured in accordance with the liability method and comprises all temporary differences between accounting and tax values of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from in business combinations, arose at

NOTE 1 Significant accounting policies (continued)

the time of acquisition without affecting either profit/loss for the year or taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised under non-current assets at the expected value of their utilisation: either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the Group has a legal right to offset current tax assets and tax liabilities or intends to settle current tax assets and tax liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax is adjusted for elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the taxation rules and tax rates in the respective countries applicable at the reporting date when the deferred tax is expected to be realised as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Provisions comprises obligations concerning legal cases, self-insurance, acquisition and integration costs, contingent liabilities related to acquisitions, dismantling costs, and various other operational issues. Provisions are recognised if the Group, as a result of a past event has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is management's best estimate of the amount required to settle the obligation.

When measuring provisions, the costs required to settle the obligation are discounted if this significantly impacts the measurement of the liability. The entity's average borrowing rate is used as discount rate. The unwind of discount is recognised under Financial expenses.

Restructuring costs are recognised under Provisions when a detailed, formal restructuring plan is announced to the affected parties on or before the reporting date. On acquisition of businesses, restructuring provisions in the acquiree are only included in goodwill when the acquiree has a restructuring liability at the acquisition date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

When the Group has a legal obligation to dismantle or remove an asset or restore a site or rented facilities when vacated, a provision is recognised corresponding to the present value of expected future costs. The present value of the obligation is included in the cost of the relevant tangible asset and depreciated accordingly.

Financial liabilities are recognised at the date of borrowing at fair value less related transaction costs paid. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. Any difference between the proceeds initially received and the nominal value is recognised in the income statement under Financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases, which are measured at amortised cost.

Leasing For accounting purposes lease obligations are divided into finance leases and operating leases.

A finance lease is a lease that transfers substantially all risks and rewards incident to ownership to the lessee. Other leases are classified as operating leases. The accounting treatment of assets held under a finance lease and the related obligation is described under Property, plant and equipment and Financial liabilities, respectively.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Assets held for sale comprises non-current assets and disposal groups held for sale. A disposal group is defined as a group of assets to be disposed of by sale or otherwise together as a group in a single transaction. Liabilities classified as held for sale are those directly associated with the assets that will be transferred in the transaction. Assets are classified as held for sale when the carrying amount of the assets is expected to primarily be recovered through a sale within 12 months of the reporting date in accordance with a formal plan rather than through continuing use.

Immediately before classification as held for sale, the assets or disposal groups are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement are recognised in the income statement. Gains and losses are disclosed in the notes.

Non-current assets and disposal groups held for sale are presented in separate lines in the statement of financial position and the main elements are specified in the notes to the consolidated financial statements.

Segment information

The Group's reportable segments have been identified based on the Group's internal management reporting. Operations are generally managed based on a geographical structure in which countries are grouped into seven regions. The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. However, countries with newly established activities managed by the central Corporate Clients organisation are excluded from the geographical segments and combined in a separate segment called "Other countries".

The accounting policies of the reportable segments are the same as the Group's accounting policies described above. Segment revenue, costs, assets and liabilities comprise items that can be directly referred to the individual segments. Unallocated items mainly consist of revenue, costs, assets and liabilities relating to the Group's Corporate functions as well as Financial income, Financial expenses and Income taxes.

For IFRS 8 purposes, segment profit has been identified as Operating profit (before Goodwill impairment and Amortisation and impairment of brands and customer contracts). Segment assets and segment liabilities have been identified as Total assets and Total liabilities, respectively.

When presenting geographical information segment revenue and non-current assets are based on the geographical location of the individual subsidiary from which the sales transaction originates.

NOTE 2 Critical accounting estimates and judgements

The preparation of the consolidated financial statements of the Group requires management to make judgements, accounting estimates and assumptions concerning future events that affect the recognition and measurement of the Group's assets and liabilities, income and expenses.

Estimation uncertainty

The estimates, judgements and assumptions are based on historical experience and various other factors which management assesses to be reliable, but which by their nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. Further, the Group is exposed to a number of risks and uncertainties arising from its operating and financing activities. As a result of these risks and uncertainties actual results may deviate from estimates, both positively and negatively. Specific financial risks for the Group are discussed in the notes.

Estimates and assumptions are reviewed on an ongoing basis. In 2011, the development in the global economy and the volatility in the financial markets continued to lead to high uncertainty regarding a number of key assumptions about the future, e.g. interest rates, growth rates, volatility and credit risk. Estimates in the consolidated financial statements for 2011 have been prepared taking this into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations of the future.

Management believes that the following are the most significant areas involving assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period and therefore have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment tests Goodwill, brands and customer contracts are tested for impairment at least annually or whenever there is an indication that the intangibles may be impaired. In performing the impairment test management makes an assessment of whether the cash generating unit to which the intangibles relate will be able to generate positive net cash flows sufficient to support the value of intangibles and other net assets of the entity.

Due to the nature of the business, estimates of expected future cash flows must be made which naturally leads to some uncertainty. The key assumptions used to estimate expected future cash flows are discount rates and growth. Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flows are generally reflected in the discount rates. Consequently, a country specific risk premium has been added to the discount rates to reflect the specific risk associated with each cash-generating unit.

During 2011, in general increased volatility in risk free interest rates has been experienced. Furthermore discount rates were negatively impacted by the increased interest margin following the amendment and extension of the Senior Facilities Agreement as well as the increase in equity risk premium from 4.5% in 2010 to 5.0% in 2011.

Estimates used to measure recoverable amounts and sensitivity analyses are presented in note 16, Impairment tests.

Defined benefit plans and similar obligations The value of the Group's defined benefit plans and other long-term employee benefits are based on valuations from external actuaries. When calculating the net present value of the retirement benefit obligation a number of significant actuarial assumptions are made including discount rates, expected return on plan assets, expected increases in future wages, salary and retirement benefits. All assumptions are assessed at the reporting date. Changes in these assumptions may significantly affect the liabilities and pension costs under defined benefit plans. The range and weighted average of these assumptions are disclosed in note 30, Pensions and similar obligations.

The net present value of expected future cash flows is calculated based on the discount rates used. The discount rates are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

In certain countries, the Group participates in multi-employer pension schemes, which by their nature are defined benefit plans. The funds, however, are currently not able to provide the necessary information in order for the Group to account for the schemes as such. The pension schemes are therefore accounted for as defined contribution plans. There is a risk that the plans are not sufficiently funded. However, information on surplus or deficit in the schemes is not available.

Deferred tax assets The recognition of deferred tax assets regarding tax losses carried forward is based on management's assessment of expected future profitability in the foreseeable future. Deferred tax assets relating to tax losses carried forward are only recognised to the extent that it is more likely than not that future taxable profit will be available against which the unused tax losses can be utilised in the foreseeable future taking into account any restrictions in utilisation in the local tax legislation. This judgement is made on the reporting date based on budgets and estimates.

The Group's tax assets are presented, and uncertainties relating to recognition are described in note 19, Deferred tax.

Receivables Impairment losses recognised are based on management's assessment of the customer's ability to make the required payments. Following the international financial crisis in general the risk of impairment has increased. This has been taken into consideration in the assessment of impairment losses at the reporting date and also in the management and control activities during the year.

Impairment of receivables is described and disclosed in note 36, Financial risk management.

Contract work in progress Management assesses the stage of completion based on a method that measures reliably the work performed. Depending on the nature of the contract, the methods include an assessment of the proportion that contract costs incurred for work performed to date will bear to the estimated total contract costs, surveys of work performed or completion of a physical proportion of the contract work.

Assets held for sale mainly comprises disposal groups and is measured at the lower of the carrying amount and fair value less costs to sell. Consequently, management makes estimates of the fair value (the final sales price) of the disposal group. Depending on the nature of the disposal group's activity, assets and liabilities, the estimated fair value may be associated with uncertainty and possibly adjusted subsequently. Management considers intangible assets relating to the disposal groups and impairment of these intangibles both on initial classification as held for sale and subsequently. The estimation uncertainty relating to impairment of intangibles is described above.

Assets held for sale are disclosed in note 27, Assets held for sale.

Divestments Management assesses the appropriate level of provisions to cover claims from purchasers or other parties in connection with divestments and representation and warranties given in relation to divestments.

NOTE 2 Critical accounting estimates and judgements (continued)

Provisions and contingencies Management assesses provisions, contingent assets and liabilities and the likely outcome of pending or probable lawsuits etc. on an ongoing basis. The outcome depends on future events that are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes etc., management bases its assessment on external legal assistance and established precedents.

Provisions are disclosed in note 31, Provisions and contingent liabilities are disclosed in note 34, Contingent liabilities, pledges and guarantees.

Acquisition of businesses When acquiring businesses the acquisition method is applied. The most significant assets acquired generally comprise goodwill, brands, customer contracts and trade receivables.

Generally, there are uncertainties related to the identification of assets, liabilities and contingent liabilities as well as to the measurement of their fair value at the acquisition date. As no active market exists for the majority of acquired assets, liabilities and contingent liabilities, in particular in respect of acquired intangible assets, management makes estimates of the fair value.

Goodwill is measured as the difference between the consideration transferred and the fair value of the net identifiable assets acquired. Management makes estimates of the acquired cash-generating units, the cash-generating units that already existed in the Group and the allocation of goodwill.

Considering the uncertainties associated with the determination of the cash flows of acquired cash-generating units, it is the assessment of management that the allocation made is based on documented estimates. The fair value of identifiable net assets is specified in note 14, Acquisition and divestment of businesses.

Brands The fair value of the brands acquired in business combinations and their expected useful lives are assessed based on the brands' market position, expected long-term developments in the relevant markets and the brands' profitability.

Generally, the Group's strategy is based on the ISS brand, which means that all acquired brands are either immediately converted to the ISS brand or co-branded with the ISS brand for a longer or shorter period of time. Whether the conversion is effected immediately or implemented over a period of time depends on the assessment of the fair value of the acquired brand, i.e. whether the acquired brand is expected to separately generate future economic benefits.

The fair value is calculated based on a discounted cash flow model based on management's estimates of expected after-tax royalty payments (the royalty relief method) and Weighted Average Cost of Capital (WACC) including a risk premium for the assumed risk inherent in the brand.

Customer contracts The fair value of customer contracts acquired in business combinations is based on an evaluation of the conditions relating to the acquired customer contract portfolio and related customer relationships in terms of local market conditions, terms and conditions of the underlying contracts and historical experience relating to churn rates.

Measurement is based on a discounted cash flow model based on key assumptions about the estimated split of the acquired revenue in business segments and the related churn rates and profitability of the revenue at the time of the acquisition. Further, management considers the Weighted Average Cost of Capital (WACC) and a risk premium for the assumed risk inherent in customer contracts.

Judgement in relation to application of accounting policies

In applying the Group's accounting policies, management makes judgements which may significantly influence the amounts recognised in the consolidated financial statements.

Gross or net presentation of revenue In some instances ISS will serve as reseller of goods such as cleaning materials, cleaning equipment etc. or provide staff for canteens selling food etc. In other instances services on an ISS contract will be delivered to the customer through a subcontractor of ISS. The issue is whether revenue should be presented gross or net, i.e. based on the gross amount billed to the customer, or based on the net amount retained (the amount billed to the customer less the amount paid to the supplier). To determine whether revenue should be presented gross or net of costs incurred management considers whether ISS is acting in the capacity of an agent or a principal.

Other income and expenses, net The use of Other income and expenses, net entails management judgement in the separation from the normal ordinary operations of the Group. When using Other income and expenses, net it is crucial that these constitute items that can not be attributed directly to the Group's ordinary operating activities. Management carefully evaluates each item to ensure the correct distinction between the Group's ordinary operating activities and Other income and expenses, net.

Leases The Group has entered into a number of leases and for each lease agreement an assessment is made as to whether the lease is a finance lease or an operating lease. The Group primarily enters into operating lease agreements. Operating leases consist of leases and rentals of properties, vehicles (primarily cars), production equipment and other equipment.

Assets held for sale Non-current assets and disposal groups are classified as held for sale when the carrying amount of the assets or disposal groups are expected to primarily be recovered through a sale within 12 months in accordance with a formal plan rather than through continuing use. Management makes judgement to make the correct classification. The classification is significant as the classification as held for sale changes the measurement basis of the non-current assets and disposal groups as well as the presentation in the statement of financial position.

On **business combinations** and establishing new entities assessment is made in order to classify the acquired business as a subsidiary, joint venture or associate. The assessment is made on basis of the agreement entered into on the acquisition of ownership interests or voting rights in the entity etc.

NOTE 3 Segment information

Reportable segments

ISS is a global facility services company, that operates in more than 50 countries and delivers a wide range of services within the areas cleaning services, support services, property services, catering services, security services and facility management services.

Operations are generally managed based on a geographical structure in which countries are grouped into seven regions. The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. However, countries with newly established activities managed by the central Corporate Clients organisation are excluded from the geographical segments and combined in a separate segment called "Other countries".

The segment reporting is prepared in a manner consistent with the Group's internal management and reporting structure. Segment revenue, costs, assets and liabilities comprise items that can be directly referred to the individual segments.

	2011								
DKK million	Western Europe	Nordic	Asia	Pacific	Latin America	North America	Eastern Europe	Other countries	Total reportable segments
Income statement									
Revenue [1]	39,321	18,085	6,090	5,525	3,648	3,369	1,641	30	77,709
Depreciation and amortisation [2]	(362)	(240)	(65)	(52)	(38)	(16)	(21)	-	(794)
Operating profit before other items [3]	2,268	1,268	486	358	215	116	107	(1)	4,817
Other income and expenses, net	(72)	61	(4)	(3)	(20)	(53)	(0)	-	(91)
Operating profit [2]	2,196	1,329	482	355	195	63	107	(1)	4,726
Goodwill impairment	(478)	(23)	-	-	-	-	-	-	(501)
Amortisation and impairment of brands and customer contracts	(370)	(168)	(55)	(45)	(14)	(34)	(22)	-	(708)
Statement of financial position									
Total assets	30,600	14,929	4,250	3,545	1,972	1,833	1,338	6	58,473
Hereof assets classified as held for sale	165	-	-	-	-	-	-	-	165
Additions to non-current assets [4]	539	222	56	119	81	26	19	-	1,062
Total liabilities	20,986	9,430	1,958	2,682	1,612	1,404	624	5	38,701
Hereof liabilities classified as held for sale	90	-	-	-	-	-	-	-	90

Transactions between reportable segments are made on market terms.

[1] Segment revenue comprises total revenue of each segment. Due to the nature of the business internal revenue is insignificant and is therefore not disclosed.
[2] Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[3] Excluding Other income and expenses, net, Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[4] Additions to non-current assets comprise additions to Intangible assets and Property, plant and equipment including acquisitions through business combinations.

NOTE 3 Segment information (continued)

DKK million	Western Europe	Nordic	Asia	Pacific	Latin America	North America	Eastern Europe	Other coun-tries	Total re-portable segments
	2010								
Income statement									
Revenue [1]	39,101	17,301	5,401	5,018	3,070	2,625	1,602	20	74,138
Depreciation and amortisation [2]	(374)	(250)	(78)	(47)	(31)	(15)	(21)	-	(816)
Operating profit before other items [3]	2,302	1,237	409	339	178	132	113	2	4,712
Other income and expenses, net	(212)	136	(7)	-	-	-	0	-	(83)
Operating profit [2]	2,090	1,373	402	339	178	132	113	2	4,629
Goodwill impairment	(934)	(4)	-	-	-	-	-	-	(938)
Amortisation and impairment of brands and customer contracts	(492)	(193)	(57)	(49)	(11)	(42)	(25)	-	(869)
Statement of financial position									
Total assets	31,474	14,492	4,028	3,394	1,751	1,662	1,356	10	58,167
Hereof assets classified as held for sale	801	23	-	-	-	-	-	-	824
Additions to non-current assets [4]	592	222	247	86	64	12	53	-	1,276
Total liabilities	21,319	9,374	1,908	2,580	1,536	1,191	633	10	38,551
Hereof liabilities classified as held for sale	255	-	-	-	-	-	-	-	255

Transactions between reportable segments are made on market terms.

[1] Segment revenue comprises total revenue of each segment. Due to the nature of the business internal revenue is insignificant and is therefore not disclosed.
[2] Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[3] Excluding Other income and expenses, net, Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[4] Additions to non-current assets comprise additions to Intangible assets and Property, plant and equipment including acquisitions through business combinations.

Grouping of countries into regions

Western Europe:	Austria, Belgium & Luxembourg, France, Germany, Greece, Ireland, Israel, Italy, the Netherlands, Portugal, Spain, Switzerland, Turkey and the United Kingdom
Nordic:	Denmark, Finland, Greenland, Iceland, Norway and Sweden
Asia:	Brunei, China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, Taiwan and Thailand
Pacific:	Australia and New Zealand
Latin America:	Argentina, Brazil, Chile, Columbia, Costa Rica, Ecuador, Mexico, Panama, Peru, Puerto Rico, Uruguay and Venezuela
North America:	Canada and the USA
Eastern Europe:	Croatia, the Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia and Slovenia
Other countries:	Bahrain, Egypt, Nigeria, Pakistan, South Africa, Ukraine and United Arab Emirates

NOTE 3 Segment information (continued)

Service types

The Group's revenue derives from the following service types:

DKK million	2011	2010
Cleaning services	39,470	38,372
Support services	6,162	5,606
Property services	15,003	14,626
Catering services	7,710	7,059
Security services	5,767	5,246
Facility management services	3,532	3,164
Total revenue	**77,644**	**74,073**

Geographical information

Revenue and non-current assets (excluding deferred tax assets) is specified below for each of the Group's significant countries [1]:

	2011		2010	
DKK million	Revenue	Non-current assets	Revenue	Non-current assets
United Kingdom	7,835	3,246	7,384	3,163
France	7,560	4,981	8,084	5,080
Norway	5,940	2,910	5,681	3,080
Australia	5,033	2,334	4,583	2,265
Spain	4,467	1,617	4,446	1,866
Sweden	4,172	2,058	3,898	2,051
Finland	4,154	3,020	3,841	3,130
Denmark (country of domicile)	3,640	2,307	3,714	2,346
Other countries [2]	34,843	14,008	32,442	14,731
Total	**77,644**	**36,481**	**74,073**	**37,712**

[1] In this context significant countries are defined as countries representing 5% or more of the Group's revenue.
[2] Including unallocated items and eliminations.

Major customers

No customer comprises more than 10% of the Group's external revenue.

NOTE 3 Segment information (continued)

Reconciliations to the income statement

DKK million	2011	2010
Revenue		
Revenue for reportable segments	77,709	74,138
Elimination of internal revenue	(65)	(65)
Revenue according to the income statement	**77,644**	**74,073**
Operating profit		
Operating profit for reportable segments	4,726	4,629
Unallocated corporate costs	(429)	(402)
Unallocated other income and expenses, net	(132)	(35)
Operating profit according to the income statement	**4,165**	**4,192**
Unallocated:		
Share of result from associates	0	10
Financial income	197	198
Financial expenses	(3,004)	(2,609)
Profit before tax and goodwill impairment/amortisation and impairment of brands and customer contracts according to the income statement	**1,358**	**1,791**

Reconciliations to the statement of financial position

DKK million	2011	2010
Total assets		
Total assets for reportable segments	58,473	58,167
Elimination of internal assets [1]	(38,524)	(35,160)
Unallocated assets [2]	35,074	32,448
Total assets according to the statement of financial position	**55,023**	**55,455**
Additions to non-current assets [3]		
Additions to non-current assets for reportable segments	1,062	1,276
Unallocated additions to non-current assets	70	38
Total additions to non-current assets according to the statement of financial position	**1,132**	**1,314**
Total liabilities		
Total liabilities for reportable segments	38,701	38,551
Elimination of internal liabilities [1]	(38,013)	(34,657)
Unallocated liabilities [2]	52,253	48,910
Total liabilities according to the statement of financial position	**52,941**	**52,804**

1) Eliminations mainly relate to intra-group balances.
2) Unallocated assets and liabilities mainly relate to the Group's holding companies as they are not included in the reportable segments. The assets and liabilities comprise internal and external loans and borrowings, cash and cash equivalents and intra-group balances.
3) Additions to non-current assets comprise additions to Intangible assets and Property, plant and equipment including acquisitions through business combinations.

NOTE 4 Revenue

DKK million	2011	2010
Rendering of services	73,286	69,946
Sale of goods	2,625	2,454
Contract work in progress	1,733	1,673
Revenue	**77,644**	**74,073**

Both revenue from rendering of services and contract work in progress have been determined based on the stage of completion method. The amount of revenue recognised from contract work in progress mainly relates to the Group's landscaping and damage control activities. The work performed is based on specifically negotiated contracts with customers.

NOTE 5 Staff costs

DKK million	2011	2010
Wages and salaries	39,674	38,030
Defined benefit plans	159	137
Defined contribution plans	1,839	1,791
Social security costs	6,193	5,491
Other employee benefits	2,224	2,690
Staff costs	**50,089**	**48,139**
Average number of employees	**533,573**	**506,693**

The Group received government grants in the form of wage subventions, which have been recognised in the income statement as a reduction of staff costs. The grants compensate the Group for staff costs primarily related to social security as well as hiring certain categories of employees such as trainees, disabled persons, long-term unemployed and employees in certain age groups.

NOTE 5 Staff costs (continued)

Remuneration to the Board of Directors, the Executive Group Management Board and Corporate Senior Officers

DKK thousand	2011 Board of Directors	2011 Executive Group Management Board	2011 Corporate Senior Officers	2010 Board of Directors	2010 Executive Group Management Board	2010 Corporate Senior Officers
Salaries and other remuneration	3,999	13,893	48,723	2,173	15,003	43,504
Bonus	-	2,850	17,086	-	5,450	15,065
Severance payments [1]	-	15,607	7,476	-	16,204	3,152
Share-based payments [2]	-	233	618	-	233	809
Total remuneration	**3,999**	**32,583**	**73,903**	**2,173**	**36,890**	**62,530**

DKK thousand	2011 Jeff Gravenhorst	2011 Henrik Andersen	2011 Jakob Stausholm (former CFO)	2010 Jeff Gravenhorst	2010 Jakob Stausholm	2010 Jørgen Lindegaard (former CEO)
Salaries and other remuneration [3]	7,858	533	5,502	7,263	5,662	2,078
Bonus	2,850	-	-	2,750	2,700	-
Severance payments [1]	-	-	15,607	-	-	16,204
Share-based payments [2]	233	-	-	233	-	-
Total remuneration	**10,941**	**533**	**21,109**	**10,246**	**8,362**	**18,282**

The Board of Directors received remuneration for duties performed in ISS A/S and other companies within the ISS Group. The remuneration is a fixed annual amount. The Board of Directors does not participate in the warrant programme described in note 6, Share-based payments. However, certain members have invested in a mix of shares and warrants as part of the Directors Participation Programme (DPP) described in note 38, Related parties.

The members of the Executive Group Management Board and Corporate Senior Officers received remuneration for duties performed in ISS A/S and other companies within the ISS Group. The remuneration consists of a combination of a fixed salary, standard benefits in accordance with market standards and, for most of these, a performance-based bonus of up to 60% of their fixed salary. The Executive Group Management Board and certain Corporate Senior Officers participate in the Management Participation Programme (MPP) including the warrant programme described in note 6, Share-based payments.

Corporate Senior Officers comprises members of the Group Management Board, other than members of the Executive Group Management Board. Members of the Group Management Board have authority and responsibility for planning, implementing and controlling the Group's activities and are together with the Board of Directors considered as the Group's key management personnel.

The employment contracts for the Executive Group Management Board and Corporate Senior Officers may be terminated at 6-24 months' notice. One employment contract includes a severance payment of two years salary. No other members are entitled to severance payments. The employment contracts contain no special termination rights.

Remuneration to the Board of Directors, the Executive Group Management Board and Corporate Senior Officers is paid by ISS World Services A/S.

1) Severance payments of DKK 23 million (2010: DKK 16 million) related to senior management changes at Corporate and were included in Other income and expenses, net.
2) Included in Other income and expenses, net.
3) Henrik Andersen replaced Jakob Stausholm as Group CFO with effect from 1 December 2011. Consequently, salaries and other remuneration for 2011 reflect their respective remuneration when holding the position as Group CFO.

NOTE 6 Share-based payments

Management Participation Programme (MPP)

Funds advised by EQT Partners and Goldman Sachs Capital Partners (the "Principal Shareholders") have established a Management Participation Programme (MPP), in which the Executive Group Management Board and a number of senior officers [1] of the Group have invested. The programme is structured as a combination of direct and indirect investments in a mix of shares and warrants of FS Invest S.à r.l ("FS Invest"), ISS A/S's ultimate parent company as described in note 38, Related parties. As part of the initial programme – in addition to the investments – warrants in FS Invest were granted free of charge to the Executive Group Management Board and a number of Corporate Officers [2] of the Group.

The direct and indirect investments in FS Invest were made on market terms and hence are not share-based payments within the scope of IFRS 2 Share-based Payment. Further details of the programme and these investments are provided in note 38, Related parties. The warrants granted to the Executive Group Management Board and a number of Corporate Officers of the Group are within the scope of IFRS 2.

Warrants granted as part of the Management Participation Programme (MPP)

The warrants were granted in July 2006 as a one-time grant and were issued in two series, A and B, both expiring on 1 June 2014. The estimated FS Invest share price at the time of the grant was DKK 1,019 per share. The warrants entitle the holder to subscribe for FS Invest shares at an exercise price of DKK 2,039 and DKK 2,549 per share for warrants in series A and series B, respectively, in a proportion which is determined by the exercise restrictions mentioned below. The warrants are exercisable for a period of 30 business days prior to and ending on 1 June 2014. The warrants are non-transferable.

The fair value of the warrants was estimated to DKK 25 million at the time of grant measured using the Black-Scholes option pricing model based on the assumptions at the time of grant and exercise restrictions.

The warrants are accounted for as equity-settled transactions. The fair value at grant date of these warrants is expensed in the income statement over the vesting period from July 2006 to June 2014. In 2011, DKK 1 million was recognised under Other income and expenses, net in respect of warrants granted (2010: DKK 2 million).

The warrants are subject to exercise restrictions depending on the share price at the time of exercise. At a share price of 6,114 or more at the time of exercise, 90% of the warrants vested can be exercised. The proportion of exercisable warrants decreases in intervals down to 10% at a share price of 2,039. At share prices below 2,039, no warrants are exercisable.

Warrants outstanding at 31 December 2011 and movements during 2010 and 2011 were:

	Executive Group Management Board			Corporate Officers [2]			Total		
Number of warrants	Series A	Series B	Total	Series A	Series B	Total	Series A	Series B	Series A and B
Outstanding at 1 January 2010	-	57,888	57,888	29,852	241,664	271,516	29,852	299,552	329,404
Warrants settled during 2010	-	-	-	(7,577)	(44,195)	(51,772)	(7,577)	(44,195)	(51,772)
Outstanding at 31 December 2010	-	57,888	57,888	22,275	197,469	219,744	22,275	255,357	277,632
Warrants settled during 2011	-	-	-	-	-	-	-	-	-
Outstanding at 31 December 2011	**-**	**57,888**	**57,888**	**22,275**	**197,469**	**219,744**	**22,275**	**255,357**	**277,632**

Warrants settled relates to cash settlement by FS Invest of warrants in connection with termination of employment.

[1] Senior officers of the Group comprises Corporate Senior Officers (members of the Group Management Board other than members of the Executive Group Management Board) and other Corporate Officers as well as certain members of Country Management of certain countries.

[2] Corporate Officers of the Group comprises Corporate Senior Officers (members of the Group Management Board other than members of the Executive Group Management Board) and other Corporate Officers.

NOTE 7 Fees to auditors elected at the Annual General Meeting

DKK million	2011	2010
KPMG		
Audit fees	40	41
Other assurance services	29	12
Tax and VAT advisory services	10	12
Other services	3	5
Total KPMG	**82**	**70**

Audit fees comprised audit of the consolidated and local financial statements.

Other assurance services in 2011 comprised mainly work related to the exit processes as well as half-year review. The costs related to the exit processes were included in Other expenses.

Tax and VAT advisory services comprised general tax and VAT consultancy and assistance.

Other services comprised among other things work related to acquisitions and divestments such as financial and tax due diligence.

NOTE 8 Other income and expenses, net

DKK million	2011	2010
Gain on divestments	90	254
Gain on sale of investment in associates	6	-
Other	10	1
Other income	**106**	**255**
Costs related to exit processes	(111)	(17)
Build-up of IFS capabilities in North America	(52)	-
Revised estimate for social security contributions prior years	(47)	-
Restructuring projects	(43)	(0)
Redundancy and severance payments relating to senior management changes	(23)	(16)
Loss on divestments	(24)	(208)
Accounting irregularities in Norway in prior years	-	(113)
Acquisition and integration costs	(7)	(6)
Other	(22)	(13)
Other expenses	**(329)**	**(373)**
Other income and expenses, net	**(223)**	**(118)**

Gain on divestments in 2011 mainly related to the completion of the divestment of the coffee vending business in Norway and Denmark and the sale of the non-core industry service activities in Finland. In 2010, the gain mainly related to completion of the divestment of the non-strategic washroom activities in Denmark, Norway and Sweden.

Gain on sale of investment in associates in 2011 related to the associate ISS Industriservice AB, which was classified as held for sale at 31 December 2010, and subsequently sold in the first quarter of 2011.

Costs related to exit processes comprised costs for external advisors incurred mainly as part of the initiated IPO process. The IPO was cancelled in March 2011 due to the extraordinarily high level of uncertainty and volatility in the global financial markets.

Build-up of IFS capabilities in North America in 2011 amounted to DKK 52 million and comprised costs incurred in relation to the strategic build-up of the IFS platform to support and deliver on major contracts in the USA.

NOTE 8 Other income and expenses (continued)

Revised estimate for social security contributions prior years amounted to DKK 47 million and related to the period 2006 to 2010. The amount recognised is subject to uncertainty, but reflects management's best estimate based on currently available information.

Restructuring projects in 2011 amounted to DKK 43 million and related to a number of projects in Brazil, Finland, Norway, the Netherlands and at Corporate covering consolidation of office locations and other efficiency improvements as well as changes in the organisational setup. Generally, restructuring projects include primarily redundancy payments, termination of leaseholds and relocation costs.

Redundancy and severance payments relating to senior management changes were related to changes in the Group Management Board, see note 5, Staff costs for further details.

Loss on divestments in 2011 primarily related to completion of the sale of the industrial services business in Belgium, which was classified as held for sale at 31 December 2010. In 2010, the loss primarily related to completion of the sale of the waste management and security activities in France and the non-core building maintenance activities in Spain.

Accounting irregularities in Norway in prior years related to one of ISS Norway's subsidiaries and took place in the period from 2005-2010. The impact from accounting irregularities carried out in prior years amounted to DKK 113 million stemming from a combination of overstatement of revenue and understatement of costs.

NOTE 9 Financial income and financial expenses

DKK million	2011	2010
Interest income on cash and cash equivalents etc.	125	95
Foreign exchange gains	72	103
Financial income	**197**	**198**
Hereof financial income on financial assets measured at amortised cost	**125**	**95**
Interest expenses on loans and borrowings etc.	(2,396)	(2,062)
Amortisation of financing fees	(257)	(123)
Amortisation of fair value adjustment of issued bonds	(20)	(40)
Interest expense to ISS Equity A/S	-	(3)
Net interest on defined benefit obligations	(29)	(35)
Net change in fair value of cash flow hedges transferred from equity	(106)	(259)
Fair value adjustment of currency swaps, net	(36)	(4)
Foreign exchange losses	(160)	(51)
Loss related to partial redemption of EMTNs	-	(32)
Financial expenses	**(3,004)**	**(2,609)**
Hereof financial expenses on financial liabilities measured at amortised cost	**(2,666)**	**(2,220)**

Amortisation of financing fees Effective 24 June 2011, ISS extended certain tranches under its Senior Facilities Agreement and implemented other amendments intended to increase the operational flexibility. Please refer to note 29, Loans and borrowings for further details. As a result of these changes, unamortised financing fees in the amount of DKK 117 million relating to the previous tranches were expensed.

Loss related to the partial redemption of EMTNs In January 2010, a partial redemption of the EMTNs due 2010 was carried out through the completion of a tender offer for DKK 1,116 million (EUR 150 million). The redemption resulted in a loss of DKK 32 million primarily due to the purchase price being above nominal value, and additionally from the carrying amount being below nominal value due to the fair value adjustment made in connection with ISS A/S's acquisition of ISS World Services A/S in May 2005.

NOTE 10 Income taxes

DKK million	2011	2010
Current tax regarding Profit before impairment/amortisation of intangibles [1]	764	769
Deferred tax regarding Profit before impairment/amortisation of intangibles [1]	118	32
Tax on Profit before impairment/amortisation of intangibles [1]	882	801
Adjustments relating to prior years, net	5	(41)
Income taxes	**887**	**760**
Tax effect of impairment/amortisation of intangibles [1]	**(231)**	**(244)**
Total tax recognised in the income statement	**656**	**516**

Income tax recognised in other comprehensive income

	2011			2010		
DKK million	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Foreign exchange adjustment of subsidiaries and non-controlling interests	(50)	-	(50)	911	-	911
Fair value adjustment of hedges, net	(14)	4	(10)	(138)	35	(103)
Fair value adjustment of hedges, net, transferred to Financial expenses	106	(27)	79	259	(65)	194
Actuarial gains/(losses)	(91)	21	(70)	(129)	36	(93)
Impact from asset ceiling regarding pensions	8	-	8	(20)	-	(20)
Total recognised in other comprehensive income	**(41)**	**(2)**	**(43)**	**883**	**6**	**889**

Computation of effective tax rate

	2011	2010
Statutory income tax rate in Denmark	25.0 %	25.0 %
Foreign tax rate differential, net	(2.4)%	(3.1)%
Total	**22.6 %**	**21.9 %**
Non-tax deductible expenses less non-taxable income	3.6 %	3.1 %
Adjustments relating to prior years, net	0.4 %	(2.3)%
Change in valuation of net tax assets [2]	8.3 %	3.6 %
Effect of changes in tax rates	(0.4)%	(0.1)%
Other taxes [3]	9.5 %	7.6 %
Limitation to interest deduction in Denmark [4]	21.3 %	8.6 %
Effective tax rate (excluding effect from impairment/amortisation of intangibles) [1]	**65.3 %**	**42.4 %**

[1] Intangibles comprise the value of goodwill, brands and customer contracts.
[2] Change in valuation of net tax assets in 2011 is mainly impacted by the valuation allowance of tax assets in France of DKK 100 million corresponding to 7.4%-points.
[3] Other taxes mainly comprise withholding tax and the French Cortisation sur La Valeur Ajoutee des Entreprises (CVAE).
[4] At 31 December 2011 the level is impacted by refinancing costs related to the amendment and extension of the Group's Senior Facilities Agreement.

NOTE 11 Goodwill impairment

DKK million	2011	2010
Impairment losses derived from impairment tests	200	929
Impairment losses derived from divestment of businesses	301	9
Goodwill impairment	**501**	**938**

Impairment losses derived from impairment tests of DKK 200 million in 2011 related to ISS Spain and was mainly attributable to the difficult macroeconomic conditions combined with an increase in the discount rate applied following the amendment and extension of the Senior Facilities Agreement. For further description see note 16, Impairment tests. In 2010, impairment losses of DKK 929 million related to ISS France of DKK 335 million, ISS Greece of DKK 329 million, ISS Spain of DKK 150 million and ISS Ireland of DKK 115 million.

Impairment losses derived from divestment of businesses of DKK 301 million in 2011 primarily related to the remeasurement of net assets of non-core activities in Western Europe, which were classified as held for sale at 31 December 2011, resulting in a loss of DKK 218 million. The remaining loss related to the remeasurement of the subsequently divested damage control business, VATRO in Germany, resulting in a loss of DKK 61 million and three divested activities in Norway; Elektro Kristiansand, Elektro Oslo and Ventilasjon, resulting in a loss of DKK 22 million. In 2010, impairment losses of DKK 9 million related to the divestment of property services in Ireland of DKK 5 million and the divestment of the non-strategic contact centre activities in Denmark of DKK 4 million.

NOTE 12 Earnings per share

Profit attributable to ordinary shareholders

DKK million	2011	2010
Profit before goodwill impairment/amortisation and impairment of brands and customer contracts	**471**	**1,031**
Goodwill impairment	(501)	(938)
Amortisation and impairment of brands and customer contracts	(708)	(869)
Income tax effect	231	244
Net profit/(loss) for the year	**(507)**	**(532)**
Non-controlling interests	(7)	(20)
Net profit/(loss) for the year attributable to owners of ISS A/S	**(514)**	**(552)**

Weighted average number of shares (in thousands)	2011	2010
Average number of shares (basic)	**100,000**	**100,000**
Average numbers of shares (diluted)	**100,000**	**100,000**

Earnings per share	2011	2010
Basic earnings per share (EPS), DKK	(5.1)	(5.5)
Diluted earnings per share, DKK	(5.1)	(5.5)
Adjusted earnings per share, DKK	4.7	10.3

There were no changes in the number of shares during 2011.

ISS A/S holds no treasury shares and there are currently no outstanding share options or warrants with dilutive effect. Consequently, average number of shares and diluted average number of shares is identical.

Adjusted earnings per share is calculated on the basis of Profit before goodwill impairment/amortisation and impairment of brands and customer contracts.

NOTE 13 Changes in working capital

DKK million	2011	2010
Changes in inventories	(43)	(7)
Changes in receivables	(1,394)	(455)
Changes in payables	1,120	375
Changes in working capital	**(317)**	**(87)**

NOTE 14 Acquisition and divestment of businesses

Acquisition of businesses

The Group uses acquisitions as a tool in the continued development of the business platform. Acquisitions are used selectively to improve competitiveness, build critical mass and increase service capabilities and capacity where and when appropriate.

When acquiring businesses the Group seeks to generate value by restructuring and refining the acquired business by applying The ISS Way strategy. The main impact from acquisitions derives from synergies, the value of human resources and the creation of platforms for growth. Consequently, goodwill recognised on acquisition is attributable mainly to; i) assembled workforce, ii) technical expertise and technological know how, iii) training expertise, training and recruitment programmes and iv) platform for growth.

Acquisitions occurring on or after 1 January 2010 are accounted for in accordance with IFRS 3 (revised 2008), whereas acquisitions occurring before 1 January 2010 are accounted for in accordance with the previous IFRS 3. Consequently, for the latter adjustments to contingent consideration and transaction costs continue to be recognised in goodwill as described in note 1, Significant accounting policies.

The Group made no acquisitions during 2011 (one during 2010). Acquisitions had the following effect on the carrying amount of the Group's assets and liabilities at the reporting date:

	2011		2010		
DKK million	Adjustments to prior years' acquisitions	Total acquisitions	SDB Cisco Ltd.	Adjustments to prior years' acquisitions	Total acquisitions
Customer contracts	-	-	48	-	48
Other non-current assets	-	-	24	(3)	21
Trade receivables	-	-	70	(19)	51
Other current assets	(29)	(29)	83	(8)	75
Provisions	-	-	-	2	2
Pensions, deferred tax liabilities and non-controlling interests	0	0	(14)	9	(5)
Non-current loans and borrowings	-	-	(1)	-	(1)
Other current liabilities	44	44	(112)	7	(105)
Total identifiable net assets	**15**	**15**	**98**	**(12)**	**86**
Goodwill	5	5	118	112	230
Acquisition costs, net of tax	-	-	-	(1)	(1)
Consideration transferred	**20**	**20**	**216**	**99**	**315**
Cash and cash equivalents in acquired businesses	-	-	(49)	-	(49)
Cash consideration transferred	**20**	**20**	**167**	**99**	**266**
Contingent and deferred consideration	69	69	(8)	206	198
Acquisition costs paid, net of tax	-	-	5	1	6
Total payments regarding acquisition of businesses	**89**	**89**	**164**	**306**	**470**

NOTE 14 Acquisition and divestment of businesses (continued)

Adjustments to prior years' acquisitions In 2011, the addition to goodwill was mainly due to a revised estimate relating to earn-outs for the acquisition of Loghis Logistica in Brazil of DKK 18 million and WHF in Australia of DKK 15 million as well as a number of minor adjustments related to various acquisitions. This was offset by a reduction in goodwill due to revised estimate relating to earn-outs for the acquisition of Inbuilt Engineering in Singapore of DKK 17 million and a revised opening balance estimate for SDB Cisco in India of DKK 16 million.

In 2010, adjustments to prior years' acquisitions comprised various minor adjustments to the identifiable net assets of a number of acquisitions. The goodwill addition was mainly related to a revised estimate of the purchase obligation for the remaining 10% of ISS Turkey, DKK 148 million, as well as the final settlement of the purchase obligation related to ISS Estonia with the acquisition of the remaining 49%, DKK 30 million. The amounts recognised in goodwill reflect the excess over the originally estimated purchase obligations already recognised in the statement of financial position in prior years. On the other hand, the total addition to goodwill was reduced by a revised estimate for contingent consideration (earn-out) related to Inbuilt Engineering in Singapore, DKK 49 million, as well as a number of minor adjustments related to various acquisitions.

Divestment of businesses

The Group made 12 divestments during 2011 (9 during 2010). The total sales price amounted to DKK 942 million (DKK 412 million in 2010). The total annual revenue of the divested businesses (approximate figures extracted from unaudited financial information) is estimated at DKK 1,997 million (DKK 1,548 million in 2010) based on expectations at the time of divestment.

The divestments had the following impact on the carrying amount of the Group's assets and liabilities at the reporting date:

DKK million	2011	2010
Goodwill	368	15
Customer contracts	32	53
Other non-current assets	117	275
Trade receivables	398	218
Other current assets	130	89
Provisions	(2)	(78)
Pensions, deferred tax liabilities and non-controlling interests	(32)	(16)
Non-current loans and borrowings	-	(3)
Current loans and borrowings	(13)	(2)
Other current liabilities	(226)	(262)
Total identifiable net assets	**772**	**289**
Gain/(loss) on divestment of businesses, net	66	69
Divestment costs, net of tax	104	54
Consideration received	**942**	**412**
Cash and cash equivalents in divested businesses	(88)	(3)
Cash consideration received	**854**	**409**
Contingent and deferred consideration	2	217
Divestment costs paid, net of tax	(95)	(35)
Net proceeds regarding divestment of businesses	**761**	**591**

NOTE 14 Acquisition and divestment of businesses (continued)

The 12 divestments completed by the Group before 31 December 2011 are listed below:

Company/activity	Country	Service type	Excluded from the income statement	Percentage interest	Annual revenue [1] (DKK million)	Number of employees [1]
ISS Batiservices	France	Property	January	100%	6	7
mo.hotel	Germany	Facility Management	March	Activities	26	30
Elektro Kristiansand	Norway	Property	May	Activities	51	52
Elektro Oslo	Norway	Property	June	Activities	33	37
Ventilasjon	Norway	Property	June	Activities	64	22
ISS Industrial Services	Belgium	Property	June	100%	269	418
VATRO	Germany	Property	July	86%	1,133	720
ISS Industrial Services	Finland	Property	October	100%	95	109
Event Catering	Singapore	Catering	November	Activities	42	85
Domestic Care	Netherlands	Cleaning	December	50%	73	260
ISS Property Development	Sweden	Property	January 2012	Activities	20	23
House of Coffee	Denmark/Norway	Catering	January 2012	100%	185	93
Total					**1,997**	**1,856**

[1] Approximate figures based on information available at the time of divestment extracted from unaudited financial information.

Pro forma revenue and operating profit before other items

Assuming all acquisitions and divestments in the year were included as of 1 January the effect on revenue and operating profit before other items is estimated as follows:

DKK million	2011	2010
Pro forma revenue		
Revenue recognised in the income statement	77,644	74,073
Acquisitions	-	219
Revenue adjusted for acquisitions	77,644	74,292
Divestments	(1,113)	(758)
Pro forma revenue	**76,531**	**73,534**

DKK million	2011	2010
Pro forma operating profit before other items		
Operating profit before other items recognised in the income statement	4,388	4,310
Acquisitions	-	21
Operating profit before other items adjusted for acquisitions	4,388	4,331
Divestments	(66)	(59)
Pro forma operating profit before other items	**4,322**	**4,272**

Applied assumptions The adjustment of revenue and operating profit before other items is based on estimates made by local ISS management in the respective jurisdictions in which such acquisitions and divestments occurred at the time of such acquisition and divestment or actual results where available. Synergies from acquisitions are not included for periods in which such acquisitions were not controlled by the Group. The estimates are based on unaudited financial information.

These adjustments and the computation of total revenue and operating profit before other items calculated on a pro forma basis based on such adjustments are presented for informational purposes only. This information does not represent the results the Group would have achieved had the acquisitions and divestments during the year occurred on 1 January. In addition, the information should not be used as the basis for or prediction of any annualised calculation.

NOTE 14 Acquisition and divestment of businesses (continued)

Acquisitions and divestments subsequent to 31 December 2011

Divestments made by the Group in the period from 1 January to 29 February 2012 are listed below. No acquisitions were completed in the period.

Company/activity	Country	Service type	Excluded from the income statement	Percentage interest	Annual revenue [1] (DKK million)	Number of employees [1]
ISS Proko Infra Oy	Finland	Facility management	March	64%	9	14
Total					**9**	**14**

In accordance with usual Group procedures, divestment balances are prepared during the first months following the divestment. Consequently, the final divestment balances are not available for divestments completed from 1 January to 29 February 2012.

[1] Approximate figures based on information available at the time of divestment extracted from unaudited financial information.

NOTE 15 Intangible assets

DKK million	Goodwill	Brands	Customer contracts	Software and other intangible assets	Total
Cost at 1 January 2011	29,748	1,641	11,113	906	43,408
Foreign exchange adjustments	(33)	2	5	(7)	(33)
Additions	5	-	-	189	194
Disposals through divestment of businesses	(66)	-	(22)	-	(88)
Disposals	(22)	(8)	-	(11)	(41)
Reclassification from Property, plant and equipment	-	-	-	22	22
Reclassification to Assets classified as held for sale	(266)	-	(17)	(5)	(288)
Cost at 31 December 2011	**29,366**	**1,635**	**11,079**	**1,094**	**43,174**
Amortisation and impairment losses at 1 January 2011	(2,001)	(29)	(5,501)	(519)	(8,050)
Foreign exchange adjustments	5	-	(15)	2	(8)
Amortisation	-	(5)	(696)	(146)	(847)
Impairment losses [1]	(501)	-	-	-	(501)
Disposals through divestment of businesses	61	-	7	-	68
Disposals	22	8	-	(1)	29
Reclassification from Property, plant and equipment	-	-	-	(4)	(4)
Reclassification to Assets classified as held for sale	218	-	15	3	236
Amortisation and impairment losses at 31 December 2011	**(2,196)**	**(26)**	**(6,190)**	**(665)**	**(9,077)**
Carrying amount at 31 December 2011	**27,170**	**1,609**	**4,889**	**429**	**34,097**

[1] For a breakdown of impairment losses related to goodwill see note 11, Goodwill impairment.

NOTE 15 Intangible assets (continued)

DKK million	Goodwill	Brands	Customer contracts	Software and other intan-gible assets	Total
Cost at 1 January 2010	28,502	1,584	10,560	698	41,344
Foreign exchange adjustments	1,380	57	553	31	2,021
Additions	230	-	-	153	383
Acquisitions through business combinations	-	-	48	-	48
Disposals through divestment of businesses	-	-	(0)	(6)	(6)
Disposals	(9)	-	-	(5)	(14)
Reclassification from Property, plant and equipment	-	-	-	47	47
Reclassification to Assets classified as held for sale	(355)	-	(48)	(12)	(415)
Cost at 31 December 2010	**29,748**	**1,641**	**11,113**	**906**	**43,408**
Amortisation and impairment losses at 1 January 2010	(1,068)	(17)	(4,440)	(367)	(5,892)
Foreign exchange adjustments	(4)	(1)	(232)	(18)	(255)
Amortisation	-	(3)	(820)	(130)	(953)
Impairment losses [1)]	(938)	(8)	(33)	-	(979)
Disposals through divestment of businesses	-	-	0	0	0
Disposals	9	-	-	2	11
Reclassification from Property, plant and equipment	-	-	-	(14)	(14)
Reclassification to Assets classified as held for sale	-	-	24	8	32
Amortisation and impairment losses at 31 December 2010	**(2,001)**	**(29)**	**(5,501)**	**(519)**	**(8,050)**
Carrying amount at 31 December 2010	**27,747**	**1,612**	**5,612**	**387**	**35,358**

[1)] Impairment losses on brands and customer contracts were related to ISS Greece and derived from impairment test. For a breakdown of impairment losses related to goodwill, see note 11, Goodwill impairment.

The carrying amount of Brands is primarily related to the ISS brand, which is considered to have an indefinite useful life since there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows. Factors that played a significant role in determining that the ISS brand has an indefinite useful life are: i) the ISS brand has existed for decades, ii) the Group's strategy is based on the ISS brand, iii) all acquired brands are converted to or co-branded with the ISS brand and iv) the ISS brand is used in the business to business and public segments with low maintenance costs attached.

NOTE 16 Impairment tests

Impairment test procedure

The Group performs impairment tests on intangibles [1] annually and whenever there is an indication that intangibles may be impaired. The Group's intangibles primarily relate to the purchase price allocation following the take-over of ISS World Services A/S as at 9 May 2005. A part of the Group's intangibles relates to acquisitions carried out after the take-over of ISS World Services A/S. Companies acquired after the take-over comprise a diverse portfolio of service types, customer segments, geographical regions, contract sizes and management skills.

Impairment tests are carried out per country as this represents the lowest level of cash-generating units (CGUs) to which the carrying amount of intangibles can be allocated and monitored with any reasonable certainty. This level of allocation and monitoring of intangibles should be seen in the light of the Group's strategy to integrate acquired companies as quickly as possible in order to benefit from synergies.

Acquired companies are typically organisationally integrated and merged with (or activities transferred to) existing Group companies shortly after the completion of the acquisition. Furthermore, synergies and other effects resulting from cooperation with existing Group companies in their geographical or business area normally influence 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 intangibles of the individual acquired companies (or activities) with any reasonable certainty.

Estimates used to measure recoverable amount

The recoverable amount of each CGU is determined on the basis of its value-in-use. The value-in-use is established using certain key assumptions as described below. The key assumptions are revenue growth and discount rates.

Value-in-use cash flow projections are based on financial budgets approved by management covering the following financial year. The assumptions applied in the short to medium term are based on management's expectations regarding the operational development and growth. The terminal growth rates do not exceed the expected long-term average growth rate including inflation for the business in which the CGUs operate.

The country specific discount rates, which are calculated net of tax, are generally based on 10 year government bonds of the individual countries, and a target ratio of 60/40 between the market value of debt and enterprise value is used in the calculation. As a company based in Europe, the Group assumes the long-term market equity risk premium to be 5.0%. Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flows are generally reflected in the discount rates. Consequently, a country specific risk premium is added to the discount rates to reflect the specific risk associated with each CGU.

During 2011, the methodology for determining discount rates in the PIIGS countries [2] was changed following the continued increased volatility and uncertainty related to interest rates on government bonds in these countries. Consequently, the country specific discount rates for the PIIGS countries are determined based on a 20 year German government bond with the addition of a 10 year Credit Default Swap weighted with the exposure to the public sector in the individual countries.

In 2011, discount rates were negatively impacted by the increased interest margins following the amendment and extension of the Senior Facilities Agreement as explained in note 29, Loans and borrowings. Additionally, based on recent market development the equity risk premium was increased from 4.5% in 2010 to 5.0% in 2011.

Impairment test results 2011

At 30 June 2011, the impairment test for ISS Spain resulted in recognition of an impairment loss of DKK 200 million mainly due to difficult macroeconomic conditions combined with an increase in the discount rate applied following the amendment and extension of the Senior Facilities Agreement. As per 31 December 2011, the assumptions in the business plan were evaluated and updated again as part of the annual impairment testing. No additional impairment losses were identified.

[1] Intangibles cover the value of goodwill, brands and customer contracts.
[2] PIIGS countries include Portugal, Ireland, Italy, Greece and Spain.

NOTE 16 Impairment tests (continued)

Carrying amounts and key assumptions

The carrying amount of intangibles and the key assumptions [1] used in the impairment testing as per 31 December 2011 are presented below for each CGU representing more than 5% of the carrying amount of intangibles or where impairment losses have been incurred during the year.

	Carrying amount				Applied key assumptions		
DKK million	Goodwill	Brands	Customer contracts	Total intangibles [2]	Long-term growth	Discount rate, net of tax	Discount rate, pre tax
France [3]	3,914	299	445	4,658	2.5%	9.0%	14.6%
United Kingdom	2,338	170	516	3,024	2.5%	8.5%	10.7%
Finland	2,284	120	500	2,904	2.0%	8.7%	11.1%
Norway	2,084	139	482	2,705	2.0%	9.6%	12.9%
Australia	1,844	13	291	2,148	3.0%	10.5%	14.1%
Denmark	1,739	131	216	2,086	2.0%	8.9%	11.4%
Netherlands	1,604	121	138	1,863	2.0%	9.2%	11.6%
Belgium	1,491	85	211	1,787	2.5%	10.2%	14.7%
Switzerland	1,345	62	242	1,649	2.0%	6.9%	8.4%
Spain	1,114	90	271	1,475	2.5%	10.4%	14.1%
Other countries	7,413	379	1,577	9,369	-	-	-
Total carrying amount at 31 December 2011	**27,170**	**1,609**	**4,889**	**33,668**			

	Carrying amount				Applied key assumptions		
DKK million	Goodwill	Brands	Customer contracts	Total intangibles [2]	Long-term growth	Discount rate, net of tax	Discount rate, pre tax
France [3]	3,925	300	522	4,747	3.0%	8.5%	13.5%
United Kingdom	2,276	166	562	3,004	3.0%	9.0%	11.4%
Finland	2,308	120	561	2,989	3.0%	8.8%	11.1%
Norway	2,143	138	545	2,826	3.0%	9.8%	12.8%
Netherlands	1,875	122	167	2,164	3.0%	9.3%	11.6%
Denmark	1,739	131	251	2,121	3.0%	9.3%	11.7%
Australia	1,783	13	325	2,121	3.0%	10.7%	14.4%
Belgium	1,495	86	242	1,823	3.0%	9.6%	13.4%
Spain	1,317	90	317	1,724	3.0%	11.0%	14.8%
Ireland [4]	192	16	59	267	3.0%	11.1%	12.5%
Greece [5]	-	-	66	66	3.0%	11.1%	13.6%
Other countries	8,694	430	1,995	11,119	-	-	-
Total carrying amount at 31 December 2010	**27,747**	**1,612**	**5,612**	**34,971**			

[1] The key assumptions applied in the impairment tests are used for accounting purposes and should not be considered a forward-looking statement within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development.
[2] Intangibles cover the value of goodwill, brands and customer contracts.
[3] The growth is expected to be in the range 1.1% to 5.0% over the next seven years. In 2010, growth was expected to be in the range 1.2% to 3.5% over the next five years.
[4] The applied long-term discount rate, net of tax of 11.1% was calculated based on a ten year average yield on a 10 year Irish government bond while the short to medium term discount rate applied was 15.5% and was calculated based on the current interest yield on a 10 year Irish government bond.
[5] The applied long-term discount rate, net of tax of 11.1% was calculated based on a ten year average yield on a 10 year Greek government bond while the short to medium term discount rate applied was 17.8% and was calculated based on the current interest yield on a 10 year Greek government bond.

NOTE 16 Impairment tests (continued)

Sensitivity analysis

A sensitivity analysis on the key assumptions in the impairment testing is presented below. The allowed change represents the percentage points by which the value assigned to the key assumption as applied in the expected long-term rate can change, all other things being equal, before the unit's recoverable amount equals its carrying amount.

	2011			
	Growth		Discount rate, net of tax	
	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed increase
France	2.5%	0.0%	9.0%	0.0%
United Kingdom	2.5%	>3.0%	8.5%	>3.0%
Finland	2.0%	2.9%	8.7%	3.0%
Norway	2.0%	>3.0%	9.6%	>3.0%
Australia	3.0%	>3.0%	10.5%	>3.0%
Denmark	2.0%	0.4%	8.9%	0.3%
Netherlands	2.0%	0.4%	9.2%	0.3%
Belgium	2.5%	0.3%	10.2%	0.2%
Switzerland	2.0%	>3.0%	6.9%	>3.0%
Spain	2.5%	0.8%	10.4%	0.6%

	2010			
	Growth		Discount rate, net of tax	
	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed increase
France	3.0%	0.0%	8.5%	0.0%
United Kingdom	3.0%	>3.0%	9.0%	>3.0%
Finland	3.0%	2.7%	8.8%	2.9%
Norway	3.0%	>3.0%	9.8%	>3.0%
Australia	3.0%	2.7%	10.7%	2.8%
Denmark	3.0%	2.7%	9.3%	2.9%
Netherlands	3.0%	3.0%	9.3%	2.4%
Belgium	3.0%	1.5%	9.6%	1.2%
Spain	3.0%	0.0%	11.0%	0.0%
Ireland	3.0%	0.0%	11.1%	0.0%
Greece	3.0%	0.1%	11.1%	0.1%

NOTE 17 Property, plant and equipment

DKK million	2011 Land and buildings	2011 Plant and equipment	2011 Total	2010 Land and buildings	2010 Plant and equipment	2010 Total
Cost at 1 January	181	5,774	5,955	161	5,093	5,254
Foreign exchange adjustments	(3)	(25)	(28)	7	344	351
Additions	5	933	938	9	852	861
Acquisitions through business combinations	-	-	-	8	14	22
Disposals through divestment of businesses	-	(96)	(96)	-	(24)	(24)
Disposals	(16)	(235)	(251)	(4)	(251)	(255)
Reclassifications between categories	(3)	3	-	-	-	-
Reclassification to Intangible assets	-	(22)	(22)	-	(47)	(47)
Reclassification to Assets classified as held for sale	(12)	(103)	(115)	0	(207)	(207)
Cost at 31 December	**152**	**6,229**	**6,381**	**181**	**5,774**	**5,955**
Depreciation and impairment losses at 1 January	(60)	(3,840)	(3,900)	(56)	(3,194)	(3,250)
Foreign exchange adjustments	1	4	5	(2)	(242)	(244)
Depreciation	(4)	(711)	(715)	(4)	(723)	(727)
Acquisitions through business combinations	-	-	-	-	(3)	(3)
Disposals through divestment of businesses	-	72	72	0	21	21
Disposals	7	142	149	2	154	156
Reclassification to Intangible assets	-	4	4	-	14	14
Reclassification to Assets classified as held for sale	4	77	81	-	133	133
Depreciation and impairment at 31 December	**(52)**	**(4,252)**	**(4,304)**	**(60)**	**(3,840)**	**(3,900)**
Carrying amount at 31 December	**100**	**1,977**	**2,077**	**121**	**1,934**	**2,055**
Hereof carrying amount at 31 December of assets held under finance leases	**-**	**157**	**157**	**-**	**194**	**194**

Security
A minor part of the Group's Land and buildings and Plant and equipment in certain countries has been provided as security for the borrowings under the Senior Facilities Agreement, see note 34, Contingent liabilities, pledges and guarantees.

Leased plant and equipment
The Group leases cleaning and office equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at a beneficial price at the end of the lease term. The leased equipment secures lease obligations.

In 2011, additions included assets held under finance leases of DKK 97 million (2010: DKK 101 million).

NOTE 18 Investment in associates

DKK million	2011	2010
Cost at 1 January	7	16
Foreign exchange adjustments	0	1
Disposals	(3)	(0)
Reclassification to Assets classified as held for sale	-	(10)
Cost at 31 December	**4**	**7**
Revaluation at 1 January	2	5
Foreign exchange adjustments	(0)	1
Net result for the year	0	10
Dividends received	(2)	0
Additions	-	1
Disposals	3	(2)
Reclassification to Assets classified as held for sale	-	(13)
Revaluation at 31 December	**3**	**2**
Carrying amount at 31 December	**7**	**9**

							The Group's share		
DKK million	Country	Revenue	Operating profit	Net result	Assets	Liabilities	Ownership %	Equity	Net result
NSB Trafikservice AS	Norway	94	2	2	34	28	45	3	1
Other associates	-	119	(3)	(4)	33	28	-	4	(1)
Carrying amount at 31 December 2011		**213**	**(1)**	**(2)**	**67**	**56**	**-**	**7**	**0**

							The Group's share		
DKK million	Country	Revenue	Operating profit	Net result	Assets	Liabilities	Ownership %	Equity	Net result
NSB Trafikservice AS	Norway	85	5	3	38	30	45	4	2
ISS Industriservice AB [1)]	Sweden	286	19	12	-	-	48	-	6
Other associates	-	130	11	8	25	18	-	5	2
Carrying amount at 31 December 2010		**501**	**35**	**23**	**63**	**48**	**-**	**9**	**10**

[1)] ISS Industriservice AB was reclassified to Assets held for sale at 31 December 2010 and sold in the first quarter of 2011.

NOTE 19 Deferred tax

DKK million	2011	2010
Deferred tax liabilities/(assets), net at 1 January	1,650	1,842
Foreign exchange adjustments	(17)	69
Assumed in business combinations	-	7
Tax on other comprehensive income	(21)	(36)
Reclassification to Assets classified as held for sale	1	(20)
Tax on Profit before impairment/amortisation of intangibles [1]	118	32
Tax effect of impairment/amortisation of intangibles [1]	(231)	(244)
Deferred tax liabilities/(assets), net at 31 December	**1,500**	**1,650**
Recognised in the statement of financial position as follows:		
Deferred tax liabilities	2,051	2,305
Deferred tax assets	(551)	(655)
Deferred tax liabilities/(assets), net	**1,500**	**1,650**

[1] Intangibles comprise the value of goodwill, brands and customer contracts.

Deferred tax specification

	2011		2010	
DKK million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tax losses carried forward	484	-	425	-
Goodwill	22	441	29	413
Brands	-	446	-	452
Customer contracts	-	1,248	-	1,429
Property, plant and equipment	155	197	222	202
Provisions	199	-	196	-
Issued bonds	-	5	-	3
Tax losses in foreign subsidiaries under Danish joint taxation	-	23	-	23
Set-off within legal tax units and jurisdictions	(309)	(309)	(217)	(217)
Deferred tax	**551**	**2,051**	**655**	**2,305**

Deferred tax assets relating to tax losses carried forward are only recognised to the extent that it is more likely than not that future taxable profit will be available against which the unused tax losses can be utilised in the foreseeable future. Management's assessment is based on relevant information available at the reporting date, including internal budgets and estimates, taking into account any restrictions in utilisation in the local tax legislation.

Deferred tax on temporary differences relating to investments in subsidiaries, joint ventures and associates amounts to DKK 0 million (2010: DKK 0 million).

NOTE 19 Deferred tax (continued)

Unrecognised deferred tax assets

The Group had unrecognised deferred tax assets regarding tax losses carried forward in the following countries:

	2011			2010		
DKK million	Total	Recognised	Unrecognised	Total	Recognised	Unrecognised
Germany	363	-	363	332	5	327
Denmark	2	-	2	2	-	2
France	258	127	131	222	191	31
Brazil	51	19	32	57	21	36
Belgium	24	8	16	14	-	14
Israel	16	2	14	20	12	8
USA	57	53	4	30	29	1
Argentina	2	-	2	6	4	2
Hong Kong	4	2	2	4	2	2
Greece	5	4	1	6	5	1
United Kingdom	1	1	-	10	7	3
Total			**567**			**427**

The unrecognised tax losses can be carried forward indefinitely in the individual countries except for the USA (20 years) and Argentina and Greece (5 years). Deferred tax assets have not been recognised in respect of the above unrecognised tax losses because it is not probable that future taxable profit will be available against which the Group can utilise these benefits thereon.

The increase in 2011 in unrecognised deferred tax assets mainly related to the valuation allowance of tax assets of DKK 100 million in France due to new tax legislation.

NOTE 20 Other financial assets

DKK million	2011	2010
Deposits	143	152
Regulatory long-term loans	72	64
Other	85	74
Other financial assets	**300**	**290**

Deposits comprise deposits related to rent, security and juridical deposits mainly relating to legal and tax cases.

NOTE 21 Inventories

DKK million	2011	2010
Raw materials, consumables and supplies	165	136
Work in progress	0	0
Finished goods	169	182
Inventories	**334**	**318**
Inventories expensed as consumables	**6,751**	**6,359**

NOTE 22 Trade receivables

DKK million	2011	2010
Trade receivables, gross	12,104	11,137
Impairment losses	(233)	(241)
Trade receivables	**11,871**	**10,896**

The Group's exposure to credit risk and impairment losses related to trade receivables is disclosed in note 36, Financial risk management.

Securitisation

As part of the refinancing of the EMTNs that matured in September 2010, the Group has during 2009 and 2010 launched a securitisation programme in 10 major countries. Under the securitisation programme securitised trade receivables of the participating countries are provided as security for the securitisation debt (bank loans). The securitised trade receivables continue to be recognised in the Group's statement of financial position as the credit risk and rewards remain with the Group.

As at 31 December 2011, trade receivables of DKK 4,961 million (2010: DKK 4,863 million) recognised in the statement of financial position were provided as security for securitisation debt with a face value of DKK 2,638 million (2010: DKK 2,466 million).

NOTE 23 Contract work in progress

DKK million	2011	2010
Contract costs	294	588
Recognised profits (less recognised losses)	67	89
Contract work in progress, gross	**361**	**677**
Progress billings	(238)	(575)
Contract work in progress, net	**123**	**102**
Contract work in progress, net, comprise the following assets and liabilities:		
Contract work in progress (assets)	129	125
Contract work in progress (liabilities)	6	23
Contract work in progress, net	**123**	**102**
Advances from customers	**6**	**4**
Retentions	**1**	**3**

Contract work in progress (liabilities) is recognised as part of Other liabilities, see note 32, Other liabilities.

Advances from customers are included in Other liabilities in the line Prepayments from customers, see note 32, Other Liabilities.

NOTE 24 Tax receivables and tax payables

DKK million	2011	2010
Tax (receivables)/payables, net at 1 January	25	(2)
Foreign exchange adjustments	47	(44)
Acquired through business combinations	(15)	9
Disposals through divestment of businesses	(8)	0
Adjustment relating to prior years, net	5	(41)
Tax on profit before impairment/amortisation of intangibles [1)]	764	769
Tax on other comprehensive income	23	30
Joint taxation contribution	-	1
Tax paid	(749)	(697)
Tax (receivables)/payables, net at 31 December	**92**	**25**
Recognised in the statement of financial position as follows:		
Tax payables	422	411
Tax receivables	(330)	(386)
Tax (receivables)/payables, net	**92**	**25**

[1)] Intangibles comprise the value of goodwill, brands and customer contracts.

NOTE 25 Other receivables

DKK million	2011	2010
Outlays for customers	126	57
Receivables related to employees	37	14
Receivables related to disposal of property, plant and equipment and divestment proceeds	35	3
Receivable VAT	24	20
Receivable training subvention	10	32
Receivable social insurance costs	18	19
Other	184	188
Other receivables	**434**	**333**

Receivables related to employees comprise employee-related receivables such as loans to employees and receivable workers compensation.

Other comprise various receivables such as costs related to PPP/PFI contracts, bid deposits, receivable rebates, other refunds and recoverable amounts, loans to customers etc.

NOTE 26 Securities, cash and cash equivalents

DKK million	2011 Carrying amount	2011 Average effective interest rate	2010 Carrying amount	2010 Average effective interest rate
Investment funds	17	(2.9)%	19	14.1%
Securities	**17**	**(2.9)%**	**19**	**14.1%**
Cash and cash equivalents	**4,037**	**1.4%**	**3,606**	**1.3%**

Investment funds comprise investments in various listed securities related to an employee scheme in the USA. The funds are managed by ISS but restricted from general use.

Cash and cash equivalents included DKK 1,313 million (2010: DKK 936 million) held by the Group's consolidated SPEs handling the Group's securitisation programme whereof DKK 392 million (2010: DKK 161 million) was not considered readily available for general use by the parent company or other subsidiaries. In addition DKK 32 million (2010: DKK 30 million) of the total cash position at 31 December 2011 was placed on blocked or restricted bank accounts due to legal circumstances.

NOTE 27 Assets held for sale

DKK million	2011	2010
Goodwill	48	355
Other intangibles	4	28
Property, plant and equipment	34	74
Other financial assets	0	23
Deferred tax assets	2	-
Inventories	5	8
Trade and other receivables	72	336
Assets classified as held for sale	**165**	**824**
Deferred tax liabilities	1	20
Provisions	3	4
Loans and borrowings	-	0
Trade payables and other liabilities	86	231
Liabilities classified as held for sale	**90**	**255**

At 31 December 2011, sales processes had been initiated for two non-core activities in Western Europe, which were classified as held for sale. The assets and liabilities of these activities were reclassified and presented separately in the statement of financial position at the lower of the carrying amount at the date of the classification as held for sale and fair value less costs to sell. A loss of DKK 218 million was recognised in Goodwill impairment in connection with the reclassifications.

All businesses classified as held for sale at 31 December 2010 have been divested during 2011. The divestments comprised the non-core industrial service activities in Belgium, the non-core damage control activities, VATRO, in Germany and the investment in the associate ISS Industriservice AB in Sweden.

Upon initial classification as held for sale in 2010 no impairment losses were recognised. Subsequently, remeasurement of VATRO in June 2011 resulted in recognition of an impairment loss of DKK 61 million, which was recognised in Goodwill impairment. Upon completion of the divestments additional losses of DKK 19 million (Industrial Services, Belgium) and DKK 2 million (VATRO, Germany) were recognised in Other income and expenses, net. The divestment of the associate in Sweden resulted in a gain of DKK 6 million, which was also recognised in Other income and expenses, net.

NOTE 28 Share capital

	2011		2010	
	Nominal value (DKK million)	Number of shares (in thousands)	Nominal value (DKK million)	Number of shares (in thousands)
Share capital at 1 January	100	100,000	100	100,000
Share capital at 31 December	**100**	**100,000**	**100**	**100,000**

At 31 December 2011, a total of 100,000,001 shares with a nominal value of DKK 1 per share were issued and fully paid (2010: 100,000,001 shares). No shares carry special rights. At 31 December 2011, shares were not freely transferable, as any transfer thereof required the consent of the Board of Directors as set out in the Articles of Association.

NOTE 29 Loans and borrowings

This note provides information about the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 36, Financial risk management.

DKK million	2011	2010
Issued bonds	8,819	8,766
Bank loans	22,311	22,760
Securitisation	2,604	2,401
Finance lease liabilities	146	182
Derivatives	79	139
Total loans and borrowings	**33,959**	**34,248**
Loans and borrowings are recognised in the statement of financial position as follows:		
Non-current liabilities	28,181	29,032
Current liabilities	5,778	5,216
Total loans and borrowings	**33,959**	**34,248**

The fair value of loans and borrowings is disclosed in note 33, Financial assets and liabilities.

In 2011, financing fees amounting to DKK 174 million (2010: DKK 49 million) have been recognised in loans and borrowings while accumulated financing fees recognised in loans and borrowings on 31 December 2011 amounted to DKK 347 million (2010: DKK 430 million).

NOTE 29 Loans and borrowings (continued)

Terms and maturity of loans and borrowings

DKK million	Nominal interest rate	Average effective interest rate	Interest rate	Year of maturity	Face value	Amount hedged	2011 Carrying amount	2010 Carrying amount
Issued bonds:								
EMTNs (2014)	4.50%	4.92%	Fixed	2014	821	-	760	742
Subordinated Notes (2016)	8.875%	9.02%	Fixed	2016	4,323	-	4,262	4,259
Senior Notes (2014)	11.00%	11.37%	Fixed	2014	3,903	-	3,797	3,765
Bank loans:								
Senior Facilities:								
Term Facility A	Libor + 2.00%	4.42%	Floating	2012	318	323	318	699
Term Facility B (2013)	Libor + 2.00%	3.30%	Floating	2013	481	122	481	13,063
Term Facility B (2015)	Libor + 3.50%	4.89%	Floating	2015	12,575	12,200	12,445	-
Acquisition Facility A	Libor + 2.25%	3.64%	Floating	2012	174	174	174	616
Acquisition Facility B (2013)	Libor + 2.25%	3.64%	Floating	2013	62	-	62	2,135
Acquisition Facility B (2015)	Libor + 3.75%	5.14%	Floating	2015	2,032	-	2,032	-
Revolving Credit Facility	Libor + 2.25%/3.75%	-	Floating	2012/14	1,760	-	1,760	1,253
Letter of Credit Facility	Libor + 2.25%/3.75%	-	Floating	2012/14	208	-	208	191
Second Lien Facility	Euribor + 3.75%	5.14%	Floating	2015	597	-	597	4,430
Second Lien Facility	Euribor + 4.25%	5.67%	Floating	2015	3,864	1,487	3,849	-
Bank loans and overdrafts	-	-	-	-	385	-	385	373
Securitisation	Euribor + 2.75%	3.98%	Floating	2013	2,638	-	2,604	2,401
Derivatives:								
Interest rate swaps	-	-	-	-	-	-	43	135
Currency swaps	-	-	-	-	-	-	36	4
Finance lease liabilities	-	-	-	-	146	-	146	182
Loans and borrowings	**-**	**5.84%**	**-**	**-**	**34,287**	**14,306**	**33,959**	**34,248**

Effective 24 June 2011, ISS extended certain tranches under its Senior Facilities Agreement and implemented other amendments intended to increase the operational flexibility and among other things approved the capacity to increase its Revolving Credit Facility by an additional DKK 1.5 billion. Consequently, 96% of the Term Facility B and Acquisition Facility B was extended from December 2013 to April 2015, and 98% of the Revolving Credit Facility and Letter of Credit Facility was extended from June 2012 to December 2014. An interest margin increase of 150 bps was applied across the extended tranches, and an interest margin increase of 50 bps was applied for the lenders in the Second Lien Facility that consented to the amendments. The refinancing was executed as a non-cash transaction.

Furthermore, effective 1 July 2011 the maturity of the Group's securitisation programme was extended with one year from September 2012 to September 2013, the principal value of the facility was reduced from DKK 3,725 million (EUR 500 million) to DKK 2,974 million (EUR 400 million), and the margin was reduced by 25 bps.

Currency profile of loans and borrowings

The Group's loans and borrowings are denominated in the following currencies (excluding impact from currency swaps):

	2011	2010
EUR	85.8%	86.7%
GBP	5.0%	4.9%
DKK	4.4%	2.8%
NOK	2.3%	2.4%
SEK	1.5%	1.8%
Others	1.0%	1.4%
Total	**100.0%**	**100.0%**

NOTE 29 Loans and borrowings (continued)

Maturity profile of loans and borrowings

The contractual maturities of loans and borrowings based on undiscounted contractual cash flows, including interest payments, estimated based on expectations at the reporting date, are shown below:

DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2011								
Issued bonds	8,819	11,887	850	850	5,337	384	4,466	-
Other loans and borrowings	25,061	28,577	6,817	1,505	1,064	19,191	-	-
Total loans and borrowings excluding derivatives	**33,880**	**40,464**	**7,667**	**2,355**	**6,401**	**19,575**	**4,466**	**-**
Hereof estimated interest payments	**-**	**6,179**	**1,908**	**1,761**	**1,587**	**780**	**143**	**-**
Interest rate swaps	43	43	30	13	-	-	-	-
Currency swaps	36	36	36	-	-	-	-	-
Total derivatives	**79**	**79**	**66**	**13**	**-**	**-**	**-**	**-**

DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2010								
Issued bonds	8,766	12,772	852	852	852	5,352	386	4,478
Other loans and borrowings	25,343	28,465	6,065	1,437	16,008	317	4,638	-
Total loans and borrowings excluding derivatives	**34,109**	**41,237**	**6,917**	**2,289**	**16,860**	**5,669**	**5,024**	**4,478**
Hereof estimated interest payments	**-**	**6,615**	**1,660**	**1,694**	**1,646**	**925**	**547**	**143**
Interest rate swaps	135	135	117	18	-	-	-	-
Currency swaps	4	4	4	-	-	-	-	-
Total derivatives	**139**	**139**	**121**	**18**	**-**	**-**	**-**	**-**

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2011			2010		
DKK million	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Within 1 year	65	(6)	59	80	(6)	74
1-5 years	93	(7)	86	118	(10)	108
After 5 years	1	(0)	1	0	(0)	0
Total	**159**	**(13)**	**146**	**198**	**(16)**	**182**

The lease arrangements are described in note 17, Property, plant and equipment where the carrying amount of assets held under finance leases is also disclosed.

NOTE 30 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 by these insurance companies. Pension costs related to such plans are expensed as incurred and recognised in Staff costs, see note 5, Staff costs.

In some countries, most significantly, France, Germany, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom, the Group has pension schemes where the actuarially determined pension obligations are recognised in the statement of financial position (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 and France, the obligation is unfunded.

In certain countries the Group participates in multi-employer pension schemes. The funds are currently not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans. The pension schemes are therefore accounted for as defined contribution plans with pension costs being expensed as incurred and recognised in Staff costs, see note 5, Staff costs.

Recognised in the statement of financial position

DKK million	2011	2010
Present value of funded obligations	4,118	3,835
Fair value of plan assets	(3,724)	(3,435)
Funded obligations, net	394	400
Present value of unfunded obligations	577	557
Unrecognised past service costs	(5)	(5)
Accumulated impact from asset ceiling	13	21
Recognised in the statement of financial position for defined benefit obligations	979	973
Other long-term employee benefits	193	204
Pensions and similar obligations at 31 December	**1,172**	**1,177**
Specification of defined benefit obligations:		
Present value of funded obligations	4,118	3,835
Present value of unfunded obligations	577	557
Defined benefit obligations at 31 December	**4,695**	**4,392**
Movement in defined benefit obligations (funded and unfunded):		
Present value of obligations at 1 January	4,392	3,658
Foreign exchange adjustments	67	471
Reclassifications from Other long-term employee benefits	47	12
Additions from new contracts	4	44
Disposals through divestment of businesses	-	(15)
Interest on obligation	164	159
Current service costs	155	137
Benefits paid	(224)	(360)
Employee contributions	110	89
Actuarial (gains)/losses	(24)	207
Recognised past service costs	5	12
Liabilities extinguished on settlements and curtailments	(1)	(22)
Present value of obligations at 31 December	**4,695**	**4,392**

NOTE 30 Pensions and similar obligations (continued)

Recognised in the statement of financial position (continued)

DKK million	2011	2010
Movement in fair value of plan assets:		
Fair value of plan assets at 1 January	3,435	2,877
Foreign exchange adjustments	62	391
Reclassifications	45	(3)
Additions from new contracts	-	33
Expected return on plan assets	135	124
Actuarial gains/(losses)	(115)	78
Assets distributed on settlements	-	(9)
Employee contributions	110	89
Employer contributions	178	132
Benefits paid	(126)	(277)
Fair value of plan assets at 31 December	**3,724**	**3,435**
Realised return on plan assets:		
Expected return on plan assets	135	124
Actuarial gains/(losses)	(115)	78
Realised return on plan assets at 31 December	**20**	**202**
Major categories of plan assets (% of total plan assets):		
Bonds	61%	59%
Equities	28%	26%
Property	4%	6%
Cash	3%	1%
Other	4%	8%
Total	**100%**	**100%**

The Group expects to contribute DKK 253 million to its defined benefit plans in 2012.

Recognised in the income statement

DKK million	2011	2010
Current service costs	155	137
Recognised past service costs, net	5	11
Gains on curtailments and settlements, net	(1)	(11)
Recognised as Staff costs	**159**	**137**
Interest on obligation	164	159
Expected return on plan assets	(135)	(124)
Recognised as Financial expenses	**29**	**35**

NOTE 30 Pensions and similar obligations (continued)

Recognised in the statement of comprehensive income

DKK million	2011	2010
Cumulative (gains)/losses recognised in the statement of comprehensive income at 1 January	298	149
Actuarial (gains)/losses during the year	91	129
Impact from asset ceiling	(8)	20
Cumulative (gains)/losses recognised in the statement of comprehensive income at 31 December	**381**	**298**
Hereof accumulated actuarial (gains)/losses	**368**	**277**

Actuarial assumptions

Actuarial calculations and valuations are performed annually for all major defined benefit plans. The actuarial assumptions vary from country to country due to local conditions. The range of actuarial assumptions used is as follows:

	2011	2010	2011	2010	2011	2010	2011	2010
	CHF		EUR		GBP		Other currencies	
Discount rates at 31 December	2.9%	2.9%	4.5-4.8%	4.3-4.6%	4.8%	5.5%	1.5-10.0%	1.7-11.0%
Expected return on plan assets at 31 December	3.3%	2.8%	2.8-4.7%	3.0-4.7%	6.3%	6.8%	2.3-8.5%	2.0-5.5%
Future salary increases	2.0%	2.0%	2.0-3.0%	1.8-2.0%	3.0%	4.3%	0.0-10.0%	0.0-10.0%
Future pension increases	0.0%	0.0%	1.8-2.1%	1.8-2.0%	2.9%	3.2%	0.0-1.6%	0.0-2.0%

Discount rates are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations. Switzerland represents 56% of the gross obligation (2010: 56%), euro countries represent 21% of the gross obligation (2010: 23%) and the United Kingdom represents 12% of the gross obligation (2010: 11%).

Expected return on plan assets is based on the plan asset portfolio and general expectations to the economic development.

Historical information

DKK million	2011	2010	2009	2008	2007
Present value of obligations (funded and unfunded)	4,695	4,392	3,658	3,338	3,244
Fair value of plan assets	(3,724)	(3,435)	(2,877)	(2,591)	(2,617)
Unrecognised past service costs	(5)	(5)	(3)	1	1
Asset ceiling	13	21	1	14	44
Reclassification to Liabilities classified as held for sale	-	-	(14)	-	-
Net obligations at 31 December	**979**	**973**	**765**	**762**	**672**
Actuarial (gains)/losses on obligations	(24)	207	224	(244)	(200)
Actuarial gains/(losses) on plan assets	(115)	78	179	(426)	(48)
Actuarial (gains)/losses during the year	**91**	**129**	**45**	**182**	**(152)**
Cumulative actuarial (gains)/losses at 31 December	**368**	**277**	**148**	**103**	**(79)**

NOTE 31 Provisions

DKK million	Legal cases	Self-insurance	Contingent liabilities in acquisitions	Other	Total
Provisions at 1 January 2011	202	191	91	256	740
Foreign exchange adjustments	(4)	4	(1)	0	(1)
Provisions made during the year	69	164	-	45	278
Provisions used during the year	(48)	(126)	(3)	(62)	(239)
Provisions reversed during the year	(75)	(10)	(10)	(56)	(151)
Unwind of discount	2	7	-	1	10
Reclassification to Liabilities classified as held for sale	(0)	-	-	(3)	(3)
Reclassification between categories and (to)/from Other liabilities	29	-	(4)	(66)	(41)
Provisions at 31 December 2011	**175**	**230**	**73**	**115**	**593**
Current	98	78	-	79	255
Non-current	77	152	73	36	338
Provisions at 31 December 2011	**175**	**230**	**73**	**115**	**593**

DKK million	Legal cases	Self-insurance	Contingent liabilities in acquisitions	Other	Total
Provisions at 1 January 2010	223	200	93	286	802
Foreign exchange adjustments	10	14	3	15	42
Assumed in business conbinations	-	-	-	(0)	(0)
Provisions made during the year	60	188	-	138	386
Provisions used during the year	(53)	(217)	(1)	(113)	(384)
Provisions reversed during the year	(49)	-	(4)	(65)	(118)
Unwind of discount	7	6	-	-	13
Reclassification to Liabilities classified as held for sale	-	-	-	(4)	(4)
Reclassification (to)/from Other liabilities	4	-	-	(1)	3
Provisions at 31 December 2010	**202**	**191**	**91**	**256**	**740**
Current	121	62	-	196	379
Non-current	81	129	91	60	361
Provisions at 31 December 2010	**202**	**191**	**91**	**256**	**740**

Legal cases The provision comprises various obligations in relation to a number of legal and labour-related cases in certain countries. The provisions are measured based on management's assessment of the amount by which the obligation is expected to be redeemed. Legal advice and established precedence is taken into consideration when assessing the obligation.

Self-insurance In Australia, Ireland, the USA and the United Kingdom, the Group carries insurance provisions on employers' liability. Ireland and the United Kingdom are self-insured up to a yearly limit of DKK 21 million (DKK 21 million in 2010) for employers' liability. The USA is self-insured up to a limit of DKK 1.4 million per claim (DKK 1.4 million in 2010). Australia is self-insured up to a limit of DKK 2.9 million per claim (DKK 2.8 million in 2010). Generally, the provisions for self-insurance are based on valuations from external actuaries.

Contingent liabilities in acquisitions The provision relates to contingent liabilities assumed in connection with acquisitions and relates mainly to legal cases.

Other The provision comprises various other obligations incurred in the course of business, e.g. restructuring costs, guarantee reserves, dismantling costs, operational issues, closure of contracts, costs of meeting obligations under onerous contracts as well as acquisition and integration costs mainly related to transaction costs, redundancy payments and termination of rental of properties. At 31 December 2011 the provision related to acquisition and integration costs was DKK 12 million (2010: DKK 10 million).

NOTE 32 Other liabilities

DKK million	2011	2010
Accrued wages, pensions and holiday allowances	5,060	4,792
Tax withholdings, VAT etc.	3,367	3,201
Accrued supplier expenses	844	802
Prepayments from customers	524	480
Contingent consideration and deferred payments	162	239
Accrued interests	150	154
Insurance	41	29
Contract work in progress (liabilities)	6	23
Other	1,034	1,118
Other liabilities	**11,188**	**10,838**

Other primarily comprise utilities, such as rent, telephone and electricity, customer discounts, fees to auditors as well as other advisors and other accrued expenses.

NOTE 33 Financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts in the statement of financial position, are shown below:

		2011		2010	
DKK million	Note	Carrying amount	Fair value	Carrying amount	Fair value
Securities (fair value option)	26	17	17	19	19
Derivative financial instruments (currency swaps)	37	3	3	7	7
Financial assets designated as fair value through profit or loss		**20**	**20**	**26**	**26**
Derivative financial instruments designated as cash flow hedge	37	0	0	1	1
Financial assets used for hedging		**0**	**0**	**1**	**1**
Trade receivables	22	11,871	11,871	10,896	10,896
Other receivables	25	35	35	3	3
Cash and cash equivalents	26	4,037	4,037	3,606	3,606
Other financial assets	20	300	300	290	290
Loans and receivables		**16,243**	**16,243**	**14,795**	**14,795**
Derivative financial instruments (currency swaps)	37	39	39	11	11
Financial liabilities designated as fair value through profit or loss		**39**	**39**	**11**	**11**
Derivative financial instruments designated as cash flow hedge	37	43	43	136	136
Financial liabilities used for hedging		**43**	**43**	**136**	**136**
Issued bonds	29	8,819	9,085	8,766	9,609
Bank loans including securitisation	29	24,915	25,094	25,161	25,368
Finance lease liabilities	29	146	146	182	182
Trade payables		3,466	3,466	2,830	2,830
Other liabilities	32	162	162	239	239
Financial liabilities measured at amortised cost		**37,508**	**37,953**	**37,178**	**38,228**

Methods, assumptions and techniques used to determine fair value

Fair value measurements are classified by using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The methods, assumptions and techniques used in determining the fair values of each category of financial assets and financial liabilities is disclosed on the following page. The methods are unchanged compared with 2010. Furthermore, the level in the fair value hierarchy within which the fair value measurement is categorised is disclosed.

NOTE 33 Financial assets and liabilities (continued)

Securities comprise investment funds related to investments in various listed securities measured at fair value through the income statement. The fair value is determined by reference to their quoted prices at the reporting date (Level 1).

Derivative financial instruments comprise currency swaps and interest rate swaps. The fair value of derivative financial instruments is determined on the basis of observable market data using generally accepted methods. The fair value of interest rate swaps is based on market rates for yield curves (Level 2). The fair value of currency swaps is based on the difference between the purchase price and the price at the reporting date (Level 2).

Loans and receivables mainly comprise trade receivables and cash and cash equivalents and are measured at amortised cost in the statement of financial position. The carrying amount of loans and receivables approximates their fair values.

Other financial liabilities including issued bonds, bank loans, finance lease liabilities, trade payables and other liabilities are measured at amortised cost in the statement of financial position. The note disclosure of the fair value of the issued bonds (EMTNs, Subordinated Notes and Senior Notes) is based on the quoted market price on the Luxembourg Stock Exchange (Level 1). For the remaining part of loans and borrowings fair value is equal to the nominal value (Level 2).

Fair value hierarchy

The table below analyses financial instruments carried at fair value in the statement of financial position by valuation method. The methods used are described above.

	2011		
DKK million	Level 1	Level 2	Total
Securities (fair value option)	17	-	17
Derivative financial instruments (currency swaps)	-	3	3
Derivative financial instruments designated as cash flow hedge	-	0	0
Total financial assets	**17**	**3**	**20**
Derivative financial instruments (currency swaps)	-	39	39
Derivative financial instruments designated as cash flow hedge	-	43	43
Total financial liabilities	**-**	**82**	**82**

	2010		
DKK million	Level 1	Level 2	Total
Securities (fair value option)	19	-	19
Derivative financial instruments (currency swaps)	-	7	7
Derivative financial instruments designated as cash flow hedge	-	1	1
Total financial assets	**19**	**8**	**27**
Derivative financial instruments (currency swaps)	-	11	11
Derivative financial instruments designated as cash flow hedge	-	136	136
Total financial liabilities	**-**	**147**	**147**

NOTE 34 Contingent liabilities, pledges and guarantees

Senior Facility Agreement

ISS A/S has executed a share pledge over its shares in ISS World Services A/S as security for the Group's senior facilities and a secondary share pledge over such shares as security for the Subordinated Notes issued by ISS A/S.

ISS World Services A/S, ISS Global A/S and certain material subsidiaries of ISS Global A/S in Australia, Belgium, Denmark, Finland, France, Germany, the Netherlands, Norway, Spain, Sweden, the United Kingdom and the USA have provided guarantees for ISS Global A/S's borrowings under the senior facilities. The guarantees have been backed up by security over bank accounts, trade receivables, intra-group receivables, other receivables, properties, production equipment and intellectual property rights of ISS World Services A/S and these subsidiaries. At 31 December 2011, the aggregate values of assets provided as security for the borrowings under the senior facilities were:

DKK billion	2011	2010
Goodwill	4.1	3.8
Customer contracts	0.8	0.9
Intellectual property rights	1.6	1.6
Other intangible and tangible assets	0.4	0.4
Trade receivables	2.1	1.8
Other receivables	0.2	0.1
Bank accounts	1.4	1.5
Total	**10.6**	**10.1**

In addition, the shares in ISS Global A/S's material subsidiaries and shares in certain of their subsidiaries as well as shares in certain subsidiaries in Austria, Brazil, the Czech Republic, Hong Kong, Ireland, Israel, Portugal, New Zealand, Singapore and Switzerland have been pledged.

Securitisation

The Group has during 2009 and 2010 launched a securitisation programme in 10 major countries. Under the securitisation programme securitised trade receivables of the participating countries are provided as security for the securitisation debt. As at 31 December 2011, trade receivables of DKK 4,961 million (31 December 2010: DKK 4,863 million) have been placed as security for securitisation debt with a face value of DKK 2,638 million (2010: DKK 2,466 million). In addition hereto DKK 1,313 million (31 December 2010: DKK 936 million) cash held by the Group's consolidated SPEs handling the Group's securitisation programme was pledged as security for securitisation debt. Of the total amount of cash held by the Group's SPEs DKK 392 million (2010: DKK 161 million) was not considered readily available for general use by the parent company or other subsidiaries.

Guarantee commitments

Indemnity and guarantee commitments at 31 December 2011 amounted to DKK 702 million (31 December 2010: DKK 574 million).

Performance guarantees

The Group has issued performance guarantee bonds for service contracts with an annual revenue of DKK 1,358 million (31 December 2010: DKK 1,374 million) of which DKK 1,280 million (31 December 2010: DKK 1,017 million) were bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry.

Outsourcing of IT

The Group has an IT outsourcing agreement with Computer Sciences Corporation (CSC). The Group's contractual obligations related to the agreement at 31 December 2011 amounted to approximately DKK 6 million (31 December 2010: DKK 25 million).

Divestments

The Group makes provisions for claims from purchasers or other parties in connection with divestments and representations and warranties given in relation to such divestments. Management believes that provisions made at 31 December 2011 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.

Legal proceedings

The Group is party to certain legal proceedings. Management believes that these proceedings (many of which are labour related cases incidental to the business) will not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2011.

Restructurings

Restructuring projects aiming at adjusting capacity to lower activity have been undertaken across different geographies and service areas. Labour laws especially in Europe include restrictions on dismissals and procedural rules to be followed. The procedures applied by ISS could be challenged in certain jurisdictions resulting in liabilities. Management believes that this would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2011.

NOTE 35 Operating leases

Non-cancellable operating lease rentals are payable as follows:

DKK million	Year 1	Year 2	Year 3	Year 4	Year 5	After 5 years	Total lease payments
At 31 December 2011	1,450	941	631	398	256	341	4,017
At 31 December 2010	1,461	961	652	393	253	441	4,161

During 2011, DKK 2,116 million (DKK 2,134 million in 2010) was recognised as an expense in the income statement in respect of operating leases.

Additional future lease payments of DKK 0 million (DKK 11 million in 2010) existed regarding associates at 31 December 2011.

The Group leases a number of properties, vehicles (primarily cars) and other equipment under operating leases. The leases typically run for a period of 2-5 years, with an option to renew the lease after that date.

Leasing of cars is primarily entered under an international car fleet lease framework agreement that was renewed effective 1 January 2011 and is valid until end 2013. The framework agreement contains a quarterly option for the Group to terminate the fleet of an entire country or the entire fleet under the framework agreement with four weeks notice subject to payment of a termination amount. The majority of the underlying agreements have a lifetime duration of 3-5 years.

The disclosed non-cancellable operating lease rentals assume no early termination of any agreement.

NOTE 36 Financial risk management

The Group is exposed to a number of financial risks arising from its operating activities and financing activities, mainly currency risk, interest rate risk, liquidity risk and credit risk.

The Group's financial risks are managed centrally by Group Treasury based on the treasury policy approved by the Board of Directors. The treasury policy is reviewed yearly. The Group's financial risk management is focused on managing risks arising from the Group's operating and financing activities, mainly by use of interest rate instruments and currency instruments with the purpose of managing volatility in the Group's results. Additionally, the treasury policy complies with current loan documentation, e.g. the Senior Facility Agreement and the Intercreditor Agreement. It is not the Group's policy to take speculative positions in the financial markets.

The Group has not identified additional financial risk exposures in 2011 compared with 2010, and the risk management activities are unchanged compared with 2010.

Currency risk
Currency risk is the risk that arises from changes in exchange rates and affect the Group's result or value of financial instruments. The service industry is characterised by a relatively low level of transaction risk (operational risk), since the services are produced, delivered and invoiced in the same local currency with minimal exposure from imported components. However, with worldwide operations, business is conducted in a variety of currencies. Since a significant portion of the Group's revenue and operating profit is generated in foreign entities, the Group is exposed to currency risk relating to the translation into Danish kroner of income statements and net assets of foreign subsidiaries (translation risk). Furthermore, the Group has a currency risk on loans and borrowings, which are predominantly denominated in other currencies than Danish kroner as well as on intercompany loans from the parent company to foreign subsidiaries (financial risk).

Currency exposure related to loans and borrowings including intercompany loans (financial risk)
To a limited extent the Group is exposed to currency risk on loans and borrowings that are denominated in currencies other than the functional currency of the reporting entities as well as intercompany loans from the parent company to foreign subsidiaries as these are typically denominated in the functional currency of the subsidiary. The Group is exposed primarily to EUR, but also to GBP, NOK, SEK, CHF and AUD.

All hedging is conducted at Group level. No hedging transactions are made by local subsidiaries. The Group uses currency swaps to hedge the currency risk related to loans and borrowings as well as intercompany loans from the parent company to foreign subsidiaries. Group Treasury measures the Group's total currency exposure in different currencies on a weekly basis in order to evaluate the need for hedging currency positions. When measuring the currency positions all loans and borrowings, intercompany balances and cash and cash equivalents are taken into account. As fair value adjustments of both the hedged item and the derivative financial instrument are recognised in the income statement, hedge accounting in accordance with IAS 39 is not applied.

NOTE 36 Financial risk management (continued)

Currency risk (continued)

The Group's overall policy is to fully hedge any foreign exchange exposure towards Danish kroner or towards EUR to the extent that the net exposure exceeds DKK 5 million. Correlation between certain currencies e.g. USD and Asian or Latin American currencies are taken into account. However, some currencies cannot be hedged within a reasonable price range, e.g. IDR and ISK and are therefore not hedged. Based on a risk assessment Group Treasury may choose not to hedge the risk exposure towards EUR. It is the Group's policy not to hedge intercompany royalties until they become a monetary receivable.

The Group holds a number of investments in foreign subsidiaries where the translation of net assets to DKK is exposed to currency risk. It is not Group policy to hedge the currency exposure on foreign investments. Consequently, no hedging transactions of net investments in foreign subsidiaries were entered into in 2011 and 2010. However, the Group may choose to hedge the currency exposure on foreign investments by funding such investments in local currencies.

Impact on the statement of financial position Fluctuations in foreign exchange rates will affect the value of loans and borrowings as funding is obtained in various currencies. In 2011, changes in foreign exchange rates decreased loans and borrowings by DKK 28 million (2010: increased by DKK 228 million). The primary impact derives from loans and borrowings in EUR which depreciated from 7.45 at 31 December 2010 to 7.43 at 31 December 2011 partly offset by other currencies primarily GBP.

Sensitivity analysis Based on the Group's internal monitoring processes, it is estimated that a change in relevant foreign exchange rates would have increased/(decreased) profit for the year and other comprehensive income by the amounts shown below. The analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

2011

	Face value	Carrying amount	Contractual value		Sensitivity		
DKK million	Net debt exposure	Derivative financial instruments (cash flow hedges)	Derivative financial instruments (currency swaps)	Total	Increase in foreign exchange rates	Profit for the year	Other comprehensive income
EUR/DKK	(20,377)	(37)	5,121	(15,293)	1%	(153)	(153)
GBP/DKK	(1,313)	(6)	1,315	(4)	10%	0	(0)
NOK/DKK	583	(0)	(581)	2	5%	0	0
SEK/DKK	112	0	(110)	2	5%	0	0
CHF/DKK	(330)	(0)	327	(3)	10%	(0)	(0)
AUD/DKK	1,383	-	(1,377)	6	10%	1	1
EUR/TRY	(381)	-	-	(381)	10%	(38)	(38)
Other/DKK	2,807	-	(2,287)	520	10%	52	52
Total	**(17,516)**	**(43)**	**2,408**	**(15,151)**			

2010

	Face value	Carrying amount	Contractual value		Sensitivity		
DKK million	Net debt exposure	Derivative financial instruments (cash flow hedges)	Derivative financial instruments (currency swaps)	Total	Increase in foreign exchange rates	Profit for the year	Other comprehensive income
EUR/DKK	(19,731)	(98)	5,354	(14,475)	1%	(144)	(145)
GBP/DKK	(1,167)	(34)	1,202	1	10%	4	0
NOK/DKK	747	(2)	(745)	0	5%	0	-
SEK/DKK	22	1	(24)	(1)	5%	(0)	(0)
CHF/DKK	(681)	(2)	679	(4)	10%	(0)	(0)
AUD/DKK	1,466	-	(1,461)	5	10%	1	1
EUR/TRY	(367)	-	-	(367)	10%	(37)	(37)
Other/DKK	2,657	-	(2,052)	605	10%	61	61
Total	**(17,054)**	**(135)**	**2,953**	**(14,236)**			

NOTE 36 Financial risk management (continued)

Currency risk (continued)

Translation and operational risk
The Group is exposed to a relatively low level of transaction risk, since the services are produced, delivered and invoiced in the same local currency with minimal exposure from imported components. The Group is however exposed to risk in relation to translation into Danish kroner of income statements and net assets of foreign subsidiaries, including intercompany items such as loans, royalties, management fees and interest payments between entities with different functional currencies since a significant portion of the Group's revenue and operating profit is generated in foreign entities.

In 2011, the currencies in which the Group's revenue was denominated increased with an average of 0.6% (2010: increased with 5.0%) relative to Danish kroner, increasing the Group's revenue by DKK 454 million (2010: an increase of DKK 3,423 million). Currency movements increased the Group's operating profit before other items by DKK 44 million (2010: an increase of DKK 241 million). The effect of the translation of net assets in foreign subsidiaries decreased other comprehensive income by DKK 50 million (2010: an increase of DKK 911 million).

Sensitivity analysis It is estimated that a change in foreign exchange rates of the Group's main currencies would have impacted revenue, operating profit before other items and other comprehensive income by the amounts shown below. The analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is prepared on the same basis for 2010.

	2011				2010			
DKK million	Change in foreign exchange rates	Revenue	Operating profit before other items	Net assets in foreign subsidiaries	Change in foreign exchange rates	Revenue	Operating profit before other items	Net assets in foreign subsidiaries
EUR	1%	293	15	64	1%	298	16	67
CHF	10%	332	32	144	10%	287	28	157
GBP	10%	781	54	255	10%	736	50	228
NOK	5%	297	21	50	5%	284	19	43
SEK	5%	209	15	45	5%	195	15	40
AUD	10%	503	34	75	10%	458	32	70
USD	10%	330	12	44	10%	262	13	47
Other	10%	1,505	100	414	10%	1,352	92	394
Total	**-**	**4,250**	**283**	**1,091**	**-**	**3,872**	**265**	**1,046**

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments, primarily bank loans and issued bonds. The Group's exposure towards interest rates is illustrated in note 29, Loans and borrowings, where a breakdown of the Group's loans and borrowings in floating and fixed rates is provided. The interest rate exposure to floating interest rates is primarily in EUR, but also to a limited extent to GBP and the nordic currencies.

It is Group policy to hedge the risk related to changes in interest rates to limit the negative economic effect of changes in interest rates by converting variable interest rates to fixed interest rates. The Group will mitigate the net interest rate risk via interest rate swaps. Additionally, it is the Group's policy to ensure a predefined amount of debt to fixed interest rates to avoid adverse movements in floating rates and interest expenses.

According to the Group's treasury policy between 50% and 75% of the Group's total non-current bank loans and issued bonds must carry fixed interest rates. At least on a monthly basis Group Treasury measures the balance between fixed and variable interest rates to ensure compliance with the policy.

The Group uses cash flow hedge accounting in respect of interest rate derivatives. The interest rate contracts classified as hedge transactions including the effect on other comprehensive income are disclosed in note 37, Derivatives.

NOTE 36 Financial risk management (continued)

Interest rate risk (continued)

Sensitivity analysis The interest rate risk is measured by the duration of the net debt (fixed-rate period). As at 31 December 2011, the duration of net debt was approximately 1.5 years (31 December 2010: 1.6 years). A decrease in interest rates will increase the fair value of the loans and borrowings with a fixed interest rate, but only part of this increase will be reflected in the income statement and other comprehensive income as loans and borrowings are measured at amortised cost and therefore not adjusted to fair value.

It is estimated that a general increase in relevant interest rates of 1%-point would have increased/(decreased) profit for the year and other comprehensive income by the amounts shown below. The estimate is based on net debt adjusted for the effect of hedging instruments as at 31 December 2011. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	2011		2010	
DKK million	Profit for the year	Other comprehensive income	Profit for the year	Other comprehensive income
Loans and borrowings	(65)	(65)	(84)	(84)
Derivatives, interest rate swaps	-	128	-	83

Liquidity risk

Liquidity risk results from the Group's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity. Raising capital is managed centrally in Group Treasury. The goal is to ensure efficient liquidity management, which mainly comprise ensuring that adequate liquidity is available to the Group. Group Treasury mitigates liquidity risk by obtaining borrowing facilities with highly rated financial institutions, via issued bonds, bank loans and securitisation and via effective working capital management.

For day-to-day liquidity management cash pools have been established in several local entities. As a result excess liquidity is transferred to and from ISS Global A/S, which operates as the internal bank of the ISS Group.

The Group's liquid reserves mainly consist of liquid funds and unused credit facilities. As at 31 December 2011, the Group's liquid reserves consisted of readily available liquid funds of DKK 3,613 million (2010: DKK 3,415 million) and unused revolving credit facilities of DKK 957 million (2010: DKK 551 million) available for drawing until 31 December 2014. It is the Group's policy to maintain an appropriate level of liquid reserves. Cash in the Group's consolidated SPEs under the securitisation programme amounts to DKK 1,313 million (2010: DKK 936 million), of which DKK 392 million (2010: DKK 161 million) are excluded from the liquid reserves as they are not considered readily available for general use by the parent company or other subsidiaries at 31 December 2011.

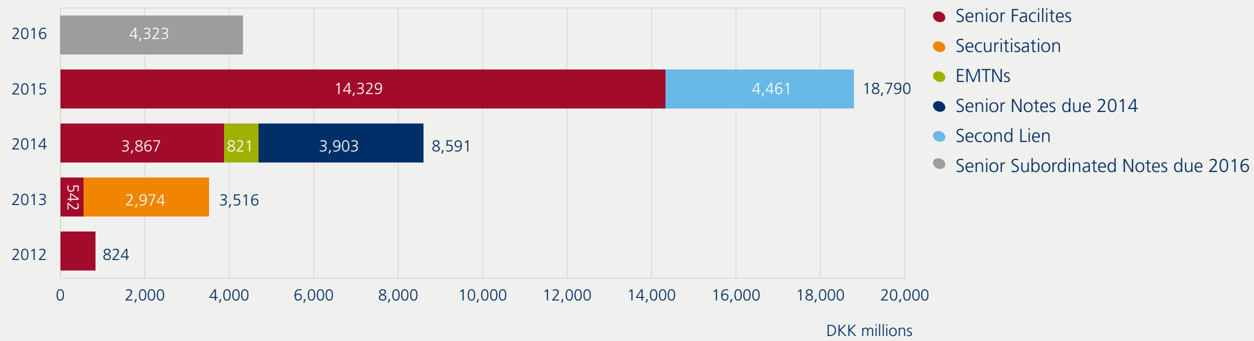
The bank loans, Subordinated Notes and Senior Notes are subject to customary undertakings, covenants (including financial covenants) and other restrictions. Financial covenants comprise the following: i) Debt cover ii) Senior debt cover, iii) Cash flow cover, iv) Interest cover and v) Limitation on Capex spending. The financial covenants are calculated on a last-twelve-months basis and reported quarterly, except for ii) and v), which are only reported at year-end. In the event of a default under those agreements, the debt incurred including accrued interest could be declared immediately due and payable. In 2011 and 2010, all covenants have been complied with.

NOTE 36 Financial risk management (continued)

Liquidity risk (continued)

For a breakdown of the contractual maturities based on contractual cash flows (i.e. including estimated interest payments) of the Group's loans and borrowings, see note 29, Loans and borrowings. The chart below also illustrate the maturity profile of issued bonds and bank loans. Compared with the specification in note 29, the basis of the presentation below is different in three ways; 1) expected interest payments are not included, 2) the amounts shown are principal values including any undrawn amounts and 3) securitisation debt is presented with maturity in September 2013 as the facility is committed until then. This is contrary to the recognition in the statement of financial position, where securitisation debt is classified as current due to the terms of the agreement. The presentation below is based on the assumption that the amount of trade receivables entered into the securitisation programme continue to be at the same level as at 31 December 2011.

Maturity of the credit facilities



Effective 24 June 2011, ISS extended certain tranches under its Senior Facilities Agreement and implemented other amendments intended to increase the operational flexibility and among other things approved the capacity to increase its Revolving Credit Facility by an additional DKK 1.5 billion. Consequently, 96% of the Term B and Acquisition B Facilities was extended from December 2013 to April 2015, and 98% of the Revolving Credit Facility and Letter of Credit Facility was extended from June 2012 to December 2014.

Furthermore, effective 1 July 2011 the maturity of the Group's securitisation programme was extended with one year from September 2012 to September 2013.

Capital management

The Group monitors the capital structure and evaluates the need for adjustments on an ongoing basis. The dividend policy and payment of dividends is made subject to the necessary consolidation of equity and the Group's continuing expansion. The Group seeks to reduce the financial leverage on a multiple basis in terms of net debt to pro forma adjusted EBITDA [1)]. At 31 December 2011, the Group's net debt to proforma adjusted EBITDA was 5.81x (2010: 5.99x).

ISS A/S (the Group's parent) is a holding company, and its primary assets consist of shares in ISS World Services A/S. ISS A/S has no revenue generating operations of its own, and therefore ISS A/S's cash flow and ability to service its indebtedness, will primarily depend on the operating performance and financial condition of ISS World Service A/S and its operating subsidiaries, and the receipt by ISS A/S of funds from ISS World Services A/S and its subsidiaries in the form of dividends or otherwise.

[1)] Pro forma information is based on unaudited financial information and for informational purposes only.

NOTE 36 Financial risk management (continued)

Credit risk
Credit risk is the risk of financial loss inflicted on the Group if a counterparty to a financial instrument or a customer fails to meet its contractual obligations. The Group is exposed to credit risk primarily on trade receivables and on transactions with financial institutions (liquid funds, securities and derivatives with positive fair value).

Transactions with financial institutions
To limit its exposure to credit risk it is Group policy only to enter into transactions with financial institutions carrying a certain short-term credit rating assigned by Standard & Poor's (A-1 rating) or Moody's (P-1 rating). Other banks may be approved separately by Group Treasury. Group Treasury monitors credit ratings and given that the Group generally enters into transactions only with financial institutions with high credit ratings, management does not expect any counterparty to fail to meet its contractual obligations.

DKK million	2011	2010
Maximum credit risk related to securities, cash and cash equivalents	**4,054**	**3,625**
Maximum credit risk related to derivatives	**3**	**8**

Trade receivables
The carrying amount of trade receivables of DKK 11,871 million (2010: DKK 10,896 million) recognised in the statement of financial position represents the maximum credit exposure. Generally, the Group does not hold collateral as security for trade receivables.

Exposure to credit risk on trade receivables is managed locally in the operating entities and credit limits set as deemed appropriate for the customer taking into account the customers' financial position and the current market conditions.

The Group's customer portfolio is diversified in terms of geography, industry sector and customer size. The Group is not exposed to credit risk related to significant individual customers. Historically amounts written off as uncollectible have been relatively low. This pattern has continued during the global economic downturn in recent years, and amounts written off as uncollectible are still at a relatively low level.

The maximum credit risk exposure for trade receivables at the reporting date by geography was:

	2011			2010		
DKK million	Gross	Impairment	Carrying amount	Gross	Impairment	Carrying amount
Western Europe	6,862	(136)	6,726	6,561	(154)	6,407
Nordic	2,077	(39)	2,038	1,886	(30)	1,856
Asia	1,003	(22)	981	884	(20)	864
Pacific	740	(6)	734	686	(8)	678
Latin America	623	(14)	609	497	(16)	481
North America	469	(7)	462	298	(6)	292
Eastern Europe	327	(9)	318	323	(7)	316
Other countries	3	-	3	2	-	2
Total	**12,104**	**(233)**	**11,871**	**11,137**	**(241)**	**10,896**

NOTE 36 Financial risk management (continued)

Impairment losses
The ageing of trade receivables at the reporting date was:

	2011			2010		
DKK million	Gross	Impairment	Carrying amount	Gross	Impairment	Carrying amount
Not past due	9,135	(3)	9,132	8,602	(3)	8,599
Past due 1 to 60 days	2,048	(2)	2,046	1,755	(2)	1,753
Past due 61 to 180 days	466	(7)	459	425	(18)	407
Past due 181 to 360 days	201	(56)	145	144	(49)	95
More than 360 days	254	(165)	89	211	(169)	42
Total	**12,104**	**(233)**	**11,871**	**11,137**	**(241)**	**10,896**

Impairment losses are recognised when objective evidence indicates that a receivable or a portfolio of receivables is impaired. This is based on an individual review for impairment due to customer insolvency, past due amounts and mathematically computed impairment losses based on classification of debtors, maturity and historical information.

Impairment losses, both individual and collective, are recognised in a separate account unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the receivable directly.

Following the economic downturn particularly in Western Europe the general credit risk has increased for groups of customers in countries in this region. Furthermore, in 2011 a slight increase in the ageing of trade receivables and debtor days was seen most significantly in some Mediterranean countries. Such developments and the economic downturn may have an adverse effect on the earnings in the industry in general and are taken into consideration in the assessment of impairment losses.

The Group believes that the unimpaired amount at 31 December 2011 is still collectable based on historical behavior and analysis of the underlying customers' financial position and credit ratings.

No significant impairment losses were recognised in respect of individual trade receivables in 2010 or 2011.

The movement in the allowance for impairment losses during the year was as follows:

DKK million	2011	2010
Impairment losses at 1 January	(241)	(241)
Foreign exchange adjustments	4	(11)
Acquisitions through business combinations	-	(4)
Disposals through divestment of businesses	1	-
Impairment loss recognised	(83)	(74)
Impairment loss reversed	39	35
Amounts written off as uncollectible	51	49
Reclassification to Assets held for sale	(4)	5
Impairment losses at 31 December	**(233)**	**(241)**

NOTE 37 Derivatives

As described in the note 36, Financial risk management, the Group uses derivative financial instruments (interest rate swaps and currency swaps) for managing currency and interest risks arising from the Group's operating and financing activities.

The accounting treatment of hedge transactions varies according to the nature of the item being hedged and whether the hedge qualifies for hedge accounting according to IFRS. Derivatives that qualify for hedge accounting are being accounted for in accordance with the nature of the item being hedged and the applicable hedge model.

Hedging of assets and liabilities

The Group uses currency swaps to hedge the exposure to currency risk on the intercompany loans to foreign subsidiaries as well as the currency risk on external borrowings denominated in a currency other than Danish kroner. As fair value adjustments of both the hedged item and the derivative financial instrument are recognised in the income statement, hedge accounting in accordance with IAS 39 is not applied.

	2011				
DKK million	Contractual value	Positive fair value at 31 December	Negative fair value at 31 December	Fair value, net at 31 December	Maturity
CHF	327	2	-	2	2012
EUR [1]	2,505	-	(0)	(0)	2012
GBP	1,315	-	(2)	(2)	2012
NOK	171	1	-	1	2012
Forward foreign currency, purchases	**4,318**	**3**	**(2)**	**1**	**-**
AUD	1,377	-	(13)	(13)	2012
ILS	205	-	(0)	(0)	2012
MXN	184	-	(2)	(2)	2012
NOK	752	-	(5)	(5)	2012
NZD	158	-	(1)	(1)	2012
PLN	28	0	-	0	2012
SEK	110	-	(1)	(1)	2012
SGD	281	-	(2)	(2)	2012
THB	168	-	(1)	(1)	2012
USD	1,180	-	(12)	(12)	2012
Others	83	0	(0)	(0)	2012
Forward foreign currency, sales	**4,526**	**0**	**(37)**	**(37)**	**-**
Total currency swaps	**-**	**3**	**(39)**	**(36)**	**-**

[1] Hedges are made against DKK and EUR as base amounts. The contractual value of EUR hedges above, does not include hedges made against EUR of DKK 2,616 million.

NOTE 37 Derivatives (continued)

DKK million	Contractual value	Positive fair value at 31 December	Negative fair value at 31 December	Fair value, net at 31 December	Maturity
	2010				
CHF	679	4	-	4	2011
EUR [1]	3,548	0	-	0	2011
GBP	1,202	-	(6)	(6)	2011
NOK	45	0	-	0	2011
SEK	34	-	(0)	(0)	2011
Others	54	-	(1)	(1)	2011
Forward foreign currency, purchases	**5,562**	**4**	**(7)**	**(3)**	**-**
AUD	1,461	0	-	0	2011
ILS	218	0	-	0	2011
NOK	790	-	(1)	(1)	2011
NZD	133	-	(2)	(2)	2011
SEK	58	0	-	0	2011
SGD	250	-	(1)	(1)	2011
THB	155	1	-	1	2011
USD	1,108	1	-	1	2011
Others	242	1	-	1	2011
Forward foreign currency, sales	**4,415**	**3**	**(4)**	**(1)**	**-**
Total currency swaps	**-**	**7**	**(11)**	**(4)**	**-**

[1] Hedges are made against DKK and EUR as base amounts. The contractual value of EUR hedges above, does not include hedges made against EUR of DKK 1,806 million.

NOTE 37 Derivatives (continued)

Hedging of forecasted transactions (cash flow hedges)

The Group uses interest rate swaps to hedge the exposure to variability in future cash flows due to changes in interest rates on the Group's bank loans with a variable interest rate. The swaps convert a major part of the floating rates within the bank loans to fixed interest rates.

	2011					
DKK million	Contractual value	Positive fair value at 31 December	Negative fair value at 31 December	Fair value, net, at 31 December	Fair value adjustment recognised in other comprehensive income in the year	Expected recognition in the income statement
CHF	57	-	(0)	(0)	2	2012
GBP	1,494	-	(6)	(6)	28	2012
SEK	124	0	-	0	(1)	2012
NOK	142	-	(0)	(0)	2	2012
EUR	12,489	-	(37)	(37)	61	2012-2013
Total cash flow hedges	**14,306**	**0**	**(43)**	**(43)**	**92**	**-**

	2010					
DKK million	Contractual value	Positive fair value at 31 December	Negative fair value at 31 December	Fair value, net, at 31 December	Fair value adjustment recognised in other comprehensive income in the year	Expected recognition in the income statement
CHF	131	-	(2)	(2)	1	2012
GBP	1,454	-	(34)	(34)	(18)	2012
SEK	286	1	-	1	7	2012
NOK	329	-	(2)	(2)	3	2012
EUR	11,141	-	(98)	(98)	128	2011-2012
Total cash flow hedges	**13,341**	**1**	**(136)**	**(135)**	**121**	**-**

In 2011 and 2010, no ineffectiveness was recognised in the income statement.

Recognised in the statement of comprehensive income as follows:

DKK million	2011	2010
Fair value adjustments of cash flow hedges, net	(14)	(138)
Fair value adjustments of cash flow hedges, net, transferred to Financial expenses	106	259
Fair value adjustment recognised in other comprehensive income for the year	**92**	**121**

NOTE 38 Related parties

Parent and ultimate controlling party
The sole shareholder of ISS A/S, FS Invest II S.à r.l (FS Invest II), has controlling influence in the Group. The ultimate controlling company of the Group is FS Invest S.à r.l ("FS Invest"), which is 54% owned by funds advised by EQT Partners and 44% owned by funds advised by Goldman Sachs Capital Partners, together The Principal Shareholders. There were no significant transactions with the ultimate controlling party or the parent during the year.

Key management personnel
Members of the Board of Directors, the Executive Group Management Board and Corporate Senior Officers have authority and responsibility for planning, implementing and controlling the Group's activities and are therefore considered as the Group's key management personnel. Apart from remuneration, described in note 5, Staff costs and co-investment programmes described below there were no significant transactions during the year with members of the Board of Directors, the Executive Group Management Board or Corporate Senior Officers.

Co-investment programmes The Principal Shareholders have established a Management Participation Programme (MPP), in which the Executive Group Management Board and a number of senior officers [1] of the Group have invested. The programme is structured as a combination of direct and indirect investments in a mix of shares and warrants of FS Invest, ISS A/S's ultimate parent company. As of 31 December 2011, the investments amounted to DKK 161.7 million in total for 132 executives and officers. As part of the initial programme – in addition to the investments – the Executive Group Management Board and a number of Corporate Officers [2] were granted warrants in FS Invest with a vesting schedule (based on value of shares and time). As of 31 December 2011, 277,632 of these warrants were outstanding, see note 6, Share-based payments.

Certain members of the Board of Directors participate in a Directors Participation Programme (DPP), under which they have invested in a mix of shares and warrants of FS Invest amounting to approximately DKK 8.2 million in total. In addition, they have co-invested with the Principal Shareholders for approximately DKK 7.5 million in total.

In December 2011, a change of the MPP and DPP programmes was initiated and it is expected that the change of the programmes will be completed by the end of the first quarter of 2012.

Other related party transactions
In 2011, the Group had the following transactions with other related parties, which were all made on market terms:

- the Group and Goldman Sachs International have agreed general terms and conditions for the supply of Facility Services to be applied by local ISS operations and local Goldman Sachs affiliates when contracting with each other. ISS in Switzerland, Russia and the United Kingdom have entered into Facility Services agreements with local Goldman Sachs affiliates. The annual revenue from these agreements is estimated to DKK 101 million. Furthermore, the Group has local agreement terms with Goldman Sachs in France, Ireland, Singapore, Brazil and China. Finally, ISS in Spain and Italy are subcontractors to local Goldman Sachs suppliers. The annual revenue from the local and subcontractor agreements is estimated to DKK 9 million.

- the Group and Goldman Sachs International have entered into various agreements on provision of financing and banking related services.

- Goldman Sachs International, an affiliate of Goldman Sachs Capital Partners (Goldman Sachs), has been acting as Joint Global Coordinator and Joint Bookrunner of the Group's attempted initial public offering (IPO).

- affiliates of Goldman Sachs Capital Partners are lenders under the senior facilities and holders of 2014 EMTNs.

- the Group has entered into local facility services agreements with various companies owned by EQT. The annual revenue from these agreements is estimated at DKK 90 million.

Associates and joint ventures
Transactions with associates and joint ventures are limited to transactions related to shared service agreements. There were no significant transactions with associates and joint ventures during the year. All transactions were made on market terms.

Other
In addition to the above and except for intra-group transactions, which have been eliminated in the consolidated accounts, there were no material transactions with other related parties and shareholders in 2011.

[1] Senior officers of the Group comprises Corporate Senior Officers (members of the Group Management Board other than members of the Executive Group Management Board) and other Corporate Officers as well as certain members of Country Management of certain countries.
[2] Corporate Officers of the Group comprises Corporate Senior Officers (members of the Group Management Board other than members of the Executive Group Management Board) and other Corporate Officers.

NOTE 39 Interests in joint ventures

As of 31 December 2011, the Group had interests in 6 joint ventures (9 in 2010). The significant joint ventures are specified in note 42, Subsidiaries, associates, joint ventures and SPEs. The Group's interests in joint ventures are recognised using the proportionate consolidation method. At the reporting date the joint ventures had the following effect on the Group's consolidated income statement and statement of financial position:

DKK million	2011	2010
Revenue	284	359
Expenses	(274)	(336)
Operating profit before other items	10	23
Net profit for the year	**8**	**16**
Non-current assets [1]	34	26
Current assets	104	103
Total assets	**138**	**129**
Equity	41	45
Non-current liabilities	8	6
Current liabilities	89	78
Total equity and liabilities	**138**	**129**
The Group's part of contingent liabilities (operating leases) in joint ventures	**15**	**14**

The aggregate investment in joint ventures is as follows: Norway DKK 38.7 million (2010: DKK 37.8 million), Sri Lanka DKK 4.0 million (2010: DKK 4.0 million), Greece DKK 0.3 million (2010: DKK 0.3 million), the Netherlands DKK 0 million (2010: DKK 3.8 million), Spain DKK 0 million (2010: DKK 0.3 million) and Israel DKK (1.7) million (2010: DKK (1.8) million).

[1] Excluding goodwill arising from the acquisition of the joint ventures.

NOTE 40 Subsequent events

Acquisitions and divestments completed subsequent to 31 December 2011 are listed in note 14, Acquisition and divestment of businesses.

Apart from the above and the events described in the consolidated financial statements, the Group is not aware of events subsequent to 31 December 2011, which are expected to have a material impact on the Group's financial position.

NOTE 41 New standards and interpretations not yet implemented

IASB has published the following new standards, amendments to existing standards and interpretations, which are not yet adopted by the EU at 31 December 2011:

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine";
- IFRS 9 "Financial Instruments (replacement of IAS 39) project";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosures of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- IAS 27 (2011) "Separate Financial Statements";
- IAS 28 (2011) "Investments in Associates and Joint Ventures";
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards";
- Amendments to IFRS 7 "Financial Instrument Disclosures";
- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income";
- Amendments to IAS 12 "Deferred tax: Recovery of Underlying Assets";
- Amendments to IAS 19 "Employee Benefits"; and
- Amendments to IAS 32 "Classification of Rights Issue".

The Group expects to adopt the new standards and interpretations when they become mandatory. The standards and interpretations that are approved with different effective dates in the EU than the corresponding effective dates under IASB will be early adopted so that the implementation follows the effective dates under IASB.

Based on the current business setup and level of activities none of the standards and interpretations are expected to have a material impact on the recognition and measurement in the consolidated financial statements of the Group.

NOTE 42 Subsidiaries, associates, joint ventures and SPEs

Below the significant subsidiaries, associates, joint ventures and SPEs of the Group are presented together with a Group chart showing the ownership structure from ISS A/S and down. Together these are referred to as "Companies within the ISS Group". Undertakings of immaterial interest are left out.

ISS A/S

ISS World Services A/S

ISS Global A/S

Argentina | **Australia** | **....** | **Venezuela**

Argentina

ISS Argentina S.A.	100%
ISS Facility Services S.R.L.	100%
ISS Food S.A.	100%
ISS Litorial S.A.	100%
ISS Office S.A.	100%
ISS Retail S.A.	100%
ISS Personal Temporario S.R.L.	100%

Australia

Blurlato Pty Ltd.	100%
Fondi Investments Ltd.	100%
ISS Catering Services Pty Ltd.	100%
ISS Facility Services Australia Ltd.	100%
ISS Franchise Services Pty Ltd.	100%
ISS Health Services Pty Ltd.	100%
ISS Holdings Pty Ltd.	100%
ISS Hygiene Services Pty Ltd.	100%
ISS Integrated Services Pty Ltd.	100%
ISS Property Services Pty Ltd.	100%
ISS Security Pty Ltd.	100%
Pacific Invest December 2004 Pty Ltd.	100%
Pacific Service Solutions Pty Ltd.	100%
Prestige Protection Services Pty Ltd.	100%

Austria

ISS Austria Holding GmbH	100%
ISS Facility Services GmbH	100%
ISS Ground Services GmbH	51%
ISS Hotel, SPA & Gastro Services GmbH	100%

Belgium

BD Food Invest S.A.	100%
ISS Building Services N.V.	100%
ISS Catering N.V.	100%
ISS Integrated Facility Services N.V.	100%
ISS Industrial Cleaning N.V.	100%
ISS Landscaping N.V.	100%
ISS N.V.	100%
ISS Office Support Services N.V.	100%
ISS Pest Management Solutions N.V.	100%
ISS Reception & Support Services N.V.	100%
National Pest Control B.V.B.A.	100%

Bosnia and Herzegovina

ISS Facility Services d.o.o. Banja Luka	100%
ISS Facility Services d.o.o. Sarajevo	100%

Brazil

ISS Biosystem Saneamento Ambiental Ltda.	100%
ISS Catering Sistemas de Alimentação Ltda.	100%
ISS Manutenção e Operação de Utilidades Ltda.	100%
ISS Manutenção e Servicos Integrados Ltda.	100%
ISS Serviços de Logistica Integrada Ltda.	100%
ISS Servisystem do Brasil Ltda.	100%
ISS Sulamericana Brasil Ltda.	100%

Brunei

ISS Facility Services Sdn. Bhd.	100%

Bulgaria

ISS Facility Services EOOD	100%

Canada

ISS Facility Services Inc.	100%

Chile

EFI Ltda.	100%
Glanzend Ltda.	100%
ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Office Support Ltda.	100%
ISS Servicios Generales Ltda.	100%
Ledan Ltda.	100%
Slim S.A.	100%

China and Hong Kong

Cornerstone Associates Ltd.	100%
Hung Fat Cleaning Transportation Co., Ltd.	100%
ISS Adams Secuforce Limited	100%
ISS Allsecure Ltd.	100%
ISS Building Consultancy Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS China Holdings Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Consultants Ltd.	100%
ISS EastPoint Property Management Ltd.	100%

NOTE 42 Subsidiaries, associates, joint ventures and SPEs (continued)

China and Hong Kong (continued)	
ISS Environmental Services (HK) Ltd.	100%
ISS Facility Services (Beijing) Ltd.	100%
ISS Facility Services (Shanghai) Ltd.	100%
ISS Facility Services (Tianjin) Ltd.	100%
ISS Facility Services China Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Greater China Ltd.	100%
ISS Hangyang (Beijing) Cleaning Services Co., Ltd.	100%
ISS Hong Kong Services Ltd.	100%
ISS Hygiene Services (HK) Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
ISS Roboclean (HK) Co., Ltd.	100%
ISS Servisystem (China) Ltd.	100%
ISS Thomas Cowan Co., Ltd.	100%
JSL Ltd.	100%
LAWN Environmental Protection Ltd.	100%
Shanghai ISS Catering Management Co., Ltd.	100%
Silvertech E&M Engineering Co., Ltd.	100%
Columbia	
ISS Facilitie Services S.A.S	100%
Costa Rica	
ISS Facility Services Costa Rica Limitada	100%
Croatia	
ISS Kadrovske usluge d.o.o.	100%
ISS Usluzne djelatnosti d.o.o.	100%
Czech Republic	
ISS Facility Services s.r.o	100%
ISS Správa budov s.r.o.	100%
Denmark	
ISS Capital A/S	100%
ISS Document A/S	100%
ISS Facility Services A/S	100%
ISS Finans A/S	100%
ISS Holding France A/S	100%
ISS Kloak- & Industriservice A/S	100%
ISS Security A/S	100%
ISS Venture A/S	100%
Personalehuset A/S	100%
Ecuador	
ISS Facility Ecuador S.A	100%
Estonia	
ISS Eesti AS	100%
ISS Haldus OÜ	100%
Finland	
ISS Aviation Oy	100%
ISS Henkilöstöpalvelut Oy	100%
ISS Palvelut Holding Oy	100%
ISS Palvelut Oy	100%
ISS Proko Oy	100%
Suomen Laatutakuu Palvelut Oy	100%
France	
Channel Passenger Services SAS	100%
Extincteurs Haas SAS	100%
GIE ISS Services	100%
ISS Accueil & Services SAS	100%
ISS Espaces Verts SAS	100%
ISS Facility Management SAS	100%
ISS Holding Paris SAS	100%
ISS Hygiene & Prevention SAS	100%
ISS Hygiene SAS	100%
ISS Logistique et Production SAS	100%
ISS Proprete SAS	100%
Logicbuy SAS	100%
Stop Flam SAS	100%
Verts Paysages & Aménagement SAS	100%
Germany	
ISS Facility Services GmbH	100%
ISS HWS GmbH & Co. KG	100%
ISS Personalservice GmbH	100%
ISS Schädlingsbekämpfung und Hygiene GmbH	100%
Klaus Harren GmbH	100%
Greece	
Eretbo S.A.	50% [1)]
ISS Facility Services S.A.	100%
ISS Human Resources S.A.	100%
ISS Security S.A.	100%
Greenland	
ISS Grønland A/S	100%
Hungary	
ISS Facility Services Kft.	100%
Profit-Komfort Kft.	100%
Iceland	
ISS Ísland ehf.	100%
India	
ISS Catering Services (South) Pvt. Ltd.	100%
ISS Catering Services (West) Pvt. Ltd.	100%
ISS Facility Services (India) Pvt. Ltd.	100%
ISS Hi Care Pvt. Ltd.	100%
ISS Integrated Facility Services Pvt. Ltd.	100%
ISS Management Services Pvt. Ltd.	100%
ISS Pest Control Services Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	49% [4)]
ISS Support Services Pvt. Ltd	100%
Modern Protection & Investigations Pvt. Ltd.	49% [4)]
Indonesia	
P.T. ISS Catering Services	0% [4)]
P.T. ISS Facility Services	100%
P.T. ISS Indonesia	0% [4)]
P.T. ISS Parking Management	0% [4)]
Ireland	
ISS Ireland Holding Ltd.	100%
ISS Ireland Ltd.	100%

NOTE 42 Subsidiaries, associates, joint ventures and SPEs (continued)

Israel	
A. Kfir Holding Ltd.	100%
Catering Ltd.	100%
Catering Tefen (1991) Ltd.	100%
Glat Chef Ltd.	50% 1)
I.S.S Outsourcing Ltd.	100%
ISS Ashmoret Ltd.	100%
ISS Integrated Facility Service Management Ltd.	100%
ISS Israel Manpower Services Ltd.	100%
ISS Israel Comprehensive Business Services Ltd.	100%
ISS Kfir Surveillance and Control Solutions Ltd.	100%
Kfir Surveillance and Electronic Systems Ltd.	100%
M.A.S.H. Mahatz Agencies (1997) Ltd.	100%
Norcat Ltd.	100%
Norfolk Enterprizes Ltd.	100%
Norfolk International Ltd.	100%
Italy	
ISS Facility Services S.r.l.	100%
Karmak S.p.A.	100%
Japan	
Nihon ISS KK	100%
Latvia	
ISS Namu Serviss SIA	100%
Lithuania	
ISS Pastatu Valda UAB	100%
Luxembourg	
ISS Facility Services S.A.	100%
ISS Luxintérim S.Á R.L.	100%
Malaysia	
ISS Facility Services Sdn. Bhd.	30% 4)
ISS Hygiene Services Sdn. Bhd.	100%
Kontrekleen Sdn. Bhd.	30% 4)
Reliance Suci Environmental Sdn. Bhd.	30% 4)
Mexico	
ISS Centro América, S de RL de CV	100%
ISS Facility Services, SA de CV	100%
ISS Servicios Adm., SA de CV Sociedad Fin. De Obj.	100%
ISS Servicios Gerenciales, S de RL de CV	100%
ISS Servicios Integrales, S de RL de CV	100%
Mantenimiento Ténico Tapnew, SA de CV	100%
Martex, SA de CV	100%
Servicoin, SA de CV	100%
Netherlands	
Groene Team B.V.	100%
ISS Arbo Plus B.V.	100%
ISS Building Maintenance Services B.V.	100%
ISS Catering Services B.V.	100%
ISS Cure & Care B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Hygiene Services B.V.	100%
Netherlands (continued)	
ISS Integrated Facility Services B.V.	100%
ISS Landscaping Services B.V.	100%
ISS Nederland B.V.	100%
ISS Plantscaping Services B.V.	100%
ISS Reception Services B.V.	100%
ISS Security Services B.V.	100%
TalentGroep Montaigne Facility Management B.V.	100%
New Zealand	
First Security Guard Services Ltd.	100%
ISS Facilities Services Ltd.	100%
ISS Holdings NZ Ltd.	100%
Norway	
ForvaltningsCompagniet AS	100%
Hero Holding AS	50% 1)
ISS Facility Services AS	100%
ISS Holding AS	100%
ISS Management AS	100%
ISS Personalhuset AS	100%
ISS Serveringspartner AS	100%
ISS Service Management AS	100%
ISS Skadeservice AS	100%
NSB Trafikkservice AS	45% 2)
Personalhuset Rignes AS	50% 1)
Raufoss Beredskap AS	51%
Reaktorskolen AS	100%
Panama	
ISS Panama S.A.	100%
Peru	
ISS Peru S.A.C.	100%
Philippines	
ISS Facility Services Phils., Inc.	100%
Poland	
ISS Facility Services Sp. Z.o.o.	100%
ISS MS Sp. Z.o.o.	100%
ISS RS Sp. Z.o.o.	100%
Portugal	
ISS Facility Services, Lda.	100%
ISS FS Açores, Lda.	100%
ISS Human Resources, Lda.	100%
ISS Pest Control, Lda.	100%
ISS Plantiagro, Lda.	100%
ISS Portugal II, Lda.	100%
Puerto Rico	
ISS Facility Services Puerto Rico, Inc.	100%
Romania	
3D Romania S.A.	100%
ISS Facility Services S.R.L.	100%
ISS Romania Group S.R.L.	100%

NOTE 42 Subsidiaries, associates, joint ventures and SPEs (continued)

Russia

Facility Services RUS LLC	100%

Singapore

ISS Catering Pte. Ltd.	100%
ISS Catering Services Pte. Ltd.	100%
ISS Facility Services Private Limited	100%
ISS Hydroculture Pte. Ltd.	100%
ISS Landscaping Pte. Ltd.	100%
ISS M&E Pte. Ltd.	100%
ISS Pest Management Pte. Ltd.	100%
ISS Sanitation Services Pte. Ltd.	100%
ISS-CDCS Catering Pte. Ltd.	100%
Serve 1st Services Pte. Ltd.	100%

Slovakia

ISS Facility Services spol s.r.o.	100%
ISS Security, spol, s.r.o.	100%

Slovenia

ISS Facility Services d.o.o.	100%
ISS Global d.o.o.	100%
ISS Global storitve d.o.o.	100%
Magnetik d.o.o.	100%

South Africa

ISS Facility Services (Pty) Limited	100%

Spain

Centro de Actividades Formativas y Educacionales S.L.	100%
Cocina Mediterránea Clásica, S.L.	100%
Fabri Facility Management, S.L.	100%
Gelim Andalucia S.A.	100%
Gelim Asturias S.A.	100%
Gelim Baleares S.A.	100%
Gelim Canarias S.A.	100%
Gelim Galicia S.A.	100%
Gelim Madrid S.A.	100%
Gelim S.A.	100%
Gelim Valencia S.A.	100%
Integrated Service Solutions S.L.	100%
ISS Activa Educacional S.L.	100%
ISS Facility Services S.A.	100%
ISS Financiera Corporativa S.L.	0% 3)
ISS Higiene Ambiental 3D S.A.	100%
ISS Logistica Producción y Outsourcing S.L.	100%
ISS Mediterranean Vending Solutions S.L.	100%
ISS Salud y Servicios Sociosanitarios S.A.	100%
ISS Serv. Auxiliares y Complem. de Oficinas S.A.	100%
ISS Serv. de Informacíon y Control de Accesos, S.L.	100%
ISS Soluciones de Catering S.L.	100%
ISS Soluciones de Jardinería S.L.	100%
ISS Soluciones de Mantenimiento Gestión Integral S.L.	100%
ISS Soluciones de Seguridad S.L.	100%
UTE Ferriss-ISS	70% 1)

Sri Lanka

ISS Abans Environmental Services (PT) Ltd.	50% 1)

Sweden

ISS Facility Services AB	100%
ISS Facility Services Holding AB	100%
ISS Palvelut Holding AB	100%
ISS TraffiCare AB	100%

Switzerland

ISS Aviation AG	100%
ISS Bernasconi SA	100%
ISS Facility Services (Liechtenstein) AG	100%
ISS Facility Services AG	100%
ISS FM Services AG	100%
ISS Holding AG	100%
ISS Jakober AG	100%
ISS Kanal Services AG	100%
ISS Pest Control AG	100%
ISS Schweiz AG	100%
ISS Security AG	100%

Taiwan

ISS Facility Services Ltd.	100%
ISS Security Ltd.	100%

Thailand

ISS Facility Services Co., Ltd.	100%
ISS Security Services Co Ltd.	100%
ISS Support Services Co., Ltd.	100%
Notre-Bel Co., Ltd.	100%

Turkey

CMC Iletişim Bilgi Reklam ve D. Hiz. Ve San. Tic. A.Ş.	90% 5)
ISS Hasere Kontrol Hizmetleri A.Ş.	90% 5)
ISS Tesis Yönetim Hizmetleri A.Ş.	90% 5)
Proser Koruma ve Güvenlik Hizmetleri A.Ş.	90% 5)
Sardunya Hazir Yemek Uretim ve Hizmet A.Ş.	90% 5)

United Kingdom

ISS Collections Ltd.	0% 3)
ISS Damage Control (Scotland) Ltd.	100%
ISS Damage Control Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Financing Plc.	0% 3)
ISS Mediclean Ltd.	100%
ISS UK Holding Ltd.	100%
ISS UK Ltd.	100%
Pegasus Security Holdings Ltd.	100%
Spectrum Franchising Ltd.	100%
Spectrum Holdings Ltd.	100%

Uruguay

Falcri Ltda.	100%
Habitue S.A.	100%
ISS Uruguay S.A.	100%
Samilar S.A.	100%

NOTE 42 Subsidiaries, associates, joint ventures and SPEs (continued)

USA	
C&S Building Maintenance Corporation	100%
ISS Facility Services Holding, Inc.	100%
ISS Facility Services of California, Inc.	100%
ISS Facility Services of Texas, LP	100%
ISS Facility Services, Inc.	100%
ISS GP Inc.	100%
ISS Grounds Control of Texas, LP	100%
ISS Grounds Control, Inc.	100%
ISS Holding (USA) Inc.	100%
ISS Management and Finance Co., Inc.	100%
ISS Specialty Services, LLC	100%
ISS TMC Services, Inc.	100%
ISS Uniguard, Inc.	100%
TMC Ridge, LLC	100%
Tri-Enterprise Construction, LLC	100%
Venezuela	
ISS Facilitie Services Venezuela C.A.	100%

1) Joint venture
2) Associate
3) Special Purpose Entity (SPE)
4) By virtue of the governance structure, the Group has the power to govern the financial and operating policies of the company. Consequently, the company is consolidated as a subsidiary.
5) The non-controlling shareholder holds a put option which is accounted for as if the put option has already been exercised. Accordingly, the subsidiary is consolidated with no non-controlling interest.

Markku Lonka, Aircraft Service Trainer, Helsinki-Vantaa Airport, ISS Finland

Financial statements
Parent company

"I feel privileged to be able to help people in need and make them smile"

Khristine Cusi, Assistant Shift Leader,
Singapore General Hospital, ISS Singapore

SINGAPORE GENERAL HOSPITAL (SGH) is Singapore's flagship tertiary hospital with almost 190 years of history. SGH caters to over 1 million patients every year. With a 7,500-strong multi-generation diversified workforce, SGH accounts for about a quarter of the total acute hospital beds in the public sector. ISS provides SGH with cleaning and bed-making services, portering services, concierge services, non-emergency ambulance services, indoor plants services, pest control services, screening counter services, facility management combined with maintenance and engineering services.

Income statement of the parent company

1 January – 31 December

DKK million	Note	2011	2010
Other operating expenses	3	(3)	(3)
Operating profit/(loss) before other items		**(3)**	**(3)**
Other expenses	4	(96)	(17)
Operating profit/(loss)		**(99)**	**(20)**
Financial income	5	77	69
Financial expenses	5	(696)	(667)
Profit/(loss) before tax		**(718)**	**(618)**
Income taxes	6	45	67
Net profit/(loss) for the year		**(673)**	**(551)**
Attributable to:			
Owners of ISS A/S		(673)	(551)
Net profit/(loss) for the year		**(673)**	**(551)**

Statement of comprehensive income of the parent company

1 January – 31 December

DKK million	Note	2011	2010
Net profit/(loss) for the year		**(673)**	**(551)**
Other comprehensive income			
Fair value adjustment of hedges, net	16	(3)	(18)
Fair value adjustment of hedges, net, transferred to Financial expenses	16	9	69
Tax on other comprehensive income	6, 13	(2)	(12)
Total other comprehensive income		**4**	**39**
Total comprehensive income for the year		**(669)**	**(512)**
Attributable to:			
Owners of ISS A/S		(669)	(512)
Total comprehensive income for the year		**(669)**	**(512)**

Statement of cash flows of the parent company

1 January – 31 December

DKK million	Note	2011	2010
Operating profit/(loss) before other items		(3)	(3)
Changes in working capital		0	0
Other expenses paid		(92)	(16)
Joint taxation contribution received, net	13	177	93
Cash flow from operating activities		**82**	**74**
Proceeds from borrowings		(17)	940
Interest received from companies within the ISS Group		51	69
Interest paid, external		(636)	(618)
Interest paid to companies within the ISS Group		(4)	-
Payments (to)/from companies within the ISS Group, net		524	(465)
Cash flow from financing activities		**(82)**	**(74)**
Total cash flow		**0**	**0**
Cash and cash equivalents at 1 January		0	0
Total cash flow		0	0
Cash and cash equivalents at 31 December	11	**0**	**0**

Statement of financial position of the parent company

At 31 December

DKK million	Note	2011	2010
Assets			
Investment in subsidiary	7	14,153	14,153
Receivables from companies within the ISS Group	11	1,333	352
Non-current assets		**15,486**	**14,505**
Receivables from companies within the ISS Group	11	4	605
Other receivables	11	0	25
Cash and cash equivalents	11	0	0
Current assets		**4**	**630**
Total assets		**15,490**	**15,135**

DKK million	Note	2011	2010
Equity and liabilities			
Total equity	9	**5,679**	**6,348**
Loans and borrowings	10, 11	8,711	8,689
Non-current liabilities		**8,711**	**8,689**
Loans and borrowings	10, 11	938	9
Trade payables	11	7	11
Other liabilities		55	78
Tax payables	13	100	-
Current liabilities		**1,100**	**98**
Total liabilities		**9,811**	**8,787**
Total equity and liabilities		**15,490**	**15,135**

Statement of changes in equity of the parent company

1 January – 31 December

DKK million	Share capital	Share premium	Retained earnings	Hedging reserve	Total
Equity at 1 January 2011	**100**	**7,772**	**(1,488)**	**(36)**	**6,348**
Comprehensive income for the year					
Net profit/(loss) for the year	**-**	**-**	**(673)**	**-**	**(673)**
Other comprehensive income					
Adjustment relating to previous years	-	-	(30)	30	-
Fair value adjustment of hedges, net	-	-	-	(3)	(3)
Fair value adjustment of hedges, net, transferred to Financial expenses	-	-	-	9	9
Tax on other comprehensive income	-	-	-	(2)	(2)
Total other comprehensive income	**-**	**-**	**(30)**	**34**	**4**
Total comprehensive income for the year	**-**	**-**	**(703)**	**34**	**(669)**
Total changes in equity	**-**	**-**	**(703)**	**34**	**(669)**
Equity at 31 December 2011	**100**	**7,772**	**(2,191)**	**(2)**	**5,679**

DKK million	Share capital	Share premium	Retained earnings	Hedging reserve	Total
Equity at 1 January 2010	**100**	**7,772**	**(937)**	**(75)**	**6,860**
Comprehensive income for the year					
Net profit/(loss) for the year	**-**	**-**	**(551)**	**-**	**(551)**
Other comprehensive income					
Fair value adjustment of hedges, net	-	-	-	(18)	(18)
Fair value adjustment of hedges, net, transferred to Financial expenses	-	-	-	69	69
Tax on other comprehensive income				(12)	(12)
Total other comprehensive income	**-**	**-**	**-**	**39**	**39**
Total comprehensive income for the year	**-**	**-**	**(551)**	**39**	**(512)**
Total changes in equity	**-**	**-**	**(551)**	**39**	**(512)**
Equity at 31 December 2010	**100**	**7,772**	**(1,488)**	**(36)**	**6,348**

Dividends

No dividends have been proposed or declared before the Annual Report was issued.

Notes to the parent company financial statements

NOTE 1 Significant accounting policies

Statement of compliance

The financial statements of ISS A/S have beeen prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for financial statements (class D).

In addition, the financial statements have been prepared in compliance with the IFRSs issued by the IASB.

Changes in accounting policies

Changes in accounting policies are described in note 1 to the Group's consolidated financial statements.

Description of accounting policies

With the exception of the items described below, the accounting policies for ISS A/S are identical to the Group's accounting policies, which are described in note 1 to the consolidated financial statements.

Foreign currency Foreign exchange adjustments of balances with foreign entities which are considered part of the total net investment in the entity are recognised in the income statement of the parent company under Financial income or Financial expenses.

Income statement

Income from subsidiary comprises dividends and gains and losses from divestment of subsidiaries. Dividends are recognised in the income statement in the financial year in which the dividend is declared. If dividends declared exceed the total comprehensive income for the year, an impairment test is performed.

Statement of financial position

Investment in subsidiary is measured at cost, which comprises consideration transferred measured at fair value and any directly attributable transaction costs. If there is indication of impairment, an impairment test is performed as described in the accounting policies in note 1 to the consolidated financial statements. Where the recoverable amount is lower than the cost, the investment is written down to this lower value.

If dividends declared exceed retained earnings of the subsidiary, the cost of the subsidiary is reduced, when the distribution is regarded as repayment of the parent's investment.

Tax As required by Danish legislation ISS A/S is jointly taxed with all Danish resident subsidiaries. With effect from 2011, ISS A/S acts as management company for the joint taxation and consequently pays all income taxes on behalf of the Danish resident 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 or Financial expenses.

NOTE 2 Critical accounting estimates and judgements

Critical accounting estimates and judgements relating to the applied accounting policies for ISS A/S are the same as for the Group to the extent of similar accounting items, see note 2 to the consolidated financial statements for a description. In addition, estimates and judgements are required for measurement of ISS A/S's investment in subsidiary as described below. Furthermore, the specific risks for ISS A/S are described in the notes to the financial statements of the parent company.

Investment in subsidiary is tested for impairment when there is an indication that the investment may be impaired. The assessment of whether there is an indication of impairment is based on both external and internal sources of information such as performance of the subsidiary, significant decline in market values etc.

NOTE 3 Fees to auditors elected at the Annual General Meeting

DKK million	2011	2010
KPMG		
Audit fees	1	1
Other assurance services	18	9
Other services	-	0
Total KPMG	**19**	**10**

Audit fees comprised audit of the financial statements.

Other assurance services in 2011 comprised mainly work related to the exit processes as well as half-year review. The costs related to the exit processes were included in Other expenses.

NOTE 4 Other expenses

DKK million	2011	2010
Costs related to exit processes	(96)	(17)
Other expenses	**(96)**	**(17)**

Costs related to exit processes comprised costs for external advisors incurred mainly as part of the initiated IPO process. The IPO was cancelled in March 2011 due to the extraordinarily high level of uncertainty and volatility in the global financial markets.

NOTE 5 Financial income and financial expenses

DKK million	2011	2010
Interest income on cash and cash equivalents etc.	0	0
Interest income from companies within the ISS Group	51	69
Foreign exchange gains	26	-
Financial income	**77**	**69**
Hereof financial income on financial assets measured at amortised cost	**51**	**69**
Interest expenses on loans and borrowings etc.	(624)	(570)
Interest expenses to companies within the ISS Group	(4)	-
Amortisation of financing fees	(59)	(24)
Net change in fair value of cash flow hedges transferred from equity	(9)	(69)
Foreign exchange losses	-	(4)
Financial expenses	**(696)**	**(667)**
Hereof financial expenses on financial liabilities measured at amortised cost	**(683)**	**(594)**

Amortisation of financing fees Effective 24 June 2011, ISS extended certain tranches under its Senior Facilities Agreement and implemented other amendments intended to increase the operational flexibility. Please refer to note, 10, Loans and borrowings for further details. As a result of these changes, unamortised financing fees in the amount of DKK 38 million relating to the previous tranches were expensed.

NOTE 6 Income taxes

DKK million	2011	2010
Current tax regarding Net profit/(loss) before tax	41	155
Deferred tax regarding Net profit/(loss) before tax	-	(89)
Tax on Net profit/(loss) before tax	41	66
Adjustments relating to prior years, net	4	1
Income taxes	**45**	**67**

Income tax recognised in other comprehensive income

	2011			2010		
DKK million	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Fair value adjustment of hedges, net	(3)	1	(2)	(18)	5	(13)
Fair value adjustment of hedges, net, transferred to Financial expenses	9	(3)	6	69	(17)	52
Total recognised in other comprehensive income	**6**	**(2)**	**4**	**51**	**(12)**	**39**

NOTE 7 Investment in subsidiary

DKK million	2011	2010
Cost at 1 January	22,050	22,050
Cost at 31 December	**22,050**	**22,050**
Revaluation at 1 January	(7,897)	(7,897)
Revaluation at 31 December	**(7,897)**	**(7,897)**
Carrying amount at 31 December	**14,153**	**14,153**

Subsidiary	Share %	Share %
ISS World Services A/S, Copenhagen, Denmark	100	100

NOTE 8 Deferred tax

DKK million	2011	2010
Deferred tax assets/(liabilities), net at 1 January	-	89
Tax on Net profit/(loss) before tax	-	(89)
Deferred tax assets/(liabilities), net at 31 December	**-**	**-**

Deferred tax assets relating to tax losses carried forward are only recognised to the extent that it is more likely than not that future taxable profit will be available against which the unused tax losses can be utilised in the foreseeable future. ISS A/S has unrecognised deferred tax assets regarding tax losses carried forward of DKK 1 million (2010: DKK 1 million). The unrecognised tax losses can be carried forward indefinitely.

NOTE 9 Share capital

	2011		2010	
	Nominal value (DKK million)	Number of shares (in thousands)	Nominal value (DKK million)	Number of shares (in thousands)
Share capital at 1 January	100	100,000	100	100,000
Share capital at 31 December	**100**	**100,000**	**100**	**100,000**

At 31 December 2011, a total of 100,000,001 shares with a nominal value of DKK 1 per share were issued and fully paid (2010: 100,000,001 shares). No shares carry special rights. At 31 December 2011, shares were not freely transferable, as any transfer thereof required the consent of the Board of Directors as set out in the Articles of Association.

NOTE 10 Loans and borrowings

DKK million	2011	2010
Issued bonds	4,262	4,259
Bank loans	4,446	4,430
Debt to companies within the ISS Group	938	-
Derivatives	3	9
Total loans and borrowings	**9,649**	**8,698**
Loans and borrowings are recognised in the statement of financial position as follows:		
Non-current liabilities	8,711	8,689
Current liabilities	938	9
Total loans and borrowings	**9,649**	**8,698**

The fair value of loans and borrowings is disclosed in note 11, Financial assets and liabilities.

In 2011, financing fees amounting to DKK 17 million (2010: DKK 11 million) have been recognised in loans and borrowings while accumulated financing fees recognised in loans and borrowings on 31 December 2011 amounted to DKK 76 million (2010: DKK 118 million).

Terms and maturity of loans and borrowings

DKK million	Nominal interest rate	Average effective interest rate	Interest rate	Year of maturity	Face value	Amount hedged	2011 Carrying amount	2010 Carrying amount
Issued bonds:								
Subordinated Notes (2016)	8.875%	9.02%	Fixed	2016	4,323	-	4,262	4,259
Bank loans:								
Second Lien Facility	Euribor + 3.75%	5.14%	Floating	2015	597	-	597	4,430
Second Lien Facility	Euribor + 4.25%	5.67%	Floating	2015	3,864	1,487	3,849	-
Debt to companies within the ISS Group	Euribor + 4.375%	5.41%	Floating	2013	938	-	938	-
Derivatives:								
Interest rate swaps	-	-	-	-	-	-	3	9
Loans and borrowings	**-**	**7.00%**	**-**	**-**	**9,722**	**1,487**	**9,649**	**8,698**

Effective 24 June 2011, ISS extended certain tranches under its Senior Facilities Agreement and implemented other amendments intended to increase the operational flexibility. Consequently, an interest margin increase of 50 bps was applied for the lenders in the Second Lien Facility that consented to the amendments. The refinancing was executed as a non-cash transaction.

NOTE 10 Loans and borrowings (continued)

Maturity profile of loans and borrowings

The contractual maturities of loans and borrowings based on undiscounted contractual cash flows, including interest payments, estimated based on expectations at the reporting date, are shown below:

	2011							
DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	4,262	6,002	384	384	384	384	4,466	-
Other loans and borrowings	5,384	6,258	1,175	234	252	4,597	-	-
Total loans and borrowings excluding derivatives	**9,646**	**12,260**	**1,559**	**618**	**636**	**4,981**	**4,466**	**-**
Hereof estimated interest payments	**-**	**2,538**	**621**	**618**	**636**	**520**	**143**	**-**
Interest rate swaps	3	3	2	1	-	-	-	-
Total derivatives	**3**	**3**	**2**	**1**	**-**	**-**	**-**	**-**

	2010							
DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	4,259	6,403	385	385	385	385	385	4,478
Other loans and borrowings	4,430	5,692	222	248	279	308	4,635	-
Total loans and borrowings excluding derivatives	**8,689**	**12,095**	**607**	**633**	**664**	**693**	**5,020**	**4,478**
Hereof estimated interest payments	**-**	**3,287**	**607**	**633**	**664**	**693**	**547**	**143**
Interest rate swaps	9	9	9	-	-	-	-	-
Total derivatives	**9**	**9**	**9**	**-**	**-**	**-**	**-**	**-**

NOTE 11 Financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts in the statement of financial position, are shown below:

DKK million	Note	2011 Carrying amount	2011 Fair value	2010 Carrying amount	2010 Fair value
Receivables from companies within the ISS Group [1]		1,337	1,337	957	957
Cash and cash equivalents [2]		0	0	0	0
Loans and receivables		**1,337**	**1,337**	**957**	**957**
Derivative financial instruments designated as cash flow hedge	16	3	3	9	9
Financial liabilities used as hedging		**3**	**3**	**9**	**9**
Issued bonds	10	4,262	4,156	4,259	4,491
Bank loans	10	4,446	4,461	4,430	4,473
Debt to companies within the ISS Group	10	938	938	-	-
Trade payables		7	7	11	11
Financial liabilities measured at amortised cost		**9,653**	**9,562**	**8,700**	**8,975**

[1] The effective interest rate was 8.1% (2010: 6.8%).
[2] The effective interest rate was 0.3% (2010: 0.4%).

NOTE 12 Remuneration to the Board of Directors and the Executive Group Management Board

DKK thousand	2011 Board of Directors	2011 Executive Group Management Board	2010 Board of Directors	2010 Executive Group Management Board
Salaries and other remuneration	3,999	13,893	2,173	15,003
Bonus	-	2,850	-	5,450
Severance payments [1]	-	15,607	-	16,204
Share-based payments [2]	-	233	-	233
Total remuneration	**3,999**	**32,583**	**2,173**	**36,890**

[1] Severance payments of DKK 16 million (2010: DKK 16 million) related to senior management changes at Corporate and were included in Other income and expenses, net in ISS World Services A/S.
[2] Included in Other income and expenses, net in ISS World Services A/S.

NOTE 12 Remuneration to the Board of Directors and the Executive Group Management Board (continued)

	2011			2010		
DKK thousand	Jeff Gravenhorst	Henrik Andersen	Jakob Stausholm (former CFO)	Jeff Gravenhorst	Jakob Stausholm	Jørgen Lindegaard (former CEO)
Salaries and other remuneration [1]	7,858	533	5,502	7,263	5,662	2,078
Bonus	2,850	-	-	2,750	2,700	-
Severance payments [2]	-	-	15,607	-	-	16,204
Share-based payments [3]	233	-	-	233	-	-
Total remuneration	**10,941**	**533**	**21,109**	**10,246**	**8,362**	**18,282**

Remuneration to the Board of Directors and the Executive Group Management Board is paid by ISS World Services A/S and is described in note 5 to the consolidated financial statements. The Group's warrant programme is descibed in note 6 to the consolidated financial statements.

[1] Henrik Andersen replaced Jakob Stausholm as Group CFO with effect from 1 December 2011. Consequently, salaries and other remuneration for 2011 reflect their respective remuneration when holding the position as Group CFO.
[2] Severance payments of DKK 16 million (2010: DKK 16 million) related to senior management changes at Corporate and were included in Other income and expenses, net in ISS World Services A/S.
[3] Included in Other income and expenses, net in ISS World Services A/S.

NOTE 13 Tax receivables and tax payables

DKK million	2011	2010
Tax (receivables)/payables, net at 1 January	-	-
Adjustment relating to prior years, net	(4)	(1)
Tax on Net profit/(loss) before tax	(41)	(155)
Tax on other comprehensive income	2	12
Joint taxation contribution	(34)	51
Joint taxation contribution received, net	177	93
Tax (receivables)/payables, net at 31 December	**100**	**-**

NOTE 14 Contingent liabilities, pledges and guarantees

Senior Facility Agreement

ISS A/S has executed a share pledge over its shares in ISS World Services A/S as security for the Group's senior facilities and a secondary share pledge over such shares as security for the Subordinated Notes issued by ISS A/S.

ISS World Services A/S, ISS Global A/S and certain material subsidiaries of ISS Global A/S in Australia, Belgium, Denmark, Finland, France, Germany, the Netherlands, Norway, Spain, Sweden, the United Kingdom and the USA have provided guarantees for ISS Global A/S's borrowings under the senior facilities. The guarantees have been backed up by security over bank accounts, trade receivables, intra-group receivables, other receivables, properties, production equipment and intellectual property rights of ISS World Services A/S and these subsidiaries.

In addition, the shares in ISS Global A/S's material subsidiaries and shares in certain of their subsidiaries as well as shares in certain subsidiaries in Austria, Brazil, the Czech Republic, Hong Kong, Ireland, Israel, Portugal, New Zealand, Singapore and Switzerland have been pledged.

VAT

ISS A/S and certain Danish Group companies are jointly registered for VAT and are jointly liable for the payment hereof.

NOTE 15 Financial risk management

ISS A/S's financial risks are managed centrally by Group treasury based on the treasury policy approved by the Board of Directors. The policy is described in note 36 to the consolidated financial statements. The risks specific to ISS A/S are described below.

Currency risk

Currency risk is the risk that arises from changes in exchange rates and affect ISS A/S's result or value of financial instruments.

Currency exposure related to loans and borrowings and intercompany receivables (financial risk)

To a limited extent ISS A/S is exposed to currency risk on loans and borrowings and intercompany receivables as they are primarily denominated in EUR.

Sensitivity analysis Based on the Group's internal monitoring processes, it is estimated that a change in relevant foreign exchange rates would have increased/(decreased) profit for the year and other comprehensive income by the amounts shown below. The analysis is based on foreign exchange rate variances that ISS A/S considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2011					
	Face value	Carrying amount		Sensitivity		
DKK million	Net debt exposure	Derivative financial instruments (cash flow hedges)	Total	Increase in foreign exchange rates	Profit for the year	Other comprehensive income
EUR/DKK	(7,618)	(3)	(7,621)	1%	(76)	(76)
GBP/DKK	76	-	76	10%	8	8
NOK/DKK	93	-	93	5%	5	5
Total	**(7,449)**	**(3)**	**(7,452)**			

	2010					
	Face value	Carrying amount		Sensitivity		
DKK million	Net debt exposure	Derivative financial instruments (cash flow hedges)	Total	Increase in foreign exchange rates	Profit for the year	Other comprehensive income
EUR/DKK	(8,189)	(9)	(8,198)	1%	(82)	(82)
GBP/DKK	74	-	74	10%	7	7
NOK/DKK	92	-	92	5%	5	5
Total	**(8,023)**	**(9)**	**(8,032)**			

NOTE 15 Financial risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments, primarily bank loans and issued bonds. ISS A/S's exposure towards interest rates is illustrated in note 10, Loans and borrowings, where a breakdown of ISS A/S's loans and borrowings in floating and fixed rates is provided.

Sensitivity analysis The interest rate risk is measured by the duration of the net debt (fixed-rate period). As at 31 December 2011, the duration of net debt was approximately 2.5 years (31 December 2010: 2.7 years). A decrease in interest rates will increase the fair value of loans and borrowings with a fixed interest rate, but only part of this increase will be reflected in the income statement and other comprehensive income as loans and borrowings are measured at amortised cost and therefore not adjusted to fair value.

It is estimated that a general increase in relevant interest rates of 1%-point would have increased/(decreased) profit for the year and other comprehensive income by the amounts shown below. The estimate is based on net debt adjusted for the effect of hedging instruments as at 31 December 2011. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	2011		2010	
DKK million	Profit for the year	Other comprehensive income	Profit for the year	Other comprehensive income
Loans and borrowings	(39)	(39)	(4)	(4)
Derivatives, interest rate swaps	-	26	-	0

Liquidity risk

Liquidity risk results from ISS A/S's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity. ISS A/S is a holding company and its primary assets consist of shares in ISS World Services A/S and receivables from companies within the ISS Group. ISS A/S has no revenue generating activities of its own, and therefore ISS A/S's cash flow and ability to service its indebtedness, will depend primarily on the operating performance and financial condition of ISS World Services A/S and its operating subsidiaries, and the receipt by ISS A/S of funds from ISS World Services A/S and its subsidiaries in the form of dividends or otherwise.

Credit risk

Credit risk is the risk of financial loss inflicted on ISS A/S if a counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from ISS A/S's transactions with financial institutions. The credit risk is limited as ISS A/S has no revenue generating activities of its own and therefore no trade receivables as well as limited cash and cash equivalents.

NOTE 16 Derivatives

Hedging of forecasted transactions (cash flow hedges)

ISS A/S uses interest rate swaps to hedge the exposure to variability in future cash flows due to changes in interest rates on bank loans with a variable interest rate. The swaps convert a part of the floating rates within the bank loans to fixed interest rates.

	2011			
DKK million	Contractual value	Negative fair value at 31 December	Fair value adjustment recognised in other comprehensive income for the year	Expected recognition in the income statement
EUR	1,487	(3)	6	2013
Total cash flow hedges	**1,487**	**(3)**	**6**	**-**

NOTE 16 Derivatives (continued)

	2010			
DKK million	Contractual value	Negative fair value at 31 December	Fair value adjustment recognised in other comprehensive income for the year	Expected recognition in the income statement
EUR	4,025	(9)	51	2011
Total cash flow hedges	**4,025**	**(9)**	**51**	**-**

In 2011 and 2010, no ineffectiveness was recognised in the income statement.

Recognised in the statement of comprehensive income as follows:

DKK million	2011	2010
Fair value adjustments of cash flow hedges, net	(3)	(18)
Fair value adjustments of cash flow hedges, net, transferred to Financial expenses	9	69
Fair value adjustment recognised in other comprehensive income for the year	**6**	**51**

NOTE 17 Related parties

In addition to the description in note 38 to the consolidated financial statements of related parties and transactions with these, related parties of ISS A/S comprise ISS World Services A/S and its subsidiaries, associates, joint ventures and SPEs, see note 42 to the consolidated financial statements.

In 2011, ISS A/S had the following transactions with other related parties, which were all made on market terms:

- ISS A/S received/paid interest from/to ISS Global A/S and other companies within the ISS Group, see note 5, Financial income and financial expenses.
- ISS A/S received/paid joint taxation contribution equal to 25% of taxable income from/to jointly taxed Danish resident subsidiaries, see note 13, Tax receivables and tax payables.

NOTE 18 New standards and interpretations not yet implemented

New standards and interpretations not yet implemented are described in note 41 to the Group's consolidated financial statements.

Management statement

Copenhagen, 5 March 2012

The Board of Directors and the Executive Group Management Board have today discussed and approved the Annual Report 2011 of ISS A/S. The Annual Report 2011 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports.

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2011 and of the results of the Group's and the parent company's operations and cash flows for the financial year 2011. Furthermore, in our opinion the Management review gives a fair review of the development and performance of the Group's and the parent company's activities and of the Group's and the parent company's financial position taken as a whole, together with a description of the most significant risks and uncertainties that the Group and parent company may face. In addition, the section Capital Structure pages 159-163 gives a fair review of the development of the Group's capital structure.

Executive Group Management Board

Jeff Gravenhorst
Group Chief Executive Officer

Henrik Andersen
Group Chief Financial Officer

Board of Directors

Ole Andersen
Chairman

Leif Östling
Deputy Chairman

John Allan

Jennie Chua

Michel Combes

Harry Klagsbrun

Steven Sher

Pernille Benborg [1)]

Peter J. Jørgensen [1)]

Joseph Nazareth [1)]

Palle Fransen Queck [1)]

[1)] Employee representative.

Independent auditor's report

Report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of ISS A/S for the financial year 1 January – 31 December 2011, pages 63–153. The consolidated financial statements and the parent company financial statements comprise Income statement, Statement of comprehensive income, Statement of cash flows, Statement of financial position, Statement of changes in equity and Notes for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2011 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Statement on the Management review

Pursuant to the Danish Financial Statements Act, we have read the Management review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 5 March 2012
KPMG
Statsautoriseret Revisionspartnerselskab

Jesper Ridder Olsen
State Authorised
Public Accountant

Claus Kronbak
State Authorised
Public Accountant

Nick Young, Cleaner, McLaren, ISS United Kingdom

Additional information

"I'm not just a gardener, I manage my whole team's growth"

Czapura Laurant, Head Gardener,
Saint Cyr Academy, ISS France

SAINT CYR ACADEMY is a prestigious French Military school, with up to 750 students from secondary to prep school. Its primary purpose is educating military officers' and civil servants' children. Close to the Château de Versailles, the Military School is settled on a beautiful 40 hectare park with formal gardens, woods, and a big lawn called the 'Marchfeld' traditionally used for military training sessions. ISS takes care of the park and delivers services like hedge-cutting, grass-cutting, tree trimming and leave picking-up.

Capital structure

General

Cash flow and in particular working capital is a high focus area for ISS. The ISS approach to working capital is structured and well proven through the continued delivery of a steady cash flow.

The approach for improving capital efficiency primarily consists of the following tools:

- Working capital projects which focus on the order-to-cash process and in particular sharing of best practices within the Group, creating awareness of the different components influencing working capital and strengthening internal training to continue anchoring the cash flow culture across various functions (sales, finance, etc.).
- Focus on especially three categories of the trade receivables being overdue receivables, work in progress and unbilled receivables.
- Standardised reporting of cash flow forecasts and ongoing follow up in order to monitor the cash performance on a regular basis.
- Inclusion of cash performance in the Group incentive structure.

The approach is becoming increasingly important as cash flow is impacted by high organic growth as well as the global economic situation. However, with a cash conversion of 93% in 2011, the structured approach has again resulted in good results taking the economic environment into consideration.

Share capital

ISS A/S is indirectly owned by funds advised by EQT Partners and Goldman Sachs Capital Partners, which hold 54% and 44% of the share capital, respectively. In addition, certain members of the Board of Directors, the Executive Group Management Board and a number of senior officers of ISS hold in aggregate approximately 2% of the share capital through Directors' and Management Participation Programmes. At 31 December 2011, the carrying amount of Shareholders' Equity (including non-controlling interests) was DKK 2,082 million.

CORPORATE CREDIT RATINGS

Standard & Poor's	BB-
Moody's	B2

ISS A/S Senior Subordinated Notes

Issuer	ISS A/S
Bloomberg	ISS DC
Standard & Poor's rating	B
Moody's rating	Caa1
Listing	Luxembourg
Amount outstanding	EUR 581.5 million
Maturity date	15 May 2016
Coupon	8.875%
ISIN securities code	XS0253470644
Reuters	DK025347064=

ISS Global A/S Medium Term Notes

Issuer	ISS Global A/S
Bloomberg	ISS DC
Standard & Poor's rating	B
Listing	Luxembourg
Amount outstanding	EUR 110.4 million
Maturity date	8 December 2014
Coupon	4.50%
ISIN securities code	XS0206714247
Reuters	DK020671424=

ISS Financing plc Senior Notes

Issuer	ISS Financing plc
Bloomberg	ISS DC
Standard & Poor's rating	B
Listing	Luxembourg
Amount outstanding	EUR 525 million
Maturity date	15 June 2014
Coupon	11.0%
ISIN securities code	XS0441258117
Reuters	DK0441258117=

Credit ratings

Standard & Poor's (S&P) continues to assign a BB- long-term credit rating of ISS A/S and its wholly owned subsidiaries, ISS World Services A/S and ISS Global A/S (ISS Global), and Moody's assigns a B2 corporate rating of ISS with a positive outlook. S&P has assigned the bonds issued by ISS A/S, ISS Global's EMTN programme as well as the Senior Notes issued by ISS Financing plc a B rating and Moody's has assigned the Subordinated Notes issued by ISS A/S a Caa1 rating.

Bonds

ISS A/S has issued EUR 581.5 million 8.875% Senior Subordinated Notes maturing on 15 May 2016. The original EUR 454 million were issued on 8 May 2006, and on 30 March 2010, an additional EUR 127.5 million were issued under the same indenture. The notes are listed and traded on the Euro MTF market of the Luxembourg Stock Exchange.

ISS Global has issued EUR 110.4 million of 4.50% senior unsecured Medium Term Notes maturing on 8 December 2014. The notes are listed on the Luxembourg Stock Exchange and traded on the regulated market of the Luxembourg Stock Exchange.

ISS Financing Plc, a special purpose vehicle, has issued EUR 525 million of 11% Senior Notes maturing on 15 June 2014. The notes are listed and traded on the Euro MTF market of the Luxembourg Stock Exchange.

Bank loans

Senior Credit Facilities

ISS A/S and its subsidiaries are borrowers under a Senior Credit Facility consisting of Term Loans, Acquisition Facilities, a Revolving Credit Facility and a Letter of Credit Facility. The facilities mature between 2012 and 2015. The Senior Credit Facilities include customary loan covenant clauses, which are all complied with. The senior lenders comprise a syndicate of international banks and institutional investors.

At 31 December 2011, ISS had Senior Credit Facilities of DKK 19,6 billion under which DKK 17,6 billion was drawn and DKK 0.8 billion was allocated to support performance bonds issued by operating subsidiaries.

ISS announced on 22 June 2011 that it had successfully received lender consent to extend certain tranches under its Senior Facilities Agreement and to implement other amendments intended to increase the operational flexibility. Consequently, 96% of the Term Facility B and Acquisition Facility B were extended from 2013 to April 2015, and 98% of the Revolving Credit Facility and the Letter of Credit Facility were extended from 2012 to December 2014. An interest margin increase of 150 bps applies across these extended tranches, and furthermore an interest margin increase of 50 bps applies for the lenders in the Second Lien Facility that consented to the amendments. As part of the amendments lenders approved the capacity to increase the Revolving Credit Facility by an additional DKK 1.5 billion. The refinancing was executed on 24 June 2011 as a non-cash transaction.

The Senior Credit Facilities are summarised below. Please also refer to the separate Summary of Credit Facilities:

- Term Facility A with a final maturity date of 30 June 2012;
- Term Facility B (2013) with a first instalment 30 June 2013 and a final maturity date of 31 December 2013;
- Term Facility B (2015) with a final maturity date of 30 April 2015;
- Acquisition Facility A with a final maturity date of 30 June 2012;
- Acquisition Facility B (2013) with a first instalment 30 June 2013 and a final maturity date of 31 December 2013;
- Acquisition Facility B (2015) with a final maturity date of 30 April 2015;
- Revolving Credit Facility in an amount up to DKK 4.0 billion. The final maturity date of the Revolving Credit Facility is 31 December 2014. Borrowings under the Revolving Credit Facility are primarily provided by local lenders to certain subsidiaries and are included in Current loans and borrowings and Non-current loans and borrowings in ISS's consolidated financial statements. DKK 0.7 billion of the Revolving Credit Facility was allocated to support performance bonds issued by operating subsidiaries as per 31 December 2011.
- Letter of Credit Facility in an amount equivalent to DKK 0.5 billion with a final maturity date of 31 December 2014. Letters of credit are issued primarily in support of borrowings, other than borrowings under the Revolving Credit Facility or the Secured Local Facilities, and, to the extent that these borrowings are deemed to constitute indebtedness, the borrowings are included in Current loans and borrowings and Non-current loans and borrowings in ISS's consolidated financial statements. DKK 0.1 billion of the Letter of Credit Facility was allocated to support performance bonds issued by operating subsidiaries.

Securitisation

ISS has a securitisation of trade receivables programme of which DKK 2.6 billion had been utilised at 31 December 2011. The programme includes Austria, Belgium, Denmark, France, Germany, the Netherlands, Norway, Spain, Sweden and the United Kingdom. In accordance with the Senior Facilities Agreement, additional proceeds raised under the programme will be used to repay Senior Credit Facilities.

Effective 1 July 2011, the securitisation programme was extended by one year from September 2012 to September 2013. At the same time the size of the credit facility was reduced from DKK 3.7 billion (EUR 0.5 billion) to DKK 3.0 billion (EUR 0.4 billion) and the pricing on the programme was improved by the interest margin being reduced by 25 bps. The securitisation programme can be extended for an additional year at a time, and since it is structured according to S&P's methodology this can be done both with the existing banks (HSBC and Nordea) or a third party, should this become relevant.

Second Lien Facility

In connection with the Senior Credit Facilities, ISS is a borrower under a Second Lien Facility of DKK 4.5 billion at 31 December 2011. The Second Lien Facilities include customary loan covenant clauses similar to the Senior Credit Facilities, which are all complied with.

The Second Lien lenders comprise a syndicate of international institutional investors. The Second Lien Facilities mature on 30 June 2015.

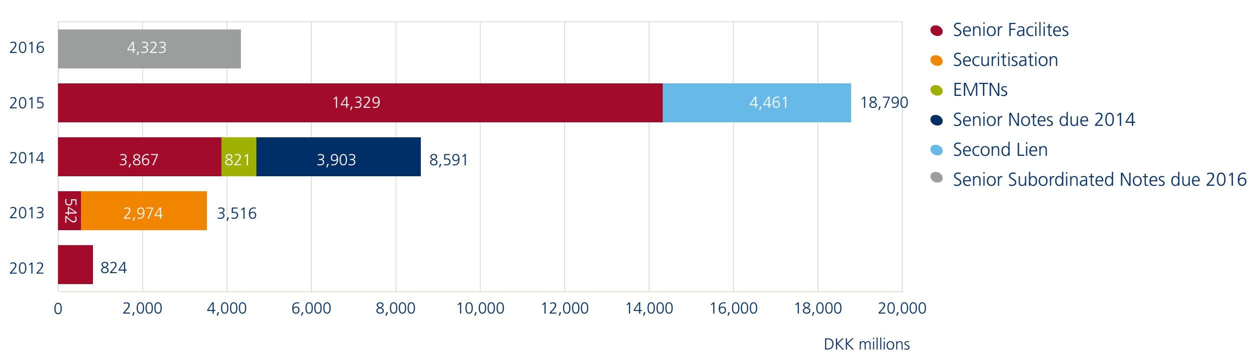
Other credit facilities

Further to the above, ISS had DKK 0.5 billion of other credit facilities as of 31 December 2011. Such facilities comprise mainly other local credit facilities, finance leases and mortgage debt, which are not part of the Senior Credit Facilities.

Financial leverage

Pro forma Adjusted EBITDA is adjusted to reflect the full year effect of acquired or divested businesses. Estimated pro forma Adjusted EBITDA of acquired and divested businesses represents the net aggregate estimated Adjusted EBITDA of businesses acquired or divested for the period from 1 January 2011 to the date of its acquisition or divestment by the Group. At 31 December 2011, the carrying amount of Net debt was DKK 29,905 million and Pro forma adjusted EBITDA was estimated to be approximately DKK 5,146 million. Consequently, the ratio of Net Debt to Pro forma adjusted EBITDA was reduced to 5.81x from 5.99x at 31 December 2010.

MATURITY OF THE CREDIT FACILITIES



SUMMARY OF CREDIT FACILITIES

DKK million	Principal value	Drawn	Currency	Coupon/ margin	Maturity
Issued bonds:					
Senior Subordinated Notes due 2016	4,323	4,323	EUR	8.875%	15 May 2016
Senior Notes due 2014	3,903	3,903	EUR	11.00%	15 Jun 2014
Medium Term Notes due 2014	821	821	EUR	4.50%	8 Dec 2014
Issued bonds at 31 December 2011	**9,047**	**9,047**			
Bank loans:					
Senior Facilities:					
Term Facility A	318	318	SEK, NOK, CHF	+ 200bps	30 Jun 2012
Term Facility B	13,056	13,056	EUR, GBP	+ 200bps/+ 350bps	31 Dec 2013/ 30 Apr 2015
Acquisition Facility A	174	174	EUR	+ 225bps	30 Jun 2012
Acquisition Facility B	2,094	2,094	EUR	+ 225bps/+ 375bps	31 Dec 2013/ 30 Apr 2015
Revolving Credit Facility	3,420	1,760	Multi Currency	+ 225bps/+ 375bps	30 Jun 2012/ 31 Dec 2014
Letter of Credit Facility	500	208	Multi Currency	+ 225bps/+ 375bps	30 Jun 2012/ 31 Dec 2014
Second Lien Facility	4,461	4,461	EUR	+ 375bps/+ 425bps	30 Jun 2015
Securitisation	2,974	2,638	Multi Currency	+275bps	14 Sep 2013
Bank loans at 31 December 2011	**26,997**	**24,709**			

PRO FORMA ADJUSTED EBITDA

DKK million	2011	2010
Adjusted EBITDA	5,243	5,160
Estimated pro forma adjusted EBITDA of acquired and divested businesses	(97)	(49)
Pro forma adjusted EBITDA	**5,146**	**5,111**

NET DEBT

	Carrying value	Leverage (x Pro forma EBITDA)
Senior Facilities	17,480	3.40x
Second Lien Facility	4,446	0.86x
Senior Subordinated Notes due 2016	4,262	0.83x
Senior Notes due 2014	3,797	0.74x
Medium Term Notes due 2014	760	0.15x
Securitisation	2,604	0.50x
Interest rate swaps	43	0.01x
Currency swaps	36	0.01x
Other current and non-current loans and borrowings	531	0.10x
Debt at 31 December 2011	**33,959**	**6.60x**
Total cash and cash equivalents and securities	(4,054)	(0.79)
Net debt at 31 December 2011	**29,905**	**5.81x**

FINANCIAL LEVERAGE (X PRO FORMA EBITDA)

DKK million	2011	2010
Estimated pro forma adjusted EBITDA	5,146	5,111
Net debt	29,905	30,619
Financial leverage (x pro forma EBITDA)	**5.81x**	**5.99x**

"I help keep the aircrafts and passengers on time despite external circumstances"

Janne Tunturi, Duty Manager,
Helsinki-Vantaa Airport, ISS Finland

HELSINKI-VANTAA AIPORT in Finland is the leading long-haul airport in northern Europe measured by the number of destinations. About 90% of Finland's international air traffic uses Helsinki Airport. ISS is a strong service provider in the Finnish airport service market offering services from single-service to tailor made service solutions. ISS airport services include ground handling, airport security, cleaning services and support services.

ISS Group & Services

DKK million	2011							
Country	Total revenue	Total employees	Cleaning services	Property services	Support services	Catering services	Security services	Facility management
United Kingdom	7,835	42,373	●	●	●	●	●	●
France	7,560	32,877	●	●	●			●
Norway	5,940	13,509	●	●	●	●	●	●
Australia	5,033	12,147	●	●	●	●	●	●
Spain	4,467	29,209	●	●	●	●	●	●
Sweden	4,172	9,226	●	●	●	●		●
Finland	4,154	12,021	●	●	●	●	●	●
Denmark	3,640	7,994	●	●	●	●	●	●
Switzerland	3,323	10,912	●	●	●	●	●	●
USA	3,295	15,576	●	●	●	●	●	●
Netherlands	3,263	16,322	●	●	●	●	●	●
Belgium and Luxembourg	3,085	10,878	●	●	●	●		●
Germany	2,334	11,291	●	●	●	●	●	●
Brazil	1,972	18,032	●	●	●			●
Turkey	1,837	24,982	●	●	●	●	●	●
Israel	1,779	12,423	●	●	●	●	●	●
Hong Kong	1,438	14,909	●	●	●		●	●
Austria	1,436	6,935	●	●	●		●	●
Singapore	1,067	7,698	●	●	●	●		●
Indonesia	964	54,409	●	●	●	●	●	●
India	907	52,257	●	●	●	●	●	●
Greece	811	4,439	●	●	●		●	●
Thailand	716	25,653	●	●	●		●	●
Portugal	567	7,396	●	●	●			●
Mexico	565	15,956	●	●	●	●	●	●
Ireland	563	3,044	●	●	●	●	●	●
Chile	559	12,117	●	●	●		●	●
New Zealand	492	2,560	●	●	●		●	●
Italy	464	1,318	●	●	●	●	●	●
Czech Republic	429	4,624	●	●	●		●	
China, FS	399	12,433	●		●	●	●	●
Argentina	331	3,706	●	●	●			●
Taiwan	279	2,639	●	●	●		●	●
Slovakia	230	3,764	●	●	●	●		
Poland	212	2,843	●	●	●	●		●
Slovenia	186	1,233	●	●	●	●		
Romania	155	2,001	●	●	●	●		●
Hungary	155	2,058	●	●	●	●	●	●
Estonia	134	1,650	●	●				●
Uruguay	119	1,622	●			●	●	
Russia	110	902	●	●	●	●		●
Philippines	103	2,878	●	●	●	●	●	●
Malaysia	102	1,522	●	●	●	●	●	●
Greenland	96	270	●	●	●		●	●
Iceland	85	821	●	●		●		●
Japan	77	25	●		●	●	●	●
Canada	74	46	●	●	●			●
Croatia	30	492	●		●			
Brunei	25	370	●	●				
Other Countries in Latin America	102	7						
Other Countries	30	-						
Regional cost / eliminations	8	-						
Corporate functions / eliminations	(65)	150						
Total	**77,644**	**534,519**						

Regional heads

Regional CEO – Asia Pacific
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Regional CEO – Iberia & Latin America
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Heads of Group functions

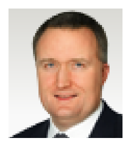
Daniel Brennan
Head of Group Human Resources

Kenth Kærhøg
Head of Group Communication

Todd O'Neill
Head of Group Strategy
& Corporate Development

Peter Harder Thomsen
Head of Group Controlling

Andrew Price
Head of Global Corporate Clients



Henrik Trepka
Head of Group IT

Bjørn Raasteen
Group General Counsel

Carsten Højlund
Head of Group Internal Audit

Peter Ankerstjerne
Group Marketing Director

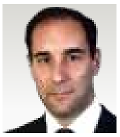
Mads Kristensen
Head of Group Tax

Barbara Plucnar Jensen
Head of Group Treasury

Kræn Østergaard Nielsen
Head of Group Procurement

Søren Kongsbak
Head of Excellence Centres

Country managers



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Country manager: Alexander Granderath
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In addition to the 50 countries shown above, where ISS operates and has an office, ISS operates in 13 countries where we have no office. These countries are: Bosnia and Herzegovina, Canada, Colombia, Costa Rica, Ecuador, Latvia, Lithuania, Panama, Peru, Puerto Rico, South Africa, Ukraine and Venezuela.

[1)] The Group's revenue generated from activities in Bulgaria is reported as part of the activities in the Czech Republic.

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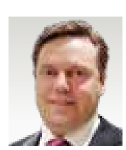

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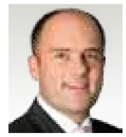

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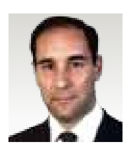

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