2017

GROUP ANNUAL REPORT

ISS

DID YOU KNOW THAT...?

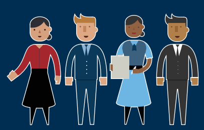
488,946
ISS employees

6,901,337 hrs
of training annually

1,000,000+ m^2
of critical space
managed by ISS

10+ million
people experience our
Integrated Facility Services (IFS)

1.8+ million
meals served
every day



Around 800
key account customers

620,000+
followers on
social media

130+
different languages
spoken

160,000+
visited our blog
ServiceFutures.com

Front page photo:
CHARISSE TANG
Management Trainee, ISS Hong Kong

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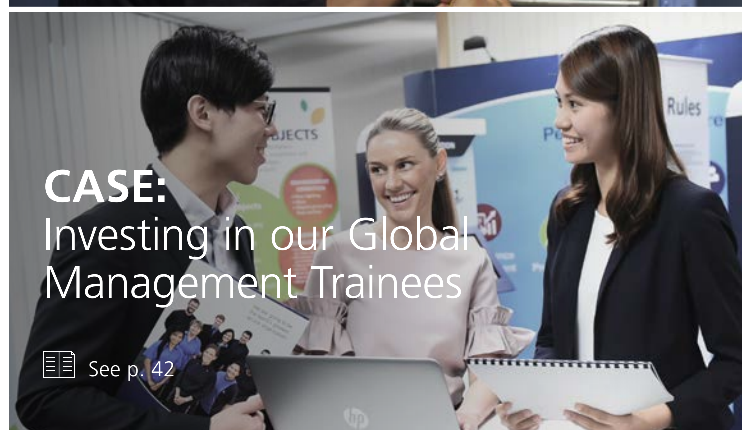
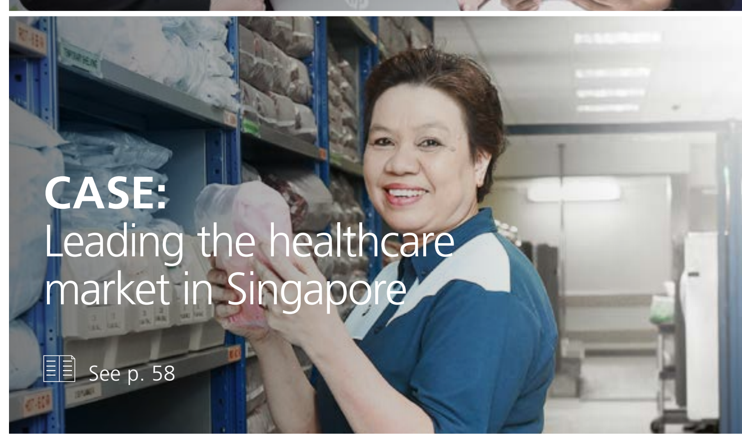
CORPORATE RESPONSIBILITY

Our CR report is available at
www.responsibility.issworld.com/report2017





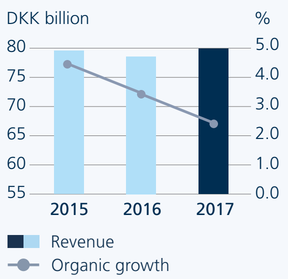
PERFORMANCE HIGHLIGHTS 2017

Evaluating the success of our strategy and business model, and ultimately our creation of shareholder value, requires measurement of specific metrics. By using the six key performance indicators (KPIs) below, we can systematically measure Group performance and the effect of our efforts to achieve our vision. Bonus plans for the Executive Group Management are also based on these KPIs.

Definitions of KPIs, see p. 13.

FINANCIAL KPIs | **PERFORMANCE**

ORGANIC GROWTH AND REVENUE



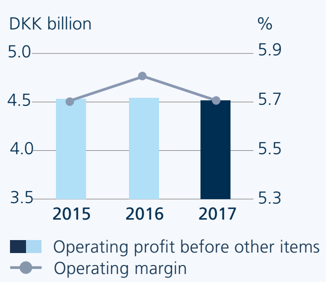
2.4%
Organic growth

79,912 DKKm
Revenue

- Organic growth supported by good performance in Continental Europe and Americas that was driven by growth in our portfolio services, start-up and expansion of Global Corporate Clients contracts and increased demand for non-portfolio services
- All regions delivered positive organic growth, despite expected revenue reductions in Brazil, Australia, China and Sweden
- Revenue up 2% mainly due to organic growth and acquisitions that were partly offset by a negative impact from currency effects
- IFS up 6% in local currencies, now representing 38% of Group revenue or DKK 30.5 billion
- Key accounts represent 52% of Group revenue

Group performance, see p. 16
Regional performance, see pp. 22–25

OPERATING MARGIN AND PROFIT



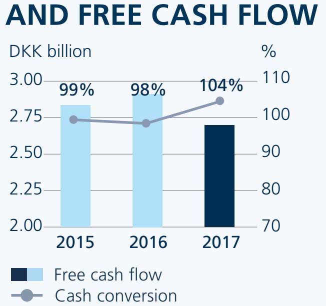
5.7%
Operating margin

4,516 DKKm
Operating profit before other items

- Operating margin in line with last year when adjusted for the impact from acquisitions and divestments as well as currency effects
- Operating margin supported by GREAT including procurement savings, operational efficiencies and good performances in Continental Europe and emerging markets, which was offset by margin decreases in parts of Northern Europe, Asia & Pacific and Americas
- Operating profit before other items in line with last year
- Corporate costs were 0.8% of revenue, in line with our expectations

Group performance, see p. 16
Regional performance, see pp. 22–25

CASH CONVERSION AND FREE CASH FLOW



104%
Cash conversion

2,699 DKKm
Free cash flow

- Strong cash conversion supported by consistent efforts to ensure timely payment for work performed, focus on strong working capital processes and timing of collection and payments around year-end
- Cash flow from operating activities slightly down compared to last year mainly due to an increase in other expenses paid that was partly offset by an improved cash flow from working capital
- Investments in intangible assets and property, plant and equipment, net increased to DKK 907 million, representing 1.1% of Group revenue
- Free cash flow down by 7%, impacted by an increase in other expenses paid that was mainly related to restructuring projects in support of the continued implementation of GREAT and increased investments in intangible assets and property, plant and equipment, net in support of business development

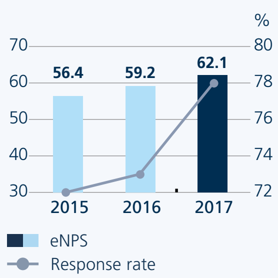
Group performance, see p. 16

"We remain confident in the ISS Way strategy – as evidenced by recent contract wins such as Deutsche Telekom and LEGO Group and the five-year extension to our partnership with Barclays"

JEFF GRAVENHORST
Group CEO

NON–FINANCIAL KPIs	PERFORMANCE

EMPLOYEE NET PROMOTER SCORE



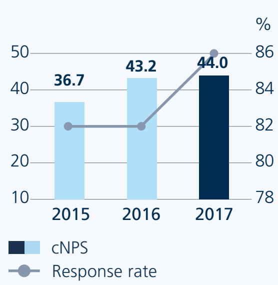
62.1
eNPS

78%
Response rate

- Up by 2.9 points – the fifth consecutive year of improvement
- Supported by the launch of the Leadership Competency Framework and the continued roll-out of our Key Account Manager Certification (KAMC) and Service with a Human Touch (SWAHT) training programmes
- We carried out our sixth global employee engagement survey with 250,697 employees responding across 44 countries. The response rate increased to approximately 78% (2016: 73%)

Our people, see p. 36

CUSTOMER NET PROMOTER SCORE



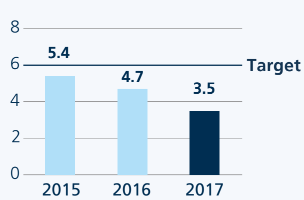
44.0
cNPS

86%
Response rate

- Up by 0.8 point – the sixth consecutive year of improvement, reflecting our continued efforts to drive customer focus, especially on our key accounts
- Supported by our efforts to implement account development plans and improve employee engagement, through the roll-out of our Key Account Manager Certification (KAMC) and Service with a Human Touch (SWAHT) training programmes
- We carried out our seventh customer experience survey with 6,438 customers invited, representing almost 80% of Group revenue and enjoyed a response rate of 86%

Our business model and strategy, see p. 33

LOST TIME INJURY FREQUENCY



3.5
LTIF

- Improved over 70% from the baseline figure of 13 in 2010 – the seventh straight year of improvement
- Driven by our systematic approach to managing risks, including the implementation of the Group HSE Management System and our global campaigns to stay focused on Health, Safety and Environment (HSE)

Our people, see p. 38

OUR BUSINESS MODEL

Our business model is based on **creating value for our customers** by allowing them to focus on their core business. We service and maintain their facilities, helping to create workplaces that are pleasant, safe and nurturing for their employees and visitors.

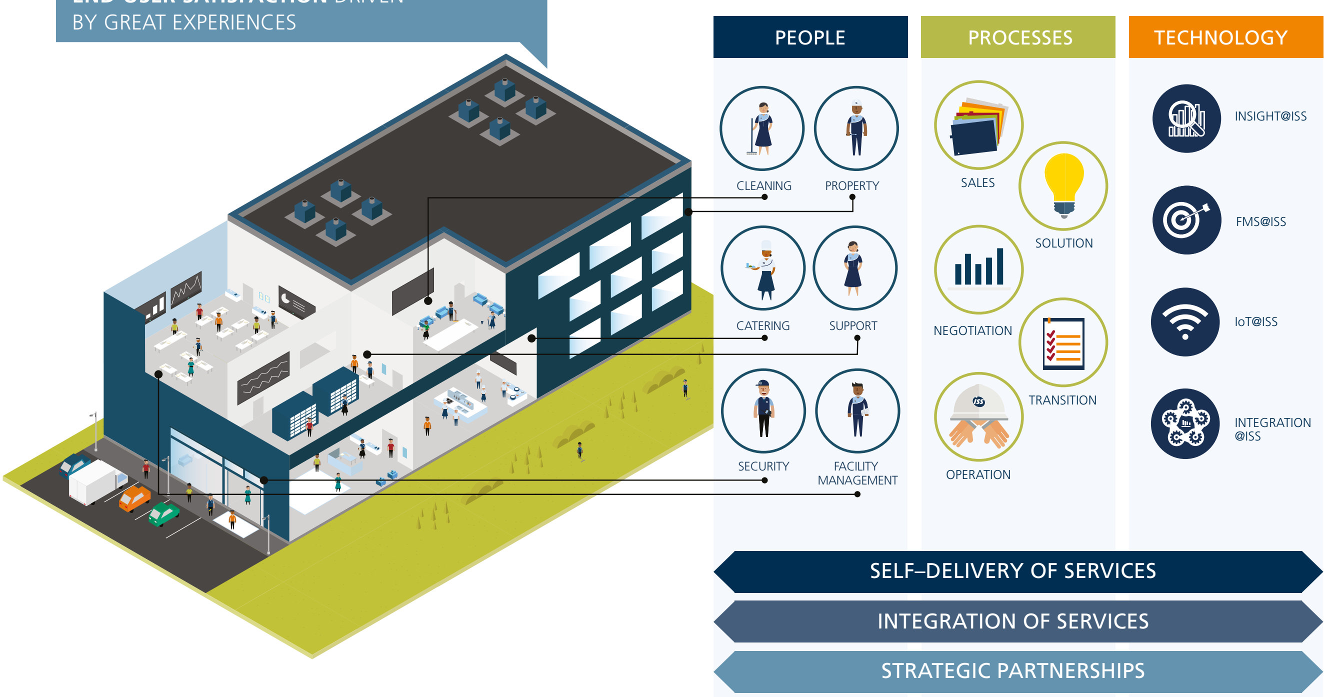
Focusing on our **selected customer segments**, we offer a leading value proposition based on our philosophy of providing services through our own engaged and capable employees **(self-performance)**. Moreover, we are able to provide multiple services to customers through an **Integrated Facility Services (IFS)** solution. This allows us to drive convenience (one point of contact), productivity and cost efficiency.

Our business model and strategy, see p. 30.

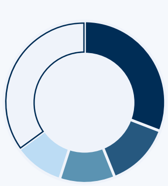
CUSTOMERS WANT

- **TRANSPARENCY** IN BOTH COST AND DELIVERY
- **COMPLIANCE** WITH THEIR REGULATORY ENVIRONMENT
- **CONSISTENCY** ACROSS SITES AND SERVICES
- **EFFICIENCY** ALONGSIDE SUSTAINABILITY AND INNOVATION
- **END-USER SATISFACTION** DRIVEN BY GREAT EXPERIENCES

ISS DELIVERS VIA

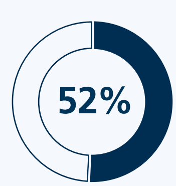


CUSTOMER SEGMENTS [1)]

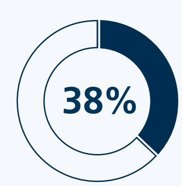


- **31%** Business Services & IT
- **13%** Industry & Manufacturing
- **11%** Public Administration
- **10%** Healthcare
- **35%** Other

KEY ACCOUNT SHARE [1)]



IFS SHARE [1)]



[1)] Of Group revenue.

OUR VISION

"We are going to be the world's greatest service organisation"

OUR STRATEGY

The ISS Way is all about **optimising the customer experience** while driving cost efficiencies through the alignment of our organisation behind a set of common business fundamentals and scale benefits.

GREAT is our primary vehicle for accelerating our strategy implementation, hence a principal driver moving us towards realising our vision. Through GREAT, we develop our leadership and **talent**. We also develop our ability to deliver IFS, not least by rolling out excellence in the form of **concepts**. Furthermore, GREAT focuses on driving out our **volume** benefits.

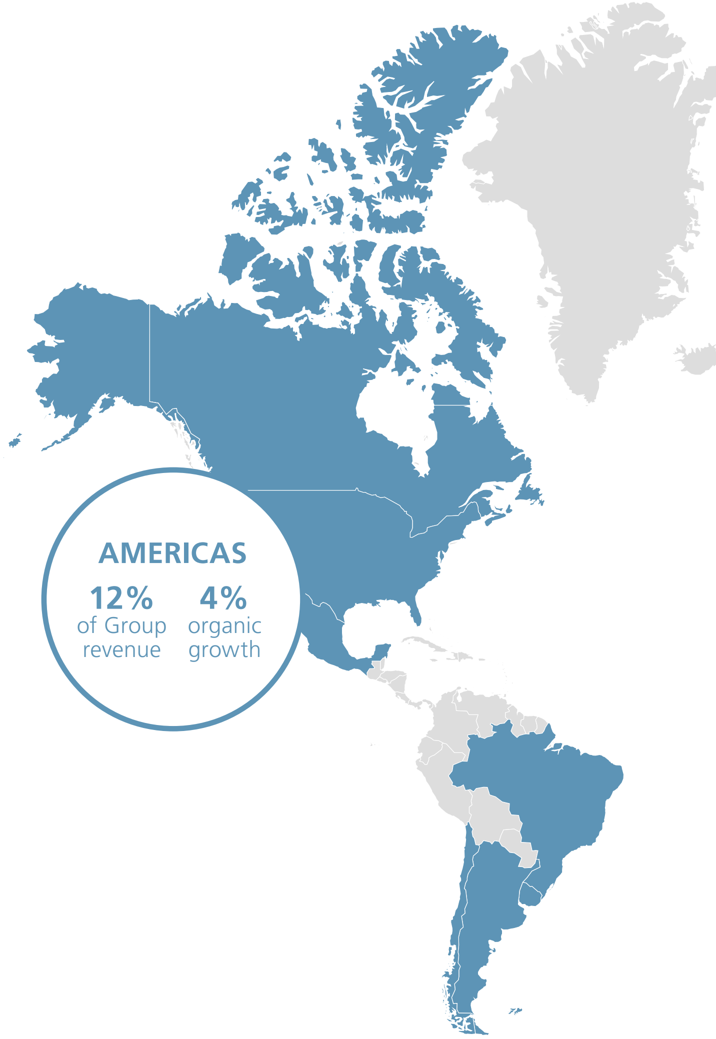
THEMES	STATUS	OBJECTIVES
VOLUME	• Procurement excellence programme phases I–III completed in Europe • Phase IV in Europe and the procurement initiatives in the Americas and Asia & Pacific continued to progress • Total gross savings from the procurement programmes amount to DKK 750-850 million to be achieved during 2013-2020 • A substantial proportion of the savings has been and will continue to be re-invested in the business in order for it to remain competitive, including in concepts and talents Our business model and strategy, see p. 33	DRIVING THE CUSTOMER EXPERIENCE... ...AND CREATING SHAREHOLDER VALUE
CONCEPTS	• Introduction of our new workplace systems initiated at select customer sites, including an upgrade of our facility management system (FMS@ISS) as well as an introduction of our new workforce simulation and optimisation tool (Integration@ISS) • Continued introduction of Touchpoints@ISS at customer sites to ensure the optimal experience for our customers' end-users • Continued roll-out of best practices focused on commercial, operational and people & culture functions Our business model and strategy, see p. 33 Reducing risk in critical environments, see p. 28 ISS turns to IBM Watson to revolutionise facility services with IoT, see p. 112	
TALENT	• Launch of the ISS Leadership Competency Framework as an integral part of our key people processes, ensuring we recruit, assess, and develop our leaders against common standards and behaviours • Acceleration of leadership training and the continued roll-out of our training programmes; Key Account Manager Certification (KAMC) with more than 1,000 certifications issued touching around 800 key accounts globally • Continued focus on HSE through global safety campaigns run three times a year • eNPS of 62.1, up 2.9 points from 2016 Our business model and strategy, see p. 33 Our people, see p. 35	

OUR GLOBAL PRESENCE

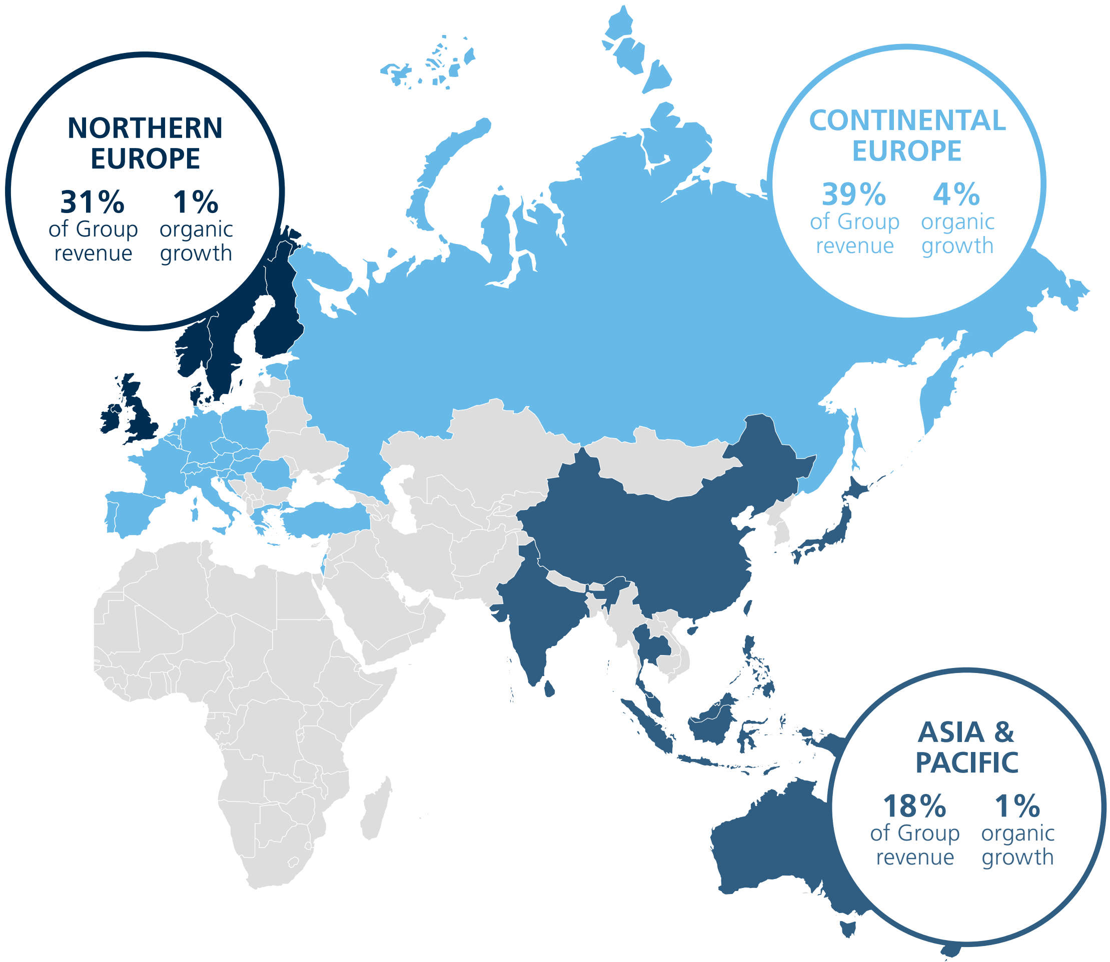
We are a true global player with a leading market position. We leverage our global presence to meet the growing demand from our key account customers – multinational corporations in need of Integrated Facility Services (IFS) across borders. Our revenue share from key accounts has grown on the back of strong IFS expansion to existing global customers and new regional and local market opportunities.

While Continental and Northern Europe represent mature markets with 70% share of Group revenue, the Americas offer a significant growth opportunity that we are pursuing, as evidenced by our acquisition of Guckenheimer in 2017 (see p. 14). In addition, we are well-positioned in emerging markets (see p. 115), where we generate 25% of Group revenue (2016: 25%).

Country revenue and employees, see p. 115



2017	CONTINENTAL EUROPE		NORTHERN EUROPE	
KEY FIGURES	**Revenue:**	**30.9 DKKbn**	**Revenue:**	**25.0 DKKbn**
	Organic growth:	**4%** (2016: 3%)	**Organic growth:**	**1%** (2016: 3%)
	Key account share:	**41%**	**Key account share:**	**65%**
	Operating margin:	**6.5%** (2016: 6.1%)	**Operating margin:**	**7.1%** (2016: 7.5%)
	Employees:	**154,222**	**Employees:**	**73,920**
BUSINESS HIGHLIGHTS	• Organic growth mainly driven by Turkey, Germany, Switzerland and Austria • Growth supported by contract launches and price increases in Turkey, non-portfolio services and contract launches in Germany as well as the expansion of Novartis and the start-up of Shire in Switzerland and Austria • Overall margin increase supported by increases in France and Spain combined with strong performances in Switzerland, Turkey and Austria following the good growth and the effects of the focus on operational efficiencies • Significant contract wins, including Deutsche Telekom, Teva Pharmaceuticals and Adana Hospital in Turkey Regional performance, see p. 22		• Organic growth supported by the UK, Denmark and Norway and partly offset by reductions in Sweden • Growth supported by 2016 contract launches and good demand for non-portfolio services • High margin supported by improved margins in the UK and Finland, but more than offset by margin decreases in Sweden due to contract losses and operational challenges as well as reduced margins in Denmark and Norway resulting mainly from contract start-ups • Significant contract wins and extensions, including Telenor across the Nordic countries, Danish Defence, National Westminster Bank and Fullham Road Collaborative Regional performance, see p. 23	



2017	ASIA & PACIFIC	AMERICAS
KEY FIGURES	**Revenue:** **14.6 DKKbn** **Organic growth:** **1%** (2016: 2%) **Key account share:** **55%** **Operating margin:** **7.1%** (2016: 7.5%) **Employees:** **206,646**	**Revenue:** **9.3 DKKbn** **Organic growth:** **4%** (2016: 6%) **Key account share:** **47%** **Operating margin:** **3.6%** (2016: 4.1%) **Employees:** **53,921**
BUSINESS HIGHLIGHTS	• Organic growth supported by strong growth in Singapore, India and Indonesia, partly offset by expected organic revenue reduction in Australia and China • Overall growth supported by the Healthcare segment in Singapore, contract launches and expansion of Global Corporate Clients contracts in India and growth in key accounts in Indonesia • High margin supported by Singapore, Indonesia and Hong Kong following operational efficiencies and cost savings, while margin decreases were seen in Australia, Thailand and China • Significant contract wins, including ABB, Hong Kong Metro, BHP Billiton and Sengkang Hospitals in Singapore Regional performance, see p. 24	• Organic growth mainly driven by the USA, Mexico and Chile, partly offset by planned contract exits in Brazil • Growth supported by non-portfolio services in the IFS division and start-up of Global Corporate Clients contracts in the USA as well as contract launches in Mexico and Chile • Margin decrease following IFS contract start-up costs, underperformance within the specialised services division in North America and costs related to contract exits in Brazil • Significant contract wins include a retail and wholesale segment contract in North America and Telefónica in Chile • Acquisition of Guckenheimer, a leading US catering company Regional performance, see p. 25

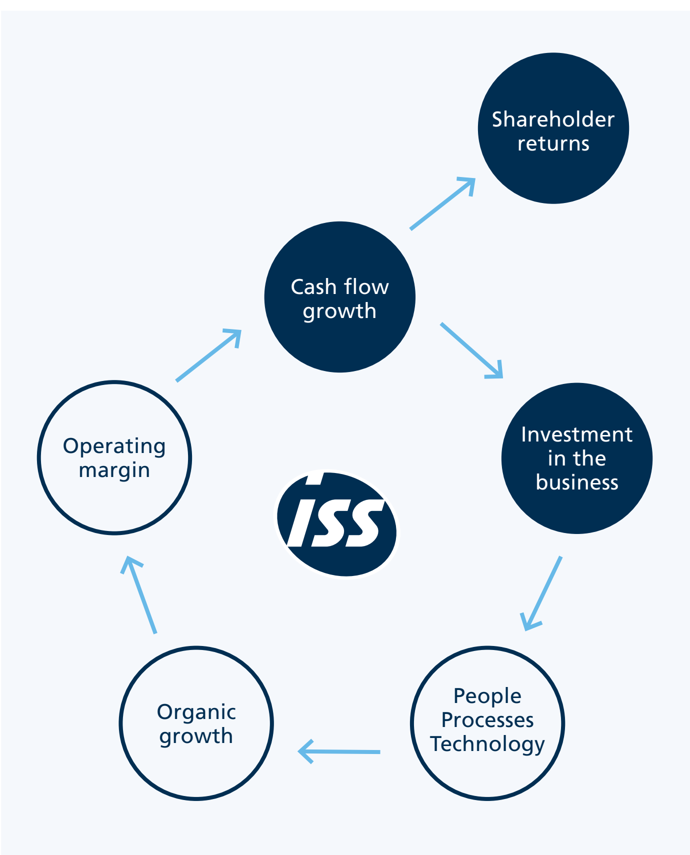
CREATING VALUE FOR OUR SHAREHOLDERS IS OUR PRIORITY

We are focused on creating value for our shareholders by maximising the cash flow growth from our business in a sustainable fashion over the short and longer term. We wish to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into our business and returning surplus funds to our shareholders.

We have a stated intention of maintaining an investment grade financial profile with a financial leverage below 2.5x pro forma adjusted EBITDA, taking seasonality into account. Our dividend policy targets a pay-out ratio of approximately 50% of Net profit (adjusted). Where we see clear opportunities to create value and drive improved organic growth and/or improved margins, we will commit capital to our business. This may be in the form of regular investment in our people, our processes or our technology. It may be in the form of certain restructuring initiatives designed to enhance future performance, or in the form of highly selective acquisitions that meet strict strategic and financial criteria. Thereafter, we will return additional funds to shareholders, above and beyond our dividend policy target.

As Net profit (adjusted) in 2017 was negatively impacted by the fair value adjustment of assets held for sale in Northern Europe, a revaluation of the deferred tax asset in the USA, and discontinued operations, the Group proposes a pay-out ratio which ensures that the nominal ordinary dividend is equal to 2016.

In 2017, Net profit (adjusted) decreased to DKK 2,424 million (2016: DKK 2,873 million). As such, the Board proposes a dividend for 2017 of DKK 7.70 per share (2016: DKK 7.70) equivalent to a payout ratio of 59%, but approximately 50% when adjusting for the above one-off items.



MAXIMISE GROWTH AND SUSTAINABILITY OF CASH FLOW

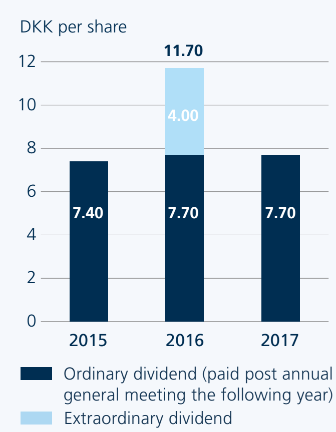
Selective and value-accretive investment

- Service enhancements
- Restructuring/efficiency initiatives
- Acquisitions

Shareholder returns

- Targeted pay-out ratio (approximately 50%)
- Extraordinary dividends and/or share buy-backs

DIVIDEND PAY-OUT



OUTLOOK

OUTLOOK 2018

In 2018, we will continue to focus on the implementation of the ISS Way strategy, including the roll-out of our strategic GREAT initiatives. We will seek to intensify our focus on key accounts, ensuring the maximum benefit from volumes, concepts and talent materialises at our customers' sites. Through these efforts we expect to realise tangible operational and financial improvements over the medium term.

Over the past decade, our operating margin has proven resilient and has consistently been in the range of 5.5%-6.0%. We expect this to continue. A combination of negative currency translation effects and negative impact from acquisitions and divestments, together with operational challenges in North America and Sweden led to a slight margin decline in 2017. We continue to believe that our key account focus and broad efficiency initiatives will support medium-term operating margin improvement. In the short term, the loss of sizable, mature contracts will act as a headwind.

In summary, our medium-term focus is on delivering:

1. Higher organic growth
2. Robust operating margin
3. Strong cash conversion

For 2018 specifically:

Organic growth is expected to be 1.5%-3.5%. In most of our major countries, current macroeconomic conditions appear broadly supportive, with the exception of the UK where BREXIT-related uncertainty persists. As such, we expect continued strong growth from key accounts, driven by both expansion of existing customer relationships and new customer wins. The negative effect from lost revenue with DXC Technology, HP Inc. and the EMEA operations of an international bank will impact most of the year and will partially offset progress elsewhere. We see continued healthy growth coming from our emerging market countries.

Operating margin is expected to be around 5.6%, excluding any impact from acquisitions and divestments as well as currency translation effects. We expect the loss of mature and sizable contracts to have a dilutive impact which will be partially mitigated by our ongoing focus on cost and efficiency initiatives.

Cash conversion will continue to be a priority in 2018, as it has been historically, and we expect cash conversion to remain above 90%.

The outlook should be read in conjunction with "Forward-looking statements" on p. 13 and our exposure to risk, see Our business risks on pp. 39–41.

OUTLOOK 2018	
Organic growth	1.5%-3.5%
Operating margin	Around 5.6% [1]
Cash conversion	> 90%

OUTLOOK 2017 – FOLLOW UP	Annual report 2016	Q2 2017	Q3 2017	Realised 2017
Organic growth	1.5%-3.5%	1.5%-2.5%	Around 2%	2.4%
Operating margin	> 5.77%	> 5.78	In line with the level realised in 2016 [1]	5.7%
Cash conversion	> 90%	> 90%	> 90%	104%

[1] Excluding any impact from acquisitions and divestments as well as currency translation effects.

EXPECTED IMPACT FROM DIVESTMENTS, ACQUISITIONS AND FOREIGN EXCHANGE RATES IN 2018

We expect the divestments and acquisitions completed by 15 February 2018 (including in 2017) to have a neutral impact on revenue growth in 2018. Based on the forecasted average exchange rates for the year 2018 [2], we expect a negative impact on revenue growth in 2018 of approximately 4 percentage points from developments in foreign exchange rates.

[2] The forecasted average exchange rates for the financial year 2018 are calculated using the realised average exchange rates for the first month of 2018 and the average forward exchange rates for the last eleven months of 2018.

FOLLOW UP ON OUTLOOK FOR 2017

For our three key financial objectives, organic growth, operating margin and cash conversion, ISS ended 2017 in line with the outlook announced in the interim report for Q3 2017.

LETTER TO OUR STAKEHOLDERS

As our 2017 performance demonstrates, we remain a resilient and growing business focused on serving our customers, extracting value from our strategy, and investing in the long term.

2017 was a challenging year with headwind from currency conversion, short-term challenges in North America and Sweden, and continuous efforts to adapt our business to market conditions through strategic M&A, trimming the contracts portfolio and restructuring country organisations as part of the GREAT process. However, our underlying business performance was encouraging. We delivered a solid organic growth of 2.4%, stable operating margin of 5.7%, high cash conversion of 104%, and strong free cash flow of DKK 2.7bn. While net profit (adjusted) ended lower for the year, this was mainly driven by one-off non-cash items and discontinued operations. Our underlying earnings power remains strong and as such we propose an ordinary dividend of DKK 7.70 per share.

As in 2017, we continue to implement our growth strategy with large key accounts in 2018. The phasing in and phasing out of significant contracts may introduce some volatility in organic growth and operating margin during this transitional year, but long-term trends are positive. We remain confident in the ISS Way strategy – as evidenced by recent contract wins such as Deutsche Telekom and LEGO Group and the five-year extension to our partnership with Barclays.

OUR FOCUS ON CUSTOMERS

At ISS, we support our customers' purpose by delivering great service moments. Our strategy is to provide bespoke solutions that make facilities run smoothly, whether they belong to key account or specialised services customers. For those in need of a single point of contact, we offer Integrated Facility Services (IFS), which eliminate the need for customers to manage a whole host of subcontractors. Another key strength is our ability to use global scale to ensure operational consistency across facilities, offer more cost-effective solutions, and introduce innovative concepts and tools that will add even more value to our customers.

Customer satisfaction serves as a key indicator of this strategy's success, and we regularly measure their engagement and loyalty. In 2017, our customer Net Promoter Score increased again (to 44 from 43 in 2016), making it the sixth consecutive year of improvement. We have also been recognised publicly for our focus on serving customers well: for the fifth year in a row, ISS achieved the highest possible rating on the International Association of Outsourcing Professionals (IAOP) Global Outsourcing Top 100 list – the industry's highest accolade.

We have signed several new key account customer agreements this year, including the largest in ISS history: an IFS contract with Deutsche Telekom from 2019 to 2029, covering approximately 9,000 sites across Germany, more than 6,000 employees and about 4% of Group revenue. In addition, we have extended our partnerships with Hewlett Packard Enterprise until 2021 (excluding the business that was spun-off through DXC Technology and HP Inc.) and Barclays until 2022. We also significantly expanded our contract with the Danish Defence, which represents the largest outsourced public facility services contract in Denmark. Finally, we kicked off operations with biotech company Shire in June 2017, a global agreement covering 23 countries. These all exemplify the long-term relationships we aim to cultivate with customers.

We focus on markets with significant future demand for facility services, especially those of importance to our existing key account customers. This has resulted in the divestments of businesses of less strategic importance, including ISS Greece and ISS Iceland. North America remains strategically important, and in April 2017 we completed the acquisition of Guckenheimer, a leading US catering company with an annual revenue of about DKK 2,300 million and 3,200 employees. We also acquired the Danish-based strategic workplace management consulting firm SIGNAL, which strengthens our ability to support our key account customers' efforts to use the workplace as a strategic tool to improve their business performance.

ISS SIGNAL belongs to a set of ongoing investments in innovation in 2017. It included the opening of the ISS Corporate Garage in Copenhagen and the introduction of workplace innovation labs in several countries around the world, including at headquarters in the UK, Germany, Belgium and Switzerland. These head offices are dedicated to ensuring that our customers get the full advantage of the leading edge technology and new ways of working that empower our people to create great service experiences.

INVESTING IN OUR PEOPLE

At ISS, we recognise that our 488,946 people around the world are key to our success. Empowered employees make a difference – through the Power of the Human Touch – by providing outstanding service experiences that drive customer satisfaction. With that in mind, we have continued to invest in further engaging and empowering our people, for example, through our global training and career development programmes.

Our Global Management Trainee Programme now covers 26 countries, including in the Asia & Pacific region; another 435 key account managers completed our international Key Account Manager Certification, joining the 1,000 alumni in the programme so far; and we continued to roll out our Service with a Human Touch programme, training more than 70,000 service professionals across more than 700 key accounts.

To measure our employee satisfaction, we survey our people on their engagement and loyalty. In 2017, our employee Net Promoter Score increased to 62 from 59 in 2016 – the fifth consecutive year in which it has improved. The results provide us with insights into how we can continually improve ISS as a responsible and desirable employer. We are proud to see our efforts recognised in places like Austria, Germany and Switzerland, where ISS won best employer awards, as well as the UK, where the Facility Management Brand Survey voted ISS Top Service Provider as well as the FM company most people would like to work for.

RESPONSIBLE EMPLOYER AND PARTNER

We take great pride in being a socially responsible company – for our people, our customers, and the communities in which we operate. That is why we are proud that ISS has again been recognised as a sustainability leader within our sector by achieving a Bronze ranking in the 2017 Dow Jones Sustainability Index (DJSI). The ranking places us in the top 10% of the 44 global companies in the commercial services and supplies sector that are assessed under the DJSI framework.

A safe working environment is a key part of our value proposition to our people and our customers, and central to our corporate responsibility strategy. We regretfully had six fatalities in 2017. Despite these tragedies, our safety performance measured by Lost Time Injury Frequency has improved by over 70% since 2010, and we continue to invest in measures that strengthen our culture of workplace safety and safeguard all our people.

LOOKING AHEAD TO 2018

We enter 2018 with a solid customer portfolio, a strong pipeline and firm confidence in our strategy. While current macroeconomic conditions are generally supportive, we are also prepared for challenges in certain key markets. At the beginning of the year, we simplified our management structure: several operating units were consolidated into larger functions to better reflect our clear focus on customers. In the months ahead, we will follow through on this strategic direction and continue to extract the benefits of volume, concepts and talent for our customers, empowering our people to keep doing what they do best – delivering exceptional service with a human touch. Thank you to all our 488,946 colleagues for the great work they do every day to take us towards becoming the world's greatest service organisation.

Yours faithfully,

Lord Allen of Kensington Kt CBE
Chairman

Jeff Gravenhorst
Group CEO

KEY FIGURES AND FINANCIAL RATIOS

DKK million (unless otherwise stated)	2017	2016	2015	2014	2013
INCOME STATEMENT					
Revenue	79,912	78,658	79,579	74,105	78,459
Operating profit before other items	4,516	4,543	4,533	4,150	4,315
Operating margin [1]	5.7%	5.8%	5.7%	5.6%	5.5%
EBITDA before other items [1]	5,226	5,232	5,269	4,882	5,102
EBITDA	4,678	5,100	5,313	4,722	5,002
Operating profit (adjusted) [2]	3,968	4,411	4,577	3,990	4,215
Operating profit	3,357	3,567	3,828	2,954	2,563
Financial income	38	56	41	68	134
Financial expenses	(576)	(521)	(750)	(1,364)	(2,403)
Net profit (adjusted) [2]	2,424	2,873	2,785	1,816	1,026
Net profit from continuing operations [3]	2,106	2,228	2,218	1,014	(397)
Net profit/(loss) from discontinued operations [3]	(99)	(8)	-	-	-
Net profit	2,007	2,220	2,218	1,014	(397)
CASH FLOW					
Cash flow from operating activities	3,613	3,690	3,706	2,395	2,116
Acquisition of intangible assets and property, plant and equipment, net	(907)	(805)	(841)	(783)	(803)
Free cash flow	2,699	2,910	2,835	1,631	1,278
Cash conversion	104%	98%	99%	98%	102%
FINANCIAL POSITION					
Total assets	50,835	48,782	49,285	46,734	48,566
Goodwill	22,894	22,354	22,868	22,796	23,155
Additions to property, plant and equipment	742	649	746	692	772
Equity (attributable to owners of ISS A/S)	13,804	13,910	14,494	12,910	4,213
Equity ratio	27.2%	28.5%	29.4%	27.6%	8.7%
EMPLOYEES					
Number of employees end of period	488,946	494,233	504,816	510,968	533,544
Full-time employees	76%	74%	74%	73%	74%
GROWTH					
Organic growth	2.4%	3.4%	4.4%	2.5%	4.3%
Acquisitions and divestments, net	1 %	(1)%	(1)%	(6)%	(2)%
Currency adjustments	(2)%	(3)%	4 %	(2)%	(3)%
Total revenue growth	2 %	(1)%	7 %	(6)%	(1)%
FINANCIAL LEVERAGE					
Pro forma adjusted EBITDA	5,248	5,179	5,213	4,792	4,979
Net debt	11,325	10,977	11,115	12,647	22,651
Net debt / Pro forma adjusted EBITDA	2.2x	2.1x	2.1x	2.6x	4.5x
STOCK MARKET RATIOS					
Earnings per share					
Basic earnings per share (EPS), DKK	10.9	12.1	12.0	5.8	(2.9)
Diluted earnings per share, DKK	10.8	12.0	11.9	5.8	(2.9)
Adjusted earnings per share, DKK	13.1	15.5	15.0	10.3	7.6
Earnings per share from continuing operations					
Basic earnings per share (EPS), DKK	11.4	12.1	-	-	-
Diluted earnings per share, DKK	11.3	12.0	-	-	-
Adjusted earnings per share, DKK	13.5	15.6	-	-	-
Dividend					
Proposed dividend per share, DKK	7.70	7.70	7.40	4.90	-
Extraordinary dividend paid out per share, DKK	-	4.00	-	-	-
Number of shares					
Number of shares issued (in thousands)	185,668	185,668	185,668	185,668	135,443
Number of treasury shares (in thousands)	1,509	2,120	1,777	1,000	-
Average number of shares (basic) (in thousands)	184,027	183,613	184,050	175,049	135,443
Average number of shares (diluted) (in thousands)	185,299	185,054	185,208	175,847	135,443

Notes: See p. 13

DEFINITIONS

ISS uses various key figures, financial ratios (including alternative performance measures (APMs)) and non-financial ratios, all of which provide our stakeholders with useful and necessary information about the Group's financial position, performance and development in a consistent way. In relation to managing the business, achieving our strategic goals and ultimately creating value for our shareholders, these measures are considered essential.

FINANCIAL RATIOS

Acquisitions, %

= Revenue from acquisitions [1] x 100 / Revenue prior year

[1] Based on management's expectations at the acquisition date.

Cash conversion, %

= (Operating profit before other items last twelve months (LTM) + Changes in working capital LTM) x 100 / Operating profit before other items (LTM)

Currency adjustments

= Total revenue growth – Organic growth – Acquisition/divestment growth, net [2]

[2] Includes the effect stemming from exclusion of currency effects from the calculation of organic growth and acquisition/divestment growth, net.

Divestments, %

= Revenue from divestments [3] x 100 / Revenue prior year

[3] Based on estimated or actual revenue where available at the divestment date.

EBITDA

= Operating profit + Depreciation and amortisation + Goodwill impairment + Amortisation/impairment of brands and customer contracts

EBITDA before other items

= Operating profit before other items + Depreciation and amortisation

Equity ratio, %

= Equity attributable to owners of ISS A/S x 100 / Total assets

Free cash flow

= Cash flow from operations + Cash flow from investments – Cash flow from acquisitions/divestments, net

Net debt

= Non-current and current loans and borrowings – Securities – Cash and cash equivalents – Positive fair value of derivatives

Operating margin, %

= Operating profit before other items x 100 / Revenue

Organic growth, %

= (Revenue current year – Comparable revenue [1] prior year) x 100 / Comparable revenue [1] prior year

[1] Implies the exclusion of changes in revenue attributable to acquisitions/divestments, net 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 current year's foreign currency exchange rates. Acquisitions are treated as having been integrated into ISS upon acquisition, and ISS's calculation of organic growth includes changes in revenue of these acquisitions compared with revenue expectations at the date of acquisition.

Pro forma adjusted EBITDA

Calculated as EBITDA before other items as if all acquisitions and divestments had occurred on 1 January of the respective year

Total revenue growth, %

= (Revenue current year – Revenue prior year) x 100 / Revenue prior year

STOCK MARKET RATIOS

Basic earnings per share (EPS)

= Net profit attributable to owners of ISS A/S / Average number of shares

Diluted earnings per share

= Net profit attributable to owners of ISS A/S / Average number of shares (diluted)

Adjusted earnings per share

= Net profit (adjusted) / Average number of shares (diluted)

Average number of shares (basic)

= Average number of issued shares, excluding treasury shares, for the year

Average number of shares (diluted)

= Average number of shares (basic) + Average number of outstanding Performance Share Units (PSUs) and Restricted Share Units (RSUs) expected to vest in the year

NON-FINANCIAL RATIOS

Customer Net Promoter Score (cNPS)

Measures the loyalty of our customers through a direct question of how likely the customer is to recommend ISS to others as a business partner

Employee Net Promoter Score (eNPS)

Measures the loyalty of our employees through a direct question of how likely the employee is to recommend ISS to others as a place to work

Lost Time Injury Frequency (LTIF)

Measures the number of incidents classified as lost time injuries per millions of hours worked

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook on p. 9. 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 such words, and other statements on matters that are not historical fact or regarding future events or prospects, are forward-looking statements. ISS has based these statements on its current views with respect to future events and financial performance. These views involve 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.

[1] The Group uses Operating profit before other items for the calculations instead of Operating profit. Consequently, the Group excludes Other income and expenses, net, which includes items that do not form part of the Group's normal ordinary operations, such as gains and losses arising from divestments, the winding up of operations, disposals of property and restructurings and acquisition-related items. Furthermore, Goodwill impairment and Amortisation/impairment of brands and customer contracts are excluded from the calculation.

[2] Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.

[3] As of 30 June 2017, Argentina and Uruguay are classified as discontinued operations. Comparative figures for 2016 have been restated accordingly.

CASE: STRENGTHENING OUR CATERING SERVICES IN NORTH AMERICA

In 2017, we realised our long-stated ambition of acquiring a North American catering business when we took over Guckenheimer, a leading US catering services company based in California.

Guckenheimer is regarded as a leading catering innovator in North America with a highly attractive list of blue-chip, key account customers offering potential growth through increased geographical and service footprints. Guckenheimer specialises in the on-site preparation of freshly-made food for employees, typically located at a key account head office. The company is dedicated to supporting its customers in offering a great place to work and to win the war for talent by delivering "Food to go to work for".

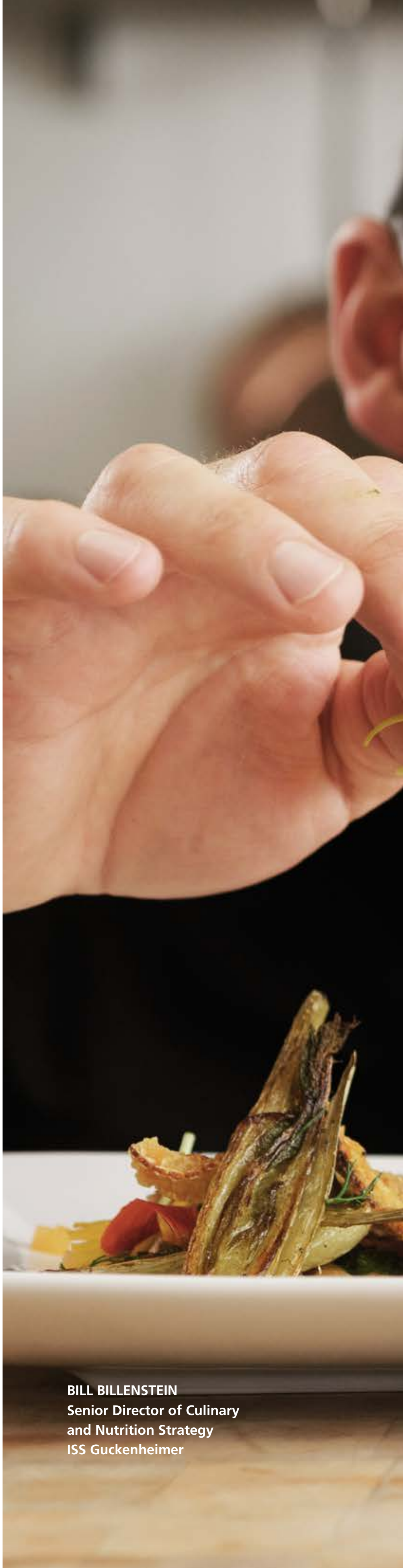
Guckenheimer's strategic ambitions are entirely consistent with those of ISS. The company's existing key account customers are heavily weighted towards ISS's target industry segments and target geographies in North America. In addition, Guckenheimer is driven by its desire to deliver outstanding quality, service excellence and a great user experience. All of this is underpinned by a strong focus on hard-working, motivated and empowered employees.

One important focus area for Guckenheimer is the desire to improve the health and human performance of its customers' employees via carefully crafted menus. Guckenheimer's chefs are given the freedom to create great tasting but healthy choices. In so doing, they can help to improve workplace productivity, reduce the health impact of a poor diet and even potentially help customers lower their insurance costs.

Since completion of the acquisition in April 2017, Guckenheimer's team has worked closely with ISS's Global Catering Excellence to share innovation and best practice. With our significantly enhanced self-delivery capability, we have successfully insourced North American catering services with key account customers that were previously subcontracted to third parties. Moreover, we have had an early success in cross selling non-catering services to Guckenheimer customers.

Given the size of the North American facility services market and its opportunities for growth, Guckenheimer represents a major strategic step for ISS as we seek to build our IFS credentials in the region. Guckenheimer is the perfect fit to supplement our business in North America and build a competitive IFS platform. We are now well positioned to capture growth in this market through a strong self-delivered offer.

2,300 DKKm revenue	**3,200+** employees	**33** US states



BILL BILLENSTEIN
Senior Director of Culinary and Nutrition Strategy
ISS Guckenheimer

At Guckenheimer, food drives employee engagement and healthy company cultures

GROUP PERFORMANCE

Our key account focus and strategic choices ensured a resilient performance for 2017.

OPERATING RESULTS

Group revenue for 2017 was DKK 79.9 billion, an increase of 2% compared with 2016. Organic growth was 2.4%, growth from acquisitions and divestments, net increased revenue by 1%, while the impact from currency effects reduced revenue by 2%.

Organic growth was supported by positive organic growth in all regions. The organic growth was mainly driven by growth in our portfolio services, start-up and expansion of Global Corporate Clients contracts in Continental Europe and Americas, large contract start-ups in Northern Europe and increased demand for non-portfolio services in North America. This was partly offset by expected organic revenue reductions in Australia, planned contract exits within certain business segments in Brazil, China and Eastern Europe following adjustments of our business platform, scope reduction following the spinoff of activities of one of our Global Corporate Clients contracts as well as contract losses and downscaling in the Industry & Manufacturing segment in Sweden. We started seeing positive growth in Australia at the end of the year with the annualisation of the contract losses experienced in 2016 and supported by new sales and strong retention in the year.

REGIONAL PERFORMANCE

REVENUE DKK million	2017	2016	Organic growth	Acq./ div.	Currency adj.	Growth 2017
Continental Europe	30,944	30,095	4 %	1 %	(2)%	3 %
Northern Europe	25,049	26,515	1 %	(3)%	(4)%	(6)%
Asia & Pacific	14,596	14,606	1 %	-	(1)%	(0)%
Americas	9,313	7,407	4 %	22 %	-	26 %
Other countries	97	104	(4)%	-	(3)%	(7)%
Corporate / eliminations	(87)	(69)	-	-	-	(26)%
Group	**79,912**	**78,658**	**2.4 %**	**1.2 %**	**(2.0)%**	**1.6 %**
Emerging markets	19,928	19,626	4 %	0 %	(2)%	2 %

OPERATING PROFIT AND MARGIN DKK million	2017		2016		Growth 2017
Continental Europe	2,006	6.5 %	1,823	6.1 %	10 %
Northern Europe	1,789	7.1 %	1,982	7.5 %	(10)%
Asia & Pacific	1,043	7.1 %	1,098	7.5 %	(5)%
Americas	334	3.6 %	305	4.1 %	10 %
Other countries	0	0.3 %	(1)	(1.3)%	100 %
Corporate / eliminations	(656)	(0.8)%	(664)	(0.8)%	1 %
Group	**4,516**	**5.7 %**	**4,543**	**5.8 %**	**(1)%**
Emerging markets	1,348	6.8 %	1,288	6.6 %	5 %

Operating profit before other items amounted to DKK 4,516 million in 2017 for an operating margin of 5.7% (2016: 5.8%). The margin was adversely impacted by acquisitions and divestments as well as negative net currency translation effects of 0.1 percentage point. Furthermore, the margin was negatively impacted by Northern Europe and the Americas mainly due to operational challenges, contract losses in Sweden, IFS contract start-up costs in North America and the impact of scope reductions of mature contracts. Finally, we saw margin decreases in Asia & Pacific driven by Australia, China, Indonesia and Thailand. This was partly offset by margin increases in Continental Europe, supported by Switzerland, Spain, France, Germany and Austria mainly due to operational efficiencies and a positive impact from a reduced pension obligation. Corporate costs amounted to 0.8% of revenue (2016: 0.8%), which was in line with expectations.

We define emerging markets as comprising Asia, Eastern Europe, Latin America, Israel, South Africa and Turkey (see p. 115 for a list of countries). Combined, these markets represent 25% of Group revenue and they delivered 4% organic growth. In addition to significantly contributing to the Group's organic growth, emerging markets delivered an operating margin of 6.8% in 2017 (2016: 6.6%). Emerging markets remain an important part of our strategic platform and we aim to continue to grow our footprint in these markets in a balanced and controlled manner.

Other income and expenses, net was an expense of DKK 548 million (2016: net expense of DKK 132 million), mainly due to a loss on divestments of DKK 359 million, which primarily related to the remeasurement of the business classified as held for sale in Northern Europe. Furthermore, restructuring projects amounted to DKK 284 million (2016: DKK 133 million), predominantly related to the continued implementation of GREAT across the Group, restructuring in Sweden due to operational challenges as well as adjustments to the business platform in Brazil. This was partly offset by divestment gains of DKK 155 million relating primarily to the divestment of the Group's activities in Iceland and the sewage and industrial service activities in Denmark.

Goodwill impairment amounted to DKK 90 million (2016: DKK 202 million) and related to the divested engineering consulting activities in Finland and the public hospital cleaning activities in Hungary.

Operating profit was DKK 3,357 million (2016: DKK 3,567 million). The reduction was a result of the increase in other expenses relating to loss on divestments and increased restructurings. This was partly offset by lower amortisation and impairment of acquisition-related intangibles.

Financial income and expenses, net was an expense of DKK 538 million (2016: DKK 465 million). The increase compared to last year was mainly related to higher interest expenses, net due to higher average net debt as a result of the acquisition of Guckenheimer and the slightly higher cost of debt due to bonds issued under the EMTN programme in August. Furthermore, amortisation of financing fees increased as unamortised non-cash financing fees were expensed in connection with the repayment of Term Loan B (EUR 300 million) and the refinancing of the revolving credit facility for a total amount of DKK 27 million.

The effective tax rate for 2017 was 26.8% (2016: 27.0%) calculated as Income taxes (adjusted) of DKK 920 million divided by Profit before tax (adjusted) of DKK 3,430 million.

The effective tax rate was negatively impacted by approximately 2.9 percentage points due to a revaluation of the deferred tax asset in the USA following the US tax reform. This was partly offset by non-taxable gains on divestments, which reduced the effective tax rate by approximately 1.0% and additional recognised deferred tax assets in Germany of approximately 1.0%. Adjusted for these factors, the effective tax rate was approximately 26%.

The Group's activities in Argentina and Uruguay, which are operated as a regional cluster, have been classified as **discontinued operations** and presented separately in the income statement as sales processes were initiated in June 2017. Net loss from discontinued operations was DKK 99 million in 2017 (2016: a loss of DKK 8 million). Comparative figures have been restated accordingly as described in note 4.5 to the consolidated financial statements.

Net profit (adjusted) was DKK 2,424 million (2016: DKK 2,873 million). The reduction of DKK 449 million was driven by one-off non-cash items of DKK 413 million comprising loss on divestments related to the remeasurement of the business classified as held for sale in Northern Europe and a revaluation of the deferred tax asset in the USA following the US tax reform. In addition, net profit was adversely impacted by currency headwinds.

Net profit was DKK 2,007 million (2016: DKK 2,220 million). The decrease was mainly due to the above-mentioned items, though offset in part by lower goodwill impairment and a positive impact of the US tax reform from the revaluation of deferred tax liabilities relating to acquisition-related intangibles. The net impact of the US tax reform on Net profit was therefore reduced to DKK 8 million (expense).

BUSINESS DEVELOPMENT

Delivering service solutions to our **key account** customers, especially Integrated Facility Services (IFS), is a key part of our strategy. Our key account customers comprise all our Global Corporate Clients as well as regional and country key accounts. In total, these key accounts represent 52% of our total revenue and represent large IFS contracts or contracts with IFS potential. In the future, we expect to extend key account services to some large strategical single service contracts.

The **IFS** share of Group revenue has grown steadily in recent years, amounting to 38% in 2017 (2016: 37%). The increase was supported by the successful implementation of our strategic initiatives, once again illustrated by a number of contract wins, expansions and extensions in 2017.

See the contract overview on p. 18.

Revenue generated from IFS in 2017 was up 6% (2016: 14%) in local currencies to DKK 30.5 billion. In 2017, we added significant new key accounts including the new Global Corporate Clients contracts and large local IFS customers, such as Shire, ABB and large local customers in the Healthcare segment. In addition, we won the single largest IFS contract in ISS history with Deutsche Telekom, which underpins our focus on the key account segment. Starting July 2019, more than 6,000 ISS employees will deliver IFS to Deutsche Telekom at approximately 9,000 sites across Germany. Once fully operational, the contract will amount to approximately 4% of 2017 Group revenue.

Revenue generated from **Global Corporate Clients** increased by 10% in 2017 (2016: 19%) in local currencies to DKK 9.7 billion and now accounts for 12% of Group revenue (2016: 11%). Growth was supported by the start-up of new contracts, Shire in particular, expansion with existing clients as well as stronger demand for non-portfolio services, partly offset by a revenue reduction from the loss of the DXC Technology contract. We added three new Global Corporate Clients contracts in 2017 and announced an additional two at the beginning of 2018. In addition, we successfully extended our partnership with both Barclays and Hewlett Packard Enterprise.

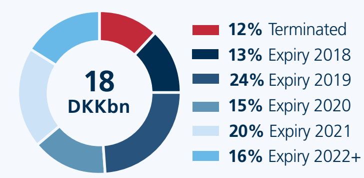
CONTRACT MATURITY

Our revenue base consists of yearly contracts which are renewed tacitly and thousands of multi-year contracts, the majority of which have an initial term of 3-5 years. A significant share of our revenue is therefore up for renewal every year. To mitigate this inherent business risk, we have a strong focus on customer satisfaction and as part of our contract management processes we continuously and proactively work with our customers to seek contract renewals or expansions well in advance of expiry. As a result, our retention rate of customer contracts is approximately 90% and even higher for key accounts.

In terms of revenue up for renewal in any given year, the majority relates to a very large number of small contracts. However, an analysis of our large key account customers (see chart below) helps illustrate those contracts which, individually, may have a visible impact on the Group's revenue development. This analysis is based on all global and regional key account customers and those local key account customers generating annual revenue in 2017 in excess of DKK 200 million. In 2017, 41 ISS customer contracts fell into these categories. Between them, they generated revenue of approximately DKK 18.0 billion, or 23% of Group revenue.

As illustrated in the chart to the right, annual revenue of approximately DKK 2.1 billion (2.7% of Group revenue) from five customers have been lost and will

CONTRACT MATURITY, MAJOR KEY ACCOUNTS



MAJOR KEY ACCOUNT DEVELOPMENTS	COUNTRIES	TERM	EFFECTIVE DATE
WINS			
Shire [1]	23 countries in Americas and Continental Europe	5 years	Q2 2017
South London and Maudsley NHS Foundation Trust	UK	5 years	Q2 2017
Banking segment company	UK	3 years	Q2 2017
Retail and wholesale segment contract [1]	4 countries in Americas and Continental Europe	5 years	Q2 2017
Sengkang Hospitals	Singapore	3 years	Q3 2017
Adana Integrated Health Campus	Turkey	5 Years	Q3 2017
Professional service company	UK	5 years	Q3 2017
ABB	4 countries in Asia & Pacific (mainly China and India)	5 years	Q4 2017
LEGO Group [1]	10 countries	5 years	Q1 2018
MTR Corporation	Hong Kong	3+3 years	Q1 2018
International food and beverage company [1]	20 countries across Europe	5 years	Q1 2018
Department for Business, Energy and Industrial Strategy (BEIS)	UK	4 years	Q1 2018
Deutsche Telekom	Germany	10 years	Q3 2019
EXTENSIONS/EXPANSIONS			
Huawei [1]	14 European countries	3 years	Q1 2017
SEB	Sweden	3 years	Q2 2017
Oslo Gardermoen	Norway	6 years	Q3 2017
Barclays [1]	26 countries	5 years	Q4 2017
National Westminster Bank	UK	3 years	Q4 2017
Hewlett Packard Enterprise [1]	44 countries	3 years	Q4 2017
Melbourne and Launceston Airports	Australia	4 Years	Q4 2017
Fullham Road Collaborative	UK	5 Years	Q1 2018
Danish Defence	Denmark	6 years	Q2 2018
REDUCTIONS/LOSSES			
DXC Technology [1] [2]	36 countries	-	Q3 2017
HP Inc. [1]	45 countries	-	Q1 2018
UK Ministry of Defence	UK	-	Q1 2018
Tubelines	UK	-	Q1 2018
International Bank [1]	34 countries in EMEA	-	Q2 2018

[1] GCC.
[2] Spin-off and merger of Hewlett-Packard's enterprise services business with CSC.

disappear for part, or all of 2018. Eight customer contracts representing annual revenue of DKK 2.3 billion (2.8% of Group revenue) are up for renewal in 2018. The chart illustrates this development together with the value (based on realised revenue in 2017) of these large contracts, which are all up for renewal in subsequent years.

It is important to note, that the analysis only shows the maturity of existing contracts and does not show any impact from new customer contracts which have been signed but are yet to commence, such as Deutsche Telekom and other significant wins illustrated in the table on the previous page.

CASH FLOWS AND WORKING CAPITAL

Cash conversion for 2017 was 104% (2016: 98%), driven by a strong general cash performance across the Group. Ensuring strong cash performance remains a key priority, and the result reflects our consistent efforts to ensure timely payment for work performed, focus on strong working capital processes as well as timing of collections and payments around year-end.

Cash flow from operating activities amounted to DKK 3,613 million (2016: DKK 3,690 million). The decrease in cash inflow was mainly due to an increase in other expenses paid of DKK 185 million reflecting significant restructuring projects across the Group and a larger cash outflow from interest paid, net of DKK 64 million. This was partly offset by an improved cash flow from changes in working capital of DKK 283 million mainly due to a continued focus on strong working capital processes as well as the timing of collections and payments around year-end.

Other expenses paid of DKK 396 million (2016: DKK 211 million) mainly included restructuring projects initiated and expensed in 2016 and 2017.

Cash flow from investing activities was a net outflow of DKK 2,335 million (2016: DKK 748 million). Cash outflow from investments in intangible assets and property, plant and equipment, net, of DKK 907 million (2016: DKK 805 million) represented 1.1% of Group revenue (2016: 1.0%). Cash outflow from acquisition and divestment of businesses, net of DKK 1,421 million, mainly related to the acquisition of Guckenheimer in the USA partly offset by divestments, most significantly the Group's activities in Iceland, the real estate administration activities in Sweden and the sewage and industrial service activities in Denmark.

Cash flow from financing activities was a net inflow of DKK 938 million (2016: outflow of DKK 3,087 million). This was primarily due to proceeds from bonds of DKK 4,439 million from the issuance of the 10-year EUR bond (EUR 600 million), partly offset by the repayment of senior facilities of DKK 2,230 (EUR 300 million Term Loan B). Furthermore, cash outflow from ordinary dividends paid to shareholders was DKK 1,418 million.

Free cash flow was an inflow of DKK 2,699 million (2016: 2,910 million). The decrease was mainly due to higher restructuring charges as explained above and increased investments in intangible assets and property, plant and equipment, net, including investments in technology.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

ACQUISITIONS

In January 2017, we acquired Evantec, a technical and building services company in Germany with annual revenue of approximately DKK 352 million and about 800 employees. The acquisition is in line with our strategic priorities of further expanding our competences within the technical and building services.

In February 2017, we acquired SIGNAL, a Danish-based workplace management consulting firm with annual revenue of approximately DKK 30 million and 30 employees based in offices in Copenhagen and Oslo. The acquisition of SIGNAL will add greater insights into how workplace design and service can come together to drive employee engagement.

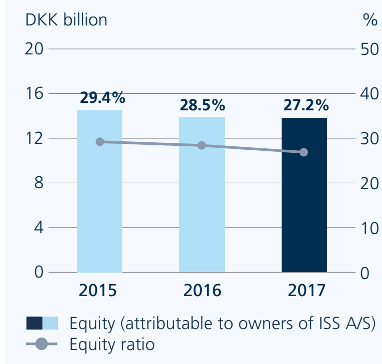
In April 2017, we acquired Guckenheimer, a leading US catering company with annual revenue of approximately DKK 2,300 million and 3,200 employees in 33 US states. The acquisition supports our strategic aim of strengthening our catering capabilities in North America and building a stronger platform delivering IFS to key accounts.

Going forward, we will continue to consider acquisition opportunities with the potential to enhance our core competencies subject to tight strategic and financial filters.

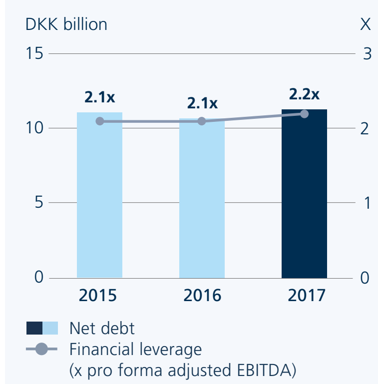
DIVESTMENTS AND ASSETS HELD FOR SALE

In 2017, we divested the sewage and industrial service activities in Denmark, the Group's activities in Iceland, the

EQUITY AND EQUITY RATIO



FINANCIAL LEVERAGE



route-based cleaning activities in the Netherlands, the engineering consulting activities in Finland as well as minor activities in Ireland, Spain, Sweden and Finland.

In December, we also announced the divestment of our activities in Greece, which was completed in January 2018. Also in January 2018, we completed the divestments of our industrial kitchen cleaning activities in Belgium and our public hospital cleaning activities in Hungary.

All divestments support our strategy of focusing on geographies and services where we see the greatest opportunities for customer growth and profitability. We will continue to review our existing business for potential divestments of non-core activities.

At 31 December 2017, four businesses in Continental Europe, Northern Europe and the Americas, including Argentina and Uruguay, which are also presented as discontinued operations, were classified as held for sale. Assets and liabilities held for sale amounted to DKK 1,210 million (2016: DKK 1,520 million) and DKK 428 million (2016: DKK 426 million), respectively.

In 2017, divestments and revaluation of businesses classified as held for sale resulted in a net loss before tax of DKK 308 million (2016: net loss of DKK 178 million), which comprised impairment losses on goodwill and customer contracts of DKK 90 million and DKK 3 million respectively, a net loss of DKK 204 million recognised in Other income and expenses, net as well as an impairment loss on goodwill of DKK 11 million presented as discontinued operations.

INTANGIBLE ASSETS, GOODWILL AND GOODWILL IMPAIRMENT

Intangible assets at 31 December 2017 amounted to DKK 26,665 million and mainly comprised goodwill, customer contracts and brands. A significant part of these assets relates to the acquisition of ISS World Services A/S in 2005. Furthermore, a large number of acquisitions made in subsequent years have added intangible assets.

At 31 December 2017, goodwill was DKK 22,894 million compared with DKK 22,354 million at 31 December 2016. The goodwill balance at 31 December 2017 reflected additions from acquisitions, mainly Guckenheimer, of DKK 1,473 million partly offset by negative foreign exchange adjustments of DKK 809 million and impairment losses of DKK 101 million.

CAPITAL STRUCTURE

We wish to maintain a strong and efficient balance sheet and to strike the optimal balance between reinvesting capital back into our business and returning surplus funds to our shareholders. At the annual general meeting to be held on 11 April 2018, the Board will propose a dividend for 2017 of DKK 7.70 per share of DKK 1, equivalent to DKK 1,430 million.

In line with our Financial Policy, our objective is to maintain an investment grade financial profile with a financial leverage below 2.5x pro forma adjusted EBITDA, taking seasonality into account. At 31 December 2017, the financial leverage was 2.2x (2016: 2.1x) with net debt of DKK 11,325 million (2016: DKK 10,977 million). The acquisition of Guckenheimer has led to a short-term increase of the financial leverage of 0.2x.

In 2017, ISS Global A/S successfully issued a 10-year EUR bond for a principal amount of EUR 600 million maturing on 31 August 2027 with a coupon of 1.500%. The notes were issued under the company's EUR 3 billion European Medium Term Note (EMTN) programme, which is listed on the Luxembourg Stock Exchange. The net proceeds of the offering were used to repay the EUR 300 million Term Loan B and for general corporate purposes.

We also entered into a new senior unsecured revolving credit facility of EUR 1,000 million with a group of 15 banks. The new revolving credit facility matures in November 2022 and replaces the EUR 850 million revolving credit facility maturing in February 2019. The new revolving credit facility is not subject to financial covenants and the drawn margin is determined semi-annually based on a leverage grid.

ISS currently holds corporate credit ratings of BBB / Stable outlook assigned by S&P and Baa2 / Stable outlook assigned by Moody's, respectively.

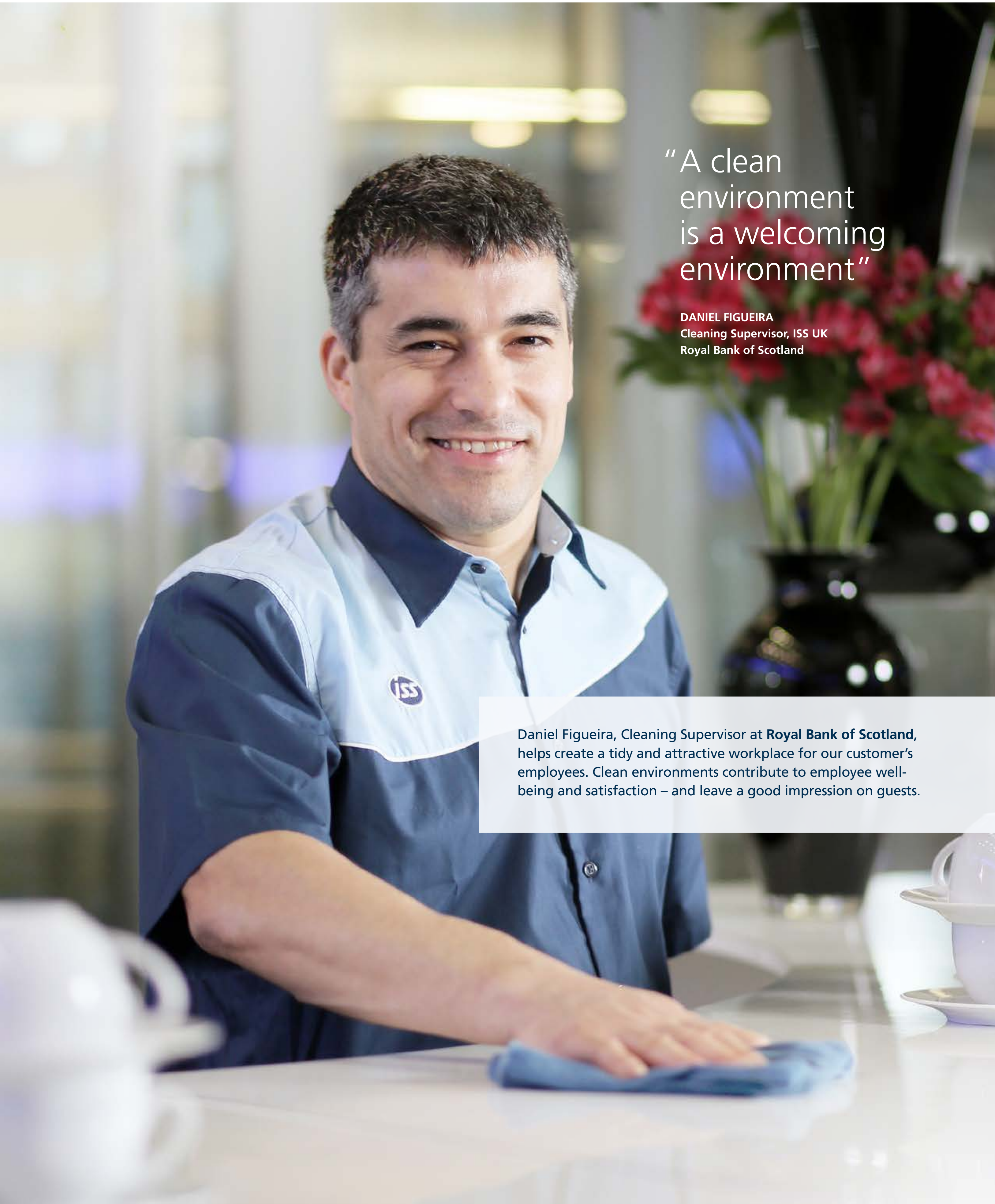
EQUITY

At 31 December, equity was DKK 13,814 million, equivalent to an equity ratio of 27.2% (2016: 28.5%). The decrease of DKK 106 million was mainly a result of ordinary dividends paid to shareholders of DKK 1,418 million and negative currency adjustments of DKK 811 million relating to investment in foreign subsidiaries. This was partly offset by net profit of DKK 2,007 million. The negative currency adjustments were mainly due to HKD, GBP, and USD depreciating against DKK.

SUBSEQUENT EVENTS

Acquisitions and divestments completed in the period 1 January to 15 February 2018 are described under strategic acquisitions and divestments, pp. 19–20.

Other than as set out above or elsewhere in this Group Annual Report, we are not aware of events subsequent to 31 December 2017, which are expected to have a material impact on the Group's financial position.

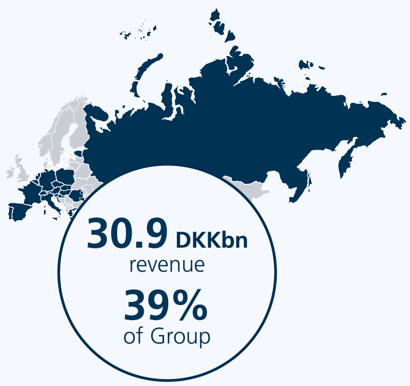


"A clean environment is a welcoming environment"

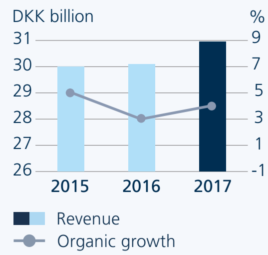
DANIEL FIGUEIRA
Cleaning Supervisor, ISS UK
Royal Bank of Scotland

Daniel Figueira, Cleaning Supervisor at **Royal Bank of Scotland**, helps create a tidy and attractive workplace for our customer's employees. Clean environments contribute to employee well-being and satisfaction – and leave a good impression on guests.

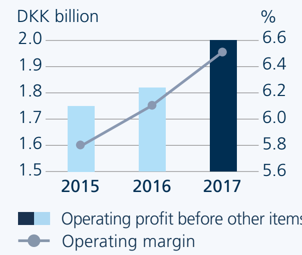
CONTINENTAL EUROPE



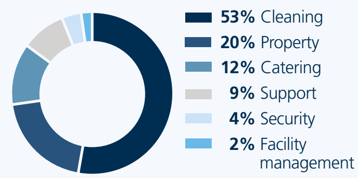
REVENUE AND ORGANIC GROWTH



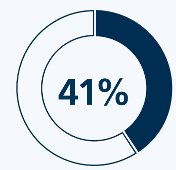
OPERATING PROFIT AND MARGIN



REVENUE BY SERVICE



KEY ACCOUNT SHARE



THE MARKET AND OUR FOCUS

Most markets of this region are developed markets, but with differences in terms of IFS market maturity and macroeconomic environment. There are also developing outsourcing markets in the eastern part of the region. We hold leading market positions in several countries, including in Spain, Switzerland, France and Turkey. Key customer segments are Business Services & IT, Industry & Manufacturing, Public Administration, Healthcare and Pharmaceuticals.

The year 2017 was characterised by significant contract wins with new Global Corporate Clients and the addition of several new key accounts on country level. We also successfully retained several important key accounts in the region. The most significant win was Deutsche Telekom, the single largest IFS contract in ISS history, which underlines the focus on the key account segment. We continued the work to develop our core business, divesting non-core activities in several countries, including our activities in Greece, and the integration of Evantec in Germany which supports our technical and building services capabilities.

In 2018, we will remain focused on delivering IFS solutions for existing contracts as well as delivering IFS to a number of new customers, including Deutsche Telekom. We plan to dedicate significant resources in 2018 toward the transition and mobilisation of this contract which commences in July 2019. Furthermore, we will continue building and improving our platform from which we can deliver high quality IFS solutions to our key accounts, with France being the key focus in 2018. Finally, in the eastern part of the region, we will continue to gradually reduce the proportion of our customers in the public sector and focus on developing our business with multinational customers instead.

STRATEGY UPDATE

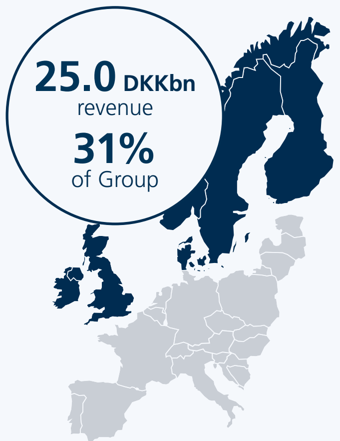
The implementation of GREAT continued in 2017 and we are extracting the benefits of skill and scale in terms of volume, concepts and talent. We are working across countries to share and leverage excellence from concepts within commercial, IT and back office optimisation. We identify best practices and have service excellence experts working across borders to support local organisations. As part of our cost leadership initiatives and to drive volume benefits, we focus on spend visibility and procurement compliance across the region. We invest in developing our talent, including our account managers, training them in all aspects of the business, including through our Key Account Manager Certification (KAMC) programme. In France, we have launched a significant GREAT implementation to strengthen the operating model, improve the IFS platform, increase the commercial focus and generate efficiencies, which will be a key focus area for us in 2018.

FINANCIALS

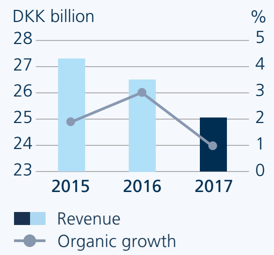
Revenue increased to DKK 30,944 million in 2017 (2016: DKK 30,095 million). **Organic growth** was 4%, while the impact from divestments and acquisitions, net reduced revenue by 1% and currency effects reduced revenue by 2%, mainly due to the depreciation of TRY and CHF against DKK. The main contributors to the strong organic growth rate were Turkey, Germany, Switzerland and Austria with the main drivers being contract launches and price increases in Turkey, projects and contract launches in Germany and the expansion of Novartis and the start-up of Shire in Switzerland and Austria.

Operating profit before other items was up by 10% to DKK 2,006 million, resulting in an improved operating margin of 6.5% (2016: 6.1%). The improved margin was mainly supported by increases in France and Spain combined with strong performances in Switzerland, Turkey and Austria following the good growth and the focus on operational efficiencies. Furthermore, the margin was supported by a reduced pension obligation secured on the back of lower interest rates.

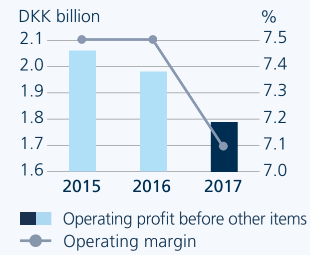
NORTHERN EUROPE



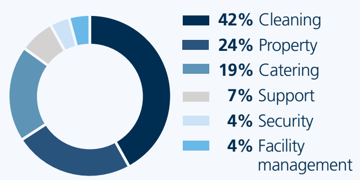
REVENUE AND ORGANIC GROWTH



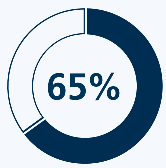
OPERATING PROFIT AND MARGIN



REVENUE BY SERVICE



KEY ACCOUNT SHARE



THE MARKET AND OUR FOCUS

The markets of this region are mature, developed, very competitive and with high outsourcing rates. ISS holds a market-leading position in the Nordic countries and is recognised as a leader in the UK & Ireland. Key customer segments are Business Services & IT, Public Administration, Industry & Manufacturing and country-specific segments such as Healthcare and Transportation & Infrastructure.

In 2017, several significant Nordic IFS contracts were won, increased and retained, including the renewal and expansion of the partnership with a leading mobile operator across Scandinavia, and also the significant expansion of the contract with the Danish Defence making this the largest outsourcing contract in Denmark ever. In the UK, we significantly expanded our contract with National Westminster Bank and extended our contract with the Fullham Road Collaborative.

In 2018, we will remain focused on our key customer segments, building the sales pipeline in these segments and aiming to further harvest from and develop our capabilities within the technical services and capital projects areas. However, we will see some revenue reduction in the region in 2018, particularly in the UK and Ireland, mainly as a consequence of losses or reductions of certain Global Corporate Clients contracts and large local contracts, namely HP Inc. and an international bank and also a significant local contract with the UK Ministry of Defence.

STRATEGY UPDATE

Our strategic focus remains to leverage our strong market position in order to harvest benefits in terms of volume, concepts and talent, mainly through sharing best practices and developing solutions and concepts tailored to our key customer segments. Benchmarking and high productivity through Operational Excellence and integration of services will remain priorities to ensure that we deliver great service based on our customers' needs – in the most efficient way. In addition, back office process excellence supported by the right IT strategy will continue to enhance transparency, thereby enabling us to focus on cost leadership. We will continue to benefit from both Group and Regional scale in driving procurement efficiency and volume benefits. Finally, we aim to further upskill and develop our talent at all levels in support of our strategic focus.

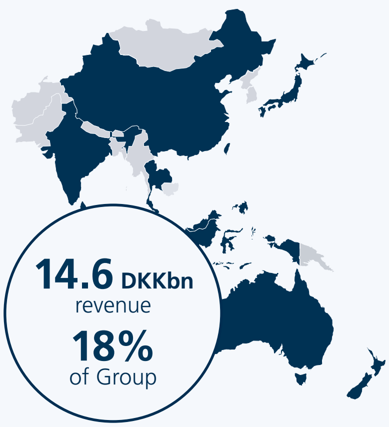
We will continue to focus our efforts to improve the performance in Sweden following contract losses, the downscaling of the Industry and Manufacturing segment and the operational challenges within parts of the cleaning segment in 2017.

FINANCIALS

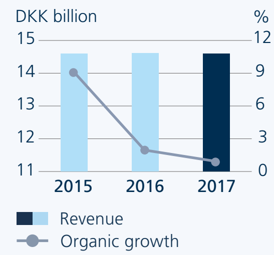
Revenue amounted to DKK 25,049 million (2016: DKK 26,515 million). **Organic growth** was 1% with currency effects reducing revenue by 4%, mainly due to the depreciation of GBP against DKK, and divestments reducing revenue by 3%. Organic growth was driven by 2016 and 2017 contract launches in the UK, Denmark and Norway as well as good demand for non-portfolio services, which was partly offset by reduced revenue in projects in the UK. Detracting from performance were contract losses and downscaling in the Industry & Manufacturing segment in Sweden. Excluding Sweden, organic growth was 2%.

Operating profit before other items amounted to DKK 1,789 million (2016: DKK 1,982 million), for an operating margin of 7.1% (2016: 7.5%). We saw improved margins in the UK and Finland which were mainly driven by operational efficiencies. This was more than offset by margin decreases in Sweden due to contract losses, operational challenges within parts of the Cleaning segment and one-off costs as well as reduced margins in Norway and Denmark mainly due to the start-up of new contracts and also to one-off income in Norway in 2016.

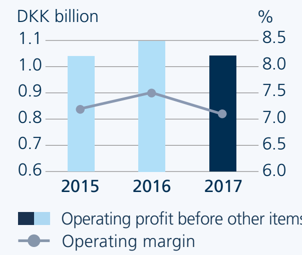
ASIA & PACIFIC



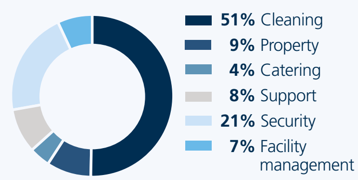
REVENUE AND ORGANIC GROWTH



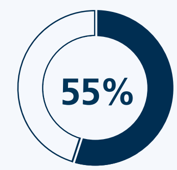
OPERATING PROFIT AND MARGIN



REVENUE BY SERVICE



KEY ACCOUNT SHARE



THE MARKET AND OUR FOCUS

The region consists of large and established markets, such as Australia, Hong Kong and Singapore, as well as developing outsourcing markets, such as China, India, Indonesia and Thailand. ISS has a strong presence in the region and holds a market-leading position in most countries. Key customer segments are Business Services & IT, Industry & Manufacturing, Healthcare, Retail & Wholesale, Energy & Resources and Transportation & Infrastructure.

In 2017, we further strengthened our IFS offering in selected customer segments, leading to important contract wins and extensions. Organic growth was firstly impacted by the contract losses and reductions in 2016 in the remote site resources segment in Australia, which were the result of industry downsizing. Secondly, organic growth was affected by losses in China as we transform our business and customer base towards large multinational customers. Our key account strategy has started yielding positive results with high customer retention during 2017 and some large contract wins late in the year, including ABB, which will be mobilised over 2018. Australia has successfully renewed its portfolio of contracts and is geared to return to organic growth in 2018.

Going forward, we will continue developing our value proposition for selected customer segments, accelerating the strategy implementation through GREAT, driving in-country and contract leadership development, and further strengthening commercial and operational capabilities to drive future growth. Moreover, driving the change towards performance-based commercial models will remain in focus as markets mature and change from input-based to outcome-based contracts, as seen through our strategic shift in China.

STRATEGY UPDATE

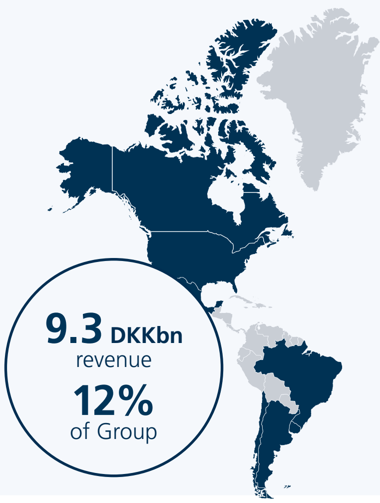
We continued the work to implement GREAT in 2017, focusing on harvesting the benefits of skill and scale in terms of volume, concepts and talent. We are aligning organisational structures, leveraging best practice concepts and approaches, and driving procurement excellence. We also focused on cost leadership and achieved scale benefits through our focus on procurement excellence across countries. Sharing skills and best practices is done by utilising virtual teams of subject matter experts. Sharing talent across the region and developing leadership and key account management skills through training programmes will remain in focus.

FINANCIALS

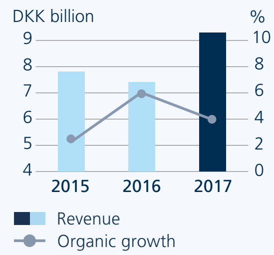
Revenue was DKK 14,596 million (2016: 14,606 million) driven by 1% **organic growth** which was offset by a 1% negative impact from currency effects. We saw high single-digit growth rates in Singapore driven by growth in the Healthcare Segment and Indonesia due to minimum wage increases and growth in key accounts as well as double-digit organic growth rates in India and the Philippines driven by contract launches and expansions with Global Corporate Clients. This was partly offset by expected revenue reductions in China and Australia. Australia saw an organic revenue reduction for the first three quarters of the year but returned to positive organic growth in Q4 following the annualisation of contract losses and new wins in 2017.

Operating profit before other items decreased by 5% to DKK 1,043 million reflecting an operating margin of 7.1% (2016: 7.5%). The margin decrease was mainly due to lower margins in Indonesia, following a one-off income in Q4 2016 related to pensions, China, due to planned contract exits and one-off costs, and Thailand, due to one-off costs and higher labour costs. This was partly offset by strong performances in Singapore and Hong Kong supported by operational efficiencies and cost savings, as well as a strong performance on certain contracts in India.

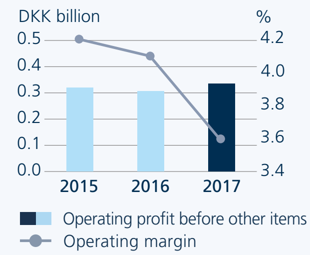
AMERICAS



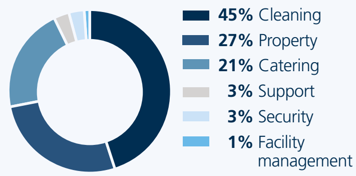
REVENUE AND ORGANIC GROWTH



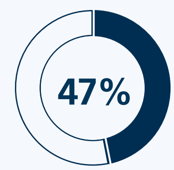
OPERATING PROFIT AND MARGIN



REVENUE BY SERVICE



KEY ACCOUNT SHARE



THE MARKET AND OUR FOCUS

Americas consists of two moderately different markets - North America and Latin America. We have a strong presence in several parts of both North America and Latin America with the focus on delivering performance-based IFS solutions to large customers. Key customer segments include Business Services & IT, Transportation & Infrastructure and Industry & Manufacturing.

North America is the world's largest FM market, accounting for approximately 27% of the global outsourced FM market. In 2017, we focused on enhancing our capabilities and market position in North America – best demonstrated by the acquisition in April of Guckenheimer, a market-leading catering provider with delivery capabilities across the USA, which significantly underlined our focus on output-based IFS solutions.

Latin America accounts for approximately 4% of the world's total outsourced FM market, and is a market with significantly less outsourcing maturity. Latin America remains an important market for ISS as several multinationals have a significant presence in certain geographies. In 2017, we further calibrated our footprint in Latin America to our multinational customers and divestment processes in Argentina and Uruguay have been initiated as a result. In addition, we continued the planned restructuring of our business platform in Brazil.

Going forward, our focus will be on further advancing our IFS capabilities across the region towards key account customers, in particular. We will continue to calibrate our business platform in the region, including a further reinforcement of our technical services capabilities in North America and driving the divestment processes in Argentina and Uruguay.

STRATEGY UPDATE

We started 2017 with a divestment of our non-core landscaping business in North America. In 2017, the onboarding and integration of Guckenheimer was a key focus area. We are progressing according to plan and have retained Guckenheimer's attractive customer portfolio, insourced catering revenues from ISS accounts and driven cost synergies in line with expectations.

Finally, we continued to leverage benefits in terms of volume, concepts and talent by strengthening the deployment capabilities in all countries through the launch of Excellence Centres. This included benefits from the implementation of procurement programmes, roll-out of best practices and training of, and investment in, on-site management through deeper deployment of training and development programmes.

FINANCIALS

Revenue increased by 26% to DKK 9,313 million (2016: DKK 7,407 million). **Organic growth** was 4%, while the impact from acquisitions and divestments, net increased revenue by 22%. All countries except for Brazil delivered positive organic growth rates, with the USA, Mexico, and Chile as the main contributors. Organic growth was supported in particular by non-portfolio services in the IFS division and the start-up of Global Corporate Clients contracts in the USA as well as contract launches in Mexico and Chile. This was partly offset by planned contract exits in Brazil within certain business segments following the structural adjustments of our business platform.

Operating profit before other items was DKK 334 million for an operating margin of 3.6% (2016: 4.1%). The operating margin was impacted by IFS contract start-up costs, the specialised services division in North America underperforming and one-off costs related to contract exits. This was partly offset by a margin improvement in Chile and a strong margin in Mexico, driven by operational efficiencies and a high organic growth in both countries.

Q4 2017

Solid organic growth, significant currency headwinds and announcement of the largest contract win in ISS history.

QUARTERS

REVENUE DKK million	Q4 2017	Q4 2016	Organic growth	Acq./ div.	Currency adj.	Growth Q4 2017
Continental Europe	7,962	7,732	6 %	0 %	(3)%	3 %
Northern Europe	6,480	6,892	(0)%	(4)%	(2)%	(6)%
Asia & Pacific	3,582	3,697	4 %	-	(7)%	(3)%
Americas	2,648	2,053	8 %	27 %	(6)%	29 %
Other countries	22	29	(19)%	-	(5)%	(24)%
Corporate / eliminations	(27)	(19)	-	-	-	(42)%
Group	**20,667**	**20,384**	**3.6 %**	**1.7 %**	**(3.9)%**	**1.4 %**
Emerging markets	4,948	5,059	5 %	0 %	(7)%	(2)%

OPERATING PROFIT AND MARGIN DKK million	Q4 2017		Q4 2016		Growth Q4 2017
Continental Europe	649	8.2 %	629	8.1 %	3 %
Northern Europe	507	7.8 %	558	8.1 %	(9)%
Asia & Pacific	221	6.2 %	324	8.8 %	(32)%
Americas	142	5.4 %	92	4.5 %	54 %
Other countries	(1)	(3.3)%	(0)	(1.5)%	70 %
Corporate / eliminations	(205)	(1.0)%	(237)	(1.2)%	14 %
Group	**1,313**	**6.4 %**	**1,366**	**6.7 %**	**(4)%**
Emerging markets	351	7.1 %	388	7.7 %	(10)%

Group revenue was DKK 20.7 billion (Q4 2016: DKK 20.4 billion).

Organic growth was 3.6% (Q3 2017: 2.3%), while the impact from acquisitions and divestments, net increased revenue by 2% and currency effects reduced revenue by 4%.

Organic growth was mainly driven by contract launches and non-portfolio work in Continental Europe and strong demand for projects and other non-portfolio work in North America. Continental Europe, the Americas, and Asia & Pacific all delivered strong organic growth, while Northern Europe was flat due to contract losses and downscaling in Sweden combined with a tough Q4 2016 comparison. Organic growth continued to be impacted by planned contract exits within certain business segments in Brazil and China following strategic structural adjustments of our business platform. Furthermore, the DXC Technology contract was stopped 30 September 2017. Australia returned to positive organic growth in the quarter following the annualisation of the contract losses from 2016 combined with the contract launches in the second half of 2017 and strong retentions.

Operating profit before other items was down by 4% to DKK 1,313 million (Q4 2016: DKK 1,366 million) for an **operating margin** of 6.4% (Q4 2016: 6.7%). In line with previous years, seasonality influenced operating profit before other items, which is typically higher in Q3 and Q4 than in Q1 and Q2.

The operating margin was negatively impacted by acquisitions and divestments, negative currency translation effects of net 0.2 percentage point and margin decreases in Asia & Pacific and Northern Europe. Asia & Pacific was impacted by one-off costs in Thailand, portfolio adjustments in China and margin decreases in Australia due to contract start-ups and extensions and one-off income related to pensions in Q4 2016 in Indonesia. Northern Europe decreased due to operational challenges within parts of the cleaning segment in Sweden and margin decreases in Norway and Denmark due to contract start-ups. This was partly offset by margin increases in Continental Europe due to operational efficiencies in France, Germany and Spain as well as the Americas, which was driven by strong non-portfolio demand in the USA and improvements in Chile and Brazil. Corporate costs amounted to 1.0% of revenue (Q4 2016: 1.2%), in line with expectations.

Other income and expenses, net was a net expense of DKK 256 million (Q4 2016: net expense of DKK 9 million) mainly related to the revaluation of the business classified as held for sale in Northern Europe and restructuring projects.

Goodwill impairment was DKK 90 million (Q4 2016: DKK 178 million) and was related to the divestments of the engineering consulting activities in Finland and the public hospital cleaning activities in Hungary.

Operating profit was DKK 839 million (Q4 2016: DKK 1,011 million) and

QUARTERS

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
ORGANIC GROWTH								
Continental Europe	6 %	4 %	1 %	4 %	2 %	4 %	4 %	4 %
Northern Europe	(0)%	1 %	1 %	2 %	5 %	3 %	4 %	2 %
Asia & Pacific	4 %	1 %	0 %	(1)%	(3)%	1 %	4 %	7 %
Americas	8 %	3 %	1 %	3 %	12 %	7 %	3 %	1 %
Group	**3.6 %**	**2.3 %**	**1.0 %**	**2.6 %**	**2.9 %**	**3.2 %**	**3.7 %**	**3.6 %**
Emerging markets	5 %	3 %	2 %	5 %	4 %	7 %	8 %	9 %
OPERATING MARGIN								
Continental Europe	8.2 %	6.8 %	6.2 %	4.7 %	8.1 %	6.1 %	5.5 %	4.3 %
Northern Europe	7.8 %	8.6 %	6.6 %	5.6 %	8.1 %	8.9 %	7.1 %	5.9 %
Asia & Pacific	6.2 %	7.6 %	7.1 %	7.7 %	8.8 %	7.8 %	6.9 %	6.6 %
Americas	5.4 %	2.5 %	3.6 %	2.5 %	4.5 %	4.7 %	4.1 %	3.1 %
Group	**6.4%**	**6.3%**	**5.4%**	**4.5%**	**6.7 %**	**6.5 %**	**5.4 %**	**4.5 %**
Emerging markets	7.1%	6.5%	6.2%	7.2%	7.7 %	6.2 %	6.2 %	6.2 %

mainly decreased due to the revaluation of the business classified as held for sale in Northern Europe and higher restructuring costs. This was only partly offset by lower amortisation and impairment of acquisition-related intangibles.

Financial income and expenses, net was a net expense of DKK 146 million (Q4 2016: net expense of DKK 109 million). The increased cost was mainly a result of higher financing fees as unamortised non-cash financing fees were expensed in connection with the refinancing of the Revolving Credit Facility in November and slightly higher interest rates.

Net profit (adjusted) amounted to DKK 604 million (Q4 2016: DKK 929 million). The decrease was driven by one-off non-cash items comprising the remeasurement of the business classified as held for sale in Northern Europe and a revaluation of the deferred tax asset in the USA following the US tax reform. The net impact of the US tax reform on the reported net profit is insignificant.

Cash conversion (LTM) in Q4 2017 was 104% due to the strong cash flow performance across the Group. Ensuring a strong cash performance remains a key priority, and the result reflects our efforts to ensure timely payment for work performed, strong working capital processes as well as the timing of collections and payments around year-end.

Cash flow from operating activities was an inflow of DKK 2,919 million (Q4 2016: DKK 2,741 million). The cash flow is usually higher in Q4, as cash flows from operating activities tend to become increasingly positive as the year progresses and revenue recognised in Q3 is collected. The increase in cash inflow was mainly due to an improved cash inflow from changes in working capital.

Revenue generated from **Integrated Facility Services** (IFS) in Q4 was up by 6% (September YTD 2017: 4%) in local currencies to DKK 8.3 billion, which corresponds to approximately 40% of Group revenue (September YTD 2017: 37%). Growth was supported by the start-up of new contracts, Shire in particular, expansion with existing clients as well as increased demand for non-portfolio services, especially in North America, which was partly offset by revenue reductions from the loss of the DXC Technology contract. In Q4, we signed the largest IFS contract in ISS history with Deutsche Telekom.

Revenue generated from **Global Corporate Clients** in Q4 was up by 6% (September YTD 2017: 12%) in local currencies to DKK 2.7 billion, representing approximately 13% of Group revenue (September YTD 2017: 12%). The increase was a result of an increased level of non-portfolio services as well as the start-up of Shire, which was partly offset by the expected revenue reductions from the DXC Technology contract.

We have previously announced the loss of the HP Inc. related activities effective from in Q1 2018 and the EMEA part of a Global Corporate Clients contract effective from 1 January 2018. As a result of successful negotiations during 2017, we announced in January 2018 the wins of two additional Global Corporate Clients contracts, both commencing in Q1 2018; an international production company in the food and beverage segment across 20 countries in Europe, and a 5-year Integrated Facility Services partnership with the LEGO Group. Once the LEGO Group contract is fully operational, ISS will have approximately 1,500 employees delivering all facility services across LEGO Group’s global operations in 10 countries. We have also announced the successful extension of the HP Enterprise contract to 2021.

CASE: REDUCING RISK IN CRITICAL ENVIRONMENTS

What is a critical environment? At ISS, our definition is "one in which unplanned downtime could result in unacceptable loss of customer business operations and revenue or have life safety implications".

ISS helps to manage or serve more than 1 million square metres of critical environment floor space. This includes data centres, essential communication hubs, financial trading floors, major call centres, manufacturing and process environments, clean room operations and critical healthcare facilities. The uptime of such facilities is essential, not only to our customers, but unexpected downtime can also impact the thousands of consumers, patients, passengers and people in general whose daily lives depend on our customers' services.

Critical environments are areas for which our self-delivery model secures the highest degree of quality for our customers. We self-deliver these services via more than 33,000 technical service employees, including qualified engineers and technicians.

Our customers' needs are clear. They expect maximum uptime of their assets with no unplanned downtime. They want a clear policy that is documented with strict procedures, tools and templates to ensure consistent delivery across their real estate portfolios. Finally, they need assurance with effective data collation, transparency and full risk visibility. These needs can only be met when we ensure the right people are in the right place, at the right time, doing the right thing. To that end, ISS has built a global engineering community, where the ISS Head of Engineering within Global Operations works directly with our Engineering Leads within the countries and at each of our global key accounts. We have also introduced proprietary training and certification programmes to ensure consistent levels of excellence across the Group, and our engineers have access to a global knowledge portal with dedicated forums, process updates and all relevant contact information.

These rigorous structures and processes are key to ensuring that ISS will consistently deploy best practices to safeguard the continuity of our customers' business operations. Technical service excellence – particularly within critical environments – has become a key component of customers' outsourcing decision, and our ability to leverage its concepts and talents across the globe has become a major competitive advantage.

1+ million m²
of critical environment floor space

33,000+
ISS technical service employees

19,979
trading stations in 107 trading floors

HENRIK RUSS
Electrician, ISS Denmark

ISS technicians manage uptime, so our customers can focus on their core business

OUR BUSINESS MODEL AND STRATEGY

We operate in a market where customers demand that the costs associated with their buildings and facilities continually decrease while the user experience improves.

Our business model and strategy are designed to drive shareholder value within these market conditions.

OUR VISION

"We are going to be the world's greatest service organisation"

Our ambition encompasses more than performing successfully across regions and industries. We intend to be the leading service organisation globally.

To achieve our vision, we must meet our customers' needs by offering reliability, responsiveness, convenience, and cost-effectiveness. In fact, we strive to go beyond that. We aim to meet customers' often unspoken needs and to support their overall business goals by helping to create workplaces that are pleasant, safe, and nurturing for their employees and visitors, as well as for the ISS employees who represent us there.

OUR MISSION

The spirit of our approach is articulated in our mission statement:

Service performance facilitating our customers' **purpose** through **people empowerment**

At its core, our mission statement tells a story of a differentiated value proposition. We do not simply deliver services but provide outcomes to customers and focus on how we support their purpose – and the needs of their end-users (see illustration below) – whether our customer is a hospital helping patients get well or a bank focused on providing a pleasant and safe working environment while maintaining compliance with regulatory obligations, and all in a cost-effective manner. Our mission is built on the empowerment of our 488,946 people globally, giving them the flexibility to deliver an exceptional customer experience through an approach rooted in our values and attitude and supported by robust processes and tools.

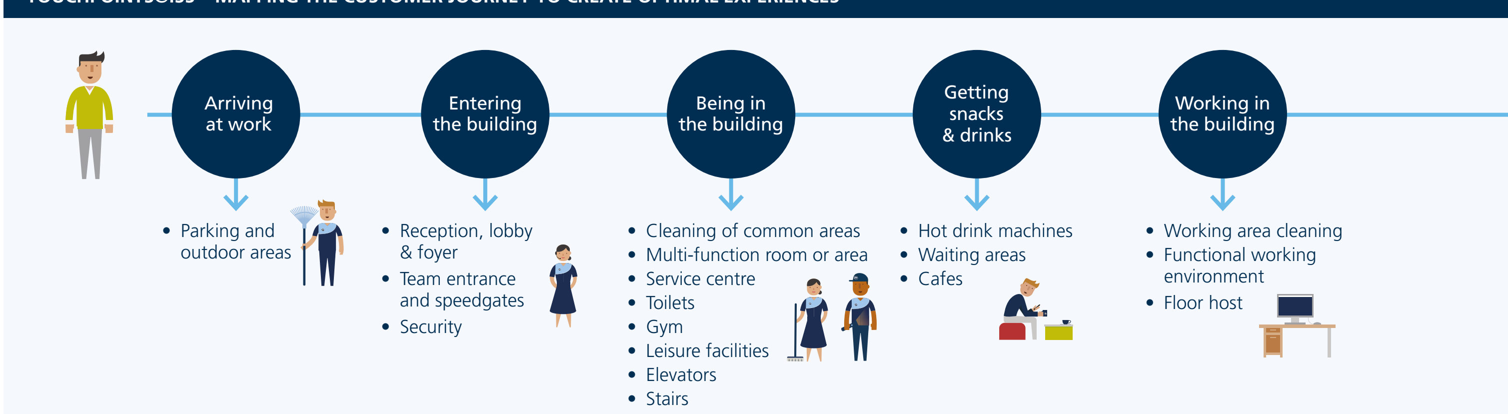
These factors form the foundation of our value proposition at the centre of which is our self-delivery model.

THE ISS WAY STRATEGY

Our strategy has choice-making at its core: clarity on the customer segments we target, the services we provide, and the places on the globe where we provide them. Through consolidation and alignment of our capabilities, our strategy drives the skill and scale benefits of being a large, global organisation. We strive to extract these benefits of skill and scale by leveraging our volume through aligning procurement and business processes, sharing of the concepts and best practices our organisation develops, and the proactive management of our comprehensive talent pool.

The advantages of driving these scale benefits are wide-ranging – in terms of both driving cost down and user experience up. Our customers increasingly demand aligned and consistent service performance across all sites. In addition to the savings that procurement drives, using the same supplier across customer

TOUCHPOINTS@ISS – MAPPING THE CUSTOMER JOURNEY TO CREATE OPTIMAL EXPERIENCES



sites supports innovation and consistent delivery.

Similarly, service performance based on international best practices is a key source of scale benefits and a driver of our value proposition by e.g. supporting customer compliance and risk management. Finally, talent management promotes a strong and uniform culture which is a core part of our value proposition and helps us attract, retain, and develop the best – from frontline teams to support functions.

OUR MARKET

ISS is a leader in the global USD 1 trillion outsourced facility-services market, which comprises a host of different types of customers, services and providers. Over the past decade, the overall market has grown at mid-single digit rates annually. The market is evolving towards more integrated services which comes alongside stronger centralisation of procurement by customers and a more strategic view of facility services that meets their increasing demand for outcome-oriented service agreements.

In response to this development, boundaries are blurring between market players with different legacies – specifically real estate, design and construction, and facility management – with certain providers strengthening their IFS capabilities and new players and technologies changing the competitive landscape. But with our ability to self-deliver IFS on a global scale and our legacy in facility management, we have a keen advantage over most competitors in the market.

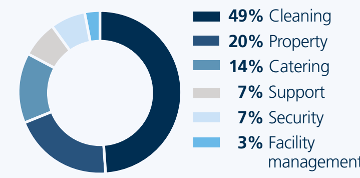
OUR MARKET CHOICES

Our business model is based on taking over facility services that are non-core to our customers, thereby allowing them to concentrate on their core business.

We focus on providing on-site facility services solutions to large and blue-chip customers, with whom our value proposition resonates. The size of these customers allows us to invest in on-site key account management, which is an important factor in delivering our value proposition, as well as processes and enabling technology to meet the demands of this customer base. We are especially focused on delivering IFS to key accounts on a global scale – with our self-delivery model allowing us to gain synergies that enable cost-effective workflows and consistent, high-quality service.

Our key **customer segments** are Business Services & IT (e.g. banks), Industry & Manufacturing (e.g. the automotive industry), Public Administration (e.g. defence) and Healthcare (e.g. hospitals), which combined in 2017 accounted for approximately 65% of Group revenue. As stated above, we focus on our key account customers. According to our analysis, the market potential for facility management spending among ISS's

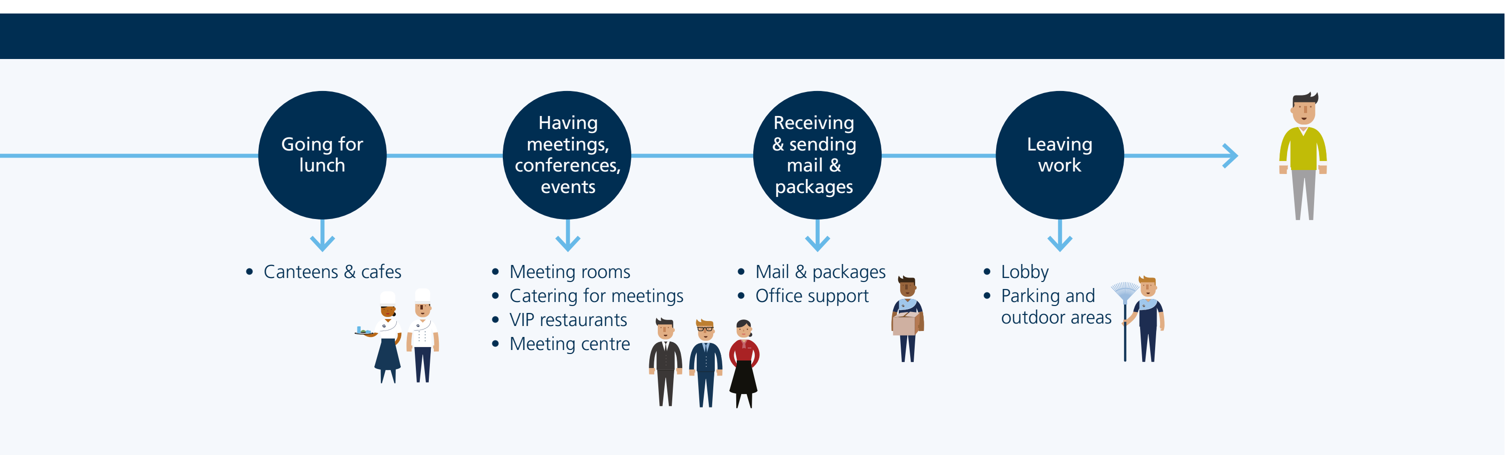
REVENUE BY SERVICE



G200 customers (global top 200 existing or potential customers) that have been identified because of their strong opportunity to drive growth – amounts to DKK 336 billion. Our current share is less than 2% of that, underscoring the high potential for ISS to boost organic growth.

Our **selected services** share the following characteristics: people intensive/ capex light, on-site delivery, recurring nature, suitable for integration into IFS and performance (output-based) contracts. Cleaning, property (technical) and catering services are delivered globally as single services, multi-services or IFS solutions. Support services, security and facility management are principally offered as part of IFS contracts. With our strategy focused on delivering IFS solutions, the relative shares of catering and property (technical) are expected to further increase over time.

In 2017, we acquired leading US catering services company Guckenheimer. The acquisition has significantly enhanced our IFS offering to key



account customers in the strategically important North American market and strengthened our global catering excellence.

Read more about Guckenheimer on p. 14.

Workplace management services have become an increasingly important part of our service offering, as exemplified by our acquisition of workplace consulting firm SIGNAL in 2017. Through these services, we advise customers on how workplace design can positively impact their employees' engagement and the user experience of their facilities, further strengthening our overall value proposition and the depth of our customer dialogue.

From a **geographical** perspective, we follow our target customers and thus have a global reach covering countries representing approximately 90% of global GDP. This is the result of our customer segment choices. We are already present in the major markets and in the majority of the future mega-cities and are thus focused on consolidating our positions there by increasing the penetration of our selected customer segments and market expansion when supported by customer demand.

DRIVING OUTCOMES

Evaluating the success of our strategy and business model, and ultimately our creation of shareholder value, requires measurement of specific metrics. By using the six key performance indicators (KPIs) below, we can systematically measure Group performance and the effect of our efforts to achieve our vision. Bonus plans for the Executive Group Management are also based on these KPIs as described in the Remuneration report on p. 49:

- Organic growth
- Operating margin
- Cash conversion
- Employee Net Promoter Score (eNPS)
- Customer Net Promoter Score (cNPS)
- Lost Time Injury Frequency (LTIF)

Performance on KPIs, see pp. 2–3.

EXTRACTING BENEFITS OF SKILL AND SCALE

In 2017, we continued to focus on our strategic GREAT initiatives (1) empowering people through leadership, (2) optimising our customer base, (3) ensuring fit-for-purpose organisational structures, (4) establishing broad-based IFS readiness, and (5) striving for excellence.

Countries representing over 80% of Group revenue have been through the GREAT process or are underway and, as a result, we are securing an aligned set of fit-for-purpose organisational structures designed to serve our selected customers. The structural adjustments in the corporate and regional organisations mirror those made in the country organisations and thus better enable the exploitation of our skill and scale benefits.

We expect to invest DKK 400-450 million in GREAT-related implementations in France and Sweden through 2018-2020. The investments will be linked directly to permanent improvements in country organisational structures and business platforms. When completed, our GREAT implementation will be largely complete.

Outlined below are some of the highlights of our progress through GREAT

GREAT ENABLES BENEFITS OF SKILL AND SCALE

GREAT enables benefits of skill and scale by ensuring that the entire organisation (from site level to corporate head office) acts as a highway for the implementation of our strategy and is focused on supporting the delivery of our value proposition at customer sites.

Through collaboration, country, regional and global teams drive our benefits within **volume**, **concepts** and **talent** by e.g. exploiting purchasing power, bringing successful innovations from customer sites to the rest of the Group and developing and sharing talent.

during 2017 in the extraction of our benefits of skill and scale within volume, concepts, and talent.

VOLUME

We continue to invest in supply chain and procurement and have completed the global organisational transformation. Focus on supply chain excellence, strategic category management and supplier-enabled innovation are progressing according to plan and continue to yield solid results. We have completed phases I-III of our procurement excellence programme, which primarily focused on Europe. Phase IV initiated in Europe and the extension of our procurement initiatives to the Americas and Asia & Pacific are progressing to plan. Identified total gross savings for all phases amount to DKK 750-850 million to be achieved during 2013-2020. While part of these cost savings will increase margins, a substantial amount has been and will continue to be re-invested in the business to maintain and strengthen competitiveness.

CONCEPTS

In our pursuit of excellence and to enhance our value proposition and profitability, we both drive the deployment of our existing best practices and continuously explore innovations in customer segments, services, business systems, and processes.

We continue to apply an increasing level of technology in our solutions. In 2017, we began to introduce new workplace systems at select customer sites, upgrading our facility management system (FMS@ISS) and introducing our new workforce simulation and optimisation tool (Integration@ISS). Through the use of smart sensors and beacons, we can use these tools to further leverage our integrated, self-delivery capabilities. Over time, technology will be used to transform the management of over 25,000 customer buildings around the world.

Read more about the use of sensors and IoT on p. 112.

We view our service performance through the eyes of the user, and this year we continued to introduce our Touchpoints@ISS concept at customer sites, using customer-journey mapping to ensure that we focus on creating the optimal experience in each of the key touchpoints we have with our customers' end-users on a daily basis. See the illustration on pp. 30–31.

We also continued to roll out best practices with a focus on those related to our commercial, operations and people & culture functions.

Within finance excellence, we continue to drive initiatives to support sustained growth and profitability. One example is the implementation of performance management and measurement tools that enable increased transparency and benchmarking across the business.

The ongoing rollout of solutions such as FMS@ISS and our business intelligence tool Insight@ISS continues to yield further transparency and financial benefits, which are key to our value proposition.

TALENT

The ingredient most essential to successfully implementing our strategy is leadership. Given our self-delivery model, our employees are the core enablers of our strategy. In 2017, we continued to invest in developing and empowering our people at all levels of our organisation to ensure the right capabilities and mindset to deliver on our vision.

In 2017, we launched the Leadership Competency Framework – a shared organisational language that helps create a common understanding of what is expected of our leaders. The Leadership Competencies have been integrated in core people processes globally and will continue to be rolled out in 2018. To communicate and embed the Leadership Competency Framework across the business we also launched the Leading the ISS Way programme targeting all senior leaders.

Read more about our specific people initiatives in Our people, on p. 35.

We believe that strong leadership drives employee engagement, which in turn drives customer satisfaction and hence leads to improved financial results. We carried out our customer experience survey for the seventh time in 2017. We invited 6,438 customers across 43 countries to participate and enjoyed a response rate of 86%. Responses cover close to 80% of Group revenue as we focus on inviting IFS, Global Corporate Clients, and key account customers. The KPI for customer experience is cNPS. With a score in 2017 of 44.0 (2016: 43.2) we saw an improvement for the sixth consecutive year. We will continue to measure our leadership through assessments and surveys, and through our KPIs eNPS, cNPS and LTIF, among other benchmarks.

"Catering is about building community, one bite at a time"

HIWA OMAR
Chef, ISS Norway

Hiwa Omar, Chef at **Telenor**, brings our street food concept to diners. Our catering teams engage with guests to better understand their preferences and deliver food that keeps people coming back.

OUR PEOPLE

Great leadership is key to bringing out the true value embedded in our strategy. It is the main driver of the engagement of our people and the desired customer experience.

UNLEASHING THE POWER OF THE HUMAN TOUCH

Our people are the true source of our competitive advantage, and the proof point of our ability to deliver on our value proposition lies in every interaction between our people and our customers. It is our fundamental belief that great service moments can be architected by the right combination of people with a common purpose and the right attitude, who are:

- inspired and supported by the right leadership;
- equipped with the right skills and tools to perform; and
- engaged and empowered to create memorable service moments.

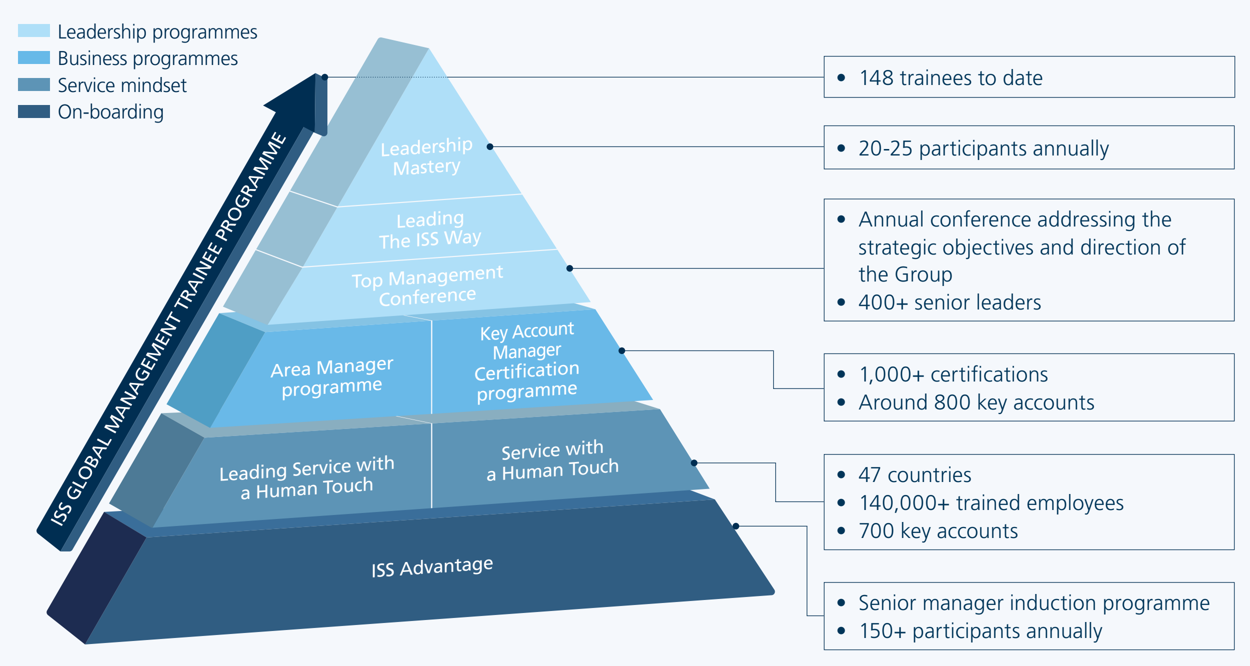
The quality and consistency of our leadership is the biggest single driver of our ability to truly unleash the Power of the Human Touch, which is why we continue to invest in developing our leaders through key Group-wide ISS University programmes.

To ensure that we continuously have the right competencies, we have developed the ISS Leadership Competency Framework, which in 2017 was established as the core of all our people processes from recruitment, performance evaluation, development to succession planning. To further build the leadership needed, in 2017 we launched the **Leading the ISS Way** programme. The programme is targeted at all senior leaders and built specifically to communicate and embed the ISS Leadership Competency Framework across our business. The 2017 Top Management Conference was designed as condensed versions of the three modules in the programme. Through a series of workshops our 400 senior leaders worked with the main themes of Leading Yourself, Leading Others and Leading the Business. In Q4 2017, the programme was handed over to our regions through a train-the-trainer structure, focusing on internal trainers and senior leaders as role models. For 2018, the ambition is that all Country Leadership Teams will go through the programme and establish personal development plans based on the ISS Leadership Competency Framework.

ISS UNIVERSITY

The ISS University is the Group-wide learning academy representing our leadership development programmes which are delivered globally, regionally and locally. The ISS University is structured to enhance our leadership capability across three core dimensions:

THE ISS UNIVERSITY



- strategic leadership – building an intimate understanding of our strategy and our key performance drivers
- people leadership – building the self-awareness of our leaders and supporting them in leading their people
- business leadership – equipping our leaders with the business understanding and skills they need to effectively lead their specific part of the business, for example key account leaders, commercial leaders, finance leaders, etc.

A critical building block of the ISS University is our **Key Account Manager Certification (KAMC)** – a modular programme directed at key account managers across the world. Key to successful execution of our strategy, our key account managers hold complex general management positions; are profit and customer accountable and accountable for leading large and diverse teams, often across multiple customer sites. Focus in 2017 was to further sustain and maximise the effect of the programme in the future by engaging the leadership and support structures around our key accounts. At the end of 2017, more than 1,000 certifications had been issued under the programme, touching around 800 of our key accounts globally. The programme consistently shows strong improvement in both the loyalty of our employees and customers, measured by eNPS and cNPS, on the accounts covered by the certification. The retention rate of participating key account managers is 92%, significantly higher than the overall retention rate of leaders in ISS. The objective is to certify managers across all key accounts by the end of Q3 2018.

LEADERSHIP PIPELINE

Ensuring that our leaders are equipped to communicate our strategy and engage the organisation is a key focus area for leadership development. Our leadership programmes provide our employees with an essential understanding of our strategy and give them tools relevant for their day-to-day work.

With that in mind, we continue to run the **ISS Leadership Mastery programme**, a comprehensive five-module programme for selected executives. The focus is on personal leadership development and behaviour, developing a team, securing a deep understanding of our strategy and facilitating greater understanding of customers and employees. So far, 82 senior leaders have graduated from the Leadership Mastery programme and in 2017, an additional 22 participants were accepted for the programme. Furthermore, we have already seen 32% of the alumni advance into new roles within ISS.

In parallel to the significant focus on developing current leaders, we are looking ahead, and building our pipeline of future leaders through the **ISS Global Management Trainee programme**. This programme is directed at university graduates and we select the brightest and the best in a rigorous assessment process. The benefits of the programme are twofold; it enables us to build a sustainable talent pipeline for the future, while at the same time building our global employer brand in the external marketplace. Our trainees go through an 18-month programme, including an international assignment, before being assigned to their first line appointment. The programme is structured in modules which first enable candidates to build an understanding of the ISS business model and strategy, before moving on to build knowledge of operational excellence and basic key account management capabilities. On graduating from the programme, the trainees typically take up key account manager, contract manager or contract support roles.

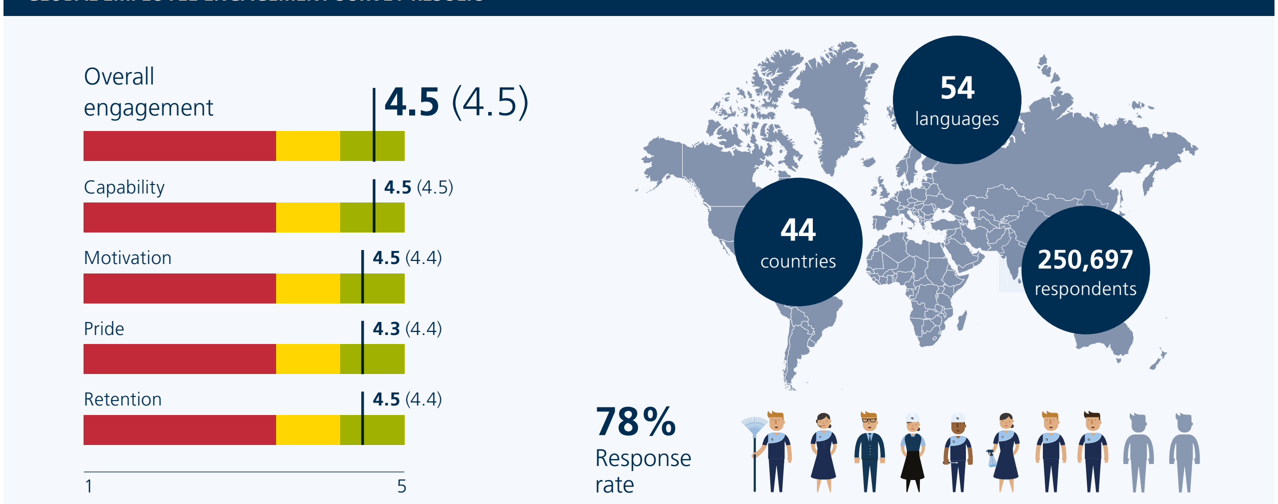
Since its launch in Europe in 2013, 148 trainees have gone through the programme, and to date, the retention rate has been 89%. For 2017, we have recruited 55 new trainees and launched the programme in the Asia & Pacific region, which will be followed by the Americas region in 2018.

Read more about the ISS Global Management Trainee Programme on p. 42.

ENGAGED PEOPLE

Employee engagement is critical for our ability to serve our customers – engaged

GLOBAL EMPLOYEE ENGAGEMENT SURVEY RESULTS



and motivated employees have a direct impact on the customer experience. For this purpose we survey our employees on how engaged and motivated they are in working for ISS and, more importantly, what we can do better to drive engagement of our people.

In 2017, we carried out our sixth global employee engagement survey covering 44 countries and conducted in 54 languages. Scope has been expanded each year since inception. In 2017, more than 300,000 employees were invited to participate, with 250,697 responding. Once again, the response rate improved, climbing to 78% from 73% in 2016.

The survey revealed an overall employee engagement rating of 4.5 (2016: 4.5) out of a possible 5. As part of the survey, we also measure the loyalty of our employees and their willingness to recommend ISS as an employer (eNPS). For the fifth consecutive year, the score improved, arriving at 62.1, up from 59.2 in 2016.

In response to previous learnings from the survey, we continue the **Service with a Human Touch programme (SWAHT)**, focusing on our frontline employees. This is a key strategic game changer driving cultural change, communicating our mission and translating customer value propositions into concrete service behaviours for thousands of service professionals.

SWAHT is operational in 47 countries, with 600 accredited trainers and more than 140,000 trained employees across 700 key accounts. We will continue the work to continuously improve engagement, which in turn increases the overall sense of purpose of our people in the delivery of our services. We see a clear correlation between employee engagement and customer satisfaction, making them key drivers of financial and operational performance.

HEALTH, SAFETY, ENVIRONMENT AND QUALITY

Our concern for health, safety, environment and quality (HSEQ) and initiatives in that respect are aimed both at our employees and customers. We are committed to ensuring that all of our people go home well to their families after a safe working day at ISS. Safety must be second nature to all of us. We have a responsibility for all our employees and we do our utmost to continuously improve our health and safety culture. Our responsibilities also include the health and safety of our customers, as we work side by side with them on a daily basis. Instigating a strong safety culture amongst ourselves will have a positive impact on our customers.

We perform services with different personal health and safety risk profiles. When managing HSE risks we take that into account. For example, our cleaning staff generally have a low-risk job profile, while employees working in technical services operate under slightly more high-risk profiles. At the same time, we also manage health and safety risks in relation to the industries we operate in, some of which have a higher risk profile than others. For example, while an incident in an office environment could potentially impact the personal safety of the office staff, an incident in a data centre resulting in unexpected downtime could potentially impact thousands of people, and not just our customers' employees. Therefore, great service performed by engaged and inspired employees with the right training and skills is not only vital to the growth of our business and the satisfaction of our customers but also to the health and safety of the societies and environments we operate in.

Consistent with our values, our highest priority is to protect our employees from injury. We are steadfast in our commitment to making our workplaces free of hazards. We operate under the assumption that all injuries can be prevented and that injuries are unacceptable. Our goal will always be zero injuries and zero environmental incidents.

In order to stay on course and keep HSE in constant focus, we continue to run global HSE campaigns three times a year with changing focus points reflecting current challenges, e.g. driving safely, working at heights, and slips, trips and falls. In addition, in 2017, we continued the highly successful ISS Toolbox Talk Calendar, building on the feedback received from the launch in 2015. The Toolbox Talk reinforces and embeds safety behaviours as part of our safety culture. Two topics are chosen each month to inspire our operational teams to hold Toolbox talks at their sites. We have also developed and rolled out an e-learning module on driver safety to reinforce the behaviours we would like to embed in our organisation.

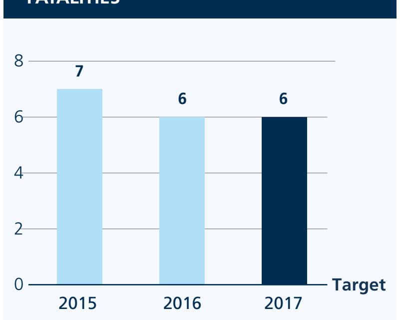
Read more about CR and HSE initiatives and performance at www.responsibility.issworld.com/report2017

FATALITIES

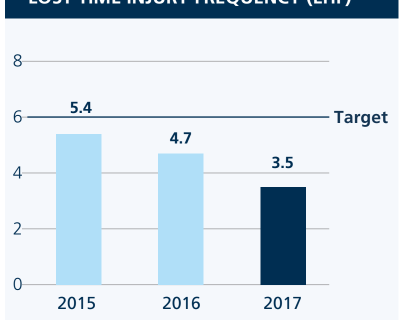
In accordance with our HSE vision, our first priority is to prevent fatalities at our workplaces. Sadly, in 2017 we experienced six work-related fatalities. Our Group target is zero fatalities, so we must improve our vigilance. As two of the fatalities were related to working at heights, we will have a special focus in the coming year on working at heights to ensure we manage the risks associated with this activity.

We work to make safety a common responsibility. Our policy is that

FATALITIES



LOST TIME INJURY FREQUENCY (LTIF)



management at all levels must understand their roles and responsibilities when it comes to safety.

LOST TIME INJURY FREQUENCY

We have improved our performance by over 70% from the baseline figure of 13 in 2010 to an LTIF of 3.5 in 2017, the seventh straight year of improvement.

The improvement has been driven by our systematic approach to managing HSE risks since 2010 with:

- the implementation of the Group HSE Management System;
- the implementation of the ISS Safety Rules;
- the implementation of the HSE@ ISS-IT system for reporting and investigating incidents, auditing and inspections;
- our global campaigns to keep the focus on HSE; and
- the introduction of our Toolbox Talk Calendar.

CORPORATE RESPONSIBILITY (CR)

OUR APPROACH TO CR

As a global company with more than 488,000 employees, we influence the lives of many people every day through providing employment, training and safe and healthy work environments.

We believe that long-term sustainable business success relies on a high level of CR, as economic, social and environmental issues are inevitably interconnected. CR is therefore a fundamental part of our corporate values and strategy, and universally accepted principles on sustainable development are integral to the way we conduct our business.

CR is also becoming increasingly important for our selected customers as they strive to improve their own business performance and make a positive impact on society. Leading global companies require a consistent CR performance from their partners, and this is often a key factor in winning and retaining contracts. CR is therefore an important part of our value proposition to our customers.

We have adopted a principles-based approach to CR that contributes to sustainable development as defined by the international community. We have developed and rolled out across the Group a strategy for Health, Safety, Environment and Quality (HSEQ) and CR, which supports The ISS Way, our GREAT initiatives and the extraction of benefits of skill and scale within volume, concepts and talent.

Volume

By aligning procurement across countries, we ensure better control of the products and services we procure; this results in safer products, more environmentally friendly products and better control of the suppliers we use to deliver our services.

Concepts

In our pursuit of excellence and to enhance our value proposition to our customers, we have built an HSE value proposition to our customers. Customers require effective and credible risk management, including risks related to safety, labour conditions and influencing human rights in a positive direction. Our processes and systems within these areas allow us to provide support to our customers in managing these risks.

Talent

We have incorporated HSE in our training programmes Service with a Human Touch and Key Account Manager Certification (KAMC) programme, providing a better highway for the deployment of our HSE culture and processes.

OUR HSE VISION '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 in our workplaces; and
0: We incur 0 serious incidents and occupational injuries at our workplaces.

STRONG COMMITMENT TO UN GLOBAL COMPACT

As a signatory and supporter of the United Nations Global Compact since its inception in 1999, we have made a strong commitment on human rights, labour rights, environmental protection and anti-corruption. We remain committed to aligning our strategy and operations with the ten Global Compact principles.

Furthermore, we respect, support and promote human rights and support the ambitions set out in the United Nations Universal Declaration of Human Rights, the Core Conventions of the International Labour Organisation and the United Nations Guiding Principles on Business and Human Rights.

TRADE UNION RELATIONS

We remain fully committed to our global agreement with the international network of national labour organisations – Union Network International (UNI) – covering our employees where UNI cooperates with local unions. We continue to work closely with our European Works Council (EWC). We hold quarterly meetings with the steering committee and annual meetings with the entire EWC. At these annual meetings, the EWC visits our head office for three days, and we spend considerable executive management time with them to ensure alignment with our priorities and a common understanding of our strategy and the Group's direction.

DOW JONES SUSTAINABILITY INDEX

ISS has been recognised as a sustainability leader within its sector by achieving a Bronze ranking in the 2017 Dow Jones Sustainability Index. The ranking places ISS in the top 10% of the 44 global companies in the commercial services and supplies sector that are assessed across three dimensions – economic, environmental and social dimension – under the DJSI framework.

OUR CORPORATE RESPONSIBILITY REPORT

Our full CR report as per section 99a of the Danish Financial Statements Act is available at www.responsibility.issworld.com/report2017. The report also serves as ISS's communication on progress in implementing the ten principles of the Global Compact.

OUR BUSINESS RISKS

At ISS, we see risk management as an important means of supporting value creation – for our customers and for ourselves.

As a global business, we take an active approach to risk management, ensuring that our key risks are structured and prioritised.

Supported by our governance structure, key risks are identified, managed and reported throughout the organisation all the way up to the Board of Directors.

Our governance structure, see p. 45.

Our business model is based on taking over facility services that are non-core to our customers. As our services are being integrated into our customers' value streams there is a risk of disrupting our customers' operations if operational risk management or contract requirements are not complied with. Therefore, risk management at ISS is about understanding our customers' risks and supporting their risk management and compliance – just as much as it is about managing our own risks.

FOCUS IN 2017 AND 2018

With the continued focus on key account customers we experience growing demand for risk transfer, operational risk management and contract compliance. To meet this demand, the roll-out of our Contract Risk & Compliance tool continues for selected key accounts and covered 173 accounts (2016: 120 accounts) by the end of 2017. The roll-out will continue for selected key accounts in 2018. Furthermore, efforts in 2018 will be on migrating the tool into a consistent IT platform to further support a consistent and robust approach to risk management.

Our customers also focus on information security and how we as their service provider comply with information security requirements. Our growing key account business increasingly leads us to hold and manage data related to our customers' business, e.g. basic personal data, asset information, manufacturing plant design and the like. Combined with our business strength within highly regulated industries such as pharma, food manufacturing and banking, this increasingly exposes us to information security and cyber risk. Consequently, our key focus is on continuously improving our information security with a specific focus on HR compliance.

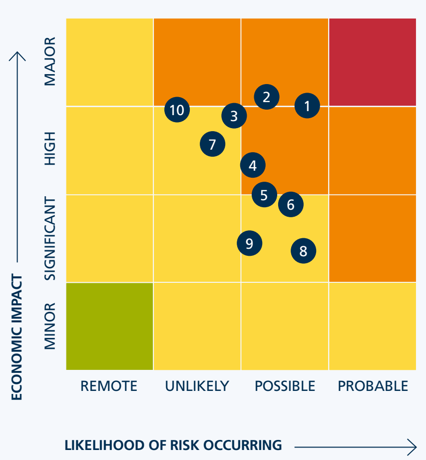
"A robust risk management setup is key both to securing our own business resilience and license to operate but also to ensuring that our customers' critical processes and facilities such as data centres run without interruption"

PIERRE-FRANÇOIS RIOLACCI
Group CFO

We also prepare for the upcoming changes to regulatory data protection requirements. We have initiated a global General Data Protection Regulations (GDPR) project allowing us to address the risks associated with personal data in a more consistent way.

In addition to the above, supplier and sub-contractor risk management will remain a key focus for us in 2018.

GROUP KEY RISKS



1. Operational execution including IFS
2. Employee risks
3. Contract risk and governance
4. Regulatory compliance
5. Information security incl. cyber risk
6. Customer retention and competition
7. Financial reporting fraud, fraud and corruption
8. Subcontractors
9. Macroeconomy
10. Reputational risk

GROUP KEY RISKS

Presented in the overview to the left and on the following pages are the key risks that the Group currently faces. The key risks are unchanged from last year but the economic impact and likelihood of occurring have been slightly reassessed for risks no. 2, 5 and 10.

We are also exposed to financial risks related to our operating, investing and financing activities. Financial risk management is described in detail in note 5.4 to the consolidated financial statements.

GROUP KEY RISKS [1]	RISK DRIVERS	MITIGATING MEASURES
1. Operational execution including IFS As our services are integrated with our customers' value streams, any lack of compliance with operational procedures or contract requirements may disrupt or damage our customers' operations and/or brands.	• Complexity in our service delivery • Customer requirements relating to operational control and risk management, e.g. in the banking and pharmaceutical industries	• Contract Risk & Compliance tool • ISS facility management IT system (FMS@ ISS) implemented for selected major accounts. Supports automation of operating processes and ensures that services are delivered and managed according to the process frameworks • Operational risk reviews on selected contracts as part of the global risk management framework • Group HSE policies • Group Escalation Policy and Emergency Response Plan
2. Employee risks Our success depends on our ability to attract, develop and retain talented and engaged people. It requires that we take good care of our people with respect to HSE and work environment. We depend on our leaders throughout the organisation to lead by example and to empower their colleagues to mitigate risk.	• "War for talent" • Customer requirements on HSE • Decentralised structure • Customers' compliance requirements • Increased risk of terror in the world	• Group People & Culture standards • Focus on leadership development and training • Global People Standards and Group HSE policies • Global employee engagement surveys
3. Contract risk and governance The profitability of our contracts depends upon our ability to successfully calculate prices by taking economic factors, legal and other risk elements into consideration, and to manage our day-to-day operations under these contracts.	• Complexity in contracts and services, e.g. IFS and energy management • Increasing contract volumes, e.g. the increasing share of Global Corporate Clients	• Framework and IT tool for contract risk management (CRAM@ISS) • Approval procedure for large contracts • Contract risk reviews performed by Group Risk Management for specific contracts • High risk contract dashboard for monitoring limitation of liability
4. Regulatory compliance We are subject to a variety of complex and restrictive laws and regulations such as labour, employment, immigration, health and safety, tax (including social security, withholding and transfer pricing), corporate governance, customer protection, business practices, competition and the environment.	• Changes in local regulations and stepped-up enforcement • Customers outsourcing a part of their compliance management to ISS	• Group Corporate Governance Policy • Code of Conduct, Anti-Corruption Policy and Competition Law Policy • Mandatory e-learning modules in Code of Conduct, anti-corruption, anti-bribery and competition law for selected managers and employees
5. Information security incl. cyber risk Due to our growing IFS business, we increasingly hold and manage data related to customers' businesses, e.g. basic personal data, asset information, manufacturing plant design and the like. Combined with our business strength in highly regulated industries such as pharma, food manufacturing and banking, this increasingly exposes us to information security and cyber risk.	• IFS contracts • Change in data privacy regulations • Risk of cyber attacks	• Information Security Policy and other Group IT policies and procedures • Global project related to General Data Protection Regulation (GDPR) including process initiated to implement Binding Corporate Rules (BCR) for the exchange of personal data between ISS Group companies

[1] The risks are presented in the context of the entire Group, which means that the risks identified are considered to be globally applicable throughout the organisation. Consequently, the mitigation action plans are largely Group initiatives, or at least initiatives with the ultimate owner in a Group function. As a consequence, the risk environment and the prioritisation of Group risk mitigation action plans may be different at country level, reflecting the different maturity levels throughout the Group.

GROUP KEY RISKS [1]	RISK DRIVERS	MITIGATING MEASURES
6. Customer retention and competition Our ability to target selected customer segments with attractive and competitive value propositions is key to attracting and retaining IFS, multi-service and single service customers. Failure to develop and execute on value propositions may lead to increased price competition and contract losses as the facility services market is fragmented with relatively low barriers to entry and significant competition from local and regional players.	• Customer concentration • Key account management • Inconsistent service delivery for key accounts • Strategic market position	• Roll-out of Customer Relationship Management system (CRM@ISS) • Measuring customer satisfaction (cNPS) through an annual survey covering most of the Group's revenue • Continued roll-out of KAMC
7. Financial reporting fraud, fraud and corruption Our decentralised structure of financial IT systems and operational control structures increases the risk of fraud and corruption. Our presence in emerging markets increases our exposure to compliance risks in countries where improper practices may be common.	• Exposure in emerging markets • Decentralised financial IT systems and control structures • Step-up in extraterritorial regulations and enforce-ment	• Well-established and documented control environment, see p. 47 • Review of the integrity and robustness of interfaces as an integral part of internal audit assignments • Monitoring the implementation of key controls through the system of Control Self-Assessment • Mandatory e-learning modules on Code of Conduct, anti-corruption, anti-bribery and competition law for selected managers and employees • Speak Up policy (whistleblower system hosted by third party) • Roll-out of automated interfaces between local ERP platforms and the Group's standardised financial reporting tool, see p. 47
8. Subcontractors We depend on subcontractors where we do not have self-delivery capabilities. This represents a risk primarily with respect to: • **Performance** – if subcontractors do not perform in accordance with the customer contract ISS has entered into. • **Compliance** – potential risk of non-compliance with labour laws or other regulatory requirements.	• Growth in countries with low IFS capabilities • Growth in Global Corporate Clients portfolio • Complexity of service delivery • High-profile customers	• Negotiation Process Framework • Separate framework when using subcontractors in countries with no ISS presence • Supplier Code of Conduct • Global vendor risk-based vetting and approval system being developed and rolled out (ProcurePass@ISS)
9. Macroeconomy In recent years, financial turmoil has been recurring and has affected the global economy, in particular in southern Europe and in emerging markets. Revenue, operating margin, cash conversion and debt position could potentially be adversely impacted.	• Financial turmoil • Customers downsizing their businesses or reducing their demand for services • Brexit	• Balanced and diversified revenue base • On-going formal monitoring of market developments
10. Reputational risk Protecting our reputation is the responsibility of every employee, because our reputation is shaped by all actions and statements made by ISS.	• Complexity in service delivery • High-profile customers • Use of social media	• Any incident or issue must be escalated to senior-level management for evaluation • Crisis communication plan integrated in Group Escalation Policy and Group Crisis Response Plan • Media handling and monitoring tools • Media communication guidelines

CASE: INVESTING IN OUR GLOBAL MANAGEMENT TRAINEES

At ISS, people are at the heart of everything we do. Our core values – Honesty, Entrepreneurship, Quality and Responsibility – dictate that we recruit, develop and retain the best talent in our industry. Only via effective and committed investment in our people at all levels of our organisation can we hope to deliver outstanding service performance, day in and day out.

The ISS Global Management Trainee programme is directed at university graduates. We select the brightest and the best in a rigorous assessment process. These young talents are the lifeblood of our organisation and we provide them with intensive training and development over a structured 18-month programme. Trainees participate in a series of five modules covering operational excellence, commercial excellence, transition and change management, strategy and leadership. In short, the trainee programme affords a fundamental understanding of the core skills, tools and processes behind successful key account management.

Participants work alongside key account managers but also receive support from senior managers or mentors who offer coaching and support with personal development plans. The programme includes a three-month international assignment. Trainees learn how we consistently deliver excellent service to our global key accounts and the importance of sharing volumes, concepts and talent in our journey towards becoming the world's greatest service organisation.

On completing the programme, trainees return to their home countries to start in a specific key account manager, contract manager or contract support role and apply their learnings. Through the process, ISS successfully builds a sustainable talent pipeline and strengthens its brand and reputation as a first class employer in the external marketplace.

FACTS

In 2017, 26 countries participated in the programme, with trainees from across Europe, Asia, and the Pacific. The programme began in the Nordics in 2013, spread to the rest of Europe in 2015, and kicked off in the Asia & Pacific region in 2017. The Americas will join in 2018. To date, 148 trainees have completed the programme, 89% of whom have stayed with ISS.

2013 launch of the programme	**148** participants to date	**89%** retention

HUGO LAM WAI TING
Management Trainee, ISS Hong Kong

SARAH NASH
Management Trainee
ISS Australia

CHARISSE TANG
Management Trainee, ISS Hong Kong

Our Management Trainees dive deep into today's ISS – setting the course for tomorrow

CORPORATE GOVERNANCE

We base our corporate governance on transparency, constructive stakeholder dialogue, sound decision-making processes and controls for the benefit of the Group and our stakeholders.

FRAMEWORK AND RECOMMENDATIONS

The Board of Directors (Board) regularly reviews the Group's corporate governance framework and policies in relation to the Group's activities, business environment, corporate governance recommendations and statutory requirements; and continuously assesses the need for adjustments.

The 2017 statutory report on corporate governance, which is available at http://inv.issworld.com/governancereport.cfm, provides an overview of our overall corporate governance structure and our position on each of the Danish Corporate Governance Recommendations.

At the end of 2017, we complied with all of the Danish Corporate Governance Recommendations, except recommendation 3.1.4 regarding stipulating a retirement age for board members in the articles of association. Considering international trends, the nomination process focusing on the candidate's background, competencies and experience and recent Danish legislation on age discrimination, a resolution to delete the retirement age in the Company's Articles of Association was adopted by the 2016 annual general meeting.

The Board reviews the Group's capital structure on an ongoing basis. The Board believes the present capital and share structure serves the best interests of both the shareholders and ISS as it gives ISS the flexibility to pursue strategic goals thus supporting long-term shareholder value, combined with short-term shareholder value by way of ISS's dividend policy.

For information on dividend, see p. 53.

GOVERNANCE STRUCTURE

The shareholders of ISS A/S exercise their rights at the general meeting, which is the supreme governing body of ISS.

Rules on the governance of ISS A/S, including share capital, general meetings, shareholder decisions, election of members to the Board of Directors, Board meetings, etc. are described in our Articles of Association, which are available at http://inv.issworld.com/articles.cfm.

MANAGEMENT

Management powers are distributed between our Board and our Executive Group Management Board (EGMB). No person serves as a member of both of these corporate bodies. Our EGMB carries out the day-to-day management, while our Board supervises the work of our EGMB and is responsible for the overall management and strategic direction.

BOARD OF DIRECTORS

The primary responsibilities of the Board and the four board committees established by the Board are outlined in our governance structure overleaf.

For Board member biographies, see pp. 54–55.

In 2017, the Board performed an internal evaluation of the Board's performance led by the chairman of the Board, including the performance of its individual members and an evaluation of the performance of the EGMB and of the cooperation between the Board and the EGMB. For further details, please see response to recommendation 3.5.1 of the 2017 statutory report on corporate governance.

SPECIFIC MATTERS TRANSACTED BY THE BOARD IN 2017

- Acquisition of US catering services company Guckenheimer
- Review and approval of large IFS bids and contracts, including Deutsche Telekom
- New General Data Protection Regulation (GDPR)

Key matters transacted annually by the Board can be found on p. 46.

Board members elected by the general meeting stand for election each year at our annual general meeting. Board members are eligible for re-election.

Three employee representatives serve on the Board. They are 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. Employee representatives serve for terms of four years. The current employee representatives joined the Board after the annual general meeting held in April 2015.

EXECUTIVE GROUP MANAGEMENT BOARD

The members of the EGMB are the Group CEO and Group CFO. Together, they form the management registered with the Danish Business Authority.

The Group has a wider Executive Group Management (EGM), whose members are seven Corporate Senior Officers of the Group in addition to the EGMB. The primary responsibilities of the EGM are outlined in our governance structure overleaf.

EGMB and EGM biographies, see pp. 56–57.

1ST LEVEL

THE BOARD OF DIRECTORS (BOARD)

Responsible for the overall management and strategic direction of the Group, including:
- strategy plan and annual budget
- appointing members of the EGMB
- supervising the activities of the Group
- reviewing the financial position and capital resources to ensure that these are adequate

The Board receives a monthly financial reporting package and is briefed on important matters in between board meetings.

Board biographies
pp. 54–55

Remuneration
Remuneration report, see p. 49 and note 6.1 to the consolidated financial statements

Meetings
12 meetings held in 2017. The Board convenes at least six times a year, including for one strategy meeting

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

- Evaluates the external financial reporting and use of significant accounting estimates and judgement related to items such as impairment tests, disposal of assets and deferred tax, see section 1 to the consolidated financial statements
- Monitors the Group internal audit function
- Monitors and considers the relationship with the independent auditors, reviews the audit process and recommends auditors to the Board
- Reviews and monitors the Group's risk management and internal controls
- Evaluates the Financial Policy, the Tax Policy and the Dividend Policy
- Six meetings held in 2017

NOMINATION COMMITTEE

- Assists the Board in ensuring that appropriate plans and processes are in place for the nomination of candidates to the Board and the EGMB
- Evaluates the composition of the Board and the EGMB
- Makes recommendations for nomination or appointment of members of the Board, the EGMB and the board committees
- One meeting held in 2017

REMUNERATION COMMITTEE

- Assists the Board in preparing the remuneration policy and the overall guidelines on incentive pay
- Recommends to the Board the remuneration of the members of the Board and the EGMB, approves remuneration of EGM as well as the remuneration policy applicable to ISS in general
- Two meetings held in 2017

Remuneration report, see p. 49

TRANSACTION COMMITTEE

- Makes recommendations to the Board in respect of certain large acquisitions, divestments and customer contracts
- Reviews the transaction pipeline
- Considers ISS's procedures for large transactions
- Evaluates selected effected transactions
- Three meetings held in 2017

2ND LEVEL

EXECUTIVE GROUP MANAGEMENT (EGM)

Carries out the day-to-day management of the Group, including:
- developing and implementing strategic initiatives and Group policies
- designing and developing the organisational structure
- monitoring Group performance
- evaluating and executing investments, acquisitions, divestments and large customer contracts
- assessing on an ongoing basis whether the Group has adequate capital resources and liquidity to meet its existing and future liabilities
- establishing general procedures for accounting, IT organisation, risk management and internal control

EGM biographies
pp. 56–57

Remuneration
Remuneration report, see p. 49 and note 6.1 to the consolidated financial statements

3RD LEVEL

COUNTRY LEADERSHIP

Appointed to manage the business in accordance with Group policies and procedures as well as local legislation and practice of each country, including managing operations in their market

Country managers
pp. 116–117

Country leadership teams are set out under each relevant country at www.issworld.com

COMPETENCIES AND DIVERSITY

As one of the world's largest private employers and with operations in 46 countries and more than 488,000 employees, we are committed to fostering and cultivating a culture of diversity and inclusion in the broadest sense. The Board and the EGM recognise the importance of promoting diversity at management levels and have implemented policies regarding competencies and diversity in respect of Board and EGMB nominations according to which we are committed to selecting the best candidate while aspiring to have diversity in gender as well as in broader terms such as international experience. Emphasis is placed on:

- experience and expertise (such as industry, risk management, finance, financing, strategy, international business, labour force management and HR, management and leadership);
- diversity (including age, gender, new talent and international experience) as well as diversity of perspectives brought to the Board or the EGM; and
- personal characteristics matching ISS's values and leadership principles.

The Board has adopted a gender diversity target of having at least 40% women on the Board by 2020. Currently, 33% of our Board members are women. The target was not reached in 2017. The Board found that it in broad terms possessed a high level of diversity and did not nominate new Board candidates in 2017.

In terms of international experience, the Board aims to have sufficient international experience at all management levels taking into account the size and activities of ISS. The Board considers that it has diverse and broad international experience. The EGMB is considered to have the necessary international experience if half of its members have international experience from large international companies. The current members of the EGMB have international experience.

In order to promote, facilitate and increase the number of women in management level positions at ISS's global head office, we continue leveraging our Diversity Policy, which defines a number of initiatives. Our initiatives include our recruitment policy, requiring that we short list at least one female candidate in all internal and external searches for vacant positions. It is furthermore our policy to continuously develop our succession planning aiming at identifying female successors and tabling the matter of women in leadership at ISS for discussion at least once a year at EGM level. In 2017, we launched our 2020 Talent Vision which has specific targets for female representation in succession plans for EGM and their direct reports, and the succession plans, diversity targets and progress were reviewed by the EGM as well as the Board. Furthermore, it is our policy to ensure strong representation of women in various ISS leadership development and graduate programmes across the Group and at the global head office. We had 20% female representation at our 2017 annual global Top Management Conference, and 20% female participation in our Leadership Mastery development programme and we actively identify female candidates for these programs to ensure adequate gender diversity. 50% of the Global Management Trainees recruited in 2017 were women. The policy and initiatives create an increased focus on gender diversity across the organisation leading to satisfactory progress.

The representation of women at management level at the global head office increased slightly in 2017 compared to 2016 and gender diversity remains a focus area in 2018.

ASSURANCE

EXTERNAL AUDIT

The Group's financial reporting and internal controls are audited by the independent auditors elected by the annual general meeting. The nomination follows an assessment of the qualifications, objectivity and independence of the auditors and the effectiveness of the audit process.

Board members receive the auditors' long-form audit reports which are reviewed by the Audit and Risk Committee.

KEY MATTERS TRANSACTED ANNUALLY BY THE BOARD

- Overall strategy, business and action plan
- Annual budget
- Capital and share structure as well as financing
- Financial Policy
- Dividend Policy
- External financial reporting, corporate governance report and CR report
- Material risks and risk management reporting
- Internal controls, procedures and risks related to financial reporting
- IT security
- Corporate governance
- Competencies, composition and independence of the Board
- Succession planning
- Evaluation of performance of the Board, individual board members, performance of the EGMB and cooperation between the Board and the EGMB
- Diversity
- Remuneration policy and guidelines on incentive pay
- Deep dives on regional operations
- Review of the agenda of Group Commercial, Global Operations and People & Culture
- Recommendation of auditors for election at the annual general meeting

GROUP INTERNAL AUDIT (GIA)

GIA regularly reports to the Audit and Risk Committee and the Board, and its activities are governed by a charter approved by the Board.

The work of GIA and internal controls are described on p. 47.

SPEAK UP POLICY (WHISTLEBLOWER)

The Group has adopted its "Speak Up Policy" and reporting system to enable employees, business partners and other stakeholders to confidentially report serious and sensitive concerns to the Head of GIA via a secure and externally hosted reporting tool or via our telephone hotline, both accessible via the ISS website.

INTERNAL CONTROLS RELATING TO FINANCIAL REPORTING

Quality and efficiency of financial reporting is a fundamental objective, requiring a strong governance and internal controls framework.

ASSURANCE

The overall assurance responsibility follows our governance structure, see p. 45.

Group Internal Audit (GIA) is responsible for providing an objective and independent assessment of the effectiveness and quality of the internal controls in accordance with the internal audit plan approved by the Audit and Risk Committee. To ensure that GIA works independently of the Executive Group Management Board (EGMB), it operates under a charter approved by the Board of Directors (Board) and reports not only to the Group CFO, but also directly to the Audit and Risk Committee. Policies of relevance to financial reporting include the Code of Conduct, the Accounting Manual, the Reporting Manual, the Financial Policy, Control Procedures and the Escalation Policy.

GIA's responsibility is to provide the Board and the EGMB with reasonable assurance that:

- internal controls are in place to support the quality and efficiency of the financial reporting processes;
- significant risks are identified and material misstatements are detected and corrected; and
- the financial reporting is in compliance with ISS policies and procedures and gives a true and fair view of the Group's financial position and results.

Country leadership is responsible for ensuring that an adequate control environment is in place in each operating country to prevent material errors in the country's financial reporting. Regional management provides governance of the country control environment.

Group Controlling is responsible for controlling the financial reporting from subsidiaries and for preparing the consolidated financial reporting.

The EGMB annually identifies and assesses the material financial reporting risks and decides which control activities and systems are required to detect and prevent such risks. This is done based on a materiality test, including an assessment of the impact of quantitative and qualitative factors and an assessment of the likelihood of any material error occurring.

To challenge the EGMB, the Audit and Risk Committee on an ongoing basis discusses:

- the overall effectiveness of the internal controls; and
- accounting for material legal and tax issues and significant accounting estimates.

CONTROL ACTIVITIES

The Group has implemented a formalised financial reporting process, which includes the reporting requirements and related control activities for key areas illustrated in the table overleaf.

In addition to the use of a standardised process and system for the consolidated financial reporting, the work to strengthen controls for financial reporting continues through the implementation across the Group of a shared ERP system platform. At the end of 2017, the ERP system had been implemented in 22 countries representing 30% of Group revenue. Furthermore, we initiated the development and roll-out of common finances processes in 2017.

The roll-out of an automated interface has improved the consistency between local ERP systems and the Group's standard financial reporting tool. At the end of 2017, the automated interface was in place for 36 countries representing 86% of Group revenue. The objective is to reach all remaining countries where ISS operates and has an office by the end of 2018.

An essential element to ensure the correct and timely financial reporting is the availability of relevant information to the employees involved in the process. For this purpose, information and communication systems have been established, providing easy access to the appropriate information, including the Accounting Manual, the Reporting Manual, the Budgeting Manual and other relevant guidelines.

THE WORK OF GROUP INTERNAL AUDIT

GIA performs audits across the Group. The annual audit planning is based on the group key risks as described on pp. 39–41, a risk assessment performed for the individual countries and the outcome of the annual control self-assessment survey.

The internal audit framework consists of three elements:

- a baseline audit programme which assesses the internal controls and compliance across 70 key control activities;
- a contract audit programme which assesses the internal controls and contract compliance for global, regional and country key accounts; and

- audit programmes with a risk-based focus designed to perform detailed assessments of the controls and compliance for individual risk areas or control measures.

In 2017, GIA performed 32 baseline audits in individual countries and 16 contract audits. In addition, it performed 19 risk based audits covering internal control areas related to compliance and the quality and effectiveness of financial reporting. Further, 12 audits were performed of the governance and internal controls within Group corporate functions.

The findings and conclusions of the internal audits, including recommendations on how to improve the control environment, are reported to the relevant country and regional management, the EGMB and the independent Group auditors. The key findings are presented to the Audit and Risk Committee, which evaluates the results and considers the conclusions when reviewing the internal audit plan for the coming year.

To support the efforts to improve the internal controls environment, GIA tracks the progress on resolving the audit findings. Reports on the progress are prepared for the Audit and Risk Committee, the EGMB, and regional management. Follow-up audits are performed to provide assurance on the implementation of the measures to resolve audit findings.

ITEM	REPORTING	CONTROL ACTIVITIES
Financial position and results	All countries report income statement, statement of financial position, statement of cash flows, portfolio analysis etc. monthly.	Group Controlling monitors and controls the reporting for significant deviations compared to budget.
Cash flow forecasts	All countries report their working capital and daily liquidity cash flow forecasts for a rolling three-month period bi-weekly.	Actual figures are continuously monitored and validated by Group Treasury for deviations compared to forecasted figures, including e.g. daily follow-up on local material cash balances.
Business reviews	All countries report an income statement, statement of financial position, statement of cash flows, portfolio analysis, and contract performance etc. monthly.	Monthly meetings between regional management and country leadership with a focus on the current performance and the state of the business.
Budgets and financial plans	All countries prepare budgets and plans for the following financial year in a predefined format.	EGMB and Regional management reviews the proposed budgets and plans with the countries.
Full-year forecasts	All countries update and report their full-year forecasts twice a year.	EGMB and Regional management review the proposed full-year forecasts with the countries in light of the current performance and the state of the business.
Strategy reviews	Country leadership provide annual updates of a predefined strategy template, including progress on key strategic priorities.	Annual meetings between regional management and country leadership at which the strategy is discussed and priorities and plans for the coming year are agreed.
Acquisitions and divestments	Acquisition and divestment proposals are presented in a predefined report format and valuation model.	Depending on size, approval is required by regional management, EGMB or Transaction Committee/ Board.
Large contracts	Bids for large contracts are presented in a predefined format focusing on risk evaluation.	Depending on size, approval is required by regional management, EGMB or Transaction Committee/ Board.
Control self-assessments	Once a year, country leadership performs a self-assessment of the implementation of certain key internal control activities and develop plans to close any implementation gaps.	GIA performs ongoing audits based on the countries' control self-assessment.

REMUNERATION REPORT

Remuneration is a key lever in motivating, aligning and retaining our high-performance leaders thereby supporting our strategic goals and shareholder value creation.

ACTIVITIES IN 2017

In 2016, the Remuneration Committee (Committee) conducted a review of remuneration and incentives of the Executive Group Management Board (EGMB) supported by Kepler, our external advisers. The Committee concluded that remuneration of the EGMB was broadly competitive and could be further strengthened through the following adjustments:

- further aligning the short-term incentive plans below EGMB level to strengthen internal line-of-sight on Group priorities and key performance indicators, reinforcing enterprise mindset and contribution.

The above adjustments were implemented in 2017. The latter will remain a priority in 2018.

In 2017, the Committee further refined the annual bonus plan measures for enhanced focus on shareholder value creation and dividend payment opportunity; thus the cash measure for the 2018 bonus plan will be changed from cash conversion to free cash flow conversion.

REMUNERATION OF EGM MEMBERS

All remuneration elements are described in the table overleaf and apply to members of the Executive Group Management (EGM) for 2017 unless otherwise stated.

Bonuses and other variable components are subject to claw-back if in exceptional cases, it is subsequently determined that payment was based on manifestly misstated information. Reclaim in full or in part of the variable component is determined at the discretion of the Board.

Remuneration of the members of the EGMB, including the Performance Share Units (PSUs) granted under the Long-Term Incentive Programme (LTIP) are disclosed in the table on p. 51. Remuneration of other members of the EGM is outlined in note 6.1 to the consolidated financial statements.

BONUS PAY-OUT 2017

Bonus pay-outs for 2017 for the Group CEO and the Group CFO amounted to 91% and 95% of target. Cash conversion, employee engagement, customer experience and health and safety were achieved at or above target and operating margin and organic growth performance were achieved below target. An overview of minimum, target and maximum remuneration for 2017 to the Group CEO and Group CFO is disclosed below.

REMUNERATION POLICY

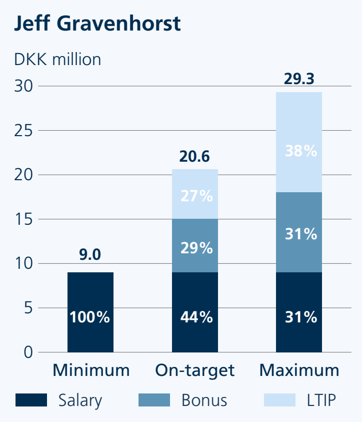
In ISS, remuneration is based on responsibilities, competencies and performance and is designed to be competitive, affordable and in line with market practice of comparable listed companies. The overall objectives are:

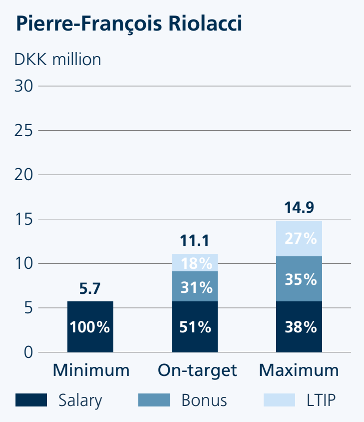
1. Attract, motivate and retain high-performing leaders
2. Provide strong link between remuneration and achievement of our strategic goals and financial performance
3. Align interest of EGMB with shareholders by providing a significant portion of remuneration as share-based payments.

The policy is reviewed at least annually by the Remuneration Committee. The principles outlined in the policy also apply to members of the EGM in addition to the EGMB.

The Remuneration Policy and Overall Guidelines on Incentive Pay are available at http://inv.issworld.com/policies.cfm

REMUNERATION 2017





Minimum No bonus pay-out. No vesting under the LTIP
On-target Target bonus pay-out. Target vesting under the LTIP
Maximum 150% of target bonus pay-out. Full vesting under the LTIP

LONG-TERM INCENTIVE PROGRAMME (LTIP)

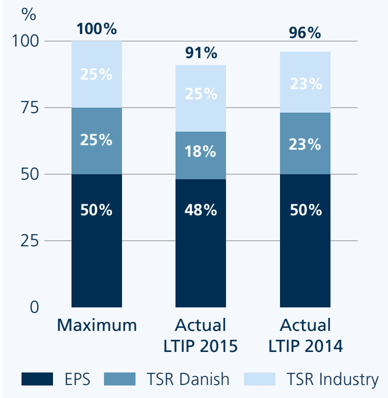
LTIP is granted as Performance Share Units (PSUs) and the annual grant has a value of 125% of the annual base salary for the Group CEO and 70% for other members of the EGM. PSUs have performance criteria of total shareholder return (TSR) compared to peers and earnings per share (EPS) growth, equally weighted, to emphasise shareholder value creation and dividend payment opportunity. TSR peers are the Nasdaq Copenhagen OMX C20 and a peer group of comparable international service companies. The vesting criteria and peer groups are outlined on p. 51. The vesting criteria were determined by benchmarking against international service companies. PSUs vest three years after grant, provided the performance conditions are met. Prior to vesting, holders of PSUs do not have any of the rights that holders of shares would otherwise be entitled to, such as voting rights. For the LTIP 2016 and the LTIP 2017 (but not previous programmes) participants are compensated for any dividend distributed between time of grant and time of vesting.

Unvested PSUs will lapse in the event an employee terminates his or her employment.

The PSUs granted as part of the LTIP 2015 programme will vest on 18 March 2018. Based on the annual EPS and TSR performances for 2015, 2016 and 2017, 91% of the PSUs granted under the LTIP 2015 will vest.

This total vesting is achieved through 13.2% annual growth in EPS (weight 50%) over a three-year period, which is just below the target for maximum vesting (100%) of 13.5% annual growth. Additionally, ISS's TSR of 18% for the period from 2015 and ending on 31 December 2017 was below the upper quartile (68th) of our Danish peers (weight 25%), which resulted in 73% vesting. Against the Industry peers (weight 25%), ISS's TSR was above upper quartile (79th), which resulted in full vesting.

VESTING OF LTIP



ELEMENT	OBJECTIVE	AWARD LEVEL	PERFORMANCE MEASURES
Annual base salary	Attract and retain high-performing leaders	Take into account competitive market rate of industry peers, competencies and experience	Reviewed annually based on individual responsibilities, qualifications and performance
Annual bonus	Drive delivery of short-term financial results, implementation of The ISS Way strategy and behaviour consistent with the ISS Values and Leadership Competency Framework	Target bonus is up to 66% (Group CEO) / 60% (EGM) of annual base salary. Maximum bonus opportunity is up to 100% (Group CEO) / 90% (EGM) and is awarded for performance significantly above target	Financial and non-financial KPIs weighting: Operating margin (25%), organic growth (30%), cash conversion (20%), employee engagement, customer experience and health and safety (15%) and individual objectives (10%). Performance is measured annually. Pay-outs are subject to certain profit and cash flow targets being achieved
Long-Term Incentive Programme (LTIP)	Drive delivery of long-term financial results, retention of leaders and alignment to shareholder value creation	Face value of grant of PSUs is 125% of annual base salary for the Group CEO and 70% for other members of the EGM	The vesting criteria of the LTIP are TSR measured against peers and growth in EPS (equally weighted). Performance conditions are measured over three years
Non-monetary perquisites and benefits	Perquisites and benefits (such as company car, insurance, communication and IT equipment) to support recruitment and retention	Benefits corresponding to market standards	N/A
Pension	Members of the EGM (except for two) are not covered by an ISS Group pension plan	N/A	N/A

THRESHOLD	VESTING	TSR (LTIP 2015-2017)	EPS GROWTH [1] (LTIP 2015)	EPS GROWTH [1] (LTIP 2016)	EPS GROWTH [1] (LTIP 2017)
Below threshold	0%	Below median of peer groups	Less than 7.5% annually	Less than 6% annually	Less than 3% annually
Threshold	25%	At median of peer groups	7.5% annually	6% annually	3% annually
Maximum	100%	At upper quartile of peer groups or better	13.5% annually	12% annually	9% annually

Peer groups
International service companies: ABM Industries, Adecco, Aramark, Bunzl, Compass Group, Capita, G4S, Interserve, Mitie Group, Randstad, Rentokil Initial, Securitas, Serco, Sodexo. Berendsen omitted due to delisting in September 2017.

OMX C20: A.P. Møller – Mærsk A, A.P. Møller – Mærsk B, Carlsberg, Chr. Hansen Holding, Coloplast, Danske Bank, DSV, FLSmidth & Co (2015/2016 only), Genmab, GN Store Nord, Jyske Bank, Lundbeck (2017 only), Nets (2017 only), Nordea Bank (2015/2016 only), Novo Nordisk, Novozymes, Pandora, TDC, Tryg (2015/2016 only), Vestas Wind Systems, William Demant Holding, Ørsted (2017 only).

[1] Adjusted earnings per share excluding Other income and expenses, net. EPS growth is measured as compound annual growth rate (CAGR).

REMUNERATION TO THE EGMB

	2017		2016	
DKK thousand	Jeff Gravenhorst	Pierre-François Riolacci	Jeff Gravenhorst	Pierre-François Riolacci
Base salary and non-monetary benefits	9,236	5,979	8,842	1,215
Annual bonus	5,479	3,239	6,183	535
Share-based payments	4,171	466	6,014	252
Total remuneration	**18,886**	**9,684**	**21,039**	**2,002**
LTIP (number of PSUs)				
Outstanding at 1 January	134,602	7,524	86,756	-
Granted	44,259	15,471	47,546	7,524
Vested	(48,470)	-	-	-
Cancelled	(2,004)	-	-	-
Outstanding at 31 December	**128,387**	**22,995**	**134,602**	**7,524**
Deferred bonus (number of RSUs) [1]				
Outstanding at 1 January	3,565	-	7,130	-
Paid out	(3,565)	-	(3,565)	-
Outstanding at 31 December	**-**	**-**	**3,565**	**-**

[1] Granted RSUs relate to the annual bonus for 2014. One-third of the annual bonus was settled in restricted shares.

TERMINATION AND SEVERANCE PAYMENT

The employment contract of the Group CEO may be terminated at 24 months' notice. Employment contracts of the Group CFO and other members of the EGM may be terminated at 12 months' notice. Members of the EGM may terminate their positions at six months' notice, except for one member who has a 12-month termination notice. Members of the EGM are not entitled to severance payments. The employment contracts contain no special termination rights and no change of control clauses. ISS does not provide loans to the members of EGM.

SHARE OWNERSHIP GUIDELINES

To strengthen the alignment of interests between the EGM and the shareholders, the Committee has established share ownership requirements. The guidelines and holdings for the EGMB at 31 December 2017 are disclosed in the table. Other members of the EGM are expected to build up a holding of shares equivalent to 35% of their annual base salary, requiring members to retain a minimum of 50% of the shares received from the LTIP (subject to disposals required to meet any tax and other associated obligations) until the required holding is met.

REMUNERATION OF THE BOARD OF DIRECTORS

Members of the Board of Directors (Board) receive remuneration for duties performed on behalf of ISS A/S and other companies of the ISS Group approved at the general meeting for the current year. In addition to the base fee, the Chairman of the Audit and Risk Committee, other committees' chairmen and ordinary committee members receive 100%, 75% and 37.5% of the base fee, respectively.

Except for employee representatives, members of the Board did not receive any performance- or share-based remuneration in 2017.

Expenses, such as for travel and accommodation incurred in relation to board-related duties, relevant training and reasonable office expenses for the Chairman, are reimbursed by ISS. A fixed travel allowance is paid to Board members who are required to travel to attend board meetings.

SHARE OWNERSHIP GUIDELINES

At 31 December 2017	Jeff Gravenhorst	Pierre-François Riolacci
Share ownership of annual base salary (over time)	125%	70%
Shares to be retained from vested incentive programmes	5,049	-
Actual holding	68,987	-
Actual holding of annual base salary	184%	-
Unvested PSUs	128,387	22,995

REMUNERATION TO THE BOARD (DKK THOUSAND) / **BOARD HOLDINGS OF ISS A/S SHARES** (NUMBER)

Member	Base fee	Committee fee	Travel allowance	Total	1 January 2017	Additions	Sold	31 December 2017
Lord Allen of Kensington Kt CBE (Chairman)	1,260	945	113	2,318	86,843	-	-	86,843
Thomas Berglund (Deputy chairman)	630	367	60	1,057	2,000	-	-	2,000
Claire Chiang	420	315	195	930	-	-	-	-
Henrik Poulsen	420	578	60	1,058	26,052	-	-	26,052
Ben Stevens	420	367	105	892	2,000	-	-	2,000
Cynthia Mary Trudell	420	315	240	975	-	-	-	-
Pernille Benborg	420	-	-	420	-	965	965	-
Joseph Nazareth	420	-	-	420	3,125	1,544	-	4,669
Palle Fransen Queck	420	-	-	420	-	1,143	1,143	-
Total	**4,830**	**2,887**	**773**	**8,490**	**120,020**	**3,652**	**2,108**	**121,564**

SHAREHOLDER INFORMATION

Our shareholders are important to us. We are committed to maintaining a constructive dialogue and a high level of transparency in our communication with the market.

ISS A/S is listed on Nasdaq Copenhagen and part of the Nasdaq Copenhagen OMX C25 index.

DIVIDEND

The Board of Directors (Board) has adopted a dividend policy with a target pay-out ratio for ordinary dividends of approximately 50% of Net profit (adjusted). As Net profit (adjusted) in 2017 was negatively impacted by the fair value adjustment of assets held for sale in Northern Europe, a revaluation of the deferred tax asset in the USA, and discontinued operations, the Group proposes a pay-out ratio which ensures that the nominal ordinary dividend is equal to 2016.

At the annual general meeting to be held on 11 April 2018, the Board will propose an ordinary dividend for 2017 of DKK 7.70 per share (2016: DKK 7.70), equivalent to a pay-out ratio of 59%, but approximately 50% when adjusted for the above one-off items.

We also have a stated intention of returning additional funds to shareholders – above and beyond the ordinary dividend – in the absence of strategically and financially accretive investment opportunities and in line with our capital allocation principles. However, with the DKK 1,521 million of acquisition of Guckenheimer completed in April 2017, there was no scope to return additional funds to shareholders during 2017.

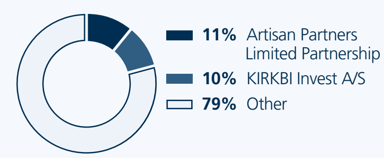
For more details on how we intend to create value for our shareholders, see p. 8.

INVESTOR RELATIONS

We aim to ensure that investors have adequate and equal access to relevant information by providing quality communications to the financial markets.

We strive to be recognised by the investor community as an honest, open and reliable company and to be well-known among institutional and private investors. We seek to achieve this by maintaining an active dialogue with current and potential new investors, analysts and other stakeholders through roadshows and conferences globally. In September 2017, we hosted our second Capital Market Day in London.

MAJOR SHAREHOLDERS [1]



[1] Latest major shareholder holdings reported by investors to ISS.

Investor Relations Policy, please visit http://inv.issworld.com/policies.cfm

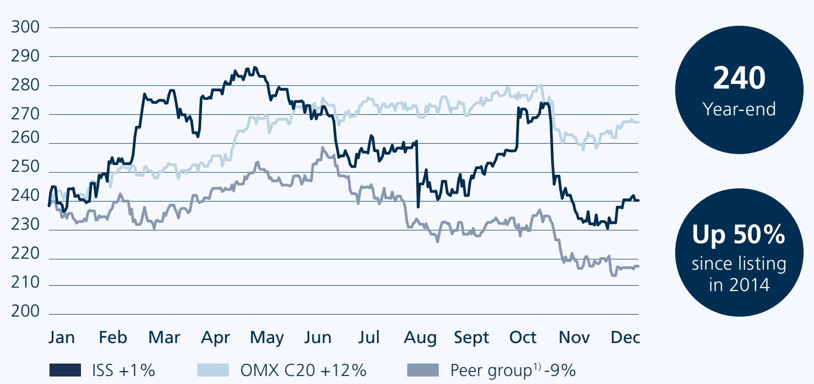
We communicate via company announcements, press releases, conference calls and investor presentations. On our corporate website investors can subscribe to announcements of financial results, press releases, etc.

For announcements published in 2017, please visit http://inv.issworld.com/announcements.cfm

We aim to have broad analyst coverage of ISS. At year-end 2017, we were covered by 19 sell-side equity analysts (2016: 18), who regularly publish their recommendations on our stock.

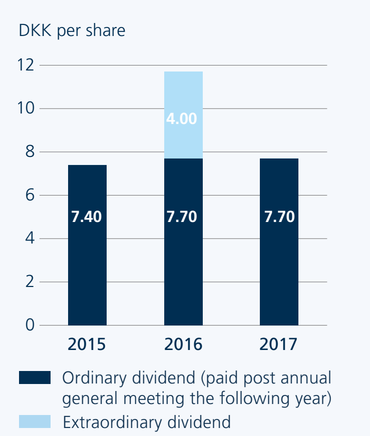
For a full list of analysts, please visit http://inv.issworld.com/analysts.cfm

SHARE PRICE PERFORMANCE 2017



[1] Peer group includes international service peers listed on p. 51. All share prices are shown in DKK.

DIVIDEND PAY-OUT



BOARD OF DIRECTORS

LORD ALLEN OF KENSINGTON KT CBE
CHAIRMAN

Born: 1957
Nationality: British
First elected: March 2013
Independence: Independent

Chairman of the Nomination Committee, the Remuneration Committee and the Transaction Committee.

Chairman of Global Media & Entertainment Group (and a member of the board of directors of seven of its subsidiaries), Boparan Holdings Ltd and 2 Sisters Food Group Ltd and a member of the board of directors of Malch Limited, Grandmet Management Ltd and Grandmet Development Ltd. In addition, Advisory Chairman of Moelis & Company and advisor to Boparan Holdings Ltd and Powerscourt.

Previously CEO of Compass as well as chief executive of Granada Group Plc. and ITV plc and executive chairman of Granada Media Plc. Lord Allen has also been chairman of EMI Music, a member of the board of directors of Virgin Media Ltd and Tesco Plc. In addition, previously chairman of the British Red Cross and a member of the London Organising Committee of Olympic and Paralympic Games as well as vice chairman of the London 2012 Bid Committee for the Olympic and Paralympic Games.

Education: FCMA from Institute of Management Accountants and Honorary Doctorate Degrees from the University of Salford, the Manchester Metropolitan University and the Southampton Solent University.

Competencies: Professional experience in managing multi industry companies, significant financial and commercial skills and extensive board experience.

THOMAS BERGLUND
DEPUTY CHAIRMAN

Born: 1952
Nationality: Swedish
First elected: March 2013
Independence: Independent

Member of the Audit and Risk Committee and the Transaction Committee.

President and CEO of Capio AB (Publ) (and holds positions on the board of directors and/or executive management of 12 of its subsidiaries). In addition, deputy chairman of the board of directors of AcadeMedia AB, chairman of the remuneration committee and member of quality committee of AcadeMedia AB and member of the executive management of TA Consulting GmbH.

Previously president and CEO of Securitas and CEO of Eltel.

Education: Bachelor of Science in Business Administration and Economics from Stockholm School of Economics.

Competencies: Extensive experience in leading and growing international service companies.

CLAIRE CHIANG

Born: 1951
Nationality: Singaporean
First elected: April 2015
Independence: Independent

Member of the Remuneration Committee and the Nomination Committee.

Co-founder of Banyan Tree Hotels & Resorts, senior vice president of Banyan Tree Holdings Limited (and holds directorships in two of its subsidiaries) and a member of the board of directors as well as the audit committee of Dufry AG. Furthermore, member of board of directors of Tian Rong (Tianjin) Enterprise Management Consulting Service Co., Ltd., Wildlife Reserves Singapore Conservation Fund and Mandai Park Holdings Pte. Ltd. She holds directorships in six family holding companies. Chairperson for China Business Development as well as Banyan Tree Global Foundation Limited and honorary council member of the Singapore Chinese Chamber of Commerce and Industry.

In addition, chair or member of several non-profit organisations.

Previously served as a Singapore Nominated Member of Parliament for two terms (1997-2001).

Education: Arts and Social Sciences graduate from University of Singapore and Master of Philosophy (Sociology) degree from University of Hong Kong.

Competencies: Founder and senior management expertise from the hotel and hospitality industry, international sales and business development experience, broad entrepreneurial experience, human capital management and development experience.

HENRIK POULSEN

Born: 1967
Nationality: Danish
First elected: August 2013
Independence: Independent

Chairman of the Audit and Risk Committee and member of the Transaction Committee.

CEO of Ørsted A/S. Deputy chairman of the board of directors and member of the audit committee of Kinnevik AB. In addition, independent advisor to EQT.

Previously CEO and president of TDC A/S, operating executive at Capstone/KKR in London and has held various positions with LEGO, including executive vice president of Markets and Products.

Education: Bachelor of Science in International Business and a Master in Finance and Accounting, both from Aarhus School of Business.

Competencies: International as well as executive management experience from large international companies.

BEN STEVENS

Born:	1959
Nationality:	British
First elected:	April 2016
Independence:	Independent

Member of the Audit and Risk Committee and the Transaction Committee.

Group Finance Director and a member of the board of directors of British American Tobacco p.l.c. (and holds directorships in 17 of its subsidiaries).

Previously held a number of roles on British American Tobacco's Executive Management Board as Regional Director Europe and Development Director, with responsibility for corporate strategy, M&A and IT.

Prior to this, held a number of senior executive roles within the British American Tobacco group, including Head of Merger Integration (following the merger with Rothmans International), Head of Corporate Affairs, Chairman and Managing Director Russia, Chairman and Managing Director of listed subsidiary in Pakistan, Regional Finance Controller Europe, East Africa and South Asia, and various marketing roles in Switzerland. Earlier career includes finance roles at both BET and at Thorn EMI. Held non-executive director roles with Ciberian and Trifast in the UK, and with ITC in India.

Education: Bachelor's Degree in Economics from University of Manchester and MBA from Manchester Business School, University of Manchester.

Competencies: Broad global experience spanning senior finance, general management, commercial, strategy and M&A roles in one of the leading public listed companies on the London Stock Exchange.

CYNTHIA MARY TRUDELL

Born:	1953
Nationality:	American
First elected:	April 2015
Independence:	Independent

Member of the Remuneration Committee and the Nomination Committee.

Serves as the vice-chair of the Defense Business Board (advisory to the US Department of Defense).

Served as the executive vice president, chief human resources officer for PepsiCo until September 2017. Previously held a number of executive operating and general management positions with General Motors Corporation and Brunswick Corporation, including president of IBC Vehicles (UK), chairman and president of Saturn Corporation (US) and president of Sea Ray Group (US). In addition, served as a director of PepsiCo, Canadian Imperial Bank of Commerce and Pepsi Bottling Group prior to its acquisition by PepsiCo.

Education: Bachelor of Science (Chemistry) from the Acadia University (Nova Scotia), and Doctorate (Physical Chemistry) from the University of Windsor (Ontario).

Competencies: Executive operating and general management experience with global operations in the durable goods and consumer products industries, human capital management and strategy development, and diverse board experience.

PERNILLE BENBORG (E)

Born:	1970
Nationality:	Danish
First elected:	March 2011
Independence:	Not independent

Group Vice President and Head of Group Compliance since 2007.

Previously held various positions with the ISS Group including Vice President of Compliance and Group Financial Controller of Group Finance. Joined the ISS Group in 2000.

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

JOSEPH NAZARETH (E)

Born:	1960
Nationality:	Canadian
First elected:	March 2011
Independence:	Not independent

Group Vice President and Head of Group Health, Safety, Environment and Quality and Corporate Responsibility since 2010. Joined the ISS Group in 2010 from A.P. Møller-Mærsk, where he was Head of Group HSSE.

Education: Civil Engineering degree from McGill University and Master of Science in Business Administration from the University of Ottawa.

PALLE FRANSEN QUECK (E)

Born:	1975
Nationality:	Danish
First elected:	March 2011
Independence:	Not independent

Group Vice President and Regional Excellence Director, Central Europe since February 2017.

Previously held various positions with the ISS Group including as Head of Group Transition, Business Development Director, Central Europe and Vice President of Process Improvement and Business Solutions. Joined the ISS Group in 2000.

Education: Bachelor of Science (Hons) in Engineering from Copenhagen University College of Engineering and a Master of Science in Business Administration (MBA) from Henley Business School.

E = employee representative

EXECUTIVE GROUP MANAGEMENT

JEFF GRAVENHORST
GROUP CEO
(since April 2010)

Joined ISS: 2002
Born: 1962
Nationality: Danish

Member of the Executive Group Management Board of ISS A/S registered with the Danish Business Authority and chairman of the board of directors of certain ISS Group companies.

Chairman of the board of directors of Rambøll Gruppen A/S, deputy chairman of the board of directors of Nets A/S as well as member of the audit committee of Nets A/S and a member of the Confederation of Danish Industry's (DI) Permanent Committee on Business Policies.

Previously held management positions within ISS as Group COO, Group CFO and CFO of ISS UK. Prior to joining ISS held management positions in Europe and US.

PIERRE-FRANÇOIS RIOLACCI
GROUP CFO
(since November 2016)

Joined ISS: 2016
Born: 1966
Nationality: French

Member of the Executive Group Management Board of ISS A/S registered with the Danish Business Authority and member of the board of directors of certain ISS Group companies.

Member of the board of directors of KLM (Koninklijke Luchtvaart Maatschappij N.V.).

Prior to joining ISS held positions as CFO of Air France-KLM and CFO of Veolia Environnement.

TROELS BJERG
GROUP COO
(effective 1 March 2018)

Joined ISS: 2009
Born: 1963
Nationality: Danish

Member of the board of directors of Ejner Hessel Holding A/S (and four of its subsidiaries), member of the central board of the Confederation of Danish Industry (DI) and member of DI's executive committee.

Previously held positions within ISS as Regional CEO Northern Europe, Regional CEO Nordic and Regional CEO Eastern Europe.

Prior to joining ISS held management positions in Europe and Asia.

JACOB GÖTZSCHE
REGIONAL CEO CONTINENTAL EUROPE
(effective 1 March 2018)

Joined ISS: 1999
Born: 1967
Nationality: Danish

Previously held positions within ISS as Regional CEO Central Europe, COO Central Europe, Regional Director Central Europe and International Business Director Central Europe and various management positions within M&A, corporate finance and controlling.

MICHELLE HEALY
GROUP CHIEF PEOPLE & CULTURE OFFICER
(since April 2015)

Joined ISS: 2015
Born: 1968
Nationality: Irish

Member of the board of directors of PageGroup plc as well as the audit, remuneration and nomination committees of PageGroup.

Prior to joining ISS held senior management positions latest at SABMiller plc as Director Group Integrated Change Programme, and at British American Tobacco plc as General Manager UK & Ireland, Regional Head of HR Europe, and Regional Head of HR Asia Pacific.

DANE HUDSON
REGIONAL CEO ASIA PACIFIC
(since January 2016)

Joined ISS: 2011
Born: 1961
Nationality: Australian

Previously held position as Country Manager of ISS Pacific (Australia and New Zealand).

Prior to joining ISS held a number of senior roles including most recently CEO of Australian Vintage Ltd and Chief Finance, Development and Procurement Officer and SVP of Yum Restaurants International (KFC, Pizza Hut and Taco Bell).

ANDREW PRICE
GROUP CCO
(since September 2015)

Joined ISS: 1995
Born: 1964
Nationality: British

Previously held positions within ISS as Head of Global Corporate Clients, COO Facility Services as well as Managing Director of Integrated Solutions and Commercial Director, Healthcare of ISS UK.

DANIEL RYAN
REGIONAL CEO AMERICAS
(since February 2016)

Joined ISS: 2016
Born: 1962
Nationality: American

Prior to joining ISS held senior management position as Regional CEO Asia & Middle East and member of Group Executive Committee at G4S. Prior to G4S, held various senior management positions and member of the Executive Management Team with NOL Group (primarily in its APL subsidiary).

RICHARD SYKES
REGIONAL CEO NORTHERN EUROPE
(effective 1 March 2018)

Joined ISS: 2012
Born: 1970
Nationality: British

Previously held position within ISS as Regional CEO Western Europe and Country Manager of ISS UK & Ireland.

Prior to joining ISS held senior management positions as CEO of Carillion Business Services, COO of Taylor Woodrow FM & Construction and MD of Taylor Woodrow Facilities Management.

MANAGEMENT CHANGES

Effective 1 March 2018, Europe will be consolidated from four operating units to two. Richard Sykes (previously Regional CEO of Western Europe) becomes Regional CEO for the new Northern Europe region, while Jacob Götzsche (previously Regional CEO of Central Europe) becomes Regional CEO for the Continental Europe region.

Group Chief Operating Officer, Martin Gaarn Thomsen, has decided to leave ISS to pursue a new opportunity. He is succeeded by Troels Bjerg (previously Regional CEO of Northern Europe).

Henrik Langebæk (previously Regional CEO Eastern Europe), will step out of the EGM and continue to lead Finance for Global Operations.

CASE: LEADING THE HEALTHCARE MARKET IN SINGAPORE

ISS first entered the Singapore healthcare market in 1996 with a contract to deliver cleaning services for the outpatient area of Singapore General Hospital. One year later, we won a second contract to deliver cleaning services for both inpatient and outpatient areas at Tan Tock Seng Hospital. And so began a journey that has seen us grow steadily over more than two decades to become the leading provider of facility services in the Singapore healthcare market.

This success is attributable to three key factors. First, we immediately understood the needs of our customers who want to provide first class patient care while relying on a trusted and reputable partner to deliver a safe, hygienic and comfortable environment for patients, visitors and hospital staff. Second, we invested in our people to create a highly professional but caring culture with dedicated on-site trainers and structured learning and development programmes. Third, we embraced innovative concepts to improve productivity and increase flexibility, thereby lowering the cost of delivery while being able to adapt to meet changing customer needs and increasing expectations. Current examples include the use of hydrogen peroxide and ultra violet light to improve infection control, while proprietary technology – eHIMS – that is integrated with the hospital's patient information system has significantly improved housekeeping bed turnaround times.

In 2003, the outbreak of the SARS epidemic finally dispelled any notion that hospital cleaning was a commoditised service. Our employees stood alongside doctors and nurses in the fight against this deadly virus. We became synonymous with excellence in hygiene and, importantly, we successfully argued the need for higher wages and effective staff training in order to minimize future risks.

Today, ISS Singapore delivers services to 16 major public and private hospitals providing over 13,300 beds between them, or approximately 80% of the Singapore market. In addition to cleaning services, we provide a range of support, catering and property services, including technical services. However, opportunities to grow remain ample. The Singapore government's vision is for Singapore to become a regional medical hub. Moreover, with an ageing population, demand for healthcare services looks set to grow further and to take further share of existing customers' cleaning and facility-services spend.

Finally, we are successfully leveraging the experience, knowledge and best practices of our Singapore healthcare operation. Examples include the provision of support for tenders or contract start-ups in other ISS countries in Asia. Our Singapore hosted a Healthcare Excellence Forum for ISS colleagues across the globe and is now supporting ISS China via an exchange programme and provision of an operational excellence team to help drive efficiencies and innovation.

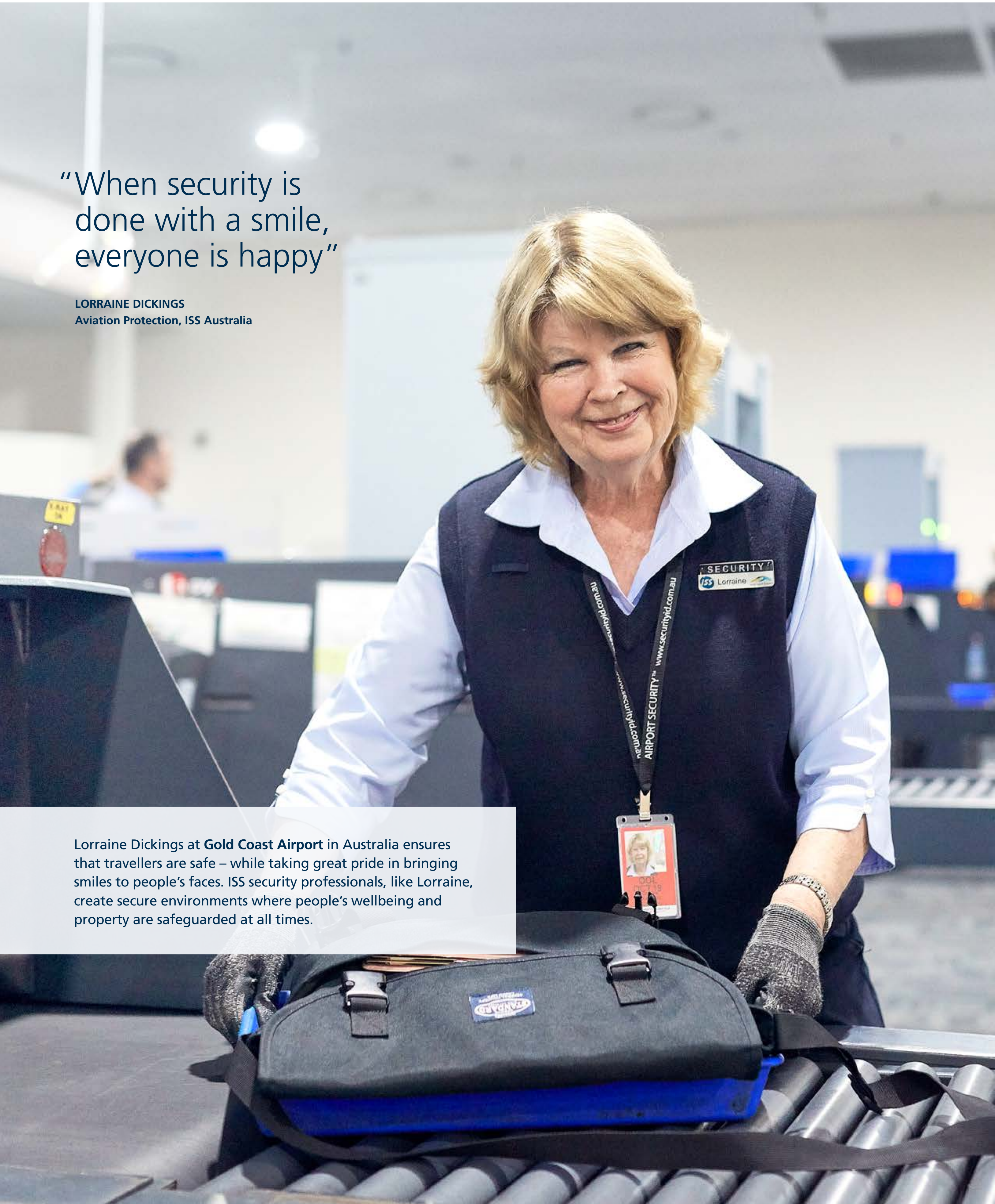
1996
ISS entered the Singapore Healthcare market

16
major public and private hospitals being serviced

850 DKKm
revenue

ASNAH BTE AZIZ
Linen Attendant, ISS Singapore
NG TENG FONG GENERAL HOSPITAL

ISS understands the importance of providing first class patient care



"When security is done with a smile, everyone is happy"

LORRAINE DICKINGS
Aviation Protection, ISS Australia

Lorraine Dickings at **Gold Coast Airport** in Australia ensures that travellers are safe – while taking great pride in bringing smiles to people's faces. ISS security professionals, like Lorraine, create secure environments where people's wellbeing and property are safeguarded at all times.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 JANUARY – 31 DECEMBER

		2017			2016		
DKK million	Note	Adjusted results	Acquisition-related	Reported results	Adjusted results	Acquisition-related	Reported results
Revenue	2.1	**79,912**	**-**	**79,912**	**78,658**	**-**	**78,658**
Staff costs	6.3, 6.4	(50,199)	-	(50,199)	(50,477)	-	(50,477)
Consumables		(7,347)	-	(7,347)	(6,603)	-	(6,603)
Other operating expenses	7.7	(17,140)	-	(17,140)	(16,346)	-	(16,346)
Depreciation and amortisation [1]	4.6, 7.1	(710)	-	(710)	(689)	-	(689)
Operating profit before other items		**4,516**	**-**	**4,516**	**4,543**	**-**	**4,543**
Other income and expenses, net	2.3	(548)	-	(548)	(132)	-	(132)
Goodwill impairment	4.7	-	(90)	(90)	-	(202)	(202)
Amortisation/impairment of brands and customer contracts	4.6	-	(521)	(521)	-	(642)	(642)
Operating profit	2.1, 7.6	**3,968**	**(611)**	**3,357**	**4,411**	**(844)**	**3,567**
Financial income	5.3	38	-	38	56	-	56
Financial expenses	5.3	(576)	-	(576)	(521)	-	(521)
Profit before tax		**3,430**	**(611)**	**2,819**	**3,946**	**(844)**	**3,102**
Income taxes	2.4, 2.5	(920)	207	(713)	(1,065)	191	(874)
Net profit from continuing operations		**2,510**	**(404)**	**2,106**	**2,881**	**(653)**	**2,228**
Net loss from discontinued operations	4.5	**(86)**	**(13)**	**(99)**	**(8)**	**(0)**	**(8)**
Net profit		**2,424**	**(417)**	**2,007**	**2,873**	**(653)**	**2,220**
Attributable to:							
Owners of ISS A/S				2,002			2,216
Non-controlling interests				5			4
Net profit				**2,007**			**2,220**
Earnings per share							
Basic earnings per share (EPS), DKK	5.1			10.9			12.1
Diluted earnings per share, DKK	5.1			10.8			12.0
Adjusted earnings per share, DKK [2]	5.1			13.1			15.5
Earnings per share for continuing operations							
Basic earnings per share (EPS), DKK				11.4			12.1
Diluted earnings per share, DKK				11.3			12.0
Adjusted earnings per share, DKK [3]				13.5			15.6

[1] Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.
[2] Calculated as Net profit (adjusted) divided by the average number of shares (diluted).
[3] Calculated as Net profit from continuing operations (adjusted) divided by the average number of shares (diluted).

Background for the income statement presentation is described in Section 1, p. 67.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

DKK million	Note	2017	2016
Net profit		**2,007**	**2,220**
Items not to be reclassified to the income statement in subsequent periods			
Actuarial gains/(losses)	6.3	192	(79)
Impact from asset ceiling regarding pensions	6.3	(45)	(6)
Tax	2.5	(53)	22
Items to be reclassified to the income statement in subsequent periods			
Foreign exchange adjustments of subsidiaries and non-controlling interests		(811)	(596)
Other comprehensive income		**(717)**	**(659)**
Comprehensive income		**1,290**	**1,561**
Attributable to:			
Owners of ISS A/S		1,285	1,557
Non-controlling interests		5	4
Comprehensive income		**1,290**	**1,561**

CONSOLIDATED STATEMENT OF CASH FLOWS

1 JANUARY – 31 DECEMBER

DKK million	Note	2017	2016
Operating profit before other items		4,516	4,543
Operating profit before other items from discontinued operations	4.5	(2)	23
Depreciation and amortisation	4.6, 7.1	712	692
Share-based payments		12	95
Changes in working capital	3.4	169	(114)
Changes in provisions, pensions and similar obligations		(246)	(191)
Other expenses paid	2.3	(396)	(211)
Interest received		41	55
Interest paid		(381)	(331)
Income taxes paid	2.4	(812)	(871)
Cash flow from operating activities		**3,613**	**3,690**
Acquisition of businesses	4.1	(1,650)	(155)
Divestment of businesses	4.2	229	187
Acquisition of intangible assets and property, plant and equipment		(992)	(875)
Disposal of intangible assets and property, plant and equipment		85	70
(Acquisition)/disposal of financial assets		(7)	25
Cash flow from investing activities		**(2,335)**	**(748)**
Proceeds from bonds	5.2	4,439	-
Repayment of senior facilities	5.2	(2,230)	-
Other financial payments, net	5.2	152	(842)
Purchase of treasury shares		-	(149)
Dividends paid to shareholders		(1,418)	(2,092)
Dividends paid to non-controlling interests		(5)	(4)
Cash flow from financing activities		**938**	**(3,087)**
Total cash flow		**2,216**	**(145)**
Cash and cash equivalents at 1 January		4,300	4,526
Total cash flow		2,216	(145)
Foreign exchange adjustments		(241)	(81)
Cash and cash equivalents at 31 December		**6,275**	**4,300**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

DKK million	Note	2017	2016
ASSETS			
Intangible assets	4.6, 4.8	26,665	26,361
Property, plant and equipment	7.1	1,593	1,572
Deferred tax assets	2.5	700	861
Other financial assets		331	358
Non-current assets		**29,289**	**29,152**
Inventories		286	276
Trade receivables	3.1	11,583	11,307
Tax receivables		204	235
Other receivables	3.2	1,988	1,992
Cash and cash equivalents		6,275	4,300
Assets held for sale	4.4	1,210	1,520
Current assets		**21,546**	**19,630**
Total assets		**50,835**	**48,782**
EQUITY AND LIABILITIES			
Equity attributable to owners of ISS A/S		13,804	13,910
Non-controlling interests		10	10
Total equity	5.1	**13,814**	**13,920**
Loans and borrowings	5.2	17,290	15,055
Pensions and similar obligations	6.3	1,291	1,638
Deferred tax liabilities	2.5	1,267	1,383
Provisions	7.2	218	256
Non-current liabilities		**20,066**	**18,332**
Loans and borrowings	5.2	381	283
Trade payables		4,428	4,068
Tax payables		279	339
Other liabilities	3.3	11,206	11,227
Provisions	7.2	233	187
Liabilities held for sale	4.4	428	426
Current liabilities		**16,955**	**16,530**
Total liabilities		**37,021**	**34,862**
Total equity and liabilities		**50,835**	**48,782**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 31 DECEMBER

DKK million	Note	Share capital	Retained earnings	Trans-lation reserve	Treasury shares	Proposed dividends	Total	Non-con-trolling interests	Total equity
		Attributable to owners of ISS A/S							
2017									
Equity at 1 January		**185**	**12,717**	**(4)**	**(418)**	**1,430**	**13,910**	**10**	**13,920**
Net profit		-	572	-	-	1,430	2,002	5	2,007
Other comprehensive income		-	94	(811)	-	-	(717)	(0)	(717)
Comprehensive income		**-**	**666**	**(811)**	**-**	**1,430**	**1,285**	**5**	**1,290**
Share-based payments	6.2	-	68	-	-	-	68	-	68
Settlement of vested PSUs		-	(175)	-	116	-	(59)	-	(59)
Tax related to PSUs		-	13	-	-	-	13	-	13
Settlement of vested RSUs		-	-	-	5	-	5	-	5
Dividends paid to shareholders	5.1	-	-	-	-	(1,430)	(1,430)	-	(1,430)
Dividends, treasury shares		-	12	-	-	-	12	-	12
Dividends paid to non-controlling interests		-	-	-	-	-	-	(5)	(5)
Transactions with owners		**-**	**(82)**	**-**	**121**	**(1,430)**	**(1,391)**	**(5)**	**(1,396)**
Changes in equity		**-**	**584**	**(811)**	**121**	**-**	**(106)**	**(0)**	**(106)**
Equity at 31 December		**185**	**13,301**	**(815)**	**(297)**	**1,430**	**13,804**	**10**	**13,814**
2016									
Equity at 1 January		**185**	**12,666**	**592**	**(323)**	**1,374**	**14,494**	**10**	**14,504**
Net profit		-	786	-	-	1,430	2,216	4	2,220
Other comprehensive income		-	(63)	(596)	-	-	(659)	0	(659)
Comprehensive income		**-**	**723**	**(596)**	**-**	**1,430**	**1,557**	**4**	**1,561**
Purchase of treasury shares	5.1	-	-	-	(149)	-	(149)	-	(149)
Share-based payments	6.2	-	95	-	-	-	95	-	95
Settlement of vested PSUs		-	(49)	-	49	-	-	-	-
Settlement of vested RSUs		-	-	-	5	-	5	-	5
Dividends paid to shareholders	5.1	-	(743)	-	-	(1,374)	(2,117)	-	(2,117)
Dividends, treasury shares		-	25	-	-	-	25	-	25
Dividends paid to non-controlling interests		-	-	-	-	-	-	(4)	(4)
Transactions with owners		**-**	**(672)**	**-**	**(95)**	**(1,374)**	**(2,141)**	**(4)**	**(2,145)**
Changes in equity		**-**	**51**	**(596)**	**(95)**	**56**	**(584)**	**0**	**(584)**
Equity at 31 December		**185**	**12,717**	**(4)**	**(418)**	**1,430**	**13,910**	**10**	**13,920**

BASIS OF PREPARATION

SECTION 1

Our focus is to provide decision-useful and transparent financial information based on materiality.

Our aim is to ensure, that the financial statements, including note disclosures, appropriately reflect and portray ISS specific business activities and circumstances.

With that in mind, our consolidated income statement is presented in a three-column format, where Goodwill impairment and Amortisation of brands and customer contracts are presented separately in the column "Acquisition-related" together with income tax related hereto.

CHANGES IN ACCOUNTING POLICIES

None with material effect on recognition and measurement

CHANGES IN PRESENTATION

None

SIGNIFICANT ESTIMATES

- Deferred tax
- Acquisitions
- Assets and liabilities held for sale
- Impairment tests
- Pensions and similar obligations

SIGNIFICANT JUDGEMENTS

- Intangible assets – the ISS brand
- Revenue – gross or net presentation
- Significant key account contracts – revenue and costs
- Other income and expenses, net

CORPORATE INFORMATION

The consolidated financial statements of ISS A/S as of and for the year ended 31 December 2017 comprise ISS A/S and its subsidiaries (together referred to as "the Group"). Significant subsidiaries are included in 7.10, Group companies.

The Annual Report for ISS A/S for 2017 was discussed and approved by the Executive Group Management Board (EGMB) and the Board of Directors (Board) on 22 February 2018 and issued for approval at the subsequent annual general meeting on 11 April 2018.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act. In addition, the consolidated financial statements have been prepared in compliance with the IFRSs issued by the IASB.

The Group's significant accounting policies and accounting policies related to IAS 1 minimum presentation items are described in the relevant notes to the consolidated financial statements or otherwise stated below.

A list of the notes is shown on p. 61.

The consolidated financial statements are presented in Danish kroner (DKK), which is ISS A/S's functional currency. All amounts have been rounded to nearest DKK million, unless otherwise indicated.

CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the accounting policies have been applied consistently in respect of the financial year and comparative figures. However, based on new information minor adjustments to comparative figures in primary statements and notes have been implemented.

From 1 January 2017, the Group has adopted the below standards and interpretations with no effect on recognition and measurement:

- Amendments to IAS 7 "Statement of Cash Flows": Disclosure Initiative;
- Amendments to IAS 12 "Income Taxes": Recognition of Deferred Tax Assets for Unrealised Losses; and
- Annual improvements to IFRS 2014-2016 Cycle.

The adoption of IAS 7 requires disclosure of changes in liabilities arising from financing activities, see the specification Cash flow from financing activities in 5.2, Loans and borrowings.

PRESENTATION OF THE INCOME STATEMENT

When designing our income statement our aim has been to ensure that line items, headings and subtotals presented are relevant to understand ISS's financial performance.

In the past, ISS has built its business platform, and grown its business, through a large number of acquisitions, including the acquisition of ISS World Services A/S in 2005, which has added a substantial amount of intangibles to the consolidated statement of financial position. Consequently, large amounts of non-cash amortisation/impairment of intangibles are recognised in our consolidated income statement every year.

It is important for us to clearly separate these items to understand the impact of our growth strategy and to enable comparison with our peers. For those reasons, our consolidated income statement is presented in a three-column format, where the line items Goodwill impairment and Amortisation/impairment of brands and customer contracts are presented separately in the column "Acquisition-related" together with the income tax related hereto.

DEFINING MATERIALITY

The consolidated income statement and the consolidated statement of financial position separately present items that are considered individually significant, or are required under the minimum presentation requirements of IAS 1.

In determining whether an item is individually significant ISS considers both quantitative and qualitative factors. If the presentation or disclosure of an item is not decision-useful, the information is considered insignificant.

Explanatory disclosure notes related to the consolidated financial statements are presented for individually significant items. Where separate presentation of a line item is made solely due to the minimum presentation requirements in IAS 1, no further disclosures are provided in respect of that line item.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise ISS A/S and entities controlled by ISS A/S. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

On consolidation intra group transactions, balances, income and expenses are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The non-controlling interest's share of net profit and equity of subsidiaries, which are not wholly-owned, are included in the Group's net profit and equity, respectively, but 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.

Changes in ownership interest in a subsidiary, without loss of control, are accounted for as equity transactions.

If the Group looses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Other income and expenses, net. Any investment retained is recognised at fair value on initial recognition.

FOREIGN CURRENCY

Transactions in currencies other than the functional currency of the respective Group companies are considered transactions denominated in foreign currencies.

On initial recognition, these are translated to the respective functional currencies of the Group companies 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 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 of transaction or the exchange rate in the latest financial statements is recognised in Financial income or Financial expenses.

On recognition in the consolidated financial statements of Group companies with a functional currency other than 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 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. However, if the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interest.

Foreign exchange adjustment of balances with foreign entities which are considered part of the investment in the entity is recognised in other comprehensive income and presented in equity under a separate translation reserve.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management made various judgements, estimates and assumptions concerning future events that affected the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking macroeconomic developments 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.

The following items involve significant accounting estimates and judgements:

Accounting item	Estimates	Judgements	Note
Deferred tax	X		2.5
Acquisitions	X		4.1
Assets and liabilities held for sale	X		4.4
Intangible assets – the ISS brand		X	4.6
Impairment tests	X		4.8
Pensions and similar obligations	X		6.3
Revenue – gross or net presentation		X	2.1
Significant key account contracts – revenue and costs		X	2.1
Other income and expenses, net		X	2.3

OPERATING PROFIT AND TAX

SECTION 2

This section provides information related to the Group's operating profit and tax to help the reader get a deeper understanding of the Group's performance in 2017.

Group and regional performance for 2017 are described on p. 16 and pp. 22–25, respectively.

Revenue amounted to DKK 79,912 million and organic growth was 2.4%. Growth was supported by good performance in Continental Europe and Americas that was driven by growth in our portfolio services, start-up and expansion of Global Corporate Clients contracts and increased demand for non-portfolio services.

Operating profit before other items was DKK 4,516 million for an operating margin of 5.7%, down by 0.1 percentage point compared to 2016. When adjusted for the impact from acquisitions and divestments as well as negative currency effects, the margin was in line with last year. Operating margin was supported by GREAT, including procurement savings, operational efficiencies and good performances in Continental Europe and emerging markets, which was offset by margin decreases in parts of Northern Europe, Asia & Pacific and Americas.

Additional details on revenue and operating profit by region as well as revenue by country and by service are provided in 2.1, Segment and revenue information.

ISS is exposed to a low level of currency risk on transaction level, since services are produced, delivered and invoiced in the same local currency as the functional currency of the entity delivering the services. With operations in 74 countries, we are however exposed to risk from translation of local currency financial statements into DKK. This is explained in 2.2, Translation and operational currency risk.

Other income and expenses, net was an expense of DKK 548 million and consisted of both recurring and non-recurring items, that the Group does not consider to be part of its ordinary operations. A break-down including commentary is included in 2.3, Other income and expenses, net.

The **effective tax rate** was 26.8%, negatively impacted by a revaluation of the deferred tax asset in the USA following the US tax reform, partly offset by non-taxable gains on divestments and additional recognised deferred tax assets in Germany. Adjusted for these, the effective tax rate was approximately 26%. Details on the composition of the Group's effective tax rate and deferred tax are provided in 2.4, Income taxes and 2.5, Deferred tax, respectively.

In this section:

REVENUE AND GROWTH

79,912 DKKm
(2016: 78,658 DKKm)

2.4% (2016: 3.4%)
Organic growth [1)]

[1)] Unaudited

OPERATING PROFIT [1)] AND MARGIN

4,516 DKKm
(2016: 4,543 DKKm)

5.7% (2016: 5.8%)
Operating margin

[1)] Before other items

SEGMENTS

	Organic growth [1)]	Operating margin
Continental Europe	4%	6.5%
Northern Europe	1%	7.1%
Asia & Pacific	1%	7.1%
Americas	4%	3.6%

[1)] Unaudited

OTHER INCOME AND EXPENSES, NET

(548) DKKm
(2016: (132) DKKm)

related to loss on divestments, restructuring projects and business platform adjustments in Brazil

INCOME TAXES

26.8% (2016: 27.0%)
Effective tax rate

2.1 SEGMENT AND REVENUE INFORMATION

ISS is a global facility services company, that operates in 74 countries and delivers a wide range of services within the areas cleaning, property, catering, support, security and facility management.

Operations are generally managed based on a geographical structure in which countries are grouped into regions. The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. However, countries with limited activities which are managed by the Global Corporate Clients organisation are excluded from the geographical segments and combined in a separate segment called "Other countries". An overview of the grouping of countries into regions is presented in 7.10, Group companies.

REPORTABLE SEGMENTS

The segment reporting is prepared in a manner consistent with the Group's internal management and reporting structure. Disclosures relating to the income statement of the segments are presented in this note, whereas segment cash flow, assets and liabilities are disclosed in 7.6, Other segment information together with reconciliation of segment information to the consolidated group amounts. Transactions between reportable segments are made on market terms.

§ ACCOUNTING POLICY

The accounting policies of the **reportable segments** are the same as the Group's accounting policies described throughout the notes. 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 (including internal and external loans and borrowings, cash and cash equivalents and intra-group balances) as well as Financial income, Financial expenses and Income taxes.

For the purpose of segment reporting, segment profit has been identified as Operating profit. 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.

DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments
2017						
Revenue 1)	**30,944**	**25,049**	**14,596**	**9,313**	**97**	**79,999**
Depreciation and amortisation 2)	(287)	(176)	(126)	(60)	-	(649)
Operating profit before other items	**2,006**	**1,789**	**1,043**	**334**	**0**	**5,172**
Operating margin 3)	6.5%	7.1%	7.1%	3.6%	0.3%	6.5%
Other income and expenses, net	(132)	(285)	(8)	(121)	-	(546)
Goodwill impairment	(22)	(68)	-	-	-	(90)
Amortisation/impairment of brands and customer contracts	(161)	(255)	(67)	(36)	(2)	(521)
Operating profit	**1,691**	**1,181**	**968**	**177**	**(2)**	**4,015**
2016						
Revenue 1)	**30,095**	**26,515**	**14,606**	**7,407**	**104**	**78,727**
Depreciation and amortisation 2)	(275)	(201)	(120)	(51)	-	(647)
Operating profit before other items	**1,823**	**1,982**	**1,098**	**305**	**(1)**	**5,207**
Operating margin 3)	6.1%	7.5%	7.5%	4.1%	(1.3)%	6.6%
Other income and expenses, net	(99)	51	11	(91)	-	(128)
Goodwill impairment	-	(147)	-	(55)	-	(202)
Amortisation/impairment of brands and customer contracts	(125)	(278)	(52)	(186)	(1)	(642)
Operating profit	**1,599**	**1,608**	**1,057**	**(27)**	**(2)**	**4,235**

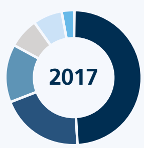
1) Including internal revenue which due to the nature of the business is insignificant and is therefore not disclosed.
2) Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.
3) Excluding Other income and expenses, net, Goodwill impairment and Amortisation/impairment of brands and customer contracts.

REVENUE BY COUNTRY – MORE THAN 5% OF GROUP

DKK million	2017	2016
UK & Ireland	11,232	11,801
USA & Canada	6,551	4,680
Switzerland	5,282	5,251
France	4,742	4,731
Spain & Portugal	4,655	4,635
Denmark (ISS A/S's country of domicile)	3,426	3,500
Other countries [1]	44,024	44,060
Total	**79,912**	**78,658**

[1] Including unallocated items and eliminations.

REVENUE BY SERVICE



49% (50%) Cleaning
20% (20%) Property
14% (13%) Catering
7% (7%) Support
7% (7%) Security
3% (3%) Facility management

% of Group revenue

SIGNIFICANT ACCOUNTING JUDGEMENTS

Gross or net presentation of revenue In some instances, ISS does not self-deliver all services under a contract, either because the service is outside our selected strategic services or because we do not have the capabilities ourselves. In those cases, ISS delivers services through selected partners or subcontractors. The issue is whether revenue should be presented gross, i.e. based on the gross amount billed to the customer (ISS is the principal) or based on the net amount retained (the amount billed to the customer less the amount paid to the subcontractor) because ISS has only earned a commission fee (ISS is the agent).

Management considers whether ISS is acting in the capacity of an agent or a principal. This is based on an evaluation of the risks and responsibilities borne by ISS, including responsibility for delivery of services and credit risk. Judgement is required when evaluating all relevant facts and circumstances.

Accounting for **significant key account contracts** with complex revenue and cost structures requires management's judgement in terms of recognition of the individual items of revenue and costs, including recognition in the correct periods over the term of the contract.

§ ACCOUNTING POLICY

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 recovery of the consideration is probable and when the amount of revenue, the stage of completion, the costs incurred for the transaction, and the costs to complete the transaction can be measured reliably. 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.

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

2.2 TRANSLATION AND OPERATIONAL CURRENCY RISK

The Group is exposed to a low level of currency risk on transaction level, since the services are produced, delivered and invoiced in the same local currency as the functional currency in the entity delivering the services with minimal exposure from imported components. The Group is, however, exposed to risk in relation to translation into DKK 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.

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. It is assumed that all other variables, in particular interest rates, remain constant and any impact of forecasted sales and purchases is ignored.

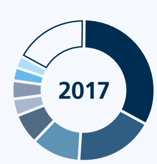
DKK million	Change in foreign exchange rates	Revenue	Operating profit before other items	Net assets in foreign subsidiaries
2017				
GBP	10%	1,057	80	312
CHF	10%	528	50	123
USD	10%	639	14	222
NOK	10%	395	31	40
AUD	10%	345	18	108
SEK	10%	323	12	147
TRY	10%	270	19	51
EUR	1%	238	15	95
Other	10%	1,720	107	473
Total	-	**5,515**	**346**	**1,571**

REVENUE BY MAIN CURRENCIES

30 % EUR
13 % GBP
8 % USD
7 % CHF
5 % NOK
4 % AUD
4 % SEK
3 % TRY
26 % Other

% of Group revenue

OPERATING PROFIT BY MAIN CURRENCIES



33 % EUR
18 % GBP
11 % CHF
7 % NOK
4 % AUD
4 % TRY
3 % SEK
3 % USD
17 % Other

% of Group operating profit before other items

IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS

In 2017, the currencies in which the Group's revenue was denominated decreased with a weighted average of 2.0% (2016: decreased with 3.2%) relative to DKK, decreasing the Group's revenue by DKK 1,522 million (2016: a decrease of DKK 2,384 million). Currency movements decreased the Group's operating profit before other items by DKK 123 million (2016: a decrease of DKK 167 million). The effect of the translation of net assets in foreign subsidiaries decreased other comprehensive income by DKK 811 million (2016: a decrease of DKK 596 million).

Development in exchange rates between DKK and the functional currencies had a negative impact on operating profit in all regions. Northern Europe experienced the sharpest decline of 3.1% due to the continued depreciation of GBP. At Group level the impact was limited to 2.0% as Continental Europe and Asia & Pacific declined only 1.9% and 1.0%, respectively.

EXCHANGE RATE DEVELOPMENT

Functional currency	Change in average FX rate 2016 to 2017	Change in average FX rate 2015 to 2016
GBP	(6.8)%	(11.5)%
CHF	(2.0)%	(2.3)%
AUD	1.0 %	(0.9)%
USD	(2.0)%	0.1 %
NOK	(0.5)%	(3.9)%
EUR	(0.1)%	(0.2)%
TRY	(18.8)%	(9.9)%
SEK	(2.0)%	(1.4)%

2.3 OTHER INCOME AND EXPENSES, NET

DKK million	2017	2016
Gain on divestments	155	140
Adjustments to prior years' acquisitions	17	-
Other [1]	4	-
Other income	**176**	**140**
Loss on divestments	(359)	(101)
Restructuring projects [1]	(284)	(133)
Acquisition and integration costs [1]	(64)	(12)
Adjustments to prior years' acquisitions	(17)	-
Other [1]	-	(26)
Other expenses	**(724)**	**(272)**
Other income and expenses, net	**(548)**	**(132)**

[1] Presented as Other expenses paid in the statement of cash flows when paid.

Gain on divestments mainly related to the divestment of the Group's activities in Iceland, the Danish sewage and industrial service business, the real estate administration activities in Sweden and the archiving activities in Finland. In 2016, the gain mainly related to the divestment of the security activities in Finland.

Adjustments to prior years' acquisitions (income) related to final settlement of contingent consideration related to the acquisition of GS Hall in 2015.

Loss on divestments mainly comprised the remeasurement of the business classified as held for sale in the Northern Europe region. In 2016, the loss mainly comprised adjustments to prior years' divestments, most significantly the landscaping business in France, the route-based special cleaning services in the Netherlands and the security activities in Greece. Furthermore, remeasurement of one business classified as held for sale in Northern Europe and the divestment of the Group's activities in Greenland resulted in additional losses.

Restructuring projects mainly related to the continued implementation of GREAT across the Group, restructuring in Sweden due to operational challenges and adjustments of the business platform in Brazil. The costs primarily comprised redundancy payments, termination of leaseholds, relocation costs and contract termination costs and related labour claim costs in Brazil. In 2017, costs mainly related to Belgium, Brazil, Denmark, France, India, Israel, the Netherlands, Norway, Sweden and the USA. In 2016, costs mainly related to Belgium, Brazil, China, Denmark, the Netherlands, Spain & Portugal and the USA.

Acquisition and integration costs mainly related to Guckenheimer in the USA, Apunto in Chile and Evantec in Germany and mainly comprised fees to advisors and costs incurred as a consequence of integration of the businesses. In 2016, costs mainly related to Apunto in Chile and GS Hall in the UK.

Adjustments to prior years' acquisitions (expenses) related to the acquisition of Apunto in Chile in 2016, where good performance resulted in additional payment of contingent consideration.

CASH FLOW EFFECT FROM OTHER EXPENSES

DKK million	2017	2016
Restructuring projects	(264)	(169)
Acquisition and integration costs	(61)	(13)
Restructuring projects (presented as discontinued operations)	(40)	(7)
Other	(31)	(22)
Other expenses paid	**(396)**	**(211)**

Restructuring projects mainly comprised payments related to projects initiated and expensed in 2016 and 2017 in Belgium, Brazil, Denmark, France, India, Israel, the Netherlands, Norway, Sweden and the USA. In 2017, payments were slightly lower than the amount expensed mainly due to France and Sweden, where part of the costs have not yet been paid.

Restructuring projects (presented as discontinued operations) related to payments in Argentina regarding contract exits.

SIGNIFICANT ACCOUNTING JUDGEMENTS

Other income and expenses, net consists of significant recurring and non-recurring income and expenses that management does not consider to be part of the Group's ordinary operations, primarily major restructuring projects and gains and losses on divestments. Classification as other expenses is subject to management's review and approval.

Restructuring projects include cost reductions to make ISS more efficient going forward. The types of costs qualifying for treatment as restructuring are costs that are considered of no value to the continuing business and that do not form part of the ordinary operations. Whether a restructuring project qualifies for classification as other expenses is evaluated by management from case to case based on a formalised restructuring request. The request includes a detailed project description and cost type specification.

2.4 INCOME TAXES

DKK million	2017	2016
Current tax	731	893
Deferred tax	212	159
Adjustments relating to prior years, net	(23)	13
Income taxes (adjusted)	**920**	**1,065**
Income taxes (acquistion-related)	**(207)**	**(191)**
Income taxes (reported)	**713**	**874**

EFFECTIVE TAX RATE

In %	2017	2016
Statutory income tax rate in Denmark	22.0 %	22.0 %
Foreign tax rate differential, net	0.7 %	0.9 %
Total	**22.7 %**	**22.9 %**
Non-tax deductible expenses less non-taxable income	1.4 %	0.9 %
Non-taxable income on divestments	(1.0)%	(0.9)%
Adjustments relating to prior years, net	(0.7)%	0.3 %
Change in valuation of net tax assets	(1.5)%	1.1 %
Effect of changes in tax rates	2.9 %	0.3 %
Other taxes	3.0 %	2.4 %
Effective tax rate (profit before tax (adjusted))	**26.8 %**	**27.0 %**

Non-tax deductible expenses less non-taxable income comprised various income and expenses, including the impact from interest limitation tax rules and the French tax credit CICE.

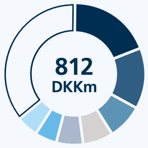
Non-taxable income on divestments related to gains on divestments in Denmark, Sweden and Finland. In 2016, non-taxable income on divestments related to gains on divestments in Finland and Turkey.

Change in valuation of net tax assets mainly related to release of valuation allowances on tax losses in Germany following a reassessment of expected future taxable income.

Effect of changes in tax rates mainly comprised revaluation of the deferred tax asset in the USA following US tax reform reducing the corporate tax rate from 35% to 21% from 2018.

Other taxes mainly comprised withholding tax and the French Cortisation sur La Valeur Ajoutee des Entreprises (CVAE).

TAX PAYMENTS 2017



OUR APPROACH TO TAX AND TAX RISKS

We are committed to comply with applicable rules and regulations in the countries where we operate. We also have an obligation to optimise the return for our shareholders by managing and planning tax payments effectively within the framework of relevant tax regulation. As a good corporate citizen, we will pay applicable taxes, and at the same time ensure a competitive effective tax rate. This means that we will pursue a competitive effective tax rate within the limits of the tax legislation and strive to limit double taxation to the extent possible.

We do not tolerate avoidance of taxes, social charges or payroll taxes. For the benefit of society, our employees and our customers, we support governmental and industry specific initiatives that introduce tighter controls and sanctions to ensure that companies in our industry play by the rules.

Cross-border and intercompany transactions mainly comprise royalty payments, management fees and financing. Such transactions are conducted based on arm's length principles and in accordance with current OECD principles in setting internal transfer prices.

ISS Tax Policy, see http://inv.issworld.com/policies.cfm

2.5 DEFERRED TAX

DEVELOPMENT IN DEFERRED TAX

DKK million	2017	2016
Deferred tax liabilities, net at 1 January	522	544
Adjustments relating to prior years, net	(62)	32
Foreign exchange adjustments	27	(11)
Acquisitions and divestments, net	50	(5)
Tax on other comprehensive income	53	(22)
Reclassification to Assets/(Liabilities) held for sale	(28)	16
Tax on profit before tax (adjusted)	212	159
Tax effect of amortisation/impairment of brands and customer contracts	(207)	(191)
Deferred tax liabilities, net at 31 December	**567**	**522**

Adjustments relating to prior years, net in 2017 and 2016 were mainly related to adjustment of tax deductions (temporary differences) in the final tax returns for 2016 and 2015, respectively.

Acquisitions and divestments, net mainly related to the acquisition of Guckenheimer, resulting in recognition of a net deferred tax liaiblity mainly relating to the acquired customer contracts and the Guckenheimer brand.

Tax on other comprehensive income in 2017 primarily comprised deferred tax on actuarial gains on pensions in Switzerland.

DEFERRED TAX ASSETS

DKK million	2017	2016
Tax losses carried forward	393	431
Goodwill	6	8
Customer contracts	17	29
Property, plant and equipment	83	63
Provisions and other liabilities	359	348
Pensions	212	298
Set-off within legal tax units and jurisdictions	(370)	(316)
Deferred tax assets	**700**	**861**

DEFERRED TAX LIABILITIES

DKK million	2017	2016
Goodwill	366	421
Brands	361	350
Customer contracts	260	315
Property, plant and equipment	88	121
Provisions and other liabilities	539	469
Tax losses in foreign subsidiaries under Danish joint taxation	23	23
Set-off within legal tax units and jurisdictions	(370)	(316)
Deferred tax liabilities	**1,267**	**1,383**

§ ACCOUNTING POLICY

Income tax comprises current tax and changes in deferred tax, including changes due to a change in the tax rate, and is recognised in the income statement or other comprehensive income. Income tax effect of amortisation/impairment of brands and customer contracts is presented in a separate column in connection with these items.

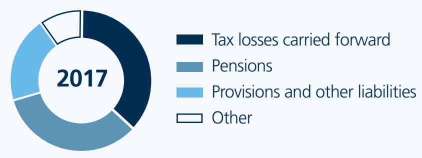
Tax receivables and payables are recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income for prior years and for tax paid on account.

Deferred tax comprises temporary differences between the accounting and tax values of assets and liabilities and is measured in accordance with the liability method. Deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from in business combinations, arose at the time of acquisition without affecting either Net profit 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. 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 becomes current tax.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in 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 these, intends to settle these on a net basis or to realise the assets and settle the liabilities, simultaneously.

DEFERRED TAX ASSETS, GROSS



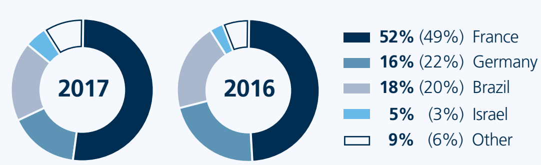
DEFERRED TAX LIABILITIES, GROSS

SIGNIFICANT ACCOUNTING ESTIMATES

Deferred tax assets relating to tax losses carried forward are recognised, when management assesses that these can be offset against positive taxable income in the foreseeable future. The assessment is made at the reporting date taking into account the impact from limitation in interest deductibility and restrictions in utilisation of tax losses in local tax legislation. The assessment of future taxable income is based on financial budgets approved by management as well as management's expectations regarding the operational development, primarily in terms of organic growth and operating margin in the following five years. Furthermore, planned adjustments to capital structure in each country are taken into consideration.

Uncertain tax positions As part of operating a global business, disputes with tax authorities around the world may occur. The possible outcome of such disputes are measured based on management's best estimate (more likely than not) of the amount required to settle the obligation and recognised in deferred tax. Management believes that the provisions made for such disputes are adequate. However, the actual obligations may deviate, as they depend on the result of litigations and settlements with the relevant tax authorities.

UNRECOGNISED DEFERRED TAX ASSETS



At 31 December 2017, the Group had unrecognised deferred tax assets which comprised tax losses carried forward and other deductible temporary differences of DKK 954 million (2016: DKK 1,008 million) primarily relating to France, Germany, Brazil and Israel. The decrease compared to 2016, was mainly due to recognition of part of the unrecognised asset in Germany following a reassessment of expected future taxable income.

Unrecognised tax losses can be carried forward indefinitely in the individual countries. Deferred tax assets have not been recognised in respect of the above tax losses as it is not deemed probable that future taxable profit will be available in the foreseeable future against which the Group can utilise these.

WORKING CAPITAL AND CASH FLOW

SECTION 3

Ensuring a strong cash flow performance, and in particular managing working capital, is a key priority at ISS. Our approach to managing working capital is structured and well proven through continuous delivery of steady cash flows reflected in our consistently high cash conversion over the last decade.

Driven by a strong general cash performance, cash conversion was 104% in 2017. The strong result reflects our efforts to ensure timely payment for work performed, focus on strong working capital processes as well as the timing of collections and payments around year-end.

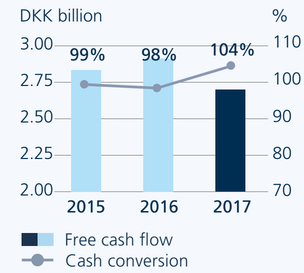
Our approach to improving capital efficiency consists primarily of the following tools:

- working capital projects which focus on the order-to-cash process and in particular sharing of best practices within the Group;
- particular focus on trade receivables, especially overdue receivables and unbilled receivables;
- standardised reporting of working capital and daily liquidity cash flow forecasts and ongoing follow-up in order to monitor the cash performance on a regular basis; and
- inclusion of cash conversion in the Group's incentive structure.

In this section:

3.1 TRADE RECEIVABLES AND CREDIT RISK
3.2 OTHER RECEIVABLES
3.3 OTHER LIABILITIES
3.4 CHANGES IN WORKING CAPITAL

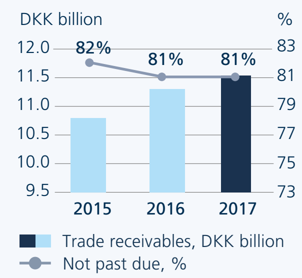
CASH CONVERSION AND FREE CASH FLOW



TRADE RECEIVABLES

11,583 DKKm
(2016: 11,307 DKKm)

23%
of total assets



3.1 TRADE RECEIVABLES AND CREDIT RISK

EXPOSURE TO CREDIT RISK

In general, we assess the Group's overall exposure to credit risk as low. 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. In some geographies, mainly southern Europe and Latin America, in recent years the general credit risk has increased for certain specific groups of customers. However, amounts written off as uncollectible have remained at a relatively low level, which was also the case in 2017, where amounts written off were 0.3% of gross trade receivables (2016: 0.3%).

Exposure to credit risk on trade receivables is managed locally in the operating entities and credit limits are set as deemed appropriate for the customer taking into account the customer's financial position and the current market conditions. Generally, the Group does not hold collateral as security for trade receivables.

The maximum credit risk exposure at the reporting date by reportable segments was:

DKK million	Gross	Impairment	Carrying amount
2017			
Continental Europe	4,999	(132)	4,867
Northern Europe	3,220	(23)	3,197
Asia & Pacific	2,245	(54)	2,191
Americas	1,358	(38)	1,320
Other countries	9	(1)	8
Total	**11,831**	**(248)**	**11,583**
2016			
Continental Europe	4,833	(128)	4,705
Northern Europe	3,311	(32)	3,279
Asia & Pacific	2,151	(37)	2,114
Americas	1,245	(43)	1,202
Other countries	8	(1)	7
Total	**11,548**	**(241)**	**11,307**

IMPAIRMENT LOSSES

DKK million	Gross	Impairment	Carrying amount
2017			
Not past due	9,387	-	9,387
Past due 1 to 60 days	1,627	(6)	1,621
Past due 61 to 180 days	363	(6)	357
Past due 181 to 360 days	151	(21)	130
More than 360 days	303	(215)	88
Total	**11,831**	**(248)**	**11,583**
2016			
Not past due	9,130	-	9,130
Past due 1 to 60 days	1,690	(2)	1,688
Past due 61 to 180 days	358	(14)	344
Past due 181 to 360 days	114	(28)	86
More than 360 days	256	(197)	59
Total	**11,548**	**(241)**	**11,307**

DKK million	2017	2016
Impairment losses at 1 January	(241)	(258)
Acquisitions	(7)	(2)
Divestments	1	0
Impairment losses recognised	(41)	(71)
Impairment losses reversed	19	44
Amounts written off	30	32
Reclassification to/(from) Assets held for sale	(9)	14
Impairment losses at 31 December	**(248)**	**(241)**

§ ACCOUNTING POLICY

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less impairment losses.

Impairment losses are recognised when objective evidence indicates that an individual receivable or a portfolio of receivables with similar risk characteristics 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 directly against the receivable.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

3.2 OTHER RECEIVABLES

DKK million	2017	2016
Prepayments	1,033	974
Currency swaps	32	30
Other	923	988
Other receivables	**1,988**	**1,992**

Prepayments comprise mainly prepayments to suppliers and sign-on fees related to customer contracts.

Other comprise various receivables such as supplier rebates and bonuses, refunds from customers and other recoverable amounts, receivable sales price from divestments, contract work in progress, outlay for customers, VAT, etc.

§ ACCOUNTING POLICY

Other receivables are recognised initially at cost and subsequently at amortised cost. Prepayments are measured at cost. Costs relating to sales work and securing contracts are recognised in the income statement as incurred.

3.3 OTHER LIABILITIES

DKK million	2017	2016
Accrued wages, pensions and holiday allowances	4,426	4,455
Tax withholdings, VAT etc.	2,813	2,747
Prepayments from customers	515	434
Other	3,452	3,591
Other liabilities	**11,206**	**11,227**

Other comprise accrued supplier expenses, utilities such as rent, telephone, electricity etc., contingent consideration and deferred payments, accrued interests, fees to advisors and auditors, customer discounts and insurance, etc.

3.4 CHANGES IN WORKING CAPITAL

DKK million	2017	2016
Changes in inventories	1	(3)
Changes in receivables	(555)	(1,113)
Changes in payables	723	1,002
Changes in working capital	**169**	**(114)**

Changes in receivables The reduced negative impact compared to 2016 mainly reflects a normalisation in Norway following last year's delay in invoicing and stronger collections in the USA and Singapore.

Changes in payables The reduced positive impact compared to 2016 is mainly related to a lower level of accrued supplier invoices in the USA in 2017 and timing of supplier payments in Norway and Sweden.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

SECTION 4

Our asset base is the result of our acquisition strategy in previous years to build our geographical and service platform. A large number of businesses were acquired and added a substantial amount of acquisition-related intangibles, including ISS World Services A/S in 2005. Consequently, the Group continues to be exposed to possible impairment losses, both following annual impairment tests and divestments. In 2017, impairment losses on goodwill of DKK 90 million were recognised in connection with divestment of businesses, mainly in Finland and Hungary. Furthermore, an impairment loss on goodwill of DKK 11 million was recognised in Net loss from discontinued operations regarding Argentina. The impairment test at 31 December 2017 did not result in impairment losses on goodwill.

In 2017, we continued our selective acquisition strategy aimed at enhancing our core competences and increasing self-delivery capabilities. In April, we acquired Guckenheimer, a leading US catering services company. The acquisition supports our strategic aim of strengthening our catering capabilities in North America. Furthermore, we acquired Evantec in Germany, expanding our competences within technical and building services, and SIGNAL, a Danish-based workplace management consulting firm.

We also continued to review the strategic rationale and fit of business units in 2017. As a result, we divested eight non-core businesses of which the Danish sewage and industrial service business and the Group's activities in Iceland were the most significant. Furthermore, as per 31 December 2017, four businesses were classified as held for sale, including Argentina and Uruguay, which were also classified as discontinued operations.

In support of our continued strategic alignment, we will continue to review our business platform to identify potential divestments as well as capability enhancing acquisitions.

In this section:

INTANGIBLE ASSETS

26,665 DKKm
(2016: 26,361 DKKm)

52%
of total assets

90 DKKm (2016: 202 DKKm)
Goodwill impairment on divestments

ACQUISITIONS

3 acquisitions
in the USA, Germany and Denmark

2,682 DKKm
Annual revenue acquired

DIVESTMENTS

8 divestments
of non-core activities

782 DKKm
Annual revenue divested

204 DKKm
Net loss recognised in Other expenses

ASSETS HELD FOR SALE

1,210 DKKm (2016: 1,520 DKKm)
Assets held for sale

428 DKKm (2016: 426 DKKm)
Liabilities held for sale

DISCONTINUED OPERATIONS

2 businesses
in the Americas region (Argentina and Uruguay)

(99) DKKm (2016: (8) DKKm)
Net loss from discontinued operations

4.1 ACQUISITIONS

The Group completed three acquisitions in 2017 (2016: one acquisition):

Company	Country	Service type	Consolidated in the income statement	Interest	Annual revenue (unaudited DKK million)	Number of employees (unaudited)
Evantec	Germany	Technical and building	January	100%	352	800
SIGNAL	Denmark	Workplace management	February	100%	30	30
Guckenheimer	USA	Catering	May	100%	2,300	3,200
Total					**2,682**	**4,030**

ACQUISITION IMPACT

DKK million	Guckenheimer	Other	2017	2016
Brands	54	-	54	-
Customer contracts	236	15	251	19
Other non-current assets	79	6	85	2
Trade receivables	238	72	310	25
Other current assets	108	27	135	8
Pensions, deferred tax liabilities and other provisions	(157)	(49)	(206)	-
Loans and borrowings	(19)	-	(19)	(0)
Other non-current liabilities	(8)	-	(8)	(5)
Other current liabilities	(227)	(68)	(295)	(30)
Fair value of net assets acquired	**304**	**3**	**307**	**19**
Goodwill	1,217	256	1,473	43
Consideration transferred	**1,521**	**259**	**1,780**	**62**
Cash and cash equivalents in acquired businesses	-	(20)	(20)	(5)
Cash consideration transferred	**1,521**	**239**	**1,760**	**57**
Contingent and deferred consideration	-	(42)	(42)	17
Changes in prepaid purchase price	-	(68)	(68)	81
Acquisition of businesses (cash flow)	**1,521**	**129**	**1,650**	**155**

Guckenheimer On 28 April 2017, ISS acquired 100% of the shares in Guckenheimer Enterprises, Inc., a leading US catering services company with an estimated annual revenue of approximately DKK 2,300 million and 3,200 employees in 33 states. The purchase price (on a debt and cash free basis) amounted to DKK 1,521 million as specified above. Based on provisionally determined fair values of net assets, goodwill amounted to DKK 1,217 million. Goodwill is not expected to be deductible for income tax purposes.

The acquisition supports our strategic aim of strengthening our catering capabilities in North America. Thus, goodwill added on acquisition is attributable mainly to 1) catering expertise, 2) synergies mainly by enhancing self-delivery possibilities, 3) platform for growth primarily within IFS, and 4) assembled work force.

In 2017, Guckenheimer contributed revenue of DKK 1,622 million and operating profit before other items of DKK 61 million.

Acquisition-related costs of DKK 14 million have been included in Other income and expenses, net.

ACQUISITIONS SUBSEQUENT TO 31 DECEMBER 2017

The Group completed no acquisitions from 1 January to 15 February 2018.

SIGNIFICANT ACCOUNTING ESTIMATES

The most significant assets acquired generally comprise goodwill, customer contracts and trade receivables. As no active market exists for the majority of acquired assets, liabilities and contingent liabilities, in particular in respect of intangible assets, management estimates the fair value. Measurement is based on the present value of future cash flows calculated based on after-tax royalty payments, churn rates or other expected cash flows related to the specific asset. Estimates of fair value are associated with uncertainty and may be adjusted subsequently.

The fair value of customer contracts acquired is based on an evaluation of the conditions relating to the customer contract portfolio and related customer relationships. 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 estimates the Weighted Average Cost of Capital (WACC) and a risk premium for the assumed risk inherent in customer contracts.

§ ACCOUNTING POLICY

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in Other income and expenses, net.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

If uncertainties exist at the acquisition date regarding identification or measurement of 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, and changes in estimates of contingent consideration relating to business combinations are recognised in Other income and expenses, net.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all assets acquired and all liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in the income statement.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Written put options 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.

Subsequent fair value adjustments of put options held by non-controlling interests relating to business combinations effected on or after 1 January 2010 are recognised directly in equity. Subsequent fair value adjustments of put options held by non-controlling interests related to business combinations effected prior to 1 January 2010 are recognised in goodwill. The effect of unwind of discount is recognised in Financial expenses.

4.2 DIVESTMENTS

The Group completed eight divestments in 2017 (2016: five divestments):

Company/activity	Country	Service type	Excluded from the income statement	Interest	Annual revenue (unaudited DKK million)	Number of employees (unaudited)
ISS Kloak- & Industriservice	Denmark	Sewage and industrial	January	100%	209	159
Security	Ireland	Security	March	Activities	43	263
Hotel services Iberia	Spain	Support	April	Activities	43	24
ISS Iceland	Iceland	Country exit	May	100%	194	743
Real estate administration	Sweden	Support	July	100%	66	75
Route-based cleaning	Netherlands	Cleaning	November	Activities	111	668
Engineering consulting	Finland	Support	January 2018	100%	100	130
Archiving services	Finland	Support	January 2018	Activities	16	24
Total					**782**	**2,086**

DIVESTMENT IMPACT

DKK million	2017	2016
Goodwill	73	64
Customer contracts	17	15
Other non-current assets	111	74
Current assets	110	94
Loans and borrowings	-	(4)
Other non-current liabilities	(16)	(10)
Other current liabilities	(71)	(121)
Net assets disposed	**224**	**112**
Gain/(loss) on divestment of businesses, net	146	61
Divestment costs	118	80
Consideration received	**488**	**253**
Cash and cash equivalents in divested businesses	(21)	(4)
Cash consideration received	**467**	**249**
Contingent and deferred consideration	(111)	49
Divestment costs paid	(127)	(111)
Divestment of businesses (cash flow)	**229**	**187**

DIVESTMENTS SUBSEQUENT TO 31 DECEMBER 2017

On 1 January 2018, we completed the divestment of the Belgian kitchen maintenance activities, a part of ISS Belgium's industrial cleaning business, with an annual revenue of approximately DKK 27 million (unaudited) and 54 employees.

On 27 January 2018, we completed the divestment of our activities in Greece with an annual revenue of approximately DKK 259 million and 1,705 employees.

On 31 January 2018, we completed the divestment of ISS Profi Komfort, a cleaning company providing cleaning services to public hospitals in Hungary with an annual revenue of approximately DKK 45 million (unaudited) and 700 employees.

The Group completed no further divestments from 1 January to 15 February 2018.

§ ACCOUNTING POLICY

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

4.3 PRO FORMA REVENUE AND OPERATING PROFIT BEFORE OTHER ITEMS

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

DKK million	2017	2016
Revenue	79,912	78,658
Acquisitions	751	95
Divestments	(353)	(624)
Pro forma revenue	**80,310**	**78,129**
Operating profit before other items	4,516	4,543
Acquisitions	37	5
Divestments	(36)	(53)
Pro forma operating profit before other items	**4,517**	**4,495**

For the purpose of estimating pro forma revenue and operating profit before other items, adjustments relating to acquisitions and divestments are based on estimates made by local ISS management in the respective jurisdictions in which the acquisitions and divestments occurred at the time of acquisition and divestment, or actual results where available. Synergies from acquisitions are not included for periods in which the 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 on a pro forma basis are presented for informational purposes only. This information does not represent the results the Group would have achieved had the 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.

4.4 ASSETS AND LIABILITIES HELD FOR SALE

At 31 December 2016, assets classified as held for sale comprised three businesses in the Continental Europe, Northern Europe and the Asia & Pacific regions for which sales processes were initiated in previous years. In 2017, the sales process for the business in the Asia & Pacific region was stopped and consequently, it was reclassified as held for use. The impact of the reclassification on the consolidated financial statements was insignificant. At 31 December 2017, sales processes were still ongoing for the other two businesses.

In 2017, remeasurement of the fair value of the business in Northern Europe resulted in an impairment loss of DKK 270 million being recognised in Other income and expenses, net with DKK 314 million and in Income taxes with DKK (44) million.

Additionally in 2017, the continued evaluation of our activities led to sales process initiation for two additional businesses in the Americas region, i.e. Argentina and Uruguay. These activities were classified as held for sale and discontinued operations as of 30 June 2017, see 4.5, Discontinued operations. The reclassification resulted in an impairment loss of DKK 19 million being recognised in Net loss from discontinued operations. Consequently, at 31 December 2017, assets classified as held for sale comprised four businesses in the Continental Europe, Northern Europe and the Americas regions.

DKK million	2017	2016
Goodwill	708	759
Other non-current assets	126	286
Other current assets	376	475
Assets held for sale	**1,210**	**1,520**
Other non-current liabilities	81	101
Other current liabilities	347	325
Liabilities held for sale	**428**	**426**

SIGNIFICANT ACCOUNTING ESTIMATES

When classifying non-current assets and disposal groups as held for sale management makes estimates of their fair value (the final sales price and expected costs to sell). Depending on the nature of the non-current assets and disposal group's activity, assets and liabilities, the estimated fair value may be associated with different levels of uncertainty and possibly adjusted subsequently. Measurement of the fair value of disposal groups is categorised as Level 3 in the fair value hierarchy as measurement is not based on observable market data.

Management considers intangible assets relating to the disposal groups, taking into consideration how to separate the net assets (including intangible assets) relating to the disposal group from the Group's assets in the continuing business. Impairment of these intangibles, both on initial classification as held for sale and subsequently, is considered. The estimation uncertainty relating to impairment of intangibles in general is described in 4.8, Impairment tests.

§ ACCOUNTING POLICY

Assets held for sale comprise non-current assets and disposal groups held for sale. Liabilities 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, they 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. Once classified as held for sale, assets 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 and 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. Comparative figures are not adjusted.

4.5 DISCONTINUED OPERATIONS

In June 2017, management decided to initiate sales processes for the Group's activities in Argentina and Uruguay, which are operated as a regional cluster. The decision was based on a strategic review of the Group's activities in the Americas region with the conclusion that the two countries were no longer considered as strategic to the Group. Management assessed that the sales processes will be finalised within a year. As a result, the Group's activities in Argentina and Uruguay have been classified as held for sale and discontinued operations.

NET LOSS FROM DISCONTINUED OPERATIONS

DKK million	2017	2016
Revenue	400	479
Expenses [1]	(402)	(456)
Operating profit before other items	**(2)**	**23**
Other income and expenses, net	(49)	(7)
Goodwill impairment	(11)	-
Amortisation/impairment of brands and customer contracts	(2)	(0)
Operating profit	**(64)**	**16**
Financial expenses, net	(30)	(21)
Loss before tax	**(94)**	**(5)**
Income taxes	(5)	(3)
Net loss from discontinued operations	**(99)**	**(8)**
Earnings per share from discontinued operations		
Basic earnings per share (EPS), DKK	(0.5)	(0.0)
Diluted earnings per share, DKK	(0.5)	(0.0)
Adjusted earnings per share, DKK	(0.5)	(0.0)

[1] Including depreciation and amortisation of DKK 2 million (2016: DKK 3 million).

CASH FLOW FROM DISCONTINUED OPERATIONS

DKK million	2017	2016
Cash flow from operating activities	(45)	1
Cash flow from investing activities	(4)	(7)
Cash flow from financing activities	(17)	2

§ ACCOUNTING POLICY

In the **income statement**, discontinued operations are excluded from the results of continuing operations and presented separately as Net loss from discontinued operations. Comparatiive figures have been restated.

In the **statement of cash flows**, cash flows from discontinued operations are included in cash flow from operating, investing and financing activities together with cash flows from continuing operations, but specified in this note.

In the **statement of financial position**, assets and liabilities are presented in separate lines and the main elements are specified in note 4.4, Asset and liabilities held for sale. Comparative figures are not restated.

4.6 INTANGIBLE ASSETS

DKK million	Goodwill	Brands	Customer contracts	Software and other intangible assets [1]	Total
2017					
Cost at 1 January	25,604	1,615	9,814	1,857	38,890
Foreign exchange adjustments	(815)	(3)	(327)	(38)	(1,183)
Acquisitions	1,473	54	251	26	1,804
Additions	-	-	-	315	315
Divestments	(180)	-	(104)	(83)	(367)
Disposals	-	-	-	(49)	(49)
Reclassification from Assets held for sale	34	-	14	-	48
Cost at 31 December	**26,116**	**1,666**	**9,648**	**2,028**	**39,458**
Amortisation and impairment losses at 1 January	(3,250)	(26)	(8,261)	(992)	(12,529)
Foreign exchange adjustments	6	-	272	23	301
Amortisation	-	(7)	(513)	(178)	(698)
Impairment losses	(101)	-	(3)	-	(104)
Acquisitions	-	-	-	(22)	(22)
Divestments	107	-	87	19	213
Disposals	-	-	-	44	44
Reclassification (from)/to Assets held for sale	16	-	(14)	-	2
Amortisation and impairment losses at 31 December	**(3,222)**	**(33)**	**(8,432)**	**(1,106)**	**(12,793)**
Carrying amount at 31 December	**22,894**	**1,633**	**1,216**	**922**	**26,665**
2016					
Cost at 1 January	26,074	1,615	9,977	1,542	39,208
Foreign exchange adjustments	(357)	-	(143)	(3)	(503)
Acquisitions	43	-	19	0	62
Additions	-	-	-	487	487
Divestments	(82)	-	(16)	(27)	(125)
Disposals	-	-	-	(68)	(68)
Reclassification to Property, plant and equipment	-	-	-	(73)	(73)
Reclassification to Assets held for sale	(74)	-	(23)	(1)	(98)
Cost at 31 December	**25,604**	**1,615**	**9,814**	**1,857**	**38,890**
Amortisation and impairment losses at 1 January	(3,206)	(26)	(7,746)	(988)	(11,966)
Foreign exchange adjustments	(3)	-	77	2	76
Amortisation	-	-	(627)	(151)	(778)
Impairment losses	(202)	-	(15)	-	(217)
Divestments	82	-	16	14	112
Disposals	-	-	-	64	64
Reclassification to Property, plant and equipment	-	-	-	66	66
Reclassification to Assets held for sale	79	-	34	1	114
Amortisation and impairment losses at 31 December	**(3,250)**	**(26)**	**(8,261)**	**(992)**	**(12,529)**
Carrying amount at 31 December	**22,354**	**1,589**	**1,553**	**865**	**26,361**

[1] Of which DKK 142 million is related to assets under construction.

Software and other intangible assets At 31 December 2017, the carrying amount included assets under finance leases of DKK 210 million (2016: DKK 210 million) related to licenses under the IBM agreement to use technology for workforce optimisation and managing services in customer buildings.

Impairment losses on goodwill related to divestments, see 4.7, Goodwill impairment as well as goodwill impairment on discontinued operations. In 2017, impairment losses on customer contracts related to divestment of the security business in Ireland. In 2016, the loss related to divestment of the Group's activities in Greenland and non-core activities in the Czech Republic as well as remeasurement of businesses classified as held for sale.

SIGNIFICANT ACCOUNTING ESTIMATES

The carrying amount of brands is mainly 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.

§ ACCOUNTING POLICY

Goodwill is initially recognised at cost and subsequently at cost less accumulated impairment losses. Goodwill is not amortised. Goodwill is attributable mainly to assembled workforce, technical expertise and technological knowhow.

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

Acquisition-related **customer contracts** are recognised at fair value at the acquisition date and subsequently at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of the acquired portfolio, which is in the range of 11-15 years.

Software and other intangible assets are measured at cost less accumulated amortisation and 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 calculated on a straight-line basis over the estimated useful lives of the assets, which are 5-10 years.

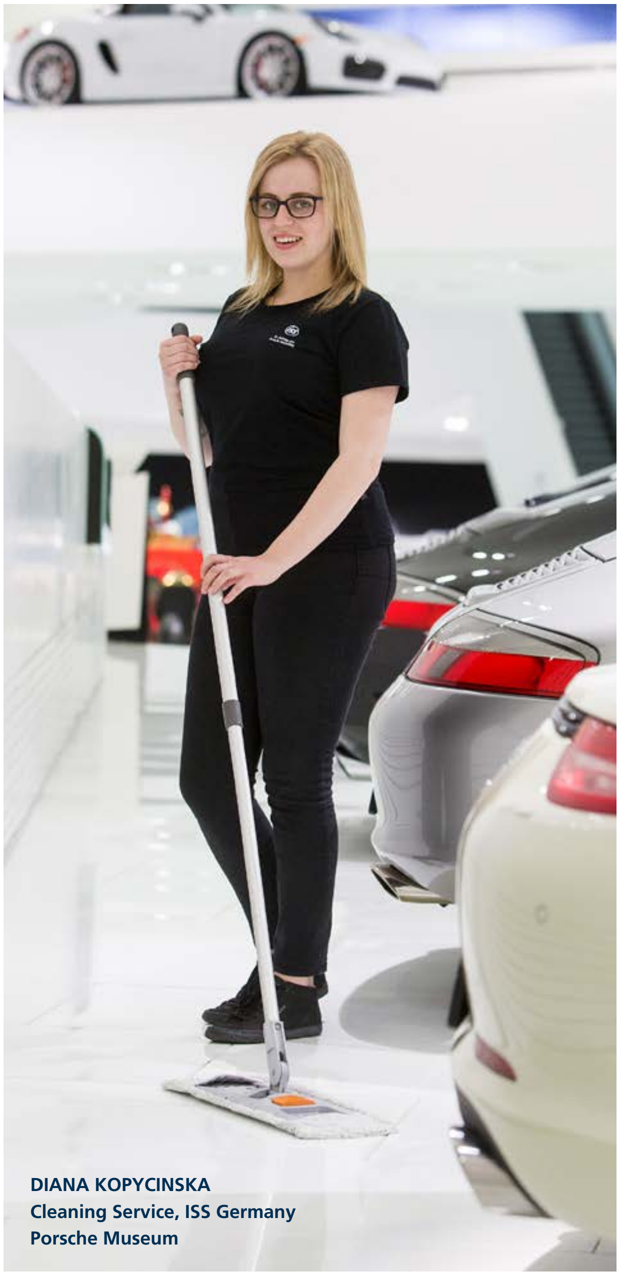
Amortisation methods and useful lives are reassessed at each reporting date and adjusted prospectively, if appropriate.

Please refer to 4.8, Impairment tests, for a description of impairment testing of intangible assets.

4.7 GOODWILL IMPAIRMENT

DKK million	2017	2016
Impairment losses derived from divestment of businesses	90	202
Goodwill impairment	**90**	**202**

Impairment losses derived from divestment of businesses related to the divestment of the engineering consulting activities in Finland and the public hospital cleaning activities in Hungary. In 2016, the losses related to the remaining landscaping activities in the USA, the Group's activities in Greenland and the security activities in Ireland as well as remeasurement of businesses classified as held for sale.



DIANA KOPYCINSKA
Cleaning Service, ISS Germany
Porsche Museum

4.8 IMPAIRMENT TESTS

DETERMINATION OF CASH-GENERATING UNITS (CGUs)

Impairment tests are generally carried out per country as this represents the lowest level of cash-generating units (CGUs) to which the carrying amount of intangibles, i.e. goodwill and customer contracts, 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. Management of certain countries has been combined to take advantage of similarities in terms of markets, shared customers and cost synergies. In such cases, the countries are regarded as one CGU when performing the impairment tests.

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, operating margin and discount rates.

Value-in-use cash flow projections are based on financial budgets approved by management covering the following financial year. Revenue growth and operating margin assumptions applied in the short to medium term (forecasting period) are based on management's expectations regarding the growth and operational development considering all relevant factors including past experience and external sources of information where possible and relevant.

When estimating the CGUs' **margin development** in the forecasting period, past experience and the impact from expected efficiency improvements are taken into consideration. Since 2013, we have accelerated our strategy implementation through GREAT, which among other things include customer segmentation, organisational structure, IFS readiness and excellence projects, e.g. our procurement programme and business process outsourcing (BPO). The expected impact of these initiatives are taken into consideration for the relevant CGUs.

Revenue growth projections in the forecasting period for the individual CGUs are estimated on the basis of expected market development including IFS readiness, impact from Global Corporate Clients contracts and the macroeconomic environment in general. Past experience is taken into consideration as well as the expected impact from local and Group initiatives, such as GREAT, where especially initiatives on customer segmentation (including key account focus), organisational structure and IFS readiness are assumed to affect growth opportunities.

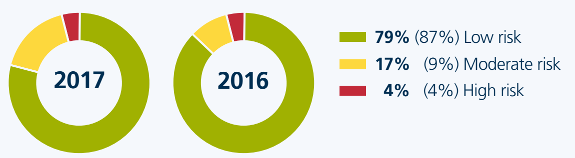
Terminal growth rates do not exceed the expected long-term average growth rate including inflation for the country in which the CGU operates.

The country specific **discount rates**, which are calculated net of tax, are generally based on 10-year government bonds of the individual countries. An interest premium is added to adjust for the inconsistency of applying government bonds with a short-term maturity when discounting the estimated future cash flows with infinite maturity.

A **target ratio** of 25/75 (2016: 25/75) between the market value of debt and equity value has been applied in the calculation. As a company based in Europe, the Group assumes the long-term market equity risk premium to be 6.5% (2016: 6.5%).

Uncertainties reflecting past performance and possible variations in the amount or timing of the projected 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.

INTANGIBLES [1] BY RISK CATEGORY [2]



[1] Goodwill and customer contracts
[2] Internal assessment of the likelihood of incurring a material impairment loss taking into account various factors, including the excess value of value-in-use over the net assets of the CGU.

SIGNIFICANT ACCOUNTING ESTIMATES

In performing the impairment test management assesses whether the CGU 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.

This assessment is based on estimates of expected future cash flows (value-in-use) made on the basis of financial budgets for the following financial year and estimated discount rates, growth and margin development. The procedure is described in "Estimates used to measure recoverable amount". In recent years, volatility in risk free interest rates has increased, which generally has increased the estimation uncertainty.

§ ACCOUNTING POLICY

Intangible assets with an indefinite useful life, i.e. goodwill and the ISS brand, are subject to impairment testing at least annually or when circumstances indicate that the carrying amount may be impaired. The carrying amount of other non-current assets is tested annually for indications of impairment.

If an indication of impairment 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 CGU to which the asset belongs.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the CGU to which goodwill is allocated. Management believes that the value of the ISS brand supports the ISS Group in its entirety rather than any individual CGU. Accordingly, the ISS brand is tested for impairment at Group level. The impairment test is based on group-wide cash flows adjusted for the Group's total goodwill and other non-current assets.

An impairment loss is recognised in the income statement in a separate line if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

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.

CARRYING AMOUNTS AND KEY ASSUMPTIONS

The carrying amount of intangibles, i.e. goodwill and customer contracts, and the key assumptions[1] used in the impairment testing as per 31 December are presented below for each CGU representing more than 5% of the carrying amount of the Group's intangibles or considered to be at high risk of impairment.

	Carrying amount			Forecasting period		Terminal period		Applied discount rate	
DKK million	Goodwill	Customer contracts	Total intangibles	Growth (avg.)	Margin (avg.) [2]	Growth	Margin [2]	Net of tax	Pre-tax
2017									
UK & Ireland	2,617	318	2,935	0.4%	7.0%	2.5%	7.0%	7.9%	9.1%
USA & Canada [3]	2,154	212	2,366	5.0%	5.0%	3.0%	5.5%	10.1%	12.8%
Finland	2,080	117	2,197	2.7%	7.7%	2.0%	7.7%	7.8%	9.6%
France	1,787	-	1,787	2.7%	5.8%	2.5%	6.5%	8.5%	12.9%
Denmark	1,676	52	1,728	4.5%	7.4%	2.0%	7.4%	7.7%	9.6%
Australia & New Zealand	1,358	68	1,426	3.2%	5.4%	3.0%	5.4%	9.6%	12.8%
Norway	1,313	107	1,420	2.8%	8.1%	2.5%	8.1%	8.7%	11.0%
Switzerland	1,293	64	1,357	1.9%	7.7%	2.0%	7.7%	6.4%	7.8%
Belgium & Luxembourg	1,328	-	1,328	2.1%	6.8%	2.0%	6.8%	8.3%	10.9%
Spain & Portugal	1,160	63	1,223	2.3%	6.2%	2.5%	6.2%	8.7%	11.2%
Netherlands	995	-	995	2.8%	4.9%	2.0%	5.0%	8.2%	10.8%
Other	5,133	215	5,348	-	-	-	-	-	-
Total	**22,894**	**1,216**	**24,110**						
2016									
UK & Ireland	2,702	420	3,122	2.8%	7.0%	2.5%	7.0%	8.1%	9.4%
Finland	2,194	198	2,392	1.8%	7.7%	2.0%	7.7%	7.6%	9.2%
France	1,784	-	1,784	2.3%	5.8%	2.5%	6.4%	9.5%	12.3%
Denmark	1,644	77	1,721	2.6%	7.5%	2.0%	7.5%	8.1%	10.0%
Norway	1,420	172	1,592	2.7%	8.1%	2.5%	8.1%	8.8%	11.1%
Australia & New Zealand	1,428	98	1,526	2.3%	5.9%	3.0%	5.9%	9.8%	13.0%
Switzerland	1,407	105	1,512	1.7%	7.6%	2.0%	7.6%	6.3%	7.6%
Belgium & Luxembourg	1,326	-	1,326	2.0%	6.6%	2.0%	6.6%	8.2%	11.8%
Spain & Portugal	1,158	97	1,255	2.2%	6.2%	2.5%	6.2%	8.6%	10.8%
Netherlands	994	-	994	2.5%	4.9%	2.0%	5.0%	8.1%	10.3%
Other	6,297	386	6,683	-	-	-	-	-	-
Total	**22,354**	**1,553**	**23,907**						

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) Excluding allocated corporate costs.
3) Excluding brands of DKK 44 million.

The Netherlands The assumptions applied for the Netherlands have been prepared based on the general principles described on p. 84. Specifically for the Netherlands, the assumptions are based on management's business plan for improving growth and profit in the course of the forecasting period as laid out in 2015, but updated based on developments in 2016 and 2017. In terms of growth, the major part is assumed to come from new IFS contracts as a result of an improved commercial culture and focus being directed towards key account customers in line with GREAT. First signs of improvements were seen in 2016, with important key account contract wins, and the trend continued in 2017.

Operating margin is assumed in the range 4.7%-5.0% in the forecasting period. The improvement is mainly a result of implementation of GREAT, including the establishment of a customer-focused organisation in line with the GREAT blueprint. Furthermore, divestment of non-core activities and focus on operational excellence on contract level (cost overspend and general contract efficiencies) will contribute positively along with other centralised excellence initiatives.

France As noted in previous years, the French tax credit CICE has a significant impact on the margin in France. In December 2017, the French Parliament adopted a change to the scheme. As of 1 January 2019, the CICE will be replaced by a decrease in employer's social contributions with 6% on wages below 2.5 times the French minimum wage, which has been reflected in the value-in-use calculation. The CICE still has a significant, albeit reduced, impact on the margin. However, the risk related to potential changes to the scheme going forward is perceived as reduced.

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 can change, all other things being equal, before the CGU's recoverable amount equals its carrying amount. No sensitivity is shown for the ISS brand, as the group-wide cash flows adjusted for the Group's total goodwill and other non-current assets significantly exceed the carrying amount.

	Forecasting period				Terminal period					
	Growth		Margin [1]		Growth		Margin [1]		Discount rate, net of tax	
	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied rate	Allowed increase
2017										
UK & Ireland	0.4%	>0.4%	7.0%	>3.0%	2.5%	>2.5%	7.0%	>3.0%	7.9%	>3.0%
USA & Canada	5.0%	>5.0%	5.0%	>3.0%	3.0%	>3.0%	5.5%	2.7%	10.1%	>3.0%
Finland	2.7%	>2.7%	7.7%	>3.0%	2.0%	>2.0%	7.7%	>3.0%	7.8%	>3.0%
France	2.7%	>2.7%	5.8%	>3.0%	2.5%	>2.5%	6.5%	2.2%	8.5%	2.3%
Denmark	4.5%	>4.5%	7.4%	>3.0%	2.0%	>2.0%	7.4%	>3.0%	7.7%	>3.0%
Australia & New Zealand	3.2%	>3.2%	5.4%	>3.0%	3.0%	>3.0%	5.4%	2.7%	9.6%	>3.0%
Norway	2.8%	>2.8%	8.1%	>3.0%	2.5%	>2.5%	8.1%	>3.0%	8.7%	>3.0%
Switzerland	1.9%	>1.9%	7.7%	>3.0%	2.0%	>2.0%	7.7%	>3.0%	6.4%	>3.0%
Belgium & Luxembourg	2.1%	>2.1%	6.8%	>3.0%	2.0%	>2.0%	6.8%	>3.0%	8.3%	>3.0%
Spain & Portugal	2.3%	>2.3%	6.2%	>3.0%	2.5%	>2.5%	6.2%	>3.0%	8.7%	>3.0%
Netherlands	2.8%	0.7%	4.9%	0.6%	2.0%	0.3%	5.0%	0.2%	8.2%	0.2%
2016										
UK & Ireland	2.8%	>2.8%	7.0%	>3.0%	2.5%	>2.5%	7.0%	>3.0%	8.1%	>3.0%
Finland	1.8%	>1.8%	7.7%	>3.0%	2.0%	>2.0%	7.7%	>3.0%	7.6%	>3.0%
France	2.3%	>2.3%	5.8%	>3.0%	2.5%	>2.5%	6.4%	2.9%	9.5%	>3.0%
Denmark	2.6%	>2.6%	7.5%	>3.0%	2.0%	>2.0%	7.5%	>3.0%	8.1%	>3.0%
Norway	2.7%	>2.7%	8.1%	>3.0%	2.5%	>2.5%	8.1%	>3.0%	8.8%	>3.0%
Australia & New Zealand	2.3%	>2.3%	5.9%	>3.0%	3.0%	>3.0%	5.9%	2.2%	9.8%	2.6%
Switzerland	1.7%	>1.7%	7.6%	>3.0%	2.0%	>2.0%	7.6%	>3.0%	6.3%	>3.0%
Belgium & Luxembourg	2.0%	>2.0%	6.6%	>3.0%	2.0%	>2.0%	6.6%	2.0%	8.2%	1.9%
Spain & Portugal	2.2%	>2.2%	6.2%	>3.0%	2.5%	>2.5%	6.2%	2.5%	8.6%	2.8%
Netherlands	2.5%	0.0%	4.9%	0.0%	2.0%	0.0%	5.0%	0.0%	8.1%	0.0%

[1] Excluding allocated corporate costs.

CAPITAL STRUCTURE

SECTION 5

We wish to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into our business and returning surplus funds to our shareholders. Our objective is to maintain an investment grade financial profile with a financial leverage below 2.5x pro forma adjusted EBITDA, taking seasonality into account. At 31 December 2017, financial leverage was 2.2x (2016: 2.1x) with net debt of DKK 11,325 million (2016: 10,977 million). The acquisition of Guckenheimer has led to a short-term increase of the financial leverage of 0.2x.

In 2017, we successfully refinanced a significant part of our debt when ISS Global A/S issued a 10-year EUR bond for a principal amount of EUR 600 million under its EUR 3 billion EMTN programme. The net proceeds were mainly used to repay the EUR 300 million Term Loan B. We also entered into a new senior Revolving Credit Facility of EUR 1,000 million maturing in November 2022 and replacing the EUR 850 million Revolving Credit Facility maturing in February 2019.

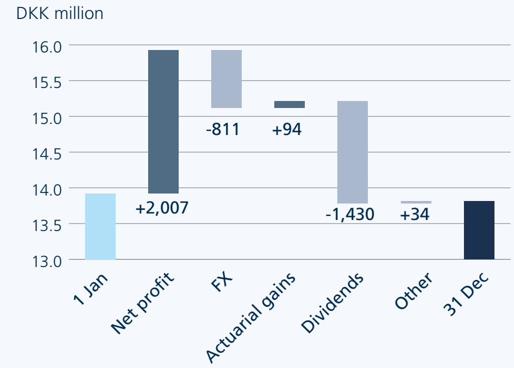
Financial income and expenses, net, DKK 538 million, increased due to higher average net debt as a result of the acquisition of Guckenheimer and slightly higher cost of debt due to the issuance of bonds under the EMTN programme.

We continue to have a diversified funding through the combination of bank debt and bonds, and with rates fixed at attractive levels on a significant proportion of the debt. Furthermore, we have no short-term maturities.

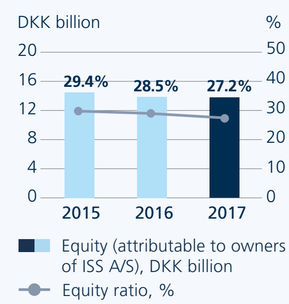
In this section:

EQUITY

13,814 DKKm
(2016: 13,920 DKKm)



EQUITY RATIO



NET DEBT

11,325 DKKm
(2016: 10,977 DKKm)

FINANCIAL INCOME AND EXPENSES, NET

538 DKKm
(2016: 465 DKKm)

5.1 EQUITY

CAPITAL MANAGEMENT

We wish to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into our business and returning surplus funds to our shareholders. Our objective is to maintain an investment grade financial profile with a financial leverage below 2.5x pro forma adjusted EBITDA, taking seasonality into account. At 31 december 2017, the financial leverage was 2.2x (2016: 2.1x).

Our dividend policy targets a pay-out ratio of approximately 50% of Net profit (adjusted). At the annual general meeting to be held on 11 April 2018, the Board of Directors will propose a dividend for 2017 of DKK 7.70 per share of DKK 1, equivalent to DKK 1,430 million (2016: DKK 1,430 million) and a pay-out ratio of approximately 50%, when adjusting for significant one-off items and discontinued operations in 2017.

ISS A/S (the Group's parent) is a holding company, and its primary assets are 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 will primarily depend 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.

SHARE CAPITAL

At 31 December 2017, ISS's share capital comprised a total of DKK 185,668,226 shares (2016: 185,668,226) with a nominal value of DKK 1 each. All shares were fully paid and freely transferable.

ISS has one class of shares, and no shares carry special rights. Each share gives the holder the right to one vote at our general meetings.

§ ACCOUNTING POLICY

Retained earnings is the Group's free reserves, which includes share premium. Share premium comprises amounts above the nominal share capital paid by shareholders when shares are issued by ISS A/S.

Translation reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign entities with a functional currency other than DKK as well as from the translation of non-current balances which are considered part of the investment in foreign entities.

On full or partial realisation of a foreign entity where control is lost the foreign exchange adjustments are transferred to the income statement in the same line item as the gain or loss.

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.

Treasury shares Cost of acquisition and proceeds from sale of treasury shares are recognised in reserve for treasury shares. Dividends received in relation to treasury shares are recognised in retained earnings.

TREASURY SHARES

At 31 December 2017, ISS held a total of 1,508,571 treasury shares (2016: 2,119,983) equal to 0.8% of the share capital for the purpose of covering obligations under existing share-based incentive programmes. The fair value of treasury shares was DKK 362 million at 31 December 2017 (2016: DKK 505 million).

	2017		2016
	Purchase price (DKK million)	**Number of shares** (in thousands)	**Number of shares** (in thousands)
Treasury shares at 1 January	418	2,120	1,777
Additions	-	-	618
Settlement of vested PSUs	(116)	(585)	(249)
Settlement of vested RSUs	(5)	(26)	(26)
Treasury shares at 31 December	**297**	**1,509**	**2,120**

AVERAGE NUMBER OF SHARES

In thousands	2017	2016
Average number of shares	185,668	185,668
Average number of treasury shares	(1,641)	(2,055)
Average number of shares (basic)	**184,027**	**183,613**
Average number of PSUs expected to vest and outstanding (vested) RSUs	1,272	1,441
Average number of shares (diluted)	**185,299**	**185,054**

Average number of shares are calculated for the purpose of the calculation of EPSs. The calculation of diluted EPS excludes 966,192 (2016: 382,038) PSUs which are not expected to vest.

Definitions, see p. 13.

5.2 LOANS AND BORROWINGS

DKK million	2017	2016
Issued bonds	17,052	12,576
Bank loans	286	2,423
Finance lease liabilities	327	335
Derivatives	6	4
Total	**17,671**	**15,338**
Non-current liabilities	17,290	15,055
Current liabilities	381	283
Loans and borrowings	**17,671**	**15,338**
Cash and cash equivalents and other financial items [1]	(6,346)	(4,361)
Net debt	**11,325**	**10,977**

[1] Includes securities of DKK 39 million (2016: DKK 32 million) and positive value of currency swaps of DKK 32 million (2016: DKK 30 million).

CASH FLOW FROM FINANCING ACTIVITIES

DKK million	2017	2016
Loans and borrowings at 1 January	15,338	15,678
Foreign exchange adjustments	(22)	(78)
Proceeds from bonds	4,439	-
Repayment of senior facilities	(2,230)	-
Other financial payments, net	152	(842)
Additions to finance lease liabilities (non-cash)	92	263
Other non-cash movements	(98)	317
Loans and borrowings at 31 December	**17,671**	**15,338**

REFINANCING

In August 2017, ISS Global A/S issued a 10-year EUR bond for a principal amount of EUR 600 million maturing in August 2027. The notes were issued under the company's EUR 3 billion EMTN programme. The net proceeds of the offering were used for repayment of the EUR 300 million Term Loan B and for general corporate purposes.

In November 2017, we also entered into a new senior unsecured Revolving Credit Facility of EUR 1,000 million with a group of 15 banks. The facility matures in November 2022 and replaces the EUR 850 million Revolving Credit Facility maturing in February 2019. The new Revolving Credit Facility is not subject to financial covenants and the drawn margin is determined semi-annually based on a leverage grid.

FAIR VALUE

The fair value of loans and borrowings was DKK 18,201 million (2016: DKK 15,951 million). The fair value of bonds is based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy. For the remaining loans and borrowings fair value is equal to the nominal value as illustrated in 5.5, Interest rate risk.

FINANCING FEES

In 2017, financing fees amounting to DKK 51 million (2016: DKK 2 million) have been recognised in loans and borrowings while financing fees of DKK 59 million (2016: DKK 34 million) have been amortised and recognised in financial expenses. Accumulated financing fees recognised in loans and borrowings on 31 December 2017 amounted to DKK 97 million (2016: DKK 105 million).

§ ACCOUNTING POLICY

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 Financial expenses over the term of the loan. Financial liabilities also include the capitalised residual obligations on finance leases, which are measured at amortised cost.

5.3 FINANCIAL INCOME AND EXPENSES

DKK million	2017	2016
Interest income on cash and cash equivalents	38	44
Foreign exchange gains	-	12
Financial income	**38**	**56**
Interest expenses on loans and borrowings	(422)	(391)
Bank fees	(63)	(61)
Amortisation of financing fees	(32)	(34)
Refinancing	(27)	-
Net interest on defined benefit obligations	(22)	(35)
Foreign exchange losses	(10)	-
Financial expenses	**(576)**	**(521)**

Interest expenses on loans and borrowings The increase in interest expenses in 2017 was mainly a result of higher average net debt due to the acquisition of Guckenheimer and higher cost of debt due to the issuance of bonds under the EMTN programme in August 2017.

Refinancing In connection with the repayment of Term Loan B (EUR 300 million) in August 2017 and refinancing of the Revolving Credit Facility in November 2017, unamortised financing fees of DKK 27 million were expensed.

Foreign exchange gains and losses mainly related to exchange rate movements on intercompany loans from the parent company to foreign subsidiaries as well as on external loans and borrowings denominated in currencies other than DKK. In addition, fair value adjustments of currency swaps were included.

5.4 FINANCIAL RISK MANAGEMENT

The Group is exposed to a number of financial risks arising from its operating and financing activities, mainly interest rate risk, liquidity risk, currency risk and credit risk. These financial risks are managed centrally by Group Treasury based on the Financial Policy, which is reviewed and approved annually by the Board of Directors. Within the framework of the Financial Policy it is considered on an ongoing basis if the financial risk management approach appropriately adresses the exposures.

It is the Group's policy to mitigate risk exposure derived from its business activities. Group policy does not allow taking speculative positions in the financial markets.

The areas exposed to financial risks are mainly loans and borrowings and financial income and expenses. The Group's objectives, policies and processes for measuring and managing the risk exposure related to these items are summarised in the table below and further explained in:

- 5.5 Interest rate risk;
- 5.6 Liquidity risk; and
- 5.7 Currency risk.

Credit risk on trade receivables and currency risk (operational) are described in:

- 3.1 Trade receivables and credit risk; and
- 2.2 Translation and operational currency risk.

The Group has not identified additional financial risk exposures in 2017 compared to 2016.

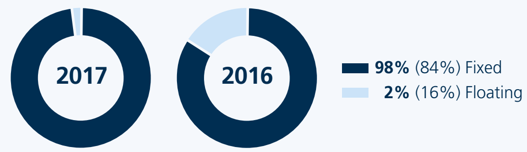
FINANCIAL RISK	EXPOSURE	RISK MANAGEMENT POLICY	MITIGATION
Interest rate risk (5.5)	**Low risk** • 98% of the Group's bank loans and bonds carried fixed interest rates at 31 December 2017 (2016: 84%) • Duration of gross debt (fixed-rate period) of 5.1 years at 31 December 2017 (2016: 3.9 years) • Exposure primarily related to EUR denominated bank loans with floating rates	• At least 50% of the Group's bank loans and issued bonds must carry fixed interest rates directly or through derivatives • Duration of gross debt (fixed-rate period) shall be 2-6 years	• The balance between fixed and variable interest rates and gross debt duration (fixed-rate period) is measured on a monthly basis to ensure compliance
Liquidity risk (5.6)	**Low risk** • Diversified funding through bank loans and bonds • No short-term maturities at 31 December 2017	• Maintain an appropriate level of short- and long-term liquidity reserves (liquid funds and committed credit facilities) • Maintain a smooth maturity profile in terms of different maturities • Maintain access to diversified funding sources	• Raising capital is managed centrally in Group Treasury to ensure efficient liquidity management • Liquidity is transferred to/from ISS Global A/S, which operates as the internal bank of the Group • For day-to-day liquidity management cash pools have been established in the majority of the local entities
Currency risk (5.7)	**Low risk** • 97.0% of the Group's loans and borrowings (external) were denominated in EUR at 31 December 2017 (2016: 96.7%) • Exposure relates to intercompany loans from the parent company to foreign subsidiaries and intercompany balances as these are typically denominated in the functional currency of the subsidiary	• All hedging is conducted at Group level • Main policy is to hedge foreign exchange exposures towards EUR or DKK exceeding DKK 5 million. However, some currencies cannot be hedged within a reasonable price range, e.g. ARS, in which case correlation to a proxy currency is considered and, if deemed appropriate, proxy hedging is applied • Exposure to EUR is monitored but not hedged due to the fixed exchange rate policy between DKK/EUR • Exposure related to translation of net assets to DKK in foreign investments is currently not hedged	• Use of currency swaps to hedge the exposure to currency risk on loans and borrowings (external) and intercompany balances • Exposure on loans and borrowings, intercompany balances and cash and cash equivalents are measured at least on a weekly basis to evaluate the need for hedging currency positions
Credit risk	**Low risk** • Exposure on cash and cash equivalents and securities was DKK 6,346 million (2016: DKK 4,361 million)	• Main policy is to transact only with financial institutions with at least A-1/P-1 credit ratings	• Group Treasury monitors credit ratings on an ongoing basis and approves exceptions to credit rating requirements

5.5 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, currently bank loans and issued bonds. The Group's exposure towards interest rates is illustrated below, where a breakdown of the Group's loans and borrowings in floating and fixed rates is provided. Currently, the Group does not use interest rate swaps.

For a description of exposure, policy and mitigation, see the overview in 5.4, Financial risk management.

FIXED VS. FLOATING INTEREST RATES



					2017	2016
DKK million	**Nominal interest rate**	**Currency**	**Year of maturity**	**Nominal value**	**Carrying amount**	**Carrying amount**
Issued bonds (fixed interest rate)						
EMTNs (EUR 700 million)	1.125%	EUR	2020	5,211	5,197	5,183
EMTNs (EUR 500 million)	1.125%	EUR	2021	3,722	3,708	3,697
EMTNs (EUR 500 million)	2.125%	EUR	2024	3,722	3,703	3,696
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,467	4,444	-
				17,122	**17,052**	**12,576**
Bank loans (floating interest rate)						
Senior Unsecured Facilities:						
Term Facility B (EUR 300 million)	Euribor + 0.85%	EUR	2019	-	-	2,220
Revolving Credit Facility (EUR 850 million)	Libor + 0.85%	Multi	2019	-	-	115
Revolving Credit Facility (EUR 1,000 million) [1]	Libor + 0.45%	Multi	2022	69	42	-
Bank loans and overdrafts	-	Multi	-	244	244	88
				313	**286**	**2,423**

[1] The current margin of 0.45% will decrease to 0.35% if leverage is below 2.0x and increase to 0.60% if leverage is above 2.5x. At 31 December 2017, leverage was 2.2x. In addition, a utilisation fee applies. For utilisation up to 33%, the fee is 0.10%, for utilisation between 33% and 66%, the fee is and 0.20%, and for utilisation above 66%, the fee is 0.30%.

SENSITIVITY ANALYSIS

It is estimated that an increase in relevant interest rates of 1 percentage point would have decreased profit for the year and other comprehensive income by DKK 3 million (2016: decreased both items by DKK 20 million).

The estimate was based on loans and borrowings with floating interest rates, i.e. disregarding cash and cash equivalents, as the level at 31 December is typically the highest in the year and thus not representative. The analysis assumes that other variables, in particular currency rates, remain constant.

5.6 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.

For a description of exposure, policy and mitigation, see the overview in 5.4, Financial risk management.

LIQUIDITY RESERVES

The Group's liquidity reserves mainly consist of liquid funds (cash and cash equivalents less not readily available or restricted cash) and unused credit facilities. The level of cash and cash equivalents is typically highest at 31 December and not a representative level for the rest of the year. As at 31 December 2017, the Group's liquid reserves consisted of readily available liquid funds of DKK 6,254 million (2016: DKK 4,268 million) and unused revolving credit facilities of DKK 7,210 million (2016: DKK 6,005 million) where the majority is available for drawing until 3 November 2022.

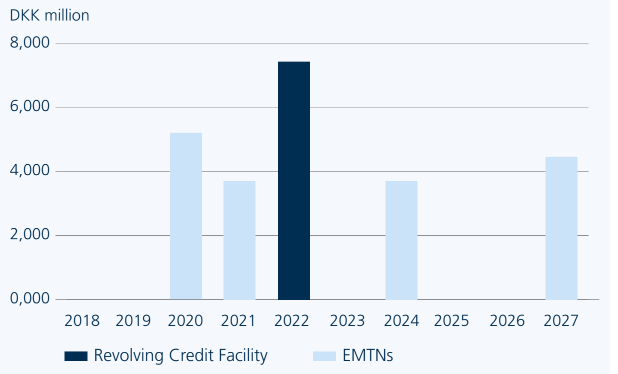
In addition, as of 31 December 2017, ISS had DKK 1.2 billion of other credit facilities of which DKK 0.6 billion was unused. Such facilities comprise mainly other local credit facilities and finance leases, which are not part of the senior unsecured facilities.

DKK 21 million (2016: DKK 32 million) of the total cash position at 31 December 2017 was placed on blocked or restricted bank accounts due to legal circumstances.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown in the maturity table below. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at the reporting date. The risk implied from the values reflects the one-sided scenario of cash outflows only. Trade payables and other financial liabilities mainly finance assets such as trade receivables and property, plant and equipment.

MATURITY OF CREDIT FACILITIES



The maturity profile of the Group's current financing, i.e. issued bonds and bank loans, is illustrated in the chart above. The maturity profile is based on nominal values including any undrawn amounts and excluding interest payments.

DKK million	Carrying amount	Contractual cash flows	< 1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years
2017								
Loans and borrowings	17,671	19,245	672	323	5,470	3,914	176	8,690
Trade payables and other financial liabilities	4,918	5,005	4,796	71	43	36	59	-
Total financial liabilities	**22,589**	**24,250**	**5,468**	**394**	**5,513**	**3,950**	**235**	**8,690**
2016								
Loans and borrowings	15,338	16,481	530	273	2,477	5,378	3,832	3,991
Trade payables and other financial liabilities	4,537	4,546	4,475	71	-	-	-	-
Total financial liabilities	**19,875**	**21,027**	**5,005**	**344**	**2,477**	**5,378**	**3,832**	**3,991**

5.7 CURRENCY RISK

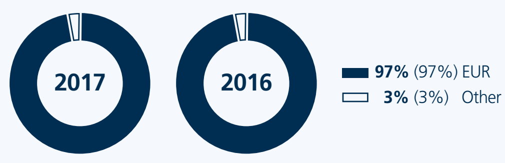
Currency risk is the risk that arises from changes in exchange rates, and affects the Group's result or value of financial instruments. The Group uses currency swaps to hedge the exposure to currency risk. As fair value adjustments of both the hedged item and the derivative financial instrument are recognised in the income statement in financial income and expenses, hedge accounting in accordance with IAS 39 is not applied.

For a description of exposure, policy and mitigation, see the overview in 5.4, Financial risk management.

SENSITIVITY ANALYSIS

It is estimated that a change in relevant foreign exchange rates would have increased/(decreased) net profit and other comprehensive income by the amounts shown below. The analysis is based on the Group's internal monitoring of currency exposure on loans and borrowings, intercompany loans, cash and cash equivalents as well as accrued royalties (Group internal). Further, the analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the reporting date and assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

LOANS AND BORROWINGS BY CURRENCY



IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Fluctuations in foreign exchange rates will affect the value of loans and borrowings (external) as well as the income statement as funding is obtained in various currencies. In 2017, changes in foreign exchange rates related to loans and borrowings resulted in a gain of DKK 22 million (2016: gain of DKK 78 million). The impact is mainly derived from loans and borrowings in TRY, BRL and ARS, which depreciated significantly against DKK in 2017.

				Sensitivity		
DKK million	Currency exposure (nominal value)	Currency swaps (contractual value)	Total exposure	Increase in foreign exchange rates	Net profit	Other comprehensive income
2017						
EUR/DKK	(14,473)	7,578	(6,895)	1%	(69)	(69)
USD/DKK	2,068	(2,212)	(144)	10%	(14)	(14)
Other/DKK	1,715	(1,506)	209	10%	21	21
Total	**(10,690)**	**3,860**	**(6,830)**			
2016						
EUR/DKK	(13,008)	5,151	(7,857)	1%	(79)	(79)
USD/DKK	610	(723)	(113)	10%	(11)	(11)
Other/DKK	1,386	(1,095)	291	10%	29	29
Total	**(11,012)**	**3,333**	**(7,679)**			

REMUNERATION

SECTION 6

LONG-TERM INCENTIVE PROGRAMME (LTIP)
The Group's incentive plans are designed to create alignment of the interests of the EGM and other employees in key positions with the interests of the shareholders as well as to create a strong link between remuneration and achievement of our strategic goals and financial performance – both short-term and long-term.

The Group has a Long-Term Incentive Programme (LTIP). Under the LTIP, performance-based share units (PSUs) were granted to plan participants in 2017. This was the fourth grant following the IPO in 2014.

In March 2017, the PSUs granted as part of the LTIP 2014 vested. This was the first vesting of LTIP post the IPO. Based on the annual EPS and TSR performances for 2014, 2015 and 2016, vesting was 96%.

In March 2018, the PSUs granted under the second programme (LTIP 2015) will vest with 91% based on the annual EPS and TSR performances for 2015, 2016 and 2017.

PENSIONS
The majority of the Group's pension plans are defined contribution plans and the Group has no further payment obligations once the contributions are paid.

The Group also has a number of defined benefit plans where the responsibility for the pension obligation towards the employees rests with the Group.

In this section:

LTIP 2014

96%
vested in March 2017

LTIP 2015

91%
will vest in March 2018

PENSIONS

1,140 DKKm
Defined benefit obligations, net

1,514 DKKm
Total pension costs

91%
of costs related to defined contribution plans

192 DKKm
Actuarial gains

6.1 REMUNERATION TO THE BOARD OF DIRECTORS AND THE EXECUTIVE GROUP MANAGEMENT

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

			2017			2016
		EGM			EGM	
DKK thousand	Board	EGMB	Corporate Senior Officers	Board	EGMB	Corporate Senior Officers
Base salary and non-monetary benefits	8,490	15,215	40,033	7,645	12,919	40,620
Annual bonus	-	8,718	19,798	-	8,343	24,247
Share-based payments	-	4,637	11,061	-	6,771	17,547
Total remuneration	**8,490**	**28,570**	**70,892**	**7,645**	**28,033**	**82,414**

Remuneration policy is described in the Remuneration report on p. 49

6.2 SHARE-BASED PAYMENTS

The Group has an equity-settled share-based **long-term incentive programme (LTIP)** as well as a **deferred bonus programme**, which is partly settled in shares.

LONG-TERM INCENTIVE PROGRAMME

Members of the EGM (EGMB and Corporate Senior Officers of the Group), and other senior officers of the Group, were granted a number of PSUs. Upon vesting, each PSU entitles the holder to receive one share at no cost.

The programme will vest on the date of the third anniversary of the grant. PSUs have vesting criteria of total shareholder return (TSR) and earnings per share (EPS), equally weighted. TSR peers are the Nasdaq Copenhagen OMX C20 and a peer group of comparable international service companies.

For the LTIP 2016 and LTIP 2017 (but not previous programmes) participants are compensated for any dividend distributed during time of grant and time of vesting.

THRESHOLD	VESTING	TSR (LTIP 2015-2017)	EPS GROWTH [1] (LTIP 2015)	EPS GROWTH [1] (LTIP 2016)	EPS GROWTH [1] (LTIP 2017)
Below threshold	0%	Below median of peer groups	Less than 7.5% annually	Less than 6% annually	Less than 3% annually
Threshold	25%	At median of peer groups	7.5% annually	6% annually	3% annually
Maximum	100%	At upper quartile of peer groups or better	13.5% annually	12% annually	9% annually

Peer groups

International service companies: ABM Industries, Adecco, Aramark, Bunzl, Compass Group, Capita, G4S, Interserve, Mitie Group, Randstad, Rentokil Initial, Securitas, Serco, Sodexo. Berendsen omitted due to delisting in September 2017.

OMX C20: A.P. Møller – Mærsk A, A.P. Møller – Mærsk B, Carlsberg, Chr. Hansen Holding, Coloplast, Danske Bank, DSV, FLSmidth & Co (2015/2016 only), Genmab, GN Store Nord, Jyske Bank, Lundbeck (2017 only), Nets (2017 only), Nordea Bank (2015/2016 only), Novo Nordisk, Novozymes, Pandora, TDC, Tryg (2015/2016 only), Vestas Wind Systems, William Demant Holding, Ørsted (2017 only).

[1] Adjusted earnings per share excluding Other income and expenses, net. EPS growth is measured as compound annual growth rate (CAGR).

VALUE OF THE PROGRAMMES AND IMPACT IN THE INCOME STATEMENT

	LTIP 2014	LTIP 2015	LTIP 2016	LTIP 2017
Total PSUs granted	964,550	785,976	801,103	711,717
Number of participants	141	142	141	155
Fair value of PSUs expected to vest at grant date, DKK million	83	89	103	102
Fair value of PSUs expected to vest at 31 December 2017, DKK million	-	103	54	52
Recognised in the income statement in 2017, DKK million	7	37	9	15
Not yet recognised in respect of PSUs expected to vest, DKK million	-	9	22	37

APPLIED ASSUMPTIONS AT THE TIME OF GRANT

	LTIP 2015	LTIP 2016	LTIP 2017
Share price (DKK)	219	241	270
Expected volatility	21.9% [1]	24.5% [1]	27.9% [1]
Expected life of grant	3 years	3 years	3 years
Risk-free interest rate	0.8%–2.0%	0.6%–1.6%	(0.2)%–2.4%

[1] Based on observable market data for peer groups.

LTIP – VESTED

In March 2017, the LTIP 2014 programme vested and the participants received shares in ISS A/S at no cost. Based on the annual EPS and TSR performances for 2014, 2015 and 2016, 96% of the granted PSUs, equal to 799,350 PSUs, vested. After this vesting, no further PSUs are outstanding under the LTIP 2014 and the programme has lapsed.

	EGM			
LTIP 2014 (number of PSUs)	**EGMB**	**Corporate Senior Officers**	**Other senior officers**	**Total**
Outstanding at 1 January 2016	76,850	88,354	761,163	926,367
Granted	749	1,604	10,028	12,381
Transferred	-	32,878	(32,878)	-
Cancelled	(27,125)	(14,606)	(59,574)	(101,305)
Outstanding at 31 December 2016	**50,474**	**108,230**	**678,739**	**837,443**
Vested	(48,470)	(103,930)	(646,950)	(799,350)
Forfeited	(2,004)	(4,300)	(26,799)	(33,103)
Cancelled	-	-	(4,990)	(4,990)
Outstanding at 31 December 2017	**-**	**-**	**-**	**-**

LTIP – OUTSTANDING PSUs

	EGM			
LTIP 2015 (number of PSUs)	**EGMB**	**Corporate Senior Officers**	**Other senior officers**	**Total**
Outstanding at 1 January 2016	57,231	101,157	608,203	766,591
Granted	558	1,726	7,932	10,216
Transferred	-	26,012	(26,012)	-
Cancelled	(20,200)	(12,419)	(47,452)	(80,071)
Outstanding at 31 December 2016	**37,589**	**116,476**	**542,671**	**696,736**
Cancelled	-	-	(26,227)	(26,227)
Outstanding at 31 December 2017 [1]	**37,589**	**116,476**	**516,444**	**670,509**
LTIP 2016 (number of PSUs)				
Granted	54,063	142,823	585,157	782,043
Cancelled	-	(12,539)	(92,923)	(105,462)
Outstanding at 31 December 2016	**54,063**	**130,284**	**492,234**	**676,581**
Granted	1,548	3,728	13,784	19,060
Cancelled	-	(14,026)	(39,250)	(53,276)
Outstanding at 31 December 2017	**55,611**	**119,986**	**466,768**	**642,365**
LTIP 2017 (number of PSUs)				
Granted	58,182	101,596	551,939	711,717
Cancelled	-	(13,355)	(88,320)	(101,675)
Outstanding at 31 December 2017	**58,182**	**88,241**	**463,619**	**610,042**

[1] In March 2018, the PSUs granted under LTIP 2015 will vest with 91% based on the annual EPS and TSR performances for 2015, 2016 and 2017.

DEFERRED BONUS PROGRAMME

In March 2017, the remaining 50% of the restricted share units (RSUs) equal to 25,993 RSUs, which were granted in settlement of the deferred bonus awarded under the Group's annual bonus programme for the financial year 2014, were converted into shares in ISS A/S. After this conversion, no further RSUs are outstanding.

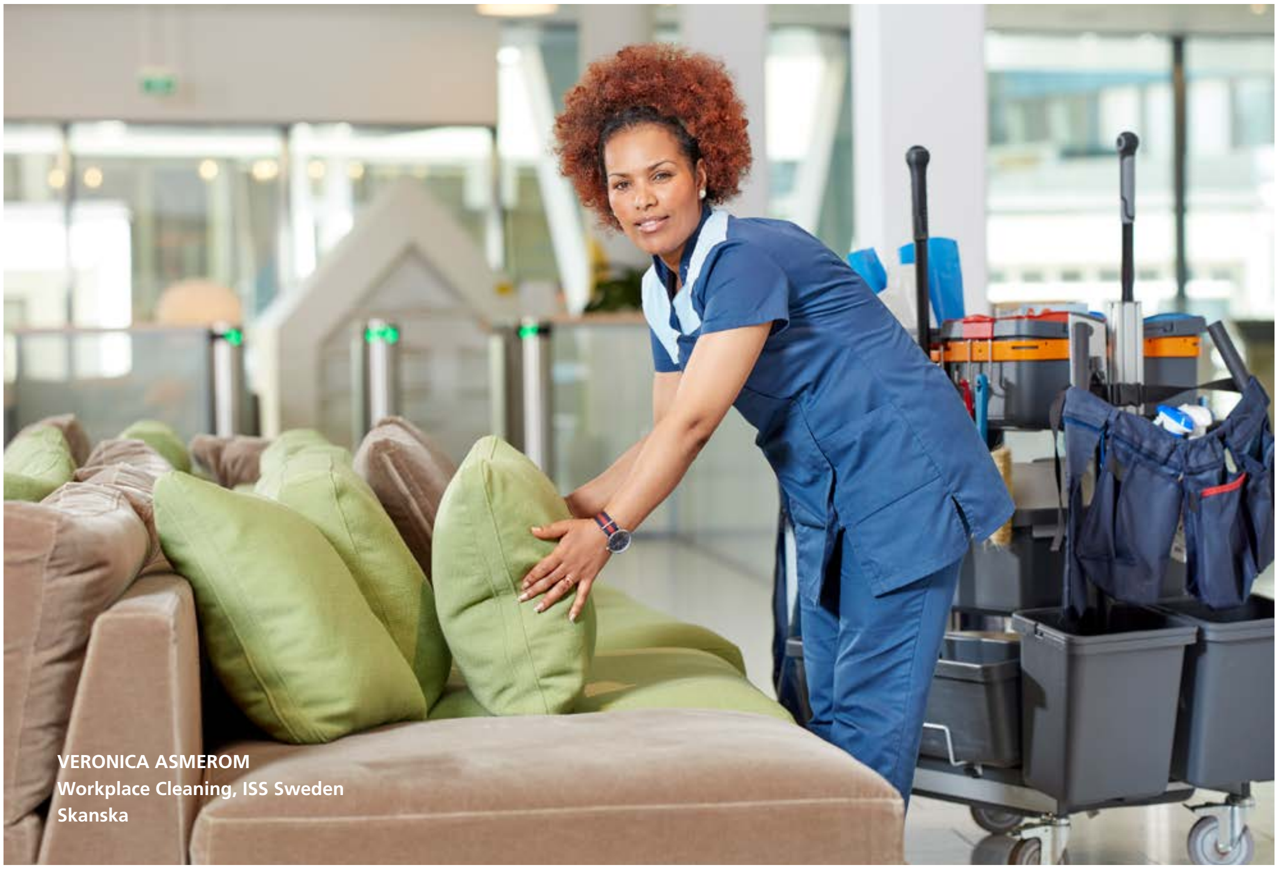
	EGM			
Number of RSUs	EGMB	Corporate Senior Officers	Other senior officers	Total
Outstanding at 1 January 2016	12,686	19,937	19,358	51,981
Transferred	(2,779)	(1,909)	4,688	-
Paid out	(6,342)	(9,013)	(10,633)	(25,988)
Outstanding (vested) at 31 December 2016	**3,565**	**9,015**	**13,413**	**25,993**
Paid out	(3,565)	(9,015)	(13,413)	(25,993)
Outstanding at 31 December 2017	**-**	**-**	**-**	**-**

§ ACCOUNTING POLICY

The value of services received in exchange for granted performance-based share units (PSUs) is measured at fair value at the grant date and recognised in staff costs over the vesting period with a corresponding increase in equity.

The fair value of granted PSUs is measured using a generally accepted valuation model taking into consideration the terms and conditions upon which the PSUs were granted including market-based vesting conditions (TSR condition).

On initial recognition, an estimate is made of the number of PSUs expected to vest. The estimated number is subsequently revised for changes in the number of PSUs expected to vest due to non-market based vesting conditions.



VERONICA ASMEROM
Workplace Cleaning, ISS Sweden
Skanska

6.3 PENSIONS AND SIMILAR OBLIGATIONS

DEFINED CONTRIBUTION PLANS

The majority of the Group's pension schemes are defined contribution plans where contributions are paid to publicly or privately administered pension plans on a statutory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Pension costs related to such plans are recognised in Staff costs and amounted to DKK 1,380 million in 2017 (2016: 1,607 million), corresponding to 91% of the Group's pension costs (2016: 90%).

DEFINED BENEFIT PLANS

The Group has a number of defined benefit plans where the responsibility for the pension obligation towards the employees rests with the Group. The largest plans are in Switzerland and the UK accounting for 86% (2016: 88%) of the Group's obligation (gross) and 96% (2016: 98%) of its plan assets.

The defined benefit plans are primarily based on years of service, and benefits are generally determined on the basis of salary and rank. For defined benefit plans the Group assumes the risk associated with future developments in salary, interest rates, inflation, mortality and disability etc.

The majority of the obligations are funded with assets placed in independent pension funds. In some countries, primarily Sweden and France, the obligation is unfunded. For these unfunded plans the retirement benefit obligations amounted to DKK 683 million or 9% of the present value of the gross obligation (2016: DKK 690 million or 9%).

Switzerland Participants are insured against the financial consequences of retirement, disability and death. The pension plans guarantee a minimum interest credit and fixed conversion rates at retirement. Contributions are paid by both the employee and the employer. The plans must be fully funded. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, reduction of benefits or a combination of both. The pension plans include a risk-sharing element between ISS and the plan participants.

The UK Participants are insured against the financial consequences of retirement and death. The schemes do not provide any insured disability benefits. The pension plans are plans guaranteeing defined benefit pension at retirement on a final salary basis. The majority of the pension plans does not include a risk-sharing element between ISS and the plan participants.

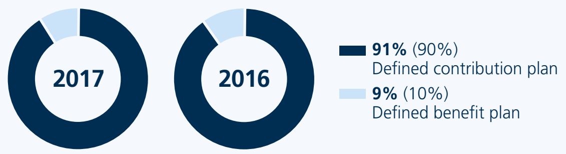
SIGNIFICANT ACCOUNTING ESTIMATES

The present value of defined benefit obligations is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. 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 as well as sensitivities on key assumptions are disclosed in this note.

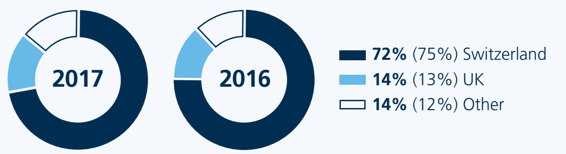
The discount rates used for calculating the present value of expected future cash flows are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

ISS participates in multi-employer pension schemes that by nature are defined benefit plans. Some funds are not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans and the 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.

PENSION COSTS



GROSS OBLIGATION BY COUNTRY



§ ACCOUNTING POLICY

Contributions to **defined contribution plans** are recognised in Staff costs when the related service is provided. Any contributions outstanding are recognised in Other liabilities.

Defined benefit plans The Group's net obligation is calculated annually by a qualified actuary using the projected unit credit method. This calculation is done 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. The present value less the fair value of any plan assets is recognised in Pensions and similar obligations.

When the calculation results in a potential asset, recognition is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Pension costs are calculated based on actuarial estimates and financial expectations at the beginning of the year. Service costs are recognised in Staff costs and net interest is recognised in Financial expenses. Differences between the expected development in pension assets and liabilities and the realised amounts at the reporting date are designated actuarial gains or losses and recognised in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised in Staff costs. The Group recognises gains and losses on the settlement when the settlement occurs.

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

DKK million	2017 Present value of obligation	2017 Fair value of plan assets	2017 Obligation, net	2016 Present value of obligation	2016 Fair value of plan assets	2016 Obligation, net
Carrying amount at 1 January	**7,744**	**6,234**	**1,510**	**7,516**	**5,999**	**1,517**
Current service costs	169	-	169	189	-	189
Interest on obligation/plan assets	78	56	22	108	73	35
Past service costs	(57)	-	(57)	(43)	-	(43)
Recognised in the income statement	**190**	**56**	**134**	**254**	**73**	**181**
Actuarial (gains)/losses from demographic assumptions	38	-	38	(109)	-	(109)
Actuarial (gains)/losses from financial assumptions	10	-	10	324	-	324
Actuarial (gains)/losses due to experience adjustments	70	-	70	75	-	75
Return on plan assets excluding interest income	-	326	(326)	-	211	(211)
Impact from asset ceiling	-	(45)	45	-	(6)	6
Reclassifications	165	149	16	(142)	(142)	-
Recognised in other comprehensive income	**283**	**430**	**(147)**	**148**	**63**	**85**
Foreign exchange adjustments	(530)	(450)	(80)	(136)	(118)	(18)
Additions from new contracts, net	9	-	9	3	-	3
Employee contributions	125	125	-	132	132	-
Employer contributions	-	196	(196)	-	180	(180)
Benefits paid	(211)	(130)	(81)	(173)	(101)	(72)
Impact from asset ceiling	-	45	(45)	-	6	(6)
Other changes	**(607)**	**(214)**	**(393)**	**(174)**	**99**	**(273)**
Carrying amount at 31 December	**7,610**	**6,506**	**1,104**	**7,744**	**6,234**	**1,510**
Other long-term employee benefits			151			187
Reclassification to Liabilities held for sale			(43)			(93)
Accumulated impact from asset ceiling			79			34
Pensions and similar obligations at 31 December			**1,291**			**1,638**

Past service costs In 2017, the negative past service costs mainly related to decrease of benefits in Switzerland due to a plan amendment. In 2016, the negative past service costs mainly related to a plan amendment in Indonesia.

Reclassifications in 2017, related to Belgium where the pension plans were reclassified from defined contribution to defined benefit. In 2016, the reclassification related to pension plans in India changing from defined benefit to defined contribution.

Contribution to defined benefit plans The Group expects to contribute DKK 253 million in 2018 (2017: DKK 240 million).

MAJOR CATEGORIES OF PLAN ASSETS

- **34%** (32%) Listed shares
- **30%** (36%) Corporate bonds
- **12%** (12%) Property
- **6%** (5%) Cash and cash equivalents
- **1%** (1%) Government bonds
- **17%** (14%) Other

% of total plan assets

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. 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.

	CHF	GBP	EUR	Other currencies
2017				
Discount rates at 31 Dec	0.6%	2.7%	1.3-3.2%	1.0-10.8%
Future salary increases	1.0%	1.8%	0.0-3.5%	0.0-8.6%
Future pension increases	0.0%	3.0%	0.0-2.0%	0.0-1.9%
2016				
Discount rates at 31 Dec	0.6%	2.8%	1.1-2.6%	1.0-8.3%
Future salary increases	1.0%	1.0%	0.0-3.5%	0.0-10.0%
Future pension increases	0.0%	3.2%	0.0-2.0%	0.0-1.5%

SENSITIVITY ANALYSIS

The table below illustrates the sensitivity related to significant actuarial assumptions used in the calculation of the defined benefit obligation recognised at the reporting date. The analysis is based on changes in assumptions that the Group considered to be reasonably possible at the reporting date. It is estimated that the relevant changes in assumptions would have increased/(decreased) the defined benefit obligation by the amounts shown below:

	2017		2016	
DKK million	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	(478)	554	(524)	591
Future price inflation	171	(70)	90	(84)
Future salary increases	130	(33)	78	(77)
Future pension increases	359	(46)	383	(78)
	+1 year	-1 year	+1 year	-1 year
Life expectancy	213	(114)	180	(179)

The estimated weighted average duration of the defined benefit obligation was 14 years (2016: 15 years) and is split into:

	2017	2016
Active employees	13	14
Retired employees	13	14
Deferred vested [1]	22	22
Total employees [1]	14	15

[1] The impact from deferred vested on total estimated weighted average duration is minor due the the fact that deferred vested make up less than 2% of the participants, and do not exist in many of the shorter duration plans.

6.4 GOVERNMENT GRANTS

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

YUSUF HAMDIOGLU
Security Team, ISS Turkey
Kent Hospital

OTHER REQUIRED DISCLOSURES

SECTION 7

This section includes other disclosures required by IFRS but which are not material or relevant for the understanding of the business and the activities in ISS as outlined in section 2 to 6.

In this section:

7.1 PROPERTY, PLANT AND EQUIPMENT

DKK million	2017	2016
Cost at 1 January	5,267	5,345
Foreign exchange adjustments	(226)	(86)
Acquisitions	162	2
Additions	742	649
Divestments	(151)	(58)
Disposals	(680)	(630)
Reclassification from Intangible assets	-	73
Reclassification to Assets held for sale	(50)	(28)
Cost at 31 December	**5,064**	**5,267**
Depreciation at 1 January	(3,695)	(3,732)
Foreign exchange adjustments	174	57
Acquisitions	(124)	-
Depreciation	(534)	(541)
Divestments	107	31
Disposals	602	560
Reclassification from Intangible assets	-	(66)
Reclassification to Assets held for sale	(1)	(4)
Depreciation at 31 December	**(3,471)**	**(3,695)**
Carrying amount at 31 December	**1,593**	**1,572**
Hereof carrying amount of:		
Land and buildings	54	70
Assets held under finance leases	173	166

PROPERTY AND EQUIPMENT UNDER OPERATING LEASES

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.

The disclosed non-cancellable operating lease payments below assume no early termination of any agreement.

DKK million	2017	2016
Year 1	1,123	1,171
Year 2	819	816
Year 3	552	535
Year 4	350	339
Year 5	226	210
After 5 years	362	418
Total	**3,432**	**3,489**

In 2017, DKK 1,633 million (2016: DKK 1,773 million) was recognised as an expense in the income statement in respect of operating leases.

Leasing of cars is primarily entered under an international car fleet lease framework agreement which is valid until end 2018. The majority of the underlying agreements have a lifetime duration of 3-5 years.

§ ACCOUNTING POLICY

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

Cost comprises the purchase price and costs directly attributable to the acquisition until the date when the asset is ready for use. 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.

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.

A finance lease is a lease that transfers substantially all risks and rewards of ownership to the lessee. Other leases are classified as operating leases.

Subsequent costs, e.g. for replacing part of an item, are recognised in the cost of the asset if it is probable that the future economic benefits embodied by the item will flow to the Group. The replaced item is transferred to the income statement. All other costs for common repairs and maintenance are recognised in the income statement 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 separately. The estimated useful life and residual value are determined at the acquisition date. If the residual value exceeds the carrying amount depreciation is discontinued.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Assets under finance leases 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
Plant and equipment	3-10 years
Leasehold improvements	(the lease term) 5-12 years
Buildings	20-40 years

Land is not depreciated.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

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 Other operating expenses in the year of sale, except gains and losses arising on disposal of property, which are recognised in Other income and expenses, net.

Assets held under operating leases are not recognised in the statement of financial position. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

7.2 PROVISIONS

DKK million	Legal and labour-related cases	Self-insurance	Other	Total
Provisions at 1 January 2017	167	184	92	443
Foreign exchange adjustments	(18)	(14)	(8)	(40)
Additions	85	162	54	301
Acquisitions	3	41	55	99
Used during the year	(49)	(172)	(82)	(303)
Unused amounts reversed	(40)	(1)	(5)	(46)
Unwind of discount and other financial expenses	5	1	0	6
Reclassification to Liabilities held for sale	(23)	-	(3)	(26)
Reclassification from Other liabilities	4	5	8	17
Provisions at 31 December 2017	**134**	**206**	**111**	**451**
Current	106	78	49	233
Non-current	28	128	62	218

Self-insurance In the UK, Ireland, the USA, Australia and Hong Kong, the Group carries insurance provisions on employers' liability and/or workers compensation. Generally, the provisions for self-insurance are based on valuations from external actuaries. The countries are self-insured up to the following limits:

- **UK** – DKK 20 million (2016: DKK 20 million) yearly aggregated limit and DKK 4 million (2016: DKK 4 million) per claim
- **Ireland** – DKK 1 million (2016: DKK 4 million) per claim
- **USA** – DKK 3 million (2016: DKK 3.5 million) per claim
- **Australia** – DKK 2.4 million (2016: DKK 2.5 million) per claim
- **Hong Kong** – DKK 24 million (2016: DKK 27 million) yearly

Furthermore, the provision includes liability not insured under the global general liability insurance with a self-insured level of DKK 0.2 million per claim and obligations and legal costs in relation to various insurance cases if not covered by the insurance.

Other comprises various obligations incurred, e.g. restructuring costs, guarantee reserves, dismantling costs, operational issues, closure of contracts and costs of meeting obligations under onerous contracts. At 31 December 2017, provisions for onerous contracts were included with DKK 37 million (2016: DKK 23 million).

⚖ SIGNIFICANT ACCOUNTING ESTIMATES

The amount recognised as a provision is management's best estimate of the amount required to settle the obligation. The outcome depends on future events that are uncertain by nature. In assessing the likely outcome of lawsuits and tax disputes etc., management bases its assessment on external legal assistance and established precedents.

§ ACCOUNTING POLICY

Provisions are recognised if the Group, as a result of a past event has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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.

Restructuring costs are recognised in Provisions when a detailed, formal restructuring plan is announced to the affected parties on or before the reporting date.

Onerous contracts A provision 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.

Asset retirement obligation 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.

7.3 CONTINGENT LIABILITIES

GUARANTEE COMMITMENTS

Indemnity and guarantee commitments (mainly towards public authorities and insurance companies) at 31 December 2017 amounted to DKK 427 million (2016: DKK 478 million).

PERFORMANCE GUARANTEES

The Group has issued performance guarantee bonds for service contracts with an annual revenue of DKK 1,701 million (2016: DKK 1,791 million) of which DKK 1,294 million (2016: DKK 1,316 million) were bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry to guarantee towards our customers satisfactory completion of work in accordance with service contracts.

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 2017 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 2017.

RESTRUCTURING PROJECTS

Restructuring projects, e.g. related to implementation of GREAT, 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 2017.

7.4 AVERAGE NUMBER OF EMPLOYEES

In 2017, average number of employees was 491,126 (2016: 498,708). The decrease was mainly due to contract losses and exits as well as divestments.

7.5 RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

The Group's parent ISS A/S is the ultimate controlling party. At 31 December 2017, ISS had no related parties with either control of the Group or significant influence in the Group.

KEY MANAGEMENT PERSONNEL

The Board and the EGM are considered the Group's key management personnel as defined in 6.1, Remuneration to the Board of Directors and the Executive Group Management.

Apart from remuneration, including Long-Term Incentive Programmes, there were no significant transactions with members of the Board and the EGM in 2017.

7.6 OTHER SEGMENT INFORMATION

DKK million	Conti-nental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments	Unallo-cated [1]	Elimina-tion [2]	Total Group
2017									
Operating profit	1,691	1,181	968	177	(2)	**4,015**	(658)	-	**3,357**
Cash flow from operating activities	1,198	982	626	144	-	**2,950**	663	-	**3,613**
Total assets	20,152	18,410	8,066	5,170	14	**51,812**	27,120	(28,097)	**50,835**
Hereof assets held for sale	1,066	51	-	93	-	**1,210**	-	-	**1,210**
Additions to non-current assets [3]	724	273	128	1,761	-	**2,886**	137	-	**3,023**
Total liabilities	10,532	8,947	3,646	3,993	11	**27,129**	37,607	(27,715)	**37,021**
Hereof liabilities held for sale	272	80	-	76	-	**428**	-	-	**428**
2016									
Operating profit	1,599	1,608	1,057	(27)	(2)	**4,235**	(668)	-	**3,567**
Cash flow from operating activities	1,234	1,149	625	60	2	**3,070**	620	-	**3,690**
Total assets	19,907	18,153	8,357	3,734	15	**50,166**	24,364	(25,748)	**48,782**
Hereof assets held for sale	1,051	258	211	-	-	**1,520**	-	-	**1,520**
Additions to non-current assets [3]	318	297	159	125	-	**899**	301	-	**1,200**
Total liabilities	10,839	8,249	3,785	2,317	13	**25,203**	35,003	(25,344)	**34,862**
Hereof liabilities held for sale	281	47	98	-	-	**426**	-	-	**426**

[1] Unallocated assets and liabilities relate to the Group's holding companies and comprise internal and external loans and borrowings, cash and cash equivalents and intra-group balances.
[2] Eliminations relate to intra-group balances.
[3] Comprise additions to Intangible assets and Property, plant and equipment, including from Acquisitions.

NON-CURRENT ASSETS [1] BY COUNTRY – MORE THAN 5% OF GROUP REVENUE

DKK million	2017	2016
UK & Ireland	2,992	3,359
USA & Canada	2,530	1,232
France	2,032	2,030
Denmark (ISS A/S's country of domicile)	1,799	1,866
Switzerland	1,531	1,671
Spain & Portugal	1,370	1,378
Other countries [2]	16,335	16,755
Total	**28,589**	**28,291**

[1] Excluding deferred tax assets.
[2] Including unallocated items and eliminations.

§ ACCOUNTING POLICY

The accounting policies of the **reportable segments** are described in 2.1, Segment and revenue information.

7.7 FEES TO AUDITORS

DKK million	2017	2016
Statutory audit	25	26
Other assurance services	4	1
Tax and VAT advisory services	5	6
Other services	1	1
Total	**35**	**34**

Other assurance services comprised work related to the interim financial statements and other assurance services.

Tax and VAT advisory services mainly related to tax compliance services.

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

7.8 SUBSEQUENT EVENTS

Acquisitions and divestments completed from 1 January to 15 February 2018 are listed in 4.1, Acquisitions and 4.2, Divestments.

Other than as set out above or elsewhere in these consolidated financial statements, we are not aware of events subsequent to 31 December 2017, which are expected to have a material impact on the Group's financial position.

7.9 NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

IASB has published the following new standards, amendments to existing standards and interpretations that are not yet mandatory for the preparation of the consolidated financial statements of the Group at 31 December 2017:

- IFRS 15 "Revenue from Contracts with Customers"; and
- IFRS 9 "Financial Instruments".

In addition, IASB has published the following new standards, amendments to existing standards and interpretations, which are not yet adopted by the EU at 31 December 2017:

- Amendments to IFRS 9 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosures" and IAS 39 "Financial Instruments: Recognition and Measurement";
- IFRS 16 "Leases";
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures": Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 2 "Share-based payments": Classification and Measurement of Share-based Payment Transactions;
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration";
- IFRIC 23 "Uncertainty over Income Tax Treatments"; and
- Annual Improvements to IFRS 2014-2016, cycle.

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.

IFRS 15 "Revenue from Contracts with Customers" is effective from 1 January 2018 and supersedes IAS 18 and IAS 11, covering contracts for services and work in progress, respectively. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The main principle is that revenue is recognised when control of a good or services transfers to a customer, i.e. when the performance obligation is satisfied.

To evaluate the potential impact of the new standard, we have carried out a group-wide analysis with a risk-based approach. As part of the analysis, we have reviewed a sample of representative key account contracts and evaluated each of the steps in the five-step model to account for revenue.

Based on our analysis, the implementation of the new standard will not have a significant impact on recognition and measurement in the consolidated financial statements. However, some new disclosures, e.g. on revenue backlog and contract balances, will be required.

IFRS 9 "Financial Instruments" is effective from 1 January 2018. The new standard introduces a new expected credit loss (ECL) model, which requires recognition of impairment based on ECL rather than incurred losses as is the case under IAS 39. For financial assets that do not have a significant financing component, e.g. trade receivables, a simplified approach is permitted. The loss should be measured on initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL. Based on our assessment, the implementation of the standard will not have a significant impact on recognition and measurement in the consolidated financial statements.

IFRS 16 "Leases" (superseding IAS 17) will be effective for the financial year beginning on 1 January 2019. The new standard significantly changes the accounting treatment of leases currently treated as operating leases, in that lessees, with a few exceptions, should recognise all types of leases as right-of-use assets in the statement of financial position and the related lease obligations as liabilities. The annual cost of the lease, which will comprise two elements – depreciation and interest expense – will be charged to the lessee's income statement. Currently, operating lease cost is recognised in a single amount within Other operating expenses. Similarly, operating lease payments will be presented in the cash flow statement in two lines – Interest paid and Other financial payments – within Cash flow from operating activities and Cash flow from financing activities, respectively. Currently, operating lease payments are presented as part of Cash flow from operating activities as they are included in Operating profit before other items.

Our business model is based on leasing, rather than owning, property, vehicles (cars) and equipment, primarily under operating leases. At 31 December 2017, the Group was party to more than 21,000 lease agreements. The majority of the lease agreements relates to cars, while the majority of the total lease obligation relates to property.

To evaluate the impact on recognition and measurement of the new standard, in 2017 we carried out a group-wide analysis of all assets under operating leases. Our analysis was based on the assumption that in adopting IFRS 16 we will apply the modified retrospective approach, whereby the cumulative effect is recognised at the date of initial application, i.e. 1 January 2019, and the right-of-use assets are recognised at the same value as the lease obligations. Comparative figures will not be restated.

Based on the analysis, it is our assessment that the implementation of IFRS 16 will have a significant impact on the Group's consolidated financial statements. Assuming that the level of operating leases remains unchanged we expect:

- Property, plant and equipment and Net debt to increase, both in the level of DKK 4 billion;
- Depreciation to increase in the level of DKK 1 billion;
- Operating profit before other items to be slightly improved;
- Net profit to be slightly reduced;
- Financial leverage to be slightly increased; and
- Cash flow from operating activities to be improved and Cash flow from financing activities to be negatively impacted, both in the level of DKK 1 billion.

Except as mentioned above for IFRS 16 "Leases", 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.

7.10 GROUP COMPANIES

Below the Group's significant subsidiaries, associates and joint ventures are presented per region. Together these are referred to as "Companies within the ISS Group".

CONTINENTAL EUROPE

Austria

ISS Austria Holding GmbH	100%
ISS Facility Services GmbH	100%
ISS Ground Services GmbH	51%
ISS Ground Services Germany GmbH	51%

Belgium & Luxembourg

ISS Catering N.V.	100%
ISS Facility Services N.V.	100%
ISS Facility Services S.A.	100%

Czech Republic

ISS Facility Services s.r.o	100%

Estonia

ISS Haldus OÜ	100%

France

GIE ISS Services	100%
ISS Facility Management SAS	100%
ISS Holding Paris SAS	100%
ISS Hygiene & Prevention SAS	100%
ISS Logistique et Production SAS	100%
ISS Proprete SAS	100%

Germany

ISS Automotive Services GmbH	100%
ISS Evantec GmbH	100%
ISS Facility Services Holding GmbH	100%
ISS Facility Services Nord GmbH	100%
ISS Facility Services Süd GmbH	100%
ISS IT & Business Services GmbH	100%
ISS Pharma Services GmbH	100%
ISS VSG GmbH	100%

Greece

ISS Facility Services S.A.	100% [4]

Hungary

ISS Facility Services Kft.	100%
Profi-Komfort Kft.	100% [4]

Israel

Catering Services Ltd.	100%
ISS Catering Services Ltd. (ex Norcat Ltd.)	100%
ISS Cleaning Services Ltd. (ex ISS Ashmoret Ltd.)	100%
ISS Integrated Facility Service Management Ltd.	100%
ISS Israel Comprehensive Business Services Ltd.	100%

Italy

ISS Facility Services S.r.l.	100%

Netherlands

ISS Catering Services B.V.	100%
ISS Cure & Care B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Nederland B.V.	100%
ISS Security & Services B.V.	100%

Poland

ISS Facility Services Sp. Z o.o.	100%

Romania

ISS Facility Services S.R.L.	100%
ISS Romania Group S.R.L.	100%

Russia

Facility Services RUS LLC	100%

Slovakia

ISS Facility Services spol. s.r.o.	100%

Slovenia

ISS Facility Services d.o.o.	100%

Spain & Portugal

Integrated Service Solutions, S.L.	100%
ISS Facility Services, S.A.	100%
ISS Soluciones de Seguridad, S.L.	100%
ISS Facility Services G. e M. de E., Lda.	100%

Switzerland

ISS Facility Services AG	100%
ISS Kanal Services AG	100%
ISS Schweiz AG	100%

Turkey

ISS Hazir Yemek Üretim ve Hizmet A.Ş.	90% [3]
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	90% [3]
ISS Tesis Yönetim Hizmetleri A.Ş.	90% [3]

NORTHERN EUROPE

Denmark (ISS A/S's country of domicile)

ISS Facility Services A/S	100%
ISS World Services A/S	100%
ISS Global A/S	100%
ISS Global Management A/S	100%
ISS Holding France A/S	100%
ISS Lending A/S	100%

Finland

ISS Palvelut Holding Oy	100%
ISS Palvelut Oy	100%
Opset Oy	76% [1]

Norway

ISS Facility Services AS	100%
ISS Holding AS	100%
ISS Management AS	100%
ISS Serveringspartner AS	100%
ISS Service Management AS	100%
NSB Trafikkservice AS	45% [1]

Sweden

ISS Facility Services AB	100%
ISS Facility Services Holding AB	100%
ISS Palvelut Holding AB	100%

UK & Ireland

ISS Damage Control Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Mediclean Ltd.	100%
ISS UK Holding Ltd.	100%
ISS UK Ltd.	100%
Spectrum Franchising Ltd.	100%
ISS Ireland Ltd.	100%

ASIA & PACIFIC

Australia & New Zealand

ISS Catering Services Pty Ltd.	100%
ISS Facility Management Pty Limited	100%
ISS Facility Services Australia Ltd.	100%
ISS Facility Services Pty Ltd.	100%
ISS Health Services Pty Ltd.	100%
ISS Holdings Pty Ltd.	100%
ISS Hospitality Pty Limited	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%
ISS Facilities Services Ltd.	100%
ISS Holdings NZ Ltd.	100%

Brunei

ISS Facility Services Sdn. Bhd.	50% [2]

China

ISS Facility Services (Shanghai) Ltd.	100%
ISS Hongrun (Shanghai) Cleaning Services Limited	100%
Shanghai B&A Security Co., Ltd.	100%
Shanghai ISS Catering Management Ltd.	100%

Hong Kong

Hung Fat Cleaning Transportation Co., Ltd.	100%
ISS Adams Secuforce Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS China Holdings Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Management Ltd.	100%
ISS Environmental Services (HK) Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Facility Services China Ltd.	100%
ISS Greater China Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
JSL Ltd.	100%
Silvertech E&M Engineering Co., Ltd.	100%

India

Innovative and Payroll Advisory Services Pvt. Ltd.	46% [2]
ISS Facility Services India Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	46% [2]
Modern Protection & Investigations Ltd.	46% [2]

Indonesia

PT ISS Facility Services	49% [2]
PT ISS Indonesia	100%
PT ISS Jasa Fasilitas	0% [2]
PT ISS Parking Management	100%

Japan	
Nihon ISS KK	100%
Malaysia	
ISS Facility Services Sdn. Bhd.	100%
Philippines	
ISS Facility Services Phils., Inc.	100%
Singapore	
ISS Catering Services Pte. Ltd.	100%
ISS Facility Services Pte. Ltd.	100%
ISS Hydroculture Pte. Ltd.	100%
ISS M&E Pte. Ltd.	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%

AMERICAS

Argentina	
ISS Argentina S.A.	100%
ISS Facility Services S.R.L.	100%
ISS Litoral S.R.L.	100%
ISS Personal Temporario S.R.L.	100%
Brazil	
ISS Manutencao e Servicos Integrados Ltda	100%
ISS Servicos de Logistica Integrada Ltda	100%
ISS Servisystem do Brasil Ltda.	100%
Chile	
Apunto Servicios de Alimentacion S.A.	100%
ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Servicios Generales Ltda.	100%
ISS Servicios Integrales Ltda.	100%
Mexico	
ISS Centro América, S de RL de CV	100%
ISS Facility Services, SA de CV	100%
ISS Servicios Integrales, S. de R.L. de C.V.	100%
Uruguay	
ISS Uruguay S.A.	100%
Samilar S.A.	100%
USA & Canada	
ISS C&S Building Maintenance Corporation	100%
ISS Facility Services California, Inc.	100%
ISS Facility Services Holding, Inc.	100%
ISS Facility Services, Inc.	100%
ISS Holding Inc.	100%
ISS Management and Finance Co., Inc.	100%
ISS TMC Services, Inc.	100%
ISS Uniguard Security, Inc.	100%
Guckenheimer Enterprises, Inc.	100%
ISS Facility Services Inc	100%

PETER EUDENBACH
Company Technician, ISS Germany

[1] Associate.
[2] 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.
[3] 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.
[4] Divested in 2018.

MANAGEMENT STATEMENT

COPENHAGEN, 22 FEBRUARY 2018

The Board of Directors and the Executive Group Management Board have today discussed and approved the annual report of ISS A/S for the financial year 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that 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 2017 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 2017.

In our opinion, the Management review includes a fair review of the development in the Group's and the Parent company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the Parent company face.

We recommend that the annual report be approved at the annual general meeting.

EXECUTIVE GROUP MANAGEMENT BOARD

Jeff Gravenhorst
Group CEO

Pierre-François Riolacci
Group CFO

BOARD OF DIRECTORS

Lord Allen of Kensington Kt CBE
Chairman

Thomas Berglund
Deputy Chairman

Claire Chiang

Henrik Poulsen

Ben Stevens

Cynthia Mary Trudell

Pernille Benborg (E)

Joseph Nazareth (E)

Palle Fransen Queck (E)

E = Employee representative

GROUP ANNUAL REPORT

This Group Annual Report is an extract of the ISS Annual Report pursuant to section 149 of the Danish Financial Statements Act. For the sake of clarity and user friendliness, ISS has chosen to issue a Group Annual Report that excludes the financial statements of the Parent company, ISS A/S.

The financial statements of the Parent company are an integral part of the full Annual Report, which is available from ISS on request, and the full Annual Report is also available at and can be downloaded from www.issworld.com. After approval at the annual general meeting, the full Annual Report is also available on request from the Danish Business Authority. The Management statement by the Executive Group Management Board and Board of Directors as well as the Independent auditor's report cover the full Annual Report.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ISS A/S

OPINION

We have audited the consolidated financial statements and the Parent company financial statements (the "financial statements") of ISS A/S for the financial year 1 January – 31 December 2017, pp. 61–107 and pp. 120–126, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including accounting policies, for the Group as well as for the Parent company. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Parent company at 31 December 2017 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 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

APPOINTMENT OF AUDITOR

Subsequent to ISS A/S being listed on Nasdaq Copenhagen, we were initially appointed as auditors of ISS A/S on 15 April 2015. We have been re-appointed annually by resolution of the general meeting for a total consecutive period of three years up to and including the financial year 2017.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2017. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditors' responsibilities for the audit of the financial statements" section of our report, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

VALUATION OF INTANGIBLE ASSETS

The carrying amount of goodwill and customer contracts related to prior years' acquisitions comprise a significant part of the consolidated balance sheet. The cash-generating units in which goodwill and customer contracts are included are impairment tested by Management on an annual basis. The impairment tests are based on Management's estimates of among others future profitability, long-term growth and discount rate. Due to the inherent uncertainty involved in determining the net present value of future cash flows, we considered these impairment tests to be a key audit matter.

For details on the impairment tests performed by Management reference is made to notes 4.6, 4.7 and 4.8 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved budgets. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating margin, including comparing with historical growth rates. We compared the assumptions applied to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth and discount rates. Further, we evaluated the sensitivity analysis on the assumptions applied. Our audit procedures primarily focused on cash generating units where changes in key assumptions could result in impairment. We further evaluated the disclosures provided by Management in the financial statements compared to applicable accounting standards.

ASSETS AND LIABILITIES HELD FOR SALE

When classifying businesses as held for sale Management makes judgements and estimates, including assessment of impairment of the net assets. Due to the inherent uncertainty involved in classifying and valuation of assets and liabilities held for sale, we considered these balances as a key audit matter.

For details on the assets and liabilities held for sale reference is made to note 4.4 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, agreeing the carrying amounts of the assets held for sale to underlying accounting records, discussing with Management the criteria for classification as held for sale and reading draft agreements where relevant. We considered the fair value assessment made by Management, including assessment of key assumptions applied and evaluation of the explanations provided by comparing key assumptions to market data, where available. We further evaluated the disclosures provided by Management in the financial statements compared to applicable accounting standards.

INCOME TAX EXPOSURES AND VALUATION OF DEFERRED TAX BALANCES

The Group's operations are subject to income taxes in various jurisdictions having different tax legislation. Management makes judgements and estimates in determining the accrual for income taxes and deferred taxes. Given the inherent uncertainty involved in assessing and estimating the income tax exposures and valuation of deferred tax balances, we considered these balances as a key audit matter.

For details on the income tax and deferred tax balances reference is made to notes 2.4 and 2.5 in the consolidated financial statements and notes 5 and 7 in the Parent company financial statements.

In response to the identified risks, our audit procedures included review of completeness and accuracy of the amounts recognised as income tax and deferred tax, including assessment of correspondence with tax authorities and evaluation of tax exposures as well as write-down of deferred tax assets. In respect of the deferred tax assets recognised in the statement of financial position, we assessed Management's assumptions as to the probability of recovering the assets through taxable income in future years and available tax planning strategies. We further evaluated the disclosures provided by Management compared to applicable accounting standards.

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review, pp. 1-60.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent company or to cease operations, or has no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

COPENHAGEN,
22 FEBRUARY 2018

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Michael Groth Hansen
State Authorised
Public Accountant
MNE-no.: mne33228

Claus Kronbak
State Authorised
Public Accountant
MNE-no.: mne28675

CASE: REVOLUTIONISING FACILITY SERVICES WITH IOT

For many years, the Internet of Things (IoT) has been recognised as a key piece in solving the puzzle of the connected building or workspace – an ambitious and forward-thinking vision in which communication is integrated, productivity optimised and resource efficiency maximised. ISS has now made a commitment to realise the value of IoT in facility services.

REVOLUTIONISING FACILITY SERVICES

Working with IBM's Watson IoT platform, ISS will in the future be able to integrate and analyse data from millions of devices and sensors embedded into buildings, including in doors, windows, chairs and meeting rooms, to optimise our service delivery and expand our understanding of how people use buildings.

With a dashboard displaying the most important building metrics on mobile devices, Facility Managers will benefit from an integrated, real-time view of the services and suppliers at their buildings. This will enable them to adopt a more proactive, flexible and responsive approach to building management and customised service delivery.

PUTTING SENSORS TO WORK

As an example, to help our front-line employees prepare the right amount of food while limiting wastage, sensors in entrance areas combined with sensors on plate dispensers can analyse how many people are in the building, how many people have had lunch already and how many still are likely to eat. Sensors in meeting rooms or on chairs and tables can also help Facility Managers to better manage room occupancy, cancel unwanted room bookings and inform service staff when a room needs more refreshments or requires cleaning.

As a first step, ISS has already rigged up its Copenhagen headquarters, which serves as an innovation lab for the Group, with hundreds of sensors connected to our IoT platform and facilities management software to help improve room bookings and catering services for the 250 employees based in the building. The next phase will be the implementation of the cognitive IoT technology at selected customer sites.

20
test sites

50+
people involved at ISS

14,000
sensors in use

BIRGITTE NØRGAARD
Key Account Manager, ISS Denmark

With insights right at our fingertips, we are finding new and better ways of working

"By managing your waste, I'm keeping your business clean and safe"

MIHAIL MITKOV
Waste Management in Pharmaceuticals, ISS Austria

An effective working environment is particularly important when a company operates with strict regulatory and hygienic standards. At ISS, we focus on reducing our customer's energy footprint while at the same time meeting compliance and minimising risk.

COUNTRY REVENUE AND EMPLOYEES

	2017				2016			
DKK million	Revenue	% of Group revenue	Employees	% of Group employees	Revenue	% of Group revenue	Employees	% of Group employees
Switzerland	5,282	7%	12,334	3%	5,251	7%	12,037	2%
France	4,742	6%	22,340	5%	4,731	6%	23,180	5%
Spain & Portugal	4,655	6%	31,593	6%	4,635	6%	34,175	7%
Germany	2,931	4%	10,098	2%	2,474	3%	8,522	2%
Belgium & Luxembourg	2,726	3%	8,383	2%	2,615	3%	9,362	2%
Turkey [3]	2,700	3%	33,050	7%	2,783	4%	29,394	6%
Israel [3]	1,903	2%	7,024	1%	1,824	2%	7,666	2%
Austria	1,882	2%	7,303	1%	1,761	2%	7,069	1%
Netherlands	1,757	2%	5,690	1%	1,676	2%	6,246	1%
SE Europe Cluster [1) 3)]	1,293	2%	10,590	2%	1,366	2%	12,458	3%
Italy	479	1%	762	0%	450	1%	746	0%
Russia & Baltics [2) 3)]	339	0%	2,951	1%	303	0%	2,952	1%
Poland	255	0%	2,104	0%	226	0%	2,104	0%
CONTINENTAL EUROPE	**30,944**	**39%**	**154,222**	**32%**	**30,095**	**38%**	**155,911**	**32%**
UK & Ireland	11,232	14%	43,583	9%	11,801	15%	45,853	9%
Norway	3,947	5%	9,664	2%	3,901	5%	9,152	2%
Denmark	3,426	4%	6,656	1%	3,500	4%	6,896	1%
Sweden	3,227	4%	6,952	1%	3,520	4%	7,994	2%
Finland	3,121	4%	7,065	1%	3,623	5%	8,774	2%
Iceland (divested in 2017)	96	0%	0	0%	142	0%	732	0%
Greenland (divested in 2016)	0	0%	0	0%	28	0%	0	0%
NORTHERN EUROPE	**25,049**	**31%**	**73,920**	**15%**	**26,515**	**34%**	**79,401**	**16%**
Australia & New Zealand	3,670	5%	11,747	2%	3,896	5%	11,502	2%
Hong Kong [3]	2,353	3%	14,421	3%	2,381	3%	14,410	3%
Singapore [3]	2,056	3%	9,159	2%	1,912	2%	8,566	2%
Indonesia [3]	1,830	2%	57,450	12%	1,733	2%	57,598	12%
India [3]	1,468	2%	54,472	11%	1,299	2%	51,325	10%
Thailand [3]	1,407	2%	34,378	7%	1,345	2%	33,205	7%
China [3]	818	1%	11,028	2%	1,073	1%	14,555	3%
Taiwan [3]	387	0%	2,816	1%	375	0%	2,785	1%
Philippines [3]	342	0%	9,122	2%	310	0%	7,911	2%
Malaysia [3]	116	0%	1,566	0%	118	0%	1,681	0%
Japan [3]	100	0%	33	0%	109	0%	39	0%
Brunei [3]	36	0%	443	0%	39	0%	460	0%
Other countries – Asia [3]	13	0%	11	0%	16	0%	10	0%
ASIA & PACIFIC	**14,596**	**18%**	**206,646**	**42%**	**14,606**	**19%**	**204,047**	**41%**
USA & Canada	6,551	8%	15,740	3%	4,680	6%	14,103	3%
Chile [3]	1,210	2%	15,187	3%	979	1%	14,651	3%
Mexico [3]	751	1%	13,844	3%	649	1%	14,399	3%
Brazil [3]	733	1%	6,424	1%	1,038	1%	7,786	2%
Other countries – Latin America [3]	68	0%	8	0%	60	0%	8	0%
Argentina [4]	0	0%	1,512	0%	0	0%	2,414	0%
Uruguay [4]	0	0%	1,206	0%	0	0%	1,306	0%
AMERICAS	**9,313**	**12%**	**53,921**	**11%**	**7,407**	**9%**	**54,667**	**11%**
Other countries [3]	97	0%	0	0%	104	0%	0	0%
Corporate functions / eliminations	(87)	(0)%	237	0%	(69)	(0)%	207	0%
ISS Group	**79,912**	**100%**	**488,946**	**100%**	**78,658**	**100%**	**494,233**	**100%**

1) South Eastern (SE) Europe Cluster includes the Czech Republic, Greece, Hungary, Romania, Slovakia and Slovenia.
2) Includes Estonia and Russia.
3) Emerging markets.
4) Discontinued operations.

Please refer to pp. 116–117 for a list of countries where ISS operates.

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[1] Includes Estonia and Russia.
[2] South Eastern (SE) Europe Cluster includes the Czech Republic, Greece (divested in 2018), Hungary, Romania, Slovakia and Slovenia.
[3] Emerging markets.

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In addition to the 46 countries shown above, where ISS operates and has an office, ISS operates in 28 countries where we have no office. These countries are: Algeria, Bahrain, Bulgaria, Cayman Islands, Colombia, Costa Rica, Croatia, Cyprus, Ecuador, Egypt, Jordan, Kazakhstan, Kuwait, Latvia, Lithuania, Monaco, Morocco, Nigeria, Pakistan, Panama, Peru, Puerto Rico, South Africa, South Korea, Sri Lanka, Ukraine, United Arab Emirates and Vietnam.

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