Interim report for 1 January – 30 June 2021

Important milestones achieved in the turnaround execution. Upgrade of 2021 outlook for free cash flow

Highlights

- Organic growth was (0.2)% in H1 2021 (H1 2020: (3.0)%) supported by continued solid demand for above-base work, especially deep-cleaning and disinfection. Portfolio revenue continues to be impacted by generally moderate re-opening of global activities with large variations across geographies.
- Operating margin (before other items) was 2.9% in H1 2021 (H1 2020: (1.3)% or around 0.8% excluding restructuring costs and one-offs).
- Free cash flow was DKK 1.3 billion in H1 2021 driven by improved operating profit and working capital development. A large part of the cash flow from working capital is temporary and will result in a cash outflow in H2 2021. Utilisation of factoring of DKK 1.0 billion at 30 June 2021 was unchanged from 31 December 2020.
- Eight divestments were completed in H1 2021. Total net proceeds amounted to approximately DKK 1 billion.
- The improved operating profit and cash flow, including divestment proceeds, decreased net debt to DKK 10.4 billion from DKK 12.3 billion at 31 December 2020.
- The execution of the OneISS strategy progressed as planned and important milestones were achieved in the turnaround of the underperforming contracts and countries.
- While turnaround initiatives in France progressed in H1 2021, increasing interest rates and continued uncertainty around the pace of market recovery from Covid-19 led to an increase in the applied WACC and consequently recognition of a goodwill impairment of DKK 459 million.
- The performance in H1 2021 provides solid support for our 2021 outlook of positive organic growth and operating margin above 2.5%. Free cash flow is now expected to be in the range DKK 0-1.0 billion (previously DKK 0-(1.0) billion).

For investor enquiries

Michael Bjergby, Head of Group Investor Relations
Phone: +45 38 17 63 90
E-mail: MBB@iss.biz

Louisa Baruch Larsson, Senior IR Manager
Phone: +45 38 17 63 38
E-mail: LBL@iss.biz

For media enquiries

Kenni Leth, Global Press & Media Relations
Phone: +45 38 17 66 21
E-mail: KLE@iss.biz

Key figures and financial ratios

Financials	H1 2021	H1 2020 [2]	2020
Results (DKKm)			
Revenue	34,412	35,489	69,838
Operating profit before other items	1,001	(465)	(2,525)
Operating profit	425	(2,135)	(4,904)
Financial expenses, net	(285)	(287)	(542)
Net profit from continuing operations	37	(2,626)	(5,261)
Net profit from discontinued operations	139	(161)	45
Net profit	176	(2,787)	(5,216)
Cash flow (DKKm)			
Cash flow from operating activities	1,793	(1,977)	(886)
Acquisition of intangible assets and property, plant and equipment, net	(236)	(276)	(552)
Free cash flow	1,309	(2,491)	(2,143)
Financial position (DKKm)			
Total assets	40,608	42,394	40,134
Goodwill	14,717	15,830	15,093
Additions to property, plant and equipment	134	230	382
Equity	3,334	(494)	3,195
Net debt	10,392	19,690	12,345

Ratios	H1 2021	H1 2020 [2]	2020
Financial ratios (%, unless otherwise stated)			
Operating margin [1]	2.9	(1.3)	(3.6)
Equity ratio	8.2	(1.2)	8.0
Organic growth	(0.2)	(3.0)	(6.5)
Acquisitions and divestments, net	(0.5)	(1.7)	(1.8)
Currency adjustments	(2.3)	(0.6)	(1.8)
Total revenue growth	(3.0)	(5.3)	(10.1)

Non-financials	H1 2021	H1 2020	2020
Social data			
Full-time employees	75%	76%	75%
Employees end of period, number	363,219	439,043	378,724

Definitions, see Annual Report 2020.

[1] Based on Operating profit before other items.
[2] Restated due to Portugal, Russia and Taiwan being classified as discontinued operations as of 31 December 2020.

Group performance

Operating results
January – June 2021

ISS Global A/S is an indirectly wholly owned subsidiary of ISS A/S, a leading, global provider of workplace and facility service solutions. ISS Global A/S owns – directly or indirectly – the ISS Global Group's operating companies (together referred to as "ISS" or "the Group").

For further information about ISS Global A/S, see ISS Global A/S's Annual Report 2020, which is available at the Group's website, www.issworld.com.

Group revenue in the first six months of 2021 was DKK 34.4 billion, a decrease of 3% compared with the same period last year. Organic growth was slightly negative at (0.2)% as the positive organic growth in Q2 2021 was offset by the negative organic growth of (5.6)% in Q1 2021. The impact from acquisitions and divestments, net was (0.5)%. Currency effects reduced revenue by 2.3%, mainly due to depreciation of TRY and USD against DKK.

Organic growth was (0.2)% in the first six months of 2021 as a result of the continued negative impacts from Covid-19. Organic growth improved in Q2 due to continued high demand for disinfection and deep-cleaning and a low comparison base in Q2 2020, as revenue reductions from Covid-19 restrictions and lockdowns appeared from the second half of March 2020 in most markets.

Revenue from key accounts generated organic growth of 0.9%. Projects and above-base work grew organically by around 17%, especially due to sustained solid demand for deep-cleaning and disinfection.

The adverse impact from Covid-19 on revenue continued to vary across service type, customer segment and geographies. The services suffering the most were those depending on our customers' employees being on site. Consequently, revenue from food services declined approximately 26% to account for around 10% (H1 2020: 13%) of Group revenue. All other service lines were less impacted. From a customer segment perspective, the most significant revenue impact was within Aviation (part of the Transportation segment).

All regions, except Continental Europe, reported negative organic growth in the first six months of 2021, albeit improved compared to Q1 2021. Americas continued to report double-digit negative growth rates, primarily due to the exposure to food services, while our Continental European business grew 5% organically mainly due to strong performance in Spain, Switzerland, Turkey and Italy.

Operating profit before other items amounted to DKK 1,001 million (H1 2020: DKK (465) million) for an operating margin of 2.9% (H1 2020: (1.3)% or around 0.8% excluding approximately DKK 750 million restructuring costs and one-offs).

The operating margin has gradually improved as our turnaround initiatives of underperforming contracts (Deutsche Telekom and Danish Defence) and countries (the UK and France) are progressing as expected. Underlying improvement was also driven by Covid-19 restructuring initiatives initiated last year, including contract exits and continued focus on cost control.

Revenue and growth YTD June 2021

DKK million	2021	2020	Organic growth	Acq./ div.	Currency adj.	Growth 2021
Continental Europe	13,767	13,703	5 %	(1)%	(4)%	0 %
Northern Europe	11,398	11,343	(1)%	(0)%	1 %	0 %
Asia & Pacific	6,161	6,414	(1)%	(0)%	(3)%	(4)%
Americas	2,820	3,708	(17)%	-	(7)%	(24)%
Other countries	278	324	18 %	(24)%	(8)%	(14)%
Corporate / eliminations	(12)	(3)	-	-	-	-
Group	34,412	35,489	(0.2)%	(0.5)%	(2.3)%	(3.0)%

All regions reported positive margins with Continental Europe and Northern Europe contributing most to the improvement compared to the same period last year.

In Denmark, ISS and Danish Defence entered into an agreement to phase out and exit the partnership by the end of May 2022. The onerous contract provision recognised in 2020 will cover the agreed exit fee and costs as well as operation of the contract until the exit date. No further provision has been recognised in 2021.

In Germany, the execution programme for the Deutsche Telekom contract, including significant tailormade IT developments, was implemented in July 2021. The implementation will increase compliance and transparency and will support the financial performance. Further enhancements of the IT systems will continue as part of day-to-day business, including upgrades to the Capital Projects system.

Other income and expenses, net was an income of DKK 458 million (H1 2020: (513) million), predominantly due to gain on divestment of Kanal Services in Switzerland.

Goodwill impairment was DKK 459 million (H1 2020: DKK 520 million) which mainly related to an impairment loss in France. During the first six months of 2021, transparency around the recoverability from Covid-19 and related uncertainties has increased, noting that the pace of market recovery within the most impacted customer segments remains uncertain. Accordingly, the risk reflected in the applied WACC has been increased. Combined with increasing interest rates in H1 2021, this led to a higher applied WACC at 30 June 2021.

Financial expenses, net was DKK 285 million for the first six months of 2021 (H1 2020: DKK 287 million). Interest expenses decreased slightly compared to last year due to lower net debt, which was offset by adverse movements in foreign exchange gains and losses.

The effective tax rate in H1 2021 was 73.6% (H1 2020: (10.0)%) calculated as Income tax of DKK 103 million divided by Profit before tax of DKK 140 million. The effective tax rate was negatively impacted by non-tax deductible impairment in France as well as certain valuation allowances on deferred tax assets. Furthermore, due to the low profit before tax in H1 2021, the impact from non-tax deductible costs had a relatively higher impact on the effective tax rate.

Net profit from discontinued operations was DKK 139 million (H1 2020: DKK (161) million) in the first six months of 2021, including gain on divestment of DKK 107 million from the sale of our businesses in Romania, Hungary, Slovakia and the Czech Republic.

Net profit was DKK 176 million (H1 2020: DKK (2,787) million). The improvement compared to the same period last year was mainly due to improved operating profit before other items and gain on divestments, mainly Kanal Services in Switzerland. Furthermore, H1 2020 was negatively impacted by DKK 483 million related to the IT security incident.

Operating profit [1)] and margin YTD June 2021

DKK million	2021		2020	
Continental Europe	190	1.4 %	(344)	(2.5)%
Northern Europe	306	2.7 %	(535)	(4.7)%
Asia & Pacific	370	6.0 %	247	3.9 %
Americas	160	5.7 %	114	3.1 %
Other countries	9	3.2 %	15	4.5 %
Corporate / eliminations	(34)	-	38	-
Group	1,001	2.9 %	(465)	(1.3)%

[1)] Before other items.

Key account development

Revenue from key accounts was 69% of Group revenue in the first six months of 2021 (2020: 67%) and generated organic growth of 0.9%, slightly better than the Group's organic growth. As such, the demand from key accounts continued to show some resilience despite Covid-19 lockdowns and restrictions. This was mainly due to high demand for above-base work related to Covid-19 in Denmark, the commencement of a five-year contract with Iberdrola in Spain, and the launch of a Hospital Authority contract in the healthcare segment in Hong Kong. Additionally, the Americas region gradually started up the five-year IFS contract with a large international manufacturing customer.

Despite the continued suppressed activity in the bidding environment, which is gradually ramping up, ISS secured contract extensions with four major key account customers, one new win as well as one expansion. ISS extended the global contract with Barclays for five years and the Rolls Royce contract across eight countries for two years. Additionally, ISS signed a one-year extension of the contract with Victorian Department of Education and Training in Australia and a five-year extension with DSB in Denmark. In Norway, Equinor and ISS signed a five-year contract, with a possible extension of additional five years. Finally, ISS signed an expansion of a contract with a global manufacturing customer, which is set to launch in Q1 2022.

Major key account developments [1]	Countries	Segment	Term	Effective
Wins				
Equinor	Norway	Energy & Resources	5 years	Q4 2021
Extensions/expansions				
Rolls Royce	8 countries	Industry & Manufacturing	2 years	Q1 2021
Barclays	Global	Business Services & IT	5 years	Q2 2021
Victorian Department of Education and Training	Australia	Public Administration	1 year	Q2 2021
DSB	Denmark	Transportation & Infrastructure	5 years	Q4 2021
Industry & Manufacturing customer	Global	Industry & Manufacturing	5 years	Q1 2022
Exits/losses				
Danish Defence	Denmark	Public Administration	-	Q2 2022

[1] Annual revenue above DKK 100 million.

Free cash flow

Free cash flow in H1 2021 was DKK 1,309 million (H1 2020: DKK (2,491) million), an improvement of DKK 3,800 million compared to the same period last year. Free cash flow in H1 2021 was positively impacted by improvement in operating profit before other items and changes in working capital. The latter was a result of the pick-up in activity, strong focus on working capital management as well as timing with a large part expected to reverse in H2 2021.

Cash flow from operating activities in H1 2021 was DKK 1,793 million (H1 2020: DKK (1,977) million), an increase of DKK 3,770 million compared with the same period last year primarily due to the improvement in operating profit before other items and a positive impact from working capital. This was predominantly due to an increase in employee-related accruals following the pick-up in activity and postponement of holidays due to Covid-19, with a large part expected to reverse in H2 2021 as well as generally strong focus on working capital management. The improvement was further supported by improved payment terms for ISS and increased customer prepayments of DKK 272 million following the extension of a global key account contract. Utilisation of factoring of DKK 1.0 billion at 30 June 2021 was unchanged from 31 December 2020.

Cash flow from investing activities in H1 2021 improved to DKK 646 million (H1 2020: DKK (401) million), mainly driven by cash inflow of DKK 889 million from divestments, primarily Kanal Services in Switzerland. Investments in intangible assets and property, plant and equipment, net, was DKK 236 million (H1 2020: DKK 276 million), which represented 0.7% of Group revenue (H1 2020: 0.8%) and reflected continued strict investment discipline during Covid-19. Cash outflow from acquisitions of DKK 21 million was mainly related to earn-out payments on prior-year acquisitions.

Cash flow from financing activities in H1 2021 was DKK (808) million (H1 2020: DKK 3,576 million) mainly stemming from lower utilisation of working capital facilities.

Capital structure

The ISS Global Group is indirectly wholly owned by ISS A/S and is therefore part of the ISS A/S Group. Group Treasury manages financing activities and capital structure centrally for the ISS A/S Group as a whole. The ISS Global Group's financing activities and capital structure are not assessed independently of the ISS A/S Group.

On the back of a strong liquidity position and with increased visibility on the Covid-19 impact, ISS cancelled the EUR 700 million backup credit facility in May 2021. The facility was established in Q2 2020 in response to Covid-19-related uncertainties. The Group continues to have undrawn facilities of EUR 1 billion in a revolving credit facility maturing November 2024.

ISS has no material debt maturities until 2024 and no financial covenants in the capital structure. ISS A/S currently holds corporate credit ratings of BBB-/ Negative outlook assigned by S&P and Baa3/ Stable outlook assigned by Moody's.

Net debt decreased to DKK 10.4 billion at 30 June 2021 from DKK 19.7 billion at 30 June 2020, primarily due to a capital increase of DKK 1.3 billion in August 2020, free cash flow as well as the progressing divestment programme, which generated proceeds of approximately DKK 1.5 billion in the 12-month period ending 30 June 2021.

Equity

Total equity was DKK 3,334 million at 30 June 2021 equivalent to an equity ratio of 8.2% (30 June 2020: (1.2)%). The increase from 31 December 2020 was primarily a result of Net profit of DKK 176 million, and positive currency adjustments relating to investments in foreign subsidiaries of DKK 38 million, partially offset by negative fair value adjustments of net investment hedges, net of DKK 65 million.

Divestment programme

The strategic divestment programme had good momentum in the first six months of 2021. ISS completed the divestment of its activities in the Czech Republic, Romania and Slovakia in March and Hungary in April. Furthermore, ISS divested the Swiss sewer maintenance business, Kanal Services in May. In addition, three minor business units in Sweden and the UK were divested in H1 2021.

The divestment of the Group's activities in Slovenia, which was signed in November 2020, has been postponed due to delayed regulatory approval, but is expected to be completed in Q3 2021.

By the end of H1 2021, 11 countries out of the 18 countries in the programme scope had been divested.

Total net proceeds from the above divestments amounted to approximately DKK 1 billion in H1 2021. ISS continues to target approximately DKK 2 billion in total net proceed from the divestment programme in 2021 and 2022.

At 30 June 2021, 9 businesses were classified as held for sale comprising seven countries and two business units; one business in Asia & Pacific and one business in Americas. Assets and liabilities held for sale amounted to DKK 1,332 million and DKK 583 million, respectively.

In H1 2021, divestments and fair value remeasurement of businesses classified as held for sale (including discontinued operations) resulted in a net gain before tax of DKK 570 million (all divestments) (H1 2020: net loss of DKK 151 million), see note 13 to the condensed consolidated interim financial statements.

Subsequent events

Other than as set out elsewhere in this Interim report for H1 2021, we are not aware of events subsequent to 30 June 2021, which are expected to have a material impact on the Group's financial position.

Regional performance

Continental Europe

Revenue in the first six months of 2021 was DKK 13,767 million, which was flat compared to H1 2020, reflecting an organic growth of 5% (H1 2020: 1%). Acquisitions and divestments, net decreased revenue by 1% and currency effects impacted negatively by 4%.

Organic growth in Continental Europe was mainly driven by strong performance in Turkey, Spain, Switzerland and Italy, albeit with a low comparison base in Q2 2020. In Turkey, the growth was supported by price increases as a result of cost inflation passed on to customers as well as the continued growth from launches of new hospital contracts in the second half of 2020. Spain, Italy and Switzerland experienced continued high demand for projects and above-base work, especially deep-cleaning and disinfection as well as contract expansions. Across the region, projects and above-base work increased around 23% organically. This was partly offset by revenue reductions due to contract exits in Germany and the Netherlands as well as the impact from Covid-19 related lockdowns which continued to negatively impact the region, most significantly in the Netherlands due to high exposure to food services.

Operating profit before other items amounted to DKK 190 million in H1 2021 for an operating margin of 1.4% (H1 2020: (2.5)%). Most countries in the region contributed to the margin increase, led by Spain, Switzerland and Turkey. The ongoing restructuring initiatives, portfolio trimming and continued focus on recovery from Covid-19, together with the high demand for projects and above-base work impacted the margins positively across the region. In Germany the execution programme for the Deutsche Telekom contract continued according to plan and the IT developments were implemented in July 2021.

Northern Europe

Revenue amounted to DKK 11,398 million in H1 2021, which was flat compared with the same period last year. Organic growth was (1)% (H1 2020: (7)%) and currency effects were positive with 1%.

The continued Covid-19 lockdowns and restrictions across the region were the main drivers behind the negative organic growth, with Norway and the UK being the most significantly impacted. The region has a relatively high exposure to food services, where total revenue decreased by 24% compared to same period last year, albeit with initial signs of recovery towards the end of the period. Norway reported negative organic growth due to high exposure to food services and customers in the Hotels and Aviation segments. The UK was negatively impacted, predominantly by the extended Covid-19 restrictions in most of the first six months of 2021, though partly offset by a pickup within the healthcare segment due to additional above-base work. Organic growth in Finland and Denmark was positive due to high demand for projects and above-base work, mainly deep-cleaning and disinfection. Projects and above-base work for the region increased around 15% organically.

Operating profit before other items amounted to DKK 306 million, resulting in an operating margin of 2.7% (H1 2020: (4.7)%). All countries in the region contributed to the increase in margin with focus on recovery from Covid-19 and continued focus on cost control being the main drivers. Further, the operating margin in H1 2020 was negatively impacted by one-off costs in the UK, following the detailed review of the business platform, as well as the Danish Defence contract in Denmark operating at a loss-making level.

Asia & Pacific

Revenue decreased 4% to DKK 6,161 million in the first six months of 2021 compared to the same period last year, reflecting a negative organic growth of 1% (H1 2020: 1%), and negative currency effects of 3%.

Covid-19 continued to negatively impact the region, most significantly in India, Indonesia and Singapore. This was partly offset by positive organic growth in Hong Kong, Australia and China, mainly driven by the continued high demand for projects and above-base work, mostly related to deep-cleaning and disinfection. In Australia, this was further driven by the pickup in activity in the domestic Aviation segment. Across the region, projects and above-base work increased around 17% organically.

Operating profit before other items increased to DKK 370 million, resulting in an operating margin of 6.0% (H1 2020: 3.9%). Most countries in the region contributed to the solid operating margin, driven by strong operational performance and the continued demand for higher margin projects and above-base work. This was partially offset by impact from Covid-19 lockdowns, especially in India and Indonesia.

Americas

Revenue decreased 24% to DKK 2,820 million in H1 2021 compared with the same period last year. Organic growth was (17)% (H1 2020: (11)%) and negative currency effects were 7%.

Due to high exposure to food services and the Aviation segment, the Americas region continued to report the largest revenue decline in the Group. As such, revenue from food services declined by 49% compared to H1 2020 and accounted for around 22% of the region's revenue (2020: 29%) compared to 10% of revenue for the Group (2020: 11%). Initial signs of recovery were seen towards the end of H1 2021. Mexico delivered organic growth of 8.3%, mainly due to solid revenue growth from new sales to key accounts.

Operating profit before other items was DKK 160 million for an operating margin of 5.7% in the first six months of 2021 (H1 2020: 3.1%). Despite the revenue decline, the region continued to generate a solid operating margin mainly as a result of renegotiation of contracts and portfolio trimming last year and continued focus on cost control. Mexico delivered a margin of 5.9% supported by new sales to key accounts.

Outlook

Outlook 2021

ISS Global A/S is an indirectly, wholly owned subsidiary of ISS A/S and an integrated part of the ISS A/S Group.

Based on the development in H1 2021, the outlook for free cash flow is upgraded. Outlook for organic growth and operating margin remains unchanged.

The execution of the OneISS strategy is progressing in line with plan, including the recovery of the underperforming contracts and countries.

Global uncertainties remain significant as governments across the globe continue to change Covid-19 restrictions and lockdowns. Although the global vaccination programmes are progressing, the impact on the activity levels within ISS's core services remain uncertain.

Organic growth is expected to be positive in 2021 (2020: (6.5)%). Both portfolio revenue and above-base revenue are subject to high uncertainty due to the continued impact of Covid-19. The revenue lost in 2020 from Covid-19 lockdowns and restrictions is expected to be recovered over some years.

Operating margin is expected to be above 2.5% (2020: (3.6)%). The main drivers of the improvement are the progress on the underperforming contracts and countries as well as successful restructuring initiatives in response to Covid-19. These initiatives include contract exits, trimming and renegotiation of especially food services contracts to ensure a healthy profitability at reduced volumes.

Free cash flow is expected to be in the range DKK 0-1.0 billion (previously DKK 0-(1.0) billion) (2020: DKK (2.1) billion). The upgrade of the outlook is mainly a result of working capital improvement. The factoring level is now expected to slightly increase in 2021 compared to 2020.

The outlook should be read in conjunction with "Forward-looking statements" in the table to the right.

Outlook 2021

	Annual Report 2020	Interim report H1 2021
Organic growth	Positive	Positive
Operating margin [1]	Above 2.5%	Above 2.5%
Free cash flow	DKK 0-(1)bn	DKK 0-1bn

[1] Based on operating profit before other items

Forward-looking statements

This report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook. Statements herein, other than statements of historical fact, regarding future event 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, expect to the extent required by law.

The Annual Report 2020 of ISS Global A/S is available at the Group's website, www.issworld.com.

Management statement

Copenhagen, 11 August 2021

The Board of Directors and the Managing Director have today discussed and approved the interim report of ISS Global A/S for the period 1 January – 30 June 2021.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional requirements of the Danish Financial Statements Act. The interim report has not been reviewed or audited.

In our opinion, the condensed consolidated interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 30 June 2021 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 June 2021.

In our opinion, the Management review includes a fair review of the development in the Group's operations and financial conditions, the results for the period, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group face.

Managing Director

Kristoffer Lykke-Olesen

Board of Directors

Jacob Aarup-Andersen Chairman	Kasper Fangel	
Corinna Refsgaard	Pierre-Francois Riolacci	Bjørn Raasteen

Condensed consolidated interim financial statements

Condensed consolidated statement of profit or loss

1 January – 30 June

DKK million	Note	YTD 2021	YTD 2020
Revenue	4, 5	34,412	35,489
Staff costs	16	(22,531)	(23,518)
Consumables		(2,226)	(3,070)
Other operating expenses		(7,939)	(8,597)
Depreciation and amortisation [1]		(715)	(769)
Operating profit before other items		1,001	(465)
Other income and expenses, net	7	458	(513)
Royalty		(544)	(589)
Goodwill impairment	8	(459)	(520)
Amortisation/impairment of brands and customer contracts		(31)	(48)
Operating profit		425	(2,135)
Financial income		45	33
Financial expenses		(330)	(320)
Profit before tax		140	(2,422)
Income tax		(103)	(204)
Net profit from continuing operations		37	(2,626)
Net profit from discontinued operations	9	139	(161)
Net profit		176	(2,787)
Attributable to:			
Owner of ISS Global A/S		170	(2,792)
Non-controlling interests		6	5
Net profit		176	(2,787)

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

Condensed consolidated statement of comprehensive income

1 January – 30 June

DKK million	Note	YTD 2021	YTD 2020
Net profit		176	(2,787)
Other comprehensive income			
Actuarial gains/(losses)	14	650	(359)
Impact from asset ceiling regarding pensions		(638)	102
Tax		(3)	48
Net total, that will not be reclassified to profit or loss in subsequent periods		9	(209)
Foreign exchange adjustments of subsidiaries and non-controlling interests		38	(307)
Fair value adjustments of net investment hedges		(83)	125
Recycling of accumulated foreign exchange adjustments on country exits		(4)	-
Tax		18	(27)
Net total, that may be reclassified to profit or loss in subsequent periods		(31)	(209)
Other comprehensive income		(22)	(418)
Comprehensive income		154	(3,205)
Attributable to:			
Owner of ISS Global A/S		151	(3,208)
Non-controlling interests		3	3
Comprehensive income		154	(3,205)

Condensed consolidated statement of cash flows

1 January – 30 June

DKK million	Note	YTD 2021	YTD 2020
Operating profit before other items		1,001	(465)
Operating profit before other items from discontinued operations	9	70	46
Depreciation and amortisation		715	776
Share-based payments		15	1
Changes in working capital	10	1,778	(628)
Changes in provisions, pensions and similar obligations		(378)	66
Other expenses paid		(9)	(88)
Interest received from companies within the ISS Group		32	11
Interest received, external		16	39
Interest paid to companies within the ISS Group		(0)	(5)
Interest paid, external		(165)	(231)
Income tax paid		(195)	(83)
Payments related to royalties		(1,087)	(1,416)
Cash flow from operating activities		1,793	(1,977)
Acquisition of businesses		(21)	(103)
Divestment of businesses	12	889	(5)
Acquisition of intangible assets and property, plant and equipment		(245)	(317)
Disposal of intangible assets and property, plant and equipment		9	41
Acquisition of financial assets, net		14	(17)
Cash flow from investing activities		646	(401)
Other financial payments, net		(685)	3,288
Repayment of lease liabilities		(462)	(496)
Acquisition of non-controlling interests		(15)	-
Payments (to)/from companies within the ISS Group, net		354	784
Cash flow from financing activities		(808)	3,576
Total cash flow		1,631	1,198
Cash and cash equivalents at 1 January		2,741	2,669
Total cash flow		1,631	1,198
Foreign exchange adjustments		93	(281)
Cash and cash equivalents at 30 June		4,465	3,586
Free cash flow	11	1,309	(2,491)

Condensed consolidated statement of financial position

DKK million	Note	30 June 2021	30 June 2020	31 December 2020
Assets				
Intangible assets		15,514	16,785	15,910
Property, plant and equipment and leases		3,182	3,943	3,456
Receivables from companies within the ISS Group		3,144	-	3,116
Deferred tax assets		899	825	818
Other financial assets		318	376	351
Non-current assets		23,057	21,929	23,651
Inventories		167	274	175
Trade receivables		9,828	11,928	9,861
Tax receivables		171	91	163
Receivables from companies within the ISS Group		83	80	291
Other receivables		1,505	3,042	1,436
Cash and cash equivalents		4,465	3,586	2,741
Assets held for sale	13	1,332	1,464	1,816
Current assets		17,551	20,465	16,483
Total assets		40,608	42,394	40,134
Equity and liabilities				
Equity attributable to owner of ISS Global A/S		3,309	(521)	3,166
Non-controlling interests		25	27	29
Total equity		3,334	(494)	3,195
Loans and borrowings		17,100	13,781	17,236
Pensions and similar obligations	14	1,439	1,627	1,480
Deferred tax liabilities		324	730	345
Provisions	15	243	313	624
Non-current liabilities		19,106	16,451	19,685
Loans and borrowings		996	9,602	1,264
Trade and other payables		5,397	4,932	4,839
Tax payables		108	283	103
Other liabilities		9,526	10,661	8,908
Provisions	15	1,558	183	1,302
Liabilities held for sale	13	583	776	838
Current liabilities		18,168	26,437	17,254
Total equity and liabilities		40,608	42,394	40,134

Condensed consolidated statement of changes in equity

1 January – 30 June

DKK million	Note	Share capital	Retained earnings	Translation reserve [1]	Total	Non-con-trolling interests	Total equity
		Attributable to owner of ISS Global A/S					
2021							
Equity at 1 January		180	3,998	(1,012)	3,166	29	3,195
Net profit		-	170	-	170	6	176
Other comprehensive income		-	9	(28)	(19)	(3)	(22)
Comprehensive income		-	179	(28)	151	3	154
Acquisition of non-controlling interests		-	(8)	-	(8)	(7)	(15)
Transactions with owners		-	(8)	-	(8)	(7)	(15)
Changes in equity		-	171	(28)	143	(4)	139
Equity at 30 June		180	4,169	(1,040)	3,309	25	3,334
2020							
Equity at 1 January		180	3,043	(536)	2,687	24	2,711
Net profit		-	(2,792)	-	(2,792)	5	(2,787)
Other comprehensive income		-	(209)	(207)	(416)	(2)	(418)
Comprehensive income		-	(3,001)	(207)	(3,208)	3	(3,205)
Changes in equity		-	(3,001)	(207)	(3,208)	3	(3,205)
Equity at 30 June		180	42	(743)	(521)	27	(494)

[1] At 30 June 2021, DKK 30 million (30 June 2020: losses of DKK 1 million) of accumulated foreign exchange losses related to discontinued operations.

1 General accounting policies

The condensed consolidated interim financial statements of ISS Global A/S for the period 1 January - 30 June 2021 comprise ISS Global A/S and its subsidiaries (collectively, the Group).

Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional requirements of the Danish Financial Statements Act.

The Group has prepared the condensed consolidated interim financial statements on the basis that it will continue to operate as a going concern. The Board of Directors and the Managing Director consider that there are no material uncertainties that may cast significant doubt over this assumption and have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2020.

2 Changes in accounting policies

The accounting policies adopted in these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for the adoption of a number of new or amended standards which became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3 Significant accounting estimates and judgements

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Except for the judgements and estimates commented upon in the notes of these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

4 Segment information

ISS is a leading, global provider of workplace and facility service solutions operating in 60 countries. 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. Countries where we do not have a full country support structure, which are managed by Global Operations, are combined in a separate segment "Other countries".

DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments
YTD 2021						
Revenue [1]	13,767	11,398	6,161	2,820	278	**34,424**
Operating profit before other items	190	306	370	160	9	**1,035**
Operating profit	(28)	105	263	113	6	**459**
Total assets	14,910	13,819	7,238	4,261	1,420	**41,648**
Hereof assets held for sale	-	-	163	315	854	**1,332**
Total liabilities	9,609	10,160	3,181	3,221	773	**26,944**
Hereof liabilities held for sale	-	-	35	74	474	**583**
YTD 2020						
Revenue [1]	13,703	11,343	6,414	3,708	324	**35,492**
Operating profit before other items	(344)	(535)	247	114	15	**(503)**
Operating profit	(1,420)	(881)	79	52	13	**(2,157)**
Total assets	17,100	14,267	7,640	4,868	2,651	**46,526**
Hereof assets held for sale	-	-	121	-	1,343	**1,464**
Total liabilities	11,091	10,436	3,791	3,861	1,603	**30,782**
Hereof liabilities held for sale	-	-	36	-	740	**776**

[1] Including internal revenue which due to the nature of the business is insignificant and therefore not disclosed.

Reconciliation of operating profit

DKK million	YTD 2021	YTD 2020
Operating profit for reportable segments	459	(2,157)
Unallocated corporate costs	(34)	38
Unallocated other income and expenses, net	-	(16)
Operating profit	425	(2,135)

5 Revenue

DKK million	YTD 2021	YTD 2020
Key accounts	23,586	23,636
Large and medium	8,730	9,887
Small and route-based	2,096	1,966
Revenue	34,412	35,489

6 Share-based payments

LTIP 2021

On 1 March 2021, new performance-based share units (PSUs) were granted under the LTIP to members of the EGM (EGMB and Corporate Senior Officers of the ISS A/S Group) and other senior officers of the ISS A/S Group. The programme is described in the consolidated financial statements for 2020. The number of PSUs granted was 1,349,527. Like previous grants under the LTIP, the PSUs will vest on the date of the third anniversary of the grant, subject to achievement of certain performance targets and service criteria. Upon vesting, each PSU entitles the holder to receive one share at no cost.

	LTIP 2021
Total PSUs granted	1,349,527
Number of participants	129
Number of PSUs expected to vest at grant date	685,249
Fair value of PSUs expected to vest at grant date, DKK million	80

LTIP 2018 (vested)

In March 2021, the LTIP 2018 programme vested. Based on the annual EPS and TSR performances for 2018, 2019 and 2020, 0% of the granted PSUs vested. After this vesting, no further PSUs are outstanding under the LTIP 2018 and the programme has lapsed.

7 Other income and expenses, net

DKK million	YTD 2021	YTD 2020
Gain on divestments	471	5
Other income	471	5
Loss on divestments	(8)	(16)
Acquisition and integration costs	(5)	(1)
IT security incident	(0)	(483)
Winding up of businesses	-	(18)
Other expenses	(13)	(518)
Other income and expenses, net	458	(513)

Gain on divestments mainly related to the divestment of Kanal Services in Switzerland. In 2020, the gain related mainly to the divestment of the Pest control business in Singapore.

Loss on divestments mainly related to the divestment of the Fruit Baskets business in Sweden and the Restoration business in the UK. In 2020, the loss comprised additional divestment and settlement costs mainly related to prior-year divestments in Denmark and Germany.

IT security incident in 2020 comprised unavoidable incremental costs incurred as a consequence of the IT security incident, including writedown of impaired assets, non-chargeable costs due to lack of documentation and certain customer claims and penalties.

Winding up of businesses in 2020 related to the Open Space business in Australia.

8 Goodwill impairment

DKK million	YTD 2021	YTD 2020
Identified in impairment tests	459	500
Loss on divestments	-	20
Goodwill impairment	**459**	**520**

Identified in impairment tests in 2021 and 2020, the losses related to goodwill impairment in France.

Loss on divestments in 2020 related to the Parking Management business in Indonesia.

Impairment tests

The Group performs impairment tests on intangibles, i.e. goodwill, brands and customer contracts, annually and whenever there is an indication that intangibles may be impaired. The annual impairment test is performed as per 31 December based on financial budgets approved by management covering the following financial year.

At 30 June 2021, the Group performed a review for indications of impairment of the carrying amount of intangibles. Except for France, it is management's opinion, based on the review performed, that excess values are fairly resilient to any likely and reasonable deteriorations in the key assumptions applied and presented in note 3.7 in the consolidated financial statements for 2020.

France At 30 June 2021, the impairment test for France resulted in recognition of an impairment loss on goodwill of DKK 459 million.

During the first six months of 2021, management has gained more insights and increased transparency around the recoverability from Covid-19 and related uncertainties, noting that the pace of market recovery within the most impacted customer segments remains uncertain. Accordingly, the risk reflected in the applied WACC has been increased. Combined with increasing interest rates in H1 2021, this led to a higher applied WACC at 30 June 2021. Furthermore, compared to previous assessments, management expects a more moderate growth and margin improvement in 2023-2025, especially within the most impacted customer segments. Assumptions for the terminal period are maintained.

Applied assumptions, sensitivities and carrying amounts for France are illustrated below.

	Goodwill	Forecasting period				Terminal period				Discount rate, net of tax	
		Growth		Margin		Growth		Margin			
	Carrying amount (DKK million)	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease
30 June 2021	937	0.9%	0.0%	2.4%	0.0%	2.0%	0.0%	5.0%	0.0%	8.9%	0.0%
31 Dec 2020	1,396	3.1%	2.0%	3.1%	2.0%	2.0%	0.6%	5.0%	0.5%	7.3%	0.5%

9 Discontinued operations

Our strategic divestment programme (announced in December 2018 and updated in December 2020) has progressed well. In the first half of 2021, we completed the divestment of the Czech Republic, Romania and Slovakia in March and Hungary in April. At 30 June 2021, seven countries out of the total 18 countries in the programme scope continued to be classified as discontinued operations and assets held for sale.

The divestment of the Group's activities in Slovenia, which was signed in November 2020, has been postponed due to delayed regulatory approval but is expected to be completed during Q3 2021. Management remains committed to finalising the divestment programme while focusing on executing divestments at adequate valuations.

Net profit/(loss) from discontinued operations

DKK million	YTD 2021	YTD 2020
Revenue	1,185	2,257
Expenses [1]	(1,116)	(2,211)
Operating profit before other items	69	46
Other income and expenses, net [2]	107	(117)
Royalty	(22)	(51)
Operating profit	154	(122)
Financial income/(expenses), net	(2)	(16)
Net profit before tax	152	(138)
Income tax	(13)	(23)
Net profit from discontinued operations	139	(161)
Earnings per share from discontinued operations, DKK		
Basic earnings per share (EPS)	0.9	(0.7)
Diluted earnings per share	0.9	(0.7)

[1] Including depreciation and amortisation of DKK 0 million (2020: DKK 8 million).

[2] Related to net gain from divestments, including recycling of accumulated foreign exchange adjustments (2020: including impairment loss of DKK 114 million due to remeasurement of the fair value of Brazil).

Cash flow from discontinued operations

DKK million	YTD 2021	YTD 2020
Cash flow from operating activities	6	(30)
Cash flow from investing activities	(15)	(1)
Cash flow from financing activities	(18)	(38)

10 Changes in working capital

DKK million	YTD 2021	YTD 2020
Changes in inventories	11	(3)
Changes in receivables	30	(382)
Changes in payables	1,737	(243)
Total	1,778	(628)

11 Free cash flow

Free cash flow as defined by management, cf. the 2020 Annual Report p. 112, is summarised below. Free cash flow is not a financial performance measure established by IFRS. Accordingly, the measure and its calculation is solely presented as it is used by management as an alternative performance measure in managing the business.

The free cash flow measure should not be considered a substitute for those measures required by IFRS and may not be calculated by other companies in the same manner. As such, reference is made to the IFRS measures included in the condensed consolidated statement of cash flows on p. 14.

DKK million	YTD 2021	YTD 2020
Cash flow from operating activities	1,793	(1,977)
Acquisition of intangible assets and property, plant and equipment	(245)	(317)
Disposal of intangible assets and property, plant and equipment	9	41
Acquisition of financial assets, net [1)]	(4)	(6)
Addition of right-of-use assets, net	(244)	(232)
Total	1,309	(2,491)

[1)] Excluding investments in equity-accounted investees of DKK (18) million (2020: DKK 10 million). The negative investments in 2021 related to dividends and disposals of equity-accounted investees.

12 Divestments

The Group completed eight divestments during 1 January - 30 June 2021 (three during 1 January - 30 June 2020):

Company/activity	Country	Service type	Excluded from profit or loss	Interest	Annual revenue [1] (DKK million)	Number of employees [1]
Fruit Baskets	Sweden	Food	February	Activities	17	19
Indoor Plants	Sweden	Technical	February	Activities	23	35
ISS Slovakia	Slovakia	Country exit	April	100%	102	831
ISS Czech Republic	Czech Republic	Country exit	April	100%	262	1,698
ISS Romania	Romania	Country exit	April	100%	88	934
ISS Hungary	Hungary	Country exit	May	100%	55	439
Kanal Services	Switzerland	Technical	May	100%	339	280
Restoration business	UK	Technical	June	100%	23	36
Total					909	4,272

[1] Unaudited.

Divestment impact

DKK million	YTD 2021	YTD 2020
Goodwill	175	45
Other non-current assets	289	10
Current assets	224	38
Non-current liabilities	(36)	(1)
Loans and borrowings	(121)	(6)
Current liabilities	(153)	(18)
Net assets disposed	378	68
Gain/(loss) on divestment, net	566	(13)
Divestment costs	71	27
Consideration received	1,015	82
Cash in divested businesses	(60)	(20)
Cash consideration received	955	62
Contingent and deferred consideration	-	5
Divestment costs paid	(66)	(72)
Divestment of businesses (cash flow)	889	(5)

Divestments subsequent to 30 June 2021

The Group completed no divestments from 1 July to 31 July 2021.

13 Assets and liabilities held for sale

Businesses classified as held for sale

At 31 December 2020, 14 businesses were classified as held for sale comprising 11 countries (discontinued operations) and three business units in Continental Europe, Asia & Pacific and Americas, respectively.

In H1 2021, we completed the divestment of four countries and the Kanal Services business in Switzerland. As a result 9 businesses were classified as held for sale at 30 June 2021.

Profit or loss effect

In H1 2021, divestment of businesses classified as held for sale at 31 December 2020 resulted in recognition of a net gain of DKK 570 million in the profit or loss. The net gain was recognised in Other income and expenses, net (DKK 463 million (gain)) and Net profit from discontinued operations (DKK 107 million (gain)).

Recycling of accumulated foreign exchange adjustments recognised in equity had a positive impact on the net gain of DKK 4 million, mainly related to the Czech Republic, Slovakia, Romania and Hungary.

14 Pensions and similar obligations

For interim periods, the Group's defined benefit obligations are based on valuations from external actuaries carried out at the end of the prior financial year taking into account any subsequent movements in the obligation due to pension costs, contributions etc. up until the reporting date. For interim periods, actuarial calculations are only updated to the extent that significant changes in applied assumptions have occurred. Based on an overall analysis carried out by management it is determined whether updated actuarial calculations should be obtained for interim periods.

At 30 June 2021, the overall evaluation carried out by management resulted in updated actuarial calculations being obtained for Switzerland and the UK, due to market fluctuations, which had impacted interest rates and asset values. The updated calculations led to recognition of actuarial gains of DKK 650 million, which were largely offset by impact from asset ceiling of DKK 638 million. The net gain of DKK 12 million (DKK 9 million net of tax) was recognised in other comprehensive income with a resulting decrease in the defined benefit obligation.

15 Provisions

At 30 June 2021, the carrying amount of provisions was DKK 1,801 million (31 December 2020: DKK 1,926 million). The decrease was primarily due to payments related to restructuring provisions recognised in 2020 on the back of Covid-19 in a number of countries.

As announced 24 June 2021, ISS and Danish Defence agreed to exit their partnership in Denmark by the end of May 2022. The provision recognised in 2020 in relation to the contract will cover the agreed exit fee and exit costs as well as operation of the contract until the exit date. No further provision has been recognised in 2021.

A dispute has arisen under a PFI (Private Finance Initiative) contract between ISS's end-customer and the project company. The dispute does not relate to the services delivered by ISS, but as a subcontractor to the project company, the dispute creates uncertainty as to ISS's received remuneration. ISS has engaged in constructive dialogue with the parties to ensure unaffected services and payments. However, as a consequence of the uncertainty following the ongoing dispute, remuneration received in relation to the services delivered has not been recognised as income.

16 Government grants and assistance

Covid-19 related grants and assistance

Governments in several countries, most significantly Hong Kong, Switzerland, the UK, Australia, Germany, Austria and France have offered support schemes in the form of wage compensation. The schemes are temporary, subject to certain conditions, and compensate costs related to e.g. employees on furlough, social security contribution and sick pay compensation.

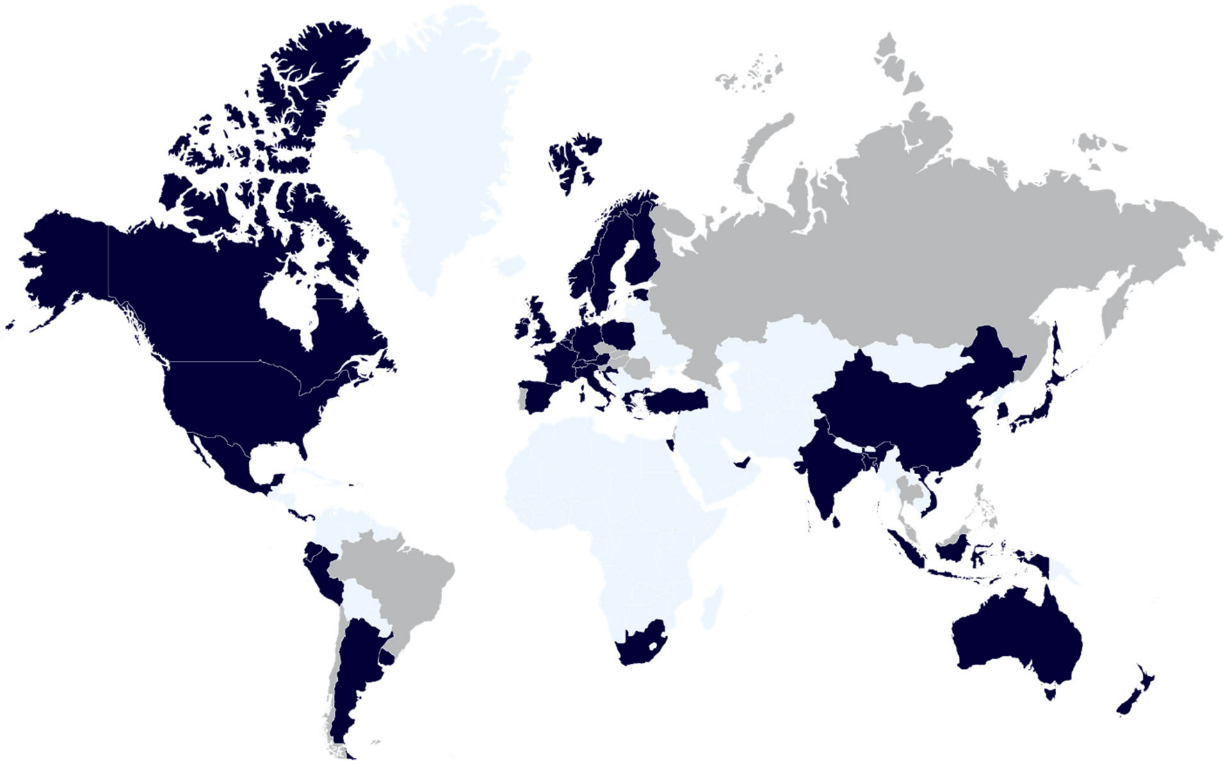
During the first six months of 2021, the Group was entitled to receive DKK 324 million in employee-related grants, which is specified below. As the grants compensate costs already incurred they are recognised in profit or loss as a reduction of staff costs. Depending on the specific commercial model, customers were appropriately and accordingly compensated.

DKK million	YTD 2021	YTD 2020
Wage subvention	309	605
Sick pay compensation	9	8
Social security contribution	5	12
Other	1	4
Recognised in Staff costs	324	629
Hereof included in Other receivables as of 30 June	56	109

17 Subsequent events

Other than set out elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to 30 June 2021, which are expected to have a material impact on the Group's financial position.

Our global footprint



ISS is a leading, global provider of workplace and facility service solutions. In partnership with customers, ISS drives the engagement and well-being of people, minimises the impact on the environment, and protects and maintains property. ISS brings all of this to life through a unique combination of data, insight and service excellence at offices, factories, airports, hospitals and other locations across the globe. In 2020, Group revenue was DKK 69.8 billion.